

Handelsbanken's interim report January – March 2002

Summary

- *Profits were SEK 2 659m (3 121)*
- *Income rose to SEK 5 493m (5 419)*
- *Net interest income rose by 7% to SEK 3 463m (3 240)*
- *Comparable expenses increased by less than 6%*
- *Loan losses were SEK 79m (+78)*
- *Operations in Midtbank AS were transferred to Handelsbanken's Danish branch*

Profits were SEK 2.7bn

Operating profits were SEK 2 659m (3 121) implying return on equity of 15.3% (21.7). The corresponding figure for the whole of 2001 was 18.4%. The C/I ratio before loan losses was 50.1% (43.8) and after loan losses 51.6% (42.4). The C/I ratio was affected negatively by the consolidation of Handelsbanken Liv into Handelsbanken's figures after the company had been demutualised. Life insurance operations in general have higher expenses in relation to income than banking operations. The C/I ratio excluding Handelsbanken Liv was 49.3% and 50.7% respectively. Earnings per share were SEK 2.69 (3.38), and as a 12-month moving total SEK 11.31 (13.17). For the full year 2001 earnings per share amounted to SEK 11.99.

Net interest income increased

Net interest income continued to increase to SEK 3 463m (3 240). The rise in net interest income is due to larger business volumes. During the quarter, lending grew by more than SEK 4bn to SEK 804bn, which represents an increase of nearly 13% compared to the first quarter of the previous year. Net commission income increased by 2% to SEK 1 238m (1 213). Equity-related commissions were lower compared with the previous year, while particularly lending and payments commission increased. Net trading income fell by just over 20% in relation to the high level in the first quarter of 2001.

Expenses were SEK 2 755m (2 376), an increase of 16%. The acquisitions of SPP and Midtbank and the consolidation of Handelsbanken Liv affected the cost comparisons. The underlying increase in expenses, excluding Midtbank, SPP, Handelsbanken Liv and foreign exchange effects, was 5.8%. The foreign exchange effect was one percentage point. The higher cost level is primarily due to expansion outside the Nordic region, higher IT costs and salary increases from wage agreements. IT expenses, including Handelsbanken Liv, were SEK 734m (611). The average number of staff in the Group rose by 1 092 to 9 795, where Midtbank and Handelsbanken Liv contributed 636 employees to this increase. Comparable expenses decreased 4.3% in relation to the last quarter of 2001. The number of staff at the end of the quarter had decreased by 43 compared with year-end 2001.

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Low loan losses

Loan losses continued to be very low and were SEK 79m compared to net recoveries of SEK 78m in the previous year. The share of bad debts in relation to lending fell from 0.33% to 0.17%. The volume of repossessed property was SEK 172m (140).

Capital ratio, share buybacks and rating

The Handelsbanken Group's capital ratio was 9.5% (9.5). The Tier 1 capital ratio was 6.2% (6.1). These ratios include profits for the period.

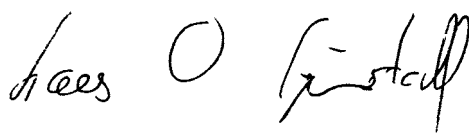
At the Annual General Meeting in April 2001, Handelsbanken was authorised to repurchase up to 20 million shares until the next AGM in 2002 and, if considered appropriate, to sell shares that had already been repurchased to finance possible acquisitions. Handelsbanken has not repurchased any shares since the 2001 meeting, but it has sold 5.5 million shares in connection with the acquisition of Midtbank.

Handelsbanken's rating from all three rating agencies was unchanged. However, Standard & Poor's changed its "outlook" for Handelsbanken's rating from "stable" to "positive".

Danish operations are combined in a single legal entity

The Bank's operations in Denmark are now run as a branch. The bank received the necessary authorisation to transfer operations in Midtbank to Handelsbanken's Danish branch. At the same time, the branch changed its name to Handelsbanken Midtbank, filial af Svenska Handelsbanken (publ). This change means that the integration of Midtbank has been completed in all main areas. A joint IT platform was already in place and Handelsbanken's organisational model and credit system have been implemented.

Stockholm, 22 April 2002

A handwritten signature in black ink, appearing to read 'Lars O Grönstedt'.

Lars O Grönstedt
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Svenska Handelsbanken

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This interim report has not been examined by the company's auditors

The interim report for the second quarter of 2002 will be published on 20 August 2002. 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 20 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, page 22. Participations in associated companies' results are reported under "Other income".

