

20 August 2002

Press release

Handelsbanken's interim report January – June 2002

Summary

- *Profits were SEK 5 360m (6 005)*
- *Net interest income rose by 9% to SEK 7 025m (6 464)*
- *Loan losses continued to be low at SEK 100m (+65)*
- *Operations in Great Britain run as a separate regional bank from 1 July*
- *Surpluses in pension foundation/pension fund were over SEK 5bn*

Profits - SEK 5.4bn

Profits were SEK 5 360m (6 005), resulting in return on equity of 15.9% (20.9). The corresponding figure for the whole of 2001 was 18.4%. The C/I (cost/income) ratio before loan losses was 50.4% (45.2) and after loan losses 51.3% (44.6). In January 2002, Handelsbanken Liv was demutualised which means that it is now included in the consolidated accounts. This had a negative impact on the Group's C/I ratios, which were 49.1% and 50.0% respectively, excluding the effect of the demutualised Handelsbanken Liv. Earnings per share were SEK 5.65 (6.59), as a 12-month moving total SEK 11.05 (12.91) and for the full year 2001, SEK 11.99. The second quarter of 2002 was the third quarter running with increased profits. Return on shareholders' equity in the second quarter was 16.5%.

Income continued to grow

Income rose by 2% to SEK 11 002m (10 837). Net interest income rose by SEK 561m to SEK 7 025m (6 464), an increase of 9%. Lending to the general public was SEK 806bn (762), a rise of 6%. From the beginning of the year, lending to the general public increased by more than SEK 6bn. The figure at 31 December included lending to the National Debt Office which was not the case at 30 June. Excluding this, lending to the general public rose by over 2.5% during the first six months or SEK 20bn. The increase in net interest income was mainly due to larger business volumes.

Both net commission income and net trading income fell, by 1% and 28% respectively. Commission related to the equity market fell by some SEK 250m while commission increased on payments and lending and deposits. Lower volumes, particularly in equities trading, explain the fall in net trading income. Net trading income also includes the financial result from Handelsbanken Liv, that is the surplus or deficit which arises after the policy-holders have received their guaranteed return. Due to the negative trends particularly on the stock market, a deficit of SEK 87m (0) arose.

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Expenses were SEK 5 542m (4 897), an increase of 13%. The acquisitions of SPP and Midtbank and the consolidation of Handelsbanken Liv affected the comparison of expenses between the two years. Excluding these and also the weaker Swedish currency, the underlying pace of the cost increase was declining and was 4.8%. Most of this was due to higher IT costs and starting up new units outside Sweden, mainly in the other Nordic countries. IT expenses were SEK 1 444m (1 226). The average number of employees was 9 763 (8 898). Midtbank and Handelsbanken Liv represented 486 of the increase. The number of employees in the Group fell by 91 from 31 December 2001 to 30 June 2002.

Loan losses continue to be low

Loan losses were still at a very low level and were SEK 100m compared with net recoveries of SEK 65m in the previous year. The share of bad debts in relation to lending fell to 0.25% (0.37). The volume of collateral taken over was SEK 169m (135).

Capital ratio, share buybacks and rating

The Group's capital ratio was 9.4% (9.3). The Tier 1 capital ratio increased to 6.3% (5.9).

The Annual General Meeting of shareholders in April 2002 authorised Handelsbanken to repurchase up to 20 million shares until the next general meeting in 2003 and, if considered appropriate, to sell shares that had already been repurchased to finance acquisitions. Handelsbanken has not repurchased any shares during the year.

Handelsbanken's rating from all three rating agencies was unchanged. In mid-April, Standard & Poor's changed its outlook for Handelsbanken's rating from stable to positive.

Great Britain – the Bank's eleventh regional bank

As of 1 July, operations in Great Britain were lifted out of Handelsbanken Markets and are now run as the Bank's eleventh regional bank. The regional bank has eight branches of which two were opened during the year.

Handelsbanken strengthened SPP's capital base

Developments on the stock market have undermined SPP's capital base. At the end of July, SPP issued a perpetual subordinated loan totalling one billion Swedish kronor to Handelsbanken. Since then the stock market has continued to fall and the Bank envisages granting SPP further subordinated loans, if considered appropriate. Handelsbanken's key figures and ratios are not affected by these transactions. For Handelsbanken Liv, there is no need to strengthen the capital base at present. When the company was demutualised, capital was injected so that it would be able to resist financial strain and also to expand, without the need to reinforce the capital base.

Handelsbanken's pension foundation and pension fund

As at 30 June 2002, Handelsbanken's pension foundation and pension fund had assets totalling SEK 16.3bn. The total pension liability was SEK 11.2bn at the same date, resulting in surpluses of over SEK 5bn.

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Options, bonuses and other benefits

During the first half of the year, corporate remuneration systems have been the subject of extensive discussions. Therefore, there are good reasons to summarise Handelsbanken's view on different types of remuneration. Some 3.8% (8.9) of Handelsbanken's total staff costs consist of performance-related remuneration.

Performance-related remuneration exists only for Markets, Securities and Asset Management. In these business areas, Handelsbanken complies with the existing practices for the different markets. The Handelsbanken Group management have fixed salaries without any other element of performance-related compensation than the synthetic options described below.

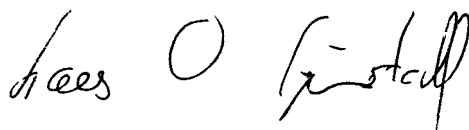
In October 1999, Handelsbanken invited management, branch managers and other key personnel to acquire synthetic options. Over 86% of those eligible subscribed to purchase the options, representing a total of 3.85 million options. Since these are synthetic options, they will not dilute the current holdings of shareholders. The options programme was set up on market terms. An external securities brokerage company set the price at SEK 11 per option at an exercise price of SEK 178.50. Thus, each subscribing staff member paid SEK 11 per option in cash. The life of the option extends to 25 November 2004. The costs of the options programme are presented annually in the annual report. The costs, which are mainly for hedging rises and falls in the price of Handelsbanken's shares, were SEK 2.1m (4.2) as at 30 June.

The Oktogonen Foundation represents an important part of Handelsbanken's remuneration system. Handelsbanken can allocate an amount to Oktogonen if its return on equity has been higher than the average for the other listed Nordic banks and if the dividend to its shareholders has not been cut. This takes place following a decision by the Bank's Board of Directors. All full-time employees receive the same amount, i.e. the distribution is not linked to other forms of remuneration nor is it related to the employee's position. The amount is paid out when the employee retires. Since this profit-sharing system was created in the early 1970s, the principles for distribution have remained unchanged. At the end of June 2002, the value of a full participation, i.e. the participation for an employee who has been with the system since it commenced was slightly in excess of SEK 3.8m.

Handelsbanken receives awards from international business periodicals

Handelsbanken was acclaimed best bank in the Nordic countries including the Baltic countries, by Euromoney and best bank in Sweden by The Banker. This is the second year running that Handelsbanken has received these awards from the periodicals in question. While it is very gratifying to receive this kind of acclaim, for the Bank it is more important to be the bank with the most satisfied customers than to receive awards from magazines. Since independent surveys of customer satisfaction started in Sweden, Handelsbanken has had more satisfied customers than the other major Swedish banks. This autumn, independent surveys will be carried out on customer satisfaction in four Nordic countries.

Stockholm, 20 August 2002



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The interim report for the third quarter of 2002 will be published on 22 October 2002.

