

# Handelsbanken's interim report

JANUARY – MARCH 2011

## Summary January – March 2011, compared with January – March 2010

- Operating profit for continuing operations rose 4 per cent to SEK 3,930 million (3,792)
- Profit after tax for total operations went up by 3 per cent to SEK 2,932 million (2,853) and earnings per share increased by 3 per cent to SEK 4.71 (4.59)
- Return on equity for total operations was 13.2 per cent (13.5)
- Income went down to SEK 7,938 million (8,009)
- Net interest income rose by 4 per cent to SEK 5,507 million (5,316) and by 7 per cent excluding exchange rate effects
- Net fee and commission income was down by 2 per cent to SEK 1,944 million (1,983)
- The loan loss ratio was less than half at 0.06 per cent (0.14) and loan losses were SEK -244 million (-551)
- Tier 1 capital increased to SEK 88.8 billion (86.0) and the Tier 1 ratio according to Basel II went up to 17.2 per cent (14.6)
- Total government fees rose to SEK -243 million (-161). The fee to the stabilisation fund doubled
- The average volume of loans to the public climbed by 2 per cent

## Summary of Q1 2011, compared with Q4 2010

- Operating profit for continuing operations went up by 3 per cent to SEK 3,930 million (3,833)
- Profit after tax for total operations grew by 1 per cent to SEK 2,932 million (2,892) and earnings per share increased by 1 per cent to SEK 4.71 (4.65)
- Return on equity for total operations was 13.2 per cent (13.4)
- Income decreased by 2 per cent to SEK 7,938 million (8,128)
- Net interest income declined by 2 per cent to SEK 5,507 million (5,612)
- Net fee and commission income fell by 9 per cent to SEK 1,944 million (2,127)
- The average volume of lending grew by 1 per cent to SEK 1,486 billion (1,475), while the average volume of deposits increased by 10 per cent to SEK 595 billion (541)
- The Bank continued its refunding ahead of time and all bonds maturing until April 2012 have now been refinanced
- The liquidity reserve grew to more than SEK 600 billion

**Handelsbanken**

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# Handelsbanken Group – Overview

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
<b>Summary income statement</b>									
Net interest income	5,507	5,316	4%	5,612	-2%	5,507	5,316	4%	21,337
Net fee and commission income	1,944	1,983	-2%	2,127	-9%	1,944	1,983	-2%	8,022
Net gains/losses on financial items at fair value	361	500	-28%	276	31%	361	500	-28%	1,377
Risk result - insurance	81	37	119%	67	21%	81	37	119%	205
Other dividend income	1	131	-99%	1	0%	1	131	-99%	190
Share of profit of associated companies	2	7	-71%	-4		2	7	-71%	11
Other income	42	35	20%	49	-14%	42	35	20%	154
<b>Total income</b>	<b>7,938</b>	<b>8,009</b>	<b>-1%</b>	<b>8,128</b>	<b>-2%</b>	<b>7,938</b>	<b>8,009</b>	<b>-1%</b>	<b>31,296</b>
Staff costs	-2,457	-2,356	4%	-2,466	0%	-2,457	-2,356	4%	-9,504
Other administrative expenses	-1,189	-1,195	-1%	-1,425	-17%	-1,189	-1,195	-1%	-5,062
Depreciation, amortisation and impairments of property, equipment and intangible assets	-118	-115	3%	-106	11%	-118	-115	3%	-452
<b>Total expenses</b>	<b>-3,764</b>	<b>-3,666</b>	<b>3%</b>	<b>-3,997</b>	<b>-6%</b>	<b>-3,764</b>	<b>-3,666</b>	<b>3%</b>	<b>-15,018</b>
<b>Profit before loan losses</b>	<b>4,174</b>	<b>4,343</b>	<b>-4%</b>	<b>4,131</b>	<b>1%</b>	<b>4,174</b>	<b>4,343</b>	<b>-4%</b>	<b>16,278</b>
Net loan losses	-244	-551	-56%	-293	-17%	-244	-551	-56%	-1,507
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	-5		0	0	0%	-1
<b>Operating profit</b>	<b>3,930</b>	<b>3,792</b>	<b>4%</b>	<b>3,833</b>	<b>3%</b>	<b>3,930</b>	<b>3,792</b>	<b>4%</b>	<b>14,770</b>
Taxes	-1,047	-968	8%	-1,030	2%	-1,047	-968	8%	-3,962
<b>Profit for the period from continuing operations</b>	<b>2,883</b>	<b>2,824</b>	<b>2%</b>	<b>2,803</b>	<b>3%</b>	<b>2,883</b>	<b>2,824</b>	<b>2%</b>	<b>10,808</b>
Profit for the period from discontinued operations, after tax	49	29	69%	89	-45%	49	29	69%	217
<b>Profit for the period</b>	<b>2,932</b>	<b>2,853</b>	<b>3%</b>	<b>2,892</b>	<b>1%</b>	<b>2,932</b>	<b>2,853</b>	<b>3%</b>	<b>11,025</b>
<b>Summary balance sheet</b>									
Loans to the public	1,531,500	1,490,097	3%	1,513,687	1%	1,531,500	1,490,097	3%	1,513,687
of which mortgage loans	772,800	698,363	11%	758,847	2%	772,800	698,363	11%	758,847
Deposits and borrowing from the public	641,709	596,027	8%	564,142	14%	641,709	596,027	8%	564,142
of which households	242,831	231,195	5%	243,930	0%	242,831	231,195	5%	243,930
Total equity	85,312	85,316	0%	88,391	-3%	85,312	85,316	0%	88,391
Total assets	2,249,549	2,221,785	1%	2,153,530	4%	2,249,549	2,221,785	1%	2,153,530
<b>Summary of key figures</b>									
Return on equity, total operations *	13.2%	13.5%		13.4%		13.2%	13.5%		12.9%
Return on equity, continuing operations *	12.9%	13.3%		13.0%		12.9%	13.3%		12.6%
C/I ratio, continuing operations	47.4%	45.8%		49.2%		47.4%	45.8%		48.0%
Earnings per share, total operations, SEK	4.71	4.59		4.65		4.71	4.59		17.72
- after dilution	4.63	4.51		4.60		4.63	4.51		17.44
Tier 1 ratio according to Basel II	17.2%	14.6%		16.5%		17.2%	14.6%		16.5%

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

# Business segments

## THE GROUP'S INCOME STATEMENT BY BUSINESS SEGMENT, JANUARY – MARCH 2011

SEK m	Branch office operations in Sweden	Branch office operations outside Sweden	Capital Markets	Other	Adjustments & eliminations	Group Jan-Mar 2011	Group Jan-Mar 2010
Net interest income	3,750	1,558	162	50	-13	5,507	5,316
Net fee and commission income	915	350	621	58		1,944	1,983
Net gains/losses on financial items at fair value	154	87	257	-137	0	361	500
Risk result - insurance			81			81	37
Share of profits of associated companies				2		2	7
Other income	15	9	4	14	1	43	166
<b>Total income</b>	<b>4,834</b>	<b>2,004</b>	<b>1,125</b>	<b>-13</b>	<b>-12</b>	<b>7,938</b>	<b>8,009</b>
Staff costs	-795	-646	-561	-638	183	-2,457	-2,356
Other administrative expenses	-256	-233	-214	-487	1	-1,189	-1,195
Internal purchased and sold services	-748	-211	-22	968	13		
Depreciation and amortisation	-23	-18	-12	-63	-2	-118	-115
<b>Total expenses</b>	<b>-1,822</b>	<b>-1,108</b>	<b>-809</b>	<b>-220</b>	<b>195</b>	<b>-3,764</b>	<b>-3,666</b>
<b>Profit before loan losses</b>	<b>3,012</b>	<b>896</b>	<b>316</b>	<b>-233</b>	<b>183</b>	<b>4,174</b>	<b>4,343</b>
Net loan losses	29	-273				-244	-551
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0		0	0
<b>Operating profit</b>	<b>3,041</b>	<b>623</b>	<b>316</b>	<b>-233</b>	<b>183</b>	<b>3,930</b>	<b>3,792</b>
Profit allocation	181	18	-199	0			
<b>Operating profit after profit allocation</b>	<b>3,222</b>	<b>641</b>	<b>117</b>	<b>-233</b>	<b>183</b>	<b>3,930</b>	<b>3,792</b>
Internal income *	-552	-1,519	-278	2,349	-		
Cost/income ratio, %	36.3	54.8	87.4			47.4	45.8
Loan loss ratio, %	-0.01	0.26				0.06	0.14
Allocated capital	50,634	24,992	6,197		3,516	85,312	85,316
Return on allocated capital, %	18.8	7.6	5.6			12.9	13.3
Average number of employees	4,395	3,062	1,625	1,984		11,066	10,636

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

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

Handelsbanken's operations comprise Branch office operations in Sweden, Branch office operations outside Sweden and Capital Markets.

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

Adjustments and eliminations columns show items which do not belong to a specific segment or which are eliminated at Group level. The Adjustments and eliminations column includes translation differences and adjustments for staff costs. Adjustments for staff costs include the difference between the Group's staff costs calculated in accordance with IAS 19 Employee benefits and the standard pension costs for the segments.

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

# Group performance

## JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

Operating profit rose by 4 per cent to SEK 3,930 million (3,792), chiefly due to lower loan losses. Adjusted for exchange rate movements of SEK -69 million, profit grew by 6 per cent.

The C/I ratio for continuing operations was 47.4 per cent (45.8).

Profit after tax for total operations went up by 3 per cent to SEK 2,932 million (2,853) and earnings per share increased to SEK 4.71 (4.59). Return on equity for total operations was 13.2 per cent (13.5).

### Income

SEK m	Jan-Mar 2011	Jan-Mar 2010	Change
Net interest income	5,507	5,316	4%
Net fee and commission income	1,944	1,983	-2%
Net financial items	361	500	-28%
Other income	126	210	-40%
<b>Total income</b>	<b>7,938</b>	<b>8,009</b>	<b>-1%</b>

Income decreased by 1 per cent to SEK 7,938 million. This was mainly attributable to exchange rate movements, increased government fees, and the fact that the Bank received a one-off dividend of SEK 130 million in the comparison period last year. Adjusted for this, income grew by 4 per cent.

Net interest income went up by 4 per cent to SEK 5,507 million, chiefly due to rising deposit margins and increasing deposit and lending volumes. Exchange rate movements affected net interest income by SEK -158 million and the fact that the Bank's refunding has been brought forward in time to an increased extent also had a negative impact of some SEK -120 million on net interest income. The Group's expenses relating to the Swedish Stabilisation Fund and various other deposit guarantees charged to net interest income increased by SEK 82 million to SEK -243 million (-161). This increase was primarily due to the fact that the full, standard fee is payable to the Swedish Stabilisation Fund as of 2011 compared with a halved fee in 2009 and 2010.

The average volume of loans to the public grew by 2 per cent to SEK 1,486 billion (1,463). Adjusted for exchange rate effects in branch office operations outside Sweden, the increase was 5 per cent.

The average volume of deposits increased by 8 per cent, with figures of 7 per cent for the household sector and 9 per cent for the corporate sector.

Net fee and commission income fell by 2 per cent to SEK 1,944 million (1,983). The decrease was mainly attributable to lower brokerage fees for structured products, lower insurance income and falling lending commissions. This decline was offset by an increase in mutual fund commissions of 23 per cent, or SEK 86 million.

Net gains/losses on financial items at fair value decreased to SEK 361 million (500), chiefly due to a higher

deferred capital contribution within Handelsbanken Liv and lower equity-related profits.

### Expenses

SEK m	Jan-Mar 2011	Jan-Mar 2010	Change
Staff costs	-2,457	-2,356	4%
Other administrative expenses	-1,189	-1,195	-1%
Depreciation and amortisation	-118	-115	3%
<b>Total expenses</b>	<b>-3,764</b>	<b>-3,666</b>	<b>3%</b>

Total expenses increased by 3 per cent to SEK -3,764 million. Staff costs rose by 4 per cent, chiefly due to annual salary adjustments and a higher number of employees. The allocation made to the Oktogonen Foundation increased to SEK -210 million (-187). Variable compensation, including social security costs and other payroll overheads, decreased to SEK -66 million (-91).

The average number of employees increased by 4 per cent to 11,066 (10,636).

Other administrative expenses were unchanged at SEK -1,189 million (-1,195). In most expense categories, the changes were small.

### Loan losses

SEK m	Jan-Mar 2011	Jan-Mar 2010	Change
Net loan losses	-244	-551	307
Loan loss ratio as a % of loans, annualised	0.06	0.14	-0.08
Impaired loans, net	3,615	2,143	1,472
Proportion of impaired loans, %	0.23	0.14	0.09

Loan losses went down to SEK -244 million and the loan loss ratio dropped to 0.06 per cent (0.14). Net impaired loans rose to SEK 3,615 million (2,143), corresponding to 0.23 per cent (0.14) of lending, but the level was unchanged compared with the fourth quarter.

## Q1 2011 COMPARED WITH Q4 2010

Operating profit rose by 3 per cent to SEK 3,930 million (3,833), chiefly due to seasonally lower expenses in the first quarter.

Profit after tax for total operations grew by 1 per cent to SEK 2,932 million (2,892) and earnings per share for total operations increased to SEK 4.71 (4.65). Return on equity was 13.2 per cent (13.4).

### Income

SEK m	Q1 2011	Q4 2010	Change
Net interest income	5,507	5,612	-2%
Net fee and commission income	1,944	2,127	-9%
Net financial items	361	276	31%
Other income	126	113	12%
<b>Total income</b>	<b>7,938</b>	<b>8,128</b>	<b>-2%</b>

Net interest income decreased by 2 per cent, or SEK 105 million, to SEK 5,507 million. This decline was due to the SEK 117 million increase in the fee to the Swedish Stabilisation Fund and other government fees to

SEK 243 million (-126), and the SEK 42 million decrease in the benchmark effect in Stadshypotek to SEK -10 million (32). Exchange rate movements affected net interest income by SEK -39 million. The fact that there are two fewer interest days in the first quarter than in the fourth quarter had a SEK -29 million impact on net interest income. Interest expense rose by approximately SEK 30 million as a result of funding being brought forward in time. Adjusted for this, net interest income grew by 3 per cent.

In the Norwegian operations, a decrease in lending margins was noted during the quarter. At the same time, the continued rise in interest rates contributed to higher earnings of SEK 193 million for the Swedish deposit operations during the period.

Average lending volumes to the public rose to SEK 1,486 billion (1,475). A slight increase in credit demand from companies was noted towards the end of the period, and during the quarter, volumes grew by 2 per cent adjusted for exchange rate movements.

Overall average deposits rose by 10 per cent to SEK 595 billion (541). The average volume of deposits from households was more or less unchanged, while deposits from companies increased by 17 per cent.

Net fee and commission income decreased by SEK 183 million or 9 per cent to SEK 1,944 million (2,127). Brokerage income decreased by SEK 109 million, due to a lower issue volume for structured products. This was also the reason for the 12 per cent decline in equity market-related commissions to SEK 921 million (1,042). Card commissions are seasonally lower in the first quarter, and amounted to SEK 391 million (442).

Net gains/losses on financial items at fair value rose to SEK 361 million (276). This was partly attributable to increased customer activity leading to higher profits for fixed income and foreign exchange trading.

#### Expenses

SEK m	Q1 2011	Q4 2010	Change
Staff costs	-2,457	-2,466	0%
Other administrative expenses	-1,189	-1,425	-17%
Depreciation and amortisation	-118	-106	11%
<b>Total expenses</b>	<b>-3,764</b>	<b>-3,997</b>	<b>-6%</b>

Total expenses fell by 6 per cent to SEK -3,764 million. Staff costs fell slightly. The allocation made to the Oktogonen profit-sharing foundation was SEK -210 million (-281). Variable compensation rose to SEK -66 million compared with SEK -61 million during the preceding quarter.

The average number of employees rose to 11,066 (10,947).

#### Loan losses

SEK m	Q1 2011	Q4 2010	Change
Net loan losses	-244	-293	49
Loan loss ratio as a % of loans, annualised	0.06	0.07	-0.01
Impaired loans, net	3,615	3,620	-5
Proportion of impaired loans, %	0.23	0.23	0.00

Loan losses fell to SEK -244 million (-293). Loan losses as a proportion of lending decreased to 0.06 per cent (0.07). Impaired loans decreased marginally to SEK 3,615 million (3,620), equivalent to 0.23 (0.23) per cent of lending.

#### PERFORMANCE IN THE BUSINESS SEGMENTS (Q1 2011 compared with Q4 2010)

In Branch office operations in Sweden operating profit increased by 2 per cent to SEK 3,041 million (2,975), primarily due to a 7 per cent rise in net interest income and a 2 per cent drop in costs. The loan loss ratio was -0.01 per cent (-0.01).

Operating profit from Branch office operations outside Sweden decreased by 6 per cent to SEK 623 million (665). Adjusted for rising government fees and the smaller number of interest days, the operating profit increased by 1 per cent. The loan loss ratio was 0.26 per cent (0.25).

Handelsbanken Capital Markets' operating profit increased by 44 per cent to SEK 316 million (220), mainly due to higher fund management commissions and increased profits from Handelsbanken Liv. Of the total operating profit, the investment bank represented SEK 128 million (122) and asset management operations accounted for SEK 188 million (98).

