

# Handelsbanken

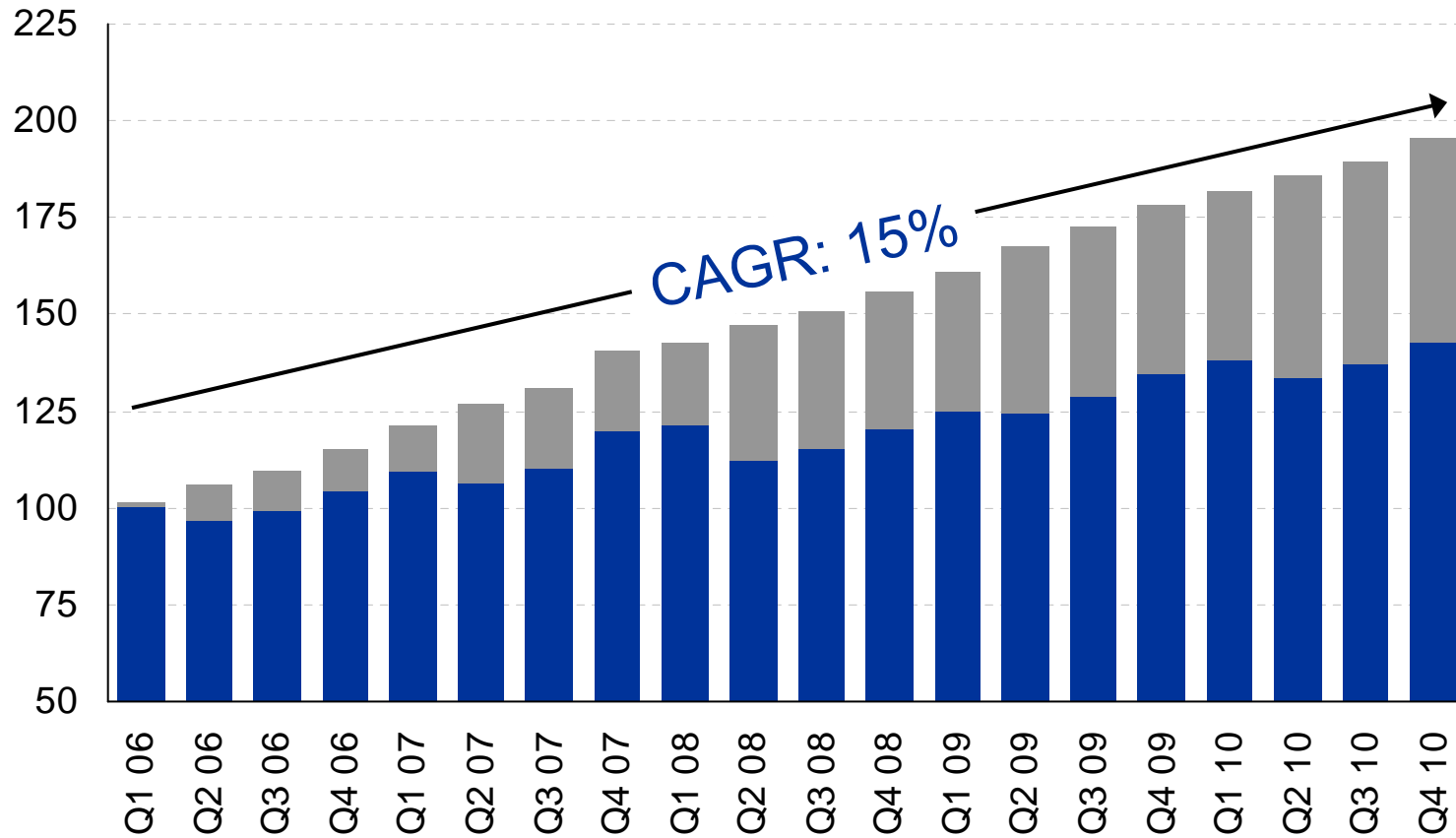
January - December 2010

9 February 2011

# Annual growth in equity including dividends

- Accumulated dividends since 2006
- Adjusted equity per share

SEK/share



## Summary January – December 2010

Operating profit went up by 8 per cent to SEK 14,770 million

Profit after tax:

+15 per cent compared with Q4 2009

+7 per cent compared with Q3 2010

+8 per cent January-December compared with the same period last year

Earnings per share grew by 8 per cent to SEK 17.72

Net interest income increased by 5 per cent in the fourth quarter compared to the third quarter

Net fee and commission income increased to SEK 2.1 billion in the fourth quarter

The loan loss ratio was 0.10 per cent for the full year and 0.07 per cent in the fourth quarter

Return on equity after tax was 12.9 per cent during 2010

The Tier 1 ratio according to Basel II increased by 2.3 percentage points to 16.5 per cent during 2010

The board proposes an increased dividend to SEK 9.00 (8.00) and that the current repurchase mandate is extended

# Income statement

SEK m	Q4 2010	Q4 2009	Change	Q3 2010	Change	Full year 2010	Full year 2009	Change
Total income	8,128	7,967	2%	7,506	8%	31,296	32,335	-3%
Total expenses	-3,997	-4,058	-2%	-3,610	11%	-15,018	-15,220	-1%
Net loan losses	-293	-691		-294		-1,507	-3,392	
Operating profit	3,833	3,221	19%	3,606	6%	14,770	13,727	8%
<b>Profit for the period</b>	<b>2,892</b>	<b>2,516</b>	<b>15%</b>	<b>2,707</b>	<b>7%</b>	<b>11,025</b>	<b>10,244</b>	<b>8%</b>

