

19
Svenska
Handelsbanken
84

Annual Report

Svenska Handelsbanken

Annual Report 1984

114th Year of Operation

<i>Svenska Handelsbanken</i>			
<i>Highlights</i>	2	Other Revenue	12
Svenska Handelsbanken 1984		Expenses	12
Presidents' Report	3	Credit and Currency	
High Profitability Continues		Losses	13
at Svenska Handelsbanken	3	Extraordinary Income and	
Increased Credit Losses		Expense	13
and Rising Expenses	3	Allocation of Profit	13
Restructuring of Interna-		Reserves	14
tional Operations	4	The Bank's Capital Base . . .	14
Dividend for 1984	4	Developments in the Svenska	
Allocation of Profit	4	Handelsbanken Group . . .	14
The Oktogonen Founda-		The Svenska Handelsbanken	
tion	4	Group	14
<i>Review of Operations</i>	6	The Group's Performance	15
The Economy	6	Subsidiaries in Sweden . . .	15
Developments in Operations	7	Subsidiaries outside	
Deposits	7	Sweden	16
Deposits and Funding from		Affiliated Banks	17
Financial Institutions	8	Organization and Manage-	
Loans	8	ment	18
Bond Investments	8	Board of Directors and	
Expansion Continues for		Management	18
Division of Investment		Subsidiaries	18
Banking	9	Branch Network and	
International Operations . .	11	Administration	18
The Bank's Performance . . .	11	Personnel	18
Net Operating Income . . .	11	Proposal by the Board of	
Net Interest Income	12	Directors	19
		<i>Stock Information for Svenska</i>	
		<i>Handelsbanken</i>	20
		<i>Statement of Income</i>	22
		<i>Balance Sheet</i>	23
		<i>Consolidated Statement of</i>	
		<i>Income</i>	24
		<i>Consolidated Balance Sheet</i> .	25
		<i>Accounting Principles</i>	26
		<i>Notes to Statements of</i>	
		<i>Income and Balance Sheets</i>	27
		<i>Specification of Investments</i>	
		<i>and Participations</i>	40
		<i>Domestic and International</i>	
		<i>Issues</i>	41
		<i>Auditors' Report for 1984</i> . . .	43
		<i>Five-Year Performance</i>	
		<i>1980-1984</i>	44
		<i>Board of Directors</i>	46
		<i>Auditors</i>	46
		<i>Management</i>	46
		<i>Subsidiaries in Sweden</i>	47
		<i>Subsidiaries outside Sweden</i> .	47
		<i>Affiliated Banks</i>	47
		<i>Representative Offices outside</i>	
		<i>Sweden</i>	47
		<i>Svenska Handelsbanken's</i>	
		<i>8 Regional Bank Divisions</i>	48

Svenska Handelsbanken

Highlights

Svenska Handelsbanken					Average change %	
	1980	1981	1982	1983	1984	1980-84
GROWTH						
Total Assets at year-end, SEK in millions . . .	70,213	89,096	102,041	119,693	130,032	+18.2
Change from previous year, per cent	+24.8	+26.9	+14.5	+17.3	+ 8.6	
Total Branch Offices at year-end	461	455	452	454	454	
Average number of employees	4,993	4,971	5,040	5,179	5,353	
Consumer Price Index, annual rate of increase, per cent	+14.3	+ 9.7	+10.0	+ 9.3	+ 8.2	+10.1
CAPITAL RATIO						
Primary Capital ¹ to Total Assets, per cent . . .	7.1	6.4	6.2	6.2	6.5	
INCOME AND PROFITABILITY						
Net Operating Income, SEK in millions	788	1,095	1,186	1,741	1,770	+14.1
Return on Equity ² , per cent	13.8	17.6	17.0	23.0	20.1	
DIVIDEND						
Per common share, SEK	4.80	5.50	6.25	7.50	7.50	+11.8
The Group						
GROWTH						
Total Assets at year-end, SEK in millions . . .	82,903	102,970	120,294	141,434	157,309	+18.5
Change from previous year, per cent	+23.3	+24.2	+16.8	+17.6	+11.2	
Average number of employees	5,468	5,535	5,650	5,811	6,056	
CAPITAL RATIO						
Primary Capital ¹ to Assets, per cent	6.4	6.0	5.7	5.7	5.6	
INCOME AND PROFITABILITY						
Net Operating Income, SEK in millions	927	1,290	1,390	1,911	1,956	+13.0
Return on Equity ² , per cent	15.4	19.6	18.5	23.3	20.8	
Adjusted Net Income per common share ³ SEK	17.10	24.30	25.80	34.70	35.20	

- The average discount rate has been 0.32% higher in 1984 than in 1983. The Bank's substantial bond portfolio carries a fixed rate of interest, whereby each additional one per cent increase in the discount rate results in a reduction of operating income by SEK 240 million, given that the penalty rate and the rates on special terms and certificates of deposits rise correspondingly.
- During the Fall of 1984, a secondary market for government securities and bonds was created. Svenska Handelsbanken has played an active role in developing this market, for example, by being the first bank in Sweden to introduce a forward market for government securities.
- Svenska Handelsbanken has continued to expand international banking activities by transforming its representative office in Singapore to a wholly-owned subsidiary, Svenska Handelsbanken Asia Ltd.
- The Bank's shareholding in Nordfinanz-Bank Zürich, Zurich, has been partially sold, resulting in a capital gain of SEK 97 million.
- A new service offered to our clients this year is Svenska Handelsbanken's videotex Investment News, now displayed in 150 branch offices.

¹ Primary Capital is defined as Stockholders' Equity less proposed dividend plus Reserves.

² Return on Equity in Sweden is defined as Net Operating Income after 50% Standard Tax Deduction to Stockholders' Equity plus 50% of Reserves at the beginning of the year.

³ Adjusted Net Income is defined as Consolidated Net Operating Income including extraordinary income and expense except capital gains on property sold after minority interest and after dividends paid to preferred and index stock. Net Operating Income includes here the Group's share of net operating income from affiliated banks abroad and from Köpkort AB (credit card company). A Standard Tax Deduction of 50% has been applied.

Svenska Handelsbanken 1984

Presidents' Report

High Profitability Continues at Svenska Handelsbanken

Net operating income from banking activities was SEK 1,770 million for 1984, surpassing last year's income figures by 2%. Profitability was still satisfactory this year, even if return on equity plus reserves declined from 23.0% to 20.1%. The Bank's profitability ratio remains the highest of all publicly-owned commercial banks in Sweden.

As in 1983, profitability was affected by the Bank's substantial portfolio of government securities and housing mortgage bonds which provided a significant boost to operating income. The result obtained from the bond portfolio is highly dependent upon the relationship between the level of the portfolio's fixed rate of return and the level of interest paid for short-term funding. Since the size of the Bank's bond portfolio is no longer determined by government-regulated liquidity ratio requirements, but by the Bank's own assessment of market conditions, income and profitability are influenced by the Bank's capacity to anticipate changes in interest rates. Experiences from our first business year without liquidity ratio requirements are positive.

Svenska Handelsbanken has for many years played an active role in trying to diminish or eliminate government regulation of

the credit market. It was with satisfaction we noticed a trend in 1984 towards an increased reliance on market forces. One sign of this trend is the auction sale of Treasury notes recently initiated by the National Debt Office. Another welcome indication is the Riksbank's (the central bank) use of market operations to affect interest rates in the money market, dominated today by government securities.

The Bank has also contributed to the deregulation of the credit market by developing a forward market for Treasury notes. The Bank has made these efforts in line both with its belief in the market as the appropriate determining force in securities trading, as well as due to the new business opportunities which the forward transactions have opened up for the bank. The Bank seized these opportunities, and forward market trading has made a noteworthy contribution to this year's results.

Increased Credit Losses and Rising Expenses

Operating expense increased in 1984 by 26%. Credit losses and provisions for country risks rose substantially, as did non-interest expenses. Actual credit losses and provisions for possible credit losses and country risks have reduced income by SEK 461 million.

Credit losses are a consequence of the unusually long and

deep recession during recent years. The recession has inhibited Swedish entrepreneurship and affected the Bank's clients. Signs of this recession are reflected in credit losses in 1984 of SEK 152 million for ship financing. This amount represents actual losses as well as provisions against possible future losses, including SEK 100 million created in connection with the Salen bankruptcy, as well as a provision of SEK 23 million for Rederi AB Virginia. According to present accounting regulations, one-third of these provisions has been deducted from 1984's net operating income, and from the SEK 461 million mentioned above.

Only a few years ago – when banks were criticized for taking too few risks – the present level of credit losses would have been considered hypothetical. In the course of the last few years, bank credit losses, both in Sweden and internationally, have reached proportions that tangibly affect the income and profitability of banking today.

Allocations for country risks have been made in accordance with the principles agreed upon by Swedish commercial banks and the Bank Inspection Board. No losses have occurred under these commitments. Several of the larger debtor nations in the risk group have experienced an improvement in their economic situation and the debt consolidation agreements secured in the

international banking market are functioning well for the most part.

The Bank's profitability, for many years proven to be higher than for other Swedish commercial banks, can be attributed to the Bank's lower costs relative to the banking sector average.

The Bank's cost advantage is well worth protecting and measures to control the rise in expenses are now being planned. Especially, systems development costs have increased rapidly. The Bank's competitive position could have been harmed, if electronic banking services had not been introduced rapidly. In the coming years, however, the level of ambition in this area must be reduced for the entire banking sector. Otherwise, profitability will suffer from these cost increases. It is important to remember that cost increases have a tendency to endure, while profits, unfortunately, are more volatile.

During the past year, major investments have been made in the Division of Investment Banking. These investments have implied discernible increases in costs, and are consequently reflected in the expense figures. However, their effect on the revenue side is even more apparent. Such investments thus are justified by the more longstanding profits expected from this division. It would seem particularly warranted to be well-equipped in this area when foreign banks make their entry into the Swedish market.

Restructuring of International Operations

This year, the Bank has continued to reduce its ownership in consortium banks abroad in order to concentrate foreign activities on wholly-owned subsidiaries. As a result, the Bank has sold 11% of the total shares in Nordfinanz-Bank Zürich, Zurich, to Kansallis-Osake-Pankki, one of the shareholders. The purchaser has an option to acquire the Bank's remaining shareholding of 9% at a later date.

Towards the end of the year, the wholly-owned subsidiary bank in Singapore commenced operations, with an initial share capital of SGD 10 million, or approximately SEK 40 million.

The aforementioned changes have been initiated as a consequence of the growing volumes and strength of the Bank's international activities, a development which has now come to warrant that the Bank construct its international business from wholly-owned foreign subsidiaries.

The Nordic collaboration in the management of foreign banks and representative offices, which Svenska Handelsbanken has participated in during the last twenty years, has been of great mutual benefit for all parties. The gradual transition to wholly-owned subsidiaries, which Svenska Handelsbanken has initiated with the complete understanding of its Nordic partners, does not exclude that collaboration within the group continue in new areas of activities when that is deemed advantageous.

Svenska International Ltd, the Bank's wholly-owned subsidiary in London, has had a successful year and has reinforced its position as the Bank's primary foreign base. It would have been advantageous for Svenska Handelsbanken, as for all other Swedish banks, if this subsidiary could have been established as a branch office. Regretably, the current application of Swedish banking laws and regulations does not permit the establishment of foreign branches.

Dividend for 1984

The Bank has earlier stated that its objective is to maintain a growth in the dividend that will at least compensate shareholders for inflation. This remains the Bank's objective. This year, however, the introduction of a law on a temporary dividend freeze has made it impossible for the bank to recommend a dividend increase. However, during the last ten years, including 1984, the annual growth rate in

the dividend has been 11.8%. This growth rate can be compared with the 10% average rate of inflation in Sweden during the period.

However, the special rules regarding dividends on the Bank's index shares – has made it possible to exempt these shares from the dividend freeze. The dividend on these shares will thus be raised from SEK 2.20 to SEK 2.35.

Allocation of Profit

It is proposed that SEK 203.8 million be allocated to dividends from net income for 1984 before allocations and taxes of SEK 1,743 million. An additional SEK 220 million will be paid in taxes. After these items, the Bank will be able to increase its reserves by slightly more than SEK 1,000 million, and SEK 142 million in revenue net of taxes will be added to equity. In addition, SEK 142 million has been placed in the Riksbank's mandatory investment account. According to the rules for compounding such charges, this year's income has not been charged with an amount for the new profit-sharing tax, imposed as a result of the introduction of "wage-earner funds".

The increase in equity, combined with a subordinated loan taken up in foreign currency in early 1985, augments the Bank's capital base to the extent required in order to ensure the Bank's estimated growth in operations in Sweden and abroad during 1985.

The Oktogonen Foundation

The Bank's profitability in the past year exceeds the average profitability of other Swedish publicly-owned commercial banks. Thus, the Board will also be able this year to decide on an allocation to the Oktogonen Foundation, the Bank's personnel-owned profit-sharing fund. This means that during the twelve years since the introduction of this profit-sharing plan, the Bank has always been able to achieve a profit level which surpasses the average for other

publicly-owned commercial banks.

The Oktogonen Foundation is presently the largest single shareholder in Svenska Handelsbanken holding 5.2% of the total voting equity.

Since 1975, Oktogonen has owned 20% of total shares in

Svenska Finans, the Bank's subsidiary finance company. According to an agreement between the Bank and Oktogonen, the Bank has had the right to buy back those shares. The Bank has chosen to exercise this right in 1984, and has increased its shareholding in Svenska Finans from 80%

to 95%. At the same time, Oktogonen has acquired 5% of the Bank's formerly wholly-owned subsidiary, Sigab, a housing finance company. As a result of these changes, Oktogonen currently owns 5% of the shares in each of the companies Svenska Finans and Sigab.

Stockholm, February, 1985



JAN EKMAN TOM HEDELIUS

Review of Operations

The Economy

The Swedish economy showed improved vitality during 1984. The gross national product grew by 3% in real terms compared to the previous year's growth rate of 2%. The principal reason for this upswing is the 8% rise in export volume. Domestic demand strengthened marginally compared to 1983. Private consumption increased by approximately 1% in fixed prices in 1984, after a decline the previous year by slightly more than 1.5%. The most favorable aspect domestically was the resurgence of industrial investments by 20% after several years of stagnation.

The continued improvement in the balance on current accounts can be attributed to the strong growth in exports. Net current accounts showed a small surplus in 1984, compared to a deficit of over SEK 8 billion in 1983.

Production and profitability in the business community benefited greatly from the positive development of exports. Industrial production rose by about 8%, exceeding record levels, last reached in 1974. The time period between these two record years reflects a decade of economic stagnation, which to a great extent has been the cause of recent structural problems in the Swedish economy.

The increases in both exports and production can be traced – as in 1983 – back to the devaluations of 1981 and 1982. The devaluations have, however, had an inflationary effect on prices. In 1984, the consumer price index rose on average by approximately 8%, while the average price increase in other OECD countries was around 5%. Another cause for concern was the wage cost increases in industry, which persisted to be significantly higher in

Sweden than in nations competing with Sweden. Consequently, Sweden has lost some of the competitive advantage acquired through the last devaluation.

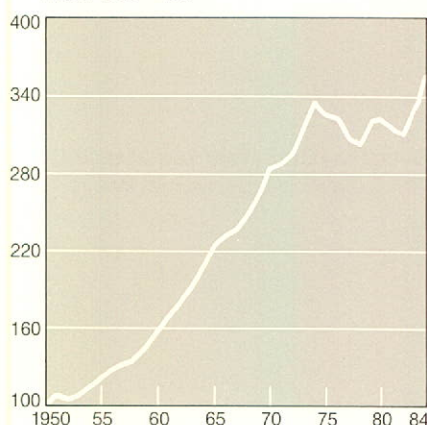
A problem remaining in the economy was the rapid rise in government debt. The budget deficit for 1984 was, however, reduced from the previous year – from SEK 83 billion in 1983 to SEK 74 billion in 1984. The deficit was financed to an unusually large degree in the Riksbank, since companies' mandatory investment accounts in the Riksbank increased by as much as SEK 8 billion. These funds are passed on directly to the National Debt Office. Households and capital market institutions remained the primary source of financing, contributing SEK 40 billion to government borrowing.

Fiscal policies continued to be restrictive in 1984. The Riksbank recommended restrained lending for all purposes other than housing financing. This limited the Bank's credit growth. The 1984 average loan volume was only allowed to exceed last year's levels by approximately 4%.

Interest rates in Sweden mainly followed international trends in 1984, particularly the US dollar interest rate. The discount and penalty rates, 8.5% and 11.5% respectively, were unchanged until the end of June. At that time, the discount rate was raised to 9.5%, and the penalty rate to 13.5% with reference to rising rates in the United

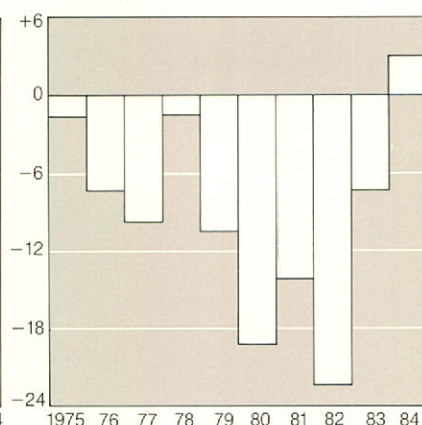
Industrial Production

Index 1950 = 100



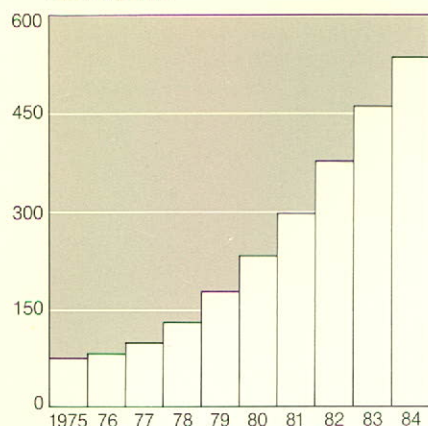
Balance on Current Accounts

SEK in billions



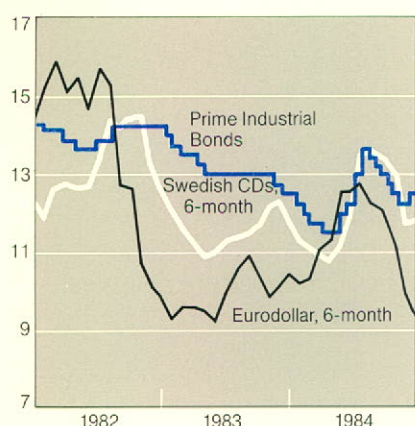
Government Debt

SEK in billions



Market Interest Rates

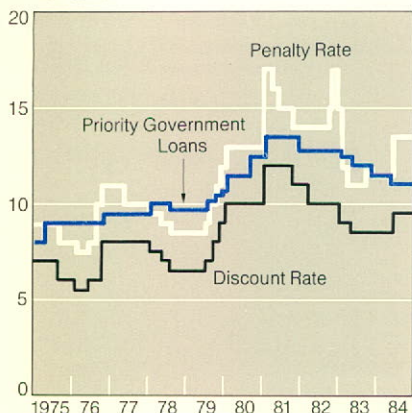
Per cent



States and a subsequent currency outflow from Sweden. Market rates had, however, been falling steadily since the beginning of the year, reaching all-time-lows in April and May. Later, rates began to climb, and at the time of the discount and penalty rate increases, rates made a leap upwards. During the rest of the year, the official rates stayed at June levels, while short-term market rates fell from

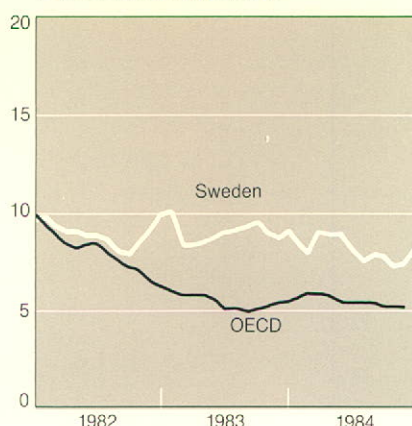
Official Interest Rates

Per cent



Consumer Prices

12-month percentage change



more than 13% in the beginning of October to approximately 11% at the end of the year. Long-term securities also suffered a decline in rates. The rate on five-year bonds decreased in the Fall from approximately 14% to almost 12% at the end of the year.

