



Annual Report  
2002

**Svenska Handelsbanken**

## The Annual General Meeting of Svenska Handelsbanken

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will be held at the Grand Hôtel, Vinterträdgården, Royal entrance, Stallgatan 4, Stockholm, at 10.00 a.m. on Tuesday, 29 April 2003.

### **NOTICE OF ATTENDANCE AT ANNUAL GENERAL MEETING**

Shareholders wishing to attend the Meeting must:

- be entered in the Register of Shareholders kept by VPC AB (Swedish Central Securities Depository and Clearing Organisation), on or before Thursday, 17 April 2003, and
- give notice of attendance to the Chairman's Office at the Head Office of the Bank, Kungsträdgårdsgatan 2, SE-106 70 Stockholm, telephone +46 8 701 19 84, or via the Internet [www.handelsbanken.se/bolagsstamma](http://www.handelsbanken.se/bolagsstamma) (in Swedish only), by 3 p.m. on Wednesday, 23 April 2003.

In order to be entitled to take part in the Meeting, any shareholders whose shares are nominee-registered must also request a temporary entry in the register of shareholders kept by the VPC. Shareholders must notify the nominee about this well before 17 April 2003, when this entry must have been effected.

### **DIVIDEND**

The Board of Directors recommends that the record day for the dividend be Monday, 5 May 2003. If the Annual General Meeting votes in accordance with this recommendation, the VPC expects to be able to send the dividend to shareholders on Thursday, 8 May 2003.

### **PUBLICATION DATES FOR INTERIM REPORTS:**

January – March	28 April 2003
January – June	19 August 2003
January – September	21 October 2003

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Handelsbanken



## Highlights of the year

Profits were SEK 10.2 billion

Expenses for comparable units were unchanged

Return on shareholders' equity was 14.6%

The Board proposes an increase in dividend to SEK 4.75

Operations in Great Britain became the Bank's eleventh regional bank

Four new branches were started outside Sweden: one in Denmark, two in Great Britain and one in the Netherlands

A representative office was opened in Shanghai

Handelsbanken continued to dominate the Swedish mutual fund market, and the Bank's market share for net savings was almost 29%

Once again Handelsbanken had the most satisfied customers of the major Swedish banks, both private and corporate, according to the Svenskt Kvalitetsindex annual survey

## The group chief executive's comments

*Without satisfied customers, there are no satisfied shareholders. Without satisfied shareholders, there is no money to invest. And without money to invest, it is impossible to keep customers happy in the long run. The theory is simple but the practice is more difficult, especially year after year.*

*Nevertheless, this is what we have set as our goal at Handelsbanken. To have more satisfied shareholders, by having long-term more satisfied customers.*



*“ Customers who stay do so because they are satisfied and all banking experience shows the advantage of having long-term relationships with customers ”*

To succeed, we need to get two things right. Firstly, our efficiency must be higher than that of our competitors, that is lower cost per krona of income than anyone else. This gives us greater freedom and more room for manoeuvre compared to other banks.

Secondly, it is necessary to run a true universal bank. All banking experience shows the advantage of having long-term relationships with customers. It is not only because of the obvious – that customers who stay do so because they are satisfied, but also because customers who stay are more inclined to entrust us with a greater proportion of their business. A customer we get to know well is a considerably lower credit risk than a new and unknown customer.

### **Cost-efficient universal bank**

People – and companies – need financial services throughout their lives. But the services they need vary at different stages of life. Hence, in order to have long-term customer relations that pave the way for superior profitability, a bank must offer a broad range of products and services.

The argument is sometimes heard that few banks, if any, will be successful in the future at both producing and selling financial services. More specialised competitors will be able to reduce unit prices further and nevertheless maintain a higher – and more uniform – quality than banks that continue to both produce and sell all their own services. The argument is taken from the manufacturing industry, perhaps mainly IT and telecoms, where the firm whose name is on the label is responsible for design, quality control and marketing, while someone else, often unknown to the final customer, is responsible for the manufacture.

I doubt whether this is a generally applicable model, in the same way as I am doubtful about extensive outsourcing as a way of improving long-term and sustainable profitability. It seems to me that such an idea can never be other than second best. An idea that you turn to after despairing of the best solution: to straighten up your own operations and bring order to costs, productivity and quality.

### Cost-efficiency of some Nordic banking groups

Excluding loan losses and adjusted for items affecting comparability in accordance with the legal profit and loss account

31 December	Cost/ income, %	Expenses expressed as a percentage of total assets
Handelsbanken	49	0.8
Danske Bank	55	0.9
FöreningsSparbanken	61	1.4
Nordea	68	1.6
Den norske Bank	68	2.1
SEB	74	1.6
Average excl. Handelsbanken	65	1.4

### International expansion

Our international expansion was also a source of satisfaction in 2002 and an area where we have raised our hopes and efforts. Of the Bank's 563 branches, at present 107 are outside Sweden. Of these, we have opened 78 branches ourselves and acquired 29. Today, our experience of opening new branches and making them profitable is greater than that of almost all other banks. We invest about SEK 85 million per year in opening new branches, and a sustainable pace seems to be two to three new branches per country and year. On average, it currently takes 17 months from the opening of a new branch until it makes a profit.

The loan portfolio acquired from Bergensbanken has continued to develop less favourably than the Group's portfolio as a whole. However, the losses were considerably lower in 2002 than in 2001, despite the fact that in general the economic trends in shipping were poorer than expected. In other respects, growth in the Norwegian operations was better than ever before. Not least, we have now made good inroads into the household market. In Norway, our results before loan losses increased by 8 percent to SEK 707 million or 7 percent of the total consolidated result before loan losses.

In recent years we have made relatively large investments in Finland – by opening new branches and by changes in the IT platform used for our Finnish operations. These investments have resulted in a promising earnings trend but profitability has been unsatisfactory. In 2002, however, each quarterly result in Finland was better than the last.

It is also encouraging to see that in a survey of customer satisfaction among Finnish bank customers, Handelsbanken is the nationwide Finnish bank with the most satisfied customers.

In Denmark, the year was characterised by the integration of Midtbank. All branches in Denmark are now working in accordance with Handelsbanken's control systems. The expenses in the Danish operations decreased, while income increased. It is also gratifying to see how many of the corporate customers who formerly divided their business between Midtbank and another bank, have now brought all their banking business to Handelsbanken.

During the year we created our eleventh regional bank, the fourth outside Sweden, as the branch operations in Great Britain, previously a part of our Markets division, now form an independent regional bank. Our experiences in Britain are very encouraging. The British market has good margins, despite a high level of costs. British banks have been characterised by an increasingly automated and impersonal view of customers, market segmentation and service levels. This means that there are many attractive customers who no longer feel at home in their old bank, and who are attracted to our individual and local way of working.

For the same reason, it has been possible to recruit highly competent staff, even if Handelsbanken is not a very well-known name in Great Britain.

*“ On average, it currently takes 17 months from the opening of a new branch until it makes a profit ”*

### Profitability from the start

I believe, however, that the importance of a well-known brand name is often exaggerated. A well-known brand name is important in the traditional approach to marketing, where the aim is to achieve as high a volume as possible as fast as possible. Not least the British market provides a number of examples of new banks that have attained a position on the market with massive advertising and tempting offers over a short period, while making considerable losses. But this is not how Handelsbanken views marketing. A large volume is not important in itself. Profitability – profitability as soon as possible – is the important thing. At the outset, costs must be adapted to the potential income. We never make large investments in marketing, not even when breaking into a new market, since such investments delay the break-even point even more. And working in an organisation that is not making a profit leads to poor control, low self-confidence and little job satisfaction. These shortcomings are of course aggravated if costs have been heavy right from the start. If it seems impossible to reach profitability in the foreseeable future, by the daily efforts, one successful day after another, it is easy for everyday thrift to weaken considerably and the will to do that little bit extra in each individual transaction wanes.



### Network effects

We have also increased our presence in the euro area by opening branches in Amsterdam and Vienna. Like all branches outside the Nordic countries and Great Britain, which we regard as our home markets and where we run full banking operations with local customers, their purpose is to support our operations “at home”. At the same time, they must of course – like all the Bank’s branches – meet our normal profitability requirements.

We are now starting to see a further benefit from these establishments, the benefit that economists call network effects. In a network – whether it is a telephone system, a giro system or a network of outlets – the value of belonging to it increases for all participants as each new point is added. On one important condition – that the points are completely standardised.

In our case, there are two major aspects of standardisation – that a branch is “real” and that it is connected to our groupwide IT system. Being a real branch is important, not least internally. This sets the rules of the game in a way that everyone can relate to. Everyone knows there is a branch manager, a balance sheet and responsibility for profitability according to exactly the same principles as at other branches of the Bank. And today we mainly build up our IT system so that each new branch, even if it is in another country, is connected to our joint network. This enables uniform and integrated reporting internally and to customers.

We now see that our growing network increasingly brings us new and extended business. Not only in the places where we open branches, but also in places where we have already had a presence for a long time. The fact that we keep on growing, and growing profitably at a time when most banks think that they are saving money by closing down branches, is often a good argument to attract companies that are themselves growing. The more places where we have a presence, the lesser the need for another bank.

*“ Our shareholders can again in 2002 celebrate a return on shareholders’ equity that is, for the 31st year in a row, higher than the average for the entire sector ”*

We have now gathered our operations in the euro area under the geographical concept Mid-Europe, with a head office in Frankfurt. Operations are organised under this head office in the same way as a conventional branch network.

### The Bank and the securities market

Many parts of the financial market experienced great difficulties in 2002. The slump in the global equity markets continued – in Sweden, the Stockholm Stock Exchange fell for the third year in a row, this year by 37%, which was one of the steepest drops in the world. The severe fall on the stock market, combined with low inflation that gave low nominal interest rates, undermined the assets of insurance companies. There also proved to be considerable overcapacity among stock exchange members and many have reduced their aspirations. The restructuring is probably not at an end. Long-term success in the securities market requires a local flow of end customer transactions. Locally, because local investors will always have certain local interests, as distinct from global investors, who move their interests between different countries and may well completely disappear from a region at times. And end customers, because those relying mainly on proprietary trading find it difficult to create a sustainable profit level in both upturns and downturns.



This means that the players with the most staying power in the equity markets are the local banks and securities brokers. This is on condition that they keep their costs under control. Handelsbanken's tradition of caution and gradual growth meant that even during what may well have been exceptionally good years in investment banking, our ambitions were not radically different from before. And since we have not had any radical growth ambitions, we have not needed to make any radical cutbacks either. We have continually adapted our staffing levels to the volume of business. At the same time, I am convinced that through long-term and purposeful work we can still improve profitability within investment banking, regardless of the market conditions. We can do this mainly by bringing investment banking closer to branch operations, both in terms of individual transactions and the continuity that follows from stable loan activities and long-term customer relations.

#### Demutualised life insurance companies – the model of the future

We have had our first year with a demutualised life insurance company in the Group – the first in Sweden. The investment income on a portfolio with Handelsbanken Liv's composition was the lowest for a hundred years. We expect to be able to earn SEK 150–200 million per year from having demutualised Handelsbanken Liv. But in 2002 Handelsbanken Liv cost us SEK 159 million, mainly because we are liable for the guaranteed return if the investment result does not achieve the amount guaranteed to policy-holders. But demutualisation is not a one-year commitment. Fundamentally, nothing

has changed. The age structure in Sweden and the design of the national insurance systems mean that pension insurance is one of the few financial areas in Sweden that most likely will grow faster than GDP. That is why we should be participating.

We are also convinced that in times like these, the superiority of a demutualised life insurance company becomes obvious to the customers. Handelsbanken Liv is the only life insurance company where it is impossible to take operating costs from the managed assets; it is only there that the individual policy-holder personally and directly benefits from asset growth and nothing is reallocated to cover a collective deficit.

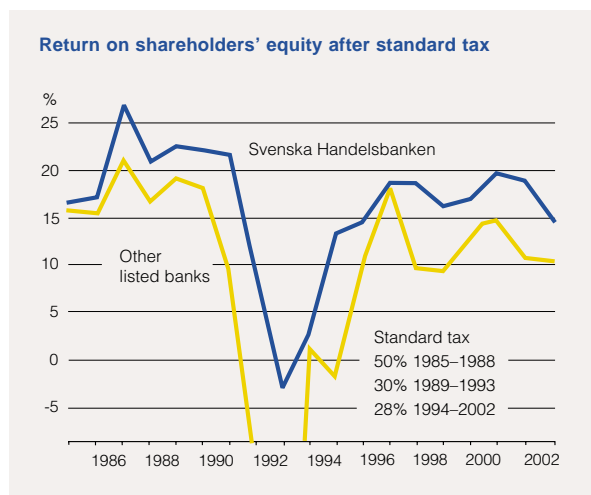
#### Hard work yields results

But the problems in the equity market should not obscure the fact that the rest of Handelsbanken's operations are doing very well, in the last two quarters of the year perhaps even better than ever before. This is due to a favourable trend in net interest income and to the fact that overall commission income, despite the development in the securities business, is increasing. But it is also because costs are now falling. For comparable units, costs were marginally lower in 2002 than the year before. The fact that this was possible, while branch operations are reporting greater income than ever before, is once again mainly due to the careful and devoted work of all employees of the Group during 2002. So it is highly appropriate that my concluding words this year once again are addressed to each and every one of the Bank's employees, with heartfelt thanks that our shareholders can again in 2002 celebrate a return on shareholders' equity that is, for the 31st year in a row, higher than the average for the entire sector.



Stockholm, February 2003

*Lars O Grönstedt*  
LARS O GRÖNSTEDT



# Handelsbanken Group performance

## Profit and loss account – Group

SEK m	2002	2001	Change %
Net interest income	14 285	13 385	7
Commission, net	5 134	5 028	2
Trading, net	1 702	2 656	- 36
Other income	543	585	- 7
<b>Total income</b>	<b>21 664</b>	<b>21 654</b>	<b>0</b>
Staff costs excl. performance-related	- 6 199	- 5 580	11
Performance-related staff costs	- 166	- 338	- 51
Other expenses	- 4 518	- 4 376	3
<b>Total expenses</b>	<b>- 10 883</b>	<b>- 10 294</b>	<b>6</b>
<b>Profit before loan losses</b>	<b>10 781</b>	<b>11 360</b>	<b>- 5</b>
Loan losses incl. change in value of repossessed property	- 392	- 152	158
Write-downs of financial fixed assets	- 199	—	
<b>Operating profit</b>	<b>10 190</b>	<b>11 208</b>	<b>- 9</b>
Pension settlement	- 80	306	
Taxes	- 2 817	- 3 202	- 12
Minority interests	- 11	- 22	- 50
<b>Profit for the year</b>	<b>7 282</b>	<b>8 290</b>	<b>- 12</b>

In order to illustrate the development of operations more clearly, the profit and loss account is shown above 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. Participations in associated companies' results are reported under "Other income".

## Profit and loss account by business area – Group

SEK m	Branch offices	Handelsbanken Markets	Handelsbanken Securities	Handelsbanken Asset Management	Handelsbanken Finans	Handelsbanken Pension and Insurance	Stads-hypotek Bank	Treasury	Other	Total 2002	Total 2001	Change %
Net interest income	14 286	2 258	- 99	184	518	- 17	99	164	- 450	16 943	14 422	17
Commission, net	2 649	149	626	794	295	352	34	- 5	45	4 939	5 028	- 2
Net result on financial operations	- 175	- 892	227	17	2	- 56	0	- 99	- 59	- 1 035	1 541	—
Other income	80	10	263	7	36	- 37	0	13	445	817	663	23
<b>Total income</b>	<b>16 840</b>	<b>1 525</b>	<b>1 017</b>	<b>1 002</b>	<b>851</b>	<b>242</b>	<b>133</b>	<b>73</b>	<b>- 19</b>	<b>21 664</b>	<b>21 654</b>	<b>0</b>
<i>Net internal remuneration included in income</i>	<i>773</i>											
<i>Net internal remuneration deducted from income</i>		<i>29</i>	<i>39</i>	<i>430</i>	<i>18</i>	<i>236</i>	<i>21</i>	<i>—</i>				
<b>Total expenses</b>	<b>- 6 899</b>	<b>- 961</b>	<b>- 900</b>	<b>- 528</b>	<b>- 428</b>	<b>- 401</b>	<b>- 112</b>	<b>- 27</b>	<b>- 627</b>	<b>- 10 883</b>	<b>- 10 294</b>	<b>6</b>
<b>Profit before loan losses</b>	<b>9 941</b>	<b>564</b>	<b>117</b>	<b>474</b>	<b>423</b>	<b>- 159</b>	<b>21</b>	<b>46</b>	<b>- 646</b>	<b>10 781</b>	<b>11 360</b>	<b>- 5</b>
Loan losses incl. change in value of repossessed property	- 239	- 131		5	- 27		0			- 392	- 152	158
Write-downs of financial fixed assets									- 199	- 199		
<b>Operating profit</b>	<b>9 702</b>	<b>433</b>	<b>117</b>	<b>479</b>	<b>396</b>	<b>- 159</b>	<b>21</b>	<b>46</b>	<b>- 845</b>	<b>10 190</b>	<b>11 208</b>	<b>- 9</b>
<b>Return on equity, %</b>	<b>20.0</b>	<b>8.8</b>	<b>10.5</b>	<b>21.8</b>	<b>28.8</b>	<b>—</b>	<b>33.6</b>	<b>7.3</b>		<b>14.6</b>	<b>18.4</b>	
Average number of employees	5 767	788	380	343	406	233	111	38	1 686	9 752	9 239	

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 pension settlement and full tax.

The shareholders' equity, on which calculation of return on equity is based, is mainly distributed in accordance with the requirements of the Act on Capital Adequacy.

Handelsbanken Liv is included in the Pension and Insurance business area.

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

## Quarterly performance – Group

SEK m	2002:4	2002:3	2002:2	2002:1	2001:4
Net interest income	3 674	3 586	3 562	3 463	3 529
Commission, net	1 352	1 233	1 311	1 238	1 299
Trading, net	454	199	424	625	662
Other income	140	24	212	167	155
<b>Total income</b>	<b>5 620</b>	<b>5 042</b>	<b>5 509</b>	<b>5 493</b>	<b>5 645</b>
Staff costs excl. performance-related	- 1 518	- 1 574	- 1 571	- 1 536	- 1 472
Performance-related staff costs	- 41	- 2	- 70	- 53	- 20
Other expenses	- 1 161	- 1 045	- 1 146	- 1 166	- 1 298
<b>Total expenses</b>	<b>- 2 720</b>	<b>- 2 621</b>	<b>- 2 787</b>	<b>- 2 755</b>	<b>- 2 790</b>
<b>Profit before loan losses</b>	<b>2 900</b>	<b>2 421</b>	<b>2 722</b>	<b>2 738</b>	<b>2 855</b>
Loan losses incl. change in value of repossessed property	- 170	- 122	- 21	- 79	- 203
Write-downs of financial fixed assets	—	- 199	—	—	—
<b>Operating profit</b>	<b>2 730</b>	<b>2 100</b>	<b>2 701</b>	<b>2 659</b>	<b>2 652</b>
Pension settlement	- 36	- 16	- 5	- 23	- 26
Taxes	- 721	- 693	- 641	- 762	- 672
Minority interests	—	—	- 5	- 6	- 5
<b>Profit for the period</b>	<b>1 973</b>	<b>1 391</b>	<b>2 050</b>	<b>1 868</b>	<b>1 949</b>

## Key figures for the Handelsbanken Group

	2002	2001	2000	1999	1998
Profit before loan losses, SEK m	10 781	11 360	11 616	8 388	8 031
Loan losses, SEK m	- 392	- 152	67	219	- 319
Write-downs of financial fixed assets	- 199	—	—	—	—
Operating profit, SEK m	10 190	11 208	11 683	8 607	7 712
Total assets, SEK m	1 277 514	1 174 521	1 020 353	936 256	932 845
Shareholders' equity, SEK m	52 192	48 112	42 466	38 570	34 431
Return on shareholders' equity, %	14.6	18.4	22.3	18.4	18.6
Return on shareholders' equity, % <sup>1)</sup>	14.6	18.4	21.6	18.4	17.9
Return on shareholders' equity after standard tax, % <sup>1)</sup>	14.6	17.8	19.9	17.0	16.3
Cost/income ratio before loan losses, %	50.2	47.5	43.8	50.8	52.3
Cost/income ratio after loan losses, %	52.0	48.2	43.5	49.5	54.2
Cost/income ratio before loan losses, % <sup>1)</sup>	50.2	47.5	44.6	50.8	53.4
Cost/income ratio after loan losses, % <sup>1)</sup>	52.0	48.2	44.2	49.5	55.3
Loan loss ratio, %	0.05	0.02	- 0.01	- 0.03	0.05
Bad debt reserve ratio, %	60.9	59.4	49.3	54.3	48.0
Proportion of bad debts, %	0.23	0.25	0.40	0.37	0.56
Capital ratio, %	9.3	9.9	9.5	9.4	9.8
Tier 1 capital ratio, %	6.4	6.1	6.4	6.5	6.3
Return on total assets, %	0.83	0.99	1.17	0.93	0.85
Average number of employees	9 752	9 239	8 574	8 520	8 546
Number of branches in Sweden	456	458	460	465	480
Number of branches in other Nordic countries and Great Britain	96	93	56	46	36

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

# Handelsbanken's shares

## Key figures per share

	2002	2001	2000	1999	1998
Net earnings per share, SEK	10.50	11.99	12.89	9.31	8.41
Dividend per share, SEK	4.75 <sup>1)</sup>	4.50	4.00	3.00	2.67
Dividend growth, %	5.6	12.5	33.3	12.4	23.0
Adjusted shareholders' equity per share, SEK	75.48	69.50	61.35	53.97	47.56
Price of class A share, 31 Dec, SEK	116.00	154.00	161.50	107.00	114.00
Average daily turnover on Stockholm Stock Exchange					
Class A, number of shares	2 488 517	1 892 366	1 482 206	1 317 270	1 141 320
Class B, number of shares	52 986	85 252	121 059	63 101	57 434
Highest/lowest price paid, class A shares, SEK	162.5/97	170/132	173/94	132/91	131/83
Direct yield, %	4.1	2.9	2.5	2.8	2.3
P/E ratio	11.0	12.8	12.5	11.5	13.6
Stock exchange price/Equity, %	154	222	263	198	240

1) Dividend as recommended by the Board.

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

In all essential respects, the figures are adjusted to take account of current accounting principles and definitions. For definitions, see fold-out inside back cover.

## Shares per shareholder

31 December

Number of shares	Shareholders		Shareholdings		
	Number	Percentage of all shareholders	Number of shares in thousands	Percentage of share capital	Average number per holder
1 – 500 shares	50 783	56.0	9 105	1.3	179
501 – 2 500 shares	28 422	31.3	33 153	4.6	1 166
2 501 – 25 000 shares	10 704	11.8	63 406	8.9	5 924
25 001 – 250 000 shares	655	0.7	47 980	6.7	73 252
250 001 – shares	213	0.2	539 743	75.5	2 534 005
Shares repurchased by Handelsbanken			21 360	3.0	
<b>Total</b>	<b>90 777</b>	<b>100.0</b>	<b>714 747</b>	<b>100.0</b>	<b>7 874</b>

## The major Swedish shareholders

31 December

	% of votes	% of capital
The Oktogonen Foundation	10.1	9.3
Industrivärden	7.4	6.8
AMF Pension	4.1	4.2
Robur funds (29)	3.5	4.5
Alecta	3.3	3.5
Fourth National Swedish Pension Fund	2.0	2.0
Skandia Liv	1.8	1.7
Nordea funds (31)	1.7	2.0
Handelsbanken funds (35)	1.7	1.5
AFA	1.6	1.7
Third National Swedish Pension Fund	1.5	1.3
First National Swedish Pension Fund	1.2	1.2
Second National Swedish Pension Fund	1.0	0.9
Handelsbanken Pension Foundation	1.0	0.9

## Shares divided into share classes

31 December

Share class	Number	% of capital	% of votes	Average prices Repurchased amount	Nominal value SEK
Class A	649 949 619	90.93	99.01		2 599 798 476
Class B	64 797 321	9.07	0.99		259 189 284
	<b>714 746 940</b>	<b>100.00</b>	<b>100.00</b>		<b>2 858 987 760</b>
Repurchases					
Class A	400	0.00	0.00	SEK 120.30	1 600
Class B	21 359 125	2.99	0.33	SEK 142.87	85 436 500
	<b>21 359 525</b>	<b>2.99</b>	<b>0.33</b>	<b>3 051 720 496</b>	<b>85 438 100</b>
After repurchases					
Class A	649 949 219	93.74	99.34		2 599 796 876
Class B	43 438 196	6.26	0.66		173 752 784
<b>Total after repurchases</b>	<b>693 387 415</b>	<b>100.00</b>	<b>100.00</b>		<b>2 773 549 660</b>

The average number of outstanding shares in 2002 was 693 387 415.

The Bank neither acquired nor sold its own shares in 2002.

## SHARE PRICE PERFORMANCE

The Swedish stock market fell for the third year running. In the first nine months of the year, the Affärsvärlden General Index dropped by 44%. After a slight recovery during the last quarter, the decline of the Stockholm Stock Exchange was 37%. Virtually all industrial sectors were subject to falling share prices. The Affärsvärlden Bank and Insurance Index fell by 33% in 2002. Handelsbanken's Class A shares, however, went down by just 25%. Even when compared over a longer period, Handelsbanken's shares have outperformed the general index. Following the stock market fall of the last three years, the Affärsvärlden General Index was 6% higher than at the beginning of 1997. In the same period, Handelsbanken's shares have risen by 79%.

## DIVIDEND

Handelsbanken's long-term dividend policy reflects the ambition to raise dividends at a rate which is above the average for other Nordic banks. The Board proposes a dividend of SEK 4.75 for 2002, an increase of 6%.

If the shareholders' meeting decides in accordance with the Board's proposal, Handelsbanken will have had higher dividend growth than the average of the other listed Nordic banks this year and during the last five-year period.

## MARKET CAPITALISATION

As at 31 December 2002, the market capitalisation of Handelsbanken's shares was SEK 80bn, a decrease of 25% during the year. The Bank's market capitalisation was almost fifteen times higher than ten years ago.

## THE SHARES

Since the Annual General Meeting of Shareholders in 2000, Handelsbanken has been able to repurchase its own shares. This opportunity was used in both 2000 and 2001. At the Annual General Meeting in April 2002, the Board of the Bank was authorised to repurchase up to 20 million shares during the year until the next Meeting, and to sell shares which had already been repurchased for

the purpose of financing any future acquisitions. Buyback of shares is to be done on the Stockholm Stock Exchange, at the prevailing market price.

In 2002, Handelsbanken neither repurchased nor sold shares. The Bank's holdings of repurchased shares totalled 21.4 million. The number of outstanding shares was 693.4 million.

Class A shares each carry one vote and class B shares one-tenth of a vote each. At the Annual General Meeting, no shareholder is allowed to vote for more than 10% of the total number of shares in the Bank. Handelsbanken's shares are listed on the Stockholmsbörsen (Stockholm Stock Exchange). One trading unit is equivalent to 100 shares.

In October 1999, Handelsbanken offered senior managers, branch managers and other key personnel the opportunity to buy options. Since these are synthetic options, the programme does not lead to any dilution of the holdings of present shareholders. For more information see Note 7, page 60.

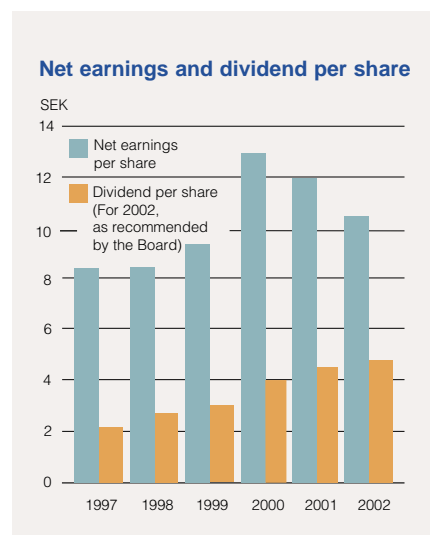
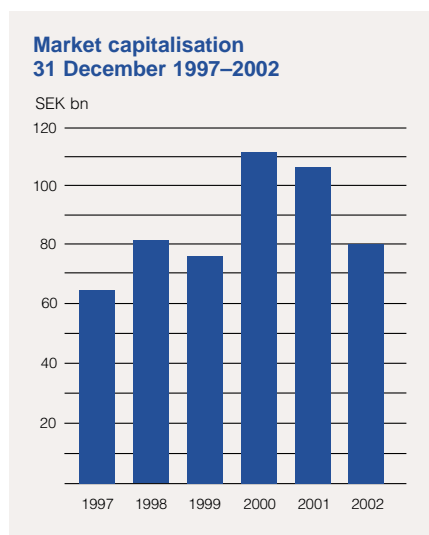
## THE SHAREHOLDERS

At the end of 2002, Handelsbanken had some 110 000 (105 000) shareholders. As shown in the table on the left, the majority of shareholders owned only a small number of shares.

In April 2001, Handelsbanken acquired Midtbank, a Danish bank. Each shareholder who accepted Handelsbanken's cash offer, also received one class A share in Handelsbanken. Around 20 000 shareholders in Midtbank received a Handelsbanken Class A share in this way. Since these shares are nominee-registered, they are not included in the adjoining table.

Just over 50% of the total number of shares were owned by major Swedish institutional holders. These mainly comprise insurance companies, investment companies and equity funds representing a large number of private individuals. Holdings of the largest Swedish shareholders are reported in the table on the left.

At the end of 2002, some 28% of the shares were owned by investors outside Sweden.



# Objectives, policy and organisation

## OBJECTIVES AND PRINCIPLES

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

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

Profitability is always more important than volume. When granting credits, this means that the quality of the credits must never be neglected in favour of a large lending volume.

Handelsbanken's higher profitability should benefit the shareholders via greater growth in dividends than the average for other Nordic banks.

Handelsbanken aims to have the most satisfied customers of the Nordic banks.

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

Handelsbanken complies with the formal and ethical frameworks which apply to banking operations, taking into account environmental responsibility.

## POLICY

### Overall customer responsibility close to the customer

The business operations of the Handelsbanken Group are strongly decentralised. The most important means of control are the corporate policy and corporate culture, which are deeply rooted throughout the entire Group, and an effective financial control system.

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

The Bank assigns overall responsibility for each individual customer to a single place in the Group, as close to the customer as possible – at the customer's local branch. The branch is responsible for providing the customer with expert and co-ordinated services from all units in the Handelsbanken Group, and it is also responsible for all loans held in the Group by each individual person, company or group of companies. There, too, lies the responsibility for profitability within the Group for the overall business relationship with the customer.

As a consequence, responsibility for the Group's marketing is held by the individual branch. There is no central marketing department. The Bank does not make central marketing plans, nor does it control the branches' marketing activities at a centralised level by giving priority to certain customer categories or product areas.

For many years, Handelsbanken has consistently and successfully applied and developed this basic concept. It has proved to be flexible and effective during major changes in conditions affecting banking operations.

### Gradually expanded universal banking operations

Handelsbanken aims to be a universal bank, in other words, to cover the entire banking area: traditional corporate transactions, investment banking and trading, as well as consumer banking including life insurance.

With 456 branches, Handelsbanken is strong on the Swedish market. For almost 15 years, the Bank has been expanding its universal banking operations into the other Nordic countries, and in recent years also in Great Britain. Handelsbanken has a total of 96 branches in the Nordic countries outside Sweden and in Great Britain. The Bank views these markets as domestic markets for profitable universal banking operations.

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

## ORGANISATION

Handelsbanken's organisation aims at promoting the interplay between strong branches, highly-trained specialists and efficient support functions.

On the next page, the Handelsbanken Group's organisation is presented as a single unit focusing on the individual customer and with the individual branch office at the forefront.

## The Handelsbanken Group's Organisation



### Central Head Office

#### Group management

#### Business operation departments

Asset Management  
Markets

#### Business support departments

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

### Subsidiaries

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

### Regional Head Offices

#### Northern Norrland

Umeå

#### Southern Norrland

Gävle

#### Stockholm City

Stockholm

#### Central Sweden

Stockholm

#### Eastern Sweden

Linköping

#### Western Sweden

Göteborg

#### Southern Sweden

Malmö

#### Denmark

Copenhagen

#### Finland

Helsinki

#### Norway

Oslo

#### Great Britain

London

### Branch offices in Sweden

456

### Other Nordic countries and Great Britain

Denmark (33)  
Finland (28)  
Norway (27)  
Great Britain (8)

### Rest of the world

Austria  
China (3)  
France (2)  
Germany (2)  
Luxembourg  
Netherlands  
Poland  
Russia  
Singapore  
Spain  
Switzerland  
Taiwan  
USA

See inside back cover for addresses.



# Our employees



Many companies stress that the employees are their most important asset. This is particularly evident in a service company which is as strongly decentralised as Handelsbanken. The Bank's fundamental philosophy, which focuses on the individual customer's requirements, is dependent on every employee taking responsibility for the customer relationship and the quality of the services offered. A thorough knowledge of the Handelsbanken Group's range of products is also vital. This not only puts great demands on the competence and judgement of the employees but also on the co-operation among and within the various units of the Bank.

## RECRUITMENT

Handelsbanken aims to recruit the "best" people and develop them within the Bank. By "best", we mean people with a broad education which is appropriate for the Bank's operations, mostly at university level, and who have the personal qualities necessary for further development within the Bank. In 2002, a survey among students of business administration revealed that Handelsbanken was seen as the most attractive employer in the sector.

## THE WHEEL — A DEVELOPMENT PROCESS

The Wheel describes the Bank's operations and the employee's personal development as a continual process to achieve Handelsbanken's overall objectives.



The customer is the natural centre of activities. On the basis of the customers and the market, each unit annually makes a business/operational plan, where all employees participate. This is followed by the individual planning dialogues and performance reviews, called PLUS, which are the link between the goals of the business operations and the personal goals of the employee. The reviews result in an action plan describing how the objectives are to be achieved both in the short and long term and containing the support and competence development needed. The action plan is regularly followed up by the manager and the employee. The individual salary dialogue is then based on the action plan and follow-up.

## PLANNING DIALOGUE AND PERFORMANCE REVIEW (PLUS)

In the planning review held between the manager and the employee, the present situation and development needs are discussed in relation to the unit's business/operational plan. The dialogues are an important investment to which the Bank gives priority. The dialogue results in an action plan describing how the individual objectives are to be achieved both in the short and long term. This applies both to competence development and to activities which are directly related to operations. The dialogue also includes the next step in the employee's development, which may involve taking a new position or becoming more specialised, broadening competence or taking on managerial responsibility. It is important that the action plan is regularly followed up.

## INDIVIDUAL SALARY DIALOGUE REVIEWS

Handelsbanken's decentralised corporate philosophy is based on respect and trust in the individual. Therefore, all employees in Sweden have individual salary reviews with their immediate superior. The reviews are based on the individual action plans and the follow-up of these plans. Handelsbanken does not apply central directives for salary levels. The Bank views the individual salary dialogues as a means of increased motivation for employees to perform and develop. Here, the key words are a professional attitude, a proactive approach, common sense and quality.

## COMPETENCE DEVELOPMENT

Just as the Bank focuses on the customer's individual needs, it also has an individual, long-term view of employees and their competence development. Competence development is a natural part of business operations.

Handelsbanken defines competence as the ability to acquire, use, develop and pool knowledge, skills and experience. All employees must take responsibility for their competence development and for sharing this competence with colleagues and customers. Great emphasis is placed on the importance of action learning in daily work. The working organisation and tasks should be designed to facilitate normal development of the employees' skills. There is a continuous process of finding individual solutions to employees' development requirements where training programmes are just one of many development methods.





**MANAGERS AS LEADERS**

Managers should be leaders with the ability to delegate responsibility to their employees. An important managerial task is to ensure that employees continually develop their competence and are encouraged to develop their career in the Bank. Apart from development programmes for existing managers, the Bank has also implemented programmes for employees who will take on managerial responsibility in the future. Almost all activities for enhancing competence take place within the Bank and 90% of all managers are recruited through internal promotion. This is one of the Bank's stated objectives.

**EQUALITY**

Handelsbanken works continually to promote equality between men and women. One long-term goal is that the proportion of women and men who are managers will be the same as the overall gender distribution at the Bank. Examples of action taken by the Bank in this field are the opportunity for subsidised household and family services for all employees who have children under the age of eight and the opportunity to have flexible working hours. Handelsbanken stresses that staff on parental leave must have the same right to salary development as all other employees. In Sweden, the Bank also guarantees 80% of the salary for employees on parental leave – including that part of the salary which exceeds the national insurance office's ceiling.

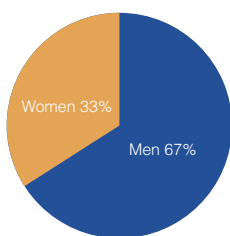
**OKTOGONEN — THE BANK'S PROFIT-SHARING SYSTEM**

In order to achieve its overall goal – higher profitability than a weighted average of the other listed Nordic banks – Handelsbanken is dependent on high-quality performance from its employees. It is therefore reasonable that the employees receive part of any extra profits. Every year but one since 1973, the Bank has allocated part of its profit to a profit-sharing system for employees. The funds are managed by the Oktogonen Foundation. A condition for making an allocation is that Handelsbanken has a higher return on shareholders' equity after standard tax than the average of other Nordic banks. A certain part of the extra profits can be allocated to the employees in accordance with the regulations for the foundation. The amount allocated is, however, limited to 25% of the Bank's dividend to its shareholders.

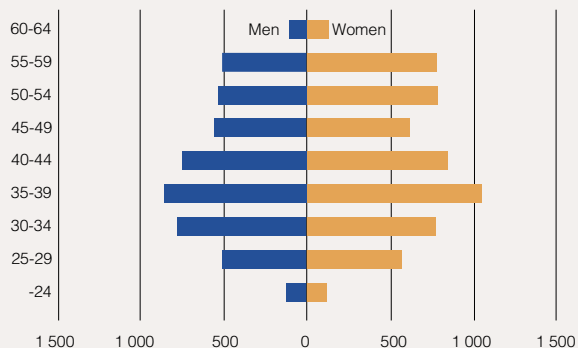
All employees receive an equal part in the allocated amount. The profit-sharing system includes all employees in the Nordic countries. Disbursement can be made when the employee reaches the age of 60. One of the fundamental concepts in managing the foundation is that a considerable part of the funds are invested in shares in Handelsbanken. Oktogonen is the Bank's largest shareholder.

Over the years, the profit-sharing system has increased in importance as an incentive to the employees of the Bank. However, the most important source of motivation and personal development can be found in the basic concept of decentralised customer and profit responsibility. The Bank places great emphasis on always keeping this basic philosophy alive in its daily work and making sure that it is applied in all activities.

**Gender distribution for managers**



**Age and gender distribution**





# Handelsbanken's role in society

## Environmental issues

### ENVIRONMENTAL POLICY

Environmental issues are a vital element in the Handelsbanken Group's operations. This applies both to the direct environmental impact of the Bank's operations and also to any indirect impact on the environment. Examples of the latter are offering customers Internet banking and other electronic services and consideration of environmental risks when granting loans.

As far as technically and financially possible, and to the extent that it is compatible with the Bank's undertakings, Handelsbanken aims to promote long-term sustainable development and to take measures to minimise any negative impact on the environment. Consistent and long-term improvements will generate benefits to the environment and cost savings. The key concepts in the Bank's environmental work are thrift, renewability, biodegradability, recyclability.

Handelsbanken has signed and complies with voluntary agreements, such as the ICC Business Charter for Sustainable Development and the UN Environment Programme – Banks and the Environment.

An external report on the environmental impact of Swedish listed companies stated that "Handelsbanken's climate work is excellent".

