

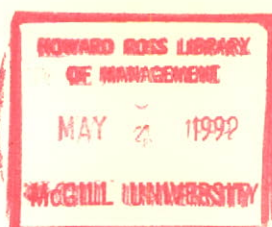


ANNUAL REPORT 1991



Svenska Handelsbanken

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HANDELSBANKEN
HIGHLIGHTS

THE GROUP CHIEF
EXECUTIVE'S
COMMENTS

OBJECTIVES,
POLICY,
ORGANISATION

OPERATIONS
FROM A CUSTOMER
PERSPECTIVE

OPERATIONS
FROM A BANKING
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OF DIRECTORS'
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GENERAL MEETING

REPORT OF
THE AUDITORS

HANDELSBANKEN
AND ITS SHARES
IN FIGURES

ADDRESSES

HANDELSBANKEN HIGHLIGHTS

Performance

	GROUP		SVENSKA HANDELSBANKEN	
	1991 SEK M	Change, % 1990-91	1991 SEK M	Change, % ¹⁾ 1990-91
Net interest income	8 824	+ 16	7 528	+ 26
Commission	2 214	+ 6	1 870	+ 23
Other revenue	435	+ 16	479	+ 41
Total operating revenue	11 473	+ 14	9 877	+ 26
Personnel expenses	2 863	+ 10	2 454	+ 24
Other expenses	2 645	+ 14	2 249	+ 26
Total expenses	5 508	+ 12	4 703	+ 25
Loan losses	3 188	+ 412	2 753	+ 487
Total operating expenses	8 696	+ 57	7 456	+ 76
Net operating income	2 777	- 39	2 421	- 33
Total assets	409 671	+ 11	335 075	+ 21
Number of employees	7 777	- 0	6 742	+ 13
Number of branches in Sweden			498	- 13 branches

1) The figures in the 'Change' columns are affected by Skånska Banken's merger with Svenska Handelsbanken. Skånska Banken's figures are included with those of Svenska Handelsbanken from the beginning of 1991.

Return on shareholders' equity after tax

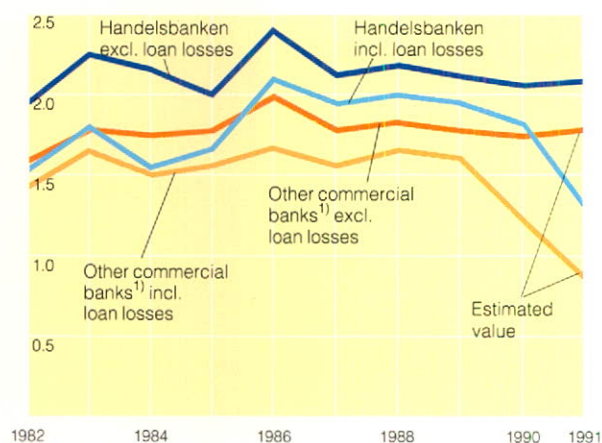
Comparison between Swedish bank groups



1) Excluding Sparbankernas Bank, Föreningsbankernas Bank and non-Swedish owned banks

Revenue/expenses = R/E ratio

Comparison between Swedish bank groups



1) Excluding Sparbankernas Bank, Föreningsbankernas Bank and non-Swedish owned banks

Key figures for the Svenska Handelsbanken Group

	1987	1988	1989	1990	1991
Net operating income, SEK M	2 977	3 677	3 883	4 558	2 777
Total assets, SEK M	202 462	237 947	275 346	367 522	409 671
Return on equity, %					
50% tax	21.0	22.7			
30% tax		24.6	22.2	22.2	11.3
Equity/assets ratio, %					
50% tax	5.1	5.3			
30% tax		6.2	5.8	5.0	4.7
Revenue/expenses ratio					
excl loan losses	2.12	2.18	2.11	2.06	2.08
incl loan losses	1.94	2.00	1.95	1.82	1.32
Earnings per Ordinary Share, SEK					
after standard notional tax					
50% tax	9.70	11.87			
30% tax		16.65	17.25	20.27	12.41
after full tax					
50% tax	9.84	10.98			
30% tax		13.84	17.20	19.11	11.82
Dividend per Ordinary Share, SEK	2.46	3.07	3.73	4.50	4.75 ¹⁾
Adjusted shareholders' equity per Ordinary Share, SEK					
50% tax	67.–	81.–			
30% tax		96.–	104.–	119.–	124.–
Share price, Ordinary A, on 31 December	65.0	104.0	106.0	92.0	96.0

1) According to the recommendation of the Board of Directors.

Please see p. 57 and p. 59 for definitions.

Cost efficiency of some Nordic banking groups, 1990

		Expenses* expressed as a percentage of total assets	Revenue/ expenses*
Svenska Handelsbanken	(S)	1.3	2.1
Nordbanken	(S)	1.6	1.8
S-E-Banken	(S)	1.6	1.7
Unidanmark	(DK)	2.0	1.5
Den Danske Bank	(DK)	1.7	1.5
Bikuben	(DK)	2.7	1.4
Foreningsbanken	(SF)	2.4	1.4
Kansallis-Osake	(SF)	2.3	1.3
Den norske Bank	(N)	3.0	1.4
Kreditkassen	(N)	2.7	1.3
Fokus Bank	(N)	3.9	1.0

*) The table shows the Group's cost efficiency – expenses excluding loan losses. If loan losses are included, Svenska Handelsbanken's lead is even greater.

THE GROUP CHIEF EXECUTIVE'S COMMENTS

For 1991, the profit of the Handelsbanken Group was SEK 2.8 billion, which is equivalent to 11.3 per cent return on shareholders' equity after tax. Our return on equity was thus well above the average for the Swedish commercial banks; in fact our lead was greater than ever before. This is especially pleasing as 1991 was one of the most difficult banking years since the 1920s.

Loan losses

The loan losses of the Swedish banks amounted to just over 2 per cent of total lending and those of the Handelsbanken Group were just over 1 per cent. We had the lowest loss level of all Swedish banks.

Seen in an historic perspective, a loss level of around 1 per cent is not a high figure in a difficult year of recession. Handelsbanken's loan losses reached that level both in 1966 and 1984. This figure is not very high in an international comparison.

Unutilised lending resources

At the end of 1991, our capital cover amounted to just over 10 per cent without utilising in full our opportunities to raise subordinated debts. Had we done so, our capital cover would have been 11.4 per cent. This means that we had an unutilised lending capacity of SEK 110 billion.

We have no restrictions within the Group as far as new lending is concerned. The branches carry out all transactions which are sound and where we judge that we will be able to recover our money in the future.

It is important that our customers know that we have unutilised lending resources. It means that we are able to help our customers when necessary. That is what a good bank should do.

During the year, much has been said about the difficulties small companies have in borrowing money. I would like to point out that small and medium-sized companies are one of Handelsbanken's most important customer categories. Companies with less than 20 employees account for nearly 60 per cent of our total corporate lending. This lending also increased during the year. Our attitude to small companies as borrowers has not changed. The branches have not been given any new instructions. We would be very happy to have more good small and medium-sized companies as customers of the Bank.



Arne Mårtensson

More satisfied customers than in other banks

In 1991, a major customer research survey, Sveriges Kundbarometer, covering most Swedish industries, was carried out for the third year running. The survey shows how companies and private individuals assess the companies of which

they are customers. For the third year in succession, Handelsbanken is named the bank with the highest number of satisfied customers, both among companies and private individuals.

Our higher profitability combined with the fact that we have more satisfied customers creates a very stable foundation for the future.

Bank robberies on the increase

In recent years, Swedish banks have experienced an increasing number of robberies. The trend is the same internationally. During the 1980s, Handelsbanken suffered about ten robberies a year. In 1990, the number increased to 27 and in 1991, the Bank was subjected to 48 robberies. This puts a great deal of strain on the staff at our branches.

The banks work very closely with the police and other experts to develop methods and techniques aimed at reducing the risk of robbery. Technical aids, reduced cash holdings at the branches, staff training and demands for stricter penalties for this type of crime are some examples. We are also concentrating on various types of support aimed at giving the best possible help to employees who have been subject to robbery. Police resources increased during the year and today it is expected that 50 per cent of the robberies will be cleared up. We are well known for our cost awareness within Handelsbanken, but security is an area in which we will not hold back on expenditure.

Handelsbanken's role in the world

Our view of our own role in the world can be summarised as follows:

We aim to be one of the dominant universal banks in Sweden, a major universal bank in the

*"We aim to be a dominant
universal bank in Sweden"*

Nordic countries and to have a presence in important financial centres in the rest of the world. The definition of a universal bank is a bank which is involved in all types of banking operations – traditional corporate transactions, investment banking and private business including life assurance.

During the year, Handelsbanken took a number of steps in this direction.

Merger with Skånska Banken

Following the acquisition of Skånska Banken, Handelsbanken has about 500 branches in Sweden and now covers the country better than any of the other commercial banks in Sweden. Traditionally, our weak point has been Southern Sweden and this has now been rectified.

We chose an unusual path for the actual merger process. We drew up a plan which spanned 1 1/2 years and converted the former Skånska Banken branches into Handelsbanken branches one by one. Before a branch was converted, the staff were given comprehensive training in Handelsbanken's systems and work methods. At the time of the conversion, all customer contacts were entered manually into Handelsbanken's systems, but with extensive computer support. We have called this merger method "the Skutskär model" because we used it when we acquired individual branches from other banks in, among other locations, Skutskär in Sweden. The difference now was that we acquired 76 branches but, nevertheless, we could apply the same method with great success. The advantages are that we experience minimum computer problems, while the new staff are able to learn our systems very quickly. The choice of this merger method is one of the main reasons why the merger proved so successful and ran so smoothly.

I would like to thank all the staff at Handelsbanken and Skånska Banken for their sterling work during the entire merger process. My impression is that the former Skånska Banken staff have felt that they are welcome to Handelsbanken and that pleases me very much indeed. The merger was carried out in a very good spirit despite the considerable changes it meant for many people. That bodes well for the future.

The last branches were converted on 5 November 1991.

Handelsbanken Liv

Following a change in legislation in 1991, Swedish banks were given the right to own life assurance companies. For us it was a natural step to take advantage of this opportunity. Our collaboration with RKA was intensified during 1991

and developed very successfully. In 1991, the Handelsbanken Group accounted for 40 per cent of RKA's new sales. I am very satisfied with this, bearing in mind that our collaboration only started in 1990.

In general, Handelsbanken seeks to avoid collaboration packages and strategic alliances. We want to own 100 per cent of all the operations that are essential to our activities. It is difficult enough to make wholly-owned units pull in the same direction. If they are partly owned, it is almost impossible.

It was therefore natural that we acquired RKA as soon as it was legally possible. RKA's board of directors and management were also of the opinion that this was in the best interests of RKA. The proposed change of name to Handelsbanken Liv emphasises our will to act as a closely-knit universal bank.

Handelsbanken Finans

Following the removal of the ceiling on banks' lending in November 1985, it became steadily more difficult to run finance companies in Sweden. To a great extent, the finance companies had grown under the protection of the former regulations, the effect of which was that the banks were not able to compete fully. After November 1985, competition from the banks increased strongly and this culminated in a number of finance company crashes during 1989 and 1990.

Bank-owned finance companies also met with difficulties. During the year, therefore, we changed the direction of Handelsbanken's finance company, Svenska Finans. All the operations that had previously competed with the Bank or other Group companies were closed. Svenska Finans will now devote itself solely to operations which contribute something unique to the Group; such areas are leasing, hire purchase, factoring, financing of sales in collaboration with various suppliers, credit cards, charge cards, etc. Among the operations discontinued can be mentioned ordinary direct lending and housing finance.

The way the finance company acts in the marketplace is also being co-ordinated with the Bank. In principle, its products will be sold by our 500 branches. It therefore also seemed natural to change the name of the finance company to Handelsbanken Finans.

In addition, Handelsbanken Finans will pursue the Bank's new strategic concentration on the Nordic countries. All operations outside the Nordic area will be wound down, which is expected to result in losses. A provision for this has been made in the year's accounts.

Handelsbanken Hypotek

For a long time, our mortgage company, Sigab, has been collaborating even more closely with our branches throughout Sweden. Here, in many respects, Sigab has been an example for other subsidiaries. To emphasise this and to make it clear to our customers that they will be able to obtain mortgages at any Handelsbanken branch, Sigab changed its name to Handelsbanken Hypotek at the turn of the year.

From the changes described, a united universal bank is emerging with a uniform appearance vis-à-vis the market. The primary customer responsibility always lies with one of our 500 branches where we can assist our customers in all areas – life assurance, mortgages and finance company services.

One Regional Bank less in Sweden

Our operations are now organised in nine Regional Banks. Seven cover Sweden, one the United Kingdom and one the rest of the world.

During the year, our Regional Banks in Sweden decreased from eight to seven. The change was a natural consequence of the integration of Skånska Banken's 76 branches with Handelsbanken. Some Regional Banks became much larger than before as a result of the extra branches. For a long time, it has been our ambition that our Regional Banks should be fairly even in size. Therefore, we decided to close the regional head office of our smallest Regional Bank in Örebro and the branches of the Regional Bank were divided among three other regional banks. It was the first change in our regional bank structure since it was created more than 20 years ago.

The new Regional Bank for international operations, excluding the U.K., which was formed in 1990, started work in earnest in 1991. It comprises 23 units, 8 in the Nordic countries and the remainder in other parts of the world.

Nordic countries

In the 1990s, the world's largest financial market will be established in Western Europe. Within this market, in principle, banks will be able to establish any type of operation and in any country they wish. This will increase competition in the whole of the broad banking field in Western Europe. So far, international competition has mainly concerned the corporate aspect. Now, we will see foreign banks establishing full universal banking operations in other countries. This has already started on the Continent.

The only Nordic bank to have started in this direction is Handelsbanken.

It seemed obvious to us to begin this process in the other Nordic countries – Denmark, Finland and Norway. To establish full banking



On September 23, 1991, Stavanger Bank became Handelsbanken. Stavanger, the oil capital of Norway, was founded in 1125 and has a population of 100,000. During 1992, a branch will also be opened in the nearby town of Sandnes.

operations abroad is something entirely different from working with the domestic country's major companies abroad. If it is possible to succeed anywhere, it ought to be in countries with small cultural differences compared with one's home country.

The first step was taken when Oslo Handelsbank in Norway was acquired in 1990. In 1991, we acquired Stavanger Bank. In addition, we opened a new branch in Oslo and announced that we would open a branch in Sandnes outside Stavanger.

During the year, we also opened a branch in Finland and we will establish a branch in Denmark in spring 1992. For a long time, we have owned Denmark's largest debt collection company, Nordan.

Handelsbanken's strategy for the 1990s is to establish full banking operations in the other Nordic countries. We want to extend our domestic market from Sweden's 9 million inhabitants to the more than 20 million inhabitants in the Nordic countries. In so doing, we will also attain a better domestic market base for our operations outside the Nordic area.

To build up full banking operations in other countries is a task we take very seriously. For the first time, we are offering our services to the general public in another country. We are not in a hurry. It took us 120 years to establish 500 full-service branches in Sweden. It will take time to build up operations in the other Nordic countries.

How quickly this can be achieved will ultimately depend on how customers accept us. To date, events have occurred more quickly than anticipated. In two years, we have acquired six branch offices in Norway, which makes us one of the seven largest of Norway's 22 commercial banks. Thus we are already an important player in the Norwegian market.

Our competitive edge vis-à-vis other Nordic banks is based, among other things, on a considerably lower cost level. Our expenses expressed as a percentage of total assets are only half of those of our major competitors in the other Nordic countries.

The reason for our advantage is primarily our decentralised organisation which has produced efficient routines and, in general, substantial cost awareness.

Baltic states

Ahead of any other Swedish bank, Handelsbanken has made efforts to support the emerging banking system in the Baltic states. Since these countries became independent, some 50 Baltic bankers have obtained training at our head office in Stockholm. In Estonia one of our staff is working as adviser to the Prime Minister; another is a member of the Board of the Central Bank there. In Latvia and Lithuania, the Bank's staff function as advisers to authorities, institutions and banks.

In this era of globalisation, proximity is nevertheless very important. The 14 million people in the other Nordic countries will always mean more to Sweden's economy than, for example, 250 million Americans. In the long term, the 8 million inhabitants of the Baltic states may possibly mean as much to Sweden as Finland and Norway and represent an important part of Handelsbanken's Nordic home market.

Rest of the world

In the world beyond the Nordic area, we have a presence in nearly 20 locations. Here, we do not aim to establish universal banking operations. Our primary objective in having a presence outside the Nordic area is instead to provide services for Nordic corporate customers. Our international network is an essential competitive factor. We are one of the leading Nordic banks where international presence is concerned. Today, small and medium-sized companies also pay attention to an international presence when they choose their banking connections.

Last but not least, I should like to express my sincere thanks to all Handelsbanken staff for their outstanding contribution during the year. It is thanks to you that we have once again succeeded in producing higher profitability than the Swedish banking system as a whole!

ARNE MÅRTENSSON

OBJECTIVES, POLICY AND ORGANISATION

OBJECTIVES AND PRINCIPLES

Handelsbanken's overall objective is to have a higher profitability than the average of other Swedish commercial banks (this is defined on page 59). The quality of the Bank's services should live up to 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.

It is intended that higher profitability should benefit the shareholders via a higher dividend growth than the average for other Swedish commercial banks and that the dividend should be increased at least in step with inflation.

We aim to work in such a way that we make valuable contributions for our customers, the Bank itself and society as a whole. We aim to have more satisfied customers than other banks.

We seek to employ the very best people when they leave school and keep them until they retire. Promotion is made via internal recruitment.

Naturally, we must always work within the formal and ethical framework which applies to banking operations.

POLICY

• Collective customer responsibility close to the customer

The business operations of the Handelsbanken Group are strongly decentralised. The most important means of control are an efficient financial control system and a basic market policy which is deeply rooted throughout the entire Group.

The basic 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 a collective 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 Group lies there as does the profitability responsibility within the Group for our overall exchange of business with the customer.

This also means that the responsibility for the Bank's marketing is held by the individual branch. We have no central marketing depart-

ment. We make no central marketing plans. We do not control the branches' marketing activities by giving central priorities to market segments or product areas or via product campaigns. 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

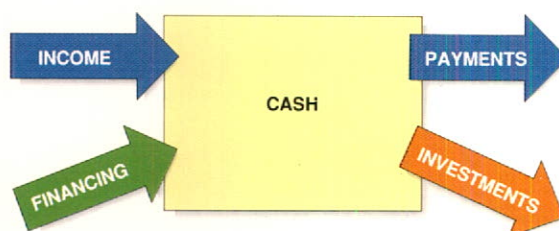
Handelsbanken aims to be a universal bank, i.e. we should cover the entire banking area – traditional corporate transactions; investment banking; and private business where we now also include life assurance.

• Growth in the Nordic countries

Today, Handelsbanken is strong in the Swedish market. With our 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 banking operations at branch level.

With some 20 units located in the world's important financial centres, we are also able to provide our Nordic customers with first-class service outside the Nordic area and to pick up the Nordic-related business of international customers. No major expansion of this network remains to be made.



The customer's view of the way the Bank works

The financial situation of the Bank's customers can be depicted as above, irrespective of whether they are private people or large companies.

These are the cash flows with which Handelsbanken works. We have the customer's cash on account and we arrange payments to and from the customer. We help the customer to finance cash shortfalls and to invest surplus cash and savings. The diagram shows in a very simplified form how the Bank works.

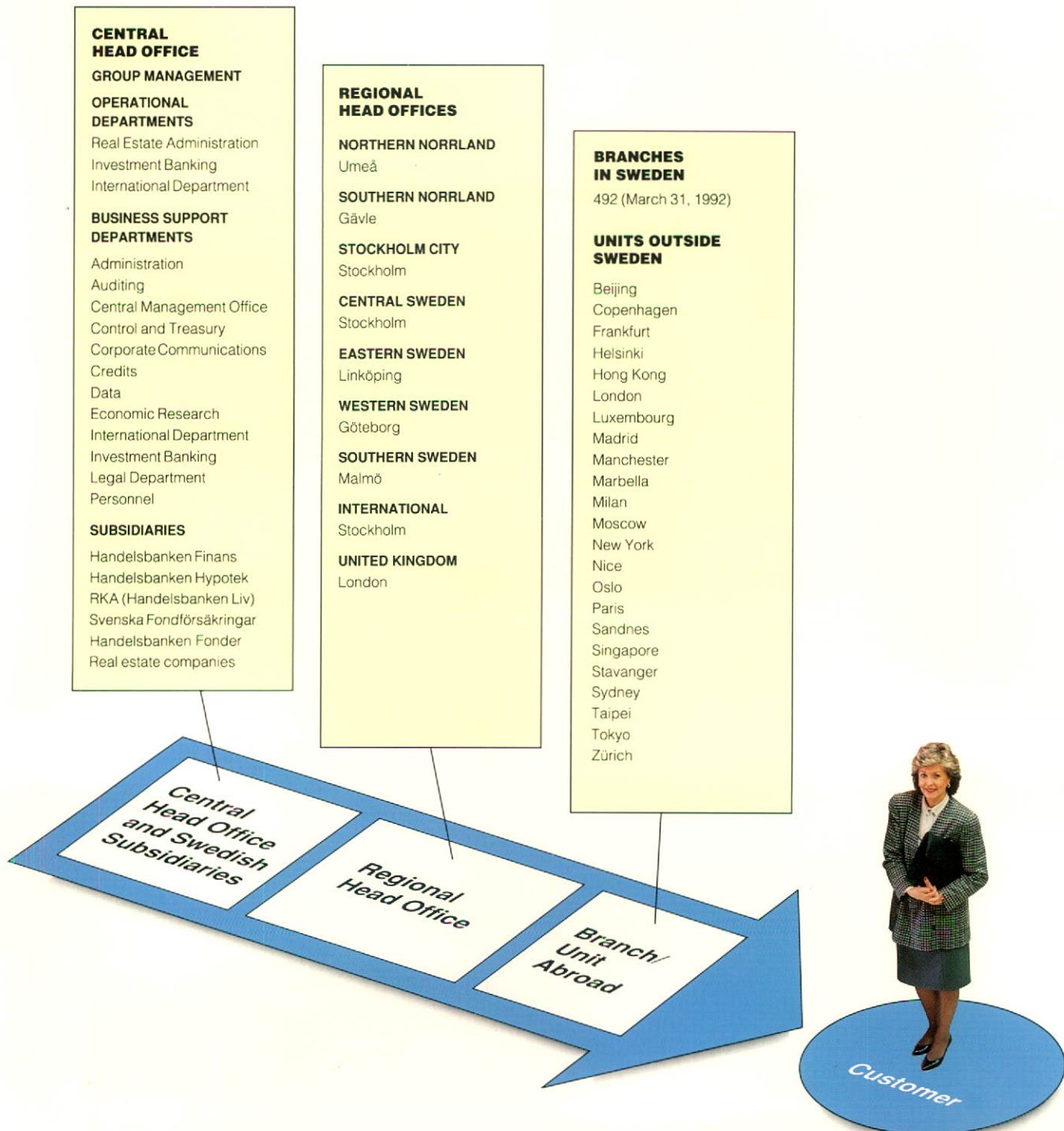
• Concentration on banking

Every Handelsbanken branch should be able to handle the entire range of banking services provided by the universal bank. In order to be professional in this area, we concentrate on banking. We should not be a "financial super-market" with products outside the area of banking.