Developments in Operations

Total assets increased in 1984 by 9% to SEK 130 billion, a slower rate of growth than in recent years, due to the elimination of liquidity ratio requirements at the end of 1983. From that time on, banks were released from the obligation to buy government interest-bearing bonds. The government instead covered its borrowing needs through the sale of Treasury discount notes and Treasury notes on the market. This led to a lower growth rate in bank deposits. The newly-introduced National Savings Scheme (a tax-free savings account) had a similar effect, since banks simply act as an intermediary between the saver and the National Debt Office. National Savings Account funds are transmitted directly from the Bank to the Debt Office.

The granting of credits in Swedish kronor has, according to the Riksbank's recommendations, been restrictive. In order to meet clients' needs with regard to credit despite the lending limits, new financial solutions have been employed. Commercial paper programs are the most

typical example. These are funded on the money market, and therefore do not appear in the Bank's balance sheet.

Foreign currency volume has risen faster than Swedish kronor volume, as shown in the statement of changes of financial position. The increase can be primarily attributed to transactions with foreign banks. Foreign currency lending to Swedish clients has increased modestly.

Deposits

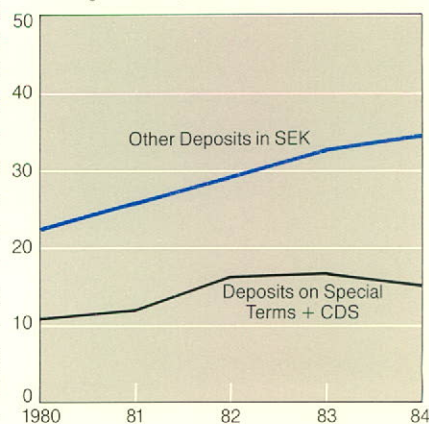
Total deposits, including certificates of deposit, reached SEK 60 billion at the end of 1984, an increase of 7% compared to 1983.

The rise in deposits in Swedish kronor, including CDs, equalled 7%. Deposits on special terms and certificates of deposit, fell somewhat in volume, while other types of deposit accounts went up by 11%. This means that the Bank's market share of these stable deposits, such as households, has remained constant.

A new, popular savings method – the National Savings Scheme – was introduced in the Spring of 1984 by the Government. The interest on National

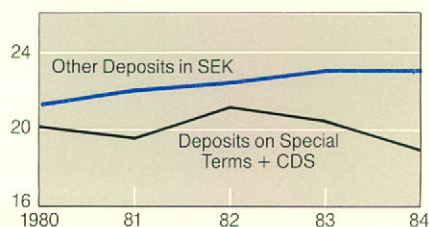
Deposits

Average Volume, SEK in billions



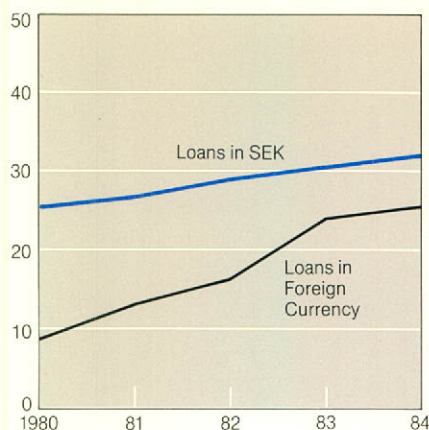
Svenska Handelsbanken's Market Share Among Commercial Banks,

Per cent



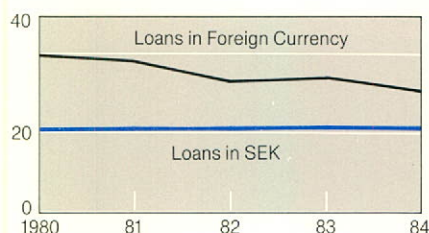
Loans

Average Volume, SEK in billions



Svenska Handelsbanken's Market Share Among Commercial Banks,

Per cent



Savings Accounts is tax-free for the saver. Deposits can be withdrawn at any time for a minor fee. Contacts with the individual saver are maintained by the banks, who successively transfer the savings funds to the National Debt Office.

Svenska Handelsbanken was intermediary for National Savings deposits amounting at year-end to SEK 726 million, of which SEK 609 million have already been delivered to the Debt Office. Only the net difference is included in the Bank's balance sheet.

Deposits in foreign currency rose by 6% to SEK 7.3 billion. This figure includes commercial paper placed on the US market.

Deposits and Funding from Financial Institutions

Deposits and funding from financial institutions consists mainly of short-term funding from the Riksbank and refinancing credits from the National Pension Fund. The short-term funding from the Riksbank has been, on the average, lower in 1984 than in 1983. This was still the case at year-

end. Refinancing credits from the National Pension Fund have become less attractive and the credits have been reduced in volume in 1984, since the Fund raised refinancing rates markedly at mid-year.

The large volume of foreign currency refers primarily to borrowings for short-term lending to Swedish clients and the placing of foreign currency in foreign banks.

Loans

Total loans rose from year-end to year-end by 10% to SEK 62.2 billion.

The Riksbank has recommended all Swedish banks to limit the growth of non-priority lending, to 20% compared to average volumes for 1981. This has limited competition between Swedish banks. Non-priority lending did rise by 11% from year-end to year-end. Nevertheless, the increase in the average volume of such credits was only 5% and therefore within the established guidelines. Priority loans to the housing sector rose notably, whereas the outstanding stock of construction credits fell by 10% as a result of an accelerated transfer of such loans to institutions specialized in long-term financing.

Credits granted in foreign currency decreased under the first semester, but rose again later in the year. From year-end to year-end, the total growth was 11%, mainly as a result of an in-

crease in short-term credits for six months or less where the foreign exchange risk is covered by a forward contract. Uncovered medium- and long-term credits declined in volume due to modest demand.

Bond Investments

The suspension of the liquidity ratio requirements has meant, as mentioned, an end to the obligation to regularly add to total bond investments. In addition, the Riksbank has altered the regulations for investments by insurance companies and by the National Pension Fund. This has resulted in more dynamic bond trading in the secondary market, and has broadened the circle of investors. From the beginning of October 1984, Svenska Handelsbanken, along with other Swedish banks, has begun quoting bid-and ask rates for all priority government bonds. The earlier restrictions on banks' own portfolios of Treasury notes were also revoked during the Fall of 1984. Housing mortgage bonds were still subject to a mandatory net volume increase in 1984.

The bond portfolio's acquisition value was reduced by a total of 3% to SEK 34.4 billion. The reserves for bonds, including allocations made in 1984 amounting to SEK 0.6 billion (SEK 0 billion), have been subtracted from the net book value, giving a net value of SEK 33.8 billion (SEK 35.5 billion).

Government bond assets de-

Sources and Application of Funds

Sources

State and Local Government	4,1
Households	22,9
Industry	15,6
Financial Institutions	10,2
Foreign Markets	36,5
Other	10,7

Application

State and Local Government	18,7
Households	12,9
Industry	32,8
Financial Institutions	6,7
Foreign Markets	14,4
Housing	13,0
Other	1,5

By client category, per cent, year-end 1984

Statement of Changes in Financial Position

SEK in Millions	Sources and Application of Funds					
	SEK		Foreign Currency		Total	
	Year-End 1984	Change from Year-End 1983	Year-End 1984	Change from Year-End 1983	Year-End 1984	Change from Year-End 1983
SOURCES OF FUNDS						
Deposits from the General Public:						
Deposits on Special Terms+CDS	14,528	- 596	1,554	+ 559	16,082	- 37
Other	38,144	+3,934	5,747	- 119	43,891	+3,815
Deposits from Financial Institutions	10,351	-5,058	33,162	+6,073	43,513	+1,015
Bond Issues and Subordinated Loans	361	- 25	3,539	- 396	3,900	- 421
Other External Sources	636	+ 63			636	+ 63
Other Net	2,903	+4,139	- 586	+ 170	2,317	+4,309
Equity and Reserves	8,680	+1,011			8,680	+1,011
Total Sources of Funds	75,603	+3,468	43,416	+6,287	119,019	+9,755
APPLICATION OF FUNDS						
Loans to the General Public:						
Business, Consumer, etc	30,039	+3,076	27,805	+2,825	57,844	+5,901
Housing Construction	4,355	- 484			4,355	- 484
Loans to Financial Institutions	3,910	+ 63	13,694	+3,582	17,604	+3,645
Investments in Bonds	33,176	- 771	1,235	- 276	34,411	-1,047
Cash and Cash Deposits	3,003	+1,227	64	+ 4	3,067	+1,231
Stocks, Real Estate, Equipment	1,120	+ 357	618	+ 152	1,738	+ 509
Total Application of Funds	75,603	+3,468	43,416	+6,287	119,019	+9,755

creased by SEK 4.0 billion to SEK 20.9 billion. Total assets in housing mortgage bonds increased though, according to the mandatory commitment, by SEK 1.8 billion to SEK 11.1 billion.

Expansion continues for the Division of Investment Banking

Svenska Handelsbanken strengthened its leading position during 1984 in money and bond markets. Resources have been added at both the central and regional levels. Turnover has increased significantly, particularly in the secondary market for government securities which the Bank initiated. The Bank also increased its market share considerably in the stock market.

Turnover on the Stockholm Stock Exchange declined by 7% compared to 1983, with a total turnover in 1984 of SEK 71 billion. During the first part of the year, stock prices climbed by 13%, and later fell by 21%, as measured by Affärsvärlden magazine's stock market index. The fall in stock prices from year-end to year-end equalled 11%. A 66% rise in prices was registered dur-

ing the corresponding period in 1983.

The volume of stock issues, and introductions in the stock and OTC markets totalled SEK 5.9 billion, as compared to SEK 7.4 billion during the previous year. OTC introductions accounted for SEK 484 million of the 1984 figure.

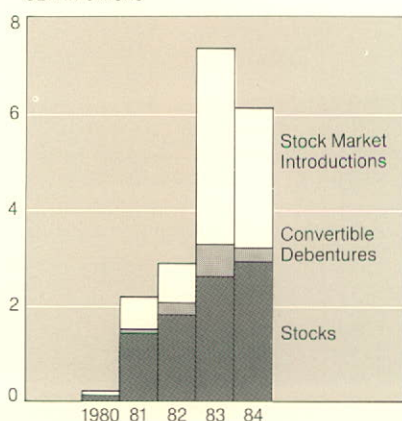
The public was invited to acquire shares in 62 firms, of which 38 were quoted on the OTC market. Svenska Handelsbanken participated in 12 of these intro-

ductions, of which 5 were OTC companies. The stock market and the OTC market listed quotes for 165 and 68 firms, respectively, at the end of the year. Six companies are quoted on a waiting list, while 24 firms are quoted in the daily press under the category known in Sweden as Unofficial Quotes.

Svenska Handelsbanken served as lead manager in 12 stock issues and introductions on the stock market. (See the list on page 10)

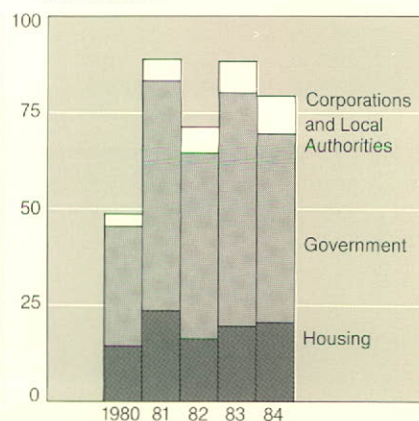
New Issues of Stocks and Convertible Debentures, and Stock Market Introductions

SEK in billions



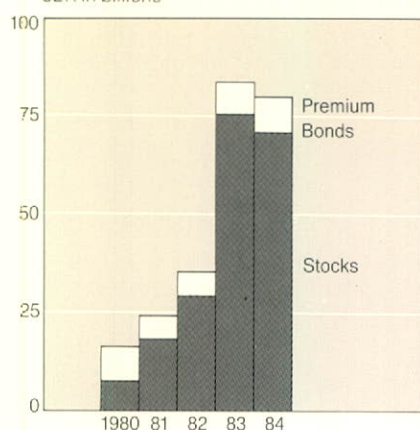
Domestic Bond and Debenture Issues

SEK in billions



Turnover on the Stockholm Stock Exchange

SEK in billions



In 1984, warrant financing made a breakthrough as an accepted method of raising equity capital. A warrant financing in Sweden consists of two parts: issuance of a promissory note, usually in the form of subordinated debentures, and a warrant, giving the owner of the warrant the right to subscribe for shares at a specified exercise price within a given number of years. In 1984, 29 warrant financings worth SEK 7.2 billion were issued. Svenska Handelsbanken has underwritten 14 of these financings – in 9 cases alone or as lead manager – which represents a combined credit volume of SEK 2.1 billion.

Svenska Handelsbanken was the first bank in Sweden to act as market maker for warrants and subordinated debentures issued in warrant, an innovation of considerable importance in making the secondary market for these instruments more efficient. The Bank's market maker commitment means that, for those warrant financings where the Bank has been the lead manager, the Bank will quote bid and ask prices for both warrants and subordinated debentures.

The interest in warrants was partially motivated by tax benefits. When the debenture was sold, the seller generally could declare a deductible capital loss. From the end of 1984, though, tax rules on warrants are less advantageous.

In collaboration with the

Bank's subsidiary, Svenska International Ltd., a number of stock issues and stock market introductions have been carried out on the London stock market. Two examples of this collaboration are the warrant financing on the London Stock Exchange of Investment AB Beijer and the private placement of stocks for Fermenta AB. The latter issue was made at the same time as Fermenta's introduction on the Stockholm Stock Exchange.

Svenska Handelsbanken manages local stock markets in the Swedish counties of Östergötland and Gotland. These small-scale markets represent an experiment in raising local capital. To date, two firms, Cloetta and Gotlandsflis, have been introduced on the county market.

During the year, the market for long- and medium-term debt capital has been activated and developed, partially as a result of the stringent credit controls. New securities have been introduced, and trade on the secondary market in existing money market instruments has intensified. Opportunities for a significant increase in long-term bond trading opened up, when the Riksbank changed the rules on mandatory securities investments for insurance companies this Fall. Competition in the market has sharpened due to the expanded operations of banks and securities' brokers, and due to the arrival of new market participants. The growing cash surplus among Swedish firms has also contributed to this development. The increase in the number of commercial paper programs for industrial and financial companies and local governments, has also been an active force behind the rising turnover.

Arranging a commercial paper program means that the Bank agrees to sell short-term promissory notes for a borrower in the money market whenever conditions are favorable. The borrower can vary the funding as deemed appropriate within agreed limits.

Stock Market Introductions 1984

Name	Amount SEK in millions
AI and All List	
Catena	282
* Fermenta	102
Kabinettet	32
OTC list	
Anza	12
Folkebolagen	10
Generator	14
* Ivars Bil	8
* Topflight	7
Waiting List	
* Anders Nisses	170
* Besam	45
Unofficial List	
* Concordia Maritime	70
Monitor Shipping	180
Local Stock Markets	
* Cloetta	(-)
* Gotlandsflis	3
New Issues on the Swedish Market	
Aritmos	72
* Gunnebo	22
* Gusum	20
Kuben	98
* MoDo	147
* Nokia	13
* Skrinet	249
* Sonessons	684
Warrant Financings	
ABV	253
* Anderssons	53
Aritmos	36
Asken	526
* Bahco	90
* Beijer	340
* Concordia Maritime	56
* Gunnebo	29
* Hasselfors	25
* Industrivärden	180
* Iro	65
* Skrinet	226
(Argentus)	100
Företagsfinans	100)

* The Bank acted as lead manager.

The method of continuous issuance from the commercial paper programs has been applied to long-term capital market loans as well, because of the deeper bond market and the wider circle of investors. Traditional bond issues also take place with the shortest possible preparatory period in order to give borrowers extensive freedom of choice with regard to the timing of new loans.

An important step in market development was taken when Svenska Handelsbanken introduced a forward market for government securities. The

Bank now quotes bid and ask rates for both short- and long-term interest-bearing government securities. This innovation has given both borrowers and investors new opportunities to protect themselves against undesirable interest rate risk. Interest in the forward market has been extensive and consequently, trading has reached considerable proportions.

A clear organizational distinction has been effected between the Bank's own funding and other trading in money market instruments and bonds by the creation of a division for the Bank's central liability management.

International Operations

Credit demand has been concentrated primarily on short-term credits in foreign currency for export and import financing.

During 1984, the Riksbank lowered the requirement regarding the shortest average maturity for investment and working capital credits in foreign currency to two years as opposed to the earlier five-year average requirement. This change led to a renewed interest in basket loans—loans consisting of a combination of foreign currencies similar to the currency basket used by the Riksbank—with an average maturity of two years.

The uncertainties surrounding the heavily-indebted nations has meant an increased demand for letters of credit, the form of payment which affords the greatest measure of safety.

The payment problems for these debtor nations is still a matter of concern. The Bank Inspection Board has recommended in 1984 that all Swedish banks continue to create reserves for their outstandings to these countries. Svenska Handelsbanken has made a provision of SEK 172 million in the 1984 statement plus an additional allocation of SEK 100 million. The Bank's combined total risk reserves for country risks thus amounts to SEK 667 million.

An agreement was reached this year between Svenska Han-

delsbanken and the other shareholders of Nordfinanz-Bank Zürich in Zurich, that the banks would transfer their majority shareholding position to Kansallis-Osake-Pankki, Helsinki. The Bank thus transferred 11% of the shares to Kansallis-Osake-Pankki in September 1984, with an option for the purchaser to acquire the Bank's remaining shareholding of 9% at a later date. Svenska Handelsbanken has been a shareholder in Nordfinanz-Bank Zürich since 1964. Nordfinanz-Bank Zürich has been of major importance to Svenska Handelsbanken when Swedish business began its internationalization process in the middle of the 1960s. The Swiss bank has been and is a profitable operation. Nevertheless, the Swiss market is nowadays of less significance for Svenska Handelsbanken than was previously the case, and no longer justifies an operation of the size which Nordfinanz-Bank Zürich represents. The Bank has thus chosen to emphasize its international operations through its subsidiary in London.

