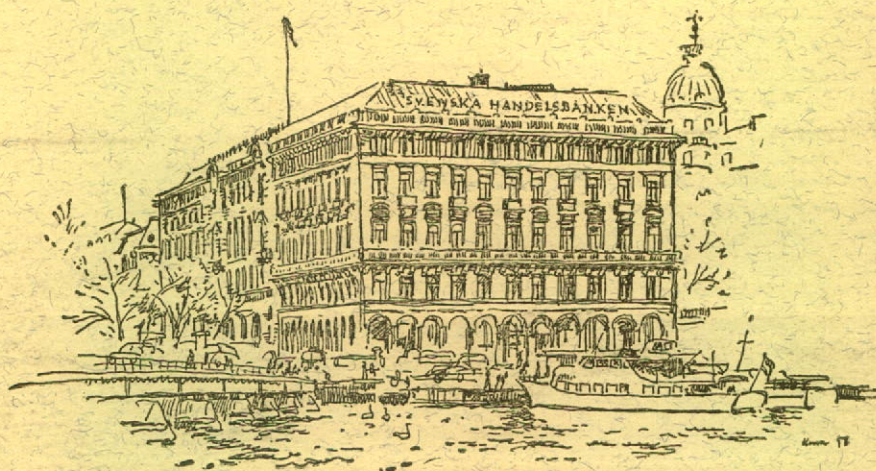
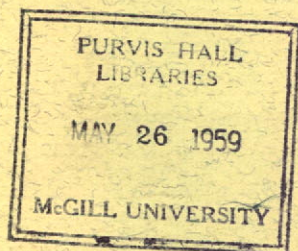


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*Svenska
Handelsbanken
1958*

ANNUAL REPORT



SVENSKA HANDELSBANKEN

ARSENALSGATAN 11 · STOCKHOLM

SWEDEN

*Board of Directors**

SUNE WETTER, Chairman

ERNFRID BROWALDH, Dep. Chairman

CARL A. JACOBSSON, Dep. Chairman

TORE BROWALDH

AXEL ENSTRÖM

ERIK W. FORSBERG

HARRY HAGENIUS

THEODOR HEDBERG

ERIK HÄGGSTRÖM

EMANUEL HÖGBERG

ERIK KEMPE

AXEL MANNERSKANTZ

ROBERT SCHROFF

NILS STÄHLE

GÖSTA ÅHLÉN

Deputy Members

GUNNAR DALÉN

CARL EISERMAN

ERIK EKLUND

HILDING MELIN

HENRIK NORDMARK

BERTIL ODELFELT

STIG STEFANSON

FERDINAND WALLBERG

STIG ÖDMARK

*Management**

TORE BROWALDH, General Manager

STIG ÖDMARK, Deputy General Manager

HILDING MELIN, Assistant General Manager

BERTIL ODELFELT, Assistant General Manager

PONTUS ANDERLIND

GUNNAR BERGMAN

SVEN CAVALLIN

BERTIL HEDENSJÖ

SVEN HÄGERSTEDT

RUNE HÖGLUND

HERMAN SUNDSTRÖM

BÖRJE WICKMAN

Foreign Department:

HERMAN SUNDSTRÖM, Manager

**As of March 11, 1959*

Svenska Handelsbanken



Annual Report for the Year 1958

PRESENTED TO THE GENERAL MEETING
OF SHAREHOLDERS ON
MARCH 11, 1959

SVENSKA HANDELSBANKEN 1957-1958

Thousand kronor	1957	1958	Changes 1957-58
Assets and Liabilities, Dec. 31			
Cash, Government bonds and securities	1,270,727	1,515,108	+ 244,381
Loans and discounts	3,267,279	3,438,773	+ 171,494
Domestic and foreign banks	211,902	312,796	+ 100,894
Other assets	290,280	314,065	+ 23,785
Total assets	5,040,188	5,580,742	+ 540,554
Deposits	4,162,326	4,674,769	+ 512,443
Domestic and foreign banks	220,616	242,684	+ 22,068
Other liabilities	265,902	269,404	+ 3,502
Capital and surplus	391,344	393,885	+ 2,541
Total liabilities	5,040,188	5,580,742	+ 540,554
Documentary credits granted but not utilized	98,664	101,127	+ 2,463
Guarantees	301,948	330,885	+ 28,937
Annual amount of pensions	9,508	10,403	+ 895
Profit and Loss Account			
Net interest earnings	96,949	110,929	+ 13,980
Commissions etc.	47,211	50,794	+ 3,583
Other income	2,098	1,542	- 556
Total income	146,258	163,265	+ 17,007
Current expenses	75,730	80,592	+ 4,862
Depreciation on equipment	1,586	2,677	+ 1,091
Special allocation for pension purposes	1,000	15,000	+ 14,000
Added to valuation reserves	19,000	18,500	- 500
Taxes	28,500	26,000	- 2,500
Total expenditure	125,816	142,769	+ 16,953
Net profit	20,442	20,496	+ 54
Balance b/f from last year	24,552	27,039	+ 2,487
At disposal	44,994	47,535	+ 2,541

To the Shareholders of Svenska Handelsbanken

THE BOARD OF DIRECTORS OF SVENSKA HANDELSBANKEN herewith present, in the following Report on their Administration together with the Profit & Loss Account and Balance Sheet, an account of the Bank's activities during the financial year 1st January—31st December 1958, the 88th year of the Bank's operations.

THE CREDIT MARKET IN 1958

The American recession in the spring and the gradually more pronounced stagnation in the West European economy during the autumn combined to make 1958 a difficult year for Swedish exporters. The expansion of exports which had gone on since 1952 was halted and exports declined in value by 2 per cent between 1957 and 1958. The value of imports was 3 per cent lower. Furthermore, the accumulation of stocks—which had done much to support the expansion in 1957—ceased. The joint effect of declining exports and inventory changes was a standstill in industrial production. Building and construction work, on the other hand, rose by 7 per cent. Total employment remained largely unchanged, but the number of unemployed averaged 42,000—or about 40 per cent more than in 1957. Retail prices rose by 2 1/2 per cent during the first four months of the year—mainly as a result of an increase in indirect taxation—but remained stable thereafter. Sweden's reserves of foreign exchange rose by 150 million kronor and reached the 3,000 million kronor mark by the close of the year.