Handelsbanken's interim reports and other publications are available on the Internet

<http://www.handelsbanken.se/ireng>.

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Profit and loss account – Svenska Handelsbanken Group

The profit and loss account on page 22 is prepared in accordance with the Finansinspektionen's directives. In order to illustrate the development of operations more clearly, the profit and loss account is shown below with the various income categories, excluding that which is generated in the trading operation. The "Net result on financial operations" (equity-, interest rate- and currency-related) and trading-related income from other income categories are reported under "Trading, net". Performance-related staff costs are reported separately. The result of insurance operations has been allocated to the respective income/expense categories as shown in note 5, page 24. Participations in associated companies' results are reported under "Other income".

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Net interest income	7 025	6 464	9	13 385
Commission, net Note 1a	2 549	2 579	-1	5 028
Trading, net	1 049	1 462	-28	2 656
Other income	379	332	14	585
Total income	11 002	10 837	2	21 654
Staff costs excl. performance-related	-3 107	-2 659	17	-5 580
Performance-related staff costs	-123	-259	-53	-338
Other expenses	-2 312	-1 979	17	-4 376
Total expenses	-5 542	-4 897	13	-10 294
Profit before loan losses	5 460	5 940	-8	11 360
Loan losses incl. change in value of repossessed property	-100	65		-152
Operating profit	5 360	6 005	-11	11 208
Pension settlement	-28	346		306
Taxes	-1 403	-1 798	-22	-3 202
Minority interests	-11	-11	-	-22
Profit for the period	3 918	4 542	-14	8 290

Note to the Profit and Loss Account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Note 1a Commission, net				
Brokerage	476	590	-19	1 072
Mutual funds and custody	595	673	-12	1 229
Insurance	176	89	98	210
Payments	681	633	8	1 311
Lending and deposits	591	550	7	1 168
Other	619	610	1	1 204
Commission income	3 138	3 145	0	6 194
Commission expense	-589	-566	4	-1 166
Commission, net	2 549	2 579	-1	5 028

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Other information

SEK m	Jan-Jun 2002	Jan-Jun 2001	Full year 2001
Goodwill and intangible assets			
Opening residual value	9 462	4 970	4 970
Future goodwill and intangible assets	197	4 690	4 798
Amortisation for the period	-293	-215	-494
Foreign exchange effect	-35	117	188
Closing residual value	9 331	9 562	9 462

Financial ratios for Svenska Handelsbanken Group

	Jan-Jun 2002	Jan-Jun 2001	Full year 2001
Return on shareholder's equity	15.9%	20.9%	18.4%
Return on shareholder's equity, operating profit after standard tax	15.6%	19.8%	17.8%
Cost/Income (C/I ratio)			
- before loan losses	50.4%	45.2%	47.5%
- after loan losses	51.3%	44.6%	48.2%
Earnings per share, SEK			
- January-June	5.65	6.59	
- 12 month moving total	11.05	12.91	11.99
Dividend to shareholders per share, SEK			4.50
Number of shares, end of period	714 746 940	714 746 940	714 746 940
- of which repurchased	21 359 525	21 359 525	21 359 525
Average number of outstanding shares			
- Accumulated	693 387 415	688 986 804	691 205 879
- Last quarter	693 387 415	688 614 701	
Adjusted equity per share, SEK	70.47	64.02	69.50
Tier 1 capital	39 586	36 050	37 188
Risk-weighted volume	624 860	611 961	610 769
Capital ratio	9.4%	9.3%	9.9%
Tier 1 ratio	6.3%	5.9%	6.1%
Average number of employees	9 763	8 898	9 239
Number of branches in Nordic countries, end of period	545	539	545

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Quarterly performance of Svenska Handelsbanken Group

SEK m	2002:2	2002:1	2001:4	2001:3	2001:2
Net interest income	3 562	3 463	3 529	3 392	3 224
Commission, net	1 311	1 238	1 299	1 150	1 366
Trading, net	424	625	662	532	649
Other income	212	167	155	98	179
Total income	5 509	5 493	5 645	5 172	5 418
Staff costs excl. performance-related	-1 571	-1 536	-1 472	-1 449	-1 367
Performance-related staff costs	-70	-53	-20	-59	-130
Other expenses	-1 146	-1 166	-1 298	-1 099	-1 024
Total expenses	-2 787	-2 755	-2 790	-2 607	-2 521
Profit before loan losses	2 722	2 738	2 855	2 565	2 897
Loan losses incl. change in value of repossessed property	-21	-79	-203	-14	-13
Operating profit	2 701	2 659	2 652	2 551	2 884
Pension settlement	-5	-23	-26	-14	184
Taxes	-641	-762	-672	-732	-852
Minority interests	-5	-6	-5	-6	-5
Profit for the period	2 050	1 868	1 949	1 799	2 211

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Business areas

Profit and loss account by business area - Group

SEK m	Branch offices	Markets	Securities	Asset- mgmt	Finans	Pension & Insurance	Stadshyp. Bank	Treasury	Other	January - June 2002 2001	
Net Interest income	6 736	1 249	-100	90	255	-3	47	97	-152	8 219	6 637
Commission, net	1 268	102	308	436	151	183	19	-3	10	2 474	2 579
Net result on financial transactions	-16	-290	87	13	2	-67	0	-46	-24	-341	1 203
Other income	47	6	258	2	23	28	0	7	279	650	418
Total income	8 035	1 067	553	541	431	141	66	55	113	11 002	10 837
<i>Net internal remuneration included in income</i>	419										
<i>Net internal remuneration deducted from income</i>		18	21	235	5	131	9	-			
Total expenses	-3 407	-567	-442	-282	-221	-214	-57	-15	-337	-5 542	-4 897
Profit/loss before loan losses	4 628	500	111	259	210	-73	9	40	-224	5 460	5 940
Loan losses incl. change in value of repossessed property	-93	-3		6	-10		0			-100	65
Operating profit/loss	4 535	497	111	265	200	-73	9	40	-224	5 360	6 005
Return on equity, %	18.8	15.2	20.0	22.8	28.7		29.2	12.0		15.9	20.9
Average number of employees	5 639	893	390	357	405	237	111	38	1 693	9 763	8 898

The net amount of received/paid remunerations between the business areas is included in/deducted from the income categories for the business areas. The net amount of received/paid remuneration is shown above. The internal remuneration is credited to the business area which is responsible for the customer and reduces the income of the unit paying the remuneration. The remuneration is intended to cover expenses and also to distribute the profit arising on market terms.

Expenses also include the distribution of costs made internally within the Group for services rendered by business support operations.

Return on shareholders' equity for the business areas is computed after standard tax while for the whole Group it is computed after appropriations and full tax. The shareholders' equity, on which calculation of return on equity is based, is mainly distributed in accordance with the requirements of the Capital Adequacy Act.

Handelsbanken Liv is included in the Pension and Insurance business area.

"Other" includes capital gains, dividends, amortisation of goodwill and Group adjustments, which are not attributable to an individual business area.

The result of insurance operations and associated companies is reported as shown on page 5.

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Branch office operations

Handelsbanken is a Nordic universal bank with a strongly decentralised organisation. The branch is responsible for all customers within its geographic area - including major corporations. The branch office co-ordinates all services for each customer. Where necessary, this is done in close co-operation with the Bank's subsidiaries and with specialists at regional and central levels.

