

2010

Annual report



Highlights of 2010

- Operating profit for continuing operations increased by 8 per cent to SEK 14,770 million (13,727)
- 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 increased to 12.9 per cent (12.6)
- Income went down to SEK 31,296 million (32,335) and expenses decreased to SEK -15,018 million (-15,220)
- Net interest income decreased by 3 per cent to SEK 21,337 million (22,000)
- Net fee and commission income rose by 9 per cent to SEK 8,022 million (7,393)
- The loan loss ratio fell to 0.10 per cent (0.21) and loan losses were 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)

ANNUAL GENERAL MEETING (SHAREHOLDERS' MEETING)

Location: Grand Hotel's Winter Garden, Royal entrance,
Stallgatan 4, Stockholm
Time: Wednesday 23 March 2011, 10 a.m.

Notice of attendance

Shareholders wishing to attend the AGM must be entered in the register of shareholders kept by Euroclear Sweden AB (formerly VPC AB), by Thursday, 17 March 2011 at the latest.

Notice of attendance is to be made to the Board Office, Handelsbanken, Kungsträdgårdsgatan 2, SE-106 70 Stockholm, Sweden, telephone +46 8 701 19 84, or online at www.handelsbanken.se/bolagsstamma by Thursday, 17 March 2011 at the latest.

To be entitled to take part in the meeting, shareholders whose shares are nominee-registered must also request a temporary entry in the register of shareholders kept by Euroclear. Shareholders must notify the nominee of this well before Thursday, 17 March 2011, when this entry must have been effected.

Dividend

The board proposes that the record day for the dividend be Monday, 28 March 2011, which means that the Handelsbanken share will be traded ex-dividend on Thursday, 24 March 2011. If the meeting resolves in accordance with the proposal, Euroclear expects to distribute the dividend on Thursday 31 March 2011.

CORPORATE SOCIAL RESPONSIBILITY

Handelsbanken has a vital role to play in society. It is important that the Bank takes civic responsibility in order to gain the confidence of its various stakeholder groups. This is also a condition for the Bank's success and profitability in the long term. To facilitate matters for the various stakeholders with different perspectives, the annual presentation of the Bank's operations has been divided into two publications. In the annual report, the main focus is on financial matters, with a summary on corporate social responsibility. The separate sustainability report to be published shortly describes the Bank's work with corporate social responsibility in more detail.

Read more about Handelsbanken's activities relating to corporate social responsibility on the Bank's website www.handelsbanken.se/csreng.

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Svenska Handelsbanken AB (publ)
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www.handelsbanken.com

This Annual Report is also available in Swedish.

Growth and returns

- Earnings per share in 2010 increased from SEK 16.44 to SEK 17.72.
- Handelsbanken's return on equity for total operations was 12.9 per cent. Operating profit for 2010 was SEK 14.8 billion.
- Our Tier 1 capital grew by SEK 2.2 billion during the year. The capital base amounted to SEK 111 billion and the capital ratio according to Basel II increased to 20.9 per cent.
- These results meant that for the 39th year running Handelsbanken achieved its corporate goal of a higher return on equity than the average for its competitors.
- Over the past five years, Handelsbanken's equity, including dividends paid and share buybacks, has grown by an average of 15 per cent per year. During the same five-year period, total dividends were SEK 27.4 billion.
- There has not been a single quarter during the past five years when return on equity – after loan losses and tax – has fallen below 12 per cent. Handelsbanken has not issued any new shares during the same period.
- Last year, Handelsbanken once again had the most satisfied customers in the Nordic region. In Great Britain, the Bank's lead over its closest competitors was even greater.
- Demand for credit slowed during the year, particularly from corporate customers. However, the number of credit commitments issued rose. Savings business also performed significantly better than in previous years.
- In 2010, 21 branches were opened in Great Britain and a third regional bank with its head office in Birmingham was established as of 1 January 2011.

Throughout 2010, the unrest on capital markets continued, with several countries in the eurozone experiencing such significant imbalances in government finances that the members of the monetary union were forced to take extensive joint support action. Despite very resolute efforts from the European Central Bank (ECB) and others, the average credit insurance cost for the banking sector was on several occasions on a par with or higher than the levels noted immediately after the Lehman crash in autumn 2008.

There is reason to assume that the debt crisis which several Western economies are currently struggling with will affect the financial markets for a long time to come.

In many parts of the world, governments and public authorities are involved in extensive programmes aimed at rebuilding and reorganising their financial systems in one way or another. One example of these initiatives is the work to develop new international regulations for banks – Basel III. In the past year, a great deal has become clearer – but the implementation process is lengthy and the effects are therefore still difficult to assess.

However, the combination of new regulations and a financial crisis has already created bottlenecks, an example being the increasing shortage of long-term capital.

In the past year, Handelsbanken has therefore continued to strengthen its finances and maintain a relatively high liquidity

position. We still have very good access to long-term funding and in 2010, we developed our funding opportunities in areas such as Asia and the US.

The cost of our funding is among the lowest of all the major banks in the West, a consequence of our good rating and stable finances, and the Bank's balance sheet is structured entirely on commercial terms, without any support from the government or central banks.

DEVELOPMENTS IN 2010

Over the past year, we have continued to expand our range of products and our branch network. Developments in asset management and growth in Great Britain are worthy of special mention.

The Bank's operating profit for 2010 increased by 8 per cent to SEK 14,770 million (13,727).

So far during the financial crisis, in each individual quarter, Handelsbanken has reported a return on equity of more than 12 per cent after loan losses and tax.

Equity grew by SEK 5.3 billion during the year to SEK 88.4 billion after the paid dividend of SEK 4,988 million.

Over the past five years, equity, including dividends paid and repurchases, has grown by an average of 15 per cent per year. Handelsbanken has not issued any new shares during the same period. During this five-year period, the total amount of dividend paid was SEK 27.4 billion.

The largest owners in the Bank are its associated investment company, Industrivärden, which was founded by Handelsbanken in 1944, and the Bank's employees, via the Oktogonen Foundation. These each own just over 10 per cent of Handelsbanken. This long-established and stable ownership situation has helped make it possible for the Bank to work with long-term value creation.

MEETING OUR CUSTOMERS

We have organised the whole of our bank so that we can achieve successful meetings with customers. We have a large branch network, with a strong local presence which helps to create long-term, close and successful customer relations.

Our branches have a high degree of autonomy. This results in better meetings with customers, providing them with offers and solutions that fulfil their particular needs in their local market – and a decision there and then. The customer wants to meet the person who makes the decision and not give an account of their situation to a messenger.

Yet, although our customer relations originate at the customer's branch, relatively few meetings actually take place there. The personal meeting, between real people, is still the most important, but is no longer the most common.

Nowadays, our customers are more likely to come into contact with Handelsbanken via a standard phone, a mobile phone, or online.

This is why new demands are increasingly being made on these new meeting places. Customers want the freedom to choose the point of contact that best suits their needs on a particular occasion – preferably without restrictions as to the type of business they can do, regardless of whether their point of contact is one of our branches, online or on an iPad.

OUR HOME MARKETS

Our method of running a bank – our business model – has proved to be strong and robust even when the external conditions for running a bank have not been that good. In the past few years, we have grown, both in terms of the number of branches we operate and in terms of market share.

We now have nationwide branch networks in all five of our home markets: Sweden, Great Britain, Denmark, Norway and Finland.

In these markets, we are continually striving to establish a presence in locations where we do not currently have a branch. In Great Britain, the future potential for establishing new branches is deemed to be particularly promising.

GREATER DECENTRALISATION

Handelsbanken has grown during the year, not just in terms of the number of branches, but also in its customer offering, where both products and availability have expanded.

As we grow, however, there is a risk that decision paths become longer, despite our commitment to a flat organisation. We are therefore continually striving to shift responsibility and decision-making from the central head office in Stockholm. An example of this is our decision to set up two separate units, one for the regional banking operations in Sweden and one for the regional banking operations in Great Britain. This will mean that even more important business decisions can be taken closer to customers.

Decentralisation creates commercial benefits at several stages: better and more efficient meetings with customers, which results in more satisfied customers at a lower cost, faster and more informed business decisions, resulting in higher profitability at a lower risk, and an ability – unique to the market – to adapt to new circumstances, needs and customer requirements, despite extremely short lead times.

GROWTH

We are planning for continued growth. This will be achieved by opening branches in new locations, particularly in Great Britain, and also by expanding our range of products and our customer base in all our markets. In Sweden, where we currently have around one quarter of all bank lending to private individuals and companies, the greatest growth potential is mainly in savings and asset management.

To meet our customers' requirements for services in buying and selling equities, commodities, currencies and fixed-income instruments, we are gradually expanding our organisation for trading and research. Our efforts yielded great success during the year in terms of both market share and customer surveys.

Handelsbanken's share of new savings in Sweden in the first three quarters of 2010 was 25 per cent, an increase from 16 per cent for the whole of 2009.

Our investment bank now aims to achieve an equally strong market position in Denmark, Norway and Finland as we have today in Sweden.

In Great Britain, we have now started our third regional bank. We now have regional head offices in Manchester, Birmingham and London. This has significantly enhanced our capacity to open new branches.

In Finland, the completion of an investment programme in IT systems means that we can now offer our Finnish customers an online securities service. In Denmark, Lokalbanken, which was acquired in 2008, has been successfully integrated and the local knowledge of the acquired branches coupled with our strong balance sheet means that we are in a position to increase our market share for both mortgage loans and corporate credits.

Our operations in Norway are performing well in all areas and are growing, in particular because our investment bank – Capital Markets – is integrating its operations with the existing branch office operations. This also applies to our mortgage subsidiary, Stadshypotek. We are currently the fourth largest bank in Norway and are well poised to take over the number three spot in the not-too-distant future.

In Sweden, we have made it easier for customers with more specialised needs to access our specialists and services. For example, customers in forestry and farming have their own pages and products in our online services. The Private Banking units have grown and become more visible.

Large international companies that are active on the international capital markets now have access to an offering where our specialist expertise in cash management, our international presence and the Bank's lending capacity have been highlighted and co-ordinated to a greater extent.

CONFIDENCE – WHAT DO OUR CUSTOMERS SAY?

The confidence of the world in which we operate is an absolute requirement for running a bank.

So there is good reason to give an update on confidence levels in Handelsbanken in 2010.

At the beginning of last year, market research company TNS-Sifo conducted its annual Reputation Index. It is based on interviews with the Swedish public and of all companies mentioned in the survey, Handelsbanken was rated highest. The results of Stockholm University's survey – the Reputation Barometer – also showed that Handelsbanken had a considerably better reputation than its major competitors.

Later in the year, market research company ISI Wissing asked decision-makers in the Swedish business community in which bank they had the greatest confidence. Here too, Handelsbanken came out on top.

After the summer came the annual customer satisfaction survey, which since the end of the 1980s is conducted by SKI/EPSE, an institute with links to the Stockholm School of Economics. It showed that once again, Handelsbanken had the most satisfied customers, both in the corporate and the private market, in all Nordic countries. The results for Sweden produced higher ratings than ever before. Starting two years ago, the same survey is carried out in Great Britain. There, Handelsbanken's lead over its closest competitors is greater than in any other of our home markets.

There are many more examples: in Prospera's survey of Private Banking customers, Handelsbanken took first place in all categories, Handelsbanken's Business Card was voted as the best and Handelsbanken's custody services were the highest rated in the Nordic region.

In light of the above, I think it's fair to say that in the past year Handelsbanken has not only managed to safeguard its trust capital, but has also helped it grow.

AND FINALLY...

In 2010, our return on equity was 12.9 per cent and earnings increased by SEK 1.28 per share. The Tier 1 ratio is good, as is preparedness for managing liquidity, and the balance sheet is structured entirely on commercial terms. Throughout the year, the Bank has had good access to funding at very competitive prices.

During the past five years, the equity, if the dividends paid are taken into consideration, has grown by on average 15 per cent every year.

Customer satisfaction is rising and, compared to our main competitors, is significantly higher. The cost/income ratio was 48.0 per cent, which is among the lowest in the sector.

We will continue to develop long-term customer relations through a strong local presence, where business decisions are decentralised to the person meeting the customer. We will improve



our availability that little bit more, by making our new meeting places, such as mobile phones and online, that little bit better. We will quite simply try to increase the number of meetings we have with customers and to make them that little bit better.

From where we stand today, we are well poised to secure the continued development and growth of the Bank. We have given priority to organic growth in the form of a broader range of products to a wider group of customers through an increasing number of branches in more markets. This does not mean we would be averse to the idea of add-on acquisitions if these were to fit our business concept and corporate culture.

Handelsbanken is and will continue to be a support function for the real economy, operating as a provider of financial services to households and companies in the manner we believe a proper bank should.

The key to our future development will be well trained and committed employees. Accordingly, in the years ahead, we will be taking further measures to ensure the development of the Bank's employees.

Looking back on 2010, it is clear that the Bank's good performance is the result of devoted efforts by all the Bank's employees, to whom I would like to extend my sincere thanks.

I would also like to take this opportunity to thank all our customers for the wonderful confidence you have in us.

Thank you – and welcome to us at Handelsbanken.

Pär Boman
Stockholm, February 2011

Administration report



The administration report describes aspects such as the Bank's concept, goals, operations and organisation. The administration report also contains a report on the performance and profitability of the Bank and its business segments during the financial year. The administration report comprises the Group and where applicable the parent company.





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Concept, goal and profitability

Concept

Handelsbanken is a full-service bank with a decentralised way of working, a strong local presence due to nationwide branch networks and a long-term approach to customer relations.

The Bank grows internationally by establishing its business model on selected markets.

Goal

Handelsbanken's goal is to have higher profitability than the average of comparable banks in its home markets.

This goal is to be achieved by having more satisfied customers and lower costs than those of its competitors.

Profitability

The purpose of Handelsbanken's profitability goal includes offering shareholders long-term, high growth in value, expressed in increasing earnings per share over a business cycle.

High profitability is crucial, not only because it attracts shareholders to the Bank but also because it creates the conditions for growth, a high rating and low funding costs and for the Bank's lending capacity.

The Bank's profitability also affects its ability to manage risks and to achieve efficient capital management.

Goal fulfilment 2010

Handelsbanken's goal is to have higher profitability than the average of banks in its home markets. This goal is to be achieved by the Bank having more satisfied customers and lower costs than its competitors.

OVERALL GOAL

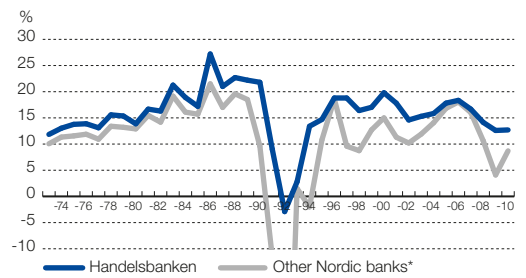
Corporate goal

Handelsbanken's goal is to have a higher return on equity than the average of peer Nordic and British banks.

Goal achievement

Handelsbanken's return on equity for total operations was 12.9 per cent (12.6). Adjusted for one-off items, it was 12.7 per cent (12.6). The corresponding figure for a weighted average of other major Nordic banks was 8.7 per cent (3.9). This means that Handelsbanken fulfilled its corporate goal for the 39th year running.

Return on shareholders' equity, 1973–2010



* For the period until 2002 inclusive, only Swedish banks are included.

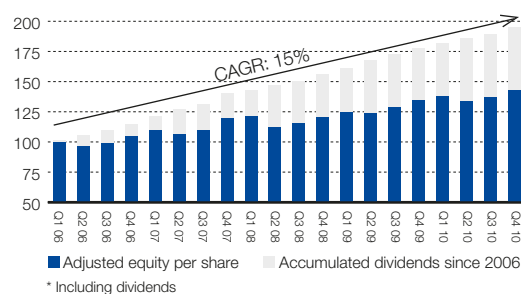
STABLE, HIGH VALUE GROWTH

Growth in equity, including dividends and share repurchase, is a measure of the financial value created.

Outcome

Average growth in equity, including dividends and share repurchases, has been 15 per cent during the past five years. No new shares were issued during the period. The low variation between quarters confirms the Bank's low risk tolerance and is a measure of the stability of the value creation.

Average growth in return on equity 2006–2010*



* Including dividends

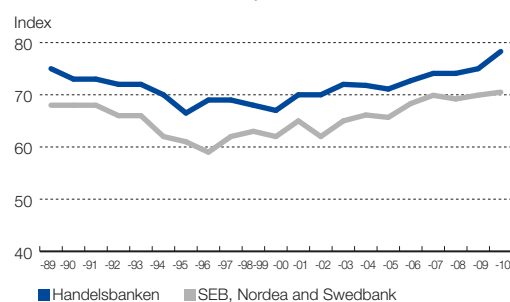
MOST SATISFIED CUSTOMERS

Handelsbanken aims to achieve its profitability goal by having the most satisfied customers. The quality and service level must therefore at least meet customer expectations and preferably exceed them.

Outcome

Handelsbanken continued to have the most satisfied customers of the major banks in Sweden, both private and corporate. The Bank tops these lists in all the Nordic countries and in Great Britain. Satisfied customers are proof of the viability of Handelsbanken's way of working.

Customer satisfaction index, private customers Sweden 1989–2010



MOST COST-EFFECTIVE BANK

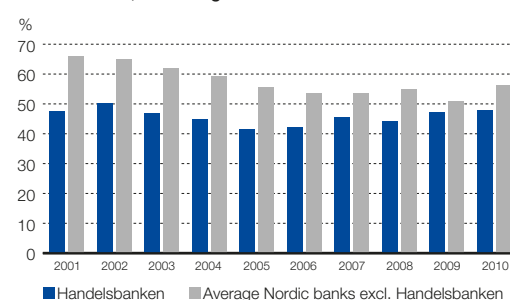
Expenses

The profitability goal will also be achieved by having higher cost-effectiveness than peer banks.

Outcome

Handelsbanken's costs in relation to income for continuing operations were 48.0 per cent (47.1). The corresponding figure for an average of other major Nordic banks was 56.3 per cent (51.3). As in previous years, Handelsbanken had the highest cost-effectiveness of the major listed Nordic banks.

Costs/Income, excluding loan losses 2001–2010



GROWTH

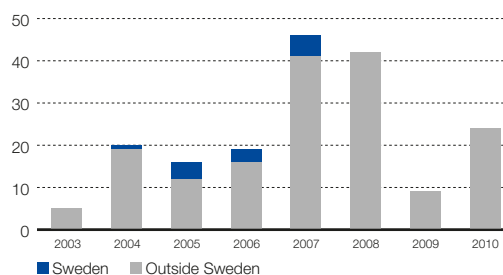
Guidelines

Handelsbanken's business is based on meeting the customer locally. It is therefore natural to open new branches in places where the Bank has not previously had operations.

Outcome

In the past year, Handelsbanken opened a total of 24 new branches, all of them outside Sweden.

Number of new branches 2003–2010



CAPITAL

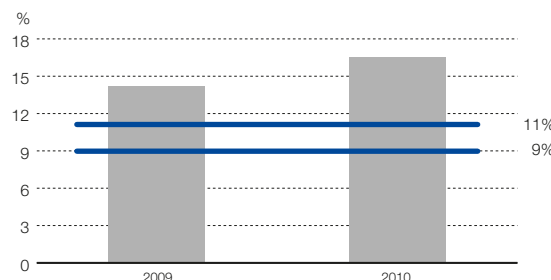
Policy

Handelsbanken aims to have a well-balanced amount of capital. The Bank's goal for the long term is a Tier 1 capital ratio according to Basel II of between 9 and 11 per cent.

Outcome

During the year, the Tier 1 ratio according to Basel II increased to 16.5 per cent (14.2). This increase, which occurred despite higher business volumes, was made possible by a stable earnings performance and active work to reduce risks.

Tier 1 ratio 2009–2010



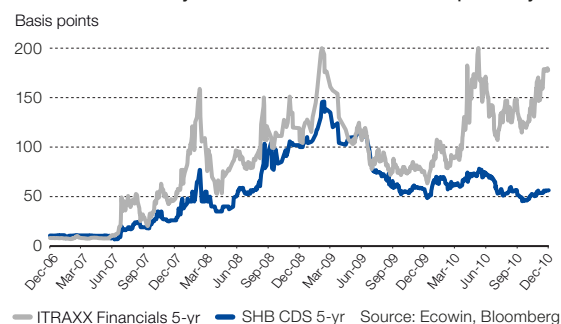
LIQUIDITY AND FUNDING

Handelsbanken aims to be able to manage for at least twelve months without borrowing any new funds in the financial markets.

Outcome

Handelsbanken had good access to liquidity during the year and the proportion of long-term funding increased by SEK 54 billion. The liquidity reserve exceeded SEK 500 billion which covers the liquidity requirement for more than 24 months. The Bank's funding costs are among the lowest in Europe which is confirmed by the market ascribing Handelsbanken the lowest credit risk of all European banks, measured as the CDS spread.

ITRAXX Financials 5-year and Handelsbanken's CDS spread 5-year



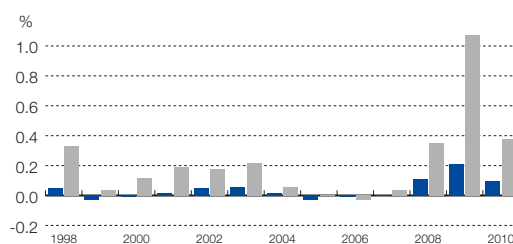
CREDIT QUALITY

Handelsbanken has a low risk tolerance. This means that the quality of credits must never be neglected in favour of achieving higher volume or a higher margin.

Outcome

Loan losses fell to SEK -1,507 million (-3,392). Loan losses as a proportion of lending were 0.10 per cent (0.21). The corresponding figure for an average of other major Nordic banks was 0.38 per cent (1.02).

Loan losses as a percentage of lending 1998–2010



* For the period until 2000 inclusive, only Swedish banks are included.

RATING

Handelsbanken aims to have a high rating with the external rating agencies.

Outcome

The Bank's long-term rating with Standard & Poor's and Fitch was unchanged: AA- with a "stable outlook". Moody's long-term rating was unchanged at Aa2 with a "stable outlook" and the rating for financial strength was C+ (C+).

Nordic bank ratings

31 December 2010	Standard & Poor's		Fitch		Moody's		
	Long term	Short term	Long term	Short term	Financial strength*	Long term	Short term
Handelsbanken	AA-	A-1+	AA-	F1+	C+	Aa2	P-1
SEB	A	A-1	A+	F1	C-	A1	P-1
Nordea	AA-	A-1+	AA-	F1+	C+	Aa2	P-1
Swedbank	A	A-1	A	F1	D+	A2	P-1
Danske Bank	A	A-1	A+	F1	C	Aa3	P-1
DnB NOR Bank	A+	A-1	A+	F1	C	Aa3	P-1

* Bank Financial Strength Rating (BFSR) is an assessment of a bank's own strength regardless of support in any form.

How we run Handelsbanken

Handelsbanken is the oldest listed share on the Stockholm stock exchange and has been conducting banking operations since 1871. Handelsbanken is a full-service bank with a decentralised way of working, a strong local presence due to nationwide branch networks and a long-term approach to customer relations.

Its goal is to achieve higher profitability than the average of its peer banks, by having lower costs and more satisfied customers.

To accomplish this, the Bank's operations are based on some vital, fundamental principles.

FUNDAMENTAL PRINCIPLES

Meeting customers

The Bank forms, maintains and develops strong, long-term customer relationships in successful meetings with customers. The customer's trust is built up over the long term, but is won and nurtured at every meeting.

By winning its customers' trust, Handelsbanken becomes their natural choice as a provider of financial services. So meeting customers is key to Handelsbanken's operations.

In everything it does, the Bank aims, directly or indirectly, to create the best possible conditions for successful meetings with customers.

High availability

Almost all our customer relations originate at the customer's branch, but after this, relatively few meetings actually take place there. And so although the personal meeting is still key, it is no longer the most common type of meeting.

Nowadays, customers meet Handelsbanken far more often via their mobiles, their standard telephones, or online. If not every day, then at least a couple of times a month, a customer will call Handelsbanken or visit the website. This is much more frequent than customers' visits to their local branch.

Between their visits to the branch, customers can and wish to take care of their banking business themselves – when and where it suits the individual customer best. Our task is to give the customer access to his/her banking business, and the greatest possible freedom of action. We like to say that we endeavour to give the customer the keys to the Bank.

Our aim is that customers should be able to move freely between our various meeting-places – but have the same ability to take care of their business, regardless of whether this is at a branch or in a smartphone. Therefore we are constantly working to develop and improve these meeting-places outside the branch – to simply increase our availability all the time, to be there for our customers, whenever and wherever they need us.

A full range of products and services

A vital condition for successful customer meetings is always having the product or service that a customer needs. Handelsbanken never has a niche in favour of a particular group of customers, or in a specific area of products or services. The individual customer's unique requirements are the governing factor. Therefore, Handelsbanken has a full range of products and services to meet all the financial needs of our customers.

Decentralised decisions

Handelsbanken's constant aim is that all important business decisions should be taken as close to the customer as possible. This makes a major contribution to better meetings with customers, better decisions and more satisfied customers.

In addition, our short decision paths mean that we can adapt more quickly to various changes on local markets and make the most of new business opportunities.

Skilled staff

Handelsbanken's decentralised method of working means that we give our staff great responsibility and great authority to conduct customers' business. This high degree of trust is based on a belief in people's willingness and ability to constantly become more skilled in their work and in their efforts to seek and overcome new challenges.

Thus, decentralisation creates independent decision-makers. This ability to make – and experience of making – decisions, coupled with the freedom to approach tasks in one's own way, leads not only to more satisfied customers, but also to more satisfied, more engaged, more responsible and – in particular – more skilled staff.

Profitability before volumes

Since Handelsbanken adapts its offering to each individual's unique needs and circumstances, the Bank has no requirements as regards volumes. The Bank instead measures its success in profitability, cost-effectiveness and customer satisfaction.

Consequently, 'high profitability' does not mean that Handelsbanken's customers pay more. Handelsbanken achieves higher profitability by running the Bank more efficiently, and thus at a lower cost, than other banks.

Stable finances

Handelsbanken builds its strong balance sheet through high profitability, coupled with low risk tolerance. Stable finances are essential for the Bank to be able to do all the business that it and its customers wish to do – on favourable terms.

Stable finances provide not only freedom of action, but also lower funding costs, and thus contribute to higher profitability.

Handelsbanken builds its stable finances on entirely commercial terms, and is one of the few banks on its home markets that has neither sought financial support from central banks, nor the government or shareholders in recent years.



Organic growth

In order for Handelsbanken to achieve and retain high profitability, growth is also necessary. Handelsbanken grows primarily by opening new branches in locations where it has not previously had operations. In this way, the Bank grows branch by branch, customer by customer. This method of working and of achieving growth has proved successful in an increasing number of locations and countries.

This organic growth model means that Handelsbanken can achieve growth, coupled with low risk and good cost control. On average, a newly opened branch starts making a profit within 24 months.

Handelsbanken may make small, add-on acquisitions – the latest being Lokalkbanken in Denmark in 2008 – provided that these can easily be incorporated into the Bank's working methods.

Organisation and working methods

Handelsbanken is organised so as to create the ideal conditions for good meetings with customers.

The Bank has a highly decentralised steering model, where practically all important business decisions are made locally, at our branches, close to the customer. This requires direct, effective and rapid contact with the central support functions.

BRANCH OFFICE OPERATIONS

Handelsbanken has five home markets: Sweden, the UK, Denmark, Norway and Finland. In each of these countries we have a nationwide branch network, organised into one or more regional banks. Each regional bank has the joint administrative resources, regional expertise and specialists to support the branch's business.

Every Handelsbanken branch is led by a branch manager who is solely responsible for all operations within his or her branch's geographical area. Branch managers staff and organise their branches according to the business that the branch chooses to do on its market.

We have given our branch managers a very high degree of independence, as we are convinced that those who work closest to the customer will make the most sensible decisions, both from the customer's and the Bank's point of view.

This mandate to take the important business decisions sitting around a table with the customer is a sound basis for successful customer meetings; our customers can meet the person who will make the decision not a representative.

The branches' independence gives them a very strong local presence, with long-term customer relationships.

In order to retain and develop these relations, we also have a branch network outside our home markets. In particular we focus on having a high quality presence in Asia where many of our corporate customers are expanding.

Handelsbanken currently has more than 720 branches in 22 countries with 32 of these outside our home markets.

Each country makes its own decisions

Handelsbanken's decentralised method of working results in a very flat organisational structure. In pace with the establishment of new home markets, the Bank strives to devolve central decision-making power, so that the decisions can be taken as close to the customers and the market as possible.

Almost all business questions that cannot be solved at a branch are still dealt with in the country where the branch is located.

Relatively few decisions are of a type that they must be referred all the way to the head office in Stockholm. For example, decisions that affect the UK alone are better taken in the UK.

Therefore, as we have grown, a need for stronger national operations has emerged. Areas that can be dealt with in a more decentralised way, closer to the customer, include product development and product harmonisation, as well as country-specific system development and marketing. The integration of Capital Markets' operations with the branch networks is another important task for the national organisations.

Two new organisational units were formed during the year, namely Handelsbanken Sweden and Handelsbanken UK, with responsibility for the profits of the branch operations in each

country. Handelsbanken Sweden includes the six Swedish regional banks, while Handelsbanken UK includes the three British regional banks.

Denmark, Norway and Finland are organised as one regional bank per country. These regional banks were already responsible for the functions described above for the UK and Sweden.

Product specialists

Handelsbanken has a full range of products and services to meet all the financial needs of its customers.

Responsible for this range are product specialists in the Bank's business areas, who produce and develop solutions and services in close collaboration with each country.

These product specialists are called product owners. They are responsible for the functionality, packaging and financial aspects of their product.

The product owner's responsibility is global. Product owners are also responsible for designing various types of sales support in their area.

Each product owner markets their product, while the branch takes responsibility for each individual customer being offered the right mix of products, adapted to that particular customer's needs and circumstances.

HANDELSBANKEN CAPITAL MARKETS – INVESTMENT BANK AND ASSET MANAGEMENT

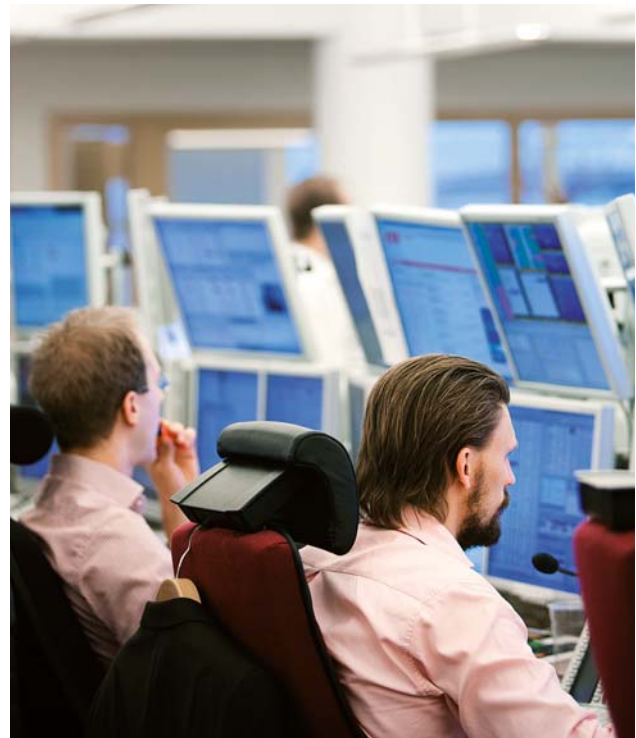
Large corporates and institutions often have very particular requirements. To fulfil these, and to create the conditions for good meetings with customers in these segments, too, we have pooled our highly specialised expertise in our investment bank and our asset management operations.

These operations comprise equities, commodities, fixed income, currencies, mutual funds, discretionary management, structured products, traditional and exchange-traded funds, Corporate Finance and Private Banking.

The operations proceed from the Bank's top-ranked research, asset management and allocation products, which make up the basis of product development and advisory services.

Our range of research products includes macroeconomic research forecasting trends in the Nordic region, the US, the eurozone and the most important emerging markets, strategy research which occupies the borderland between macro research and individual asset categories, and company research actively covering almost 300 Nordic companies, which forms the basis for stock recommendations. Handelsbanken is top-ranked in all categories.

The Bank also offers ResearchOn-Line which is a unique research database where our customer can access the latest macro and strategy analyses and also follow over 1,500 companies.



The goal is that our business, and our advisory services based on these research and asset management products, should be of such a high quality that they satisfy the companies, institutions and private individuals with the most advanced requirements. With this as our starting point, we can repackage the same offerings to all the Bank's customers in a credible manner.

Thus the Bank's research and asset management products benefit all the Bank's customers. The branches have access to one of the market's best offerings, and the investment bank achieves the maximum leverage for its expertise.

In this way we link the local branch, the investment bank and the asset management operation.

Focus on the customer offering

To further enhance efficiency and create ideal conditions for the overall customer offering, the investment bank and asset management operation have a joint management. The entire offering for private customers has been pooled in one Investment Centre which proceeds from the customer's needs, and is completely neutral in terms of solutions and products.

Best for Private Banking

A recent example of our business model in action is in the Private Banking offering. Here, our local branches work together with the Bank's specialist units to create a unique offering. In a major Swedish customer survey by Prospera, Handelsbanken was ranked No.1 within all three customer segments that were surveyed.

Increased focus on international companies

Large international companies that are active on the international capital markets are now given an offering where we highlight and co-ordinate our own specialised expertise in the areas of advisory services, cash management, fixed income and currency trading with our international presence and the Bank's good lending capacity.

This offering is the result of increased integration between the Bank's branch operations and the investment bank. The co-ordination is within a newly formed unit with its own profit responsibility: Large Corporates.

Hand in hand with these efforts is an increased ambition to provide these companies with financial advisory services.

Review of operations

Operating profit for continuing operations increased by 8 per cent to SEK 14.8 billion (13.7). Loan losses fell to SEK 1.5 billion (-3.4). Return on equity for total operations increased to 12.9 per cent (12.6).

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 amounted to 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

The Group – 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 gains/losses on 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 went down 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. The Group's total 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 loans 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 grew 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 unusually high income during the period of comparison and lower customer activity at Handelsbanken Capital Markets.

EXPENSES

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

Total expenses went down 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 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

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.

Loan losses SEK m	Full year 2010	Full year 2009	Change
Net loan losses	-1 507	-3 392	1 885
Loan losses as % of lending, annual rate	0.10	0.21	-0.11
Net impaired loans	3 620	3 235	385
Proportion of impaired loans, %	0.23	0.21	0.02

FUNDING AND LIQUIDITY

The issue volume for bonds in 2010 was 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 the turn of the year, the Bank had already refinanced two-thirds of the bonds due to mature in 2011, amounting to SEK 113 billion. The Bank's bonds due to mature in 2012 total 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 was still 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, the collateral value of liquid bonds was SEK 70 billion and the remainder was an unutilised issue amount for covered bonds at Stadshypotek.

CAPITAL

Capital ratios etc. 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%
Capital base	110 969	121 753	-9%

The capital base totalled 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 ratio grew to SEK 87.8 billion. After deductions made for the proposed dividend of SEK 9.00 per share, the Tier 1 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.

Rating	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 AGM 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.

RISKS AND UNCERTAINTY FACTORS

Information regarding the Bank's goals and applied principles for risk management are presented in note G2 on pages 81–95 and note P2 on pages 139–140.

PERFORMANCE IN THE PARENT COMPANY

Just over 60 per cent of the Handelsbanken Group's operating profit derives from the parent company. Although most of Handelsbanken's business comes from the local branches and is co-ordinated by them, in legal terms a sizeable part of the Group's business volumes are in wholly-owned subsidiaries. Therefore, the parent company's income statement does not provide a comprehensive view of the Bank's business operations. Nor does Handelsbanken internally follow up the financial results at parent company level. The description at consolidated level provides a fairer view of the operations, position and earnings.

During the financial year, the parent company's operating profit decreased by 28 per cent to SEK 9,085 million (12,543). Profit for the period decreased by 39 per cent to SEK 6,645 million (10,859). The parent company's equity increased to SEK 58,033 million (57,521).

Five-year overview Group

Consolidated income statement					
SEK m	2010	2009	2008	2007	2006
Net interest income	21 337	22 000	19 223	15 608	14 727
Net fee and commission income	8 022	7 393	6 795	7 745	7 316
Net gains/losses on financial items at fair value	1 377	2 457	3 169	3 054	3 448
Risk result, insurance	205	171	215	151	219
Other dividend income	190	141	225	174	193
Share of profit of associated companies	11	26	79	103	89
Other income	154	147	184	291	355
Total income	31 296	32 335	29 890	27 126	26 347
Administrative expenses					
Staff costs	-9 504	-10 018	-8 114	-7 528	-7 184
Other expenses	-5 062	-4 719	-4 688	-4 487	-3 955
Depreciation, amortisation and impairments of property, equipment and intangible assets	-452	-483	-427	-353	-366
Total expenses	-15 018	-15 220	-13 229	-12 368	-11 505
Profit before loan losses	16 278	17 115	16 661	14 758	14 842
Net loan losses	-1 507	-3 392	-1 605	-27	55
Gains/losses on disposal of property, equipment and intangible assets	-1	4	270	1	1
Operating profit	14 770	13 727	15 326	14 732	14 898
Taxes	-3 962	-3 519	-3 382	-3 879	-3 970
Profit for the year from continuing operations	10 808	10 208	11 944	10 853	10 928
Profit for the year from discontinued operations, after tax	217	36	187	573	2 200
Capital gain/loss from the sale of discontinued operations, after tax	-	-	-	4 082	-
Profit for the year	11 025	10 244	12 131	15 508	13 128
Attributable to					
Ordinary shareholders	11 025	10 244	12 131	15 508	13 128
Minority interest	0	0	0	-	-
Earnings per share, continuing operations, SEK	17.37	16.38	19.16	17.39	16.99
after dilution	17.10	15.92	19.02	17.39	16.99
Earnings per share, discontinued operations, SEK	0.35	0.06	0.30	7.45	3.42
after dilution	0.34	0.06	0.29	7.45	3.42
Earnings per share, total operations, SEK	17.72	16.44	19.46	24.84	20.41
after dilution	17.44	15.98	19.31	24.84	20.41

A five-year overview for the Parent company is shown on page 135.

Consolidated statement of comprehensive income					
SEK m	2010	2009	2008	2007	2006
Profit for the year	11 025	10 244	12 131	15 508	13 128
Other comprehensive income					
Cash flow hedges	-325	47	-535	58	192
Available-for-sale instruments	2 186	3 274	-5 139	-749	281
Translation difference for the year	-2 015	-109	606	518	-479
<i>of which hedges of net investments in subsidiaries</i>	377	-6	-169	-30	22
Tax related to other comprehensive income	-612	-934	1 628	173	-97
<i>of which cash flow hedges</i>	85	-12	144	-17	-54
<i>of which available-for-sale instruments</i>	-598	-924	1 440	173	-30
<i>of which hedges of net investments in subsidiaries</i>	-99	2	44	17	-13
Total other comprehensive income	-766	2 278	-3 440	0	-103
Total comprehensive income for the year	10 259	12 522	8 691	15 508	13 025
<i>Attributable to</i>					
Ordinary shareholders	10 259	12 522	8 691	15 508	13 025
Minority interest	0	0	0	-	-

Consolidated balance sheet					
SEK m	2010	2009	2008	2007	2006
Assets					
Loans to the public	1 481 678	1 477 183	1 481 475	1 292 988	1 100 538
Loans to credit institutions ¹	206 463	168 100	164 981	185 149	177 175
Interest-bearing securities	119 238	176 002	166 278	175 972	266 743
Other assets	346 151	301 558	346 050	205 273	245 552
Total assets	2 153 530	2 122 843	2 158 784	1 859 382	1 790 008
Liabilities and equity					
Deposits and borrowing from the public	546 173	549 748	543 760	512 841	533 885
Due to credit institutions	269 941	239 790	319 113	293 458	320 482
Issued securities	963 501	966 075	895 709	706 478	595 001
Subordinated liabilities	43 948	59 005	61 434	52 909	51 672
Other liabilities	241 576	225 137	263 805	219 205	222 742
Equity	88 391	83 088	74 963	74 491	66 226
Total liabilities and equity	2 153 530	2 122 843	2 158 784	1 859 382	1 790 008

¹Contains "Other loans to central banks".

Key figures per year

Key figures for the Handelsbanken Group	2010	2009	2008	2007	2006
Profit before loan losses, total operations, SEK m	16 487	17 169	16 921	19 409	17 108
Profit before loan losses, continuing operations, SEK m	16 278	17 115	16 661	14 758	14 842
Net loan losses, SEK m	-1 507	-3 392	-1 605	-27	55
Operating profit, total operations, SEK m	14 979	13 766	15 586	19 383	17 164
Operating profit, continuing operations, SEK m	14 770	13 727	15 326	14 732	14 898
Profit for the year, total operations, SEK m	11 025	10 244	12 131	15 508	13 128
Profit for the year, continuing operations, SEK m	10 808	10 208	11 944	10 853	10 928
Profit for the year, discontinued operations, SEK m	217	36	187	573	2 200
Capital gain from sale of discontinued operations, SEK m	-	-	-	4 082	-
Total assets, SEK m	2 153 530	2 122 843	2 158 784	1 859 382	1 790 008
Equity, SEK m	88 391	83 088	74 963	74 491	66 226
Return on equity total operations, %	12.9	12.6	16.2	23.3	20.9
Return on equity, continuing operations, %	12.6	12.5	16.0	16.3	17.4
Return on capital employed, %	0.67	0.63	0.79	0.78	0.86
Cost/income ratio, continuing operations, %	48.0	47.1	44.3	45.6	43.7
Cost/income ratio, continuing operations, incl. loan losses, %	52.8	57.6	49.6	45.7	43.5
Loan loss ratio, %	0.10	0.21	0.11	0.00	-0.01
Impaired loans reserve ratio, %	61.7	62.4	51.1	75.0	69.5
Proportion of impaired loans, %	0.23	0.21	0.17	0.05	0.07
Earnings per share, SEK	17.72	16.44	19.46	24.84	20.41
after dilution	17.44	15.98	19.31	24.84	20.41
Ordinary dividend per share, SEK	9.00 ²	8.00	7.00	8.50	8.00
Extra dividend per share, SEK	- ²	-	-	5.00	-
Adjusted shareholders' equity per share, SEK	142.50	133.65	120.64	119.27	104.27
No. of shares as at 31 December, millions	623.5	623.5	623.5	628.3	649.0
of which outstanding	623.5	623.3	623.5	623.4	634.2
Capital ratio, % according to Basel II ¹	20.9	20.2	16.0	16.9	9.5
Tier 1 ratio, % according to Basel II ¹	16.5	14.2	10.5	10.6	6.8
Average number of employees	10 850	10 821	10 833	10 768	10 163
No. of branches in Sweden	461	461	461	461	457
No. of branches in other Nordic countries and Great Britain	230	208	203	171	141
No. of branches in other countries	32	35	38	28	17

For definitions, see page 172.

¹Until year-end 2006 according to Basel I.

²Dividend as recommended by the board.

Quarterly performance

Quarterly performance for the Handelsbanken 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
Fee and commission income	2 450	2 247	2 321	2 276	2 311
Fee and commission expense	-323	-323	-333	-293	-316
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
Administrative expenses					
Staff costs	-2 466	-2 330	-2 352	-2 356	-2 586
Other 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
<i>Attributable to</i>					
Ordinary shareholders	2 892	2 707	2 573	2 853	2 516
Minority interest	0	0	0	0	0
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

Business segments

SEK m	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Other	Adjustments and eliminations	Total 2010	Total 2009	Change %
Net interest income	12 993	6 933	628	832	-49	21 337	22 000	-3
Net fee and commission income	3 819	1 537	2 510	156		8 022	7 393	9
Net gains/losses on financial items at fair value	704	273	1 280	-892	12	1 377	2 457	-44
Risk result, insurance			205			205	171	20
Share of profit of associated companies				11		11	26	-58
Other income	16	66	16	246		344	288	19
Total income	17 532	8 809	4 639	353	-37	31 296	32 335	-3
Staff costs	-3 012	-2 590	-2 054	-2 521	673	-9 504	-10 018	-5
Other administrative expenses	-1 010	-1 054	-927	-2 073	2	-5 062	-4 719	7
Internal purchased and sold services	-2 958	-900	-91	3 902	47			
Depreciation and amortisation	-85	-73	-44	-238	-12	-452	-483	-6
Total expenses	-7 065	-4 617	-3 116	-930	710	-15 018	-15 220	-1
Profit before loan losses	10 467	4 192	1 523	-577	673	16 278	17 115	-5
Net loan losses	-99	-1 408	-	-		-1 507	-3 392	-56
Gains/losses on disposal of property, equipment and intangible assets	0	0	-4	3		-1	4	-125
Operating profit	10 368	2 784	1 519	-574	673	14 770	13 727	8
Profit allocation	811	202	-1 013	0				
Operating profit after profit allocation	11 179	2 986	506	-574	673	14 770	13 727	8
Internal income	-2 004	-5 954	-1 380	9 338	-			
C/I ratio, %	38.5	51.2	85.9	-		48.0	47.1	
Loan loss ratio, %	0.01	0.28	-	-		0.10	0.21	
Assets	1 259 184	511 790	404 849	1 074 981	-1 097 274	2 153 530	2 122 843	1
Liabilities	1 215 304	486 673	394 635	1 074 981	-1 106 454	2 065 139	2 039 755	1
Allocated capital	43 880	25 117	10 214		9 180	88 391	83 088	6
Return on allocated capital, %	19.5	8.4	6.4			12.6	12.5	
The year's investments in non-financial non-current assets	114	65	25	230		434	736	-42
The year's investments in associated companies				15		15	-	
Average number of employees	4 386	2 931	1 604	1 929		10 850	10 821	0

During the fourth quarter the previous business segments Asset Management and Capital Markets were merged into one joint business segment. Handelsbanken's operations thereby consists of the business segments Branch office operations in Sweden, Branch office operations outside Sweden and Capital markets. Applied principles for segment reporting are explained further in note G46.

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.

Quarterly performance Branch office operations in Sweden							
SEK m	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2010	Total 2009	Change %
Net interest income	3 498	3 204	3 079	3 212	12 993	13 305	-2
Net fee and commission income	1 060	920	932	907	3 819	3 377	13
Net gains/losses on financial items at fair value	250	170	162	122	704	512	38
Other income	8	7	-3	4	16	76	-79
Total income	4 816	4 301	4 170	4 245	17 532	17 270	2
Staff costs	-762	-748	-740	-762	-3 012	-3 060	-2
Other administrative expenses	-294	-238	-243	-235	-1 010	-1 032	-2
Internal purchased and sold services	-777	-719	-754	-708	-2 958	-2 534	17
Depreciation and amortisation	-22	-20	-22	-21	-85	-80	6
Total expenses	-1 855	-1 725	-1 759	-1 726	-7 065	-6 706	5
Profit before loan losses	2 961	2 576	2 411	2 519	10 467	10 564	-1
Net loan losses	14	-56	58	-115	-99	-2 325	-96
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	0
Operating profit	2 975	2 520	2 469	2 404	10 368	8 239	26
Profit allocation	263	222	207	119	811	757	7
Operating profit after profit allocation	3 238	2 742	2 676	2 523	11 179	8 996	24
Internal income	-571	-568	-374	-491	-2 004	-3 733	-46
C/l ratio, %	36.5	38.1	40.2	39.6	38.5	37.2	
Loan loss ratio, %	-0.01	0.02	-0.02	0.05	0.01	0.24	
Assets	1 259 184	1 249 618	1 210 217	1 180 200	1 259 184	1 163 512	8
Liabilities	1 215 304	1 207 939	1 169 608	1 137 673	1 215 304	1 124 737	8
Allocated capital	43 880	41 679	40 609	42 527	43 880	38 775	13
Return on allocated capital, %	21.8	19.4	19.4	17.5	19.5	17.3	
Average number of employees	4 338	4 552	4 309	4 346	4 386	4 481	-2
Number of branches	461	461	460	461	461	461	0

Earnings performance

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

Net interest income went down 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, mainly 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), corresponding to a loan loss ratio of 0.01 per cent (0.24).

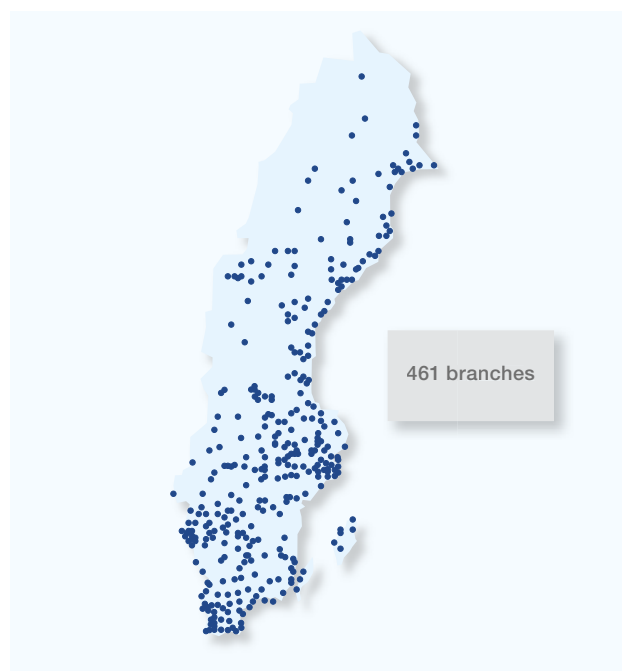
Business development

Among those banks offering a full range of services, Handelsbanken has for many years been the one with the most satisfied customers. At the beginning of October, SKI (Swedish Quality Index) presented the results of its annual survey, which revealed that the Bank has maintained this leading position and noted record levels among both private and corporate customers. Never before has the Bank had such satisfied private customers in Sweden as this year. Of the major Swedish banks, Handelsbanken is also the one with the most stable growth over time.

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 just over 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.



Business volumes, Sweden Average volumes, SEK bn	2010	2009	Change %
Deposits from the public	332	320	4
<i>of which households</i>	182	168	8
<i>companies</i>	150	152	-1
Loans to the public¹	998	973	3
<i>households</i>	534	490	9
<i>of which mortgage loans</i>	478	433	10
<i>companies</i>	464	483	-4
<i>of which mortgage loans</i>	190	166	14

¹Excluding loans to the National Debt Office.

Branch office operations outside Sweden

Branch office operations outside Sweden comprise the three regional banks in Great Britain and the regional banks in Denmark, Norway and Finland. Branch office operations in these home markets are run according to the same concept as in Sweden. This business segment also includes Handelsbanken International as well as Handelsbanken Finans's and Stadshypotek's operations outside Sweden.

Quarterly performance							
Branch office operations outside Sweden							
SEK m	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2010	Total 2009	Change %
Net interest income	1 689	1 742	1 737	1 765	6 933	7 317	-5
Net fee and commission income	379	368	390	400	1 537	1 533	0
Net gains/losses on financial items at fair value	125	38	49	61	273	250	9
Other income	14	10	25	17	66	6	
Total income	2 207	2 158	2 201	2 243	8 809	9 106	-3
Staff costs	-636	-652	-644	-658	-2 590	-2 778	-7
Other administrative expenses	-306	-236	-264	-248	-1 054	-1 133	-7
Internal purchased and sold services	-278	-227	-187	-208	-900	-842	7
Depreciation and amortisation	-15	-20	-18	-20	-73	-84	-13
Total expenses	-1 235	-1 135	-1 113	-1 134	-4 617	-4 837	-5
Profit before loan losses	972	1 023	1 088	1 109	4 192	4 269	-2
Net loan losses	-307	-238	-427	-436	-1 408	-1 067	32
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	
Operating profit	665	785	661	673	2 784	3 202	-13
Profit allocation	64	54	58	26	202	294	-31
Operating profit after profit allocation	729	839	719	699	2 986	3 496	-15
Internal income	-1 529	-1 570	-1 532	-1 323	-5 954	-5 524	8
C/l ratio, %	54.4	51.3	49.3	50.0	51.2	51.5	
Loan loss ratio, %	0.25	0.19	0.35	0.35	0.28	0.19	
Assets	511 790	476 709	538 721	513 411	511 790	544 470	-6
Liabilities	486 673	450 731	511 919	486 617	486 673	517 441	-6
Allocated capital	25 117	25 978	26 802	26 794	25 117	27 029	-7
Return on allocated capital, %	8.6	9.5	7.9	7.7	8.4	9.4	
Average number of employees	3 003	2 940	2 893	2 886	2 931	2 976	-2
Number of branches	262	255	250	244	262	243	8

Earnings performance

Operating profit went down 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 and explain approximately one third of the decrease in profits. Profit before loan losses was down by 2 per cent to SEK 4,192 million (4,269).

Net interest income decreased 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 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 fell overall 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 the previous year. Adjusted for this, lending volumes rose by 2 per cent.

GREAT BRITAIN

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 larger business volumes and higher lending margins. Deposits increased by 13 per cent, and 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).

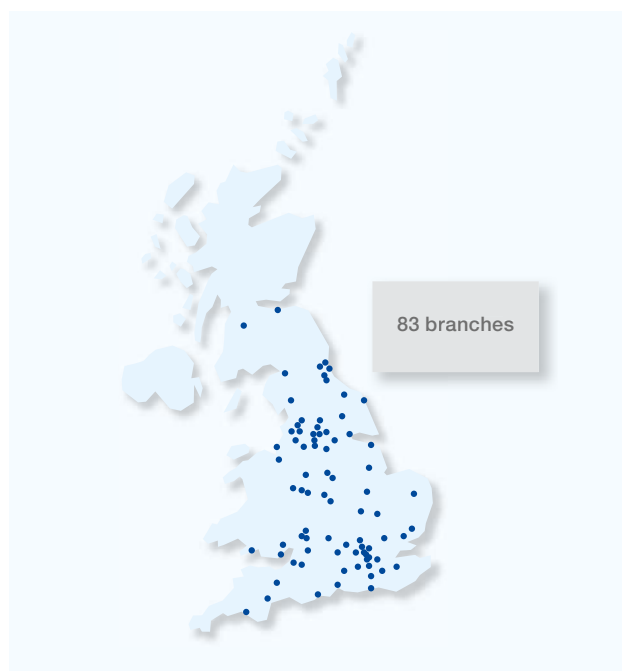
Business development

The EPSI customer satisfaction survey showed that Handelsbanken, just as in previous years, had more satisfied customers than other banks. The Bank's lead over its closest competitors in the UK is greater than in any of the Nordic home markets.

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 (1,244), 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 is organised into three regional banks with head offices in London, Birmingham and Manchester, as well as a joint management organisation in London.



Business volumes, Great Britain			
Average volumes, GBP m	2010	2009	Change %
Deposits from the public	1 406	1 244	13
<i>of which households</i>	335	304	10
<i>companies</i>	1 071	940	14
Loans to the public	6 093	5 474	11
<i>of which households</i>	1 324	1 021	30
<i>companies</i>	4 769	4 453	7

Branch office operations in Great Britain			
SEK m	2010	2009	Change %
Net interest income	1 270	918	38
Net fee and commission income	73	85	-14
Net gains/losses on financial items at fair value	61	36	69
Other income	0	4	-100
Total income	1 404	1 043	35
Staff costs	-523	-474	10
Other administrative expenses	-133	-132	1
Internal purchased and sold services	-108	-98	10
Depreciation and amortisation	-9	-11	-18
Total expenses	-773	-715	8
Net loan losses	-220	-151	46
Gains/losses on disposal of property, equipment and intangible asset	0	0	
Operating profit	411	177	132
Profit allocation	20	24	-17
Operating profit after profit allocation	431	201	114
Average number of employees	585	502	17
Number of branches	83	62	34

DENMARK**Earnings performance**

Operating profit decreased to SEK 192 million (417), due to higher loan losses. Profit before loan losses went down 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

EPSI's customer satisfaction survey showed that Handelsbanken once again topped the ratings in Denmark.

Loans 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 1, 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 Investeringsforvaltning A/S was acquired during the year. In 2010, the company was one of Denmark's fastest-growing investment associations.

During the year, two equity-linked bonds were launched, attracting total subscriptions of SEK 232 million. Pension savings grew by 20.8 per cent to DKK 8.1 billion.

Business volumes, Denmark			
Average volumes, DKK bn	2010	2009	Change %
Deposits from the public	20.8	21.0	-1
<i>of which households</i>	8.5	8.2	4
<i>companies</i>	12.3	12.8	-4
Loans to the public	39.6	39.6	0
<i>of which households</i>	19.5	18.5	5
<i>companies</i>	20.1	21.1	-5



Branch office operations in Denmark			
SEK m	2010	2009	Change %
Net interest income	1 199	1 340	-11
Net fee and commission income	290	280	4
Net gains/losses on financial items at fair value	55	68	-19
Other income	16	1	
Total income	1 560	1 689	-8
Staff costs	-551	-620	-11
Other administrative expenses	-229	-251	-9
Internal purchased and sold services	-204	-191	7
Depreciation and amortisation	-17	-21	-19
Total expenses	-1 001	-1 083	-8
Net loan losses	-367	-189	94
Gains/losses on disposal of property, equipment and intangible asset	0	0	-50
Operating profit	192	417	-54
Profit allocation	12	24	
Operating profit after profit allocation	204	441	-54
Average number of employees	627	677	-7
Number of branches	53	53	0

NORWAY**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 went down 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 -1,056 million (-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.

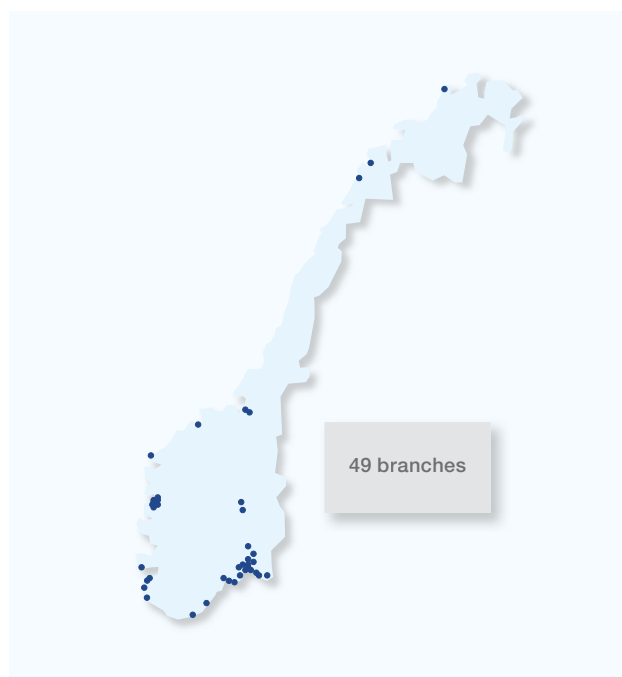
Loan losses fell to SEK -101 million (-416).

Business development

Handelsbanken was at the top among both private and corporate customers in the EPSI customer satisfaction survey for Norwegian banking customers.

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.



Business volumes, Norway			
Average volumes, NOK bn	2010	2009	Change %
Deposits from the public	42.8	42.9	0
<i>of which households</i>	9.6	8.6	12
<i>companies</i>	33.2	34.3	-3
Loans to the public	157.4	154.3	2
<i>of which households</i>	55.3	50.1	10
<i>companies</i>	102.1	104.2	-2

Branch office operations in Norway			
SEK m	2010	2009	Change %
Net interest income	2 564	2 775	-8
Net fee and commission income	301	289	4
Net gains/losses on financial items at fair value	109	87	25
Other income	38	-8	
Total income	3 012	3 143	-4
Staff costs	-570	-593	-4
Other administrative expenses	-255	-255	0
Internal purchased and sold services	-216	-188	15
Depreciation and amortisation	-15	-16	-6
Total expenses	-1 056	-1 052	0
Net loan losses	-101	-416	-76
Gains/losses on disposal of property, equipment and intangible asset	1	0	
Operating profit	1 856	1 675	11
Profit allocation	65	91	-29
Operating profit after profit allocation	1 921	1 766	9
Average number of employees	622	625	0
Number of branches	49	48	2

FINLAND**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. Profit 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

Handelsbanken had the most satisfied private and corporate customers among commercial banks in Finland, according to the EPSI customer satisfaction survey.

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.

Business volumes, Finland			
Average volumes, EUR m	2010	2009	Change %
Deposits from the public	3 778	3 523	7
<i>of which households</i>	1 263	1 385	-9
<i>companies</i>	2 515	2 138	18
Loans to the public	9 905	10 267	-4
<i>of which households</i>	3 160	3 053	4
<i>companies</i>	6 745	7 214	-7



Branch office operations in Finland	2010	2009	Change %
SEK m			
Net interest income	974	1 065	-9
Net fee and commission income	392	306	28
Net gains/losses on financial items at fair value	27	20	35
Other income	7	-5	-240
Total income	1 400	1 386	1
Staff costs	-354	-387	-9
Other administrative expenses	-212	-230	-8
Internal purchased and sold services	-189	-153	24
Depreciation and amortisation	-20	-21	-5
Total expenses	-775	-791	-2
Net loan losses	-427	-220	94
Gains/losses on disposal of property, equipment and intangible asset	-	-	
Operating profit	198	375	-47
Profit allocation	55	58	-5
Operating profit after profit allocation	253	433	-42
Average number of employees	487	502	-3
Number of branches	45	45	0

HANDELSBANKEN INTERNATIONAL**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 went down 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 to the fact that some business in New York which is now part of Central Treasury was included in the period of comparison but also to a conscious reduction in lending volumes. The currency effect was SEK -128 million.

Expenses fell due to a decrease in the average number of employees by 60 and also to exchange rate movements.

