

# Annual Report

2011



# Handelsbanken in brief

Handelsbanken is a full-service bank for both private and corporate customers with a nationwide branch network in Sweden, the UK, Denmark, Norway and Finland. The Bank views these countries as its home markets. Handelsbanken was founded in 1871 and currently has almost 11,200 employees working in 22 countries.

## **SATISFIED CUSTOMERS ON ALL HOME MARKETS**

Every year, Swedish Quality Index (SKI) and EPSI carry out independent surveys of customer satisfaction, based on a European standard. The results for 2011 showed that Handelsbanken had the most satisfied customers of the big four Swedish banks.

For private customers, this is the 23rd year running that Handelsbanken is number one in the survey. Handelsbanken also had top positions in all the Nordic countries and the UK, among both private and corporate customers.

## **SECOND STRONGEST BANK IN THE WORLD**

In spring 2011, the international news agency Bloomberg published a report on the world's strongest banks with assets of over USD 100 billion. This showed Handelsbanken to be the second strongest bank in the world and the strongest bank in Europe, the Nordic region and Sweden.

Bloomberg used five different financial measurements to arrive at the result, including financial strength, the ability to manage risk and cost-effectiveness.

## **LEADING POSITION ON THE INTERNATIONAL FUNDING MARKET**

Handelsbanken's position on the funding market is the strongest in Europe. This was the result of a report in August 2011 by investment bank Morgan Stanley, where Handelsbanken had 203 per cent of the year's long-term funding secured, while other banks had only met 70–80 per cent of their funding requirements. There is major international interest in investing in Handelsbanken's bonds.

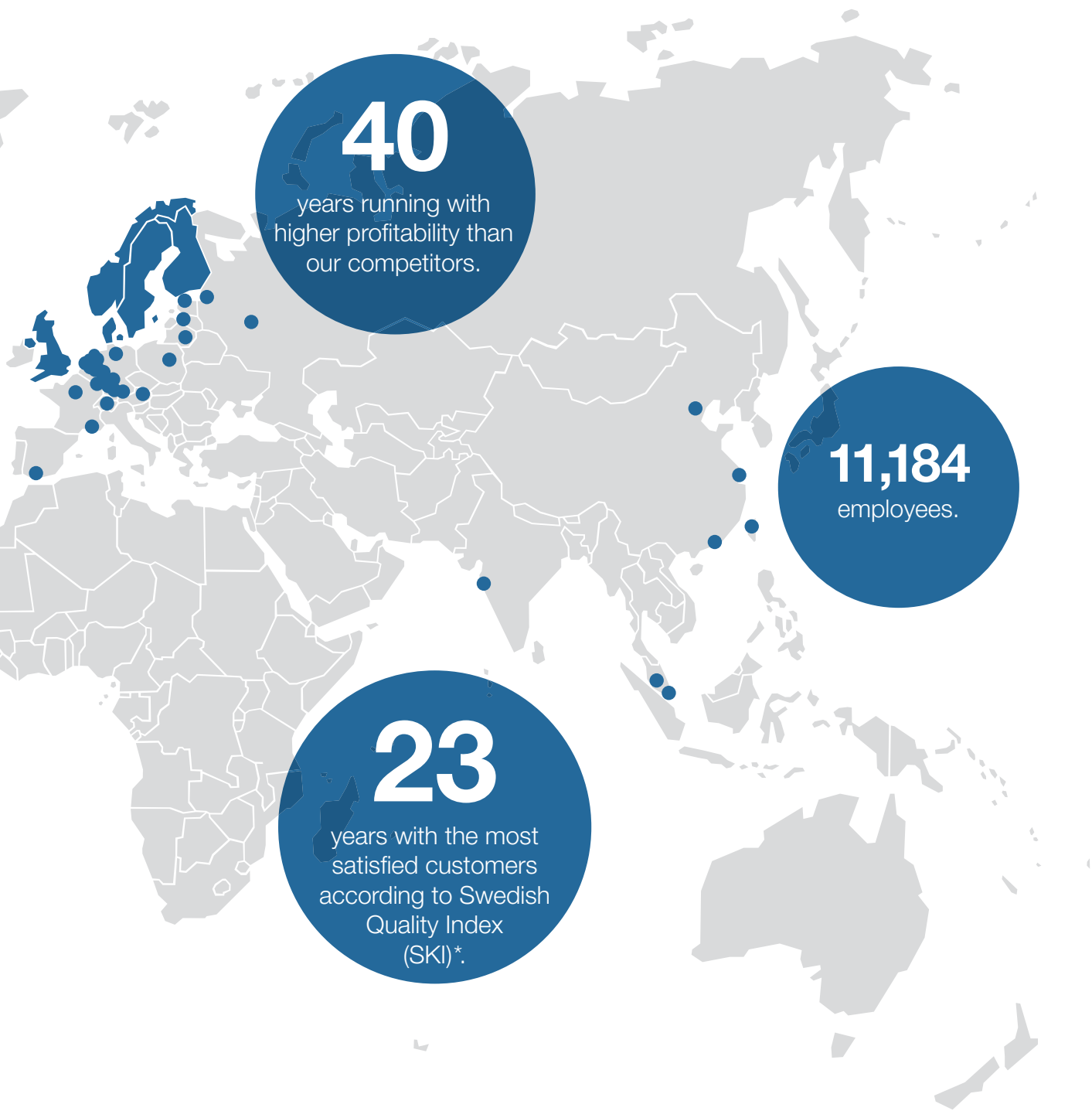


**746**

branches in  
22 countries.

**140**

years of  
availability.



**40**

years running with  
higher profitability than  
our competitors.

**11,184**

employees.

**23**

years with the most  
satisfied customers  
according to Swedish  
Quality Index  
(SKI)\*.

\* According to SKI (Swedish Quality Index), since surveys started in 1989, Handelsbanken has had the most satisfied customers of the big four Swedish banks: Handelsbanken, Nordea, SEB and Swedbank.

# Highlights of 2011

## PROFIT AFTER TAX

Profit after tax for total operations increased by 12 per cent to SEK 12,323 million (11,025) and earnings per share increased by 12 per cent to SEK 19.78 (17.72).

## OPERATING PROFIT

Operating profit for continuing operations increased by 12 per cent to SEK 16,536 million (14,770).

## RETURN ON EQUITY

Return on equity for total operations was 13.5 per cent (12.9).

## INCOME

Income rose by 5 per cent to SEK 32,809 million (31,296).

## NET INTEREST INCOME

Net interest income rose by 11 per cent to SEK 23,613 million (21,337).

## C/I RATIO

The C/I ratio improved to 47.1 per cent (48.0).

## LOAN LOSSES

The loan loss ratio fell to 0.05 per cent (0.10).

## CAPITAL

Tier 1 capital rose to SEK 93.5 billion (87.8) and the tier 1 capital ratio was 18.4 per cent (16.5). The core tier 1 capital ratio increased to 15.6 per cent (13.8).

## LENDING

The average volume of loans to the public grew by 5 per cent to SEK 1,552 billion (1,475).

## UK

In the UK, the operating profit increased by 55 per cent.

## MUTUAL FUND SAVINGS

The Bank's net inflow on the Swedish mutual fund market was SEK 14.4 billion, equivalent to a market share of 90 per cent.

## DIVIDEND

The Board proposes a dividend of SEK 9.75 per share (9.00).

## BRIEF INFORMATION ABOUT HANDELSBANKEN'S ANNUAL GENERAL MEETING 2012

Location: Grand Hôtel, Winter Garden, entrance Royal, Stallgatan 4, Stockholm.  
Time: Wednesday, 28 March 2012 at 10 a.m.

### Notice of attendance

Shareholders wishing to attend the AGM must be entered in the register of shareholders kept by Euroclear Sweden AB (formerly VPC AB), by 22 March 2012 at the latest. Notice of attendance is to be made to Handelsbanken, Corporate Governance, Kungsträdgårdsgatan 2, SE-106 70 Stockholm, Sweden,

telephone +46 8 701 19 84, or online at [www.handelsbanken.se/ireng](http://www.handelsbanken.se/ireng), by Thursday, 22 March 2012 at the latest.

To be entitled to take part in the meeting, shareholders whose shares are nominee-registered must also request a temporary entry in the register of shareholders kept by Euroclear. Shareholders must notify the nominee of this well before 22 March 2012, when this entry must have been effected.

### Dividend

The Board proposes that the record day for the dividend be Monday, 2 April 2012, which means that the Handelsbanken share will be traded ex-dividend on Thursday, 29 March 2012. If the meeting resolves in accordance with the proposal, Euroclear expects to distribute the dividend on Thursday, 5 April 2012.



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# Stability, growth and more customer meetings

- Operating profit for 2011 was SEK 16.5 billion. Earnings per share increased from SEK 17.72 to SEK 19.78.
- Handelsbanken's return on equity for total operations was 13.5 per cent.
- The C/I ratio – expenses divided by income – was 47.1.
- Our tier 1 capital grew by SEK 5.8 billion during the year. The capital base amounted to SEK 106 billion and the capital ratio according to Basel II increased to 20.9 per cent.
- By the end of 2011, Handelsbanken had already fulfilled the capital requirements stipulated in the future capital adequacy regulations, Basel III, at both European and national level.
- Over the past five years, Handelsbanken's equity has grown by an average of 15.6 per cent per year, including dividends paid and share buybacks.
- There has not been a single quarter during the past five years when return on equity – after loan losses and tax – has fallen below 12 per cent. Handelsbanken has not issued any new shares during this period.
- The expansion of the branch office network continued, and by the end of the year the number of branches totalled 746.

## GROWTH IN TURBULENT TIMES

The year 2011 – when Handelsbanken had been operating for 140 years – was characterised by continued unrest in our business environment, with continuing and increasing problems for several Western countries with major budget deficits. This also had serious repercussions in the world's financial and capital markets, leading to drastic measures across the banking and financial sectors in the form of major write-downs and considerable staff reductions.

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“Handelsbanken can grow with a low risk level and good cost control.”

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For those of us working at Handelsbanken, with our conservative view of risk and our tradition of maintaining solid financial reserves, the past year, like those before it, was relatively undramatic. We continued to do the business that both we and our customers wanted to do, we continued in our efforts to make more time

for customer meetings and we continued to open branches.

Handelsbanken primarily grows by opening branches in locations where it has not previously had operations. In this way, the Bank grows branch by branch, customer by customer.

This organic growth model has proved successful in an increasing number of locations and an increasing number of countries. Organic growth means that Handelsbanken can grow with a low risk level and good cost control. A newly opened branch usually reports a positive cash flow within 24 months with a return on allocated capital of around 8 per cent.

After that point, income tends to rise at a much faster rate than expenses.

This growth model creates a stable bank in the long term – a bank which, regardless of the situation in the world around, is there for its customers. A bank which doesn't require support from tax-payers. The ultimate guarantors of this stability are the Bank's owners: the shareholders. If the Bank has problems, these shareholders may have to contribute more capital or lose large parts of their holdings. For shareholders to be prepared to bear this risk, the Bank should also generate good returns and increased shareholder value.

Looking at the past five years – without doubt, an unusually turbulent period – Handels-

banken has generated increased shareholder value of around SEK 12 billion if we combine market capitalisation, dividends and buybacks.

## GOOD CUSTOMERS ARE EVERYWHERE

Sweden has a population of 9.3 million. Just over 7.5 million of these people live outside the three main cities: Stockholm, Gothenburg and Malmö. This is not unique to Sweden; we see a similar pattern in all our home markets.

In Denmark, around 80 per cent of the country's population lives outside Copenhagen, Aarhus and Aalborg. In Finland, fewer than 20 per cent of the country's inhabitants live in Helsinki, Turku and Tampere. The Scandinavian market with the highest level of concentration is Norway, where just over 20 per cent live in Oslo, Bergen and Trondheim.

In the UK, just over 8 per cent of the population lives in the central parts of London, Birmingham and Leeds. If we include Greater London, the West Midlands and Greater Manchester, almost four-fifths of the UK population is based outside a major city area.

Concentrating our branch network exclusively in major cities would mean that the personal point of contact that the majority of our existing and potential customers have with the Bank would be located a long way from home, in many cases a bit too far.





We also know that many small and medium-sized businesses are based outside the major city areas. The management of these companies is often very keen to do their banking business with a local bank, so that they can speak directly to the person authorised to take credit decisions.

We have noted a similar tendency among individual customers, who often prefer to take their business to banks with a network large enough for the customer to easily walk to their branch.

#### **STRONG LOCAL CONNECTIONS**

This is why we are continuing to expand our branch office network. We now have a nationwide branch office network in all five of our home markets: Sweden, the UK, Denmark, Norway and Finland.

In recent years, we have successfully opened branches in communities with fewer than 30,000 inhabitants, which further enhances the potential for opening additional branches – particularly in the UK.

We have a very positive experience of branches in communities of this size in Scandinavia. The cost of setting up such branches is relatively low, customer satisfaction very high and the demand for asset management services and savings products robust. Moreover, credit can often be granted at a lower level of risk.

At the same time, the local branch – and accordingly its customers – always has access to a large bank's pooled expertise, network of contacts and financial strength. Coupled with a high degree of local autonomy, this makes us an attractive alternative for valuable customers, even in smaller locations with strong, local banks. Altogether, this gives a very sound foundation for running branch offices.

Handelsbanken is currently the only bank in almost 50 towns – and it looks like that number may rise.

#### **MANAGING RISK**

The financial markets were under substantial stress during the year. A widespread crisis of confidence in heavily indebted countries and their ability to restructure state finances has led to a general crisis of confidence in the entire euro system. There is also uncertainty regarding the structure of the banking sector and its ability to manage new regulatory requirements in the areas of liquidity and capital requirements.

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

Handelsbanken has no direct exposure to states or banks burdened by such problems.

Handelsbanken's historically low tolerance of risk, sound capitalisation and strong liquidity situation means that it is well-equipped to cope with substantially more difficult market conditions than those experienced during the year. The Bank's strict approach to risk means that it deliberately avoids high-risk transactions, even if the remuneration may be high at that time.

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“The strict approach to risk enables the Bank to be a stable, long-term business partner for its customers.”

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The low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group. Lending has a strong local involvement, where the close customer relationship promotes low credit risks.

The strict approach to risk enables the Bank to be a stable, long-term business partner for its customers. It contributes to good risk manage-

ment and sustaining a high service level, even when operations and the markets on which the Bank operates are subject to strain.

The same principles for the Bank's approach to risk apply in all countries where the Bank operates and they will be guiding principles in the Bank's future international expansion.

### **STRONG PROFITABILITY ENSURES GOOD ACCESS TO CAPITAL**

Throughout the financial crisis, Handelsbanken has had good access to liquidity. The Bank has access to the financial markets via its short-term and long-term funding programmes.

An important – and probably decisive – reason for this is Handelsbanken's profitability, in other words, our ability to generate good long-term value growth, regardless of economic conditions. The fact that Handelsbanken for many decades has been able to report a level of profitability that has been higher than peer banks in our home markets – and used this profitability to achieve growth and develop stable finances – has provided the Bank with access to more sources of funding, even in times when the financial markets have been closed to most players.

These stable finances, which include a generous liquidity reserve, also provide a high level of resistance to any disruptions in financial markets. At the year-end, the Bank's liquidity reserve exceeded SEK 700 billion. Liquid assets invested with central banks alone totalled SEK 376 billion of the reserve.

Thanks to our good rating and stable finances, the cost of our funding is among the lowest of all Western banks.

Another not insignificant reason for Handelsbanken having lower funding costs and more funding sources than virtually any other bank, is that our balance sheet is based entirely on commercial terms.

### **WE CAN STILL IMPROVE**

Even though we have improved during the year in many respects, there are still things we can do that little bit better.

This is why we work tirelessly at improving our customer meetings, our infrastructure and our offerings of products and services. During the year, our branches have tested different solutions to make visiting a branch easier and more convenient for customers. We have given customers more 'keys to the Bank': we have improved our availability by offering several enhancements to the services we offer – such as those designed for smartphones and tablet devices. We have started online television broadcasts to make all the expertise available at the Bank a little more accessible to our customers.

However, there is one area where I am particularly impatient as regards how quickly we are improving: gender equality. I would like to see even faster progress to take full advantage of

the potential we have at the Bank – we will not be able to do this unless all the skilled female staff get the opportunities they deserve. Our work with training, mapping and various other measures we have taken to give female staff better opportunities must continue, and preferably at a faster pace.

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“We have given customers more 'keys to the Bank'.”

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One area where we have made rapid progress is our savings business. Here, our centrally located specialists in several fields – in collaboration with our branches – have made further improvements in terms of range, solutions and customer interfaces. These initiatives are much appreciated by our customers – one example being that Handelsbanken in Sweden had by far the largest net inflow in mutual funds during the past year.

### **INCREASED AVAILABILITY GENERATES MORE SATISFIED CUSTOMERS**

The fact that our specialist functions have been pooled centrally and operate in close co-operation with the branches to constantly develop and enhance our customer offering is one of the reasons why, for year after year, Handelsbanken has a larger number of more satisfied customers. We can simply be a little more attentive and react a little more quickly to customers' wishes.

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“This means that the customer always meets the person who makes the decisions regarding their banking business.”

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But perhaps the most important reason for more satisfied customers can be summed up in one word: availability.

Stable finances give us – and therefore our customers – access to the capital required to do good business, regardless of the market conditions. We are always there when the customer wants to do business, regardless of other, external factors – factors that might not have any impact whatsoever on the customer or their business.

We are available through an extensive branch network with good opening hours, but which

also provides access to a large proportion of the Bank's offering through other points of contact – online, by telephone or smartphones – where we are constantly developing and enhancing functionality and benefits for the customers.

But above all, perhaps, availability in the form of having access to the person who makes the decisions. Our branches have considerable freedom to design and adapt their business to suit the local market. Our decentralised way of working means that virtually every business decision is taken at the branch. This means that the customer always meets the person who makes the decisions regarding their banking business. This is one form of high availability which our customers often appreciate enormously.

### **AND FINALLY**

In summary, I am hopeful about the future. We have a good grip on risks and weaknesses – and we are making the most of our strengths and distinctive approach. Overall, this provides us with good returns, a low level of risk and satisfied customers.

We will therefore continue to develop long-term customer relations through a strong local presence, where business decisions are decentralised to the person meeting the customer. We will improve our availability that little bit more, by making our new points of contact, including mobile phones and online presence, even better. We will simply try to increase the number of meetings we have with customers and to make them that little bit better.

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

The key to our future development will be well-trained and committed employees. In the years ahead, we will therefore be taking further measures to ensure the development of our staff. In these efforts, our work on gender equality plans will play a central role.

Looking back on 2011, it is clear that the Bank's healthy profit is the result of hard work by all the Bank's employees, to whom I extend my sincere thanks.

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

Thank you – and welcome to Handelsbanken.

Pär Boman  
Stockholm, February 2012

# Administration report

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## Concept

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

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

## Goal

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

One of the purposes of Handelsbanken's corporate goal is to offer shareholders long-term high growth in value, expressed in increasing earnings per share over a business cycle.

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

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

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

# Goal achievement

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

## OVERALL GOALS

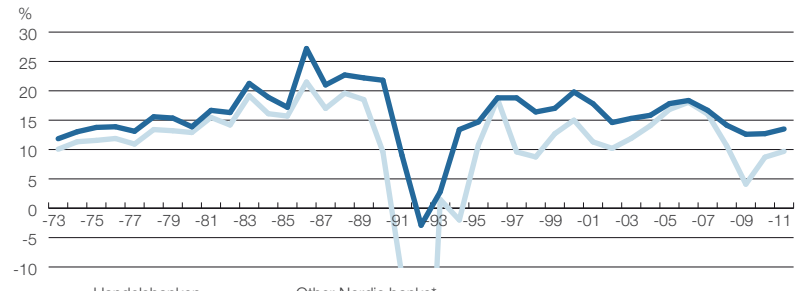
### Corporate goal

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

### Goal achievement

Handelsbanken's return on equity for total operations was 13.5 per cent (12.9). Adjusted for non-recurring items, the figure was 13.5 per cent (12.7). The corresponding figure for a weighted average of other major Nordic banks was 9.7 per cent (8.7). This means that for the 40th consecutive year, Handelsbanken met its goal.

Return on equity, 1973–2011



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

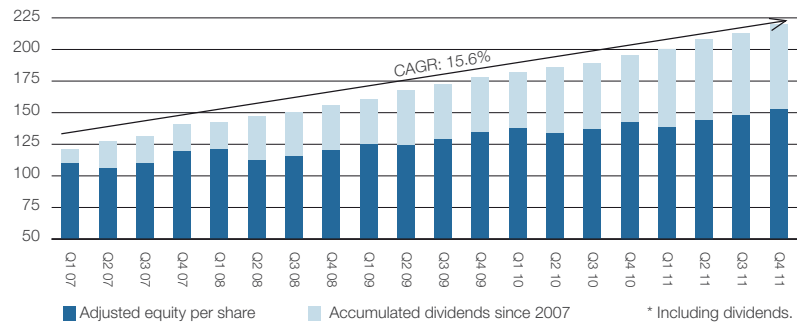
## STABLE, HIGH VALUE GROWTH

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

### Outcome

Average growth in equity, including dividends and share repurchases, has been 15.6 per cent each year for the past five years. No new shares were issued during the period. The low variation between the quarters confirms the Bank's low risk tolerance and is a measure of the stability of the value creation.

Average growth in equity 2007–2011\*



\* Including dividends.

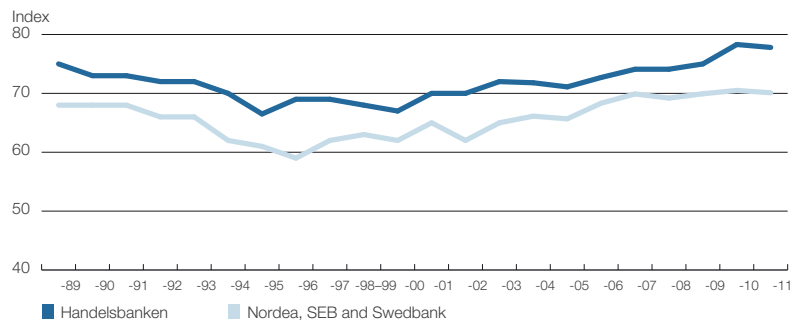
## MOST SATISFIED CUSTOMERS

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

### Outcome

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

Customer satisfaction index, private customers in Sweden 1989–2011



## MOST COST-EFFECTIVE BANK

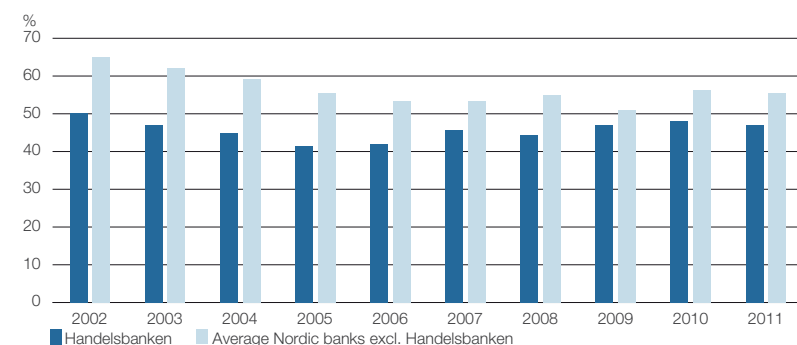
### Expenses

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

### Outcome

Handelsbanken's costs in relation to income for continuing operations were 47.1 per cent (48.0). The corresponding figure for an average of other major Nordic banks was 55.5 per cent for (56.3). As in previous years, Handelsbanken had the highest cost-effectiveness of the major listed Nordic banks.

Costs/income, excluding loan losses 2002–2011



**GROWTH**

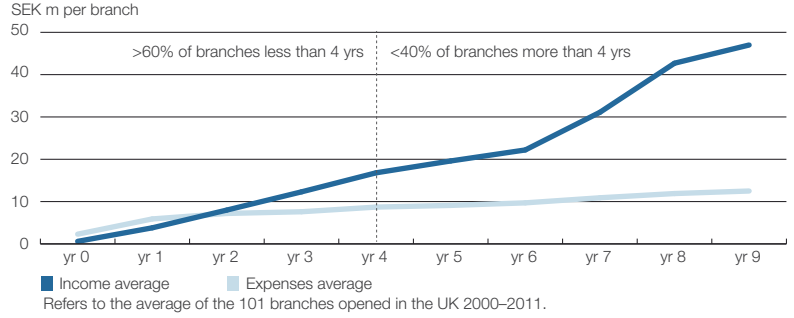
**Guidelines**

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

**Outcome**

In the past year, Handelsbanken opened a total of 26 new branches, all of them outside Sweden.

**Income and expense trend, new branches on home markets**



**CAPITAL**

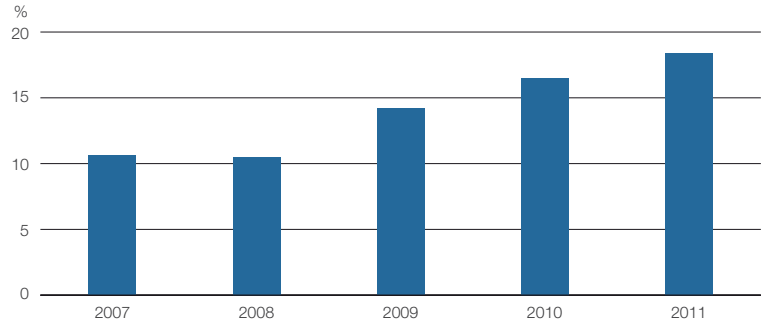
**Policy**

Under the Basel II regulations, Handelsbanken aims to have a tier 1 capital ratio of between 9 and 11 per cent. Pending a decision on new, strict capital regulations, Handelsbanken has decided to increase its capitalisation to a level exceeding the Bank's target interval in Basel II.

**Outcome**

During the year, the tier 1 capital ratio according to Basel II increased to 18.4 per cent (16.5). The core tier 1 capital ratio according to Basel II increased during 2011 to 15.6 per cent (13.8).

**Tier 1 capital ratio 2007–2011**



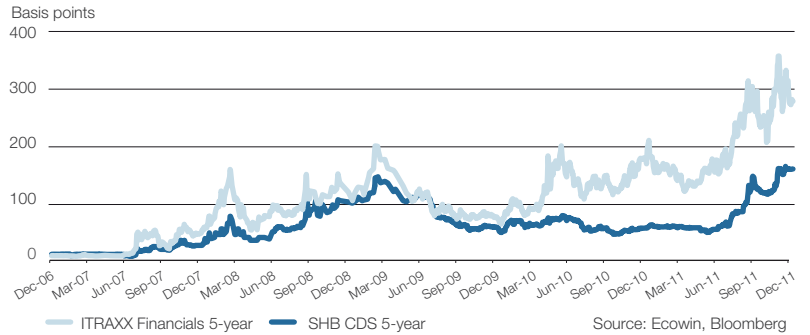
**LIQUIDITY AND FUNDING**

Handelsbanken aims to be able to manage for at least 12 months without borrowing any new funds in the financial markets.

**Outcome**

The issue volume for long-term funding during the year amounted to SEK 214 billion, comprising SEK 74 billion in senior funding and SEK 140 billion in covered bonds. At the end of the year, the total liquidity reserve exceeded SEK 700 billion. The Bank's funding costs and five-year CDS spread continued to be among the very lowest in the European banking sector.

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



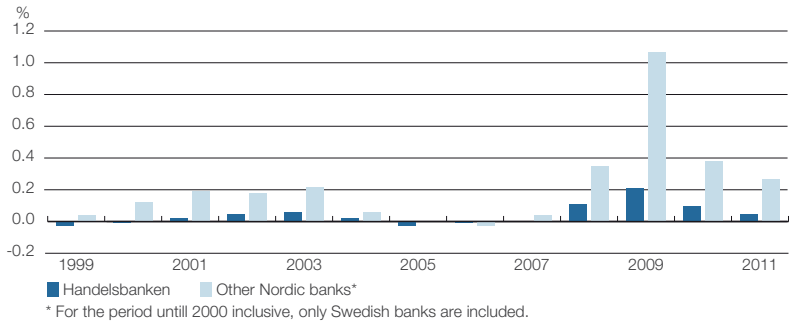
**CREDIT QUALITY**

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

**Outcome**

Loan losses fell to SEK -816 million (-1,507). Loan losses as a proportion of lending were 0.05 per cent (0.10). The corresponding figure for an average of other major Nordic banks was 0.27 per cent (0.38).

**Loan losses as a percentage of lending 1999–2011**



**RATING**

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

**Outcome**

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

**Ratings of Nordic banks**

31 December 2011	Standard & Poor's		Fitch		Moody's		
	Long-term	Short-term	Long-term	Short-term	Financial strength*	Long-term	Short-term
Handelsbanken	AA-	A-1+	AA-	F1+	C+	Aa2	P-1
SEB	A+	A-1	A+	F1	C-	A1	P-1
Nordea	AA-	A-1+	AA-	F1+	C+	Aa2	P-1
Swedbank	A+	A-1	A	F1	C-	A2	P-1
Danske Bank	A	A-1	A	F1	C	A2	P-1
DnB NOR Bank	A+	A-1	A+	F1	C	Aa3	P-1

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

# Our concept

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

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

An important aspect of Handelsbanken's way of running a bank is that we take great care to be available for our customers. This is applied at all our branches, online, and at new digital meeting-places such as services for smartphones and tablet devices.

Handelsbanken has been conducting banking operations since 1871 and is the oldest listed company on the Stockholm Stock Exchange.

We are a full-service bank with a decentralised way of working, a strong local presence due to nationwide branch networks and a long-term approach to our customer relations. Handelsbanken's goal is to have higher profitability than the average for peer banks on our home markets. This goal is to be achieved by the Bank having lower costs and more satisfied customers than its competitors.

In simple terms, we can talk about nine cornerstones in the way we build and run Handelsbanken. These are:

## Meeting customers

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

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

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

## Give the customer the keys to the Bank

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

Nowadays, customers meet Handelsbanken far more often on the phone, smartphone, tablet device or online. If not every day, then at least a couple of times a month, a customer will call Handelsbanken or visit the Bank electronically. This is much more frequent than customers' visits to their local branch.

Between their visits to the branch, customers both wish to and can take care of their banking

business themselves – when and where it suits the individual customer best. Our task is to give the customer access to their banking business, and the greatest possible freedom of action.

We like to say that we endeavour to give the customer "the keys to the Bank". Our aim is that customers should be able to move freely between our various meeting-places – and have the same ability to take care of their business, regardless of whether this is at a branch or in a smartphone.

Therefore, we are constantly working to develop and improve these meeting-places outside the branch – to simply increase our availability all the time, to be there for our customers, whenever and wherever they need us.

## A full range of products and services

A vital condition for successful customer meetings is always having the product or service that a customer needs. Handelsbanken never has a niche in favour of a particular group of customers, or in a specific area of products or services.

The individual customer's unique requirements are the governing factor. Therefore, Handelsbanken has a full range of products and services to meet all the financial needs of our customers.

## Decentralised decisions

Handelsbanken always aims for all important business decisions to be taken as close to the customer as possible. This makes for better meetings with customers, better decisions and more satisfied customers.

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"Handelsbanken always aims for all important business decisions to be taken as close to the customer as possible."

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In addition, our short decision paths mean that we can adapt more quickly to various changes

on local markets and make the most of new business opportunities.

## Skilled staff

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

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

## Profitability before volumes

Since Handelsbanken adapts its offering to each individual's unique needs and circumstances, the Bank has no requirements as regards volumes, budgets or centrally-decided sales targets. Instead, the Bank measures its success in terms of profitability, cost-effectiveness and customer satisfaction.

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

## Low risk tolerance

Handelsbanken has a low risk tolerance. Handelsbanken's strict approach to risk means that the Bank deliberately avoids high-risk transactions, even if the remuneration is high at the time. The low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group.

The Bank's business model focuses on taking credit risks in branch office operations. The objective is therefore to minimise other risks, such as market risks. Position-taking is only accepted in customer-driven transactions and only within strictly defined limits.

Handelsbanken also seeks to reduce all macro risks in order to have a business model that is independent of fluctuations in the economy and the business cycle.



### Stable finances

By means of low funding costs and low loan losses coupled with high profitability, Handelsbanken builds a strong balance sheet. Stable finances are essential for the Bank to be able to do all the business that it and its customers wish to do – on favourable terms.

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

Handelsbanken builds its stable finances on entirely commercial terms, and is one of the few

banks on its home markets that has not sought financial support from central banks, the government or shareholders during the recent years of turbulence on the financial markets.

### Organic growth

In order for Handelsbanken to achieve and retain high profitability, growth is also necessary.

Handelsbanken grows primarily by opening branches in locations where it has not previously had operations. In this way, the Bank grows branch by branch, customer by customer. This

method of working and of achieving growth has proved successful in an increasing number of locations and countries.

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

This does not prevent Handelsbanken from making small, add-on acquisitions, provided that these can be easily incorporated into the Bank's working methods.



# Organisation and working methods

Handelsbanken is organised so as to create the ideal conditions for good meetings with customers. For this reason, the Bank operates so that practically all important business decisions are made locally, close to the customer, at more than 740 branches. This requires direct, effective and rapid contact with the central support functions.

## BRANCH OFFICE OPERATIONS

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

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

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

This mandate to take the important business decisions on the spot, with the customer, is a sound basis for successful customer meetings. Our customers can meet the person who will make the decision, not a messenger.

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

In order to retain and develop these relations, we also have a branch network outside our home markets.

Today Handelsbanken has more than 740 branches in 22 countries around the world. Over 30 of these branches are located outside our five home markets.

During the year the Bank opened its 100th branch in the UK, where the Bank continues to grow. Handelsbanken has also opened several branches in the Netherlands and now has ten branches in this country.

## Each country makes its own decisions

Handelsbanken's decentralised method of working results in a very flat organisational structure.

In pace with the establishment of new home markets, the Bank strives to devolve central decision-making power, so that the decisions can be taken as close to the customer and the market as possible.

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

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

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

Each home market has its own national operation, with responsibility for the profits of the branch operations in that particular country. Handelsbanken Sweden includes the six Swedish regional banks, while Handelsbanken UK includes the three British regional banks.

Denmark, Norway and Finland are organised as one regional bank per country.

## Product specialists

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

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

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

Product owners have a global responsibility and are also responsible for designing

various types of sales support in their area.

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

## FORESTRY AND FARMING – A NEW BUSINESS AREA

In 2011, Forestry and Farming was established as a separate business area.

Forest-owners and farmers often have special requirements to succeed with their business. Handelsbanken therefore offers specialist skills in this business area with an excellent local presence. Our forestry and farming specialists are located around Sweden, close to the customer.

The Bank's customer offering focuses on helping the customer to achieve both profitability and security in their operations.

## HANDELSBANKEN CAPITAL MARKETS – INVESTMENT BANK AND ASSET MANAGEMENT

Large companies and institutions often have very particular requirements. To fulfil these, and to create the right conditions for good meetings with this category of customer, we have pooled our highly specialised expertise in our investment bank and our asset management operations.

These operations comprise equities, commodities, fixed income, currencies, discretionary management, structured products, traditional and exchange-traded funds, corporate finance, debt capital markets and the Investment Centre, which includes Private Banking.

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

Our range of research products includes macroeconomic research forecasting trends in





the Nordic region, the US, the eurozone and the most important emerging markets, strategy research which occupies the borderland between macro research and individual asset categories, and company research actively covering almost 300 Nordic equities, which forms the basis for stock recommendations. Handelsbanken is top-ranked in all categories.

The Bank also offers ResearchOn-Line, a unique research database where our customers can access the latest macro and strategy research products, and also follow over 1,500 companies worldwide.

The goal is that our business, and our advisory, services based on these research and asset management products, should be of such high quality that they satisfy the companies, institutions and private individuals with the most advanced requirements. With this as our starting point, we can package the same offerings to all the Bank's customers in a credible manner. Thus, the Bank's research and asset management products benefit all the Bank's customers. The branches have access to one of the market's best offerings, and the investment bank achieves the maximum leverage for its expertise. In this way we link the local branch, the investment bank and the asset management operation.

#### **Focus on the customer offering**

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

At the Investment Centre, we gather specialists in the savings and investments area to offer solutions based on the customer's needs. The broad range of products includes mutual funds and structured savings products, and also pension and insurance solutions.

#### **Private Banking**

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

The three customer segments are private individuals with financial assets exceeding SEK 20 million, private individuals with assets between SEK 5 million and SEK 19 million, and

company owners with financial assets in excess of SEK 5 million.

#### **Increased focus on international companies**

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

This offering is the result of increased integration between the Bank's branch operations and the investment bank.

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

In Sweden, Handelsbanken is the bank with the largest number of very large companies (over 1,000 employees) as customers. For the largest group of companies, all of them with a major international presence, a high level of internal expertise and in need of our most advanced services, we have gathered a number of our experts into a specialist unit called Large Corporates.

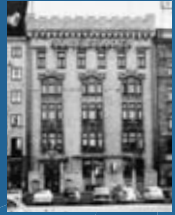
# 140 years of availability



On 1 July, Handelsbanken begins banking operations in premises at Kornhamnstorg in the old town of Stockholm, at the time the financial and commercial centre of the capital.



For the Bank's 90th anniversary, the designer Stig Lindberg is asked to create a new savings box. The result is the Scottie Dog, which is now a classic money-box and a symbol of savings at Handelsbanken.



Handelsbanken carries out a major reorganisation and the first regional bank with its head office in Malmö was formed at the year-end 1970/1971.

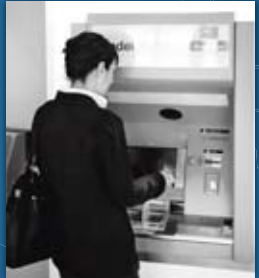



A branch opens in the town of Jönköping – the first Handelsbanken branch outside the capital, Stockholm.

The expansion continues – Stockholms Handelsbank changes its name to Svenska Handelsbanken, after the acquisition of Bankaktiebolag Södra Sverige, when Handelsbanken took over 67 branches in southern Sweden.



Handelsbanken acquires the SIGAB mortgage company, later renamed Handelsbanken Hypotek.



Bankomat ATMs are launched in the early 1970s, enabling customers to withdraw money from their accounts even when branches are closed.

Stockholms Handelsbank – as the Bank was then called – grows rapidly and starts to build up a network of branches throughout Sweden. In acquiring Bankaktiebolaget Norra Sverige, the Bank took over 36 branches along the coast of northern Sweden.

**Handelsbanken was founded 140 years ago when its first branch office was opened at Kornhamnstorg in Stockholm, at the time the city's financial centre. A few years later, in 1874, Handelsbanken's first branch in Jönköping opened.**

When Handelsbanken was formed in 1871, a number of prominent companies and individuals in Stockholm's business community played an important part. The Bank's stock was first listed on the Swedish market in 1873, and is today the oldest stock on the Stockholm exchange.

Right at the outset, it was emphasised that

Stockholms Handelsbank would pursue "genuine banking activities" with deposits and loans, and would focus on the local banking market: the business activities of Sweden's capital city.

The Bank opened its Jönköping branch in 1874, and the branch network in Stockholm began to expand; for the rest of the 1880s, Handelsbanken grew rapidly.

In 1893, a banker called Louis Fraenckel was appointed managing director. At the time, Handelsbanken was Sweden's tenth largest commercial bank. In 1905, the head office moved to a property alongside the Kungsträdgården park, and six years later, when Fraenckel stepped down,

Handelsbanken had become the largest commercial bank in Sweden.

The expansion continued – first in northern Sweden, along the coast, and then in southern Sweden. By 1919, Stockholms Handelsbank had a broad network of branches throughout Sweden, and changed its name to Svenska Handelsbanken.

In the inter-war years Handelsbanken acquired banks such as Mälarebanken (1926), giving it a total of just over 260 branches in Sweden, at a time when other banks were closing branches to a large extent.

After the Second World War, Handelsbanken continued to grow. Alongside its basic banking

**1988** Handelsbanken begins building a branch network in Norway. The first branch opens in Oslo.

**1991** Handelsbanken begins building a branch network in Finland. The first branch opens in Helsinki.

**1994** Handelsbanken begins building a branch network in Denmark. The first branch opens in Copenhagen.

**1996** Handelsbanken acquires Stadshypotek. In the summer 1996, the Swedish government announces that the State's shares in the Stadshypotek AB mortgage institution are to be sold. Handelsbanken makes a bid to acquire all the shares in the company, which is accepted. On 26 February 1997, Handelsbanken becomes the owner of Stadshypotek, and its lending operations are integrated into the Bank's branch network.

**1997** Handelsbanken begins building a branch network in the UK.

**2000** Handelsbanken Direkt starts its 24-hour service for customers in Sweden who need assistance with their banking. Help and advice is available from the Bank 24 hours a day, 52 weeks a year.

**2006** Handelsbanken offers its customers mobile banking services for smartphones, tablet devices, standard mobile phones, etc. Customers can now take care of basic banking transactions wherever they are, as long as there is mobile communication with the internet.

**2010** A new service called Datasvar is launched. Customers receive notification of the current balance on their accounts and can make transfers by phone or fax. The name of the service is later changed to Telesvar.

**2010** On 10 December, Handelsbanken begins to offer online banking services. Customers can now do banking from a home computer. For the Bank, this is a step into a new era of automated banking services.

operations offering lending and deposits, the Bank broadened its activities in several areas.

In 1970, Jan Wallander was recruited as the new chief executive of Handelsbanken. He decentralised Handelsbanken's entire organisational structure.

In the 1980s, the Swedish banking market was deregulated. Handelsbanken opened branches and subsidiaries in New York, Singapore, London and other locations. In 1988, Handelsbanken began building up a branch network in Norway.

The late 1980s saw an economic boom in Sweden. Many banks' lending volumes increased sharply, but a high proportion of the lending went into speculative property investments. When

Sweden entered a deep recession in the second half of 1990, this led to a serious banking crisis.

Handelsbanken was the only major Swedish bank that did not need to discuss applying for government aid. Instead, Handelsbanken advanced its positions.

In 1990, Handelsbanken acquired Skånska Banken. This milestone led to Handelsbanken increasing its service level in southern Sweden, with 76 new branches. Two years later, it acquired life insurance company RKA, whose name was changed to Handelsbanken Liv. Handelsbanken began to build up a branch network in Finland in 1994, in Denmark in 1996 and in the UK in 2000.

In 1997, Handelsbanken acquired the mortgage institution Stadshypotek. In the same year, the Bank took a vital step into the digital era. On 10 December 1997, the online banking service was opened, enabling customers to do their banking business via a computer.

In 2011, Handelsbanken has five home markets, operations in 22 countries and almost 11,200 employees.

Handelsbanken has more than 740 branches, and customers can also take care of their basic banking transactions via smartphones, tablet devices and standard mobile phones.

# Financial overview 2011

- Profit after tax for total operations increased by 12 per cent to SEK 12,323 million (11,025) and earnings per share rose by 12 per cent to SEK 19.78 (17.72).
- Operating profit for continuing operations increased by 12 per cent to SEK 16,536 million (14,770).
- Return on equity for total operations was 13.5 per cent (12.9).
- Income rose by 5 per cent to SEK 32,809 million (31,296).
- Net interest income rose by 11 per cent to SEK 23,613 million (21,337).
- The C/I ratio improved to 47.1 per cent (48.0).
- The loan loss ratio went down to 0.05 per cent (0.10).
- Tier 1 capital rose to SEK 93.5 billion (87.8) and the tier 1 capital ratio was 18.4 per cent (16.5). The core tier 1 capital ratio increased to 15.6 per cent (13.8).
- The average volume of loans to the public grew by 5 per cent to SEK 1,552 billion (1,475).
- In the UK, the operating profit increased by 55 per cent.
- The Bank's net inflow on the Swedish mutual fund market was SEK 14.4 billion, equivalent to a market share of 90 per cent.
- The Board proposes a dividend of SEK 9.75 per share (9.00).

# Group – overview

SEK m	Q4 2011	Q4 2010	Change	Q3 2011	Change	Full year 2011	Full year 2010	Change
<b>Summary income statement</b>								
Net interest income	6 357	5 612	13%	6 066	5%	23 613	21 337	11%
Net fee and commission income	1 877	2 127	-12%	1 903	-1%	7 673	8 022	-4%
Net gains/losses on financial items at fair value	63	276	-77%	284	-78%	1 016	1 377	-26%
Risk result, insurance	38	67	-43%	52	-27%	209	205	2%
Other dividend income	0	1	-100%	4	-100%	146	190	-23%
Share of profit of associated companies	-3	-4	25%	-8	63%	9	11	-18%
Other income	42	49	-14%	27	56%	143	154	-7%
<b>Total income</b>	<b>8 374</b>	<b>8 128</b>	<b>3%</b>	<b>8 328</b>	<b>1%</b>	<b>32 809</b>	<b>31 296</b>	<b>5%</b>
Staff costs	-2 510	-2 466	2%	-2 498	0%	-9 942	-9 504	5%
Other administrative expenses	-1 392	-1 425	-2%	-1 206	15%	-5 060	-5 062	0%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-120	-106	13%	-112	7%	-462	-452	2%
<b>Total expense</b>	<b>-4 022</b>	<b>-3 997</b>	<b>1%</b>	<b>-3 816</b>	<b>5%</b>	<b>-15 464</b>	<b>-15 018</b>	<b>3%</b>
<b>Profit before loan losses</b>	<b>4 352</b>	<b>4 131</b>	<b>5%</b>	<b>4 512</b>	<b>-4%</b>	<b>17 345</b>	<b>16 278</b>	<b>7%</b>
Net loan losses	-243	-293	-17%	-157	55%	-816	-1 507	-46%
Gains/losses on disposal of property, equipment and intangible assets	1	-5		5	-80%	7	-1	
<b>Operating profit</b>	<b>4 110</b>	<b>3 833</b>	<b>7%</b>	<b>4 360</b>	<b>-6%</b>	<b>16 536</b>	<b>14 770</b>	<b>12%</b>
Taxes	-1 096	-1 030	6%	-1 181	-7%	-4 372	-3 962	10%
<b>Profit for the period from continuing operations</b>	<b>3 014</b>	<b>2 803</b>	<b>8%</b>	<b>3 179</b>	<b>-5%</b>	<b>12 164</b>	<b>10 808</b>	<b>13%</b>
Profit for the period from discontinued operations, after tax	32	89	-64%	30	7%	159	217	-27%
<b>Profit for the period</b>	<b>3 046</b>	<b>2 892</b>	<b>5%</b>	<b>3 209</b>	<b>-5%</b>	<b>12 323</b>	<b>11 025</b>	<b>12%</b>
<b>Summary balance sheet</b>								
Total loans to the public	1 591 128	1 513 687	5%	1 598 737	0%	1 591 128	1 513 687	5%
- of which mortgage loans	843 929	758 847	11%	837 533	1%	843 929	758 847	11%
Deposits and borrowing from the public	724 888	564 142	28%	720 482	1%	724 888	564 142	28%
- of which households	255 942	243 930	5%	253 210	1%	255 942	243 930	5%
Total equity	94 524	88 391	7%	91 696	3%	94 524	88 391	7%
Total assets	2 454 366	2 153 530	14%	2 475 566	-1%	2 454 366	2 153 530	14%
<b>Summary key figures</b>								
Return on equity total operations <sup>1</sup>	13.0%	13.4%		14.1%		13.5%	12.9%	
Return on equity, continuing operations <sup>1</sup>	12.8%	13.0%		14.0%		13.4%	12.6%	
C/I ratio, continuing operations	48.0%	49.2%		45.8%		47.1%	48.0%	
Earnings per share, total operations, SEK	4.88	4.65		5.15		19.78	17.72	
- after dilution	4.75	4.60		5.00		19.39	17.44	
Tier 1 capital ratio according to Basel II	18.4%	16.5%		17.4%		18.4%	16.5%	

<sup>1</sup> When calculating return on equity, equity is adjusted for the impact of unrealised changes in the value of financial assets classified as "Available-for-sale" and for cash flow hedges.

# Review of operations

Handelsbanken continued to report good performance for its operations in 2011. Profit after tax for total operations grew by 12 per cent to SEK 12,323 million (11,025) and earnings per share increased by 12 per cent to SEK 19.78 (17.72). Return on equity for total operations rose to 13.5 per cent (12.9).

Operating profit rose by 12 per cent to SEK 16,536 million (14,770), due to higher net interest income and lower loan losses. The C/I ratio for continuing operations improved to 47.1 per cent (48.0).

The Board proposes a dividend of SEK 9.75 per share.

## INCOME

Group – Income SEK m	Full year 2011	Full year 2010	Change
Net interest income	23 613	21 337	11%
Net fee and commission income	7 673	8 022	-4%
Net gains/losses on financial items	1 016	1 377	-26%
Other income	507	560	-9%
<b>Total income</b>	<b>32 809</b>	<b>31 296</b>	<b>5%</b>

Income rose by 5 per cent to SEK 32,809 million, as a result of a higher net interest income.

Net interest income went up by 11 per cent to SEK 23,613 million, due to rising business volumes and higher interest rates than the previous year. The cost of prefinancing the Bank's future bond maturities reduced net interest income by some SEK 250 million. The Group's costs for various government fees that are charged to net interest income rose by 79 per cent, or SEK 470 million, to SEK -1,068 million (-598). This increase is mainly due to the fact that as of 2011, the full standard fee is payable to the Swedish Stabilisation Fund, compared with a halved fee in 2010, and also to growing volumes of business.

The average volume of loans to the public grew by 5 per cent to SEK 1,552 billion (1,475). Exchange rate effects were SEK -19 billion. Loans to the household sector increased by 7 per cent and by 3 per cent to the corporate sector.

The average volume of deposits increased by 19 per cent to SEK 646 billion (543), of which 7 per cent for the household sector and 28 per cent for the corporate sector.

Net fee and commission income fell by SEK 349 million to SEK 7,673 million (8,022). The decrease was chiefly due to a SEK 467 million,

or 25 per cent, reduction in brokerage income to SEK 1,400 million (1,867) due to lower turnover and declining share prices on stock exchanges. The decline was offset by the fact that net commissions from payments operations rose by 6 per cent, and that fund management and insurance commissions increased by 3 per cent and 7 per cent respectively.

Net gains/losses on financial items at fair value declined to SEK 1,016 million (1,377). The decrease was mainly due to lower customer activity as a result of the very turbulent financial markets.

## EXPENSES

Group – Expenses SEK m	Full year 2011	Full year 2010	Change
Staff costs	-9 942	-9 504	5%
Other administrative expenses	-5 060	-5 062	0%
Depreciation, amortisation and impairments	-462	-452	2%
<b>Total expenses</b>	<b>-15 464</b>	<b>-15 018</b>	<b>3%</b>

Total expenses increased by 3 per cent to SEK -15,464 million. Staff costs increased by 5 per cent as a result of an increase in the number of employees in branch operations outside Sweden, the annual salary adjustment and an increase in the allocation to the Oktogonen Foundation to SEK -913 million (-842). Variable compensation, including social security costs and other payroll overheads, decreased to SEK -125 million (-234).

The average number of employees increased by 3 per cent to 11,184 (10,850), chiefly due to the expansion in the UK.

Other administrative expenses were unchanged at SEK -5,060 million (-5,062).

## LOAN LOSSES

Loan losses went down to SEK -816 million and the loan loss ratio dropped to 0.05 per cent (0.10). The credit quality was stable. Impaired loans decreased by 25 per cent to SEK 2,697 million (3,620), equivalent to 0.16 per cent (0.23) of lending.

Loan losses SEK m	Full year 2011	Full year 2010	Change
Net loan losses	-816	-1 507	-46%
Loan losses as % of loans	0.05	0.10	-0.05
Net impaired loans	2 697	3 620	-25%
Proportion of impaired loans, %	0.16	0.23	-0.07

## FUNDING AND LIQUIDITY

Handelsbanken has maintained its strong position on the funding market. Even during the turbulent fourth quarter, the Bank could attract long-term funding at attractive terms using both senior and covered bond issues. The Bank's funding costs and five-year CDS spread continue to be among the very lowest in the European banking sector.

The issue volume for long-term funding during the year amounted to SEK 214 billion, comprising SEK 74 billion in senior funding and SEK 140 billion in covered bonds. The issued volume had an average maturity of just over four years. During 2011, the volume of bonds maturing amounted to SEK 113 billion and the Bank continued to prefinance future bond maturities. At the end of the year, all maturities up to the fourth quarter of 2012 had already been funded. During 2012, maturing bond volumes total SEK 214 billion.

The Bank has continued to receive significant dollar inflows during the fourth quarter. These funds are placed with the Federal Reserve and comprise part of the Bank's total liquidity reserve. At the end of the year, the total liquidity reserve exceeded SEK 700 billion. In the fourth quarter, cash funds and liquid assets placed with central banks increased by SEK 37 billion to SEK 376 billion, of which the Bank's deposits with the Federal Reserve amounted to SEK 239 billion. The volume of liquid bonds was SEK 83 billion. The remainder of the reserve mainly comprises an unutilised issue amount for covered bonds at Stadshypotek.



**CAPITAL**

Capital ratios, etc SEK m	31 Dec 2011	31 Dec 2010	Change
Core tier 1 capital ratio according to Basel II	15.6%	13.8%	1.8
Tier 1 capital ratio according to Basel II	18.4%	16.5%	1.9
Capital ratio according to Basel II	20.9%	20.9%	0.0
Equity	94 524	88 391	7%
Tier 1 capital	93 548	87 796	7%

The capital base amounted to SEK 106 billion (111) and the capital ratio according to Basel II was 20.9 per cent. During the year, the Bank redeemed subordinated loans worth SEK 10.8 billion and at the beginning of 2012, the Bank, according to plan, decided to redeem a further two subordinated loans for GBP 300 million and EUR 600 million respectively.

Equity increased by SEK 6.1 billion to SEK 94.5 billion during the year, and by SEK 2.8 billion compared with the previous quarter. Core tier 1 capital increased by 8 per cent to SEK 79.4 billion (73.6), and the core tier 1 capital ratio according to Basel II was 15.6 per cent.

Tier 1 capital increased by SEK 5.8 billion to SEK 93.5 billion during the year. The tier 1 capital ratio according to Basel II was 18.4 per cent and increased by 1.9 percentage points during the year. Profit for the year made a positive contribution of 1.1 percentage points, while the effect of increasing lending volumes had a -0.7 percentage point impact. Favourable credit risk migration in the loan portfolio increased the tier 1 capital ratio by 0.2 percentage points. The fact that new lending volumes were of a higher quality than credits leaving the portfolio increased the tier 1 capital ratio by 0.4 percentage points. Consequently, the credit quality continued to improve. The annual validation of the IRB models in the first quarter improved the tier 1 capital ratio by 0.4 percentage points and a reduced capital requirement for market risks favourably impacted the ratio by 0.2 percentage points. Exchange rate movements only had a marginal impact.

During the fourth quarter, the tier 1 capital ratio increased by 1.0 percentage point with 0.2 percentage points of this being attributable to

the profit for the period. Reduced exposure to market risks contributed 0.3 percentage points, reduced credit risks 0.2 percentage points and a lower capital requirement for securitisations a further 0.2 percentage points.

The Bank uses the standardised approach for calculating market risks while exposure to securitisations is very limited. As a result of this, the introduction of CRD III at the end of the year had only a marginal effect on the Bank's tier 1 capital ratio.

**BASEL III/CRD IV**

The Bank estimates that the transition from Basel II to Basel III will reduce the core tier 1 capital ratio by between 1.5 and 1.7 percentage points. The decrease is mainly explained by higher risk-weighted assets and only to a lesser extent by changes in the capital calculation. The common equity tier 1 ratio according to Basel III was approximately 14.1 per cent at the end of the year and the Bank is well capitalised in relation to the requirements announced by the Swedish Government.

**RATING**

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

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

**DISCONTINUED OPERATIONS**

Discontinued operations include businesses acquired by the Bank to protect its claims that it intends to sell. Profit after tax stemmed mainly from operations in Plastal and totalled SEK 159 million (217) during 2011.

**OTHER**

In 2011, the corridor effect used in the calculation of pension costs according to IAS 19 amounted to SEK -31 million (-47). For 2012, it

is estimated that the cost will increase by SEK 174 million to SEK -205 million.

**HANDELSBANKEN'S ANNUAL GENERAL MEETING ON 28 MARCH**

The Board is proposing to the annual general meeting that the dividend be raised to SEK 9.75 per share (9.00) and that the existing mandate to repurchase a maximum of 40 million shares is extended for an additional year.

The Board proposes that the record day for the dividend be 2 April 2012, which means that the Handelsbanken share will be traded ex-dividend on 29 March 2012.

**RISKS AND UNCERTAINTY FACTORS**

Information regarding risks and uncertainty factors, and also the Bank's goals and applied principles for risk management, are presented in note G2 on pages 80–97 and in note P2 on pages 140–142.

**PERFORMANCE IN THE PARENT COMPANY**

The parent company's operations comprise banking operations in the branch office operations, Capital Markets and central functions including Treasury. Although most of Handelsbanken's business comes from the local branches and is co-ordinated by them, in legal terms, a sizeable part of the Group's business volumes are in subsidiaries which are wholly owned by the parent company. Handelsbanken therefore does not follow up the financial results internally at parent company level. The description of the development of the business operations which is provided for the Group is therefore most comprehensive and provides a fairer view of how the financial position and results are followed up internally.

During the financial year, the parent company's operating profit increased by 38 per cent to SEK 12,577 million (9,085). The profit for the period decreased by 39 per cent to SEK 9,213 million (6,645). The parent company's equity increased to SEK 72,657 million (69,570).

# Five-year overview Group

Consolidated income statement SEK m	2011	2010	2009	2008	2007
Net interest income	23 613	21 337	22 000	19 223	15 608
Net fee and commission income	7 673	8 022	7 393	6 795	7 745
Net gains/losses on financial items at fair value	1 016	1 377	2 457	3 169	3 054
Risk result, insurance	209	205	171	215	151
Other dividend income	146	190	141	225	174
Share of profit of associated companies	9	11	26	79	103
Other income	143	154	147	184	291
<b>Total income</b>	<b>32 809</b>	<b>31 296</b>	<b>32 335</b>	<b>29 890</b>	<b>27 126</b>
Administrative expenses					
Staff costs	-9 942	-9 504	-10 018	-8 114	-7 528
Other expenses	-5 060	-5 062	-4 719	-4 688	-4 487
Depreciation, amortisation and impairments of property, equipment and intangible assets	-462	-452	-483	-427	-353
<b>Total expenses</b>	<b>-15 464</b>	<b>-15 018</b>	<b>-15 220</b>	<b>-13 229</b>	<b>-12 368</b>
<b>Profit before loan losses</b>	<b>17 345</b>	<b>16 278</b>	<b>17 115</b>	<b>16 661</b>	<b>14 758</b>
Net loan losses	-816	-1 507	-3 392	-1 605	-27
Gains/losses on disposal of property, equipment and intangible assets	7	-1	4	270	1
<b>Operating profit</b>	<b>16 536</b>	<b>14 770</b>	<b>13 727</b>	<b>15 326</b>	<b>14 732</b>
Taxes	-4 372	-3 962	-3 519	-3 382	-3 879
<b>Profit for the year from continuing operations</b>	<b>12 164</b>	<b>10 808</b>	<b>10 208</b>	<b>11 944</b>	<b>10 853</b>
Profit for the year from discontinued operations, after tax	159	217	36	187	573
Capital gain/loss from the sale of discontinued operations, after tax	-	-	-	-	4 082
<b>Profit for the year</b>	<b>12 323</b>	<b>11 025</b>	<b>10 244</b>	<b>12 131</b>	<b>15 508</b>
<i>Attributable to</i>					
Ordinary shareholders	12 323	11 025	10 244	12 131	15 508
Minority interest	0	0	0	0	-
Earnings per share, continuing operations, SEK after dilution	19.52 19.14	17.37 17.10	16.38 15.92	19.16 19.02	17.39 17.39
Earnings per share, discontinued operations, SEK after dilution	0.26 0.25	0.35 0.34	0.06 0.06	0.30 0.29	7.45 7.45
Earnings per share, total operations, SEK after dilution	19.78 19.39	17.72 17.44	16.44 15.98	19.46 19.31	24.84 24.84

A five-year overview for the parent company is shown on page 137.