Fiscal and Monetary Policy

The cash deficit on the combined Operating and Capital Budget for 1958 was, in round figures, 1,000 million kronor as compared with more than 1,600 million kronor in 1957. Judged solely on these figures, Swedish fiscal policy was thus less expansive in 1958 than in 1957. On the other hand, the portion of the budget deficit covered by borrowing on the capital market outside the Riksbank and the commercial banks was smaller than in previous years. Net Government borrowing on the capital market in 1958 was only 114 million kronor, compared with 555 million kronor in 1957. Of the remaining loan requirements in 1958, the Government borrowed about 550 million from the commercial banks in the form of short- and medium-term loans and the balance of 330 million kronor from the Riksbank.

As regards monetary policy, 1958 saw a mollification of the earlier, strongly restrictive approach. However, in order to avoid a strain on the exchange reserves and a new inflationary pressure, only limited concessions were made.

The Riksbank reduced the official discount rate on the 2nd May from 5 to 4 $\frac{1}{2}$ per cent, and the credit institutions followed suit by adjusting their interest rates on both advances and deposits by, as a rule, $\frac{1}{2}$ per cent. The interest rate on new issues of long-term bond loans was reduced by $\frac{1}{4}$ per cent. This was also the case with fixed interest rates on housing and municipal loans.

The liquidity quotas introduced in 1952 were left unaltered, but the liquid assets actually held by the commercial banks throughout most of 1958 were, with very few exceptions, well above the minimum level prescribed by the Riksbank. The so-called "credit ceiling" applicable to all loans and discounts other than for housing construction had already been cancelled at the time of the raising of the discount rate in July 1957, although the Riksbank had stressed the need for continued restrictivity. However, faced with a recessionary trend in 1958, the Riksbank accepted a not insignificant increase in the previously restricted advances. Extended bank credit was probably

Table 1. *Capital Market Issues in 1958*

	Number of issues	Amount	
		Mill. kr.	%
Swedish Government	5	989	48.0
Mortgage institutions etc.	9	760	36.9
Municipalities	4	150	7.3
Power stations	6	95	4.6
Industry	1	30	1.5
Banks	1	2	0.1
Foreign borrowers ¹	1	32	1.6
Total	27	2,058	100.0

¹ City of Trondheim for the Nea-älven power station.

a prerequisite for the increase of private investments in 1958 which did much to counteract the recession.

The Riksbank continued to exercise strict control over the capital market by limiting bond issues. Table 1 shows how the available funds were apportioned.

Commercial Banking Business

The total assets of the Swedish commercial banks rose in 1958 by almost 2,000 million kronor, or 11 per cent, to total slightly more than 20,000 million kronor. The increase was higher than that recorded in 1957, and appreciably in excess of the advance during 1955 and 1956 when a very restrictive credit policy was in force. In contrast to 1957—when almost the entire rise in the banks' assets was a passive consequence of the budget deficit—the change in 1958 was to a large extent due to an increase in advances from the commercial banks.

As is usual, liquidity was subject to sharp seasonal variations, mainly because tax payments to the Government are largely concentrated to the first half of the year. At the beginning of 1958 the book value of the commercial banks' total holdings of liquid assets (cash plus Treasury bills and

bonds) was 5,162 million kronor. By the end of May this figure had shrunk to an ebb level of 4,599 million, but thereafter rose steadily to 6,007 million by the end of the year. For the whole year the rise in the book value of liquid assets amounted to some 850 million, or 16 per cent. At the end of 1958 the commercial banks held Treasury bills to a nominal value of 1,105 million kronor and Swedish Government bonds to a total of 3,159 million kronor. The corresponding figures at the end of 1957 were 1,146 million and 2,562 million respectively. These changes implied an increase in State borrowing from the banks by 556 million kronor, or almost 15 per cent.

At the beginning of the year the demand for bank credit was still keen, but, as the credit volume increased and the recession became more accentuated, demand waned so that credit requirements were, by and large, satisfied. Bank advances—building credits excepted—increased by 786 million kronor, or about 9 per cent. Outstanding building credits increased by 80 million kronor, or 4 per cent. The unloading of building credits onto the capital market proceeded smoothly and kept pace with the granting of new credits.

Total deposits rose by 1,723 million kronor, or 12 per cent, during 1958. This was the biggest gain since 1951 and 1953. Behind the increase lay the larger budget deficit and the extended volume of bank credits. The marked inflow of funds to capital accumulation account (for explanation see table 4) continued, although at a slower rate than in 1957. The increase for this type of account was 1,124 million kronor as compared with 1,341 million kronor in 1957. The earlier decline in capital account, which to a large extent takes care of the surplus funds of business firms, was arrested and replaced by an increase of almost 600 million kronor, or about 11 per cent. The inflow of money to this account probably reflected the improvement in the liquidity of commercial and industrial undertakings following the changeover from stockpiling to stock reduction. Funds on cheque account continued to fall—by 61 million or 3 per cent—while short-term deposit account and savings account showed minor increases.

SVENSKA HANDELSBANKEN IN 1958

A Review of Operations

At the end of 1958 the Bank's total assets amounted to 5,581 million kronor and had thereby risen by 541 million kronor, or 11 per cent, during the year. As will be seen from table 2, the Bank's assets rose almost parallel with those of the other commercial banks and the Bank's share of the total resources of the commercial banking system remained unaltered at 28.3 per cent.

Advances. Whereas the advances of the other commercial banks reached their maximum figures towards the end of the year, Svenska Handelsbanken's advances reached a peak at the end of July, when the total amount outstanding was 3,449 million kronor. A slight decline followed, and by the end of the year total advances amounted to 3,439 million kronor, showing an increase during the year of 171 million, or 5 per cent.

As is indicated in table 3, almost half of the net increase in advances in 1958 was in the form of loans. Domestic bills of exchange and credit on cheque account also rose. Building credits, which had increased considerably in previous years, rose by only a few per cent. Advances under documentary credits and against foreign bills of exchange declined slightly, influenced by reduced foreign trade.

