

ANNUAL REPORT 1996



Svenska Handelsbanken

THE ANNUAL GENERAL MEETING OF SVENSKA HANDELSBANKEN

will be held at the *Grand Hôtel's Winter Garden*, Royal entrance, Stallgatan 4, Stockholm, at 10 a.m. on Tuesday, 22 April 1997.

Dividend

The Board of Directors recommends that the record day for the dividend be Friday, 25 April 1997.

The Swedish Securities Register (Värdepapperscentralen VPC AB) expects to be able to send the dividend to shareholders on Monday, 5 May 1997.

Publication date for interim reports

January – March	21 April 1997
January – June	19 August 1997
January – September	28 October 1997

HANDELSBANKEN HIGHLIGHTS	2
THE GROUP CHIEF EXECUTIVE'S COMMENTS	4
OBJECTIVES, POLICY AND ORGANISATION	10
Objectives and principles	10
Policy	10
Organisation	10
Our staff	12
Branches in Sweden	14
Regional Head Offices in Sweden	16
Svenska Handelsbanken International	18
Central Head Office and Subsidiaries	20
Board of Directors	22
Senior Management	24
Auditors	24
REVIEW OF OPERATIONS	25
Lending	25
Deposits	26
Payments	26
Card services	27
Property finance	27
Finance company operations	28
Pensions savings/Life assurance	29
The global markets	30
Nordic bank operations	34
Outside the Nordic countries	34
Fastighets AB Närkebro	35
IT developments	35
The Bank and the environment	36
DIRECTORS' REPORT	38
Objective	38
A tightly-knit universal bank	38
Total assets	38
Capital ratio	38
Rating	39
Result and profitability	39
Loan losses and credit risks	41
Financial risks	42
Competent staff	45
Oktogonen	45
Acquisition of Stadshypotek	46
PROFIT AND LOSS ACCOUNTS AND BALANCE SHEETS	48
Accounting principles	50
Notes	52
RECOMMENDATION FOR DISTRIBUTION OF PROFITS	68
REPORT OF THE AUDITORS	69
HANDELSBANKEN'S SHARES	70
Share price performance and dividend	70
Market capitalisation	70
The shares	70
The shareholders	71
PROFIT AND LOSS ACCOUNTS AND BALANCE SHEETS 1992-1996	72
ADDRESSES	74

HANDELSBANKEN
HIGHLIGHTS

THE GROUP CHIEF
EXECUTIVE'S
COMMENTS

OBJECTIVES,
POLICY AND
ORGANISATION

REVIEW OF
OPERATIONS

DIRECTORS'
REPORT

PROFIT AND LOSS
ACCOUNTS,
BALANCE SHEETS

RECOMMENDATION
FOR DISTRIBUTION
OF PROFITS
REPORT OF THE
AUDITORS

HANDELSBANKEN'S
SHARES
PROFIT AND LOSS
ACCOUNTS,
BALANCE SHEETS
1992-1996

ADDRESSES

SVENSKA HANDELSBANKEN HIGHLIGHTS

Performance for the Handelsbanken Group

	1996 SEK M	1995 SEK M	Change %
Interest income	39 942	39 886	0
Leasing income	1 227	1 097	+ 12
Interest expense	- 30 798	- 31 368	- 2
Commission, net	2 628	2 366	+ 11
Net result on financial operations	2 114	1 574	+ 34
Other income	397	754	- 47
Total operating income	15 510	14 309	+ 8
Personnel expenses	3 477	3 413	+ 2
Other expenses	3 515	3 459	+ 2*
Total expenses	6 992	6 872	+ 2*
Profit before loan losses	8 518	7 437	+ 15
Loan losses	1 799	2 392	- 25
Operating profit	6 719	5 045	+ 33
Net interest income	9 410	8 744	+ 8
Total assets	571 123	506 554	+ 13
Number of employees	7 398	7 395	0
Number of branches in Sweden	480	488	
Number of branches in other Nordic countries	24	19	

* Excluding leasing depreciation other expenses decrease by 1% and total expenses are unchanged.

DEFINITIONS

ADJUSTED SHAREHOLDERS' EQUITY PER ORDINARY 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 are calculated at current redemption value.

BAD DEBTS. A non-performing loan, or a loan where other circumstances lead to doubt concerning its value and where the value of the collateral does not cover the principal amount and the accrued interest by a satisfactory margin. Net bad debts are bad debts minus the reserve for possible loan losses.

BAD DEBT RESERVE RATIO. Reserve 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% (1992-1994 70%) of untaxed reserves in the parent company. Tier 2 capital includes subordinated loans with some reduction when the residual maturity is under five years. This part of the supplementary capital may not exceed 50% of tier 1 capital. With specific permission from the Government or, following authorisation by the Government, from the 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 capital base is obtained by reducing the total of tier 1 and tier 2 capital by the book value of holdings in insurance and banking operations not included in the Consolidated Accounts.

CAPITAL RATIO. Capital ratio or the total capital ratio is the capital base in relation to risk-weighted volume. The Act on Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies stipulates that it should be at least 8%.

DIRECT YIELD. Dividend per ordinary share divided by the share price at year-end.

I/E RATIO. Total income in relation to total expenses - both adjusted for leasing depreciation according to plan. The I/E ratio is computed before and after loan losses incl. changes in value of property taken over.

INTEREST SPREAD. Difference between the average interest rate on all assets and the average interest rate on all liabilities.

LOAN LOSS RATIO. Loan losses and changes in value of property taken over as a percentage of the opening balance for the period for lending to the general public, lending to credit institutions (excl. banks), property taken over and credit guarantees.

NET EARNINGS PER ORDINARY SHARE. The result for the period after appropriations and tax divided by the number of ordinary shares. An adjustment has been made to take into account preference shares, index shares and full conversion of convertible subordinated notes.

NET INTEREST INCOME. Interest income and leasing income minus interest expense and leasing depreciation according to plan.

NET INTEREST MARGIN. Net interest income as a ratio of average total assets.

NON-PERFORMING LOANS. Loans where interest, repayments or overdrafts have been due for payment for more than 60 days.

OPERATING PROFIT/LOSS PER ORDINARY SHARE.

Operating profit/loss after deduction of minority interest and after standard notional tax (30% 1992-93, 28% 1994-96) divided by the number of ordinary shares. An adjustment has been made to take into account preference shares, index shares and full conversion of convertible subordinated notes.

P/E RATIO. The share price at year-end divided by net earnings per ordinary share.

PROBLEM LOANS. The total of bad debts (net) and reduced rate loans.

PROFITABILITY. See Return on equity.

PROPORTION OF BAD DEBTS. Bad debts (net) in relation to total lending to the general public and credit institutions (excl. banks), and leasing assets.

REDUCED RATE LOANS. Loans for which the interest rate has been reduced relative to market rates.

RETURN ON EQUITY. The result for the period after appropriations and tax in relation to average shareholders' equity adjusted for the rights issue, dividend and also including minority interest.

RETURN ON TOTAL ASSETS. Operating profit/loss 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.)

Key figures for the Handelsbanken Group

	1992	1993	1994	1995	1996
Profit before loan losses, SEK M	7 259	7 525	6 916	7 437	8 518
Loan losses, SEK M	7 999	6 801	2 809	2 392	1 799
Operating profit/loss, SEK M	- 740	724	4 107	5 045	6 719
Total assets, SEK M	393 210	399 189	405 852	506 554	571 123
Shareholders' equity, SEK M	17 089	20 802	22 771	25 955	27 557
Return on shareholders' equity, %	- 2.9	5.1	10.9	14.9	19.8
Income/expenses ratio before loan losses	2.37	2.40	2.21	2.24	2.41
Income/expenses ratio after loan losses	0.94	1.06	1.48	1.60	1.86
Interest spread, %	1.76	1.93	1.82	1.42	1.39
Net interest margin, %	2.17	2.22	2.09	1.74	1.64
Loan loss ratio, %	2.5	2.2	1.0	0.8	0.6
Bad debt reserve ratio, %	37.3	45.6	51.6	61.0	65.2
Proportion of bad debts, %	3.3	3.1	1.8	1.1	0.8
Capital ratio, %	10.1	12.6	13.7	14.2	12.2
Tier 1 capital ratio, %	6.8	8.4	9.3	10.3	10.0
Return on total assets, %	- 0.19	0.18	1.00	1.01	1.20
Operating profit/loss per Ordinary Share, SEK	- 2.27	2.44	12.41	15.36	20.25
Net earnings per Ordinary Share, SEK	- 2.30	4.38	10.14	15.38	21.32
Dividend per Ordinary Share, SEK	0.00	2.00	3.00	3.75	5.00
Adjusted shareholders' equity per Ordinary Share, SEK	82.20	88.83	96.72	110.03	114.47
Adjusted share price, Ordinary A, on 31 Dec, SEK	23	106	92	129	196
Average number of employees	7 370	7 040	7 101	7 395	7 398
Number of branches in Sweden, 31 Dec	487	485	487	488	480
Number of branches in other Nordic countries, 31 Dec	8	9	11	19	24

Key figures for 1992–94 are not adjusted for changes in accounting principles and reclassifications made in 1996.

See Accounting Principles, page 50, and figures covering 5 years on page 72.

The share price 1992–95 has been recalculated to take into account the distribution of Näckebro.

Dividend 1996 in accordance with the Board's recommendation.

See also Key figures per share, page 71, and Profit and Loss Accounts and Balance Sheets, pages 48–49.

THE GROUP CHIEF EXECUTIVE'S COMMENTS

The Handelsbanken Group has continued to be successful in spite of increased competition and a poor volume trend in the market.

The Bank's operating profit for 1996 is the best in its 125-year history.

As a result of the takeover of the mortgage company Stadshypotek, Handelsbanken has concluded the first major structural deal in Swedish banking and also the biggest cash transaction to date in Sweden.

In Sweden, 1996 was characterised by speculation about structural changes in the financial sector. This was due to increased competition and a poor volume trend in the market as a whole. In this environment, the Handelsbanken Group managed – using its own resources – to continue its successes in the market in practically all product areas. On the household side, Handelsbanken was the only major bank which increased its share of the market for both deposits and lending. This shows the strength of our branch office network.

We were also very successful in investment banking. For the first time ever, we became the largest participant on the Stockholm Stock Exchange. 1996 – the year of structural change speculation in Sweden – finished with Handelsbanken succeeding in concluding the first major structural deal in Sweden as a result of the acquisition of Stadshypotek. This deal worth SEK 23 billion is the largest cash transaction ever in Sweden and one of the ten largest corporate deals in Europe during 1996. Once again, the financial periodical Euromoney judged Handelsbanken best bank in Sweden. We have received this distinction every year since it was inaugurated in 1993.

Large rise in profits – no rise in expenses

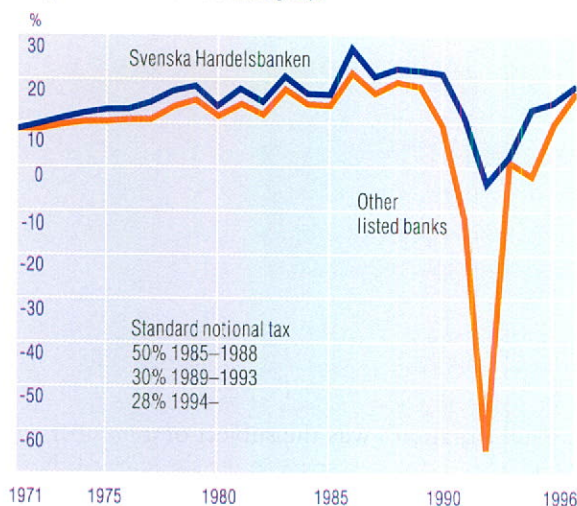
The Handelsbanken Group's profits increased during 1996 by 33% to SEK 6.7 billion – the largest profit in the Bank's 125-year history. It is particularly gratifying that we did not increase our operating expenses at all during 1996.

It is essential for us to defend our position as the most cost-effective universal bank in the Nordic countries – and perhaps also in Europe. In the future, higher cost effectiveness will be the most important path to better profitability than that of our competitors.

Our profits of SEK 6.7 billion mean that our return on shareholders' equity was 20%, which must be regarded as very good when the rate of inflation is less than 1%. It implies a real return on equity of 19%. Only once before – as far as we can go back – have we had a real return on equity higher than this year's. Our result also means that for the twenty-fifth year running, we have achieved our goal – better return on shareholders' equity than a weighted average of the other listed commercial banks.

Return on shareholders' equity after tax

Comparison between Swedish bank groups



Cost effectiveness of some Nordic banking groups, 31 December 1996

	Income/ expenses ¹⁾	Expenses ¹⁾ expressed as a percentage of total assets
Handelsbanken (S)	2.4	1.2
Nordbanken (S)	2.2	2.0
Sparbanken Sverige (S)	1.8	1.8
S-E-Banken (S)	1.7	1.9
Den Danske Bank (DK)	1.6	1.5 ²⁾
Den norske Bank (N)	1.5	2.4
Christiania Bank (DK)	1.5	2.1
Unidanmark (DK)	1.4	2.2 ²⁾
Merita (FIN)	1.4	2.5
Average excl. Handelsbanken	1.5	2.0

1) Excl. loan losses

2) Adjusted to Swedish accounting principles



Arne Mårtensson

Capital strength decisive in Stadshypotek deal

During the year, Handelsbanken's "too-strong capital situation" was the subject of a number of articles in the newspapers. At the start of the 1990s, the Svenska Handelsbanken Group shareholders' equity was 30% less than the bank with the highest amount. At the end of 1996, our shareholders' equity was 30% larger than that of any other Swedish bank. The Bank should pay back capital to its shareholders, said the newspapers. In my opinion, this argument had its points. Especially for a group which has high return on shareholders' equity as an express goal of its corporate policy, there is no reason to work with too much equity in the long-run. At the same time, we did not want to pay back equity to our shareholders too early. We were aware, after all, that a number of structural changes would take place in the Swedish bank market. The Handelsbanken Group's opportunity to participate in these was, of course, enhanced if its capital situation was strong. Thus, the decision to retain our "too-strong capital situation" during 1996 was a conscious choice. It gave us the freedom of action which no other company in the Swedish financial sector had. In the end, it was our capital strength which was decisive.

We were the only bank in Sweden which could buy Stadshypotek for cash, something which was appreciated by the Government.

It was apparent at an early stage in 1996 that the government would sell its holding in Stadshypotek towards the end of the year. We therefore analysed this and other alternatives during the whole of 1996. We concluded that an acquisition of Stadshypotek would be an interesting alternative for Handelsbanken and its shareholders.

In the days of regulation – before the mid-1980s – Handelsbanken and other Swedish banks worked closely together with Stadshypotek. This meant that to a large extent the banks placed their customers' mortgage loans with Stadshypotek. This is also the reason why around one-third of Stadshypotek's customers are also customers of Handelsbanken.

After deregulation, the banks instead concentrated on having their own mortgage institutions. This meant that Stadshypotek gradually had to manage without the sales channels which the country's bank branches had previously constituted. In recent years, Stadshypotek – with only 40 branches around Sweden – has found it difficult to defend its position in the market, particularly on the household side.



For each individual customer the overall responsibility rests with the customer's branch.

By merging with Handelsbanken, Stadshypotek will again have access to a large branch network selling Stadshypotek's products. So far, Handelsbanken's 500 branches have been very successful in selling mortgage loans for the Bank's mortgage company, Handelsbanken Hypotek. During 1996, Handelsbanken Hypotek increased its share of the household mortgage market from 10.8% to 11.5%.

It is our firm opinion that the best way to handle loans is via a large branch office network

with skilled staff. This was also confirmed during the financial crisis. For Stadshypotek, however, it was never a realistic alternative to develop a similar network. It would have been far too expensive. So they had to choose other methods, such as very centralised advertising campaigns. Now they will have access to – as we believe – the best branch office network in the country. For Handelsbanken, the deal implies a significant increase in business for our branch offices. It leads to more than doubled Swedish kronor lending for the Handelsbanken Group. An important task during the next few years will be to take such good care of Stadshypotek's customers that as many as possible of them keep their loans with us and move their other banking business to us if they are not already customers.

Handelsbanken's purchase of Stadshypotek represents a significant reinforcement of the Bank's position in the Swedish lending market, but not a change of strategy. Our drive in the other Nordic countries, which started in 1990 when we acquired Oslo Handelsbank, is continuing. Our determined efforts to strengthen the Group's position in investment banking and trading which commenced in 1994 when we formed Handelsbanken Markets, are also continuing. Our life insurance drive which started seriously in 1992 when we bought RKA – now Handelsbanken Liv – is also proceeding according to plan.

Markets

The formation of Handelsbanken Markets in 1994 meant the start of a concerted effort to improve the Group's position in the field of investment banking and trading. At present, 1 100 of the Group's 7 400 employees work at Markets which has operations in 10 countries. During the year, our operations in the other Nordic countries expanded substantially. Markets now offers a comprehensive range of products, research and advisory services in our Nordic domestic market.

As a result of Markets, we have succeeded in increasing our impact. During the year, we saw various evidence of this. For example, two leading periodicals Foreign Exchange & Money Markets and Corporate Finance (Euromoney) appointed us the world's best traders in Scandinavian currencies. These assessments are based on information from important currency trading clients. It is the first time ever we have had the highest rating in this field. 1996 was also a



The trading department at Handelsbanken in Copenhagen.

highly successful year on the equity markets for Handelsbanken. In 1993 – the year before Markets was formed – we were only the fourth largest participant on the Stockholm Stock Exchange. In 1994, we were third largest, in 1995 in second place and in 1996 the clear winner. In January 1997, according to a survey by the Danish Investor Relations Association, Handelsbanken in Copenhagen was appointed best broker in Denmark for analysis of Danish listed companies. This reflects the systematic work which has gone into gradually improving our position in the equity markets.

Handelsbanken Markets' mutual funds operations were also successful. Handelsbanken's Småbolagsfond (Small Cap) fund was the best Swedish mutual fund in 1996 with a rise of 68% and in a five-year perspective, Handelsbanken's Reavinstfond (Capital Gains) has been the best fund in Sweden increasing in value by 324%.

The formation of Handelsbanken Markets implied a determined effort to strengthen our positions in the fields of investment banking and trading. We also aim for Markets to be an integral part of the Handelsbanken Group with the restrictions in the form of "Chinese walls" which must always exist between the various parts of a universal bank in terms of information. Through close co-operation between Markets and our

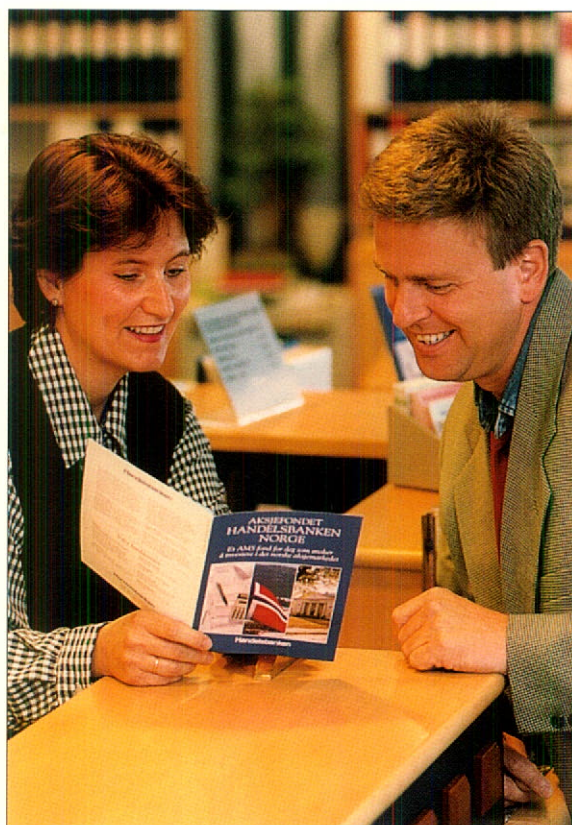
branch offices, we can achieve better results for our customers. Our strong position in the market for capital-protected equity notes is a clear example of how we have progressed further than most other banks. In 1996, our market share for capital-protected equity notes was 54%. This is a product which was designed by Markets but which is sold by our branches. It combines the opportunity for profit of an equity investment with the small risk of a bond investment.

The Nordic area

As mentioned above, our long-term aim to expand operations in the other Nordic countries is not affected by the acquisition of Stadshypotek.

During 1996, six new branches were opened in the Nordic countries outside Sweden. In Norway, we started up in Bergen and Skårer, in Finland in Tornio and Jakobstad. We have also opened another branch in Helsinki called Helsinki Kampen.

In Denmark, we started our first street-level branch during 1996. Previously, we had only done business with companies there. We now expanded our range to services for private customers. Denmark became the first country where the Bank's private customers can do their transactions from a PC. We now have 120 staff in Denmark and complete universal banking opera-



There are now thirteen branches of Handelsbanken in Norway.

tions. This was a crucial step in our Nordic drive – we now have complete universal banking operations in all the Nordic countries. In Norway – where we started first – we now have 13 branches and 260 staff. For the second year running, the periodical *Euromoney* appointed Handelsbanken the best foreign bank in Norway. In Finland – where we made a large acquisition in 1995 – we have 330 employees, some ten branches and the fourth largest bank-owned finance company in the country.

In 1996, a great deal of work went into taking care of the Finnish acquisitions we had made in 1995. At that time we acquired the healthy parts of ex-Skopbank and Skop-finans/Aktiiviraha from the Finnish Government. This – combined with our own decision to start a number of branches around the country – has led to us attaining a strong position in the Finnish market within a short period of time.

At Handelsbanken Finans – which in 1996 had its best ever result – work continued on developing our Nordic finance company services. For example, consumer finance and leasing were started in Denmark during the year. Handels-

banken is today the only bank which can offer a broad range of locally-adapted finance company services in all the Nordic countries.

The operations which we conduct in the other Nordic countries have now reached a size where they can grow from their own momentum. They are sufficiently large to be an attractive workplace for skilled banking staff and for our customers to understand that our presence in these countries is serious and long-term.

Today it is the done thing for Nordic banks to expand to the other countries in the region. Our drive is unique in that we were five years before all the others and that we have also focused on complete universal banking operations outside the Nordic capitals.

By starting so early, we were able to set up substantial banking operations in the midst of the financial crisis – when our competitors were temporarily weakened. Today it would be much more expensive and more difficult to try to do all this from scratch.

Handelsbanken has had a representative office in Moscow ever since the mid-1970s. In 1995, we started an office in Tallinn, Estonia, which covers the Baltic countries. During 1996, we decided to open a representative office in Warsaw. Thus, we now cover all the countries round the Baltic Sea.

Life insurance

Since we bought ex-RKA in 1992, we have put a great deal of resources into teaching our organisation to sell life insurance. This has been a long, sometimes arduous process.

1996 was the breakthrough year. We doubled our premium volume to SEK 2.4 billion. Our share of new sales for traditional life insurance was just over 15%. This put us in fourth place among the life insurance companies in Sweden.

In 1997, for the first time, our life insurance products will be available via all our branch office computer terminals. This is a crucial step in making insurance a natural part of the individual branch's range of products.

Stadshypotek – a challenge

During 1996, Moody's raised Handelsbanken's credit rating to Aa3. No other Swedish bank had Aa during 1996. Only just over half of the 30 largest universal banks in Europe have an Aa rating or higher.

In spite of a fall in the Bank's capital ratio in connection with the acquisition of Stadshypotek,



The holders of 99% of the shares in Stadshypotek accepted the offer to sell their shares to Handelsbanken.

all the major rating agencies have announced that Handelsbanken will retain its high rating.

So how good is the Stadshypotek deal for Handelsbanken? We will not be able to answer this question for a few years. It is impossible to say at present. It depends to a high degree on how well the Handelsbanken organisation takes care of Stadshypotek and its customers during the next few years.

If we do it properly, it will be an excellent deal. If we make a bad job of it, the result will be worse. During the next few years, we will do our utmost to look after Stadshypotek and its

customers well. I know what the Handelsbanken organisation can achieve when it is put to the test. I am therefore optimistic about our possibility of turning the Stadshypotek acquisition into a really good deal which reinforces our domestic market position in a way which is attractive in the long term.

Finally I would like to thank the staff of Handelsbanken for their great efforts during the year. It is thanks to you that for the twenty-fifth year running we have achieved our goal – better return on equity than the average for the other listed banks.

Stockholm, February 1997

ARNE MÅRTENSSON

OBJECTIVES, POLICY AND ORGANISATION

OBJECTIVES AND PRINCIPLES

Handelsbanken's overall objective is to have a higher profitability than a weighted average of other listed Swedish and Norwegian banks.

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

Profitability must always be given higher priority than volume. When granting credits, this also means that we must never neglect the quality of our loan portfolio in favour of a large lending volume.

It is intended that higher profitability should benefit the shareholders via a higher dividend growth than the average for other Swedish banks.

We aim to have more satisfied customers than other banks.

We seek to employ young, well-educated staff and train them within the Group. As far as possible, managers should be recruited internally.

We aim to work in such a way that we are of benefit to our customers, the Bank itself and society as a whole.

We must work within the formal and ethical framework which applies to banking operations and take into account our responsibility for the environment.

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 a fundamental corporate policy which is deeply rooted throughout the entire Group and an efficient financial control system.

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

For each individual customer there is an overall responsibility at one place in the Group, as close to the customer as possible – at the customer's branch. Responsibility for providing the customer with expert and co-ordinated services

from all units in the Handelsbanken Group lies there, as does the responsibility for all loans held in the Group by individuals, companies or groups of companies. There too lies the responsibility for profitability within the Group for our overall business relationship with the customer.

This also means that the responsibility for the Group's marketing is held by the individual branch. We have no central marketing departments, we make no central marketing plans and we do not control the branches' marketing activities by giving central priority to customer categories or product areas. Product campaigns are rare. For many years, Handelsbanken has consistently and successfully applied and developed this basic concept. It has proved to work flexibly and efficiently during major changes in the environment in which we work.

• Universal bank

Handelsbanken aims to be a universal bank, i.e. we should cover the entire banking area – traditional corporate transactions, investment banking and trading, as well as consumer banking including life assurance.

• Growth in the Nordic countries

Today, Handelsbanken is strong in the Swedish market. With almost 500 branches we cover Sweden better than any other commercial bank.

Our policy for growth is to establish universal banking operations in the Nordic countries. We regard Norway, Denmark and Finland as natural domestic markets where we can apply Handelsbanken's experience in running profitable universal banking operations.

With our network of units located outside the Nordic countries, we are also able to provide our Nordic customers with first-class service in other parts of the world and to do Nordic-related business with international customers.

ORGANISATION

Handelsbanken's organisation is aimed 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 combined unit concentrating on the individual customer and with the individual bank branch at the forefront.