The last five-year period has been characterised by the global financial crisis that gradually developed into a debt crisis and severe recession. During this period, Handelsbanken has been able to improve earnings, strengthen its balance sheet, expand its operations and increase customer satisfaction.

### 16 per cent annual growth in equity

Since the year-end 2006, the Bank has increased its adjusted equity per share by 46 per cent from SEK 104.27 to SEK 152.71. Taking into account reinvestment of the period's accumulated

dividends, the average annual growth in adjusted equity per share was 16 per cent.

### Creating shareholder value

Since 31 December 2006, the Swedish stock market has fallen by 14 per cent and the Stockholm Stock Exchange's bank index has fallen by 41 per cent. During the same period, the share price for Handelsbanken's class A shares fell by 13 per cent but taking into account dividends paid, the total return was positive at 9 per cent.

During the latest five-year period, Handelsbanken has generated positive shareholder value

of SEK 12 billion. Although market capitalisation has fallen by SEK 18 billion, during the period, Handelsbanken paid out SEK 28 billion in dividends to shareholders and repurchased its own shares for SEK 2 billion. Of all the Swedish listed banks, Handelsbanken is the only one that did not need to issue new shares during the period. Handelsbanken was the only bank of the four major banks on the Stockholm Stock Exchange that created positive shareholder value in the past five-year period.

### Improved financial performance

Operating profit was SEK 1,804 million higher in

Consolidated statement of comprehensive income SEK m	2011	2010	2009	2008	2007
Profit for the year	12 323	11 025	10 244	12 131	15 508
<b>Other comprehensive income</b>					
Cash flow hedges	-297	-325	47	-535	58
Available-for-sale instruments	-1 318	2 186	3 274	-5 139	-749
Translation difference for the year	-4	-2 015	-109	606	518
<i>of which hedges of net investments in subsidiaries</i>	-2	377	-6	-169	-30
Tax related to other comprehensive income	443	-612	-934	1 628	173
<i>of which cash flow hedges</i>	78	85	-12	144	-17
<i>of which available-for-sale instruments</i>	365	-598	-924	1 440	173
<i>of which hedges of net investments in subsidiaries</i>	0	-99	2	44	17
<b>Total other comprehensive income</b>	<b>-1 176</b>	<b>-766</b>	<b>2 278</b>	<b>-3 440</b>	<b>0</b>
<b>Total comprehensive income for the year</b>	<b>11 147</b>	<b>10 259</b>	<b>12 522</b>	<b>8 691</b>	<b>15 508</b>
<i>Attributable to</i>					
Ordinary shareholders	11 147	10 259	12 522	8 691	15 508
Minority interest	0	0	0	0	-

Consolidated balance sheet SEK m	2011	2010	2009	2008	2007
<b>Assets</b>					
Loans to the public	1 591 128	1 513 687	1 495 622	1 481 475	1 292 988
Loans to credit institutions <sup>1</sup>	230 945	174 454	149 661	164 981	185 149
Interest-bearing securities	104 202	119 238	176 002	166 278	175 972
Other assets	528 091	346 151	301 558	346 050	205 273
<b>Total assets</b>	<b>2 454 366</b>	<b>2 153 530</b>	<b>2 122 843</b>	<b>2 158 784</b>	<b>1 859 382</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	724 888	564 142	564 048	543 760	512 841
Due to credit institutions	201 889	251 972	225 490	319 113	293 458
Issued securities	1 140 074	963 501	966 075	895 709	706 478
Subordinated liabilities	35 317	43 948	59 005	61 434	52 909
Other liabilities	257 674	241 576	225 137	263 805	219 205
Equity	94 524	88 391	83 088	74 963	74 491
<b>Total liabilities and equity</b>	<b>2 454 366</b>	<b>2 153 530</b>	<b>2 122 843</b>	<b>2 158 784</b>	<b>1 859 382</b>

<sup>1</sup>Contains "Other loans to central banks".

2011 than it was five years ago. Income was 21 per cent or SEK 5,683 million higher than five years ago, while expenses increased by 25 per cent or SEK 3,096 billion.

#### Lower risk

At the beginning of 2007, Handelsbanken began working on reducing the risks in its operations in order to reduce volatility. During the autumn of 2007, Handelsbanken sold the occupational pension company SPP to Storebrand for SEK 18.2 billion.

During the past five-year period, Handels-

banken's total loan losses amounted to SEK 7,347 million, which corresponds to an average annual loan loss ratio of 0.09 per cent.

#### More satisfied customers

Each year, since SKI (Swedish Quality Index) started its surveys in 1989, Handelsbanken has been the major bank with the most satisfied customers in Sweden. During the autumn, SKI presented its annual customer satisfaction survey, which found that Handelsbanken has maintained its leading position. For private customers, Handelsbanken's index value was 77.8, as compared with the other

three main competitors, all of which recorded scores within the range 69.5–70.7. Handelsbanken also received a considerably higher rating than the rest of the sector for customer satisfaction among corporate customers.

#### An additional 131 Handelsbanken branches

At the end of 2006, Handelsbanken had 615 branches and operations in 20 countries. Five years later, the Bank had 746 branches and operations in 22 countries. In the UK, the number of Handelsbanken branches has more than doubled with the addition of 62 new branches.

# Key figures per year

Key figures for the Handelsbanken Group	2011	2010	2009	2008	2007
Profit before loan losses, total operations, SEK m	17 544	16 487	17 169	16 921	19 409
Profit before loan losses, continuing operations, SEK m	17 345	16 278	17 115	16 661	14 758
Net loan losses, SEK m	-816	-1 507	-3 392	-1 605	-27
Operating profit, total operations, SEK m	16 735	14 979	13 766	15 586	19 383
Operating profit, continuing operations, SEK m	16 536	14 770	13 727	15 326	14 732
Profit for the year, total operations, SEK m	12 323	11 025	10 244	12 131	15 508
Profit for the year, continuing operations, SEK m	12 164	10 808	10 208	11 944	10 853
Profit for the year, discontinued operations, SEK m	159	217	36	187	573
Capital gain from sale of discontinued operations, SEK m	-	-	-	-	4 082
Total assets, SEK m	2 454 366	2 153 530	2 122 843	2 158 784	1 859 382
Equity, SEK m	94 524	88 391	83 088	74 963	74 491
Return on equity, total operations, %	13.5	12.9	12.6	16.2	23.3
Return on equity, continuing operations, %	13.4	12.6	12.5	16.0	16.3
Return on capital employed, %	0.71	0.67	0.63	0.79	0.78
Cost/income ratio, continuing operations, %	47.1	48.0	47.1	44.3	45.6
Cost/income ratio, continuing operations, incl. loan losses, %	49.6	52.8	57.6	49.6	45.7
Loan loss ratio, %	0.05	0.10	0.21	0.11	0.00
Impaired loans reserve ratio, %	60.7	60.7	62.4	51.1	75.0
Proportion of impaired loans, %	0.16	0.23	0.21	0.17	0.05
Earnings per share, SEK	19.78	17.72	16.44	19.46	24.84
after dilution	19.39	17.44	15.98	19.31	24.84
Ordinary dividend per share, SEK	9,75 <sup>1</sup>	9.00	8.00	7.00	8.50
Extra dividend per share, SEK	- <sup>1</sup>	-	-	-	5.00
Adjusted equity per share, SEK	152.71	143.14	134.40	120.31	119.25
No. of shares as at 31 December, millions	624.1	623.5	623.5	623.5	628.3
of which outstanding	624.0	623.5	623.3	623.5	623.4
Capital ratio, % according to Basel II	20.9	20.9	20.2	16.0	16.9
Tier 1 capital ratio, % according to Basel II	18.4	16.5	14.2	10.5	10.6
Average number of employees	11 184	10 850	10 821	10 833	10 768
No. of branches in Sweden	461	461	461	461	461
No. of branches in other Nordic countries and the UK	253	230	208	203	171
No. of branches in other countries	32	32	35	38	28

For definitions, see page 176.

<sup>1</sup>Dividend as proposed by the Board.

# Quarterly performance

Quarterly performance for the Handelsbanken Group SEK m	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Interest income	16 618	15 936	14 662	14 344	11 951
Interest expense	-10 261	-9 870	-8 979	-8 837	-6 339
<b>Net interest income</b>	<b>6 357</b>	<b>6 066</b>	<b>5 683</b>	<b>5 507</b>	<b>5 612</b>
Fee and commission income	2 215	2 242	2 278	2 241	2 450
Fee and commission expense	-338	-339	-329	-297	-323
<b>Net fee and commission income</b>	<b>1 877</b>	<b>1 903</b>	<b>1 949</b>	<b>1 944</b>	<b>2 127</b>
Net gains/losses on financial items at fair value	63	284	308	361	276
Risk result, insurance	38	52	38	81	67
Other dividend income	0	4	141	1	1
Share of profit of associated companies	-3	-8	18	2	-4
Other income	42	27	32	42	49
<b>Total income</b>	<b>8 374</b>	<b>8 328</b>	<b>8 169</b>	<b>7 938</b>	<b>8 128</b>
Administrative expenses					
Staff costs	-2 510	-2 498	-2 477	-2 457	-2 466
Other expenses	-1 392	-1 206	-1 273	-1 189	-1 425
Depreciation, amortisation and impairments of property, equipment and intangible assets	-120	-112	-112	-118	-106
<b>Total expenses</b>	<b>-4 022</b>	<b>-3 816</b>	<b>-3 862</b>	<b>-3 764</b>	<b>-3 997</b>
<b>Profit before loan losses</b>	<b>4 352</b>	<b>4 512</b>	<b>4 307</b>	<b>4 174</b>	<b>4 131</b>
Net loan losses	-243	-157	-172	-244	-293
Gains/losses on disposal of property, equipment and intangible assets	1	5	1	0	-5
<b>Operating profit</b>	<b>4 110</b>	<b>4 360</b>	<b>4 136</b>	<b>3 930</b>	<b>3 833</b>
Taxes	-1 096	-1 181	-1 048	-1 047	-1 030
<b>Profit for the period from continuing operations</b>	<b>3 014</b>	<b>3 179</b>	<b>3 088</b>	<b>2 883</b>	<b>2 803</b>
Profit for the period from discontinued operations, after tax	32	30	48	49	89
<b>Profit for the period</b>	<b>3 046</b>	<b>3 209</b>	<b>3 136</b>	<b>2 932</b>	<b>2 892</b>
<i>Attributable to</i>					
Ordinary shareholders	3 046	3 209	3 136	2 932	2 892
Minority interest	0	0	0	0	0
Earnings per share, continuing operations, SEK after dilution	4.83 4.70	5.10 4.96	4.96 4.88	4.63 4.56	4.50 4.46
Earnings per share, discontinued operations, SEK after dilution	0.05 0.05	0.05 0.04	0.08 0.07	0.08 0.07	0.15 0.14
Earnings per share, total operations, SEK after dilution	4.88 4.75	5.15 5.00	5.04 4.95	4.71 4.63	4.65 4.60

# Business segments

Segment information 2011	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Other	Adjustments and eliminations	Total
SEK m						
Net interest income	15 827	6 863	711	246	-34	23 613
Net fee and commission income	3 630	1 428	2 611	4		7 673
Net gains/losses on financial items at fair value	510	388	628	-510		1 016
Risk result, insurance			209			209
Share of profit of associated companies				9		9
Other income	20	55	18	196		289
<b>Total income</b>	<b>19 987</b>	<b>8 734</b>	<b>4 177</b>	<b>-55</b>	<b>-34</b>	<b>32 809</b>
Staff costs	-3 118	-2 766	-2 111	-2 632	685	-9 942
Other administrative expenses	-1 245	-976	-889	-1 950		-5 060
Internal purchased and sold services	-2 734	-1 059	-77	3 836	34	
Depreciation and amortisation	-91	-70	-49	-252		-462
<b>Total expenses</b>	<b>-7 188</b>	<b>-4 871</b>	<b>-3 126</b>	<b>-998</b>	<b>719</b>	<b>-15 464</b>
<b>Profit before loan losses</b>	<b>12 799</b>	<b>3 863</b>	<b>1 051</b>	<b>-1 053</b>	<b>685</b>	<b>17 345</b>
Net loan losses	-47	-769				-816
Gains/losses on disposal of property, equipment and intangible assets	0	1		6		7
<b>Operating profit</b>	<b>12 752</b>	<b>3 095</b>	<b>1 051</b>	<b>-1 047</b>	<b>685</b>	<b>16 536</b>
Profit allocation	664	145	-809	0		
<b>Operating profit after profit allocation</b>	<b>13 416</b>	<b>3 240</b>	<b>242</b>	<b>-1 047</b>	<b>685</b>	<b>16 536</b>
Internal income	-2 804	-6 425	-911	10 140		
C/I ratio, %	34.8	54.9	92.8			47.1
Loan loss ratio, %	0.00	0.18				0.05
Assets	1 233 568	640 606	335 834	1 423 041	-1 178 683	2 454 366
Liabilities	1 183 160	612 553	328 660	1 423 041	-1 187 572	2 359 842
Allocated capital	50 408	28 053	7 174		8 889	94 524
Return on allocated capital, %	19.6	9.4	2.7			13.4
The year's investments in non-financial non-current assets	54	65	242	234		595
The year's investments in associated companies				12		12
Average number of employees	4 478	3 144	1 626	1 936		11 184

The principles applied for segment reporting and a description of the items shown in the Other and Adjustments and eliminations columns are explained further in note G46.

Segment information 2010	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Other	Adjustments and eliminations	Total
SEK m						
Net interest income	12 993	6 933	628	832	-49	21 337
Net fee and commission income	3 819	1 537	2 510	156		8 022
Net gains/losses on financial items at fair value	704	273	1 280	-892	12	1 377
Risk result, insurance			205			205
Share of profit of associated companies				11		11
Other income	16	66	16	246		344
<b>Total income</b>	<b>17 532</b>	<b>8 809</b>	<b>4 639</b>	<b>353</b>	<b>-37</b>	<b>31 296</b>
Staff costs	-3 012	-2 590	-2 054	-2 521	673	-9 504
Other administrative expenses	-1 010	-1 054	-927	-2 073	2	-5 062
Internal purchased and sold services	-2 958	-900	-91	3 902	47	
Depreciation and amortisation	-85	-73	-44	-238	-12	-452
<b>Total expenses</b>	<b>-7 065</b>	<b>-4 617</b>	<b>-3 116</b>	<b>-930</b>	<b>710</b>	<b>-15 018</b>
<b>Profit before loan losses</b>	<b>10 467</b>	<b>4 192</b>	<b>1 523</b>	<b>-577</b>	<b>673</b>	<b>16 278</b>
Net loan losses	-99	-1 408				-1 507
Gains/losses on disposal of property, equipment and intangible assets	0	0	-4	3		-1
<b>Operating profit</b>	<b>10 368</b>	<b>2 784</b>	<b>1 519</b>	<b>-574</b>	<b>673</b>	<b>14 770</b>
Profit allocation	811	202	-1 013	0		
<b>Operating profit after profit allocation</b>	<b>11 179</b>	<b>2 986</b>	<b>506</b>	<b>-574</b>	<b>673</b>	<b>14 770</b>
Internal income	-2 004	-5 954	-1 380	9 338		
C/I ratio, %	38.5	51.2	85.9			48.0
Loan loss ratio, %	0.01	0.28				0.10
Assets	1 259 184	511 790	404 849	1 074 981	-1 097 274	2 153 530
Liabilities	1 215 304	486 673	394 635	1 074 981	-1 106 454	2 065 139
Allocated capital	43 880	25 117	10 214		9 180	88 391
Return on allocated capital, %	19.5	8.4	3.0			12.6
The year's investments in non-financial non-current assets	114	65	25	230		434
The year's investments in associated companies				15		15
Average number of employees	4 386	2 931	1 604	1 929		10 850

# Branch office operations in Sweden

Branch office operations in Sweden comprise six regional banks, as well as Handelsbanken Finans's and Stadshypotek's operations in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers. The regional banks deliver universal banking services and are run with the goal of having higher profitability than peer banks.

Quarterly performance							
Branch office operations in Sweden							
SEK m	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2011	Total 2010	Change %
Net interest income	4 172	4 033	3 872	3 750	15 827	12 993	22
Net fee and commission income	888	896	931	915	3 630	3 819	-5
Net gains/losses on financial items at fair value	158	98	100	154	510	704	-28
Other income	3	3	-1	15	20	16	25
<b>Total income</b>	<b>5 221</b>	<b>5 030</b>	<b>4 902</b>	<b>4 834</b>	<b>19 987</b>	<b>17 532</b>	<b>14</b>
Staff costs	-770	-780	-773	-795	-3 118	-3 012	4
Other administrative expenses	-341	-329	-319	-256	-1 245	-1 010	23
Internal purchased and sold services	-709	-639	-638	-748	-2 734	-2 958	-8
Depreciation and amortisation	-23	-24	-21	-23	-91	-85	7
<b>Total expenses</b>	<b>-1 843</b>	<b>-1 772</b>	<b>-1 751</b>	<b>-1 822</b>	<b>-7 188</b>	<b>-7 065</b>	<b>2</b>
<b>Profit before loan losses</b>	<b>3 378</b>	<b>3 258</b>	<b>3 151</b>	<b>3 012</b>	<b>12 799</b>	<b>10 467</b>	<b>22</b>
Net loan losses	-29	-76	29	29	-47	-99	-53
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	0
<b>Operating profit</b>	<b>3 349</b>	<b>3 182</b>	<b>3 180</b>	<b>3 041</b>	<b>12 752</b>	<b>10 368</b>	<b>23</b>
Profit allocation	186	127	170	181	664	811	-18
<b>Operating profit after profit allocation</b>	<b>3 535</b>	<b>3 309</b>	<b>3 350</b>	<b>3 222</b>	<b>13 416</b>	<b>11 179</b>	<b>20</b>
Internal income	-862	-723	-667	-552	-2 804	-2 004	-40
C/I ratio, %	34.1	34.4	34.5	36.3	34.8	38.5	
Loan loss ratio, %	0.01	0.03	-0.01	-0.01	0.00	0.01	
Assets	1 233 568	1 233 540	1 239 868	1 210 331	1 233 568	1 259 184	-2
Liabilities	1 183 160	1 181 931	1 191 124	1 159 697	1 183 160	1 215 304	-3
Allocated capital	50 408	51 609	48 744	50 634	50 408	43 880	15
Return on allocated capital, %	20.7	18.9	20.3	18.8	19.6	19.5	
Average number of employees	4 391	4 679	4 449	4 395	4 478	4 386	2
Number of branches	461	461	461	461	461	461	-100



### Financial performance

Operating profit rose by 23 per cent to SEK 12,752 million (10,368) due to improved net interest income and lower loan losses.

Net interest income rose by 22 per cent to SEK 15,827 million (12,993). Rising interest rates improved the total deposit margin by SEK 1,770 million. During 2010 and 2011, about 60 per cent of the margin decrease that was the result of the fall in interest rates during 2009 has been recovered. The return on the assets which are funded by the Bank's equity also improved due to the higher interest rates. The effect of greater deposit and lending volumes amounted to SEK 797 million. Fees to the Swedish Stabilisation Fund and deposit protection scheme increased by 93 per cent or SEK 337 million, and reduced net interest income by SEK -699 million (-362). The benchmark effect in Stadshypotek fell to SEK -9 million (95).

Net fee and commission income fell by 5 per cent to SEK 3,630 million (3,819) due to lower equity-related commissions. Payment commissions continued to grow.

Net gains/losses on financial items at fair value, which consists chiefly of currency conversions and early redemption charges, decreased to SEK 510 million (704).

Total expenses increased by 2 per cent to SEK -7,188 million (-7,065). Staff costs increased by 4 per cent as a result of the annual salary adjustment for 2011 and a 2 per cent increase in the average number of employees. Other administrative costs increased by 23 per cent which is partly due to increased investments in new technology and premises in order to create even more time for customer meetings. The C/I ratio improved to 34.8 per cent (38.5).

Loan losses went down to SEK -47 million (-99), and the loan loss ratio improved to 0.00 per cent (0.01).

### Business development

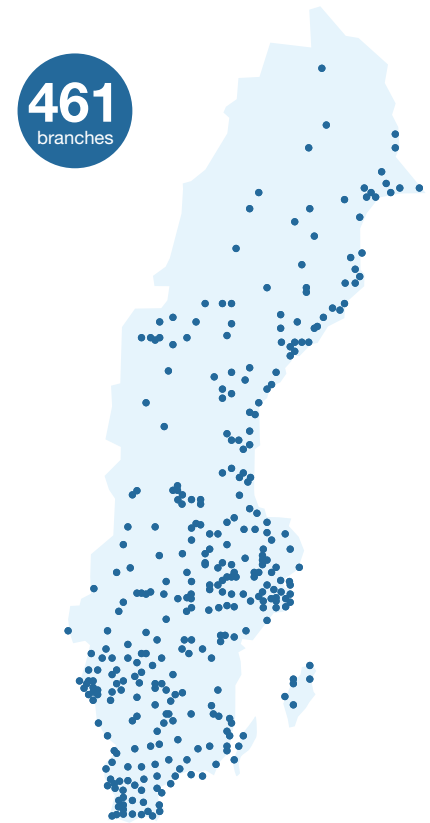
In autumn 2011, Swedish Quality Index (SKI) presented its annual survey of customer satisfaction. Since the surveys started in 1989, Handelsbanken has been the major bank with the most satisfied customers. Handelsbanken retained its leading position in this year's survey. For private customers, Handelsbanken scored an index value of 77.8. This is to be compared with the other three main competitors, all of which recorded scores within the range 69.5–70.7. Handelsbanken also received a considerably higher rating than the rest of the sector for customer satisfaction among corporate customers. In addition, Handelsbanken has shown the most stable customer satisfaction over time among the full-service Swedish banks.

The average volume of deposits from households continued to increase, amounting to SEK 196 billion (182), a rise of 8 per cent compared with the previous year. At the same time, figures from Svensk Fondstatistik showed that Handelsbanken continues to gain market share in the mutual fund market. During the year, the Bank's accumulated net inflow on the Swedish mutual fund market was SEK 14.4 billion, equivalent to a market share of 90 per cent. The largest net inflow was to the Bank's fixed income funds.

The average volume of mortgage loans to private individuals grew by 8 per cent to SEK 517 billion (478). However, the rate of increase declined during the year.

Corporate credit demand increased during the spring and summer but the rate of increase slowed down during the second half of the year. In the second quarter, the average volume of corporate lending rose by SEK 19 billion. In the third quarter, the average volume of corporate lending rose by SEK 8 billion and during the fourth quarter the increase was SEK 3 billion. At the end of the year, corporate lending totalled SEK 479 billion, which was 3 per cent higher than at the beginning of the year.

At the end of the year, Forestry and Farming was separated from Stadshypotek to form a separate business area with the purpose of increasing focus and activities in this area.



461  
branches

Business volumes, Sweden			
Average volumes, SEK bn	2011	2010	Change %
<b>Loans to the public<sup>1</sup></b>	<b>1 049</b>	<b>998</b>	<b>5</b>
<i>households</i>	570	534	7
<i>of which mortgage loans</i>	517	478	8
<i>companies</i>	479	464	3
<i>of which mortgage loans</i>	215	190	13
<b>Deposits from the public</b>	<b>353</b>	<b>332</b>	<b>6</b>
<i>of which households</i>	196	182	8
<i>companies</i>	157	150	5

<sup>1</sup> Excluding loans to the National Debt Office.

# Branch office operations outside Sweden

Branch office operations outside Sweden comprise the three regional banks in the UK and the regional banks in Denmark, Norway and Finland. This business segment also includes Handelsbanken International as well as Handelsbanken Finans's and Stadshypotek's operations outside Sweden. Handelsbanken International is responsible for branch operations outside the Bank's home markets.

Quarterly performance							
Branch office operations outside Sweden							
SEK m	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2011	Total 2010	Change %
Net interest income	1 939	1 776	1 590	1 558	6 863	6 933	-1
Net fee and commission income	352	346	380	350	1 428	1 537	-7
Net gains/losses on financial items at fair value	92	73	136	87	388	273	42
Other income	12	14	20	9	55	66	-17
<b>Total income</b>	<b>2 395</b>	<b>2 209</b>	<b>2 126</b>	<b>2 004</b>	<b>8 734</b>	<b>8 809</b>	<b>-1</b>
Staff costs	-742	-702	-676	-646	-2 766	-2 590	7
Other administrative expenses	-271	-229	-243	-233	-976	-1 054	-7
Internal purchased and sold services	-298	-256	-294	-211	-1 059	-900	18
Depreciation and amortisation	-18	-17	-17	-18	-70	-73	-4
<b>Total expenses</b>	<b>-1 329</b>	<b>-1 204</b>	<b>-1 230</b>	<b>-1 108</b>	<b>-4 871</b>	<b>-4 617</b>	<b>6</b>
<b>Profit before loan losses</b>	<b>1 066</b>	<b>1 005</b>	<b>896</b>	<b>896</b>	<b>3 863</b>	<b>4 192</b>	<b>-8</b>
Net loan losses	-214	-81	-201	-273	-769	-1 408	-45
Gains/losses on disposal of property, equipment and intangible assets	0	0	1	0	1	0	
<b>Operating profit</b>	<b>852</b>	<b>924</b>	<b>696</b>	<b>623</b>	<b>3 095</b>	<b>2 784</b>	<b>11</b>
Profit allocation	51	32	44	18	145	202	-28
<b>Operating profit after profit allocation</b>	<b>903</b>	<b>956</b>	<b>740</b>	<b>641</b>	<b>3 240</b>	<b>2 986</b>	<b>9</b>
Internal income	-1 034	-1 988	-1 884	-1 519	-6 425	-5 954	-8
C/I ratio, %	54.3	53.7	56.7	54.8	54.9	51.2	
Loan loss ratio, %	0.18	0.08	0.19	0.26	0.18	0.28	
Assets	640 606	632 694	549 689	533 568	640 606	511 790	25
Liabilities	612 553	608 427	525 879	508 576	612 553	486 673	26
Allocated capital	28 053	24 267	23 810	24 992	28 053	25 117	12
Return on allocated capital, %	9.5	11.6	9.2	7.6	9.4	8.4	
Average number of employees	3 206	3 188	3 121	3 062	3 144	2 931	7
Number of branches	285	283	279	273	285	262	9

## Financial performance

Operating profit rose by 11 per cent to SEK 3,095 million (2,784) due to lower loan losses. Excluding exchange rate effects of SEK -65 million, the operating profit increased by 14 per cent.

Net interest income fell by 1 per cent or SEK 70 million, to SEK 6,863 million (6,933). Exclud-

ing exchange rate effects of SEK -294 million, the net interest income increased by 3 per cent. Fees for state guarantees and deposit guarantees affecting net interest income increased by 47 per cent to SEK -329 million (-224).

Expenses rose by 6 per cent to SEK -4,871 million (-4,617), mainly as a result of the continued expansion in the UK.

Loan losses went down to SEK -769 million (-1,408), and the loan loss ratio went down to 0.18 per cent (0.28).

The average volume of lending increased by SEK 7 billion, or 2 per cent, to SEK 468 billion (461). Changes in foreign exchange rates amounted to SEK -19 billion and average volumes in local currency increased by 6 per cent.

# UK

## Financial performance

Operating profit rose by 55 per cent to SEK 639 million (411), due to higher income and lower loan losses. The stronger Swedish krona had a negative impact on the results of SEK -25 million. Adjusted for exchange rate movements, the operating profit grew by 62 per cent.

Income rose by 21 per cent and net interest income grew by 21 per cent to SEK 1,540 million (1,270), which was attributable to larger business volumes and higher lending margins. Exchange rate effects had a SEK -83 million impact on net interest income. Adjusted for this, net interest income grew by 28 per cent.

Net fee and commission income rose by 11 per cent to SEK 81 million (73) due to higher business volumes. Net gains/losses on financial items increased as a result of an increased volume of customer business and totalled SEK 79 million (61).

Expenses rose by 19 per cent to SEK -919 million (-773) due to the continued expansion of the branch network, which resulted in a 29 per cent increase in the average number of employees to 753 (585). Adjusted for exchange rate movements, expenses grew by 26 per cent.

Loan losses fell to SEK -142 million (-220).

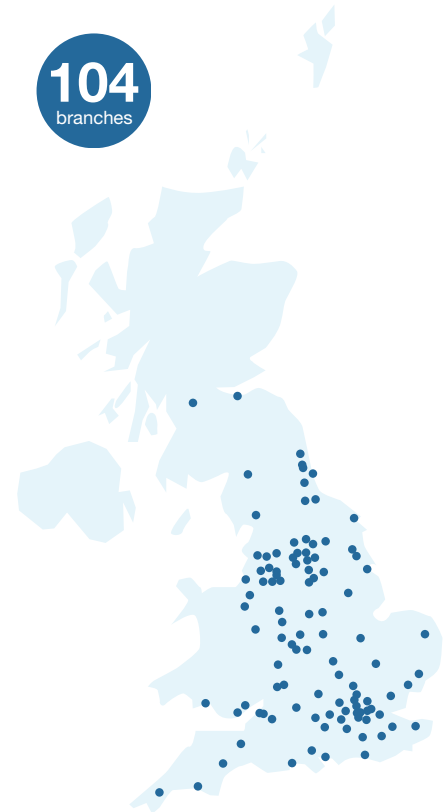
## Business development

In EPSI's independent survey of customer satisfaction, Handelsbanken was ranked No.1 in the UK for customer satisfaction and loyalty, for the third year running, for both individual and corporate customers.

The average volume of loans rose by 25 per cent to GBP 7,628 million (6,093), with loans to households rising by 46 per cent. Deposit volumes grew by 30 per cent to GBP 1,828 million, with corporate deposits increasing by 36 per cent.

During the year, 21 new branch offices were opened, bringing the Bank's total number of branches in the UK to 104 (83). In addition, 13 branch managers were recruited in preparation for opening more new branches.

**104**  
branches



Branch office operations in the UK			
SEK m	2011	2010	Change %
Net interest income	1 540	1 270	21
Net fee and commission income	81	73	11
Net gains/losses on financial items at fair value	79	61	30
Other income	0	0	
<b>Total income</b>	<b>1 700</b>	<b>1 404</b>	<b>21</b>
Staff costs	-613	-523	17
Other administrative expenses	-147	-133	11
Internal purchased and sold services	-151	-108	40
Depreciation and amortisation	-8	-9	-11
<b>Total expenses</b>	<b>-919</b>	<b>-773</b>	<b>19</b>
Net loan losses	-142	-220	-35
Gains/losses on disposal of property, equipment and intangible assets	0	0	
<b>Operating profit</b>	<b>639</b>	<b>411</b>	<b>55</b>
Profit allocation	15	20	-25
<b>Operating profit after profit allocation</b>	<b>654</b>	<b>431</b>	<b>52</b>
Average number of employees	753	585	29
Number of branches	104	83	25

Business volumes, UK			
Average volumes, GBP m	2011	2010	Change %
<b>Loans to the public</b>	<b>7 628</b>	<b>6 093</b>	<b>25</b>
of which households	1 936	1 324	46
companies	5 692	4 769	19
<b>Deposits from the public</b>	<b>1 828</b>	<b>1 406</b>	<b>30</b>
of which households	367	335	10
companies	1 461	1 071	36

# Denmark

## Financial performance

Operating profit rose by 82 per cent to SEK 349 million (192) due to lower loan losses. Exchange rate effects had a negative impact on the profit, amounting to SEK 11 million. Adjusted for exchange rate movements, profit before loan losses increased by 5 per cent.

Both income and expenses were more or less unchanged, but adjusted for exchange rate movements, income increased by SEK 95 million or 6 per cent and expenses increased by SEK 69 million or 7 per cent.

Net interest income rose by 2 per cent to SEK 26 million. Exchange rate movements totalled SEK -61 million and fees for the Swedish Stabilisation Fund reduced net interest income by SEK -35 million (-15). Adjusted for these items, net interest income increased by 9 per cent.

The expenses increase in local currency terms mainly resulted from contractual salary increases, an increase in some social security charges and increased IT development.

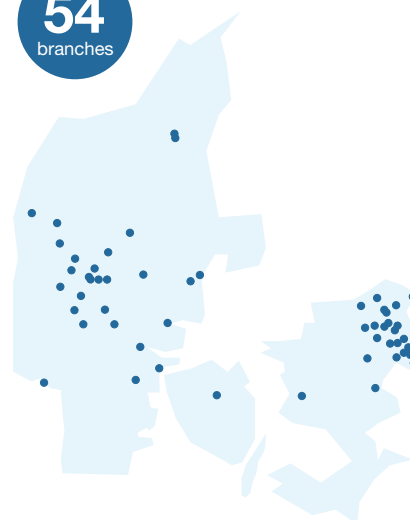
Loan losses fell to SEK -210 million (-367).

## Business development

In EPSI's annual customer satisfaction survey in Denmark, Handelsbanken once again topped the ratings for corporate customers and was among the best rated for private customers.

The Bank has a stable inflow of customers, and the average volume of lending increased by 9 per cent to DKK 43.0 billion (39.6). The Bank's volume of lending to households increased by 12 per cent while lending to companies rose by 5 per cent. The Bank increased its market share of lending to both households and companies.

54  
branches



Branch office operations in Denmark			
SEK m	2011	2010	Change %
Net interest income	1 225	1 199	2
Net fee and commission income	269	290	-7
Net gains/losses on financial items at fair value	52	55	-5
Other income	18	16	13
<b>Total income</b>	<b>1 564</b>	<b>1 560</b>	<b>0</b>
Staff costs	-542	-551	-2
Other administrative expenses	-218	-229	-5
Internal purchased and sold services	-228	-204	12
Depreciation and amortisation	-17	-17	0
<b>Total expenses</b>	<b>-1 005</b>	<b>-1 001</b>	<b>0</b>
Net loan losses	-210	-367	-43
Gains/losses on disposal of property, equipment and intangible assets	0	0	
<b>Operating profit</b>	<b>349</b>	<b>192</b>	<b>82</b>
Profit allocation	18	12	50
<b>Operating profit after profit allocation</b>	<b>367</b>	<b>204</b>	<b>80</b>
Average number of employees	624	627	0
Number of branches	54	53	2

Business volumes, Denmark			
Average volumes, DKK bn	2011	2010	Change %
<b>Loans to the public</b>	<b>43.0</b>	<b>39.6</b>	<b>9</b>
<i>of which households</i>	21.9	19.5	12
<i>companies</i>	21.1	20.1	5
<b>Deposits from the public</b>	<b>20.0</b>	<b>20.8</b>	<b>-4</b>
<i>of which households</i>	8.4	8.5	-1
<i>companies</i>	11.6	12.3	-6

# Norway

## Financial performance

Operating profit decreased by 35 per cent to SEK 1,209 million (1,856), partly due to higher loan losses and lower lending margins. Profit before loan losses decreased by 18 per cent. Exchange rate movements of SEK -45 million explain 2 percentage points of the decrease.

Net interest income went down by 7 per cent or SEK 182 million. The stronger Swedish krona had an impact on net interest income of SEK -65 million. Fees to the Swedish Stabilisation Fund increased by 136 per cent or SEK 64 million, and reduced net interest income by SEK -111 million (-47). The remainder of the decrease is primarily the result of declining lending margins.

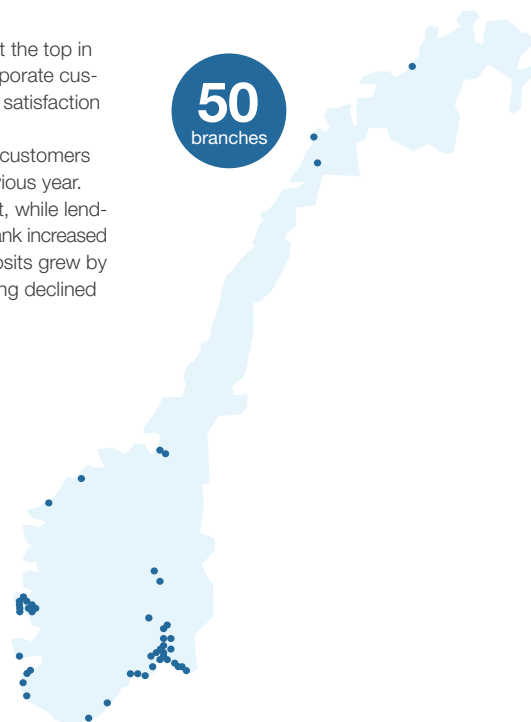
Expenses rose by 17 per cent to SEK -1,232 million (-1,056). Adjusted for exchange rate movements, expenses grew by 20 per cent. Staff costs increased by 17 per cent, partly as result of a 6 per cent increase in the number of employees, together with new rules that had a positive impact on pension costs in the previous year.

Loan losses increased to SEK -389 million (-101).

## Business development

Handelsbanken was once again at the top in 2011 among both private and corporate customers in EPSI's annual customer satisfaction survey.

Business volumes from private customers increased compared with the previous year. Deposits increased by 20 per cent, while lending grew by 15 per cent and the Bank increased its market shares. Corporate deposits grew by 13 per cent, while corporate lending declined slightly.



Branch office operations in Norway			
SEK m	2011	2010	Change %
Net interest income	2 382	2 564	-7
Net fee and commission income	311	301	3
Net gains/losses on financial items at fair value	112	109	3
Other income	24	38	-37
<b>Total income</b>	<b>2 829</b>	<b>3 012</b>	<b>-6</b>
Staff costs	-667	-570	17
Other administrative expenses	-254	-255	0
Internal purchased and sold services	-298	-216	38
Depreciation and amortisation	-13	-15	-13
<b>Total expenses</b>	<b>-1 232</b>	<b>-1 056</b>	<b>17</b>
Net loan losses	-389	-101	285
Gains/losses on disposal of property, equipment and intangible assets	1	1	0
<b>Operating profit</b>	<b>1 209</b>	<b>1 856</b>	<b>-35</b>
Profit allocation	30	65	-54
<b>Operating profit after profit allocation</b>	<b>1 239</b>	<b>1 921</b>	<b>-36</b>
Average number of employees	659	622	6
Number of branches	50	49	2

Business volumes, Norway			
Average volumes, NOK bn	2011	2010	Change %
<b>Loans to the public</b>	<b>164.5</b>	<b>157.4</b>	<b>5</b>
<i>of which households</i>	63.5	55.3	15
<i>companies</i>	101.0	102.1	-1
<b>Deposits from the public</b>	<b>48.9</b>	<b>42.8</b>	<b>14</b>
<i>of which households</i>	11.5	9.6	20
<i>companies</i>	37.4	33.2	13

# Finland

## Financial performance

Operating profit improved by SEK 398 million to SEK 596 million (198) due to lower loan losses. Profit before loan losses was unchanged, but adjusted for exchange rate movements the increase was 3 per cent.

Net interest income decreased by SEK 78 million or 8 per cent, but adjusted for exchange rate movements of SEK -45 million and increased fees to the Swedish Stabilisation Fund of SEK 21 million, the decrease was 1 per cent. The fee to the Stabilisation Fund burdened net interest income by SEK -45 million (-24).

Net fee and commission income fell by 9 per cent due to lower lending and guarantee commissions. Adjusted for the effect of exchange rate movements, the decrease was 5 per cent.

Expenses fell by 12 per cent, or SEK 90 million, of which SEK 43 million was due to the stronger Swedish krona. Adjusted for this, expenses went down by 6 per cent, which was mainly due to the average number of employees decreasing by 20 persons, or 4 per cent.

Loan losses fell to SEK -29 million (-427).

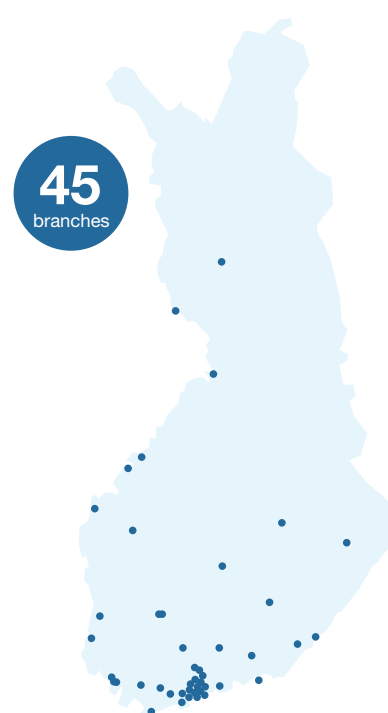
## Business development

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

Corporate demand for credit increased during the second and third quarters but the rate of increase was lower during the last quarter of the year. Deposit volumes from corporate customers decreased during the second and third quarters but increased during the last quarter of the year.

Household lending grew by 2 per cent compared with the previous year, while deposits from households were virtually unchanged.

In May, Stadshypotek AB opened a branch in Finland.



Branch office operations in Finland			
SEK m	2011	2010	Change %
Net interest income	896	974	-8
Net fee and commission income	356	392	-9
Net gains/losses on financial items at fair value	51	27	89
Other income	7	7	0
<b>Total income</b>	<b>1 310</b>	<b>1 400</b>	<b>-6</b>
Staff costs	-327	-354	-8
Other administrative expenses	-139	-212	-34
Internal purchased and sold services	-199	-189	5
Depreciation and amortisation	-20	-20	0
<b>Total expenses</b>	<b>-685</b>	<b>-775</b>	<b>-12</b>
Net loan losses	-29	-427	-93
Gains/losses on disposal of property, equipment and intangible assets	-	-	
<b>Operating profit</b>	<b>596</b>	<b>198</b>	<b>201</b>
Profit allocation	63	55	15
<b>Operating profit after profit allocation</b>	<b>659</b>	<b>253</b>	<b>160</b>
Average number of employees	467	487	-4
Number of branches	45	45	0

Business volumes, Finland			
Average volumes, EUR m	2011	2010	Change %
<b>Loans to the public</b>	<b>10 007</b>	<b>9 905</b>	<b>1</b>
<i>of which households</i>	3 239	3 160	2
<i>companies</i>	6 768	6 745	0
<b>Deposits from the public</b>	<b>3 202</b>	<b>3 778</b>	<b>-15</b>
<i>of which households</i>	1 266	1 263	0
<i>companies</i>	1 936	2 515	-23

# Handelsbanken International

## Financial performance

Operating profit rose to SEK 302 million (121), mainly due to lower loan losses. Profit before loan losses fell by SEK 120 million to SEK 301 million (421), of which SEK -17 million was due to exchange rate movements.

Income fell by 7 per cent or SEK 102 million, to SEK 1,331 million (1,433). Adjusted for exchange rate movements of SEK -82 million the decrease was 1 per cent, mainly due to lower net interest income, which in turn was largely explained by a

deliberate reduction in lending volumes.

Expenses increased by 2 per cent, and loan losses consisted of net recoveries of SEK 1 million (-299).

## Business development

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

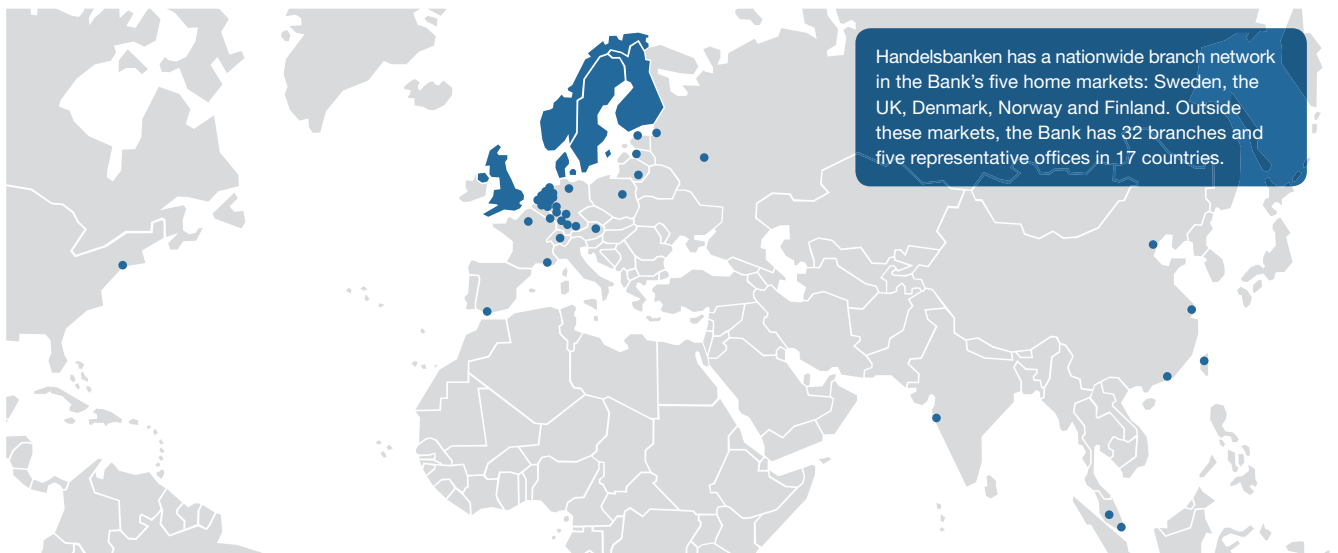
with the Bank's business model. The Bank has 32 branches and five representative offices in 17 countries outside the Nordic countries and the UK.

The average volume of lending was down by 12 per cent to SEK 53.2 billion (60.7) from the corresponding period of the previous year. This was attributable to exchange rate movements, as well as the deliberate reduction in lending volumes that was carried out during 2010.

Deposits from companies rose by 33 per cent to SEK 18.0 billion (13.5).

Handelsbanken International SEK m	2011	2010	Change %
Net interest income	820	926	-11
Net fee and commission income	411	481	-15
Net gains/losses on financial items at fair value	94	21	348
Other income	6	5	20
<b>Total income</b>	<b>1 331</b>	<b>1 433</b>	<b>-7</b>
Staff costs	-617	-592	4
Other administrative expenses	-218	-225	-3
Internal purchased and sold services	-183	-183	0
Depreciation and amortisation	-12	-12	0
<b>Total expenses</b>	<b>-1 030</b>	<b>-1 012</b>	<b>2</b>
Net loan losses	1	-299	-100
Gains/losses on disposal of property, equipment and intangible assets	0	-1	-100
<b>Operating profit</b>	<b>302</b>	<b>121</b>	<b>150</b>
Profit allocation	19	50	-62
<b>Operating profit after profit allocation</b>	<b>321</b>	<b>171</b>	<b>88</b>
Average number of employees	641	610	5
Number of branches	32	32	0

Business volumes, Handelsbanken International Average volumes, SEK bn	2011	2010	Change %
<b>Loans to the public</b>	<b>53.2</b>	<b>60.7</b>	<b>-12</b>
of which households	4.5	4.0	13
companies	48.7	56.7	-14
<b>Deposits from the public</b>	<b>21.0</b>	<b>16.8</b>	<b>25</b>
of which households	3.0	3.3	-9
companies	18.0	13.5	33



# Handelsbanken Capital Markets

Capital Markets consists of Handelsbanken's investment banking and asset management operations, including insurance savings. The unit has a functional and product responsibility throughout the Group for trading in financial instruments, structured products, cash management, corporate finance and debt capital markets, economic and financial research, and for all savings products except savings in bank accounts.

The table below first presents income for Capital Markets' products throughout the Group, with

comments on the figures, followed by the Handelsbanken Capital Markets business segment.

The Group's brokerage income decreased by 25 per cent to SEK 1,400 million (1,867), chiefly due to lower turnover and declining share prices on stock exchanges.

Asset management commissions rose by 2 per cent to SEK 2,009 million (1,964). Mutual fund commissions rose by 3 per cent to SEK 1,639 million (1,590) due to higher average management volume, while income in custody operations decreased marginally to SEK 370 million (374).

Insurance commissions rose by 7 per cent to SEK 647 million due to a higher yield split.

Net gains/losses on financial items decreased to SEK 1,189 million (1,845). The decrease is mainly due to lower customer activity and increased caution as a result of the European debt crisis. Currency transactions related to branch office operations, which are included in net gains/losses on financial items, resulted in a currency gain of SEK 561 million (565).

## Income distribution in the Group for Handelsbanken Capital Markets' products

January – December 2011	Capital Markets	Branch operations in Sweden	Branch operations outside Sweden	Other	Total Capital Markets products in the Group	Change Q4 2011/ Q3 2011	Change Jan-Dec 2011/ Jan-Dec 2010
SEK m							
Net interest income	711						
Fee and commission income	3 141	1 175	335	-68	4 583		
<i>of which brokerage income</i>	882	406	104	8	1 400	2%	-25%
<i>of which mutual funds and custody</i>	1 086	766	198	-41	2 009	-8%	2%
<i>of which insurance</i>	646	3	33	-35	647	-39%	7%
Net fee and commission income	2 611						
Net gains/losses on financial items	628	393	168	0	1 189	-83%	-36%
Risk result, insurance	209						
Other income	18						
<b>Total income</b>	<b>4 177</b>						

## Quarterly performance Capital Markets

SEK m	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2011	Total 2010	Change %
Net interest income	208	167	174	162	711	628	13
Net fee and commission income	625	652	713	621	2 611	2 510	4
Net gains/losses on financial items at fair value	-73	267	177	257	628	1 280	-51
Risk result, insurance	38	52	38	81	209	205	2
Other income	5	2	7	4	18	16	13
<b>Total income</b>	<b>803</b>	<b>1 140</b>	<b>1 109</b>	<b>1 125</b>	<b>4 177</b>	<b>4 639</b>	<b>-10</b>
Staff costs	-461	-548	-541	-561	-2 111	-2 054	3
Other administrative expenses	-264	-185	-226	-214	-889	-927	-4
Internal purchased and sold services	-20	-14	-21	-22	-77	-91	-15
Depreciation and amortisation	-15	-12	-10	-12	-49	-44	11
<b>Total expenses</b>	<b>-760</b>	<b>-759</b>	<b>-798</b>	<b>-809</b>	<b>-3 126</b>	<b>-3 116</b>	<b>0</b>
<b>Profit before loan losses</b>	<b>43</b>	<b>381</b>	<b>311</b>	<b>316</b>	<b>1 051</b>	<b>1 523</b>	<b>-31</b>
Net loan losses							
Gains/losses on disposal of property, equipment and intangible assets					0	-4	
<b>Operating profit</b>	<b>43</b>	<b>381</b>	<b>311</b>	<b>316</b>	<b>1 051</b>	<b>1 519</b>	<b>-31</b>
Profit allocation	-237	-159	-214	-199	-809	-1 013	-20
<b>Operating profit after profit allocation</b>	<b>-194</b>	<b>222</b>	<b>97</b>	<b>117</b>	<b>242</b>	<b>506</b>	<b>-52</b>
Internal income	-162	-106	-365	-278	-911	-1 380	34
C/I ratio, %	134.3	77.4	89.2	87.4	92.8	85.9	
Assets	335 834	379 494	332 478	380 305	335 834	404 849	-17
Liabilities	328 660	372 771	326 215	374 108	328 660	394 635	-17
Allocated capital	7 174	6 723	6 263	6 197	7 174	10 214	-30
Return on allocated capital, %	-	9.7	4.5	5.6	2.7	3.0	
Average number of employees	1 617	1 652	1 610	1 625	1 626	1 604	1



### Financial performance

Operating profit decreased by 31 per cent to SEK 1,051 million (1,519). Of the total operating profit, the investment bank represented SEK 201 million (1,003) and asset management operations accounted for SEK 850 million (516).

Net fee and commission income rose by 4 per cent to SEK 2,611 million (2,510). The increase was due to a higher yield split in the insurance company and to increased mutual fund commissions from increasing management volumes.

Net gains/losses on financial items decreased to SEK 628 million (1,280). The turbulence created by the European debt crisis had a negative impact on market activity and income fell in equity-related operations as well as in fixed income and foreign exchange trading.

The risk result in Handelsbanken Liv increased to SEK 209 million (205), and the financial result rose to SEK 80 million (-52). The total return increased to 6.21 per cent (2.55).

Income decreased by 10 per cent to SEK 4,177 million (4,639). However, income from asset management operations increased by 17 per cent, while income from investment bank operations decreased by 22 per cent.

Expenses increased marginally to SEK -3,126 million (-3,116). The average number of employees totalled 1,626 (1,604).

Income distribution SEK m	2011	2010
Asset management <sup>1</sup>	1 701	1 449
Investment banking	2 476	3 190
<b>Total income</b>	<b>4 177</b>	<b>4 639</b>

<sup>1</sup> Including Handelsbanken Liv.

### Business development

Equity trading maintained a strong position and the Bank was ranked as best in the US for Nordic equities according to Greenwich Associates.

Handelsbanken continued to have a strong market position for structured products in Sweden with a market share of 16 per cent during the year for new sales of capital-protected investments and certificates to the retail market. The Bank's share of the market on the warrants and ETN markets amounted to 44 per cent in Sweden and 41 per cent in the Nordic region.

The turbulence on the capital market created a more difficult climate for IPOs and new issues, while corporate mergers and acquisitions increased. The Bank carried out a number of significant transactions in all of the Nordic countries.

Activity on the credit market continued to be brisk. During the year, the Bank carried out 99 bond issues with a value totalling EUR 12.1 billion and syndicated loans totalling EUR 2.5 billion.

Payments and cash management business performed well and the number of transactions at the Bank in Sweden increased by 4 per cent, despite the increasing financial uncertainty.

Asset management operations performed well and the Bank was the largest player in new savings in mutual funds in Sweden with a

market share of 90 per cent. New savings in the Bank's mutual funds resulted in a net inflow of SEK 3.7 billion during the fourth quarter. The net flow for the year totalled SEK 14.4 billion, while other mutual fund management companies had an inflow of SEK 1.6 billion.

In its three-year performance reviews, the Morningstar rating agency has ranked Handelsbanken's mutual funds as best among the major Swedish banks' funds.

Net savings in the Bank's mutual funds globally totalled SEK 17.5 billion during the year. The total volume of assets under management increased in the fourth quarter by 5 per cent to SEK 529 billion (506), but decreased during the year by 11 per cent due to falling stock market values.

XACT Fonder is the largest player on the Nordic market for exchange-traded funds with a Nordic market share of 90 per cent of turnover and 85 per cent of assets under management. Four new funds were listed during the year and XACT now has 25 funds in the Nordic countries.

Handelsbanken's total fund volume, including assets managed in the XACT funds, totalled SEK 189 billion (193).

Assets under management SEK bn	2011	2010
Mutual funds, excl PPM	118	121
PPM	9	11
Unit-linked insurance	41	40
XACT Fonder (Exchange-traded funds)	21	21
<b>Total mutual funds</b>	<b>189</b>	<b>193</b>
Portfolio bond insurance	15	16
Traditional insurance	13	19
Discretionary management, Handelsbanken Group <i>of which in Handelsbanken mutual funds<sup>1</sup></i>	88 37	96 34
Structured products	31	38
Directly owned shares in custody	150	176
Other securities in custody	43	43
Handelsbanken's foundations <i>of which in Handelsbanken mutual funds<sup>1</sup></i>	41 4	50 3
<b>Total assets under management, Handelsbanken Group</b>	<b>529</b>	<b>594</b>

<sup>1</sup> The amount is also included in total mutual funds.

# The Handelsbanken share and shareholders

Handelsbanken's share was first listed on the Stockholm Stock Exchange in 1873, making it the oldest listed share on the exchange. During the latest five-year period, Handelsbanken has generated positive shareholder value of SEK 12 billion. Handelsbanken is the only bank of the four major banks on the Stockholm Stock Exchange that has created positive shareholder value in the past five-year period.

Handelsbanken's shares are traded on several different market places. Turnover is largest on Nasdaq OMX (the Stockholm Stock Exchange), but for the past couple of years, the shares have also been traded on other venues, such as Burgundy, Chi-X or BATS.

In 2011, on each day of trading, an average of 3.9 million Handelsbanken shares were traded, including 2.1 million on Nasdaq OMX.

The Handelsbanken share is in the group of the most traded shares on the Stockholm Stock Exchange.

## DIVIDEND

Handelsbanken's policy is that the dividend should be competitive in relation to other listed Nordic bank shares.

The Board is proposing to the 2012 AGM to

decide on an ordinary dividend for 2011 of SEK 9.75 (9.00), an increase of 8 per cent. The complete proposal on share dividends is presented on page 165.

## SHARE PRICE PERFORMANCE

As at 31 December 2011, Handelsbanken's market capitalisation was SEK 113 billion (134). The Swedish stock market went down by 15 per cent during the year and the Stockholm Stock Exchange bank index fell by 22 per cent. The Handelsbanken share closed the year at SEK 181, which was a fall of 16 per cent. Including dividends, the total return was -8 per cent.

Since 1 January 2000, Handelsbanken's share price has increased by 69 per cent while the Stockholm Stock Exchange has fallen

by 18 per cent. During the same period, the Stockholm Stock Exchange bank index rose by 24 per cent.

## REPURCHASE OF SHARES

At the AGM in March 2011, the Board received a mandate to repurchase a maximum of 40 million shares until the AGM in March 2012. This mandate was not used during 2011. Since 2000, the Bank has repurchased 91.2 million shares (net), which has led to a transfer of capital totalling SEK 15.5 billion to Handelsbanken's shareholders.

## CONVERTIBLE LOAN

During spring 2008, the Bank issued a subordinated convertible loan on market terms for SEK 2.3 billion directed at the Group's employees.

Handelsbanken's shares	2011	2010	2009	2008	2007
Earnings per share, total operations, SEK	19.78	17.72	16.44	19.46	24.84
after dilution	19.39	17.44	15.98	19.31	24.84
Ordinary dividend per share, SEK	9.75 <sup>1</sup>	9.00	8.00	7.00	8.50
Extra dividend per share, SEK	- <sup>1</sup>	-	-	-	5.00
Dividend growth, ordinary dividend, %	8 <sup>1</sup>	13	14	-18	6
Price of class A share, 31 December, SEK	181.00	214.90	204.20	126.00	207.00
Highest share price during year, SEK	226.00	229.00	212.70	209.50	223.00
Lowest share price during year, SEK	147.40	180.50	81.75	116.50	184.50
Share price performance, %	-16	5	62	-39	0
Total return, %	-8	9	68	-36	4
Dividend yield, %	5.4 <sup>1</sup>	4.2	3.9	5.6	6.5
Adjusted equity per share, SEK	152.71	143.14	134.40	120.31	119.25
Stock exchange price/equity, %	119	151	153	105	174
Average daily turnover on Stockholm stock exchange (no. of shares)					
Class A	2 056 789	1 927 262	2 792 980	3 610 914	3 536 774
Class B	23 754	25 798	35 361	31 587	27 664
P/E ratio	9.2	12.1	12.4	6.5	8.3
Market capitalisation, SEK bn	113	134	127	79	129
No. of converted shares from the convertible subordinated loan issued in 2008, millions	0.6	-	-	-	-
No. of shares as at 31 December, millions	624.1	623.5	623.5	623.5	628.3
Holding of repurchased shares, millions	-	-	-	-	4.8
Holding of own shares in trading book, millions	0.1	-	0.2	-	0.1
No. of outstanding shares, as at 31 December, millions	624.0	623.5	623.3	623.5	623.4
Dilution effect, end of period, millions	26.3	12.2	12.3	19.3	-
No. of outstanding shares after dilution, millions	650.3	635.7	635.6	642.8	623.4

<sup>1</sup>Dividend as proposed by the Board.

The loan has hybrid status and can be converted into Handelsbanken's A class shares.

Holders can convert after 1 June 2011 at the ordinary conversion price of SEK 187.56. After 21 May 2013 it will be possible to convert to Handelsbanken shares at the ordinary conversion price, or an adjusted conversion price corresponding to the share price applying at the time, if this is lower than the conversion price. The Bank can also request conversion.

During spring 2011, the Bank issued another subordinated convertible loan on market terms for SEK 2.5 billion directed at the Group's employees. Holders can convert to Class A shares in Handelsbanken from 1 May 2016 until 30 November 2016 inclusive. The ordinary conversion price is SEK 256.52. The Bank can also request conversion. The convertible loan is fully dividend-protected, which means that the ordinary conversion price will be adjusted down by an amount which in percentage terms corresponds to the dividend paid by Handelsbanken on Class A shares.