In the first quarter, net savings in Handelsbanken's funds were SEK 2.7 billion. The Bank's share of new savings in the Swedish mutual fund market was 25 per cent.

#### FUNDING AND LIQUIDITY

Handelsbanken has maintained its strong position on the funding market. At the end of the quarter, the Bank's five-year CDS spread was at 59 basis points. This is the lowest figure among European banks. It can be compared with the index for major European banks and insurance companies, ITRAXX Financials, which stood at 145 basis points. The low CDS spread means that the Bank can issue bonds at lower prices than its peers.

In order to guarantee a good, stable position in the funding market in the long term, the Bank is continuing to issue senior bonds even though there is large scope for issuing cheaper covered bonds. A balance between senior and covered bonds is crucial so as not to subordinate the rights of senior creditors to too high a degree. It is also the case that the unutilised scope for issuing covered bonds boosts the Bank's liquidity position. In the first quarter, the issue volume for bonds amounted to SEK 68 billion, comprising SEK 36 billion

in senior funding and SEK 32 billion in covered bonds. In 2010 and the first quarter of 2011, the Bank has issued a volume of bonds that refinances all bond maturities up to the first quarter of 2012.

During the quarter, Handelsbanken became the first Nordic bank to issue a bond in the Chinese currency, the yuan. The issue was carried out in Hong Kong and attracted a great deal of interest.

The Bank's liquidity situation is very good, and the liquidity reserve at the end of the period exceeded SEK 600 billion. The reserves cover the Bank's liquidity requirement for over two years even if access to new funding in the markets were to disappear. Liquid assets invested with central banks rose to SEK 227 billion of the reserve, while the pledge value of liquid bonds accounted for SEK 71 billion. In addition, there is an unutilised issue amount for covered bonds at Stadshypotek.

## CAPITAL

SEK m	31 Mar 2011	31 Dec 2010	Change
Tier 1 ratio according to Basel II	17.2%	16.5%	
Capital ratio according to Basel II	20.4%	20.9%	
Equity	85,312	88,391	-3%
Tier 1 capital	88,819	87,796	1%

The capital base amounted to SEK 105 billion (111) and the capital ratio according to Basel II was 20.4 per cent, compared with 20.9 per cent at the end of 2010. During the first quarter, a subordinated loan of USD 800 million was repaid which explains the decrease during the quarter.

Since the Bank's dividend of SEK 5.6 billion was already paid out during the first quarter, equity decreased by 3 per cent and amounted to SEK 85.3 billion.

Tier 1 capital increased to SEK 88.8 billion (87.8), and in the first quarter the Tier 1 ratio according to Basel II went up by 0.7 percentage points to 17.2 per cent. The profit for the period explains 0.3 percentage points of the increase and the remainder is due to reduced risk-weighted assets, partly as a result of exchange rate movements and improved credit quality.

## RATING

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

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

## DISCONTINUED OPERATIONS

Discontinued operations includes businesses acquired by the Bank to protect its claims that it intends to divest. Profit after tax in the first quarter amounted to SEK 49 million, as compared to 29 million in the corresponding period of the previous year.

## 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 peer banks. Handelsbanken Finans has a full range of finance company services. Handelsbanken Finans works through the Bank's branches and in financing collaborations with retailers and vendors. Stadshypotek is the Bank's mortgage company, and is completely integrated with the branch operations.

### INCOME STATEMENT

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Net interest income	3,750	3,212	17%	3,498	7%	3,750	3,212	17%	12,993
Net fee and commission income	915	907	1%	1,060	-14%	915	907	1%	3,819
Net gains/losses on financial items at fair value	154	122	26%	250	-38%	154	122	26%	704
Other income	15	4	275%	8	88%	15	4	275%	16
<b>Total income</b>	<b>4,834</b>	<b>4,245</b>	<b>14%</b>	<b>4,816</b>	<b>0%</b>	<b>4,834</b>	<b>4,245</b>	<b>14%</b>	<b>17,532</b>
Staff costs	-795	-762	4%	-762	4%	-795	-762	4%	-3,012
Other administrative expenses	-256	-235	9%	-294	-13%	-256	-235	9%	-1,010
Internal purchased and sold services	-748	-708	6%	-777	-4%	-748	-708	6%	-2,958
Depreciation and amortisation	-23	-21	10%	-22	5%	-23	-21	10%	-85
<b>Total expenses</b>	<b>-1,822</b>	<b>-1,726</b>	<b>6%</b>	<b>-1,855</b>	<b>-2%</b>	<b>-1,822</b>	<b>-1,726</b>	<b>6%</b>	<b>-7,065</b>
<b>Profit before loan losses</b>	<b>3,012</b>	<b>2,519</b>	<b>20%</b>	<b>2,961</b>	<b>2%</b>	<b>3,012</b>	<b>2,519</b>	<b>20%</b>	<b>10,467</b>
Net loan losses	29	-115		14	107%	29	-115		-99
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0	0%	0
<b>Operating profit</b>	<b>3,041</b>	<b>2,404</b>	<b>26%</b>	<b>2,975</b>	<b>2%</b>	<b>3,041</b>	<b>2,404</b>	<b>26%</b>	<b>10,368</b>
Profit allocation	181	119	52%	263	-31%	181	119	52%	811
<b>Operating profit after profit allocation</b>	<b>3,222</b>	<b>2,523</b>	<b>28%</b>	<b>3,238</b>	<b>0%</b>	<b>3,222</b>	<b>2,523</b>	<b>28%</b>	<b>11,179</b>
Internal income	-552	-491	-12%	-571	3%	-552	-491	-12%	-2,004
Cost/income ratio, %	36.3	39.6		36.5		36.3	39.6		38.5
Loan loss ratio, %	-0.01	0.05		-0.01		-0.01	0.05		0.01
Allocated capital	50,634	42,527	19%	43,880	15%	50,634	42,527	19%	43,880
Return on allocated capital, %	18.8	17.5		21.8		18.8	17.5		19.5
Average number of employees	4,395	4,346	1%	4,338	1%	4,395	4,346	1%	4,386
Number of branches	461	461	0%	461	0%	461	461	0%	461

### BUSINESS VOLUMES

Average volumes, SEK bn	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Loans to the public*									
Household	557	515	8%	552	1%	557	515	8%	534
of which mortgage loans	505	460	10%	495	2%	505	460	10%	478
Corporate	460	466	-1%	457	1%	460	466	-1%	464
of which mortgage loans	206	181	14%	198	4%	206	181	14%	190
<b>Total</b>	<b>1,017</b>	<b>981</b>	<b>4%</b>	<b>1,009</b>	<b>1%</b>	<b>1,017</b>	<b>981</b>	<b>4%</b>	<b>998</b>
Deposits and borrowing from the public									
Household	191	173	10%	190	1%	191	173	10%	182
Corporate	156	155	1%	148	5%	156	155	1%	150
<b>Total</b>	<b>347</b>	<b>328</b>	<b>6%</b>	<b>338</b>	<b>3%</b>	<b>347</b>	<b>328</b>	<b>6%</b>	<b>332</b>

\* excl. loans to the National Debt Office

## JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

### Earnings performance

Operating profit increased by 26 per cent to SEK 3,041 million (2,404), due chiefly to improved net interest income, but also to lower loan losses.

Net interest income rose by 17 per cent, or SEK 538 million, to SEK 3,750 million (3,212). Higher deposit margins resulting from higher interest rates caused net interest income to improve by SEK 686 million. The effect of greater deposit volumes amounted to SEK 59 million. Lending margins declined somewhat, primarily due to a changed product mix. The fee to the Stabilisation Fund burdened net interest income by SEK -104 million (-51).

Net fee and commission income rose by 1 per cent, due to higher commissions on asset management and payments.

Net gains/losses on financial items at fair value, which consists chiefly of currency conversions and early redemption charges, increased to SEK 154 million (122).

Total expenses rose by 6 per cent to SEK 1,822 million (-1,726). Staff costs increased by 4 per cent as a result of the annual salary adjustment for 2010 and the growing number of employees. The C/I ratio improved to 36.3 per cent (39.6).

Recoveries for the quarter exceeded loan losses and net recoveries totalled SEK 29 million, as compared to loan losses of SEK -115 million in the period of comparison. Thus the loan loss ratio improved to -0.01 per cent (0.05).

### Business development

The average volume of deposits from households continued to increased, amounting to SEK 191 billion (173), a rise of 10 per cent compared with the previous year. At the same time, figures from Svensk Fondstatistik showed that Handelsbanken's share of the mutual funds market continues to grow. During the first three months of the year, the Bank's share of new savings on the Swedish mutual funds market amounted to 25 per cent of the total net inflow. This share is more than twice as high as the Bank's share of overall outstanding mutual fund volumes in Sweden.

The average volume of mortgage loans to private individuals grew by 10 per cent to SEK 505 billion (460). Corporate lending decreased by 1 per cent compared to the corresponding period in the previous year and was SEK 460 billion (466).

## Q1 2011 COMPARED WITH Q4 2010

Operating profit rose by 2 per cent to SEK 3,041 million (2,975), chiefly due to improved net interest income. Profit before loan losses rose by 2 per cent to SEK 3,012 million (2,961).

Net interest income grew by SEK 252 million, or 7 per cent, between the quarters. SEK 213 million of the increase was attributable to deposit operations, with improving margins in the wake of higher interest rates accounting for SEK 193 million and growing volumes for SEK 20 million. The benchmark effect in Stadshypotek affected net interest income negatively by SEK -10 million (32). The change in the composition of lending, with an increasing share of mortgage loans, had a negative impact on net interest income. Fees for the Swedish Stabilisation Fund and the deposit guarantee increased to SEK -155 million (-83).

Lending to households continued to grow, and the average volume of mortgage loans to private customers increased by SEK 10 billion (11) to SEK 505 billion (495). The margin on the mortgage loan portfolio was stable at 0.68 per cent (0.68). The average volume of corporate deposits grew by SEK 3 billion to SEK 460 billion (457).

Net fee and commission income declined by SEK 145 million to SEK 915 million (1,060), primarily because payment commissions are seasonally higher in the fourth quarter.

Net gains/losses on financial items at fair value decreased to SEK 154 million (250), partly due to lower foreign exchange-related earnings.

A decrease in other administrative expenses, which are seasonally higher in the fourth quarter, was the main reason for the 2 per cent fall in total expenses to SEK -1,822 million (-1,855). Staff costs rose by 4 per cent, due to annual salary adjustments and a 1 per cent increase in the average number of employees.

Recoveries exceeded the quarter's loan losses; net recoveries totalled SEK 29 million (14). The loan loss ratio was unchanged at -0.01 per cent.

## Branch office operations outside Sweden

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

### INCOME STATEMENT

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Net interest income	1,558	1,765	-12%	1,689	-8%	1,558	1,765	-12%	6,933
Net fee and commission income	350	400	-13%	379	-8%	350	400	-13%	1,537
Net gains/losses on financial items at fair value	87	61	43%	125	-30%	87	61	43%	273
Other income	9	17	-47%	14	-36%	9	17	-47%	66
<b>Total income</b>	<b>2,004</b>	<b>2,243</b>	<b>-11%</b>	<b>2,207</b>	<b>-9%</b>	<b>2,004</b>	<b>2,243</b>	<b>-11%</b>	<b>8,809</b>
Staff costs	-646	-658	-2%	-636	2%	-646	-658	-2%	-2,590
Other administrative expenses	-233	-248	-6%	-306	-24%	-233	-248	-6%	-1,054
Internal purchased and sold services	-211	-208	1%	-278	-24%	-211	-208	1%	-900
Depreciation and amortisation	-18	-20	-10%	-15	20%	-18	-20	-10%	-73
<b>Total expenses</b>	<b>-1,108</b>	<b>-1,134</b>	<b>-2%</b>	<b>-1,235</b>	<b>-10%</b>	<b>-1,108</b>	<b>-1,134</b>	<b>-2%</b>	<b>-4,617</b>
<b>Profit before loan losses</b>	<b>896</b>	<b>1,109</b>	<b>-19%</b>	<b>972</b>	<b>-8%</b>	<b>896</b>	<b>1,109</b>	<b>-19%</b>	<b>4,192</b>
Net loan losses	-273	-436	-37%	-307	-11%	-273	-436	-37%	-1,408
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0	0%	0
<b>Operating profit</b>	<b>623</b>	<b>673</b>	<b>-7%</b>	<b>665</b>	<b>-6%</b>	<b>623</b>	<b>673</b>	<b>-7%</b>	<b>2,784</b>
Profit allocation	18	26	-31%	64	-72%	18	26	-31%	202
<b>Operating profit after profit allocation</b>	<b>641</b>	<b>699</b>	<b>-8%</b>	<b>729</b>	<b>-12%</b>	<b>641</b>	<b>699</b>	<b>-8%</b>	<b>2,986</b>
Internal income	-1,519	-1,323	-15%	-1,529	1%	-1,519	-1,323	-15%	-5,954
Cost/income ratio, %	54.8	50.0		54.4		54.8	50.0		51.2
Loan loss ratio, %	0.26	0.35		0.25		0.26	0.35		0.28
Allocated capital	24,992	26,794	-7%	25,117	0%	24,992	26,794	-7%	25,117
Return on allocated capital, %	7.6	7.7		8.6		7.6	7.7		8.4
Average number of employees	3,062	2,886	6%	3,003	2%	3,062	2,886	6%	2,931
Number of branches	273	244	12%	262	4%	273	244	12%	262

### BUSINESS VOLUMES

Average volumes, SEK bn	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Loans to the public									
Household	146	142	3%	143	2%	146	142	3%	143
Corporate	296	326	-9%	306	-3%	296	326	-9%	318
<b>Total</b>	<b>442</b>	<b>468</b>	<b>-6%</b>	<b>449</b>	<b>-2%</b>	<b>442</b>	<b>468</b>	<b>-6%</b>	<b>461</b>
Deposits and borrowing from the public									
Household	39	42	-7%	40	-3%	39	42	-7%	42
Corporate	103	111	-7%	102	1%	103	111	-7%	103
<b>Total</b>	<b>142</b>	<b>153</b>	<b>-7%</b>	<b>142</b>	<b>0%</b>	<b>142</b>	<b>153</b>	<b>-7%</b>	<b>145</b>

## JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

### Earnings performance

Operating profit fell by SEK 50 million or 7 per cent to SEK 623 million (673). Exchange rate movements resulting from the appreciation of the Swedish krona had a SEK -52 million negative impact on profits and are the reason for the entire decrease in profits.

Net interest income decreased by SEK 207 million, or 12 per cent, to SEK 1,558 million (1,765), of which three quarters or SEK 145 million was due to exchange rate movements. Fees for state and deposit guarantees rose by SEK 18 million to SEK -80 million (-62). Net interest income was also adversely affected by lower lending volumes in Handelsbanken International.

Expenses fell by 2 per cent, which was entirely attributable to exchange rate movements.

Loan losses were lower at SEK -273 million (-436), and the loan loss ratio was 0.26 per cent (0.35).

The average volume of lending went down by 6 per cent to SEK 442 billion (468), which was entirely due to exchange rate movements and to the deliberate reduction of lending volumes at Handelsbanken International.

## Q1 2011 COMPARED WITH Q4 2010

Operating profit decreased by 6 per cent to SEK 623 million (665). Adjusted for rising government fees and the smaller number of interest days, the operating profit increased by 2 per cent. The loan loss ratio was 0.26 per cent (0.25).

Net interest income decreased by SEK 131 million, or 8 per cent to SEK 1,558 million (1,689), with SEK 38 million of the decrease being due to exchange rate effects. The cost for the Swedish Stabilisation Fund and the deposit guarantee was SEK 39 million higher than in the preceding quarter. Adjusted for these items, net interest income went down by 1 per cent. In local currencies, lending volumes increased in Great Britain and Norway.

Expenses decreased by 10 per cent, or SEK 127 million, with SEK 44 million of this being due to exchange rate movements. Expansion costs for new branch offices amounted to SEK -34 million (-24).

Loan losses went down to SEK -273 million (-307), and the loan loss ratio was 0.26 per cent (0.25).