A break-down of the Bank's advances according to industries shows that advances to the principal export trades, i.e., forest industries and engineering,

Table 2. Total Assets of the Svenska Handelsbanken and of All Swedish Commercial Banks

Mill. Kr. at the end of the year

	1953	1954	1955	1956	1957	1958 ¹
Svenska Handelsbanken .	3,924	4,217	4,357	4,561	5,040	5,659
All commercial banks ..	14,859	15,824	15,584	16,293	17,788	20,021
Svenska Handelsbanken's share in % of the total .	26.4	26.6	28.0	28.0	28.3	28.3

¹ Assets as per 31.12. 1958 prior to balance sheet adjustments.

Table 3. *Advances of the Svenska Handelsbanken*

	Mill. Kr. at year's end		Change ¹		
	1957	1958	1957 Mill. Kr.	1958 Mill. Kr.	1958 %
Domestic bills of exchange	685	727	+ 7	+ 41	+ 6.0
Foreign bills of exchange	22	17	+ 9	— 5	— 24.0
Loans	1,638	1,718	— 8	+ 80	+ 4.9
Advances on cheque account	360	411	+ 26	+ 51	+ 14.2
Building credits	510	526	+ 47	+ 16	+ 3.0
Documentary credits	51	40	— 1	— 11	— 21.3
Total advances	3,267	3,439	+ 79	+ 171	+ 5.2

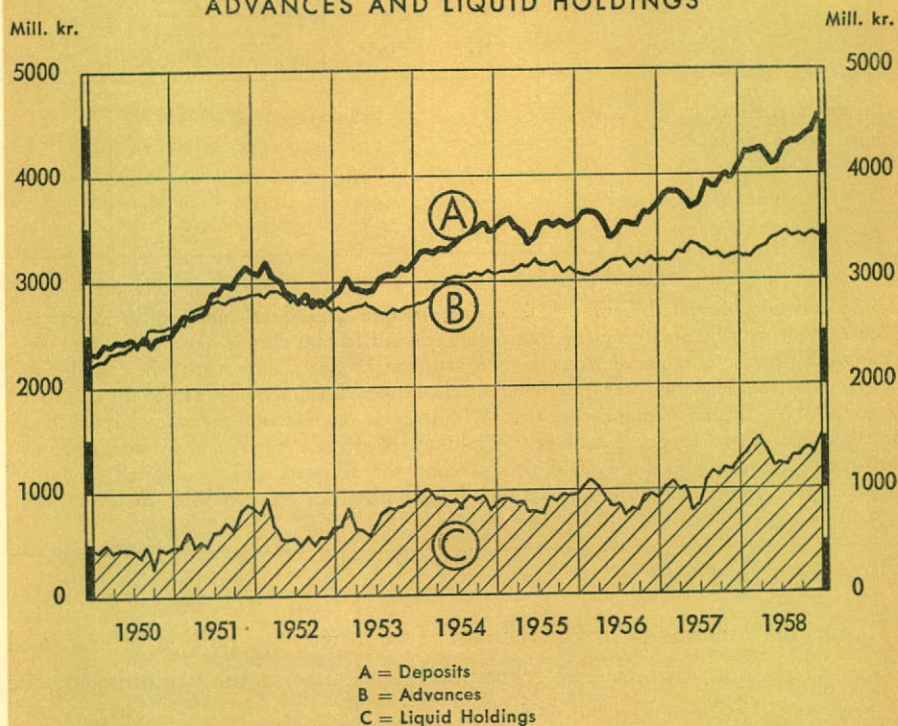
¹ Based on unabbreviated figures.

were on a larger scale, while loans to the textile industry diminished. The shares of commerce and the service industries in the total remained practically unchanged. Credits to transportation firms rose as a result of larger shipping credits. During the autumn of 1958 the Bank, together with most other commercial banks, introduced a new type of loan, called "personal loans". These loans enable private persons to borrow a limited amount without pledging tangible collateral.

Deposits rose in 1958 to the same extent as in the other commercial banks, i.e., by some 12 per cent. As is usual, deposits increased most during the second half of the year and, by the year's end, totalled 4,675 million kronor. Table 4 shows how the increase was spread over various accounts. It will be seen that about 70 per cent of the increase fell on capital accumulation account, which is the most expensive form of deposit from the Bank's point of view. As regards the remainder, the major increase was in deposits on capital account. Changes in other types of deposit account were of minor importance.

Together with the other commercial banks Svenska Handelsbanken took part in the 1958 "Savings from Wages" campaign, offering a form of saving open to young people under the age of 25. Steps were also taken to increase savings for housing and for buying shares through investment clubs. A campaign introduced during the autumn led to many companies and institutions

DIAGRAM 1. SVENSKA HANDELSBANKEN: DEPOSITS,
ADVANCES AND LIQUID HOLDINGS



adopting a scheme whereby employees' wages and salaries are paid direct to the Bank, generally into a cheque account.

Investments. The Bank's liquid holdings continued to rise sharply in 1958 although, as usual, there were pronounced seasonal variations. After rising during the early months of the year, the Bank's holdings of cash, Treasury bills and Swedish bonds dropped to an ebb level of 1,217 million kronor at the end of May, but recovered thereafter to a total of 1,508 million kronor at the end of the year. Of this sum, 178 million kronor was in cash, 170 million kronor in Treasury bills maturing within 5 months and 1,160 million kronor in bonds, mainly Government bonds.

Table 4. Deposits of the Svenska Handelsbanken

	Mill. Kr. at year's end		Change ¹		
	1957	1958	1957 Mill. Kr.	1958 Mill. Kr.	1958 %
Cheque account	571	558	— 4	— 13	— 2.3
Short-term account ²	143	156	+ 25	+ 12	+ 8.7
Savings account ³	842	865	+ 20	+ 23	+ 2.7
Capital accumulation account ⁴	1,291	1,639	+ 438	+ 348	+ 27.0
Capital account ⁵	1,314	1,457	— 108	+ 143	+ 10.8
Total deposits	4,162	4,675	+ 371	+ 513	+ 12.3

¹ Based on unabbreviated figures. ² Subject to, as a rule, 14 days' notice of withdrawal. The account may be used only for transferring to and from a cheque account. ³ As a rule, one week's notice is required. A maximum of 4,000 kronor a month may be withdrawn without notice. Holdings are restricted by law to a maximum of 15,000 kronor per account. ⁴ As a rule, 6 months' notice. Withdrawals on demand are allowed up to a maximum of 6,000 kronor a half-year. Holdings of private persons and business firms are restricted to a maximum of 100,000 kronor per account, while unlimited amounts are accepted from non-profit associations, local authorities etc. ⁵ Subject to, as a rule, 4 months' notice.