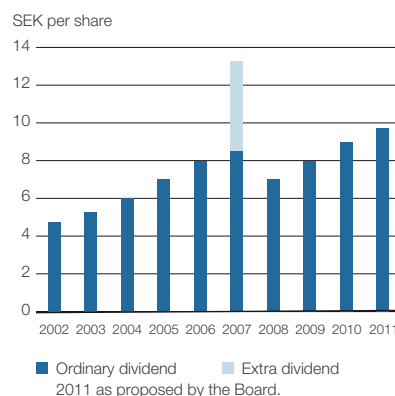
## OWNERSHIP STRUCTURE

Handelsbanken has just over 100,000 shareholders. Most of these, or 64 per cent of the total number of shareholders, owned fewer than 501 shares. Four per cent of the shareholders owned more than 5,000 shares each, together

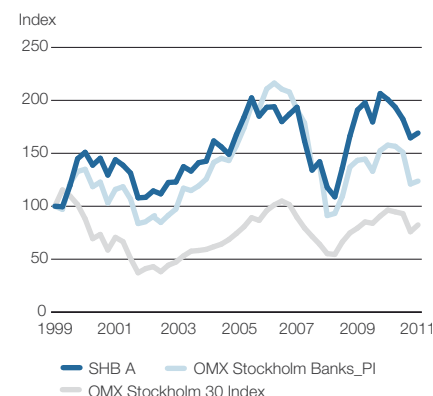
owning 90 per cent of the share capital.

The proportion of foreign owners was 41 per cent (38). Two shareholders own more than 10 per cent of the shares: Industrivärden and the Oktogonen Foundation.

Share dividends 2002–2011



Share price performance 31 Dec 1999–31 Dec 2011



The largest Swedish shareholders as at 31 December 2011	Number of shares	% of capital	% of votes
Industrivärden	67 990 927	10.89	11.08
Oktogonen Foundation	64 300 000	10.30	10.48
Swedbank Robur funds	20 222 986	3.24	3.30
Lundbergs and others	15 025 000	2.41	2.45
Alecta	11 615 000	1.86	1.89
AMF Försäkring and funds	10 549 000	1.69	1.72
Handelsbanken's funds	9 261 325	1.48	1.51
Folksam	7 012 965	1.12	1.14
SEB Fonder	6 853 353	1.10	1.12
4th National Swedish Pension Fund	6 352 971	1.02	1.04
Afa Försäkring	5 692 076	0.91	0.93
2nd National Swedish Pension Fund	5 015 573	0.80	0.82
3rd National Swedish Pension Fund	4 454 380	0.71	0.73
Research foundations	4 100 000	0.66	0.67
Didner & Gerge	2 820 000	0.45	0.46

Shareholdings per shareholder	Shareholdings				
	Shareholders Number	Number of Class A shares	Number of Class B shares	% of share capital	% of votes
31 December 2011					
Number of shares					
1–500 shares	65 544	8 896 807	2 301 935	1.8	1.5
501–1,000 shares	15 033	10 031 522	1 609 361	1.9	1.7
1,001–5,000 shares	17 131	33 901 870	3 607 904	6.0	5.5
5,001–20,000 shares	3 032	25 321 637	2 069 391	4.4	4.2
20,001– shares	978	534 160 363	2 161 852	85.9	87.1
<b>Total</b>	<b>101 718</b>	<b>612 312 199</b>	<b>11 750 443</b>	<b>100.0</b>	<b>100.0</b>

Shares divided into share classes	Average prices/repurchased amount				Share capital
Share class	Number	% of capital	% of votes	Share capital	
Class A	612 312 199	98.12	99.81	-	2 847 251 725
Class B	11 750 443	1.88	0.19	-	54 639 560
<b>Total</b>	<b>624 062 642</b>	<b>100.00</b>	<b>100.00</b>		<b>2 901 891 285</b>

# Corporate social responsibility at Handelsbanken

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

## HANDELSBANKEN IN THE COMMUNITY

The banking system is principally a support function for the real economy. What essentially legitimises a bank's operations is its ability to manage the savings of those who wish to postpone their consumption and lend these savings to companies and households that wish to consume and invest now. By being a bank with stable finances and a stable presence, Handelsbanken aims to fulfil its role as a responsible institution.

In this role, Handelsbanken also takes responsibility by acting so that as few customers as possible are affected by payment problems. The Bank can therefore continue to be a bank with stable finances, making a positive contribution to customers, shareholders and the community.

Handelsbanken has 461 branch offices in Sweden. Thus, the Bank has by far the largest branch network in Sweden and a wider geographical spread than any other participants on the Swedish banking market. On its other home markets in the UK, Denmark, Norway and Finland, the Bank also has nationwide branch networks. Handelsbanken has more than 740 branches in 22 countries around the world.

## HANDELSBANKEN IN THE LOCAL COMMUNITY

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

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“Handelsbanken is convinced that a local presence is necessary.”

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High cost-effectiveness allows the Bank to retain a local presence and thus continue to fulfil an important function in local communities, including places where other banks have closed their local branches. In nearly 50 towns in all the Bank's home markets, Handelsbanken is now the only bank to have a branch. Handelsbanken always aims to offer its customers better service and greater accessibility.

## ETHICAL GUIDELINES AT HANDELSBANKEN

Handelsbanken's ethical guidelines state that operations at the Bank are to be characterised by high ethical standards. The Bank's employees must conduct themselves in a manner that upholds confidence in the Bank. The ethical guidelines are adopted every year by the Board of Handelsbanken. A fundamental, self-evident rule is that the Bank and its employees must comply with the laws and regulations that govern the Bank's operations in various ways. If local laws and regulations offer the individual inferior protection than Swedish laws, regulations and principles, Handelsbanken applies the latter.

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

## MEASURES AGAINST MONEY LAUNDERING, FINANCING OF TERRORISM AND ECONOMIC CRIME

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

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

The foundation for this work is knowledge of the customer and understanding of the

customer's operations, so as to be able to react to abnormal transactions.

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

## COMPLIANCE WITH HUMAN RIGHTS AGREEMENTS

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

## CONDUCT OF EMPLOYEES

Handelsbanken's basic human outlook is based on trust in the ability of the individual and respect for each person. Thus, all discrimination or harassment on grounds such as gender, gender identity or gender expression, ethnicity, religion or other beliefs, functional impairment, sexual orientation or age is totally unacceptable.

In their work at the Bank and in their private affairs, employees must refrain from business transactions that violate the Bank's rules or current legislation. Culture and values are of major importance at Handelsbanken, and the Bank's working method is strongly decentralised.

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“Handelsbanken's basic human outlook is based on trust in the ability of the individual and respect for each person.”

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



business transactions in which they have a personal interest. Employees must notify the Bank of assignments outside the Bank and obtain approval. These rules apply to secondary occupations and certain posts in clubs, societies and the like. Remuneration for being a member of a Board on behalf of the Bank must be paid to the Bank.

#### **THE RIGHT ADVICE FOR THE RIGHT PERSON**

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

For the Bank's financial advisory services, taking consideration of the customer's circumstances and financial situation is at the very core of the Handelsbanken way of working – regardless of whether the customer is a private individual or a company. Based on this, the adviser and the Bank can provide customers with proposals and guidance on financing, payments or investments that are adapted to each customer's requirements. Within investments, it is also important that the advisory service takes into account the customer's goals, savings horizon, attitude to risk and knowledge and understanding of the specific risks related to each type of financial instrument.

The regulations require that all employees who work with providing customers with financial advice in the field of investments and insurance have the relevant knowledge. These

employees also perform an annual update of their knowledge in the field of investments and insurance. Sound business practices, acting in a consistent manner and fair treatment of customers are key concepts at Handelsbanken.

#### **THE BANK AS A CUSTOMER**

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

#### **CUSTOMER COMPLAINTS**

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

#### **DECENTRALISED ENVIRONMENTAL ACTIVITIES**

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

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

#### **HANDELSBANKEN AND ECONOMIC RESEARCH**

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research through allocations to two independent research foundations: the Tore Browaldh Foundation and the Jan Wallander and Tom Hedelius Foundation. Taken together, these foundations are one of the most important sources of funding for economic research in Sweden, and their financing includes two professorships. In 2011, 156 grants were awarded for a total of SEK 128 million.

#### **PROFESSORIAL CHAIR AT STOCKHOLM SCHOOL OF ECONOMICS**

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

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

#### **READ MORE ON OUR WEBSITE**

More information on Handelsbanken's work with corporate social responsibility can be found in Handelsbanken's Sustainability Report and on the Bank's website [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

# The Bank's environmental work

Handelsbanken continually works to minimise the Bank's environmental impact, both in terms of the direct environmental impact and any indirect impact.

## HANDELSBANKEN'S ENVIRONMENTAL POLICY

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

“Consistent and long-term improvements will often generate dual benefits: not just environmental gains but also cost savings.”

Handelsbanken has signed and complies with a number of voluntary agreements, such as the ICC Business Charter for Sustainable Development, the UN Environment Programme (UNEP FI) “Banks and the Environment”, the UN's voluntary initiative Global Compact and the UN

Principles of Responsible Investments (UNPRI).

Additional information about how the Bank works with environmental issues is given in the Bank's Sustainability Report, and also on the Bank's website at handelsbanken.se/csreng.

## HANDELSBANKEN'S DIRECT ENVIRONMENTAL IMPACT

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

For several years, the Bank has measured and reported the carbon dioxide emissions generated by its own operations as the result of its use of transport and its consumption of electricity and heat energy. In 2011, carbon dioxide emissions relating to electricity consumption in Sweden went down by around 70 per cent compared with the previous year, and for all the Nordic countries, including Sweden, the decrease was some 44 per cent.

Handelsbanken's electricity consumption went down marginally during the year. Via Nordpool, the Bank opted to buy a greater proportion of green electricity which is based on hydro-electricity. For Sweden, the proportion of green electricity purchased for operations in Sweden was 93 per cent and for all the Nordic countries 81 per cent.

The Carbon Disclosure Project (CDP) is a global project where investors have joined together to urge listed companies worldwide to

report their emissions, and how they are dealing with their impact on the climate. The initiators of the CDP include 500 major banks, institutional investors and insurance companies. The report has been published since 2000.

In the CDP report for 2010, which was presented in late 2011, Handelsbanken received 76 (36) points out of a possible 100. The average value for 2010 was 64 points. The year's results put Handelsbanken in 34th place out of a total of 143 reported in the Nordic countries.

## Actions to reduce negative environmental impact

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

- further increasing the level of awareness at the Bank in terms of the Bank's direct climatic impact, so that all parts of the organisation will be able to effectively contribute to reducing, for example, energy consumption
- increasing the proportion of green electricity purchased in 2012
- increasing the amount of recycled refuse
- reducing the amount of business travel by increasing the number of video installations so as to facilitate video conferences
- continuing to develop digital services for branches and internal units so as to further reduce the use of paper.

Carbon dioxide emissions tonnes	2011	2010	2009	2008	2007	2006
Electricity consumption, Nordics and UK	2 027					
Of which Electricity consumption, Nordics <sup>1</sup>	781	1 464	2 482	2 585	2 131	2 373
Electricity consumption, Sweden	261	867	1 945	2 258	1 647	1 850
Heating own properties, Sweden	1 466	1 569	1 181	1 344	1 266	1 284
Transport of valuables, Sweden	125	128	289	209		
Business travel, Sweden	2 171	2 216	2 417	2 945	3 371	2 895

<sup>1</sup>Sweden, Denmark, Norway, Finland.

**HANDELSBANKEN'S INDIRECT ENVIRONMENTAL IMPACT**

By joining Global Compact, Handelsbanken undertakes to describe in its corporate social responsibility reporting how the Bank is working with environmental matters, etc. In addition to the Bank's own consumption of resources, this mainly concerns the indirect environmental impact via lending and asset management.

For many years, credit assessments carried out by Handelsbanken have taken into account how environmental risks affect the customer's repayment capacity.

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

**ENVIRONMENTAL MATTERS ASSOCIATED WITH GRANTING LOANS**

Environmental aspects are observed in accordance with Handelsbanken's credit policy, which states that, in its lending operations, the Bank must maintain sound ethical standards. This

means that the Bank aims to always respect human rights and basic principles of working conditions and environmental considerations, regardless of where in the world the operations are pursued. High ethical standards in lending means that in its credit risk assessment, the Bank endeavours to take into consideration the customer's attitude to these standards.

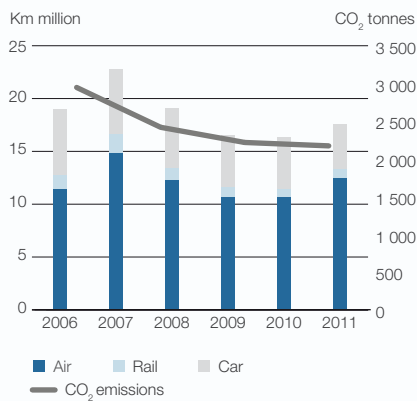
“The Bank aims to always respect human rights and basic principles of working conditions and environmental considerations, wherever in the world the operations are pursued.”

When evaluating credit risk, any environmental risks are included in the assessment of repayment capacity. This is particularly important in

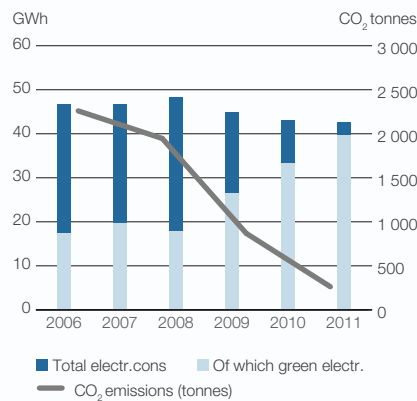
the case of customers engaged in environmentally hazardous activities or selling products that involve environmental or health risks. For property-related lending, it is important to take into account whether environmentally-harmful activities are or have been conducted in the property or whether the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

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

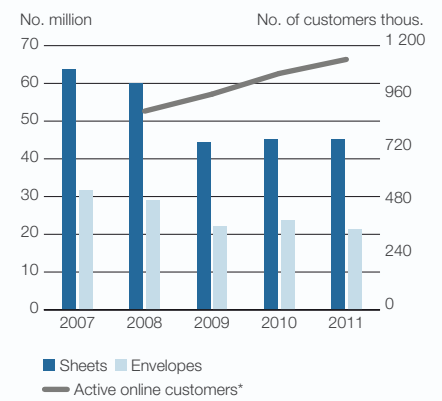
Business travel, Sweden



Electricity consumption, Sweden



Centrally distributed information, Group



\* Private customers who have been active in the Bank's online services at least once in the last six months of 2011. Corporate customers who have been active in the Bank's online services at least once in the last six months of 2011.

# Shared values produce top performance

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

## HANDELSBANKEN RECRUITS PEOPLE WHO SHARE THE BANK'S BASIC VALUES

In 2011, Handelsbanken had 11,184 employees in 22 countries. Just over 30 per cent of the employees work outside Sweden. All employees, irrespective of where in Handelsbanken they work, have a joint responsibility for the satisfaction of Handelsbanken's customers.

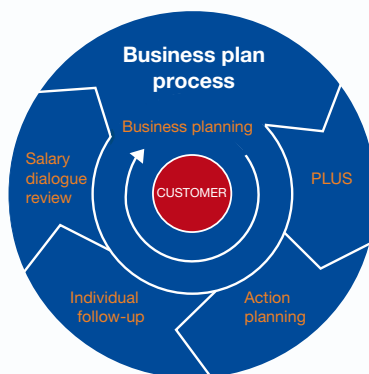
Handelsbanken's decentralised method of working and the Bank's idea of how to run a successful business are essentially based on trust and respect for the individual. This gives employees a considerable degree of freedom and creates a sense of involvement and the opportunity to make a difference. When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

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

External employee turnover was 5 per cent during the year (3).

## STAFF DEVELOPMENT

The Bank's strength is derived from the combined expertise of its employees. At Handelsbanken, employees are responsible for their own skills and competence development, and also for sharing their competence with others in the Handelsbanken Group. Handelsbanken defines competence as the ability to solve the tasks employees encounter at work, now and in the future. The knowledge acquired by employees in their daily work is the most important source of increased professionalism. This means that business skills and system support must function well. All employees should take



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

part in their unit's business planning process, to create a sense of involvement and commitment to reach set targets. Guided by the business plan, employees meet their immediate superior for a planned and structured personal development dialogue, known as PLUS. This involves a discussion of the employee's contribution to operational goals and the conditions required to deal with specific tasks. The discussion is the basis of an individual action plan which is continuously followed up. The plan is used in, and is the foundation of, the salary dialogue review between managers and employees. Individual salary reviews are another expression of the Bank's aim to decentralise responsibility and authority.

“The Bank's strength is based on the combined skills of its employees.”

## INTERNAL LABOUR MARKET

As the Bank's culture and values are so important, internal recruitment is important to Handelsbanken. Managers must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2011, 97 per cent (98) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding

figure is 94 per cent (90), including those markets where the Bank established operations relatively recently.

## MANAGEMENT SUCCESSION

One of the most important tasks of the Bank's manager is to identify, encourage and develop new managers at the Bank. To further strengthen management succession in the Group, a joint structure has been developed during the year. Every year, each regional bank and business area will produce a plan for management succession which will then be integrated into its business/operational planning. The aim is to ensure competent management skills in all managerial roles – to analyse and define activities and actions, based on current and future positions. The gap between the current and desired situations forms the basis for planned activities and also for a joint Group action plan.

During the year work began on supplementing and reinforcing the Bank's support to managers in the form of local and joint Group activities.

## FOR EQUALITY – AGAINST DISCRIMINATION

Regardless of background, the Bank's staff are individuals with their own characteristics and strengths and their own way of expressing themselves. At Handelsbanken, there must be no discrimination on grounds such as gender, gender identity or expression, ethnicity, religion or other beliefs, functional impairment, sexual orientation or age. Handelsbanken aims to be an equal company, in which women and men must have the same opportunities for professional development. Each country where the Bank has operations must have an activity plan which helps make the Bank an equal company in gender terms.

The Bank's goal is for the proportion of female and male managers to correspond to the overall gender distribution in the Handelsbanken Group. At year-end, 38 per cent (38) of managers in the Handelsbanken Group were women. The proportion of women among the total number of employees was 52 per cent (53).

A proactive approach will lead to increased gender equality and better utilisation of employees' skills. Gender equality work at the Bank is constantly in progress, and it is vital for the



Bank to be able to attract and retain competent employees. This work is based on Handelsbanken's fundamental values, and the laws and guidelines applying in the respective country. It is vital that all staff are involved in breaking down the traditional notions of gender-based professional roles. Therefore, a high priority element of the Bank's work related to equality is increasing awareness of how social and cultural norms affect us in our daily lives. As part of this process, more than 300 managers, including the Bank's senior management and personnel managers, have so far participated in courses on gender equality.

In 2011 in Sweden, the Bank took a further step in its gender equality work by focusing on rectifying unjustified salary differences between women and men. In salary reviews with their staff, salary-setting managers had a greater responsibility and mandate to even out salary differences between women and men.

The work of promoting equality aims to make it easier for both men and women to combine employment with parenthood. Handelsbanken subsidises home and family services for employees in Sweden who have children under the age of eight. In Sweden, employees on parental leave receive 80 per cent of the part of their salary that is not compensated by national insurance. Employees who take parental leave have the same right to salary development as other staff.

**WORK ENVIRONMENT AND HEALTH**

The overall objectives in matters regarding the work environment focus on health. Employees should enjoy good health, develop on a personal level and function in an optimal way. This is a long-term goal that includes factors such

as balance in life, clear and honest communication, having the skills and competence needed to perform tasks and deal with work-related situations, having pride and confidence in one's work, respecting others and being respected oneself. All employees are responsible for creating a positive working environment at Handelsbanken.

In Sweden, managers who have been assigned responsibility for the working environment must, in co-operation with working environment representatives and other staff, compile a work environment status report at least once a year. This includes both the physical and the psychosocial environment. The results are discussed within the unit, and any measures decided upon are integrated into the business plan/operational plan.

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

**WORKING CONDITIONS AND UNION RIGHTS**

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

In addition to the matters which are dealt with in a dialogue with the union organisations in each country, there is also a European Work

Council which acts as a forum for common, cross-border questions at Handelsbanken.

**OKTOGONEN – THE BANK'S PROFIT-SHARING PLAN**

To achieve the Bank's financial goal of higher profitability than comparable banks on its home markets, employees must outperform their peers in the rest of the sector. Therefore, the Board considers it only reasonable that employees should receive a share of any extra profits. Every year but two since 1973, Handelsbanken has allocated part of the profits to a profit-sharing plan for its employees. The funds are managed by the Oktogonen Foundation.

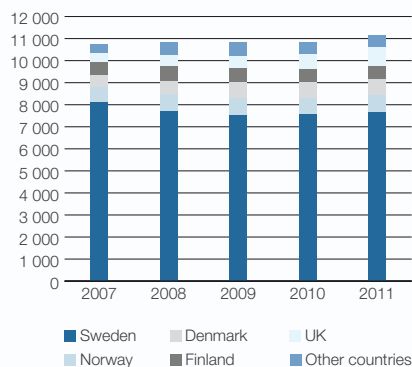
An allocation is made if the Handelsbanken Group achieves its goal of higher return on equity than a weighted average of other listed Nordic and UK banks. Each employee receives an equal part of the allocated amount and the scheme includes all employees in the Bank's home markets, i.e. the four Nordic countries and the UK. In recent years, employees in the Netherlands, Hong Kong, Luxembourg, Switzerland and Taipei have also been included in the Oktogonen plan. Work is in progress to introduce the plan in more countries, with the objective of including all Group employees in the system.

The profit-sharing plan is long-term, as payments cannot be made until an employee has reached the age of 60.

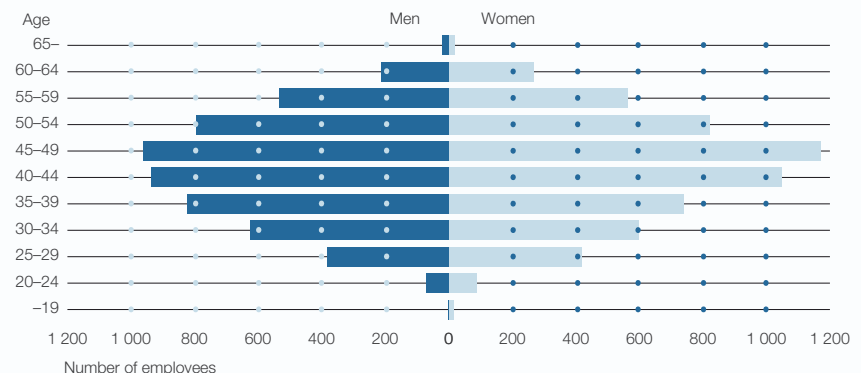
One of the fundamental concepts in managing the foundation is that a considerable part of the funds are invested in shares in Handelsbanken.

The Oktogonen Foundation appoints two representatives as members of the Board of Handelsbanken.

Average number of employees 2007–2011



Age and gender distribution 2011





# Corporate governance report

Handelsbanken is a Swedish public limited company, listed on Nasdaq OMX Stockholm and which applies the Swedish Code of Corporate Governance. Here the Board submits its corporate governance report for 2011. The follow-up performed in 2011 shows that Handelsbanken has no deviations to report.

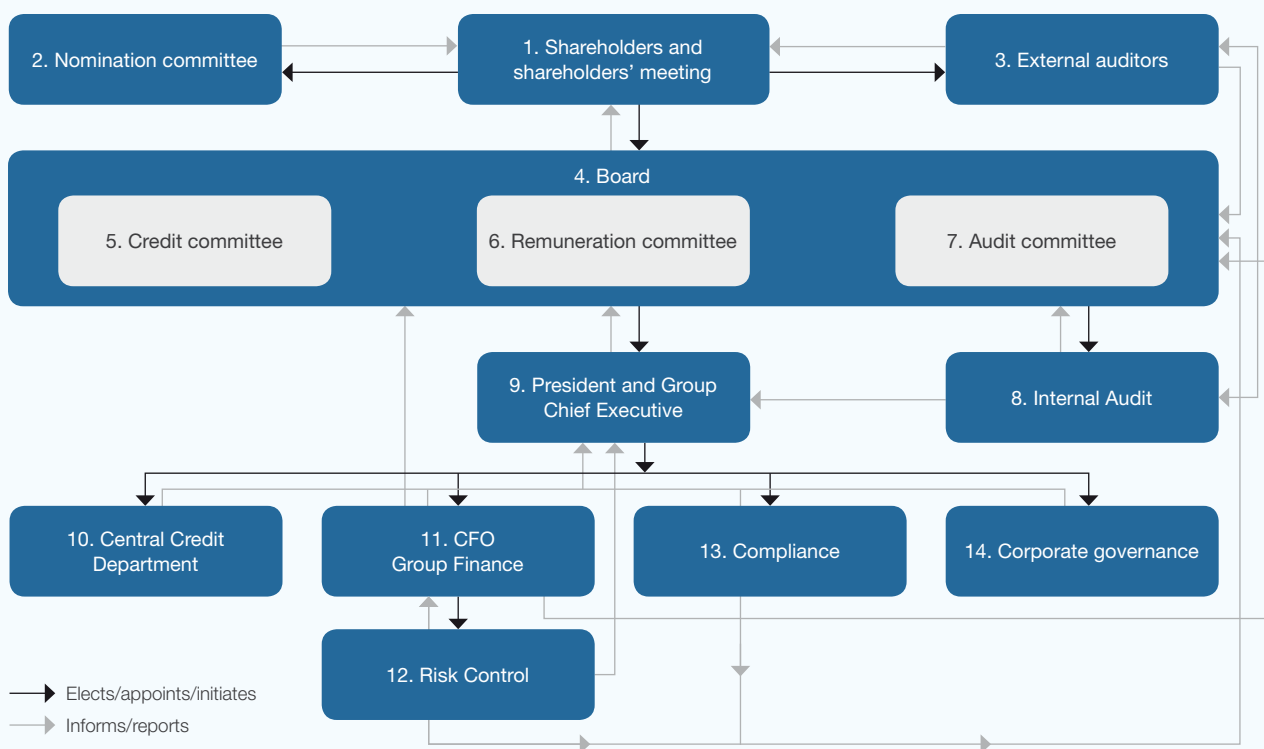
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# Corporate governance structure

Handelsbanken's shareholders are those who ultimately make decisions about the Bank's governance. At the annual general meeting (AGM), the shareholders appoint the Board, the Chairman of the Board and auditors, and decide how the nomination committee will be appointed. The Board is responsible to the owners for the Bank's organisation and management of the Bank's affairs. The auditors report their findings to the AGM. The diagram below provides a summary of how governance and control are organised at Handelsbanken.

## CORPORATE GOVERNANCE STRUCTURE – AN OVERVIEW



### 1. SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders exercise their right to decide on matters concerning Handelsbanken at the shareholders' meetings, which are Handelsbanken's highest decision-making body. For example, a shareholders' meeting decides on any changes to the Bank's articles of association, which is the most fundamental governing document for the Bank. The annual general meeting decides on matters such as adoption of the income statement and balance sheet, discharge from liability for the Board, the new Board, new auditors, and compensation for the Chairman and other members of the Board, as well as for the auditors. The AGM also decides on guidelines for compensation paid to senior management.

### 2. NOMINATION COMMITTEE

The AGM decides how the nomination committee will be appointed. The nomination committee's

task is to prepare and submit proposals to the next AGM regarding the appointment of the Chairman and other members of the Board, and fees to the Chairman and other members of the Board. The committee's task also includes evaluating the work of the Board, primarily based on the report that the Chairman of the Board submits to the committee. The committee also proposes the appointment of the auditors, and their fees.

### 3. EXTERNAL AUDITORS

The auditors are appointed by the AGM for the period from one year's AGM until the end of the following year's AGM. The auditors are accountable to the shareholders at the AGM and submit an audit report covering matters such as the annual report and the Board's administration. The auditors report regularly, orally and in writing, to the audit committee how their audit was conducted and their assessment of the Bank's administrative order and internal control. The

auditors also submit a summary report of their audit to the Board as a whole.

### 4. THE BOARD

The Board is responsible for the Bank's organisation and manages the Bank's affairs on behalf of its shareholders. The Board is to continuously assess the Bank's financial situation and ensure that the Bank is organised such that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily controlled. The Board establishes policies and instructions on how this should be performed, and establishes a work procedure for the Board and also instructions for the Group Chief Executive. These central policy documents state how responsibilities and powers of authority are distributed among the Board as a whole and the committees, and also between the Chairman of the Board and the Group Chief Executive. The Board appoints and stipulates the employment terms for the Group

Chief Executive, Executive Vice Presidents and the officers with main responsibility for Compliance, Internal Audit and Risk Control. The Chairman is responsible for evaluating the Board's work and informs the nomination committee of the result of this evaluation.

#### 5. CREDIT COMMITTEE

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

#### 6. REMUNERATION COMMITTEE

The remuneration committee regularly evaluates the employment conditions for the Bank's senior management in the light of prevailing market terms for their peers in other companies. The committee's tasks include preparing the Board's proposals to the AGM concerning guidelines for compensation to senior management and the Board's decisions on these conditions for senior managers and the officers with main responsibility for Compliance, Internal Audit and Risk Control. The remuneration committee consists of the Chairman of the Board and two members appointed by the Board.

#### 7. AUDIT COMMITTEE

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

by the Board. One of these two members is the committee's chairman.

#### 8. INTERNAL AUDIT

Internal Audit performs an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. A key task for Internal Audit is to assess and verify processes for risk management, internal governance and control. The Head of Internal Audit reports regularly to the audit committee, orally and in writing, and also submits an annual summary report to the full Board.

#### 9. PRESIDENT AND GROUP CHIEF EXECUTIVE

The Group Chief Executive is appointed by the Board to lead the operations of the Handelsbanken Group. In addition to instructions from the Board, the Group Chief Executive is obliged to comply with the provisions of the Swedish Companies Act and a number of other statutes concerning the Bank's accounting, management of funds and operational control.

#### 10. CENTRAL CREDIT DEPARTMENT

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

#### 11. GROUP FINANCE

Group Finance is responsible for control systems, reporting, control, book-keeping, accounting and taxes. It is also responsible for the Group's liquidity, funding and capital, and for the Group's overall risk management of all risks except credit risk and compliance risk. For a detailed description of this risk management, see note G2 on pages 80–97. The Head of Group Finance, the CFO, also has the main responsibility for independent risk control (section 12) and reports on all the Group's risks, including credit risks at the aggregate level, to the Group Chief Executive, the Board's audit committee and the Board as a whole.

#### 12. RISK CONTROL

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

#### 13. COMPLIANCE

The compliance function is responsible for ensuring that laws, regulations and internal rules, as well as accepted business practices or norms, are complied with in the operations conducted by the Handelsbanken Group that are subject to a licence. The function must follow up the application of and check the current regulations. It must also inform the units concerned about risks that may arise in the operations as a result of inadequate compliance, assist in identifying and assessing such risks and assist in drafting internal regulations. Compliance officers have been appointed in all business areas, regional banks and central departments, and also in all countries where the Bank operates. Central Compliance has functional responsibility for compliance. Central Compliance regularly reports to the Group Chief Executive and the audit committee in matters concerning compliance.

#### 14. CORPORATE GOVERNANCE

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

## CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken is a Swedish public limited company, listed on Nasdaq OMX Stockholm. Handelsbanken applies the Swedish corporate governance code dated 1 February 2010. The Bank does not deviate from the code. According to the code, the aim of good corporate governance is to ensure that companies are run as efficiently as possible on behalf of their shareholders. But corporate governance is also important for other interested parties, such as customers, bond investors and regulatory authorities. For Handelsbanken, effective corporate governance means good risk control and work in the whole Group that meets the Bank's operational goals of higher profitability by means of more satisfied customers and greater cost-effectiveness.

The Bank's corporate governance report is based on a shareholder perspective. In the Bank's sustainability accounting, a broader range of perspectives are reported. A central part of governance in the Bank comprises managing the risks that arise in operations. Risk management is described in detail in a separate section on risks in note G2 on pages 80–97. The corporate governance report is part of the statutory annual report and is thus subject to the auditors' examination.

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

The operations of Swedish banks are regulated by law, and banking operations may only be run with a license from the Swedish Financial Supervisory Authority. The regulations for bank-

ing operations are very extensive, and are not described in detail in this report.\* Operations outside Sweden are subject both to the Swedish regulations and to the host country's regulations, if these are stricter or in other respects deviate from Swedish or international rules.

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

In addition to laws and ordinances, the Swedish supervision is based on regulations and general guidelines from the Swedish Financial Supervisory Authority. The Swedish Financial Supervisory Authority requires extensive reporting on various matters such as the Bank's organisation, decision-making structure, internal control, terms and conditions for the Bank's customers and information to private customers.

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

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

## SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

### Rights of shareholders

Handelsbanken has more than 100,000 shareholders, and they exercise their right to decide on matters related to the company at the AGM or extraordinary meetings of shareholders. Handelsbanken has two classes of shares: Class A and Class B. Class A shares are by far the most common and represent over 98 per cent of all outstanding shares. Class A shares each carry one vote, while Class B shares carry one-tenth of a vote each. Handelsbanken's articles of association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than 10 per cent of the total number of votes in the Bank.

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

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

- who should be on the Board of the Bank and who should be the Bank's auditors
- fees to Board members and auditors
- adopting the income statement and balance sheet
- appropriation of profits
- whether the Board and the Group Chief Executive should be discharged from liability for the past financial year
- principles for compensation to senior management.

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

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

### READ MORE ON OUR WEBSITE

More information about Handelsbanken's corporate governance is available at [handelsbanken.se/ireng](http://handelsbanken.se/ireng). The site includes the following information:

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

holders' meetings, and what is to be presented at these meetings.

Information in preparation for, and minutes of the Bank's annual general meetings, are published on the Bank's website at handelsbanken.se/ireng. Notice of shareholders' meetings, proposals for meetings and minutes from meetings are translated into English and are available on the website at handelsbanken.com.

#### Major shareholders

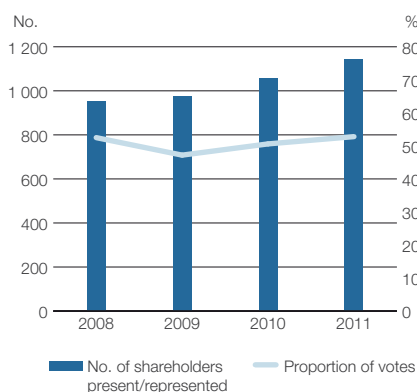
Two shareholders have more than 10 per cent of the votes: AB Industrivärden, with 11.08 per cent, and the Oktogonen Foundation, with 10.48 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 41.

#### Annual general meeting 2011

The AGM took place on 23 March 2011.

Over 1,100 shareholders were represented at the meeting. They represented 52.8 per cent of all the votes in the Bank. The Chairman, Hans Larsson, and the following members of the Board were present at the meeting: Mr Pär Boman (Group Chief Executive) Mr Anders Nyérn, Mr Fredrik Lundberg, Ms Ulrika Boëthius, Ms Bente Rathe, Ms Lone Fønss Schröder, Mr Tommy Bylund, Mr Jan Johansson and Mr Sverker Martin-Löf. Also participating were the chairman of the nomination committee Mr Carl-Olof By, as well as Mr Stefan Holmström, Mr Erik Åström and Mr Lars Bonnevier from the

#### Attendance at AGMs



auditing companies elected by the AGM. The chairman of the meeting was Mr Sven Unger.

The decisions made by the shareholders at the meeting included:

- dividend payment of SEK 9.00 per share, totalling SEK 5,611 million
- authorisation for the Board to resolve to purchase a maximum of 40 million shares in the Bank
- issue of staff convertible notes for a maximum of SEK 2,512,000,000
- that the Board consist of 12 members
- re-election of all Board members for the period until the end of the next AGM
- re-electing Hans Larsson as Chairman of the Board
- fees to be paid to the Board members as follows: SEK 3 million to the Chairman of the Board, SEK 800,000 to each of the Vice Chairmen and SEK 550,000 to the other Board members, as well as compensation for committee work.

The shareholders at the meeting also adopted the following guidelines for compensation and other terms of employment for the Group Chief Executive and the Executive Vice Presidents, as proposed by the Board:

- the total compensation is to be on market terms
- compensation is only paid in the form of a fixed salary and customary benefits
- variable compensation benefits such as bonuses or commission on profits are not paid
- senior managers are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank
- the minimum pension age is 60. Pensions are paid under a defined benefit plan
- the period of notice on the part of the employee is 6 months and on the part of the Bank, 12 months. If the Bank terminates the contract later than five years after the person's appointment as part of the Bank's management, the period of notice is 24 months. In exceptional cases, periods of notice may be shorter
- no termination benefits are paid.

#### Nomination committee

The shareholders at the 2010 AGM resolved to establish instructions for how the nomination committee is to be appointed. According

to the decision, the instruction will apply until it is changed by a later AGM. The instruction includes the following: the committee is to comprise five members, the Chairman of the Board and one representative from each of the Bank's four largest shareholders as at 31 August the year before the AGM is held.

However, the nomination committee must not include representatives of companies which are significant competitors of the Bank in any of its main areas of operations. It is the task of the Chairman of the Board to contact the largest owners, so that they appoint one representative each to sit on the nomination committee together with the Chairman. This has taken place and the 2012 nomination committee is presented in the table.

#### Composition of nomination committee and voting representation

Representative	Owner	Voting power in % as at 31 Aug 2011
Carl-Olof By, chairman	Industrivärden	11.67
Henrik Forssén	Oktogonen Foundation	10.48
Mats Guldbbrand	Lundbergs	2.45
Bo Selling	Alecta	2.45
Hans Larsson, Chairman of the Board		

All Board members are independent of the Bank, its management and the largest shareholder in terms of votes – with the exception of Carl-Olof By, who is an employee of AB Industrivärden. Information on the composition of the nomination committee has been available on the Bank's website since 26 September 2011.

In advance of the AGM on 28 March 2012, the nomination committee has the task of evaluating the Board's work. The committee also submits proposals for the election of a chairman of the AGM, the Chairman of the Board and other members of the Board, the fees to the Chairman and other Board members, compensation for committee work, and the election of and fees to auditors.

The nomination committee aims to achieve equal gender distribution among Board members. The proportion of women on the Board of the

Bank is 25 per cent. The proportion of non-Swedish Board members is also 25 per cent.

### Auditors

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

Erik Åström has been an authorised public accountant since 1989 and has been principal auditor for Ernst & Young AB at Handelsbanken since 2008. He is also an auditor for Hakon Invest AB, Hennes & Mauritz AB, IKEA AB and Nasdaq OMX Holding AB. Mr Åström was born in 1957.

### THE BOARD

After the shareholders at the AGM had appointed Hans Larsson to be Chairman of the Board, Anders Nyström and Fredrik Lundberg were appointed as Vice Chairmen at the subsequent first Board meeting. At the same time, the Board appointed members of the credit committee, audit committee and remuneration committee. Information about the Board is shown on pages 62–63.

### Composition of the Board

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

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

The Swedish Code of Corporate Governance contains stipulations that the majority of Board members elected by the AGM must be independent of the Bank and the Bank's management, and that at least two of the independent Board members must also be independent of

those of the company's shareholders that control 10 per cent or more of the shares and votes in the Bank. In an overall assessment of each Board member's independence in relation to the Bank, the Bank's management and major shareholders, the nomination committee has found that nine external members are independent of the Bank and the Bank's management, and that five of them are also independent of major shareholders. Three members are employees of the Bank; hence, they are dependent in relation to the Bank. Two of the employed members (Ulrika Boëthius and Tommy Bylund) are also dependent in relation to a major shareholder (Oktogonen). One of the employed members (Pär Boman) works in the Bank's management.

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

### Regulations governing the Board's work

The fundamental principles regarding the distribution of expertise shared among the Board, the committees, the Chairman, the Group Chief Executive and the Internal Audit department are manifested in the Board's work regulations and instructions to the Group Chief Executive and to the Head of the Central Audit Department.

### Chairman of the Board

The Board's working instructions state that the Chairman shall ensure that the Board carries out its work efficiently and that it fulfils its duties. This involves organising and managing the Board's work and creating the best possible conditions for this work. The Chairman must also ensure that the Board members continually update and expand their knowledge of the

Bank, and that new members receive appropriate introduction and training. The Chairman must be available to the Group Chief Executive as an advisor and discussion partner, but must also evaluate the Group Chief Executive's work and report his assessment to the Board. The Chairman's duties include being chairman of the credit and remuneration committees, as well as being a member of the audit committee. The Chairman is also responsible for ensuring that the Board's work is evaluated annually and for informing the nomination committee of the evaluation, as well as for preparing the Board's evaluation of the Group Chief Executive. Finally, he is responsible for maintaining contact with the major owners concerning ownership issues. As chairman of the Bank's pension foundation, pension fund and staff foundation he has overall responsibility for ownership issues associated with shareholdings in these three entities. In other respects, there is no other division of work for the Board besides that involving the Board committees.

### Committee work

#### CREDIT COMMITTEE

The credit committee consisted of nine members: the Chairman (Hans Larsson), the Vice Chairmen (Anders Nyström and Fredrik Lundberg), the chairman of the audit committee (Sverker Martin-Löf), the Group Chief Executive (Pär Boman), the Head of the Central Credit Department (Lars Kahnlund) and three Board members appointed by the Board (Tommy Bylund, Lone Fønss Schröder and Bente Rathe). The latter three circulate on the committee with two-year mandates.

The credit committee normally holds one meeting every month to take decisions on credit cases that are above a set limit and that are not decided on by the whole Board due to the major importance of these cases. The heads of the regional banks and the Head of Handelsbanken International present cases from their own units and listen when other cases are presented, which provides them with a good picture of the Board's approach to risks. Credit cases that are decided upon by the whole Board are presented by the Head of the Central Credit Department. If a delay in the credit decision would cause inconvenience to the Bank or the borrower, the credit instructions allow the Group Chief



Executive and the Head of the Central Credit Department to decide on credit cases during the interval between meetings.

The credit committee held 12 meetings during 2011.

#### AUDIT COMMITTEE

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

The audit committee monitors financial reporting and the effectiveness of the Bank's internal control, internal audit and risk management systems. Other tasks of the committee include establishing an audit plan for the work of Internal Audit. The committee maintains regular contact with the external auditors, who report to the committee on significant matters that have emerged from the statutory audit, especially regarding shortcomings in the internal control of the financial reporting. The committee also examines reports from the officers with main responsibility for Internal Audit, Compliance and the risk control functions. The committee generally meets five times a year, normally in connection with quarterly and annual reports. Items are presented by the Group Chief Executive, the CFO, the Head of the Central Audit Department, the Chief Compliance Officer and the principal auditors from the audit companies appointed by the AGM.

The audit committee held five meetings during 2011.

#### REMUNERATION COMMITTEE

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

The remuneration committee comprised the Chairman of the Board (Hans Larsson) and two Board members appointed by the Board (Bente Rathe and Göran Ennerfelt). All members are independent of the Bank and its management.

After the shareholders at the AGM have decided on guidelines for the terms and conditions of compensation to the Group Chief Executive and the Executive Vice Presidents, the Board

decides, in accordance with the regulations of the Swedish Financial Supervisory Authority, on compensation to the Group Chief Executive, the Executive Vice Presidents and other members of the Central Group Management and the officers with main responsibility for the control functions: Compliance, Internal Audit and Risk Control.

The remuneration committee held 11 meetings during 2011.

#### The Board's work in 2011

During the year, the Board held 11 meetings, including a two-day strategy meeting.

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

Case	When
First Board meeting following election of Board members, corporate governance documents	after AGM
Frameworks for funding	at least once a year
Strategy	--
Group Chief Executive's instructions and guidelines	--
Operational risks	semi-annually
Internal capital evaluation	quarterly
Loan losses and credit risks	--
Six-monthly report	July
Announcement of the nomination committee	September
Interim report	October, April
Evaluation of the Board's work	annually
Function of the risk classification system	--
Evaluation of Group Chief Executive	--
Skills development of staff and supply of managers	--
Salary review for Bank management and officer with chief responsibility for control functions	--
Limits for financial risks	--
Annual accounts	February
Proposals for AGM	before AGM
Preparation of corporate governance documents	--
External audit report	--
Internal Audit's report	--
Matter of allocation to the Oktogonen profit-sharing scheme	--
Business situation	each meeting
Follow-up of risk limits	--
Credit matters	--

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

#### PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

##### The Bank's goal and strategy

The Bank's main tools for corporate governance are on the one hand the documents adopted by the Board, such as the Board's regulations, instructions to the Group Chief Executive and the Head of Central Audit and policies regarding the Bank's operations, and on the other hand the instructions and guidelines issued by the Group Chief Executive. These documents are revised every year but can be adjusted more often when necessary.

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

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

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

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

This long-term approach also applies to the way in which the Bank relates to its customers.

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

A strong corporate culture is of major importance in the governance of the Bank; it works in parallel with the principles, strategies, limits and target figures established by the Board in a series of policy documents and instructions. These are summarised below.

#### Compensation principles

The Bank's principles for compensation to employees are long established. In general, Handelsbanken has low tolerance of risk and considers that fixed compensation contributes to healthy operations. This is, therefore, the main principle. Variable compensation is to be applied with caution, and is only paid to a limited extent. As of 1 March 2011, the Swedish Financial Supervisory Authority's regulations governing compensation systems in credit institutions, investment firms and fund management companies with a licence for discretionary portfolio management (FFFS 2011:1) apply, these being a development of the previous guidelines. The regulations include special rules for employees who receive variable compensation and who can affect the level of risk in a financial institution. The regulations also include the provisions on deferred compensation.

The following is an overall report on the Bank's fundamental principles for fixed and variable compensation. Other information about compensation paid by the Bank in accordance with the Swedish Financial Supervisory Authority's regulations is shown in note G8 on pages 100–103. It also provides information about amounts for salaries, pensions and other benefits, and loans to senior management.

#### Fundamental compensation principles

In Sweden and certain other countries, the Bank is party to collective agreements on

general terms and conditions of employment during the employment period, and on terms and conditions of pensions after employees have reached retirement age.

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

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

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

#### Principles for compensation to senior management

After the shareholders at the AGM have decided on guidelines for compensation to the Group Chief Executive and the Executive Vice Presidents, the Board decides on compensation to the Central Group Management and the remaining Executive Vice Presidents, a total of 18 persons (as at 31 December 2011). The Board also determines compensation for officers with main responsibility for the control functions: Compliance, Internal Audit and Risk Control. For the 2011 guidelines from the AGM, see the "Annual general meeting 2011" section on page 53.

Compensation to Group Management is paid in the form of fixed salary, a company car, customary benefits and pension provisions. By special decision of the Board, Handelsbanken can provide housing as part of the compensation. No variable compensation is paid, nor are there any agreements on termination benefits.

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

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

During an individual's period of employment at the Bank, pension rights accrue steadily until they are 65 per cent of the employee's final salary at the time of retirement (after deductions for any paid-up policy from a previous employer). Over the same period, the Bank makes the equivalent allocations for future pension, and is charged annually for the cost at the same rate as the pension is accrued. Accrued pension obligations are vested and are secured in the Bank's pension foundation or assured in the Bank's pension fund. After the Group Chief Executive has reached retirement age (60), no further provisions are made. If a member of senior management leaves the Bank before reaching retirement age, the provisions cease and the accrued pension is deposited into a paid-up policy.

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

Ahead of the 2012 AGM, the following guidelines are proposed for compensation and other terms of employment for the senior management of Handelsbanken. The guidelines will not affect compensation previously decided for senior management.

- The total compensation must be on market terms.
- Compensation is paid only in the form of

a fixed salary and customary benefits. By special decision of the Board, the Bank can provide housing. Variable compensation benefits such as bonus and percentage of profits are not paid.

- The senior managers in question are included in the Oktogonen profit-sharing system on the same terms as all employees of the Bank.
- The retirement age is normally 65. Retirement benefits are defined-benefit or defined-contribution, or a combination of the two.
- The period of notice on the part of a senior manager is six (6) months, and on the part of Handelsbanken a maximum of twelve (12) months. If the Bank terminates the employment contract later than five (5) years after the person becomes a member of the senior management, the period of notice is a maximum of twenty-four (24) months. Apart from this, no termination benefits are paid.
- The Board shall exceptionally have the right to deviate from the established guidelines if there are special reasons in an individual case.

The senior management positions to which these guidelines apply are the Group Chief Executive and the Bank's Executive Vice Presidents.

#### Variable compensation

At Handelsbanken, the Board decides on the compensation policy. In accordance with the compensation policy, any exceptions to the principle of fixed salaries require a special decision by the Group Chief Executive. The heads of the areas concerned, as well as those responsible for Risk Control and Compliance, have taken part in the remuneration committee's preparation of the Board's compensation policy.

Variable compensation occurs to a limited extent and only in the Handelsbanken Capital Markets business area. No variable compensation is paid to the Bank's senior management nor to any employee who makes decisions on credits or limits. Employees who, alone or together with others, are entitled to decide on credit risk, market risk, liquidity risk, commodity risk, currency risk or interest rate risk limits, as well as employees who, by deciding on product terms, can affect the Bank's risk profile, must always have fixed compensation only.

Variable compensation at Handelsbanken must be designed so that it does not encourage unhealthy risk-taking, is within the limits of the

Bank's risk tolerance and taking into account a reasonable balance between fixed and variable compensation. The result on which the variable compensation is based must also be risk-adjusted. The Board of Handelsbanken adopted a compensation policy for the first time in 2009. The main content of the compensation policy adopted in 2011 is shown in note G8 on pages 100–103. Ahead of 2012, with the assistance of PwC, the Board's compensation policy has been further developed. It prescribes that only employees within units whose profits derive from commissions or intermediary transactions that take place without the Bank being subject to risk, are entitled to receive variable compensation. Variable compensation is paid in cash, and the disbursement of at least 40 per cent of variable compensation exceeding SEK 100,000 must be deferred by at least three years. Deferred compensation can be removed or lowered and will not be paid to the person with the entitlement until after the end of the deferment period. No employee may receive variable compensation of more than 150 per cent of their fixed compensation, and the total variable compensation paid cannot be more than 100 per cent of the combined fixed compensation for the individuals who receive variable compensation.

#### Policy documents

##### CREDIT POLICY

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

##### POLICY FOR OPERATIONAL RISKS

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

##### FINANCIAL POLICY

The Group's funding must be well-diversified in terms of markets, currencies and maturities. The liquidity risk exposure is restricted by limits

established by the Board. The Board sets limits for long-term funding. During stressed market conditions, the Bank must have an adequate liquidity reserve to be able to continue its operations for a pre-determined period of time, without new funding in the financial markets.

##### CAPITAL POLICY

The Bank must have economic capital (see the risk section in note G2 on pages 80–97) which corresponds to all risks that may lead to unexpected losses. This is to guarantee that the Tier 1 capital covers the minimum legal capital requirements by a safety margin determined by the Board. The Bank's capital situation must also make it possible to maintain a high rating from the most important rating agencies.

##### FINANCIAL RISK POLICY

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

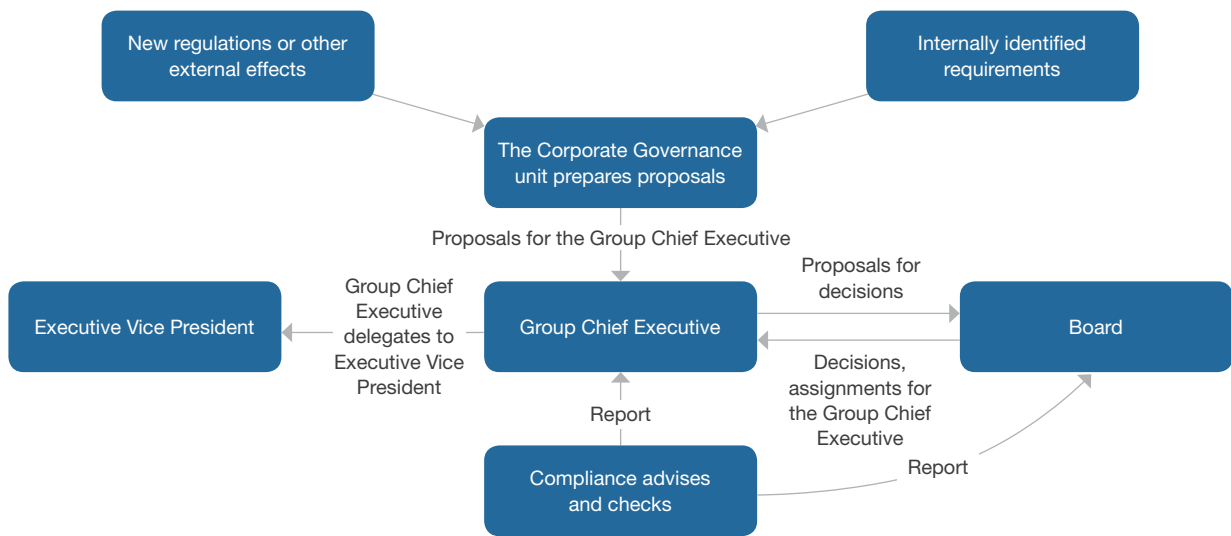
##### INFORMATION POLICY

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

##### ETHICAL GUIDELINES

Employees of the Bank must conduct themselves in a manner that upholds confidence in the Bank. All operations at the Bank must

Production and follow-up of corporate governance documents



be characterised by high ethical standards. Customers must be treated with respect, and the financial advice provided must be based on the customer's requirements. Conflicts of interest are identified and handled according to internal and external regulations. The Bank's ethical guidelines are available to everyone on the Bank's website at handelsbanken.se/csreng. Here, there is more information regarding the Bank's respect for laws and directives, as well as its stance on economic crime, tax evasion, advisory services and human rights.

In case of doubt as to what is ethically acceptable, the matter must be discussed with the employee's line manager.

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

**POLICY FOR MANAGING AND REPORTING EVENTS OF MATERIAL IMPORTANCE**  
Incidents of material importance must be reported to the Swedish Financial Supervisory Authority. This refers to incidents that may jeopardise the Bank's stability or protection of customers' assets. No such incidents occurred during the year.

**POLICY FOR THE BANK'S USE OF THE EXTERNAL AUDITORS' SERVICES**  
Engagement of the external auditors elected by the AGM for assignments other than auditing and related assignments is subject to special review and reporting to the audit committee.

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

**POLICY FOR COMPLIANCE**  
Compliance means the observance of laws, regulations, directives from public authorities and internal rules, as well as accepted business practices or accepted standards, such as general guidelines published by supervisory authorities relating to the operations that are subject to a licence. This means that the Bank must comply with regulations such as the Swedish Financial Supervisory Authority's guidelines and the Swedish Code of Corporate Governance, which are considered to represent sound practices. The compliance function must inform the audit committee and Group Chief Executive regarding the Bank's compliance. See also page 60.

**POLICY FOR AGREEMENTS RELATING TO THE ENGAGEMENT OF THIRD PARTIES**  
This policy regulates the Bank's outsourced operations which are subject to a licence to a third party, such as operation of IT systems, acquiring card transactions or other operations with a natural link to the Bank's operations.  
The Bank or its subsidiaries are always responsible for the outsourced operations being run

in accordance with any licences linked to the operations.

#### POLICY ON MEASURES TO PREVENT MONEY LAUNDERING AND FINANCING OF PARTICULARLY SERIOUS CRIME

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

#### COMPENSATION POLICY

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

For a more detailed description of Handelsbanken's compensation principles, see pages 56–57.

#### THE BANK'S SENIOR MANAGEMENT Group Chief Executive

Pär Boman has been President and Group Chief Executive since April 2006. Mr Boman was born in 1961 and has worked at Handelsbanken since 1991. In 1998 he was appointed Executive Vice President and Head of Regional Bank Denmark, and thereafter Head of Handelsbanken Markets. Pär Boman has an engineering degree and a business degree. In addition to being on the Board of the Bank, Mr Boman is also a Board member of Svenska Cellulosa AB SCA, and the Swedish Bankers' Association. His shareholdings in the Bank and those of close relatives are 7,133 shares, of which 4,883 are held indirectly via the Oktogonen profit-sharing foundation. In addition, Mr Boman has an unchanged holding of staff convertible notes for a nominal amount of SEK 5.64 million in the 2008 programme at a conversion price of SEK 187.56, corresponding to 30,059 Class A shares, as well as staff convertible notes in

the 2011 programme for a nominal amount of SEK 8.32 million, at a conversion price of SEK 256.52, corresponding to 32,426 shares.

#### Group Management and Group Management structure

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

Operations are pursued to a large extent within the parent company and, primarily for legal reasons, also in subsidiaries, both in Sweden and in other countries. The Group management team consists of the Central Group Management, as well as the management of branch office operations, business areas and central departments. The branch operations are geographically organised into regional banks: six in Sweden, one each in Denmark, Finland and Norway, and three in the UK, which together constitute the Bank's home markets. The regional banks in Sweden have been co-ordinated under a Head of Swedish Regional Bank Operations, while the regional banks in the UK are co-ordinated under a Head of UK Regional Bank Operations. Branch operations outside the Bank's home markets are led by the Head of Handelsbanken International.

Each regional bank is led by a head of regional bank, who is a member of the Group Management. The Group Management also includes the Head of Handelsbanken International, the Head of Swedish Regional Bank Operations, and the Head of UK Regional Bank Operations. The heads of the regional banks in Denmark, Norway and Finland, as well as the Head of UK Regional Bank Operations and the country managers within Handelsbanken International, are responsible to the public authorities in their respective host countries for all operations that the Bank and its subsidiaries pursue in those countries.

Handelsbanken has the following business areas: Handelsbanken Capital Markets, Handelsbanken Stadshypotek, Handelsbanken Direkt, and Forestry and Farming. In addition to the investment banking operations, Handelsbanken Capital Markets includes asset management. This business area also includes the subsidiaries Handelsbanken Fonder (mutual funds)

and Handelsbanken Liv (life insurance). The Handelsbanken Stadshypotek business area includes the Stadshypotek AB subsidiary, which pursues mortgage loan operations and other property financing. In 2011, a business area called Forestry and Farming was also formed for financing forestry and agriculture. Handelsbanken Direkt has overall responsibility for business development of standardised banking services, and also for meetings with private and corporate customers online and by phone. This business area also includes finance company operations, which are pursued in the subsidiary Handelsbanken Finans AB. Each business area is responsible for products and services in its own field. In addition, Handelsbanken Capital Markets is responsible for the Bank's products for corporate customers. The Bank has also gathered a group of specialists at a unit called Large Corporates in order to offer its largest corporate customers the best possible service.

The Central Group Management and central departments represent various parts of the Bank's head office functions, such as the departments for treasury and finance, credits, infrastructure, corporate governance and contact with public authorities, IT, personnel, legal matters and corporate communications.

Thus, the Bank has a somewhat broader concept of Group management than that which is considered to apply in the Swedish Company Act's regulations regarding senior management. As a consequence, the group of people in Group Management presented on pages 64–65 of the Corporate Governance Report is wider than the group of people included in senior management under note G8 on pages 100–103.

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

Details about the Group management are shown on pages 64–65.

### INTERNAL CONTROL AND THE BANK'S CONTROL FUNCTIONS

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

#### Internal Audit

The Bank has a long tradition of internal auditing. Long before external requirements on internal auditing were introduced, the Bank's management had an internal audit function at its disposal that was independent of the line organisation. The current organisation with centrally and regionally located internal auditors has been very effective for over 20 years. The regional internal audit departments are part of the Central Audit Department, which constitutes an integrated internal audit function. The Head of the Central Audit Department is appointed by and reports to the Board. Thus, the Internal Audit function is the Board's controlling body. The elected organisation and long tradition give

Internal Audit the authority and integrity required to enable the AGM-elected auditors, in their close co-operation with Internal Audit, to trust in measures and data from the latter. Unlike the Internal Audit function, the compliance and risk control functions are the Bank management's control body for compliance and risk control.

The Board appoints the Head of the Central Audit Department. The Audit Department has just over 90 employees, a large number of whom have expertise corresponding to public authorised accountants. The Bank's external auditors evaluate and check the quality of Internal Audit's work. Internal Audit's assignments are based on an internal auditing policy established by the Board. The audit work focuses on examining operations and procedures which are of material importance and/or involve risks. The planned auditing tasks are documented annually in an audit plan which is established by the Board's audit committee on behalf of the Board. The conclusion of internal audits, the actions to be taken, and their status are continually reported to the audit committee and every year to the full Board.