Handelsbanken conducts complete universal banking operations throughout the Nordic area. Branch office operations consist of ten regional banks - seven in Sweden and one each in Norway, Finland and Denmark. The regional banks are responsible for their own profits and pursue the same goals – to deliver universal banking services with a higher service level for customers compared with other banks in the Nordic area, while Handelsbanken should have the lowest expenses. This strategy will enable the Bank to grow throughout the Nordic area.

Handelsbanken has 458 branches in Sweden, 27 in Norway, 28 in Finland and 32 in Denmark. In terms of total assets Handelsbanken is the fourth largest bank in Finland and fifth in Norway and Denmark.

Profit and loss account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Net interest income	6 736	5 829	16	12 355
Commission, net	1 268	1 348	-6	2 646
Net result on financial operations	-16	260	-106	274
Other income	47	12	292	106
Total income	8 035	7 449	8	15 381
<i>Net internal remuneration included in income</i>	<i>419</i>	<i>465</i>		<i>906</i>
Total expenses	-3 407	-3 005	13	-6 441
Profit before loan losses	4 628	4 444	4	8 940
Loan losses incl. change in value of repossessed property	-93	22		-232
Operating profit	4 535	4 466	2	8 708
Return on equity, %	18.8	21.2		20.6
Average number of employees	5 639	5 265		5 549

Profits for branch office operations increased by 2% to SEK 4 535m (4 466). Income was up by 8% while expenses rose by 13%. Excluding Midtbank, the increase in expenses was 7%. Net interest income rose due to higher business volumes and slightly higher margins. The average volume of lending to the general public grew by 12% to SEK 748bn (670). In Sweden and the other Nordic countries, private lending grew more quickly than corporate lending. Both net commission income and the net result on financial operations fell. Securities-related commission dropped by over SEK 100m. Payment commission increased while deposit and lending commission were mainly unchanged.

The increase in expenses was due to the acquisition of Midtbank, opening new branches in the Nordic countries and higher costs for IT investments. At branch office operations, the number of employees has decreased by 91 since the beginning of the year.

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In Sweden, average lending to the general public increased by SEK 55bn to SEK 638bn. Margins were somewhat higher in the first half of 2002 compared to 2001. The margins were unchanged between the two quarters of this year. In the other Nordic countries, lending volumes rose by SEK 23bn to 110bn. In both Finland and Norway, margins fell slightly. In Denmark, margins rose which was mainly due to the acquisition of Midtbank.

The proportion of lending funded by deposits from the general public dropped slightly which had a negative impact on margins.

Handelsbanken focuses on having the most satisfied customers on the Nordic banking market. This is crucial in order to generate higher return on equity than the Bank's competitors in the long term. Thus, how various periodicals rate the Bank is not the most important factor. Nevertheless it is always gratifying when external parties express their esteem in various awards. For the second year running, Handelsbanken has received awards from Euromoney and The Banker. Euromoney acclaimed Handelsbanken best bank in the Nordic countries including the Baltic area, and best bank in Sweden, while The Banker named Handelsbanken as the best bank in Sweden. Both periodicals place great importance on how consistently the Bank works and the excellent results this has led to.

More and more customers are connecting to the Bank's Internet services and around 600 000 users - companies and private individuals – were linked up. Most Internet users are in Sweden, where around 35% of private individuals and over 55% of corporate customers are linked. It is pleasing to see that the number of people who are active users increased gradually throughout the year.

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Handelsbanken Markets

Handelsbanken Markets' operations are organised into three business areas: Trading, Financial Institutions and Trade Finance, and Banking operations outside the Nordic countries. The Bank's economic research unit is also included in Handelsbanken Markets as a resource. Handelsbanken Markets has approximately 900 employees in 18 countries. From an organisational point of view, Handelsbanken Securities is also part of Handelsbanken Markets. Handelsbanken Securities is reported as a separate business area in the interim and annual reports.

Profit and loss account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Net interest income	1 249	553	126	1 506
Commission, net	102	89	15	218
Net result on financial operations	-290	529	-155	690
Other income	6	6	0	15
Total income	1 067	1 177	-9	2 429
<i>Net internal remuneration deducted from income</i>	<i>18</i>	<i>27</i>		<i>41</i>
Total expenses	-567	-539	5	-1 071
Profit before loan losses	500	638	-22	1 358
Loan losses incl. change in value of repossessed property	-3	43		88
Operating profit	497	681	-27	1 446
Return on equity, %	15.2	21.5		23.6
Average number of employees	893	842		862

Performance

Operating profit fell by 27% to SEK 497m (681). Income decreased by 9% to SEK 1 067m (1 177). Expenses rose by 5% to SEK 567m (539). This decrease was due to lower profits in trading operations and increased expenses for banking operations outside the Nordic countries. The result last year included recoveries, while this year Handelsbanken Markets reported loan losses.

Trading

Trading reported lower profits. When comparing the two years, it should be taken into consideration that last year was a particularly favourable year, and that this year's results are better than both 1999 and 2000.

Foreign exchange and money market trading reported stable performance during the year despite a very volatile market. The trend of lower customer volumes which was established at the end of 2001 continued during 2002. Slumping stock markets also resulted in lower volumes on foreign exchange and money markets. Declining customer volumes combined with volatile markets led to lower profits. In spite of falling business volumes, it was particularly pleasing to note that the New York unit continued its positive performance.

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Once again Handelsbanken was acclaimed best global bank for trading Scandinavian currencies by FX & MM magazine. This is the fourth year running that Handelsbanken received this award. Euromoney and The Banker also acclaimed Handelsbanken best bank in Sweden.

Activity in the corporate bond market declined. However, Handelsbanken continued to reinforce its resources in this area. During the second quarter, the Bank was involved in transactions for companies such as SCA and Carlsberg.

Financial Institutions and Trade Finance

Financial Institutions is responsible for business with foreign banks and foreign governments. The main products offered are clearing services and cash management products for foreign banks. This operation reported a decreased result due to lower volumes which led to lower net interest income.

Trade Finance is responsible for export documentary credits, short and long-term export finance and for project finance. This operation reported an increased result mainly due to higher commission income. Volumes for export documentary credits continued to rise and volumes doubled during the first half of the year.

Banking operations outside the Nordic countries

Profits before loan losses dropped mainly due to continued investments in Great Britain and IT investments, particularly at the Mid-Europe unit.

In Great Britain, expansion continued. During the first half of the year, branches were started in Newcastle and in Bristol. The Bank now has retail banking operations at eight branches in Great Britain. As of 1 July, operations were lifted out of Handelsbanken Markets and are now run as the Bank's eleventh regional bank.

At the Mid-Europe unit, which runs corporate-focused banking operations in the rest of Europe except Poland, a branch was opened in Amsterdam in June.

The subsidiary in Warsaw has been in operation for nine months and continues to note a strong inflow of Nordic-related customers.

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Handelsbanken Securities

Handelsbanken Securities is responsible for corporate finance and equity sales and trading. Apart from its activities aimed at companies and institutional investors, Securities also provides support to the branches in the field of equity-related products for small institutional investors and private customers. This support comprises research, development of new products and IT support. Operations are run in seven countries with a focus on the Nordic markets. International investors are mainly serviced via the units in Stockholm, London and New York.

