

2010

Highlights of Handelsbanken's annual report



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January - December 2010

SUMMARY JANUARY – DECEMBER 2010, COMPARED WITH JANUARY – DECEMBER 2009

- Operating profit for continuing operations went up by 8 per cent to SEK 14,770 million (13,727)
- Profit after tax for total operations went up by 8 per cent to SEK 11,025 million (10,244) and earnings per share increased to SEK 17.72 (16.44)
- Return on equity for total operations increased to 12.9 per cent (12.6)
- Income declined to SEK 31,296 million (32,335) and expenses decreased to SEK -15,018 million (-15,220)
- Net interest income went down by 3 per cent to SEK 21,337 million (22,000)
- Net fee and commission income went up by 9 per cent to SEK 8,022 million (7,393)
- The loan loss ratio decreased to 0.10 per cent (0.21) and loan losses amounting to SEK -1,507 million (-3,392)
- Tier 1 capital increased to SEK 87.8 billion (85.6) and the Tier 1 ratio according to Basel II went up to 16.5 per cent (14.2)
- The board proposes a dividend of SEK 9.00 per share (8.00)

SUMMARY OF Q4 2010, COMPARED WITH Q3 2010

- Operating profit for continuing operations went up by 6 per cent to SEK 3,833 million (3,606)
- Profit after tax for total operations grew by 7 per cent to SEK 2,892 million (2,707) and earnings per share increased to SEK 4.65 (4.35)
- Return on equity for total operations was 13.4 per cent (12.7)
- Income grew to SEK 8,128 million (7,506), while expenses increased to SEK -3,997 million (-3,610)
- Net interest income rose by 5 per cent to SEK 5,612 million (5,327)
- Net fee and commission income increased by 11 per cent to SEK 2,127 million (1,924)
- The loan loss ratio decreased to 0.07 per cent (0.08) and loan losses amounting to SEK -293 million (-294)
- Measured in local currency, the average volume of lending grew by 1 per cent, while the volume of credit commitments increased by 9 per cent

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Handelsbanken Group – Overview

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Summary income statement								
Net interest income	5,612	5,359	5%	5,327	5%	21,337	22,000	-3%
Net fee and commission income	2,127	1,995	7%	1,924	11%	8,022	7,393	9%
Net gains/losses on financial items at fair value	276	497	-44%	177	56%	1,377	2,457	-44%
Risk result - insurance	67	31	116%	42	60%	205	171	20%
Other dividend income	1	4	-75%	3	-67%	190	141	35%
Share of profit of associated companies	-4	18		1		11	26	-58%
Other income	49	63	-22%	32	53%	154	147	5%
Total income	8,128	7,967	2%	7,506	8%	31,296	32,335	-3%
Staff costs	-2,466	-2,586	-5%	-2,330	6%	-9,504	-10,018	-5%
Other administrative expenses	-1,425	-1,373	4%	-1,166	22%	-5,062	-4,719	7%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-106	-99	7%	-114	-7%	-452	-483	-6%
Total expenses	-3,997	-4,058	-2%	-3,610	11%	-15,018	-15,220	-1%
Profit before loan losses	4,131	3,909	6%	3,896	6%	16,278	17,115	-5%
Net loan losses	-293	-691	-58%	-294	0%	-1,507	-3,392	-56%
Gains/losses on disposal of property, equipment and intangible assets	-5	3		4		-1	4	
Operating profit	3,833	3,221	19%	3,606	6%	14,770	13,727	8%
Taxes	-1,030	-722	43%	-945	9%	-3,962	-3,519	13%
Profit for the period from continuing operations	2,803	2,499	12%	2,661	5%	10,808	10,208	6%
Profit for the period from discontinued operations, after tax	89	17	424%	46	93%	217	36	
Profit for the period	2,892	2,516	15%	2,707	7%	11,025	10,244	8%
Summary balance sheet								
Loans to the public	1,481,678	1,477,183	0%	1,469,109	1%	1,481,678	1,477,183	0%
of which mortgage loans	758,847	684,920	11%	733,757	3%	758,847	684,920	11%
Deposits and borrowing from the public	546,173	549,748	-1%	572,723	-5%	546,173	549,748	-1%
of which households	243,930	230,738	6%	240,896	1%	243,930	230,738	6%
Total equity	88,391	83,088	6%	84,698	4%	88,391	83,088	6%
Total assets	2,153,530	2,122,843	1%	2,188,032	-2%	2,153,530	2,122,843	1%
Summary of key figures								
Return on equity, total operations *	13.4%	12.2%		12.7%		12.9%	12.6%	
Return on equity, continuing operations *	13.0%	12.1%		12.5%		12.6%	12.5%	
C/I ratio, continuing operations	49.2%	50.9%		48.1%		48.0%	47.1%	
Earnings per share, total operations, SEK	4.65	4.04		4.35		17.72	16.44	
- after dilution	4.60	3.96		4.27		17.44	15.98	
Tier 1 ratio according to Basel II	16.5%	14.2%		15.7%		16.5%	14.2%	

* When calculating return on equity, equity is adjusted for the impact of unrealised changes in the value of financial assets classified as "Available for Sale" and for cash flow hedges.

Business segments

THE GROUP'S INCOME STATEMENT BY BUSINESS SEGMENT, JANUARY – DECEMBER 2010

SEK m	Branch office operations in Sweden	Branch office operations outside Sweden	Capital Markets	Other	Adjustments & eliminations	Group Full year 2010	Group Full year 2009
Net interest income	12,993	6,933	628	832	-49	21,337	22,000
Net fee and commission income	3,819	1,537	2,510	156		8,022	7,393
Net gains/losses on financial items at fair value	704	273	1,280	-892	12	1,377	2,457
Risk result - insurance			205			205	171
Share of profits of associated companies				11		11	26
Other income	16	66	16	246		344	288
Total income	17,532	8,809	4,639	353	-37	31,296	32,335
Staff costs	-3,012	-2,590	-2,054	-2,521	673	-9,504	-10,018
Other administrative expenses	-1,010	-1,054	-927	-2,073	2	-5,062	-4,719
Internal purchased and sold services	-2,958	-900	-91	3,902	47		
Depreciation and amortisation	-85	-73	-44	-238	-12	-452	-483
Total expenses	-7,065	-4,617	-3,116	-930	710	-15,018	-15,220
Profit before loan losses	10,467	4,192	1,523	-577	673	16,278	17,115
Net loan losses	-99	-1,408				-1,507	-3,392
Gains/losses on disposal of property, equipment and intangible assets	0	0	-4	3		-1	4
Operating profit	10,368	2,784	1,519	-574	673	14,770	13,727
Profit allocation	811	202	-1,013	0			
Operating profit after profit allocation	11,179	2,986	506	-574	673	14,770	13,727
Internal income *	-2,004	-5,954	-1,380	9,338	-		
Cost/income ratio, %	38.5	51.2	85.9			48.0	47.1
Loan loss ratio, %	0.01	0.28				0.10	0.21
Allocated capital	43,880	25,117	10,214		9,180	88,391	83,088
Return on allocated capital, %	19.5	8.4	6.4			12.6	12.5
Average number of employees	4,386	2,931	1,604	1,929		10,850	10,821

* Internal income which is included in total income, comprises income from transactions with other operating segments. Since interest income and interest expense are reported net as income, this means that internal income includes the net amount of the internal funding cost among the segments.

The business segments are recognised in compliance with IFRS 8, Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance.

During the fourth quarter, the previous segments Asset Management and Capital Markets were merged into a joint segment. Handelsbanken's operations thus comprise Branch office operations in Sweden, Branch office operations outside Sweden and Capital Markets.

Profit/loss for the segments is reported before and after internal profit allocation. Internal profit allocation means that the unit which is responsible for the customer is allocated all the profits deriving from its customers' transactions with the Bank, regardless of the segment where the transaction was performed. Furthermore, income and expenses for services performed internally are reported net on a separate line "Internal purchased and sold services." Transactions

among the segments are reported primarily according to the cost price principle. The Other and Adjustments and eliminations columns show items which do not belong to a specific segment or which are eliminated at Group level. The Adjustments and eliminations column includes translation differences and adjustments for pension costs calculated in accordance with IAS 19, Employee Benefits, which total SEK 263 million (-213), and compensation from the pension foundation totalling SEK 410 million (598).

The income statements by segment include internal items such as internal interest, commissions and payment for internal services rendered, primarily according to the cost price principle. Return on allocated capital for the segments is calculated based on average allocated capital and a tax rate of 26.3 per cent. For the Group, return on equity is calculated after reported tax.

Group performance

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Operating profit increased during the year by 8 per cent to SEK 14,770 million (13,727). Exchange rate movements had a negative impact of SEK -149 million on operating profit.

The C/I ratio for continuing operations was 48.0 per cent (47.1).

Profit after tax for total operations rose by 8 per cent to SEK 11,025 million (10,244) and earnings per share increased to SEK 17.72 (16.44). Return on equity for total operations was 12.9 per cent (12.6).

The board proposes a dividend of SEK 9.00 per share (8.00)

Income

SEK m	Full year 2010	Full year 2009	Change
Net interest income	21,337	22,000	-3%
Net fee and commission income	8,022	7,393	9%
Net financial items	1,377	2,457	-44%
Other income	560	485	15%
Total income	31,296	32,335	-3%

Income declined by 3 per cent, chiefly because net gains/losses on financial items in the comparison period included a high proportion of currency-related income, due to the particular market conditions that prevailed at the time and to lower net interest income.

Net interest income decreased by SEK 663 million, or 3 per cent, to SEK 21,337 million. Of this decrease, exchange rate movements account for SEK -454 million, or two-thirds. Overall, the Group's expenses relating to the Swedish Stabilisation Fund, the Danish state deposit guarantee and various other deposit guarantees charged to net interest income amounted to SEK -600 million (-605).

Adjusted for foreign exchange effects of SEK -38 billion, the average volume of lending to the public in the Group was up by just over 1 per cent from the corresponding period of the previous year. A slight increase in credit demand was noted at the end of the period. The average volume of credit commitments for the fourth quarter was 18 per cent higher than in the corresponding quarter of the previous year.

The average volume of household deposits rose by 5 per cent, and total deposits grew by 1 per cent.

Net fee and commission income increased by SEK 629 million, or 9 per cent, to SEK 8,022 million (7,393). This increase was mainly attributable to the fact that fund management commissions grew by 38 per cent, or SEK 434 million, and to rising lending and insurance commissions.

Net gains/losses on financial items decreased by 44 per cent to SEK 1,377 million (2,457), due chiefly to lower customer activity in Handelsbanken Capital Markets, as well as the unusually high income figure during the period of comparison.

Expenses

SEK m	Full year 2010	Full year 2009	Change
Staff costs	-9,504	-10,018	-5%
Other administrative expenses	-5,062	-4,719	7%
Depreciation and amortisation	-452	-483	-6%
Total expenses	-15,018	-15,220	-1%
Analysis of changes	Change	% points	
Costs for variable compensation	-249	-2	
IAS 19 (pensions)	-215	-1	
Oktogonen	94	1	
Exchange rate movements	-386	-3	
	-756	-5	
Other costs	554	4	
Total change	-202	-1	

Total expenses decreased by 1 per cent to SEK -15,018 million. Staff costs fell by 5 per cent, or SEK 514 million, mainly due to exchange rate movements, lower variable compensation and lower pension costs according to IAS 19. Variable compensation, including social security costs and other payroll overheads, decreased to SEK -234 million (-483). The allocation to the Oktogonen Foundation increased by SEK 94 million, to SEK -842 million (-748).

The average number of employees rose slightly to 10,850 (10,821).

Other administrative expenses rose by 7 per cent to SEK -5,062 million (-4,719), chiefly due to a rise in IT development costs.

Loan losses

SEK m	Full year 2010	Full year 2009	Change
Net loan losses	-1,507	-3,392	1,885
Loan loss ratio as a % of loans, annualised	0.10	0.21	-0.11
Impaired loans, net	3,620	3,235	385
Proportion of impaired loans, %	0.23	0.21	0.02

Loan losses went down to SEK -1,507 million and the loan loss ratio dropped to 0.10 per cent (0.21). Net impaired loans rose to SEK 3,620 million (3,235), corresponding to 0.23 per cent (0.21) of lending.

Q4 2010 COMPARED WITH Q3 2010

Operating profit rose by 6 per cent to SEK 3,833 million (3,606). This was mainly attributable to increases in net interest income and net fee and commission income compared with the preceding quarter.

Profit after tax for total operations grew by 7 per cent to SEK 2,892 million (2,707) and earnings per share for total operations increased to SEK 4.65 (4.35). Return on equity increased to 13.4 per cent (12.7).

Income

SEK m	Q4 2010	Q3 2010	Change
Net interest income	5,612	5,327	5%
Net fee and commission income	2,127	1,924	11%
Net financial items	276	177	56%
Other income	113	78	45%
Total income	8,128	7,506	8%

Net interest income rose by 5 per cent, or SEK 285 million, to SEK 5,612 million. Deposit margins in Swedish operations improved by SEK 203 million during the period, on the back of rising interest rates. Lending margins were generally stable. Exchange rate movements affected net interest income by SEK -62 million, and the benchmark effect in Stadshypotek amounted to SEK 32 million (-36).

The average volume of lending to the public was virtually unchanged at SEK 1,475 billion (1,479). Adjusted for foreign exchange effects of SEK -15 billion, the average volume increased by SEK 11 billion, or 1 per cent, compared with the previous quarter. A slight increase in credit demand was noted at the end of the period. The volume of credit commitments continued to grow, showing an increase of 9 per cent.

The total average volume of deposits decreased slightly to SEK 541 billion (544). The stable growth in the household sector continued, and the average volume of deposits was 2 per cent higher than in the third quarter. The average volume of corporate deposits fell by 2 per cent.

Net fee and commission income reached its highest ever level, growing by 11 per cent to SEK 2,127 million (1,924), chiefly attributable to higher equity market-related commissions and increased income in card and payments operations. Compared with the previous quarter, brokerage income grew by 23 per cent and fund management commissions increased by 12 per cent.