## Branch office operations in Great Britain

### INCOME STATEMENT

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Net interest income	329	279	18%	339	-3%	329	279	18%	1,270
Net fee and commission income	16	18	-11%	17	-6%	16	18	-11%	73
Net gains/losses on financial items at fair value	17	11	55%	22	-23%	17	11	55%	61
Other income	0	0	0%	0	0%	0	0	0%	0
<b>Total income</b>	<b>362</b>	<b>308</b>	<b>18%</b>	<b>378</b>	<b>-4%</b>	<b>362</b>	<b>308</b>	<b>18%</b>	<b>1,404</b>
Staff costs	-140	-121	16%	-140	0%	-140	-121	16%	-523
Other administrative expenses	-30	-31	-3%	-35	-14%	-30	-31	-3%	-133
Internal purchased and sold services	-33	-23	43%	-35	-6%	-33	-23	43%	-108
Depreciation and amortisation	-2	-2	0%	-1	100%	-2	-2	0%	-9
<b>Total expenses</b>	<b>-205</b>	<b>-177</b>	<b>16%</b>	<b>-211</b>	<b>-3%</b>	<b>-205</b>	<b>-177</b>	<b>16%</b>	<b>-773</b>
<b>Profit before loan losses</b>	<b>157</b>	<b>131</b>	<b>20%</b>	<b>167</b>	<b>-6%</b>	<b>157</b>	<b>131</b>	<b>20%</b>	<b>631</b>
Net loan losses	-56	-	-	-37	51%	-56	-	-	-220
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0	0%	0
<b>Operating profit</b>	<b>101</b>	<b>131</b>	<b>-23%</b>	<b>130</b>	<b>-22%</b>	<b>101</b>	<b>131</b>	<b>-23%</b>	<b>411</b>
Profit allocation	3	7	-57%	7	-57%	3	7	-57%	20
<b>Operating profit after profit allocation</b>	<b>104</b>	<b>138</b>	<b>-25%</b>	<b>137</b>	<b>-24%</b>	<b>104</b>	<b>138</b>	<b>-25%</b>	<b>431</b>
Average number of employees	689	531	30%	645	7%	689	531	30%	585
Number of branches	90	66	36%	83	8%	90	66	36%	83

### BUSINESS VOLUMES

Average volumes, GBP m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Loans to the public									
Household	1,667	1,165	43%	1,516	10%	1,667	1,165	43%	1,324
Corporate	5,081	4,519	12%	4,972	2%	5,081	4,519	12%	4,769
<b>Total</b>	<b>6,748</b>	<b>5,684</b>	<b>19%</b>	<b>6,488</b>	<b>4%</b>	<b>6,748</b>	<b>5,684</b>	<b>19%</b>	<b>6,093</b>
Deposits and borrowing from the public									
Household	361	315	15%	347	4%	361	315	15%	335
Corporate	1,110	1,035	7%	1,158	-4%	1,110	1,035	7%	1,071
<b>Total</b>	<b>1,471</b>	<b>1,350</b>	<b>9%</b>	<b>1,505</b>	<b>-2%</b>	<b>1,471</b>	<b>1,350</b>	<b>9%</b>	<b>1,406</b>

### JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

#### Earnings performance

Operating profit decreased by 23 per cent to SEK 101 million (131), due to higher loan losses. The stronger Swedish kronor also had a negative impact on the figure. In local currency, profit before loan losses grew by 30 per cent.

Income rose by 18 per cent and net interest income grew by 18 per cent to SEK 329 million (279), which was attributable to higher lending margins and larger business volumes. Deposits increased by 9 per cent, while lending grew by 19 per cent. Exchange rate effects had a SEK -25 million impact on net interest income; in local currency, net interest income grew by 28 per cent.

Net gains/losses on financial items grew by 55 per cent to SEK 17 million (11), due to the increased volume of foreign exchange business.

Expenses rose by 16 per cent to SEK -205 million (-177) 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 36 per cent to 689 (531). In local currency, expenses rose by 25 per cent.

Loan losses were SEK -56 million (-).

#### Business development

The average loan volume rose by 19 per cent to GBP 6,748 million (5,684), with loans to households rising by 43 per cent. Deposit volumes grew by 9 per cent to GBP 1,471 million, with household deposits increasing by 15 per cent.

In the past 12 months, 24 new branches have opened, and seven branches were opened during the first three months of the year. In addition, a further seven managers have been recruited for new branches to be opened.

As of 1 January 2011, the British branch operations are organised into three regional banks with a head office in London.

#### Q1 2011 COMPARED WITH Q4 2010

Operating profit decreased to SEK 101 million (130), due partly to exchange rate movements and partly to higher provisions for possible loan losses. Operating profit before loan losses fell by 6 per cent to SEK 157 million (167). The decrease was attributable to higher costs for expansion and exchange rate movements. Adjusted for the appreciation of the Swedish krona, as well as for higher fees to the Swedish Stabilisation Fund and the deposit guarantee, net interest income increased by 3 per cent.

## Branch office operations in Denmark

### INCOME STATEMENT

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Net interest income	272	308	-12%	302	-10%	272	308	-12%	1,199
Net fee and commission income	70	71	-1%	67	4%	70	71	-1%	290
Net gains/losses on financial items at fair value	8	16	-50%	10	-20%	8	16	-50%	55
Other income	2	2	0%	5	-60%	2	2	0%	16
<b>Total income</b>	<b>352</b>	<b>397</b>	<b>-11%</b>	<b>384</b>	<b>-8%</b>	<b>352</b>	<b>397</b>	<b>-11%</b>	<b>1,560</b>
Staff costs	-131	-142	-8%	-136	-4%	-131	-142	-8%	-551
Other administrative expenses	-46	-50	-8%	-74	-38%	-46	-50	-8%	-229
Internal purchased and sold services	-47	-50	-6%	-61	-23%	-47	-50	-6%	-204
Depreciation and amortisation	-4	-5	-20%	-3	33%	-4	-5	-20%	-17
<b>Total expenses</b>	<b>-228</b>	<b>-247</b>	<b>-8%</b>	<b>-274</b>	<b>-17%</b>	<b>-228</b>	<b>-247</b>	<b>-8%</b>	<b>-1,001</b>
<b>Profit before loan losses</b>	<b>124</b>	<b>150</b>	<b>-17%</b>	<b>110</b>	<b>13%</b>	<b>124</b>	<b>150</b>	<b>-17%</b>	<b>559</b>
Net loan losses	-130	-19		-302	-57%	-130	-19		-367
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	0	0%	0	0	0%	0
<b>Operating profit</b>	<b>-6</b>	<b>131</b>		<b>-192</b>	<b>97%</b>	<b>-6</b>	<b>131</b>		<b>192</b>
Profit allocation	1	2	-50%	7	-86%	1	2	-50%	12
<b>Operating profit after profit allocation</b>	<b>-5</b>	<b>133</b>		<b>-185</b>	<b>97%</b>	<b>-5</b>	<b>133</b>		<b>204</b>
Average number of employees	621	633	-2%	623	0%	621	633	-2%	627
Number of branches	54	53	2%	53	2%	54	53	2%	53

### BUSINESS VOLUMES

Average volumes, DKK bn	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Loans to the public									
Household	21.2	19.0	12%	20.3	4%	21.2	19.0	12%	19.5
Corporate	19.4	20.2	-4%	20.3	-4%	19.4	20.2	-4%	20.1
<b>Total</b>	<b>40.6</b>	<b>39.2</b>	<b>4%</b>	<b>40.6</b>	<b>0%</b>	<b>40.6</b>	<b>39.2</b>	<b>4%</b>	<b>39.6</b>
Deposits and borrowing from the public									
Household	8.1	8.4	-4%	8.4	-4%	8.1	8.4	-4%	8.5
Corporate	12.2	12.1	1%	12.0	2%	12.2	12.1	1%	12.3
<b>Total</b>	<b>20.3</b>	<b>20.5</b>	<b>-1%</b>	<b>20.4</b>	<b>0%</b>	<b>20.3</b>	<b>20.5</b>	<b>-1%</b>	<b>20.8</b>

### JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

#### Earnings performance

Operating profit decreased to SEK -6 million (131), mainly due to higher loan losses. Both income and expenses were affected by the 11 per cent appreciation of the Swedish krona. Adjusted for exchange rate movements, profit before loan losses decreased by 7 per cent.

Income fell by 11 per cent, which was entirely attributable to the appreciation of the Swedish krona. Net interest income decreased by SEK 36 million, of which SEK 33 million was due to exchange rate movements. The fee for the Swedish Stabilisation Fund burdened net interest income by SEK -8 million (-4).

Loan losses were SEK -130 million (-19). Loan losses were chiefly attributable to provisions made on one customer exposure.

#### Business development

During the past 12 months lending to households has grown by 12 per cent, and the Bank has won market share. Corporate lending has decreased by 4 per cent,

due to the low demand for credit in the market. In total, the average volume of lending increased by 4 per cent to DKK 40.6 billion (39.2).

The volume of mutual funds in Handelsinvest grew by 39 per cent, which was entirely attributable to an increase in new savings.

### Q1 2011 COMPARED WITH Q4 2010

Operating profit rose to SEK -6 million (-192), partly due to lower loan losses. The profit before loan losses increased by 13 per cent, mainly because expenses are lower in the first quarter, due to seasonal variations.

Net interest income decreased by 10 per cent or SEK 30 million, of which SEK 10 million was due to exchange rate movements. Higher fees for the Swedish Stabilisation Fund and the fact that the first quarter has fewer days also negatively affected net interest income.

Expenses fell by 17 per cent, partly due to exchange rate movements, and partly because expenses are higher in the quarter of comparison due to seasonal variations.

Loan losses fell to SEK -130 million (-302).

## Branch office operations in Finland

### INCOME STATEMENT

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Net interest income	205	262	-22%	220	-7%	205	262	-22%	974
Net fee and commission income	86	92	-7%	105	-18%	86	92	-7%	392
Net gains/losses on financial items at fair value	9	1		10	-10%	9	1		27
Other income	2	2	0%	3	-33%	2	2	0%	7
<b>Total income</b>	<b>302</b>	<b>357</b>	<b>-15%</b>	<b>338</b>	<b>-11%</b>	<b>302</b>	<b>357</b>	<b>-15%</b>	<b>1,400</b>
Staff costs	-81	-97	-16%	-90	-10%	-81	-97	-16%	-354
Other administrative expenses	-44	-53	-17%	-57	-23%	-44	-53	-17%	-212
Internal purchased and sold services	-38	-42	-10%	-53	-28%	-38	-42	-10%	-189
Depreciation and amortisation	-5	-6	-17%	-4	25%	-5	-6	-17%	-20
<b>Total expenses</b>	<b>-168</b>	<b>-198</b>	<b>-15%</b>	<b>-204</b>	<b>-18%</b>	<b>-168</b>	<b>-198</b>	<b>-15%</b>	<b>-775</b>
<b>Profit before loan losses</b>	<b>134</b>	<b>159</b>	<b>-16%</b>	<b>134</b>	<b>0%</b>	<b>134</b>	<b>159</b>	<b>-16%</b>	<b>625</b>
Net loan losses	-20	-29	-31%	40		-20	-29	-31%	-427
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
<b>Operating profit</b>	<b>114</b>	<b>130</b>	<b>-12%</b>	<b>174</b>	<b>-34%</b>	<b>114</b>	<b>130</b>	<b>-12%</b>	<b>198</b>
Profit allocation	10	5	100%	23	-57%	10	5	100%	55
<b>Operating profit after profit allocation</b>	<b>124</b>	<b>135</b>	<b>-8%</b>	<b>197</b>	<b>-37%</b>	<b>124</b>	<b>135</b>	<b>-8%</b>	<b>253</b>
Average number of employees	477	496	-4%	483	-1%	477	496	-4%	487
Number of branches	45	45	0%	45	0%	45	45	0%	45

### BUSINESS VOLUMES

Average volumes, EUR m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Loans to the public									
Household	3,209	3,122	3%	3,196	0%	3,209	3,122	3%	3,160
Corporate	6,600	6,747	-2%	6,684	-1%	6,600	6,747	-2%	6,745
<b>Total</b>	<b>9,809</b>	<b>9,869</b>	<b>-1%</b>	<b>9,880</b>	<b>-1%</b>	<b>9,809</b>	<b>9,869</b>	<b>-1%</b>	<b>9,905</b>
Deposits and borrowing from the public									
Household	1,214	1,267	-4%	1,248	-3%	1,214	1,267	-4%	1,263
Corporate	2,249	2,604	-14%	2,512	-10%	2,249	2,604	-14%	2,515
<b>Total</b>	<b>3,463</b>	<b>3,871</b>	<b>-11%</b>	<b>3,760</b>	<b>-8%</b>	<b>3,463</b>	<b>3,871</b>	<b>-11%</b>	<b>3,778</b>

### JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

#### Earnings performance

Operating profit went down by 12 per cent to SEK 114 million (130), which was almost entirely attributable to the Swedish krona appreciating by 11 per cent against the euro. Adjusted for rising government fees, profits in local currency grew by 2 per cent.

Net interest income fell by 22 per cent but adjusted for exchange rate movements, the decrease was 12 per cent. This was partly due to a higher fee to the Swedish Stabilisation Fund and lower deposit volumes.

Net fee and commission income, expressed in local currency, increased by 5 per cent, largely due to higher securities commissions.

Expenses fell by 15 per cent, or SEK 30 million, of which just over SEK 20 million was due to the stronger Swedish krona. In local currency, expenses fell by 5 per cent, which was mainly due to the average number of employees decreasing by 19 persons, or 4 per cent.

Loan losses fell to SEK -20 million (-29).

#### Business development

Credit demand from companies was weak and the average volume of corporate lending fell by 2 per cent from the preceding year to EUR 6.6 billion (6.7). Loans to households rose, however, by 3 per cent to EUR 3.2 billion (3.1). Deposits from the public decreased by 11 per cent, mainly due to lower corporate deposits.

#### Q1 2011 COMPARED WITH Q4 2010

Operating profit fell by 34 per cent to SEK 114 million (174), which was entirely due to the fact that net recoveries were reported in the quarter of comparison. Profit before loan losses was unchanged from quarter to quarter at SEK 134 million. Adjusted for exchange rate movements, profit before loan losses rose by 3 per cent.

Net interest income decreased by SEK 15 million, or 7 per cent. Adjusted for exchange rate movements, the fact that the quarter has fewer days, and higher government fees, net interest income rose by 2 per cent.

Expenses fell due to seasonal variations, and expressed in local currency, the decrease was 14 per cent. Staff costs went down due to a one per cent decrease in the number of employees.

## Branch office operations in Norway

### INCOME STATEMENT

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Net interest income	555	687	-19%	614	-10%	555	687	-19%	2,564
Net fee and commission income	70	75	-7%	75	-7%	70	75	-7%	301
Net gains/losses on financial items at fair value	29	26	12%	55	-47%	29	26	12%	109
Other income	4	12	-67%	5	-20%	4	12	-67%	38
<b>Total income</b>	<b>658</b>	<b>800</b>	<b>-18%</b>	<b>749</b>	<b>-12%</b>	<b>658</b>	<b>800</b>	<b>-18%</b>	<b>3,012</b>
Staff costs	-151	-152	-1%	-118	28%	-151	-152	-1%	-570
Other administrative expenses	-64	-65	-2%	-70	-9%	-64	-65	-2%	-255
Internal purchased and sold services	-56	-53	6%	-66	-15%	-56	-53	6%	-216
Depreciation and amortisation	-4	-4	0%	-4	0%	-4	-4	0%	-15
<b>Total expenses</b>	<b>-275</b>	<b>-274</b>	<b>0%</b>	<b>-258</b>	<b>7%</b>	<b>-275</b>	<b>-274</b>	<b>0%</b>	<b>-1,056</b>
<b>Profit before loan losses</b>	<b>383</b>	<b>526</b>	<b>-27%</b>	<b>491</b>	<b>-22%</b>	<b>383</b>	<b>526</b>	<b>-27%</b>	<b>1,956</b>
Net loan losses	-81	-48	69%	-30	170%	-81	-48	69%	-101
Gains/losses on disposal of property, equipment and intangible assets	0	0	-90%	1	-100%	0	0		1
<b>Operating profit</b>	<b>302</b>	<b>478</b>	<b>-37%</b>	<b>462</b>	<b>-35%</b>	<b>302</b>	<b>478</b>	<b>-37%</b>	<b>1,856</b>
Profit allocation	3	8	-63%	15	-80%	3	8	-63%	65
<b>Operating profit after profit allocation</b>	<b>305</b>	<b>486</b>	<b>-37%</b>	<b>477</b>	<b>-36%</b>	<b>305</b>	<b>486</b>	<b>-37%</b>	<b>1,921</b>
Average number of employees	647	621	4%	633	2%	647	621	4%	622
Number of branches	50	48	4%	49	2%	50	48	4%	49

### BUSINESS VOLUMES

Average volumes, NOK bn	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Loans to the public									
Household	60.9	53.3	14%	57.5	6%	60.9	53.3	14%	55.3
Corporate	100.9	101.3	0%	103.7	-3%	100.9	101.3	0%	102.1
<b>Total</b>	<b>161.8</b>	<b>154.6</b>	<b>5%</b>	<b>161.2</b>	<b>0%</b>	<b>161.8</b>	<b>154.6</b>	<b>5%</b>	<b>157.4</b>
Deposits and borrowing from the public									
Household	10.8	9.0	20%	10.3	5%	10.8	9.0	20%	9.6
Corporate	38.4	35.7	8%	34.5	11%	38.4	35.7	8%	33.2
<b>Total</b>	<b>49.2</b>	<b>44.7</b>	<b>10%</b>	<b>44.8</b>	<b>10%</b>	<b>49.2</b>	<b>44.7</b>	<b>10%</b>	<b>42.8</b>

### JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

#### Earnings performance

Operating profit decreased by 37 per cent to SEK 302 million (478). The profit figure was negatively impacted by both the effect of exchange rate movements and higher loan losses. Expressed in local currency, profit before loan losses was 21 per cent lower, mainly due to reduced net interest income.