Business development

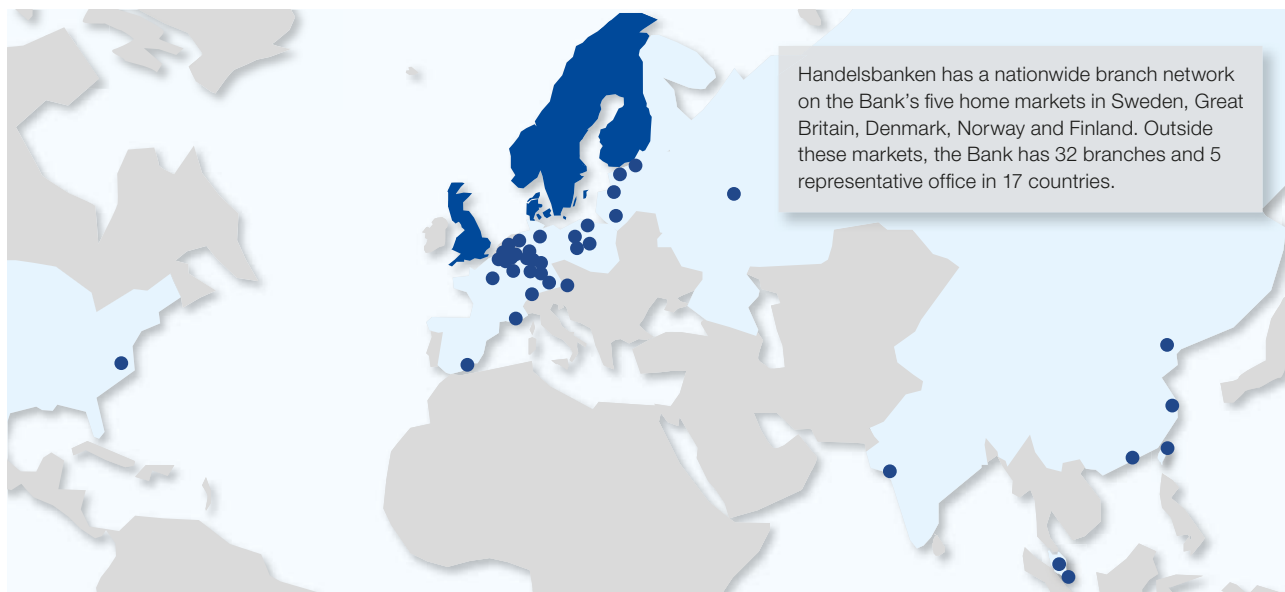
The main task of Handelsbanken International is to support the international business of the Bank's customers in the Nordic region and the UK and, in the long term, to develop operations in prioritised countries into regional banks in line with the Bank's business model. The Bank had 32 branches and 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 in order to utilise the Bank's capital more profitably.

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

Handelsbanken International SEK m	2010	2009	Change %
Net interest income	926	1 219	-24
Net fee and commission income	481	573	-16
Net gains/losses on financial items at fair value	21	39	-46
Other income	5	14	-64
Total income	1 433	1 845	-22
Staff costs	-592	-704	-16
Other administrative expenses	-225	-265	-15
Internal purchased and sold services	-183	-211	-13
Depreciation and amortisation	-12	-15	-20
Total expenses	-1 012	-1 195	-15
Net loan losses	-299	-99	202
Gains/losses on disposal of property, equipment and intangible asset	-1	0	
Operating profit	121	551	-78
Profit allocation	50	97	-48
Operating profit after profit allocation	171	648	-74
Average number of employees	610	670	-9
Number of branches	32	35	-9

Handelsbanken International Average volumes, SEK bn	2010	2009	Change %
Deposits from the public	16.8	42.2	-60
<i>of which households</i>	3.3	4.1	-20
<i>companies</i>	13.5	38.1	-65
Loans to the public	60.7	81.8	-26
<i>of which households</i>	4.0	4.0	0
<i>companies</i>	56.7	77.8	-27



Handelsbanken Capital Markets

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

Quarterly performance Capital Markets							
SEK m	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2010	Total 2009	Change %
Net interest income	185	170	133	140	628	599	5
Net fee and commission income	624	586	662	638	2 510	2 520	0
Net gains/losses on financial items at fair value	148	199	419	514	1 280	2 788	-54
Risk result, insurance	67	42	59	37	205	171	20
Other income	7	4	1	4	16	12	33
Total income	1 031	1 001	1 274	1 333	4 639	6 090	-24
Staff costs	-519	-493	-517	-525	-2 054	-2 371	-13
Other administrative expenses	-253	-209	-259	-206	-927	-808	15
Internal purchased and sold services	-24	-14	-21	-32	-91	-74	23
Depreciation and amortisation	-11	-10	-13	-10	-44	-37	19
Total expenses	-807	-726	-810	-773	-3 116	-3 290	-5
Profit before loan losses	224	275	464	560	1 523	2 800	-46
Net loan losses	-	-	-	-	-	-	
Gains/losses on disposal of property, equipment and intangible assets	-4	-	-	-	-4	-	
Operating profit	220	275	464	560	1 519	2 800	-46
Profit allocation	-327	-276	-265	-145	-1 013	-1 051	-4
Operating profit after profit allocation	-107	-1	199	415	506	1 749	-71
Internal income	-375	-315	-388	-302	-1 380	460	
C/l ratio, %	114.6	100.1	80.3	65.1	85.9	65.3	
Assets	404 849	446 652	410 395	387 550	404 849	376 112	8
Liabilities	394 635	436 660	400 326	378 197	394 635	366 008	8
Allocated capital	10 214	9 992	10 069	9 353	10 214	10 104	1
Return on allocated capital, %	-	-	3.0	13.1	6.4	14.7	
Average number of employees	1 619	1 649	1 581	1 568	1 604	1 572	2

Income distribution		
SEK m	2010	2009
Asset Management ¹	1 449	1 073
Investment banking	3 190	5 017
Total income	4 639	6 090

¹Including Handelsbanken Liv.

Asset under management		
SEK bn	2010	2009
Mutual funds, excl. PPM	121	101
PPM	11	7
Unit-linked insurance	40	31
XACT (Exchange-traded funds)	21	18
Total mutual funds	193	157
Portfolio bond insurance	16	11
Traditional insurance	19	25
Discretionary management, Handelsbanken Group	91	85
<i>of which in Handelsbanken mutual funds¹</i>	29	22
Structured products	40	36
Directly owned shares in custody	176	150
Other securities in custody	43	45
Handelsbanken's foundations	50	43
<i>of which in Handelsbanken mutual funds¹</i>	3	3
Total assets under management, Handelsbanken Group	596	527

¹The amount is also included in total mutual funds.



Earnings performance

Operating profit decreased 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 going down to SEK 1,280 million (2,788). This was primarily a result of lower profits for fixed income and foreign exchange trading in the investment bank compared with the abnormally high profits generated in the turbulent market in the first six months of the previous year. 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 fee and 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 just 4 per cent. Customer interest for 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 stock-brokers 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 for IPOs increased while the interest for new issues waned somewhat. The financial magazine Global Finance ranked the Bank as the best Nordic investment bank for the fourth year running.

There is large demand for various funding solutions and the Bank carried out a total of 96 bond issues with a value of EUR 19 billion. The Bank was one of the largest players for syndicated loans in the Nordic region. It carried out 20 syndications with a total value of 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 the 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 the Nordic countries.

XACT Fonder is the largest player on the Nordic market for exchange-traded funds. XACT accounted for more than 93 per cent of total sales in the Nordic region. Assets managed in the XACT funds increased 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 amounted to 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 end of the year, the Bank's fund management company managed 111 mutual funds, of which seven were new for the year. The number of mutual fund customers increased by 11 per cent, amounting to 1.2 million at the end of the year. 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.

The Handelsbanken share and shareholders

In 2010, the Handelsbanken share achieved a total return of 9 per cent. Handelsbanken's share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the exchange.

The Handelsbanken share is traded on several different market places. Turnover is largest on Nasdaq OMX (the Stockholm stock exchange), but for the past couple of years, the share has also been traded on other venues such as Burgundy, Chi-X or BATS. In 2010, each day of trading, an average of 3.5 million Handelsbanken shares were traded, including 1.9 million on Nasdaq OMX. The Handelsbanken share is in the group of the most traded shares on the Stockholm stock exchange.

DIVIDEND

Handelsbanken's policy is that the dividend should be competitive in relation to other listed Nordic bank shares. The board is proposing to the 2011 annual general meeting to decide on an ordinary dividend for 2010 of SEK 9.00 (8.00), an increase of 12.5 per cent. The complete proposal on share dividends is presented on page 163.

SHARE PRICE PERFORMANCE

As at 31 December 2010, Handelsbanken's market capitalisation was SEK 134 billion (127). The Swedish stock market went up by 21 per cent during the year and the Stockholm stock exchange bank index rose by 10 per cent. The Handelsbanken

share closed at SEK 214.90, which was a rise of 5 per cent. Including dividends, the total return was 9 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. During the same period, the Stockholm stock exchange bank index rose by 58 per cent.

REPURCHASE OF SHARES

At the AGM in April 2010, the board received a mandate to repurchase a maximum of 40 million shares during the period until the AGM in March 2011. This mandate was not used during 2010.

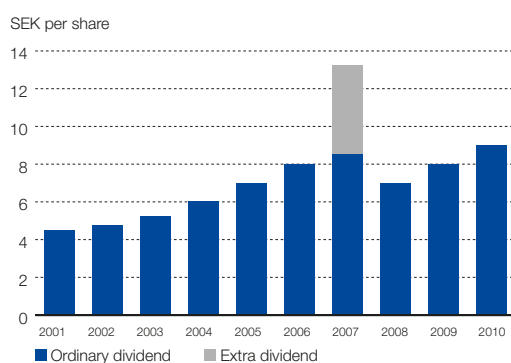
Since 2000, the Bank has repurchased 91.2 million shares (net), which has led to a transfer of capital totalling SEK 15.5 billion to Handelsbanken's shareholders.

CONVERTIBLE LOAN

In accordance with a previous resolution of the AGM, during spring 2008, the Bank issued a five-year convertible bond loan on market terms for SEK 2.3 billion directed at the Group's employees. The loan has hybrid status and can be converted into Handelsbanken shares. Conversion is possible after 1 June 2011 at a conversion price of SEK 187.56, corresponding to 110 per cent of the average share price during the period 6–12 May 2008, adjusted for the 2008 dividend. After 21 May 2013 it will be possible to convert to Handelsbanken shares at the conversion price, or the share price applying at this date if it is lower than the conversion price.

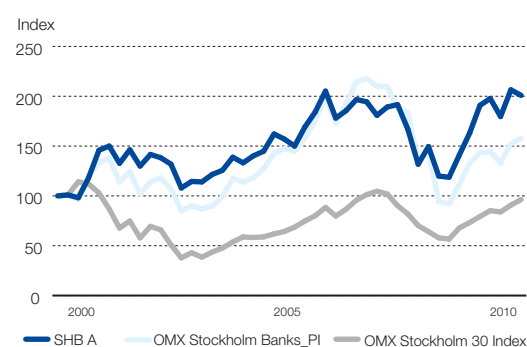
The board is proposing to the 2011 AGM to resolve on a new issue of convertible bonds, directed at the employees of the Bank on market terms. The loan is expected to total SEK 2.5 billion.

Share dividends 2001–2010



2010 as proposed by the board.

Share price performance 31 December 2000–31 December 2010



The largest Swedish shareholders as at 31 December 2010	Number of shares	% of capital	% of votes
Industrivärden	65 080 106	10.44	10.62
Oktogonen Foundation	64 800 000	10.40	10.57
Swedbank Robur funds	18 921 038	3.04	3.09
Alecta	18 833 000	3.02	3.07
Lundbergs etc.	14 932 000	2.40	2.44
AMF Insurance and funds	11 185 000	1.79	1.83
Handelsbanken's funds	10 297 754	1.65	1.68
AFA Försäkring	8 269 668	1.33	1.35
Nordea Investment Funds	8 070 788	1.29	1.32
2nd National Swedish Pension Fund	7 071 783	1.13	1.15
SEB Investment Management	6 662 776	1.07	1.09
Folksam/KPA/Förenade Liv	6 307 529	1.01	1.03
1st National Swedish Pension Fund	5 636 536	0.90	0.92
3rd National Swedish Pension Fund	5 505 060	0.88	0.90
4th National Swedish Pension Fund	4 122 949	0.66	0.67

OWNERSHIP STRUCTURE

Handelsbanken has just over 100,000 shareholders. Most of these, or 64 per cent of all shareholders, owned fewer than 501 shares. Four per cent of the shareholders owned over 5,000 shares each, together owning 90 per cent of the share capital.

The proportion of foreign owners was 38 per cent (32). Two shareholders own more than 10 per cent of the shares: Industrivärden and the Oktogonen Foundation.

Handelsbanken's shares	2010	2009	2008	2007	2006
Earnings per share, total operations, SEK	17.72	16.44	19.46	24.84	20.41
after dilution	17.44	15.98	19.31	24.84	20.41
Ordinary dividend per share, SEK	9.00 ¹	8.00	7.00	8.50	8.00
Extra dividend per share, SEK	- ¹	-	-	5.00	-
Dividend growth, ordinary dividend, %	13 ¹	14	-18	6	14
Price of class A share, 31 December, SEK	214.90	204.20	126.00	207.00	207.00
Highest share price during year, SEK	229.00	212.70	209.50	223.00	240.00
Lowest share price during year, SEK	180.50	81.75	116.50	184.50	173.00
Share price performance, %	5	62	-39	0	5
Total return, %	9	68	-36	4	9
Dividend yield, %	4.2 ¹	3.9	5.6	6.5	3.9
Adjusted shareholders' equity per share, SEK	142.50	133.65	120.64	119.27	104.27
Stock exchange price/equity, %	151	153	105	174	199
Average daily turnover on Stockholm stock exchange (no. of shares)					
Class A	1 927 262	2 792 980	3 610 914	3 536 774	3 180 486
Class B	25 798	35 361	31 587	27 664	41 024
P/E ratio	12.1	12.4	6.5	8.3	10.1
Market capitalisation, SEK bn	134	127	79	129	131
No. of shares as at 31 December, million	623.5	623.5	623.5	628.3	649.0
of which outstanding	623.5	623.3	623.5	623.4	634.2

¹Dividend as recommended by the board.

Shares divided into share classes				
31 December 2010				
Share class	Number	% of capital	% of votes	Share capital
Class A	611 719 019	98.12	99.81	2 844 493 438
Class B	11 750 443	1.88	0.19	54 639 560
	623 469 462	100.00	100.00	2 899 132 998

The average number of outstanding shares in 2010 was 622 094 449. After deducting the trading book, the number of outstanding shares was 623 469 462 as at 31 December 2010.

Shareholdings per shareholder		Shareholdings				
		Shareholders Number	No. in thousands Class A shares	No. in thousands Class B shares	% of share capital	% of votes
31 December 2010						
Number of shares						
1 – 500	shares	65 624	8 910 790	2 220 081	1.8	1.5
501 – 1 000	shares	14 967	9 988 262	1 571 844	1.9	1.7
1 001 – 5 000	shares	17 170	34 057 213	3 586 608	6.0	5.6
5 001 – 20 000	shares	3 093	25 765 269	2 096 409	4.5	4.2
20 001 –	shares	973	532 997 485	2 275 501	85.9	87.0
Total		101 827	611 719 019	11 750 443	100.0	100.0

Corporate social responsibility

One of Handelsbanken's most important assets is the confidence of customers, public authorities and the general public. A condition for this confidence is that the Bank's operations are subject to high ethical standards and responsible actions, and that employees of the Bank must conduct themselves in a manner that upholds this confidence.

HANDELSBANKEN IN THE COMMUNITY

Handelsbanken has a nationwide network of 461 branches in Sweden, more than any other player in the Swedish banking sector, and also a greater geographical spread than any of its competitors. Handelsbanken also has nationwide branch networks on its four other home markets – Great Britain, Denmark, Norway and Finland. The Bank has more than 720 branches in 22 countries worldwide.

In addition to visiting their local branch, customers use other methods of contacting the Bank. For Handelsbanken it is thus vital to be able to offer customers the best availability on the market.

Handelsbanken fulfils a vital role in society both as an intermediary for payments and for channelling savings and surplus liquidity to households and companies which require credit. The economic downturn of the last few years has affected large parts of the community. Despite recession and financial crisis, demand for mortgage loans has been high and companies have needed more long-term loans and credit commitments due to the poor functioning of the capital markets and international banks pulling out of the Nordic countries. When international banks run into problems, it is natural that they withdraw to their core operations and home markets, leading to significantly reduced activities in markets that are more peripheral for them such as the Nordic countries. Handelsbanken has, however, retained its good lending capacity throughout the financial crisis. In order to fulfil the role of lender during difficult circumstances, a strong presence on the local market and stable finances are needed to enable the Bank to meet domestic credit demand. The Bank's aim is to have stable finances and good liquidity at all times to be able meet customers' credit requirements in all situations.

HANDELSBANKEN IN THE LOCAL COMMUNITY

Handelsbanken is one of the main players in the Nordic financial market. The Bank combines the strength of a large bank with local presence. High cost-effectiveness allows Handelsbanken to retain a local presence and thus continue to play a role in local communities, including places where other banks have closed their local branches. In nearly 40 towns in Sweden, Handelsbanken is now the only bank to have a branch.

Handelsbanken is convinced that a local presence is necessary. The basic concept of the Bank's way of operating is that decisions are made as close to the customer as possible, including decisions to grant loans. In concrete terms, this means that credit requests are processed and – with few exceptions – decided by the local branch where knowledge of the customer's circumstances is the best. This approach means that Handelsbanken has close ties with the local community.

ETHICAL GUIDELINES AT HANDELSBANKEN

Handelsbanken's ethical guidelines state that operations at the Bank are to be characterised by high ethical standards. The Bank's employees must conduct themselves in a manner that upholds confidence in the Bank. The ethical guidelines are adopted every



year by the board of Handelsbanken. A fundamental, self-evident rule is that the Bank and its employees must comply with the laws and regulations that govern the Bank's operations in various ways.

Employees who are in doubt when applying the Bank's ethical guidelines and dealing with related issues must contact their immediate superior to find out what is ethically acceptable. As a guide, employees are encouraged to ask themselves: "Can I account for my actions to the other employees of the Bank, to the public authorities, the press and other media and the general public without having the slightest doubt as to whether my conduct has been ethically acceptable?"

MEASURES AGAINST MONEY LAUNDERING, FINANCING OF TERRORISM AND ECONOMIC CRIME

Money laundering means actions taken in order to hide or transform gains from criminal activities. Financing of terrorism means the collection, provision or receipt of funds for the purposes of terrorism.

The Bank must not participate in transactions which may be suspected of being linked to criminal activities, or transactions of which the employees do not understand the implications. Nor should the Bank participate in transactions implying assistance in tax evasion.

The foundation for this work is knowledge of the customer and understanding of the customer's operations, so as to be able to react to abnormal transactions.

All new employees who handle customer transactions participate in a course which explains all aspects of these matters.

HUMAN RIGHTS

Handelsbanken signed the UN's Global Compact in 2009, cementing the Bank's expressed support for universal human rights. This means that the Bank strives to support and respect the protection of international human rights within the area which the Bank can influence. It also means that the Bank ensures that it is not involved in any breach of human rights.

CONDUCT OF EMPLOYEES

Handelsbanken's fundamental human outlook is based on trust in the ability of the individual and respect – particularly in relation to its employees. Culture and values are of major importance at Handelsbanken, and the Bank's working method is strongly decentralised.

In their work, employees have a clear responsibility in social and ethical matters, including business ethics issues regarding insider regulations, and refraining from involvement with business transactions in which they have a personal interest.

THE RIGHT ADVICE FOR THE RIGHT PERSON

The Bank's work with having the most satisfied customers is the result of long-term, determined efforts. An important starting point is that the Bank must always be available when the customer needs help and advice, or wants to do business. Longer opening hours at branches, easy-to-use online services and personal advice over the phone, 24 hours a day, 7 days a week, are important ingredients in this work.

For the Bank's financial advisory services, gaining a total overview of the customer's circumstances and financial situation is at the very core of the Handelsbanken way of working. This applies both when the Bank grants credits and for investment advice. As when granting credit where it is important to avoid future problems for the customer, it is important that investment advice is individually adapted. Based on knowledge of the customer's situation, the adviser and the Bank can provide investment proposals that are adapted to each customer's requirements, investment horizon and risk level. The advice offered must take into account the risks related to each type of investment.

The staff of the Bank are continually trained and certified in the area of investments and insurance, in order to meet developments in this field and the need for up-to-date information for customers. Sound business practices, acting in a consistent manner, and fair treatment of customers are key concepts at Handelsbanken.

THE BANK AS A CUSTOMER

Ethical considerations are just as important for the Bank when it purchases goods and services from suppliers as when it provides services and products. To avoid incurring obligations to suppliers, the Bank also has rules regarding receiving and giving personal gifts and for business entertaining.

CUSTOMER COMPLAINTS

An important part of Handelsbanken's work in gaining and keeping satisfied customers involves handling the complaints that come to the Bank in a manner which inspires confidence. Handelsbanken takes customer complaints very seriously and has well-established procedures for dealing with them. A complaint from a customer must be dealt with quickly and correctly, in the first instance by the responsible branch. If the customer wants to pursue the matter, there is a designated complaints manager who regularly follows up complaints made to the Bank.

DECENTRALISED ENVIRONMENTAL ACTIVITIES

As far as technically and financially possible, and to the extent that it is compatible with the Bank's undertakings, Handelsbanken works continually with long-term sustainable development. The Bank aims to minimise its negative impact on the environment and to include environmental considerations in decisions on investments and purchases.

As with other areas of responsibility at Handelsbanken, responsibility for the practical side of environmental activities is decentralised. All managers have ultimate responsibility for environmental matters at their units.

HANDELSBANKEN AND ECONOMIC RESEARCH

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research through allocations to two independent research foundations: the Tore Browaldh Foundation and the Jan Wallander and Tom Hedelius Foundation. Taken together, these foundations are one of the most important sources of funding for economic research in Sweden, and their financing includes two professorships. In 2010, 140 grants were awarded for a total of SEK 133 million.

NEW PROFESSORIAL CHAIR AT STOCKHOLM SCHOOL OF ECONOMICS

In collaboration with the Stockholm School of Economics, Handelsbanken has enabled the creation of a professorial chair. The chair will focus on external accounting and financial analysis.

Good accounting is one of the cornerstones of a sound economy. The opportunity and ability to be able to analyse companies' financial positions in a fair manner is fundamental to well-functioning credit and capital provision in society.

READ MORE ON OUR WEBSITE

More information on Handelsbanken's work with corporate social responsibility can be found in Handelsbanken's future Sustainability Report and on the Bank's website www.handelsbanken.se/csreng.

Environmental work at Handelsbanken

Handelsbanken works continually with measures aimed at minimising the Bank's environmental impact, both in terms of the direct environmental impact and any indirect impact.

HANDELSBANKEN'S ENVIRONMENTAL POLICY

As far as technically and financially possible, and to the extent that it is compatible with the Bank's undertakings, Handelsbanken aims to promote long-term sustainable development. The Bank aims to minimise its negative impact on the environment. Consistent and long-term improvements will often generate dual benefits: not just environmental gains but also cost savings.

Handelsbanken has signed and complies with a number of voluntary agreements, such as the ICC Business Charter for Sustainable Development and the UN Environment Programme – Banks and the Environment, the UN's voluntary initiative Global Compact and the UN Principles of Responsible Investments (UN PRI).

Starting this year, more information about how the Bank works with environmental issues will be reported in a Sustainability Report, to be published shortly, and also on the Bank's website at www.handelsbanken.se/csreng.

HANDELSBANKEN'S DIRECT ENVIRONMENTAL IMPACT

Handelsbanken's direct environmental impact largely concerns its consumption of energy, materials, equipment, travel and transport.

For several years, the Bank has measured and reported the carbon dioxide emissions generated by its own operations as the result of its use of transport and its consumption of electricity and heat energy. In 2010, carbon dioxide emissions for Sweden went down by around 20 per cent compared with the previous year and for all the Nordic countries the decrease was 15 per cent.

Handelsbanken's electricity consumption fell marginally during the year and the Bank opted to buy, via Nordpool, a greater proportion of green electricity which is based on hydro-electricity. For Sweden, the proportion of environmentally friendly electric power purchased for operations in Sweden was 77 per cent and for all the Nordic countries 67 per cent.

Carbon dioxide emissions tonnes	2010	2009	2008	2007	2006
Electricity consumption, Nordic countries	1 464	2 482	2 585	2 131	2 373
Electricity consumption, Sweden	867	1 945	2 258	1 647	1 850
Heating, own properties, Sweden		1 181	1 344	1 266	1 284
Transport of valuables, Sweden	128	289	209		
Business travel, Sweden	2 216	2 417	2 945	3 371	2 895

In 2010, a committee for Corporate Social Responsibility was set up, with the aim of co-ordinating the reporting of the Bank's CSR work. The Bank developed clear procedures for internal reporting of its electricity usage during the year.

Action to reduce the Bank's environmental impact

To reduce the Bank's environmental impact, the following initiatives are planned for the next few years.

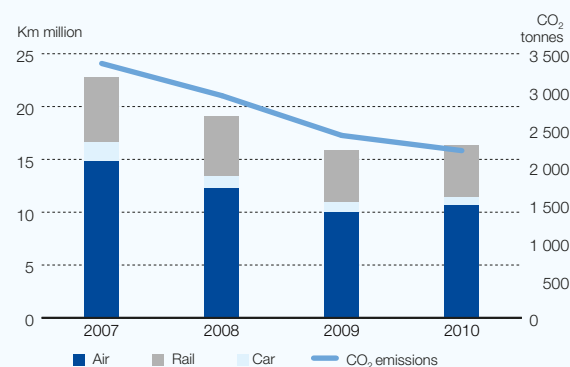
- further increase the level of awareness at the Bank in terms of the Bank's direct climatic impact so that all parts of the organisation will be able to effectively contribute to reducing for example, energy consumption
- increase the proportion of green electricity purchased in 2011
- increase the amount of recycled refuse
- facilitate use of video conferences by increasing the number of video installations as an alternative to business travel.

HANDELSBANKEN'S INDIRECT ENVIRONMENTAL IMPACT

By joining Global Compact, Handelsbanken undertakes to describe in its corporate social responsibility reporting how the Bank is working with environmental matters, etc. In addition to the Bank's own consumption of resources, this mainly concerns the indirect environmental impact via lending and asset management. For many years, credit assessments carried out by Handelsbanken have taken into account how environmental risks affect the customer's repayment capacity.

One of the goals of Handelsbanken Asset Management is to help create economically, ecologically and socially sustainable development by means of involvement in and a dialogue with companies. Guidelines have already been introduced for responsible investments. These guidelines are based on international standards for the environment, human rights and working conditions, and against corruption and controversial weapons.

Business travel, Sweden



ENVIRONMENTAL ISSUES ASSOCIATED WITH GRANTING LOANS

Environmental aspects are observed in accordance with Handelsbanken’s credit policy, which states that, in its lending operations, the Bank must maintain sound ethical standards. This means that the Bank must respect human rights and fundamental principles of working conditions and environmental considerations, regardless of where in the world the operations are pursued. High ethical standards in lending mean that in its credit risk assessment, the Bank must take into consideration the customer’s attitude to these standards.

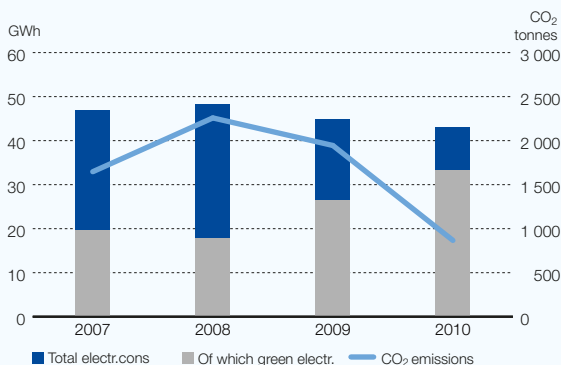
When evaluating credit risk, any environmental risks are included in the assessment of repayment capacity. This is particularly important in the case of customers engaged in environmentally hazardous activities or selling products that involve environmental or health risks. For property-related lending, it is important to take into account whether environmentally harmful activities are or have been conducted in the property or whether the property itself has a harmful effect on the environment. Environmental factors in the vicinity of the property are also taken into consideration as much as possible.

The customer is always responsible for how operations are conducted, and its compliance with the environmental requirements prescribed in laws and public authority directives. The Bank’s assessment of credit risk, and thus repayment capacity, is affected by the customer’s willingness or ability to manage these risks.

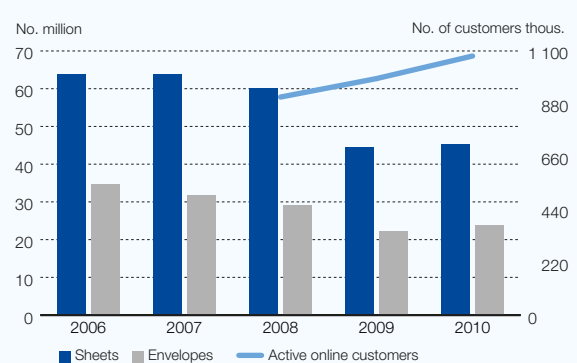


Handelsbanken’s branch on Birger Jarlsgatan in Stockholm has diodes as its light source thus reducing electricity consumption compared to neon signs. At the end of 2010, the Bank had more than 170 exterior signs using diode lighting.

Electricity consumption, Sweden



Central distribution



Shared values produce top performance

Irrespective of where in the world Handelsbanken opens branches, the Bank strives for its decentralised work method and belief in the individual to permeate its operations.

HANDELSBANKEN RECRUITS PEOPLE WHO SHARE THE BANK'S BASIC VALUES

In 2010, Handelsbanken had 10,850 employees, working in 22 countries. Around 30 per cent of the Bank's employees work outside Sweden. All employees, irrespective of where in Handelsbanken they work, have a joint responsibility for the satisfaction of Handelsbanken's customers.

Handelsbanken's decentralised method of working and the Bank's idea of how to run a successful business is essentially based on trust and respect for the individual. This way of working gives employees a considerable degree of freedom and creates a sense of involvement and the opportunity to make a difference. When recruiting, Handelsbanken constantly seeks people who share its basic values. The Bank wants its employees to be driven by putting the customer first, to enjoy taking a large amount of individual responsibility and to want to take their own initiatives.

Working at Handelsbanken is above all about relationships with other people. Without the right staff, it does not matter how good the products are. The Bank takes a long-term approach to customer relations and to its employees and sees each employment as an important investment. In order to retain staff, they must have the right conditions for development in their work, there must be varying career opportunities, and consideration must be taken of the stage of life the employee is in. Employees with long experience and with broad knowledge from the whole Bank make a vital contribution to the Bank having satisfied customers. External employee turnover continued to be low at 3 per cent (3).

STAFF DEVELOPMENT

The Bank's strength is derived from the combined expertise of its employees. At Handelsbanken, employees are responsible for their own skills and competence development, and also for sharing their competence with others in the Handelsbanken

Group. The knowledge acquired by employees in their daily work is the most important source of increased professionalism. Handelsbanken defines competence as the ability to solve the tasks employees encounter at work, now and in the future. All employees should take part in their unit's business planning process, to create a sense of involvement and commitment to reach set targets. Guided by the business plan, employees meet their immediate superior for a planned and structured personal development dialogue, known as PLUS. This involves a discussion of the employee's contribution to operational goals and the conditions required to deal with specific tasks. The discussion leads to an individual action plan which is continuously followed up. This then forms the basis of the salary dialogue review between manager and employee. Individual salary reviews are another expression of the Bank's aim to decentralise responsibility and authority.

FOR GENDER EQUALITY – AGAINST DISCRIMINATION

Regardless of background, the Bank's staff are individuals with their own characteristics and strengths and their own way of expressing themselves. There must be no discrimination of any kind at Handelsbanken. Handelsbanken's fundamental view is that equal conditions must apply to men and women regarding career development within the Handelsbanken Group. An important element of the Bank's work related to equality is increasing awareness of how social and cultural norms affect us in our daily lives. As part of this process, the Group's senior management, personnel managers and union representatives have participated in courses on equality.

The goal is for the proportion of female and male managers to correspond to the overall gender distribution at the Bank. At year-end, 38 per cent (38) of managers in the Handelsbanken Group were women. The proportion of women among the total number of employees was 53 per cent (53). Of the twelve members of the Bank's board elected by the AGM, three are women.

The work of promoting equality aims to make it easier for both men and women to combine employment with parenthood.

INTERNAL LABOUR MARKET

As the Bank's culture and values are so important, internal recruitment is important to Handelsbanken. Managers must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2010, 98 per cent (98) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 90 per cent (92), including those markets where the Bank established operations relatively recently.

WORKING ENVIRONMENT AND HEALTH

The overall objectives in matters regarding the work environment focus on health. Employees should enjoy good health,



The Wheel – the relationship between the Bank's operations and the employee's development.

develop on a personal level and function in an optimal way. This is a long-term goal that includes factors such as balance in life, clear and honest communication, having the skills and competence needed to perform tasks and deal with work-related situations, having pride and confidence in one's work, respecting others and being respected oneself. All employees are responsible for creating a positive working environment at Handelsbanken.

In Sweden, managers who have been assigned responsibility for the working environment must, in co-operation with working environment representatives and other staff, compile a work environment status report at least once a year. This includes both the physical and the psychosocial environment. The results are discussed in the unit's operational planning.

Health promotion activities are considered to be very important. Employees of Handelsbanken are offered a wide choice and large number of subsidised group and individual health promotion activities. The aim is to reach all employees and to strengthen the sense of community at the Bank. Health promotion and working environment activities are components of the strategic process to create the conditions for good physical and mental health in the work place.

Handelsbanken also has its own sports association. Dating back to 1919, with around 3,600 members, the association is one of the largest of its kind in Sweden. To stimulate interest in art and crafts the Bank also has an Art Association with 3,500 members. It is one of largest and best-reputed art associations in Sweden.

WORKING CONDITIONS AND UNION RIGHTS

One component of Handelsbanken's culture is the traditionally good relationship with the trade union. There is an ongoing dialogue between union representatives and managers concerning changes and new services to be launched – and this takes place at the very early stages.

OKTOGONEN – THE BANK'S PROFIT-SHARING SYSTEM

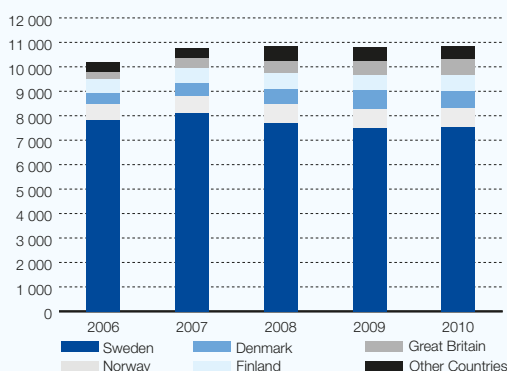
Handelsbanken's goal is to have better profitability than the average of comparable banks on its home markets. A condition for achieving this goal is that employees outperform their peers in the rest of the industry. Therefore, the board considers it only reasonable that employees should receive a share of any extra profits. Every year but two since 1973, the board has decided to allocate part of the Bank's profits to a profit-sharing scheme for its employees. The funds are managed by the Oktogonen Foundation.

Allocations are subject to the Handelsbanken Group achieving its goal of higher return on shareholders' equity than a weighted average of comparable listed Nordic and British banks. One third of the extra profits can be allocated to the employees. The amount is limited to 15 per cent of the dividends to shareholders. All employees receive an equal part of the allocated amount and the scheme includes all employees in the Bank's five home markets, i.e. the four Nordic countries and Great Britain. As of 2009 it also includes employees in the Netherlands, Hong Kong, Luxembourg, Switzerland and Taipei. Payments can be made once an employee has reached the age of 60.

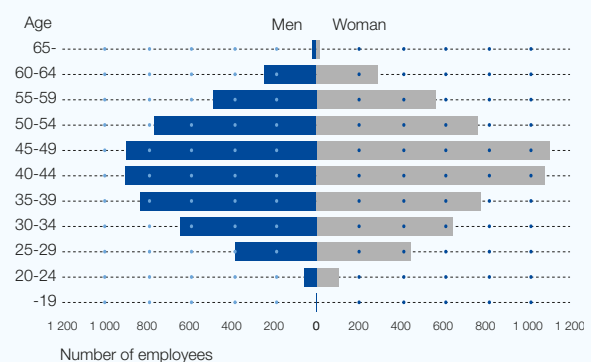
Once again in 2009 the Bank fulfilled the goal of higher profitability than peer banks and made an allocation of SEK 748 million corresponding to some SEK 58,000 per employee. Last year, a provisional allocation of SEK 842 million was made corresponding to some SEK 65,000 per employee.

One of the fundamental concepts in managing the foundation is that a considerable part of the funds are invested in shares in Handelsbanken. For several years now, Oktogonen has been one of the largest shareholders in the Bank. The board of the Oktogonen Foundation is appointed by the union organisation, the Financial Sector Union of Sweden. The board consists of twelve members. Two of these members elected by the AGM represent the Oktogonen Foundation, the Bank's profit-sharing foundation in which the employees are beneficiaries.

Average number of employees 2006–2010



Age and gender distribution 2010



Corporate governance report



Handelsbanken is a Swedish public limited company, listed on the Nasdaq OMX Nordic Exchange in Stockholm and it applies the Swedish Code of Corporate Governance. Here the board submits its corporate governance report for 2010. The follow-up performed in 2010 shows that Handelsbanken has no deviations to report.



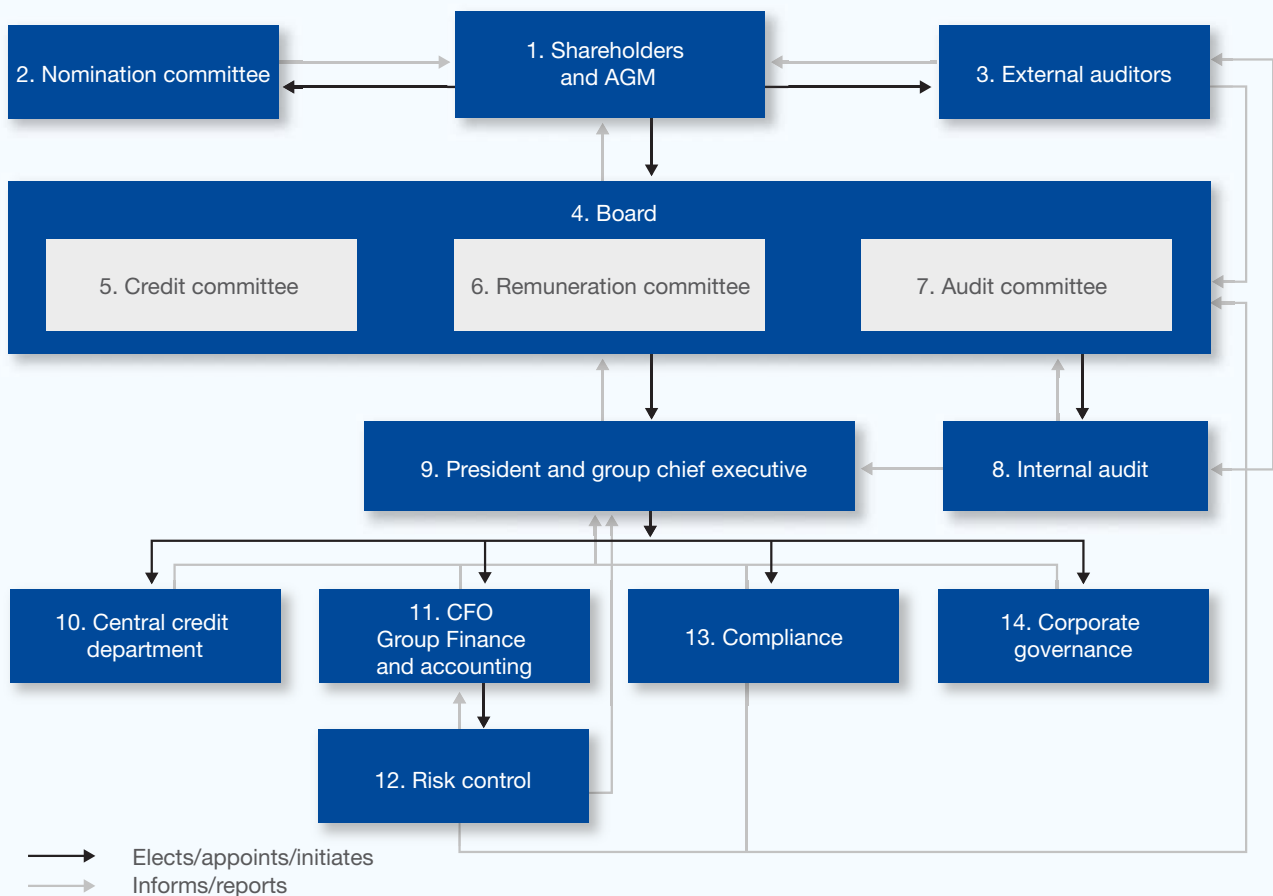


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Corporate governance structure

Handelsbanken's shareholders are ultimately responsible for making decisions about the Bank's governance. At the AGM, the shareholders appoint the board, the board chairman and auditors and decide how the nomination committee will be appointed. The board is responsible to the owners for the Bank's organisation and management of its affairs. The auditors report to the AGM on their findings. The diagram below provides a summary of how governance and control are organised at Handelsbanken.

Corporate governance structure – an overview



1. SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders exercise their right to decide on matters concerning Handelsbanken at the shareholders' meetings, which are Handelsbanken's highest decision-making body. The AGM decides on any changes to the Bank's articles of association – the Bank's most fundamental governing document – and on matters such as the adoption of the income statement and balance sheet, discharge from liability for the board, the new board, new auditors and also remuneration to the chairman of the board, the other board members and to the auditors. The AGM also decides on guidelines for remuneration paid to senior management.

2. NOMINATION COMMITTEE

The AGM decides how the nomination committee will be appointed. The nomination committee's task is to prepare and submit proposals to the next AGM regarding the appointment of the chairman and other members of the

board and also fees to the chairman and other members of the board. The committee's task also includes evaluating the work of the board, primarily based on the report that the chairman of the board submits to the committee. The committee also proposes the appointment of the auditors, and their fees.

3. EXTERNAL AUDITORS

The AGM currently appoints the auditors for a period of four years, which guarantees continuity and depth in their auditing work. The auditors are accountable to the shareholders at the AGM and submit an audit report covering matters such as the annual report and the board's administration. The auditors report regularly, orally and in writing, to the audit committee concerning how their audit was conducted and their assessment of the Bank's administrative order and control. The auditors also submit a summary report of their audit to the whole board.

4. BOARD

The board is responsible for the Bank's organisation and manages the Bank's affairs on behalf of its owners. The board is to continuously assess the Bank's financial situation and ensure that the Bank is organised such that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily controlled. The board establishes policies and instructions on how this should be executed, and establishes a work procedure for the board and also instructions for the group chief executive. These central policy documents state how responsibility and authority are distributed among the board as a whole and the committees, and also between the chairman of the board and the group chief executive. The board appoints the group chief executive, and also executive vice presidents and the Head of Internal Audit. The chairman is responsible for evaluating the board's work and informs the nomination committee of the result of the evaluation.

5. CREDIT COMMITTEE

The credit committee decides on credit cases where the amount exceeds the decision limit applying to the regional bank boards and to the board of Handelsbanken International. Cases of major importance are referred to the full board for a decision. The credit committee comprises the chairman of the board, the vice chairmen, the group chief executive, the chairman of the audit committee, three board members appointed by the board to circulate on the committee with two-year mandates, and the Head of the Central Credit Department. The heads of the regional banks and the Head of Handelsbanken International are responsible for reporting to the credit committee.

6. REMUNERATION COMMITTEE

The remuneration committee regularly evaluates the employment conditions for the Bank's senior management in the light of prevailing market terms for their peers in other companies. The committee's tasks include preparing the board's proposals to the AGM concerning guidelines for remuneration to senior management and the board's decisions on these conditions for senior managers and the Head of Internal Audit. The remuneration committee consists of the chairman of the board and two members appointed by the board.

7. AUDIT COMMITTEE

The audit committee monitors the Bank's financial reporting by examining all crucial accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control, internal audit and risk management systems as well as the external auditors' impartiality and independence. It evaluates the audit work and assists the nomination committee in appointing auditors. The audit committee comprises the chairman of the board and two other members appointed by the board. One of these two members is the committee's chairman.

8. INTERNAL AUDIT

Internal Audit performs an independent and impartial audit of the operations and financial reporting of the Handelsbanken Group. A central task for Internal Audit is to assess and verify the internal control.

9. PRESIDENT AND GROUP CHIEF EXECUTIVE

The group chief executive is appointed by the board to lead the operations

of the Handelsbanken Group. In addition to instructions from the board, the group chief executive is obliged to comply with the provisions of the Swedish Companies Act and a number of other statutes concerning the Bank's accounting, management of funds and operational control.

10. CENTRAL CREDIT DEPARTMENT

The Bank's Central Credit Department is responsible for maintaining the Bank's credit policy, primarily by preparing every major credit case that the board's credit committee or the whole board decides on. The Head of Credits presents all cases to the group chief executive before they are submitted for a decision. The Head of Credits reports to the group chief executive and is a member of the board's credit committee.

11. GROUP FINANCE

Group Finance is responsible for control systems, reporting, control, book-keeping, accounting and taxes. It is also responsible for the Group's liquidity, funding and capital, and for the Group's overall risk management for all risks except credit risk. For a detailed description of this risk management, see note G2 on pages 81–95. The Head of Group Finance, the CFO, also has the main responsibility for independent risk control (section 12 below) and reports on all the Group's risks, including credit risks at aggregate level, to the group chief executive, the board's audit committee and the board.

12. RISK CONTROL

Risk Control is responsible for the overall internal reporting of all the Group's material risks at an aggregate level. This responsibility comprises credit, counterparty and market risks (interest rate, exchange rate, equity price and commodity price risk), operational, liquidity and insurance risks and also risks related to variable compensation. The task of risk control is to identify, measure and monitor the Group's risks, to inform the board and bank management about these risks and to analyse development of the risks. The management of the individual risks is, however, the task of the operating unit that is responsible for the customer or counterparty (account manager) or responsible for conducting a certain transaction (business manager). The Head of Risk Control reports to the CFO. In addition, the Head of Risk Control makes regular reports of his observations to the group chief executive.

13. COMPLIANCE

The compliance function is responsible for ensuring that laws, regulations and internal rules, as well as accepted business practices or norms, are complied with in the operations conducted by the Handelsbanken Group that are subject to a licence. The function must interpret the applicable regulations and inform the units concerned about risks that may arise in the operations as a result of inadequate compliance, assist in identifying and assessing such risks and assist in drafting internal regulations. The function informs the Bank's management and board regularly in matters concerning compliance. The Bank's chief lawyer is responsible for the compliance function. Compliance officers have been appointed in all business areas and in all countries where the Bank operates.

14. CORPORATE GOVERNANCE

The unit ensures that decisions made at the AGM and by the central board as well as changes in legislation, regulations and corporate governance code are implemented in policies, guidelines and instructions with the aim of stipulating responsibilities and authorities internally at the Bank.

CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken is a Swedish public limited company, listed on Nasdaq OMX. Handelsbanken complies with the Swedish Code of Corporate Governance, applicable as from 1 February 2010. The Bank does not deviate from the code. The code states that the aim of good corporate governance is “a question of ensuring that companies are run as efficiently as possible on behalf of their shareholders”. Corporate governance is sometimes defined more broadly, for example in the OECD Principles of Corporate Governance and the Basel Committee’s document “Enhancing corporate governance for banking organisations”. This defines corporate governance as “a set of relationships between a company’s management, its board, its shareholders, and other stakeholders...”. For a bank it is obvious that stakeholders include customers in general, but particularly deposit customers, bond investors and supervisory authorities, on whose confidence the Bank is dependent.

The Bank’s corporate governance report is, however, based on a shareholder perspective. In the Bank’s future sustainability report, a broader range of perspectives are reported. A central part of governance in the Bank comprises managing the risks that arise in operations. Risk management is described in detail in a separate section on risks, in note G2 on pages 81-95. The corporate governance report is part of the statutory annual report and is thus subject to the auditors’ examination.

In the report, “the Bank” refers to the whole of the Handelsbanken Group, unless the context demands that a distinction is made between the parent company (the Bank) and subsidiaries.

The operations of Swedish banks are regulated by law, and banking operations may only be run with a license from the Swedish Financial Supervisory Authority. The regulations for banking operations are very extensive, and are not described

in detail in this report.* Operations outside Sweden are subject both to the Swedish regulations and to the host country’s regulations, if these are stricter or in other respects deviate from Swedish or international rules.

The Swedish Financial Supervisory Authority extensively supervises the Bank’s operations in Sweden and in all countries where the Bank runs branches, in other words, when the foreign operation is part of the Swedish legal entity Svenska Handelsbanken AB. Equivalent authorities in other countries exercise limited supervision over the branches’ operations and full supervision over the Bank’s subsidiaries outside Sweden. The supervisory authorities in the Nordic countries, Great Britain and the Netherlands are co-ordinated in a supervisory group for Handelsbanken, led by the Swedish Financial Supervisory Authority.

In addition to laws and ordinances, the Swedish supervision is based on regulations and general guidelines from the Swedish Financial Supervisory Authority. Unlike the regulations, the guidelines are not binding. Nonetheless, the Bank complies with the guidelines in force. The Swedish Financial Supervisory Authority requires extensive reporting on various matters such as the Bank’s organisation, decision-making structure, internal control, terms and conditions for the Bank’s customers and information to private customers.

The Supervisory Authority’s working methods include systematically visiting various parts of the Bank to follow up the Bank’s actual compliance with the terms and conditions of granted licenses and other detailed regulations. It subsequently reports its observations to the Bank’s management and, in some cases, to the Bank’s board.

The financial crisis has not led to any changes in governance of the Bank. Thus there have been no changes to the organisation, instructions or authority as a result of the crisis.

*The most important statutes include the Companies Act (SFS 2005:551), the Banking and Financing Business Act (SFS 2004:297), the Act on Capital Adequacy and Large Exposures (SFS 2006:1371) and extensive legislation on securities and insurance operations. The Swedish Financial Supervisory Authority’s regulatory code includes General guidelines regarding governance and control of financial undertakings (FFFS 2005:1) and Regulations governing investment services and activities (FFFS 2007:16). For a list of the laws and regulations referring to operations requiring a licence, see www.handelsbanken.se/ireng.

READ MORE ON OUR WEBSITE

More information about Handelsbanken’s corporate governance is available at www.handelsbanken.se/ireng.

The site includes the following information:

- previous corporate governance reports from 2007 onwards
- the articles of association
- information about the nomination committee
- information from previous AGMs from 2004 onwards.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Rights of shareholders

Handelsbanken has more than 100,000 shareholders, and they exercise their right to decide on matters related to the company at the AGM or extraordinary meetings of shareholders. Handelsbanken has two classes of shares: class A and class B. Class A shares are by far the most common and represent 98.12 per cent of all outstanding shares. Class A shares each carry one vote and class B shares carry one-tenth of a vote each. Handelsbanken's articles of association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than ten per cent of the total number of votes in the Bank.

Shareholders who wish to have a matter considered by the AGM must submit a written request to the board sufficiently far in advance so that the matter can be included in the notice of the meeting. The Bank's website contains information as to when this request must have reached the board.

At the AGM the Bank's shareholders make various decisions of major importance for the governance of the Bank. Shareholders' decisions include:

- who should be on the board of the Bank and who should be the Bank's auditors
- deciding fees to board members and auditors
- adopting the income statement and balance sheet
- appropriation of profits
- discharging the board and chief executive from liability for the past financial year
- principles for remuneration to senior management.

The shareholders at the AGM also make decisions on the Bank's articles of association. The articles of association constitute the fundamental governing document for the Bank. The articles include a specification of what operations the Bank is to conduct, the amount of the share capital, the right of shareholders to participate at shareholders' meetings and what is to be presented at these meetings.

Information in Swedish in preparation for AGMs, as well as minutes of past meetings, can be viewed on the Bank's website at www.handelsbanken.se. Notices of AGMs, proposals for the meetings and minutes of the meetings are translated into English and are available at www.handelsbanken.com.

Major shareholders

Two shareholders have more than 10 per cent of the votes: AB Industrivärden with 10.62 per cent and the Oktogonen Foundation, with 10.57 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 36.

Annual general meeting 2010

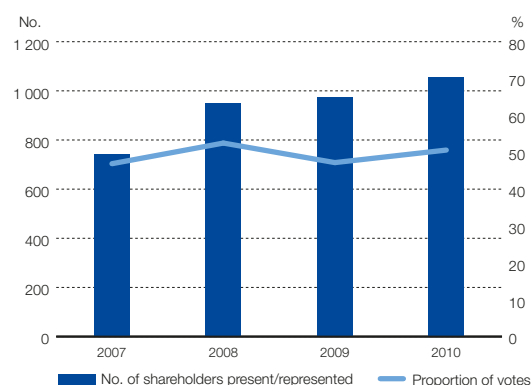
The AGM took place on 29 April 2010.

Over 1,000 shareholders were represented at the meeting. They represented 50.6 per cent of all the votes in the Bank. The chairman and the following members of the board were present at the meeting: Mr Pär Boman (group chief executive) Mr Anders Nyrén, Mr Fredrik Lundberg, Ms Ulrika Boëthius, Ms Lone Fonss Schroder, Mr Jan Johansson and Mr Sverker Martin-Löf. Also participating were the chairman of the nomination committee Mr Carl-Olof By, as well as Mr Stefan Holmström, Mr Erik Åström and Mr Lars Bonnevier from the auditing companies elected by the AGM. The chairman of the meeting was Mr Sven Unger, a lawyer from the law firm Mannheimer Swartling Advokatbyrå.

The decisions made by the shareholders at the AGM included:

- dividend payment of SEK 8.00 per share, totalling SEK 4,988 million
- authorisation for the board to purchase a maximum of 40 million shares in the Bank
- that the board is to consist of twelve members
- re-electing all board members for the period until the end of the next AGM
- re-electing Hans Larsson as chairman of the board
- unchanged fees to the board members.

Attendance at AGMs



The shareholders at the meeting also adopted the following guidelines for remuneration and other terms of employment for the group chief executive and the executive vice presidents, as proposed by the board:

- the total remuneration is to be on market terms
- remuneration is only paid in the form of a fixed salary and customary benefits
- variable compensation benefits such as bonuses or commission on profits are not paid
- senior managers are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank
- the pension age is 60. Pensions are paid under a defined benefit plan
- the period of notice on the part of the employee is six months and on the part of the Bank, twelve months. If the Bank terminates the contract later than five years after the person's appointment as part of the Bank's management, the period of notice is 24 months. In exceptional cases, periods of notice may be shorter
- no termination benefits are paid.

Nomination committee

The shareholders at the 2010 AGM resolved to establish instructions for how the nomination committee is to be appointed. The instruction includes the following: the committee is to comprise five members: the chairman of the board and one representative from each of the Bank's four largest shareholders as at 31 August the year before the AGM is held.

However, the nomination committee must not include representatives of companies which are significant competitors of the Bank in any of its main areas of operations. It is the task of the board chairman to contact the largest owners, so that they appoint one representative each to sit on the nomination committee together with the chairman. This has taken place and the 2011 nomination committee consists of:

Composition of nomination committee and voting representation		
Representative	Owner	Voting power in % as at 31 Dec 2010
Carl-Olof By, chairman	Industrivärden	10.62
Henrik Forssén	Oktogonen Foundation	10.57
Bo Selling	Alecta	3.07
Mats Guldbrand	Lundbergs	2.44
Hans Larsson, chairman of the board		

All board members are independent of the Bank, its management and the largest shareholder in terms of votes – with the exception of Henrik Forssén who is an employee of Handelsbanken and a board member of the Oktogonen Foundation. Information on the composition of the nomination committee has been available on the Bank's website since 20 September 2010.

In advance of the AGM on 23 March 2011, the nomination committee has the task of evaluating the board's work. The committee also submits proposals for the election of a chairman of the AGM, the board chairman and other members of the board, the fees to the board chairman and other board members, remuneration for committee work and fees to auditors.

The nomination committee aims to achieve equal gender distribution among board members. The proportion of women on the board of the Bank is 25 per cent.

Auditors

Stefan Holmström is principal auditor for KPMG AB and has been chairman of the auditing team at Handelsbanken since 2008. He has been an authorised public accountant since 1975. He is also an auditor for Länsförsäkringar AB, Svenska Rymdaktiebolaget, ALMI Företagspartner AB, Proffice AB and Fastighetsaktiebolaget Norrporten. Mr Holmström was born in 1949.

Erik Åström has been an authorised public accountant since 1989 and has been principal auditor for Ernst & Young AB at Handelsbanken since 2008. He is also an auditor for Apoteket AB, Hakon Invest AB, Hennes & Mauritz AB, Modern Times Group MTG AB, and Saab AB. Mr Åström was born in 1957.

THE BOARD

After the shareholders at the AGM had appointed Hans Larsson to be board chairman, Anders Nyrén and Fredrik Lundberg were appointed as vice chairmen at the subsequent first board meeting. At the same time, the board appointed members of the credit committee, audit committee and remuneration committee. Information about the board is shown on pages 60–61.

Composition of the board

The board consists of twelve members. Two of these members elected by the AGM represent the Oktogonen Foundation, the Bank's profit-sharing foundation in which the employees are beneficiaries. Apart from these members, the employees have no representatives on the board.

The board members have broad and extensive experience from the business world. All external members are or have been chief executives of major companies, and most of them are also board members of major companies. Several have worked on the Bank's board for a long time and are very familiar with the Bank's operations.

The Swedish Code of Corporate Governance contains stipulations that the majority of board members elected by the AGM must be independent of the Bank and the Bank's management, and that at least two of the independent board members must also be independent of those of the company's shareholders that control ten per cent or more of the shares and votes in the Bank. In an overall assessment of each board member's independence in relation to the Bank, the Bank's management and major shareholders, the nomination committee has found that nine external members are independent of the Bank and the Bank's management, and that five of them are also independent of major shareholders. Three members are employees of the Bank; hence, they are dependent in relation to the Bank. Two of the employed members (Ulrika Boëthius and Tommy Bylund) are also dependent in relation to a major shareholder (Oktogonen). One of the employed members (Pär Boman) works in the Bank's management.

Name	Independent of the Bank and its management	Independent of major shareholders
Hans Larsson	•	
Anders Nyrén	•	
Fredrik Lundberg	•	
Sverker Martin-Löf	•	
Jon Fredrik Baksaas	•	•
Göran Ennerfelt	•	•
Lone Fonss Schroder	•	•
Jan Johansson	•	•
Bente Rathe	•	•
Pär Boman		•
Ulrika Boëthius		
Tommy Bylund		

Regulations governing the board's work

The fundamental principles regarding the distribution of expertise shared among the board, the board committees, the chairman, the group chief executive and the Internal Audit department are manifested in the board's work regulations and instructions to the group chief executive and to the Head of Internal Audit.

Chairman of the board

The board's working instructions state that the chairman shall ensure that the board carries out its work efficiently and that it fulfils its duties. This involves organising and managing the board's work and creating the best possible conditions for this work. The chairman must also ensure that the board members continually update and expand their knowledge of the Bank, and that new members receive appropriate introduction and training. The chairman must be available to the group chief executive as an advisor and discussion partner, but must also evaluate the group chief executive's work and report his assessment to the board. The chairman's duties include being chairman of the credit and remuneration committees, as well as being a member of the audit committee. The chairman is also responsible for ensuring that the board's work is evaluated annually and for informing the nomination committee of the evaluation. Finally, he is responsible for maintaining contact with the major owners concerning ownership issues. As chairman of the Bank's pension foundation, pension fund and staff foundation he has overall responsibility for ownership issues associated with shareholdings in these three entities. In other respects, there is no other division of work for the board besides that involving the board committees.

Committee work

Credit committee

The credit committee consisted of nine members: the chairman (Hans Larsson), the vice chairmen (Anders Nyrén and Fredrik Lundberg), the chairman of the audit committee (Sverker Martin-Löf), the group chief executive (Pär Boman), the Head of the Central Credit Department (Olle Lindstrand), and three board members appointed by the board (Jon Fredrik Baksaas, Tommy Bylund and Göran Ennerfelt). The members circulate on the committee with two-year mandates.

The credit committee normally holds one meeting every month to take decisions on credit cases that are above a set limit and that are not decided on by the whole board due to the major importance of these cases. The Head of the Central Credit Department presents all cases to the group chief executive before they are submitted for a decision. The heads of the regional banks and the Head of Handelsbanken International present cases from their own units and listen when other cases are presented, which provides them with a good picture of the board's approach to risks. Credit cases that are decided upon by the whole board are presented by the Head of the Central Credit Department. If a delay

in the credit decision would cause inconvenience to the Bank or the borrower, the credit instructions allow the group chief executive and the Head of the Central Credit Department to decide on credit cases during the interval between meetings.

The credit committee had eleven meetings during the year.

Audit committee

The audit committee consisted of the board chairman (Hans Larsson) and two board members appointed by the board (Sverker Martin-Löf and Lone Fonss Schroder). All members are independent of the Bank and its management. Hans Larsson and Lone Fonss Schroder are also independent of major shareholders. Sverker Martin-Löf is the committee chairman.

The audit committee monitors financial reporting and the effectiveness of the Bank's internal control, internal audit and risk management systems. The committee's other tasks include establishing an annual plan for the work of Internal Audit. The committee maintains regular contact with the external auditors, who report to the committee on significant matters that have emerged from the statutory audit, especially regarding shortcomings in the internal control of the financial reporting. The committee also examines reports from the Heads of Compliance and Risk Control. The committee generally meets five times a year, normally in connection with quarterly and annual reports. Issues are presented by the group chief executive, the Head of Group Finance, the Head of Internal Audit, the Head of Compliance and the principal auditors from the audit companies appointed by the AGM.

The audit committee had six meetings during the year.

Remuneration committee

The remuneration committee prepares matters regarding compensation to be decided on by the board and the AGM.

The remuneration committee comprised the board chairman (Hans Larsson) and two board members appointed by the board (Bente Rathe and Göran Ennerfelt). All members are independent in relation to the Bank and its management.

After the shareholders at the AGM have decided on guidelines for the terms and conditions of remuneration to the group chief executive and the executive vice presidents, the board decides, in accordance with the regulations of the Swedish Financial Supervisory Authority, on remuneration to the group chief executive, the executive vice presidents and other senior management staff who

report directly to the central board, the group chief executive, an executive vice president or the Head of Internal Audit. In this context, "senior management staff" refers to members of the central bank management team and executive vice presidents in regional banking operations, business areas and central departments.

The remuneration committee held seven meetings during the year.

The board's work in 2010

During the year, the board held nine ordinary meetings, including a two-day strategy meeting.

The board's work adheres to a structure of fixed and regular matters, mainly as follows:

Case	When
First board meeting following election of board members, corporate governance documents	after AGM
Frameworks for funding	at least once a year
Strategy	--
Group chief executive's instructions and guidelines	--
Operational risks	half-yearly
Internal capital evaluation	quarterly
Loan losses and credit risks	--
Six-monthly report	July
Announcement of the nomination committee	September
Interim report	October and April
Evaluation of the board's work	annually
Function of the risk classification system	--
Evaluation of group chief executive	--
Skills development of staff and supply of managers	--
Salary review for group chief executive and head of internal audit	--
Limits for financial risks	--
Annual accounts	February
Proposals for AGM	in preparation for AGM
Preparation of corporate governance documents	--
External and internal audit reports	--
Allocation to the Oktogonen profit-sharing scheme	--
Business situation	each meeting
Follow-up of risk limits	--
Credit matters	--

In addition, matters discussed at each committee meeting are reported at the subsequent board meeting.

PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

The Bank's goal and strategy

Handelsbanken's operational goal is to have higher profitability than the average of comparable banks in its home markets. This is to be achieved by having the most satisfied customers and by being more cost-effective than competitors.

The purpose of the goal is to offer shareholders long-term, high growth in value expressed in increasing earnings per share over a business cycle.

