



Svenska Handelsbanken

1978

ANNUAL REPORT

HOWARD ROSS LIBRARY
OF MANAGEMENT

APR 4 1979

McGILL UNIVERSITY

*Cover:
The more than century old elm trees next to the
Svenska Handelsbanken Head Office gained
world fame in the spring of 1971. A subway
entrance was planned on this location and the
trees were to be removed. But environment
activists physically resisted the plans and the
authorities were forced to retreat.*

Svenska Handelsbanken

Annual Report 1978 108th year of operation

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Svenska Handelsbanken 1978

– Financial Highlights

	1978	Change from 1977
At year-end, Million Skr		
Total assets	48,853	+ 8,335
Loans	27,738	+ 3,860
Deposits	28,041	+ 4,383
Untaxed reserves	2,795	+ 527
Equity	1,178	+ 101
For the year, Million Skr		
Operating revenue	1,681	+ 315
Operating expense	849	+ 64
Net operating income	833	+ 251
Extraordinary income, net	56	+ 54
Allocations to reserves	589	+ 219
Taxes	110	+ 20
Net income	190	+ 66
Branches and staff		
Number of branches, Dec. 31	472	– 3
Average number of employees	4,823	+ 56
Consolidated figures, Million Skr		
Total assets	58,518	+10,151
Loans	37,539	+ 5,387
Deposits and borrowings	39,184	+ 5,609
Net operating income	975	+ 298
Proposed dividend for the year, Skr		
Per share of common stock	18.50	+ 2.50
Per share of index stock	6.75	+ 0.50
Per share of preferred stock, Series A .	4.50	=
Per share of preferred stock, Series B .	6.00	=

Svenska Handelsbanken

1978

– Presidents' Report

During the year the banks in Sweden operated in a financial environment characterized by the not unusual combination of an increasing supply of money and restrictions in the freedom to use these funds. A gradual increase in the liquidity reserve requirements forced us to place the major part of the increase in deposits in government and mortgage bonds. Demand for business loans was rather weak, but it would not have been difficult for us to extend more credit to individuals.

The Bank did well in a very competitive environment. We are happy to note better growth than the average for other commercial banks. Total assets rose by 20% to Skr 48.9 billion. We are also satisfied with the result. Net operating income rose by 43% to Skr 833 million, increasing the return on equity from 13.1 to 15.6%, which compares favorably with other banks.

Other parts of the Svenska Handelsbanken Group also showed a strong development in 1978. The subsidiaries, which account for one fifth of the Group's total assets and net income, increased their assets at the same pace as the Bank itself.

Among the subsidiaries, Svenska Finans AB, active in factoring and leasing, showed the strongest growth. With the acquisition of the installment credit company Kundkredit AB at year-end 1977, the company's scope of operations was widened considerably. Svenska Finans now offers a complete line of financial and administrative services, which in an interesting way complement the Bank's operations.

The recently established wholly-owned bank in Luxemburg has rapidly developed into a profitable operation. Client demand for international financing services has increased considerably during the last few years and we have every reason to regard the possibilities for continued expansion in Luxemburg as promising.

Also in other ways the Bank has aimed to promote a strong development for its international business. Through the consolidation of Nordfinanz-Bank Zürich and Nordic Bank Limited in London the two banks have increased their capacity in terms of funding on international markets, primarily in London and Switzerland. The new consortium bank is one of the largest in the world.



This view of Stockholm to the south meets the eye from one of the conference rooms at the Head Office.

To a large extent the positive development of results is due to factors over which the Bank has no control. Most banks have been able to improve their results during the past year, but the Bank has been able to raise profits more than others. To a considerable degree this performance is attributable to the skill and resourcefulness of the Bank's staff. We had tangible proof of this in 1978, when the Bank's share of the new tax-sheltered deposits turned

out to be almost twice as large as the Bank's share of total household deposits.

Every year during which the Bank has shown better profitability than the average for other private commercial banks, the employees of the Bank have received a share in profits by transfers to the Oktogonen foundation. As far as we can now determine, the transfer for 1978 will be larger than that for 1977, which was Skr 23.3 million.

We believe that there are excellent prospects for Svenska Handelsbanken to continue to compare favorably in terms of profitability in competition with the rest of the banking industry. One expression of this belief is the dividend increase now proposed by the Board of Directors. This proposal is in line with the Bank's stated policy of protecting the dividend against inflation as far as possible. Last year's dividend did not provide full protection against inflation as the Bank responded to the Government's appeal for a restrictive dividend policy for that year. This year's proposed dividend increase would compensate not only for last year's inflation, but also for the portion of the previous year's inflation that was not compensated for last year.

The allocation of profit proposed by the Board of Directors provides for an increase in the Bank's equity capital of Skr 88 million, which is substantially more than in most prior

years. Capital gains realized during the year enable us to make this increase with a relatively modest tax effect. With the enlarged capital, we expect to be able to meet the capital base requirements until more liberal regulations proposed by the Banking Law Commission take effect.

It is also satisfying that it has been possible to make substantial allocations to reserves. At year-end these reserves amounted to a total of Skr 2,795 million after the year's allocation of Skr 589 million.

In this context it may be mentioned that the common stock of Svenska Handelsbanken has become one of the most expensive on the Stockholm Stock Exchange. The Board of Directors therefore proposes a five for one stock split. This would have the advantage of enhancing a continued broad distribution of the Bank's stock among the public.

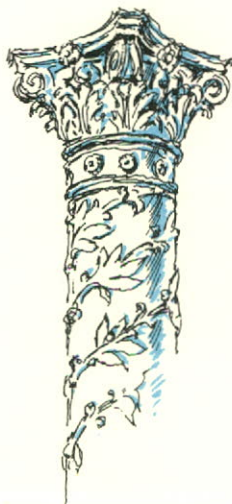
Stockholm in February, 1979



JAN EKMAN



TOM HEDELIUS



*Detail of a cast iron column
from the 1880's
at Svenska Handelsbanken's
Head Office in Stockholm.*

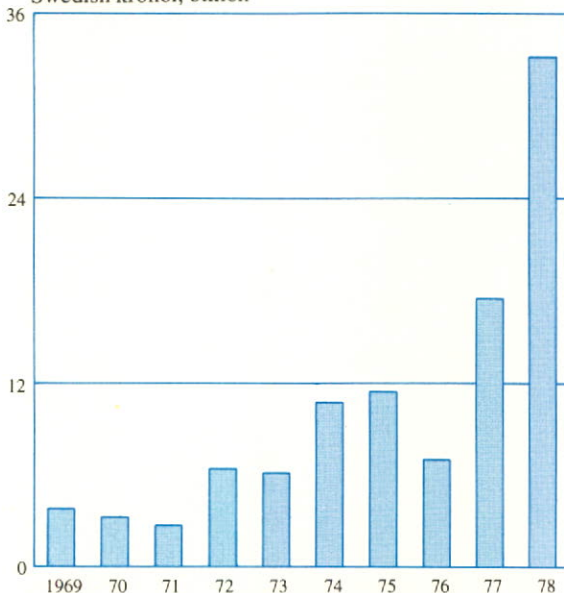
Review of Operations

Increase in money supply, restrictive credit policy

The flow of funds to the Swedish credit market accelerated strongly in 1978. Total deposits at all banking institutions plus currency in circulation – the money supply – rose by about 17%. The increase was mainly the result of a rising government deficit.

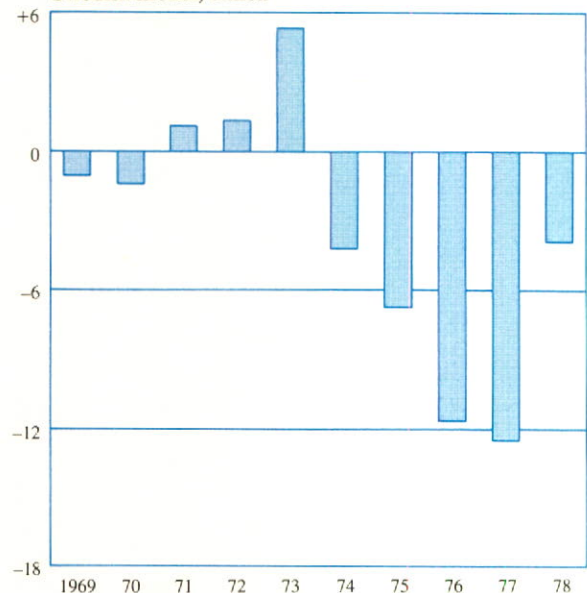
The strong increase in bank liquidity was not allowed to result in a corresponding expansion of bank lending. By raising the liquidity reserve requirements in four steps, the Riksbank – the central bank – directed most of the increased credit capacity of the banks towards the government and housing sectors. Total bank bond portfolios increased by about Skr 20 billion during the year, while loans rose by Skr 16 billion.

Government deficit
Swedish kronor, billion



Only 11 billion of the 1978 government deficit of Skr 34 billion was financed on the Swedish market outside the banking system. Skr 16 billion was provided by the banks. The Government borrowed Skr 5 billion at the Riksbank and Skr 2 billion on international markets. According to the recent Budget, the 1979 deficit will rise to Skr 44 billion.

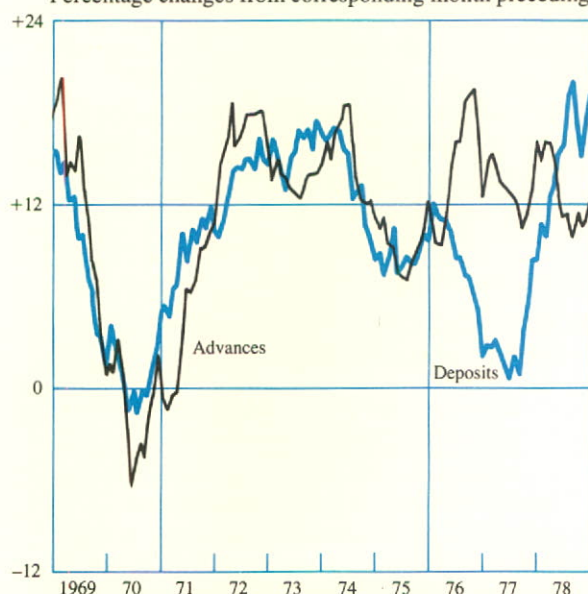
Balance on current account
Swedish kronor, billion



The current deficit for 1978 of Skr 3.5 billion was a mere 1% of GNP as against 3 1/2% in 1977. For 1979 the Government expects the deficit to increase to Skr 5.9 billion, primarily as a result of larger debt service payments and aid to less developed countries.

Commercial banks' deposits and advances

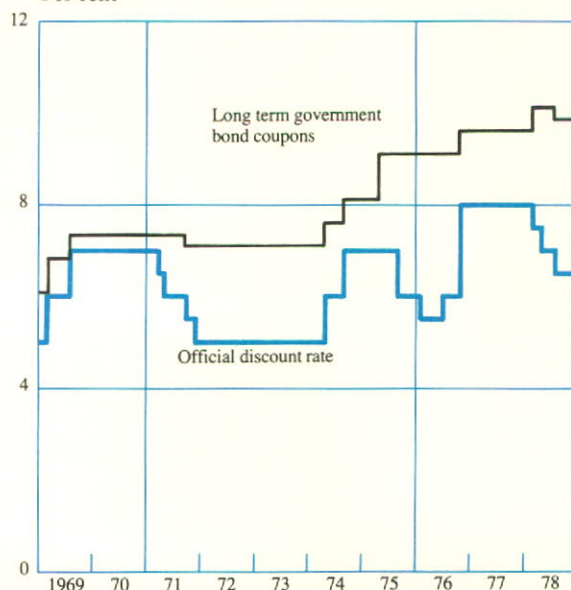
Percentage changes from corresponding month preceding year



The large difference between the rates of growth for deposits and loans in recent years is due to the fact that a large portion of new loans was refinanced abroad. The large increase in deposits since the end of 1977 is primarily an effect of the widening government deficit.

Interest rates

Per cent



During the 1970's the gap between bond coupons and the Riksbank's official discount rate has been considerably larger than earlier in the post-war period. After briefly narrowing in 1977, the gap has again widened appreciably during 1978, when the discount rate was *lowered* by 1 1/2% while the bond rate was *increased* by 1/4%. The motive was to make bonds more attractive to investors, much with the large government borrowing requirements in mind.

For Svenska Handelsbanken and SE-banken the liquidity reserve requirement was raised from 23 to 36% of deposits, for PKbanken from 30 to 36%, for Götabanken from 20 to 29% and for the provincial banks from 19 to 28%.

The increased liquidity caused downward pressure on interest rates. The official discount rate was lowered on three occasions, on February 17, April 20 and July 21 – each time by 1/2% – to 6.5%. Bank deposit and loan rates followed the discount rate. The long-term interest rate took a different course and was increased by 1/2% at the time of the first discount rate decrease and was subsequently lowered by a mere 1/4%. The intention was to broaden the capital market by making long-term, fixed rate instruments more attractive to investors.

Deposits – increased market share

Total deposits at Svenska Handelsbanken rose by 19% from year-end to year-end and also by 19% on a monthly average basis. The growth was stronger than the average for other commercial banks and the Bank's market share im-

Total assets, deposits and loans in billion Skr, monthly averages

	1977	1978	Change %
Total assets			
Svenska Handelsbanken .	37.0	44.2	+19.3
All commercial banks . . .	169.1	196.8	+16.3
Svenska Handelsbanken in per cent of total	21.9	22.5	
Deposits			
Svenska Handelsbanken .	21.0	25.1	+19.4
All commercial banks . . .	104.9	121.1	+15.5
Svenska Handelsbanken in per cent of total	20.0	20.7	
Loans			
Svenska Handelsbanken .	21.6	25.5	+17.9
All commercial banks . . .	97.0	109.3	+12.7
Svenska Handelsbanken in per cent of total	22.3	23.3	

**Svenska Handelsbanken's deposits and loans
by customer category, Sept. 30, 1978**

	Distribution in per cent		
	Billion Skr	Svenska Handels- banken	Other commer- cial banks
Deposits			
Public sector ¹	1.8	7.0	11.8
Business	7.9	31.0	27.2
Households	13.9	54.4	56.2
Other ²	0.9	3.5	3.4
Subtotal	24.5	95.9	98.6
Unspecified	1.0	4.1	1.4
Total	25.5	100.0	100.0
Loans			
Public sector ¹	0.5	2.0	6.4
Business	13.6	51.8	51.7
Households	10.7	40.6	38.2
Other ²	1.1	4.2	2.1
Subtotal	25.9	98.6	98.4
Unspecified	0.4	1.4	1.6
Total	26.3	100.0	100.0

¹ Including government-owned entities

² Includes various institutions and foreign clients

proved. At year-end the Bank held deposits amounting to Skr 28 billion.

Deposits from local authorities and corporations rose by about 30%. A large portion of the new deposits was in special, high-yielding accounts for large deposits resulting in an increased share for such accounts from 23% at the beginning of the year to 25% at year-end. Deposits from the household sector increased by 11%.

A new form of saving, interesting for both depositors and the banks, is the tax-sheltered savings plan introduced during the year. The system, which started in October 1978, provides for substantial tax privileges for regular, long-term savings. At year-end 89,000 tax-

sheltered accounts had been opened with Svenska Handelsbanken, 91% of which are for regular bank savings and 9% for savings via a special investment fund, where savings are invested in stocks.

At year-end, the number of tax-sheltered savings accounts with all banks was 429,000. The Bank's share was thus 21%, which can be compared to its market share of 10.5% for total household deposits.

Loans – restrictions in Swedish kronor lending

During the year the Bank's loans increased by 16% to Skr 28 billion. In monthly average figures the increase was 18% compared with 11% for other commercial banks. Due to the increased liquidity reserve requirements, it was necessary to hold back new credits in Swedish kronor. This was made easier by a lower than normal loan demand from business and the fact that this demand to a large extent could be satisfied with loans in foreign currency. Such loans were not affected by the restrictive credit policy. Despite a strong increase in loans for housing construction, the total loan increase in Swedish kronor was held to 13%. At year-end such loans amounted to Skr 23 billion.

The Bank's lending in foreign currency re-financed abroad increased by 33% to Skr 5 billion. The Bank's share of the increase in such lending by all commercial banks was 52%.