The Handelsbanken Group's organisation



OUR STAFF

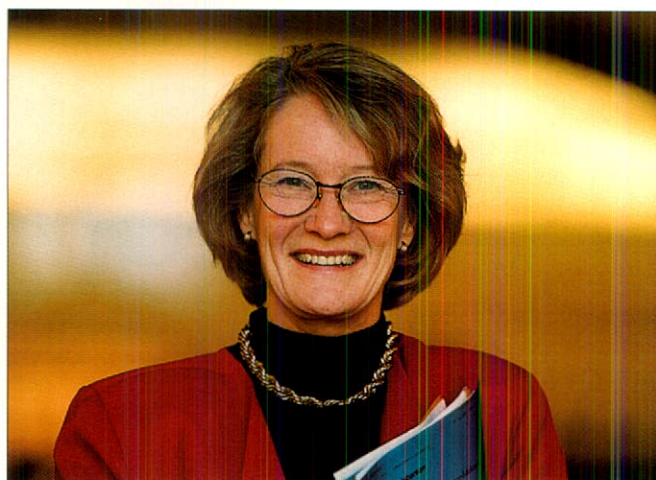
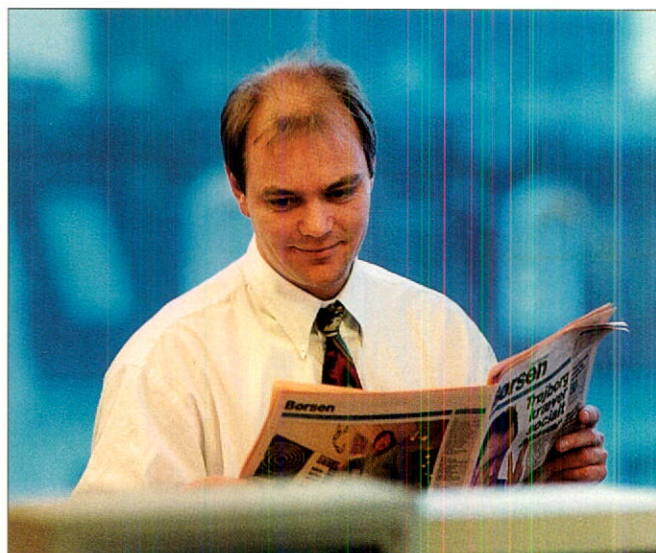
Many companies, especially those in the service sector, stress that the company's employees are its most important asset. This is particularly true of a company which is as strongly decentralised as Handelsbanken.

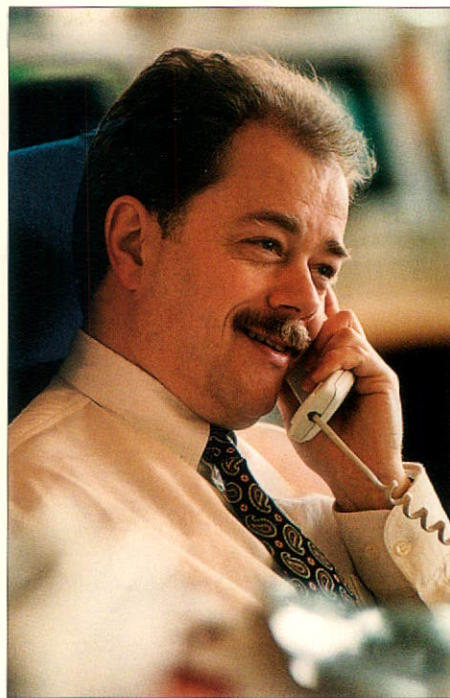
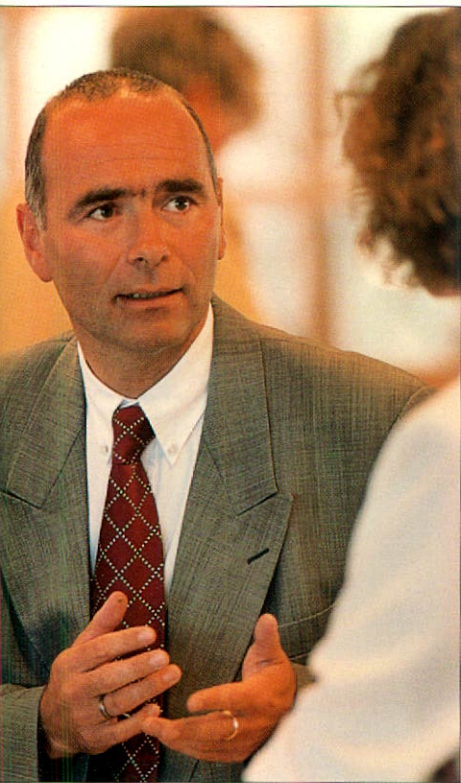
Handelsbanken's basic philosophy, which focuses on the customer's requirements, demands of every employee an interest in the customer's circumstances and an overview of the Group's range of services. This makes demands that are different from the traditional sale of products. We must make sure that we have employees and managers who understand and agree with Handelsbanken's basic philosophy and who are able to meet its demands.

For this reason, the Bank considers it very important that the right staff and managers are recruited. In this context, mention should be made of ever-increasing requirements and refined selection methods for recruiting new employees; a comprehensive programme for skills development in the banking profession; a well-tryed system for annual appraisals for all staff in the Group; individual development plans for employees who are interested in and suitable for advancement within the Group; and an advanced programme for manager development. Almost all training is carried out within the Bank and 90% of all managers are recruited through internal promotion.

A means of motivation for Handelsbanken's staff, which has become more and more important over the years, is the Bank's profit-sharing system which was formed in 1973. The funds which have been allocated since then are managed on behalf of the employees by the Oktogonen Foundation. From 1995 the profit-sharing system also includes Handelsbanken's staff in Norway. See also page 45.

However, we think that the most important source of motivation and personal development can be found in the decentralised customer and profit responsibility itself. The Bank lays great emphasis on always keeping this basic philosophy alive in its daily work and making sure that it is applied in all activities.





BRANCHES IN SWEDEN

During 1996, 8 branches were closed: Gävle Söder, Göteborg Lilla Torget, Malmö Baltzarsgatan, Malmö Drottning-torget, Morgongåva, Ruda, Sollerön and Stockholm Högalid. Operations were transferred to nearby branches.

At the end of the year, there were 480 branches in Sweden.



B. Tornevall Fotografil AB



Göteborg

Almedal	Högsbo
Avenyn	Kortedala
Backa Ringön	Landala
Brunnsgatan	Lilla Bommen
City	Majorna
Friskvåderstorget	Marieholm
Frölunda	Odinsgatan
Första Långgatan	Sisjön
Gårda	Volvo PVB
Hisings Kärra	Vägmästareplatsen
Hjällbo	Örgryte

Malmö

Amiralsgatan
City
Dalaplan
Fosie
Fridhem
Köpenhamnsvägen
Lantmannagatan
Limhamn
Lundavägen
Nydala
Triangeln
Värnhem



The map shows branches at 31 March 1997.



Kristina Eriksson

Stockholm

Central Sweden

Axelsberg	Hökarängen	Tyresö
Blackeberg	Jakobsberg	Ulvunda
Brommaplan	Johanneshov	Vällingby
Dalarö	Kungsholmstorg	Vårdö
Farsta	Kungsängen	Västertorp
Fleminggatan	Käratorp	Årsta PC
Forum Nacka	Marieberg	Älvsjö
Fridhemsplan	Marievik	Äppelviken
Globen	Renstiernas Gata	
Götgatsbacken	Saltsjö-Boo	
Hallunda	S:t Eriksgatan	
Haninge Centrum	Skanstull	
Hornsberg	Skärholmen	
Hornsgatan	Sköndal	
Hornstull	Spånga	
Huddinge	Stuvsta	
Hässelby Gård	Trångsund	
Högdalen	Tullinge	

Stockholm City:

Akalla	Lidingö	Sky City
Birger Jarlsgatan	- Baggeby	Solentuna
Djursholm	- Brevik	Solna Centrum
Erik Dahlbergsgatan	- Centrum	Strandvägen
Frihamnen	- Larsberg	Stureplan
Fältöversten	- Nässet	Sundbyberg
Gamla Stan	Märsta	Sveavägen
Gustav Adolfs Torg	Mörby Centrum	Täby Centrum
Hallonbergen	Normalmstorg	Upplandsgratan
Hamngatan	Norrstull	Upplands Väsby
Humlegården	Nybrogatan	Vallentuna
Hötorgsplan	Näsby Park	Vanadisplan
Karlavagnen	Odengatan	Vasagatan
Kista	Odenplan	Vreten
Kungsgatan	Rotebro	Värtavägen
Kungsträdgården	S:t Eriksplan	Åkersberga
	Sergels Torg	Östermalmstorg
	Sigtuna	Östra Station

REGIONAL HEAD OFFICES IN SWEDEN

The Swedish branch network is organised in seven regional banks. Branch Managers report directly to the Head of the Regional Bank.

At the Regional Head Office there are specialists to support the work of the branch offices. How they are organised varies depending on the local conditions, but the following functions exist at all regional banks: Regional Area

Managers, specialists for credits, international business, payments, investment and legal matters; there are also internal functions for finance and control, administration, personnel and auditing.

The map shows the regional banks together with their Boards.



Great Shots

SOUTHERN NORRLAND

BOARD:

LARS ÖSTHOLM, Sandviken, *Chairman*
OVE ANONSEN, Gävle
ULF BERGKVIST, Insjön
GUNNAR HAGLUND, Söderhamn
JAN LARSSON, Gävle (E)
ÅKE RYDÉN, Sveg
LENNART ZEDENDAHL, Borlänge
GÖTHE ÖSTLUND, Mora
HÅKAN SANDBERG, Head of Regional Bank



Great Shots

WESTERN SWEDEN

BOARD:

JAN CARLSTEIN, Hovås, *Chairman*
BENGT BENGTSOON, Hovås
THOMAS DAFGÅRD, Källby
LARS LINDFELT, Hovås
ANDERS LÖFBERG, Karlstad
MARTIN ORRBECK, Mölndal
ANDERS SJÖBERG, Romelanda
ANDERS WIKING, Trollhättan (E)
M JOHAN WIDERBERG, Head of Regional Bank

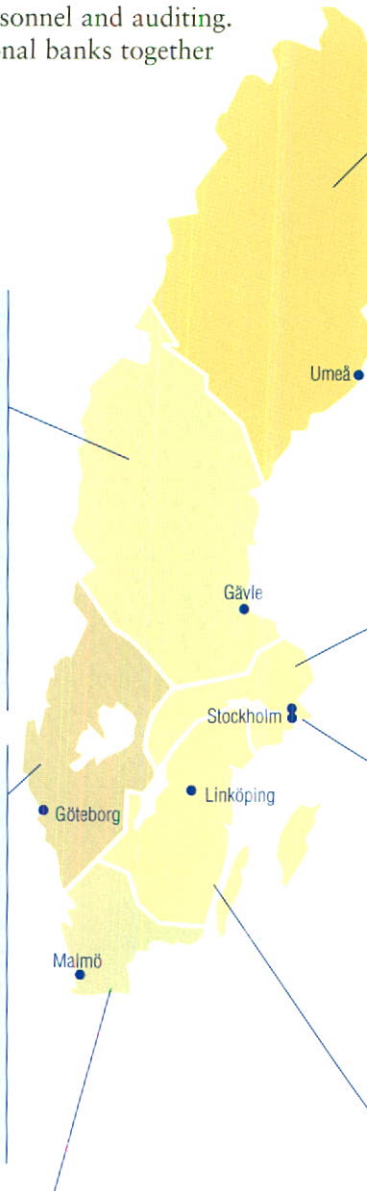


Great Shots

SOUTHERN SWEDEN

BOARD:

SVEN-ERIC HERSVALL, Malmö, *Chairman*
ROLAND BENGTSOON, Viken
ROLF BÖRJESSON, Malmö
JAN EKBERG, Åhus
DAG IVARSSON, Osby
KURT J JOHANSSON, Sölvesborg
SVEN OHLSSON, Skanör
MIKAEL ROOS, Malmö
ANN-CHRESTIN SAEDÉN-NILSSON, Blentarp (E)
BJÖRN BÖRJESSON, Head of Regional Bank



NORTHERN NORRLAND

BOARD:

DONALD JOHANSSON,
Älvsbyn, *Chairman*
BJÖRN FRANKLIN, Lycksele
INGER HILLER, Luleå (E)
BENGT-OVE HÖGSTRÖM, Härnösand
KJELL-ARNE LINDBÄCK, Skellefteå
STEFAN NILSSON, Head of
Regional Bank

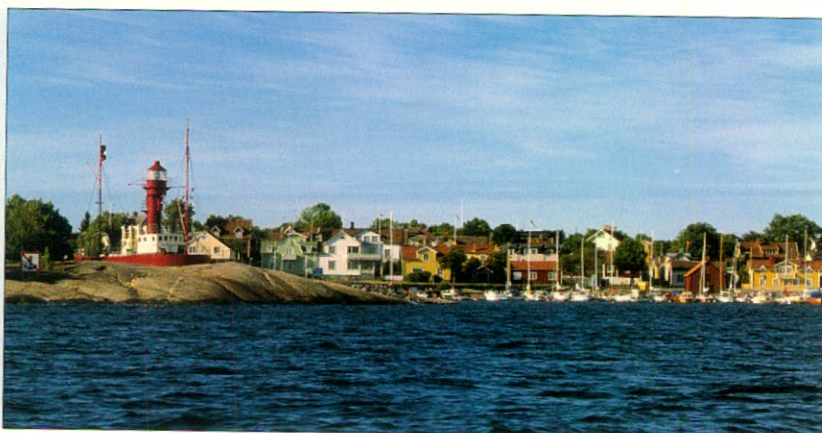


Great Shots

CENTRAL SWEDEN

BOARD:

PER SORTE,
Saltsjöbaden, *Chairman*
ESKIL FLORVALL, Saltsjöbaden
CARL-HUGO HAMILTON, Hjortkvarn
JURGEN KLEFELT, Stockholm (E)
GUSTAV OHLSSON, Västerås
ALLAN PETTERSSON, Huddinge
OLOF G WIKSTRÖM, Örebro
CURT KÄLLSTRÖMER, Head of
Regional Bank



Great Shots

STOCKHOLM CITY

BOARD:

ÅKE RIETZ,
Stockholm, *Chairman*
JAN BLOMBERG, Stockholm
ULRIKA BOËTHIUS, Stockholm (E)
CARL-OLOF BY, Saltsjöbaden
GÖRAN LARSSON, Stockholm
GÖRAN NORD, Bromma
LENNART SVENSSON, Stockholm
HANS CHRISTOFFERSON, Head of
Regional Bank

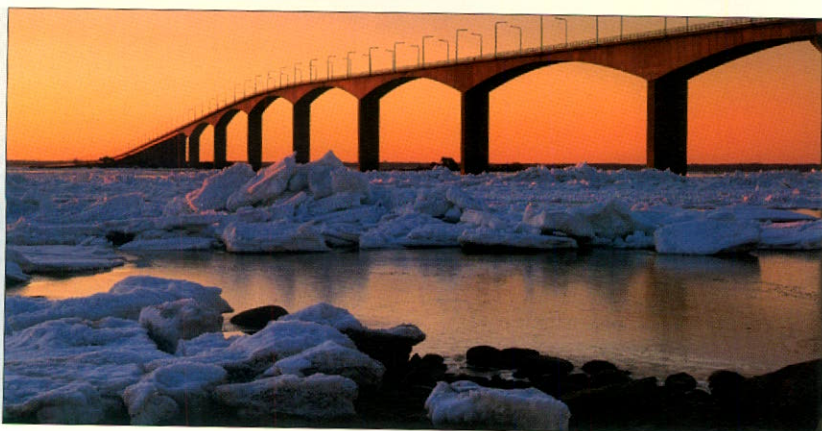


Trefoto

EASTERN SWEDEN

BOARD:

ANDERS HULTMAN,
Växjö, *Chairman*
LENNART BOHLIN, Linköping
JAN CEDWALL, Nyköping
HÅKAN HALLIN, Borensberg (E)
PER JÄRNLAND, Norrahammar
JAN-ERIC NILSSON, Visby
KENNETH STÅHL, Jönköping
KENNETH SYNNERSTEN, Västerås
HANS-OLOF HARRISON, Head of
Regional Bank



Great Shots

(E) = Employee representative

SVENSKA HANDELSBANKEN INTERNATIONAL

Svenska Handelsbanken International has its head office in Stockholm. Head of the Regional Bank is **MAGNUS UGGLA**.

This Regional Bank comprises Handelsbanken's units outside Sweden. It is represented in the Nordic countries, the rest of Europe, Asia and the USA.

Operations are co-ordinated from the Regional Head Office in Stockholm, which has in general the same tasks and organisation as the Swedish Regional Head Offices.

Operations at the branches in the Nordic countries are as far as possible conducted in the same way as at Swedish branches.

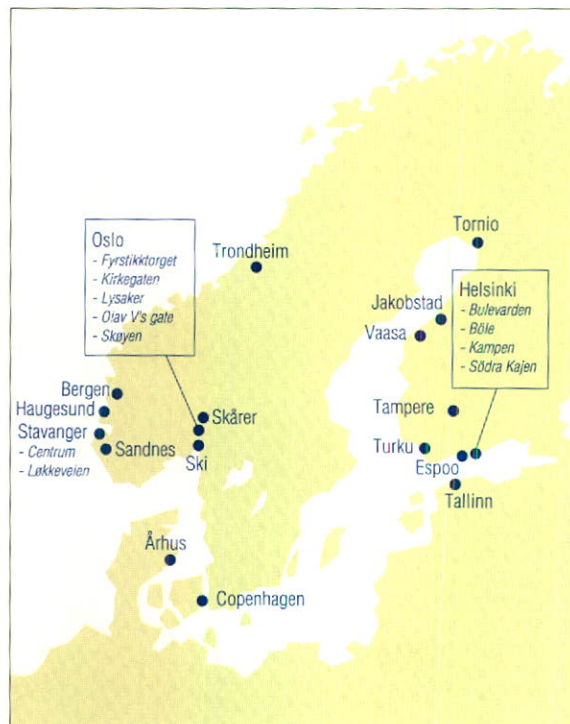
In Finland, three branch offices were opened in 1996 – Helsinki Kampen, Tornio and Jakobstad. This makes a total of 10 branches.

Two branches were opened in Norway – Bergen and Skårer. This makes a total of 13 branches.

In Denmark, the first street-level branch was opened – Copenhagen City. The Bank is also represented in Århus via its subsidiary Nordan.

The units outside the Nordic region concentrate mainly on Nordic companies operating abroad and non-Nordic companies with operations in the Nordic countries. Private services for Nordic citizens residing abroad are also offered via Handelsbanken in Luxembourg and London.

It has been decided to start a representative office in Warsaw, Poland.



Tony Stone





Tornio

Lehtikuvu Oy



Warsaw

Great Shots



Outside Sweden,
Handelsbanken Markets has
operations in Oslo, Helsinki,
Copenhagen, Luxembourg,
London, Paris, New York,
Singapore and Hong Kong.

Great Shots



Tallinn

THE CENTRAL HEAD OFFICE

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

Handelsbanken's buildings on Blasieholmen in central Stockholm.



Megapixel



ADMINISTRATION DEPARTMENT

Head:

JANITA THÖRNER-LEHRMARK

Responsible for investments in premises, machinery and equipment, and for purchasing, archive, telephone, security, insurance and environmental issues. Manages the Bank's properties and is responsible for building and premises matters. Also in charge of the Head Office's distribution, mail and printing shop.

AUDITING DEPARTMENT

Head: **TORD JONEROT**

Overall responsibility for internal auditing within the Group.

Audits parent company and subsidiaries.

BUSINESS DEVELOPMENT

Head: **LARS O GRÖNSTEDT**

Responsible for development issues within the Group. Responsible for developing payment and cash management services, deposits and lending services, electronic services and branch office systems.

Also responsible for investments in computer systems.

CONTROL AND ACCOUNTING DEPARTMENT

Head: **SVEN GREVELIUS**

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

CORPORATE COMMUNICATIONS DEPARTMENT

Head: **LARS LINDMARK**

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

CREDIT DEPARTMENT

Head: **GÖRAN BJÖRLING**

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.



Great Shots

INFORMATION SYSTEMS DEPARTMENT

Head: GÖRAN ELVÄNG

Responsible for development, co-ordination, management and operation of the Group's computer systems, work stations, and communications network.

LEGAL DEPARTMENT

Head: LARS KINANDER

Has overall responsibility for legal matters in the Group. Provides legal support for all units within the Group.

HANDELSBANKEN MARKETS

Head: BJÖRN C ANDERSSON

Operations comprise corporate finance, debt capital markets, foreign exchange, money market and equities trading, mutual funds, asset management, correspondent banking, trade finance and economic research.

Handelsbanken Markets has operations in Stockholm, Göteborg, Malmö, Helsinki, Oslo, Copenhagen, Luxembourg, London, Paris, New York, Singapore and Hong Kong.

PERSONNEL DEPARTMENT

Head: BARBRO JOHANSSON

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, pension matters and the Bank's Conference Centre at Södergarn on Lidingö, near Stockholm.

TREASURY DEPARTMENT

Head: PEHR WISSÉN

Responsible for Group funding on Swedish and international capital markets. Manages investment bond portfolio. Overall responsibility for the Group's exposure to interest rate, foreign exchange, liquidity and equity price risks. Operates the internal bank and central bank clearing.

SUBSIDIARIES:

HANDELSBANKEN FINANS

Head: ULF RIESE

Offers leasing, hire purchase, finance collaboration with suppliers of investment assets, car finance and administration, factoring (with and without financing), debt collection and sales finance in collaboration with retailers. Has operations in Sweden, Norway, Finland and Denmark.

HANDELSBANKEN FONDER

Head: PETER ENGDAHL

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

HANDELSBANKEN HYPOTEK

Head: OLLE LINDSTRAND

Provides first-mortgage loans for single-family houses, second homes, shares in housing co-operatives, multi-family dwellings and office and commercial buildings.

HANDELSBANKEN LIV

Head: MAGNUS OHLSSON

Offers a complete range of life assurance products, such as individual pension insurance, occupational pensions scheme, group life insurance, unit-linked insurance, health and accident insurance and international capital insurance.

Since Handelsbanken acquired 99% of the shares in Stadshypotek in February 1997, this company is also part of the Handelsbanken Group.

BOARD OF DIRECTORS

At the Annual General Meeting on 23 April 1996, the Central Board of Directors was re-elected with the exception of Ms Barbro Lindegren who had declined re-election. Ms Lotty Bergström was elected a new member of the Board.

Mr Hans-Olof Harrison, Executive Vice President at Handelsbanken, succeeded Mr Curt Källströmer as Deputy Board Member.

Ten meetings of the Board were held in 1996.

Committees

Credit committee. This committee makes decisions on behalf of the Central Board of Directors on the majority of the credit matters which the Board has to determine and prepares matters which, because of their size or importance, must be presented to the whole Board. Ten meetings of the credit committee were held in 1996.

Members: Tom Hedelius, Chairman, Bo Rydin, Vice Chairman, Jan Ekman, Vice Chairman, Göran Björling, Lennart Claesson, Carl-Erik Feinsilber, Gunnar L Johansson, Hans Larsson, Olle Persson and Arne Mårtensson.

Deputy Members: Lotty Bergström and Roland Fahlin.

Board Members

TOM HEDELIUS, Chairman

* 1939, Stockholm
Member since 1977
Chairman of Bergman & Beving AB; Vice Chairman of AGA AB, AB Industrivärden, Telefon AB L M Ericsson; Director of SAS Sverige AB, Svenska Cellulosa AB SCA, AB Volvo
Shareholding: 8 800



BO RYDIN, Vice Chairman

* 1932, Stockholm
Member since 1973
Chairman of Svenska Cellulosa AB SCA, AB Industrivärden, Gränseverken; Vice Chairman of Skanska AB; Director of SAS Sverige AB, AB Scancem, IBM EMEA Board
Shareholding: 12 100



JAN EKMAN, Vice Chairman

* 1929, Lidingö
Member since 1976
Director of NCC AB, PLM AB, Ingka Holding B.V, Waste Management International plc, London, The Banking Advisory Group of International Finance Corp (IFC), Washington
Shareholding: 4 500



ARNE MÅRTENSSON

* 1951, President and Group Chief Executive Danderyd
Member since 1990
Chairman of Swedish Bankers' Association; Vice Chairman of Business Leadership Academy; Director of Mo och Domsjö AB, V&S Vin & Sprit AB, Royal Swedish Yachting Association, Council of World Economic Forum
Shareholding: 20 129



LOTTY BERGSTRÖM

* 1949, Ekerö
Member since 1996
Shareholding: 0



CARL-ERIK FEINSILBER

* 1931, Lidingö
Member since 1980
Director of AB Industrivärden, SSAB Svenskt Stål AB, AB Bonnierföretagen
Shareholding: 0



GUNNAR L JOHANSSON

* 1928, Göteborg
Member since 1987
Chairman of Wallenstam Byggnads AB, Kronans Droghandel AB; Vice Chairman of the Foundation for the Chalmers School of Technology; Director of BTL AB
Shareholding: 4 000



HANS LARSSON

* 1942, President of Nordstjärnan AB, Stockholm
Member since 1990
Chairman of BTL AB, AB Linjebuss; Director of AB Catena, Mo och Domsjö AB, NCC AB
Shareholding: 6 200



OLLE PERSSON

* 1935, Östersund
Member since 1989
Chairman of Bygget AB
Shareholding: 7 000



CLAS REUTERSKIÖLD

* 1939, President and CEO of AB Industrivärden, Danderyd
Member since 1994
Chairman of PLM AB; Director of AGA AB, Svenska Cellulosa AB SCA, Telefon AB L M Ericsson
Shareholding: 5 509

Election committee. Every year since 1988, the Central Board of Directors of Handelsbanken has appointed an election committee which nominates members of the Board and auditors before the Annual General Meeting.

Members: Tom Hedelius, Chairman, Jan Ekman, Carl-Erik Feinsilber, Gunnar L Johansson, Bo Rydin and Sven Ågrup.

Compensation committee. This committee reviews the Chairman's emoluments and benefits in accordance with his contract; it adjusts the salary and benefits of the Group Chief Executive in accordance with his contract; it also establishes the principles and overall policy for the salaries, benefits and pensions of the Executive Vice Presidents.

Members: Gunnar L Johansson, Chairman, Carl-Erik Feinsilber, Bo Rydin and Sven Ågrup.

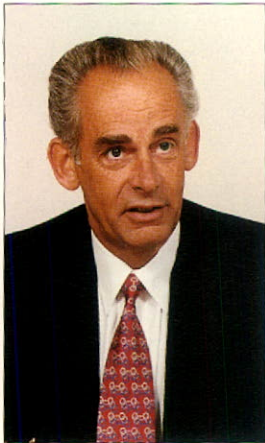
LENNART CLAESSON

* 1944, Nässjö
Member since 1985
Chairman of Oktogonen Foundation
Shareholding: 0



GÖRAN ENNERFELT

* 1940, President and Group CEO of Axel Johnson Group, Upplands Väsby
Member since 1985
Shareholding: 9 000



PER-OLOF ERIKSSON

* 1938, Sandviken
Member since 1986
Chairman of Svenska Kraftnät; Director of Assa Abloy AB, AB Custos, Preem Petroleum AB, Sandvik AB, Skanska AB, AB SKF, SSAB Svenskt Stål AB, AB Volvo, N.V. Koninklijke Sphinx Gustavsberg
Shareholding: 6 000



ROLAND FAHLIN

* 1938, President and Group CEO of ICA Handlarnas AB, Stockholm
Member since 1993
Chairman of Hakon Gruppen A/S, Oslo
Shareholding: 500



Honorary Chairmen

TÖRE BROWALDH

* 1917, Stockholm



BENGT SAMUELSSON

* 1934, Professor, Danderyd
Member since 1989
Chairman of The Nobel Foundation; Director of Pharmacia & Upjohn Inc., The Liposome Co., Inc., USA
Shareholding: 0



SVEN ÅGRUP

* 1930, Lidingö
Member since 1973
Chairman of AGA AB; Director of Telefon AB L M Ericsson, Sandvik AB, Tetra Laval AB
Shareholding: 0



HANS-OLOF HARRISON

(Deputy)
* 1943, Linköping
Executive Vice President
Member since 1996
Shareholding: 10 869



JAN WALLANDER

* 1920, Drottningholm

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.