### OBJECTIVES AND POLICY

The Bank's main objectives in the environmental area are to minimise direct negative impact from its own operations and indirect impact from the Bank's granting of credits and purchase of goods and services. Where climate issues are concerned, Handelsbanken aims to minimise the direct environmental impact relating to factors such as carbon dioxide emissions, paper consumption and energy consumption.

### DIRECT ENVIRONMENTAL IMPACT

#### Carbon dioxide emissions

Carbon dioxide emissions represent an area where the Bank's operations have a direct impact on the environment. For the last two years, the Bank has therefore measured these emissions. The objective is to measure as great a part of the Group's operations as possible. In 2000, measurements included 50% (230) of branches in Sweden; in the following year 90% (401); and in 2002, all branches in Sweden (456) reported the environmental impact of their carbon dioxide emissions, which are mainly due to travel, heating and electricity.

#### Travel and transport

The increased usage of electronic communication means that the Bank has been able to cut down the number of vehicles used for physical distribution between the head office and the branches in the Stockholm area. An increased

proportion of business trips were made by train. Conference calls and video conferencing were used extensively.

#### Electricity and heating

Handelsbanken saves energy by optimising operations for computer equipment and heat and cooling plants, recycling energy, and using low-energy products. Energy utilisation in all buildings is continuously monitored. To reduce the amount of energy used in air-conditioning plants and to comply with the Swedish Environmental Protection Agency's requirements for removing freons, the Bank has arranged nationwide service agreements for these plants. Only green electricity is used in the premises owned by Handelsbanken and in Stadshypotek Bank's offices.

#### Ozone depleting substances

Handelsbanken is continually working to decrease the amount of freons (mainly R22) in its cooling systems. This work resulted in a reduction by 27%. Existing cooling machines are being converted to the approved freon, R134A.

#### Paper utilisation

Apart from reducing transport needs, the opportunity for customers to carry out banking transactions on the Internet and for employees of the Bank to use IT tools has contributed to more efficient work and reduced use of paper. More than 55% of the Bank's corporate customers used the Internet for their banking transactions. The corresponding figure for private customers was over 35%.

The work of converting paper forms to electronic forms continued. By the end of the year, 80% (70) of the Bank's forms had been converted.

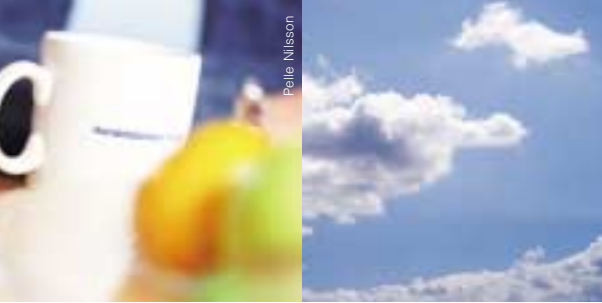
Most account statements are collected together so that the customer only receives one envelope per dispatch, regardless of the number of accounts. For newly-opened accounts, the number of statements of account dispatched has declined by 50%.

Handelsbanken is looking into web-based solutions as an alternative to the internal reports which are currently distributed in paper form.

#### Waste separation and recycling

In support of local measures, the Bank has entered into a number of nationwide agreements on recycling, reuse and recovery, and destruction. These agreements cover electronic equipment – PCs, printers, screens, faxes and office machines – toner cassettes, paper, plastic packaging, light sources and environmentally hazardous waste. Refuse, paper and environmentally hazardous waste are separated at the workplace.

Disposable material and items are used as little as possible. Glass and paper are recycled, while batteries, fluorescent lights and chemicals are returned to be destroyed.



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

In Stockholm, an internal environmental group works on a co-ordinated and joint strategy for handling, separating, recycling and destroying waste, paper and environmentally hazardous waste.

### Regional environmental activities

To support the environmental work and focus on the Bank's social responsibility, the regional bank in Western Sweden, together with other major companies in the region and the City of Göteborg, award the City of Göteborg International Environment Prize (GIMP).

### INDIRECT ENVIRONMENTAL IMPACT

#### Environmental issues associated with granting loans

Banking operations have a limited impact on the environment. However, the Bank can influence the environment in a broader perspective in the application of its loan policy. Although traditional business economic factors such as earnings capacity, equity ratios, business plans and goal achievement are core elements in a bank's credit analysis, environmental issues also play an important role. In concrete terms, this means that environmental issues will be taken into consideration in the yearly evaluation of credit commitments. For each customer, an assessment is made of the economic consequences of potential environmental hazards. This is, of course, especially important when taking into account the repayment capacity of a customer engaged in environmentally hazardous activities or who sells products that involve environmental or health risks. The assessment might concern the required governmental authorisations, adherence to the prescribed limits for emissions, and that the products in question remain competitive after environmental and health risks have been taken into account.

A large part of Handelsbanken's loan portfolio consists of mortgage lending, that is, financing of housing and office and commercial buildings. For property-related credits, it is essential to take into account environmental factors pertaining to buildings or activities conducted in the building which are harmful to the environment. Environmental factors in the vicinity of the property are also taken into consideration.

It is always the customer who is responsible for how operations are conducted, but repayment capacity and thus the Bank's credit risk are affected by the customer's willingness or ability to manage these risks.

### Ethical and environmental mutual funds

The Handelsbanken Group offers the opportunity to invest in ethical and environmental mutual funds. The SPP Aktieindexfond Global Sustainability fund invests in companies, which apart from financial targets, also have social objectives and aim to use natural resources in a sustainable manner. The Bank also offers a global environmental fund via an external fund manager. This fund only invests in companies offering good return and which also comply with special environmental criteria.

### Environmental impact of purchases

Environmental requirements are always made on suppliers when procuring goods and services. Environmental considerations are included in all decisions on investments and purchases. Handelsbanken maintains an ongoing dialogue with its suppliers to promote and develop environmental issues.

Environmentally adapted guidelines are applied in planning the Bank's buildings, premises and furnishings. The Bank requires declarations of environmental and material content. Materials and components must be long-life, recyclable and low-energy.

### ENVIRONMENTAL RESPONSIBILITY AND WORK ORGANISATION

As with other areas at Handelsbanken, responsibility for practical environmental issues is decentralised. All managers in the Handelsbanken Group have the primary responsibility for environmental issues at their units and all employees have a responsibility for the environment as part of their duties.

Employees have been appointed at all regional banks, subsidiaries and at the Central Head Office with responsibility for environmental issues. For the Group as a whole, internal environmental issues are co-ordinated by the Central Administration Department. The head of the Central Credit Department is responsible for business-related environmental issues.

### ENVIRONMENTAL TRAINING

The staff of the Bank and its subsidiaries have been trained in environmental issues with internal material based on information from the Swedish Business Development Agency and the Swedish Environmental Protection Agency. Environmental issues are now an integral part of the introduction programme for new employees, and also in the Bank's training for loan operations.



## Ethical guidelines

Handelsbanken's ethical guidelines state that all operations at the Bank are to be characterised by high ethical standards. Employees must conduct themselves in a manner that upholds confidence in the Bank. The ethical guidelines are laid down by the Central Board.

A basic, self-evident rule is that the Bank and its employees must comply with the laws and regulations that govern its operations in various ways. General recommendations and statements from Finansinspektionen (Swedish Financial Supervisory Authority) and other authorities must be observed and incorporated into the routines and instructions as necessary.

### **ECONOMIC CRIME**

The Bank must not participate in transactions involving funds which may be suspected of originating from criminal activities, nor in transactions the implication of which its employees do not understand. It is the duty of managers to keep employees regularly informed of the content of the principal laws that deal with combating economic crime. The legal requirements for the prevention of money laundering must be given special emphasis. For example, the Bank must not participate in securities transactions which can be perceived as assisting tax evasion.

### **CUSTOMER RELATIONS**

Financial advice must always be based on the customer's needs, financial position and risk propensity. It is important that the employee makes certain that the customer understands the implications of the decisions that he/she makes. The advice given aims to provide the customer with the most suitable product from the Bank's range, irrespective of what is best for the Bank in the short term.

It is important that the Bank does not take advantage of its greater expertise and financial position in relation to the customer. Sound business practices, acting in a consistent manner and fair treatment of customers are key concepts at the Bank. There must be no discrimination of customers on such grounds as gender, age or ethnic background.

In some cases, for example, securities trading, where the Bank is acting on behalf of both customers and itself, a conflict of interests may arise. Operations must be directed in such a way as to avoid such conflicts.

## Social responsibility

### PROFESSIONAL CONDUCT

It is important that the Bank's employees are not suspected of taking improper advantage of knowledge about the financial markets which they obtain in the course of their work. All employees must be familiar with the local insider trading laws and observe the Bank's own rules governing employees' and closely-related persons' private securities and currency transactions.

In their work at the Bank and in their private affairs, employees must refrain from business transactions that violate the Bank's rules or the legislation in force. Employees must not handle matters in which they or a relative have a personal interest nor matters involving companies in which they or a relative have a material interest. Employees must also refrain from transactions or other commitments that may seriously jeopardise their financial position.

To avoid incurring personal obligations to customers and suppliers, employees must observe the Bank's regulations regarding receiving and giving personal gifts and entertainment.

Employees must notify the Bank of assignments outside the Bank and obtain approval. These rules also apply to secondary occupations and posts in clubs, societies and the like. Remuneration for being a member of a board on behalf of the Bank must be paid to the Bank.

Employees who are in doubt when applying the Bank's ethical guidelines and dealing with related issues, must contact their immediate superior to find out what is ethically acceptable. Employees are encouraged to ask themselves: "Can I account for my actions to colleagues at the Bank, to the public authorities, the press and other media and the general public without feeling the slightest doubt as to whether my conduct was ethically acceptable?"

The success of Handelsbanken in the market derives from the trust it enjoys from the public and authorities. The Bank's work methods are based on a fundamental human outlook characterised by trust and respect. All employees are clearly responsible for their actions professionally, and also in social and ethical issues. Therefore, it is important that business decisions at the Bank can be justified also from a social and ethical perspective.

### WORKING CONDITIONS AND UNION RIGHTS

Handelsbanken complies with the laws and agreements on working hours in each country. In the Nordic countries, where 95% of the Bank's employees work, Handelsbanken adheres to the collective bargaining agreements which regulate working hours, overtime, rest periods, breaks and holidays. Handelsbanken has established a fixed set of employee rights throughout the Group, such as a minimum wage. Child labour is not accepted at Handelsbanken.

All employees in the Handelsbanken Group have the right to organise and join a union. The Oktogonen profit-sharing foundation has a representative on the Central Board. The local boards of the regional banks also include employee representatives.

At Handelsbanken, all individuals with the same competence have the same right to employment, promotion, salary and professional development, regardless of gender, age, ethnic background or sexual orientation.

Handelsbanken's Equal Opportunity Policy states that equal conditions shall apply to men and women regarding personal development within the Handelsbanken Group.



# Risk and risk control

Credit risk, payment risk, financial risk and operational risk arise in the Bank's operations. Credit risks depend on whether individual customers can meet their commitments to the Bank, while payment risks arise in transactions when the Bank has fulfilled its commitments but cannot check at that same moment whether the other party has done the same. Financial risks arise when there are changes in interest rates or market prices of currencies and securities which have an impact on the value of the Bank's positions. Operational risks mainly refer to errors within the Bank which may lead to losses.

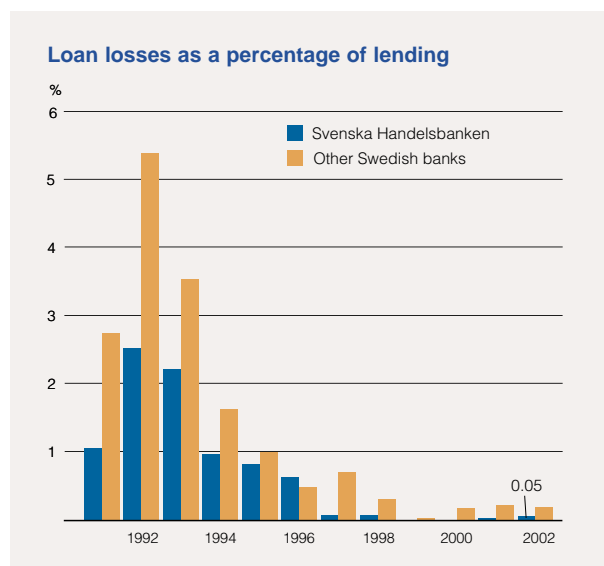
Credit risk mainly arises in branch office operations, and payment risk in the branch office operations and Handelsbanken Markets, which is also where financial risk usually arises. Operational risks may occur anywhere in the Group.

The Bank aims for the individual employee's responsibility for transactions to be combined with the responsibility for risk. The person who best knows the customer and the market conditions is also in the best position to evaluate the risk. In this way, full responsibility is taken for the business operations as close to the customer as possible. However, in order for decentralised risk-taking to work, centralised management and follow-up of risks are necessary.

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

Total exposure to credit risks and financial risks is measured and reported to the Central Board and Finansinspektionen (Swedish Financial Supervisory Authority). This exposure leads to requirements on the size of the Bank's equity. Using standard measures, it states how large the Bank's risks are in relation to the capital base.

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



## CREDIT RISK

Credit risk arises in lending and in issuing guarantees, but also includes risks arising when customers conduct transactions with the Bank on the foreign exchange and securities markets. The latter type of risk is usually summarised under the term value change risk and arises when the Bank is counterparty relative to customers with whom it has concluded some kind of derivative contract. There is a risk that the Bank's counterparty will not meet its obligations. If such a situation arises, the Bank must acquire a new equivalent contract in the market to replace the old one. This may entail a cost for the Bank, depending on price trends in the market in question. The risk of this cost arising is calculated for each contract and is regarded as a risk on the counterparty in the contract. This implies that the value change risk for derivative contracts is part of the Bank's credit limit and total exposure for a specific customer.

The responsibility for the Handelsbanken Group's credit exposure lies with the branch which is responsible for the customer in question<sup>1)</sup>. The day-to-day business relationship gives the branch a clear, continuous picture of how the customer's operations are progressing and it can quickly identify potential problems which might change the degree of credit risk in the Bank's exposure.

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

2) Using the internal rating, it will be possible to determine the Probability of Default in the Basel committee's proposed new capital adequacy regulations. The overall risk assessment and estimated value of collateral provides a good foundation for assessing the Loss Given Default in the proposed internal rating method.

For all commitments over SEK 1 million – for mortgages over SEK 3 million – the branch establishes a limit document. The Bank has 30 000 customers with limits. The limit documentation contains information about the customer's current and maximum commitment with the Handelsbanken Group and also what security is required for the maximum exposure. The limit decision is based on a business evaluation of the customer. This consists of a description of the customer's operations, an analysis of the accounts and an evaluation of the company's future prospects. An assessment is also made of the degree of credit risk in the Bank's exposure, where the customer's repayment capacity is analysed and graded using a credit index (internal rating) which the Bank has applied for more than 20 years. The internal rating of repayment capacity is done in two stages. First, an assessment is made of the probability of financial strain for the customer and then the customer's financial powers of resistance are assessed, each on a scale of one to five. After this, an overall written assessment is made of facts and assumptions which must be well-documented in the business evaluation. Finally, the value of the collateral is estimated in the event of insolvency<sup>2</sup>). The business evaluation concludes with a summary of the Bank's financial benefit from the customer and the future strategy for working with the customer. This business evaluation is performed at least once a year for all customers with a limit. Depending on the size of the limit and the type of collateral, the credit decision is made by the branch, at the regional head office, the Central Board of the Bank or its credit committee.

Apart from this, each branch performs a quarterly review of its credit commitments to identify and report those which are considered to entail an increased credit risk. For each commitment of this type an assessment is made of the possible (lesser) or likely (greater) risk of loan loss and whether a provision needs to be made for a probable loss. Normally, the exposure has been reported and risk limitation measures have been taken before the loan becomes non-performing. The risk reports are compiled for each regional bank and subsidiary as well as for Handelsbanken Markets by the respective unit's credit department or by the Central Credit Department for the whole Group. These quarterly reports are presented to the boards of the regional banks and subsidiaries and to the Central Board.

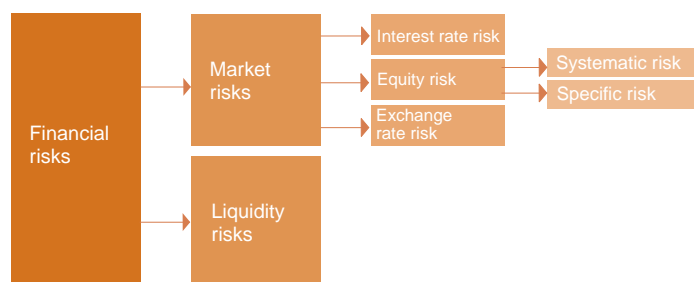
#### PAYMENT RISK

Payment risks arise in transactions where the Bank has fulfilled its commitments in the form of foreign exchange conversion, payments or delivery of securities, but cannot check at that same moment whether the counterparty has fulfilled its commitments to the Bank. On these occasions, the Bank's risk is 100% of the value of the transaction.

Payment risks are not included in the Bank's credit limit for a customer. Payment risks are instead part of a separate limit which, apart from the payment risks described above, also covers the very short-term value change risks which may arise when customers buy and sell securities (e.g. shares) through the Bank. Where limits, decisions and follow-up are concerned, payment risks follow the same pattern as credit risks. Normally, the limit for a payment risk for a customer is approved at the same time as the credit limit.

#### FINANCIAL RISK

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



#### Organisation of the Group's financial risk control

The Central Board establishes the total market risk and liquidity risk limits for the entire Group within each type of risk and also methods to measure the financial risk. The limits are allocated to the various business areas by the Group Chief Executive. The head of Handelsbanken Treasury has the overall responsibility for financial risks and for delegating the limits. The internal bank's maximum risk exposure is restricted by rules established by the Group Chief Executive.

Within the allocated limits, the units are responsible for regular follow-up and control of the financial risks. The appropriateness and integrity of this follow-up is ensured since an independent risk control exists for each unit which has a limit. The financial risks and limit utilisation for the trading operation, the internal bank and the mortgage business are checked on a daily basis. In practice, the risk in the trading portfolio fluctuates more frequently and more widely than in the mortgage companies and the internal bank. However, there is also potential for considerable fluctuations in interest rate risks in the latter two portfolios. For this reason, they are also followed carefully. The Group's exposure to financial risks is reported monthly to the Central Board.

At Treasury, there is a unit which works exclusively on independent risk control. This unit has responsibility for ensuring that all units identify and control their financial risks, regardless of whether the risk is trading-related or arises in business with customers in the regional bank

operations or the subsidiaries. The unit is also responsible for developing methods to measure the price of financial risks. Apart from continuous analysis of the Group's exposure to market fluctuations, regular reviews are performed of the local risk control. These reviews include the positions taken in the various parts of the Group, measurement methods, administrative controls and risk reporting.

### Market risk

Market risk refers to the effect of fluctuations in interest rates, exchange rates or equity prices, which result in a profit or loss for the Bank. Market risks arise mainly within Handelsbanken Markets and in practice all currency and equity price risks are concentrated there.

Handelsbanken Markets is market maker for fixed income products, currencies and equity instruments. Risks arise either through customer-related transactions or through the Bank taking its own positions. They are contained in a trading portfolio, which is accounted for at market value on a daily basis. The variations in result arising when making a valuation have an impact on the Bank's profit and loss account.

The market risks which arise in the trading portfolios are subject to capital adequacy requirements. This means that the Bank must provide capital in proportion to the market risks arising in the trading portfolios.

### Interest rate risk

Interest rate risk refers to the change in value of assets and liabilities when interest rates or volatilities fluctuate. In order to limit interest rate risk, the Bank uses the change in value of positions when the underlying interest rates are changed by one percentage point.

Interest rate risks arise mainly within Handelsbanken Markets, but also in other parts of the Bank. Interest rate risk arises in the regional bank operations and the mortgage subsidiaries as a result of lending partly having longer maturities than refinancing. At Treasury, interest risk mainly arises in the internal bank, which manages the Group's liquidity.

Normally, the Bank's assets have longer maturities than the liabilities. If interest rates rise, net interest income falls. This is counteracted by the fact that the Bank has a larger volume of interest-bearing assets than liabilities, which is mainly because the shareholders' equity is invested in interest-bearing assets. When the interest rate increases, the equity can be gradually reinvested at higher interest rates.

The impact of changes in market value in the trading portfolios is reported in the trading result. In those parts of the Group where items are not reported at market value, changed interest rates only have an impact on net interest income and are thus a net interest income risk.

The impact on the result of a rise in all interest rates by one percentage point is thus reported in two items, the net interest income and the trading result.

### Exchange rate risk

Exchange rate risk is the risk of losses in currency-related assets and liabilities when the underlying exchange rates or volatilities change. For all units in the Bank, the exchange rate risk exposure is restricted by limits for each unit's positions in individual currencies (net position) and groups of currencies (aggregated net position).

### Equity price risk

Equities trading is controlled by measuring systematic and specific risk. Systematic risk is defined as a change in value in share-related positions that can be explained by general changes in the equity market. Systematic risk is measured as the largest negative change which can occur in the case of a simultaneous change in index and volatility. Specific risk is defined as that part of the change in value of a share which is not affected by the general market but only by the individual company.

### Value-at-Risk (VaR)

VaR is used to measure the potential losses that may arise in risk positions due to movements in the underlying markets over a specified holding period and for an assumed level of probability. The VaR method implies that the different risk categories, i.e. equity price risk, interest rate risk and exchange rate risk, can be handled in a homogenous way, and that the risks can be aggregated into a total market risk. This is not possible using traditional risk measurements. As described above, the Bank's exposure to market risks is restricted in various ways for the Bank's various units. For Handelsbanken Markets these risk measurements are supplemented by VaR calculations.

VaR is calculated at Handelsbanken using a 99% confidence interval and 1-day and 10-day holding periods respectively. The calculations are based on historical simulation and measure the impact on the portfolio in question, revalued using the latest year's daily changes in interest rates and prices. The VaR model calculates the worst outcome in statistical terms which can occur on one day out of a hundred.

Since VaR is based on historical events and is dependent on the quality of available market data, it is important to verify the quality of the model on a continuous basis. Evaluating a statistical model to check whether the statistical calculations of the model agree with the actual outcome is called back-testing. This is carried out regularly.

The VaR model does not capture risks associated with exceptional disturbances in the markets and the VaR calculations are therefore regularly supplemented by stress tests, i.e. calculation of potential losses when simulating



abnormal but feasible market turbulence. The Bank carries out stress tests of Handelsbanken Markets' portfolios at least once a month. These tests provide valuable information about the market movements to which the Bank's trading portfolios are most sensitive.

#### Derivative instruments and options risks

Derivatives, such as options and futures, are financial contracts whose value is dependent on an underlying asset. Examples of underlying assets are equities, bonds and currencies. The fact that the value of a derivative instrument is dependent on the performance of an underlying asset means that derivative instruments can be used to reduce risk in a portfolio. The Bank can enter into a derivative contract which has the opposite effect in relation to the Bank's exposure. An example of this is when the Bank makes an interest rate swap, an agreement with a counterparty to exchange interest payments from fixed to floating interest rates or vice versa, by means of which the Bank reduces the impact on its results of interest rate changes.

Derivative contracts are used in this way by Treasury, the regional banks and by subsidiaries, where they are usually subject to hedge accounting. Within Handelsbanken Markets, derivative contracts are a natural element, both in customer transactions and in taking own positions or in risk reduction.

Options are derivative instruments which differ slightly from other instruments with respect to risk. The value of an option depends not only on the price level of the underlying asset but also on the uncertainty of future prices, i.e. the volatility. Options are controlled and restricted by means of a limit of maximum losses allowed when there are extreme fluctuations in volatility, prices or rates. Other derivative instruments are measured using the same methods as for the underlying instruments. These two methods, i.e. for options and other derivatives, are aggregated with the Bank's other financial risks and are included in the Bank's financial reports.

#### Market risk in the insurance operations

Handelsbanken Liv was demutualised on 1 January 2002. Handelsbanken Liv has guaranteed a certain rate of return for some of its customers. There is a risk that this rate will not be achieved and in that case the company must contribute capital. The risk of capital contributions due to unfavourable fluctuations, above all in the fixed income and equity markets, is calculated and reported monthly using historical simulation. In that way, the impact on the portfolio in question is measured and revalued in accordance with historical changes in interest rates and prices over a long period.

#### Liquidity risks

Liquidity risks arise when the Bank's lending and deposits do not coincide in time. The Bank's lending usually has a longer maturity than the deposits. In this case, the lending must be refinanced once or several times during its life. Normally, this is not a problem. If, however, the financial markets are not functioning normally, funding may be more expensive. For this reason, the Bank limits its need for refinancing and spreads it over time. Liquidity risk is measured by carrying out a gap analysis of the cash flows for various maturities and all currencies. The liquidity deficit consists of the amount by which out-payments exceed in-payments and is limited in an interval of one to fourteen days. In order to limit the Group's exposure to liquidity risk, the Bank has also set a target so that medium- and long-term foreign currency funding must be at least a certain percentage of medium- and long-term foreign currency lending. The Bank also has a foreign currency liquidity reserve, which can be used to bridge temporary turbulence in the foreign exchange markets. The Bank also spreads its funding over several markets in order to reduce liquidity risk.

#### OPERATIONAL RISK

Operational risk refers to the risk of loss due to internal processes that are inappropriate or otherwise inadequate, human error, erroneous systems or external events. The Bank pays special attention to IT risks and other technical, administrative and legal risks. The head of IT Operations is responsible for operational risks as regards computer operations and similarly, the head of Central Business Development is responsible for IT risks associated with the development of new systems and products. The same applies to operational risks in other operations, since the responsibility for identification, management and control of operational risks in Handelsbanken is an integrated part of managerial responsibility at all levels. In instructions for all areas, the Bank always pays special attention to how internal controls are organised and it is the duty of managers responsible for the various functions at the Central Head Office to ensure within their business area that there are appropriate instructions and routines for operational risks. In addition, there are people with special responsibility for information security and physical security, who report directly to the Group Chief Executive.

Apart from the day-to-day control of operational risks, the heads of the main departments at the central head office carry out twice-yearly overall examinations of the Group's operational risks. This is intended to assess both the degree of impact of various operational risks, and the probability of a loss arising from any impact. This assessment is presented to the Central Board.



**THE BASEL COMMITTEE'S PROPOSAL FOR NEW CAPITAL ADEQUACY REGULATIONS**

The Basel Committee has put forward a proposal for principles for new capital adequacy regulations. The proposal implies that lower risk should require less equity and vice versa. The Bank's assessment is that more risk-sensitive capital adequacy regulations of this type will benefit Handelsbanken, which has reported lower loan losses and credit risks than other banks for a long succession of years. The proposal is intended to come into effect in 2007.

The Committee's proposal means that it should be possible to use banks' internal systems for rating credit risks instead of the present more standardised methods. This will, however, impose considerable requirements on these internal systems.

The proposal implies major changes in the capital adequacy calculation of credit risks. Market risks will only be changed marginally, while operational risks are separated from the present standardised method and will be subject to separate calculation.

Preparations for the new capital adequacy regulations are in progress at the Central Credit Department. A more sophisticated rating model is being developed and will start to be used in 2003. This is necessary for the Bank to be able to apply the so-called internal rating method. The branches' quarterly risk reporting will then be based on the definition of default and financial loss in the Basel proposal.

A method of analysing operational risks is being developed. Collection of operational loss data will be facilitated and improved.

The Bank has carried out a rough calculation of the effect of the internal rating method on the size of the risk-weighted assets. The calculation shows that the Bank's risk-weighted assets will be considerably lower than under the present rules.

# Economic and market trends – 2002 in retrospect

The world's financial markets had a troubled year in 2002, not least the stock market, where prices fell severely on most of the world's stock exchanges. The Stockholm Stock Exchange was one of the worst hit, with a drop of more than 37%. The Helsinki Stock Exchange also saw major falls in value. The Oslo and Copenhagen exchanges managed somewhat better but nevertheless fell by over 20%.

## **SURPRISING UPTURN IN THE US ECONOMY**

What many had feared – that the US economy would be drawn into a deep recession after the terrorist attacks and stock market fall – did not happen. Instead, the US began surprisingly strongly with over 5% growth in the first quarter. The substantial reductions in interest rates in 2001 were sufficient to counterbalance the effects of the uneasiness and pessimism that were intensified after September 11. Over the year, the economy grew at an average rate of almost 3% per quarter – almost double the rate predicted at the beginning of the year. It was still consumers who were keeping the economy afloat but the investment trend improved as profits rose. The American Federal Reserve also showed clearly that it is not prepared to tolerate any risks on the downside for the business cycle.

## **CONTINUED WEAK ECONOMY IN EUROPE**

The second great surprise was that the EMU area did not follow the upswing in the US. Optimism grew in the first six months after the hopeful signs in the US, but after the summer it became increasingly clear that many countries had no momentum of their own and that export increases were not sufficient as a driving force for an economic upswing. It was also clear that the burst stock exchange bubble and dashed expectations had not only affected the US but also Germany to a great extent. The former locomotive of Europe thereby turned into more and more of a brake. Despite the weak trend, the European Central Bank (ECB) delayed cutting interest rates until right at the end of the year.

## **SWEDISH ECONOMY DEVELOPED FAVOURABLY – EMU EXPECTATIONS HAVE STABILISING EFFECT**

The weak European economic trend also affected Swedish exporters. Nevertheless, growth in Sweden exceeded expectations. It was particularly gratifying that companies achieved a substantial rise in productivity, which set the scene for positive surprises concerning profits, despite weak sales trends. Domestic demand was considerably stronger than that of Continental Europe, largely due to an expansive fiscal policy but also as a result of low real interest rates. This led to a considerably better trend in the number of bankruptcies and loan losses than in many other European countries.

Despite weak stock markets and high risk premiums, the Swedish krona was relatively stable. This was mainly due to Prime Minister Göran Persson making it clear

at the beginning of the year that he intended to call a referendum on EMU membership in 2003. Since the Riksbank, the Swedish Central Bank, had previously indicated that the krona was undervalued, the foreign exchange market had prepared itself for a probable future exchange rate on entry that would be stronger than SEK 9 per euro. Expectations of Swedish EMU membership also had a stabilising effect on long-term market interest rates, despite the fact that the Riksbank raised interest rates in the spring.

## **MARKET UNEASE AND HIGH RISK PREMIUMS**

The stock market breathed a sigh of relief in the first quarter, since the US economy had defied all misgivings and proved itself to be surprisingly robust. This would prove to be far too early. Other worrisome factors soon arose. The American energy conglomerate Enron's collapse, after dubious transactions and far too creative accounting, was followed by a series of accounting scandals. Worries as to whether the economic trend would be strong enough to lift profits in the next few years were replaced by uncertainty and doubt over the profits of past years. Were profits in actual fact considerably worse than had been reported?

This worry and uncertainty led to a considerable increase in investors' required return on listed shares, which caused share prices to fall again. The renewed fall on the stock market created a downward spiral in which shrinking assets created doubts as to the sustainability of the economic trend and this pulled down profit expectations and share prices further. Despite the fact that executives in listed companies were forced to sign declarations that their accounts did not contain any irregularities, anxiety grew after the summer.

In Europe, the situation worsened as falls in stock markets undermined the insurance companies' positions. Many companies were forced to reduce their share exposure and this contributed to the fall in prices. This situation also became troublesome for the German banks. The surplus values in their share portfolios shrank dramatically and reduced an already weak capital base. Hence, shares in financial companies became among the hardest hit on the European stock markets.

The anxiety and pessimism on the world's equity markets peaked at the beginning of the fourth quarter, but since then risk premiums have fallen and stock markets have recovered despite the fact that profits and data on economic trends were not particularly strong. Considerable unease remains, however, concerning developments in the Middle East.

The volatility on stock markets and uncertainty among market players reduced the inclination to engage in trading. Together with falling share prices, this meant that stock market turnover fell considerably compared with the top year 2000.



# Review of operations

## RESULTS AND PROFITABILITY

Operating profit was SEK 10 190m (11 208). Net interest income and net commission income increased, while net trading income fell. Expenses for comparable units were unchanged. Loan losses increased by SEK 240m. In January, Handelsbanken Liv became a demutualised life insurance company. As a result, Handelsbanken Liv is now included in the Group's consolidated accounts.

### Operating profit

SEK m	2002	2001	Change %
Net interest income	14 285	13 385	7
Commission, net	5 134	5 028	2
Trading, net	1 702	2 656	-36
Other income	543	585	-7
<b>Total income</b>	<b>21 664</b>	<b>21 654</b>	<b>0</b>
Staff costs excl. performance-related	- 6 199	- 5 580	11
Performance-related staff costs	- 166	- 338	-51
Other expenses	- 4 518	- 4 376	3
<b>Total expenses</b>	<b>- 10 883</b>	<b>- 10 294</b>	<b>6</b>
<b>Profit before loan losses</b>	<b>10 781</b>	<b>11 360</b>	<b>-5</b>
Loan losses incl. change in value of repossessed property	- 392	- 152	158
Write-downs of financial fixed assets	- 199	—	
<b>Operating profit</b>	<b>10 190</b>	<b>11 208</b>	<b>-9</b>

### Income

The Bank's total income was unchanged at SEK 21 664m (21 654). Net interest income rose by 7% to SEK 14 285m (13 385). The increased net interest income was mainly due to larger business volumes. However, margins increased slightly on the Bank's lending to companies and on mortgage loans to households. Net interest income in branch office operations rose by 14%. The average volume of lending increased by 8% to SEK 817bn (760). The average volume of deposits and funding from the general public increased by 3% to SEK 288bn (279), where deposits from households represented the entire increase. Net commission income increased by 2% to SEK 5 134m (5 028). As in 2001, commission related to equity markets fell, while insurance and payment commission and deposits and lending commission rose. Net trading income went down to SEK 1 702m (2 656), or 36%. Money market and foreign exchange trading were the most important components in net trading income. Other income amounted to SEK 543m (585).

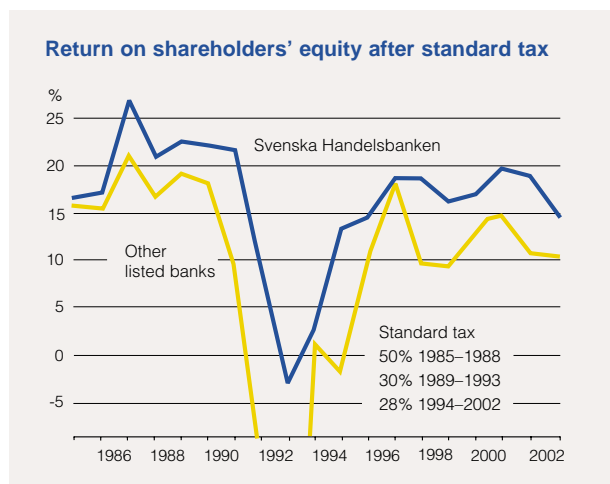
## Expenses

For comparable parts of the Group, expenses were unchanged. Total expenses were SEK 10 883m (10 294), which was an increase of just under 6%. Most of the additional expenses were the result of Handelsbanken Liv being included in the accounts from 1 January. Apart from this, neither SPP nor Midtbank were included in the expenses for the whole of 2001. IT costs were almost SEK 2.8bn (2.6). The Bank's expenses in the fourth quarter were lower than the corresponding quarter in the previous year. This is mainly due to a decrease in the number of employees. Not including the consolidation of Handelsbanken Liv and transfer of employees from SPP to the Bank, the number of employees fell by 364, or nearly 4%. The number of employees fell in all parts of the Group. Four branches were opened outside Sweden: one in Denmark, two in Great Britain and one in the Netherlands. A representative office was opened in Shanghai.

The C/I ratio before loan losses was 50.2% (47.5) and after loan losses 52.0% (48.2).

## Profitability

Return on shareholders' equity calculated after full tax was 14.6% (18.4), while calculated after standard tax, it was 14.6% (17.8).



## Appropriations and tax

The assets in the Bank's pension foundation and the pension fund exceeded the pension commitments by SEK 3bn (9). A specification is shown in Note 42, page 77. The tax expense was SEK 2 817m (3 202). This is equivalent to an effective tax rate for the Group of 27.9%. Specifications of deviations from the nominal tax rate are reported under Note 15, page 63.

## Cost/Income ratio

	2002	2001
Before loan losses	50.2%	47.5%
After loan losses	52.0%	48.2%

## Sensitivity analysis of the Handelsbanken Group's result

	Change	Impact on operating profit SEK m	Impact on earnings per share SEK
Commission, net	+/- 1%	+/- 46	0.05
Number of employees	+/- 100	-/+ 64	0.07
Salaries	+/- 1%	-/+ 57	0.06
Other general administrative expenses	+/- 1%	-/+ 33	0.03

## Assets

31 December

SEK m	2002	2001	Change %
Interest-bearing securities	137 327	128 347	7
Lending to the general public	839 340	800 068	5
Lending to credit institutions	79 517	70 857	12
Other assets	221 330	175 249	26
<b>Total assets</b>	<b>1 277 514</b>	<b>1 174 521</b>	<b>9</b>

## Liabilities and shareholders' equity

31 December

SEK m	2002	2001	Change %
Deposits and funding from the general public	292 838	283 692	3
Liabilities to credit institutions	235 113	220 126	7
Issued securities etc.	464 402	440 981	5
Other liabilities	206 168	152 634	35
Subordinated loans	26 801	28 976	-8
Shareholders' equity	52 192	48 112	8
<b>Total liabilities and shareholders' equity</b>	<b>1 277 514</b>	<b>1 174 521</b>	<b>9</b>

## BUSINESS VOLUME TRENDS

### Balance sheet, lending and deposits

Total assets increased by almost 9% to SEK 1 278bn (1 175). Lending to the general public went up to SEK 839bn (800), a rise of 5%. Apart from the increase in lending, other assets rose by SEK 46bn to SEK 221bn (175). This was due to the insurance assets increasing because Handelsbanken Liv was consolidated into Handelsbanken's profit and loss account and balance sheet and to an increase in derivative contracts with positive values.

Demand for credit gradually declined during the year and consequently the rate of increase of lending to the general public fell. Of the total lending to the general public which was SEK 839bn, SEK 7bn (14) was lending to the National Debt Office. Excluding this, lending to the general public increased by 6%. In total, household lending rose by SEK 29bn to SEK 324bn (295) and corporate lending increased by SEK 10bn to SEK 518bn (508). Also excluding lending to the National Debt Office, the rise was SEK 17bn and corporate lending was SEK 511bn (494), a rise of 3%. Mortgage lending rose by SEK 16bn to SEK 366bn (350), of which SEK 135bn (138) was to the corporate market and SEK 231bn (212) was household lending.

#### Lending to the general public, Handelsbanken Group

31 December

SEK m	2002	2001	Change %
Lending in Swedish kronor			
to households	280 695	258 579	9
to companies etc.	345 248	336 469	3
	<b>625 943</b>	<b>595 048</b>	<b>5</b>
Foreign currency lending			
to households	43 798	36 163	21
to companies etc.	172 693	171 758	1
	<b>216 491</b>	<b>207 921</b>	<b>4</b>
Provision for probable loan losses	- 3 094	- 2 901	7
<b>Total lending</b>	<b>839 340</b>	<b>800 068</b>	<b>5</b>

#### Geographical distribution of lending, Handelsbanken Group

31 December

SEK m	2002	2001
Sweden	674 998	646 753
Norway	48 530	43 640
Finland	38 292	32 117
Denmark	19 234	20 772
Rest of Europe	28 873	26 634
North America	27 072	28 339
Asia	2 341	1 813
<b>Total</b>	<b>839 340</b>	<b>800 068</b>

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

The table below shows the geographical distribution of lending, principally based on where the borrower is domiciled. Lending to borrowers outside Sweden continued to rise slightly faster than lending in Sweden. Over a three-year period, the proportion of lending outside Sweden has increased by three percentage points. Eight of all the Bank's exposures exceeded 10% of the Bank's capital base.

