

Highlights of Handelsbanken's annual report

JANUARY – DECEMBER 2008 *

Summary of Q4 2008, compared with Q3 2008

- Operating profits rose by 39% to SEK 5,216m (3,758). Excluding capital gains, operating profits rose by 20%
- Net interest income went up by 13% to SEK 5,474m (4,856)
- The average volume of loans to the public increased by 5%, or SEK 63bn
- Household deposits increased by 7% to SEK 199bn
- Loan losses were SEK 696m (231)
- The bank completed its acquisition of Lokalbanken and now has over 700 branches
- Tier 1 capital increased by SEK 5.1bn to SEK 75.9bn
- The capital ratio increased to 16.0% (15.2), while the Tier 1 capital ratio calculated according to Basel II rose to 10.5% (10.0)
- Return on shareholders' equity was 23.8% (15.1) and excluding capital gains 20.0%

Summary January – December 2008 compared with January – December 2007

- Earnings per share for continuing operations rose to SEK 19.16 (17.39) and for total operations to SEK 19.46 kronor (24.84 including the capital gain from SPP)
- Operating profits went up by 4% to SEK 15,326m (14,732) and profits after tax for total operations amounted to SEK 12,131m (15,508)
- Net interest income increased by 23% to SEK 19,223m (15,608)
- The average volume of loans rose by 15% and household deposits were up 19%
- Income increased by 10% to SEK 29,890m (27,126)
- Loan losses amounted to SEK -1,605m (-27)
- Return on shareholders' equity amounted to 16.0% (16.3) for continuing operations and to 16.2% for total operations (23.3% including the capital gain from SPP)
- The board proposes an ordinary dividend of SEK 7.00 per share (8.50)

* All the comments and figures in this report refer to continuing operations, unless otherwise stated.

Handelsbanken Group - Overview

SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Summary income statement, SEK m								
Net interest income	5 474	4 856	13	4 010	37	19 223	15 608	23
Net fee and commission income	1 694	1 656	2	1 956	-13	6 795	7 745	-12
Net gains/losses on financial items at fair value	2 229	483	361	523	326	3 169	3 054	4
Other income	115	129	-11	127	-9	703	719	-2
Total income	9 512	7 124	34	6 616	44	29 890	27 126	10
Staff costs	-2 170	-2 015	8	-1 995	9	-8 114	-7 528	8
Administrative expenses	-1 430	-1 118	28	-1 354	6	-5 115	-4 840	6
Total expenses	-3 600	-3 133	15	-3 349	7	-13 229	-12 368	7
Profit before loan losses	5 912	3 991	48	3 267	81	16 661	14 758	13
Net loan losses	-696	-231	201	-166	319	-1 605	-27	
Gains/losses on disposal of property, equipment and intangible assets	0	-2	100	0	0	270	1	
Operating profit	5 216	3 758	39	3 101	68	15 326	14 732	4
Taxes ¹	-705	-999	-29	-859	-18	-3 382	-3 879	-13
The period's profits from continuing operations	4 511	2 759	64	2 242	101	11 944	10 853	10
Profit for the period from discontinued operations, after tax ²	44	51	-14	72	-39	187	573	-67
Capital gain from disposal of discontinued operations, after tax	-	-		4 082	-100	-	4 082	-100
Profit for the period	4 555	2 810	62	6 396	-29	12 131	15 508	-22
Summary balance sheet, SEK m								
Loans to the public	1 481 475	1 428 618	4	1 292 988	15	1 481 475	1 292 988	15
of which mortgage loans	615 263	605 445	2	523 758	17	615 263	523 758	17
Deposits and borrowing from the public	543 760	508 152	7	512 841	6	543 760	512 841	6
of which households	222 589	207 038	8	186 637	19	222 589	186 637	19
Assets held for sale ²	-	-		10	-100	-	10	-100
Liabilities related to assets held for sale ²	-	-		0	-	-	0	
Shareholders' equity	74 963	71 352	5	74 491	1	74 963	74 491	1
Total assets	2 158 784	1 964 087	10	1 859 382	16	2 158 784	1 859 382	16

1 The effective tax rate for 2008 was 22.1% (26.3 excluding the sale of SPP). The decrease is due to the tax-free capital gains being SEK 152m higher in 2008 compared to 2007 and also that all deferred taxes were affected by Swedish corporation tax being lowered from 28.0% to 26.3% from 2009.

2 See Note 5 Discontinued operations.

Handelsbanken Group - Key figures

	Q 4	Q 3	Q 4	Jan-Dec	Jan-Dec
	2008	2008	2007	2008	2007
Return on equity, total operations, after actual tax ¹	24,0%	15,4%	37,4%	16,2%	23,3%
Return on equity, total operations, after standard tax ¹	20,0%	15,1%	31,0%	15,0%	20,9%
Return on equity, total operations, after actual tax, excl. capital gain SPP ¹			13,5%		17,1%
Return on equity, total operations, after standard tax, excl. capital gain SPP ¹			13,8%		16,5%
Return on equity, continuing operations, after actual tax ¹	23,8%	15,1%	13,1%	16,0%	16,3%
Return on equity, continuing operations, after standard tax ¹	19,8%	14,8%	13,1%	14,7%	15,9%
C/I ratio, total operations	37,8%	43,7%	31,9%	44,1%	40,5%
C/I ratio, total operations, incl. loan losses	45,0%	46,9%	33,4%	49,4%	40,6%
C/I ratio, continuing operations	37,8%	44,0%	50,6%	44,3%	45,6%
C/I ratio, continuing operations, incl. loan losses	45,2%	47,2%	53,1%	49,6%	45,7%
Earnings per share, total operations, SEK ²	7,31	4,51	10,29	19,46	24,84
after dilution	7,16	4,44	10,29	19,31	24,84
Earnings per share, continuing operations, SEK ²	7,24	4,43	3,61	19,16	17,39
after dilution	7,09	4,36	3,61	19,02	17,39
Earnings per share, discontinued operations, SEK ²	0,07	0,08	6,68	0,30	7,45
after dilution	0,07	0,08	6,68	0,29	7,45
Ordinary dividend, SEK ³				7,00	8,50
Extra dividend, SEK				-	5,00
Adjusted equity per share, SEK ⁴	120,64	114,20	119,27	120,64	119,27
Average number of outstanding shares	623 469 462	623 469 462	621 816 091	623 288 912	624 248 698
after dilution	640 291 101	639 572 683	621 816 091	631 520 127	624 248 698
Capital ratio according to Basel II	16,0%	15,2%	16,9%	16,0%	16,9%
Tier 1 ratio according to Basel II	10,5%	10,0%	10,6%	10,5%	10,6%
Capital base in relation to capital requirement Basel II	200%	190%	212%	200%	212%
Average number of employees, total operations	10 971	11 019	10 898	10 833	10 768
Average number of employees, continuing operations	10 971	11 019	10 386	10 833	10 209
Number of branches in Sweden	461	461	461	461	461
Number of branches outside Sweden	241	219	199	241	199

¹ When calculating return on equity, shareholders' 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.

² Before dilution.

³ 2008 as recommended by the board.

⁴ When calculating equity per share, shareholders' equity is adjusted for the impact of cash flow hedges and for minority interests.

The Group

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Last year was characterised by an increased demand for the Bank's services, particularly for products related to lending and deposits.

Earnings per share for continuing operations rose by 10% to SEK 19.16 (17.39) and operating profits went up by 4% to SEK 15,326m (14,732). The improvement in profits is chiefly attributable to higher deposit and loan volumes combined with a favourable funding situation.

Return on shareholders' equity on continuing operations after actual tax amounted to 16.0% (16.3) and the C/I ratio improved to 44.3% (45.6).

The net profit from discontinued operations was SEK 187m (4,655 including the capital gain from SPP), and the period's profit for total operations after tax was SEK 12,131m (15,508). Earnings per share for total operations were SEK 19.46 (24.84).

Income

Net interest income rose by 23% to SEK 19,223m (15,608). Net interest income went up by 33% in the branch office operations outside Sweden, and by 17% in the Swedish branch office operations.

The average volume of lending to the public grew by 15% to SEK 1,379bn (1,194), while the average volume of deposits increased by 7% to SEK 490bn (456). Growth in the Group's deposits from households remained strong, particularly in Sweden, where deposits rose by 20% to SEK 145bn (121).

Net fee and commission income fell by SEK 950m to SEK 6,795m (7,745). The decrease was entirely attributable to a reduction of SEK 1,154m in equity-related commission income, to SEK 3,024m (4,178). Commissions from card operations and lending and deposit commissions both rose by 8% during the year.

Net gains/losses on financial items at fair value rose to SEK 3,169m (3,054). Profits were adversely affected by realised and unrealised value changes in the liquidity portfolio amounting to SEK -1,115m (-490), but this was offset by higher profits from fixed income and foreign exchange trading. The net amount of capital gains of a non-recurring nature was SEK 701m (707), of which SEK 716m was attributable to a non-taxed capital gain on the sale of the Bank's shares in NCSD. Translation differences due to exchange rate movements at international units also affected profits by SEK -241m (28).

Expenses

Expenses rose by 7% or SEK 861m to SEK 13,229m (12,368). The costs of expansion for new branches outside Sweden rose by SEK 96m to SEK 327m. In

total, expenses for branch operations outside Sweden increased by SEK 878m.

Staff costs rose by 8% to SEK 8,114m (7,528), with branch office operations outside Sweden accounting for seven percentage points of this increase.

The positive corridor effect of calculating pension costs according to IAS 19 decreased by SEK 156m in 2008 and amounted to SEK 48m (204).

Provisions for performance-related remuneration decreased by SEK 279m to SEK 277m (556). Since the board is proposing that the dividend be lowered to SEK 7.00, no allocation was made to the Oktogonen profit-sharing foundation for 2008.

Other administrative expenses rose by 4% to SEK 4,688m (4,487). More than half of this SEK 201m increase is attributable to a one-off expense of SEK 93m arising in connection with the separation of the management organisation following the sale of SPP and to costs of SEK 32m associated with Lokalkbanken. Excluding these items, administrative expenses rose by just under 2%.

Loan losses

Loan losses were SEK -1,605m (-27).

Provisions for collectively assessed receivables were SEK 188m (-46). Loan losses as a proportion of lending were 0.11% (0.00). Net bad debts were SEK 2,622m (624), equivalent to 0.17% (0.05) of lending.

Continued good liquidity

The international credit market was negatively affected during the past year by the financial crisis. Nevertheless, Handelsbanken was still able to report good liquidity in the fourth quarter. The inflow of deposits remained strong from both households and credit institutions.

The Bank is in a position to free up additional liquid funds of more than SEK 300bn at very short notice. This liquidity would secure the Bank's financing requirements for just over a year and enable it to continue normal business operations, even if the credit market were to shut down entirely. Throughout the entire period, the Bank has been a net lender to the Riksbank and also on the Swedish overnight market.

Handelsbanken has been able to issue covered bonds in the Swedish market on a regular basis and the volume of its issues peaked during the fourth quarter. The proportion of bond financing in the Group amounted to 33% and at the year-end was higher than it was at the beginning of the financial crisis in 2007. Moreover, the Bank's healthy position on the US interbank market has created an attractive useful source of funds in USD, which has reduced the cost of the Bank's funding.

The market value of the Bank's liquidity portfolio was SEK 71bn (65).

CAPITAL-RELATED MATTERS

The capital base, including profits generated during the period, was SEK 115,505m. The capital ratio according to Basel II increased during the fourth quarter to 16.0% (15.2) and Tier 1 capital increased by SEK 5,074m to SEK 75,854m. SEK 11,579m of the Tier 1 capital was Tier 1 capital contributions (hybrid capital). During the fourth quarter, the Tier 1 capital ratio increased to 10.5% (10.0) and the Bank issued Tier 1 capital loans for SEK 2,550m, of which SEK 200m were of the non-innovative type¹. This had a positive effect of 0.2 percentage points. Earnings made a positive contribution of 0.4 percentage points and the migration of credit risks adversely affected the Tier 1 capital ratio by 0.2 percentage points during the quarter.

Value changes in the liquidity portfolio affected equity by SEK -541m after tax in the fourth quarter.

RATING

Handelsbanken's rating was unchanged with all three rating agencies which rate the Bank. Moody's rating for the Bank was Aa1, while the rating from Fitch and Standard & Poor's was AA-. All three agencies consider the Bank's outlook to be stable. Both Standard and Poor's and Moody's confirmed the Bank's rating during the fourth quarter.

Q4 2008 COMPARED WITH Q3 2008

Operating profits rose by 39% to SEK 5,216m (3,758). Excluding the capital gain of SEK 716m from the sale of shares in NCSD, operating profits rose by 20%, chiefly due to higher net interest income and an increase in net gains/losses on financial items at fair value.

For continuing operations, earnings per share rose to SEK 7.24 (4.43). Excluding the capital gain from the sale of NCSD, earnings per share amounted to SEK 6.09.

Net interest income continues to increase

Net interest income rose by 13% to SEK 5,474m (4,856). One reason for the increase in net interest income is the rise in deposit and loan volumes. Moreover, amidst the turbulence that has characterised the credit market, the Bank's strong position in the interbank market has meant a steady inflow of deposit volumes from other credit institutions. A good position on the funding market has also meant that the Bank has had access to

funding in USD, which has then been exchanged into local currency. This has resulted in a lower funding cost, which has also had a positive impact on net interest income during the quarter.

The average volume of lending rose by 5%, or SEK 63bn, to SEK 1,462bn (1,399), which is the largest ever increase reported by the Bank during a single quarter.