Claims on domestic banks at the end of 1958 were 45 million kronor, and debts 137 million kronor. The corresponding figures at the beginning of the year were 34 million kronor and 131 million kronor.

The Bank's holdings of shares showed no change during the year, apart from the sale of a small parcel of shares in Svensk Fartygskredit AB, a company established by the commercial banks in 1953 for financing shipping.

Foreign operations. The Bank's foreign business in 1958 was affected by the decline in Swedish exports and imports. Documentary credits and collections—especially on the export side—declined both in total value and in number of transactions. On the other hand, payments to and from abroad were maintained.

The foreign exchange market was comparatively quiet, apart from certain repercussions from the political unrest in the Middle East. Quieter conditions resulted in customers' selling less forward sterling. Arbitrage activity was also influenced by the adverse trend on the export markets.

The position vis-à-vis foreign banks continued to improve. The Bank's foreign claims rose by 90 million kronor, while debts rose by no more than 17 million kronor. Net claims at the end of 1958 thus totalled 161 million kronor compared with 89 million kronor at the end of 1957.

Securities Department. During the course of the year the Bank co-operated in the issuing of twenty bond and debenture loans to a combined nominal value of 1,969 million kronor. Of these, the following were issued either under the Bank's leadership or by the Bank alone.

Issuer	Date of issue	Interest rate	Period, years	Amount in Mill. Kr.
Trondheim City	Feb. 1	5 1/2	18 1/2	32
Krångede AB	March 28	5 1/2	25	30
AB Kattstrupeforsen	April 2	5 1/2	20	8
Stockholm City	June 1	5	5	50
Bergeforsens Kraft AB	Dec. 20	5 1/4	25	20

The Bank was also entrusted with the negotiation of a number of loans against promissory notes for power stations and industrial undertakings. The Bank co-operated in the following share issues:

Sandvikens Jernverk AB, new issue of nominal 20 million kronor

AB Plåtmanufaktur, bonus issue of nominal 2 million kronor and a new issue of nominal 3 million kronor

Bergvik & Ala AB, bonus issue of nominal 12.5 million kronor

AB Svenska Metallverken, new issue of nominal 15 million kronor.

In collaboration with other banks, the Bank participated in the selling of share certificates in "Aktietjänst", a unit trust established during the year.

The Trust Department handled an increasing volume of business. The number of legal commissions rose, as did also the volume of administered property.

Staff and organization

Staff developments. Changed conditions on the labour market facilitated recruitment and it was generally possible to satisfy the demand for junior staff. There were, however, still difficulties in recruiting specialists and other qualified persons.

Staff training was intensified and, in addition to the elementary courses for all newcomers to the Bank, further training in personnel management, credit administration and sales promotion was provided for selected members of the staff. With a view to encouraging language studies, which are of prime importance in a country such as Sweden, the Bank established—in addition to the foreign scholarships introduced many years ago—a number of junior scholarships to enable staff members under the age of 30 to study languages abroad.

The average number of permanent staff during 1958 was 3,162 compared with 3,093 in 1957. The number of part-time employees averaged 310, or the same as in 1957.

The collective agreement reached between the Banks' Negotiating Organization and the Union of Swedish Bank Clerks for the years 1957 and 1958 expired on December 31, 1958. No new agreement had yet been reached up to the beginning of February 1959.

The pensions payable to senior pensioners and widows of deceased members of the staff were increased during the year. At the close of the year the number of old age pensioners was 917, and the number of pensioners' widows 310.

Salaries and emoluments paid to members of the Board of Directors, the Management and other executive employees in 1958 amounted to 3.1 million kronor. Salaries to other categories of employee amounted to 49.0 million kronor.

Branch offices and organization. The Bank opened nine new branch offices in 1958, of which one in Stockholm, two in Gothenburg, one in each of the towns of Gävie, Motala and Västerås and three at smaller places.

The total number of offices at the close of the year was 372, of which 61 are in the Stockholm district and 311 in the provinces.

The following changes in branch managements were effected during 1958: Mr. F. Marits, formerly manager at Jönköping, was appointed manager at Västerås in place of the late Mr. A. Lindgren and was succeeded at Jönköping by Mr. E. Sandgren, formerly assistant manager of the Härnösand branch. At Norrköping, Mr. E. Derwinger, formerly manager of the Lidköping office, succeeded Mr. H. Russell, who retired on a pension.

Mechanization of bank work continued and receipt registers were installed at most branch offices. Experience to-date has been satisfactory. The punch card system is being used to an increasing extent for the processing of deposit account data for the Stockholm offices. The possibilities of using data processing machines are being investigated.

The Board of Directors, Auditors and Management. It is with great regret that we record the death on August 6, 1958, of Rolf von Heidenstam, Chairman of the Board. Rolf von Heidenstam had been a member of the Board of Directors since 1945 and Chairman since 1950. His admirable personality and valuable contributions to the progress of both the Bank and Swedish business life as a whole will long be remembered. The position of Chairman was taken over by Mr. Sune Wetter, Solicitor to the Royal Court.

At the Ordinary General Meeting the vice chairman of the Board of Directors, Mr. Gunnar Carlsson, retired for reasons of age and was succeeded by Mr. Carl A. Jacobsson. Mr. Erik Häggström, Gothenburg, was elected to a seat on the Board.

Mr. Lars Wirström, formerly a deputy auditor, was elected auditor in place of Mr. Harry Holmqvist, who died in 1957.

Mr. Rune Höglund, Manager of the Central Secretariat, was appointed a member of the Management.

Income and Expenditure

The profit for the year—before deductions for the writing-down of shares, allocations to the Pension Foundation and valuation reserves and for taxes—

Table 5. *The Income of the Svenska Handelsbanken*

	1957 Mill. Kr.	1958 Mill. Kr.	Changes in Mill. Kr.
Interest earnings, net	96.9	110.9	+ 14.0
Commissions	47.2	50.8	+ 3.6
Net yield from real estate	0.4	1.0	+ 0.6
Other income	1.7	0.6	— 1.1
Total	146.2	163.3	+ 17.1

was 80.0 million kronor as compared with 68.9 million kronor for 1957. Diagram 2 shows the break-down of income and expenditure into sub-items.