Net gains/losses on financial items at fair value amounted to SEK 276 million (177).

Expenses

SEK m	Q4 2010	Q3 2010	Change
Staff costs	-2,466	-2,330	6%
Other administrative expenses	-1,425	-1,166	22%
Depreciation and amortisation	-106	-114	-7%
Total expenses	-3,997	-3,610	11%

Total expenses rose by 11 per cent to SEK -3,997 million. The rise was chiefly due to seasonally higher administrative expenses; the increase was a general one, across most of the categories of expenses. Staff costs rose by 6 per cent. The allocation to the Oktogonen Foundation increased by SEK 94 million to SEK -281 million (-187), and this accounted for 4 percentage points of the rise in staff costs.

The average number of employees decreased to 10,947 (11,100), because temporary employees during the summer vacation period had boosted the number of staff in the comparison period.

Loan losses

SEK m	Q4 2010	Q3 2010	Change
Net loan losses	-293	-294	1
Loan loss ratio as a % of loans, annualised	0.07	0.08	-0.01
Impaired loans, net	3,620	2,723	897
Proportion of impaired loans, %	0.23	0.17	0.06

Loan losses were more or less unchanged at SEK -293 million. The loan loss ratio decreased to 0.07 per cent (0.08). Net impaired loans increased to SEK 3,620 million (2,723), equivalent to 0.23 per cent (0.17) of lending.

PERFORMANCE IN THE BUSINESS SEGMENTS

(Q4 2010 compared with Q3 2010)

In branch office operations in Sweden operating profit increased by 18 per cent to SEK 2,975 million (2,520), mainly due to improvements in net interest income and net fee and commission income. The loan loss ratio was -0.01 per cent (0.02). Income increased by 12 per cent and expenses by 8 per cent.

Operating profit from Branch office operations outside Sweden decreased by 15 per cent to SEK 665 million (785). Exchange rate effects of SEK -44 million and seasonally higher expenses affected the comparison with the preceding quarter. Income increased by 2 per cent and expenses by 9 per cent. The loan loss ratio was 0.25 per cent (0.19).

Starting from the fourth quarter, Handelsbanken Capital Markets includes the Bank's asset management operations. Operating profit dropped by 20 per cent to SEK 220 million (275). The decrease was mainly due to lower income for fixed income and currency trading. Of the total operating profit, the investment bank represented SEK 122 million (175) and asset management operations accounted for SEK 98 million (100).

In the fourth quarter, net savings in Handelsbanken's mutual funds, including SEK 1.3 billion in XACT Fonder, totalled SEK 9.0 billion. For the full year, new savings increased to SEK 18 billion (18), and the Bank's share of new savings on the Swedish mutual funds market was 21 per cent.

FUNDING AND LIQUIDITY

The issue volume for bonds in 2010 amounted to SEK 236 billion (263), comprising SEK 75 billion in senior funding and SEK 161 billion in covered bonds. In 2010, the bonds due to reach maturity amounted to SEK 161 billion and the issued volume of SEK 236 billion means that by year-end 2010, the Bank had already refinanced two-thirds of the bonds due to reach maturity in 2011, amounting to SEK 113 billion. The Bank's bonds due to reach maturity in 2012 amount to SEK 161 billion. The outstanding portfolio of bonds with a maturity exceeding one year increased by SEK 54 billion during the year.

The Bank's liquidity situation remains good and the liquidity reserve remained in excess of SEK 500 billion at the end of the period. SEK 107 billion of the reserve consisted of liquid assets invested with central banks, SEK 70 billion was related to the collateral value of liquid bonds and the remainder was an unutilised issue amount for covered bonds at Stadshypotek.

CAPITAL

SEK m	31 Dec 2010	31 Dec 2009	Change
Tier 1 ratio according to Basel II	16.5%	14.2%	
Capital ratio according to Basel II	20.9%	20.2%	
Equity	88,391	83,088	6%
Tier 1 capital	87,796	85,575	3%

The capital base amounted to SEK 111 billion and the capital ratio according to Basel II was 20.9 per cent, compared with 20.2 per cent at the end of 2009.

Two subordinated loans totalling SEK 9.7 billion were repaid in 2010, and this reduced the capital ratio by 1.8 percentage points.

Equity increased by SEK 5.3 billion to SEK 88.4 billion and the Tier 1 capital ratio grew to SEK 87.8 billion. After deductions made for the proposed dividend of SEK 9.00 per share, the Tier 1 capital ratio increased by 2.3 percentage points over the last twelve-month period, to 16.5 per cent. Of this increase, 0.7 percentage points can be attributed to an improved quality of credits due to the fact that new corporate exposures arising during the year have had a higher credit rating and lower risk than those which left the credit portfolio. A further 0.4 percentage points can be attributed to positive credit risk migration in the corporate portfolio.

During the fourth quarter, the Tier 1 capital ratio increased by 0.8 percentage points, with 0.2 percentage points of this being attributable to the profit for the period. The remainder is attributable to lower risk-weighted assets. A positive migration of credit risks accounted for 0.3 percentage points, with two-thirds of

this improvement being derived from the fact that new corporate exposures have had a higher quality of credit than those exposures which are leaving the credit portfolio, and one-third resulting from positive changes in the ratings of the portfolio. In addition, a reduction in corporate loans, a higher volume of collateral and lower market risks each accounted for 0.1 percentage point of the increase in the Tier 1 ratio.

During the fourth quarter, Handelsbanken received permission from the Swedish Financial Supervisory Authority to use the advanced IRB approach for calculating capital requirements regarding credit risks for medium-sized companies, property companies and housing co-operative associations. The transition to the advanced approach has only had a marginal effect on the Bank's total capital requirement.

RATING

During the year, Handelsbanken's short-term and long-term ratings were unchanged with the four rating agencies which monitor the Bank. All rating agencies gave the Bank a stable outlook.

	Long-term	Short-term	Financial strength
Standard & Poor's	AA-	A-1+	
Fitch	AA-	F1+	
Moody's	Aa2	P-1	C+
DBRS	AA (low)		

DISCONTINUED OPERATIONS

Discontinued operations includes businesses acquired by the Bank to protect its claims that it intends to sell. Profit after tax for the year amounted to SEK 217 million (36).

OTHER

In 2010, the Bank's fee to the Swedish Stabilisation Fund amounted to SEK 347 million (344). For 2009 and 2010, only 50 per cent of the standard fee was paid. As of 2011, the full amount of the fee will be payable.

HANDELSBANKEN'S ANNUAL GENERAL MEETING ON 23 MARCH

The board proposes to the annual general meeting that the dividend be raised to SEK 9.00 per share (8.00) and that the existing mandate to repurchase a maximum of 40 million shares is extended for an additional year.

The board also proposes to the AGM to resolve to issue a convertible subordinated loan on market terms for a maximum amount of SEK 2.5 billion directed at the Bank's employees.

Branch office operations in Sweden

Branch office operations in Sweden comprise six regional banks, as well as Handelsbanken Finans's and Stadshypotek's operations in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers. The regional banks deliver universal banking services and are run with the goal of having higher profitability than comparable banks. Handelsbanken Finans has a full range of finance company services. Handelsbanken Finans works through the Bank's branches and in financing collaborations with retailers and vendors. Stadshypotek is the Bank's mortgage company, and is completely integrated with the branch operations.

INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	3,498	3,058	14%	3,204	9%	12,993	13,305	-2%
Net fee and commission income	1,060	900	18%	920	15%	3,819	3,377	13%
Net gains/losses on financial items at fair value	250	134	87%	170	47%	704	512	38%
Other income	8	26	-69%	7	14%	16	76	-79%
Total income	4,816	4,118	17%	4,301	12%	17,532	17,270	2%
Staff costs	-762	-774	-2%	-748	2%	-3,012	-3,060	-2%
Other administrative expenses	-294	-302	-3%	-238	24%	-1,010	-1,032	-2%
Internal purchased and sold services	-777	-691	12%	-719	8%	-2,958	-2,534	17%
Depreciation and amortisation	-22	-20	10%	-20	10%	-85	-80	6%
Total expenses	-1,855	-1,787	4%	-1,725	8%	-7,065	-6,706	5%
Profit before loan losses	2,961	2,331	27%	2,576	15%	10,467	10,564	-1%
Net loan losses	14	-318		-56		-99	-2,325	-96%
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0	0%
Operating profit	2,975	2,013	48%	2,520	18%	10,368	8,239	26%
Profit allocation	263	322	-18%	222	18%	811	757	7%
Operating profit after profit allocation	3,238	2,335	39%	2,742	18%	11,179	8,996	24%
Internal income	-571	-584	2%	-568	-1%	-2,004	-3,733	46%
Cost/income ratio, %	36.5	40.2		38.1		38.5	37.2	
Loan loss ratio, %	-0.01	0.13		0.02		0.01	0.24	
Allocated capital	43,880	38,775	13%	41,679	5%	43,880	38,775	13%
Return on allocated capital, %	21.8	17.8		19.4		19.5	17.3	
Average number of employees	4,338	4,362	-1%	4,552	-5%	4,386	4,481	-2%
Number of branches	461	461	0%	461	0%	461	461	0%

BUSINESS VOLUMES

Average volumes, SEK bn	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Loans to the public*								
Household	552	505	9%	541	2%	534	490	9%
of which mortgage loans	495	449	10%	484	2%	478	433	10%
Corporate	457	472	-3%	463	-1%	464	483	-4%
of which mortgage loans	198	176	13%	192	3%	190	166	14%
Total	1,009	977	3%	1,004	0%	998	973	3%
Deposits and borrowing from the public								
Household	190	173	10%	185	3%	182	168	8%
Corporate	148	156	-5%	149	-1%	150	152	-1%
Total	338	329	3%	334	1%	332	320	4%

* excl. loans to the National Debt Office

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Earnings performance

Operating profit rose by 26 per cent to SEK 10,368 million (8,239), due to lower loan losses.

Net interest income decreased by 2 per cent, or SEK 312 million, to SEK 12,993 million (13,305). However, during the year, the combination of high interest rates and rising deposit volumes made a steady positive contribution to net interest income. The fee to the Stabilisation Fund reduced net interest income by SEK -199 million (-203).

Net fee and commission income rose by 13 per cent, due to higher commissions on asset management, payments and lending.

Net gains/losses on financial items at fair value, which consists primarily of currency conversions and early redemption charges, increased to SEK 704 million (512).

Overall, expenses rose by 5 per cent to SEK -7,065 million (-6,706), chiefly due to an increase in IT costs. Staff costs fell by 2 per cent as the average number of staff decreased by 2 per cent, or 95 employees. The cost/income ratio was 38.5 per cent (37.2).

Loan losses decreased to SEK -99 million (-2,325), which corresponds to a loan loss ratio of 0.01 per cent (0.24).

Business development

The average volume of deposits from households continued to rise and amounted to SEK 182 billion (168), an increase of 8 per cent. In 2010, Handelsbanken's share of household deposits in Sweden rose from 17.7 per cent to 18.1 per cent. At the same time, figures from Svensk Fondstatistik showed that Handelsbanken was the largest player on the Swedish mutual funds market as regards new savings, with 21 per cent of the year's total net inflow.

The average volume of mortgage loans to private individuals grew by 10 per cent to SEK 478 billion (433). Corporate lending declined by 4 per cent to SEK 464 billion (483).

To maintain short, effective decision paths, a joint management organisation with responsibility for overall profitability in the Swedish branch operations was established during the year.

Q4 2010 COMPARED WITH Q3 2010

Operating profit rose by 18 per cent to SEK 2,975 million (2,520), chiefly due to improved net interest income. Profit before loan losses rose by 15 per cent to SEK 2,961 million (2,576).

Net interest income grew by SEK 294 million, or 9 per cent, between the quarters. SEK 220 million of the increase was attributable to deposit operations, in the wake of growing volumes and higher interest rates. The benchmark effect in Stadshypotek had an SEK 32 million (-36) positive impact on net interest income. The effect over time is marginal, but it can vary between quarters. The change in the composition of lending, with an increasing share of mortgage loans and a decreasing share of corporate loans, had a negative impact on net interest income.

Lending to households continued to grow and the average volume of mortgage loans to private customers increased by SEK 11 billion (12) to SEK 495 billion (484). The margin on the mortgage loan portfolio was stable at 0.68 per cent (0.67). The average volume of corporate deposits fell by SEK 6 billion to SEK 457 billion (463). However, a slight improvement in credit demand was noted towards the end of the quarter.

Fees for the Swedish Stabilisation Fund and the deposit guarantee totalled SEK -83 million (-90).

Net fee and commission income rose by 15 per cent to SEK 1,060 million (920), chiefly as a result of higher equity-related commissions. In addition, growth in card use, coupled with an increase in the number of cards in circulation, generated higher payment commissions.

Net gains/losses on financial items at fair value increased to SEK 250 million (170).

A rise in other administrative expenses, which are seasonally higher in the fourth quarter, was the main reason for the 8 per cent increase in total expenses to SEK -1,855 million (-1,725). Staff costs rose by 2 per cent.

Recoveries exceeded the quarter's loan losses; net recoveries totalled SEK 14 million (-56). Thus the loan loss ratio fell to -0.01 per cent (0.02).

Branch office operations outside Sweden

Branch office operations outside Sweden comprise the regional banks in Denmark, Norway and Finland, as well as the three regional banks in the UK. These countries, together with Sweden, are regarded as the Bank's home markets. The branch operations in these countries are run according to the same concept as in Sweden – to provide universal banking services with a higher service level and at lower cost than peer banks. This business segment also includes Handelsbanken International as well as Handelsbanken Finans's and Stadshypotek's operations outside Sweden. Handelsbanken International is responsible for branch operations outside the Bank's home markets.

INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	1,689	1,883	-10%	1,742	-3%	6,933	7,317	-5%
Net fee and commission income	379	377	1%	368	3%	1,537	1,533	0%
Net gains/losses on financial items at fair value	125	97	29%	38	229%	273	250	9%
Other income	14	-3		10	40%	66	6	
Total income	2,207	2,354	-6%	2,158	2%	8,809	9,106	-3%
Staff costs	-636	-688	-8%	-652	-2%	-2,590	-2,778	-7%
Other administrative expenses	-306	-278	10%	-236	30%	-1,054	-1,133	-7%
Internal purchased and sold services	-278	-240	16%	-227	22%	-900	-842	7%
Depreciation and amortisation	-15	-20	-25%	-20	-25%	-73	-84	-13%
Total expenses	-1,235	-1,226	1%	-1,135	9%	-4,617	-4,837	-5%
Profit before loan losses	972	1,128	-14%	1,023	-5%	4,192	4,269	-2%
Net loan losses	-307	-373	-18%	-238	29%	-1,408	-1,067	32%
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0	0%
Operating profit	665	755	-12%	785	-15%	2,784	3,202	-13%
Profit allocation	64	154	-58%	54	19%	202	294	-31%
Operating profit after profit allocation	729	909	-20%	839	-13%	2,986	3,496	-15%
Internal income	-1,529	-1,237	-24%	-1,570	3%	-5,954	-5,524	-8%
Cost/income ratio, %	54.4	48.9		51.3		51.2	51.5	
Loan loss ratio, %	0.25	0.27		0.19		0.28	0.19	
Allocated capital	25,117	27,029	-7%	25,978	-3%	25,117	27,029	-7%
Return on allocated capital, %	8.6	9.9		9.5		8.4	9.4	
Average number of employees	3,003	2,920	3%	2,940	2%	2,931	2,976	-2%
Number of branches	262	243	8%	255	3%	262	243	8%

BUSINESS VOLUMES

Average volumes, SEK bn	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Loans to the public								
Household	143	142	1%	142	1%	143	139	3%
Corporate	306	338	-9%	315	-3%	318	361	-12%
Total	449	480	-6%	457	-2%	461	500	-8%
Deposits and borrowing from the public								
Household	40	42	-5%	41	-2%	42	45	-7%
Corporate	102	144	-29%	99	3%	103	132	-22%
Total	142	186	-24%	140	1%	145	177	-18%

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Earnings performance

Operating profit fell by 13 per cent, chiefly due to higher loan losses, and amounted to SEK 2,784 million (3,202). Exchange rate movements resulting from the appreciation of the Swedish krona had a SEK -132 million negative effect on profits, accounting for approximately one third of the decrease. Profits before loan losses fell by 2 per cent to SEK 4,192 million (4,269).

Net interest income declined by 5 per cent to SEK 6,933 million (7,317). Adjusted for exchange rate movements of some SEK -450 million, net interest income grew by 1 per cent. Fees for state guarantees and other deposit guarantees totalled SEK -225 million (-226). Net interest income was also adversely affected by lower lending volumes in Handelsbanken International.

Expenses fell by 5 per cent, which was entirely attributable to exchange rate movements.

Loan losses were SEK -1,408 million (-1,067), and the loan loss ratio was 0.28 per cent (0.19).

The average volume of lending decreased by 8 per cent to SEK 461 billion (500). The decrease was entirely attributable to exchange rate movements of SEK-30 billion and the deliberate reduction of just over SEK 20 billion in lending volumes at Handelsbanken International, which began last year. Adjusted for this, lending volumes rose by 2 per cent.

Q4 2010 COMPARED WITH Q3 2010

Operating profit fell by 15 per cent to SEK 665 million (785), mainly due to other administrative expenses being higher in the fourth quarter.

Net interest income decreased by SEK 53 million, or 3 per cent, to SEK 1,689 million (1,742). Adjusted for changes in exchange rates of SEK -60 million, net interest income was unchanged. In local currencies, lending volumes increased in the UK and Norway.

Expenses increased by 9 per cent, or SEK 100 million. Expansion costs for new branch offices amounted to SEK -33 million (-40).

Loan losses were SEK -307 million (-238), and the loan loss ratio was 0.25 per cent (0.19).

Branch office operations in Great Britain

INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	339	280	21%	344	-1%	1,270	918	38%
Net fee and commission income	17	20	-15%	18	-6%	73	85	-14%
Net gains/losses on financial items at fair value	22	11	100%	14	57%	61	36	69%
Other income	0	-1		0	0%	0	4	-100%
Total income	378	310	22%	376	1%	1,404	1,043	35%
Staff costs	-140	-115	22%	-136	3%	-523	-474	10%
Other administrative expenses	-35	-36	-3%	-33	6%	-133	-132	1%
Internal purchased and sold services	-35	-20	75%	-27	30%	-108	-98	10%
Depreciation and amortisation	-1	-2	-50%	-3	-67%	-9	-11	-18%
Total expenses	-211	-173	22%	-199	6%	-773	-715	8%
Profit before loan losses	167	137	22%	177	-6%	631	328	92%
Net loan losses	-37	-44	-16%	-168	-78%	-220	-151	46%
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0	0%
Operating profit	130	93	40%	9		411	177	132%
Profit allocation	7	3	133%	5	40%	20	24	-17%
Operating profit after profit allocation	137	96	43%	14		431	201	114%
Average number of employees	645	511	26%	600	8%	585	502	17%
Number of branches	83	62	34%	77	8%	83	62	34%

BUSINESS VOLUMES

Average volumes, GBP m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Loans to the public								
Household	1,516	1,093	39%	1,366	11%	1,324	1,021	30%
Corporate	4,972	4,501	10%	4,863	2%	4,769	4,453	7%
Total	6,488	5,594	16%	6,229	4%	6,093	5,474	11%
Deposits and borrowing from the public								
Household	347	313	11%	343	1%	335	304	10%
Corporate	1,158	1,021	13%	1,076	8%	1,071	940	14%
Total	1,505	1,334	13%	1,419	6%	1,406	1,244	13%

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Earnings performance

Operating profit rose by 132 per cent to SEK 411 million (177), due to sharply improved net interest income. In local currency, operating profit grew by 149 per cent. Income rose by 35 per cent and net interest income grew by 38 per cent to SEK 1,270 million (918), which was attributable to greater business volumes and higher lending margins. Deposits increased by 13 per cent, while lending grew by 11 per cent. Exchange rate effects had a SEK -88 million impact on net interest income; in local currency, net interest income grew by 48 per cent.

Net gains on financial items grew by 69 per cent to SEK 61 million (36), due to the increased volume of foreign exchange business.

Expenses rose by 8 per cent to SEK -773 million (-715) as a result of the continued expansion of the branch network. The expansion of the branch network caused the average number of employees to rise by 17 per cent to 585 (502). In local currency, expenses rose by 16 per cent.

Loan losses were SEK -220 million (-151).

Business development

The average volume of loans rose by 11 per cent to GBP 6,093 million (5,474), with loans to households rising by 30 per cent. Deposit volumes grew by 13 per cent to GBP 1,406 million, while corporate deposits increased by 14 per cent.

During the year, 21 new branches were opened in the UK, and 10 branch managers were recruited in readiness for the opening of more new branches.

As of 1 January 2011, the Bank's UK operations are organised into three regional banks with head offices in London, Birmingham and Manchester, as well as a joint management organisation in London.

Q4 2010 COMPARED WITH Q3 2010

Operating profit rose to SEK 130 million (9), due to lower provisions for possible loan losses. Profit before loan losses fell by 6 per cent to SEK 167 million (177). The decrease was attributable to higher costs for expansion and foreign exchange effects. Net interest income for the quarter, adjusted for exchange rate movements, grew by SEK 11 million, or 3 per cent.

Branch office operations in Denmark

INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	302	341	-11%	290	4%	1,199	1,340	-11%
Net fee and commission income	67	65	3%	70	-4%	290	280	4%
Net gains/losses on financial items at fair value	10	23	-57%	12	-17%	55	68	-19%
Other income	5	2	150%	3	67%	16	1	
Total income	384	431	-11%	375	2%	1,560	1,689	-8%
Staff costs	-136	-160	-15%	-137	-1%	-551	-620	-11%
Other administrative expenses	-74	-42	76%	-53	40%	-229	-251	-9%
Internal purchased and sold services	-61	-65	-6%	-48	27%	-204	-191	7%
Depreciation and amortisation	-3	-5	-40%	-4	-25%	-17	-21	-19%
Total expenses	-274	-272	1%	-242	13%	-1,001	-1,083	-8%
Profit before loan losses	110	159	-31%	133	-17%	559	606	-8%
Net loan losses	-302	-44		-23		-367	-189	94%
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0	0%
Operating profit	-192	115		110		192	417	-54%
Profit allocation	7	8	-13%	3	133%	12	24	-50%
Operating profit after profit allocation	-185	123		113		204	441	-54%
Average number of employees	623	663	-6%	624	0%	627	677	-7%
Number of branches	53	53	0%	53	0%	53	53	0%

BUSINESS VOLUMES

Average volumes, DKK bn	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Loans to the public								
Household	20.3	18.6	9%	19.7	3%	19.5	18.5	5%
Corporate	20.3	20.6	-1%	19.6	4%	20.1	21.1	-5%
Total	40.6	39.2	4%	39.3	3%	39.6	39.6	0%
Deposits and borrowing from the public								
Household	8.4	8.0	5%	8.5	-1%	8.5	8.2	4%
Corporate	12.0	12.7	-6%	12.2	-2%	12.3	12.8	-4%
Total	20.4	20.7	-1%	20.7	-1%	20.8	21.0	-1%

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Earnings performance

Operating profit decreased to SEK 192 million (417), due to higher loan losses. Profit before loan losses decreased by 8 per cent to SEK 559 million (606), but increased by 3 per cent in local currency terms. Both income and expenses were affected by the 10 per cent appreciation of the Swedish krona.

Net interest income decreased by 11 per cent, or SEK 141 million. Excluding exchange rate effects, net interest income was unchanged.

Adjusted for exchange rate effects, income grew by 2 per cent and costs rose by 2 per cent.

Loan losses were SEK -367 million (-189). Loan losses were chiefly attributable to provisions made on one customer commitment.

Business development

Lending to households rose by 5 per cent, while lending to companies fell by 5 per cent, as the result of the low

demand for credit. Thus the average volume of lending was unchanged at DKK 39.6 billion (39.6).

On 30 September, the government bail-out package in Denmark, *Bankpakke I*, was terminated according to plan, and as a result, net interest income no longer needs to be charged with the regular fees towards this. For the first three quarters of the year, the fee was SEK -44 million.

In order to strengthen the Bank's position in investment products, the administration company Handelsinvest Investeringsförvaltning A/S was acquired during the year. In 2010, Handelsinvest was one of Denmark's fastest-growing investment associations.

Q4 2010 COMPARED WITH Q3 2010

Operating profit fell to SEK -192 million (110) as a result of higher loan losses. The profit before loan losses fell by 17 per cent, mainly due to seasonally higher expenses and exchange rate effects.

Net interest income rose by 4 per cent, but adjusted for exchange rate effects, the increase was 6 per cent. Expenses rose by 13 per cent, partly due to higher marketing costs.

Loan losses were SEK -302 million (-23).

Branch office operations in Finland

INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	220	287	-23%	239	-8%	974	1,065	-9%
Net fee and commission income	105	87	21%	95	11%	392	306	28%
Net gains/losses on financial items at fair value	10	17	-41%	9	11%	27	20	35%
Other income	3	-4		0		7	-5	
Total income	338	387	-13%	343	-1%	1,400	1,386	1%
Staff costs	-90	-97	-7%	-84	7%	-354	-387	-9%
Other administrative expenses	-57	-62	-8%	-47	21%	-212	-230	-8%
Internal purchased and sold services	-53	-41	29%	-51	4%	-189	-153	24%
Depreciation and amortisation	-4	-6	-33%	-5	-20%	-20	-21	-5%
Total expenses	-204	-206	-1%	-187	9%	-775	-791	-2%
Profit before loan losses	134	181	-26%	156	-14%	625	595	5%
Net loan losses	40	-111		-25		-427	-220	94%
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-	
Operating profit	174	70	149%	131	33%	198	375	-47%
Profit allocation	23	34	-32%	11	109%	55	58	-5%
Operating profit after profit allocation	197	104	89%	142	39%	253	433	-42%
Average number of employees	483	494	-2%	486	-1%	487	502	-3%
Number of branches	45	45	0%	45	0%	45	45	0%

BUSINESS VOLUMES

Average volumes, EUR m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Loans to the public								
Household	3,196	3,089	3%	3,170	1%	3,160	3,053	4%
Corporate	6,684	6,909	-3%	6,734	-1%	6,745	7,214	-7%
Total	9,880	9,998	-1%	9,904	0%	9,905	10,267	-4%
Deposits and borrowing from the public								
Household	1,248	1,324	-6%	1,264	-1%	1,263	1,385	-9%
Corporate	2,512	2,709	-7%	2,498	1%	2,515	2,138	18%
Total	3,760	4,033	-7%	3,762	0%	3,778	3,523	7%

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Earnings performance

Operating profit fell to SEK 198 million (375) due to an increase in loan losses to SEK -427 million (-220). The loan losses were mainly incurred in the second quarter of the year; for the second half of the year, net recoveries were reported. Profits before loan losses rose by 5 per cent to SEK 625 million (595). Profits were adversely affected by the 10 per cent appreciation of the Swedish krona against the euro, and in local currency terms, profits before loan losses increased by 17 per cent.

Net interest income fell by 9 per cent, but expressed in local currency, net interest income grew slightly, due to higher lending margins. Net fee and commission income rose by 28 per cent, or SEK 86 million, mainly due to increased commission on credit commitments.

Expenses fell by 2 per cent, which was entirely attributable to the strengthening of the Swedish krona.

Loan losses increased to SEK -427 million (-220).

Business development

Credit demand from companies was weak for most of the year, and the average volume of corporate lending fell by 7 per cent to EUR 6.7 billion. On the other hand, corporate deposits for the year increased by 18 per cent.

Loans to households rose by 4 per cent to EUR 3.2 billion.

Q4 2010 COMPARED WITH Q3 2010

Operating profit rose by 33 per cent to SEK 174 million (131), which was attributable entirely to recoveries exceeding the quarter's loan losses. Profit before loan losses fell by SEK 22 million, due to increased costs in the fourth quarter.