Profit and loss account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Net interest income	-100	-90	-11	-121
Commission, net	308	439	-30	767
Net result on financial operations	87	300	-71	499
Other income	258	113	128	158
Total income	553	762	-27	1 303
<i>Net internal remuneration deducted from income</i>	<i>21</i>	<i>25</i>		<i>63</i>
Total expenses	-442	-493	-10	-947
Profit before loan losses	111	269	-59	356
Loan losses incl. change in value of repossessed property				
Operating profit	111	269	-59	356
Return on equity, %	20.0	53.8		35.6
Average number of employees	390	384		385

During the quarter, the negative development in the stock market worsened. Bankruptcies and accounting scandals in the US have led the market into a crisis of confidence. The negative market developments have created renewed falls in share prices when rules on consolidation or loans on equities force new sales. The Stockholm Stock Exchange fell by 24%. Hence, the conditions for carrying on profitable operations in Investment Banking were very poor.

Despite this problematic business climate, Handelsbanken Securities reported a six-monthly result of SEK 111m, which was a decrease of 59%. Expenses fell by 10% in spite of the expansion which took place late last year and expenses relating to the international drive which has been started in London and New York. The decline in profits was approximately the same in Equities and at Corporate Finance. While the equities side fell most during the second quarter, Corporate Finance reported a substantial improvement compared to the first quarter. One of the major deals completed was Industrivärden's sale of Besam to Assa Abloy.

At present there is major over-capacity in the area of investment banking, which means that all market players are reviewing their costs and staffing levels. This also applies at Handelsbanken Securities. However, the current market situation is less significant for a market player with a long-term perspective and with financial strength. Customers' increased risk awareness makes Handelsbanken's financial strength and credibility more important than in the past. The Bank's structured products where the investor chooses the risk level, are in demand in all market situations. This was particularly true of capital-guaranteed products during the second quarter. Last year, Securities embarked upon an international drive and this is proceeding according to plan. Income from an international customer base is necessary in order to offer advanced analysis products, for example.

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Handelsbanken Asset Management

Handelsbanken Asset Management comprises Fund Management, Discretionary Management and Institutional Custody Services. Apart from operations aimed at companies, institutions and private individuals, Asset Management provides support to the branch offices regarding investment, portfolio systems and accounting for foundations. Operations are conducted in four Nordic countries, Luxembourg, Great Britain and Switzerland.

Profit and loss account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Net interest income	90	85	6	186
Commission, net	436	445	-2	900
Net result on financial operations	13	13	0	23
Other income	2	9	-78	23
Total income	541	552	-2	1 132
<i>Net internal remuneration deducted from income</i>	235	274		518
Total expenses	-282	-287	-2	-572
Profit before loan losses	259	265	-2	560
Loan losses incl. change in value of repossessed property	6	-		-10
Operating profit	265	265	0	550
Return on equity, %	22.8	27.1		28.4
Average number of employees	357	341		340

Performance

Due to the continued weak stock exchange, income decreased by 2%. During the first half of the year, a number of measures were taken to increase efficiency which decreased expenses by 2%. Assets managed by Handelsbanken Asset Management were SEK 227bn (237). The total volume of assets under management by the Group was SEK 267bn (288).

Mutual fund management

The Bank's fund management company managed 88 (83) mutual funds as at 30 June 2002. The assets managed were SEK 96bn (99). Net new savings in the Group's funds on the Swedish mutual fund market were SEK 10.3bn (6.1). This means that Handelsbanken had a market share of 23.2% (14.8) of the total net inflow to the Swedish mutual fund market including new savings in the premium pensions system. Excluding new savings in the premium pension system, the corresponding market share was 25.5% (14.0). The Bank's share of total new savings in the premium pension system was 17% (17).

The second quarter of the year was one of the most negative and turbulent in the history of the stock market. The MSCI global index, expressed in SEK, had fallen by 20% at the end of the first half of the year and the Stockholm stock exchange even more. In this turbulent market, the equity funds applied a significantly lower active risk level than normal.

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Discretionary management

Discretionary management received a net amount of SEK 8.1bn in new volumes. Assets managed were SEK 131bn (131), of which 64% were placed in fixed income instruments and 36% in equities. SEK 10bn (6) of the managed assets were invested in Handelsbanken's funds.

The number of customers increased by 24. The market share for index and fixed income management rose further. In Finland, the positive trend continued with new volumes amounting to SEK 701m.

Operations outside the Nordic countries

Outside the Nordic countries, asset management is conducted at units in London, Luxembourg and Switzerland. The units in Marbella and Côte d'Azur are representative offices whose main task is to support asset management in Luxembourg. Assets managed were SEK 10bn (13). In May, a branch of the Luxembourg subsidiary was opened in Zurich.

Svenska Handelsbanken

Handelsbanken Finans

Handelsbanken Finans offers in four Nordic countries a full range of local finance company services: leasing, conditional sales, financing in collaboration with vendors of investment assets, company car financing and associated administration services, factoring/invoice services, debt collection, consumer credits and private label cards for retailer partners.

Profit and loss account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Net interest income	255	241	6	499
Commission, net	151	144	5	285
Net result on financial operations	2	0		-1
Other income	23	10	130	17
Total income	431	395	9	800
<i>Net internal remuneration deducted from income</i>	5	1		3
Total expenses	-221	-224	-1	-450
Profit before loan losses	210	171	23	350
Loan losses incl. change in value of repossessed property	-10	0		-5
Operating profit	200	171	17	345
Return on equity, %	28.7	29.1		29.4
Average number of employees	405	440		436

Profits increased by 17% to SEK 200m (171). Return on equity was 28.7% (29.1). The increase in income was due to higher business volumes. Credit volumes continued to grow. The average volume was 27% higher at SEK 27.7bn. Expenses fell.

Leasing and conditional sales to companies went up significantly. Credit volumes in Sweden rose by 39% due to a healthy flow of new business including the start of several major leasing agreements.

At Retail financial services, several new partnerships were started in the furniture and interior furnishings sector. A new MasterCard-linked card was launched in collaboration with Chalmers University of Technology. This card is mainly aimed at ex-students – alumni – but also to current students and employees of Chalmers. This is the first plastic card of this type in Sweden. In Finland, the Aktiiviraha Multicard was launched which is a new type of card on the Finnish market. An increasing number of business partners discovered the benefits of the Netsale service with Internet-based communication. Over 80% of the business flow from the major customers went via Netsale.

Factoring/invoice services continued to grow. A new product called FakturaLink was launched whereby corporate customers' invoice flows can be speeded up through a completely automated procedure.

Svenska Handelsbanken

Handelsbanken Pension and Insurance

The Handelsbanken Pension and Insurance business area comprises Handelsbanken Liv and SPP. Together these companies are a market leader, offering a complete range of life insurance products for occupational and private pensions, asset protection schemes and employee pension insurance, which are available to companies, private customers and organisations. Both companies sell their services via Handelsbanken's branch offices. SPP also uses its own sales force, franchisees, independent brokers, and direct sales and telemarketing. The traditional life insurance operations in SPP are run on mutual principles where the surplus is returned to policy-holders in the form of bonuses and collective risk capital. SPP is not included in Handelsbanken's consolidated accounts. On 1 January 2002, the traditional insurance operations of Handelsbanken Liv Försäkrings AB were demutualised. Following this, Handelsbanken Liv conducts its unit-linked operations and insurance with guaranteed yield within the same company.