ORGANISATION

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

Below, the organisation is presented not hierarchically but as a combined unit concentrating on the individual client and with the individual bank branch at the forefront.



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 for a company which is as strongly decentralised as Handelsbanken.



Every employee must understand and like Handelsbanken's basic philosophy – always to have the customer's requirements in mind.

Södergarn is Handelsbanken's conference centre on the island of Lidingö just outside Stockholm.



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 Bank's range of services. This makes different demands than traditional sales of products. We must make sure that we have employees and managers who understand and like 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 can be mentioned ever-increasing requirements and refined selection methods for recruitment of new employees; a comprehensive programme for skills development in the banking profession; a well-trying 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 by internal promotion.

A means of motivation for Handelsbanken's staff, which has become more and more important over the years, is the Oktogonen Foundation, the Bank's profit-sharing system which was formed in 1973.



But 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 stress on always keeping its basic philosophy alive in the daily work and making sure that it is applied in all activities.



Handelsbanken is strongly decentralised. Responsibility and power of decision-making lie with the people who have direct contact with the customer. This requires an interest in the customer's circumstances and an overview of the Bank's range of services. Svenska Handelsbanken has an advanced programme for skills and managerial development.



BRANCHES

At the end of 1991, the number of branches in Sweden was 498, a decrease of 13.

During the year, the remaining 56 Skånska Banken branches were converted, 47 of them becoming independent branches of Handelsbanken and 9 being merged with Handelsbanken branches in the same towns.

New branches have been opened in Anderstorp and Göteborg Gårda. The following branches were closed and operations moved to nearby branches: Stockholm Götgatan, Stockholm Fridhemsplan Öster, Vällingby, Göteborg Kungsgatan, Malmö Stortorget and Kristianstad Kanalgtan.

Gustav Adolfs torg, Stockholm



*Nordmaling
in Västerbotten*

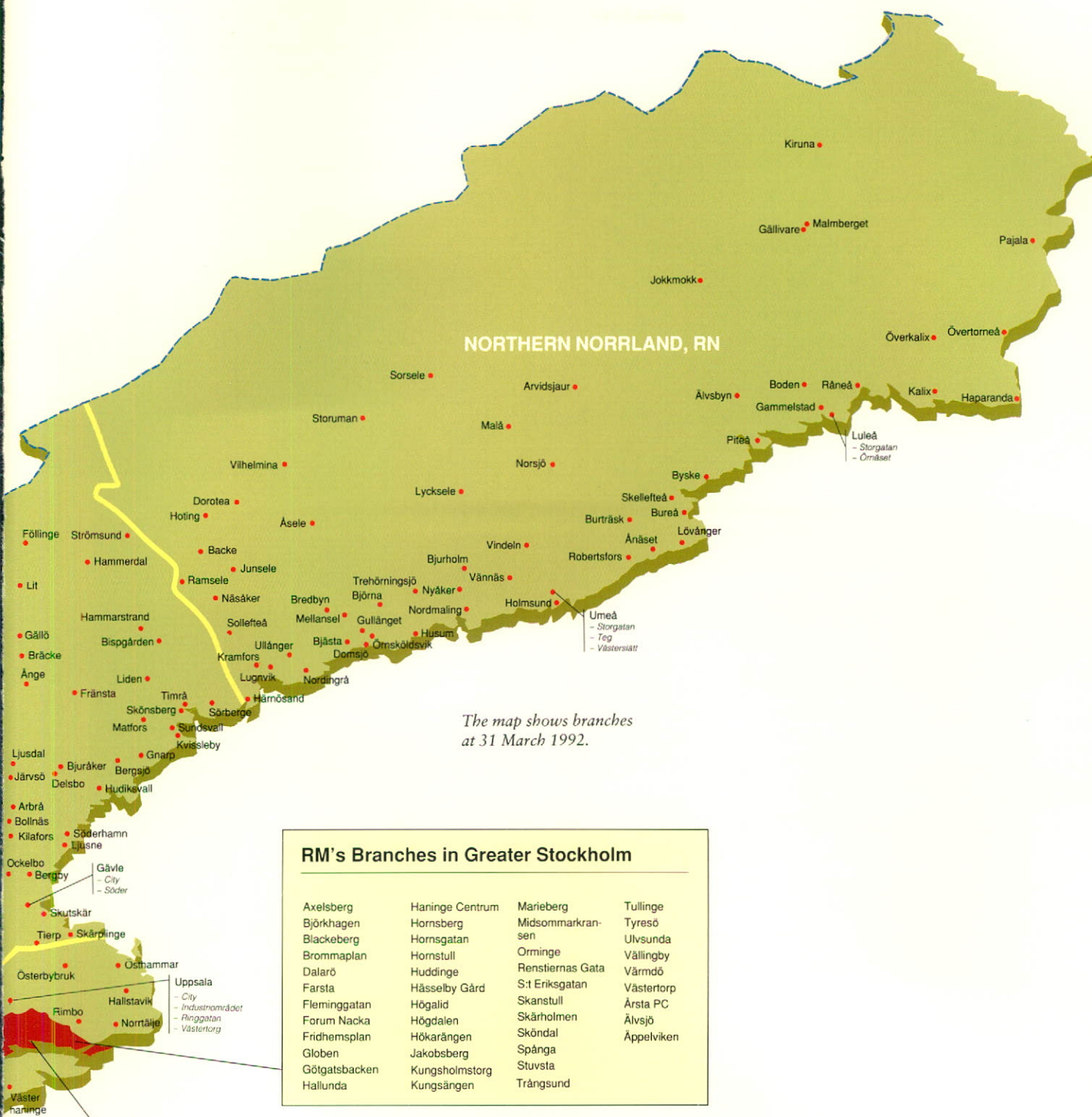


Höllviken in Skåne

- Göteborg**
- Almedal
 - Avenyn
 - Backa Ringön
 - Brunnsgatan
 - City
 - Friskvaderstorget
 - Frölunda
 - Första Långgatan
 - Gårda
 - Hisingen Kärra
 - Hjällbo
 - Högsbo
 - Kortedalen
 - Lilla Torget
 - Majorna
 - Odinsplatsen
 - Sjöst
 - Volvo PVB
 - Vägmästareplatsen
 - Örgryte

- Malmö**
- Amiralsgatan
 - Baltzarsgatan
 - City
 - Dalaplän
 - Drottningtorget
 - Fosie
 - Fridhem
 - Köpenhamnsvägen
 - Lantmannagatan
 - Linnéplan
 - Lundavägen
 - Nydalatorget
 - Söderhamn
 - Triangeln
 - Värnhem





REGIONAL HEAD OFFICES IN SWEDEN

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 credit, international, investment and legal matters; there are also internal functions for finance, administration, personnel and auditing.

Apart from these functions, the regional head offices in Göteborg and Malmö have complete international departments.

The map shows the regional banks and their Boards are adjacent.

Changes during the year

Operations at the Central Sweden Regional Bank have been divided among the Greater Stockholm, Southern Norrland and Western Sweden Regional Banks. Activities at the Regional Head Office in Örebro have been taken over by Greater Stockholm, which has now been renamed Central Sweden Regional Bank, RM.

SOUTHERN NORRLAND, RG

BOARD:

ÅKE RIETZ, Sundsvall, *Chairman*
GUNNAR HAGLUND, Söderhamn
OLLE HEMMINGSSON, Frösön
OWE KÄLLESTÅL, Sundsvall
JAN LARSSON, Gävle (E)
MARTIN OLSSON, Sundsvall (G)
LENNART ZEDENDAHL, Borlänge
LARS ÖSTHOLM, Sandviken
HANS-OLOF HARRISON, Head
of Regional Bank

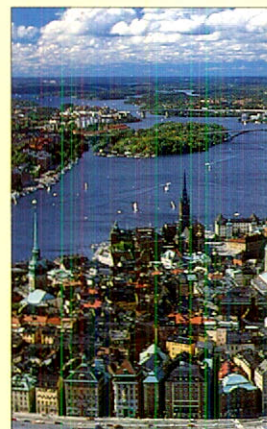


Gävle

CENTRAL SWEDEN, RM

BOARD:

PER SORTE, Saltsjöbaden, *Chairman*
LOTTY BERGSTRÖM, Ekerö (E)
BENGT BRAUN, Stocksund
CARL-HUGO HAMILTON, Hjortkvarn
ANDERS JOHANSSON, Älvsjö
GÖRAN NORD, Bromma
GUSTAV OHLSSON, Västerås
ALLAN PETTERSSON, Huddinge (G)
LEIF RYLANDER, Eskilstuna
CURT KÄLLSTRÖMER, Head of
Regional Bank

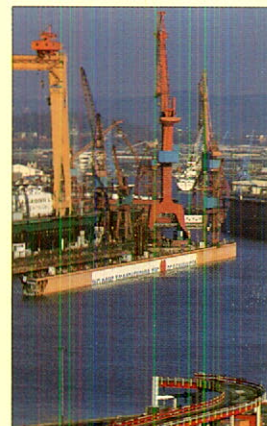


Stockholm

WESTERN SWEDEN, RV

BOARD:

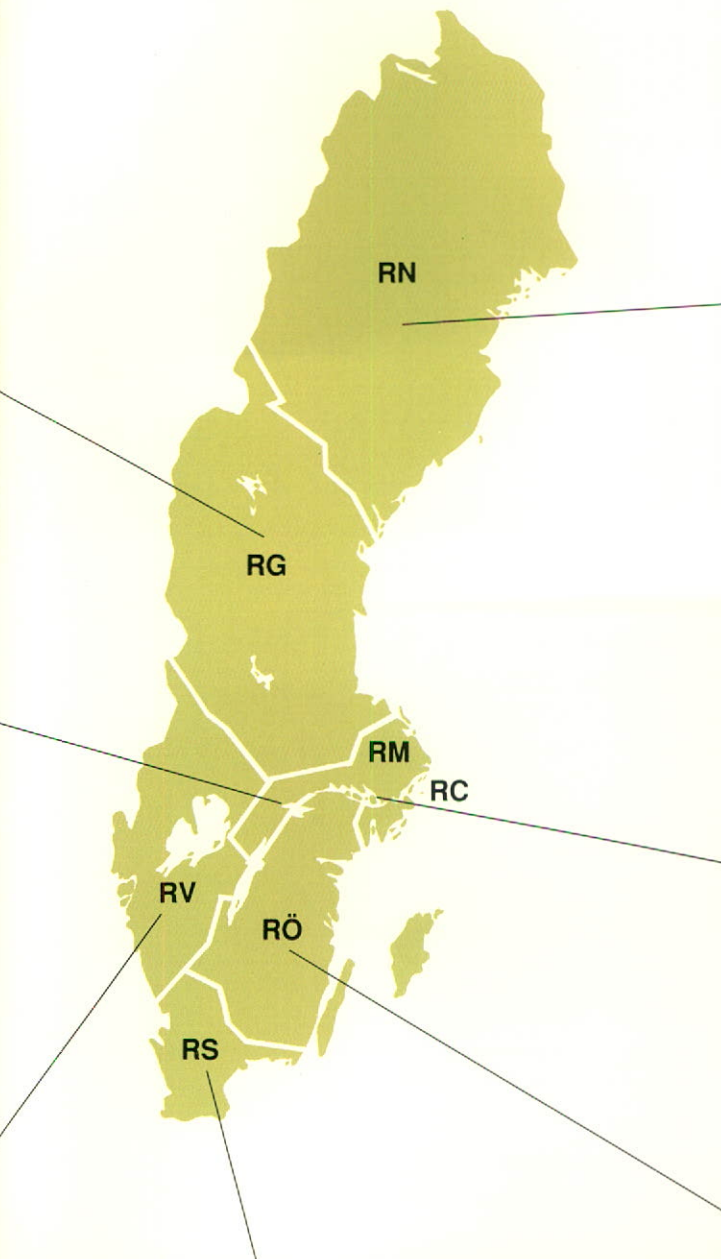
LARS MAURITZON, Brämhult, *Chairman*
JAN CARLSTEIN, Hovås
THOMAS DAFGÅRD, Källby
ARNE KJÖRNSBERG, Borås (G)
LARS LINDFELT, Göteborg
ANDERS LÖFBERG, Karlstad
JAN S NILSSON, Göteborg
LARSERIK NILSSON, Göteborg
MARTIN ORRBECK, Mölndal
LARS WAIDELE, Hovås
ANDERS WIKING, Trollhättan (E)
LENNART SPETZ, Head of Regional
Bank



Göteborg

(E) = Employee representative

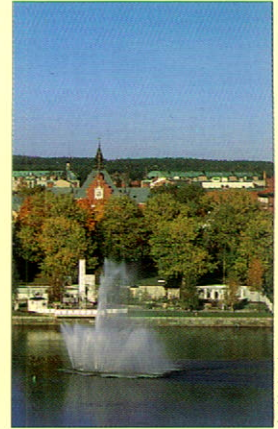
(G) = Appointed by the Swedish Government



NORTHERN NORRLAND, RN

BOARD:

DONALD JOHANSSON, Ålvsbyn, *Chairman*
FOLKE BURSTRAND, Piteå
KJELL DAHLBERG, Umeå (E)
LENNART FORSLUND, Skellefteå
KIM HAMILTON, Örnsköldsvik
RUNE JONSSON, Örnsköldsvik
RINALDO KARLSSON, Skellefteå (G)
THORD MELLSTRÖM, Head of Regional Bank



Umeå

Jan Lidmark

STOCKHOLM CITY, RC

BOARD:

CLAS REUTERSKIÖLD, Stocksund, *Chairman*
ULRIKA BOËTHIUS, Stockholm, Deputy Member (E)
ROLAND FAHLIN, Stockholm
MAINE GRÄNS, Vallentuna (E)
CAISA HÖRBERG, Lidingö (G)
GÖRAN LARSSON, Stockholm
HANS LARSSON, Stockholm
ÅKE NORDLANDER, Stockholm
LENNART SVENSSON, Stockholm
HANS CHRISTOFFERSON, Head of Regional Bank



Stockholm

SOUTHERN SWEDEN, RS

BOARD:

ULF LAURIN, Malmö, *Chairman*
ROLAND BENGTTSSON, Viken
GERD BOBERG, Malmö (E)
PER EDSTRAND, Falsterbo
SVEN-ERIC HERSVALL, Malmö
DAG IVARSSON, Osby
KURT J JOHANSSON, Sölvesborg
FINN JOHANSSON, Malmö
SVEN OHLSSON, Falsterbo
HANS PETTERSSON, Helsingborg (G)
AXEL ROOS, Vellinge
MIKAEL ROOS, Malmö
GÖRAN BJÖRLING, Head of Regional Bank



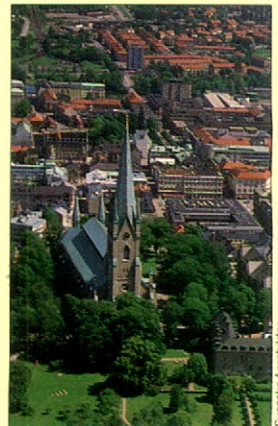
Malmö

Trafoto

EASTERN SWEDEN, RÖ

BOARD:

URBAN HARTING, Norrköping, *Chairman*
LENNART BOHLIN, Linköping
JAN CEDWALL, Nyköping
HÅKAN HALLIN, Borensberg (E)
ANDERS HULTMAN, Växjö
ROBBI ISSAL, Värnamo
SONIA KARLSSON, Motala (G)
WERNER VON SEYDLITZ, Nye
BO STRAGE, Head of Regional Bank



Linköping

Svenska Aerobilder

REGIONAL BANKS OUTSIDE SWEDEN

Handelsbanken has one of the most extensive international networks among the Nordic banks.

SVENSKA HANDELSBANKEN INTERNATIONAL, RU

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

This Regional Bank comprises Handelsbanken's units outside Sweden, excluding those belonging to the United Kingdom Regional Bank. Operations are situated in the Nordic area, Western Europe, Asia, Australia and the U.S.A.

At the eight branches in the Nordic countries, operations are as far as possible conducted in the same way as in Sweden. Outside the Nordic area, the some 20 units concentrate mainly on subsidiaries of Nordic companies.

Activities are co-ordinated from the Regional Head Office in Stockholm which has much the same duties as the Swedish Regional Head Offices.

UNITED KINGDOM REGIONAL BANK, RL

The United Kingdom Regional Bank has its head office in London and the Head of the Regional Bank is **LARS EVANDER**.

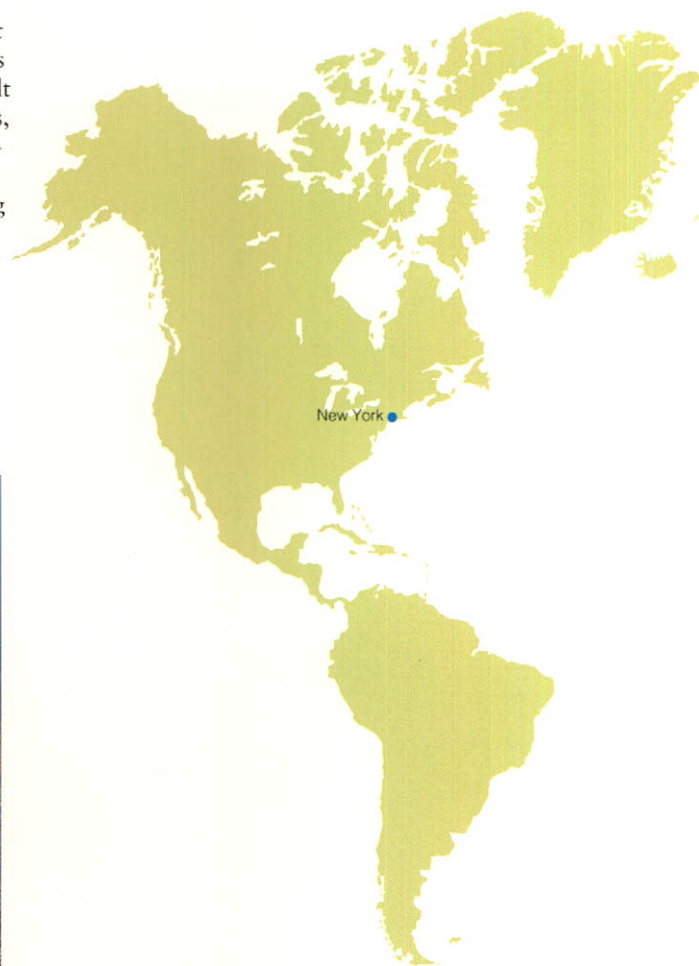
The corporate market covers the whole area of banking – finance, money and foreign exchange market, payments, cash management, international investment and corporate finance and securities trading. Activities are primarily directed at Nordic companies. As a result of the skills which have been built up over many years, the bank can also compete as a local bank in the United Kingdom.

The private market is mainly aimed at Swedes living in the U.K.

Outside London, the United Kingdom Regional Bank has operations in Manchester, Madrid, Paris and Tokyo.



Manhattan, New York



London

Vianden, Luxembourg



Hong Kong



Sydney



• Units within Svenska Handelsbanken International, SHI

• Units within United Kingdom Regional Bank, RL

THE CENTRAL HEAD OFFICE

The Central Head Office departments provide support to the branches with development work, day-to-day services of various kinds and specialist skills. They are presented here together with our Swedish subsidiaries which are integrated in the Bank's business operations.

CENTRAL MANAGEMENT OFFICE

Head: **LARS O GRÖNSTEDT**

Responsible for domestic deposit, lending and payment services, domestic and international cash management and branch office routines.

CENTRAL CONTROL AND TREASURY DEPARTMENT

Head: **KLAS WAHLSTRÖM**

Responsible for accounting, Group accounting, annual accounts, treasury, financial and administrative control systems, internal cash management, real estate administration, the Bank's insurance and information security.

ECONOMIC RESEARCH DEPARTMENT

Head: **LARS HEIKENSTEN**

Analyses and makes forecasts about the business cycle in Sweden and abroad. Internal and external information through lectures and publications. Responsible for information searching in external data bases and for the Bank's library service.

CENTRAL LEGAL DEPARTMENT

Head: **LARS KINANDER**

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

The Central Data Department develops and runs the Bank's computer systems and communications network. The department is situated in the Östermalm area of Stockholm.

CENTRAL DATA DEPARTMENT

Head: **STURE HALLSTRÖM**

Responsible for development, co-ordination, administration and operation of the Group's computer systems and communications network. During 1991 the computer department at Skånska Banken's previous head office was integrated with the Central Data Department but is still located in Malmö.

HANDELSBANKEN INVESTMENT BANKING

Head: **BJÖRN ANDERSSON**

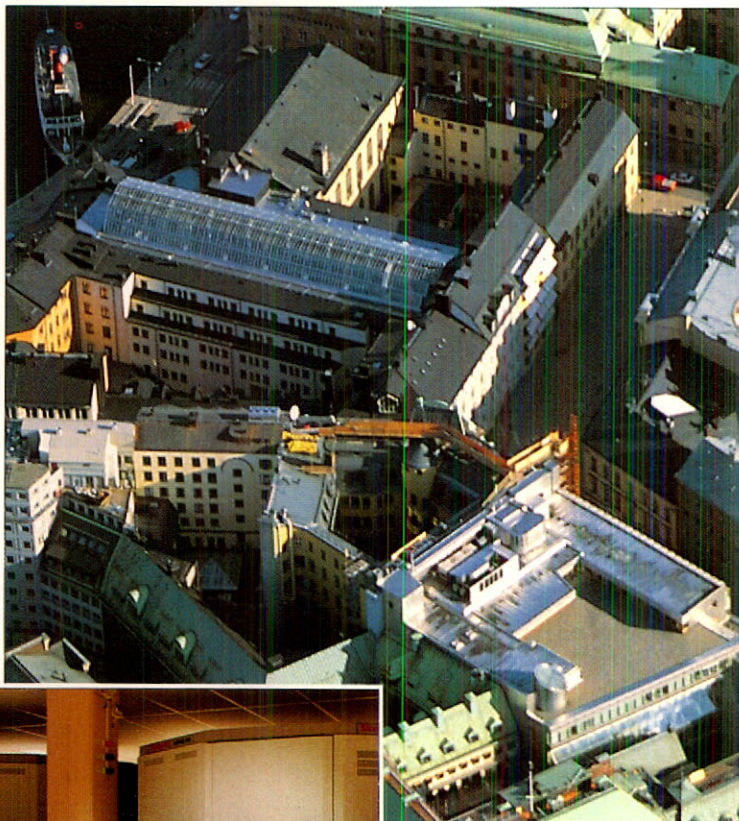
Provides business support to the branches in the areas of investment, securities trading and custodian services.

Operations in the areas of corporate finance, institutional trading in Swedish and international equities and equity derivatives, institutional custody services and investments funds.