Net interest income at Swedish branch office operations increased by 12% and the average volume of household deposits rose by as much as 7%, to SEK 157bn (147). The margin on the mortgage loan portfolio was 0.51% (0.53). The average volume of lending rose by 2% to SEK 960bn (938).

Net interest income went up by 10% in the branch office operations outside Sweden and the average volume of deposits and lending grew by 11% and 9% respectively.

Net fee and commission income rose by 2% to SEK 1,694m (1,656) as the result of an increase in equity-related commission income. Brokerage income rose by SEK 110m. Net gains/losses on financial items at fair value increased to SEK 2,229m (483). This increase is chiefly attributable to the capital gain of SEK 716m from the sale of the Bank's shares in NCSD and from an improvement in profits from fixed income and foreign exchange trading.

Expenses increased

Expenses rose by SEK 467m to SEK 3,600m (3,133), of which exchange rate movements accounted for just under SEK 100m. Expenses in Lokalbanken, which was acquired during the quarter, and fees relating to the Danish state deposit guarantee added a further SEK 72m to expenses.

Staff costs rose by SEK 155m to SEK 2,170m (2,015), with branch office operations outside Sweden accounting for SEK 73m of this increase. Performance-related remuneration dropped to SEK 93m (96).

Other administrative expenses rose by SEK 298m to SEK 1,309m (1,011). More than half of this increase was attributable to branch office operations outside Sweden.

Loan losses

Loan losses rose to SEK -696m (-231), with collectively assessed receivables accounting for SEK 77m (34). Loan losses as a proportion of lending were 0.20% (0.07).

Net bad debts increased to SEK 2,622m (2,163), equivalent to 0.17% (0.14) of lending.

The loan loss reserve ratio was 51.1% (55.0). The reduction is due to the fact that bad debts do not take the value of collateral into consideration combined with the fact that the provision requirement for certain additional exposures has been low.

¹ Non-innovative Tier 1 capital loans refer to a perpetual subordinated loan without any "step-up" terms regarding interest.

PERFORMANCE IN THE BUSINESS SEGMENTS

(Q4 2008 compared with Q3 2008)

Branch office operations in Sweden

Operating profits rose by 7% and amounted to SEK 2,633m (2,471). Operating profits before loan losses rose by 19% to SEK 3,020m (2,541).

Net interest income rose by 12% to SEK 3,777m (3,377) due to higher deposit and loan volumes. The average volume of lending rose by 2% to SEK 960bn (938), while deposits increased by 7% to SEK 303bn (283).

Lower equity-related commission income contributed to a 5% reduction in net fee and commission income to SEK 774m (811). Net gains/losses on financial items at fair value rose by SEK 168m to SEK 72m (-96).

Expenses went up by 4% to SEK 1,652m (1,585), as a result of an increase in administrative expenses and the C/I ratio was 35.4% (38.4). Staff costs remained unchanged during the quarter. Loan losses rose to SEK -387m (-70).

Branch office operations outside Sweden

Operating profits fell to SEK 466m (674) mainly due to higher expenses. Income rose by 10% to SEK 2,090m (1,898), due mainly to a 10% increase in net interest income to SEK 1,629m (1,480). Higher volumes and improved lending margins made a positive contribution to the quarter. The average volume of lending grew by 9% to SEK 489bn (447), while deposits increased by 11% to SEK 157bn (142).

Net fee and commission income rose by 8% to SEK 345m (319) and net gains/losses on financial items at fair value rose to SEK 65m (25).

Expenses went up by 24% to SEK 1,315m (1,062), largely as a result of the continued expansion. During the fourth quarter, eight (five) new branches were opened. The acquisition of Lokalkbanken added a further 14 branches. The costs of expansion for new branches rose to SEK 134m (112) and the costs in Lokalkbanken amounted to SEK 60m.

Loan losses were SEK -309m (-161).

Handelsbanken Capital Markets

Operating profits increased to SEK 1,140m (684). Net fee and commission income increased by 28% to SEK 291m (227), largely due to higher brokerage commissions. Customer-driven fixed income and foreign exchange trading continued to show positive developments and contributed to an increase in net gains/losses on financial items at fair value to SEK 1,304m (830).

Expenses went up by 13% to SEK 818m (721).

Handelsbanken Asset Management

Operating profits rose to SEK 329m (70), of which SEK 297m (24) stemmed from Handelsbanken Liv.

Net fee and commission income was down by 2% to SEK 246m (252). Expenses rose by 5% to SEK 264m (252).

Handelsbanken Liv received no yield split during the period (0). A reversal was made of the deferred capital contribution made to Handelsbanken Liv the amount being SEK 139m (-60).

Discontinued operations

The discontinued operations include the net amount of the compensation Handelsbanken receives for asset management assignments performed by the Bank on behalf of SPP/Storebrand and also the income and expenses Handelsbanken pays/incurs for the services that the Bank still sells to SPP.

The net profit was SEK 44m (51).

CONTINUED EFFORTS TO INCREASE EFFICIENCY

In the autumn of 2006, an efficiency drive was launched in the Swedish branch operations, with the aim of increasing the amount of time for meeting customers by 50% up to 2010.

During the spring of 2008, surveys carried out showed that the time spent on administration had decreased and that the time spent with customers had risen by 34%. During the summer, there was a further upgrade in system support aimed at simplifying several of the more common branch office tasks. A new survey carried out during the fourth quarter revealed that the increase in time spent on customer contacts has now reached 40%.

Despite a high level of cost efficiency in the Swedish branch operations, the drive shows that there is scope for further improvement. For the full year 2008, the C/I ratio for Swedish branch operations improved by 0.8 percentage points to 37.7% (38.5).

STABILITY FUND

During the autumn, the Swedish government decided to set up a stability fund, which through the acquisition of preference shares in individual companies, could be used to secure adequate capitalisation in the Swedish banking system. The fund, which includes the current state deposit guarantee, will be financed by the banks and credit market companies and for 2009 and 2010, half the fee will be charged. No fee was charged in 2008.

The individual fees to be levied have not yet been decided. In 2008, the Bank's cost for the Swedish deposit guarantee scheme was SEK 130m.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In February, the Bank issued Tier 1 capital loans for a further SEK 1.1bn. These loan instruments are of

the non-innovative type and thus lack any incentive to seek premature repayment.

In January, the Bank submitted an application to the Swedish Financial Supervisory Authority for permission to use the advanced method when calculating credit risks in the Bank's internal ratings based model.

In 2008, the corridor effect used in the calculation of pension costs according to IAS 19 was positive, and amounted to SEK 48m (204). Under current accounting regulations, the corresponding effect for the full year 2009 will be negative and amount to SEK -262m.

A handwritten signature in black ink, appearing to read 'Pär Boman', is positioned above the printed name and title.

Pär Boman
President and group chief executive

Business segment information

The Group's income statement by business segment, January - September

SEK m	Branch offices in Sweden	Branch offices outside Sweden	Capital Markets	Asset Mgmt	Other operations	Elimina- tions	Jan-Dec 2008	Jan-Dec 2007
Net interest income	13 412	5 572	584	378	-706	-17	19 223	15 608
Net fee and commission income	3 275	1 308	1 028	1 087	97		6 795	7 745
Net gains/losses on financial items at fair value	459	295	1 928	-116	603		3 169	3 054
Risk result - insurance				215			215	151
Other income	163	226	954	176	3 598	-4 629	488	568
Total income	17 309	7 401	4 494	1 740	3 592	-4 646	29 890	27 126
Total expenses	-6 531	-4 365	-3 121	-1 174	-2 684	4 646	-13 229	-12 368
Profit before loan losses	10 778	3 036	1 373	566	908		16 661	14 758
Net loan losses	-834	-771	-	-			-1 605	-27
Gains/losses on disposal of property, equipment and intangible assets	0	-1	-	-	271		270	1
Operating profit	9 944	2 264	1 373	566	1 179		15 326	14 732
Return on equity, %	19,9	8,3	18,9	8,9			16,0	16,3
Average number of employees	4 681	2 785	1 068	550	1 749		10 833	10 209

Internal income and expenses are included in the respective item on the income statement. Internal income consists of interest, commissions and services rendered according to the cost price principle. Expenses also include the distribution of costs made internally within the Group

for services from business support operations. Return on shareholders' equity for the segment is computed after standard tax while for the whole Group, it is computed after actual tax.

Other operations

SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	-147	-234	37	-210	30	-706	-755	6
Net fee and commission income	38	47	19	-31		97	-121	
Net gains/losses on financial items at fair value	611	-146		-6		603	702	-14
Other income	901	775	16	981	-8	3 598	3 705	-3
Total income	1 403	442	217	734	91	3 592	3 531	2
Total expenses	-755	-582	30	-717	5	-2 684	-3 099	-13
Gains/losses on disposal of property, equipment and intangible assets	0	-1	100	0	0	271	-	
Operating profit	648	-141		17		1 179	432	173
Average number of employees	1 727	1 743	-1	1 734	0	1 749	1 695	3

The Other operations business segment 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.

During the year, operating profit increased by SEK 747m to SEK 1,179m (432), partly due to the capital gain from the sale of a property for SEK 272m which arose in the first quarter. Other capital gains were

SEK 720m (707). The Swedish krona weakened during the year, which had a negative impact on net gains/losses of financial items at fair value of SEK 241m (28). In the previous year, the profit was SEK 122m lower due to an allocation to the Oktogonen profit-sharing foundation. In spring 2008, an allocation of SEK 7m was made for 2007.

Branch office operations in Sweden

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

Income statement

SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	3 777	3 377	12	2 905	30	13 412	11 462	17
Net fee and commission income	774	811	-5	927	-17	3 275	3 616	-9
Net gains/losses on financial items at fair value	72	-96		182	-60	459	917	-50
Other income	49	34	44	49	0	163	172	-5
Total income	4 672	4 126	13	4 063	15	17 309	16 167	7
Total expenses	-1 652	-1 585	4	-1 681	-2	-6 531	-6 226	5
Profit before loan losses	3 020	2 541	19	2 382	27	10 778	9 941	8
Net loan losses	-387	-70	453	-67	478	-834	-72	
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	-1	100	0	0	0
Operating profit	2 633	2 471	7	2 314	14	9 944	9 869	1
Return on equity, %	22,0	20,0		20,5		19,9	21,8	
Average number of employees	4 619	4 856	-5	4 595	1	4 681	4 649	1

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Earnings performance

Operating profits rose by 1% to SEK 9,944m (9,869) due to higher net interest income. Profits before loan losses rose by 8% to SEK 10,778m (9,941).

Income grew by 7% to SEK 17,309m (16,167); this was entirely attributable to a 17% increase in net interest income to SEK 13,412m (11,462).

Repurchased bonds had an impact on net interest income of SEK -20m (84).

Net fee and commission income fell by 9% to SEK 3,275m (3,616), mainly due to lower equity market-related income. Payment commissions continued to grow.

Net gains/losses on financial items at fair value decreased to SEK 459m (917), consisting mainly of early redemption charges and the result of currency exchange.

Expenses rose by 5% to SEK 6,531m (6,226) and the C/I ratio before loan losses improved to 37.7% (38.5).

Loan losses totalled SEK -834m (-72), stemming mainly from losses from one commitment.

Business development

The number of branches in Sweden during the year remained unchanged, at 461.

The average volume of deposits from households increased by 20%, or SEK 24bn, to SEK 145bn (121). At the end of the period, deposits from households totalled SEK 164bn. Handelsbanken's share of household deposits in Sweden increased sharply from 16.0% at the beginning of the year to 17.7% as at 31 December 2008.

Lending volumes continued to grow. Overall, the average volume of lending grew by 10% to SEK 930bn (842). The average volume of corporate lending rose by 10% to SEK 472bn (430), while the average volume of mortgages increased by 12% to SEK 400bn (358). In the fourth quarter, the margin on the mortgage loan portfolio was 0.51% (0.53).

During the spring, the Bank started a unit with overall responsibility for its offering to forest owners and farmers. A number of new products were launched aimed at these customer groups, such as an EU credit, a unique charge card tailored to the needs of forest owners and farmers, trade in commodities futures and currency hedging of EU grants. This initiative resulted in higher business volumes from this customer segment.

Card operations continued to grow. The number of cards, the purchase volume per card, and the number of card transactions all increased. Total purchase volumes for Allkort cards, Bankkort debit cards and Business cards grew by 11%.

Q4 2008 COMPARED WITH Q3 2008

Earnings performance

Operating profits rose by 7% and amounted to SEK 2,633m (2,471). Income grew by 13%, or SEK 546m, mainly due to strong growth in net interest income. Net interest income increased by SEK 400m, or 12%, mainly due to a sharp increase in deposit volumes.

In the fourth quarter, the margin on floating rate household deposits fell to 1.8% (2.3). This decline

stems from lower market rates and heavy inflows to accounts with lower margins. The Bank's market share of household deposits continued to rise during the quarter and amounted to 17.7% (17.1) at the end of the year.

Net gains/losses on financial items at fair value improved, rising to SEK 72m (-96).

Staff costs remained unchanged compared with the previous quarter. Other expenses were lower than normal in the third quarter and for the fourth quarter amounted to SEK 908m, which was 8% higher than the previous quarter but 6% lower than in the corresponding quarter in 2007. The C/I ratio was 35.4% (38.4).

Loan losses were SEK -387m (-70).