SEK m	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Net interest income	3 463	3 240	7	13 385
Commission, net Note 1a	1 238	1 213	2	5 028
Trading, net	625	813	-23	2 656
Other income	167	153	9	585
Total income	5 493	5 419	1	21 654
Staff costs excl. performance-related	-1 536	-1 292	19	-5 580
Performance-related staff costs	-53	-129	-59	-338
Other expenses	-1 166	-955	22	-4 376
Total expenses	-2 755	-2 376	16	-10 294
Profit before loan losses	2 738	3 043	-10	11 360
Loan losses incl. change in value of repossessed property	-79	78		-152
Operating profit	2 659	3 121	-15	11 208
Pension settlement	-23	162		306
Taxes	-762	-946	-19	-3 202
Minority interests	-6	-6	-	-22
Profit for the period	1 868	2 331	-20	8 290

Note to the Profit and Loss Account

SEK m	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Note 1a Commission, net				
Brokerage	252	310	-19	1 072
Mutual funds and custody	309	346	-11	1 229
Insurance	84	46	83	210
Payments	320	295	8	1 311
Lending and deposits	271	217	25	1 168
Other	281	272	3	1 204
Commission income	1 517	1 486	2	6 194
Commission expense	-279	-273	2	-1 166
Commission, net	1 238	1 213	2	5 028

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Other information

mkd	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Goodwill and intangible assets			
Opening residual value	9 462	4 970	4 970
Future goodwill and intangible assets	209	3 000	4 798
Amortisation for the period	-149	-92	-494
Foreign exchange effect	-88	57	188
Closing residual value	9 434	7 935	9 462

Financial ratios for Svenska Handelsbanken Group

	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Return on shareholder's equity	15,3%	21.7%	18.4%
Return on shareholder's equity, operating profit after standard tax	15.6%	20.7%	17.8%
Cost/Income (C/I ratio)			
- before loan losses	50.1%	43.8%	47.5%
- after loan losses	51.6%	42.4%	48.2%
Earnings per share, SEK			
- January-March	2,69	3.38	
- 12 month moving total	11,31	13.17	11.99
Number of shares, end of period	714 746 940	714 746 940	714 746 940
- of which repurchased	21 359 525	26 923 525	21 359 525
Average number of outstanding shares			
- Accumulated	693 387 415	689 363 042	691 205 879
- January - March	693 387 415	689 363 042	
Adjusted equity per share, SEK	71,99	64.18	69.50
Tier 1 capital	37 196	33 366	37 188
Risk-weighted volume	619 688	575 730	610 769
Capital ratio *	9.5%	9.5%	9.9%
Tier 1 ratio *	6.2%	6.1%	6.1%
Average number of employees	9 795	8 703	9 239
Number of branches in Nordic countries, end of period	545	515	545

* Including profit for the period

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Quarterly performance of Svenska Handelsbanken Group

SEK m	2002:1	2001:4	2001:3	2001:2	2001:1
Net interest income	3 463	3 529	3 392	3 224	3 240
Commission, net	1 238	1 299	1 150	1 366	1 213
Trading, net	625	662	532	649	813
Other income	167	155	98	179	153
Total income	5 493	5 645	5 172	5 418	5 419
Staff costs excl. performance-related	-1 536	-1 472	-1 449	-1 367	-1 292
Performance-related staff costs	-53	-20	-59	-130	-129
Other expenses	-1 166	-1 298	-1 099	-1 024	-955
Total expenses	-2 755	-2 790	-2 607	-2 521	-2 376
Profit before loan losses	2 738	2 855	2 565	2 897	3 043
Loan losses incl. change in value of repossessed property	-79	-203	-14	-13	78
Operating profit	2 659	2 652	2 551	2 884	3 121
Pension settlement	-23	-26	-14	184	162
Taxes	-762	-672	-732	-852	-946
Minority interests	-6	-5	-6	-5	-6
Profit for the period	1 868	1 949	1 799	2 211	2 331

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Business areas

Profit and loss account by business area - Group

SEK m	Branch offices	Markets	Securities	Asset- mgmt	Finans	Pension & Insurance	Stadshyp. Bank	Treasury	Other	January - March 2002	March 2001
Net Interest income	3 293	583	-39	44	129	-4	22	55	-58	4 025	3 198
Commission, net	624	44	107	227	81	87	11	-1	15	1 195	1 213
Net result on financial transactions	-2	-110	30	11	2	9	0	-15	12	-63	827
Other income	20	1	167	1	4	25	0	3	115	336	181
Total income	3 935	518	265	283	216	117	33	42	84	5 493	5 419
<i>Net internal remuneration included in income</i>	211										
<i>Net internal remuneration deducted from income</i>		10	10	119	2	66	4				
Total expenses	-1 714	-284	-199	-147	-108	-108	-29	-8	-158	-2 755	-2 376
Profit before loan losses	2 221	234	66	136	108	9	4	34	-74	2 738	3 043
Loan losses incl. change in value of repossessed property	-85	2		6	-2		0			-79	78
Operating profit	2 136	236	66	142	106	9	4	34	-74	2 659	3 121
Return on equity, %	17.9	14.1	23.7	23.6	29.5	3.5	26.2	19.5		15.3	21.7
Average number of employees	5 667	890	390	354	404	247	111	39	1 693	9 795	8 703

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 is 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 4.