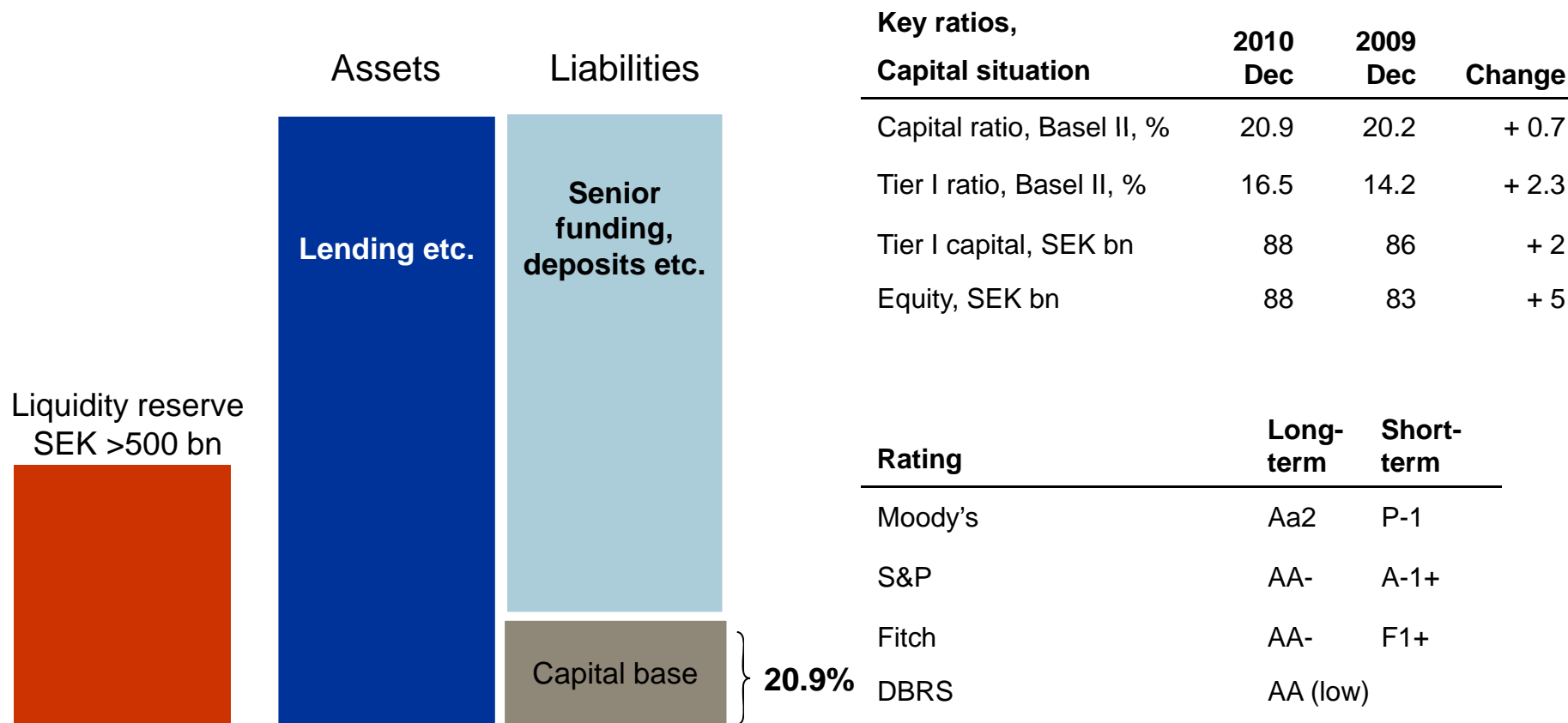
## Income statement, January – December

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 at fair value	1,377	2,457	-44%
Risk result - insurance	205	171	20%
Other income	355	314	13%
<b>Total income</b>	<b>31,296</b>	<b>32,335</b>	<b>-3%</b>
Staff costs	-9,504	-10,018	-5%
Other expenses	-5,514	-5,202	6%
<b>Total expenses</b>	<b>-15,018</b>	<b>-15,220</b>	<b>-1%</b>
<b>Profit before loan losses</b>	<b>16,278</b>	<b>17,115</b>	<b>-5%</b>
Net loan losses	-1,507	-3,392	-56%
Disposal tangible / intangible assets	-1	4	
<b>Operating profit</b>	<b>14,770</b>	<b>13,727</b>	<b>8%</b>

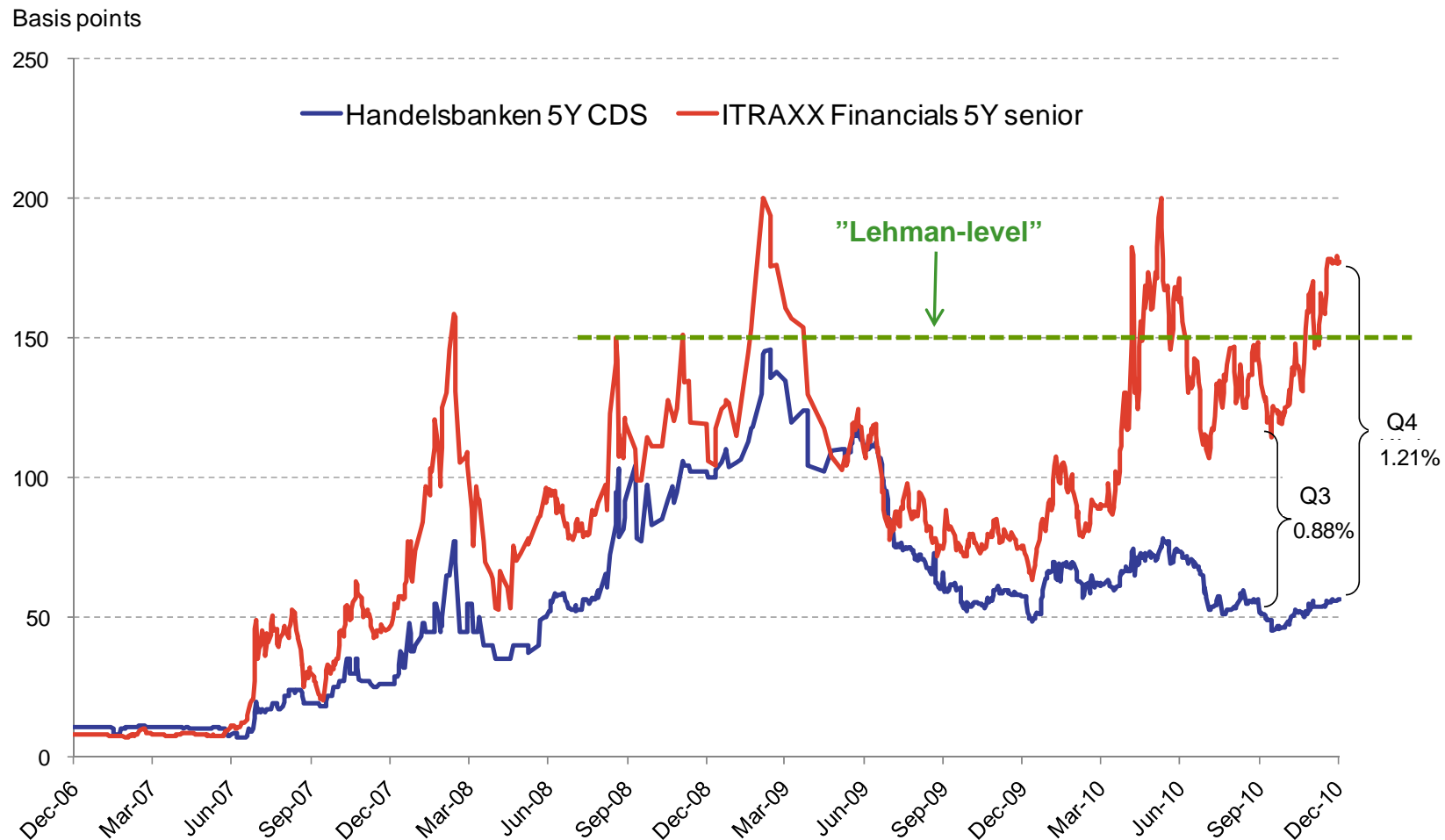
## Income statement, quarterly change

<b>SEK m</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Change</b>
Net interest income	5,612	5,327	5%
Net fee and commission income	2,127	1,924	11%
Net gains/losses on financial items at fair value	276	177	56%
Risk result - insurance	67	42	60%
Other income	46	36	28%
<b>Total income</b>	<b>8,128</b>	<b>7,506</b>	<b>8%</b>
Staff costs	-2,466	-2,330	6%
Other expenses	-1,531	-1,280	20%
<b>Total expenses</b>	<b>-3,997</b>	<b>-3,610</b>	<b>11%</b>
<b>Profit before loan losses</b>	<b>4,131</b>	<b>3,896</b>	<b>6%</b>
Net loan losses	-293	-294	0%
Disposal tangible / intangible assets	-5	4	
<b>Operating profit</b>	<b>3,833</b>	<b>3,606</b>	<b>6%</b>