INTERNATIONAL DEPARTMENT IN STOCKHOLM

Head: **BO FORSBERG**

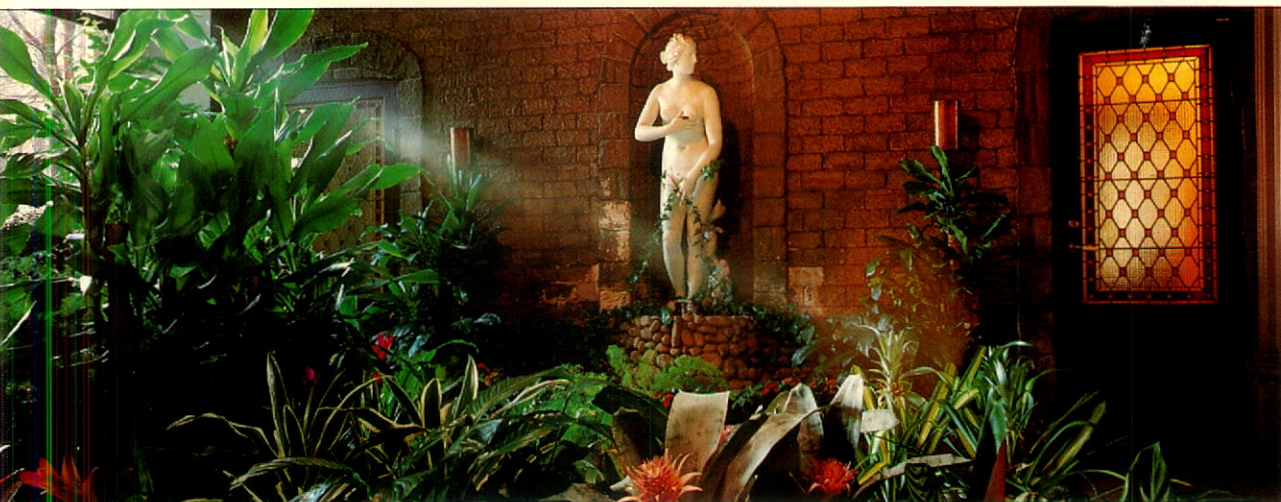
Conducts international operations for five regional banks in the areas of international payments, documents, international finance, foreign exchange dealing and money/bond market. (The Western and Southern Sweden Regional Banks have similar international departments.) Provides central business support to the whole Bank for international matters. Responsible for the Bank's contacts with correspondent banks outside Sweden.



CORPORATE COMMUNICATIONS DEPARTMENT

Head: **LEIF LUNDBERG**

Overall responsibility for the Group's marketing policy, internal/external information and advertising, and contacts with the media. Publishes the Group's house journal. The department was started in 1991.



View of Handelsbanken's buildings on Blasieholmen in central Stockholm.



Svenska Aerobloger

CENTRAL PERSONNEL DEPARTMENT

Head: ALF PERSSON

Responsible for the Group's personnel policy, personnel and management recruitment, management and skills development, personnel administration and negotiations on salaries and employment conditions, environment and corporate health care, pension matters and the Bank's Conference Centre at Södergarn.

CENTRAL ADMINISTRATION DEPARTMENT

Head: BARBRO JOHANSSON

Responsible for investments in computer systems, property, fixtures, fittings and machines, for purchasing, building, archive, telephone and security matters and for the Head Office's distribution, mail, printing shop and workshop.

The Fersen palace

The Fersen palace was built in 1634 and has been owned by Svenska Handelsbanken since 1966. In 1976, an extensive renovation of the palace was completed and adjoining buildings were demolished and replaced by new premises. The picture shows the Winter Garden.

CENTRAL CREDIT DEPARTMENT

Head: GUNNAR BÄCKMAN

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.

CENTRAL AUDITING DEPARTMENT

Head: SVEN GREVELIUS

Overall responsibility for internal auditing within the Group.

Co-ordinates auditing matters within the Group.

Subsidiaries:

HANDELSBANKEN FINANS (Svenska Finans)

Head: MICHAEL ZELL

Offers leasing, hire purchase, car financing, factoring and sales finance in collaboration with retailers, real estate renting, collections, charge cards for companies and credit cards.

HANDELSBANKEN HYPOTEK (Sigab)

Head: HANS LUNDHOLM

Mortgages for private houses, second homes, commonhold residential property, multi-family dwellings and office and commercial buildings.

HANDELSBANKEN FONDER

Head: GÖRAN PALM

Manages and administers the Bank's investments funds and administers funds for corporate clients.

RKA (Handelsbanken Liv)

Head: MAGNUS OHLSSON

Handelsbanken intends to acquire the insurance company, RKA, during 1992 and change its name to Handelsbanken Liv. RKA offers a basic selection of life insurance services which are part of Handelsbanken's normal range of products. Over and above the basic range, a complete range of life insurance services is offered for special needs.

BOARD OF DIRECTORS

Changes during 1991

Jan Wallander, who had been Chairman of the Board of Directors since 1978 and before that President since 1970, retired at the 1991 Annual General Meeting as he had reached the age of 70. The Annual General Meeting appointed Jan Wallander Honorary Chairman.

Tom Hedelius, who had been President of the Bank since 1978, succeeded Jan Wallander as Chairman.

The President and Group Chief Executive, Arne Mårtensson, formerly a Deputy Board Member, was appointed Board Member. Barbro Johansson, Executive Vice President, was appointed Deputy Board Member.

Board Members

Appointed by the Annual General Meeting

TOM HEDELIUS, Chairman

* 1939, Stockholm
Member since 1977
Shareholding: 5,333 Ordinary A,
534 Ordinary B,
Conv. SEK 676,800 nom

BO RYDIN, Vice Chairman

* 1932, Chairman of Svenska
Cellulosa AB SCA, Stockholm
Member since 1973
Shareholding: 10,666 Ordinary A,
1,067 Ordinary B

JAN EKMAN, Vice Chairman

* 1929, Lidingö
Member since 1976
Shareholding: 5,334 Ordinary A,
533 Ordinary B

ARNE MÅRTENSSON

* 1951, President and Group
Chief Executive of Svenska
Handelsbanken
Danderyd
Member since 1990
Shareholding: 6,666 Ordinary A,
666 Ordinary B
Conv. SEK 676,800 nom

LENNART CLAESSON

* 1944, Nässjö
Chairman of Stiftelsen Oktogonen
Member since 1985
Shareholding: 0, Conv. SEK 225,600

GÖRAN ENNERFELT

* 1940, President and CEO of Axel
Johnson AB, Upplands Väsby
Member since 1985
Shareholding: 2,133 Ordinary A,
250 Ordinary B

PER-OLOF ERIKSSON

* 1938, President of Sandvik AB,
Sandviken
Member since 1986
Shareholding: 0

CARL-ERIK FEINSILBER

* 1931, President of AB Industrivärden,
Lidingö
Member since 1980
Shareholding: 0

NILS HOLGERSON

* 1923, Stockholm
Member since 1965
Shareholding: 4,054 Ordinary A,
406 Ordinary B

LARS-OVE HÅKANSSON

* 1937, President and CEO
of Skanska AB, Danderyd
Member since 1987
Shareholding: 0

GUNNAR L. JOHANSSON

* 1928, Göteborg
Member since 1987
Shareholding: 0

HANS LARSSON

* 1942, President of Nordstjärnan
Förvaltning AB, Stockholm
Member since 1990
Shareholding: 0

BARBRO LINDEGREN

* 1938, Uppsala
Member since 1985
Shareholding: 0,
Conv. SEK 225,600 nom

BERNT LÖF

* 1933, President and CEO of
Mo och Domsjö AB, Stockholm
Member since 1988
Shareholding: 0

BIRGER JARL PERSSON

* 1923, Västerås
Member since 1984
Shareholding: 534 Ordinary A,
53 Ordinary B

OLLE PERSSON

* 1935, President of AB Persson
Invest, Östersund
Member since 1989
Shareholding: 1,333 Ordinary B,
133 Ordinary B

AXEL ROOS

* 1922, Vellinge
Member since 1990
Shareholding: 0

BENGT SAMUELSSON

* 1934, Professor, Master of
Karolinska Institutet, Danderyd
Member since 1989
Shareholding: 0

ANDERS WALL

* 1931, President of Beijer
Industries AB, Stockholm
Member since 1982
Shareholding: 156,400 Ordinary A,
15,640 Ordinary B, 586 Index

SVEN ÅGRUP

* 1930, Chairman of AGA AB,
Lidingö
Member since 1973
Shareholding: 0

Deputy Board Member

Appointed by the Annual General Meeting

BARBRO JOHANSSON

* 1944, Stockholm
Shareholding: 0
Conv. SEK 676,800 nom



TOM HEDELIUS, Chairman



CARL-ERIK FEINSILBER



BIRGER JARL PERSSON

Appointed by the Government

PER-OLOF EDIN

* 1940, Stockholm
Member since 1985
Shareholding: 0

THORBJÖRN FÄLLDIN

* 1926, former Prime minister
of Sweden, Ramvik
Member 1971-76 and since 1986
Shareholding: 0

GRETHE LUNDBLAD

* 1925, former Member of the
Swedish Parliament, Helsingborg
Member since 1985
Shareholding: 0



PER-OLOF EDIN

If a Board Member was previously a Deputy Board Member, the year stated as the year of election to the Board of Directors is the year in which he was elected Deputy Board Member.



BO RYDIN, Vice Chairman



JAN EKMAN, Vice Chairman

ARNE MÅRTENSSON, President
and Group Chief Executive

LENNART CLAESSON



GÖRAN ENNERFELT



PER-OLOF ERIKSSON



NILS HOLGERSSON



LARS-OVE HAKANSSON



GUNNAR L. JOHANSSON



HANS LARSSON



BARBRO LINDEGREN



BERNT LÖF



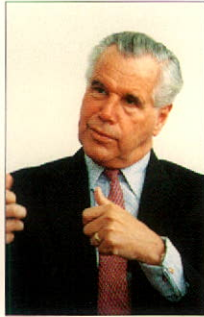
OLLE PERSSON



AXEL ROOS



BENGT SAMUELSSON



ANDERS WALL



SVEN ÅGRUP



BARBRO JOHANSSON



THORBJÖRN FÄLLDIN



GRETHE LUNDBLAD

Honorary Chairmen

TORE BROWALDH

* 1917, Stockholm
Shareholding: 4,734 Ordinary A,
266 Ordinary B

JAN WALLANDER

* 1920, Drottningholm
Shareholding: 13,244 Ordinary A,
1,124 Ordinary B, 266 Index



TORE BROWALDH



JAN WALLANDER

SENIOR MANAGEMENT

President and Group Chief Executive

ARNE MÅRTENSSON

* 1951
Shareholding: 6,666 Ordinary A,
666 Ordinary B,
Conv. SEK 676,800 nom

Executive Vice Presidents at the Regional Banks

THORD MELLSTRÖM

Head of Regional Bank Northern
Norrländ
* 1942
Shareholding: 0
Conv. SEK 676,800 nom

HANS-OLOF HARRISON

Head of Regional Bank Southern
Norrländ
* 1943

Shareholding: 1,000 Ordinary A,
100 Ordinary B,
Conv. SEK 451,200 nom

HANS CHRISTOFFERSON

Head of Regional Bank
Stockholm City
* 1942
Shareholding: 0
Conv. SEK 676,800 nom

CURT KÄLLSTRÖMER

Head of Regional Bank Central Sweden
* 1941
Shareholding: 1,867 Ordinary A,
187 Ordinary B,
Conv. SEK 676,800 nom

BO STRAGE

Head of Regional Bank Eastern Sweden
* 1940
Shareholding: 0
Conv. SEK 676,800 nom

LENNART SPETZ

Head of Regional Bank Western Sweden
* 1935
Shareholding: 9,100 Ordinary A,
910 Ordinary B,
Conv. SEK 676,800 nom

GÖRAN BJÖRLING

Head of Regional Bank Southern Sweden
* 1942
Shareholding: 0
Conv. SEK 676,800 nom

MAGNUS UGGLA

Head of Svenska Handelsbanken
International
* 1952
Shareholding: 0
Conv. SEK 676,800 nom

LARS EVANDER

Head of Regional Bank United Kingdom
* 1947
Shareholding: 0
Conv. SEK 676,800 nom

Executive Vice Presidents at the Central Head Office

BJÖRN C ANDERSSON

Head of Handelsbanken
Investment Banking
* 1946
Shareholding: 0
Conv. SEK 676,800 nom

GUNNAR BÄCKMAN

Head of Central Credit Department
* 1937
Shareholding: 0
Conv. SEK 676,800 nom

BO FORSBERG

Head of the International Department
in Stockholm
* 1937
Shareholding: 0
Conv. SEK 676,800 nom

STURE HALLSTRÖM

Head of Central Data Department
* 1942
Shareholding: 5,000 Ordinary B,
Conv. SEK 676,800 nom

BARBRO JOHANSSON

Head of Central Administration
Department
* 1944
Shareholding: 0
Conv. SEK 676,800 nom

ALF PERSSON

Head of Central Personnel
Department
* 1937
Shareholding: 2,666 Ordinary A,
266 Ordinary B,
Conv. SEK 676,800 nom

KLAS WAHLSTRÖM

Head of Central Control and
Treasury Department
* 1938
Shareholding: 10,000 Ordinary A,
1,000 Ordinary B,
Conv. SEK 676,800 nom

Changes

At the 1991 Annual General Meeting, Arne Mårtensson succeeded Tom Hedelius as President and Group Chief Executive.

Curt Källströmer, Executive Vice President, formerly Head of Regional Bank Northern Norrländ was appointed Head of Regional Bank Central Sweden.

Thord Mellström, previously at Svenska Handelsbanken in Frankfurt, was appointed Executive Vice President and Head of Regional Bank Northern Norrländ.

Executive Vice President Gunnar Bäckman, formerly Deputy Head of the Central Credit Department, was appointed Head of that Department. He succeeded Bo Damberg, Executive Vice President, who will be special adviser to the Chairman of the Board. The Head of the International Department in Stockholm, Bo Forsberg, was appointed Executive Vice President.

AUDITORS

Appointed by the Annual General Meeting

BERTIL EDLUND, *Chairman*

Authorised Public Accountant,
Öhrlings Reveko AB, Sollentuna

SUZANNE BONNIER

Director, Stockholm

SIGVARD HEURLIN

Authorised Public Accountant,
Öhrlings Reveko AB, Stockholm

Appointed by the Swedish Financial Supervisory Authority

BO FRIDMAN

Authorised Public Accountant,
Bohlins Revisionsbyrå AB,
Stockholm

SVEN SANTESSON

Authorised Public Accountant,
Ernst & Young AB, Helsingborg

Deputy Auditors

DAG HASSLEGREN

Director, Björkman Brandberg,
Tigerskiöld AB, Danderyd

STEN LUNDVALL

Authorised Public Accountant,
Bohlins Revisionsbyrå AB,
Stockholm

Changes

Of the Auditors appointed by the Annual General Meeting, Professor Sven-Erik Johansson did not stand for re-election.

The number of Auditors appointed by the Swedish Financial Supervisory Authority decreased from three to two following the expiry of Hans Lundquist's term of office.

OPERATIONS FROM A CUSTOMER PERSPECTIVE

THE FINANCIAL MARKETS

In 1991, as in recent years, the Swedish stock-market was characterised by major price movements. On 11 July, the Swedish business periodical Affärsvärlden general index stood at 1,149.8 which was an increase of 32 per cent during the year. On 30 December, the index was 917.6, an increase of only 5.5% over one year.

Equity trading rose by SEK 29 billion to SEK 130 billion, i.e. an increase of 29 per cent. Turnover tax on equity trading was abolished on 1 December 1991.

The legislation covering equity trading in Sweden was changed during the year. The changes mean that it is now possible to carry out market-making and stock lending in Swedish shares. These changes, combined with the removal of the turnover tax and the opportunity for banks and brokerage firms to increase inventory, will increase liquidity in the Swedish stockmarket.

During the year, the equity research group in Handelsbanken was restructured to improve service to private customers and institutions in Sweden and abroad. Their work is concentrated on the Nordic area as the Bank's domestic market. We offer our customers full coverage of all major companies and industries in the Nordic countries.

In November, Handelsbanken's order system for shares was linked to the Stockholm Stock Exchange's trading system, SAX. This means that orders registered at Handelsbanken branches are forwarded electronically to the market. When the deal has been struck, the order is immediately confirmed to the branch in ques-

tion. As a result, information on the transaction is immediately available to both branch and customer. This automation means that order handling becomes more efficient, costs are reduced and that the service given to our customers improves.

The number of market introductions during the year was small because of the weak stock-market. Even new issues were conspicuous by their absence, except for a number of issues of a "crisis" nature.

During the year, the Swedish money and bond markets were also hard hit by the recession and the financial crises. The result was that investors almost exclusively selected investments with a high creditworthiness which in turn led to few new loans being raised in the public Swedish market in 1991.

The Stockholm Bond Exchange (SOX) opened in 1991. Sigab/Handelsbanken Hypotek issued a special zero coupon bond to be traded on SOX. This bond has become the most traded paper on SOX.

CORPORATE CUSTOMERS

The substantial increase in cross-border acquisitions of companies in Europe abated in 1991. Not least the Swedish companies, which in 1990 were among the most active acquirers, consolidated their positions in 1991 or sold operations that were no longer considered of strategic importance. During the year, Handelsbanken Investment Banking participated in a large number of structural transactions with an international element.

Brokers at Handelsbanken Investment Banking trade Swedish and international equities on behalf of the Bank's customers.



Foreign companies, however, showed an increased interest in investments in Sweden in step with Sweden getting closer to the EC. Handelsbanken Investment Banking participated in five take-over bids in the Swedish market.

Handelsbanken participated in the majority of the new money market loans which were raised in 1991. During the year, the Bank confirmed its position as the leading institution with regard to the IPA function (issuing and paying agent) in money market loans, i.e. the function that co-ordinates and handles borrowers' money market loans with various market-makers. The Bank was also involved in the introduction of new types of loans in the form of a FTN (Flexible Term Note) programme and a MTN (Medium Term Note) programme.

In the expansive areas of private placements and "structured derivative products", the Bank carried out a large number of tailor-made transactions and – for the Swedish market – created a number of new solutions. Derivative products are mainly options but also forward contracts, FRAs, swaps, caps, floors, collars, etc, relating to shares, interest rates, foreign exchange and commodities. The products are based on probability-adapted risk hedging.

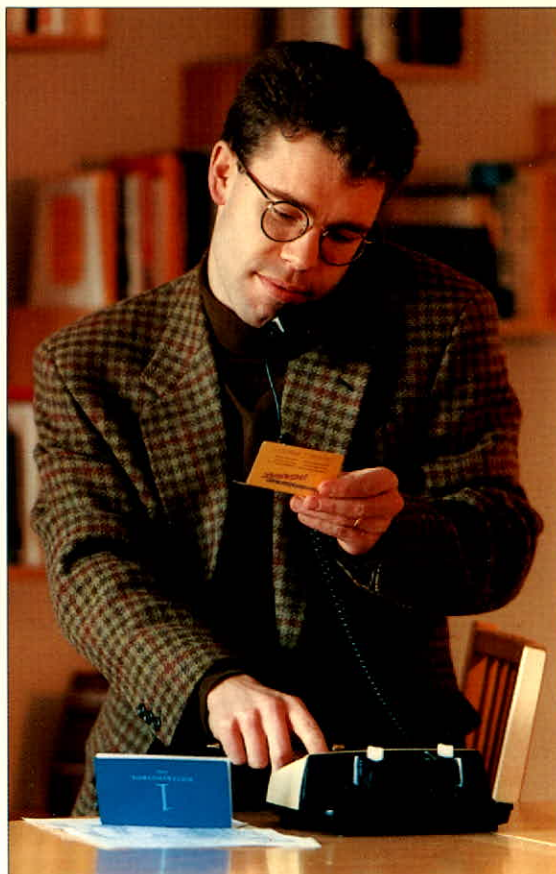
The work on establishing a flexible custodial service for institutional customers developed successfully and, during the year, a number of foreign and Swedish institutions moved their securities to Handelsbanken Investment Banking.

In December, Handelsbanken Investment Banking introduced a specialised service for handling unstandardised loans of securities. Thus, institutions have an opportunity to lend their securities to Handelsbanken in order to obtain a higher yield, and in turn, the Bank offers other players the opportunity to borrow securities.

Together with RKA/Handelsbanken Liv, Handelsbanken offers a new, unique Business Insurance which can be used as partners' insurance or as protection for companies or their lenders in the case of death of a key person or long illnesses.

In the payment and cash management areas, as in financing and trading of securities and foreign exchange, the Bank continued its integration of the domestic and international operations. As a step in this integration, the development work in respect of such services in foreign currencies was co-ordinated with corresponding services in SEK. The objective is that branches and customers should be provided with as similar routines as possible, irrespective of currency.

The Bank's activities directed at international payments also continued during the year at units



Banking by phone

Via Handelsbanken's Datasvar, customers can carry out basic bank transactions by phone. Account balance information is available and transfers can be made. In the future this service will be extended to include other transactions.

abroad. In Frankfurt, London and Oslo, the first terminals were installed on the premises of corporate customers. With the aid of these terminals, our customer companies in the German, British and Norwegian markets will be able to effect payments from their own office – both inside and outside the country – from their accounts with the Bank. The customer is also able to see the current account balances. Similar terminal systems are being developed at the Bank's units in Luxembourg and Helsinki.

During the year, Handelsbanken in London expanded its area of operation very considerably and now offers its corporate customers the same type of services as the Bank's branches in Sweden. As a result, Handelsbanken in London is able to act as its customers' sole bank. Previously, the bank was forced to collaborate with British clearing banks in day-to-day banking operations.

Handelsbanken also continued to play a leading role in the swap market, specialising in Nordic currencies and GBP. In a number of bond issues, the Bank swapped the borrowed funds into the desired currency and interest base.

PRIVATE CUSTOMERS

During the year, the development of the Bank's services to private customers to a great extent concerned insurance and banking services abroad.

Together with the insurance company RKA – which it is intended that Handelsbanken will acquire during 1992 and change its name to Handelsbanken Liv – Handelsbanken designed a basic range of insurance consisting of four simple products taken from RKA/Handelsbanken Liv's standard range. These have been adapted to the needs of most of the Bank's customers and to the Bank's way of working. Two of the products are time-limited pension insurance policies, one is life-long old-age pension with a family guarantee, and the fourth is a group life insurance. The two time-limited pension insurance policies can be taken out with or without a unit link. The pension insurance policies can be offered via the Bank's terminal system.

We see the basic life assurance and pension insurance policies as natural parts of the Bank's operations. The basic insurance policies are not sold by a specialised sales force but are included in the range of products provided by the branches. As a result, the branch is able to satisfy the individual customer's need for insurance among other forms of saving.

In addition to the basic range, the Bank supplies the entire RKA/Handelsbanken Liv insurance range for more specific needs – for example solutions related to transfer of capital from one generation to another. This type of sale also takes place in the branches but with the support of specialists from RKA/Handelsbanken Liv.

The Bank and RKA/Handelsbanken Liv arranged foreign endowment assurance for many private customers in 1991 as a result of high bonus and exemption from wealth tax for the insured person. We collaborate with a highly reputable British insurance company.