#### Compliance

Compliance is the responsibility of all employees in the Group. The setting-up of compliance functions centrally, within regional banks, business areas and central departments, as well as in every country where the Bank has operations, does not release any employee from the responsibility of complying with the external and

internal regulations applying to the operations. However, the regulations are often complex, and in some cases the individual employee may have limited experience. It is thus vital that guidance is available, to avoid mistakes. The compliance function must ensure that laws, regulations and internal rules, as well as accepted business practices and standards, are complied with in the operations conducted by the Handelsbanken Group that are subject to a licence. The function must also assist in drawing up internal rules and provide information about new and amended rules for the operation. The compliance function must actively check compliance with regulations. Central Compliance has functional responsibility for compliance matters. The Group Chief Executive appoints the Head of Central Compliance. The Head of Compliance submits regular reports regarding material observations to the Group Chief Executive. In addition, every quarter, the Group Chief Executive receives a compliance report, and twice a year a Group compliance report is submitted directly to the Board's audit committee.

As from 1 August 2011, Central Compliance has been an independent unit, after previously being part of Handelsbanken's Central Legal Department.

#### Risk Control

The risk control function is briefly described in the overview of the Bank's governance structure on pages 50–51. Note G2 on pages 80–97 contains a more detailed description.

#### Organisation for internal control

##### RESPONSIBILITIES

Each business unit at the Bank is responsible for its business and the associated risks. The Group Chief Executive has therefore delegated responsibility for internal control to heads of main departments, which in turn delegate the responsibility to the local branches/units so that managers at these levels are also responsible for their own units.

##### CONTROL

Central independent risk control  
Central Credit Department  
Compliance

These must annually assess that the internal control is fit for purpose.

##### REVIEW & EVALUATION

1. Internal Audit
2. Audit committee of Central Board
3. Central Board
4. External auditing

Risk management is reviewed and evaluated on a regular basis by Internal Audit and the external auditors.

### THE BOARD'S REPORT ON INTERNAL CONTROL REGARDING FINANCIAL REPORTING

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

#### Control environment

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

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

#### Risk assessment

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

In a self-evaluation, the employee defines the events that constitute potential risks to the operation and then estimates the probability and consequences of each risk. Particular focus is placed on the risk of fraud and the risk of loss or embezzlement of assets. A plan of action is then drawn up, based on the self-evaluation. Other aspects of Handelsbanken's risk management are detailed in note G2 on pages 80–97.

#### Control activities

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

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

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

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

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

High IT security is a precondition for good internal control of financial reporting, which is why there are regulations and guidelines to ensure availability, accuracy, confidentiality and trace-

ability of information in the business systems.

As part of the quality control work for financial reporting, the Board has set up an audit committee consisting of the Chairman of the Board and two Board members. The committee processes critical accounting matters and the financial reports produced by the Bank. The committee also supervises the efficiency of the internal control, internal auditing and risk management systems for financial reporting. See the section under the "Committee work" heading on page 54 for more details.

#### Information and communication

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

#### Follow-up

The Central Audit Department, Central Risk Control and Group Finance monitor compliance with internal policies, instructions and other policy documents. Monitoring takes place at the central level, but also locally in regional banks, subsidiaries and business areas. The policy established by the Board for Internal Audit states that internal governance and control must be examined. Internal Audit is described in more detail on page 60. The Group's information and communication paths are monitored continually to ensure that they are appropriate for the financial reporting.

# Board members



Name	Hans Larsson, Chairman	Anders Nyrén, Vice Chairman	Fredrik Lundberg, Vice Chairman	Jon Fredrik Baksaas, Board Member	Ulrika Boëthius, Board Member	Pär Boman, Board Member
<b>Position</b>	Director	President and CEO of AB Industrivärden	President and CEO of LE Lundbergföretagen AB	President and CEO of Telenor ASA	Bank employee	President and CEO of Handelsbanken
<b>Education</b>	BA	Graduate in Business Administration and MBA	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Business Administration and MBA	Sciences Upper Secondary School	Engineering and Business/Economics degree
<b>Year elected</b>	1990	2001	2002	2003	2004	2006
<b>Year of birth</b>	1942	1954	1951	1954	1961	1961
<b>Nationality</b>	Swedish	Swedish	Swedish	Norwegian	Swedish	Swedish
<b>Other assignments</b>	Chairman of Attendo AB, Valedo Partners Fund 1 and 2 AB. Board member AB Industrivärden, Holmen AB.	Chairman of Sandvik AB. Board member Telefonaktiebolaget L M Ericsson, Ernströmgruppen AB, AB Industrivärden, Svenska Cellulosa AB SCA, SSAB AB, AB Volvo. Board member Stockholm School of Economics and Stockholm School of Economics Association.	Chairman of Holmen AB, Hufvudstaden AB. Board member L E Lundbergföretagen AB, AB Industrivärden, Sandvik AB, Skanska AB.	Board member Det Norske Veritas (council), Doorstep AS, GSMA, VimpelCom Ltd.	Vice Chair Swedish Financial Sector Union.	Board member Svenska Cellulosa AB SCA, Swedish Bankers' Association.
<b>Background</b>	1992–1999 CEO Nordstjärnan AB. 1989–1991 CEO Esselte AB. 1985–1989 CEO Swedish Match AB. Chairman of the boards of, among others, Nobia AB, Sydsvenska Kemi AB, Carema AB, Althin Medical AB, NCC AB, Bilspedition/BTL AB, Linjebuss AB.	1997–2001 Deputy CEO, CFO Skanska. 1996–1997 Dir Markets and Corporate Finance Nordbanken. 1992–1996 Deputy CEO, CFO Securum. 1987–1992 CEO OM International AB. 1986–1987 CEO STC Venture AB. 1982–1987 Deputy CEO, CFO STC. 1979–1982 Director AB Wilhelm Becker.	Active at Lundbergs since 1977. CEO L E Lundbergföretagen AB since 1981.	1994–2002 CFO, Executive Vice President, Senior Executive Vice President Telenor ASA. 1997–1998 Managing Director Telenor Bedrift AS. 1989–1994 CFO, CEO TBK AS. 1988–1989 Chief Finance Director Aker AS. 1985–1988 Chief Finance Director Stolt Nielsen Seaway AS, Oslo and Haugesund. 1979–1985 System consultant, Controller, Contract Co-ordinator Det Norske Veritas.	Employed by Handelsbanken since 1981. Chair of union club, Handelsbanken, 1997–2004.	2002–2005 EVP, Head of Handelsbanken Markets. 1998–2002 EVP, Head of Regional Bank Denmark, Handelsbanken. Employed at Handelsbanken since 1991.
<b>Remuneration</b>	SEK 3,575,000	SEK 1,100,000	SEK 1,100,000	SEK 550,000	SEK 0	SEK 0
<b>Credit committee Attendance*</b>	Chairman 12/12	Member 12/12	Member 12/12	Member*** 2/3	Deputy member	Member 12/12
<b>Audit committee Attendance</b>	Member 5/5	–	–	–	–	–
<b>Remuneration committee Attendance</b>	Chairman 11/11	–	–	–	–	–
<b>Board meetings Attendance</b>	11/11	11/11	11/11	9/11	10/11	11/11
<b>Own shareholdings and those of immediate family</b>	18,600	2,000	2,525,000	0	4,840, of which 4,840 in indirect holdings****. Staff convertible at nominal amount: 2008: SEK 226,000 2011: SEK 188,179	7,133, of which 4,883 in indirect holdings****. Staff convertible at nominal amount: 2008: SEK 5,638,000 2011: SEK 8,318,142
<b>Dependent/independent</b>	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (President and CEO of AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Not independent (employee).	Not independent (President and Group Chief Executive).

\* Lars Kahlund, Head of the Central Credit Department, has attended all meetings. \*\*\*\* Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.

\*\* Deputy until 23 March 2011, and subsequently member.

\*\*\*\*\* Member from 24 March 2011.

\*\*\* Member until 23 March 2011.





Name	Tommy Bylund, Board Member	Göran Ennerfelt, Board Member	Jan Johansson, Board Member	Sverker Martin-Löf, Board Member	Bente Rathe, Board Member	Lone Fonss Schröder, Board Member
Position	Bank Vice President	CEO of Axel Johnson Holding AB	President and CEO of Svenska Cellulosa AB SCA	Director	Director	Director
Education	Upper Secondary School	BA and Graduate in Business Administration	Bachelor of Laws	Lic. Tech, PhD (h.c.)	Graduate in Business Administration and MBA	Graduate in Business Administration and Bachelor of Laws
Year elected	2000	1985	2009	2002	2004	2009
Year of birth	1959	1940	1954	1943	1954	1960
Nationality	Swedish	Swedish	Swedish	Swedish	Norwegian	Danish
Other assignments	Chairman of the Oktogonen Foundation. Member of Ljusdal municipality's business policy foundation, Närjhus.	–	Board member SSAB AB, Svenska Cellulosa AB SCA.	Chairman AB Industrivärden, Svenska Cellulosa AB SCA, Skanska AB, SSAB AB, Vice Chairman Telefonaktiebolaget L M Ericsson.	Chair Ecohz AS, Cenium AS. Vice chair Norsk Hydro ASA, Powel AS, Innovasjon Norge. Board member Polaris Media ASA, Nordic Choice Hospitality Group AS, Home Invest AS, Aker Kvæmer Holding AS, Ethics Committee for Norwegian Government Pension Fund, international.	Board member Vattenfall (audit committee), Aker ASA (audit committee), Aker Solutions ASA, NKT A/S, Volvo Personvagnar AB (Chair audit committee).
Background	Employed at Handelsbanken since 1980. Branch manager at Handelsbanken since 1992.	Since 1966 has had various assignments and positions within the Axel Johnson Group except for a period at Wells Fargo, San Francisco, USA, 1971–1972.	2001–2007 President and CEO Boliden AB. 2001 Head of network operations, Telia AB. 1994–2001 Deputy CEO Vattenfall. 1990–1994 Head of Division at Svenska Shell. 1985–1990 Corporate lawyer at Shell. 1984–1985 Trainee lawyer. 1981–1983 District court clerk.	1977–2002 active at Svenska Cellulosa AB SCA in various management positions.	1999–2002 Deputy CEO Gjensidige NOR (CEO of life insurance company, Chair of Mutual Fund and Asset Management Company). 1996–1999 CEO Gjensidige Bank AS. 1993–1996 CEO Elcon Finans AS. 1991–1993 Deputy CEO Forenede Forsikring. 1989–1991 CFO Forenede Forsikring. 1977–1989 Head of Credits and CFO E.A. Smith AS.	2005–2010 CEO Walleniusrederierna AB. 1982–2004 leading management positions within AP Møller/Maersk A/S.
Remuneration	SEK 0	SEK 675,000	SEK 550,000	SEK 1,050,000	SEK 975,000	SEK 1,000,000
Credit committee Attendance*	Member 11/12	Member*** 2/3	Deputy member	Member 12/12	Member** 9/10	Member***** 8/9
Audit committee Attendance	–	–	–	Chairman 5/5	–	Member 4/5
Remuneration committee Attendance	–	Member 10/11	–	–	Member 11/11	–
Board meetings Attendance	10/11	8/11	11/11	11/11	11/11	11/11
Own shareholdings and those of immediate family	17,362, of which 16,418 in indirect holdings****. Staff convertible at nominal amount: 2008: SEK 909,000 2011: SEK 1,131,799	65,000	5,000	4,000	1,330	0
Dependent/independent	Not independent (employee).	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.

# Group Management

## and Compliance and Internal Audit

Name	Position	Year of birth	Employed	Shareholdings	Staff convertible <sup>1</sup>	
					2008	2011
<b>CENTRAL GROUP MANAGEMENT</b>						
<b>Pär Boman</b>	President and Group Chief Executive	1961	1991	7,133, of which 4,883 in indirect holdings*	SEK 5,638,000	SEK 8,318,142
<b>Katarina Berner Frösödal</b>	Executive Vice President, Head of Personnel Department	1956	1979	17,764, of which 17,764 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
<b>Anders H Johansson</b>	Executive Vice President, Head of IT Department	1955	1999	1,743, of which 1,743 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
<b>Lars Kahlund</b>	Executive Vice President, Head of Credit Department	1954	1975	27,610, of which 27,610 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
<b>Agneta Lilja</b>	Senior Vice President, Head of Infrastructure Department	1961	1985	9,961, of which 9,961 in indirect holdings*	SEK 1,133,000	SEK 3,763,599
<b>Claes Norlén</b>	Executive Vice President, board member Nordic regional banks	1955	1978	20,983, of which 20,483 in indirect holdings*	SEK 2,266,000	SEK 4,654,514
<b>Ulf Riese</b>	Executive Vice President, CFO, Head of Group Finance, Investor Relations	1959	1983	31,432, of which 12,775 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
<b>Håkan Sandberg</b>	Executive Vice President, Chairman of subsidiaries and regional bank boards	1948	1969	4,781, of which 4,272 in indirect holdings*	SEK 2,266,000	SEK 4,654,514
<b>BRANCH OFFICE OPERATIONS</b>						
<b>SWEDISH REGIONAL BANK OPERATIONS</b>						
<b>Thommy Mossinger</b>	Executive Vice President, Head of Swedish regional banks	1951	1982	267, of which 267 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
<b>Heads of regional banks in Sweden</b>						
<b>Annika Brunnéd</b>	Senior Vice President, Head of Regional Bank Northern Sweden	1964	1984	10,531, of which 10,531 in indirect holdings*	SEK 1,133,000	SEK 3,763,599
<b>Pontus Åhlund</b>	Senior Vice President, Head of Regional Bank Central Sweden	1963	1983	9,309, of which 8,309 in indirect holdings*	SEK 1,133,000	SEK 3,763,599
<b>Carina Åkerström</b>	Executive Vice President, Head of Regional Bank Stockholm	1962	1986	5,494, of which 5,494 in indirect holdings*	SEK 1,133,000	SEK 5,545,428
<b>Mikael Westerback</b>	Senior Vice President, Head of Regional Bank Eastern Sweden	1962	1985	9,506, of which 9,506 in indirect holdings*	SEK 1,133,000	SEK 3,763,599
<b>Katarina Ljungqvist</b>	Senior Vice President, Head of Regional Bank Western Sweden	1965	1989	5,425, of which 5,425 in indirect holdings*	SEK 1,133,000	SEK 1,131,799
<b>Anders Ohlner</b>	Executive Vice President, Head of Regional Bank Southern Sweden	1955	1985	8,925, of which 8,425 in indirect holdings*	SEK 2,266,000	SEK 3,763,599

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

<sup>1</sup> See note G39.

Name	Position	Year of birth	Employed	Shareholdings	Staff convertible <sup>1</sup>	
					2008	2011
<b>BRANCH OFFICE OPERATIONS CONT.</b>						
UK REGIONAL BANK OPERATIONS						
<b>Anders Bouvin</b>	Executive Vice President, Head of UK regional banks	1958	1985	11,674, of which 10,174 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
<b>Heads of regional banks in UK</b>						
<b>Tracey Davidson</b>	Senior Vice President, Head of Regional Bank Northern Great Britain	1968	2003	831, of which 831 in indirect holdings*	SEK 1,133,000	SEK 4,654,514
<b>Göran Stille</b>	Senior Vice President, Head of Regional Bank Central Great Britain	1966	1987	2,101, of which 2,101 in indirect holdings*	SEK 2,266,000	SEK 4,654,514
<b>Simon Lodge</b>	Senior Vice President, Head of Regional Bank Southern Great Britain	1958	2004	706, of which 706 in indirect holdings*	SEK 1,133,000	SEK 4,654,514
DANISH REGIONAL BANK						
<b>Frank Vang-Jensen</b>	Executive Vice President, Head of Regional Bank Denmark	1967	1998	1,256, of which 956 in indirect holdings*	SEK 2,266,000	SEK 4,000,000
FINNISH REGIONAL BANK						
<b>Nina Arkilahti</b>	Executive Vice President, Head of Regional Bank Finland	1967	1995	4,593, of which 2,194 in indirect holdings*	SEK 0	SEK 4,000,000
NORWEGIAN REGIONAL BANK						
<b>Dag Tjernsmo</b>	Executive Vice President, Head of Regional Bank Norway	1962	1988	3,381, of which 3,381 in indirect holdings*	SEK 909,000	SEK 4,000,000
HANDELSBANKEN INTERNATIONAL						
<b>Magnus Uggla</b>	Executive Vice President, Head of Handelsbanken International	1952	1983	42,826, of which 12,826 in indirect holdings*	SEK 2,266,000	SEK 3,763,599
<b>BUSINESS AREAS</b>						
<b>Michael Green</b>	Executive Vice President, Head of Handelsbanken Capital Markets and Handelsbanken Asset Management	1966	1994	3,179, of which 3,179 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
<b>Yonnie Bergqvist</b>	Executive Vice President, Head of Handelsbanken Direkt	1961	1979	15,551, of which 15,414 in indirect holdings*	SEK 2,266,000	SEK 5,000,000
<b>Per Beckman</b>	Chief Executive of Stadshypotek	1962	1993	2,191, of which 2,191 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
<b>Rainer Lawniczak</b>	Senior Vice President, Head of Forestry and Farming	1958	1982	14,062, of which 14,062 in indirect holdings*	SEK 2,266,000	SEK 4,654,514
<b>CENTRAL UNITS</b>						
<b>Jan Häggström</b>	Senior Vice President, Head of Economic Research	1949	1988	6,213, of which 6,213 in indirect holdings*	SEK 2,266,000	SEK 3,763,599
<b>Ulf Köping Höggård</b>	Senior Vice President, Head of Legal Department	1949	1990	5,247, of which 5,247 in indirect holdings*	SEK 2,266,000	SEK 3,763,599
<b>Johan Lagerström</b>	Senior Vice President, Head of Corporate Communications	1961	2002	1,628, of which 1,232 in indirect holdings*	SEK 1,133,000	SEK 3,763,599
<b>Klas Tollstadius</b>	Senior Vice President, Central Board Secretary, Head of contacts with public authorities and the financial sector, corporate governance and CSR	1954	1991	4,911, of which 4,911 in indirect holdings*	SEK 226,000	SEK 3,327,257

## Compliance and Internal Audit

<b>Luciana Pacor Hygrell</b>	Senior Vice President, Head of Central Compliance	1954	1979	17,039, of which 17,036 in indirect holdings*	SEK 750,000	SEK 1,133,000
<b>Tord Jonerot</b>	Senior Vice President, Head of Audit Department	1958	1990	5,172, of which 5,172 in indirect holdings*	SEK 2,266,000	SEK 4,654,514

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

<sup>1</sup> See note G39.

# Financial reports

## Group

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# Income statement Group

Group SEK m		2011	2010
Interest income	Note G3	61 560	43 389
Interest expense	Note G3	-37 947	-22 052
<b>Net interest income</b>		<b>23 613</b>	<b>21 337</b>
Fee and commission income	Note G4	8 976	9 294
Fee and commission expense	Note G4	-1 303	-1 272
<b>Net fee and commission income</b>		<b>7 673</b>	<b>8 022</b>
Net gains/losses on financial items at fair value	Note G5	1 016	1 377
Risk result, insurance	Note G6	209	205
Other dividend income		146	190
Share of profit of associated companies	Note G22	9	11
Other income	Note G7	143	154
<b>Total income</b>		<b>32 809</b>	<b>31 296</b>
Administrative expenses			
Staff costs	Note G8	-9 942	-9 504
Other expenses	Note G9	-5 060	-5 062
Depreciation, amortisation and impairments of property, equipment and intangible assets	Note G25, G26	-462	-452
<b>Total expenses</b>		<b>-15 464</b>	<b>-15 018</b>
<b>Profit before loan losses</b>		<b>17 345</b>	<b>16 278</b>
Net loan losses	Note G10	-816	-1 507
Gains/losses on disposal of property, equipment and intangible assets	Note G11	7	-1
<b>Operating profit</b>		<b>16 536</b>	<b>14 770</b>
Taxes	Note G35	-4 372	-3 962
<b>Profit for the year from continuing operations</b>		<b>12 164</b>	<b>10 808</b>
Profit for the year from discontinued operations, after tax	Note G12	159	217
<b>Profit for the year</b>		<b>12 323</b>	<b>11 025</b>
<i>Attributable to</i>			
Ordinary shareholders		12 323	11 025
Minority interest		0	0
Earnings per share, continuing operations, SEK	Note G13	19.52	17.37
after dilution	Note G13	19.14	17.10
Earnings per share, discontinued operations, SEK	Note G13	0.26	0.35
after dilution	Note G13	0.25	0.34
Earnings per share, total operations, SEK	Note G13	19.78	17.72
after dilution	Note G13	19.39	17.44

# Statement of comprehensive income Group

Group SEK m	2011	2010
Profit for the year	12 323	11 025
<b>Other comprehensive income</b>		
Cash flow hedges	-297	-325
Available-for-sale instruments	-1 318	2 186
Translation difference for the year	-4	-2 015
<i>of which hedging net investment in subsidiaries</i>	-2	377
Tax related to other comprehensive income	443	-612
<i>of which cash flow hedges</i>	78	85
<i>of which available-for-sale instruments</i>	365	-598
<i>of which hedging net investment in subsidiaries</i>	0	-99
<b>Total other comprehensive income</b>	<b>-1 176</b>	<b>-766</b>
<b>Total comprehensive income for the year</b>	<b>11 147</b>	<b>10 259</b>
<i>Attributable to</i>		
Ordinary shareholders	11 147	10 259
Minority interest	0	0

The period's reclassifications to the income statement are presented in note G40.  
Discontinued operations only affect Translation difference for the year in Other comprehensive income.

# Balance sheet Group

Group SEK m		2011	2010
<b>ASSETS</b>			
Cash and balances with central banks		251 857	56 637
Other loans to central banks	Note G17	124 122	50 989
Treasury bills and other eligible bills	Note G20	43 971	50 738
Loans to other credit institutions	Note G18	106 823	123 465
Loans to the public	Note G19	1 591 128	1 513 687
Value change of interest hedged item in portfolio hedge		4 490	4 744
Bonds and other interest-bearing securities	Note G20	60 231	68 500
Shares	Note G21	27 236	38 210
Share of profit of associated companies	Note G22	205	133
Assets where the customer bears the value change risk	Note G23	62 721	61 182
Derivative instruments	Note G24	142 074	102 283
Reinsurance assets		2	12
Intangible assets	Note G25	7 079	6 905
Property and equipment	Note G26	3 507	3 307
Current tax assets		42	74
Deferred tax assets	Note G35	380	337
Net pension assets	Note G8	4 775	4 670
Assets held for sale		944	767
Other assets	Note G27	14 267	60 260
Prepaid expenses and accrued income	Note G28	8 512	6 630
<b>Total assets</b>	Note G14	<b>2 454 366</b>	<b>2 153 530</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	Note G29	201 889	251 972
Deposits and borrowing from the public	Note G30	724 888	564 142
Liabilities where the customer bears the value change risk	Note G31	62 800	61 214
Issued securities	Note G32	1 140 074	963 501
Derivative instruments	Note G24	127 303	101 753
Short positions	Note G33	21 397	36 026
Insurance liabilities	Note G34	690	723
Current tax liabilities		818	882
Deferred tax liabilities	Note G35	9 466	9 144
Provisions	Note G36	31	77
Liabilities related to assets held for sale		345	302
Other liabilities	Note G37	13 847	12 604
Accrued expenses and deferred income	Note G38	20 977	18 851
Subordinated liabilities	Note G39	35 317	43 948
<b>Total liabilities</b>	Note G14	<b>2 359 842</b>	<b>2 065 139</b>
Minority interest		0	0
Share capital		2 902	2 899
Share premium		793	184
Reserves	Note G41	-2 010	-834
Retained earnings		80 516	75 117
Profit for the year		12 323	11 025
<b>Total equity</b>		<b>94 524</b>	<b>88 391</b>
<b>Total liabilities and equity</b>		<b>2 454 366</b>	<b>2 153 530</b>

# Statement of changes in equity

## Group

Group 2010								
SEK m	Share capital	Share premium	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2010	2 899	184	-217	-802	951	80 072	1	83 088
Profit for the year						11 025	0	11 025
Other comprehensive income			-240	1 588	-2 114		0	-766
<b>Total comprehensive income for the year</b>			<b>-240</b>	<b>1 588</b>	<b>-2 114</b>	<b>11 025</b>	<b>0</b>	<b>10 259</b>
Dividend						-4 988		-4 988
Changes in holdings of own shares in trading book						33		33
Changes in minority interests							-1	-1
<b>Closing equity 2010</b>	<b>2 899</b>	<b>184</b>	<b>-457</b>	<b>786</b>	<b>-1 163</b>	<b>86 142</b>	<b>0</b>	<b>88 391</b>

Group 2011								
SEK m	Share capital	Share premium	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2011	2 899	184	-457	786	-1 163	86 142	0	88 391
Profit for the year						12 323	0	12 323
Other comprehensive income			-219	-953	-4		0	-1 176
<b>Total comprehensive income for the year</b>			<b>-219</b>	<b>-953</b>	<b>-4</b>	<b>12 323</b>	<b>0</b>	<b>11 147</b>
Dividend						-5 611		-5 611
Conversion of the convertible subordinated loan issued in 2008	3	103						106
Equity component of the convertible subordinated loan issued in 2011		506						506
Changes in holdings of own shares in trading book						-15		-15
Changes in minority interests							0	0
<b>Closing equity 2011</b>	<b>2 902</b>	<b>793</b>	<b>-676</b>	<b>-167</b>	<b>-1 167</b>	<b>92 839</b>	<b>0</b>	<b>94 524</b>

For the 2008 convertible subordinated loan, conversion to shares is possible from 1 June 2011. At the end of the financial year, convertibles for a nominal value of SEK 111m had been converted into 593,180 Class A shares. At the same point in time the holdings of own shares in the trading book was 79,520 (0).

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



# Cash flow statement Group

Group SEK m	2011	2010
<b>OPERATING ACTIVITIES</b>		
Operating profit, total operations	16 735	14 979
<i>of which paid-in interest</i>	60 032	43 375
<i>of which paid-out interest</i>	-36 248	-20 813
<i>of which paid-in dividends</i>	734	723
Adjustment for non-cash items in profit/loss		
Loan losses	1 272	1 771
Unrealised changes in value	-3 323	1 095
Depreciation, amortisation and impairments	462	452
Paid income tax	-3 994	-3 268
Changes in the assets and liabilities of operating activities		
Other loans to central banks	-73 134	5 942
Loans to other credit institutions	16 635	-30 763
Loans to the public	-78 964	-21 451
Interest-bearing securities and shares	31 127	45 139
Due to credit institutions	-50 082	26 332
Deposits and borrowing from the public	160 781	128
Issued securities	176 574	-2 575
Derivative instruments, net positions	-14 100	12 511
Short-term positions	-14 629	6 380
Claims and liabilities on investment banking settlements	43 617	-13 526
Other	-8 880	-17 116
<b>Cash flow from operating activities</b>	<b>200 097</b>	<b>26 030</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	-	-8
Change in shares	168	0
Change in interest-bearing securities	-3 168	157
Change in property and equipment	-358	-299
Change in intangible non-current assets	-301	-99
<b>Cash flow from investing activities</b>	<b>-3 659</b>	<b>-249</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-10 835	-10 863
Issued subordinated loans	2 512	-
Dividend paid	-5 611	-4 988
<b>Cash flow from financing activities</b>	<b>-13 934</b>	<b>-15 851</b>
<b>Cash flow for the year</b>	<b>182 504</b>	<b>9 930</b>
Liquid funds at beginning of year	56 637	49 882
Cash flow from operating activities	200 097	26 030
Cash flow from investing activities	-3 659	-249
Cash flow from financing activities	-13 934	-15 851
Exchange rate difference on liquid funds	12 716	-3 175
<b>Liquid funds at end of year</b>	<b>251 857</b>	<b>56 637</b>

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

# Notes Group

## G1 Accounting policies

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### 1. STATEMENT OF COMPLIANCE

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

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

### Issuing and adoption of annual report

The annual report and consolidated accounts were approved for issue by the board on 14 February 2012 and will be adopted by the AGM on 28 March 2012.

### 2. CHANGED ACCOUNTING POLICIES ETC.

As of the 2011 financial year, certain counterparties, including securities companies and fund management companies, have been reclassified in the balance sheet. The comparative figures for lending and deposits have been adjusted accordingly. If the change had not been

made, Loans to other credit institutions would have amounted to SEK 131,972 million, Loans to the public to SEK 1,565,979 million, Due to credit institutions to SEK 218,650 million and Deposits and borrowing from the public would have amounted to SEK 708,127 million as at 31 December 2011.

As of 2011, the presentation of the Group's equity is divided into the separate components Share capital, Share premium, Reserves and Retained earnings. Share premium includes the option component of issued convertible debt securities and the amount that upon issue of shares and conversion of convertible debt securities exceeds the quotient value of the shares issued.

In other respects, the accounting policies and calculation methods applied by the Group during the financial year agree in all essentials with the policies applied in the 2010 annual report.

### Future amendments to regulations

The IASB has implemented amendments to IAS 19 Employee Benefits that will be applied as of the 2013 financial year, subject to EU approval. The revised version of IAS 19 results in changed principles for reporting defined benefit pension plans in the consolidated accounts. In summary, the new principles entail the following:

- The "corridor" method for allocating actuarial gains and losses is being removed. Instead, all actuarial gains and losses will immediately be recognised in full in Other comprehensive income.
- When calculating the pension costs of the year, the expected return on plan assets will be equated with the discount rate for the pension liability.

The changed principle is expected to increase the sensitivity in other comprehensive income and equity to changes in the position for the Group's defined benefit pension plans, as all actuarial gains and losses will have a direct impact. Lowering the expected return on plan assets to a level corresponding to the discount rate can be expected to lead to an increase in the recognised pension costs in the income statement. However, pension costs can be expected to become slightly less volatile over time, because actuarial gains and losses will no longer be recycled over the income statement.

In 2011, the IASB issued three new standards that affect consolidated annual accounts: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interest in Other Entities. The standards will be applied as of the 2013 financial year, subject to EU approval of their application. The

new regulations mean that the current criteria in IAS 27 and SIC 12 for consolidation are being replaced by a number of assessment criteria for when controlling influence on another company exists. Handelsbanken's preliminary assessment is that the companies which will be consolidated in the consolidated annual accounts according to the new regulations are essentially the same as the companies consolidated using the current regulations.

The other amendments to standards or interpretive communications adopted or expected to be adopted by the EU for application as of the 2013 financial year are not judged to affect the Group's financial reports to a material extent.

IASB is currently revising a number of existing standards. Of these revisions, IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, is expected to have the greatest effect on Handelsbanken's financial reports. Since most of the revisions have not yet been completed, the Bank is refraining from estimating how the financial reports will be affected or when the new regulations will be applied.

### 3. BASIS OF CONSOLIDATION AND PRESENTATION

#### Subsidiaries

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

Subsidiaries are consolidated according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction where the Group acquires the company's identifiable assets and assumes its liabilities and obligations. In the case of business combinations, an acquisition balance sheet is prepared, where identifiable assets and liabilities are valued at fair value at the time of acquisition. The cost of the business combination comprises the fair value of all assets, liabilities and issued equity instruments provided as payment for the net assets in the subsidiary. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisi-

tion balance sheet is recognised as goodwill in the Group's balance sheet. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date until the date on which control ceases. Intra-group transactions and balances are eliminated when preparing the Group's financial reports.

Where the accounting policies applied for an individual subsidiary do not correspond to the policies applied in the Group, an adjustment is made to the consolidated accounts when consolidating the subsidiary. Mutual funds in which the Bank, due to unit-linked insurance agreements or in some other way, owns more than 50 per cent of the units are consolidated in their entirety in the balance sheet under Assets/Liabilities where the customer bears the value change risk.

#### Associated companies

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

#### Discontinued operations and held-for-sale assets

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

Independent operations which can be clearly differentiated from the Group's other operations and which are classified as held for sale using the above policies are recognised as discontinued operations. Subsidiaries acquired solely for resale are also recognised as discontinued operations. In recognition as a discontinued operation, the operation's profit is reported on a separate line in the income statement, separate from other profit/loss items. Profit or loss from discontinued operations comprises the after-tax

profit or loss of discontinued operations, the profit or loss after tax that arises when valuing the assets held for sale/disposal groups that are included in discontinued operations at fair value less costs to sell, and realised profit or loss from the disposal of discontinued operations.

#### 4. SEGMENT REPORTING

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

#### 5. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

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

#### Translation of foreign operations to the Group's presentation currency

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

#### 6. RECOGNITION OF ASSETS AND LIABILITIES

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

cost of the asset can be reliably measured.

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

Purchases and sales of equities and money market and capital market instruments on the spot market are recognised on the trade date. The same applies to derivatives. Other financial assets and liabilities are normally recognised on the settlement date. Financial assets are removed from the balance sheet when the contractual rights to the cash flows originating from the asset expire or when all risks and rewards related to the asset are transferred to another party. A financial liability is removed from the balance sheet when the obligation ceases or is cancelled.

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

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

#### 7. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial liabilities are classified as follows:

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

The classification in the balance sheet is independent of the measurement category. Thus, different measurement principles may be applied for assets and liabilities carried on the same line in the balance sheet. A classification into measurement categories of the financial assets and liabilities which are recognised on the balance sheet is shown in note G15.

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

### Loans and receivables

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

### Assets held to maturity

Interest-bearing assets which the Group intends and has the capacity to hold to maturity are reported in the Assets held to maturity category. Assets that are classified to be held to maturity are carried at amortised cost. Assets held to maturity are subject to impairment testing when there are indications of an impairment loss. See section 9 for more details.

### Assets and liabilities held for trading

Assets and liabilities held for trading consist of listed financial instruments and derivatives. Financial instruments held for trading are recognised at fair value in the balance sheet. Interest, dividends and other value changes related to these instruments are recognised in the income statement under Net gains/losses on financial items at fair value.

### Financial assets and liabilities which upon initial recognition were classified at fair value in the income statement

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

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

### Available-for-sale financial assets

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

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

### Reclassification of financial instruments

During the financial year 2008, Handelsbanken reclassified some portfolios of interest-bearing securities. The regulations in IAS 39 only allow for reclassification of certain financial assets and only under exceptional circumstances. No further reclassification has been performed since the reclassification in 2008. The impact of the reclassification is described in note G16.

### Repurchase transactions

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

### Securities loans

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

### Financial guarantees and loan commitments

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because

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

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

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

### Combined financial instruments

Clearly separable financial components of assets and liabilities (such as derivatives) are normally accounted for separately in the balance sheet. This is the case, for example, for issues of equity-linked bonds and other structured products where the derivative is reported separately from the host contract at fair value in the income statement.

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

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

## 8. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

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

### Differences between transaction price and fair value

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

### Lending classified to be measured at fair value

Lending that is classified to be measured at fair value is valued at market interest rate and credit risk premium. For lending with no reliable reference price in the market, the credit risk premium is assumed to be the same as the original margin as long as there is no objective proof that the risk has changed. Objective proof of a change in the credit risk is for example late payment or non-payment, bankruptcy or otherwise significantly changed repayment capacity.

### Interest-bearing securities

Interest-bearing securities issued by governments and Swedish mortgage bonds are valued

using current market prices. Corporate bonds are valued using valuation techniques based on market yields for the corresponding maturity adjusted for credit and liquidity risk. The values are regularly examined in order to ensure that the valuation reflects the current market price. The examinations are mainly performed by reconciliation with recently performed transactions in the same or equivalent instruments.

### Shares

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

### Derivatives

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

### Assets and liabilities where the customer bears the value change risk

Assets where the customer bears the value change risk are essentially units in unit-linked insurance contracts and mutual funds which are consolidated in the Group accounts. These units are valued using the fund's current market value (NAV). Each asset corresponds to a liability where the customer bears the value change risk. The valuation of these liabilities reflects the valuation of the assets. Since the policyholders/unit-holders have prior rights to the assets, there is no reason to adjust the valuation for credit risk.

## 9. LOAN LOSSES AND IMPAIRMENT OF FINANCIAL ASSETS

### Loans and receivables recognised at amortised cost

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

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

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

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

on loan losses previously reported as actual losses. Information about probable and actual losses is contained in note G10.

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

#### Disclosures concerning impaired loans

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

#### Valuation of repossessed property

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

#### Impairment losses on available-for-sale financial assets

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

Previously recognised impairment losses on interest-bearing securities classified as available-for-sale financial assets are reversed in the income statement if the fair value of the asset has increased since the impairment loss was recognised and the increase can be objectively

related to an event occurring after the impairment loss was recognised. Previous impairment losses on equity instruments classified as available-for-sale financial instruments are not reversed.

#### 10. HEDGE ACCOUNTING

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

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

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

Cash flow hedges are applied to eliminate undesirable variations in cash flows related to changes in the floating interest rate on lending and funding. The expected maturity for this type of lending and funding is normally much longer than the fixing period, which is very short. The uncertainty in future refinancing and reinvesting interest rates is eliminated using interest rate swaps. Interest rate swaps which are hedging instruments in cash flow hedges are measured at fair value. If the swap's value change is effective – that is, it corresponds to future cash flows related to the hedged item – it is recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of the swap's value change are recognised in the income statement under Net gains/losses on financial items at fair value.

Hedging of net investments in foreign units is applied to protect the Group from exchange rate differences due to operations abroad. Loans in foreign currency raised to hedge net investments in foreign operations are recognised in the Group at the exchange rate on the balance sheet date. The effective part of the exchange rate differences for such loans is recognised as

a component of Other comprehensive income and in the translation differences reserve in equity. The ineffective components of the hedge are recognised in the income statement under Net gains/losses on financial items at fair value.

#### 11. LEASES

The Group's leases are defined as either finance or operating leases. A finance lease transfers substantially all the risks and rewards incidental to legal ownership of the leased asset from the lessor to the lessee. Other leases are operating leases. All leases where the Group is the lessor have been defined as financial leases. Lease agreements of this kind are accounted for as loans in the balance sheet, initially for an amount corresponding to the net investment. Lease fees received are recognised on a continual basis as interest income/repayments. Impairment testing on financial lease agreements is performed according to the same principles as for other lending which is reported at amortised cost.

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

#### 12. INSURANCE OPERATIONS

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

#### Classification and unbundling of insurance contracts

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

#### Accounting for insurance components in insurance contracts

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

Premiums received which have not yet been recognised as income are carried as a liability for paid-in premiums under Insurance liabilities in the balance sheet. The balance-sheet item Insurance liabilities also include liabilities for

sickness annuities, life annuities and other outstanding claims. The insurance liability is valued by discounting the expected future cash flows relating to insurance contracts entered into. The valuation is based on assumptions concerning interest, longevity, health and future charges. The assumptions concerning longevity vary depending on when the policy was taken out and takes into account expected future increases in longevity. The assumptions concerning fees also depend on when the policy was taken out. Principally, this means a fee that is proportional to the premium and a fee that is proportional to the life insurance provisions. Applied assumptions on the insured's future health are based on internally acquired experience and vary depending on the product. Interest rate assumptions are based on current market rates and depend on the maturity of the liability. The Group's insurance liabilities are subject to regular review, at least annually, to ensure that the reported insurance liability is sufficient to cover expected future claims. If necessary, an additional provision is made. The difference is recognised in the income statement.

#### **Accounting for investment contracts and financial components of insurance contracts**

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

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

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

Premium fees and administrative charges for investment contracts and financial components of insurance contracts are accrued and

recognised in the income statement under Fee and commission income. Acquisition costs are recognised directly in the income statement.

#### **Reinsurance**

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

### **13. INTANGIBLE ASSETS**

#### **Recognition in the balance sheet**

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

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

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

#### **Goodwill and intangible assets with an indefinite useful life**

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

Since it is not possible to differentiate cash flows arising from goodwill and other intangible assets with an indefinite useful life from cash flows arising from other assets, impairment testing of goodwill takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely inde-

pendent of the cash inflows from other assets or groups of assets. Material assessments and assumptions in impairment testing of goodwill are described in note G25 and in section 20. Previously recognised goodwill impairment losses are not reversed.

#### **Intangible assets with a finite useful life**

Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed. Intangible assets with a finite useful life are tested for impairment when there is an indication that the asset may be impaired. The impairment test is performed in the same way as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

### **14. PROPERTY AND EQUIPMENT**

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

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

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

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

#### **Real property in the insurance business**

Real property that constitutes investment assets in the insurance business is carried at fair value in the balance sheet. Revaluation of the property is included in the calculation of total return on the insurance assets and in the basis for the yield split. This accounting policy is applied in the insurance business because changes in the value of the real property are directly linked

to the size of the financial obligations in the insurance contracts. The valuation is made with the assistance of externally engaged experts using a method based on discounting the expected cash flows related to the properties. The forecasts concerning expected cash flows are based on assumptions such as future rents, vacancy levels, operating and maintenance costs, yield requirement, and interest. The assumptions are based on local analyses of comparable property purchases. All assumptions are in line with the assessments that the market can be expected to make under the prevailing market situation.

## 15. PROVISIONS

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

## 16. EQUITY

Equity comprises Share capital, Share premium reserve, Provisions and Retained earnings. Small minority interests are also classified as part of the Group's equity.

### Share premium reserve

The share premium reserve comprises the options component of issued convertible notes and the amount that in the issue of shares and conversion of convertible debt securities exceeds the quotient value of the shares issued.

### Retained earnings

Retained earnings comprise the profits generated from the current and previous financial years. Dividends and repurchase of own shares are reported as a deduction from Retained earnings.

### Hedge reserve

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

### Fair value reserve

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

### Translation reserve

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

### Minority interest

The minority interest consists of the portion of the Group's net assets that is not directly or

indirectly owned by holders of the parent company's ordinary shares. The minority interest is recorded as a separate component of equity.

### Accounting for own shares

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

## 17. INCOME

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

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

### Net interest income

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

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

### Net fee and commission income

Income and expense for various kinds of services are recognised in the income statement under Fee and commission income and Fee and commission expense, respectively. This means that brokerage income and various types of management fees are recognised as commissions. Other forms of income recognised as commission are payment commissions and card fees, premiums referring to financial guarantees issued, as well as commissions from insurance operations. Positive yield split in the insurance operations is also recognised as commission. Guarantee commissions that are comparable to interest and such fees that constitute integrated components of financial instruments and

therefore included when calculating the effective interest, are recognised as interest income and not commission.

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

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

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

### Dividend received

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

## 18. EMPLOYEE BENEFITS

### Staff costs

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



### Accounting for pensions

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

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

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

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

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

- + Accrued pension rights for the year, i.e. the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.
- + Interest expense for the year due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current government bond rate for maturities corresponding to the period remaining until the pension liability is due to be disbursed. From the time the obligation is paid out, the remaining part of the provision is discounted with the real interest rate on government bonds.
- Expected return on plan assets. The expected return is based on an assessment of the average long-term return which will be earned on the assets which are kept separate for securing defined benefit pension obligations. The time horizon for the

assessment is related to the entire term of the commitment. The expected return is reduced by the taxes and administrative costs for managing the assets.

+/- Any part of actuarial gains and losses recognised in profit or loss. The estimated cost of special payroll tax is accrued using the same principles as for the underlying pension cost.

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

### 19. TAXES

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

Tax is recognised in the income statement or in other comprehensive income depending on where the underlying transaction is reported.

### 20. ESTIMATES AND KEY ASSUMPTIONS

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

#### Actuarial calculation of defined-benefit pension plans

Calculation of the Group's expense and obligations for defined-benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of pension obligations for employees in Sweden is based on DUS06, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by the Swedish Insurance Federation. The assumptions on future salary increases and inflation are based on the anticipated long-term trend. The assumption on expected return on the plan assets

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

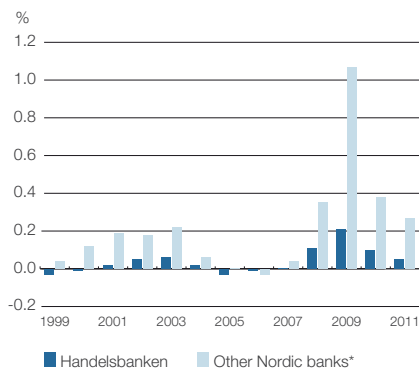
The Group's pension provisions are of a long-term character and the assumptions on which the calculation is based vary to only a small degree over time. The sensitivity of the pension costs reported to reasonable, possible changes in the actuarial assumptions is therefore considered to be very small.

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

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

## G2 Risk and capital management

Loan losses as percentage of lending 1999–2011



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

The financial markets were under substantial stress during the year. A widespread crisis of confidence in heavily indebted countries and their ability to restructure their state finances has led to a general crisis of confidence in the entire euro system. The low level of confidence also applies to certain banks that have significant exposures to states (sovereign exposures) with major problems, which has made it difficult for these banks to access the requisite market funding. There is also uncertainty regarding the structure of the banking sector and its ability to manage new regulatory requirements in the areas of liquidity and capital requirements. Handelsbanken has no direct exposure to the troubled countries and has limited institutional exposure there, but the stress on the financial markets also affects Handelsbanken's home markets.

Handelsbanken's historically low tolerance of risk, sound capitalisation and strong liquidity situation means that the Bank is well equipped to cope with substantially more difficult market conditions than those experienced during the year.

Handelsbanken's strict approach to risk means that the Bank deliberately avoids high-risk transactions, even if the remuneration may

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

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

Throughout the financial crisis, Handelsbanken has had good access to liquidity. The Bank has access to the financial markets via its short-term and long-term funding programmes. The programmes for long-term funding were expanded during the year. During the summer the Bank issued a new 3(a)(2) programme in US dollars. This allows for further diversification of the Bank's long-term funding and access to a broader base of investors. Central Treasury's liquidity portfolio, which is part of

the Bank's liquidity reserve, has a low risk profile and consists mainly of government bonds and covered bonds. The total liquidity reserve provides a high degree of resistance to possible disruptions in the financial markets. At the year-end, the Bank's liquidity reserve exceeded SEK 700 billion. SEK 376 billion of the reserve consisted of liquid assets invested with central banks, SEK 83 billion were liquid bonds and the remainder was mainly an unutilised issue amount for covered bonds at Stadshypotek. Liquidity reserves are kept in all currencies that are important to the Bank. The total liquidity reserve covers the Bank's liquidity requirements in a stressed scenario for more than two years without access to new market funding.

The Bank's capital situation was strengthened during the year and its earnings have been stable. Coupled with decreasing loan losses, this has contributed to the strong position. The low risk profile of the credit portfolio has resulted in lower capital requirements for credit risks compared with other banks. The robust capital situation provides good protection in case the still fragile economic recovery were to move in a negative direction. The strong capitalisation should also be seen in light of future regulatory amendments regarding capital adequacy.

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

### Risks at Handelsbanken

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

### Risk management in Handelsbanken



The Bank's total view of risk and capital management comprises the following components:

#### 1. Business operations

The Bank is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for its business and risk management. Those who know the customer and market conditions best are best equipped to assess the risk and can also act at an early stage in the event of problems.

Each branch and each profit centre bears the responsibility for dealing with any problems that arise. As a consequence, there are strong incentives for high risk awareness and for prudence in business operations.

#### 2. Operations-related risk control

The accountability of the person taking a business decision is supplemented by local risk control in the regional banks and within the various business areas. This ensures that

risk-taking does not become excessive in an individual transaction or in local operations, and that transactions are in line with the Bank's views of risk-taking. The operations-related risk control assesses risk, checks limits, etc. and verifies that individual business transactions are documented and conducted in a manner that does not involve unknown risks. The operations-related risk control reports to Central Risk Control and also to business operations management.

### 3. Central Risk Control

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

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

Central Risk Control has the task of identifying, measuring, analysing and reporting on all the Group's material risks. It monitors that the risks and risk management comply with the Bank's low tolerance of risks and that the management has reliable information to use as

a basis for managing risks in critical situations. Central Risk Control also has functional responsibility for local risk control in the business areas and subsidiaries, for ensuring that risks are measured effectively and consistently, and ensuring that the Bank's senior management receives regular reports and analyses of the current risk situation.

### 4. Capital planning

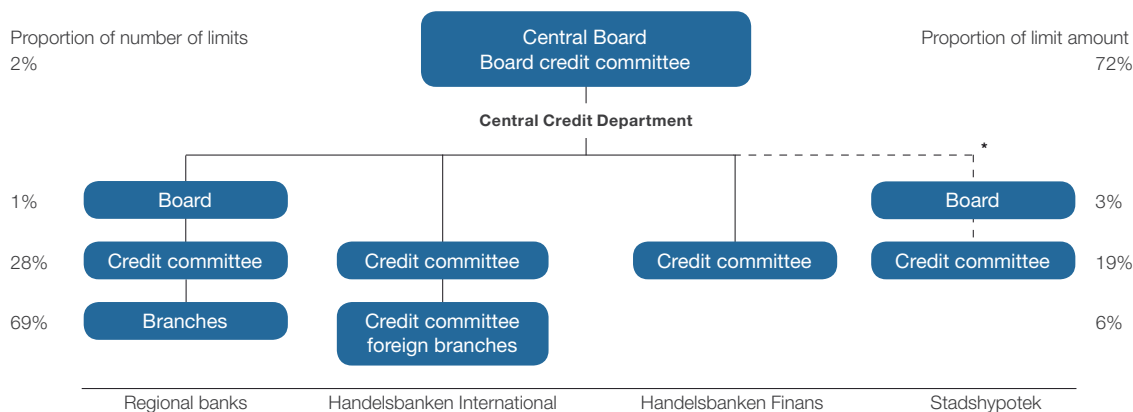
If – despite the work in the three components described – Handelsbanken were to suffer serious losses, it holds capital to ensure its survival even in the wake of extreme events. Capital planning is based on an assessment of the capital situation in terms of the legal capital requirement, combined with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

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

In addition, operations are reviewed by compliance – at central, business area and subsidiary level – and the internal and external auditors.

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

#### Decision levels for granting credits



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

### CREDIT RISK

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

At Handelsbanken, the credit process is based on a conviction that a decentralised organisation with local presence ensures high quality in credit decisions. The Bank aims to be a relationship bank and the branches are in regular contact with their customers, which gives them an in-depth understanding of each individual customer and a continually updated picture of the individual, company or institution.

In the Bank's decentralised organisation, the branch responsible for the customer has total credit responsibility. Customer and credit responsibility lies with the branch manager or the employee at the local branch delegated

by the manager. Most staff at branches have personal decision limits for credits or credit limits for the customers for whom they have credit responsibility. If there is a need for larger credits, there are regional and central decision levels. The largest credit limits are decided by the Board's credit committee, or by the entire Board, where cases are prepared by the Central Credit Department. However, no credit application may be processed in the Bank without the recommendation of the branch manager.

Decentralisation also means that the documentation that forms the basis for credit decisions is always prepared by the branch responsible for the credit, regardless of whether the final decision is to be made at the branch, at regional level, in the Board's credit committee or by the Board. Credit decision documentation includes general and financial information regarding the borrower, and an assessment of the repayment capacity, valuation of collateral, loans and credit terms. For borrowers whose

total loans exceed SEK 1 million (or SEK 6 million for residential mortgage loans for private individuals), the credit decision is made in the form of a credit limit.

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

Rather than being a mass market bank, Handelsbanken is selective in its choice of customers, and borrowers must be of high quality. The quality requirement is never neglected in favour of higher loan volumes or to achieve higher returns. Some 97 per cent (96) of the overall limit volume for credit exposures was to customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's ten-point rating scale.

The local branch's close contact with its customers also enables the branch to quickly identify

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

**Risk rating system**

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

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

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

**Risk classification methods**

To quantify its credit risks, the Bank calculates the probability of default (PD), the Bank’s

exposure at default (EAD), and the proportion of the loan that the Bank would lose in the case of default (loss given default – LGD). Default is defined as when the counterparty is either 90 days late in making payment, or when an assessment has been made that the counterparty will not be able to pay as contractually agreed, for example, if declared bankrupt.

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

For corporate and institutional exposures, the internal rating set for each counterparty is directly converted into a risk class on a scale between 1 and 10 (where risk class 10 refers to defaulted counterparties). A certain average probability of default (PD) is calculated for each risk class. For exposures to large companies and institutional exposures, standardised values prescribed by the Swedish Financial Supervisory Authority’s regulatory code are applied to loss given default (LGD). The standardised value that may be used is determined by the collateral provided for each exposure.

For retail exposures, the risk class is also based on the internal rating assigned to all credit customers. The rating is not translated directly into a risk grade as for corporate exposures; instead, the different exposures are sorted into a number of smaller groups on the basis of certain factors. Such factors include the type of credit, the counterparty’s non-payment record and the number of borrowers. An average probability of default is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the ten risk classes. Different models are used for exposures to private individuals and to small companies respectively (that are also classed in the category of retail exposures), but the principle is the same.

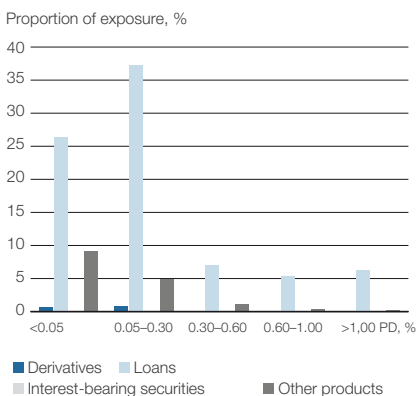
For retail exposures and exposures to

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

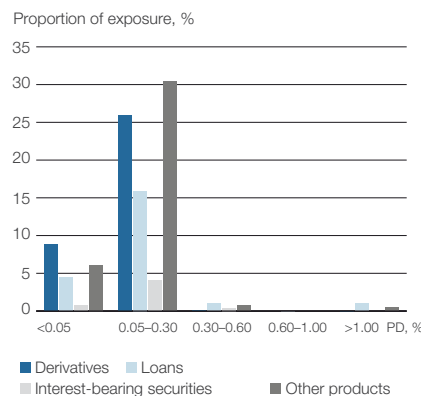
For each class of exposure, the average probability of default (PD) is calculated for each of the nine risk classes that refer to non-defaulted counterparties or agreements. Probability of default is based on calculations of the historical percentage of defaults for different types of exposure. The average probability of default is then adjusted by a safety margin and a business cycle adjustment factor. The safety margin is intended to ensure that the probability of default is not underestimated. The business cycle adjustment factor takes into account the fact that the measured probability of default per risk class can be expected to vary due to the business cycle. The measured probability therefore needs to be adjusted in relation to where in the business cycle the Bank’s borrowers were in the period on which the calculations are based in order to reflect a long-term probability of default which must be used for the risk weighting. The business cycle adjustments are based on the Bank’s internal history from 1985 to 2011. Handelsbanken’s method for business cycle adjustment is intended to even out business cycle fluctuations in probability of default (PD) for each risk class.

When the exposure at default (EAD) is to be calculated, certain adjustments are made to the carried exposure. This applies predominantly to various types of commitments where exposure may increase without any active decision by the Bank. Examples of this are credit commitments or revolving credit, where the Bank agrees with the customer that the customer may borrow up to a certain amount in the future. This type of

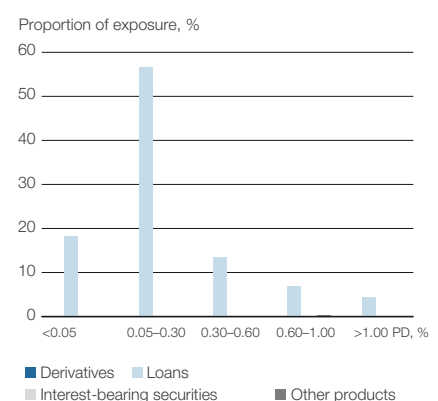
**Proportion of exposure per product type per PD interval excluding defaulted credits – Corporate exposures**



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



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



commitment constitutes a credit risk that must also be covered by adequate capital. Normally this means that the credit granted is adjusted using a certain conversion factor (CF) for that part of the credit which is unutilised. For certain product categories for corporate exposures and institutional exposures, the conversion factors are determined by the regulatory code, while for retail exposures and certain product categories for medium-sized companies (including property companies and housing co-operative associations) the Bank uses its own calculated conversion factors. Here it is the product referred to that mainly governs the conversion factor, but other factors may also be of relevance.

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

For corporate, institutional and retail exposures, the figures show how the exposure is distributed between bonds and other interest-bearing securities, and loans, derivatives and other products respectively. The diagrams show how the exposures (EAD), excluding credits in default, are distributed between different PD ranges in each counterparty category. Exposures within a certain range are shown in terms of the distribution between loans, interest-bearing securities, derivatives and other types of product. Other products are, for example, guarantees and committed loan offers. The PD values used are those applied for the statutory capital requirement. This means that margins in the form of business cycle adjustments and safety adjustments in the PD values are also included in the calculations of economic capital, which means that the loss levels that the PD values imply are conservative.

### Collateral

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

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

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

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

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

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

Credit risk exposure on balance, collateral SEK m	2011	2010
Residential property <sup>1</sup>	905 610	843 019
Other property	210 943	186 347
Sovereigns, municipalities and county councils	465 047	182 554
Guarantees	17 191	14 634
Other collateral	154 125	145 842
Unsecured	342 666	396 656
<b>Total credit risk exposure on balance</b>	<b>2 095 582</b>	<b>1 769 052</b>

<sup>1</sup> Including housing co-operatives.

Loans to the public, collateral SEK m	2011	2010
Residential property <sup>1</sup>	905 610	843 019
Other property	210 943	186 347
Sovereigns, municipalities and county councils	61 170	72 886
Guarantees	17 027	12 219
Other collateral	90 985	77 138
Unsecured	305 393	322 078
<b>Loans to the public</b>	<b>1 591 128</b>	<b>1 513 687</b>

<sup>1</sup> Including housing co-operatives.

### Breakdown of the portfolio

The Bank's credit portfolio is presented in this section based on the balance sheet item categories. In note G49 and in the publication Pillar 3 2011 (the section on Capital requirement for credit risks), the credit portfolio is presented based on the capital adequacy regulations.

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

Credit risk exposure SEK m	2011	2010
Loans to the public <sup>1</sup>	1 591 128	1 513 687
of which reverse repos	13 669	27 023
Loans to credit institutions (incl. central banks)	230 945	174 454
of which reverse repos	60 813	72 294
Unutilised part of granted overdraft facilities	152 392	164 385
Committed loan offers	254 415	240 286
Other commitments	9 035	2 802
Guarantees, credits	17 161	17 751
Guarantees, other	42 657	40 210
Letters of credit	36 712	37 055
Derivatives <sup>2</sup>	142 074	102 283
Treasury bills and other eligible bills	43 971	50 738
Bonds and other fixed-income securities	60 231	68 500
<b>Total</b>	<b>2 580 721</b>	<b>2 412 151</b>

<sup>1</sup> SEK 4,945m (5,435) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

<sup>2</sup> Refers to the total of positive market values. Including legally viable netting agreements, the exposure is SEK 37,588m (24,052).