This wholly-owned subsidiary, Svenska International Ltd., has in 1984 continued with a rapid expansion process. In May, 1984, Svenska Handelsbanken increased equity in Svenska International Ltd. by GBP 15 million. After this increase, share capital now amounts to GBP 25 million. Svenska International Ltd. doubled its personnel in 1984 and diversified operations into an increasingly wide range of banking services. Credit volume, which consists primarily of Swedish-related financing, rose from GBP 6 million to GBP 46 million. Svenska International Ltd. has enjoyed noteworthy success in capital markets activities. The majority of Svenska Handelsbanken's operations on the international capital market have been led by Svenska International Ltd., usually under the name, Svenska Handelsbanken Group. The Group has in the past year acted as lead manager in 177 in-

ternational issues, of which 101 took place in 1984. The total value of these issues equalled SEK 250 million, of which SEK 165 billion can be attributed to 1984 issues. (See table, page 42)

Svenska Handelsbanken Asia Ltd. in Singapore, a wholly-owned subsidiary to Svenska Handelsbanken, began operations in November, 1984. The newly-opened bank has a share capital of SGD 10 million, approximately equivalent to SEK 40 million.

The Bank's Performance

Net Operating Income

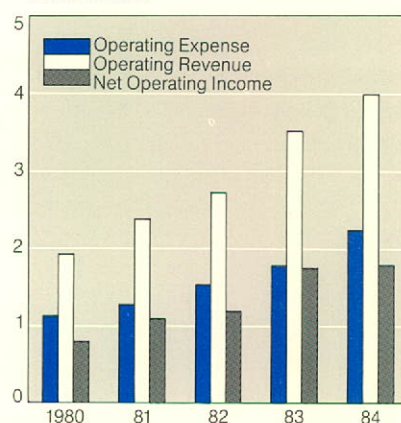
Svenska Handelsbanken's net operating income rose by 2% to SEK 1,770 million. Return on equity after taxes was 20.1%, a decrease compared to a return of 23.0% in 1983.

Improved earnings were most apparent under the first semester, when both the discount rate and interest rates on deposits on special terms and CDs were lower than during the corresponding period in 1983. Earnings potential, was reduced, when the Riksbank, prior to the start of the second semester, raised the discount rate by 1% and the penalty rate for Swedish banks' funding from the Riksbank by 2%.

Although official rates remained unaltered during the second half of 1984, interest rates for deposits on special terms and CDs fell from the end of October to levels equivalent to those at

Operating Expense, Operating Income and Net Operating Income

SEK in billions



the time of the interest increase. Income-earning potential was thus improved, but the general interest rate level was still higher than during the same period in 1983. Performance in both the second and third trimesters was therefore somewhat below 1983 levels.

Since the Bank's bond assets are tied to a fixed rate of interest, any increase in deposit and funding rates affects performance negatively. An increase in the discount rate by 1%, given the same increase in penalty, special term and CD rates, implies a reduction in annual earnings by SEK 240 million, calculated with 1984's average volume. If penalty, special term and CD rates alone increase by 1%, earnings drop by SEK 200 million. The discount rate increase alone thus accounts for a decline in earnings by SEK 40 million.

A decrease in interest rates has the same impact, although with the opposite effect on annual earnings.

The abovementioned changes occur when capital structure remains unchanged. In reality, the Bank adjusts its actions to each new situation.

Net interest income rose by 10% and income from commissions rose by 11% for all of 1984. Due to greatly increased profits from bond trading, the total increase in operating income was 14%.

Operating expenses rose by 26%. Personnel and administrative costs increased by 22%. Significant credit losses also accounted for rising expenses. The combined losses on loans, foreign exchange and bonds which have been attributed to this year's earnings equalled SEK 497 million compared to SEK 346 million in 1983.

Net Interest Income

Net interest income rose by 10% to SEK 2,801 million.

The growth in average earning assets settled at a modest 6%. The average assets volume in Swedish kronor went up by 2%,

while volume in foreign currency increased by 12%. Government financial policies have absorbed liquidity in the market, which has reduced the bank deposits market. The volume of deposits in Swedish kronor has therefore, on the average, lain 2% above 1983 levels. On the assets side, credit growth in Swedish kronor has been limited in accordance with the Riksbank's recommendations. After the removal of liquidity ratio requirements, the Bank has been able to reduce the size of the bond portfolio.

The interest rate level, 9.01%, measured in terms of the discount level, was on the average higher than the 1983 level, 8.69%. This would normally, given an unaltered structure, lead to a lower net interest margin, i.e. the difference between interest rates on all assets and liabilities. Through a number of measures, above all through changing the investment structure, the Bank has managed to avoid a reduction in the interest rate spread. As mentioned, the less profitable bond portfolio was reduced in size. Simultaneously, the volume of lending in Swedish kronor, which provides higher returns, was increased by 6%. The average return on interest-earning assets in Swedish kronor

was thereby improved by 0.25%-units. As for liabilities, the volume of short-term funding was reduced, and also became less expensive. The net interest margin increased totally from 1.85% to 1.88%.

The net investment margin, where non-interest-bearing funding sources such as equity and reserves are included, rose by 0.10%-units, from 2.42% to 2.52%.

Other Revenue

According to new Swedish accounting principles, gains from the sale of commercial bonds may no longer be included in trust fees and commissions. Instead, such profits are now included among other revenue. Figures for 1983 have been adjusted according to this change in accounting principles.

Income from commissions rose by 11% to SEK 840 million. Foreign commissions increased by 17%. In addition to profits from foreign currency trading, income from letters of credit rose substantially.

Brokers' commissions, excluding gains from sales, declined slightly, despite an increase in commissions on stock transactions. This decline was caused by bond brokerage fees being gradually replaced by a spread between bid and ask prices.

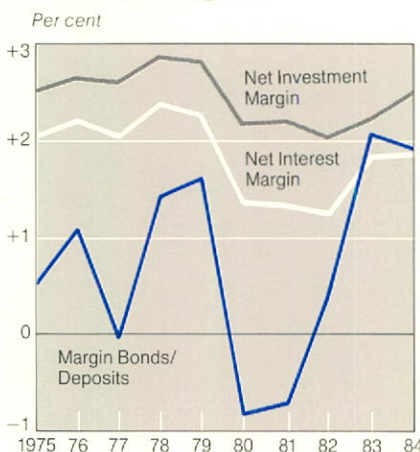
The income from wholly-owned real estate rose by 12% to SEK 67 million. All other non-interest income more than doubled to SEK 287 million. The aforementioned return from the sale of commercial bonds accounted for the major portion of this augmentation. The remaining other revenue can be primarily attributed to dividends, mainly from subsidiaries.

Expenses

Expenses increased by 22% to SEK 1,728 million.

Personnel costs rose by 16% to SEK 933 million. Salary payments accounted for two-thirds of total personnel costs, or SEK 642 million. In addition to negoti-

Net Interest Margins



Net Interest Margin: the difference between the interest on total assets and the interest on total liabilities.

Net Investment Margin: the difference between the interest on total assets and on total liabilities plus stockholder's equity and reserves.

Margin Bonds/Deposits: the difference between the interest on government securities and bonds and the interest cost for deposits in Swedish kronor.

ated salary raises and salary increases made necessary by competition for expertise, personnel costs have been affected by the increase in the total number of employees of 174 persons (3.4%) to 5,353 persons. In particular, investment banking operations have received new personnel resources.

Pensions costs are presented in accordance with the Bank Inspection Board's guidelines, which are based upon the Swedish Association for Authorized Public Accountants' recommendation number 4, regarding retirement plans managed by the company. In contrast to 1983, the return on investments made by the pension fund and the pension foundation did not fully cover pension outlays and increased pension commitments. The differential is included in costs, as well as fees paid to the supplementary pension (ATP), social security and partial retirement plans. Pension costs leaped upwards by 23%. Other salary-related costs are added to the total sum, such as social charges and payroll taxes.

Other administrative costs, including depreciation, increased by 30% to SEK 795 million. In particular, costs for computerization and systems development, including consultancy fees, rose substantially.

Credit and Currency Losses

According to current accounting regulations, losses on bonds, credit losses and provisions for possible credit losses are deducted from operating income in the form of a three-year moving average. Foreign exchange losses on currency trading and on foreign-currency financing affect income in the same year in which they occur. It is worth noting that from and including 1985, all losses will affect income in exactly the same year as they occur.

The three-year average for credit losses accelerated notably in 1984 as is shown in the table below. Both actual credit losses and provisions for possible credit

losses plus allocations for country risk have increased.

Three-year average, SEK in millions	1983	1984
Actual credit losses	174	267
Provisions for possible credit losses	—	41
Provisions for country risks	98	152
Total credit losses	272	461

Credit losses for 1984 are indicated in the section on the Reserves. Loan losses, after a recovery of previous charge-offs of SEK 20 million, equalled SEK 653 million (SEK 349 million), of which SEK 357 million refer to actual loan losses, SEK 124 million represent provisions for possible loan losses, and SEK 172 million represent an increased provision for country risk.

Losses on bonds (three-year average) were SEK 36 million, primarily due to losses realized in 1982 and 1983.

Extraordinary Income and Expense

Extraordinary income equalled SEK 138 million (SEK 169 million). SEK 97 million can be ascribed to the sale of Svenska Handelsbanken's 11% of the shares in the Nordfinanz-Bank Zürich to Kansallis-Osake-Pankki. SEK 20 million can be ascribed to the sale of 5% of shares in Sigab to the Oktogonen Foundation and SEK 20 million to the group contribution from Sigab.

Extraordinary expense equalled SEK 165 million (SEK 168 million). SEK 57 million (SEK 51 million) arose from the appropriation effected in 1984 of earnings to the personnel-owned Oktogonen Foundation. The appropriations made to the Oktogonen Foundation were motivated by Svenska Handelsbanken's high profitability in 1983, higher than that of any other Swedish publicly-owned commercial bank.

As in 1983, the Bank has chosen to include among its extraordinary expenses an additional SEK 100 million provision for country risks, above and beyond the Bank Inspection Board's recommendations. Finally, SEK 8

million has been reserved for Svenska Handelsbanken's Innovation Fund.

Allocation of Profit

Net operating income after extraordinary income and expense, equalled SEK 1,743 million compared with SEK 1,742 million in 1983.

At year-end 1983, the relationship between the market and book value for the Bank's bond portfolio was such that a reserve for bonds was no longer deemed necessary. Consequently, this reserve was integrated to the reserve for loans. However, in 1984, bond rates declined notably as a result of the increase in long-term interest rates. Subsequently, at year-end 1984, an allocation for bonds equalling SEK 621 million was judged necessary. Beyond this reserve, SEK 402 million was set aside in the reserve for loans.

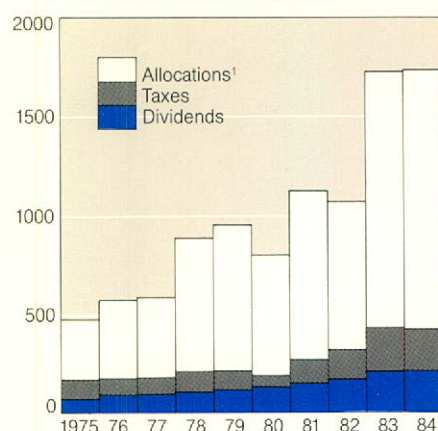
The difference between actual and book value for the Bank's pension debt was reduced by SEK 15.4 million taken from net income. New investments during the year have been written off against the investment reserve of SEK 11 million. The difference between book and straight-line depreciation was SEK 7.2 million.

As in 1983, allocations to the investment reserve are mandatory and must equal 20% of annual net operating income before taxes including the allocation to the investment reserve. This year's allocation amounted to SEK 142 million (SEK 140 million). Net operating income before taxes after this allocation equalled SEK 566 million (SEK 560 million).

SEK 220 million (SEK 233 million) has been allocated for taxes. This year's tax expense consists solely of income taxes. The temporary profit tax which was charged to last year's dividend payments has been replaced by a profit-sharing tax. This charge equals 20% of profits, adjusted in a specified manner. According to the rules for calculating this ad-

Allocations to Reserves, Taxes and Dividends

SEK in millions. Dividend for 1984 as proposed by the Board of Directors.



¹ Allocations to Reserves, Profit Brought Forward, Investment Reserve.

justment, no profit-sharing charge has been levied in 1984. Net profit thereby equals SEK 346 million.

Reserves

The Bank has the right to make provisions for untaxed reserves under the item Reserves. This item is composed of three separate reserves: loans, foreign exchange and bonds. A ceiling is placed on the sum of these reserves, above which taxes will be levied. Transfers can be freely made from one account to another through the income statement.

The portion of the reserve for loans which has been allocated for possible credit losses is not included in the reserve for loans and foreign exchange in the balance sheet, but is reported among liabilities.

The reserve for bonds is deducted according to the Bank Inspection Board's instructions from the acquisition value of bonds on the asset side of the balance sheet. The reserve for bonds comprises, in addition to the allocation for bonds in the allocation of profits, the provision for the three-year average of losses on bonds which has been deducted from net operating income. Profit from this year's rather limited sale of bonds has been credited the reserve for bonds. The amount of this reserve was SEK 659 million (SEK 0 million).

The reserve for loans has been

charged with, on the one hand, increased realized losses amounting to SEK 481 million (SEK 263 million), and on the other hand, the increased country risk allocations amounting to SEK 172 million (SEK 86 million). The reserve also includes the three-year average for actual losses, SEK 461 million (SEK 272 million), which has been charged to earnings, together with the allocation of SEK 402 million as an appropriation.

After including these items, the reserve for loans equals SEK 6,136 million (SEK 5,926 million). The reserve for foreign exchange is unaltered at SEK 204 million. The total value of reserves is SEK 6,999 million (SEK 6,130 million).

The Bank's Capital Base

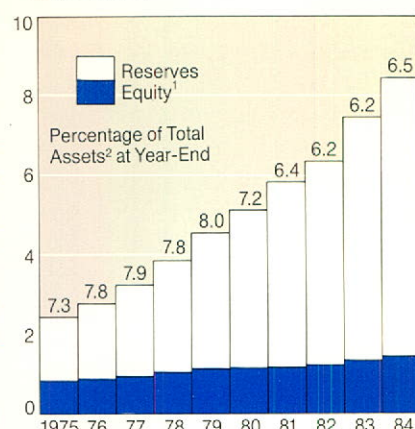
The legal capital requirement rose by 19% in 1984 to SEK 3,878 million. In relation to the sum of assets and outstanding guarantees, the average capital requirement rose to 2.73% compared to 2.53% at year-end 1983.

The capital base increased by 9% to SEK 4,367 million, as a result of the strong earnings performance. Consequently, the capital base exceeded the required level by SEK 489 million.

A new subordinated loan of USD 100 million will be issued in early 1985. The capital base will

Equity and Reserves

SEK in billions



¹ Not including dividends

² Total assets, i.e. including the reserve for bonds

then equal SEK 4,434 million, meaning a capital surplus of SEK 556 million relative to the requirement. A 15% increase in assets will thereby be secured.

Developments in the Svenska Handelsbanken Group

The Svenska Handelsbanken Group

The Svenska Handelsbanken Group comprises the Bank and those companies where the bank has more than 50% of total voting power.

The Bank's representative office in Singapore has been transformed this year into a wholly-owned subsidiary, Svenska Handelsbanken Asia Ltd., with a

Capital Requirement and Capital Base according to the Bank Law

Capital Requirement Risk Category	Assets	Capital Requirement	At year-end 1984	At year-end 1983
	SEK in millions	%	SEK in millions	SEK in millions
A	69,405	0	0	0
B	34,167	1	342	280
C	6,093	4	244	208
D	31,829	8	2,546	2,244
Investments in banks and financial institutions	746	100	746	535
Total Capital Requirement	142,240		3,878	3,267
Actual Capital Base				
Equity including proposed increase in retained earnings			1,478	1,336
40% of reserves, not, exceeding 100% of equity			1,478	1,336
Subordinated loans, valued at par, not exceeding 100% of equity			1,411	1,336
Total Capital Base			4,367	4,008
Surplus			489	741

share capital of SGD 10 million, approximately SEK 40 million. In addition, the Bank has taken advantage of its warrant in Svenska Finans to purchase another 15% of total shares in Svenska Finans, and now owns 95% of the company. Svenska Finans has since issued new capital of SEK 20 million, providing a total share capital of SEK 155 million. The relative distribution of shares remained unaltered by the new issue. The Bank has also sold 5% of its shares in Sigab and consequently owns 95% of the company. The Oktogonen Foundation owns 5% in both companies.

Svenska Finans AB, Sigab, Handelsbankens Fondservice AB and two real estate companies are subsidiaries mainly active in Sweden.

Banking operations abroad are conducted by the three wholly-owned subsidiaries, Svenska International Ltd., London, Svenska Handelsbanken S.A., Luxembourg, and the above-mentioned Svenska Handelsbanken Asia Ltd. A fourth subsidiary, Svenska Handelsbanken Inc., Delaware, USA, issues commercial paper on the US market.

Share capital in Svenska International Ltd. has been increased this year through a new issue of GBP 15 million to GBP 25 million.

The Group's Performance

Total assets for the Group increased by SEK 16 billion or

11%, to SEK 157 billion.

Loans increased by SEK 9 billion or 12%, to SEK 84 billion. Sigab and Svenska International Ltd. were responsible for the major portion of this increase.

Leasing assets decreased by 17% to SEK 1.3 billion.

The expansion was partially financed by an 8% increase in deposits, including certificates of deposit, to SEK 70 billion. Long-term debt decreased by 6% to SEK 17 billion.

The net operating income for the Group in 1984 was SEK 1,956 million, meaning an increase of SEK 45 million, or 2% compared to 1983.

The return on equity decreased from 23.3% to 20.8%.

Net operating income is distributed between group subsidiaries in the following way:

	1983 SEK in millions	1984 SEK in millions	Change %
Handelsbanken	1,678.5	1,705.6	+ 2
Svenska Finans AB	42.0	42.6	+ 1
Sigab	120.3	129.4	+ 8
Handelsbankens Fondservice AB	10.9	17.5	+ 61
Other Swedish	6.9	8.9	+ 29
Svenska International Ltd., London	4.8	14.9	+ 210
Svenska Handelsbanken, Luxembourg ..	47.9	38.2	- 20
Svenska Handelsbanken Asia, Singapore ..	-	0.9	.
	1,911.3	1,956.2	+ 2

Developments in the subsidiaries will be discussed in more detail on the pages below.

Stockholders' equity for the Group equalled SEK 1,747 million, which represents an increase by SEK 116 million, or 7% from last year. The available sur-

plus before allocations to statutory reserves equals SEK 723 million, as compared to SEK 607 million last year.