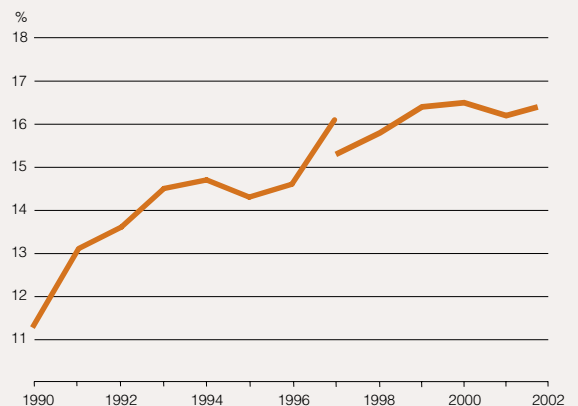
Particular attention was paid to banks' exposure and outstanding credits to the telecom sector, i.e. operators and equipment manufacturers. Total outstanding credits to the sector were SEK 8.8bn (15.6). Total exposure to the telecom sector showed the same trend.

#### Deposits from the general public, Handelsbanken Group

31 December

SEK m	2002	2001	Change %
Deposits in Swedish kronor			
from households	75 964	74 170	2
from companies etc.	78 834	78 094	1
	<b>154 798</b>	<b>152 264</b>	<b>2</b>
Foreign currency deposits			
from households	14 193	13 641	4
from companies etc.	69 166	59 845	16
	<b>83 359</b>	<b>73 486</b>	<b>13</b>
<b>Total deposits</b>	<b>238 157</b>	<b>225 750</b>	<b>5</b>

#### Household deposits – market share in Sweden, Swedish kronor, until September 2002



Source: Statistics Sweden  
Previously the total market was reported excluding small savings banks. These have been included since January 1998.

Deposits from the general public rose by just over SEK 12bn to SEK 238bn (226), corresponding to an increase of 5%. The Bank continued to gain market share in the household deposits market in Sweden. Statistics from the Riksbank and Statistics Sweden have been out of phase with the Bank's reports for some time, and the latest available statistics for the whole household deposits market are for September 2002. As at 30 September, the Bank's market share was 16.4% compared to the year-end 2001 when it was 16.2%.

## LOAN LOSSES AND BAD DEBTS

### Loan losses

The Bank reported loan losses of SEK 392m (152), including changes in value of repossessed property. The gain in value of repossessed property was SEK 4m (8).

Amounts recovered from previous actual losses were SEK 440m (545) and provisions written back were SEK 485m (722).

Seven of the loan losses exceeded SEK 40m. The table below shows loans and loan losses. The uncategoryed recoveries refer to amounts recovered on previously written-off loans which cannot be allocated to a specific borrower category. As shown, dissolved reserves exceed the year's provisions for construction and property companies and housing co-operative associations.

### Bad debts

Bad debts, after deduction of provision for probable loan losses, were SEK 2 004m (2 044). They represented 0.23% (0.25) of lending at the year-end.

The reserve for probable loan losses was SEK 3 119m (2 995), which is 61% (59) of gross bad debts. A full report is given in Note 18, page 66.

## FINANCIAL RISKS

The Bank limits and monitors financial risks according to the principles described in "Risk and risk control" on page 20.

The table on the next page shows the interest rate adjustment periods for the Group's assets and liabilities on the balance sheet and off-balance-sheet items.

A change in interest rates has an impact on the Bank's net interest income, partly through the differences in interest rate adjustment periods between assets and liabilities and partly due to the difference in the volume of interest-bearing assets/liabilities. The overall impact of these factors meant that at the year-end, net interest income would have been higher if interest rates were rising.

## Loans and loan losses by category

31 December

	2002				2001			
	Loans SEK m	%	Loan losses SEK m	% <sup>1)</sup>	Loans SEK m	%	Loan losses SEK m	% <sup>1)</sup>
Industrial, trading and service companies, etc.	259 707	28.3	- 707	0.27	264 768	30.4	- 705	0.33
Households	324 493	35.3	- 184	0.06	294 742	33.8	- 113	0.04
Construction and property companies	183 711	20.0	89	- 0.05	173 499	19.9	- 98	0.06
Housing co-operative associations	63 002	6.9	6	- 0.01	58 931	6.8	- 23	0.04
Municipalities	8 427	0.9	0	—	8 128	0.9	0	—
<b>Lending to the general public</b>	<b>839 340</b>	<b>91.4</b>	<b>- 796</b>	<b>0.10</b>	<b>800 068</b>	<b>91.8</b>	<b>- 939</b>	<b>0.14</b>
Banks	43 367	4.7	0	—	48 498	5.6	12	- 0.02
Other credit institutions	36 150	3.9	0	—	22 359	2.6	0	—
<b>Lending to credit institutions</b>	<b>79 517</b>	<b>8.6</b>	<b>0</b>	<b>—</b>	<b>70 857</b>	<b>8.2</b>	<b>12</b>	<b>- 0.01</b>
Less amounts recovered but not categorised			400	—			767	—
Change in value of repossessed property			4	—			8	—
<b>Total</b>	<b>918 857</b>	<b>100.0</b>	<b>- 392</b>	<b>0.05<sup>2)</sup></b>	<b>870 925</b>	<b>100.0</b>	<b>- 152</b>	<b>0.02<sup>2)</sup></b>

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

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

**Interest rate adjustment periods for the Group's assets and liabilities**

SEK m	-3 mths	3-6 mths	6-12 mths	1-5 yrs	5 yrs-	Total
<b>ASSETS</b>						
Lending	537 780	46 756	54 808	177 487	33 310	850 141
Banks and other financial institutions	85 544	7 212	6 128	768	64	99 716
Bonds etc.	67 319	15 221	27 907	26 934	7 761	145 142
<b>Total assets</b>	<b>690 643</b>	<b>69 189</b>	<b>88 843</b>	<b>205 189</b>	<b>41 135</b>	<b>1 094 999</b>
<b>LIABILITIES</b>						
Deposits	289 567	3 697	3 090	5 019	3 626	304 999
Banks and other financial institutions	236 614	13 078	10 502	188	1 392	261 774
Issued securities	278 539	54 864	46 081	111 060	4 311	494 855
Other liabilities	3 356	0	3 057	11 636	3 239	21 288
<b>Total liabilities</b>	<b>808 076</b>	<b>71 639</b>	<b>62 730</b>	<b>127 903</b>	<b>12 568</b>	<b>1 082 916</b>
Off-balance-sheet items	76 253	- 365	11 575	- 35 060	- 35 656	16 747
Difference between assets and liabilities including off-balance-sheet items	- 41 180	- 2 815	37 688	42 226	- 7 089	28 830

The table shows the interest rate adjustment periods for the Group's interest-related assets and liabilities as at 31 December 2002, reported as at the transaction date. Non-interest-bearing assets and liabilities have been excluded.

**Value-at-Risk**

Handelsbanken uses Value-at-Risk (VaR) as a method of measuring risks in trading operations. Daily VaR at Handelsbanken Markets is shown in the graph below.

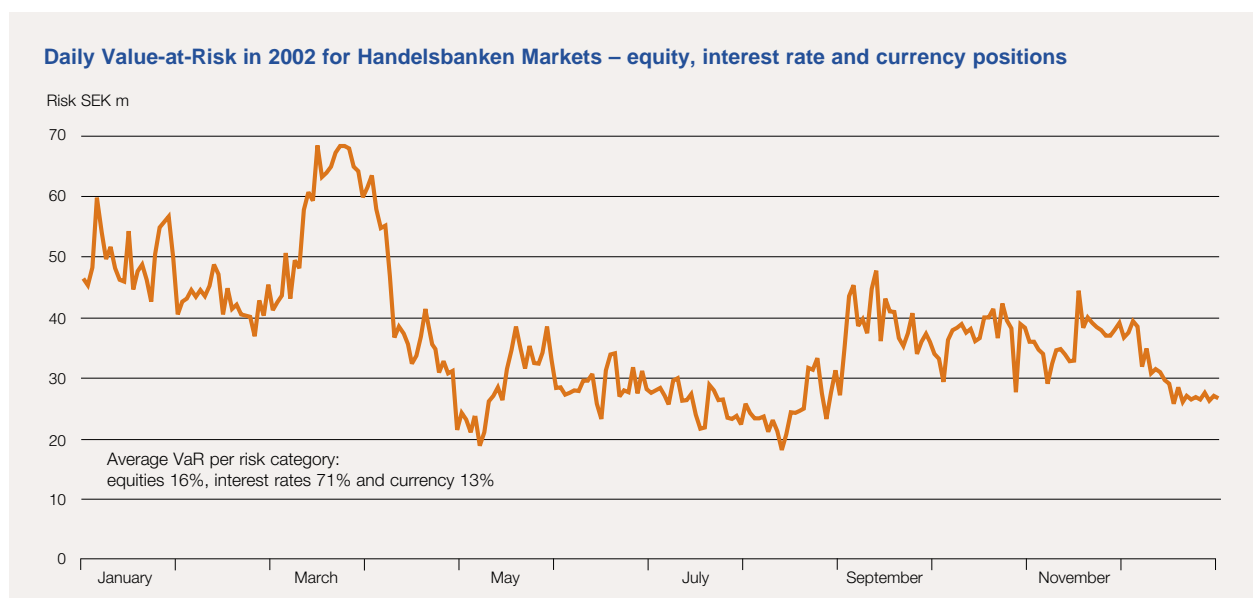
The VaR level in the Bank's equity, fixed-income and currency positions was on average SEK 37m (37). In other words with 99% probability, the Bank could not lose more than SEK 37m in a single day. During the year, the VaR level was SEK 69m at its highest and SEK 18m at its lowest.

The VaR level in Handelsbanken Markets' equity price risk was on average SEK 7m. At its highest, the equity

risk was SEK 18m and at its lowest SEK 2m.

Value-at-Risk for interest rate and currency risk was on average SEK 37m. It was SEK 70m at its highest and SEK 16m at its lowest.

The largest risk in trading operations is interest rate risk. It is possible to measure market risks with VaR without taking into account the correlation between interest rate, currency and equity price risk. The allocation per risk category in this type of measurement is shown in the graph.





### Interest rate, currency and equity price risks

The measure of interest rate risk calculates the impact on the market value of all assets and liabilities both on and off the balance sheet if all interest rates rise by one percentage point. At the year-end, the Group's interest rate risk was SEK 671m (659) in the case of a parallel shift of the yield curve by one percentage point.

The exchange rate risk was SEK 16m (1), measured as the maximum impact on the Bank's result if exchange rates change by 5%.

The equity price risk was a maximum of SEK 20m (9), in the case of a 10% change in all share prices.

### Derivatives

As stated in the Risk and risk control section, a derivative is a financial contract whose value is dependent on the underlying asset. This means that derivatives are in general monitored according to the same principles as the underlying asset. Derivative instruments in the Bank's books are shown on page 79.

The counterparty risk in derivatives is based on the risk classes used for calculating capital adequacy requirements. The table shows that the largest exposures were in the Credit institutions group, which is mainly Swedish or foreign credit institutions in the EU or OECD. The recalculated amount of a derivative contract comprises the sum of the contract's positive market value on the balance sheet day and a computed amount for possible future changes in risk.

### CAPITAL RATIO

The Group's capital ratio was 9.3% (9.9) and the Tier 1 capital ratio was 6.4% (6.1).

Tier 1 capital, which mainly consists of shareholders' equity, increased by 10% to SEK 41.0bn (37.2). The increase was due to profits generated during the year, reduced by the proposed dividend. Apart from Tier 1 capital, the total capital base also includes Tier 2 capital and the enlarged capital base.

### SPP'S AVAILABLE SOLVENCY MARGIN WAS STRENGTHENED

Trends on the stock markets undermined SPP's available solvency margin. During the third quarter, SPP issued two perpetual subordinated loans totalling SEK 1.6bn to Handelsbanken. In the first quarter of 2003, the Bank provided a shareholder's contribution totalling SEK 172m to SPP. A subsidiary of the Bank owns the SPP brand name and has charged the companies within SPP a fee for utilisation. There were discussions concerning the appropriateness of this procedure and the Bank decided to stop charging the fee and to make a capital infusion of SEK 172m, being the fee charged by the Bank for 2001 and 2002.

### Derivative volume

31 December		
SEK bn	2002	2001
Currency forwards	1 262	1 497
Interest rate and currency swaps	1 904	1 772
Interest rate futures and FRAs	2 743	2 304
Interest rate and currency options	282	253
Equity derivatives	172	248
<b>Total</b>	<b>6 363</b>	<b>6 074</b>

### Counterparty risk in derivatives

31 December		
SEK bn	Nominal amount	Converted amount
States, zone A	189	3
Credit institutions	5 132	30
Other counterparties	1 042	11
<b>Total</b>	<b>6 363</b>	<b>44</b>

### Capital base and capital requirement

31 December		
SEK m	2002	2001
<b>CAPITAL BASE</b>		
Tier 1 capital	41 008	37 188
Tier 2 capital	25 393	27 376
Less shareholdings in insurance companies and 5–50% in companies which conduct banking operations	– 7 560	– 4 868
<b>Total tier 1 and tier 2 capital</b>	<b>58 841</b>	<b>59 696</b>
Enlarged capital base	588	921
<b>Total capital base</b>	<b>59 429</b>	<b>60 617</b>
<b>CAPITAL REQUIREMENT</b>		
<b>Risk-weighted amount</b>		
Credit risks	612 931	588 746
Market risks	28 175	22 023
<b>Total</b>	<b>641 106</b>	<b>610 769</b>
Capital ratio	9.3%	9.9%
Tier 1 capital ratio	6.4%	6.1%

## Nordic bank ratings

31 December

	MOODY'S			STANDARD & POOR'S		FITCH	
	Long term	Short term	Financial strength	Long term	Short term	Long term	Short term
Handelsbanken	Aa2	P-1	B+	A+	A-1	AA-	F1+
FöreningsSparbanken	Aa3	P-1	B	A	A-1	A+	F1
Nordea (Nordea Bank Sweden)	Aa3	P-1	B	A+	A-1	AA-	F1+
SEB	A2	P-1	C+	A-	A-2	A+	F1
Danske Bank	Aa2	P-1	B+	AA-	A-1+	AA-	F1+
Den norske Bank	Aa3	P-1	B	A	A-1		

### RATING

The rating agencies' rankings mainly affect the costs of the Bank's funding in international markets. In 2002, Handelsbanken's rating from the three major rating agencies was unchanged. See the above table.

### IT DEVELOPMENT

The Group's IT expenses were SEK 2.8bn (2.6). The increase was mainly because Handelsbanken Liv was demutualised on 1 January and was thus included in the Handelsbanken Group's accounts. Handelsbanken's international drive also contributed to the cost increase, for example, the start-up of the branch in Amsterdam and the work on changing the banking system at the branch in Frankfurt.

The new technical platform in Java for self-service banking was launched and the Bank's private customers in Sweden now use this. Work is also in progress to rewrite the corporate services in Java so that the whole range of Internet services in Sweden uses the new platform. In the long run this will reduce costs for the Internet bank. The platform was developed so that it could be used internationally for Internet services. The first service outside Sweden will be equities trading in Norway. The platform was also adapted for the branch office operations and will be used when the branch terminal systems are replaced.

The project which was to replace the three existing credit systems with a single system was postponed. This was done to ensure that resources are available for other major system development projects which are demanded by public authorities. This applies to new regulations for capital adequacy, and new accounting regulations for valuation of certain assets according to IAS 39. The Bank must also be prepared to quickly implement system adaptations which will be required if Sweden votes yes in the EMU referendum in autumn 2003. The need to adapt to the euro would place major demands on system

development resources and the Bank must therefore scale down other development work in the next few years.

IT production continued to be stable and the level of accessibility was very high.

Work continued on increasing productivity and cost-effectiveness in IT production. The Bank continually benchmarks itself with other companies to check its work methods and cost levels. It was apparent that the Bank's IT production is competitive in cost terms since the Bank could offer SPP lower costs for mainframe operations and envelope work compared to SPP's previous service provider. Major cost savings will be achieved by the Bank taking over SPP's production within the existing organisation. Moving SPP's IT operations from the service provider will continue in other parts of operations in 2003.

The Bank's cost-effective working methods mean that it is usually profitable to have in-house IT production and support. The Bank's own operations always have top priority, thus the Bank does not risk having to wait in a queue at the service provider. This is important in competitive terms. Nevertheless, there are situations where it is more advantageous to use a service provider, as the Bank does in Denmark and Norway, for example. Here the service agencies offer banking systems and also run these systems. Handelsbanken's operations in these countries are not yet large enough for in-house IT operations to be more advantageous.

# Review of business areas

## Branch office operations



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

The branch office operation consists of eleven regional banks: seven in Sweden and one each in Norway, Finland, Denmark and Great Britain. 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. Handelsbanken has 456 branches in Sweden, 33 in Denmark, 28 in Finland, 27 in Norway and 8 in Great Britain. Handelsbanken is the fourth largest bank in Finland, and fifth in both Norway and Denmark in terms of total assets.

### Performance

Operating profit for branch office operations continued to rise and was SEK 9 702m (8 963), an increase of 8%. Net interest income rose by 14% to SEK 14 286m (12 564). The increase compensated for marginally lower commission, a considerably lower net result on financial operations and slightly higher loan losses. Expenses increased by almost 5%, while comparable expenses increased by only 0.8%. Almost all of the cost increase was thus the result of Midtbank being included in Handelsbanken's consolidated accounts throughout 2002, compared to just over seven months in the previous year. The number of employees at branch office operations fell by 235, or just over 4%. Loan losses totalled SEK 239m (185), equivalent to 0.03% of lending.

From 1 July 2002, operations in Great Britain became Handelsbanken's eleventh regional bank and are subsequently included in Branch office operations.



### BRANCH OFFICE OPERATIONS IN SWEDEN

Handelsbanken's 456 branches in Sweden continued to be successful. Handelsbanken increased its market shares while keeping its profitability lead generally intact. In the Swedish branch operations, the number of employees fell by 206 or 4.7%. The ratio between cost (before loan losses) and income, the C/I ratio, continued to develop favourably. Some 38% of the Swedish branches had a C/I ratio under 40%. This can be compared to the corresponding figure for 1997, when only 22% of the branches had a C/I ratio under 40%.

The average volume of lending increased by 7% to SEK 647bn (602), of which mortgage lending represented 55%. Household lending represented SEK 26bn of the increase of SEK 45bn. The rate of increase of lending gradually declined during the year. The average volume rose by only SEK 5bn in the fourth quarter, all of which was mortgage lending. The average volume of deposits was unchanged at SEK 194bn. Household deposits went up by SEK 6bn to SEK 80bn (74).

### Quarterly performance

SEK m	2002:4	2002:3	2002:2	2002:1	Total 2002	Total 2001	Change %
Net interest income	3 780	3 667	3 494	3 345	14 286	12 564	14
Commission, net	743	581	672	653	2 649	2 754	- 4
Net result on financial operations	- 94	- 81	- 7	7	- 175	307	- 25
Other income	13	19	29	19	80	106	- 25
<b>Total income</b>	<b>4 442</b>	<b>4 186</b>	<b>4 188</b>	<b>4 024</b>	<b>16 840</b>	<b>15 731</b>	<b>7</b>
<i>Net internal remuneration included in income</i>	<i>181</i>	<i>173</i>	<i>208</i>	<i>211</i>	<i>773</i>	<i>906</i>	<i>- 15</i>
<b>Total expenses</b>	<b>- 1 761</b>	<b>- 1 662</b>	<b>- 1 729</b>	<b>- 1 747</b>	<b>- 6 899</b>	<b>- 6 583</b>	<b>5</b>
<b>Profit before loan losses</b>	<b>2 681</b>	<b>2 524</b>	<b>2 459</b>	<b>2 277</b>	<b>9 941</b>	<b>9 148</b>	<b>9</b>
Loan losses incl. change in value of repossessed property	- 27	- 121	- 8	- 83	- 239	- 185	29
<b>Operating profit</b>	<b>2 654</b>	<b>2 403</b>	<b>2 451</b>	<b>2 194</b>	<b>9 702</b>	<b>8 963</b>	<b>8</b>
<b>Return on equity, %</b>	<b>21.2</b>	<b>18.9</b>	<b>19.6</b>	<b>17.8</b>	<b>20.0</b>	<b>21.2</b>	
<b>Average number of employees</b>	<b>5 586</b>	<b>5 962</b>	<b>5 743</b>	<b>5 777</b>	<b>5 767</b>	<b>5 650</b>	



### Market shares in Sweden

	2002 %	2001 %
SEK deposits, households <sup>1)</sup>	16.4	16.2
Mutual funds, new sales	28.7	19.0
SEK lending, households <sup>1)</sup>	16.0	16.0
Mortgage loans SEK, households <sup>1)</sup>	31.5	31.7

1) Market share for 2002 refers to September

### Mortgage lending

Stadshypotek is responsible for most of the Group's mortgage financing in Sweden. All contact with customers is via the Swedish branches.

The high demand, particularly from households, which started in 2001, continued during 2002, although to a somewhat lesser extent. In the corporate market, lending volumes increased to multi-family dwellings, while lending to commercial and business properties fell slightly.

At year-end, the Group's mortgage lending was SEK 366bn (350), an increase of SEK 16bn. The whole of the increase was in the private market where lending increased by SEK 18bn to SEK 210bn (192), while lending to companies fell slightly. Margins were only slightly changed.

### Increased customer benefit

In summer, Stadshypotek launched a service called Interest rate fixing on the Internet. This offers private customers with floating rate loans the opportunity to completely or partly fix the rate on these loans via Handelsbanken's Internet service. This service quickly became popular since it increased accessibility and was also very easy to use. Some 25% of interest rate fixings during the autumn were made via the Internet.

In November, Stadshypotek launched a service called Changing terms on the Internet. This service also makes it easy and convenient for private customers to change the terms of their loans directly via the Internet instead of using paper forms. More information about the service will be given to customers at the beginning of 2003 but it has already attracted a great deal of interest and many customers have started using it.

The proportion of credit applications made via the Internet to branches increased and now exceeds 20%. For many branches the proportion is over 50% and rising. The increase is particularly large in the Stockholm area. This is an example of how the Internet can increase customer benefit by offering better service and accessibility, while allowing the Bank to plan its operations more easily and thus keep costs down. Customers can themselves choose when it suits them to fill in and send the credit application to the Bank. Account managers at branches can review the application rapidly before the customer receives a response by e-mail or phone.

Stadshypotek was one of the first companies to offer private customers the e-giro service. This service means that customers no longer receive paper invoices when the loan is due for payment, which many people regard as simpler. During the year, the service was developed so that several banks agreed on a joint standard. This will enable further improvements and increased use of the service.

### e-bud Internet service

Interest in the electronic bidding service (called e-bud in Swedish) continued to grow and over 450 estate agents were linked to the service. Since it was launched, more than 7 000 properties have been available for bidding and over 44 000 bids have been made. The service has attracted increasing attention and the market place has had more than 2.4 million visits since it started at the end of 2000. E-bud is most popular in Uppsala and Stockholm and was particularly in demand when selling apartments in housing co-operatives.

E-bud creates added value for all those involved. For interested parties/buyers, it means that they can follow the bidding process in real-time and see for themselves the status of their own bid. For the seller, the attraction is that more people can participate in the bidding process, thus leading to a fairer price. For estate agents, e-bud means increased efficiency since the time they save can be used for giving advice and marketing.

### Balance sheet

31 December

SEK m	2002	2001	Change %
Lending to credit institutions	80 105	87 434	- 8
Lending to the general public	753 811	715 727	5
Bonds	12 670	7 514	69
Other assets	35 185	37 590	- 6
<b>Total assets</b>	<b>881 771</b>	<b>848 265</b>	<b>4</b>
Liabilities to credit institutions	248 429	250 543	- 1
Deposits and funding from the general public	224 617	212 499	6
Issued securities	243 856	228 301	7
Other liabilities	125 259	122 493	2
Shareholders' equity	39 610	34 429	15
<b>Total liabilities and shareholders' equity</b>	<b>881 771</b>	<b>848 265</b>	<b>4</b>



#### BRANCH OFFICE OPERATIONS IN DENMARK

The Danish market was characterised by continued hard competition from the over 200 banks represented here. Despite this situation, margins were basically unchanged. Average lending was SEK 21bn (17), an increase of 24%. Corporate lending was SEK 16bn (15), a rise of 7%. The average volume of deposits was SEK 16bn (12), of which SEK 11bn (10) from companies.

Following the acquisition of Midtbank, the branch network covers most of Denmark. In 2002, a new branch was opened in Ballerup, outside Copenhagen.

Danish operations were characterised by the continued integration of Midtbank with the rest of the operation. This work has been very successful. At the beginning of the year, all bank-related operations had been gathered into one legal unit and shortly afterwards, the integration was also completed from an organisational point of view. This means that all Midbank's branches operated according to the principles generally applied at Handelsbanken, irrespective of whether the brand name is Handelsbanken or Midtbank. (See also "Integrating Midtbank from a Danish perspective" on the next page.)

Handelsbanken/Midtbank succeeded in retaining and even reinforcing its market position in central Jutland. There was a substantial increase of business with major corporate customers. The number of private and corporate customers grew organically by around 10% and total operating profit increased.

Handelsbanken introduced a long-term mortgage loan called Prioritetslånet during 2000. By doing this, Handelsbanken broke the overwhelming domination of the local mortgage institutions. The new loan has been very successful and the total lending volume doubled to SEK 3bn. In order to offer customers a more traditional type of mortgage loan, Handelsbanken entered into co-operation with a mortgage institution called BRFkredit. As a result of this, the Bank can offer its customers all types of mortgage loans from BRFkredit.



Søren Hauge Carlsen



**INTEGRATING MIDTBANK FROM A DANISH PERSPECTIVE**

Handelsbanken acquired Midtbank A/S in the middle of May 2001 and the integration process was completed during 2002. The Danish operations now work according to the same successful principles as the rest of Handelsbanken.

"It is now eighteen months since Handelsbanken bought Midtbank and I can only say that what sounded to be too good to be true really was true," says Niels P. Nielsen, manager of Midtbank's branch in Give. "I realised at an early stage that the purchase would lead to major changes for us at the branch since it was clear that Handelsbanken really did work according to the



NIELS P. NIELSEN

principles we had heard about at the outset. The Bank has a totally different view of the branches, and the flat organisation, where all branch managers report to the same manager in Denmark, has made me more motivated."

"The employees of the branch now have a great deal of power to make decisions in everything from credit issues to opening hours and the name we should use locally," continues Niels. "We are not the only ones who appreciate this – our customers do too. Initially, I saw the church tower principle – where we focus on customers in our local area – as limiting our development potential. But as time has gone on, I realise that it is correct and that customers like it. They like to be recognised at the branch and they want to talk to the decision-maker rather than the messenger."

"The merger has also meant that we have been able to introduce new products which are popular with our customers. On the corporate side we are perceived to be in the same league as the other large banks and this has led to business opportunities which we didn't have previously."

"A very important reason for the rapid integration in Denmark is Handelsbanken's human resources policy," says Herulf Frølund, elected employee representative at Midtbank. "If an integration process is to succeed, it is absolutely essential that the individual employee feels secure. Instead of worrying about losing your job, the integration has led to new job opportunities at Handelsbanken."

"Midtbank's strong local base and many excellent customer relationships combined with Handelsbanken's decentralised way of operating have proved to work very well together and this has made the integration process both quick and uncomplicated," says Anders Bouvin, head of Regional Bank Denmark. "Basically it's all about showing respect and trust in the ability and will of the individual to do a good job."



**BRANCH OFFICE OPERATIONS IN FINLAND**

The Bank had 28 branches in Finland, which was unchanged compared to the previous year when eight new branches were started. After the rapid expansion of branch office operations in previous years, operations have now moved into more of a consolidation phase. Operating profit increased significantly. The private market was characterised by extremely hard competition in mortgages, which led to Finland having the lowest margins in Europe for mortgage loans. Average lending increased by 17% to SEK 34bn (29), of which corporate lending went up by SEK 4bn to SEK 25bn. Average deposits fell by SEK 1bn to SEK 16bn. The decrease in volumes from companies was SEK 2bn, while household deposits increased by SEK 1bn to SEK 6bn.

The number of corporate customers increased by 15% in 2002 and business with both old and new corporate customers developed well. Branch office operations increased the number of customers by 25%.

There was increased collaboration between the Bank's various business areas. The branches used the Group's specialist functions to an increased extent, particularly finance, investment and insurance products.

In 2002, two "masskuldebrev" bonds were issued and an index-linked bond. The reception of these products exceeded expectations. New products include the Visa Electron card and the Visa card with credit.

The regional head office moved from six different locations to Aleksanderinkatu in central Helsinki. Concentrating the head office functions to one office building makes for greater efficiency and lower costs.

**Key figures – Nordic branch operations outside Sweden**

	2002	2001
Number of branches	88	87
Number of customers, private, 1000s	191	170
Number of customers, corporate, 1000s	30	29
Internet penetration %, private	32	23
Average number of employees	1 283	1 091
Total assets, SEK bn	168	141
Lending to the general public, corporate, SEK bn	79	74
Lending to the general public, private, SEK bn	31	31
Deposits from the general public, SEK bn	51	39
Mutual fund volumes, SEK bn	5	5
Income, SEK m	2 687	2 193
Expenses, SEK m	- 1 785	- 1 929
Operating profit, SEK m	902	264



### BRANCH OFFICE OPERATIONS IN NORWAY

Competition on the Norwegian market continued to be hard. Margins deteriorated but profits were higher, both before and after loan losses. This was due to large volumes and higher market share. Average lending volumes rose by SEK 6bn to SEK 48bn (42), an increase of 14%. Corporate and private lending increased by SEK 3bn each to SEK 29bn and 19bn, respectively. Average deposits rose by SEK 1bn to 21bn. The Bank's most recently started branches – in Sarpsborg and Ålesund – developed well.

Further provisions for loan losses were made in the portfolio with shipping-related credits which Handelsbanken took over when it acquired Bergensbanken. Some segments of the shipping portfolio such as older single-hull vessels, experienced severe difficulties in the market.



### BRANCH OFFICE OPERATIONS IN GREAT BRITAIN

On 1 July 2002, operations in Great Britain became the Bank's eleventh regional bank which in all material respects is run on the same principles and in the same way as the other ten regional banks. Profits were lower which was mainly because in 2001 the bank recovered previous provisions.

Since October 2000, Handelsbanken has opened five new branches in Great Britain: Nottingham, Leeds, Reading, Newcastle and Bristol. Four of these are already making a profit, which exceeds expectations. The bank's ninth branch will be started in Cardiff in March 2003.

Handelsbanken has been well received on the British banking market and it has not been difficult to expand the local customer base. The number of private customers increased by more than 50%. A vital factor for success is recruiting skilled staff with long experience of the local banking markets where Handelsbanken has chosen to start branches.

### HANDELSBANKEN AIMS TO HAVE THE MOST SATISFIED CUSTOMERS OF THE NORDIC BANKS

Since Svenskt Kvalitetsindex started its Customer Satisfaction surveys in Sweden, Handelsbanken has been one of the companies that have supported development of its work and methods. The surveys are carried out independently of the companies being surveyed and the Stockholm School of Economics is the main sponsor of the Svenskt Kvalitetsindex. Since one of Handelsbanken's overall goals is to have the most satisfied customers in the Nordic region, these surveys are of great interest to the Bank. The Bank has also pushed for similar surveys to be carried out in other Nordic countries. For the first time in 2002, a survey was made using the same model in all four Nordic countries, although only for the private market.

In Sweden, Handelsbanken retained its position as the bank with a nationwide branch network which had the most

satisfied customers, both private and corporate. The final Customer Satisfaction Index weighs together a number of variables such as image, expectations, product and service quality and value for money. Handelsbanken was higher than the other major banks for all these variables. The material from the surveys is broken down at regional level and in all regions where the statistical material is sufficient to make comparisons, Handelsbanken had the highest level of customer satisfaction compared to the other major banks.

In Finland, the survey also showed that Handelsbanken had the most satisfied banking customers in the country. Handelsbanken was much higher ranked than its biggest competitor and only the Other banks category could match Handelsbanken's customer satisfaction.

In Denmark, surveys have been carried out since 1999 using the same model. Midtbank is one of the six banks included in the survey. Midtbank's Customer Satisfaction Index decreased in 2002 but it is still just below the top levels for Danish banks and well above the index for the largest banks.

Handelsbanken in the Norwegian survey was ranked much higher than its biggest competitor but the Bank's index was only at the average level for the market. In Norway, as in the other Nordic countries, the results of the survey will be subject to further analysis.

### INTERNET AND IT DEVELOPMENT

The Group offers Internet services for customers in Sweden, Denmark, Finland, Norway and Great Britain, although as yet only to private customers in Great Britain. Interest in these services is growing and the number of linked customers increased by 20% to over 635 000 but the inflow of new Internet customers declined. In Sweden, over 35% of private customers and 56% of corporate customers were linked.

The Internet service for foreign exchange trading was launched. This allows customers with access to the service to make deals directly via their PC and also facilitates communication between the sales desks at the regional banks and central sales desk. It leads to simpler services and reduced costs for customers and internal departments.

The work continued on developing IT support for certain types of loan collateral. At present, IT support does not include all types of collateral and a large amount of manual work is necessary. The cost savings will be considerable when this new system is launched at the end of 2003.

In Norway, Bergensbanken moved from Novit to Fellesdata as its IT services provider. This means that the Norwegian operations are run on the same IT platform, thus reducing the total costs for IT operations.

In Finland, the change to TietoEnator as IT provider was completed. This, combined with other measures, resulted in IT costs falling by some 10%.



## Handelsbanken Markets

*Handelsbanken Markets' operations are organised into three business areas: Trading, Financial Institutions and Trade Finance, and Banking operations outside the Nordic countries and Great Britain. The Bank's economic research unit is also included in Handelsbanken Markets. Handelsbanken Markets has just over 750 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. On 1 January 2003, Trading was merged with Handelsbanken Securities to form Handelsbanken Capital Markets.*

### Performance

Handelsbanken Markets' operating profit was SEK 433m (1 211), a decrease of 64%.

Income fell by 28% to SEK 1 525m (2 125), mainly due to lower results for trading operations. Expenses were basically unchanged. Increased expenses in banking operations outside the Nordic countries and Great Britain as a result of system investments were compensated by lower expenses at trading. All business areas reported lower profits, which for Trading and Financial Institutions was due to a poorer market with lower margins. Banking operations outside the Nordic countries and Great Britain were affected by somewhat higher expenses but were particularly affected by provisions for probable loan losses compared to recoveries in the previous year.

### Trading

Trading is responsible for the Bank's trading on the foreign exchange markets, money and fixed income markets and also for the Bank's activities in public debt capital markets. Operations are conducted in Stockholm, New York and Singapore. There were 166 employees.

Profits were not satisfactory. Operations in New York and foreign exchange trading performed well, while the bond market in particular had a negative impact on the overall result. The third quarter was particularly poor, partly due to falling customer sales, and partly to increasing credit spreads. Large and, in many respects, extreme market fluctuations made trading conditions difficult.

Trading continued to offer its customers more tailor-made products. Handelsbanken was the first Swedish bank to offer credit-linked notes to private customers and also FX-linked notes.

### Quarterly performance

SEK m	2002:4	2002:3	2002:2	2002:1	Total 2002	Total 2001	Change %
Net interest income	558	551	616	533	2 258	1 303	73
Commission, net	39	48	38	24	149	150	- 1
Net result on financial operations	- 260	- 326	- 187	- 119	- 892	657	
Other income	2	2	4	2	10	15	- 33
<b>Total income</b>	<b>339</b>	<b>275</b>	<b>471</b>	<b>440</b>	<b>1 525</b>	<b>2 125</b>	<b>- 28</b>
<i>Net internal remuneration deducted from income</i>	<i>7</i>	<i>4</i>	<i>8</i>	<i>10</i>	<i>29</i>	<i>41</i>	<i>- 29</i>
<b>Total expenses</b>	<b>- 239</b>	<b>- 215</b>	<b>- 253</b>	<b>- 254</b>	<b>- 961</b>	<b>- 955</b>	<b>1</b>
<b>Profit before loan losses</b>	<b>100</b>	<b>60</b>	<b>218</b>	<b>186</b>	<b>564</b>	<b>1 170</b>	<b>- 52</b>
Loan losses incl. change in value of repossessed property	- 128	2	- 5	0	- 131	41	
<b>Operating profit/loss</b>	<b>- 28</b>	<b>62</b>	<b>213</b>	<b>186</b>	<b>433</b>	<b>1 211</b>	<b>- 64</b>
<b>Return on equity, %</b>	<b>—</b>	<b>5.5</b>	<b>16.8</b>	<b>14.0</b>	<b>8.8</b>	<b>25.6</b>	
Average number of employees	771	801	790	794	788	774	





Handelsbanken arranged a number of public syndicated loans for Nordic customers.

The work of reinforcing Handelsbanken's role in the Nordic foreign exchange markets continued, and this had a positive impact on the business area's profits. One result of this work is that for the third year running Handelsbanken was acclaimed "Number One in Nordic Foreign Exchange" by FX & MM magazine.

The focus on offering a broad and international product base continued. Trading in non-Nordic currencies represented a major part of the results.

Much of the Bank's foreign exchange trading with companies is done via various Internet solutions. This facilitated processing and led to sizeable cost savings. In 2002, Handelsbanken also launched its "Net trader", a system for distributing foreign exchange products to the Bank's corporate customers.

#### 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. This operation reported lower profits due to falling net interest income, which was the result of lower margins.

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 year. Trade finance reported an increased result, mainly due to higher commission income.

A representative office was opened in Shanghai and Handelsbanken thus now has three representative offices in Asia.

#### Banking operations outside the Nordic countries and Great Britain

On 1 July 2002, operations in Great Britain became the Bank's eleventh regional bank and are subsequently reported under Branch office operations. Banking operations outside the Nordic countries and Great Britain now comprise four units: Mid-Europe, New York, Asia and Warsaw. Almost 200 people were employed in these operations.

Mid-Europe was formed in spring 2001 with the purpose of gathering banking operations in the euro area and Switzerland in an organisation similar to a regional bank with units in Frankfurt, Hamburg, Luxembourg, Vienna, Amsterdam, Zurich and Paris. The work of implementing a joint IT system platform for Mid-Europe was also initiated. Five units will be adapted to the new system structure during 2003. In both business and administrative terms, operations will be made easier, which offers the opportunity to reduce costs.

In 2002, Handelsbanken was the first Nordic bank to open a branch in Amsterdam. The new branch attracted the interest of both local and Nordic customers.

The Warsaw unit opened just over a year ago and since 1 July 2002 has conducted full banking operations focused on Nordic-related companies.

#### Balance sheet

31 December

SEK m	2002	2001	Change %
Lending to credit institutions	420 579	168 639	149
Lending to the general public	46 797	58 049	- 19
Bonds	101 133	90 491	12
Other assets	122 793	211 533	- 42
<b>Total assets</b>	<b>691 302</b>	<b>528 712</b>	<b>31</b>
Liabilities to credit institutions	306 196	164 642	86
Deposits and funding from the general public	53 022	85 175	- 38
Issued securities	199 345	183 160	9
Other liabilities	128 809	92 201	40
Shareholders' equity	3 930	3 534	11
<b>Total liabilities and shareholders' equity</b>	<b>691 302</b>	<b>528 712</b>	<b>31</b>



## 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. On 1 January 2003, Handelsbanken Securities was merged with Handelsbanken Trading to form Handelsbanken Capital Markets.*

### Performance

Handelsbanken Securities reported an operating profit of SEK 117m (361), a decrease of 68%. Return on equity was 11% (36). Income fell by 22% to SEK 1 017m (1 303). Operations were gradually reduced during the year and the number of employees decreased by 49. Expenses fell by 4% to SEK 900m (942). The full impact of the measures taken will be seen in 2003.