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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 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, while Handelsbanken should have 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	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Net interest income	3 293	2 898	14	12 355
Commission, net	624	610	2	2 646
Net result on financial operations	-2	140		274
Other income	20	2		106
Total income	3 935	3 650	8	15 381
<i>Net internal remuneration included in income</i>	<i>211</i>	<i>216</i>		<i>906</i>
Total expenses	-1 714	-1 472	16	-6 441
Profit before loan losses	2 221	2 178	2	8 940
Loan losses incl. change in value of repossessed property	-85	23		-232
Operating profit	2 136	2 201	-3	8 708
Return on equity, %	17.9	21.0		20.6
Average number of employees	5 667	5 149		5 549

Branch office profits were SEK 2 136m (2 201), a decrease of 3%. Net interest income increased due to greater business volumes. The average volume of lending to the general public rose by 11% to SEK 737bn (653). During the first quarter, lending increased by SEK 6bn, which was due to increased mortgage lending in Sweden, particularly to households. Net commission income rose, especially payment and lending commission.

At Handelsbanken, the customer is at the centre of our attention in terms of service, customer satisfaction but also customer profitability. For a long time, the branches have had IT support to carry out profitability calculations for corporate customers. During the first quarter, a new system, developed in-house, was launched for calculating profitability of private customers. Handelsbanken's decentralised working methods with most staff having individual customer responsibility increases the need for a fast and simple tool for measuring profitability. Profitability calculations also provide information to assist customers in using the Bank's services in the best way possible and also to set the correct prices. The impact of changed customer behaviour on profitability as well as consequences of price changes.

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Handelsbanken received permission from Finanstilsynet, the financial supervisory authority in Denmark, to transfer the banking operations in Midtbank AS to Handelsbanken's branch in Denmark. At the same time, the name of the Danish branch was changed to "Handelsbanken Midtbank, filial af Svenska Handelsbanken AB (publ)". This change means that all banking operations in Denmark are conducted within the same legal entity. By changing the name of the branch, the Bank can use the Midtbank brand name in the future when considered appropriate.

The transfer of Midtbank's operations signals that the integration of Midtbank has been completed in all major areas. Apart from the Danish operations now being run in the same legal entity, the product range and prices have been co-ordinated. A joint IT platform was already in place and Handelsbanken's organisation and credit system have been implemented.

The result in Denmark was the highest reported so far in an individual quarter and profits in the Danish operations were on a par with the rest of the Group.

Last year, eight new branches were opened in Finland and during this quarter, the bank in Finland started to see the impact of the new branches, one example being that the number of customers has increased by approximately 6 000. There was increased competitive pressure in the Finnish banking market, which was mainly manifested in pressure on margins for mortgage loans and loans to small and medium-sized companies in particular.

The Handelsbanken Group's lending to the telecom, travel, hotel, shipping, aviation and insurance sectors was generally unchanged compared to the year-end and comprised less than 4% of total lending.

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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 approximately 900 employees in 17 countries. From an organisational point of view, Handelsbanken Securities is also part of Handelsbanken Markets. Securities is reported as a separate business area in the interim and annual reports.

Profit and loss account

SEK m	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Net interest income	583	149	291	1 506
Commission, net	44	44	0	218
Net result on financial operations	-110	428		690
Other income	1	7	-86	15
Total income	518	628	-18	2 429
<i>Net internal remuneration deducted from income</i>	<i>10</i>	<i>7</i>		<i>41</i>
Total expenses	-284	-276	3	-1 071
Profit before loan losses	234	352	-34	1 358
Loan losses incl. change in value of repossessed property	2	48	-96	88
Operating profit	236	400	-41	1 446
Return on equity, %	14.1	26.1		23.6
Average number of employees	890	842		862

Performance

Operating profit decreased by 41% to SEK 236m (400). Income fell by 18% to SEK 518m (628). Expenses rose marginally to SEK 284m (276). The lower result is mainly due to decreased profits in trading operations. The previous year's result included recoveries on previous write-offs in banking operations outside the Nordic countries.

Trading

The quarter was characterised by rising interest rates both in Sweden and abroad. This led to very volatile fixed income markets and thus major interest rate fluctuations. The foreign exchange market was more stable. The Swedish krona strengthened, partly as a result of the intensifying discussions on Swedish membership of EMU.

The result was lower, mainly because customer sales fell but also due to the volatile money and bond markets. The work of strengthening and enhancing customer contacts continued with unabated energy.

During the first quarter, Handelsbanken participated in a number of issues in the capital market. Handelsbanken was the only Nordic bank participating in issues for UPM Kymmene, KfW and the Republic of Poland. A retail bond loan for Sandvik was also issued during this quarter.

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Financial Institutions and Trade Finance

Financial Institutions is responsible for business with foreign banks and foreign governments. The main products offered are clearing services and cash management products for foreign banks. Operations reported lower profits as a result of reduced volumes and thus lower net interest income.

Trade Finance is responsible for export documentary credits, short and long-term export finance, and project finance. Volumes for export documentary credits rose substantially during the first quarter. Through the export and project finance unit, Handelsbanken, together with International Finance Corporation, received the mandate to finance building of a hydroelectric power station in Panama. The suppliers were Skanska, Alstom, GE Energy and Swedepower. Trade finance reported an increased result, mainly due to higher commission income.

Banking operations outside the Nordic countries

Banking operations outside the Nordic countries performed well. Profits before loan losses (recoveries) improved despite higher costs for expansion in the UK and the reorganisation in Mid-Europe.

In the UK, a new branch was opened in Newcastle upon Tyne. This means that Handelsbanken now conducts universal banking operations at seven branches in the UK, with another branch planned for this year.