Affiliated banks

In addition to the Bank's own international operations, Svenska Handelsbanken collaborates extensively on international markets with the Nordic Group. The Nordic Group consists of Den norske Creditbank, Copenhagen Handelsbank, and Kansallis-Osake-Pankki as well as Svenska Handelsbanken. Svenska Handelsbanken's participation in this group has been reduced by the sale of 11% of shares in the Nordfinanz-Bank Zürich, Zurich, to Kansallis-Osake-Pankki. Earlier, the collaborating banks had held 20% each of total shares. Nordic American Banking Group

(NABC), New York, is still jointly owned by each of the Nordic banks, each having a 25% share. The banks also own 10% each in Manufacturers Hanover Banque Nordique, Paris. Manufacturers Hanover Trust Company owns the remaining 60%.

Subsidiaries in Sweden

The Svenska Finans Group

	1983 SEK in millions	1984 SEK in millions	Change %
Total Assets	7,468	7,957	+ 7
Stockholders' Equity	192	206	+ 7
Reserves	183	114	- 38
Net Operating Income	42.0	42.6	+ 1
Taxes	4.9	0.3	- 94
Net Income	10.0	17.0	+ 70
Dividend	22.5	17.0	- 24
Number of employees	594	564	- 5

Svenska Finans AB is Sweden's largest finance company. Svenska Handelsbanken has increased its shareholding from 80% to 95% through an acquisition of 15% from the Oktogonen Foundation. Svenska Finans' share capital has been increased through a new issue by SEK 20 million to a total of SEK 155 million.

Business operations include international and domestic factoring, leasing, installment purchasing and other corporate financing as well as household financing and administrative and collection services. The reorganization of international activities which began in 1983 has continued according to plan. The parent company conducts operations through wholly-owned

subsidiaries in Luxembourg, Switzerland, Great Britain, Holland, and West Germany, and an affiliated company in the USA. Credit volume including leasing assets, increased this year to SEK 6,477 million (SEK 6,374 million). Net operating income was SEK 42.6 million (SEK 42.0 million). Income has been positively affected by an increased average credit volume, an im-

proved investment margin and by reduced administrative costs. The latter have decreased by 13%, reflecting streamlined organizational structures, administration, and computer systems. The rise in net operating income has been hampered by a marked increase in credit losses, due to large write-offs on possible and realized losses, mainly on shipping credits.

SIGAB

	1983 SEK in millions	1984 SEK in millions	Change %
Total Assets	8,511	9,691	+ 14
Stockholders' Equity	117	117	—
Reserves	175	175	—
Net Operating Income	120.3	129.4	+ 8
Taxes	55.4	48.6	- 12
Net Income	28.4	38.2	+ 35
Dividend	38.0	40.0	+ 5
Number of employees	19	19	—

Svenska Intecknings Garanti Aktiebolag SIGAB (Swedish Mortgage Guarantee Corporation) is now 95%-owned by Svenska Handelsbanken and 5%-owned by the Oktogonen Foundation.

The company primarily arranges long-term real estate mortgages. Funds for these activities have been raised by issuing bonds and promissory notes.

Sigab's new borrowing for

1984 equalled SEK 1,342 million, of which SEK 1,242 million was in promissory notes and SEK 100 million in bond loans.

New loans were granted for a total of SEK 1,347 million, which can be compared with SEK 834 million in 1983. Sigab's total lending volume was SEK 9,338 million. SEK 5,730 million went to the financing of single family houses, SEK 2,592 million to apartment houses, and SEK 1,016 million to business and office buildings.

Handelsbanken's Fondservice AB

	1983 SEK in millions	1984 SEK in millions	Changes %
Stockholders' Equity	3.4	6.3	+ 85
Net Operating Income	10.9	17.5	+ 61
Taxes	5.3	9.2	+ 74
Net Income	2.2	5.0	+ 127
Dividend	2.0	5.0	+ 150
Market Value of Managed Funds	3,097	3,604	+ 16
Value of other Management Accounts	413	615	+ 49
Total	3,510	4,219	+ 20
Number of employees	19	26	+ 37

The company manages 25 (15) stock funds (mutual funds),

national savings funds and profit-sharing funds for clients. In ad-

dition, a new service has been introduced, Money Market Management. Money Market Management (Penningmarknadsförvaltning) includes both capital management and administration of larger capital amounts intended for investment in the money market.

The value of total funds under management increased this year from SEK 3,097 million to SEK 3,604 million.

Subsidiaries outside Sweden Svenska International Ltd., London

	1983 SEK in millions	1984 SEK in millions	Change %
Total Assets	1,483	3,514	+ 137
Stockholders' Equity	119	270	+ 127
Net Operating Income	4.8	14.9	+ 210
Reserves	0.6	2.2	+ 267
Taxes	2.5	5.8	+ 132
Net Income	1.7	6.9	+ 306
Number of employees	38	64	+ 68

Share capital was increased in May, 1984 by GBP 15 million. Share capital now equals GBP 25 million. The capital base is equal to GBP 30 million, or approximately SEK 315 million, which includes both share capital and subordinated loan capital amounting to GBP 5 million. Operations

have expanded rapidly and credit volume thus equals GBP 46 million, or SEK 482 million, as compared to SEK 69 million last year. The number of employees in the beginning of 1985 was 80 and in the Fall of 1984, Svenska International moved to new, larger premises in the central banking

district of London.

Today Svenska International Ltd. offers its clients an increasingly diversified range of banking services. Lending activities are mainly related to Swedish business. Operations are, however, primarily oriented towards merchant banking servi-

ces. The majority of Svenska Handelsbanken's activities on international capital markets have been led by Svenska International Ltd. under the name of the Svenska Handelsbanken Group (See table on page 42).

Svenska Handelsbanken S.A., Luxembourg

	1983 SEK in millions	1984 SEK in millions	Change %
Total Assets	8,390	9,725	+ 16
Stockholders' Equity	172	170	- 1
Net Operating Income	47.9	38.2	- 20
Reserves	42.6	34.7	- 19
Taxes	5.1	3.4	- 33
Net Income	0.2	0.1	- 50
Number of Employees	23	25	+ 9

Due to increased provisions for country risks, Svenska Handelsbanken S.A. shows a somewhat less satisfactory net operating income for 1984. A three-year

average of provisions for country risk amounting to SEK 18.1 million (SEK 11.8 million) and realized credit losses amounting to SEK 2.1 million (SEK 0 million)

have been charged to earnings according to Swedish accounting regulations. The outstanding credit volume rose by 24% to LUF 44 billion, or SEK 6,321 million. During the year, Jan Åsman was appointed managing director of Svenska Handelsbanken S.A., Luxembourg, replacing Ulf Hedbäck. Jan Åsman was previously executive vice president in Svenska Handelsbanken i Sweden.

Svenska Handelsbanken Asia Ltd., Singapore

Svenska Handelsbanken Asia Ltd., Singapore, was established in the Fall of 1984, and is a wholly-owned subsidiary of Svenska Handelsbanken. Share capital equals SGD 10 million, or SEK 40 million. The bank's pri-

mary function will be to facilitate import and export financing for Swedish businesses in the region. The bank will also offer extensive banking services to Swedish companies' subsidiaries in Southeast Asia. The managing

director of Svenska Handelsbanken Asia, Ltd., is Ulf Hedbäck, formerly managing director of Svenska Handelsbanken S.A., Luxembourg.

Svenska Handelsbanken Inc., Delaware

The company was formed in 1982 with its headquarters in Delaware in the USA. Svenska Handelsbanken Inc. is a wholly-owned subsidiary formed for the purpose of issuing commercial

paper on the US market with the guarantee of the Parent Bank in Sweden. The funds raised are transferred to Sweden to refinance the Bank's dollar-denominated loans. At year-end the total

amount outstanding was USD 400 million, corresponding to SEK 3,590 million, representing a decrease from the previous year of 3%.

Affiliated Banks

	Nordic American Banking Corp		Manufacturers Hanover Banque Nordique		Nordfinanz- Bank Zürich	
	1983	1984	1983	1984	1983	1984
Total Assets, SEK in millions	5,138	5,235	8,134	8,615	9,806	9,783
Capital Base ¹ , SEK in millions	295	304	131	129	896	920
Net Operating Income, SEK in millions	21	32	47	43	115	132
Svenska Handelsbanken's share	25	25	10	10	20	9

¹ Stockholders's equity, reserves, subordinated loans, etc.

Nordic American Banking Corporation, New York, has expanded its activities during the year through the formation of a new company for securities trading, Norden Capital Markets, Inc. The company was founded in the Fall of 1984 and its new operations are very promising. NABC has achieved con-

siderable success in the areas of project finance and corporate financial services.

Manufacturers Hanover
Banque Nordique, Paris, contin-

ues to show satisfactory results.

Nordfinanz-Bank Zürich, Zürich, of which Svenska Handelsbanken now owns 9% after the sale of 11% of total shares to

Kansallis- Osake-Pankki, Helsinki, has been quite profitable in 1984, as in earlier years.

Organization and Management

Board of Directors and Management

As of the Annual General Meeting on March 27, 1985, Jan Ekman will retire from the position of President and is proposed to be appointed one of the Vice Chairmen of the Board of Directors. Mr. Ekman will continue to serve the Bank, in particular in the long-term strategic planning of the Bank's international activities and in the development of the Bank's international contacts. As of the annual General Meeting, Tom Hedelius will assume the position as sole President of the Bank. Anders Ljungh, executive vice president, will replace Jan Ekman as head of the Central International Division.

Karl Erik Åman departed from his position as a deputy on the Board of Directors at the annual General Meeting in 1984. Mr. Birger Löwhagen, Malmö, President of Skanska AB and Mr. Birger Jarl Persson, Västerås, president of ICA Hakon AB were appointed new deputies.

Mr. Klas Wahlström was appointed executive vice president and head of the Central Controllers' office in October, 1984. He succeeds Lennart Johansson, who has retired.

Lennart Spetz, previously head of the Helsingborg branch office, has been appointed executive vice president and head of the Regional Bank Division for Southern Norrland. He succeeds Jan Åsman who has been appointed managing director of the Bank's subsidiary in Luxembourg.

Subsidiaries

Ulf Hedbäck has been appointed president of the wholly-owned subsidiary in Singapore, Svenska Handelsbanken Asia Ltd., opened in November, 1984. Mr. Hedbäck was earlier head of the Bank's subsidiary in Luxembourg.

Jan Åsman has been appointed president of the subsidiary in Luxembourg. Mr. Åsman was previously president of the Regional Bank Division in Southern Norrland.

Branch Network and Administration

At year-end 1984, the Bank's branch network consisted of 454 offices, the same number as in 1983. New branch offices were opened in Värnamo and Göteborg (Södra Biskopsgården), whereas the branch offices in Huvudsta and Götgatan in Stockholm were closed. In addition, a representative office has been opened in Mölnlycke.

Personnel

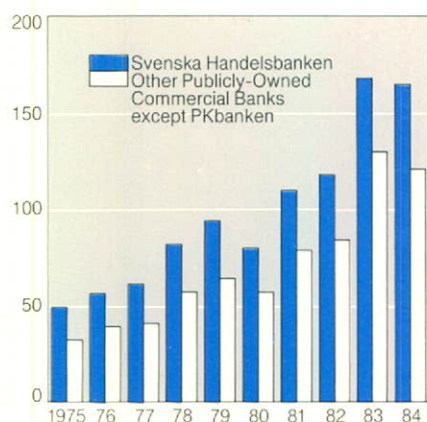
This year the average number of employees in the Bank was 5,353, an increase from the previous year by 174 persons or 3.4%. Salaries and compensation paid this year were SEK 642 mil-

lion, of which SEK 13 million went to the Board of Directors and high-level officers of the Bank. Comparable figures for 1983 were SEK 558 million and SEK 10 million, respectively.

The average number of employees this year for the Group was 6,056 man-years, which means an increase by 245 man-years or 4.2%. Salaries and compensation paid to employees in 1984 was SEK 749 million, 18% higher than in 1983.

Net Operating Income After Taxes per Employee

SEK in thousands



A standard tax deduction of 50% has been applied to net operating income. Net operating income is divided by the annual average number of employees.

Proposal by the Board of Directors

At the disposal of the Annual General Meeting in accordance with the Balance Sheet.		Amount
Retained earnings carried forward from 1983	SEK	389,860,967.65
Net income for 1984	SEK	345,855,925.20
		735,716,892.85

The Board of Directors proposes that the dividend on common stock remain unchanged at SEK 7.50. Under the by-laws of the Bank the dividend payable on the index shares shall be changed at the same rate as the change in the Consumer Price Index from November 1977 to November of the year of the current dividend. Thus calculated and rounded off in the prescribed manner, the dividend for 1984 shall be SEK 2.35 per share. The distribution on common stock, index stock and preferred stock totals SEK 203.8 million (SEK 203.3 million).

The proposal of the Board of Directors implies that the funds at the disposal of the Annual General Meeting be allocated as follows:

for distribution to the stockholders		
on preferred stock series A, SEK 0.90 per share	SEK	1,125,000.—
on preferred stock series B, SEK 1.20 per share	SEK	1,500,000.—
on common stock, SEK 7.50 per share	SEK	193,566,750.—
on index stock, SEK 2.35 per share	SEK	7,581,335.—
to be carried forward	SEK	531,943,807.85
	SEK	735,716,892.85

If this proposal is adopted, the Bank's share capital and reserves will be as follows:		
Share capital	SEK	630,700,000.—
Statutory reserve	SEK	315,350,000.—
	SEK	946,050,000.—
Plus retained earnings	SEK	531,943,807.85
		1,477,993,807.85

The Statement of Income and the Balance Sheet with notes on the following pages are an integral part of the Annual Report.

Stockholm, February 19, 1985

	JAN WALLANDER	
TORE BROWALDH	MATTS CARLGREN	TORKEL CARLSSON
PER EKSTRÖM	ERIK GRAFSTRÖM	RUNE GUSTAVSSON
GUNNAR HINDEMARK	NILS HOLGERSON	BARBRO JOHANSSON
ULF LAURIN	PER LINDBERG	PETER POLLAK
BO RYDIN	ANDERS WALL	SVEN ÅGRUP
	JAN EKMAN	TOM HEDELIUS
	Presidents	

Stock Information for Svenska Handelsbanken

Svenska Handelsbanken's shares each have a nominal value per share of SEK 20.

Share capital equals a total of SEK 630,700,000.— distributed among four types of shares, namely:

Common Stock	25,808,900 shares = SEK 516,178,000
Index Stock	3,226,100 shares = SEK 64,522,000
Preferred Stock	
Series A	1,250,000 shares = SEK 25,000,000
Series B	1,250,000 shares = SEK 25,000,000
Total SEK 630,700,000	

Common stock carries one vote per share, while index and preferred stock carries 1/10 of one vote per share. This means that 81.8% of the share capital is represented by common stock, carrying 97.8% of total voting power.

Svenska Handelsbanken has

about 66,000 stockholders, a majority of whom are private individuals. As shown in the table below, most of these investors own only a limited number of shares. Among the 54 stockholders owning more than 50,000 shares, there are no private individuals, but a number of insurance com-

panies, investment companies and mutual funds, each of which represents a large number of private individuals.

According to the latest available information, the Bank's stock was held as follows:

Shares held	Stockholders			Shares held	
	Number	As per cent of all stockholders	Number approx Thousands	As per cent of share capital	Average number of shares per stockholder
1— 100 shares	35,538	53.9	1,522	4.8	43
101— 500 shares	23,054	35.0	5,296	16.8	230
501— 1,000 shares	4,354	6.6	3,041	9.6	698
1,001—10,000 shares	2,783	4.2	6,016	19.1	2,162
10,001—50,000 shares	133	0.2	2,780	8.8	20,900
More than 50,001 shares	54	0.1	12,863	40.8	238,198
Old coupon certificates not yet exchanged, approximately			17	0.1	
Total	65,916	100.0	31,535	100.0	478

Net Earnings and Dividend per Share of Common Stock

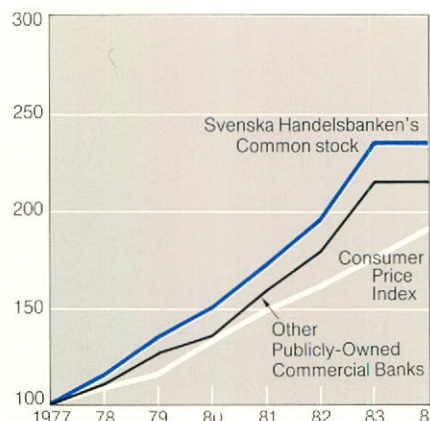
SEK



Earnings per share of common stock = Adjusted net income (see defn. p.2) after 50% standard tax deduction. Figures are adjusted for the 1976 bonus issue and the 1979 stock split. Dividend for 1984 as proposed by the Board of Directors.

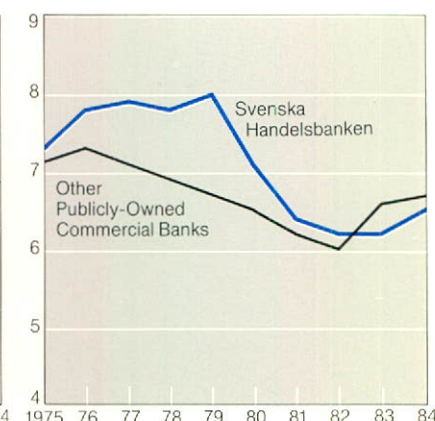
Growth in Dividend

Index 1977 = 100



Primary Capital to Total Assets

Per cent



Stockholder's Equity and reserves at year-end to total assets at year-end. Total assets include bond portfolio carried at acquisition value.