Marketing insurance at the Bank's branches brings about a considerable requirement for training. As far as centrally co-ordinated activities are concerned, these were mostly completed in 1991. To these are added regional and local activities and continuous experience in day-to-day contacts with customers.

The sharp fluctuations on the world stock exchanges, not least the Stockholm Stock Exchange, have favoured active fund management. Handelsbanken's Capital Gains Fund (Reavinst-fonden) was one of the most successful Swedish equity funds in 1991, as was the Asia Fund (Asienfonden) among the international funds.

During the year, three new international funds were started: the Germany Fund (Tysklandsfonden), the France Fund (Frankrikefonden) and the

Handelsbanken has a basic range of life and pension insurance policies.



England Fund (Englandsfonden). The residential savings fund accessible from the age of 55 was augmented with an equity fund separate from the existing fixed income fund. The tax fund has changed direction and is now available for new savings under the name Handelsbanken Investment Fund (Handelsbankens Investeringsfond). Five fixed-income funds were discontinued during the year to obtain a better overview and adaptation of the range to the customers' investment needs. At the turn of year, the number of funds was 42. As soon as legislation permits a merger of funds, the equity fund range will also be reviewed and slimmed.

Earlier in the year, a subordinated zero coupon loan was issued by Handelsbanken. For customers willing to tie up amounts for a long period, this has become an attractive complement to bank deposits.

Datasvar, a system for account information and transfers accessed by the customer's push-button telephone, was taken into use by Handelsbanken during the year.

In 1991, Handelsbanken carried out extensive development work on behalf of private customers outside Sweden. In Norway we run full-service banking operations at six branches. Our Norwegian customers have access to roughly the same services as the Bank's customers in Sweden. For Nordic private customers, who have moved abroad temporarily or permanently, Handelsbanken has developed a special range of investment, financing and payment services which are provided by all the Bank's units outside the Nordic countries. The extensive development of systems and routines for these activities has taken place in Luxembourg, from where the transactions are also administered.

To give an example, the number of Swedes in the United Kingdom has been estimated at more than 30,000. Many of them have moved from Sweden for a limited period of time. It is an important task for Handelsbanken to satisfy their need for banking services. Operations in the United Kingdom grew strongly during 1991.

OPERATIONS FROM A BANKING PERSPECTIVE

BANKING OPERATIONS IN SWEDEN

Deposits and lending

The merger between Handelsbanken and Skånska Banken was completed during 1991. In order to give a true picture of the development, the comparison is made with the combined volume of the two banks in 1990.

The tax reform, the slow-down in the economy and the falling rate of inflation resulted in higher savings and lower demands for loans by households. Handelsbanken's market share of household deposits increased from 12.1 per cent to 12.4 per cent.

Market shares for deposits from households change only slowly over the years. A 0.3 percentage point increase in the market share on Handelsbanken's part may seem insignificant but, nevertheless, it is equivalent to SEK 1.2 billion in volume. Added to that is the fact that the market share estimate does not reflect the development during the latter part of 1991 which resulted in a substantial increase in Handelsbanken's deposits from households. As far

Deposits and lending – SEK, foreign currency and bonds

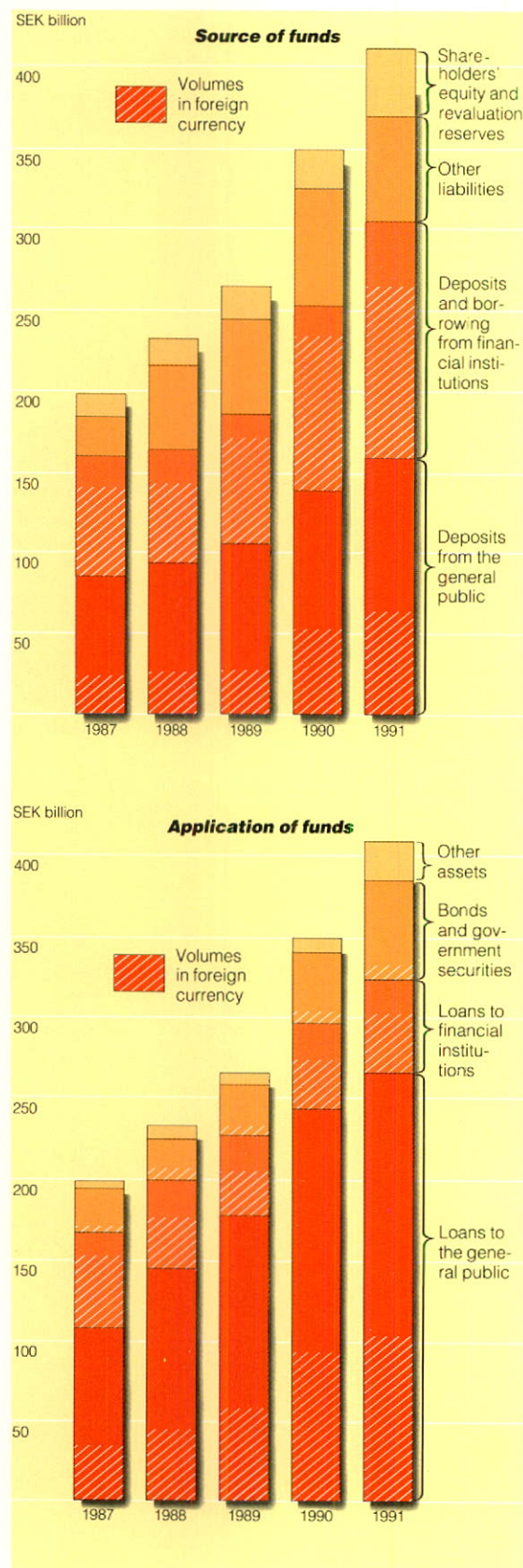
	31 Dec 1991 SEK M	31 Dec 1990 SEK M	Change %
Deposits in SEK ¹⁾			
from households	50 458	43 360	+ 16
from companies, etc	31 123	33 738	– 8
Total	81 581	77 098	+ 6
Lending in SEK			
to households	30 692	35 377	– 13
to companies, etc	41 232	41 464	– 1
Total	71 924	76 841	– 6
Lending in foreign currencies	90 654 ²⁾	77 383	+ 17
Bonds	63 969	44 862	+ 43

1) Including certificates of deposit

2) Before deduction of possible loan losses

The Group's total assets increased during 1991 by 11 per cent to SEK 410 billion. The long-term housing and real estate loans in Handelsbanken Hypotek and the loans in the banking operations abroad showed the strongest expansion.

Source and application of funds in Swedish and foreign currency



as deposits by corporate customers are concerned, market shares are more flexible and can be directly influenced through pricing.

Loans to households fell by SEK 4.7 billion or 13 per cent. However, loans to households via Handelsbanken Hypotek (formerly Sigab) increased by SEK 5.4 billion. The Group's total increase for lending to households was 1 per cent.

As a result of pegging the Swedish krona to the ECU, the margin between Swedish and international interest levels for most of 1991 was considerably lower than in 1990. This reduced customers' opportunities of interest arbitrage by borrowing in foreign currency for investment in the Swedish money market. Nevertheless, the average volume of lending in foreign currency was well maintained.

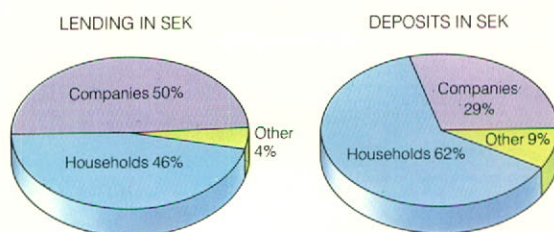
Because deposits in SEK increased sharply, the Bank's surplus of Swedish kronor rose. Most of the surplus was invested in bonds and



Handelsbanken Hypotek's lending is dominated by mortgage loans.

Lending and deposits in SEK, by sectors

Average of four quarters in 1991



Svenska Handelsbanken's market shares in the Swedish banking market

Average of quarter ends (for 1991, 3 quarters are included)

	1991 %	1990 %
Deposits in SEK		
from households	12.4	12.1
from companies, etc.	18.3	18.5
Total	14.2	14.1
Lending in SEK		
to households	12.7	13.1
to companies, etc.	14.5	14.8
Total	13.6	13.9
Lending in foreign currencies	23.0	21.5

Source: Central Bureau of Statistics

as a consequence the bond portfolio increased by more than 40 per cent. As a result of the sharp interest rate rise at the beginning of December, however, the portfolio came to be financed in part via short-term funding at the turn of year.

Real estate financing

At the turn of the year, Sigab, the Group's mortgage company, changed its name to Handelsbanken Hypotek. The new name reflects more adequately the close collaboration with the Bank's branches.

Of Handelsbanken's real estate lending, Handelsbanken Hypotek accounts for more than 80 per cent, with a credit volume of SEK 87 billion compared with SEK 18 billion for the Bank.

In 1991, Handelsbanken Hypotek's lending continued to increase rapidly – by nearly 30 per cent. Our market share of lending by housing institutions rose.

Of Handelsbanken Hypotek's loans, 41 per cent are for small houses, weekend cottages and commonhold residential property, 41 per cent to multi-family dwellings and 18 per cent to business and office buildings. The maturity of the loans was shortened during the year. In particular, loans with a two-year maturity increased strongly.

The expansion in lending during 1991 was mainly financed via the Bank which arranged around SEK 15 billion. Towards the end of the year, Handelsbanken Hypotek issued a new zero-coupon bond with 2 years' maturity.

Finance company operations

During the year, Svenska Finans changed its activities so that it now concentrates on services which directly complement the Group's other products.

Marketing of Svenska Finans' services is now mainly carried out by Handelsbanken's branches. Most of Svenska Finans' own sales force has been wound down. Direct lending to private customers has also been terminated. The number of staff at Swedish operations has decreased by 130 as a result of this and other measures.

Svenska Finans' international operations are also being co-ordinated with those of the Bank. In Norway and Denmark, Svenska Finans' operations are eminently suited to support the Bank's continued expansion of its Nordic business.

Svenska Finans International on the other hand, with operations in the U.K., Germany, Holland and Spain and a fairly small component of Swedish or Nordic-related business, does not fit into the Group's Nordic orientation. Svenska Finans International will therefore be wound down, primarily through disposals. In the year's accounts, the extraordinary expenses which the closure of Svenska Finans International will involve have been taken into consideration.

The new business approach makes it natural to change the finance company's name to Handelsbanken Finans.

Life insurance

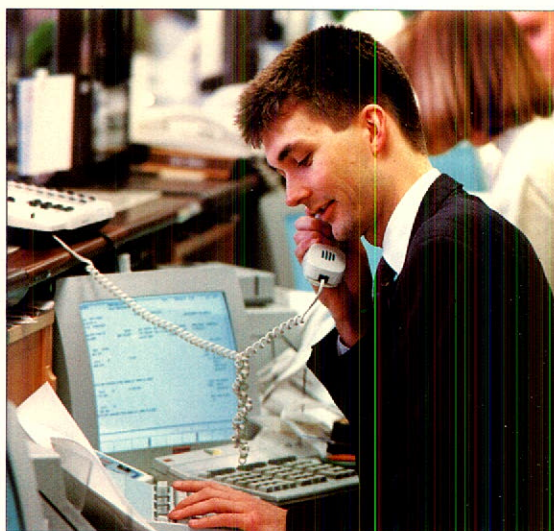
The far-reaching collaboration between Handelsbanken and the insurance company RKA, which started in 1990, became much closer during 1991.

RKA is the second oldest insurance company in Sweden. It was founded in 1850 and is the fifth largest in the country, with a market share of 8 per cent. The company has a balance sheet total of SEK 7 billion and nearly 200 employees.

There are now RKA representatives at all Handelsbanken's regional banks in Sweden and in the U.K. RKA's insurance policies can be bought at all the Bank's 500 or so branches. Handelsbanken accounted for 42 per cent of RKA's sales in 1991. RKA and Handelsbanken are also joint owners of Svenska Fondförsäkringsaktiebolaget, for unit-linked insurance.

From the outset, the intention of the Bank and RKA was to develop the collaboration as far as possible in accordance with prevailing legislation. As a result of a change in the law in the autumn of 1991, banks in Sweden are now allowed to own insurance companies.

In January 1992, the Boards of Handelsbanken and RKA proposed that the Bank acquire all the operations of RKA.



Powerful computer support

Almost all of Handelsbanken's services are in the computer systems used by every branch.

Handelsbanken's total capital investment will be SEK 300M. The Bank has also committed itself to strengthen further the company's capital base if necessary as a result of stricter EC-harmonised solvency requirements which are expected in Sweden as from January 1, 1993.

In connection with the acquisition, RKA will change its name to Handelsbanken Liv Försäkringsaktiebolag.

Data processing trends

For many years, Handelsbanken has been making significant investments in improved DP support. These are made on the assumption that its branches should be able to serve their customers and handle the Bank's products and routines smoothly and simply.

Thus, the branches in recent years have been equipped with powerful systems support for products such as international payments, equity orders and trust accounts including insurance operations. The Bank is currently restructuring essential basic systems for, among other things, deposit operations and foreign exchange and money market trading.

As virtually all tasks in the branch can be carried out more quickly and with better quality with the aid of computer support, the number of terminals has increased. The Bank is approaching the level of one terminal per branch employee.

In the past year, extensive development work on behalf of the tax authorities has involved a very considerable load on the Bank's DP resources. One component of the reformed taxation of income is that the banks must not only report customers' interest income to the tax authorities, but also deduct 30 per cent tax on the interest

income at source. This must be done, not only for bank accounts but also for, among other things, interest-bearing securities. These demands have involved extensive adjustment of most of the Bank's computer system. The cost of becoming a part of the tax collecting system in this way is estimated at tens of millions of kronor for Handelsbanken alone.

BANKING OPERATIONS OUTSIDE SWEDEN

During 1991, Handelsbanken continued to expand its activities in the other Nordic countries, which we see as new domestic markets.

In Norway, the Bank acquired Stavanger Bank during 1991 and opened another branch in Oslo. We also announced that we would be opening a branch in Sandnes outside Stavanger. Our Norwegian branches offer their customers on the Norwegian market broadly the same services as Handelsbanken's branches in Sweden. Activities at the central units in Oslo include extensive foreign exchange dealing, investment banking operations and leasing.

In Finland, the Bank converted the subsidiary bank, which had been started in 1990, into a branch. Activities have expanded rapidly and there has been a lively exchange of business mainly with large Finnish companies, particularly in the money market and foreign exchange dealing. The branch has been accepted as a member of the Finnish bank clearing system as from February 1992.

The Bank has also decided to convert its representative office in Denmark into a branch office.

Handelsbanken's decision to define all the Nordic countries as the Bank's domestic market has broadened the base for our units outside the Nordic area. They are concentrating more and more on serving companies from all the Nordic countries and on other Nordic-related business.

In London, operations were affected by the deep recession in the British economy. Since the Bank had adopted a cautious attitude to real estate financing, London operations are coming through the recession relatively unscathed.

The strongest growth in volume outside Sweden took place in Norway, but operations in London, New York and Luxembourg still carry much more weight.

CAPITAL COVER

The regulations regarding capital cover mean that the capital base in the form of shareholders' equity less goodwill (= primary capital) together with subordinated loans up to 50 per cent of shareholders' equity (= supplementary capital) must amount to a certain percentage of the risk-weighted capital. With specific permission from the Government or, following authorisation by the Government, the Swedish Financial Supervisory Authority, other instruments may also be included in the primary or supplementary capital. So far, Handelsbanken has utilised this possibility only to a very small extent by issuing SEK 200M in perpetuals, i.e. loans with unlimited tenor which may be included in the supplementary capital.

The capital required is then determined by placing the assets and off-balance sheet items in various risk categories with the weightings 0, 20, 50 or 100 per cent, according to their estimated credit risk.

At the 1991 year-end, the capital cover requirement amounted to 7.25 per cent. Thereafter, an 8 per cent capital cover must be attained not later than at the 1992 year-end.

As shown in the table below, both the Group and the Bank have already attained the 8 per cent requirement by a wide margin. For the Group, the surplus in the capital base allows for a volume increase of an additional 26 per cent on condition that the increase is made at the same average risk-weighting as at the 1991 year-end. Should the possibility for raising subordinated loans be utilised in full, the possible volume increase would amount to 43 per cent.

Capital base and capital requirement, 31 December 1991

	GROUP SEK M	BANK SEK M
CAPITAL BASE		
Primary capital	17 145	15 867
Supplementary capital	5 673	5 517
Less shareholdings in domestic financial institutions	- 51	- 33
Capital base	22 767	21 351
CAPITAL REQUIREMENT		
Volume	529 085	449 284
Risk-weighted volume	226 327	156 008
Capital cover	10.1%	13.7%

NET OPERATING INCOME AND PROFITABILITY

Net operating income

The result of the Handelsbanken Group before loan losses increased by 15 per cent to SEK 5,965M.

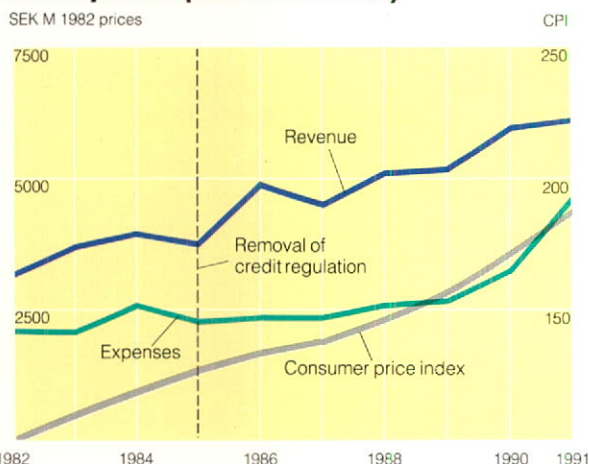
It was not possible, however, for Handelsbanken to avoid being hit by increased loan losses. It is only natural that loan losses rise during a recession. The losses are aggravated by the fact that Sweden is about to join the EC and it must force down inflation which had not been achieved in earlier crises. This disinflation process is an important explanation as to why many real estate companies got into difficulty. The loan losses of the Handelsbanken Group amounted to SEK 3,188M compared with SEK 623M in 1990.

Net operating income after loan losses thus amounted to SEK 2,777M, a fall of 39 per cent.

Revenue

Interest rates in the Swedish market in 1991 were considerably lower than in 1990 on average. The decision to link the Swedish krona to the ECU resulted in a substantial fall in interest rates as well as in large inflows of foreign currency. The interest rate differential between six-month treasury bills and the market ECU rate dropped from just over 3 percentage points before the link with the ECU, to around 1 percentage point in mid-June. The shock increase in Swedish interest rates in December had only a limited impact on the average interest rate for the year.

Svenska Handelsbanken Group – revenue and expenses (incl. loan losses)



The interest level had a bearing on the margin between the yield on the Bank's bond investments and its financing cost in SEK, which increased by about 1.5 percentage points in 1991. The margin between loans and deposits in SEK, however, was not affected and remained virtually unchanged. Net interest income, however, was reduced by interest deferrals of SEK 694M.

The reduced margin between Swedish and international interest rate levels diminished customers' willingness to borrow in foreign currencies for exchange into SEK and invest in the Swedish money market. The substantial increase in foreign currency lending, which took place at the beginning of the year, was transformed into a slight decrease after 1 July.

The Bank's net interest income rose by 26 per cent as a result of an increased interest margin from 1.46 per cent to 1.62 per cent and a volume increase of 19 per cent.

For the Group, net interest income rose by 16 per cent. The largest rise among the subsidiaries was reported by Handelsbanken Hypotek in connection with the strong increase in volume.

Commission rose by 6 per cent, mainly as a result of increased profits in connection with foreign exchange trading. Commission relating to share issues and foreign share trading declined.

Other revenue includes real estate income, realised profits on bonds, share dividends, share in associated companies' results, etc. The realised profits from the sale of bonds referred to the investment portfolio, i.e. bonds intended for long-term holding. In accordance with the changed accounting principles which apply

Svenska Handelsbanken Group – performance

	1991 SEK M	Change in % 1990–91
Net interest income	8 824	+ 16
Commission	2 214	+ 6
Other revenue	435	+16
Total operating revenue	11 473	+ 14
Personnel expenses	2 863	+ 10
Other expenses	2 645	+ 14
Total expenses	5 508	+ 12
Net income before loan losses	5 965	+ 15
Loan losses	3 188	+ 412
Total operating income	2 777	– 39

from 1991, only realised profits on this portfolio are reported under other revenue. Profits and losses (including unrealised losses) on the trading portfolio, i.e. the trading stock, are now reported as interest.

Expenses

The growth in total expenses amounted to 12 per cent. The increase should be seen against the background of the very considerable investment in an increased presence in the Nordic countries, the acquisition of Stavanger Bank, an extension of the branch network in Oslo and the branch in Helsinki.

Considerable interest was devoted to the day-to-day running of the DP activities, as a well-functioning computer operation is a prerequisite for the Bank's operations and accounts for a significant part of the expenses. In recent years, costs of computer operations have been more or less fixed in absolute figures, which means that their share of the Bank's expenses has fallen. On the other hand, costs of systems development have risen substantially.

Depreciation of goodwill and Group surplus values, which are depreciated over 10 years, amounted to SEK 26M of which SEK 9M was attributable to Norway and SEK 7M to Skånska Banken.

The Group's loan losses amounted to SEK 3,188M (SEK 623M), of which SEK 79M (SEK 38M) referred to country risks.

Loan losses excluding country risks amounted to 1.1 per cent (0.2 per cent) of loans to the general public, leasing assets and domestic financial institutions other than banks.

Profitability

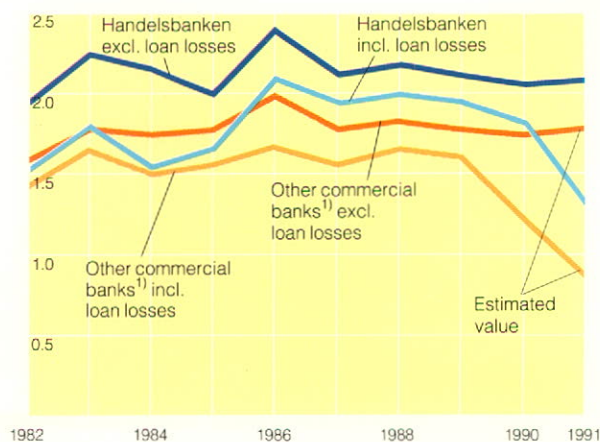
The Group's profitability, expressed as return on equity after 30 per cent standard notional tax, amounted to 11.3 per cent (22.2 per cent). After full tax, i.e. paid tax plus standard notional tax on appropriations, return on equity amounted to 10.8 per cent (20.9 per cent).

The return on equity was thus higher than the average for other Swedish commercial banks and the difference has never been larger. A basis for the Board of Directors to decide on an appropriation to the Bank's profit-sharing foundation, Oktogonen, therefore exists.