SENIOR MANAGEMENT

President and Group Chief Executive

ARNE MÅRTENSSON, * 1951

Employed: 1972
Shareholding: 20 129

Executive Vice Presidents at the Regional Banks

STEFAN NILSSON, * 1957

Head of Regional Bank
Northern Norrland
Employed: 1980
Shareholding: 0

HÅKAN SANDBERG, * 1948

Head of Regional Bank
Southern Norrland
Employed: 1969
Shareholding: 3 393

HANS CHRISTOFFERSON, * 1942

Head of Regional Bank Stockholm City
Employed: 1962
Shareholding: 9 330

CURT KÄLLSTRÖMER, * 1941

Head of Regional Bank Central Sweden
Employed: 1961
Shareholding: 18 429

HANS-OLOF HARRISON, * 1943

Head of Regional Bank Eastern Sweden
Employed: 1964
Shareholding: 10 869

M JOHAN WIDERBERG, * 1949

Head of Regional Bank Western Sweden
Employed: 1972
Shareholding: 1 180

BJÖRN BÖRJESSON, * 1951

Head of Regional Bank Southern Sweden
Employed: 1981
Shareholding: 0

MAGNUS UGGLA, * 1952

Head of Regional Bank Svenska
Handelsbanken International
Employed: 1983
Shareholding: 10 000

Executive Vice Presidents at the Central Head Office

BJÖRN C ANDERSSON, * 1946

Head of Handelsbanken Markets
Employed: 1985
Shareholding: 6 000

GÖRAN BJÖRLING, * 1942

Head of Central Credit Department
Employed: 1977
Shareholding: 0

GÖRAN ELVÄNG, * 1940

Head of Information Systems
Employed: 1996
Shareholding: 0

BO FORSBERG, * 1937

Head of Financial Institutions and Trade,
Handelsbanken Markets
Employed: 1955
Shareholding: 10 829

SVEN GREVELIUS, * 1942

Head of Central Control and
Accounting Department
Employed: 1984
Shareholding: 7 063

LARS O GRÖNSTEDT, * 1954

Head of Business Development
Employed: 1983
Shareholding: 0

BARBRO JOHANSSON, * 1944

Head of Central Personnel Department
Employed: 1961
Shareholding: 0

PEHR WISSÉN, * 1951

Head of Central Treasury Department
Employed: 1983
Shareholding: 0

Changes

Göran Elväng was appointed Executive Vice President and Head of Information Systems.

Stefan Nilsson, previously Regional Area Manager at Regional Bank Central Sweden, was appointed Executive Vice President and Head of Regional Bank Northern Norrland.

M Johan Widerberg was appointed Executive Vice President and Head of Regional Bank Western Sweden. He was previously Regional Area Manager at the same unit.

Barbro Johansson, Executive Vice President, was appointed Head of the Central Personnel Department from 1 April 1997. She was previously Head of the Central Administration Department and Business Development.

Lars O Grönstedt was appointed Executive Vice President and Head of Business Development from 1 April 1997. He was previously Head of Equities at Handelsbanken Markets.

AUDITORS

Auditors

Appointed by the Annual General Meeting

BERTIL EDLUND, *Chairman*

Authorised Public Accountant, Öhrlings
Coopers & Lybrand AB, Sollentuna

SIGVARD HEURLIN

Authorised Public Accountant, Öhrlings
Coopers & Lybrand AB, Stockholm

HANS KARLSSON

Authorised Public Accountant,
KPMG Bohlins AB, Stockholm

Appointed by the Swedish Financial Supervisory Authority

PETER MARKBORN

Authorised Public Accountant,
Arthur Andersen AB, Danderyd

Deputy Auditors

ÅKE DANIELSSON

Authorised Public Accountant, Öhrlings
Coopers & Lybrand AB, Stockholm

STEFAN HOLMSTRÖM

Authorised Public Accountant,
KPMG Bohlins AB, Täby

REVIEW OF OPERATIONS

LENDING

The Handelsbanken Group's lending to the general public increased from the year-end 1995 to the year-end 1996 by 7%, to SEK 273 billion.

Swedish kronor lending at the Bank, measured as average volume over the year, went up by 3%. The increase to companies was 6%, while lending to households dropped by 4%. Falling market interest rates during 1996 meant that many borrowers decided to fix their loan interest rates at longer maturities, and some of the Bank's household lending was therefore transferred to the Bank's mortgage company, Handelsbanken Hypotek.

Lending to the general public, Handelsbanken Group

	31 Dec 1996 SEK M	31 Dec 1995 SEK M	Change %
Lending in Swedish kronor			
to households	80 682	76 801	+ 5
to companies etc	125 042	122 027	+ 2
	205 724	198 828	+ 3
Foreign currency lending	70 632	60 663	+ 16
	276 356	259 491	+ 6
Possible loan losses	- 3 603	- 4 254	- 15
Total lending	272 753	255 237	+ 7

Lending to the general public, Parent Company

	Average volume		
	1996 SEK M	1995 SEK M	Change %
Lending in Swedish kronor			
to households	24 876	25 850	- 4
to companies etc	71 856	68 058	+ 6
Total	96 732	93 908	+ 3

Lending – market shares in Sweden, Parent Company

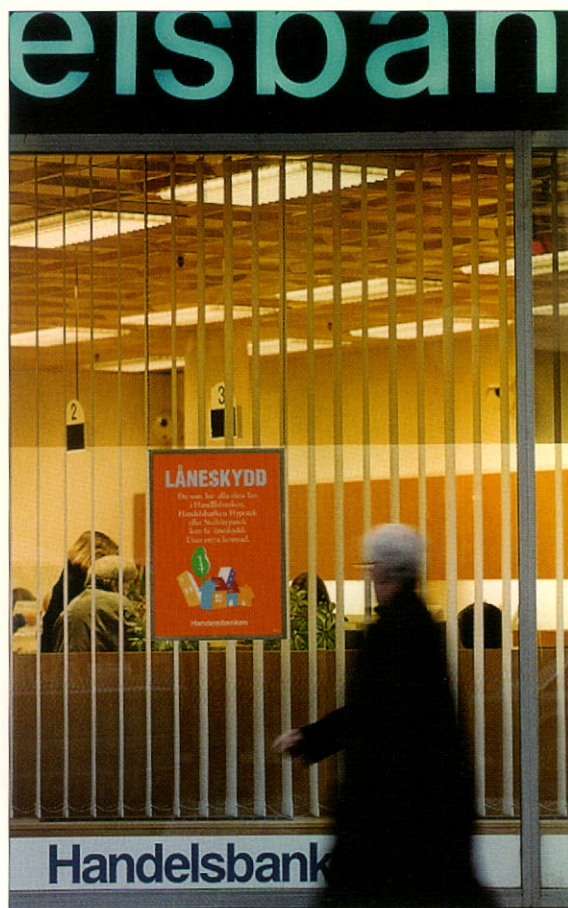
	Monthly average	
	1996 %	1995 %
Lending in Swedish kronor		
to households	14.7	14.3
to companies etc	21.2	21.2
Total	19.0	18.7

Despite smaller volumes, the Bank's share of the market for household lending has continued to increase as shown in the table below.

Lending at Handelsbanken Hypotek, measured as average volume, rose by 2%. Household lending increased by SEK 4 billion or 9%, which also implied a larger share of the mortgage loan market. Corporate lending fell by 4%.

The Group's lending in foreign currency went up by 16% to SEK 71 billion. The increase was mainly attributable to the Bank's branches outside Sweden.

In order to benefit loyal customers, during autumn 1995, Handelsbanken launched a free loan protection scheme for customers who have all their loans with Handelsbanken or Handelsbanken Hypotek. If the borrower dies before the age of 65, his or her estate is released from repaying the loans up to a certain amount, currently around SEK 1.5M. The loan protection scheme was very well received by customers and over 40% of them have signed a loan protection agreement. Loan protection is re-insured with Handelsbanken Liv.



DEPOSITS

The Handelsbanken Group's deposits from the general public rose during 1996 by 11%.

The Group's corporate Swedish kronor deposits went up by 26%. These deposits are chiefly determined by the banks' liquidity at any time and by what each bank is prepared to pay. For this reason, they are relatively volatile.

Household deposits in the Swedish banking system showed a substantial increase during 1996. Handelsbanken's market share, which had risen during the whole 1990s but fell slightly during 1995, went up again in 1996.

PAYMENTS

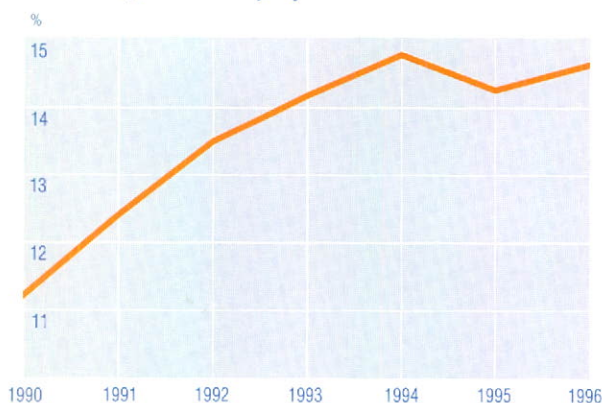
Changes are taking place fast in the payments field. By means of the latest communications technology, Handelsbanken's customers will have access to simpler and more efficient payment services.

The Bank's electronic payment services allow corporate customers with computerised ledgers to send and receive payments without any manual

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

	1996 Dec SEK M	1995 Dec SEK M	Change %
Deposits in Swedish kronor			
from households	58 517	53 691	+ 9
from companies etc	52 826	41 767	+ 26
	111 343	95 458	+ 17
Foreign currency deposits	10 926	14 368	- 24
Total	122 269	109 826	+ 11

**Deposits from households – market share
in Sweden, Parent Company**



work. Our corporate customer terminal system, Handelsbanken Dialog, was enhanced during 1996 and several new services were added. The number of users more than doubled.

Use of the Bank's voice response service Datasvar by both corporate and private customers also continued to show a large increase. A new feature during the year was that customers using the Bank's charge and credit card Allkort can now receive information via Datasvar about card transactions made during the latest period. Private customers can also check and change standing orders via Datasvar.

Handelsbanken's international payment system Nordic Link is aimed at corporate customers with operations in the Nordic countries, Germany, the UK and the USA where Handelsbanken has its own operations. Apart from information about account balances and the ability to make quick transfers between accounts, customers also

have easy access to the domestic payment systems of these countries. The number of Nordic Link customers increased substantially during 1996. Handelsbanken can also offer its customers similar services in other countries, in co-operation with other banks.

Edifact is an international standard for electronic exchange of information. Handelsbanken is at the forefront in developing Edifact routines for financial services. Interest in using Edifact increased during the year, particularly from major corporate customers.

Handelsbanken is in the midst of the important task of harmonising payment services and computer systems with the joint EU currency, the euro. Since it is not yet clear whether Sweden will be a member of the monetary union when it starts on 1 January 1999, or may possibly join later, we are working on both scenarios.

CARD SERVICES

Since 1 March 1996, Handelsbanken's Allkort (combined charge and credit card which includes the possibility to deposit money in advance and earn interest), which was launched in autumn 1995, and Handelsbanken's Bankkort (debit and cash dispenser card) have been available with a MasterCard or Visa link.

Handelsbanken's two corporate cards have been developed during the year to offer new services: a statistics information package, travel agency co-operation and the opportunity to withdraw money from Bankomat and Minuten cash dispensers. The cards have also been renamed and redesigned.



A motive by the Swedish artist Gustav Rudberg was used for the new design of Handelsbanken's corporate cards in 1996.

PROPERTY FINANCE

Due to weak demand and high building costs, there was little new construction of property during the year. This was true of residential, office and commercial property.

In November 1996, a government commission on housing policy presented its findings in a document called "Housing policy 2000". One of the main features is that housing subsidies – particularly interest subsidies – must continue to fall and that construction must increasingly be carried out on market terms.

Interest rates have fallen during the year: by around 3.5 percentage points for 2-year fixed rate loans and for 5-year fixed rate loans by some 2.5 percentage points. Many customers chose to move from a variable interest rate to fixed rate – particularly during the second half of the year – and to fix their loans for slightly longer maturities than before. Many of them also redeemed old high-interest loans ahead of time in order to take advantage of the lower interest rate level sooner.

The lower housing costs entailed by falling interest rates have also led to a quicker turnover in the secondary market for single-family houses and shares in housing co-operatives. For commercial property there was also increased activity during the year, especially due to various property owners restructuring their holdings.

The total market for mortgage loans was more or less unchanged during the year. The Swedish housing mortgage institutions' increase in volume of SEK 26 billion or some 3% is mainly due to variable rate loans being moved from the banks.

Handelsbanken Hypotek increased its lending by SEK 3 billion or 3% during the year. The market share for household lending went up by 0.7% from year-end to year-end.

Competition between housing mortgage institutions for existing loans is extremely stiff, with falling margins as a consequence. This is the main reason for Handelsbanken Hypotek's net interest income being slightly lower than the previous year, in spite of increased volumes.

Handelsbanken Hypotek's loan losses continued to fall. They were SEK 405M during the year – a drop of 28% compared to the previous year. The loan loss ratio – losses as a percentage of lending – was 0.4%. The volume of problem loans also fell during the year.

Handelsbanken Hypotek launched a new service in 1996: advance interest rate adjustment whereby customers can fix the interest rate on a future loan up to one year before the loan starts.

This allows the customer to obtain a better rate of interest before a planned house purchase or converting an old loan. This opportunity was given a positive reception by customers.

The decentralisation of mortgage loans to the Bank's branches which started in 1995 was completed in 1996. Branch offices now have complete responsibility for customer contact, price-fixing and processing the Group's fixed-interest property loans and all profits on these operations accrue to them. Handelsbanken Hypotek has the task of funding in the market in order to finance lending.

FINANCE COMPANY OPERATIONS

For the Bank's finance company, Handelsbanken Finans, 1996 was a successful year with its best result ever. Increased volumes in Handelsbanken Finans' core business areas and expanding operations in Finland counteracted narrower margins.

In Sweden, business volumes continued to grow for leasing and hire purchase loans to companies. These services have become natural and essential components of our branches' range of products. The same applies to financing and administration of company cars, which increased despite the uncertainty which existed for most of the year concerning the future taxation of this kind of fringe benefit. The Parliamentary decision at the end of November implied that company cars will usually be more advantageous than before, for both companies and their employees.

In 1996, collaboration with vendors increased and intensified. This enables vendors of investment goods to offer their customers tailor-made finance through Handelsbanken Finans.

On 1 January 1996, a new business area called Factoring & Collection was formed and during the year, the range of services for invoice processing, factoring and collections has expanded. There has been a significant increase in both the number of customers and volumes. It is more and more common for companies to outsource

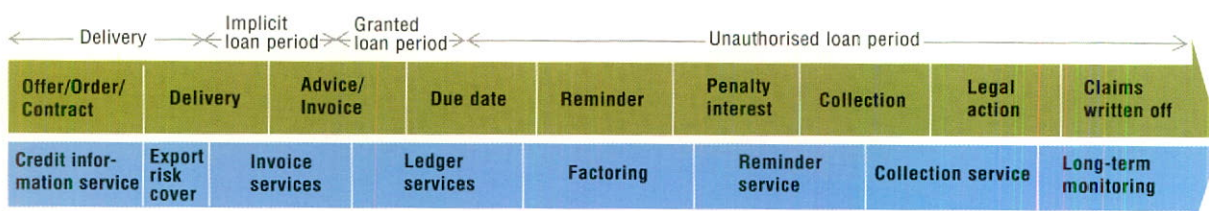


Handelsbanken Finans' hire purchase service can be used for purchase of a boat, for example.

all or parts of their ledger routines in order to boost administrative efficiency and cut the amount of capital tied up by ensuring quicker and more secure payments. During 1996 a new service called invoice production was introduced whereby companies can send out invoices more often and use more efficient routines. This means that Handelsbanken's branches can now offer a full range of products for their corporate customers' ledger routines. During the year, Handelsbanken's corporate customers were able to subscribe to a collection service free of charge which costs in the region of SEK 1 500 and 2 000 in the market.

Retail financial services – credits to purchasers of consumer capital goods in collaboration with retailers – continued to expand sharply. Important factors in our success were higher administrative quality and more customer-focused sales support than our competitors offer, flexible opening hours and quick credit decisions. Handelsbanken Finans has developed a decision

Factoring & Collection



Factoring and Collection offers corporate customers access to a complete range of services for their ledger routines.

model where communication with retailers is made by phone using voice response.

At the end of the year, a hire purchase service became available for private customers. This allows branch offices to help their customers in financing purchase of items such as cars, boats, caravans, motor-cycles, where the purchased object can constitute security through a repossession clause.

It has become increasingly common for companies and organisations to offer employees and other interested parties the opportunity of buying personal computers. Handelsbanken has entered into several contracts for financing and administration in this context.

Nordic finance company operations have continued to perform well. Handelsbanken is the only bank which can offer local finance company services in all the Nordic countries.

In Finland, Handelsbanken Finans is one of the leading finance companies via its subsidiary Handelsbanken Rahoitus, offering a complete range of products for leasing, hire purchase, car services and factoring and also retail consumer finance via its credit card, Aktiiviraha. These operations have made a very positive contribution to the increased earnings of the Handelsbanken Finans Group.

In Denmark, finance company operations were expanded during 1996. A branch of Handelsbanken Finans was formed where both local and joint-Nordic leasing agreements were entered into. Consumer credit operations similar to those in Sweden and Finland started under the name Privatlån. The subsidiary, Nordan, Denmark's largest debt collection company, already conducts a large factoring operation apart from debt collection. In spite of the tough debt collection market in Denmark and investment costs for the new activities, Danish operations contributed to Handelsbanken Finans' profits.

Handelsbanken Finans in Norway reinforced its position in the market during 1996 and reported its best result ever in its eight-year history.

PENSIONS SAVINGS/LIFE ASSURANCE

The cutbacks in the social security systems in Sweden have caused individuals to invest increasingly in various types of savings for their old age or to protect themselves from long-term sickness. One result of the limited tax return deductions which can be made for private pensions insurance is increased savings in endowment assurance. The long-awaited phase-out of the monop-

oly in the field of occupational pensions has not yet come about, which has also made endowment assurance more attractive.

During 1996, Handelsbanken Liv performed better than any other Swedish insurance company. New premium income increased sharply and total premium income including payments on old policies is now SEK 2.4 billion – a rise of 94% compared to last year. The largest percentage increase is reported for unit-linked insurance, but traditional insurance is also expanding significantly. The market share for traditional insurance is now just over 15% and for unit-linked just over 9%, all based on new premium income. International insurance is only a marginal complement to Swedish insurance operations.

One reason for this growth is that Handelsbanken Liv has increased to 45 the number of insurance counsellors located at the seven regional banks. Together with the branch offices, they help companies and their employees with pension packages and owners of wealth with investments and inheritance planning. Another reason is that the branches to a high degree have incorporated insurance as a natural part of the Bank's range of products. Today, practically all sales are made via the Bank's branch offices.

On 1 July 1996, Handelsbanken Liv in co-insurance with Salus Liv took over responsibility for 13 000 insurance policies for doctors. The managed capital totals SEK 2.9 billion. Doctors' insurance was previously co-written by Trygg-Hansa and Skandia.

Total insurance-related managed capital in Handelsbanken Liv and Handelsbanken Fondförsäkring (unit-link) is some SEK 14 billion.

In April 1997, Handelsbanken is introducing a unique insurance package for private customers – Handelsbanken's Private Insurance. In a single insurance agreement, printed directly from the branch office computer terminal, the customers can obtain a tailor-made insurance policy covering life assurance, old-age pension, family pension, accident and sickness protection and waiver of premium for long-term sickness. Customers will easily be able to change the components in the policy at the branch office when their personal situation changes.

The proposals for changes in the Insurance Business Act which would allow life assurance companies to pay dividends to their shareholders were not brought into effect at the beginning of 1997 as expected. At present, it is unclear when the law will be changed.

THE GLOBAL MARKETS

Handelsbanken Markets includes all the Bank's units – irrespective of geographic location – which are active in the securities and foreign exchange markets. Handelsbanken has gathered together all its specialists, products and geographical units into a global organisation which gives synergy effects in investment banking and trading and a high degree of cost effectiveness.

Handelsbanken Markets currently employs some 1 100 staff in ten countries.

Global trading operations place high demands on risk management. Handelsbanken Markets therefore has a separate unit for this purpose.

During the year, operations were expanded on our Nordic domestic market outside Sweden in areas such as equities, research and corporate finance. This has enhanced our expertise in the Nordic countries and offers our Nordic customers a better local presence.

Corporate finance

Corporate finance operations mainly consist of issuing equities and equity-related instruments, stockmarket and OTC launches, mergers and acquisitions and financial advisory services. Around seventy staff are employed in six countries.

During the year, operations grew in particularly two areas. One of these was the continued

expansion of our Nordic organisation in order to ensure that we have a local presence in all the Nordic countries. During the autumn a strong unit was built up in Copenhagen. This means that Corporate Finance offers its services locally in all the Nordic countries. Our London and Paris units also offer support to the organisation. Our Nordic expansion has resulted in a substantial increase in inter-Nordic business, in terms of both public equity transactions and corporate mergers and acquisitions.

The other major development area was organising closer co-operation with the Bank's equity and research departments in transactions which are related to stockmarket launches and placement of large blocks of shares which require a more orchestrated sales procedure. This proved to be successful in the stockmarket launches of Scania, Mandator and Medivir. Large placements of shares have been achieved in NetCom and the Danish company Tryg-Baltica and also when the Finnish government sold its shares in Kemira.

There was a high pace of activity during the year, with the emphasis on large projects during the spring and smaller projects in the autumn.

Handelsbanken's Nordic drive in the field of corporate finance has contributed to our healthy market position being retained in Sweden, while our position in the other Nordic markets has improved from levels which were previously low.

Handelsbanken Markets has a wide range of operations in London.



The Bank's strong position in mergers and acquisitions has been further reinforced. The total amount of the ten or so transactions where Handelsbanken participated as an adviser exceeded SEK 10 billion, of which two-thirds represented international transactions. The latter category included the selling of the electrical wholesaler Selga – previously owned by Ericsson and ABB – to the French company Rexel; Scancem's sale of de Boo Beheer to the NCD Group in Holland; the sale of Euroc Bygghandel to Nordic Capital; Scandinavian Equity Partners' acquisition of Danish Sabroe, Forma's acquisition of Rydbergs Sallader from Arla; Norwegian Kongsberg Automotive's acquisition of Scandmec from Forshaga and Finnish Raisio's acquisition of Carlshamns Mejeri.

Handelsbanken also participated as adviser to Sandvik in its acquisition of shares in the Finnish company Tampella, to Skanska when it took over Skåne Gripen and to Atle in its acquisition of Karolin Invest. Other public equity transactions included clients such as IKEA (acquisition of Swedspan), Diös (acquisition of Hemstaden) and Handelsbanken when its shares in Näckebro were spun off.

Several of the larger advisory assignments are related to the Corporate Finance Department's strong position in the energy sector. One example where the Bank acted in an advisory capacity was French EDF in its acquisition of shares in Graninge. In Denmark, the department has an assignment for the principal owner of the Danish electricity distribution company Nesa. Assignments have also been carried out for Swedish owners of electricity distributors. Finally, our financial advisory services included the valuation of Wasa Sak.

The Bank also took an active role in setting up a new venture capital fund – Health Cap – which is to invest in the medical sector. The fund received an initial contribution of capital of just over SEK 300M from institutions and companies.

Among the stockmarket launches carried out during the year, our participation in the launch of Scania was in a class of its own. The value of shares sold to institutions and the public was nearly SEK 20 billion. Handelsbanken was responsible for a considerable part of this, both to Nordic institutions and the Swedish public.

In Norway, the successful stockmarket launch of P4 Radio Hele Norge was achieved.

The Corporate Finance Department has also acted as adviser to Handelsbanken in connection with the purchase of Stadshypotek. The total

value of this transaction was SEK 22.9 billion, which is the largest cash transaction ever in Sweden.

In spite of higher costs associated with expanding operations outside Sweden, earnings were on the same level as the previous two years' healthy results.

Debt capital markets

During 1996, Handelsbanken reinforced its position as a leading player in the Nordic debt capital market. The Bank arranged a large number of issues for Nordic borrowers during the year. These comprised traditional bond loans, structured notes and syndicated bank loans.

The traditional loans were placed as public loans and in the shape of private placements, both in the Nordic countries and internationally. The Bank arranged loans for borrowers such as Akademiska Hus, Gullspång, Orkla, the city of Stockholm, Telia, Vasakronan, Vattenfall, Venantius and Volvo.

In the Swedish capital market, Handelsbanken reinforced its position as the largest arranger and issuing bank for MTN (Medium Term Note) loans. These included MTN loans to Venantius and Nordiska Investeringsbanken. The Bank's share of the market for these loans was some 50%.

During 1996, the Bank arranged several public capital-protected equity note programmes which the branch offices were very successful in selling. The total volume was around SEK 3 billion with a market share of over 50%. The total number of investors was some 24 000. The borrowers were Handelsbanken and Svensk Exportkredit.

In the market for syndicated bank loans, Handelsbanken increased its market share during 1996. The Bank arranged loans for Dahl, Euroc, Höganäs, MoDo, NCC, Pripss Ringnes, Swedish Match, SCA, Trelleborg and Volvo. The Bank was also a high-level participant in loans to Skanska, Stadshypotek, Statkorn, Södra, Telia and Vattenfall and in another fifty or so loans to major Nordic borrowers.

The loan to Swedish Match, which Handelsbanken arranged during autumn 1996, received an award under the category "Loan Deals of the Year" from the international periodical Corporate Finance Magazine.

Handelsbanken Markets in London is one of the leading players in the Nordic public Eurobond markets, both as arranger and market-maker. During 1996, the Bank arranged a total of five public Eurobond loans and participated

as co-arranger in 37 other loans. On the public Euromarket in Swedish kronor, Handelsbanken has had a long-term strong presence. In 1996, the Bank arranged three such loans totalling SEK 1.5 billion for Nordiska Investeringsbanken, Eksportfinans and Svensk Exportkredit. Handelsbanken is a leading player in the public Euro-market for Danish kroner and acted as arranger for a loan to the World Bank. During 1996, Handelsbanken again opened the public Euro-market in Finnish markkaa with a loan to Nordiska Investeringsbanken. The Bank also participated in a public Euroloan in Norwegian kroner for Statkraft.

Trading

At the beginning of 1996, the Nordic and international currency and money markets were characterised by nervousness and no particular trend. This was followed by a number of interest rate cuts. In Sweden, the repo rate was decreased as many as 25 times. At the same time as longer-term interest rates fell significantly and the interest rate spread narrowed between the Swedish and the German and US bond yields, we saw a strengthening of the Swedish krona, sterling and the US dollar. The German mark and the Japanese yen weakened against the other currencies.

The factors underlying the positive development were improved economic trends, low inflation expectations and the increased probability of a single European currency.

The goal of Handelsbanken's trading operations is to be a leader in trading in international currency and interest-rate-related products for Nordic customers and in Nordic-related trading for international customers.