Business volumes, Sweden

	Q 4	Q 3	Change	Jan-Dec	Jan-Dec	Change
Average volumes, SEK bn	2008	2008	%	2008	2007	%
Deposits and borrowing from the public						
Household	157	147	7	145	121	20
Corporate	146	136	7	139	123	13
Total	303	283	7	284	244	16
Loans to the public *						
Household	472	465	2	458	412	11
of which mortgage loans	413	406	2	400	358	12
Corporate	488	473	3	472	430	10
of which mortgage loans	150	146	3	146	142	3
Total	960	938	2	930	842	10

* excl. loans to the National Debt Office

Branch office operations outside Sweden

Branch office operations outside Sweden comprise the regional banks in Denmark, Finland and Norway, as well as the two regional banks in Great Britain. These countries, together with Sweden, are regarded as the Bank's domestic 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 comparable banks. This business segment also includes Handelsbanken International and Handelsbanken Finans's operations outside Sweden. Handelsbanken International is responsible for branch operations outside the Bank's domestic markets, trade finance, as well as export finance and project finance.

Income statement

SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	1 629	1 480	10	1 128	44	5 572	4 184	33
Net fee and commission income	345	319	8	324	6	1 308	1 255	4
Net gains/losses on financial items at fair value	65	25	160	73	-11	295	451	-35
Other income	51	74	-31	39	31	226	191	18
Total income	2 090	1 898	10	1 564	34	7 401	6 081	22
Total expenses	-1 315	-1 062	24	-969	36	-4 365	-3 487	25
Profit before loan losses	775	836	-7	595	30	3 036	2 594	17
Net loan losses	-309	-161	92	-99	212	-771	45	
Gains/losses on disposal of property, equipment and intangible assets	0	-1	100	1	-100	-1	1	
Operating profit	466	674	-31	497	-6	2 264	2 640	-14
Return on equity, %	5,9	9,7		9,6		8,3	13,1	
Average number of employees	3 029	2 783	9	2 516	20	2 785	2 379	17

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Earnings performance

Operating profits fell to SEK 2,264m (2,640). Profits before loan losses increased by 17% to SEK 3,036m (2,594). Income increased by 22% to SEK 7,401m (6,081).

Due to a higher rate of expansion, expenses rose by 25% to SEK 4,365m (3,487). The operating deficit for new branches in regional banks outside Sweden which have not yet reported a profit was SEK 373m (113). The average number of employees increased by 17% to 2,785 (2,379).

Business development

Handelsbanken had a total of 241 (199) branches outside Sweden. During the year, 28 new branches were opened. Through the acquisition of Lokalbanken, 14 new branches were also added in Denmark.

Average lending volumes in the branch office operations outside Sweden increased by 32% to SEK 433bn (329). Corporate lending rose by 38% to SEK 313bn (227) while lending to households grew

by 17% to SEK 120bn (102). Deposits from the public rose by 9% to SEK 144bn (132).

Q4 2008 COMPARED WITH Q3 2008

Earnings performance

Operating profits fell to SEK 466m (674). Profits before loan losses fell by 7% to SEK 775m (836). Income increased by 10% to SEK 2,090m (1,898).

Net interest income improved by 10% or SEK 149m, mainly due to larger business volumes.

The average volume of lending increased by SEK 42bn or 9% to SEK 489bn (447). The average volume of deposits from the public increased by SEK 15bn or 11% to SEK 157bn (142).

During the fourth quarter, eight new branches were opened.

Branch office operations in Great Britain

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Earnings performance

Operating profits fell to SEK -62m (154). The lower profit figure is partly because the wider spread between the market rate and the Bank of England's base rate had a negative impact on net interest income amounting to some SEK 180m and partly because the continued expansion led to higher expenses of SEK 120m. Profits before loan losses were SEK 52m (202).

Net interest income declined by 2% to SEK 586m (597). Exchange rate differences had a negative impact on net interest income and in the local currency, net interest income grew by 10%.

Access to funding remained good, but wider spreads between the market rate, which determines the Bank's funding cost, and the Bank of England's base rate, which in many cases governs the interest rate charged to customers, had an adverse effect on net interest income. This effect, which was accentuated by the central bank's key rate cuts, reduced net interest income for the full year by some SEK 180m. The Bank is working actively to reduce this effect, by linking a larger proportion of its lending to a different base interest rate.

Expenses went up by 21% to SEK 690m (570) as a result of the continued expansion of the branch network. During the same period, the total number of staff grew by 22% or 88 to a total of 480 (392).

Loan losses were SEK -114m (-48).

Business development

The average volume of lending rose by 38% to GBP 4,812m (3,497). Corporate lending went up by 39%, and lending to households by 32%. Lending to households, which increased by GBP 194m, was almost entirely covered by higher deposits from private individuals, which rose by GBP 183m.

During the year, 14 new branch offices were opened, bringing the Bank's total number of branches in Great Britain to 56 (42).

Q4 2008 COMPARED WITH Q3 2008

Earnings performance

Operating profits fell to SEK -88m (32) due to higher costs resulting from the continued expansion of the branch network, while net interest income fell by 23%. The negative effect of the link to the base rate was SEK 67m for the quarter. Loan losses were SEK -57m (1).

During the fourth quarter, three new branches were opened.

Branch office operations in Great Britain

SEK m	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	123	160	-23	586	597	-2
Net fee and commission income	21	21	0	86	103	-17
Net gains/losses on financial items at fair value	-3	10		21	42	-50
Other income	15	13	15	49	30	63
Total income	156	204	-24	742	772	-4
Total expenses	-187	-173	8	-690	-570	21
Net loan losses	-57	1		-114	-48	138
Operating profit	-88	32		-62	154	

Business volumes, Great Britain

Average volumes, GBP m	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Deposits and borrowing from the public						
Household	403	420	-4	364	181	101
Corporate	858	854	0	988	1 188	-17
Total	1 261	1 274	-1	1 352	1 369	-1
Loans to the public						
Household	896	848	6	800	606	32
Corporate	4 330	4 064	7	4 012	2 891	39
Total	5 226	4 912	6	4 812	3 497	38

Branch office operations in Denmark

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

On 15 September 2008, Handelsbanken made a public bid for Lokalkbanken i Nordsjælland A/S. The acquisition was completed during the fourth quarter and as of 21 October 2008 the business is included in Handelsbanken's Danish branch office operations. The Bank has 208 staff and 14 branches in a very attractive part of Denmark, and is a very good fit for Handelsbanken in terms of both geographical location and corporate culture.

Earnings performance

Operating profits were SEK 312m (641). Profits before loan losses declined by 23%, amounting to SEK 343m (444). Excluding Lokalkbanken, the decline was 19%. Net interest income went up by SEK 133m, or 18%. Excluding the acquisition and the fee for the Danish state deposit guarantee, the increase was SEK 109m, or 15%.

Expenses, excluding Lokalkbanken and the state guarantee fee, went up by 14%.

Loan losses were SEK -31m, compared to net recoveries of SEK 197m in the previous year.

Business development

The average volume of lending increased by 17% to DKK 34.5bn (29.6). Household deposits went up by

Branch office operations in Denmark

SEK m	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	261	213	23	870	737	18
Net fee and commission income	63	41	54	202	220	-8
Net gains/losses on financial items at fair value	-21	-20	-5	19	82	-77
Other income	6	-1		14	10	40
Total income	309	233	33	1 105	1 049	5
Total expenses	-266	-169	57	-762	-605	26
Net loan losses	-31	1		-31	197	
Operating profit	12	65	-82	312	641	-51

Business volumes, Denmark

Average volumes, DKK bn	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Deposits and borrowing from the public						
Household	6,8	5,2	31	5,5	5,0	10
Corporate	14,0	15,8	-11	15,6	16,5	-5
Total	20,8	21,0	-1	21,1	21,5	-2
Loans to the public						
Household	17,4	15,7	11	15,6	13,1	19
Corporate	20,9	19,1	9	18,9	16,5	15
Total	38,3	34,8	10	34,5	29,6	17

10%. Excluding the reclassification of pension savings in accounts, deposits increased by 17%.

A further branch in the Århus area was opened during the year. With the 14 new branches in the north Zealand region, Handelsbanken had a total of 54 branches in Denmark (39). A private banking service was also launched.

According to Dansk Kundeindex, Handelsbanken had the most satisfied private customers in Denmark. In the corporate segment, Handelsbanken was in second place.

Q4 2008 COMPARED WITH Q3 2008

Earnings performance

Both income and expenses were affected by the depreciation of the Swedish krona against the Danish krone. Operating profits fell to SEK 12m (65). The drop in profits was mainly due to the costs incurred in connection with the state deposit guarantee which, including Lokalkbanken, amounted to SEK 40m. Net interest income rose by SEK 48m, with Lokalkbanken accounting for SEK 38m of this. Excluding the acquisition, exchange rate fluctuations and the element of the state deposit guarantee which affects net interest income, net interest income rose by SEK 19m, or 9%.

Expenses increased by SEK 97m, of which Lokalkbanken accounted for SEK 60m, and Handelsbanken's share of the fee for the Danish state deposit guarantee for SEK 12m.

Branch office operations in Finland

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Earnings performance

Operating profits decreased by 6% to SEK 499m (531). The decrease was entirely attributable to higher loan losses. Profits before loan losses rose by 8% to SEK 639m (593).

Income rose by 9%, or SEK 111m, to SEK 1,406m (1,295). Net interest income increased by 19% to SEK 1,058m (892), largely due to continued growth in volumes.

Expenses rose by SEK 65m, or 9%, to SEK 767m (702). Staff costs increased by 13%, due partly to the higher number of employees and partly to salary adjustments in line with collective agreements. The increase in staff numbers should be viewed in the light of the fact that the Bank has opened nine new branches in the past two years. A new IT system was launched at the beginning of the year, with the result that IT costs during the first quarter were higher than normal.

Business development

The average volume of lending to the public increased by 17% to EUR 9,857m (8,430), chiefly because lending to companies grew by 20% to

EUR 6,857m (5,726). Household deposits grew by 15% to EUR 1,212m (1,056).

A new branch office was opened in Porvoo, bringing the number of Handelsbanken branches in Finland to 45 (44).

Handelsbanken's operations in the Baltic countries, which were previously part of the Finnish regional bank, were transferred to Handelsbanken International in the third quarter.

Q4 2008 COMPARED WITH Q3 2008

Earnings performance

Operating profits decreased by 37% to SEK 92m (145), chiefly due to higher loan losses.

Net interest income rose by 17%, mainly as a result of higher deposits. During the fourth quarter, deposits rose by 15%, while lending to households remained unchanged. Overall, income increased by 3% to SEK 384m (374).

Expenses rose by 16% to SEK 212m (183). This increase in expenses should be seen in the light of the fact that expenses in the previous quarter were slightly lower than normal and that the Bank opened a new branch office in Porvoo in the fourth quarter. The Swedish krona's depreciation against the euro also affected the income statement during the fourth quarter.

Branch office operations in Finland

SEK m	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	321	275	17	1 058	892	19
Net fee and commission income	54	65	-17	259	290	-11
Net gains/losses on financial items at fair value	5	21	-76	61	93	-34
Other income	4	13	-69	28	20	40
Total income	384	374	3	1 406	1 295	9
Total expenses	-212	-183	16	-767	-702	9
Net loan losses	-80	-46	74	-140	-62	126
Operating profit	92	145	-37	499	531	-6

Business volumes, Finland

Average volumes, EUR m	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Deposits and borrowing from the public						
Household	1 316	1 211	9	1 212	1 056	15
Corporate	1 249	1 028	21	1 085	1 026	6
Total	2 565	2 239	15	2 297	2 082	10
Loans to the public						
Household	3 063	3 055	0	3 000	2 704	11
Corporate	7 455	7 151	4	6 857	5 726	20
Total	10 518	10 206	3	9 857	8 430	17

Branch office operations in Norway

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Earnings performance

Operating profits rose by 33% to SEK 1,563m (1,174). Net interest income went up by 42%, mainly due to larger business volumes, where the average lending volume increased by 27%. In the light of the change in funding structure, parts of the improved net interest income should be viewed in combination with the lower net gains/losses on financial items.

Net fee and commission income rose by 22% to SEK 329m (270), due mainly to increasing sales in fixed income and foreign exchange instruments. The current focus on investment operations also resulted in increased equity-market related commission income.

Expenses went up by 19%. In 2007, staff costs had been SEK 69m lower than normal, as a result of a reversal of pension costs arising from new pension

regulations in Norway. At year-end, the total number of staff was 577, an increase of 10%.

Business development

The average volume of lending rose by 27% to NOK 143.8bn (112.8). Deposits grew by 7% to NOK 43.1bn (40.4).

During the fourth quarter, two new branches were opened: in Bryne and Mo i Rana, following which Handelsbanken had a total of 48 branches in Norway (46). Of the branches that the regional bank had at the start of the fourth quarter, only five have not yet broken even.

Q4 2008 COMPARED WITH Q3 2008

Earnings performance

Operating profits fell by 8% to SEK 390m (422) due to an increase in loan losses to SEK -87m (-13). Profits before loan losses rose by 10% to SEK 477m (435).

Net interest income rose by 10% to SEK 624m (569), due partly to improved margins, partly to an increase in lending volumes. Expenses remained more or less unchanged.