The appropriation to Oktogonen, which the Board of Directors resolved in April 1991, amounted to SEK 232M, of which SEK 82M

Revenue/expenses = R/E ratio

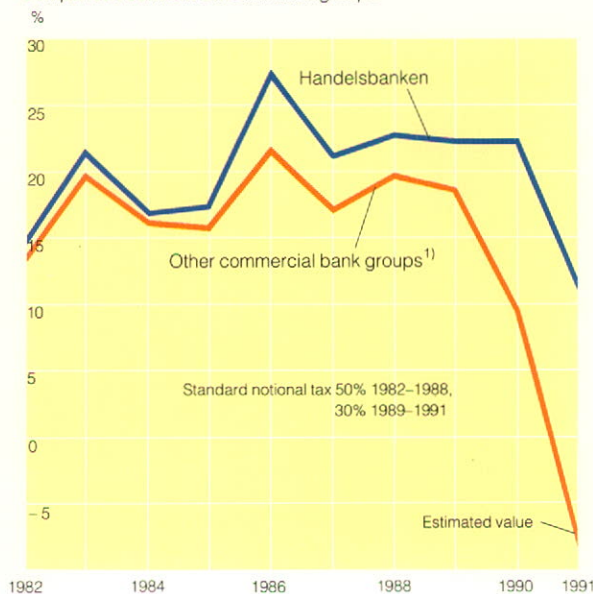
Comparison between Swedish bank groups



1) Excluding Sparbankernas Bank, Föreningsbankernas Bank and non-Swedish owned banks

Return on shareholders' equity after tax

Comparison between Swedish bank groups



1) Excluding Sparbankernas Bank, Föreningsbankernas Bank and non-Swedish owned banks

Performance	1991	1990
R/E ratio before loan losses	2.08	2.06
R/E ratio after loan losses	1.32	1.82

including payroll charges was charged to the income for 1990, and SEK 150M represented the final appropriation which was computed when a comparison with the results of other banks became possible.

Performance measured as revenue in relation to expenses is substantially affected by the rising loan losses.

Costs in connection with the restructuring of Svenska Finans' operations are reported as extraordinary. The bulk of the costs relates to the closure of Svenska Finans International. In addition, there is the effect of changed accounting principles within the consumer financing operation, as well as costs for closing certain operations.

The Bank's Group contribution to Svenska Finans was linked to the aforementioned restructuring.

Because of the new tax regulations, the 1991 appropriations are entirely different from those in previous years. The Swedish tax reform means that the untaxed reserves are restored for taxation and to a minor extent replaced by the tax equalisation reserve. 30 per cent tax is calculated on the net of the dissolution and charged to 1991 income. Tax payments, however, are distributed over a four-year period at 25 per cent per annum.

Since the untaxed reserves were already only allowed to be included in the capital base at 70 per cent, the restoration of the reserves for taxation has no effect from a capital cover viewpoint. On the other hand, the fact that the tax credit is declining gradually is obviously a disadvantage from an income viewpoint.

Dividend

The Board of Directors recommends a dividend on Series A and B ordinary shares of SEK 4.75. This represents an increase of 6 per cent compared with 1990. Handelsbanken's ambition is to increase the dividend at least in line with inflation and at a rate which exceeds the average for the banking industry. Inflation in 1991 was about 5 per cent if the effect of the Swedish tax reform is disregarded.

Dividend on index shares, which follows the consumer price index, is increased from SEK 0.65 to SEK 0.70.

The recommended dividend represents SEK 734M (SEK 695M).

The Board of Directors' recommendation for distribution of the funds available to the Annual General Meeting is shown on page 54.

Extraordinary items and appropriations

	GROUP		BANK	
	1991 SEK M	1990 SEK M	1991 SEK M	1990 SEK M
Net operating income	2 777	4 558	2 421	3 618
Extraordinary items	- 666	+ 25	+ 107	- 4
Group contribution	—	—	- 1 065	—
Minority	0	+ 2	—	—
Settlement with pension fund	- 9	+ 93	- 9	+ 81
Dissolution of/ Appropriation to untaxed reserves	+ 17 080	- 3 293	+ 16 284	- 2 845
Change in value adjustment account	+ 2 519	—	+ 2 519	—
Change in tax equalisation reserve	- 5 416	—	- 4 673	—
Other appropriations	- 165	+ 3	+ 13	+ 27
Taxes	- 4 930	- 602	- 4 536	- 335
Net income	11 190	786	11 061	542

Earnings and dividend per Ordinary Share



Earnings per Ordinary Share = adjusted earnings before extraordinary items and after standard notional tax (50% 1986 - 1988, 30% 1989 - 1991)

INTEREST RATE RISKS

Interest rate risks arise as a result of the fact that the maturity periods of the Group's assets and liabilities do not coincide. The largest individual source of interest rate risks in the Group is constituted by the bond portfolio in SEK. Investments in bonds are a means of placing the Bank's surplus liquidity in SEK. Bonds are also kept in trading portfolios in various parts of the Group. The liquidity surplus grew during the year and provided an important contribution to the Statement of Income.

During 1991, the Bank's deposits in SEK – including the increase in shareholders' equity and reserves – grew while lending declined. Thus, the Bank had a growing volume of liquidity to handle – something that is partly the result of the general business trend.

A liquidity surplus can be said to form a buffer for future needs. As average deposit interest rates on this increase in net deposits were lower

than bond interest rates during the period, it was profitable to utilise the liquidity by investing it in the money and bond markets. It was possible to make the investments in assets with low credit risks such as government and housing bonds.

If the maturity of the assets in the bond portfolio matches exactly that of the deposit surplus, the result is a zero interest rate risk. The interest rate risk in the portion of the Balance Sheet which is formed by the bond portfolio is determined by the portfolio's duration.

On 31 December 1991, the average maturity of the bond portfolio was 2.1 years (2.6 years). For bonds with interest adjustments, the period up to the nearest instance of adjustment has been used for the calculation. The duration that also takes into account the structure of the coupon payments is 1.7 years (2 years). The reduction of the duration in the portfolio is part of the Bank's conscious effort to limit its exposure to interest rate risks.

Maturity periods for assets and liabilities on 31 December 1991, SEK M

	Under 3 months	3–6 months	6–12 months	1–5 years	Over 5 years	Non-interest- tied	Total
ASSETS							
Loans	2 898	1 409	535	8 805	1 551		15 198
Bonds	10 277	5 576	7 271	22 426	2 119		47 669
Outside the Balance Sheet	1 003	550	200	7 193	18 107		27 053
Loans For. curr.	97 635	36 310	10 917	6 938	1 253		153 053
Bonds For. curr.	974	1 527	772	5 343	1 463		10 079
Outside the Balance Sheet For. curr.	26 886	8 238	9 018	6 114	0		50 256
Non-interest-tied assets, net For. curr.						7 152	7 152
Total assets	139 673	53 610	28 713	56 819	24 493	7 152	310 460
LIABILITIES							
Deposits	4 676	159	0	11	0		4 846
Bonds	5 990	273	7	58	0		6 328
Outside the Balance Sheet	738	801	201	4 318	19 088		25 146
Deposits For. curr.	107 221	29 625	14 248	6 256	674		158 024
Bonds For. curr.	241	0	0	2 524	302		3 067
Outside the Balance Sheet For. curr.	25 404	12 207	6 446	6 358	56		50 471
Non-interest-tied liabilities, SEK net						42 301	42 301
Shareholders' equity and untaxed reserves, SEK						18 585	18 585
Total liabilities	144 270	43 065	20 902	19 525	20 120	60 886	308 768
Difference between assets and liabilities excl. items outside the Balance Sheet	- 6 344	14 765	5 240	34 663	5 410	- 53 734	0
Difference between assets and liabilities incl. items outside the Balance Sheet	- 4 597	10 545	7 811	37 294	4 373	- 53 734	1 692
Cumulative difference incl. items outside the Balance Sheet	- 4 597	5 948	13 759	51 053	55 426		

In addition to the interest rate risk that arises when the surplus liquidity is invested, interest risks arise in the loan and deposit operations of the Regional Banks as well as in the trading portfolios with securities in various currencies: these are controlled via an extensive system of limits which are administered by the Central Treasury Department. The limits are monitored on a regular basis and reported to Handelsbanken's Board of Directors.

The table on page 33 shows the maturity of the Bank's asset and liability items distributed between various items in the Balance Sheet at 31 December 1991. On a 1 percentage point increase in the interest rate, the difference between the present value of the assets and the present value of the liabilities falls by SEK 796 M in the Bank and SEK 820M in the Group.

That amount could be said to represent the present value of the change in income which arises during the entire remaining tenor of the Balance Sheet if the 1 percentage point increase in the interest rate remains and the Balance Sheet is kept constant. The effect in the Statement of Income of a 1 percentage point increase in all interest rates over a twelve-month period was substantially lower on 31 December 1991. The effect on income can be estimated to be SEK 240M.

The table shows that Handelsbanken's non-interest-tied liabilities together with shareholders' equity exceeded non-interest-earning assets by SEK 53,734M (SEK 15,562M). This constitutes the majority of the Bank's liquidity surplus.

Interest-earning assets with more than one year's maturity exceeded liabilities by SEK 40,073M (SEK 33,699M). Among these assets, the Bank's bond portfolio is particularly prominent. It should be noted that a varying degree of matching in maturity periods can exist within the various intervals that are shown in the table.

LOAN LOSSES AND CREDIT RISKS

Profitability and loan losses

In recent years, loan losses have become the largest or second largest cost item for Swedish banks. As the losses grew dramatically during 1990 and 1991, they have also become decisive for the income and profitability of the Swedish banks. There are also large differences between the banks.

One way of studying the effect of loan losses on income and profitability is to compare a bank's loan losses expressed as a percentage of lending, with those of other banks over a longer period and convert the difference into SEK. For the Handelsbanken Group, loan losses expressed as a percentage of lending over the five-year period 1986-1990 have varied between 0.17 per cent (1989) and 0.43 per cent (1986).

The average for the period is 0.25 per cent. For other commercial bank groups in Sweden, the corresponding average is 0.63 per cent. Had Handelsbanken suffered losses of the same size as other commercial banks, our net operating income in 1986-1990 would have been SEK 3,200M lower than that which we have attained. As we do not have access to comparative figures for other commercial banks, we have attempted to make a separate calculation for the 1991 full year based on interim reports and more recent press releases. In so doing, losses of other commercial banks have been estimated at 2.6 per cent of lending. With a loss level identical to that of other commercial banks, our net operating income for 1991 would have been SEK 4,200M lower than the figure we now report.

Loan losses distributed by size

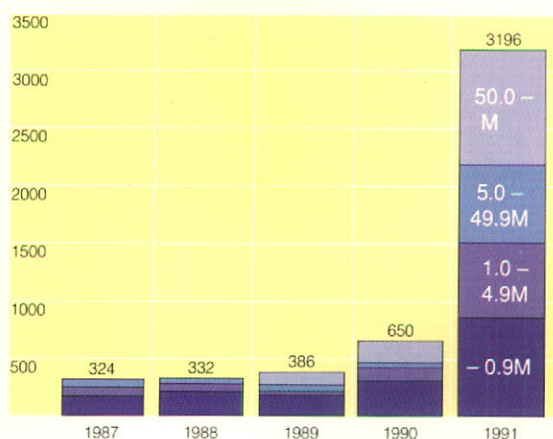
During a recession, all categories of borrowers are affected by less favourable economic conditions. The Handelsbanken Group has more than 130,000 corporate and more than 400,000 private customers as borrowers in our more than 500 branches in Sweden and abroad and, naturally enough, we have experienced a substantial increase in loan losses both in terms of number and volume. The increase is distributed across all classes of size. Five of the year's losses exceed SEK 50M, while three are more than SEK 100M.

Loan losses distributed by category

As in previous years, losses on loans to companies in industry, commerce and service dominate. The large increase in such loan losses was mainly

Loan losses* distributed by size

SEK M

**Loan losses* by category**

	1991 SEK M	%	1990 SEK M	%
Industrial, trading and service companies, etc. ≤ 50 employees	1 177	36.8	438	67.4
Industrial, trading and service companies, etc. > 50 employees	47	1.5	15	2.3
Households	491	15.4	167	25.7
Construction and real estate companies	882	27.6	2	0.3
Finance companies	599	18.7	28	4.3
	3 196	100.0	650	100.0

*) Excluding recoveries and country risks

caused by the present very severe recession. Had we been able to evaluate the extent of this recession in advance, we would probably have been able to avoid several of these losses through an even more conservative evaluation of the companies' ability to repay, and the collateral offered to us. Of losses to finance companies, Gamlestaden accounts for SEK 455M.

Credit risks – organisation

The cornerstones of the way we work are complete customer responsibility, decentralisation and cost efficiency. The responsibility for the total exposure on a customer is vested in *one* place in the Bank, namely the branch. From this it follows that the credit risk in respect

of a customer or a group is examined on the basis of a collective overall picture of the risk of the Handelsbanken Group. A loss will also have a full impact on the income of the branch. It is therefore also natural that the branch – in consultation with the customer – very carefully examines various routes for solving a customer's payment problems before it decides to assume a loss.

In Handelsbanken, evaluation of credit risks is primarily made at branch level. The starting point for this work, which takes place ahead of the two four-month reports and the annual accounts, is loans where a customer has run into payment difficulties. After other routes have been examined, it is a matter of assessing if the customer is capable of resolving his liquidity problems within a short period of time. If that is not the case, an evaluation is made of the value of the collateral if it were sold. If, in so doing, the branch estimates that the Bank would lose money, the amount is reported as a loan loss.

Thereafter, a review of the risk exposures is made at the regional head office. Major exposures of this nature are finally the subject of a review by the Central Credit Department.

With us, it is an important principle that the risk exposure is handled by the branch and, when necessary, with the support of lawyers and other experts from the regional head office. Through this combination of the branches' local market knowledge and regional expertise, the right environment is created for the rapid and efficient collection of bad loans.

This year, the Swedish Financial Supervisory Authority has revised its accounting regulations with regard to, among other things, loan losses. We therefore had reason to review our routines for the handling of risk exposures. In so doing, we were able to establish that the way in which we have worked so far is based on the same view as that expressed in the regulations of the Swedish Financial Supervisory Authority.

Credit risks – certain sectors

When evaluating risks of future losses in a loan portfolio, it is natural to seek to identify the areas and markets in which problems have arisen. Internationally – aside from real estate – credits to countries with a poor payment record and loans secured on shares with a high loan to value ratio in connection with acquisitions of companies, have been classified as risk areas.

Outstanding loans* at 31 December 1991

	SEK billion	% of out- standing loans
Industrial, trading and service companies, etc.	101.0	35.8
Households	70.0	24.8
First mortgage loans in Handelsbanken Hypotek in respect of office and commercial property as well as multi-family houses	50.7	18.0
Construction and real estate companies	36.4	12.9
Finance companies and other financial institutions	15.5	5.5
Local authorities	5.9	2.1
Company acquisitions with high gearing	2.0	0.7
Countries with a poor payment record	0.6	0.2
	282.1	100.0

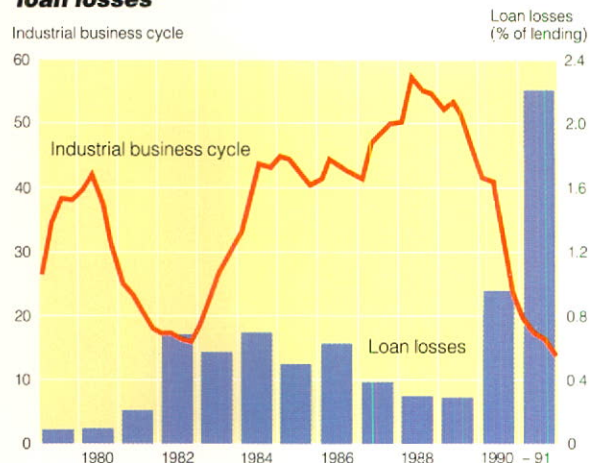
*) Including leasing assets

In Sweden, the focus has become centred on finance companies and real estate. The table above shows the Handelsbanken Group's loans at 31 December 1991 to these sectors and their share of total loans.

Handelsbanken Hypotek's loans are normally granted against collateral within a maximum of 70 per cent of a property's value, which provides for a low risk profile. Loan losses at Handelsbanken Hypotek in respect of office and commercial property including multi-family houses in 1991 amounted to SEK 48M or 0.09 per cent of lending.

Countries with a poor payment record follow the definition made by the Swedish Financial Supervisory Authority. The amount is reduced by guarantees issued by the Swedish Export Credit Guarantee Board or banks. Provisions for possible loan losses corresponding to that amount are SEK 239M or 42 per cent.

In this connection, it should also be mentioned that credits calculated in a similar manner to the former Soviet Union amount to SEK 123M.

Industrial business cycle and banks' loan losses

Note: 1991 loan losses according to forecast

Industrial business cycle: weighting of index for capacity utilisation and labour shortage

Industrial business cycle - loan losses

Behind the rising loan losses of Swedish commercial banks during 1990 and 1991 was a significant expansion in credit volumes in 1986-1990 - which was made possible by the abolition of the lending regulation in 1985 - as well as a deep and long recession which, it is true, began in the first six months of 1988, but which was not felt in the Swedish economy until the second half of 1990. The graph above shows the industrial business cycle and loan losses of the Swedish commercial banks. Increasing losses will arise a few years after the business cycle has started to fall. Most probably, we shall not see an upward turn in the cycle until late 1992, which would indicate that 1992 and 1993 will also be years of substantial loan losses for the Swedish commercial banks.

STATEMENTS OF INCOME AND BALANCE SHEETS

- Statement of Income for Group and Bank
- Balance Sheet for Group and Bank
- Accounting Principles
- Notes etc.

STATEMENTS OF INCOME

		GROUP		SVENSKA HANDELSBANKEN	
		1991 SEK M	1990 SEK M	1991 SEK M	1990 SEK M
OPERATING REVENUE					
Net interest income	Note 1	8 824	7 632	7 528	5 992
Commission	Note 2	2 214	2 088	1 870	1 516
Net income from real estate		252	218	243	171
Realised profit on bonds sold		97	107	97	- 25
Other operating revenue	Note 3	112	46	139	194
Share of earnings in associated companies		- 26	3		
Total operating revenue		11 473	10 094	9 877	7 848
OPERATING EXPENSES					
Expenses					
Personnel expenses	Note 4	2 863	2 591	2 454	1 981
Property expenses	Note 5	93	79	90	59
Cost of premises	Note 6	635	522	576	415
Other expenses	Note 7	1 670	1 515	1 395	1 172
Depreciation according to plan	Note 8	247	206	188	134
Total expenses		5 508	4 913	4 703	3 761
Loan losses	Note 9	3 188	623	2 753	469
Total operating expenses		8 696	5 536	7 456	4 230
Net operating income		2 777	4 558	2 421	3 618
Extraordinary income	Note 10	1	36	133	0
Extraordinary expenses	Note 11	667	11	26	4
Net income before appropriations and taxes		2 111	4 583	2 528	3 614
Minority interests		0	2		
Net income before appropriations and taxes, excluding minority interests		2 111	4 585	2 528	3 614
Difference between depreciation according to plan and book depreciation		- 155	+ 7	+ 13	+ 26
Settlement with pension fund	Note 12	- 9	+ 93	- 9	+ 81
Dissolution of/Appropriation to revaluation reserve	Note 13	+ 17 080	- 3 293	+ 16 284	- 2 845
Appropriation to tax equalisation reserve		- 5 416	—	- 4 673	—
Appropriation to investment reserves and similar reserves		- 10	- 4		+ 1
Change in reserves for the investment portfolio		+ 2 519	—	+ 2 519	—
Group contribution		—	—	- 1 065	—
Net income before taxes		16 120	1 388	15 597	877
Taxes	Note 14	- 4 930	- 602	- 4 536	- 335
Net income		11 190	786	11 061	542

BALANCE SHEETS

31 December

		GROUP		SVENSKA HANDELSBANKEN	
		1991 SEK M	1990 SEK M	1991 SEK M	1990 SEK M
ASSETS					
Cash	Note 15	3 103	5 763	3 089	5 648
Swedish financial institutions	Note 16	35 985	33 994	58 998	48 762
Foreign banks	Note 17	21 613	18 532	27 460	22 620
Bonds and other interest-earning instruments					
Trading portfolio	Note 18	23 433	11 382	19 529	8 730
Investment portfolio	Note 19	39 840	29 785	44 440	25 362
Loans to the general public	Note 20	263 967	242 922	161 143	144 053
Leasing assets	Note 21	2 652	2 343	—	—
Shares, current assets	Note 22	302	128	241	43
National Savings Accounts, net	Note 23	153	102	153	97
Other assets	Note 24	16 188	20 667	13 195	15 924
Shares, participations and subordinated notes, fixed assets	Note 25	712	202	5 308	5 418
Equipment	Note 26	421	402	259	239
Real estate	Note 27	1 302	1 300	1 260	515
Total Assets		409 671	367 522	335 075	277 411
Group receivables				44 003	34 185
Pledged assets	Note 39	303	529	5	205
Loans to the general public, amounts granted				184 066	164 182
LIABILITIES AND SHAREHOLDERS' EQUITY					
Bankers' drafts and clearing liabilities		1 865	3 671	1 865	3 537
Deposits from the general public	Note 28	122 852	107 384	119 861	101 345
Certificates of deposit	Note 28	35 678	31 392	18 239	16 513
Swedish financial institutions	Note 29	33 780	24 456	35 797	21 735
Foreign banks	Note 30	110 217	88 590	104 891	79 283
Other securities issued abroad		714	1 270	714	1 270
Other liabilities	Note 31	28 243	25 421	23 657	19 800
Long-term loans	Note 32	56 204	64 199	11 706	14 613
Provision for country risks		239	248	239	247
Total liabilities		389 792	346 631	316 969	258 343
Minority interest in shareholders' equity		11	1		
Total minority interests		11	1		
Revaluation reserves for loans and foreign exchange, surplus value of bonds	Note 33	96	17 179	—	15 988
Tax equalisation reserve	Note 34	5 416	—	4 673	—
Accumulated depreciation in excess of plan	Note 35	367	212	47	60
Investment reserves and similar reserves	Note 36	18	8	—	—
Total untaxed reserves		5 897	17 399	4 720	16 048
Shareholders' equity	Note 37	13 971	3 491	13 386	3 020
Total liabilities, untaxed reserves and shareholders' equity		409 671	367 522	335 075	277 411
Group liabilities				26 136	20 731
Guarantees	Note 38	49 958	51 920	59 716	57 827
Letters of credit granted but not utilised		13 690	11 021	13 690	11 021
Capital value of pension commitments (covered by the Bank's pension foundation and pension fund)		2 523	1 946	2 523	1 751

ACCOUNTING PRINCIPLES

The accounting follows the regulations of the Banking Business Act and Banking Companies Act and rules regarding their implementation issued by the Government agency, the Swedish Financial Supervisory Authority.

Changes

The instructions issued by the Swedish Financial Supervisory Authority regarding banks' annual reports for 1991 contain certain changes compared with the previous year.

The main features of the changes, which did not have any considerable effect on the result, are described below.

The securities portfolio has been split into a trading portfolio (short-term holdings) and an investment portfolio (long-term holdings). In addition to bonds, the reclassification also comprises other interest-earning securities such as certificates of deposit, subordinated notes and derivative instruments.