Efforts in the Bank's Nordic domestic market have led to a broader customer base in these countries. Increased activity in London, New York and Singapore also led to significantly increased flows from international financial institutions and customers. Derivatives are being used to an increasing extent and during the past year, Handelsbanken has reinforced its market position in both currency and interest rate options. This operation complements and strengthens the role which we have played for many years as a leading player in the Nordic swaps market.

Handelsbanken's enhanced market position was noted by the periodicals FX & MM (Foreign Exchange & Money Market) and Euromoney Corporate Finance, which named Handelsbanken the best bank for trading in Nordic currencies during 1996.

Increased business flows combined with successful economic and financial market research were significant contributory factors in Trading's improved result.

Research and advisory services

The continued globalisation of the financial markets combined with an ever-increasing range of products has increased the importance of economic and financial research and of advisory services. Economic and financial research and advice is an integral part of business operations. The Bank has economists and analysts in the capitals of Sweden's three neighbouring Nordic countries and in London.

In line with its ambition to be a leading player in international trading for Nordic customers and in Nordic-related trading for international customers, during 1996, the Bank continued to expand its economic research. It has also become more closely integrated with advisory services. A number of seminars and conferences were arranged and economists and analysts have an increased amount of direct contact with the Bank's customers. All advice is based on models and concepts developed by the Bank's analysts. The range of publications has been restructured and expanded. The positive effects of these efforts in research and advisory services are apparent in the form of increased business volumes and closer relations with both Nordic and international customers.

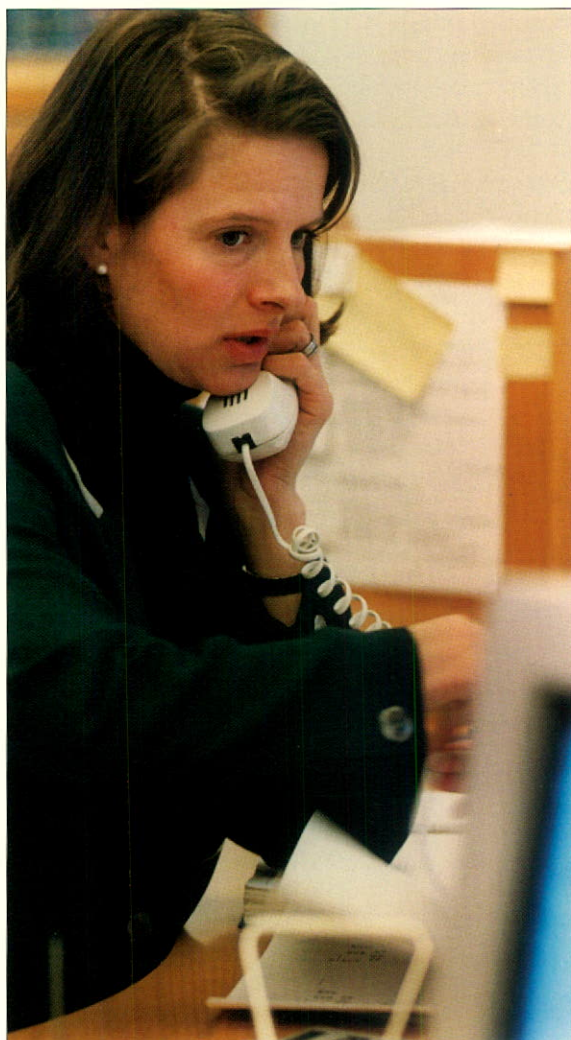
Equity trading

1996 was another good year on the Nordic stock exchanges. In Sweden, the stockmarket went up by 38%, in Finland by 47%, in Norway by 32% and in Denmark by 28%. Turnover on the four Nordic markets rose from SEK 1 144 billion to SEK 1 566 billion.

During 1996, Handelsbanken became the largest broker on the Stockholm Stock Exchange with a market share of 13.1% for SAX dealing. Since the Bank also had good market shares in the other Nordic countries, Handelsbanken was probably the largest stockbroker in the Nordic area with a total market share of just under 10%.

During the year, the Bank became a market-maker on the Finnish options market. Handelsbanken was already a marketmaker on the Swedish options market, OM.

Two major seminars were held during the year, one in Copenhagen on the food market and one in Helsinki focusing on the Finnish engineering sector.



Handelsbanken's fund company manages money on behalf of 330 000 unit-holders.

During 1996, Handelsbanken received a broker/dealer license in the USA. This allows the Bank to become much more active in dealing with North American investors.

During the year, two warrants were issued. These are financial instruments whose change in value is based on the price movements of an underlying basket of shares. Demand from the Bank's private customers for these instruments has increased sharply.

In January, according to a survey by the Danish Investor Relations Association, Handelsbanken in Copenhagen was appointed best stockbroker in Denmark for research on Danish listed companies.

Fund management

At the end of 1996, the Bank's fund company managed 43 mutual funds and there were some 330 000 unit-holders. The total value of the funds was SEK 31 billion, an increase of SEK 7 billion or 28% compared to the previous year.

At the year-end, the tax benefits on Allemansfonder (public savings funds) were removed which meant that large amounts were put into other types of investment.

1996 was an excellent year on most of the world's stockmarkets. Handelsbanken's Småbolagsfond (Small Cap), which started in 1995, was Sweden's best mutual fund in 1996 with a rise of 68% (general index: 38%). Handelsbanken's Reavinstfond (Capital Gains) has been the best mutual fund in Sweden during the last five-year period, increasing by 324% (general index: 160%).

The fall in Swedish interest rates resulted in good yield on funds such as Obligationsfonden (Bond Fund), 18.3%, and Avkastningsfonden (Yield Fund), 10.7%. Of Handelsbanken's international funds, Asienfonden (Asia Fund) and Norgefonden (Norway Fund) performed considerably better than their comparative indexes.

During 1996, Handelsbanken started three new funds: Allemansfond Reavinst (Public Savings Capital Gains), Göteborgs Universitets Forskningsfond (Gothenburg University Research Fund) where 2% of the value goes to research at the university, and Östeuropafonden (Eastern European Fund). Handelsbanken now manages three emerging market funds: Asia, Latin America and Eastern Europe.

Asset management

Handelsbanken offers asset management for both private and institutional customers.

During 1996, Handelsbanken further expanded its resources in the field of advisory services and discretionary management in order to meet the increased requirements of customers. The amount of funds managed grew during the year. New assignments include those from the public sector.

The goal of the Bank's asset management is by using diversified portfolios, to achieve stable return which exceeds selected reference indexes.

Custodian services

The custodian services aimed at branch office customers were further enhanced during the year. Reports of holdings now cover all financial

instruments. Fund units, the Bank's retail bonds and capital-protected equity notes are deposited in the custody account at no cost to the customer. In order to assist customers in their investment decisions, an overview is given of how the assets are distributed on the money and equity markets in accordance with the Bank's investment advice concept.

The volume in major institutional custodian accounts increased by 40%. Handelsbanken further improved its rating in this area. According to the periodical Global Custodian, the Bank retained its lead in the Swedish market, outdistancing the nearest competitor even more. The periodical Global Investors also put Handelsbanken first in Sweden.

NORDIC BANK OPERATIONS

The expansion of Handelsbanken's Nordic operations continued unabated during 1996.

In Finland, Handelsbanken had already become the fourth largest bank in the country during 1995 as a result of the acquisition of the healthy parts of Skopbank. During 1996, three new branches were opened: Tornio, Jakobstad and Kampen in Helsinki. This means that Handelsbanken in Finland now has ten branches in seven towns. Major investments were made in computer systems during the year in order to handle the increased volume of transactions. Most of the Bank's corporate customers now communicate with the Bank via their own terminals.

At the end of 1996, some 330 staff were employed by the Handelsbanken Group in Finland.

The Bank also continued its expansion in Norway during the year. In spite of tough competition in the Norwegian bank market, volumes increased substantially for both corporate and private customers. Two new branches were opened in 1996 – in Bergen and Skårer, north of Oslo. Handelsbanken in Norway now has thirteen branches in eight towns. The number of staff was 260.

For the second year running, Handelsbanken was appointed best foreign bank in Norway by the periodical Euromoney.

During the year, Handelsbanken opened its first street-level branch in Denmark, situated on Amaliegade in central Copenhagen. In connection with this, the range of products was expanded to include a full range of private

market products. Denmark is, for example, the first country where Handelsbanken offers its private customers home banking from a PC. At the year-end, just over 120 staff were employed by Handelsbanken in Denmark.

Handelsbanken's Nordic drive started in 1990. Today, a total of 710 of the Group's employees work in the Nordic countries outside Sweden – almost 10% of the Bank's total work force. During the year, other Nordic banks started operations in one or more of the other Nordic countries. Handelsbanken has a large lead, however.

OUTSIDE THE NORDIC COUNTRIES

Handelsbanken's units outside the Nordic countries focus on Nordic-related business. By this is meant Nordic companies with operations abroad and non-Nordic companies with operations and

Handelsbanken's Amaliegade branch in central Copenhagen.



business in the Nordic area. Handelsbanken in Luxembourg and London also offers private banking services for Nordic citizens resident abroad. Traditionally, Handelsbanken's operations outside the Nordic countries have concentrated on the subsidiaries of Nordic companies which are active internationally. Handelsbanken's strong expansion of its Nordic operations has, however, been noticed by many major international companies which have chosen Handelsbanken as their only Nordic bank. This part of operations has therefore become increasingly important at the Bank's units outside the Nordic countries.

Cash management products are of great importance in this context. Connecting the Nordic Link systems in the Nordic countries to the Bank's other units in Europe and the USA has proved to meet a strong demand on the part of customers. Cash management services will be made even more effective by continued IT development.

During the last few years, Nordic companies have significantly increased their investments in Poland. Poland is one of the largest countries in Eastern Europe with a population of almost 40 million and the country's economic growth has been higher than in the other Eastern European countries for the last few years. Poland's trade with the Nordic countries has also risen sharply. In view of this, during the year the Bank decided to open a representative office in Warsaw.

During 1996, operations at the Bank's subsidiary in Sydney were transferred to the Singapore branch, which now covers the ASEAN countries and Australia.

If the European Monetary Union (EMU) becomes reality, it will have a considerable impact on the Bank's units, particularly in Europe. This is true regardless of whether Sweden becomes a member. During the year, the Bank embarked upon extensive preparations, which included work on computer systems to make sure that they function well in the new situation.

During 1996, the Bank has designed and carried out a leadership development programme for new managers at all the units outside the Nordic countries, using the same goals and methods as in the corresponding Nordic programmes. This allows us to develop managers at all the Bank's units around the world in their role as representatives for Handelsbanken's culture and management philosophy.

EMU

The EU is currently in an intensive phase of preparation to create an economic and monetary union, EMU. According to present plans, EMU will become effective on 1 January 1999 when the national exchange rates of the countries which are to be EMU members will be locked to the single currency – the euro – at a fixed conversion rate. During the first half of 2002, euro notes and coins will replace the national equivalents.

The introduction of a single currency will have a major impact on most of the Bank's areas of operations. Furthermore, to a large extent, the banks are expected to provide information to the general public. For the banks, EMU will lead to one-off costs and the loss of some income, while in other areas, new business opportunities can be expected to arise.

At the Handelsbanken Group, a complete review was started during 1996 of the consequences of EMU for the Bank's organisation and preparations for the various scenarios which may arise. Since it is not yet decided if and when Sweden will join EMU and since Handelsbanken has operations in several other countries which may join, the Bank's preparations must take into account every conceivable possibility. Preparations include considerations relating to market strategy, changes in the range of products, new working routines, changes to computer systems and staff training. The Bank's local branches will play an important role in informing customers. Handelsbanken will be well-prepared for EMU.

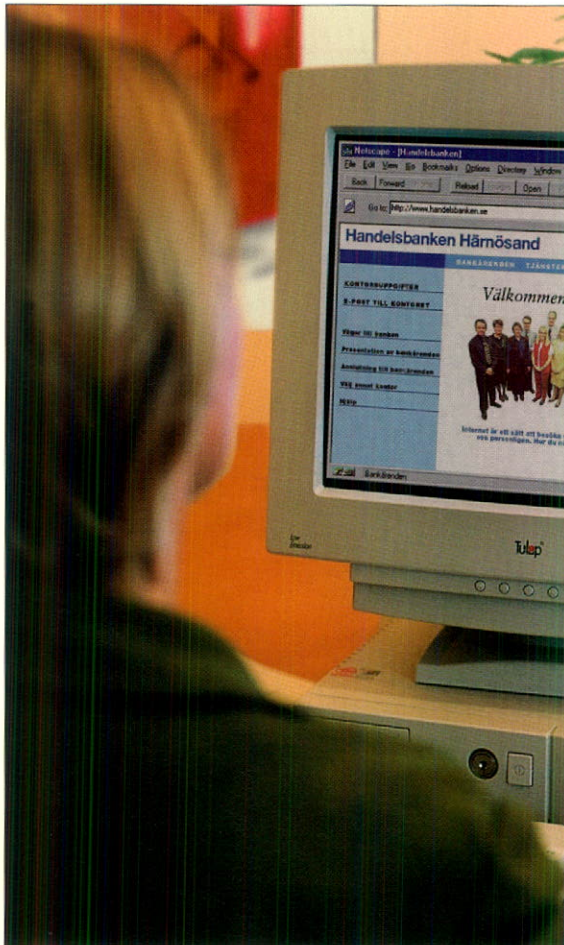
FASTIGHETS AB NÄCKEBRO

The 1996 annual general meeting of Handelsbanken resolved that the Bank's company for property taken over to protect claims, Fastighets AB Näckebro, would be distributed to the Bank's shareholders. This was effected by each shareholder having the right to receive one share in Näckebro for each full ten ordinary shares in Handelsbanken.

As a result of this, Näckebro is now an independent company with no links to Handelsbanken. Its shares have been listed on the Stockholm Stock Exchange's O List since 28 June 1996.

IT DEVELOPMENTS

During the next few years, the Bank will continue to make substantial investments in information technology focusing on electronic services and increased efficiency. During 1997, all routine bank transactions, including payments and purchase and sale of securities, will become available



Internet customers access the home page of their own branch of Handelsbanken.

on the Internet. At the end of 1997, the Bank will gradually change over from the present branch office terminal system to PCs in a network. When the changeover is complete in 1999, the majority of all the information which is currently paper-based will be electronic and interactive. The system will also substantially reduce the need for pre-printed forms.

Preparations for EMU and the year 2000 also place major demands on the Bank's systems development.

THE BANK AND THE ENVIRONMENT

For a long time, environmental concerns have been an important feature of the Handelsbanken Group's operations. Handelsbanken has joined the International Chamber of Commerce's (ICC) environmental programme and has signed the UN environmental declaration for banks.

Internal environmental work

Since the Bank does not manufacture or distribute physical products, it is mainly within the administrative field that its operations are affected by environmental concerns – purchasing, property management, construction works, maintenance of premises, printing, distribution and computer operations. The Bank uses chlorine-free paper, sends waste for recycling and places environmental demands on all types of office material etc used. The Bank also takes into account environmental aspects in all investment and purchasing decisions and makes environmental demands on its suppliers when procuring goods and services.

Since 1994, the Bank has had a written instruction clarifying environmental policies, allocation of responsibilities and working methods. This applies to the whole Group, including units outside Sweden. The main principle is that as far as technically and economically possible, Handelsbanken must take measures to minimise the negative effect on the environment.

Like other activities in the Handelsbanken Group, environmental issues are dealt with within the framework of the Bank's decentralised organisation and method of operating. All managers in the Group have the primary responsibility for environmental issues at their unit and all employees have a responsibility for the environment as part of their other duties.

All regional banks, subsidiaries and departments at the Central Head Office have an environmental manager who is responsible for these issues at the unit in question. The head of the Central Administration Department has overall responsibility for environmental issues at the Handelsbanken Group.

The guidelines for the Bank's environmental work are as follows: saving resources mainly by increased efficiency and technological development, use of renewable raw materials and types of energy, biodegradability through the use of short-life chemicals and recycling by using the waste-sorting facilities provided by the community.

The units in the Group whose activities are principally affected by environmental requirements make annual environmental plans. A summary of these plans constitutes the Group's environmental plan and forms the guidelines for day-to-day environmental work at all units in the Group. This includes information about environmentally-friendly products. During 1996, the

environmental work expanded in accordance with the Group's overall plan.

An environmental inventory was carried out at most of the Bank's branches and other units within the Group, using material from NUTEK, the Swedish Board for Industrial and Technical Development, and the Bank's own twelve-point programme. This work will continue during 1997 and will result in a number of quantitative goals concerning matters such as waste and recycling systems.

In support of the local measures, the Bank has entered into a number of central, nationwide agreements concerning waste-sorting and recycling. An example of this is that some 200 tonnes of paper from our archive in the Stockholm area were recycled into pulp during the year. The agreements on waste sorting include technical office materials such as computer accessories, cassettes, plastic packaging and light sources.

In the Bank's range of office materials, most products containing environmentally-harmful plastics have been replaced by more environmentally-friendly materials.

At the Bank's property and premises departments, after building and conversion work has been completed, a "quality binder" is prepared where all the materials and products which have been used are listed for future traceability and recycling.

Environmental issues associated with granting loans

The Handelsbanken Group's environmental policy in connection with credit assessment and granting loans has been incorporated in our Set of Instructions. It is also included in the Bank's other internal information and training material.

Here it is stated that when granting loans to companies whose operations may entail environmental risks or in any other way be affected by environmental considerations, it is important that the Bank obtains special information in order to make a better assessment of the borrower's risk situation. Although the company – and not the lender – is responsible for its business activities meeting the environmental demands laid down by law and in regulations, the Bank's credit risk may be affected by how the borrower follows the regulations in force and the demands of the market. Thus an investigation into the impact of possible environmental risks on the credit risk is one factor in the Bank's assessment of corporate customers.

Environmental risks exist in many types of company, not only in manufacturing. Sales and distribution of products which should follow environmental demands or be marked as environmentally-friendly, may have an effect on the environment if the products do not meet the relevant demands. A company's repayment capacity may be reduced if it is obliged to carry out expensive environmental improvements or if demand for its products falls. For similar reasons, assets such as stocks, machinery or property may also drop substantially in value.

We can form an opinion on the company's focus on environmental risk by investigating whether it has adopted an environmental policy, introduced environmental control systems, appointed a person to be responsible for environmental issues, taken out special insurance policies for environmental damage and certified its operations according to some accepted standard such as ISO 14001 or EMAS.

Account is also taken of environmental aspects in the business areas belonging to Handelsbanken Markets, for example, when we accept corporate finance assignments, in financial research and when the composition of the assets in our mutual funds is decided.

Environmental training

The Bank puts considerable resources into spreading knowledge of environmental issues in the whole organisation. During 1995, key personnel at the Bank were given training in matters such as environmental purchasing, environmental protection technology and environmental control systems. During 1996, a course was arranged for the regional environmental managers in the Handelsbanken Group. This was in collaboration with the manager of a project called "The environmental office", organised by the Swedish Board for Industrial and Technical Development, the Central Organisation of Salaried Employees and the Swedish Environmental Protection Agency. During 1997, all employees at our branches and regional head offices will take part in environmental training. The purpose of this is to make us more effective in our own environmental work and more conscious of how environmental issues affect our customers.

DIRECTORS' REPORT

OBJECTIVE

For many years, the Handelsbanken Group's overall objective has been to achieve return on shareholders' equity which is higher than the average for the other listed banks in Sweden. From 1 January 1995, this comparison also includes banks in Norway.

Profitability must always be given higher priority than volumes. When granting credits, this also implies that the quality of the loan portfolio must never be neglected in favour of a large lending volume.

A TIGHTLY-KNIT UNIVERSAL BANK

Handelsbanken is a universal bank. A universal bank covers all types of banking services for both corporate and private customers: deposits, lending, property finance, payments, investment banking, trading, factoring, leasing and life assurance.

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.

The universal bank concept applies to Handelsbanken's operation in all four Nordic countries. Outside this area, the Bank's units concentrate on Nordic-related business.

Handelsbanken's objectives, policy and organisation are described in more detail on page 10 and following.

TOTAL ASSETS

During 1996, the Handelsbanken Group's total assets increased by 13% to SEK 571 billion.

Lending to the general public rose by 7% or SEK 19 billion. Swedish kronor lending increased by 3% and foreign currency lending by 16%.

The portfolio of interest-bearing securities went up during 1996 by SEK 20 billion to SEK 108 billion. In preparation for the acquisition of Stadshypotek, SEK 16 billion of the portfolio was divested in January 1997.

Lending and liabilities to foreign banks were up as a result of increased interbank trading.

Deposits and funding from the general public rose sharply during the year. Swedish kronor deposits and funding were SEK 21 billion higher, of which companies represented SEK 15 billion. Foreign currency deposits and funding increased by SEK 9 billion to SEK 45 billion.

Issued securities consist of certificates and bonds. The increase for the year is mainly attributable to Handelsbanken Hypotek's Swedish kronor funding for long-term property lending. The Group's foreign currency funding has fallen.

Balance sheets for 1992–1996 are shown on pages 72–73 and key figures for the same years are reported on page 3.

CAPITAL RATIO

At the end of 1996, the Handelsbanken Group's capital ratio was 12.2% (14.2). The tier 1 capital ratio was 10.0% (10.3).

The capital requirement introduced during 1996 for market risks in the trading stock and

Assets, Handelsbanken Group

	31 Dec 1996 SEK M	31 Dec 1995 SEK M	Change %
Interest-bearing securities	107 965	87 758	+ 23
Lending to the general public ¹⁾	277 810	259 167	+ 7
Credit institutions	119 166	92 286	+ 29
Other	66 182	67 343	– 2
Total assets	571 123	506 554	+ 13

¹⁾ Including leasing

Source of funds, Handelsbanken Group

	31 Dec 1996 SEK M	31 Dec 1995 SEK M	Change %
Deposits and funding from the general public	167 507	137 452	+ 22
Credit institutions	170 974	143 646	+ 19
Issued securities	129 284	120 741	+ 7
Other	63 499	65 934	– 4
Subordinated loans	12 302	12 826	– 4
Shareholders' equity	27 557	25 955	+ 6
Total liabilities and shareholders' equity	571 123	506 554	+ 13

Capital base and requirement, 31 December 1996

	GROUP SEK M	PARENT COMPANY SEK M
CAPITAL BASE		
Tier 1 capital	25 783	22 576
Tier 2 capital	8 640	7 401
Less shareholdings in insurance companies and domestic financial institutions	- 3 014	- 3 014
Capital base	31 409	26 963
CAPITAL REQUIREMENT		
Risk-weighted volume	258 383	187 064
Capital ratio	12.2%	14.4%
Tier 1 capital ratio	10.0%	12.1%

For detailed information see page 66.

for foreign exchange risks in the whole banking operation reduced the capital ratio by almost 1 percentage point. At the year-end, the Bank owned shares in Stadshypotek worth SEK 2.3 billion. This had an impact of 0.9 percentage points on the capital ratio.

As regards the impact on the capital ratio of the Stadshypotek acquisition, see page 46.

RATING

The costs of the Bank's funding in the international markets are affected by the rating agencies' credit assessments. Handelsbanken's rating was upgraded during the year and the Bank has the best rating of the Swedish banks as shown in the table below.

Nordic bank ratings, 31 December 1996

	MOODY'S			S&P		IBCA				BANKWATCH	
	Financial strength	Long-term	Short-term	Long-term	Short-term	Individual	Legal	Long-term	Short-term	Issuer	Short-term
Handelsbanken	B	Aa3	P-1	A+	A-1	B	2	AA-	A1+	B	TBW-1
Nordbanken	C+	A1	P-1	A	A-1	B	2	A+	A1	B/C	TBW-1
S-E-Banken	C	A2	P-1	A-	A-2	C	2	A+	A1	C	TBW-1
Swedbank	C	A2	P-1	—	A-2	—	2	—	—	C	TBW-1
Merita Bank	D+	A2	P-1	BBB	A-2	C/D	2	A	A1	C/D	TBW-1
Den Danske Bank	B	Aa3	P-1	A+	A-1	B	2	AA-	A1+	B	TBW-1
Unibank	C+	A1	P-1	—	A-1	B/C	2	A+	A1	B/C	TBW-1
Den norske Bank	C	A2	P-1	—	—	B/C	2	A+	A1	C	TBW-1

Handelsbanken Group – performance

	1996 SEK M	1995 SEK M	Change %
Interest income	39 942	39 886	0
Leasing income	1 227	1 097	+ 12
Interest expense	- 30 798	- 31 368	- 2
Net commission	2 628	2 366	+ 11
Net result on financial operations	2 114	1 574	+ 34
Other income	397	754	- 47
Total income	15 510	14 309	+ 8
Staff costs	3 477	3 413	+ 2
Other expenses	3 515	3 459	+ 2*
Total expenses	6 992	6 872	+ 2*
Operating profit before loan losses	8 518	7 437	+ 15
Loan losses	1 799	2 392	- 25
Net operating profit	6 719	5 045	+ 33
Net interest income	9 410	8 744	+ 8

* Excluding leasing depreciation, other expenses decreased by 1% and total expenses were unchanged.

RESULT AND PROFITABILITY

Result

The Handelsbanken Group's operating profit increased by 33%. This result is explained by a healthy performance for all important types of income, an unchanged level of costs and considerably lower loan losses.

Profit and loss accounts for 1992–1996 are shown on pages 72–73.

Income

Income increased by 8%. Net interest income rose by 8% mainly due to increased deposits and lending and an improved interest margin on the securities portfolios. Net interest income has been charged with costs for the compulsory deposit guarantee – SEK 139M.

The Group's net interest margin, i.e. net interest income as a percentage of average total assets was 1.64% (1.74).

Net commission increased by 11% compared to the previous year. The main reason for this was higher income from equity trading, corporate finance and custodian services.

The net result on financial operations rose by 34%.

Other income fell since Näckebro was no longer part of the Group.

Expenses

The level of expenses was unchanged, excluding depreciation on leasing assets.

Personnel expenses rose by 2% mainly due to contractual salary increments and expansion in the Nordic countries. The average number of employees was unchanged. A decrease in Sweden corresponded to an increase in the other Nordic countries.

Other expenses, excluding leasing depreciation, fell by 1%.

The I/E ratio – income in relation to expenses – was higher at 2.41 before loan losses (2.24) and 1.86 after loan losses (1.60).

Profitability

Handelsbanken's profitability, expressed as return on shareholders' equity after 28% standard notional tax, was 18.8% (14.8). Return on equity after standard notional tax for 1996 for the other listed banks¹⁾ is estimated at 18.1%. The Bank's profitability has been higher than the average for the other listed banks since 1972. Return on equity after full tax is 19.8% (14.9).

Appropriations and tax

Compensation from the Bank's pension fund was SEK 244M (0), implying that in 1996 the Bank reimbursed itself for pensions disbursed during the year. The Group's computed tax expense for 1996 is SEK 1 829M (1 340).

Dividend

The Board of Directors recommends a dividend of SEK 5.00 (3.75) on the ordinary shares. The dividend on index shares, which according to the

1) Stadshypotek is included from 1996 inclusive.

Income/Expenses ratio

	1996	1995
I/E ratio before loan losses	2.41	2.24
I/E ratio after loan losses	1.86	1.60

Sensitivity analysis of the Handelsbanken Group's results

	Change	Impact on operating result	Impact on earnings per ordinary share SEK
Market interest rate (percentage unit)	+/- 1%	-/+ 114	0.34
Net interest margin (percentage unit)	+/- 0.1%	+/- 573	1.73
Commission, net	+/- 1%	+/- 26	0.08
Employees (number)	+/- 100	-/+ 46	0.14
Salary change	+/- 1%	-/+ 32	0.10
Other general administrative expenses	+/- 1%	-/+ 23	0.07

Definitions, see page 2.