Geographical distribution 2011	Loans				Off-balance-sheet commitments		Total
	Public	Credit institutions	Derivatives	Investments	Guarantees	Other	
SEK m							
Sweden	1 129 954	56 998	141 545	93 557	32 245	307 997	1 762 296
Norway	184 565	9 377	36	-	6 892	35 517	236 387
Finland	79 720	84 357	301	-	7 281	23 788	195 447
Denmark	59 769	17 741	114	63	2 270	22 999	102 956
UK	92 621	245	-606	0	2 560	20 507	115 327
Germany	7 764	426	21	-	3 878	7 650	19 739
Poland	1 942	180	4	-	567	167	2 860
Netherlands	11 921	64	0	-	100	3 346	15 431
Other countries	22 872	61 557	659	10 582	4 025	30 583	130 278
<b>Total</b>	<b>1 591 128</b>	<b>230 945</b>	<b>142 074</b>	<b>104 202</b>	<b>59 818</b>	<b>462 554</b>	<b>2 580 721</b>

Geographical distribution 2010	Loans				Off-balance-sheet commitments		Total
	Public	Credit institutions	Derivatives	Investments	Guarantees	Other	
SEK m							
Sweden	1 097 667	57 280	100 058	106 920	27 903	320 114	1 709 942
Norway	173 402	231	24	-	7 173	24 923	205 753
Finland	75 312	44 604	369	-	11 085	17 235	148 605
Denmark	50 400	1 681	120	54	2 394	15 313	69 962
UK	69 665	1 027	109	-	2 396	18 294	91 491
Germany	7 793	402	3	-	4 195	12 050	24 443
Poland	2 314	233	2	-	622	319	3 490
Netherlands	9 469	7	0	-	134	3 530	13 140
Other countries	27 665	68 989	1 598	12 264	2 059	32 750	145 325
<b>Total</b>	<b>1 513 687</b>	<b>174 454</b>	<b>102 283</b>	<b>119 238</b>	<b>57 961</b>	<b>444 528</b>	<b>2 412 151</b>

Loans to the public, by sector	2011			2010		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
SEK m						
Private individuals	713 137	-820	712 317	669 772	-703	669 069
<i>of which mortgage loans</i>	581 659	-30	581 629	526 722	-25	526 697
<i>of which other loans with property mortgages</i>	64 122	-100	64 022	80 808	-67	80 741
<i>of which other loans, private individuals</i>	67 356	-690	66 666	62 242	-611	61 631
Housing co-operative associations	123 847	-4	123 843	111 703	-15	111 688
<i>of which mortgage loans</i>	109 334	-4	109 330	98 032	-4	98 028
Property management	396 961	-410	396 551	355 654	-383	355 271
Manufacturing	49 221	-497	48 724	55 801	-1 963	53 838
Retail	35 693	-305	35 388	32 728	-337	32 391
Hotel and restaurant	7 201	-120	7 081	6 678	-88	6 590
Passenger and goods transport by sea	18 356	-202	18 154	14 560	-206	14 354
Other transport and communication	37 374	-178	37 196	38 396	-130	38 266
Construction	12 371	-170	12 201	13 460	-174	13 286
Electricity, gas and water	22 091	-15	22 076	22 152	-14	22 138
Agriculture, hunting and forestry	7 331	-20	7 311	6 478	-28	6 450
Other services	24 398	-60	24 338	17 388	-226	17 162
Holding, investment, insurance companies, mutual funds etc.	85 998	-702	85 296	90 185	-721	89 464
Sovereigns and municipalities	21 654	-	21 654	16 995	-	16 995
Other corporate lending	39 656	-292	39 364	67 329	-208	67 121
<b>Total loans to the public, before collective provisions</b>	<b>1 595 289</b>	<b>-3 795</b>	<b>1 591 494</b>	<b>1 519 279</b>	<b>-5 196</b>	<b>1 514 083</b>
Collective provisions			-366			-396
<b>Total loans to the public</b>			<b>1 591 128</b>			<b>1 513 687</b>

### Credit risk concentrations

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

In addition to mortgage loans and lending to housing co-operative associations, Handelsbanken has considerable lending opera-

tions to the property sector (SEK 397 billion).

The property sector refers here to all companies assessed for credit purposes as "property companies". It is common for groups of companies operating in other industries to have subsidiaries managing the properties in which the group conducts its business and such property companies are also considered here to belong to the property sector. However, the underlying credit risk in such cases is not only property-related.

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

Property lending is consistently of high quality with low loan-to-value ratios. The proportion of exposures to counterparties with a poorer rating than the Bank's normal risk in risk class 5 is very

low. 96 per cent (95) of total property lending in Sweden is in risk class 5 or better. The corresponding figures for property lending in the UK, Denmark, Norway and Finland are 95 per cent (94), 88 per cent (91), 95 per cent (94) and 99 per cent (99) respectively. For counterparties in poorer risk classes than normal, the majority are in risk classes 6 or 7 with only small volumes in the higher risk classes 8 and 9.

In the past few years, Handelsbanken has seen major credit growth in the UK as a result of a planned expansion of the branch network. A relatively large part of the growth has been in property-related credits. This has occurred during a period of poor performance in the UK property market. A strict credit policy often makes it easier to assess creditworthiness in a poorer economic climate since it is easier to identify potential problems. In its expansion, Handelsbanken has had the same strict requirements on repayment capacity and collateral quality as in its other home markets. The result of this is a high concentration of customers in good risk classes and a loan loss ratio in line with other home markets.

Specification Loans to the public – Property management	2011			2010		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
SEK m						
<b>Loans in Sweden</b>						
State-owned property companies	11 808	-	11 808	12 269	-	12 269
Municipal-owned property companies	15 566	-	15 566	18 797	-	18 797
Residential property companies	65 556	-12	65 544	67 004	-21	66 983
<i>of which mortgage loans</i>	46 404	-2	46 402	47 206	-1	47 205
Other property management	130 250	-127	130 123	114 236	-167	114 069
<i>of which mortgage loans</i>	58 036	-8	58 028	50 815	-8	50 807
<b>Total loans in Sweden</b>	<b>223 180</b>	<b>-139</b>	<b>223 041</b>	<b>212 306</b>	<b>-188</b>	<b>212 118</b>
<b>Loans outside Sweden</b>						
Denmark	9 408	-48	9 360	5 629	-38	5 591
Finland	18 718	-	18 718	16 961	-	16 961
Norway	74 615	-73	74 542	64 568	-91	64 477
UK	56 953	-127	56 826	43 417	-62	43 355
Other countries	14 087	-23	14 064	12 773	-4	12 769
<b>Total loans outside Sweden</b>	<b>173 781</b>	<b>-271</b>	<b>173 510</b>	<b>143 348</b>	<b>-195</b>	<b>143 153</b>
<b>Total loans – Property management</b>	<b>396 961</b>	<b>-410</b>	<b>396 551</b>	<b>355 654</b>	<b>-383</b>	<b>355 271</b>

Specification – Loans to the public – Property management	2011				2010			
	Total	Companies owned by government and municipality/ property lending guaranteed by government and municipality	Multi-family dwellings/ residential property	Other property management	Total	Companies owned by government and municipality/ property lending guaranteed by government and municipality	Multi-family dwellings/ residential property	Other property management
SEK m								
Sweden	223 180	29 585	74 978	118 617	212 306	32 498	70 397	109 411
Norway	74 615	26	13 177	61 412	64 568	27	12 758	51 783
Finland	18 718	6 256	2 432	10 030	16 961	5 811	2 570	8 580
Denmark	9 408	-	3 905	5 503	5 629	-	2 230	3 399
UK	56 953	-	23 239	33 714	43 417	-	14 693	28 724
Other countries	14 087	-	580	13 507	12 773	-	575	12 198
<b>Total</b>	<b>396 961</b>	<b>35 867</b>	<b>118 311</b>	<b>242 783</b>	<b>355 654</b>	<b>38 336</b>	<b>103 223</b>	<b>214 095</b>

## Specification – Loans to the public – Property management, risk class and country 2011

SEK m

Risk class	Sweden	Norway	Finland	Denmark	UK	Other countries	Total	%	Accum.% of total
1	18 912	1 109	2 292	17	523	567	23 420	5.90	6
2	58 279	16 744	6 620	272	7 512	6 777	96 204	24.23	30
3	80 422	32 228	7 175	2 811	25 377	5 698	153 711	38.72	69
4	37 591	15 615	1 803	3 498	13 670	308	72 485	18.26	87
5	18 426	5 482	674	1 722	7 173	334	33 811	8.52	96
6	5 481	1 595	27	248	998	300	8 649	2.18	98
7	2 925	1 034	53	191	807	5	5 015	1.26	99
8	396	343	10	119	104	12	984	0.25	99
9	230	21	-	52	97	-	400	0.10	99
Defaults	518	444	64	478	692	86	2 282	0.57	100
<b>Total</b>	<b>223 180</b>	<b>74 615</b>	<b>18 718</b>	<b>9 408</b>	<b>56 953</b>	<b>14 087</b>	<b>396 961</b>	<b>100</b>	

## Specification – Loans to the public – Property management, risk class and country 2010

SEK m

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

## Specification – Loans to the public – Property management, risk class and type of collateral 2011

SEK m

Risk class	Exposure		Collateral			
	Multi-family dwellings/ residential property	Commercial property	Guarantee from government or municipality	Other collateral	Unsecured	
1	23 420	11 566	5 343	3 180	497	2 834
2	96 204	25 449	39 066	7 664	826	23 199
3	153 711	48 558	70 837	4 957	6 043	23 316
4	72 485	20 790	37 830	924	5 271	7 670
5	33 811	11 639	16 979	438	1 577	3 178
6	8 649	2 787	2 866	26	466	2 504
7	5 015	1 936	2 193	50	180	656
8	984	450	426	0	3	105
9	400	175	134	4	3	84
Defaults	2 282	859	913	3	98	409
<b>Total</b>	<b>396 961</b>	<b>124 209</b>	<b>176 587</b>	<b>17 246</b>	<b>14 964</b>	<b>63 955</b>

## Specification – Loans to the public – Property management, risk class and type of collateral 2010

SEK m

Risk class	Exposure		Collateral			
	Multi-family dwellings/ residential property	Commercial property	Guarantee from government or municipality	Other collateral	Unsecured	
1	21 349	12 077	1 352	3 783	1 143	2 994
2	86 063	22 302	34 282	6 826	851	21 802
3	115 936	38 710	53 757	4 184	4 448	14 837
4	76 168	18 362	38 699	991	4 050	14 066
5	38 314	13 268	18 969	478	1 520	4 079
6	10 269	3 615	3 354	33	479	2 788
7	4 391	1 616	2 212	30	186	347
8	645	273	269	2	6	95
9	591	223	236	4	8	120
Defaults	1 928	931	745	0	114	138
<b>Total</b>	<b>355 654</b>	<b>111 377</b>	<b>153 875</b>	<b>16 331</b>	<b>12 805</b>	<b>61 266</b>



### Counterparty risk

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

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

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

These add-ons are calculated using standard amounts that depend on the type of contract and the time to maturity. The exposures are calculated and followed up daily. The counterparty risk in derivatives is reduced through netting agreements, which involve setting off positive values against negative values in all derivative transactions with the same counterparty. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure, which further reduces the credit risk.

The collateral for these transactions is mainly cash, but government securities are also used. Due to the high proportion of cash, the concentration risks in the collateral are limited. A limited number of the collateral agreements entered into by the Bank include terms and conditions concerning rating-based threshold amounts for Handelsbanken. These conditions mean that the Bank must provide further collateral for the counterparty in question, in the event of the Bank's rating by external parties being lowered. At year-end, a downgrading from AA- to A+ would have meant the Bank having to issue further collateral of SEK 153 million (previous year-end SEK 13 million).

The Bank holds a portfolio of credit derivatives (Credit Default Swaps) which are classed as trading book. The value of purchased protection is SEK 1.7 billion (2.8) and the value of sold protection is SEK 1.2 billion (1.6).

### Payment risk

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

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

Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure SEK m	2011	2010
Positive gross market value for derivative contracts	140 312	102 283
Netting gains	102 723	78 231
Current exposure set off	37 588	24 052
Collateral	14 384	10 706
Net credit exposure for derivatives	23 204	13 346

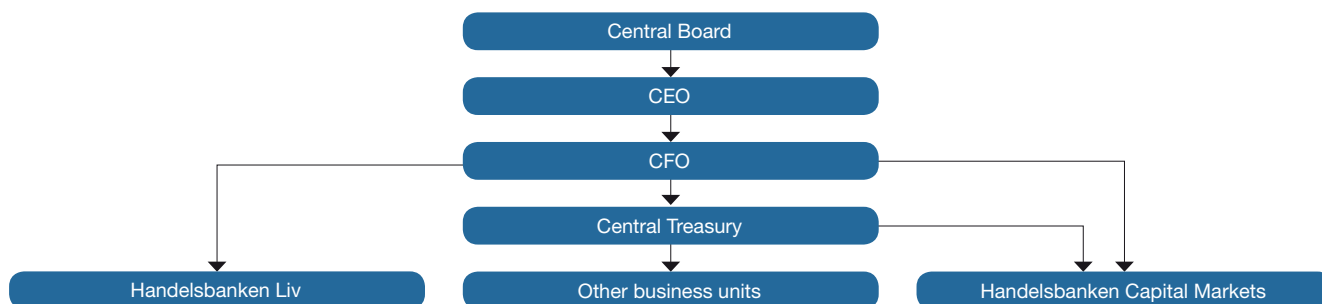
### Counterparty risks in derivative contracts including potential future exposure 2011

SEK m	Current set-off exposure	Potential future exposure	Total credit exposure for derivatives/EAD	Risk-weighted amount	Capital requirement
Sovereign exposures	5 952	2 098	8 051	4	0
Institutional exposures	15 794	23 555	39 349	6 668	533
Corporate exposures	15 722	5 360	21 082	6 860	549
Other	120	126	245	184	15
<b>Total</b>	<b>37 588</b>	<b>31 139</b>	<b>68 727</b>	<b>13 716</b>	<b>1 097</b>

### Counterparty risks in derivative contracts including potential future exposure 2010

SEK m	Current set-off exposure	Potential future exposure	Total credit exposure for derivatives/EAD	Risk-weighted amount	Capital requirement
Sovereign exposures	1 694	1 764	3 459	7	1
Institutional exposures	12 854	24 128	36 982	6 651	532
Corporate exposures	9 418	5 205	14 651	5 655	452
Other	86	69	155	116	9
<b>Total</b>	<b>24 052</b>	<b>31 166</b>	<b>55 247</b>	<b>12 429</b>	<b>994</b>

**Decision levels for market and liquidity risks**



**MARKET RISK**

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

Handelsbanken’s policy is to have low volatility in its earnings. The Bank thus has a restrictive view of market risks. Essentially, market risks in the banking operations are only taken as part of meeting customers’ investment and risk management needs.

At a universal bank like Handelsbanken, market risks arise when the Bank’s customers demand services where the Bank must have flexible funding. The Bank can also obtain funding on other markets than those where it has its lending so that it can diversify its sources of funding. Central Treasury also manages a liquidity portfolio that can be converted into liquidity at short notice in conjunction with possible disruptions in the market. The portfolio also secures the Group’s payments in the daily clearing operations and forms part of the Bank’s liquidity reserve.

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

The Bank’s limit system restricts the size of an exposure to the market. The measuring methods and limits for market risks are established by the Board. The limits for interest rate, currency and liquidity risk are allocated by the Group Chief Executive and the CFO to the Head of Central Treasury, who in turn allocates these to the business-operating units. The Head of Central Treasury has overall responsibility for

managing interest rate, currency and liquidity risks. The Group Chief Executive and the CFO also decide on supplementary risk measures and detailed guidelines. The supplementary limit measures principally aim to reduce total sensitivity to volatility changes in the financial markets. These measures also limit the risks from a maturity perspective. The CFO, Group Chief Executive and Board continually receive reports on the market risks and utilisation of the limits.

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

**Risk measurement**

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

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

For Handelsbanken Capital Markets, VaR is calculated for individual risk categories and at portfolio level with a 99 per cent confidence level and a one-day holding period. The calculations are based on historical simulation and measure the impact on the portfolio in question, re-valued using the past year’s daily changes in interest rates, prices and volatilities. The model used implies that every 100th trading day, a loss will occur which exceeds VaR.

VaR for the Handelsbanken Capital Markets portfolio was on average SEK 22 million (30) during the year. VaR fluctuated between a high of SEK 48 million (59) and a low of SEK 8 million (13). The general risk level at Handelsbanken Capital Markets has gradually been reduced during the year.

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

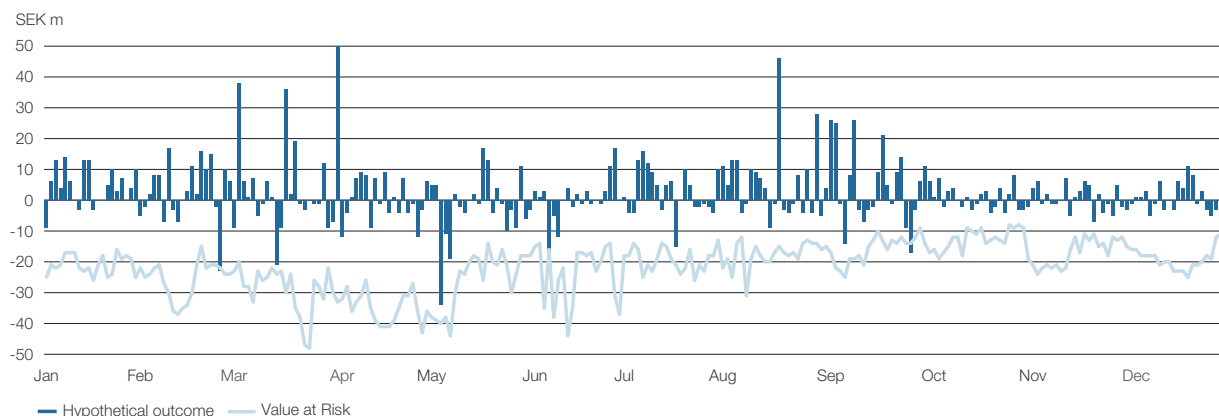
A VaR model with a 99 per cent confidence level implies that the outcome will be worse than measured VaR on two to three occasions every year. If the number of observed occasions exceeds the expected number, there is a risk that the model underestimates the actual risk. On three occasions in 2011, the hypothetical outcome was worse than the VaR. This is in line with what a VaR model with a confidence level of 99 per cent implies.

VaR models do not always identify risks associated with extreme market fluctuations, which characterised the past year. The calculations are therefore supplemented with regular stress tests where the portfolios are tested against scenarios based on all events in the financial markets during the period 1994–2011. The results of these stress tests are reported to the Central Board on a regular basis.

Central Treasury manages the Group’s liquidity portfolio. This gives rise to interest rate and exchange rate risks which are measured and managed in the same way as at Handelsbanken Capital Markets. An overall VaR measure for the portfolios classified as the trading book, calculated according to the same conditions as for Handelsbanken Capital Markets, was on average SEK 6 million in 2011 and fluctuated between a high of SEK 13 million and a low of SEK 3 million.

**VaR for Handelsbanken Capital Markets**

SEK m	Total		Equities		Fixed income		Currency	
	2011	2010	2011	2010	2011	2010	2011	2010
Average	22	30	4	9	22	29	4	9
Maximum	48	59	11	22	45	64	10	18
Minimum	8	13	2	3	8	11	1	2
Year-end	13	31	2	5	12	31	3	4

**VaR and hypothetical outcome 2011, Handelsbanken Capital Markets**

Interest rate adjustment periods for the Group's assets and liabilities 2011 SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
<b>Assets</b>						
Loans	1 139 004	68 984	64 711	288 507	29 990	1 591 196
Banks and other financial institutions	480 062	1 860	552	328	-	482 802
Bonds etc.	25 845	6 586	3 613	27 730	19 030	82 804
<b>Total assets</b>	<b>1 644 911</b>	<b>77 430</b>	<b>68 876</b>	<b>316 565</b>	<b>49 020</b>	<b>2 156 802</b>
<b>Liabilities</b>						
Deposits	717 601	3 673	1 957	1 648	8	724 887
Banks and other financial institutions	191 572	3 787	1 799	122	5 126	202 406
Issued securities	548 250	33 428	106 495	434 992	52 227	1 175 392
Other liabilities	198	1 689	176	13 937	1 383	17 383
<b>Total liabilities</b>	<b>1 457 621</b>	<b>42 577</b>	<b>110 427</b>	<b>450 699</b>	<b>58 744</b>	<b>2 120 068</b>
Off-balance-sheet items	-149 235	-29 084	28 393	179 827	3 807	33 708
Difference between assets and liabilities including off-balance-sheet items	38 055	5 769	-13 158	45 693	-5 917	70 442

The table shows the interest rate adjustment periods for the Group's interest-rate related assets and liabilities as at 31 December 2011, reported by the trade date. Non-interest-bearing assets and liabilities have been excluded.

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

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

**Interest rate risk**

Interest rate risk mainly arises at Handelsbanken Capital Markets, Central Treasury and in the lending operations.

In the latter, the interest rate risk arises as a result of the lending partly having longer maturities than the funding. In bond funding, the re-

verse may also apply, i.e. that the interest-fixing period on the bonds is longer than the interest-fixing period for the lending that the bonds are funding. The Bank eliminates most of this risk by entering into interest rate swap agreements. In general, interest rate risk exposure is in markets which are characterised by good liquidity.

Interest rate risk is measured at the Bank in several ways. VaR and other risk measurements, supplemented by various stress scenarios, are used for Handelsbanken Capital Markets' portfolios and at Central Treasury. The non-linear interest rate risk, for example, part of the risk in interest rate options, is measured and a limit set

with pre-defined stress scenarios expressed in matrices. This means that the risk is measured as changes in underlying market interest rates and volatilities.

For other units and for the aggregate interest rate risk in the Group, the interest rate risk is measured as the effect on fair value of a major instantaneous parallel shift of all interest rates. At year-end, the Bank's total interest rate risk in the case of a one percentage point parallel upward or downward shift in the yield curve, measured as the worst outcome, was SEK -707 million (-696). Most of this risk is a Swedish kronor risk which, together with other home market currencies and an interest rate risk in US dollars, accounts for 98 per cent of the total interest rate risk. This risk measure includes both interest-bearing items at market value, and not at market value and it is therefore not appropriate to assess the effects on the balance sheet and income statement. It does not take into account the equity held by the Bank nor the Bank's opportunities to adapt to changed interest rate levels.

Specific interest rate risk is measured and limits set using sensitivity to changes in credit spreads. It is measured and limited on the basis of different rating classes and is calculated as a market value change for the worst outcome in the case of a parallel shift in the credit spreads of +/- one basis point, i.e. the difference between the interest on the current holding and the yield on a government bond with the same maturity. This is performed for each individual counterparty. The total specific interest rate risk at the year-end was approximately SEK 7 million (8).

### Equity price risk

The Bank's equity price risk arises at Handelsbanken Capital Markets in customer trading and in the Bank's own share portfolio.

### Equity price risk in the trading book

The equity price risk at Handelsbanken Capital Markets arises in customer-generated equity-related transactions. Handelsbanken Capital Markets is a market maker for structured products, which gives rise to equity price risk, both linear and non-linear. The non-linear equity price risk arises via options included in the structured products. The extent of own position-taking, which arises to meet customers' needs, is restricted by the limits set by the Bank's Board. The Bank limits and measures the equity price risk at Handelsbanken Capital Markets using matrices. The advantage of this method is that it effectively identifies equity price risk including the non-linear risk. VaR as well as other risk measures and stress scenarios are used as a complement in measurement of equity price risk.

### Equity exposures outside the trading book

The majority of the Group's shareholding comprise shares listed on an active market valued at market price. Unlisted shares are measured at fair value using valuation models. The choice of model is determined by what is deemed appropriate for each individual share. For unlisted shares for which the company agreement regulates the price at which the shares can be divested, the holdings are valued a divestment price determined in advance. For example, there are cases where the shareholders' meeting decides the value at which the transfer will be made.

The table below shows the risk in the Bank's total equity positions in the case of hypothetical changes in underlying prices and volatilities at year-end.

### Exchange rate risk

The Bank has home markets outside Sweden and operations in several other countries. Indirect currency exposure of a structural nature therefore arises, because the Group's accounts are expressed in Swedish kronor. The structural risk is minimised by matching assets and liabilities in the same currency as far as possible. The exchange rate movements that affect the Bank's equity are stated in note G41, Specification of changes in equity in the Bank's Annual Report.

The Bank's direct foreign exchange exposure arises as a consequence of customer-driven intra-day trading in the international foreign exchange markets. Trading is conducted at Handelsbanken Capital Markets. The Board of

the Bank has set VaR limits for exchange rate risk. At year-end, VaR was SEK 3 million (4). Some foreign exchange exposure also arises in the normal banking operations as part of managing customer payment flows and at Central Treasury. The Board has allocated position limits for these exposures. At year-end, the aggregate net position amounted to SEK 198 million (180). The exchange rate risk in the Bank does not thus depend on trends for an individual currency or group of currencies, because the positions are very short and arise in management of customer-driven flows. The total exchange rate risk was SEK -44 million (-25), measured as the impact on the Bank's earnings of an instantaneous 5 per cent change of the Swedish krona. The sensitivity to a change of the krona against any individual currency did not exceed the total exchange rate risk.

### Commodity price risk

Exposure in commodity-related instruments occurs as a result of customer-based trading in the international commodity markets. The commodity price risk is only a small part of the Bank's total market risk. Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Commodity risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At the year-end, the commodity price risk was SEK -26 million (-36), measured as the maximum loss on price changes of 20 per cent in underlying commodities and a 35-per cent change in volatility.

Exchange rate sensitivity (worst outcome +/- 5% change SEK)		
SEK m	2011	2010
DKK	0	7
EUR	-14	-26
GBP	-9	-32
NOK	-5	1
USD	-9	22
Other	-7	3
<b>Total</b>	<b>-44</b>	<b>-25</b>

Equity exposures outside the trading book SEK m		
	2011	2010
Classified as available for sale	4 343	5 696
of which listed	3 388	5 051
of which unlisted	955	645
Classified as available for sale	4 343	5 696
of which business-related	565	473
of which other holdings	3 778	5 223
Fair value reserve at beginning of year	1 242	60
Unrealised market value change value during the year for remaining and new holdings	-1 192	1 182
Realised due to sale and settlements during the period	84	-1
Fair value reserve at end of year	134	1 242
Included in tier 2 capital	133	1 241

Equity price risk SEK m	Change in volatility					
	2011			2010		
Change in equity price	-25%	0%	25%	-25%	0%	25%
10%	411	411	413	562	584	617
-10%	-420	-398	-380	-573	-562	-541

**LIQUIDITY RISK**

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

Central Treasury has overall responsibility for the Bank's liquidity and funding. The basic condition for the funding operation is that it is to promote long-term stable growth in profits by limiting market and liquidity risks. This is achieved by matching cash flows between funding and lending. The Bank thus minimises the economic risks in funding and can determine stable and long-term internal interest rates to the business operating units.

The problem of public debt and the difficulties experienced by individual countries in financing their own deficits have placed the financial markets under serious pressure for a number of years, particularly in 2011. The Bank has no direct exposures to countries or banks with problems, but is affected by prevailing market conditions. The market continues to have great confidence in Handelsbanken. The market's assessment is that Handelsbanken has a very low credit risk in the funding market. One illustration of this is that the cost of insuring a credit risk on the Bank, which is known as the CDS spread, is one of the lowest among European banks.

In turbulent times, funding costs rise for everyone – although the relative differences between banks are substantial. Handelsbanken

has the lowest funding cost among peer banks. To ensure that these costs are taken into account by the business operating units in the Bank, the pricing of liquidity risk is an integrated part of internal pricing. No costs associated with liquidity risk are subsidised by any central part of the Bank. Instead, they are fully allocated to the business operating units. The business operating units are also responsible for how the liquidity costs are managed in relation to customers.

Handelsbanken never has a short-term perspective in terms of risks or customer relationships. The Bank must always be a stable partner for its customers, even in significantly more difficult market conditions than those of the past year. The considerable confidence the funding market has in Handelsbanken is a result of the many years of efforts to reduce risks in the Bank's funding and liquidity management, with the purpose of increasing its resistance to market disruptions. In an otherwise totally decentralised business model, all funding and liquidity risk management is centralised to Central Treasury. At any given time, the Bank must have sufficient capacity to make payments. This is secured through funding that is well diversified in terms of markets and currencies, and also the number of investors, with a good match of the maturity structure for liabilities and assets, a large proportion of stable funding and a large buffer of liquid funds in the form of cash and realisable assets.

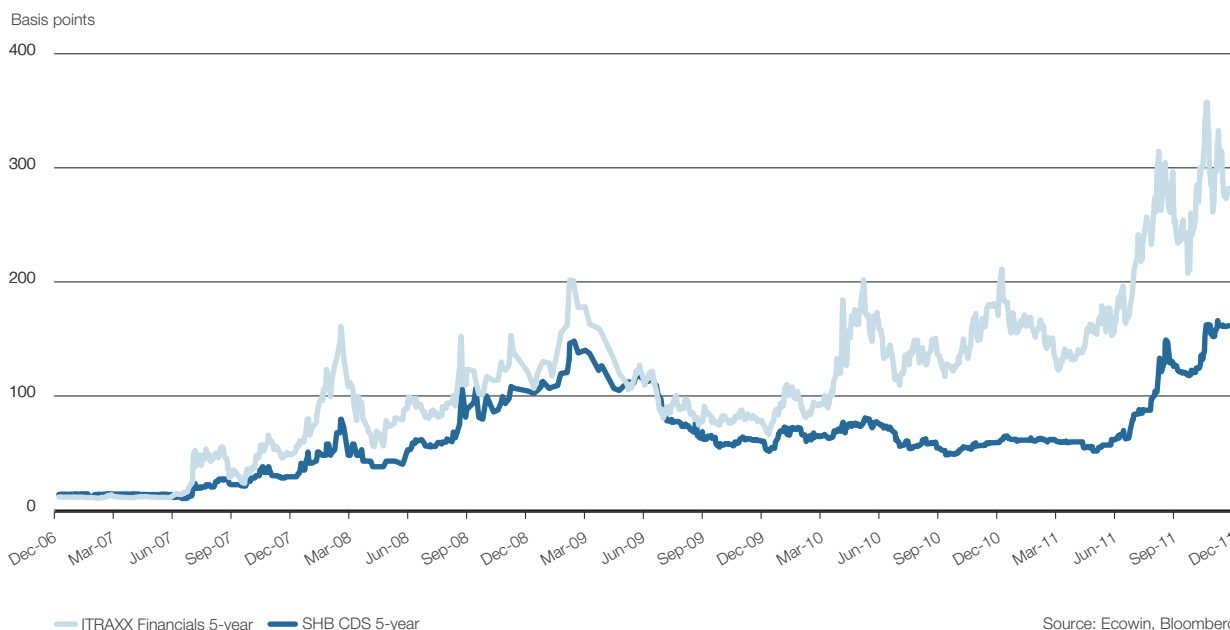
In the wake of the financial crisis of recent years, several new regulations will come into force in the next few years. The Bank has made

various changes over a number of years to meet these new requirements. These include a centralised treasury function with overall responsibility for all funding and liquidity risk management, an increased proportion of long-term funding, internal prices that reflect the liquidity risk and maturity, and greater transparency.

The Bank obtains funding from several different sources. These include deposits from the public and credit institutions, and subordinated loans. Central Treasury also has a number of different funding programmes for market funding at its disposal. Bonds and certificates are issued under these programmes in the Bank's and Stadshypotek's names. The funding programmes ensure well-diversified access to funding in terms of different currencies, the number of investors and geographic distribution. The Bank also aims to achieve a sound balance between issuing non-covered bonds and covered bonds. During the year, the Bank was the first Nordic bank to issue non-covered bonds in US dollars in what is known as a 3(a)(2) programme. 3(a)(2) means that the bonds are included in certain indexes, giving access to a broader base of investors compared to many other programmes.

During the year the Bank used most of the funding programmes. Short-term funding mainly takes place through issues of certificates of deposit under the various loan programmes in Sweden, Europe and the US. These loan programmes are supplemented by funding in the international interbank market. Central Treasury ensures that the maturity structure and currency

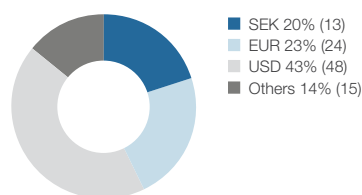
**Handelsbanken's 5-year CDS spread compared with ITRAXX Financials 2007–2011**



Source: Ecowin, Bloomberg

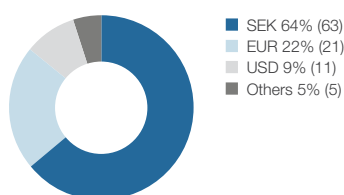
ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

## Short-term funding per currency 2011



Refers to the currency distribution as at 31 December 2011 for issued securities and financing from credit institutions with a residual maturity of less than one year.

## Long-term funding per currency 2011



Refers to the currency distribution as at 31 December 2011 for issued securities and financing from credit institutions with a residual maturity of more than one year.

composition in the balance sheet are in keeping with the Bank's risk tolerance. To reduce the liquidity risk, the Bank prefinanced future maturities on a gradual basis during the year. A total of SEK 214 billion was issued in long-term funding during the year, and at the year-end the Bank had prefinanced all bonds maturing up to the fourth quarter of 2012. Despite the turbulence on the funding market, the Bank has had access to funding in all currencies of importance to the Bank, both short- and long-term funding.

## Funding programmes/limits as of 31 December 2011

Programme	Programme size	Currency	Unutilised amount, current programme	Countervalue SEK m
ECP*	5 000	EUR	2 165	19 335
ECP (Stadshypotek)*	4 000	EUR	1 600	14 289
French Certificates of Deposit	5 000	EUR	1 289	11 511
EMTCN (Stadshypotek)*	20 000	EUR	9 737	86 956
MTN*	100 000	SEK	57 273	57 273
Swedish Commercial Paper	25 000	SEK	22 430	22 430
Swedish Commercial Paper (Stadshypotek)	90 000	SEK	87 970	87 970
EMTN *	50 000	USD	32 470	224 132
Other funding > 1 yr*	15 000	USD	13 040	90 012
USCP	15 000	USD	7 741	53 434
Extendible Notes	15 000	USD	10 376	71 623
US 144A / 3(a)(2)	15 000	USD	8 400	57 983
Stadshypotek US 144A	15 000	USD	13 400	92 497
Stadshypotek AUD Covered Bond Programme	5 000	AUD	5 000	35 086
<b>Total</b>				<b>924 531</b>
Total programme amount, SEK m	1 416 567			
Unutilised amount, SEK m	924 531			
<b>Unutilised amount</b>	<b>65%</b>			

\* It is possible to issue in other currencies than the original programme currency under these programmes, where currency conversion takes place at the time of issue.

## Holdings with central banks and banks, and securities holdings in the liquidity reserve 31 December 2011, market value

SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks (excl. repos)	14 471	87 123	239 394	34 763	375 751
Balances with other banks, overnight (incl. repos)	17 635	445	219	3 814	22 113
Government-issued securities	23 316	4 168	2 695	2	30 181
Securities issued by municipalities and other public entities	797	-	-	-	797
Covered bonds	30 585	1 956	153	-	32 694
Own covered bonds	6 260	-	-	-	6 260
Securities issued by non-financial companies	-	997	125	-	1 122
Securities issued by financial companies (excl. covered bonds)	5 309	1 050	5 165	-	11 524
Other securities	-	-	-	-	-
<b>Total</b>	<b>98 373</b>	<b>95 739</b>	<b>247 751</b>	<b>38 579</b>	<b>480 442</b>

## Holdings with central banks and banks, and securities holdings in the liquidity reserve 31 December 2010, market value

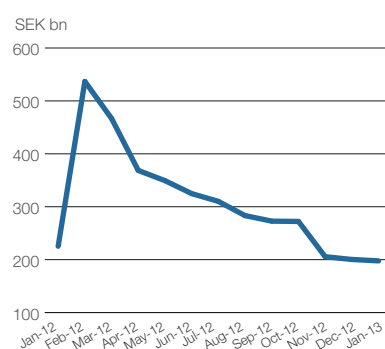
SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks (excl. repos)	6 306	46 378	31 758	22 988	107 430
Balances with other banks, overnight (incl. repos)	9 402	322	101	456	10 281
Government-issued securities	18 266	5 895	559	236	24 956
Securities issued by municipalities and other public entities	-	-	-	-	-
Covered bonds	30 488	1 331	13	-	31 832
Own covered bonds	-	-	-	-	-
Securities issued by non-financial companies	213	2 846	393	-	3 452
Securities issued by financial companies (excl. covered bonds)	60	525	15 360	254	16 199
Other securities	-	-	-	-	-
<b>Total</b>	<b>64 735</b>	<b>57 297</b>	<b>48 184</b>	<b>23 934</b>	<b>194 150</b>

Liquidity is planned so that the Bank can manage for at least 12 months under stressed conditions with an assumed outflow of deposit volumes, without borrowing any new funds in the financial markets. To manage this, the Bank maintains a liquidity reserve, which amounted to more than SEK 700 billion at year-end. In addition to balances with central banks and securities holdings, the reserve consists of an unutilised issue amount of covered bonds and other liquidity-creating measures.

The Bank handles a large number of incoming and outgoing cash flows every day. The gap between incoming and outgoing cash flows is restricted by means of limits. Liquidity planning is based on an analysis of cash flows for different maturities regardless of currency, and on an analysis of cash flows in the currencies in which the Bank has significant commitments. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where liquidity is low. The gap analysis is supplemented by scenario tests, in which the effect on liquidity is stressed and analysed using various assumptions. These stress tests are performed at Group level and individually for the currencies that are important to the Bank.

As a measure of powers of resistance to short-term disruptions in the financial market, the Basel Committee has proposed a risk ratio called the Liquidity Coverage Ratio (LCR), which may become a binding requirement for banks. The Riksbank proposes that Swedish banks of systemic importance must already comply with this measure. LCR states the ratio between liquid assets and net cash flows leaving the Group over an extremely stressed

#### Liquidity stress test including liquidity-creating measures – cumulative liquidity position



30-day period. The ratio must be more than 100 per cent. At the year-end, the Group's LCR was 196 per cent, which shows that the Bank has large resistance to short-term disruptions on the financial markets. This also applies in US dollars and euros.

The adjoining figure shows a stress test of cash flows based on certain assumptions. This shows the resistance to more long-term disruptions in the funding market. For example, it is assumed that the Bank cannot obtain funding in the financial markets and there is a simultaneous disappearance of 10 per cent of deposits from the public. It is further assumed that the Bank continues to conduct its core activities, i.e. that fixed-term deposits from and loans to households and companies are renewed at maturity and that issued commitments and credit facilities are partly utilised by customers. The Bank also takes into account that balances with

central banks and banks are utilised and that Central Treasury's securities can immediately provide liquidity if provided as collateral in central banks. Measures to create liquidity are also used to gradually provide the Bank with liquidity. With these conditions, the Bank will be liquid for more than two years. Thus, the Bank also has major powers of resistance to long-term disruptions on the funding market.

The maturity analysis shows undiscounted cash flows for the contracted payment commitments (including interest flows) which are due for payment at the latest within the stated time intervals. The below table shows holdings of bonds and other interest-bearing instruments in the time interval in which they can be converted into liquidity if they are provided as collateral or sold. This means that the table does not reflect the actual maturities for the instruments included. Assets, liabilities and interest flows are also shown which mature in the time intervals corresponding to the contractual maturity dates. Interest flows for lending in the mortgage operations is matched in time with the liabilities which are funding the lending since these assets have a contracted maturity which is normally longer than its funding. Financial guarantees, committed loan offers and unutilised overdraft facilities are reported in their entirety in the 0–3-month interval. The total outstanding amount of these commitments does not necessarily represent future funding requirements. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid/received, for example currency swaps.

Maturity analysis for financial assets and liabilities, 2011						
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	375 996	-	-	-	-	375 996
Bonds and other interest bearing securities	106 054	-	-	-	-	106 054
Loans to credit institutions	104 245	1 972	962	633	-	107 812
of which reverse repos	60 492	-	-	-	-	60 492
Loans to the public	230 622	104 035	222 818	1 135 339	-	1 692 814
of which reverse repos	14 023	-	-	-	-	14 023
<b>Total assets</b>	<b>816 917</b>	<b>106 007</b>	<b>223 780</b>	<b>1 135 972</b>	-	<b>2 282 676</b>
Due to credit institutions	178 503	6 572	2 828	22 100	-	210 003
of which repos	4 056	-	-	-	-	4 056
Deposits and borrowing from the public	188 899	29 291	5 483	5 490	495 725	724 888
of which repos	8 003	-	-	-	-	8 003
Issued securities	439 973	212 333	527 827	56 565	-	1 236 698
Other trading liabilities	17 748	-	-	-	-	17 748
Subordinated liabilities	9 510	6 836	16 877	6 764	-	39 987
<b>Total liabilities</b>	<b>834 633</b>	<b>255 032</b>	<b>553 015</b>	<b>90 919</b>	<b>495 725</b>	<b>2 229 324</b>
<b>Off-balance-sheet items</b>						
Financial guarantees and unutilised commitments	415 842					
<b>Derivatives 2011</b>						
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs		Total
Total derivatives inflow	770 596	511 375	663 685	177 428		2 123 084
Total derivatives outflow	763 194	509 166	650 092	177 830		2 100 282
<b>Net</b>	<b>7 402</b>	<b>2 209</b>	<b>13 593</b>	<b>-402</b>		<b>22 802</b>

Maturity analysis for financial assets and liabilities, 2010						Unspecified maturity	Total
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs			
Cash and balances with central banks	107 630	-	-	-	-	-	107 630
Bonds and other interest bearing securities	120 820	-	-	-	-	-	120 820
Loans to credit institutions	115 918	3 074	4 960	-	-	-	123 952
of which reverse repos	72 256	-	-	-	-	-	72 256
Loans to the public	180 064	96 909	205 930	1 120 780	-	-	1 603 683
of which reverse repos	27 033	-	-	-	-	-	27 033
<b>Total assets</b>	<b>524 432</b>	<b>99 983</b>	<b>210 890</b>	<b>1 120 780</b>	-	-	<b>1 956 085</b>
Due to credit institutions	227 551	5 837	6 424	18 891	-	-	258 703
of which repos	4 890	-	-	-	-	-	4 890
Deposits and borrowing from the public	57 112	16 119	7 674	22 914	461 751	-	565 570
of which repos	9 071	-	-	-	-	-	9 071
Issued securities	273 557	180 878	553 356	49 580	-	-	1 057 371
Other trading liabilities	33 265	-	-	-	-	-	33 265
Subordinated liabilities	6 238	6 143	30 147	7 101	-	-	49 629
<b>Total liabilities</b>	<b>597 723</b>	<b>208 977</b>	<b>597 601</b>	<b>98 486</b>	<b>461 751</b>	-	<b>1 964 538</b>
<b>Off-balance sheet items</b>							
Financial guarantees and unutilised commitments	407 474	-	-	-	-	-	-
<b>Derivatives 2010</b>							
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs			Total
Total derivatives inflow	889 792	423 873	617 546	177 027			2 108 238
Total derivatives outflow	889 558	420 053	593 917	176 685			2 080 213
<b>Net</b>	<b>234</b>	<b>3 820</b>	<b>23 629</b>	<b>342</b>			<b>28 025</b>

## RISKS IN THE INSURANCE OPERATIONS

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

The risks in Handelsbanken Liv primarily comprise the risk that the Bank's guaranteed commitments to customers in traditional life insurance cannot be fulfilled unless the Bank contributes capital. Besides these market risks, the risks mainly consist of insurance risks. Market risk arises in the management of assets and from the fact that valuation of the company's obligations is sensitive to interest rate changes. The goal of the asset management is to secure the company's obligations to the policyholders while maintaining low management costs. The main market risk in asset management is interest rate risk. For portfolio bond and unit-linked insurance products, the customers choose the investment alternative and bear the market risk themselves.

The insurance risk is the uncertainty of the outcome of a policy dependent on the life or health of the person insured.

The Board of Handelsbanken Liv determines the investment policy that sets the framework for asset management and controls exposure in the various asset classes that are permitted. The market risks at Handelsbanken Liv are monitored daily by checking the risk exposure against an amount specified by the Board of Handelsbanken. In addition, the company's solvency ratio, traffic light situation and cover of liabilities are followed up, these being the requirements from the authorities on the composition of the capital in the insurance

operations. The insurance operations report their market risks, insurance risks and operational risks to the insurance company's Board and Chief Executive, to Handelsbanken's Central Risk Control, and to the Bank's CFO, Group Chief Executive and Board.

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

The total market risk at Handelsbanken Liv is calculated using VaR with a 99.5 per cent confidence level and a holding period of one quarter. The VaR measurement includes both assets and liabilities. At year-end, VaR was SEK 857 million (838).

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

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

An insurance policy may contain combinations of these four factors.

The increased life expectancy in Sweden affects the insurance company's future pension insurance obligations. Since 2009, Handelsbanken Liv has used life expectancy assumptions according to DUS06, which is the industry standard. If mortality were to continue falling and in general be 10 per cent lower than the assumption, the present value of future losses would be approximately SEK 57 million.

Most of Handelsbanken Liv's risk products, which provide financial compensation on death, are priced annually, and the company can unilaterally change the premium from year to year. Thus, an incorrect mortality assumption can be corrected with relatively rapid effect.

As regards health insurance, changes may be greater between years, which may cause variations in the risk result. However, these premiums can generally also be adjusted annually, which means that the company can be compensated for the changes.

The morbidity result is determined by risk premiums paid in, the estimated costs of cases of sickness that have occurred, and changes in provisions for known (ongoing periodic disbursements) and unknown claims. The calculation of the provisions is partly due to assumptions about the probability of the sickness case ceasing; this may occur either due to recovery or death. The result therefore depends both on how many insured persons fall ill (and the amount of their compensation) and how many recover in relation to the assumptions applied. The morbidity result for 2011 is SEK 77 million, where SEK 29 million is attributable to cases of sickness that occurred during the year and SEK 48 million is attributable to the difference between the number who recovered and assumptions made about recovery.

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



## OPERATIONAL RISK

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

Handelsbanken has a low tolerance of operational risks and works very actively to identify and manage operational risks. This work is supported by the Bank's strict attitude to risk, but also by the strong focus on cost-effectiveness, since deficiencies in administrative order can easily lead to unnecessary costs. Operational errors and deficiencies are therefore reduced as far as possible. This applies to minor but frequent events and major events which could cause major unexpected losses. The Bank's management performs frequent, active follow-up of operational risk through the organisation for risk control. Operational risks which may lead to the most serious consequence are the subject of special attention. Internal Audit's examination of the operations also focuses on operational risks.

The responsibility for the management of operational risks is distributed between operations, local risk control and Central Risk Control. The business operations are responsible for the regular identification and management of risks. Local risk control is responsible for ensuring that existing methods and procedures for managing operational risks are used in the business operations. They are also responsible for implementation and follow-up of proactive measures. Central Risk Control is responsible for the procedures that are used to identify, steer, control and report operational risks together with follow-ups at overall Group level.

Operational risk exists in all operations within Handelsbanken and the responsibility for the day-to-day identification, management and control of risk is a clear, integrated part of managerial responsibility at all levels of the operations. The Bank's decentralised method of work promotes cost-consciousness that results in vigilance against potential loss risk in daily procedures and events. By focusing on good administrative order and possible proactive measures, all parts of the operations keep their risks at an acceptable level.

Operational risks are included in internal instructions issued by managers with function responsibility, where account is taken of whether the division of work and responsibilities, the control structure of procedures, and information and reporting systems are fit for purpose. Rules and procedures are assessed annually and the internal control of procedures and business flows is documented. The manager of each unit also conducts annual security reviews with their staff, including internal control, information security, bank confidentiality and other security measures.

Apart from the responsibility for operational risk borne by the managers, there are managers with special responsibility for information security and Group security who report directly to the Group Chief Executive.

Local risk control functions with staff responsible for operational risk are in place at regional banks, main departments, subsidiaries and units

outside the Bank's home markets. They are responsible for ensuring that existing methods to manage operational risk are used and they work proactively to identify operational risks and to monitor that appropriate measures to reduce the risks are taken and completed.

Central Risk Control has the overall responsibility for the methods used for identifying and quantifying operational risk. Central Risk Control is also responsible for analysing and reporting the Group's operational risk to the management and Board, and for monitoring the measures taken to reduce the operational risks. To achieve and maintain good quality in this management, Central Risk Control and the local risk control functions cooperate closely and on a regular basis. Operational risks are reported to the Board every six months. Ahead of this report, Central Risk Control obtains information from heads of regional banks, main departments, subsidiaries and Handelsbanken International. The information covers significant events, major losses and important proactive measures which are in progress. Central Risk Control supplements this with an aggregated risk assessment at Group level. When major external events affect other financial institutions, the report can be supplemented with information concerning internal investigations or proactive measures within the Bank. The whole report is presented to the CFO, Group Chief Executive and Board.

The Bank is careful when processing new products and services and major changes to existing products and services. Each business area, subsidiary and regional bank with product responsibility processes new products in accordance with central guidelines which are minimum requirements. This includes an established process for deciding how products are to be introduced. A risk analysis led by the local risk control is always performed before a product is launched. The analysis takes account of the risks for the Bank and for the customer, including operational risks. Central Risk Control is informed of the results of the analysis and is involved in complex cases when this is justified.

As an aid to continual identification, handling and assessment of operational risks, the Bank has a self-assessment procedure, a reporting and case management system for incidents and risk indicators.

In order to capture the operational risks that are not identified and managed in regular procedures, internal control or when approving new products, all regional banks, main departments, subsidiaries and international units outside the Bank's home markets perform an annual self-assessment of operational risks called OPRA Risk Analysis.

The local risk control function is responsible for carrying out an OPRA analysis every year. Central Risk Control provides support for the planning and implementation. Units with more complex operations divide the self-assessment procedure into several sessions. Normally, around 5–8 experienced employees who have a good overview of the unit's operations and risks participate in the sessions. The aim is to identify risks and assess the consequence and likelihood of the event occurring. The assessment of the impact includes both financial losses and lost reputation. Important input includes facts and statistics

from incidents reported during the previous year together with incidents that have affected other parts of the Group or other banks and companies. The self-assessment procedure results in an action plan stating the risks to be reduced, how this will be done, who is responsible and time limits for when measures are to be taken. The action plan is a work document that is regularly followed up during the year by local risk control. To confirm that the assessment procedure has been completed, Central Risk Control is informed about the completed OPRA analysis, including the action plan. The action plan is also used in Central Risk Control's follow-up of proactive measures taken by the local risk control function.

An incident is an event that is covered by one of the seven Basel II types of event that cover operational risk. All employees throughout the Handelsbanken Group have a duty to report incidents that affect their units. A loss in excess of SEK 25,000 is always an incident. Incidents reported are reviewed and categorised on a regular basis by the local risk control function. The work also includes following up and initiating any proactive measures. This is done in close collaboration with the affected departments and branches. Local compliance is also authorised to monitor incidents reported in the regional bank, main department, subsidiary or international unit in question. In addition to Central Risk Control, the central departments of Group Security, Internal Audit, Information Security and Compliance have access to the database and can follow all incidents reported at Group level. This facilitates collaboration concerning management of risks and proactive measures.

There are emergency and continuity plans in place in all parts of the Group for dealing with serious disruptions. The emergency plans help the crisis team to quickly and systematically start to deal with a crisis situation and its effects. There is a central crisis team for the whole Group, and a local crisis team within each regional bank and international unit outside the Bank's home markets and also at the Central IT Department and Handelsbanken Capital Markets. The central crisis team has permanent staff consisting of members of management and/or those close to them. The central crisis team functions as a liaison crisis team in the event of a major crisis in the Group, supports any local crisis team(s) working with an acute crisis and functions as a crisis team for the main central departments. Continuity planning focuses on taking preventive measures to minimise the consequences of a serious disruption of business operations.

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

The total capital requirement for operational risks for the whole of the Handelsbanken Group was SEK 4,117 million (3,849) at the end of 2011. The increase is due to higher average operating income in 2008–2010 compared with 2007–2009.

**RISKS IN THE COMPENSATION SYSTEM**

Compensation risk is the risk of loss or other damage arising as a result of the compensation system.

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

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

The Bank has low tolerance of compensation risks and actively strives to keep them at a low level. This is achieved in part by only using variable compensation to a very limited extent and only in the areas where this is market practice. Where variable compensation exists, it is as a rule subject to deferred payment.

The Bank's principles for compensation to employees are long established. The principles for the Bank's compensation system are stipulated in the compensation policy which is

decided by the Board. More detailed implementation directives are decided by the Group Chief Executive. The responsibility for identifying and managing compensation risks rests with every responsible manager in the operations and is managed according to internal policies, guidelines and instructions. Local risk control regularly monitors that the compensation system is applied as intended. Central Risk Control is responsible for evaluating the risks associated with the compensation policy and the compensation system before the compensation policy is processed and established by the Board. This is done at least once a year. A broad approach is used in the evaluation, and points that must be evaluated include the incentive structure, categorisation of separately regulated staff, the balance between fixed and variable compensation, deferral rules, and effects on the capital base. In addition, Central Risk Control evaluates the application of the compensation policy in connection with its assessment of internal capital adequacy. Based on this risk analysis and evaluation, an assessment is made as to whether the compensation system is designed in a way that it could threaten the Bank's financial position. The responsibility also includes ensuring that risk costs are calculated correctly in the context of compensation.

Handelsbanken's remuneration policy and compensation system are deemed to generate low risks and promote sound and effective risk management, counteract excessive risk-taking, fit in with the Bank's low tolerance of risks and support the Bank's long-term interests. The compensation system is designed in such a way that there is no risk that the Bank's capital base is undermined as a result of mandatory payment of variable compensation. It is possible to reduce or remove variable compensation, wholly or partly – which applies both for allocations for variable compensation and for deferred variable compensation which has not yet been paid.

For more detailed information and statistics about the Bank's compensation system, see the Corporate Governance Report and note G8, Staff costs.

**ECONOMIC CAPITAL**

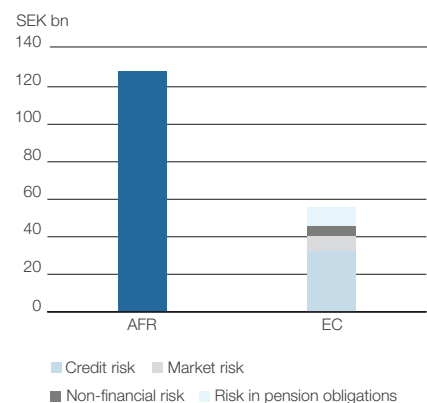
Handelsbanken's model for calculating economic capital identifies in one measurement the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

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

Economic capital is calculated with a time horizon of one year and a confidence level that reflects an acceptable level of risk and desired rating. The Board has determined that the calculation of economic capital must be made with a 99.97 per cent confidence level, which captures an event which is extremely unfavourable for the Bank. The choice of confidence indicator implies that this extremely unfavourable event is expected to occur in only three cases in 10,000 years. EC is the difference between the outcome in an average year – with positive results and good growth in the value of the Bank's assets – and the outcome in the event of an extreme shock at a 99.97 per cent confidence level.

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

**Total of AFR and EC including diversification, 31 December 2011**



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

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

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

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

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

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

At year-end, EC was SEK 56 billion (65), of which credit risks accounted for the main part of the total risks. The Board stipulates that the AFR/EC ratio should be at least 120 per cent. The AFR/EC ratio was 229 per cent (208) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

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

## CAPITAL PLANNING

The capital requirement is a function of the Group's expected development, the regulations, goal figures, Handelsbanken's economic capital model and of stress tests. The Bank's capital requirement is reported weekly to the CFO and at least quarterly to the Board.

The targets for the Bank's capital are determined regularly by the Board on the basis of stress tests of regulatory capital and EC. The Board stipulates that the Tier 1 ratio in Basel II, which is the relevant measurement for management of the Bank, must be between 9 and 11 per cent. In view of the anticipated new rules and increased capital requirements, the Bank has opted to increase its capitalisation above the target interval. An adjusted target for capital cannot be decided until the new regulations have been established.

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

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

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

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

The capital planning work is performed through ongoing analysis of changes in volume, risk and performance, and by monitoring events that may affect the capital requirement and capital volume. Short-term forecasting includes

all sub-components that make up the Group's capital base. This work also includes conducting various sensitivity analyses, with a short-term perspective, of the expected change in the capital adequacy requirement and capital base. The Bank can thus be prepared to alter the size and composition of the capital base if required – through market operations, for example.

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

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

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

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

At the end of 2011, the Tier 1 ratio according to Basel II was 18.4 per cent since the Bank, pending a decision concerning capital regulations, has decided to increase its capitalisation to a level exceeding the Bank's target interval in Basel II of 9–11 per cent.

## G3 Net interest income

SEK m	2011	2010
<b>Interest income</b>		
Credit institutions and central banks	2 375	1 254
General public	57 336	43 076
Treasury bills and other eligible bills	3 187	2 856
Interest-bearing securities	4 652	3 175
Derivative instruments recognised as hedges	-1 509	-3 727
Other interest income	1 270	1 225
<b>Total interest income</b>	<b>67 311</b>	<b>47 859</b>
Of which interest income reported in net gains/losses on financial items at fair value	5 751	4 470
<b>Interest income according to income statement</b>	<b>61 560</b>	<b>43 389</b>
<b>Interest expense</b>		
Credit institutions and central banks	-3 485	-1 576
General public	-7 387	-3 196
Issued securities	-24 366	-22 750
Derivative instruments recognised as hedges	1 603	8 858
Subordinated liabilities	-1 656	-1 924
Other interest expense	-8 384	-6 494
<b>Total interest expense</b>	<b>-43 675</b>	<b>-27 082</b>
Of which interest expense reported in net gains/losses on financial items at fair value	-5 728	-5 030
<b>Interest expense according to income statement</b>	<b>-37 947</b>	<b>-22 052</b>
<b>Net interest income</b>	<b>23 613</b>	<b>21 337</b>

Includes interest income on impaired loans SEK 136m (94). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 61,384m (45,387). Total interest expense on liabilities recognised at amortised cost was SEK 39,550m (30,910).

## G4 Net fee and commission income

SEK m	2011	2010
Brokerage	1 400	1 867
Mutual funds	1 639	1 590
Custody	370	374
Advisory services	211	223
Insurance	647	605
Payments	2 567	2 455
Loans and deposits	1 239	1 231
Guarantees	475	521
Other	428	428
<b>Total fee and commission income</b>	<b>8 976</b>	<b>9 294</b>
Brokerage, mutual funds and custody	-214	-219
Payments	-979	-963
Other	-110	-90
<b>Total fee and commission expense</b>	<b>-1 303</b>	<b>-1 272</b>
<b>Net fee and commission income</b>	<b>7 673</b>	<b>8 022</b>

## G5 Net gains/losses on financial items at fair value

SEK m	2011	2010
Available for sale, realised	100	20
<i>of which equities</i>	111	-1
<i>of which interest-bearing securities</i>	-11	21
Hedge accounting		
Fair value hedges	-74	339
<i>of which hedging instruments</i>	6 119	-2 479
<i>of which hedged items</i>	-6 193	2 818
Cash flow hedge ineffectiveness	-9	-2
Net investment hedge ineffectiveness	-	-
Instruments measured at fair value		
Loans and receivables	69	22
<i>of which change due to changed interbank rate</i>	36	17
Interest-bearing securities	2 712	-182
Loans and receivables at amortised cost	276	401
Financial liabilities at amortised cost	-66	-357
Gains/losses on unbundled insurance contracts	-8	-70
Trading/Other	-1 984	1 206
<b>Total</b>	<b>1 016</b>	<b>1 377</b>

### Available for sale

"Available for sale" shows realised gains/losses on financial assets classified as available for sale. Interest on these assets is recognised under net interest income. During the year, unrealised value changes amounting to SEK -1,089 million after tax relating to available-for-sale financial assets have been recognised in other comprehensive income. Realised value changes in available-for-sale financial assets previously recognised in other comprehensive income and which were reclassified to the income statement during the financial year amounted to SEK 183 million (before tax). This amount has been partly recognised in net interest income.

### Hedge accounting

"Fair value hedges" includes the net profit/loss of unrealised and realised market value changes on financial assets and liabilities which

are part of hedging packages. Interest income and interest expenses for these instruments are recognised under net interest income. The impact on earnings of the ineffective portion of derivative contracts which are used in cash flow hedges is recognised in "Ineffective portion of cash flow hedges." The impact on earnings of ineffective portions of net investment hedges in foreign units is recognised in "Ineffective portion of net investment hedges."

### Instruments measured at fair value

"Instruments measured at fair value" contains unrealised and realised value changes on instruments which upon initial recognition were classified at fair value in the income statement, with the exception of value changes deriving from plan assets in the Group's insurance operations. The principles for recognising profits deriving from the insurance operations are described in note G1.