Liquid assets – strong increase

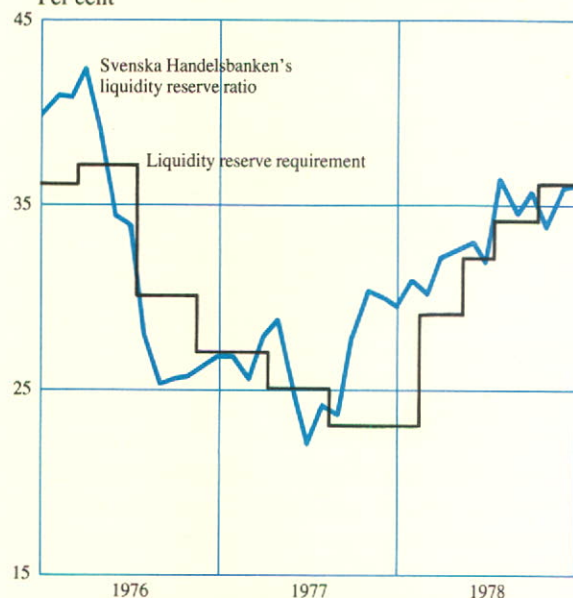
In order to meet the gradually raised liquidity reserve requirements, the Bank was forced to place a major portion of new deposits in government bonds. The Bank's lending to the Government increased by Skr 3.4 billion or substantially more than other loans in Swedish kronor, which rose by Skr 2.6 billion.

As in previous years the banks undertook to grant the necessary credits for housing construction and to purchase a certain amount of mortgage bonds. As a result, the Bank increased its portfolio of mortgage bonds by Skr 696 million.

The Bank's liquidity reserve ratio compared to the Riksbank requirements is illustrated by the following diagram. The prescribed ratio requirement – moving 12-month averages – was met during the entire year.

Liquidity reserve ratios and requirements

Per cent



Under the liquidity reserve regulations banks are required to place a specified portion – which varies between banks – of deposits in “approved” assets. Such assets include cash, net amounts due from other banks, government bonds and mortgage bonds. Each bank’s ratio as per the last day of the month is compared to the requirement set by the Riksbank. If a bank can maintain its average ratio for a trailing 12-month period at or over the level stipulated for that bank, it complies with these regulations.

During the year total liquid assets rose by 42% to Skr 11.4 billion. The net book value of the Bank’s bond portfolio increased by Skr 3.9 billion to Skr 11.3 billion. The face value of the bond portfolio was Skr 12.0 billion, of which Skr 6.2 billion were invested in government bonds and Skr 5.6 billion in mortgage bonds.

Capital base

The Bank’s capital base was strengthened by the increase in retained earnings resolved by the 1978 Annual General Meeting. In addition, a US\$ 10 million capital notes issue was placed during the year. On the other hand, the capital base was reduced by contractual repayments on outstanding subordinated loans. At year-end the total capital base, as defined by the Banking Act, amounted to Skr 1,576 million.

The capital base requirement according to the Banking Act amounted to Skr 1,453 million distributed in risk categories as follows:

Risk category	Assets Million Skr	Capital base requirement	
		%	Million Skr
A	21,000	0	0
B	12,107	1	121
C	2,637	4	105
D	14,213	8	1,137
		Total	1,363
The Banking Act require- ment is 90% thereof			1,227
Investments in banks and financial institutions		100	226
Total capital base require- ment			1,453

The proposed allocation of profits to be submitted to the 1979 Annual General Meeting increases the equity capital by Skr 88 million. The total capital base will then amount to Skr 1,664 million.

This capital base is estimated to be sufficient until expected new capital base regulations come into effect. The Banking Law Commission has proposed rules under which one half of a bank’s untaxed reserves may be included in its capital base up to an amount not exceeding its equity capital. If the proposal is enacted, over Skr 1 billion of the Bank’s reserves of Skr 2.8 billion will constitute a base for expansion of operations.

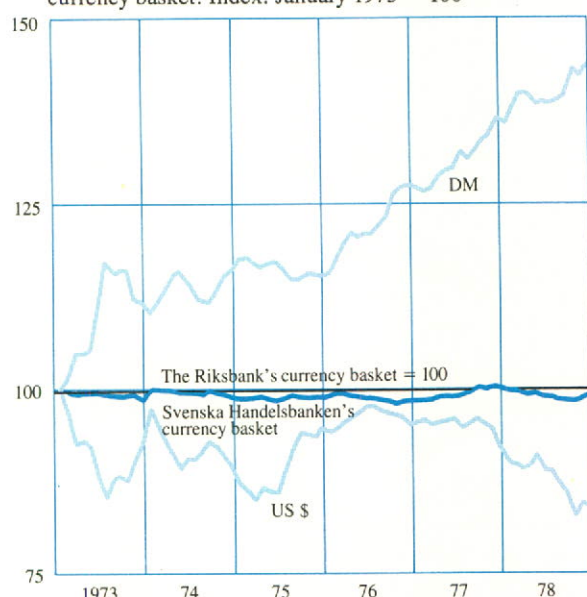
International business – continued strong expansion

The Bank’s international operations continued to grow, and the result improved.

The foreign exchange markets were subject to recurring strong fluctuations of currency values with intermittent periods of relative calm. The Bank’s foreign exchange business was therefore brisk at times, but the previous year’s excellent trading result was not achieved.

The Bank arranged a considerable volume of international loans for short-term financing of Swedish foreign trade. The Bank also participated as manager and co-manager in a large number of the international loans of between 5 and 10 years maturity raised by Swedish corporate borrowers on international markets. The Bank also increased its own long and medium term lending in foreign currency.

The Svenska Handelsbanken currency basket, US \$ and D-Mark. Comparison with the Riksbank's currency basket. Index: January 1973 = 100



Swedish borrowing on the international markets has increased sharply in the last few years. In order to reduce the currency exposure of its clients, Svenska Handelsbanken has pioneered loans denominated in a "basket" of six currencies rather than in a single loan currency. The diagram illustrates that the Svenska Handelsbanken basket has enjoyed a substantially more stable rate of exchange than the most important loan currencies, the German Mark and the US Dollar. The basket rate of exchange has closely followed that of the central bank currency basket.

A substantial portion of the Bank's new lending in foreign currency was in the form of so called "Basket Loans". The "Svenska Handelsbanken Basket" is a combination of six of the most important currencies in the Riksbank's currency basket and reduces the borrower's

currency and interest rate exposure. The "Basket Currency" can be used for all types of loans, but is most common in medium-term lending.

Lending in foreign currency has become increasingly important in recent years. Accordingly, Svenska Handelsbanken has continued to ensure an adequate supply of foreign currencies for relending to its customers. Such activities include acquisition of long-term deposits or commitments from foreign banks.

The Bank's payment transfer business has developed well. The business volume in the fields of export letters of credit and payments from abroad has expanded rapidly. Continued expenditure for EDP systems has further improved the Bank's ability to provide efficient payment transfer services to the clients. A new computer-based system for the collection of foreign receivables of Swedish companies became operative during the year.

The Bank's operations outside Sweden continued to expand. The subsidiary bank in New York, Nordic American Banking Corporation, increased its assets by 20% to Skr 995 million. A second wholly-owned subsidiary bank was established during the year, Svenska Handelsbanken S.A. in Luxemburg. The bank started well and reports total assets at year-end amounting to Skr 1,510 million (see page 39).

The Bank's two affiliated banks in Zurich and London, Nordfinanz-Bank and Nordic Bank Limited, have reached an agreement to consolidate their operations. At year-end Svenska Handelsbanken and the three other Nordic shareholders – Den norske Creditbank,

Affiliated banks

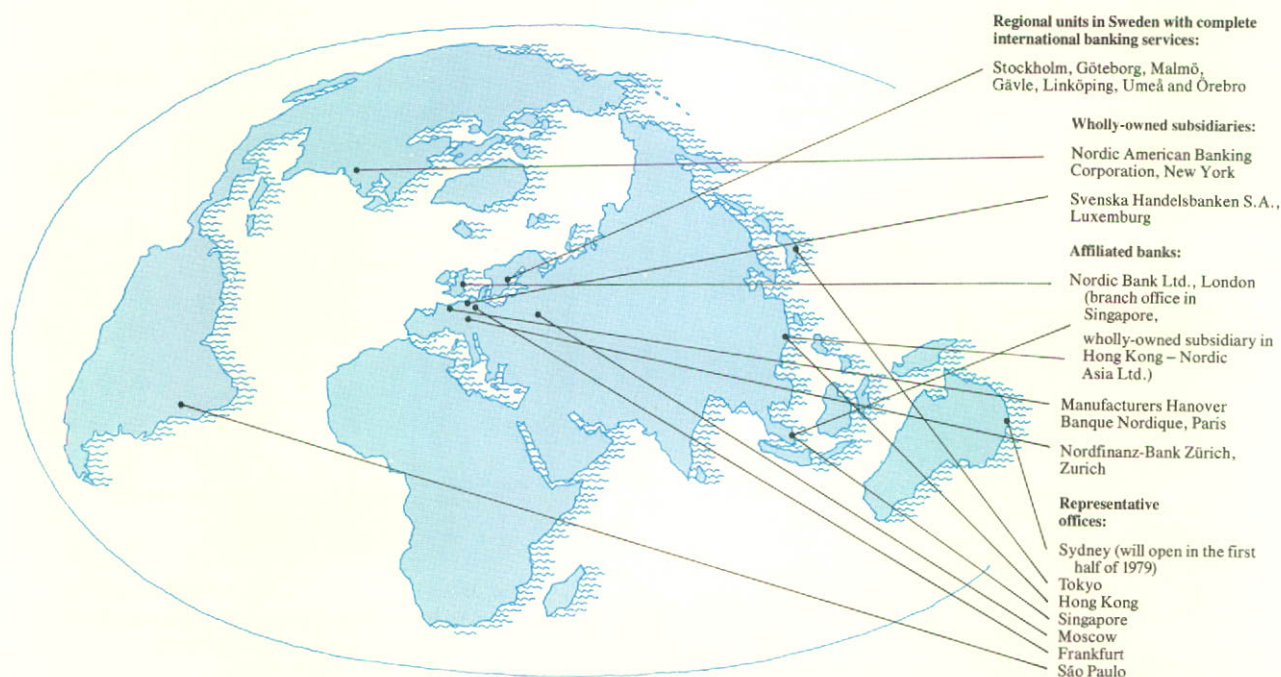
	Nordfinanz-Bank Zürich		Nordic Bank Limited		The Nordic Bank Group ¹	Manufacturers Hanover Banque Nordique	
	1978 Million Skr	Change from 1977	1978 Million Skr	Change from 1977	1978 Million Skr	1978 Million Skr	Change from 1977
Total assets	4,072	+ 249	5,586	+1,590	9,363	3,885	+ 226
Capital base ²	404	+ 13	544	+ 265	635	104	+ 1
Operating income	60.6	- 1.8	26.0	+ 6.7	28.7	25.0	- 2.4
Number of employees	95	—	181	+ 30	276	140	—
Svenska Handelsbanken's participation	20% ³	—	25%	—	25%	10%	—

¹ On December 31, 1978, Nordic Bank's participation in Nordfinanz-Bank increased from 6 to 60%. As a result the Balance Sheet is consolidated. The income statement includes the 6% held throughout 1978 by Nordic Bank.

² Equity capital before allocations plus debenture loans and similar items.

³ 5% owned directly by Svenska Handelsbanken (1977: 18.5%) and 15% (1977: 1.5%) via Nordic Bank.

Svenska Handelsbanken on the world map



Kansallis-Osake-Pankki and Copenhagen Handelsbank – each transferred 8,750 shares of common stock, or 73% of their holdings in Nordfinanz-Bank to Nordic Bank, in exchange for newly issued stock in Nordic Bank.

Through this operation Nordic Bank increased its holding in Nordfinanz to 60% and became parent company of the latter bank. The new bank group has a capital base of over Skr 600 million and total assets corresponding to Skr 9.4 billion. Through this consolidation Nordic Bank and Nordfinanz have considerably expanded their credit capacity, and will have improved capability for arranging loan financing on international capital markets for Nordic borrowers, and for financing the international trade of the Nordic countries.

Manufacturers Hanover Banque Nordique, Paris, improved its position on the French market and reported a satisfactory result.

Finance and investment operations – increased volume and good result

Income from the finance and investment operations increased substantially as a result of a growing volume of new issues on the Swedish market and a greatly expanded trading volume in premium bonds.

New issues on the Swedish bond market reached a record volume of Skr 48 billion compared with Skr 27 billion in 1977. The market was characterized by a large volume of borrowing by the Swedish Government, whose share of the volume of new issues rose from 39 to 60%. Corporate and local authority issues decreased from Skr 4.8 billion to Skr 4.6 billion.

The Bank's participation in bond and debenture issues by corporations and local authorities on the Swedish market is shown in the table on page 12.

	Participation by the Bank		With the Bank as manager	
	Number of loans	Amount Billion Skr	Number of loans	Amount Billion Skr
1977	36	3.0	14	1.1
1978	34	2.4	15	0.9

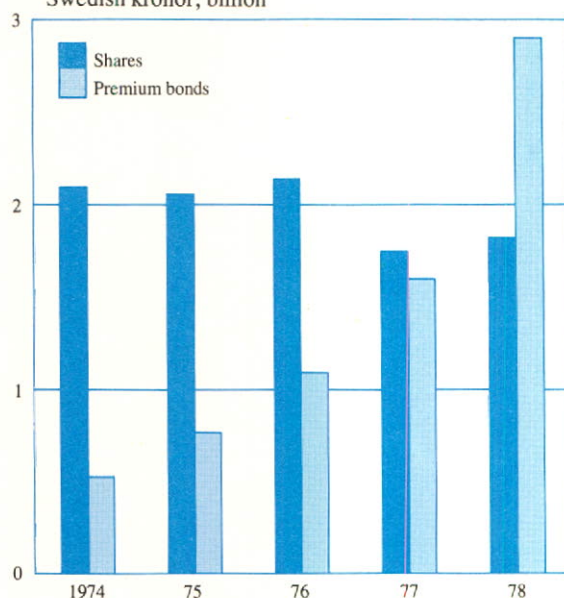
The volume of Swedish international issues declined, especially during the second half of the year, and amounted to Skr 3.8 billion compared with Skr 7.1 billion during 1977.

On the international market the Bank participated in the following issues:

	With the Bank as underwriter		With the Bank in the management group	
	Number of loans	Amount Billion Skr	Number of loans	Amount Billion Skr
1977	260	60	19	5.2
1978	169	41	10	1.5

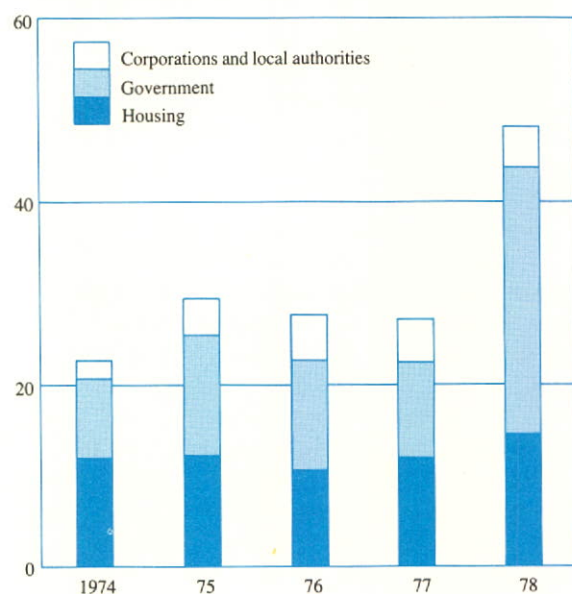
The Bank participated in the first Swedish issues on the Japanese market. The issuers were the Swedish Government and the City of Stockholm.

**Turnover on the Stockholm
Stock Exchange**
Swedish kronor, billion



The share trading volume registered on the Stockholm Stock Exchange is estimated at 35 to 40% of total turnover in shares. The registered trading volume in premium bonds is estimated at 60 to 70% of total premium bond turnover.

Domestic bond and debenture issues
Swedish kronor, billion



Investor interest in premium bonds has increased considerably in the last few years. The 1978 stock exchange volume of premium bond transactions exceeded that of stocks, which showed only a small increase over 1977.