Branch office operations in Norway

SEK m	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	624	569	10	2 198	1 550	42
Net fee and commission income	78	81	-4	329	270	22
Net gains/losses on financial items at fair value	22	27	-19	95	180	-47
Other income	3	5	-40	21	19	11
Total income	727	682	7	2 643	2 019	31
Total expenses	-250	-247	1	-963	-811	19
Net loan losses	-87	-13		-117	-34	244
Operating profit	390	422	-8	1 563	1 174	33

Business volumes, Norway

Average volumes, NOK bn	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Deposits and borrowing from the public						
Household	7,8	8,9	-12	8,4	8,1	4
Corporate	32,5	33,6	-3	34,7	32,3	7
Total	40,3	42,5	-5	43,1	40,4	7
Loans to the public						
Household	49,4	46,7	6	46,3	40,3	15
Corporate	104,2	102,4	2	97,5	72,5	34
Total	153,6	149,1	3	143,8	112,8	27

Handelsbanken International

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Earnings performance

Operating profits fell to SEK 93m (253). Operating profits before loan losses rose by 86% to SEK 468m (251). The provision for probable loan losses was SEK -375m (2).

Income rose by 56%, or SEK 609m, to SEK 1,696m (1,087). The increase in earnings is chiefly attributable to an improvement of SEK 482m in net interest income.

Business development

Handelsbanken had 38 branches and four representative offices in 17 countries outside the Nordic region and Great Britain. During the year, 10 new branches were opened.

Handelsbanken International

SEK m	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	338	295	15	989	507	95
Net fee and commission income	129	111	16	432	372	16
Net gains/losses on financial items at fair value	62	-13		99	55	80
Other income	44	49	-10	176	153	15
Total income	573	442	30	1 696	1 087	56
Total expenses	-405	-295	37	-1 228	-836	47
Net loan losses	-53	-105	-50	-375	2	
Operating profit	115	42	174	93	253	-63

Business volumes, Handelsbanken International

Average volumes, SEK bn	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Deposits and borrowing from the public						
Household	4,6	4,5	2	4,5	4,2	7
Corporate	35,9	24,2	48	24,1	16,1	50
Total	40,5	28,7	41	28,6	20,3	41
Loans to the public						
Household	4,4	3,6	22	3,5	2,7	30
Corporate	84,6	68,4	24	64,1	34,9	84
Total	89,0	72,0	24	67,6	37,6	80

Handelsbanken International is also responsible for the Bank's operations in the Baltic countries, where lending volumes amounted to EUR 181m in Estonia and EUR 3m in Latvia. Sovereign risks accounted for 52% of this exposure. Handelsbanken has no lending in Lithuania.

Q4 2008 COMPARED WITH Q3 2008

Earnings performance

Operating profits rose to SEK 115m (42). Income grew by SEK 131m, or 30%, while expenses were up by SEK 110m, or 37%. The provision for probable loan losses was SEK 53m (105).

In Germany, a branch was opened in Hanover, bringing the Bank's total number of branches in Germany to seven. In the Netherlands, a branch in Breda was opened, bringing the Bank's total number of branches in the country to four.

Handelsbanken Capital Markets

Capital Markets is Handelsbanken's investment bank. Its operations comprise equities, fixed income, commodities and foreign exchange trading, structured products, cash management, corporate finance and debt capital markets, as well as macroeconomic and financial research. There were approximately 1,100 employees in six countries.

Income statement

	Q 4	Q 3	Change	Q 4	Change	Jan-Dec	Jan-Dec	Change
SEK m	2008	2008	%	2007	%	2008	2007	%
Net interest income	137	138	-1	109	26	584	472	24
Net fee and commission income	291	227	28	375	-22	1 028	1 587	-35
Net gains/losses on financial items at fair value	1 304	830	57	245	432	1 928	915	111
Other income	226	210	8	309	-27	954	982	-3
Total income	1 958	1 405	39	1 038	89	4 494	3 956	14
Total expenses	-818	-721	13	-972	-16	-3 121	-3 194	-2
Profit before loan losses	1 140	684	67	66		1 373	762	80
Net loan losses	-	-	-	-	-	-	-	-
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	-	-	-
Operating profit	1 140	684	67	66		1 373	762	80
Return on equity, %	58,5	44,5		4,0		18,9	10,0	
Average number of employees	1 050	1 074	-2	1 047	0	1 068	1 004	6

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Earnings performance

Operating profits rose by 80% to SEK 1,373m (762). Income rose by 14% till SEK 4,494m (3,956).

The increase in earnings was chiefly attributable to improved profitability in fixed income and foreign exchange trading.

Expenses decreased by 2% to SEK 3,121m (3,194).

Business development

To improve its offering to corporate customers, responsibility for the Bank's payment services was transferred to Capital Markets during the year.

Profits increased considerably in the equity operations, even though total turnover on the Nordic stock markets declined during the period. In terms of earnings, Sweden and Norway have performed particularly strongly, with market shares increasing. In New York, the number of customers increased by 20% during the year, and 37% of brokerage income was generated by business with customers outside the Nordic region. The Bank remained the second largest player on the Stockholm stock exchange.

According to the survey company Prospera, institutional customers rank Handelsbanken Capital Markets in a shared first place for cross-Nordic equity trading. According to the same research company, Nordic institutions also rank the bank as the No.2

player for equity trading in Sweden, Denmark and Finland. Global Finance magazine also acclaimed Handelsbanken Capital Markets as the best investment bank in the Nordic region.

The period was one of continuing caution as regards mergers and acquisitions. The Bank was an advisor in 22 public M&A transactions. The Bank participated in two new share issues and was largest in the Nordic region for IPOs.

There was growing interest in various funding solutions, and Capital Markets carried out 53 bond issues for a value of SEK 54bn. The Bank was also a mandated lead arranger for eight syndicated loans for a total of EUR 6.4bn. According to Prospera, Swedish institutional investors rank Handelsbanken as the best provider of credit products on the capital markets, including corporate bonds and various types of commercial paper.

Earnings from fixed income and foreign exchange trading grew significantly. Customer activity in general grew, and the uncertainty on the financial markets resulted in increased demand for various risk management products. The Bank is the leading player in creating various public foreign exchange indices for investment purposes, which are used for currency-linked bonds, etc. Efforts continue to offer more customer-adapted services to branch office operations.

Global Finance named Handelsbanken Capital Markets as Scandinavia's and Sweden's best foreign exchange bank.

The Bank leads the market in structured products. During the year, the Bank regained its position as the largest issuer of capital-protected investments in Sweden, with a market share of over 25% of new sales of listed investments. The pace of innovation continues to be high and among other things, investments linked to the foreign exchange market and to Capital Markets' own strategies on this market have performed well.

During the year, turnover on the warrant and certificates market in Sweden and the rest of the Nordic region reached its highest ever level. Here, the Bank maintained its leading position: its market share was 41% for the Nordic region and 58% in Sweden.

The Bank continued to be Sweden's leading commodities trader. The large fluctuations in commodity prices have meant that price hedging has become increasingly important for many companies.

Q4 2008 COMPARED WITH Q3 2008

Operating profits increased to SEK 1,140m (684). Income rose by 39% till SEK 1,958m (1,405). The higher profit figure is due to a significantly better result for fixed income and foreign exchange trading and also for equities trading. Expenses rose by 13% to SEK 818m (721). The average number of employees decreased to 1,050 (1,074).

Business development

Income for equities trading increased despite lower turnover on the market. Capital Markets boosted its position in the market and its market share went up.

The Bank was an advisor in nine public M&A transactions.

Activity at Debt Capital Markets continued to be high, although the financial turbulence contributed to there being a lower number of concluded transactions. The Bank was also mandated lead arranger for the largest syndication in the Nordic region, the amount being SEK 9.4bn.

Earnings from fixed income and foreign exchange trading rose significantly compared to the previous quarter. Customer activity was high, with interest in various risk management solutions increasing in particular. The Bank has also benefited from more players seeking long-term and financially strong counterparties.

Interest in capital-protected products was weak at the beginning of the quarter and then gradually increased. In total, the Bank arranged 43 capital-protected products compared with 23 during the previous quarter. Sales of warrants and certificates followed the traditional pattern with slightly lower sales during the fourth quarter.

Handelsbanken Asset Management

This business segment comprises Handelsbanken's asset management and Handelsbanken Liv. Asset Management comprises fund management, discretionary management and Nordic custody services, as well as support to the branch offices regarding private banking, capital investment, portfolio systems and accounting for foundations. Through the Bank's branch operations, Handelsbanken Liv focuses on providing asset protection solutions, private pension savings and collectively-agreed occupational pension solutions to private individuals.

Income statement

SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	84	99	-15	82	2	378	256	48
Net fee and commission income	246	252	-2	361	-32	1 087	1 408	-23
Net gains/losses on financial items at fair value	177	-130		29		-116	69	
Risk result - insurance	50	55	-9	10	400	215	151	42
Other income	36	46	-22	57	-37	176	345	-49
Total income	593	322	84	539	10	1 740	2 229	-22
Total expenses	-264	-252	5	-332	-20	-1 174	-1 200	-2
Profit before loan losses	329	70	370	207	59	566	1 029	-45
Net loan losses	-	-		-		-	-	
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-	
Operating profit	329	70	370	207	59	566	1 029	-45
Return on equity %	20,3	4,8		12,4		8,9	17,1	
Average number of employees	546	563	-3	494	11	550	482	14

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Earnings performance

Operating profits in the Handelsbanken Asset Management segment fell by SEK 463m to SEK 566m (1,029). Handelsbanken Liv's earnings declined by SEK 44m to SEK 415m (459). The total yield was -1.22% (+1.18%), and the company therefore received no yield split (0).

The operating profits of Asset Management, excluding Handelsbanken Liv, decreased by 74%, or SEK 439m, to SEK 152m (591).

Business development

During the year, the volume of assets managed by Handelsbanken Asset Management fell by 29% to SEK 167bn (236). The total volume of assets under management by the Group was SEK 207bn (296).

Q4 2008 COMPARED WITH Q3 2008

Earnings performance

Operating profits increased by SEK 259m to SEK 329m (70). The significantly higher profit figure is due to Handelsbanken Liv's improved yield. The company's financial result increased by SEK 216m, mainly due to a reversal of the deferred

capital contribution by SEK 139m (-60) during the fourth quarter.

Operating profits for Asset Management excluding Handelsbanken Liv, declined by 30% to SEK 32m (46). Income declined by SEK 10m or 5%, since lower management volumes led to lower commission income.

Staff costs were SEK 7m lower than in the previous quarter at SEK 87m (94). Overall, expenses increased by SEK 4m or 2% during the fourth quarter.

Business development

The net inflow to the Bank's mutual funds was negative in 2008, but in the fourth quarter the negative trend was broken and for the last two months of the year, the net inflow was SEK 2bn.

Asset Management, excluding Handelsbanken Liv

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Profits decreased by 74% to SEK 152m (591). Income declined by 22% to SEK 955m (1,220), mainly because lower management volumes led to lower commission income. The average volume of mutual fund assets under management fell by 23% to SEK 134bn (175).

SEK 93m of the earnings decline of SEK 439m was attributable to a one-off cost that arose in the first quarter in conjunction with the division of the asset management organisation following the sale of SPP. Excluding this, expenses for Asset Management increased by 13%, or SEK 81m. Staff costs rose by 19% to SEK 342m (287) and the average number of employees increased by 7%.

Handelsbanken's mutual funds

At the end of the period, the Bank's mutual fund management company (Handelsbanken Fonder) managed 96 (95) mutual funds, with a total value of SEK 103bn (169). Net outflows represented SEK 25bn of the volume decrease of SEK 66bn. The largest outflows, SEK 15bn, were from short-term fixed income funds, with some of this volume being reinvested in savings accounts. Outflows from the Bank's equity funds totalled SEK 7bn; withdrawals by institutional investors accounted for SEK 6bn of this amount. SEK 41bn of the decrease was attributable to lower market values. Net savings in Handelsbanken's funds on the Swedish market were SEK -22bn (-2). However, this negative trend was broken in Q4, and net flows were a positive SEK 2bn during the final two months of the year.

Some 60% (64) of the total fund assets were invested in equity funds; 29% (26) were invested in

fixed income funds; 9% (8) in mixed funds, and 2% (2) in hedge funds.

Exchange-traded funds

The assets managed in the XACT exchange-traded funds totalled SEK 13bn (12). Net flows were positive, amounting to SEK 4bn.

Two new funds were launched on the Norwegian market during the year. These were the XACT Derivat Bull and XACT Derivat Bear, which aim to provide a return that corresponds to 200% of the change in the underlying index. Volume and trading in these funds have shown strong performance.

The Bank managed a total of eleven listed mutual funds under the XACT brand name, of which seven are traded on the Stockholm stock exchange, three are traded on the Oslo stock exchange and one on the Helsinki stock exchange.

Discretionary management

Discretionary management volumes decreased by 16% to SEK 76bn (90), of which 35% (49) was exposed to equity markets and the remainder to fixed income markets. SEK 12bn (23) of the managed assets was invested in Handelsbanken's mutual funds. Net outflows for the full year totalled SEK 2bn, while net inflows during the final two months of the year were positive, amounting to SEK 3bn. Total assets under discretionary management in the Group were SEK 93bn (109).

Q4 2008 COMPARED WITH Q3 2008

Operating profits decreased by 30% to SEK 32m (46). Income fell by 5% due to a lower volume of assets under management. Staff costs were SEK 7m lower than in the previous quarter at SEK 87m (94). Overall, expenses increased by SEK 4m during the fourth quarter.