# Financial strength



# Itraxx Senior Financial 5Y and Handelsbanken's 5Y CDS spread



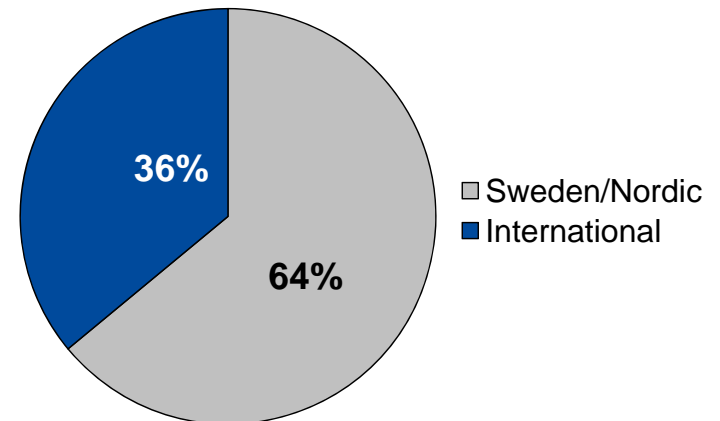
ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European bank and insurance sectors. It describes the average premium that an investor requires in order to accept credit risk on the companies.

Source: Ecwin, Bloomberg



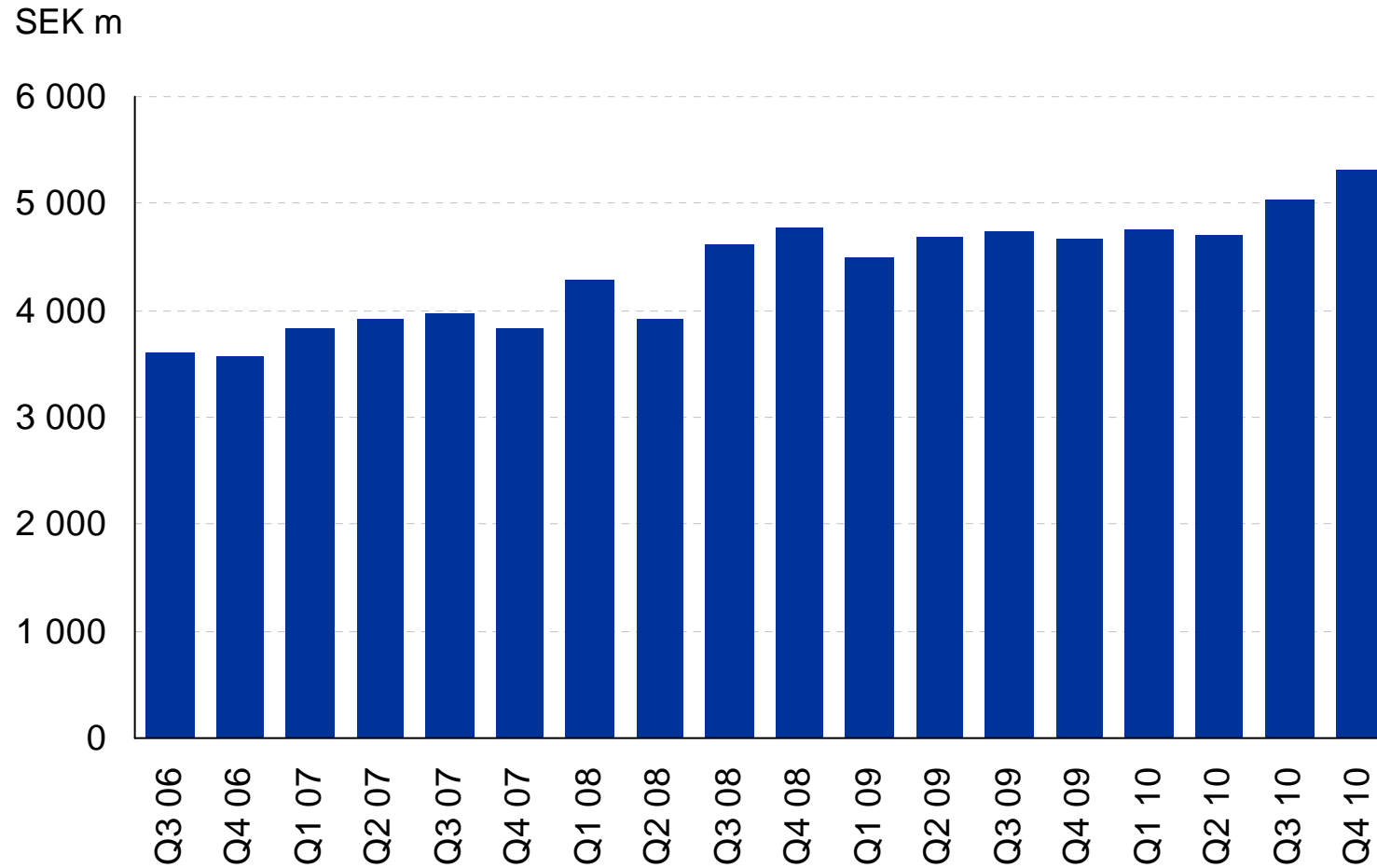
## Funding in 2010

<b>Bond issuance, Jan-Dec 2010</b>	<b>SEK bn</b>
Senior bonds	75
Covered bonds	161
<b>Total</b>	<b>236</b>