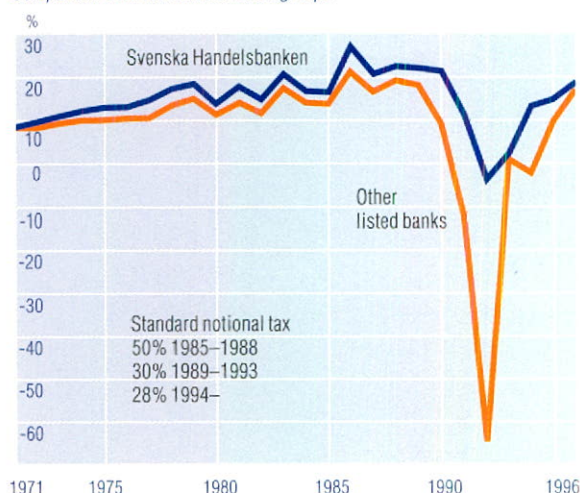
If market interest rates change, the result is affected differently depending on the size of the difference between the fixed-interest periods for invested and borrowed funds. The impact on the result of an increase of all interest rates by one percentage point over a twelve-month period may be estimated at SEK – 114M.

The change becomes negative when interest rates go up since fixed-interest investments, primarily the bond portfolio, are considerably larger than fixed-interest funding. If market rates fall, the impact on the result is the opposite. A detailed description of how the Bank handles interest risks is given in the section "Interest Rate Risks".

The impact on the earnings per ordinary share has been estimated on the basis of the number of ordinary shares at the end of 1996.

Return on shareholders' equity after tax

Comparison between Swedish bank groups



From 1990 calculated on average capital over the year, previously on capital at the beginning of the year. The new listed banks' figures are weighted.

Bank's Articles of Association is to follow the consumer price index, will be SEK 0.80 (0.80).

In accordance with the Articles of Association, the dividend on preference shares will be SEK 0.45 on series A and SEK 0.60 on series B.

The proposed dividend requires SEK 1 207.6M (3 876.9). The previous year's dividend included an amount of SEK 3 005.1M representing the Bank's wholly-owned property company Fastighets AB Näckebro. The Board of Directors' recommendation for distribution of funds available to the Annual General Meeting is presented on page 68.

LOAN LOSSES AND CREDIT RISKS

The banks and the business cycle

The upswing in the business cycle further improved the quality of the banks' loan portfolios and their loan losses fell. The relatively good investment cycle combined with falling interest rates led to rising property prices in the large towns. A number of reconstructed property management companies have now consolidated their finances sufficiently so that continued interest subsidies are no longer necessary.

The number of bankruptcies fell in Sweden for the fourth year running. In 1996, the drop was 3% (-20).

Fears have sometimes been expressed that Swedish households would be hard hit by financial problems which would result in large loan losses in the banks' and mortgage institutions' household lending. So far these fears have proved to be highly exaggerated. The Handelsbanken

Group's total write-offs for various types of loans to households in 1996 were 0.4% of the Group's total lending to this category.

The Handelsbanken Group's loan losses

In 1996, the Handelsbanken Group's loan losses were SEK 1 710M (2 297), a decrease of 26%. Apart from this, the reduction in value of property taken over amounted to SEK 89M (95). The total amount represented 0.6% (0.8) of the Group's lending.

Amounts recovered from previous actual losses were SEK 144M (169) and provisions written back were SEK 469M (417), excluding the country risk reserve. These minus items totalled 34% (25) of loan losses, including changes in value of property taken over.

The winding-down of the wholly-owned subsidiary AB Handel och Industri continued according to plan. This company manages shares which have been acquired in order to protect the Bank's claims in those cases where an early realisation of the shareholdings would result in a heavy loss in value.

Loan loss structure

Of the year's loan losses, six were over SEK 50M. They represented 39% of total loan losses.

In the table below, loans and loan losses are shown by category of borrower. Credit institutions is the only category where losses were greater in 1996 than the previous year. The reason for this is that three of the six losses in 1996 which exceeded SEK 50M were in respect of credit institutions.

Losses on mortgage loans continued to fall. However, a review of all the Group's loans to multi-family dwellings where the owners receive state interest subsidies of the type which is being gradually reduced to zero, shows that in many cases the problems have not completely disappeared. Falling interest rates have a favourable effect on these loans, but increased property tax simultaneously leads to higher costs.

Bad debts

Bad debts, after deduction of provision for possible loan losses, fell by 27% to SEK 2 195M (2 989). They represented 0.8% (1.1) of lending at the year-end.

The reserve for possible loan losses was SEK 4 117M (4 682), which is 65% (61) of gross bad debts.

A full report is given in Note 18, page 56.

Loan losses by category

	1996		1995	
	SEK M	%*)	SEK M	%*)
Industrial, trading and service companies, etc.	527	0.7	811	1.1
Households	321	0.4	473	0.6
Construction and property companies	725	0.8	1 218	1.3
Credit institutions excl. banks	336	1.7	-36	—
Country risk	-55	—	—	—
Less amounts recovered but not categorised	-144	—	-169	—
	1 710	0.6	2 297	0.8

*) As a percentage of loans per category and total loans at beginning of year.

Managing credit risks

In accordance with the credit policy laid down by the Central Board, the branch office which is responsible for the customer must also assess and manage the credit risk. In this way, the Bank draws on the branch's knowledge of the customer and the local market and problem loans are dealt with quickly and efficiently. The branch office is assisted by experts at regional and central head office.

FINANCIAL RISKS

Apart from credit risks, various types of financial risk – also known as market risk – arise in the Group's daily operations. The most important of these are interest rate risks, liquidity risks, exchange rate risks and share price risks. There are various methods of measuring these risks.

Apart from the measurable market risks, legal and administrative risks are often mentioned. It is difficult to quantify these risks.

Capital adequacy requirements for market risks

Apart from the regulations in respect of capital adequacy requirements for credit risks, there are now regulations concerning capital adequacy requirements for market risks, defined as interest rate risks, exchange rate risks and share price risks. The capital adequacy requirement for the Bank's market risks was stable during 1996. The introduction of capital adequacy requirements has affected the Bank's capital ratio by less than 1 percentage unit.

Classification of financial assets

The investment portfolio is the portfolio where the Bank manages the Group's surplus liquidity. The trading portfolio is the Bank's trading book of financial assets.

Trading-related assets are generally classified as current assets. On the other hand, the Swedish banks differ in the way they report investment portfolios. When the new regulations came into force, the banks had the opportunity of classifying bonds in the existing investment portfolio as fixed assets or current assets.

Handelsbanken's philosophy is that the investment portfolio should not be used to speculate in an expected interest rate trend. If the investment portfolio were treated as a current asset, the Bank's result would vary greatly in the case of interest rate fluctuations. It is difficult to prevent the negative effects on the result using various types of financial hedging, since the portfolio

**Holdings in the investment portfolio
(financial fixed assets), 31 December 1996**

	Book value SEK M	Duration yrs	Effective interest rate %
Government bonds	12 218	0.22	5.2
Mortgage bonds	7 713	0.93	7.4
Other securities	1 260	1.04	5.5
Total	21 191	0.53	6.0

represents such a large part of the total interest rate market. For this reason, Handelsbanken – unlike the other Swedish banks – classified its Swedish investment portfolio as a fixed asset and not as a current asset. However, as part of the funding of the acquisition of Stadshypotek and in accordance with the regulations in force, the Bank has reclassified part of the fixed assets as current assets.

Interest rate risks

Interest rate risks arise because the maturity period of the Group's assets and liabilities or off-balance sheet items does not coincide. The largest sources of interest rate risk are represented by the investment portfolio and the trading portfolios at Handelsbanken Markets. To a small extent, interest rate risks also arise in the lending and deposit operations of Handelsbanken's regional banks and subsidiaries.

Interest rate risks in the trading portfolios vary considerably on a daily basis. They arise as a result of customer transactions and positions which are taken in order to profit from daily fluctuations in market rates.

During 1996, the Bank reduced the relative proportion of the Group's interest rate risks in the investment portfolio and increased the proportion in Handelsbanken Markets' liquid trading portfolio where the risk profile can be quickly changed.

When the Group's surplus liquidity grows, the investment portfolio becomes a greater source of interest rate risk in the balance sheet. However, the interest rate risk can be limited by having short-term investments in this portfolio. For this reason, and in order to ensure that the Group can rapidly satisfy an expansion in credit demand, the surplus liquidity is invested in short-term instruments. One measure of this is duration which denotes the average repayment period taking into account coupon payments, any

repayments and final maturities. The duration of Handelsbanken's investment portfolio was 0.53 years at the year-end.

The Swedish kronor investment portfolio was SEK 21 191M at the year-end or 3.7% of total assets. The investment portfolio contains only interest-bearing assets as shown in the table on page 42.

The table below shows the maturity periods for the Group's assets and liabilities on the balance sheet and off-balance sheet items for all currencies at the end of 1996.

Liquidity risks

Liquidity risks arise when the lifetime of assets and liabilities is different and the off-balance sheet cash flows have varying maturities. When, for example, assets mature later than liabilities, the assets must be refinanced once or several times during their lifetime. If on a particular day, the refinancing requirement in an individual currency or on an individual market is large, the funding cost may increase. In order to avoid this, the maximum funding requirement is restricted on individual days by liquidity limits. They control the size of the funding which may be raised in the market at any time.

A distinction is made between Nordic and non-Nordic currencies when managing liquidity risks. The majority of Nordic currency funding

comes from deposits from the general public including the corporate sector. It is also possible to cover temporary deficits by borrowing from the central banks in the Nordic countries.

The majority of funding in non-Nordic currencies comes from deposits from foreign banks, companies and individuals and from regular issues in the international capital markets. In order to secure the Group's foreign currency funding, the management has laid down the goal that medium and long-term foreign currency funding must be at least 25% of medium and long-term foreign currency lending. A foreign currency reserve is maintained in order to guarantee foreign currency commitments. Handelsbanken has a US Commercial Paper Programme, a Euro Commercial Paper Programme and other types of short and medium-term international funding.

Exchange rate risks

More than half of the Group's assets and liabilities are in Swedish kronor. Apart from this, the largest individual currency is USD. Almost 50% of the Bank's claims on and liabilities to credit institutions are in dollars. Just under 75% of the Group's core business – deposits from and lending to the general public – is in Swedish kronor. The rest is equally divided among Nordic, European and US currencies.

Maturity periods for the Group's assets and liabilities on 31 December 1996

	-3 mths	3-6 mths	6-12 mths	1-5 yrs	5 yrs-	Total
ASSETS						
Loans	124 138	20 364	30 178	93 571	3 296	271 547
Banks and other financial institutions	99 911	23 140	11 405	801	0	135 257
Bonds etc.	39 586	10 624	18 112	33 123	3 941	105 386
Total assets	263 635	54 128	59 695	127 495	7 237	512 190
LIABILITIES						
Deposits	138 355	2 314	2 372	263	143	143 447
Certificates of deposit	53 868	10 751	5 490	143	0	70 252
Banks and other financial institutions	102 941	22 889	12 042	637	1 082	139 591
Long-term liabilities	10 969	1 668	13 353	45 069	4 370	75 429
Total liabilities	306 133	37 622	33 257	46 112	5 595	428 719
Off-balance sheet items, net	- 16 196	39 615	- 1 082	- 53 827	3 788	- 27 702
Difference between assets and liabilities including off-balance sheet items	- 58 694	56 122	25 357	27 556	5 430	55 769
Accumulated difference	- 58 694	- 2 573	22 784	50 340	55 769	55 769
Accumulated difference as percentage of total assets	11.46%	0.50%	4.45%	9.83%	10.89%	10.89%

The table shows the maturity for the Group's interest-related assets and liabilities as at 31 December 1996. The assets and liabilities are reported as at the transaction day and the assets and liabilities whose maturity periods change daily are excluded from the table.

Foreign currency funding

	31 Dec 1996 SEK M	31 Dec 1995 SEK M	Change %
General public	45 398	36 174	+ 26
Certificates of deposit	39 703	37 621	+ 6
Banks	131 478	117 195	+ 12
Bonds	5 006	10 067	- 50
Subordinated loans	4 170	4 280	- 3
Total	225 755	205 337	+ 10

Exchange rate risks arise when assets and liabilities and cash flows from derivatives in a currency are not the same size. Within the Handelsbanken Group, only Markets is allowed to have an exchange rate risk in its balance sheet. The regional banks' exposures in foreign currencies are hedged with Handelsbanken Markets.

The exchange rate risks in trading operations are controlled by limits which restrict the exposure of the various units to these risks. There are two types of restriction. One of them refers to the net position – the maximum exposure in an individual currency. The other restriction refers to the aggregate net position with the purpose of limiting the extent of the Bank's total risk exposure in various currencies. During 1996, the Bank's net and aggregate positions did not exceed 5% and 7% respectively of the Bank's capital base, corresponding to SEK 1 350M and SEK 1 900M.

Share price risks

Share price related risks mainly arise in Handelsbanken Markets' trading stock which is used to optimize customer trading. The Bank is also marketmaker in the equity and index option market, where share-related risks arise. Share price risks are restricted by internal limits.

Value-at-Risk

Value-at-Risk is a method of measuring the market risk which the Bank takes in its balance sheet. It is used to estimate the potential negative effect on results of equity price and interest and exchange rate risks. If the Group measures its exposure to market risks on an individual day, the Value-at-Risk figure shows – with a specified probability – the maximum possible loss which can occur as a result of the exposure.

The Bank defines Value-at-Risk as the maximum loss which can be expected to occur on 99 out of 100 days, based on historical prices and

rates during the past three years. In order to ensure that the Bank also resists extreme occurrences in the markets, it regularly carries out stress simulations which show how the result is affected by extreme market fluctuations.

During 1996, the Value-at Risk level in interest and exchange rate positions was low for Handelsbanken Markets – SEK 42M on average. During the year, Value-at-Risk was SEK 77M at its highest and SEK 14M at lowest.

Legal risks

An example of legal risk would be if the terms of a contract cannot be fulfilled as intended due to Swedish or foreign law or legal practice. The overall responsibility for monitoring the Bank's legal risks rests with the Bank's central legal department, which regularly consults internal and external advisers in countries where the Bank is active. The Bank has an internal committee consisting of lawyers and other experts, whose job it is to lay down legal guidelines for the Bank's Swedish and international agreements in the securities markets.

Administrative risks

Administrative risks may arise due to faulty routines in, for example, confirmation and control of transactions carried out or booking of outward and inward payments from counterparties. This type of risk is managed at Handelsbanken Markets by a unit which is independent of the trading organisation.

Responsibility

The overall responsibility for financial risks rests with the Central Treasury Department. This department is responsible for measurement methods, examination of limits and of financial risks in the whole Group, irrespective of whether the risk is trading-related or arises in customer transactions at the Bank's regional units or subsidiaries.

The composition of the investment portfolio, where duration and types of securities are concerned, is restricted by rules laid down by the President of the Bank and then reported to the Central Board. Apart from limits for the investment portfolio, the President also decides on financial risk limits for the other units in the Group. These are also reported to the Central Board.

Within the determined limits, the regional units and Handelsbanken Markets are responsible for follow-up and control of the financial risks.

Control organisation

The Bank regularly measures the financial risks for each and every unit within the Group. Limit utilisation for the entire Group is reported monthly to the President and quarterly to the Central Board.

For trading-related operations, the financial risks and limit utilisation by the units are checked on a daily basis, since their risks can change rapidly. An improved global risk measurement system for Handelsbanken Markets became operational in January 1996.

Both the risks in the Bank's investment portfolio and in Handelsbanken Hypotek's investment portfolio are monitored daily. The composition and risk of the portfolio are reported monthly to the President and quarterly to the Central Board.

A unit at the Central Treasury Department works exclusively on risk control independent of the trading organisation. Apart from continuous analysis of the Group's exposure to market fluctuations, the department carries out regular reviews of the local risk controls at the Bank's units. These reviews include the unit's positions, measurement methods, limit structure, administrative controls and risk reports. An independent check is also made by the Central Auditing Department.

Derivative instruments

Derivative instruments are a natural part of trading portfolios and are also used to change and limit the risks in balance sheets outside the trading operation. The value of derivative instruments is affected by the same market prices as traditional securities. Management of derivatives can therefore be integrated with other instruments. This means that derivative risks – like

the risks in other instruments – are restricted by the limits and the control organisation described above.

Most derivative products – like sight instruments – change in value mainly when interest rates and prices fluctuate. Options, and portfolios containing options, also change in value when the rate of change of interest rates and prices increases or decreases. These volatility and gamma risks as they are known are checked daily. They represent a minor part of the Group's current financial risk, however.

Derivative instruments are of two kinds: as customer products within trading operations at Handelsbanken Markets and mainly to reduce the Bank's own risks in the rest of the Group. As shown in the table below, by far the largest volume of derivatives is in the trading operation. Increases in volume in interest rate and equity derivatives are a natural consequence of Handelsbanken Markets' expansion and customers' increased demand for this type of instrument.

COMPETENT STAFF

Handelsbanken's decentralised organisation and the increasing complexity in banking make high demands on the skills of our staff.

Handelsbanken therefore invests a great deal of resources and effort into training and development of managers and employees at all levels.

OKTOGONEN

Every year since 1973, apart from 1992 when no dividend was paid to the shareholders, the Bank has allocated part of its profit to a profit-sharing system for its employees. The funds are managed by the Oktogonen Foundation.

The main condition for an allocation to be made is that the Handelsbanken Group has higher return on shareholders' equity after standard notional tax than other banks in accordance with the overall goal laid down for operations. Some of the extra earnings can then be allocated to the employees in accordance with certain regulations. All employees receive an equal part in the allocated amount. 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 is invested in shares in Handelsbanken. Today, Oktogonen is one of the largest shareholders in the Bank.

Derivatives 31 December 1996, SEK billion

	In trading operations	In other operations	Total 31 Dec 1996
Currency forwards	1 130	10	1 140
Interest rate and currency swaps	538	0	538
Interest rate forwards and futures	2 658	0	2 658
Interest rate and currency options	40	0	40
Equity forwards and options	7	0	7
Total	4 373	10	4 383

The profit-sharing system is based on the idea that the Bank's employees should receive a portion of the extra earnings in which they have played such a large part. Over the years, this has increased in importance as an incentive to the staff of the Bank.

Since the beginning of 1995, the profit-sharing system has also included staff in Norway.

ACQUISITION OF STADSHYPOTEK

In February 1997, Handelsbanken became the owner of over 90% of the shares in Stadshypotek AB. A compulsory purchase procedure has been initiated in order to obtain all the shares in the company.

The background and motives for the deal are described below.

Background

In June 1996, the Swedish government announced that its holdings in Stadshypotek might be divested. On 22 November 1996, the Riksdag resolved that 9 000 706 Series A shares and 32 500 000 Series B shares, corresponding to 34% of the number of shares in Stadshypotek, which was owned by Konungariket Sveriges Stadshypotekskassa, would be transferred to the government and offered for sale.

After in-depth analysis, the Board considered that acquisition of all the shares in Stadshypotek at a price of SEK 190 per Series A share and SEK 180 per Series B share was of interest to the Bank and consequently to its shareholders. In view of this, the Board resolved to make an offer to the government. By this, the Bank undertook to make a public offer to all the shareholders of Stadshypotek as soon as possible, should the government accept the bid. One of the conditions of the offer was that the Bank was granted the required authorisation from the public authorities and that through the offer, the Handelsbanken Group came to own shares representing more than 90% of the total number of shares in Stadshypotek. In this connection, Handelsbanken also undertook to offer permanent employees of Stadshypotek AB and Stadshypotek Bank AB continued employment within the Handelsbanken Group. In accordance with normal practice, this undertaking does not include employees in managerial positions who have special contracts.

Briefly, the offer to other shareholders implies choosing between cash payment of SEK 190 per share and one preference share in Handelsbanken Hypotek.

On 12 December 1996, the government agreed to accept Handelsbanken's offer on condition that no other more favourable offers were announced before the end of the notification period.

Funding the acquisition

According to the cash offer, the total purchase price for all shares in Stadshypotek was SEK 22.9 billion. The acquisition was funded by disposing of a considerable portion of the long-term surplus liquidity in Swedish kronor which until then had been invested in government and mortgage bonds. The fact that Stadshypotek's shareholders are offered the opportunity of choosing payment in the form of newly-issued preference shares is not due to a funding requirement on the part of the Bank. In accordance with a tax assessment made by Handelsbanken Markets, shareholders in Stadshypotek will be able to defer taxation of capital gains arising if they accept the offer by using a regulation known as the structure regulation.

The new Handelsbanken Group

Operations and employees

The existing mortgage loans in the Handelsbanken Group amounting to some SEK 100 billion have been increased by around SEK 290 billion as a result of the acquisition. Stadshypotek's employees will play an important role in looking after these loans in the future but also in other functions in the Handelsbanken Group. Handelsbanken's almost 500 branches represent an important base for future operations and are a crucial factor in achieving synergy effects.

Capital ratio etc estimated when the decision was made

The Handelsbanken Group's total assets at 30 September 1996 were SEK 564 billion and the capital ratio was 11.7%. As a result of the acquisition of Stadshypotek, the Group's total assets would increase by 54% to SEK 870 billion (calculated as at 30 September 1996 and without taking into account elimination of internal items). Taking into consideration the perpetual loans which were planned in connection with the acquisition, the capital ratio was estimated initially to fall to around 8.5%. In view of the Group's capacity to generate earnings, calculations show that it should be possible to achieve a capital ratio of 11% within a period of approximately two years after the acquisition.

Impact on results estimated when the decision was made

In order to illustrate the immediate and gradual effects of an acquisition, some of the calculations on which the Board based its decision are shown below.

Group goodwill was estimated at SEK 5.9 billion to be distributed over ten years. However, both the amount and the amortisation period must be determined later on the basis of a more detailed review of Stadshypotek's operations as well as other considerations. Based on the

Handelsbanken Group's profit before tax for the period January to September 1996, on a twelve-month basis, a profit of SEK 6 000M was obtained. If Stadshypotek had been acquired at the start of 1996, based on a similar upwards revision of Stadshypotek's nine-month results, an extra profit of SEK 1 100M would have arisen in the Handelsbanken Group. Thus, total Group profit for the whole of 1996 would have been SEK 7 100M¹⁾. After standard notional tax, this is equivalent to around SEK 4 950M, an increase of some 15%. The increase in earnings per ordinary share would also have been approximately 15%. Apart from this immediate increase in profits of SEK 1 100M, it was estimated that the Handelsbanken Group's future results would gradually be affected by:

- reductions in operating costs
- increases in income arising from new business with Stadshypotek's customers
- decreases in income arising from losses in volume in Stadshypotek's loan portfolio.

It was considered that the gradual effects after five years would give a further annual profit of around SEK 650M before tax. In a worst case scenario, these gradual result effects would compensate for each other and no further profits would accrue during the five-year period apart from the SEK 1 100M which was expected to arise immediately as described above.

Future strategy

The acquisition of Stadshypotek implies no change of strategy for Handelsbanken. The Bank's Nordic strategy remains unchanged.

1) The actual outcome is SEK 7 719M, based on Handelsbanken's and Stadshypotek's 1996 figures which have now been published.

PROFIT AND LOSS ACCOUNTS

		GROUP		PARENT COMPANY	
		1996 SEK M	1995 SEK M	1996 SEK M	1995 SEK M
Interest income	Note 1	39 942	39 886	28 851	29 342
Leasing income	Note 2	1 227	1 097	—	—
Interest expense	Note 1	– 30 798	– 31 368	– 21 864	– 22 669
Dividends received	Note 3	107	65	1 839	385
Commission income	Note 4	3 294	2 770	3 389	2 948
Commission expense	Note 5	– 666	– 404	– 576	– 430
Net result on financial operations	Note 6	2 114	1 574	2 064	1 598
Other operating income	Note 7	290	689	244	175
Total income		15 510	14 309	13 947	11 349
General administrative expenses					
Staff costs	Note 8	3 477	3 413	3 183	3 100
Other administrative expenses	Note 9	2 237	2 248	2 045	2 028
Depreciation and write-down in value of tangible and intangible fixed assets	Note 10	1 278	1 211	249	275
Total expenses before loan losses		6 992	6 872	5 477	5 403
Profit before loan losses		8 518	7 437	8 470	5 946
Loan losses	Note 11	1 710	2 297	1 289	1 645
Change in value of property taken over	Note 12	89	95	43	27
Write-down of financial fixed assets	Note 13			306	
Operating profit		6 719	5 045	6 832	4 274
Minority interests		– 1	10		
Appropriations	Note 14	201	– 72	– 1 450	– 1 548
Profit before taxes		6 919	4 983	5 382	2 726
Taxes	Note 15	– 1 829	– 1 340	– 1 185	– 634
Profit for the year		5 090	3 643	4 197	2 092

BALANCE SHEETS

31 December

		GROUP		PARENT COMPANY	
		1996 SEK M	1995 SEK M	1996 SEK M	1995 SEK M
ASSETS					
Cash and balances with central banks		7 487	1 304	7 347	1 303
Instruments eligible as collateral with central banks etc	Note 16	41 794	28 889	41 744	28 792
Lending to credit institutions	Note 17	119 166	92 286	133 517	116 084
Lending to the general public	Note 18	272 753	255 237	160 451	148 259
Bonds and other interest-bearing securities	Note 16	66 171	58 869	80 518	77 738
Shares and participations	Note 19	4 204	2 345	3 859	1 885
Shares and participations in associated companies	Note 20	36	36	33	33
Shares and participations in Group companies	Note 21	248	248	4 131	6 229
Intangible fixed assets					
Goodwill	Note 22	228	254	91	119
Tangible assets					
Equipment	Note 23	472	417	435	379
Leasing assets	Note 24	5 057	3 930	—	—
Buildings and land	Note 25	1 445	8 144	1 297	1 447
Other assets	Note 26	42 841	47 932	40 311	46 369
Prepayments and accrued income	Note 27	9 221	6 663	9 404	6 961
Total assets		571 123	506 554	483 138	435 598
LIABILITIES, PROVISIONS AND SHAREHOLDERS' EQUITY					
Liabilities to credit institutions	Note 28	170 974	143 646	177 362	153 265
Deposits and funding from the general public					
Deposits	Note 29	122 269	109 826	131 455	127 278
Funding	Note 30	45 238	27 626	44 372	27 399
Issued securities	Note 31	129 284	120 741	38 264	30 749
Other liabilities	Note 32	55 074	57 978	52 113	57 716
Accruals and deferred income	Note 33	6 199	6 039	4 920	5 487
Provisions					
Provisions for taxes		2 219	1 887	—	—
Subordinated liabilities	Note 34	12 302	12 826	8 934	10 126
Total liabilities and provisions		543 559	480 569	457 420	412 020
Minority interest in shareholders' equity		7	30	0	0
Untaxed reserves	Note 35			5 298	4 215
Share capital	Note 36	2 605	2 503	2 605	2 503
Statutory reserve	Note 36	3 144	2 567	2 936	2 301
Reserve for unrealised profits	Note 36	746	—	733	—
Other restricted reserves	Note 36	4 827	4 766	—	—
Profit brought forward	Note 36	11 145	12 476	9 949	12 467
Profit for the year	Note 36	5 090	3 643	4 197	2 092
Total shareholders' equity		27 557	25 955	20 420	19 363
Total liabilities, provisions and shareholders' equity		571 123	506 554	483 138	435 598
Collateral pledged for own debt	Note 37	48 651	39 639	47 573	38 840
Contingent liabilities	Note 38	58 984	62 768	65 736	75 234
Pension commitments	Note 39	4 974	4 131	4 974	4 131
Other commitments	Note 40	4 445 388	3 258 729	4 482 371	3 359 828

ACCOUNTING PRINCIPLES

The accounting follows the regulations of the Annual Accounts Act for Credit Institutions and Securities Companies and the directives issued by the Swedish Financial Supervisory Authority (FFFS 1995:54). Apart from the changed accounting principles described below, a consequence of the new act is that the layout for balance sheets and profit and loss accounts has been changed and that certain items have been reclassified. The comparative figures for 1995 have been recalculated in accordance with this.