Asset Management excl Handelsbanken Liv

SEK m	Q 4 2008	Q 3 2008	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	23	21	10	127	143	-11
Net fee and commission income	163	167	-2	714	943	-24
Net gains/losses on financial items at fair value	1	-1		-5	23	
Other income	23	33	-30	119	111	7
Total income	210	220	-5	955	1 220	-22
Total expenses	-178	-174	2	-803	-629	28
Net loan losses	-	-		-	-	
Operating profit	32	46	-30	152	591	-74

Due to the divestment of SPP, allocation of internal income and expense has been adjusted. Thus the amounts for 2007 have been restated.

The adjustment refers only to other income and expenses. The operating profit is unchanged.

Handelsbanken Liv

JANUARY – DECEMBER 2008 COMPARED WITH JANUARY – DECEMBER 2007

Earnings performance

Profits decreased to SEK 415m (459). The lower earnings figure was mainly due to lower total yield. The deferred capital contribution totalled SEK -51m, which was the main reason for the SEK 22m decline in the financial result. The total yield was -1.22% (+1.18%). Thus the company received no yield split (0).

The administration result decreased to SEK 53m (125). The risk result increased to SEK 215m (151). The Other result item was SEK 149m (163), of which interest expenses reduced the profit by SEK 72m (57).

The available solvency margin was SEK 1,985m. The available solvency margin should be related to the required solvency margin which was SEK 1,493m, implying a solvency ratio of 1.3 (1.7).

Business development

Assets managed decreased by 14% compared to the previous year and were almost SEK 54bn (63), of which unit-linked and custody insurance represented SEK 27bn (35).

New sales decreased by 4% and the net inflow grew by 20% compared with the previous year. The Kapitalspar Depå product accounted for the main increase in both net inflow and new sales. New sales of Kapitalspar Depå increased by 31%.

Premiums written were SEK 8,251m (8,170). Insurance claims disbursed were SEK 4,742m (5,238).

Handelsbanken Liv, breakdown of results and key figures

	Jan-Dec 2008	Jan-Dec 2007
Administration result, SEK m	53	125
Risk result, SEK m	215	151
Financial result, SEK m	-2	20
Other, SEK m	149	163
Operating profit, SEK m	415	459
Total yield %	-1,22	1,18
Assets managed, SEK bn, end of period	54	63
of which unit-linked and custody insurance	27	35
Solvency ratio, end of period	1,3	1,7

Handelsbanken Liv, investment assets

Exposure end of period %	Jan-Dec 2008	Jan-Dec 2007
Listed shares	10	36
Fixed income assets	77	55
Property	6	5
Alternative investments *	7	4
Total	100	100

* Unlisted shares, private equity, infrastructure and hedge funds, and others.

Q4 2008 COMPARED WITH Q3 2008

Earnings performance

Operating profits rose to SEK 298m (24), which was mainly due to higher yield. The financial result increased by SEK 216m, due to a reversal of the deferred capital contribution by SEK 139m (-60). The administration result fell by SEK 10m. At the end of the quarter, 10% of the capital was invested in listed shares as compared to 13% at the beginning of the quarter.

Assets managed decreased by 3% compared to the previous quarter and were almost SEK 54bn (56), of which unit-linked and custody insurance represented SEK 27bn (29). Premiums written were SEK 1,639m (1,383). Insurance claims disbursed were SEK 1,245m (982).

Handelsbanken's shares

The Swedish stock market fell by 42% during the year. The Stockholm stock exchange's bank index went down by 54%. The Handelsbanken share was the Nordic bank share that fared best in 2008. The Bank's A class shares closed the year at SEK 126, down 39%. The total return, including dividends paid, was -33%.

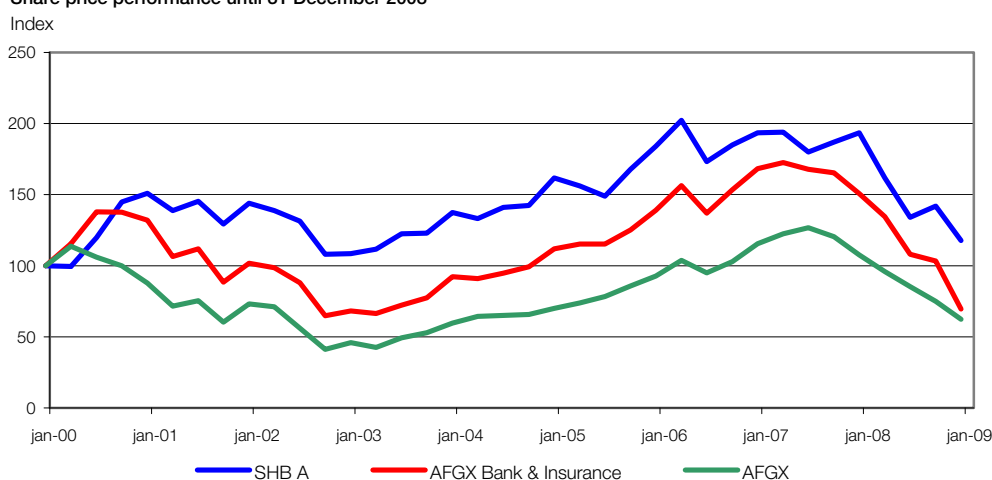
Handelsbanken's shares

	31 Dec 2008	31 Dec 2007
Share price ordinary class A, SEK	126,00	207,00
Number of outstanding shares, million	623,5	623,4
Market capitalisation, SEK bn	79	129

Handelsbanken's rating at 31 December 2008

	Long-term	Short-term	Financial strength
Moody's	Aa1	P-1	B
Standard & Poor's	AA-	A-1+	
Fitch	AA-	F1+	

Share price performance until 31 December 2008



Number of shares

	Q 4 2008	Q 3 2008	Q 4 2007	Jan-Dec 2008	Jan-Dec 2007
Number of repurchased shares, end of period	-	-	4 830 000	-	4 830 000
Holdings of own shares in trading book, end of period	-	-	61 964	-	61 964
Number of outstanding shares after repurchases and deduction for trading book, end of period	623 469 462	623 469 462	623 407 498	623 469 462	623 407 498
Number of outstanding shares after dilution, end of period	642 794 090	639 172 622	623 407 498	642 794 090	623 407 498
Average holdings of own shares (repurchased and holdings in trading book)	-	-	6 483 371	2 146 861	11 605 456
Average number of outstanding shares	623 469 462	623 469 462	621 816 091	623 288 912	624 248 698
after dilution	640 291 101	639 572 683	621 816 091	631 520 127	624 248 698

Income statement – Handelsbanken Group

SEK m	Q 4	Q 3	Change	Q 4	Change	Jan-Dec	Jan-Dec	Change
	2008	2008	%	2007	%	2008	2007	%
Net interest income	5 474	4 856	13	4 010	37	19 223	15 608	23
Net fee and commission income Note 1	1 694	1 656	2	1 956	-13	6 795	7 745	-12
Net gains/losses on financial items								
at fair value Note 2	2 229	483	361	523	326	3 169	3 054	4
Risk result - insurance	50	55	-9	10	400	215	151	42
Other dividend income	1	8	-88	0		225	174	29
Share of profits of associated companies	5	21	-76	25	-80	79	103	-23
Other income	59	45	31	92	-36	184	291	-37
Total income	9 512	7 124	34	6 616	44	29 890	27 126	10
Staff costs	-2 170	-2 015	8	-1 995	9	-8 114	-7 528	8
Other administrative expenses Note 3	-1 309	-1 011	29	-1 279	2	-4 688	-4 487	4
Depreciation, amortisation and impairments								
of property, equipment and intangible assets	-121	-107	13	-75	61	-427	-353	21
Total expenses	-3 600	-3 133	15	-3 349	7	-13 229	-12 368	7
Profit before loan losses	5 912	3 991	48	3 267	81	16 661	14 758	13
Net loan losses Note 4	-696	-231	201	-166	319	-1 605	-27	
Gains/losses on disposal of property,								
equipment and intangible assets	0	-2	100	0	0	270	1	
Operating profit	5 216	3 758	39	3 101	68	15 326	14 732	4
Taxes	-705	-999	-29	-859	-18	-3 382	-3 879	-13
Profit for the period from								
continuing operations	4 511	2 759	64	2 242	101	11 944	10 853	10
Profit for the period from discontinued								
operations, after tax Note 5	44	51	-14	72	-39	187	573	-67
Capital gain from disposal of								
discontinued operations, after tax	-	-		4 082	-100	-	4 082	-100
Profit for the period	4 555	2 810	62	6 396	-29	12 131	15 508	-22
Attributable to								
Holders of ordinary shares	4 555	2 810	62	6 396	-29	12 131	15 508	-22
Minority interest	0	-		-		0	-	
Earnings per share, continuing operations, SEK *	7,24	4,43	63	3,61	101	19,16	17,39	10
after dilution	7,09	4,36	63	3,61	96	19,02	17,39	9
Earnings per share, discontinued operations, SEK *	0,07	0,08	-13	6,68	-99	0,30	7,45	-96
after dilution	0,07	0,08	-13	6,68	-99	0,29	7,45	-96
Earnings per share, total operations, SEK *	7,31	4,51	62	10,29	-29	19,46	24,84	-22
after dilution	7,16	4,44	61	10,29	-30	19,31	24,84	-22

* Before dilution.

Note 1 Net fee and commission income

SEK m	Q 4	Q 3	Change	Q 4	Change	Jan-Dec	Jan-Dec	Change
	2008	2008	%	2007	%	2008	2007	%
Brokerage and other securities commissions	453	343	32	525	-14	1 676	2 151	-22
Mutual funds and custody	317	376	-16	546	-42	1 559	2 040	-24
Advisory services	49	58	-16	130	-62	192	432	-56
Insurance	122	125	-2	111	10	520	531	-2
Payments	564	586	-4	565	0	2 257	2 153	5
Lending and deposits	248	238	4	192	29	894	831	8
Guarantees	124	106	17	95	31	430	394	9
Other	126	127	-1	129	-2	502	511	-2
Commission income	2 003	1 959	2	2 293	-13	8 030	9 043	-11
Commission expense	-309	-303	2	-337	-8	-1 235	-1 298	-5
Net fee and commission income	1 694	1 656	2	1 956	-13	6 795	7 745	-12

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

SEK m	Q 4	Q 3	Change	Q 4	Change	Jan-Dec	Jan-Dec	Change
	2008	2008	%	2007	%	2008	2007	%
Available for sale, realised	665	-3		2		171	709	-76
Hedge accounting								
Fair value hedges	-522	-142	-268	-112	-366	-519	-38	
Hedge ineffectiveness	-27	1		0		-26	0	
Transferred from equity referring to cash flow hedges	1	-		-		15	-	
Instruments at fair value	1 277	322	297	-16		1 150	-83	
Loan receivables, valued at amortised cost	42	-20		1		41	30	37
Financial liabilities, valued at amortised cost	38	15	153	60	-37	84	159	-47
Gains/losses on unbundled insurance contracts	139	-60		0		-51	0	
Trading	616	370	66	588	5	2 304	2 277	1
Total	2 229	483	361	523	326	3 169	3 054	4

Net gains/losses on financial items at fair value shows the unrealised and realised changes in value of items the value of which is wholly or partly dependent on changes in market value.

"Available for sale, realised" corresponds to the realised result from divestment of financial assets categorised as "Available for sale".

"Fair value hedges" include the net result of unrealised and realised market value changes on financial assets and liabilities which are part of hedging packages. Interest income and interest expense for these instruments are recognised under net interest income.

"Hedge ineffectiveness" reports the ineffective parts of cash flow hedges and hedges of net investments in foreign units.

"Instruments at fair value" refers to unrealised and realised value changes on instruments which upon initial recognition were classified at

fair value in profit or loss. Interest income for these instruments is recognised under net interest income.

"Loan receivables, valued at amortised cost", consist of the gain/loss arising on loans which are redeemed ahead of time.

"Financial liabilities, valued at amortised cost", contain the gain/loss generated from repurchases of the Bank's own issued securities.

"Gains/losses on unbundled insurance contracts" correspond to the result generated when revaluing the financial part of liabilities to policyholders.

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

Note 3 Other administrative expenses

SEK m	Q 4	Q 3	Change	Q 4	Change	Jan-Dec	Jan-Dec	Change
	2008	2008	%	2007	%	2008	2007	%
Property and premises	-290	-250	16	-289	0	-1 028	-998	3
External IT costs	-348	-294	18	-381	-9	-1 309	-1 386	-6
Communication	-105	-95	11	-111	-5	-414	-417	-1
Travel and marketing	-124	-63	97	-150	-17	-394	-430	-8
Purchased services	-212	-160	33	-208	2	-771	-758	2
Supplies	-60	-51	18	-74	-19	-235	-245	-4
Other expenses	-170	-98	73	-66	158	-537	-253	112
Other administrative expenses	-1 309	-1 011	29	-1 279	2	-4 688	-4 487	4

Note 4 Loan losses

SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
A. Specific provision for individually assessed loan receivables:								
The period's write-off for actual loan losses	-646	-70		-80		-963	-364	165
Writeback of previous provisions for probable loan losses reported as actual losses in the period's accounts	215	60	258	62	247	495	294	68
The period's provision for probable loan losses	-236	-217	9	-213	11	-1 262	-606	108
Writeback of actual losses in previous years	51	88	-42	122	-58	289	264	9
Writeback of provisions for probable loan losses which are no longer necessary	50	27	85	19	163	189	422	-55
Net expense for the period for individually assessed loan receivables	-566	-112	405	-90		-1 252	10	
B. Provision by group for individually assessed loan receivables:								
Allocation to/dissolution of provision by group	-77	-34	126	-5		-189	46	
C. Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk:								
The period's write-off for actual loan losses	-19	-16	19	-27	-30	-63	-48	31
Paid in from actual losses in previous years	5	5	0	2	150	21	17	24
Allocation to/dissolution of provision for loan losses	-15	-3	400	-3	400	-27	-9	200
Net expense for the period for collectively assessed homogenous loan receivables	-29	-14	107	-28	4	-69	-40	73
Net expense for the period for loan losses (A+B+C)	-672	-160	320	-123	446	-1 510	16	
Change in value of repossessed property	-	-		-		-	-	
Total loan losses/recoveries	-672	-160	320	-123	446	-1 510	16	
Other provisions								
Provisions for guarantees honoured	-	-		-43	-100	-	-43	-100
Provisions for guarantee commitments	-24	-71	-66	-		-95	-	
Net loan losses	-696	-231	201	-166	319	-1 605	-27	

Note 5 Discontinued operations

The agreement on the sale of SPP and related operations was completed in December 2007 in all material aspects. As of September 2007, these discontinued operations are reported separately from the Group's other operations, in accordance with IFRS 5.