In the previous year, the securities portfolio was reported under the headings "Government securities and bonds" and "Certificates of deposit" in the Balance Sheet.

Both trading and investment portfolios are valued at the lower of acquisition cost and market value. For listed instruments, collective valuation is permissible. Unlisted instruments are to be valued individually. In the previous year, certificates of deposit and treasury bills with a maximum remaining tenor of one year were valued at their acquisition value.

Realised profits and losses as well as unrealised losses relating to the trading portfolio are reported within operating income and are included in net interest income. Realised profits and losses relating to the investment portfolio are reported within the net operating income as "Realised profits on bonds sold in the investment portfolio". Unrealised profits and losses are reported as appropriations under the heading "Change in reserves for the investment portfolio". In the previous year, all unrealised gains and losses were reported as appropriations.

For reasons of comparison, a split has been made into trading and investment portfolios in the 1990 Balance Sheet printed in this report. For practical reasons, however, it has not been possible to adjust the result for that year in respect of the changed accounting principles.

Net income from bank properties has been split into real estate income and real estate expenses. In the previous year, net income from real estate was reported under operating income. Depreciation of real estate was already reported under depreciation according to plan. Adjust-

ments of the Balance Sheets for previous years have been made because of the changed classification.

Provision for possible loan losses reduces the corresponding claim amounts on the asset side of the Balance Sheet. In the previous year, in accordance with the directions applicable at that time, provision of this kind was reported as a separate item on the liability side of the Balance Sheet. As, in principle, Handelsbanken was already applying the provisions against the assets, this resulted in only insignificant changes in relation to the reporting in the Statements of Income and Balance Sheets of previous years.

In addition, the Swedish Financial Supervisory Authority has prescribed an additional obligation to provide information with regard to the definitions to be used in evaluating what should be deemed to be actual and possible loan losses, respectively. The Financial Supervisory Authority has further laid down more precise guidelines with regard to the way in which non-performing loans should be reported as well as to the manner in which the effect on income of interest deferrals should be stated.

In contrast to previous practice, long-term liabilities in foreign currencies which relate to refinancing of shares in subsidiaries or subordinated loans issued by subsidiaries have been valued at their acquisition price.

Consolidated Accounts

The Consolidated Accounts comprise all companies in which Handelsbanken directly or indirectly holds more than 50 per cent of the voting power. In accordance with guidelines issued by the Swedish Financial Supervisory Authority, companies taken over to protect outstanding loans are not included in the Consolidated Accounts.

The Consolidated Balance Sheet has been prepared in accordance with the purchase accounting method which has the effect that the acquisition value of shares in subsidiary companies is eliminated in the Parent Company's Balance Sheet against the subsidiary's equity at the time of acquisition. Included in this equity are untaxed reserves after deduction of deferred tax liability. As far as possible, the difference which arises in connection with the elimination is distributed between individual balance sheet items. The remaining difference is reported as positive or negative goodwill.

The application of the purchase accounting method has the effect that Group equity comprises the Parent Company's equity and the portion of the subsidiaries' equity which was earned after the date of acquisition or investment.

On conversion of the foreign subsidiaries' Balance Sheets and Statements of Income, the daily rate method has been applied. 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 daily 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. Other untaxed reserves are converted at the rate applicable on the balance sheet date. The Statement of Income has been converted at the average annual rate.

By applying historic rates in converting shareholders' equity while other items in the Balance Sheet have been converted at the rates prevailing on the balance sheet date, conversion differences will arise. In 1991, the net difference amounted to SEK 15M and has decreased the Group's equity. In order to make it possible to calculate earnings of the Group available for distribution, the conversion difference has been distributed on restricted and unrestricted shareholders' equity in accordance with Recommendation No. 11 of the Swedish Institute of Authorised Public Accountants.

Uniform accounting principles have been applied within the Group in all essential respects.

In the Consolidated Accounts, equity accounting is applied. Handelsbanken's share of pre-tax results is added to the Group's operating income, and the related tax thereon increases the Group's tax charge.

Valuation of assets and liabilities in foreign currencies

In general, assets and liabilities have been converted at rates prevailing on the balance sheet date, which is the average of the buying and selling price in respect of each currency in accordance with the officially listed rates on the balance sheet date. Certain exceptions have, however, been made to the basic rule:

- Foreign bank-notes have been valued at the buying rates applicable to the general public on the balance sheet date.
- Long-term liabilities in foreign currencies which refer to refinancing of loans are valued at the rate on the balance sheet date. Long-term liabilities in foreign currencies which refer to refinancing of shares in subsidiaries or subordinated loans issued by subsidiaries are valued at the rate applicable on acquisition.
- Forward contracts in foreign currencies are valued at the daily rate for forward transactions with a corresponding unexpired term.

- Unrealised gains or losses which have arisen as a result of the aforementioned valuation methods, have been credited or debited to net operating income.

Accounting of money and capital market instruments, shares, etc

Purchases and sales of money market and capital market instruments are registered on trade date, but until the date of settlement they are regarded as commitments off the Balance Sheet. On the date of settlement, reporting is made in the Balance Sheet. After settlement date has passed, outstanding contracts are shown as other assets or liabilities, respectively.

In the Balance Sheet, the securities portfolio is split into a trading portfolio (short-term holdings) and an investment portfolio (long-term investments). Both the trading and investment portfolios are entered in the Balance Sheet at the lower of acquisition cost and market value. Listed instruments are valued collectively while unlisted instruments are valued individually.

Realised profits and losses as well as unrealised losses in the trading portfolio are reported within operating income and included in net interest income. Realised profits and losses relating to the investment portfolio are reported within operating income. Unrealised profits and losses relating to the investment portfolio are shown as appropriations and allocated to a value adjustment account for bonds. The portfolios are reported less value adjustment accounts.

Premiums paid and received in respect of interest options are shown gross in the Balance Sheet. In the final accounts, unrealised profits and losses on options are taken into account when valuing the trading portfolio.

The trading stock in shares is valued at the lower of acquisition cost and market value.

Share options and share index options are shown in the same way as corresponding bond instruments.

Pension costs

A computed pension cost relating to pension commitments which are backed by Handelsbanken's pension fund and pension foundation is shown as an operating expense. During the year, Skånska Banken's pension funds were transferred to Handelsbanken's pension fund. The special payroll tax on pensions, premiums paid for occupational group life insurance and pension insurance are shown as pension costs.

The calculated pension cost is compensated against pensions actually paid in an appropriation account and the net is settled with the pension fund under the heading "Settlement with Pension Funds".

Depreciation

LEASING ASSETS

Leasing assets are depreciated in accordance with the annuity method in line with the recommendation of the Association of Swedish Finance Companies. This lays down that the total depreciation during the base period of the agreement should correspond with the acquisition value of the asset. Exceptions are permitted when the supplier or other party secures a future residual value, and also in cases when assets can be sold in an active secondary market, on condition that the depreciation during the basic period is aimed at a prudently calculated residual value according to plan. If depreciation in excess of the original plan is required because of the risk of losses, a special depreciation charge may be made and shown as a loan loss. The original depreciation charge is made in accordance with an individual plan for each asset. The net of leasing income and depreciation of leasing assets is included in net interest income.

EQUIPMENT

Equipment is depreciated on a straight-line basis at 20 per cent per annum of the acquisition value.

REAL ESTATE

Real estate is depreciated by the highest percentage rates allowed by the taxation authority.

GOODWILL

Goodwill is depreciated over 10 years.

Loan losses

Actual loan losses for the year (write-offs) and also provisions for possible losses are reported as loan losses. Loans are reported net, i.e. after deduction of write-offs and provisions.

The amount written off is reported separately in a Note. A general reserve for country risks is reported gross on the liability side of the Balance Sheet.

Actual loan losses are losses which have been deemed to be finally determined amounts, for example in bankruptcy, through acceptance of composition recommendations or due to other reductions of claims. Provision for *possible loan losses* means write-off by the difference between the loan amount and the sum expected to be realised, taking into account the borrower's ability to repay and the value of the collateral. Write-off is made if

- interest/amortisations are overdue for payment by more than 60 days or other circumstances lead to uncertainty with regard to the repayment of the loan and
- the borrower's ability to repay is not likely to improve sufficiently within two years and
- the value of the collateral does not cover the loan amount.

The value of the collateral is assessed on the basis of its market value. If the collateral consists of a mortgage on a property, the valuation is based on a prudently calculated market value taking into account ability to generate income, its nature and location.

In loan losses is also shown extra depreciation of leasing assets resulting from the lessee's inadequate ability to pay.

Provisions for country risks are made of at least the amounts required in accordance with the recommendations of the Swedish Financial Supervisory Authority.

Information about non-performing loans is given in connection with the relative assets. This refers to loans overdue for payment for more than 60 days or where other circumstances lead to uncertainty regarding repayment of the loan. In cases where these loans have been deemed to involve a risk of loss, provisions have been made for possible loan losses. The amount remaining for non-performing loans is thus not an indication of risk of loss in the loan portfolio.

In addition, information is provided about the extent to which concessions have been granted from the loan conditions that applied originally. The information relates to loans of at least SEK 1M, for which the loan conditions have been reduced to below market levels and includes details regarding the loan volume concerned at the end of 1991 as well as the estimated effect on net income (loss of income) of the agreements in 1991 and 1992.

Loan conditions are negotiated to give a borrower in temporary payment difficulties an opportunity to resume his payments to a normal extent. Interest deferrals are only granted if there are good prospects for an improvement in the borrower's situation. In addition, the concessions are generally conditional to enable the bank to recover the amounts conceded.

Reserves and taxes

Previously reported reserves for loans, foreign exchange and bonds have been dissolved in the 1991 accounts and restored to taxation. Allocation has been made by the maximum amount allowed to a tax equalisation reserve. The extent of this, however, is significantly smaller than the former reserves and a very considerable effective tax charge will therefore be applied on dissolution of the untaxed reserves. The tax levied on dissolution of the reserves will be paid over a four-year period at 25 per cent per annum.

NOTES TO THE STATEMENTS OF INCOME AND BALANCE SHEETS

Amounts in SEK M unless otherwise stated

Note 1: Net interest income

GROUP	1991	1990
INTEREST INCOME		
Loans	31 902	30 809
Net leasing income	265	214
Financial institutions	8 381	12 038
Securities portfolio	5 308	3 851
Total interest income	45 856	46 912
INTEREST EXPENSES		
Deposits and certificates of deposit	14 541	13 754
Borrowing	21 583	25 084
Other interest expenses	908	442
Total interest expenses	37 032	39 280
Net interest income	8 824	7 632

CASH AND CASH REQUIREMENT: The cash requirement was lowered on 1 April 1991 from 4% to 2%.

SWEDISH FINANCIAL INSTITUTIONS, investments: Refers to short-term loans to Swedish banks and financial institutions, holdings of capital market promissory notes, etc.

OTHER ASSETS: Shares, real estate, equipment, settlement accounts.

SWEDISH FINANCIAL INSTITUTIONS, liabilities: Deposits from Swedish banks and financial institutions and short-term borrowing from the Riksbank and other Swedish banks.

OTHER LIABILITIES: Bankers' drafts, mortgages on own real estate and settlement and other accounts.

INTEREST DEFERRALS: Interest deferrals, i.e. where payment of interest has been deferred, were as follows:

	GROUP SEK M	BANK SEK M
Loans with interest deferrals	6 187	5 404
Revenue loss 1991	694	653
Revenue loss 1992	32	27

The interest deferrals refer to agreements made in 1991. The amounts stated do not include interest deferrals regarding loans of less than SEK 1M.

SVENSKA HANDELSBANKEN	1991			1990		
	Average daily balance	Interest	%	Average daily balance	Interest	%
Cash and cash reserves	2 051	—	—	2 699	—	—
Swedish financial institutions	51 865	4 518	8.71	45 169	4 679	10.36
Foreign banks	40 973	5 862	14.31	42 668	6 370	14.93
Government securities and bonds	47 253	4 944	10.46	35 125	3 693	10.51
Loans in SEK	67 845	9 644	14.21	57 163	9 169	16.04
Loans in foreign currencies	98 318	9 763	9.93	81 277	8 539	10.51
Other assets	31 721	784		20 990	355	
A. Total assets	340 026	35 515	10.45	285 091	32 805	11.51
Deposits in SEK	74 424	5 919	7.95	58 977	5 484	9.30
Certificates of deposit in SEK	3 669	420	11.44	3 648	467	12.80
	78 093	6 339	8.12	62 625	5 951	9.50
Deposits in foreign currencies	42 725	3 325	7.78	35 414	3 335	9.42
Certificates of deposit in foreign currencies	15 858	1 522	9.60	12 481	1 367	10.96
	58 583	4 847	8.27	47 895	4 702	9.82
Swedish financial institutions	23 232	2 268	9.76	23 534	2 145	9.11
Foreign banks	116 480	12 589	10.81	101 077	12 314	12.18
Long-term borrowing	11 421	1 188	10.40	11 264	1 271	11.28
Other liabilities	29 218	756		20 326	430	
B. Total liabilities	317 027	27 987	8.83	266 721	26 813	10.05
Shareholders' equity and revaluation reserves	22 999			18 370		
C. Total liabilities and shareholders' equity	340 026	27 987	8.23	285 091	26 813	9.41
Net interest income		7 528			5 992	
Net interest margin (A-B)			1.62			1.46
Net investment margin (A-C)			2.22			2.10

Note 2: Commission

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Domestic lending	236	214	208	164
Domestic and international Investment banking operations	388	391	344	339
Trust and legal services	92	112	92	106
Other domestic operations	566	529	400	309
International operations	932	842	826	598
	2 214	2 088	1 870	1 516

Note 3: Other operating revenue

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Dividends from subsidiaries	—	—	24	121
Dividends from other companies	25	20	22	17
Other operating revenue	87	26	93	56
	112	46	139	194

Dividends from subsidiaries are anticipated in the Parent Company each year.

Note 4: Personnel expenses

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Salaries and remunerations	1 825	1 659	1 531	1 236
Payroll charges	678	593	592	464
Pension costs	143	116	137	101
Appropriation to profit-sharing foundation	83	64	76	64
Payroll charges on appropriation to profit-sharing foundation	—	18	—	18
Other personnel expenses	134	141	118	98
	2 863	2 591	2 454	1 981

Of which salaries and remunerations

	1991	1990
to Board, President and Executive Vice Presidents	25	24
to other staff	1 489	1 197
to Board Members of Regional Banks and branches, catering and cleaning personnel	17	15

Number of staff (average for the year)

	1991	1990
Svenska Handelsbanken incl. Skånska Banken	6 742	6 720
Sigab	62	51
Svenska Finans	589	628
SHB Fonder AB	50	51
Svenska International plc, London	56	147
Svenska Handelsbanken S.A., Luxembourg	84	81
Svenska Handelsbanken Asia Ltd, Singapore	10	12
Handelsbanken A/S, Oslo	146	75
Svenska Handelsbanken oHG, Frankfurt am Main	34	28
Other	4	2
Group	7 777	7 795
of which, abroad	838	750

Of the employees in the Bank, 44 per cent were men and 56 per cent women. The information regarding distribution of staff and salaries by country and work location, which is stipulated in the Swedish Banking Business Act, is not included in this Annual Report. The information may be obtained on request from the Bank's Central Control and Treasury Department.

In 1991, pension costs were affected by the special wage/salary tax which amounted to SEK 22M.

Note 5: Property expenses

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Repairs	23	25	23	15
Other operating expenses	70	54	67	44
	93	79	90	59

Note 6: Cost of premises

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Rent for premises	459	354	414	308
Other expenses	176	168	162	107
	635	522	576	415

Note 7: Other expenses

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Computer costs	433	348	419	359
Telephone, cables, postage, transport	261	230	212	166
Purchased services	338	308	266	219
Other purchases	95	102	106	77
Other	543	527	392	351
	1 670	1 515	1 395	1 172

Note 8: Depreciation according to plan

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Machinery and equipment	180	162	147	119
Real estate	41	17	34	15
Goodwill	26	27	7	—
	247	206	188	134

Note 9: Loan losses

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
The year's actual write-offs				
Country risks	90	102	90	102
Other	975	629	718	468
Write-off relating to possible loan losses				
Country risks	77	33	77	33
Other	2 221	65	2 023	—
Recovered from write-offs in previous years	- 87	- 65	- 67	- 37
Restored provisions for possible losses				
Country risks	- 88	- 97	- 88	- 97
Other	—	- 44	—	—
Total loan losses	3 188	623	2 753	469

Both write-offs and possible loan losses reduce the corresponding amount receivable on the asset side of the Balance Sheet. The general write-off for country risks, however, is shown on the liability side of the Balance Sheet.

In 1990, the Bank reported the actual and possible loan losses in one sum, the major portion being possible losses.

Note 10: Extraordinary income

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Gains on sale of shares and real estate	1	36	1	0
Merger profit, Skånska Banken	—	—	132	0
	1	36	133	0

Skånska Banken has merged with Svenska Handelsbanken and been included in the Bank at Group residual values. The merger profit in the Bank represents the result with which Skånska Banken has affected the Group income following acquisition.

Note 11: Extraordinary expenses

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Svenska Finans, winding down of Svenska Finans International	403	—	—	—
Svenska Finans, restructuring of operations and changed accounting principles	208	—	—	—
Appropriation to research	25	—	25	—
Bonus issue, stamp duty	30	2	—	2
Capital loss on sale of shares and real estate	1	2	1	2
Other	—	7	—	—
	667	11	26	4

Svenska Finans International with operations in the U.K., Germany, the Netherlands and Spain and with a relatively small amount of Swedish and Nordic-related business, does not fit in with the business orientation of the Group and will therefore be wound down.

The changed accounting principles refer to consumer finance.

Note 12: Settlement with pension fund

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Computed pension				
Premiums in the Bank	108	106	108	96
Pensions paid by the Bank	- 117	- 114	- 117	- 98
Reimbursement from the pension fund	—	+ 101	—	+ 83
Appropriation	- 9	93	- 9	81

The book value of the capital in the Bank's pension fund and pension foundation and the actual pension liability developed as follows:

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Book value of capital in the Bank's pension foundation and fund	5 041	5 033	5 041	4 787
Actual pension liability	- 2 523	- 1 946	- 2 523	- 1 751
Over-provision	2 518	3 087	2 518	3 036

The sharp increase of the pension liability is chiefly due to staff taking early retirement.

Note 13: Revaluation reserves

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Revaluation reserves and over-value in investment portfolio				
In respect of loans				
at 1 January	15 087	12 754	14 085	12 131
from merger with Skånska Banken	—	—	120	—
Appropriation/Utilisation	- 15 005	2 328	- 14 205	1 954
Foreign exchange difference	- 3	5	—	—
At 31 December	79	15 087	0	14 085
In respect of foreign exchange				
at 1 January	208	215	204	204
Appropriation/Utilisation	- 200	- 7	- 204	—
At 31 December	8	208	0	204
In respect of shares				
at 1 January	9	3	—	—
Appropriation/Utilisation	0	6	—	—
At 31 December	9	9	—	—
Over-value in investment portfolio				
at 1 January	1 875	¹⁾	1 698	¹⁾
from merger with Skånska Banken	—	—	176	—
Appropriation/Utilisation	- 1 875	—	- 1 875	—
At 31 December	0	1 875	0	1 698
Total revaluation reserves and over-value in respect of bonds	96	17 179	0	15 987

Reserves for the investment portfolio (deducted under assets)

at 1 January	2 998	¹⁾	2 698	¹⁾
from merger with Skånska Banken	—	—	300	—
Appropriation/Utilisation	- 2 519	¹⁾	- 2 519	¹⁾
At 31 December	479	2 998	479	2 698

¹⁾ Figures not available

The bond portfolio has been split into a trading portfolio and an investment portfolio at 31 December 1990. In this connection both portfolios have been valued at the lower of cost or market value, which has partly utilised the reserve in respect of bonds. The remaining part of the reserve has been entitled "over-value in investment portfolio". For the 1991 accounts, evaluation according to the lower of cost and market principle has affected net interest income for the trading portfolio and as an appropriation where the investment portfolio is concerned.

Note 14: Taxes

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Income tax	1 417	419	1 023	218
Income tax on reserves restored to taxation	3 484	—	3 484	—
Profit-sharing tax and special tax on profit	—	183	—	117
Other taxes	29	—	29	—
	4 930	602	4 536	335

	1991	1990	1991	1990
Note 15: Cash				
	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Notes and coins	1 746	1 694	1 732	1 594
Cheques and bankers' drafts	1 357	4 069	1 357	4 054
	3 103	5 763	3 089	5 648

Note 16: Swedish financial institutions

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
The Riksbank				
cash requirement funds	492	1 938	492	1 525
other	201	5	201	5
The Swedish National Debt Office	—	1	—	1
Banks, in foreign currencies	2 289	4 436	1 758	8 935
Banks, in SEK	11 227	11 930	9 717	10 964
Savings banks and co-operative banks, in foreign currencies	4 880	4 570	4 880	4 570
Savings banks and co-operative banks, in SEK	1 150	1 963	1 150	1 925
Other, in foreign currencies	10 044	6 776	31 163	14 685
Other, in SEK	6 289	2 375	10 224	6 152
Sub-total	36 572	33 994	59 585	48 762
Possible loan losses	- 587	—	- 587	—
	35 985	33 994	58 998	48 762

Non-performing loans attributable to Swedish financial institutions are included in the amount stated in Note 20: "Loans to the general public".

Note 17: Foreign banks

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
In foreign currencies	19 232	15 983	25 257	21 119
In SEK	2 381	2 549	2 203	1 501
	21 613	18 532	27 460	22 620

Non-performing loans, i.e. loans on which interest and/or amortisations are overdue for payment by more than 60 days or where other circumstances have led to uncertainty with regard to the value of the credit, amounted to SEK 205M.