*

The different sources of *income* in 1957 and 1958 are shown in table 5 and commented on in the subsequent notes.

Net interest earnings rose largely as a consequence of the changes in the interest rates in connection with the raising of the official discount rate in July 1957, and the lowering of the same rate in May 1958. The average yield on investments rose more than the average interest on advances. On the deposits side the shift to accounts with the highest interest rate continued, causing a gradual increase in interest costs. On the average, advances were 117 million kronor higher than in 1957 and deposits rose by 416 million kronor.

The rise in *income from commission charges* was almost entirely due to a greater volume of business. Most of the increase was attributable to credit business and dealings in securities, while commission earned on foreign transactions declined.

Net income from real estate rose owing both to higher rents as from October 1, 1957, and to reduced cost of repairs.

The decline in *other sources of income* was due mainly to the Bank's refraining from drawing a dividend from its subsidiary Stockholms Intecknings Garanti AB, a mortgage institution.

Table 6. Costs and Allocations of the Svenska Handelsbanken

	1957 Mill. Kr.	1958 Mill. Kr.	Changes in Mill. Kr.
Salaries and fees	49.7	52.1	+ 2.4
Pension costs:			
Allocation to Pension Foundation	1.0	15.0	+ 14.0
Other pension costs	7.0	7.0	± 0.0
Rents and other costs of premises	8.6	9.1	+ 0.5
Office supplies and hire of machines	3.0	3.3	+ 0.3
Other current charges	7.4	9.1	+ 1.7
Depreciation on equipment	1.6	2.7	+ 1.1
Writing-down of shares	2.0	0.5	— 1.5
Allocations to valuation reserves:			
for bonds	12.0	13.0	+ 1.0
for loans and discounts	5.0	5.0	± 0.0
Tax allocation	28.5	26.0	— 2.5
Total	125.8	142.8	+ 17.0

The change in costs as compared with 1957 is shown in table 6 and commented upon below.

The increase in *salaries and fees* was due primarily to the salary increases effected under the collective agreement in force for the year.

Pension costs included the special allocation shown in table 6 as well as allocations to pension funds and payments to pensioners. The total amount paid out during the year by the Bank and from the pension funds was 10.0 million kronor (1957, 9.5 million). After the year's allocations the total amount set aside for pension purposes was booked at 193.7 million kronor, 66.6 million kronor thereof to the Pension Foundation and 127.1 million kronor to the pension funds.

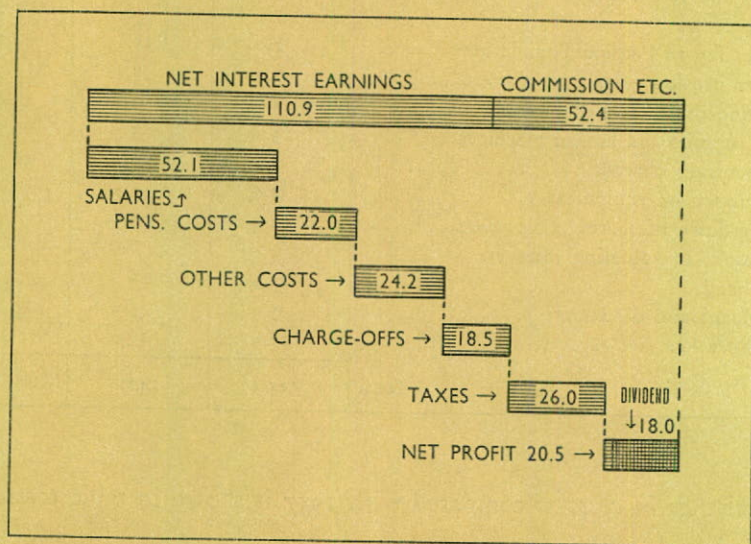
Rents and other costs on premises rose mainly owing to the general increase in rents and to additional office premises.

Other current expenses increased as a result of higher postal charges etc.

The increase in *depreciation on equipment* is due to the 1958 figures being based on four years' purchase cost, whereas the 1957 figures referred only

DIAGRAM 2. SVENSKA HANDELSBANKEN: INCOME AND EXPENDITURE 1958

Mill. Kr.



to three years' acquisition. Prior to 1955 the depreciation was unrestricted but since that year a limit of 20 per cent per annum is applicable.

The *writing-down of shares* refers to a block of shares which the Bank took over in connection with the winding-up of a major commitment.

Allocations to valuation reserves amounted in all to 18 million kronor as against 17 million kronor in 1957. Losses recorded during the year and amounts recovered on claims previously written off have, as in former years, been adjusted via the valuation reserves without appearing in the Profit & Loss Account.

The *allocation for taxes*, 26 million kronor, is estimated to cover all taxes chargeable on the year's business.

Proposed Distribution of Profits

The net profit after the above-mentioned allocations and write-offs amounted to 20.5 million kronor compared with 20.4 million kronor in 1957. Including the balance brought forward from 1957 the amount at the disposal of the General Meeting of the Shareholders is Kr. 47,535,219:73. The Board of Directors recommend that this amount be utilized as follows:

4 $\frac{1}{2}$ % dividend to the holders of

Preference Shares Kr. 1,125,000:—

11 % dividend to the holders of

Ordinary Shares „ 16,830,000:—

Transfer to the Special Reserve

Fund „ 15,400,000:—

Transfer of the remainder to the

Profit & Loss Account „ 14,180,219:73 Kr. 47,535,219:73

Issue of a Debenture Loan and Proposed

Increase in the Bank's Share Capital

The right of the Bank to accept deposits is defined in the Bank Act as being dependent, among other things, on the size of the Bank's capital and reserves. Assuming permission from the King in Council, issues of inscribed debentures may also be included—within certain limits—under the Bank's capital. In recent years, deposits have risen sharply without any corresponding change in the Bank's own capital and reserves. As a consequence, total deposits have approached the limit permitted by the Bank Act and, with the present tendency for deposits to increase, the limit will soon be exceeded.