Handelsbanken is a full-service bank with a decentralised way of working, a strong local presence due to nationwide branch networks and a long-term approach to customer relations. The Bank has applied this basic concept consistently for several decades. The Bank has a decentralised working model, involving strong trust in our employees' will and ability to take responsibility. Since the basic organisational model has remained unchanged for a long time, the Bank has a very strong corporate culture, which is manifested in an internal document called Our Way. This document describes the Bank's goals, ideas and way of working, and is read and discussed by all employees of the Bank.

The salary and pension system, combined with the Oktogonen profit-sharing system, are other ways of boosting the corporate culture by promoting "lifelong" employment. Handelsbanken wishes to recruit young employees for "lifelong" employment at the Bank by offering development opportunities that make the Bank self-sufficient in terms of skilled employees and managers.

This long-term approach also applies to the way in which the Bank relates to its customers, is manifested in, for example, the ambition of always giving the customer the best possible advice – without looking at what is most profitable for the Bank in the short term. Customers should never have reason to suspect that the Bank's actions are steered by its employees receiving commission on a certain product. Employees thereby also feel a sense of security in that they can always offer a customer the Bank's best advice without affecting their remuneration. This enables the Bank to build long-term relationships with both customers and employees.

The strong corporate culture is the Group's most important policy instrument. This is not, however, sufficient from a corporate governance perspective. In parallel with informal discussions, the board has established principles, strategies, limits and target figures in a series of policy documents and instructions. These are summarised here.

Compensation principles at Handelsbanken

The Bank's principles for compensation to employees are long established. Variable compensation is paid to a limited extent. As of 1 January 2010, the Swedish Financial Supervisory Authority's regulations and general guidelines governing remuneration policies in credit institutions, investment firms and fund management companies (FFFS 2009:6) apply. The regulations include special rules for employees who receive variable compensation and who can affect the level of risk in a financial institution. The regulations also contain provisions on deferred compensation and on publication of information concerning compensation. The new rules have affected the Bank's principles for compensation only marginally.

The following is an overall presentation of the Bank's fundamental principles for fixed and variable compensation, for compensation to employees who are able to influence the Bank's level of risk, as well as for compensation to senior management. Other information concerning compensation paid by the Bank in accordance with FFFS 2009:6, including the Bank's allocation model for variable compensation is presented in note G8 on pages 97–100. It also provides information about amounts for salaries, pensions and other benefits, and loans to senior management.

Fundamental principles for compensation

In Sweden and certain other countries, the Bank is party to collective agreements on general terms and conditions of employment during the employment period and on terms and conditions of pensions after employees have reached retirement age.

The aim of the Bank's policy on salaries is to increase the Bank's competitiveness and profitability, to enable the Bank to attract, retain and develop skilled staff, and to ensure good skills development and management succession planning. Good profitability and productivity performance at the Bank create the necessary conditions for salary growth.

Compensation for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and a pension provision. At Handelsbanken, salary-setting takes place at the local level. Salaries are set in salary reviews between the employee and his/her line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in the salary process, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs. Salaries are based on factors known in advance, namely the nature and level of difficulty of the work, skills, performance and results achieved, leadership (for managers who are responsible for the career development of employees), supply and demand on the market, and performance as an ambassador for the Bank's business culture.

This fundamental principle for fixed salaries applies to more than 95 per cent of the Group's employees, and is applied without exception to senior management, all staff involved in the Bank's granting of credits, and employees in the Bank's control functions.

Principles for compensation to senior management

After the shareholders at the AGM have decided on guidelines for compensation to the group chief executive and the executive vice presidents, the board decides on compensation to the central bank management team and the remaining executive vice presidents, a total of 21 individuals (as at 31 December 2010). The board also determines compensation for the Head of Internal Audit. For the guidelines from the AGM, see the "Annual general meeting 2010" section on page 49.

Compensation to senior management is paid in the form of fixed salary, a company car, the customary benefits and pension provisions. No variable compensation is paid. Nor are there any agreements on severance pay.

The retirement pensions of the group chief executive and the executive vice presidents are paid from the age of 60 at the earliest; the pensions are equivalent to 65 per cent of the individual's salary immediately before retirement. From the age of 65, deductions are made in an amount equivalent to the sum paid as pension from the state insurance system. Deductions are also made for pension amounts paid on the basis of a paid-up policy from a previous employer.

During an individual's period of employment at the Bank, pension rights accrue steadily until they reach 65 per cent of the employee's final salary at the time of retirement (after deductions for any paid-up policy from a previous employer). Over the same period, the Bank makes the equivalent allocations for future pension, and is charged annually for the cost at the same rate as the pension is accrued. Accrued pension obligations are vested and are secured in the Bank's pension foundation or assured in the Bank's pension fund. After retirement age is reached, no further provisions are made. If a member of senior management leaves the Bank before reaching retirement age, the provisions cease and the accrued pension is deposited into a paid-up policy.

Senior managers are allocated units in Handelsbanken's profit-sharing scheme, Oktogonen, on the same terms as all other employees of the Bank.

External fees such as fees for serving on the boards of other companies must be paid in to the Bank.

No changes to the applicable guidelines for compensation to senior managers are proposed ahead of the 2011 AGM.

Variable compensation

Any exceptions from the principle of fixed salaries require a special decision by the group chief executive in accordance with the compensation policy stipulated by the board. The heads of the areas concerned, as well as risk control and compliance managers, took part in the preparation of the board's compensation policy.

Variable compensation occurs to a limited extent and, with very few exceptions, only in the Handelsbanken Capital Markets business area. Nor is variable compensation paid to the Bank's management or to any employee who makes decisions on credits or limits. Therefore, in applying FFFS 2009:6, it has been natural for the Bank to define employees who can influence the Bank's level of risk as those who have both variable compensation and a mandate to take positions in the Bank's name in assets such as securities, foreign exchange instruments, commodities or other positions that expose the Bank to risk. These employees are designated as position-takers. A position always requires a limit decided by an employee who does not receive variable compensation. At year-end 2010, the Bank had just over 80 position-takers. Deferred variable compensation is paid in part to position-takers. In addition, variable compensation is paid to just over 400 other employees who are not position-takers. Variable compensation is paid in cash.

Policy documents

Credit policy

Credits may only be granted if there are good grounds for expecting the borrower to meet his commitments. Credits must normally have collateral. The Bank strives to maintain its historically low level of loan losses compared to other banks, thus contributing to the Bank's profitability target and retaining its sound financial position.

Operational risks

Operational risks must be managed so that the Group's operational losses remain small, both in comparison with previous losses incurred, and with other banks' losses. The responsibility for operational risks is an integral part of managerial responsibility throughout the Group.

Financial policy

The Group's funding must be well-diversified in terms of markets, currencies and maturities. The liquidity risk exposure is restricted by limits established by the board. The board sets limits for long-term funding. During stressed market conditions, the Bank must have an adequate liquidity reserve to be able to continue its operations for a pre-determined period of time, without new funding in the financial markets.

Capital policy

The Bank must have economic capital (see the risk section on pages 81–95) which corresponds to all risks that may lead to unexpected losses. This is to guarantee that the Tier 1 capital covers the minimum legal capital requirement by a safety margin determined by the board. The Bank’s capital situation must also make it possible to maintain a high rating from the most important rating agencies.

Financial risk policy

Financial risks here refer to market risks and liquidity risks. Market risks are in turn divided into interest rate risks, equity price risks, currency risks and commodity price risks. The Bank’s market risks must be low and normally occur as a natural step in customer business. The board stipulates the measurement methods and limits for financial risks, and instructs the group chief executive to organise an independent risk control function with adequate resources for appropriate monitoring of financial risks.

Information policy

The Bank’s information must be objective and easy to understand. It must respect the recipient of the information and be provided at the right time and in the right way. The information should strengthen the Bank’s brand and the trust of the Bank’s customers, the capital market and society in general. Information provided to the stock market must be correct, relevant, reliable and in compliance with stock market regulations. Information is to be made public as soon as possible and simultaneously to the stock market, investors, analysts, news services and other media.

Normally, the media and analysts are simultaneously invited to attend press conferences and capital market seminars.

Ethical guidelines

Employees of the Bank must conduct themselves in a manner that upholds confidence in the Bank. All operations at the Bank must be characterised by high ethical standards. Customers must be treated with respect and the financial advice given must be based on the customer’s requirements. Conflicts of interest must be identified and handled according to internal and external regulations, such as those on banking confidentiality and investment advice.

In case of doubt as to what is ethically acceptable, the matter must be discussed with the employee’s immediate superior.

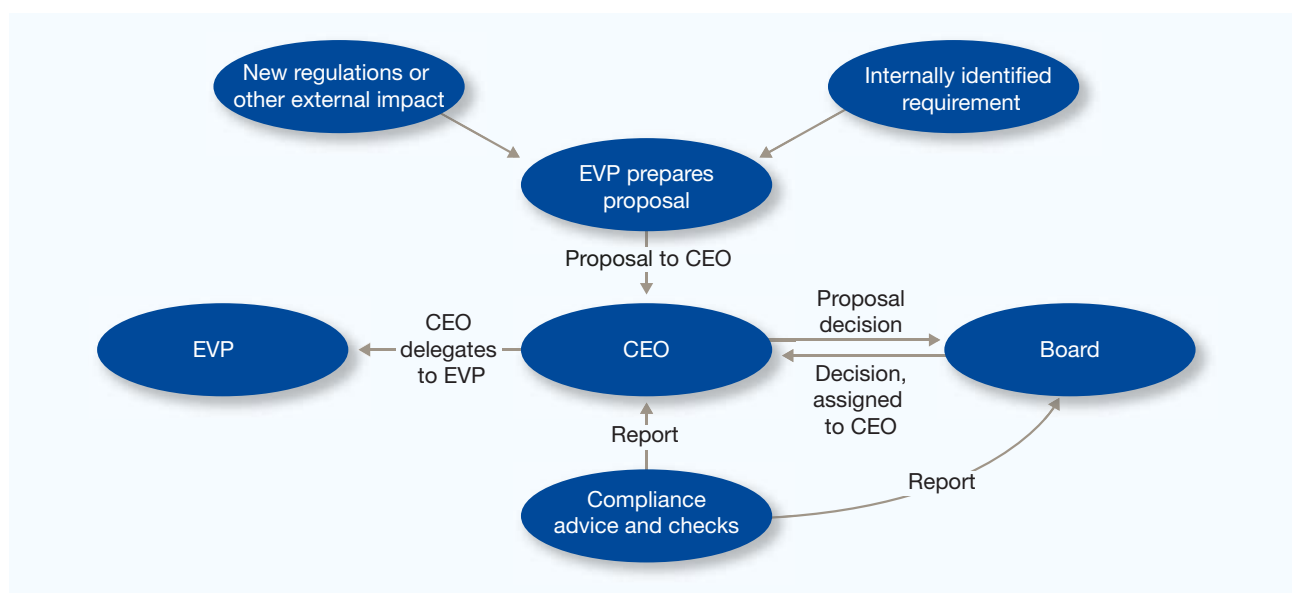
Policy for internal audit operations

Internal Audit is to assess the efficiency and appropriateness of the Group’s processes for risk management, internal steering and control. The audit function must impartially and independently examine the Group’s accounts, ensure that material risks are identified and managed in a satisfactory manner, and that material financial information is reliable, correct and delivered on time.

Policy for managing and reporting events of material importance

Incidents of material importance must be reported to the Swedish Financial Supervisory Authority. This refers to incidents that may jeopardise the Bank’s stability or protection of customers’ assets. No such incidents occurred during the year.

Production and monitoring of corporate governance documents



Policy for the Bank's use of the external auditors' services

Engagement of the external auditors elected by the AGM for assignments other than auditing and related assignments is subject to special review and reporting to the audit committee.

Policy for independent risk control

The Bank has a central and independent risk control function with operational risk for identifying, measuring and reporting all material risks at Group level and for proposing risk management measures when deemed necessary. This unit also has functional responsibility for the local risk controls. The central risk control function reports to the CFO but also provides regular reports to the group chief executive.

Policy for compliance

Compliance refers to the observance of laws, regulations and internal rules, as well as accepted business practices or accepted standards related to the operations that are subject to a license. This means that the Bank must comply with the Swedish Financial Supervisory Authority's guidelines and industry codes, such as the Swedish Code of Corporate Governance, which are considered to represent sound practices. The compliance function must report to the board and group chief executive regarding the Bank's compliance. See also page 58.

Policy for agreements relating to the engagement of third parties

This policy regulates the Bank's outsourced operations which are subject to a license to a third party, such as operation of IT systems, acquisition of card transactions or other operations with a natural link to the Bank's operations.

The Bank or its subsidiaries are always responsible for the outsourced operations being run in accordance with any licenses linked to the operations.

Policy on measures to prevent money laundering and financing of particularly serious crime

The policy is based on crime prevention laws in the field of finance, mainly the Swedish Act on Measures against Money Laundering and Financing of Terrorism. The Bank does not participate in transactions of which the employee does not understand the implications.

Remuneration policy

In Sweden, the Bank is party to collective agreements on general terms and conditions of employment during the employment

period and on terms and conditions of pensions after employees have reached retirement age. Compensation for work performed is set individually for each employee, and is paid in the form of fixed salary, customary benefits and pension provisions. Salaries are established locally in accordance with the Bank's decentralised method of working and are revised once a year.

For a more detailed description of Handelsbanken's compensation principles, see pages 53–54.

THE BANK'S MANAGEMENT**Group chief executive**

Pär Boman has been president and group chief executive since April 2006. Mr Boman was born in 1961 and he has worked at Handelsbanken since 1991. In 1998 he was appointed executive vice president and Head of Regional Bank Denmark, and thereafter Head of Handelsbanken Markets. Pär Boman has an engineering degree and a business degree. In addition to being on the board of the Bank, Mr Boman is a board member of Svenska Cellulosa AB SCA, the Swedish Bankers' Association and the European Financial Reporting Advisory Group (EFRAG) but has no other assignments outside the Bank. His shareholdings in the Bank and those of close relatives are 5,907, of which 4,407 are held indirectly via the Oktogonen profit-sharing foundation. In addition, Mr Boman has an unchanged holding of staff convertible notes for a nominal amount of SEK 5.64 million at a conversion price of SEK 187.56 per share, corresponding to 26,507 shares.

Group management and Group management structure

Handelsbanken has long had a decentralised way of working, in which virtually all material business decisions are taken at the branches, close to customers.

Operations are pursued to a large extent within the parent company and, primarily for legal reasons, also in subsidiaries, both in Sweden and in other countries. This organisational structure results in a relatively large senior bank management team which, together with the heads of the major subsidiaries, makes up the Group management team. This consists of the central bank management, as well as the heads of branch operations, business areas and central departments. The branch operations are geographically organised into regional banks: six in Sweden, one each in Denmark, Finland and Norway, and two in Great Britain, which together constitute the Bank's home markets. Starting from 1 January 2011, the Bank's UK operations are organised into three regional banks. Branch operations outside

the Bank's home markets are led by the Head of Handelsbanken International.

Each regional bank is led by a head of regional bank, who is a member of the Group management team. During the year, a head of the Swedish regional bank operations and a head of the UK regional bank operations were appointed, which means that the Group management team has expanded by two people. The heads of the regional banks in Denmark, Norway and Finland as well as the UK head and the country managers within Handelsbanken International, are responsible to the public authorities in their respective host countries for all operations that the Bank and its subsidiaries pursue in those countries.

Business areas refers to investment banking operations, asset management including life insurance, mortgage loan operations and finance company operations. In 2010, the investment bank (Handelsbanken Capital Markets) and the asset management operation (Handelsbanken Asset Management) were merged into one business area under one head. This business area also includes the subsidiaries Handelsbanken Fonder (mutual funds) and Handelsbanken Liv (life insurance). Mortgages, other property financing, and forestry and agricultural financing are carried out by the subsidiary Stadshypotek. The finance company operation is run by the Handelsbanken Finans subsidiary. Each business area is responsible for products and services in its own field. In addition, the finance company has product responsibility for the Bank's basic products for private customers and Handelsbanken Capital Markets for the Bank's products for corporate customers.

The central bank management and central departments represent various parts of the Bank's head office functions, such as the departments for treasury and finance, credits, infrastructure, IT, personnel, legal matters, and corporate communications.

The Bank thus applies a rather wider group management concept than that which follows from the Companies Act's provisions on senior management. This means that the group of senior managers reported on pages 62–63 in the corporate governance report is wider than the group of persons included in the senior manager concept in note G8 on pages 97–100.

To a large extent, responsibilities and powers of authority have been assigned to individual members of staff, rather than groups or committees. This means that the central bank management, the Group management and the management teams of the regional banks and departments are consultative bodies rather than decision-making bodies. Only in the credit process do collective decisions in credit committees occur, although the presenters always have a special responsibility for the credit in question.

Details about the senior management are given on pages 62–63.

INTERNAL CONTROL AND THE BANK'S CONTROL FUNCTIONS

Responsibility for internal control has been delegated from the group chief executive to heads of regional banks and heads of main departments who are then responsible for internal control within their respective units. In turn, these managers delegate the responsibility to branch managers and department managers, who are in charge of internal control at each branch or department. This responsibility means that appropriate instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Thus, the responsibility for internal control and compliance is an integral part of managers' responsibility at all levels in the Bank.

The Bank has a long tradition of internal auditing. Long before external requirements on internal auditing were introduced, the Bank's management had an internal audit function at its disposal being independent of the line organisation. The current organisation with centrally and regionally located internal auditors has been very effective in the past twenty years. During the year, the previous regional internal audit departments were merged with the central internal audit department into an integrated internal audit function working in the same way as before. There are now requirements from external authorities for an internal audit function, and the Head of Audit is appointed by the board and reports to the group chief executive and the board. Internal audit has thus become the board's controlling body. The elected organisation and long tradition give internal audit the authority and integrity required to enable the AGM-elected auditors, in their close co-operation with internal audit, to trust in measures and data from the latter. Unlike the internal audit, the compliance and risk control functions are the Bank management's control body for compliance and risk control.

Internal audit

The board appoints the Head of Internal Audit. Internal Audit has over 80 employees, a large number of whom have expertise corresponding to public authorised accountants. The Bank's external auditors evaluate and check the quality of Internal Audit's work. Internal Audit's assignments are based on an internal auditing policy established by the board. The audit work is to focus on examining operations and procedures which are of material importance and/or involve risks. The planned auditing tasks are documented annually in an audit plan which is established by the board's audit committee on behalf of the board. The conclusion of internal audits, the actions to be taken, and their status are continually reported to the audit committee.

Compliance

Compliance is the responsibility of all employees in the Group. Setting up compliance functions centrally, within regional banks and in each main department and country where the Bank has operations, does not release any employee from the responsibility of following the external and internal rules applying to the operations. However, the regulations are often complex and in some cases the individual employee may have limited experience. It is thus vital that guidance is available, to avoid mistakes. The compliance function must ensure that laws, regulations and internal rules, as well as accepted business practices and standards, are complied with in the operations conducted by the Handelsbanken Group that are subject to a licence. The function must also assist in drawing up internal rules and provide information about new and amended rules for the operation. The compliance function must actively check compliance

with regulations. The Head of Compliance also heads the Bank's Central Legal Department and reports directly to the group chief executive. As Head of Compliance, he or she reports to the group chief executive at least four times a year and directly to the board's audit committee at least twice a year concerning compliance in the Group.

The Legal Department is often involved in daily business operations. To highlight the independence of the compliance function, there is a separate compliance function under the Head of the Central Legal Department – parallel to the normal legal function.

Risk control

The risk control function is briefly described in the overview of the Bank's governance structure on pages 46–47. Note G2 on pages 81–95 contains a more detailed description.

Internal control organisation



THE BOARD'S REPORT ON INTERNAL CONTROL REGARDING FINANCIAL REPORTING

The presentation of Handelsbanken's internal control process for financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The process was designed to ensure compliance with the Bank's principles for financial reporting and internal control, and to ensure that the financial reporting has been prepared pursuant to the law, applicable accounting standards, and other requirements related to listed companies.

Control environment

The control environment described above in this corporate governance report is fundamental to Handelsbanken's internal control of financial reporting, organisational structure, division of responsibilities, guidelines and steering documents.

Risk assessment is another part of the internal control process and comprises identification and management of the risks that may affect financial reporting, as well as the control activities aimed at preventing, detecting and correcting errors and deviations.

Risk assessment

The annual self-evaluations carried out at regional banks, subsidiaries and central departments are an essential part of the Bank's risk assessment. Risks related to financial reporting are part of this total analysis.

In a self-evaluation, the employee defines the events that constitute potential risks to the operation and then estimates the probability and consequences of each risk. Particular focus is placed on the risk of fraud and the risk of loss or embezzlement of assets. A plan of action is then drawn up, based on the self-evaluation. Other aspects of Handelsbanken's risk management are detailed in note G2 on pages 81–95.

Control activities

Various control activities are incorporated in the entire financial reporting process.

Group Finance is responsible for consolidated accounts, consolidated reports and for financial and administrative control systems. The department's responsibilities also include the Group's liquidity, the internal bank, the capital base, tax analysis and Group-wide reporting to public authorities. The department must also ensure that instructions of significance to financial reporting are disseminated and made available to the staff concerned.

Reported amounts and analyses of income statements and balance sheets are reconciled and checked regularly within the accounting and control organisation.

Heads of accounting and control at regional banks, subsidiaries and central departments are responsible for ensuring that the control activities in the financial reporting for their respective units are appropriate – i.e. that they are designed to prevent, detect and correct errors and deviations, and are in compliance with internal guidelines and instructions. At each quarterly closing of accounts, the units certify that the prescribed periodic checks and reconciliation of accounts have been carried out.

A valuation committee operates within the framework of Group Finance and has the task of creating conditions for correct valuation of assets and liabilities recognised at fair value. The committee has similar responsibility for valuing securities that are classified as loans, available-for-sale or held-to-maturity, as well as financial guarantees. This is achieved by the committee ensuring that internal guidelines, instructions and applied models in valuation of the aforementioned assets and liabilities are appropriate and comply with external regulations.

High IT security is a precondition for good internal control of financial reporting, which is why there are regulations and guidelines to ensure availability, accuracy, confidentiality and traceability of information in the business systems.

As part of the quality control work for financial reporting, the board has set up an audit committee consisting of the chairman of the board and two board members. The committee processes crucial accounting matters and the financial reports produced by the Bank. The committee also supervises the efficiency of the internal control, internal audit and risk management systems for financial reporting. See the section under the 'Committee work' heading on page 51 for more details.

Information and communication

The Bank has information and communication paths with the aim of achieving completeness and correctness in its financial reports. The Group's general accounting instructions and special procedures for producing financial reports are conveyed to the staff concerned via the Group's intranet. The system used for financial reporting encompasses the entire Group.

Monitoring

Internal Audit, Central Risk Control and Group Finance monitor compliance with internal policies, instructions and other policy documents. Monitoring takes place at central level, but also locally in regional banks, subsidiaries and business areas. The instructions that the board has established for Internal Audit state that internal control of financial reporting must be examined. Internal Audit is described in more detail on page 57. The Group's information and communication paths are monitored continually to ensure that they are appropriate for the financial reporting.

The board



Name	Hans Larsson, chairman of the board	Anders Nyrén, vice chairman	Fredrik Lundberg, vice chairman	Jon Fredrik Baksaas, board member	Ulrika Boëthius, board member	Pär Boman, board member
Position	Director	President and CEO of AB Industrivärden	President and CEO of L E Lundbergföretagen AB	President and CEO of Telenor ASA	Bank employee	President and group chief executive of Handelsbanken
Education	BA	Graduate in Business Administration and MBA	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Business Administration and MBA	Sciences Upper Secondary School	Engineering and Business/Economics degree
Year elected	1990	2001	2002	2003	2004	2006
Year of birth	1942	1954	1951	1954	1961	1961
Nationality	Swedish	Swedish	Swedish	Norwegian	Swedish	Swedish
Other assignments	Chairman of Nobia AB, Attendo AB, Valedo Partners Fund 1 AB. Board member AB Industrivärden, Holmen AB.	Chairman of Sandvik AB. Board member Telefonaktiebolaget L M Ericsson, Ernströmgruppen AB, AB Industrivärden, Svenska Cellulosa AB SCA, SSAB AB, AB Volvo. Chairman of Swedish Association for Sound Practices in the Securities Market.	Chairman of Holmen AB, Cardo AB, Hufvudstaden AB. Board member L E Lundbergföretagen AB, AB Industrivärden, Sandvik AB.	Board member Det Norske Veritas (council), Doorstep AS, GSMA, VimpelCom Ltd.	Vice chair Swedish Financial Sector Union.	Board member Svenska Cellulosa AB SCA.
Background	1992–1999 President Nordstjärnan AB. 1989–1991 President Esselte AB. 1985–1989 President Swedish Match AB. Chairman of the boards of, among others, NCC AB, Linjebuss AB, Bilspedition/BTL AB, Althin Medical AB, Carema AB, Sydsvenska Kemi AB.	1997–2001 Deputy CEO, CFO Skanska. 1996–1997 Dir Markets and Corporate Finance Nordbanken. 1992–1996 Deputy CEO, CFO Securum. 1987–1992 CEO OM International AB. 1986–1987 CEO STC Venture AB. 1982–1987 Deputy CEO, CFO STC. 1979–1982 Director AB Wilhelm Becker.	Active in Lundbergs since 1977. CEO L E Lundbergföretagen AB since 1981.	1994–2002 CFO, Executive VP/Senior Executive VP Telenor ASA. 1997–1998 Managing Director Telenor Bedrift AS. 1989–1994 CFO/CEO TBK AS. 1988–1989 Chief Finance Director Aker AS. 1985–1988 Chief Finance Director Stolt Nielsen Seaway AS. 1979–1985 System consultant/Controller/Contract Co-ordinator Det Norske Veritas.	Employed by Handelsbanken since 1981. Chair of union club, Handelsbanken 1997–2004.	2002–2005 EVP, Head of Handelsbanken Markets. 1998–2002 EVP, Head of Regional Bank Denmark, Handelsbanken. Employed by Handelsbanken since 1991.
Remuneration	SEK 2,825,000	SEK 925,000	SEK 925,000	SEK 700,000	SEK 0	SEK 0
Credit committee Attendance*	Chairman 11/11	Member 11/11	Member 11/11	Member 10/11	-	Member 11/11
Audit committee Attendance	Member 6/6	-	-	-	-	-
Remuneration committee Attendance	Chairman 7/7	-	-	-	-	-
Board meetings Attendance	9/9	9/9	9/9	8/9	8/9	9/9
Own shareholdings and those of immediate family	18,600	2,000	2,425,000	0	4,365, of which indirect holdings 4,365**. Employee convertible notional amount SEK 226,000.	5,907, of which indirect holdings 4,407**. Employee convertible notional amount SEK 5,638,000.
Dependent/independent	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (President and CEO of AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Not independent of the Bank (employee). Not independent of major shareholders (Oktogonen).	Not independent of the Bank (employee). Independent of major shareholders.

* Olle Lindstrand, Head of the Central Credit Department, has attended all meetings.

** Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.



Name	Tommy Bylund, board member	Göran Ennerfelt, board member	Lone Fonss Schroder, board member	Jan Johansson, board member	Sverker Martin-Löf, board member	Bente Rathe, board member
Position	Bank Vice President	President of Axel Johnson Holding AB	Director	President and CEO of Svenska Cellulosa AB SCA	Director	Director
Education	Upper Secondary School	BA and Graduate in Business Administration	Graduate in Business Administration and Bachelor of Laws	Bachelor of Laws	Lic. Tech, PhD (h.c.)	Graduate in Business Administration and MBA
Year elected	2000	1985	2009	2009	2002	2004
Year of birth	1959	1940	1960	1954	1943	1954
Nationality	Swedish	Swedish	Danish	Swedish	Swedish	Norwegian
Other assignments	Chairman of the Oktogonen Foundation. Member of Ljusdal Municipality's business policy foundation, Närjäs.	-	Board member Vattenfall (audit committee), Aker ASA (audit committee), Aker Solutions ASA, NKT A/S, Volvo personvagnar AB (chair audit committee).	-	Chairman AB Industrivärden, Svenska Cellulosa AB SCA, Skanska AB, SSAB AB. Vice chairman Telefonaktiebolaget L M Ericsson.	Chair Ecohz AS and Cenium AS. Vice chair Norsk Hydro ASA, Powel AS, Innovasjon Norge. Board member Choice Hotels Scandinavia AS, Home Invest AS, Norwegian Government Financial Crisis Commission.
Background	Employed by Handelsbanken since 1980. Branch manager at Handelsbanken since 1992.	Since 1966 has had various assignments and positions within the Axel Johnson Group except for a period at Wells Fargo, San Francisco, USA 1971-1972.	2006-2010 CEO Walleniusrederierna AB. 1982-2004 Leading managerial positions within AP Moller/Maersk A/S.	2001-2007 President and CEO Boliden AB. 2001 Head of network operations Telia AB. 1994-2001 Deputy CEO Vattenfall. 1990-1994 Head of business area at Svenska Shell. 1985-1990 Corporate lawyer at Shell. 1984-1985 Trainee lawyer. 1981-1983 District court clerk.	1977-2002 Active at Svenska Cellulosa AB SCA in various management positions.	1999-2002 Deputy CEO Gjensidige NOR (CEO of life insurance company, chair of Mutual Fund and Asset Management company). 1996-1999 CEO Gjensidige Bank AS. 1993-1996 CEO Elcon Finans AS. 1991-1993 Deputy CEO Forenede Forsikring. 1989-1991 CFO Forenede Forsikring. 1977-1989 Head of credits and CFO E.A. Smith AS.
Remuneration	SEK 0	SEK 800,000	SEK 575,000	SEK 450,000	SEK 875,000	SEK 550,000
Credit committee Attendance	Member 11/11	Member 10/11	-	-	Member 10/11	Deputy 1/1
Audit committee Attendance	-	-	Member 6/6	-	Chairman 6/6	-
Remuneration committee Attendance	-	Member 7/7	-	-	-	Member 7/7
Board meetings Attendance	9/9	9/9	9/9	8/9	9/9	9/9
Own shareholdings and those of immediate family	16,363, of which indirect holdings 15,419**. Employee convertible notional amount SEK 909,000.	65,000	0	5,000	4,000	1,330
Dependent/independent	Not independent of the Bank (employee). Not independent of major shareholders (Oktogonen)	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank, its management and major shareholders.

Senior management

CENTRAL BANK MANAGEMENT					
Name	Position	Year of birth	Employed	Shareholdings	Employee convertible
Pär Boman	President and Group Chief Executive.	1961	1991	5,907, of which 4,407 in indirect holdings*	SEK 5,638,000
Katarina Berner Frösödal	Executive vice president, Head of Personnel.	1956	1979	16,703, of which 16,703 in indirect holdings*	SEK 2,266,000
Björn Börjesson	Executive vice president, contacts with public authorities and the financial sector, internal corporate governance and CSR.	1951	1981	14,078, of which 14,078 in indirect holdings*	SEK 2,266,000
Anders H Johansson	Executive vice president, Head of IT Department.	1955	1999	1,408, of which 1,408 in indirect holdings*	SEK 2,266,000
Agneta Lilja	Senior vice president, Head of Infrastructure.	1961	1985	9,254, of which 9,254 in indirect holdings*	SEK 1,133,000
Olle Lindstrand	Executive vice president, Head of Credit Department.	1949	1985	249, of which 249 in indirect holdings*	SEK 2,266,000
Ulf Riese	Executive vice president, CFO, Head of Group Finance, Investor Relations.	1959	1983	30,597, of which 11,940 in indirect holdings*	SEK 2,266,000
Håkan Sandberg	Executive vice president, chairman of subsidiaries and regional bank boards.	1948	1969	8,403, of which 7,894 in indirect holdings*	SEK 2,266,000
M Johan Widerberg	Executive vice president, vice chairman of subsidiaries and regional bank boards.	1949	1972	18,700, of which 16,000 in indirect holdings*	SEK 2,266,000
BRANCH OFFICE OPERATIONS					
SWEDISH REGIONAL BANKS					
Thommy Mossinger	Executive vice president, Head of Swedish Regional Banks.	1951	1982	13,052, of which 13,052 in indirect holdings*	SEK 2,266,000
Heads of regional banks in Sweden					
Annika Brunnéd	Senior vice president, Head of Regional Bank Northern Norrland.	1964	1984	9,798, of which 9,798 in indirect holdings*	SEK 1,133,000
Rainer Lawniczak	Executive vice president, Head of Regional Bank Central Sweden.	1958	1982	13,169, of which 13,169 in indirect holdings*	SEK 2,266,000
Carina Åkerström	Executive vice president, Head of Regional Bank Stockholm.	1962	1986	4,989, of which 4,989 in indirect holdings*	SEK 1,133,000
Mikael Westerback	Senior vice president, Head of Regional Bank Eastern Sweden.	1962	1985	8,819, of which 8,819 in indirect holdings*	SEK 1,133,000
Michael Green	Executive vice president, Head of Regional Bank Western Sweden.	1966	1994	2,780, of which 2,780 in indirect holdings*	SEK 2,266,000
Anders Ohlner	Executive vice president, Head of Regional Bank Southern Sweden.	1955	1985	8,287, of which 7,787 in indirect holdings*	SEK 2,266,000

* Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.

BRANCH OFFICE OPERATIONS CONT.					
Name	Position	Year of birth	Employed	Shareholdings	Employee convertible
UK REGIONAL BANKS					
Anders Bouvin	Executive vice president, Head of UK Regional Banks.	1958	1985	10,957, of which 9,457 in indirect holdings*	SEK 2,266,000
Heads of regional banks in Great Britain					
Tracey Davidson	Senior vice president, Head of Regional Bank Northern Great Britain.	1968	2003	794, of which 794 in indirect holdings*	SEK 941,000
Göran Stille	Senior vice president, Head of Regional Bank Central Great Britain. (The regional bank started its operations on 1 January 2011).	1966	1987	1,836, of which 1,836 in indirect holdings*	SEK 2,266,000
Simon Lodge	Senior vice president, Head of Regional Bank Southern Great Britain.	1958	2004	674, of which 674 in indirect holdings*	SEK 1,133,000
DANISH REGIONAL BANK					
Frank Vang-Jensen	Executive vice president, Head of Regional Bank Denmark.	1967	1998	1,696, of which 1,396 in indirect holdings*	SEK 2,266,000
FINNISH REGIONAL BANK					
Nina Arkilahti	Executive vice president, Head of Regional Bank Finland.	1967	1995	1,839, of which 1,839 in indirect holdings*	SEK 450,000
NORWEGIAN REGIONAL BANK					
Dag Tjernsmo	Executive vice president, Head of Regional Bank Norway.	1962	1988	2,717, of which 2,717 in indirect holdings*	SEK 909,000
HANDELSBANKEN INTERNATIONAL					
Magnus Uggla	Executive vice president, Head of Handelsbanken International.	1952	1983	41,989, of which 11,989 in indirect holdings*	SEK 2,266,000
BUSINESS AREAS					
Per Beckman	Executive vice president, Head of Handelsbanken Capital Markets and Handelsbanken Asset Management.	1962	1993	1,836, of which 1,836 in indirect holdings*	SEK 2,266,000
Yonnie Bergqvist	Chief executive of Handelsbanken Finans.	1961	1979	14,597, of which 14,460 in indirect holdings*	SEK 2,266,000
Lars Kahlund	Chief executive of Stadshypotek.	1954	1975	26,103, of which 26,103 in indirect holdings*	SEK 2,266,000
HEADS OF CENTRAL DEPARTMENTS					
Jan Häggström	Senior vice president, Head of Economic Research.	1949	1988	5,676, of which 5,676 in indirect holdings*	SEK 2,266,000
Ulf Köping Höggård	Senior vice president, Head of Legal Department.	1949	1990	4,754, of which 4,754 in indirect holdings*	SEK 2,266,000
Johan Lagerström	Senior vice president, Head of Corporate Communications.	1961	2002	1,316, of which 920 in indirect holdings*	SEK 1,133,000
Claes Norlén	Executive vice president, Head of Administration.	1955	1978	19,799, of which 19,299 in indirect holdings*	SEK 2,266,000

* Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.

Financial reports



The Group's financial reports comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement. The amounts reported are explained in notes. The principles applied when preparing the financial reports are stated in the Group's accounting policies in note G1.



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Income statement Group

Group SEK m		2010	2009
Interest income	Note G3	43 389	51 276
Interest expense	Note G3	-22 052	-29 276
Net interest income		21 337	22 000
Fee and commission income	Note G4	9 294	8 666
Fee and commission expense	Note G4	-1 272	-1 273
Net fee and commission income		8 022	7 393
Net gains/losses on financial items at fair value	Note G5	1 377	2 457
Risk result, insurance	Note G6	205	171
Other dividend income		190	141
Share of profit of associated companies	Note G22	11	26
Other income	Note G7	154	147
Total income		31 296	32 335
Administrative expenses			
Staff costs	Note G8	-9 504	-10 018
Other expenses	Note G9	-5 062	-4 719
Depreciation, amortisation and impairments of property, equipment and intangible assets	Note G25, G26	-452	-483
Total expenses		-15 018	-15 220
Profit before loan losses		16 278	17 115
Net loan losses	Note G10	-1 507	-3 392
Gains/losses on disposal of property, equipment and intangible assets	Note G11	-1	4
Operating profit		14 770	13 727
Taxes	Note G35	-3 962	-3 519
Profit for the year from continuing operations		10 808	10 208
Profit for the year from discontinued operations, after tax	Note G12	217	36
Profit for the year		11 025	10 244
<i>Attributable to</i>			
Ordinary shareholders		11 025	10 244
Minority interest		0	0
Earnings per share, continuing operations, SEK	Note G13	17.37	16.38
after dilution	Note G13	17.10	15.92
Earnings per share, discontinued operations, SEK	Note G13	0.35	0.06
after dilution	Note G13	0.34	0.06
Earnings per share, total operations, SEK	Note G13	17.72	16.44
after dilution	Note G13	17.44	15.98

Statement of comprehensive income Group

Group SEK m	2010	2009
Profit for the year	11 025	10 244
Other comprehensive income		
Cash flow hedges	-325	47
Available-for-sale instruments	2 186	3 274
Translation difference for the year	-2 015	-109
<i>of which hedging net investment in subsidiaries</i>	377	-6
Tax related to other comprehensive income	-612	-934
<i>of which cash flow hedges</i>	85	-12
<i>of which available-for-sale instruments</i>	-598	-924
<i>of which hedging net investment in subsidiaries</i>	-99	2
Total other comprehensive income	-766	2 278
Total comprehensive income for the year	10 259	12 522
<i>Attributable to</i>		
Ordinary shareholders	10 259	12 522
Minority interest	0	0

The period's reclassifications to the income statement are presented in note G40.

Balance sheet Group

Group SEK m		2010	2009
ASSETS			
Cash and balances with central banks		56 637	49 882
Other loans to central banks	Note G17	50 989	56 931
Treasury bills and other eligible bills	Note G20	50 738	105 156
Loans to other credit institutions	Note G18	155 474	111 169
Loans to the public	Note G19	1 481 678	1 477 183
Value change of interest hedged item in portfolio hedge		4 744	2 979
Bonds and other interest-bearing securities	Note G20	68 500	70 846
Shares	Note G21	38 210	24 883
Participating interests in associated companies	Note G22	111	93
Assets where the customer bears the value change risk	Note G23	61 182	51 032
Derivative instruments	Note G24	102 283	107 155
Reinsurance assets		12	12
Intangible assets	Note G25	6 905	7 319
Property and equipment	Note G26	3 307	3 281
Current tax assets		74	108
Deferred tax assets	Note G35	337	303
Net pension assets	Note G8	4 670	4 380
Assets held for sale		789	724
Other assets	Note G27	60 260	42 594
Prepaid expenses and accrued income	Note G28	6 630	6 813
Total assets	Note G14	2 153 530	2 122 843
LIABILITIES AND EQUITY			
Due to credit institutions	Note G29	269 941	239 790
Deposits and borrowing from the public	Note G30	546 173	549 748
Liabilities where the customer bears the value change risk	Note G31	61 214	51 103
Issued securities	Note G32	963 501	966 075
Derivative instruments	Note G24	101 753	93 101
Other trading liabilities	Note G33	36 026	29 647
Insurance liabilities	Note G34	723	952
Current tax liabilities		882	834
Deferred tax liabilities	Note G35	9 144	8 448
Provisions	Note G36	77	199
Liabilities related to assets held for sale		302	222
Other liabilities	Note G37	12 604	23 175
Accrued expenses and deferred income	Note G38	18 851	17 456
Subordinated liabilities	Note G39	43 948	59 005
Total liabilities	Note G14	2 065 139	2 039 755
Minority interest		0	1
Share capital		2 899	2 899
Reserves	Note G41	-834	-68
Retained earnings		75 301	70 012
Profit for the year		11 025	10 244
Total equity		88 391	83 088
Total liabilities and equity		2 153 530	2 122 843

Statement of changes in equity Group

Group 2009							
SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2009	2 899	-252	-3 152	1 058	74 409	1	74 963
Profit for the year					10 244	0	10 244
Other comprehensive income		35	2 350	-107		0	2 278
Total comprehensive income for the year		35	2 350	-107	10 244	0	12 522
Dividend					-4 364		-4 364
Changes in holdings of own shares in trading book					-33		-33
Closing equity 2009	2 899	-217	-802	951	80 256	1	83 088
Group 2010							
SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2010	2 899	-217	-802	951	80 256	1	83 088
Profit for the year					11 025	0	11 025
Other comprehensive income		-240	1 588	-2 114		0	-766
Total comprehensive income for the year		-240	1 588	-2 114	11 025	0	10 259
Dividend					-4 988		-4 988
Changes in holdings of own shares in trading book					33		33
Changes in minority interests						-1	-1
Closing equity 2010	2 899	-457	786	-1 163	86 326	0	88 391

A more detailed specification of changes in equity is presented in note G41.

Cash flow statement Group

Group SEK m	2010	2009
OPERATING ACTIVITIES		
Operating profit, total operations	14 979	13 766
<i>of which paid-in interest</i>	43 375	54 631
<i>of which paid-out interest</i>	-20 813	-32 876
<i>of which paid-in dividends</i>	723	561
Adjustment for non-cash items in profit/loss		
Loan losses	1 771	3 565
Unrealised changes in value	1 095	3 356
Depreciation, amortisation and impairments	452	499
Paid income tax	-3 268	-1 169
Changes in the assets and liabilities of operating activities		
Other loans to central banks	5 942	-7 759
Loans to other credit institutions	-44 332	4 472
Loans to the public	-7 882	-2 391
Interest-bearing securities and equities	45 139	-13 064
Due to credit institutions	30 001	-79 094
Deposits and borrowing from the public	-3 541	5 841
Issued securities	-2 575	70 367
Derivative instruments, net positions	12 511	8 485
Short-term positions	6 380	12 066
Claims and liabilities on investment banking settlements	-13 526	-33 386
Other	-17 116	11 540
Cash flow from operating activities	26 030	-2 906
INVESTING ACTIVITIES		
Acquisition of subsidiary	-8	-393
Change in shares	0	-1
Change in interest-bearing securities	157	-5 700
Change in property and equipment	-299	-338
Change in intangible non-current assets	-99	-112
Cash flow from investing activities	-249	-6 544
FINANCING ACTIVITIES		
Repayment of subordinated loans	-10 863	-3 280
Issued subordinated loans	-	2 922
Dividend paid	-4 988	-4 364
Cash flow from financing activities	-15 851	-4 722
Cash flow for the year	9 930	-14 172
Liquid funds at beginning of year	49 882	66 894
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
Exchange rate difference on liquid funds	-3 175	-2 840
Liquid funds at end of year	56 637	49 882

Liquid funds are defined as Cash and balances with central banks.

Notes Group

G1 Accounting policies

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1. STATEMENT OF COMPLIANCE

The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRSs) and interpretations of these standards as adopted by the EU. In addition, the accounting policies also follow the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25, Annual reports in credit institutions and investment firms. RFR 1 Supplementary accounting rules for groups as well as statements from the Swedish Financial Reporting Board are also applied in the consolidated accounts.

The parent company's accounting policies are shown in note P1.

Issuing and adoption of annual report

The annual report and consolidated accounts were approved for issue by the board on 9 February 2011 and will be adopted by the AGM on 23 March 2011.

2. CHANGED ACCOUNTING POLICIES ETC.

During the fourth quarter of 2010, the previous segments Asset Management and Capital Markets were merged into a joint segment. The principles for segment reporting are described in section 4 below and in note G46.

The presentation of the consolidated balance sheet was modified as of 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 item called Other loans to central banks.

As a result of this, 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 IFRS 3 Business Combinations and changed IAS 27 Consolidated and Separate Financial Statements apply in the consolidated accounts as of the 2010 financial year. Since no material acquisitions have been made during the financial year, the new IFRS 3 has not had an impact on the financial reports. Nor have there been any material ownership changes in subsidiaries during the financial year that are affected by the changed provisions in IAS 27.

Handelsbanken has opted to implement ahead of time minor changes in IFRS 7 Financial Instruments: Disclosures and IAS 1: Presentation of financial statements, which were carried out within the framework of IASB's annual improvements of IFRS and which have not yet come into force for mandatory application. This early application has led to some adjustments in disclosures concerning financial instruments and that the year's change of components in equity is separately reported in a note. In other respects, the accounting policies applied during the financial year agree in all essentials with the policies described in the 2009 annual report.

Future amendments to regulations

None of the changes in standards or interpretations adopted by the EU for application as from the 2011 financial year or later are deemed to have a material effect on the Group's financial reports.

A large number of the IASB's accounting standards are being revised. It is reasonable to assume that implementation of the new and changed standards will affect Handelsbanken's financial reporting to a major extent. Since most of the revisions have not yet been completed, it is not possible to predict how the financial reports will be affected or when the Bank will implement the new regulations. The changes that under the present circumstances are assumed to have the greatest impact on the future financial reports are the implementation of various parts of the new IFRS 9 Financial Instruments, the proposed changes in the accounting of defined benefit plans according to IAS 19 Employee Benefits and the proposed new standards IFRS 4 Insurance Contracts and IAS 17 Leases.

3. BASIS OF CONSOLIDATION AND PRESENTATION

Subsidiaries

All companies directly or indirectly controlled by Handelsbanken (subsidiaries) have been fully consolidated. Control is normally presumed to exist if Handelsbanken owns more than 50 per cent of the voting power at shareholders' meetings or the equivalent. Control may also exist when the participating interest is less than 50 per cent, for example if statutes or agreements entitle Handelsbanken to decide on a company's financial

and operating strategies, or the financial content of the business relationships between Handelsbanken and a company indicate that Handelsbanken exercises control over the company.

Subsidiaries are consolidated according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction where the Group acquires the company's identifiable assets and assumes its liabilities and obligations. In the case of business combinations, an acquisition balance sheet is prepared, where identifiable assets and liabilities are valued at fair value at the time of acquisition. The cost of the business combination comprises the fair value of all assets, liabilities and issued equity instruments provided as payment for the net assets in the subsidiary. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisition balance sheet is recognised as goodwill in the Group's balance sheet. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date until the date on which control ceases. Intra-group transactions and balances are eliminated when preparing the Group's financial reports.

Where the accounting policies applied for an individual subsidiary do not correspond to the policies applied in the Group, an adjustment is made to the consolidated accounts when consolidating the subsidiary.

Associated companies

Companies in which Handelsbanken has a significant influence are reported as associates. A significant influence normally exists when the share of voting power in the company is at least 20 per cent and at most 50 per cent. Associates are reported in the consolidated accounts in accordance with the equity method. This means that the holding is initially reported at cost. The associate is subsequently carried at a value that corresponds to the Group's share of the net assets. Any dividends from associates are deducted from the carrying amount of the holding. Shares of the profit of associates are reported as Share of profit of associated companies on a separate line in the Group's income statement.

Discontinued operations and held-for-sale assets

Non-current assets or a group of assets (disposal group) are classified as held for sale when the carrying amount will be mainly recovered through sale and when the sale is highly probable. After classification as an asset held for sale, special valuation principles are applied. These principles chiefly mean that, with the exception of items such as financial assets and liabilities, assets held for sale and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. Thus, property, plant and equipment or intangible assets held for sale are not depreciated or amortised. Any impairment losses and subsequent revaluations are recognised directly in the income statement. Gains are not recognised if they exceed accumulated impairment loss. Assets and liabilities held for sale are reported as a separate line item in the Group's balance sheet until the time of sale.

Independent operations which can be clearly differentiated from the Group's other operations and which are classified as held for sale using the above policies are recognised as discontinued operations. Subsidiaries acquired solely for resale are also recognised as discontinued operations. In recognition as a discontinued operation, the operation's profit is reported on a separate line in the income statement, separate from other profit/loss items. Profit or loss from discontinued operations comprises the after-tax profit or loss of discontinued operations, the profit or loss after tax that arises when valuing the assets held for sale/disposal groups that are included in discontinued operations at fair value less costs to sell, and realised profit or loss from the disposal of discontinued operations.

The profit/loss reported from discontinued operations mainly derives from the parts of the Plastal Group that were acquired in July 2009. See note G12.

4. SEGMENT REPORTING

The segment reporting presents income and expenses split into business segments. A business segment is a part of the Group that runs operations which generate external or internal income and expenses and of which the profit/loss is regularly assessed and followed up by the company management as part of corporate governance. As part of segment reporting, income and expenses are also stated per geographical area in which the Group operates. The principles for segment reporting are described further in note G46.

5. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The Group's presentation currency is Swedish kronor. The functional currency for the Group's operations outside Sweden usually differs from the Group's presentation currency. The currency used in the economic environment where the operations are primarily conducted is regarded as the functional currency.

Transactions in foreign currency are translated to the functional currency on the transaction date. Monetary items and assets and liabilities at fair value are valued at the functional currency's spot price at the end of the balance sheet date. Translation differences arising from non-monetary items classified as financial assets available-for-sale are recognised as a component of Other comprehensive income and accumulated in equity. Exchange rate differences arising when translating monetary items comprising part of a net investment in a foreign operation are recognised in the same way. Other exchange rates differences are recognised in the income statement.

Translation of foreign operations to the Group's presentation currency

When translating the foreign units' (including branches') balance sheets and income statements from the functional currency, the current method has been used. This means that assets and liabilities are translated at the closing day rate. Equity is translated at the rate applicable at the time of investment or earning. The income statement has been translated at the average annual rate. Exchange differences are recognised as a component of Other comprehensive income and are included in the foreign currency translation reserve in equity.

6. RECOGNITION OF ASSETS AND LIABILITIES

An asset is defined as a resource over which there is control as a result of past events and that is expected to provide future economic benefit. Assets are recognised in the balance sheet when it is probable that the future economic benefits related to the asset will accrue to the Group and when the value or acquisition cost of the asset can be reliably measured.

Liabilities are the Group's existing obligations which as a result of past events are expected to lead to an outflow of resources from the Group. A liability is recognised in the balance sheet when, in order to fulfil an existing obligation, it is probable that the Group must surrender a resource with a value that can be reliably measured.

Financial assets are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of money market and capital market instruments on the spot market are recognised on the trade date. The same applies to derivatives. Other financial assets and liabilities are normally recognised on the settlement date. Financial assets are removed from the balance sheet when the contractual

rights to the cash flows originating from the asset expire or when all risks and rewards related to the asset are transferred to another party. A financial liability is removed from the balance sheet when the obligation ceases or is cancelled.

When accounting for business combinations, the acquired operations are recognised in the Group's accounts from the acquisition date. The acquisition date is the date when controlling influence of the acquired entity starts. The acquisition date may differ from the date when the transaction is legally established.

The policies for recognising assets and liabilities in the balance sheet are of special importance when accounting for repurchase transactions, securities loans and leases. See the separate sections on these issues below.

7. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

For the purposes of measurement, in compliance with IAS 39, all financial assets are placed in the following valuation categories:

1. loans and receivables
2. assets held to maturity
3. assets at fair value through profit or loss
 - held for trading
 - assets which upon initial recognition were designated at fair value through profit or loss
4. available-for-sale assets.

Financial liabilities are classified as follows:

1. liabilities at fair value through profit or loss
 - liabilities held for trading
 - liabilities which upon initial recognition were designated at fair value through profit or loss
2. other financial liabilities.

The classification in the balance sheet is independent of the measurement category. Thus different measurement principles may be applied for assets and liabilities carried on the same line in the balance sheet. A classification into measurement categories of the financial assets and liabilities which are recognised on the balance sheet is shown in note G14.

Upon initial recognition, all financial assets and liabilities are designated at fair value. For assets and liabilities at fair value through profit or loss, the transaction costs are recognised directly in profit or loss at the time of acquisition. For other financial instruments, the transaction costs are included in the fair value.

Loans and receivables

Assets in the category Loans and receivables are carried at amortised cost, i.e. the discounted present value of all future cash flows relating to the instrument where the discount rate is the asset's effective interest rate at the time of acquisition. Loans and receivables are subject to impairment testing when indications of an impairment loss are present. See section 9 for more details. The impairment loss is recognised in the income statement. Thus loans and receivables are recognised at their net amount, after deduction for probable and actual loan losses. Early redemption fees for loans and receivables which are repaid ahead of time are recognised immediately in the income statement under Net gains/losses on financial items at fair value.

Assets held to maturity

Interest-bearing assets which the Group intends and has the capacity to hold to maturity are reported in the Assets held to maturity category. Assets that are classified to be held to maturity are carried at amortised cost. Assets held to maturity are subject

to impairment testing when there are indications of an impairment loss. See section 9 for more details.

Assets and liabilities held for trading

Assets and liabilities held for trading are recognised at fair value in the balance sheet. Interest, dividends and other value changes related to these instruments are recognised in the income statement under Net gains/losses on financial items at fair value. Derivatives that are not hedging instruments are always classified as held for trading.

Financial assets and liabilities which upon initial recognition were classified at fair value through profit or loss

The option of classifying financial instruments at fair value in profit or loss has been applied for financial assets and liabilities that are not held for trading but for which the internal management and valuation is based on fair values (for example assets and liabilities in the Group's insurance operations). This valuation principle has also been applied to avoid inconsistencies when valuing assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis. The option of recognising assets and liabilities at fair value in profit or loss has been applied for financial instruments that are reported in the balance sheet under Treasury bills and other eligible bills, Loans to the public, Bonds and other interest-bearing securities, Shares and participating interests and Assets/liabilities where the customer bears the value change risk.

Changes in the fair value of financial instruments that are measured at fair value are reported in the income statement under Net gains/losses on financial items at fair value. Interest related to lending which upon initial recognition was categorised at fair value in the income statement is recognised in Net interest income.

Available-for-sale financial assets

The majority of the Group's holdings of financial instruments for which there is an active market but which are not held for trading are classified as available-for-sale financial assets.

Financial assets which have been classified as available for sale are recognised at fair value. Changes in market value of the assets are recognised as a component of Other comprehensive income and are included in the fair value reserve in equity. Changes in fair value are not recognised in the income statement until the asset has been realised or an impairment loss has occurred. Interest related to this category of assets is recognised directly in net interest income in the income statement. Exchange rate effects relating to monetary assets which are available for sale are reported in net gains/losses on financial items at fair value. Impairment testing of available-for-sale financial assets is performed when there is an indication of impairment; see section 9 concerning impairment losses for financial assets. Dividends on shares designated as available for sale are continuously recognised in profit or loss as Other dividend income.

Reclassification of financial instruments

During the financial year 2008, some holdings of interest-bearing securities were reclassified from held-for-trading to the available-for-sale category and the loans and receivables category. In addition, interest-bearing securities were transferred from the available-for-sale category to the loans and receivables category and the held-to-maturity category. The fair value of the instruments at the time of reclassification was the starting point for the subsequent valuation at amortised cost. Cumulative gains/losses on reclassified assets previously recognised in the fair value reserve in equity are amortised in Net interest income over the

remaining maturity of the assets. The regulations in IAS 39 only allow for reclassification of certain financial assets and only under exceptional circumstances. No further reclassification has been performed since the reclassification in 2008. The impact of the reclassification on the Group's financial position and earnings is described in note G16.

Repurchase transactions

Repurchase transactions, or repo transactions, refer to agreements where the parties simultaneously agree on the sale of specific securities and the repurchase of these securities at a pre-determined price. Securities sold in a repo transaction remain on the balance sheet during the life of the transaction. The sold instrument is also reported off the balance sheet as collateral pledged. Depending on the counterparty, payment received is recognised under Due to credit institutions or as Deposits and borrowing from the public. Securities bought in a repo transaction are accounted for in the corresponding way, i.e. they are not recognised in the balance sheet during the life of the transaction. The payment received is recognised under Other loans to central banks, Loans to other credit institutions or Loans to the public.

Securities loans

Lent securities remain in the balance sheet and are also reported off balance as Pledged assets. Borrowed securities are not recognised in the balance sheet unless they are sold, in which case a value corresponding to the sold instrument's fair value is recognised as a liability.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, for example a credit guarantee. The fair value of an issued guarantee is the same as the premium received when it was issued. Upon initial recognition, the premium received for the guarantee is recognised as deferred income in the balance sheet. The guarantee is subsequently measured at the higher of the amortised premium or the amount that represents the expected cost of settling the obligation to which the guarantee gives rise. In addition, the total guaranteed amount relating to guarantees issued is reported off balance as a contingent liability. A utilised guarantee is reported as a probable or actual loan loss, depending on the circumstances.

The premiums for purchased financial guarantees are recognised as decreased interest income in net interest income if the debt instrument to which the guarantee refers is recognised there. Other premiums for purchased guarantees are recognised in Fee and commission income.

Loan commitments are reported off balance until the settlement date of the loan. Fees received for loan commitments are accrued in net fee and commission income over the maturity of the commitment unless it is highly probable that the commitment will be fulfilled in which case the fee received is included in the effective interest rate of the loan.

Undrawn loans where the interest rate is fixed in advance are regarded as an off-balance-sheet commitment until the settlement date.

Combined financial instruments

Clearly separable financial components of assets and liabilities (such as derivatives) are normally accounted for separately in the balance sheet. This is the case, for example, for issues of equity-

linked bonds and other structured products where the derivative is reported separately from the host contract at fair value in the income statement.

Combined financial instruments held for trading and combined financial instruments where the economic characteristics and risks of the instrument's various components are similar (such as variable rate lending with an interest rate cap) are not accounted for separately.

The inherent value of the option to convert in issued convertible debt instruments is recognised separately in equity. The value of the equity component is determined at the time of issue as the difference between the fair value of the convertible instrument in its entirety reduced by the fair value of the liability component. The carrying amount of the equity component is not adjusted during the life of the convertible instrument. The liability component is recognised at fair value at the time of issue. After initial recognition, the liability component is carried at amortised cost at the original effective interest rate.

8. CALCULATION OF FAIR VALUE FOR FINANCIAL ASSETS AND LIABILITIES

For financial instruments listed on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, multilateral trading facility, reliable news service or equivalent and where the price information received can be verified by means of regularly occurring transactions. The current market price is generally the same as the current bid price for financial assets or the current asking price for financial liabilities. For holdings which comprise risk positions that to a large degree balance each other out, the current market price is the mid-market price on the balance sheet date.

For financial instruments where there is no active market, the fair value is determined using comparisons with recently performed transactions in the same instrument or instruments with similar characteristics. If this information is not available, valuation models are used that in all essentials are based on variables from active markets, for example interest rates and share prices. All the valuation models are commonly used in the market and are continuously validated by the Group's independent risk control. For certain financial instrument, the valuation models are partly based on assumptions that cannot be directly derived from market data. This is the case for example for unlisted shares and participating interests and holdings of more advanced derivative instruments with a longer maturity. The assumptions used in the valuation are based on internally generated experience and are continuously examined by the risk organisation. The result is compared with the actual outcome so as to identify any need to adapt the forecasting tool. Note G15 shows a division of financial instruments at fair value according to the valuation technique applied.

Differences between transaction price and fair value

When calculating the fair value for financial instruments, in some cases there are simultaneous differences between the transaction price and the value produced using a valuation model. Differences of this type are recognised as income only when they can be attributed to market data. The remaining amount is amortised over the maturity of the instrument.

Lending classified to be measured at fair value

Lending that is classified to be measured at fair value is valued at market interest rates and the original margin that is assumed to correspond to the credit risk premium. For lending with no

reliable reference price in the market, the credit risk premium is not adjusted during the maturity of the instrument as long as there is no objective proof that the risk has changed. Objective proof of a change in the credit risk is for example late payment or non-payment, bankruptcy or changed credit rating.

Interest-bearing securities

Interest-bearing securities traded in active markets are valued using current market prices. Market prices are usually available for interest-bearing securities issued by governments and Swedish mortgage bonds. If there are no active markets, valuation techniques are used based on market yields for the corresponding maturity adjusted for credit and liquidity risk. Valuation techniques of this kind have been applied for certain corporate bonds, for example. Regular checks are performed to ensure that the valuation reflects the current market price. The checks are mainly performed by reconciliation with recently performed transactions in the same or equivalent instruments.

Shares

Shares listed on an active market are valued at market price. Unlisted shares and participating interests are valued at fair value using discounted cash flows or other valuation models. The choice of model is determined by what is deemed appropriate for the individual instrument. For unlisted shares for which the company agreement regulates the price at which the shares can be divested, the holdings are valued at a divestment price determined in advance. For example there are cases where the shareholders' meeting decides the value at which the transfer will be made. When valuing unlisted shares in private equity funds, the valuation principles applied are those adopted by the European Venture Capital & Private Equity Association (EVCA), where the market value of the investments is derived from a relative valuation of comparable listed companies in the same sector. Profit/loss items that prevent comparison between the investment and the compared company are adjusted and the value is then determined on the basis of profit multiples such as P/E and EV/EBITA.

Derivatives

Derivatives which are traded on an active market are valued at market price. A large number of derivatives such as interest-rate swaps and various types of currency derivatives are valued on the basis of yield curves and other market information. When valuing non-standardised derivative contracts that are not actively traded, standard valuation models are used that are based on all parameters that the market would take into account in the pricing. The primary input data in these models is always market information. If there is no reliable market information, the valuation is based on a reasonable assessment of the input data, for example, volatility. All valuation models are regularly validated on the basis of market data in order to ensure their reliability.

9. LOAN LOSSES AND IMPAIRMENT OF FINANCIAL ASSETS

Loans and receivables recognised at amortised cost

All units with customer and credit responsibility in the Handelsbanken Group regularly perform individual assessments of the need for recognising impairment losses for loans and receivables that are recognised at amortised cost. Impairment testing is performed where there is objective evidence that the recoverable amount of the loan is less than its carrying amount. Objective evidence could, according to the circumstances, be late or non-payment, changed credit rating or a decline in the market value of the collateral.