Profit and loss account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Net interest income	-3	3	-200	15
Commission, net	183	87	110	171
Net result on financial operations	-67	-11		-18
Other income	28	4		8
Total income	141	83	70	176
<i>Net internal remuneration deducted from income</i>	<i>131</i>	<i>135</i>		<i>259</i>
Total expenses	-214	-50	328	-110
Profit before loan losses	-73	33	-321	66
Loan losses incl. change in value of repossessed property				
Operating profit/loss	-73	33	-321	66
Return on equity, %		15.4		15.6
Average number of employees	237	11		11

Handelsbanken Liv

Since 1 January 2002, the traditional insurance operations in Handelsbanken Liv have been run as a demutualised company. The unit-linked operations and the traditional insurance operations were merged on that date and are in their entirety consolidated into Handelsbanken's results. The comparative figures for 2001 comprise unit-linked operations only.

The results of the merged insurance operations (unit-linked and insurance with guaranteed yield) were SEK -73m (33). Total return on policy-holders' funds was -7.7%. Due to the negative total return, the result was charged with SEK 87m (0) to cover the amounts guaranteed to the policy-holders. Other income includes the risk insurance result which made a positive contribution to the results.

Svenska Handelsbanken

Premium income was SEK 2.9bn (3.5), of which unit-linked income represented almost 60%. The continued turbulence on global stock markets had a negative impact on sales. Another reason for the lower premium income is that, since 1 February 2002, new occupational pension insurance policies have been taken out with SPP. Insurance assets managed were SEK 33bn (37).

In connection with the demutualisation, all risk funds were transferred to the policy-holders. For insurance with savings content, this took place by increasing the value of the insurance, and for customers with risk insurance, through a cash distribution. In May, almost SEK 400m was repaid to customers. Starting this year, Handelsbanken Liv has introduced the right for private customers to move their insurance to other companies. All customers also have the right to change savings between unit-linked insurance and insurance with guaranteed yield.

SPP

SPP has been a wholly-owned subsidiary of Handelsbanken since March 2001. On 1 February 2002, SPP took over the majority of occupational pension sales from Handelsbanken Liv.

SPP is one of the largest insurance companies on the Swedish occupational pensions market. Although the total market for life and pension insurance stagnated, the occupational pensions market continued to grow. Occupational pensions represented 70% of all new policies and SPP retained its share of the market for new occupational pension policies. The ITPK market (supplementary retirement pensions) is an important segment of the occupational pensions market for SPP. With 26% of ITPK customers, SPP was market leader.

Premium income was SEK 6.4bn (7.2), of which traditional insurance represented SEK 4.7bn (5.4) and unit-linked insurance SEK 1.7bn (1.8). Premium income fell by 11%, which was mainly due to lower sales of insurance of a one-off nature for early retirement pensions. New sales measured in annual premiums were SEK 2.3bn (3.5).

Total return on investments in traditional life insurance operations was -8.9% (-2.1%). Insurance assets managed were SEK 80bn (87) of which SEK 73bn (82) was traditional insurance. SPP's solvency margin was 97% (113%).

Due to developments on the financial markets, the bonus rate was lowered on 1 July 2002 to 1.5% gross before yield tax and operating expenses (net 0.26%). The negative trends on financial markets also led to SPP issuing a perpetual subordinated loan for SEK 1 billion to Svenska Handelsbanken on 26 July 2002. This loan, which is on standard market terms, was issued to strengthen the capital base.

Svenska Handelsbanken

SPP Group

Profit and loss account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Full year 2001
Premium income	6 422	7 194	12 627
Investment income	-8 247	-1 916	-2 693
Insurance claims	-2 080	-1 543	-3 872
Change in life insurance provisions	-2 962	-6 518	-10 734
Operating expenses	-720	-631	-1 223
Other	-2	0	58
Result on technical account- life insurance business	-7 589	-3 414	-5 837
Non-technical account			
Other operations	-31	14	18
Taxes	-310	-310	-780
Profit/loss for the period	-7 930	-3 710	-6 599

The parent company, SPP Liv AB, is a mutual life insurance company and the Group is therefore not consolidated.

Svenska Handelsbanken

Stadshypotek Bank

Stadshypotek Bank is a leading Internet and telephone bank in Sweden. It operates under its own brand name and provides its own range of services. The bank specialises in offering basic banking and insurance services with a unique profile. It aims for private customers to see it as their basic bank for day-to-day finances.

Profit and loss account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Net interest income	47	38	24	87
Commission, net	19	23	-17	32
Net result on financial operations	0	0		0
Other income	0	1	-100	14
Total income	66	62	6	133
<i>Net internal remuneration deducted from income</i>	9	5		22
Total expenses	-57	-55	4	-110
Profit before loan losses	9	7	29	23
Loan losses incl. change in value of repossessed property	0	0		-1
Operating profit	9	7	29	22
Return on equity, %	29.2	16.7		30.6
Average number of employees	111	110		109

Results

Profits were SEK 9m (7). Net interest income increased by SEK 9m, which was due to higher deposits and lending and an improved investment margin. Net commission income was basically unchanged. Income from retail bonds, AktieSpar (savings in shares) and FondSpar (savings in mutual funds) fell but was compensated by higher income from card operations.

Business trends

Stadshypotek Bank's card operations continued to perform well. The number of accounts rose by 21% and the number of purchases by 42%, while purchase volumes were up by 43%.

An increased number of customers used Stadshypotek Bank for routine services such as paying bills. The number of bills paid via Stadshypotek Bank increased by 54%. 55% of payments were made via the Internet.

Another two Swedish football league clubs, Örebro SK and Landskrona BOIS, chose to start a partnership with Stadshypotek Bank. This collaboration comprises the card concept which the majority of the premier division football clubs are linked to.

Svenska Handelsbanken

Handelsbanken Treasury

Handelsbanken Treasury manages the Group's liquidity in Swedish kronor (the internal bank) its funding in the capital market, and funding and clearing at the Riksbank. Treasury also measures and controls financial risks within the Group. The activity with a direct impact on the profit and loss account is liquidity management in Swedish kronor.

Profit and loss account

SEK m	Jan-Jun 2002	Jan-Jun 2001	Change %	Full year 2001
Net interest income	97	121	-20	215
Commission, net	-3	-20	85	-42
Net result on financial operations	-46	9		-33
Other income	7	6	17	13
Total income	55	116	-53	153
<i>Net internal remuneration deducted from income</i>	-	-		-
Total expenses	-15	-15	0	-15
Profit before loan losses	40	101	-60	138
Loan losses incl. change in value of repossessed property				
Operating profit	40	101	-60	138
Return on equity, %	12.0	21.2		14.6
Average number of employees	38	38		38

Results

Handelsbanken Treasury's profits were SEK 40m (101) resulting in return on equity of 12.0% (21.2). Income fell by 53% due to deteriorated market conditions. Expenses were unchanged.

During the second quarter, the Riksbank increased interest rates while weak stock markets meant that market interest rates fluctuated strongly. In the first half of 2002, position-taking was limited, which led to lower results.