Note 18: Bonds and other interest-earning instruments, trading portfolio

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
ACQUISITION VALUE:				
Certificates of deposit	2 598	669	2 645	619
Government securities	9 203	2 652	6 815	2 292
Bonds issued by				
Local authorities	12	180	12	181
Housing finance institutions	1 214	410	1 309	665
Institutions financing local authorities	4	9	4	11
Company-financing institutions	1 629	—	881	370
Other Swedish companies	821	883	821	188
Swedish subordinated notes	994	686	994	650
Other Swedish interest-earning instruments	178	—	69	—
Foreign government securities and bonds	6 800	5 977	5 979	3 804
Total	23 453	11 466	19 529	8 780
Value adjustment account	20	84	—	50
Total book value	23 433	11 382	19 529	8 730

MARKET VALUE:

Certificates of deposit	2 597	669	2 644	619
Government securities	9 209	2 564	6 819	2 282
Bonds issued by				
Local authorities	12	177	12	177
Housing finance institutions	1 212	427	1 305	652
Institutions financing local authorities	3	11	3	11
Company-financing institutions	1 643	—	890	367
Other Swedish companies	821	855	830	189
Swedish subordinated notes	993	714	993	651
Other Swedish interest-earning instruments	186	—	69	—
Foreign government securities and bonds	6 802	5 989	6 000	3 782
Total	23 478	11 406	19 565	8 730

Note 19: Bonds and other interest-earning instruments, investment portfolio

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
ACQUISITION VALUE:				
Certificates of deposit	1 411	—	1 979	—
Government securities	18 818	12 463	18 818	5 608
Bonds issued by				
Local authorities	240	346	240	345
Housing finance institutions	16 773	16 592	20 805	19 088
Institutions financing local authorities	103	154	103	152
Company-financing institutions	1 225	1 462	1 225	1 114
Other Swedish companies	248	185	248	179
Swedish subordinated notes	—	53	—	53
Foreign government securities and bonds	1 501	1 528	1 501	1 522
Total	40 319	32 783	44 919	28 061
Value adjustment account/ Revaluation reserves	479	2 998	479	2 699
Total book value	39 840	29 785	44 440	25 362

	1991	1990	1991	1990
MARKET VALUE:				
Certificates of deposit	1 408	—	1 976	—
Government securities	18 846	11 486	18 846	4 862
Bonds issued by				
Local authorities	240	344	240	344
Housing finance institutions	16 289	15 343	20 321	17 720
Institutions financing local authorities	101	141	101	141
Company-financing institutions	1 228	1 595	1 228	1 252
Other Swedish companies	246	—	246	—
Swedish subordinated notes	—	54	—	54
Foreign government securities and bonds	1 527	1 495	1 527	1 489
Total	39 885	30 458	44 485	25 862

The Bank's holding of bonds and trading investment portfolios distributed according to maturity

	1991 Nominal value	%	1990 Nominal value	%
Less than 1 year	25 932	43	7 600	21
1-5 years	29 270	48	24 918	69
5-10 years	4 761	8	3 251	9
More than 10 years	477	1	146	1
	60 440	100	35 915	100
Average remaining maturity	2.1 yrs		2.6 yrs	
Duration	1.7 yrs		2.0 yrs	
Average coupon interest	11.29%		10.53%	

Note 20: Loans to the general public

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
In SEK	162 788	149 288	71 924	71 635
In foreign currencies	102 812	93 634	90 654	72 418
	265 600	242 922	162 578	144 053
Possible loan losses	- 1 633	—	- 1 435	—
	263 967	242 922	161 143	144 053

Possible loan losses were written down direct up to and including 1990 in the same way as actual loan losses.

Non-performing loans, i.e. loans on which interest and/or amortisations are overdue for payment by more than 60 days or where other circumstances have led to uncertainty with regard to the value of the credit, amounted to SEK 4 956M in the Group and SEK 2 488M in the Bank. The amounts also include non-performing loans relating to Swedish financial institutions. According to Note 17 "Foreign banks", non-performing loans relating to foreign banks amounted to SEK 205M. Thus, non-performing loans totalled SEK 5 161M in the Group and SEK 2 693M in the Bank, net after write-off for possible loan losses.

Note 21: Leasing assets

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Acquisition value	3 648	3 026	—	—
Accumulated depreciation according to plan	- 1 082	- 729	—	—
Residual value according to plan	2 566	2 297	—	—
Prepayments received on account of investment credits	86	46	—	—
	2 652	2 343	—	—
Depreciation in excess of plan	- 319	- 150	—	—
	2 333	2 193	—	—

Note 22: Shares, current assets

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Shares in the investment banking business	302	128	241	43
Shares under issue	—	—	—	—
	302	128	241	43

Note 23: National Savings Accounts, net

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Claim on the Swedish National Debt Office	9 357	8 029	9 357	7 496
National Savings Accounts	- 9 204	- 7 927	- 9 204	- 7 399
	153	102	153	97

Note 24: Other assets

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Accrued interest	12 826	15 050	11 732	12 990
Accrued commission	103	348	94	206
Pre-paid tax	14	483	9	445
Goodwill	174	194	56	—
Other	3 071	4 592	1 304	2 283
	16 188	20 667	13 195	15 924

"Other" includes real estate taken over to protect claims, book value SEK 11M in the Bank, SEK 25M in the Group, estimated value SEK 11M and SEK 25M, respectively.

Note 25: Shares, participations and subordinated notes, fixed assets

	GROUP 1991	1990	SVENSKA HANDELSBANKEN 1991	1990
Shares in subsidiaries in Sweden	—	—	2 296	3 415
Shares in subsidiaries abroad	—	—	1 166	1 142
Shares in associated companies	52	67	33	32
Residential property participations	7	7	7	7
Shares in Swedish credit institutions	87	83	87	83
Shares in foreign banks	1	0	1	0
Shares in other companies	565	45	544	11
Total shares	712	202	4 134	4 690
Subordinated notes	—	—	1 174	728
Total	712	202	5 308	5 418

Skånska Banken has been merged with Svenska Handelsbanken. The Skånska Banken shares were booked at SEK 1 992M.

In all instances, the subordinated notes have been issued by subsidiaries.

Note 26: Machinery and equipment

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Residual value according to plan on 1 January	402	313	239	203
Residual value according to plan in companies bought/sold during the year	- 3	48	—	—
New acquisitions, net during the year	218	201	167	155
Foreign exchange difference	- 16	2	—	—
The year's depreciation according to plan	- 180	- 162	- 147	- 119
Residual value according to plan on 31 December	421	402	259	239
Accumulated depreciation in excess of plan	- 10	- 23	- 10	- 22
Book value on 31 December	411	379	249	217

Depreciation according to plan is mainly made by 20 per cent of the acquisition values.

Note 27: Real estate

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Capitalised acquisitions and refurbishments				
Acquisition value	1 287	1 244	1 208	428
Accumulated depreciation according to plan	- 177	- 144	- 140	- 113
	1 110	1 100	1 068	315
Revaluation				
On 1 January	215	215	215	215
Accumulated depreciation according to plan	- 23	- 15	- 23	- 15
	192	200	192	200
Residual value according to plan	1 302	1 300	1 260	515
Accumulated depreciation in excess of plan	- 37	- 38	- 37	- 38
Book value	1 265	1 262	1 223	477
Tax assessment value	960	954	873	765

The Bank's real estate holding increased as a result of the merger with Skånska Banken. The value of the Group's real estate holding has been estimated at SEK 3 000M.

The value has been calculated on the basis of a direct yield of 7 per cent on properties located in Central Stockholm and 10 per cent on other real estate, and with the aid of the latest listed/estimated sales prices in each location. At the 1990 year-end, the value of the real estate was estimated at SEK 5 200M, based on a valuation by independent experts in 1988. The properties contain premises used for the Bank's operations and in all instances represent long-term holdings.

Note 28: Deposits and certificates of deposit

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Deposits				
Current accounts	21 678	20 857	21 678	20 021
Business accounts	5 655	5 281	5 655	5 281
Allkonto (General Accounts)	23 489	24 372	23 489	24 372
Other accounts	40 045	28 714	26 053	16 506
Deposits in SEK	90 867	79 224	76 875	66 180

	1991	1990	1991	1990
Deposits in foreign currencies	31 985	28 160	42 986	35 165
Total deposits	122 852	107 384	119 861	101 345
Certificates of deposit				
in foreign currencies	30 972	25 617	13 533	10 814
in SEK	4 706	5 775	4 706	5 699
	35 678	31 392	18 239	16 513

Note 29: Swedish financial institutions

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
The Riksbank	15 461	5 440	15 461	4 869
The Swedish National Debt Office	0	9	0	9
Banks, in foreign currencies	628	3 551	360	1 138
Banks, in SEK	10 894	11 291	11 773	10 057
Savings banks and co-operative banks, in foreign currencies	1 246	182	1 246	182
Savings banks and co-operative banks, in SEK	361	168	361	150
Other, in foreign currencies	1 148	1 799	1 083	1 680
Other, in SEK	4 042	2 016	5 513	3 650
	33 780	24 456	35 797	21 735

Note 30: Foreign banks

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
In foreign currencies	106 172	85 839	102 000	77 653
In SEK	4 045	2 751	2 891	1 630
	110 217	88 590	104 891	79 283

Note 31: Other liabilities

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Accrued interest	11 780	14 207	9 390	11 365
Accrued commission	1 121	295	584	57
Tax liabilities	4 455	59	4 217	—
Bankgiro funds	3 438	4 743	3 438	4 265
Other	7 394	5 573	5 998	4 113
Restructuring reserve	30	97	30	—
Deferred tax liability in acquired untaxed reserves	25	447	—	—
	28 243	25 421	23 657	19 800

The long-term portion of the tax liabilities amounts to SEK 2 954M for the Bank and the Group.

Note 32: Long-term loans

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Bonds, in foreign currencies	2 917	5 029	2 765	4 865
Bonds, in SEK	25 958	28 836	—	—
Total bonds	28 875	33 865	2 765	4 865
Subordinated loans in foreign currencies	501	1 408	302	932
Subordinated loans in SEK	7 541	7 451	7 421	7 056
Total subordinated loans	8 042	8 859	7 723	7 988

	1991	1990	1991	1990
Refinancing of re-borrowed funds from the National Swedish Pension Insurance Fund	84	159	84	156
Other domestic refinancing	1 375	1 885	1 132	1 398
Mortgages on own real estate	10	206	2	206
Promissory note loans	17 818	19 225	—	—
	56 204	64 199	11 706	14 613

All bond and subordinated loans are specified on page 51.

Note 33: Revaluation reserves & over-value bonds

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
For loans	79	15 087	—	14 085
foreign currencies	8	208	—	204
shares	9	9	—	—
	96	15 304	—	14 289
Over/under-value bonds	—	+ 1 875 ¹⁾	—	+ 1 699 ¹⁾
	96	17 179	—	15 988

1) The over-value (difference between market value and net book value) has been affected by the market valuation of outstanding forward contracts.

The reserves have been dissolved in accordance with Note 13.

Note 34: Tax equalisation reserve

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Tax equalisation reserve	5 416	—	4 673	—

An allocation by the maximum amount allowed has been made to a so-called tax equalisation reserve. The tax equalisation reserve is an untaxed reserve, the size of which is determined by assets less liabilities at the year-end.

Note 35: Accumulated depreciation in excess of plan

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Machinery and equipment				
Balance brought forward	23	49	22	47
Depreciation in excess of plan	- 13	- 26	- 12	- 25
Balance carried forward	10	23	10	22
Real estate				
Balance brought forward	38	39	38	39
Depreciation in excess of plan	0	- 1	- 1	- 1
Balance carried forward	38	38	37	38
Leasing assets				
Balance brought forward	150	130	—	—
Depreciation in excess of plan	169	20	—	—
Balance carried forward	319	150	—	—
Total balance carried forward	367	212	47	60

Note 36: Investment reserves and similar reserves

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Special investment reserve	—	0	—	—
Profit adjustment account	—	2	—	—
Other reserves	18	6	—	—
	18	8	—	—

Note 37: Shareholders' equity

GROUP (SEK M)	Share capital	Re- stricted reserves	Unre- stricted reserves	Net in- come for the year	Total
On 1 January	1 736	519	450	786	3 491
Dividend for 1990				- 695	- 695
Balance carried forward		4	87	- 91	0
Change of foreign currency component		9	- 24		- 15
Net income for the year				11 190	11 190
At year-end	1 736	532	513	11 190	13 971

The foreign currency component comprises foreign exchange differences on recalculation of Statements of Income and Balance Sheets of the foreign subsidiaries, and exchange rate differences in respect of the Parent Company's borrowing in the same currency for refinancing share investment (hedging).

Transfer of SEK 4M is proposed from unrestricted to restricted equity.

	Accumulated 1990	Change 1991	Accumulated 1991
Conversion differences	+ 50	- 36	+ 14
Exchange rate difference on refinancings	- 21	+ 21	0
	+ 29	- 15	+ 14

SVENSKA HANDELSBANKEN (SEK M)	Share capital	Re- stricted reserves	Unre- stricted reserves	Net in- come for the year	Total
On 1 January	1 736	395	347	542	3 020
Dividend for 1990			- 153	- 542	- 695
Net income for the year				11 061	11 061
At year-end	1 736	395	194	11 061	13 386

The share capital comprises:

Ordinary share capital 1 514

Index share capital 172

Preference share capital 50

1 736

Note 38: Guarantees

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Guarantees	47 429	51 187	57 187	57 095
Special guarantees	454	439	454	439
Own acceptances	2 075	294	2 075	294
	49 958	51 920	59 716	57 827

In addition, the Bank has guaranteed the local authorities in the U.K., Singapore, Australia and Norway that it will ensure that the subsidiary banks in the respective countries will fulfil their commitments.

Note 39: Pledged assets

	GROUP		SVENSKA HANDELSBANKEN	
	1991	1990	1991	1990
Mortgages in own real estate	17	226	5	205
Floating charges	20	20	—	—
Secured promissory notes	266	283	—	—
	303	529	5	205

Shares and participations, fixed assets, 31 December 1991

		Nominal value, each currency 1 000	Book value SEK 1 000	Divi- dend SEK 1 000	Bank's voting power %
A SUBSIDIARIES IN SWEDEN					
Sigab/Handelsbanken Hypotek		1 301 000	1 792 908	—	100
Svenska Finans AB		155 000	144 336	—	100
Svenska Fondförsäkrings AB		90 100	122 057	—	100
Fastighets AB Blasieholmen		10 500	10 444	500	100
Fastighets AB Filia		4 500	4 810	2 500	100
SHB Fonder AB		1 000	851	21 000	100
Veddigeberg Skåne Holding		7 560	155 000	—	100
Veddigeberg Hälsingborg Holding		2 400	16 000	—	100
Veddigeberg Malmö Holding		2 400	16 000	—	100
Veddigeberg Sydsvenska Holding		2 400	16 000	—	100
AB Trälleborsintressenter		2 400	16 000	—	100
Patent och Metall AB		1 000	1 000	—	100
AB Köpenhamnsbron		50	50	—	100
AB Öresundsbron		50	50	—	100
Sambox i Skåne HB		800	800	—	66.7
			2 296 306	24 000	
B SUBSIDIARIES ABROAD					
Svenska Handelsbanken S.A., Luxembourg	LUF	1 150 000	165 497	—	100
Svenska International plc, United Kingdom	GBP	32 500	373 441	—	100
Svenska Handelsbanken Asia Ltd, Singapore	SGD	10 000	40 700	—	100
Svenska Handelsbanken Inc, USA	USD	10	59	—	100
Handelsbanken A/S, Norway	NOK	300 000	282 725	—	100
Svenska Australia Ltd, Australia	AUD	5 000	23 150	—	100
Svenska Handelsbanken oHG, Germany	DEM	69 948	246 011	—	99.93
SHB Verwaltungs- und Beteiligungs- gesellschaft mbH, Germany	DEM	52	180	—	100
Svenska Re S.A., Luxembourg	LUF	199 990	34 628	—	99.99
			1 166 391	—	
C ASSOCIATED COMPANIES					
Backup-Centralen AB		500	28	298	25.0
Bankernas PMC Holdingbolag AB		2 550	—	—	25.5
BankgiroCentralen BGC AB		1 262	1 262	—	25.2
Centralen för Elektroniska Korttransaktioner CEK AB		185	222	—	37.0
Privatgirot AB		275	330	—	27.5
Kortbetalning SERVO AB		189	189	—	32.1
Svensk Bostadsfinansiering AB BOFAB		25 000	30 000	—	50.0
Upplysningscentralen UC AB		243	291	1 409	24.3
			32 322	1 707	
D RESIDENTIAL PROPERTY PARTICIPATIONS					
			7 378	—	
E SWEDISH CREDIT INSTITUTIONS					
AB Svensk Exportkredit		72 870	72 870	17 489	10.4
AB Industri kredit		9 760	10 914	2 342	12.1
Företagskapital AB		2 533	2 961	304	12.7
			86 745	20 135	
F FOREIGN BANKS					
Adela Investment Co. S.A.	USD	525	—	—	0.9
Cedel S.A., Luxembourg	USD	10	619	8	0.0
Development Bank of Singapore	SGD	190	—	74	0.1
			619	82	
G OTHER COMPANIES					
BankomatCentralen AB		87	105	—	17.5
Euroclear Clearance System Ltd	USD	31	148	385	1.3
Penningmarknadscentralen AB		6 000	—	—	1.0
Penningmarknadsinformation PMI AB		400	480	—	12.8
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	BEF	2 440	213	—	0.6
Stockholms Optionsmarknad AB		300	2 200	143	0.4
Värdepapperscentralen VPC AB		492	591	69	16.4
Gamlestaden Intressenter AB		11	13	—	10.6
Nobel Industrier AB		540 000	540 000	—	2.3
Other, 12 companies			764	—	
			544 514	597	
H SHAREHOLDINGS OF SUBSIDIARIES (Spec on page 51)					
Shares total, Bank A + B + C + D + E + F + G			4 134 275	46 521	
Group C + D + E + F + G + H			710 949	24 209	

Long-term funding

	1991	1990
BOND LOANS		
Svenska Handelsbanken	2 765*	4 865
Sigab, funding for long-term lending	30 258	32 391
Svenska Handelsbanken S. A.	160	163
Adjustments	- 4 308	- 3 554
	28 875	33 865
SUBORDINATED LOANS		
Svenska Handelsbanken	7 723**	7 988
Sigab	600	200
Svenska Finans	489	464
Svenska International plc	194	337
Svenska Handelsbanken S.A.	73	130
Handelsbanken A/S	138	94
Skånska Banken	—	378
Adjustments	- 1 175	- 732
	8 042	8 859
REFINANCING OF RE-BORROWED FUNDS FROM THE NATIONAL SWEDISH PENSION INSURANCE FUND		
Svenska Handelsbanken	84	156
Skånska Banken	—	3
	84	159
OTHER DOMESTIC REFINANCING		
Svenska Handelsbanken	1 132	1 398
Svenska Finans	243	487
	1 375	1 885
MORTGAGES ON OWN REAL ESTATE		
Svenska Handelsbanken	2	206
Fastighets AB Filia	4	4
Handelsbanken A/S	8	—
Adjustments	- 4	- 4
	10	206
PROMISSORY NOTE LOANS		
Sigab, funding for short-term lending	17 818	19 225
	17 818	19 225
TOTAL LONG-TERM FUNDING		
Svenska Handelsbanken	11 706	14 613
Group	56 204	64 199

* Specification, bond issues, Svenska Handelsbanken
31 December 1991

Year of issue/ maturity	Amount issued each currency Million	Amorti- sation	Interest rate %	Out- standing amount SEK M
IN FOREIGN CURRENCY				
1987/92	DKK 350	1992	10.50	71
1988/93	LUF 300	1993	7.50	53
1988/93	JPY 10 000	1993	7.00	441
1988/93	AUD 50	1993	7.65	211
1988/93	LUF 300	1993	7.25	53
1989/92	NZD 50	1992	14.25	150
1989/94	LUF 300	1994	7.625	53
1990/93	BEF 300	1993	9.00	53
1990/92	CAD 75	1992	11.75	359
1990/93	JPY 4 500	1993	8.00	199
1990/93	JPY 5 000	1993	7.50	221
1990/94	BEF 300	1994	9.75	53
1990/92	JPY 2 000	1992	8.20	88
1990/96	USD 16	1996	6.80	86
1991/93	JPY 4 500	1993	8.00	199
1991/94	USD 20	1994	5.875	111
1991/93	USD 51	1993	0.00	265
Medium Term Notes	USD 20	1993-94	—	99
		Total		2 765

** Specification, subordinated loans, Svenska
Handelsbanken 31 December 1991

Year of issue/con- version/ maturity	Amount issued each currency Million	Amorti- sation	Interest rate %	Out- standing amount SEK M
IN SEK				
1977/92	100	1978-92	10.00	7
1983/93	100	1986-93	14.35	40
1989/94	466	1994	13.65	166
1989/92	500	1992	13.75	500
1990/94	21	1994	13.00	19
1990/00	2 000	2000	10.80	2 000
1990/05	2 000	2005	10.80	2 000
1990/05	1 027	2005	13.65	884
1990/92	250	1992	36.60	272
1991/97	325	1991-97	0	191
1991/perp.	100	Perp.	14.30	100
1991/01	100	2001	14.10	100
1991/perp.	100	Perp.	14.35	100
1972/92 (SB)	20	1972-92	7.50	1
1988/93 (SB)	200	1993	11.20	140
1986/96 conver- tible subordinated loan	818	1990-96	Official discount rate	818
1989/94 conver- tible subordinated loan	84	1991-94	8.87	83
		Total		7 421
IN FOREIGN CURRENCIES				
1991/01	USD 54	2001	Libor + 0.20%	302
		Total SEK		302
		Total		7 723

The following currency codes apply:

AUD	Australian dollars
BEF	Belgian francs
CAD	Canadian dollars
DEM	German marks
DKK	Danish kroner
GBP	Pounds sterling
JPY	Japanese yen
LUF	Luxembourg francs
NOK	Norwegian kroner
NZD	New Zealand dollars
SGD	Singapore dollars
USD	U.S. dollars

Shareholdings of subsidiaries

	Book value SEK 1 000	Divi- dend SEK 1 000	Svenska Handels- banken voting power %
Property Lending Trust	17 973	—	20.33
Handelsbankens Aktiefond	11 396	687	—
Handelsbankens Utländsfond	2 558	58	—
Utdelningsfond II	2 984	385	—
Reavinstfonden	50	5	—
Esprit Inv. Adv. Serv NV	31	—	—
Esprit Gestion	316	488	—
4 foreign-currency funds	1 200	65	—
Gandalf	932	—	33.0
Other, 2 companies	91	—	—
Participation Account of BOFAB	1 840	—	—
	39 371	1 688	

Commitments off the Balance Sheet

The Bank and some subsidiaries have commitments off the Balance Sheet as a component in the Group's business operations. The commitments involve a credit risk, which results in a capital requirement (calculated in accordance

with the requirement of 8 per cent) of SEK 1,927M in the Group and SEK 1,703M in the Bank. At 31 December 1991, the commitments can be compiled as follows (amounts in SEK M):

	VOLUME AT 31 DEC 1991		CAPITAL REQUIREMENT		COMMENTS
	Group	Svenska Handelsbanken	Group	Svenska Handelsbanken	
GUARANTEES					
Credit guarantees	35 950	46 531	602	472	
Other guarantees	14 008	13 185	358	331	
LETTERS OF CREDIT					
Unutilised import letters of credit	1 548	1 538	22	22	Binding. Component in import financing
Confirmed export letters of credit					Binding. Component in export financing
COMMITMENTS REGARDING FUTURE PAYMENTS					
Re-purchase agreements	8 462	8 462	9	9	Financing of re-purchase agreements
Forward securities	40	40	0	0	Securities transactions to be effected at a future date
Forward/forward	- 4	- 4			Contracts regarding future deposits
Certificate programmes	6 779	6 738	36	36	Legally binding commitments to make financing available
FOREIGN EXCHANGE AND INTEREST RATE RELATED CONTRACTS (net position)¹⁾					
Forward foreign exchange contracts	- 2 113	- 6 882			Bought and sold currencies to be delivered at a future date
Forward interest rate contracts	+ 725	+ 732			Standardised contracts for future securities transactions
Interest rate and foreign exchange swaps	- 2 987	+ 1 457			Change in foreign exchange and interest rate terms
FRA's (future rate agreements)	+ 9 964	+ 8 799			Contracts relating to future interest rates
Interest rate, foreign exchange and share options	- 23	- 106			Conditional purchase and sales contracts
Financial futures	- 7 839	- 7 839			Contracts relating to future interest rates
Total interest rate related contracts			109	107	
Total price related contracts			612	584	
OTHER COMMITMENTS					
Delivery obligations	418	418	7	7	Delayed deliveries of securities
Credits granted but not yet paid	12 555	11 645	172	135	Terms in excess of one year
Unutilised portion of credits	37 057	37 057	—	—	Overdraft facilities
			1 927	1 703	

1) + = net bought, - = net sold

Capital base, 31 December 1991

	GROUP SEK M	SVENSKA HANDELSBANKEN SEK M
PRIMARY CAPITAL		
Shareholders' equity	13 237	12 652
Revaluation reserves		
loans 70% thereof	56	—
foreign exchange 70% thereof	5	—
shares 70% thereof	7	—
excess depreciation, leasing 70% thereof	223	—
Tax equalisation reserve 70% thereof	3 791	3 271
Less goodwill	– 174	– 56
Total primary capital	17 145	15 867
SUPPLEMENTARY CAPITAL		
Perpetuals	200	200
Subordinated loans, after reduction	5 473	5 317
Total supplementary capital	5 673	5 517
Total	22 818	21 384
Less shareholdings 5-50% in companies which conduct banking operations	– 51	– 33
Total primary + supplementary capital	22 767	21 351

Capital requirement, 31 December 1991

		GROUP		SVENSKA HANDELSBANKEN	
	Weighting factor	Investments SEK M	Risk-weighted amount SEK M	Investments SEK M	Risk-weighted amount SEK M
BALANCE SHEET ITEMS					
Group	A	0	89 959	119 216	—
	B	20	95 354	87 696	17 539
	C	50	83 091	21 979	10 989
	D	100	141 621	106 184	106 184
Total A-D		410 025	202 237	335 075	134 712
OFF-BALANCE SHEET ITEMS					
Group	A	0	64 589	64 018	—
	B	20	33 973	32 236	6 447
	C	50	6 406	6 213	3 107
	D	100	14 092	11 742	11 742
Total A-D		119 060	24 090	114 209	21 296
Total		529 085	226 327	449 284	156 008
Capital cover ratio			10.1%		13.7%

THE BOARD OF DIRECTORS' RECOMMENDATION TO THE ANNUAL GENERAL MEETING

The Handelsbanken Group's unrestricted equity is SEK 11 703M.
In accordance with the Balance Sheet, the following is at the disposal of the Annual General Meeting:

retained earnings brought forward from 1990	SEK 193 659 488.75
and the year's net income	11 061 371 060.81
	11 255 030 549.56

The Board of Directors recommends:
that the dividend on Ordinary Shares, which amounted to SEK 4.50 in 1990, be increased by SEK 0.25 to SEK 4.75. In accordance with the Articles of Association of the Bank, the dividend on Index Shares should follow the change in the Swedish Consumer Price Index between November 1977 and November of the year for which the dividend is paid. Converted thus, and with the stipulated rounding off, the dividend for 1991 will amount to SEK 0.70 per share. A total of SEK 733.9M (1990: SEK 695.2M) is required for the dividend on Ordinary Shares, Index Shares and Preference Shares.