When performing impairment testing, the recoverable value of the loan is calculated by discounting the estimated future

cash flows related to the loan and any collateral (including guarantees) by the effective interest rate of the loan. If the collateral is a listed asset, the valuation of the collateral is based on the quoted price; otherwise the valuation is based on the yield value or the market value estimated in some other manner. Collateral in the form of property mortgages is valued in the same way as repossessed real property. An impairment loss is recognised if the estimated recoverable value is less than the carrying amount and is recognised as a Loan loss in the income statement. A reported loan loss reduces the carrying amount of the loan in the balance sheet, either directly (actual loss) or by a provision account for loan losses (probable loss).

In addition to this individual assessment of loans, a collective assessment is made of individually measured loans with the purpose of identifying the need to recognise an impairment loss that cannot yet be allocated to individual loans. The analysis is based on a distribution of individually valued loans in terms of the risk class. An impairment loss is recognised if this is justifiable taking into account changes in the risk classification and expected loss. Impairment losses which have been recognised for a group of loans are transferred to impairment losses for individual loans as soon as there is available information about the impairment in value at an individual level. A group impairment test is also performed for homogenous groups of smaller loans with a similar risk profile.

Loan losses for the period comprise actual losses and probable losses on credits granted, minus recoveries and reversals of previous impairment losses recognised for probable loan losses. Actual loan losses may refer to entire loans or parts of loans and are recognised when there is no realistic possibility of recovery. This is the case, for example, when a trustee in bankruptcy has estimated bankruptcy dividends, when a scheme of arrangement has been accepted, or the loan has been reduced in some other way. An amount forgiven in connection with reconstruction of a loan or group of loans is always classified as an actual loss. If the customer is following a payment plan for a loan which was previously classified as an actual loan loss, the amount of the loss is subject to new testing. Recoveries comprise reversed amounts on loan losses previously reported as actual losses. Information about probable and actual losses is provided in note G10.

In certain cases interest effects can arise because the recovery amount increases when the time to payment becomes shorter. Reversals of previously provisioned amounts are recognised as interest income in accordance with the effective interest method.

Information concerning impaired loans

Information concerning impaired loans is provided gross, before a provision for probable loan losses, and net, after a provision for probable loan losses. Loans are defined as impaired if all contracted cash flows will probably not be fulfilled. The full amount of all loans which have been classified as impaired are carried as impaired loans even if parts of the loan are covered by collateral. Loans which have been written off as actual loan losses are not included in impaired loans.

Valuation of repossessed property

Property that has been repossessed for the protection of claims is realised as soon as adequate conditions arise. Upon initial recognition, repossessed property is recognised at fair value in the balance sheet. In subsequent valuation, repossessed real property and equipment (including repossessed lease assets) is valued at the lower of the carrying amount and fair value less costs to sell. Unlisted financial instruments taken over to protect claims are recognised as available-for-sale financial assets. Realised and unrealised profit/loss on real property, lease assets and unlisted

financial instruments are recognised as recoveries/loan losses in the income statement. Other repossessed property is recognised and measured in the same way as other assets of the same type.

Impairment losses on available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised when there is objective evidence that one or more events of default have occurred with an impact on the expected future cash flows for the asset. For interest-bearing financial assets, examples of events of default that may indicate an impairment loss are a probable future bankruptcy, evidence of considerable financial difficulties on the part of the issuer or evidence of permanent changes in the market where the asset is traded. For equity instruments, a permanent or considerable decline in the fair value is an indication of the need to recognise an impairment loss. When recognising an impairment loss, the part of the cumulative loss that was previously recognised in the fair value reserve in equity (corresponding to the difference between the acquisition cost and the current fair value less any previous impairment loss) is recognised in the income statement.

Previously recognised impairment losses on interest-bearing securities classified as available-for-sale financial assets are reversed in the income statement if the fair value of the asset has increased since the impairment loss was recognised and the increase can be objectively related to an event occurring after the impairment loss was recognised. Previous impairment losses on equity instruments classified as available-for-sale financial instruments are not reversed.

10. HEDGE ACCOUNTING

The Group applies different methods for hedge accounting depending on the purpose of the hedge. For fair value hedges and cash flow hedges, derivatives are used as the hedging instrument, mainly in the form of interest rate swaps. When hedging currency risks related to net investments in foreign units, financial liabilities in the functional currency of the foreign unit are used as the hedging instrument.

Fair value hedges are used to protect the Group against undesirable impact on profit/loss due to changes in the market prices of reported assets or liabilities. Hedged risks in hedging relationships at fair value comprise interest rate risk on lending and funding at fixed interest rates and foreign exchange risk on lending and funding in foreign currency. The hedging instruments in these hedging relationships consist of interest rate and currency swaps. In the case of fair value hedges, the hedge instrument and hedged risk are both recognised at fair value. Changes in value are recognised directly in the income statement under Net gains/losses on financial items at fair value.

Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. The hedged risk in these portfolio hedges is the interest rate risk for lending where the original interest rate was fixed for three months and capped-rate loans at a floating interest rate. The hedging instruments for these portfolio hedges are interest rate swaps and interest rate options (caps). In portfolio hedges at fair value, the part of the portfolio's value that is exposed to the hedged risk is measured at market value. The value which is attributable to the hedged part of the portfolio is reported on a separate line in the balance sheet in conjunction with Loans to the public.

Cash flow hedges are applied to eliminate undesirable variations in cash flows related to changes in the floating interest rate on lending and funding. This type of lending and funding normally has a long expected maturity while the fixing period

is very short. Interest rate swaps are used to hedge the future interest payments for a required maturity. To eliminate the uncertainty in future refinancing and reinvesting interest rates, interest rate swaps are used with a future value date. Since the future cash flows are contracted, the probability of them occurring is deemed to be very high. In the case of cash flow hedges, the swap that is protecting against uncertainty in the future cash flows is valued at fair value. If the value changes on the swap are effective – that is they correspond to cash flows related to the hedged item – they are recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of gains and losses on the swap are recognised in the income statement.

Hedging of net investments in foreign units is applied to protect the Group from exchange rate differences due to operations abroad. Loans in foreign currency raised to hedge net investments in foreign operations are recognised in the Group at the exchange rate on the balance sheet date. The effective part of the exchange rate differences for such loans is recognised as a component of Other comprehensive income and in the translation differences reserve in equity. The ineffective components of the hedge are recognised in the income statement.

11. LEASES

The Group's leases are defined as either finance or operating leases. A finance lease transfers substantially all the risks and rewards incidental to legal ownership of the leased asset from the lessor to the lessee. Other leases are operating leases.

All leases where the Group is the lessor have been defined as financial leases. Lease agreements of this kind are accounted for as loans in the balance sheet, initially for an amount corresponding to the net investment. Lease fees received are recognised on a continual basis as interest income/repayments. Impairment testing on financial lease agreements is performed according to the same principles as for other lending which is reported at amortised cost.

Expenses relating to operating leases where the Group is the lessor are recognised on a straight-line basis as other expenses.

12. INSURANCE OPERATIONS

The Group's insurance operations are run through the subsidiary Handelsbanken Liv. Products consist mainly of legal life insurance in the form of traditional life insurance, unit-linked insurance and risk insurance in the form of health insurance and waiver of premium.

Classification and unbundling of insurance contracts

Contracts that include significant insurance risk are classified in the consolidated accounts as insurance contracts. Insurance risk is considered to be significant if the event insured, in any scenario that is of commercial substance for the Group, entails an obligation to pay compensation that is significant in comparison with the compensation that would have been paid if the insured event had not taken place. In classifying contracts, five per cent is used as a threshold for what constitutes significant insurance risk. Contracts that do not transfer significant insurance risk are classified as investment contracts. Generally, this means that insurance policies with repayment cover are classified as investment contracts and other contracts are classified as insurance contracts. Insurance contracts consisting of both insurance components and savings (financial components) are split and recognised separately in accordance with the principles described below.

Accounting for insurance components in insurance contracts

Premium income and insurance claims paid for insurance contracts are recognised in the income statement as a net amount under the item Risk result – insurance. The change in the Group's insurance liability is also reported under this item.

Premiums received which have not yet been recognised as income are carried as a liability for paid-in premiums under Insurance liabilities in the balance sheet. The balance-sheet item Insurance liabilities also include liabilities for sickness annuities, life annuities and other outstanding claims. Insurance liabilities are calculated using assumptions and estimates about factors such as interest rates, longevity, health and charges. The assumptions concerning longevity vary depending on when the policy was taken out and takes into account expected future increases in longevity. The assumptions concerning fees also depend on when the policy was taken out. Principally, this means a fee that is proportional to the premium and a fee that is proportional to the life insurance provisions. Applied assumptions on the insured's future health are based on internally acquired experience and vary depending on the product. Interest rate assumptions are based on current market rates and depend on the maturity of the liability.

The Group's insurance liabilities are subject to regular review, at least annually, taking into account present situation assessments of all estimated future cash flows referring to existing insurance contracts. To the extent the reported insurance liabilities are not deemed sufficient, an additional provision is made. The change is recognised in the income statement.

Accounting for investment contracts and financial components of insurance contracts

In-payments and out-payments referring to customers' savings capital originating in investment contracts and financial components of insurance contracts are recognised directly over the balance sheet as deposits and withdrawals.

The financial components of traditional life insurance policies that are separated from the insurance contract are recognised in the balance sheet as Deposits and borrowing from the public. These liabilities are valued at the higher of the amount the policyholder is guaranteed and the current value of the insurance contract. The current value of the insurance contract is equal to the value of the assets managed on behalf of the policyholders, and earns interest with a return that is based on the total return for the assets with a deduction for any yield split. The yield split implies that the insurer is allocated a contracted part of the total return if this return exceeds the guaranteed return during the calendar year. The calculation is performed annually and is accumulated for each individual insurance contract. This means that the conditional bonus is reduced in those cases where the yield in an individual year is less than the guaranteed interest rate and vice versa. The share that accrues to the Group under the yield split model is reported as Fee and commission income. If the yield is less than the guaranteed yield per contract, the difference is recognised in the income statement under Net gains/losses on financial items at fair value.

Assets and liabilities arising from unit-linked insurance contracts are recognised at fair value in the balance sheet as Assets and Liabilities where the customer bears the value change risk.

Premium fees and administrative charges for investment contracts and financial components of insurance contracts are accrued and recognised in the income statement under Fee and commission income. Acquisition costs are recognised directly in the income statement.

Reinsurance

The reinsurer's share of the Group's insurance liabilities is recognised as Reinsurance assets in the balance sheet.

13. INTANGIBLE ASSETS

Recognition in the balance sheet

An intangible asset is an identifiable non-monetary asset without physical form. An intangible asset is only recognised in the balance sheet if the probable future economic benefits attributable to the asset will flow to the Group and the cost can be reliably measured. This means that internally generated values in the form of goodwill, trademarks, customer databases and similar are not recognised as assets in the balance sheet.

Investments in software developed by the Bank are carried as an expense on a current basis to the extent that the expenditure refers to maintenance of existing business operations or previously capitalised software. In the case of development of new software, or new business operations for existing software, the expenditure incurred is capitalised from the time when it is probable that economic benefit that can be reliably measured will arise. Expenditure arising from borrowing costs is capitalised from the date on which the decision was made to capitalise expenditure for development of intangible assets.

When accounting for business combinations, the acquisition price is allocated to the value of acquired identifiable assets, liabilities and contingent liabilities in the acquired business. These assets may also include intangible assets that would not have been recognised in the balance sheet if they had been acquired separately or internally generated. The part of the acquisition price in a business combination that cannot be allocated to identifiable assets and liabilities is recognised as goodwill.

Goodwill and intangible assets with an indefinite useful life

Goodwill and other intangible assets with an indefinite useful life are recorded at cost less possible impairment losses. These assets are tested annually for impairment when preparing the annual report or when there is an indication that the asset is impaired. Impairment testing is performed by calculating the recovery amount of the assets, i.e. the higher of the value in use and the fair value less costs to sell. As long as the recoverable amount exceeds the carrying amount, no impairment loss needs to be recognised. Impairment losses are recognised directly in the income statement.

Since it is not possible to differentiate cash flows arising from goodwill and other intangible assets with an indefinite useful life from cash flows arising from other assets, impairment testing of goodwill takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Material assessments and assumptions in impairment testing of goodwill are described in note G25 and in section 20. Previously recognised goodwill impairment losses are not reversed.

Intangible assets with a finite useful life

Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. The amortisation period is tested on an individual basis at the time of new acquisition and also on a continuous basis if there are indications that the useful life period may have changed.

Intangible assets with a finite useful life are tested for impairment when there is an indication that the asset may be impaired. The impairment test is performed in the same way as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

14. PROPERTY AND EQUIPMENT

The Group's tangible non-current assets consist of property and equipment. With the exception of real property that constitutes investment assets in the insurance business, these assets are recorded at cost of acquisition less accumulated depreciation and impairment losses.

Depreciation is based on the estimated useful lives of the assets. A linear depreciation plan is usually applied. The estimated useful lives are tested annually. The tangible assets that consist of components with different estimated useful lives are sub-divided into different categories with separate depreciation plans. Such depreciation of components is normally only applied for real property. Only components of the property whose acquisition costs are substantial in relation to the total acquisition cost are separately depreciated. The remaining parts of the real property are depreciated as a whole over their expected useful life.

Personal computers are usually depreciated over three years and investments in bank vaults and similar investments in premises over ten years. Other equipment is normally depreciated over five years.

Impairment testing of property and equipment is carried out when there is an indication that the asset may have fallen in value. Impairment loss is recognised in cases where the recoverable amount is less than the carrying amount. Any impairment losses are recognised immediately in profit or loss. An impairment charge is reversed if there is an indication that there is no longer any impairment loss and there has been a change in the assumptions underlying the estimated recoverable amount.

Real property in the insurance business

Real property that constitutes investment assets in the insurance business is carried at fair value in the balance sheet. This valuation method is applied in the insurance business because changes in the value of the real property are directly linked to the size of the financial obligations in the insurance contracts. The valuation is made with the assistance of externally engaged experts using a method based on discounting the expected cash flows related to the properties. The forecasts concerning expected cash flows are based on assumptions such as future rents, vacancy levels, operating and maintenance costs, yield requirement and interest. The assumptions are based on local analyses of comparable property purchases. All assumptions are in line with the assessments that the market can be expected to make under the prevailing market situation.

15. PROVISIONS

Provisions consist of recognised expected negative outflows of resources from the Group and which are uncertain in terms of timing or amount. Provisions are reported when the Group, as a consequence of past events, has a legal or constructive obligation making it probable that an outflow of resources will be required to settle the obligation. For recognition it must be possible to estimate the amount reliably. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the obligation at the balance sheet date. The expected future date of the settlement is taken into account in the estimate.

16. EQUITY

Equity comprises share capital, provisions and retained earnings. Small minority interests are also classified as part of the Group's equity.

Retained earnings

Retained earnings comprise the profits generated from the current and previous financial years.

Hedge reserve

Unrealised changes in value on derivative instruments which comprise hedge instruments are reported in the hedge reserve.

Fair value reserve

The fair value reserve comprises unrealised changes in value on financial assets classified as available for sale.

Translation reserve

The translation reserve comprises unrealised foreign exchange effects arising due to translation of foreign units to the currency of the consolidated accounts.

Minority interest

The minority interest consists of the portion of the Group's net assets that is not directly or indirectly owned by the parent company. The minority interest is recorded as a separate component of equity.

Accounting for own shares

Repurchased own shares are not carried as assets but are offset against Retained earnings under Equity.

17. INCOME

Income is recognised in the income statement when it is probable that future economic benefits will be gained and these benefits can be reliably measured. The following general principles apply to recognition of income for various types of fees and charges:

- fees that are earned gradually as the service is performed, for example management fees in asset management, are recognised as income at the rate these services are delivered. In practice, this is on a straight-line basis
- fees attributable to a specific service or action are recognised as income at the time the service is performed. Examples of such fees are brokerage and payment commission
- fees that constitute part of the effective interest of a financial instrument are accrued in cases where the instrument is valued at amortised cost in accordance with the effective interest method. For financial instruments at fair value, such fees are recognised as income immediately.

Net interest income

Interest income and interest expense are recognised as Net interest income in the income statement, with the exception of interest flows deriving from financial instruments held for trading. Net interest income also includes interest deriving from derivative instruments that hedge items whose interest flows are recognised in Net interest income. In addition to interest income and interest expense, net interest income includes fees for state guarantees such as deposit guarantees and stability fees.

In order to arrive at a net interest income figure which is free from interest deriving from financial assets and liabilities held for trading and to gain an overall view of the activity in the trading book, all interest income and interest expense relating to financial assets and liabilities held for trading is recognised under Net gains/losses on financial items at fair value.

Net fee and commission income

Income and expense for various kinds of services are recognised in the income statement under Fee and commission income and Fee and commission expense, respectively. This means that brokerage income and various types of management fees are recognised as commissions. Other forms of income recognised as commission are payment commissions and card fees, premiums referring to financial guarantees issued, as well as commissions from insurance operations. Positive yield split in the insurance operations is also recognised as commission. Guarantee commissions that are comparable to interest and such fees that constitute integrated components of financial instruments and therefore included when calculating the effective interest, are recognised as interest income and not commission.

Net gains/losses on financial items at fair value

Net gains/losses on financial items at fair value include all items with an impact on profit or loss which arise when measuring financial assets and liabilities at fair value in the income statement and when financial assets and liabilities are realised. Specifically, the following items are reported here:

- capital gains or losses from the disposal and settlement of financial assets and liabilities
- unrealised changes in value of the assets and liabilities which upon initial recognition were classified as Assets at fair value, through the income statement, excluding the component of change in value recognised as interest
- realised and unrealised changes in value on financial assets and liabilities classified as held for trading
- interest from financial instruments held for trading, with the exception of interest originating from derivatives that are hedging instruments whose interest flows are reported in Net interest income
- dividend income on financial assets classified as held for trading
- unrealised changes in fair value on assets and liabilities which are hedged items in fair value hedges
- unrealised value changes on derivatives which comprise hedging instruments in fair value hedges
- ineffective component of the value change on derivatives which comprise hedging instruments in cash flow hedges
- ineffective component of the value change on hedging instruments which are hedging net investments in foreign operations
- negative yield split in the insurance operations, i.e. the losses arising when the yield on financial assets in the insurance business is less than the change in guaranteed yield.

Dividend received

Dividends on shares classified as available for sale are recognised in profit and loss as Other dividend income. Dividends on shares classified as financial assets held for trading are recognised in the income statement as Net gains/losses on financial items at fair value. Dividends on shares in associates are not included in the Dividends item in the income statement. The accounting for shares in the profits of associates is described in section 3.

18. EMPLOYEE BENEFITS**Staff costs**

Staff costs consist of salaries, pension costs and other forms of direct staff costs including social security costs, special payroll tax on pension costs and other forms of payroll overheads. Any remuneration in connection with terminated employment is recognised as a liability when the agreement is reached and amortised over the remaining employment period.

Accounting for pensions

Post-employment benefits consist of defined contribution plans and defined benefit plans. Benefit plans under which the Group pays fixed contributions into a separate legal entity and subsequently has no legal or constructive obligation to pay further contributions if the legal entity does not hold sufficient assets to fulfil its obligations to the employee are accounted for as defined contribution plans. Premiums paid for defined contribution plans are recognised in the income statement as staff costs as they arise.

Other post-employment benefit plans are accounted for as defined benefit plans.

For defined benefit pension plans, the pension payable is based on the salary and period of employment, implying that the employer bears all the material risks for fulfilling the pension commitment. For the majority of defined benefit plans, the Group has kept plan assets separate in pension foundations and a pension fund. The part of the net value of estimated pension obligations and fair value of the plan assets which may accrue to the Group in the form of a decrease of future charges or cash repayment is recognised as a net asset in the balance sheet. The amount is tested annually.

The difference between actual and expected return on plan assets as well as differences in actual and estimated pension liability, due to changes in assumptions or diverging actual outcome in relation to previous assumptions, is called actuarial gains or losses. Only the part of unrecognised cumulative actuarial gains or losses exceeding the greater of 10 per cent of the present value of the pension liability and 10 per cent of the fair value of plan assets, measured at the opening of the reporting period, is recognised in the income statement. Amounts outside this corridor are recognised in the income statement on a straight-line basis during the average remaining period of service. For the Group, this means allocation of actuarial gains and losses over a period of 20 years.

The pension cost recognised for defined benefit plans is the net of the following items:

- + Accrued pension rights for the year, i.e. the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.
- + Interest expense for the year due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current government bond rate for maturities corresponding to the period remaining until the pension liability is due to be disbursed. From the time the obligation is paid out, the remaining part of the provision is discounted with the real interest rate on government bonds.

- Expected return on plan assets. The expected return is based on an assessment of the average return which will be earned on the assets which are kept separate for securing defined benefit pension obligations. The time horizon for the assessment is related to the entire term of the commitment. The expected return is reduced by the taxes and administrative costs for managing the assets.
- +/- Any part of actuarial gains and losses recognised in profit or loss.

The estimated cost of special payroll tax is accrued using the same principles as for the underlying pension cost.

Calculation of costs and obligations resulting from the Group's benefit-related plans depend on several assessments and assumptions which may have a considerable impact on the amounts reported. A more detailed description of these assumptions and assessments is provided in section 20 and note G8.

19. TAXES

The tax expense for the period consists of current tax and deferred tax. Current tax refers to taxes relating to the period's taxable result. Deferred tax is tax referring to temporary differences between the carrying amount of an asset or liability and its taxable value. Deferred taxes are valued at the tax rate which is deemed to be applicable when the item is realised. Deferred tax claims related to deductible temporary differences and loss carry-forwards are only recognised if it is probable that they will be utilised. Deferred tax liabilities are carried at nominal value.

Tax is recognised in the income statement or in other comprehensive income depending on where the underlying transaction is reported. The impact of changed tax rates is recognised in the income statement.

20. MATERIAL ASSESSMENTS AND ASSUMPTIONS CONCERNING THE FUTURE

In certain cases, the application of the Group's accounting policies means that assessments must be made that have a material impact on amounts reported. The amounts reported are also affected in a number of cases by assumptions about the future. Such assumptions always imply a risk for adjustment of the reported value of assets and liabilities. The assessment and assumptions applied always reflect management's best and fairest assessments are continually subject to examination and validation. Below follows a report of the assessments and assumptions that have had a material impact on the financial reports. Information on key assumptions is also described in the relevant notes.

Actuarial calculation of defined-benefit pension plans

Calculation of the Group's expense and obligations for defined-benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of pension obligations for employees in Sweden is based

on DUS06, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by the Swedish Insurance Federation. The assumptions on future salary increases and inflation are based on the anticipated long-term trend. The assumption on expected return on the plan assets kept separate in the Bank's pension fund and pension foundation is produced by analysing long-term expected return for the various asset classes over the whole life of the corresponding commitment. The assumption is partly based on an historical analysis of the risk premium on the Swedish equity market and partly on forecasts of future inflation and risk-free return. The assumption is determined after deducting administration costs and special payroll tax. The calculation of the expected return on plan assets for the period is based on the carrying amount of the assets, which is equivalent to their fair value at the time the current accounting policy was first applied, with an upwards adjustment for the accumulated reported expected return from previous years, amortisation of cumulative actuarial gains/losses and adjustments for payments to and from the plan. The pension provisions are discounted with a discount rate corresponding to the interest on government bonds with maturities corresponding to the remaining period to payment. From the time the obligation is paid out, the remaining part of the provision is discounted with the real interest rate on government bonds.

Assessment of need to recognise an impairment loss for loans and receivables

The value of the Group's loans is tested regularly and individually for each loan. If necessary, the loan is written down to the assessed recoverable amount. The estimated recoverable amount is based on an assessment of the counterparty's financial repayment capacity and assumptions on the realisable value of any collateral. The final outcome may deviate from the original provisions for loan losses. The assessments and assumptions used are subject to regular checks by the internal credit organisation. See also note G2 for a detailed description of internal risk control and how the Bank manages credit risk.

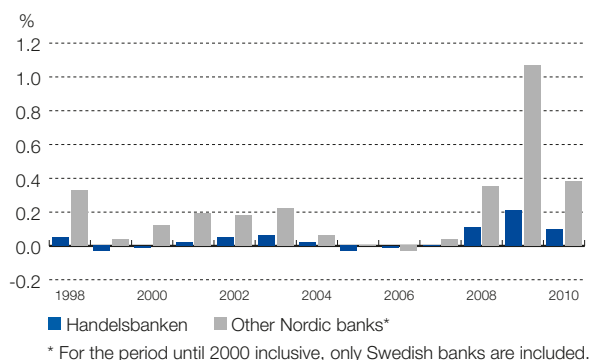
Goodwill impairment testing

When performing impairment testing of goodwill and intangible assets with an indefinite useful life, the operations the assets refer to are valued using the present value calculation of future cash flows. The cash flow forecasts are based on assumptions concerning the operations' growth rate, cost development etc. The assumptions on which the forecast period and discount rate are based are also of importance for the outcome of the impairment testing. To guarantee the reliability of the forecast methods and values applied, a comparison is made between previous forecasts and outcomes in individual years. Future adaptations are based on the comparison.

G2 Risk and capital management

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.

Loan losses as a percentage of lending 1998-2010



Handelsbanken's strict approach to risk means that the Bank deliberately avoids high-risk transactions, even if the remuneration is high at the time. The low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group. Lending has a strong local involvement, where the close customer relationship promotes low credit risks. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. The Bank's liquidity situation is planned so that business operations are not restricted when the financial markets are disrupted.

This strict approach to risk also enables the Bank to be a stable and long-term business partner for its customers. This contributes both to good risk management and sustaining a high service level even when operations and the markets on which the Bank operates are subject to strain. The same principles apply in all countries where the Bank operates and they are guiding principles in the Bank's future international expansion.

Throughout the financial crisis, Handelsbanken has had good access to liquidity. The Bank has access to the financial markets via its short and long-term funding programmes. Central Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and consists mainly of government bonds, covered bonds, and government-guaranteed bonds. In the third quarter of 2010, Handelsbanken was 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 reserve provides a high degree of resistance to possible disruptions in the financial markets. At the year-end, the Bank's liquidity reserve exceeded SEK 500 billion. SEK 107 billion of the reserve consisted of liquid assets invested with central banks, SEK 70 billion were liquid bonds and the remainder was an unutilised issue amount for covered bonds at Stadshypotek. This reserve covers the Bank's liquidity requirements for more than two years without access to new market funding.

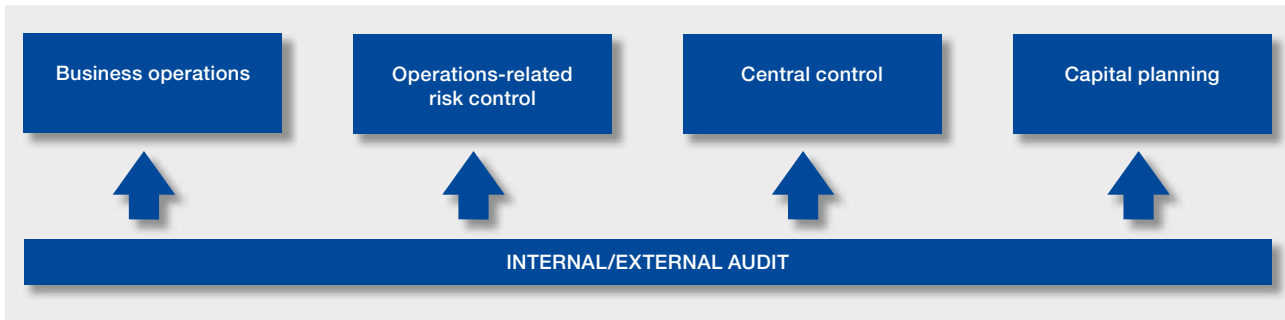
The Bank's capital situation was strengthened during the year and its earnings have been stable. Coupled with low loan losses, this has contributed to the strong position given the prevalent external conditions. The low risk profile of the credit portfolio has resulted in a lower capital requirement for credit risks compared with other banks. The strong capital situation provides good protection if the fragile economic recovery moves in a negative direction.

Handelsbanken is a universal bank, offering a wide range of various bank and insurance products. This entails a variety of risks that are systematically identified, measured and managed in all parts of the Group.

Risks at Handelsbanken

	Description
Credit risk	Credit risk is the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.
Market risk	Market risks arise from changes in prices and volatilities in the financial markets. Market risks are divided into interest rate risks, equity price risks, exchange rate risks and commodity price risks.
Liquidity risk	Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.
Operational risk	Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk.
Insurance risk	The risk in the outcome of an insurance that depends on the insured party's longevity or health.
Property risk	The risk of changes in prices of the Bank's property holdings.
Business risk	The risk of unexpected changes in earnings that are not attributable to the risk categories described above.

Four risk management levels



The Bank's overall view of its risk and capital management can be described in terms of four levels of risk control and risk management:

1. Business operations

The Bank is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for its business and risk management. Those who know the customer and market conditions best are best equipped to assess the risk and can also act at an early stage in the event of problems. Each branch and each profit centre bears the responsibility for dealing with any problems that arise. A consequence of this is that there are strong incentives for high risk awareness and for prudence in business operations.

2. Operations-related risk control

The accountability of the person taking a business decision is supplemented by local risk management in the various business areas and in the regional banks. This ensures that excessive risk-taking is avoided in individual transactions or local operations. The operations-related risk control assesses risk, checks limits, etc. and verifies that individual business transactions are documented and are conducted in a manner that does not involve unknown risks. The operations-related risk control reports to Central Risk Control and also to the business operations.

3. Central control

As business decisions become more decentralised, the need for central monitoring of the risk and capital situation increases. The central credit and risk functions are therefore a natural component of the Bank's business model.

The Central Credit Department prepares decisions made by the board or by the board's credit committee. The Central Credit Department also ensures that credit assessments are consistent and that loans are granted in accordance with the credit policy decided by the board. The Central Credit Department is also responsible for identifying risks in all major individual commitments and offers support and advice to other areas of the credit organisation.

The Central Risk Control function has the task of identifying, measuring, analysing and reporting on all the Group's material risks. The Central Risk Control function also monitors risks and risk management activities to ensure that they comply with the Bank's low risk tolerance. It is also responsible for ensuring that there is an appropriate level of local risk control in the business areas and subsidiaries, that risks are measured effectively and consistently and that the Bank's senior management receives regular reports and analyses of the current risk situation.

4. Capital planning

If – despite the work at the three levels described above – Handelsbanken were to suffer serious losses, it holds capital to ensure its survival even in the wake of extreme events. Capital planning is based on an assessment of the capital situation in terms of the legal capital adequacy requirement, combined with calculation of economic capital and stress tests. Stress tests identify the measures that need to be prepared or implemented to ensure satisfactory capitalisation at any given time.

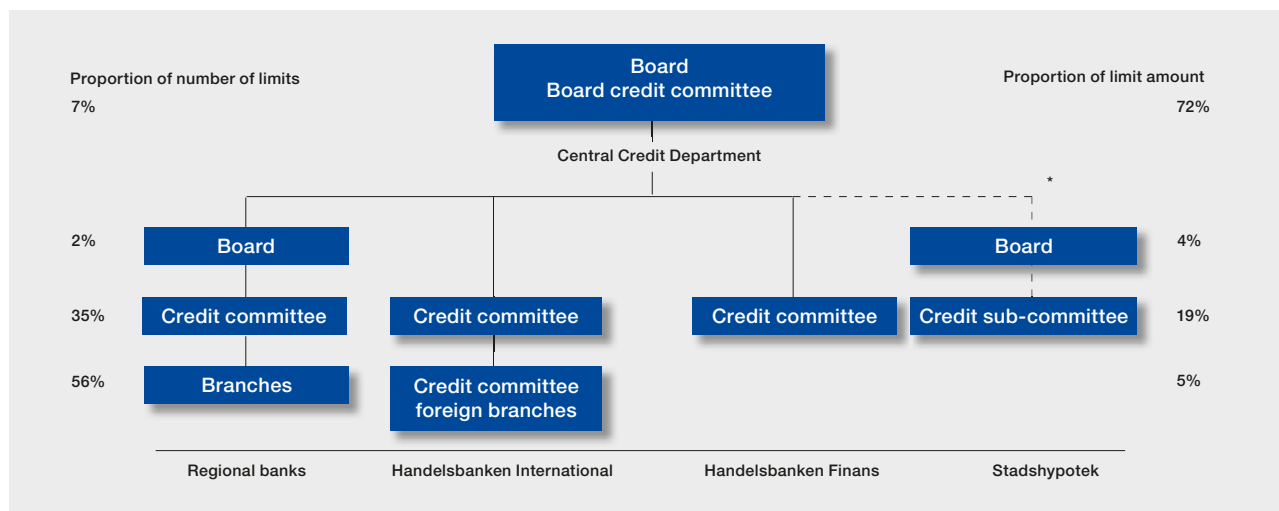
Apart from the formal risk organisation, Central Treasury is responsible for ensuring that the Group at any given time has satisfactory liquidity and is well prepared to quickly strengthen liquidity as needed. A liquidity report is issued daily to the CFO and regularly to the Bank's group chief executive and board.

In addition to these four levels of risk management, both compliance and the internal and external auditors examine operations.

Handelsbanken's risk management activities have stood the test of time and their effectiveness is illustrated by the fact that for a long time the Bank has had lower loan losses than its competitors and stable financial performance.

The Bank has obtained approval for the foundation approach in the internal rating system for calculating the capital requirement for credit risk. Starting on 31 December 2010, the advanced approach will be applied for capital adequacy calculation for parts of the portfolio.

Decision levels for granting credits



* Most of the credits provided by Stadshypotek are granted at branch office level in the regional banking operations.

CREDIT RISK

Credit risk is defined as the risk of the Bank facing economic loss as the result of the Bank's counterparties not being able to fulfil their contractual obligations.

In the Bank's decentralised organisation, the branch responsible for the customer has total credit responsibility. Customer and credit responsibility lies with the branch manager or the employee at the local branch delegated by the manager. Most staff at branches have personal decision limits for credits or credit limits for the customers for whom they have credit responsibility. If there is a need for larger credits, there are regional and central decision levels. The largest credit limits are decided by the board's credit committee, or by the entire board, where cases are prepared by the Central Credit Department. However, no credit application may be processed in the Bank without the recommendation of the branch responsible for the customer.

Decentralisation also means that the documentation that forms the basis for credit decisions is always prepared by the branch responsible for the credit, regardless of whether the final decision is to be made at the branch, or at regional or central level. Credit decision documentation includes general and financial information regarding the borrower, and an assessment of the repayment capacity, valuation of collateral, loans and credit terms. For borrowers whose total loans exceed SEK 1 million (or SEK 6 million for private mortgage loans), the credit decision is made in the form of a credit limit.

Credit limits granted are valid for a maximum of one year. They are extended after the branch has prepared decision documentation in the same way as for a new loan, and the decision-making process is also the same.

Rather than being a mass market bank, Handelsbanken is selective in its choice of customers and borrowers must be of high quality. The quality requirement is never neglected in favour of higher loan volumes or to achieve higher returns. Some 96 per cent (95) of the overall limit volume for credit exposures was to customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's ten-point rating scale.

The local branch's close contact with its customers also enables the branch to quickly identify any problems and take action. In many cases, this means that the Bank can take action more rapidly

– before problems have escalated – than would have been possible with a more centralised management of problem loans. The branch also has full financial responsibility for granting credits, and therefore addresses problems that arise when a customer has repayment difficulties and also bears any loan losses. If necessary, the branch obtains support from the regional head office and central departments. The Bank's method of working means that all employees whose work involves transactions linked to credit risk acquire a solid and well-founded approach to such risks. This approach forms an important part of the Bank's culture.

Risk rating system

Handelsbanken's risk rating system comprises a number of different systems, methods, processes, procedures and mechanisms to support Handelsbanken's classification and quantification of credit risk.

Handelsbanken's internal rating system is used to measure the credit risk in all operations reliably and consistently. The credit risk rating builds on the Bank's internal rating system, which is based on the branch's assessment of each counterparty's repayment capacity. The rating is determined by the risk of financial strain and the assessed resistance to such strain. The methods and classification are based on the rating model that the Bank has applied for several decades.

The internal rating is the most important component of the Bank's model for calculating capital adequacy under the Basel II rules (IRB approach). The rating is dynamic; it is reassessed if there are signs that the counterparty's repayment capacity has changed. The rating is also reviewed periodically as stipulated in the regulations. The rating is primarily assigned by the person responsible for granting the credit.

Central Risk Control performs a more extensive evaluation of the system annually and the result is reported to the board. The evaluation includes annual validation of the risk measurements and models applied for risk rating. In addition regular checks are made to ensure that risk is measured reliably and consistently.

The internal auditing department examines the risk rating system and its application on a regular basis. The way the Bank calculates, rates and quantifies risks, and validates methods, was also an important part of the Swedish Financial Supervisory Authority's review in conjunction with approval of the Bank's application of the internal ratings based approach.

Risk classification methods

To quantify its credit risks, the Bank calculates the probability of default (PD), the Bank's exposure at default (EAD), and the proportion of the loan that the Bank would lose in the case of default (loss given default – LGD). Default is defined as a counterparty being more than 90 days late with a payment, or an assessment having been made prior to this that the counterparty will be unable to pay according to the contract.

The PD value is expressed as a percentage where a PD value of 0.5 per cent statistically means that one borrower of 200 is expected to default within one year. A credit in default does not necessarily mean that the Bank will incur a loss since in most cases there is collateral for the exposure. Nor does a default mean that it is out of the question that the counterparty will pay at some time in the future.

For corporate and institutional exposures, the internal rating set for each counterparty is directly converted into a risk grade on a scale between one and ten. A certain average probability of default (PD) is calculated for each risk grade. For exposures to large companies and institutional exposures, standardised values prescribed by the regulatory code are applied to loss given default (LGD). The standardised value that may be used is determined by the collateral provided for each exposure.

For retail exposures, the risk grade is also based on the internal rating assigned to all credit customers. The rating is not directly converted into a risk grade as it is for corporate exposures; instead the various exposures are sorted into a number of smaller groups, depending on certain factors such as the type of credit, non-payment records, number of borrowers etc. An average probability

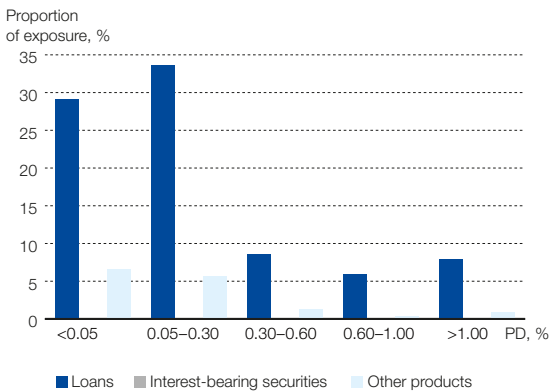
of default is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the ten risk grades. Different models are used for exposures to private individuals and small businesses, but the principle is the same.

For retail exposures and, from 31 December 2010, exposures to medium-sized companies, property companies and housing co-operative associations, the loss given default (LGD) is determined by the Bank's own loss history. Different values are applied to real estate exposures, medium-sized companies, property companies and housing co-operative associations and for retail exposures in Sweden, depending on the loan-to-value ratio of the exposure. For other exposures, the LGD value is determined by factors that may depend on the existence and valuation of collateral, the product etc.

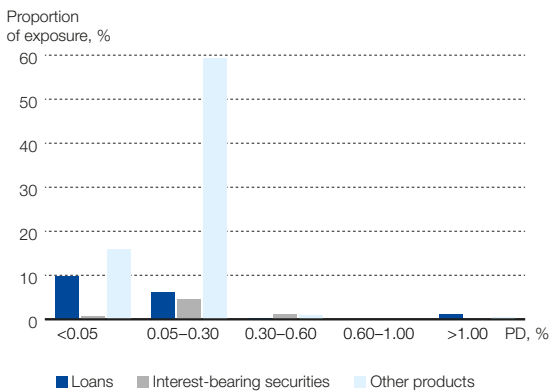
In addition to the capital adequacy calculation, the risk measurements (PD, EAD, LGD) are used to price risk in each individual transaction and to calculate economic capital (EC). New credits that are assessed to involve higher than normal risk are refused, regardless of the price and regardless of the collateral available. The method used means that the Bank's historical losses have a direct impact on risk calculations and capital requirements, which contributes to the positive outcome for the Bank of the Basel II regulations.

For corporate, institutional and retail exposures, the figures show how the exposure is distributed between bonds and other fixed-income securities, and loans and other products respectively. The diagrams show how the exposures, excluding credits in default, are distributed between different PD ranges in each counterparty category. Exposures within a certain range are shown in terms of the distribution between loans, fixed-income securities and other types of product. Other products are, for example, derivatives, guarantees and credit commitments. The PD values used are those applied for the statutory capital adequacy calculation. This means that there are margins in the form of business cycle and safety adjustments in the PD values.

Proportion of exposure per product type per PD interval excluding defaulted credits – Corporate exposures



Proportion of exposure per product type per PD interval excluding defaulted credits – Institutional exposures

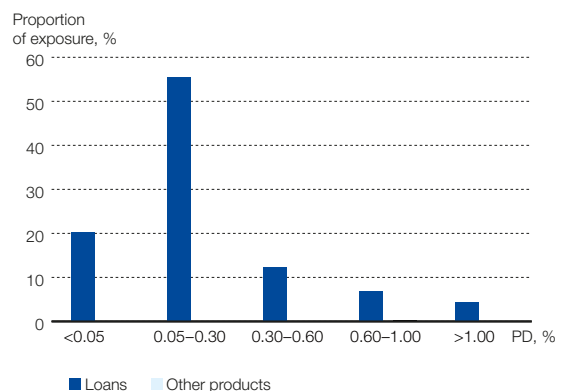


Collateral

When Handelsbanken assesses the credit risk of a specific customer, the assessment must start with the borrower's repayment capacity. According to the Bank's credit policy, weak repayment capacity can never be compensated for by good collateral being offered.

Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his obligations to the Bank. Credits must therefore normally be adequately secured. This applies, for example, to mortgage loans to private individuals and loans to property companies. This also applies to securities lending, factoring, leases and many other types of financing.

Proportion of exposure per product type per PD interval excluding defaulted credits – Retail exposures



Credit without collateral is mainly granted in the case of small loans to private individuals and loans to large companies with very sound repayment capacity. For the latter category, special loan covenants are normally drawn up that entitle the Bank to renegotiate or terminate the agreement if the borrower's repayment capacity deteriorates or if the conditions were to be otherwise breached.

Since collateral is not generally utilised until a borrower faces serious repayment difficulties, the valuation of collateral focuses on the expected value of the collateral in the case of insolvency. The value of certain assets may change considerably in an insolvency situation leading to a forced sale.

A large part of loans to credit institutions consists of reverse repos. A reverse repo is a repurchase transaction in which the Bank buys fixed-income securities or equities with a special agreement that the security will be resold to the seller at a specific price on a specific date. Handelsbanken regards reverse repos as secured lending.

In special circumstances, the Bank may buy credit derivatives or financial guarantees to hedge the credit risk in claims, but this is not part of the Bank's normal lending process.

Loans to the public, collateral SEK m	2010	2009
Residential property ¹	843 019	790 075
Other property	186 347	159 191
Sovereigns, municipalities and county councils	72 886	77 824
Guarantees	12 219	16 604
Other collateral	77 138	113 908
Unsecured	290 069	319 581
Loans to the public	1 481 678	1 477 183

¹Including ownership housing co-operatives.

Breakdown of the credit portfolio

The Bank's credit portfolio is presented here based on the balance sheet item categories. Note G50 and the section on Capital requirement for credit risks in the Pillar 3 document present the credit portfolio based on the capital adequacy regulations.

Unlike balance sheet information – where credit risk exposure is categorised in balance sheet items in the form of loans to the

public/loans to credit institutions and off-balance sheet items divided into product type – credit exposure for the purposes of capital requirement is categorised into the exposure classes stipulated in the regulations for the respective calculation method. Exposure means the sum of items on and off the balance sheet.

Credit risk concentrations

Handelsbanken's branches focus strongly on establishing long-term relationships with good customers of sound creditworthiness. If a branch identifies a good customer, it should be able to do business with this customer, irrespective of whether the Bank as a whole has major exposure to the business sector that the customer represents. In granting credit the Bank thus has no built-in restrictions to having relatively extensive exposures in individual sectors. The Bank monitors and calculates concentration risks continually for various business sectors, geographic areas and individual major exposures. Concentration risks are detected in the Bank's calculation of economic capital for credit risks and in the stress tests conducted in the overall capital assessment. This ensures that Handelsbanken has sufficient capital, taking into account concentration risks. If the concentration risks are judged to be excessive, the Bank has the opportunity and capacity to mitigate them using various risk reduction measures.

In addition to residential mortgage loans, Handelsbanken has extensive lending to the property sector (SEK 355 billion). The property sector refers here to all companies assessed for credit purposes as "property companies". It is common for groups of companies operating in other industries to have subsidiaries managing the properties in which the group conducts its business, and such property companies are also considered here to belong to the property sector. However, the underlying credit risk in such cases is not only property-related.

The predominant proportion of this lending is to government-owned property companies, municipal housing companies and other housing-related operations where the borrowers consistently have very high creditworthiness. Within the category of non-residential property operations, customers have sound net operating income and a robust cash flow. Thus a large part of lending to the property sector is to companies with a very low probability of default. The Bank's exposure to the property sector is specified in the tables below.

Credit risk exposure SEK m	2010	2009
Loans to the public ¹	1 481 678	1 477 183
of which reverse repos	9 196	11 544
Loans to credit institutions ²	206 463	168 100
of which reverse repos	90 121	64 701
Unutilised part of granted overdraft facilities	164 385	163 259
Credit commitments	240 286	218 826
Other commitments	2 802	1 971
Guarantees, credits	17 751	20 178
Guarantees, other	40 210	48 038
Letters of credit	37 055	42 474
Derivatives ³	102 283	107 155
Treasury bills and other eligible bills	50 738	105 156
Bonds and other fixed-income securities	68 500	70 846
Total	2 412 151	2 423 186

¹SEK 5,424 m (5,728) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

²Contains "Other loans to central banks".

³Refers to the total of positive market values. Including netting agreements, the exposure is SEK 24,052 m (31,269).

Geographical distribution 2010							
SEK m	Loans				Off-balance-sheet commitments		Total
	Public	Credit institutions	Derivatives	Investments	Guarantees	Other	
Sweden	1 065 658	89 289	100 058	106 920	27 903	320 114	1 709 942
Norway	173 402	231	24	-	7 173	24 923	205 753
Finland	75 312	44 604	369	-	11 085	17 235	148 605
Denmark	50 400	1 681	120	54	2 394	15 313	69 962
UK	69 665	1 027	109	-	2 396	18 294	91 491
Germany	7 793	402	3	-	4 195	12 050	24 443
Poland	2 314	233	2	-	622	319	3 490
Netherlands	9 469	7	0	-	134	3 530	13 140
Other countries	27 665	68 989	1 598	12 264	2 059	32 750	145 325
Total	1 481 678	206 463	102 283	119 238	57 961	444 528	2 412 151

SEK m	2010			2009		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Private individuals	669 772	-703	669 069	627 463	-664	626 799
<i>of which mortgage loans</i>	526 722	-25	526 697	476 112	-18	476 094
<i>of which other loans with property mortgages</i>	80 808	-67	80 741	82 820	-41	82 779
<i>of which other loans, private individuals</i>	62 242	-611	61 631	68 531	-605	67 926
Housing co-operative associations	111 703	-15	111 688	103 431	-15	103 416
<i>of which mortgage loans</i>	98 032	-4	98 028	92 793	-4	92 789
Property management	355 654	-383	355 271	346 524	-538	345 986
Manufacturing	55 801	-1 963	53 838	67 740	-2 190	65 550
Retail	32 728	-337	32 391	38 694	-444	38 250
Hotel and restaurant	6 678	-88	6 590	7 667	-24	7 643
Shipping, passenger and goods transport by sea	14 560	-206	14 354	16 730	-	16 730
Other transport and communication	38 396	-130	38 266	39 421	-111	39 310
Construction	13 460	-174	13 286	13 958	-155	13 803
Electricity, gas and water	22 152	-14	22 138	22 030	-8	22 022
Agriculture, hunting and forestry	6 478	-28	6 450	4 652	-23	4 629
Other services	17 388	-226	17 162	18 189	-46	18 143
Holding, investment, insurance companies, mutual funds etc.	90 185	-721	89 464	110 025	-370	109 655
Sovereigns and municipalities	16 995	-	16 995	21 248	-	21 248
Other corporate lending	35 320	-208	35 112	44 783	-310	44 473
Total loans to the public, before collective provisions	1 487 270	-5 196	1 482 074	1 482 555	-4 898	1 477 657
Collective provisions			-396			-474
Total loans to the public			1 481 678			1 477 183

Specification Loans to the public – Property management						
SEK m	2010			2009		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deductions of provisions
Loans in Sweden						
State-owned property companies	12 269		12 269	6 855	-	6 855
Municipal-owned property companies	18 797		18 797	18 152	-	18 152
Residential property companies	67 004	-21	66 983	58 640	-93	58 547
<i>of which mortgage loans</i>	47 206	-1	47 205	37 181	-4	37 177
Other property management	114 236	-167	114 069	119 487	-230	119 257
<i>of which mortgage loans</i>	50 815	-8	50 807	60 943	-15	49 566
Total loans in Sweden	212 306	-188	212 118	203 134	-323	202 811
Loans outside Sweden						
Denmark	5 629	-38	5 591	5 786	-20	5 766
Finland	16 961	-	16 961	21 518	-2	21 516
Norway	64 568	-91	64 477	65 151	-90	65 061
UK	43 417	-62	43 355	41 397	-103	41 294
Other countries	12 773	-4	12 769	9 538	-	9 538
Total loans outside Sweden	143 348	-195	143 153	143 390	-215	143 175
Total loans – Property management	355 654	-383	355 271	346 524	-538	345 986

Specification Loans to the public – Property management				
SEK m	Total	Companies owned by government/municipality/property lending guaranteed by government/municipality	Multi-family dwellings/residential property	Other property management
Sweden	212 306	32 498	70 397	109 411
Norway	64 568	27	12 758	51 783
Finland	16 961	5 811	2 570	8 580
Denmark	5 629		2 230	3 399
UK	43 417		14 693	28 724
Other countries	12 773		575	12 198
Total	355 654	38 336	103 223	214 095

Specification Loans to the public – Property management, risk class and country									
SEK m									
Risk class	Sweden	Norway	Finland	Denmark	UK	Other countries	Total	%	Accum.% of total
1	18 389	957	1 004	64	410	525	21 349	6.00%	6%
2	57 289	12 410	5 698	247	3 135	7 284	86 063	24.20%	30%
3	63 627	23 375	7 138	1 029	16 721	4 046	115 936	32.60%	63%
4	43 228	15 782	1 829	2 457	12 667	205	76 168	21.42%	84%
5	19 469	8 076	1 068	1 340	8 079	282	38 314	10.77%	95%
6	6 687	1 693	88	174	1 307	320	10 269	2.89%	98%
7	2 433	1 256	64	248	386	4	4 391	1.23%	99%
8	408	119	25	4	19	70	645	0.18%	99%
9	148	417	4	1	21	0	591	0.17%	99%
Defaults	628	483	43	65	672	37	1 928	0.54%	100%
Total	212 306	64 568	16 961	5 629	43 417	12 773	355 654	100%	

Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure		
SEK m		
	2010	2009
Positive gross market value for derivative contracts	102 283	107 155
Netting gains	78 231	75 886
Current exposure set off	24 052	31 269
Collateral	10 706	13 419
Net credit exposure for derivatives	13 346	17 850

Counterparty risk

Counterparty risks arise when the Bank has entered into derivative contracts with a counterparty for instruments such as futures, swaps or options, or contracts regarding loan of securities. Counterparty risk is regarded as a credit risk where the market value of the contract determines the size of the exposure. If the contract has a positive value, the default of the counterparty means a potential loss for the Bank – in the same way as for a loan.

In calculating both statutory and economic capital (EC), counterparty exposures are taken into account based on the exposure amounts stipulated by the capital adequacy regulations. These credit exposures are then treated in the same way as other credit exposures in calculating statutory capital and EC for credit risks. In addition to derivatives, the capital adequacy regulations treat both repurchase transactions and equity loans as counterparty risks. When calculating EC, these transaction types are treated in the same way. The Bank applies the mark to market method to calculate the exposure amount for counterparty risks for capital adequacy purposes.

The size of counterparty exposures is restricted by setting credit limits in the regular credit process. The size of the exposures may vary substantially due to fluctuations in the price of the underlying asset. In order to take account of the risk that the exposure may increase, when setting credit limits, supplements

are added to the value of the exposure in question. These add-ons are calculated using standard amounts that depend on the type of contract and the time to maturity. The exposures are calculated and followed up daily. The counterparty risk in derivatives is reduced through netting agreements, which involve setting off positive values against negative values in all derivative transactions with the same counterparty. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure, which further reduces the credit risk. The collateral for these transactions is mainly cash, but government securities are also used. Due to the high proportion of cash, the concentration risks in the collateral are limited. A limited number of the collateral agreements entered into by the Bank include terms and conditions concerning rating-based threshold amounts for Handelsbanken. These conditions mean that the Bank must provide further collateral for the counterparty in question, in the event of the Bank's rating by external parties being lowered. At the year-end, a downgrading from AA- till A+, would have meant the Bank having to issue further collateral of SEK 13 million (previous year-end SEK 0).

The Bank holds a portfolio of credit default swaps which are held for trading purposes only. The value of purchased protection is SEK 2.8 billion (4.5) and the value of sold protection is SEK 1.6 billion (3.9).

Payment risk

Payment risks arise in transactions where the Bank has fulfilled its commitments in the form of foreign exchange conversion, payments or delivery of securities, but cannot check at that same moment whether the counterparty has fulfilled its commitments to the Bank. The risk amount equals the amount of the payment transaction. The payment risks are not included in the credit limit of each customer; instead they are covered by a separate limit. Normally, the limit for the payment risk is approved at the same time as the credit limit. At Handelsbanken, the risk of value changes in spot transactions is categorised as payment risk, while the risk of value changes in derivative transactions is categorised as credit risk.

Handelsbanken is a member of CLS (Continuous Linked Settlement), which is a global organisation that aims to perform secure foreign exchange transactions. Through its membership, the Bank can perform currency transactions without payment risk for the currencies and with the counterparties that are members of the organisation.

MARKET RISK

Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risks, equity price risks, exchange rate risks and commodity price risks.

Handelsbanken has a restrictive view of market risks. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs.

In a universal bank like Handelsbanken, market risks arise when the Bank's customers demand services where the Bank must have flexible funding. At the same time the Bank can obtain funding on other markets than those where it has its lending so that it can diversify its sources of funding. Central Treasury also manages a liquidity portfolio that can be converted into liquidity at short notice in conjunction with possible disruptions

in the market. The portfolio also secures the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve.

To meet customers' demand for financial instruments with exposure to the fixed income, currency, equity or commodities markets, the Bank may be required to have certain holdings. This situation arises for example when the Bank has commitments as a marketmaker for setting market prices in financial instruments. The Bank also has major business flows making it reasonable for the Bank to take advantages of possible economies of scale.

The Bank's limit system restricts the size of an exposure to the market. The measuring methods and limits for market risks are established by the Board. The limits are allocated in the Group by the group chief executive and CFO who also decide on supplementary risk measures and detailed guidelines. The CFO, group chief executive and board continually receive reports on the market risks and utilisation of the limits.

Market risks in the Bank's business operations mainly arise at Handelsbanken Capital Markets, Central Treasury and Handelsbanken Liv, and are managed there. The market risks at the insurance company, Handelsbanken Liv, are described in a separate section. Consequently, the information on market risks given in this section refers to risks excluding Handelsbanken Liv.

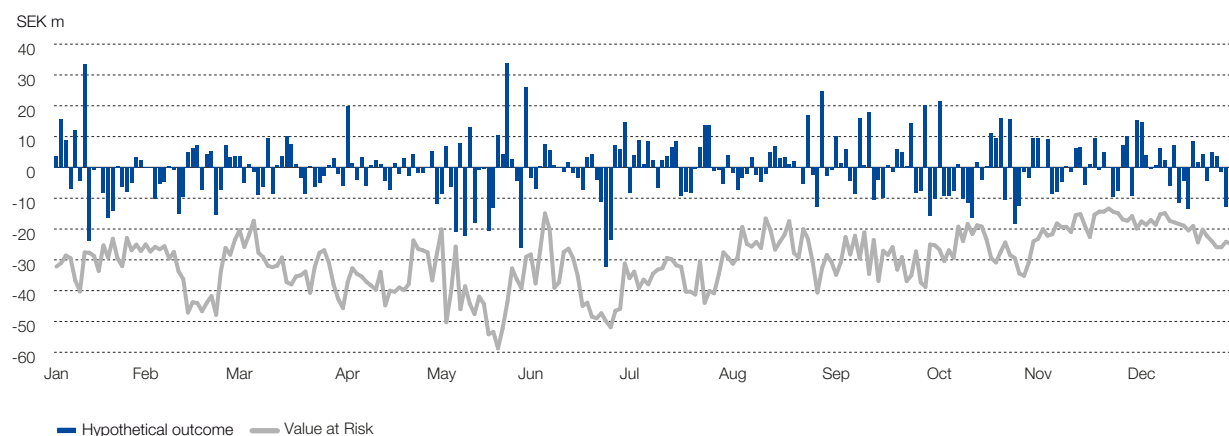
Risk measurement

Market risk is measured in several ways in the Group. Stress measures are mainly used which show the changes in value arising from pre-defined changes in prices and volatilities. Value-at-Risk (VaR) is also used. VaR expresses the losses in Swedish kronor that may arise in risk positions due to movements in the underlying markets over a specified holding period and for a given confidence level. The VaR method means that different risk categories can be handled in a uniform way so that they can be compared and aggregated into a total market risk.

Decision levels and follow-up of market risk



VaR and hypothetical outcome 2010 trading portfolio, Handelsbanken Capital Markets

**Risk at Handelsbanken Capital Markets measured As VaR**

For Handelsbanken Capital Markets, VaR is calculated for individual risk categories and at portfolio level with a 99 per cent confidence level and a one-day holding period. The calculations are based on historical simulation and measure the impact on the portfolio in question, revalued using the past year's daily changes in interest rates, prices and volatilities. The model used implies that every hundredth trading day, a loss will occur which exceeds VaR.

VaR for the Handelsbanken Capital Markets portfolio was on average SEK 30 million (38) during the year. VaR fluctuated between a high of SEK 59 million (72) and a low of SEK 13 million (13).

Since VaR is based on model assumptions, it is important to continually verify the effectiveness of the model. For that reason VaR is regularly evaluated using back testing. These tests verify the number of days when the actual loss exceeded VaR. Back testing is performed on both the actual outcome and on the hypothetical outcome. The latter measures the outcome if the portfolio had been unchanged during the holding period.

A VaR model with a 99 per cent confidence level implies that the outcome will be worse than measured VaR on two to three occasions every year. If the number of observed occasions

exceeds the expected number there is a risk that the model underestimates the actual risk. In 2010, the hypothetical outcome was never worse than the VaR.

The model does not always identify risks associated with extreme market fluctuations, which to a certain extent was the case in the past year. The calculations are therefore supplemented with regular stress tests where the portfolios are tested against scenarios based on all events in the financial markets during the period 1994–2010. The tests for 2010 show that the portfolios could at most lose SEK 90 million with the actual positions at any time and all the historic market events. The comparison with VaR for the days in question for the hypothetically worst outcomes in the stress test shows that the outcome in the stress tests was up to three times the size of the actual VaR.

Worst outcome in the trading portfolio stress test, Handelsbanken Capital Markets	
SEK m	Worst outcome scenario test
Average	62
Maximum	90
Minimum	33
Year-end	81

VaR for trading portfolio, Handelsbanken Capital Markets								
SEK m	Total		Equities		Fixed income		Currency	
	2010	2009	2010	2009	2010	2009	2010	2009
Average	30	38	9	12	29	32	9	13
Maximum	59	72	22	40	64	61	18	24
Minimum	13	13	3	3	11	14	2	4
Year-end	31	32	5	13	31	34	4	11

Interest rate risk

Interest rate risk mainly arises at Handelsbanken Capital Markets, Central Treasury and in the lending operations. In the latter, the interest rate risk arises as a result of the lending partly having longer maturities than the funding. The Bank eliminates most of this risk by entering into interest rate swap agreements. In general, interest rate risk exposure is in markets which are characterised by good liquidity.

Interest rate risk is measured at the Bank in several ways. VaR and other risk measurements, supplemented by various stress scenarios, are used for the trading portfolio at Handelsbanken Capital Markets. The non-linear interest rate risk, for example part of the risk in interest rate options, is measured and a limit set with pre-defined stress scenarios expressed in matrices. This means that the risk is measured as changes in underlying market interest rates and volatilities.

For other units and for the aggregate interest rate risk in the Group, the interest rate risk is measured as the effect on fair value of a major instantaneous parallel shift of all interest rates.

At the year-end, the Bank's interest rate risk in the case of a one percentage point parallel upward or downward shift in the yield curve, measured as the worst outcome, was SEK -696 million (-866). This risk measure includes both interest-bearing items at market value and not at market value and it is therefore not appropriate to assess the effects on the balance sheet and income statement. It does not take into account the equity held by the Bank nor the Bank's opportunities to adapt to changed interest rate levels.

Specific interest rate risk is measured and limits set using sensitivity to changes in credit spreads. It is measured on the basis of different rating classes and calculated as a market value change for the worst outcome in the case of a parallel shift in the credit spreads of +/- one basis point, i.e. the difference between the interest on the current holding and the interest on a government bond with the same maturity, in relation to each individual counterparty. The total specific interest rate risk at the year-end as approximately SEK 8 million (9).

Interest rate adjustment periods for Group's assets and liabilities 2010						
SEK m	Up to 3 mths	3-6 mths	6-12 mths	1-5 yrs	5 yrs-	Total
Assets						
Loans	1 114 802	56 114	64 664	230 852	34 694	1 501 126
Banks and other financial institutions	242 748	1 360	173	64	178	244 523
Bonds etc.	35 293	9 795	1 938	58 137	20 430	125 593
Total assets	1 392 843	67 269	66 775	289 053	55 302	1 871 242
Liabilities						
Deposits	-518 725	-5 443	-1 935	-5 211	-14 267	-545 581
Banks and other financial institutions	-209 311	-4 431	-1 000	-1 094	-10 342	-226 178
Issued securities	-364 673	-103 815	-31 424	-457 846	-49 723	-1 007 481
Other liabilities	-299	-117	0	-28 983	-4 174	-33 573
Total liabilities	-1 093 008	-113 806	-34 359	-493 134	-78 506	-1 812 813
Off-balance sheet items	-103 601	-35 688	32 073	162 719	-2 491	53 012
Difference between assets and liabilities including off-balance-sheet items	196 234	-82 225	64 489	-41 362	-25 695	111 441

The table shows the interest rate adjustment periods for the Group's interest-rate related assets and liabilities as at 31 December 2010, reported by the trade date. Non interest-bearing assets and liabilities have been excluded.