In accordance with the sales agreement, certain operations relating to the sold operations remain with the Handelsbanken Group for a period of time after the sale. The net result of this operation is reported as a separate item in the Group's income statement. This result is mainly the net of asset management remuneration Handelsbanken AB receives from SPP Livförsäkring AB and Handelsbanken Life & Pension Ltd, and the net of fund management remuneration Handelsbanken Fonder AB receives for the mutual funds marketed under the name of SPP.

A summary income statement and balance sheet for the discontinued operations is shown below.

Income statement

SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	-	-		89		-	350	
Net fee and commission income	71	74	-4	270	-74	300	1 165	-74
Net gains/losses on financial items at fair value	-	-		-22		-	-219	
Risk result - insurance	-	-		49		-	211	
Other income	19	18	6	35	-46	85	132	-36
Total income	90	92	-2	421	-79	385	1 639	-77
Staff costs	-13	-6	117	-121	-89	-46	-531	-91
Other administrative expenses	-16	-16	0	-123	-87	-79	-539	-85
Total expenses	-29	-22	32	-244	-88	-125	-1 070	-88
Operating profit	61	70	-13	177	-66	260	569	-54
Taxes	-17	-19	-11	-105	-84	-73	4	-1 925
Profit for the period from discontinued operations	44	51	-14	72	-39	187	573	-67
Capital gain on disposal	-	-		4 082	-100	-	4 082	-100
Net profit from discontinued operations	44	51	-14	4 154	-99	187	4 655	-96

Balance sheet

SEK m	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Dec 2007
Loans to credit institutions	-	-	-	2
Other assets	-	-	-	10
Total assets¹	-	-	-	12
Other liabilities	-	-	-	0
Shareholders' equity	-	-	-	12
Total liabilities and equity²	-	-	-	12
1 Of which internal claims on continuing operations	-	-	-	2
2 Of which internal liabilities to continuing operations	-	-	-	-

Quarterly performance of Handelsbanken Group

SEK m	Q 4 2008	Q 3 2008	Q 2 2008	Q 1 2008	Q 4 2007
Net interest income	5 474	4 856	4 494	4 399	4 010
Net fee and commission income	1 694	1 656	1 706	1 739	1 956
Net gains/losses on financial items					
at fair value	2 229	483	634	-177	523
Risk result - insurance	50	55	71	39	10
Other dividend income	1	8	216	0	0
Share of profits of associated companies	5	21	27	26	25
Other income	59	45	51	29	92
Total income	9 512	7 124	7 199	6 055	6 616
Staff costs	-2 170	-2 015	-1 946	-1 983	-1 995
Other administrative expenses	-1 309	-1 011	-1 147	-1 221	-1 279
Depreciation, amortisation and impairments of property, equipment and intangible assets	-121	-107	-102	-97	-75
Total expenses	-3 600	-3 133	-3 195	-3 301	-3 349
Profit before loan losses	5 912	3 991	4 004	2 754	3 267
Net loan losses	-696	-231	-571	-107	-166
Gains/losses on disposal of property, equipment and intangible assets	0	-2	0	272	0
Operating profit	5 216	3 758	3 433	2 919	3 101
Taxes	-705	-999	-1 003	-675	-859
Profit for the period from continuing operations	4 511	2 759	2 430	2 244	2 242
Profit for the period from discontinued operations, net after tax	44	51	48	44	72
Capital gain from disposal of discontinued operations, after tax	-	-	-	-	4 082
Profit for the period	4 555	2 810	2 478	2 288	6 396
Earnings per share, continuing operations, SEK *	7,24	4,43	3,90	3,61	3,61
after dilution	7,09	4,36	3,89	3,61	3,61
Earnings per share, discontinued operations, SEK *	0,07	0,08	0,08	0,07	6,68
after dilution	0,07	0,08	0,08	0,07	6,68
Earnings per share, total operations, SEK *	7,31	4,51	3,98	3,68	10,29
after dilution	7,16	4,44	3,96	3,68	10,29

* Before dilution.

Balance sheet – Handelsbanken Group

SEK m		31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Dec 2007
Loans to the public	Note 1	1 481 475	1 428 618	1 368 844	1 292 988
Loans to credit institutions		164 981	174 299	184 882	185 149
Interest-bearing securities		166 278	133 208	138 770	175 972
Assets held for sale*		-	-	-	10
Other assets		346 050	227 962	204 438	205 263
Total assets		2 158 784	1 964 087	1 896 934	1 859 382
Deposits and borrowing from the public		543 760	508 152	494 305	512 841
Due to credit institutions		319 113	323 554	282 640	293 458
Issued securities etc		895 709	828 580	782 937	706 478
Subordinated liabilities		61 434	54 603	52 443	52 909
Liabilities related to assets held for sale*		-	-	-	0
Other liabilities		263 805	177 846	215 099	219 205
Shareholders' equity		74 963	71 352	69 510	74 491
Total liabilities and equity		2 158 784	1 964 087	1 896 934	1 859 382

* See Note 5, Income statement.

Note 1 Loans to the public

SEK m		31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Dec 2007
SEK loans					
- to households		474 781	469 424	460 998	437 063
- to companies etc *		456 277	448 400	442 702	443 850
		931 058	917 824	903 700	880 913
Foreign currency loans					
- to households		133 396	126 273	118 163	111 920
- to companies etc *		419 762	387 227	349 396	302 023
		553 158	513 500	467 559	413 943
Provision for probable loan losses		-2 741	-2 706	-2 415	-1 868
Total loans to the public		1 481 475	1 428 618	1 368 844	1 292 988
* of which National Debt Office		5 523	1 137	3 289	12 325

Loans to the public by sector

SEK m	2008			2007
	Lending before deduction of provisions	Provisions for probable loan losses	Lending after deduction of provisions	Lending after deduction of provisions
Private individuals	574 972	-431	574 541	517 525
- Of which mortgage loans	433 898	-17	433 881	362 857
- Of which other loans with property mortgages	76 968	-29	76 939	91 135
- Of which other loans, private individuals	64 106	-385	63 721	63 533
Housing co-operative associations	92 171	-20	92 151	91 239
Property management	343 119	-285	342 834	304 065
Manufacturing	69 866	-401	69 465	55 457
Retail	40 372	-199	40 173	36 077
Hotels and restaurants	5 632	-10	5 622	4 448
Shipping	13 385	-	13 385	
Other transport and communication	23 323	-39	23 284	17 965
Construction	13 592	-46	13 546	10 942
Electricity, gas and water	21 439	0	21 439	13 310
Agriculture, hunting and forestry	6 447	-15	6 432	4 858
Other services	16 701	-15	16 686	12 252
Holding, investment, insurance companies, mutual funds etc.	123 005	-332	122 673	83 790
Governments and municipalities	16 638	-	16 638	10 948
Other corporate lending	123 554	-466	123 088	130 405
Total loans to the public, before taking into account collective provisions	1 484 216	-2 259	1 481 957	1 293 281
Collective provisions			-482	-293
Total loans to the public			1 481 475	1 292 988

In 2008, new sub-divisions of business sectors were implemented. This has affected the sector categories.

Specification of Loans to the public - Property management

SEK m	2008			2007
	Lending before deduction of provisions	Provisions for probable loan losses	Lending after deduction of provisions	Lending after deduction of provisions
Lending in Sweden				
State-owned property companies	8 451	-	8 451	4 570
Municipal-owned property companies	18 596	-	18 596	20 505
Residential property companies	57 024	-42	56 982	51 725
Other property companies	125 157	-89	125 068	116 303
Total lending in Sweden	209 228	-131	209 097	193 103
Lending outside Sweden				
Denmark	5 647	-12	5 635	3 604
Finland	22 248	-1	22 247	18 643
Norway	60 397	-45	60 352	53 644
Great Britain	34 428	-96	34 332	28 159
Other countries	11 171	-	11 171	6 912
Total lending outside Sweden	133 891	-154	133 737	110 962
Total lending - Property management	343 119	-285	342 834	304 065

Change in shareholders' equity, Group

SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity 2007	2 888	98	1 123	-127	62 244	0	66 226
Change in instruments for cash flow hedges, after tax		41					41
Change in available-for-sale instruments, after tax			-576				-576
Change in translation difference				535			535
Net income recognised							
directly in equity	-	41	-576	535	-	-	0
Profit for the year					15 508		15 508
Total changes before transactions with the owners	-	41	-576	535	15 508	-	15 508
Dividend					-5 022		-5 022
Repurchase of own shares					-2 208		-2 208
Holdings of own shares in trading book					-13		-13
Reduction of share capital by means of cancellation	-92				92		-
Bonus issue	94				-94		-
Shareholders' equity 31 December 2007	2 890	139	547	408	70 507	0	74 491

SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority	Total
Opening equity 2008	2 890	139	547	408	70 507	0	74 491
Change in instruments for cash flow hedges, after tax		-391					-391
Change in available-for-sale instruments, after tax			-3 699				-3 699
Change in translation difference				650		0	650
Net income recognised							
directly in equity	-	-391	-3 699	650	-	0	-3 440
Profit for the year					12 131	0	12 131
Total changes before transactions with the owners	-	-391	-3 699	650	12 131	0	8 691
Dividend					-8 417		-8 417
Repurchase of own shares					-		-
Holdings of own shares in trading book					13		13
Options element of convertible subordinated loan					184		184
Reduction of share capital by means of cancellation	-22				22		-
Bonus issue	31				-31		-
Acquisition of minority interests						1	1
Shareholders' equity 31 December 2008	2 899	-252	-3 152	1 058	74 409	1	74 963

Cash flow statement, Group

SEK m	Jan-Dec 2008	Jan-Dec 2007
Cash flow from operating activities	50 843	-5 125
Cash flow from investing activities	-1 120	19 203
Cash flow from financing activities	-4 910	-5 690
Cash flow for the year	44 813	8 388
Liquid funds at beginning of the year	13 590	4 800
Cash flow for the year	44 813	8 388
Exchange rate difference on liquid funds	8 491	402
Liquid funds at end of year	66 894	13 590
Cash flow, discontinued operations		
Cash flow from operating activities	-	3 779
Cash flow from investing activities	-	-411
Cash flow from financing activities	-	-3 368
Cash flow for the year from discontinued operations	-	-

Capital base and capital requirement, Group (total operations)

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 the new capital adequacy rules, Basel II.

Capital base

SEK m	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Mar 2008	31 Dec 2007
Tier 1 capital					
Equity ¹		65 600		64 697	
Equity ²	70 488	67 060	66 567	65 610	66 284
Tier 1 capital contribution	11 579	9 224	8 850	6 735	6 831
Minority interests	1	0	0	0	0
Deducted items					
Goodwill and other intangible assets	-6 990	-6 367	-6 300	-6 234	-6 215
Revaluation reserve	-137	-139	-141	-143	-145
Deferred tax asset	-405	-59	-71	-55	-197
Special deduction for IRB institutions	-903	-596	-627	-688	-264
Capital contribution in insurance companies	-233	-8	-8	-8	-8
Positions in securitisation	-140				
Adjustments in accordance with stability filter					
Cash flow hedges	252	-141	-183	-61	-139
Unrealised accumulated gains/losses, equities	0	0	-64	-622	-1 054
Unrealised accumulated gains/losses, fixed income instruments	2 342	1 806	877	935	507
Total tier 1 capital¹		69 320		64 556	
Total tier 2 capital²	75 854	70 780	68 900	65 469	65 600
Tier 2 capital					
Perpetual subordinated loans	22 916	22 855	22 032	21 724	23 171
Dated subordinated loans	25 912	23 075	22 718	22 476	23 084
Additional items					
Unrealised accumulated gains/losses, equities	0	0	64	622	1 054
Revaluation reserve	137	139	141	143	145
Deducted items	0	0	0	0	0
Special deduction for IRB institutions	-903	-596	-627	-688	-264
Capital contribution in insurance companies	-233	-8	-8	-8	-8
Positions in securitisation	-140				
Total tier 2 capital	47 689	45 465	44 320	44 269	47 182
Total tier 1 and tier 2 capital¹		114 785		108 825	
Total tier 2 and tier 2 capital²	123 543	116 245	113 220	109 738	112 782
Items deducted from total capital base					
Capital contribution in insurance companies	-6 317	-6 317	-6 317	-6 317	-6 317
Surplus value pension assets ¹		-2 050		-2 405	
Surplus value pension assets ²	-1 721	-1 910	-1 952	-2 064	-1 961
Total capital base for capital adequacy purposes¹		106 418		100 103	
Total capital base for capital adequacy purposes²	115 505	108 018	104 951	101 357	104 504

1 Since the interim report has not been examined by the auditors, the profit for the period and generated rights to compensation for pension costs are excluded.