Net interest income decreased by 8 per cent, or SEK 19 million, of which just over SEK 7 million was due to exchange rate effects.

Staff costs rose by 7 per cent, partly due to salary increases based on wage agreements.

Recoveries exceeded the quarter's loan losses; net recoveries totalled SEK 40 million (-25).

Branch office operations in Norway

INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	614	735	-16%	634	-3%	2,564	2,775	-8%
Net fee and commission income	75	62	21%	71	6%	301	289	4%
Net gains/losses on financial items at fair value	55	21	162%	26	112%	109	87	25%
Other income	5	-3		5	0%	38	-8	
Total income	749	815	-8%	736	2%	3,012	3,143	-4%
Staff costs	-118	-150	-21%	-150	-21%	-570	-593	-4%
Other administrative expenses	-70	-59	19%	-55	27%	-255	-255	0%
Internal purchased and sold services	-66	-51	29%	-55	20%	-216	-188	15%
Depreciation and amortisation	-4	-3	33%	-5	-20%	-15	-16	-6%
Total expenses	-258	-263	-2%	-265	-3%	-1,056	-1,052	0%
Profit before loan losses	491	552	-11%	471	4%	1,956	2,091	-6%
Net loan losses	-30	-167	-82%	-37	-19%	-101	-416	-76%
Gains/losses on disposal of property, equipment and intangible assets	1	0		0		1	0	
Operating profit	462	385	20%	434	6%	1,856	1,675	11%
Profit allocation	15	43	-65%	18	-17%	65	91	-29%
Operating profit after profit allocation	477	428	11%	452	6%	1,921	1,766	9%
Average number of employees	633	620	2%	619	2%	622	625	0%
Number of branches	49	48	2%	48	2%	49	48	2%

BUSINESS VOLUMES

Average volumes, NOK bn	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Loans to the public								
Household	57.5	52.0	11%	56.0	3%	55.3	50.1	10%
Corporate	103.7	101.8	2%	101.6	2%	102.1	104.2	-2%
Total	161.2	153.8	5%	157.6	2%	157.4	154.3	2%
Deposits and borrowing from the public								
Household	10.3	8.7	18%	9.9	4%	9.6	8.6	12%
Corporate	34.5	35.9	-4%	32.3	7%	33.2	34.3	-3%
Total	44.8	44.6	0%	42.2	6%	42.8	42.9	0%

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Earnings performance

Operating profit rose by 11 per cent to SEK 1,856 million (1,675), due to lower loan losses. Profit before loan losses fell by 6 per cent to SEK 1,956 million (2,091).

Net interest income fell by SEK 211 million, or 8 per cent, partly due to the notice period applicable to customers when Norges Bank increases its key rates. Exchange rate movements had a negative effect of SEK -52 million. Net interest income was affected by expenses of SEK -47 million (-40) relating to the Swedish Stabilisation Fund and of SEK -8 million (-8) relating to the Norwegian deposit guarantee.

Expenses were more or less unchanged at SEK 1,056m (-1,052), and the C/I ratio was 35.1 per cent (33.5). Staff costs decreased by 4 per cent, chiefly because a change in the Norwegian pensions law led to lower pension costs in the fourth quarter. Exchange rate movements reduced expenses by 2 per cent.

Loan losses fell to SEK -101 million (-416).

Business development

Business volumes from private customers increased – deposits by 12 per cent and lending by 10 per cent – while corporate deposits and loans decreased by 3 per cent and 2 per cent respectively.

A new branch was opened in Kokstad during the fourth quarter. This brings the Bank's total number of branches in Norway to 49.

Q4 2010 COMPARED WITH Q3 2010

Operating profit increased by 6 per cent due to higher income, as well as lower expenses and loan losses.

Net interest income decreased by 3 per cent, or SEK 20 million, to SEK 614 million (634), of which SEK -18 million was due to exchange rate movements. Commissions from both payments and securities increased, and net fee and commission income rose by 6 per cent.

An amendment to Norwegian pension legislation resulted in a positive one-time effect of SEK 38 million which, coupled with exchange rate movements, contributed to a 21 per cent decrease in staff costs.

Net loan losses amounted to SEK -30 million (-37).

Handelsbanken International

INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	214	240	-11%	235	-9%	926	1,219	-24%
Net fee and commission income	115	143	-20%	114	1%	481	573	-16%
Net gains/losses on financial items at fair value	28	25	12%	-23		21	39	-46%
Other income	1	3	-67%	2	-50%	5	14	-64%
Total income	358	411	-13%	328	9%	1,433	1,845	-22%
Staff costs	-152	-166	-8%	-145	5%	-592	-704	-16%
Other administrative expenses	-70	-79	-11%	-48	46%	-225	-265	-15%
Internal purchased and sold services	-63	-62	2%	-46	37%	-183	-211	-13%
Depreciation and amortisation	-3	-4	-25%	-3	0%	-12	-15	-20%
Total expenses	-288	-311	-7%	-242	19%	-1,012	-1,195	-15%
Profit before loan losses	70	100	-30%	86	-19%	421	650	-35%
Net loan losses	22	-7		13	69%	-299	-99	202%
Gains/losses on disposal of property, equipment and intangible assets	-1	0		0		-1	0	
Operating profit	91	93	-2%	99	-8%	121	551	-78%
Profit distribution	12	66	-82%	17	-29%	50	97	-48%
Operating profit after profit allocation	103	159	-35%	116	-11%	171	648	-74%
Average number of employees	619	632	-2%	611	1%	610	670	-9%
Number of branches	32	35	-9%	32	0%	32	35	-9%

BUSINESS VOLUMES

Average volumes, SEK bn	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Loans to the public								
Household	4.0	3.7	8%	3.9	3%	4.0	4.0	0%
Corporate	51.7	64.8	-20%	55.6	-7%	56.7	77.8	-27%
Total	55.7	68.5	-19%	59.5	-6%	60.7	81.8	-26%
Deposits and borrowing from the public								
Household	3.0	3.4	-12%	3.2	-6%	3.3	4.1	-20%
Corporate	14.1	42.4	-67%	12.8	10%	13.5	38.1	-65%
Total	17.1	45.8	-63%	16.0	7%	16.8	42.2	-60%

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Earnings performance

Operating profit decreased to SEK 121 million (551), chiefly as a result of the Bank making a provision of SEK 335 million for a previously identified risk exposure during the first quarter. Profit before loan losses fell by SEK 229 million to SEK 421 million (650). The Swedish krona (SEK) strengthened during the period, which had a negative impact on the result.

Income decreased by 22 per cent, almost half of this due the fact that some business in New York which is now part of Central Treasury was included in the period of comparison and also to a conscious reduction in lending volumes.

The currency effect was SEK -128 million.

Expenses fell due to exchange rate changes and because the average number of employees fell by 60.

Business development

The main task of Handelsbanken International is to support the international business of the Bank's customers in the Nordic region and the UK and, in the long term, to develop operations in prioritised countries into regional banks in

line with the Bank's business model. The Bank had 32 branches and five representative offices in 17 countries outside the Nordic countries and the UK.

The average volume of corporate lending decreased by 27 per cent to SEK 56.7 billion (77.8), which is partly attributable to exchange rate movements, but also to a conscious reduction of lending volumes to enable more profitable utilisation of the Bank's capital.

During the first quarter, deposits were moved from Handelsbanken International to Central Treasury, mainly from insurance and mutual fund management companies.

Q4 2010 COMPARED WITH Q3 2010

Operating profit decreased by SEK 8 million to SEK 91 million (99) in the wake of rising expenses, primarily due to a seasonal increase in other administrative expenses. The strengthening of the Swedish krona against most other currencies also had a negative effect on earnings.

Handelsbanken Capital Markets

Capital Markets consists of Handelsbanken's investment bank operations, asset management and insurance savings.

INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	185	130	42%	170	9%	628	599	5%
Net fee and commission income	624	729	-14%	586	6%	2,510	2,520	0%
Net gains/losses on financial items at fair value	148	469	-68%	199	-26%	1,280	2,788	-54%
Risk result - insurance	67	31	116%	42	60%	205	171	20%
Other income	7	1		4	75%	16	12	33%
Total income	1,031	1,360	-24%	1,001	3%	4,639	6,090	-24%
Staff costs	-519	-610	-15%	-493	5%	-2,054	-2,371	-13%
Other administrative expenses	-253	-249	2%	-209	21%	-927	-808	15%
Internal purchased and sold services	-24	0		-14	71%	-91	-74	23%
Depreciation and amortisation	-11	6		-10	10%	-44	-37	19%
Total expenses	-807	-853	-5%	-726	11%	-3,116	-3,290	-5%
Profit before loan losses	224	507	-56%	275	-19%	1,523	2,800	-46%
Net loan losses								
Gains/losses on disposal of property, equipment and intangible assets	-4	-		-		-4	-	
Operating profit	220	507	-57%	275	-20%	1,519	2,800	-46%
Profit allocation	-327	-476	-31%	-276	18%	-1,013	-1,051	-4%
Operating profit after profit allocation	-107	31		-1		506	1,749	-71%
Internal income	-375	-319	-18%	-315	-19%	-1,380	460	
Cost/income ratio, %	114.6	96.5		100.1		85.9	65.3	
Allocated capital	10,214	10,104	1%	9,992	2%	10,214	10,104	1%
Return on allocated capital, %	-	0.9		-		6.4	14.7	
Average number of employees	1,619	1,559	4%	1,649	-2%	1,604	1,572	2%

REVENUES IN HANDELSBANKEN CAPITAL MARKETS

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Asset management *	319	356	-10%	325	-2%	1,449	1,073	35%
Investment banking	712	1,004	-29%	676	5%	3,190	5,017	-36%
Gross revenues	1,031	1,360	-24%	1,001	3%	4,639	6,090	-24%

* Including Handelsbanken Liv

ASSETS UNDER MANAGEMENT, HANDELSBANKEN GROUP

SEK bn, end of period	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Mutual funds, excl. PPM	121	112	107	108	101
PPM	11	9	7	8	7
Unit-linked insurance	40	34	33	32	31
XACT (Exchange-traded funds)	21	19	19	19	18
Total mutual funds	193	174	166	167	157
Portfolio bond insurance	16	15	14	13	11
Traditional insurance	19	22	23	25	25
Discretionary management, Handelsbanken Group	91	91	85	86	85
<i>of which in Handelsbanken mutual funds</i>	29	26	24	23	22
Structured products	40	41	39	40	36
Directly owned shares in custody	176	167	152	161	150
Other securities in custody	43	32	34	37	45
Handelsbanken's foundations	50	47	43	45	43
<i>of which in Handelsbanken mutual funds</i>	3	3	3	3	3
Total assets under management, Handelsbanken Group	596	560	529	548	527

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Earnings performance

Operating profit fell by 46 per cent to SEK 1,519 million (2,800). The decrease was entirely due to net gains/losses on financial items at fair value falling to SEK 1,280 million (2,788), mainly as a result of lower profits for fixed income and foreign exchange trading at the investment bank compared with the abnormally high profits generated in the turbulent market in the first six months of 2009. The situation has subsequently normalised to some extent.

Of the total operating profit, the investment bank represented SEK 1,003 million (2,636) and asset management operations accounted for SEK 516 million (164).

Net commission income was largely unchanged at SEK 2,510 million (2,520). The average volume of mutual fund assets under management rose by 33 per cent to SEK 169 billion (127), which led to higher asset management commissions while several capital market related commissions decreased. Handelsbanken Liv received SEK 18 million (0) in the yield split.

The risk result in Handelsbanken Liv increased to SEK 205 million (171).

Income decreased by a total of 24 per cent to SEK 4,639 million (6,090). Income from asset management operations increased by 35 per cent, while income from investment bank operations decreased by 36 per cent.

Expenses fell by 5 per cent to SEK -3,116 million (-3,290), mainly due to lower staff costs. The average number of employees rose to 1,604 (1,572).

Business development – investment bank

The Bank gained market share and increased its volumes on the Nordic stock exchanges by 8 per cent, while total volumes on the stock exchanges increased by only 4 per cent. Customer interest in exchange-traded funds increased significantly during the year. According to the Prospera survey company, institutional investors rank the Bank as best for cross-border Nordic equity trading and Thomson Reuters ranks the Bank as the best stockbrokers in the UK for equity transactions in small and medium-sized Nordic companies.

Activity for corporate mergers and acquisitions increased, albeit from low levels. Interest in IPOs increased, while interest in new issues waned somewhat. The financial magazine Global Finance ranked the Bank as the best Nordic investment bank for the fourth year running.

There was great demand for various financial solutions and the Bank carried out a total of 96 bond issues worth EUR 19 billion. The Bank was one of the largest players for syndicated loans in the Nordic region. It carried out 20 syndications totalling EUR 18 billion.

The Bank has maintained its strong market position in fixed income and foreign exchange trading. According to Prospera, the Bank was the largest counterparty for Swedish corporate currency options.

Activity increased on the commodities market and the Bank was first in Sweden to start a traditional

commodities mutual fund as well as an exchange-traded commodities fund.

Handelsbanken was the largest player for capital-protected investments, with a market share of 23 per cent of new sales of listed investments in Sweden. The Bank's trading volumes on the warrants and certificate markets in Sweden increased by 111 per cent to SEK 40 billion, with market shares reaching 68 per cent in Sweden and 61 per cent in Norway.

XACT Fonder is the largest player on the Nordic market for exchange-traded funds and accounted for over 93 per cent of total Nordic sales. Assets managed in XACT funds rose by 16 per cent to SEK 21 billion.

Business development – asset management

The total volume of assets under management by the Group increased by 13 per cent to SEK 596 billion (527).

Handelsbanken Fonder strengthened its market position and net savings in the Bank's mutual funds were SEK 18.1 billion. This means that the Bank was the largest player in new savings in mutual funds in Sweden, with a market share of 20.7 per cent. At the year-end, the Bank's fund management company managed 111 mutual funds, seven of which were new for the year. The number of mutual fund customers went up by 11 per cent, amounting to 1.2 million at the year-end. Fund assets under management increased by 23 per cent during the year to SEK 193 billion (157).