Net interest income fell by SEK 132 million, or 19 per cent, of which SEK 49 million was attributable to the appreciation of the Swedish krona. Increasing price pressure caused loan margins to shrink. Fees to the Swedish Stabilisation Fund rose by SEK 14 million, and burdened net interest income by SEK -26 million (-12).

Expenses were more or less unchanged at SEK -275 million (274). Adjusted for exchange rate movements, expenses increased by 9 per cent, with staff costs rising by 8 per cent, partly as a result of a 4 per cent increase in the average number of employees.

Loan losses increased to SEK -81 million (-48).

#### Business development

Business volumes from private customers increased from the previous year – deposits by 20 per cent and lending by 14 per cent. In addition, deposits from companies grew by 8 per cent, while lending to corporate customers was virtually unchanged.

#### Q1 2011 COMPARED WITH Q4 2010

Operating profit fell by 35 per cent due to lower income, as well as higher expenses and loan losses.

Net interest income decreased by 10 per cent, or SEK 59 million to SEK 555 million (614), of which SEK -6 million was due to exchange rate effects. Both deposit and lending margins fell. Net interest income was negatively affected by SEK -13 million due to the smaller number of interest days than in the previous quarter, and by SEK -15 million due to increasing government fees.

Staff costs rose by SEK 33 million. In the previous quarter, a change in Norwegian pension legislation resulted in a positive one-off effect of SEK 38 million.

## Handelsbanken International

### INCOME STATEMENT

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Net interest income	197	229	-14%	214	-8%	197	229	-14%	926
Net fee and commission income	108	144	-25%	115	-6%	108	144	-25%	481
Net gains/losses on financial items at fair value	24	7	243%	28	-14%	24	7	243%	21
Other income	1	1	0%	1	0%	1	1	0%	5
<b>Total income</b>	<b>330</b>	<b>381</b>	<b>-13%</b>	<b>358</b>	<b>-8%</b>	<b>330</b>	<b>381</b>	<b>-13%</b>	<b>1,433</b>
Staff costs	-143	-146	-2%	-152	-6%	-143	-146	-2%	-592
Other administrative expenses	-49	-49	0%	-70	-30%	-49	-49	0%	-225
Internal purchased and sold services	-37	-40	-8%	-63	-41%	-37	-40	-8%	-183
Depreciation and amortisation	-3	-3	0%	-3	0%	-3	-3	0%	-12
<b>Total expenses</b>	<b>-232</b>	<b>-238</b>	<b>-3%</b>	<b>-288</b>	<b>-19%</b>	<b>-232</b>	<b>-238</b>	<b>-3%</b>	<b>-1,012</b>
<b>Profit before loan losses</b>	<b>98</b>	<b>143</b>	<b>-31%</b>	<b>70</b>	<b>40%</b>	<b>98</b>	<b>143</b>	<b>-31%</b>	<b>421</b>
Net loan losses	14	-343		22	-36%	14	-343		-299
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	-1		0	0	0%	-1
<b>Operating profit</b>	<b>112</b>	<b>-200</b>		<b>91</b>	<b>23%</b>	<b>112</b>	<b>-200</b>		<b>121</b>
Profit distribution	1	4	-75%	12	-92%	1	4	-75%	50
<b>Operating profit after profit allocation</b>	<b>113</b>	<b>-196</b>		<b>103</b>	<b>10%</b>	<b>113</b>	<b>-196</b>		<b>171</b>
Average number of employees	628	605	4%	619	1%	628	605	4%	610
Number of branches	34	32	6%	32	6%	34	32	6%	32

### BUSINESS VOLUMES

Average volumes, SEK bn	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Loans to the public									
Household	4.0	4.0	0%	4.0	0%	4.0	4.0	0%	4.0
Corporate	48.8	59.6	-18%	51.7	-6%	48.8	59.6	-18%	56.7
<b>Total</b>	<b>52.8</b>	<b>63.6</b>	<b>-17%</b>	<b>55.7</b>	<b>-5%</b>	<b>52.8</b>	<b>63.6</b>	<b>-17%</b>	<b>60.7</b>
Deposits and borrowing from the public									
Household	2.7	3.4	-21%	3.0	-10%	2.7	3.4	-21%	3.3
Corporate	13.0	14.0	-7%	14.1	-8%	13.0	14.0	-7%	13.5
<b>Total</b>	<b>15.7</b>	<b>17.4</b>	<b>-10%</b>	<b>17.1</b>	<b>-8%</b>	<b>15.7</b>	<b>17.4</b>	<b>-10%</b>	<b>16.8</b>

### JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

#### Earnings performance

Operating profit improved to SEK 112 million (-200), chiefly a result of the Bank having made a provision of SEK 335 million for a previously identified risk exposure during the first quarter of last year. The profit before loan losses fell by SEK 45 million to SEK 98 million (143), partly as a result of the appreciation of the Swedish krona.

Income decreased by 13 per cent, mainly due to lower net interest income, which in turn was largely explained by a conscious reduction in lending volumes.

Expenses fell by 3 per cent due to exchange rate movements. The average number of employees grew by 4 per cent or 23 persons, which is primarily the result of the expansion in the branch operations in the Netherlands where the number of employees increased by 19.

#### Business development

The main task of Handelsbanken International is to support the international business of the Bank's

customers in the Nordic region and Great Britain 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 34 branches and five representative offices in 17 countries outside the Nordic countries and Great Britain.

The average volume of lending was down by 17 per cent from the corresponding period of the previous year to SEK 52.8 billion (63.6). This was attributable partly to exchange rate movements, but also to a conscious reduction of lending volumes to enable more profitable utilisation of the Bank's capital.

### Q1 2011 COMPARED WITH Q4 2010

Operating profit increased by SEK 21 million to SEK 112 million (91) due to lower expenses, which is partly due to high expenses in the quarter of comparison resulting from a seasonal increase in other administrative expenses. The appreciation of the Swedish krona against most other currencies had a negative effect on earnings.

Recoveries exceeded the quarter's loan losses; net recoveries totalled SEK 14 million (22).

# Handelsbanken Capital Markets

*Capital Markets consists of Handelsbanken's investment banking and asset management operations, including insurance savings. The unit has a functional and product responsibility throughout the Group for trading in financial instruments, structured products, cash management, corporate finance and debt capital markets, economic and financial research, and for all savings products except account savings. Part of the unit's income is distributed to branch office operations in the form of distribution remuneration, and all remaining operating profits that do not involve risk-taking are distributed to the branch offices that are responsible for the customers.*

The income figures for Capital Markets' products throughout the Group are presented below, followed by comments on the figures. The figures for the Handelsbanken Capital Markets business segment are presented after this.

January - March 2011	Capital Markets	Branch office operations in Sweden	Branch office operations outside Sweden	Other	Capital markets products in the group		Change Q1-11/Q4-10	Change Jan-Mar 2011 / Jan-Mar 2010
					Change	Q1-11/Q4-10		
Net interest income	162							
Commission income	776							
of which brokerage income	196	126	32	59	1,118	413	-21%	-12%
of which mutual funds and custody	301	210	43	-1	553	3%	14%	
of which insurance	152	1	9	-10	152	43%	-12%	
Net fee and commission income	621							
Net financial items	257	91	41	0	389	20%	-39%	
Risk result - insurance	81							
Other income	4							
<b>Total income</b>	<b>1,125</b>							

## JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

Total brokerage income fell by 12 per cent to SEK 413 million (467), mainly due to lower income from structured products. In equity trading, brokerage income fell by 5 per cent as a result of lower income from trading in international equities.

Asset management commission in the Group rose by 14 per cent to SEK 553 million (483). The increase was entirely attributable to the fact that mutual fund commissions rose by 23 per cent to SEK 452 million (366), while income from custody operations fell by 14 per cent to SEK 101 million (117).

In insurance operations, commission income went down by 12 per cent, which is entirely due to a lower yield split in the traditional life insurance operations.

Foreign exchange transactions related to customers in the branch office operations resulted in a gain of SEK 132 million as compared with SEK 120 million in the period of comparison.

## Q1 2011 COMPARED WITH Q4 2010

Total brokerage income amounted to SEK 413 million (522). The decrease derived entirely from structured products, for which issue volumes were lower than in the preceding quarter. Brokerage fees from equity trading were unchanged: rising brokerage income from Swedish equities offset a decrease in income from equities listed on other markets.

Equity trading continued to strengthen its international position, and the Bank was ranked as best in the US for Nordic equities by Greenwich Associates.

Handelsbanken continued to lead the market in structured products. It had a 21 per cent market share in Sweden of new sales of equity-linked bonds and certificates. The Bank's trading volumes on the warrants and ETN markets (Exchange Traded Note) amounted to 55 per cent in Sweden and 54 per cent in the Nordic region.

Advisory commissions decreased by SEK 29 million to SEK 44 million, but were 13 per cent higher than in the first quarter of 2010. The market for new issues remained strong.

The Bank retained its volumes in the fixed income and foreign exchange markets, despite stiffer competition. The net profit on foreign exchange transactions for branch office customers decreased to SEK 132 million (172), due to lower customer activity than during the fourth quarter of 2010. After previously being the first Nordic bank to receive permission to perform currency transactions in the Chinese currency, the yuan, locally in Hong Kong, the Bank can now offer this to customers internationally.

The Bank strengthened its position in the credit markets, where it is now ranked as best by institutional credit investors according to Prospera. During the quarter, the Bank carried out 34 bond issues at a value of over EUR 6 billion, as well as seven syndications at a value of EUR 9 billion.

Customers' interest in the commodity market was maintained. The payments and cash management

businesses are performing well, and the Bank retained its market shares.

Total assets under management within the Group were unchanged from the previous quarter, totalling SEK 596 billion. Fund assets under management were also unchanged, at SEK 193 billion. However, average volumes increased slightly, and fund management commissions rose by 3 per cent to SEK 452 million (440), while custody commissions grew by 5 per cent to SEK 101 million (96).

Handelsbanken Fonder continued to strengthen its market position, and net savings in the Bank's mutual funds during the first quarter amounted to SEK 2.7 billion. The Bank's share of new savings on the Swedish market amounted to 25 per cent, which is significantly higher than the Bank's share of overall fund volumes in Sweden. The Bank's fund management company

managed 114 mutual funds, three of which were new for the quarter.

XACT Fonder is the largest player on the Nordic market for exchange-traded funds. During the quarter three new exchange-traded funds were launched and eight were cross-listed on the Oslo stock exchange. The share of the Nordic market amounted to 91 per cent of turnover and 83 per cent of assets under management. Assets managed in the XACT funds totalled SEK 20 billion (21).

Discretionary management volumes in the Group rose by 4 per cent to SEK 95 billion (91), of which SEK 29 billion (29) was invested in Handelsbanken's mutual funds.

In the insurance operations, assets under management totalled SEK 75 million (75), and overall commission income grew to SEK 152 million (106), due to a higher yield split in the life insurance company.

## ASSETS UNDER MANAGEMENT

SEK bn, end of period	31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
Mutual funds, excl. PPM	121	121	112	107	108
PPM	11	11	9	7	8
Unit-linked insurance	41	40	34	33	32
XACT (Exchange-traded funds)	20	21	19	19	19
<b>Total mutual funds</b>	<b>193</b>	<b>193</b>	<b>174</b>	<b>166</b>	<b>167</b>
Portfolio bond insurance	17	16	15	14	13
Traditional insurance	17	19	22	23	25
Discretionary management, Handelsbanken Group <i>of which in Handelsbanken mutual funds</i>	95	91	91	85	86
	29	29	26	24	23
Structured products	41	40	41	39	40
Directly owned shares in custody	178	176	167	152	161
Other securities in custody	39	43	32	34	37
Handelsbanken's foundations <i>of which in Handelsbanken mutual funds</i>	49	50	47	43	45
	4	3	3	3	3
<b>Total assets under management, Handelsbanken Group</b>	<b>596</b>	<b>596</b>	<b>560</b>	<b>529</b>	<b>548</b>

## INCOME STATEMENT IN HANDELSBANKEN CAPITAL MARKETS BUSINESS SEGMENT

SEK m	Q1	Q1	Change	Q4	Change	Jan-Mar	Jan-Mar	Change
	2011	2010		2010		2011	2010	
Net interest income	162	140	16%	185	-12%	162	140	16%
Net fee and commission income	621	638	-3%	624	0%	621	638	-3%
Net gains/losses on financial items at fair value	257	514	-50%	148	74%	257	514	-50%
Risk result - insurance	81	37	119%	67	21%	81	37	119%
Other income	4	4	0%	7	-43%	4	4	0%
<b>Total income</b>	<b>1,125</b>	<b>1,333</b>	<b>-16%</b>	<b>1,031</b>	<b>9%</b>	<b>1,125</b>	<b>1,333</b>	<b>-16%</b>
Staff costs	-561	-525	7%	-519	8%	-561	-525	7%
Other administrative expenses	-214	-206	4%	-253	-15%	-214	-206	4%
Internal purchased and sold services	-22	-32	-31%	-24	-8%	-22	-32	-31%
Depreciation and amortisation	-12	-10	20%	-11	9%	-12	-10	20%
<b>Total expenses</b>	<b>-809</b>	<b>-773</b>	<b>5%</b>	<b>-807</b>	<b>0%</b>	<b>-809</b>	<b>-773</b>	<b>5%</b>
<b>Profit before loan losses</b>	<b>316</b>	<b>560</b>	<b>-44%</b>	<b>224</b>	<b>41%</b>	<b>316</b>	<b>560</b>	<b>-44%</b>
Net loan losses								
Gains/losses on disposal of property, equipment and intangible assets	0	-		-4		0	-	
<b>Operating profit</b>	<b>316</b>	<b>560</b>	<b>-44%</b>	<b>220</b>	<b>44%</b>	<b>316</b>	<b>560</b>	<b>-44%</b>
Profit allocation	-199	-145	37%	-327	-39%	-199	-145	37%
<b>Operating profit after profit allocation</b>	<b>117</b>	<b>415</b>	<b>-72%</b>	<b>-107</b>		<b>117</b>	<b>415</b>	<b>-72%</b>
Internal income	-278	-302	8%	-375	26%	-278	-302	8%
Cost/income ratio, %	87.4	65.1		114.6		87.4	65.1	
Allocated capital	6,197	9,353	-34%	10,214	-39%	6,197	9,353	-34%
Return on allocated capital, %	5.6	13.1		-		5.6	13.1	
Average number of employees	1,625	1,568	4%	1,619	0%	1,625	1,568	4%

## INCOME DISTRIBUTION

SEK m	Q1	Q1	Change	Q4	Change	Jan-Mar	Jan-Mar	Full year
	2011	2010		2010		2011	2010	
Asset management *	413	390	6%	319	29%	413	390	6% 1,449
Investment banking	712	943	-24%	712	0%	712	943	-24% 3,190
<b>Total Income</b>	<b>1,125</b>	<b>1,333</b>	<b>-16%</b>	<b>1,031</b>	<b>9%</b>	<b>1,125</b>	<b>1,333</b>	<b>-16% 4,639</b>

\* Including Handelsbanken Liv

## JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010

## Earnings performance

Operating profit fell by 44 per cent to SEK 316 million (560). The decrease was due to unusually high net gains/losses on financial items during the first quarter of last year, coupled with larger infrastructure investments during the first quarter of the current year.

Of the total operating profit, the investment bank represented SEK 128 million (397) and asset management operations SEK 188 million (163).

Net fee and commission income was more or less unchanged at SEK 621 million (638). The average volume of mutual fund assets under management rose by 22 per cent to SEK 192 billion (157).

The risk result in Handelsbanken Liv increased to SEK 81 million (37) while the financial result fell to SEK -45 million (33).

Net gains/losses on financial items decreased to SEK 257 million (514), chiefly due to a higher deferred capital contribution within Handelsbanken Liv and lower equity-related profits.

Income decreased by 16 per cent to SEK 1,125 million (1,333). Income from asset management operations increased by 6 per cent, while income from investment bank operations fell by 24 per cent.

Expenses increased by 5 per cent to SEK -809 million (-773), mainly due to various infrastructure investments linked to improved customer and business benefit and new regulations. The average number of employees rose to 1,625 (1,568).

## Q1 2011 COMPARED WITH Q4 2010

Operating profit increased by 44 per cent to SEK 316 million (220). Income rose by SEK 94 million, or 9 per cent, to SEK 1,125 million (1,031). Asset management increased its profits by 92 per cent to SEK 188 million (98), while profits from the investment bank increased by 5 per cent to SEK 128 million (122). Mutual fund commissions increased due to the growth in volumes under management, and in Handelsbanken Liv both the risk and financial results improved.

Expenses were basically unchanged at SEK -809 million (-807).