However, total turnover of listed stocks (including off-floor transactions) rose by 13%. The Bank successfully maintained its share in the stock and premium bond brokerage business. Issuing activity in respect of both stocks and convertible bonds declined sharply.

Bond and debenture issues during 1978

Swedish issues in which the Bank has participated

* issues managed by the Bank

Issuer	Coupon %	Maturity years	Amount Million Skr
*Telefon AB L M Ericsson	9 ³ / ₄	15	100
*Almedahls AB	10	15	15
*HIAB-FOCO AB	10	15	25
AB Kabi (subordinated)	10 ⁷ / ₈	15	35
*PLM AB (subordinated)	10 ⁷ / ₈	15	40
*Svenska Cellulosa AB			
SCA	10 ¹ / ₄	15	100
Statsföretag AB	10 ³ / ₈	15	150
*Seco-Tools AB (subordinated)	10 ⁷ / ₈	15	25
*Gullfiber AB (subordinated)	10 ⁵ / ₈	15	25
*Gunnebo Bruks AB	10 ¹ / ₄	15	20
*AB Leo	10 ¹ / ₄	15	15
Oskarshamnsverkets Kraftgrupp AB	10 ¹ / ₂	20	75
*Krångede AB	10 ¹ / ₂	20	50
Forsmarks Kraftgrupp AB	10 ¹ / ₄	15	150
AB Kallströmmen	10 ¹ / ₂	20	60
*Forsmarks Kraftgrupp AB	10 ³ / ₈	20	150
*Viskans Kraft AB	10 ¹ / ₂	20	20
Forsmarks Kraftgrupp AB	10 ¹ / ₈	20	150
Forsmarks Kraftgrupp AB	10 ¹ / ₈	20	150
*Forsmarks Kraftgrupp AB	10 ¹ / ₈	20	150
Oskarshamnsverkets Kraftgrupp AB	10 ¹ / ₄	20	75
AB Kallströmmen	10 ¹ / ₄	20	80
Svenska Skeppshypotekskassan	10 ¹ / ₄	15	75
Skeppsfartens Sekundärlånekassa	10 ³ / ₄	10	25
Svenska Skeppshypotekskassan	10	15	61
Skeppsfartens Sekundärlånekassa	10 ¹ / ₂	10	54
City of Göteborg	9 ³ / ₄	15	50
City of Malmö	10 ¹ / ₄	15	75
Kommunlåneinstitutet AB	10 ³ / ₄	23	125
*Kommunlåneinstitutet AB	10 ¹ / ₈	15	40
The Stockholm County Council	10	15	75
City of Göteborg	10	15	50
*City of Stockholm	10	15	75
City of Göteborg	10 ¹ / ₄	20	40

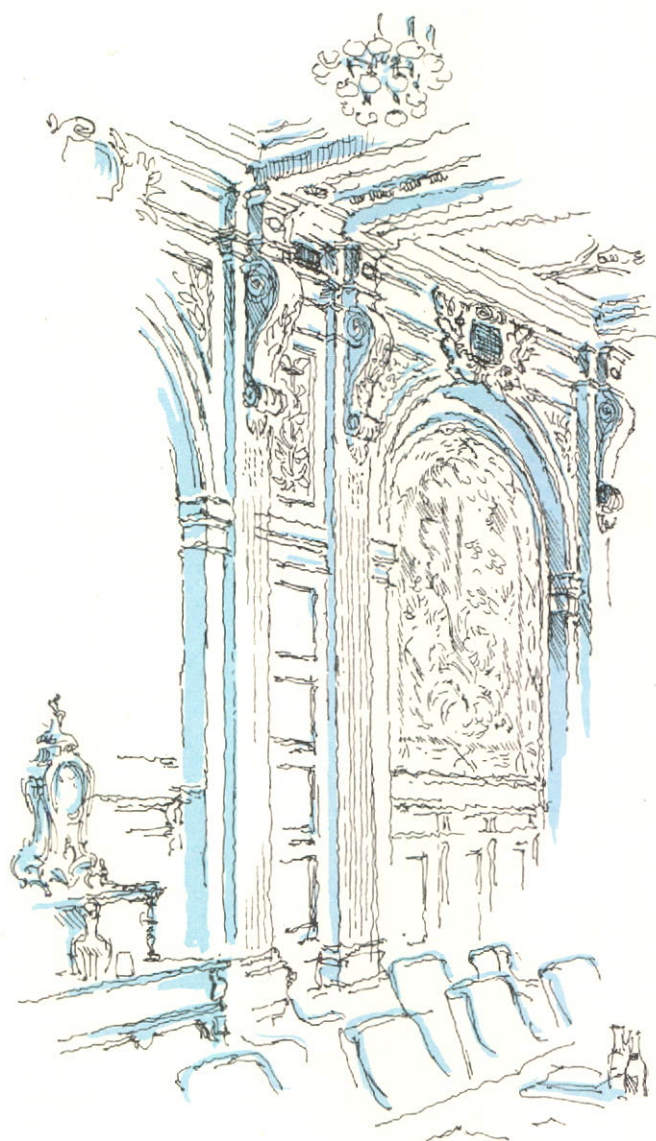
International issues managed or co-managed by the Bank

Borrower	Coupon %	Maturity years	Currency	Amounts Million
Kingdom of Sweden	9 ¹ / ₄	20	US\$	125
Forsmarks Kraftgrupp AB	5 ³ / ₄	12	DM	100
Kommunlåneinstitutet AB	7 ³ / ₄	15	UA ¹	12
AB Volvo	8	8	FLux	250
AGA AB	9 ¹ / ₄	10	US\$	25
Kommunlåneinstitutet AB	7 ¹ / ₂	15	UA ¹	15
City of Trondheim	5 ³ / ₄	10	DM	35
Nordiska Investeringsbanken	8 ³ / ₄	10	US\$	25
Ljubljanska Banka	floating rate	8	US\$	30
Kayaba Industry Co. Ltd	3 ¹ / ₂	8	DM	30

¹Units of Account

In the fall of 1977 an entirely new type of stock was introduced on the Swedish market: index stock of Svenska Handelsbanken. The dividend on this stock is linked to the consumer price index, offering investors an inflation-proof instrument.





One of the nation's finest Art Nouveau interiors can be seen at the Bank's Head Office — the Board room with tapestries designed by Alf Wallander in 1905.

Board of Directors, Management and Auditors

At the Annual General Meeting on March 15, 1978, Jan Ekman and Tom Hedelius were appointed members of the Board together with Mr Bo Rydin and Mr Sven Ågrup, all of whom were previously deputy members. Mr Knut von Horn and Mr Göran Philipson resigned from the Board.

In connection with the Annual General Meeting, Jan Wallander resigned his position as President and was appointed Chairman of the Board. Tore Browaldh was appointed First Vice Chairman.

Jan Ekman and Tom Hedelius were appointed Presidents, Jan Ekman with primary responsibility for the Bank's international operations and Tom Hedelius with primary responsibility for domestic operations. The two Presidents act as each other's deputies.

The Annual General Meeting appointed Mr Lennart Dahlström as Auditor after Mr Sven Trued, who resigned. As new deputy auditors were appointed Ms Suzanne Bonnier and Mr Sune Carlsson, Authorized Public Accountant. Mr Malte Oredsson, Auditor appointed by the Royal Bank Inspection Board, was succeeded by Mr Per V A Hanner, Authorized Public Accountant.

Administration

The average number of employees in the Bank was 4,823, an increase by 56 or 1.2% (last year's figure adjusted by 64 persons due to a change in the method of reporting). Part-time personnel are included on a full time basis. The increase in staff was due to an extension from 4 to 5 weeks in the minimum vacation prescribed by law. The actual number of hours worked declined by about 1% while the volume of work increased. Consequently, productivity improved compared to 1977.

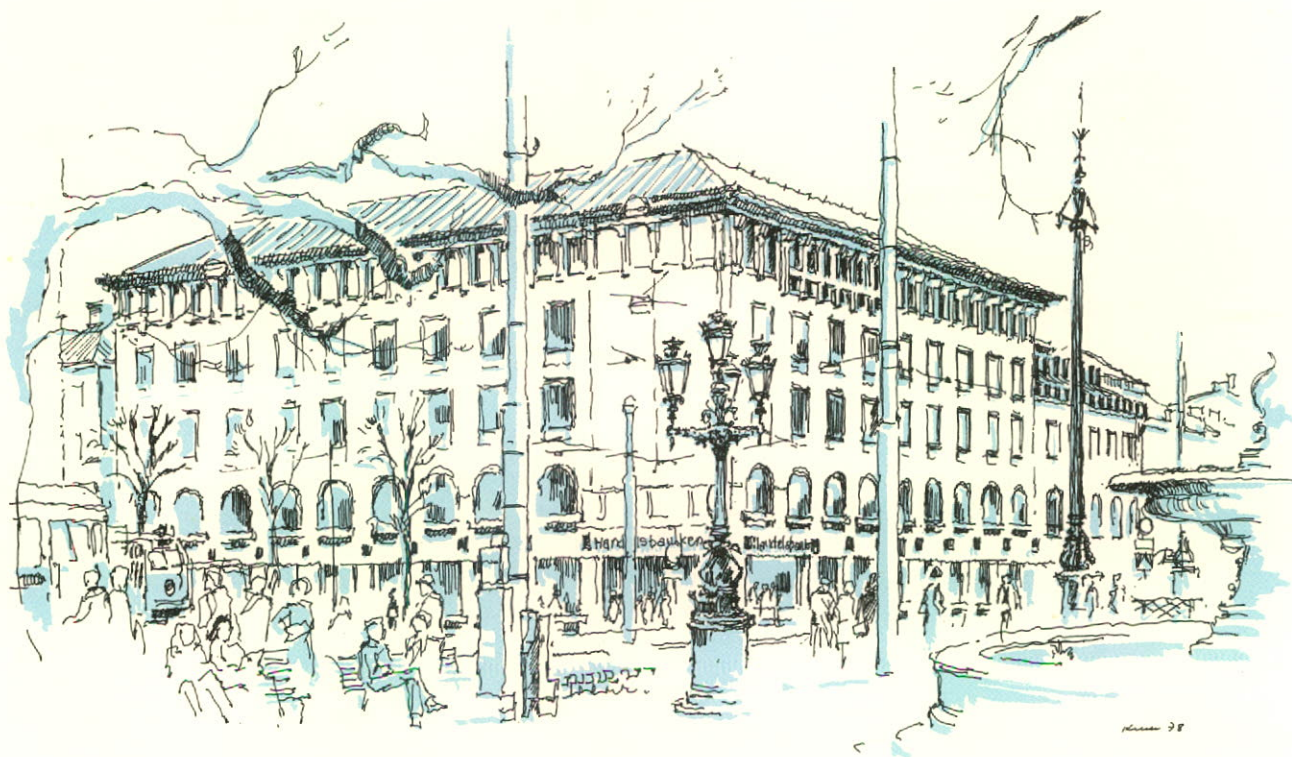
The number of permanent full and part-time employees was about 5,215 at year-end, in addition to which the Bank had a small number of persons temporarily employed.

In spring 1978 the Regional Unit for Western Sweden moved into new premises in Göteborg. The building is designed by Anders Tengbom and Hans Bengtsson and replaces the house where Gumpert's bookstore had been doing business since 1871.

During the spring, the first stage of construction of the Bank's new building in Göteborg was completed. The building, with a total floor area of 7,500 square meters, houses the head office for the Regional Unit for Western Sweden and a branch office. Construction on the second stage of the project, which will add office and commercial space for rental, started in the fall.

Branch network

At the end of 1978 the Bank's branch network consisted of 472 offices, a decrease of three since year-end 1977. One branch in each of Göteborg, Lund and Södertälje was closed.



Operating income

Net operating income rose from Skr 582 million to Skr 833 million, or by 43%. The improvement is primarily due to higher net interest income, which increased as a result of a rising volume of business, and to a wider interest margin. Operating revenue increased by a total of 23% and operating expense by 8%.

Interest income

About 75% of the Bank's total revenue is attributable to net interest income, which rose by 31% to Skr 1,253 million. Over half the increase was due to increased volume.

The interest margin, defined as the difference between average yield on all assets generating interest and average interest expense for all liabilities, rose by 0.33% to 2.38%. A major portion of the improvement was due to a higher yield on the bond portfolio. The spread

between lending and deposit rates for Swedish kronor increased only marginally.

The investment margin, defined as the difference between the average yield on all assets generating interest and the average interest cost for all funds employed, improved by 0.27% to 2.87%. The reason for the lower increase compared to the interest margin is that the yield on the Bank's equity and reserves decreased as a result of the lower general interest level.

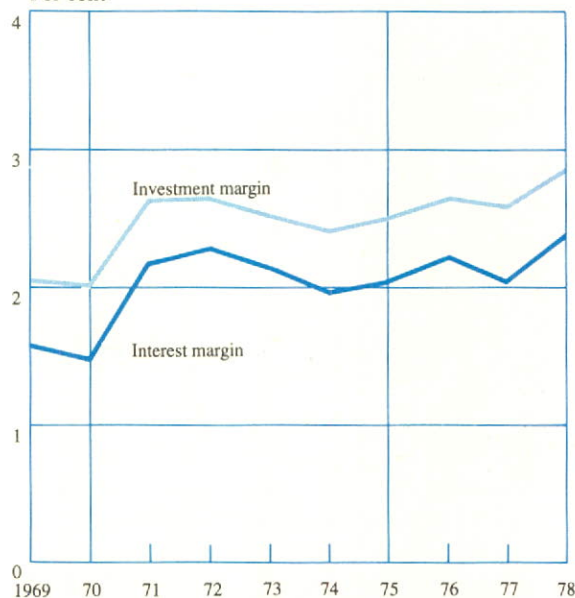
Other revenue

Commission income rose by 1% to Skr 358 million. Substantially higher income was recorded in securities underwriting and issuing, bond trading, loan brokerage and safe deposit box rental.

Commission income in international operations declined due to a lower foreign exchange trading result. The Bank's international financing operations continued to add substantial

Interest margins

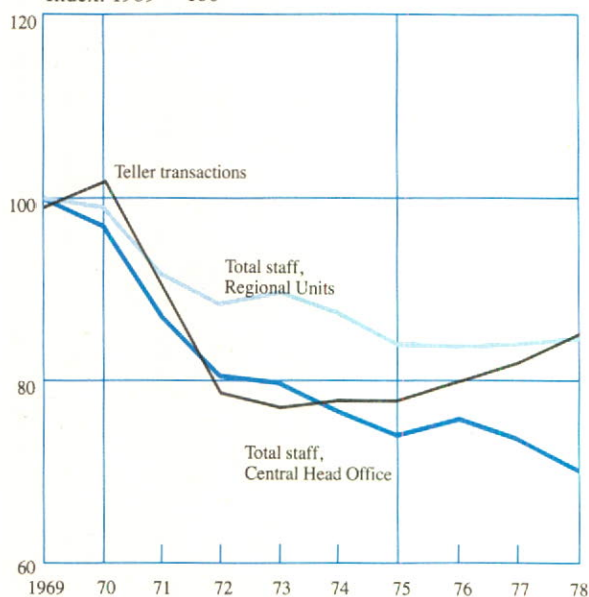
Per cent



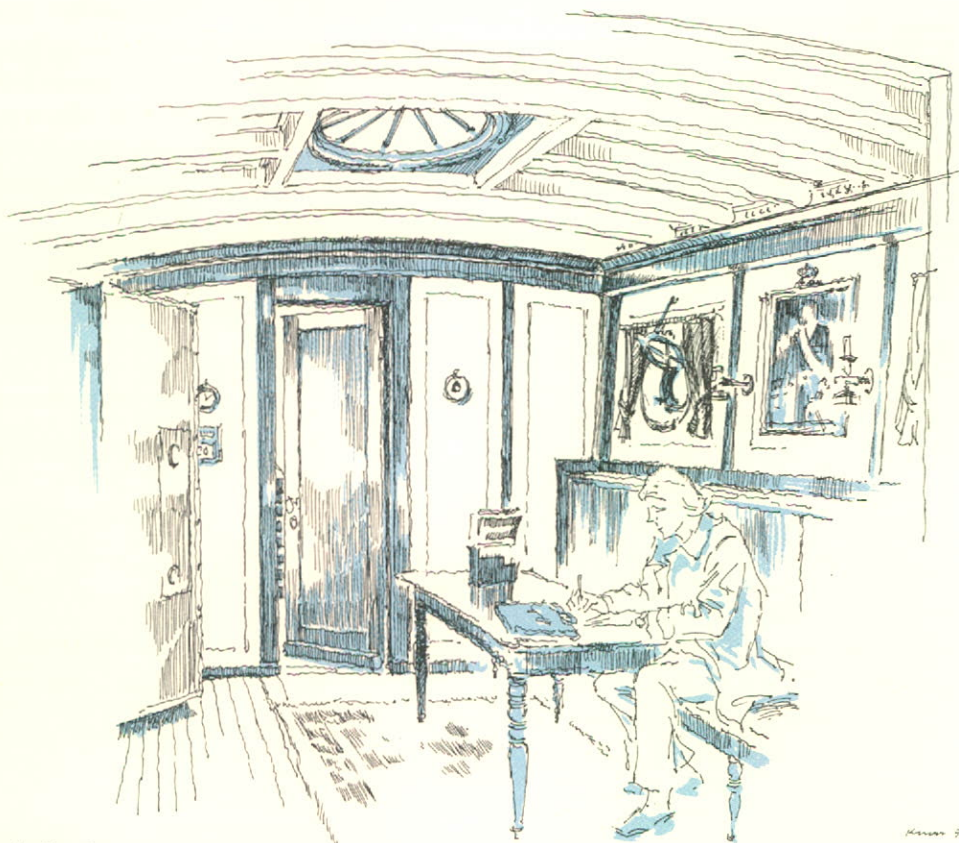
Interest margin and investment margin definitions: see text.