Interest rate adjustment periods for Group's assets and liabilities 2009						
SEK m	Up to 3 mths	3-6 mths	6-12 mths	1-5 yrs	5 yrs-	Total
Assets						
Loans	1 142 208	69 591	68 406	185 161	43 246	1 508 611
Banks and other financial institutions	202 918	2 015	69	140	208	205 349
Bonds etc.	93 619	4 744	3 070	60 236	24 054	185 723
Total assets	1 438 745	76 349	71 544	245 536	67 508	1 899 683
Liabilities						
Deposits	-522 389	-4 865	-2 348	-7 453	-18 784	-555 839
Banks and other financial institutions	-195 729	-11 130	-2 077	-2 102	-3 321	-214 360
Issued securities	-450 719	-49 842	-88 285	-373 847	-56 979	-1 019 674
Other liabilities	338	-997	-53	-13 063	-11 726	-25 500
Total liabilities	-1 168 500	-66 834	-92 763	-396 465	-90 810	-1 815 373
Off-balance sheet items	-140 319	-37 327	54 906	170 302	-6 611	40 951
Difference between assets and liabilities including off-balance-sheet items	129 926	-27 812	33 687	19 374	-29 913	125 261

The table shows the interest rate adjustment periods for the Group's interest-rate related assets and liabilities as at 31 December 2009, reported by the trade date. Non interest-bearing assets and liabilities have been excluded.

Equity price risk

The Bank's equity price risk mainly arises in the Bank's own share portfolio and at Handelsbanken Capital Markets. Handelsbanken Capital Markets is a marketmaker for structured products, which gives rise to equity price risk, both linear and non-linear. In connection with these customer-generated transactions, the Bank takes its own positions to a certain extent. The amount is restricted by the limits set by the board of the Bank. The Bank limits and measures the equity price risk at Handelsbanken Capital Markets using matrices. The advantage of this method is that it effectively identifies equity price risk including the non-linear risk. VaR as well as other risk measures and stress scenarios are used as a complement in measurement of equity price risk.

The table shows the risk in equity positions at the year-end, in the case of hypothetical changes in underlying prices and volatilities.

Exchange rate risk

The Bank's foreign exchange exposure mainly arises as a consequence of customer-based intra-day trading in the international foreign exchange markets. Trading is conducted

at Handelsbanken Capital Markets. The board of the Bank has set VaR limits for exchange rate risk. Some foreign exchange exposure also arises in the normal banking operations as part of managing customer payment flows. The board has decided to allocate minor position limits for these exposures. The exchange rate risk was SEK -58 million (-27), measured as the impact on the Bank's earnings of a five per cent instantaneous change of the Swedish krona. The sensitivity to a change of the krona against any individual currency did not exceed the total exchange rate risk.

Commodity price risk

Exposure in commodity-related instruments occurs as a result of customer-based trading in the international commodity markets. The commodity price risk is only a small part of the Bank's total market risk. Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Commodity risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At the year-end, the commodity price risk was SEK -36 million (-55), measured as the maximum loss on price changes of 20 per cent in underlying commodities and a 35-per cent change in volatility.

Equity price risk, 31 December 2010 SEK m	Change in volatility					
	-25%		0%		25%	
	2010	2009	2010	2009	2010	2009
Change in equity price						
10%	562	408	584	442	617	478
-10%	-573	-468	-562	-474	-541	-475

LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.

Despite the markets at times being under pressure during the year, the Bank has had good access to funding. This is the result of the Bank's preventative work with risks in its funding and liquidity management. The situation was facilitated due to the Bank at an early stage diversifying its funding in terms of markets, currencies, funding programs and the number of investors. This has reduced the Bank's vulnerability to market disruptions. The market has great confidence in Handelsbanken. The adjoining graph, 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.

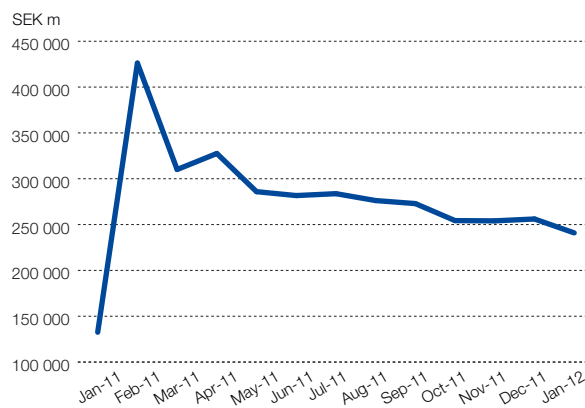
In 2010, Handelsbanken continued preparing for future regulations in the field of liquidity. Risk management has been centralised to Central Treasury which strengthens control of the risk and optimises the Bank's funding. This organisational change facilitates more efficient management based on the increased demands. Pricing of liquidity risk is an integral part of the Bank's internal setting of interest rates.

Liquidity is planned so that the Bank can manage for at least twelve months without borrowing any new funds in the financial markets. The total liquidity reserve, which includes Central Treasury's liquidity portfolio, comprises assets with central banks, assets that are eligible as collateral with central banks and that thus can be converted to liquidity at short notice and with certainty. At the end of the year, the liquidity reserve exceeded SEK 500 billion. SEK 107 billion of the reserve consisted of liquid assets invested with central banks, SEK 70 billion were liquid bonds and the remainder was an unutilised issue amount for covered bonds at Stadshypotek. This reserve covers the Bank's liquidity requirements for more than two years without access to new market funding.

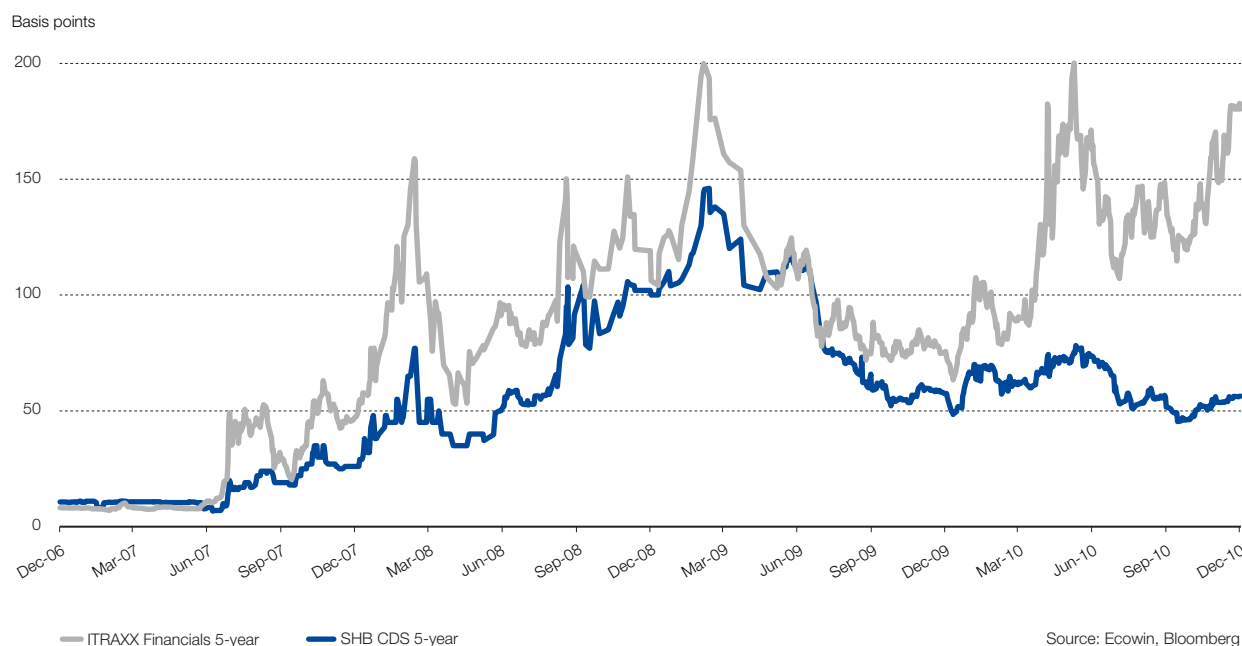
The Bank has a large number of incoming and outgoing cash flows every day. The gap between incoming and outgoing cash flows is restricted by means of limits. In order to match the differences between expected incoming and outgoing cash flows, the Bank plans its liquidity by maintaining liquidity reserves and by borrowing in the financial markets. Liquidity planning is based on an analysis of cash flows for different maturities regardless of currency, and of cash flows in each currency in which the Bank has significant commitments. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where liquidity is low. The gap analysis is also supplemented by scenario tests in which the effect on liquidity is simulated and analysed using assumptions regarding, for example, substantially reduced deposit volumes, increased utilisation of credit commitments or inability to obtain funding in the financial markets.

The figure below shows a stress test of cash flows based on certain assumptions. For example, it is assumed that the Bank cannot obtain funding in the financial markets and there is a simultaneous disappearance of ten per cent of deposits from the

Stress test of SEK liquidity, including liquidity-creating measures



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



Source: Ecwin, Bloomberg

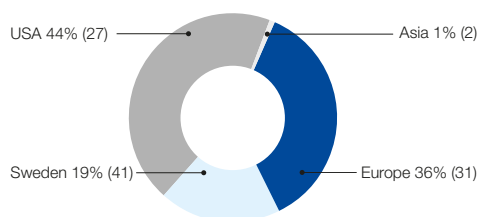
ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

public. It is further assumed that the Bank continues to conduct its core activities, i.e. that fixed-term deposits from and loans to households and companies are renewed at maturity. Account is also taken of the fact that the Central Treasury liquidity portfolio can with absolute certainty provide immediate additional liquidity by acting as collateral with central banks, and that the Bank in other respects also has substantial reserves that can be quickly utilised.

Short-term funding is obtained by means of active commercial paper programmes in Sweden, the US and Europe. These programmes are supplemented by borrowing in the international interbank market.

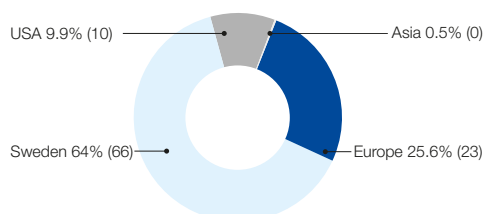
Long-term funding is mainly obtained through covered bond issues in Swedish kronor and utilisation of other funding programmes at the Bank. The total programme volume is SEK 1,311 billion, of which SEK 890 billion has not been utilised. In the third quarter of 2010, Handelsbanken became the first Nordic bank to issue covered bonds in the US for USD 1.6 billion. This allows for a further diversification of the Bank's long-term funding. If the concentration in the funding portfolio or maturity structure entails too high a risk, Central Treasury ensures that the concentration is reduced or that the maturity structure of the balance sheet is changed. For example, the maturity structure of the long-term debt was extended before the outbreak of the crisis in the financial markets. Despite the turbulence in the financial markets, the Bank has also continually issued securities, mainly commercial paper, bonds and covered bonds. Long-term funding instruments equivalent to around SEK 236 billion were issued during the year.

Short-term funding per market 2010



Refers to the market distribution as at 31 December 2010 for issued securities and financing from credit institutions with a residual maturity of less than one year.

Long-term funding per market 2010



Refers to the market distribution as at 31 December 2010 for issued securities and financing from credit institutions with a residual maturity of more than one year.

OPERATIONAL RISK

Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk.

Operational risk exists in all operations within Handelsbanken and the responsibility for the day-to-day identification, management and control of risk is a clear, integrated part of managerial responsibility at all levels. The Bank's decentralised method of work promotes cost-consciousness that results in vigilance against potential loss risk in daily procedures and events.

Apart from the responsibility for operational risk borne by the managers, there are managers with special responsibility for information security and physical security who report directly to the group chief executive.

The Central Risk Control function has the overall responsibility for the methods used for identifying and quantifying operational risk and for monitoring and reporting these risks to the management and the board.

As an aid to identification, handling and assessment of operational risk, the Bank has a separate reporting system for operational incidents and losses. The reports are examined and a great deal of effort is put into ensuring that the occurrence is not repeated.

In addition to the day-to-day control of operational risk, all main departments, regional banks and subsidiaries carry out an annual self-evaluation of operational risk. This review is for the purposes of identifying operational risk and quantifying the losses that may arise. Following the review, measures are proposed which must be taken to reduce the risks. A general review of the Group's operational risk is performed twice a year by the heads of the regional banks, main departments and subsidiaries. The outcome of these reviews is reported to the CFO, the group chief executive and the board.

New and major changes in products, services and IT systems undergo risk analysis including operational risk.

There are emergency and continuity plans in place in all parts of the Group for dealing with serious disruptions.

Handelsbanken uses the standardised approach to calculate the capital requirement for operational risks. According to the standardised approach, the capital requirement is calculated by multiplying a factor specified in the regulations by the average operating income. Different factors are applied in different business segments.

The total capital requirement for operational risks for the whole of the Handelsbanken Group was SEK 3,849 million (3,484) at the end of 2010.

RISKS IN THE INSURANCE OPERATIONS

Risks in the insurance operations mainly comprise market risks and insurance risks.

The main risks at Handelsbanken Liv are market risk and insurance risk. Market risk arises in the management of assets and from the fact that valuation of the company's obligations is sensitive to interest rate changes. The goal of the asset management is to secure the company's obligations to the policyholders while maintaining low management costs. The main market risk in asset management is interest rate risk. The insurance risk is the uncertainty of the outcome of a policy dependent on the life or health of the person insured.

The board of Handelsbanken Liv determines the investment policy that sets the framework for asset management and controls exposure in the various asset classes that are permitted. The market risks at Handelsbanken Liv are monitored daily by checking the risk exposure against an amount specified by the board of Handelsbanken. Besides this, the situation for the company's solvency and traffic light model is also monitored. The insurance operations report their market, insurance and operational risks to the insurance company's board and chief executive, to Handelsbanken's Central Risk Control and to the Bank's CFO, group chief executive and board.

Liquidity risk in the insurance operations is the risk that the company will not be able to meet its payment obligations when they fall due, or that the company will not be able to sell securities at acceptable prices. This risk is limited by most of the investment assets being invested in listed securities with good liquidity.

The total market risk at Handelsbanken Liv is calculated using VaR with a 99.5 per cent confidence level and a holding period of one quarter. The VaR measure includes both interest rate and equity price risk. At year-end, VaR was SEK 838 million (977).

The insurance risks in Handelsbanken Liv arise due to uncertainty in assumptions concerning:

- expected mortality
- life expectancy
- the probability of suffering illness or incapacity to work
- probability of accident.

An insurance policy may contain combinations of these four factors. The increased life expectancy in Sweden affects the insurance company's future pension insurance obligations. In 2009, Handelsbanken Liv made provisions of SEK 142 million to cover future losses for increased life expectancy. The provision was made when the company made the transition to the new mortality assumptions (DUS06), which are the industry standard. The provision increased to SEK 146 million in 2010. If mortality in general were to be 10 per cent lower than the assumption, the present value of future losses would be approximately SEK 53 million.

Most of Handelsbanken Liv's risk products, which provide financial compensation on death, are priced annually and the company can unilaterally change the premium from year to year. Thus, an incorrect mortality assumption can be corrected with relatively rapid effect. As regards health insurance, changes may be greater between years, which may cause variations in the risk result. However, generally these premiums can also be adjusted annually, which means that the company can be compensated for the changes.

Small companies and private individuals represent a significant portion of Handelsbanken Liv's policyholders. There is no risk concentration in terms of insurance risk, other than that the risks are located mainly in Sweden.

MODEL FOR ECONOMIC CAPITAL

Handelsbanken's model for calculating economic capital identifies in one measurement the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

The Central Risk Control function is responsible for comprehensive monitoring of the Group's various risks. The Bank's model for economic capital (EC) is an important instrument in this monitoring. It is a vital component in planning that the Group at all times has sufficient capital in relation to all risks in the Group. The Group perspective therefore means that economic capital also includes risks in the insurance operations and risks in the Bank's pension obligations.

Economic capital is calculated with a time horizon of one year and a confidence level that reflects an acceptable level of risk and desired rating. The board has determined that the calculation of economic capital must be made with a 99.97 per cent confidence level. EC is the difference between the outcome in an average year – with positive results and good growth in the value of the Bank's assets – and the outcome in the event of an extreme shock at a 99.97 per cent confidence level.

Diversification effects between the different risk categories are taken into account when calculating EC. The capital requirement for all risks is therefore lower than the sum of the economic capital for each individual risk, because the risks are partly independent of each other.

The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR is Handelsbanken's equity and an estimate of other available financial values on and off the balance sheet, with a one-year time horizon.

In risk and capital management, the Group applies a shareholder perspective. The economic capital model provides an overall view of the Group which makes it possible to optimise the risk and capital situation from the shareholder's perspective. The outcome of the calculations plays an increasingly important role when new transactions or structural changes are considered.

Credit risk is calculated using simulated outcomes of default for all the Group's counterparties and exposures.

Market risks comprise trading risks, the interest rate risk in the banking operations, market risks in the insurance operations and the risk of value losses in the Bank's own share portfolio.

The risk in the pension obligations mainly consists of the risk of a decrease in the values that exist for securing the Bank's pension obligations. Most of the pension obligations are in Sweden and are secured there in a pension foundation and insured in an occupational pension fund.

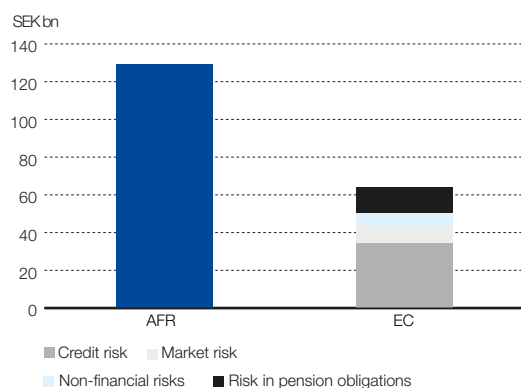
The non-financial risks are operational risk, business risk, property risk and insurance risk. Business risk is related to unexpected variations in income and expenses in the business area in question that may arise when, for example, demand or competition changes unexpectedly, thus resulting in lower volumes and narrower margins. Property risk captures the risk of a fall in the value of the properties which the Bank owns.

At year-end, EC was SEK 65 billion (60), of which credit risks accounted for the largest change during the year. The board stipulates that the AFR/EC ratio should be at least 120 per cent.

The AFR/EC ratio was 208 per cent (211) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

The risk and capital situation reported is a snapshot picture, even though the risk calculations include safety margins for business cycle fluctuations. To perform a final assessment of the Group's capital adequacy requirements, account must also be taken of the stress and scenario analysis carried out as part of the Bank's capital planning.

Total of AFR and EC including diversification, 31 December 2010



CAPITAL PLANNING

Handelsbanken's capital planning aims to ensure that the Group has financial resources available at all times and that the capital is of the right composition. The capital requirement is a function of the Group's expected development, the regulations for business operations, Handelsbanken's economic capital model and of stress tests. The Bank's capital requirement and capital situation is reported weekly to the CFO and at least quarterly to the group chief executive and the board.

The targets for the Bank's capital are determined regularly by the board on the basis of stress tests of Tier 1 capital and EC. The board stipulates that the Tier 1 ratio in Basel II, which is the relevant measurement for management of the Bank, must be between 9 and 11 per cent.

As part of proactive capital planning there is a contingency and action plan with specific measures that can be taken if the Bank needs to improve its capital position. The purpose of the contingency and action planning is to ensure that there is a warning system that discovers potential threats at an early stage and that the Group is prepared to take rapid action, if necessary.

A long-term capital plan is drawn up annually, which is designed to give a comprehensive overview of the Group's current capital situation, a forecast of expected capital performance, and the outcome in various scenarios. These scenarios are designed to substantially differ from expected events and thus harmonise with the Group's low risk tolerance. The capital plan also contains proposals for how to maintain the capital situation at a satisfactory level in a strongly negative business environment, from both a regulatory and shareholder perspective.

The capital planning is divided into short-term and mid- to long-term forecasting.

The part of capital planning that comprises short-term forecasts of up to two years ahead principally focuses on assessing existing performance and the development of the capital requirement. This forecasting is necessary to enable continual adaptation of the size and composition of the capital base.

The capital planning work is performed through ongoing analysis of changes in volume, risk and performance and by monitoring events that may affect the capital requirement and capital volume. Short-term forecasting includes all sub-components that make up the Group's capital base. This work also includes conducting various sensitivity analyses, with a short-term perspective, of the expected change in the capital adequacy requirement and capital base. The Bank can thus be prepared to alter the size and composition of the capital base if required – through market operations, for example.

The result of the short-term analysis forms the basis of any capital operations performed and is continually reported to the CFO and, if necessary, to the group chief executive and board. The analysis is based on a cautious basic scenario, with decision points in the near future for how existing earning capacity can cope with various changes in volume, as well as what effects arise from potential capital operations.

The part of capital planning that comprises mid- to long-term forecasts aims to ensure compliance with statutory capital adequacy requirements and that the Group's AFR at all times covers by a good margin all risks calculated according to the economic capital model. The objective is to forecast expected performance and judge whether the Bank's resistance is satisfactory in various scenarios. The planning period is at least five years and takes account of the Group's overall business performance trend.

Scenario and stress tests are also constantly performed in this forecasting work. A basic scenario forms the foundation of the capital forecast. This scenario is obtained from expected performance in the next five years regarding profit, volume growth, financial assumptions such as loan losses, and performance of the equity, property and fixed income markets. The basic scenario is then compared to the outcomes in a number of business cycle scenarios and crisis scenarios. The stress scenarios have been established following analysis of the historical links between the impacts of different macroeconomic variables on the financial markets and have been selected by using the scenarios expected to have greatest adverse impact on Handelsbanken.

The result of the internal capital adequacy assessment is reported quarterly to the board.

The Tier 1 ratio according to Basel II was 16.5 per cent at the end of 2010 and thus exceeded the Bank's long-term target of 9–11 per cent.

G3 Net interest income

SEK m	2010	2009
Interest income		
Credit institutions and central banks	1 289	1 655
General public	43 041	49 409
Treasury bills and other eligible bills	2 856	2 755
Interest-bearing securities	3 175	4 318
Derivative instruments recognised as hedges	-3 727	-1 824
Other interest income	1 225	1 361
Total interest income	47 859	57 674
Of which interest income reported in net gains/losses on financial items at fair value	4 470	6 398
Interest income according to income statement	43 389	51 276
Interest expense		
Credit institutions and central banks	-1 578	-2 511
General public	-3 194	-4 661
Issued securities	-22 750	-24 509
Derivative instruments recognised as hedges	8 858	5 693
Subordinated liabilities	-1 924	-2 407
Other interest expense	-6 494	-6 329
Total interest expense, including trading-related	-27 082	-34 724
Of which interest expense reported in net gains/losses on financial items at fair value	-5 030	-5 448
Interest expense according to income statement	-22 052	-29 276
Net interest income	21 337	22 000

Includes interest income on impaired loans SEK 94m (139). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 35,053m (41,245). Total interest expense on liabilities recognised at amortised cost was SEK 17,375m (21,526).

G4 Net fee and commission income

SEK m	2010	2009
Brokerage	1 867	1 862
Mutual funds	1 590	1 156
Custody	374	411
Advisory services	223	196
Insurance	605	532
Payments	2 455	2 377
Loans and deposits	1 231	1 109
Guarantees	521	529
Other	428	494
Total fee and commission income	9 294	8 666
Brokerage, mutual funds and custody	-219	-223
Payments	-963	-957
Other	-90	-93
Total fee and commission expense	-1 272	-1 273
Net fee and commission income	8 022	7 393

G5 Net gains/losses on financial items at fair value

SEK m	2010	2009
Available for sale, realised	20	58
<i>of which equities</i>	-1	7
<i>of which interest-bearing securities</i>	21	51
Hedge accounting		
Fair value hedges	339	-80
<i>of which hedging instruments</i>	-2 479	815
<i>of which hedged items</i>	2 818	-895
Cash flow hedge ineffectiveness	-2	-6
Net investment hedge ineffectiveness	-	0
Instruments measured at fair value		
Loans and receivables	22	-23
<i>of which change due to changed interbank rate</i>	17	-50
Interest-bearing securities	-182	23
Financial liabilities	-	158
<i>of which change due to changed interbank rate</i>	-	158
Loans and receivables at amortised cost	401	514
Financial liabilities at amortised cost	-357	-648
Gains/losses on unbundled insurance contracts	-70	-253
Trading / Other	1 206	2 714
Total	1 377	2 457

Available for sale

“Available for sale” shows realised gains/losses on financial assets classified as available for sale. Interest on these assets is recognised under net interest income.

Hedge accounting

“Fair value hedges” includes the net profit/loss of unrealised and realised market value changes on financial assets and liabilities which are part of hedging packages. Interest income and interest expenses for these instruments are recognised under net interest income.

The impact on earnings of the ineffective portion of derivative contracts which are used in cash flow hedges is recognised in “Ineffective portion of cash flow hedges”. The impact on earnings of ineffective portions of net investment hedges in foreign units is recognised in “Ineffective portion of net investment hedges”.

Instruments measured at fair value

“Instruments measured at fair value” contains unrealised and realised value changes on instruments which upon initial recognition were classified at fair value in the income statement with the exception of value changes deriving from plan assets in the Group’s insurance operations. The principles for consolidation of the insurance operations in the income statement are described in the Group’s accounting policies in note G1.

Loans and receivables and financial liabilities at amortised cost

“Loans and receivables at amortised cost” are capital gains/losses arising when loans are redeemed ahead of time. “Financial liabilities at amortised cost” contain the capital gains/losses generated from repurchases of the Bank’s own issued securities.

Gains/losses on unbundled insurance contracts

“Gains/losses on unbundled insurance contracts” corresponds to the result generated when revaluing the financial component in liabilities for insurance contracts.

Trading

Trading contains unrealised and realised changes in market value and interest referring to financial assets and liabilities held for trading.

G6 Risk result – insurance

SEK m	2010	2009
Premiums written	514	547
Insurance claims paid	-419	-347
Change in provisions for unsettled claims	152	-11
Other	-42	-18
Total	205	171

G7 Other income

SEK m	2010	2009
Rental income	36	35
Other operating income	118	112
Total	154	147

G8 Staff costs

SEK m	2010	2009
Salaries and fees	-6 367	-6 660
Social security costs	-1 599	-1 596
Pension costs ¹	-216	-520
Provision to profit-sharing foundation	-842	-748
Other staff costs	-480	-494
Total	-9 504	-10 018

¹ The components in the reported pension costs are shown in the Net pension assets table.

EMPLOYEE BENEFITS

Compensation is paid in the form of a fixed salary, customary salary benefits and a pension provision. Exceptions from the principle of fixed salaries are only permitted by decision of the CEO and on the conditions stated by the board. As of 1 January 2010, the board's principles for variable compensation were harmonised with the Swedish Financial Supervisory Authority's regulations and general guidelines governing remuneration policies in credit institutions, investment firms and fund management companies (FFFS 2009:6). This harmonisation has meant that employees who are risk-takers and position-takers have been defined, and that variable compensation to position-takers has been partially deferred. Position-takers, i.e. employees who are risk-takers and also receive variable compensation are, with a very few exceptions, employed within Handelsbanken Capital Markets. The basic principles for performance measurement and risk adjustment follow the previously established criteria that are applied for allocation of variable compensation.

Handelsbanken's allocation model for variable compensation

Variable compensation is allocated in accordance with the Bank's decentralised working method and is based on factors known in advance, such as the level of difficulty of the work, and the employee's skills, performance and results achieved. In an overall evaluation of the compensation factors for an individual, great importance is always attached to the employee's risk-taking, and to observance of good order and compliance. The risk of the compensation model having an undesirable effect has been taken into account in several ways. Firstly, the Bank's proprietary trading (i.e. positions not linked to customer business) is kept to a minimum. Secondly, all position-taking is restricted by limits and regularly followed up by Risk Control and Internal Audit. Thirdly, all positions are charged with the Bank's cost of capital and liquidity, and fourthly the board has reserved the right to decide at its own discretion whether or not to make an allocation for variable compensation, and if so, the amount to be allocated. All business operating units are charged internally with the Bank's cost of capital and liquidity. This applies equally to Handelsbanken Capital Markets and the profits that form the basis of variable compensation. The price fall risk is factored in by deferring part of the variable compensation payment for at least three years, until the consequences of an investment can be assessed. Sixty per cent

of the variable compensation paid to position-takers is deferred. Compensation which has been awarded but not yet disbursed may be fully or partly adjusted. An example of circumstances that may lead to removed compensation is where the compensation is based on exposure in long-term non-liquid assets which have significantly fallen in value following the compensation decision and which have therefore incurred the Bank considerable loss. Other exposure to assets which, following the decision, have significantly fallen in value without the employee taking reasonable measures to minimise the risk of loss may also lead to adjustment. Variable compensation earned in 2010 is disbursed in the form of cash.

Fixed and variable compensation in 2010

The total number of employees identified as risk-takers is 5,512. For all employees, SEK 6,205 million has been carried as an expense as fixed compensation, and a provision of SEK 179 million has been made for variable compensation earned in 2010. SEK 54 million of the provision concerns the Bank's 81 position-takers. In the Swedish branch operations, SEK 1,692 million has been carried as an expense as fixed salary, 3,610 employees have been categorised as risk-takers, to whom SEK 1,491 million has been carried as an expense as fixed salary. In the branch operations outside Sweden, SEK 1,756 million has been carried as an expense as fixed salary, 1,470 employees have been categorised as risk-takers, for whom SEK 857 million has been carried as an expense as fixed salary. At Handelsbanken Capital Markets, SEK 1,234 million has been carried as an expense as fixed salary, 155 employees have been categorised as risk-takers, for whom SEK 133 million has been carried as an expense as fixed salary.

A total of SEK 381 million was paid in variable compensation in 2010, which had been earned and allocated in 2009.

During the year, SEK 40 million was booked as severance pay to 80 employees, due to individual agreements regarding termination of employment. In 2010, the Bank contracted severance pay agreements for SEK 3.2 million for 10 persons, with SEK 0.9 million being the largest single contract. Severance pay disbursed during the year was SEK 41 million. During the year, guaranteed variable compensation was contracted for a total of SEK 1.2 million due to previously earned variable compensation amounts that had lapsed with a former employer. No guaranteed variable compensation was paid during the year.

G8 Cont.

Gender distribution	2010		2009	
	Men	Women	Men	Women
%				
Total number of employees	47	53	45	55
Managers	62	38	62	38
Senior management	82	18	82	18
Board	75	25	75	25
Board incl. subsidiaries	81	19	81	19

Sickness absence rate in Sweden	2010			2009		
	Men	Women	Total	Men	Women	Total
%						
Aged 29 or younger	1.3	2.1	1.7	1.4	2.8	2.7
Aged 30–49	1.3	3.2	2.4	1.6	3.3	2.5
Aged 50 or older	2.3	5.3	3.9	2.5	6.1	4.5
Total sickness absence	1.6	3.7	2.8	1.8	4.1	3.1
<i>of which long-term absence</i>	<i>0.4</i>	<i>1.7</i>	<i>1.1</i>	<i>0.6</i>	<i>2.1</i>	<i>1.4</i>

Sickness absence is stated as a percentage of total normal working hours. Long-term absence is a period of absence of 60 days or more.

Average number of employees	2010		2009	
	Men	Women	Men	Women
Sweden	7 549	3 578	3 971	7 502
Norway	765	402	363	772
Finland	582	224	358	624
Denmark	699	335	364	750
UK	708	463	245	574
Luxembourg	89	49	40	100
Germany	59	35	24	63
USA	74	47	27	80
Singapore	32	8	24	36
Hong Kong	28	16	12	31
Poland	60	26	34	86
Russia	60	17	43	63
Other countries	145	65	80	140
Total	10 850	5 265	5 585	10 821

TERMS AND COMPENSATION OF SENIOR MANAGEMENT

For principles and the decision process concerning compensation to senior management, see the Corporate Governance Report in the Administration Report.

General

Compensation to senior managers at Handelsbanken is paid in the form of fixed salary, customary benefits such as a company car or similar, and a pension provision. No variable salary is paid to this group. Nor are there any agreements on termination benefits.

The comparative figures for the previous financial year have been adjusted since the group of persons concerned has changed.

Terms and compensation for the CEO

In 2010, the Bank's CEO, Pär Boman, received a fixed salary of SEK 10.0 million (7.8), a pension provision of SEK 4.1 million (3.9) and other salary benefits amounting to SEK 0.8 million (0.4). Thus, the total amount of his remuneration was SEK 14.9 million (12.1). His pension age was also raised from 58 to 60.

During the period until retirement, his pension is accrued successively via provisions, until it is 65 per cent of his salary immediately before the retirement date. At the end of 2010, the accrued pension was 27 per cent of his 2010 salary. After a CEO has reached retirement age, no further provisions are made. If the CEO stands down earlier, the provisions cease and the accrued pension is deposited into a paid-up policy.

External fees, such as fees for serving on the boards of other companies, have been paid in to the Bank.

Like all other employees of the Bank, the CEO and other senior managers are allocated one unit in Handelsbanken's profit-sharing scheme, Oktogonen. In 2010 (relating to the 2009 financial year), one Swedish unit corresponded to SEK 58,190. No allocation was made in 2009 for the 2008 financial year.

Terms of other senior management

The lowest pension age for the central bank management and executive vice presidents (EVPs) is 60. Between the ages of 60 and 64, their retirement pension is 65 per cent of their salary immediately before retirement. From the age of 65, the retirement pension is 10 per cent of the annual salary up to 7.5 price base amounts. A pension under the general national insurance scheme is also paid. A retirement pension of 65 per cent of the final salary immediately before the date of retirement is paid on the portion of the salary in excess of 7.5 price base amounts.

Alternatively, a pension is paid according to the collective agreement whereby it is 10 per cent of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65 per cent and on the part of the salary between 20 and 30 income base amounts, it is 32.5 per cent. No pension is paid on salary in excess of these amounts.

Pensions for the CEO, central bank management and other EVPs are accrued successively during the years until retirement age, and are fully accrued by the time the stipulated retirement age is reached. The Bank is charged annually for the cost at the same rate as the pension is accrued. Accrued pension obligations are vested and are secured in the Bank's pension foundation or in the Bank's pension fund. In the event of retirement before the stipulated retirement age, a paid-up policy is issued for the pension accrued.

Remuneration of other senior managers and board members

Board members who are not employees of the Bank have received fees in accordance with a resolution of the AGM. The fees are presented on pages 60–61.

Board members who are employees of the Bank receive remuneration and pension benefits by reason of their employment. No further remuneration or pension benefits are paid for serving on the board.

Olle Lindstrand, EVP, received remuneration and other benefits amounting to SEK 2.9 million (2.6), with SEK 0.2 million (0.1) of this amount being other benefits. No external fees have been received.

The 22 (21) central bank management members and other EVPs have received compensation and other benefits totalling SEK 72.2 million (72.9), with SEK 5.6 million (5.1) of this amount being other benefits. Fees from external board assignments that are deemed to be in the interest of the Bank have been delivered to the Bank.

Pension obligations

Accrued pension rights during the year have increased the pension obligations for the CEO by SEK 4.1 million (3.9) and for Olle Lindstrand, EVP, by SEK 0.8 million (0.8). The pension obligation for the CEO was SEK 108.9 million (81.8). Accrued pension rights during the year have increased pension obligations for the 22 (21) central bank management and other EVPs by SEK 19.0 million (20.4).

Accrued pension rights during the year relating to defined-benefit pension plans and premiums relating to defined-contribution pension plans for the present and previous boards, chief executives, EVPs and other senior managers were SEK 32.1 million (37.2) for the Group and SEK 26.2 million (32) for the parent company.

Pension obligations for the same people are SEK 1,989 million (1,829) in the Group and SEK 1,768 million (1,621) in the parent company. The number of people covered by these obligations in the Group is 78 (76), of whom 33 (32) are pensioners. The corresponding number for the parent company is 57 (57), of whom 30 (28) are pensioners. The obligations are covered by the Bank's pension foundation, or are secured in the Bank's pension fund.

All information concerning pension obligations and accrued pension rights during the year has been calculated in accordance with IAS 19. A changed interest rate assumption has affected the increase in the pension obligations.

Loans to senior management

Loans to board members, chief executives, EVPs and other senior managers at the Bank or Group companies were SEK 181 million (206) in the Bank or other Group companies and SEK 117 million (118) in the parent company.

Salaries and other remuneration SEK m	2010	2009
Board, CEO and EVPs		
Sweden	-96	-101
Norway	-5	-7
Finland	-5	-7
Denmark	-9	-7
UK	-5	-7
Luxembourg	-2	-2
USA	-2	-1
Russia	-4	-5
Shanghai	-1	-1
Ireland	-1	0
Total	-130	-138
Others		
Sweden	-3 899	-3 947
Norway	-584	-674
Finland	-371	-401
Denmark	-541	-610
UK	-441	-421
Luxembourg	-81	-104
Germany	-48	-55
USA	-105	-114
Singapore	-22	-21
Hong Kong	-17	-22
Poland	-30	-43
Russia	-31	-31
Other countries	-67	-79
Total	-6 237	-6 522
Total	-6 367	-6 660

Net pension assets		
The following provisions for pension obligations have been made in the balance sheet		
SEK m	2010	2009
Pension obligations	17 212	16 007
Fair value of plan assets	23 223	17 945
Pension obligations minus plan assets	-6 011	-1 938
Retained actuarial gains (+) / losses (-)	1 341	-2 442
Allocated for pensions	-4 670	-4 380

The fact that the total of Allocated for pensions is a negative amount means that a pension asset is reported in the balance sheet.

Pension costs		
Pensions accrued during the year	-472	-509
Interest on pension provision	-616	-609
Expected return on plan assets	1 157	1 129
Redemption of pension liability	59	-
Write-off of retained actuarial gains (+) / losses (-)	-47	-262
Pension costs, defined benefit plans	81	-251
Costs for early retirement pensions	0	-3
Pension costs, funded plans	81	-254
Pension costs, defined-contribution plans	-287	-251
Special employer's contribution and policyholder tax, other pension costs	-10	-15
Total pension costs	-216	-520

Pension obligations, plan assets and provisions for pensions and net actuarial gains/losses for the defined-benefit plans have developed as follows. Funds paid to the employer refer to funds paid for the employer's pension costs.

Pension obligations		
Opening balance	16 007	15 529
Pensions accrued during the year	472	509
Interest expense	616	609
Paid benefits	-563	-611
Redemption of pension obligations	-54	-
Actuarial gains(-)/losses(+)	911	-124
Foreign exchange effect	-177	95
Closing balance	17 212	16 007
Plan assets		
Opening balance	17 945	13 332
Expected return on plan assets	1 157	1 129
Funds contributed by the employer	158	161
Funds paid to employer	-429	-621
Funds paid directly to employees	-91	-159
Actuarial gains (+) / losses (-)	4 618	4 048
Foreign exchange effect	-135	55
Closing balance	23 223	17 945
Return on plan assets		
Expected return on plan assets	1 157	1 129
Actuarial gains (+) / losses (-)	4 618	4 048
Real return	5 775	5 177

G8 Cont.

	2010	2009
Provision for pension obligations		
Opening balance	-4 380	-4 646
Pension costs, defined benefit plans	-22	251
Paid benefits	-43	169
Funds contributed by the employer	-158	-161
Redeemed pension provision	-59	-
Foreign exchange effect	-8	7
Closing balance	-4 670	-4 380

Net actuarial gains / losses

	2010	2009
Opening balance, actuarial gains (+) / losses (-)	-2 442	-6 843
Actuarial gains (-) / losses (+) to be recognised	47	262
Actuarial gains (+) / losses (-), pension obligations	-911	124
Actuarial gains (+) / losses (-), plan assets	4 618	4 048
Foreign exchange effect	29	-33
Closing balance, actuarial gains (+) / losses (-)	1 341	-2 442

The plan assets mainly comprise shares and interest-bearing securities with the following market values on the balance sheet date:

	2010	2009
Shares and participating interests	20 167	14 741
Interest-bearing securities etc.	3 056	3 204
Total	23 223	17 945

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK 0m (0) on the balance sheet date 31 December 2010.

History SEK m	2010	2009	2008	2007	2006
Pension obligations	17 212	16 007	15 529	14 728	13 669
Fair value of plan assets	23 223	17 945	13 332	22 059	23 842
Pension obligations minus plan assets	-6 011	-1 938	2 197	-7 331	-10 173
Actuarial gains (+)/losses (-) for the period, pension obligations	-911	124	-577	-719	431
of which experience adjustments	-200	136	22	-693	462
of which changed actuarial assumptions	-711	-12	-599	-26	-31
Actuarial gains (+)/losses (-) for the period, plan assets	4 618	4 048	-9 209	-2 383	3 126
of which experience adjustments	4 618	4 048	-9 193	-2 383	3 126
of which changed actuarial assumptions	0	0	-16	0	0

Future cash flows SEK m	Outcome 2010	Forecast 2011
Expected pension payments	-563	-496

Defined-benefit pensions are mainly paid to employees in Sweden, Norway and the UK.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the Union of Finance Sector Employees/Swedish Confederation of Professional Associations. The amount is 10 per cent of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65 per cent and in the interval between 20 and 30 income base amounts, it is 32.5 per cent of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

In Norway, retirement pensions are paid from the age of 67. The amount of the pension is partly dependent on the period of service and the final salary up to 12 base amounts. Including the statutory pension, the retirement pension is expected to be approximately 70 per cent of the final salary up to 12 base amounts.

In the UK, defined-benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined-contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67 per cent of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently approximately GBP 120,000.

Main assumptions	Sweden		Norway		Great Britain	
	2010	2009	2010	2009	2010	2009
Discount rate %	3.5	3.8	3.7	4.3	5.4	5.7
Expected salary increase %	3.5	3.5	4.0	4.5	5.1	5.1
Expected rate of return on plan assets %	7.0	7.0	5.6	5.8	6.2	6.7
Pension indexing %	2.0	2.0	0.5	2.0	3.4	3.5
Income base amount %	3.0	3.0	na	na	na	na
Staff turnover %	3.0	3.0	0-8 ¹	2.0	na	na
Expected remaining years of employment	20.0	20.0	16.0	17.0	18.0	19.0

¹Age related interval. 8% for the youngest, gradually decreasing to 0% for the oldest.

G9 Other expenses

SEK m	2010	2009
Property and premises	-1 082	-1 091
External IT costs	-1 585	-1 338
Communication	-413	-420
Travel and marketing	-405	-381
Purchased services	-911	-841
Supplies	-298	-303
Other administrative expenses	-368	-345
Total	-5 062	-4 719
<i>Of which expenses for operating leases</i>		
Minimum lease fee	-578	-709
Variable fee	-16	-13
Total	-594	-722

Remuneration to auditors and audit companies SEK m	KPMG		Ernst & Young AB	
	2010	2009	2010	2009
Audit assignment	-10	-10	-2	-2
Audit operations outside the audit assignment	-4	-2	-	-
Tax advice	-1	0	-3	-1
Other services	-1	-1	-	-

Internal audit costs were SEK 108m (98) during the year.

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2010, the cost of the largest individual lease contract was approx. SEKm 143 (128). None of the major lease contracts has a variable fee.

G10 Loan losses

SEK m	2010	2009
Specific provision for individually assessed loans		
The year's provision	-1 615	-3 290
Reversal of previous provisions	360	234
Total	-1 255	-3 056
Collective provision		
The year's net provision for individually assessed loans	64	13
The year's net provision for homogeneous loans	5	-55
The year's net provision for off-balance sheet items	10	-30
Total	79	-72
Other provisions		
Provisions for off-balance sheet items	0	-17
Reversal of previous provisions	-	78
Total	0	61
Write-offs		
Actual loan losses for the year	-1 355	-958
Utilised share of previous provisions	760	460
Recoveries	264	174
Total	-331	-324
Change in value of repossessed property		
The year's value change	0	-1
Net loan losses	-1 507	-3 392

Impaired loans etc SEK m	2010	2009
Impaired loans	9 212	8 615
Specific provisions for individually assessed loans	-5 039	-4 731
Provisions for collectively assessed homogenous groups of loans with limited value and similar credit risk	-157	-175
Collective provisions for individually assessed loans	-396	-474
Net impaired loans	3 620	3 235
Total impaired loans reserve ratio, %	60.7	62.4
Proportion of impaired loans, %	0.23	0.21
Impaired loans reserve ratio excluding collective provisions, %	56.4	56.9
Non-performing loans but not impaired loans	1 684	1 519
Impaired loans reclassified as normal loans during the year	72	100

Loans are classified as impaired if it is probable that the contractual cash flows not will be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. Non-performing loans are loans where interest, repayments or overdrafts have been due for payment for more than 60 days. For other definitions, see page 172.

Reconciliation of provision for probable loan losses 2010				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogenous loans	Total provision for probable loan losses
Provision at beginning of year	-4 731	-474	-175	-5 380
The year's provision	-1 615		-112	-1 727
Reversal of previous provisions	360	64	20	444
Utilised for actual loan losses	760		98	858
Foreign exchange effect etc.	187	14	12	213
Provision at end of year	-5 039	-396	-157	-5 592

Reconciliation of provision for probable loan losses 2009				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogenous loans	Total provision for probable loan losses
Provision at beginning of year	-2 102	-482	-122	-2 706
The year's provision	-3 290		-147	-3 437
Reversal of previous provisions	234	13	19	266
Utilised for actual loan losses	460		71	531
Foreign exchange effect etc.	-33	-5	4	-34
Provision at end of year	-4 731	-474	-175	-5 380

G10 Cont.

Impaired and/or non-performing loans, by sector 2010	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net ¹	Of which non-performing	
SEK m					
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	0	-
Agriculture, hunting and forestry	49	-28	21	19	1
Other services	365	-226	139	126	32
Holding, investment, insurance companies, mutual funds 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

Impaired and/or non-performing loans, by sector 2009	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net ¹	Of which non-performing	
SEK m					
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, insurance companies, mutual funds 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

Impaired and/or non-performing loans, geographic distribution 2010	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net ¹	Of which non-performing	
SEK m					
Sweden	3 797	-2 995	802	690	729
Norway	596	-256	340	340	572
Finland	919	-477	442	325	182
Denmark	1 960	-491	1 469	210	37
UK	847	-340	507	248	122
Rest of Europe	23	-8	15	11	39
North America	1 068	-629	439	-	-
Asia	2	0	2	2	3
Total	9 212	-5 196	4 016	1 826	1 684

Impaired and/or non-performing loans, geographic distribution 2009	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net ¹	Of which non-performing	
SEK m					
Sweden	4 810	-3 369	1 441	1 140	866
Norway	829	-408	421	422	276
Finland	513	-318	195	71	362
Denmark	412	-226	186	127	15
UK	772	-244	528	184	0
Rest of Europe	93	-10	83	82	0
North America	1 186	-331	855	-	-
Asia	-	-	-	-	-
Total	8 615	-4 906	3 709	2 026	1 519

¹Carrying amount after taking into account specific provisions for individually valued loans and provisions for collectively valued loans but excluding collective provisions for loans which are individually assessed.

Analysis of past due loans which are not impaired loans 2010					
SEK m	Loans to credit institutions	Loans to the public			Total
		Retail	Corporate	Other	
Past due ≥ 5 days ≤ 1 month	-	2 501	1 042	-	3 543
Past due > 1 month ≤ 2 months	-	523	310	0	833
Past due > 2 months ≤ 3 months	-	166	70	-	236
Past due > 3 months ≤ 12 months	-	576	424	-	1 000
Past due > 12 months	-	245	203	-	448
Total	-	4 011	2 049	0	6 060

Analysis of past due loans which are not impaired loans 2009					
SEK m	Loans to credit institutions	Loans to the public			Total
		Retail	Corporate	Other	
Past due ≥ 5 days ≤ 1 month	-	2 383	1 181	3	3 567
Past due > 1 month ≤ 2 months	-	473	390	0	863
Past due > 2 months ≤ 3 months	-	149	57	0	206
Past due > 3 months ≤ 12 months	-	599	408	-	1 007
Past due > 12 months	-	218	88	-	306
Total	-	3 822	2 124	3	5 949

G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2010	2009
Equipment	-1	4
Property	-	-
Total	-1	4

G12 Discontinued operations

Profit/loss from discontinued operations SEK m	2010	2009
Income	1 674	776
Expenses	-1 465	-737
Operating profit from discontinued operations	209	39
Tax	8	-3
Profit for the year from discontinued operations	217	36

Profit/loss from discontinued operations mainly comprises return on the Bank's holdings in the Plastal Group. The Plastal Group's operations consist of manufacturing of exterior plastic compo-

nents for the auto industry. The Bank intends to divest operations in the Plastal Group as soon as conditions permit.

G13 Earnings per share

SEK m	2010	2009
Profit for the year, continuing operations, SEK m	10 808	10 208
<i>of which interest expense on convertible subordinated loan after tax</i>	-39	-25
Profit for the year, discontinued operations, SEK m	217	36
<i>of which interest expense on convertible subordinated loan after tax</i>	-	-
Profit for the year, total operations, SEK m	11 025	10 244
<i>of which interest expense on convertible subordinated loan after tax</i>	-39	-25
Average number of outstanding shares (millions)	622.1	623.3
Average dilution effect, number of shares (millions)	12.2	19.3
Average number of outstanding shares after dilution (millions)	634.3	642.6
Earnings per share, continuing operations, SEK after dilution	17.37	16.38
Earnings per share, discontinued operations, SEK after dilution	0.35	0.06
Earnings per share, total operations, SEK after dilution	17.72	16.44
	17.44	15.98

G14 Classification of financial assets and liabilities

2010 SEK m	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other ¹							
Assets									
Cash and balances with central banks					56 637			56 637	56 637
Other loans to central banks					50 989			50 989	51 517
Treasury bills and other eligible securities	21 059	22 547		5 699		1 433		50 738	50 725
Loans to other credit institutions						155 474		155 474	155 547
Loans to the public		5 435			1 476 243			1 481 678	1 489 745
Value change of interest hedged item in portfolio hedge					4 744			4 744	
Bonds and other interest-bearing securities	25 187	30 939		1 139		11 235		68 500	68 499
Shares	29 404	3 110				5 696		38 210	38 210
Participating interests in associated companies							111	111	111
Assets where the customer bears the value change risk		59 533			1 649			61 182	61 182
Derivative instruments	81 620		20 663					102 283	102 283
Other assets	7				60 253			60 260	60 260
Prepaid expenses and accrued income	573	858		148	5 050	1		6 630	6 630
Total financial assets	157 850	122 422	20 663	6 986	1 811 039	18 365	111	2 137 436	2 141 346
Non-financial assets								16 094	
Total assets								2 153 530	
Liabilities									
Due to credit institutions							269 941	269 941	268 680
Deposits and borrowing from the public							546 173	546 173	546 205
Liabilities where the customer bears the value change risk		59 565					1 649	61 214	61 214
Issued securities	10 032						953 469	963 501	966 730
Derivative instruments	92 557		9 196					101 753	101 753
Other trading liabilities	36 026							36 026	36 026
Other liabilities	26						12 578	12 604	12 604
Accrued expenses and deferred income	457						18 394	18 851	18 851
Subordinated liabilities							43 948	43 948	45 554
Total financial liabilities	139 098	59 565	9 196				1 846 152	2 054 011	2 057 617
Non-financial liabilities								11 128	
Total liabilities								2 065 139	

¹Classified to be measured at fair value.

CALCULATION OF FAIR VALUE FOR FINANCIAL INSTRUMENTS

Principles for valuation of financial instruments carried at fair value on the balance sheet are described in the accounting policies in note G1. In the right-hand column in the table above the fair values of financial instruments carried at cost or amortised cost are also provided. Information concerning fair value for these instruments has been produced according to the principles presented below:

Financial instruments for which the carrying amount is a reasonable approximation of fair value

For means of payment, receivables and liabilities with a variable interest rate, and short-term receivables and liabilities, the fair value is considered to be the same as the carrying amount. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

Fixed rate lending

Fixed-rate lending has been valued using the current market rate for the equivalent maturity with an adjustment for credit and liquidity risk. The credit and liquidity risk premium by which the market rate has been adjusted is assumed to be the same as the average margin for new lending at the time of the measurement.

Treasury bills, other eligible securities and other interest-bearing securities

The fair value for interest-bearing securities that are reported as held to maturity or as lending has been established by means of listed prices or market rates for instruments with the equivalent maturity and other characteristics.

Shares

Shares in associated companies are reported at the carrying amount according to the equity method.

2009 SEK m	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other ¹							
Assets									
Cash and balances with central banks					49 882			49 882	49 882
Other loans to central banks					56 931			56 931	56 931
Treasury bills and other eligible securities	24 771	73 098		5 700		1 587		105 156	105 151
Loans to other credit institutions						111 169		111 169	110 952
Loans to the public		5 728			1 471 455			1 477 183	1 487 516
Value change of interest hedged item in portfolio hedge					2 979			2 979	
Bonds and other interest-bearing securities	20 575	33 436		1 368		15 467		70 846	70 845
Shares and participating interests	17 076	3 746				4 061		24 883	24 883
Participating interests in associated companies							93	93	93
Assets where the customer bears the value change risk		47 666			3 366			51 032	51 032
Derivative instruments	90 096		17 059					107 155	107 155
Other assets	61				42 533			42 594	42 594
Prepaid expenses and accrued income	92	1 211		145	5 364	1		6 813	6 813
Total financial assets	152 671	164 885	17 059	7 213	1 743 679	21 116	93	2 106 716	2 113 847
Non-financial assets								16 127	
Total assets								2 122 843	
Liabilities									
Due to credit institutions							239 790	239 790	239 792
Deposits and borrowing from the public							549 748	549 748	550 750
Liabilities where the customer bears the value change risk		47 737					3 366	51 103	51 103
Issued securities	8 846						957 229	966 075	971 864
Derivative instruments	88 292		4 809					93 101	93 101
Other trading liabilities	29 647							29 647	29 647
Other liabilities							23 175	23 175	23 175
Accrued expenses and deferred income							17 456	17 456	17 456
Subordinated liabilities							59 005	59 005	61 174
Total financial liabilities	126 785	47 737	4 809				1 849 769	2 029 100	2 038 062
Non-financial liabilities								10 655	
Total liabilities								2 039 755	

¹Classified to be measured at fair value.

Funding and issued securities

Issued securities listed on an active market have been valued at their market price. Unlisted issued securities and other funding have been valued at the Group's current funding interest rate.

Assets and liabilities where the customer bears the value change risk

Most of the assets/liabilities reported under Assets and liabilities where the customer bears the value change risk are carried at fair value in the balance sheet. Information on loans and receivables presented as assets for which the customer bears the risk have been obtained in the same manner as for other loans and receivables.

G15 Fair value measurement of financial assets and liabilities

2010 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible securities	45 039	-	-	45 039
Loans to the public	-	5 411	24	5 435
Bonds and other interest-bearing securities	47 357	18 167	1 837	67 361
Shares and participating interests	35 717	679	1 814	38 210
Assets where the customer bears the value change risk	59 533	-	-	59 533
Derivative instruments	1 941	100 292	50	102 283
Total financial assets at fair value	189 587	124 549	3 725	317 861
Liabilities				
Due to credit institutions	-	-	-	-
Liabilities where the customer bears the value change risk	59 565	-	-	59 565
Issued securities	-	9 955	77	10 032
Derivative instruments	3 115	98 501	137	101 753
Other trading liabilities	35 026	1 000	-	36 026
Total financial liabilities at fair value	97 706	109 456	214	207 376
2009				
SEK m	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible securities	99 456	-	-	99 456
Loans to the public	-	5 728	-	5 728
Bonds and other interest-bearing securities	59 172	8 116	2 190	69 478
Shares and participating interests	20 454	2 913	1 516	24 883
Assets where the customer bears the value change risk	47 666	-	-	47 666
Derivative instruments	3 279	103 876	-	107 155
Total financial assets at fair value	230 027	120 633	3 706	354 366
Liabilities				
Due to credit institutions	-	-	-	-
Liabilities where the customer bears the value change risk	46 450	1 287	-	47 737
Issued securities	-	8 770	76	8 846
Derivative instruments	2 841	90 260	-	93 101
Other trading liabilities	29 634	13	-	29 647
Total financial liabilities at fair value	78 925	100 330	76	179 331

The tables above present a division of financial assets and liabilities carried at fair value, according to the valuation technique applied. Level 1 comprises instruments for which there are listed prices on an active market. The market is regarded as active if prices are easily available with satisfactory regularity. The holdings in level 1 mainly comprise listed shares, government instruments and other interest-bearing securities that are traded actively and short positions in corresponding assets. Level 1 also includes shares in mutual funds and other assets linked to unit-linked contracts and similar agreements and the corresponding items on the liability side (assets and liabilities where the customer bears the value change risk). Level 2 comprises instruments which directly or by means of a valuation model are valued using information obtained from the market such as listed interest rates or prices of closely-related instruments. The holdings in level 2 mainly comprise interest-bearing securities valued on the basis of market interest rates as well as interest rate swaps and currency-related derivatives.

Level 3 comprises instruments valued using a model where some of the input data which has had a material effect on the

valuation relies on an assumption. The holdings reported in level 3 consist of interest-bearing securities valued on the basis of market interest rates and an assumed credit risk premium; unlisted shares and investments in private equity funds held within the Bank's insurance business and certain equity-related OTC derivatives with longer maturities.

The table below shows the year's change in the Group's holdings of financial instruments in level 3. During the year, the applied materiality assessment when dividing instruments into levels 2 and 3 has become stricter. As a consequence certain bonds, shares in mutual funds, issued securities and derivative instruments previously reported in level 2 have moved to level 3. The comparative figures have been adjusted. For derivatives, retroactive application of the change in principle has not been possible. Therefore, a transfer of derivatives from level 2 to level 3 has been reported.

There was no material transfer of financial instruments between levels 1 and 2 during the financial year. Nor were there any material differences between the transaction price and the fair value of financial instruments in level 3 during the year.

Reconciliation of financial instruments in level 3 2010					
SEK m	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives net position	Loans to the public	Issued securities
Carrying amount at beginning of year	2 190	1 516	-	-	-76
New acquisition	-	191	-	-	-8
Issued during the year	-	-	-47	-	-
Matured during the year	-276	-	-	-	-
Realised value change in profit/loss	-	-145	-	-	10
Unrealised value change in profit/loss	-	-17	-	-	-3
Value change recognised in other comprehensive income	-77	39	-	-	-
Transfer from level 1 or 2	-	244	-40	24	-
Transfer to level 1 or 2	-	-14	-	-	-
Carrying amount at end of year	1 837	1 814	-87	24	-77

Reconciliation of financial instruments in level 3 2009					
SEK m	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives net position	Loans to the public	Issued securities
Carrying amount at beginning of year	2 553	1 489	430	-	-76
New acquisition	-	54	-	-	-14
Issued during the year	-	-	-4	-	-
Matured during the year	-338	-	5	-	-
Realised value change in profit/loss	-48	-376	-376	-	-
Unrealised value change in profit/loss	-	-15	-139	-	14
Value change recognised in other comprehensive income	23	14	-	-	-
Transfer from level 1 or 2	-	350	-	-	-
Transfer to level 1 or 2	-	-	84	-	-
Carrying amount at end of year	2 190	1 516	-	-	-76

G16 Reclassified financial assets

SEK m	Holdings classified as loans and receivables		Financial assets available for sale	Investments held to maturity
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
Carrying amount	1 158	15 147	2 171	198
Fair value	1 156	15 249	2 154	199
Carrying amount at reclassification 1 July 2008	3 041	19 722	2 578	209
Carrying amount at beginning of 2010	1 595	18 662	2 745	227
Fair value at beginning of 2010	1 571	18 555	2 745	227
Value change recognised in income statement in 2010	-	-109	-	-29
Value change recognised in income statement in 2009	5	-123	1	-13
Value change recognised in other comprehensive income in 2010	-57	-329	-46	-
Value change recognised in other comprehensive income in 2009	-125	-896	118	-
Value change which would have been recognised in income statement in 2010 if reclassification had not occurred	32	-119	90	-29
Value change which would have been recognised in income statement in 2009 if reclassification had not occurred	57	-127	333	-13
Value change which would have been recognised in other comprehensive income in 2010 if reclassification had not occurred	-	-67	-	1
Value change which would have been recognised in other comprehensive income in 2009 if reclassification had not occurred	-	1 539	-	8
Amortisations and maturities since reclassification	-2 345	-6 011	-858	-
Interest recognised as income 2010	7	234	13	5

The table shows the effects on reported amounts of the reclassification of parts of the Group's liquidity portfolio that was carried out on 1 July 2008. Since this date, no further reclassifications have been carried out. The principles applied for reclassification are described in the Group's accounting principles, note G1. The amounts which would have affected the income statement/other comprehensive income as stated above if the reclassification had not been carried out, comprise the period's change in fair value of the holdings which remained in the balance sheet at the end of the financial year.