Mid-Europe, with its head office in Frankfurt, conducts banking operations in the rest of Europe apart from Poland, oriented towards corporate customers. During the second quarter, a new branch will be opened in Amsterdam.

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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 via the units in Stockholm, London and New York.

Profit and loss account

SEK m	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Net interest income	-39	-52	25	-121
Commission, net	107	198	-46	767
Net result on financial operations	30	199	-85	499
Other income	167	26	542	158
Total income	265	371	-29	1 303
<i>Net internal remuneration deducted from income</i>	<i>10</i>	<i>11</i>		<i>63</i>
Total expenses	-199	-249	-20	-947
Profit before loan losses	66	122	-46	356
Loan losses incl. change in value of repossessed property				
Operating profit	66	122	-46	356
Return on equity, %	23.7	48.8		35.6
Average number of employees	390	371		385

Handelsbanken Securities reported profits of SEK 66m (122) which resulted in return on equity of 24% (49). Although the market continued to be difficult, the result was better than in the last two quarters of 2001.

The business conditions for corporate finance were weak, both in a Nordic and an international perspective. The market was characterised by low business activity in the corporate sector combined with poor interest from investors. A positive exception was the continued interest shown by Swedish private individuals in capital-guaranteed products such as equity-linked bonds. Handelsbanken Securities' focus on a number of different financial products means that its results are not entirely dependent on the stock market climate. In the equities area, trading income performed well compared to the last quarter of 2001. Commission income was on a par with the previous quarter, with the Oslo operations reporting particularly good figures.

Handelsbanken Securities' long-term aim is to advance its position in the market, irrespective of short-term market trends. It is, however, expected that the investment banking market will continue to be characterised by over-capacity and limited growth from today's low levels. In view of this, internal work has focused on prioritising quality before quantity. Simultaneously, the programme which was previously initiated to review costs – particularly in Nordic operations – has now started to have an impact. In order to enhance Handelsbanken's international position, work started on expanding the organisations in London and New York.

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Handelsbanken Asset Management

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

Profit and loss account

SEK m	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Net interest income	44	40	10	186
Commission, net	227	198	15	900
Net result on financial operations	11	5	120	23
Other income	1	8	-88	23
Total income	283	251	13	1 132
<i>Net internal remuneration deducted from income</i>	<i>119</i>	<i>129</i>		<i>518</i>
Total expenses	-147	-136	8	-572
Profit before loan losses	136	115	18	560
Loan losses incl. change in value of repossessed property	6	-		-10
Operating profit	142	115	23	550
Return on equity, %	23.6	22.7		28.4
Average number of employees	354	321		340

Operating profit was SEK 142m (115). Falling volumes of managed assets, the result of a weak stock market, were compensated by new management assignments and thus income rose by 13%. Expenses rose by 8%. In autumn 2001, as a result of new management assignments, the organisation was expanded, one consequence of this being higher staff costs. The volume of assets managed by Handelsbanken Asset Management was SEK 247bn (145). The total volume of assets under management by the Group was SEK 294bn (196).

Mutual fund management

The Bank's fund management company managed 89 (83) mutual funds. The assets managed were SEK 107bn (91). Net new savings in the Group's funds on the Swedish mutual fund market were SEK 6.8bn (2.1). This means that Handelsbanken had a market share of 20.9% (17.7) of the total net inflow to the Swedish mutual fund market. Excluding new savings in the premium pension system, the corresponding market share was 23.0%. The Bank's share of new savings in the premium pension system was 17.5%.

Global stockmarkets were characterised by small fluctuations in prices in the first quarter of the year. The MSCI global index varied within an interval of five percentage points. The market has not experienced this kind of stability in the last four years. Bond yields rose slightly towards the end of the period in the light of raised expectations of growth in the US economy. The actively managed funds focused on lower risk than in the previous quarter.

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Discretionary management

Assets under discretionary management increased during the quarter by SEK 6bn to SEK 137bn (47). SEK 9bn of the managed assets were invested in Handelsbanken's mutual funds. In the first quarter, 24 new customers were acquired, resulting in new management assignments worth SEK 5.5bn.

Operations outside the Nordic countries

Outside the Nordic countries, asset management is conducted at units in London and Luxembourg. The units in Marbella and Côte d'Azur are representative offices whose main task is to support asset management in Luxembourg. A branch of the Luxembourg subsidiary is expected to open shortly in Zurich. Assets managed were SEK 12bn (13).

Institutional custody services

Despite falling share prices and lower transaction volumes, institutional custody services performed well. New customers and more business from existing customers contributed to this. A number of structural changes will affect the whole market. A great deal of time and resources were therefore put into work related to CCP (Central Counterparty Clearing).