### Loans and receivables and financial liabilities at amortised cost

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

### Gains/losses on unbundled insurance contracts

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

### Held for trading/other

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

## G6 Risk result – insurance

SEK m	2011	2010
Premiums written	512	514
Insurance claims paid	-399	-419
Change in provisions for unsettled claims	49	152
Other	47	-42
<b>Total</b>	<b>209</b>	<b>205</b>

## G7 Other income

SEK m	2011	2010
Rental income	33	36
Other operating income	110	118
<b>Total</b>	<b>143</b>	<b>154</b>

## G8 Staff costs

SEK m	2011	2010
Salaries and fees	-6 656	-6 367
Social security costs	-1 632	-1 599
Pension costs <sup>1</sup>	-273	-216
Provision to profit-sharing foundation	-913	-842
Other staff costs	-468	-480
<b>Total</b>	<b>-9 942</b>	<b>-9 504</b>

<sup>1</sup>The components in the reported pension costs are shown in the Net pension assets table.

Average number of employees	2011			2010		
	Men	Women	Total	Men	Women	Total
Sweden	7 648	3 520	4 128	7 549	3 578	3 971
Norway	799	435	364	765	402	363
Finland	607	256	351	582	224	358
Denmark	705	354	351	699	335	364
UK	837	533	304	708	463	245
Luxembourg	92	53	39	89	49	40
Germany	61	39	22	59	35	24
USA	78	51	27	74	47	27
Netherlands	67	44	23	46	30	16
Singapore	39	11	28	32	8	24
Hong Kong	31	18	13	28	16	12
Poland	64	28	36	60	26	34
Russia	51	13	38	60	17	43
Other countries	105	38	67	99	35	64
<b>Total</b>	<b>11 184</b>	<b>5 393</b>	<b>5 791</b>	<b>10 850</b>	<b>5 265</b>	<b>5 585</b>

### EMPLOYEE BENEFITS

The Bank's compensation principles for employees are long established. Handelsbanken has generally low risk tolerance and considers that fixed compensation contributes to healthy operations and should therefore be the main principle. The Bank takes a long-term view of its staff's employment. Salary growth and other forms of compensation vary over an employee's period of service with the Bank, and good performance must always be rewarded. The total compensation will help to develop the Bank's competitiveness and profitability, to enable the Bank to attract, retain and develop skilled staff, and ensure well-functioning competence development and management succession.

Compensation is due in the form of a fixed cash salary, customary salary benefits and a pension provision. Salaries are set locally in line with the Bank's decentralised work method and are based on salary-setting factors known in advance: the nature and level of difficulty of the work, skills, performance and results achieved, leadership for employees with responsibility for the career development of employees, supply and demand on the market, and performance as an ambassador for the Bank's business culture.

Variable compensation only occurs to a limited extent in operations where such compensation is assessed to be a market condition. The Bank's Board decides on the final amount for variable compensation. The CEO decides where variable compensation is permitted, on the conditions stated by the Board.

#### Compensation policy

The principles for the Bank's compensation system are established in a policy decided by the Bank's Board after preparation by the Bank's remuneration committee. This committee

comprises three members who are independent of the Bank, all of them Board members. In matters relating to compensation, the members are authorised to prepare proposals for decision by the Board and to evaluate the terms of senior management. The remuneration committee comprises: Hans Larsson (Board Chairman), Bente Rathe and Göran Ennerfelt.

The Bank's compensation policy is reviewed yearly or as required. In 2011, Handelsbanken's risk tolerance was a factor in the work of preparing the policy. The work of making proposals for the policy, and the risk analysis of variable compensation linked to this work, was performed by an internal working group with representatives from Handelsbanken Capital Markets, Central Risk Control, Central Legal Department, Group Finance, Corporate Governance and Central Personnel. The Bank's compensation policy is based on a risk analysis made by Central Risk Control. PwC was engaged as an external consultant concerning compensation.

#### Variable compensation

From 1 March 2011, the Swedish Financial Supervisory Authority's regulations on compensation policies in credit institutions, securities companies and fund management companies with a licence for discretionary portfolio management (FFFS 2011:1) apply. These include special rules for employees who receive variable compensation and who can affect the risk level in a financial institution. The regulations include provisions on deferred compensation.

At Handelsbanken, variable compensation occurs to a limited extent and only in the Handelsbanken Capital Markets business area. No variable compensation is paid to the Bank's senior management or to any employee who makes decisions on credits or limits. Employees

Total compensation, business segments	2011	2010
SEK m		
Branch office operations in Sweden	-3 118	-3 012
Branch office operations outside Sweden	-2 766	-2 590
Capital Markets	-2 111	-2 054
Others	-2 632	-2 521
Adjustments and eliminations	685	673
<b>Total</b>	<b>-9 942</b>	<b>-9 504</b>

Salaries and fees	2011	2010
SEK m		
Senior management <sup>2</sup>	-146	-130
Others	-6 510	-6 237
<b>Total</b>	<b>-6 656</b>	<b>-6 367</b>

Gender distribution	2011		2010	
	Men	Women	Men	Women
%				
Senior management excl. Board <sup>2</sup>	78	22	82	18
Board	75	25	75	25
Board <sup>2</sup>	80	20	81	19

<sup>2</sup> Including subsidiaries

who, alone or with others, are entitled to decide on credit, market, liquidity, commodity, currency or interest rate risk limits, as well as employees who, by deciding on product terms, can affect the Bank's risk profile, are only allowed fixed compensation. Since the profit on which variable compensation is based is offset by the actual capital and liquidity costs required by the operation, this ensures that compensation levels are in line with the Bank's overall goals.

Variable compensation is based on the Bank's model for setting salaries and the salary-setting factors. In addition to these factors, operation-specific factors must be taken into account, with particular importance being attached to sound risk-taking, observance of good order and compliance. Variable compensation is only paid in cash.

All employees eligible for variable compensation are 'identified staff', subject to rules on compensation deferment. If the variable compensation exceeds SEK 100,000, Handelsbanken defers 40 to 60% of the amount for at least 3 years. For particularly large amounts, 60% is deferred for 4 years. In the Bank's policy, the main rule is that at individual level, variable compensation must not exceed 150% of fixed compensation. Rules for deferring variable compensation apply to all employees and managers. Disbursement and ownership rights of the deferred compensation pass to the employee at the end of the deferment period. Deferred variable compensation is lost or reduced if losses, increased risks and expenses arise during the deferment period. Deferred variable compensation is also lost or reduced if payment of the compensation is indefensible due to the Bank's financial situation, or the Bank is subject to special regulations under the legislation on state support to credit institutions or similar, in order to continue pursuing its operations.

Total compensation	2011			2010		
	Executive management <sup>1</sup>	Risk-takers	Others	Executive management <sup>1</sup>	Risk-takers	Others
SEK m						
Earned fixed compensation, SEK m	95	2 606	3 855	89	2 631	3 468
Earned variable compensation, SEK m	-	-	100 <sup>2</sup>	-	17	162
<b>Total</b>	<b>95</b>	<b>2 606</b>	<b>3 955</b>	<b>89</b>	<b>2 648</b>	<b>3 630</b>
No. of persons with fixed compensation only	21	4 962	5 761	24	5 431	4 895
No. of persons with possibility of both fixed and variable compensation	-	84	356	-	81	419
<b>Total number of persons</b>	<b>21</b>	<b>5 046</b>	<b>6 117</b>	<b>24</b>	<b>5 512</b>	<b>5 314</b>
Allocated variable compensation, SEK m	-	17	162	-	-	381 <sup>3</sup>
<i>of which deferred</i>	-	9	-	-	-	-
<i>of which disbursed</i>	-	8	162	-	-	381
No. of persons to whom variable compensation has been allocated	-	18	264	-	-	474
Guaranteed variable compensation recognised as an expense in connection with new employment, SEK m	-	0	27	-	2	24
Contracted guaranteed variable compensation recognised as an expense in connection with new employment, SEK m	-	0	30	-	-	13

Earned compensation has been recognised as an expense in its entirety. Earned variable compensation is allocated at individual level during the financial year after it has been earned. Allocated variable compensation for the year was earned in its entirety during 2010. Allocated variable compensation is disbursed or deferred in accordance with the Bank's policy for variable compensation. The right of disposal of the deferred compensation transfers to the employee at the time of disbursement. All variable compensation is paid in cash. The amounts are excluding social security costs. During the year, termination benefits for 120 persons (80) have been recognised as an expense for SEK 63 million (37), and have been contracted for SEK 20 million (3) for 60 persons (10). The largest individual contracted termination benefit is SEK 3.1 million (0.9). During the year, guaranteed variable compensation has been allocated to 20 persons (18).

<sup>1</sup> Executive management corresponds to Group Chief Executive, Executive Vice Presidents and Central Group Management.

<sup>2</sup> The year's total provision for variable compensation amounting to SEK 100 million refers to both Risk-takers and Others. However since the decision for allocation is made after the balance sheet date, the entire amount is reported in the Others column.

<sup>3</sup> The amount was allocated in December 2009. The principle of deferred compensation for risk-takers was applied for the first time for compensation earned during 2010.

## TERMS AND COMPENSATION TO SENIOR MANAGEMENT

For principles and the decision process concerning compensation to senior management, see the Corporate Governance Report on page 59 in the Administration Report.

### General

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

### The Board's compensation

Board members who are not employees of the Bank have only received fees in accordance with a resolution of the AGM. The fees are presented on pages 64–65. Board members who are employees of the Bank receive compensation and pension benefits by reason of their employment. No further compensation or pension benefits are paid for serving on the Board.

### Terms and compensation for the Group Chief Executive

In 2011, the Bank's Group Chief Executive, Pär Boman, received a fixed salary of SEK 10.4 million (10.0), a pension provision of SEK 5.1 million (4.1) and other salary benefits amounting to SEK 0.7 million (0.8). External fees for serving on the boards of other companies have been invoiced and delivered to the Bank.

During the period until retirement, his pension is accrued successively via provisions, until it is 65% of his salary on the retirement date. After the Group Chief Executive has reached retirement age (60), no further provisions are

made. The Group Chief Executive's retirement age is 60. If the Group Chief Executive stands down earlier, the provisions cease and the accrued pension is deposited into a paid-up policy. Accrued pension rights during the year have increased the pension obligations for the Group Chief Executive by SEK 5.1 million (4.1). The pension obligations for the Group Chief Executive were SEK 132.2 million (108.9). A changed interest rate assumption has affected the increase in the pension obligations.

The Group Chief Executive and other senior managers are allocated one unit in Handelsbanken's profit-sharing scheme, Oktogonen. Allocation is made according to the same principles as for all other employees of the Bank in the countries where Oktogonen has been implemented. In 2011 (relating to the 2010 financial year), one Swedish unit corresponded to SEK 64,906. For 2010, the corresponding amount was SEK 58,190.

### Terms for senior management

The lowest pension age for the Central Group Management and Executive Vice Presidents (EVPs) is 60. Between the ages of 60 and 64, their retirement pension is 65% of their salary on the retirement date. From the age of 65, the retirement pension is 10% of the annual salary up to 7.5 price base amounts. A pension under the general national insurance scheme is also paid. A retirement pension of 65% of the final salary at the retirement date is paid on the portion of the salary in excess of 7.5 price base amounts. For senior managers who are not EVPs, a pension is paid according to the collective agreement, whereby it is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income

base amounts, the retirement pension is 65% and on the part of the salary between 20 and 30 income base amounts, it is 32.5%. No pension is paid on salary in excess of these amounts.

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

### Remuneration for senior management

Magnus Ugglå, EVP, received compensation and other benefits amounting to SEK 6.3 million (6.1), with SEK 0.8 million (1.2) of this amount being other benefits.

The other 19 (22) senior managers received compensation totalling SEK 77.4 million (72.2), including other benefits amounting to SEK 6.0 million (5.6). Fees from external board assignments that are deemed to be in the interest of the Bank have been delivered to the Bank.

### Accrued pension entitlement for senior management

Accrued pension rights during the year have increased the pension obligations for Magnus Ugglå, EVP, by SEK 2.0 million (1.8). The pension obligations were SEK 70.9 million (62.1).

Accrued pension rights during the year have increased pension obligations for the senior managers by SEK 20.0 million (19.0).

## G8 Cont.

**Compensation for senior management of subsidiaries**

Senior managers in subsidiaries have received compensation and other benefits of SEK 34.8 million (40.0), including other benefits amounting to SEK 2.4 million (2.3).

**Pension obligations for all present and previous senior managers**

Accrued pension rights during the year relating to defined-benefit pension plans and premiums relating to defined-contribution pension plans for the present and previous Boards, Chief Executives and other senior managers were SEK 31.1 million (32.1) for the Group and SEK 27.2 million (26.2) for the parent company. Pension obligations for the same people are SEK 2,478 million (1,989) in the Group and SEK 2,215

million (1,768) in the parent company. The number of people covered by these obligations in the Group is 79 (78), of whom 40 (33) are pensioners. The corresponding number for the parent company is 54 (57), of whom 30 (30) are pensioners.

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

**Loans to all senior managers**

Loans to Board members, Chief Executives, EVPs and other senior managers at the Bank or Group companies were SEK 283 million (181) in the Bank or other Group companies. The

Bank's interest income for loans to the above categories is SEK 4.4 million (3). The Bank's interest expense for deposits from the above categories is SEK 1 million (0.2).

Senior managers who are employed by the Bank are subject to the same credit terms and conditions as other employees. The discount on the interest rate for credits of up to SEK 1.5 million is determined on the basis of the government borrowing rate set annually by the Swedish Tax Authority plus one percentage point. The discount on the interest rate is taxed in connection with monthly salary payments and constitutes a basis for employer's contributions for the Bank. Interest on credits above SEK 1.5 million is on normal commercial terms. All credits are subject to customary credit assessment.

Net pension assets	2011	2010
The following provisions for pension obligations have been made in the balance sheet		
SEK m		
Pension obligations	19 696	17 212
Fair value of plan assets	18 295	23 223
<b>Pension obligations minus plan assets</b>	<b>1 401</b>	<b>-6 011</b>
Retained actuarial gains (+)/losses (-)	-6 176	1 341
<b>Allocated for pensions</b>	<b>-4 775</b>	<b>-4 670</b>

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

Pension costs	2011	2010
SEK m		
Pensions accrued during the year	-521	-472
Interest on pension provision	-623	-616
Expected return on plan assets	1 198	1 157
Redemption of pension liability	-	59
Write-off of retained actuarial gains (+)/losses (-)	-31	-47
<b>Pension costs, defined benefit plans</b>	<b>23</b>	<b>81</b>
Costs for early retirement pensions	0	0
<b>Pension costs, funded plans</b>	<b>23</b>	<b>81</b>
Pension costs, defined-contribution plans	-286	-287
Special employer's contribution and policyholder tax, other pension costs	-10	-10
<b>Total pension costs</b>	<b>-273</b>	<b>-216</b>

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

Pension obligations	2011	2010
SEK m		
Opening balance	17 212	16 007
Pensions accrued during the year	521	472
Interest expense	623	616
Paid benefits	-524	-563
Redemption of pension obligations	-	-54
Actuarial gains(-)/losses(+)	1 845	911
Foreign exchange effect	19	-177
<b>Closing balance</b>	<b>19 696</b>	<b>17 212</b>

Plan assets	2011	2010
SEK m		
Opening balance	23 223	17 945
Expected return on plan assets	1 198	1 157
Funds contributed by the employer	161	158
Funds paid to the employer	-558	-429
Funds paid directly to employees	-49	-91
Actuarial gains (+)/losses (-)	-5 695	4 618
Foreign exchange effect	15	-135
<b>Closing balance</b>	<b>18 295</b>	<b>23 223</b>

Return on plan assets	2011	2010
SEK m		
Expected return on plan assets	1 198	1 157
Actuarial gains (+)/losses (-)	-5 695	4 618
<b>Real return</b>	<b>-4 497</b>	<b>5 775</b>

Provision for pension obligations	2011	2010
SEK m		
Opening balance	-4 670	-4 380
Pension costs, defined benefit plans	-23	-22
Paid benefits	83	-43
Funds contributed by the employer	-161	-158
Redeemed pension provision	-	-59
Foreign exchange effect	-4	-8
<b>Closing balance</b>	<b>-4 775</b>	<b>-4 670</b>

Net actuarial gains/losses	2011	2010
SEK m		
Opening balance, actuarial gains (+)/losses (-)	1 341	-2 442
Actuarial gains (-)/losses (+) to be recognised	31	47
Actuarial gains (+)/losses (-), pension obligations	-1 845	-911
Actuarial gains (+)/losses (-), plan assets	-5 695	4 618
Foreign exchange effect	-8	29
<b>Closing balance, actuarial gains (+)/losses (-)</b>	<b>-6 176</b>	<b>1 341</b>

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

SEK m	2011	2010
Shares and participating interests	14 510	20 167
Interest-bearing securities etc.	3 785	3 056
<b>Total</b>	<b>18 295</b>	<b>23 223</b>

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK 0m (0) on the balance sheet date 31 December 2011.



History SEK m	2011	2010	2009	2008	2007
Pension obligations	19 696	17 212	16 007	15 529	14 728
Fair value of plan assets	18 295	23 223	17 945	13 332	22 059
<b>Pension obligations minus plan assets</b>	<b>1 401</b>	<b>-6 011</b>	<b>-1 938</b>	<b>2 197</b>	<b>-7 331</b>
Actuarial gains (+)/losses (-) for the period, pension obligations	-1 845	-911	124	-577	-719
of which experience adjustments	-29	-200	136	22	-693
of which changed actuarial assumptions	-1 815	-711	-12	-599	-26
Actuarial gains (+)/losses (-) for the period, plan assets	-5 695	4 618	4 048	-9 209	-2 383
of which experience adjustments	-5 690	4 618	4 048	-9 193	-2 383
of which changed actuarial assumptions	-5	0	0	-16	0

Future cash flows SEK m		Outcome 2011	Forecast 2012
Expected pension payments		-513	-488

Defined-benefit pensions are mainly paid to employees in Sweden, Norway and the UK.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10 per cent of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65 per cent and in the interval between 20 and 30 income base amounts, it is 32.5 per cent of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

In Norway, retirement pensions are paid from the age of 67. The amount of the pension is partly dependent on the period of service and the final salary up to 12 base amounts. The retirement pension, including the statutory pension, is expected to be approximately 70 per cent of the final salary up to 12 base amounts.

In the UK, defined-benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined-contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67 per cent of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently GBP 129,600.

Main assumptions	Sweden		Norway		UK	
	2011	2010	2011	2010	2011	2010
Discount rate, %	3.0	3.5	3.7	3.7	4.7	5.4
Expected salary increase, %	3.5	3.5	4.0	4.0	4.7	5.1
Expected rate of return on plan assets, %	7.0	7.0	4.6	5.6	5.5	6.2
Pension indexing, %	2.0	2.0	0.5	0.5	3.1	3.4
Income base amount, %	3.0	3.0	n/a	n/a	n/a	n/a
Staff turnover, %	3.0	3.0	0-8 <sup>1</sup>	0-8 <sup>1</sup>	n/a	n/a
Expected remaining years of employment	21.1	20.0	16.0	16.0	17.0	18.0

<sup>1</sup> Age-related interval: 8% for the youngest annually, gradually decreasing to 0% for the oldest.

## G9 Other expenses

SEK m	2011	2010
Property and premises	-1 089	-1 082
External IT costs	-1 533	-1 585
Communication	-379	-413
Travel and marketing	-423	-405
Purchased services	-976	-911
Supplies	-216	-298
Other administrative expenses	-444	-368
<b>Total</b>	<b>-5 060</b>	<b>-5 062</b>
<i>Of which expenses for operating leases</i>		
Minimum lease fee	-593	-578
Variable fee	-19	-16
<b>Total</b>	<b>-612</b>	<b>-594</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2011, the cost of the largest individual lease contract was approx. SEK 155m (143). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies SEK m	KPMG		Ernst & Young AB	
	2011	2010	2011	2010
Audit assignment	-11	-10	-2	-2
Audit operations outside the audit assignment	-5	-4	-	-
Tax advice	0	-1	0	-3
Other services	-1	-1	-	-

Internal audit costs were SEK 122m (108) during the year.

## G10 Loan losses

SEK m	2011	2010
<b>Specific provision for individually assessed loans</b>		
The year's provision	-1 341	-1 615
Reversal of previous provisions	335	360
<b>Total</b>	<b>-1 006</b>	<b>-1 255</b>
<b>Collective provision</b>		
The year's net provision for individually assessed loans	29	64
The year's net provision for homogeneous loans	33	5
The year's net provision for off-balance-sheet items	2	10
<b>Total</b>	<b>64</b>	<b>79</b>
<b>Other provisions</b>		
Provisions for off-balance-sheet items	14	0
Reversal of previous provisions	-	-
Guarantees honoured	-	-
<b>Total</b>	<b>14</b>	<b>0</b>
<b>Write-offs</b>		
Actual loan losses for the year	-2 669	-1 355
Utilised share of previous provisions	2 271	760
Recoveries	510	264
<b>Total</b>	<b>112</b>	<b>-331</b>
<b>Change in value of repossessed property</b>		
The year's value change	-	0
<b>Net loan losses</b>	<b>-816</b>	<b>-1 507</b>

Impaired loans etc. SEK m	2011	2010
Impaired loans	6 858	9 212
Specific provisions for individually assessed loans	-3 680	-5 039
Provisions for collectively assessed homogeneous groups of loans with limited value and similar credit risk	-115	-157
Collective provisions for individually assessed loans	-366	-396
<b>Net impaired loans</b>	<b>2 697</b>	<b>3 620</b>
Total impaired loans reserve ratio, %	60.7	60.7
Proportion of impaired loans, %	0.16	0.23
Impaired loans reserve ratio excluding collective provisions, %	55.3	56.4
Non-performing loans but not impaired loans	2 161	1 684
Impaired loans reclassified as normal loans during the year	344	72

Loans are classified as impaired if it is probable that the contractual cash flows will not be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans, even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. Non-performing loans are loans where interest, repayments or overdrafts have been due for payment for more than 60 days. For other definitions, see page 176.

Change in provision for probable loan losses 2011				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-5 039	-396	-157	-5 592
The year's provision	-1 341		-78	-1 421
Reversal of previous provisions	335	29	33	397
Utilised for actual loan losses	2 271		78	2 350
Foreign exchange effect etc.	94	1	9	105
<b>Provision at end of year</b>	<b>-3 680</b>	<b>-366</b>	<b>-115</b>	<b>-4 161</b>

Change in provision for probable loan losses 2010				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-4 731	-474	-175	-5 380
The year's provision	-1 615		-112	-1 727
Reversal of previous provisions	360	64	20	444
Utilised for actual loan losses	760		98	858
Foreign exchange effect etc.	187	14	12	213
<b>Provision at end of year</b>	<b>-5 039</b>	<b>-396</b>	<b>-157</b>	<b>-5 592</b>

Impaired and/or non-performing loans, by sector 2011					
SEK m	Impaired loans			Of which non-performing	Non-performing loans which are not impaired loans
	Gross	Provisions	Net <sup>1</sup>		
Private individuals	1 418	-820	598	495	1 464
Housing co-operative associations	7	-4	3	-	76
Property management	1 275	-410	865	515	296
Manufacturing	933	-497	436	307	51
Retail	497	-305	192	182	59
Hotel and restaurant	173	-120	53	53	29
Passenger and goods transport by sea	202	-202	0	-	-
Other transport and communication	244	-178	66	57	20
Construction	289	-170	119	114	51
Electricity, gas and water	37	-15	22	2	-
Agriculture, hunting and forestry	26	-20	6	5	23
Other services	115	-60	55	45	56
Holding, investment and insurance companies, mutual funds etc.	1 231	-702	529	44	33
Other corporate lending	411	-292	119	100	3
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>6 858</b>	<b>-3 795</b>	<b>3 063</b>	<b>1 919</b>	<b>2 161</b>

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

<sup>1</sup> Carrying amount after taking into account specific provisions for individually valued loans and provisions for collectively valued loans but excluding collective provisions for loans which are individually assessed.

## G10 Cont.

Impaired and/or non-performing loans, geographic distribution 2011	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net <sup>1</sup>	Of which non-performing	
SEK m					
Sweden	2 576	-1 591	985	913	1 252
Norway	564	-358	206	188	565
Finland	817	-374	443	279	224
Denmark	895	-541	354	195	43
UK	815	-260	555	316	33
Rest of Europe	103	-31	72	27	44
North America	1 083	-639	444	-	-
Asia	5	-1	4	1	-
<b>Total</b>	<b>6 858</b>	<b>-3 795</b>	<b>3 063</b>	<b>1 919</b>	<b>2 161</b>

Impaired and/or non-performing loans, geographic distribution 2010	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net <sup>1</sup>	Of which non-performing	
SEK m					
Sweden	3 797	-2 995	802	690	729
Norway	596	-256	340	340	572
Finland	919	-477	442	325	182
Denmark	1 960	-491	1 469	210	37
UK	847	-340	507	248	122
Rest of Europe	23	-8	15	11	39
North America	1 068	-629	439	-	-
Asia	2	0	2	2	3
<b>Total</b>	<b>9 212</b>	<b>-5 196</b>	<b>4 016</b>	<b>1 826</b>	<b>1 684</b>

<sup>1</sup>Carrying amount after taking into account specific provisions for individually valued loans and provisions for collectively valued loans but excluding collective provisions for loans which are individually assessed.

Analysis of past due loans which are not impaired loans 2011	Loans to credit institutions	Loans to the public			Total
		Retail	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	3 254	1 219	0	4 473
Past due > 1 month ≤ 2 months	-	577	167	-	744
Past due > 2 months ≤ 3 months	-	435	149	-	584
Past due > 3 months ≤ 12 months	-	807	291	-	1 098
Past due > 12 months	-	324	156	-	480
<b>Total</b>	<b>-</b>	<b>5 397</b>	<b>1 982</b>	<b>0</b>	<b>7 379</b>

Analysis of past due loans which are not impaired loans 2010	Loans to credit institutions	Loans to the public			Total
		Retail	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	2 603	940	-	3 543
Past due > 1 month ≤ 2 months	-	572	261	0	833
Past due > 2 months ≤ 3 months	-	192	44	-	236
Past due > 3 months ≤ 12 months	-	660	340	-	1 000
Past due > 12 months	-	294	154	-	448
<b>Total</b>	<b>-</b>	<b>4 321</b>	<b>1 739</b>	<b>0</b>	<b>6 060</b>

Property repossessed for protection of claims	2011	2010
SEK m		
Property	446	40
Movable property	17	31
Shares	72	23
<b>Carrying amount</b>	<b>535</b>	<b>94</b>

Movable property mainly consists of repossessed leased assets. In addition to repossessed property shown in the table above, repossessed property is also included in discontinued operations, see note G12. The valuation principles for assets and liabilities repossessed for protection of claims are described in note G1.

## G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2011	2010
Equipment	7	-1
Property	-	-
<b>Total</b>	<b>7</b>	<b>-1</b>

## G12 Discontinued operations

Profit/loss from discontinued operations SEK m	2011	2010
Income	1 797	1 674
Expenses	-1 598	-1 465
<b>Operating profit from discontinued operations</b>	<b>199</b>	<b>209</b>
Tax	-40	8
<b>Profit for the year from discontinued operations</b>	<b>159</b>	<b>217</b>

Profit/loss from discontinued operations mainly comprises return on the Bank's holdings in the Plastal Group. The Plastal Group's operations consist of manufacturing of exterior plastic components for the auto industry. The Bank intends to divest operations in the Plastal Group as soon as conditions permit.

## G13 Earnings per share

	2011	2010
Profit for the year, continuing operations, SEK m	12 164	10 808
<i>of which interest expense on convertible subordinated loan after tax</i>	<i>-134</i>	<i>-39</i>
Profit for the year, discontinued operations, SEK m	159	217
<i>of which interest expense on convertible subordinated loan after tax</i>	<i>-</i>	<i>-</i>
Profit for the year, total operations, SEK m	12 323	11 025
<i>of which interest expense on convertible subordinated loan after tax</i>	<i>-134</i>	<i>-39</i>
Average number of converted shares (millions)	0.3	-
Average holdings of own shares in trading book (millions)	0.7	1.4
Average number of outstanding shares (millions)	623.1	622.1
Average dilution effect, number of shares (millions)	19.3	12.2
Average number of outstanding shares after dilution (millions)	642.4	634.3
<b>Earnings per share, continuing operations, SEK</b>	<b>19.52</b>	<b>17.37</b>
after dilution	19.14	17.10
<b>Earnings per share, discontinued operations, SEK</b>	<b>0.26</b>	<b>0.35</b>
after dilution	0.25	0.34
<b>Earnings per share, total operations, SEK</b>	<b>19.78</b>	<b>17.72</b>
after dilution	19.39	17.44

Earnings per share after dilution is measured by taking the effects of conversion of outstanding convertible shares into account. The implication of this is that the number of potential converted shares are added to the average number of outstanding shares and that profit for the year is adjusted for the year's interest expense on outstanding convertible subordinated loans after tax.

## G14 Classification of financial assets and liabilities

2011 SEK m	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Held for trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					251 857			251 857	251 857
Other loans to central banks					124 122			124 122	124 122
Treasury bills and other eligible securities	14 350	21 435		6 461		1 725		43 971	44 081
Loans to other credit institutions					106 823			106 823	106 820
Loans to the public		4 945			1 586 183			1 591 128	1 601 422
Value change of interest hedged item in portfolio hedge					4 490			4 490	
Bonds and other interest-bearing securities	14 401	35 751		3 339		6 740		60 231	60 235
Shares	20 345	2 597				4 294		27 236	27 236
Participating interests in associated companies							205	205	205
Assets where the customer bears the value change risk		61 212			1 509			62 721	62 721
Derivative instruments	117 588		24 486					142 074	142 074
Other assets	43				14 224			14 267	14 267
Prepaid expenses and accrued income	173	1 305		172	6 861	1		8 512	8 512
<b>Total financial assets</b>	<b>166 900</b>	<b>127 245</b>	<b>24 486</b>	<b>9 972</b>	<b>2 096 069</b>	<b>12 760</b>	<b>205</b>	<b>2 437 637</b>	<b>2 443 552</b>
Non-financial assets								16 729	
<b>Total assets</b>								<b>2 454 366</b>	
<b>Liabilities</b>									
Due to credit institutions							201 889	201 889	201 431
Deposits and borrowing from the public							724 888	724 888	725 044
Liabilities where the customer bears the value change risk		61 291					1 509	62 800	62 800
Issued securities	9 125						1 130 949	1 140 074	1 149 830
Derivative instruments	118 286		9 017					127 303	127 303
Short positions	21 397							21 397	21 397
Other liabilities	46						13 801	13 847	13 847
Accrued expenses and deferred income	168						20 809	20 977	20 977
Subordinated liabilities							35 317	35 317	37 068
<b>Total financial liabilities</b>	<b>149 022</b>	<b>61 291</b>	<b>9 017</b>				<b>2 129 162</b>	<b>2 348 492</b>	<b>2 359 697</b>
Non-financial liabilities								11 350	
<b>Total liabilities</b>								<b>2 359 842</b>	

<sup>1</sup>Classified to be measured at fair value.

### CALCULATION OF FAIR VALUE FOR FINANCIAL INSTRUMENTS

Principles for valuation of financial instruments carried at fair value on the balance sheet are described in the accounting policies in note G1. In the right-hand column in the table above, the fair values of financial instruments carried at cost or amortised cost are also provided. Information concerning fair value for these instruments has been produced according to the below principles.

For means of payment, receivables and liabilities with a variable interest rate, and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of

the fair value. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

Fixed-rate lending has been valued using the current market rate for the equivalent maturity with an adjustment for credit and liquidity risk. The credit and liquidity risk premium by which the market rate has been adjusted is assumed to be the same as the average margin for new lending at the time of the measurement.

Where market prices are lacking for interest-bearing securities that are reported as held to maturity or as lending, the fair value has been established by means of listed prices or market

rates for instruments with the equivalent maturity and other characteristics.

Shares in associated companies are reported at the carrying amount according to the equity method.

Issued securities listed on an active market have been valued at their market price. Unlisted issued securities and other funding have been valued at the Group's current funding interest rate.

Information on loans and receivables presented as assets for which the customer bears the risk has been obtained in the same manner as for other loans and receivables.

2010 SEK m	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Held for trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					56 637			56 637	56 637
Other loans to central banks					50 989			50 989	51 517
Treasury bills and other eligible securities	21 059	22 547		5 699		1 433		50 738	50 725
Loans to other credit institutions					123 465			123 465	147 591
Loans to the public		5 435			1 508 252			1 513 687	1 497 701
Value change of interest hedged item in portfolio hedge					4 744			4 744	
Bonds and other interest-bearing securities	25 187	30 939		1 139		11 235		68 500	68 499
Shares	29 404	3 110				5 696		38 210	38 210
Participating interests in associated companies							111	111	111
Assets where the customer bears the value change risk		59 533			1 649			61 182	61 182
Derivative instruments	81 620		20 663					102 283	102 283
Other assets	7				60 253			60 260	60 260
Prepaid expenses and accrued income	573	858		148	5 050	1		6 630	6 630
<b>Total financial assets</b>	<b>157 850</b>	<b>122 422</b>	<b>20 663</b>	<b>6 986</b>	<b>1 811 039</b>	<b>18 365</b>	<b>111</b>	<b>2 137 436</b>	<b>2 141 346</b>
Non-financial assets								16 094	
<b>Total assets</b>								<b>2 153 530</b>	
<b>Liabilities</b>									
Due to credit institutions							251 972	251 972	252 167
Deposits and borrowing from the public							564 142	564 142	562 718
Liabilities where the customer bears the value change risk		59 565					1 649	61 214	61 214
Issued securities	10 032						953 469	963 501	966 730
Derivative instruments	92 557		9 196					101 753	101 753
Short positions	36 026							36 026	36 026
Other liabilities	26						12 578	12 604	12 604
Accrued expenses and deferred income	457						18 394	18 851	18 851
Subordinated liabilities							43 948	43 948	45 554
<b>Total financial liabilities</b>	<b>139 098</b>	<b>59 565</b>	<b>9 196</b>				<b>1 846 152</b>	<b>2 054 011</b>	<b>2 057 617</b>
Non-financial liabilities								11 128	
<b>Total liabilities</b>								<b>2 065 139</b>	

<sup>1</sup>Classified to be measured at fair value.

## G15 Fair value measurement of financial assets and liabilities

2011 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible securities	37 510	-	-	37 510
Loans to the public	-	4 920	25	4 945
Bonds and other interest-bearing securities	46 003	10 889	-	56 892
Shares	24 974	460	1 802	27 236
Assets where the customer bears the value change risk	61 212	-	-	61 212
Derivative instruments	1 764	140 310	-	142 074
<b>Total financial assets at fair value</b>	<b>171 463</b>	<b>156 579</b>	<b>1 827</b>	<b>329 869</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	61 291	-	-	61 291
Issued securities	625	8 423	77	9 125
Derivative instruments	3 324	123 976	3	127 303
Short positions	20 386	1 011	-	21 397
<b>Total financial liabilities at fair value</b>	<b>85 626</b>	<b>133 410</b>	<b>80</b>	<b>219 116</b>

2010 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible securities	45 039	-	-	45 039
Loans to the public	-	5 411	24	5 435
Bonds and other interest-bearing securities	47 357	18 167	1 837	67 361
Shares	35 717	679	1 814	38 210
Assets where the customer bears the value change risk	59 533	-	-	59 533
Derivative instruments	1 941	100 292	50	102 283
<b>Total financial assets at fair value</b>	<b>189 587</b>	<b>124 549</b>	<b>3 725</b>	<b>317 861</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	59 565	-	-	59 565
Issued securities	-	9 955	77	10 032
Derivative instruments	3 115	98 501	137	101 753
Short positions	35 026	1 000	-	36 026
<b>Total financial liabilities at fair value</b>	<b>97 706</b>	<b>109 456</b>	<b>214</b>	<b>207 376</b>

The tables above present a division of financial assets and liabilities carried at fair value, according to the valuation technique applied. Level 1 comprises instruments for which there are listed prices on an active market. The market is regarded as active if the prices are easily available and are the result of actual, regular transactions. The holdings in level 1 mainly comprise listed shares, government instruments and other interest-bearing securities that are traded actively and short positions in corresponding assets. Level 1 also includes shares in mutual funds and other assets linked to unit-linked contracts and similar agreements and the corresponding items on the liability side (assets and liabilities where the customer bears the value

change risk). Level 2 comprises instruments which directly or by means of a valuation model are valued using information obtained from the market, such as listed interest rates or prices of closely related instruments. The holdings in level 2 mainly comprise interest-bearing securities valued on the basis of market interest rates as well as interest rate swaps and currency-related derivatives. There was no material transfer of financial instruments between levels 1 and 2 during the year.

Level 3 comprises instruments valued using a model where some of the input data which has had a material effect on the valuation relies on an assumption. The holdings reported in level 3 mainly comprise unlisted shares and invest-

ments in venture capital funds in the insurance operations. The year's change in the Group's holdings of financial instruments in level 3 is shown in a separate table. During the year, a block of unlisted shares was transferred to level 3, due to a changed assessment in the valuation method applied. In addition, part of a loan portfolio that had been classified at fair value in the income statement was transferred to level 3 as a result of changes in the assumed credit risk premium. Most transfers from level 3 consist of equity-related OTC derivatives, the valuation of which is based on market data; they are therefore no longer sensitive to changes in assumptions.



Reconciliation of financial instruments in level 3 2011					
SEK m	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives net position	Loans to the public	Issued securities
Carrying amount at beginning of year	1 837	1 814	-87	24	-77
New acquisition	-	691	4	-	-
Issued during the year	-	-	-	-	-
Repurchased during the year	-	-	-	-	1
Sold during the year	-	-577	-	-	-
Matured during the year	-1 844	-	-	-15	-
Realised value change in income statement	-20	-12	-	-	-
Unrealised value change in income statement	-	-319	4	0	-1
Value change recognised in other comprehensive income	27	-45	-	0	-
Transfer from level 1 or 2	-	251	-	16	-
Transfer to level 1 or 2	-	-1	76	-	0
<b>Carrying amount at end of year</b>	<b>0</b>	<b>1 802</b>	<b>-3</b>	<b>25</b>	<b>-77</b>

Reconciliation of financial instruments in level 3 2010					
SEK m	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives net position	Loans to the public	Issued securities
Carrying amount at beginning of year	2 190	1 516	-	-	-76
New acquisition	-	191	-	-	-8
Issued during the year	-	-	-47	-	-
Repurchased during the year	-	-	-	-	-
Sold during the year	-	-	-	-	-
Matured during the year	-276	-	-	-	-
Realised value change in income statement	-	-145	-	-	10
Unrealised value change in income statement	-	-17	-	-	-3
Value change recognised in other comprehensive income	-77	39	-	-	-
Transfer from level 1 or 2	-	244	-40	24	-
Transfer to level 1 or 2	-	-14	-	-	-
<b>Carrying amount at end of year</b>	<b>1 837</b>	<b>1 814</b>	<b>-87</b>	<b>24</b>	<b>-77</b>

## G16 Reclassified financial assets

SEK m	Holdings classified as loans and receivables		Financial assets available for sale	Investments held to maturity
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
Carrying amount	132	11 992	378	-
Fair value	131	11 837	380	-
Carrying amount at reclassification 1 July 2008	3 041	19 722	2 578	209
Carrying amount at beginning of 2011	1 158	15 147	2 171	198
Fair value at beginning of 2011	1 156	15 249	2 154	199
Value change recognised in income statement in 2011	-	-23	-	-
Value change recognised in income statement in 2010	-	-109	-	-29
Value change recognised in other comprehensive income in 2011	1	133	22	-
Value change recognised in other comprehensive income in 2010	-57	-329	-46	-
Value change which would have been recognised in income statement in 2011 if reclassification had not occurred	3	19	41	-
Value change which would have been recognised in income statement in 2010 if reclassification had not occurred	32	-119	90	-29
Value change which would have been recognised in other comprehensive income in 2011 if reclassification had not occurred	-	-90	-	0
Value change which would have been recognised in other comprehensive income in 2010 if reclassification had not occurred	-	-67	-	1
Proportion of amortisations and maturities since reclassification	96%	65%	88%	100%
Interest recognised as income 2011	2	274	13	1

The table shows the effects on reported amounts of the reclassification of parts of the Group's liquidity portfolio that was carried out on 1 July 2008. Since this date, no further reclassifications have been carried out. Unrealised profit and loss on assets previously classified as available for sale is amortised over the remaining lifetime of the instruments. The amounts which would have affected the income statement/other comprehensive income as stated above, if the reclassification had not been carried out, comprise the period's change in fair value of the holdings which remained in the balance sheet at the end of the financial year.

## G17 Other loans to central banks

SEK m	2011	2010
Other loans to central banks in Swedish kronor	13 108	5 026
Other loans to central banks in foreign currency	111 014	45 963
<b>Total</b>	<b>124 122</b>	<b>50 989</b>
<i>Of which reverse repos</i>	228	59
<b>Average volumes</b>		
SEK m	2011	2010
Other loans to central banks in Swedish kronor	9 406	34 555
Other loans to central banks in foreign currency	45 518	6 892
<b>Total</b>	<b>54 924</b>	<b>41 447</b>
<i>Of which reverse repos</i>	2 223	1 494

## G18 Loans to other credit institutions

SEK m	2011	2010
<b>Loans in Swedish kronor</b>		
Banks	21 896	22 948
Other credit institutions	4 872	23 825
<b>Total</b>	<b>26 768</b>	<b>46 773</b>
<b>Loans in foreign currency</b>		
Banks	27 485	35 220
Other credit institutions	52 570	41 472
<b>Total</b>	<b>80 055</b>	<b>76 692</b>
Probable loan losses	-	-
<b>Total loans to other credit institutions</b>	<b>106 823</b>	<b>123 465</b>
<i>Of which reverse repos</i>	60 585	72 235
<i>Of which subordinated</i>	3	3
<b>Average volumes</b>		
SEK m	2011	2010
Loans to other credit institutions in Swedish kronor	29 155	52 111
Loans to other credit institutions in Swedish kronor, insurance operations	29	11
Loans to other credit institutions in foreign currency	142 018	123 499
Loans to other credit institutions in foreign currency, insurance operations	3	17
<b>Total</b>	<b>171 205</b>	<b>175 638</b>
<i>Of which reverse repos</i>	17 499	42 534

## G19 Loans to the public

SEK m	2011	2010
<b>Loans in Swedish kronor</b>		
Households	582 521	554 261
Companies	483 473	454 340
National Debt Office	8 679	6 760
<b>Total</b>	<b>1 074 673</b>	<b>1 015 361</b>
<b>Loans in foreign currency</b>		
Households	165 676	147 405
Companies	354 940	356 513
National Debt Office	-	-
<b>Total</b>	<b>520 616</b>	<b>503 918</b>
Probable loan losses	-4 161	-5 592
<b>Total loans to the public</b>	<b>1 591 128</b>	<b>1 513 687</b>
<i>Of which reverse repos</i>	13 669	27 023
<b>Average volumes, excl. National Debt Office</b>		
SEK m	2011	2010
Loans to the public in Swedish kronor	1 055 089	974 762
Loans to the public in foreign currency	496 876	500 736
<b>Total</b>	<b>1 551 965</b>	<b>1 475 498</b>
<i>Of which reverse repos</i>	19 617	9 644

## G20 Interest-bearing securities

SEK m	2011			2010		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Treasury bills and other eligible bills	39 445	44 081	43 971	46 821	50 725	50 738
Bonds and other interest-bearing securities	58 018	60 235	60 231	67 914	68 499	68 500
<b>Total</b>	<b>97 463</b>	<b>104 316</b>	<b>104 202</b>	<b>114 735</b>	<b>119 224</b>	<b>119 238</b>
<i>Of which unlisted securities</i>		231	231		2 595	2 595
<b>Interest-bearing securities distributed by issuer</b>						
SEK m						
Government	39 431	44 068	43 958	46 328	50 188	50 200
Credit institutions	10 821	11 038	11 035	18 426	18 531	18 533
Mortgage institutions	33 504	35 483	35 483	34 070	34 532	34 532
Other	13 707	13 727	13 726	15 911	15 973	15 973
<b>Total</b>	<b>97 463</b>	<b>104 316</b>	<b>104 202</b>	<b>114 735</b>	<b>119 224</b>	<b>119 238</b>
<b>Average volumes</b>						
SEK m						
Interest-bearing securities				113 019		157 492
Interest-bearing securities, insurance operations				11 868		19 191
<b>Total</b>				<b>124 887</b>		<b>176 683</b>

## G21 Shares

SEK m	2011	2010
<b>Holdings at fair value over the income statement</b>		
Listed	21 769	31 166
Non-listed	1 124	1 348
<b>Total</b>	<b>22 893</b>	<b>32 514</b>
<b>Classified as available for sale</b>		
Listed	3 388	5 051
Non-listed	955	645
<b>Total</b>	<b>4 343</b>	<b>5 696</b>
<b>Total shares</b>	<b>27 236</b>	<b>38 210</b>

## G22 Participating interests in associated companies

SEK m	2011	2010
<b>Holdings in associated companies</b>		
Non-listed	205	133
<b>Total</b>	<b>205</b>	<b>133</b>
<b>Participating interests in associated companies</b>		
Carrying amount at beginning of year	133	93
Share of profit for the year	9	11
Tax	-4	-2
Shareholders' contribution	12	-
Dividend	-	-6
Acquisitions	0	15
Divestments	-	-
Other changes <sup>1</sup>	-	22
Recoveries	54	-
Translation difference	1	-
<b>Carrying amount at end of year</b>	<b>205</b>	<b>133</b>

<sup>1</sup> Transfer from discontinued operations.

Associated companies	Corporate identity number	Domicile	Number of shares	Participating interest %	Carrying amount SEK m	
					2011	2010
Bankernas Automatbolag AB	556817-9716	Stockholm	150	20.0	24	15
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.9	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.0	8	49
BGC Holding AB	556607-0933	Stockholm	25 382	25.4	59	7
Dyson Group plc <sup>2</sup>	00163096	Sheffield	49 765 259	30.0	55	1
Festival AS	993 798 304	Kristiansand	9 800 000	49.0	14	15
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.3	21	17
Flisekompaniet Holding AS	992 999 136	Oslo	45	44.0	0	0
Innovativ Vision Holding AB	556708-7589	Linköping	662 419 293	33.0	2	6
Upplysningscentralen UC AB	556137-5113	Stockholm	2 429	24.3	22	23
<b>Total</b>					<b>205</b>	<b>133</b>

<sup>2</sup> The share of equity is 17%. The share of the voting rights in other entities corresponds to the share of equity.

Financial information on associated companies referring to 100% of the companies	2011				2010			
	Assets	Liabilities	Income	Profit/loss	Assets	Liabilities	Income	Profit/loss
SEK m								
Bankernas Automatbolag AB	123	7	1	-19	92	20	0	-2
Bankomatcentralen AB	1	0	0	0	1	0	0	0
BDB Bankernas Depå AB	3 013	2 795	88	2	2 826	2 790	50	5
BGC Holding AB <sup>3</sup>	368	123	759	36	299	104	701	11
Dyson Group plc	427	49	49	6	651	523	56	-2
Festival AS	118	89	179	-3	124	93	208	-1
Finansiell ID-teknik BID AB	89	13	111	7	78	19	132	13
Flisekompaniet Holding AS	277	346	341	-18	285	343	153	-26
Innovativ Vision Holding AB	114	80	63	-16	114	80	63	-16
Upplysningscentralen UC AB <sup>3</sup>	176	87	414	3	185	87	398	12

<sup>3</sup> Information concerning the Group.

## G23 Assets where the customer bears the value change risk

SEK m	2011	2010
Unit-linked insurance assets	55 842	55 605
Other fund assets	3 325	3 133
Share of consolidated funds not owned	3 554	2 444
<b>Total</b>	<b>62 721</b>	<b>61 182</b>

## G24 Derivative instruments and hedge accounting

SEK m	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2011	2010	2011	2010	2011	2010
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	465 943	181 896	35 723	683 562	715 926	5 752	3 593	4 508	2 782
FRA/futures	4 193 595	1 198 637	9 578	5 401 810	4 757 915	3 362	2 702	3 453	2 553
Swaps	1 448 373	1 798 577	905 511	4 152 461	3 670 839	77 300	46 769	80 544	50 139
Other instruments	-	-	-	-	1 787	-	20	-	0
Currency-related contracts									
Options	78 351	3 822	0	82 173	89 921	686	635	895	813
Futures	976 119	18 571	407	995 097	1 048 520	17 326	13 341	13 081	15 467
Swaps	161 526	309 447	75 596	546 569	525 171	9 582	8 799	7 400	9 099
Other instruments	-	-	29	29	28	-	-	64	55
Equity-related contracts									
Options	47 285	39 161	258	86 704	88 572	2 125	2 433	3 810	5 621
Futures	2 660	193	11	2 864	16 839	54	35	23	108
Swaps	12 599	5 229	246	18 074	30 611	280	465	1 448	899
Other instruments	1 350	6	2 005	3 361	3 753	21	26	549	754
Other derivative contracts	27 348	13 871	1 771	42 990	57 355	1 100	2 802	2 511	4 267
<b>Total</b>	<b>7 415 149</b>	<b>3 569 410</b>	<b>1 031 135</b>	<b>12 015 694</b>	<b>11 007 237</b>	<b>117 588</b>	<b>81 620</b>	<b>118 286</b>	<b>92 557</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Options	1 270	12 023	-	13 293	11 623	62	147	-	-
Swaps	81 072	316 877	52 533	450 482	402 733	22 497	18 730	3 377	1 873
Other instruments	-	-	-	-	2	-	-	-	-
Currency-related contracts									
Swaps	976	66 517	1 966	69 459	57 226	1 329	1 175	4 406	6 333
<b>Total</b>	<b>83 318</b>	<b>395 417</b>	<b>54 499</b>	<b>533 234</b>	<b>471 584</b>	<b>23 888</b>	<b>20 052</b>	<b>7 783</b>	<b>8 206</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	11 746	22 964	4 334	39 044	43 057	596	607	1 157	973
Currency-related contracts									
Swaps	558	2 839	162	3 559	2 009	2	4	77	17
<b>Total</b>	<b>12 304</b>	<b>25 803</b>	<b>4 496</b>	<b>42 603</b>	<b>45 066</b>	<b>598</b>	<b>611</b>	<b>1 234</b>	<b>990</b>
<b>Total derivative instruments</b>	<b>7 510 771</b>	<b>3 990 630</b>	<b>1 090 130</b>	<b>12 591 531</b>	<b>11 523 887</b>	<b>142 074</b>	<b>102 283</b>	<b>127 303</b>	<b>101 753</b>
<i>Of which cleared OTC</i>				160 034	-	112	-	20	-
<i>Of which other cleared</i>				2 454 692	2 940 018	1 348	2 686	2 916	3 590
<b>Currency breakdown of market values</b>									
SEK						-10 177	145 793	92 954	239 737
USD						374 072	897	194 046	-164 120
EUR						-74 756	-55 430	-181 025	-109 499
Other						-147 065	11 023	21 328	135 635

## G25 Intangible assets

2011		Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2011
SEK m						
Cost of acquisition at beginning of year		6 371	3	149	625	7 148
Cost of acquisition of additional intangible assets		-	-	-	301	301
Disposals and retirements		-	-	-	-14	-14
Foreign exchange effect		-19	-	0	-1	-20
<b>Cost of acquisition at end of year</b>		<b>6 352</b>	<b>3</b>	<b>149</b>	<b>911</b>	<b>7 415</b>
Accumulated amortisation and impairments at beginning of year		-	-	-17	-226	-243
Disposals and retirements		-	-	-	14	14
Amortisation for the year		-	-	-8	-98	-106
Impairments for the year		-	-	-	-2 <sup>1</sup>	-2
Foreign exchange effect		-	-	0	1	1
<b>Accumulated amortisation and impairments at end of year</b>		<b>-</b>	<b>-</b>	<b>-25</b>	<b>-311</b>	<b>-336</b>
<b>Closing residual value</b>		<b>6 352</b>	<b>3</b>	<b>124</b>	<b>600</b>	<b>7 079</b>

2010		Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2010
SEK m						
Cost of acquisition at beginning of year		6 759	3	169	591	7 522
Cost of acquisition of additional intangible assets		1	-	-	99	100
Disposals and retirements		-	-	-	-55	-55
Foreign exchange effect		-389	-	-20	-10	-419
<b>Cost of acquisition at end of year</b>		<b>6 371</b>	<b>3</b>	<b>149</b>	<b>625</b>	<b>7 148</b>
Accumulated amortisation and impairments at beginning of year		-	-	-9	-194	-203
Disposals and retirements		-	-	-	55	55
Amortisation for the year		-	-	-8	-89	-97
Impairments for the year		-	-	-	-2 <sup>1</sup>	-2
Foreign exchange effect		-	-	0	4	4
<b>Accumulated amortisation and impairments at end of year</b>		<b>-</b>	<b>-</b>	<b>-17</b>	<b>-226</b>	<b>-243</b>
<b>Closing residual value</b>		<b>6 371</b>	<b>3</b>	<b>132</b>	<b>399</b>	<b>6 905</b>

<sup>1</sup>The impairments refer to software which is no longer used and whose useful life has therefore been assessed as zero.

Amortisation is on a straight-line basis according to the expected useful life. Currently, this means that customer contracts are amortised over 20 years and that internally developed software is amortised over 5 years. Goodwill and brands are not amortised.

SEK m	Goodwill		Intangible assets with an indefinite useful life	
	2011	2010	2011	2010
Branch operations in Sweden	3 263	3 263	-	-
Branch operations outside Sweden	3 010	3 029	-	-
Capital Markets	79	79	3	3
<b>Total</b>	<b>6 352</b>	<b>6 371</b>	<b>3</b>	<b>3</b>

### IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE

Impairment testing of goodwill and intangible assets with an indefinite useful life (brand names) is performed annually in connection with the closing of the annual accounts. The unit's useful life is calculated by discounting estimated future cash flows and the terminal value. For the first five years, estimated future cash flows are based on detailed forecasts of risk-weighted volumes, income, expenses (including funding costs) and loan losses. Detailed forecasts are mainly based on internally generated experience. After the first five-year period, a forecast is made based on the assumption of a long-term growth rate. The assumption for cash flow growth is based on historical real GDP growth, as well as the Riksbank's long-term inflation

target. The total cash flow period for banking operations is 20 years. The terminal value used is the forecast net asset value of the tested unit. Forecast cash flows have been discounted at a rate based on a risk-free interest rate and a risk adjustment corresponding to the market's average return requirement. In the annual impairment testing, the discount rate was 8.4 per cent before tax. The method for estimating the discount rate changed during the financial year. The estimate was previously based on the Group's average cost of capital before tax. In last year's impairment testing, the discount rate was 3.9 per cent.

Group goodwill reported mainly derives from traditional banking operations on Handelsbanken's domestic markets. The goodwill relating to the Swedish branch operations originates from the acquisition of Stadshypotek in 1996. The

goodwill referring to branch operations outside Sweden mainly derives from the acquisitions of Lokalbanken and Midtbank in Denmark and Bergensbank in Norway. The distribution of the assets among the Group's segments is shown in the above table.

The difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill was deemed to be satisfactory. The calculated value in use of goodwill is sensitive to a number of different variables, which are significant for expected cash flows and the discount rate. The variables that are of greatest significance to the calculation are the assumptions of interest rates and other market parameters, growth, loan losses, future margins and cost-effectiveness. No reasonably possible change in any of these assumptions would affect the reported value of goodwill to a material extent.

## G26 Property and equipment

Property and equipment SEK m	2011	2010
Equipment	535	589
Property	1 369	1 387
Property in the insurance operations	1 140	1 260
Property repossessed for protection of claims	463	71
<b>Total</b>	<b>3 507</b>	<b>3 307</b>

For further information regarding property repossessed for protection of claims, see note G10.

Equipment SEK m	2011	2010
Opening cost of acquisition	1 784	1 899
New acquisition	268	303
Disposals and retirements	-293	-357
Foreign exchange effect	-58	-61
<b>Closing acquisition value</b>	<b>1 701</b>	<b>1 784</b>
Opening accumulated depreciation	-1 195	-1 275
Depreciation for the year	-310	-305
Disposals and retirements	284	343
Foreign exchange effect	55	42
<b>Closing accumulated depreciation</b>	<b>-1 166</b>	<b>-1 195</b>
<b>Carrying amount</b>	<b>535</b>	<b>589</b>

Equipment is depreciated on a straight-line basis over 2–10 years.

Property SEK m	2011	2010
Opening cost of acquisition	2 060	2 072
New acquisition	-	-
New construction and rebuilding	26	31
Disposals and retirements	2	-8
Foreign exchange effect	-2	-35
<b>Closing acquisition value</b>	<b>2 086</b>	<b>2 060</b>
Opening accumulated depreciation	-673	-636
Depreciation for the year	-43	-47
Disposals and retirements	-2	8
Impairment during the year in equity	-	-
Foreign exchange effect	1	2
<b>Closing accumulated depreciation</b>	<b>-717</b>	<b>-673</b>
<b>Carrying amount</b>	<b>1 369</b>	<b>1 387</b>

For business premises, component depreciation is applied. The useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years, and for building fixtures and fittings 10. See also the consolidated accounting policies in note G1.

Property in the insurance operations SEK m	2011	2010
Carrying amount at beginning of year	1 260	1 150
New acquisition	-	-
Revaluation	-120	110
Disposals and retirements	-	-
<b>Carrying amount</b>	<b>1 140</b>	<b>1 260</b>

Properties in the insurance operations are measured at fair value. See also note G1. The carrying amount of the properties would have been SEK 1,032m (1,045) if they had not been carried at fair value.