Ten of the stockholders hold more than 1% each of the common stock:										
The Oktogonen Foundation	5.2%	The Trygg-Hansa Group (insurance)	3.8%	Cardo (investment company)	1.5%					
The Skandia Group (insurance)	5.1%	Industrivärden (investment company)	3.1%	Länsförsäkringsbolagen, Stockholm (insurance)	1.2%					
SPP (pension insurance)	4.8%	The Folksam Group (insurance)	1.7%	PKBankens Aktiesparfond (investment fund)	1.1%					
		Sparbankernas Aktiesparfond (investment fund)	1.6%							

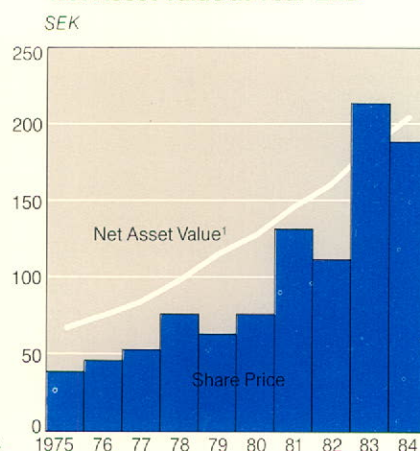
Selected Financial Data	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Net Operating Income after Taxes per Share of Common Stock SEK	9.70	11.50	12.50	17.40	20.10	17.10	24.30	25.80	34.70	35.20
Dividend per Share of Common Stock SEK	2.80	3.10	3.20	3.70	4.30	4.80	5.50	6.25	7.50	7.50
Dividend Growth %	12.0	10.7	3.2	15.6	16.3	11.6	14.6	13.6	20.0	0
Net Asset Value per Share of Common Stock SEK	67	75	84	100	116	127	146	160	185	203
Share Price, Common Stock at Year-End SEK	39	46	53	76	63	76	132	112	213	189
Share Price, Common Stock to Net Asset Value %	58.2	61.8	62.8	76.2	54.4	59.7	90.5	69.9	115.1	93.1
Primary Capital to Assets										
The Bank %	7.3	7.8	7.9	7.8	8.0	7.1	6.4	6.2	6.2	6.5
The Group %	6.4	6.9	7.0	6.9	7.1	6.4	6.0	5.7	5.7	5.6
Return on Stockholders' Equity After Taxes										
The Bank %	15.7	16.1	15.6	18.7	18.5	13.8	17.6	17.0	23.0	20.1
The Group %	16.5	17.2	17.6	21.0	20.4	15.4	19.6	18.5	23.3	20.8
Dividend to Share Price, Common Stock %	7.2	6.7	6.1	4.9	6.8	6.3	4.2	5.6	3.5	4.0
P/e ratio	4.0	4.0	4.2	4.4	3.1	4.4	5.4	4.3	6.1	5.4

Share Price, Common Stock



Share Price for Svenska Handelsbanken's Common Stock at year-end, after adjustment for the 1976 bonus issue and the 1979 stock split (Year-End, 1975 = 100). Year-end price in 1984 was SEK 189. Affärsvärlden's General Stock Market Index and Bank Stock Index regard quotes at year-end each year. (December 31, 1975 = 100.)

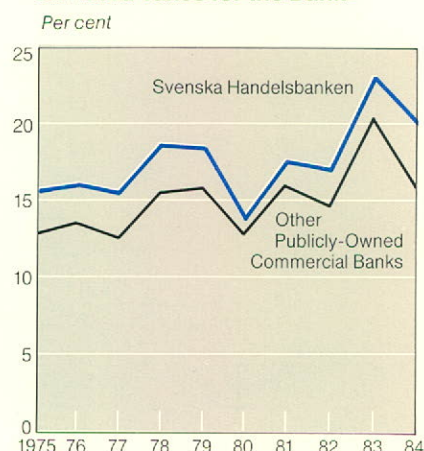
Share Price, Common Stock and Net Asset Value at Year-End



Share Price for Svenska Handelsbanken's Common Stock at year-end, after adjustment for the 1976 bonus issue and the 1979 stock split. Net asset value indicates stockholders' equity and reserves after 50% standard tax deduction less share capital represented by preferred and index share capital.

¹ = including proposed dividend on common stock

Return on Equity After 50% Standard Taxes for the Bank



Equity is defined as stockholders' equity adjusted for new issues plus 50% of reserves at year-end 1983. 1975-81 are adjusted according to accounting rules established in 1982 with regard to realized losses on bonds sold, credit losses and foreign currency gains or losses after devaluations.

Statement of Income

	1983 SEK in millions	1984 SEK in millions	Change %
OPERATING REVENUE			
Interest income, net Note 1	2,546.6	2,801.3	+ 10
Commissions Note 2	757.7	839.8	+ 11
Net income from real estate Note 3	59.9	67.2	+ 12
Other operating revenue Note 4	135.9	287.1	+111
Total operating revenue	3,500.1	3,995.3	+ 14
OPERATING EXPENSE			
Expense			
Personnel expense Note 5	802.0	932.8	+ 16
Other expenses, except depreciation Note 6	562.9	731.6	+ 30
Depreciation Note 7	48.9	63.5	+ 30
Total expense	1,413.7	1,727.9	+ 22
Realized losses on bonds sold Note 8	70.6	36.5	- 48
Credit losses Note 9	272.0	461.0	+ 69
Foreign exchange loss on long-term debt Note 10	3.0	-	-100
Total operating expense	1,759.3	2,225.3	+ 26
NET OPERATING INCOME	1,740.7	1,770.0	+ 2
Extraordinary income Note 11	169.2	137.9	- 18
Extraordinary expense Note 12	168.1	165.3	- 2
NET INCOME BEFORE ALLOCATIONS AND TAXES	1,741.8	1,742.6	+ 0
Utilization of special investment reserve	-	+ 11.0	
Difference between book and straight-line depreciations	-	- 7.2	
Change in difference between book and actual pension commitments	- 19.1	- 15.4	
Transfer from reserve for bonds	+1,317.2	-	
Allocation to reserves			
for bonds	-	-621.2	
for loans	-2,340.0	-402.0	
Allocation to special investment reserve Note 13	- 140.0	-142.0	
NET INCOME BEFORE TAXES	559.8	565.9	+ 1
Taxes Note 14	- 233.0	-220.0	- 6
NET INCOME	326.8	345.9	+ 6
At the disposal of the annual General Meeting, including contingency reserve	593.2	735.7	+ 24
Dividend for the year	203.3	203.8 ¹	+ 0
Balance	389.9	531.9 ¹	+ 36

All individual items have been rounded off, so that in some instances column subtotals do not balance.

The original of the Statement of Income, duly signed by the Board of Directors and endorsed by the Auditors, contains exact amounts for the year without comparative figures for prior years.

¹ As proposed by the Board of Directors.

Balance Sheet at December 31

	1983 SEK in millions	1984 SEK in millions	Change %
ASSETS			
Cash..... Note 15	1,833	3,067	+ 67
Due from domestic financial institutions..... Note 16	4,898	4,837	- 1
Due from foreign banks..... Note 16	8,831	12,747	+ 44
Certificates of deposit issued by other banks.....	233	20	- 91
Government securities and bonds..... Note 17	35,458	33,751	- 5
Loans..... Note 18	56,783	62,199	+ 10
Shares and debentures..... Note 20	894	1,366	+ 53
Equipment..... Note 21	91	121	+ 32
Real estate..... Note 22	244	251	+ 3
Other assets..... Note 23	10,428	11,673	+ 12
TOTAL ASSETS	119,693	130,032	+ 9
Collateral pledged..... Note 34	80	66	- 17
Loan facilities, total amount granted..... Note 18	63,853	69,882	+ 9
LIABILITIES AND STOCKHOLDERS' EQUITY			
Cashier's checks.....	507	595	+ 17
Deposits..... Note 24	46,058	51,207	+ 11
Certificates of deposit..... Note 24	10,136	8,766	- 14
Due to domestic financial institutions..... Note 25	10,240	5,813	- 43
Due to foreign banks..... Note 25	27,534	33,571	+ 22
Long-term debt..... Note 26	9,112	8,069	- 11
National Savings Account..... Note 27	-	117	.
Other liabilities..... Note 27	7,902	12,810	+ 62
Special investment reserve.....	140	271	+ 94
Allocation for possible credit losses..... Note 28	395	791	+100
TOTAL LIABILITIES	112,024	122,011	+ 9
Reserves for loans and foreign exchange..... Note 29	6,130	6,340	+ 3
Stockholders' equity..... Note 30	1,539	1,682	+ 9
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	119,693	130,032	+ 9
Guarantee obligations..... Note 31	12,347	13,272	+ 7
Letters of credit issued but not utilized.....	3,326	3,750	+ 13
Commitments to foreign central banks..... Note 32	-	-	
Capitalized value of pension commitments (covered by assets in the Bank's pension fund and pension foundation)..... Note 33	848	937	+ 10

All individual items are rounded off, so that in some instances the column subtotals do not balance.

The original Balance Sheet, duly signed by the Board of Directors and endorsed by the Auditors, contains exact amounts for the year without comparative figures for prior years.

Consolidated Statement of Income

	1983 SEK in millions	1984 SEK in millions	Change %
OPERATING REVENUE			
Interest income, net Note 1	3,340.3	3,715.4	+ 11
Commissions Note 2	829.1	961.3	+ 16
Other operating revenue Note 4	182.8	327.0	+ 79
Total operating revenue	4,352.2	5,003.7	+ 15
OPERATING EXPENSE			
Expense			
Personnel expense Note 5	922.4	1,080.2	+ 17
Other expenses, except depreciation Note 6	671.4	872.3	+ 30
Depreciation Note 7	439.6	475.2	+ 8
Total expense	2,033.5	2,427.6	+ 19
Realized losses on bonds sold Note 8	70.6	36.5	- 48
Credit losses Note 9	332.7	583.4	+ 75
Foreign exchange loss on long-term debt Note 10	4.1	-	-100
Total operating expense	2,440.9	3,047.5	+ 25
NET OPERATING INCOME	1,911.3	1,956.2	+ 2
Extraordinary income Note 11	171.5	117.9	- 31
Extraordinary expense Note 12	168.1	165.3	- 2
NET INCOME BEFORE ALLOCATIONS AND TAXES	1,914.7	1,908.8	- 0
Utilization of special investment reserve	-	+ 11.0	
Difference between book and depreciation according to economic life	-	- 19.2	
Change in difference between book and actual pension commitments	- 19.1	- 15.4	
Transfer from reserve for bonds	+1,317.2	-	
Allocation to reserves	-2,421.2	-1,073.0	
Allocation to special investment reserve Note 13	- 169.5	- 170.6	
NET INCOME BEFORE TAXES	622.0	641.6	+ 3
Taxes Note 14	- 310.3	- 291.9	- 6
Minority interest	- 2.0	- 4.7	+135
NET INCOME	309.7	345.0	+ 11

All individual items have been rounded off, so that in some instances the column subtotals do not balance.

Consolidated Balance Sheet at December 31

		1983 SEK in millions	1984 SEK in millions	Change %
ASSETS				
Cash	Note 15	1,833	3,067	+67
Due from banks and other financial institutions	Note 16	13,917	20,963	+51
Bonds	Note 17	36,081	34,525	- 4
Loans	Note 18	75,256	84,104	+12
Leasing assets	Note 19	1,532	1,273	-17
Shares and debentures	Note 20	442	653	+48
Equipment	Note 21	127	192	+51
Real estate	Note 22	299	306	+ 2
Other assets	Note 23	11,947	12,225	+ 2
TOTAL ASSETS		141,434	157,309	+11
Collateral pledged	Note 34	3,361	3,320	- 1
Loan facilities, total amount granted	Note 18	63,853	69,882	+ 9
LIABILITIES AND STOCKHOLDERS' EQUITY				
Cashier's checks		507	595	+17
Deposits and CDs	Note 24	64,616	70,058	+ 8
Due to banks and other financial institutions	Note 25	39,166	45,682	+17
Long-term debt	Note 26	18,199	17,155	- 6
Other liabilities	Note 27	10,110	14,175	+40
Special investment reserve		170	328	+94
Allocation for possible credit losses	Note 28	430	845	+97
TOTAL LIABILITIES		133,198	148,838	+12
Reserves	Note 29	6,567	6,708	+ 2
Minority interest		39	16	-59
Stockholders' equity	Note 30	1,631	1,747	+ 7
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		141,434	157,309	+11
Guarantee obligations	Note 31	14,307	14,982	+ 5
Letters of credit issued but not utilized		3,326	3,750	+13
Commitments to foreign central banks	Note 32	-	-	-
Capitalized value of pension commitments (covered by assets in the Bank's pension fund and pension foundation)	Note 33	848	937	+10

All individual items have been rounded off, so that in some instances the column subtotals do not balance.

Accounting Principles

Changes in Principles

In accordance with recommendations from the Bank Inspection Board, the balance of capital gains and losses from the sale of commercial bonds is included as of 1984 in other operating revenue. Previously, this item was classified as a commission. The comparable figures for 1983 have been changed accordingly. The exact amounts are presented in the notes.

Principles of Consolidation

The Group includes all companies where Svenska Handelsbanken has directly or indirectly more than 50% of the total voting power. The shares of the subsidiaries in the balance sheet are thus eliminated against equity in the subsidiaries at the time of investment. Group equity consists of the Parent Company's equity, plus the portion of subsidiaries' equity which has been added since the date of acquisition.

Assets, liabilities and untaxed reserves in the foreign subsidiaries' balance sheets are translated at current value, while equity is translated at its value at the time of investment or gain. The foreign subsidiaries' statements of income have been translated at the average rate of exchange during the year. This method leads to a conversion loss which has been reduced by unrealized foreign exchange gains in the Parent Company and the balance has been deducted from the Group's stockholders' equity.

The financial statements for individual subsidiaries outside Sweden follow the prevailing accounting principles for the countries where they are located. Three-year averages for credit losses and country risks have, however, been subtracted from net operating income in compliance with Swedish accounting principles. The Parent Company has also made an allocation for subsidiaries' country risks as re-

quired by Swedish accounting regulations. These regulations are generally more stringent than in other countries.

Foreign Currency Conversion

Assets and liabilities not denominated in Swedish kronor have in most cases been translated at current value, an average of bid and ask rates on the official exchange rate list on closing-day. Exceptions to this rule are as follows:

- shares in subsidiaries have been valued at the exchange rate at the time of investment or acquisition
- cash not denominated in Swedish kronor has been valued at the bid rate on closing-day
- subordinated debentures not denominated in Swedish kronor have been valued either at acquisition value or at current value, whichever is least
- subordinated loan capital not denominated in Swedish kronor has been valued either at acquisition value or at current value, whichever is greatest
- forward contracts not denominated in Swedish kronor have been valued at the prevailing foreign exchange rate for forward contracts with a corresponding remaining maturity

Depreciation

Straight-line depreciation is applied to equipment, at a rate of 20% of acquisition value per year. Real estate is amortized by the highest possible annual amount allowed by tax regulations. Real estate utilized for the protection of claims is not amortized at all. Leasing assets are written off progressively, according to various components of the individual agreement (acquisition value, maturity, interest rate, and residual value).

In 1984, an extra depreciation of equipment by SEK 11 million has been effected by utilizing the investment reserve.

Credit Losses

Credit losses signifies the balance of actual credit losses and recoveries plus allocations for possible credit losses including allocations for country risks. This definition follows the recommendations of the Bank Inspection Board. A three-year average of past credit losses has been deducted from net operating income.

Losses on Bonds Sold

Bonds are defined as bonds intended for permanent possession. A three-year average of previous years' capital gains and or losses has been deducted from net operating income.

Reserves

Non-taxable reserves for loans, bonds and foreign exchange are listed under the item allocation of profit. Actual credit losses and the allocations for possible credit losses and country risks are deducted from the reserve for loans, while recoveries are credited. A three-year average of the abovementioned items has been deducted from net operating income and added to the reserve for loans.

The balance from the sale of bonds is credited or debited the reserve for bonds. The reserve also includes a three-year average of bond losses which has been deducted from net operating income.

Notes to Statements of Income and Balance Sheets

Note 1: Interest Income, net	1983			1984		
	Average- balance SEK in millions	Interest SEK in millions	%	Average balance SEK in millions	Interest SEK in millions	%
Svenska Handelsbanken						
Cash and cash reserve	809	19.6	2.42	643	—	—
Due from domestic financial institutions	4,735	511.6	10.80	4,357	464.9	10.67
Due from foreign banks	9,855	624.4	6.34	13,316	984.2	7.39
Bonds and other fixed interest securities	34,019	3,993.9	11.74	32,986	3,899.2	11.82
Loans — in Swedish kronor	30,719	4,193.5	13.65	32,699	4,527.6	13.85
Loans — in foreign currency	24,048	2,542.6	10.57	25,838	2,834.2	10.97
Other assets	1,032	3.7		1,365	2.9	
A. Total Assets	105,217	11,889.3	11.30	111,204	12,713.0	11.43
Deposits in Swedish kronor	41,035	3,813.0	9.29	41,021	3,911.7	9.54
Certificates of deposit in Swedish kronor	8,208	941.7	11.47	9,441	1,086.9	11.51
	49,243	4,754.7	9.66	50,462	4,998.6	9.91
Deposits in foreign currency	4,583	421.8	9.20	6,098	636.9	10.44
Certificates of deposit in foreign currency	910	80.7	8.87	1,622	169.9	10.47
	5,493	502.5	9.15	7,720	806.8	10.45
Due to domestic financial institutions	6,326	622.0	9.83	5,053	404.4	8.00
Due to foreign banks	27,898	2,410.5	8.64	30,659	2,738.1	8.93
Bonds	2,918	320.4	10.98	2,584	292.5	11.32
Subordinated loans in Swedish kronor	263	26.8	10.18	255	27.4	10.77
Subordinated loans in foreign currency	973	120.1	12.35	1,208	144.8	11.98
Domestic refinancing loans	4,999	572.1	11.44	4,249	485.8	11.43
Other liabilities	743	13.6		1,548	13.3	
B. Total Liabilities	98,856	9,342.7	9.45	103,738	9,911.7	9.55
Stockholders' Equity and Reserves	6,361			7,466		
C. Total Liabilities and Stockholders' Equity	105,217	9,342.7	8.88	111,204	9,911.7	8.91
Interest income, net		2,546.6			2,801.3	
Net interest margin (A-B)			1.85			1.88
Net investment margin (A-C)			2.42			2.52
Average discount rate			8.69			9.01

Cash and cash reserve: The average cash reserve requirement during 1984 has been 1% (1.2%). Interest has been earned on assets corresponding in amount to the cash reserve. This interest earned was netted against the bank's additional revenue from an increase in overdraft checking account rates which was initiated in 1982 by the Riksbank and has since been maintained.

Due from domestic financial institutions: About half of this item consists of claims on Swedish banks and financial institutions in foreign currency.

Bonds and other fixed interest securities: After suspension of the liquidity reserve ratio requirement in September, 1983, the bank has no obligation to increase ownership of priority government securities. The bond portfolio has been reduced during 1984. By changing the content of the portfolio, the return has been raised from 11.74% to 11.82%.

Loans in Swedish kronor: Lending has been curtailed in accordance with recommendations from the Riksbank. The increase in average balance 1983-1984 was 6%. Interest on loans includes com-

mitment fees on contractual credits equalling 0.39%, as well as the increase in overdraft checking account interest rates mentioned under cash and cash reserve. The major portion of these interest revenues has been foregone in the form of a reduction in the Riksbank of the yield from cash reserve.

Other assets: Shares, participations, real estate, equipment and subordinated debentures.

Deposits and certificates of deposit in Swedish kronor: Interest fell by 0.07% units in relation to the discount rate. The more expensive deposits in the form of deposits on special terms and certificates of deposit became less expensive relative to the discount rate and constituted a smaller portion of total deposits. Interest on other deposits increased relative to the discount rate. In particular, interest rose on checking deposits.

Deposits and certificates of deposits in foreign currency: The large increase in deposits in foreign currency is a result of the expanded use of US commercial papers as a source of refinancing in foreign currency.

Due to domestic financial institutions: Deposits from Swedish financial institutions as well as short-term borrowings from the Riksbank and other domestic banks. Interest fell markedly, since total short-term deposits were lower than in 1983.

Bonds: Mainly medium-term bank bonds in foreign currency.

Domestic refinancing loans: Refinancing of loans with the National Pension Fund as well as refinancing of export credits.