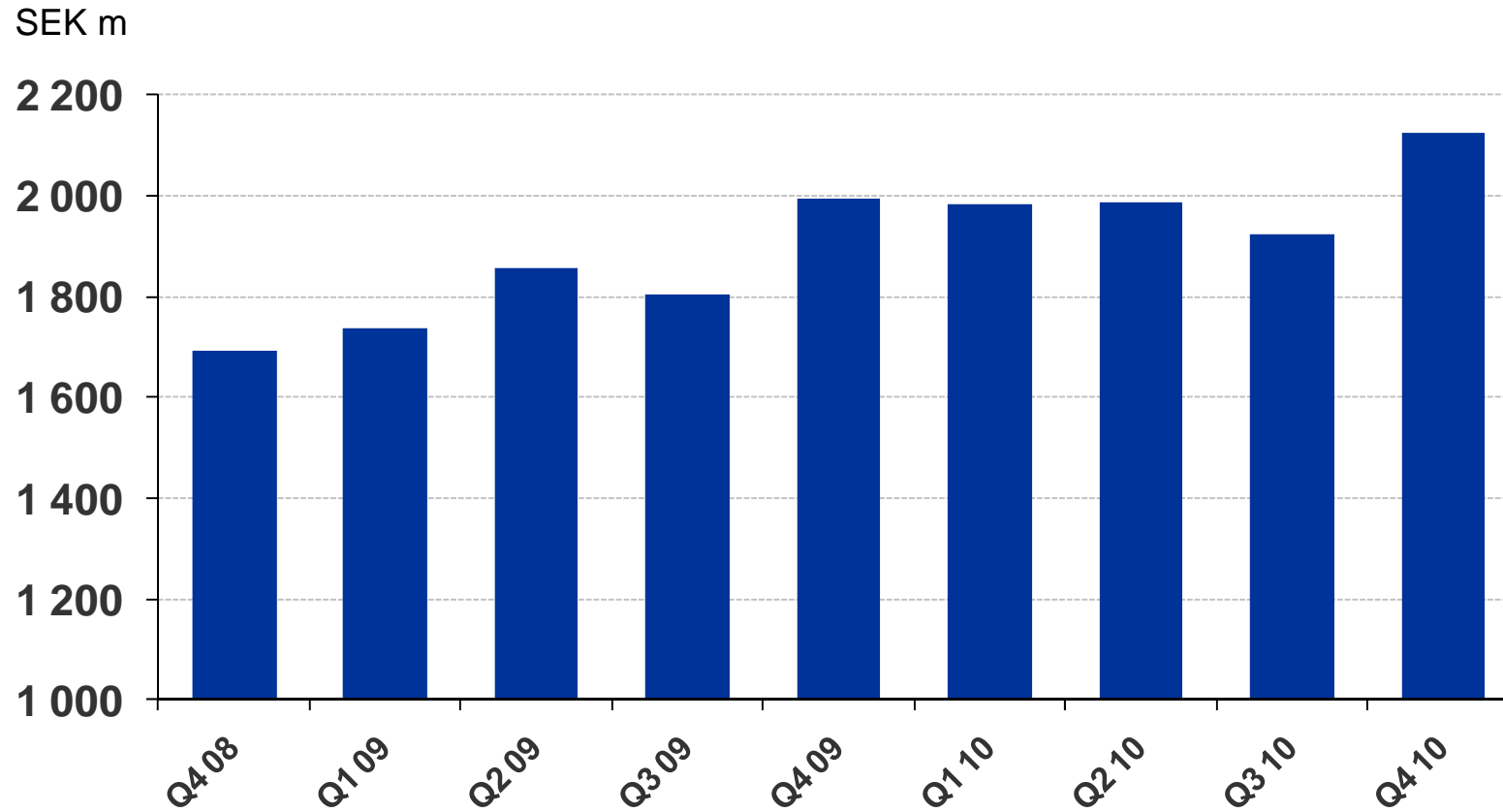


- Outstanding long funding with maturity >1 year increased by SEK 54bn in 2010
- 2/3 of maturing bonds in 2011 of SEK 113bn pre-funded during 2010

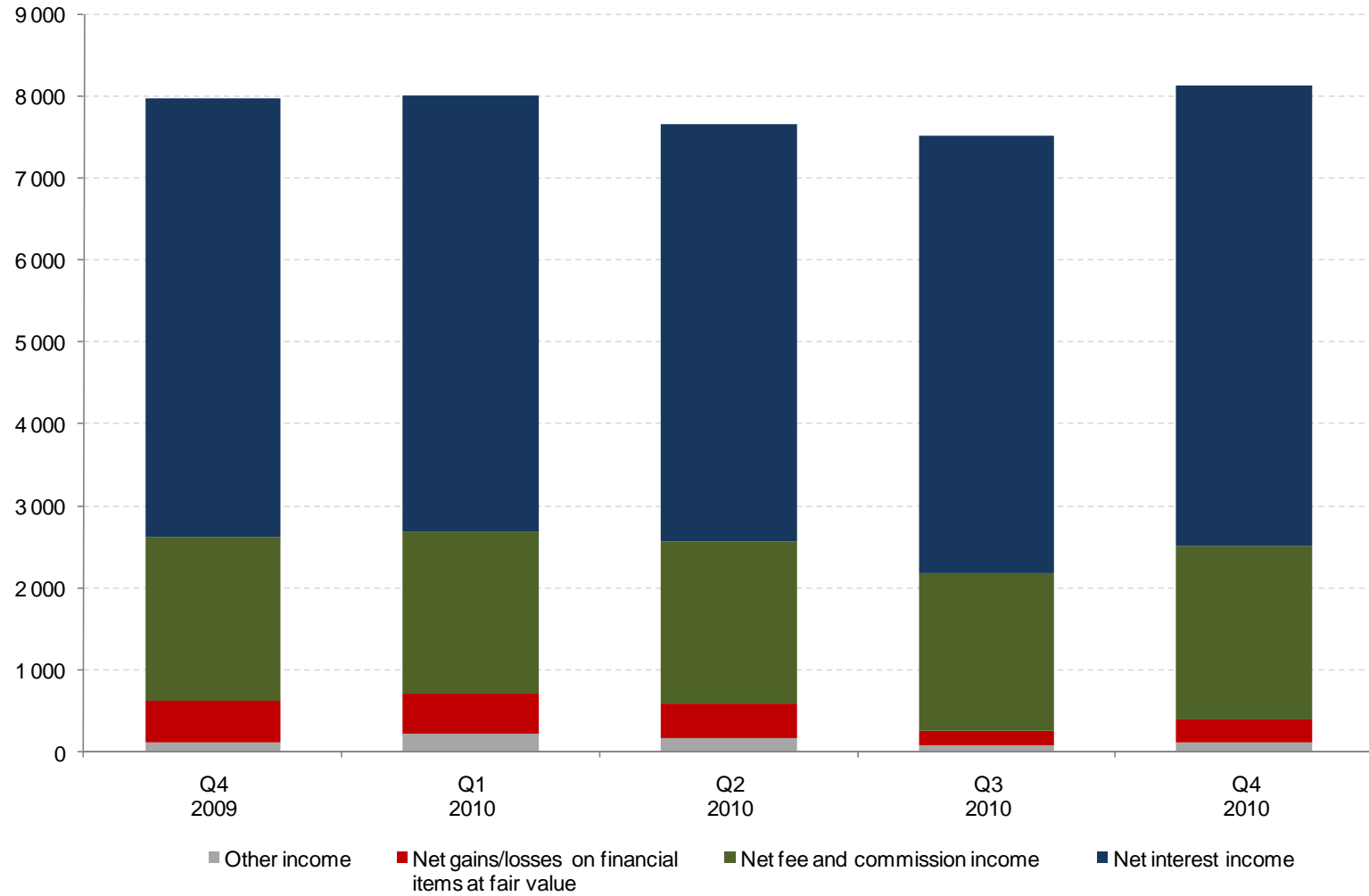
# Sum of interest income and loan losses