Transaction volume and personnel

Index: 1969 = 100



Both the increase in the number of transactions during 1970 and the sharp decrease in 1971-72 are concentrated to checking accounts. The use of personal checks in retail trade was discontinued during 1971-72, which explains the decline in those years.



You need only the sound of breaking seas to complete the illusion... An almost exact replica of the Captain's cabin aboard the full-rigged naval training ship "Jarramas" meets the visitor at the entrance to the vault of the Bank's Karlskrona branch.

commission income and also provided higher net interest income than in previous years.

Dividend income rose by Skr 11 million to a total of Skr 32 million, mainly as a result of higher dividends from the Swedish subsidiaries.

Expense

Operating expense increased by Skr 64 million, or 8%, to Skr 849 million. Despite a slightly larger number of employees due to the increase in statutory vacation, the rise in staff costs was held to 7%. Other expense rose by 10%.

The 1978 accounts show foreign exchange losses on subordinated loans in foreign cur-

rency as a separate item. A total of Skr 10 million has been charged to the operating result compared with Skr 8 million in 1977. For 1978 this charge includes certain costs and losses recorded in previous years.

Extraordinary income

The transfer of 8,750 shares of common stock in Nordfinanz-Bank Zürich to Nordic Bank Limited (see page 10) resulted in a capital gain of Skr 48.8 million, reported as extraordinary income. Also included in extraordinary income is a transfer from Sigab of Skr 30 million, representing profits in connection with the winding up of the mortgage operations of this company.

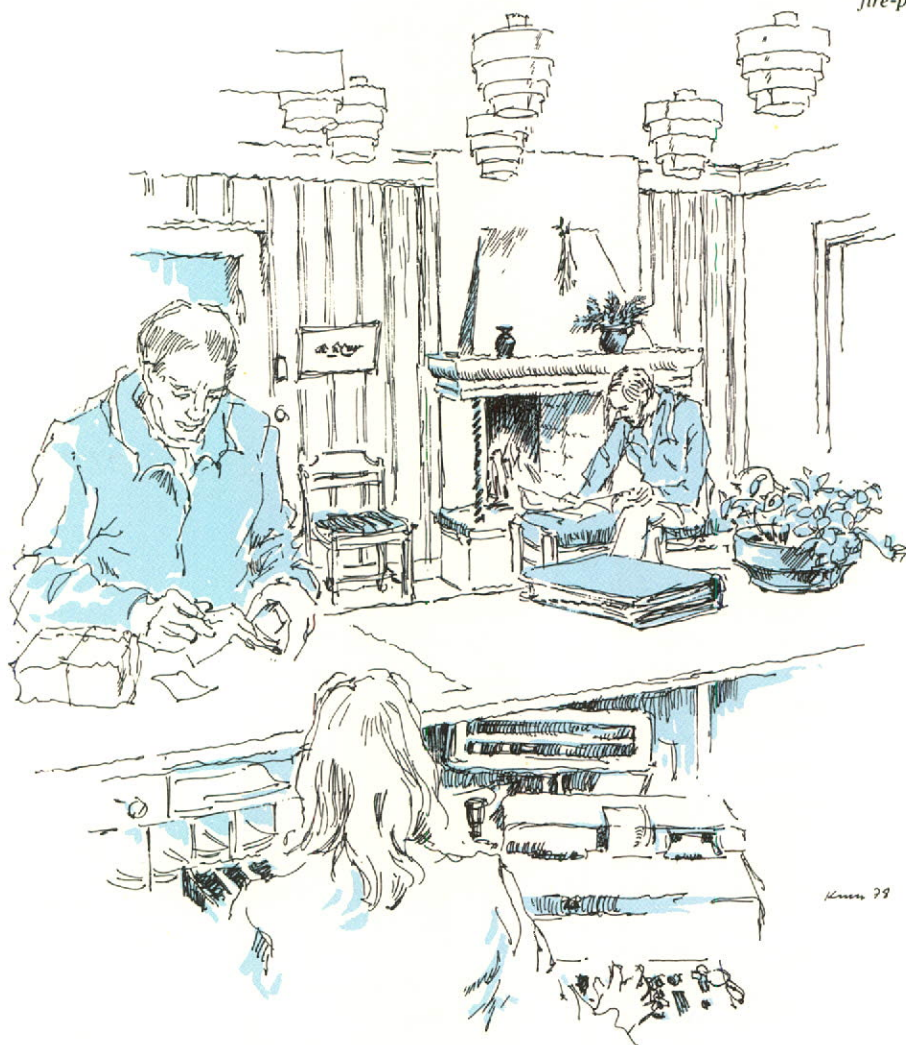
Extraordinary expense

Extraordinary expense amounted to Skr 24 million. The major portion of this figure refers to the transfer to the Oktogonen foundation of Skr 23.3 million. The transfer was made because Svenska Handelsbanken was more profitable in 1977 than other privately owned banks on average.

Allocation of Profits

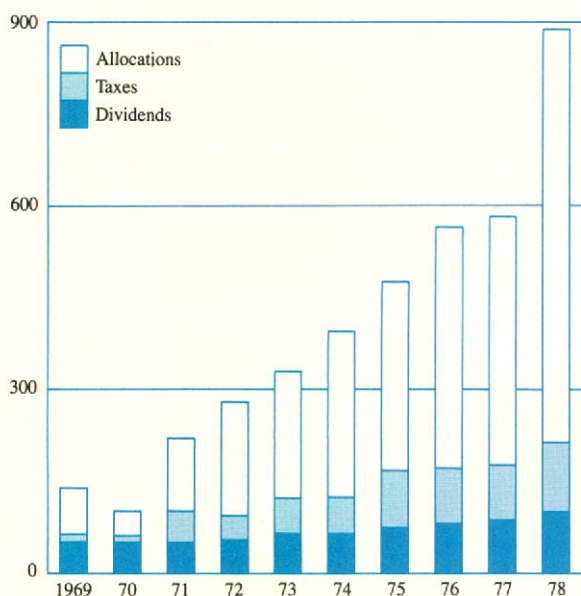
Operating income after extraordinary items amounts to Skr 889 million compared with Skr 585 million for the previous year. Skr 589 million of this amount (Skr 370 million last year) has been allocated to reserves. Taxes on the year's operations are estimated at Skr 110 million (last year Skr 90 million). Skr 190 million is reported as net income (Skr 125 million in 1977).

The community of Lövånger in the north of Sweden is known for its well preserved church cottages, originally used as temporary lodging for parishioners living far from their house of worship. The decoration of the Bank's local office was inspired by these cottages. Pine panelling and an open fire-place — which is often in use — provide a cosy atmosphere.



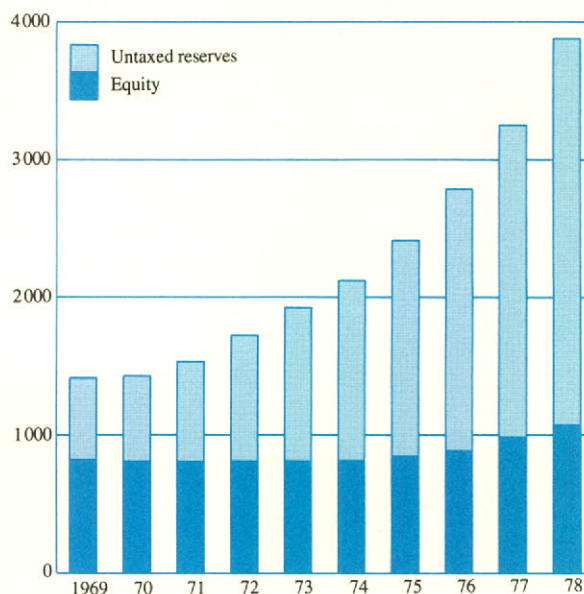
Lönn 79

Allocations to reserves, taxes and dividends Swedish kronor, million



Dividend for 1978 as proposed by the Board of Directors.

Equity and untaxed reserves Swedish kronor, million

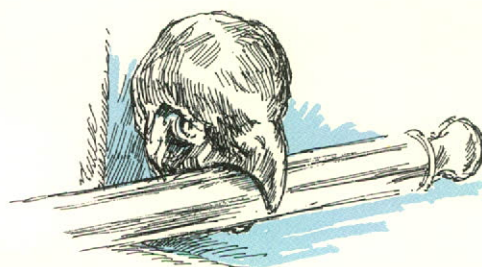


Reserves – allocations and losses

Skr 40 million has been added to the reserve for bonds and Skr 31 million has been charged to this account for realized losses (net). The year-end balance of the reserve is Skr 617 million. The bond portfolio book value, Skr 11,296 million, is recorded on the Balance Sheet net of this reserve. At year-end, the bond portfolio market value was Skr 11,341 million.

Skr 549 million has been added to the reserve for loans. After credit losses of Skr 31 million (net), the reserve for loans amounts to Skr 2,022 million as compared with Skr 1,504 million at year-end 1977.

The reserve for foreign exchange amounts to Skr 155 million. No allocations have been made nor any losses charged to the reserve.



Eagle's head in bronze — carpet rod fitting in the Fersen Palace, used by the International Banking Division.

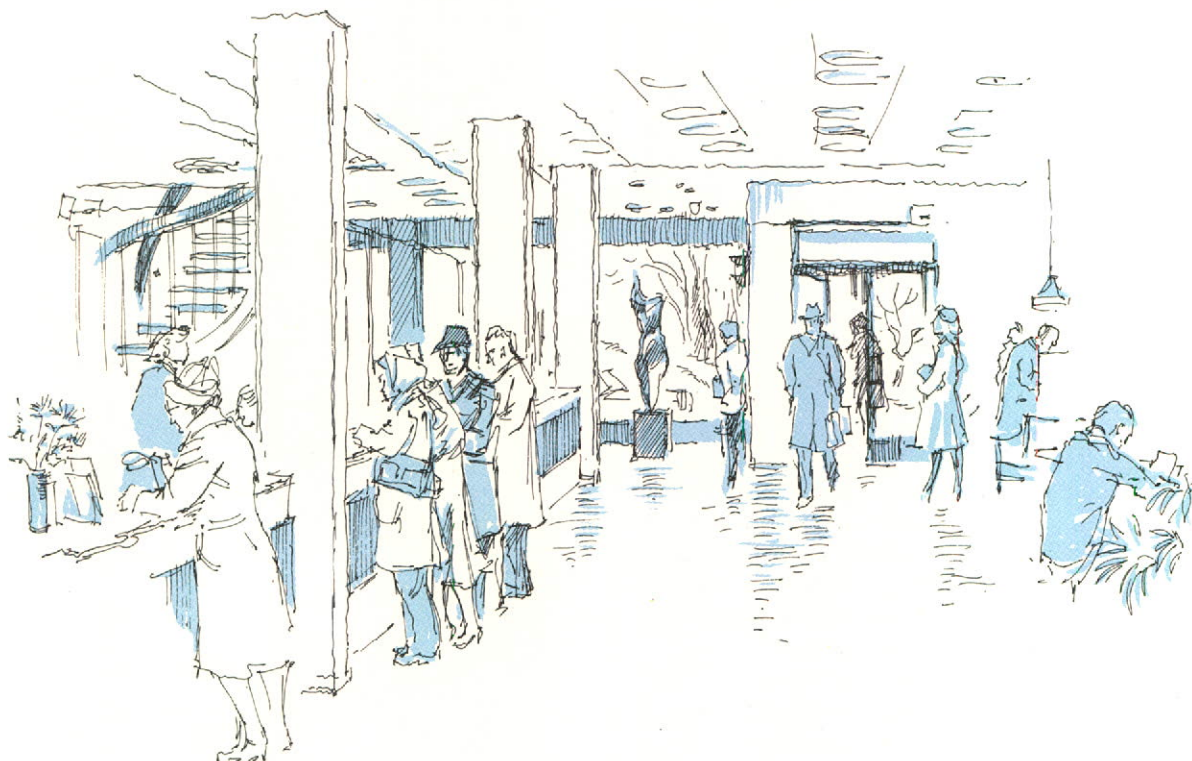
Consolidated result

The consolidated accounts, with brief descriptions of subsidiary operations, are found on pages 37–41. Consolidated net income was Skr 975 million, an increase by Skr 298 million or 44%.

Earnings per share

On the basis of the consolidated result, the adjusted earnings per share are Skr 76. The corre-

sponding figure for 1977 was Skr 54. Adjusted earnings are computed on the basis of consolidated operating income (less minority interest) and include the Bank's share in the profits of affiliated banks abroad. The net of extraordinary items has been added, and losses charged directly to reserves for bonds and loans have been deducted. A standard deduction of 57% for taxes has been made, after which dividends on preferred and index stock have been deducted.



*Christian Berg's stark marble sculpture
"Exalted torso" at the Svenska Handelsbanken
Humlegården branch in Stockholm.
The building and the Bank's premises were designed by Anders Tengbom.*

Proposals by the Board of Directors

Allocation of Profit

At the disposal of the Annual General Meeting according to the Balance Sheet:

Retained earnings carried forward from 1977	Skr	41,699,472.35
Net income for the year	Skr	190,441,151.14
	<u>Skr</u>	<u>232,140,623.49</u>

The Board proposes that these funds be allocated as follows:

for distribution to the Stockholders		
on preferred stock Series A, Skr 4.50 per share	Skr	1,125,000.—
on preferred stock Series B, Skr 6.— per share	Skr	1,500,000.—
on common stock Skr 18.50 per share	Skr	95,492,930.—
on index stock Skr 6.75 per share	Skr	4,355,235.—
to be carried forward	Skr	129,667,458.49
	<u>Skr</u>	<u>232,140,623.49</u>

The proposal includes an increase in the dividend payable to holders of common stock of Skr 2.50 per share. Under the bylaws of the Bank the dividend payable on the index shares shall be changed at the same rate as the Consu-

mer Price Index from November 1977 to November 1978. With prescribed rounding, the index share dividend for 1978 will amount to Skr 6.75 per share. The dividends total Skr 102.5 million (last year Skr 89.2 million).