The effect of the Board of Directors' recommendation is that the funds at the disposal of the Annual General Meeting be distributed as follows:

dividend to shareholders*

on Preference Shares Series A, SEK 0.45 per share	1 125 000.-
on Preference Shares Series B, SEK 0.60 per share	1 500 000.-
on Ordinary Shares, Series A and B, SEK 4.75	719 208 007.-
on Index Shares, SEK 0.70	12 044 106.20
balance carried forward	10 521 153 436.36
	11 255 030 549.56

Should this recommendation be accepted, the Bank's share capital and reserves will be as follows:

Share capital	1 736 180 780.-
Statutory reserve	394 943 000.-
	2 131 123 780.-
plus retained earnings	10 521 153 436.36
	12 652 277 216.36

Stockholm, 18 February 1992

TOM HEDELIUS

BO RYDIN JAN EKMAN

LENNART CLAEISSON	PER-OLOF EDIN	GÖRAN ENNERFELT
PER-OLOF ERIKSSON	CARL-ERIK FEINSILBER	THORBJÖRN FÄLLDIN
NILS HOLGERSON	LARS-OVE HÅKANSSON	GUNNAR L JOHANSSON
HANS LARSSON	BARBRO LINDEGREN	GRETHE LUNDBLAD
BERNT LÖF	BIRGER JARL PERSSON	OLLE PERSSON
ANDERS WALL	SVEN ÅGRUP	BARBRO JOHANSSON
	ARNE MÅRTENSSON	
	President	

* The dividend will be paid via Värdepapperscentralen VPC AB.

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 1991 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 Swedish Banking Operations Act.

We recommend

- that the Statement of Income 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 Swedish Banking Operations Act.

We recommend

- that the Consolidated Statement of Income and the Consolidated Balance Sheet be adopted.

Stockholm, 19 February 1992

SUZANNE BONNIER

BERTIL EDLUND
Authorised Public Accountant
Chairman

SIGVARD HEURLIN
Authorised Public Accountant

BO FRIDMAN
Authorised Public Accountant
Appointed by the Swedish
Financial Supervisory Authority

SVEN SANTESSON
Authorised Public Accountant
Appointed by the Swedish
Financial Supervisory Authority

HANDELSBANKEN AND ITS SHARES IN FIGURES

SHARE PRICE TRENDS AND DIVIDEND GROWTH

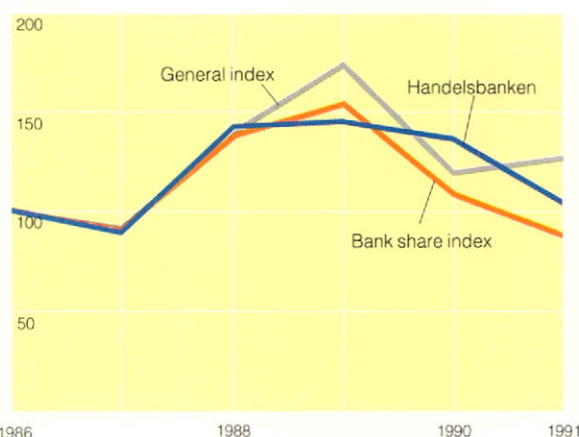
Bank share prices fell during 1991. At the year-end, the Swedish business periodical Affärsvärlden bank share index was 19 per cent lower than on 1 January. Handelsbanken's shares, however, proved to be more resilient than those

of other banks, and are the only shares which show a rise over the past five years.

Handelsbanken's dividend policy reflects the ambition to raise the dividend at least in line with inflation and at a rate that is above the average for the industry. Both these targets have been met.

Trend for Handelsbanken Ordinary Shares

Index 1986 = 100



The price for Svenska Handelsbanken's ordinary shares is the stock exchange price at the end of each year, taking into account the bonus issue and split in 1987 and bonus issues in 1989 and 1990 (31/12 1986 = 100).

Affärsvärlden's general index and bank share index show prices on December 31st each year (31/12 1986 = 100).

Earnings and dividend per Ordinary Share

SEK



Earnings per Ordinary Share = adjusted earnings before extraordinary items and after standard notional tax (50% 1986 – 1988, 30% 1989 – 1991)

Buying prices and dividend growth for major Swedish commercial banks

	1987	1988	1989	1990	1991	5 years	Average
Change in buying price, per cent							
Handelsbanken A	- 12	63	2	- 7	- 3	32	6
S-E-Banken A	- 2	41	6	- 38	- 8	- 17	- 4
Nordbanken	- 2	50	9	- 55	- 38	- 55	- 15
Gota A	—	85	2	- 19	- 63	—	—
Dividend growth per cent							
Handelsbanken A	20	25	21	21	6 ¹⁾	132	18
S-E-Banken A	18	20	18	10	2 ¹⁾	86	13
Nordbanken	9	19	9	- 100	—	—	—
Gota A	—	19	32	17	- 100 ¹⁾	—	—

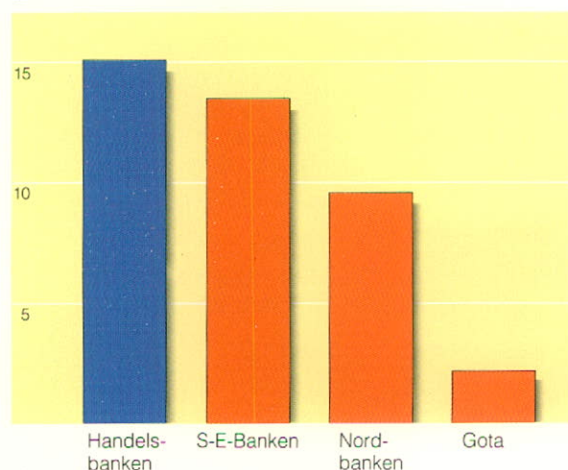
1) In accordance with the recommendation of the Board of Directors

STOCK MARKET VALUE

The stock exchange value of Handelsbanken shares compared with those of other major Swedish banks is illustrated in the graph below.

Stock exchange value for Swedish commercial banks, 30 December 1991

SEK billion



KEY FIGURES PER SHARE 1987-91

	1987	1988	1988 (adj.)	1989	1990	1991
Earnings per Ordinary Share ¹⁾						
Before extraordinary items						
after standard notional tax, SEK ²⁾	9.70	11.87 ³⁾	16.65 ³⁾	17.25 ³⁾	20.27 ³⁾	12.41 ³⁾
after full tax, SEK	9.84	10.98 ³⁾	13.84 ³⁾	17.20 ³⁾	19.11 ³⁾	11.82 ³⁾
After extraordinary items						
after standard notional tax, SEK	8.04	11.70 ³⁾	16.41 ³⁾	17.38 ³⁾	20.38 ³⁾	9.49 ³⁾
after full tax, SEK	8.17	10.80 ³⁾	13.60 ³⁾	17.34 ³⁾	19.22 ³⁾	8.90 ³⁾
Dividend per Ordinary Share	2.46	3.07	3.07	3.73	4.50	4.75 ⁶⁾
Dividend growth	20.1	25.0	25.0	21.5	20.6	5.6
Visible shareholders' equity ⁴⁾	50.-	62.-	80.-	85.-	101.-	116.-
Adjusted shareholders' equity ⁵⁾	67.-	81.-	96.-	104.-	119.-	124.-
Stock exchange price of Ordinary Shares at 31 December	65.-	104.-	104.-	106.-	92.- ⁷⁾	96.- ⁷⁾
Dividend as a percentage of the Stock exchange price at 31 December	3.8	3.0	3.0	3.5	4.9	4.9
P/e ratio	8.0	8.9	6.3	6.1	4.5	10.1

1) The comparative figures have been adjusted to current accounting principles and number of shares.

2) Standard notional tax: 1987-1988, 50 per cent in respect of earnings and untaxed reserves, 20 per cent in respect of undisclosed reserve in real estate. From 1989, in accordance with the Swedish Bankers' Association's guidelines 30 per cent in respect of earnings and untaxed reserves.

3) After full conversion of convertible subordinated notes.

4) Taxed shareholders' equity minus preference and index share capital plus 70 per cent of untaxed reserves.

5) As visible shareholders' equity plus surplus value in real estate.

6) In accordance with the recommendation of the Board of Directors.

7) Ordinary A

THE SHARES

Handelsbanken shares are divided into share classes in accordance with the following table. All shares have a nominal value of SEK 10 each.

Ordinary A Shares each carry one vote, whereas Ordinary B Shares, Index Shares and Preference Shares carry one-tenth of a vote each. The result is that the Ordinary A Shares account for 79.3 per cent of the total share capital and 97.5 per cent of the votes.

At the Annual General Meeting, no shareholder is allowed to vote for more than 5 per cent of the aggregate number of votes to which the shares represented at the Meeting are entitled.

Shares divided into share classes

	Number	SEK
Ordinary Shares		
Series A	137 647 466	1 376 474 660
Series B	13 764 746	137 647 460
Index Shares	17 205 866	172 058 660
Preference Shares		
Series A	2 500 000	25 000 000
Series B	2 500 000	25 000 000
Total	173 618 078	1 736 180 780

Staff convertibles

An issue of convertible subordinated debentures directed to the staff of Handelsbanken and its subsidiaries was carried out during 1988. The conversion rate, computed to take account of bonus issues, amounted to SEK 96.20 which corresponds to a loan amount of SEK 818M.

Shares per shareholder

Shares	Shareholders		Share holdings		
	Number	As a percentage of all shareholders	Number of shares in thousands	As a percentage of share capital	Average number per holder
1 – 500 shares	53 015	66.6	8 765	5.0	165
501 – 2 500 shares	21 665	27.2	23 531	13.6	1 086
2 501 – 25 000 shares	4 712	5.9	25 391	14.6	5 388
25 001 – 250 000 shares	164	0.2	11 549	6.7	70 418
250 001 – shares	55	0.1	104 279	60.1	1 895 983
Shares not yet exchanged and partial rights not yet exercised			103	0.0	
Total	79 611	100.0	173 618	100.0	2 180

The subordinated loan runs until 1996 at a rate of interest which is equivalent to the official discount rate.

The subordinated loan has the effect that on full conversion the number of shares will increase by 8,501,039 which is equivalent to 4.9 per cent of the number of existing shares and 5.5 per cent of the number of votes.

THE SHAREHOLDERS

Handelsbanken has around 80,000 shareholders. Most of them are private individuals. As can be seen from the table below, the majority of the shareholders hold only a small number of shares. Holders of more than 250,000 shares number 55. They include a number of insurance companies, investment companies and mutual funds which represent a large number of private individuals. Eleven shareholders each hold more than 2 per cent of the share capital, namely:

The major shareholders

Savings bank equity funds (9)	12.3%
The Oktogonen Foundation	7.9%
SPP	6.4%
Wage earner funds via the winding-down board	4.6%
Trygg-Hansa Liv	3.7%
Industrivärden	3.5%
The Skandia Group	2.9%
The Folksam Group	2.4%
Handelsbanken equity funds (12)	2.4%
AMF-Pension	2.2%
Swedish Employers' Confederation	2.2%

Svenska Handelsbanken Group: Key figures 1987-91

	1987	1988	1989	1990	1991
Total assets at year-end SEK billion	202.5	237.9	275.3	367.5	409.7
change for the year, %	+ 29.4	+ 17.5	+ 15.7	+ 33.5	+ 11.5
Consumer price index, annual increase, %	+ 5.2	+ 6.3	+ 6.7	+ 10.9	+ 8.1
Number of staff	6 447	6 603	6 707	7 795	7 777
EQUITY/ASSETS RATIO I ¹⁾					
Standard notional tax 50%	3.9	4.1			
Standard notional tax 30%		5.2	4.8	4.2	4.4
EQUITY ASSETS RATIO II ²⁾					
Standard notional tax 50%	5.1	5.3			
Standard notional tax 30%		6.2	5.8	5.0	4.7
NET OPERATING INCOME AND PROFITABILITY					
Net operating income, SEK M	2 977	3 677	3 883	4 558	2 777
Return on equity ³⁾					
after standard notional tax 50%	21.0	22.7			
after full tax 50%	21.3	21.0			
after standard notional tax 30%		24.6	22.2	22.2	11.3
after full tax 30%		20.5	22.1	20.9	10.8

1) Taxed shareholders' equity less goodwill plus untaxed reserves after standard notional tax plus minority interests as a percentage of total assets at year-end.

2) As equity/assets ratio I plus surplus value in real estate after standard notional tax (20% in 1987-88, 30% from 1989) as a percentage of total assets at year-end.

3) Return on equity = Net operating income after standard notional tax and full tax, respectively, expressed as a percentage of shareholders' equity plus reserves for losses and other untaxed reserves after standard notional tax on 1 January.

STATEMENTS OF INCOME AND BALANCE SHEETS 1987-91

Group

STATEMENT OF INCOME (SEK M)	1987	1988	1989	1990	1991
Net interest income	4 522	5 157	5 786	7 632	8 824
Commission	1 163	1 490	1 781	2 088	2 214
Other operating revenue	455	720	390	374	435
Total operating revenue	6 140	7 367	7 957	10 094	11 473
Personnel expenses	1 536	1 734	1 993	2 591	2 863
Other expenses	1 227	1 504	1 622	2 116	2 398
Depreciation	138	147	155	206	247
Total expenses	2 901	3 385	3 770	4 913	5 508
Possible and actual loan losses	262	305	304	623	3 188
Total operating expenses	3 163	3 690	4 074	5 536	8 696
Net operating income	2 977	3 677	3 883	4 558	2 777
Extraordinary income	169	6	50	36	1
Extraordinary expenses	507	57	19	11	667
Net income before appropriations and taxes	2 639	3 626	3 914	4 583	2 111
Minority interests	- 15	- 13	—	2	0
Net income before appropriations and taxes excluding minority interests	2 624	3 613	3 914	4 585	2 111
Appropriations	- 1 365	- 2 138	- 2 864	- 3 197	+ 14 009
Net income before taxes	1 259	1 475	1 050	1 388	16 120
Taxes	- 609	- 876	- 322	- 602	- 4 930
Net income	650	599	728	786	11 190
BALANCE SHEET (SEK M)					
ASSETS					
Cash	3 269	5 730	4 504	5 763	3 103
Banks and other financial institutions	59 379	55 215	49 159	52 526	57 598
Bonds	25 273	23 577	27 923	41 167	63 273
Loans to the general public	106 431	143 567	176 944	242 922	263 967
Leasing assets	1 040	1 184	1 425	2 343	2 652
Other assets	5 923	7 491	14 137	20 769	16 341
Shares and participations	520	337	398	330	1 014
Equipment	306	309	313	402	421
Real estate	321	537	543	1 300	1 302
Total assets	202 462	237 947	275 346	367 522	409 671
LIABILITIES AND SHAREHOLDERS' EQUITY					
Clearing liabilities and bankers' drafts	1 496	1 854	1 871	3 671	1 865
Deposits and certificates of deposit	84 198	92 682	104 545	138 776	158 530
Banks and other financial institutions	74 086	70 238	80 562	114 316	144 711
Other liabilities	8 492	12 262	16 577	25 421	28 243
Long-term loans	20 892	45 053	55 064	64 199	56 204
Provision for country risks	333	361	311	248	239
Total liabilities	189 497	222 450	258 930	346 631	389 792
Minority interest in untaxed reserves	24	26	—	—	—
Minority interest in shareholders' equity	33	20	1	1	11
Total minority interests	57	46	1	1	11
Revaluation reserves, tax equalisation reserve	10 068	12 223	12 972	17 179	5 512
Accumulated depreciation in excess of plan	283	215	218	212	367
Investment reserves and similar reserves	4	3	2	8	18
Total untaxed reserves	10 355	12 441	13 192	17 399	5 897
Shareholders' equity	2 553	3 010	3 223	3 491	13 971
Total liabilities, untaxed reserves and shareholders' equity	202 462	237 947	275 346	367 522	409 671

The figures for 1987 have been adjusted for change-over to the equity accounting method.
The figures for 1989 have been adjusted in accordance with changed accounting principles for pension costs.
The figures for 1987-1990 have been adjusted for gross accounting of yield of real estate owned by Svenska Handelsbanken and for changed accounting of possible loan losses.

STATEMENTS OF INCOME AND BALANCE SHEETS 1987-91

Svenska Handelsbanken

STATEMENT OF INCOME (SEK M)	1987	1988	1989	1990	1991
Net interest income	3 820	4 406	5 075	5 992	7 528
Commission	909	1 244	1 320	1 516	1 870
Other operating revenue	478	676	439	340	479
Total operating revenue	5 207	6 326	6 834	7 848	9 877
Personnel expenses	1 266	1 402	1 658	1 981	2 454
Other expenses	1 020	1 216	1 353	1 646	2 061
Depreciation	102	105	113	134	188
Total expenses	2 388	2 723	3 124	3 761	4 703
Possible and actual loan losses	199	253	167	469	2 753
Total operating expenses	2 587	2 976	3 291	4 230	7 456
Net operating income	2 620	3 350	3 543	3 618	2 421
Extraordinary income	169	2	50	0	133
Extraordinary expenses	507	56	19	4	26
Net income before appropriations and taxes	2 282	3 296	3 574	3 614	2 528
Appropriations	- 1 288	- 2 059	- 2 773	- 2 737	+ 13 069
Net income before taxes	994	1 237	801	877	15 597
Taxes	- 368	- 654	- 101	- 335	- 4 536
Net income	626	583	700	542	11 061
Dividend for the year	383	477	577	695	734*

* According to the Board of Directors' recommendation

BALANCE SHEET (SEK M)

ASSETS

Cash	3 269	5 728	4 497	5 648	3 089
Swedish financial institutions	33 108	35 375	26 094	48 762	58 998
Foreign banks	16 822	22 606	22 530	22 620	27 460
Bonds	24 568	23 044	30 363	34 092	63 969
Loans to the general public	74 145	84 419	104 343	144 053	161 143
National Savings Accounts, net	—	—	106	97	153
Other assets	4 507	6 242	10 122	15 924	13 195
Shares and participations	1 638	1 181	1 495	5 461	5 549
Equipment	237	206	203	239	259
Real estate	309	521	523	515	1 260
Total assets	158 603	179 322	200 276	277 411	335 075
Pledged assets	104	305	5	205	5
Loans to the general public, amount granted	84 313	97 774	120 780	164 182	184 066

LIABILITIES AND SHAREHOLDERS' EQUITY

Clearing liabilities and bankers' drafts	1 496	1 854	1 871	3 537	1 865
Deposits from the general public	63 738	66 071	72 277	101 345	119 861
Certificates of deposit	10 670	9 344	8 946	16 513	18 239
Swedish financial institutions	16 342	21 496	20 326	21 735	35 797
Foreign banks	40 200	47 567	58 003	79 283	104 891
Other securities issued abroad	1 420	479	643	1 270	714
National Savings Accounts, net	39	257	—	—	—
Other liabilities	6 642	9 777	12 706	19 800	23 657
Long-term loans	5 595	7 523	9 716	14 613	11 706
Provision for country risks	319	361	311	247	239
Total liabilities	146 461	164 729	184 799	258 343	316 969
Revaluation reserves, tax equalisation reserve	9 550	11 638	12 335	15 988	4 673
Accumulated depreciation in excess of plan	195	123	87	60	47
Total untaxed reserves	9 745	11 761	12 422	16 048	4 720
Shareholders' equity	2 397	2 832	3 055	3 020	13 386
Total liabilities, untaxed reserves and shareholders' equity	158 603	179 322	200 276	277 411	335 075
Guarantees	20 928	20 997	39 550	57 827	59 716
Letters of credit, granted but not utilised	4 231	6 391	7 895	11 021	13 690
Capital value of pension commitments (covered by the Bank's pension foundation and fund)	1 196	1 311	1 485	1 751	2 523

The figures for 1989 have been adjusted in accordance with changed accounting principles for pension costs.
The figures for 1987-1990 have been adjusted for gross accounting of yield of real estate owned by Svenska Handelsbanken and for changed accounting of possible loan losses.

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