Other liabilities: Cashier's checks, secured loans in bank real estate, as well as the balance between the clearance account and the profit account.

The Group	1983 SEK in millions	1984 SEK in millions	Change %
Svenska Handelsbanken	2,546.6	2,801.3	+10
Sigab	129.0	155.9	+20
Svenska Finans including leasing charges	574.3	664.6	+16
Other	90.4	93.6	+ 4
	3,340.3	3,715.4	+11

Other companies include Svenska International Ltd., London, with a clear improvement, and Svenska

Handelsbanken S.A., Luxembourg, with a less satisfactory development relative to last year.

Note 2: Commissions

Svenska Handelsbanken

Domestic lending	131.7	132.9	+ 1
Domestic and international securities operations	203.0	204.8	+ 1
Trust and legal services	68.8	77.1	+12
Other domestic operations	90.1	115.3	+28
International operations	264.1	309.7	+17
	757.7	839.8	+11

Net profit from commercial bond trading is included in other operating revenue and not among brokerage commissions. Information for 1983 has been adjusted with regard to the change in accounting methods. The commissions on stock transactions increased, while commissions on bond transactions decreased. The latter has been gradually replaced by the spread between bid and ask quotes.

As for commissions from international operations, foreign exchange trading profits increased by slightly more than 20%. Commissions from letters of credit also rose significantly.

The major increase in other domestic commissions is due to the increased charges for bank safe-deposit boxes and to the fees for administering National Savings Accounts.

The Group

Svenska Handelsbanken	729.2	822.4	+ 13
Svenska Finans	75.0	88.4	+ 18
Other	24.9	50.5	+103
	829.1	961.3	+ 16

The significant increase in commissions for other subsidiaries can be attributed mainly to Svenska International Ltd., London.

Note 3: Net Income from Real Estate

Svenska Handelsbanken

Rental income	87.1	94.2	+ 8
Less repairs	9.9	9.2	- 7
Less other operating expense	17.4	17.9	+ 3
	59.9	67.2	+12

Note 4: Other Operating Revenue**Svenska Handelsbanken**

Dividends from subsidiaries:

	1983 SEK in millions	1984 SEK in millions	Change %
Svenska Finans AB	18.0	16.2	- 10
Sigab	38.0	40.0	+ 5
Other subsidiaries	5.5	8.2	+ 49
	61.5	64.4	+ 5
Dividends from other companies	10.6	10.7	+ 1
Net profit from commercial bond trading	48.9	196.1	+301
Other revenue	14.8	15.9	+ 7
	135.9	287.1	+111

Dividends from subsidiaries applies to 1984. A more detailed description of dividends is included on page 40.

The Group

Rental income	32.8	77.3	+136
Dividends	10.6	20.8	+ 96
Net profit from commercial bond trading	73.7	208.9	+183
Other revenue	65.7	20.0	- 70
	182.8	327.0	+ 79

Note 5: Personnel Expense**Svenska Handelsbanken**

Salaries and remunerations	558.2	642.3	+15
Pension costs	110.6	135.7	+23
Social charges	94.1	104.1	+11
Other personnel costs	39.1	50.7	+30
	802.0	932.8	+16

The average number of employees increased by 174 (3.4%) to 5,353 individuals. The number of hours worked rose by 4.1% to 8,900,000.

Remunerations amounting to SEK 12.6 million (SEK 10.2 million) to the Central Board of Directors, to the Regional Boards of Directors, and to high-level officers of the Bank at the central office and in the regional bank divisions are included in salaries and remunerations.

Salaries to all other employees were SEK 617.5 million (SEK 537.9 million). Remuneration to the Boards at branch offices, salaries to restaurant and cleaning

personnel and changes in the reserve for vacation bonuses, equalling a total of SEK 12.2 million (SEK 10 million) are also included. Pension costs are shown according to the Bank Inspections Board's guidelines, which are based upon the Association of Authorized Public Accountants' recommendation number 4. The return on the pension fund's and the pension foundation's investments did not cover pension costs for the retirement plan within the Parent Company, as they did in 1983. The differential equalled SEK 7 million and is included among pension costs, which also include fees for supplementary pensions (ATP), social security and partial retirement.

The Group

Svenska Handelsbanken	802.0	932.8	+16
Sigab	3.9	4.5	+15
Svenska Finans	94.2	109.5	+16
Other	22.3	33.4	+50
	922.4	1,080.2	+17

The relatively large increase in the other category mainly represents increases in personnel expenses at Svenska International Ltd., London.

Note 6: Other Expenses, except Depreciation**Svenska Handelsbanken**

	1983 SEK in millions	1984 SEK in millions	Change %
Rent and expenses for premises	177.2	210.4	+19
Telephone, cables, postage, and transport	58.9	76.2	+29
Equipment rental, computer services, maintenance	93.4	123.7	+32
Purchased services	78.1	122.3	+57
Procurement	38.2	45.4	+19
Other expenses	117.1	153.6	+31
	562.9	731.6	+30

Rental costs for the Bank's own real estate properties (directly-owned and owned through the Bank's real estate subsidiaries) of SEK 77.6 million (SEK 70.5 million) are included under rent and expenses.

Purchased services consist partly of costs for services supplied by institutions used by all commercial banks, such as Bank Giro and the automatic teller machine system, and partly of costs for consultants, mainly for computer systems.

The Group

Svenska Handelsbanken	519.4	722.5	+39
Sigab	1.6	2.5	+56
Svenska Finans	116.6	110.4	- 5
Other	33.8	36.9	+ 9
	671.4	872.3	+30

Note 7: Depreciation**Svenska Handelsbanken**

Depreciation on equipment	42.7	56.5	+32
Depreciation on real estate	6.2	7.0	+14
	48.9	63.5	+30

Equipment is written off by 20% of its acquisition value yearly, which is estimated to correspond to its

economic life. Real estate properties are amortized by the largest amount permitted by tax regulations.

The Group

Leasing assets	378.2	396.4	+ 5
Machines and equipment	51.9	67.4	+30
Real estate	7.4	8.3	+12
Goodwill	2.1	3.1	+48
	439.6	475.2	+ 8

Leasing assets are written off progressively according to the individual agreement's components (acquisition value, maturity, interest, and residual value). Machines and equipment are written off by 20% of

their acquisition value yearly, which is estimated to correspond to their economic life. Real estate properties are amortized by the largest amount permitted by tax regulations.

Note 8: Realized Losses on Bonds Sold

A three-year average of net losses on bonds sold is deducted from net operating income. See Note 29.

Note 9: Credit Losses

Credit losses consist of the average net actual and possible credit losses and recovered write-offs for the last three years. A provision for country risks is

included among possible losses according to the Bank Inspection Board's stipulations. Actual credit losses are shown in Note 29.

Note 10: Foreign Exchange Loss on Long-Term Debt

Foreign exchange losses on long-term debt in 1983 mainly refer to borrowings for stock investments in affiliated foreign banks.

Note 11 : Extraordinary Income**Svenska Handelsbanken**

	1983 SEK in millions	1984 SEK in millions	Change %
Capital gains on stocks sold	135.3	117.1	- 13
Capital gains on real estate sold	21.3	0.8	- 96
Surplus from pension fund and foundation	12.5	-	-100
Group contribution from Sigab	-	20.0	
	169.2	137.9	- 18

Capital gains from stocks sold refers to capital gains of SEK 97.5 million from the sale of part of shareholdings in Nordfinanz-Bank Zürich and capital gains of SEK 19.6 million from the sale of shareholdings in Sigab.

The Group

Capital gains on stocks sold	135.3	117.1	- 13
Capital gains on real estate sold	23.6	0.8	- 97
Surplus from pension fund and foundation	12.5	-	-100
	171.5	117.9	- 31

Note 12: Extraordinary Expense**Svenska Handelsbanken and the Group**

Transfer to the staff-owned Oktogonen Foundation	51.3	57.3	+ 12
Allocation to the Svenska Handelsbanken Innovation Fund	8.0	8.0	-
Deficit on sale of stock	8.8	-	-100
Extra allocation for country risks	100.0	100.0	-
	168.1	165.3	- 2

The allocation to the Oktogonen Foundation is justified by the Bank showing better profitability than the average for other publicly-owned commercial banks.

The additional allocation for country risks is made above and beyond the reserve recommended by the Bank Inspection Board.

Note 13: Allocation to the Special Investment Reserve

The allocation corresponds to the deposit in the special investment account in the Riksbank, which the Bank is required to make by law.

Note 14: Taxes**Svenska Handelsbanken**

Government and local government income taxes	205.0	220.0	+ 7
Provisional income tax	28.0	-	-100
	233.0	220.0	- 6

The allocation to the reserve for bonds made necessary by the developments in market values for bonds,

have exempted the Bank from the profit-sharing tax for 1984.

The Group

Government and local government income taxes	269.3	287.9	+ 7
Provisional income tax	41.0	-	-100
Profit-sharing tax	-	4.0	
	310.3	291.9	- 6

Note 15: Cash**Svenska Handelsbanken and the Group**

Banknotes and coins	693	908	+ 31
Checks and cashier's checks	1,140	2,159	+ 89
	1,833	3,067	+ 67

Note 16: Due from Domestic Financial Institutions and Foreign Banks

Svenska Handelsbanken

Domestic Financial Institutions

	1983 SEK in millions	1984 SEK in millions	Change %
The Riksbank	9	145	.
National Debt Office	42	145	+ 245
Banks, in foreign currency	944	877	- 7
Banks, in Swedish kronor	2,077	1,171	- 44
Savings and cooperative banks	2	67	.
Other, in foreign currency	1,345	1,081	- 20
Other, in Swedish kronor	479	1,350	+ 182
Total, domestic financial institutions	4,898	4,837	- 1

The current cash reserve requirement obliges banks to hold 1% of all deposits, including certificates of deposit, bank bonds and debts to other financial institutions in Swedish kronor. Since cash holdings can be deducted from the reserve requirement, the net

deposit under the cash reserve requirement was SEK 0 million (SEK 3 million). Deposits to the mandatory special investment account in the Riksbank equalled SEK 129 million and in the liquidity account, SEK 16 million.

Due from foreign banks

In foreign currency	7,823	11,731	+ 50
In Swedish kronor	1,008	1,015	+ 1
Total, foreign banks	8,831	12,747	+ 44

The Group

The Riksbank and the National Debt Office	51	313	+513
Domestic banks	3,059	2,887	- 6
Other domestic financial institutions	2,234	2,270	+ 2
Foreign banks	8,340	15,473	+ 86
CDs issued by other banks	233	20	- 91
	13,917	20,963	+ 51

Not 17: Government Securities and Bonds

	1983 Acquisition value SEK in millions	1983 Market value SEK in millions	1984 Acquisition value SEK in millions	1984 Market value SEK in millions
Svenska Handelsbanken				
Issued by:				
Government	24,935	25,414	20,949	20,841
Mortgage institutions	9,239	8,843	11,073	10,518
Local authorities and institutions financing local authorities	195	196	229	235
Corporations and institutions financing corporations	899	907	1,991	1,990
Total domestic	35,267	35,359	34,242	33,583
Total foreign	191	188	169	168
Total	35,458	35,547	34,411	33,751
Less reserve for bonds (see Note 29)	-		659	
Total book value	35,458		33,751	

Distribution of bond portfolio according to maturity:

	1984 Nominal value SEK in millions	% of portfolio
Less than 1 year	4,889	14
1-5 years	7,647	22
5-10 years	14,239	41
More than 10 years	8,138	23
	34,914	100
Average remaining maturity	7.2 yrs.	
Average coupon interest	11.73%	

The Group	1983 SEK in millions	1984 SEK in millions	Change %
Book value			
Svenska Handelsbanken	34,754	32,983	- 5
Svenska International Ltd., London	1,083	1,208	+12
Svenska Handelsbanken S.A., Luxembourg	244	334	+37
	36,081	34,525	- 4

Note 18: Loans

Svenska Handelsbanken

Amount utilized

Priority construction loans	4,839	4,355	- 10
Nonpriority loans in Swedish kronor	26,963	30,039	+ 11
Nonpriority loans in foreign currency	24,980	27,805	+ 11
Total loans	56,783	62,199	+ 10
of which checking account facilities	5,421	6,200	+ 14

Amount granted

Total loans	63,853	69,882	+ 9
of which checking account facilities	12,491	13,883	+ 11

The Group

Svenska Handelsbanken	56,634	62,190	+ 10
Sigab	8,192	9,338	+ 14
Svenska Finans	5,134	5,527	+ 8
Other	5,296	7,049	+ 33
	75,256	84,104	+ 12

Note 19: Leasing Assets

The Group

Acquisition value	1,727	1,903	+ 10
Accumulated depreciation according to economic life	656	761	+ 16
Residual value after depreciation according to economic life	1,071	1,142	+ 6
Accumulated depreciation in excess of depreciation according to economic life	-	10	.
Advance on investment credits	461	141	- 69
	1,532	1,273	- 17

Note 20: Shares and Debentures

Svenska Handelsbanken

Current Assets

Inventory of stocks in brokerages	19	39	+104
Stocks under issue	-	32	.
Debentures	112	328	+192
Total current assets	131	398	+203

Fixed Assets

Stocks in subsidiaries in Sweden	150	206	+ 37
Stocks in subsidiaries outside Sweden	285	495	+ 74
Residential property participations	2	2	-
Stocks in domestic credit institutions	94	94	-
Stocks in foreign banks	180	122	- 33
Stocks in other companies	16	16	-
Debentures and special guarantees in Swedish subsidiaries	35	33	- 6
Total fixed assets	762	968	+ 27
Total shares and debentures	894	1,366	+ 53

Shares shown as fixed assets are specified on page

The Group

Svenska Handelsbanken	430
Svenska Finans	7
Svenska Handelsbankens Fondservice	4
Svenska International Ltd., London	1

1983 SEK in millions	1984 SEK in millions	Change %
430	635	+ 48
7	4	- 43
4	8	+100
1	6	.
442	653	+ 48

Note 21: Equipment

Svenska Handelsbanken

Residual value after straight-line depreciation	94
Accumulated depreciation in excess of straight-line depreciation	- 3
Book value	91

131	+ 40
- 10	+317
121	+ 32

The Group

Residual value after straight-line depreciation	130
Accumulated depreciation in excess of straight-line depreciation	- 3
Book value	127

202	+ 55
- 10	+233
192	+ 51

Note 22: Real Estate

Svenska Handelsbanken

Acquisition value	343
Accumulated straight-line depreciation	- 62
Residual value after straight-line depreciation	281
Accumulated depreciation in excess of straight-line depreciation	- 37
Book value	244
Tax assessment value	291

357	+ 4
- 70	+ 12
287	+ 2
- 36	- 3
251	+ 3
294	+ 1

Real estate property primarily includes Bank premises, i.e. property acquired for Bank branch offices. In addition, 60 (32) properties have been taken over by default, with a book value of SEK 9.9 million (SEK 8.4 million), and a tax assessment value of SEK 9.1 million (SEK 6.1 million).

This year two (five) properties with a book value of SEK 0 million (SEK 12.6 million) have been sold with a total capital gain of SEK 0.8 million (SEK 21.3 million). (See note 11)

The Group

Acquisition value	400
Write-up	10
Accumulated depreciation	-111
Book value	299
Tax assessment value	364

415	+ 4
10	-
-119	+ 7
306	+ 2
368	+ 1

Note 23: Other Assets

Svenska Handelsbanken

Accrued interest and commissions	3,308
Broker settlements	5,857
Other accounts	1,264

3,206	- 3
7,796	+ 33
671	- 47
11,673	+ 12

Broker settlements refer to completed but still unsettled transactions involving bonds (SEK 7,384 million) and stocks (SEK 412 million).

	1983 SEK in millions	1984 SEK in millions	Change %
The Group			
Svenska Handelsbanken	10,285	11,508	+ 12
Sigab	189	210	+ 11
Svenska Finans	65	74	+ 14
Svenska Handelsbanken S.A., Luxembourg	1,062	284	- 73
Other	346	149	- 57
	11,947	12,225	+ 2

Consolidated goodwill equalling SEK 15.7 million (SEK 8.4 million) is included in the total amount.

Note 24: Deposits and Certificates of Deposits

Svenska Handelsbanken

Deposits

Deposits on special terms	5,982	7,316	+ 22
Deposits in foreign currency	5,866	5,746	- 2
<i>Other deposits</i>			
Checking accounts	4,059	6,400	+ 58
Universal accounts	22,731	24,274	+ 7
Other	7,420	7,470	+ 1
Total other deposits	34,210	38,144	+ 11
Total deposits	46,058	51,207	+ 11

Certificates of Deposit

In foreign currency	995	1,554	+ 56
In Swedish kronor	9,141	7,211	- 21
Total certificates of deposit	10,136	8,766	- 14

The Bank's share of total domestic commercial banks' outstanding CDs in Swedish kronor was 38% (41%) at year-end.

The Group

Deposits and Certificates of Deposit

Svenska Handelsbanken	55,964	59,775	+ 7
Svenska Finans	4,942	5,980	+ 21
Svenska Handelsbanken Inc.	3,704	3,590	- 3
Other	6	713	.
	64,616	70,058	+ 8

Note 25: Due to Domestic Financial Institutions and Foreign Banks

Svenska Handelsbanken

Domestic Financial Institutions

The Riksbank	6,415	124	- 98
National Debt Office	3	1	- 74
Banks, in foreign currency	41	188	+358
Banks, in Swedish kronor	2,065	3,046	+ 47
Savings and cooperative banks	5	568	.
Other in foreign currency	35	103	+195
Other in Swedish kronor	1,675	1,784	+ 6
Total domestic financial institutions	10,240	5,813	- 43

Deposits on special terms constituted SEK 473 million (SEK 661 million) of total due to other financial institutions.

	1983 SEK in millions	1984 SEK in millions	Change %
<i>Foreign banks</i>			
In foreign currency	26,117	31,838	+ 22
In Swedish kronor	1,412	1,733	+ 23
Rediscounted bills of exchange	5	—	—100
	27,534	33,571	+ 22

The Group

Svenska Handelsbanken	32,167	35,088	+ 9
Svenska Handelsbanken S.A., Luxembourg	6,999	8,109	+ 16
Other	—	2,485	.
	39,166	45,682	+ 17

The other category refers primarily to Svenska International Ltd., London and Svenska Handelsbanken Asia Ltd., Singapore.

Note 26: Long-term Debt

Svenska Handelsbanken

Bonds in foreign currency	2,802	2,369	— 15
Bonds in Swedish kronor	123	120	— 2
Total bonds	2,925	2,489	— 15
Subordinated loans in foreign currency	1,132	1,171	+ 3
Subordinated loans in Swedish kronor	264	241	— 9
Total subordinated loans	1,396	1,411	+ 1
Refinancing loans from the National Pension Fund	3,628	2,986	— 18
Refinancing of export credits with the National Pension Fund and AB Svensk Exportkredit			
in foreign currency	888	987	+ 11
in Swedish kronor	208	155	— 25
Total refinancing of export credits	1,096	1,142	+ 4
Mortgage loans in own real estate	67	41	— 39
Total long-term debt	9,112	8,069	— 11

Bonds and subordinated loan capital are specified on page 39.