If this proposal is adopted, the Bank's share capital and reserves will amount to:

Share capital	Skr	630,700,000.—
Statutory reserve	Skr	315,350,000.—
	<u>Skr</u>	<u>946,050,000.—</u>
plus retained earnings	Skr	129,667,458.49
	<u>Skr</u>	<u>1,075,717,458.49</u>

Proposed stock split

The Board further proposes that the nominal value of each share be changed from Skr 100 to Skr 20. Each old share of preferred, index and common stock, with a current nominal value of Skr 100, is thus proposed to be split into 5 new

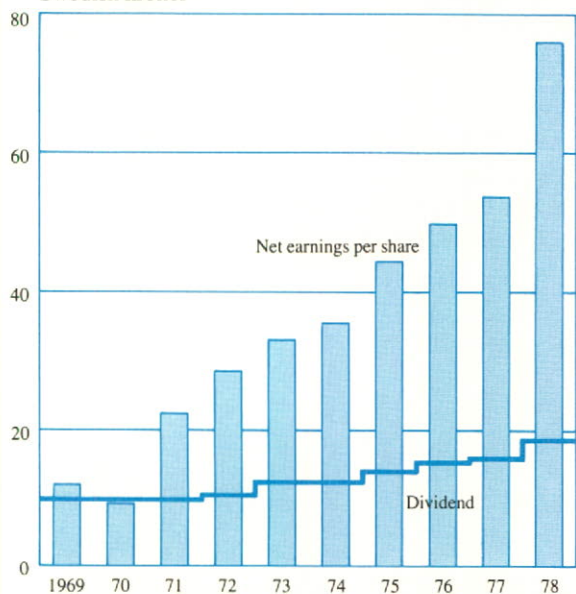
shares with a nominal value of Skr 20 each. The proposal requires an amendment of the Bank's bylaws and the approval of two consecutive General Meetings of Stockholders.

Stockholm, February 6, 1979

JAN WALLANDER		
TORE BROWALDH	NILS BERGGREN	GÖSTA ANDERSSON
MATTS CARLGREN	PER EKSTRÖM	ERIK GRAFSTRÖM
GUNNAR HINDEMARK	NILS HOLGERSON	BO AX:SON JOHNSON
INGE NYBERG	BO RYDIN	ULF A STYREN
ULF WIDERSTRÖM	KAJ YTTERSKOG	SVEN ÅGRUP
JAN EKMAN	TOM HEDELIUS	
Presidents		

Svenska Handelsbanken 1969–1978

Net earnings and dividend per share of common stock
Swedish kronor



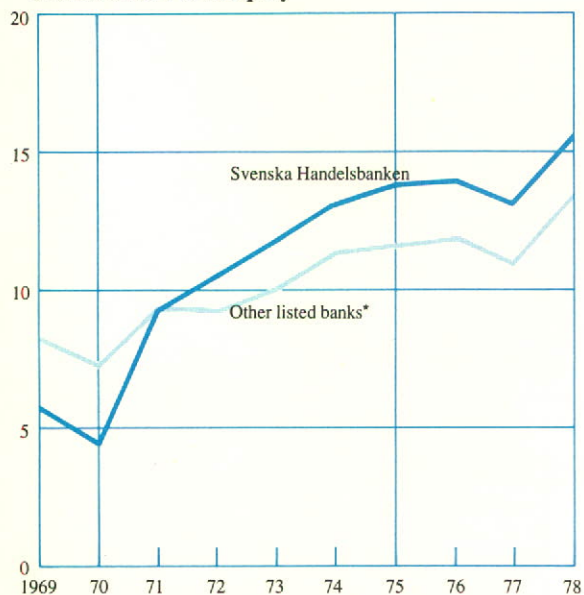
Earnings per share of common stock = adjusted income as defined on page 20. The figures have been adjusted for the 1976 bonus issue. Dividend for 1978 as proposed by the Board of Directors.

The price of the Bank's common stock
Index: 1969 = 100



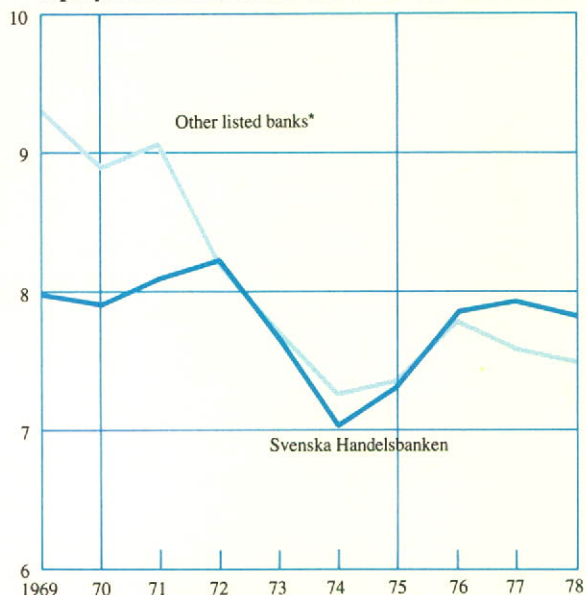
The price of the Svenska Handelsbanken common stock at the end of each year adjusted for the 1976 bonus issue (December 31, 1969 = 100). At year-end 1978 the price was Skr 380. The Affärsvärlden bank stock index is per the end of each year. December 31, 1969 = 100.

Net income in % of equity



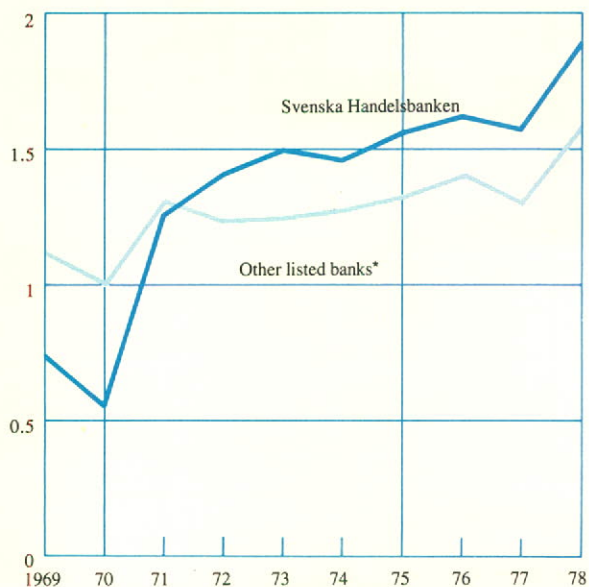
Net income is defined as operating income after standard deduction for taxes. Equity is defined as reported equity (adjusted for new issues) plus half the average untaxed reserves each year.

Equity and untaxed reserves in % of total assets



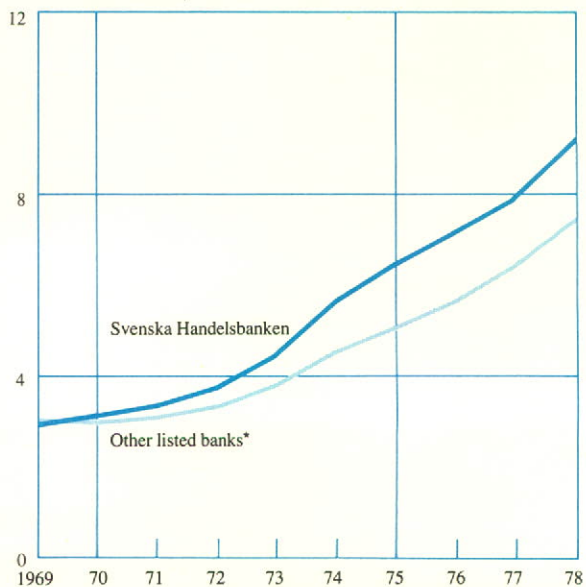
Equity after deduction of proposed dividends as per each year-end. Untaxed reserves are defined as the sum of the reserves for loans, foreign exchange and bonds as per the end of each year.

Operating income in % of total assets



Operating income in relation to total assets computed on a monthly average basis as reported to the Royal Bank Inspection Board.

Assets per employee
Swedish kronor, million



Total assets (monthly averages according to official statistics) divided by the number of employees (annual averages). The figures for 1969–1971 are partially based on estimates.

*1978 figures are estimates.

The Stockholders of Svenska Handelsbanken

Before the proposed split, Svenska Handelsbanken's share capital, totalling Skr 631 million, is represented by 5,161,780 shares of common stock, 645,220 shares of index stock and 500,000 shares of preferred stock. Common stock carry one vote per share, while index and preferred stock carry 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 over 65,000 stockholders, a majority of which are private persons. As shown in the table below, most of these investors own only a limited number of shares. Among the 34 owners of more than 10,000 shares (0.2% of the common stock) are 12 holding companies and 7 insurance companies.

On December 31, 1978, the Bank's stock was held as follows:

	Stockholders		Shares held		
	Number	In per cent of all stockholders	Number	In per cent of the share capital	Average number of shares per stockholder
Shares held					
100 shares or less	55,189	84.6	1,498,000	23.8	27
101- 500 shares	9,038	13.8	1,742,000	27.6	193
501- 1,000 shares	659	1.0	441,000	7.0	670
1,001-10,000 shares	343	0.5	821,000	13.0	2,394
More than 10,000 shares	34	0.1	1,800,000	28.5	52,927
Old coupon certificates not yet exchanged			5,000	0.1	
Total	65,263	100.0	6,307,000	100.0	97

The five largest holders of common stock in Svenska Handelsbanken are:

The Skandia Group (insurance)	5.0%
SPP (pension insurance)	4.8%
The Oktogonen foundation	2.8%
The Trygg-Hansa Group (insurance)	2.8%
AB Industrivärden (investment company)	2.2%

Statement of Income

Million Skr

Notes to items marked * on pages 26–29

	1974	1975	1976	1977	1978
*Operating Revenue					
Interest income, net	582.3	746.6	888.3	959.2	1,253.1
Commissions	261.7	264.2	286.5	354.1	358.0
Net income from real estate	20.0	9.5	15.7	26.4	31.2
Sundry receipts	18.2	18.9	23.5	26.3	39.2
Total Operating Revenue	882.1	1,039.2	1,214.0	1,366.0	1,681.5
*Operating Expense					
Personnel expense	314.8	372.4	430.8	494.3	526.9
Other expense excl. depreciation	141.3	159.3	197.4	238.0	262.3
Depreciation on equipment	19.3	29.6	33.3	38.9	44.0
Depreciation on real estate	3.7	3.5	4.4	4.9	5.5
Total Operating Expense	479.1	564.8	665.9	776.1	838.8
*Currency losses on subordinated loans	—	0.6	1.8	8.1	9.8
Net Operating Income	403.1	473.8	546.3	581.8	833.0
*Extraordinary Income	11.8	20.2	43.8	29.6	80.3
*Extraordinary Expense	17.9	17.4	22.3	26.7	23.8
Income before allocations and taxes	397.0	476.5	567.8	584.8	889.4
Writedown of capital stock and debentures	6.0	4.2	—	—	—
*Allocation to Reserves					
for loans	90.0	205.0	280.0	330.0	549.0
for foreign exchange	60.0	—	—	—	—
for bonds	75.0	75.0	80.0	40.0	40.0
Allocation to					
Special Investment Reserve	25.0	—	—	—	—
Work Environment Reserve	8.0	—	—	—	—
Utilization of Investment and Work					
Environment Reserves					
Utilized from reserves	7.5	11.9	10.8	12.3	0.0
Corresponding depreciation	7.5	11.9	10.8	12.3	0.0
*Taxes	58.0	92.0	90.0	90.0	110.0
Net Income	75.0	100.4	117.8	124.8	190.4
At the disposal of the Annual General					
Meeting, incl. Contingency Reserve	123.3	157.9	200.7	130.9	232.1
Dividends for the year	65.9	74.9	81.7	89.2	102.5 ¹
Allocation to Share Capital	—	—	64.5	—	—
Allocation to Legal Reserve	—	—	48.4	—	—
Balance	57.5	83.0	6.2	41.7	129.7 ¹
of which: Contingency Reserve	47.5	47.5	—	—	—
Retained Earnings	10.0	35.5	6.2	41.7	129.7 ¹

¹As proposed by the Board of Directors.

Notes to the Statement of Income

Operating Revenue	1978			Changes from 1977		
	Average balance	Interest		Average balance	Interest	
	Million Skr	Million Skr	%	Million Skr	Million Skr	%
<i>Interest</i>						
<i>Assets</i>						
Cash	983	42.5	4.32	— 0	— 6.7	—0.68
Due from domestic financial institutions ..	1,015	27.3	2.69	+ 140	— 0.7	—0.52
Due from foreign banks	5,479	321.1	5.86	+ 459	+ 15.9	—0.22
Bonds and other fixed interest securities ..	10,170	834.3	8.20	+2,602	+260.3	+0.62
Loans	25,378	2,652.2	10.45	+3,590	+191.7	—0.84
of which in Swedish kronor	20,719	2,244.4	10.83	+1,707	— 9.7	—1.03
in foreign currencies	4,659	407.8	8.75	+1,883	+201.4	+1.32
Other	654	2.6	—	+ 54	+ 0.2	—
A. Total assets	43,679	3,880.0	8.88	+6,845	+460.7	—0.40
<i>Sources of funds</i>						
Deposits	25,537	1,720.9	6.74	+4,014	+ 43.4	—1.05
of which in Swedish kronor	24,816	1,680.6	6.77	+3,855	+ 29.5	—1.11
in foreign currencies	721	40.3	5.59	+ 159	+ 13.9	+0.89
Due to domestic financial institutions	2,412	130.4	5.41	— 437	— 92.9	—2.43
Due to foreign banks	8,230	486.7	5.91	+2,142	+177.5	+0.83
Domestic refinancing loans	2,776	222.7	8.02	+ 631	+ 33.7	—0.79
Subordinated loans	606	51.6	8.53	+ 102	+ 7.4	—0.24
Other liabilities	862	14.6	—	— 63	— 2.3	—
B. Total liabilities	40,423	2,626.9	6.50	+6,389	+166.8	—0.73
Capital and reserves	3,256			+ 456		
C. Total sources of funds	43,679	2,626.9	6.01	+6,845	+166.8	—0.67
Net interest income		1,253.1			+293.9	
Interest margin (A ÷ B)			2.38			+0.33
Investment margin (A ÷ C)			2.87			+0.27
Average official discount rate			6.99			—1.01

Cash: Cash consists of actual cash in hand plus checks in transit drawn on other banks as well as funds on deposit with the Riksbank in accordance with the cash ratio regulations. The cash ratio requirement was 2% during the entire year. Interest has been earned at a rate equal to the official discount rate on all funds held on deposit with the Riksbank as well as on the cash in hand.

Foreign banks: Dollar interest rates rose during the year, which affected interest income and expense on deposits and liabilities in foreign currency. The large increase in liabilities to foreign banks is a consequence of the refinancing of loans in foreign currency.

Bonds and other fixed interest securities: Due to the gradually increased liquidity reserve requirement, the Bank was obliged to invest a major portion of the increase in deposits in government and mortgage bonds, which are regarded as liquid assets for purposes of calculating the liquidity reserve ratio. Since bonds acquired in 1978 yielded between 8 and 10%, the average yield on the bond portfolio rose by 0.62% to 8.20%. During 1977 the bond portfolio yield was 0.30% lower than the average interest expense for deposits in Swedish kronor. During 1978 the bond yield was instead 1.43% higher than the average deposit rate. The change came about as a result both of investments in new bonds and of lower interest expense for deposits as a consequence of lowered official discount rate.

Loans in Swedish kronor: Interest income includes fees for credit lines. The average interest rate declined slightly more than the official discount rate.

Loans in foreign currencies: Loans in foreign currencies increased sharply during 1978, when the average volume was up by 68%. Normally, the interest on such loans is linked to the Bank's refinancing cost abroad. International interest rates rose during the year and consequently also the lending rates.

Deposits in Swedish kronor: The interest expense declined 0.10 percentage points more than the official discount rate. Interest paid on large deposits was lowered more than the official discount rate during the year, but at year-end it was still higher than for other types of accounts. Since the share of large deposits in overall deposits increased, the effect of the lower interest

rate was partially offset.

Domestic refinancing loans: Loans refinanced with the National Pension Fund and export credits refinanced with the National Pension Fund and AB Svensk Exportkredit.

Subordinated loans: Unrealized losses and expenses in connection with the Bank's international subordinated loans were previously reported as a part of the interest expense for such loans. Starting this year, these costs are reported as a separate item in the Statement of Income. For the sake of comparison, the figures for 1977 have been restated.

Interest margin: Defined as the difference between average interest earned on assets and paid on all liabilities excluding capital and reserves. The interest margin widened, primarily as a result of the higher yield on the bond portfolio.