**OTHER**

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

**INCOME STATEMENT**

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Net interest income	50	210	-76%	253	-80%	50	210	-76%	832
Net fee and commission income	58	38	53%	64	-9%	58	38	53%	156
Net gains/losses on financial items at fair value	-137	-200	32%	-259	47%	-137	-200	32%	-892
Share of profit of associated companies	2	7	-71%	-4		2	7	-71%	11
Other income	14	141	-90%	21	-33%	14	141	-90%	246
<b>Total income</b>	<b>-13</b>	<b>196</b>		<b>75</b>		<b>-13</b>	<b>196</b>		<b>353</b>
Staff costs	-638	-579	10%	-709	-10%	-638	-579	10%	-2,521
Other administrative expenses	-487	-506	-4%	-573	-15%	-487	-506	-4%	-2,073
Internal purchased and sold services	968	937	3%	1,032	-6%	968	937	3%	3,902
Depreciation and amortisation	-63	-61	3%	-55	15%	-63	-61	3%	-238
<b>Total expenses</b>	<b>-220</b>	<b>-209</b>	<b>5%</b>	<b>-305</b>	<b>-28%</b>	<b>-220</b>	<b>-209</b>	<b>5%</b>	<b>-930</b>
<b>Profit before loan losses</b>	<b>-233</b>	<b>-13</b>		<b>-230</b>	<b>-1%</b>	<b>-233</b>	<b>-13</b>		<b>-577</b>
Net loan losses									
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	-1		0	0	0%	3
<b>Operating profit</b>	<b>-233</b>	<b>-13</b>		<b>-231</b>	<b>-1%</b>	<b>-233</b>	<b>-13</b>		<b>-574</b>
Profit allocation	0	0	0%	0	0%	0	0	0%	0
<b>Operating profit after profit allocation</b>	<b>-233</b>	<b>-13</b>		<b>-231</b>	<b>-1%</b>	<b>-233</b>	<b>-13</b>		<b>-574</b>
Internal income	2,349	2,116	11%	2,475	-5%	2,349	2,116	11%	9,338
Average number of employees	1,984	1,836	8%	1,987	0%	1,984	1,836	8%	1,929

**JANUARY – MARCH 2011 COMPARED WITH JANUARY – MARCH 2010**

Operating profit was SEK -233 million (-13). In the first quarter of last year, the Bank received a one-off dividend of SEK 130 million which affects the comparison of figures.

Net gains/losses on financial items at fair value improved by SEK 63 million, chiefly due to an improved result in the Central Treasury.

The allocation made to the Oktogonen profit-sharing foundation was SEK -210 million (-187).

**Q1 2011 COMPARED WITH Q4 2010**

Operating profit was SEK -233 million (-231). During the quarter of comparison, the liquidity portfolio had a positive effect on net interest income, whereas its impact on net gains/losses on financial items at fair value was negative. The net interest income performance should therefore be considered together with the trend for net gains/losses on financial items.

The allocation made to the Oktogonen profit-sharing foundation was SEK -210 million (-281).

# Condensed set of financial statements – The Group

## KEY FIGURES – THE GROUP

	Q1 2011	Q1 2010	Q4 2010	Jan-Mar 2011	Jan-Mar 2010	Full year 2010
Return on equity, total operations *	13.2%	13.5%	13.4%	13.2%	13.5%	12.9%
Return on equity, continuing operations *	12.9%	13.3%	13.0%	12.9%	13.3%	12.6%
C/I ratio, continuing operations	47.4%	45.8%	49.2%	47.4%	45.8%	48.0%
C/I ratio, continuing operations, incl. loan losses	50.5%	52.7%	52.8%	50.5%	52.7%	52.8%
Earnings per share, total operations, SEK	4.71	4.59	4.65	4.71	4.59	17.72
- after dilution	4.63	4.51	4.60	4.63	4.51	17.44
Earnings per share, continuing operations, SEK	4.63	4.54	4.50	4.63	4.54	17.37
- after dilution	4.56	4.46	4.46	4.56	4.46	17.10
Earnings per share, discontinued operations, SEK	0.08	0.05	0.15	0.08	0.05	0.35
- after dilution	0.07	0.05	0.14	0.07	0.05	0.34
Dividend, SEK						9.00
Adjusted equity per share, SEK **	137.26	137.57	142.50	137.26	137.57	142.50
Average number of outstanding shares	622,538,189	621,612,668	622,485,289	622,538,189	621,612,668	622,094,449
Capital ratio according to Basel II ***	20.1%	19.3%	-	10.8%	12.0%	-
Capital ratio according to Basel II ****	20.4%	19.6%	20.9%	20.4%	19.6%	20.9%
Tier 1 ratio according to Basel II ***	17.0%	14.4%	-	9.1%	9.0%	-
Tier 1 ratio according to Basel II ****	17.2%	14.6%	16.5%	17.2%	14.6%	16.5%
Capital base in relation to capital requirement Basel II ****	255%	245%	261%	255%	245%	261%
Average number of employees, continuing operations	11,066	10,636	10,947	11,066	10,636	10,850
Number of branches in Sweden	461	461	461	461	461	461
Number of branches outside Sweden	273	244	262	273	244	262

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

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

\*\*\* Excluding profit generated during the period since the interim report has not been examined by the auditors.

\*\*\*\* Including profit generated during the period.

## INCOME STATEMENT – THE GROUP

SEK m		Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Interest income		14,344	10,167	41%	11,951	20%	14,344	10,167	41%	43,389
Interest expense		-8,837	-4,851	82%	-6,339	39%	-8,837	-4,851	82%	-22,052
Net interest income		5,507	5,316	4%	5,612	-2%	5,507	5,316	4%	21,337
Net fee and commission income	Note 2	1,944	1,983	-2%	2,127	-9%	1,944	1,983	-2%	8,022
Net gains/losses on financial items at fair value	Note 3	361	500	-28%	276	31%	361	500	-28%	1,377
Risk result - insurance		81	37	119%	67	21%	81	37	119%	205
Other dividend income		1	131	-99%	1	0%	1	131	-99%	190
Share of profit of associated companies		2	7	-71%	-4		2	7	-71%	11
Other income		42	35	20%	49	-14%	42	35	20%	154
<b>Total income</b>		<b>7,938</b>	<b>8,009</b>	<b>-1%</b>	<b>8,128</b>	<b>-2%</b>	<b>7,938</b>	<b>8,009</b>	<b>-1%</b>	<b>31,296</b>
Staff costs		-2,457	-2,356	4%	-2,466	0%	-2,457	-2,356	4%	-9,504
Other administrative expenses	Note 4	-1,189	-1,195	-1%	-1,425	-17%	-1,189	-1,195	-1%	-5,062
Depreciation, amortisation and impairments of property, equipment and intangible assets		-118	-115	3%	-106	11%	-118	-115	3%	-452
<b>Total expenses</b>		<b>-3,764</b>	<b>-3,666</b>	<b>3%</b>	<b>-3,997</b>	<b>-6%</b>	<b>-3,764</b>	<b>-3,666</b>	<b>3%</b>	<b>-15,018</b>
<b>Profit before loan losses</b>		<b>4,174</b>	<b>4,343</b>	<b>-4%</b>	<b>4,131</b>	<b>1%</b>	<b>4,174</b>	<b>4,343</b>	<b>-4%</b>	<b>16,278</b>
Net loan losses	Note 5	-244	-551	-56%	-293	-17%	-244	-551	-56%	-1,507
Gains/losses on disposal of property, equipment and intangible assets		0	0	0%	-5		0	0	0%	-1
<b>Operating profit</b>		<b>3,930</b>	<b>3,792</b>	<b>4%</b>	<b>3,833</b>	<b>3%</b>	<b>3,930</b>	<b>3,792</b>	<b>4%</b>	<b>14,770</b>
Taxes		-1,047	-968	8%	-1,030	2%	-1,047	-968	8%	-3,962
<b>Profit for the period from continuing operations</b>		<b>2,883</b>	<b>2,824</b>	<b>2%</b>	<b>2,803</b>	<b>3%</b>	<b>2,883</b>	<b>2,824</b>	<b>2%</b>	<b>10,808</b>
Profit for the period from discontinued operations, after tax	Note 18	49	29	69%	89	-45%	49	29	69%	217
<b>Profit for the period</b>		<b>2,932</b>	<b>2,853</b>	<b>3%</b>	<b>2,892</b>	<b>1%</b>	<b>2,932</b>	<b>2,853</b>	<b>3%</b>	<b>11,025</b>
Attributable to										
Holders of ordinary shares		2,932	2,853	3%	2,892	1%	2,932	2,853	3%	11,025
Minority interest		0	0		0		0	0		0

## EARNINGS PER SHARE – THE GROUP

	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Earnings per share, continuing operations, SEK	4.63	4.54	2%	4.50	3%	4.63	4.54	2%	17.37
- after dilution	4.56	4.46	2%	4.46	2%	4.56	4.46	2%	17.10
Earnings per share, discontinued operations, SEK	0.08	0.05	60%	0.15	-47%	0.08	0.05	60%	0.35
- after dilution	0.07	0.05	40%	0.14	-50%	0.07	0.05	40%	0.34
Earnings per share, total operations, SEK	4.71	4.59	3%	4.65	1%	4.71	4.59	3%	17.72
- after dilution	4.63	4.51	3%	4.60	1%	4.63	4.51	3%	17.44

## STATEMENT OF COMPREHENSIVE INCOME – THE GROUP

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
<b>Profit for the period</b>	<b>2,932</b>	<b>2,853</b>	<b>3%</b>	<b>2,892</b>	<b>1%</b>	<b>2,932</b>	<b>2,853</b>	<b>3%</b>	<b>11,025</b>
<b>Other comprehensive income</b>									
Cash flow hedges	284	-275		257	11%	284	-275		-325
Available-for-sale instruments	-176	555		905		-176	555		2,186
Translation differences for the period	-442	-779	43%	-48		-442	-779	43%	-2,015
Tax related to other comprehensive income	-40	-109	63%	-318	87%	-40	-109	63%	-612
<b>Total other comprehensive income</b>	<b>-374</b>	<b>-608</b>	<b>38%</b>	<b>796</b>		<b>-374</b>	<b>-608</b>	<b>38%</b>	<b>-766</b>
<b>Total comprehensive income for the period</b>	<b>2,558</b>	<b>2,245</b>	<b>14%</b>	<b>3,688</b>	<b>-31%</b>	<b>2,558</b>	<b>2,245</b>	<b>14%</b>	<b>10,259</b>
Total comprehensive income for the period to									
Holders of ordinary shares	2,558	2,245	14%	3,688	-31%	2,558	2,245	14%	10,259
Minority interest	0	0	0%	0	0%	0	0	0%	0

## QUARTERLY PERFORMANCE – THE GROUP

SEK m	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Interest income	14,344	11,951	11,006	10,265	10,167
Interest expense	-8,837	-6,339	-5,679	-5,183	-4,851
Net interest income	5,507	5,612	5,327	5,082	5,316
Net fee and commission income	1,944	2,127	1,924	1,988	1,983
Net gains/losses on financial items at fair value	361	276	177	424	500
Risk result - insurance	81	67	42	59	37
Other dividend income	1	1	3	55	131
Share of profit of associated companies	2	-4	1	7	7
Other income	42	49	32	38	35
<b>Total income</b>	<b>7,938</b>	<b>8,128</b>	<b>7,506</b>	<b>7,653</b>	<b>8,009</b>
Staff costs	-2,457	-2,466	-2,330	-2,352	-2,356
Other administrative expenses	-1,189	-1,425	-1,166	-1,276	-1,195
Depreciation, amortisation and impairments of property, equipment and intangible assets	-118	-106	-114	-117	-115
<b>Total expenses</b>	<b>-3,764</b>	<b>-3,997</b>	<b>-3,610</b>	<b>-3,745</b>	<b>-3,666</b>
<b>Profit before loan losses</b>	<b>4,174</b>	<b>4,131</b>	<b>3,896</b>	<b>3,908</b>	<b>4,343</b>
Net loan losses	-244	-293	-294	-369	-551
Gains/losses on disposal of property, equipment and intangible assets	0	-5	4	0	0
<b>Operating profit</b>	<b>3,930</b>	<b>3,833</b>	<b>3,606</b>	<b>3,539</b>	<b>3,792</b>
Taxes	-1,047	-1,030	-945	-1,019	-968
<b>Profit for the period from continuing operations</b>	<b>2,883</b>	<b>2,803</b>	<b>2,661</b>	<b>2,520</b>	<b>2,824</b>
Profit for the period from discontinued operations, after tax	49	89	46	53	29
<b>Profit for the period</b>	<b>2,932</b>	<b>2,892</b>	<b>2,707</b>	<b>2,573</b>	<b>2,853</b>
Earnings per share, continuing operations, SEK - after dilution	4.63 4.56	4.50 4.46	4.27 4.19	4.05 3.98	4.54 4.46
Earnings per share, discontinued operations, SEK - after dilution	0.08 0.07	0.15 0.14	0.08 0.08	0.09 0.09	0.05 0.05
Earnings per share, total operations, SEK - after dilution	4.71 4.63	4.65 4.60	4.35 4.27	4.14 4.07	4.59 4.51

## BALANCE SHEET – THE GROUP

SEK m		31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
<b>Assets</b>						
Cash and balances with central banks		163,333	56,637	75,861	122,544	122,759
Other lending to central banks		62,809	50,989	60,379	110,779	55,674
Treasury bills and other eligible bills		57,817	50,738	48,805	88,443	113,836
Loans to other credit institutions		119,753	123,465	127,926	144,656	100,297
Loans to the public	Note 6	1,531,500	1,513,687	1,497,078	1,511,136	1,490,097
Value change of interest hedged item in portfolio hedge		4,447	4,744	5,159	5,299	4,044
Bonds and other interest-bearing securities		66,406	68,500	85,044	74,308	77,649
Shares		36,976	38,210	33,672	24,637	30,534
Participating interests in associated companies		112	111	99	97	98
Assets where the customer bears the value change risk		63,777	61,182	55,119	52,987	51,703
Derivative instruments	Note 11	92,493	102,283	142,023	143,925	110,054
Reinsurance assets		3	12	11	17	17
Intangible assets	Note 10	6,863	6,905	6,926	7,068	7,144
Property and equipment		3,306	3,307	3,216	3,279	3,243
Current tax assets		177	74	223	59	84
Deferred tax assets		236	337	406	435	293
Net pension assets		4,875	4,670	4,879	4,724	4,579
Assets held for sale		899	789	740	858	800
Other assets		25,548	60,260	33,175	21,963	41,585
Prepaid expenses and accrued income		8,219	6,630	7,291	8,407	7,295
<b>Total assets</b>	Note 7	<b>2,249,549</b>	<b>2,153,530</b>	<b>2,188,032</b>	<b>2,325,621</b>	<b>2,221,785</b>
<b>Liabilities and equity</b>						
Due to credit institutions		248,111	251,972	212,311	256,911	202,729
Deposits and borrowing from the public		641,709	564,142	589,669	598,210	596,027
Liabilities where the customer bears the value change risk		63,777	61,214	55,171	53,024	51,770
Issued securities		984,910	963,501	951,956	1,066,049	1,025,991
Derivative instruments	Note 11	100,333	101,753	146,657	122,021	100,966
Other trading liabilities		34,941	36,026	38,200	37,584	41,308
Insurance liabilities		777	723	791	864	1,529
Current tax liabilities		466	882	1,274	833	534
Deferred tax liabilities		9,244	9,144	8,777	8,658	8,568
Provisions		64	77	149	181	178
Liabilities held for sale		370	302	289	320	301
Other liabilities		22,459	12,604	28,998	26,213	34,963
Accrued expenses and deferred income		19,477	18,851	19,190	19,035	19,536
Subordinated liabilities		37,599	43,948	49,902	53,126	52,069
<b>Total liabilities</b>	Note 7	<b>2,164,237</b>	<b>2,065,139</b>	<b>2,103,334</b>	<b>2,243,029</b>	<b>2,136,469</b>
Minority interest		1	0	0	0	1
Share capital		2,899	2,899	2,899	2,899	2,899
Reserves		-1,208	-834	-1,630	-712	-676
Retained earnings		80,688	75,301	75,296	74,979	80,239
Profit for the period		2,932	11,025	8,133	5,426	2,853
<b>Total equity</b>		<b>85,312</b>	<b>88,391</b>	<b>84,698</b>	<b>82,592</b>	<b>85,316</b>
<b>Total liabilities and equity</b>		<b>2,249,549</b>	<b>2,153,530</b>	<b>2,188,032</b>	<b>2,325,621</b>	<b>2,221,785</b>

## STATEMENT OF CHANGES IN EQUITY – THE GROUP

Jan - Mar 2010 SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	2,899	-217	-802	951	80,256	1	83,088
Profit for the period					2,853	0	2,853
Other comprehensive income		-203	407	-812		0	-608
<b>Total comprehensive income for the period</b>	<b>-203</b>	<b>407</b>	<b>-812</b>		<b>2,853</b>	<b>0</b>	<b>2,245</b>
Change of own shares in trading book						-17	-17
<b>Closing equity</b>	<b>2,899</b>	<b>-420</b>	<b>-395</b>	<b>139</b>	<b>83,092</b>	<b>1</b>	<b>83,316</b>
Jan - Mar 2011 SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity	2,899	-457	786	-1,163	86,326	0	88,391
Profit for the period					2,932	0	2,932
Other comprehensive income		210	-134	-450		0	-374
<b>Total comprehensive income for the period</b>	<b>210</b>	<b>-134</b>	<b>-450</b>		<b>2,932</b>	<b>0</b>	<b>2,558</b>
Dividend					-5,611		-5,611
Change of own shares in trading book						-27	-27
Change of minority interests						1	1
<b>Closing equity</b>	<b>2,899</b>	<b>-247</b>	<b>652</b>	<b>-1,613</b>	<b>83,620</b>	<b>1</b>	<b>85,312</b>

## CONDENSED STATEMENT OF CASH FLOWS – THE GROUP

SEK m	Jan-Mar 2011	Jan-Mar 2010	Full year 2010
Cash flow from operating activities	128,019	78,985	26,030
Cash flow from investing activities	-1,829	-756	-249
Cash flow from financing activities	-10,646	-5,160	-15,851
<b>Cash flow for the period</b>	<b>115,544</b>	<b>73,069</b>	<b>9,930</b>
Liquid funds at beginning of the period	56,637	49,882	49,882
Cash flow for the period	115,544	73,069	9,930
Exchange rate differences on liquid funds	-8,848	-192	-3,175
<b>Liquid funds at end of period</b>	<b>163,333</b>	<b>122,759</b>	<b>56,637</b>

## NOTES

## Note 1 Accounting policies

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

Starting from 2011, some counterparties, including securities companies and fund management companies, have been reclassified on the balance sheet. The comparative figures for lending and deposits have been adjusted accordingly.