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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	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Net interest income	129	120	8	499
Commission, net	81	65	25	285
Net result on financial operations	2	0		-1
Other income	4	5	-20	17
Total income	216	190	14	800
<i>Net internal remuneration deducted from income</i>	2	1		3
Total expenses	-108	-108	0	-450
Profit before loan losses	108	82	32	350
Loan losses incl. change in value of repossessed property	-2	7		-5
Operating profit	106	89	19	345
Return on equity, %	29.5	29.8		29.4
Average number of employees	404	440		436

Profits were SEK 106m, which was SEK 17m or 19% higher. Return on equity was 29.5% (29.8). The increase in income was due to higher business volumes. Credit volumes continued to rise and the average volume during the quarter was SEK 27.1bn, which is 27% higher than the corresponding period in the previous year. Expenses were basically unchanged.

The sale of the debt collection company, Nordan AS, was completed. Operations in Denmark have been streamlined through this sale. Retail sales finance in Finland performed well, particularly in the caravan and motor home product area.

The regional bank operations continued to focus on making it easier and more efficient for the branches to handle finance company products. A special campaign called Finance weeks was run with the purpose of increasing knowledge and awareness of Handelsbanken Finans' services and products for branch staff and their customers.

The positive development of the Swedish Köpkort continued in the first quarter of the year. Compared to the previous year, card sales increased by 39%.

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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 SPP are run on mutual principles where the surplus is returned to policy-holders in the form of bonuses and collective risk capital. SPP is not included in Handelsbanken's consolidated accounts. On 1 January 2002, the traditional insurance operations of Handelsbanken Liv Försäkrings AB were demutualised. Following this, Handelsbanken Liv conducts its unit-linked operations and insurance with guaranteed yield within the same company.

Profit and loss account

SEK m	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Net interest income	-4	1		15
Commission, net	87	44	98	171
Net result on financial operations	9	-15		-18
Other income	25	2		8
Total income	117	32	266	176
<i>Net internal remuneration deducted from income</i>	66	67		259
Total expenses	-108	-23	370	-110
Profit before loan losses	9	9	0	66
Loan losses incl. change in value of repossessed property				
Operating profit	9	9	0	66
Return on equity, %	3.5	8.3		15.6
Average number of employees	247	11		11

Handelsbanken Liv

From 1 January 2002, the traditional insurance operations in Handelsbanken Liv are run in a demutualised company. The unit-linked operations and the traditional insurance operations were simultaneously amalgamated and are in their entirety consolidated into the accounts of the Bank. The comparative figures for 2001 comprise unit-linked operations only.

The profits of insurance operations (unit-linked and insurance with guaranteed yield) were SEK 9m (9). The result was affected by costs related to the demutualisation. Total return on policyholders' funds was -0.12%. The net result on financial operations improved due to higher return on the equity of the company. Since the end of 2001, the company's equity has mainly been invested in fixed-income securities. Other operating income includes the risk insurance result, which made a positive contribution to the total result.

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Premium income was SEK 1.6bn (1.6) of which unit-linked income represented over 60%. Insurance assets managed were SEK 36bn (35).

As a consequence of the demutualisation, all risk funds will be transferred to the policy-holders. For insurance with savings content, this will take place by increasing the value of the insurance while for customers with risk insurance, a cash distribution will be made. Almost SEK 400m will be repaid to customers, starting in May. From 1 July 2002, Handelsbanken Liv is introducing the right for private customers to move their insurance to other companies. All customers will also have the right to change savings between unit-linked and insurance with guaranteed yield.

SPP

SPP has been a wholly-owned subsidiary of Handelsbanken since March 2001. On 1 February 2002, SPP took over the majority of sales of occupational pensions from Handelsbanken Liv.

SPP is one of the largest insurance companies on the Swedish occupational pensions market and the biggest company on the ITPK market (supplementary retirement pensions) with a market share of 27%. Premium income was SEK 4.0bn (4.1) in the first quarter, of which traditional insurance represented SEK 3.0bn (3.0) while SEK 1.0bn (1.1) was unit-linked insurance. Premium income was at the same level as the previous year even though sales of insurance of a one-off nature for early retirement pensions and the municipal pensions scheme, PFA, decreased slightly. New sales measured in annual premiums were SEK 1.0bn (1.8).

Total return was negative as a consequence of declining share prices and rising interest rates and amounted to SEK -0.9bn (-3.9). Insurance assets managed were SEK 87bn (84). SPP's solvency margin was 105% (113).

SPP Group Profit and loss account

mkf	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Premium income	3 996	4 078	12 627
Investment income	-882	-3 919	-2 693
Insurance claims	-1 080	-771	-3 872
Change in life insurance provisions	-4 104	-3 719	-10 734
Operating expenses	-320	-243	-1 223
Other	0		58
Result on technical account- life insurance business	-2 390	-4 574	-5 837
Non-technical account			
Other operations	-2	-4	18
Taxes	-185	-140	-780
Profit for the period	-2 577	-4 718	-6 599

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

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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	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Net interest income	22	19	16	87
Commission, net	11	12	-8	32
Net result on financial operations	0	0		0
Other income	0	0		14
Total income	33	31	6	133
<i>Net internal remuneration deducted from income</i>	4	3		22
Total expenses	-29	-27	7	-110
Profit before loan losses	4	4	0	23
Loan losses incl. change in value of repossessed property	0	0		-1
Operating profit	4	4	0	22
Return on equity, %	26.2	15.4		30.6
Average number of employees	111	111		109

Results

Profits were SEK 4m (4). Net interest income rose by SEK 3m, which was due to higher deposits and lending and an improved investment margin. Net commission income was basically unchanged. Income from retail bonds, AktieSpar (savings in shares) and FondSpar (savings in mutual funds) fell but was compensated by higher income from card operations.