Changed accounting principles

According to the rules applying before 1996, holdings of interest-bearing securities and derivatives associated with them were divided into an investment portfolio (long-term holdings) and a trading portfolio (short-term holdings). The investment portfolio contained investments which had been acquired mainly for liquidity management purposes or investments due to local requirements by the public authorities. Investment and trading portfolios were valued at the lower of acquisition price and market value. Unrealised losses in the trading portfolio were reported under Net interest income, while the corresponding losses in the investment portfolio were reported under Appropriations.

The changed accounting principles introduced in 1996 imply that those securities which are intended to be kept to maturity are reported at their accrued acquisition price. They are not revalued during the period they are held. Interest-bearing securities which represent the trading stock are valued at market value. Derivative instruments with positive/negative market values are reported gross in the Balance Sheet as Other assets/Other liabilities respectively.

An overall description of the accounting principles which apply is given below under the heading Financial instruments.

In accordance with Recommendation No. 5 from the Swedish Financial Accounting Standards Council, the comparative figures for previous years have been recalculated on the basis of the new accounting principles. Comparative figures before 1995 have not been recalculated, since this would have led to significant problems as a result of the large number of reclassifications. (See the comments to the five-year summary on pages 72–73.) Opening shareholders' equity for 1995 according to the Balance Sheet as at 31 December 1994 increased by SEK 578M to SEK 23 349M. The impact on shareholders' equity and reported result is described in greater detail in Note 36, Shareholders' equity.

Consolidated Accounts

The recommendation from the Accounting Standards Council on Consolidated Accounts has been applied. The Consolidated Accounts have been prepared in accordance with the acquisition accounting method. Uniform accounting principles have been applied within the Group in all essential respects. The Consolidated Accounts comprise all companies in which Handelsbanken directly or indirectly holds more than 50% of the voting power. In accordance with the Financial Supervisory Authority's directives, companies taken over to protect claims are not included in the Consolidated Accounts.

Handelsbanken Liv, which is a mutual life assurance company, is not included in the Consolidated Accounts since the whole surplus of the life assurance operation accrues to the policy-holders in the form of bonuses.

Holdings of intra-Group bonds classified as financial fixed assets are eliminated in the Consolidated Accounts. 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.

When converting the foreign subsidiaries' balance sheets and profit and loss accounts, the daily rate method has been used. Assets, liabilities and minority interests in the equity have been valued at the rate prevailing on the balance sheet date. Shareholders' equity is converted at the rate applicable at the time of investment or earning. The acquired portion of untaxed reserves has been converted at the daily rate applicable on the date of acquisition. The Profit and Loss Account has been converted at the average annual rate. Conversion differences which arise are transferred direct to shareholders' equity.

Valuation of claims and liabilities in foreign currencies

Claims and liabilities in foreign currencies have been valued in accordance with the Swedish Accounting Board's Recommendation No. 7. The average of the buying and selling price for the currency in question according to the officially listed rates on the balance sheet date has been used. Foreign banknotes have been valued at the buying rates applicable to the general public on the balance sheet date.

Liabilities in foreign currencies which refer to financing of shares in subsidiaries or holdings of subordinated loans issued by subsidiaries are valued at the rate applicable on acquisition.

Forward contracts in foreign currencies are valued 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

In the Balance Sheet, *interest-bearing securities* are reported either as Instruments eligible as collateral with central banks or as Bonds, depending on the category of issuer. Both the trading book and securities which are held long-term but without the intention of being kept 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 acquisition price and market value. Realised and unrealised effects on the result 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 price. For securities where the value has fallen and this situation is considered to be permanent, a write-off is made. Realised price gains and losses are reported under Other operating income.

By acquisition price of discount and coupon instruments (held and issued) is meant the accrued acquisition price. This price 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 distributed 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 regarded as commitments off the Balance Sheet. On the date of settlement, they are reported in the Balance Sheet.

Equities in the trading book are valued at market value. Other equities which are classified as current assets are valued at the lower of acquisition price and 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 for hedging balance-sheet items which have not been given a market value. If the hedge is considered to represent an effective protection against unfavourable changes in value, the derivative transaction is reported using the accounting principles which apply to the hedged transaction. 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. Claims and liabilities 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 in the Balance Sheet.

Lending

Lending to the general public and credit institutions is classified as financial fixed assets and is reported in the Balance Sheet on the settlement date at its acquisition price. Loans which represent bad debts are reported in the Balance Sheet at their net amount, i.e. after deduction of the provision for possible loan losses. Undrawn loans (including the risk related to fixed advanced 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 fee received is distributed over the remaining period of the loan.

Pension costs

A calculated pension cost relating to pension commitments which are backed by Handelsbanken's pension fund and pension foundation is reported as an operating expense. Premiums paid for pension insurance for staff outside Sweden are also reported under Operating expenses.

The calculated pension premium is restored as an appropriation under Settlement of pensions, where settlement is made against disbursed pensions and any consideration from the pension fund.

Depreciation

Leasing assets

Leasing assets are depreciated in accordance with the annuity method. Total depreciation during the base period of the contract corresponds to the acquisition price of the asset. When the supplier or another party secures a future residual value or when the asset can be sold in an active secondary market, depreciation is made during the base period down to a prudently calculated residual value according to plan. The original depreciation is made according to an individual plan for each asset.

For leasing assets which have been repossessed due to the lessee's inadequate ability to pay, an assessment is made of the market value at the time of repossession. If the market value is less than the residual value according to plan, an extra depreciation is made.

Equipment

Equipment is mainly depreciated on a straight-line basis over 5 years. Personal computers are depreciated over 3 years and investments in bank vaults and similar investments in premises are depreciated over 10 years.

Property containing bank premises

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

Property taken over to protect claims

Properties taken over to protect claims are reported at the lower of acquisition price and market value at the balance sheet date. Consequently, there is no depreciation of these properties.

Goodwill

Consolidated goodwill is amortised over 10 years.

Loan losses

Actual loan losses for the year and write-offs in respect of possible losses for loan claims are reported as loan losses. Also reported as loan losses are write-offs of interest shown as income in previous annual accounts.

Provisions for country risks are made by amounts which are considered necessary in the opinion of the Bank. In the accounts, the reserve is distributed over the asset items in the Balance Sheet to which the reserve refers.

Reported as *actual loan losses* are losses where the amounts have been finally determined or are more than likely as a result of an official receiver providing an estimation of bankruptcy dividends, the acceptance of composition recommendations or the reduction of claims in some other way.

Write-offs of *possible loan losses* are made in respect of bad debts if the borrower's ability to repay is not considered likely to improve sufficiently within two years and the value of the collateral does not cover the loan amount.

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

If the collateral consists of a mortgage on a property, the valuation of the underlying security is made in the same way as for properties taken over (see below).

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 entered as income. Interest on these claims which was reported as income but not paid during the accounting year has been reversed. Interest payments received thereafter in respect of this type of credit are reported in the year of receipt.

Valuation of property taken over to protect claims

Property which has been taken over to protect claims is a current asset and is valued at the lower of acquisition price and market value. By market value is meant the market value after deduction of costs of sale. This value is based upon an individual valuation by a firm of valuers with the required skills in the field. When taken over, the properties are written down to a market value. If this value is less than that of the Bank's original collateral, the difference is reported as an actual loan loss. Changes in value after the property has been taken over are reported under Changes in value of property taken over.

NOTES TO THE PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

Amounts in SEK M unless otherwise stated

Not 1: Net interest income

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
INTEREST INCOME				
Credit institutions	8 306	5 344	9 194	6 665
General public	24 022	25 617	12 583	14 419
Interest-bearing securities, fixed assets	4 042	5 654	3 813	5 301
Interest-bearing securities, current assets	2 206	1 794	2 191	1 781
Other interest income	1 366	1 477	1 070	1 176
Total interest income	39 942	39 886	28 851	29 342
INTEREST EXPENSE				
Credit institutions	8 652	8 688	9 199	9 030
General public	7 401	7 849	8 252	7 862
Securities issued	10 956	11 302	1 744	2 248
Subordinated liabilities	1 092	932	721	888
Other interest expense	2 697	2 597	1 948	2 641
Total interest expense	30 798	31 368	21 864	22 669
Average lending rate general public ¹⁾	8.51%	9.48%	7.52%	8.81%
Average deposit rate general public ¹⁾	4.37%	5.70%	4.81%	5.75%
Interest spread ¹⁾	1.39%	1.42%	1.26%	1.30%
Net interest margin ¹⁾	1.64%	1.74%	1.49%	1.62%
Net interest income	9 410	8 744	6 987	6 673
Interest income from Group companies		3 045	4 701	
Interest expense to Group companies			1 923	2 057

1) Average interest rate during the year

Note 2: Leasing income

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Leasing income, gross	1 227	1 097	—	—
Leasing depreciation according to plan	961	871	—	—

Leasing depreciation according to plan is reported under Depreciation and write-down in value of tangible and intangible fixed assets.

Note 3: Dividends received

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Dividends on shares and participations	90	59	87	56
Dividends from associated companies	17	6	11	6
Dividends from Group companies	0	0	1 741	323
	107	65	1 839	385

Share dividends from subsidiaries are anticipated in the Parent Company in the amount of SEK 1 330M for 1996 and SEK 36M for 1995.

Note 4: Commission income

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Payment commission	588	469	585	470
Lending commission	322	257	174	160
Deposit commission	160	139	160	139
Guarantee commission	170	149	170	148
Securities commission	1 433	1 123	1 241	985
Other commission	621	633	1 059	1 046
	3 294	2 770	3 389	2 948

Commission income from Group companies 503 518

Handelsbanken provides management and intermediary services. For further information about these services, please see page 34.

Note 5: Commission expense

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Payment commission	408	321	403	321
Securities commission	62	20	51	20
Other commission	196	63	122	89
	666	404	576	430

Commission expense to Group companies 0 1

Note 6: Net result on financial operations

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Shares and participations	48	39	41	39
Interest-bearing securities	920	549	913	549
Realised profit	968	588	954	588
Shares and participations	38	- 16	26	- 18
Interest-bearing securities	793	530	777	538
Unrealised changes in value	831	514	803	520
Changes in exchange rates	315	472	307	490
Net result on financial operations	2 114	1 574	2 064	1 598

Unrealised changes in value on interest-bearing securities in 1996 include SEK 621M in respect of changes in value on securities which have been reclassified. See also note 16.

Note 7: Other operating income

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Realised share price gains, not trading book	35	0	35	0
Surplus on sales of properties	72	12	72	12
Net operating income of property taken over for protection of claims ¹⁾	6	449	5	5
Rental income	64	83	61	78
Other operating income	113	145	71	80
	290	689	244	175

1) SEK 444M for the property company Närkebro is included in the comparative figure for the previous year. During 1996, this company was distributed to Handelsbanken's shareholders and is not included in the Consolidated Accounts.

Specification of net operating income of property taken over for protection of claims

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
External income	9	704	6	7
Operating expenses	- 3	- 255	- 1	- 2
Net operating income	6	449	5	5

Note 8: Staff costs

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Salaries and remuneration	2 332	2 211	2 114	1 995
Social security costs	690	698	632	628
Pension costs ¹⁾	207	172	194	163
Appropriation to profit-sharing foundation	30	114	28	113
Other staff costs	218	218	215	201
	3 477	3 413	3 183	3 100

1) SEK 137M (122) of pension costs are computed costs and SEK 70M (50) pension premiums. The computed pension cost, which is charged to the operating result, is based on the number of employees in active service.

Insurance premiums paid to Group Companies 5 4 5 4

Salaries and other emoluments	1996	1995	1996	1995
Board, CEO and EVPs				
Sweden	42	39	37	34
Norway	1	1		
Finland	1	1		
Denmark	1	1		
Luxembourg	2	2		
USA	3	—		
Australia	3	3		
France	2	2		
	55	49	37	34
Other staff				
Sweden	1 714	1 631	1 601	1 527
Norway	98	96	94	91
Finland	126	92	100	66
Denmark	63	53	51	41
UK	115	132	111	116
Luxembourg	34	39	9	10
Germany	18	20	18	20
USA	59	57	57	57
Singapore	17	17	17	17
Hong Kong	16	13	16	13
Other countries	17	12	3	3
	2 277	2 162	2 077	1 961
Total	2 332	2 211	2 114	1 995

The pension costs for the present and previous Board, CEOs and EVPs were SEK 40M for the Group in 1996 and SEK 38M for the Parent Company. These pension costs represent the sum of disbursed pensions, paid pension premiums and the increase in pension commitments for the year. This expense has not been charged to the Bank, since the Bank has received compensation from the capital in the Bank's pension foundation. The number of people within the Group who are covered by these costs is 56, of whom 20 are pensioners. Pension commitments for the same group of people in 1996 were SEK 263M in the Group and SEK 250M in the Parent Company.

Number of employees (average during year)	Women	Men	1996	1995
Sweden	3 434	2 699	6 133	6 289
Norway	125	129	254	243
Finland	204	137	341	197
Denmark	50	66	116	95
UK	74	151	225	251
Luxembourg	30	47	77	80
Germany	24	18	42	39
USA	29	57	86	89
Singapore	33	15	48	39
Hong Kong	17	31	48	45
Other countries	12	16	28	28
	4 032	3 366	7 398	7 395

The number of employees at Handelsbanken Liv, which is run on mutual principles and does not affect personnel expenses, is not included in the above number of employees. Handelsbanken Liv had 196 (173) employees.

Terms and emoluments of the Bank's senior management and the Chairman and Vice Chairman of the Board

TERMS: The Bank has no agreements on severance pay. For many years, the Bank has had an agreement with the Chief Executive Officer whereby if he is not re-appointed at the annual general meeting, up to and including the fifth annual general meeting thereafter he is to be offered other work and to be paid as if he had been CEO. If he takes up employment outside the Bank, no compensation will be paid to him.

Arne Mårtensson, like his predecessors, has a retirement age of 55. This is considered to be desirable both for the Bank and the CEO in view of the Bank's tradition of often appointing relatively young people to the position of Chief Executive Officer. The retirement pension is 75% of the salary up to the age of 65 and 65% thereafter. The pension is earned gradually during the years up to the age of retirement and is fully earned by the age of 55. 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 fund. If the CEO leaves the Bank before the age of 55, a paid-up policy is issued for the pension earned.

The age of retirement for Executive Vice Presidents is 60. The retirement pension is 65% of the salary in the age band 60-64. From the age of 65, the retirement pension is 65% of the annual salary up to 40 index-linked base amounts and 32.5% above this level. The pension includes amounts due in the form of national basic pension (AFP) and national supplementary pension (ATP).

For the Chairman of the Board of Handelsbanken, Tom Hedelius, there is a CEO agreement as described above. From November 1994, when Tom Hedelius reached the contracted age of retirement and a pension was payable, a supplementary agreement was made valid for five years. This agreement implies that Tom Hedelius, as in the previous agreement, does not serve as a director on any other boards than those desired by the Bank and that the emoluments are paid to the Bank. In return, Tom Hedelius receives a fee during the period of the agreement which is the difference between the pension and the remuneration prior to retirement.

The emoluments of the Chairman and CEO are reviewed annually by the Compensation Committee of the Central Board of Directors.

EMOLUMENTS: During 1996 the Chairman, Tom Hedelius, received emoluments and benefits from the Bank amounting to SEK 114 006 after the fees which Tom Hedelius has received for serving on other boards have been deducted from the fee agreed with the Bank. A pension was paid under the agreement described above. No bonus is paid.

The President and CEO, Arne Mårtensson, has received emoluments and benefits amounting to SEK 5 613 819. Fees from serving on other boards have been paid to the Bank. No bonus is paid.

Note 9: Other administrative expenses

	GROUP 1996	1995	PARENT COMPANY 1996	1995
Property expenses	86	77	84	74
Cost of premises	509	487	466	438
External computer expenses	499	476	494	508
Communication expenses	257	258	224	231
Travel and marketing expenses	212	246	175	210
Purchased services	364	338	344	289
Supplies	116	146	105	139
Other expenses	193	220	153	139
	2 237	2 248	2 045	2 028
Leasing expenses paid to Group Companies			59	100

Note 10: Depreciation and write-down in value of tangible and intangible fixed assets

	GROUP 1996	1995	PARENT COMPANY 1996	1995
Equipment	199	187	182	171
Property	40	40	39	39
Leasing assets	968	871	0	0
Goodwill	45	35	26	22
Other depreciation/write-downs	26	78	2	43
	1 278	1 211	249	275

Note 11: Loan losses

	GROUP 1996	1995	PARENT COMPANY 1996	1995
A. Individually valued claims:				
The year's write-down for actual loan losses	2 499	2 709	1 967	2 159
Write-back of previous provisions for possible loan losses which are reported as actual losses in this year's accounts	- 1 471	- 1 554	- 1 140	- 1 126
The year's write-down relating to possible loan losses	1 244	1 576	914	1 010
Recovered from actual losses in previous years	- 132	- 151	- 99	- 111
Write-back of provisions for possible losses which are no longer necessary	- 350	- 369	- 299	- 290
Net cost for the year for individually valued loan losses	1 790	2 211	1 343	1 642

	GROUP 1996	1995	PARENT COMPANY 1996	1995
B. Claims valued as a group:				
The year's write-down for actual loan losses	51	152	5	7
Recovered from actual losses in previous years	- 12	- 18	- 1	- 1
Allocation to/dissolution of reserve for loan losses	- 64	- 48	- 3	- 3
Net expense for the year for loan losses valued as a group	- 25	86	1	3
C. Provision to general reserve for country risks:				
	- 55	0	- 55	0
Total loan losses (A+B+C)	1 710	2 297	1 289	1 645

Actual and possible loan losses as well as the country risk reserve all reduce the corresponding claim amount on the assets side of the Balance Sheet. The reserve for possible loan losses increased by SEK 35M for the Group and SEK 31M for the Parent Company in the form of foreign exchange conversion differences.

Changes in the reserve for country risks are reported when claims are sold directly against the claim in question.

Write-downs:

Claims on credit institutions	228	—	228	—
Claims on the general public	2 095	2 883	1 518	2 050
Total write-downs	2 323	2 883	1 746	2 050

Write-backs:

Claims on credit institutions	13	—	13	—
Claims on the general public	456	417	344	293
Total write-backs	469	417	357	293

Note 12: Change in value of property taken over

	GROUP 1996	1995	PARENT COMPANY 1996	1995
Properties taken over	0	- 25	0	0
Other property taken over	42	0	42	0
Realised change in value	42	- 25	42	0
Properties taken over	1	115	1	22
Other property taken over	46	5	0	5
Unrealised change in value	47	120	1	27
Change in value of property taken over	89	95	43	27

Note 13: Write-down of financial fixed assets

	GROUP 1996	1995	PARENT COMPANY 1996	1995
Shares and participations in Group companies	—	—	306	—
Write-down of financial fixed assets	—	—	306	—

Refers to write-down of shareholdings in Industrialiseringsfonden AB and Fastighetsbanken i Finland AB in connection with dividends for the corresponding amount.

Note 14: Appropriations

	GROUP 1996	1995	PARENT COMPANY 1996	1995
Settlement of pensions				
Computed pension premiums in the Bank	137	122	137	122
Pensions paid by the Bank	- 199	- 172	- 199	- 172
Compensation from pension fund	244	0	244	0
Special salary tax	0	- 31	0	- 31
Settlement pensions, branches outside Sweden	19	9	19	9
	201	- 72	201	- 72

Change in tax equalisation reserve K		456	456
Change in tax allocation reserve	- 1 550	- 1 450	
Change in other untaxed reserves		11	12
Depreciation under plan		0	4
Group contribution		- 568	- 498
	201	- 72	- 1 450
			- 1 548

Note 15: Taxes

	GROUP 1996	1995	PARENT COMPANY 1996	1995
Income tax	1 435	992	1 176	629
Deferred tax liability	382	334	0	0
Other taxes	12	14	9	5
	1 829	1 340	1 185	634

In connection with a tax audit, the tax authority has made a decision which could imply, if the decision is upheld in a higher court, that the Group's tax expense increases by SEK 236M. The Bank will appeal against the tax authority's decision. For reasons of prudence, SEK 100M of the SEK 236M has been taken into account when computing the tax expense for the year. At the year-end 1996, the Group had unutilised losses carried forward, the taxation effects of which are SEK 115M. It is calculated that it will be possible to utilise SEK 76M of these, which has not been taken into consideration in calculating the tax expense for the year.

Note 16: Interest-bearing securities

	GROUP 1996	1995	PARENT COMPANY 1996	1995
INSTRUMENTS ELIGIBLE AS COLLATERAL WITH CENTRAL BANKS				
Government instruments eligible as collateral	41 728	27 687	41 678	27 590
Other securities eligible as collateral	66	1 202	66	1 202
	41 794	28 889	41 744	28 792

Instruments eligible as collateral with central banks

Residual maturity: maximum one year	26 228	15 259	26 227	15 213
Residual maturity: over one year but maximum five years	12 120	11 197	12 104	11 167
Residual maturity: over five years but maximum ten years	2 589	2 212	2 567	2 191
Residual maturity: over ten years	857	221	846	221
Total	41 794	28 889	41 744	28 792

Average residual maturity	1.8	1.5	1.7	1.5
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BONDS AND OTHER INTEREST-BEARING SECURITIES

Issued by public bodies	3 196	1 907	3 196	1 907
Issued by other borrowers	62 975	56 962	77 322	75 831
Bonds and other interest-bearing securities	66 171	58 869	80 518	77 738

Of which unlisted securities	13 819	19 260	13 817	19 251
Of which subordinated	83	42	83	42
Of which claims on Group companies			22 062	34 846

Bonds and other interest-bearing securities

Residual maturity: maximum one year	42 826	44 636	45 566	44 882
Residual maturity: over one year but maximum five years	21 952	12 067	33 463	30 595
Residual maturity: over five years but maximum ten years	1 134	2 024	1 230	2 119
Residual maturity: over ten years	259	142	259	142
Total	66 171	58 869	80 518	77 738

Average residual maturity	1.0	0.8	1.5	1.6
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	GROUP 1996	1995	PARENT COMPANY 1996	1995
CURRENT ASSETS				
Current assets acquisition price				
Swedish government	18 353	6 341	18 308	6 245
Swedish local authorities	110	484	110	484
Swedish housing finance institutions	36 050	20 791	36 020	20 771
Other Swedish issuers:				
non-financial companies	4 910	2 813	4 910	2 813
other financial companies	2 196	3 918	2 141	3 873
Foreign governments	9 693	13 321	9 693	13 321
Other foreign issuers	14 427	18 228	14 426	18 213
Total	85 739	65 896	85 608	65 720

Of which subordinated (debenture loans)	83	42	83	42
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Current assets market value

Swedish government	18 688	6 168	18 639	6 071
Swedish local authorities	111	484	111	484
Swedish housing finance institutions	36 581	19 590	36 550	19 569
Other Swedish issuers:				
non-financial companies	4 919	3 551	4 919	3 551
other financial companies	2 246	4 751	2 181	4 701
Foreign governments	9 650	13 399	9 650	13 399
Other foreign issuers	14 601	17 887	14 598	17 873
Total	86 796	65 830	86 648	65 648

Of which subordinated (debenture loans)	83	42	83	42
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Current assets book value

Swedish government	18 688	6 168	18 639	6 071
Swedish local authorities	111	484	111	484
Swedish housing finance institutions	36 581	19 590	36 550	19 569
Other Swedish issuers:				
non-financial companies	4 919	3 551	4 919	3 551
other financial companies	2 246	4 751	2 181	4 701
Foreign governments	9 650	13 399	9 650	13 399
Other foreign issuers	14 579	17 887	14 576	17 873
Total	86 774	65 830	86 626	65 648

Of which subordinated (debenture loans)	83	42	83	42
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During 1996, interest-bearing securities with a book value of SEK 16M have been reclassified from fixed assets to current assets. The reason for the reclassification was the planned acquisition of Stadshypotek.

FIXED ASSETS

Fixed assets acquisition price

Swedish government	12 192	6 951	12 192	6 951
Swedish local authorities	—	—	—	—
Swedish housing finance institutions	7 713	11 958	22 158	30 912
Other Swedish issuers:				
non-financial companies	—	—	—	—
other financial companies	89	105	89	105
Foreign governments	26	669	26	669
Other foreign issuers	1 171	2 245	1 171	2 245
Total	21 191	21 928	35 636	40 882

Of which subordinated (debenture loans)	—	—	—	—
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Fixed assets market value

Swedish government	12 216	6 900	12 216	6 900
Swedish local authorities	—	—	—	—
Swedish housing finance institutions	7 947	11 937	23 161	30 678
Other Swedish issuers:				
non-financial companies	—	—	—	—
other financial companies	90	108	90	108
Foreign governments	27	731	27	731
Other foreign issuers	1 173	2 249	1 173	2 248
Total	21 453	21 925	36 667	40 665

Of which subordinated (debenture loans)	—	—	—	—
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Book value higher than nominal value	3 549	—	3 853	—
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Book value lower than nominal value	506	—	607	—
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Note 17: Lending to credit institutions

	GROUP 1996	1995	PARENT COMPANY 1996	1995
FIXED ASSETS				
The Riksbank	1	0	1	0
Banks, in foreign currencies	85 300	63 447	88 102	68 502
Banks, in Swedish kronor	23 135	18 268	23 844	18 244
Other credit institutions, in foreign currencies	3 777	2 680	7 840	11 376
Other credit institutions, in Swedish kronor	7 306	8 250	14 083	18 321
	119 519	92 645	133 870	116 443
Possible loan losses	— 332	— 272	— 332	— 272
Country risk reserve	— 21	— 87	— 21	— 87
	119 166	92 286	133 517	116 084

Of which subordinated	—	—	—	—
Of which claims on Group companies	—	—	13 751	28 971
Of which claims on associated companies	—	—	—	—

Information concerning maturities:

Payable upon demand	16 761	25 225		
Residual maturity:				
maximum three months	58 763	62 079		
Residual maturity: over three months but maximum one year	37 489	38 892		
Residual maturity: over one year but maximum five years	2 922	5 408		
Residual maturity: over five years	3 231	1 913		
Total	119 166	133 517		

Average residual maturity:	0.5	0.5		
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Total value of claims covered by country risk reserve, after provision for possible loan losses

Lending to credit institutions	88	176	88	176
Lending to the general public	235	115	235	115
Country risk reserve	62	130	62	130

Note 18: Lending to the general public

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
FIXED ASSETS				
Swedish National Debt Office ¹⁾	399	330	399	330
General public, Swedish kronor	205 325	198 498	100 936	102 395
General public, foreign currencies	70 673	60 706	62 202	49 165
	276 397	259 534	163 537	151 890
Possible loan losses	- 3 603	- 4 254	- 3 045	- 3 588
Country risk reserve (See specification in note 17)	- 41	- 43	- 41	- 43
	272 753	255 237	160 451	148 259
Of which subordinated			3	3
Of which claims on Group companies			2 073	8 097
Of which claims on associated companies			0	0
1) Of which:				
Claims on the National Debt Office	8 722	9 704	8 722	9 704
National savings accounts	- 8 324	- 9 375	- 8 324	- 9 375
National savings accounts, net	398	329	398	329

Lending in the Parent Company to the CEO and EVPs in the Parent Company is SEK 27M. Lending in Group companies to CEOs and EVPs in the Group is SEK 57M.