	1978 Million Skr	Change from 1977 Million Skr
<i>Commissions</i>		
Domestic lending	66.1	+ 9.8
Domestic and international securities operations	60.8	+ 10.9
Trust and legal services	37.2	+ 4.4
Other domestic operations	47.7	+ 12.9
International operations	146.2	- 34.1
Total commissions	358.0	+ 3.9
<i>Net income from real estate</i>		
Rental income, etc.	46.4	+ 5.9
Less:		
repairs	7.5	+ 0.1
other operating expense	7.6	+ 1.0
Income before depreciation	31.2	+ 4.8
Depreciation	5.5	+ 0.6
Net income	25.7	+ 4.2
<i>Sundry receipts</i>		
Dividends:		
Sigab	15.3	+ 4.1
Svenska Finans AB	10.0	+ 4.8
Other subsidiaries	1.0	-
Other companies	6.0	+ 1.8
Total dividends	32.3	+ 10.6
Other receipts	6.9	+ 2.3
Total sundry receipts	39.2	+ 12.9

The increase refers to transaction fees and commissions on contractual credits and domestic guarantees. Commitment fees on credit lines are reported as interest income.

The commissions relating to bond issues and securities brokerage increased, while revenue from stock issues declined.

Commissions on loan brokerage rose sharply.

The decrease in commission income, international operations, is attributable to lower income from foreign exchange trading.

The return on the Bank's holdings of real estate rose from 9.6% of book value for 1977 to 10.9%. Skr 1.5 million of the costs for repairs refer to renovation of the head office premises.

The dividends from Sigab, Svenska Finans AB and the wholly-owned real estate companies refer to 1978 operations. See page 36 for a specification of dividends.

	1978 Million Skr	Change from 1977 Million Skr
Operating expense		
<i>Personnel expense</i>		
Salaries	363.9	+ 24.7
Pensions disbursed and dues paid to the Bank's pension fund	32.6	+ 3.1
Social charges	111.1	+ 3.6
Other personnel costs	19.4	+ 1.2
Total personnel expense	526.9	+ 32.6
<i>Other expense excluding depreciation</i>		
Rent and expenses for premises ...	98.5	+ 2.3
Telephone, cables, postage, transport	35.5	+ 4.9
Equipment rental, leased computer and other services	27.8	- 1.3
Purchased services	28.2	+ 5.2
Sundry supplies	21.0	+ 4.6
Sundry expense	51.5	+ 8.5
Total other expense	262.3	+ 24.3
<i>Depreciation on equipment</i>	<i>44.0</i>	<i>+ 5.1</i>
<i>Depreciation on real estate</i>	<i>5.5</i>	<i>+ 0.6</i>
Currency losses on subordinated loans	9.8	+ 1.7

Salaries and remunerations rose by 7.3%, just over 1% of which was attributable to the increase in personnel. The average number of employees increased by 56 to 4,823. The increase in staff was due to an increase in vacation time from 4 to 5 weeks prescribed by law. On the other hand, the amended regulations governing vacations had the effect that the number of unused vacation days declined. Skr 3.2 million could therefore be reversed from the reserve for vacation pay. The number of hours worked declined by about 1% to 7,873,920 hours.

Salaries include remunerations to the Central Board of Directors, Regional Unit Boards, top executives at the Head Office and the Regional Units in a total amount of Skr 6.0 million (1977: Skr 6.4 million).

Salaries to other employees amounted to Skr 354.2 million (1977: Skr 325.2 million) and other salary costs – remunerations to branch office boards, wages to canteen personnel and cleaning staff employed by the Bank as well as the change in the reserve for vacation pay – amounted to Skr 3.7 million (1977: Skr 7.6 million).

Pension costs rose, primarily due to higher pensions and supplementary pensions paid by the Bank. Dues to the Bank's pension fund, corresponding to contractual pension obligations, declined by Skr 1.2 million.

Social charges include all payroll taxes, National Supplementary Pension dues, charges for early retirement, social security, etc.

Rents rose by 10.5 % to Skr 67.8 million. Expenses for maintenance declined by Skr 5.1 million.

Purchased services are mainly expenses for services used by all commercial banks such as the Bank Giro System, the Credit Information Center and the Bankers' Association.

Sundry expense: Marketing costs rose rapidly and amounted to Skr 13.5 million (1977: Skr 9.5 million).

See page 34

See page 34

Unrealized currency losses on international subordinated loans and costs for raising these loans were previously regarded as a part of the interest cost for these loans. Starting in 1978, foreign exchange losses and issuing costs are reported as a separate item in the Statement of Income. In order to achieve comparability, the figures for prior years have been restated. Foreign exchange losses and issuing costs were previously amortized over the remaining life of the loans. The currency losses for 1978 and the remaining unamortized losses and issuing costs from earlier years have been charged to 1978 earnings.

Board of Directors

Dr JAN WALLANDER, *Chairman*
Dr TORE BROWALDH, *First Vice Chairman*
MATTS CARLGREN
President, Mo och Domsjö AB
JAN EKMAN, *President*
PER EKSTRÖM
Chairman, Svenska Varv AB
ERIK GRAFSTRÖM
Appointed by the Government
TOM HEDELIUS, *President*
GUNNAR HINDEMARK
President, ret., Billeruds AB
NILS HOLGERSON
Chairman, Beijerinvest AB
BO AX:SON JOHNSON,
President, Rederi AB Nordstjernen
PER LINDBERG
President, AB Industrivärden
INGE NYBERG
Member of the Board, The Oktogonen Foundation
BO RYDIN
President, Svenska Cellulosa AB SCA
KAJ YTTERSKOG
Chairman, The Oktogonen Foundation
SVEN ÅGRUP
President, AGA AB

Deputies

TORKEL CARLSSON
President, Rederi AB Transatlantic
BENGT KARLSON
President, Investment AB Asken
ULF LAURIN
President, PLM AB
GÖRAN SUNDBLAD
President, Almedahl-Dalsjöfors AB
KARL ERIK ÅMAN
President, ICA AB

Auditors

STEN KÄLLENIUS, *Chairman*
President, ret.
Federation of Swedish Building Contractors
SUNE CARLSSON
Authorized Public Accountant
LENNART DAHLSTRÖM
President, ret.
PER V A HANNER Authorized Public Accountant
Appointed by the Royal Bank Inspection Board
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

SUZANNE BONNIER
President, Sweden-America Foundation
BO FRIDMAN Authorized Public Accountant
CARL-FREDRIK GADDE
Deputy General Manager, ret.,
The General Export Association of Sweden
DAG HASSLEGREN Authorized Public Accountant

Management

Presidents

JAN EKMAN
TOM HEDELIUS

Executive Vice Presidents

At the Regional Units:

HOLGER CLARKSON, Stockholm City
NILS DAHLBOM, Eastern Sweden
OLOF HYLTÉN-CAVALLIUS, Central Sweden
PER LINDBLAD, Southern Sweden
(up to March 31, 1980)
EINAR MOGÅRD, Northern Norrland
GÖRAN PALM, Southern Sweden
(from April 1, 1980)
BJÖRN ROSÉN, Western Sweden
JÖRGEN SETTERBERG, Greater Stockholm
JAN ÅSMAN, Southern Norrland

At the Central Head Office:

MORGAN ABRAHAMSSON, Central Administration
Department
BO DAMBERG, Central Finance and Investment
Division
LENNART JOHANSSON, Controller

Central Head Office and Regional Units

Central Head Office

Kungsträdgårdsgatan 2,
S-103 28 Stockholm
Tel. +46 8 769 1000
Telex: 11090 handst s
Cables: Handelsbank

Presidents

Jan Ekman
Tom Hedelius

Executive Vice Presidents

Morgan Abrahamsson
Bo Damberg
Lennart Johansson

● Regional Unit main offices

Southern Norrland

Manager: Jan Åsman
Executive Vice President
Main office:
Nygatan 20, Gävle
Tel. +46 26 12 93 70
77 branches

Central Sweden

Manager: Olof Hyllén-Cavallius
Executive Vice President
Main office:
Drottninggatan 3, Örebro
Tel. +46 19 12 46 90
54 branches

Western Sweden

Manager: Björn Rosén
Executive Vice President
Main office:
Östra Hamngatan 23,
Göteborg
Tel. +46 31 60 00 00
58 branches

Southern Sweden

Manager: Per Lindblad
(up to March 31, 1980)
Göran Palm
(from April 1, 1980)
Executive Vice President
Main office:
Stortorget 23, Malmö
Tel. +46 40 70 20 00
38 branches

Northern Norrland

Manager: Einar Mogård
Executive Vice President
Main office:
Storgatan 48, Umeå
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65 branches

Greater Stockholm

Manager: Jörgen Setterberg
Executive Vice President
Main office:
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67 branches

Stockholm City

Manager: Holger Clarkson
Executive Vice President
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50 branches

Eastern Sweden

Manager: Nils Dahlbom
Executive Vice President
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56 branches



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Subsidiary, Hong Kong:
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	1978 Million Skr	Change from 1977 Million Skr
Extraordinary income		
Transfer from Sigab	30.0	+ 5.0
Capital gains on securities	50.3	+ 46.0
Capital gains on real estate	—	— 0.3
Total extraordinary income	80.3	+ 50.6
Extraordinary expense		
Transfer to the staff-owned Oktogonen foundation	23.3	+ 4.5
Other	0.5	— 7.4
Total extraordinary expense	23.8	— 2.9
Reserves		
<i>A. For loans</i>		
Balance at beginning of year	1,503.9	+309.8
Recoveries	1.6	— 1.5
Loan losses	32.4	+ 9.1
Allocation in Statement of Income	549.0	+219.0
Balance at year-end	2,022.2	+518.2
<i>B. For foreign exchange</i>		
Balance at year-end	155.3	—
<i>C. For bonds</i>		
Balance at beginning of year	608.8	+ 20.9
Realized losses (net)	31.3	+ 12.3
Allocation in Statement of Income	40.0	—
Balance at year-end	617.4	+ 8.7
Required to cover the difference between cost and market value . . .	572.7	— 99.0
The market value exceeds the book value by	44.7	+107.7
The highest value permitted under the Banking Act exceeds the book value by	382.7	— 16.3
Taxes	110.0	+ 20.0

The transfer was made in conjunction with the discontinuation of the old mortgage operations.

The capital gain relating to the sale of capital stock in Nordfinanz-Bank Zürich to Nordic Bank Limited, Skr 48.8 million, and capital gain on sale of debentures issued by Nordic Bank Limited, Skr 1.2 million.

The transfer to Oktogonen is based on the fact that Svenska Handelsbanken in 1977 achieved greater profitability than other listed banks.

On the Balance Sheet bonds are shown at cost less the reserve for bonds. The cost, book value and market value of the bond portfolio are shown on page 33.

Despite an increase in net income from Skr 125 million to Skr 190 million, the provision for taxes rose by only Skr 20 million. This is due to the fact that tax-exempt dividends from subsidiaries etc. have increased and that the capital gains on securities, reported as extraordinary income, are only partially subject to taxation.

Balance Sheet, December 31

Million Skr

Notes to items marked * on pages 32–35

Assets	1974	1975	1976	1977	1978
Cash and checks	461	720	817	810	966
*Due from domestic financial institutions					
The Riksbank	960	336	352	325	410
The National Debt Office	0	0	0	1	0
Banks	1,046	289	497	640	466
Savings banks	9	54	98	54	30
Other	283	316	333	388	307
Total due from domestic financial institutions	2,298	995	1,281	1,407	1,213
*Due from foreign banks	4,087	4,510	4,625	5,391	5,526
*Bonds and other fixed interest securities ..	5,905	7,010	6,749	7,365	11,296
Capital notes	16	21	21	21	1
*Loans	15,148	17,602	19,806	23,878	27,738
*Sundry accounts	1,321	1,319	1,166	1,056	1,423
*Investments and participations					
in wholly-owned real estate companies ..	30	19	17	18	17
in other companies	179	195	228	258	355
Total investments and participations	209	214	245	277	373
*Equipment	53	84	87	88	81
*Bank premises	191	192	208	225	237
Total Assets	29,689	32,668	35,003	40,518	48,853
*Collateral pledged	3,496	3,043	3,596	4,924	4,622
Loan facilities, total amount granted	18,199	21,527	23,730	27,731	32,387

Liabilities and Stockholders' Equity	1974	1975	1976	1977	1978
Cashier's checks	161	189	195	194	270
*Deposits	19,750	20,718	21,388	23,659	28,041
*Due to domestic financial institutions					
The Riksbank	872	21	1,416	1,233	43
The National Debt Office	61	93	88	123	229
Banks	1,202	1,015	711	414	1,724
Savings banks	59	87	49	25	40
Other	532	484	326	803	1,062
Total due to domestic financial institutions	2,726	1,700	2,589	2,598	3,098
*Due to foreign banks	2,854	4,252	4,822	6,849	8,899
Acceptances	27	35	39	32	30
Rediscounted foreign bills	4	29	31	74	20
Long-term borrowings					
Subordinated loans	239	386	494	605	628
* Domestic refinancing loans	1,578	1,850	2,081	2,489	3,044
Mortgage loans on the Bank's own properties	89	80	77	126	124
Total long-term borrowings	1,906	2,316	2,653	3,221	3,795
*Sundry accounts	489	1,429	986	1,152	1,340
*Reserves for loans and foreign exchange ..	860	1,066	1,333	1,659	2,177
Investment reserves	28	18	13	3	3
*Work environment reserve	8	6	2	0	0
Stockholders' Equity					
Common stock	452	452	452	516	516
Index stock	—	—	—	65	65
Preferred stock	50	50	50	50	50
Statutory reserve	251	251	251	315	315
Contingency reserve	47	47	47	—	—
Retained earnings	1	10	35	6	42
Net income for the year	75	100	118	125	190
Total Stockholders' Equity	876	910	953	1,077	1,178
Total Liabilities and Stockholders' Equity	29,689	32,668	35,003	40,518	48,853
<i>Contingent Liabilities</i>					
Documentary credits granted but not utilized	514	601	484	896	790
Guarantees	2,736	3,456	4,125	3,832	4,476
Special guarantees	23	33	49	59	81
*Commitments to foreign central banks	—	—	—	—	—
*Capitalized value of pension commitments (covered by assets in the Bank's pension funds)	372	400	440	486	535

Notes to the Balance Sheet

Principles of valuation for assets and liabilities in foreign currency

Foreign banknotes	Buying rates for banknotes at year-end
Due to and from foreign banks	Spot rates (average of buy and sell rates for each currency as per official quotation at year-end)
Loans in foreign currency	Spot rates
Investments and capital notes	Lower of cost and market (computed on a spot rate basis)
Deposits in foreign currency	Spot rates
Subordinated loans	Spot rates
Foreign exchange forward contracts	Spot rates taking into account remaining contract life

The principles of valuation of subordinated loans and forward contracts have been changed since last year. Unrealized foreign exchange losses on subordinated loans are now charged to earnings as they occur. For forward contracts the change means that the result of forward

transactions – realized and estimated unrealized – is reported during the year when the transactions are concluded. Through these changes, which increase the Bank's 1978 results by Skr 12 million, the Bank conforms more closely to international accounting practice.

Assets	1978 Million Skr	Change from 1977 Million Skr
<i>Domestic financial institutions</i>		
The Riksbank		
Balance according to cash ratio requirement	340	+ 61
Restricted account for Investment Reserve	1	–
Other	68	+ 24
Total, the Riksbank	410	+ 85
Banks	466	– 174
Savings and cooperative banks ...	30	– 24
Other	307	– 81
Total domestic financial institutions	1,213	– 194
<i>Foreign banks</i>		
Balances in Swedish kronor	1,293	– 60
Balances in foreign currency	4,232	+ 195
Total foreign banks	5,526	+ 136

The cash ratio requirement was 2% of deposits at the end of both 1977 and 1978.

"Other" includes Post Office Giro balance.

Skr 528 million of the balances in foreign currency correspond to customers' foreign currency balances with the Bank.