Discretionary management volumes in the Group rose by 7 per cent to SEK 91 billion (85), of which SEK 29 billion (22) was invested in Handelsbanken's mutual funds.

Assets managed in the insurance operations increased by 12 per cent to SEK 75 billion (67), of which unit-linked insurance accounted for SEK 40 billion (31), portfolio bond insurance represented SEK 16 billion (11) and traditional insurance was SEK 19 billion (25). The increase in volume was SEK 8 billion; SEK 2 billion of this was due to net inflows and SEK 6 billion to higher market values.

During the year, the Bank had the highest inflow of unit-linked insurance capital within ITPK (supplementary retirement pensions). Handelsbanken Liv had the most satisfied life and pension insurance customers according to the independent research institute Swedish Quality Index.

Q4 2010 COMPARED WITH Q3 2010

Operating profit decreased by 20 per cent to SEK 220 million (275), with the investment bank accounting for SEK 122 million (175) and asset management operations including Handelsbanken Liv for SEK 98 million (100).

Income rose by SEK 30 million, or 3 per cent, to SEK 1,031 million (1,001). Income from the investment bank grew by 5 per cent, with the growth deriving from most of the business areas. Mutual fund commissions increased due to the growth in volumes under management.

In Handelsbanken Liv, a capital contribution of SEK 48 million (23) was made to policyholders. Expenses rose by 11 per cent to SEK -807 million (-726). These increases, which occurred mainly in the investment bank, were of a seasonal nature and were chiefly due to higher administrative expenses.

OTHER

Other includes Treasury and the central head office departments. It also includes capital gains/losses, dividends, and income and expenses that are not attributable to a specific segment.

INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	253	299	-15%	223	13%	832	821	1%
Net fee and commission income	64	-20		50	28%	156	-37	
Net gains/losses on financial items at fair value	-259	-237	-9%	-233	-11%	-892	-1,151	23%
Share of profit of associated companies	-4	18		1		11	26	-58%
Other income	21	42	-50%	14	50%	246	197	25%
Total income	75	102	-26%	55	36%	353	-144	
Staff costs	-709	-637	11%	-616	15%	-2,521	-2,234	13%
Other administrative expenses	-573	-522	10%	-483	19%	-2,073	-1,747	19%
Internal purchased and sold services	1,032	931	11%	983	5%	3,902	3,450	13%
Depreciation and amortisation	-55	-62	-11%	-61	-10%	-238	-269	-12%
Total expenses	-305	-290	5%	-177	72%	-930	-800	16%
Profit before loan losses	-230	-188	-22%	-122	-89%	-577	-944	39%
Net loan losses								
Gains/losses on disposal of property, equipment and intangible assets	-1	3		4		3	4	-25%
Operating profit	-231	-185	-25%	-118	-96%	-574	-940	39%
Profit allocation	0	0		0		0	0	
Operating profit after profit allocation	-231	-185	-25%	-118	-96%	-574	-940	39%
Internal income	2,475	2,140	16%	2,453	1%	9,338	8,797	6%
Average number of employees	1,987	1,797	11%	1,958	1%	1,929	1,792	8%

JANUARY – DECEMBER 2010 COMPARED WITH JANUARY – DECEMBER 2009

Operating profit improved to SEK -574 million (-940). In the first quarter, the Bank received a one-off dividend of SEK 130 million, which contributed to the improvement in profit.

Net gains/losses on financial items at fair value improved by SEK 259 million, chiefly due to an improved result in the Central Treasury.

The allocation made to the Oktogonen profit-sharing foundation was SEK -842 million (-748).

Q4 2010 COMPARED WITH Q3 2010

Operating profit was SEK -231 million (-118). The liquidity portfolio had a positive effect on net interest income, whereas its impact on net gains/losses on financial items at fair value was a negative one. The net interest income performance should therefore be considered together with the trend for net gains/losses on financial items.

The allocation made to Oktogonen increased by SEK 94 million to a total of SEK -281 million (-187).

Condensed set of financial statements – The Group

KEY FIGURES – THE GROUP

	Q4 2010	Q4 2009	Q3 2010	Full year 2010	Full year 2009
Return on equity, total operations *	13.4%	12.2%	12.7%	12.9%	12.6%
Return on equity, continuing operations *	13.0%	12.1%	12.5%	12.6%	12.5%
C/I ratio, continuing operations	49.2%	50.9%	48.1%	48.0%	47.1%
C/I ratio, continuing operations, incl. loan losses	52.8%	59.6%	52.0%	52.8%	57.6%
Earnings per share, total operations, SEK	4.65	4.04	4.35	17.72	16.44
- after dilution	4.60	3.96	4.27	17.44	15.98
Earnings per share, continuing operations, SEK	4.50	4.02	4.27	17.37	16.38
- after dilution	4.46	3.94	4.19	17.10	15.92
Earnings per share, discontinued operations, SEK	0.15	0.02	0.08	0.35	0.06
- after dilution	0.14	0.02	0.08	0.34	0.06
Dividend, SEK				9.00	8.00
Adjusted equity per share, SEK **	142.50	133.65	136.89	142.50	133.65
Average number of outstanding shares	622,485,289	622,387,202	622,382,489	622,094,449	623,263,916
after dilution	634,726,486	636,161,028	635,260,155	634,335,646	642,588,544
Capital ratio according to Basel II	20.9%	20.2%	20.7%	20.9%	20.2%
Tier 1 ratio according to Basel II	16.5%	14.2%	15.7%	16.5%	14.2%
Capital base in relation to capital requirement Basel II	261%	253%	259%	261%	253%
Average number of employees, continuing operations	10,947	10,638	11,100	10,850	10,821
Number of branches in Sweden	461	461	461	461	461
Number of branches outside Sweden	262	243	255	262	243

* When calculating return on equity, equity is adjusted for the impact of unrealised changes in the value of financial assets classified as "Available for Sale" and for cash flow hedges.

** When calculating equity per share, equity is adjusted for the impact of cash flow hedges.

INCOME STATEMENT – THE GROUP

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change	
Interest income	11,951	10,548	13%	11,006	9%	43,389	51,276	-15%	
Interest expense	-6,339	-5,189	22%	-5,679	12%	-22,052	-29,276	-25%	
Net interest income	5,612	5,359	5%	5,327	5%	21,337	22,000	-3%	
Net fee and commission income	Note 1	2,127	1,995	7%	1,924	11%	8,022	7,393	9%
Net gains/losses on financial items at fair value	Note 2	276	497	-44%	177	56%	1,377	2,457	-44%
Risk result - insurance		67	31	116%	42	60%	205	171	20%
Other dividend income		1	4	-75%	3	-67%	190	141	35%
Share of profit of associated companies		-4	18		1		11	26	-58%
Other income		49	63	-22%	32	53%	154	147	5%
Total income	8,128	7,967	2%	7,506	8%	31,296	32,335	-3%	
Staff costs	-2,466	-2,586	-5%	-2,330	6%	-9,504	-10,018	-5%	
Other administrative expenses	Note 3	-1,425	-1,373	4%	-1,166	22%	-5,062	-4,719	7%
Depreciation, amortisation and impairments of property, equipment and intangible assets		-106	-99	7%	-114	-7%	-452	-483	-6%
Total expenses	-3,997	-4,058	-2%	-3,610	11%	-15,018	-15,220	-1%	
Profit before loan losses	4,131	3,909	6%	3,896	6%	16,278	17,115	-5%	
Net loan losses	Note 4	-293	-691	-58%	-294	0%	-1,507	-3,392	-56%
Gains/losses on disposal of property, equipment and intangible assets		-5	3		4		-1	4	
Operating profit	3,833	3,221	19%	3,606	6%	14,770	13,727	8%	
Taxes	-1,030	-722	43%	-945	9%	-3,962	-3,519	13%	
Profit for the period from continuing operations	2,803	2,499	12%	2,661	5%	10,808	10,208	6%	
Profit for the period from discontinued operations, after tax	Note 14	89	17	424%	46	93%	217	36	
Profit for the period	2,892	2,516	15%	2,707	7%	11,025	10,244	8%	
Attributable to									
Holders of ordinary shares	2,892	2,516	15%	2,707	7%	11,025	10,244	8%	
Minority interest	0	0		0		0	0		

EARNINGS PER SHARE – THE GROUP

	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Earnings per share, continuing operations, SEK	4.50	4.02	12%	4.27	5%	17.37	16.38	6%
- after dilution	4.46	3.94	13%	4.19	6%	17.10	15.92	7%
Earnings per share, discontinued operations, SEK	0.15	0.02		0.08	88%	0.35	0.06	483%
- after dilution	0.14	0.02		0.08	75%	0.34	0.06	467%
Earnings per share, total operations, SEK	4.65	4.04	15%	4.35	7%	17.72	16.44	8%
- after dilution	4.60	3.96	16%	4.27	8%	17.44	15.98	9%

STATEMENT OF COMPREHENSIVE INCOME – THE GROUP

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Profit for the period	2,892	2,516	15%	2,707	7%	11,025	10,244	8%
Other comprehensive income								
Cash flow hedges	257	115	123%	2		-325	47	
Available-for-sale instruments	905	572	58%	557	62%	2,186	3,274	-33%
Translation differences for the period	-48	293		-1,287	96%	-2,015	-109	
Tax related to other comprehensive income	-318	-160	-99%	-190	-67%	-612	-934	34%
Total other comprehensive income	796	820	-3%	-918		-766	2,278	
Total comprehensive income for the period	3,688	3,336	11%	1,789	106%	10,259	12,522	-18%
Total comprehensive income for the period to								
Holders of ordinary shares	3,688	3,336	11%	1,789	106%	10,259	12,522	-18%
Minority interest	0	0	0%	0	0%	0	0	0%

QUARTERLY PERFORMANCE – THE GROUP

SEK m	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Interest income	11,951	11,006	10,265	10,167	10,548
Interest expense	-6,339	-5,679	-5,183	-4,851	-5,189
Net interest income	5,612	5,327	5,082	5,316	5,359
Net fee and commission income	2,127	1,924	1,988	1,983	1,995
Net gains/losses on financial items at fair value	276	177	424	500	497
Risk result - insurance	67	42	59	37	31
Other dividend income	1	3	55	131	4
Share of profit of associated companies	-4	1	7	7	18
Other income	49	32	38	35	63
Total income	8,128	7,506	7,653	8,009	7,967
Staff costs	-2,466	-2,330	-2,352	-2,356	-2,586
Other administrative expenses	-1,425	-1,166	-1,276	-1,195	-1,373
Depreciation, amortisation and impairments of property, equipment and intangible assets	-106	-114	-117	-115	-99
Total expenses	-3,997	-3,610	-3,745	-3,666	-4,058
Profit before loan losses	4,131	3,896	3,908	4,343	3,909
Net loan losses	-293	-294	-369	-551	-691
Gains/losses on disposal of property, equipment and intangible assets	-5	4	0	0	3
Operating profit	3,833	3,606	3,539	3,792	3,221
Taxes	-1,030	-945	-1,019	-968	-722
Profit for the period from continuing operations	2,803	2,661	2,520	2,824	2,499
Profit for the period from discontinued operations, after tax	89	46	53	29	17
Profit for the period	2,892	2,707	2,573	2,853	2,516
Earnings per share, continuing operations, SEK	4.50	4.27	4.05	4.54	4.02
- after dilution	4.46	4.19	3.98	4.46	3.94
Earnings per share, discontinued operations, SEK	0.15	0.08	0.09	0.05	0.02
- after dilution	0.14	0.08	0.09	0.05	0.02
Earnings per share, total operations, SEK	4.65	4.35	4.14	4.59	4.04
- after dilution	4.60	4.27	4.07	4.51	3.96

BALANCE SHEET – THE GROUP

SEK m		31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Assets						
Cash and balances with central banks		56,637	75,861	122,544	122,759	49,882
Other lending to central banks		50,989	60,379	110,779	55,674	56,931
Treasury bills and other eligible bills		50,738	48,805	88,443	113,836	105,156
Loans to other credit institutions		155,474	155,895	171,386	122,708	111,169
Loans to the public	Note 5	1,481,678	1,469,109	1,484,406	1,467,686	1,477,183
Value change of interest hedged item in portfolio hedge		4,744	5,159	5,299	4,044	2,979
Bonds and other interest-bearing securities		68,500	85,044	74,308	77,649	70,846
Shares		38,210	33,672	24,637	30,534	24,883
Participating interests in associated companies		111	99	97	98	93
Assets where the customer bears the value change risk		61,182	55,119	52,987	51,703	51,032
Derivative instruments	Note 8	102,283	142,023	143,925	110,054	107,155
Reinsurance assets		12	11	17	17	12
Intangible assets	Note 7	6,905	6,926	7,068	7,144	7,319
Property and equipment		3,307	3,216	3,279	3,243	3,281
Current tax assets		74	223	59	84	108
Deferred tax assets		337	406	435	293	303
Net pension assets		4,670	4,879	4,724	4,579	4,380
Assets held for sale		789	740	858	800	724
Other assets		60,260	33,175	21,963	41,585	42,594
Prepaid expenses and accrued income		6,630	7,291	8,407	7,295	6,813
Total assets		2,153,530	2,188,032	2,325,621	2,221,785	2,122,843
Liabilities and equity						
Due to credit institutions		269,941	229,257	275,008	218,144	239,790
Deposits and borrowing from the public		546,173	572,723	580,113	580,612	549,748
Liabilities where the customer bears the value change risk		61,214	55,171	53,024	51,770	51,103
Issued securities		963,501	951,956	1,066,049	1,025,991	966,075
Derivative instruments	Note 8	101,753	146,657	122,021	100,966	93,101
Other trading liabilities		36,026	38,200	37,584	41,308	29,647
Insurance liabilities		723	791	864	1,529	952
Current tax liabilities		882	1,274	833	534	834
Deferred tax liabilities		9,144	8,777	8,658	8,568	8,448
Provisions		77	149	181	178	199
Liabilities held for sale		302	289	320	301	222
Other liabilities		12,604	28,998	26,213	34,963	23,175
Accrued expenses and deferred income		18,851	19,190	19,035	19,536	17,456
Subordinated liabilities		43,948	49,902	53,126	52,069	59,005
Total liabilities		2,065,139	2,103,334	2,243,029	2,136,469	2,039,755
Minority interest		0	0	0	1	1
Share capital		2,899	2,899	2,899	2,899	2,899
Reserves		-834	-1,630	-712	-676	-68
Retained earnings		75,301	75,296	74,979	80,239	70,012
Profit for the period		11,025	8,133	5,426	2,853	10,244
Total equity		88,391	84,698	82,592	85,316	83,088
Total liabilities and equity		2,153,530	2,188,032	2,325,621	2,221,785	2,122,843