Business trends

A partnership with Preem, a Swedish petrol station chain, was started where Stadshypotek Bank's VISA card customers obtain favourable discounts on petrol and diesel. Customers can use one card with the same code in retail outlets, cash machines and at Preem's petrol stations. Apart from the discount customers receive for purchases made with Stadshypotek Bank's VISA card, they will thus also receive a fuel discount.

Stadshypotek Bank signed an agreement with Nisch Media which publishes a magazine called Villa Handboken. The agreement is based on a VISA card with a unique profile offering a number of benefits to cardholders. Villa-Kortet is being launched in the April issue of Villa Handboken which is distributed free of charge to around 173 000 home owners in the Stockholm area.

Hammarby IF, a sports association, decided to start collaboration with Stadshypotek Bank for all its sub-associations. This collaboration comprises the card concept which the majority of the premier division Swedish football clubs have joined.

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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 liquidity management in Swedish kronor.

Profit and loss account

SEK m	Jan-Mar 2002	Jan-Mar 2001	Change %	Full year 2001
Net interest income	55	58	-5	215
Commission, net	-1	-9	89	-42
Net result on financial operations	-15	-14	-7	-33
Other income	3	3	0	13
Total income	42	38	11	153
<i>Net internal remuneration deducted from income</i>	-	-		-
Total expenses	-8	-8	0	-15
Profit before loan losses	34	30	13	138
Loan losses incl. change in value of repossessed property				
Operating profit	34	30	13	138
Return on equity, %	19.5	11.6		14.6
Average number of employees	39	38		38

Results

Handelsbanken Treasury's result was SEK 34m (30). Return on equity increased to 19.5% (11.6).

Active management of the Group's collateral portfolio as well as the internal bank made positive contributions to the result of this quarter.

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Profit and loss account – Svenska Handelsbanken Group

In accordance with Finansinspektionen's regulations

SEK m	Jan–Mar 2002	Jan–Mar 2001	Change %	Full year 2001
<i>Interest income</i>	13 078	17 905	-27	57 667
<i>Interest expense</i>	-9 024	-14 684	-39	-43 141
Net interest income	4 054	3 221	26	14 526
Dividends received	187	140	34	309
<i>Commission income</i>	1 391	1 411	-1	5 894
<i>Commission expense</i>	-284	-242	17	-1038
Commission, net	Note 1 1 107	1 169	-5	4 856
Net result on financial operations	Note 2 -63	861		1 577
Other operating income	80	23	248	219
Total income	5 365	5 414	-1	21 487
General administrative expenses				
- Staff costs	-1 548	-1 419	9	-5 909
- Other expenses	Note 3 -840	-739	14	-3 346
Depreciation and write-down in value of tangible and intangible fixed assets	-222	-183	21	-805
Total expense	-2 610	-2 341	11	-10 060
Profit before loan losses	2 755	3 073	-10	11 427
Net loan losses	Note 4 -79	78		-160
Change in value of repossessed property	-	-		8
Participations in result of associated companies	5	9	-44	82
Result of banking operations	2 681	3 160	-15	11 357
Result of insurance operations	Note 5 -22	-39	44	-149
Operating profit	2 659	3 121	-15	11 208
Pension settlement	-23	162		306
Taxes	-762	-946	-19	-3 202
Minority interests	-6	-6	-	-22
Profit for the period	1 868	2 331	-20	8 290

Svenska Handelsbanken

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

SEK m	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Note 1 Commission, net			
Payments	320	295	1 311
Lending	168	134	790
Deposits	26	21	76
Guarantees	77	62	301
Securities	518	620	2 189
Other	282	279	1 227
Commission income	1 391	1 411	5 894
Commission expense	-284	-242	-1 038
Commission, net	1 107	1 169	4 856
Note 2 Net result on financial operations			
Shares and participations	2	-210	947
Interest-bearing securities	130	109	-233
Realised profit	132	-101	714
Shares and participations	41	605	-325
Interest-bearing securities	-327	164	-85
Unrealised changes in value	-286	769	-410
Changes in exchange rates	91	193	1 273
Net result on financial operations	-63	861	1 577
Note 3 Other administrative expenses			
Property and premises	-212	-194	-867
External IT costs	-189	-189	-856
Communication	-115	-104	-405
Travel and marketing	-76	-83	-377
Purchased services	-122	-111	-499
Supplies	-53	-42	-181
Other expenses	-73	-16	-161
Other administrative expenses	-840	-739	-3 346