Svenska Handelsbanken

Profit and loss account – Svenska Handelsbanken Group

In accordance with Finansinspektionen's regulations

SEK m	Jan–Jun 2002	Jan-Jun 2001	Change %	Full year 2001
<i>Interest income</i>	26 438	38 311	-31	57 667
<i>Interest expense</i>	-18 179	-31 625	-43	-43 141
Net interest income	8 259	6 686	24	14 526
Dividends received	386	290	33	309
<i>Commission income</i>	2 880	2 992	-4	5 894
<i>Commission expense</i>	-589	-501	18	-1 038
Commission, net	Note 1 2 291	2 491	-8	4 856
Net result on financial operations	Note 2 -243	1 228		1 577
Other operating income	168	73	130	219
Total income	10 861	10 768	1	21 487
General administrative expenses				
- Staff costs	-3 147	-2 914	8	-5 909
- Other expenses	Note 3 -1 668	-1 508	11	-3 346
Depreciation and write-down in value of tangible and intangible fixed assets	-440	-376	17	-805
Total expenses	-5 255	-4 798	10	-10 060
Profit before loan losses	5 606	5 970	-6	11 427
Net loan losses	Note 4 -100	65		-160
Change in value of repossessed property	-	-		8
Participations in result of associated companies	4	25	-84	82
Result of banking operations	5 510	6 060	-9	11 357
Result of insurance operations	Note 5 -150	-55	-173	-149
Operating profit	5 360	6 005	-11	11 208
Pension settlement	-28	346		306
Taxes	-1 403	-1 798	-22	-3 202
Minority interests	-11	-11	-	-22
Profit for the period	3 918	4 542	-14	8 290
Net earnings per share, SEK	5.65	6.59		11.99

Svenska Handelsbanken

Notes to profit and loss account in accordance with Finansinspektionen's regulations

SEK m	Jan-Jun 2002	Jan-Jun 2001	Full year 2001
Note 1 Commission, net			
Payments	681	633	1 311
Lending	378	372	790
Deposits	50	44	76
Guarantees	162	133	301
Securities	985	1 189	2 189
Other	624	621	1 227
Commission income	2 880	2 992	5 894
Commission expense	-589	-501	-1 038
Commission, net	2 291	2 491	4 856
 Note 2 Net result on financial operations			
Shares and participations	-365	171	947
Interest-bearing securities	75	186	-233
Realised profit/loss	-290	357	714
Shares and participations	490	283	-325
Interest-bearing securities	34	-752	-85
Unrealised changes in value	524	-469	-410
Changes in exchange rates	-477	1 340	1 273
Net result on financial operations	-243	1 228	1 577
 Note 3 Other administrative expenses			
Property and premises	-417	-401	-867
External IT costs	-372	-373	-856
Communication	-214	-197	-405
Travel and marketing	-177	-178	-377
Purchased services	-256	-250	-499
Supplies	-107	-84	-181
Other expenses	-125	-25	-161
Other administrative expenses	-1 668	-1 508	-3 346

Svenska Handelsbanken

Notes to profit and loss account in accordance with Finansinspektionen's regulations (cont.)

SEK m	Jan–Jun 2002	Jan–Jun 2001	Full year 2001
Note 4 Loan losses			
A. Specific provision for individually assessed loan claims:			
The period's write-off for actual loan losses	-399	-272	-747
Writeback of previous provisions for probable loan losses which are reported as actual losses in the period's accounts	340	219	527
The period's provision for probable loan losses	-344	-237	-1 200
Paid in from actual losses in previous years	147	186	545
Write-back of provisions for probable loan losses which are no longer necessary	168	173	722
Net expense for the period	-88	69	-153
B. Provision by group for individually assessed loan claims:			
Allocation to/dissolution of provision by group	-	-	-
C. Collectively assessed homogenous groups of loan claims with limited value and similar credit risk:			
The period's write-off for actual loan losses	-20	-16	-36
Paid in from actual losses in previous years	13	14	29
Allocation to/dissolution of reserve for loan losses	-5	-2	0
Net expense for the period for collectively assessed homogenous loan claims	-12	-4	-7
D. Transfer risk:			
Allocation to/dissolution of reserve for transfer risks	-	-	-
Net expense for the period for loan losses (A+B+C+D)	-100	65	-160

According to Finansinspektionen's accounting directives, claims which individually have been assessed as being posted at the correct value must also be assessed as to whether there may be a requirement for making a provision for possible loan losses for these claims valued as a group. Over and above the risk assessment of individual loan claims made quarterly by all units with customer and credit responsibility in the Handelsbanken Group, no such requirement for provision for the claims as a group has been identified.

Note 5 Result of insurance operations

Net interest income	-40	-49	-103
Dividends received	4	7	7
Commission, net	183	88	173
Net result on financial operations	-98	-25	-36
Other operating income	88	23	44
Total income	137	44	85
Staff costs	-82	-4	-8
Other expenses	-128	-45	-101
Depreciation and write-down in value of tangible and intangible fixed assets	-77	-50	-125
Total expenses	-287	-99	-234
Result of insurance operations	-150	-55	-149

Svenska Handelsbanken

Result of insurance operations in accordance with the Swedish Annual Accounts Act for Insurance Companies

SEK m	Jan-Jun 2002	Jan-Jun 2001	Full year 2001
Technical account - insurance operations			
Premium income	2 941	2 221	3 537
Investment income transferred from financial operations			-5
Investment income	644	261	344
Unrealised gains on investments	24		
Other technical income	50	17	50
Insurance claims	-1 440	-734	-1 321
Change in insurance provisions	3 585	-42	288
Operating expenses	-183	-38	-82
Investment income, expenses	-637		
Unrealised losses on investments	-1 248		
Investment charges			
Change in value of investments for which policyholders bear the investment risk	-3 394	-1 407	-2 490
Other technical expenses	-81	-50	-125
Result on technical account - insurance operations	261	228	196
Non-technical account			
Investment income	16	22	31
Unrealised gains on investments	21		9
Investment charges	-53	-62	-151
Unrealised losses on investments	-30	-25	-18
Yield tax	-365	-218	-216
Profit/loss before company taxes	-150	-55	-149
Taxes	23	26	53
Profit/loss for the period	-127	-29	-96

Svenska Handelsbanken

Balance sheet – Svenska Handelsbanken Group

SEK m		30 Jun 2002	30 Jun 2001	31 Dec 2001
Lending to the general public	Note 1	806 244	762 305	800 068
Lending to credit institutions		92 088	95 215	70 857
Interest-bearing securities				
- Financial fixed assets		6 588	6 280	8 219
- Financial current assets		117 739	132 771	120 128
Other assets		242 977	190 419	175 249
Total assets		1 265 636	1 186 990	1 174 521
Deposits and funding from the general public		264 166	275 411	283 692
Liabilities to credit institutions		241 978	221 678	220 126
Issued securities etc		441 818	476 423	440 981
Subordinated liabilities		25 356	25 630	28 976
Other liabilities		243 536	143 514	152 634
Shareholders' equity	Note 2	48 782	44 334	48 112
Total liabilities and shareholders' equity		1 265 636	1 186 990	1 174 521
Contingent liabilities		77 181	79 605	79 644

Notes to the balance sheet

SEK m

Note 1 Lending to the general public

SEK lending			
- to households	268 863	246 755	258 579
- to companies etc *	333 916	312 799	336 469
	602 779	559 554	595 048
Foreign currency lending			
- to households	39 470	28 802	36 163
- to companies etc	166 738	176 771	171 758
	206 208	205 573	207 921
Reserve for possible loan losses	-2 743	-2 822	-2 901
Total lending to the general public	806 244	762 305	800 068
*) of which National Debt Office	-	275	13 857

Lending to the general public

Swedish counterparties

Private individuals	272 045	
Of which mortgage loans	220 269	
Property management	256 055	
Of which mortgage loans	137 089	
Construction	12 203	
Trade	21 505	
Manufacturing	25 381	
Transport, communication	7 048	
Municipalities	6 447	
Other	25 674	
Total Swedish counterparties	626 358	
Foreign counterparties	179 886	
Total lending to the general public	806 244	

Svenska Handelsbanken

Notes to the balance sheet

SEK m	30 Jun 2002	30 Jun 2001	31 Dec 2001
Note 2 Change in shareholder's equity			
Opening shareholders' equity	48 112	42 631	42 631
Effect of changed principles on reporting income taxes		-165	-165
Opening shareholders' equity after adjustment	48 112	42 466	42 466
Dividend	-3 120	-2 751	-2 751
Buyback of own shares	-	-49	-46
Change of foreign currency component	-128	126	153
Profit for the year	3 918	4 542	8 290
Closing shareholders' equity	48 782	44 334	48 112

Svenska Handelsbanken

Other information

The accounting follows the regulations of the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Financial Accounting Standards Council's recommendations and the directives issued by the Finansinspektionen (FFFS 2001:19).