### Business trends

The stock market fell for the third year running. This has not happened since the 1930s and the prolonged decline on stock markets led to major pressures in the whole global financial sector. The problems are accentuated since the fall was preceded by a very long rise. The consequence of the stock market decline is that some banks and most stockbrokers and asset managers have overcapacity and profitability problems.

Apart from the structural problems in the financial sector, it also suffered something of a crisis of confidence as a result of events on the American market. In the wake of the IT bubble, the telecoms crisis and the accounting scandals, the US authorities took measures which may have far-reaching consequences on how brokers act in the future. Focus came to lie on the credibility of analysts and the demarcation lines between research and corporate advice.

The negative stock market trend meant that the market for IPOs was very poor. Ericsson's rights issue for some SEK 30bn was a notable event and critical for the Swedish stock exchange. It was the second biggest rights issue in the world and to a great extent was secured by Swedish investors. Handelsbanken was one of five banks to participate in the consortium which carried out the transaction and together signed a guarantee for SEK 20bn.

### Quarterly performance

SEK m	2002:4	2002:3	2002:2	2002:1	Total 2002	Total 2001	Change %
Net interest income	3	- 3	- 60	- 39	- 99	- 121	18
Commission, net	162	156	201	107	626	767	- 18
Net result on financial operations	117	24	56	30	227	499	- 55
Other income	4	1	91	167	263	158	66
<b>Total income</b>	<b>286</b>	<b>178</b>	<b>288</b>	<b>265</b>	<b>1 017</b>	<b>1 303</b>	<b>- 22</b>
<i>Net internal remuneration deducted from income</i>	<i>11</i>	<i>7</i>	<i>11</i>	<i>10</i>	<i>39</i>	<i>63</i>	<i>- 38</i>
<b>Total expenses</b>	<b>- 250</b>	<b>- 212</b>	<b>- 241</b>	<b>- 197</b>	<b>- 900</b>	<b>- 942</b>	<b>- 4</b>
<b>Profit/loss before loan losses</b>	<b>36</b>	<b>- 34</b>	<b>47</b>	<b>68</b>	<b>117</b>	<b>361</b>	<b>- 68</b>
<i>Loan losses incl. change in value of repossessed property</i>							
<b>Operating profit/loss</b>	<b>36</b>	<b>- 34</b>	<b>47</b>	<b>68</b>	<b>117</b>	<b>361</b>	<b>- 68</b>
<b>Return on equity, %</b>	<b>13.0</b>	<b>—</b>	<b>16.9</b>	<b>24.5</b>	<b>10.5</b>	<b>36.1</b>	
<b>Average number of employees</b>	<b>354</b>	<b>384</b>	<b>389</b>	<b>389</b>	<b>380</b>	<b>384</b>	



Pressens Bild

On a positive note, Handelsbanken retained its leading position in capital-guaranteed products. The stock market slump illustrates well the importance of being able to offer both private and institutional customers products so that they can hedge the price risk.

The market for public transactions was extremely weak. Handelsbanken participated in Alfa Laval's IPO, the biggest of a handful of stock market launches on the Swedish market. Apart from Ericsson's rights issue, Handelsbanken participated in three other share issues.

The market for mergers and acquisitions was also much smaller than the previous year. Handelsbanken was successful, however, and completed a number of large transactions. These included Industrivärden's sale of Besam to Assa Abloy, Cardo's sale of Cardo Rail to American Vestar Capital Partners and Danish company, Korn och Foderstof Kompagniet's sale of its agro-business in Denmark and Sweden. A number of cross-border deals were executed such as Capio's acquisition of Clininvest in France, Finnish Inex' sale of Meira to Italian Segafredo Zanetti, Mekonomen's acquisition of Østergaard in Danmark and Ericsson's sale of development units to TietoEnator.

Handelsbanken retained its leading position as adviser for incentive programmes for listed companies. Major assignments include Ratos, Munters and Karlshamn. In the field of capital acquisition for venture capital funds, Handelsbanken participated in Health Cap IV and in Nordic Biotech.

Handelsbanken has not yet achieved the position it aims for in the field of equities, i.e. trading and research. The ambition has been to gradually build up this business

area. Previous overheating on the labour market for stockbrokers and analysts has made it difficult to carry out cost-effective investments, but the current situation makes it possible to achieve higher quality at a more reasonable cost. Particular emphasis has been placed on reinforcing the Bank's position in New York and London, and the costs for this reduced the result. Handelsbanken was the third largest participant on the Nordic stock exchanges.

### Handelsbanken Capital Markets

The financial sector comprising the equities, bond, money and currency markets has moved into a mature phase. The dramatic growth in, for example, the field of equities is probably over. The introduction of a common currency in large parts of Europe and a cross-border market for fixed income products create new conditions for all market players. The ability to manage risk will be a critical factor. Customers will become increasingly demanding in their choice of service provider. The financial sector of the future will have the same characteristics as companies which are active in more mature industries, where quality and cost-effective production are decisive factors. Not least the ability to offer credible and "neutral" advice in the whole financial area will be a condition for competing successfully in the future.

In the light of this, Handelsbanken has decided to merge its activities at Handelsbanken Trading and Handelsbanken Securities into one business area called Handelsbanken Capital Markets. The merger was effective as of 1 January 2003 and comprises some 540 employees.

### Balance sheet

31 December

SEK m	2002	2001	Change %
Lending to credit institutions	141	67	110
Lending to the general public	426	535	- 20
Bonds	337	294	15
Other assets	12 611	18 563	- 32
<b>Total assets</b>	<b>13 515</b>	<b>19 459</b>	<b>- 31</b>
Liabilities to credit institutions	2 183	3 296	- 34
Deposits and funding from the general public	0	613	- 100
Issued securities	—	—	—
Other liabilities	10 447	14 821	- 30
Shareholders' equity	885	729	21
<b>Total liabilities and shareholders' equity</b>	<b>13 515</b>	<b>19 459</b>	<b>- 31</b>



## 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 the four Nordic countries, Luxembourg and Switzerland.*

### Performance

Operating profit fell by 9% to SEK 479m (525). Lower income due to falling stock prices was partly compensated by new management assignments. A number of cost-cutting measures were taken resulting in a reduction in expenses of 4%. The volume of assets managed by Handelsbanken Asset Management was SEK 216bn (232). The total volume of assets under management by the Group was SEK 253bn (284).

### Mutual fund management

The Bank's mutual fund management company managed 87 (84) mutual funds with a total value of SEK 89bn (99), of which 44% (57) was invested in equity funds, 30% (20) in fixed-income funds, 4% (1) in hedge funds and 22% (22) in mixed funds.

With a market share of 12.4%, Handelsbanken was the only major bank to increase its share of total holdings in mutual funds in Sweden. The Bank's increase was partly due to successful sales of funds to major customers and also to continued good performance for sales of unit-linked insurance and traditional mutual funds. Sales of SPP's funds also contributed to the increase.

New savings in the Swedish mutual fund market were SEK 57.2bn (57.3). Premium pensions savings represented SEK 12.5bn of this. Handelsbanken's share of the total net flows to the Swedish mutual fund market was 28.7% (19.0) or SEK 16.4bn (10.9). The Bank's share of new savings in the premium pension system was SEK 2.2bn (2.1). Of the year's total net deposits, 34% were invested in fixed income funds, 29% in equity funds, 18% in mixed funds and 19% in the hedge fund. The largest net deposits during the year were to the fixed income fund Lux Ranta (SEK 4.5bn) and the Bank's generation funds (SEK 4.0bn).

At the beginning of the year, two new funds were started aimed at institutional investors. Mega Sverige Index is a so-called national fund which can invest more than 10% of its holding in a single company. The Stiftelsefonden is an actively managed mixed fund specially designed for customers seeking high direct return in combination with low risk.

In October, the Chans/Riskfonden and Placeringsfonden were merged into a new fund called Handelsbanken Sverige/Världen.

### Quarterly performance

SEK m	2002:4	2002:3	2002:2	2002:1	Total 2002	Total 2001	Change %
Net interest income	46	51	45	42	184	180	2
Commission, net	189	186	201	218	794	859	- 8
Net result on financial operations	5	- 1	2	11	17	23	- 26
Other income	2	3	0	2	7	23	- 70
<b>Total income</b>	<b>242</b>	<b>239</b>	<b>248</b>	<b>273</b>	<b>1 002</b>	<b>1 085</b>	<b>- 8</b>
<i>Net internal remuneration deducted from income</i>	<i>91</i>	<i>105</i>	<i>115</i>	<i>119</i>	<i>430</i>	<i>518</i>	<i>- 17</i>
<b>Total expenses</b>	<b>- 122</b>	<b>- 129</b>	<b>- 131</b>	<b>- 146</b>	<b>- 528</b>	<b>- 550</b>	<b>- 4</b>
<b>Profit before loan losses</b>	<b>120</b>	<b>110</b>	<b>117</b>	<b>127</b>	<b>474</b>	<b>535</b>	<b>- 11</b>
Loan losses incl. change in value of repossessed property	- 1	0	0	6	5	- 10	
<b>Operating profit</b>	<b>119</b>	<b>110</b>	<b>117</b>	<b>133</b>	<b>479</b>	<b>525</b>	<b>- 9</b>
<b>Return on equity, %</b>	<b>21.9</b>	<b>21.2</b>	<b>21.4</b>	<b>22.6</b>	<b>21.8</b>	<b>28.1</b>	
Average number of employees	329	356	348	341	343	328	



Performance was relatively good for the short-term fixed income funds, while the majority of the actively managed equity funds underperformed their benchmark indexes. The hedge fund yielded a positive return in its first year despite the slumping stock market.

### Discretionary management

In view of the weak trend on global stock markets, many customers felt the need to decrease the risk in their investments. The proportion of investments in equities therefore decreased in favour of fixed income securities and other investments with a lower risk than equities. This does not affect income, however, since commission is not dependent on how assets are invested.

Performance for equity-related investments was generally negative and was on a par with or worse than the market. In view of the prevailing market uncertainty, efforts increased to help customers with in-depth analysis of various investment strategies.

New management assignments and an increased number of customers led to a higher managed volume, in spite of falling stock market values. Continued interest in index products, mainly from institutions, resulted in Handelsbanken strengthening its position in this segment.

Assets managed were SEK 133bn (131), of which 18% were exposed to equity markets and 82% to fixed income markets. SEK 12bn (7) was invested in Handelsbanken's mutual funds.

### Asset management outside the Nordic countries

Outside the Nordic countries, asset management is conducted in Luxembourg. In 2002, the subsidiary in Luxembourg opened a branch in Zurich. The units in Marbella and Côte d'Azur are representative offices whose main task is to support asset management in Luxembourg. Assets managed were SEK 6bn (9). In September, asset management in London was transferred to the new Regional Bank Great Britain and the comparative figures have been adjusted.

### Institutional custody services

Income is based in part on total value of custody accounts and in part on the number of transactions. Due to significantly lower values on global stock markets, the total value fell by 21%, while the number of transactions increased by 26%. Income was higher.

The Bank's Nordic concept for institutional customers continued to be successful and was introduced in Denmark. The Helsinki unit was acclaimed in Global Custodian's survey and was awarded the fifth highest rating in the world.

### Balance sheet

31 December

SEK m	2002	2001	Change %
Lending to credit institutions	10 692	3 822	180
Lending to the general public	2 051	1 914	7
Bonds	—	—	—
Other assets	4 484	5 387	- 17
<b>Total assets</b>	<b>17 227</b>	<b>11 123</b>	<b>55</b>
Liabilities to credit institutions	512	350	46
Deposits and funding from the general public	8 038	7 410	8
Issued securities	—	—	—
Other liabilities	6 894	1 865	270
Shareholders' equity	1 783	1 498	19
<b>Total liabilities and shareholders' equity</b>	<b>17 227</b>	<b>11 123</b>	<b>55</b>



## Handelsbanken Finans

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

### Performance

Handelsbanken Finans continued to perform well. Profits were SEK 396m (345), which was an increase of 15%. Return on equity was 29% (29). Income went up by just over SEK 50m to SEK 851m (800), a rise of 6%. This was mainly due to higher business volumes. Expenses were lower at SEK 428m (450), while loan losses increased to SEK 27m (5). Credit volumes were up by 25% and market shares increased in most of the company's market segments. Efficiency, measured as expenses in relation to average credit volume, was 21% higher.

The Danish subsidiary, Nordan AS, was sold on 1 January 2002. It was decided that Handelsbanken Finans would start operations in Great Britain during 2003.

### Finance company services at branch offices

The process of making administration of Handelsbanken Finans' products easier and more efficient for the Bank's branches continued to be in focus. Special campaigns in the form of 200 activity weeks were conducted at the branches with the purpose of increasing knowledge and awareness of Handelsbanken Finans' services and products for branch staff and their customers. During activity weeks, a representative from Handelsbanken Finans goes through the finance company services with the help of a complete training package. There are also special activities directed at customers of the branch.

### Leasing and conditional sales

Leasing is a simple, flexible way of financing which is adapted to the depreciation period of an asset and to the

nature of the company's business. The company leases the asset from Handelsbanken Finans and does not tie up equity. Leasing can also be used to finance major investment projects whose long economic life requires tailor-made solutions with detailed analysis of the financial consequences.

Purchasing via conditional sales means that a company can distribute its investment costs over time. The company owns the equipment and enters it as an asset in its balance sheet. Normally, Handelsbanken Finans can finance the entire purchase using the equipment as collateral for the credit. The average volume of leasing and conditional sales agreements in Sweden went up by 37%. The company's share of leasing among bank-owned finance companies increased to just over 30%.

In 2002, a leasing agreement for SEK 6.2bn was signed with SL (Greater Stockholm Transport) and Transitio for commuter trains and underground train carriages. This is the biggest leasing transaction in the history of the Handelsbanken Group. Outside Sweden, a large number of transactions were executed such as financing buses for SOT Trafikk in Norway.

### Company vehicles

A new service was developed for vehicle financing – Vehicle Fleet on the Internet. This makes it easy and efficient for the customer to administer its vehicle fleet via the Bank's Internet service.

### Quarterly performance

SEK m	2002:4	2002:3	2002:2	2002:1	Total 2002	Total 2001	Change %
Net interest income	133	130	126	129	518	499	4
Commission, net	68	76	70	81	295	285	4
Net result on financial operations	0	0	0	2	2	-1	
Other income	9	4	19	4	36	17	112
<b>Total income</b>	<b>210</b>	<b>210</b>	<b>215</b>	<b>216</b>	<b>851</b>	<b>800</b>	<b>6</b>
<i>Net internal remuneration deducted from income</i>	<i>15</i>	<i>-2</i>	<i>3</i>	<i>2</i>	<i>18</i>	<i>3</i>	<i>500</i>
<b>Total expenses</b>	<b>-112</b>	<b>-95</b>	<b>-113</b>	<b>-108</b>	<b>-428</b>	<b>-450</b>	<b>-5</b>
<b>Profit before loan losses</b>	<b>98</b>	<b>115</b>	<b>102</b>	<b>108</b>	<b>423</b>	<b>350</b>	<b>21</b>
Loan losses incl. change in value of repossessed property	-14	-3	-8	-2	-27	-5	440
<b>Operating profit</b>	<b>84</b>	<b>112</b>	<b>94</b>	<b>106</b>	<b>396</b>	<b>345</b>	<b>15</b>
<b>Return on equity, %</b>	<b>24.3</b>	<b>33.6</b>	<b>27.8</b>	<b>29.5</b>	<b>28.8</b>	<b>29.4</b>	
Average number of employees	407	407	406	404	406	436	



Photos: Pelle Nilsson

### Vendor collaboration

Handelsbanken Finans offers vendors assistance with financing solutions for their customers. Traditionally, Handelsbanken Finans' strength has been in industries such as forestry, contracting, engineering, office equipment and the graphics industry, but more recently the company has also been successful in other industrial sectors.

The work of both the vendor and its customers is facilitated when vendors can offer customers ready-made financing solutions. Everything can be arranged in the same place and the vendor knows who will pay the invoice. The customer is secure in the knowledge that Handelsbanken Finans is arranging the financing. Vendor collaboration is very much based on this interplay and trust between the vendor, finance company and customer. Handelsbanken Finans also has an established position for vendor collaboration in Finland and Denmark. The acquisition of Midtfinans AS significantly boosted Handelsbanken Finans' position in Denmark.

### Factoring and invoice services

In Sweden, Handelsbanken Finans is market leader for factoring and invoice services with a market share of 40% of the bank-owned finance companies. Companies need to receive their payments quickly and in an organised way. Surveys prove that Handelsbanken Finans' factoring services speed up incoming payments by on average 20%. In the past year, focus was on offering automatic payment flows to customers who previously had manual payments, and thus simpler and more cost-effective administration.

The new electronic service, FakturaLink, which was launched in 2002, enables companies to improve their cash flow by speeding up payments from customers. Companies have access to fully electronic invoice and ledger administration and can also have their invoices printed out or presented to customers electronically.

### Balance sheet

31 December

SEK m	2002	2001	Change %
Lending to credit institutions	2 313	3 265	- 29
Lending to the general public	26 518	21 256	25
Bonds	—	—	—
Other assets	3 107	6 766	- 54
<b>Total assets</b>	<b>31 938</b>	<b>31 287</b>	<b>2</b>
Liabilities to credit institutions	17 441	13 711	27
Deposits and funding from the general public	1 563	838	87
Issued securities	—	—	—
Other liabilities	11 801	15 776	- 25
Shareholders' equity	1 133	962	18
<b>Total liabilities and shareholders' equity</b>	<b>31 938</b>	<b>31 287</b>	<b>2</b>

Handelsbanken's Internet service, which is used by an increasing number of factoring customers and debt collection customers, offers companies good control of incoming payments and the current status of their invoices.

The sale of the debt collection company Nordan AS was completed, thus streamlining operations in Denmark. The purpose of the sale was to achieve a structure in Denmark more like that which Handelsbanken Finans has in Sweden: working via the bank branches, retailers and vendors.

### Retail financial services

Handelsbanken Finans continued to strengthen its position as one of the leading providers of retail financial services in the Nordic countries. Volumes in these countries increased significantly in 2002, in all business sectors.

Retail financial services' task is to provide services to help boost sales of consumer and capital goods. Operations are divided into light and heavy durable goods and card collaboration. Light durable goods are sectors such as radio and TV, consumer electronics, furniture, white goods and computers. Heavy durable goods are motorcycles, snow scooters, cars, boats, caravans and motor homes. One of many new retail financial services customers in Sweden is the Euronics consumer electronics chain with 140 stores.

In order to further improve efficiency for both Handelsbanken Finans and retailers, efforts continued to persuade the large retailers to increase their use of fully-automated services. Over 70% of account applications from large retailers were approved via the fully-automated Netsale and Talsvar services. The corresponding services will be launched in the other Nordic countries.

Card operations in Sweden comprise card solutions for retailers, organisations and vendors. The cards function as charge and/or credit cards with general validity via MasterCard or Köpkort. They are affinity cards with the co-operation partner's logotype. Apart from the fact that they increase loyalty and support an organisation or a brand name, the cards can also have added-value features specially tailored for the target group. In 2002, an internationally valid card of this type was launched in collaboration with the Chalmers Institute of Technology.

The Köpkort credit card continued to be successful in Sweden. Over 250 000 cards have been issued. In Sweden, an Internet service aimed at Köpkort customers was launched at the end of 2002. It gives online answers to the most common questions, and enables customers to apply for a raised credit limit or be directly linked to a retailer partner. In Finland, the Aktiiviraha MultiCard was launched. This is a new type of card for the Finnish market offering increased flexibility for both retailers and customers. Some 155 000 Aktiiviraha cards were issued.



## 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 and asset protection schemes to companies, organisations and private customers. 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. Life insurance operations in SPP are run on mutual principles where the whole surplus on operations is returned to policy-holders in the form of bonuses and collective risk capital. Policy-holders thus bear the whole risk. SPP is not included in Handelsbanken's consolidated accounts. On 1 January 2002, the traditional insurance operations of Handelsbanken Liv Försäkrings AB were demutualised. Handelsbanken Liv thus conducts its unit-linked operations and insurance with guaranteed return within the same company.

### HANDELSBANKEN LIV

#### Performance

The result was SEK –159m (66). It consists of four parts: administration result, financial result, risk result and the result generated by investing and earning interest on the company's equity. The administration result shows how cost-effectively the company is run. Income is reported as net commission income and expenses are posted to the respective type of cost. The financial result is that which accrues to the Bank after the insurance assets have achieved their guaranteed level. In other words, it is the surplus arising if the company can manage the policy-holders' funds so that the return is higher than the guaranteed amount, or the deficit arising if the company must contribute funds for the insurance assets to attain the guaranteed level. The financial result is reported in the net result on financial operations. The return on the company's equity is mainly reported in the net result on financial operations. All the equity is invested in interest-bearing investments. The risk result, i.e. the result of the company's insurance risks, is reported under Other income.

The administration result improved during the year and was positive in the second six months, mainly due to lower expenses. Total return on policy-holders' funds was –7.4% (–2.1) and the company must therefore contribute SEK 113m (0) for the insurance funds to attain the guaranteed level. This reduced the net result on financial transactions. The result from investing the company's equity was positive, while the risk result was negative.

Premiums written were SEK 5.2bn (5.9), of which unit-linked income represented 53%. The turbulence on global stock markets had a negative impact on unit-linked sales. Another reason for the lower premiums written is that new occupational pension insurance is now mainly taken out with SPP. Sales of insurance with guaranteed return increased. In terms of new premiums for endowment insurance and private pension insurance, Handelsbanken Liv gained market share in a shrinking market.

Assets managed were SEK 31bn (37), of which insurance with guaranteed return represented SEK 18bn (20). During the year, the proportion of equities in the portfolio was reduced in favour of other investments.

#### Quarterly performance

SEK m	2002:4	2002:3	2002:2	2002:1	Total 2002	Total 2001	Change %
Net interest income	– 21	7	1	– 4	– 17	15	
Commission, net	91	78	96	87	352	171	106
Net result on financial operations	35	– 24	– 76	9	– 56	– 18	– 211
Other income	– 26	– 39	3	25	– 37	8	
<b>Total income</b>	<b>79</b>	<b>22</b>	<b>24</b>	<b>117</b>	<b>242</b>	<b>176</b>	<b>38</b>
<i>Net internal remuneration deducted from income</i>	<i>51</i>	<i>54</i>	<i>65</i>	<i>66</i>	<i>236</i>	<i>259</i>	<i>– 9</i>
<b>Total expenses</b>	<b>– 99</b>	<b>– 88</b>	<b>– 106</b>	<b>– 108</b>	<b>– 401</b>	<b>– 110</b>	<b>265</b>
<b>Profit/loss before loan losses</b>	<b>– 20</b>	<b>– 66</b>	<b>– 82</b>	<b>9</b>	<b>– 159</b>	<b>66</b>	
Loan losses incl. change in value of repossessed property							
<b>Operating profit/loss</b>	<b>– 20</b>	<b>– 66</b>	<b>– 82</b>	<b>9</b>	<b>– 159</b>	<b>66</b>	
<b>Return on equity, %</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3.5</b>	<b>—</b>	<b>15.6</b>	
Average number of employees	233	223	228	247	233	11	





Photos: Elisabeth Ohlson

### Handelsbanken Liv, investment assets

Exposure %	31 Dec 2002	30 June 2002	31 Dec 2001
Equities	18	32	44
Fixed income assets	72	64	53
Property	7	3	3
Other	3	1	—
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

The foreign exchange risk was also removed. On 1 October, Handelsbanken Liv purchased Arla's property located at Torsgatan 14 in Stockholm. At the same time, a ten-year rental contract was entered into with the seller.

In demutualised companies, there is no collective consolidation. Instead, the company's customers are allocated their part of the total return each month when calculating the insurance capital. If the insurance capital does not attain the guaranteed value of the insurance, Handelsbanken Liv contributes the difference. The guaranteed rate for new insurance policies was 3%. The corresponding average rate for all insurance policies was 4.4%.

In connection with the demutualisation of the company, Handelsbanken injected new capital of SEK 1.1bn. Shareholders' equity in Handelsbanken Liv was SEK 1 399m. This should be related to the required solvency margin of SEK 1 109m, which is mainly based on the technical provisions. The solvency ratio was thus 1.26.

### Successful product development

In the late summer, Handelsbanken Liv launched its first new products as a demutualised company. Garantikapitalspar, which is endowment insurance, is packaged as three different product offerings which are specially adapted for different types of insurance needs. They are

Savings, Investments and Inheritance & Gift. This product was well received by the market. Garantikapitalspar is a secure type of savings with the opportunity for high yield.

In international endowment insurance, Handelsbanken Liv started co-operating with Euroben Life and Pension Ltd, an associated company of SPP. This resulted in a new product called Portfolio Bond, which is endowment insurance with an individually selected equity portfolio.

Handelsbanken Liv also developed an insurance product aimed at private individuals with assets tied up in real estate. It is a combination of a loan and capital annuity which offers the customer increased security and liquidity, and also greater opportunities for high yield.

### The benefits of demutualisation

The year 2002 was Handelsbanken Liv's first year as a demutualised company. During the year, the media increasingly focused on the differences between mutual and demutualised companies. The mutual companies reported significantly declining consolidation levels. This means that during the time mutual companies are building up their collective reserves, it will be difficult for them to give policy-holders a bonus rate which is on a par with the total return. This is not a problem at Handelsbanken Liv. There, customers receive their part of the total return directly when the market recovers.

The benefits of demutualisation can be summarised as: *security, freedom and fairness*.

*Security*, because Handelsbanken Liv is responsible for the risk capital rather than the policy-holders, as in mutual companies.

*Freedom*, since private customers have the right to move their funds. They can either change the type of asset management within Handelsbanken Liv or move their funds to another company.

*Fairness*, since the insurance assets in Handelsbanken Liv are strictly individual.

### Balance sheet

31 December

SEK m	2002	2001	Change %
Lending to credit institutions	4 016	—	—
Lending to the general public	0	177	- 100
Bonds	13 561	—	—
Other assets	16 053	21 754	- 26
<b>Total assets</b>	<b>33 630</b>	<b>21 931</b>	<b>53</b>
Liabilities to credit institutions	0	1	- 100
Deposits and funding from the general public	—	1 148	- 100
Issued securities	—	—	—
Other liabilities	32 880	20 450	61
Shareholders' equity	750	332	126
<b>Total liabilities and shareholders' equity</b>	<b>33 630</b>	<b>21 931</b>	<b>53</b>

### SPP

#### Development

SPP Livförsäkring AB has been a wholly-owned subsidiary of Handelsbanken since March 2001. SPP is a mutual life insurance company, which implies that SPP's results do not have an impact on the Handelsbanken Group's results. The risk is borne by the policy-holders. The entire result goes back to the policy-holders in the form of bonuses and collective risk capital.

Premiums written fell by 6% and were SEK 11.9bn (12.6). This was mainly due to lower sales of insurance of a one-off nature for early retirement pensions. Traditional life insurance represented SEK 8.8bn (9.6) and unit-linked insurance SEK 3.1bn (3.0). New policies measured in annual premiums were SEK 5.6bn (6.8).



Photos: Elisabeth Ohlsson

**SPP Liv, investment assets**

Exposure %	31 Dec 2002	30 June 2002	31 Dec 2001
Equities	9	37	36
Fixed income assets	87	63	64
Property	—	—	—
Other	4	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

The total return on investments in the traditional life insurance operations was -10.4% (-2.8). Insurance assets managed were SEK 80bn (87), of which SEK 73bn (81) was traditional life insurance and SEK 7bn (6) unit-linked. To counteract the effects of the declining stock market on the company's position, the proportion of shares was reduced in the total investment assets. Exposure to the currency market was also removed.

SPP reinforced its available solvency margin in the third quarter when two perpetual subordinated loans totalling SEK 1.6bn were issued to Handelsbanken. SPP's available solvency margin consisting of equity, subordinated loans, solvency reserves and surpluses in its subsidiary SPP Liv Fondförsäkring AB, was SEK 3 282m and exceeded the solvency requirement. The solvency ratio was also positively affected by changes in certain actuarial assumptions. Overall, these measures mean that SPP's available solvency margin exceeded the required solvency margin and that at the year-end, SPP's solvency ratio was 1.13.

SPP's collective consolidation, i.e. the market value of the company's assets in relation to guaranteed and non-guaranteed commitments to policy-holders, was 97% (108). On 1 July, SPP lowered its bonus rate from 3% to 1.5%.

**New focus**

In May, a new chief executive was appointed at SPP. Areas in focus at the company are customer satisfaction, profitability, integration and demutualisation. Within each of these areas, objectives have been set up with concrete action to be taken.

**Demutualisation of SPP**

The demutualisation of SPP is one of the most important tasks in the next few years. An organisation for this work was formed and the company started to pool experience and resources with Handelsbanken Liv. Demutualisation is planned for 2005.

**Separation from Alecta**

Alecta has previously administered several of SPP's products but most of this ceased at the end of 2002.

The Internet portal called Benefit World was developed. This is intended for major companies' pension management and is neutral from a competitive point of view.

Sales in the 50%-owned company Euroben Life and Pension, based in Ireland, accelerated during the year, partly because the company acquired customers such as Saab, Shell and Volvo and partly through the collaboration with Handelsbanken Liv.

**Successes in occupational pensions**

SPP retained its position on the occupational pension market. It was thus one of the leading companies in Sweden with the broadest range of products on the market. SPP's Employer Plan can be adapted to the unique requirements of all companies. Companies which are customers of SPP can also offer their employees advantageous private pension solutions.

One of SPP's most important customer groups is salaried employees of private companies. Their choice of company for their supplementary retirement pension (ITPK) is regarded as an important yardstick of a company's strength in this customer group and it is also important for premium income. SPP continued to be the biggest life insurance company on the ITPK market, retaining its market share of 26% (26) and with approximately 29% (28) of premium volume.

**CLOSER CO-OPERATION BETWEEN THE COMPANIES**

**Success in new pension selection**

In 2002, state employees gained a new pension agreement called PA 03. For the first time, they could choose how to invest some of their pension. SPP's market share for active selection was 8.5% and Handelsbanken Liv's share was 9.7%. This gave the Group joint second place. The premiums for these selections will be paid to the companies in 2003.

**A new integrated organisation**

As a step towards the future integration, Handelsbanken Liv and SPP co-ordinated asset management by forming a joint organisation, whose task is to monitor and re-allocate the two companies' investment assets. A board decision changed the investment strategy of the two companies to allow greater freedom of action in asset management. After the disappointments on stock markets during the spring, the companies evaluated their portfolios and decided to lower the financial risk. Starting in early summer, several measures were taken. The foreign fixed income portfolio was wound down, other foreign assets were hedged against Swedish kronor and overall equity exposure was substantially reduced.

The integration work will continue in 2003. On 1 March, Handelsbanken Liv and SPP are forming a joint organisation to reflect Handelsbanken's decentralised organisation. The sales organisations are being merged and seven regional heads will be appointed. The regional heads will be responsible for all operations in their regions, which in geographic terms coincide with Handelsbanken's regional banks. Two new units are being started with the purpose of supporting these regions: Business Support Private and Business Support Corporate. The companies' development units and administrative functions will be merged. All central functions will be combined, except for Control and Accounting and the two companies' actuaries.

# Stadshypotek Bank



Stadshypotek Bank

*Stadshypotek Bank is one of the leading Internet and telephone banks 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.*

## Performance

Profits were SEK 21m (22). Net interest income increased by SEK 12m, which was due to both increased business volumes and improved margins. 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. In the previous year, "Other income" contained an item which affected comparability.

## Bank profile of the year

In business periodical Privata Affärer's bank survey, Stadshypotek Bank was acclaimed Bank profile of the year. The jury's citation said: "Stadshypotek Bank is a bank which dares to go against the stream, even though it is owned by a conventional large bank. A Visa card with a payment function, extra cards free of charge, free cash withdrawals abroad and a bonus on purchases make the bank an attractive alternative. A custody account with a difference also allows small shareholders maximum risk diversification in their share portfolio."

## Business trends

In the Svenskt Kvalitetsindex annual survey of customer satisfaction, Stadshypotek Bank was reported separately for the first time. The survey showed that Stadshypotek Bank's customers were among the most satisfied.

Card operations continued to develop well. The number of accounts increased by 14%, the number of purchases by 33% and purchase volume by 33%.

Stadshypotek Bank's Visa card was further enhanced by collaboration with Preem. Customers can use one card with the same code in retail outlets, cash machines and at Preem's fuel stations. Apart from the discount they receive for all purchases made with the Visa card, customers also receive a fuel discount.

Stadshypotek Bank signed an agreement with a media company 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.

Four premier division football clubs started working with Stadshypotek Bank regarding the card concept which the majority of the premier division Swedish football clubs have joined.

An increased number of customers used Stadshypotek bank for routine services such as paying bills. The number of bills paid via Stadshypotek Bank rose by 58% and 54% of payments were made via the Internet. Interest in retail bonds increased during the year.

## Quarterly performance

SEK m	2002:4	2002:3	2002:2	2002:1	Total 2002	Total 2001	Change %
Net interest income	27	25	25	22	99	87	14
Commission, net	7	8	8	11	34	32	6
Net result on financial operations	1	-1	0	0	0	0	0
Other income	0	0	0	0	0	14	-100
<b>Total income</b>	<b>35</b>	<b>32</b>	<b>33</b>	<b>33</b>	<b>133</b>	<b>133</b>	<b>0</b>
<i>Net internal remuneration deducted from income</i>	<i>6</i>	<i>6</i>	<i>5</i>	<i>4</i>	<i>21</i>	<i>22</i>	<i>-5</i>
<b>Total expenses</b>	<b>-29</b>	<b>-26</b>	<b>-28</b>	<b>-29</b>	<b>-112</b>	<b>-110</b>	<b>2</b>
<b>Profit before loan losses</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>21</b>	<b>23</b>	<b>-9</b>
Loan losses incl. change in value of repossessed property	0	0	0	0	0	-1	-100
<b>Operating profit</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>21</b>	<b>22</b>	<b>-5</b>
<b>Return on equity, %</b>	<b>38.4</b>	<b>38.4</b>	<b>32.0</b>	<b>26.2</b>	<b>33.6</b>	<b>30.6</b>	
Average number of employees	109	111	112	111	111	109	

## Balance sheet

31 December

SEK m	2002	2001	Change %
Lending to credit institutions	5 465	1 714	219
Lending to the general public	181	145	25
Bonds	—	3 904	-100
Other assets	81	61	33
<b>Total assets</b>	<b>5 727</b>	<b>5 824</b>	<b>-2</b>
Liabilities to credit institutions	33	26	27
Deposits and funding from the general public	5 192	5 315	-2
Issued securities	—	—	—
Other liabilities	457	438	4
Shareholders' equity	45	45	0
<b>Total liabilities and shareholders' equity</b>	<b>5 727</b>	<b>5 824</b>	<b>-2</b>



Victor Brott

## Handelsbanken Treasury

*Handelsbanken Treasury is responsible for the Group's financing and manages liquidity in Swedish kronor, funding in the capital market and clearing at the Riksbank. It also runs the internal bank for long-term funding. Treasury has the overall responsibility for financial risks in the Group. The activity with a direct impact on the profit and loss account is liquidity management in Swedish kronor.*

### Performance

Handelsbanken Treasury's profits fell by 67% to SEK 46m, mainly due to lower income. On average, Treasury had lower exposure to financial risks than the previous year, since trends on the fixed income markets in particular were difficult to predict. Lower risk taking led to lower profits.

### 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 maturities.

The regional banking operations had a surplus of Swedish kronor, on average SEK 12.6bn (20.9) during the year. The internal bank is responsible for ensuring that this surplus is efficiently transferred to the 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.

In order to carry out clearing, the Bank must pledge securities with the Riksbank. These comprise Swedish government bonds and also 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. 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 on the 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, the main sources were commercial paper funding in the US and deposits funding. When necessary, foreign currency loans were converted into Swedish kronor through currency swaps.

### Quarterly performance

SEK m	2002:4	2002:3	2002:2	2002:1	Total 2002	Total 2001	Change %
Net interest income	24	43	42	55	164	215	- 24
Commission, net	- 1	- 1	- 2	- 1	- 5	- 42	88
Net result on financial operations	- 2	- 51	- 31	- 15	- 99	- 33	- 200
Other income	3	3	4	3	13	13	0
<b>Total income</b>	<b>24</b>	<b>- 6</b>	<b>13</b>	<b>42</b>	<b>73</b>	<b>153</b>	<b>- 52</b>
<i>Net internal remuneration deducted from income</i>	—	—	—	—	—	—	—
<b>Total expenses</b>	<b>- 6</b>	<b>- 6</b>	<b>- 7</b>	<b>- 8</b>	<b>- 27</b>	<b>- 15</b>	<b>80</b>
<b>Profit/loss before loan losses</b>	<b>18</b>	<b>- 12</b>	<b>6</b>	<b>34</b>	<b>46</b>	<b>138</b>	<b>- 67</b>
Loan losses incl. change in value of repossessed property							
<b>Operating profit/loss</b>	<b>18</b>	<b>- 12</b>	<b>6</b>	<b>34</b>	<b>46</b>	<b>138</b>	<b>- 67</b>
<b>Return on equity, %</b>	<b>11.2</b>	<b>—</b>	<b>4.0</b>	<b>19.5</b>	<b>7.3</b>	<b>14.6</b>	
Average number of employees	37	38	38	39	38	38	

### Balance sheet

31 December

SEK m	2002	2001	Change %
Lending to credit institutions	178 201	154 891	15
Lending to the general public	6 635	3 065	116
Bonds	25 527	26 478	- 4
Other assets	7 239	15 531	- 53
<b>Total assets</b>	<b>217 602</b>	<b>199 965</b>	<b>9</b>
Liabilities to credit institutions	100 398	98 795	2
Deposits and funding from the general public	105	2 116	- 95
Issued securities	23 535	29 853	- 21
Other liabilities	93 009	68 377	36
Shareholders' equity	555	824	- 33
<b>Total liabilities and shareholders' equity</b>	<b>217 602</b>	<b>199 965</b>	<b>9</b>

# Directors' report

## A well-integrated universal bank

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

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

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

A review of operations, including IT development, is described on page 26 and following.

For a description of financial risks and other risks, see pages 20–24 and pages 29–31.

## Total assets and shareholders' equity

The Handelsbanken Group's total assets were SEK 1 278bn (1 175) and shareholders' equity was SEK 52 192m (48 112).

Balance sheets for 1998–2002 are shown on pages 84–85 and key figures for the same years on page 9.

## Capital ratio

At the end of 2002, the Handelsbanken Group's capital ratio was 9.3% (9.9). The Tier 1 ratio was 6.4% (6.1).

## Results

The Group's operating profit was SEK 10 190m (11 208). Income fell by 1% to SEK 21 367m (21 487). Expenses increased by 3%. The cost/income ratio before loan losses was 48.9% (47.0).

Profit and loss accounts for 1998–2002 are shown on pages 84–85.

## Profitability

Return on shareholders' equity calculated after full tax was 14.6% (18.4). Handelsbanken's profitability, expressed as operating profit after standard tax and adjusted for items affecting comparability, was 14.6% (17.8). Handelsbanken's return on equity has been higher than the average for the other Swedish banks since 1972.

## Taxes

The Group's tax expense for 2002 was SEK 2 817m (3 202).

## Dividend

The Board recommends a dividend of SEK 4.75 (4.50) on the class A and B shares. The dividend will require SEK 3 294m.

The Board's recommendation for distribution of profits is shown on page 86.