STATEMENT OF CHANGES IN EQUITY – THE GROUP

Jan - Dec 2009 SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	2,899	-252	-3,152	1,058	74,409	1	74,963
Profit for the period					10,244	0	10,244
Other comprehensive income		35	2,350	-107		0	2,278
Total comprehensive income for the period		35	2,350	-107	10,244	0	12,522
Dividend					-4,364		-4,364
Change of own shares in trading book					-33		-33
Closing shareholders' equity	2,899	-217	-802	951	80,256	1	83,088

Jan - Dec 2010 SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	2,899	-217	-802	951	80,256	1	83,088
Profit for the period					11,025	0	11,025
Other comprehensive income		-240	1,588	-2,114		0	-766
Total comprehensive income for the period		-240	1,588	-2,114	11,025	0	10,259
Dividend					-4,988		-4,988
Change of own shares in trading book					33		33
Change of minority interests						-1	-1
Closing shareholders' equity	2,899	-457	786	-1,163	86,326	0	88,391

CONDENSED STATEMENT OF CASH FLOWS – THE GROUP

SEK m	Full year 2010	Full year 2009
Cash flow from operating activities	26,030	-2,906
Cash flow from investing activities	-249	-6,544
Cash flow from financing activities	-15,851	-4,722
Cash flow for the period	9,930	-14,172
Liquid funds at beginning of the period	49,882	66,894
Cash flow for the period	9,930	-14,172
Exchange rate differences on liquid funds	-3,175	-2,840
Liquid funds at end of period	56,637	49,882

ACCOUNTING POLICIES

The information concerning the Group has been stated in accordance with IAS 34. The contents of the report also comply with the applicable provisions of the Swedish Act on Annual Reports in Credit Institutions and Securities Companies, the Swedish Financial Supervisory Authority's regulations and general guidelines FFFS 2008:25 on annual reports in credit institutions and securities companies and recommendations from the Swedish Financial Reporting Board.

The presentation of the consolidated balance sheet has been modified with effect from the fourth quarter of 2010. Claims on central banks that were previously reported under Loans to credit institutions (claims that are not immediately available upon demand) have been moved to the new line item Other loans to central banks. Consequently, Loans to credit institutions is now called Loans to other credit institutions. The new presentation of the balance sheet better reflects the Group's risk exposure. Without the modification, Loans to credit institutions would have amounted to SEK 206,463 million. The comparative figures have been adjusted. The new balance sheet presentation does not apply to the parent company.

During the fourth quarter, the Asset Management and Capital Markets segments were merged into a single segment. Handelsbanken's operations now comprise Branch office operations in Sweden, Branch office operations outside Sweden and Capital Markets. The principles for segment reporting are described on page 4.

The following changes in regulations have led to amendments to the accounting policies with effect from the 2010 financial year. None of these amendments have had any material impact on the figures reported for the Group or the parent company.

The new IFRS 3 Business Combinations has resulted in amended principles for recognition of business combinations achieved in stages and contingent considerations.

Another amendment resulting from the new standard concerns the acquirer's option to recognise goodwill at its total fair value in the consolidated balance sheet and thus include goodwill related to non-controlling interests. The new IFRS 3 also means that transaction costs arising in connection with business combinations will be expensed directly on acquisition in the consolidated accounts in the future. This change of principles does not apply to the parent company, where transaction costs are included in the acquisition value of shares in subsidiaries as stipulated by the Swedish Act on Annual Reports in Credit Institutions and Securities Companies. The new IFRS 3 only applies to new acquisitions and has thus not led to any retroactive adjustment of the amounts reported.

The amended IAS 27 Consolidated and Separate Financial Statements has led to adjustments in the principles for reporting changes of ownership in subsidiaries.

The application of RFR 2 Accounting for Legal Entities means that as of the 2010 financial year, the parent company presents changes in equity not deriving from transactions with the owners in a separate statement of other comprehensive income in the same way as already applies for the Group. From the fourth quarter, Group contributions received are reported under Dividends received in the parent company's income statement. The comparative figures have been adjusted.

In all other respects, the reports of the Group and the parent company have been prepared in accordance with the same accounting policies and calculation methods that were applied in the annual report for 2009. None of the other changes in standards or new interpretative communications which came into force during the period are deemed to have a material impact on the financial reports of the parent company or the Group.

Notes

Note 1 Net fee and commission income

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Brokerage and other securities commissions	522	491	6%	426	23%	1,867	1,862	0%
Mutual funds	440	361	22%	393	12%	1,590	1,156	38%
Custody	96	101	-5%	53	81%	374	411	-9%
Advisory services	73	74	-1%	51	43%	223	196	14%
Insurance	106	138	-23%	157	-32%	605	532	14%
Payments	648	600	8%	630	3%	2,455	2,377	3%
Lending and deposits	313	293	7%	299	5%	1,231	1,109	11%
Guarantees	126	124	2%	134	-6%	521	529	-2%
Other	126	129	-2%	104	21%	428	494	-13%
Commission income	2,450	2,311	6%	2,247	9%	9,294	8,666	7%
Securities commissions	-54	-62	-13%	-50	8%	-219	-223	-2%
Payment commissions	-238	-247	-4%	-255	-7%	-963	-957	1%
Other commission expenses	-31	-7	343%	-18	72%	-90	-93	-3%
Commission expense	-323	-316	2%	-323	0%	-1,272	-1,273	0%
Net fee and commission income	2,127	1,995	7%	1,924	11%	8,022	7,393	9%

Note 2 Net gains/losses on financial items at fair value

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Available for sale, realised	9	5	80%	2	350%	20	58	-66%
Hedge accounting								
Fair value hedges	84	17	394%	92	-9%	339	-80	
Hedge ineffectiveness	1	19	-95%	25	-96%	-2	-6	67%
Instruments at fair value	-1,135	12		196		-160	158	
Loans at amortised cost	100	139	-28%	96	4%	401	514	-22%
Financial liabilities at amortised cost	-62	-120	48%	-58	-7%	-357	-648	45%
Gains/losses on unbundled insurance contracts	-48	-24	-100%	-23	-109%	-70	-253	72%
Trading / Other	1,327	449	196%	-153		1,206	2,714	-56%
Total	276	497	-44%	177	56%	1,377	2,457	-44%

Note 3 Other administrative expenses

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Property and premises	-300	-300	0%	-247	21%	-1,082	-1,091	-1%
External IT costs	-439	-384	14%	-368	19%	-1,585	-1,338	18%
Communication	-102	-117	-13%	-97	5%	-413	-420	-2%
Travel and marketing	-140	-130	8%	-83	69%	-405	-381	6%
Purchased services	-258	-248	4%	-215	20%	-911	-841	8%
Supplies	-68	-96	-29%	-70	-3%	-298	-303	-2%
Other expenses	-118	-98	20%	-86	37%	-368	-345	7%
Other administrative expenses	-1,425	-1,373	4%	-1,166	22%	-5,062	-4,719	7%

Note 4 Loan losses, impaired loans and pledged assets taken over

Loan losses

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Specific provision for individually valued loan receivables								
Provision for the period	-139	-717	-81%	-368	-62%	-1,615	-3,290	-51%
Write-back of previous provisions	161	116	39%	64	152%	360	234	54%
Total	22	-601		-304		-1,255	-3,056	-59%
Collective provisions								
Net provision for the period for individually valued receivables	24	-26		27	-11%	64	13	392%
Net provision for the period for homogenous loan receivables	7	-12		-2		5	-55	
Net provision for the period for off-balance sheet items	5	-2		3	67%	10	-30	
Total	36	-40		28	29%	79	-72	
Other provisions								
Allocations for off-balance sheet items	0	-2		0	0%	0	-17	
Write-back of previous provisions	-	78		-		-	78	
Guarantees honoured	-	-		-		-	-	
Total	0	76	-100%	0	0%	0	61	-100%
Write-offs								
Actual loan losses for the period	-564	-358	58%	-224	152%	-1,355	-958	41%
Utilised share of previous provisions	167	187	-11%	169	-1%	760	460	65%
Recoveries	46	46	0%	36	28%	264	174	52%
Total	-351	-125	181%	-19		-331	-324	2%
Change in value of repossessed property								
Value change for the period	-	-1		1		0	-1	
Net loan losses	-293	-691	-58%	-294	0%	-1,507	-3,392	-56%

Impaired loans

Impaired loans includes all loans for which not all the contracted cash flows will probably be fulfilled. The full amount of all loans which give rise to a specific provision is included in impaired loans, including amounts which are covered by collateral. This means that the impaired loans reserve ratio is stated without taking into account collateral received. Thus this key figure may vary substantially between the quarters, even though the provisioning policies are unchanged.

SEK m	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Impaired loans	9,212	8,509	8,594	7,886	8,615
Specific provision for individually assessed loans	-5,039	-5,200	-5,218	-5,096	-4,731
Provision for collectively assessed homogenous groups of loans with limited value	-157	-166	-168	-175	-175
Collective provisions for individually assessed loans	-396	-420	-453	-472	-474
Impaired loans, net	3,620	2,723	2,755	2,143	3,235
Total impaired loans reserve ratio	60.7%	68.0%	67.9%	72.8%	62.4%
Proportion of impaired loans, %	0.23%	0.17%	0.17%	0.14%	0.21%
Impaired loans reserve ratio excl. collective provisions	56.4%	63.1%	62.7%	66.8%	56.9%
Loan loss ratio as a % of loans, accumulated	0.10%	0.10%	0.12%	0.14%	0.21%
Non-performing loans which are not impaired loans	1,684	1,812	1,828	1,568	1,519

Impaired loans and/or non-performing loans, by sector

SEK m	Impaired loans			Non-performing loans	
	Gross	Provisions	Net*	Of which non-performing	which are not impaired loans
Private individuals	1,272	-703	569	495	987
Housing co-operative associations	27	-15	12	7	55
Property management	983	-383	600	306	309
Manufacturing	2,394	-1,963	431	303	62
Retail	492	-337	155	128	62
Hotel and restaurant	177	-88	89	86	9
Passenger and goods transport by sea	1,342	-206	1,136	1	-
Other transport and communication	206	-130	76	68	10
Construction	403	-174	229	218	103
Electricity, gas and water	36	-14	22	-	-
Agriculture, hunting and forestry	49	-28	21	19	1
Other services	365	-226	139	126	32
Holding, investment and insurance companies, etc.	1,189	-721	468	7	27
Other corporate lending	277	-208	69	62	27
Credit institutions	-	-	-	-	-
Total	9,212	-5,196	4,016	1,826	1,684

* Book value after deduction of specific provisions

SEK m	Impaired loans			Non-performing loans	
	Gross	Provisions	Net*	Of which non-performing	which are not impaired loans
Private individuals	1,222	-664	558	541	966
Housing co-operative associations	90	-15	75	71	85
Property management	1,304	-538	766	318	92
Manufacturing	2,852	-2,190	662	599	130
Retail	607	-444	163	20	44
Hotel and restaurant	29	-24	5	2	11
Passenger and goods transport by sea	-	-	-	-	-
Other transport and communication	142	-111	31	20	5
Construction	335	-155	180	122	101
Electricity, gas and water	10	-8	2	-	2
Agriculture, hunting and forestry	33	-23	10	7	0
Other services	63	-46	17	16	11
Holding, investment and insurance companies, etc.	1,239	-370	869	5	5
Other corporate lending	614	-309	305	239	67
Credit institutions	75	-9	66	66	-
Total	8,615	-4,906	3,709	2,026	1,519

* Book value after deduction of specific provisions

Pledged assets taken over

SEK m	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Buildings and land	39	85	78	33	33
Shares and other participating interests	1	1	1	1	1
Other	31	29	30	34	38
Total pledged assets taken over	71	115	109	68	72

Note 5 Loans to the public

SEK m	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
SEK loans					
- to households	555,670	547,198	533,897	520,841	511,315
- to companies	447,617	447,444	445,031	441,311	432,990
- to National Debt Office	6,760	2,966	3,414	3,023	11,279
Total	1,010,047	997,608	982,342	965,175	955,584
Foreign currency loans					
- to households	147,142	140,253	142,899	141,288	144,332
- to companies	330,081	337,034	365,001	366,950	382,638
Total	477,223	477,287	507,900	508,238	526,970
Provision for probable loan losses	-5,592	-5,786	-5,836	-5,727	-5,371
Loans to the public	1,481,678	1,469,109	1,484,406	1,467,686	1,477,183
of which reverse repos	9,196	8,910	5,242	9,957	11,544