G17 Other loans to central banks

SEK m	2010	2009
Other loans to central banks in Swedish kronor	5 026	51 203
Other loans to central banks in foreign currency	45 963	5 728
Total	50 989	56 931

Of which reverse repos 59 2 687

Average volumes SEK m	2010	2009
Other loans to central banks in Swedish kronor	34 555	57 535
Other loans to central banks in foreign currency	6 892	4 422
Total	41 447	61 957

Of which reverse repos 1 494 2 531

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	-	50 929	60	-	-	50 989
2009	-	56 878	53	-	-	56 931

G18 Loans to other credit institutions

SEK m	2010	2009
Loans in Swedish kronor		
Banks	22 956	20 109
Other credit institutions	27 699	14 733
Total	50 655	34 842

Loans in foreign currency		
Banks	35 212	24 796
Other credit institutions	69 607	51 540
Total	104 819	76 336

Probable loan losses - -9

Total 155 474 111 169

Of which reverse repos 90 062 62 014

Of which subordinated 3 -

Average volumes SEK m	2010	2009
Loans to other credit institutions in Swedish kronor	52 111	34 032
Loans to other credit institutions in Swedish kronor, insurance operations	11	11
Loans to other credit institutions in foreign currency	123 499	122 730
Loans to other credit institutions in foreign currency, insurance operations	17	28
Total	175 638	156 801

Of which reverse repos 42 534 23 070

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	59 485	79 587	3 714	10 132	2 556	155 474
2009	60 732	29 657	5 525	11 065	4 190	111 169

G19 Loans to the public

SEK m	2010	2009
Loans in Swedish kronor		
Households	555 670	511 315
Companies	447 617	432 990
National Debt Office	6 760	11 279
Total	1 010 047	955 584
Loans in foreign currency		
Households	147 142	144 332
Companies	330 081	382 638
National Debt Office	-	-
Total	477 223	526 970
Probable loan losses	-5 592	-5 371
Total loans to the public	1 481 678	1 477 183
<i>Of which reverse repos</i>	<i>9 196</i>	<i>11 544</i>
Average volumes – loans to the public		
SEK m	2010	2009
Loans to the public in Swedish kronor	979 608	939 913
Loans to the public in foreign currency	500 736	554 791
Total	1 480 344	1 494 704
<i>Of which reverse repos</i>	<i>9 644</i>	<i>8 170</i>

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	47 157	440 212	236 710	458 728	298 871	1 481 678
2009	99 577	395 972	221 032	446 043	314 559	1 477 183

G20 Interest-bearing securities

SEK m	2010			2009		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Treasury bills and other eligible bills	46 821	50 725	50 738	100 773	105 151	105 156
Bonds and other interest-bearing securities	67 914	68 499	68 500	69 225	70 845	70 846
Total	114 735	119 224	119 238	169 998	175 996	176 002
<i>Of which unlisted securities</i>		<i>2 595</i>	<i>2 595</i>		<i>3 990</i>	<i>3 990</i>

SEK m	2010			2009		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	46 328	50 188	50 200	99 396	103 677	103 682
Credit institutions	18 426	18 531	18 533	17 903	18 260	18 261
Mortgage institutions	34 070	34 532	34 532	32 946	34 260	34 260
Other	15 911	15 973	15 973	19 753	19 799	19 799
Total	114 735	119 224	119 238	169 998	175 996	176 002

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yrs	>1 yr to 5 yrs	Over 5 yrs	Total
2010	8 391	9 158	14 478	66 704	20 507	119 238
2009	12 257	63 217	10 446	64 675	25 407	176 002

Average volumes SEK m	2010	2009
Interest-bearing securities	157 492	125 097
Interest-bearing securities, insurance operations	19 191	20 492
Total	176 683	145 589

G21 Shares

SEK m	2010	2009
Holdings at fair value over the income statement		
Listed	31 166	18 446
Non-listed	1 348	2 376
Total	32 514	20 822
Classified as available-for-sale		
Listed	5 051	3 394
Non-listed	645	667
Total	5 696	4 061
Total shares	38 210	24 883

G22 Participating interests in associated companies

Holdings in associated companies SEK m	2010	2009
Non-listed	111	93
Total shares and participating interests	111	93
Participating interests in associated companies		
Carrying amount at beginning of year	93	84
Share of profit for the year	11	26
Tax	-2	-7
Dividend	-6	-3
Acquisitions	15	-
Divestments	-	-7
Carrying amount at end of year	111	93

Associated companies	Corporate identity number	Domicile	Number of shares	Participating interest %	Carrying amount SEK m	
					2010	2009
Bankernas Automatbolag AB	556817-9716	Stockholm	150	20.0	15	-
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.9	0	0
BGC Holding AB	556607-0933	Stockholm	25 382	25.4	49	45
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.0	7	7
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.3	17	12
Upplysningscentralen UC AB	556137-5113	Stockholm	2 429	24.3	23	29
Total					111	93

Financial information on associated companies referring to 100% of the companies SEK m	2010				2009			
	Assets	Liabilities	Income	Profit/loss	Assets	Liabilities	Income	Profit/loss
Bankernas Automatbolag AB	92	20	0	-2	-	-	-	-
Bankomatcentralen AB	1	0	0	0	1	0	0	0
BGC Holding AB ¹	299	104	701	11	267	88	672	5
BDB Bankernas Depå AB	2 826	2 790	50	5	2 558	2 520	76	14
Finansiell ID-teknik BID AB	78	19	132	13	56	18	109	12
Upplysningscentralen UC AB ¹	185	87	398	12	212	80	387	39

¹Information concerning the Group.

G23 Assets where the customer bears the value change risk

SEK m	2010	2009
Unit-linked insurance assets	55 605	41 910
Other fund assets	3 133	4 611
Share of consolidated funds not owned	2 444	4 511
Total	61 182	51 032

G24 Derivative instruments and hedge accounting

SEK m	Nominal amount			Nominal amount		Positive market values		Negative market values	
	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2010	2009	2010	2009	2010	2009
Derivatives held for trading									
Interest rate-related contracts									
Options	485 711	200 248	29 967	715 926	362 321	3 593	3 886	2 782	2 395
FRA/futures	3 678 779	889 274	189 862	4 757 915	4 541 360	2 702	3 508	2 553	3 739
Swaps	1 043 539	1 689 077	936 457	3 669 073	3 247 678	46 765	50 659	50 121	53 630
Other instruments	0	1 782	5	1 787	16 546	20	5	0	1
Currency-related contracts									
Options	88 569	1 064	288	89 921	142 760	635	1 210	813	1 326
Futures	1 028 694	4 620	15 206	1 048 520	990 202	13 341	17 916	15 467	12 964
Swaps	164 423	290 100	72 414	526 937	427 822	8 803	7 839	9 117	7 248
Other instruments	28	-	-	28	-	-	-	55	-
Equity-related contracts									
Options	56 949	2 158	29 465	88 572	92 755	2 433	2 318	5 621	4 146
Futures	16 755	-	84	16 839	12 900	35	206	108	128
Swaps	25 955	-	4 656	30 611	25 052	465	661	899	840
Other instruments	3 698	8	47	3 753	4 956	26	20	754	196
Other derivative contracts	47 317	278	9 760	57 355	50 777	2 802	1 868	4 267	1 679
Total	6 640 417	3 078 609	1 288 211	11 007 237	9 915 129	81 620	90 096	92 557	88 292
Derivatives for fair value hedges									
Interest rate-related contracts									
Options	1 000	10 563	60	11 623	6 433	147	67	-	-
Swaps	51 344	303 843	47 546	402 733	326 074	18 730	15 944	1 873	2 853
Other instruments	-	-	2	2	248	-	0	-	-
Currency-related contracts									
Swaps	12 073	41 680	1 569	55 322	34 512	532	358	6 238	1 169
Total	64 417	356 086	49 177	469 680	367 267	19 409	16 369	8 111	4 022
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	10 301	29 157	5 608	45 066	42 581	611	682	990	787
Currency-related contracts									
Swaps	-	-	1 904	1 904	1 775	643	8	95	0
Sub-total	10 301	29 157	7 512	46 970	44 356	1 254	690	1 085	787
Total	6 715 135	3 463 852	1 344 900	11 523 887	10 326 752	102 283	107 155	101 753	93 101
<i>Of which cleared</i>				<i>2 940 018</i>	<i>2 268 035</i>	<i>2 686</i>	<i>1 118</i>	<i>3 590</i>	<i>1 322</i>
Currency breakdown of market values									
SEK						145 793	-37 511	239 737	86 558
USD						897	225 563	-164 120	40 776
EUR						-55 430	8 192	-109 499	-71 956
Other						11 023	-89 089	135 635	37 723

G25 Intangible assets

2010		Trademarks and other rights	Customer contracts	Internally developed software	Total 2010
SEK m	Goodwill				
Cost of acquisition at beginning of year	6 759	3	169	591	7 522
Cost of acquisition of additional intangible assets	1	-	-	99	100
Disposals and retirements	-	-	-	-55	-55
Foreign exchange effect	-389	-	-20	-10	-419
Cost of acquisition at end of year	6 371	3	149	625	7 148
Accumulated amortisation and impairments at beginning of year	-	-	-9	-194	-203
Disposals and retirements	-	-	-	55	55
Amortisation for the year	-	-	-8	-89	-97
Impairments for the year	-	-	-	-2 ¹	-2
Foreign exchange effect	-	-	0	4	4
Accumulated amortisation and impairments at end of year	-	-	-17	-226	-243
Closing residual value	6 371	3	132	399	6 905

2009		Trademarks and other rights	Customer contracts	Internally developed software	Total 2009
SEK m	Goodwill				
Cost of acquisition at beginning of year	6 511	3	180	476	7 170
Cost of acquisition of additional intangible assets	293	-	-	120	413
Disposals and retirements	-12	-	-	-	-12
Foreign exchange effect	-33	-	-11	-5	-49
Cost of acquisition at end of year	6 759	3	169	591	7 522
Accumulated amortisation and impairments at beginning of year	-12	-	-3	-98	-113
Disposals and retirements	12	-	-	-	12
Amortisation for the year	-	-	-9	-71	-80
Impairments for the year	-	-	-	-25 ¹	-25
Foreign exchange effect	-	-	3	0	3
Accumulated amortisation and impairments at end of year	-	-	-9	-194	-203
Closing residual value	6 759	3	160	397	7 319

¹The impairments refer to software which is no longer used and whose useful life has therefore been assessed as zero.

Amortisation is on a straight-line basis according to the expected useful life. Currently this means that customer contracts are amortised over 20 years and that internally developed software is amortised over 5 years. Goodwill and brands are not amortised.

SEK m	Goodwill		Intangible assets with an indefinite useful life	
	2010	2009	2010	2009
Branch operations in Sweden	3 263	3 263	-	-
Branch operations outside Sweden	3 029	3 418	-	-
Capital Markets	79	78	3	3
Total	6 371	6 759	3	3

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE

Impairment testing of goodwill and intangible assets with an indefinite useful life (brand names) is performed annually in connection with the closing of the annual accounts at cash-generating unit level. The unit's useful life is calculated by discounting estimated future cash flows and the terminal value. Detailed forecasts are made of risk-weighted volumes, income, expenses (including funding costs) and loan losses for the first five years. The forecast is subsequently based on the assumption of a long-term growth rate. Normally, cash flows are not assumed to grow at a faster rate than is justified by historic GDP development. The year's impairment test is based on a cautious assumption of a long-term cash flow growth of two per cent which corresponds

to the Riksbank's long-term inflation target. The total cash flow period for banking operations is 20 years and for insurance operations 40 years. The terminal value used is the forecast net asset value of the tested unit. Forecast cash flows have been discounted at a rate corresponding to the Group's average cost of capital. The cost of capital is based on an assumed return on equity requirement of 12.8 per cent before tax and estimated new funding costs for the Group's other funding. In the annual impairment testing, the discount rate was 3.9 per cent (3.8) before tax.

Group goodwill reported mainly derives from traditional banking operations on Handelsbanken's domestic markets. The goodwill referring to the Swedish branch operations originates from the acquisition of Stadshypotek in 1996. The goodwill referring to branch operations outside Sweden mainly derive from the acquisitions of Lokalbanken and Midtbank in Denmark and Bergensbank in Norway. The distribution of the assets among the Group's segments is shown in the above table. In the annual impairment test the difference between the recoverable amounts and the carrying amounts of goodwill was deemed to be satisfactory. Nor is the value of goodwill sensitive to the assumptions on which the calculation of the recoverable amount is based. The goodwill reported tolerates an increase in the discount rate of over 10 percentage points without any indications of an impairment loss.

G26 Property and equipment

Property and equipment SEK m	2010	2009
Equipment	589	624
Property	1 387	1 436
Property in the insurance business	1 260	1 150
Property repossessed for protection of claims	71	71
Total	3 307	3 281

Equipment SEK m	2010	2009
Opening cost of acquisition	1 899	2 009
New acquisition	303	316
Disposals and retirements	-357	-433
Foreign exchange effect	-61	7
Closing acquisition value	1 784	1 899
Opening accumulated depreciation	-1 275	-1 313
Depreciation for the year	-305	-333
Disposals and retirements	343	379
Foreign exchange effect	42	-8
Closing accumulated depreciation	-1 195	-1 275
Carrying amount	589	624

Equipment is depreciated on a straight-line basis over 2–10 years.

Property SEK m	2010	2009
Opening cost of acquisition	2 072	2 069
New acquisition	-	-
New construction and rebuilding	31	19
Disposals and retirements	-8	-
Foreign exchange effect	-35	-16
Closing acquisition value	2 060	2 072
Opening accumulated depreciation	-636	-592
Depreciation for the year	-47	-45
Disposals and retirements	8	-
Impairment during the year in equity	-	-
Foreign exchange effect	2	1
Closing accumulated depreciation	-673	-636
Carrying amount	1 387	1 436

For business premises, component depreciation is applied. The useful life varies between 10 and 100 years. See also the consolidated accounting policies in note G1.

Property in the insurance business SEK m	2010	2009
Opening cost of acquisition	1 150	1 185
New acquisition	-	-
Revaluation	110	-35
Disposals and retirements	-	-
Carrying amount	1 260	1 150

Properties in the insurance operations are measured at fair value. See also note G1. The carrying amount of the properties would have been SEK 1,045m (1,057), if they had not been carried at fair value.

Property repossessed for protection of claims SEK m	2010	2009
Property	40	33
Repossessed leased assets	31	38
Carrying amount	71	71

Repossessed property is also included in discontinued operations. See also note G12. The valuation principles for assets repossessed for protection of claims are described in note G1. Repossessed property is divested as soon as conditions permit.

SEK m	2010	2009
Tax assessment value for Swedish properties	3 336	3 006

G27 Other assets

SEK m	2010	2009
Claims on investment banking settlements	55 208	35 208
Other	5 052	7 386
Total	60 260	42 594

G28 Prepaid expenses and accrued income

SEK m	2010	2009
Accrued interest income	5 356	5 337
Other accrued income	1 123	1 307
Prepaid expenses	151	169
Total	6 630	6 813

Of which subordinated

-

G29 Due to credit institutions

SEK m	2010	2009
Due in Swedish kronor		
Banks	23 861	60 990
Other credit institutions	79 343	49 773
Total	103 204	110 763
Due in foreign currency		
Banks	141 888	119 755
Other credit institutions	24 849	9 272
Total	166 737	129 027
Total	269 941	239 790
<i>Of which repos</i>	10 795	26 131

Average volumes SEK m	2010	2009
Due to credit institutions in Swedish kronor	77 360	88 048
Due to credit institutions in foreign currency	201 393	200 613
Total	278 753	288 661
<i>Of which repos</i>	25 479	17 293

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	69 787	175 486	5 498	4 724	14 446	269 941
2009	86 477	129 278	13 522	2 225	8 288	239 790

G30 Deposits and borrowing from the public

Deposits from the public SEK m	2010	2009
Deposits in Swedish kronor		
Households	178 103	162 343
Companies	140 485	143 196
National Debt Office	0	0
Total	318 588	305 539
Deposits in foreign currency		
Households	38 753	40 538
Companies	111 947	114 624
National Debt Office	-	-
Total	150 700	155 162
Total deposits from the public	469 288	460 701

Borrowing from the public SEK m	2010	2009
Borrowing in Swedish kronor	51 752	63 208
Borrowing in foreign currency	25 133	25 839
Total	76 885	89 047
<i>Of which repos</i>	3 163	7 585
Total deposits and borrowing from the public	546 173	549 748

Average volumes SEK m	2010	2009
Deposits from the public		
Deposits from the public in Swedish kronor	304 156	285 493
Deposits from the public in foreign currency	176 361	170 249
Total	480 517	455 742
Borrowing from the public		
Borrowing in Swedish kronor	32 130	47 892
Borrowing in Swedish kronor, insurance operations	22 978	27 542
Borrowing in foreign currency	30 275	42 536
Total	85 383	117 970
<i>Of which repos</i>	3 784	3 559

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
Deposits						
2010	441 721	15 204	3 363	1 567	7 433	469 288
2009	431 496	14 758	3 766	1 809	8 872	460 701
Borrowing						
2010	2 061	41 619	12 649	5 077	15 479	76 885
2009	5 453	45 948	10 367	6 900	20 379	89 047

G31 Liabilities where the customer bears the value change risk

SEK m	2010	2009
Unit-linked insurance liabilities	55 606	41 939
Other fund liabilities	3 164	4 653
Share of consolidated funds not owned	2 444	4 511
Total	61 214	51 103

G32 Issued securities

SEK m	2010		2009	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Commercial paper				
Commercial paper in Swedish kronor	9 485	9 958	46 397	47 096
<i>Of which</i>				
<i>at amortised cost</i>	25	25	38 355	38 315
<i>for trading</i>	9 460	9 933	8 042	8 781
Commercial paper in foreign currency	313 379	313 289	314 813	314 700
<i>Of which</i>				
<i>at amortised cost</i>	313 286	313 190	314 742	314 635
<i>for trading</i>	93	99	71	65
Total	322 864	323 247	361 210	361 796
Bonds				
Bonds in Swedish kronor	391 464	413 525	351 543	370 013
<i>Of which</i>				
<i>at amortised cost</i>	225 735	233 677	220 814	226 053
<i>for fair value hedges</i>	165 729	179 848	130 729	143 960
Bonds in foreign currency	223 778	226 729	233 040	234 266
<i>Of which</i>				
<i>at amortised cost</i>	145 609	145 960	157 970	157 959
<i>for fair value hedges</i>	78 169	80 769	75 070	76 307
Total	615 242	640 254	584 583	604 279
Total issued securities	938 106	963 501	945 793	966 075

Issues, repurchases and maturities SEK m	2010	2009
Issued	1 431 927	1 599 706
Repurchased	241 131	230 669
Maturity	1 126 157	1 314 656

Average volume of issued securities SEK m	2010	2009
Swedish kronor	439 661	395 295
Foreign currency	568 769	553 514

Remaining maturities carrying amount SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	3 935	260 015	161 613	493 377	44 561	963 501
2009	10 274	324 692	179 087	422 905	29 117	966 075

G33 Other trading liabilities

SEK m	2010	2009
Short positions at fair value		
Equities	2 761	3 746
Interest-bearing securities	33 265	25 901
<i>Of which</i>		
<i>other issuers</i>	27 395	21 452
<i>own issued</i>	5 870	4 449
Total	36 026	29 647

Average volumes of other trading liabilities SEK m	2010	2009
Swedish kronor	33 539	22 920
Foreign currency	2 201	1 907

Remaining maturities short positions interest-bearing securities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	50	-	63	28 995	4 157	33 265
2009	-	-	1 090	13 068	11 743	25 901

G34 Insurance liabilities

SEK m	2010	2009
Liability for sickness annuities	234	290
Liability for life annuities	146	142
Liability for other unsettled claims	299	350
Liability for prepaid premiums	44	170
Total	723	952

G35 Taxes

Deferred tax assets			Deferred tax liabilities		
SEK m	2010	2009	SEK m	2010	2009
Loans to the public	-	12	Loans to the public ¹	7 587	6 979
Derivative instruments	253	204	Derivative instruments	91	127
Property and equipment	36	30	Intangible assets	32	37
Other	48	57	Property and equipment	93	93
Total	337	303	Pension assets	1 244	1 174
			Other	97	38
			Total	9 144	8 448
			Net deferred tax liabilities	8 807	8 145

¹Of which leases SEK 7,583m (6,975).

Change in deferred taxes 2010					
SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Adjustment acquisition balance sheet items	Closing balance
Loans to the public	6 967	620	-	-	7 587
Derivative instruments	-77	-	-85	-	-162
Intangible assets	37	-2	-3	-	32
Property and equipment	63	-6	-	-	57
Pension assets	1 174	69	1	-	1 244
Other	-19	-41	109	-	49
Total	8 145	640	22	-	8 807

Change in deferred taxes 2009					
SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Adjustment ² acquisition balance sheet items	Closing balance
Loans to the public	6 041	998	2	-74	6 967
Derivative instruments	-90	-	13	-	-77
Intangible assets	55	-16	-2	-	37
Property and equipment	68	-4	-1	-	63
Pension assets	1 242	-56	-12	-	1 174
Tax allocation reserve	273	-273	-	-	-
Other	-61	-14	60	-4	-19
Total	7 528	635	60	-78	8 145

²Refers to the acquisition of Lokalbanken 2008.

Tax expenses recognised in income statement		
SEK m	2010	2009
Current tax		
Tax expense for the year	-3 360	-2 939
Adjustment of tax relating to previous years	38	55
Deferred tax		
Changes in temporary differences	-640	-635
Total	-3 962	-3 519
Nominal tax rate in Sweden, %	26.3	26.3
Deviations		
Different tax rate in insurance operations	-0.2	0.5
Non-taxable income/non-deductible expenses	0.0	0.0
Tax relating to previous years and other	0.7	-1.2
Effective tax rate, %	26.8	25.6

G36 Provisions

SEK m	Restructuring reserve	Provision for guarantee commitments	Other provisions	Total 2010	Total 2009
Provisions at beginning of year	61	124	14	199	379
Provisions during the year	-	-	2	2	46
Utilised	-61	-	-	-61	-179
Written back	-	-58	-5	-63	-47
Provisions at end of year	-	66	11	77	199

The provision to the restructuring reserve was made in connection with the sale of SPP in 2007. The reserve was fully settled during the year. The provision for guarantee commitments consists of provisions for a number of off-balance sheet items where the largest individual commitment is SEK 44m. The provision for this commitment was made in 2008 and the remaining amount is expected to be settled during 2011. Other provisions for guarantee commitments refer to minor commitments where the original maturity is mainly between 1 and 5 years.

G37 Other liabilities

SEK m	2010	2009
Liabilities on investment banking settlements	5 088	11 558
Other	7 516	11 617
Total	12 604	23 175

G38 Accrued expenses and deferred income

SEK m	2010	2009
Accrued interest expenses	15 125	13 820
Other accrued expenses	3 556	3 477
Deferred income	170	159
Total	18 851	17 456

G39 Subordinated liabilities

SEK m	2010	2009
Subordinated loans in Swedish kronor	7 367	7 347
Subordinated loans in foreign currency	36 581	51 658
Total	43 948	59 005
Average volumes		
Subordinated loans in Swedish kronor	7 463	6 855
Subordinated loans in foreign currency	45 626	54 754

Specification, subordinated loans		Original nominal amount in each currency	Interest rate %	Outstanding amount
Issue/conv./final payment year	Currency			
IN SWEDISH KRONOR				
Other Swedish ¹				7 367
Total				7 367
IN FOREIGN CURRENCY				
2005/2017 ²	EUR	700	floating rate	6 303
2005/perpetual ³	EUR	500	4.194	4 689
2006/2016 ⁴	EUR	600	4.000	5 451
2006/2016 ⁵	USD	800	floating rate	5 438
2007/perpetual ⁶	EUR	600	floating rate	5 395
Other foreign ⁷				9 305
Total				36 581
Total				43 948

¹ Other Swedish subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans. This includes a subordinated convertible loan for nominal SEK 2.3 billion directed at the Group's employees on market terms. The loan has hybrid status and can be converted into Handelsbanken shares. Conversion is possible after 1 June 2011 at a conversion price of SEK 187.56, corresponding to 110 per cent of the average share price during the period 6–12 May 2008, adjusted for the 2008 dividend. After 21 May 2013 it will be possible to convert to Handelsbanken shares at the conversion price, or the share price applying at this date if it is lower than the conversion price.

² Dated subordinated loan with 3-month floating rate coupon linked to Euribor. According to the terms the loan can be called in advance on each interest payment date from October 2012. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

³ Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from December 2015. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with the right of redemption, the interest rate is changed to floating rate linked to Euribor.

⁴ Dated subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from April 2011. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with the right of redemption, the interest rate is changed to floating rate linked to Euribor.

⁵ Dated subordinated loan with 3-month floating rate coupon linked to Libor. According to the terms the loan can be called in advance on each interest payment date from March 2011. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

⁶ Perpetual subordinated loan with 3-month floating rate coupon linked to Euribor. According to the terms the loan can be called in advance on each interest payment date from March 2012. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

⁷ Other foreign subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans.

G40 Reclassifications to the income statement

SEK m	2010	2009
Reclassified from hedge reserve	2	6
Reclassified from fair value reserve	-100	223
Reclassified from translation reserve	-5	-6
Reclassified tax	-41	-151
of which hedge reserve	-1	-2
of which fair value reserve	26	-144
of which translation reserve	0	-5
Total reclassification adjustments	-144	72

Reclassification adjustments consist of income and expense previously recognised in other comprehensive income and reclassified to the income statement during the year. Negative amounts in the table above represent recognised income in the income statement and vice versa. The accounting policies in note G1 describe under which line item in the income statement the amounts have been reported.

G41 Specification of changes in equity

Change in hedge reserve SEK m	2010	2009
Hedge reserve at beginning of year	-217	-252
Unrealised value changes during the year	-241	31
Recognised in profit/loss due to ineffectiveness	1	4
Hedge reserve at end of year	-457	-217

Specification of available-for-sale instruments (amounts after tax) SEK m	2010	2009
Fair value reserve at beginning of year	-802	-3 152
Sold during the year	75	162
Unrealised market value change during the year for remaining and new holdings	1 513	2 188
Fair value reserve at end of year	786	-802

Change in translation reserve SEK m	2010	2009
Translation reserve at beginning of year	951	1 058
Change in translation difference in branches	-1 764	25
Change in translation difference in subsidiaries	-628	-128
Change in translation difference on funding net assets in subsidiaries	278	-4
Translation reserve at end of year	-1 163	951

At the end of the financial year, the Group's holdings of own shares in the trading book was zero. The corresponding figure in the previous financial year was 160,591 shares.

G42 Assets pledged and collateral received

Assets pledged for own debt SEK m	2010	2009
Cash	13 073	22 926
Government instruments and bonds, pledged as collateral with central banks and credit institutions	47 606	103 858
Government instruments and bonds, repurchase agreements	13 979	33 774
Loans to the public	488 330	405 327
Equities	2 354	83
Securities lent	12 388	10 410
Assets registered on behalf of insurance policyholders	78 912	72 518
Other	191	-
Total	656 833	648 896

Other pledged assets SEK m	2010	2009
Cash	0	176
Government instruments and bonds	4 468	4 148
Total	4 468	4 324

Other pledged assets refers to collateral pledged for obligations not reported in the balance sheet.

ASSETS PLEDGED

Assets pledged in the form of government instruments and bonds mainly comprise securities pledged as collateral with central banks and securities sold under binding repurchase agreements.

Loans to the public pledged as security mainly comprise collateral registered for the benefit of holders of covered bonds issued by Stadshypotek. The collateral comprises loans granted against mortgages in single-family homes, second homes, multi-family dwellings or housing co-operatives with a loan-to-value ratio within 75 per cent of the market value. In the event of the company's insolvency, pursuant to the Right of Priority Act, the holders of the covered bonds have prior rights to the pledged assets. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must be kept separate from the bankruptcy estate's other assets and liabilities. The holders of the bonds will then receive contractual payments under the terms of the bond until maturity.

Lent securities mainly comprise equities lent on received collateral carried as a receivable in the balance sheet.

Assets registered on half of insurance policyholders, comprise assets under life insurance contracts in Handelsbanken Liv where the policyholders have priority rights.

COLLATERAL RECEIVED

For reverse repurchase agreements and securities lending, collateral is received in the form of securities that can be sold or repledged to a third party. Such securities are not reported in the balance sheet. The fair value of received collateral under reverse repurchase agreements and securities lending was SEK 67,268 million (60,874) at the end of the financial year, where collateral worth SEK 3,531 million (6,439) had been sold or repledged to a third party.

G43 Contingent liabilities/commitments

Contingent liabilities SEK m	2010	2009
Guarantees, loans	17 751	20 178
Guarantees, other	40 210	48 038
Letters of credit	28 802	37 335
Other	8 348	5 248
Total	95 111	110 799

Contingent liabilities/commitments mainly consist of various types of guarantees. The nominal amounts of the guarantees are shown in the table.

“Other” includes SEK 92 million (106) relating to a number of civil actions which the Group is bringing in general courts of law. The Group’s assessment is that the actions will essentially be settled in its favour. No disputed amounts or possible insurance compensation has been recognised as income.

G45 Leases

Disclosures on gross investment and present value of future minimum lease payments SEK m	2010	2009
Gross investment	51 413	54 832
Present value of future minimum lease payments at balance sheet date	47 117	48 094

Distribution of gross investment and minimum lease payments by maturity SEK m	Unearned finance income SEK m			Total
	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	
2010				
Distribution of gross investment	6 169	15 803	29 441	51 413
Distribution of present value minimum lease payments	6 124	15 203	25 790	47 117
2009				
Distribution of gross investment	6 974	16 164	31 694	54 832
Distribution of present value minimum lease payments	6 954	15 323	25 817	48 094

The Group is lessor in all finance leases. All leases have guaranteed residual values. The book value of the provision for impaired loans with respect to minimum lease payments is SEK 25.1 million (23.3). The variable part of the lease fee included in this year’s profits is SEK 489 million (719). The decrease is due to the lower interest rates in 2010 compared with 2009.

G44 Other commitments

SEK m	2010	2009
Credit commitments	240 286	229 525
Unutilised part of granted overdraft facilities	164 385	152 560
Other	2 802	1 971
Total	407 473	384 056

Contracted irrevocable, future operating lease charges distributed by the year they fall due for payment SEK m	2010	2009
2011	577	595
2012–2015	1 236	1 126
2016 and later	647	598
Total	2 460	2 319

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

Unearned finance income SEK m	2010	2009
Unearned finance income	4 296	6 738

At the end of the year in the Group there were seven lease exposures each with an individual carrying amount exceeding SEK 1 billion. The total carrying amount of these exposures was SEK 22.4 billion which is equivalent to 1.4 per cent of the Group’s total credit volume as at 31 December 2010. The carrying amount of the largest individual exposure was SEK 9.6 billion (10.0). The average remaining maturity for this exposure was 9.1 years. These exposures are in the transport and energy sectors.

G46 Segment reporting

Segment reporting 2010						
SEK m	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Other	Adjustments and eliminations	Continuing operations
Net interest income	12 993	6 933	628	832	-49	21 337
Net fee and commission income	3 819	1 537	2 510	156		8 022
Net gains/losses on financial items at fair value	704	273	1 280	-892	12	1 377
Risk result, insurance			205			205
Share of profit of associated companies				11		11
Other income	16	66	16	246		344
Total income	17 532	8 809	4 639	353	-37	31 296
Staff costs	-3 012	-2 590	-2 054	-2 521	673	-9 504
Other administrative expenses	-1 010	-1 054	-927	-2 073	2	-5 062
Internal purchased and sold services	-2 958	-900	-91	3 902	47	
Depreciation and amortisation	-85	-73	-44	-238	-12	-452
Total expenses	-7 065	-4 617	-3 116	-930	710	-15 018
Profit before loan losses	10 467	4 192	1 523	-577	673	16 278
Net loan losses	-99	-1 408	-			-1 507
Gains/losses on disposal of property and equipment and intangible assets	0	0	-4	3		-1
Operating profit	10 368	2 784	1 519	-574	673	14 770
Profit allocation	811	202	-1 013			
Operating profit after profit allocation	11 179	2 986	506	-574	673	14 770
Internal income	-2 004	-5 954	-1 380	9 338		
C/l ratio, %	38.5	51.2	85.9			48.0
Loan loss ratio, %	0.01	0.28				0.10
Assets	1 259 184	511 790	404 849	1 074 981	-1 097 274	2 153 530
Liabilities	1 215 304	486 673	394 635	1 074 981	-1 106 454	2 065 139
Allocated capital	43 880	25 117	10 214		9 180	88 391
Return on allocated capital, %	19.5	8.4	6.4			12.6
The year's investments in non-financial non-current assets	114	65	25	230		434
The year's investments in associated companies				15		15
Average number of employees	4 386	2 931	1 604	1 929		10 850

Geographical segment information 2010							
SEK m	Sweden	Denmark	Finland	Norway	Great Britain	Other countries	Group
Income	16 653	2 455	1 894	6 740	2 063	1 491	31 296
Assets	1 450 380	57 516	127 166	198 509	136 049	183 910	2 153 530
Other information							
Investments in non-financial assets	361	16	21	6	8	22	434

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. Handelsbanken's branch office operations, which provide universal banking services, are divided into twelve regional banks. Six of these are Swedish, and six are outside Sweden. (The twelfth regional bank Central Great Britain started on 1 January 2011). Each regional bank is led by a head of regional bank, and is monitored as an independent profit centre. The Capital Markets segment is Handelsbanken's investment

bank, including securities trading and investment advisory services. Its operations also include asset management: provision of products and services in conjunction with capital investment.

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. Other includes Treasury and central departments and also

Segment reporting 2009						
SEK m	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Other	Adjustments and eliminations	Continuing operations
Net interest income	13 305	7 317	599	821	-42	22 000
Net fee and commission income	3 377	1 533	2 520	-37		7 393
Net gains/losses on financial items at fair value	512	250	2 788	-1 151	58	2 457
Risk result, insurance			171			171
Share of profit of associated companies				26		26
Other income	76	6	12	197	-3	288
Total income	17 270	9 106	6 090	-144	13	32 335
Staff costs	-3 060	-2 778	-2 371	-2 234	425	-10 018
Other administrative expenses	-1 032	-1 133	-808	-1 747	1	-4 719
Internal purchased and sold services	-2 534	-842	-74	3 450		
Depreciation and amortisation	-80	-84	-37	-269	-13	-483
Total expenses	-6 706	-4 837	-3 290	-800	413	-15 220
Profit before loan losses	10 564	4 269	2 800	-944	426	17 115
Net loan losses	-2 325	-1 067	-			-3 392
Gains/losses on disposal of property and equipment and intangible assets	0	0	0	4		4
Operating profit	8 239	3 202	2 800	-940	426	13 727
Profit allocation	757	294	-1 051			
Operating profit after profit allocation	8 996	3 496	1 749	-940	426	13 727
Internal income	-3 733	-5 524	460	8 797	-	
C/I ratio, %	37.2	51.5	65.3	-		47.1
Loan loss ratio, %	0.24	0.19				0.21
Assets	1 163 512	544 470	376 112	916 775	-878 026	2 122 843
Liabilities	1 124 737	517 441	366 008	916 775	-885 206	2 039 755
Allocated capital	38 775	27 029	10 104		7 180	83 088
Return on allocated capital, %	17.3	9.4	14.7			12.5
The year's investments in non-financial non-current assets	131	65	38	502		736
The year's investments in associated companies				-		-
Average number of employees	4 481	2 976	1 572	1 792		10 821

Geographical segment information 2009							
SEK m	Sweden	Denmark	Finland	Norway	Great Britain	Other countries	Group
Income	17 839	2 642	1 994	6 746	1 787	1 327	32 335
Assets	1 457 677	64 450	95 326	192 314	136 854	176 222	2 122 843
Other information							
Investments in non-financial assets	646	11	25	20	6	28	736

the cost of the Oktogonen profit-sharing plan which amounts to SEK 842 million. The Adjustments and eliminations column includes translation differences and adjustments for pension costs. Adjustments for pension costs contains the difference between the Group's pension costs calculated in accordance with IAS 19, Employee Benefits, and the standard pension costs which total SEK 263 million (-213) and compensation from the pension foundation of SEK 410 million (598).

The segment income statements 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 shareholders' equity and a tax rate of 26.3 per cent. For the Group, return on equity is calculated after reported tax.

Income per product area		
SEK m	2010	2009
Investment bank	7 281	8 736
Bank deposits and corporate loans	8 084	8 059
Finance company services	1 944	1 923
Bank deposits and loans to private individuals	4 097	3 978
Mortgages	5 320	5 574
Pensions and insurance	1 023	638
Capital market	1 664	1 519
Trade finance	579	625
Other operations	1 304	1 283
Total	31 296	32 335

G47 Maturity analysis for financial liabilities

The maturity analysis shows undiscounted cash flows for the contracted payment commitments (including interest payments) which are due for payment at the latest within the stated time intervals. All sight deposits is reported as maturing debt within one month. Historically these deposits have been very stable over time. The expected maturity for the majority of the sight deposits is therefore much longer than shown in the table. The table shows financial guarantees, loan commitments and unutilised

overdraft facilities in their entirety in the 0–3-month interval. The total outstanding amount of these commitments does not necessarily represent future funding requirements. Note G2 describes the Bank's management of liquidity risk. It also provides quantitative data concerning the assets that the Group holds for liquidity risk management. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid/received, such as currency swaps.

Maturity analysis for financial liabilities – remaining contractual time to maturity 2010					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Due to credit institutions	245 538	5 861	6 545	19 208	277 152
Deposits from the public	457 173	3 425	2 490	7 434	470 522
Borrowing from the public	43 712	12 691	5 151	15 480	77 034
Issued securities	273 557	180 878	553 356	49 580	1 057 371
Other trading liabilities	50	63	28 995	4 157	33 265
Subordinated liabilities	6 238	6 143	30 147	7 101	49 629
Total	1 026 268	209 061	626 684	102 960	1 964 973
Off-balance sheet items					
Financial guarantees and unutilised loan commitments	407 474				407 474

Derivatives 2010					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivatives inflow	889 792	423 873	617 546	177 027	2 108 238
Total derivatives outflow	889 558	420 053	593 917	176 685	2 080 213
Total	234	3 820	23 629	342	28 025

Maturity analysis for financial liabilities – remaining contractual time to maturity 2009					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Due to credit institutions	216 721	13 722	2 827	9 779	243 049
Deposits from the public	447 226	3 834	2 793	8 875	462 728
Borrowing from the public	51 582	10 397	6 909	20 379	89 267
Issued securities	341 319	198 712	472 171	33 111	1 045 313
Other trading liabilities			14 159	11 743	25 902
Subordinated liabilities	6 122	6 802	41 093	12 798	66 815
Total	1 062 970	233 467	539 952	96 685	1 933 074
Off-balance sheet items					
Financial guarantees and unutilised loan commitments	407 492				407 492

Derivatives 2009					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivatives inflow	816 561	280 416	317 223	49 208	1 463 407
Total derivatives outflow	810 512	274 978	301 903	51 942	1 439 336
Total	6 049	5 438	15 319	-2 734	24 071

G48 Assets and liabilities in foreign currencies

2010 SEK m	SEK	EUR	NOK	DKK	GBP	USD	CHF	JPY	HKD	SGD	Other currencies	Total
Assets												
Loans to credit institutions ¹	55 681	60 096	718	2 211	974	80 638	941	2 881	499	25	1 799	206 463
Loans to the public	1 006 631	141 319	169 680	44 013	67 899	35 148	6 320	1 986	1 047	547	7 088	1 481 678
<i>of which corporate</i>	450 961	107 774	101 738	19 187	51 002	34 991	3 713	1 558	1 030	543	6 271	778 768
<i>of which households</i>	555 670	33 545	67 942	24 826	16 897	157	2 607	428	17	4	817	702 910
Treasury bills and other eligible securities	35 686	3 544	9 482	6	-	552	-	-	1 433	35	-	50 738
Bonds and other fixed income securities	47 326	9 219	1 155	89	2	10 443	-	-	-	-	266	68 500
Other assets not broken down by currency	346 151											346 151
Total assets	1 491 475	214 178	181 035	46 319	68 875	126 781	7 261	4 867	2 979	607	9 153	2 153 530
Liabilities												
Due to credit institutions	103 204	55 273	10 974	15 312	11 868	57 089	1 890	1 835	4 203	14	8 279	269 941
Deposits and borrowing from the public	370 340	58 460	44 592	26 276	19 815	21 261	931	160	138	476	3 724	546 173
<i>of which corporate</i>	166 513	46 133	32 236	16 105	15 729	20 416	856	154	107	465	3 529	302 243
<i>of which households</i>	203 827	12 327	12 356	10 171	4 086	845	75	6	31	11	195	243 930
Issued securities	423 483	192 403	7 843	566	35 732	264 756	36 898	1 079	741	-	-	963 501
Subordinated liabilities	7 367	21 837	-	110	7 846	5 535	-	1 253	-	-	-	43 948
Other items not broken down by currency	329 967											329 967
Total liabilities and equity	1 234 361	327 973	63 409	42 264	75 261	348 641	39 719	4 327	5 082	490	12 003	2 153 530
Other assets and liabilities broken down by currency and off-balance sheet items		114 933	-117 557	-4 022	6 152	221 864	32 477	-538	2 097	-121	2 997	
Net foreign currency position		1 138	69	33	-234	4	19	2	-6	-4	147	1 168
2009												
SEK m	SEK	EUR	NOK	DKK	GBP	USD	CHF	JPY	HKD	SGD	Other currencies	Total
Assets												
Loans to credit institutions ¹	86 036	12 261	3 850	2 518	5 017	55 395	415	249	11	22	2 326	168 100
Loans to the public	951 921	170 648	173 242	49 280	61 323	50 406	5 463	2 192	1 618	610	10 480	1 477 183
<i>of which corporate</i>	440 606	133 243	108 825	23 646	48 388	50 207	2 896	1 750	1 601	609	9 764	821 535
<i>of which households</i>	511 315	37 405	64 417	25 634	12 935	199	2 567	442	17	1	716	655 648
Treasury bills and other eligible securities	96 183	4 298	3 158	1	0	0	-	-	1 483	33	-	105 156
Bonds and other fixed income securities	45 907	12 421	356	214	173	11 472	-	-	-	-	303	70 846
Other assets not broken down by currency	301 558											301 558
Total assets	1 481 605	199 628	180 606	52 013	66 513	117 273	5 878	2 441	3 112	665	13 109	2 122 843
Liabilities												
Due to credit institutions	110 763	40 177	4 572	3 531	14 260	53 163	3 984	149	6 424	22	2 745	239 790
Deposits and borrowing from the public	368 747	46 956	49 885	25 372	18 654	23 037	789	113	607	451	15 137	549 748
<i>of which corporate</i>	180 351	32 261	38 980	13 928	14 725	21 948	783	106	584	429	14 916	319 011
<i>of which households</i>	188 396	14 695	10 905	11 444	3 929	1 089	6	7	23	22	221	230 737
Issued securities	417 109	256 138	9 742	565	35 643	239 664	5 509	1 404	250	51	-	966 075
Subordinated liabilities	7 347	30 179	-	123	14 421	5 765	-	1 170	-	-	-	59 005
Other items not broken down by currency	308 225											308 225
Total liabilities and equity	1 212 191	373 450	64 199	29 591	82 978	321 629	10 282	2 836	7 281	524	17 882	2 122 843
Other assets and liabilities broken down by currency and off-balance sheet items		173 323	-116 154	-22 438	16 696	204 128	4 097	262	4 166	-155	4 950	
Net foreign currency position		-499	253	-16	231	-228	-307	-133	-3	-14	177	-539

¹Contains "Other loans to central banks".

G49 Related-party disclosures

Claims on and liabilities to related parties	Associated companies		Other related parties	
	2010	2009	2010	2009
SEK m				
Loans to credit institutions	-	-	-	-
Loans to the public	325	276	-	-
Bonds and other interest-bearing securities	-	-	-	-
Other assets	-	-	424	598
Total	325	276	424	598
Due to credit institutions	-	-	-	-
Deposits and borrowing from the public	51	109	200	279
Issued securities	-	-	-	-
Subordinated liabilities	-	-	651	651
Other liabilities	-	-	56	125
Total	51	109	907	1 055

Related parties – income and expense	Associated companies		Other related parties	
	2010	2009	2010	2009
SEK m				
Interest income	1	3	-	-
Interest expense	0	0	-72	-77
Fee and commission income	0	0	0	4
Fee and commission expense	-14	-12	-	-
Net gains/losses on financial items at fair value	0	0	-	-
Other income	-	-	12	19
Other expenses	-39	-27	-56	-52
Total	-52	-36	-116	-106

A list of associated companies and information about shareholder contributions to associated companies is presented in note G22. The associated companies' operations comprise various types of services related to the financial markets.

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 companies comprise the group of other related parties: Svenska Handelsbankens Pensionsstiftelse, Svenska Handelsbanken Personalstiftelse and Pensionskassan SHB försäkringsförening. These companies use Svenska Handelsbanken AB for customary banking and accounting services.

Related-party transactions with senior management		
SEK m	2010	2009
Loans	181	206
Deposits	31	21
Interest income	3	8
Interest expense	0	0

The comparative figures for senior management have been adjusted since the group of persons concerned has changed. Information on conditions and remuneration for senior management is presented in note G8, Staff costs.

For related parties who are employees of the Bank (but not board members), the terms for credit are the same as for other employees. The discount on the interest rate for credits of up to SEK 1.5 million is determined on the basis of the government borrowing rate set annually by the Swedish Tax Board plus one percentage point. The discount on the interest rate is taxed in connection with monthly salary payments and constitutes a basis for employer's contributions for the Bank. Interest on credits above SEK 1.5 million is on normal commercial terms. All credits are subject to customary credit assessment. Credit to family members of related parties is granted on normal commercial terms and is not included in the table. In exceptional cases, if credit to a family member is granted at the subsidised interest rate described above, this is reported as a taxable benefit for the employee.

G50 Capital adequacy

CAPITAL POLICY

The Bank aims to maintain a robust capital level which meets the risk entailed in the Group's operations and which exceeds the minimum requirements prescribed by legislation. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

LEGAL CAPITAL REQUIREMENT

According to the Basel II capital adequacy regulations, which were introduced in Sweden on 1 February 2007 through the Act (2006:1371) on Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies, the Bank must maintain a capital base at least corresponding to the sum of the capital requirements for credit risks, market risks and operational risks. In addition to maintaining capital according to the minimum requirement, the Bank must make an internal capital adequacy assessment. Handelsbanken's capital policy – most recently adopted during 2010 – states the guidelines for the internal capital adequacy assessment. The Bank must also comply with a capital requirement at the financial conglomerate level in accordance with the Financial Conglomerates (Special Supervision) Act (2006:531). See below for more information about capital adequacy for the financial conglomerate. During 2010, the Bank met the statutory minimum level for its capital base.

More detailed information about the Bank's capital base and capital requirement is available in the document entitled "Handelsbanken's risk and capital management – information according to Pillar 3" (see www.handelsbanken.se/ireng).

DESCRIPTION OF THE BANKING GROUP

The banking group consists of the parent company, subsidiaries and associated companies that are included in the consolidated group accounts. Companies that are included in the group accounts but are excluded from the banking group are shown in the table. For capital adequacy purposes all companies are fully consolidated; in the group accounts associated companies are consolidated using the equity method.

DESCRIPTION OF THE CAPITAL BASE FOR THE BANKING GROUP

The capital base consists of Tier 1 capital and Tier 2 capital. The Tier 1 capital consists of the equity and issued Tier 1 capital loans in the companies which are part of the banking group where Handelsbanken AB is the parent institution. The Tier 2 capital mainly consists of perpetual and dated subordinated loans. Certain reductions are subsequently made from the capital base. The reductions are made from the Tier 1 capital, from the Tier 2 capital and from the capital base as a whole. Only capital from companies within the banking group is included in the capital base.

Companies not included in the banking group	Corporate identity no.	Domicile
Handelsbanken Liv Försäkring AB (group)	516401-8284	Stockholm
Handelsbanken Försäkring AB	516401-8326	Stockholm
Svenska Re S.A.	RCS Lux B-32053	Luxembourg
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm
Handelsbanken Renting AB	556043-2766	Stockholm
Flisekompaniet Holding AS ¹	992999136	Oslo
Innovativ Vision Holding AB ¹	556708-7589	Linköping
Festival AS ¹	993798304	Søgne
Plastal Industri AB ¹	556532-8845	Gothenburg
Dyson Group plc ¹	00163096	Sheffield

¹Subsidiaries or associated companies under AB Handel och Industri, corporate identity number 556013-5336. See also note P19.

For the Bank's risk management, it is important that in risk terms, both the Group and the banking group, can be viewed as one unit. To enable efficient risk management in the Group, capital may need to be re-allocated among the various companies in the Group. In general, Handelsbanken is able to re-allocate capital among the Group companies, to the extent that is permitted by legislation, for example capital adequacy requirements and restrictions in corporate law.

Tier 1 capital

The Tier 1 capital consists mainly of equity in the banking group. Since the Group's insurance companies are not part of the banking group, retained earnings in these companies are not included in the Tier 1 capital. With the consent of the Swedish Financial Supervisory Authority, certain types of perpetual subordinated loans may be included in the Tier 1 capital (hybrid loans). The proportion that may be included net after reduction items depends on the contractual terms of the capital issued. In total, Tier 1 capital contributions can comprise at most 50 per cent of the overall Tier 1 capital. Tier 1 capital contributions which are not convertible into shares, or which can be redeemed by the Bank at nominal value, can comprise at most 35 per cent. Capital contributions which contain an increase of the interest margin (a step-up) may comprise at most 15 per cent.

The total amount of Tier 1 capital contributions included in the Tier 1 capital (SEK 14.2 billion), as at the end of 2010, consists of SEK 2.9 billion of Tier 1 capital contributions not containing a step-up and SEK 11.3 billion of Tier 1 capital contributions containing a step-up. The total scope for issuing additional Tier 1 capital contributions was SEK 59.4 billion, including loans which are not convertible into shares, or which can be redeemed by the Bank at nominal value for an amount of SEK 37.3 billion. This includes SEK 10.8 billion of loans that can contain a step-up clause.

The total amount of Tier 1 capital contributions consists of SEK 6.8 billion of regular capital contributions with a step-up and SEK 7.4 billion of so-called enhanced capital contributions. Regular capital contributions give the Bank the right to convert the instrument into equity to avoid being forced to enter into liquidation. Enhanced capital contributions give the Bank the right to convert into equity already when there is a risk of breach of regulatory requirements. In the case of subsequent liquidation, both types of instruments will be classified as liabilities, including the part that has previously been converted to equity and will then have the same residual claim to the assets of the company. This right is subordinated all other claimants, except the shareholders which have the most subordinated right in liquidation. For enhanced capital contributions the right to cancel coupon payments exists at any time, while coupon payments must be cancelled for both types of instruments if there are no distributable funds available.

All capital contribution securities are issued under the previous regulatory framework, the entire amount is therefore included according to the transitional arrangements in FFFS 2010:12.

The items to be excluded from Tier 1 capital are mainly goodwill and other intangible assets, as well as unrealised gains on shares classified as available-for-sale. Deferred tax assets and write-ups of properties also reduce the Tier 1 capital. Neutrality adjustments are made for interest-bearing instruments classified as available-for-sale and for the effect of cash flow hedges on equity.

Tier 2 capital

The Tier 2 capital contains subordinated loans, reductions relating to write-ups of property and unrealised gains on shares classified as available-for-sale. The gross amount of Tier 2 capital must never exceed the Tier 1 capital. A further restriction is that

G50 Cont.

the maximum amount of the dated subordinated loans which can be included in the capital base is 50 per cent of the total Tier 1 capital. Holdings of various types of subordinated liabilities are included within the regulatory restrictions. For more details of the terms of outstanding subordinated loans, see note G38.

Deductions from Tier 1 and Tier 2 capital

Institutions with permission to use internal ratings-based models (IRB institutions) must make a deduction for the difference between expected loan losses under the IRB model and the provisions recognised in the accounts for probable loan losses if the expected loan losses exceed the provisions made. Deductions must also be made for capital contributions in certain financial companies where there is an associated company relationship, if the share of the capital exceeds 10 per cent, or if the total contributions exceed 10 per cent of the company's capital. Half of these deductions must be made from the Tier 1 capital and half from the Tier 2 capital.

Deductions from the total capital base

A deduction must be made from the total capital base for the net value of recognised surpluses in pension assets. However, the deduction may be reduced by an amount corresponding to the Bank's right to reimbursement for pension costs from Handelsbanken's pension foundation. The total capital base must also be reduced by contributions to insurance companies provided before 20 June 2006. From 2013, half of these contributions must be made from the Tier 1 capital and half from the Tier 2 capital.

CAPITAL REQUIREMENT

Handelsbanken applies an internal method for categorising risk and calculation of credit risk called the IRB model. There are two different IRB approaches, a foundation approach and an advanced approach.

In the foundation approach, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are set by the Financial Supervisory Authority. In the advanced approach, the Bank uses its own methods to calculate the loss in the case of default (LGD) and the exposure at default (EAD).

Handelsbanken uses the foundation IRB method for exposures to large companies and institutions in the whole of the regional banking operations and in its Stadshypotek AB, Handelsbanken

Capital base SEK m	2010	2009
TIER 1 CAPITAL		
Equity, group	88 391	83 088
Accrued dividend, current year	-5 611	-4 988
Deduction of equity outside the banking group	-243	-41
Deduction of earnings outside the banking group	-440	-55
Minority interests, group	-1	-1
Equity, capital base	82 096	78 003
Tier 1 capital contribution	14 199	14 845
Minority interests, banking group	347	282
Deducted items		
Goodwill and other intangible assets	-6 838	-7 252
Revaluation reserve	-122	-130
Deferred tax assets	-337	-303
Special deduction for IRB institutions	-715	-443
Capital contribution in companies outside the banking group	-234	-233
Positions in securitisation	-219	-165
Adjustments in accordance with stability filter		
Cash flow hedges	457	217
Unrealised accumulated gains, shares	-1 241	-56
Unrealised accumulated gains/losses, fixed income instruments	403	810
Total Tier 1 capital	87 796	85 575
TIER 2 CAPITAL		
Perpetual subordinated loans	11 664	18 650
Dated subordinated loans	17 248	24 424
Additional items		
Unrealised accumulated gains, shares	1 241	56
Revaluation reserve	122	130
Deducted items		
Special deduction for IRB institutions	-715	-443
Capital contribution in companies outside the banking group	-234	-233
Positions in securitisation	-219	-165
Total Tier 2 capital	29 107	42 419
Total Tier 1 and Tier 2 capital	116 903	127 994
Deductible items from total capital base		
Capital contribution in insurance companies	-4 567	-4 717
Surplus value pension assets	-1 367	-1 524
Total capital base for capital adequacy purposes	110 969	121 753

Credit risk IRB SEK m	Exposure after credit risk protection (EAD)		Average risk weight %		Capital requirement	
	2010	2009	2010	2009	2010	2009
Corporate exposures	859 427	918 506	37.7	42.6	25 922	31 290
of which repos and securities loans	12 317	14 368	0.5	1.0	5	12
of which other lending, foundation	365 655	904 138	45.7	43.2	13 363	31 278
of which other lending, advanced	481 455	-	32.6	-	12 554	-
Retail exposures	691 474	643 585	7.4	9.1	4 095	4 680
of which property loans	610 234	555 021	5.7	6.7	2 781	2 984
of which other	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
Institutional exposures	181 574	167 270	10.7	10.5	1 557	1 406
of which repos & securities loans	102 593	90 401	0.6	0.4	46	31
of which other lending	78 981	76 869	23.9	22.4	1 511	1 375
Other ¹	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
of which repos and securities loans	114 910	104 769	0.6	0.5	51	43
of which other lending, foundation	457 864	994 938	42.6	41.8	15 592	33 230
of which other lending, advanced	1 202 871	675 020	18.3	10.7	17 626	5 760

¹Refers to equity exposures, exposures without a counterparty and positions in securitisations.

Capital requirements, standardised approach	2010		2009	
	EAD	Capital requirement	EAD	Capital requirement
SEK m				
Sovereign and central banks	144 442	16	140 491	33
Municipalities	54 207	2	49 501	1
Institutions	5 532	122	5 020	130
Corporate	27 606	2 209	28 351	2 268
Retail	10 817	649	12 478	749
Property mortgages	13 481	409	11 828	357
Past due items	532	63	860	100
Other items	12 072	581	12 976	652
Total standardised	268 689	4 051	261 505	4 290

Finans AB and Rahoitus Oy subsidiaries. The foundation IRB model was also used for certain large corporate exposures at Handelsbanken's international branches that are not part of regional banking operations.

The advanced IRB method was used for retail exposures (households and small companies) in Sweden, Norway, Denmark and Finland, and in the Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy subsidiaries. In addition, starting with the reporting as of 31 December 2010 and following a decision by the Swedish Financial Supervisory Authority, Handelsbanken has used the advanced IRB approach for medium-sized companies, housing co-operative associations and property companies in the regional banking operations, Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans.

As at 31 December 2010, the IRB model covered approximately 90 per cent of the total risk-weighted assets in terms of credit risk calculated according to Basel II. For the remaining credit risk exposures, the capital requirement during 2010 was measured using the Basel II standard regulations.

Figures reported in this section refer to the minimum capital requirements under Pillar 1 of the Basel II capital adequacy rules. 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. In December 2009, the Swedish Financial Supervisory Authority decided that the transitional rules would apply for a further two years, that is until the end of 2011.

Repos and securities loans are reported separately in the table of capital requirement according to the IRB model, since they give rise to very low capital requirements, while the volumes vary considerably over time. The low capital requirement is because the exposure is reported gross and the exposure is secured.

The total average risk weight for IRB exposures went down by just over 4.1 percentage points during the year. The decrease is mainly due to the fact that exposures with a low risk weight have increased in volume, while exposures with a high risk weight have decreased, and the average risk weight for corporate exposures has dropped. For further information about changes during the year, see the Bank's interim reports for 2010 and the Bank's disclosures according to the special information about capital adequacy stated in Risk and capital management – information according to Pillar 3.

Operational risks

Handelsbanken uses the standardised approach according to which calculation of the capital requirement is based on the Bank's income in various business segments.

Market risks

Market risks are calculated in accordance with the Swedish Financial Supervisory Authority's standardised directives. The risks are calculated in the trading book except for the currency risk which is calculated for the whole Group.

Capital requirement	2010	2009
SEK m		
Credit risk according to standardised approach	4 051	4 290
Credit risk according to IRB approach	33 269	39 033
Interest rate risk	1 346	1 308
Equity price risk	27	30
Foreign exchange risk	-	-
Commodities risk	28	41
Settlement risk	-	-
Operational risk	3 849	3 484
Total capital requirement according to Basel II	42 570	48 186
Adjustment according to transitional rules	33 715	27 102
Total capital requirement according to Basel II transitional rules	76 285	75 288
Risk-weighted assets according to Basel I	1 214 308	1 190 218
Capital requirement according to Basel I (8% of risk-weighted assets)	97 145	95 217
Risk-weighted assets according to Basel II	532 136	602 330

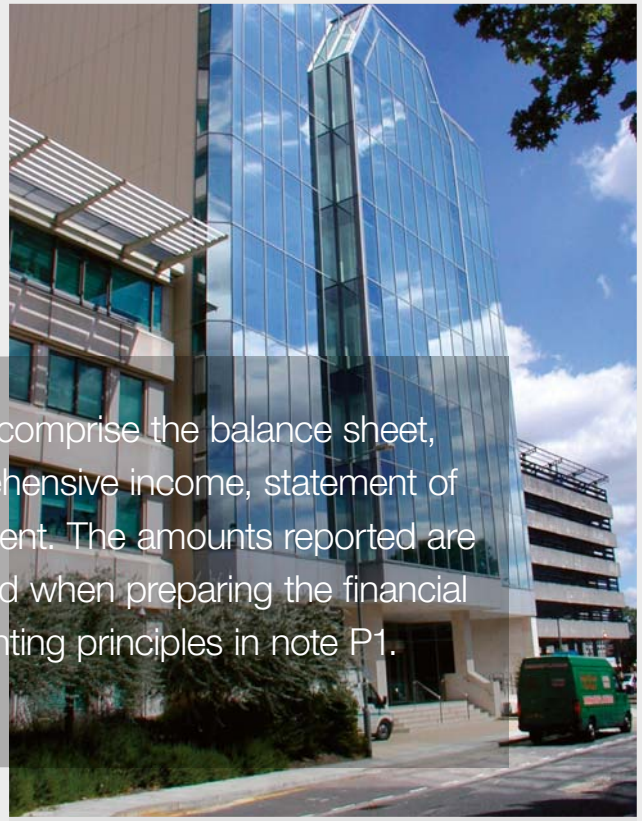
Capital adequacy analysis, %	2010	2009
Capital requirement in Basel II compared with Basel I	44	51
Capital requirement in Basel II compared with transitional rules	56	64
Capital ratio according to		
<i>Basel II</i>	20.9	20.2
<i>Basel I</i>	9.3	10.3
<i>transitional rules</i>	11.6	12.9
Tier 1 ratio according to		
<i>Basel II</i>	16.5	14.2
<i>Basel I</i>	7.3	7.3
<i>transitional rules</i>	9.2	9.1
Capital base in relation to capital requirement		
<i>Basel II</i>	261	253
<i>Basel I</i>	116	129
<i>transitional rules</i>	145	162

CAPITAL ADEQUACY FOR THE FINANCIAL CONGLOMERATE

Institutions and insurance companies which are part of a financial conglomerate must have a capital base which is adequate in relation to the capital requirement for the financial conglomerate. The capital base for the financial conglomerate has been calculated by means of a combination of the aggregation and settlement method and the consolidation method. This means that the capital base for the banking group has been combined with the capital base for the Handelsbanken Liv AB insurance group. Correspondingly, in order to calculate the requirement for the conglomerate, the solvency requirement for the insurance group has been added to the capital requirement for the banking group.

Capital adequacy financial conglomerate	2010	2009
SEK m		
Capital base after reduction and adjustments	115 926	125 027
Capital requirement	77 487	76 733
Surplus	38 439	48 294

Financial reports



The parent company's financial reports comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement. The amounts reported are explained in notes. The principles applied when preparing the financial reports are stated in the Group's accounting principles in note P1.



Parent company

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Income statement Parent company

SEK m		2010	2009
Interest income	<i>Note P3</i>	25 206	31 554
Interest expense	<i>Note P3</i>	-10 657	-16 970
Net interest income		14 549	14 584
Dividends received	<i>Note P4</i>	2 749	6 687
Fee and commission income	<i>Note P5</i>	7 870	7 408
Fee and commission expense	<i>Note P5</i>	-1 415	-1 413
Net fee and commission income		6 455	5 995
Net gains/losses on financial operations	<i>Note P6</i>	790	2 453
Other operating income	<i>Note P7</i>	624	597
Total operating income		25 167	30 316
General administrative expenses			
Staff costs	<i>Note P8</i>	-8 838	-8 938
Other administrative expenses	<i>Note P9</i>	-4 775	-4 450
Depreciation, amortisation and impairments of property, equipment and intangible assets	<i>Note P21, P22</i>	-533	-574
Total expenses before loan losses		-14 146	-13 962
Profit before loan losses		11 021	16 354
Net loan losses	<i>Note P10</i>	-1 466	-3 781
Impairment loss on financial assets		-470	-30
Operating profit		9 085	12 543
Appropriations	<i>Note P11</i>	108	1 100
Profit before taxes		9 193	13 643
Taxes	<i>Note P29</i>	-2 548	-2 784
Profit for the year		6 645	10 859

Statement of comprehensive income

Parent company

SEK m	2010	2009
Profit for the year	6 645	10 859
Other comprehensive income		
Cash flow hedges	-186	13
Available-for-sale instruments	2 188	3 277
Translation difference for the year	-1 462	51
Tax related to other comprehensive income	-549	-927
<i>of which cash flow hedges</i>	49	-3
<i>of which available-for-sale instruments</i>	-598	-924
Total other comprehensive income	-9	2 414
Total comprehensive income for the year	6 636	13 273

The period's reclassifications to the income statement are presented in note P35.