## G27 Other assets

SEK m	2011	2010
Claims on investment banking settlements	10 765	55 208
Other	3 502	5 052
<b>Total</b>	<b>14 267</b>	<b>60 260</b>

## G28 Prepaid expenses and accrued income

SEK m	2011	2010
Accrued interest income	6 886	5 356
Other accrued income	1 397	1 123
Prepaid expenses	229	151
<b>Total</b>	<b>8 512</b>	<b>6 630</b>
<i>Of which subordinated</i>	-	-

**G29** Due to credit institutions

SEK m	2011	2010
<b>Due in Swedish kronor</b>		
Banks	53 785	23 861
Other credit institutions	13 683	32 300
<b>Total</b>	<b>67 468</b>	<b>56 161</b>
<b>Due in foreign currency</b>		
Banks	132 025	141 888
Other credit institutions	2 396	53 923
<b>Total</b>	<b>134 421</b>	<b>195 811</b>
<b>Total due to credit institutions</b>	<b>201 889</b>	<b>251 972</b>
<i>Of which repos</i>	4 055	4 889

Average volumes SEK m	2011	2010
Due to credit institutions in Swedish kronor	59 819	77 360
Due to credit institutions in foreign currency	221 508	201 393
<b>Total</b>	<b>281 327</b>	<b>278 753</b>
<i>Of which repos</i>	14 494	25 479

**G30** Deposits and borrowing from the public

Deposits from the public SEK m	2011	2010
<b>Deposits in Swedish kronor</b>		
Households	182 318	178 532
Companies	151 330	140 429
National Debt Office	0	0
<b>Total</b>	<b>333 648</b>	<b>318 961</b>
<b>Deposits in foreign currency</b>		
Households	42 707	38 389
Companies	113 103	112 018
National Debt Office	-	-
<b>Total</b>	<b>155 810</b>	<b>150 407</b>
<b>Total deposits from the public</b>	<b>489 458</b>	<b>469 368</b>
<b>Borrowing from the public</b> SEK m	<b>2011</b>	<b>2010</b>
Borrowing in Swedish kronor	179 698	51 388
Borrowing in foreign currency	55 732	43 386
<b>Total</b>	<b>235 430</b>	<b>94 774</b>
<i>Of which repos</i>	8 001	9 068
<i>Of which insurance operations</i>	7 402	9 995
<b>Total deposits and borrowing from the public</b>	<b>724 888</b>	<b>564 142</b>

Average volumes SEK m	2011	2010
<b>Deposits from the public</b>		
Deposits from the public in Swedish kronor	319 063	304 156
Deposits from the public in foreign currency	214 941	176 361
<b>Total</b>	<b>534 004</b>	<b>480 517</b>
<b>Borrowing from the public</b>		
Borrowing in Swedish kronor	62 308	32 130
Borrowing in Swedish kronor, insurance operations	14 897	22 978
Borrowing in foreign currency	48 303	30 275
<b>Total</b>	<b>125 508</b>	<b>85 383</b>
<i>Of which repos</i>	8 459	3 784

**G31** Liabilities where the customer bears the value change risk

SEK m	2011	2010
Unit-linked insurance liabilities	55 892	55 606
Other fund liabilities	3 354	3 164
Share of consolidated funds not owned	3 554	2 444
<b>Total</b>	<b>62 800</b>	<b>61 214</b>



## G32 Issued securities

SEK m	2011		2010	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
<b>Commercial paper</b>				
Commercial paper in Swedish kronor	14 429	13 489	9 485	9 958
<i>Of which</i>				
<i>at amortised cost</i>	4 593	4 584	25	25
<i>for trading</i>	9 836	8 905	9 460	9 933
Commercial paper in foreign currency	404 850	404 761	313 379	313 289
<i>Of which</i>				
<i>at amortised cost</i>	404 626	404 539	313 286	313 190
<i>for trading</i>	224	222	93	99
<b>Total</b>	<b>419 279</b>	<b>418 250</b>	<b>322 864</b>	<b>323 247</b>
<b>Bonds</b>				
Bonds in Swedish kronor	447 308	472 068	391 464	413 525
<i>Of which</i>				
<i>at amortised cost</i>	287 756	294 585	225 735	233 677
<i>for fair value hedges</i>	159 552	177 483	165 729	179 848
Bonds in foreign currency	243 323	249 756	223 778	226 729
<i>Of which</i>				
<i>at amortised cost</i>	43 260	50 904	145 609	145 960
<i>for fair value hedges</i>	200 063	198 852	78 169	80 769
<b>Total</b>	<b>690 631</b>	<b>721 824</b>	<b>615 242</b>	<b>640 254</b>
<b>Total issued securities</b>	<b>1 109 910</b>	<b>1 140 074</b>	<b>938 106</b>	<b>963 501</b>

Turnover of own debt instruments SEK m	2011	2010
Issued	1 479 263	1 431 927
Repurchased	227 430	241 131
Matured	1 102 854	1 126 157

Average volumes SEK m	2011	2010
Swedish kronor	447 347	439 661
Foreign currency	593 574	568 769
<b>Total</b>	<b>1 040 921</b>	<b>1 008 430</b>

## G33 Short positions

SEK m	2011	2010
<b>Short positions at fair value</b>		
Equities	3 649	2 761
Interest-bearing securities	17 748	33 265
<i>Of which</i>		
<i>other issuers</i>	14 541	27 395
<i>own issued</i>	3 207	5 870
<b>Total</b>	<b>21 397</b>	<b>36 026</b>

Average volumes SEK m	2011	2010
Swedish kronor	28 824	33 539
Foreign currency	2 959	2 201
<b>Total</b>	<b>31 783</b>	<b>35 740</b>

## G34 Insurance liabilities

SEK m	2011	2010
Liability for sickness annuities	205	234
Liability for life annuities	157	146
Liability for other unsettled claims	286	299
Liability for prepaid premiums	42	44
<b>Total</b>	<b>690</b>	<b>723</b>

## G35 Taxes

Deferred tax assets SEK m	2011	2010	Deferred tax liabilities SEK m	2011	2010
Derivative instruments	322	253	Loans to the public <sup>1</sup>	7 879	7 587
Property and equipment	45	36	Derivative instruments	82	91
Other	13	48	Intangible assets	36	32
<b>Total</b>	<b>380</b>	<b>337</b>	Property and equipment	91	93
			Pension assets	1 282	1 244
			Other	96	97
			<b>Total</b>	<b>9 466</b>	<b>9 144</b>
			<b>Net deferred tax liabilities</b>	<b>9 086</b>	<b>8 807</b>

<sup>1</sup> Of which leases SEK 7,866m (7,583).

Change in deferred taxes 2011 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Loans to the public	7 587	292	-	7 879
Derivative instruments	-162	-	-78	-240
Intangible assets	32	4	-	36
Property and equipment	57	-11	-	46
Pension assets	1 244	38	-	1 282
Other	49	39	-5	83
<b>Total</b>	<b>8 807</b>	<b>362</b>	<b>-83</b>	<b>9 086</b>

Change in deferred taxes 2010 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Loans to the public	6 967	620	-	7 587
Derivative instruments	-77	-	-85	-162
Intangible assets	37	-2	-3	32
Property and equipment	63	-6	-	57
Pension assets	1 174	69	1	1 244
Other	-19	-41	109	49
<b>Total</b>	<b>8 145</b>	<b>640</b>	<b>22</b>	<b>8 807</b>

Tax expenses recognised in income statement SEK m	2011	2010
Current tax		
Tax expense for the year	-4 090	-3 360
Adjustment of tax relating to previous years	80	38
Deferred tax		
Changes in temporary differences	-362	-640
<b>Total</b>	<b>-4 372</b>	<b>-3 962</b>
<b>Nominal tax rate in Sweden, %</b>	<b>26.3</b>	<b>26.3</b>
Deviations		
Different tax rate in insurance operations	-0.3	-0.2
Non-taxable income/non-deductible expenses	0.2	0.0
Tax relating to previous years and other	0.2	0.7
<b>Effective tax rate, %</b>	<b>26.4</b>	<b>26.8</b>

## G36 Provisions

SEK m	Provision for guarantee commitments	Other provisions	Total 2011	Total 2010
Provisions at beginning of year	66	11	77	199
Provisions during the year	-	-	-	2
Utilised	-	-	-	-61
Written back	-45	-1	-46	-63
<b>Provisions at end of year</b>	<b>21</b>	<b>10</b>	<b>31</b>	<b>77</b>

Provision for guarantee commitments consists of provisions for a number of off-balance-sheet items.

## G37 Other liabilities

SEK m	2011	2010
Liabilities on investment banking settlements	5 910	5 088
Other	7 937	7 516
<b>Total</b>	<b>13 847</b>	<b>12 604</b>

## G38 Accrued expenses and deferred income

SEK m	2011	2010
Accrued interest expenses	16 862	15 125
Other accrued expenses	3 963	3 556
Deferred income	152	170
<b>Total</b>	<b>20 977</b>	<b>18 851</b>

## G39 Subordinated liabilities

SEK m	2011	2010
Subordinated loans in Swedish kronor	9 562	7 367
Subordinated loans in foreign currency	25 755	36 581
<b>Total</b>	<b>35 317</b>	<b>43 948</b>

Average volumes SEK m	2011	2010
Subordinated loans in Swedish kronor	8 544	7 463
Subordinated loans in foreign currency	28 430	45 626
<b>Total</b>	<b>36 974</b>	<b>53 089</b>

Specification, subordinated loans		Original nominal amount in each currency	Interest rate %	Outstanding amount
Issue/conv./final payment year	Currency			
<b>IN SWEDISH KRONOR</b>				
Other Swedish <sup>1</sup>				9 562
<b>Total</b>				<b>9 562</b>
<b>IN FOREIGN CURRENCY</b>				
2005/2017 <sup>2</sup>	EUR	700	floating rate	6 247
2005/perpetual <sup>3</sup>	EUR	500	4.194	4 770
2007/perpetual <sup>4</sup>	EUR	600	floating rate	5 347
Other foreign <sup>5</sup>				9 391
<b>Total</b>				<b>25 755</b>
<b>Total subordinated liabilities</b>				<b>35 317</b>

<sup>1</sup> Other Swedish subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans. The total amount includes two subordinated convertible loans of nominally SEK 2.3 and 2.5 billion respectively, issued to the Group's employees on market terms. The loan for SEK 2.3 billion has hybrid status and can be converted into Handelsbanken shares. Conversion is possible after 1 June 2011 at a conversion price of SEK 187.56, corresponding to 110 per cent of the average share price during the period 6–12 May 2008, adjusted for the 2008 dividend. After 21 May 2013 it will be possible to convert to Handelsbanken shares at the conversion price or the share price applying at this date if it is lower than the conversion price and the market price of the share. The loan for SEK 2.5 billion has the status of Tier 2 capital and can be converted into Handelsbanken shares. Conversion is possible after 1 May 2016 at an initial conversion price of SEK 256.52, corresponding to 122 per cent of the average share price during the period 19 April–4 May 2011; the conversion price will subsequently be adjusted for dividend payments. After 31 May 2016 it will be possible to convert into Handelsbanken shares at the lower of the conversion price and the market price of the share. The last day to initiate conversion is 30 November 2016.

<sup>2</sup> Dated subordinated loan with 3-month floating rate coupon linked to Euribor. According to the terms the loan can be called in advance on each interest payment date from October 2012. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

<sup>3</sup> Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from December 2015. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with the right of redemption, the interest rate is changed to floating rate linked to Euribor.

<sup>4</sup> Perpetual subordinated loan with 3-month floating rate coupon linked to Euribor. According to the terms the loan can be called in advance on each interest payment date from March 2012. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

<sup>5</sup> Other foreign subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans.

## G40 Reclassifications to the income statement

SEK m	2011	2010
Reclassified from hedge reserve	9	2
Reclassified from fair value reserve	-183	-100
Reclassified from translation reserve	-4	-5
Reclassified tax	49	-41
of which hedge reserve	-3	-1
of which fair value reserve	47	26
of which translation reserve	5	0
<b>Total reclassification adjustments</b>	<b>-129</b>	<b>-144</b>

Reclassification adjustments consist of income and expense previously recognised in other comprehensive income and reclassified to the income statement during the year. Negative amounts in the table above represent recognised income in the income statement and vice versa. The accounting policies in note G1 describe under which line item in the income statement the amounts have been reported.

## G41 Specification of changes in equity

Change in hedge reserve SEK m	2011	2010
Hedge reserve at beginning of year	-457	-217
Unrealised value changes during the year	-225	-241
Recognised in income statement due to ineffectiveness	6	1
<b>Hedge reserve at end of year</b>	<b>-676</b>	<b>-457</b>

Specification of available-for-sale instruments (amounts after tax) SEK m	2011	2010
Fair value reserve at beginning of year	786	-802
Sold during the year	136	75
Unrealised market value change during the year for remaining and new holdings	-1 089	1 513
<b>Fair value reserve at end of year</b>	<b>-167</b>	<b>786</b>

Change in translation reserve SEK m	2011	2010
Translation reserve at beginning of year	-1 163	951
Change in translation difference in branches	13	-1 764
Change in translation difference in subsidiaries	-15	-628
Change in translation difference on funding net assets in subsidiaries	-2	278
<b>Translation reserve at end of year</b>	<b>-1 167</b>	<b>-1 163</b>

## G42 Assets pledged and collateral received

Assets pledged for own debt SEK m	2011	2010
Cash	7 517	13 073
Government instruments and bonds, pledged as collateral with central banks and credit institutions	43 757	47 606
Government instruments and bonds, repurchase agreements	12 078	13 979
Loans to the public	584 238	488 330
Equities	2 506	2 354
Securities lent	10 806	12 388
Assets registered on behalf of insurance policyholders	74 043	78 912
Other	343	191
<b>Total</b>	<b>735 288</b>	<b>656 833</b>

Other pledged assets SEK m	2011	2010
Cash	-	-
Government instruments and bonds	5 323	4 468
<b>Total</b>	<b>5 323</b>	<b>4 468</b>

Other pledged assets refers to collateral pledged for obligations not reported in the balance sheet.

### ASSETS PLEDGED

Assets pledged in the form of government instruments and bonds mainly comprise securities pledged as collateral with central banks and securities sold under binding repurchase agreements.

Loans to the public pledged as security mainly comprise collateral registered for the benefit of holders of covered bonds issued by Stadshypotek. The collateral comprises loans granted against mortgages in single-family homes, second homes, multi-family dwellings or housing co-operatives with a loan-to-value ratio within 75 per cent of the market value. In the event of the company's insolvency, pursuant to the Right of

Priority Act, the holders of the covered bonds have prior rights to the pledged assets. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must be kept separate from the bankruptcy estate's other assets and liabilities. The holders of the bonds will then receive contractual payments under the terms of the bond until maturity.

Securities lent mainly comprise equities lent on received collateral carried as a receivable in the balance sheet.

Assets registered on half of insurance policyholders, comprise assets under life insurance contracts in Handelsbanken Liv where the policyholders have priority rights.

### COLLATERAL RECEIVED

For reverse repurchase agreements and securities lending, collateral is received in the form of securities that can be sold or re-pledged to a third party. Such securities are not reported in the balance sheet. The fair value of received collateral under reverse repurchase agreements and securities lending was SEK 42,721 million (67,268) at the end of the financial year, where collateral worth SEK 1,125 million (3,531) had been sold or repledged to a third party.

## G43 Contingent liabilities/commitments

Contingent liabilities SEK m	2011	2010
Guarantees, loans	17 161	17 751
Guarantees, other	42 657	40 210
Letters of credit	29 404	28 802
Other	7 314	8 348
<b>Total</b>	<b>96 536</b>	<b>95 111</b>

Contingent liabilities/commitments mainly consist of various types of guarantees. The nominal amounts of the guarantees are shown in the table. "Other" includes SEK 3m (92) relating to a number of civil actions which the Group is bringing in general courts of law. The Group's assessment is that the actions will essentially be settled in its favour. No disputed amounts or possible insurance compensation has been recognised as income.

## G44 Other commitments

SEK m	2011	2010
Committed loan offers	254 415	240 286
Unutilised part of granted overdraft facilities	152 392	164 385
Other	9 035	2 802
<b>Total</b>	<b>415 842</b>	<b>407 473</b>

Contracted irrevocable, future operating lease charges distributed by the year they fall due for payment SEK m	2011	2010
2012	561	463
2013–2016	1 067	903
2017 and later	749	517
<b>Total</b>	<b>2 377</b>	<b>1 883</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

## G45 Leasing

Disclosures on gross investment and present value of future minimum lease payments SEK m	2011	2010	Unearned finance income SEK m	2011	2010
Gross investment	52 142	51 413	Unearned finance income	5 657	4 296
Present value of future minimum lease payments at balance sheet date	46 485	47 117			

Distribution of gross investment and minimum lease payments by maturity SEK m	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	Total
<b>2011</b>				
Distribution of gross investment	5 950	17 416	28 776	52 142
Distribution of present value minimum lease payments	5 891	16 528	24 066	46 485
<b>2010</b>				
Distribution of gross investment	6 169	15 803	29 441	51 413
Distribution of present value minimum lease payments	6 124	15 203	25 790	47 117

The Group is lessor in all finance leases. All leases have guaranteed residual values. The book value of the provision for impaired loans with respect to minimum lease payments is SEK 22.9m (25.1). The variable part of the lease fee included in this year's profit is SEK 729m (489). The increase is due to the higher interest rates in 2011 compared with 2010.

At the end of the year in the Group there were six lease exposures each with an individual carrying amount exceeding SEK 1bn. The total carrying amount of these exposures was SEK 20.6bn, which is equivalent to 1.1 per cent of the Group's total credit volume as at 31 December 2011. The carrying amount of the largest individual exposure was SEK 9.2bn (9.6). The average remaining maturity for this exposure was 8.2 years. These exposures are in the transport and energy sectors.

## G46 Segment reporting

Segment reporting 2011						
SEK m	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Other	Adjustments and eliminations	Continuing operations
Net interest income	15 827	6 863	711	246	-34	23 613
Net fee and commission income	3 630	1 428	2 611	4		7 673
Net gains/losses on financial items at fair value	510	388	628	-510		1 016
Risk result, insurance			209			209
Share of profit of associated companies				9		9
Other income	20	55	18	196		289
<b>Total income</b>	<b>19 987</b>	<b>8 734</b>	<b>4 177</b>	<b>-55</b>	<b>-34</b>	<b>32 809</b>
Staff costs	-3 118	-2 766	-2 111	-2 632	685	-9 942
Other administrative expenses	-1 245	-976	-889	-1 950		-5 060
Internal purchased and sold services	-2 734	-1 059	-77	3 836	34	
Depreciation and amortisation	-91	-70	-49	-252		-462
<b>Total expenses</b>	<b>-7 188</b>	<b>-4 871</b>	<b>-3 126</b>	<b>-998</b>	<b>719</b>	<b>-15 464</b>
<b>Profit before loan losses</b>	<b>12 799</b>	<b>3 863</b>	<b>1 051</b>	<b>-1 053</b>	<b>685</b>	<b>17 345</b>
Net loan losses	-47	-769				-816
Gains/losses on disposal of property and equipment and intangible assets	0	1		6		7
<b>Operating profit</b>	<b>12 752</b>	<b>3 095</b>	<b>1 051</b>	<b>-1 047</b>	<b>685</b>	<b>16 536</b>
Profit allocation	664	145	-809	0		
<b>Operating profit after profit allocation</b>	<b>13 416</b>	<b>3 240</b>	<b>242</b>	<b>-1 047</b>	<b>685</b>	<b>16 536</b>
Internal income	-2 804	-6 425	-911	10 140		
C/I ratio, %	34.8	54.9	92.8			47.1
Loan loss ratio, %	0.00	0.18				0.05
Assets	1 233 568	640 606	335 834	1 423 041	-1 178 683	2 454 366
Liabilities	1 183 160	612 553	328 660	1 423 041	-1 187 572	2 359 842
Allocated capital	50 408	28 053	7 174		8 889	94 524
Return on allocated capital, %	19.6	9.4	2.7			13.4
The year's investments in non-financial non-current assets	54	65	242	234		595
The year's investments in associated companies				12		12
Average number of employees	4 478	3 144	1 626	1 936		11 184

Geographical segment information 2011							
SEK m	Sweden	Denmark	Finland	Norway	UK	Other countries	Group
Income	17 364	2 287	2 328	7 127	2 455	1 248	32 809
Assets	1 424 290	83 154	169 582	205 433	193 554	378 353	2 454 366

Other information							
Investments in non-financial assets	508	9	15	26	12	25	595

Income and assets presented in the Geographic segment information are composed only of external income and assets in the respective country.

The business segments are recognised in compliance with IFRS 8, Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance. Handelsbanken's operations are presented in the following segments: Branch office operations in Sweden, Branch office operations outside Sweden and Capital Markets. Handelsbanken's branch office operations, which provide universal banking services, are divided into twelve regional banks. Six of these are Swedish, and six are outside Sweden. Each regional bank is led by a head of regional bank, and is monitored as an independent profit centre. The Capital Markets segment is Handelsbanken's investment bank, including securities trading

and investment advisory services. Its operations also include asset management and insurance operations.

Profit/loss for the segments is reported before and after internal profit allocation. Internal profit allocation means that the unit which is responsible for the customer is allocated all the profits deriving from its customers' transactions with the Bank, regardless of the segment where the transaction was performed. Furthermore, income and expenses for services performed internally are reported net on a separate line, Internal purchased and sold services. Transactions among the segments are reported primarily according to the cost price principle. The Other and Adjustments and eliminations columns show items which do not belong to

a specific segment or which are eliminated at Group level. Other includes Treasury and central departments and also the cost of the allocation to the Oktogonen profit-sharing plan which is SEK 913 million (842). The Adjustments and eliminations column includes translation differences and adjustments for pension costs. Adjustments for pension costs contain the difference between the Group's pension costs calculated according to IAS 19, Employee Benefits, and the standard pension costs which total SEK 145 million (263) and compensation from the pension foundation of SEK 540 million (410).

Internal income mainly consists of internal interest and commissions. The segment income statements also include internal items in the form of payment for internal services rendered.

Segment reporting 2010							
SEK m	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Other	Adjustments and eliminations	Continuing operations	
Net interest income	12 993	6 933	628	832	-49	21 337	
Net fee and commission income	3 819	1 537	2 510	156		8 022	
Net gains/losses on financial items at fair value	704	273	1 280	-892	12	1 377	
Risk result, insurance			205			205	
Share of profit of associated companies				11		11	
Other income	16	66	16	246		344	
<b>Total income</b>	<b>17 532</b>	<b>8 809</b>	<b>4 639</b>	<b>353</b>	<b>-37</b>	<b>31 296</b>	
Staff costs	-3 012	-2 590	-2 054	-2 521	673	-9 504	
Other administrative expenses	-1 010	-1 054	-927	-2 073	2	-5 062	
Internal purchased and sold services	-2 958	-900	-91	3 902	47		
Depreciation and amortisation	-85	-73	-44	-238	-12	-452	
<b>Total expenses</b>	<b>-7 065</b>	<b>-4 617</b>	<b>-3 116</b>	<b>-930</b>	<b>710</b>	<b>-15 018</b>	
<b>Profit before loan losses</b>	<b>10 467</b>	<b>4 192</b>	<b>1 523</b>	<b>-577</b>	<b>673</b>	<b>16 278</b>	
Net loan losses	-99	-1 408				-1 507	
Gains/losses on disposal of property and equipment and intangible assets	0	0	-4	3		-1	
<b>Operating profit</b>	<b>10 368</b>	<b>2 784</b>	<b>1 519</b>	<b>-574</b>	<b>673</b>	<b>14 770</b>	
Profit allocation	811	202	-1 013				
<b>Operating profit after profit allocation</b>	<b>11 179</b>	<b>2 986</b>	<b>506</b>	<b>-574</b>	<b>673</b>	<b>14 770</b>	
Internal income	-2 004	-5 954	-1 380	9 338			
C/I ratio, %	38.5	51.2	85.9			48.0	
Loan loss ratio, %	0.01	0.28				0.10	
Assets	1 259 184	511 790	404 849	1 074 981	-1 097 274	2 153 530	
Liabilities	1 215 304	486 673	394 635	1 074 981	-1 106 454	2 065 139	
Allocated capital	43 880	25 117	10 214		9 180	88 391	
Return on allocated capital, %	19.5	8.4	3.0			12.6	
The year's investments in non-financial non-current assets	114	65	25	230		434	
The year's investments in associated companies				15		15	
Average number of employees	4 386	2 931	1 604	1 929		10 850	

Geographical segment information 2010							
SEK m	Sweden	Denmark	Finland	Norway	UK	Other countries	Group
Income	16 653	2 455	1 894	6 740	2 063	1 491	31 296
Assets	1 450 380	57 516	127 166	198 509	136 049	183 910	2 153 530

Other information							
Investments in non-financial assets	361	16	21	6	8	22	434

Income and assets presented in the Geographic segment information are composed only of external income and assets in the respective country.

Internal debiting is primarily according to the cost price principle. In branch office operations, assets consist mainly of lending to the public, and liabilities of deposits from the public, as well as internal borrowing. In the Capital Markets segment, assets consist chiefly of securities that are managed within the asset management and insurance operations. The assets in the Other column are mainly internal lending to the various segments. The liabilities in the Other column are mainly external borrowings. Return on allocated capital for the segments is calculated based on average allocated equity and a tax rate of 26.3 per cent. For the Group, return on equity is calculated after reported tax.

Income per product area		
SEK m	2011	2010
Investment bank	4 520	4 704
Bank deposits and corporate loans	11 359	10 661
Finance company services	1 946	1 944
Bank deposits and loans to private individuals	4 517	4 097
Mortgages	5 754	5 320
Pensions and insurance	1 181	1 023
Capital market	1 664	1 664
Trade finance	571	579
Other operations	1 297	1 304
<b>Total</b>	<b>32 809</b>	<b>31 296</b>

## G47 Assets and liabilities in currencies

2011 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	1 302	3 169	7 090	91	4	239 403	798	251 857
Other loans to central banks	13 108	83 974	9 406	17 555	79	-	0	124 122
Loans to other credit institutions	22 456	14 790	138	580	58	65 410	3 391	106 823
Loans to the public	1 073 324	144 068	182 275	51 510	90 875	34 989	14 087	1 591 128
<i>of which corporate</i>	490 487	109 206	105 463	23 489	67 022	34 909	12 355	842 931
<i>of which households</i>	582 837	34 862	76 812	28 021	23 853	80	1 732	748 197
Treasury bills and other eligible securities	34 868	3 519	616	35	-	3 214	1 719	43 971
Bonds and other interest-bearing securities	46 275	6 926	1 103	65	-	5 686	176	60 231
Other assets not broken down by currency	276 234							276 234
<b>Total assets</b>	<b>1 467 567</b>	<b>256 446</b>	<b>200 628</b>	<b>69 836</b>	<b>91 016</b>	<b>348 702</b>	<b>20 171</b>	<b>2 454 366</b>
<b>Liabilities</b>								
Due to credit institutions	41 594	61 476	11 797	12 626	5 552	60 366	8 478	201 889
Deposits and borrowing from the public	400 176	78 267	53 125	25 250	31 124	130 509	6 437	724 888
<i>of which corporate</i>	189 106	64 689	38 713	14 860	26 123	129 261	6 195	468 947
<i>of which households</i>	211 070	13 578	14 412	10 390	5 001	1 248	242	255 941
Issued securities	485 556	243 320	9 431	456	46 590	346 179	8 542	1 140 074
Subordinated liabilities	9 562	16 364	-	112	7 730	211	1 338	35 317
Other items not broken down by currency	352 198							352 198
<b>Total liabilities and equity</b>	<b>1 289 086</b>	<b>399 427</b>	<b>74 353</b>	<b>38 444</b>	<b>90 996</b>	<b>537 265</b>	<b>24 795</b>	<b>2 454 366</b>
Other assets and liabilities broken down by currency and off-balance sheet items		143 320	-126 221	-31 367	147	188 701	4 705	
Net foreign currency position		339	54	25	167	138	81	804

2010 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	1 476	1 732	19 812	102	4	31 767	1 744	56 637
Other loans to central banks	5 026	44 164	59	1 680	60	-	-	50 989
Loans to other credit institutions	20 479	14 870	659	531	914	79 867	6 145	123 465
Loans to the public	1 036 806	142 382	169 680	44 013	67 899	35 919	16 988	1 513 687
<i>of which corporate</i>	481 136	108 837	101 738	19 187	51 002	35 762	13 115	810 777
<i>of which households</i>	555 670	33 545	67 942	24 826	16 897	157	3 873	702 910
Treasury bills and other eligible securities	35 686	3 544	9 482	6	-	552	1 468	50 738
Bonds and other interest-bearing securities	47 326	9 219	1 155	89	2	10 443	266	68 500
Other assets not broken down by currency	289 514							289 514
<b>Total assets</b>	<b>1 436 313</b>	<b>215 911</b>	<b>200 847</b>	<b>46 421</b>	<b>68 879</b>	<b>158 548</b>	<b>26 611</b>	<b>2 153 530</b>
<b>Liabilities</b>								
Due to credit institutions	90 559	53 868	10 935	15 232	11 805	54 287	15 286	251 972
Deposits and borrowing from the public	382 985	59 865	44 631	26 356	19 878	24 063	6 364	564 142
<i>of which corporate</i>	179 158	47 538	32 275	16 185	15 792	23 218	6 046	320 212
<i>of which households</i>	203 827	12 327	12 356	10 171	4 086	845	318	243 930
Issued securities	423 483	192 403	7 843	566	35 732	264 756	38 718	963 501
Subordinated liabilities	7 367	21 837	-	110	7 846	5 535	1 253	43 948
Other items not broken down by currency	329 967							329 967
<b>Total liabilities and equity</b>	<b>1 234 361</b>	<b>327 973</b>	<b>63 409</b>	<b>42 264</b>	<b>75 261</b>	<b>348 641</b>	<b>61 621</b>	<b>2 153 530</b>
Other assets and liabilities broken down by currency and off-balance-sheet items		113 200	-137 369	-4 124	6 148	190 097	35 168	
Net foreign currency position		1 138	69	33	-234	4	158	1 168



## G48 Related-party disclosures

Claims on and liabilities to related parties	Associated companies		Other related parties	
	2011	2010	2011	2010
SEK m				
Loans to credit institutions	-	-	-	-
Loans to the public	348	325	-	-
Bonds and other interest-bearing securities	-	-	-	-
Other assets	-	-	23	424
<b>Total</b>	<b>348</b>	<b>325</b>	<b>23</b>	<b>424</b>
Due to credit institutions	-	-	-	-
Deposits and borrowing from the public	160	51	496	200
Issued securities	-	-	-	-
Subordinated liabilities	-	-	653	651
Other liabilities	-	-	111	56
<b>Total</b>	<b>160</b>	<b>51</b>	<b>1 260</b>	<b>907</b>

Related parties – income and expense	Associated companies		Other related parties	
	2011	2010	2011	2010
SEK m				
Interest income	5	1	-	-
Interest expense	-1	0	-87	-72
Fee and commission income	0	0	0	0
Fee and commission expense	-15	-14	-	-
Net gains/losses on financial items at fair value	0	0	-	-
Other income	-	-	14	12
Other expenses	-13	-39	-62	-56
<b>Total</b>	<b>-24</b>	<b>-52</b>	<b>-135</b>	<b>-116</b>

A list of associated companies and information about shareholder contributions to associated companies is presented in note G22. The associated companies' operations comprise various types of services related to the financial markets. The following companies comprise the group of related parties: Svenska Handelsbanken Pensionsstiftelse, Svenska Handelsbankens Personalstiftelse and Pensionskassan SHB försäkringsförening. These companies use Svenska Handelsbanken AB for customary banking and accounting services. No material transactions between the Group and related companies have taken place during the year.

Information regarding loans to senior management, conditions and other remuneration to senior management is given in note G8.

## G49 Capital adequacy

### CAPITAL POLICY

The Bank aims to maintain a robust capital level which meets the risk entailed in the Group's operations and which exceeds the minimum requirements prescribed by legislation. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

### LEGAL CAPITAL REQUIREMENT

According to the new capital adequacy regulations, Basel II, which were introduced in Sweden on 1 February 2007 through the Act on Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies (2006:1371), the Bank must maintain a capital base at least corresponding to the sum of the capital requirements for credit risks, market risks and operational risks. In addition to maintaining capital according to the minimum requirement, the Bank must make an internal capital adequacy assessment. Handelsbanken's capital policy – most recently adopted in 2011 – states the guidelines for the internal capital adequacy assessment. The Bank must also comply with a capital requirement at the financial conglomerate level in accordance with the Financial Conglomerates (Special Supervision) Act (2006:531). See below for more information about capital adequacy for the financial conglomerate. During 2011, the Bank met the statutory minimum level for its capital base by a good margin.

More detailed information about the Bank's

capital base and capital requirement is available in note G2, Risk and capital management, and in the document entitled "Handelsbanken's risk and capital management – information according to Pillar 3" (see [www.handelsbanken.se/ireng](http://www.handelsbanken.se/ireng)).

### DESCRIPTION OF THE BANKING GROUP

The banking group consists of the parent company, subsidiaries and associated companies that are included in the consolidated group accounts, as shown in the table on page 128. Companies that are included in the group accounts but are excluded from the banking group are also shown in the table on page 128. For capital adequacy purposes all companies are fully consolidated; in the group accounts associated companies are consolidated using the equity method.

### DESCRIPTION OF THE CAPITAL BASE FOR THE BANKING GROUP

The capital base consists of tier 1 capital and tier 2 capital. The tier 1 capital consists of the equity and issued tier 1 capital contributions in the companies which are part of the banking group where Handelsbanken AB is the parent institution. The tier 2 capital mainly consists of perpetual and dated subordinated loans. Certain reductions are subsequently made from the capital base. The reductions are made from the tier 1 capital, from the tier 2 capital and from the capital base as a whole. Only capital from companies within the banking group is included in the capital base.

For the Bank's risk management, it is important that in risk terms both the Group and the banking group can be viewed as one unit. To enable efficient risk management in the Group, capital may need to be re-allocated among the various companies in the Group. In general, Handelsbanken is able to re-allocate capital among the Group companies, to the extent that is permitted by legislation, for example capital adequacy requirements and restrictions in corporate law. The Bank sees no other material or legal obstacles to a rapid transfer of funds from the capital base or repayment of liabilities between the parent company and its subsidiaries.

### Tier 1 capital

The tier 1 capital consists mainly of equity in the banking group. Since the Group's insurance companies are not part of the banking group, retained earnings in these companies are not included in the tier 1 capital. With the consent of the Swedish Financial Supervisory Authority, certain types of perpetual subordinated loans may be included in the tier 1 capital (so-called tier 1 capital contributions). The proportion that may be included net after reduction items depends on the contractual terms of the instruments issued. In total, tier 1 capital contributions can comprise at most 50 per cent of the overall tier 1 capital. Tier 1 capital contributions which are not convertible into shares, or which can be redeemed by the Bank at nominal value, can

## G49 Cont.

Companies included in the banking group	Corporate identity no.	Domicile
<b>Handelsbanken AB (publ)<sup>1</sup></b>	502007-7862	Stockholm
<b>SUBSIDIARIES</b>		
<b>Handelsbanken Finans AB<sup>1</sup></b>	556053-0841	Stockholm
Kredit-Inkasso AB	556069-3185	Stockholm
Handelsbanken Rahoitus Oy	0112308-8	Helsinki
Kreditt-Inkasso AS	955074203	Fredrikstad
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	310101717882194	Shanghai
<b>Stadshypotek AB<sup>1</sup></b>	556459-6715	Stockholm
Stadshypotek Delaware Inc. (inactive)	98-0342158	New York
Svenska Intecknings Garanti AB Sigab (inactive)	556432-7285	Stockholm
<b>Handelsbanken Fondbolagsförvaltning AB</b>	556070-0683	Stockholm
Handelsbanken Fonder AB	556418-8851	Stockholm
Handelsinvest Investeringsförvaltning A/S	12930879	Copenhagen
Handelsbanken Fondbolag AB	1105019-3	Helsinki
Handelsbanken Kapitalförvaltning AS	973194860	Oslo
XACT Fonder AB	556582-4504	Stockholm
<b>AB Handel och Industri</b>	556013-5336	Stockholm
Ejendomsselskabet af 1. januar 2002 A/S	38300512	Herning
Ejendomsselskabet af 1. maj 2009 A/S <sup>1</sup>	59173812	Hillerød
Forva AS	945812141	Oslo
Fritidsvården AB	556192-4803	Gothenburg
Lejontrappan AB	556481-1551	Gothenburg
Handelsbanken Markets Securities, Inc <sup>1</sup>	11-3257438	New York
Handelsbanken Mezzanine Fond 1 KB (inactive)	969710-3126	Stockholm
Handelsbanken Mezzanine Management AB (inactive)	556679-2668	Stockholm
Lokalbolig A/S	78488018	Hillerød
Rådstuplass 4 AS	910508423	Bergen
SIL (Nominees) Limited (inactive)	1932320	London
Svenska Handelsbanken Delaware Inc.	13-3153272	Delaware
Svenska Handelsbanken S.A. <sup>1</sup>	RCS Lux B-15992	Luxembourg
Svenska Property Nominees Limited (inactive)	2308524	London
ZAO Svenska Handelsbanken <sup>1</sup>	1057711005384	Moscow

<sup>1</sup> Credit institution

Companies not included in the banking group	Corporate identity no.	Domicile
Handelsbanken Liv Försäkring AB (Group)	516401-8284	Stockholm
Svenska Re S.A.	RCS Lux B-32053	Luxembourg
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm
Handelsbanken Renting AB	556043-2766	Stockholm
Innovativ Vision Holding AB	556708-7589	Linköping
Flisekompaniet Holding AS	992999136	Oslo
Dyson Group plc	163096	Sheffield
Plastal Industri AB	556532-8845	Gothenburg
Festival AS	993798304	Søgne

Capital base	2011	2010
SEK m		
<b>TIER 1 CAPITAL</b>		
Equity, Group	94 524	88 391
Accrued dividend, current year	-6 085	-5 611
Deduction of equity outside the banking group	-558	-243
Deduction of earnings outside the banking group	-520	-440
Minority interests, Group	0	-1
<b>Equity, capital base</b>	<b>87 361</b>	<b>82 096</b>
Innovative tier 1 capital contributions	11 254	11 283
Non-innovative tier 1 capital contributions	2 910	2 916
Minority interests, banking group	423	347
Deducted items		
Goodwill and other intangible assets	-7 234	-6 838
Revaluation reserve	-115	-122
Value adjustments for positions measured at fair value	-56	-
Deferred tax assets	-386	-337
Special deduction for IRB institutions	-945	-715
Capital contribution in companies outside the banking group	-234	-234
Positions in securitisation	-219	-219
Adjustments in accordance with stability filter		
Cash flow hedges	676	457
Unrealised accumulated gains, shares	-133	-1 241
Unrealised accumulated gains/losses, fixed income instruments	246	403
<b>Total tier 1 capital</b>	<b>93 548</b>	<b>87 796</b>
<b>TIER 2 CAPITAL</b>		
Perpetual subordinated loans	11 710	11 664
Dated subordinated loans	7 957	17 248
Additional items		
Unrealised accumulated gains, shares	133	1 241
Revaluation reserve	115	122
Deducted items		
Special deduction for IRB institutions	-945	-715
Capital contribution in companies outside the banking group	-234	-234
Positions in securitisation	-219	-219
<b>Total tier 2 capital</b>	<b>18 517</b>	<b>29 107</b>
<b>Total tier 1 and tier 2 capital</b>	<b>112 065</b>	<b>116 903</b>
Deductable items from total capital base		
Capital contribution in insurance companies	-4 417	-4 567
Surplus value pension assets	-1 471	-1 367
<b>Total capital base for capital adequacy purposes</b>	<b>106 177</b>	<b>110 969</b>

comprise at most 35 per cent. For innovative tier 1 capital contributions, which contain an increase of the interest margin (a step-up), may comprise at most 15 per cent. The total scope for issuing tier 1 capital contributions was SEK 65.2 billion at the end of 2011, including an amount of SEK 41.4 billion for tier 1 capital contributions which are not convertible into shares, or which can be redeemed by the Bank at nominal value. The scope for issuing innovative tier 1 capital contributions was SEK 12.6 billion.

Of the total of the Bank's issued tier 1 capital contributions, SEK 6.9 billion are regular tier 1 capital contributions and SEK 7.3 billion are so-called enhanced tier 1 capital contributions. Regular tier 1 capital contributions give the Bank the right to convert the instrument into equity to avoid being forced to enter into liquidation. For enhanced tier 1 capital contributions, the Bank has the right to convert the instruments into equity at an earlier stage to avoid breaching regulatory requirements. In the case of liquidation, both types of instruments will be classified as liabilities, including the part that has previously been converted into equity and will then have the same residual claim to the assets of the company. This claim is subordinate to the claims of all other creditors. Only shareholders have a poorer claim to the assets of the company. For enhanced tier 1 capital contributions, the Bank has an unconditional right to suspend coupon payments, in other words, payment of interest can be suspended at any time. If there are no distributable funds, coupon payments must be suspended for both types of instrument.

All tier 1 capital contributions are issued under the previous regulatory framework. The entire amount is therefore included according to the transitional arrangements in FFFS 2010:10.

The items to be excluded from tier 1 capital are mainly goodwill and other intangible assets, as well as unrealised gains on shares classi-

fied as available-for-sale. Deferred tax assets and write-ups of properties also reduce the tier 1 capital. Neutrality adjustments are made for interest-bearing instruments classified as available-for-sale and for the effect of cash flow hedges on equity. Due to the changed capital adequacy regulations applying from 31 December 2011, a deduction must be made for value adjustments for all less liquid positions measured at fair value. The previous regulations only included illiquid positions in the trading book.

#### Tier 2 capital

The tier 2 capital contains subordinated loans, reductions relating to write-ups of property and unrealised gains on shares classified as available-for-sale. The gross amount of tier 2 capital must never exceed the tier 1 capital. A further restriction is that the maximum amount of the dated subordinated loans which can be included in the capital base is 50 per cent of the total tier 1 capital. Holdings of various types of subordinated liabilities are included within the regulatory restrictions. See note G39, Subordinated liabilities, for details of outstanding subordinated loans.

#### Deductions from tier 1 and tier 2 capital

Institutions with permission to use internal ratings-based models (IRB institutions) must make a deduction for the difference between expected loan losses under the IRB model and the provisions for probable loan losses if the expected loan losses exceed the provisions made. Deductions must also be made for capital contributions in certain financial companies where there is an associated company relationship, if the share of the capital exceeds 10 per cent, or if the total contributions exceed 10 per cent of the company's capital. Half of these deductions must be made from the tier 1 capital and half from the tier 2 capital.

#### Deductions from the total capital base

A deduction must be made from the total capital base for the net value of recognised surpluses in pension assets. However, the deduction may be reduced by an amount corresponding to the Bank's right to reimbursement for pension costs from Handelsbanken's pension foundation. The total capital base must also be reduced by contributions to insurance companies provided before 20 June 2006. From 2013, half of these contributions must be made from the tier 1 capital and half from the tier 2 capital.

#### CAPITAL REQUIREMENT

Handelsbanken applies an internal method called the IRB model for categorising risk and calculation of credit risk. There are two different IRB approaches: a foundation approach and an advanced approach. In the foundation approach, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are set by the Financial Supervisory Authority. In the advanced approach, the Bank uses its own methods to calculate the loss in the case of default (LGD) and the exposure at default (EAD).

Handelsbanken uses the foundation IRB method for exposures to large companies and institutions in the whole of the regional banking operations and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans AB, Handelsbanken Finans (Shanghai) Financial Leasing Co. Ltd. and Rahoitus Oy. The foundation IRB model was also used for certain large corporate exposures at Handelsbanken's international branches that are not part of regional banking operations.

The advanced IRB method was used for retail exposures (households and small companies) in Sweden, Norway, Denmark and Finland, and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy.

Credit risk IRB SEK m	Exposure after credit risk protection (EAD)		Average risk weight %		Capital requirement	
	2011	2010	2011	2010	2011	2010
<b>Corporate exposures</b>	<b>917 480</b>	<b>859 427</b>	<b>33.4</b>	<b>37.7</b>	<b>24 529</b>	<b>25 922</b>
<i>of which repos and securities loans</i>	6 340	12 317	1.5	0.5	8	5
<i>of which other lending, foundation approach</i>	374 461	365 655	43.6	45.7	13 052	13 363
<i>of which other lending, advanced approach</i>	536 679	481 455	26.7	32.6	11 469	12 554
- <i>Medium-sized companies</i>	75 068	89 788	65.8	71.6	3 949	5 145
- <i>Property companies</i>	339 390	281 292	25.1	29.9	6 812	6 739
- <i>Housing co-operative associations</i>	122 221	110 375	7.2	7.6	708	670
<b>Retail exposures</b>	<b>730 669</b>	<b>691 474</b>	<b>7.2</b>	<b>7.4</b>	<b>4 217</b>	<b>4 095</b>
<i>of which property loans</i>	643 449	610 234	5.4	5.7	2 795	2 781
<i>of which other</i>	87 220	81 240	20.4	20.2	1 422	1 314
<b>Small companies</b>	<b>29 800</b>	<b>29 941</b>	<b>38.9</b>	<b>40.8</b>	<b>927</b>	<b>977</b>
<b>Institutional exposures</b>	<b>158 538</b>	<b>181 574</b>	<b>12.3</b>	<b>10.7</b>	<b>1 559</b>	<b>1 557</b>
<i>of which repos and securities loans</i>	79 640	102 593	0.5	0.6	32	46
<i>of which other lending</i>	78 898	78 981	24.2	23.9	1 527	1 511
<b>Equity exposures</b>	<b>4 355</b>	<b>5 725</b>	<b>136.2</b>	<b>115</b>	<b>475</b>	<b>526</b>
<b>Exposures without a counterparty</b>	<b>2 364</b>	<b>2 044</b>	<b>100</b>	<b>100</b>	<b>189</b>	<b>164</b>
<b>Securitisation positions</b>	<b>1 944</b>	<b>5 460</b>	<b>5.0</b>	<b>6.4</b>	<b>8</b>	<b>28</b>
<i>Traditional securitisation</i>	1 944	5 460	5.0	6.4	8	28
<i>Synthetic securitisation</i>	-	-	-	-	-	-
<b>Total IRB</b>	<b>1 845 150</b>	<b>1 775 645</b>	<b>21.6</b>	<b>23.4</b>	<b>31 904</b>	<b>33 269</b>
<i>of which repos and securities loans</i>	85 980	114 910	0.6	0.6	40	51
<i>of which other lending, foundation approach</i>	462 022	457 864	41.3	42.6	15 251	15 592
<i>of which other lending, advanced approach</i>	1 297 148	1 202 871	16.0	18.3	16 613	17 626

**G49** Cont.

In addition, starting with the reporting as of 31 December 2010 and following a decision by the Swedish Financial Supervisory Authority, Handelsbanken has used the advanced IRB approach for medium-sized companies, housing co-operative associations and property companies in the regional banking operations, Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans.

As at the year-end 2011/2012, the IRB model covered approximately 90 per cent of the total risk-weighted assets in terms of credit risk calculated according to Basel II. For the remaining credit risk exposures, the capital requirement during 2011 was measured using the Basel II standard regulations.

Figures reported in this section refer to the minimum capital requirements under Pillar 1 of the Basel II capital adequacy rules. In the table, "According to Basel II" means that the figures

are based on the minimum capital requirements after the transitional rules have ceased to apply. The transitional rules apply until further notice.

Repos and securities loans are reported separately in the table of capital requirement according to the IRB model, since they give rise to very low capital requirements, while the volumes vary considerably over time. The low capital requirement is because the exposure is reported gross and the exposure is secured.

The total average risk weight for IRB exposures went down by 1.8 percentage points during the year. The decrease is mainly due to a decrease in the average risk weight for corporate exposures. This in turn is mainly due to higher credit volume during the year to counterparties with a relatively low risk weight combined with a decrease in the volume to counterparties with relatively high risk weights. For further information about changes during the year, see the

Bank's interim reports for 2011 and the Bank's disclosures according to the special information about capital adequacy stated in Risk and capital management – information according to Pillar 3.

**Operational risks**

Handelsbanken uses the standardised approach according to which calculation of the capital requirement is based on the Bank's income in various business segments.

**Market risks**

The capital requirement for market risks is calculated for the banking group. The capital requirement for interest rate risks and equity price risks is, however, only calculated for positions in the trading book. When calculating the capital requirement for market risks, standardised methods are applied.

Capital requirements, Standardised approach*	2011		2010	
	Exposure amount (EAD)	Capital requirement	Exposure amount (EAD)	Capital requirement
SEK m				
Sovereign and central banks	426 725	19	144 442	16
Municipalities	57 897	1	54 207	2
Multilateral development banks	2 372	0	-	-
Institutions	6 835	154	5 532	122
Corporate	24 485	1 958	27 606	2 209
Retail	9 015	541	10 817	649
Property mortgages	17 833	548	13 481	409
Past due items	190	22	532	63
Other items	11 253	517	12 072	581
<b>Total</b>	<b>556 605</b>	<b>3 760</b>	<b>268 689</b>	<b>4 051</b>

\* Details of capital requirements for exposure classes where there are exposures.

Capital requirement	2011	2010
SEK m		
<b>Credit risk</b>		
Credit risk according to standardised approach	3 760	4 051
Credit risk according to IRB approach	31 904	33 269
<b>Market risk</b>		
Interest rate risk	850	1 346
of which general risk	711	1 126
of which specific risk	139	220
Equity price risk	14	27
of which general risk	6	12
of which specific risk	7	14
of which funds	1	1
Foreign exchange risk	-	-
Commodities risk	20	28
Settlement risk	-	-
<b>Operational risk</b>		
Operational risk	4 117	3 849
<b>Total capital requirement according to Basel II</b>	<b>40 665</b>	<b>42 570</b>
Adjustment according to transitional rules	38 389	33 715
<b>Total capital requirement according to Basel II transitional rules</b>	<b>79 054</b>	<b>76 285</b>
Risk-weighted assets according to Basel II transitional rules	988 180	953 561
Risk-weighted assets according to Basel II	508 317	532 136

Capital adequacy analysis, %	2011	2010
Capital requirement in Basel II compared to transitional rules	51	56
Capital ratio according to <i>Basel II</i>	20.9	20.9
<i>transitional rules</i>	10.7	11.6
Tier 1 capital ratio according to <i>Basel II</i>	18.4	16.5
<i>transitional rules</i>	9.5	9.2
Core tier 1 capital ratio according to <i>Basel II</i>	15.6	13.8
<i>transitional rules</i>	8.0	7.7
Capital base in relation to capital requirement <i>Basel II</i>	261	261
<i>transitional rules</i>	134	145

**CAPITAL ADEQUACY FOR THE FINANCIAL CONGLOMERATE**

Institutions and insurance companies which are part of a financial conglomerate must have a capital base which is adequate in relation to the capital requirement for the financial conglomerate. The capital base for the financial conglomerate has been calculated by means of a combination of the aggregation and settlement method and the consolidation method. This means that the capital base for the banking group has been combined with the capital base for the Handelsbanken Liv AB insurance group. Correspondingly, in order to calculate the requirement for the conglomerate, the solvency requirement for the insurance group has been added to the capital requirement for the banking group.

Capital adequacy financial conglomerate	2011	2010
SEK m		
Capital base after reduction and adjustments	108 734	115 926
Capital requirement	80 078	77 487
<b>Surplus</b>	<b>28 656</b>	<b>38 439</b>

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# Income statement Parent company

SEK m		2011	2010
Interest income	Note P3	37 014	25 206
Interest expense	Note P3	-21 330	-10 657
<b>Net interest income</b>		<b>15 684</b>	<b>14 549</b>
Dividends received	Note P4	5 733	2 749
Fee and commission income	Note P5	7 382	7 870
Fee and commission expense	Note P5	-1 356	-1 415
<b>Net fee and commission income</b>		<b>6 026</b>	<b>6 455</b>
Net gains/losses on financial operations	Note P6	458	790
Other operating income	Note P7	640	624
<b>Total operating income</b>		<b>28 541</b>	<b>25 167</b>
General administrative expenses			
Staff costs	Note P8	-9 247	-8 838
Other administrative expenses	Note P9	-4 723	-4 775
Depreciation, amortisation and impairments of property, equipment and intangible assets.	Note P21, P22	-538	-533
<b>Total expenses before loan losses</b>		<b>-14 508</b>	<b>-14 146</b>
<b>Profit before loan losses</b>		<b>14 033</b>	<b>11 021</b>
Net loan losses	Note P10	-1 081	-1 466
Impairment loss on financial assets		-375	-470
<b>Operating profit</b>		<b>12 577</b>	<b>9 085</b>
Appropriations	Note P11	106	108
<b>Profit before taxes</b>		<b>12 683</b>	<b>9 193</b>
Taxes	Note P29	-3 470	-2 548
<b>Profit for the year</b>		<b>9 213</b>	<b>6 645</b>

# Statement of comprehensive income

## Parent company

SEK m	2011	2010
Profit for the year	9 213	6 645
<b>Other comprehensive income</b>		
Cash flow hedges	-264	-186
Available-for-sale instruments	-1 319	2 188
Translation difference for the year	36	-1 462
Tax related to other comprehensive income	435	-549
<i>of which cash flow hedges</i>	70	49
<i>of which available-for-sale instruments</i>	365	-598
<b>Total other comprehensive income</b>	<b>-1 112</b>	<b>-9</b>
<b>Total comprehensive income for the year</b>	<b>8 101</b>	<b>6 636</b>

The period's reclassifications to the income statement are presented in note P35.

# Balance sheet Parent company

SEK m		2011	2010
<b>ASSETS</b>			
Cash and balances with central banks		251 592	56 346
Treasury bills and other eligible bills	Note P17	38 144	43 218
Loans to credit institutions	Note P15	532 713	505 049
Loans to the public	Note P16	686 827	691 221
Bonds and other interest-bearing securities	Note P17	56 093	60 618
Shares	Note P18	24 636	35 113
Shares in subsidiaries and associated companies	Note P19	44 020	44 547
Assets where the customer bears the value change risk		2 644	2 080
Derivative instruments	Note P20	148 972	109 192
Intangible assets	Note P21	1 564	1 516
Property and equipment	Note P22	2 093	1 724
Deferred tax assets	Note P29	360	322
Other assets	Note P23	17 208	58 593
Prepaid expenses and accrued income	Note P24	6 395	4 624
<b>Total assets</b>	Note P12	<b>1 813 261</b>	<b>1 614 163</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	Note P25	261 806	260 117
Deposits and borrowing from the public	Note P26	705 565	577 180
Liabilities where the customer bears the value change risk		2 673	2 112
Issued securities, etc	Note P27	543 876	483 305
Derivative instruments	Note P20	145 421	118 506
Short positions	Note P28	21 397	36 026
Current tax liabilities		677	382
Deferred tax liabilities	Note P29	91	90
Provisions	Note P30	24	74
Other liabilities	Note P31	13 058	13 382
Accrued expenses and deferred income	Note P32	9 693	8 350
Subordinated liabilities	Note P33	35 325	43 959
<b>Total liabilities</b>	Note P12	<b>1 739 606</b>	<b>1 543 483</b>
<b>Untaxed reserves</b>	Note P34	<b>998</b>	<b>1 110</b>
Share capital		2 902	2 899
Share premium		793	184
Other funds	Note P36	577	1 689
Retained earnings		59 172	58 153
Profit for the year		9 213	6 645
<b>Total equity</b>		<b>72 657</b>	<b>69 570</b>
<b>Total liabilities and equity</b>		<b>1 813 261</b>	<b>1 614 163</b>
<b>MEMORANDUM ITEMS</b>			
Assets pledged for own debt	Note P37	72 007	79 591
Other assets pledged	Note P37	5 236	4 398
Contingent liabilities/commitments	Note P38	149 061	131 479
Other commitments	Note P39	513 217	415 771



# Statement of changes in equity

## Parent company

SEK m	Restricted equity			Unrestricted equity				Total
	Share capital	Statutory reserve	Share premium	Hedge reserve <sup>1</sup>	Fair value reserve <sup>1</sup>	Translation reserve <sup>1</sup>	Retained earnings	
Opening equity 2010	2 899	2 682	184	-573	-821	410	63 108	67 889
Profit for the year							6 645	6 645
Other comprehensive income				-137	1 590	-1 462		-9
<b>Total comprehensive income for the year</b>				<b>-137</b>	<b>1 590</b>	<b>-1 462</b>	<b>6 645</b>	<b>6 636</b>
Dividend							-4 988	-4 988
Changes in holdings of own shares in trading book							33	33
<b>Closing equity 2010</b>	<b>2 899</b>	<b>2 682</b>	<b>184</b>	<b>-710</b>	<b>769</b>	<b>-1 052</b>	<b>64 798</b>	<b>69 570</b>

SEK m	Restricted equity			Unrestricted equity				Total
	Share capital	Statutory reserve	Share premium	Hedge reserve <sup>1</sup>	Fair value reserve <sup>1</sup>	Translation reserve <sup>1</sup>	Retained earnings	
Opening equity 2011	2 899	2 682	184	-710	769	-1 052	64 798	69 570
Profit for the year							9 213	9 213
Other comprehensive income				-194	-954	36		-1 112
<b>Total comprehensive income for the year</b>				<b>-194</b>	<b>-954</b>	<b>36</b>	<b>9 213</b>	<b>8 101</b>
Dividend							-5 611	-5 611
Conversion of the convertible subordinated loan issued in 2008	3		103					106
Equity component of the convertible subordinated loan issued in 2011			506					506
Changes in holdings of own shares in trading book							-15	-15
<b>Closing equity 2011</b>	<b>2 902</b>	<b>2 682</b>	<b>793</b>	<b>-904</b>	<b>-185</b>	<b>-1 016</b>	<b>68 385</b>	<b>72 657</b>

<sup>1</sup> Included in fair value fund.

For the 2008 convertible subordinated loan, conversion to shares is possible from 1 June 2011. At the end of the financial year, convertibles for a nominal value of SEK 111m had been converted into 593,180 Class A shares. At the same point in time the holdings of own shares in the trading book was 79,520 (0).

A more detailed specification of changes in equity is presented in note P36.

# Cash flow statement Parent company

SEK m	2011	2010
<b>OPERATING ACTIVITIES</b>		
Operating profit	12 577	9 085
<i>of which paid-in interest</i>	35 484	25 134
<i>of which paid-out interest</i>	-20 339	-10 701
<i>of which paid-in dividends</i>	805	1 056
Adjustment for non-cash items in profit/loss		
Loan losses	1 233	1 641
Unrealised changes in value	-3 168	1 346
Depreciation, amortisation and impairments	913	1 003
Group contribution to be received	-4 928	-1 628
Paid income tax	-3 142	-2 577
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-27 664	-109 048
Loans to the public	2 728	48 626
Interest-bearing securities and shares	25 024	38 378
Due to credit institutions	1 688	35 067
Deposits and borrowing from the public	128 385	7 015
Issued securities	60 571	9 100
Derivative instruments, net positions	-12 725	7 691
Short-term positions	-14 629	6 380
Claims and liabilities on investment banking settlements	42 254	-18 892
Other	-9 289	-8 255
<b>Cash flow from operating activities</b>	<b>199 828</b>	<b>24 932</b>
<b>INVESTING ACTIVITIES</b>		
Change in shares	293	0
Change in interest-bearing securities	-3 168	157
Change in property and equipment	-277	-308
Change in intangible non-current assets	-255	-92
<b>Cash flow from investing activities</b>	<b>-3 407</b>	<b>-243</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-10 835	-10 863
Issued subordinated loans	2 512	-
Dividend paid	-5 611	-4 988
Group contribution	41	970
<b>Cash flow from financing activities</b>	<b>-13 893</b>	<b>-14 881</b>
<b>Cash flow for the year</b>	<b>182 528</b>	<b>9 808</b>
Liquid funds at beginning of year	56 346	49 681
Cash flow from operating activities	199 828	24 932
Cash flow from investing activities	-3 407	-243
Cash flow from financing activities	-13 893	-14 881
Exchange rate difference on liquid funds	12 718	-3 143
<b>Liquid funds at end of year</b>	<b>251 592</b>	<b>56 346</b>

# Five-year overview Parent company

Income statement SEK m	2011	2010	2009	2008	2007
Net interest income	15 684	14 549	14 584	13 297	10 236
Dividends received	5 733	2 749	6 687	5 224	9 887
Net fee and commission income	6 026	6 455	5 995	5 661	6 428
Net gains/losses on financial operations	458	790	2 453	2 304	1 867
Other operating income	640	624	597	904	695
<b>Total operating income</b>	<b>28 541</b>	<b>25 167</b>	<b>30 316</b>	<b>27 390</b>	<b>29 113</b>
General administrative expenses					
Staff costs	-9 247	-8 838	-8 938	-7 556	-7 295
Other administrative expenses	-4 723	-4 775	-4 450	-4 480	-4 174
Depreciation, amortisation and impairments of property, equipment and intangible assets	-538	-533	-574	-498	-441
<b>Total expenses before loan losses</b>	<b>-14 508</b>	<b>-14 146</b>	<b>-13 962</b>	<b>-12 534</b>	<b>-11 910</b>
<b>Profit before loan losses</b>	<b>14 033</b>	<b>11 021</b>	<b>16 354</b>	<b>14 856</b>	<b>17 203</b>
Net loan losses	-1 081	-1 466	-3 781	-1 580	-64
Impairment loss on financial assets	-375	-470	-30	-	-
<b>Operating profit</b>	<b>12 577</b>	<b>9 085</b>	<b>12 543</b>	<b>13 276</b>	<b>17 139</b>
Appropriations	106	108	1 100	-872	-227
<b>Profit before tax</b>	<b>12 683</b>	<b>9 193</b>	<b>13 643</b>	<b>12 404</b>	<b>16 912</b>
Taxes	-3 470	-2 548	-2 784	-3 097	-3 265
<b>Profit for the year</b>	<b>9 213</b>	<b>6 645</b>	<b>10 859</b>	<b>9 307</b>	<b>13 647</b>
Dividend for the year	6 085 <sup>1</sup>	5 611	4 988	4 364	8 416

<sup>1</sup> As proposed by the Board.