Without the reclassification, Loans to other credit institutions would have been SEK 157,037 million as at 31 March 2011 and Loans to

the public would have been SEK 1,493,946 million. Without this reclassification, Due to credit institutions would have been SEK 265,772 million and Deposits and borrowing from the public would have been SEK 624,048 million.

In all other respects, the interim report of the Group and the parent company has been prepared in accordance with the same accounting policies and calculation methods that were applied in the annual report for 2010.

None of the accounting regulatory changes which came into force as of 2011 has had a material impact on the parent company's or the Group's reported figures or financial position.

This interim report has not been examined by the Bank's auditors.

## Note 2 Net fee and commission income

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Brokerage and other securities commissions	413	467	-12%	522	-21%	413	467	-12%	1,867
Mutual funds	452	366	23%	440	3%	452	366	23%	1,590
Custody	101	117	-14%	96	5%	101	117	-14%	374
Advisory services	44	39	13%	73	-40%	44	39	13%	223
Insurance	152	173	-12%	106	43%	152	173	-12%	605
Payments	590	570	4%	648	-9%	590	570	4%	2,455
Lending and deposits	283	330	-14%	313	-10%	283	330	-14%	1,231
Guarantees	115	129	-11%	126	-9%	115	129	-11%	521
Other	91	85	7%	126	-28%	91	85	7%	428
<b>Commission income</b>	<b>2,241</b>	<b>2,276</b>	<b>-2%</b>	<b>2,450</b>	<b>-9%</b>	<b>2,241</b>	<b>2,276</b>	<b>-2%</b>	<b>9,294</b>
Securities commissions	-52	-57	-9%	-54	-4%	-52	-57	-9%	-219
Payment commissions	-214	-224	-4%	-238	-10%	-214	-224	-4%	-963
Other commission expenses	-31	-12	158%	-31	0%	-31	-12	158%	-90
<b>Commission expense</b>	<b>-297</b>	<b>-293</b>	<b>1%</b>	<b>-323</b>	<b>-8%</b>	<b>-297</b>	<b>-293</b>	<b>1%</b>	<b>-1,272</b>
<b>Net fee and commission income</b>	<b>1,944</b>	<b>1,983</b>	<b>-2%</b>	<b>2,127</b>	<b>-9%</b>	<b>1,944</b>	<b>1,983</b>	<b>-2%</b>	<b>8,022</b>

## Note 3 Net gains/losses on financial items at fair value

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Available for sale, realised	109	32	241%	9		109	32	241%	20
Hedge accounting									
Fair value hedges	-32	81		84		-32	81		339
Hedge ineffectiveness	0	-6		1	-100%	0	-6		-2
Instruments at fair value	-399	227		-1,135	-65%	-399	227		-160
Loans at amortised cost	51	92	-45%	100	-49%	51	92	-45%	401
Financial liabilities at amortised cost	-22	-114	81%	-62	65%	-22	-114	81%	-357
Gains/losses on unbundled insurance contracts	-51	-1		-48	-6%	-51	-1		-70
Trading / Other	705	189	273%	1,327	-47%	705	189	273%	1,206
<b>Total</b>	<b>361</b>	<b>500</b>	<b>-28%</b>	<b>276</b>	<b>31%</b>	<b>361</b>	<b>500</b>	<b>-28%</b>	<b>1,377</b>

## Note 4 Other administrative expenses

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Property and premises	-263	-262	0%	-300	-12%	-263	-262	0%	-1,082
External IT costs	-385	-384	0%	-439	-12%	-385	-384	0%	-1,585
Communication	-97	-110	-12%	-102	-5%	-97	-110	-12%	-413
Travel and marketing	-92	-82	12%	-140	-34%	-92	-82	12%	-405
Purchased services	-240	-199	21%	-258	-7%	-240	-199	21%	-911
Supplies	-61	-80	-24%	-68	-10%	-61	-80	-24%	-298
Other expenses	-51	-78	-35%	-118	-57%	-51	-78	-35%	-368
<b>Other administrative expenses</b>	<b>-1,189</b>	<b>-1,195</b>	<b>-1%</b>	<b>-1,425</b>	<b>-17%</b>	<b>-1,189</b>	<b>-1,195</b>	<b>-1%</b>	<b>-5,062</b>

## Note 5 Loan losses, impaired loans and pledged assets taken over

## Loan losses

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
<b>Specific provision for individually valued loan receivables</b>									
Provision for the period	-366	-618	-41%	-139	163%	-366	-618	-41%	-1,615
Write-back of previous provisions	53	98	-46%	161	-67%	53	98	-46%	360
<b>Total</b>	<b>-313</b>	<b>-520</b>	<b>-40%</b>	<b>22</b>		<b>-313</b>	<b>-520</b>	<b>-40%</b>	<b>-1,255</b>
<b>Collective provisions</b>									
Net provision for the period for individually valued receivables	39	-4		24	63%	39	-4		64
Net provision for the period for homogenous loan receivables	4	-5		7	-43%	4	-5		5
Net provision for the period for off-balance sheet items	3	0		5	-40%	3	0		10
<b>Total</b>	<b>46</b>	<b>-9</b>		<b>36</b>	<b>28%</b>	<b>46</b>	<b>-9</b>		<b>79</b>
<b>Other provisions</b>									
Allocations for off-balance sheet items	-	0		0		-	0		0
Write-back of previous provisions	-	-		-		-	-		-
Guarantees honoured	-	-		-		-	-		-
<b>Total</b>	<b>-</b>	<b>0</b>		<b>0</b>		<b>-</b>	<b>0</b>		<b>0</b>
<b>Write-offs</b>									
Actual loan losses for the period	-204	-287	-29%	-564	-64%	-204	-287	-29%	-1,355
Utilised share of previous provisions	160	222	-28%	167	-4%	160	222	-28%	760
Recoveries	67	44	52%	46	46%	67	44	52%	264
<b>Total</b>	<b>23</b>	<b>-21</b>		<b>-351</b>		<b>23</b>	<b>-21</b>		<b>-331</b>
<b>Change in value of repossessed property</b>									
Value change for the period	-	-1		-		-	-1		0
<b>Net loan losses</b>	<b>-244</b>	<b>-551</b>	<b>-56%</b>	<b>-293</b>	<b>-17%</b>	<b>-244</b>	<b>-551</b>	<b>-56%</b>	<b>-1,507</b>

## Impaired loans

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

SEK m	31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
Impaired loans	9,132	9,212	8,509	8,594	7,886
Specific provision for individually assessed loans	-5,010	-5,039	-5,200	-5,218	-5,096
Provision for collectively assessed homogenous groups of loans with limited value	-152	-157	-166	-168	-175
Collective provisions for individually assessed loans	-355	-396	-420	-453	-472
<b>Impaired loans, net</b>	<b>3,615</b>	<b>3,620</b>	<b>2,723</b>	<b>2,755</b>	<b>2,143</b>
Total impaired loans reserve ratio	60.4%	60.7%	68.0%	67.9%	72.8%
Proportion of impaired loans, %	0.23%	0.23%	0.17%	0.17%	0.14%
Impaired loans reserve ratio excl. collective provisions	56.5%	56.4%	63.1%	62.7%	66.8%
Loan loss ratio as a % of loans, accumulated	0.06%	0.10%	0.10%	0.12%	0.14%
Non-performing loans which are not impaired loans	2,006	1,684	1,812	1,828	1,568

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

31 March 2011 SEK m	Impaired loans			Non-performing loans which are not impaired loans	
	Gross	Provisions	Net*	Of which non- performing	
Private individuals	1,197	-685	512	414	1,113
Housing co-operative associations	21	-7	14	7	63
Property management	1,103	-396	707	348	464
Manufacturing	2,474	-1,952	522	389	14
Retail	453	-319	134	107	82
Hotel and restaurant	186	-92	94	91	8
Passenger and goods transport by sea	1,348	-241	1,107	1	-
Other transport and communication	204	-128	76	72	16
Construction	361	-179	182	183	93
Electricity, gas and water	35	-14	21	-	1
Agriculture, hunting and forestry	48	-29	19	19	24
Other services	345	-276	69	59	73
Holding, investment and insurance companies, etc.	1,102	-664	438	9	46
Other corporate lending	255	-180	75	70	9
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>9,132</b>	<b>-5,162</b>	<b>3,970</b>	<b>1,769</b>	<b>2,006</b>

\* Book value after deduction of specific provisions

31 December 2010 SEK m	Impaired loans			Non-performing loans which are not impaired loans	
	Gross	Provisions	Net*	Of which non- performing	
Private individuals	1,272	-703	569	495	987
Housing co-operative associations	27	-15	12	7	55
Property management	983	-383	600	306	309
Manufacturing	2,394	-1,963	431	303	62
Retail	492	-337	155	128	62
Hotel and restaurant	177	-88	89	86	9
Passenger and goods transport by sea	1,342	-206	1,136	1	-
Other transport and communication	206	-130	76	68	10
Construction	403	-174	229	218	103
Electricity, gas and water	36	-14	22	-	-
Agriculture, hunting and forestry	49	-28	21	19	1
Other services	365	-226	139	126	32
Holding, investment and insurance companies, etc.	1,189	-721	468	7	27
Other corporate lending	277	-208	69	62	27
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>9,212</b>	<b>-5,196</b>	<b>4,016</b>	<b>1,826</b>	<b>1,684</b>

\* Book value after deduction of specific provisions

## Pledged assets taken over

SEK m	31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
Buildings and land	82	39	85	78	33
Shares and other participating interests	1	1	1	1	1
Other	21	31	29	30	34
<b>Total pledged assets taken over</b>	<b>104</b>	<b>71</b>	<b>115</b>	<b>109</b>	<b>68</b>

## Note 6 Loans to the public

SEK m	31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
SEK loans					
- to households	561,624	554,261	544,533	531,116	518,474
- to companies	488,260	454,340	455,778	454,954	449,374
- to National Debt Office	9,397	6,760	2,965	3,414	3,023
<b>Total</b>	<b>1,059,281</b>	<b>1,015,361</b>	<b>1,003,276</b>	<b>989,484</b>	<b>970,871</b>
Foreign currency loans					
- to households	149,400	147,306	140,253	142,899	141,288
- to companies	328,336	356,612	359,335	384,589	383,665
<b>Total</b>	<b>477,736</b>	<b>503,918</b>	<b>499,588</b>	<b>527,488</b>	<b>524,953</b>
Provision for probable loan losses	-5,517	-5,592	-5,786	-5,836	-5,727
<b>Loans to the public</b>	<b>1,531,500</b>	<b>1,513,687</b>	<b>1,497,078</b>	<b>1,511,136</b>	<b>1,490,097</b>
of which reverse repos	22,993	27,023	25,095	19,904	21,099

Starting from the first quarter, some lending has been reclassified on the balance sheet from loans to credit institutions to loans to the public. The comparative figures have been adjusted. If this change had not been made, Loans to the public as at 31 March 2011 would have been SEK 1,493,946 million.

## Loans to the public, by sector

SEK m	31 March 2011		31 Dec 2010	
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans after deduction of provisions
Private individuals	674,598	-685	673,913	669,069
of which mortgage loans in Stadshypotek	536,158	-26	536,132	526,697
of which other mortgage loans	79,243	-	79,243	80,741
of which other loans to private individuals	59,197	-	59,197	61,631
Housing co-operative associations	114,109	-7	114,102	111,688
of which mortgage loans in Stadshypotek	99,807	-1	99,806	98,028
Property management	359,292	-396	358,896	355,271
Manufacturing	51,461	-1,952	49,509	53,838
Retail	34,410	-319	34,091	32,391
Hotels and restaurants	6,812	-92	6,720	6,590
Passenger & goods transport by sea	12,635	-241	12,394	14,354
Other transport and communication	37,584	-128	37,456	38,266
Construction	13,146	-179	12,967	13,286
Electricity, gas, water	21,052	-14	21,038	22,138
Agriculture, hunting and forestry	7,126	-29	7,097	6,450
Other services	18,881	-276	18,605	17,162
Holding, investment, insurance companies, mutual funds etc.	88,844	-664	88,180	89,464
Government and municipalities	23,326	-	23,326	16,995
Other corporate lending	73,741	-180	73,561	67,120
<b>Total loans to the public, before taking into account collective provisions</b>	<b>1,537,017</b>	<b>-5,162</b>	<b>1,531,855</b>	<b>1,514,082</b>
Collective provisions			-355	-395
<b>Total loans to the public</b>	<b>1,531,500</b>	<b>1,513,687</b>		

## Specification of Loans to the public – Property management

SEK m	31 March 2011			31 Dec 2010
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans after deduction of provisions
<b>Loans in Sweden</b>				
State-owned property companies	12,240	-	12,240	12,269
Municipal-owned property companies	16,583	-	16,583	18,797
Residential property companies	67,086	-7	67,079	66,983
<i>of which mortgage loans</i>	47,220	-1	47,219	47,205
Other property management	117,016	-167	116,849	114,069
<i>of which mortgage loans</i>	54,068	-7	54,061	50,807
<b>Total loans in Sweden</b>	<b>212,925</b>	<b>-174</b>	<b>212,751</b>	<b>212,118</b>
<b>Loans outside Sweden</b>				
Denmark	6,061	-39	6,022	5,591
Finland	17,873	-	17,873	16,961
Norway	64,919	-115	64,804	64,477
Great Britain	44,897	-64	44,833	43,355
Other countries	12,617	-4	12,613	12,769
<b>Total loans outside Sweden</b>	<b>146,367</b>	<b>-222</b>	<b>146,145</b>	<b>143,153</b>
<b>Total loans - Property management</b>	<b>359,292</b>	<b>-396</b>	<b>358,896</b>	<b>355,271</b>

## Credit risk exposure

SEK m	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar
	2011	2010	2010	2010	2010
Loans to the public	1,531,500	1,513,687	1,497,078	1,511,136	1,490,097
<i>of which reverse repos</i>	22,993	27,023	25,095	19,904	21,099
Loans to credit institutions	182,562	174,454	188,305	255,435	155,971
<i>of which reverse repos</i>	73,849	72,294	83,264	89,068	60,295
Unutilised part of granted overdraft facilities	146,018	164,385	182,939	166,028	162,474
Committed loan offers	242,513	240,286	229,420	225,146	213,728
Other commitments	2,739	2,802	3,163	2,702	2,571
Guarantees, credits	16,310	17,751	17,895	22,095	20,781
Guarantees, other	39,859	40,210	41,751	46,283	46,232
Documentary credits	36,911	37,055	47,330	46,961	42,150
Derivatives *	92,493	102,283	142,023	143,925	110,054
Treasury bills and other eligible bills	57,817	50,738	48,805	88,443	113,836
Bonds and other interest-bearing securities	66,406	68,500	85,044	74,308	77,649
<b>Total</b>	<b>2,415,128</b>	<b>2,412,151</b>	<b>2,483,753</b>	<b>2,582,462</b>	<b>2,435,543</b>

\* Refers to the total of positive market values

## Note 7 Classification of financial assets and liabilities

The tables show valuation categories for financial instruments in accordance with IAS 39.