## Buyback of own shares

The Annual General Meeting in 2002 authorised the Board of the Bank to resolve on repurchase of a maximum of 20 million class A or B shares and to sell shares which had already been repurchased for the purpose of financing possible acquisitions. Handelsbanken neither repurchased nor sold shares during the year. At year-end, the Bank owned 21.4 million of its own shares. The Board is requesting that the Annual General Meeting authorises the Board to repurchase a maximum of 20 million shares until the 2004 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 the repurchased shares to finance any future acquisitions.

More information about the shares can be found on pages 10–11.

## The Board's activities during the year

See page 94 for a description of the Central Board's activities during the year.

## Competent employees

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

More information about our employees can be found on pages 14–15.

# Accounting Principles

The accounting follows the regulations of the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKIL), the Swedish Financial Accounting Standards Council's recommendations and the directives issued by Finansinspektionen – the Swedish Financial Supervisory Authority (FFFS 2001:19).

## Changed accounting principles

The Swedish Financial Accounting Standards Council's recommendation RR 16 Provisions, contingent liabilities and contingent assets and RR 21 Borrowing costs came into force on 1 January 2002. RR 16 specifies when provisions, contingent liabilities and contingent assets are to be reported. RR 21 describes how borrowing costs should be reported. It is not necessary to restate previous years.

RR 15 Intangible assets and RR 17 Write-downs also came into force on the same date. The recommendations are to be applied forwards, consequently no comparative figures have been restated.

In order to provide a fairer view of the Group's bad debts, the method for eliminating differences in book values in the Group and in the acquired subsidiaries has been changed. The change has affected the distribution between actual and probable losses. This has not had any impact on the results or equity. The comparative figures have been restated.

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

## Consolidated Accounts

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

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

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

All foreign operations have been classified as independent. This classification is based on the fact that each operation is run independently in accordance with the Group's decentralised organisation and that transactions between the parent company and the respective unit are only part of their operations. The foreign units also conduct their own funding and the parent company is only affected indirectly by each operation's cash flows. Salary payments and purchases are normally made in local currency.

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

## Valuation of assets and liabilities in foreign currencies

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

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

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

## Financial instruments

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

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

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

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

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

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

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

*Derivative instruments* are valued at market value. An exception is made for derivative transactions which are hedging balance-sheet items that have not been given a market value. If the hedge is considered to represent an effective protection against unfavourable changes in value, i.e. the changes in value of the hedged instrument are balanced by corresponding changes in value of the hedging instrument, the derivative transaction is reported using the accounting principles which apply to the hedged transaction. In cases where unrealised losses arise in the case of hedge reporting according to the acquisition method, these are reported on the balance sheets and profit and loss accounts. Derivative transactions with a positive market value at the balance sheet date are reported under Other assets, and transactions with a negative market value are reported under Other liabilities. Receivables and payables with the same counterparty which can be set off, i.e. where a contractual relationship exists implying that there are legal grounds for applying set off, are reported net on the balance sheet in those cases where there is an intention to settle the obligations by netting or simultaneously.

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

## Lending and deposits

Lending to the general public and credit institutions is classified as financial fixed assets and is reported on the balance sheet on the settlement date at acquisition value. Leasing agreements, in which the

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

Lending and funding are reported on the balance sheet at their acquisition value.

### Intangible assets

Investments in both software developed by the Bank and acquired software are carried as an expense on a current basis where the expenditure refers to maintenance of existing business operations or an existing intangible asset.

In the case of development of new intangible assets, or new business operations for existing intangible assets, the direct expenditure accrued is capitalised from the time when it is probable that economic benefit will arise which can be reliably calculated. For capitalisation of expenditure relating to existing intangible assets there is the additional requirement that the economic benefits must clearly exceed the economic benefits that were associated with the existing asset in its original condition.

### Valuation of repossessed property

Repossessed property is a current asset and is recorded at the lower of cost or market. By market value is meant the market value after deduction of selling expenses. For real property, this value is determined on the basis of an individual valuation by a firm of valuers with the required skills in the field. For other property where there is an active market, the market price is used. When repossessed, the property is written down to market value. If this value is less than the book value of the claim at the time of repossession, the difference is reported as an actual loan loss. Changes in value after the property has been repossessed are reported under Changes in value of repossessed property.

### Loan costs

Loan costs are normally carried as expenses on a current basis. Where the expenditure refers to intangible assets developed by the Bank, the expenditure is capitalised from the date on which a decision is made to capitalise development costs.

### Pension costs

A pension cost computed on an actuarial basis, relating to pension commitments which are backed by own pension foundations, is reported as an operating expense. Premiums paid for pension insurance are also reported under Operating expenses.

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

### Depreciation

#### EQUIPMENT

Personal computers are depreciated over 3 years and investments in bank vaults and similar investments on premises are depreciated over 10 years. Other equipment is written off over 5 years.

#### PROPERTY CONTAINING BANK PREMISES

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

#### REPOSSESSED PROPERTY

Repossessed property for protection of claims is reported at the lower of cost or market at the balance-sheet date. Consequently, there is no depreciation of this property.

### GOODWILL

Goodwill from acquisitions with long-term strategic significance is amortised over 20 years. Other goodwill is amortised over its assessed economic life, normally 10 years.

### INTANGIBLE ASSETS

Intangible assets are amortised over the expected economic life of the asset.

### Loan losses

Actual loan losses for the year and write-downs in respect of probable loan losses for loan receivables are reported as loan losses, after an individual assessment has been made. Also reported as loan losses are write-downs of interest shown as income in previous annual accounts.

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

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

Any part of a loan receivable where there is no realistic possibility of recovery is reported as an *actual loan loss*. This is the case, for example, when a trustee in bankruptcy has estimated bankruptcy dividends, a scheme of arrangement has been accepted or the claim has been reduced in some other way. An amount forgiven in connection with a reorganisation is always reported as an actual loss. For loans which have earlier been reported as actual loan losses in full, a re-appraisal of the size of the loss is made in those cases where the customer is following a payment plan.

A write-down for *probable loan losses* is made for bad debts if the value of the collateral together with other payments from the counterparty do not cover the book value of the loan receivable.

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

If the collateral consists of property mortgages, the valuation of the underlying security is made in the same way as for repossessed properties.

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

In cases, where the amount expected to be recovered has been calculated by discounting future expected cash flows, the method of calculation implies that the recovery value increases as the time for the payment from the customer approaches. The difference thus arising in book value is recorded as interest income.

Apart from the risk assessment for individual loan receivables which is made quarterly by all customer and credit responsible units in the Group, a central assessment of homogenous groups of loan receivables is made at central level. This takes into account whether there have been loan losses in these groups of loan receivables which cannot yet be allocated to an individual loan. If necessary, a group provision is made for these loan receivables. As soon as the debt can be individually identified, the provision is transferred to probable loan losses.

### Taxes

The tax expense for the period consists of current tax and deferred tax. Current tax refers to taxes relating to the period's taxable result. Deferred tax claims and liabilities are taxes based on temporary differences between the value of an asset or liability in the accounts and its taxable value.

## Profit and loss accounts

SEK m		GROUP		PARENT COMPANY	
		2002	2001	2002	2001
Interest income	Note 1	52 930	57 667	37 612	41 674
Interest expense	Note 1	- 35 924	- 43 141	- 26 687	- 33 118
<b>Net interest income</b>		<b>17 006</b>	<b>14 526</b>	<b>10 925</b>	<b>8 556</b>
Dividends received	Note 2	392	309	500	322
Commission income	Note 3	5 767	5 894	5 111	5 047
Commission expense	Note 4	- 1 180	- 1 038	- 1 100	- 973
Net result on financial operations	Note 5	- 938	1 577	- 964	1 499
Other operating income	Note 6	320	219	240	117
<b>Total income</b>		<b>21 367</b>	<b>21 487</b>	<b>14 712</b>	<b>14 568</b>
General administrative expenses					
Staff costs	Note 7	- 6 203	- 5 909	- 5 742	- 5 270
Other administrative expenses	Note 8	- 3 267	- 3 346	- 2 726	- 2 614
Depreciation and write-down in value of tangible and intangible fixed assets	Note 9	- 866	- 805	- 482	- 500
<b>Total expenses before loan losses</b>		<b>- 10 336</b>	<b>- 10 060</b>	<b>- 8 950</b>	<b>- 8 384</b>
<b>Profit before loan losses</b>		<b>11 031</b>	<b>11 427</b>	<b>5 762</b>	<b>6 184</b>
Loan losses, net	Note 10	- 396	- 160	- 718	- 780
Change in value of repossessed property	Note 11	4	8	3	—
Write-downs of financial fixed assets	Note 12	- 199	—	- 759	—
Participations in result of associated companies		20	82		
<b>Result of banking operations</b>		<b>10 460</b>	<b>11 357</b>	<b>4 288</b>	<b>5 404</b>
Result of insurance operations	Note 13	- 270	- 149		
<b>Operating profit</b>		<b>10 190</b>	<b>11 208</b>	<b>4 288</b>	<b>5 404</b>
Appropriations	Note 14	- 80	306	4 371	4 802
<b>Profit before taxes</b>		<b>10 110</b>	<b>11 514</b>	<b>8 659</b>	<b>10 206</b>
Taxes	Note 15	- 2 817	- 3 202	- 2 207	- 2 873
Minority interests		- 11	- 22		
<b>Profit for the year</b>		<b>7 282</b>	<b>8 290</b>	<b>6 452</b>	<b>7 333</b>
Net earnings per share, SEK		10.50	11.99		



# Balance sheets

31 December

SEK m	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>ASSETS</b>				
Cash and balance with central banks	8 166	10 614	8 074	10 371
Instruments eligible as collateral with central banks	Note 16 18 628	23 796	18 628	23 796
Lending to credit institutions	Note 17 79 517	70 857	246 014	230 841
Lending to the general public	Note 18 839 340	800 068	438 372	414 485
Bonds and other interest-bearing securities	Note 16 118 699	104 551	121 038	100 092
Shares and participations	Note 19 11 031	13 769	11 138	13 166
Shares and participations in associated companies	Note 20 294	300	248	245
Shares and participations in Group companies	Note 21 4 323	4 419	35 954	36 964
Assets in insurance operations	Note 22 34 386	20 429		
Intangible fixed assets				
Goodwill	Note 23 6 444	6 587	1 973	475
Other intangible fixed assets	14	—	—	—
Tangible assets				
Equipment	Note 24 676	767	593	639
Buildings and land	Note 25 1 543	1 699	1 323	1 356
Other assets	Note 26 147 896	109 623	143 353	109 495
Prepayments and accrued income	Note 27 6 557	7 042	5 731	6 324
<b>Total assets</b>	<b>1 277 514</b>	<b>1 174 521</b>	<b>1 032 439</b>	<b>948 249</b>
<b>LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY</b>				
Liabilities to credit institutions	Note 28 235 113	220 126	280 219	254 200
Deposits and funding from the general public				
Deposits	Note 29 238 157	225 750	233 447	210 799
Funding	Note 30 54 681	57 942	52 779	54 226
Issued securities etc				
Issued debt instruments	Note 31 464 402	440 981	233 107	230 681
Liabilities in insurance operations	Note 32 32 720	17 535		
Other liabilities	Note 33 159 536	119 532	153 933	117 668
Accruals and deferred income	Note 34 8 491	10 017	5 181	7 319
Provisions				
Provisions for deferred tax	Note 35 5 397	5 289	55	196
Other provisions	24	—	11	—
Subordinated liabilities	Note 36 26 801	28 976	26 560	28 566
<b>Total liabilities and provisions</b>	<b>1 225 322</b>	<b>1 126 148</b>	<b>985 292</b>	<b>903 655</b>
<b>Minority interest in shareholders' equity</b>	<b>0</b>	<b>261</b>		
<b>Untaxed reserves</b>	Note 37		<b>11 473</b>	<b>10 296</b>
Share capital	Note 38 2 859	2 859	2 859	2 859
Other reserves				
Statutory reserve	Note 38 2 935	2 748	2 682	2 682
Reserve for unrealised profits	Note 38 118	205	9	195
Other restricted reserves	Note 38 17 862	14 369	—	—
Profit brought forward	Note 38 21 136	19 641	23 672	21 229
Profit for the year	Note 38 7 282	8 290	6 452	7 333
<b>Total shareholders' equity</b>	<b>52 192</b>	<b>48 112</b>	<b>35 674</b>	<b>34 298</b>
<b>Total liabilities, provisions and shareholders' equity</b>	<b>1 277 514</b>	<b>1 174 521</b>	<b>1 032 439</b>	<b>948 249</b>
Collateral pledged for own debt	Note 39 73 077	63 137	73 077	64 388
Other collateral pledged	Note 40 52 493	33 420	19 932	17 317
Contingent liabilities	Note 41 78 958	79 644	122 022	113 956
Pension commitments	Note 42 —	—	—	—
Other commitments	Note 43 6 594 156	6 426 421	6 754 119	6 545 270

# Cash flow statement

SEK m	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>OPERATING ACTIVITIES</b>				
Operating profit	10 190	11 208	4 288	5 404
Adjustment for items in the operating result which do not affect the cash flow:				
Loan losses	673	734	842	986
Unrealised changes in value	- 1 144	410	- 1 142	425
Depreciation and write-downs	1 065	805	1 241	500
Paid income tax	- 3 159	- 3 853	- 2 793	- 4 101
Changes in the assets and liabilities of operating activities				
Lending to credit institutions	- 8 660	24 783	- 15 173	9 796
Lending to the general public	- 40 146	- 103 624	- 24 729	- 88 231
Financial current assets	- 6 286	- 36 275	- 11 763	- 36 102
Liabilities to credit institutions	14 987	62 467	26 019	58 863
Deposits and funding from the general public	9 146	20 539	21 202	24 776
Issued securities	23 421	39 492	2 426	33 517
Other	1 862	- 7 005	1 669	- 4 821
<b>Cash flow on operating activities</b>	<b>1 949</b>	<b>9 681</b>	<b>2 087</b>	<b>1 012</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of subsidiaries	—	- 2 355	—	—
Change in shares	- 102	- 5 215	314	- 8 158
Change in interest-bearing securities	1 083	- 3 093	- 923	1 590
Change in tangible fixed assets	- 173	- 1 139	- 319	- 843
Change in intangible fixed assets	- 14	—	- 1 578	- 590
<b>Cash flow on investing activities</b>	<b>794</b>	<b>- 11 802</b>	<b>- 2 506</b>	<b>- 8 001</b>
<b>FINANCING ACTIVITIES</b>				
Subordinated loans	- 2 175	9 910	- 2 002	10 477
Dividend paid	- 3 120	- 2 751	- 3 120	- 2 751
Group contribution	—	—	3 133	4 218
Repurchase of own shares	—	- 46	—	- 46
<b>Cash flow on financing activities</b>	<b>- 5 295</b>	<b>7 113</b>	<b>- 1 989</b>	<b>11 898</b>
<b>Cash flow for the year</b>	<b>- 2 552</b>	<b>4 992</b>	<b>- 2 408</b>	<b>4 909</b>
Liquid funds at beginning of year	10 614	5 258	10 371	5 109
Cash flow on operating activities	1 949	9 681	2 087	1 012
Cash flow on investing activities	794	- 11 802	- 2 506	- 8 001
Cash flow on financing activities	- 5 295	7 113	- 1 989	11 898
Exchange rate difference on liquid funds	104	364	111	353
<b>Liquid funds at end of year</b>	<b>8 166</b>	<b>10 614</b>	<b>8 074</b>	<b>10 371</b>

# Notes to the profit and loss accounts

Amounts in SEK million unless otherwise stated

## Note 1 Interest

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>INTEREST INCOME</b>				
<b>Interest income in Swedish kronor</b>				
Credit institutions	1 181	1 924	7 721	8 350
General public	33 160	32 600	11 557	11 712
Interest-bearing securities, fixed assets	332	523	421	522
Interest-bearing securities, current assets	2 080	1 868	1 977	1 705
Other interest income	7	50	1	36
<b>Total interest income in Swedish kronor</b>	<b>36 760</b>	<b>36 965</b>	<b>21 677</b>	<b>22 325</b>
<b>Interest income in foreign currency</b>				
Credit institutions	2 208	4 327	2 650	4 926
General public	10 377	11 809	9 769	10 027
Interest-bearing securities, fixed assets	132	118	132	118
Interest-bearing securities, current assets	1 708	2 896	1 708	2 855
Other interest income	1 745	1 552	1 676	1 423
<b>Total interest income in foreign currency</b>	<b>16 170</b>	<b>20 702</b>	<b>15 935</b>	<b>19 349</b>
<b>Total interest income</b>	<b>52 930</b>	<b>57 667</b>	<b>37 612</b>	<b>41 674</b>
<b>INTEREST EXPENSE</b>				
<b>Interest expense in Swedish kronor</b>				
Credit institutions	- 7 857	- 6 949	- 7 334	- 6 641
General public	- 4 444	- 4 315	- 4 093	- 3 944
Issued securities	- 8 853	- 8 822	- 1 108	- 847
Subordinated loans	- 80	- 92	- 80	- 89
Other interest expense	- 289	- 434	- 134	- 254
<b>Total interest expense in Swedish kronor</b>	<b>- 21 523</b>	<b>- 20 612</b>	<b>- 12 749</b>	<b>- 11 775</b>
<b>Interest expense in foreign currency</b>				
Credit institutions	- 2 556	- 3 317	- 3 194	- 3 456
General public	- 3 301	- 4 690	- 3 530	- 6 121
Issued securities	- 6 836	- 12 698	- 5 542	- 10 015
Subordinated loans	- 1 380	- 1 324	- 1 351	- 1 288
Other interest expense	- 328	- 500	- 321	- 463
<b>Total interest expense in foreign currency</b>	<b>- 14 401</b>	<b>- 22 529</b>	<b>- 13 938</b>	<b>- 21 343</b>
<b>Total interest expense</b>	<b>- 35 924</b>	<b>- 43 141</b>	<b>- 26 687</b>	<b>- 33 118</b>
<b>Net interest income</b>	<b>17 006</b>	<b>14 526</b>	<b>10 925</b>	<b>8 556</b>
<b>AVERAGE VOLUMES</b>				
<b>Assets</b>				
Lending credit institutions in Swedish kronor	34 992	40 494	181 073	181 905
Lending general public in Swedish kronor	602 611	555 779	226 492	205 789
Interest-bearing securities, fixed assets in Swedish kronor	5 538	5 291	7 649	9 004
Interest-bearing securities, current assets in Swedish kronor	45 503	41 905	42 997	37 952
<b>Average volume in Swedish kronor</b>	<b>688 644</b>	<b>643 469</b>	<b>458 211</b>	<b>434 650</b>
Lending credit institutions in foreign currency	85 447	85 422	100 674	96 906
Lending general public in foreign currency	214 552	203 796	202 502	178 610
Interest-bearing securities, fixed assets in foreign currency	2 051	1 594	2 051	1 594
Interest-bearing securities, current assets in foreign currency	64 815	57 780	64 700	56 588
<b>Average volume in foreign currency</b>	<b>366 865</b>	<b>348 592</b>	<b>369 927</b>	<b>333 698</b>
<b>Liabilities</b>				
Deposits and funding credit institutions in Swedish kronor	64 801	55 878	60 018	48 611
Deposits and funding general public in Swedish kronor	176 862	174 754	170 454	167 645
Issued securities in Swedish kronor	182 073	167 927	24 302	18 814
<b>Average volume in Swedish kronor</b>	<b>423 736</b>	<b>398 559</b>	<b>254 774</b>	<b>235 070</b>
Deposits and funding credit institutions in foreign currency	206 447	194 700	235 512	239 283
Deposits and funding general public in foreign currency	111 176	103 988	123 149	92 252
Issued securities in foreign currency	269 866	264 461	205 365	204 971
<b>Average volume in foreign currency</b>	<b>587 489</b>	<b>563 149</b>	<b>564 026</b>	<b>536 506</b>
Average lending rate general public	5.33%	5.85%	4.97%	5.66%
Average deposit and funding rate general public	2.69%	3.23%	2.60%	3.87%
Interest income received from Group companies	41		7 362	7 342
Interest expense paid to Group companies			1 500	2 559
Insurance premiums paid to Group companies	154	107	154	107

**Note 2** Dividends received

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Dividends on shares and participations	392	309	390	294
Dividends from associated companies	—	—	18	28
Dividends from Group companies			92	—
	<b>392</b>	<b>309</b>	<b>500</b>	<b>322</b>

**Note 3** Commission income

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Payments	1 429	1 311	1 420	1 253
Lending	822	790	589	554
Deposits	89	76	88	74
Guarantees	338	301	337	277
Securities	1 813	2 189	1 390	1 624
Other commission	1 276	1 227	1 287	1 265
	<b>5 767</b>	<b>5 894</b>	<b>5 111</b>	<b>5 047</b>
Commission income received from Group companies			272	264

**Note 4** Commission expense

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Payments	- 800	- 780	- 774	- 746
Securities	- 232	- 164	- 196	- 132
Other commission	- 148	- 94	- 130	- 95
	<b>- 1 180</b>	<b>- 1 038</b>	<b>- 1 100</b>	<b>- 973</b>
Commission expense received from Group companies			0	- 10

**Note 5** Net result on financial operations

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Shares and participations	- 204	947	- 216	976
Interest-bearing securities	885	- 233	885	- 265
<b>Realised profit</b>	<b>681</b>	<b>714</b>	<b>669</b>	<b>711</b>
Shares and participations	482	- 325	479	- 325
Interest-bearing securities	659	- 85	659	- 100
Unrealised changes in value	1 141	- 410	1 138	- 425
Currency changes	- 2 760	1 273	- 2 771	1 213
<b>Net result on financial operations</b>	<b>- 938</b>	<b>1 577</b>	<b>- 964</b>	<b>1 499</b>

**Note 6** Other operating income

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Realised share price gains, not trading book	38	63	25	63
Capital gains on selling properties	94	—	47	—
Rental income	62	57	38	33
Other operating income	126	99	130	21
	<b>320</b>	<b>219</b>	<b>240</b>	<b>117</b>

**Note 7 Staff costs**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Salaries and fees	- 4 095	- 3 878	- 3 759	- 3 413
Social security costs	- 1 092	- 1 057	- 1 023	- 968
Pension costs <sup>1)</sup>	- 520	- 470	- 482	- 423
Appropriation to profit-sharing foundation	- 164	- 155	- 155	- 140
Other staff costs	- 332	- 349	- 323	- 326
	- 6 203	- 5 909	- 5 742	- 5 270

1) SEK 370m (311) of pension costs are calculated costs and SEK 150m (159) are pension premiums.

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

Pension premiums paid to Group companies	- 4	- 3	- 4	- 3
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**Salaries and other remuneration****Board, CEO and EVPs**

Sweden	- 62	- 72	- 52	- 64
Norway	- 4	- 6	- 3	- 2
Finland	- 4	- 5	- 3	- 3
Denmark	- 4	- 4	- 2	- 3
Great Britain	- 2	—	- 2	—
Poland	- 2	—	—	—
Luxembourg	- 2	- 2	—	—
USA	- 4	- 6	—	—
	- 84	- 95	- 62	- 72

**Other**

Sweden	- 2 736	- 2 691	- 2 588	- 2 499
Norway	- 302	- 227	- 276	- 212
Finland	- 240	- 230	- 206	- 196
Denmark	- 317	- 249	- 301	- 123
Great Britain	- 135	- 123	- 135	- 123
Poland	- 12	- 8	—	—
Luxembourg	- 52	- 50	- 15	- 17
Germany	- 29	- 23	- 29	- 23
USA	- 126	- 109	- 90	- 93
Singapore	- 26	- 26	- 26	- 26
Hong Kong	- 11	- 12	- 11	- 12
Other countries	- 25	- 35	- 20	- 17
	- 4 011	- 3 783	- 3 697	- 3 341
<b>Total</b>	<b>- 4 095</b>	<b>- 3 878</b>	<b>- 3 759</b>	<b>- 3 413</b>

**Number of employees**

Average during the year	2002	2001	Women	Men
Sweden	7 575	7 276	4 166	3 409
Norway	554	525	266	288
Finland	577	532	346	231
Denmark	558	445	268	290
Great Britain	159	143	45	114
Luxembourg	76	78	29	47
Germany	58	41	23	35
USA	87	86	25	62
Singapore	36	37	19	17
Hong Kong	25	23	8	17
Poland	27	25	14	13
Other countries	20	28	8	12
	9 752	9 239	5 217	4 535

**Information concerning companies which are not consolidated**

SPP AB

The average number of employees was 631 (553).

SEK 5.8m (3.8) was paid in salary and other remuneration to the CEO and board.

**Loans to Senior Management**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
CEO and EVPs	81	97	63	76
Board members	17	11	6	2
	<b>98</b>	<b>108</b>	<b>69</b>	<b>78</b>

**Principles for remuneration of the Bank's senior management and Chairman of the Board**

The remuneration for senior management and the Chairman of the Board is revised annually according to the decision process described below. The main principle in this process is that remuneration is only given in the form of fixed salary and traditional benefits. Variable remuneration in the form of bonuses is not paid.

**Decision process relating to remuneration to senior management**

The Board of the Bank appoints a special compensation committee composed of two board members, one of whom is appointed chairman of the committee.

The compensation committee convenes when its chairman calls a meeting. Its assignment is to:

- 1) establish the principles and overall policy for the salaries, benefits and pensions of the Executive Vice Presidents and the Head of the Auditing Department;
- 2) prepare proposals relating to salaries, benefits and pensions for the Group Chief Executive to be decided by the Board;
- 3) prepare proposals for remuneration and benefits for the Chairman of the Board to be decided by the Board;
- 4) every year report the results of its work to the Board.

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

**CONDITIONS:**

The Bank has no agreements on severance pay. The Group Chief Executive, Lars O Grönstedt, has a retirement age of 60. His retirement pension between the ages of 60 and 64 is 75% of his salary, and from the age of 65, it is 65%. For the Chairman of the Board and ex-CEO, Arne Mårtensson, an agreement exists which was entered into when he became CEO in 1991. The agreement is the same as that which applied to the two previous CEOs, Jan Wallander and Tom Hedelius. This implies that if Arne Mårtensson is not re-elected, up to and including the fifth shareholders' meeting thereafter, he is to be offered other work and to be paid as if he had been CEO. If Arne Mårtensson takes up employment outside the Bank, no compensation will be paid to him.

Arne Mårtensson has a retirement age of 55, which was considered desirable both for the Bank and him personally, since he was appointed CEO at a relatively young age. Until then he is compensated according to the above-mentioned agreement on condition that he does not serve on any other boards than those desired by the Bank and that all fees are paid to the Bank. Between the ages of 55 and 64, his retirement pension is 75% of his salary, and from the age of 65, it is 65%.

The Bank's Executive Vice Presidents retire at the age of 60. Between the ages of 60 and 64, their retirement pension is 65% of their salary. From the age of 65, their pension is 10% of the annual salary up to 7.5 index-linked base amounts. They also receive a pension under the general national insurance scheme. A retirement pension of 65% is paid on the portion of the salary in excess of 7.5 index-linked base amounts. The pensions for the CEO, EVPs and Chairman of the Board are earned gradually during the years up to the age of retirement and are fully earned by the age of 60 and 55 years, respectively. The Bank is charged annually for the cost at the same rate as the pension is earned. An earned pension commitment is guaranteed by the Bank's pension foundation and is unconditional. If the executives leave the Bank before the stipulated retirement age, a paid-up policy is issued for the pension earned.

**REMUNERATION:**

In 2002, the Chairman of the Board, Arne Mårtensson, received remuneration and other benefits from the Bank amounting to SEK 9.2m. SEK 0.3m of this amount was other benefits. Fees of SEK 2m for serving on other boards have been paid to the Bank. No variable bonuses have been paid.

Board members who are not employees of the Bank have not received any compensation from the company over and above the normal fees.

The Group Chief Executive, Lars O Grönstedt, has received remuneration and other benefits amounting to SEK 5.7m. SEK 0.2m of this amount was other benefits. External fees have been paid to the Bank. No variable bonuses have been paid.

Executive Vice Presidents (19) have received remuneration and other benefits amounting to SEK 45m. SEK 3m of this amount was other benefits. External fees have been paid to the Bank. No variable bonuses have been paid.

Like all other employees of the Bank, the Chairman of the Board, the Group Chief Executive and other senior management have been allocated one unit in Handelsbanken's profit-sharing scheme, Oktogonen. A unit in Sweden was SEK 82 364.

**PENSION COMMITMENTS:**

Increased pension commitments on unchanged pension terms (calculated according to IAS 19 Employee Benefits) are SEK 5.3m for the Group Chief Executive and SEK 8.7m for the Chairman of the Board.

Increased pension commitments (calculated according to Finansinspektionen's directives) for executive vice presidents (19) were SEK 39m. Increased pension commitments and paid pension insurance premiums (calculated according to Finansinspektionen's directives) for the present and previous boards, CEOs and EVPs are SEK 101m (170) for the Group and SEK 90m (159) for the parent company. The decrease is due to changed interest rate assumptions for insurance reasons and also changed terms. Pension commitments for the same people are SEK 753m (685) for the Group and SEK 710m (652) for the parent company. The number of people in the Group covered by these commitments is 67 (64), of whom 32 (28) are pensioners. The commitments are covered by the Bank's pension foundation.

**OPTIONS PROGRAMME**

In 1999 branch managers and other senior managers were invited to acquire synthetic options at market prices with Handelsbanken class A shares as the underlying instruments. The options programme runs for five years from November 1999 to November 2004. The average price of Handelsbanken's class A shares was SEK 111.83 during the measuring period which occurred during the subscription period. The Bank has limited its maximum cost by means of hedging transactions to cover both increases and decreases in the share price. The cost in 2002 was SEK 23m. On the balance sheet, the options were posted as other liabilities for an amount of SEK 18m. The hedge package is valued at the lower of market value and accrued acquisition value. A total of 4 million options have been subscribed for by 560 employees. The initial price per option was SEK 11. Subsequently, individual new senior management appointees have been offered the opportunity to subscribe for more options at market prices under the same programme. The price per option has varied between SEK 13 and SEK 30. The exercise price for the options is SEK 178.50. The options expire on 25 November 2004. The options have been unconditional from the outset.

**Note 8 Other administrative expenses**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Property and premises	- 820	- 867	- 769	- 783
External IT costs	- 731	- 856	- 528	- 585
Communication	- 416	- 405	- 365	- 342
Travel and marketing	- 331	- 377	- 266	- 285
Purchased services	- 500	- 499	- 400	- 324
Supplies	- 196	- 181	- 181	- 155
Other expenses	- 273	- 161	- 217	- 140
	- 3 267	- 3 346	- 2 726	- 2 614
Leasing costs paid to Group companies			- 19	- 36

**Fees paid to auditors**

	GROUP				PARENT COMPANY			
	Audits		Consulting		Audits		Consulting	
	2002	2001	2002	2001	2002	2001	2002	2001
<b>Auditors elected by the shareholders' meeting</b>								
KPMG Bohlins AB	- 7.3	- 4.4	- 3.4	- 4.1	- 3.4	- 2.5	- 2.2	- 3.4
Ernst & Young AB	- 1.0	- 0.5	- 0.7	- 9.8	- 1.0	- 0.5	- 0.5	- 9.8
<b>Auditors appointed by Finansinspektionen</b>								
BDO Feinstein Revision AB/ Deloitte & Touche AB	- 1.2	- 1.1	—	—	- 0.6	- 0.5	—	—
Internal auditing	- 62.3	- 59.9			- 58.6	- 53.5		

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

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Equipment	- 377	- 392	- 359	- 346
Property	- 46	- 39	- 43	- 38
Goodwill	- 440	- 369	- 79	- 115
Intangible fixed assets	—	—	—	—
Other depreciation/write-downs	- 3	- 5	- 1	- 1
	- 866	- 805	- 482	- 500

**Note 10 Loan losses**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>A. SPECIFIC PROVISION FOR INDIVIDUALLY ASSESSED LOAN RECEIVABLES:</b>				
The year's write-off for actual loan losses	- 659	- 747	- 792	- 468
Write-back of previous provisions for probable loan losses which are reported as actual losses in the year's accounts	502	527	669	308
The year's provision for probable loan losses	- 1 154	- 1 200	- 1 208	- 1 113
Paid in from actual losses in previous years	440	545	122	204
Write-back of provisions for probable loan losses which are no longer necessary	485	722	489	288
<b>Net expense for the year for individually assessed loan receivables</b>	<b>- 386</b>	<b>- 153</b>	<b>- 720</b>	<b>- 781</b>
<b>B. PROVISION BY GROUP FOR INDIVIDUALLY ASSESSED LOAN RECEIVABLES:</b>				
Allocation to/dissolution of provision by group	—	—	—	—

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>C. COLLECTIVELY ASSESSED HOMOGENOUS GROUPS OF LOAN RECEIVABLES WITH LIMITED VALUE AND SIMILAR CREDIT RISK:</b>				
The year's write-off for actual loan losses	- 38	- 36	- 1	- 1
Paid in from actual losses in previous years	28	29	2	1
Allocation to/dissolution of reserve for loan losses	0	0	1	1
<b>Net expense for the year for collectively assessed homogenous loan receivables</b>	<b>- 10</b>	<b>- 7</b>	<b>2</b>	<b>1</b>
<b>D. TRANSFER RISK</b>				
Allocation to/dissolution of reserve for transfer risks	—	—	—	—
<b>Net expense for the year for loan losses (A+B+C+D)</b>	<b>- 396</b>	<b>- 160</b>	<b>- 718</b>	<b>- 780</b>

Both actual and probable loan losses reduce the corresponding claim amount on the assets side of the Balance Sheet. The reserve for probable loan losses increased by SEK 12m for the Group and SEK 29m for the Parent Company in the form of foreign currency translation differences.

According to Finansinspektionen's accounting directives, receivables which individually have been assessed as being posted at the correct value must also be assessed as to whether there may be a requirement for making a provision for probable loan losses for these receivables valued as a group. Over and above the risk assessment of individual loan receivables made quarterly by all units with customer and credit responsibility in the Handelsbanken Group, no such requirement for provision for the receivables as a group has been identified.

**Write-downs:**

Claims on credit institutions	- 1	- 2	- 1	- 2
Claims on the general public	- 1 348	- 1 454	- 1 331	- 1 272
<b>Total write-downs</b>	<b>- 1 349</b>	<b>- 1 456</b>	<b>- 1 332</b>	<b>- 1 274</b>

**Write-backs:**

Claims on credit institutions	1	6	1	6
Claims on the general public	484	716	489	283
<b>Total write-backs</b>	<b>485</b>	<b>722</b>	<b>490</b>	<b>289</b>

**Note 11 Change in value of repossessed property**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Repossessed real estate	—	—	—	—
Other repossessed property	1	8	—	—
<b>Realised change in value</b>	<b>1</b>	<b>8</b>	<b>—</b>	<b>—</b>
Repossessed real estate	—	—	—	—
Other repossessed property	3	—	3	—
<b>Unrealised change in value</b>	<b>3</b>	<b>—</b>	<b>3</b>	<b>—</b>
<b>Change in value of repossessed property</b>	<b>4</b>	<b>8</b>	<b>3</b>	<b>—</b>

**Note 12 Write-downs of financial fixed assets**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Shares and participations in associated companies	—	—	—	—
Shares and participations in Group companies <sup>1)</sup>	—	—	- 560	—
Other transferable securities <sup>2)</sup>	- 199	—	- 199	—
	<b>- 199</b>	<b>—</b>	<b>- 759</b>	<b>—</b>

1) The write-down is matched by an increased deferred tax claim in the Group which has arisen in connection with intra-Group restructuring of the Danish operations

2) The write-down refers to shares classed as fixed assets. The write-down has been made to the long-term assessed market value.