In this situation the Bank has to choose between two alternatives: an increase in share capital or the issue of inscribed debentures. Interest paid on inscribed debentures enjoys tax exemption, whereas dividends paid on shares do not. However, such debenture loans must, as mentioned above, be

sanctioned by the King in Council. In view of the present strain on the capital market it is unlikely that such permission would be granted for more than a limited amount. The solution would thus appear to be to combine a debenture loan with an increase in share capital. This would, moreover, seem desirable in view of the shift in the ratio between the Bank's total debts and its capital accounts caused by the increase in deposits.

In view of these considerations the Board of Directors has passed a resolution to the effect that the Bank will issue, on conditions to be decided upon later, a debenture loan of 30 million kronor, though only providing the King in Council grants permission for the debentures to be classified, for the purpose of calculating the right to accept deposits, as part of the Bank's capital accounts. Further, the Board has decided to ask the current year's General Meeting to sanction an increase in share capital from the present 178 million kronor to 208.6 million kronor by the issue of 306,000 new ordinary shares at a price of 125 kronor per share, the premium of 25 kronor per share, or 7.65 million kronor in all, being allocated to the Reserve Fund. The prior right to subscribe for the new shares will, in accordance with the Bank's by-laws, accrue to holders of ordinary shares on the basis of one new share for every 5 old shares and, secondly, to the preference shareholders.

If this proposal, and the Board's recommendations concerning the distribution of the profits, are accepted by the General Meeting, the disposition of the Bank's capital and reserves will be:

Share capital	Kr.	208,600,000:—	
Reserve Fund	„	115,500,000:—	
Special Reserve Fund	„	75,900,000:—	Kr. 400,000,000:—
Balance on the Profit & Loss Account brought forward to 1959			
			„ 14,180,219:73
			<u>Kr. 414,180,219:73</u>

Stockholm, 10th February, 1959

SUNE WETTER

E. BROWALDH

C. A. JACOBSSON

AX. ENSTRÖM

ERIK W. FORSBERG

H. E. HAGENIUS

THEODOR HEDBERG

E. HÄGGSTRÖM

EMAN. HÖGBERG

ERIK KEMPE

AXEL MANNERSKANTZ

NILS K. STÅHLE

GÖSTA ÅHLÉN

ROBERT SCHROFF

TORE BROWALDH

STIG ÖDMARK

H. MELIN

B. ODELFELT

SVENSKA

Balance Sheet

<i>Assets:</i>		K r o n o r
Cash:		
domestic and foreign notes and coin	Kr. 90,385,407: 01	
domestic cheques and money orders	» 74,374,099: 19	
sight balances with the Riksbank	» 12,827,415: 25	177,586,921: 45
Government securities and bonds		1,337,521,141: —
Due from Swedish banks		45,181,236: 69
Due from foreign banks		267,614,893: 60
Advances:		
bills payable abroad (620 items)	Kr. 16,927,528: 84	
bills payable in Sweden (286,551 items)	» 726,497,956: 28	
loans (137,485 items)	» 1,718,037,447: 98	
credits on Current Account (17,692 items)		
amount granted:	Kr. 1,393,339,165: 12	
amount utilized:		
Cheque Account	Kr. 411,428,576: 40	
Building Credits	» 525,667,756: 02	
advances on Documentary Credits	» 40,214,139: 83	3,438,773,405: 35
Sundry Accounts		193,754,022: 79
Shares:		
in holding companies for bank		
premises	Kr. 5,889,161: 39	
in other companies	» 55,811,604: 18	61,700,765: 57
Equipment		7,924,494: 99
Real estate:		
bank premises	Kr. 50,384,826: —	
other premises	» 300,199: 18	50,685,025: 18
Loans outstanding and credits granted on Current Account are distributed as follows:		
against mortgages in housing, industrial and commercial property		
» shares	Kr. 2,138,359,040: 42	
» bonds	» 123,429,321: 27	
» merchandise or other real security	» 62,405,630: 70	
» the security of personal guarantees	» 182,870,526: 89	
	» 604,312,093: 82	
	Kr. 3,111,376,613: 10	
Collateral pledged	Kr. 51,039,000: —	
Total kronor		5,580,741,906: 62

HANDELSBANKEN

December 31, 1958.

<i>Liabilities:</i>		Kronor
Bank Money Orders		58,217,146: 53
Deposits:		
Cheque Account (68,405 accounts) .. Kr.	558,116,052: 67	
Short-term Deposit Account (2,416 accounts)	» 155,755,662: 36	
Savings Account (569,116 accounts) ..	» 865,273,496: 35	
Capital Accumulation Account (196,190 accounts)	» 1,639,037,120: 01	
Capital Account (95,396 accounts) ..	» 1,456,586,171: 71	4,674,768,503: 10
Due to Swedish banks		136,538,382: 53
Due to foreign banks		106,145,246: 78
Acceptances		2,321,895: 07
Bills discounted or sold:		
payable in Sweden	Kr. —: —	
payable abroad	» 389,608: 47	389,608: 47
Sundry Accounts		208,475,904: 41
Share Capital:		
Ordinary Shares	Kr. 153,000,000: —	
Preference Shares	» 25,000,000: —	178,000,000: —
Reserve Fund		107,850,000: —
Special Reserve Fund		60,500,000: —
At the disposal of the General Meeting:		
balance b/f from last year	Kr. 27,038,732: 13	
net profit for the year	» 20,496,487: 60	47,535,219: 73
Documentary Credits granted but not utilized	Kr. 101,127,000: —	
Liabilities on account of outstanding guarantees	» 330,885,403: 50	
Yearly amount of pensions and relief as at 31/12 1958	» 10,403,000: —	
of which to be paid out of the Bank's pension funds	» 5,408,000: —	
(The original is signed by the members of the Board of Directors and countersigned by the auditors.)		
Total kronor		5,580,741,906: 62

SVENSKA
Profit and Loss

	K r o n o r
<i>Expenditure:</i>	
Salaries and fees	52,120,941: 42
Pension costs:	
allocation to the Bank's pension funds Kr. 2,349,812: 83	
allocation to the Bank's Pension	
Foundation » 15,000,000: —	
disbursed in pensions and relief » 4,604,364: 05	21,954,176: 88
Rent and other local expenses Kr. 9,071,612: 69	
Office supplies and rent for machines .. » 3,350,988: 72	
Other current expenses » 9,094,459: 36	21,517,060: 77
	95,592,179: 07
Written off on equipment	2,676,427: 65
Written down on shares	500,000: —
Added to valuation reserves:	
for bonds	13,000,000: —
for advances	5,000,000: —
Taxes	26,000,000: —
Total costs	142,768,606: 72
Net profit for the year	20,496,487: 60
Total kronor	163,265,094: 32

HANDELSBANKEN

Account for the year 1958.