The Group

Svenska Handelsbanken	9,112	8,069	— 11
Sigab	7,236	8,125	+ 12
Svenska Finans	1,290	741	— 43
Other	561	220	— 61
	18,199	17,155	— 6

Note 27: National Savings Account and other Liabilities

Svenska Handelsbanken

National Savings Account (SEK 706 million) after claims on National Debt Office (SEK 609 million)	—	117	.
Accrued interest and commissions	1,263	1,321	+ 5
Taxes due	82	65	— 21
Bank Giro assets	835	1,337	+ 60
Broker settlements	4,736	6,649	+ 40
Clearing liabilities	373	1,298	+247
Temporary clearing accounts	613	2,140	+249
	7,902	12,927	+ 64

Broker settlements refer to completed but unsettled transactions in bonds (SEK 6,403 million) and stocks (SEK 246 million).

The Group

	1983 SEK in millions	1984 SEK in millions	Change %
Svenska Handelsbanken	7,862	12,615	+ 60
Sigab	219	247	+ 13
Svenska Finans	709	783	+ 10
Other	1,320	530	- 60
	10,110	14,175	+ 40

The amount for Svenska Finans includes inherent taxes due on acquired untaxed reserves equalling SEK 11.0 million.

Note 28: Allocation for Possible Credit Losses

Svenska Handelsbanken

Allocations include SEK 667 million in country risks, i.e. inherent loss risks from international commitments. The amount shown corresponds to the recommendations given to Swedish banks by the Bank Inspection Board. The recommendations have also been applied to subsidiaries outside Sweden. An ad-

ditional SEK 124 million has also been allocated for other possible credit losses. Allocations for country risks for the Group also include allocations of SEK 54 million in Svenska Handelsbanken S.A., Luxembourg.

Note 29: Reserves

Svenska Handelsbanken

For Bonds:

Balance at beginning of year	1,281	-	-100
Loss/Gain on bonds sold	- 35	+ 1	.
Provision in Statement of Income, three-year average	+ 71	+ 36	- 48
Transfer to reserve for loans/Allocation in Statement of Income	-1,317	+ 621	.
At year-end (deducted from bond's acquisition value, see Note 17)	-	659	.

For Loans:

Balance at beginning of year	3,664	5,926	+ 62
Recoveries	+ 9	+ 20	+121
Actual credit losses	- 272	- 377	+ 39
Allocations for possible credit losses due to country risks	- 86	- 172	+100
Allocations for other possible credit losses	-	- 124	.
Provision in Statement of Income			
Credit Losses, three-year average	+ 272	+ 461	+ 69
Allocation under Allocation of Profit	+2,340	+ 402	- 83
At year-end	5,926	6,136	+ 4

For Foreign Exchange:

Balance at beginning of year	204	204	-
At year-end	204	204	-
Total Reserves for Loans and Foreign Exchange	6,130	6,340	+ 3

The Group

Svenska Handelsbanken	6,130	6,340	+ 3
Sigab	175	175	-
Svenska Finans	183	97	- 47
Other	79	96	+ 21
	6,567	6,708	+ 2

Note 30: Stockholders' Equity**Svenska Handelsbanken**

	1983 SEK in millions	1984 SEK in millions	Change %
Common Stock	516	516	—
Index Stock	65	65	—
Preferred Stock	50	50	—
Statutory Reserve	315	315	—
Retained Earnings	266	390	+ 46
Net Income for the year	327	346	+ 6
	1,539	1,682	+ 9

A dividend of SEK 203,8 million (SEK 203.3 million) is proposed.

The Group

Share capital	631	631	—
Statutory reserve	393	393	—
Conversion differential	—	— 25	.
Non-restricted reserves	297	403	+ 36
Net income for the year	310	345	+ 11
	1,631	1,747	+ 7

Note 31: Guarantee Obligations**Svenska Handelsbanken**

Guarantee obligations	11,964	12,838	+ 7
Special guarantees	196	211	+ 8
Acceptance liability	187	223	+ 19
	12,347	13,272	+ 7

The Group

Svenska Handelsbanken	12,347	13,272	+ 7
Svenska Finans	106	104	— 2
Svenska Handelsbanken S.A.	1,854	1,564	— 16
Other	—	42	—
	14,307	14,982	+ 5

Note 32: Commitments to Foreign Central Banks

Letter of Comfort to the Monetary Authority of Singapore, on behalf of Svenska Handelsbanken Asia Ltd.

Note 33: Capitalized Value of Pension Commitments**Svenska Handelsbanken**

Capitalized value of pension commitments	848	937	+ 10
Net assets in the Bank's pension fund and foundation Book value	826	930	+ 13

The current value of capital in the pension fund and the pension foundation exceeds book value and amply covers pension commitments.

Note 34: Collateral Pledged**Svenska Handelsbanken**

Collateral in own real estate properties	80	66	— 17
------------------------------------------------	----	----	------

The Group

Collateral in own real estate properties	80	66	— 17
Corporate mortgages	20	20	—
Promissory notes with security	3,261	3,234	— 1
	3,361	3,320	— 1

BOND ISSUES, December 31, 1984

Year of issue/ maturity	Loan amount Thousands		Repayment period	Interest rate %	Outstanding amount SEK in thousands
<i>In foreign currency</i>					
1980/85	SDR	15,000	1985	11.0	118,065
1981/86	CHF	35,000	1986	6.625	121,301
1982/87	USD	20,000	1987	floating	179,700
1982/85	USD	2,000	1985	14.125	17,970
1982/90	USD	100,000	1990	13.0	795,258
1982/87	USD	20,000	1987	floating	179,700
1982/92	CHF	100,000	1992	6.75	346,575
1982/88	BEL	250,000	1988	13.5	35,550
1983/86	USD	30,000	1986	floating	269,550
1983/86	USD	30,000	1986	floating	269,550
1983/89	BEL	250,000	1989	10.75	35,550
Total					2,368,769
<i>In Swedish Kronor</i>					
1981/86			1983-86	12.5	13,204
1981/88			1986-88	13.0	10,138
1983/93			1986-93	13.5	96,807
Total					120,149
Total bonds					2,488,918

SUBORDINATED LOANS, December 31, 1984

Year of issue/ conversion/maturity	Loan amount Thousands		Repayment period	Interest rate %	Outstanding amount SEK in thousands
<i>In foreign currency</i>					
1976/86	USD	30,000	1977-86	9.25	97,073
1980/87	USD	35,000	1987	floating	314,475
1981/88	USD	45,000	1988	13.75	335,249
1981/87	DEM	60,000	1987	10.25	171,285
1983/91	ECU	40,000	1991	11.25	252,481
				Total	1,170,563
<i>In Swedish Kronor</i>					
1965/75/85		40,000	1966-85	6.75	1,976
1966/76/86		35,000	1967-86	6.75	3,549
1967/77/87		40,000	1968-87	6.25	4,619
1967/77/87		40,000	1968-87	7.0	6,000
1974/89		75,000	1975-89	8.5	37,492
1975/90		75,000	1976-90	9.5	38,645
1977/92		100,000	1978-92	10.0	53,362
1983/93		100,000	1986-93	13.5	94,998
				Total	240,641
				Total debentures	1,411,204

The following international foreign currency codes are employed:

AUD	Australian Dollar	ECU	basket currency for EEC	LUF	Luxembourgish Franc
BEL	Belgian Franc	ESA	Spanish Pesetas	NLG	Dutch Florin
CAD	Canadian Dollar	FIM	Finnish Mark	SEK	Swedish Krona
CHF	Swiss Franc	FRF	French Franc	SGD	Singapore Dollar
DKK	Danish Krona	GBP	British Pound	USD	U.S. Dollar
DEM	West German Deutsche Mark	JPY	Japanese Yen	SDR	Special Drawing Rights in IMF

Specification of Investments and Participations

Fixed Assets

December 31, 1984		Nominal value	Book value SEK in thousands	Dividend SEK in thousands	The Bank's voting power %
SUBSIDIARIES IN SWEDEN					
Svenska Finans AB (financial company)	SEK	147,250	128,605	16,150	95
Sigab (mortgage company)	SEK	48,450	61,750	40,000	95
AB Blasieholmen (bank real estate company)	SEK	10,500	10,444	1,400	100
Fastighets AB Filia (bank real estate company)	SEK	4,500	4,810	1,800	100
Handelsbankens Fondservice AB (investment fund management company)	SEK	500	351	5,000	100
			205,960	64,350	
SUBSIDIARIES OUTSIDE SWEDEN					
Svenska Handelsbanken S.A., Luxembourg	LUF	1,150,000	165,497	—	100
Svenska Handelsbanken Inc., USA	USD	10	59	—	100
Svenska International Ltd., England	GBP	25,000	288,766	—	100
Svenska Handelsbanken Asia Ltd. Singapore	SGD	10,000	40,700	—	100
			495,022	—	
RESIDENTIAL PROPERTY PARTICIPATIONS			2,207		
SWEDISH CREDIT INSTITUTIONS					
AB Svensk Exportkredit	SEK	70,000	70,000	2,100	10.0
Svensk Bostadsfinansiering AB BOFAB	SEK	8,157	9,462	1,020	16.3
AB Industri kredit	SEK	8,650	8,803	779	10.8
Kommunlåneinstitutet AB	SEK	3,625	2,958	580	14.5
Företagskapital AB	SEK	2,299	2,699	115	11.5
			93,923	4,594	
FOREIGN BANKS					
Nordic American Banking Corp. (NABC)	USD	4,000	32,373	—	25.0
Nordfinanz-Bank Zürich	CHF	5,850	81,269	5,233	9.0
Manufacturers Hanover Banque Nordique	FRF	6,500	6,094	425	10.0
Adela Investment Co S.A.	USD	525	0	—	0.9
Banco Hispano Americano	ESA	11,878	1,467	102	0.1
Finska Industrialiseringsfonden	FIM	316	432	47	0.8
Development Bank of Singapore	SGD	144	0	53	0.1
			121,635	5,860	
OTHER COMPANIES					
Köpkort AB	SEK	9,825	11,476	—	28.8
BankomatCentralen AB	SEK	1,600	1,920	—	16.0
AB Giro (affiliated with the Bank Giro Centralen)	SEK	1,090	1,090	65	21.8
Backup-Centralen AB	SEK	500	28	—	25.0
Värdepapperscentralen VPC AB	SEK	450	540	54	15.0
Upplysningscentralen UC AB	SEK	221	265	11	22.1
Euroclear Clearance System Ltd	USD	31	148	103	1.3
Society for World Interbank Financial Telecommunication (SWIFT)	BEL	695	85	—	2.0
Miscellaneous, 9 companies			783		
			16,335	233	
TOTAL INVESTMENTS AND PARTICIPATIONS			935,082	75,037	

Domestic and International Issues

Domestic Bond and Debenture Issues

Borrower	Coupon %	Maturity year	Amount SEK in millions
*Ericsson	11.55	20	500
Kloster Speedsteel (56%)/Forsviks Skogar (44%)	12.00	20	45
*Kungsörnen AB	12.50	25	125
*MoDo Iggesund CTMP AB, MICAB	12.45	16	185
*Ncb	12.60	15	100
*Scandic Hotel AB	13.15	22	35
*Stena AB ²	—	2–5	max 200
*Supra AB	11.75	12	40
*Supra AB	11.60	13	60
*Forsmarks Kraftgrupp AB	11.50	20	300
Forsmarks Kraftgrupp AB	12.75	20	300
Forsmarks Kraftgrupp AB	12.50	20	300
*Mellansvensk Kraftgrupp AB ¹ (83%)/ AB Kallströmmen (17%)	12.00	22	120
OKG AB	11.80	20	200
OKG AB	11.60	20	400
OKG AB	13.00	20	400
OKG AB	12.25	20	400
*Caisse	12.15	15	300
Caisse	11.50	5	300
Caisse	13.75	5	300
Caisse	12.75	5	300
*Caisse ³	—	5	230
*AB Industrikredit ⁴	13.00	20	100
Kommunlåneinstitutet AB	11.75	10	275
Kommunlåneinstitutet AB	12.00	5	500
*Kommunlåneinstitutet AB	12.30	5	500
*Sigab	11.70	5	100
AB Stockholms Tomträttskassa	11.00	20	100
*AB Stockholms Tomträttskassa	12.25	5	100

* The Bank acted as lead manager.

¹ Capital market loan

² Capital market certificate with maturity 2–5 years, continuous issuance (one-year coupon) at current prevailing market interest rate.

³ Mortgage bonds with a maturity of 5 years, continuous issuance (one-year coupon) at current prevailing rate. At year-end, SEK 230 million had been issued.

⁴ Subordinated loan

Money Market Loans

(Indicative loan amount)

Almedahl-Dalsjöfors	(commercial paper)	100	Jönköpings kommun	(commercial paper)	100
Asken	(commercial paper)	100	KF	(commercial paper)	500 ⁵
Assi	(commercial paper)	200 ⁵	Ncb	(commercial paper)	100 ⁵
BGB	(commercial paper)	100	Nevi Finans AB	(commercial paper)	300
Catena	(commercial paper)	300	Paul Anderson Industrier AB	(commercial paper)	100
Electrolux	(commercial paper)	200 ⁵	Fastighetsaktiebolaget		
Finans AB Cartos	(commercial paper)	400	Regnbågen	(commercial paper)	100
Finax Finansservice	(commercial paper)	300 ⁵	Investment AB Skrinet	(commercial paper)	300 ⁵
Geveko	(commercial paper)	75	Stena AB	(commercial paper)	100
Hagströmer Securities	(promissory note)	50	Stena Metall AB	(promissory note)	50
Hasselfors Finans AB	(promissory note)	50	Stockholms kommun	(commercial paper)	225 ⁶
Ikano Finans AB	(commercial paper)	300 ⁶	Swedegas AB	(commercial paper)	340 ⁵
Independent Finans AB	(commercial paper)	1 000 ⁵	Swedish Match	(commercial paper)	250
Infina AB	(commercial paper)	250	Teleinvest AB	(commercial paper)	700–2 000 ⁵

⁵ Several institutions are issuing within the amount listed.

⁶ Loan was prepared before 1984, but the indicative loan amount has been increased during the year.

International Issues Co-managed by the Svenska Handelsbanken Group

Issuer	Coupon %	Maturity year (call option)	Currency	Amount Millions
Svenska Staten	9%	10	NLG	200
Svenska Staten	Floating	40(1)	USD	500
Svenska Staten	12 ³ / ₈	5	USD	200
Svenska Staten	7 ⁷ / ₈	10	DEM	250
Svenska Staten	Floating	Undated	USD	750
Svenska Staten	Floating	10	USD	4,000
Svenska Staten	11 ¹ / ₂	5	USD	200
Svenska Staten	11 ³ / ₄	10	USD	100
Svensk Exportkredit	11 ¹ / ₂	5	USD	150
Svensk Exportkredit	10 ⁷ / ₈	5	LUF	250
Svensk Exportkredit	11	5	ECU	57.5
Svensk Exportkredit	0	10	USD	250
Svensk Exportkredit	12 ³ / ₄	5	USD	100
Svensk Exportkredit	12 ³ / ₄	7 (5)	USD	100
Svensk Exportkredit	12 ³ / ₄	7	USD	100
Svensk Exportkredit	6 ³ / ₄	7 (4)	JPY	1,200
AB Electrolux	10	5 (3)	LUF	500
Forsmarks Kraftgrupp AB	10 ⁵ / ₈	15 (5, 10)	GBP	40
Telefonaktiebolaget L.M. Ericsson	Floating	5	USD	100
Sveriges Investeringsbank AB	11	5 (3)	LUF	250
AB SKF	Floating	7	USD	50
MoDo	Floating	3,5	USD	35
Esselte AB	Floating	7	USD	100
Asea Finance Inc.	9 ³ / ₄	5 (3)	LUF	600
Investment AB Beijer	9	6	USD	30
Svenska Handelsbanken	12 ³ / ₈	4 (2)	USD	100
Svenska Handelsbanken	12 ¹ / ₄	4	USD	100
Kansallis-Osake-Pankki	Floating	8 (5)	USD	100
Kansallis International Bank	11 ¹ / ₂	5	LUF	250
Beneficial Overseas Finance N.V.	13	7	USD	100
Den norske Creditbank	12 ³ / ₄	7	USD	75
Den norske Creditbank	12 ³ / ₄	7	USD	75
Den norske Creditbank	11 ³ / ₄	7	USD	50
Den norske Creditbank	11 ¹ / ₄	7	USD	50
Den norske Creditbank	Floating	Undated (5)	USD	150
Kingdom of Denmark	Floating	20 (4)	USD	500
Kingdom of Denmark	12	7	USD	100
Kingdom of Denmark	14	7 (4)	USD	100
Kingdom of Denmark	12 ³ / ₄	7	USD	100
Kingdom of Denmark	Floating	Undated	USD	600
Kingdom of Denmark	13 ¹ / ₄	7	USD	100
Kingdom of Denmark	13	5	CAD	100
Kingdom of Denmark	13	8 (5)	USD	100
Kingdom of Denmark	12 ³ / ₄	8	USD	100
Kingdom of Denmark	12 ³ / ₄	8 (5)	USD	250
Kingdom of Denmark	12 ¹ / ₂	8	USD	250
Okobank	Floating	8 (1)	USD	50
Kuwait Asia Bank	Floating	5	USD	40
Yorkshire International Finance N.V.	Floating	10	GBP	75
IPF Illinois Power Finance Co.	12 ¹ / ₂	7 (5)	USD	100
Arbuthnot Latham Finance B.V.	Floating	8 (2)	USD	30
Banque Indosuez	Floating	15 (1)	USD	150
Mortgage Bank of Denmark	Floating	15 (1)	USD	125
Mortgage Bank of Denmark	Floating	15 (5)	GBP	75
Yasuda Trust & Finance (HK) Ltd.	12 ³ / ₈	5	USD	100
European Coal & Steel Community	6	10	ECU	60
Viszcaya International	Floating	12 (3)	USD	75
Morgan Guaranty Trust Co. of N.Y.	12 ¹ / ₄	5	USD	150
National Westminster Finance B.v.	Floating	Undated (5)	USD	500
Postipankki	0	8	ECU	35
Florida Federal Loans & Savings Intl. N.V.	12 ³ / ₈	5 (4)	USD	100
Kingdom of Belgium	Floating	12 (7, 10)	USD	100
Skopbank	Floating	10 (3)	USD	75
Credit Chemique	Floating	5	USD	50
Banque Worms New York	Floating	5	USD	30
Texaco Capital N.V.	12 ⁷ / ₈	3	USD	300
Texaco Capital N.V.	12 ⁷ / ₈	8	USD	300
Atlas Financial International N.V.	Floating	10	USD	100
Wells Fargo	13 ³ / ₈	7	USD	100
Merrill Lynch & Co. Inc.	12 ³ / ₄	5 (4)	USD	100
Correstates Capital Corporation	Floating	5	USD	100
Citicorp Overseas Finance	Floating	12 (2)	USD	250
Citicorp Overseas Finance	12 ³ / ₈	12	USD	150
Citicorp Australia Ltd.	12 ⁵ / ₈	3	AUD	35
Bank of America	Floating	12 (2)	USD	400
Bankers Trust New York Corp.	12 ⁵ / ₈	5	USD	150
Centrust Savings & Loan Association	Floating	10	USD	125
Banca Nazionale dell'Agricoltura	Floating	5	USD	50
Avco Financial Services Inc.	13 ¹ / ₄	7 (5)	USD	100
Avco Financial Services Inc.	13 ¹ / ₄	7	USD	100
Republic of Italy	Floating	10(1)	USD	1,000
Moscow Narodny bank	Floating	4	USD	15
Kingdom of Spain	Floating	15 (1)	USD	500
Bank of Tokyo (Curaçao) Holding N.V.	12 ⁵ / ₈	7 (5)	USD	100
Bank of Tokyo (Curaçao) Holding N.V.	12 ³ / ₈	7	USD	100
Commerzbank Overseas Finance N.V.	Floating	5	USD	150
Commerzbank Overseas Finance N.V.	12 ¹ / ₄	7	USD	150
General Mills	12	7 (5)	USD	100
General Mills	12	7	USD	100
Macy Credit Corporation	11 ³ / ₄	10 (6)	USD	100
Chase Manhattan Corporation	Floating	25 (1)	USD	400
Lincoln Savings Loan Association	Floating	15 (1)	USD	100
Lloyds Bank International	Floating	3	USD	200
Sanwa International	11 ⁷ / ₈	7	USD	150
Yamaichi Securities Co.	3 ¹ / ₄	15 (3)	USD	20
Standard Oil Company Ohio	10 ¹ / ₂	4 (3)	USD	150
Standard Oil Company Ohio	10	9	USD	150

Auditors' Report for 1984

In our capacity as Auditors of Svenska Handelsbanken, we present the following Report for 1984.