31 March 2011	At fair value in income statement divided into						Total carrying amount	
	SEK m	Trading	Other	Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Derivatives identified as hedge instruments
<b>Assets</b>								
Cash and balances with central banks						163,333		163,333
Other loans to central banks						62,809		62,809
Treasury bills and other eligible bills	28,836	21,055			6,590		1,336	57,817
Loans to other credit institutions						119,753		119,753
Loans to the public		4,945				1,526,555		1,531,500
Value change of interest hedged item in portfolio hedge						4,447		4,447
Bonds and other interest-bearing securities	26,524	29,336			1,993		8,553	66,406
Shares	28,301	3,024					5,651	36,976
Participating interests in associated companies							112	112
Assets where the customer bears the value change risk		62,226				1,551		63,777
Derivative instruments	77,444			15,049				92,493
Other assets	95					21,222	4,231	25,548
Prepaid expenses and accrued income	1,287	1,169			235	5,527	1	8,219
<b>Total financial assets</b>	<b>162,487</b>	<b>121,755</b>	<b>15,049</b>	<b>8,818</b>	<b>1,905,197</b>	<b>15,541</b>	<b>4,343</b>	<b>2,233,190</b>
Non-financial assets								16,359
<b>Total assets</b>								<b>2,249,549</b>
<b>Liabilities</b>								
Due to credit institutions							248,111	248,111
Deposits and borrowing from the public							641,709	641,709
Liabilities where the customer bears the value change risk		62,226					1,551	63,777
Issued securities	10,072						974,838	984,910
Derivative instruments	92,320			8,013				100,333
Other trading liabilities	34,941							34,941
Other liabilities	76						22,383	22,459
Accrued expenses and deferred income	1,033						18,444	19,477
Subordinated liabilities							37,599	37,599
<b>Total financial liabilities</b>	<b>138,442</b>	<b>62,226</b>	<b>8,013</b>				<b>1,944,635</b>	<b>2,153,316</b>
Non-financial liabilities								10,921
<b>Total liabilities</b>								<b>2,164,237</b>

31 December 2010		At fair value in income statement divided into						
		SEK m	Trading	Other	Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Derivatives identified as hedge instruments
<b>Assets</b>								
Cash and balances with central banks						56,637		56,637
Other loans to central banks						50,989		50,989
Treasury bills and other eligible bills	21,059	22,547			5,699		1,433	50,738
Loans to other credit institutions						155,474		155,474
Loans to the public portfolio hedge		5,435				1,476,243		1,481,678
						4,744		4,744
Bonds and other interest-bearing securities	25,187	30,939			1,139		11,235	68,500
Shares	29,404	3,110					5,696	38,210
Participating interests in associated companies								111
Assets where the customer bears the value change risk		59,533				1,649		61,182
Derivative instruments	81,620			20,663				102,283
Other assets	7					60,253		60,260
Prepaid expenses and accrued income	573	858			148	5,050	1	6,630
<b>Total financial assets</b>	<b>157,850</b>	<b>122,422</b>	<b>20,663</b>	<b>6,986</b>	<b>1,811,039</b>	<b>18,365</b>	<b>111</b>	<b>2,137,436</b>
Non-financial assets								16,094
<b>Total assets</b>								<b>2,153,530</b>
<b>Liabilities</b>								
Due to credit institutions							269,941	269,941
Deposits and borrowing from the public							546,173	546,173
Liabilities where the customer bears the value change risk		59,565					1,649	61,214
Issued securities	10,032						953,469	963,501
Derivative instruments	92,557			9,196				101,753
Other trading liabilities	36,026							36,026
Other liabilities	26						12,578	12,604
Accrued expenses and deferred income	457						18,394	18,851
Subordinated liabilities							43,948	43,948
<b>Total financial liabilities</b>	<b>139,098</b>	<b>59,565</b>	<b>9,196</b>				<b>1,846,152</b>	<b>2,054,011</b>
Non-financial liabilities								11,128
<b>Total liabilities</b>								<b>2,065,139</b>

## Note 8 Fair value measurement of financial assets and liabilities

The tables show the valuation technique applied for financial assets and liabilities at fair value. Level 1 comprises instruments for which there are listed prices on an active market. Level 2 comprises instruments which have been indirectly valued using market information. Level 3 consists of instruments whose valuation depends materially upon a variable that is not directly available on the market.

SEK m	31 March 2011	Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Treasury bills and other eligible bills	51,227	-	-	-	51,227
Loans to the public	-	4,931	14	4,945	
Bonds and other interest-bearing securities	44,158	19,725	530	64,413	
Shares and participating interests	34,368	572	2,036	36,976	
Assets where the customer bears the value change risk	62,226	-	-	62,226	
Derivative instruments	1,842	90,625	26	92,493	
<b>Total financial assets at fair value</b>	<b>193,821</b>	<b>115,853</b>	<b>2,606</b>	<b>312,280</b>	
<b>Liabilities</b>					
Due to credit institutions	-	-	-	-	-
Liabilities where the customer bears the value change risk	62,226	-	-	62,226	
Issued securities	-	9,995	77	10,072	
Derivative instruments	3,955	96,346	32	100,333	
Other trading liabilities	33,396	1,545	-	34,941	
<b>Total financial liabilities at fair value</b>	<b>99,577</b>	<b>107,886</b>	<b>109</b>	<b>207,572</b>	

SEK m	31 December 2010	Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Treasury bills and other eligible bills	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	
<b>Total financial assets at fair value</b>	<b>189,587</b>	<b>124,549</b>	<b>3,725</b>	<b>317,861</b>	
<b>Liabilities</b>					
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	
<b>Total financial liabilities at fair value</b>	<b>97,706</b>	<b>109,456</b>	<b>214</b>	<b>207,376</b>	

### Note 9 Capital base and capital requirement in the banking group

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

#### Capital base

SEK m	31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
<b>TIER 1 CAPITAL</b>					
Equity, group	85,312	88,391	84,698	82,592	85,316
Accrued dividend, current year	-1,403	-5,611	-3,741	-2,494	-1,247
Dividend for previous year (unpaid)					-4,988
Deduction of equity outside the banking group	-669	-243	-249	-268	-68
Deduction of earnings outside the banking group	-99	-440	-354	-271	-135
Minority interests, group	-1	-1	0	0	-1
Equity, capital base	83,140	82,096	80,354	79,559	78,877
Tier 1 capital contribution	14,014	14,199	14,219	14,612	14,501
Minority interests, banking group	350	347	295	290	296
Deducted items					
Goodwill and other intangible assets	-6,795	-6,838	-6,859	-7,001	-7,077
Revaluation reserve	-121	-122	-124	-126	-128
Deferred tax assets	-236	-337	-406	-435	-293
Special deduction for IRB institutions	-631	-715	-605	-691	-334
Capital contribution in companies outside the banking group	-234	-234	-234	-234	-233
Positions in securitisation	-203	-219	-216	-249	-333
Adjustments in accordance with stability filter					
Cash flow hedges	247	457	646	648	420
Unrealised accumulated gains, shares	-1,030	-1,241	-648	-388	-304
Unrealised accumulated gains/losses, fixed income instruments	318	403	468	602	651
<b>Total Tier 1 capital</b>	<b>88,819</b>	<b>87,796</b>	<b>86,890</b>	<b>86,587</b>	<b>86,043</b>
<b>TIER 2 CAPITAL</b>					
Perpetual subordinated loans	11,385	11,664	17,021	18,399	17,753
Dated subordinated loans	11,669	17,248	17,344	18,658	18,522
Additional items					
Unrealised accumulated gains, shares	1,030	1,241	648	388	304
Revaluation reserve	121	122	124	126	128
Deducted items					
Special deduction for IRB institutions	-631	-715	-605	-691	-334
Capital contribution in companies outside the banking group	-234	-234	-234	-234	-233
Positions in securitisation	-203	-219	-216	-249	-333
<b>Total Tier 2 capital</b>	<b>23,137</b>	<b>29,107</b>	<b>34,082</b>	<b>36,397</b>	<b>35,807</b>
<b>Total Tier 1 and Tier 2 capital</b>	<b>111,956</b>	<b>116,903</b>	<b>120,972</b>	<b>122,984</b>	<b>121,850</b>
Deductible items from total capital base					
Capital contribution in insurance companies	-4,567	-4,567	-4,717	-4,717	-4,717
Surplus value pension assets	-2,095	-1,367	-1,489	-1,682	-1,872
<b>Total capital base for capital adequacy purposes</b>	<b>105,294</b>	<b>110,969</b>	<b>114,766</b>	<b>116,585</b>	<b>115,261</b>
<b>TIER 1 CAPITAL *</b>					
Excluding the profit generated during the period	-1,433		-1,381		-1,471
Adjustment in accordance with Tier 1 capital contribution limits	-		-		-
<b>Total Tier 1 capital *</b>	<b>87,386</b>		<b>85,509</b>		<b>84,572</b>
<b>TIER 2 CAPITAL</b>					
Adjustment subordinated loans	-		-		-
<b>Total Tier 2 capital *</b>	<b>23,137</b>		<b>34,082</b>		<b>35,807</b>
<b>Total Tier 1 and Tier 2 capital *</b>	<b>110,523</b>		<b>119,591</b>		<b>120,379</b>
Deductible items from total capital base					
Capital contribution in insurance companies	-4,567		-4,717		-4,717
Surplus value pension assets *	-2,406		-1,796		-2,183
<b>Total capital base for capital adequacy purposes *</b>	<b>103,550</b>		<b>113,078</b>		<b>113,479</b>

\* As the interim report has not been examined by the Bank's auditors, the profit generated during the period and the accrued right to recover pension costs are excluded.

## Capital requirement

SEK m	31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
Credit risk according to standardised approach	3,902	4,051	4,210	4,489	4,558
Credit risk according to IRB approach	31,794	33,269	34,648	37,017	37,430
Interest rate risk	1,371	1,346	1,570	1,517	1,234
Equity price risk	18	27	27	31	22
Exchange rate risk	-	-	-	-	-
Commodities risk	42	28	43	49	36
Settlement risk	-	-	-	-	-
Operational risk	4,117	3,849	3,849	3,849	3,849
<b>Total capital requirement according to Basel II</b>	<b>41,244</b>	<b>42,570</b>	<b>44,347</b>	<b>46,952</b>	<b>47,129</b>
Adjustment according to transitional rules	35,571	33,715	31,119	29,428	28,403
<b>Capital requirement according to Basel II, transitional rules</b>	<b>76,815</b>	<b>76,285</b>	<b>75,466</b>	<b>76,380</b>	<b>75,532</b>
Risk-weighted assets, transitional rules	960,190	953,561	943,324	954,749	944,148
Risk-weighted assets, Basel II	515,550	532,136	554,342	586,893	589,125

## Capital adequacy analysis

	31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
Capital requirement in Basel II compared to transitional rules	54%	56%	59%	61%	62%
Capital ratio according to Basel II *	20.1%		20.4%		19.3%
Capital ratio according to transitional rules *	10.8%		12.0%		12.0%
Capital ratio according to Basel II **	20.4%	20.9%	20.7%	19.9%	19.6%
Capital ratio according to transitional rules **	11.0%	11.6%	12.2%	12.2%	12.2%
Tier 1 ratio according to Basel II *	17.0%		15.4%		14.4%
Tier 1 ratio according to transitional rules *	9.1%		9.1%		9.0%
Tier 1 ratio according to Basel II **	17.2%	16.5%	15.7%	14.8%	14.6%
Tier 1 ratio according to transitional rules **	9.3%	9.2%	9.2%	9.1%	9.1%
Capital base in relation to capital requirement Basel II	255%	261%	259%	248%	245%
<b>Capital base in relation to capital requirement according to transitional rules</b>	<b>137%</b>	<b>145%</b>	<b>152%</b>	<b>153%</b>	<b>153%</b>

\* Excluding profit generated during the period since this report has not been examined by auditors.

\*\* Including profit generated during the period.

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

## Credit risks IRB

SEK m	Exposure after credit risk protection (EAD)		Average risk weight, %		Capital requirement	
	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010	31 Mar 2011	31 Dec 2010
Corporates	862,075	859,427	35.8	37.7	24,705	25,922
of which repos and securities loans	13,057	12,317	1.2	0.5	12	5
of which other loans foundation method	350,183	365,655	45.1	45.7	12,641	13,363
of which other loans advanced method	498,835	481,455	30.2	32.6	12,052	12,554
Households	702,157	691,474	6.9	7.4	3,892	4,095
of which property loans	619,963	610,234	5.2	5.7	2,593	2,781
of which other loans	82,194	81,240	19.7	20.2	1,299	1,314
Small companies	29,849	29,941	40.6	40.8	969	977
Institutions	193,213	181,574	9.4	10.7	1,449	1,557
of which repos and securities loans	127,277	102,593	0.7	0.6	76	46
of which other loans	65,936	78,981	26.0	23.9	1,373	1,511
Other	11,776	13,229	82.7	67.9	779	718
<b>Total IRB</b>	<b>1,799,070</b>	<b>1,775,645</b>	<b>22.1</b>	<b>23.4</b>	<b>31,794</b>	<b>33,269</b>
of which repos and securities loans	140,334	114,910	0.8	0.6	89	51
of which other loans foundation method	427,895	457,864	43.2	42.6	14,792	15,592
of which other loans advanced method	1,230,841	1,202,871	17.2	18.3	16,913	17,626

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

and housing co-operative associations. The table presents the corporate exposure as at 31 March 2011 split into the foundation and the advanced approaches. In addition, repos and securities loans are reported separately since they give rise to very low capital requirements, while the volume varies considerably over time. The low capital requirement is due to the fact that the exposure in repos and securities loans is reported gross and the exposure is secured.

The average risk weight for IRB exposures went down by 1.3 percentage points during the quarter. For corporate exposures, the average risk weight went down by 1.9 percentage points. Several factors have contributed to the reduction. The annual validation of the IRB models resulted in somewhat lower risk estimates for 2011 while foreign exchange effects and a slightly positive credit migration had the same tendency.

## Note 10 Goodwill and other intangible assets

SEK m	Jan-Mar 2011	Jan-Mar 2010	Full year 2010		
Opening residual value	6,905	7,319	7,319		
Additional during the period	13	23	100		
The period's amortisation	-26	-23	-97		
The period's impairments	0	-	-2		
Foreign exchange effect	-29	-175	-415		
<b>Closing residual value</b>	<b>6,863</b>	<b>7,144</b>	<b>6,905</b>		

## Note 11 Derivatives

SEK m	31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
<b>Positive market values</b>					
Trading	77,444	81,620	116,654	115,348	86,181
Fair value hedges	14,702	19,409	24,697	27,914	23,278
Cash flow hedges	347	1,254	673	663	595
<b>Total</b>	<b>92,493</b>	<b>102,283</b>	<b>142,024</b>	<b>143,925</b>	<b>110,054</b>
<b>Negative market values</b>					
Trading	92,320	92,557	136,780	113,555	95,099
Fair value hedges	7,380	8,111	8,510	7,047	4,778
Cash flow hedges	633	1,085	1,367	1,419	1,089
<b>Total</b>	<b>100,333</b>	<b>101,753</b>	<b>146,657</b>	<b>122,021</b>	<b>100,966</b>

## Note 12 Risks and uncertainty factors

The Swedish economy has continued to perform well, but the situation regarding the global recovery is still highly uncertain. The global economy is in a state of imbalance, with large, indebted economies. As long as the imbalances prevail, the unstable situation will continue to affect the financial markets. Handelsbanken has a very limited direct exposure to borrowers in those countries with more obvious problems, but can be affected indirectly if the crisis in some euro countries were to deteriorate sharply. 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.

The credit risk, measured as the average risk weight in approved IRB exposures, went down during the quarter, particularly for corporate exposures. Several factors contributed to the reduction, including exchange rate movements and a slightly positive credit migration. In addition, the annual validation of the IRB models resulted in somewhat lower risk estimates for 2011. The IRB models are based on historical losses from both the recent financial crisis and also the

Swedish banking crisis in the early 1990s. The relatively low risk weights reflect the fact that Handelsbanken has reported low loan losses for a long period. The risk measurements applied also contain significant safety margins to ensure that the risk is not underestimated.

Handelsbanken has low tolerance of market risks. In the first quarter of 2011, the total exposure for Handelsbanken Capital Markets' trading portfolio, measured as Value-at-Risk (VaR), was on average SEK 26 million (Q1 2010: SEK 32m). During the period, the risk varied between SEK 16 million (17) and 47 million (48).

Handelsbanken's liquidity situation is healthy and is further described in Note 13 Liquidity.

Other aspects of the Bank's risk and capital management are described in Handelsbanken's 2010 annual report and in Handelsbanken's Risk and capital management – Information according to Pillar 3. No material changes have occurred since the publication of these documents that are not presented in this interim report.

## Note 13 Liquidity and funding

Handelsbanken's liquidity situation is healthy. As a step towards strengthening its liquidity position, the Bank has worked for a long time on extending the maturities of its funding by increasing bond issues and ensuring that liquidity risks are included in internal pricing. The Bank's funding programme covers the entire maturity spectrum

in SEK, EUR and USD that the Bank needs to finance its lending and also creates the opportunity for issues in all currencies that are relevant for the Bank. During 2011, Handelsbanken became the first Nordic bank to issue a bond in the Chinese currency, the yuan. This allows for a further diversification of the Bank's long-term funding.