## Fees and commissions, quarterly



# Breakdown of income



## Expense – trend

SEK m	Full year 2010	Full year 2009	Change	Q4-10/ Q3-10	Q4-10/ Q4-09
Staff costs	-9,504	-10,018	-5%		
Other administrative expenses	-5,062	-4,719	7%		
Depreciation and amortisation	-452	-483	-6%		
<b>Total expenses</b>	<b>-15,018</b>	<b>-15,220</b>	<b>-1%</b>	<b>11%</b>	<b>-2%</b>

## Branch office operations in Sweden

### Jan – Dec 2010

Operating profit SEK	11,179m
RoE	19.5%
C/I ratio before loan losses	38.5%
Number of branch offices	461
Average number of employees	4,386

### *Average volumes, SEK bn*

Loans	998
Deposits	332

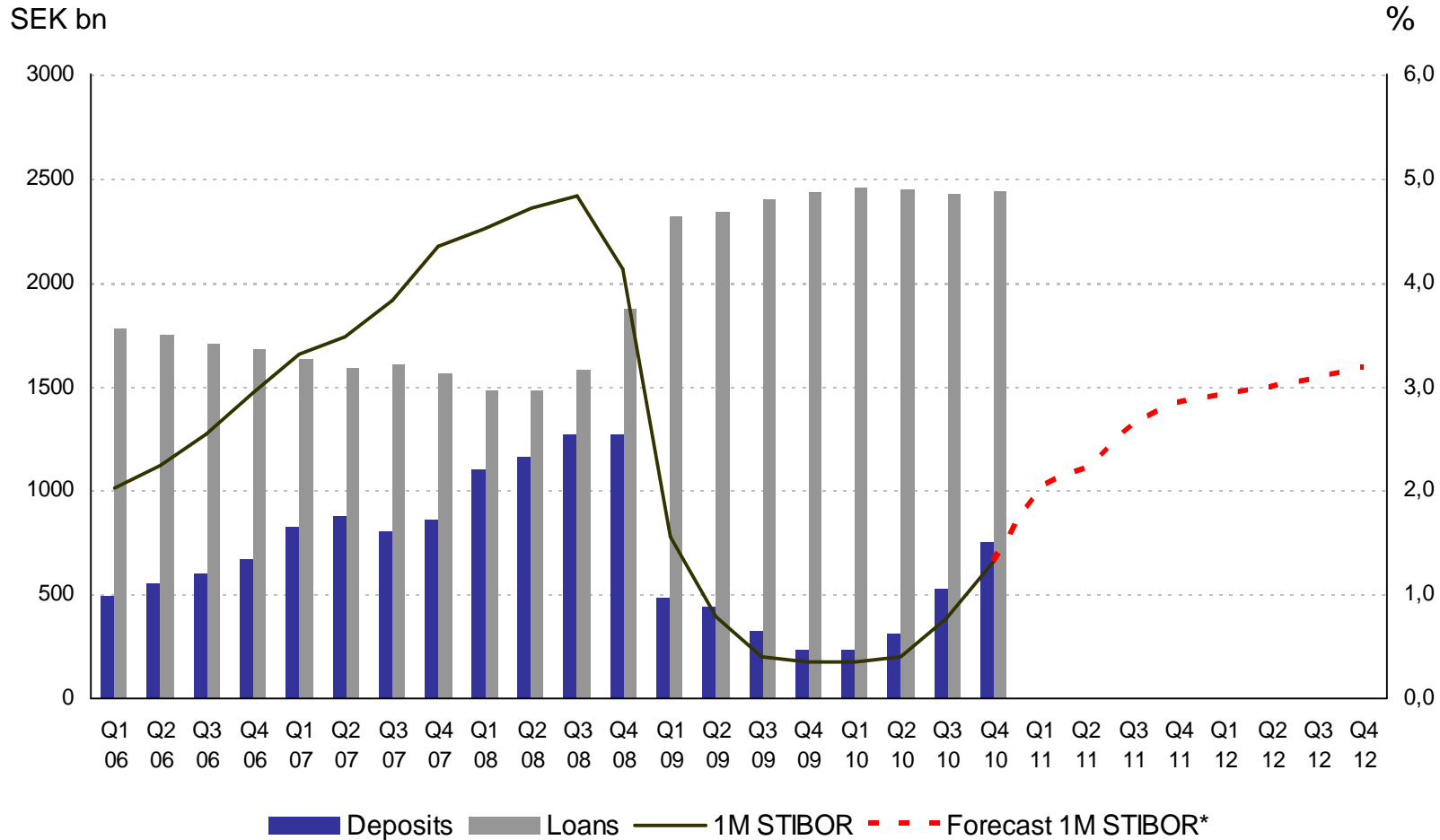
**Handelsbanken has a  
branch in Varberg**



and in 460 other locations  
in Sweden.

**Handelsbanken**

# Earning capacity – Deposits and loans for Swedish branch operations



Reference rate until 30 June 2008, 1M STIBOR and subsequently 3M STIBOR for variable deposits and loans

\* Source: Bloomberg

## Branch office operations outside Sweden

### Jan – Dec 2010

Operating profit SEK	2,986m
RoE	8.4%
C/I ratio before loan losses	51.2%
Number of branch offices	262
Average number of employees	2,931

### Average volumes, SEK bn

Loans	461
Deposits	142

### Handelsbanken has a branch in Morpeth



and in 82 other locations in Great Britain.