Information concerning maturities:

Payable upon demand	58 651		58 569	
Residual maturity: maximum three months	52 235		39 434	
Residual maturity: over three months but maximum one year	49 283		21 688	
Residual maturity: over one year but maximum five years	99 826		29 860	
Residual maturity: over five years	12 758		10 900	
Total	272 753		160 451	
Average residual maturity	1.6		1.3	

Bad debts etc

(For definitions see "Svenska Handelsbanken Highlights")

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Bad debts	6 312	7 671	4 529	5 360
Reserve for possible loan losses	- 4 117	- 4 682	- 3 538	- 3 990
Bad debts, net	2 195	2 989	991	1 370
Reduced rate loans without a provision for possible loan losses	357	1 872	279	1 398
Total problem loans	2 552	4 861	1 270	2 768
Bad debt reserve ratio	65.2%	61.0%	78.1%	74.4%
Proportion of bad debts	0.76%	1.11%	0.54%	0.77%
Problem loans before write-down for possible loan losses	6 669	9 543	4 808	6 758
Income on problem loans during the year	141	265	103	129
Annual interest rate on problem loans	2.11%	2.54%	2.14%	1.91%
Annual interest rate on loans which are not problem loans	8.71%	9.85%	7.91%	9.15%
Non-performing loans for which interest is accrued	884	602	560	466

COLLATERAL TAKEN OVER

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Book value				
Buildings and land	69	6 643	38	87
Shares and other participations	390	643	35	131
	459	7 286	73	218
Net income (Net operating income)				
Buildings and land	6	449	5	5
Shares and other participations	0	0	0	0
	6	449	5	5
Net operating income % of book value				
Buildings and land	8.7%	6.8%	13.1%	5.7%
Shares and other participations	0.0%	0.0%	0.0%	0.0%
	1.3%	6.2%	6.8%	2.3%

See note 25 for more detailed information about properties for protection of claims.

Note 19: Shares and participations

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Trading book	987	1 146	864	1 075
For protection of claims	390	643	35	131
Other shares	298	315	432	449
Current assets	1 675	2 104	1 331	1 655
Shares in housing co-operatives	4	4	4	4
Shares in credit institutions	2 511	214	2 511	214
Other shares	14	23	13	12
Fixed assets	2 529	241	2 528	230
Shares and participations	4 204	2 345	3 859	1 885
Of which unlisted	595	737	284	719

Shares, current assets, for protection of claims, 31 December 1996

	No. of shares/ participations	Book value SEK 000	Estimated market value SEK 000
Evidentia Fastigheter AB conv. loan 1994/2001	100 000 000		
Gamlestaden Intressenter AB	2 448	4 185	4 185
Independent Intressenter AB	100	10	10
Kebo Care Scandinavia AS	39 150	83 985	83 985
Fritidsvärden AB	100	93	93
KB Gautiod		1 000	1 000
Mansson K.K.	6 000 000	41 754	41 754
Kongsbo Holding AG	33 998	4 000	3 000
Respons AB	11 000	5 000	7 300
Calmar Inc. ¹⁾	1 305 144	235 000	235 000
K/S Siboeff, participations		16 403	16 403
Other companies, nine		5	5
		391 435	392 735
Group elimination		- 1 093	- 1 093
Group		390 342	391 642

1) The company's registered office is City of Industry, California, USA. Calmar Inc.'s equity at 31 December 1995 was SEK -158M and its result SEK -107M. Handelsbanken's participation in the company is 34%.

Shares and participations, fixed assets 31 December 1996

	No. of shares	Nominal value, each currency 000	Book value SEK 000	Divi- dend SEK 000	Parent Company's voting power %
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SWEDISH CREDIT INSTITUTIONS

Stadshypotek AB	12 433 435	310 836	2 337 206		10.2
AB Svensk Exportkredit	72 870	72 870	170 470	51 738	10.4
Företagskapital AB	25 334	2 533	2 960	253	12.7
			2 510 636	51 991	

FOREIGN CREDIT INSTITUTIONS

Adela Investment Co. S.A.	5 250	USD	525	0		0.9
Cedel International, Luxembourg	10	USD	13	619	11	0.0
Development Bank of Singapore	237 600	SGD	238	0	133	0.1
				619	144	

Shares in credit institutions **2 511 255** **52 135**

OTHER COMPANIES

BankomatCentralen AB	875		88	105		17.5
Euroclear Clearance System Ltd	250	USD	31	148	490	1.3
OM Gruppen AB	90 000		450	2 200	630	0.4
Penningmarknadsinformation PMI AB	80		400	480	48	12.8
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	493	BEF	2 465	512		0.6
Stockholms Fondbörs AB	114 948		5 747	2 449	1 149	7.7
Värdepapperscentralen VPC AB	49 200		4 920	591		8.2
Helsingfors Fondbörs AB	80 000	FIM	600	888	156	1.0
Kreditlaget (co-op. society)	300	FIM	150	222	44	0.7
Helsingfors Penningmarknadscentral AB	250	FIM	250	418	18	0.4
Helsingfors Värdeandelscentral AB	664	FIM	645	954		0.7
Helsingfors Telefonförening	39	FIM	185	167		
Exportfinans AS	13	NOK	13	277	162	0.2
Bankernes Betalingscentral AS	14 915	NOK	373	346		0.1
Other Norwegian			11	11		
London International Financial Futures Exchange	1	GBP	10	3 271		
Deutsche Börse AG, Frankfurt am Main	15	DEM	1	13	1	
BNL-Beteiligungs-gesellschaft Neue Länder GmbH & Co. KG		DEM	9	38		
Various companies, four				120		
Other companies				13 210	2 698	

	No. of shares/ participations	Book value SEK 000	Estimated market value SEK 000
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Of which in the Parent Company:

Evidentia Fastigheter AB conv. loan 1994/2001	100 000 000		
Gamlestaden Intressenter AB	2 448	4 185	4 185
Independent Intressenter AB	100	10	10
Kebo Care Scandinavia AS	39 150	29 457	29 457
Fritidsvärden AB	100	93	93
KB Gautiod		1 000	1 000
Other companies, nine		5	5
Parent Company		34 750	34 750

Subsidiaries taken over to protect claims which are not included in the Consolidated Accounts

	1996	1995
Book value of shares and participations	97	179
Group share of the companies' capital and reserves excl. deferred tax in untaxed reserves	94	175
of which unrestricted equity	- 9	74
Book value of SHB Group's claims on the companies	7	14
Group share of the year's result before appropriations and tax for the companies	- 11	—

Shares, current assets, other shares 31 December 1996

	No. of shares/ participations	Book value SEK 000	Estimated market value SEK 000
Atle AB	5 719 336	114 387	440 389
AH Småföretagsinvest AB	1 000	2 000	2 000
Gunnebo AB	11 980	240	791
Gunnebo convertible debentures	111 804	112	230
Spira AB	913	66	147
VenCap Industrier AB	43 579	872	2 092
MoDo AB	1 260 000	180 721	243 180
Fv Fastighetsvärden AB	1 000	133 560	210 841
Eurosa Furniture Co Plc Ltd	500 000	0	0
Parent Company		431 958	899 670
Group elimination			
Fv Fastighetsvärden AB		- 133 560	- 210 841
Group		298 398	688 829

Fv Fastighetsvärden AB är a wholly-owned subsidiary of the Bank. The shares in the company are regarded as investment shares and as such are current assets.

Note 20: Shares and participations in associated companies

	GROUP 1996	1995	PARENT COMPANY 1996	1995
FIXED ASSETS				
Credit institutions	33	33	30	30
Other associated companies	3	3	3	3
	36	36	33	33

All associated companies are unlisted.

Shares and participations, associated companies 31 December 1996

	No. of shares	Nominal value SEK 000	Book value SEK 000	Divi- dend SEK 000	Parent Company's voting power %
CREDIT INSTITUTIONS					
Svensk Bostadsfinansiering AB BOFAB	25 000	25 000	30 000		50
			30 000		
OTHER ASSOCIATED COMPANIES					
Backup-centralen AB	6 795	2 718	366	1 698	19
BankgiroCentralen BGC AB	12 620	12 620	1 262		25.2
Centralen för Elektroniska Kort- transaktioner CEK AB	370	185	222	851	37
KontoCentralen AB	170	17	17		16.7
Privatgiro AB	275	275	330		27.5
Upplysningscentralen UC AB	2 429	243	291	8 252	24.3
Sambox i Skåne HB		800	800		33.3
			3 288	10 801	
Total			33 288	10 801	

Note 21: Shares and participations in Group companies

	GROUP 1996	1995	PARENT COMPANY 1996	1995
FIXED ASSETS				
Shares in Swedish credit institutions	0	0	2 937	2 953
Shares in foreign credit institutions	0	0	698	2 792
Shares in other Swedish companies ¹⁾	248	248	460	449
Shares in other foreign companies	0	0	36	35
	248	248	4 131	6 229

1) Handelsbanken Liv Försäkrings AB is not included in the Consolidated Accounts.
All Group companies are unlisted.

Shares and participations, Group companies 31 December 1996

	No. of shares	Nominal value each currency 000	Book value SEK 000	Divi- dend SEK 000	Parent Company's voting power %
SWEDISH CREDIT INSTITUTIONS					
Handelsbanken Hypotek (Stockholm)	13 010 000	1 301 000	2 792 908	600 000	100
Handelsbanken Finans (Stockholm)	1 550 000	155 000	144 336	700 000	100
			2 937 244	1 300 000	
FOREIGN CREDIT INSTITUTIONS					
Handelsbanken Markets Securities Inc. (New York)	1000	USD 0	4 170		100
Svenska Handelsbanken S.A. (Luxembourg)	1 150 000	LUF 1 150 000	165 497	105 224	100
Svenska International plc (London)	32 500 000	GBP 32 500	373 441		100
Svenska Handelsbanken Asia Ltd (Singapore)	10 000 000	SGD 10 000	40 700		100
Svenska Handelsbanken, Inc. (New York)	1 000	USD 10	59		100
Handelsbanken Finans AS (Oslo)	800 000	NOK 80 000	87 606		100
Svenska Australia Ltd (Sydney)	15 000 000	AUD 5 000	23 150		100
Svenska France S.A. (Paris)	24 994	FRF 2 499	3 193		99.99
			697 816	105 224	

OTHER SWEDISH COMPANIES

Handelsbankens Fondbolagsförvaltning AB	10 000	1 000	851	30 000	100
Handelsbanken Liv Försäkrings AB	1 500	150 000	300 000		100
Handelsbanken Liv Fondförsäkrings AB	100 000	100 000	138 492		100
AB Handel och Industri	100 000	5 000	5 049		100
AB Köpenhamnsbron	500	50	50		100
AB Öresundsbron	500	50	50		100
Förvaltnings AB Lejontrappan	500	50	50		100
Siboeff Shipping AB	500	50	50		100
Kommanditbolaget Mjölner ¹⁾		15 300	15 300		100
		459 892	30 000		

OTHER FOREIGN COMPANIES

Forva AS	4 809 236	NOK	480 924	935	100
Industrialiseringsfonden AB & Fastighetsbanken AB		FIM		306 159	
Svenska Re S.A., Luxembourg	19 999	LUF	199 990	34 656	99.99
			35 591	306 159	
TOTAL			4 130 543	1 741 383	

Particulars of any subsidiary's business organisation number, registered office, profit/loss and equity are not included in these annual accounts.

1) Handelsbanken is general partner in Kommanditbolaget Mjölner, business organisation number 916557-5789, a limited partnership with its registered office in Göteborg.

Note 22: Goodwill

	GROUP 1996	1995	PARENT COMPANY 1996	1995
FIXED ASSETS				
Acquisition value	443	265	274	213
Acquisition value of future goodwill	20	178	0	61
Total acquisition value	463	443	274	274
Accumulated amortisation at beginning of year	(186)	(151)	(152)	(130)
Amortisation for the year according to plan	(45)	(35)	(26)	(22)
Accumulated amortisation at year-end	(231)	(186)	(178)	(152)
Foreign currency effect	(4)	(3)	(5)	(3)
	228	254	91	119

Accumulated depreciation at beginning of year	(1 876)	(1 843)	—	—
Accumulated depreciation of assets sold during the year	812	838	—	—
Depreciation for the year	(961)	(871)	—	—
Accumulated depreciation at year-end	(2 025)	(1 876)	—	—
Accumulated write-downs at beginning of year	(7)	(7)	—	—
Write-downs for the year	(7)	—	—	—
Accumulated write-downs at year-end	(14)	(7)	—	—
Adjustment of previous years' depreciation, write-downs	3	2	—	—
Foreign currency effect	(4)	(6)	—	—
Residual value according to plan	5 057	3 930	—	—
Provision for possible losses	8	5		
Book value of repossessed property	20	8		

Note 23: Equipment

	GROUP 1996	1995	PARENT COMPANY 1996	1995
FIXED ASSETS				
Residual value according to plan on 1 January	417	412	379	358
New acquisitions, net during the year	254	192	238	192
The year's depreciation according to plan	— 199	— 187	— 182	— 171
Residual value according to plan	472	417	435	379

Apart from equipment which it owns, the Bank also has equipment which is subject to leasing contracts. The book residual value of leased equipment in the Group as at 31 December 1996 was SEK 6M (5). For the Parent Company, the equivalent value was SEK 156M (218).

Note 24: Leasing assets

	GROUP 1996	1995	PARENT COMPANY 1996	1995
FIXED ASSETS				
Acquisition value	5 817	5 247	—	—
Acquisition value of future assets	2 358	1 508	—	—
Advances in respect of leasing	200	162	—	—
Acquisition value of assets sold during the year	(1 278)	(1 100)	—	—
Total acquisition value	7 097	5 817	—	—

Note 25: Buildings and land

	GROUP 1996	1995	PARENT COMPANY 1996	1995
Fixed assets				
Containing bank premises	1 376	1 501	1 259	1 360
Current assets				
For protection of claims etc	69	6 643	38	87
	1 445	8 144	1 297	1 447
Acquisition value carried forward	1 420	1 418	1 267	1 265
New acquisitions during the year	—	3	—	3
Activated new and rebuilding costs	4	1	4	1
Acquisition value of properties sold during the year	— 99	— 2	— 76	— 2
Total acquisition value	1 325	1 420	1 195	1 267
Accumulated depreciation at beginning of year	— 295	— 270	— 283	— 259
Accumulated depreciation of sold properties	10	—	10	—
Depreciation during the year	— 25	— 25	— 24	— 24
Total accumulated depreciation	— 310	— 295	— 297	— 283

Revaluation at beginning of year	436	436	436	436
Accumulated depreciation on revaluation	– 60	– 45	– 60	– 45
Depreciation for the year	– 15	– 15	– 15	– 15
Accumulated depreciation at year-end	– 75	– 60	– 75	– 60
Total revaluation	361	376	361	376
Residual value according to plan	1 376	1 501	1 259	1 360
Tax assessment value	1 560	1 784	1 500	1 717

Properties taken over for protection of claims and property-related exposures

	No. of properties	Book value SEK M	Market value SEK M	Book value (SEK)/ m ² of rentable area	Direct yield %
IN SWEDEN:					
Office and commercial property					
Metropolitan areas					
Rest of country	3	5	5	1 314	8.8%
Hotel and conference property					
Metropolitan areas					
Rest of country	1	31	31	5 598	12.3%
Other property (sites)		3	3		
Total in Sweden	4	39	39	4 355	10.9%
OUTSIDE SWEDEN:					
Office and commercial property	2	28	28	3 571	7.1%
Industrial and warehouse property					
Other property	4	2	3	2 918	0.9%
Total outside Sweden	6	30	31	3 505	6.5%
Total book value of property taken over	10	69	70	3 934	8.7%
Book value of bad debts with property as main collateral	4 394				

Direct yield has been calculated as recommended by the Swedish Association of Financial Analysts. Interest subsidies are included, however. In 1995, direct yield was 6.8%.

Note 26: Other assets

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Pre-paid tax	24	31	4	15
Claims on investment banking settlements	4 320	0	4 239	0
Derivative contracts with a positive value	33 863	36 607	33 805	38 250
Other	4 646	11 316	2 263	8 104
Possible loan losses	– 12	– 22	—	—
	42 841	47 932	40 311	46 369

Note 27: Prepayments and accrued income

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Accrued interest receivable	7 266	5 324	7 434	5 771
Other accrued income	1 852	1 265	1 890	1 140
Prepayments	103	74	80	50
	9 221	6 663	9 404	6 961

Note 28: Liabilities to credit institutions

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
The Riksbank	6 200	0	6 200	0
Banks, in foreign currencies	126 922	114 493	128 252	115 690
Banks, in Swedish kronor	32 196	24 139	32 339	25 370
Other credit institutions, in foreign currencies	4 556	2 702	5 706	5 402
Other credit institutions, in Swedish kronor	1 100	2 312	4 865	6 803
	170 974	143 646	177 362	153 265

Of which liabilities to Group companies 7 967 12 634

Of which liabilities to associated companies — —

Information concerning maturities:

Payable upon demand	46 401	50 383
Residual maturity: maximum three months	81 286	84 007
Residual maturity: over three months but maximum one year	41 587	41 947
Residual maturity: over one year but maximum five years	661	651
Residual maturity: over five years	1 039	374
Total	170 974	177 362
Average residual maturity	0.3	0.2

Note 29: Deposits from the general public

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Deposits, Swedish kronor				
Corporate etc	52 826	41 767	53 077	42 093
Private	58 517	53 691	58 402	53 600
Total	111 343	95 458	111 479	95 693
Deposits, foreign currencies				
Corporate etc	8 943	12 752	18 134	30 162
Private	1 983	1 616	1 842	1 423
Total	10 926	14 368	19 976	31 585
Total deposits	122 269	109 826	131 455	127 278

Information concerning maturities:

Payable upon demand	114 751		113 993	
Residual maturity:				
maximum three months	3 450		11 761	
Residual maturity: over three				
months but maximum one year	32		1 637	
Residual maturity: over one				
year but maximum five years	3 910		3 940	
Residual maturity: over five years	126		124	
Total	122 269		131 455	
Average residual maturity	0.1		0.1	

Note 30: Funding from the general public

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Funding from the general public				
in foreign currencies	34 472	21 806	34 398	21 893
in Swedish kronor	10 766	5 820	9 974	5 506
Total	45 238	27 626	44 372	27 399

Information concerning maturities:

Payable upon demand	14 996		15 037	
Residual maturity:				
maximum three months	24 874		23 614	
Residual maturity: over three				
months but maximum one year	4 049		4 429	
Residual maturity: over one				
year but maximum five years	554		547	
Residual maturity: over five years	765		745	
Total	45 238		44 372	
Average residual maturity	0.3		0.3	

Note 31: Issued securities

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Certificates				
in foreign currencies	39 703	37 621	28 408	19 430
in Swedish kronor	32 099	28 801	4 202	6 617
Total certificates	71 802	66 422	32 610	26 047
Bond loans				
in foreign currencies	5 006	10 067	2 799	3 215
in Swedish kronor	52 476	44 252	2 855	1 487
Total bond loans	57 482	54 319	5 654	4 702
	129 284	120 741	38 264	30 749
Of which liabilities				
to Group companies			—	454
Of which liabilities				
to associated companies			—	—

Information concerning maturities:

Residual maturity:				
maximum one year	89 912		33 699	
Residual maturity: over one				
year but maximum five years	38 533		4 218	
Residual maturity: over five				
years but maximum ten years	839		347	
Residual maturity: over ten years	—		—	
Total	129 284		38 264	
Average residual maturity	1.7		0.6	

Note 32: Other liabilities

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Tax liabilities	310	371	173	282
Liabilities on investment				
banking settlements	3 594	0	3 511	0
Derivative contracts				
with a negative value	36 907	38 422	36 163	39 246
Short-term positions	6 530	5 782	6 530	5 782
Other	7 733	13 403	5 736	12 406
	55 074	57 978	52 113	57 716

Note 33: Accruals and deferred income

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Accrued interest payable	5 150	4 160	4 130	3 957
Other accrued expenses	885	1 531	724	1 391
Deferred income	164	348	66	139
	6 199	6 039	4 920	5 487

Note 34: Subordinated liabilities

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Subordinated loans				
in foreign currencies	4 170	4 280	4 023	4 192
Subordinated loans				
in Swedish kronor	8 132	8 546	4 911	5 934
Total subordinated loans	12 302	12 826	8 934	10 126

Of which liability
to Group companies

— —

Of which liability
to associated companies

— —

**Specification, subordinated loans,
Parent Company 31 December 1996**

Year of issue/ maturity	Original nominal amount in each currency (million)	Interest rate %	Out- standing amount
IN SEK			
1990/00	2 000	*)	2 000
1990/05	2 000	*)	2 000
1991/97	996	0.000	911
		Subtotal	4 911

IN FOREIGN CURRENCY

1991/01	USD	54	*)	374
1992/00	BEF	1 000	8.875	214
1992/04	USD	400	8.350	2 748
1992/07	USD	100	8.125	687
		Subtotal		4 023
		Total		8 934

*) Floating rate of interest based on LIBOR/STIBOR

Note 35: Untaxed reserves

	GROUP 1996	1995	PARENT COMPANY 1996	1995
Accumulated depreciation in excess of plan on property			13	14
Tax equalisation reserve			1 826	2 282
Tax allocation reserve			3 443	1 893
Other untaxed reserves			16	26
			5 298	4 215

Note 36: Shareholders' equity

	GROUP 1996	1995	PARENT COMPANY 1996	1995
Restricted shareholders' equity:				
Share capital	2 605	2 503	2 605	2 503
Statutory reserve	3 144	2 567	2 936	2 301
Reserve for unrealised profits	746	—	733	—
Other restricted reserves	4 827	4 766	—	—
Unrestricted shareholders' equity:				
Profit brought forward	11 145	12 476	9 949	12 467
Profit for the year	5 090	3 643	4 197	2 092
	27 557	25 955	20 420	19 363

Reserve for unrealised profits by balance sheet item:

Government debt instruments eligible as collateral with central banks	240	—	236	—
Bonds and other interest-bearing securities	506	—	497	—
	746	—	733	—

GROUP (SEK M)	Share capital	Restricted reserves	Unrestricted reserves	Profit for the year	Total
Shareholders' equity carried forward according to the 1994 adopted balance sheet	2 503	6 925	10 939	2 404	22 771
Effect of changed accounting principles			578		578
Shareholders' equity carried forward, adjusted according to new principles	2 503	6 925	11 517	2 404	23 349
Dividend for 1994				(701)	(701)
Balance carried forward		18	1 685	(1 703)	0
Conversion		2			2
Transfer between restricted and unrestricted equity		531	(531)		0
Change of foreign currency component		(143)	(195)		(338)
Profit for the year				3 643	3 643
Shareholders' equity at year-end 1995	2 503	7 333	12 476	3 643	25 955
Dividend for 1995				(872)	(872)
Distribution of shares in Näckebro		(6)	(3 377)		(3 383)
Balance carried forward		1	2 770	(2 771)	0
Conversion	102	635			737
Transfer between restricted and unrestricted equity		852	(852)		0
Change of foreign currency component		(98)	128		30
Profit for the year				5 090	5 090
Shareholders' equity at year-end 1996	2 605	8 717	11 145	5 090	27 557

SEK 1M of unrestricted equity is needed for transfer to restricted equity.

PARENT COMPANY (SEK M)	Share capital	Restricted reserves	Unrestricted reserves	Profit for the year	Total
Shareholders' equity carried forward according to the 1994 adopted balance sheet	2 503	2 299	7 672	3 936	16 410
Effect of changed accounting principles			1 560		1 560
Shareholders' equity carried forward, adjusted according to new principles	2 503	2 299	9 232	3 936	17 970
Dividend for 1994				(701)	(701)
Balance carried forward			3 235	(3 235)	0
Conversion		2			2
Profit for the year				2 092	2 092
Shareholders' equity at year-end 1995	2 503	2 301	12 467	2 092	19 363
Dividend for 1995				(872)	(872)
Distribution of shares in Närkebro			(3 005)		(3 005)
Balance carried forward			1 220	(1 220)	0
Conversion	102	635			737
Transfer between restricted and unrestricted equity		733	(733)		0
Profit for the year				4 197	4 197
Shareholders' equity at year-end 1996	2 605	3 669	9 949	4 197	20 420
The share capital comprises:					
Ordinary share capital	2 383	238 248 980 shares at SEK 10			
Index share capital	172	17 205 866 shares at SEK 10			
Preference share capital	50	5 000 000 shares at SEK 10			
	2 605	260 454 846 shares at SEK 10			

Note 37: Collateral pledged for own debt

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Mortgages on property	1	353	1	3
Pledged bonds	28 105	26 647	28 105	26 640
Repledged securities	19 460	12 197	19 460	12 197
Other	1 084	442	7	0
	48 651	39 639	47 573	38 840

Note 38: Contingent liabilities

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Guarantees, loans	18 505	25 948	25 321	38 689
Guarantees, other	16 591	16 142	16 527	15 867
Special guarantees	62	62	62	62
Irrevocable letters of credit	18 962	19 961	18 962	19 961
Own acceptances	4 864	655	4 864	655
	58 984	62 768	65 736	75 234

In addition, the Bank has made certain commitments in favour of the local regulatory authorities in Singapore and Australia that it will ensure that the subsidiary banks in the respective countries will fulfil their commitments.

Note 39: Pension commitments

The market value of the capital in the Bank's pension foundation and pension fund and also the actual pension liability were as follows:

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Market value of capital in the Bank's pension fund and pension foundation	14 384	10 930	14 384	10 930
Actual pension liability	- 4 974	- 4 131	- 4 974	- 4 131
Over-provision	9 410	6 799	9 410	6 799

Note 40: Other commitments

	GROUP		PARENT COMPANY	
	1996	1995	1996	1995
Certificate programmes	665	668	660	658
Other commitments	261	466	261	466
Commitments regarding future payments	926	1 134	921	1 124
Interest rate swaps	482 595	439 693	520 877	475 496
FRA/Futures	2 657 602	1 610 429	2 657 602	1 670 812
Interest rate options	9 961	3 097	9 961	3 097
Interest-rate related contracts	3 150 158	2 053 219	3 188 440	2 149 405
Forward currency contracts	1 140 723	1 068 473	1 141 367	1 069 177
Currency swaps	55 198	75 820	55 198	81 143
Currency options	29 857	9 634	29 857	9 674
Currency-related contracts	1 225 778	1 153 927	1 226 422	1 159 994
Equity futures	556	26	556	26
Equity options	6 170	1 578	6 170	1 578
Equity-related contracts	6 726	1 604	6 726	1 604
Guaranteed amount for liquidity management	9		9	
Credits granted but not yet drawn	23 588	15 296	21 650	14 152
Unutilised part of overdraft facilities granted	38 203	33 549	38 203	33 549
Other commitments	61 800	48 845	59 862	47 701
Total commitments	4 445 388	3 258 729	4 482 371	3 359 828

OTHER INFORMATION

Information concerning fair value, Group

	Book value	Adjustment to fair value
Assets		
Lending to the general public		
fixed assets	272 753	11 258
Lending to credit institutions		
fixed assets	119 166	3 979
Interest-bearing securities		
fixed assets	21 191	262
current assets	86 774	22
Other assets		
fixed assets	17 502	1 457
current assets	53 737	2 366
Total assets	571 123	19 344
Liabilities		
Deposits and funding from the general public	167 507	1 102
Liabilities to credit institutions	170 974	3 544
Issued securities	129 284	6 322
Subordinated liabilities	12 302	958
Other liabilities	63 492	4 058
Total liabilities	543 559	15 984
Total surplus value		3 360

Geographical distribution of income 1996

GROUP	Nordic countries	Rest of Europe	Rest of world
Interest income	33 331	4 129	2 482
Leasing income	1 223	4	—
Dividends received	100	7	—
Commission income	3 076	147	71
Net result on financial operations	1 434	689	— 9
Other operating income	276	14	0
PARENT COMPANY	Nordic countries	Rest of Europe	Rest of world
Interest income	21 000	4 672	3 179
Leasing income	—	—	—
Dividends received	1 839	0	0
Commission income	3 255	73	60
Net result on financial operations	1 408	666	— 9
Other operating income	247	— 3	—

In accordance with the Swedish Financial Supervisory Authority's directives (1995:54), 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 consumer 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, short-term claims and liabilities and also for claims and liabilities with a variable interest rate, the fair value is considered to be the same as the book value. Claims 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 measurement.