Loans to the public, by sector

SEK m	30 December 2010			31 Dec 2009
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans after deduction of provisions
Private individuals	669,772	-703	669,069	626,799
<i>of which mortgage loans in Stadshypotek</i>	<i>526,722</i>	<i>-25</i>	<i>526,697</i>	<i>476,094</i>
<i>of which other mortgage loans</i>	<i>80,808</i>	<i>-67</i>	<i>80,741</i>	<i>82,779</i>
<i>of which other loans to private individuals</i>	<i>62,242</i>	<i>-611</i>	<i>61,631</i>	<i>67,926</i>
Housing co-operative associations	111,703	-15	111,688	103,416
<i>of which mortgage loans in Stadshypotek</i>	<i>98,032</i>	<i>-4</i>	<i>98,028</i>	<i>92,789</i>
Property management	355,654	-383	355,271	345,986
Manufacturing	55,801	-1,963	53,838	65,550
Retail	32,728	-337	32,391	38,250
Hotels and restaurants	6,678	-88	6,590	7,643
Passenger & goods transport by sea	14,560	-206	14,354	16,730
Other transport and communication	38,396	-130	38,266	39,310
Construction	13,460	-174	13,286	13,803
Electricity, gas, water	22,152	-14	22,138	22,022
Agriculture, hunting and forestry	6,478	-28	6,450	4,629
Other services	17,388	-226	17,162	18,143
Holding, investment, insurance companies, mutual funds etc.	90,185	-721	89,464	109,655
Government and municipalities	16,995	-	16,995	21,248
Other corporate lending	35,320	-208	35,112	44,473
Total loans to the public, before taking into account collective provisions	1,487,270	-5,196	1,482,074	1,477,657
Collective provisions			-396	-474
Total loans to the public			1,481,678	1,477,183

Specification of Loans to the public – Property management

SEK m	30 December 2010			31 Dec 2009
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans after deduction of provisions
Loans in Sweden				
State-owned property companies	12,269	-	12,269	6,855
Municipal-owned property companies	18,797	-	18,797	18,152
Residential property companies	67,004	-21	66,983	58,547
<i>of which mortgage loans</i>	47,206	-1	47,205	37,177
Other property management	114,236	-167	114,069	119,257
<i>of which mortgage loans</i>	50,815	-8	50,807	49,566
Total loans in Sweden	212,306	-188	212,118	202,811
Loans outside Sweden				
Denmark	5,629	-38	5,591	5,766
Finland	16,961	-	16,961	21,516
Norway	64,568	-91	64,477	65,061
Great Britain	43,417	-62	43,355	41,294
Other countries	12,773	-4	12,769	9,538
Total loans outside Sweden	143,348	-195	143,153	143,175
Total loans - Property management	355,654	-383	355,271	345,986

Credit risk exposure

SEK m	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Loans to the public	1,481,678	1,469,109	1,484,406	1,467,686	1,477,183
<i>of which reverse repos</i>	9,196	8,910	5,242	9,957	11,544
Loans to credit institutions	206,463	216,274	282,165	178,382	168,100
<i>of which reverse repos</i>	90,121	99,449	103,730	71,437	64,701
Unutilised part of granted overdraft facilities	164,385	182,939	166,028	162,474	163,259
Credit commitments	240,286	229,420	225,146	213,728	218,826
Other commitments	2,802	3,163	2,702	2,571	1,971
Guarantees, credits	17,751	17,895	22,095	20,781	20,178
Guarantees, other	40,210	41,751	46,283	46,232	48,038
Documentary credits	37,055	47,330	46,961	42,150	42,474
Derivatives *	102,283	142,023	143,925	110,054	107,155
Treasury bills and other eligible bills	50,738	48,805	88,443	113,836	105,156
Bonds and other interest-bearing securities	68,500	85,044	74,308	77,649	70,846
Total	2,412,151	2,483,753	2,582,462	2,435,543	2,423,186

* Refers to the total of positive market values

Note 6 Capital base and capital requirement in the banking group

The quantitative information provided in this section follows the directives and general guidelines of the Swedish Financial Supervisory Authority concerning publication of information relating to capital adequacy and risk management. Figures reported in this section refer to the minimum capital requirements under Pillar 1 of Basel II.

Capital base

SEK m	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
TIER 1 CAPITAL					
Equity, group	88,391	84,698	82,592	85,316	83,088
Accrued dividend, current year	-5,611	-3,741	-2,494	-1,247	-4,988
Dividend for previous year (unpaid)				-4,988	
Deduction of equity outside the banking group	-243	-249	-268	-68	-41
Deduction of earnings outside the banking group	-440	-354	-271	-135	-55
Minority interests, group	-1	0	0	-1	-1
Equity, capital base	82,096	80,354	79,559	78,877	78,003
Tier 1 capital contribution	14,199	14,219	14,612	14,501	14,845
Minority interests, banking group	347	295	290	296	282
Deducted items					
Goodwill and other intangible assets	-6,838	-6,859	-7,001	-7,077	-7,252
Revaluation reserve	-122	-124	-126	-128	-130
Deferred tax assets	-337	-406	-435	-293	-303
Special deduction for IRB institutions	-715	-605	-691	-334	-443
Capital contribution in companies outside the banking group	-234	-234	-234	-233	-233
Positions in securitisation	-219	-216	-249	-333	-165
Adjustments in accordance with stability filter					
Cash flow hedges	457	646	648	420	217
Unrealised accumulated gains, shares	-1,241	-648	-388	-304	-56
Unrealised accumulated gains/losses, fixed income instruments	403	468	602	651	810
Total Tier 1 capital	87,796	86,890	86,587	86,043	85,575
TIER 2 CAPITAL					
Perpetual subordinated loans	11,664	17,021	18,399	17,753	18,650
Dated subordinated loans	17,248	17,344	18,658	18,522	24,424
Additional items					
Unrealised accumulated gains, shares	1,241	648	388	304	56
Revaluation reserve	122	124	126	128	130
Deducted items					
Special deduction for IRB institutions	-715	-605	-691	-334	-443
Capital contribution in companies outside the banking group	-234	-234	-234	-233	-233
Positions in securitisation	-219	-216	-249	-333	-165
Total Tier 2 capital	29,107	34,082	36,397	35,807	42,419
Total Tier 1 and Tier 2 capital	116,903	120,972	122,984	121,850	127,994
Deductible items from total capital base					
Capital contribution in insurance companies	-4,567	-4,717	-4,717	-4,717	-4,717
Surplus value pension assets	-1,367	-1,489	-1,682	-1,872	-1,524
Total capital base for capital adequacy purposes	110,969	114,766	116,585	115,261	121,753

Capital requirement

SEK m	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Credit risk according to standardised approach	4,051	4,210	4,489	4,558	4,290
Credit risk according to IRB approach	33,269	34,648	37,017	37,430	39,033
Interest rate risk	1,346	1,570	1,517	1,234	1,308
Equity price risk	27	27	31	22	30
Exchange rate risk	-	-	-	-	-
Commodities risk	28	43	49	36	41
Settlement risk	-	-	-	-	-
Operational risk	3,849	3,849	3,849	3,849	3,484
Total capital requirement according to Basel II	42,570	44,347	46,952	47,129	48,186
Adjustment according to transitional rules	33,715	31,119	29,428	28,403	27,102
Capital requirement according to Basel II, transitional rules	76,285	75,466	76,380	75,532	75,288
Risk-weighted assets, Basel I	1,214,308	1,198,051	1,215,037	1,190,626	1,190,218
Risk-weighted assets, Basel II	532,136	554,342	586,893	589,125	602,330
Capital requirement according to Basel I (8% of risk-weighted assets)	97,145	95,844	97,203	95,250	95,217

Capital adequacy analysis

	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Capital requirement in Basel II compared to Basel I	44%	46%	48%	49%	51%
Capital requirement in Basel II compared to transitional rules	56%	59%	61%	62%	64%
Capital ratio according to Basel II	20.9%	20.7%	19.9%	19.6%	20.2%
Capital ratio according to Basel I	9.3%	9.7%	9.8%	9.8%	10.3%
Capital ratio according to transitional rules	11.6%	12.2%	12.2%	12.2%	12.9%
Tier 1 ratio according to Basel II	16.5%	15.7%	14.8%	14.6%	14.2%
Tier 1 ratio according to Basel I	7.3%	7.3%	7.2%	7.3%	7.3%
Tier 1 ratio according to transitional rules	9.2%	9.2%	9.1%	9.1%	9.1%
Capital base in relation to capital requirement Basel II	261%	259%	248%	245%	253%
Capital base in relation to capital requirement Basel I	116%	121%	122%	122%	129%
Capital base in relation to capital requirement according to transitional rules	145%	152%	153%	153%	162%

Figures reported in this section refer to the minimum capital requirements under Pillar 1 of the capital adequacy rules, Basel II. In the table, "According to Basel II" means that the figures are based on the minimum capital requirements after the transitional rules have ceased to apply.

Credit risks IRB

SEK m	Exposure after credit risk protection (EAD)		Average risk weight, %		Capital requirement	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Corporates	859,427	918,506	37.7	42.6	25,922	31,290
<i>of which repos and securities loans</i>	12,317	14,368	0.5	1.0	5	12
<i>of which other loans</i>	365,655	904,138	45.7	43.2	13,363	31,278
<i>of which other loans advanced</i>	481,455	-	32.6	-	12,554	-
Households	691,474	643,585	7.4	9.1	4,095	4,680
<i>of which property loans</i>	610,234	555,021	5.7	6.7	2,781	2,984
<i>of which other loans</i>	81,240	88,564	20.2	23.9	1,314	1,696
Small companies	29,941	31,435	40.8	42.9	977	1,080
Institutions	181,574	167,270	10.7	10.5	1,557	1,406
<i>of which repos and securities loans</i>	102,593	90,401	0.6	0.4	46	31
<i>of which other loans</i>	78,981	76,869	23.9	22.4	1,511	1,375
Other	13,229	13,931	67.9	51.8	718	577
Total IRB	1,775,645	1,774,727	23.4	27.5	33,269	39,033
<i>of which repos and securities loans</i>	114,910	104,769	0.6	0.5	51	43
<i>of which other loans</i>	457,864	994,938	42.6	41.8	15,592	33,230
<i>of which other loans advanced</i>	1,202,871	675,020	18.3	10.7	17,626	5,760

Handelsbanken is implementing the IRB model for its credit exposures in stages. Swedish, Danish, Finnish and Norwegian exposures to households and small companies, and corresponding exposures in the Handelsbanken Finans and Stadshypotek Groups have been approved for IRB reporting. For corporate and institutional exposures, the exposures at all regional banks, Stadshypotek and Handelsbanken Finans have been approved for calculation of the capital requirement according to the IRB model, as have exposures to institutions and large companies at Handelsbanken's foreign branches that are not part of the regional banking operations. In 2010, the Bank received permission from the Swedish Financial Supervisory Authority to report parts of its corporate portfolio according to the advanced IRB approach, with the first reporting occasion as at 31 December 2010. The permit refers to counterparties which are categorised as medium-sized companies, property companies and housing co-operative associations. The transition to the advanced

method for these exposures has had a marginal effect on the risk-weighted assets. The table presents the corporate exposure as at 31 December 2010 according to both the foundation and the advanced methods of reporting. In addition, repos and securities loans are reported separately in the table, since they give rise to very low capital requirements, while the volume varies considerably over time. The low capital requirement is due to the fact that the exposure in repos and securities loans is reported gross and the exposure is secured.

The average risk weight for IRB exposures went down by 4.1 percentage points during the year. For corporate exposures, the average risk weight went down by 4.9 percentage points. This was mainly because the Bank has increased its lending to creditworthy customers and has reduced lending to customers with a poorer credit rating. This trend is due to a slightly positive credit migration to better risk categories.

Note 7 Goodwill and other intangible assets

SEK m	Full year 2010	Full year 2009
Opening residual value	7,319	7,057
Additional during the period	100	413
The period's amortisation	-97	-80
The period's impairments	-2	-25
Foreign exchange effect	-415	-46
Closing residual value	6,905	7,319

Note 8 Derivatives

SEK m	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Positive market values					
Trading	81,620	116,654	115,348	86,181	90,096
Fair value hedges	19,409	24,697	27,914	23,278	16,369
Cash flow hedges	1,254	673	663	595	690
Total	102,283	142,024	143,925	110,054	107,155
Negative market values					
Trading	92,557	136,780	113,555	95,099	88,292
Fair value hedges	8,111	8,510	7,047	4,778	4,022
Cash flow hedges	1,085	1,367	1,419	1,089	787
Total	101,753	146,657	122,021	100,966	93,101

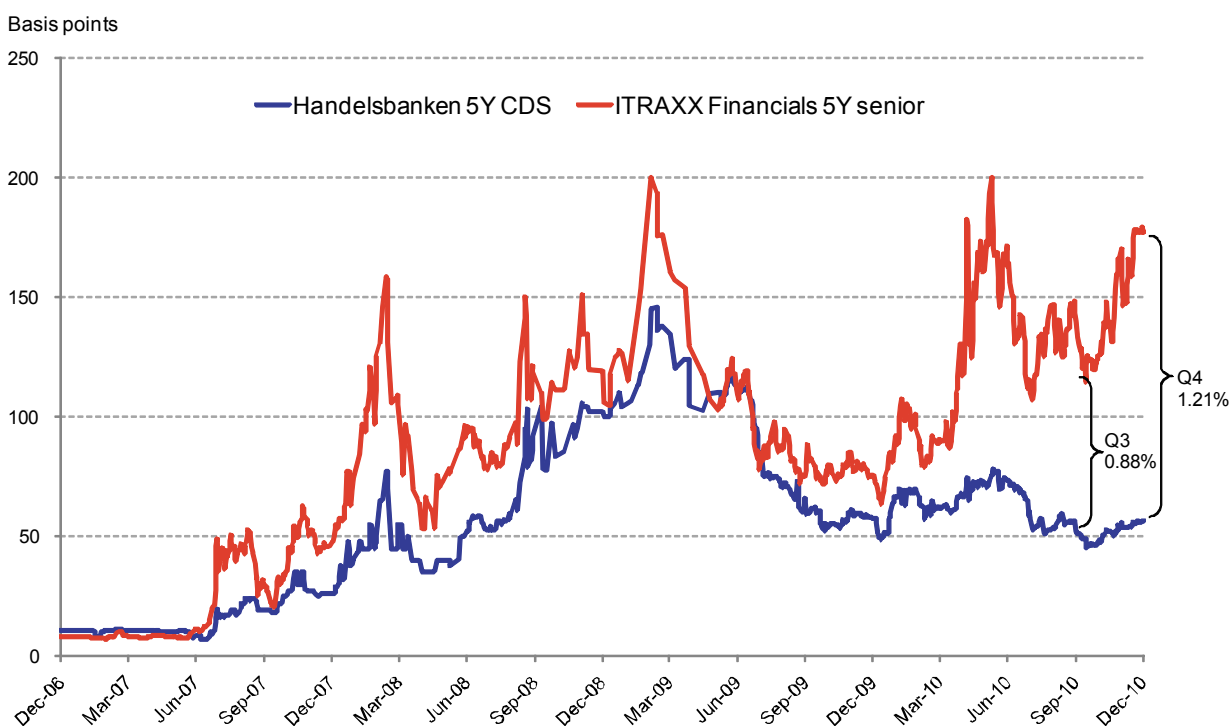
Note 9 Risks and uncertainty factors

Although the Swedish economy performed well during the year, the situation regarding the global recovery is still highly uncertain. The global economy is in a state of imbalance, with large, indebted economies. In the eurozone, several countries decided on substantial savings in their government budget and these will come into force in 2011. As long as the imbalances prevail, the unstable situation will continue to affect the financial markets. However, Handelsbanken's historically low tolerance of risks, sound capitalisation and strong liquidity mean that the Bank is well equipped to operate under these conditions.