<i>Bonds and other fixed interest securities</i>	1978 Million Skr	Change from 1977 Million Skr
A. At cost		
Issued by:		
The Government	6,090	+3,395
Mortgage institutions	5,600	+ 696
Local authorities and institutions financing local authorities	21	- 3
Corporations and institutions financing corporations	177	- 135
Total domestic	11,888	+3,953
Foreign	25	- 14
Total, at cost	11,913	+3,939
less reserve for bonds	617	+ 9
Total book value	11,296	+3,931
B. Market value		
Issued by:		
The Government	6,009	+3,417
Mortgage institutions	5,122	+ 764
Local authorities and institutions financing local authorities	20	- 1
Corporations and institutions financing corporations	165	- 128
Total domestic	11,316	+4,052
Foreign	25	- 13
Total market value	11,341	+4,039
Loans		
Domestic bills	377	- 51
Foreign bills	317	- 30
Loans	18,443	+3,783
Credit lines		
Checking accounts	3,687	+ 63
Construction credits	4,304	+ 122
Other	470	- 68
Documentary credits	4	+ 1
Other credits	136	+ 39
Total loans	27,738	+3,860
Sundry accounts		
Accrued interest and commissions receivable	1,065	+ 365
Temporary clearing accounts	358	+ 1
Total sundry accounts	1,423	+ 367

As a result of large new purchases, the government bond share of the portfolio rose to 51.1% compared with 33.8% at year-end 1977. The portfolio of mortgage bonds has been increased under an agreement with the Housing Finance Delegation.

The preferred credits for residential construction, together with bridging credits awaiting transfer to mortgage institutions, amounted to Skr 3,671 million, an increase compared with 1977 of Skr 394 million or 12%.

Loans refinanced abroad – included under Loans – increased by Skr 1,234 million or by 33% to Skr 4,999 million.

Other loans in Swedish kronor, excluding loans for residential construction, rose by Skr 2,232 million or 13% to Skr 19,067 million.

	1978 Million Skr	Change from 1977 Million Skr
<i>Investments and participations</i>		
Subsidiaries in Sweden	134	- 0
Subsidiaries in other countries	79	+ 35
Residential property participations	2	-
Swedish credit institutions	60	+ 10
Foreign banks	94	+ 49
Other companies	4	+ 2
Total investments and participations	373	+ 96
<i>Equipment</i>		
Book value at beginning of year ..	88.2	+ 1.6
Additions	36.6	- 3.9
Depreciation	44.0	+ 5.1
Balance at year-end	80.8	- 7.5
<i>Bank premises</i>		
Book value at beginning of year ..	225.0	+ 17.5
New construction, additions and conversions	17.2	- 15.3
Properties sold	-	- 0.1
Depreciation	5.5	- 9.4
whereof against Special Investment Reserve	-	- 10.0
Book value at year-end	236.7	+ 11.7
Tax assessment value at year-end ..	223.1	+ 10.0
Collateral pledged	4,622	- 302
Liabilities		
<i>Deposits</i>		
Checking accounts	2,330	+ 476
Payroll accounts	919	+ 106
Giro deposit accounts	-	- 48
Accounts subject to certain fees on withdrawal	996	+ 89
Savings accounts	2,926	+ 501
Six month deposit accounts	5,219	+ 558
Twelve month deposit accounts ...	7,816	+ 1,234
Other time deposit accounts	209	+ 2
Foreign currency accounts	528	- 284
Special deposits	7,099	+ 1,750
Total deposits	28,041	+ 4,383

Cost of capital stock in Svenska Handelsbanken S.A., Luxembourg, which began operations at mid-year 1978.

Subscription of new stock in AB Svensk Exportkredit, Skr 10 million.
Subscription of new stock in Nordic Bank Limited, Skr 60.8 million, sale of stock in Nordfinanz-Bank Zürich, Skr 12 million.
Subscription of new stock in Bankomatcentralen AB, Skr 1.9 million.

Equipment is depreciated by 20% of original cost, which is estimated to correspond to replacement cost depreciation.

Actual cost of the properties, including costs for new construction, additions and conversions, amounts to Skr 267 million and accumulated depreciation to Skr 30 million.

Skr 14.4 million of the year's expenditure refers to new construction on the Frimuraren property in Göteborg.

Skr 4,491 million of assets pledged were bonds in custody with the Riksbank as collateral for temporary loans. No such loans were outstanding at year-end 1978. The balance of Skr 131 million was mortgages on the Bank's real estate properties.

From year-end to year-end deposits rose by 18.5%. The average rate of increase in deposits for the year was slightly higher, or just over 19%. Special deposits for large amounts rose by 33%.

	1978 Million Skr	Change from 1977 Million Skr	
<i>Domestic financial institutions</i>			
The Riksbank	43	-1,189	
The National Debt Office	229	+ 106	
Banks	1,724	+1,311	Of which Skr 1,245 million short-term loans.
Savings and cooperative banks ...	40	+ 14	
Other financial institutions	1,062	+ 259	Skr 224 million (1977: Skr 287 million) consisted of special, large deposits.
Total domestic financial institutions	3,098	+ 501	
<i>Foreign banks</i>			
Liabilities in Swedish kronor	577	+ 88	
Liabilities in foreign currency:			
Refinancing for loans in foreign currencies	4,999	+ 1,234	
Other	3,323	+ 728	
Total due to foreign banks	8,899	+2,050	
<i>Domestic refinancing loans</i>			
Refinancing loans from the National Pension Fund			
Balance at beginning of year ...	1,984	+ 366	Refinancing from the National Pension Fund corresponds to the Bank's loans to customers under an arrangement permit- ting employers to reborrow a portion of their annual payments to the Fund. Such loans are generally repaid over 10 years.
New loans	1,006	+ 326	
Repayments	448	+ 134	
Balance at year-end	2,542	+ 558	
Refinancing of export credits with the National Pension Fund and AB Svensk Exportkredit	502	- 4	These refinancing loans refer to long-term export credits in Swedish kronor with maturities of between 5 and 10 years.
Total domestic refinancing loans ..	3,044	+ 554	
<i>Sundry accounts</i>			
Taxes due	45	+ 23	
Accrued interest and commissions .	408	+ 105	
Bank Giro	487	+ 138	
Temporary clearing accounts	400	- 79	
Total sundry accounts	1,340	+ 188	
<i>Reserves for loans and foreign exchange</i>	<i>2,177</i>	<i>+ 518</i>	See page 29
<i>Work environment reserve</i>			
Balance at year-end	0.4	-	Svenska Handelsbanken, Den norske Creditbank, Kansallis- Osake-Pankki and Copenhagen Handelsbank have on behalf of the Nordic Bank Limited branch office in Singapore under- taken towards the Monetary Authority of Singapore to supply the office with currencies in its Asian Currency Unit when re- quired. On December 31, 1978, the branch office reported bor- rowings equivalent to Skr 434 million and outstanding credits equivalent to Skr 420 million.
<i>Commitments to foreign central banks</i>	<i>-</i>	<i>-</i>	
<i>Pension liability</i>			
Capitalized value of pension commitments	535	+ 49	The net worth of the Bank's pension funds exceeds the book value and the capitalized value of the pension commitments.
Net assets in the Bank's pension funds (book value)	495	+ 39	

Specification of investments and participations

December 31, 1978

	Nominal value* Thousand Skr	Book value Thousand Skr	Divi- dend Thousand Skr	Bank's voting power %
Subsidiaries in Sweden				
Svenska Finans AB (financing company)	68,000	52,905	10,000	80
Sigab (mortgage company)	51,000	65,000	15,300	100
AB Oktogonen (bank real estate company)	10,500	10,444	100	100
Fastighets AB Filia (bank real estate company)	4,500	4,810	900	100
Handelsbankens Fondservice AB (investment fund management company)	500	351	—	100
	134,500	133,511	26,300	
Subsidiaries in other countries				
Svenska Handelsbanken S.A.	37,187	35,162	—	100
Nordic American Banking Corporation	25,725	43,590	—	100
	62,912	78,752	—	
Residential property participations	1,804	1,804	—	
Swedish credit institutions				
AB Svensk Exportkredit	40,000	40,000	900	10.0
Svensk Bostadsfinansiering AB BOFAB	8,157	9,462	—	16.3
AB Industri kredit	3,460	3,613	242	10.8
Kommunlåneinstitutet AB	2,900	2,958	290	14.5
Företagskapital AB	2,299	2,699	—	11.5
AB Företagskredit	1,299	1,299	91	10.8
	58,115	60,032	1,523	
Foreign banks				
Nordic Bank Limited	65,569	83,014	591	25.0
Nordfinanz-Bank Zürich	8,616	4,445	2,696	5.0
Manufacturers Hanover Banque Nordique	6,672	6,094	567	10.0
Adela Investment Co S.A.	2,251	0	73	0.9
Banco Urquijo	1,819	0	239	0.4
Finska Industrialiseringsfonden	346	432	28	0.8
Development Bank of Singapore	237	0	13	0.1
	85,510	93,985	4,208	
Other companies				
Bankomatcentralen AB	1,600	1,920	—	16.0
AB Giro (affiliated with the Bank Giro Center)	1,090	1,090	240	21.8
Värdepapperscentralen VPC AB	450	540	12	15.0
Upplysningscentralen UC AB	221	265	—	22.1
Euroclear Clearance System Ltd.	134	148	11	1.3
Society for World Interbank Financial Telecommunication (SWIFT)	52	38	—	0.4
Miscellaneous	3,787	418	12	
	7,334	4,420	275	
Total investments and participations	350,174	372,503	32,306	

*Investments in foreign subsidiaries have been converted into Swedish kronor at the average buy and sell rate at year-end.

Consolidated Accounts

In addition to the Bank, the Svenska Handelsbanken Group operations in Sweden include Sigab, Svenska Finans AB with its subsidiary Kundkredit AB, Handelsbankens Fondservice AB and two real estate holding companies. Two wholly-owned subsidiaries operate outside Sweden, Nordic American Banking Corporation (NABC) in New York and Svenska Handelsbanken S.A. (SHL) in Luxemburg.

The Consolidated Balance Sheet has been prepared in accordance with the purchase method. Group equity thus consists of the parent company's equity plus that portion of subsidiary equity which has been added in these companies after the date of acquisition.

In converting foreign subsidiary accounts into Swedish kronor, monetary assets and liabilities have been valued at the year-end buying rate for the currency concerned. Equipment and equity have been valued at the buying rate prevailing at the time of investment. The Statements of Income have been converted at the average buying rate during the year, with the exception of depreciation on equipment, for which the rate prevailing at the time of investment has been used.

When converting from local currency to Swedish kronor, a positive difference arises in the 1978 accounts creating an unrealized foreign exchange gain of Skr 1.0 million. This gain is not added to the year's income but is included under Other liabilities.

Consolidated operating income rose by Skr 298 million to Skr 975 million. The Group companies have contributed to this result in the following amounts:

	1977 Million Skr	1978 Million Skr	Change Million Skr
Svenska Handelsbanken	564.4	806.7	+242.3
Svenska Finans AB ..	31.2	69.0	+ 37.8
Sigab	72.9	87.5	+ 14.6
NABC, New York ...	5.0	5.3	+ 0.3
SHL, Luxemburg ...	—	2.5	+ 2.5
Other	2.6	3.5	+ 0.9
	676.1	974.5	+298.4

Before allocations to statutory reserves the Group's available surplus amounts to Skr 259 million. The average number of employees in the Group was 5,263 against 5,068 in the previous year.

Subsidiaries in Sweden

Sigab	1977 Million Skr	1978 Million Skr	Change Million Skr
Total Assets	6,246	6,481	+ 235
Equity	84	88	+ 4
Reserves	106	125	+ 19
Operating Income ...	72.9	87.5	+14.6
Transfer to Parent Company	25.0	30.0	+ 5.0
Taxes	14.7	23.2	+ 8.5
Net Income	11.2	15.3	+ 4.1
Dividend	11.2	15.3	+ 4.1
Number of employees	18	17	— 1

Sigab – Svenska Intecknings Garanti AB – a subsidiary of the Bank since 1955, is active in real estate financing. During the period 1962–1972 Sigab's share of the domestic mortgage financing market was about 10%. This business was subsequently transferred to Svensk Bostadsfinansiering AB BOFAB, jointly owned by the Government and the banks. Loans granted during 1962–1972 are gradually being transferred to BOFAB.

Sigab's current operations consist of managing the existing mortgage portfolio and providing financing in connection with changes of ownership, renovation or alterations of residential properties. New loans granted by the company in 1978 amounted to Skr 263 million.

Mr Nils Bergholm, previously Executive Vice President of Sigab, has been appointed President of the company. He succeeds Mr Olov Ernsell, who retired during the year.

Sigab's wholly-owned subsidiary, Förvaltnings AB Storstaden, is active in real estate management and valuation. The company has about 50 employees and sales of Skr 7.5 million. After the end of 1978 this company has been sold.

**Svenska Finans AB
and subsidiaries**

	1977 Million Skr	1978 Million Skr	Change Million Skr
Total Assets	1,993	2,709	+ 716
Equity	103	128	+ 25
Reserves	14	30	+ 16
Operating Income ...	31.2	69.0	+37.8
Taxes	9.0	17.2	+ 8.2
Net Income	23.4	31.7	+ 8.3
Dividend	6.5	12.5	+ 6.0
Number of employees	187	308	+ 121

Svenska Finans with its subsidiaries Kundkredit AB and Kredit-Inkasso AB is the largest finance company in Sweden. The operations are diversified and include factoring, leasing, installment credit financing and other forms of corporate finance as well as administrative and collection services. The operations are divided into the following divisions.

Domestic operations: Purchases of and advances against receivables with administrative services such as accounting and statistical analysis. During 1978 invoices with a total value of Skr 8,500 million were processed.

Leasing operations: Leasing of capital goods for industry, commerce and public institutions. New leasing and installment credit contracts totalling Skr 340 million were concluded during 1978.

International operations: In 1978 Svenska Finans purchased or made advances against export and import receivables in a total amount of Skr 1,200 million. By purchasing client export receivables the company assumes the customers' risks. This service is utilized especially by small and medium size exporters.

Contract financing: Includes advances against sales contracts and promissory notes. The volume of new business in the form of advances against sales contracts amounted to Skr 393 million in 1978.

Special financing operations: Financing of major equipment. The volume of new leasing contracts in this division was Skr 69 million.

Collection services: Svenska Finans employs an advanced system for computer processing of payment notifications.

The company showed a continued positive development in 1978. Most of the growth was attributable to small and medium size enterprises.

The share capital of the company was in-

creased through a bonus issue of Skr 13 million to a total of Skr 85 million. Svenska Handelsbanken owns 80% and the Oktogonen foundation 20% of the outstanding stock.

**Handelsbankens
Fondservice AB**

	1977 Million Skr	1978 Million Skr	Change Million Skr
Equity	—	0.5	+ 0.5

Funds managed:

Handelsbankens Fondförvaltning AB

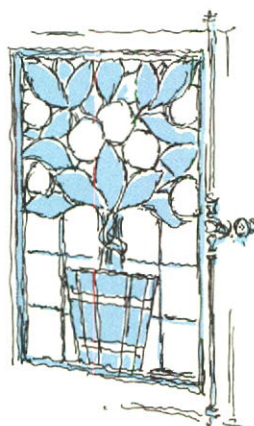
Handelsbankens			
Aktiefond	68.5	80.3	+11.8
Höghkoncentra	5.8	4.9	- 0.9
Koncentra Reinvest ..	32.8	37.2	+ 4.4

Handelsbankens Skattefondförvaltning AB

Handelsbankens			
Skattefond	—	5.7	+ 5.7
Number of employees	3.5	5	+ 1.5

Handelsbankens Fondservice AB was established in October 1978 to provide administrative services to mutual funds managed by Handelsbankens Fondförvaltning AB and Handelsbankens Skattefondförvaltning AB. The latter company was formed when a new system for tax-sheltered savings was introduced in the fall of 1978.

Guidelines for investments and policy matters are decided by the boards of the investment fund management companies. These boards include representatives elected by the investors.



One of the Art Nouveau windows
adjacent to the Board room
at the Bank's Head Office in Stockholm.

The real estate companies Filia and Oktogonen

	1977 Million Skr	1978 Million Skr	Change Million Skr
Equity	17.5	17.9	+ 0.4
Operating Income ...	2.6	3.5	+ 0.9
Taxes	1.5	2.1	+ 0.6
Net Income	1.1	1.4	+ 0.3
Dividend	1.0	1.0	—
Number of employees	4.5	4.5	—

Fastighets AB Filia owns 11 properties in different parts of the country. AB Oktogonen owns 4 properties in Stockholm. Total rental income amounted to Skr 9.2 million.