Properties are valued as a function of the current tax assessment value.

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

Derivative instruments

GROUP	Interest-rate-related instruments			Currency-related instruments			Equity-related instruments		
	Market value	Book value	Nominal value	Market value	Book value	Nominal value	Market value	Book value	Nominal value
Derivative instruments with positive values									
Derivative instruments with a market value									
Held options	61	61	4 470	655	655	15 316	59	59	1 080
Forwards/futures	5 141	5 141	1 347 559	15 259	15 259	567 663	17	17	286
Swaps	21 549	19 807	229 764	4 568	4 451	30 953	—	—	—
Total	26 751	25 009	1 581 793	20 482	20 365	613 932	76	76	1 366
Of which cleared	1 105	1 105	331 813	—	—	—	50	50	1 072
Derivative instruments without a market value									
Forwards/futures	0	—	67	175	—	5 833	—	—	—
Total	0	—	67	175	—	5 833	—	—	—
Of which cleared	—	—	—	—	—	—	—	—	—
Total derivative instruments with positive values	26 751	25 009	1 581 860	20 657	20 365	619 765	76	76	1 366
Of which cleared	1 105	1 105	331 813	—	—	—	50	50	1 072
Derivative instruments with negative values									
Derivative instruments with a market value									
Written options	85	85	5 431	460	460	14 541	229	229	5 090
Forwards/futures	4 841	4 841	1 309 976	16 422	16 422	562 735	14	14	270
Swaps	27 115	23 551	252 831	3 072	2 892	24 246	—	—	—
Total	32 041	28 477	1 568 238	19 954	19 774	601 522	243	243	5 360
Of which cleared	1 263	1 263	335 361	—	—	—	36	36	1 028
Derivative instruments without a market value									
Written options	1	—	60	—	—	—	—	—	—
Forwards/futures	—	—	—	188	—	4 492	—	—	—
Total	1	0	60	188	0	4 492	0	0	0
Of which cleared	—	—	—	—	—	—	—	—	—
Total derivative instruments with negative values	32 042	28 477	1 568 298	20 142	19 774	606 014	243	243	5 360
Of which cleared	1 263	1 263	335 361	—	—	—	36	36	1 028

Capital base, 31 December 1996

	GROUP	PARENT COMPANY
TIER 1 CAPITAL		
Shareholders' equity	26 350 ¹⁾	19 212
Funds transferred to tax allocation reserve from this year's profit	72% thereof	2 479
Tax equalisation reserve	72% thereof	1 315
Less goodwill	– 228	– 91
Less adjustment for write-up	– 339	– 339
Total tier 1 capital	25 783	22 576
TIER 2 CAPITAL		
Subordinated loans, after reduction, maximum	8 301	7 062
Adjustment, write-up	339	339
Total tier 2 capital	8 640	7 401
Total	34 423	29 977
Less shareholdings in insurance companies as well as 5–50% shareholdings in companies which conduct banking operations	– 3 014	– 3 014
Total tier 1 + tier 2 capital	31 409	26 963

1) 72% of the untaxed reserves are included in shareholders' equity.

Capital requirement, 31 December 1996

		Weighting factor	GROUP Invest- ments		Risk-weighted amount	PARENT COMPANY Invest- ments		Risk-weighted amount		
FOR CREDIT RISKS										
Balance sheet items										
Group	A	0		86 499	—		102 065	—		
	B	20		101 297	20 259		95 422	19 084		
	C	50		108 099	54 050		29 015	14 508		
	D	100		141 272	141 272		110 928	110 928		
Total A-D				437 167	215 581		337 430	144 520		
Off-balance sheet items										
		Weighting factor	GROUP Nominal amount		Recalculated amount	Risk-weighted amount	PARENT COMPANY Nominal amount		Recalculated amount	Risk-weighted amount
Group	A	0	18 248	15 273	—		26 002	22 249	—	
	B	20	29 051	2 091	418		28 139	2 045	409	
	C	50	7 952	198	99		7 749	192	96	
	D	100	34 628	18 053	18 053		34 237	17 823	17 823	
Total A-D			89 879	35 615	18 570		96 127	42 309	18 328	
Total credit risks				472 782	234 151		379 739	162 848		
FOR MARKET RISKS										
			GROUP Specific risk	General risk	Total risk		PARENT COMPANY Specific risk	General risk	Total risks	
Interest rate risks			3 725	9 788	13 513		3 725	9 788	13 513	
Share price risks			381	165	546		376	157	533	
Settlement risks					8			8		
Counterparty and other risks					10 165				10 162	
Exchange rate risks					0				0	
Total market risks					24 232		24 216			
Total risk-weighted amount					258 383		187 064			
Capital ratio					12.2%		14.4%			

Tier 1 capital is affected by the Board of Directors' recommendation regarding appropriations and allocation of profit.

Handelsbanken Liv Försäkrings AB

PROFIT AND LOSS ACCOUNT

	1996	1995
Technical account – life assurance business		
Premium income	1 845	1 149
Investment income	2 097	874
Insurance provisions	– 748	– 636
Changes in other technical provisions for life assurance	– 1 123	– 573
Bonus	– 47	– 47
Operating expenses	– 212	– 171
Result on technical account – life assurance business	1 813	596
Non-technical account		
Tax	– 178	– 128
Surplus for the year	1 634	468

BALANCE SHEET

	1996	1995
Assets		
Buildings and land	828	810
Shares and participations	4 540	2 889
Bonds and other securities	6 533	4 794
Other investment assets	15	46
Claims	303	43
Other assets	723	117
Prepayments and accrued income	347	307
Total assets	13 289	9 006

	1996	1995
Equity, provisions and liabilities		
Equity	152	151
Bonuses	2 279	1 460
Surplus for the year	1 634	468
Technical provisions for life assurance	8 556	6 737
Provisions for taxes	83	28
Liabilities	543	130
Accruals and deferred income	42	32
Total liabilities, provisions and equity	13 289	9 006

Comments:

The accounts have been prepared in accordance with the new Accounting Act for Insurance Companies which applies from 1 January 1996 and also with the instructions issued by the Swedish Financial Supervisory Authority.

Handelsbanken Liv 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 assurance company. The entire surplus should accrue to the policy-holders.

Buildings, shares and bonds are valued at market value. These were previously valued at the lower of acquisition value and market value.

RECOMMENDATION FOR DISTRIBUTION OF PROFITS

The Handelsbanken Group's unrestricted equity is SEK 16 235M. SEK 1M is required for appropriations to restricted reserves. In accordance with the Balance Sheet for Handelsbanken, profits totalling SEK 14 146M are at the disposal of the Annual General Meeting.

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

Dividend to shareholders	SEK M
on Ordinary Shares, SEK 5.00 (SEK 3.75 for 1995)	1 191.2
on Index Shares, SEK 0.80 (SEK 0.80 for 1995)	13.8
on Preference Shares Series A, SEK 0.45 (SEK 0.45 for 1995)	1.1
on Preference Shares Series B, SEK 0.60 (SEK 0.60 for 1995)	1.5
Total dividends (SEK 3 876.9M for 1995)	1 207.6
Balance carried forward	12 938.8
Total distributed	14 146.4

Stockholm, 18 February 1997

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BO RYDIN

JAN EKMAN

LENNART CLAEISSON

GÖRAN ENNERFELT

PER-OLOF ERIKSSON

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OLLE PERSSON

CLAS REUTERSKIÖLD

BENGT SAMUELSSON

SVEN ÅGRUP

ARNE MÅRTENSSON

President and Group Chief Executive

REPORT OF THE AUDITORS

We have examined the Annual Report, the Consolidated Financial Statements, the accounting records and the administration by the Board of Directors for the 1996 financial year. The examination was carried out in accordance with generally accepted auditing standards.

During the year, the Bank's auditing department has continuously examined the internal controls and accounts. We have received the reports that have been prepared.

HANDELSBANKEN

The Annual Report has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We recommend

- that the Profit and Loss Account and the Balance Sheet be adopted,
- that the unappropriated earnings be dealt with in accordance with the recommendation in the Report of the Board of Directors, and
- that the Members of the Board of Directors be discharged from liability for the financial year.

GROUP

The Consolidated Financial Statements have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We recommend

- that the Consolidated Profit and Loss Account and the Consolidated Balance Sheet be adopted.

Stockholm, 5 March 1997

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Authorised Public Accountant
Chairman

SIGVARD HEURLIN
Authorised Public Accountant

HANS KARLSSON
Authorised Public Accountant

PETER MARKBORN
Authorised Public Accountant
Appointed by the Swedish
Financial Supervisory Authority

HANDELSBANKEN'S SHARES

SHARE PRICE PERFORMANCE AND DIVIDEND

The Stockholm Stock Exchange rose sharply during 1996. Measured by the Affärsvärlden Share Index, the increase was 38%. Bank shares, which were helped by the fall in market interest rates and expectations of structural changes in the banking sector, went up sharply. Handelsbanken's ordinary shares increased by 52%.

Handelsbanken's long-term dividend policy reflects the ambition to raise dividends at a rate which is above the average for the banking sector. The Board recommends a dividend of SEK 5.00 per ordinary share for 1996, which is an increase of SEK 1.25 compared with the previous year.

For 1996, the dividend on the index shares, which follows the consumer price index, is

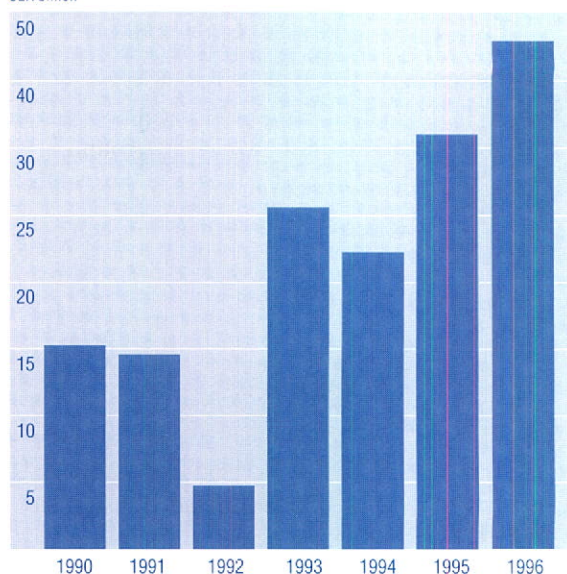
unchanged at SEK 0.80. For the preference shares, in accordance with the Articles of Association, the dividend will be SEK 0.45 for Series A and SEK 0.60 for Series B.

MARKET CAPITALISATION

During 1996, the market capitalisation of Handelsbanken's shares rose by SEK 15.3 billion to SEK 46.7 billion at the year-end, the highest ever. Since 1991, the Bank's market capitalisation has more than tripled.

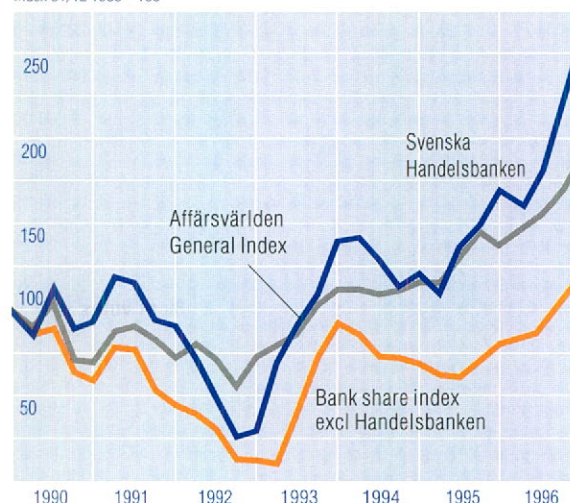
Market capitalisation 31 December 1990–1996

SEK billion



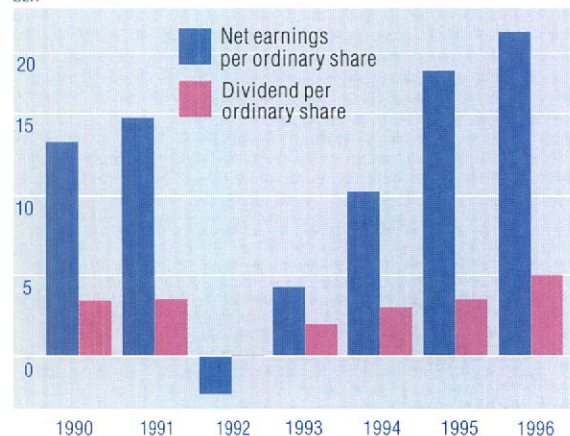
Trend for Handelsbanken's ordinary shares

Index 31/12 1989 = 100



Net earnings and dividend per ordinary share

SEK



Net earnings per ordinary share 1990–1992 adjusted to take account of rights issue in 1993. Dividend 1996 in accordance with the Board's recommendation.

THE SHARES

After final conversion of the Bank's convertible debenture loan, at the end of 1996, Handelsbanken's share capital was SEK 2 605M distributed over 260 454 846 shares with a nominal value per share of SEK 10. As a result of the conversion, the number of ordinary shares increased by 9 254 990 for Series A and by 901 162 for series B.

Since 1 January 1993, all shares are unrestricted. Ordinary A shares each carry one vote, while ordinary B shares, index shares and preference shares carry one-tenth of a vote each. At the Annual General Meeting, no shareholder is allowed to vote for more than 5% of the aggregate number of votes to which the shares represented at the Meeting are entitled.

Handelsbanken's shares have been listed on the Stockholm Stock Exchange since 1901. One trading unit is equivalent to 200 shares.

Key figures per share	1992	1993	1994	1995	1996
Operating profit per ordinary share, SEK	- 2.27	2.44	12.41	15.36	20.25
Net earnings per ordinary share, SEK	- 2.30	4.38	10.14	15.38	21.32
Dividend per ordinary share, SEK	0.00	2.00	3.00	3.75	5.00
Dividend growth, %	—	—	50.0	25.0	33.3
Adjusted shareholders' equity per ordinary share, SEK	82.20	88.83	96.72	110.03	114.47
Stock exchange price of ordinary A shares, 31 Dec, SEK	24	113	98	137	196
Adjusted stock exchange price of A shares, 31 Dec, SEK ¹⁾	23	106	92	129	196
Average daily turnover on Stockholm Stock Exchange					
Ordinary series A, number	228 600	467 930	508 970	426 220	393 040
Ordinary series B, number	49 220	55 960	54 200	31 580	28 720
Highest/lowest price paid, ordinary series A shares, SEK	71/13	126/24	150/88	140/84	201/120
Direct yield, %	—	1.8	3.1	2.7	2.6
P/E-ratio	—	28.3	9.7	8.9	9.2
Stock exchange price/Equity, %	29	127	101	124	171

Dividend for 1996 in accordance with the Board's recommendation.

Adjusted to take account of current accounting principles and definitions.

1) Stock exchange price 1992-95 recalculated to take account of distribution of Närkebro.

THE SHAREHOLDERS

At the year-end, Handelsbanken had around 78 000 shareholders, most of them private individuals. As can be seen from the table below, the majority of shareholders owned only a small number of shares. Of the 103 shareholders with more than 250 000 shares, there were a number of asset managers representing foreign private individuals and legal entities. At the end of 1996, around 21% of the shares were owned by investors outside Sweden.

The proportion of institutional holders was just over 50%. These mainly included insurance companies, investment companies and mutual funds representing a large number of private individuals.

Eight of the Swedish shareholders each held more than 2% of the number of votes, as shown in the adjacent table.

Shares divided into share classes 31 December 1996

Share class	Number	% of capital	% of votes
Ordinary shares			
Series A	216 649 873	83.18	98.02
Series B	21 599 107	8.29	0.98
Total	238 248 980	91.47	99
Index shares	17 205 866	6.61	0.78
Preference shares			
Series A	2 500 000	0.96	0.11
Series B	2 500 000	0.96	0.11
Total	260 454 846	100	100

The major Swedish shareholders 31 December 1996

	% of votes
Savings bank mutual funds (20)	10.9
The Oktogonen Foundation	9.8
Industrivärden	5.5
AMF-Pension	4.3
SPP	3.5
The Skandia Group	2.8
Nordbanken mutual funds (16)	2.8

Shares per shareholder 31 December 1996

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	52 662	67.1	9 117	3.5	173
501 – 2 500 shares	21 072	26.8	22 904	8.8	1 087
2 501 – 25 000 shares	4 397	5.6	24 288	9.3	5 524
25 001 – 250 000 shares	297	0.4	23 129	8.9	77 874
250 001 – shares	103	0.1	180 977	69.5	1 757 060
Bonus shares not exercised			40		
Total	78 531	100.0	260 455	100.0	3 317

PROFIT AND LOSS ACCOUNTS AND BALANCE SHEETS 1992–96

Group

PROFIT AND LOSS ACCOUNT (SEK M)¹⁾	1992	1993	1994
Net interest income	9 006	9 028	9 273
Commission	2 894	2 830	2 561
Other operating income	656	1 026	788
Total operating income	12 556	12 884	12 622
Personnel expenses	2 740	2 846	3 001
Other expenses	2 309	2 253	2 388
Depreciation	248	260	317
Total expenses	5 297	5 359	5 706
Possible and actual losses	7 999	6 801	2 809
Total operating expenses	13 296	12 160	8 515
Operating profit/loss	- 740	724	4 107
Appropriations and taxes			
Minority interests	0	0	- 17
Profit/loss before appropriations and taxes excluding minority interests	- 740	724	4 090
Appropriations	- 118	452	- 1 302
Profit/loss before taxes	- 858	1 176	2 788
Taxes	+ 333	- 247	- 384
Profit/loss for the year	- 525	929	2 404

BALANCE SHEET (SEK M)¹⁾

ASSETS			
Cash	2 428	2 423	1 992
Banks and other financial institutions	49 266	42 796	63 996
Bonds	41 917	63 239	60 127
Loans to the general public	266 228	248 670	243 745
Leasing assets	2 803	2 987	3 117
Other assets	20 315	25 828	21 342
Shares and participations	1 361	3 261	1 854
Equipment	415	403	412
Property housing bank premises	1 422	1 525	1 546
Handelsbanken Liv	7 055	8 057	7 721
Total assets	393 210	399 189	405 852

LIABILITIES AND SHAREHOLDERS' EQUITY

Clearing liabilities and bankers' drafts	2 783	1 996	2 424
Deposits and certificates of deposit	160 476	171 213	184 554
Banks and other financial institutions	117 702	107 807	110 589
Other liabilities	23 223	20 793	19 920
Long-term funding	64 708	68 324	57 841
Provision for country risks	323	312	143
Handelsbanken Liv	6 905	7 907	7 571
Total liabilities	376 120	378 352	383 042
Minority interest in shareholders' equity	1	35	39
Shareholders' equity	17 089	20 802	22 771
Total liabilities and shareholders' equity	393 210	399 189	405 852

PROFIT AND LOSS ACCOUNT	1995	1996
Interest income	39 886	39 942
Leasing income	1 097	1 227
Interest expense	- 31 368	- 30 798
Dividends received	65	107
Commission income	2 770	3 294
Commission expense	- 404	- 666
Net result on financial operations	1 574	2 114
Other operating income	689	290
Total income	14 309	15 510
Staff costs	3 413	3 477
Other administrative expenses	2 248	2 237
Depreciation and write-downs	1 211	1 278
Total expenses	6 872	6 992
Profit before loan losses	7 437	8 518
Net loan losses	2 392	1 799
Operating profit	5 045	6 719
Minority interests	10	- 1
Appropriations	- 72	201
Profit/loss before taxes	4 983	6 919
Taxes	- 1 340	- 1 829
Net profit	3 643	5 090

BALANCE SHEET (SEK M)¹⁾

ASSETS		
Cash	1 304	7 487
Interest-bearing securities	87 758	107 965
Lending to credit institutions	92 286	119 166
Lending to the general public	255 237	272 753
Shares and participations	2 629	4 488
Tangible assets	12 491	6 974
Other assets	54 849	52 290
Total assets	506 554	571 123

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities to credit institutions	143 646	170 974
Deposits and funding from the general public	137 452	167 507
Issued securities	120 741	129 284
Other liabilities	65 904	63 492
Subordinated liabilities	12 826	12 302
Total liabilities	480 569	543 559
Minority interest in shareholders' equity	30	7
Shareholders' equity	25 955	27 557
Total liabilities and shareholders' equity	506 554	571 123

1) As a consequence of the new annual accounts act for credit institutions, the layout of the Profit and Loss Account and Balance Sheet was changed in 1996. The Profit and Loss Account and Balance Sheets for 1992–94 are drawn up in accordance with the layout and principles applying at the end of 1995 since a retroactive recalculation for the years in question entails considerable difficulties. The most important changes in principles are described in Accounting Principles on page 50. Among the reclassifications carried out, the following can be mentioned:

In the Profit and Loss Account:

- a) Net interest income was previously reported in the Profit and Loss Account and included realised profits and losses in the trading portfolio. These items are now reported under Net result on financial operations.
- b) The Net result on financial items includes both realised and unrealised changes

in value of financial current assets and derivatives as well as the Total result for foreign currencies which was previously reported as Commission income.

- c) Depreciation according to plan for leasing assets was previously reported under net interest income but is now reported as depreciation and write-downs.

- d) External expenses for transaction-based services associated with the Bank's income are now reported as Commission expense instead of Other expenses as before.

In the Balance Sheet:

- a) Trade date accounting has been introduced for transactions in interest-bearing securities and equities instead of, as previously, settlement date accounting.
- b) Positive/negative market values of derivative instruments are reported as other assets/liabilities respectively and are no longer reported net.

PROFIT AND LOSS ACCOUNTS AND BALANCE SHEETS 1992-96

Svenska Handelsbanken

PROFIT AND LOSS ACCOUNT (SEK M) ¹⁾	1992	1993	1994
Net interest income	7 826	8 307	7 588
Commission	2 760	2 741	2 607
Other operating income	486	870	445
Total operating income	11 072	11 918	10 640
Personnel expenses	2 392	2 472	2 622
Other expenses	2 030	2 008	2 190
Depreciation	156	186	229
Total expenses	4 578	4 666	5 041
Possible and actual loan losses	7 085	5 988	1 900
Total operating expenses	11 663	10 654	6 941
Operating profit/loss	- 591	1 264	3 699
Appropriations and taxes			
Appropriations	+ 3 259	+ 2 340	+ 1 528
Profit before taxes	2 668	3 604	5 227
Taxes	- 795	- 948	- 1 291
Profit for the year	1 873	2 656	3 936
Dividend for the year	16	470	701

BALANCE SHEET (SEK M)¹⁾

ASSETS			
Cash and clearing assets	2 413	2 407	1 988
Swedish financial institutions	52 456	33 053	44 381
Foreign banks	33 010	35 077	41 192
Bonds and government securities	44 783	81 513	84 098
Loans to the general public	164 217	143 943	142 475
Other assets	13 480	15 030	10 433
Shares and participations	6 838	7 624	6 986
Equipment	324	313	358
Property	1 240	1 224	1 397
Total assets	318 761	320 184	333 308
Pledged assets	5	3	13 187
Loans to the general public, amount granted	188 895	169 712	168 142
LIABILITIES AND SHAREHOLDERS' EQUITY			
Clearing liabilities and banker's drafts	2 774	1 971	2 410
Deposits from the general public	121 688	126 801	137 122
Certificates of deposit	14 497	20 550	26 026
Swedish financial institutions	29 378	12 076	12 802
Foreign banks	95 606	102 904	104 855
Other securities issued abroad	127	83	0
Other liabilities	17 394	17 403	15 108
Long-term funding	19 298	17 471	15 215
Provision for country risks	323	312	143
Total liabilities	301 085	299 571	313 681
Untaxed reserves	10 043	7 748	3 217
Shareholders' equity	7 633	12 865	16 410
Total liabilities, untaxed reserves and shareholders' equity	318 761	320 184	333 308
Guarantees	56 905	55 191	58 378
Letters of credit, granted but not utilised	13 769	14 915	17 866
Capital value of pension commitments covered by the Bank's pension foundation and fund	2 973	3 351	3 660

PROFIT AND LOSS ACCOUNT	1995	1996
Interest income	29 342	28 851
Leasing income	—	—
Interest expense	- 22 669	- 21 864
Dividends received	385	1 839
Commission income	2 948	3 389
Commission expense	- 430	- 576
Net result on financial operations	1 598	2 064
Other operating income	175	244
Total income	11 349	13 947
Staff costs	3 100	3 183
Other administrative expenses	2 028	2 045
Depreciation and write-downs	275	249
Total expenses	5 403	5 477
Profit before loan losses	5 946	8 470
Net loan losses	1 672	1 332
Write-down of financial fixed assets	—	306
Operating profit/loss	4 274	6 832
Appropriations	- 1 548	- 1 450
Profit/loss before taxes	2 726	5 382
Taxes	- 634	- 1 185
Profit for the year	2 092	4 197
Dividend for the year	3 877	1 208 ¹⁾

1) According to the Board of Directors' recommendation

BALANCE SHEET

ASSETS		
Cash	1 303	7 347
Interest-bearing securities	106 530	122 262
Lending to credit institutions	116 084	133 517
Lending to the general public	148 259	160 451
Shares and participations	8 147	8 023
Tangible assets	1 826	1 732
Other assets	53 449	49 806
Total assets	435 598	483 138
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities to credit institutions	153 265	177 362
Deposits and funding from the general public	154 677	175 827
Issued securities	30 749	38 264
Other liabilities	63 203	57 033
Subordinated liabilities	10 126	8 934
Total liabilities	412 020	457 420
Untaxed reserves	4 215	5 298
Shareholders' equity	19 363	20 420
Total liabilities and shareholders' equity	435 598	483 138
Collateral pledged for own debt	38 840	47 573
Contingent liabilities	75 234	65 736
Pension commitments	4 131	4 974
Other commitments	3 357 997	4 482 371

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^B = Branch

^B = Representative office

Produced by: Ulla Jansson Information AB
Photographs: Photojournalist Inc./Victor Brott
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Repro: Typografen Text&Bild
Printing: Tryckcentra AB



Svenska Handelsbanken