Balance sheet Parent company

SEK m		2010	2009
ASSETS			
Cash and balances with central banks		56 346	49 681
Treasury bills and other eligible bills	Note P17	43 218	96 701
Loans to credit institutions	Note P15	537 058	414 441
Loans to the public	Note P16	659 212	723 056
Bonds and other interest-bearing securities	Note P17	60 618	58 089
Shares	Note P18	35 113	21 167
Shares in subsidiaries and associated companies	Note P19	33 010	33 458
Assets where the customer bears the value change risk		2 080	3 376
Derivative instruments	Note P20	109 192	110 177
Intangible assets	Note P21	1 516	1 782
Property and equipment	Note P22	1 724	1 750
Deferred tax assets	Note P29	322	231
Other assets	Note P23	58 593	41 670
Prepaid expenses and accrued income	Note P24	4 624	4 691
Total assets	Note P12	1 602 626	1 560 270
LIABILITIES AND EQUITY			
Due to credit institutions	Note P25	310 084	272 712
Deposits and borrowing from the public	Note P26	527 213	522 503
Liabilities where the customer bears the value change risk		2 112	3 419
Issued securities, etc	Note P27	483 305	474 205
Derivative instruments	Note P20	118 506	110 788
Other trading liabilities	Note P28	36 026	29 647
Current tax liabilities		382	369
Deferred tax liabilities	Note P29	90	90
Provisions	Note P30	74	188
Other liabilities	Note P31	13 382	20 106
Accrued expenses and deferred income	Note P32	8 350	8 333
Subordinated liabilities	Note P33	43 959	59 021
Total liabilities	Note P12	1 543 483	1 501 381
Untaxed reserves	Note P34	1 110	1 368
Share capital		2 899	2 899
Statutory reserve		2 682	2 682
Retained earnings	Note P36	45 807	41 081
Profit for the year		6 645	10 859
Total equity		58 033	57 521
Total liabilities and equity		1 602 626	1 560 270
MEMORANDUM ITEMS			
Collateral pledged for own debt	Note P37	76 327	171 051
Other collateral pledged	Note P37	4 398	4 256
Contingent liabilities/commitments	Note P38	131 479	154 338
Other commitments	Note P39	403 029	376 563

Statement of changes in equity

Parent company

SEK m	Restricted equity						Total
	Share capital	Statutory reserve	Hedge reserve ¹	Fair value reserve ¹	Translation reserve ¹	Retained earnings	
Opening equity 2009	2 899	2 682	-583	-3 174	359	48 395	50 578
Profit for the year						10 859	10 859
Other comprehensive income			10	2 353	51		2 414
Total comprehensive income for the year			10	2 353	51	10 859	13 273
Dividend						-4 364	-4 364
Group contribution provided						-1 933	-1 933
Changes in holdings of own shares in trading book						-33	-33
Closing equity 2009	2 899	2 682	-573	-821	410	52 924	57 521

SEK m	Restricted equity						Total
	Share capital	Statutory reserve	Hedge reserve ¹	Fair value reserve ¹	Translation reserve ¹	Retained earnings	
Opening equity 2010	2899	2 682	-573	-821	410	52 924	57 521
Profit for the year						6 645	6 645
Other comprehensive income			-137	1 590	-1 462		-9
Total comprehensive income for the year			-137	1 590	-1 462	6 645	6 636
Dividend						-4 988	-4 988
Group contribution provided						-1 169	-1 169
Changes in holdings of own shares in trading book						33	33
Closing equity 2010	2 899	2 682	-710	769	-1 052	53 445	58 033

¹Included in fair value fund.
A more detailed specification of changes in equity is presented in note P36.

Cash flow statement Parent company

SEK m	2010	2009
OPERATING ACTIVITIES		
Operating profit	9 085	12 543
<i>of which paid-in interest</i>	25 134	34 728
<i>of which paid-out interest</i>	-10 701	-21 309
<i>of which paid-in dividends</i>	1 056	3 096
Adjustment for non-cash items in profit/loss		
Loan losses	1 641	3 875
Unrealised changes in value	1 346	3 019
Depreciation, amortisation and impairments	1 003	604
Paid income tax	-2 577	-1 439
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-122 616	-32 568
Loans to the public	62 194	63 677
Interest-bearing securities and equities	38 378	-14 297
Due to credit institutions	37 372	-101 283
Deposits and borrowing from the public	4 710	16 601
Issued securities	9 100	46 779
Derivative instruments, net positions	7 691	12 117
Short-term positions	6 380	12 066
Claims and liabilities on investment banking settlements	-18 892	-26 591
Other	-9 883	3 055
Cash flow from operating activities	24 932	-1 842
INVESTING ACTIVITIES		
Acquisition of subsidiary	-	-12
Change in shares	0	-114
Change in interest-bearing securities	157	-5 700
Change in property and equipment	-308	-312
Change in intangible non-current assets	-92	-175
Cash flow from investing activities	-243	-6 313
FINANCING ACTIVITIES		
Repayment of subordinated loans	-10 863	-3 280
Issued subordinated loans	-	2 922
Dividend paid	-4 988	-4 364
Group contribution	970	558
Cash flow from financing activities	-14 881	-4 164
Cash flow for the year	9 808	-12 319
Liquid funds at beginning of year	49 681	64 774
Cash flow from operating activities	24 932	-1 842
Cash flow from investing activities	-243	-6 313
Cash flow from financing activities	-14 881	-4 164
Exchange rate difference on liquid funds	-3 143	-2 774
Liquid funds at end of year	56 346	49 681

Five-year overview Parent company

Income statement SEK m	2010	2009	2008	2007	2006
Net interest income	14 549	14 584	13 297	10 236	9 134
Dividends received	2 749	6 687	5 224	9 887	7 121
Net fee and commission income	6 455	5 995	5 661	6 428	5 831
Net gains/losses on financial operations	790	2 453	2 304	1 867	2 220
Other operating income	624	597	904	695	812
Total operating income	25 167	30 316	27 390	29 113	25 118
General administrative expenses					
Staff costs	-8 838	-8 938	-7 556	-7 295	-7 186
Other administrative expenses	-4 775	-4 450	-4 480	-4 174	-3 695
Depreciation, amortisation and impairments of property, equipment and intangible assets	-533	-574	-498	-441	-634
Total expenses before loan losses	-14 146	-13 962	-12 534	-11 910	-11 515
Profit before loan losses	11 021	16 354	14 856	17 203	13 603
Net loan losses	-1 466	-3 781	-1 580	-64	-200
Impairment loss on financial assets	-470	-30	-	-	-
Operating profit	9 085	12 543	13 276	17 139	13 403
Appropriations	108	1 100	-872	-227	606
Profit before tax	9 193	13 643	12 404	16 912	14 009
Taxes	-2 548	-2 784	-3 097	-3 265	-3 302
Profit for the year	6 645	10 859	9 307	13 647	10 707
Dividend for the year	5 611 ¹	4 988	4 364	8 416	5 074

¹As proposed by the board.

Statement of comprehensive income SEK m	2010	2009	2008	2007	2006
Profit for the year	6 645	10 859	9 307	13 647	10 707
Other comprehensive income					
Cash flow hedges	-186	13	-1 040	144	309
Available-for-sale instruments	2 188	3 277	-5 142	-752	289
Profit/loss from merger	-	-	-	68	-
Translation difference for the year	-1 462	51	169	297	-261
Tax related to other comprehensive income	-549	-927	1 721	134	-117
<i>of which cash flow hedges</i>	49	-3	277	-40	-87
<i>of which available-for-sale instruments</i>	-598	-924	1 444	174	-30
Total other comprehensive income	-9	2 414	-4 292	-109	220
Total comprehensive income for the year	6 636	13 273	5 015	13 538	10 927

Five-year overview Parent company cont.

Balance sheet SEK m	2010	2009	2008	2007	2006
Assets					
Loans to the public	659 212	723 056	790 613	711 626	571 960
Loans to credit institutions	537 058	414 441	381 874	318 859	338 037
Interest-bearing securities	103 836	154 790	144 523	156 317	191 419
Other assets	302 520	267 983	335 146	172 908	166 776
Total assets	1 602 626	1 560 270	1 652 156	1 359 710	1 268 192
Liabilities and equity					
Deposits and borrowing from the public	527 213	522 503	505 903	482 487	412 664
Due to credit institutions	310 084	272 712	373 996	307 151	353 112
Issued securities	483 305	474 205	427 426	294 705	254 484
Subordinated liabilities	43 959	59 021	61 306	52 909	51 672
Other liabilities	178 922	172 940	230 457	164 952	144 068
Untaxed reserves	1 110	1 368	2 490	1 484	1 183
Equity	58 033	57 521	50 578	56 022	51 009
Total liabilities and equity	1 602 626	1 560 270	1 652 156	1 359 710	1 268 192
Memorandum items					
Collateral pledged for own debt	76 327	171 051	226 726	119 896	121 978
Other collateral pledged	4 398	8 124	6 943	21 841	5 397
Contingent liabilities/contingent commitments	131 479	154 338	180 826	139 431	136 268
Other commitments	403 029	376 563	365 425	356 797	309 852
Key figures	2010	2009	2008	2007	2006
Impaired loans reserve ratio, %	61.5	61.9	51.1	81.2	74.3
Proportion of impaired loans, %	0.33	0.33	0.22	0.04	0.08
Capital ratio, % according to Basel II	19.3	20.2	16.2	18.7	
Tier 1 ratio, % according to Basel II	12.9	12.0	8.7	10.1	

Notes Parent company

P1 Accounting policies

Statement of compliance

The parent company's annual report is prepared in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the directives and general advice issued by the Swedish Financial Supervisory Authority, FFFS 2008:25 Annual reports in credit institutions and securities companies, the Swedish Financial Reporting Board's recommendation RFR Accounting for legal entities and also statements from the Swedish Financial Reporting Board. In accordance with the Financial Supervisory Authority's general advice, the parent company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the link between accounting and taxation.

The relationship between the parent company's and the Group's accounting policies

The parent company's accounting policies mainly correspond with those of the Group. In the following, only areas where the parent company's policies differs from those of the Group are presented. In all other respects, reference is made to the accounting policies in note G1.

Changed accounting policies

As of the 2010 financial year, the parent company applies the provisions of IAS concerning the statement of comprehensive income. This means that alongside the normal income statement, the parent company presents a separate statement with the components of other comprehensive income, in the same way as the Group. The parent company's statement of changes in equity thus only contains transactions with the owners.

Starting in 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 other respects, the parent company's accounting policies are in all material respects the same as those applied in the 2009 financial year.

Since the parent company's balance sheet is bound by the format prescribed by the Swedish Financial Supervisory Authority, the parent company's balance sheet has not been changed in the same way as the consolidated balance sheet as of the fourth quarter of 2010. This means that just as before, claims on central banks that are not directly available upon demand are reported as Loans to credit institutions in the parent company's balance sheet.

Presentation

The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation by the Group:

- claims on central banks that are not immediately available upon demand that are reported in the consolidated balance sheet under Other loans to central banks, are reported as Loans to credit institutions in the parent company's balance sheet
- broker and stock exchange costs are reported in the parent company as commission expenses
- dividends received are reported on a separate line in the parent company's income statement
- the gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income/expense
- off-balance sheet items are reported in direct conjunction with the parent company's balance sheet
- untaxed reserves that are split into equity share and tax liability in the Group are reported as a separate balance sheet item in the parent company.

Assets and liabilities in foreign currencies

Loans in the parent company which are hedging net investments in foreign operations are measured at the historical rate of exchange.

Held-for-sale assets and discontinued operations

Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Nor are held-for-sale assets presented separately in the balance sheet.

Shares and participating interests in subsidiaries and associated companies

Shares and participating interests in subsidiaries and associated companies are measured at cost. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss under Dividends received.

Financial guarantees

Financial guarantees in the form of guarantees in favour of subsidiaries and associated companies are recognised in the parent company as a provision in the balance sheet where the parent company has an existing commitment and payment will probably be required to settle this commitment.

Intangible assets

In the parent company, acquisition assets and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. The useful life of acquisition assets in the parent company is assessed as very long. The amortisation period has been set at 20 years.

Dividends

The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associated companies, and Group contributions received that are equivalent to dividends.

Anticipated dividend is recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

Accounting for pensions

The parent company does not apply the provisions of IAS concerning accounting for defined-benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding

Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established, that the calculation of the future commitment does not take into account assumptions of future salary increases and that when calculating the parent company's pension commitment, actuarial gains and losses are recognised in full when they arise. The recognised net cost of pensions is calculated as pensions paid and pension premiums minus any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

Taxes

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves can be divided into one part which is deferred tax liability and one part which is equity. Group contributions are recognised in accordance with the economic substance of the contribution. Contributions which are justified for tax purposes are thus recognised after tax adjustment as an increase/decrease of Retained earnings.

P2 Risk and capital management

The Handelsbanken Group's risk management is described in note G2. Specific information about the parent company's risks is presented below. For definitions, see note G2.

CREDIT RISK

Credit risk exposure SEK m	2010	2009
Loans to the public ¹	659 212	723 056
<i>of which repos</i>	9 196	11 544
Loans to credit institutions ²	537 058	414 441
<i>of which repos</i>	90 121	64 701
Unutilised part of granted overdraft facilities	167 248	164 142
Credit commitments	233 571	210 451
Other commitments	2 210	1 970
Guarantees, credits	61 212	67 394
Guarantees, other	40 020	47 849
Letters of credit	30 152	39 011
Derivatives	109 192	110 177
Treasury bills and other eligible bills	43 218	96 701
Bonds and other interest-bearing securities	60 618	58 089
Total	1 943 711	1 933 281

¹ SEK 5,424m (5,728) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

² Contains "Other loans to central banks".

Loans to the public, by sector SEK m	2010			2009		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Private individuals	130 400	-493	129 907	137 433	-476	136 957
Housing co-operative associations	13 670	-11	13 659	10 637	-11	10 626
Property management	238 732	-372	238 360	245 369	-616	244 753
Manufacturing	51 529	-1 963	49 566	59 969	-2 202	57 767
Retail	29 507	-334	29 173	37 031	-529	36 502
Hotel and restaurant	5 733	-88	5 645	6 877	-48	6 829
Shipping, passenger and goods transport by sea	12 432	-206	12 226	14 577	-2	14 575
Other transport and communication	15 463	-130	15 333	14 507	-109	14 398
Construction	10 340	-173	10 167	11 143	-184	10 959
Electricity, gas and water	11 479	-14	11 465	13 445	-10	13 435
Agriculture, hunting and forestry	4 204	-22	4 182	3 864	-33	3 831
Other services	13 611	-218	13 393	14 810	-43	14 767
Holding, investment, insurance companies, mutual funds etc.	84 176	-721	83 455	103 323	-438	102 885
Sovereigns and municipalities	11 150	-	11 150	17 783	-	17 783
Other corporate lending	32 131	-208	31 923	37 806	-354	37 452
Total loans to the public, before collective provisions	664 555	-4 953	659 602	728 574	-5 055	723 519
Collective provisions			-390			-463
Total loans to the public	664 555		659 212			723 056

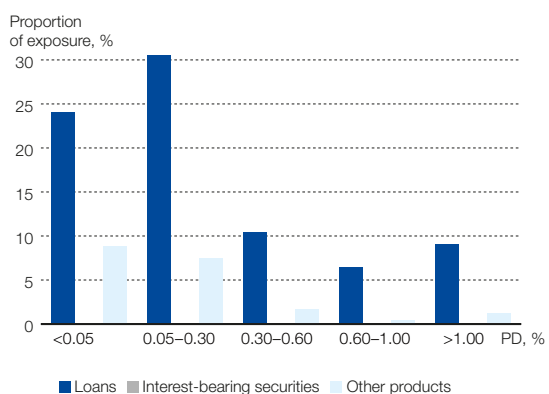
Loans to the public, collateral SEK m	2010	2009
Residential property ¹	144 747	148 842
Other property	145 952	130 778
Sovereign, municipalities and county councils	33 945	45 293
Guarantees	9 475	13 669
Other collateral	58 415	92 488
Unsecured	266 678	291 986
Total	659 212	723 056

¹Including ownership housing co-operatives.

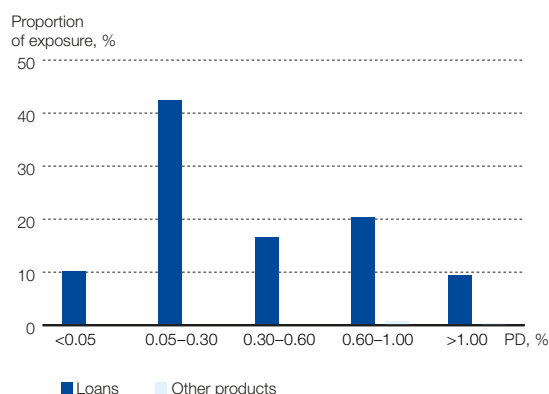
P2 Cont.

CREDIT QUALITY

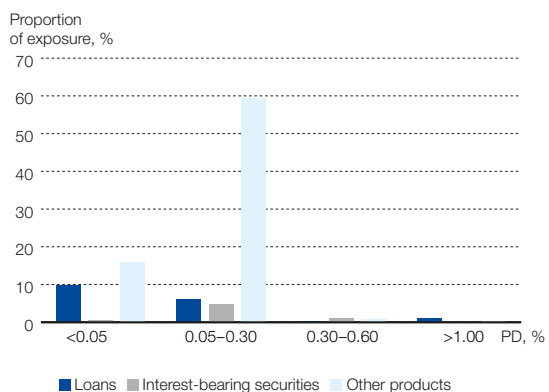
Proportion of exposure per product type per PD interval excluding defaulted credits – Corporate exposures



Proportion of exposure per product type per PD interval excluding defaulted credits – Retail exposures



Proportion of exposure per product type per PD interval excluding defaulted credits – Institutional exposures



MARKET RISKS

SEK m	2010	2009
Interest rate risk	-468	-381
Exchange rate risk	58	-27
Commodity price risk	-36	-55

P3 Net interest income

SEK m	2010	2009
Interest income		
Credit institutions and central banks	5 449	6 110
General public	21 142	25 608
Treasury bills and other eligible bills	2 833	2 732
Bonds and other interest-bearing securities	3 175	4 318
Derivative instruments recognised as hedges	-3 980	-1 992
Other interest income	1 058	1 176
Total interest income	29 677	37 952
Of which interest income reported in net gains/losses on financial items at fair value	4 470	6 398
Interest income according to income statement	25 207	31 554
Interest expense		
Credit institutions and central banks	-1 623	-2 785
General public	-3 123	-4 524
Issued securities	-7 408	-8 905
Derivative instruments recognised as hedges	4 752	2 394
Subordinated liabilities	-1 921	-2 404
Other interest expense	-6 364	-6 195
Total interest expense	-15 687	-22 419
Of which interest expense reported in net gains/losses on financial items at fair value	-5 029	-5 449
Interest expense according to income statement	-10 658	-16 970
Net interest income	14 549	14 584

Includes interest income on impaired loans SEK 91m (137). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 21,656m (25,220). Total interest expense on liabilities recognised at amortised cost was SEK 16,663m (14,517).

P4 Dividends received

SEK m	2010	2009
Dividend on shares	789	557
Dividend from associated companies	6	3
Dividend from group companies	326	2 536
Group contributions received	1 628	3 591
Total	2 749	6 687

P5 Net fee and commission income

SEK m	2010	2009
Brokerage	1 792	1 777
Mutual funds	764	534
Custody	332	316
Advisory services	222	196
Payments	2 480	2 364
Loans and deposits	982	836
Guarantees	517	525
Other	781	860
Total fee and commission income	7 870	7 408
Brokerage, mutual funds and custody	-335	-322
Payments	-959	-935
Other	-121	-156
Total fee and commission expense	-1 415	-1 413
Net fee and commission income	6 455	5 995

P6 Net gains/losses on financial operations

SEK m	2010	2009
Available for sale, realised	20	65
<i>of which equities</i>	-1	14
<i>of which interest-bearing securities</i>	21	51
Hedge accounting		
Fair value hedges	183	55
<i>of which hedging instruments</i>	-629	307
<i>of which hedged items</i>	811	-252
Ineffective portion of cash flow hedges	-3	-5
Instruments measured at fair value		
Loans and receivables	22	-23
<i>of which change due to changed interbank rate</i>	17	-50
Interest-bearing securities	-182	23
Financial liabilities	-	158
<i>of which change due to changed interbank rate</i>	-	158
Loans and receivables at amortised cost	68	0
Financial liabilities at amortised cost	-97	-254
Trading/Other	779	2 434
Total	790	2 453

P7 Other operating income

SEK m	2010	2009
Rental income	29	27
Other operating income	595	570
Total	624	597

P8 Staff costs

SEK m	2010	2009
Salaries and fees	-5 757	-6 019
Social security costs	-1 442	-1 447
Pension costs ¹	-408	-232
Provision to profit-sharing foundation	-733	-748
Other staff costs	-498	-492
Total	-8 838	-8 938

¹Information about pension costs is presented in note P40.

Salaries and other remuneration SEK m	2010	2009
Board, CEO and EVPs		
Sweden	-73	-83
Norway	-3	-3
Finland	-2	-3
Denmark	-4	-4
UK	-5	-7
Total	-87	-100
Other		
Sweden	-3 554	-3 622
Norway	-551	-623
Finland	-322	-348
Denmark	-528	-588
UK	-437	-417
Luxembourg	-23	-29
Germany	-48	-55
USA	-71	-76
Singapore	-22	-21
Hong Kong	-17	-22
Poland	-29	-42
Other countries	-68	-76
Total	-5 670	-5 919
Total	-5 757	-6 019

Gender distribution %	2010		2009	
	Men	Women	Men	Women
Board	75	25	75	25
Senior management	81	19	91	9

Sickness absence rate in Sweden	2010			2009		
	Men	Women	Total	Men	Women	Total
%						
Aged 29 or younger	1.3	2.1	1.7	1.4	2.7	2.2
Aged 30 – 49	1.3	3.1	2.3	1.6	3.3	2.5
Aged 50 or older	2.3	5.4	4.0	2.5	6.1	4.4
Total sickness absence	1.6	3.7	2.7	1.8	4.0	3.0
<i>of which long-term absence</i>	<i>0.4</i>	<i>1.7</i>	<i>1.1</i>	<i>0.6</i>	<i>2.1</i>	<i>1.4</i>

Note G8 provide information about remuneration to senior managers in the parent company.

P9 Other administrative expenses

SEK m	2010	2009
Property and premises	-1 028	-1 033
External IT costs	-1 546	-1 307
Communication	-369	-373
Travel and marketing	-338	-321
Purchased services	-859	-833
Supplies	-282	-281
Other administrative expenses	-353	-302
Total	-4 775	-4 450
<i>Of which expenses for operating leases</i>		
<i>Minimum lease fee</i>	-632	-789
<i>Variable fee</i>	-16	-13
Total	-648	-802

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2010, the cost of the largest individual lease contract was approx. SEK 143m (128). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies SEK m	KPMG		Ernst & Young AB	
	2010	2009	2010	2009
Audit assignment	-7	-7	-2	-2
Audit operations outside the audit assignment	-1	-2	-	-
Tax advice	-1	0	-3	-1
Other services	-1	-1	-	-

Internal audit costs were SEK 101m (93) during the year.

P10 Loan losses

SEK m	2010	2009
Specific provision for individually assessed loans		
The year's provision	-1 584	-3 816
Reversal of previous provisions	345	249
Total	-1 239	-3 567
Collective provision		
The year's net provision for individually assessed loans	59	-11
The year's net provision for homogeneous loans	4	-
The year's net provision for off-balance sheet items	9	-30
Total	72	-41
Other provisions		
Provisions for off-balance sheet items	0	-16
Reversal of previous provisions	-	78
Total	0	62
Write-offs		
Actual loan losses for the year	-1 205	-882
Utilised share of previous provisions	731	553
Recoveries	175	94
Total	-299	-235
Value change for the period	-	-
Net loan losses	-1 466	-3 781

Impaired loans etc SEK m	2010	2009
Impaired loans	8 687	8 922
Specific provisions for individually assessed loans	-4 953	-5 064
Provisions for collectively assessed homogenous groups of loans with limited value and similar credit risk	-	-
Collective provisions for individually assessed loans	-390	-463
Net impaired loans	3 344	3 395
Total impaired loans reserve ratio, %	61.5	61.9
Proportion of impaired loans, %	0.33	0.33
Impaired loans reserve ratio excluding group provisions, %	57.0	56.8
Non-performing loans which are not impaired loans	1 175	952
Impaired loans reclassified as normal loans during the year	60	45

Loans are classified as impaired if it is probable that the contractual cash flows not will be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. Non-performing loans are loans where interest, repayments or overdrafts have been due for payment for more than 60 days. For other definitions, see page 172.

P10 Cont.

Reconciliation of provision for probable loan losses 2010				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogenous loans	Total provision for probable loan losses
Provision at beginning of year	-5 064	-463	-	-5 527
The year's provision	-1 584	-	-	-1 584
Reversal of previous provisions	345	59	-	404
Utilised for actual loan losses	731	-	-	731
Foreign exchange effect etc.	619	14	-	633
Provision at end of year	-4 953	-390	-	-5 343

Reconciliation of provision for probable loan losses 2009				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogenous loans	Total provision for probable loan losses
Provision at beginning of year	-2 041	-452	-	-2 493
The year's provision	-3 816	-6	-	-3 822
Reversal of previous provisions	249	-	-	249
Utilised for actual loan losses	553	-	-	553
Foreign exchange effect etc.	-9	-5	-	-14
Provision at end of year	-5 064	-463	-	-5 527

Impaired and/or non-performing loans, by sector 2010					
SEK m	Impaired loans				Non-performing loans which are not additional market value
	Gross	Provisions	Net ¹	Of which non-performing	
Private individuals	850	-493	357	294	501
Housing co-operative associations	20	-11	9	9	54
Property management	968	-372	596	304	287
Manufacturing	2 386	-1 963	423	294	62
Retail	485	-334	151	124	62
Hotel and restaurant	177	-88	89	86	9
Passenger and goods transport by sea	1 342	-206	1 136	1	0
Other transport and communication	202	-130	72	65	10
Construction	392	-173	219	208	103
Electricity, gas and water	36	-14	22	0	0
Agriculture, hunting and forestry	26	-22	4	2	1
Other services	340	-218	122	109	32
Holding, investment and insurance companies, mutual funds etc.	1 189	-721	468	7	27
Other corporate lending	274	-208	66	59	27
Credit institutions	-	-	0	-	-
Total	8 687	-4 953	3 734	1 562	1 175

Impaired and/or non-performing loans, by sector 2009					
SEK m	Impaired loans				Non-performing loans which are not additional market value
	Gross	Provisions	Net ¹	Of which non-performing	
Private individuals	833	-476	357	301	434
Housing co-operative associations	84	-11	73	72	66
Property management	1 406	-616	790	311	76
Manufacturing	2 843	-2 202	641	576	130
Retail	738	-529	209	23	44
Hotel and restaurant	81	-48	33	27	11
Passenger and goods transport by sea	6	-2	4	4	-
Other transport and communication	140	-109	31	19	5
Construction	406	-184	222	112	101
Electricity, gas and water	12	-10	2	-	2
Agriculture, hunting and forestry	36	-33	3	0	0
Other services	59	-43	16	14	11
Holding, investment and insurance companies, mutual funds etc.	1 377	-438	939	5	5
Other corporate lending	826	-354	472	363	67
Credit institutions	75	-9	66	66	-
Total	8 922	-5 064	3 858	1 893	952

¹Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Impaired and/or non-performing loans, geographic distribution 2010	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net ¹	Of which non-performing	
SEK m					
Sweden	3 555	-2 870	685	590	298
Norway	576	-256	320	320	494
Finland	746	-393	353	237	182
Denmark	1 870	-457	1 413	154	37
UK	847	-340	507	248	122
Rest of Europe	23	-8	15	11	39
North America	1 068	-629	439	-	-
Asia	2	-	2	2	3
Total	8 687	-4 953	3 734	1 562	1 175

Impaired and/or non-performing loans, geographic distribution 2009	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net ¹	Of which non-performing	
SEK m					
Sweden	4 213	-3 090	1 123	837	274
Norway	829	-408	421	421	277
Finland	513	-318	195	71	362
Denmark	1 316	-662	654	297	39
UK	772	-245	527	185	-
Rest of Europe	93	-10	83	82	-
North America	1 186	-331	855	-	-
Asia	-	-	-	-	-
Total	8 922	-5 064	3 858	1 893	952

¹Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Analysis of past due loans which are not impaired loans 2010	Loans to credit institutions	Loans to the public			Total
		Retail	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	631	743	-	1 374
Past due > 1 month ≤ 2 months	-	102	249	-	351
Past due > 2 months ≤ 3 months	-	105	60	-	165
Past due > 3 months ≤ 12 months	-	264	416	-	680
Past due > 12 months	-	132	198	-	330
Total	-	1 234	1 666	-	2 900

Analysis of past due loans which are not impaired loans 2009	Loans to credit institutions	Loans to the public			Total
		Retail	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	799	696	-	1 495
Past due > 1 month ≤ 2 months	-	150	292	-	442
Past due > 2 months ≤ 3 months	-	79	9	-	88
Past due > 3 months ≤ 12 months	-	236	473	-	709
Past due > 12 months	-	119	36	-	155
Total	-	1 383	1 506	-	2 889

P11 Appropriations

SEK m	2010	2009
Change in amortisation of goodwill in excess of plan	108	112
Tax allocation reserve	-	988
Total	108	1 100

P12 Classification of financial assets and liabilities

2010 SEK m	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/ liabilities	Total carrying amount	Fair value
	Trading	Other ¹							
Assets									
Cash and balances with central banks					56 346			56 346	56 346
Treasury bills and other eligible bills	21 054	15 034		5 699		1 431		43 218	43 206
Loans to credit institutions						537 058		537 058	537 385
Loans to the public		5 435				653 777		659 212	661 012
Bonds and other interest-bearing securities	25 187	23 057		1 139		11 235		60 618	60 616
Shares and participating interests	29 403					5 710		35 113	35 113
Shares in subsidiaries and associated companies							33 010	33 010	33 010
Assets where the customer bears the value change risk		1 485						2 080	2 080
Derivative instruments	105 878		3 314					109 192	109 192
Other assets	7				58 586			58 593	58 593
Prepaid expenses and accrued income	573	575		148	3 327	1		4 624	4 624
Total financial assets	182 102	45 586	3 314	6 986	1 309 689	18 377	33 010	1 599 064	1 601 177
Non-financial assets								3 562	
Total assets								1 602 626	
Liabilities									
Due to credit institutions							310 084	310 084	309 335
Deposits and borrowing from the public							527 213	527 213	527 245
Liabilities where the customer bears the value change risk		1 517					595	2 112	2 112
Issued securities	10 032						473 273	483 305	489 126
Derivative instruments	116 725		1 781					118 506	118 506
Other trading liabilities	36 026							36 026	36 026
Other liabilities	26						13 356	13 382	13 382
Accrued expenses and deferred income	457						7 893	8 350	8 350
Subordinated liabilities							43 959	43 959	45 565
Total financial liabilities	163 266	1 517	1 781				1 376 373	1 542 937	1 549 647
Non-financial liabilities								546	
Total liabilities								1 543 483	

¹Classified to be measured at fair value.

The principles for measurement at fair value are presented in note G14. For shares in subsidiaries and associated companies the acquisition cost is stated and not the fair value.

2009 SEK m	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/ liabilities	Total carrying amount	Fair value
	Trading	Other ¹							
Assets									
Cash and balances with central banks					49 681			49 681	49 681
Treasury bills and other eligible bills	24 771	64 646		5 700		1 584		96 701	96 696
Loans to credit institutions						414 441		414 441	414 212
Loans to the public		5 728				717 328		723 056	723 564
Bonds and other interest-bearing securities	20 575	20 679		1 368		15 467		58 089	58 088
Shares and participating interests	17 075					4 092		21 167	21 167
Shares in subsidiaries and associated companies							33 458	33 458	33 458
Assets where the customer bears the value change risk		1 245			2 131			3 376	3 376
Derivative instruments	108 313		1 864					110 177	110 177
Other assets	61				41 609			41 670	41 670
Prepaid expenses and accrued income	92	750		145	3 703	1		4 691	4 691
Total financial assets	170 887	93 048	1 864	7 213	1 228 893	21 144	33 458	1 556 507	1 556 780
Non-financial assets								3 763	
Total assets								1 560 270	
Liabilities									
Due to credit institutions							272 712	272 712	272 592
Deposits and borrowing from the public							522 503	522 503	523 502
Liabilities where the customer bears the value change risk		1 288					2 131	3 419	3 419
Issued securities	8 846						465 359	474 205	477 059
Derivative instruments	109 081		1 707					110 788	110 788
Other trading liabilities	29 647							29 647	29 647
Other liabilities							20 106	20 106	20 106
Accrued expenses and deferred income							8 333	8 333	8 333
Subordinated liabilities							59 021	59 021	61 189
Total financial liabilities	147 574	1 288	1 707				1 350 165	1 500 734	1 506 635
Non-financial liabilities								647	
Total liabilities								1 501 381	

¹Classified to be measured at fair value.

P13 Fair value measurement of financial assets and liabilities

2010 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible securities	37 519	-	-	37 519
Loans to the public	-	5 411	24	5 435
Bonds and other interest-bearing securities	42 062	15 580	1 837	59 479
Shares and participating interests	33 898	679	536	35 113
Assets where the customer bears the value change risk	1 485	-	-	1 485
Derivative instruments	1 913	107 229	50	109 192
Total financial assets at fair value	116 877	128 899	2 447	248 223
Liabilities				
Due to credit institutions	-	-	-	-
Liabilities where the customer bears the value change risk	1 517	-	-	1 517
Issued securities	-	9 955	77	10 032
Derivative instruments	3 097	115 272	137	118 506
Other trading liabilities	35 026	1 000	-	36 026
Total financial liabilities at fair value	39 640	126 227	214	166 081

2009 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible securities	91 001	-	-	91 001
Loans to the public	-	5 728	-	5 728
Bonds and other interest-bearing securities	46 415	8 116	2 190	56 721
Shares and participating interests	17 952	2 913	302	21 167
Assets where the customer bears the value change risk	1 245	-	-	1 245
Derivative instruments	3 269	106 908	-	110 177
Total financial assets at fair value	159 882	123 665	2 492	286 039
Liabilities				
Due to credit institutions	-	-	-	-
Liabilities where the customer bears the value change risk	-	1 288	-	1 288
Issued securities	-	8 770	76	8 846
Derivative instruments	2 805	107 983	-	110 788
Other trading liabilities	29 634	13	-	29 647
Total financial liabilities at fair value	32 439	118 054	76	150 569

The principles applied are described in note G15.

Reconciliation of financial instruments in level 3 2010	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives, net position	Loans to the public	Issued securities
SEK m					
Carrying amount at beginning of year	2 190	302	-	-	-76
New acquisition	-	14	-	-	-8
Issued during the year	-	-	-47	-	-
Matured during the year	-276	-	-	-	-
Realised value change in income statement	-	-	-	-	10
Unrealised value change in income statement	-	-17	-	-	-3
Value change recognised in other comprehensive income	77	-7	-	-	-
Transfer from level 1 or 2	-	244	-40	24	-
Carrying amount at end of year	1 837	536	-87	24	-77

Reconciliation of financial instruments in level 3 2009	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives, net position	Loans to the public	Issued securities
SEK m					
Carrying amount at beginning of year	2 505	170	430	-	-76
New acquisition	-	126	-	-	-14
Issued during the year	-	-	-4	-	-
Matured during the year	-338	-	5	-	-
Realised value change in income statement	-	7	-376	-	-
Unrealised value change in income statement	-	-15	-139	-	14
Value change recognised in other comprehensive income	23	14	-	-	-
Transfer from level 1 or 2	-	-	84	-	-
Carrying amount at end of year	2 190	302	-	-	-76

P14 Reclassified financial assets

SEK m	Holdings classified as loans and receivables		Financial assets available for sale	Investments held to maturity
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
Carrying amount	1 158	15 147	2 171	198
Fair value	1 156	15 249	2 154	199
Carrying amount at reclassification 1 July 2008	3 041	19 722	2 578	209
Carrying amount at beginning of 2010	1 595	18 662	2 745	227
Fair value at beginning of 2010	1 571	18 555	2 745	227
Value change recognised in income statement in 2010	-	-109	-	-29
Value change recognised in income statement in 2009	5	-123	1	-13
Value change recognised in other comprehensive income in 2010	-57	-329	-46	-
Value change recognised in other comprehensive income in 2009	-125	-896	118	-
Value change that would have been recognised in income statement in 2010 if reclassification had not occurred	32	-119	90	-29
Value change that would have been recognised in income statement in 2009 if reclassification had not occurred	57	-127	333	-13
Value change that would have been recognised in other comprehensive income in 2010 if reclassification had not occurred	-	-67	-	1
Value change that would have been recognised in other comprehensive income in 2009 if reclassification had not occurred	-	1 539	-	8
Amortisations and maturities since reclassification	-2 345	-6 011	-858	-
Interest recognised as income 2010	7	234	13	5

Reclassification of financial assets is described in note G16.

P15 Loans to credit institutions

SEK m	2010	2009	Average volumes SEK m	
			2010	2009
Loans in Swedish kronor				
Banks	28 062	71 360		
Other credit institutions	261 519	190 525		
Total	289 581	261 885		
Loans in foreign currency				
Banks	82 371	32 455		
Other credit institutions	165 106	120 110		
Total	247 477	152 565		
Probable loan losses	-	-9		
Total	537 058	414 441		
<i>Of which reverse repos</i>	<i>90 121</i>	<i>64 701</i>	<i>44 028</i>	<i>25 601</i>
<i>Of which subordinated</i>	<i>8 821</i>	<i>8 818</i>		

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	66 930	365 189	39 907	51 808	13 224	537 058
2009	67 515	236 359	42 283	58 943	9 341	414 441

P16 Loans to the public

SEK m	2010	2009	Average volumes SEK m	2010	2009
Loans in Swedish kronor			Loans to the public in Swedish kronor		
Households	47 853	47 980		264 476	294 272
Companies	205 522	212 874		430 905	482 137
National Debt Office	6 760	11 279			
Total	260 135	272 133	Total	695 381	776 409
Loans in foreign currency			<i>Of which reverse repos</i>		
Households	95 929	100 258		9 644	8 170
Companies	308 491	356 183			
National Debt Office	-	-			
Total	404 420	456 441			
Probable loan losses	-5 343	-5 518			
Total	659 212	723 056			
<i>Of which reverse repos</i>	9 196	11 544			
<i>Of which subordinated</i>	1 129	1 129			

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	46 785	83 053	120 186	212 952	196 236	659 212
2009	46 910	90 337	103 396	266 903	215 510	723 056

P17 Interest-bearing securities

SEK m	2010			2009		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government securities eligible as collateral with central banks	39 265	42 668	42 680	91 491	95 223	95 228
Other instruments eligible as collateral with central banks	497	538	538	1 377	1 473	1 473
Total securities eligible as collateral	39 762	43 206	43 218	92 868	96 696	96 701
Bonds and other interest-bearing securities	60 120	60 616	60 618	57 125	58 088	58 089
Total interest-bearing securities	99 882	103 822	103 836	149 993	154 784	154 790
<i>Of which unlisted securities</i>		2 595	2 595		3 990	3 990

SEK m	2010			2009		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	39 265	42 668	42 680	91 491	95 223	95 228
Credit institutions	17 051	17 168	17 170	17 903	18 260	18 261
Mortgage institutions	28 862	29 260	29 260	24 970	25 964	25 964
Other	14 704	14 726	14 726	15 629	15 337	15 337
Summa	99 882	103 822	103 836	149 993	154 784	154 790

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yrs	>1 yr to 5 yrs	Over 5 yrs	Total
2010	8 391	8 376	14 076	56 476	16 517	103 836
2009	12 257	62 478	9 860	50 708	19 487	154 790

Average volumes SEK m	2010	2009
Interest-bearing securities	157 576	125 088

P18 Shares

SEK m	2010	2009	SEK m	2010	2009
Holdings at fair value over the income statement			Holdings classified as available for sale		
Listed	29 333	15 595	Listed	5 050	3 393
Non-listed	70	1 480	Non-listed	660	699
Total	29 403	17 075	Total	5 710	4 092
			Total shares	35 113	21 167

P19 Shares in subsidiaries and associated companies

Holdings in subsidiaries and associated companies SEK m	2010	2009
Associated companies, unlisted	50	35
Subsidiaries, unlisted	32 960	33 423
Total	33 010	33 458

Associated companies	Corporate identity number	Domicile	Number of shares	Ownership share %	Carrying amount SEK m	
					2010	2009
Bankernas Automatbolag AB	556817-9716	Stockholm	150	20.0	15	-
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.9	0	0
BGC Holding AB	556607-0933	Stockholm	25 382	25.4	4	4
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.0	7	7
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.3	24	24
Upplysningscentralen UC AB	556137-5113	Stockholm	2 429	24.3	0	0
Total					50	35

Subsidiaries	Corporate identity number	Domicile	Number of shares	Ownership share %	Carrying amount SEK m	
					2010	2009
Swedish credit institutions						
Handelsbanken Finans AB	556053-0841	Stockholm	1 550 000	100	145	145
Stadshypotek AB	556459-6715	Stockholm	162 000	100	26 870	26 870
Total					27 015	27 015
Foreign credit institutions						
Handelsbanken Markets Securities, Inc	11-3257438	New York	1 000	100	23	23
Svenska Handelsbanken S.A.	RCS Lux B-15992	Luxembourg	1 000 000	100	147	147
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød	2 700 000	100	1 025	1 025
ZAO Svenska Handelsbanken ¹	1057711005384	Moscow	1 500 000	100	329	530
Total					1 524	1 725

¹An impairment loss of SEK 200m concerning the shares in ZAO Svenska Handelsbanken was recognised during the financial year. The new carrying amount of the shares corresponds to their fair value less costs to sell.

Other Swedish companies

AB Handel och Industri	556013-5336	Stockholm	100 000	100	55	48
Fritidsvärden AB ²	556192-4803	Gothenburg	1 000	100	0	0
Handelsbanken Renting AB ³	556043-2766	Stockholm	1 000	100	14	134
Förvaltnings AB Lejontrappan ²	556481-1551	Gothenburg	1 000	100	0	0
Handelsbanken Fondbolagsförvaltning AB	556070-0683	Stockholm	10 000	100	1	1
Handelsbanken Försäkring AB ⁴	516401-8326	Stockholm	1 500	100	150	300
Handelsbanken Liv Försäkrings AB	516401-8284	Stockholm	100 000	100	3 688	3 688
Handelsbanken Mezzanine Management AB	556679-2668	Stockholm	5 000	100	1	1
Handelsbanken Mezzanine Fond 1 KB	969710-3126	Stockholm	Proportion	100	0	0
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1 500	100	30	30
Total					3 939	4 202

²Shares taken over for the protection of claims.

³Due to a dividend of funds earned before the acquisition of Handelsbanken Renting AB, the shares have been written down by SEK 119m.

⁴An impairment loss of SEK 150m in connection with the winding-up of Handelsbanken Försäkring AB has been recognised during the financial year. Since 2006, the operations in Handelsbanken Försäkring AB have been conducted by Handelsbanken Liv Försäkrings AB.

Other foreign companies

Ejendomsselskabet af 1. januar 2002 A/S	38300512	Herring	2 460 000	100	392	392
Forva AS	945812141	Oslo	4 000 000	100	1	1
Rådstuplass 4 ASA	910508423	Bergen	40 000	100	0	0
SIL (Nominees) Limited	1932320	London	100	100	-	-
Svenska Finans International BV	0055 97 705	Rotterdam	10 200	100	54	54
Svenska Handelsbanken Delaware Inc.	13-3153272	Delaware	1 000	100	0	0
Svenska Property Nominees Limited	2308524	London	100	100	-	-
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	19 999	99.99	35	35
Total					482	482
Total					32 960	33 424

The list of subsidiaries includes the parent company's direct holdings. Data on indirect holdings in subsidiaries is available from the Bank upon request.

P20 Derivative instruments and hedge accounting

SEK m	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
	up to 1 yr	over 1 yr up to 5 yrs	Over 5 yrs	2010	2009	2010	2009	2010	2009
Derivatives held for trading									
Interest rate-related contracts									
Options	487 711	221 373	30 087	739 171	381 506	3 740	3 952	2 929	2 449
FRA/futures	3 678 541	889 274	189 862	4 757 677	4 539 322	2 701	3 498	2 552	3 733
Swaps	1 112 333	2 187 407	968 594	4 268 334	3 732 148	64 818	67 435	68 989	70 450
Other instruments	4 999	1 784	76	6 859	16 561	20	5	0	1
Currency-related contracts									
Options	88 569	1 064	288	89 921	142 760	635	1 210	813	1 326
Futures	1 001 823	4 399	15 206	1 021 428	980 536	12 986	17 829	15 316	12 730
Swaps	188 570	379 436	75 551	643 557	518 500	15 217	9 311	15 887	11 403
Other instruments	28	-	-	28	-	-	-	55	-
Equity-related contracts									
Options	56 942	2 158	29 465	88 565	92 755	2 433	2 318	5 621	4 146
Futures	16 737	-	84	16 821	12 900	35	206	108	128
Swaps	25 955	-	4 656	30 611	25 052	465	661	899	840
Other instruments	3 698	8	47	3 753	4 956	26	20	754	196
Other derivative contracts	47 316	278	9 760	57 354	50 777	2 802	1 868	2 802	1 679
Total	6 713 222	3 687 181	1 323 676	11 724 079	10 497 773	105 878	108 313	116 725	109 081
Derivatives for fair value hedges									
Interest rate-related contracts									
Swaps	30 403	69 665	31 517	131 585	123 270	2 640	1 850	696	922
Other instruments	-	-	2	2	248	-	0	-	-
Currency-related contracts									
Swaps	-	-	-	-	-	-	-	-	-
Total	30 403	69 665	31 519	131 587	123 518	2 640	1 850	696	922
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	4 454	17 425	5 608	27 487	21 430	30	6	990	785
Currency-related contracts									
Swaps	-	-	1 904	1 904	1 775	644	8	95	-
Total	4 454	17 425	7 512	29 391	23 205	674	14	1 085	785
Total	6 748 079	3 774 271	1 362 707	11 885 057	10 644 496	109 192	110 177	118 506	110 788
<i>Of which cleared</i>				<i>2 940 018</i>	<i>2 268 035</i>	<i>2 686</i>	<i>1 118</i>	<i>3 590</i>	<i>1 322</i>
Currency breakdown of market values									
SEK						163 224	-21 849	252 517	89 471
USD						301	225 828	-164 652	40 602
EUR						-61 768	-3 799	-109 248	-61 424
Other						7 435	-90 003	139 889	42 139

P21 Intangible assets

2010 SEK m	Acquisition assets	Internally developed software	Total 2010
Cost of acquisition at beginning of year	2 412	530	2 942
Cost of acquisition of additional intangible assets	-	92	92
Disposals and retirements	-	-55	-55
Foreign exchange effect	-273	-10	-283
Cost of acquisition at end of year	2 139	557	2 696
Accumulated amortisation and impairments at beginning of year	-1 005	-155	-1 160
Disposals and retirements	-	55	55
Amortisation for the year according to plan	-118	-80	-198
Impairments for the year	-	0 ¹	0
Foreign exchange effect	118	5	123
Accumulated amortisation and impairments at end of year	-1 005	-175	-1 180
Closing residual value	1 134	382	1 516

2009 SEK m	Acquisition assets	Internally developed software	Total 2009
Cost of acquisition at beginning of year	2 402	416	2 818
Cost of acquisition of additional intangible assets	58	117	175
Disposals and retirements	-12	-	-12
Foreign exchange effect	-36	-3	-39
Cost of acquisition at end of year	2 412	530	2 942
Accumulated amortisation and impairments at beginning of year	-901	-69	-970
Disposals and retirements	12	-	12
Amortisation for the year according to plan	-128	-62	-190
Impairments for the year	-	-25 ¹	-25
Foreign exchange effect	12	1	13
Accumulated amortisation and impairments at end of year	-1 005	-155	-1 160
Closing residual value	1 407	375	1 782

¹The impairments refer to software which has been discontinued and whose useful life is therefore assessed as zero.

Amortisation is on a straight-line basis according to the expected useful life. Currently this means that goodwill on acquisition assets are amortised over 20 years and that internally developed software is amortised over 5 years.

P22 Property and equipment

Property and equipment SEK m	2010	2009
Equipment	553	576
Property	1 158	1 169
Property repossessed for protection of claims	13	5
Total	1 724	1 750

Equipment SEK m	2010	2009
Opening cost of acquisition	1 686	1 746
New acquisition	293	291
Change due to business combinations	-	42
Disposals and retirements	-252	-413
Foreign exchange effect	-64	20
Closing acquisition value	1 663	1 686

Opening accumulated depreciation	-1 110	-1 152
Depreciation for the year	-292	-318
Change due to business combinations	-	-36
Disposals and retirements	244	409
Foreign exchange effect	48	-13
Closing accumulated depreciation	-1 110	-1 110
Carrying amount	553	576

Equipment is depreciated on a straight-line basis over 2–10 years.

Property SEK m	2010	2009
Opening cost of acquisition	1 801	1 782
New acquisition	-	-
New construction and rebuilding	31	19
Disposals and retirements	-7	-
Closing acquisition value	1 825	1 801
Opening accumulated depreciation	-632	-591
Depreciation for the year	-43	-41
Disposals and retirements	8	-
Impairment during the year in equity	-	-
Closing accumulated depreciation	-667	-632
Carrying amount	1 158	1 169

For business premises, component depreciation is applied. The useful life varies between 10 and 100 years. See also the consolidated accounting policies in note G1.

Property repossessed for protection of claims SEK m	2010	2009
Properties	13	5
Carrying amount	13	5

Repossessed property is also included in discontinued operations. See also note G12. The valuation principles for assets repossessed for protection of claims are described in note G1. Repossessed property is divested as soon as conditions permit.

SEK m	2010	2009
Tax assessment value for Swedish properties	2 498	2 167

P23 Other assets

SEK m	2010	2009
Claims on investment banking settlements	52 579	31 605
Other	6 014	10 065
Total	58 593	41 670

P24 Prepaid expenses and accrued income

SEK m	2010	2009
Accrued interest income	3 492	3 417
Other accrued income	967	1 137
Prepaid expenses	165	137
Total	4 624	4 691
<i>Of which subordinated</i>	7	4

P25 Due to credit institutions

SEK m	2010	2009	Average volumes SEK m	2010	2009
Due in Swedish kronor			Due to credit institutions in Swedish kronor		
Banks	24 058	53 724		74 166	83 290
Other credit institutions	84 800	52 301		237 466	234 609
Total	108 858	106 025	Total	311 632	317 899
Due in foreign currency			<i>Of which repos</i>		
Banks	144 265	123 463		25 477	17 224
Other credit institutions	56 961	43 224			
Total	201 226	166 687			
Total	310 084	272 712			
<i>Of which repos</i>	10 795	26 131			

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	83 518	209 512	8 557	2 203	6 294	310 084
2009	99 729	156 102	13 520	306	3 055	272 712

P26 Deposits and borrowing from the public

Deposits from the public SEK m	2010	2009	Average volumes SEK m	2010	2009
Deposits in Swedish kronor			Deposits from the public		
Households	177 464	161 549		307 881	289 491
Companies	145 023	147 357		175 440	166 886
National Debt Office	0	0			
Total	322 487	308 906	Total	483 321	456 377
Deposits in foreign currency			Borrowing from the public		
Households	38 137	39 606		30 941	45 043
Companies	112 007	114 494		27 567	39 191
National Debt Office	-	-			
Total	150 144	154 100	Total	58 508	84 234
Total deposits from the public	472 631	463 006	<i>Of which repos</i>	3 784	3 559
Borrowing from the public					
Swedish kronor	31 434	36 405			
Foreign currency	23 148	23 092			
Total	54 582	59 497			
<i>Of which repos</i>	3 163	7 585			
Total deposits and borrowing from the public	527 213	522 503			

Remaining maturities SEK m	Payable on demand	Payable on 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
Deposits						
2010	445 013	15 264	3 355	1 567	7 432	472 631
2009	433 807	14 759	3 753	1 810	8 877	463 006
Borrowing						
2010	2 064	38 353	11 774	1 899	492	54 582
2009	5 454	41 422	9 581	2 583	457	59 497

P27 Issued securities

SEK m	2010		2009	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
Commercial paper				
Commercial paper in Swedish kronor	9 485	9 958	10 601	11 340
<i>Of which</i>				
<i>at amortised cost</i>	25	25	2 559	2 559
<i>for trading</i>	9 460	9 933	8 042	8 781
Commercial paper in foreign currency	273 232	273 177	246 069	246 005
<i>Of which</i>				
<i>at amortised cost</i>	273 139	273 078	245 998	245 940
<i>for trading</i>	93	99	71	65
Total	282 717	283 135	256 670	257 345
Bonds				
Bonds in Swedish kronor	34 683	32 804	42 021	39 881
<i>Of which</i>				
<i>at amortised cost</i>	32 259	30 831	39 597	37 801
<i>for fair value hedges</i>	2 424	1 973	2 424	2 080
Bonds in foreign currency	166 204	167 366	177 016	176 979
<i>Of which</i>				
<i>at amortised cost</i>	145 609	145 961	156 421	156 412
<i>for fair value hedges</i>	20 595	21 405	20 595	20 567
Total	200 887	200 170	219 037	216 860
Total issued securities	483 604	483 305	475 707	474 205

Issues, repurchases and maturities SEK m	2010	2009
Issued	921 091	985 933
Repurchased	59 362	45 501
Maturities	843 179	891 133

Average volume of issued securities SEK m	2010	2009
Swedish kronor	46 682	38 413
Foreign currency	458 029	439 908

Remaining maturities carrying amount SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	3 935	220 655	111 457	121 411	25 847	483 305
2009	10 274	224 815	83 983	138 531	16 602	474 205

P28 Other trading liabilities

SEK m	2010	2009
Short positions at fair value		
Equities	2 761	3 746
Interest-bearing securities	33 265	25 901
<i>Of which</i>		
<i>other issuers</i>	33 265	25 901
<i>own issued</i>	-	-
Total	36 026	29 647

Average volumes of other trading liabilities SEK m	2010	2009
Swedish kronor	33 539	22 920
Foreign currency	2 201	1 907

Remaining maturities short positions interest-bearing securities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2010	50	-	63	28 995	4 157	33 265
2009	-	-	1 090	13 068	11 743	25 901

P29 Taxes

Deferred tax assets SEK m	2010	2009
Property and equipment	30	27
Derivative instruments	253	204
Loss reserve	39	
Total	322	231

Deferred tax liabilities SEK m	2010	2009
Property and equipment	90	90
Total	90	90
Net deferred taxes	-232	-141

Tax expenses recognised in income statement SEK m	2010	2009
Current tax		
Tax expense for the year	-2 624	-2 853
Adjustment of tax relating to previous years	34	64
Deferred tax		
Changes in temporary differences	42	5
Total	-2 548	-2 784
Nominal tax rate in Sweden, %	26.3	26.3
Deviations		
Non-taxable income/non-deductible expenses	0.4	-4.8
Tax relating to previous years and other	1.0	-1.1
Effective tax rate, %	27.7	20.4

Change in deferred taxes 2010 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	63	-3	-	60
Derivative instruments	-204	-	-49	-253
Loss reserve	-	-39	-	-39
Total	-141	-42	-49	-232

Change in deferred taxes 2009 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	68	-5	-	63
Derivative instruments	-208	-	4	-204
Total	-140	-5	4	-141

P30 Provisions

SEK m	Restructuring reserve	Provision for guarantee commitments	Other provisions	Total 2010	Total 2009
Provisions at beginning of year	61	124	3	188	352
Provisions during the year	-	-	5	5	49
Utilised	-61	-	-	-61	-179
Written back	-	-58	-	-58	-34
Provisions at end of year	-	66	8	74	188

The provision to the restructuring reserve was made at the time of the sale of SPP in 2007. The reserve was fully settled during the year. The provision for guarantee commitments consists of provisions for a number of off-balance sheet items where the largest individual commitment is SEK 44m. The provision for this commitment was made in 2008 and the remaining amount is expected to be settled during 2011. Other provisions for guarantee commitments refer to minor commitments where the original maturity is mainly between 1 and 5 years.

P31 Other liabilities

SEK m	2010	2009
Liabilities on investment banking settlements	5 087	7 170
Other	8 295	12 936
Total	13 382	20 106

P32 Accrued expenses and deferred income

SEK m	2010	2009
Accrued interest expenses	5 059	5 040
Other accrued expenses	3 196	3 166
Deferred income	95	127
Total	8 350	8 333

P33 Subordinated liabilities

SEK m	2010	2009
Subordinated loans in Swedish kronor	7 367	7 347
Subordinated loans in foreign currency	36 592	51 674
Total	43 959	59 021
Average volumes		
Subordinated loans in Swedish kronor	7 463	6 885
Subordinated loans in foreign currency	45 626	54 705

Specification, subordinated loans	Original nominal amount in each currency	Interest rate %	Outstanding amount
Issue/conv./ final payment year	Currency		
IN SWEDISH KRONOR			
Other Swedish ¹			7 367
Total			7 367
IN FOREIGN CURRENCY			
2005/2017 ²	EUR	700 floating rate	6 303
2005/perpetual ³	EUR	500 4.194	4 689
2006/2016 ⁴	EUR	600 4.000	5 451
2006/2016 ⁵	USD	800 floating rate	5 438
2007/perpetual ⁶	EUR	600 floating rate	5 395
Other foreign ⁷			9 316
Total			36 592
Total			43 959

¹ Other Swedish subordinated loans which are not specified here are issued in the form of convertible loan for nominal SEK 2.3 billion directed at the Group's employees on market terms. The loan has hybrid status and can be converted into Handelsbanken shares. Conversion is possible after 1 June 2011 at a conversion price of SEK 187.56, corresponding to 110 per cent of the average share price during the period 6–12 May 2008, adjusted for the 2008 dividend. After 21 May 2013 it will be possible to convert to Handelsbanken shares at the conversion price, or the share price applying at this date if it is lower than the conversion price.

² Dated subordinated loan with 3-month floating rate coupon linked to Euribor. According to the terms the loan can be called in advance on each interest payment date from October 2012. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

³ Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from December 2015. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with the right of redemption, the interest rate is changed to floating rate linked to Euribor.

⁴ Dated subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from April 2011. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with the right of redemption, the interest rate is changed to floating rate linked to Euribor.

⁵ Dated subordinated loan with 3-month floating rate coupon linked to Libor. According to the terms the loan can be called in advance on each interest payment date from March 2011. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

⁶ Perpetual subordinated loan with 3-month floating rate coupon linked to Euribor. According to the terms the loan can be called in advance on each interest payment date from March 2012. Premature redemption requires the approval of the Swedish Financial Supervisory Authority.

⁷ Other foreign loans which are not specified here are issued in the form of dated or perpetual subordinated loans.

P34 Untaxed reserves

SEK m	2010	2009
Accumulated amortisation on goodwill in excess of plan	1 110	1 368
Total	1 110	1 368

P35 Reclassifications to the income statement

SEK m	2010	2009
Reclassified from hedge reserve	3	5
Reclassified from fair value reserve	-100	220
Reclassified from translation reserve	-4	13
Reclassified tax	-41	-147
<i>of which hedge reserve</i>	<i>-1</i>	<i>-1</i>
<i>of which fair value reserve</i>	<i>26</i>	<i>-141</i>
<i>of which translation reserve</i>	<i>-</i>	<i>-5</i>
Total reclassification adjustments	-142	91

Reclassification adjustments consist of income and expense previously recognised in other comprehensive income and reclassified to the income statement during the year. Negative amounts in the table above represent recognised income in the income statement and vice versa. The accounting policies in note G1 describe under which line item in the income statement the amounts have been reported.

P36 Specification of changes in equity

Change in hedge reserve SEK m	2010	2009
Hedge reserve at beginning of year	-573	-583
Unrealised value changes during the year	-139	6
Recognised in income statement due to ineffectiveness	2	4
Hedge reserve at end of year	-710	-573

Specification of available-for-sale instruments (amounts after tax) SEK m	2010	2009
Fair value reserve at beginning of year	-821	-3 174
Sold during the year	75	160
Unrealised market value change during the year for remaining and new holdings	1 515	2 193
Fair value reserve at end of year	769	-821

Change in translation reserve SEK m	2010	2009
Translation reserve at beginning of year	410	359
Change in translation difference in foreign branches	-1 462	51
Translation reserve at end of year	-1 052	410

P37 Assets pledged and received

Assets pledged for own debt SEK m	2010	2009
Cash	3 073	22 926
Government instruments and bonds, pledged as collateral with central banks and credit institutions	47 606	103 858
Government instruments and bonds, repurchase agreements	13 979	33 774
Equities	2 354	83
Securities lent	12 388	10 410
Other	191	-
Total	79 591	171 051

Other pledged assets SEK m	2010	2009
Cash	0	176
Government instruments and bonds	4 398	4 080
Total	4 398	4 256

Other pledged assets refers to collateral pledged for obligations not reported in the balance sheet.

Assets received

As a component in reverse repurchase agreements and securities loans, the Group has received collateral that can be sold or repledged to a third party. The fair value of received collateral of this type was SEK 67,268 m (60,874) at the end of the financial year, where collateral worth SEK 3,531m (6,439) had been sold or repledged to a third party.

P38 Contingent liabilities/commitments

SEK m	2010	2009
Guarantees, loans	61 212	67 394
Guarantees, other	40 020	47 849
Letters of credit	28 794	37 335
Other	1 453	1 760
Summa	131 479	154 338

Contingent liabilities mainly consisted of various types of guarantees. The nominal amounts of the guarantees are shown in the table.

"Other" includes SEK 60 million (81) relating to a number of civil actions which the Group is bringing in general courts of law. The Group's assessment is that the actions will essentially be settled in its favour. No disputed amounts or possible insurance compensation has been recognised as income.

P39 Other commitments

SEK m	2010	2009
Credit commitments	233 571	210 451
Unutilised part of granted overdraft facilities	167 248	164 142
Other	2 210	1 970
Total	403 029	376 563

Contracted irrevocable future operating lease charges distributed by the year they fall due for payment		
SEK m	2010	2009
2011	578	582
2012–2015	1 220	1 085
2016 and later	579	529
Total	2 377	2 196

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

P40 Pension obligations

SEK m	2010	2009
Fair value of plan assets	23 318	18 268
Pension obligations	19 402	16 636
Excess	3 916	1 632

Pension obligations, plan assets and provisions for pension commitments are calculated in accordance with the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. They have developed as follows: The obligation under the above-mentioned act is entirely covered by the assets in the foundations and is not reported in the balance sheet. The pension commitments are SEK 3,024m (2,782) in the Bank's pension fund (Pensionskassan SHB, försäkringsförening) and the market value of the assets is SEK 9,239m (7,312). The surplus value in Pensionskassan SHB, försäkringsförening is thus SEK 6,215m (4,530).

Specification of pension cost reported for the period SEK m	2010	2009
Pensions paid	-492	-469
Pension premiums paid	-326	-359
Salary tax	0	-2
Funds paid from pension foundation	410	598
Pension cost recognised in the income statement	-408	-232

The expected payment for next year for defined benefit pension plans is SEK 516m. The pension costs include premiums to the BTPK plan (defined-contribution pension) of SEK 75m (72).

Plan assets SEK m	2010	2009
Opening balance	18 268	12 646
Return	5 460	6 220
Funds paid from pension foundation	-410	-598
Closing balance	23 318	18 268
Percentage return on specially separated assets	30%	49%

SEK 9,967m of the fair value of the plan assets is a commitment within the Bank's profit-sharing system Oktogonen.