Svenska Handelsbanken

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

SEK m	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Note 4 Loan losses			
A. Specific provision for individually assessed loan claims:			
The period's write-off for actual loan losses	-311	-145	-665
Writeback of previous provisions for probable loan losses which are reported as actual losses in the period's accounts	261	121	445
The period's provision for probable loan losses	-237	-107	-1 200
Paid in from actual losses in previous years	93	127	545
Write-back of provisions for probable loan losses which are no longer necessary	116	77	722
Net expense for the period	-78	73	-153
B. Provision by group for individually assessed loan claims:			
Allocation to/dissolution of provision by group	-	-	-
C. Collectively assessed homogenous groups of loan claims with limited value and similar credit risk:			
The period's write-off for actual loan losses	-10	-7	-36
Paid in from actual losses in previous years	8	13	29
Allocation to/dissolution of reserve for loan losses	1	-1	0
Net expense for the period for collectively assessed homogenous loan claims	-1	5	-7
D. Transfer risk:			
Allocation to/dissolution of reserve for transfer risks	-	-	-
Net expense for the period for loan losses (A+B+C+D)	-79	78	-160
Note 5 Result of insurance operations			
Net interest income	-29	-23	-103
Dividends received	4	6	7
Commission, net	88	44	173
Net result on financial operations	0	-33	-36
Other operating income	60	2	44
Total income	123	-4	85
Staff costs	-42	-2	-8
Other expenses	-64	-20	-101
Depreciation and write-down in value of tangible and intangible fixed assets	-39	-13	-125
Total expenses	-145	-35	-234
Result of insurance operations	-22	-39	-149

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

mkkr	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Technical account - insurance operations			
Premium income	1 645	1 001	3 537
Investment income transferred from financial operations	0	0	-5
Investment income	323	254	344
Unrealised gains on investments	8		
Other technical income	25		50
Investment charges	-86		
Change in value of investments for which policyholders bear the investment risk	-679	-2 304	-2 490
Paid insurance claims	-661	-395	-1 321
Change in insurance provisions	-75	1 692	288
Operating expenses	-93	-16	-82
Other technical expenses	-44	-13	-125
Result on technical account - insurance operations	363	219	196
Non-technical account			
Investment income	12	7	31
Unrealised gains on investments	12	0	9
Investment charges	-36	-30	-151
Unrealised losses on investments	-9	-16	-18
Yield tax	-364	-219	-216
Profit before company taxes	-22	-39	-149
Taxes	9	14	53
Profit for the period	-13	-25	-96

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Balance sheet – Svenska Handelsbanken Group

SEK m		31 Mar 2002	31 Mar 2001	31 Dec 2001
Lending to the general public	Note 1	804 121	713 613	800 068
Lending to credit institutions		105 142	104 794	70 857
Interest-bearing securities				
- Financial fixed assets		8 159	5 889	8 219
- Financial current assets		105 358	106 411	120 128
Other assets		185 537	180 233	175 249
Total assets		1 208 317	1 110 940	1 174 521
Deposits and funding from the general public		285 692	255 001	283 692
Liabilities to credit institutions		223 391	209 597	220 126
Issued securities etc		461 242	413 559	440 981
Subordinated liabilities		26 860	25 040	28 976
Other liabilities		161 301	163 709	152 634
Shareholders' equity	Note 2	49 831	44 034	48 112
Total liabilities and shareholders' equity		1 208 317	1 110 940	1 174 521

Notes to the balance sheet

SEK m

Note 1 Lending to the general public

SEK lending				
- to households		264 784	239 040	258 579
- to companies etc *		327 990	297 847	336 849
		592 774	536 887	595 428
Foreign currency lending				
- to households		36 373	27 675	36 163
- to companies etc		178 788	152 266	171 953
		215 161	179 941	208 116
Reserve for possible loan losses		-3 814	-3 215	-3 476
Total lending to the general public		804 121	713 613	800 068
*) of which National Debt Office		103	0	13 857

Note 2 Change in shareholder's equity

Opening shareholders' equity		48 112	42 631	42 631
Effect of changed principles on reporting income taxes			-165	-165
Opening shareholders' equity after adjustment		48 112	42 466	42 466
Dividend		-	-	-2 751
Buyback of own shares		-	-859	-46
Change of foreign currency component		-149	96	153
Profit for the year		1 868	2 331	8 290
Closing shareholders' equity		49 831	44 034	48 112

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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	Jan-Mar 2002	Jan-Mar 2001	Full year 2001
Cash flow statement			
Cash flow on operating activities	-2 015	-613	9 681
Cash flow on investing activities	-35	-5 229	-11 802
Cash flow on financing activities	-2 119	5 110	7 113
Cash flow for the period	-4 169	-732	4 992
Liquid funds at beginning of year	10 614	5 258	5 258
Cash flow for the period	-4 169	-732	4 992
Exchange rate difference on liquid funds	-185	108	364
Liquid funds at end of period	6 260	4 634	10 614
Capital base and requirement			
Tier 1 capital	37 196	33 366	37 188
Total capital base	57 614	53 006	60 617
Risk-weighted volume	619 688	575 730	610 769
Capital ratio *	9.3%	9,3%	9,9%
Tier 1 ratio	6.0%	5,9%	6,1%
Capital ratio *	9.5%	9,5%	9,9%
Tier 1 ratio *	6.2%	6,1%	6,1%
* Including profit for the period			
Problem loans			
Bad debts	4 818	5 527	5 039
Specific provision for individually assessed loan claims	-3 305	-3 058	-3 461
Provision for collectively assessed homogenous groups of loan claims with limited value	-97	-90	-110
Bad debts, net	1 416	2 379	1 468
Bad debt reserve ratio	70.6%	57.0%	70.9%
Proportion of bad debts	0.17%	0.33%	0.18%
Loan loss ratio	0.04%	-0.04%	0.02%
Non performing loans for which interest is accrued	1 625	1 423	2 084
Collateral taken over:			
- Buildings and land	15	0	16
- Shares and other participations	71	55	71
- Other	86	85	83
Total collateral taken over	172	140	170