2 Including the result for the period and generated rights to compensation for pension costs.

Capital requirement

SEK m	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Mar 2008	31 Dec 2007
Credit risk according to standardised approach	7 884	19 458	16 879	14 772	20 980
Credit risk according to IRB approach	44 864	30 751	29 944	29 280	23 973
Interest rate risk	1 690	2 995	1 806	2 420	2 395
Equity price risk	20	33	57	73	81
Exchange rate risk	-	189	174	142	-
Commodities risk	12	43	34	20	26
Settlement risk	-	1	0	0	14
Operational risk	3 292	3 257	3 257	3 257	1 933
Total capital requirement according to Basel II	57 762	56 727	52 151	49 964	49 402
Adjustment according to transitional rules	29 332	27 509	25 953	27 497	31 335
Capital requirement according to Basel II, transitional rules	87 094	84 236	78 104	77 461	80 737
Risk-weighted assets according to Basel I	1 234 713	1 186 511	1 102 189	1 094 960	1 069 290
Capital requirement according to Basel I (8% of risk-weighted assets)	98 777	94 921	88 175	87 597	85 543
Lowest permitted capital requirement according to transitional rules	87 094	84 236	78 104	77 461	80 737

Capital adequacy analysis

	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Mar 2008	31 Dec 2007
Capital requirement in Basel II compared to Basel I	58%	60%	59%	57%	58%
Capital requirement in Basel II compared to transitional rules	66%	67%	67%	65%	61%
Capital ratio according to Basel II	16,0%	15,2%	16,1%	16,2%	16,9%
Capital ratio according to Basel I	9,5%	9,2%	9,6%	9,4%	9,8%
Capital ratio according to transitional rules	10,6%	10,3%	10,7%	10,5%	10,4%
Tier 1 ratio according to Basel II	10,5%	10,0%	10,6%	10,5%	10,6%
Tier 1 ratio according to Basel I	6,2%	6,0%	6,3%	6,0%	6,2%
Tier 1 ratio according to transitional rules	7,0%	6,7%	7,1%	6,8%	6,5%
Capital base in relation to capital requirement Basel II	200%	190%	201%	203%	212%
Capital base in relation to capital requirement Basel I	119%	115%	120%	117%	122%
Capital base in relation to capital requirement according to transitional rules	133%	128%	134%	131%	129%

Figures reported in this section refer to the minimum capital requirements under Pillar 1 of the new capital adequacy rules, Basel II. In the table, "According to Basel II" means that the figures are based on the minimum capital requirements in 2010, that is after the transitional rules have ceased to apply.

In conjunction with the implementation of the internal capital adequacy assessment process (ICAAP), the Bank entered into an agreement on the future possibility of utilising a guarantee to speed up the transition to Basel II. This raised the Tier 1 capital ratio by 0.1 percentage points.

This is a guarantee which reduces the capital requirement according to the Basel I regulations, but not according to Basel II.

If the transitional rules had not existed, Handelsbanken's capital requirement under Basel II would have been 43% lower than under Basel I, excluding utilisation of the above-mentioned guarantee. Handelsbanken intends to use the advanced method for corporate exposures in 2010 and this is expected to further reduce the minimum capital requirement.

Credit risks IRB, 31 December

SEK m	Exposure after		Average		Capital requirement	
	credit risk protection (EAD)		risk weight, %			
	2008	2007	2008	2007	2008	2007
Corporates	961 710	616 973	49,1	41,0	37 797	20 368
<i>of which IRB portfolio approved in 2007</i>	677 862	616 973	48,9	41,0	26 510	20 368
<i>of which new IRB portfolio approved Q1 2008</i>	77 609		40,7		2 524	
<i>of which new IRB portfolio approved Q4 2008</i>	202 030		54,2		8 762	
<i>of which repos</i>	4 209		0,3		1	
Households	565 725	419 509	8,8	7,0	3 980	2 207
<i>of which IRB portfolio approved in 2007</i>	456 760	419 509	7,1	7,0	2 579	2 207
<i>of which new IRB portfolio approved in 2008</i>	108 965		16,1		1 401	
Small companies	32 677	25 117	43,8	40,0	1 145	804
<i>of which IRB portfolio approved in 2007</i>	23 892	25 117	42,2	40,0	806	804
<i>of which new IRB portfolio approved in 2008</i>	8 785		48,2		339	
Institutions	147 002		11,6		1 364	
<i>of which new IRB portfolio approved Q1 2008</i>	34 578		19,5		540	
<i>of which new IRB portfolio approved Q4 2008</i>	65 900		15,5		818	
<i>of which repos</i>	46 524		0,2		6	
Other	15 649	7 421	46,2	100,0	578	594
Total IRB	1 722 763	1 069 020	32,6	28,0	44 864	23 973

Handelsbanken is implementing the IRB model for its credit exposures in stages. For 2007, the credit exposures for Swedish and Norwegian companies and for Swedish household customers and small companies were approved for calculation of the capital requirement according to the IRB model. In the first quarter of 2008, Finnish companies, Norwegian and Finnish households and small companies, exposures to institutions and exposures in Handelsbanken Finans were added. In the fourth quarter of 2008, corporate exposures for the British and Danish regional banks were added as well as major corporate and institutional exposures in Handelsbanken's foreign branches which are not part of the regional banking operations. To make possible comparisons of exposure and capital requirement over time, exposures which were approved in 2007 and on the two occasions in 2008 are reported separately. Repos are reported separately since they give rise to very low capital requirements, while the volume of repos varies considerably over time. The low capital requirement is because the exposure to repos is reported gross and the exposure is secured.

The average risk weight for corporate exposures increased during the fourth quarter. Just over half of this increase is due to the changes to the model so that the IRB model could be extended for use at all foreign branches, and also to a lower volume of repos with corporate counterparties. Almost half of the increase is due to migrations in the credit portfolio. The average risk weight in Norwegian and Finnish household exposures is considerably higher than for Swedish household exposures. The main reason for this is that these portfolios are allocated wider safety margins than corresponding Swedish portfolios, since the number of exposures on which the model calculations are based is smaller than in Sweden.

Information about the companies and consolidation

In the banking group, the Group's subsidiaries are fully consolidated, while the associated companies are either fully consolidated or consolidated in accordance with the equity method. Companies that are not part of the banking group and thus not included in the capital base are shown in the table.

	Corporate identity no.	Reg. office
Handelsbanken Liv Försäkrings AB (Group)	516401-8284	Stockholm
Handelsbanken Försäkring AB Svenska Re S.A.	516401-8326 RCS Lux B-32053	Stockholm Luxembourg
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm
Handelsbanken Renting AB	556043-2766	Stockholm

Capital cover financial conglomerate

SEK m	31 Dec 2008	31 Dec 2007
Capital base after reduction/adjustments	117 490	107 415
Capital requirement	88 587	82 475
Surplus	28 903	24 940

Other disclosures, Group

Bad debts

SEK m	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Dec 2007
Bad debts	5 367	4 801	4 098	2 494
Specific provision for individually assessed loan receivables	-2 102	-2 097	-1 915	-1 457
Provision for collectively assessed homogenous groups of loan receivables with limited value	-161	-136	-132	-120
Collective provisions for individually assessed loan receivables	-482	-405	-371	-293
Bad debts, net	2 622	2 163	1 680	624
Total bad debt reserve ratio	51,1%	55,0%	59,0%	75,0%
Proportion of bad debts	0,17%	0,14%	0,12%	0,05%
Bad debt reserve ratio excl. collective provisions	42,2%	46,5%	50,0%	63,2%
Loan loss ratio	0,11%	0,09%	0,10%	0,00%
Non-performing loans which are not bad debts	1 709	1 583	1 678	790
Book value of loan receivables restructured during the period, before restructure	36	41 *	38	38
Book value of loan receivables restructured during the period, after restructure	38	42 *	37	33
Bad debts which during the period have been reclassified as normal loans	127	30 *	23	123

Loan receivables are classified as bad debts if contracted cash flows will probably not be completed. The full amount of all receivables which give rise to a specific provision are included in bad debts even if parts are covered by collateral.

Bad debts and/or non-performing loans by sector

SEK m	Bad debts				Non-performing loans which are not bad debts
	Gross	Provisions	Net*	Of which non-performing	
Private individuals	875	-431	444	422	939
Housing co-operative associations	38	-20	18	12	68
Property management	1 190	-285	905	423	390
Manufacturing	557	-401	156	151	50
Retail	359	-199	160	143	92
Hotel and restaurant	17	-10	7	8	15
Other transport and communication	57	-39	18	17	5
Construction	118	-46	72	70	54
Electricity, gas and water	4	0	4	4	26
Agriculture, hunting and forestry	37	-15	22	16	
Other services	31	-15	16	15	13
Holding, investment and insurance companies, mutual funds etc	1 359	-332	1 027	27	14
Other corporate lending	725	-470	255	257	43
Total	5 367	-2 263	3 104	1 565	1 709

* Book value after deduction of specific provisions.

Collateral taken over

SEK m	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Dec 2007
Buildings and land	33	30	30	30
Shares and other participating interests	1	1	1	1
Other	24	18	7	9
Total collateral taken over	58	49	38	40

Goodwill and other intangible assets

SEK m	Jan-Dec 2008	Jan-Dec 2007
Opening residual value	6 283	12 524
Additional during the period	550	166
Depreciation, amortisation and impairments, discontinued operations	-	-123
Deducted for discontinued operations	-	-6 417
Depreciation, amortisation and impairments, continuing operations	-62	-13
Foreign exchange effect	286	146
Closing residual value	7 057	6 283

Derivative instruments

SEK m	Trading	Fair value hedge	Cash flow hedge	Total
Positive market values	184 987	6 659	593	192 239
Negative market values	166 660	2 833	147	169 640

BUSINESS COMBINATIONS

On 20 October 2008, Handelsbanken acquired the shares in Lokalbanken i Nordsjælland a/s. Lokalbanken has had traditional banking operations on northern Zealand in Denmark since 1917. At the time of the acquisition, operations comprised 14 branches and a head office situated in Hillerød.

The purchase price of SEK 998m was paid in cash. Other expenses which are directly due to the acquisition consist of lawyers' fees, external information costs and other administrative costs. The table below shows how the acquisition price and other acquisition costs were allocated over the acquired assets and liabilities in Lokalbanken at the time of the acquisition. The lower part of the table shows the carrying amounts and fair values for Lokalbanken's assets and liabilities.

The goodwill arising from the acquisition is mainly due to the synergy effects with Handelsbanken's established operations in Denmark, personnel-related resources, trademarks and the value of geographical proximity in the area where Lokalbanken runs its operations. In addition to goodwill, at the time of the acquisition a customer-related intangible asset was identified, the value of which can be reliably measured and which is therefore reported separately from goodwill. The reporting of the acquisition had not been formally adopted at the end of the financial year, which may affect the amounts reported.

SEK m	
Acquisition price	998
Costs directly attributable to the acquisition	15
Total cost	1 013
Fair value of recognised net assets	675
Identifiable intangible assets	0
<i>customer base</i>	160
<i>deferred tax</i>	-40
Total net assets acquired	795
Acquisition goodwill	218

	Fair value at time of acquisition	Carrying amount in Lokal- banken before acquisition
Treasury bills and other eligible bills	20	20
Loans to credit institutions	562	562
Loans to the public	4 793	4 977
Bonds and other interest-bearing securities	45	45
Shares and participating interests	189	189
Derivative instruments	3	3
Intangible assets	-	-
Property and equipment	266	266
Other assets	810	781
Total assets	6 688	6 843
Liabilities to credit institutions	996	996
Deposits and borrowing from the public	4 548	4 548
Issued securities	229	229
Derivative instruments	14	14
Other liabilities	226	239
Total liabilities	6 013	6 026

Lokalbanken has contributed SEK -9m to the year's earnings and SEK 44m to the year's income. If Lokalbanken had been included in the consolidated accounts from 1 January 2008, Lokalbanken would have contributed SEK -66m to the year's earnings and SEK 309m to the Group's income.

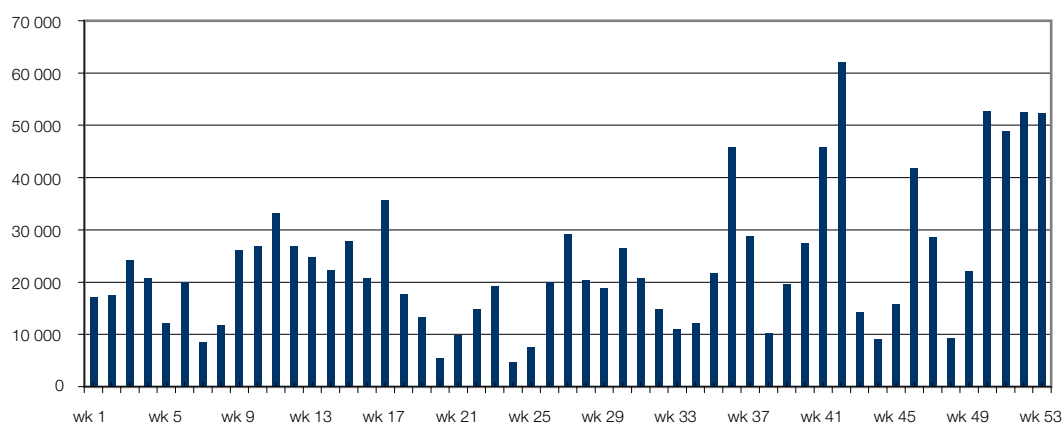
RISKS AND UNCERTAINTY FACTORS

The year has been characterised by the strained liquidity situation on financial markets. Despite this, Handelsbanken has had good access to liquidity and has continuously been a net lender on the Swedish overnight market. Its funding, both short-term and long-term, has mainly been secured in the usual manner. At the end of the year, the Bank issued Tier 1 capital loans of SEK 2,550m.