To provide a fairer view of the Group's bad debts, the method for eliminating differences in the book values in the Group and acquired subsidiaries has been changed. This change has affected the distribution between actual and possible loan losses but has not had any impact on the results or capital. The comparative figures have been recalculated.

Some minor reclassifications have been made in the balance sheet and the profit and loss account. The comparative figures have been recalculated.

SEK m	Jan-Jun 2002	Jan-Jun 2001	Full year 2001
Cash flow statement			
Cash flow on operating activities	-2 259	1 582	9 681
Cash flow on investing activities	1 364	-8 002	-11 802
Cash flow on financing activities	-6 740	3 765	7 113
Cash flow for the period	-7 635	-2 655	4 992
Liquid funds at beginning of the period	10 614	5 258	5 258
Cash flow for the period	-7 635	-2 655	4 992
Exchange rate difference on liquid funds	-83	101	364
Liquid funds at end of period	2 896	2 704	10 614
Capital base and requirement			
Tier 1 capital	39 586	36 050	37 188
Total capital base	58 626	56 648	60 617
Risk-weighted volume	624 860	611 961	610 769
Capital ratio	9.4%	9.3%	9.9%
Tier 1 ratio	6.3%	5.9%	6.1%
Bad debts			
Bad debts	4 972	5 768	5 039
Specific provision for individually assessed loan claims	-2 718	-2 750	-2 885
Provision for collectively assessed homogenous groups of loan claims with limited value	-113	-102	-110
Bad debts, net	2 141	2 916	2 044
Bad debt reserve ratio	56.9%	49.4%	59.4%
Proportion of bad debts	0.25%	0.37%	0.25%
Loan loss ratio	0.02%	-0.02%	0.02%
Non performing loans for which interest is accrued	1 948	1 980	2 084
Collateral taken over:			
- Buildings and land	11	0	16
- Shares and other participations	71	55	71
- Other	87	80	83
Total collateral taken over	169	135	170

Svenska Handelsbanken

Derivative instruments

SEK m	Interest rate-related		Currency-related		Equity-related	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Positive values	31 915	28 419	79 504	79 343	5 781	5 716
Negative values	29 871	27 701	95 355	93 276	5 694	5 669

The above table is compiled in accordance with Finansinspektionen's regulations and includes all derivative instruments in the Group. For derivative instruments which are part of trading operations, the book value corresponded to the fair value. The differences between fair value and book value reported in the table correspond to the reversed differences between fair value and book value in that part of the Group's operations which is subject to hedge accounting.

Value-at-Risk

During the period 1 January – 30 June, Handelsbanken Markets' exposure to interest rate and exchange rate risk (incl. option risk), measured as Value-at-Risk (VaR) was on average SEK 42m. During the period, this risk varied between SEK 16m and SEK 70m. During the same period, Handelsbanken Markets' exposure to equity price risks, measured as VaR was on average SEK 7m. This risk varied between SEK 2m and SEK 14m.

Contingent assets

The Handelsbanken Group is currently conducting a number of legal disputes in various tax courts. The total amounts in dispute are approx. SEK 460 million.

Together with several other parties, Handelsbanken has brought a suit against OM and the Stockholm Stock Exchange demanding repayment of value-added tax. Handelsbanken's claim is for approx. SEK 20 million excluding interest.

Svenska Handelsbanken

Profit and loss account – Parent company

In accordance with Finansinspektionen's regulations

SEK m	Jan–Jun 2002	Jan–Jun 2001	Change %	Full year 2001
<i>Interest income</i>	18 748	30 267	-38	41 674
<i>Interest expense</i>	-13 466	-26 473	-49	-33 118
Net interest income	5 282	3 794	39	8 556
Dividends received	402	312	29	322
<i>Commission income</i>	2 540	2 569	-1	5 047
<i>Commission expense</i>	-552	-472	17	-973
Commission, net	Note 1 1 988	2 097	-5	4 074
Net result on financial operations	Note 2 -258	1 169		1 499
Other operating income	142	80	78	117
Total income	7 556	7 452	1	14 568
General administrative expenses				
- Staff costs	-2 917	-2 632	11	-5 270
- Other expenses	Note 3 -1 400	-1 147	22	-2 614
Depreciation and write-down in value of tangible and intangible fixed assets	-250	-192	30	-500
Total expenses	-4 567	-3 971	15	-8 384
Profit before loan losses	2 989	3 481	-14	6 184
Net loan losses	Note 4 -197	-30		-780
Change in value of repossessed property	-	-		-
Participations in result of associated companies				
Result of banking operations	2 792	3 451	-19	5 404
Result of insurance operations				
Operating profit	2 792	3 451	-19	5 404
Pension settlement	-28	346		306
Other	-150	-15		4 496
Taxes	-528	-1 042	-49	-2 873
Minority interests				
Profit for the period	2 086	2 740	-24	7 333

Svenska Handelsbanken

Notes to profit and loss account in accordance with Finansinspektionen's regulations

SEK m	Jan–Jun 2002	Jan–Jun 2001	Full year 2001
Note 1 Commission, net			
Payments	677	604	1 253
Lending	264	259	554
Deposits	50	44	74
Guarantees	161	127	277
Securities	757	902	1 624
Other	631	633	1 265
Commission income	2 540	2 569	5 047
Commission expense	-552	-472	-973
Commission, net	1 988	2 097	4 074
 Note 2 Net result on financial operations			
Shares and participations	-376	183	976
Interest-bearing securities	75	143	-265
Realised profit/loss	-301	326	711
Shares and participations	494	279	-325
Interest-bearing securities	34	-757	-100
Unrealised changes in value	528	-478	-425
Changes in exchange rates	-485	1 321	1 213
Net result on financial operations	-258	1 169	1 499
 Note 3 Other administrative expenses			
Property and premises	-394	-372	-783
External IT costs	-271	-245	-585
Communication	-188	-168	-342
Travel and marketing	-140	-134	-285
Purchased services	-215	-164	-324
Supplies	-99	-72	-155
Other expenses	-93	8	-140
Other administrative expenses	-1 400	-1 147	-2 614

Svenska Handelsbanken

Notes to profit and loss account in accordance with Finansinspektionen's regulations (cont.)