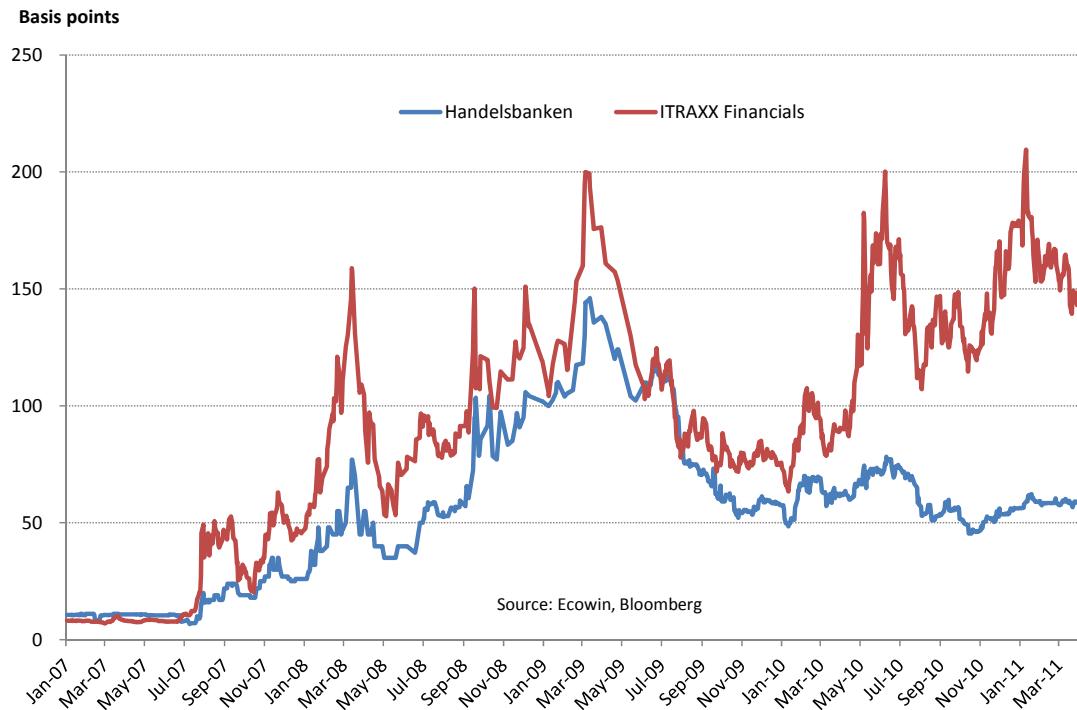
### Funding programmes as of March 31 2011 – The Group

Programme (in millions)	Programme size	Currency	Unutilised amount	Countervalue SEK m
MTN	100,000	SEK	49,322	49,322
EMTN	50,000	USD	29,071	183,214
Other funding > 1 y	15,000	USD	12,289	77,449
USCP	15,000	USD	6,506	41,003
USCP (Stadshypotek)	5,000	USD	5,000	31,512
ECP	5,000	EUR	2,431	21,730
ECP (Stadshypotek)	4,000	EUR	2,647	23,660
Swedish Commercial Paper	25,000	SEK	24,791	24,791
Swedish Commercial Paper (Stadshypotek)	90,000	SEK	90,000	90,000
French Certificates of Deposit	5,000	EUR	3,670	32,805
Extendible Notes	15,000	USD	10,962	69,086
EMTCN (Stadshypotek)	15,000	EUR	6,941	62,043
US 144A	15,000	USD	9,650	60,817
Stadshypotek US 144A	15,000	USD	13,400	84,451
<b>Total</b>				<b>851,882</b>
Total programme amount, SEK m	1,293,518			
Unutilised amount, SEK m	851,882			
<b>Unutilised amount</b>			<b>66%</b>	

The market has great confidence in Handelsbanken. The graph below, which shows Handelsbanken's CDS spread compared with the largest issuers in the European banking and insurance sector

(iTRAXX Financials), illustrates that the Bank has been ascribed the lowest credit risk on the funding market among peer banks.

### Handelsbanken's 5-year CDS spread compared with iTRAXX Financials



As at 31 March 2011, total liquidity reserves exceeded SEK 600 billion. Balances with central banks and banks, as well as securities holdings, totalled SEK 326 billion (see table below). In addition, there was an unutilised issue amount for covered bonds and other liquidity-

creating measures. The liquidity reserves cover the Bank's liquidity requirement for over two years even if access to new funding in the markets were to disappear.

### Balances with central banks and banks, and securities holdings in the liquidity reserve

31 March 2011	Loan value SEK m
Cash and balances with central banks	226,142
Balances with banks, overnight	1,259
Securities issued by government and public entities	41,229
Covered bonds	27,899
Securities issued by non-financial companies	2,170
Securities issued by financial companies	27,075
<b>Total</b>	<b>325,774</b>

### Stress test with liquidity-creating measures

The Bank's liquidity position is regularly subjected to stress tests. In the test, the Bank's cash flows are stressed, 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 public. It is further assumed that the Bank continues to conduct its core activities. Account is also taken of the fact that the Central Treasury liquidity portfolio can provide immediate additional liquidity.

The stress test shows that the Bank can maintain cash funds which would never fall below SEK 275 billion during the next twelve-month period.

For a long period of time, the Bank has actively worked with liquidity measures and has adopted a conservative approach. Part of this work has involved centralising liquidity management with the purpose of strengthening control of the liquidity risks and of guaranteeing and optimising the Bank's funding in all scenarios. This means that Handelsbanken is well-equipped to comply with the regulations which are being drafted.

#### Note 14 The Handelsbanken share

	Q1 2011	Q1 2010	Q4 2010	Jan-Mar 2011	Jan-Mar 2010	Full year 2010
Number of repurchased shares, end of period	-	-	-	-	-	-
Holding of own shares in trading book, end of period	128,478	236,294	-	128,478	236,294	-
Number of outstanding shares after repurchases and deduction for trading book, end of period	623,340,984	623,233,168	623,469,462	623,340,984	623,233,168	623,469,462
Number of outstanding shares after dilution, end of period	635,582,181	635,474,365	635,710,659	635,582,181	635,474,365	635,710,659
Average holdings of own shares (repurchased and holdings in trading book)	931,273	1,856,794	984,173	931,273	1,856,794	1,375,013
Average number of outstanding shares after dilution	622,538,189	621,612,668	622,485,289	622,538,189	621,612,668	622,094,449
	634,779,386	633,853,865	634,726,486	634,779,386	633,853,865	634,335,646
Share price ordinary class A, SEK	207.00	211.60	214.90	207.00	211.60	214.90
Market capitalisation, SEK bn	129	132	134	129	132	134

#### Note 15 Turnover of own debt instruments and shares

The Handelsbanken Group issues and repurchases debt instruments which it has issued on its own account and its own shares. This turnover is mainly intended as part of the Bank's securities operations and also as a component in financing its operations. During the period January to March 2011, the turnover was:

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

	Group	Parent company
Issued (sold):	383	228
Repurchased (bought):	92	14
Repaid:	269	207

##### Equity-related securities (SEK billion):

Issued (sold):	0.9
Repurchased (bought):	1.0

#### Note 16 Contingent liabilities

Total contingent liabilities were SEK 93,176 million (95,111 as at 31 December 2010), a significant proportion of which are credit guarantees. This amount includes SEK 92 million (106) relating to a number of civil actions which the Group is bringing in general courts of law.

#### Note 17 Related-party transactions

During the period, normal business transactions have been carried out between Group companies. There have been no other transactions of material significance with associated companies. In this context, Svenska Handelsbanken Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, försäkringsförening (pension fund) are associated companies. These companies use Handelsbanken AB for customary banking and accounting services.

#### Note 18 Discontinued operations

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

# Parent company

## PARENT COMPANY'S INCOME STATEMENT

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
Net interest income	3,666	3,572	3%	3,779	-3%	3,666	3,572	3%	14,549
Dividends received	122	235	-48%	1,625	-92%	122	235	-48%	2,749
Net fee and commission income	1,491	1,569	-5%	1,768	-16%	1,491	1,569	-5%	6,455
Net gains/losses on financial items	330	388	-15%	299	10%	330	388	-15%	790
Other income	155	145	7%	188	-18%	155	145	7%	624
<b>Total income</b>	<b>5,764</b>	<b>5,909</b>	<b>-2%</b>	<b>7,659</b>	<b>-25%</b>	<b>5,764</b>	<b>5,909</b>	<b>-2%</b>	<b>25,167</b>
Staff costs	-2,436	-2,325	5%	-1,943	25%	-2,436	-2,325	5%	-8,838
Other administrative expenses	-1,137	-1,122	1%	-1,368	-17%	-1,137	-1,122	1%	-4,775
Depreciation, amortisation and impairments of property, equipment and intangible assets	-136	-137	-1%	-126	8%	-136	-137	-1%	-533
<b>Total expenses before loan losses</b>	<b>-3,709</b>	<b>-3,584</b>	<b>3%</b>	<b>-3,437</b>	<b>8%</b>	<b>-3,709</b>	<b>-3,584</b>	<b>3%</b>	<b>-14,146</b>
<b>Profit before loan losses</b>	<b>2,055</b>	<b>2,325</b>	<b>-12%</b>	<b>4,222</b>	<b>-51%</b>	<b>2,055</b>	<b>2,325</b>	<b>-12%</b>	<b>11,021</b>
Net loan losses	-241	-542	-56%	-280	-14%	-241	-542	-56%	-1,466
Impairments of financial assets	-	-	-	-200	-	-	-	-	-470
<b>Operating profit</b>	<b>1,814</b>	<b>1,783</b>	<b>2%</b>	<b>3,742</b>	<b>-52%</b>	<b>1,814</b>	<b>1,783</b>	<b>2%</b>	<b>9,085</b>
Appropriations	26	28	-7%	26	0%	26	28	-7%	108
<b>Profit before tax</b>	<b>1,840</b>	<b>1,811</b>	<b>2%</b>	<b>3,768</b>	<b>-51%</b>	<b>1,840</b>	<b>1,811</b>	<b>2%</b>	<b>9,193</b>
Taxes	-488	-473	3%	-1,051	-54%	-488	-473	3%	-2,548
<b>Profit for the period</b>	<b>1,352</b>	<b>1,338</b>	<b>1%</b>	<b>2,717</b>	<b>-50%</b>	<b>1,352</b>	<b>1,338</b>	<b>1%</b>	<b>6,645</b>

## PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q1 2011	Q1 2010	Change	Q4 2010	Change	Jan-Mar 2011	Jan-Mar 2010	Change	Full year 2010
<b>Profit for the period</b>	<b>1,352</b>	<b>1,338</b>	<b>1%</b>	<b>2,717</b>	<b>-50%</b>	<b>1,352</b>	<b>1,338</b>	<b>1%</b>	<b>6,645</b>
<b>Other comprehensive income</b>									
Cash flow hedges	408	-326	-	406	0%	408	-326	-	-186
Available-for-sale instruments	-176	556	-	905	-	-176	556	-	2,188
Translation differences for the period	-390	-539	28%	-22	-	-390	-539	28%	-1,462
Tax related to other comprehensive income	-67	-62	-8%	-347	81%	-67	-62	-8%	-549
<b>Total other comprehensive income</b>	<b>-225</b>	<b>-371</b>	<b>39%</b>	<b>942</b>	<b>-</b>	<b>-225</b>	<b>-371</b>	<b>39%</b>	<b>-9</b>
<b>Total comprehensive income for the period</b>	<b>1,127</b>	<b>967</b>	<b>17%</b>	<b>3,659</b>	<b>-69%</b>	<b>1,127</b>	<b>967</b>	<b>17%</b>	<b>6,636</b>

## PARENT COMPANY'S BALANCE SHEET

SEK m	31 Mar 2011	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010
<b>Assets</b>					
Cash and balances with central banks	163,180	56,346	75,626	122,263	122,551
Treasury bills and other eligible bills	51,377	43,218	40,384	78,131	105,234
Loans to credit institutions	509,104	505,049	492,288	493,342	399,729
Loans to the public	696,540	691,221	699,093	725,533	724,937
Bonds and other interest-bearing securities	59,709	60,618	75,423	65,269	65,339
Shares	33,950	35,113	30,890	21,943	26,511
Shares in subsidiaries and participating interests in associated companies	33,012	33,010	33,195	33,195	33,458
Assets where the customer bears the value change risk	2,332	2,080	2,041	2,963	3,046
Derivative instruments	99,816	109,192	149,662	140,533	115,068
Intangible assets	1,429	1,516	1,540	1,625	1,681
Property and equipment	1,739	1,724	1,740	1,787	1,736
Current tax assets	-	-	-	-	-
Deferred tax assets	216	322	391	403	241
Other assets	21,028	58,593	25,424	20,158	39,676
Prepaid expenses and accrued income	5,981	4,624	5,310	4,579	5,345
<b>Total assets</b>	<b>1,679,413</b>	<b>1,602,626</b>	<b>1,633,007</b>	<b>1,711,724</b>	<b>1,644,552</b>
<b>Liabilities and equity</b>					
Due to credit institutions	313,896	260,117	219,109	255,817	198,666
Deposits and borrowing from the public	621,137	577,180	601,733	606,021	602,735
Liabilities where the customer bears the value change risk	2,332	2,112	2,063	2,998	3,075
Issued securities	471,389	483,305	464,089	531,499	519,796
Derivative instruments	112,671	118,506	167,332	136,173	120,887
Other trading liabilities	34,941	36,026	38,200	37,584	41,308
Current tax liabilities	19	382	302	248	119
Deferred tax liabilities	89	90	86	88	89
Provisions	67	74	138	167	170
Other liabilities	20,687	13,382	24,327	22,965	36,660
Accrued expenses and deferred income	9,980	8,350	9,030	9,235	9,219
Subordinated liabilities	37,609	43,959	49,913	53,139	52,082
<b>Total liabilities</b>	<b>1,624,817</b>	<b>1,543,483</b>	<b>1,576,322</b>	<b>1,655,934</b>	<b>1,584,806</b>
<b>Untaxed reserves</b>					
Share capital	1,074	1,110	1,147	1,221	1,275
Statutory reserve	2,899	2,899	2,899	2,899	2,899
Retained earnings	2,682	2,682	2,682	2,682	2,682
Profit for the period	46,589	45,807	46,029	46,363	51,552
<b>Total equity</b>	<b>53,522</b>	<b>58,033</b>	<b>55,538</b>	<b>54,569</b>	<b>58,471</b>
<b>Total liabilities and equity</b>	<b>1,679,413</b>	<b>1,602,626</b>	<b>1,633,007</b>	<b>1,711,724</b>	<b>1,644,552</b>
<b>Memorandum items</b>					
Assets pledged for own debt	95,841	79,591	101,377	129,833	126,697
Other assets pledged	4,206	4,398	4,030	5,176	3,878
Contingent liabilities and commitments	149,103	131,479	145,890	156,232	151,255
Other commitments	387,287	403,029	410,664	387,560	371,673

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

## SUBMISSION OF REPORT

I hereby submit this interim report.

Stockholm, 27 April 2011

Pär Boman  
President and Group Chief Executive

## PHONE CONFERENCE

A phone conference with the Bank's CFO, Mr Ulf Riese, will be held on 27 April 2011 at 11 a.m. CET.

Press releases, presentations, a fact book and a recording of the phone conference are available at [www.handelsbanken.se/ireng](http://www.handelsbanken.se/ireng).

The interim report for January–June 2011 will be published on 20 July 2011.

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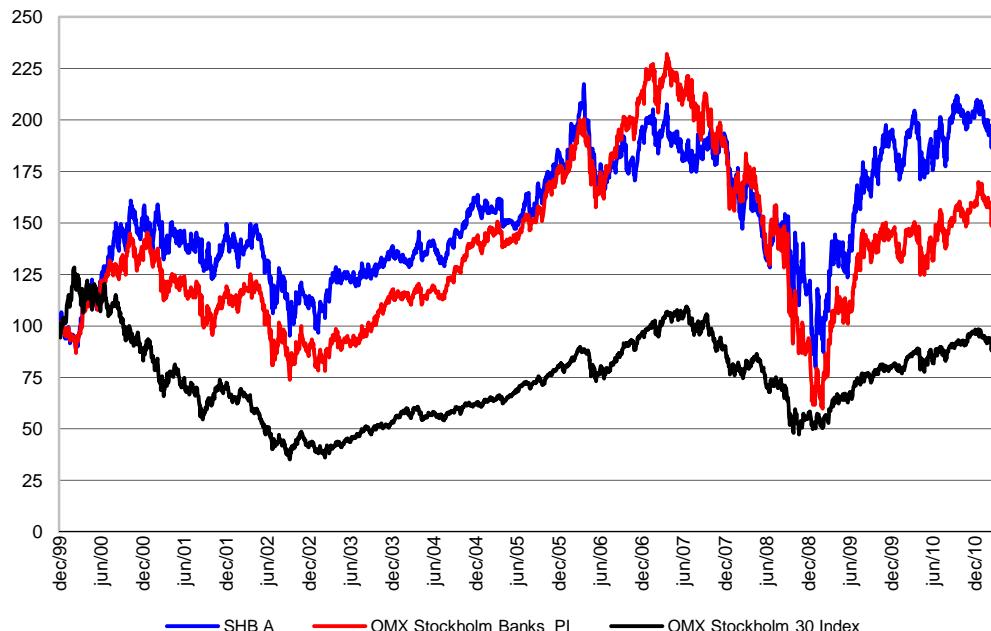
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## Share price performance and other information

The Swedish stock market declined by 2 per cent during the first three months of the year. The Stockholm stock exchange's bank index fell by 1 per cent. Handelsbanken's class A shares closed at SEK 207, a fall of 4 per cent since the year-end, but including dividends paid, the total return was positive, at 1 per cent. Since 1 January 2000, Handelsbanken's share price has increased by 93 per cent, while the Stockholm stock exchange has fallen by 4 per cent.

### SHARE PRICE PERFORMANCE, 31 DECEMBER 1999 – 31 MARS 2011



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