		Kronor
<i>Income:</i>		
Interest, net		110,928,524: 58
Commissions etc.		50,794,388: 86
Net yield from real estate		994,623: 05
Other income		547,557: 83
<div> <p>At the disposal of the General Meeting in 1958 Kr. 44,993,732: 13</p> <p>Dividends paid to shareholders:</p> <p>on the Preference</p> <p>Shares Kr. 1,125,000: —</p> <p>on the Ordinary Shares » 16,830,000: — » 17,955,000: —</p> <p>Balance on the Profit & Loss Account brought forward from 1957 Kr. 27,038,732: 13</p> <p>Net Profit for 1958 » 20,496,487: 60</p> <p>At the disposal of the General Meeting in 1959 Kr. 47,535,219: 73</p> </div>		
(The original is signed by the members of the Board of Directors and countersigned by the auditors.)		
Total kronor		163,265,094: 32

AUDITORS' REPORT
ON THE
SVENSKA HANDELSBANKEN
FOR THE YEAR 1958

Having examined the accounts and the administration of the Svenska Handelsbanken for the year 1958 we, the undersigned auditors, hereby give the following report:

We have examined the Bank's accounts and the Annual Report of the Board, taken note of the Minutes of the Board of Directors, the Management and the local Boards of Directors, and also of other documents of importance for judging the Bank's economy and administration. Further, we have scrutinized major credits and other large-scale investments of the Bank's funds. Moreover, we have made such cash and security counts and taken such other steps for checking the books as we have considered necessary for carrying out the audit.

The audit has covered the Head Office of the Bank, the Stockholm business and that of all the Central Offices in the provinces. A number of Branch Offices have been visited.

During the year the Bank's internal audit department has made cash and security counts and a detailed checking of the accounts in accordance with current instructions. We have taken note of the reports thereon that have been drawn up and also of the final report, which the audit department has presented to us. The internal control exercised within the Bank appears to be satisfactory.

The expenditure on the Bank's administration has been examined and we have found nothing to criticize.

The audit has given no cause for adverse comment in regard to the accounting documents submitted to us, the Bank's bookkeeping, the detailed checking of its assets or otherwise on the administration of the Bank's affairs.

We recommend that the General Meeting of the Shareholders pass the Balance Sheet presented by the Board and countersigned by us, grant the Board of Directors discharge from liability for their administration during 1958, and

utilize the amount at the disposal of the Meeting according to the Balance Sheet, Kr. 47,535,219:73, in the manner recommended by the Board.

Stockholm, 12th February, 1959.

BIRGER GEZELIUS
Chairman

BIRGER BELLANDER

ANTENOR NYDQVIST

C. PALMSTIERNA

LARS WIRSTRÖM

P. O. ÖHRLING
Public Accountant

NILS MALMFORS
Auditor appointed by the Royal Bank &
Stock Exchange Inspectorate

SVENSKA HANDELS-

Summary of the Balance

At end of Dec.	Cash	Treasury Bills & Bonds	Advances				Total Advances	Other Assets
			Domes- tic Bills	Loans	Credits on Current Account	Foreign Bills & Doc. Credits		
1948	212	151	500	1,334	237	65	2,136	169
1949	195	267	500	1,333	258	113	2,204	188
1950	160	300	595	1,528	326	124	2,573	185
1951	179	664	740	1,621	391	119	2,871	236
1952	190	465	691	1,590	393	68	2,742	219
1953	122	773	725	1,594	419	35	2,773	256
1954	164	699	781	1,668	569	41	3,059	295
1955 ¹	209	733	693	1,679	658	60	3,090	325
1956 ²	164	754	679	1,646	798	65	3,188	455
1957	165	1,106	685	1,638	871	73	3,267	502
1958	178	1,338	727	1,718	937	57	3,439	626

Summary of the Profit & Loss

Year	Income			Expenditure				
	Interest (net)	Com- missions	Other Income	Salaries	Pensions ³	Other Costs	Amounts written off ⁴	Taxes
1948	56.0	18.2	4.4	24.2	6.3	9.0	11.0	13.1
1949	54.9	19.1	4.3	24.1	6.6	9.7	11.6	12.2
1950	57.8	20.9	55.1	24.8	17.8	10.6	41.3	18.8
1951	70.6	28.4	0.4	30.5	13.7	13.2	13.5	13.0
1952	75.3	30.0	2.7	35.2	12.2	13.5	10.8	18.7
1953	75.6	30.6	0.2	34.4	16.2	12.9	5.0	18.9
1954	80.1	33.2	0.3	36.1	16.3	13.9	8.0	19.2
1955	89.9	35.7	0.1	43.6	6.9	15.2	15.3	24.2
1956	90.2	41.4	2.5	46.0	7.6	17.5	14.9	27.7
1957	96.9	47.2	2.1	49.7	8.0	19.0	20.6	28.5
1958	110.9	50.8	1.5	52.1	22.0	21.5	21.2	26.0

¹ The commercial banking business of the Inteckningsbanken in Stockholm taken over in June 1955. — ² The business of the Gotlands Bank taken over on June 1, 1956. — ³ Incl. funds set aside for pension purposes. — ⁴ Allocations to valuation reserves and writing-down on

BANKEN 1948—1958

Sheet (million kroner)