SEK m	Jan–Jun 2002	Jan–Jun 2001	Full year 2001
Note 4 Loan losses			
A. Specific provision for individually assessed loan claims:			
The period's write-off for actual loan losses	-551	-139	-468
Writeback of previous provisions for probable loan losses which are reported as actual losses in the period's accounts	497	123	308
The period's provision for probable loan losses	-311	-191	-1 113
Paid in from actual losses in previous years	57	110	204
Write-back of provisions for probable loan losses which are no longer necessary	111	66	288
Net expense for the period	-197	-31	-781
B. Provision by group for individually assessed loan claims:			
Allocation to/dissolution of provision by group	-	-	-
C. Collectively assessed homogenous groups of loan claims with limited value and similar credit risk:			
The period's write-off for actual loan losses	-1	-1	-1
Paid in from actual losses in previous years	1	1	1
Allocation to/dissolution of reserve for loan losses	0	1	1
Net expense for the period for collectively assessed homogenous loan claims	0	1	1
D. Transfer risk:			
Allocation to/dissolution of reserve for transfer risks	-	-	-
Net expense for the period for loan losses (A+B+C+D)	-197	-30	-780

According to the Finansinspektionen's accounting directives, claims which individually have been assessed as being posted at the correct value must also be assessed as to whether there may be a requirement for making a provision for possible loan losses for these claims valued as a group. Over and above the risk assessment of individual loan claims made quarterly by all units with customer and credit responsibility in the Handelsbanken Group, no such requirement for provision for the claims as a group has been identified.

Svenska Handelsbanken

Balance sheet – Parent company

SEK m		30 Jun 2002	30 Jun 2001	31 Dec 2001
Lending to the general public	Note 1	419 150	377 167	414 485
Lending to credit institutions		261 521	246 445	230 841
Interest-bearing securities				
- Financial fixed assets		8 938	11 219	8 553
- Financial current assets		113 841	126 858	115 335
Other assets		218 738	187 061	179 035
Total assets		1 022 188	948 750	948 249
Deposits and funding from the general public		256 334	291 769	265 025
Liabilities to credit institutions		282 060	210 038	254 200
Issued securities etc		221 857	267 430	230 681
Subordinated liabilities		25 117	25 079	28 566
Other liabilities		193 332	113 426	125 183
Untaxed reserves		10 442	9 267	10 296
Shareholders' equity	Note 2	33 046	31 741	34 298
Total liabilities and shareholders' equity		1 022 188	948 750	948 249
Contingent liabilities		118 606	119 197	113 956

Notes to the balance sheet

SEK m

Note 1 Lending to the general public

SEK lending				
- to households		43 988	41 480	42 464
- to companies etc *		181 710	165 835	186 551
		225 698	207 315	229 015
Foreign currency lending				
- to households		35 955	20 578	28 464
- to companies etc		160 155	150 981	159 502
		196 110	171 559	187 966
Reserve for possible loan losses		-2 658	-1 707	-2 496
Total lending to the general public		419 150	377 167	414 485
*) of which National Debt Office		-	275	13 857

Note 2 Change in shareholders' equity

Opening shareholders' equity		34 298	32 278	32 278
Effect of changed principles on reporting income taxes			-165	-165
Opening shareholders' equity after adjustment		34 298	32 113	32 113
Dividend		-3 120	-2 751	-2 751
Group contribution paid		-180	-354	-2 386
Buyback of own shares		-	-49	-46
Change of foreign currency component		-38	42	35
Profit for the period		2 086	2 740	7 333
Closing shareholders' equity		33 046	31 741	34 298

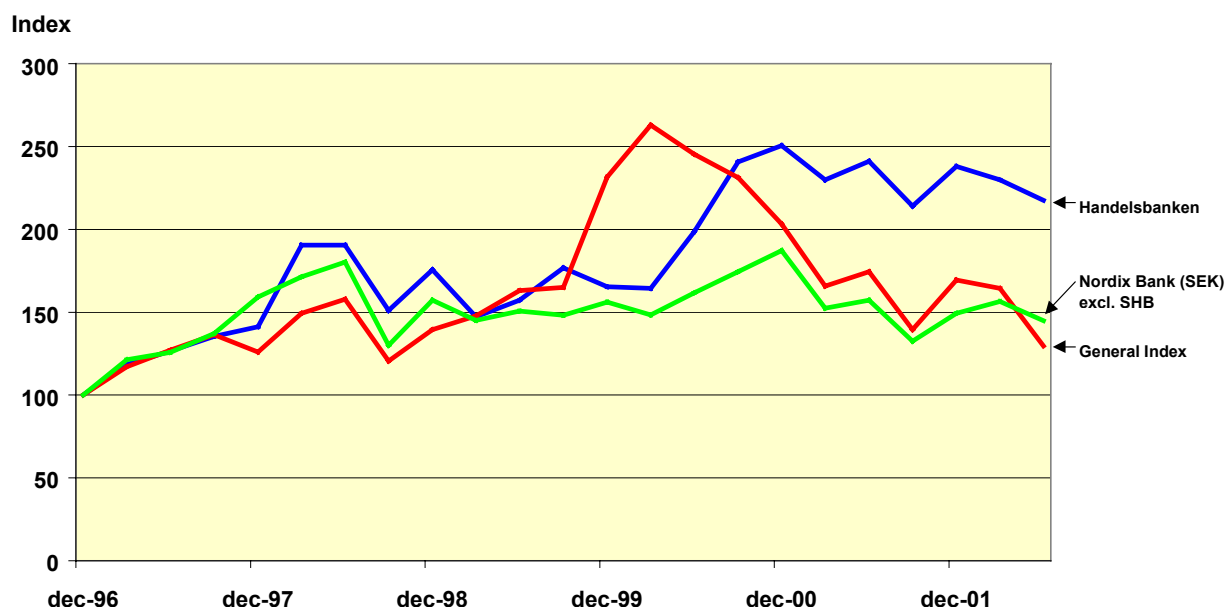
Svenska Handelsbanken

Handelsbanken's shares

The Swedish stock market continued to fall during the second quarter, The Affärsvärlden General Index went down by 24% during the first six months of the year. In the same period, Nordic bank shares excluding Handelsbanken, measured by the Nordix bank index, fell by 3%. Handelsbanken's Class A shares dropped by 9%. As at 30 June 2002, the total market capitalisation of Handelsbanken, after buybacks, was SEK 97bn.

	28 June 2002	31 December 2001
Share price SHB Class A, SEK	140.50	154.00
Number of outstanding shares, million	693.4	693.4
Market capitalisation, SEK bn	97	106

Share price performance until 28 June 2002



Handelsbankens rating as at 30 June 2002

	Financial strength	Short-term	Long-term
Moody's	B+	P-1	Aa2
Standard & Poor's		A-1	A+
Fitch	B	F1+	AA-

Svenska Handelsbanken

Auditors' report

We have carried out a summary examination of this interim report in accordance with the recommendation which the Swedish Institute of Authorised Public Accountants (FAR) has issued. A summary examination is considerably limited compared to a full audit.

There is nothing to indicate that the interim report does not fulfil the regulations of the Act governing Securities Exchanges and Clearing Operations and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 20 August 2002

KPMG Bohlins AB

THOMAS THIEL
Authorised Public
Accountant

STEFAN HOLMSTRÖM
Authorised Public
Accountant

Ernst & Young AB

ÅKE HEDÉN
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Accountant

ULF DAVÉUS
Authorised Public Accountant
Appointed by the Finansinspektionen