Subsidiaries in other countries

Nordic American Banking Corporation (NABC)

	1977 Million Skr	1978 Million Skr	Change Million Skr
Total Assets	829	995	+ 166
Equity	46	49	+ 3
Reserves	0.9	1.6	+ 0.7
Operating Income ...	5.0	5.3	+ 0.3
Allocations	0.7	0.9	+ 0.2
Taxes	1.9	2.0	+ 0.1
Net Income	2.4	2.4	—
Number of employees	44	46	+ 2

Nordic American Banking Corporation, domiciled in New York, was formed in 1975. The operations include export and import financing with primary emphasis on clients in North and South America doing business with the Nordic countries. The bank also makes an active market in New York in the Nordic currencies.

In the summer of 1978 Svenska Handelsbanken S.A. in Luxemburg was inaugurated as Svenska Handelsbanken's second wholly-owned subsidiary outside Sweden.

The first — Nordic American Banking Corporation in New York — started operations in August, 1975. The primary objective of the new bank is to provide short and medium term financing to Nordic enterprises.

The operations expanded rapidly in 1978. Outstanding loans increased by 47% to \$ 149 million (Skr 637 million). In order to prepare for further expansion, there will be a capital increase in 1979.

Svenska Handelsbanken S.A., Luxemburg

	1978 Million Skr
Total Assets	1,510
Equity	35
Operating Income	2.5
Allocations	1.5
Taxes	0.3
Net Income	0.3
Number of employees	10

In recent years Luxemburg has developed into an important center for the Euro-currency market. In 1978 Svenska Handelsbanken founded a wholly-owned subsidiary bank in this country. The bank began operations at mid-year. At year-end outstanding loans totalled FLux 5,190 million, equivalent to Skr 772 million. The bank's clients are primarily Swedish corporations requiring short and medium term international financing.

Göran Häggqvist, formerly international manager for the Regional Unit for Eastern Sweden, was appointed president of Svenska Handelsbanken S.A.



Illustration 95

Consolidated Statement of Income

Million Skr

Notes to items marked *, see below

	1977	1978	Change 1977-78
Operating revenue			
*Interest, net	1,126.8	1,475.8	+349.0
Commissions	391.4	455.7	+ 64.3
Miscellaneous revenue	26.6	33.6	+ 7.0
Total operating revenue	1,544.8	1,965.1	+420.3
Operating expense			
Personnel	524.9	573.0	+ 48.1
Other expense except depreciation	236.7	274.7	+ 38.0
*Depreciation	99.0	133.1	+ 34.1
Total operating expense	860.6	980.8	+120.2
Currency losses on subordinated loans	8.1	9.8	+ 1.7
Net operating income	676.1	974.5	+298.4
Extraordinary income	4.6	50.3	+ 45.7
Extraordinary expense	26.7	35.6	+ 8.9
Allocation to reserves	395.7	619.3	+223.6
Recoveries from reserves	4.3	0.2	- 4.1
Utilization of investment and work environment reserves	12.3	0.0	- 12.3
Corresponding depreciation	12.3	0.0	- 12.3
Taxes	117.2	154.9	+ 37.7
Minority interest	4.7	6.3	+ 1.6
Net income	140.7	208.9	+ 68.2

	1977	1978	Change from 1977		1977	1978	Change from 1977
Net interest income	Million Skr	Million Skr	Million Skr	Depreciation	Million Skr	Million Skr	Million Skr
Svenska Handelsbanken	961.7	1,253.1	+291.4	Leasing objects	53.3	81.1	+ 27.8
Sigab	74.2	89.7	+ 15.5	Machinery and equip- ment	40.0	45.7	+ 5.7
Svenska Finans AB ¹	83.1	115.8	+ 32.7	Real estate	5.7	6.3	+ 0.6
Other	7.8	17.2	+ 9.4				
Total net interest income	1,126.8	1,475.8	+349.0	Total depreciation	99.0	133.1	+ 34.1

¹ Net interest income includes leasing fees.

Note: The principles of consolidation have been changed. Several items are therefore not comparable to the corresponding items in Annual Reports for previous years. The figures for 1977 in the tables above have been restated to reflect the new principles.

Consolidated Balance Sheet

As per December 31, Million Skr

Notes to items marked *, see below

Assets	1977	1978	Change 1977-78
Cash	810	966	+ 156
Bonds	6,704	10,706	+ 4,002
Due from banks and other financial institutions	6,947	7,028	+ 81
*Loans	31,762	37,038	+ 5,276
*Leasing objects	390	500	+ 110
Investments and participations	100	160	+ 60
Equipment	95	91	- 4
*Real estate	272	284	+ 12
*Other assets	1,287	1,745	+ 458
Total Assets	48,367	58,518	+10,151
Liabilities and Stockholders' equity			
Cashier's checks	194	270	+ 76
Due to banks and other financial institutions	10,102	13,661	+ 3,559
Deposits	24,734	29,652	+ 4,918
*Long term debt	8,840	9,531	+ 691
Other liabilities	1,576	1,804	+ 228
*Reserves	1,781	2,335	+ 554
Investment and work environment reserves	5	5	0
Minority interest	21	26	+ 5
Share capital	631	631	0
Statutory reserves	331	344	+ 13
Free reserves	11	50	+ 39
Net income for the year	141	209	+ 68
Total Liabilities and Stockholders' equity	48,367	58,518	+10,151

	1977 Million Skr	1978 Million Skr	Change from 1977 Million Skr
Loans and leasing objects			
Svenska Handelsbanken	23,824	27,594	+3,770
Sigab	6,022	6,254	+ 232
Svenska Finans AB	1,824	2,259	+ 435
Other	482	1,432	+ 950
Total loans and leasing objects	32,152	37,539	+5,387

	1978 At cost Million Skr	1978 Book value Million Skr	1978 Tax assess- ment value Million Skr
Real estate			
Svenska Handelsbanken	267	237	223
Svenska Finans AB	10	10	10
Real estate companies ..	43	37	45
Total real estate	320	284	278

Other assets

The figure for 1978 includes Skr 18.8 million relating to goodwill of stock in Kundkredit AB acquired by Svenska Finans AB.

	1977 Million Skr	1978 Million Skr	Change from 1977 Million Skr
Long-term debt			
Svenska Handelsbanken	3,221	3,795	+ 574
Sigab	5,169	5,378	+ 209
Svenska Finans AB	428	324	- 104
Other	22	34	+ 12
Total long-term debt	8,840	9,531	+ 691

Reserves for loans, foreign exchange and leasing objects

Balance at beginning of year	1,436	1,781	+ 345
Recoveries	6	2	- 4
Loan losses	26	43	+ 17
Transfer from Kundkredit AB	-	16	+ 16
Devaluation profit	13	-	- 13
Allocation in Statement of Income	356	579	+ 223
Reversal in Statement of Income	4	-	- 4
Balance at year-end	1,781	2,335	+ 554

Svenska Handelsbanken

Auditors' Report for 1978

In our capacity as Auditors of Svenska Handelsbanken, we present the following Report for 1978.

We have examined the Annual Report of the Board of Directors, studied accounts, minutes, instructions of the Board concerning the Bank's lending policy and other documents of importance for judging the financial position and the conducting of the business of the Bank. We have also scrutinized major credits and other dispositions of the assets of the Bank. All regional units have been visited. We have also taken such other steps 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 reports of these examinations.

The audit has given no reason for comments 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 they adopt the Balance Sheet presented by the Board of Directors and countersigned by us as per December 31, 1978,

that they grant the directors a discharge from liability for their administration during 1978 and

that they allocate the profit at their disposal, which amounts to Skr 232,140,623.49, in accordance with the recommendation of the Board of Directors.

Stockholm, February 28, 1979

LENNART DAHLSTRÖM

STEN KÄLLENUS
Chairman

KJELL EDSTRÖM

TÖRE HENCKEL
Authorized Public Accountant

SVEN-ERIK JOHANSSON

ÅKE FLINK
Authorized Public Accountant
Appointed by
the Royal Bank Inspection Board

PER V A HANNER
Authorized Public Accountant
Appointed by
the Royal Bank Inspection Board

PETER WESTERLIND
Appointed by
the Royal Bank Inspection Board

Board of Directors

Dr JAN WALLANDER, *Chairman*
Dr TORE BROWALDH, *First Vice Chairman*
NILS BERGGREN, *Second Vice Chairman*
President, ret.
GÖSTA ANDERSSON, M.P.
Appointed by the Government
MATTS CARLGREN
President, Mo och Domsjö AB
JAN EKMAN, *President*
PER EKSTRÖM
Chairman, Svenska Varv AB
ERIK GRAFSTRÖM
Director General, ret.
Appointed by the Government
TOM HEDELIUS, *President*
GUNNAR HINDEMARK
President, ret., Billeruds AB
NILS HOLGERSON
Chairman, Beijerinvest AB
BO AX:SON JOHNSON
Chairman, AB Nynäs-Petroleum
INGE NYBERG
Member of the Board, Oktogonen
foundation
BO RYDIN
President, Svenska Cellulosa AB SCA
ULF A STYREN
President, ret., AB Bahco
ULF WIDERSTRÖM
Chairman, AB Skånska Cementgjuteriet
KAJ YTTERSKOG
Chairman, Oktogonen foundation
SVEN ÅGRUP
President, AGA AB

Deputies

TORKEL CARLSSON
President, Rederi AB Transatlantic
BENGT KARLSON
President, Investment AB Asken
ULF LAURIN
President, PLM AB
PER LINDBERG
President, AB Industrivärden
GÖRAN SUNDBLAD
President, Almedahl-Dalsjöfors AB
KARL E ÅMAN
President, ICA AB

Auditors

STEN KÄLLENIUS, *Chairman*
President, ret.,
Federation of Swedish Building Contractors
LENNART DAHLSTRÖM
President, The National Pension Fund
Fourth Fund Board
KJELL EDSTRÖM
Director, ret., National Tax Board
ÅKE FLINK, Authorized Public Accountant
Appointed by the Royal Bank Inspection Board
PER V A HANNER, Authorized Public Accountant
Appointed by the Royal Bank Inspection Board
TORE HENCKEL, Authorized Public Accountant
SVEN-ERIK JOHANSSON
Professor, Stockholm School of Economics
PETER WESTERLIND
Justice of the Supreme Court
Appointed by the Royal Bank Inspection Board

Deputies

SUZANNE BONNIER
President, Swedish-American Foundation
SUNE CARLSSON
Authorized Public Accountant
JOHN ENGELLAU
President, ret., AB Bolinder – Munktel
BO FRIDMAN
Authorized Public Accountant
CARL-FREDRIK GADDE
Deputy General Manager, ret.,
The General Export Association of Sweden

Management

Presidents

JAN EKMAN
TOM HEDELIUS

Executive Vice Presidents

At the Regional Units:

HOLGER CLARKSON, Greater Stockholm
NILS DAHLBOM, Eastern Sweden
OLOF HYLTÉN-CAVALLIUS, Central Sweden
PER LINDBLAD, Southern Sweden
HANS MIKAELSSON, Stockholm City
EINAR MOGÅRD, Northern Norrland
BJÖRN ROSÉN, Western Sweden
JAN ÅSMAN, Southern Norrland

At the Head Office:

MORGAN ABRAHAMSSON, Central Administration
Department
SVEN BOSTRÖM, Central Credit Department
BO DAMBERG, Central Finance and Investment
Division
LENNART JOHANSSON, Controller

Central Head Office and Regional Units

- Regional Unit head offices

Central Head Office

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Jan Ekman
Tom Hedelius

Executive Vice Presidents

Morgan Abrahamsson
Sven Boström
Bo Damberg
Lennart Johansson

Southern Norrland

Manager: Jan Åsman
Executive Vice President
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81 branches

Central Sweden

Manager: Olof Hyltén-Cavallius
Executive Vice President
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54 branches

Western Sweden

Manager: Björn Rosén
Executive Vice President
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58 branches

Southern Sweden

Manager: Per Lindblad
Executive Vice President
Main office:
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39 branches

Northern Norrland

Manager: Einar Mogård
Executive Vice President
Main office:
Storgatan 48, Umeå
Tel. +46 90 118640
65 branches

Greater Stockholm

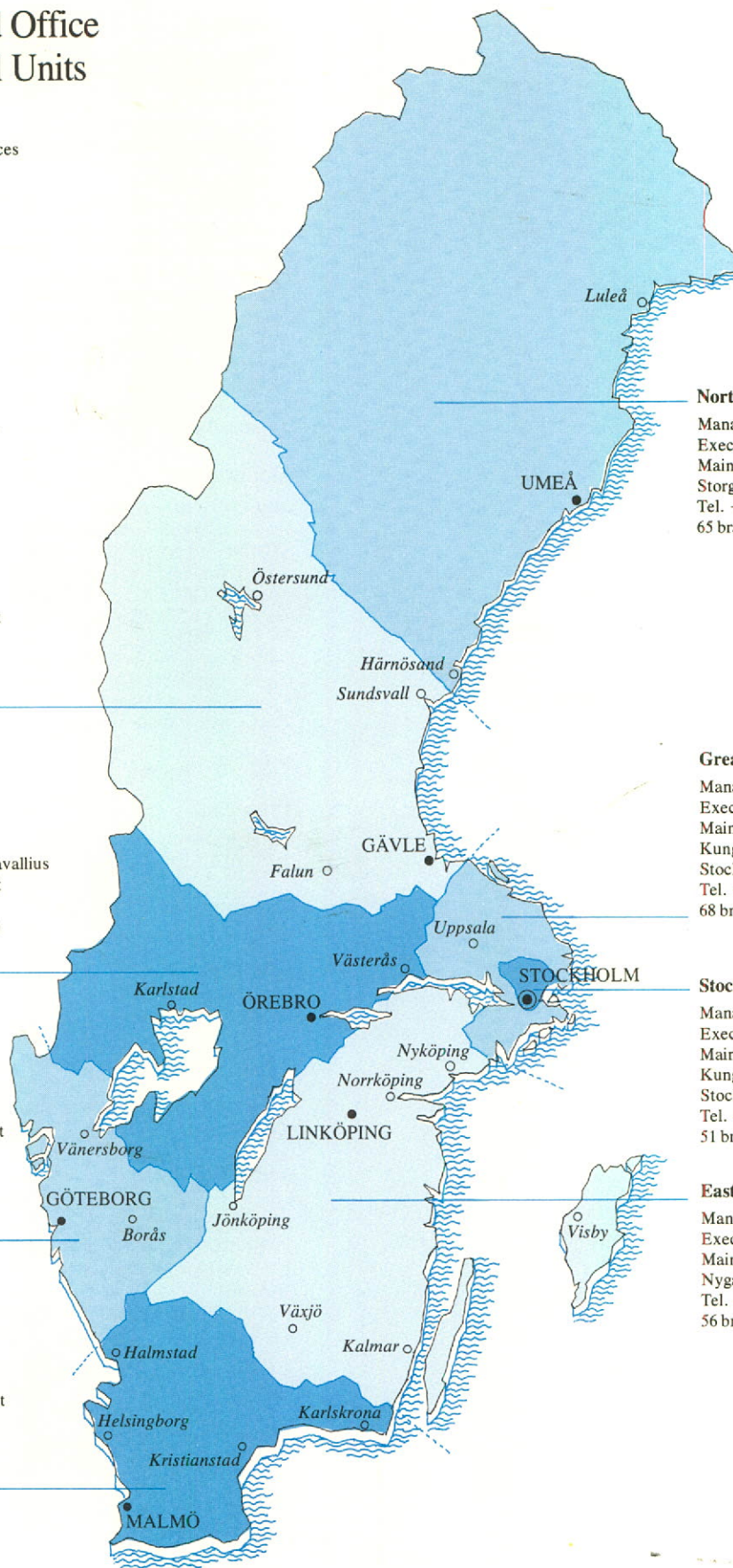
Manager: Holger Clarkson
Executive Vice President
Main office:
Kungsträdgårdsgatan 2,
Stockholm
Tel. +46 8 769 1000
68 branches

Stockholm City

Manager: Hans Mikaelsson
Executive Vice President
Main office:
Kungsträdgårdsgatan 2,
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Tel. +46 8 769 1000
51 branches

Eastern Sweden

Manager: Nils Dahlbom
Executive Vice President
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56 branches



International Advisory Committee

Tore Browaldh, *Chairman*

Jan Ekman
Tom Hedelius
Jan Wallander

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(will open in the first half of 1979)

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Telex: 26425 norep
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