**Handelsbanken**



## Branch operations in the UK

On average, a new branch is opened every tenth banking day

83 branches, 21 of them opened in 2010

Managers hired for 10 future branches

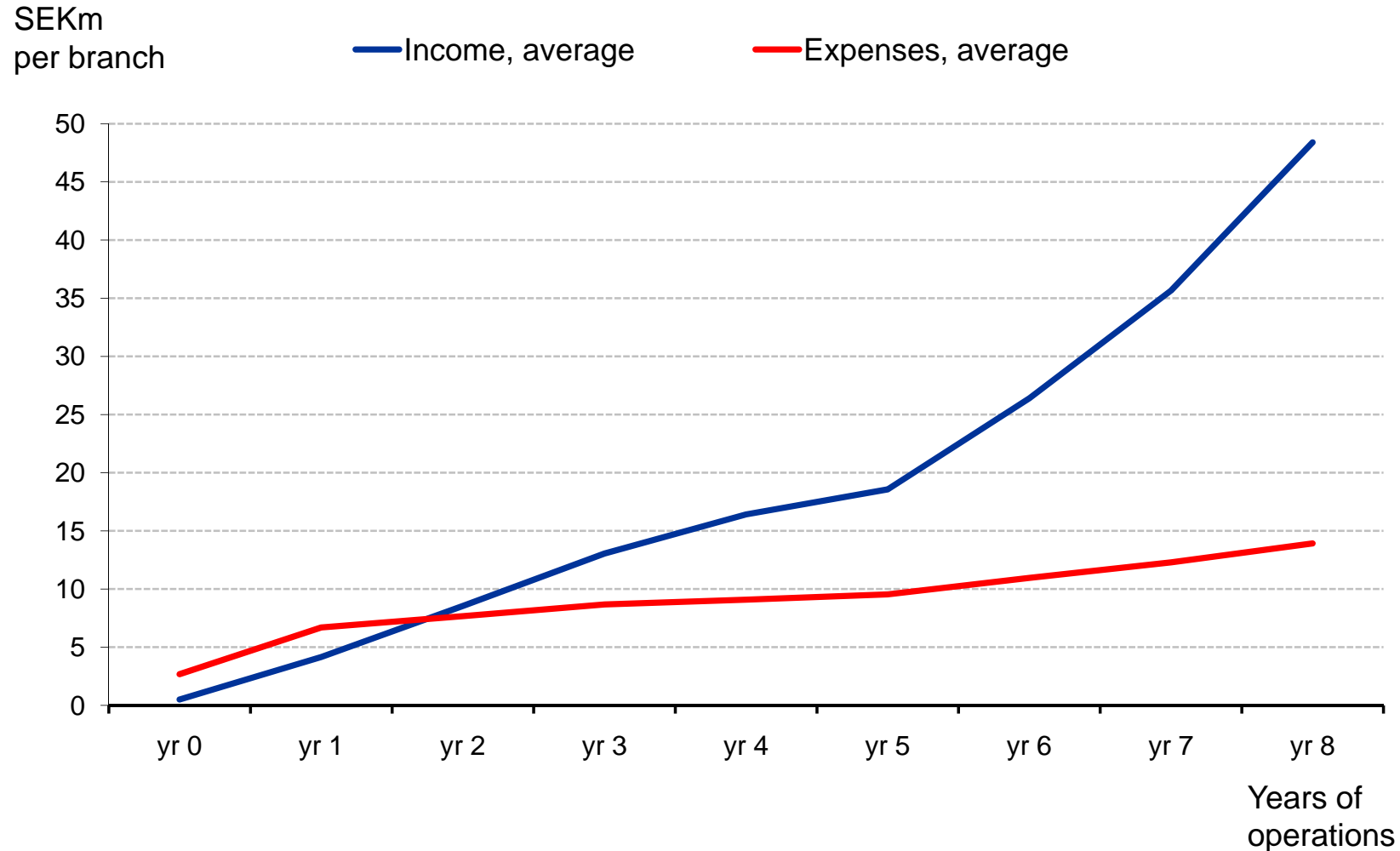
A 3rd British regional bank was started, based in Birmingham

Joint management organisation in London



# Income and expenses trend, new opened branches in Great Britain

Refers to the average of 80 branches opened in Great Britain 2000 - 2010



In order to eliminate volatile exchange rate effects, the same currency has been used for all years.

## Summary

Higher profits both compared with the previous quarter and compared with the previous year

Net interest income rose by 5 per cent between the third and fourth quarters

Net commission income on new highest level in the fourth quarter

Loan loss ratio of 0.07 per cent in the fourth quarter and 0.10 percent for the full year

Continued expansion in Great Britain

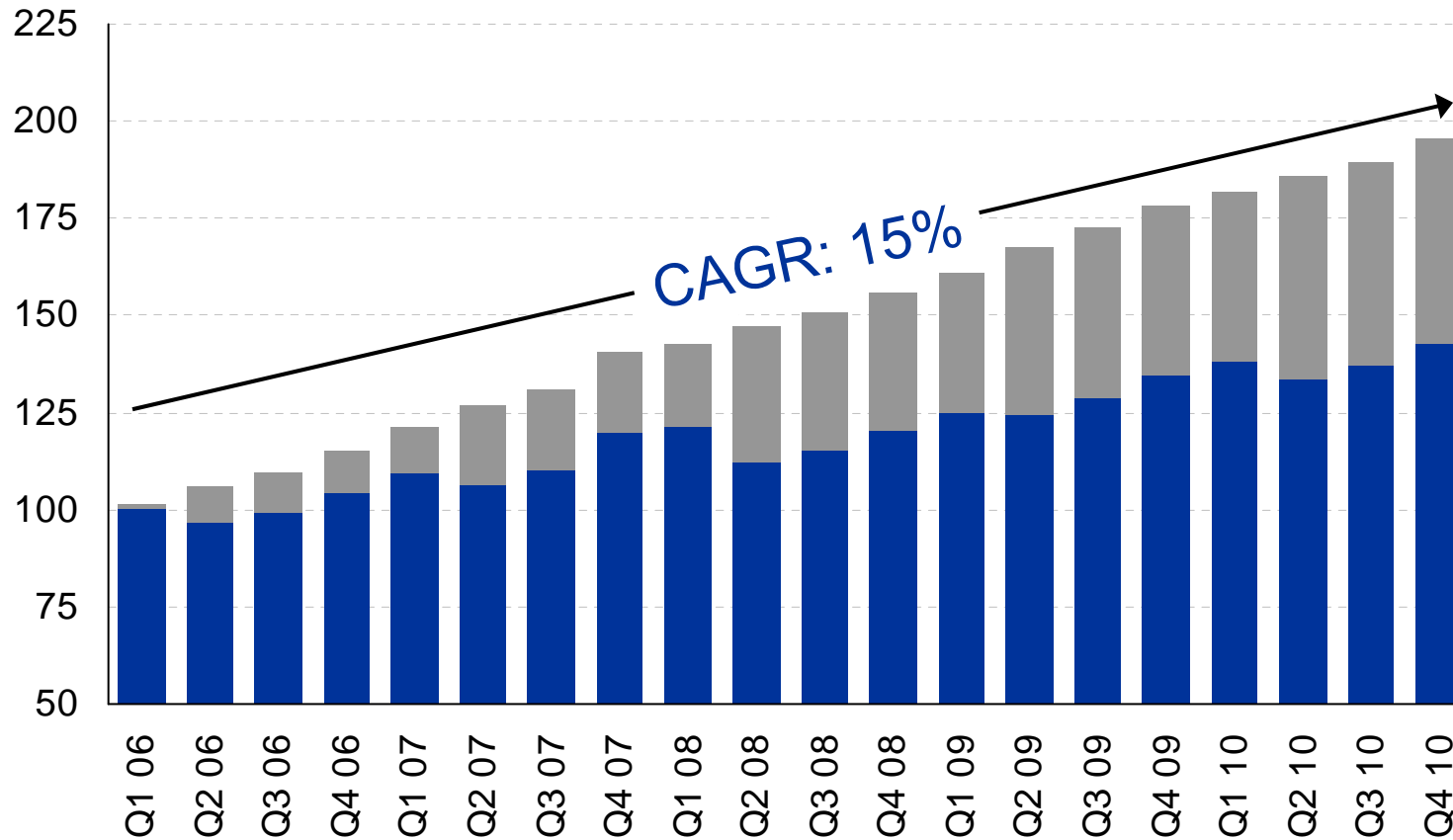
The Bank's Tier 1 ratio continues to be strengthened to 16.5 per cent