At end of Dec.	Deposits					Other Liabilities	Capital and Surplus
	Cheque & Short-term Deposit Accounts	Savings Account	Capital Accumulation Account	Long-term Deposit Account	Total Deposits		
1948	572	507		1,113	2,192	199	277
1949	576	549	9	1,211	2,345	230	279
1950	606	569	61	1,290	2,526	403	289
1951	724	610	107	1,706	3,147	477	326
1952	667	671	157	1,408	2,903	382	331
1953	673	699	225	1,624	3,221	368	335
1954	639	716	314	1,858	3,527	348	342
1955	600	762	681	1,562	3,605	366	386
1956	693	822	854	1,422	3,791	381	389
1957	715	842	1,291	1,314	4,162	487	391
1958	714	865	1,639	1,457	4,675	512	394

Account (million kroner)

Year	Profits			Allocation of Profits			
	Net Profit for the Year	Profit Balance	At Disposal of General Meeting	Dividend		Allocation to Reserves	Balance c/f to Next Year
				In % of Ord. Share Capital	Amount		
1948	15.1	6.5	21.6	9	11.3	5.0	5.3
1949	14.1	5.3	19.4	9	11.3	—	8.2
1950	20.5	8.2	28.7	10	12.4	10.0	6.3
1951	15.4	6.3	21.7	10	12.4	—	9.3
1952	17.6	9.3	26.9	10	14.6	—	12.3
1953	19.1	12.3	31.4	11	16.0	—	15.5
1954	20.1	15.5	35.6	11	16.0	—	19.6
1955	20.5	19.6	40.1	11	18.0	—	22.1
1956	20.4	22.1	42.5	11	18.0	—	24.6
1957	20.4	24.6	45.0	11	18.0	—	27.0
1958	20.5	27.0	47.5	⁶ 11	⁶ 18.0	⁶ 15.4	⁶ 14.2

shares; as from 1955 also the amount written off on equipment. — ⁵Of which Kr. 50.7 million represents surplus on the liquidation of stock. — ⁶According to the proposal of the Board.



Ivar Hæggströms Boktryckeri AB
Stockholm 1959

SVENSKA HANDELSBANKEN

Head Office and 49 sub-offices in the City of Stockholm

Branches at:

Åhus	Delsbo	Hedesunda	Lilla Edet	Orsa	Stuvsta
Alfta	Djursholm	Hemse	Lillhärdal	Oskarshamn	Sundbyberg
Alingsås	Dorotea	Herrljunga	Lima	Österbybruk	Sundsvall
Älmhult	Ed	Hofors	Limeforsen	Östersund	Sunne
Älvängen	Edsbyn	Högsby	Limhamn	Östervåla	Surte
Älvdalen	Ekshärad	Holmsund	Lindesberg	Östhammar	Sveg
Älvsbyn	Emmaboda	Holmsveden	Lit	Överkalix	Svenljunga
Ämål	Enköping	Horndal	Ljusdal	Övertorneå	Svenstavik
Ambjörnarp	Eskilstuna	Höting	Ljusne	Öviken	Tärnsjö
Änåset	Eslöv	Hudiksvall	Lödöse		Tidaholm
Änge	Fagersta	Huskvarna	Los	Pajala	Tierp
Arboga	Falun	Husum	Lövånger	Pålsboda	Torsåker
Arbrå	Färgelanda	Insjön	Lövestad	Piteå	Torsås
Åre	Färjestaden	Jämtlands Änge	Ludvika	Ramsele	Torsby
Arvidsjaur	Färösund	Järbo	Lugnvik	Råneå	Trädet
Arvika	Fellingsbro	Järpen	Luleå	Rätansbyn	Trehörningsjö
Åseda	Filipstad	Järvsö	Lund	Rättvik	Trollhättan
Åsele	Finnerödja	Jokkmokk	Lycksele	Rävlanda	
Avesta	Fjugesta	Jönköping	Malåträsk	Rimbo	Uddevalla
Backe	Flen	Jörn	Malmberget	Robertsfors	Ullånger
Bankeryd	Föllinge	Junsele	Malmö	Roma kloster	Ulricehamn
Bengtstors	Frändefors		Malung	Ronneby	Umeå
Bergby	Fränsta		Matfors	Ruda	Upphärad
Bergsjö	Fristad	Kalix	Mellerud		Upplands-Väsby
Billingstors	Frövi	Kalmar	Mockfjärd	Säffle	Uppsala
Bispgården	Furudal	Karlskrona	Mönsterås	Sala	
Bjälsta	Gagnef	Karlskrona	Mora	Sandviken	Valdemarsvik
Björbo	Gällivare	Karlstad	Mörbylånga	Säter	Vänersborg
Björna	Gällö	Katrineholm	Mörsil	Sävsjö	Vännäs
Bjuråker	Gällstad	Kilafors	Motala	Skara	Vansbro
Bjurholm	Gävle	Kiruna	Nacka	Skärplinge	Vara
Bjursås	Gimo	Klintehamn	Näsåker	Skellefteå	Vargårda
Blidsberg	Gnarps	Klippan	Njurunda	Skinnskatteberg	Vargön
Boda Kyrkby	Göteborg	Kolbäck	Norberg	Skurup	Västanfors
Boden	Grangärde	Köping	Nordmaling	Skutskär	Västerås
Bollebygd	Grängesberg	Kopparberg	Nordtälje	Slite	Västervik
Bollnäs		Kramfors	Norrköping	Söderhamn	Venjan
Borås	Hallsberg	Kristianstad	Norrålsjö	Södertälje	Vilhelmina
Borensberg	Hallstadvik	Kristinehamn	Norsjö	Sollebrunn	Vimmerby
Borgholm	Hälsingborg	Krokom	Nyåker	Sollefteå	Vindeln
Borlänge	Hammarstrand	Kumla	Nybro	Sollerön	Vingåker
Borrby	Hammerdal	Kungsör	Nyköping	Solna	Virserum
Bräcke	Haparanda	Kvarnsveden	Nynäshamn	Sörberge	Visby
Bredbyn	Härnösand			Sorsele	Vislanda
Bureå	Hässleholm	Landskrona	Ockelbo	Stora Mellby	Vissefjärda
Burgsvik	Havdhem	Leksand	Odensbacken	Stora Tuna	Vollsjö
Burträsk	Heby	Liden	Örebro	Storuman	
Byske	Hede	Lidingö	Öregrund	Storvik	Ystad
Dalarö	Hedemora	Lidköping	Örnsköldsvik	Strömsund	