We have examined the Annual Report of the Board of Directors and studied the accounts, minutes and instructions of the Board concerning the Bank's lending policy and other documents of importance for judging the financial position and the management of the Bank. We have also scrutinized major credits and other dispositions of the assets of the Bank. All Regional Bank Divisions have been visited. We have also taken such other measures as we have deemed necessary for carrying out the audit.

The Internal Audit Department of the Bank has examined the internal controls and accounts. In connection with this, the department has carried out inventories and other audit measures in accordance with the instructions in force. We have reviewed the report of these examinations.

The audit has given no reason for comment as regards documents submitted to us, the book-keeping of the Bank, inventories of its assets, internal control, administration costs, or the conducting of the business of the Bank.

We recommend the annual General Meeting of Shareholders

- that the Balance Sheet be adopted as presented by the Board of Directors and countersigned by us as per December 31, 1984,
- that the Directors be discharged from liability for 1984
- that the profit, which amounts to SEK 735,716,892.85 be dealt with in accordance with the proposal of the Board of Directors.

Stockholm, February 21, 1985

LENNART DAHLSTRÖM

Chairman

SUZANNE BONNIER

DAG HASSLEGREN

Authorized Public Accountant

SVEN-ERIK JOHANSSON

PER V A HANNER

Authorized Public Accountant
Appointed by the Royal
Bank Inspection Board

INGMAR LIDBECK

Appointed by the Royal Bank
Inspection Board

LENNART SVENSSON

Authorized Public Accountant
Appointed by the Royal
Bank Inspection Board

Five-Year Performance 1980–1984

SVENSKA HANDELSBANKEN	1980	1981	1982	1983	1984
Statement of Income (SEK in millions)					
Interest income, net	1,324	1,665	1,809	2,547	2,801
Commissions	457	566	689	757	840
Other operating revenue	122	142	206	196	354
Total operating revenue	1,903	2,373	2,704	3,500	3,995
Personnel expense	654	709	722	802	933
Other expenses	343	403	458	563	732
Depreciation	48	48	47	49	63
Total expense	1,045	1,160	1,227	1,414	1,728
Realized losses on bonds sold	39	62	75	70	36
Credit losses	31	50	168	272	461
Foreign exchange loss on long-term debt	—	9	9	3	—
Foreign exchange loss/gain on devaluation of the Swedish krona	—	+ 3	38	—	—
Total operating expense	1,115	1,278	1,517	1,759	2,225
Net operating income	788	1,095	1,186	1,741	1,770
Extraordinary income	26	2	2	169	138
Extraordinary expense	51	42	73	168	165
Net income before allocations and taxes	763	1,055	1,115	1,742	1,743
Allocations to reserves	— 537	— 762	— 700	— 1,023	— 1,023
Other non-taxable allocations	— 25	+ 11	— 44	— 159	— 154
Net income before taxes	201	304	371	560	566
Taxes	— 60	— 117	— 151	— 233	— 220
Net income	141	187	220	327	346
Annual dividend	132	151	171	203	204
Balance Sheet (SEK in millions)					
Assets					
Cash	1,605	2,052	1,569	1,833	3,067
Due from domestic financial institutions	1,905	4,028	7,010	4,898	4,837
Due from foreign banks	9,494	9,904	9,611	8,831	12,747
Certificates of deposits issued by other banks	452	185	2	233	20
Government securities and bonds	16,948	24,711	28,667	35,458	33,751
Loans	35,724	42,999	49,588	56,783	62,199
Shares and debentures	486	560	701	894	1,366
Equipment	85	90	86	91	121
Real estate	258	259	259	244	251
Other assets	3,255	4,308	4,549	10,428	11,673
Total assets	70,213	89,096	102,041	119,693	130,032
Collateral pledged	6,459	9,121	80	80	66
Loan facilities, total amount granted	40,843	48,104	56,091	63,853	69,882
Liabilities and Equity					
Cashier's checks	428	389	390	507	595
Deposits	33,423	38,448	40,288	46,058	51,207
Certificates of deposit	4,950	6,787	8,796	10,136	8,766
Due to domestic financial institutions	3,467	5,478	7,190	10,240	5,813
Due to foreign banks	16,530	22,538	26,778	27,534	33,571
Long-term debt	4,875	6,451	9,381	9,112	8,069
National Savings Account	—	—	—	—	117
Other liabilities	2,489	4,286	3,760	7,902	12,810
Special investment reserve	25	14	—	140	271
Allocation for possible credit losses	—	10	209	395	791
Total Liabilities	66,186	84,402	96,791	112,024	122,011
Reserves	2,768	3,380	3,867	6,130	6,340
Stockholder's Equity	1,259	1,314	1,383	1,539	1,682
Total Liabilities and Equity	70,213	89,096	102,041	119,693	130,032
Guarantee obligations	4,753	6,067	8,182	12,347	13,272
Letters of credit issued but not utilized	1,972	1,765	2,034	3,326	3,750
Capitalized value of pension commitments (covered by assets in the pension fund and foundation)	634	712	767	848	937

THE GROUP	1980	1981	1982	1983	1984
Consolidated Statement of Income (SEK in millions)					
Interest income, net	1,762	2,243	2,514	3,340	3,715
Commissions	506	629	756	829	961
Other operating revenue	63	72	146	183	327
Total operating revenue	2,331	2,944	3,416	4,352	5,004
Personnel expense	717	785	814	922	1,080
Other expenses	384	453	540	671	872
Depreciation	216	273	343	440	475
Total expense	1,317	1,511	1,697	2,033	2,428
Realized loss on bonds sold	38	62	75	71	37
Credit losses	49	75	207	333	583
Foreign exchange loss on long-term debt	—	9	9	4	—
Foreign exchange loss/gain on devaluation of the Swedish krona	—	+ 3	38	—	—
Total operating expense	1,404	1,654	2,026	2,441	3,048
Net operating income	927	1,290	1,390	1,911	1,956
Extraordinary income	1	2	2	172	118
Extraordinary expense	56	42	73	168	165
Net income before allocations and taxes	872	1,250	1,319	1,915	1,909
Allocation to reserves	— 589	— 843	— 828	— 1,104	— 1,073
Other non-taxable allocations	— 25	+ 11	— 45	— 189	— 194
Net income before taxes	258	418	446	622	642
Taxes	— 114	— 184	— 224	— 310	— 292
Minority interest	— 4	— 12	— 4	— 2	— 5
Net income	140	222	218	310	345
Consolidated Balance Sheet (SEK in millions)					
Assets					
Cash	1,605	2,052	1,569	1,833	3,067
Due from banks and other financial institutions	11,593	14,380	17,570	13,917	20,963
Bonds	16,382	24,235	29,078	36,081	34,525
Loans	48,364	56,006	65,011	75,256	84,104
Leasing assets	784	1,011	1,257	1,532	1,273
Shares and debentures	228	260	355	442	653
Equipment	104	111	122	127	192
Real estate	304	315	315	299	306
Other assets	3,537	4,599	5,015	11,947	12,225
Total assets	82,903	102,970	120,294	141,434	157,309
Liabilities and Equity					
Cashiers' checks	428	389	390	507	595
Deposits and certificates of deposit	41,941	48,204	52,988	64,616	70,058
Due to banks and other financial institutions	21,714	31,155	38,755	39,166	45,682
Long-term debt	11,331	13,118	17,318	18,199	17,155
Other liabilities	3,114	4,930	4,815	10,110	14,175
Special investment reserve	25	14	—	170	328
Allocation for possible credit losses	—	10	221	430	845
Total Liabilities	78,553	97,820	114,486	133,198	148,838
Reserves	2,988	3,680	4,273	6,567	6,708
Minority Interest	35	45	43	39	16
Stockholders' Equity	1,327	1,425	1,492	1,630	1,747
Total Liabilities and Equity	82,903	102,970	120,294	141,434	157,309

Board of Directors

JAN WALLANDER

Chairman

TORE BROWALDH

First Vice Chairman

MATT'S CARLGREN

Chairman, Mo och Domsjö AB,
Second Vice Chairman

TORKEL CARLSSON

President, ret., Rederi AB Transatlantic

JAN EKMAN

President

PER EKSTRÖM

Chairman, ret., Svenska Varv AB

ERIK GRAFSTRÖM

Director General, ret., appointed by
the Government

RUNE GUSTAVSSON

MP, appointed by the Government

TOM HEDELIUS

President

GUNNAR HINDEMARK

President, ret., Billerud AB

NILS HOLGERSON

President, ret., Pripps Bryggerier AB

BARBRO JOHANSSON

Chairman, Oktogonen Foundation

ULF LAURIN

President, PLM AB

PER LINDBERG

President, AB Industrivärden

PETER POLLAK

Representative of the Oktogonen
Foundation

BO RYDIN

President, Svenska Cellulosa AB SCA

ANDERS WALL

Chairman, Investment AB Beijer

SVEN ÅGRUP

Chairman, AGA AB

Deputies

CARL-ERIK FEINSILBER

President, Investment AB Promotion

KLAS HOLMBERG

President, ret., Stockholms
Förvaltnings AB Svea

BENGT KARLSON

Chairman, Investment AB Asken

BIRGER LÖWHAGEN

President, Skanska AB

BIRGER JARL PERSSON

President, ICA Hakon AB

GÖRAN SUNDBLAD

President, Almedahl-Dalsjöfors AB

Auditors

LENNART DAHLSTRÖM

President, *Chairman*

SUZANNE BONNIER

President, Sweden-America Foundation

PER V A HANNER

Authorized Public Accountant
Appointed by the Royal Bank Inspection
Board

DAG HASSLEGREN

Authorized Public Accountant

SVEN-ERIK JOHANSSON

Professor, Stockholm School of Economics

INGMAR LIDBECK

Supreme Administrative Court Justice
Appointed by the Royal Bank Inspection
Board

LENNART SVENSSON

Authorized Public Accountant
Appointed by the Royal Bank Inspection
Board

Deputies

BO FRIDMAN

Authorized Public Accountant

CARL-FREDRIK GADDE

Deputy General Manager

SIGVARD HEURLIN

Authorized Public Accountant

INGVAR PRAMHÄLL

Authorized Public Accountant

Management

Presidents

JAN EKMAN

TOM HEDELIUS

Executive Vice Presidents

At the Regional Bank Divisions:

HOLGER CLARKSON

Stockholm City

OLOF HYLTÉN-CAVALLIUS

Central Sweden

ARNE MÅRTENSSON

Western Sweden

GÖRAN PALM

Southern Sweden

GÖRAN RUNDSTRÖM

Northern Norrland

JÖRGEN SETTERBERG

Greater Stockholm

LENNART SPETZ

Southern Norrland

BO STRAGE

Eastern Sweden

At the Central Head Office:

MORGAN ABRAHAMSSON

Central Administration Division

BO DAMBERG

Central Credit Division

LARS NYBERG

Central Division of Investment Banking

KLAS WAHLSTRÖM

Central Controller's Division

At the Central International Division:

ANDERS LJUNGH

Markets and Banking Relations, Control and
Administration

LEON ODNEVALL

Medium- and Long-Term Finance

SVANTE WIKSTRÖM

Foreign Exchange

Subsidiaries in Sweden

SIGAB
Nils Bergholm, *President*
Sturegatan 38
Box 5140
S-102 43 Stockholm
Telephone +46 8 63 19 75

SVENSKA FINANS AB
Bengt Gustafson, *President*
Birger Jarlsgatan 64
Box 16395
S-103 27 Stockholm
Telephone +46 8 788 60 00

HANDELSBANKENS FONDSERVICE AB
Jan-Magnus Hagman, *President*
Humlegårdsgatan 6
S-103 28 Stockholm
Telephone +46 8 769 10 00

Subsidiaries outside Sweden

SVENSKA INTERNATIONAL LTD
Lars Evander, *Managing Director*
17 Devonshire Square
LONDON EC2M 4SQ
Telephone +44 1 377 8040
Telex 894716 SVNSKC G

SVENSKA HANDELSBANKEN S. A.
Jan Åsman, *Managing Director*
37, Avenue Monterey, Boîte Postale 678
2016 LUXEMBOURG, Luxembourg G. D.
Telephone + 352 475 9611
Telex 2405
Cables: SHB LX

SVENSKA HANDELSBANKEN ASIA LTD.
Ulf Hedbäck, *Managing Director*
65 Chulia Street 25-05/08 OCBC Centre
SINGAPORE 0104
Tfm +655 323 800
Telex 29012 SHBAS RS

Affiliated Banks

NORDIC AMERICAN BANKING CORPORATION
John R Nelson, *President*
600 Fifth Avenue, 16th floor
NEW YORK, N. Y. 10020, USA
Telephone + 1 212-765-4800
Telex ITT 426357, NABC UI, RCA 236656
NABC UR, WU 125533 NABC UI
Cables: Nordambank
SWIFT HANDUS33

MANUFACTURERS HANOVER
BANQUE NORDIQUE
Everett Young, *President*
20, rue de la Ville l'Évêque
Boîte Postale 259-08
F-75364 PARIS Cédex 08, France
Telephone + 33 1 266 90 36
Telex 290937, 290840 MHBN F
Cables: Nordikbank, Mantrust

NORDFINANZ-BANK ZÜRICH
Bengt Uggla, *Speaker of the Management Committee*
Bahnhofstrasse 1
Postfach
CH-8022 ZÜRICH, Switzerland
Telephone + 41 1 228 71 11
Telex 812147 NFZ CH
Cables: Nordfinanz

Representative office: *Abidjan*
French-speaking West Africa
Jacques Kwantes
01 BP 4293
ABIDJAN 01, Ivory Coast
Telephone + 33 14 88, 32 79 43
Telex 22506

Representative Offices outside Sweden

Beijing (China)
Ola Svensson
Jianguo Hotel, Suite 130
BEIJING
Telephone 50 22 33 ext. 128-130
Telex 20 447 SHB BJ CN

Bogotá (Colombia)
Nicolás Gamboa-Morales
Carrera 7 No 74-09
Oficina 503
BOGOTÁ, Colombia
Telephone + 57 2115 338
Telex 45351 Carma Co

Frankfurt am Main (Federal Republic of Germany)

Reiner Regier
Lindenstrasse 37
D-6 FRANKFURT AM MAIN
Telephone + 49 69 74 09 51
Telex 414796 RENB D

Hongkong (South East Asia)
Rolf Magnusson
4512 Connaught Centre, Connaught Road,
Central
HONG KONG
Telephone + 852 5 263 292
Telex 64765 SHB HK
Cables: Nordicasia

Milan (Italy)
Göran Helén
Via Boscovich 15
I-20124 MILAN
Telephone + 39 2 657 5711, 659 00 60
Telex 323830 SVBANK 1

Moscow (Soviet Union)
Sven Åke Hellgren
Pokrovskij Boulevard 4/17
Apartment 35
10 1000 MOSCOW
Telephone + 7 095 297 24 94, 207 60 08,
207 60 18
Telex 413201 SHB SU
Cables: Handelsbank

São Paulo (South America)
Gunnar Jehrlander, Acting Representative
705 Al Santos, 12th floor, Room 122
Caixa Postal 271
0 1000 SÃO PAULO, SP, Brazil
Telephone + 55 11 283-3295, 283-5307
Telex 011-21 532 VASA BR
Cables: Nordrep

Sydney (Australia, New Zealand, Oceania)
Bengt KG Gustafsson
AMP Centre, 17th floor,
50 Bridge Street
SYDNEY 2000, Australia
Telephone + 61 2 223 1866
Telex 72841 HANDAU

Tokyo (Japan, South Korea)
R S Meese
Yurakucho Denki Bldg., North Room 613
7-1, Yurakucho 1-chome
Chiyoda-ku
TOKYO, Japan
Telephone + 81 3 287-2081
Telex 222-3474 CKSBKJ

Svenska Handelsbanken's 8 Regional Bank Divisions

NORTHERN NORRLAND

Manager: Göran Rundström
Executive Vice President
Main office:
Storgatan 48, S-901 02 Umeå
Tel. +469011 86 40

SOUTHERN NORRLAND

Manager: Lennart Spetz
Executive Vice President
Main office:
Nygatan 20, S-801 03 Gävle
Tel. +4626 1293 70

STOCKHOLM CITY

Manager: Holger Clarkson
Executive Vice President
Main office:
Kungsträdgårdsgatan 2,
S-103 28 Stockholm
Tel. +468769 1000

GREATER STOCKHOLM

Manager: Jörgen Setterberg
Executive Vice President
Main office:
Kungsträdgårdsgatan 2,
S-103 28 Stockholm
Tel. +468769 1000

CENTRAL SWEDEN

Manager: Olof Hyltén-Cavallius
Executive Vice President
Main office:
Drottninggatan 3, S-701 06 Örebro
Tel. +4619 1246 90

EASTERN SWEDEN

Manager: Bo Strage
Executive Vice President
Main office:
Nygatan 20, S-581 01 Linköping
Tel. +4613 11 13 00

WESTERN SWEDEN

Manager: Arne Mårtensson
Executive Vice President
Main office:
Östra Hamngatan 23,
S-401 50 Göteborg
Tel. +4631 6000 00

SOUTHERN SWEDEN

Manager: Göran Palm
Executive Vice President
Main office:
Stortorget 23, S-201 20 Malmö
Tel. +4640 702 00