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

# Annual growth in equity including dividends

- Accumulated dividends since 2006
- Adjusted equity per share

SEK/share



# Appendix

## Income statement, five quarters

<b>SEK m</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>	<b>Q4 2009</b>
Net interest income	5,612	5,327	5,082	5,316	5,359
Net fee and commission income	2,127	1,924	1,988	1,983	1,995
Net gains/losses on financial items at fair value	276	177	424	500	497
Risk result - insurance	67	42	59	37	31
Other income	46	36	100	173	85
<b>Total income</b>	<b>8,128</b>	<b>7,506</b>	<b>7,653</b>	<b>8,009</b>	<b>7,967</b>
Staff costs	-2,466	-2,330	-2,352	-2,356	-2,586
Other expenses	-1,531	-1,280	-1,393	-1,310	-1,472
<b>Total expenses</b>	<b>-3,997</b>	<b>-3,610</b>	<b>-3,745</b>	<b>-3,666</b>	<b>-4,058</b>
<b>Profit before loan losses</b>	<b>4,131</b>	<b>3,896</b>	<b>3,908</b>	<b>4,343</b>	<b>3,909</b>
Net loan losses	-293	-294	-369	-551	-691
Disposal tangible / intangible assets	-5	4	0	0	3
<b>Operating profit</b>	<b>3,833</b>	<b>3,606</b>	<b>3,539</b>	<b>3,792</b>	<b>3,221</b>
Operating profit discontinued operations	65	47	55	42	12
<b>Total operating profit</b>	<b>3,898</b>	<b>3,653</b>	<b>3,594</b>	<b>3,834</b>	<b>3,233</b>

## Change in net interest income

**SEK m**

<b>Net interest income Q3 2010</b>	<b>5,327</b>	
Deposits, branch offices in Sweden – margins	203	
- volumes	17	
Lending, branch offices in Sweden – margins	-19	
- volumes	14	
Deposits & lending, branch offices outside Sweden	17	
Mandatory fees (deposit insurance, stability fund etc)	23	
Exchange rate movements	-62	
Other	24	
Benchmark effect	68	
<b>Change in net interest income</b>	<b>285</b>	
<b>Net interest income Q4 2010</b>	<b>5,612</b>	<b>5%</b>

3M STIBOR reference.rate

## Fee to the Stabilisation fund, January – December

<b>SEK bn</b>	<b>2010</b>
Total liabilities and equity	2,463
Reduction for total equity, untaxed reserves and subordinated loans	-166
Reduction for intercompany liabilities	-370
<b>Basis for calculation of fee*</b>	<b>1,927</b>
<b>SEK m</b>	
Fee 0.036%	694
Reduction 50% during 2009 and 2010	-347
<b>Total fee 2010</b>	<b>347</b>

\* Applies to credit institutions within the Group affected by the new Stabilisation fund law.



## Fees and commissions

<b>SEK m</b>	<b>Full year 2010</b>	<b>Full year 2009</b>	<b>Change</b>
Brokerage and other securities commissions	1,867	1,862	0%
Mutual funds	1,590	1,156	38%
Custody	374	411	-9%
Advisory services	223	196	14%
Insurance	605	532	14%
Payments	2,455	2,377	3%
Lending and deposits	1,231	1,109	11%
Guarantees	521	529	-2%
Other	428	494	-13%
<b>Commission income</b>	<b>9,294</b>	<b>8,666</b>	<b>7%</b>
Commission expense	-1,272	-1,273	0%
<b>Net fee and commission income</b>	<b>8,022</b>	<b>7,393</b>	<b>9%</b>

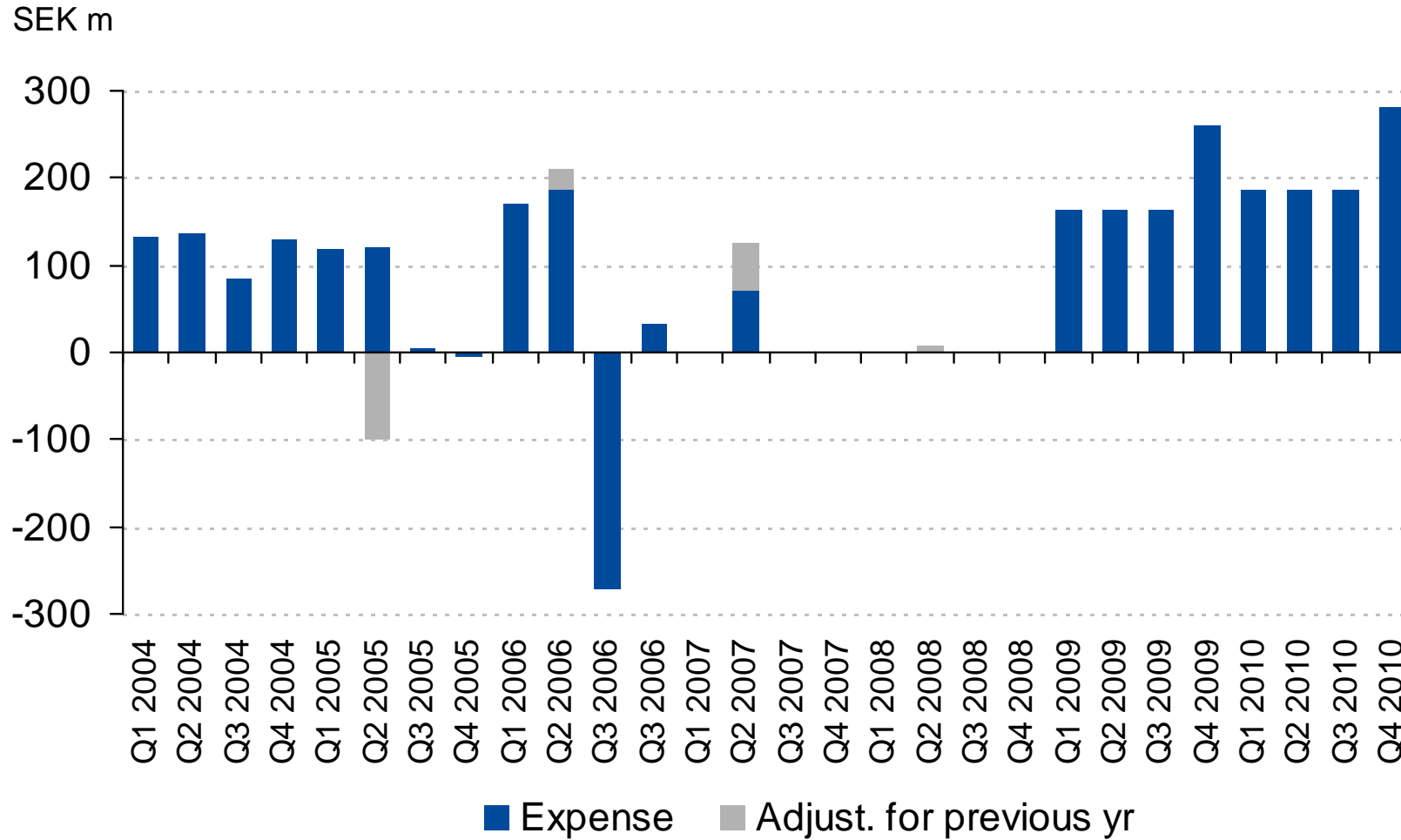
## Fees and commissions, quarterly

<b>SEK m</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Change</b>
Brokerage and other securities commissions	522	426	23%
Mutual funds	440	393	12%
Custody	96	53	81%
Advisory services	73	51	43%
Insurance	106	157	-32%
Payments	648	630	3%
Lending and deposits	313	299	5%
Guarantees	126	134	-6%
Other	126	104	21%
<b>Commission income</b>	<b>2,450</b>	<b>2,247</b>	<b>9%</b>
Commission expense	-323	-323	0%
<b>Net fee and commission income</b>	<b>2,127</b>	<b>1,924</b>	<b>11%</b>