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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	32 474	28 940	29 995	29 905	6 431	6 333
Negative values	29 946	28 184	27 162	26 570	7 117	7 078

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 April 2001 - 31 March 2002, Handelsbanken Markets' exposure to interest rate and exchange rate risk (incl. option risk), measured as Value-at Risk (VaR) was on average SEK 45m. During the period, this risk varied between SEK 25m and SEK 70m. During the same period, Handelsbanken Markets' exposure to equity price risks, measured as VaR, was on average SEK 6m. This risk varied between SEK 1m and SEK 16m.

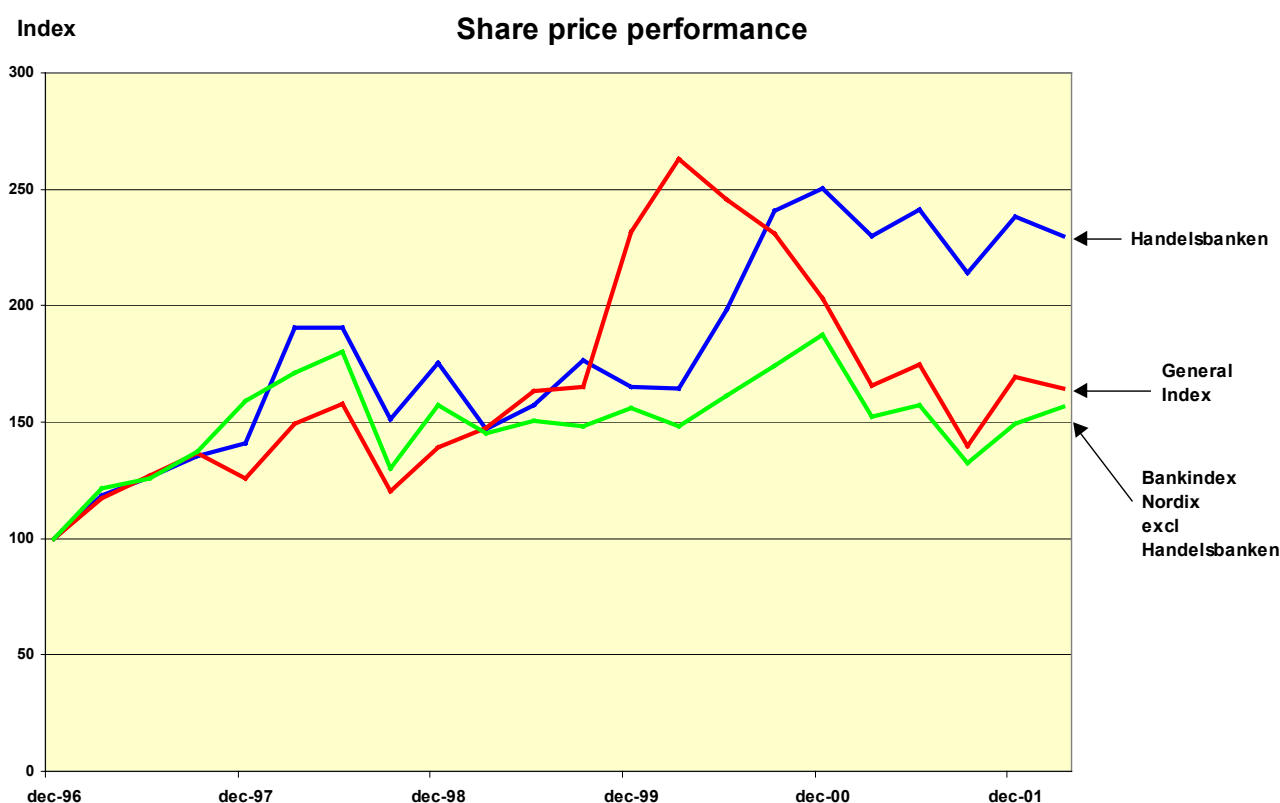
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Handelsbanken's shares

The fall on the Swedish stock market during the first quarter of the year was 3%, measured by the Affärsvärlden General Index. In the same period, Nordic bank shares, measured by the Nordix bank index, rose by 7%. Handelsbanken's Class A shares fell by 4%.

As at 31 March 2002, the total market capitalisation of Handelsbanken, after buybacks, was SEK 103bn.

	31 March 2002	31 December 2001
Share price ordinary class A, SEK	148.50	154.00
Number of outstanding shares, million	693.4	693.4
Market capitalisation SEK bn	103	106



Handelsbanken's rating as at 31 March 2002

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