**Note 13** Result of insurance operations

(In accordance with the Annual Accounts Act for Insurance Companies)	GROUP	
	2002	2001
<b>Technical account – insurance operations</b>		
Premiums written	5 259	3 537
Investment income transferred from financial operations	1	– 5
Investment income	1 526	344
Unrealised gains on investments	232	
Other technical income	102	50
Insurance claims	– 3 120	– 1 321
Change in insurance provisions	5 035	288
Operating expenses	– 343	– 82
Investment charges	– 1 608	
Unrealised losses on investments	– 1 210	
Change in value of investments where the policy-holder bears the investment risk	– 5 564	– 2 490
Other technical expenses	– 156	– 125
Investment income transferred to financial operations	37	
<b>Result on technical account – insurance operations</b>	<b>191</b>	<b>196</b>
<b>Non-technical account</b>		
Investment income	70	31
Unrealised gains on investments	12	9
Investment income transferred from financial operations	– 37	
Investment charges	– 102	– 151
Unrealised losses on investments	– 41	– 18
Investment income transferred to the technical account	– 1	
Yield tax	– 362	– 216
<b>Profit before company taxes</b>	<b>– 270</b>	<b>– 149</b>
Taxes	52	53
<b>Profit for the year</b>	<b>– 218</b>	<b>– 96</b>

**Note 14** Appropriations etc

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>Settlement of pensions</b>				
Calculated pension premiums in the bank	370	311	370	311
Pensions paid by the bank	– 450	– 405	– 450	– 405
Compensation from pension foundation	–	400	–	400
	<b>– 80</b>	<b>306</b>	<b>– 80</b>	<b>306</b>
Change in amortisation of goodwill in excess of plan			– 530	–
Change in tax allocation reserve			– 650	– 1 050
Change in other untaxed reserves			7	27
Group contribution			5 624	5 519
	<b>– 80</b>	<b>306</b>	<b>4 371</b>	<b>4 802</b>

**Note 15** Taxes

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>Current tax</b>				
Tax expense for the period	– 3 067	– 2 598	– 2 613	– 3 004
Adjustment of tax relating to previous years	211	– 50	278	47
<b>Deferred tax</b>				
Changes in temporary differences	62	– 502	141	109
Other tax	– 23	– 52	– 13	– 25
	<b>– 2 817</b>	<b>– 3 202</b>	<b>– 2 207</b>	<b>– 2 873</b>
<b>Nominal tax rate in Sweden</b>	<b>28.0%</b>	<b>28.0%</b>	<b>28.0%</b>	<b>28.0%</b>
<b>Deviations</b>				
Non-taxable income/non-deductible expenses	0.1%	0.0%	0.4%	0.0%
Amortisation of goodwill	1.3%	0.9%		
Tax for previous years and other	– 1.5%	– 1.1%	– 2.9%	0.2%
<b>The Group's effective tax rate</b>	<b>27.9%</b>	<b>27.8%</b>	<b>25.5%</b>	<b>28.2%</b>

# Notes to the balance sheets

Amounts in SEK million unless otherwise stated

## Note 16 Interest-bearing securities

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>INSTRUMENTS ELIGIBLE AS COLLATERAL WITH CENTRAL BANKS</b>				
Government instruments eligible as collateral	18 486	23 552	18 486	23 552
Other securities eligible as collateral	142	244	142	244
<b>Instruments eligible as collateral with central banks</b>	<b>18 628</b>	<b>23 796</b>	<b>18 628</b>	<b>23 796</b>
<b>Instruments eligible as collateral with central banks</b>				
Remaining maturity: maximum one year	6 228	18 170	6 228	18 170
Remaining maturity: over one year but maximum five years	8 292	5 009	8 292	5 009
Remaining maturity: over five years but maximum ten years	3 825	597	3 825	597
Remaining maturity: over ten years	283	20	283	20
<b>Total</b>	<b>18 628</b>	<b>23 796</b>	<b>18 628</b>	<b>23 796</b>
Average remaining maturity	3.1	1.2	3.1	1.2
<b>BONDS AND OTHER INTEREST-BEARING SECURITIES</b>				
Issued by public bodies	—	—	—	—
Issued by other borrowers	118 699	104 551	121 038	100 092
<b>Bonds and other interest-bearing securities</b>	<b>118 699</b>	<b>104 551</b>	<b>121 038</b>	<b>100 092</b>
Of which unlisted securities	54 437	39 920	54 437	36 015
Of which subordinated (debenture loans)	14	—	14	—
Of which claims on Group companies	—	—	2 339	334
<b>Bonds and other interest-bearing securities</b>				
Remaining maturity: maximum one year	65 739	51 819	67 034	47 921
Remaining maturity: over one year but maximum five years	39 229	42 086	40 002	41 977
Remaining maturity: over five years but maximum ten years	10 538	9 810	10 746	9 759
Remaining maturity: over ten years	3 193	836	3 256	435
<b>Total</b>	<b>118 699</b>	<b>104 551</b>	<b>121 038</b>	<b>100 092</b>
Average remaining maturity	2.4	2.2	2.3	2.1
<b>CURRENT ASSETS</b>				
<b>Current assets acquisition price</b>				
Swedish government	14 516	16 262	14 516	16 262
Swedish mortgage institutions	27 657	25 144	27 657	22 736
Other Swedish issuers:				
non-financial companies	7 270	5 551	7 270	5 551
other financial companies	9 325	18 820	9 325	16 441
Foreign governments	3 812	7 356	3 812	7 356
Other foreign issuers	67 136	46 945	67 136	46 945
<b>Total</b>	<b>129 716</b>	<b>120 078</b>	<b>129 716</b>	<b>115 291</b>
Of which subordinated (debenture loans)	14	—	14	—
<b>Current assets fair value</b>				
Swedish government	14 620	16 206	14 620	16 206
Swedish mortgage institutions	27 812	25 091	27 812	22 684
Other Swedish issuers:				
non-financial companies	7 174	5 438	7 174	5 438
other financial companies	9 491	18 980	9 491	16 593
Foreign governments	3 867	7 347	3 867	7 347
Other foreign issuers	67 296	47 140	67 296	47 140
<b>Total</b>	<b>130 260</b>	<b>120 202</b>	<b>130 260</b>	<b>115 408</b>
Of which subordinated (debenture loans)	14	—	14	—
<b>Difference between acquisition price and fair value</b>	<b>544</b>	<b>124</b>	<b>544</b>	<b>117</b>

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>Current assets book value</b>				
Swedish government	14 620	16 206	14 620	16 206
Swedish mortgage institutions	27 812	25 091	27 812	22 684
Other Swedish issuers:				
non-financial companies	7 173	5 438	7 173	5 438
other financial companies	9 423	18 907	9 423	16 521
Foreign governments	3 867	7 346	3 867	7 346
Other foreign issuers	67 296	47 140	67 296	47 140
<b>Total</b>	<b>130 191</b>	<b>120 128</b>	<b>130 191</b>	<b>115 335</b>
Of which subordinated (debenture loans)	14	—	14	—
<b>FIXED ASSETS</b>				
<b>Fixed assets acquisition price</b>				
Swedish mortgage institutions	200	1 711	2 539	2 045
Other Swedish issuers:				
non-financial companies	5 351	5 255	5 351	5 255
other financial companies	329	100	329	100
Other foreign issuers	1 256	1 153	1 256	1 153
<b>Total</b>	<b>7 136</b>	<b>8 219</b>	<b>9 475</b>	<b>8 553</b>
Of which subordinated (debenture loans)	—	—	—	—
<b>Fixed assets fair value</b>				
Swedish mortgage institutions	198	1 711	2 549	2 054
Other Swedish issuers:				
non-financial companies	5 508	5 362	5 508	5 362
other financial companies	319	90	319	90
Other foreign issuers	1 316	1 169	1 316	1 169
<b>Total</b>	<b>7 341</b>	<b>8 332</b>	<b>9 692</b>	<b>8 675</b>
Of which subordinated (debenture loans)	—	—	—	—
Book value higher than nominal value	1 772	1 259	1 776	1 180
Book value lower than nominal value	429	1 200	430	1 186

## Note 17 Lending to credit institutions

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>FIXED ASSETS</b>				
Banks, in Swedish kronor	11 437	12 663	11 188	11 916
Banks, in foreign currencies	31 950	35 861	32 307	36 731
Other credit institutions, in Swedish kronor	4 445	3 781	154 734	153 685
Other credit institutions, in foreign currencies	31 705	18 578	47 805	28 535
	<b>79 537</b>	<b>70 883</b>	<b>246 034</b>	<b>230 867</b>
Probable loan losses	– 20	– 26	– 20	– 26
	<b>79 517</b>	<b>70 857</b>	<b>246 014</b>	<b>230 841</b>
Of which subordinated	4	92	40	135
Of which claims on Group companies			166 901	162 137
Of which claims on associated companies	121	121	—	0

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>Information concerning maturities:</b>				
Payable upon demand	32 652	20 629	34 817	47 980
Remaining maturity: maximum three months	30 274	27 970	97 711	73 805
Remaining maturity: over three months but maximum one year	10 816	16 083	79 509	82 276
Remaining maturity: over one year but maximum five years	2 746	3 917	30 234	23 791
Remaining maturity: over five years	3 029	2 258	3 743	2 989
<b>Total</b>	<b>79 517</b>	<b>70 857</b>	<b>246 014</b>	<b>230 841</b>
Average remaining maturity	0.5	0.7	0.6	0.8

**Note 18** Lending to the general public

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>FIXED ASSETS</b>				
Lending, Swedish kronor				
Households	280 695	258 579	44 077	42 464
Companies etc	345 248	336 469	191 991	186 551
<b>Total</b>	<b>625 943</b>	<b>595 048</b>	<b>236 068</b>	<b>229 015</b>
Lending, foreign currency				
Households	43 798	36 163	40 257	28 464
Companies etc	172 693	171 758	165 093	159 502
<b>Total</b>	<b>216 491</b>	<b>207 921</b>	<b>205 350</b>	<b>187 966</b>
Probable loan losses	- 3 094	- 2 901	- 3 046	- 2 496
<b>Total lending to the general public</b>	<b>839 340</b>	<b>800 068</b>	<b>438 372</b>	<b>414 485</b>
Of which subordinated	1 947	221	1 947	221
Of which claims on Group companies	1 600		3 331	3 065
Of which claims on associated companies	—	25	—	25

Gross investments referring to financial leasing agreements concluded since 1 January 1997 have been calculated to be SEK 27 799m (18 587).  
Unearned financial income according to the same calculation is SEK 3 274m (1 520).

<b>Information concerning maturities:</b>				
Payable upon demand	33 616	43 091	32 986	42 399
Remaining maturity: maximum three months	253 478	247 222	96 178	96 936
Remaining maturity: over three months but maximum one year	158 222	153 436	101 641	109 674
Remaining maturity: over one year but maximum five years	251 878	237 707	99 400	79 948
Remaining maturity: over five years	142 146	118 612	108 167	85 528
<b>Total</b>	<b>839 340</b>	<b>800 068</b>	<b>438 372</b>	<b>414 485</b>
Average remaining maturity, years	2.7	2.8	3.5	3.6

**Bad debts etc**

(For definitions see fold-out inside back cover)

Bad debts	5 123	5 039	4 844	3 824
Specific provision for individually assessed loan receivables	- 3 006	- 2 885	- 3 066	- 2 585
Provision for collectively assessed homogenous groups of loan receivables with limited value and similar credit risk	- 113	- 110	0	- 3
<b>Bad debts, net</b>	<b>2 004</b>	<b>2 044</b>	<b>1 778</b>	<b>1 236</b>

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Bad debt reserve ratio	60.9%	59.4%	63.3%	67.7%
Proportion of bad debts	0.23%	0.25%	0.28%	0.21%
Non-performing loans for which interest is accrued	1 602	2 084	839	606
Book value of the year's restructured loan receivables, before restructuring	81		44	
Book value of the year's restructured loan receivables, after restructuring	67		34	
Bad debts which have been reclassified as normal loans during the year	526		235	

#### COLLATERAL TAKEN OVER

##### Book value

Buildings and land	10	16	0	0
Shares and other participations	82	71	61	49
Other	55	83	—	0
<b>Total collateral taken over</b>	<b>147</b>	<b>170</b>	<b>61</b>	<b>49</b>

#### Lending to the general public by sector, Group

	Lending before deduction of provisions	Provisions for probable loan losses	Lending after deduction of provisions
<b>Swedish counterparties</b>			
Private individuals	281 696	398	281 298
<i>Of which mortgage loans</i>	<i>230 720</i>	<i>105</i>	<i>230 615</i>
Property management	259 311	597	258 714
<i>Of which mortgage loans</i>	<i>136 085</i>	<i>484</i>	<i>135 601</i>
Construction	11 674	47	11 627
Trade	20 875	319	20 556
Manufacturing	26 405	332	26 073
Transport, communication	7 902	95	7 807
Municipalities	5 827	0	5 827
Other	32 960	174	32 786
<b>Foreign counterparties</b>	<b>195 784</b>	<b>1 132</b>	<b>194 652</b>
<b>Total</b>	<b>842 434</b>	<b>3 094</b>	<b>839 340</b>

#### Bad debts and/or non-performing loans by sector, Group

	Bad debts			Non-performing loans not included in bad debts
	Book value*	Of which non-performing Book value*	Provisions	
Private individuals	380	341	613	749
Property management	585	221	648	487
Construction	37	33	52	129
Trade	301	148	321	41
Manufacturing	167	163	409	44
Transport, communication	457	451	653	7
Other	77	63	423	145
<b>Total</b>	<b>2 004</b>	<b>1 420</b>	<b>3 119</b>	<b>1 602</b>

#### Bad debts and/or non-performing loans, geographical distribution, Group

SEK m	Bad debts	Non-performing loans
	Book value*	which are not bad debts Book value*
Sweden	1 032	1 279
Norway	482	235
Finland	67	0
Denmark	24	66
Rest of Europe	343	22
North America	0	0
Asia	56	0
<b>Total</b>	<b>2 004</b>	<b>1 602</b>

\*) After deduction of provisions.

## Note 19 Shares and participations

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Trading book	8 155	10 785	8 121	10 071
For protection of claims	82	71	61	49
Other shares	—	26	133	159
<b>Current assets</b>	<b>8 237</b>	<b>10 882</b>	<b>8 315</b>	<b>10 279</b>
Shares in credit institutions	—	1	—	1
Other shares and participations	2 794 <sup>1)</sup>	2 886	2 823 <sup>1)</sup>	2 886
<b>Fixed assets</b>	<b>2 794</b>	<b>2 887</b>	<b>2 823</b>	<b>2 887</b>
<b>Shares and participations</b>	<b>11 031</b>	<b>13 769</b>	<b>11 138</b>	<b>13 166</b>
Of which unlisted	206	130	347	242

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

1) A write-down of SEK 199m has been made against "Write-downs of financial fixed assets".  
The write-down has been made to the long-term assessed market value.

### CURRENT ASSETS

#### Acquisition value

Trading book	9 851	10 853	9 817	10 015
For protection of claims	131	71	109	50
Other shares	—	26	133	159
<b>Total</b>	<b>9 982</b>	<b>10 950</b>	<b>10 059</b>	<b>10 224</b>

#### Fair value

Trading book	8 155	10 785	8 121	10 071
For protection of claims	82	78	61	56
Other shares	—	26	133	159
<b>Total</b>	<b>8 237</b>	<b>10 889</b>	<b>8 315</b>	<b>10 286</b>

### FIXED ASSETS

#### Acquisition value

Shares in credit institutions	—	3	—	3
Other shares and participations	2 993	2 886	3 021	2 886
<b>Total</b>	<b>2 993</b>	<b>2 889</b>	<b>3 021</b>	<b>2 889</b>

#### Fair value

Shares in credit institutions	—	1	—	1
Other shares and participations	2 491	3 235	2 519	3 235
<b>Total</b>	<b>2 491</b>	<b>3 236</b>	<b>2 519</b>	<b>3 236</b>

## Note 20 Shares and participations in associated companies

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>FIXED ASSETS</b>				
Credit institutions	42	41	30	30
Other associated companies	252	259	218	215
	<b>294</b>	<b>300</b>	<b>248</b>	<b>245</b>

All shares in associated companies are unlisted.

## Shares and participations, associated companies 31 December 2002

	No. of shares	Book value Group	Book value Parent company	Parent company's proportion of equity %
<b>CREDIT INSTITUTIONS</b>				
Svensk Bostadsfinansiering AB BOFAB (Stockholm)	25 000	42	30	50.0
<b>Total</b>		<b>42</b>	<b>30</b>	
<b>OTHER ASSOCIATED COMPANIES</b>				
VPC AB (Stockholm)	443 700	190	200	24.7
Various companies	—	62	18	—
<b>Subtotal</b>		<b>252</b>	<b>218</b>	
<b>Total</b>		<b>294</b>	<b>248</b>	

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

## Note 21 Shares and participations in Group companies

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>FIXED ASSETS</b>				
Shares in Swedish credit institutions			27 376	27 376
Shares in foreign credit institutions			2 346	4 852
Shares in other Swedish companies	4 323	4 419	5 703	4 603
Shares in other foreign companies			529 <sup>1)</sup>	133
	<b>4 323</b>	<b>4 419</b>	<b>35 954</b>	<b>36 964</b>

All shares in Group companies are unlisted. The possible need for write-downs has been examined.

1) A write-down of SEK 560m has been made against "Write-downs of financial fixed assets".

## Shares and participations, Group companies 31 December 2002

	No. of shares	Book value Group	Book value Parent company	Parent company's proportion of equity %
<b>SWEDISH CREDIT INSTITUTIONS</b>				
Handelsbanken Finans AB (Stockholm)	1 550 000		145	100
Stadshypotek AB (Stockholm)	162 000 000		26 870	100
Stadshypotek Bank AB (Stockholm)	3 000 000		361	100
<b>Subtotal</b>			<b>27 376</b>	
<b>FOREIGN CREDIT INSTITUTIONS</b>				
Bank Svenska Handelsbanken (Polska) S.A. (Warsaw)	50 000		494	100
Handelsbanken Norge Holding AS (Oslo)	1 550 000		1 682	100
Svenska Handelsbanken S.A. (Luxembourg)	1 000 000		147	100
Various companies	—		23	—
<b>Subtotal</b>			<b>2 346</b>	
<b>OTHER SWEDISH COMPANIES</b>				
Handelsbanken Försäkring AB (Stockholm) <sup>2)</sup>	1 500	150	300	100
Handelsbanken Liv Försäkrings AB	100 000		1 238	100
SPP Livförsäkring AB (Stockholm) <sup>2)</sup>	2 000	4 173	4 139	100
Various companies	—		26	—
<b>Subtotal</b>		<b>4 323</b>	<b>5 703</b>	
<b>OTHER FOREIGN COMPANIES</b>				
Ejendomsselskabet af 1. januar 2002 A/S (Herning) (formerly Midtbank)	2 460 000		390	100
Svenska Re S.A. (Luxembourg)	19 999		35	99.99
Svenska Finans International BV (Rotterdam)	10 200		84	100
Various companies	—		20	—
<b>Subtotal</b>			<b>529</b>	
<b>Total</b>		<b>4 323</b>	<b>35 954</b>	

2) Handelsbanken Försäkring AB and SPP Livförsäkring AB are not included in the consolidated accounts.

Handelsbanken Liv Försäkrings AB has acquired the assets of Handelsbanken Försäkring AB.

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

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

**Note 22 Assets in insurance operations**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Investment assets	17 265	667		
Investment assets where the policy-holder bears the investment risk	12 651	16 733		
Other claims and assets	4 470	3 029		
	<b>34 386</b>	<b>20 429</b>		

**Note 23 Goodwill**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>FIXED ASSETS</b>				
Acquisition value at beginning of year	7 857	6 333	592	274
Acquisition value of past goodwill	- 32	- 274	—	- 274
Acquisition value of future goodwill	335	1 798	1 584	592
<b>Total acquisition value at year-end</b>	<b>8 160</b>	<b>7 857</b>	<b>2 176</b>	<b>592</b>
Accumulated amortisation at beginning of year	- 1 467	- 1 367	- 115	- 269
Accumulated amortisation of past goodwill	32	269	—	269
Accumulated amortisation of future goodwill	- 52	—	—	—
Amortisation for the year according to plan	- 440	- 369	- 79	- 115
<b>Accumulated amortisation at year-end</b>	<b>- 1 927</b>	<b>- 1 467</b>	<b>- 194</b>	<b>- 115</b>
Foreign currency effect	211	197	- 9	- 2
<b>Residual value according to plan</b>	<b>6 444</b>	<b>6 587</b>	<b>1 973</b>	<b>475</b>

Goodwill arising from the acquisitions of Stadshypotek AB in 1997, Bergensbanken ASA in 1999 and Midtbank A/S in 2001, is amortised over 20 years. Other goodwill is amortised over 10 years.

The acquisition value for 2002 of future goodwill in the Group is SEK 335m. SEK 185m of this amount refers to adjustment of the acquisition balance with respect to Aktieselskabet Midtbank.

The possible need for write-down has been examined.

**Note 24 Equipment**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>FIXED ASSETS</b>				
Residual value according to plan on 1 January	767	744	639	615
New acquisitions, net during the year	232	333	313	370
The year's depreciation according to plan	- 377	- 392	- 359	- 346
Book value of leasing assets taken over	54	82	—	—
<b>Residual value according to plan</b>	<b>676</b>	<b>767</b>	<b>593</b>	<b>639</b>

Apart from owned equipment, the Bank also has equipment which is subject to leasing contracts. The book residual value of leased equipment in the Group was SEK 121m (122). For the parent company, the equivalent value was SEK 177m (183).

**Note 25 Buildings and land**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>FIXED ASSETS</b>				
Containing bank premises	1 533	1 683	1 323	1 356
<b>CURRENT ASSETS</b>				
For protection of claims etc	10	16	0	0
	<b>1 543</b>	<b>1 699</b>	<b>1 323</b>	<b>1 356</b>



	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>Containing bank premises</b>				
Acquisition value at beginning of year	1 722	1 038	1 403	930
New acquisitions during the year	—	678	—	467
Capitalised new and rebuilding costs	14	6	12	6
Acquisition value of properties sold during year	- 121	—	- 3	—
<b>Total acquisition value</b>	<b>1 615</b>	<b>1 722</b>	<b>1 412</b>	<b>1 403</b>
Accumulated depreciation at beginning of year	- 361	- 326	- 334	- 311
Accumulated depreciation of acquired properties	—	- 9	—	—
Accumulated depreciation of sold properties	17	—	1	—
Depreciation during the year	- 31	- 26	- 28	- 23
<b>Total accumulated depreciation</b>	<b>- 375</b>	<b>- 361</b>	<b>- 361</b>	<b>- 334</b>
Acquisition value, revaluations	452	452	436	436
Accumulated depreciation on revaluation	- 151	- 136	- 149	- 134
Depreciation for the year	- 15	- 15	- 15	- 15
<b>Total revaluation</b>	<b>286</b>	<b>301</b>	<b>272</b>	<b>287</b>
Foreign currency effect	7	21	—	—
<b>Residual value according to plan</b>	<b>1 533</b>	<b>1 683</b>	<b>1 323</b>	<b>1 356</b>
Tax assessment value	2 432	2 010	2 432	2 010

## Note 26 Other assets

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Pre-paid tax	744	86	737	40
Claims on investment banking settlements	29 282	16 719	20 984	13 530
Derivative contracts with a positive value	113 925	84 498	112 936	83 360
Probable loan losses	- 5	- 4	—	—
Other	3 950	8 324	8 696	12 565
	<b>147 896</b>	<b>109 623</b>	<b>143 353</b>	<b>109 495</b>

## Note 27 Prepayments and accrued income

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Accrued interest income	6 015	6 504	5 216	5 850
Other accrued income	494	512	479	451
Prepayments	48	26	36	23
	<b>6 557</b>	<b>7 042</b>	<b>5 731</b>	<b>6 324</b>

## Note 28 Liabilities to credit institutions

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Banks, in Swedish kronor	39 862	56 340	37 328	52 700
Banks, in foreign currencies	174 657	146 872	176 153	151 987
Other credit institutions, in Swedish kronor	2 659	9 043	5 770	7 794
Other credit institutions, in foreign currencies	17 935	7 871	60 968	41 719
	<b>235 113</b>	<b>220 126</b>	<b>280 219</b>	<b>254 200</b>
Of which liabilities to Group companies			52 414	45 176
Of which liabilities to associated companies	145	528	—	384

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>Information concerning maturities:</b>				
Payable upon demand	50 475	52 010	52 095	54 306
Remaining maturity: maximum three months	158 614	141 264	200 451	172 119
Remaining maturity: over three months but maximum one year	23 931	23 070	26 697	26 973
Remaining maturity: over one year but maximum five years	518	2 120	842	665
Remaining maturity: over five years	1 575	1 662	134	137
<b>Total</b>	<b>235 113</b>	<b>220 126</b>	<b>280 219</b>	<b>254 200</b>
Average remaining maturity, years	0.2	0.2	0.1	0.2

### Note 29 Deposits from the general public

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>Deposits, Swedish kronor</b>				
Households	75 964	74 170	71 265	69 490
Companies etc	78 834	78 094	78 664	76 855
<b>Total</b>	<b>154 798</b>	<b>152 264</b>	<b>149 929</b>	<b>146 345</b>
<b>Deposits, foreign currencies</b>				
Households	14 193	13 641	13 833	8 598
Companies etc	69 166	59 845	69 685	55 856
<b>Total</b>	<b>83 359</b>	<b>73 486</b>	<b>83 518</b>	<b>64 454</b>
<b>Total deposits</b>	<b>238 157</b>	<b>225 750</b>	<b>233 447</b>	<b>210 799</b>
Of which liabilities to Group companies			2 681	460
Of which liabilities to associated companies	15	23	15	23
<b>Information concerning maturities:</b>				
Payable upon demand	191 852	192 770	186 098	181 312
Remaining maturity: maximum three months	44 259	29 870	45 138	28 256
Remaining maturity: over three months but maximum one year	484	1 280	594	1 023
Remaining maturity: over one year but maximum five years	406	627	457	200
Remaining maturity: over five years	1 156	1 203	1 160	8
<b>Total</b>	<b>238 157</b>	<b>225 750</b>	<b>233 447</b>	<b>210 799</b>
Average remaining maturity, years	0.1	0.1	0.1	0.1

### Note 30 Funding from the general public

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>Funding from the general public</b>				
Swedish kronor	27 651	25 487	25 075	23 780
foreign currencies	27 030	32 455	27 704	30 446
	<b>54 681</b>	<b>57 942</b>	<b>52 779</b>	<b>54 226</b>
Of which liabilities to Group companies			3 056	134
Of which liabilities to associated companies				
<b>Information concerning maturities:</b>				
Payable upon demand	2 348	4 706	2 405	4 729
Remaining maturity: maximum three months	42 664	47 409	44 231	43 530
Remaining maturity: over three months but maximum one year	8 504	5 005	5 013	5 107
Remaining maturity: over one year but maximum five years	845	458	809	496
Remaining maturity: over five years	320	364	321	364
<b>Total</b>	<b>54 681</b>	<b>57 942</b>	<b>52 779</b>	<b>54 226</b>
Average remaining maturity, years	0.2	0.2	0.2	0.2

**Note 31 Issued securities**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Certificates				
in Swedish kronor	43 456	32 785	12 466	14 151
in foreign currencies	283 080	275 331	209 192	200 700
<b>Total certificates</b>	<b>326 536</b>	<b>308 116</b>	<b>221 658</b>	<b>214 851</b>
Bond loans				
in Swedish kronor	134 326	122 745	9 055	7 859
in foreign currencies	3 540	10 120	2 394	7 971
<b>Total bond loans</b>	<b>137 866</b>	<b>132 865</b>	<b>11 449</b>	<b>15 830</b>
	<b>464 402</b>	<b>440 981</b>	<b>233 107</b>	<b>230 681</b>
<b>Information concerning maturities:</b>				
Remaining maturity: maximum one year	327 495	338 007	225 602	222 836
Remaining maturity: over one year but maximum five years	136 201	92 687	7 423	7 275
Remaining maturity: over five years but maximum ten years	706	10 287	82	570
Remaining maturity: over ten years	—	—	—	—
<b>Total</b>	<b>464 402</b>	<b>440 981</b>	<b>233 107</b>	<b>230 681</b>
Average remaining maturity, years	0.8	0.9	0.3	0.5

**Note 32 Liabilities in insurance operations**

	GROUP	
	2002	2001
Technical provisions	18 604	96
Technical provisions for life insurance where the policy-holder bears the investment risk	12 863	16 733
Other provisions and liabilities	1 253	706
	<b>32 720</b>	<b>17 535</b>

**Note 33 Other liabilities**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Tax liabilities	623	255	267	13
Liabilities on investment banking settlements	9 935	14 548	5 560	13 122
Derivative contracts with a negative value	127 042	77 911	124 944	75 852
Short-term positions	18 123	16 889	18 123	16 889
Other	3 813	9 929	5 039	11 792
	<b>159 536</b>	<b>119 532</b>	<b>153 933</b>	<b>117 668</b>

**Note 34 Accruals and deferred income**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Accrued interest expense	6 806	8 128	3 863	5 954
Other accrued expenses	1 333	1 503	1 221	1 318
Deferred income	352	386	97	47
	<b>8 491</b>	<b>10 017</b>	<b>5 181</b>	<b>7 319</b>

**Note 35** Provision for deferred taxes

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>DEFERRED TAX CLAIM</b>				
Machines and equipment	50	45	50	45
Other fixed assets	495	24	56	—
Other current assets	66	115	—	—
	<b>611</b>	<b>184</b>	<b>106</b>	<b>45</b>
<b>DEFERRED TAX LIABILITY</b>				
Machines and equipment <sup>1)</sup>	2 306	1 702	—	—
Tax allocation reserve	3 414	3 385	—	—
Other fixed assets	283	290	157	164
Other current assets	5	96	4	77
	<b>6 008</b>	<b>5 473</b>	<b>161</b>	<b>241</b>
<b>Net deferred tax liability</b>	<b>5 397</b>	<b>5 289</b>	<b>55</b>	<b>196</b>

1) Mainly assets used in leasing operations which are classified as lending to the general public in the Group.

**Changes in deferred tax**

	Opening balance	Reported via profit and loss account	Reported directly against shareholders' equity	Acquisitions/divestments	Closing balance
<b>GROUP</b>					
Machines and equipment	1 657	599	—	—	2 256
Tax allocation reserve	3 385	29	—	—	3 414
Other fixed assets	266	- 517	3	36	- 212
Other current assets	- 19	- 88	46	—	- 61
	<b>5 289</b>	<b>23</b>	<b>49</b>	<b>36</b>	<b>5 397</b>
<b>PARENT COMPANY</b>					
Machines and equipment	- 45	- 5	—	—	- 50
Other fixed assets	164	- 63	—	—	101
Other current assets	77	- 73	—	—	4
	<b>196</b>	<b>- 141</b>	<b>—</b>	<b>—</b>	<b>55</b>

The Group's profit and loss account also includes SEK 85m relating to changes in deferred tax in Handelsbanken Liv, which in accordance with Finansinspektionen's directives is not consolidated in the balance sheet item "Deferred tax".

**Note 36** Subordinated liabilities

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Subordinated loans in Swedish kronor	869	1 600	869	1 600
Subordinated loans in foreign currencies	25 932	27 376	25 691	26 966
<b>Total subordinated loans</b>	<b>26 801</b>	<b>28 976</b>	<b>26 560</b>	<b>28 566</b>
Of which liabilities to Group companies	—	—	—	—
Of which liabilities to associated companies	—	—	—	—

## Specification, subordinated loans, Parent company 31 December 2002

Year of issue/conv./ maturity		Original nominal amount in each currency (million)	Interest rate %	Outstanding amount SEK m
<b>IN SWEDISH KRONOR</b>				
Other Swedish <sup>5)</sup>				869
<b>Total</b>				<b>869</b>
<b>IN FOREIGN CURRENCY</b>				
1997/perpetual <sup>1)</sup>	USD	360	7.125	3 160
2000/2010 <sup>2)</sup>	EUR	300	variable	2 745
2001/2011 <sup>3)</sup>	EUR	750	5.500	6 864
2001/2011 <sup>3)</sup>	EUR	415	5.125	3 798
2002/perpetual <sup>4)</sup>	GBP	200	6.125	2 816
Other foreign <sup>5)</sup>				6 308
<b>Subtotal</b>				<b>25 691</b>
<b>Total</b>				<b>26 560</b>

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

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

3) Fixed-term subordinated loan at fixed interest rate. Premature redemption may occur in the case of changed tax regulations or on the interest due dates starting in 2006. Premature redemption before 2006 requires the approval of Finansinspektionen. In connection with the right of redemption without the approval of this Authority, the interest rate becomes variable, linked to Euribor.

4) Perpetual subordinated loan at fixed interest rate paid annually. Premature redemption may occur in the case of changed tax regulations or from 2009-03-04. The interest rate is adjusted if the right to redeem the loan in advance is used. Premature redemption requires the approval of Finansinspektionen. In connection with the right of premature redemption, the interest rate becomes variable, linked to Libor.

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

## Note 37 Untaxed reserves

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Accumulated depreciation on property in excess of plan			10	10
Accumulated amortisation on goodwill in excess of plan			536	—
Tax allocation reserve			10 805	10 155
Other untaxed reserves			122	131
			<b>11 473</b>	<b>10 296</b>

## Note 38 Shareholders' equity

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>RESTRICTED SHAREHOLDERS' EQUITY</b>				
Share capital	2 859	2 859	2 859	2 859
Statutory reserve	2 935	2 748	2 682	2 682
Reserve for unrealised profits	118	205	9	195
Other restricted reserves	17 862	14 369	—	—
<b>UNRESTRICTED SHAREHOLDERS' EQUITY</b>				
Profit brought forward	21 136	19 641	23 672	21 229
Profit for the year	7 282	8 290	6 452	7 333
	<b>52 192</b>	<b>48 112</b>	<b>35 674</b>	<b>34 298</b>
Reserve for unrealised profits by balance sheet item:				
Interest rate-related instruments	109	10	—	—
Shares and participations	9	195	9	195
	<b>118</b>	<b>205</b>	<b>9</b>	<b>195</b>

GROUP	Share capital	Restricted reserves	Unrestricted reserves	Profit for the year	Total
Shareholders' equity carried forward	2 859	17 322	27 931		48 112
Cash dividend			- 3 120		- 3 120
Transfer between restricted and unrestricted equity		3 561	- 3 561		0
Change of foreign currency component		6	- 111		- 105
Change in price difference on financing of subsidiaries' shares		26	- 3		23
Profit for the year				7 282	7 282
Shareholders' equity at year-end 2002	2 859	20 915	21 136	7 282	52 192

The accumulated amount of the Group's unrealised foreign exchange differences is SEK 703m (808).  
The accumulated exchange rate difference on matching hedging instruments is SEK - 506m (- 529).

PARENT COMPANY	Share capital	Restricted reserves	Unrestricted reserves	Profit for the year	Total
Shareholders' equity carried forward	2 859	2 877	28 562		34 298
Cash dividend			- 3 120		- 3 120
Group contribution paid			- 1 902		- 1 902
Transfer between restricted and unrestricted equity		- 186	186		0
Change of foreign currency component			- 54		- 54
Profit for the year				6 452	6 452
Shareholders' equity at year-end 2002	2 859	2 691	23 672	6 452	35 674

The share capital comprises:

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

### Note 39 Collateral pledged for own debt

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Government instruments and bonds	29 548	20 053	29 548	20 053
Repos	42 349	42 278	42 349	43 530
Property mortgages	0	1	—	—
Securities loans	1 180	805	1 180	805
	73 077	63 137	73 077	64 388

### Note 40 Other collateral pledged

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Cash funds	469	560	469	560
Shares	122	—	122	—
Government instruments and bonds	17 853	11 790	17 843	11 629
Assets registered for insurance-holders	32 551	15 938		
Securities loans	1 498	5 128	1 498	5 128
Other	0	4	—	—
	52 493	33 420	19 932	17 317

### Note 41 Contingent liabilities

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Guarantees, loans	8 795	10 525	57 565	47 733
Guarantees, other	30 720	29 533	30 680	29 043
Irrevocable letters of credit	33 171	36 912	33 171	36 912
Own acceptances	410	315	426	249
Other	5 862	2 359	180	19
	78 958	79 644	122 022	113 956

The Group is currently pursuing a number of lawsuits in general courts of law where the largest individual amount in dispute is SEK 85m. The total amounts in dispute are SEK 315m. The Bank's assessment is that the lawsuits will be essentially judged in its favour. None of the amounts in dispute, nor any insurance compensation, has been taken up as income. The expected value is included in "Other".

**Note 42 Pension commitments**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Market value of assets in the Bank's pension foundations	9 697	13 416	9 697	13 416
Pension liability	- 9 419	- 9 237	- 9 419	- 9 237
<b>Surplus</b>	<b>278</b>	<b>4 179</b>	<b>278</b>	<b>4 179</b>

The pension commitments in the Bank's pension fund (Pensionskassan SHB, försäkringsförening) are SEK 2 321m (2 068) and the market value of the assets is SEK 4 811m (6 776). The surplus in the fund is thus SEK 2 490m (4 708).

**Note 43 Other commitments**

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
Certificate programmes	3 704	4 185	3 704	4 185
Other commitments	319	552	319	548
<b>Commitments regarding future payments</b>	<b>4 023</b>	<b>4 737</b>	<b>4 023</b>	<b>4 733</b>
Interest rate swaps	1 766 489	1 608 533	1 944 650	1 783 453
FRA/Futures	2 743 407	2 303 946	2 733 905	2 301 676
Interest rate options	181 417	145 831	186 789	141 705
<b>Interest rate-related instruments</b>	<b>4 691 313</b>	<b>4 058 310</b>	<b>4 865 344</b>	<b>4 226 834</b>
Forward currency contracts	1 261 653	1 496 695	1 256 721	1 506 736
Currency swaps	137 376	163 924	137 052	163 526
Currency options	100 987	107 643	100 987	107 643
<b>Currency-related instruments</b>	<b>1 500 016</b>	<b>1 768 262</b>	<b>1 494 760</b>	<b>1 777 905</b>
Equity futures	3 121	1 565	3 388	1 565
Equity swaps	4 242	3 831	4 242	3 831
Equity options	164 397	241 787	164 382	241 787
<b>Equity-related instruments</b>	<b>171 760</b>	<b>247 183</b>	<b>172 012</b>	<b>247 183</b>
Credits granted but not yet drawn	130 578	164 075	121 514	104 761
Unutilised part of overdraft facilities granted	96 466	183 854	96 466	183 854
<b>Other commitments</b>	<b>227 044</b>	<b>347 929</b>	<b>217 980</b>	<b>288 615</b>
<b>Total commitments</b>	<b>6 594 156</b>	<b>6 426 421</b>	<b>6 754 119</b>	<b>6 545 270</b>

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

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
601	450	327	195	105	82	74	48	46	37	1	1	1 967

## OTHER INFORMATION

### Geographical distribution of income

GROUP	Nordic countries	Rest of Europe	Rest of world
Interest income	47 385	1 847	3 698
Dividends received	392	0	0
Commission income	5 347	223	197
Net result on financial operations	- 1 285	329	18
Other operating income	311	4	5
<b>Total</b>	<b>52 150</b>	<b>2 403</b>	<b>3 918</b>
PARENT COMPANY	Nordic countries	Rest of Europe	Rest of world
Interest income	32 196	1 718	3 698
Dividends received	500	0	0
Commission income	4 802	165	144
Net result on financial operations	- 1 302	320	18
Other operating income	233	2	5
<b>Total</b>	<b>36 429</b>	<b>2 205</b>	<b>3 865</b>

### Assets and liabilities in foreign currency

GROUP	USD	EUR	DKK	NOK	GBP	HKD	SGD	Other currencies
<b>Assets</b>								
Lending to credit institutions	42 174	5 793	5 115	2 581	1 385	123	18	6 491
Lending to the general public	45 480	75 558	19 663	49 102	16 072	2 340	463	10 712
Bonds and other interest-bearing securities	53 783	18 495	4 520	109	845	28	27	383
<b>Liabilities</b>								
Liabilities to credit institutions	126 748	38 722	8 644	3 709	6 311	3 254	10	5 194
Deposits and funding from the general public	32 725	28 527	13 098	23 335	8 949	263	328	3 163
Issued securities	252 342	29 897	280	528	2 529	305	—	739
Subordinated liabilities	9 717	16 152	—	—	2 840	—	—	—
Other assets and liabilities, including derivative positions	279 960	13 920	- 7 434	- 24 134	2 339	1 285	- 112	- 8 462
Net position in foreign currency	- 135	468	- 158	86	12	- 46	58	28



## Information concerning fair value, Group

	Book value 2002	Adjustment to fair value 2002
<b>ASSETS</b>		
Lending to credit institutions, fixed assets	79 517	- 36
Lending to the general public, fixed assets	839 340	2 288
Interest-bearing securities		
fixed assets	7 136	205
current assets	130 191	69
Other assets		
fixed assets	16 078	1 552
current assets	205 252	4 855
<b>Total assets</b>	<b>1 277 514</b>	<b>8 933</b>
<b>LIABILITIES</b>		
Liabilities to credit institutions	235 113	- 66
Deposits and funding from the general public	292 838	100
Issued securities	464 402	3 204
Other liabilities	206 168	5 333
Subordinated liabilities	26 801	1 396
<b>Total liabilities</b>	<b>1 225 322</b>	<b>9 967</b>
<b>Total surplus value</b>		<b>- 1 034</b>

In accordance with Finansinspektionen's (the Swedish Financial Supervisory Authority) directives (2001:19), a comparison is to be made between fair value and book value for both assets and liabilities in the balance sheet and also financial items which are not reported in the balance sheet. Values which are based on customer relations are not to be taken into account, although they may be of importance in valuing, for example, deposit accounts and mortgage and customer credits. The directives allow scope for choice of method and various assumptions. Thus, the methods applied and the assumptions made may vary among the credit institutions. Information concerning fair value is not a corporate valuation and therefore cannot constitute the basis of a comparison between credit institutions.

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

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

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

Properties are valued on the basis of an external valuation.

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

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

## Derivative instruments

GROUP	REPORTED AT MARKET VALUE			REPORTED AS HEDGES				
	Nominal value	Book value		Nominal value	Market value		Book value	
		Positive	Negative		Positive	Negative	Positive	Negative
<b>Interest rate-related instruments</b>								
Options	172 815	759	719	8 602	21	8	129	48
FRA/Futures	2 732 407	3 762	3 896	11 000	118	20	—	2
Swaps	1 582 384	42 049	43 019	184 105	8 633	9 176	4 087	4 706
<b>Total</b>	<b>4 487 606</b>	<b>46 570</b>	<b>47 634</b>	<b>203 707</b>	<b>8 772</b>	<b>9 204</b>	<b>4 216</b>	<b>4 756</b>
Of which cleared	1 472 284	256	305	11 000	101	—	—	—

GROUP	REPORTED AT MARKET VALUE			REPORTED AS HEDGES				
	Nominal value	Book value		Nominal value	Market value		Book value	
		Positive	Negative			Positive	Negative	Positive
<b>Currency-related instruments</b>								
Options	100 987	640	813	—	—	—	—	—
Futures	1 237 903	39 974	54 163	23 750	193	941	—	75
Swaps	137 052	14 859	14 805	324	76	—	6	—
<b>Total</b>	<b>1 475 942</b>	<b>55 473</b>	<b>69 781</b>	<b>24 074</b>	<b>269</b>	<b>941</b>	<b>6</b>	<b>75</b>
Of which cleared	—	—	—	—	—	—	—	—
<b>Equity-related instruments</b>								
Options	163 187	4 606	5 266	1 211	75	13	41	17
Futures	3 121	126	– 20	—	—	—	—	—
Swaps	3 745	1 136	—	497	—	27	—	3
<b>Total</b>	<b>170 053</b>	<b>5 868</b>	<b>5 246</b>	<b>1 708</b>	<b>75</b>	<b>40</b>	<b>41</b>	<b>20</b>
Of which cleared	1 595	23	38	—	—	—	—	—

#### Capital base 31 December 2002

	GROUP	PARENT COMPANY
<b>TIER 1 CAPITAL</b>		
Shareholders' equity <sup>1)</sup>	47 565	32 381
Tax allocation reserve of which 72%		7 780
Minority interest	0	
Less goodwill	– 6 444	– 1 421
Less adjustment write-up	– 113	– 113
<b>Total tier 1 capital</b>	<b>41 008</b>	<b>38 627</b>
<b>TIER 2 CAPITAL</b>		
Subordinated loans after reduction, maximum	25 280	25 146
Adjustment write-up	113	113
<b>Total tier 2 capital</b>	<b>25 393</b>	<b>25 259</b>
<b>Total</b>	<b>66 401</b>	<b>63 886</b>
Less shareholdings in insurance companies and 5–50% in companies which conduct banking operations	– 7 560	– 5 957
<b>Total tier 1 and tier 2 capital</b>	<b>58 841</b>	<b>57 929</b>
Enlarged capital base	588	588
<b>Total capital base</b>	<b>59 429</b>	<b>58 517</b>

1) The Group's equity includes 72% of untaxed reserves.  
The Board's recommendation for appropriations and distribution of profits has had an impact on tier 1 capital.