## Equity related commissions

<b>SEK m</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>	<b>Q4 2009</b>
Brokerage	498	413	434	449	461
Mutual funds and custody	525	465	475	444	438
Corporate finance	73	52	60	39	74
Commission expense	-54	-50	-58	-57	-62
<b>Total</b>	<b>1,042</b>	<b>880</b>	<b>911</b>	<b>875</b>	<b>911</b>

# Oktagonen quarterly 2004 – 2010



## Key ratios, January - December

	<b>Full year 2010</b>	<b>Full year 2009</b>
Return on equity, total operations	12.9%	12.6%
Return on equity, continuing operations	12.6%	12.5%
C/l ratio, continuing operations	48.0%	47.1%
Earnings per share, total operations, SEK	17.72	16.44
- after dilution	17.44	15.98

## Dividend, proposed

	2010	2009
<b>Per share, SEK</b>	<b>9.00</b>	<b>8.00</b>
Change, %	12.5	14.3
Number of shares class A and B	623.5	623.5
<b>Dividend, SEKm</b>		
Class A and B	5,611	4,988
Profit per share	17.72	16.44
Profit per share, continuing operations	17.37	16.38
Dividend as % of profit per share	50.8	48.7

## Effective tax burden

Corporation tax on the profit for banking operations

No tax on the administration result and the risk result in the insurance operations, except for outright risk insurance

The yield split has already been taxed

Corporation tax on yield on shareholders' equity in the insurance operations

Effective tax burden:

January - December 2010	26.8%
January - December 2009	25.6%
Q4 2010	26.8%
Q3 2010	26.2%
Q4 2009	22.4%

# Balance Sheet

<b>SEK bn</b>	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>	<b>Change</b>
Loans to the public	1,482	1,477	0%
Loans to other credit institutions	155	111	39%
Interest-bearing securities	119	176	-32%
Other assets	398	359	11%
<b>Total assets</b>	<b>2,154</b>	<b>2,123</b>	<b>1%</b>
Deposits and borrowing from the public	546	550	-1%
Due to credit institutions	270	240	13%
Issued securities	964	966	0%
Other liabilities	286	284	0%
Total equity	88	83	6%
<b>Total liabilities and equity</b>	<b>2,154</b>	<b>2,123</b>	<b>1%</b>



## Loans to the public, quarterly

<b>Average volumes, SEK bn</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>	<b>Q4 2009</b>
Household	552	541	527	515	505
Corporate	457	463	470	466	472
<b>Branch office operations in Sweden</b>	<b>1,009</b>	<b>1,004</b>	<b>997</b>	<b>981</b>	<b>977</b>
Household	143	142	142	142	142
Corporate	306	315	326	326	338
<b>Branch office operations outside Sweden</b>	<b>449</b>	<b>457</b>	<b>468</b>	<b>468</b>	<b>480</b>
<b>Other operations</b>	<b>17</b>	<b>18</b>	<b>17</b>	<b>14</b>	<b>19</b>
Household	695	683	669	657	647
Corporate	780	796	813	806	829
<b>Total loans to the public</b>	<b>1,475</b>	<b>1,479</b>	<b>1,482</b>	<b>1,463</b>	<b>1,476</b>

## Deposits from the public, quarterly

Average volumes, SEK bn	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Household	190	185	178	173	173
Corporate	148	149	149	155	156
<b>Branch office operations in Sweden</b>	<b>338</b>	<b>334</b>	<b>327</b>	<b>328</b>	<b>329</b>
Household	40	41	42	42	42
Corporate	102	99	100	111	144
<b>Branch office operations outside Sweden</b>	<b>142</b>	<b>140</b>	<b>142</b>	<b>153</b>	<b>186</b>
<b>Other operations</b>	<b>61</b>	<b>70</b>	<b>68</b>	<b>69</b>	<b>34</b>
Household	230	226	220	215	215
Corporate	311	317	317	335	334
<b>Total deposits from the public</b>	<b>541</b>	<b>544</b>	<b>537</b>	<b>550</b>	<b>549</b>

## Average volumes – Lending, Regional banks outside Sweden

	31 Dec 2010	30 Sep 2010	Change
<b>Private, local currency</b>			
Denmark, DKK bn	20.3	19.7	3.0%
Finland, EUR m	3,196	3,170	0.8%
Norway, NOK bn	57.5	56.0	2.7%
Great Britain, GBP m	1,516	1,366	11.0%

### **Corporate, local currency**

Denmark, DKK bn	20.3	19.6	3.6%
Finland, EUR m	6,684	6,734	-0.7%
Norway, NOK bn	103.7	101.6	2.1%
Great Britain, GBP m	4,972	4,863	2.2%

## Average volumes – Lending, Regional banks outside Sweden

<b>Private, local currency</b>	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>	<b>Change</b>
Denmark, DKK bn	19.5	18.5	5.4%
Finland, EUR m	3,160	3,053	3.5%
Norway, NOK bn	55.3	50.1	10.4%
Great Britain, GBP m	1,324	1,021	29.7%

### **Corporate, local currency**

Denmark, DKK bn	20.1	21.1	-4.7%
Finland, EUR m	6,745	7,214	-6.5%
Norway, NOK bn	102.1	104.2	-2.0%
Great Britain, GBP m	4,769	4,453	7.1%

## Average volumes – Deposits, Regional banks outside Sweden

	31 Dec 2010	30 Sep 2010	Change
<b>Private, local currency</b>			
Denmark, DKK bn	8.4	8.5	-1.2%
Finland, EUR m	1,248	1,264	-1.3%
Norway, NOK bn	10.3	9.9	4.0%
Great Britain, GBP m	347	343	1.2%
<b>Corporate, local currency</b>			
Denmark, DKK bn	12.0	12.2	-1.6%
Finland, EUR m	2,512	2,498	0.6%
Norway, NOK bn	34.5	32.3	6.8%
Great Britain, GBP m	1,158	1,076	7.6%

## Average volumes – Deposits, Regional banks outside Sweden

	31 Dec 2010	31 Dec 2009	Change
<b>Private, local currency</b>			
Denmark, DKK bn	8.5	8.2	3.7%
Finland, EUR m	1,263	1,385	-8.8%
Norway, NOK bn	9.6	8.6	11.6%
Great Britain, GBP m	335	304	10.2%
<b>Corporate, local currency</b>			
Denmark, DKK bn	12.3	12.8	-3.9%
Finland, EUR m	2,515	2,138	17.6%
Norway, NOK bn	33.2	34.3	-3.2%
Great Britain, GBP m	1,071	940	13.9%