Handelsbanken's loan losses continued to decrease during the fourth quarter. The credit risk, measured as the average risk weight in approved IRB exposures, went down during the quarter, in terms of both corporate and household exposures.

Throughout the period, the Bank has had continuous access to funding on the financial markets. The graph below, which shows Handelsbanken's CDS spread compared with the largest issuers in the European banking and insurance sector, illustrates that the Bank has been ascribed a low credit risk on the funding market.

Handelsbanken's 5-year CDS spread compared with ITRAXX Financials 2007-2010



ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European bank and insurance sectors. It describes the average premium that an investor requires in order to accept credit risk on the companies.

Handelsbanken's liquidity situation is healthy. As part of its strategy to reduce its liquidity risks, the Bank has worked for a long time on extending its bond funding and ensuring that liquidity risks are included in internal pricing. During the third quarter, Handelsbanken became the first Nordic bank to issue covered bonds in the US. This allows for a further diversification of the Bank's long-term funding. The total liquidity reserves ensure that the Bank can maintain its present operations even if the situation on the financial markets were to deteriorate considerably and the access to new funding in the markets were to disappear.

Handelsbanken has continued its work of preparing for the new liquidity regulations which are being drafted. One step in these preparations is to centralise all liquidity management. The new

organisation strengthens control of liquidity risks and optimises the Bank's funding.

For the fourth quarter of 2010, the total exposure in Handelsbanken Capital Markets' trading portfolio, measured as Value-at Risk (VaR), was on average SEK 22 million (Q4 2009: SEK 40 million). During the period, the risk varied between SEK 13 million (26) and 35 million (71).

Other aspects of the Bank's risk and capital management are described in Handelsbanken's 2009 annual report and in Handelsbanken's Risk and Capital Management – Information according to Pillar 3. No material changes have occurred since the publication of these documents that are not presented in these highlights of the annual report.

Note 10 The Handelsbanken share

	Q4 2010	Q4 2009	Q3 2010	Full year 2010	Full year 2009
Number of repurchased shares, end of period	-	-	-	-	-
Holding of own shares in trading book, end of period	-	160,591	23,847	-	160,591
Number of outstanding shares after repurchases and deduction for trading book, end of period	623,469,462	623,308,871	623,445,615	623,469,462	623,308,871
Number of outstanding shares after dilution, end of period	635,710,659	635,550,068	635,686,812	635,710,659	635,550,068
Average holdings of own shares (repurchased and holdings in trading book)	984,173	1,082,260	1,086,973	1,375,013	205,546
Average number of outstanding shares after dilution	622,485,289	622,387,202	622,382,489	622,094,449	623,263,916
	634,726,486	636,161,028	635,260,155	634,335,646	642,588,544
Share price ordinary class A, SEK	214.90	204.20	220.90	214.90	204.20
Market capitalisation, SEK bn	134	127	138	134	127

Note 11 Turnover of own debt instruments and shares

The Handelsbanken Group issues and repurchases debt instruments which it has issued on its own account and its own shares. This turnover is mainly intended as part of the Bank's securities operations and also as a component in financing its operations. During the period January to December 2010, the turnover was:

Interest-bearing securities, bonds and certificates (SEK billion):

	Group	Parent company
Issued (sold):	1,432	921
Repurchased (bought):	241	59
Repaid:	1,126	843

Equity-related securities (SEK billion):

Issued (sold):	4.2
Repurchased (bought):	4.3

Note 12 Contingent liabilities

Total contingent liabilities were SEK 95,111 million (110,799), most of which are credit guarantees. This amount includes SEK 92 million (106) relating to a number of civil actions which the Group is bringing in general courts of law.

Note 13 Related-party transactions

During the year, normal business transactions have been carried out between Group companies. In the second quarter, Svenska Handelsbanken AB sold shares to Svenska Handelsbankens Pensionsstiftelse (pension foundation) and Pensionskassan SHB försäkringsförening (pension fund) for a value of SEK 417 million. The transaction was completed on business terms. The following comprise the group of "Other related parties": Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbanken Personalstiftelse (staff foundation) and Pensionskassan SHB, försäkringsförening (pension fund). These entities use Svenska Handelsbanken AB for customary banking and accounting services.

Note 14 Discontinued operations

Discontinued operations essentially comprise profit from the acquired parts of the Plastal Group. It is the Bank's intention to divest its holdings in the Plastal Group as soon as adequate conditions occur.

Parent company

PARENT COMPANY'S INCOME STATEMENT

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Net interest income	3,779	3,643	4%	3,693	2%	14,549	14,584	0%
Dividends received	1,625	3,673	-56%	30		2,749	6,687	-59%
Net fee and commission income	1,768	1,627	9%	1,556	14%	6,455	5,995	8%
Net gains/losses on financial items	299	594	-50%	150	99%	790	2,453	-68%
Other income	188	174	8%	142	32%	624	597	5%
Total income	7,659	9,711	-21%	5,571	37%	25,167	30,316	-17%
Staff costs	-1,943	-1,844	5%	-2,318	-16%	-8,838	-8,938	-1%
Other administrative expenses	-1,368	-1,247	10%	-1,103	24%	-4,775	-4,450	7%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-126	-137	-8%	-134	-6%	-533	-574	-7%
Total expenses before loan losses	-3,437	-3,228	6%	-3,555	-3%	-14,146	-13,962	1%
Profit before loan losses	4,222	6,483	-35%	2,016	109%	11,021	16,354	-33%
Net loan losses	-280	-828	-66%	-288	-3%	-1,466	-3,781	-61%
Impairments of financial assets	-200	-30		-		-470	-30	
Operating profit	3,742	5,625	-33%	1,728	117%	9,085	12,543	-28%
Appropriations	26	1,017	-97%	27	-4%	108	1,100	-90%
Profit before tax	3,768	6,642	-43%	1,755	115%	9,193	13,643	-33%
Taxes	-1,051	-1,471	-29%	-452	133%	-2,548	-2,784	-8%
Profit for the period	2,717	5,171	-47%	1,303	109%	6,645	10,859	-39%

PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Profit for the period	2,717	5,171	-47%	1,303	109%	6,645	10,859	-39%
Other comprehensive income								
Cash flow hedges	406	82	395%	51		-186	13	
Available-for-sale instruments	905	571	58%	557	62%	2,188	3,277	-33%
Translation differences for the period	-22	229		-1,098	98%	-1,462	51	
Tax related to other comprehensive income	-347	-157	-121%	-160	-117%	-549	-927	41%
Total other comprehensive income	942	725	30%	-650		-9	2,414	
Total comprehensive income for the period	3,659	5,896	-38%	653	460%	6,636	13,273	-50%

PARENT COMPANY'S BALANCE SHEET

SEK m	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009
Assets					
Cash and balances with central banks	56,346	75,626	122,263	122,551	49,681
Treasury bills and other eligible bills	43,218	40,384	78,131	105,234	96,701
Loans to credit institutions	537,058	520,257	520,072	422,140	414,441
Loans to the public	659,212	671,124	698,803	702,526	723,056
Bonds and other interest-bearing securities	60,618	75,423	65,269	65,339	58,089
Shares	35,113	30,890	21,943	26,511	21,167
Shares in subsidiaries and participating interests in associated companies	33,010	33,195	33,195	33,458	33,458
Assets where the customer bears the value change risk	2,080	2,041	2,963	3,046	3,376
Derivative instruments	109,192	149,662	140,533	115,068	110,177
Intangible assets	1,516	1,540	1,625	1,681	1,782
Property and equipment	1,724	1,740	1,787	1,736	1,750
Current tax assets	-	-	-	-	-
Deferred tax assets	322	391	403	241	231
Other assets	58,593	25,424	20,158	39,676	41,670
Prepaid expenses and accrued income	4,624	5,310	4,579	5,345	4,691
Total assets	1,602,626	1,633,007	1,711,724	1,644,552	1,560,270
Liabilities and equity					
Due to credit institutions	310,084	269,482	305,311	246,743	272,712
Deposits and borrowing from the public	527,213	551,360	556,527	554,658	522,503
Liabilities where the customer bears the value change risk	2,112	2,063	2,998	3,075	3,419
Issued securities	483,305	464,089	531,499	519,796	474,205
Derivative instruments	118,506	167,332	136,173	120,887	110,788
Other trading liabilities	36,026	38,200	37,584	41,308	29,647
Current tax liabilities	382	302	248	119	369
Deferred tax liabilities	90	86	88	89	90
Provisions	74	138	167	170	188
Other liabilities	13,382	24,327	22,965	36,660	20,106
Accrued expenses and deferred income	8,350	9,030	9,235	9,219	8,333
Subordinated liabilities	43,959	49,913	53,139	52,082	59,021
Total liabilities	1,543,483	1,576,322	1,655,934	1,584,806	1,501,381
Untaxed reserves	1,110	1,147	1,221	1,275	1,368
Share capital	2,899	2,899	2,899	2,899	2,899
Statutory reserve	2,682	2,682	2,682	2,682	2,682
Retained earnings	45,807	46,029	46,363	51,552	41,081
Profit for the period	6,645	3,928	2,625	1,338	10,859
Total equity	58,033	55,538	54,569	58,471	57,521
Total liabilities and equity	1,602,626	1,633,007	1,711,724	1,644,552	1,560,270
Memorandum items					
Assets pledged for own debt	79,591	101,377	129,833	126,697	171,051
Other assets pledged	4,398	4,030	5,176	3,878	4,256
Contingent liabilities and commitments	131,479	145,890	156,232	151,255	154,336
Other commitments	403,029	410,664	387,560	371,673	376,563

The information for the parent company with comments concerning financial performance, significant events and risk is covered by the report provided for the whole of the Handelsbanken Group.

SUBMISSION OF REPORT

I hereby submit these highlights of the annual report.

Stockholm, 9 February 2011

Pär Boman
President and Group Chief Executive

PHONE CONFERENCE

A phone conference with the Bank's CFO, Mr Ulf Riese, will be held on 9 February 2011 at 2 p.m. CET.

Press releases, presentations, a fact book and a recording of the phone conference are available at www.handelsbanken.se/ireng

The annual report for 2010 will be published in the last week of February and will then be available on the Bank's website.

The interim report for January–March 2011 will be published on 27 April 2011.

The Bank's 2011 annual general meeting will be held at the Grand Hôtel's Winter Garden, Royal Entrance, Stallgatan 4, Stockholm, at 10.00 a.m. on Wednesday, 23 March.

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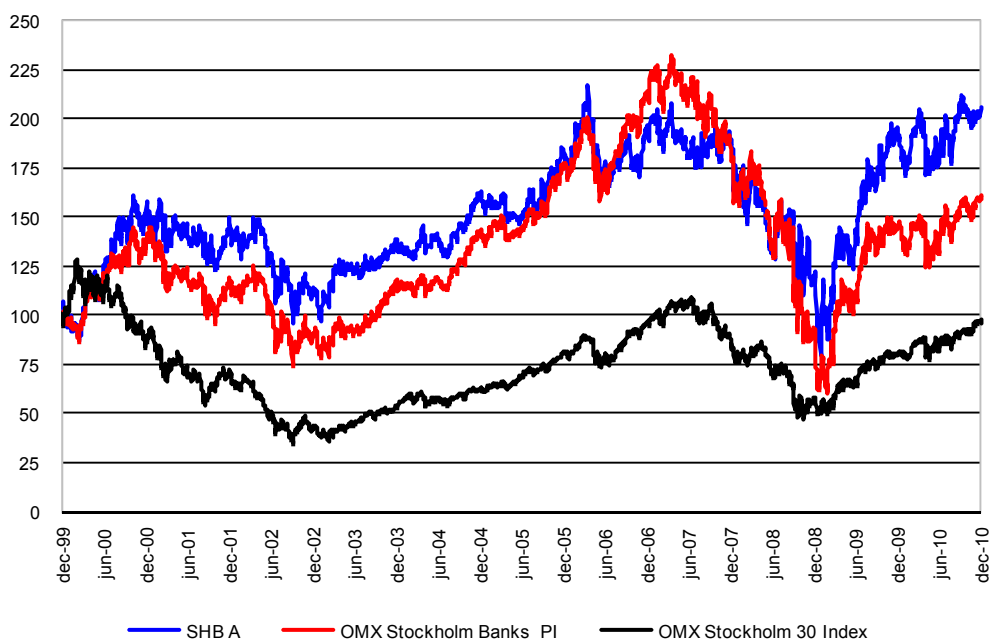
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Share price performance and other information

The Swedish stock market grew by 21 per cent during the year. The Stockholm stock exchange's bank index rose by 10 per cent. Handelsbanken's class A shares ended the year at SEK 214.90, an increase of 5 per cent. Since 1 January 2000, Handelsbanken's share price has increased by 101 per cent, while the Stockholm stock exchange has fallen by 4 per cent.

SHARE PRICE PERFORMANCE, 31 DECEMBER 1999 – 31 DECEMBER 2010



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