The Bank's liquidity reserve is designed to cover the Bank's liquidity requirements during a 12-month period. The liquidity reserve consists of holdings with central banks and assets that can with certainty be used as collateral and turned into liquid funds at short notice. This has not been necessary during the year.

Handelsbanken's net lending in SEK on the Swedish interbank market, 2008

SEKm



Loan losses are increasing as a result of the sharp deterioration in economic conditions. The total average risk weight for approved IRB exposures increased from 26.8% in the third quarter to 32.6%. The increase was mainly due to an increasing average risk weight for corporate exposures. Around half of this increase is attributable to changes in the method used, while the remaining increase is due partly to migrations in the credit portfolio, partly to changes in the composition of the portfolio. A change in risk weight is to be expected as companies' creditworthiness deteriorates in the severe economic slowdown that is currently ongoing.

The Bank has low tolerance for losses related to market risks in its business operations and market risks mainly occur as a result of customer-driven business transactions. During the year, the total exposure for Handelsbanken Capital Markets' trading portfolio, measured as Value-at Risk (VaR), was on average SEK 41m (39). During the year, the risk varied between SEK 86m (72) and SEK 18m (18).

As problem-plagued financial institutions have cut back lending due to liquidity and capital constraints, the attention focused on the bank sector's ability to meet credit demand from companies has intensified. The Bank's situation, even in this respect, is satisfactory and its lending operations to customers have been able to continue.

During the year, several activities have been carried out to reduce the risks in the Bank. The investment strategy for the Bank's liquidity portfolio, which is part of its liquidity reserve, has been modified with the result that it now consists primarily of government instruments, covered bonds and bonds issued by banks with a high credit rating (AA-rating). The liquidity portfolio also contains holdings in structured credit products to the value of SEK 12.5bn (12.3bn in Q3 2008). Otherwise, the Bank's exposure to structured credit products is very limited: the total exposure is less than SEK 1bn. Further, exposure to other banks whose credit rating has been questioned has actively been reduced during the year and interbank deals are generally secured to a much greater extent than previously.

TURNOVER OF OWN DEBT INSTRUMENTS AND SHARES

The Handelsbanken Group issues and repurchases debt instruments which it has issued on its account and its own shares. This turnover is mainly intended as part of the Bank's securities operations and also as a component in funding its operations. During the period January to December 2008, the turnover was:

Interest-bearing securities, bonds and certificates:

Issued (sold):	SEK 1,318bn.
Repurchased (bought):	SEK 206bn.
Matured:	SEK 1,044bn.

Equity-related securities:

Issued (sold):	SEK 8.6bn.
Repurchased (bought):	SEK 9.3bn.

CONTINGENT LIABILITIES/COMMITMENTS

Total contingent liabilities and commitments are SEK 135,304m (115,311). This amount includes SEK 91m (124) relating to a number of civil actions which the Group is bringing in general courts of law. The largest individual amount in dispute is SEK 43m (43). The Bank's assessment is that the actions will essentially be settled in its favour. None of the disputed amounts, nor any insurance compensation, has been recognised in income.

The data for contingent liabilities is reported in notional amounts and an assessed expected value is included in the "Other" amount for the civil actions that the Group is bringing.

The Group is currently pursuing a tax dispute. The total claim is approximately SEK 20m, excluding interest, which in the case of a positive judgement would increase the Group's income by the same amount.

RELATED-PARTY TRANSACTIONS

During the year, normal business transactions have been carried out between Group companies. Svenska Handelsbanken pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan, SHB Försäkringsförening (pension fund) have invested in a subordinated loan issued by Handelsbanken for the amount of SEK 650m. 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.

ACCOUNTING POLICIES, ETC.

This financial report been prepared in accordance with IAS 34. For the parent company, the applicable provisions of the Swedish Act on Annual Reports in Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations and general guidelines have been applied. During the financial year, the following changes have been made to Handelsbanken's accounting policies.

On 1 July, parts of the Bank's portfolio of interest-bearing securities were reclassified. The reclassification was due to the Bank's decision to close down its trading operations in New York and also to achieve accounting that better reflects the purpose of the Bank's holdings. The new policies were made possible by means of a change to IAS 39 that was adopted by the EU in October 2008, with the possibility of retroactive application from 1 July. The reclassification meant that assets were transferred from the held-for-trading category to the categories financial instruments that are available-for-sale and loans and other receivables. In addition, assets in the financial instruments available-for-sale category have been transferred to the loans and other receivables category and the held-to-maturity category. The total carrying amount of the assets at the time of reclassification was SEK 28.4bn. No further reclassification has taken place during the fourth quarter.

The parent company's reporting of pension costs has been amended with effect from the first quarter of 2008, in accordance with the regulations of the Swedish Financial Supervisory Authority. The amendment means that settlement of the difference between the gross cost of pension liabilities incurred and the net cost deducted from profit/loss is no longer carried out under the balance sheet appropriations item. Instead, it is reported directly under staff costs

In all other respects, the highlights of the annual report have been prepared in accordance with the same accounting policies that were applied in the annual report for 2007.

As of 20 October 2008, the consolidated accounts include Lokalbanken i Nordsjælland A/S. The acquisition generated goodwill of SEK 218m. The acquisition balance sheet had not been formally adopted at the end of the financial year which may affect the amounts reported.

Income statement – Parent company

PARENT COMPANY SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Net interest income	3 761	3 339	13	2 797	34	13 297	10 236	30
Dividends received	203	41	395	1 444	-86	1 557	5 684	-73
Net fee and commission income Note 1	1 474	1 367	8	1 651	-11	5 661	6 428	-12
Net gains/losses on financial items Note 2	2 099	748	181	881	138	2 304	1 867	23
Other operating income	137	154	-11	160	-14	904	695	30
Total operating income	7 674	5 649	36	6 933	11	23 723	24 910	-5
Staff costs	-1 593	-1 996	-20	-1 656	-4	-7 556	-7 295	4
Other administrative expenses Note 3	-1 221	-978	25	-1 167	5	-4 480	-4 174	7
Depreciation, amortisation and impairments of property, equipment and intangible assets	-129	-127	2	-97	33	-498	-441	13
Total expenses before loan losses	-2 943	-3 101	-5	-2 920	1	-12 534	-11 910	5
Profit before loan losses	4 731	2 548	86	4 013	18	11 189	13 000	-14
Net loan losses Note 4	-621	-278	123	-170	265	-1 580	-64	
Operating profit	4 110	2 270	81	3 843	7	9 609	12 936	-26
Appropriations	2 710	28		4 230	-36	2 795	3 976	-30
Profit before tax	6 820	2 298	197	8 073	-16	12 404	16 912	-27
Taxes	-1 688	-641	163	-1 540	10	-3 097	-3 265	-5
Profit for the period	5 132	1 657	210	6 533	-21	9 307	13 647	-32

Note 1 Net fee and commission income

PARENT COMPANY SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Brokerage and other securities commissions	475	315	51	490	-3	1 602	2 001	-20
Mutual funds and custody	230	231	0	275	-16	1 007	1 076	-6
Advisory services	49	58	-16	129	-62	192	431	-55
Payments	561	584	-4	577	-3	2 247	2 142	5
Lending and deposits	176	177	-1	135	30	636	597	7
Guarantees	114	106	8	94	21	419	392	7
Other	203	218	-7	306	-34	860	1 129	-24
Commission income	1 808	1 689	7	2 006	-10	6 963	7 768	-10
Commission expense	-334	-322	4	-355	-6	-1 302	-1 340	-3
Net fee and commission income	1 474	1 367	8	1 651	-11	5 661	6 428	-12

Note 2 Net gains/losses on financial items

PARENT COMPANY SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Available for sale, realised	864	-3		403	114	328	1 127	-71
Hedge accounting								
Fair value hedges	-225	-81	-178	-32		-249	24	
Hedge ineffectiveness	-26	1		0		-25	0	
Transferred from equity referring to cash flow hedges	-	-		-		14	-	
Instruments measured at fair value	1 277	323	295	-2		1 151	-83	
Loan receivables, valued at amortised cost	2	-25		-10		-23	-31	26
Financial liabilities, valued at amortised cost	-34	11		53		17	192	-91
Trading	241	522	-54	469	-49	1 091	638	71
Total	2 099	748	181	881	138	2 304	1 867	23

Note 3 Other administrative expenses

PARENT COMPANY SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
Property and premises	-260	-231	13	-244	7	-943	-904	4
External IT costs	-333	-293	14	-375	-11	-1 294	-1 359	-5
Communication	-91	-83	10	-101	-10	-366	-371	-1
Travel and marketing	-101	-51	98	-120	-16	-315	-344	-8
Purchased services	-218	-170	28	-205	6	-794	-740	7
Supplies	-55	-45	22	-69	-20	-214	-225	-5
Other expenses	-163	-105	55	-53	208	-554	-231	140
Other administrative expenses	-1 221	-978	25	-1 167	5	-4 480	-4 174	7

Note 4 Loan losses

PARENT COMPANY SEK m	Q 4 2008	Q 3 2008	Change %	Q 4 2007	Change %	Jan-Dec 2008	Jan-Dec 2007	Change %
A. Specific provision for individually assessed loan receivables:								
The period's write-off for actual loan losses	-637	-62		-91		-941	-351	168
Writeback of previous provisions for probable loan losses reported as actual losses in the period's accounts	210	57	268	65	223	485	290	67
The period's provision for probable loan losses	-208	-219	-5	-213	-2	-1 224	-589	108
Writeback of actual losses in previous years	37	25	48	93	-60	168	176	-5
Writeback of provisions for probable loan losses which are no longer necessary	47	26	81	24	96	182	406	-55
Net expense for the period for individually assessed loan receivables	-551	-173	218	-122	352	-1 330	-68	
B. Collectively provisions for individually assessed loan receivables:								
Allocation to/dissolution of collective provisions	-46	-34	35	-5		-158	46	
C. Collectively assessed homogenous groups of loan receivables with limited value and similar credit risk:								
The period's write-off for actual loan losses	-1	0		0	0	0	0	
Paid in from actual losses in previous years	1	0		0		3	1	200
Allocation to/dissolution of provision for loan losses	0	0	0	0	0	0	0	0
Net expense for the period for collectively assessed homogenous loan receivables	0	0	0	0	0	3	1	200
Net expense for the period for loan losses (A+B+C)	-597	-207	188	-127	370	-1 485	-21	
Change in value of repossessed property	-	-		-		-	-	
Total loan losses	-597	-207	188	-127	370	-1 485	-21	
Other provisions								
Provisions for guarantees honoured	-	-		-43	-100	-	-43	-100
Provisions for guarantee commitments	-24	-71	-66	-		-95	-	
Net loan losses	-621	-278	123	-170	265	-1 580	-64	

Balance sheet – Parent company

PARENT COMPANY SEK m	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Dec 2007	
Loans to the public	Note 1	790 613	757 905	760 754	711 626
Loans to credit institutions		381 874	363 824	335 023	318 859
Interest-bearing securities		144 523	111 995	117 747	156 317
Other assets		335 146	201 697	175 040	172 908
Total assets		1 652 156	1 435 421	1 388 564	1 359 710
Deposits and borrowing from the public		505 903	478 335	463 266	482 487
Due to credit institutions		373 996	339 299	307 390	307 151
Issued securities etc		427 426	382 946	353 255	294 705
Subordinated liabilities		61 306	54 603	52 443	52 909
Other liabilities		230 457	129 462	161 833	164 952
Untaxed reserves		2 490	1 425	1 422	1 484
Shareholders' equity		50 578	49 351	48 955	56 022
Total liabilities and equity		1 652 156	1 435 421	1 388 564	1 359 710

Note 1 Loans to the public

PARENT COMPANY SEK m	31 Dec 2008	30 Sep 2008	30 Jun 2008	31 Dec 2007
SEK loans				
- to households	51 354	51 699	52 279	48 937
- to companies etc *	262 580	265 361	264 460	269 622
	313 934	317 060	316 739	318 559
Foreign currency loans				
- to households	87 780	81 028	113 498	107 058
- to companies etc *	391 389	362 349	332 758	287 718
	479 169	443 377	446 256	394 776
Provision for probable loan losses	-2 490	-2 532	-2 241	-1 709
Total loans to the public	790 613	757 905	760 754	711 626
* of which National Debt Office	5 523	1 137	3 289	12 325

Phone conference

A phone conference with the Bank's CFO, Mr Ulf Riese, will be held on 10 February 2008 at 3 p.m. CET. Press releases, presentations and the recorded conference are available at <http://www.handelsbanken.se/ireng>.

The annual report for 2008 will be published at the beginning of March and will be available on the Bank's website at <http://www.handelsbanken.se/ireng>.

The interim report January-March will be published on 28 April.

The annual general meeting will take place in the Winter Garden at Grand Hotel in Stockholm at 10 a.m. on 29 April 2009.

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Handelsbanken

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