

Handelsbanken

Press release

Stockholm, 21 November 2003

Handelsbanken goes for growth in the pensions area – pensions being disbursed will not be reduced and the deposit fee will not be charged for customers moving their pensions from other companies

Handelsbanken Liv is for the time being not reducing pensions which are being disbursed. In other Swedish life insurance companies, the savers themselves have to pay the deficit, whether or not the pension disbursements are reduced. But Handelsbanken Liv is a demutualised company where no savers are hit by keeping the level of disbursements intact. It is the Handelsbanken Group which meets the commitment.

Until further notice, Handelsbanken Liv will also remove the premium fee which is normally charged when insurance capital is moved to Handelsbanken Liv.

For next year's disbursements, Handelsbanken Liv has decided for the time being not to reduce pension payments for savers with traditional insurance policies. If necessary, Handelsbanken Liv will meet the deficit which may arise in the bonus part of the insurance scheme. Several companies, mutual or run on mutual principles, have opted to lower pension disbursements for what they call reasons of fairness. At Handelsbanken Liv, this is not a problem since none of the savers subsidise other savers. Not reducing pensions is expected to decrease the Handelsbanken Group's profits for 2003 by SEK 229 million. The whole allocation will be charged to the fourth quarter of 2003, but is assumed to correspond to the cost of keeping pension payments unchanged for a five-year period. This is not a guarantee, however, so Handelsbanken Liv's solvency will not be affected.

"We want to show the differences between demutualised Handelsbanken Liv and the other mutual life insurance companies, and who actually pays what. In companies run on mutual principles, there is only the savers' money. They must meet all the risks and deficits – their own and those of other savers. In Handelsbanken Liv's model, the company assumes a major part of these risks," says Lars O Grönstedt, Group Chief Executive of Handelsbanken.

Handelsbanken Liv meets any deficits in the guaranteed capital, something which is unique in the insurance industry. Last year, Handelsbanken Liv paid over SEK 100m to the accounts of policyholders. The company also paid for the deficit in the operating and risk result, which last year reduced Handelsbanken Liv's result by over SEK 90m. In a mutual life insurance company, this amount would have been paid by the policyholders. But of course the purpose of a demutualised company is to make a profit. If Handelsbanken Liv had not made this allocation of SEK 229m, it is estimated that the result for 2003 would have been a surplus of some SEK 125m. This is assuming that share prices and interest rates are unchanged until the end of the year. The assessment

remains that with annual return of between 6% and 6.5%, Handelsbanken Liv's contribution to the Group's profits will be between SEK 150m and 200m.

The Bank views the fact that Handelsbanken Liv has opted to contribute extra capital as a market investment.

"More satisfied customers are a condition for better growth. We expect that even more people will now realise the benefits of Handelsbanken Liv's model, which implies increased security and increased fairness for the policyholders," says Lars O Grönstedt.

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