#### Capital requirement 31 December 2002

	GROUP	PARENT COMPANY
<b>RISK-WEIGHTED AMOUNT</b>		
Credit risks	612 931	391 582
Market risks	28 175	28 175
<b>Total</b>	<b>641 106</b>	<b>419 757</b>
Capital ratio	9.3%	13.9%
Tier 1 capital ratio	6.4%	9.2%

## Capital requirement 31 December 2002

### FOR CREDIT RISKS

	Weighting factor	GROUP		PARENT COMPANY	
		Investments	Risk-weighted amount	Investments	Risk-weighted amount
<b>Balance sheet items</b>					
Group	A	0	374 842	541 969	
	B	20	49 186	9 837	48 082
	C	50	400 857	200 429	102 662
	D	100	340 600	340 600	267 345
<b>Total A–D</b>			<b>1 165 485</b>	<b>550 866</b>	<b>960 058</b>
					<b>328 292</b>

### Off-balance-sheet items

	Weighting factor	GROUP			PARENT COMPANY		
		Nominal amount	Converted amount	Risk-weighted amount	Nominal amount	Converted amount	Risk-weighted amount
Group	A	0	20 568	13 046	172 134	59 140	
	B	20	61 019	8 865	1 773	25 797	8 335
	C	50	71 225	3 956	1 978	71 150	3 954
	D	100	103 998	58 314	58 314	105 271	59 646
<b>Total A–D</b>			<b>256 810</b>	<b>84 181</b>	<b>62 065</b>	<b>374 352</b>	<b>131 075</b>
<b>Total credit risks</b>				<b>1 249 666</b>	<b>612 931</b>	<b>1 091 133</b>	<b>391 582</b>

### FOR MARKET RISKS

	GROUP			PARENT COMPANY		
	Specific risk	General risk	Risk-weighted amount	Specific risk	General risk	Risk-weighted amount
Interest rate risks	10 650	6 114	16 764	10 650	6 114	16 764
Equity risks	247	198	445	247	198	445
Settlement risks			11			11
Counterparty and other risks			10 955			10 955
Exchange rate risks			—			—
<b>Total market risks</b>			<b>28 175</b>			<b>28 175</b>

## Information about associated companies

Bankgirot, Privatgirot and Upplysningscentralen are companies which perform services for Handelsbanken and its Swedish subsidiaries. The Bank pays market rates for these services.

Svenska Handelsbanken AB performs various services for SPP Livförsäkring AB (SPP). The main remuneration received is for IT-related services and asset management. Handelsbanken Liv Försäkrings AB and SPP also have close co-operation. The companies charge each other market rates.

## Contingent assets

The Handelsbanken Group is currently conducting a number of legal disputes in various tax courts. The total amounts in dispute are approx. SEK 329m, excluding interest, which in the case of a positive judgement would increase the Group's income by the same amount.

Together with several other parties, Handelsbanken has brought a suit against OM and Stockholmsbörsen (Stockholm Stock Exchange), demanding repayment of value-added tax. Handelsbanken's claim is for approx. SEK 20m excluding interest.

## Handelsbanken Liv – Group

### PROFIT AND LOSS ACCOUNT

	2002	2001
Premiums written	5 248	3 528
Investment income	1 525	344
Unrealised gains on investments	232	
Other technical income	102	50
Insurance claims	- 3 120	- 1 301
Change in insurance provisions	5 028	288
Operating expenses	- 342	- 81
Investment charges	- 1 608	
Unrealised losses on investments	- 1 210	
Decrease in value of investment assets where the policy-holder bears the investment risk	- 5 564	- 2 490
Other technical expenses	- 156	- 125
Investment income transferred to financial operations	37	
<b>Result on technical account – life insurance business</b>	<b>172</b>	<b>213</b>
<b>Non-technical account</b>		
Result on technical account – life insurance business	172	213
Investment income	58	19
Unrealised gains on investments	13	9
Investment income transferred to insurance operations	- 37	
Investment charges	- 102	- 156
<b>Profit before taxes</b>	<b>104</b>	<b>85</b>
Taxes	- 313	- 163
<b>Net profit/loss for the year</b>	<b>- 209</b>	<b>- 78</b>

#### Comments:

Since 1 January 2002, the traditional insurance operations in Handelsbanken Liv have been run as a demutualised company. The unit-linked operations and the traditional insurance operations were merged on that date and are in their entirety consolidated into Handelsbanken's results. The comparative figures for 2001 comprise unit-linked operations only.

### BALANCE SHEET

	2002	2001
<b>ASSETS</b>		
<b>Intangible assets</b>		
<b>Other intangible assets</b>	<b>2 725</b>	<b>2 875</b>
<b>Investment assets</b>		
Buildings and land	1 320	—
Shares and participations	3 543	17
Bonds and other interest-bearing securities	13 561	456
Other loans	0	—
Derivative instruments	34	—
	<b>18 458</b>	<b>473</b>
<b>Investment assets where the policy-holder bears the investment risk</b>	<b>12 651</b>	<b>16 733</b>
<b>Reinsurer's share of technical provisions</b>		
Unsettled claims	57	
<b>Receivables</b>		
Receivables in respect of direct insurance	25	
Other receivables	530	1 479
	<b>555</b>	<b>1 479</b>
<b>Other assets</b>		
Tangible assets	10	0
Cash and bank deposits	2 137	150
Other assets	—	1
	<b>2 147</b>	<b>151</b>
<b>Prepaid expenses and accrued income</b>		
Accrued interest income	223	0
Prepaid acquisition costs	34	41
Other prepaid expenses and accrued income	8	2
	<b>265</b>	<b>43</b>
<b>Total assets</b>	<b>36 858</b>	<b>21 754</b>

BALANCE SHEET		
	2002	2001
<b>EQUITY, PROVISIONS AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital (100 000 shares each with a nominal par value of SEK 1 000)	100	100
Statutory reserve	20	20
Reserve for unrealised gains	108	6
Other restricted reserves	1 116	859
Profit brought forward	1 372	354
Net profit/loss for the year	- 209	- 78
<b>Total shareholders' equity</b>	<b>2 507</b>	<b>1 261</b>
<b>Technical provisions (before ceded reinsurance)</b>		
Life insurance provisions	17 849	
Provisions for unsettled claims	741	
	<b>18 590</b>	
<b>Technical provisions where the policy-holder bears the risk</b>		
Conditional bonus	170	
Unit-linked commitments	12 693	16 733
	<b>12 863</b>	<b>16 733</b>
<b>Provisions for other risks and expenses</b>		
Provisions for taxes	490	474
<b>Liabilities</b>		
Liabilities related to direct insurance	145	
Liabilities related to reinsurance	39	
Derivative instruments	7	—
Other liabilities	2 162	3 239
	<b>2 353</b>	<b>3 239</b>
<b>Accrued expenses and deferred income</b>		
Other accrued expenses and deferred income	55	47
<b>Total equity, provisions and liabilities</b>	<b>36 858</b>	<b>21 754</b>
<b>Assets and other comparable collateral pledged for own liabilities and for commitments reported as provisions</b>		
Assets registered on behalf of policy-holders	32 551	15 938
<b>Other pledged assets and comparable collateral</b>		
Cash account pledged as security for options transactions via OM	—	4
<b>Other commitments</b>	<b>1 799</b>	<b>—</b>

## SPP Group

PROFIT AND LOSS ACCOUNT		
	2002	2001
Premiums written	11 927	12 627
Investment income	- 9 936	- 2 693
Insurance claims	- 4 515	- 3 872
Changes in technical provisions	- 4 470	- 10 734
Operating expenses	- 1 425	- 1 223
Other	- 39	58
<b>Balance on technical account – life insurance business</b>	<b>- 8 458</b>	<b>- 5 837</b>
<b>Non-technical account</b>		
Other operations	- 43	18
Tax	- 628	- 780
<b>Result for the year</b>	<b>- 9 129</b>	<b>- 6 599</b>
<b>BALANCE SHEET</b>		
	2002	2001
<b>Assets</b>		
Investment assets	76 077	83 531
Other assets	5 951	5 656
<b>Total assets</b>	<b>82 028</b>	<b>89 187</b>
<b>Liabilities and equity</b>		
Equity and solvency reserve	737	13 041
Subordinated loans	1 600	—
Technical provisions for life insurance	78 060	74 221
Other financial liabilities	1 631	1 925
<b>Total liabilities and equity</b>	<b>82 028</b>	<b>89 187</b>

## Comments:

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

# Five-year review

## Group

PROFIT AND LOSS ACCOUNT (SEK m)	2002	2001	2000	1999	1998
Interest income	52 930	57 667	66 308	58 048	61 940
Interest expense	- 35 924	- 43 141	- 55 024	- 46 540	- 50 510
Dividends received	392	309	504	245	139
Commission income	5 767	5 894	6 048	4 693	4 077
Commission expense	- 1 180	- 1 038	- 770	- 715	- 669
Net result on financial operations	- 938	1 577	3 049	969	1 242
Other operating income	320	219	343	354	616
<b>Total income</b>	<b>21 367</b>	<b>21 487</b>	<b>20 458</b>	<b>17 054</b>	<b>16 835</b>
General administrative expenses					
Staff costs	- 6 203	- 5 909	- 5 300	- 4 888	- 4 579
Other administrative expenses	- 3 267	- 3 346	- 2 928	- 3 030	- 3 543
Depreciation and write-down in value of tangible and intangible fixed assets	- 866	- 805	- 753	- 750	- 684
<b>Total expenses</b>	<b>- 10 336</b>	<b>- 10 060</b>	<b>- 8 981</b>	<b>- 8 668</b>	<b>- 8 806</b>
<b>Profit before loan losses</b>	<b>11 031</b>	<b>11 427</b>	<b>11 477</b>	<b>8 386</b>	<b>8 029</b>
Loan losses incl. change in value of repossessed property	- 392	- 152	67	219	- 319
Write-downs of financial fixed assets	- 199	—	—	—	—
Participations in result of associated companies	20	82	32	2	2
<b>Result of banking operations</b>	<b>10 460</b>	<b>11 357</b>	<b>11 576</b>	<b>8 607</b>	<b>7 712</b>
Result of insurance operations	- 270	- 149	107		
<b>Operating profit</b>	<b>10 190</b>	<b>11 208</b>	<b>11 683</b>	<b>8 607</b>	<b>7 712</b>
Appropriations	- 80	306	797	603	505
<b>Profit before taxes</b>	<b>10 110</b>	<b>11 514</b>	<b>12 480</b>	<b>9 210</b>	<b>8 217</b>
Taxes	- 2 817	- 3 202	- 3 353	- 2 525	- 2 168
Minority interest	- 11	- 22	- 22	- 22	- 22
<b>Profit for the year</b>	<b>7 282</b>	<b>8 290</b>	<b>9 105</b>	<b>6 663</b>	<b>6 027</b>
<b>BALANCE SHEET (SEK m)</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Cash	8 166	10 614	5 258	6 285	4 054
Interest-bearing securities	137 327	128 347	88 262	93 291	107 709
Lending to credit institutions	79 517	70 857	94 677	98 859	139 823
Lending to the general public	839 340	800 068	689 106	626 206	587 405
Shares and participations	15 648	18 488	14 401	9 863	3 326
Assets in insurance operations	34 386	20 429	17 762	13 731	6 644
Tangible assets	2 219	2 466	1 758	1 859	1 778
Other assets	160 911	123 252	109 129	86 162	82 106
<b>Total assets</b>	<b>1 277 514</b>	<b>1 174 521</b>	<b>1 020 353</b>	<b>936 256</b>	<b>932 845</b>
Liabilities to credit institutions	235 113	220 126	155 414	186 503	261 146
Deposits and funding from the general public	292 838	283 692	255 350	221 483	206 524
Issued securities etc	464 402	440 981	401 489	359 540	299 378
Liabilities in insurance operations	32 720	17 535	17 276	13 649	6 541
Other liabilities	173 448	134 838	129 031	96 400	101 429
Subordinated liabilities	26 801	28 976	19 066	19 850	23 135
<b>Total liabilities</b>	<b>1 225 322</b>	<b>1 126 148</b>	<b>977 626</b>	<b>897 425</b>	<b>898 153</b>
Minority interest in shareholders' equity	0	261	261	261	261
Shareholders' equity	52 192	48 112	42 466	38 570	34 431
<b>Total liabilities and shareholders' equity</b>	<b>1 277 514</b>	<b>1 174 521</b>	<b>1 020 353</b>	<b>936 256</b>	<b>932 845</b>
<b>MEMORANDUM ITEMS</b>					
Pledged collateral	125 570	96 557	71 968	85 007	93 782
Contingent liabilities	78 958	79 644	67 162	61 927	76 731
Pension commitments	—	—	—	—	—
Other commitments	6 594 156	6 426 421	4 770 643	5 713 401	6 304 560

In all essential respects, adjustments have been made to take into account current accounting principles and definitions.

**Parent company**

PROFIT AND LOSS ACCOUNT (SEK m)	2002	2001	2000	1999	1998
Interest income	37 612	41 674	47 935	38 924	38 273
Interest expense	- 26 687	- 33 118	- 42 118	- 32 678	- 32 514
Dividends received	500	322	584	1 490	2 552
Commission income	5 111	5 047	5 275	4 078	3 656
Commission expense	- 1 100	- 973	- 746	- 736	- 614
Net result on financial operations	- 964	1 499	2 987	859	1 211
Other operating income	240	117	341	278	648
<b>Total income</b>	<b>14 712</b>	<b>14 568</b>	<b>14 258</b>	<b>12 215</b>	<b>13 212</b>
General administrative expenses					
Staff costs	- 5 742	- 5 270	- 4 814	- 4 443	- 4 108
Other administrative expenses	- 2 726	- 2 614	- 2 332	- 2 488	- 2 991
Depreciation and write-down in value of tangible and intangible fixed assets	- 482	- 500	- 402	- 437	- 370
<b>Total expenses</b>	<b>- 8 950</b>	<b>- 8 384</b>	<b>- 7 548</b>	<b>- 7 368</b>	<b>- 7 469</b>
<b>Profit before loan losses</b>	<b>5 762</b>	<b>6 184</b>	<b>6 710</b>	<b>4 847</b>	<b>5 743</b>
Loan losses incl. change in value of repossessed property	- 715	- 780	- 128	- 181	- 131
Write-downs of financial fixed assets	- 759	—	—	—	—
<b>Operating profit</b>	<b>4 288</b>	<b>5 404</b>	<b>6 582</b>	<b>4 666</b>	<b>5 612</b>
Appropriations	4 371	4 802	4 274	4 177	188
<b>Profit before taxes</b>	<b>8 659</b>	<b>10 206</b>	<b>10 856</b>	<b>8 843</b>	<b>5 800</b>
Taxes	- 2 207	- 2 873	- 2 860	- 2 101	- 771
<b>Profit for the year</b>	<b>6 452</b>	<b>7 333</b>	<b>7 996</b>	<b>6 742</b>	<b>5 029</b>
Dividend for the year	3 294*	3 120	2 751	2 144	1 922

\*) Recommended by the board

BALANCE SHEET (SEK m)	2002	2001	2000	1999	1998
Cash	8 074	10 371	5 109	5 735	4 050
Interest-bearing securities	139 666	123 888	88 221	98 384	115 556
Lending to credit institutions	246 014	230 841	240 637	189 725	215 541
Lending to the general public	438 372	414 485	327 240	272 110	242 056
Shares and participations	47 340	50 375	43 800	39 301	31 505
Tangible assets	1 916	1 995	1 536	1 589	1 612
Other assets	151 057	116 294	104 271	79 322	73 767
<b>Total assets</b>	<b>1 032 439</b>	<b>948 249</b>	<b>810 814</b>	<b>686 166</b>	<b>684 087</b>
Liabilities to credit institutions	280 219	254 200	195 337	174 886	215 730
Deposits and funding from the general public	286 226	265 025	240 248	214 171	212 187
Issued securities etc	233 107	230 681	197 164	159 463	119 501
Other liabilities	159 180	125 183	118 615	84 281	88 342
Subordinated liabilities	26 560	28 566	18 089	15 489	15 742
<b>Total liabilities</b>	<b>985 292</b>	<b>903 655</b>	<b>769 453</b>	<b>648 290</b>	<b>651 502</b>
Untaxed reserves	11 473	10 296	9 248	7 570	6 282
Shareholders' equity	35 674	34 298	32 113	30 306	26 303
<b>Total liabilities and shareholders' equity</b>	<b>1 032 439</b>	<b>948 249</b>	<b>810 814</b>	<b>686 166</b>	<b>684 087</b>
<b>MEMORANDUM ITEMS</b>					
Pledged collateral	93 009	81 705	60 236	84 188	93 758
Contingent liabilities	122 022	113 956	120 156	72 739	79 081
Pension commitments	—	—	—	—	—
Other commitments	6 754 119	6 545 270	4 460 217	5 695 990	6 290 006

## Recommendation for distribution of profits

The Handelsbanken Group's unrestricted equity is SEK 28 418m. SEK 14m is required for transfer to restricted reserves. In accordance with the balance sheet for Handelsbanken, profits totalling SEK 30 124m are at the disposal of the Annual General Meeting.

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

	SEK m
Dividend to shareholders SEK 4.75 per share (SEK 4.50 for 2001)	3 293.6
Balance carried forward	26 830.1
<hr/> Total allocated	<hr/> 30 123.7

Stockholm, 18 February 2003

ARNE MÅRTENSSON

HANS LARSSON      ANDERS NYRÉN

PIRKKO ALITALO	GÖRAN ENNERFELT	SVERKER MARTIN-LÖF
LOTTY BERGSTRÖM	PER-OLOF ERIKSSON	OLLE PERSSON
TOMMY BYLUND	FREDRIK LUNDBERG	BENGT SAMUELSSON

LARS O GRÖNSTEDT  
*President and Group Chief Executive*



# Audit report

To the General Meeting of the shareholders of Svenska Handelsbanken AB (publ)  
Corporate identity no. 502007-7862

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Svenska Handelsbanken AB (publ) for the year 2002. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

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

We recommend to the General Meeting of Shareholders that the profit and loss accounts and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the directors' report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 6 March 2003

KPMG Bohlins AB

THOMAS THIEL  
*Authorised Public Accountant*

STEFAN HOLMSTRÖM  
*Authorised Public Accountant*

Ernst & Young AB

ÅKE HEDÉN  
*Authorised Public Accountant*

ULF DAVÉUS  
*Authorised Public Accountant*  
*Appointed by Finansinspektionen*

# Branches in the Nordic countries and Great Britain

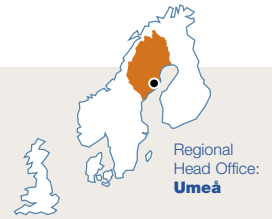
## NORTHERN NORRLAND

**BOARD:** **ERIK ORRING**, Umeå, Chairman  
**BJÖRN FRANKLIN**, Lycksele

**BENGT-OVE HÖGSTRÖM**, Härnösand  
**HANS JONSSON**, Vindeln

**MARGARETA JONSSON**, Älvsbyn  
**MARIANNE ERIKSSON**, Örnsköldsvik (E)

**HEAD OF REGIONAL BANK:** **LARS KAHNLUND**



### BRANCH MANAGERS:

Arvidsjaur • **CATARINA BENGTSOON**  
**ULRIKA ENGSTRÖM**  
(Acting Branch Manager)  
Backe • **BERITH BÖLANDER**  
Bjurholm • **INGER ANDERSSON**  
Bjåsta • **HELENA EDLUND**  
Björna • **MARGARETA PERSSON**  
Boden • **BIRGER PAAVOLA**  
Bredbyn • **CARIN WAHLBERG**  
Bureå • **CARINA GRUNDSTRÖM**  
**JOAKIM LÖFBOM**  
(Acting Branch Manager)  
Burträsk • **LARS STAFLUND**  
Byske • **ROGER NYSTRÖM**

Domsjö • **HELENA JOHANSSON**  
Dorotea • Vacant  
Gammelstad • **ULLA-BRITT**  
**SÖDERBERG**  
Gällivare • **LARS BEYRON**  
Haparanda • **ROGER KEISU**  
Holmsund • **MIKAEL KARLSSON**  
Hoting • **MARIANNE RULANDER**  
Husum • **ROLAND FALKDALEN**  
Härnösand • **JONAS ELFRIDSSON**  
Jokkmokk • **KENT AIDANPÄÄ**  
Junsele • **ANNICA OLOFSSON**  
Kalix • **STEFAN UDDSTRÖM**

Kiruna • **PATRIK JUNKKA**  
Kramfors • **LARS NORLINDER**  
Lugnvik • **TOMMY SJÖLUND**  
Luleå  
- Storgatan • **JAN PERSSON**  
- Örnäset • **EVA RÅNGEVALL**  
Lycksele • **HENRIK JOHANSSON**  
Lövånger • **KJELL-OVE LÖVGREN**  
Malå • **ANN-CHARLOTTE RENSTRÖM**  
Nordingrå • **TOMMY SJÖLUND**  
Nordmaling • **IVAN FORSGREN**  
Norsjö • **GREGER HOLMSTRÖM**  
Näsåker • **JAN OLSSON**

Pajala • **PER-ANDERS JUNTTI**  
Piteå • **BO BERGLUND**  
Ramsle • **HÅKAN NORMAN**  
Robertsfors • **JERRY LUNDBERG**  
Råneå • **LISBETH AIDANPÄÄ**  
Skellefteå • **GUNNAR RUBING**  
Sollefteå • **ANDERS THOFELT**  
Sorsele • **HANS-ALBERT LINDGREN**  
Storuman • **LARS BERGLUND**  
Trehörningsjö • **GUNILLA NÄSLUND**  
Ullånger • **TOMMY SJÖLUND**  
Umeå  
- Storgatan • **HAMPUS KLOCKHOFF**

- Teg • **SVANTE ANDERBACK**  
- Västerslätt • **MIKAEL BERGGREN**  
Vilhelmina • **BERT LARNEBACK**  
Vindeln • **LENA SVEDBERG**  
Vännäs • **KJELL DAHLBERG**  
Ånäset • **EVA NORDENSTAM**  
Åsele • **THOMAS RÖNNBERG**  
Älvsbyn • **BRITT-MARIE STENVALL**  
Örnsköldsvik • **PIA BERGLUND**  
Överkalix • **MARIA FÄLTMARK**  
Övertorneå • **SUSANNE RUDEKLINT**

## SOUTHERN NORRLAND

**BOARD:** **ULF BERGKVIST**, Insjön, Chairman  
**OVE ANONSEN**, Gävle  
**PETER LARSON**, Sandviken

**ÅKE RYDÉN**, Sveg  
**ANDERS WIKLANDER**, Sundsvall  
**GÖTHE ÖSTLUND**, Mora

**MARIA LEIWERT**, Årsunda (E)

**HEAD OF REGIONAL BANK:** **HÅKAN SANDBERG**



### BRANCH MANAGERS:

Alfta • **STIG MELLSTRÖM**  
Arbrå • **ANNIKA WIKSTRÖM**  
Avesta • **ÅSA MÖLLER STARFELT**  
**IRENE HÖRBERG**  
(Acting Branch Manager)  
Bergby • **KERSTIN PERSSON**  
Bergsjö • **CARIN ÖSTMAN**  
Bispgården • **LARS-GÖRAN FAHLÉN**  
Bjursås • **ANDERS RAPP**  
Bjuråker • **JOHAN BILLSTRÖM**  
Björbo • **AGNETA NYGÅRDEN**  
Bollnäs • **BO SANDESTEN**  
Borlänge • **BÖRJE FORSBERG**  
Bräcke • **HANS SWÄRD**  
Delsbo • **KENT SIMSSON**  
Edsbyn • **ANDERS LUNDIN**  
Fagersta • **HENRIK RAGNARSSON**  
Falun • **LARS NILSSON**

Fränsta • **LARS GUSTAFSSON**  
Furudal • **PÅR LINDH**  
Föllinge • **ANETTE NILSSON**  
Gagnef • **KERSTIN BERG-LINDGREN**  
Gnarps • **URBAN STRÖMBOM**  
Grangårde • **MARIA JONASSON**  
Grängesberg • **EVA LUDVIGSSON**  
Gällö • **HANS SWÄRD**  
Gävle • **STURE CARLBERG**  
Hammarstrand • **LARS-GÖRAN FAHLÉN**  
Hammerdal • **LARS-ERIK OLSÉN**  
Heby • **LEIF JOHANSSON**  
Hede • **RICHARD GRUBB**  
Hedemora • **HÅKAN ARVIDSSON**  
Hedesunda • **EVA SARLIND**  
Hudiksvall • **THONY NYLUND**  
Insjön • **GLAS BOND**

Järpen • **BENGT ÖSTMAN**  
Järvsö • **OVE LARSSON**  
Kilafors • **HANS ANDERSSON**  
Kopparberg • **LILIAN LINDH**  
Krokoms • **ULF HELLSTRÖM**  
Kvissleby • **BRITT-LOUISE LINDGREN**  
Leksand • **ANDERS EKSTRÖM**  
Liden • **JAN KVISTBERG**  
Lima • **PER ARNE OSCARSSON**  
Lit • **ANNA-LENA SVANBERG**  
Ljusdal • **TOMMY BYLUND**  
Ljusne • **CATARINA LARSSON**  
Ludvika • **MATS JOHANSSON**  
Malung • **HENRIK JONSSON**  
Matfors • **INGRID HANSSON**  
Mockfjärd • **HÅKAN ERIKSSON**  
Mora • **ANDERS FORSGREN**

Mörsil • **ASTRID LARSSON-LINDH**  
Norberg • **HÅKAN EKEBOM**  
Ockelbo • **BERT ERIKSSON**  
Offerdal • **MAX PETERSSON**  
Orsa • **JONNY HILMERSSON**  
Rättvik • **GUNNAR JOHANSSON**  
Sala • **URBAN WOLTERS**  
Sandviken • **JAN ERIKSSON**  
Skinnskatteberg • **PER ERIKSSON**  
Skutskär • **TOM WALLIN**  
Skärplinge • **STEFAN HOLMQUIST**  
Skönsberg • **ULF-GÖRAN SALOMONSSON**  
Stora Tuna • **IRENE PETERSSON**  
Storvik • **LEIF MAGNUSSON**  
Strömsund • **TORSTEN JOHANSSON**  
Sundsvall • **CARL MARTINSSON**  
Sveg • **GUNILLA BÄCKIUS**

Svenstavik • **MICHAEL JOHANSSON**  
Säter • **INGELA HEDBERG**  
Söderhamn • **SVANTE LARSSON**  
Sörberge • **BERTIL SJÖSTRAND**  
Tierp • **MATS HANSSON**  
Timrå • **TORBEN CARLSSON**  
Torsåker • **IKARIN ERIKSSON**  
Vansbro • **LARS ANNERMAN**  
Västansfors • **INGER VARJOMAA**  
Ånge • **STEFAN MATTSSON**  
Åre • **HANS PERNELIND**  
Östersund • **KJELL-ÅKE SJÖDIN**  
Östervåla • **OVE JOHANNESSON**

## STOCKHOLM CITY

**BOARD:** **JAN BLOMBERG**, Stockholm, Chairman  
**CARL-OLOF BY**, Saltsjöbaden

**EVA FÄRNSTRAND**, Bromma  
**GÖRAN LARSSON**, Stockholm  
**GÖRAN NORD**, Bromma

**LENNART SVENSSON**, Stockholm  
**CHARLOTTE SKOG**, Stockholm (E)

**HEAD OF REGIONAL BANK:** **MAGNUS UGGLA**



### BRANCH MANAGERS:

Danderyd  
- Djursholm • **LEIF JADVI**  
- Mörby Centrum • **SIV JOELSSON NEE**  
Lidingö  
- Baggeby • **NINA AHLÉN**  
- Centrum • **MIA HILJEBÄCK**  
- Larsberg • **MAGNUS ERICSSON**  
- Näset • **HÅKAN SJÖGREN**  
Sigtuna  
- Arlanda • **LARS ÅSGÅRDH**  
- Märsta • **ANN LILJA**  
- Stora Gatan • **ULLA LANGEMAR**

Sollentuna  
- Centrum • **LISA SMIDEBLAD**  
- Rotebro • **PETTER DAHLIN**  
Solna  
- Centrum • **OVE SUNDIN**  
- Vreten • **BJÖRN ÅHLANDER**  
Stockholm  
- Birger Jarlsgatan • **JÖRGEN NIELSEN**  
- Frihamnen • **MIKAEL WENNGREN**  
- Gamla Stan • **PETRI RASK**  
- Gustav Adolfs Torg • **BO KAIJSER**  
- Humlegården • **TANJA BERTILSSON**

- Hötorgscity • **GÖRAN LÖNNSTAD**  
- Karlaplan • **GÖRAN STILLE**  
- Karlavägen • **MARION UHLANDER**  
- Kista • **THOMAS VON SCHEELE**  
- Kungsgatan • **GÖRAN LÖNNSTAD**  
- Kungsträdgården • **LARS-GÖRAN BERTILSSON**  
- Norrmalmstorg • **BIRGER KRISTIANSSON**  
- Norrtull • **ULF HEDBERG**  
- Odengatan • **CHRISTER LÖVHOLM**  
- Odenplan • **ANN FRANSSON**

- St Eriksplan • **ANNIKA BRUNNÉD**  
- Sergels Torg • **GÖRAN LÖNNSTAD**  
- Strandvägen • **MIKAEL ROMERT**  
- Stureplan • **CHRISTER ÖRTEGREN**  
- Sveavägen • **MARCUS RÖNNESTAM**  
- Tessinparken • **ULF ELIASSON**  
- Upplandsgatan • **LISBETH ANDERSSON**  
- Vanadisplan • **MATS LIEBGOTT**  
- Vasagatan • **MARIA HELLBERG**  
- Värtavägen • **BIRGITTA FINN**  
- Östermalmstorg • **ANDERS DANIELSSON**

- Östra Station • **CARINA IDBERG**  
Sundbyberg  
- Hallonbergen • **TIINA MAGNUSSON**  
- Sturegatan • **ROGER LEIJONQVIST**  
Täby  
- Centrum • **JOHAN LURÉN**  
- Näsby Park • **KLAS BORNÄLV**  
Upplands Väsby • **HÅKAN LINDHOLM**  
Vallentuna • **FREDRIK ANDERSSON**  
Vaxholm • **ANNELI SÖNMEZ**  
Åkersberga • **SUNE WERKELL**

**CENTRAL SWEDEN**

**BOARD:** PER SORTE, Saltsjöbaden, Chairman  
 PER JOHAN BEHRN, Örebro  
 ESKIL FLORVALL, Saltsjöbaden

**DAG KLACKENBERG**, Kista  
**ESBJÖRN OLSSON**, Stockholm  
**GUSTAV OHLSSON**, Västerås

**OLOF G WIKSTRÖM**, Järfälla  
**JURGEN KLEFELT**, Stockholm (E)



**HEAD OF REGIONAL BANK: MICHAEL ZELL**

**BRANCH MANAGERS:**

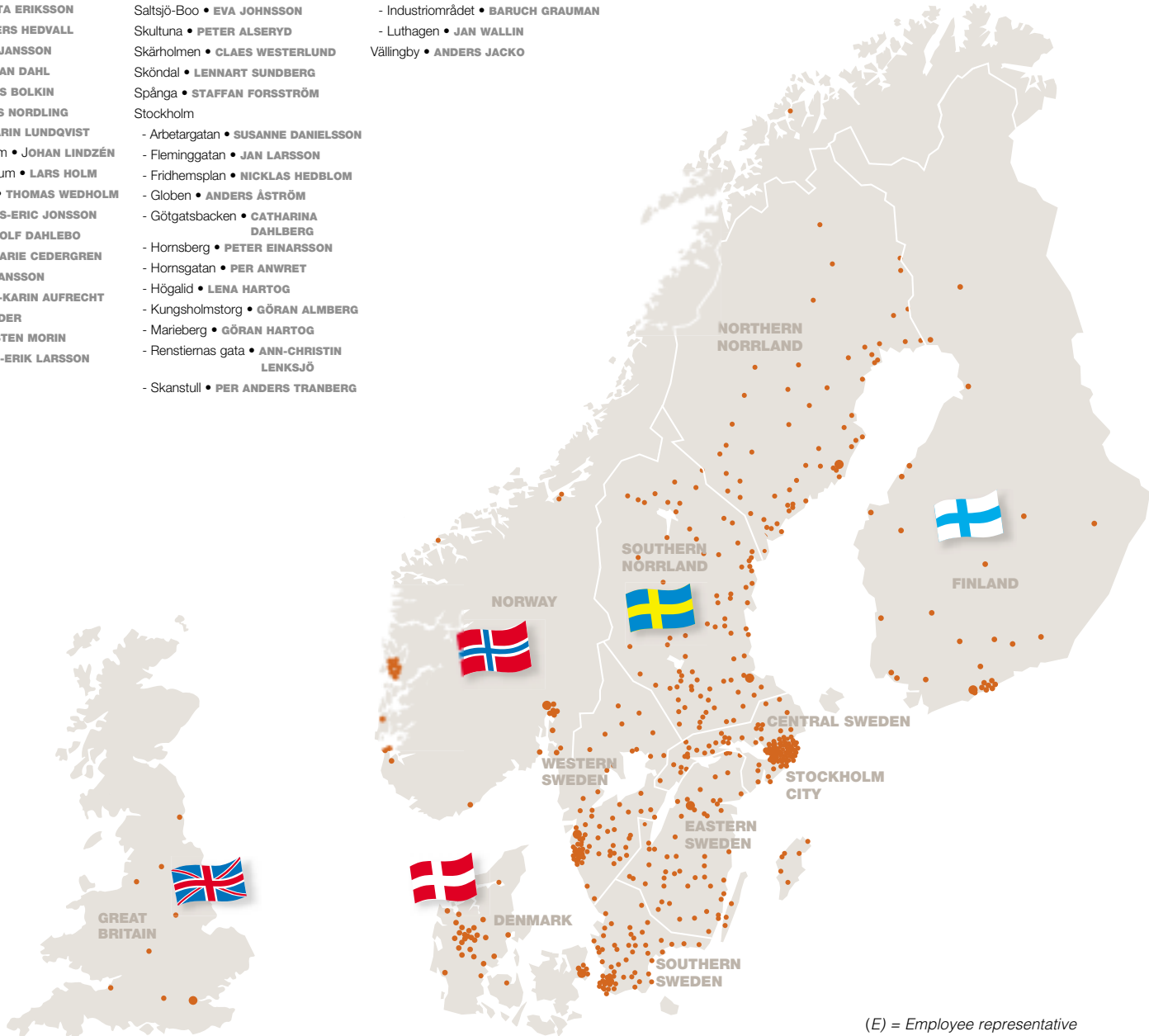
Alviks Torg • **BENGT BOHMAN**  
 Arboga • **PER KARLSSON**  
 Axelsberg • **PER MOLIN**  
 Blackeberg • **HANS EK**  
 Brommaplan • **BO SCHOTTE**  
 Bålsta • **THOMAS LILLIEHÖÖK**  
 Dalarö • **LENA E STENMARK**  
 Enköping • **ULLA REUTERSKIÖLD**  
 Farsta • **HANS WIDMARK**  
 Fellingsbro • **BENNY OHLSSON**  
 Finnerödja • **ASTA ERIKSSON**  
 Fjugesta • **ANDERS HEDVALL**  
 Frövi • **MIKAEL JANSSON**  
 Hallsberg • **JOHAN DAHL**  
 Hallstavik • **HANS BOLKIN**  
 Hallunda • **MATS NORDLING**  
 Hammarby • **KARIN LUNDQVIST**  
 Haninge Centrum • **JOHAN LINDZÉN**  
 Huddinge Centrum • **LARS HOLM**  
 Hässelby Gård • **THOMAS WEDHOLM**  
 Högdalen • **LARS-ERIC JONSSON**  
 Hökarängen • **ROLF DAHLEBO**  
 Jakobsberg • **MARIE CEDERGREN**  
 Järna • **LAILA JANSSON**  
 Kolbäck • **ULLA-KARIN AUFRECHT**  
 Kumla • **BO LINDER**  
 Kungsängen • **STEN MORIN**  
 Kungsjör • **SVEN-ERIK LARSSON**

Käratorp • **ANDERS VON FEILITZEN**  
 Köping • **PETER FÄLLMAN**  
 Lindsberg • **LARRY ANDERSSON**  
 Marievik • **MARTIN VAN ALLER**  
 Nacka Forum • **PER ELDESTRAND**  
 Norrtälje • **ANDERS NYGREN**  
 Nynäshamn • **STEFAN ZETTERGREN**  
 Pålshoda • **TORSTEN ZAKRISSON**  
 Rimbo • **TINA NYLÉN**  
 Salem • **JOHAN WREDBERG**  
 Saltsjö-Boo • **EVA JOHNSON**  
 Skultuna • **PETER ALSERYD**  
 Skårholmen • **CLAES WESTERLUND**  
 Sköndal • **LENNART SUNDBERG**  
 Spånga • **STAFFAN FORSSTRÖM**  
 Stockholm  
 - Arbetargatan • **SUSANNE DANIELSSON**  
 - Fleminggatan • **JAN LARSSON**  
 - Fridhemsplan • **NICKLAS HEDBLOM**  
 - Globen • **ANDERS ÅSTRÖM**  
 - Götgatsbacken • **CATHARINA DAHLBERG**  
 - Hornsberg • **PETER EINARSSON**  
 - Hornsgatan • **PER ANWRET**  
 - Högalid • **LENA HARTOG**  
 - Kungsholmstorg • **GÖRAN ALMBERG**  
 - Marieberg • **GÖRAN HARTOG**  
 - Renstiernas gata • **ANN-CHRISTIN LENKSJÖ**  
 - Skanstull • **PER ANDERS TRANBERG**

Stuvsta • **MATS BERGSTRÖM**  
 Södertälje • **PETER ALMSTRÖM**  
 Trosa • **MARIA WESTERFALK**  
 Trångsund • **MIKAEL ANDERSSON**  
 Tullinge • **MÅRTEN LARSSON**  
 Tyresö • **MIKAEL LUNDQVIST**  
 Ulvsunda • **KARIN ENESTAD**  
 Uppsala  
 - City • **HÅKAN MOLIN**  
 - Eriksberg • **MARGARETA ENGVALL**  
 - Industriområdet • **BARUCH GRAUMAN**  
 - Luthagen • **JAN WALLIN**  
 Vällingby • **ANDERS JACKO**