Pension obligations SEK m	2010	2009
Opening balance	16 636	14 485
Actuarial pension cost	477	424
Interest expense	401	306
Indexation	83	174
Early retirement	187	140
Pensions paid	-492	-469
Changed assumptions	805	-754 ¹
Value change conditional obligation	1 715	2 488
Other increase in capital value	-410	-158
Closing balance	19 402	16 636

¹Refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

The plan assets mainly comprise shares and interest-bearing securities with the following market values on the balance sheet date:

SEK m	2010	2009
Shares and participating interests	20 505	16 910
Interest-bearing securities etc.	2 813	1 358
Total	23 318	18 268

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union and between BAO and SACO (the Swedish Confederation of Professional Associations). The amount is 10 per cent of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65 per cent and in the interval between 20 and 30 income base amounts, it is 32.5 per cent of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

The obligations include a commitment within the Bank's profit-sharing scheme, Oktogonen. This commitment is regarded in the Group as a non-defined benefit plan. Part of the commitment, SEK 7,779m (6,228), is conditional.

The parent company's pension obligations are calculated using the assumptions prescribed by the Swedish Financial Supervisory Authority (FFFS 2007:31). DUS 06 generation mortality has been applied. The discount rate is 2.8 per cent after tax and deduction for costs (3.4).

P41 Maturity analysis for financial liabilities

Maturity analysis for financial liabilities – remaining contractual time to maturity 2010					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Due to credit institutions	293 254	8 740	3 337	9 874	315 205
Deposits from the public	460 525	3 417	2 490	7 433	473 865
Borrowing from the public	40 446	11 816	1 973	493	54 728
Issued securities	226 646	115 256	131 947	28 654	502 503
Other trading liabilities	50	63	28 995	4 157	33 265
Suordinated liabilities	6 238	6 143	30 147	7 101	49 629
Total	1 027 159	145 435	198 889	57 712	1 429 195
Off-balance sheet items					
Financial guarantees and unutilised loan commitments	403 029				403 029

Derivatives 2010					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivatives inflow	857 829	423 873	617 546	177 027	2 076 275
Total derivatives outflow	857 663	420 053	593 917	176 685	2 048 318
Total	166	3 820	23 629	342	27 957

Maturity analysis for financial liabilities – remaining contractual time to maturity 2009					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Due to credit institutions	256 712	13 668	700	4 344	275 424
Deposits from the public	449 538	3 821	2 794	8 880	465 033
Borrowing from the public	47 057	9 611	2 592	457	59 717
Issued securities	236 938	87 611	148 445	17 375	490 369
Other trading liabilities		1 091	13 068	11 743	25 902
Suordinated liabilities	6 122	6 802	41 093	12 798	66 815
Total	996 367	122 604	208 692	55 597	1 383 260
Off-balance sheet items					
Financial guarantees and unutilised loan commitments	399 999				399 999

Derivatives 2009					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivatives inflow	798 006	277 676	317 223	49 208	1 442 112
Total derivatives outflow	791 972	272 251	301 903	51 942	1 418 068
Total	6 034	5 425	15 319	-2 734	24 044

P42 Assets and liabilities in foreign currencies

2010 SEK m	SEK	EUR	NOK	DKK	GBP	USD	CHF	JPY	HKD	SGD	Other currencies	Total
Assets												
Loans to credit institutions	289 581	70 699	53 039	10 357	1 768	105 012	969	2 915	491	23	2 204	537 058
Loans to the public	256 851	130 126	118 777	35 910	66 728	34 830	6 207	1 954	1 045	547	6 237	659 212
<i>of which corporate</i>	208 998	98 871	91 938	18 435	50 256	34 690	3 707	1 536	1 029	543	5 427	515 430
<i>of which households</i>	47 853	31 255	26 839	17 475	16 472	140	2 500	418	16	4	810	143 782
Treasury bills and other eligible securities	28 661	3 322	9 261	1	-	539	-	-	1 400	34	-	43 218
Bonds and other interest-bearing securities	40 427	8 801	1 103	61	2	9 970	-	-	-	-	254	60 618
Other assets not broken down by currency	302 520											302 520
Total assets	918 040	212 948	182 180	46 329	68 498	150 351	7 176	4 869	2 936	604	8 695	1 602 626
Liabilities												
Due to credit institutions	108 858	56 393	11 138	15 802	12 163	89 613	1 890	1 837	4 212	15	8 163	310 084
Deposits and borrowing from the public	353 920	57 088	44 647	26 861	19 144	20 771	831	159	117	474	3 201	527 213
<i>of which corporate</i>	160 633	45 293	32 406	16 706	15 496	20 178	809	154	97	464	3 027	295 263
<i>of which households</i>	193 287	11 795	12 241	10 155	3 648	593	22	5	20	10	174	231 950
Issued securities	42 762	144 428	7 843	566	31 217	253 763	906	1 079	741	-	-	483 305
Subordinated liabilities	7 367	21 837	-	121	7 846	5 535	-	1 253	-	-	-	43 959
Other items not broken down by currency	238 065											238 065
Total liabilities and equity	750 972	279 746	63 628	43 350	70 370	369 682	3 627	4 328	5 070	489	11 364	1 602 626
Other assets and liabilities broken down by currency and off-balance sheet items		67 936	-118 483	-2 947	1 638	219 357	-3 530	-539	2 128	-119	2 791	
Net foreign currency position		1 138	69	32	-234	26	19	2	-6	-4	122	1 164

2009 SEK m	SEK	EUR	NOK	DKK	GBP	USD	CHF	JPY	HKD	SGD	Other currencies	Total
Assets												
Loans to credit institutions	261 885	83 398	3 822	2 516	5 014	54 982	415	243	11	21	2 134	414 441
Loans to the public	268 633	157 872	120 652	47 233	59 859	49 499	5 463	2 165	1 617	610	9 453	723 056
<i>of which corporate</i>	220 653	123 222	96 204	22 324	47 397	49 312	2 895	1 740	1 600	609	8 862	574 818
<i>of which households</i>	47 980	34 650	24 448	24 909	12 462	187	2 568	425	17	1	591	148 238
Treasury bills and other eligible securities	87 860	4 166	3 158	1	0	0	-	-	1 483	33	-	96 701
Bonds and other interest-bearing securities	33 192	12 421	356	172	173	11 472	-	-	-	-	303	58 089
Other assets not broken down by currency	267 983											267 983
Total assets	919 553	257 857	127 988	49 922	65 046	115 953	5 878	2 408	3 111	664	11 890	1 560 270
Liabilities												
Due to credit institutions	106 025	52 733	6 001	4 634	18 716	67 475	5 229	195	8 431	29	3 244	272 712
Deposits and borrowing from the public	345 311	45 256	49 757	25 351	18 050	22 309	789	107	598	441	14 534	522 503
<i>of which corporate</i>	171 472	31 389	38 950	13 918	14 571	21 514	783	102	584	428	14 432	308 143
<i>of which households</i>	173 839	13 867	10 807	11 433	3 479	795	6	5	14	13	102	214 360
Issued securities	51 221	176 798	9 742	565	26 296	205 607	2 271	1 404	250	51	-	474 205
Subordinated liabilities	7 347	30 193	-	139	14 421	5 751	-	1 170	-	-	-	59 021
Other items not broken down by currency	231 829											231 829
Total liabilities and equity	741 733	304 980	65 500	30 689	77 483	301 142	8 289	2 876	9 279	521	17 778	1 560 270
Other assets and liabilities broken down by currency and off-balance sheet items		46 624	-62 235	-19 249	12 668	184 960	2 104	335	6 165	-157	6 064	
Net foreign currency position		-499	253	-16	231	-229	-307	-133	-3	-14	176	-541

P43 Related-party disclosures

Claims on and liabilities to related parties SEK m	Subsidiaries		Associated companies		Other related parties	
	2010	2009	2010	2009	2010	2009
Loans to credit institutions	-	-	-	-	-	-
Loans to the public	332 410	248 468	325	276	-	-
Bonds and other interest-bearing securities	-	-	-	-	-	-
Derivatives	7 478	-	-	-	-	-
Other assets	2 282	3 971	-	-	424	598
Total	342 170	252 439	325	276	424	598
Due to credit institutions	-	-	-	-	-	-
Deposits and borrowing from the public	54 992	56 800	51	109	200	279
Issued securities	-	-	-	-	-	-
Derivatives	17 789	15 042	-	-	-	-
Subordinated liabilities	-	-	-	-	651	651
Other liabilities	1 683	4 327	-	-	56	125
Total	74 464	76 169	51	109	907	1 055
Contingent liabilities	33 669	36 308	-	-	-	-
Derivatives, nominal amount	10 198	-14 628	-	-	-	-

Related parties – income and expense SEK m	Subsidiaries		Associated companies		Other related parties	
	2010	2009	2010	2009	2010	2009
Interest income	4 193	4 487	1	3	-	-
Interest expense	-369	-670	0	0	-72	-77
Fee and commission income	47	460	0	0	0	4
Fee and commission expense	-51	-87	-8	-6	-	-
Net gains/losses on financial items at fair value	0	0	0	0	-	-
Other income	578	511	-	-	12	19
Other expenses	-219	-232	-39	-27	-56	-52
Total	4 179	4 469	-46	-30	-116	-106

Related-party transactions with senior management SEK m	2010	2009
	Loans	117
Deposits	30	20
Interest income	2	4
Interest expense	0	0

The comparative figures for senior management have been adjusted since the group of persons concerned has changed. Information on terms and remuneration for senior management is given in note G8. Conditions for loans to related parties are presented in note G49.

During the year, normal business transactions have been carried out between the parent company and subsidiaries. In the second quarter, Svenska Handelsbanken AB sold shares to Svenska Handelsbankens Pensionsstiftelse (pension foundation) and Pensionskassan SHB försäkringsförening for a value of SEK 417 million. The transaction was completed on business terms. Note P19 contains a specification of subsidiaries and associated companies. The associated companies' operations comprise various types of services related to the financial markets. The following companies are included in the group of other related parties: Svenska Handelsbankens Pensionsstiftelse, Svenska Handelsbanken Personalstiftelse och Pensionskassan SHB försäkringsförening. These companies use Svenska Handelsbanken AB for customary banking and accounting services. Disclosures concerning shareholders' contributions to Group and associated companies are provided in note P19. Disclosures on group contributions provided and received are given in note P11 and in the statement of changes in the parent company's equity.

P44 Capital adequacy

Capital base SEK m	2010	2009
TIER 1 CAPITAL		
Equity, parent company	58 033	57 521
Accrued dividend, current year	-5 611	-4 988
Equity, capital base	52 422	52 533
Tier 1 capital contribution	12 365	12 745
Minority interests	0	0
Deducted items		
Goodwill and other intangible assets	-406	-414
Revaluation reserve	-122	-130
Deferred tax assets	-322	-231
Special deduction for IRB institutions	-597	-191
Capital contribution in insurance companies and other financial companies	-9	-8
Positions in securitisation	-219	-165
Adjustments in accordance with stability filter		
Cash flow hedges	710	573
Unrealised accumulated gains, shares	-1 223	-36
Unrealised accumulated gains/losses, fixed income instruments	403	810
Total Tier 1 capital	63 002	65 486
TIER 2 CAPITAL		
Perpetual subordinated loans	13 497	20 752
Dated subordinated loans	17 260	24 439
Additional items		
Unrealised accumulated gains, shares	1 223	36
Revaluation reserve	122	130
Deducted items		
Special deduction for IRB institutions	-597	-191
Capital contribution in insurance companies and other financial companies	-9	-8
Positions in securitisation	-219	-165
Total Tier 2 capital	31 277	44 993
Total Tier 1 and Tier 2 capital	94 279	110 479
Deductible items from total capital base		
Surplus value pension assets	-50	-50
Total capital base for capital adequacy purposes	94 229	110 429

For information on conditions and regulations for capital base items and sub-items, see note G50.

Capital requirements standardised approach SEK m	2010		2009	
	EAD	Capital requirement	EAD	Capital requirement
Sovereign and central banks	143 912	16	139 849	33
Municipalities	39 019	1	39 248	1
Institutions	346 102	186	271 625	281
Corporate	26 771	2 142	28 352	2 268
Retail	9 172	550	9 983	599
Property mortgages	13 023	395	11 359	342
Past due items	458	54	733	85
Other items	5 089	263	6 316	330
Total	583 547	3 607	507 465	3 939

Capital requirement SEK m	2010	2009
Credit risk according to standardised approach	3 607	3 939
Credit risk according to IRB approach	31 080	35 785
Interest rate risk	1 346	1 308
Equity price risk	27	30
Foreign exchange risk	-	-
Commodities risk	28	41
Settlement risk	-	-
Operational risk	2 971	2 679
Total capital requirement according to Basel II	39 059	43 782
Adjustment according to transitional rules	7 844	7 133
Total capital requirement according to Basel II transitional rules	46 903	50 915
Risk-weighted assets according to Basel I	751 507	801 530
Capital requirement according to Basel I (8% of risk-weighted assets)	60 121	64 122
Risk-weighted assets according to Basel II	488 240	547 276

Capital adequacy analysis %	2010	2009
Capital requirement in Basel II compared with Basel I	65	68
Capital requirement in Basel II compared with transitional rules	83	86
Capital ratio according to		
Basel II	19.3	20.2
Basel I	12.8	13.9
transitional rules	16.1	17.4
Tier 1 ratio according to		
Basel II	12.9	12.0
Basel I	8.5	8.2
transitional rules	10.7	10.3
Capital base in relation to capital requirement		
Basel II	241	252
Basel I	159	173
transitional rules	201	217

Credit risks IRB SEK m	Exposure after credit risk protection (EAD)		Average risk weight %		Capital requirement	
	2010	2009	2010	2009	2010	2009
Corporate	650 472	725 993	44.5	47.7	23 181	27 720
of which repos and securities loans	12 317	14 368	0.5	1.0	5	12
of which other lending, foundation approach	361 685	711 625	45.9	48.7	13 268	27 708
of which other lending, advanced approach	276 470		44.8		9 908	
Retail	153 540	155 408	15.9	18.5	1 948	2 297
of which property loans	82 242	77 895	14.2	16.3	936	1 016
of which other	71 298	77 513	17.7	20.7	1 012	1 281
Small companies	23 336	25 024	45.6	46.1	852	923
Institutions	181 482	166 821	10.7	10.4	1 551	1 392
of which repos and securities loans	102 593	90 401	0.6	0.4	46	31
of which other lending	78 889	76 420	23.8	22.3	1 505	1 361
Other ¹	45 840	47 109	96.8	91.6	3 548	3 453
Total IRB	1 054 670	1 120 355	36.8	39.9	31 080	35 785
of which repos and securities loans	114 910	104 769	0.6	0.5	51	43
of which other lending, foundation approach	486 415	835 154	47.1	48.7	18 322	32 522
of which other lending, advanced approach	453 345	180 432	35.0	22.3	12 707	3 220

¹ Refers to equity exposures, exposures without a counterparty and positions in securitisations.

Recommended appropriation of profits and statement from the board

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 52,452 million are at the disposal of the annual general meeting.

The board recommends that the profits be distributed as follows:

	SEK m
Dividend per share paid to the shareholders SEK 9.00 (SEK 8.00 in 2009)	5,611
Balance carried forward	46,841
Total allocated	52,452

When assessing the amount of the company's proposed dividend, account has been taken of the nature of operations, their scope, consolidation requirement and risk-taking.

Our assessment is that the above appropriation of profits is prudent and well-adapted to the operations as a going concern.

Unrealised changes in value of assets and liabilities at fair value have had a net impact of SEK -2,484 million on the shareholders' equity.

The capital base of the banking group exceeded the statutory capital requirement by SEK 34,684 million at year-end. The surplus capital in the parent company was SEK 47,326 million.

We hereby declare that the consolidated accounts were prepared in accordance with international financial reporting standards as referred to in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, that the parent company's annual accounts were prepared in accordance with sound accounting practices for stock market companies, that the annual accounts and consolidated accounts give a fair presentation of the Group's and the parent company's financial position and performance and that the statutory administration report provides a fair view of the parent company's and Group's operations, financial position and performance and describes material risks and uncertainties to which the parent company and other companies in the Group are exposed.

STOCKHOLM, 8 FEBRUARY 2011

Anders Nyrén

Hans Larsson
Chairman of the board

Fredrik Lundberg

Jon Fredrik Baksaas

Ulrika Boëthius

Tommy Bylund

Göran Ennerfelt

Lone Fonss Schroder

Jan Johansson

Sverker Martin-Löf

Bente Rathe

Pär Boman
President and group chief executive

Audit report

To the annual general meeting of the shareholders of Svenska Handelsbanken AB (publ)
Corporate identity number: 502007-7862

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the chief executive of Svenska Handelsbanken AB (publ) for the year 2010. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 6–163. The board of directors and the chief executive are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act for Credit Institutions and Securities Companies when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. During the year, the Bank's internal auditing department has continuously examined the internal controls and accounts. We have received the reports that have been prepared. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the chief executive and assessing significant estimates made by the board of directors and the chief executive when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and in the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the chief executive. We also examined whether any board member or the chief executive has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinions set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards, IFRSs, as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual general meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the chief executive be discharged from liability for the financial year.

STOCKHOLM, 16 FEBRUARY 2011

KPMG AB
Stefan Holmström
Authorised Public Accountant

Ernst & Young AB
Erik Åström
Authorised Public Accountant

Branches and branch managers

REGIONAL BANK NORTHERN SWEDEN

Board

Erik Orring Umeå, chairman
Hans Jonsson Umeå
Margareta Jonsson Älvsbyn
Gunnar Liljedahl Luleå
Annika Brunnéd Umeå
Inger Nordström Härnösand, (E)*

Head of regional bank

Annika Brunnéd Umeå

Number of branches

69



Branch/branch manager

Arvidsjaur **Ann-Louise Högberg**
 Backe **Linnea Olsson**
 Bjurholm **Malin Eek**
 Bjästa **Karin Westin**
 Björna **Margareta Persson**
 Boden **Ann-Christin Söderberg Rånman**
 Bredbyn **Mats Ågren**
 Bureå **Emil Karlberg**
 Burträsk **Catharina Olsson**
 Byske **Sören Markström**
 Domsjö **Kathrin Nordenberg, acting**
 Dorotea **Anna-Karin Öhnerud**
 Föllinge **Bodil Edfeldt Olsson**
 Gammelstad **Susanne Rudeklint**
 Gällivare **Kent Aidanpää**
 Hammarstrand **Lars-Göran Fahlén**
 Hammerdal **Johan Olsson**
 Haparanda **Kari Pessa**
 Holmsund **Marina Stenebo**
 Hoting **Berith Bölander**
 Husum **Thomas Kassman**
 Härnösand **Åsa Möller Starfelt**
 Jokkmokk **Andreas Gerdin**
 Junsele **Annica Olofsson**
 Järpen **Christina Hernerud**
 Kalix **Ulla-Britt Söderberg**
 Kiruna **Andreas Karlsson**
 Kramfors **Susanne Moström**
 Krokom **Ulf Hellström**
 Liden **Tobias Wiklund**
 Lit **Eva Mooe**
 Lugnvik **Tommy Sjölund**
 Luleå
 Storgatan **Jörgen Ericsson**
 Örnäset **Lisbeth Aidanpää**
 Lycksele **Henrik Johansson**

Löfvånger **Kjell-Ove Lövgren**
 Malå **Annifrid Lindberg**
 Mörsil **Astrid Larsson Lindh**
 Nordingrå **Tommy Sjölund**
 Nordmaling **Andreas Fors, acting**
 Norsjö **Greger Holmström**
 Näsåker **Kerstin Isaksson**
 Offerdal **Jörgen Nordqvist**
 Pajala **Per-Anders Juntti**
 Piteå **Stefan Uddström**
 Ramsåsa **Jan-Åke Sjömåling**
 Robertsfors **Jenny Berglund**
 Råneå **Ellinor Eriksson**
 Skellefteå **Vacant**
 Sollefteå **Sofia Dahlberg**
 Sorsele **Fredrik Karlsson**
 Storuman **Fredrik Karlsson**
 Strömsund **Lars-Erik Olsén**
 Trehörningsjö **Gunilla Näslund**
 Ullånger **Tommy Sjölund**
 Umeå
 City **Lena Svedberg**
 Teg **Thomas Rönnergren**
 Västra **Henrik Lundström**
 Vilhelmina **Roland Wennerberg**
 Vindeln **Erik Sjölund, acting**
 Vännäs **Helene Hedman**
 Ånäset **Eva Nordenstam**
 Åre **Malin Persson**
 Åsele **Anna Andersson**
 Älvsbyn **Eva Berggren**
 Örnsköldsvik **Lars Norlander**
 Östersund **Petter Dahlin**
 Övertorneå **Maria Fältmark**
 Övertorneå **Erik Rubing**

REGIONAL BANK CENTRAL SWEDEN

Board

Ulf Bergkvist Insjön, chairman
Torsten Engwall Gävle
Peter Larsson Sandviken
Monica Oldenstedt Västerås
Åke Rydén Sveg
Anders Wiklander Sundsvall
Rainer Lawniczak Gävle
Monica Morén Hedemora, (E)*

Head of regional bank

Rainer Lawniczak Gävle

Number of branches

89



Branch/branch manager

Alfta **Mats Söderlund**
 Arboga **Larry Andersson**
 Arbrå **Pär Lindh**
 Avesta **Ulrika Leidefeldt**
 Bergby **Susanne Persson**
 Bergsjö **Ulrica Sjöström**
 Bjursås **Anders Rapp**
 Björbo **Gerd Kosjanow**
 Bollnäs **Thomas Frykberg**
 Borlänge **Caroline Cedergren**
 Bräcke **Mikael Mellström**
 Delsbo **Joakim Frithiof**
 Edsbyn **Annika Wikström**
 Enköping **Hans Norell**
 Fagersta **Mikael Johansson Holst**
 Falun **Anders Forsgren**
 Fellingsbro **Daniel Wallin**
 Frånsta **Micaela Morén**
 Frövi **Mikael Jansson**
 Furudal **Lena Abrahamsson**
 Gagnef **Anders Rehn**
 Gnarp **Niclas Södergren**
 Grangårde **Maria Jonasson**
 Grängesberg **Siri Andersen Nyssönen**
 Gällö **Sofie Ehrström**
 Gävle City **Svante Larsson**
 Hallstadvik **Catarina Lyshag**
 Heby **Maria Oscarsson**
 Hede **Ville Welin**
 Hedemora **Håkan Arvidsson**
 Hedesunda **Fredrik Nordqvist, acting**
 Hudiksvall **Thony Nylund**
 Insjön **Lars Larsson, acting**
 Järvsö **Ove Larsson**
 Kilafors **Sten Morin**
 Knivsta **Agneta Stuesson**
 Kolbäck **Eva Klang**
 Kopparberg **Lena Ragnarsson Vöks**
 Kungsör **Stefan Granholm**
 Kvissleby **Per Pettersson**
 Köping **Peter Fällman**
 Leksand **Anders Ekström**
 Lima **Daniel Henriksson**
 Lindesberg **Maria Ekdahl**
 Ljusdal **Tommy Bylund**
 Ljusne **Maria Hegestad, acting**

Ludvika **Carina Lundefors**
 Malung **Bengtgeric Anderson**
 Matfors **Johan Billström**
 Mockfjärd **Bengt Korning**
 Mora **Henrik Ragnarsson**
 Norberg **Håkan Bjurling**
 Norrtälje **Bo Schotte**
 Ockelbo **Karin Eriksson**
 Orsa **Anette Skoglund**
 Rimbo **Iréne Widnersson**
 Rättvik **Martin Sellberg**
 Sala **Robert Karlsson**
 Sandviken **Pia Källarbo**
 Skännskatteberg **Niclas Zidén**
 Skultuna **Lars-Åke Pettersson**
 Skutskär **Peter Bergqvist**
 Skärplinge **Stefan Holmquist**
 Skönsberg **Urban Strömbom**
 Stora Tuna **Anette Köpman**
 Storvik **Helene Hedin**
 Sundsvall **Owe Sundin**
 Sveg **Gunilla Bäckius**
 Svenstavik **Bengt Nilzén**
 Säter **Patrik Nylén**
 Söderhamn **Magnus Sjökvist, acting**
 Sörberge **Bertil Sjöstrand**
 Tierp **Micael Lindström**
 Timrå **Amanda Eriksson**
 Torsåker **Pia Hedén Sjökvist**
 Uppsala
 City **Johan Lindblom**
 Eriksberg **Lars Olsson**
 Industriområde **Baruch Grauman**
 Luthagen **Birger Kristiansson**
 Vansbro **Fredrik Hallqvist**
 Västanfors **Andreas Byrén**
 Västerås
 City **Per Karlsson**
 Emausgatan **Åsa Kilstedt**
 Köpingsvägen **Lena Nilsson**
 Stora Gatan **Håkan Janson**
 Ånge **Per-Erik Decker**
 Österbybruk **Magnus Sundqvist**
 Östervåla **Ildikó Teleki Lundmark**
 Östhammar **Carina Modén**

(E)* = employee representative

REGIONAL BANK STOCKHOLM

Board

Stefan Wigren Bromma, chairman
Carl-Olof By Saltsjöbaden
Jan-Erik Lindstedt Stockholm
Ulf Lundahl Lidingö
Göran Näsholm Stockholm
Fredrik Persson Stockholm
Carina Åkerström Stockholm
Charlotte Skog Stockholm, (E)*

Head of regional bank
Carina Åkerström Stockholm

Number of branches
 96



Branch/branch manager

Alviks Torg **Johan Lurén**
 Arlanda Sky City **Katrine Renström**
 Birger Jarlsgatan **Thomas von Schéele**
 Blackeberg **Daniel Spangenberg**
 Brommaplan **Peter Lindh**
 Bålsta **Joakim Kihlgren**
 Dalarö **Kristina Jansenberger**
 Djursholm **Sune Werkell**
 Ekerö **Jesper Hellström**
 Farsta **Niklas Eklund**
 Fleminggatan **Nicklas Hedblom**
 Fridhemsplan **Malin Meijer**
 Frihamnen **Marina Forsell**
 Gamla Stan **Carl-Magnus Gustafsson**
 Globen **Hans Widmark**
 Gustav Adolfs Torg **Fredrik Christoffersson**
 Götgatsbacken **Anders Lindegren**
 Hallunda **Hans Lundin**
 Hammarby **Stefan Zettergren**
 Haninge **Katarina Alf**
 Hornsberg **Jan Larsson**
 Hornsgatan **Lars Holm**
 Huddinge **Maria Fransson**
 Humlegården **AnneMarie Dahlstedt**
 Hägersten **Johan Nordström**
 Hässelby Gård **Marie Lindström**
 Högalid **Åsa Hall**
 Högdalen **Maria Sjöstedt**
 Jakobsberg **Mattias Nordin**
 Järna **Ellinor Lindblom**
 Karlaplan **Johan Hilmersson**
 Karlavägen **Birgitta Billström**
 Kista **Peter Stuesson**
 Kungsholmstorg **Jan Wallin**
 Kungsträdgården **Kent Johansson**
 Kungsängen **Maria Wedholm**
 Kärrtorp **Karl-Erik Bäckman**
 Large Corporates **Joacim Nässén**
 Lidingö
 Centrum **Elisabeth Hiljebäck**
 Larsberg **Tomas Wisedt**
 Näset **Evalena Holmqvist**
 Marieberg **Lotta Adestam**
 Marievik **David Haqvinsson**
 Märsta **Magnus Hedlund**
 Mörby Centrum **Peder Wiberg**
 Nacka Forum **Jörgen Nilsson**
 Norrmalmstorg **Vacant**
 Norrtull **Kjell Andersson**

Nynäshamn **Anders Hagman**
 Näsby Park **Cecilia Sonntag**
 Odengatan **Catarina Thunstedt**
 Odenplan **Susanne Signell**
 Renstiernas Gata **Karin Lennegren**
 Rotebro **Katarina Fridén**
 S:t Eriksplan **Mats Byrstedt**
 Salem **Mattias Lindmark**
 Saltsjö-Boo **Hans Ek**
 Sigtuna **Christer Bengtsson**
 Skanstull **Mikael Wenngren**
 Skärholmen **Anki Lenksjö**
 Sköndal **Vacant**
 Sollentuna **Fredrik Andersson**
 Solna
 Frösunda **Ulf Eliasson**
 Solna **Lisa Smideblad**
 Solna Strand **Lena Schaumburger**

Spånga **Anders Nygren**
 Stockholm Sergel **Maria Hellberg**
 Strandvägen **Mats Eriksson**
 Stureplan **Bengt Högborg**
 Stuvsta **Mats Nordling**
 Sundbyberg **Per Anders Tranberg**
 Sveavägen **Malin Bergström**
 Södertälje **Bengt Bohman**
 Tessinparken **Lars Eberon**
 Trångsund **Pia Bergkvist**
 Tullinge **Lena Lövkvist**
 Tyresö **Susanne Norman-Taube**
 Täby Centrum **Siv Joelsson-Nee**
 Ulvsunda **Tina Nylén**
 Upplands Väsby **Urban Wolters**
 Upplandsgatan **Daniel Andersson**
 Vallentuna **Fredrik Enander**
 Vanadisplan **Thomas Anttila**
 Vasagatan **Christer Örtegren**
 Vaxholm **Anneli Sönmez**
 Vällingby **Kajsen Hansson**
 Värmdö **Per Anwret**
 Värtavägen **Marcus Rönnestam**
 Västerhaninge **Jenny Lööw Borsos**
 Västermalm **Lena Wennerberg**
 Åkersberga **Christer Lövhölm**
 Årsta **Christer Borssén**
 Älvsjö **Anna Blomstergren**
 Ösmo **Renée Andersson**
 Östermalmstorg **Marion Ulander**
 Östra Station **Ritva Martonen**

(E)* = employee representative

REGIONAL BANK EASTERN SWEDEN

Board

Jan Cedwall Nyköping, chairman
Santhe Dahl Växjö
Jan-Eric Nilsson Djursholm
Sten Peterson Katrineholm
Lars-Åke Rydh Jönköping
Kenneth Ståhl Jönköping
Kenneth Synnersten Västerås
Mikael Westerback Linköping
Alf Åke Dratzén Visby, (E)*

Head of regional bank
Mikael Westerback Linköping

Number of branches
 70



Branch/branch manager

Alvesta **Thorwald Burman**
 Anderstorp **Sten Berglund**
 Bankeryd **Vacant**
 Borensberg **Gunilla Andersson**
 Borgholm **Conny Johansson**
 Eksjö **Karin Jönsson**
 Emmaboda **Jonas Ahlqvist**
 Eskilstuna
 Fristadstorget **Jonas Elfridsson**
 Östermalm **Bo Vallin**
 Finspång **Dag Kinnerud**
 Fjugesta **Anders Hedwall**
 Flen **Lotta Peppas**
 Fårösund **Britt Nordström**
 Färjestaden **Jan Pilemyr**
 Gislaved **Per Risberg**
 Gnesta **Mårten Larsson**
 Hallsberg **Yvonne Bülow**
 Hemse **Lars Cramér**
 Hultsfred **Monica Carlenskog**
 Huskvarna **Mats Andersson**
 Högsby **Anne-Helene Markström**
 Jönköping **Claes Ericson**
 Kalmar
 Berga **Jenny Nilsson**
 Kvarnholmen **Ola Tyrberg**
 Katrineholm **Göran Bjerke**
 Klintehamn **Carl-Oscar Sjöström**
 Kumla **Thomas Ljungberg**
 Lammhult **Per-Olof Lenegård**
 Landsbro **Kent Lind**
 Linköping
 City **Staffan Krause**
 Tomby **Mats Borgsjö**
 Mjölby **Michael Rimstedt**
 Motala **Anders Hättström**
 Mönsterås **Maria Malmberg**
 Mörbylånga **Tina Ingvarsson**

Mörlunda **Martina Årleskog**
 Norrköping
 Drottninggatan **Vacant**
 Eneby **Åsa Lundberg Stenström**
 Fjärilsgatan **Lars Blomqvist**
 Nybro **Jonas Persson**
 Nyköping **Holger Namér**
 Nässjö **Cecilia Antonsson**
 Oskarshamn **Ingvar Persson**
 Pålsholm **Anders Lindfors**
 Rörvik **Per-Olof Lenegård**
 Slite **Catarina Bylund**
 Strängnäs **Thomas Wedholm**
 Sävsjö **Cecilia Tahlin**
 Söderköping **Marika Ronnerheim**
 Tingsryd **Peter Andersson**
 Torsås **Jeanette Karlström**
 Tranås **Patrik Rosengren**
 Trosa **Anna-Karin Borg**
 Vadstena **Håkan Birgersson**
 Vaggeryd **Inger Ågren**
 Vetlanda **Jörgen Asp**
 Vimmerby **Hans Will**
 Virserum **Maria Bjarnehäll**
 Visby
 Adelsgatan **Niclas Boklund**
 Öster **Stefan Lövkvist**

Vislanda **Ola Arvidsson**
 Värnamo **Jonas Flink**
 Västervik **Michael Skännestig**
 Växjö **Vacant**
 Ålem **Maria Malmberg**
 Åseda **Peter Holmberg**
 Åtvidaberg **Erik Torbrand**
 Örebro
 Ekersgatan **Maria Lidström Andersson**
 Stortorget **Kenneth Vallin**
 Våghustorget **Bengt Gunnarsson**

REGIONAL BANK WESTERN SWEDEN

Board

Lennart Mankert Gothenburg, chairman
Stig-Arne Blom Ulricehamn
Svante Carlsson Gothenburg
Thomas Dafgård Axvall
Claes Larsson Gothenburg
Håkan Larsson Gothenburg
Eva Persson Västra Frölunda
Vilhelm Schottenius Varberg
Michael Green Västra Frölunda
Henrik Forsсэн Onsala, (E)*

Head of regional bank
Michael Green Gothenburg

Number of branches
 77

Branch/branch manager

Ale Torg **Lena Gillholm**
 Alingsås **Staffan Svantesson**
 Arvika **Stefan Lindberg**
 Bollebygd **Evalotta Duneskog**
 Borås
 Hulta **Kenneth Olofsson**
 Stora Torget **Hans Winge**
 Viared **Thomas Bogsjö**
 Falkenberg **Thomas Zilén**
 Falköping **Magnus Kvarnmarker**
 Filipstad **Charlotte Schreck-Pettersson**
 Finnerödja **Olle Jonsson**
 Fristad **Anders Roos**
 Färgelanda **Maj-Lis Lyckehav**
 Gällstad **Janne Pehrsson**
 Gothenburg
 Almedal **Jan Gottberg**
 Avenyn **Olle Eksell**
 Backa-Ringön **Anna Fägersten**
 City **Peter Romedahl**
 Eriksberg **Kent Larsson**
 Frölunda **Veronica Wallin Johansson**
 Första Långgatan **Knut Pokorny**
 Gärda **Jens Persson**
 Hisings Kärra **Paula Johannesson**
 Hjällbo **Peter Lindemark**
 Högsbo **Lars-Peter Forsberg**
 Kortedala **Per Stolpe**
 Landala **Michael Åhman**
 Lilla Bommen **Christian Pennert**
 Lindholmen **Sara Larsson**
 Majorna **Kajsa Mägi**
 Odinsgatan **Catherine Jögi**
 Sisjön **Lars Andersson**
 Torslanda **Fredrik Wiklund**
 Volvo **Jonas Almhöjd**
 Örgryte **Jan Sahlin**
 Övre Husargatan **Christian Nielsen**
 Hagfors **Pär Skogfeldt**
 Herrljunga **Lenita Andréasson**



Hjo **Thomas Waller**
 Karlskoga **Johan Dahl**
 Karlstad
 Stora Torget **Ulrik Wedelin**
 Våxnäs **Sara Brask**
 Kristinehamn **Fredrik Ekenberg**
 Kungsbacka **Mats Roloff**
 Kungälv **Ulrika Jivefors**
 Landvetter **Lena Uhrlander**
 Lerum **Roger Björck**
 Lidköping **Anders Stigson**
 Lilla Edet **Börje Ström**
 Mariestad **Torbjörn Låth**
 Mellerud **Maria Sääf**
 Mölndal **Martin Henriksson**
 Mölnlycke **Ann Sundvisson**
 Partille **Anna Ekstrand**
 Skara **Martin Drebin**
 Skövde **Niklas Standar**
 Sollebrunn **Maj Rudell**
 Stenungsund **Anette Pettersson**
 Strömstad **Petra Gabrielsson**
 Sunne **Maria Hannebo**
 Surte **Allison Åsblom**
 Svenljunga **Hans Qvist**
 Säffle **Dennis Göransson**
 Tibro **Andreas Hauge**
 Tidaholm **Agneta Gustafsson**
 Torsby **Nils-Inge Johnsson**
 Tranemo **Magnus Liman**
 Trollhättan **Vacant**
 Uddevalla **Stefan Widlund**
 Ulricehamn **Janne Pehrsson**
 Vara **Joakim Carlsson**
 Varberg **Anders Ohlsson**
 Värmdö **Agneta Gustafsson**
 Vänersborg **Mats Johansson**
 Åmål **Cecilia Blom**
 Årjäng **Peter Johansson**
 Älvängen **Deborah Moberg**

REGIONAL BANK SOUTHERN SWEDEN

Board

Jörgen Centerman Karlskrona, chairman
Bengt Kjell Helsingborg
Sven Landelius Lund
Claes Lindqvist Viken
Mikael Roos Malmö
Johan Mattsson Tomellilla
Anders Ohlner Malmö
Pia Håkansson Ystad, (E)*

Head of regional bank
Anders Ohlner Malmö

Number of branches
 60

Branch/branch manager

Ärlöv **Rickard Ohlsson**
 Broby **Henrica Lorentsson**
 Båstad **Lars-Olof Ottosson**
 Eslöv **Lena Wrangå**
 Halmstad **Tony Bringevall**
 Helsingborg
 Norr **Per Franklin**
 Stortorget **Lars Voss**
 Söderport **Maria Brygg**
 Hässleholm **Catharina Munkberg**
 Höganäs **Gunilla Voss**
 Höllviken **Eva Aurell**
 Hörö **Annika Johansson**
 Karlshamn **Helén Olofsson**
 Karlskrona **Hedvig Stache**
 Kivik **Camilla Bärnheim**
 Klippan **Martin Berg**
 Knislinge **Henrica Lorentsson**
 Kristianstad **Thomas Johansson**
 Kävlinge **Lars Andersson**
 Laholm **Irene Andersson**
 Landskrona **Per-Ove Kamlund**
 Ljungby **Thomas Eldh**
 Ljungbyhed **Annika Bengtsson**
 Lomma **Erik Hultgren**
 Lund
 City **Peter Andersson**
 Ideon **John Persson**
 Malmö
 Amiralsgatan **Britt-Louise Lindgren**
 City **Erik Bredberg**
 Dalaplan **Anna Harrison Barthold**
 Fosie **Dag Sundewall**
 Fridhem **Marie Brunstam**
 Köpenhamnsvägen **Fredrik Berg**
 Limhamn **Bengt Rosendahl**
 Lundavägen **Bengt Nyquist**
 Triangeln **Annika Hansson**
 Värnhem **Per-Ove Kamlund**
 Västra Hamnen **Anna Bredberg**



Markaryd **Maria Larsson**
 Olofström **Emelia Ericsson**
 Osby **Ingela Ström**
 Ronneby **Mikael Ström**
 Simrishamn **Mia Kristell**
 Sjöbo **Ola Martinsson, acting**
 Skanör **Christer Nilsson**
 Skurup **Jonas Sjöberg**
 Staffanstorps **Olle Svensson**
 Svedala **Nils Möllerberg**
 Sölvesborg **Magnus Gardell**
 Sösdala **Karin Eriksson**
 Tomellilla **Andreas Jeppsson**
 Trelleborg **Marianne Nilsson**
 Tyringe **Yvonne Liljeqvist**
 Veberöd **Hans-Åke Mårtensson**
 Vellinge **Tomas Wall**
 Vittsjö **Peter Andersson**
 Vollsjo **Fredrik Göransson**
 Ystad **Roger Håkansson**
 Åhus **Thomas Hansson**
 Älmhult **Fredrik Roghner**
 Ängelholm **Kenneth Persson**

(E)* = employee representative

REGIONAL BANK GREAT BRITAIN – NORTH

The operations are part of Svenska Handelsbanken, London branch.

Board

Håkan Sandberg Stockholm, chairman

Ulf Sylvan London

Anders Bouvin London, Head of Handelsbanken UK

Tracey Davidson Manchester

Head of regional bank

Tracey Davidson Manchester

Number of branches

41

Branch/branch manager

Barnsley **Suzanne Minifie**

Birmingham **Pat Hanlon**

Bradford **Mark Rawnsley**

Blackburn **Francis Bradshaw**

Bolton **Sean Greenhalgh**

Burnley **David Hornby**

Carlisle **Sarah Carter**

Chester **Haydn Aird**

Coventry **Colin Kirk**

Darlington **Mike Airey**

Durham **Paul Langdon**

Derby **Andrew Tomlinson**

Doncaster **Neil Ebdon**

Edinburgh **Iain Shearer**

Glasgow **George Shanks**

Grimsby **Anthony Winn**

Harrrogate **Richard Lally**

Halifax **Angela Dowd**

Huddersfield **Tony Jones**

Hull **Tim Kitching**

Kendal **Mike Fell**

Leeds **Stephen Hill**

Leicester **Simon Lindley**

Lincoln **David Thompson**

Liverpool **Vacant**

Manchester **David Edwards**

Morpeth **David Elliot**

Newcastle **Kevin Pattison**

Nottingham **Sean Martin**

Preston **Simon Raine**

Scarborough **Nick Sharples**

Sheffield **Mike Harrison**

Shrewsbury **Malcolm Sutcliffe**

Stockport **Andrew Buckley**

Stockton On Tees **David Filby**

Stoke On Trent **Paul Stokes**

Sunderland **Paul Sinclair**

Warrington **Dennis Evans**

Wakefield **Ian Mason**

Wolverhampton **Mike Priddy**

York **David Brady**



REGIONAL BANK DENMARK

The operations are part of Svenska Handelsbanken, Copenhagen branch.

Board

Håkan Sandberg Stockholm, chairman

Jens Iversen Brande

Eskild Thygesen Ikast

Erik Uttenthal Hillerød

Knud Nielsen Græsted

Frank Vang-Jensen Gentofte

Steen Brodersen Skovlunde, (E)*

Head of regional bank

Frank Vang-Jensen Copenhagen

Number of branches

53

Branch/branch manager

Aalborg

City **Ole Dahl Nielsen**

Syd **Morten O. Hedemann**

Allerød **Mads Christian Heidemann**

Amager **Claes Peulecke**

Aulum **Yvonne Hartvigsen**

Ballerup **Steen Hansen**

Birklerød **Jesper Borglykke**

Brande **Benny Larsen**

Copenhagen

City **Knud Jacobsen**

Østerbro **Bjarne Albrechtsen**

Esbjerg **Morten Andersen**

Farum **Jørgen Torm**

Fredensborg **Flemming Kjær**

Fredericia **Brian Sørensen**

Frederiksberg **Henrik Bengtsson**

Frederikssund **Claus Jesper Livbjerg**

Frederiksværk **Lars Blickfeldt**

Give **Henrik Overgaard**

Hammerum **Jakob Rousing Sloth**

Helsingør **Steen Malmqvist**

Helsingør **Dan-Gösta Larsen**

Herlev **Niels Ole Rishøj**

Herning

City **Niels Viggo Malle**

Fredhøj **Bruno Hansen**

Hillerød **Steen Hirschsprung**

Hillerød Vest **Lisbeth Arenfeldt**

Holstebro **Henrik Kristiansen**

Horsens **Carsten Hjortfiod**

Ikast **Arnth Stougaard**

Karup **Frank Jensen**

Kgs. Lyngby **Preben Bjerrekær**

Kibæk **Preben Staal**

Kolding **Jesper Andersen**

Køge **Brian Jakobsen**

Lemvig **Peter Tornbo**

Lynge **Kristian Lovgreen-Hansen**

Odense **Klaus Rydal**

Park Allé **Henrik Eg**

Roskilde **Stig Teilman**

Sdr. Felding **Kristian Hansen**

Sdr. Omme **Lars Balle Olsen**

Silkeborg **Lars Graugaard**

Slagelse **Henrik Kragh**

Slangerup **Jesper Christensen**

Stenløse **Kim Normann**

Struer **Poul Bakkegaard**

Sunds **Stefan Brochmann**

Vejle **John Jørgensen**

Viborg **Jan Arup**

Videbæk **Gerda Kviesgaard**

Vildbjerg **Torkild K. Larsen**

Århus **Esben Kjeldsen**

Århus Syd **Christian Just**



REGIONAL BANK GREAT BRITAIN – SOUTH

The operations are part of Svenska Handelsbanken, London branch.

Board

Håkan Sandberg Stockholm, chairman

Ulf Sylvan London

Anders Bouvin London, Head of Handelsbanken UK

Simon Lodge London

Head of regional bank

Simon Lodge London

Number of branches

42

Branch/branch manager

Basingstoke **Craig Ward**

Bath **Chris Johnson**

Bournemouth **Nick Lowe**

Brighton **Simon Howe**

Bristol **Martin Fey**

Cambridge **Richard Waters**

Cardiff **Steve Cridland**

Chelmsford **Julian Waller**

Cheltenham **Di Pitts**

Chiswick **Dermot Jordan**

Colchester **Alan Barnard**

Crawley **Simon Briggs**

Croydon **Hazel Hellier**

Darlington **Trevor Adams**

Enfield **Adrian Bennett**

Exeter **Jon Richards**

Gloucester **Simon Cropper**

Guildford **Neil Truman**

Harrow **Ross Simmons**

High Wycombe **Guy Birkby**

Ipswich **Mike Olding**

Kingston **Peter Wylde**

London

City **Rick Spencer**

West End **John Hodson**

Luton **Paul Drummond**

Maidstone **David Kiernan**

Milton Keynes **Mick Valerio**

Newport **Martin Leech**

Northampton **David Arscott**

Norwich **Nigel Foyster**

Oxford **David Woodhead**

Peterborough **Julian Turner**

Plymouth **Phil Kerkin**

Portsmouth **Vacant**

Reading **Michael Broom**

St Albans **Paul Smith**

Slough **Vacant**

Southampton **Mike Glanville**

Swansea **Steve Smith**

Swindon **Ian Dibble**

Taunton **Peter Kirby**

Tunbridge Wells **Nick Green**



(E)* = employee representative

REGIONAL BANK NORWAY

The operations are part of Svenska Handelsbanken, Norway branch.

Board

Bjørn Flatgård Kolbotn, chairman
M. Johan Widerberg Gothenburg, vice chairman
Dag Tangevald-Jensen Oslo
Dag Tjernsmo Oslo
Hans Anfinn Eide Helland Sandnes
Rebekka Glasser Herlofsen Oslo
Hege Jensen Oslo, (E)*

Head of regional bank

Dag Tjernsmo Oslo

Number of branches

49



Branch/branch manager

Arendal **Petter Anker Rasch**
 Asker **Turid Williksen**
 Bergen
 Fana **Monica Vågen**
 Flesland **Gunnar Røsland**
 Fyllingsdalen **Gottlieb Gullaksen**
 Kokstad **Jarle Hundven**
 Minde **Åse Fluge Nordgreen**
 Sentrum **Tore Svein Nese**
 Strandgaten **Erik Ramsdal**
 Vest **Mette Skauge**
 Åsane **Thomas Rasmussen**
 Bodø **Tore Halvorsen**
 Bryne **Karl Geir Pedersen**
 Drammen **Kirsti Jensås**
 Fredrikstad **Tove Anita R Torp**
 Halden **Roar Elsness**
 Hamar **Lars Erik Jevanord, acting**
 Haugesund **Knut Børge Lunde**
 Jessheim **Line Thams Blikstad**
 Kolbotn **Geir Anders Sundnes**
 Kongsberg **Kristin Franck**
 Kristiansand **Hans Jørgen Ormar**
 Larvik **Wibeke Bjørnflaten, acting**
 Lillehammer **Hans Skjelbreid**
 Lillestrøm **Annika Hanneborg**
 Lysaker **Jørgen Misvær**

Mo i Rana **Bjørn Erik Røv**
 Molde **Kolbjørn Heggdal**
 Moss **Hilde Solberg**
 Oslo
 Fyrstikktorget **Eirik Arnesen**
 Grev Wedels plass **Steinar Hegge**
 Majorstuen **Ronny Myreng**
 Nydalen **Bente Bjerkvold**
 Olav Vs gate **Glenn Steinbø**
 Skøyen **Thomas Stousland**
 Sandefjord **Ingelise Schliekelmann**
 Sandnes **Anette Wathne**
 Sandvika **Christian Doksør**
 Sarpsborg **Tormod Sørum**
 Ski **Edwin Kongsness**
 Skien **Jan Egil Hafredal**
 Sotra **Lisbeth Turøy**
 Stavanger
 Sentrum **Sindre Bergsagel**
 Straen **Terje Lind**
 Tromsø **Jan Erik Skjolden**
 Trondheim
 Heimdal **Bente E Dahl**
 Søndregt **Ola Grøtte**
 Tønsberg **Torgeir Mikkelsen, acting**
 Ålesund **Steinar Krøvel**

REGIONAL BANK FINLAND

The operations are part of Svenska Handelsbanken, Helsinki branch.

Board

Stig Gustavson Helsinki, chairman
M. Johan Widerberg Gothenburg, vice chairman
Markus Fogelholm Espoo
Johanna Ikäheimo Rovaniemi
Eimar Paananen Helsinki
Mika Seitovirta Helsinki
Andreas Tallberg Kirkkonummi
Seija Turunen Helsinki
Nina Arkilahti Espoo
Kim Lindberg Espoo, (E)*

Head of regional bank

Nina Arkilahti Espoo

Number of branches

45

Branch/branch manager

Espoo
 Leppävaara **Pekka Vasankari**
 Matinkylä **Marcus Sandholm**
 Tapiola **Carl Hannuksela**
 Helsinki
 Dianapuisto **Riitta Hallila**
 Esplanadi **Ulf Grönlund**
 Hakaniemi **Kari Komulainen**
 Itäkeskus **Nina Lagerblom**
 Kamppi **Harry Peltonen**
 Munkkivuori **Mervi Karsikas**
 Pasila **Maria Kaisa Ylimäinen**
 Hyvinkää **Risto Mäkeläinen**
 Hämeenlinna **Pauli Ranta**
 Imatra **Pekka Lankinen**
 Joensuu **Juha Saastamoinen**
 Jyväskylä **Tauno Virkki**
 Jävenpää **Jouni Linnavuori**
 Kerava **Kimmo Heiskanen**
 Kirkkonummi **Michaela Kaitemo**
 Kookola **Esa Alkio**
 Kotka **Hannu Huostila**
 Kouvola **Henri Lilja**
 Kuopio **Simo Sarkkinen**
 Lahti **Matti Nieminen**

Lappeenranta **Martti Mäkelä**
 Lohja **Risto Vihula**
 Mikkelä **Jouko Kervinen**
 Oulu **Jari Murtoperä**
 Pietarsaari **Jörgen Blomqvist**
 Pori **Esa Yli-Sipilä**
 Porvoo **Ulf Randell**
 Raisio **Juha Vasanen**
 Rauma **Markus Suominen**
 Rovaniemi **Pekka Pistokoski**
 Salo **Juho Huovinen**
 Seinäjoki **Karl Reinilä, acting**
 Tammisaari **Annika Karnell**
 Tampere
 Kauppakatu **Tarja Suvisalmi**
 Kyttälä **Tuija Nuutinen**
 Tornio **Roger Keisu**
 Turku
 Hämeenkatu **Jorma Qvick**
 Kauppatori **Marku Ropponen**
 Vaasa **Frej Björse**
 Vantaa
 Aviapolis **Jaakko Hara**
 Myyrmäki **Matti Sulamaa**
 Tikkurila **Stephan Björkell**



(E)* = employee representative

BRANCHES OUTSIDE THE NORDIC COUNTRIES AND GREAT BRITAIN

Operations are conducted in Svenska Handelsbanken with branches in each country except for Luxembourg where operations are conducted both as a subsidiary and a branch, and in Russia where operations are conducted in a subsidiary.

Branch/branch manager

Austria

General manager **Christian Prinz zu Solms-Lich**
Vienna **Christian Prinz zu Solms-Lich**

China

General manager **Michael Zell**
Hong Kong **Michael Zell**
Shanghai **Johan André**

Estonia

General manager **Rauno Klettenberg**
Tallinn **Rauno Klettenberg**

France

General manager **Peter Einarsson**
Nice **Karin Enestad**
Paris **Mattias Linhardt**

Germany

General manager **Elisa Saarinen**
Dusseldorf **Thomas Kuhn**
Essen **Thomas Kuhn**
Frankfurt **Marie Jöhnk**
Hamburg **Roland Kupka**
Mannheim **Hans Jürgen Ding**
Munich **Andreas Stein**
Stuttgart **Kai Thiemann**

Latvia

General manager **Dzintars Salavs**
Riga **Dzintars Salavs**

Lithuania

General manager **Arturas Ungulaitis**
Vilnius **Arturas Ungulaitis**

Luxembourg

General manager **Jörgen Oldensand**
Luxembourg **Jörgen Oldensand**

Netherlands

General manager **Mikael Sörensen**
Amsterdam **Kristiaan Buter**
Breda **Ton Schröder**
Eindhoven **Hans van de Ven**
Emmen **Marc Bruin**
Het Gooi **Robert van der Kolk**
Rotterdam **Peter Loef**
Schiphol **Carolien Reijnen**

Poland

General manager **Harri Tuohimaa**
Gdansk **Waldemar Wieckowicz**
Poznan **Mariusz Bialczyk**
Warsaw **Monika Kamecka**
Wroclaw **Marek Cader**

Russia

General manager **Mirjam Sarkki**
Moscow **Annika Nordström**
St Petersburg **Mirjam Sarkki**

Singapore

General manager **Jan B Djerf**
Singapore **Jan B Djerf**

Switzerland

General manager **Jörgen Oldensand**
Zurich **Håkan Lennartsson**

USA

General manager **Stefan Nilsson**
New York **Stefan Nilsson**

Representative offices

Beijing

Representative **Jason Wang**

Kuala Lumpur

Representative **Abhinash Murukesvan**

Marbella

Representative **Carl-Gustav Moberg**

Mumbai

Representative **Ashish Gupta**

Taipei

Representative **Amy Chen**

SUBSIDIARIES**

HANDELSBANKEN FINANS

Board

Håkan Sandberg Stockholm, chairman
Peter Gustafsson Stockholm, (E)*

Chief executive

Yonnie Bergqvist Täby

HANDELSBANKEN FONDER

Board

Håkan Sandberg Stockholm, chairman
Michael Bertorp Stockholm
Gunnar Bätelsson Gomaringen
Lennart Hedquist Uppsala
Åsa Magnusson Linköping
Lena Munkhammar Gävle
Hans Pehrson Solna

Chief executive

Katja Bergqvist Stockholm

HANDELSBANKEN LIV

Board

Yonnie Bergqvist Täby, chairman
Håkan Sandberg Stockholm
Anna Hjelmberg Järfälla, (E)*

Chief executive

Lennart Söderberg Täby

HANDEL OCH INDUSTRI

Board

Lennart Jeansson Billdal, chairman
M. Johan Widerberg Gothenburg, vice ordförande

Chief executive

Bengt Kjell Helsingborg

STADSHYPOTEK

Board

Håkan Sandberg Stockholm, chairman
Yonnie Bergqvist Täby
Olle Lindstrand Lidingö
Catharina Hildebrand Lidingö, (E)*

Chief executive

Lars Kahlund Lidingö

XACT FONDER

Board

Michael Sohlman Stockholm, chairman
Per Beckman Lidingö
Claes Norlén Stockholm
Lars Wedin Sollentuna

Chief executive

Henrik Norén Danderyd

(E)* = employee representative

**For the complete name of the company, see note P19.

Addresses

www.handelsbanken.com unless otherwise stated.

CENTRAL HEAD OFFICE

HANDELSBANKEN

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 8 701 10 00
Corporate identity no. 502007-7862

HANDELSBANKEN CAPITAL MARKETS

Blasieholmstorg 11
SE-106 70 Stockholm
+46 8 701 10 00

HANDELSBANKEN INTERNATIONAL

Blasieholmsgatan 4 B
SE-106 70 Stockholm
+46 8 701 10 00

HANDELSBANKEN ASSET MANAGEMENT

Blasieholmstorg 12
SE-106 70 Stockholm
+46 8 701 10 00

CENTRAL IT PRODUCTION

Tegeluddsvägen 10
SE-115 82 Stockholm
+46 8 701 10 00

SUBSIDIARIES

HANDELSBANKEN FINANS

Torsgatan 12-14
SE-106 35 Stockholm
+46 8 701 46 00
Corporate identity no. 556053-0841

HANDELSBANKEN FONDER

Blasieholmstorg 12
SE-106 70 Stockholm
+46 8 701 10 00
Corporate identity no. 556418-8851

HANDELSBANKEN LIV

Torsgatan 14
Box 1325
SE-111 83 Stockholm
+46 8 701 71 00
Corporate identity no. 516401-8284

HANDEL OCH INDUSTRI

Nybrokajen 15
SE-106 70 Stockholm
+46 8 701 41 10
Corporate identity no. 556013-5336

STADSHYPOTEK

Torsgatan 12
SE-103 70 Stockholm
+46 8 701 54 00
Corporate identity no. 556459-6715

XACT FONDER

Blasieholmstorg 11
SE-106 70 Stockholm
+46 8 701 40 00
Corporate identity no. 556582-4504

REGIONAL BANK HEAD OFFICES

NORTHERN SWEDEN

Storgatan 48
Box 1002
SE-901 20 Umeå
+46 90-15 45 60

CENTRAL SWEDEN

Nygatan 20
Box 196
SE-801 03 Gävle
+46 26-17 20 60

STOCKHOLM

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 8 701 10 00

EASTERN SWEDEN

Nygatan 20
Box 421
SE-581 04 Linköping
+46 13-28 91 00

WESTERN SWEDEN

Östra Hamngatan 23
SE-405 40 Gothenburg
+46 31-774 80 00

SOUTHERN SWEDEN

Södergatan 10
SE-205 40 Malmö
+46 40-24 56 00

GREAT BRITAIN — NORTH

4M Building
Malaga Avenue
Manchester Airport
Manchester, M90 3RR, U.K.
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GREAT BRITAIN — CENTRAL

Two Colmore Square
38 Colmore Circus
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GREAT BRITAIN — SOUTH

3 Thomas More Square
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+44 20 757 880 00
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DENMARK

Havneholmen 29
DK-1561 Copenhagen V, Denmark
+45 33 41 82 00
www.handelsbanken.dk

NORWAY

Tjuvholmen Allè 11
Postboks 1342 Vika
NO-0113 Oslo, Norway
+47 22 39 70 00
www.handelsbanken.no

FINLAND

Aleksanterinkatu 11
FI-00100 Helsinki, Finland
+358 10 444 11
www.handelsbanken.fi

Definitions and explanations

ADJUSTED SHAREHOLDERS' EQUITY PER SHARE

Equity at the end of the year reduced by the equity effect of cash flow hedges and the minority share of shareholders' equity. Adjusted equity is then divided by the number of outstanding ordinary shares at the year-end.

ADMINISTRATION RESULT

A concept used in the Bank's insurance operations. It is the difference between the administrative fees charged on the insurance contracts and the company's actual administration costs.

CAPITAL BASE

Comprises the sum of Tier 1 (primary) and Tier 2 (supplementary) capital. To obtain the total capital base for capital adequacy purposes, deductions are made for capital contributions in insurance companies, reported surplus values of pension assets and the difference between the expected loss and the provisions made for probable loan losses.

CAPITAL RATIO

The total capital base for capital adequacy purposes in relation to risk-weighted volume.

C/I RATIO

Total expenses in relation to total income.

DIVIDEND YIELD

Dividend per share divided by the share price at year-end.

EARNINGS PER SHARE

The profit for the year attributable to holders of ordinary shares divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

IMPAIRED LOANS

Loans are classified as impaired loans if contracted cash flows will probably not be fulfilled. The full amount of all claims which give rise to a specific provision are included in impaired loans even if parts are covered by collateral.

ITRAXX

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

LOAN LOSS RATIO

Loan losses and changes in value of repossessed property in relation to loans to the public and credit institutions (excluding banks) at the beginning of the year, and also repossessed property and credit guarantees.

LEVEL OF IMPAIRED LOANS

Net impaired loans in relation to total loans to the public and credit institutions (excluding banks). Impaired loans are reported without deduction for the collateral that secures the claim.

P/E RATIO

The share price at year-end divided by earnings per share.

PREMIUMS WRITTEN

A concept used within the Bank's insurance operations denoting mainly the total of premiums paid in during the year.

RETURN ON EQUITY

Profit for the year in relation to average shareholders' equity. Average equity is adjusted for value changes on financial assets classified as available for sale and derivatives in cash flow hedges and a weighted average of new share issues, dividends and repurchase of own shares.

RETURN ON TOTAL ASSETS

Operating profit in relation to average total assets.

RISK RESULT

A concept used in the Bank's insurance operations. The difference between the fees the company charges to cover the insurance risks (mortality, life expectancy, disability and accident) and the actual cost of the insurance claims.

RISK-WEIGHTED VOLUME

The total risk-weighted amounts from each credit risk exposure. The risk-weighted amount is the same as the risk weight of the exposure multiplied by its exposure amount. The risk weight is based on a number of factors such as the repayment capacity of the counterparty, repayment capacity and debt-servicing, type of product and the value of any collateral.

SOLVENCY RATIO

A concept used in the Bank's insurance operations. The solvency ratio is the available solvency margin divided by the required solvency margin and is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company.

TIER 1 CAPITAL

Consists of shareholders' equity and Tier 1 hybrid capital. Deductions are made for dividends generated, goodwill and other intangible assets and also the difference between an expected loss and provisions made for probable loan losses. Profits generated in the Group's insurance company are not included in the Tier 1 capital. For a more detailed description see note G50.

TIER 1 CAPITAL LOANS

Tier 1 capital contributions (hybrid loans) comprise subordinated loans that may be included in the Tier 1 capital with the consent of the Swedish Financial Supervisory Authority.

TIER 1 CAPITAL RATIO

Tier 1 capital in relation to risk-weighted volume.

TIER 2 CAPITAL

Mainly consists of perpetual and fixed-term subordinated loans.

TOTAL RETURN

The total of the year's change in share price and paid dividend per share divided by the share price at the previous year-end.

YIELD SPLIT

Yield split means that when the total yield exceeds the rate guaranteed by the insurance company, the company will receive ten per cent of the total yield as its share in the yield split.

FINANCIAL INFORMATION

The following reports can be downloaded or ordered from Handelsbanken's website: www.handelsbanken.se/ireng.

- annual reports
- interim reports
- risk reports
- corporate governance reports
- fact books

IMPORTANT DATES 2011

9 February	Highlights of annual report 2010
27 April	Interim report January – March 2011
20 July	Interim report January – June 2011
26 October	Interim report January – September 2011

DISTRIBUTION

The annual report can be ordered from Investor Relations, phone +46 8 701 10 00, or online at www.handelsbanken.se/ireng where other reports as listed above are also available.