Värmdö • **STEFAN HOLES**  
 Västerhaninge • **KARIN NORDGÅRD**  
 Västerort • **KJELL ANDERSSON**  
 Västerås  
 - Ernausgatan • **CARINA OLSSON**  
 - Köpingsvägen • **LENA NILSSON**  
 - Stora gatan • **LARS WETTERQVIST**  
 - Vasagatan • **KENNETH ÖST**  
 Årsta • **MARGARETA LINDGREN**  
 Älvsjö • **FREDRIK CHRISTOFFERSON**

Örebro  
 - Ekersgatan • **CHRISTER LARSSON**  
 - Stortorget • **KENNETH WALLIN**  
 - Våghustorget • **BENGT GUNNARSON**  
 Ösmo • **RENÉE ANDERSSON**  
 Österbybruk • **CHRISTER LINDGREN**  
 Östhammar • **CHRISTER LINDGREN**



(E) = Employee representative

## EASTERN SWEDEN

**BOARD:** **ANDERS HULTMAN**, Växjö, Chairman  
**JAN CEDWALL**, Nyköping

**HEAD OF REGIONAL BANK:** **ANDERS OHLNER**

**JAN-ERIC NILSSON**, Visby  
**LARS-ÅKE RYDH**, Jönköping  
**KENNETH STÅHL**, Jönköping

**KENNETH SYNNERSTEN**, Västerås  
**PER ZAUNDERS**, Linköping  
**LARS HULTMAN**, Tranås (E)



Regional Head Office:  
**Linköping**

### BRANCH MANAGERS:

Alvesta • **PER JOHANSSON**  
Anderstorp • **BÖRJE OLSSON**  
Bankeryd • **THOMAS LANDÉN**  
Borensberg • **BIRGITTA ÖSTERGREN**  
Borgholm • **CONNY JOHANSSON**  
Eksjö • **JENS FRANSSON**  
Emmaboda • **SVEN-ERIK KARLSSON**  
Eskilstuna  
- Fristadstorget • **KAI JOKITULPPO**  
- Östermalm • **BO VALLIN**  
Finspång • **DAG KINNERUD**  
Flen • **ANNA-KARIN BORG**  
Fårösund • **LEIF NÄRSTRÖM**  
Färjestaden • **CHRISTIN ABRAHAMSSON**

Gislaved • **BJÖRN RISBERG**  
Hemse • **MAGNUS GARDELL**  
Hultsfred • **JAN PILEMYR**  
Huskvarna • **HANS FÅREMO**  
Högsby • **TONNI ROBERTSSON**  
Jönköping • **CLAES ERICSON**  
Kalmar  
- Berga • **HENRIK ENGSTRÖM**  
- Kvarnholmen • **PER-GÖRAN HUSSFELT**  
Katrineholm • **GÖRAN BJERKE**  
Klintehamn • **LARS CRAMÉR**  
Lammhult • **PER-OLOF LENEGÅRD**  
Landsbro • **KENT LIND**

Linköping  
- City • **GERT LUNDMARK**  
- Tomby • **ANDERS FAGERDAHL**  
Mjölby • **PATRIK ROSENGREN**  
Motala • **FREDRIK SVENSSON**  
Mönsterås • **INGUN EEK**  
Mörbylånga • **ERHOLD GRANBERG**  
Mörlanda • **BÖRJE SAMUELSSON**  
Norrköping  
- Drottninggatan • **ÅKE STENBERG**  
- Eneby • **MATS BORGSJÖ**  
- Hageby • **LARS BLOMQUIST**  
Nybro • **JOHAN FREDRIKSSON**  
Nyköping • **UMBERTO GORETTI**

Nässjö • **MATS ANDERSSON**  
Oskarshamn • **INGVAR PERSSON**  
Rörvik • **PER-OLOF LENEGÅRD**  
Slite • **JOAKIM BLOMÉR**  
Strängnäs • **WILHELM TRAHN**  
Sävsjö • **JONAS FLINK**  
Söderköping • **JAN MOSSBERG**  
Tingsryd • **PETER FROSTMAN**  
Torsås • **STEFAN PÅLSSON**  
Tranås • **LISBETT HAMMARÅS**  
Vaggeryd • **ROBERT PETTERSSON**  
Vetlanda • **OLLE HAGSTRÖM**  
Vimmerby • **ÖRJAN LUNDQVIST**  
Virserum • **ANNE HELENE MARKSTRÖM**

Visby  
- Adelsgatan • **MADELEINE GOTTFRIDSSON-ENDRELL**  
- Öster • **STAFFAN KRAUSE**  
Vislanda • **MIKAEL STRÖM**  
Värnamo • **JENS CLAESSION**  
Västervik • **MICHAEL SKÄNNESTIG**  
Växjö • **KJELL-ÅKE CARLSSON**  
Ålem • **JAN NILSSON**  
Åseda • **THORWALD BURMAN**  
Åtvidaberg • **ERIK TORBRAND**

## WESTERN SWEDEN

**BOARD:** **FINN JOHNSON**, Göteborg, Chairman  
**STIG-ARNE BLOM**, Hökerum  
**SVANTE CARLSSON**, Göteborg

**HEAD OF REGIONAL BANK:** **M. JOHAN WIDERBERG**

**THOMAS DAGFÅRD**, Källby  
**LARS IDERMARK**, Kullavik  
**SÖREN MANNHEIMER**, Göteborg

**EVA PERSSON**, Västra Frölunda  
**LARS-PETER FORSBERG**, Tollerød (E)



Regional Head Office:  
**Göteborg**

### BRANCH MANAGERS:

Alingsås • **PETER ROMEDAHL**  
Arvika • **FREDRIK EKENBERG**  
Bollebygd • **PERIKLES MOUNTZIAS**  
Borås  
- Hulsta • **THOMAS STRÖMBERG**  
- Norrby • **THOMAS BOGSJÖ**  
- Stora Torget • **TOMMY HÄGGSTRÖM**  
Falkenberg • **BERNT-OVE LARSSON**  
Falköping • **ANDERS HANSSON**  
Filipstad • **HANS-GÖRAN LINDGREN**  
Fristad • **GUNILLA LÖÖF**  
Färgelanda • **BIRGITTA LINDBERG**  
Gällstad • **EVA WIGREN**  
Göteborg  
- Almedal • **TORGNY SJÖBERG**  
- Avenyn • **ANDERS OLAUSSON**

- Backa-Ringön • **STINA LJUNGSTRÖM PETERSSON**  
- Brunngatan • **JAN SAHLIN**  
- City • **PEDER MATTSON**  
- Eriksberg • **ANDERS HJÄLTE**  
- Frölunda Torg • **MATS ROLLOF**  
- Första Långgatan • **KNUT POKORNY**  
- Gårda • **MATS BERTSSON**  
- Hisings Kärra • **ANNA EKSTRAND**  
- Hjo • **MAGNUS KVARNMARKER**  
- Hjällbo • **CRISTIAN PENNERT**  
- Högsbo • **ANDERS LARSSON**  
- Kortedala • **THOMMY ANDERSSON**  
- Landala • **ANDERS GROSS**  
- Lilla Bommen • **BERTIL OLSSON**  
- Majorna • **ANETTE PETTERSSON**

- Marieholm • **ASSAR LARSSON**  
- Odinsgatan • **ANDERS SILVERSTOLPE**  
- Sisjön • **PER TORSTENSON**  
- Volvo • **ELSE-BRITT JARFELT**  
- Örgryte • **INGEMAR RASK**  
Hagfors • **MORGAN SMEGÅRD**  
Herrljunga • **LENA LUNDH**  
Karlskoga • **BENGT GUSTAVSSON**  
Karlstad  
- Stora Torget • **RAINER LAWNICZAK**  
- Växnäs • **ELISABETH KORP**  
Kristinehamn • **CHARLOTTE SCHRECK-PETTERSSON**  
Kungsbacka • **BRITT-MARIE LINSE**  
Kungälv • **OLLE EKSELL**  
Landvetter • **CLAES AHLSTRÖM**  
Lerum • **EVA-HELEN KJELLGREN**

Lidköping • **ANDERS STIGSON**  
Lilla Edet • **THOMAS KARLSSON**  
Mariestad • **TORBJÖRN LÄTH**  
Mellerud • **HELMER WESTMAN**  
Möndal • **MARTIN HENRIKSSON**  
Nödinge • **MARGARETA FLOOD**  
Partille • **LISELOTTE MATSSON**  
Skara • **LARS EDGREN**  
Skövde • **CHRISTINA LJUNG**  
Sollebrunn • **MARGARETA SAMUELSSON**  
Stenungsund • **MATS INGEMARSSON**  
Sunne • **SVEN ERIK JOHANSSON**  
Surte • **MARIE JAKOBSSON**  
Svenljunga • **BENGT LARSSON**  
Säffle • **ULRIK WEDELIN**  
Tibro • **MARIANNE BERGMAN**

Tidaholm • Vacant  
Torsby • **MORGAN SETHERBERG**  
Tranemo • **LARS NYDÉN**  
Trollhättan • **THOMAS ZILÉN**  
Uldevalle • **ERIK BREDBERG**  
Ulricehamn • **KENNETH TÖRNKVIST**  
Vara • **NIKLAS STANDAR**  
Varberg • **JAN BOGSJÖ**  
Vårgårda • **JARL OLSSON**  
Vänersborg • **THOMAS ÅHGREN**  
Åmål • **BO LARSON**  
Årjäng • **JAN-ERIC DELIN**  
Älvängen • **MATS BRÄNDÉN**

## SOUTHERN SWEDEN

**BOARD:** **JAN EKBERG**, Åhus, Chairman  
**PER ANDERSSON**, Lund  
**ROLAND BENGTTSSON**, Viken

**HEAD OF REGIONAL BANK:** **THOMMY MOSSINGER**

**KURT J JOHANSSON**, Sölvesborg  
**SVEN LANDELIUS**, Lund  
**MIKAEL ROOS**, Malmö

**ANN-CHRESTIN SAEDÉN**, Ystad (E)



Regional Head Office:  
**Malmö**

### BRANCH MANAGERS:

Ärlöv • **BO-INGE JACOBSSON**  
Broby • **PETER ANDERSSON**  
Båstad • **JOAKIM HOLM**  
Eslöv • **PETER SANDELL**  
Halmstad • **TONY BRINGEVALL**  
Helsingborg  
- Norr • **PER FRANKLIN**  
- Stortorget • **GÖRAN PELVÉN**  
- Söderport • **SVEN ROSENKVIST**  
Hässleholm • **OLA TYRBERG**  
Höganäs • **NIKLAS BERG**  
Höllviken • **GÖRAN FREDRIKSSON**

Höör • **KENT OLIN**  
Karlshamn • **PER BJERSTEDT**  
Karlskrona • **JAN ERIK DAHL**  
Kvikk • **PER MANNINGER**  
Klippan • **IRENE ANDERSSON**  
Knislinge • **INGELA STRÖM**  
Kristianstad • **MIKAEL RUBIN**  
Kävlinge • **BONNIE CEDERQUIST**  
Laholm • **LARS ANDERSSON**  
Landskrona • **ANDERS PERSSON**  
Ljungby • **THOMAS ELDH**  
Ljungbyhed • **EVA AURELL**

Lomma • **PIA BORG**  
Lund • **ULF DAHLQVIST**  
Malmö  
- Amiralsgatan • **PER-OVE KAMLUND**  
- City • **GÖRAN JOHNSON**  
- Dalaplan • **MATS CARLSSON**  
- Fosie • **DAG SUNDEWALL**  
- Fridhem • **GUNNAR HOLMQVIST**  
- Köpenhamnsvägen • **ANNA JOHNSON**  
- Limhamn • **PETER HANSSON**  
- Lundavägen • **PER ROSBERG**  
- Triangeln • Vacant

- Värnhem • **ANDERS PERSSON**  
Markaryd • **STAFFAN WERNER**  
Olofström • **CHRISTER OLOFSSON**  
Osby • **JONAS SKYMAN**  
Ronneby • **CARL-GUSTAF LARSSON**  
Simrishamn • **OLLE SVENSSON**  
Sjöbo • **THOMAS JOHANSSON**  
Staffanstorps • **HENRIK MOLIN**  
Svedala • **GERT NILSSON**  
Sölvesborg • **MAGNUS LANDBRING**  
Sösdala • **KARIN ERIKSSON**  
Tomelilla • **BENGT-GÖRAN GRENANDER**

Trelleborg • **MARIE BRUNSTAM**  
Tyringe • **LENA JOHANSSON**  
Veberöd • **JAN GLANE**  
Vellinge • **ROGER HÅKANSSON**  
Vittsjö • **GÖRAN MAGNUSSON**  
Vollsjö • **MIA KRISTELL**  
Ystad • **JAN-OLOF PETERSSON**  
Åhus • **THOMAS HANSSON**  
Älmhult • **SUSANNA SVARTZ**  
Ängelholm • **KENNETH PERSSON**



Victor Brott



Anki Österman

## DENMARK

### BOARD:

**HANS CHRISTOFFERSON**, Åkersberga, Chairman  
**STEEN HOVE**, Herring  
**JENS IVERSEN**, Brande  
**JØRGEN LYHNE**, Herring

**THOMMY MOSSINGER**, Malmö  
**ESKILD THYGESEN**, Ikast  
**JENS CHRISTIAN JØRGENSEN**, Fredericia (E)

**HEAD OF REGIONAL BANK: ANDERS BOUVIN**



Regional Head Office:  
**Copenhagen**

### BRANCH MANAGERS:

Aulum • **HELLE BJERRE**  
 Ballerup • **LARS MOESGAARD**  
 Brande • **BENNY LARSEN**  
 Brøndby, Park Allé • **PETER BO**  
 Copenhagen  
 - City • **PREBEN BJERREKÆR**  
 - Nytorv • **PER BØHLERS**  
 Esbjerg • **MORTEN ANDERSEN**  
 Give • **NIELS PEDER NIELSEN**  
 Hammerum • **THOMAS BÆKGAARD**  
 Herring  
 - Bredgade • **YVONNE HARTVIGSEN**

- Fredhøj • **BRUNO HANSEN**  
 - Østergade • **JØRGEN PEDERSEN**  
 Holstebro • **CLAUS GADE**  
 Horsens • **JANN DUE**  
 Ikast • **NIELS VIGGO MALLE**  
 Karup • **GITTE NIELSEN**  
 Kibæk • **PREBEN STAAL**  
 Kgs. Lyngby • **KLAUS VILSEN**  
 Kolding • **LARS GAASVIG**  
 Lemvig • **HENRIK LUND**  
 Odense • **TOM SKJELLERUP**  
 Sdr. Felding • **KRISTIAN HANSEN**

Sdr. Omme • **JENS OLE BAKBO**  
 Silkeborg • **ERIK THOMSEN**  
 Struer • **POUL BAKKEGAARD**  
 Sunds • **ANDERS FREDRIKSEN**  
 Vejle • **POUL ERIK MATHIASEN**  
 Viborg • **KJELD SØRENSEN**  
 Videbæk • **HENRIK KRISTIANSEN**  
 Vibbjerg • **ARNTH STOUGAARD**  
 Ålborg • **PER GUNDER**  
 Århus • **KARSTEN KEHLET**

## NORWAY

### BOARD:

**DAG MEJDALL**, Oslo, Chairman  
**KARIN JOYS VABØ**, Nesttun

**CLAUS KJØRVEN**, Oslo  
**DAG TANGEVALD-JENSEN**, Oslo

**HEAD OF REGIONAL BANK: BJÖRN-ÅKE WILSENIUS**



Regional Head Office:  
**Oslo**

### BRANCH MANAGERS:

Bergen  
 - Fana • **ARVID FØLEIDE**  
 - Flesland • **GUNNAR RØSLAND**  
 - Fyllingsdalen • **LENE SKURTVEIT HOLEN**  
 - Minde • **ARILD ANDERSEN**  
 - Sentrum • **GEIR FLAA**  
 - Strandgaten • **ÅSE FLUGE NORDGREEN**  
 - Vest • **JAN HENRIK NORDEIDE**  
 - Åsane • **TØRE SVEIN NESE**  
 Fredrikstad • **HENNING RØLI**  
 Haugesund • **KNUT BØRGE LUNDE**

Kristiansand • **ARILD BERGE**  
 Lysaker • **KNUT BERGE**  
 Oslo  
 - Fyrstikkortet • **HARALD SØREIDE**  
 - Kirkegaten • **THOMAS STOUSLAND**  
 - Olav V's gate • **ROLF BRUCE**  
 - Skøyen • **JØRGEN OLDENSAND**  
 Sandnes • **KARL GEIR PEDERSEN**  
 Sarpsborg • **ESPEN LERKERØD**  
 Ski • **STEINAR HEGGE**  
 Skårer • **ANDERS DAHL**

Stavanger  
 - Løkkeveien • **TERJE LIND**  
 - Sentrum • **HROAR GUDBRANDSEN**  
 Tromsø • **BJÖRN ANDREASSEN**  
 Trondheim  
 - Heimdal • **BENTE E DAHL**  
 - Sentrum • **ERIK GOSSMAN**  
 Tønsberg • **JAN ERIK SKJOLDEN**  
 Ålesund • **JAN PETTER LARSEN**

## FINLAND

### BOARD:

**STIG-ERIK BERGSTRÖM**, Espoo, Chairman  
**KAJ JANSSON**, Söderkulla  
**SEIJA TURUNEN**, Helsinki  
**M JOHAN WIDERBERG**, Göteborg

**HEAD OF REGIONAL BANK: PETRI HATAKKA**



Regional Head Office:  
**Helsinki**

### BRANCH MANAGERS:

Espoo • **PASI HEINARO**  
 Helsinki  
 - Bulevardi • **VILHELM VON FRENCKELL**  
 - Esplanadi • **PEKKA URSIN**  
 - Itäkeskus • **HANNU OKSANEN**  
 - Kamppi • **LAURI JOUPPI**  
 - Munkivuori • **REIMA JOKELA**  
 - Pasila • **LEIF GRÖNLUND**  
 Hyvinkää • **RISTO MÄKELÄINEN**  
 Hämeenlinna • **TUIJA NUUTINEN**  
 Joensuu • **JARI AHO**  
 Jyväskylä • **VIRKKI TAUNO**  
 Kokkola • **HARRI PALOKAS**  
 Kouvola • **JORMA QVICK**  
 Kuopio • **SEPPO TUJUNEN**

Lahti • **TARMO KALLIO**  
 Lappeenranta • **JOUKO KERVINEN**  
 Oulu • **JUHA WILLBERG**  
 Pietersaari • **SÖREN BÖRKGÅRD**  
 Pori • **ESA LUNNEVUORI**  
 Raisio • **JUHA VASANEN**  
 Rovaniemi • **GUNNAR SANDQVIST**  
 Salo • **JARI LAINE**  
 Seinäjoki • **ESA ALKIO**  
 Tampere • **ILKKA PEHKONEN**  
 Tornio • **PIRKKO JUUSOLA**  
 Turku • **PIRKKO-LIISA TASALA**  
 Vaasa • **YNGVE SVENS**  
 Vantaa • **HANNU SAKSALA**

## GREAT BRITAIN

### BOARD:

**GÖRAN BJÖRLING**, Danderyd, Chairman  
**PETRI HATAKKA**, Kauniainen  
**MICHAEL ZELL**, Lidingö

**HEAD OF REGIONAL BANK: ULF SYLVAN**



Regional Head Office:  
**London**

### BRANCH MANAGERS:

Birmingham • **JONATHAN ALLEN**  
 Bristol • **TIM WILKINSON**  
 Leeds • **ANDY COPSEY**  
 London • **SIMON SILVESTER**

Manchester • **SIMON RAINE**  
 Newcastle • **KEVIN PATTISON**  
 Nottingham • **COLIN KIRK**  
 Reading • **SHANE THORNE**

# Units outside the Nordic countries and Great Britain

*Operations outside the Nordic countries and Great Britain are part of Handelsbanken Markets' organisation. There are offices in other European countries, Asia and the US. In 2002, new units were opened in Amsterdam and Shanghai.*

These units focus their operations on Nordic companies with operations abroad and non-Nordic companies with operations in the Nordic region. They also offer investment banking and trading.

Asset management services for Nordic citizens resident outside the Nordic countries and Great Britain are provided by Handelsbanken Asset Management in Luxembourg, which also has operations in Switzerland, Spain and France.



<b>Austria</b> Vienna	<b>Germany</b> Frankfurt Hamburg	<b>Russia</b> Moscow	<b>Taiwan</b> Taipei
<b>China</b> Beijing Shanghai Hong Kong	<b>Luxembourg</b> Luxembourg	<b>Singapore</b> Singapore	<b>USA</b> New York
<b>France</b> Paris Côte d'Azur	<b>Netherlands</b> Amsterdam	<b>Spain</b> Marbella	
	<b>Poland</b> Warsaw	<b>Switzerland</b> Zurich	

# Central Head Office

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

## Administration Department

Head: **JANITA THÖRNER-LEHRMARK**

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

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

## Handelsbanken Asset Management

Head: **BJÖRN C ANDERSSON**

Responsible for asset management, mutual fund management and also institutional custody services and capital investment services.

## Auditing Department

Head: **TORD JONEROT**

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

## Business Development

Head: **BJÖRN G OLOFSSON**

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

## Control and Accounting Department

Head: **LENNART FRANCKE**

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

## Corporate Communications

Head: **LARS LINDMARK**

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

## Credit Department

Head: **BJÖRN BÖRJESSON**

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

Prepares credits to be presented to the Central Board.

## Human Resources

Head: **ANNA RAMBERG**

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

## IT Operations

Head: **ANDERS H JOHANSSON**

Responsible for operation of the Group's IT systems, workstations and communications. Development and maintenance of technical infrastructure and also operational responsibility for IT security at the Handelsbanken Group.

## Legal Department

Head: **ULF KÖPING-HÖGGÅRD**

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

## Handelsbanken Markets

Head: **PÅR BOMAN**

Operations comprise corporate finance, debt capital markets, money market, foreign exchange and equity trading, correspondent banking, trade finance, economic research and back-office operations for securities and foreign exchange trading at the Bank and custody account administration.

Handelsbanken Markets also includes the Group's units outside the Nordic countries and Great Britain.

## Treasury

Head: **PEHR WISSÉN**

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



Björn Bill

## SUBSIDIARIES

### Handelsbanken Finans

Head: **ULF RIESE**

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

Conducts operations in Sweden, Norway, Finland and Denmark.

### Handelsbanken Fonder

Head: **JOACHIM SPETZ**

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

Conducts operations in Sweden, Norway and Finland.

### Handelsbanken Liv

Head: **BARBRO JOHANSSON**

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

Conducts operations in Sweden, Norway, Finland and Denmark.

### SPP

Head: **STEFAN NILSSON**

One of Sweden's leading life and pension insurance groups. The main operations are occupational pension insurance, occupational group life insurance, supplementary private insurance and ancillary administrative services.

### Stadshypotek Group

Head: **CLAES NORLÉN**

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

### Stadshypotek Bank

Head: **YONNIE BERGGVIST**

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

# Board of directors

## BOARD OF DIRECTORS

At the Annual General Meeting on 23 April 2002, the Board was re-elected with the exception of Bo Rydin who had declined re-election. New members elected to the Board were Fredrik Lundberg and Sverker Martin-Löf.

## THE BOARD'S ACTIVITIES

The Board held twelve meetings during 2002, one of them by phone. At the meetings, the Board discussed the economic situation and the Bank's strategy. It also dealt with limits for interest rate risks and similar matters. The Board received regular information on operational risks. It made decisions concerning major credit issues, major investments and strategic issues. The Board discussed its work methods and issued working instructions for itself, and for the Group Chief Executive, as well as credit instructions. The Board appointed members of the credit committee and the compensation committee.

The Board does not appoint an audit committee. Handelsbanken has an internal auditing department with over 70 employees. The head of internal auditing reports to the Board annually concerning the audit plan agreed with the external auditors. When the audit has been completed, the head of internal auditing and the chairman of the external group of auditors provide an oral report of their observations to the Board. A written report of the observations made at the annual audit is submitted to the Chairman of the Board and the Group Chief Executive. In addition, the chairman of the external auditors comments on the report at separate meetings between the auditors and the Chairman of the Board and the Group Chief Executive. The chairman of the external auditors also gives a report of the Bank's auditing at the Annual General Meeting of Shareholders.

## COMMITTEES

**CREDIT COMMITTEE.** This committee makes decisions on behalf of the Central Board of Directors regarding the majority of credit cases referred to the Board for its decision. It also prepares documentation for credit cases which, because of their special importance, must be presented to the whole Board. Eleven meetings of the Credit Committee were held in 2002.

**MEMBERS:** Arne Mårtensson, Chairman, Hans Larsson and Anders Nyrén, Vice Chairmen, Pirkko Alitalo, Tommy Bylund, Göran Ennerfelt, Per-Olof Eriksson, Lars O Grönstedt and Björn Börjesson.

**DEPUTY MEMBERS:** Lotty Bergström and Fredrik Lundberg.

**COMPENSATION COMMITTEE.** Prepares proposals for decision by the Board relating to remuneration and benefits for the Chairman of the Board and salary, benefits and pension terms for the Group Chief Executive. It also establishes principles and overall policy for the salaries, benefits and pensions of the Executive Vice Presidents and the Head of the Auditing Department.

**MEMBERS:** Hans Larsson, Chairman, and Pirkko Alitalo.

## Board members



ARNE MÅRTENSSON, *Chairman*



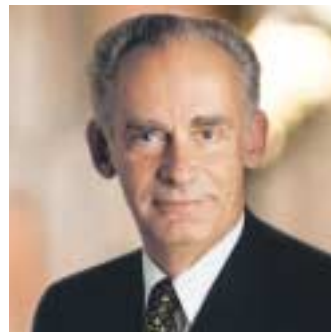
HANS LARSSON, *Vice Chairman*



PIRKKO ALITALO



LOTTY BERGSTRÖM



GÖRAN ENNERFELT



PER-OLOF ERIKSSON



SVERKER MARTIN-LÖF



OLLE PERSSON





ANDERS NYSTRÖM, Vice Chairman



LARS O GRÖNSTEDT, President and Group Chief Executive



TOMMY BYLUND



FREDRIK LUNDBERG



BENGT SAMUELSSON

**ARNE MÅRTENSSON, Chairman**

\*1951, Danderyd  
Member since 1990  
Director of Holmen AB, AB Industrivärden, Sandvik AB, Skanska AB, V&S Vin & Sprit AB, Svenska ICC, Industry and Commerce Stock Exchange Committee, International Business Council of the World Economic Forum; chairman of the Stockholm School of Economics Advisory Board

Shareholding: 0,  
synthetic options: 80 000

**HANS LARSSON, Vice Chairman**

\*1942, Stockholm  
Member since 1990  
Chairman of Nobia AB, Sydsvenska Kemi AB, Biolight International AB, Carema AB; director of Bilia AB, Holmen AB and Pergo AB

Shareholding: 18 600

**ANDERS NYSTRÖM, Vice Chairman**

\*1954, President and CEO of AB Industrivärden, Bromma  
Member since 2001  
Director of Ernströmgruppen AB, AB Industrivärden, Sandvik AB, Skanska AB, Svenska Cellulosa AB SCA

Shareholding: 1 000

**LARS O GRÖNSTEDT, President and Group Chief Executive**

\*1954, Stockholm  
Member since 2001

Shareholding: 600,  
synthetic options: 80 000

**PIRKKO ALITALO**

\*1949, Helsinki  
Member since 2000  
Member of Lagercrantz Group AB

Shareholding: 1 500

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

**LOTTY BERGSTRÖM**

\*1949, Ekerö  
Member since 1996

Shareholding: 0

**TOMMY BYLUND**

\*1959, Ljusdal  
Member since 2000  
Chairman of the Oktogonen foundation

Shareholding: 944,  
synthetic options: 5 000

**GÖRAN ENNERFELT**

\*1940, President and Group CEO of Axel Johnson Group, Upplands Väsby

Member since 1985  
Director of Saba Trading AB, Spirent plc

Shareholding: 34 000

**PER-OLOF ERIKSSON**

\*1938, Sandviken  
Member since 1986  
Chairman of Svenska Kraftnät, Sapa AB, Thermia AB, Odlander, Fredrikson & Co AB; director of Assa Abloy AB, AB Custos, Preem Petroleum AB, Sandvik AB, Skanska AB, SSAB Svenskt Stål AB, AB Volvo

Shareholding: 20 000

**FREDRIK LUNDBERG**

\*1951, President and Group CEO of L E Lundbergföretagen AB, Djursholm  
Member since 2002

Chairman of Holmen AB, Cardo AB, Hufvudstaden AB; director of L E Lundbergföretagen AB, NCC AB, Stadium AB

Shareholding: 150 000

**SVERKER MARTIN-LÖF**

\*1943, Stockholm  
Member since 2002  
Chairman of Svenska Cellulosa AB SCA, Skanska AB; director of Boliden AB, Telefonaktiebolaget LM Ericsson, AB Industrivärden

Shareholding: 1 500

**OLLE PERSSON**

\*1935, CEO of Byggelit AB, Östersund  
Member since 1989  
Chairman of Z-Invest

Shareholding: 26 000

**BENGT SAMUELSSON**

\*1934, Professor, Stockholm  
Member since 1989  
Chairman of the Nobel Foundation; director of Pharmacia Corp., USA, Nicox S.A., France, BioStratum Inc., USA, Pyrosequencing AB, Biolipox AB, Charterhouse Ltd., UK

Shareholding: 3 000

**ELECTION COMMITTEE**

Since 1988, the Central Board of Handelsbanken has appointed an election committee which nominates members of the Board and auditors before the Annual General Meeting. This procedure was changed in connection with the 2001 Annual General Meeting. Following a proposal from the Board, Handelsbanken's Annual General Meeting resolved that the Chairman of the Board would appoint four representatives for the shareholders of the Bank, who, with the Chairman, would form a committee to prepare the next election of Board members. Board members are not eligible to serve on the committee. In connection with the publication of the interim report for the third quarter, the names of the representatives appointed by the Chairman of the Board, Mr Arne Mårtensson, were announced: Stellan Borgh, Oktogonen Foundation, Christer Elmehegen, AMF Pension, Björn Franzon, Fourth AP fund, and Tom Hedelius, Industrivärden.

# Senior Management

## President and Group Chief Executive

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

## Executive Vice Presidents at the Central Head Office

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

**PÄR BOMAN**, \* 1961  
Head of Handelsbanken Markets  
Employed: 1991  
Shareholding: 0, options 40 000

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

**LENNART FRANCKE**, \* 1950  
Head of Central Control and Accounting Department  
Employed: 1972  
Shareholding: 1 684, options 40 000

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

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

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

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

## Executive Vice Presidents at the Regional Banks

**LARS KAHNLUND**, \* 1954  
Head of Northern Norrland Regional Bank  
Employed: 1975  
Shareholding: 0, options 10 000

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

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

**MICHAEL ZELL**, \* 1950  
Head of Central Sweden Regional Bank  
Employed: 1978  
Shareholding: 2 000, options 40 000

**ANDERS OHLNER**, \* 1955  
Head of Eastern Sweden Regional Bank  
Employed: 1985  
Shareholding: 500, options 10 000

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

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

**ANDERS BOUVIN**, \* 1958  
Head of Denmark Regional Bank  
Employed: 1985  
Shareholding: 0, options 5 000

**PETRI HATAKKA**, \* 1962  
Head of Finland Regional Bank  
Employed: 1990  
Shareholding: 0, options 10 000

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

**ULF SYLVAN**, \* 1945  
Head of Great Britain Regional Bank  
Employed: 1972  
Shareholding: 0, options 10 000

## Chief Executives of Subsidiaries

**YONNIE BERGQVIST**, \* 1961  
Head of Stadshypotek Bank  
Employed: 1979  
Shareholding: 46, options 40 000

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

**CLAES NORLÉN**, \* 1955  
Head of Stadshypotek Bank/  
Handelsbanken Hypotek  
Employed: 1978  
Shareholding: 0, options 10 000

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

**STEFAN NILSSON**, \* 1957  
Head of SPP  
Employed: 1980  
Shareholding: 0, options 40 000

## Others

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

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

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

## Changes

Anders Bouvin, previously Head of the Bank's branch in New York, was appointed Executive Vice President and Head of the Denmark Regional Bank. Lars Kahlund, previously Regional Area Manager at Handelsbanken Finans, was appointed Executive Vice President and Head of the Northern Norrland Regional Bank. Anders Ohlner, previously manager of the Malmö City branch, was appointed Executive Vice President and Head of the Eastern Sweden Regional Bank. Pär Boman, Executive Vice President and previously Head of the Denmark Regional Bank, was appointed Head of Handelsbanken Markets. Stefan Nilsson, previously Head of the Northern Norrland Regional Bank, was appointed Chief Executive of SPP.

All options are synthetic.

# Auditors

## Appointed by the Annual General Meeting

### KPMG Bohlins AB

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

### STEFAN HOLMSTRÖM

Authorised Public Accountant, Täby

### Ernst & Young AB

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

## Appointed by Finansinspektionen

### ULF DAVÉUS

Authorised Public Accountant,  
BDO Feinstein Revision AB, Åkersberga

# Addresses

www.handelsbanken.se unless otherwise stated

## Central Head Office

Kungsträdgårdsgatan 2  
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Phone +46 8 701 10 00  
Corporate identity no.  
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### Handelsbanken Asset Management

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SE-106 70 Stockholm  
Phone +46 8 701 10 00

### Handelsbanken Markets

Blasieholmstorg 11 and 12  
SE-106 70 Stockholm  
Phone +46 8 701 10 00  
www.handelsbanken.com

### Central IT Production

Tegeluddsvägen 10  
SE-115 82 Stockholm  
Phone +46 8 701 10 00

## Subsidiaries

### Handelsbanken Finans

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SE-106 35 Stockholm  
Phone +46 8 701 46 00  
Corporate identity no.  
556053-0841

### Handelsbanken Fonder

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Phone +46 8 701 10 00  
Corporate identity no.  
556070-0683

### Handelsbanken Liv

Torsgatan 12  
Box 1325  
SE-111 83 Stockholm  
Phone +46 8 613 20 00  
Corporate identity no.  
516401-8326

### SPP

Hälsingegatan 38  
SE-105 39 Stockholm  
Phone +46 8 556 850 00  
Corporate identity no.  
516401-8524  
www.spp.se

### Stadshypotek/Handelsbanken Hypotek

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Handelsbanken Hypotek  
556000-7618

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### Stockholm City

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### Central Sweden

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Phone +46 31 774 80 00

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Republic of Singapore  
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www.handelsbanken.pl

### Zurich

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CH-8022 Zurich  
Switzerland  
Phone +41 1 2871020  
www.handelsbanken.ch

 = Branch  = Representative office  = Subsidiary

## General definitions

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

**BAD DEBTS.** A loan where payments will probably not be met according to the conditions of the contract. A loan is not a bad debt if there is collateral which covers the principal amount, interest and penalties for late payments by a satisfactory margin.

**BAD DEBT RESERVE RATIO.** Provision for possible loan losses as a percentage of gross bad debts.

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

**CAPITAL RATIO.** Capital ratio or the total capital ratio is the capital base in relation to risk-weighted volume. The capital ratio must be at least 8%.

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

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

**HEDGE ACCOUNTING.** Hedge accounting refers to a situation where an asset or liability is effectively protected against unfavourable changes in value on the money, foreign exchange and equity markets and different accounting principles apply for the hedged and the protecting transactions. In hedge accounting, only one of the accounting principles is used, and the transactions thus have a common valuation principle. The aim is to value and report the hedged and protecting positions at market value.

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

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

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

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

**PROFITABILITY.** See Return on equity.

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

**RESTRUCTURED LOAN RECEIVABLES.** A loan where some kind of concession has been made due to the borrower's inadequate payment capacity.

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

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

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

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

## Explanation of insurance terms

*Definitions may differ somewhat between different companies and between companies run on mutual principles and demutualised companies.*

**ALLOCATED BONUS.** Funds allocated, but not guaranteed, to the policy-holders and the insured parties. The size of the bonus is determined by the insurance company. See Bonus.

**AVAILABLE SOLVENCY MARGIN.** Mainly comprising equity and any subordinated loans.

**BONUS.** Surplus assigned or allocated to policy-holders in the form of immediate or later payments, premium reductions or increase of insurance benefits.

**BONUS RATE.** The rate at which the insured party's savings earn interest.

**COLLECTIVE CONSOLIDATION.** The market value of the insurance company's assets in relation to the insurance commitments.

**COLLECTIVE SOLVENCY RESERVE.** The market value of the insurance company's assets less commitments to policy-holders.

**CONDITIONAL BONUS.** Mainly bonus in excess of the guaranteed return on the insurance policy's guaranteed capital. Conditional bonus varies according to the insurance company's total return and the conditions for the bonus are part of the insurance policy contract.

**EXPENSE RATIO.** Operating expenses in relation to premiums written.

**GUARANTEED INTEREST RATE.** The interest rate which is used to calculate the guaranteed funds.

**INSURANCE CAPITAL (INSURANCE COMMITMENTS).** The sum of technical provisions calculated as technical repurchase value and allocated bonus.

**INVESTMENT ASSETS.** The assets which the life insurance company invests in on behalf of the policy-holders.

**INVESTMENT INCOME.** Yield, capital gains/capital losses and unrealised changes in value.

**LIFE INSURANCE PROVISIONS\*.** The value of future guaranteed insurance benefits (pension amounts and other guaranteed disbursements) less the value of future premium payments.

**PENSION COMMITMENTS.** The sum of technical provisions calculated as technical repurchase value and allocated bonus.

**PENSION SUPPLEMENT.** Bonus allocated to the insured party in addition to guaranteed pension. This may not exceed the increase in the consumer price index and is decided by the board of the company each year.

**PREMIUMS WRITTEN.** Mainly the total of premiums paid in during the year.

**PROVISION FOR CLAIMS OUTSTANDING\*.** The estimated value of incurred insurance claims which have not yet been paid.

**REALLOCATION.** Reduction of the allocated bonus. This improves the collective consolidation.

**REQUIRED SOLVENCY MARGIN.** Consists mainly of the sum of 4% of the life insurance provisions, 1% of the unit-linked commitments, 1% of conditional bonuses and 0.1–0.3% of mortality risks.

**SOLVENCY CAPITAL\*.** Consists of equity capital and untaxed reserves.

**SOLVENCY RATIO.** Available solvency margin in relation to required solvency margin. The ratio, which should be at least one, shows the company's ability to meet its commitments.

**SOLVENCY RESERVE\*.** Collective risk capital comprising profits generated for the period. This may only be used for bonuses and to cover losses.

**TECHNICAL PROVISIONS\*.** The value of the insurance company's guaranteed commitments including provisions for claims outstanding.

**TECHNICAL PROVISIONS FOR WHICH THE POLICY-HOLDER BEARS THE RISK\*.** This includes unit-linked insurance for example.

**TECHNICAL REPURCHASE VALUE.** The guaranteed value of the insurance.

**TOTAL RETURN.** Mainly the sum of changes in value and return on the investment assets.

**YIELD.** The sum of net interest income, the operating surplus from land and buildings and dividends after deduction of operating expenses for asset management.

\*) This item is included on the liabilities side of the balance sheet.



## Financial information in 2003

Interim report January – March	28 April
Annual General Meeting of Shareholders	29 April
Interim report January – June	19 August
Interim report January – September	21 October

Handelsbanken's interim reports, annual reports and other financial information are available on:

[www.handelsbanken.se/ireng](http://www.handelsbanken.se/ireng)

- ◀ Addresses
- ◀ Definitions
- ◀ Explanation of insurance terms

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**Svenska Handelsbanken**

[www.handelsbanken.se](http://www.handelsbanken.se)