Statement of comprehensive income SEK m	2011	2010	2009	2008	2007
Profit for the year	9 213	6 645	10 859	9 307	13 647
<b>Other comprehensive income</b>					
Cash flow hedges	-264	-186	13	-1 040	144
Available-for-sale instruments	-1 319	2 188	3 277	-5 142	-752
Profit/loss from merger	-	-	-	-	68
Translation difference for the year	36	-1 462	51	169	297
Tax related to other comprehensive income	435	-549	-927	1 721	134
<i>of which cash flow hedges</i>	70	49	-3	277	-40
<i>of which available-for-sale instruments</i>	365	-598	-924	1 444	174
<b>Total other comprehensive income</b>	<b>-1 112</b>	<b>-9</b>	<b>2 414</b>	<b>-4 292</b>	<b>-109</b>
<b>Total comprehensive income for the year</b>	<b>8 101</b>	<b>6 636</b>	<b>13 273</b>	<b>5 015</b>	<b>13 538</b>

# Five-year overview Parent company, cont.

Balance sheet SEK m	2011	2010	2009	2008	2007
<b>Assets</b>					
Loans to the public	686 827	691 221	741 496	790 613	711 626
Loans to credit institutions	532 713	505 049	396 001	381 874	318 859
Interest-bearing securities	94 237	103 836	154 790	144 523	156 317
Other assets	499 484	314 057	278 351	343 582	179 104
<b>Total assets</b>	<b>1 813 261</b>	<b>1 614 163</b>	<b>1 570 638</b>	<b>1 660 592</b>	<b>1 365 906</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	705 565	577 180	570 166	505 903	482 487
Due to credit institutions	261 806	260 117	225 049	373 996	307 151
Issued securities	543 876	483 305	474 205	427 426	294 705
Subordinated liabilities	35 325	43 959	59 021	61 306	52 909
Other liabilities	193 034	178 922	172 940	230 457	164 952
Untaxed reserves	998	1 110	1 368	2 490	1 484
Equity	72 657	69 570	67 889	59 014	62 218
<b>Total liabilities and equity</b>	<b>1 813 261</b>	<b>1 614 163</b>	<b>1 570 638</b>	<b>1 660 592</b>	<b>1 365 906</b>
<b>Memorandum items</b>					
Assets pledged for own debt	72 007	79 591	171 051	226 726	119 896
Other assets pledged	5 236	4 398	8 124	6 943	21 841
Contingent liabilities/contingent commitments	149 061	131 479	154 338	180 826	139 431
Other commitments	513 217	415 771	376 628	330 253	356 797
<b>Key figures</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Impaired loans reserve ratio, %	61.0	61.5	61.9	51.1	81.2
Proportion of impaired loans, %	0.24	0.33	0.33	0.22	0.04
Capital ratio, % according to Basel II	20.9	19.3	20.2	16.2	18.7
Tier 1 capital ratio, % according to Basel II	16.9	12.9	12.0	8.7	10.1

# Notes Parent company

## P1 Accounting policies

### Statement of compliance

The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25 Annual reports in credit institutions and securities companies, the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements from the Swedish Financial Reporting Board. In compliance with the Supervisory Authority's general advice, the parent company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the connection between accounting and taxation.

### The relationship between the parent company's and the Group's accounting policies

The parent company's accounting policies mainly correspond with those of the Group. In the following, only areas where the parent company's policies differ from those of the Group are presented. In all other respects, reference is made to the accounting policies in note G1.

### Changed accounting policies

With application from the financial year 2011, the Swedish Financial Reporting Board has withdrawn UFR 2, Reporting Group contributions and shareholder contributions. Instead, guidelines concerning reporting group contributions have been incorporated into RFR 2. The new principles mean that all group contributions received will be reported as dividends received in the parent company's income statement. The group contributions are reported as an increase in the value of shares in the subsidiary in the parent company's balance sheet.

As of 2011, the presentation of the parent company's equity is divided into the separate components Share capital, Share premium, Other funds and Retained earnings. Share premium includes the option component of issued convertible debt securities and the amount that upon conversion of convertible debt securities exceeds the quotient value of the shares issued. The reserve fund, which was previously reported separately, is included in Other funds.

In other respects, the parent company's accounting policies are in all material respects the same as those applied in the 2010 financial year.

### Presentation

The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies, and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation by the Group:

- claims on central banks that are immediately available upon demand that are reported in the consolidated balance sheet under Other loans to central banks, are reported as Loans to credit institutions in the parent company's balance sheet.
- broker and stock exchange costs are reported in the parent company as commission expenses
- dividends received are reported on a separate line in the parent company's income statement
- the gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income/expense
- off-balance sheet items are reported in direct conjunction with the parent company's balance sheet
- untaxed reserves that are split into equity share and tax liability in the Group are reported as a separate balance sheet item in the parent company.

### Assets and liabilities in foreign currencies

Loans in the parent company which are hedging net investments in foreign operations are measured at the historical rate of exchange.

### Held-for-sale assets and discontinued operations

Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Nor are held-for-sale assets presented separately in the balance sheet.

### Shares in subsidiaries and associated companies

Shares in subsidiaries and associated companies are measured at cost. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss under Dividends received.

### Financial guarantees

Financial guarantees in the form of guarantees in favour of subsidiaries and associated companies are recognised in the parent company as a provision in the balance sheet where the

parent company has an existing commitment and payment will probably be required to settle this commitment.

### Intangible assets

In the parent company, acquisition assets and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. According to experience, the customer relations that the acquisitions have led to are very long, and consequently the useful life of goodwill on acquisitions. The amortisation period has been set at 20 years.

### Dividends

The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associated companies, and group contributions received.

Anticipated dividend is recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

### Accounting for pensions

The parent company does not apply the provisions of IAS 19 concerning accounting for defined-benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established, that the calculation of the future commitment does not take into account assumptions of future salary increases and that when calculating the parent company's pension commitment, actuarial gains and losses are recognised in full when they arise. The recognised net cost of pensions is calculated as pensions paid and pension premiums minus any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

### Taxes

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves can be divided into two parts: deferred tax liabilities and equity.

## P2 Risk and capital management

The Handelsbanken Group's risk management is described in note G2. Specific information about the parent company's risks is presented below. For definitions, see page 176.

### Credit risk

Credit risk exposure SEK m	2011	2010
Loans to the public <sup>1</sup>	686 827	691 221
<i>of which repos</i>	13 669	27 023
Loans to credit institutions	532 713	505 049
<i>of which repos</i>	60 813	72 293
Unutilised part of granted overdraft facilities	154 201	167 248
Credit commitments	249 093	233 571
Other commitments	109 923	14 952
Guarantees, credits	76 110	61 212
Guarantees, other	42 599	40 020
Letters of credit	30 348	30 152
Derivatives	148 972	109 192
Treasury bills and other eligible bills	38 144	43 218
Bonds and other interest-bearing securities	56 093	60 618
<b>Total</b>	<b>2 125 023</b>	<b>1 956 453</b>

<sup>1</sup> SEK 4,945m (5,435) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

Loans to the public, by sector SEK m	2011			2010		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Private individuals	120 040	-648	119 392	130 400	-493	129 907
Housing co-operative associations	14 578	0	14 578	13 670	-11	13 659
Property management	270 062	-400	269 662	238 732	-372	238 360
Manufacturing	44 389	-496	43 893	51 529	-1 963	49 566
Retail	32 865	-303	32 562	29 507	-334	29 173
Hotel and restaurant	6 422	-120	6 302	5 733	-88	5 645
Passenger and goods transport by sea	16 547	-202	16 345	12 432	-206	12 226
Other transport and communication	14 300	-178	14 122	15 463	-130	15 333
Construction	9 151	-170	8 981	10 340	-173	10 167
Electricity, gas and water	11 172	-15	11 157	11 479	-14	11 465
Agriculture, hunting and forestry	4 706	-11	4 695	4 204	-22	4 182
Other services	19 961	-52	19 909	13 611	-218	13 393
Holding, investment, insurance companies, mutual funds etc.	78 605	-702	77 903	84 176	-721	83 455
Sovereigns and municipalities	12 382	0	12 382	11 150	0	11 150
Other corporate lending	35 596	-292	35 304	64 138	-208	63 930
<b>Total loans to the public, before collective provisions</b>	<b>690 776</b>	<b>-3 589</b>	<b>687 187</b>	<b>696 564</b>	<b>-4 953</b>	<b>691 611</b>
Collective provisions			-360			-390
<b>Total loans to the public</b>	<b>690 776</b>		<b>686 827</b>	<b>696 564</b>		<b>691 221</b>

Loans to the public, collateral SEK m	2011	2010
Residential property <sup>1</sup>	136 225	144 747
Other property	167 276	145 952
Sovereigns, municipalities and county councils	11 905	33 945
Guarantees	14 143	9 475
Other collateral	71 266	58 415
Unsecured	286 012	298 687
<b>Total loans to the public</b>	<b>686 827</b>	<b>691 221</b>

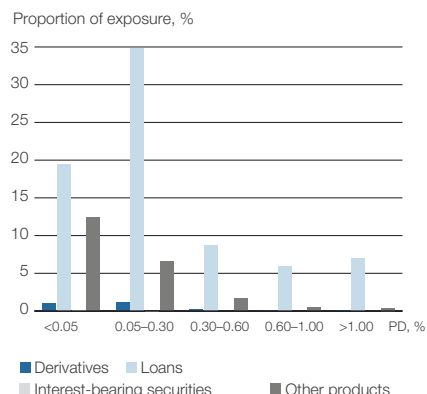
<sup>1</sup>Including housing co-operatives.

Credit risk exposure on balance, collateral SEK m	2011	2010
Residential property <sup>1</sup>	136 225	144 747
Other property	167 276	145 952
Sovereigns, municipalities and county councils	415 746	143 517
Guarantees	14 307	11 891
Other collateral	143 000	133 593
Unsecured	651 598	721 922
<b>Total credit risk exposure</b>	<b>1 528 152</b>	<b>1 301 622</b>

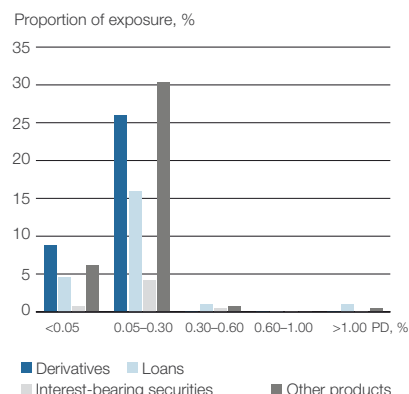
<sup>1</sup>Including housing co-operatives.

Credit quality

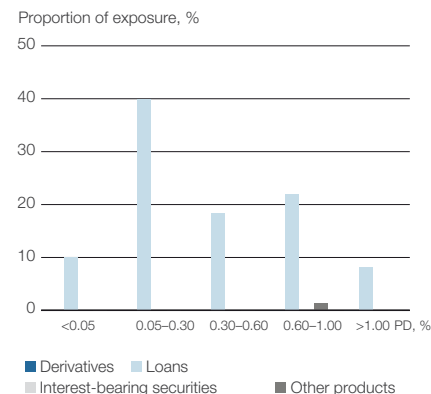
Proportion of exposure per product type per PD interval excluding defaulted credits – Corporate exposures



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



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



Market risks\*

SEK m	2011	2010
Interest rate risk	-466	-468
Exchange rate risk**	-44	-25

\* For information about equity and commodity risk in the parent company, see note G2.

\*\* Worst outcome in the case of +/- 5% change in SEK.

Maturity analysis for liabilities, 2011

SEK m	Up to 3 mths	3-12 mths	1-5 yrs	Over 5 yrs	Unspecified maturity	Total
Due to credit institutions	174 110	5 794	1 972	14 185	-	196 061
<i>of which repos</i>	4 056	-	-	-	-	4 056
Deposits and borrowing from the public	186 163	29 628	5 043	1 268	477 919	700 021
<i>of which repos</i>	8 003	-	-	-	-	8 003
Issued securities	306 689	107 974	117 934	36 774	-	569 371
Other trading liabilities	17 748	-	-	-	-	17 748
Subordinated liabilities	9 512	6 838	16 880	6 765	-	39 995
<b>Total</b>	<b>694 222</b>	<b>150 234</b>	<b>141 829</b>	<b>58 992</b>	<b>477 919</b>	<b>1 523 196</b>

Off-balance-sheet items

Financial guarantees and unutilised commitments	411 960
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Derivatives 2011

SEK m	Up to 3 mths	3-12 mths	1-5 yrs	Over 5 yrs	Total
Total derivatives inflow	773 214	519 781	682 420	179 070	2 154 485
Total derivatives outflow	766 741	519 613	676 872	179 471	2 142 697
<b>Total</b>	<b>6 473</b>	<b>168</b>	<b>5 548</b>	<b>-401</b>	<b>11 788</b>

## P2 Cont.

Maturity analysis for liabilities, 2010						
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Unspecified maturity	Total
Due to credit institutions	246 127	5 834	3 154	9 297	-	264 412
<i>of which repos</i>	4 890	-	-	-	-	4 890
Deposits and borrowing from the public	90 887	18 119	4 557	7 926	457 201	578 690
<i>of which repos</i>	9 071	-	-	-	-	9 071
Issued securities	226 646	115 256	131 947	28 654	-	502 503
Other trading liabilities	33 265	-	-	-	-	33 265
Subordinated liabilities	6 238	6 143	30 147	7 101	-	49 629
<b>Total</b>	<b>603 163</b>	<b>145 352</b>	<b>169 805</b>	<b>52 978</b>	<b>457 201</b>	<b>1 428 499</b>

## Off-balance-sheet items

Financial guarantees and unutilised commitments	403 029
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Derivatives 2010					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivatives inflow	892 410	432 279	636 281	178 669	2 139 639
Total derivatives outflow	893 105	430 500	620 697	178 326	2 122 628
<b>Total</b>	<b>-695</b>	<b>1 779</b>	<b>15 584</b>	<b>343</b>	<b>17 011</b>

## P3 Net interest income

SEK m	2011	2010
<b>Interest income</b>		
Credit institutions and central banks	10 130	5 414
General public	25 493	21 177
Treasury bills and other eligible bills	3 169	2 833
Bonds and other interest-bearing securities	4 652	3 175
Derivative instruments recognised as hedges	-1 835	-3 980
Other interest income	1 156	1 058
<b>Total interest income</b>	<b>42 765</b>	<b>29 677</b>
Of which interest income reported in net gains/losses on financial items at fair value	5 751	4 470
<b>Interest income according to income statement</b>	<b>37 014</b>	<b>25 207</b>
<b>Interest expense</b>		
Credit institutions and central banks	-2 998	-1 621
General public	-7 322	-3 125
Issued securities	-7 966	-7 408
Derivative instruments recognised as hedges	1 022	4 752
Subordinated liabilities	-1 653	-1 921
Other interest expense	-8 141	-6 364
<b>Total interest expense</b>	<b>-27 058</b>	<b>-15 687</b>
Of which interest expense reported in net gains/losses on financial items at fair value	-5 728	-5 029
<b>Interest expense according to income statement</b>	<b>-21 330</b>	<b>-10 658</b>
<b>Net interest income</b>	<b>15 684</b>	<b>14 549</b>

Includes interest income on impaired loans SEK 130m (91). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 37,164m (27,458). Total interest expense on liabilities recognised at amortised cost was SEK 22,352m (15,410).



## P4 Dividends received

SEK m	2011	2010
Dividend on shares	726	789
Dividend from associated companies	-	6
Dividend from group companies	79	326
Group contribution received	4 928	1 628
<b>Total</b>	<b>5 733</b>	<b>2 749</b>

## P5 Net fee and commission income

SEK m	2011	2010
Brokerage	1 349	1 792
Mutual funds	752	764
Custody	330	332
Advisory services	211	222
Payments	2 565	2 480
Loans and deposits	947	982
Guarantees	469	517
Other	759	781
<b>Total fee and commission income</b>	<b>7 382</b>	<b>7 870</b>
Brokerage, mutual funds and custody	-318	-335
Payments	-965	-959
Other	-73	-121
<b>Total fee and commission expense</b>	<b>-1 356</b>	<b>-1 415</b>
<b>Net fee and commission income</b>	<b>6 026</b>	<b>6 455</b>

## P6 Net gains/losses on financial operations

SEK m	2011	2010
Available for sale, realised	97	20
<i>of which shares</i>	108	-1
<i>of which interest-bearing securities</i>	-11	21
Hedge accounting		
Fair value hedges	-37	183
<i>of which hedging instruments</i>	2 582	-629
<i>of which hedged items</i>	-2 619	811
Ineffective portion of cash flow hedges	-5	-3
Instruments measured at fair value		
Loans and receivables	69	22
<i>of which change due to changed interbank rate</i>	36	17
Interest-bearing securities	2 712	-182
Loans and receivables at amortised cost	100	68
Financial liabilities at amortised cost	-24	-97
Trading/Other	-2 454	779
<b>Total</b>	<b>458</b>	<b>790</b>

## P7 Other operating income

SEK m	2011	2010
Rental income	25	29
Other operating income	615	595
<b>Total</b>	<b>640</b>	<b>624</b>

## P8 Staff costs

SEK m	2011	2010
Salaries and fees	-6 091	-5 757
Social security costs	-1 494	-1 442
Pension costs <sup>1</sup>	-340	-408
Provision to profit-sharing foundation	-839	-733
Other staff costs	-483	-498
<b>Total</b>	<b>-9 247</b>	<b>-8 838</b>

<sup>1</sup>Information about pension costs is presented in note P40.

Salaries and fees SEK m	2011	2010
Board, CEO and EVPs <sup>2</sup>	-98	-87
Others	-5 993	-5 670
<b>Total</b>	<b>-6 091</b>	<b>-5 757</b>

Gender distribution, %	2011		2010	
	Men	Women	Men	Women
Board	75	25	75	25
CEO and EVPs <sup>2</sup>	80	20	81	19

<sup>2</sup> Including Central Group Management.

Average number of employees	2011	Men	Women	2010	Men	Women
Sweden	7 086	3 269	3 817	6 933	3 193	3 740
Norway	784	434	350	727	373	354
Finland	522	218	304	492	180	312
Denmark	680	341	339	671	321	350
UK	831	529	302	702	459	243
Luxembourg	33	20	13	21	9	12
Germany	61	39	22	59	35	24
USA	78	51	27	74	47	27
Netherlands	67	44	23	46	30	16
Singapore	39	11	28	32	8	24
Hong Kong	31	18	13	28	16	12
Poland	63	27	36	58	25	33
Other countries	97	34	63	93	32	61
<b>Total</b>	<b>10 372</b>	<b>5 035</b>	<b>5 337</b>	<b>9 936</b>	<b>4 728</b>	<b>5 208</b>

Note G8 provides information about remuneration to senior management in the parent company.

## P9 Other administrative expenses

SEK m	2011	2010
Property and premises	-1 043	-1 028
External IT costs	-1 487	-1 546
Communication	-343	-369
Travel and marketing	-349	-338
Purchased services	-912	-859
Supplies	-205	-282
Other administrative expenses	-383	-353
<b>Total</b>	<b>-4 722</b>	<b>-4 775</b>

*Of which expenses for operating leases*

<i>Minimum lease fee</i>	-650	-632
<i>Variable fee</i>	-19	-16
<b>Total</b>	<b>-669</b>	<b>-648</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2011, the cost of the largest individual lease contract was approx. SEK 155m (143). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies SEK m	KPMG		Ernst & Young AB	
	2011	2010	2011	2010
Audit assignment	-8	-7	-2	-2
Audit operations outside the audit assignment	-4	-1	-	-
Tax advice	0	-1	0	-3
Other services	0	-1	-	-

## P10 Loan losses

SEK m	2011	2010
<b>Specific provision for individually assessed loans</b>		
The year's provision	-1 303	-1 584
Reversal of previous provisions	304	345
<b>Total</b>	<b>-999</b>	<b>-1 239</b>
<b>Collective provision</b>		
The year's net provision for individually assessed loans	29	59
The year's net provision for homogeneous loans	4	4
The year's net provision for off-balance sheet items	2	9
<b>Total</b>	<b>35</b>	<b>72</b>
<b>Other provisions</b>		
Provisions for off-balance sheet items	14	0
Reversal of previous provisions	-	-
Guarantees honoured	-	-
<b>Total</b>	<b>14</b>	<b>0</b>
<b>Write-offs</b>		
Actual loan losses for the year	-2 535	-1 205
Utilised share of previous provisions	2 251	731
Recoveries	153	175
<b>Total</b>	<b>-131</b>	<b>-299</b>
<b>Change in value of repossessed property</b>		
Value change for the year	-	-
<b>Net loan losses</b>	<b>-1 081</b>	<b>-1 466</b>

Impaired loans, etc. SEK m	2011	2010
Impaired loans	6 476	8 687
Specific provisions for individually assessed loans	-3 589	-4 953
Provisions for collectively assessed homogeneous groups of loans with limited value and similar credit risk	-	-
Collective provisions for individually assessed loans	-360	-390
<b>Net impaired loans</b>	<b>2 527</b>	<b>3 344</b>
Total impaired loans reserve ratio, %	61.0	61.5
Proportion of impaired loans, %	0.24	0.33
Impaired loans reserve ratio excluding group provisions, %	55.4	57.0
Non-performing loans which are not impaired loans	1 168	1 175
Impaired loans reclassified as normal loans during the year	340	60

Loans are classified as impaired if it is probable that the contractual cash flows will not be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. Non-performing loans are loans where interest, repayments or overdrafts have been due for payment for more than 60 days. For other definitions, see page 176.

## P10 Cont.

Reconciliation of provision for probable loan losses 2011				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-4 953	-390	-	-5 343
The year's provision	-1 303	-	-	-1 303
Reversal of previous provisions	304	29	-	333
Utilised for actual loan losses	2 251	-	-	2 251
Foreign exchange effect, etc.	112	1	-	113
<b>Provision at end of year</b>	<b>-3 589</b>	<b>-360</b>	<b>-</b>	<b>-3 949</b>

Reconciliation of provision for probable loan losses 2010				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-5 064	-463	-	-5 527
The year's provision	-1 584	-	-	-1 584
Reversal of previous provisions	345	59	-	404
Utilised for actual loan losses	731	-	-	731
Foreign exchange effect, etc.	619	14	-	633
<b>Provision at end of year</b>	<b>-4 953</b>	<b>-390</b>	<b>-</b>	<b>-5 343</b>

Impaired and/or non-performing loans, by sector 2011					
SEK m	Impaired loans			Of which non-performing	Non-performing loans which are not impaired loans
	Gross	Provisions	Net <sup>1</sup>		
Private individuals	1 089	-648	441	350	620
Housing co-operative associations	-	-	-	-	71
Property management	1 261	-400	861	512	166
Manufacturing	925	-496	429	300	51
Retail	494	-303	191	182	56
Hotel and restaurant	173	-120	53	53	29
Passenger and goods transport by sea	202	-202	0	-	-
Other transport and communication	242	-178	64	56	21
Construction	289	-170	119	114	51
Electricity, gas and water	37	-15	22	2	-
Agriculture, hunting and forestry	16	-11	5	5	18
Other services	106	-52	54	43	50
Holding, investment and insurance companies, mutual funds, etc.	1 231	-702	529	44	33
Other corporate lending	411	-292	119	100	2
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>6 476</b>	<b>-3 589</b>	<b>2 887</b>	<b>1 761</b>	<b>1 168</b>

Impaired and/or non-performing loans, by sector 2010					
SEK m	Impaired loans			Of which non-performing	Non-performing loans which are not impaired loans
	Gross	Provisions	Net <sup>1</sup>		
Private individuals	850	-493	357	294	501
Housing co-operative associations	20	-11	9	9	54
Property management	968	-372	596	304	287
Manufacturing	2 386	-1 963	423	294	62
Retail	485	-334	151	124	62
Hotel and restaurant	177	-88	89	86	9
Passenger and goods transport by sea	1 342	-206	1 136	1	0
Other transport and communication	202	-130	72	65	10
Construction	392	-173	219	208	103
Electricity, gas and water	36	-14	22	-	-
Agriculture, hunting and forestry	26	-22	4	2	1
Other services	340	-218	122	109	32
Holding, investment and insurance companies, mutual funds, etc.	1 189	-721	468	7	27
Other corporate lending	274	-208	66	59	27
Credit institutions	-	-	0	-	-
<b>Total</b>	<b>8 687</b>	<b>-4 953</b>	<b>3 734</b>	<b>1 562</b>	<b>1 175</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Impaired and/or non-performing loans, geographic distribution 2011	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net <sup>1</sup>	Of which non-performing	
SEK m					
Sweden	2 392	-1 478	914	858	396
Norway	555	-357	198	180	517
Finland	676	-313	363	199	158
Denmark	848	-510	338	180	20
UK	814	-260	554	316	33
Rest of Europe	103	-31	72	27	44
North America	1 083	-639	444	-	-
Asia	5	-1	4	1	-
<b>Total</b>	<b>6 476</b>	<b>-3 589</b>	<b>2 887</b>	<b>1 761</b>	<b>1 168</b>

Impaired and/or non-performing loans, geographic distribution 2010	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net <sup>1</sup>	Of which non-performing	
SEK m					
Sweden	3 555	-2 870	685	590	298
Norway	576	-256	320	320	494
Finland	746	-393	353	237	182
Denmark	1 870	-457	1 413	154	37
UK	847	-340	507	248	122
Rest of Europe	23	-8	15	11	39
North America	1 068	-629	439	-	-
Asia	2	-	2	2	3
<b>Total</b>	<b>8 687</b>	<b>-4 953</b>	<b>3 734</b>	<b>1 562</b>	<b>1 175</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Analysis of past due loans which are not impaired loans 2011	Loans to credit institutions	Loans to the public			Total
		Households	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	677	626	-	1 303
Past due > 1 month ≤ 2 months	-	257	113	-	370
Past due > 2 months ≤ 3 months	-	175	116	-	291
Past due > 3 months ≤ 12 months	-	364	194	-	558
Past due > 12 months	-	199	121	-	320
<b>Total</b>	<b>-</b>	<b>1 672</b>	<b>1 170</b>	<b>-</b>	<b>2 842</b>

Analysis of past due loans which are not impaired loans 2010	Loans to credit institutions	Loans to the public			Total
		Households	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	701	673	-	1 374
Past due > 1 month ≤ 2 months	-	130	221	-	351
Past due > 2 months ≤ 3 months	-	134	31	-	165
Past due > 3 months ≤ 12 months	-	369	311	-	680
Past due > 12 months	-	194	136	-	330
<b>Total</b>	<b>-</b>	<b>1 528</b>	<b>1 372</b>	<b>-</b>	<b>2 900</b>

Property repossessed for protection of claims	2011	2010
SEK m		
Property	446	13
Movable property	-	-
Shares	1	1
<b>Carrying amount</b>	<b>447</b>	<b>14</b>

## P11 Appropriations

SEK m	2011	2010
Change in amortisation of goodwill in excess of plan	106	108
<b>Total</b>	<b>106</b>	<b>108</b>

## P12 Classification of financial assets and liabilities

2011	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other <sup>1</sup>							
SEK m									
<b>Assets</b>									
Cash and balances with central banks					251 592			251 592	251 592
Treasury bills and other eligible bills	14 350	15 614		6 461		1 719		38 144	38 256
Loans to credit institutions					532 713			532 713	411 760
Loans to the public		4 945			681 882			686 827	687 067
Bonds and other interest-bearing securities	14 401	31 612		3 340		6 740		56 093	56 096
Shares and participating interests	20 344					4 292		24 636	24 636
Shares in subsidiaries and associated companies							44 020	44 020	44 020
Assets where the customer bears the value change risk		1 816			828			2 644	2 644
Derivative instruments	143 018		5 954					148 972	148 972
Other assets	43				17 159		6	17 208	17 208
Prepaid expenses and accrued income	173	1 107		172	4 943			6 395	6 395
<b>Total financial assets</b>	<b>192 329</b>	<b>55 094</b>	<b>5 954</b>	<b>9 973</b>	<b>1 489 117</b>	<b>12 751</b>	<b>44 026</b>	<b>1 809 244</b>	<b>1 688 646</b>
Non-financial assets								4 017	
<b>Total assets</b>								<b>1 813 261</b>	
<b>Liabilities</b>									
Due to credit institutions							261 806	261 806	261 382
Deposits and borrowing from the public							705 565	705 565	705 721
Liabilities where the customer bears the value change risk		1 845					828	2 673	2 673
Issued securities	9 125						534 751	543 876	551 625
Derivative instruments	143 025		2 396					145 421	145 421
Short positions	21 397							21 397	21 397
Other liabilities	47						13 011	13 058	13 058
Accrued expenses and deferred income	168						9 525	9 693	9 693
Subordinated liabilities							35 325	35 325	37 076
<b>Total financial liabilities</b>	<b>173 762</b>	<b>1 845</b>	<b>2 396</b>				<b>1 560 811</b>	<b>1 738 814</b>	<b>1 748 046</b>
Non-financial liabilities								792	
<b>Total liabilities</b>								<b>1 739 606</b>	

2010	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other <sup>1</sup>							
SEK m									
<b>Assets</b>									
Cash and balances with central banks					56 346			56 346	56 346
Treasury bills and other eligible bills	21 054	15 034		5 699		1 431		43 218	43 206
Loans to credit institutions					505 049			505 049	529 429
Loans to the public		5 435			685 786			691 221	668 968
Bonds and other interest-bearing securities	25 187	23 057		1 139		11 235		60 618	60 616
Shares and participating interests	29 403					5 710		35 113	35 113
Shares in subsidiaries and associated companies							33 010	33 010	33 010
Assets where the customer bears the value change risk		1 485			595			2 080	2 080
Derivative instruments	105 878		3 314					109 192	109 192
Other assets	7				58 586			58 593	58 593
Prepaid expenses and accrued income	573	575		148	3 327	1		4 624	4 624
<b>Total financial assets</b>	<b>182 102</b>	<b>45 586</b>	<b>3 314</b>	<b>6 986</b>	<b>1 309 689</b>	<b>18 377</b>	<b>33 010</b>	<b>1 599 064</b>	<b>1 601 177</b>
Non-financial assets								3 562	
<b>Total assets</b>								<b>1 602 626</b>	
<b>Liabilities</b>									
Due to credit institutions							260 117	260 117	292 822
Deposits and borrowing from the public							577 180	577 180	543 758
Liabilities where the customer bears the value change risk		1 517					595	2 112	2 112
Issued securities	10 032						473 273	483 305	489 126
Derivative instruments	116 725		1 781					118 506	118 506
Short positions	36 026							36 026	36 026
Other liabilities	26						13 356	13 382	13 382
Accrued expenses and deferred income	457						7 893	8 350	8 350
Subordinated liabilities							43 959	43 959	45 565
<b>Total financial liabilities</b>	<b>163 266</b>	<b>1 517</b>	<b>1 781</b>				<b>1 376 373</b>	<b>1 542 937</b>	<b>1 549 647</b>
Non-financial liabilities								546	
<b>Total liabilities</b>								<b>1 543 483</b>	

<sup>1</sup> Classified to be measured at fair value.

The principles for measurement at fair value are presented in note G14. For shares in subsidiaries and associated companies, the acquisition cost is stated and not the fair value.

## P13 Fair value measurement of financial assets and liabilities

2011 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible securities	31 683	-	-	31 683
Loans to the public	-	4 920	25	4 945
Bonds and other interest-bearing securities	43 130	9 623	-	52 753
Shares and participating interests	23 436	460	740	24 636
Assets where the customer bears the value change risk	1 816	-	-	1 816
Derivative instruments	1 759	147 213	-	148 972
<b>Total financial assets at fair value</b>	<b>101 824</b>	<b>162 216</b>	<b>765</b>	<b>264 805</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	1 845	-	-	1 845
Issued securities	625	8 423	77	9 125
Derivative instruments	3 324	142 094	3	145 421
Short positions	20 386	1 011	-	21 397
<b>Total financial liabilities at fair value</b>	<b>26 180</b>	<b>151 528</b>	<b>80</b>	<b>177 788</b>
<b>2010</b>				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills and other eligible securities	37 519	-	-	37 519
Loans to the public	-	5 411	24	5 435
Bonds and other interest-bearing securities	42 062	15 580	1 837	59 479
Shares and participating interests	33 898	679	536	35 113
Assets where the customer bears the value change risk	1 485	-	-	1 485
Derivative instruments	1 913	107 229	50	109 192
<b>Total financial assets at fair value</b>	<b>116 877</b>	<b>128 899</b>	<b>2 447</b>	<b>248 223</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	1 517	-	-	1 517
Issued securities	-	9 955	77	10 032
Derivative instruments	3 097	115 272	137	118 506
Short positions	35 026	1 000	-	36 026
<b>Total financial liabilities at fair value</b>	<b>39 640</b>	<b>126 227</b>	<b>214</b>	<b>166 081</b>

The principles applied are described in note G15.

Reconciliation of financial instruments in level 3 2011	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives, net position	Loans to the public	Issued securities
SEK m					
Carrying amount at beginning of year	1 837	536	-87	24	-77
New acquisition	-	-	4	-	-
Issued during the year	-	-	-	-	-
Repurchased during the year	-	-	-	-	1
Sold during the year	-	-6	-	-	-
Matured during the year	-1 844	-	-	-15	-
Realised value change in income statement	-20	-3	-	-	-
Unrealised value change in income statement	-	8	4	-	-1
Value change recognised in other comprehensive income	27	-45	-	0	-
Transfer from level 1 or 2	-	251	-	16	-
Transfer to level 1 or 2	-	-1	76	-	0
<b>Carrying amount at end of year</b>	<b>0</b>	<b>740</b>	<b>-3</b>	<b>25</b>	<b>-77</b>

Reconciliation of financial instruments in level 3 2010	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives, net position	Loans to the public	Issued securities
SEK m					
Carrying amount at beginning of year	2 190	302	-	-	-76
New acquisition	-	14	-	-	-8
Issued during the year	-	-	-47	-	-
Repurchased during the year	-	-	-	-	-
Sold during the year	-	-	-	-	-
Matured during the year	-276	-	-	-	-
Realised value change in income statement	-	-	-	-	10
Unrealised value change in income statement	-	-17	-	-	-3
Value change recognised in other comprehensive income	-77	-7	-	-	-
Transfer from level 1 or 2	-	244	-40	24	-
<b>Carrying amount at end of year</b>	<b>1 837</b>	<b>536</b>	<b>-87</b>	<b>24</b>	<b>-77</b>

## P14 Reclassified financial assets

SEK m	Holdings classified as loans and receivables		Financial assets available for sale	Investments held to maturity
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
Carrying amount	132	11 992	378	-
Fair value	131	11 837	380	-
Carrying amount at reclassification 1 July 2008	3 041	19 722	2 578	209
Carrying amount at beginning of 2011	1 158	15 147	2 171	198
Fair value at beginning of 2011	1 156	15 249	2 154	199
Value change recognised in income statement in 2011	-	-23	-	-
Value change recognised in income statement in 2010	-	-109	-	-29
Value change recognised in other comprehensive income in 2011	1	133	22	-
Value change recognised in other comprehensive income in 2010	-57	-329	-46	-
Value change that would have been recognised in income statement in 2011 if reclassification had not occurred	3	19	41	-
Value change that would have been recognised in income statement in 2010 if reclassification had not occurred	32	-119	90	-29
Value change that would have been recognised in other comprehensive income in 2011 if reclassification had not occurred	-	-90	-	0
Value change that would have been recognised in other comprehensive income in 2010 if reclassification had not occurred	-	-67	-	1
Proportion of amortisations and maturities since reclassification	96%	65%	88%	100%
Interest recognised as income 2011	2	274	13	1

Reclassification of financial assets is described in note G16.

## P15 Loans to credit institutions

SEK m	2011	2010
<b>Loans in Swedish kronor</b>		
Banks	34 973	27 937
Other credit institutions	196 567	257 763
<b>Total</b>	<b>231 540</b>	<b>285 700</b>
<b>Loans in foreign currency</b>		
Banks	138 179	80 881
Other credit institutions	162 994	138 468
<b>Total</b>	<b>301 173</b>	<b>219 349</b>
Probable loan losses	-	-
<b>Total loans to credit institutions</b>	<b>532 713</b>	<b>505 049</b>
<i>Of which reverse repos</i>	<i>60 813</i>	<i>72 293</i>
<i>Of which subordinated</i>	<i>16 721</i>	<i>8 821</i>

Average volumes SEK m	2011	2010
Loans to credit institutions in Swedish kronor	248 217	238 627
Loans to credit institutions in foreign currency	298 357	194 867
<b>Total</b>	<b>546 574</b>	<b>433 494</b>
<i>Of which reverse repos</i>	<i>17 498</i>	<i>44 028</i>



## P16 Loans to the public

SEK m	2011	2010
<b>Loans in Swedish kronor</b>		
Households	46 867	46 445
Companies	221 891	212 243
National Debt Office	8 679	6 760
<b>Total</b>	<b>277 437</b>	<b>265 448</b>
<b>Loans in foreign currency</b>		
Households	85 851	96 093
Companies	327 488	335 023
National Debt Office	-	-
<b>Total</b>	<b>413 339</b>	<b>431 116</b>
Probable loan losses	-3 949	-5 343
<b>Total loans to the public</b>	<b>686 827</b>	<b>691 221</b>
<i>Of which reverse repos</i>	<i>13 669</i>	<i>27 023</i>
<i>Of which subordinated</i>	<i>1 129</i>	<i>1 129</i>

Average volumes, excl. National Debt Office SEK m	2011	2010
Loans to the public in Swedish kronor	276 548	259 630
Loans to the public in foreign currency	409 425	430 905
<b>Total</b>	<b>685 973</b>	<b>690 535</b>
<i>Of which reverse repos</i>	<i>19 617</i>	<i>9 644</i>

## P17 Interest-bearing securities

SEK m	2011			2010		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government securities eligible as collateral with central banks	34 260	38 243	38 130	39 265	42 668	42 680
Other instruments eligible as collateral with central banks	14	13	14	497	538	538
<b>Total securities eligible as collateral</b>	<b>34 274</b>	<b>38 256</b>	<b>38 144</b>	<b>39 762</b>	<b>43 206</b>	<b>43 218</b>
Bonds and other interest-bearing securities	54 037	56 096	56 093	60 120	60 616	60 618
<b>Total interest-bearing securities</b>	<b>88 311</b>	<b>94 352</b>	<b>94 237</b>	<b>99 882</b>	<b>103 822</b>	<b>103 836</b>
<i>Of which unlisted securities</i>		<i>231</i>	<i>231</i>		<i>2 595</i>	<i>2 595</i>

Interest-bearing securities distributed by issuer SEK m	2011			2010		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	34 260	38 243	38 130	39 265	42 668	42 680
Credit institutions	10 325	10 522	10 520	17 051	17 168	17 170
Mortgage institutions	30 749	32 611	32 611	28 862	29 260	29 260
Other	12 977	12 976	12 976	14 704	14 726	14 726
<b>Total</b>	<b>88 311</b>	<b>94 352</b>	<b>94 237</b>	<b>99 882</b>	<b>103 822</b>	<b>103 836</b>

Average volumes SEK m	2011	2010
Interest-bearing securities	113 014	157 576

## P18 Shares

SEK m	2011	2010
<b>Holdings at fair value over the income statement</b>		
Listed	20 234	29 333
Non-listed	62	70
<b>Total</b>	<b>20 296</b>	<b>29 403</b>

SEK m	2011	2010
<b>Classified as available for sale</b>		
Listed	3 386	5 050
Non-listed	954	660
<b>Total</b>	<b>4 340</b>	<b>5 710</b>
<b>Total shares</b>	<b>24 636</b>	<b>35 113</b>

## P19 Shares in subsidiaries and associated companies

Holdings in subsidiaries and associated companies SEK m	2011	2010
Associated companies, unlisted	62	50
Subsidiaries, unlisted	43 958	44 497
<b>Total</b>	<b>44 020</b>	<b>44 547</b>

Associated companies	Corporate identity number	Domicile	Number of shares	Ownership share %	Carrying amount SEK m	
					2011	2010
Bankernas Automatbolag AB	556817-9716	Stockholm	150	20.0	27	15
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.9	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.0	7	7
BGC Holding AB	556607-0933	Stockholm	25 382	25.4	4	4
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.3	24	24
Upplysningscentralen UC AB	556137-5113	Stockholm	2 429	24.3	0	0
<b>Total</b>					<b>62</b>	<b>50</b>

Subsidiaries	Corporate identity number	Domicile	Number of shares	Ownership share %	Carrying amount SEK m	
					2011	2010
<b>Handelsbanken Finans AB<sup>1</sup></b>	556053-0841	Stockholm	1 550 000	100	11 672	11 672
Kredit-Inkasso AB	556069-3185	Stockholm		100		
Handelsbanken Rahoitus Oy	0112308-8	Helsinki		100		
Kreditt-Inkasso AS	955074203	Oslo		100		
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	310101717882194	Shanghai		100		
<b>Stadshypotek AB<sup>1</sup></b>	556459-6715	Stockholm	162 000	100	26 870	26 870
Stadshypotek Delaware Inc.	98-0342158	New York		100		
<b>Handelsbanken Fondbolagsförvaltning AB</b>	556070-0683	Stockholm	10 000	100	1	1
Handelsbanken Fonder AB	556418-8851	Stockholm		100		
Handelsinvest Investeringsförvaltning A/S	12930879	Copenhagen		100		
Handelsbanken Fondbolag Ab	1105019-3	Helsinki		100		
Handelsbanken Kapitalförvaltning AS	973194860	Oslo		100		
XACT Fonder AB	556582-4504	Stockholm		100		
<b>Handelsbanken Liv Försäkrings AB</b>	516401-8284	Stockholm	100 000	100	3 688	3 688
Handelsbanken Life & Pension Ltd	453703	Dublin		100		
SHB Liv Forsikringsaktieselskab	20594942	Copenhagen		100		
<b>AB Handel och Industri</b>	556013-5336	Stockholm	100 000	100	63	63
Plastal Industri AB	556532-8845	Gothenburg		100		
Ejendomsselskabet af 1. januar 2002 A/S	38300512	Herring	2 460 000	100	392	392
Ejendomsselskabet af 1. maj 2009 A/S <sup>1,2</sup>	59173812	Hillerød	2 700 000	100	727	1 025
Forva AS	945812141	Oslo	4 000 000	100	1	1
Fritidsvärden AB	556192-4803	Gothenburg	1 000	100	0	0
Lejontrappan AB	556481-1551	Gothenburg	1 000	100	0	0
Handelsbanken Försäkring AB	516401-8326	Stockholm	-	-	-	150
Handelsbanken Markets Securities, Inc <sup>1</sup>	11-3257438	New York	1 000	100	39	23
Handelsbanken Mezzanine Fond 1 KB	969710-3126	Stockholm	Unit	100	0	0
Handelsbanken Mezzanine Management AB	556679-2668	Stockholm	5 000	100	1	1
Handelsbanken Renting AB	556043-2766	Stockholm	1 000	100	14	14
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1 500	100	31	31
Lokalbolig A/S	78488018	Hillerød	540 000	54	1	-
Rådstuplass 4 AS	910508423	Bergen	40 000	100	0	0
SIL (Nominees) Limited	1932320	London	100	100	-	-
Svenska Finans International BV	0055 97 705	Rotterdam	-	-	-	54
Svenska Handelsbanken Delaware Inc.	13-3153272	Delaware	1 000	100	0	0
Svenska Handelsbanken S.A. <sup>1</sup>	RCS Lux B-15992	Luxembourg	999 999	100	147	147
Svenska Handelsbanken Service AB	556873-0021	Stockholm	50 000	100	0	-
Svenska Property Nominees Limited	2308524	London	100	100	-	-
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	19 999	99.99	35	35
ZAO Svenska Handelsbanken <sup>1,3</sup>	1057711005384	Moscow	1 500 000	100	276	330
<b>Total</b>					<b>43 958</b>	<b>44 497</b>

The list of Group companies contains directly owned subsidiaries and large subsidiaries of these companies.

<sup>1</sup> Credit institution.

<sup>2</sup> An impairment loss of SEK 298m concerning the shares in Ejendomsselskabet af 1. maj 2009 A/S was recognised during the financial year. The new carrying amount of the shares corresponds to their fair value less costs to sell.

<sup>3</sup> An impairment loss of SEK 77m concerning the shares in ZAO Svenska Handelsbanken was recognised during the financial year. The new carrying amount of the shares corresponds to their fair value less costs to sell.

## P20 Derivative instruments and hedge accounting

SEK m	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
	up to 1 yr	over 1 yr up to 5 yrs	Over 5 yrs	2011	2010	2011	2010	2011	2010
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	477 133	205 942	35 723	718 798	739 171	5 982	3 740	4 846	2 929
FRA/futures	4 193 530	1 198 637	9 578	5 401 745	4 757 677	3 359	2 701	3 453	2 552
Swaps	1 570 400	2 295 253	932 941	4 798 594	4 270 100	97 847	64 822	100 788	69 007
Other instruments	-	-	65	65	6 859	0	20	-	0
Currency-related contracts									
Options	78 351	3 822	-	82 173	89 921	686	635	895	813
Futures	961 377	18 545	407	980 329	1 021 428	17 202	12 986	12 239	15 316
Swaps	163 480	448 431	75 596	687 507	641 791	14 362	15 213	12 398	15 869
Other instruments	-	-	29	29	28	-	-	64	55
Equity-related contracts									
Options	47 285	39 161	258	86 704	88 565	2 125	2 433	3 810	5 621
Futures	2 650	193	11	2 854	16 821	54	35	23	108
Swaps	12 599	5 230	246	18 075	30 611	280	465	1 448	899
Other instruments	1 350	6	2 005	3 361	3 753	21	26	549	754
Other derivative contracts	27 348	13 871	1 771	42 990	57 354	1 100	2 802	2 512	2 802
<b>Total</b>	<b>7 535 503</b>	<b>4 229 091</b>	<b>1 058 630</b>	<b>12 823 224</b>	<b>11 724 079</b>	<b>143 018</b>	<b>105 878</b>	<b>143 025</b>	<b>116 725</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Swaps	30 880	78 702	39 050	148 632	131 585	5 211	2 640	1 162	696
Other instruments	-	-	-	-	2	-	-	-	-
Currency-related contracts									
Swaps	-	-	1 966	1 966	1 904	736	644	-	95
<b>Total</b>	<b>30 880</b>	<b>78 702</b>	<b>41 016</b>	<b>150 598</b>	<b>133 491</b>	<b>5 947</b>	<b>3 284</b>	<b>1 162</b>	<b>791</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	4 730	16 165	4 334	25 229	25 478	5	26	1 157	973
Currency-related contracts									
Swaps	558	2 839	162	3 559	2 009	2	4	77	17
<b>Total</b>	<b>5 288</b>	<b>19 004</b>	<b>4 496</b>	<b>28 788</b>	<b>27 487</b>	<b>7</b>	<b>30</b>	<b>1 234</b>	<b>990</b>
<b>Total derivative instruments</b>	<b>7 571 671</b>	<b>4 326 797</b>	<b>1 104 142</b>	<b>13 002 610</b>	<b>11 885 057</b>	<b>148 972</b>	<b>109 192</b>	<b>145 421</b>	<b>118 506</b>
<i>Of which cleared OTC</i>				160 034	-	112	-	20	-
<i>Of which other cleared</i>				2 453 929	2 940 018	1 344	2 686	2 916	3 590
<b>Currency breakdown of market values</b>									
SEK						28 164	163 224	88 394	252 517
USD						370 577	301	193 113	-164 652
EUR						-101 908	-61 768	-164 514	-109 248
Others						-147 861	7 435	28 428	139 889

## P21 Intangible assets

2011	Acquisition assets	Internally developed software	Total 2011
SEK m			
Cost of acquisition at beginning of year	2 139	557	2 696
Cost of acquisition of additional intangible assets	-	292	292
Disposals and retirements	-	-37	-37
Foreign exchange effect	-13	-1	-14
<b>Cost of acquisition at end of year</b>	<b>2 126</b>	<b>811</b>	<b>2 937</b>
Accumulated amortisation and impairments at beginning of year	-1 005	-175	-1 180
Disposals and retirements	-	0	0
Amortisation for the year according to plan	-113	-85	-198
Impairments for the year	-	-2 <sup>1</sup>	-2
Foreign exchange effect	7	0	7
<b>Accumulated amortisation and impairments at end of year</b>	<b>-1 111</b>	<b>-262</b>	<b>-1 373</b>
<b>Closing residual value</b>	<b>1 015</b>	<b>549</b>	<b>1 564</b>

2010	Acquisition assets	Internally developed software	Total 2010
SEK m			
Cost of acquisition at beginning of year	2 412	530	2 942
Cost of acquisition of additional intangible assets	-	92	92
Disposals and retirements	-	-55	-55
Foreign exchange effect	-273	-10	-283
<b>Cost of acquisition at end of year</b>	<b>2 139</b>	<b>557</b>	<b>2 696</b>
Accumulated amortisation and impairments at beginning of year	-1 005	-155	-1 160
Disposals and retirements	-	55	55
Amortisation for the year according to plan	-118	-80	-198
Impairments for the year	-	0 <sup>1</sup>	0
Foreign exchange effect	118	5	123
<b>Accumulated amortisation and impairments at end of year</b>	<b>-1 005</b>	<b>-175</b>	<b>-1 180</b>
<b>Closing residual value</b>	<b>1 134</b>	<b>382</b>	<b>1 516</b>

<sup>1</sup>The impairments refer to software which has been discontinued and whose useful life is therefore assessed as zero. Amortisation is on a straight-line basis according to the expected useful life. Currently, this means that goodwill on acquisition assets is amortised over 20 years and that internally developed software is amortised over 5 years.

## P22 Property and equipment

Property and equipment	2011	2010
SEK m		
Equipment	502	553
Property	1 145	1 158
Property repossessed for protection of claims	446	13
<b>Total</b>	<b>2 093</b>	<b>1 724</b>

For further information regarding property repossessed for protection of claims, see note P10.

Equipment	2011	2010
SEK m		
Opening cost of acquisition	1 663	1 686
New acquisition	254	293
Disposals and retirements	-272	-252
Foreign exchange effect	-57	-64
<b>Closing acquisition value</b>	<b>1 588</b>	<b>1 663</b>
Opening accumulated depreciation	-1 110	-1 110
Depreciation for the year	-298	-292
Disposals and retirements	269	244
Foreign exchange effect	53	48
<b>Closing accumulated depreciation</b>	<b>-1 086</b>	<b>-1 110</b>
<b>Carrying amount</b>	<b>502</b>	<b>553</b>

Equipment is depreciated on a straight-line basis over 2–10 years.

Property	2011	2010
SEK m		
Opening cost of acquisition	1 825	1 801
New acquisition	-	-
New construction and rebuilding	26	31
Disposals and retirements	2	-7
<b>Closing acquisition value</b>	<b>1 853</b>	<b>1 825</b>
Opening accumulated depreciation	-667	-632
Depreciation for the year	-39	-43
Disposals and retirements	-2	8
Impairment during the year in equity	-	-
<b>Closing accumulated depreciation</b>	<b>-708</b>	<b>-667</b>
<b>Carrying amount</b>	<b>1 145</b>	<b>1 158</b>

For business premises, component depreciation is applied. The useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years, and for building fixtures and fittings 10. See also the consolidated accounting policies in note G1.

## P23 Other assets

SEK m	2011	2010
Claims on investment banking settlements	9 504	52 579
Other	7 704	6 014
<b>Total</b>	<b>17 208</b>	<b>58 593</b>

## P24 Prepaid expenses and accrued income

SEK m	2011	2010
Accrued interest income	5 020	3 492
Other accrued income	1 189	967
Prepaid expenses	186	165
<b>Total</b>	<b>6 395</b>	<b>4 624</b>
<i>Of which subordinated</i>	14	7

## P25 Due to credit institutions

SEK m	2011	2010
<b>Due in Swedish kronor</b>		
Banks	49 065	21 415
Other credit institutions	18 736	37 451
<b>Total</b>	<b>67 801</b>	<b>58 866</b>
<b>Due in foreign currency</b>		
Banks	132 062	141 703
Other credit institutions	61 943	59 548
<b>Total</b>	<b>194 005</b>	<b>201 251</b>
<b>Total due to credit institutions</b>	<b>261 806</b>	<b>260 117</b>
<i>Of which repos</i>	4 055	4 889

Average volumes SEK m	2011	2010
Due to credit institutions in Swedish kronor	50 868	74 166
Due to credit institutions in foreign currency	215 680	237 466
<b>Total</b>	<b>266 548</b>	<b>311 632</b>
<i>Of which repos</i>	14 494	25 477

## P26 Deposits and borrowing from the public

Deposits from the public SEK m	2011	2010
<b>Deposits in Swedish kronor</b>		
Households	181 286	177 463
Companies	157 221	145 062
National Debt Office	0	0
<b>Total</b>	<b>338 507</b>	<b>322 525</b>
<b>Deposits in foreign currency</b>		
Households	42 418	38 138
Companies	112 092	112 074
National Debt Office	-	-
<b>Total</b>	<b>154 510</b>	<b>150 212</b>
<b>Total deposits from the public</b>	<b>493 017</b>	<b>472 737</b>

Average volumes SEK m	2011	2010
<b>Deposits from the public</b>		
Deposits from the public in Swedish kronor	316 771	307 881
Deposits from the public in foreign currency	213 430	175 440
<b>Total</b>	<b>530 201</b>	<b>483 321</b>
<b>Borrowing from the public</b>		
Borrowing from the public in Swedish kronor	59 250	30 941
Borrowing from the public in foreign currency	45 286	27 567
<b>Total</b>	<b>104 536</b>	<b>58 508</b>
<i>Of which repos</i>	8 459	3 784

Borrowing from the public SEK m	2011	2010
Swedish kronor	162 464	31 459
Foreign currency	50 084	72 984
<b>Total</b>	<b>212 548</b>	<b>104 443</b>
<i>Of which repos</i>	8 001	9 068
<b>Total deposits and borrowing from the public</b>	<b>705 565</b>	<b>577 180</b>

**P27** Issued securities

SEK m	2011		2010	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
<b>Commercial paper</b>				
Commercial paper in Swedish kronor	12 399	11 468	9 485	9 958
<i>Of which</i>				
<i>at amortised cost</i>	2 563	2 563	25	25
<i>for trading</i>	9 836	8 905	9 460	9 933
Commercial paper in foreign currency	333 189	333 187	273 232	273 177
<i>Of which</i>				
<i>at amortised cost</i>	332 965	332 965	273 139	273 078
<i>for trading</i>	224	222	93	99
<b>Total</b>	<b>345 588</b>	<b>344 655</b>	<b>282 717</b>	<b>283 135</b>
<b>Bonds</b>				
Bonds in Swedish kronor	24 801	23 444	34 683	32 804
<i>Of which</i>				
<i>at amortised cost</i>	11 237	10 438	32 259	30 831
<i>for fair value hedges</i>	13 564	13 006	2 424	1 973
Bonds in foreign currency	172 533	175 777	166 204	167 366
<i>Of which</i>				
<i>at amortised cost</i>	43 260	50 904	145 609	145 961
<i>for fair value hedges</i>	129 273	124 873	20 595	21 405
<b>Total</b>	<b>197 334</b>	<b>199 221</b>	<b>200 887</b>	<b>200 170</b>
<b>Total issued securities</b>	<b>542 922</b>	<b>543 876</b>	<b>483 604</b>	<b>483 305</b>

Turnover of own debt instruments SEK m	2011	2010
Issued	947 132	921 091
Repurchased	71 165	59 362
Matured	842 021	843 179

Average volumes SEK m	2011	2010
Swedish kronor	37 533	46 682
Foreign currency	463 048	458 029
<b>Total</b>	<b>500 581</b>	<b>504 711</b>

**P28** Short positions

Short positions SEK m	2011	2010
<b>Short positions at fair value</b>		
Equities	3 649	2 761
Interest-bearing securities	17 748	33 265
<i>Of which</i>		
<i>other issuers</i>	17 748	33 265
<i>own issued</i>	-	-
<b>Total</b>	<b>21 397</b>	<b>36 026</b>

Average volumes SEK m	2011	2010
Swedish kronor	28 824	33 539
Foreign currency	2 959	2 201
<b>Total</b>	<b>31 783</b>	<b>35 740</b>

## P29 Taxes

Defered tax assets SEK m	2011	2010	Tax expenses recognised in income statement SEK m	2011	2010
Property and equipment	38	30	Current tax		
Derivative instruments	322	253	Tax expense for the year	-3 534	-2 624
Loss reserve	-	39	Adjustment of tax relating to previous years	96	34
<b>Total</b>	<b>360</b>	<b>322</b>	Defered tax		
			Changes in temporary differences	-32	42
			<b>Total</b>	<b>-3 470</b>	<b>-2 548</b>
<b>Defered tax liabilities</b> SEK m	<b>2011</b>	<b>2010</b>	<b>Nominal tax rate in Sweden, %</b>	<b>26.3</b>	<b>26.3</b>
Property and equipment	91	90	Deviations		
<b>Total</b>	<b>91</b>	<b>90</b>	Non-taxable income/non-deductible expenses	-0.1	0.4
<b>Net deferred taxes</b>	<b>-269</b>	<b>-232</b>	Tax relating to previous years and other	1.2	1.0
			<b>Effective tax rate, %</b>	<b>27.4</b>	<b>27.7</b>

### Change in deferred taxes 2011

SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	60	-7	-	53
Derivative instruments	-253	-	-69	-322
Loss reserve	-39	39	-	-
<b>Total</b>	<b>-232</b>	<b>32</b>	<b>-69</b>	<b>-269</b>

### Change in deferred taxes 2010

SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	63	-3	-	60
Derivative instruments	-204	-	-49	-253
Loss reserve	-	-39	-	-39
<b>Total</b>	<b>-141</b>	<b>-42</b>	<b>-49</b>	<b>-232</b>

## P30 Provisions

SEK m	Provision for guarantee commitments	Other provisions	Total 2011	Total 2010
Provisions at beginning of year	66	8	74	188
Provisions during the year	-	-	-	5
Utilised	-	-	-	-61
Written back	-45	-5	-50	-58
<b>Provisions at end of year</b>	<b>21</b>	<b>3</b>	<b>24</b>	<b>74</b>

Provision for guarantee commitments consists of provisions for a number of off-balance sheet items.

## P31 Other liabilities

SEK m	2011	2010
Liabilities on investment banking settlements	5 909	5 087
Other	7 149	8 295
<b>Total</b>	<b>13 058</b>	<b>13 382</b>

## P32 Accrued expenses and deferred income

SEK m	2011	2010
Accrued interest expenses	6 094	5 059
Other accrued expenses	3 529	3 196
Deferred income	70	95
<b>Total</b>	<b>9 693</b>	<b>8 350</b>

## P33 Subordinated liabilities

SEK m	2011	2010
Subordinated loans in Swedish kronor	9 562	7 367
Subordinated loans in foreign currency	25 763	36 592
<b>Total</b>	<b>35 325</b>	<b>43 959</b>

Average volumes SEK m	2011	2010
Subordinated loans in Swedish kronor	8 544	7 463
Subordinated loans in foreign currency	28 430	45 626
<b>Total</b>	<b>36 974</b>	<b>53 089</b>

Specification, subordinated loans		Original nominal amount in each currency	Interest rate %	Outstanding amount
Issue/conv./ final payment year	Currency			
<b>IN SWEDISH KRONOR</b>				
Other Swedish <sup>1</sup>				9 562
<b>Total</b>				<b>9 562</b>
<b>IN FOREIGN CURRENCY</b>				
2005/2017 <sup>2</sup>	EUR	700	floating rate	6 247
2005/perpetual <sup>3</sup>	EUR	500	4.194	4 770
2007/perpetual <sup>4</sup>	EUR	600	floating rate	5 347
Other foreign <sup>5</sup>				9 399
<b>Total</b>				<b>25 763</b>
<b>Total subordinated liabilities</b>				<b>35 325</b>

<sup>1</sup> Other Swedish subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans. The total amount includes two subordinated convertible loans of nominally SEK 2.3 and 2.5 billion respectively, issued to the Group's employees on market terms. The loan for SEK 2.3 billion has hybrid status and can be converted into Handelsbanken shares. Conversion is possible after 1 June 2011 at a conversion price of SEK 187.56, corresponding to 110 per cent of the average share price during the period 6–12 May 2008, adjusted for the 2008 dividend. After 21 May 2013 it will be possible to convert to Handelsbanken shares at the conversion price, or the share price applying at this date if it is lower than the conversion price and the market price of the share. The loan for SEK 2.5 billion has the status of Tier 2 capital and can be converted into Handelsbanken shares. Conversion is possible after 1 May 2016 at an initial conversion price of SEK 256.52, corresponding to 122 per cent of the average share price during the period 19 April–4 May 2011; the conversion price will subsequently be adjusted for dividend payments. After 31 May 2016 it will be possible to convert into Handelsbanken shares at the lower of the conversion price and the market price of the share. The last day to initiate conversion is 30 November 2016.

<sup>2</sup> Dated subordinated loan with 3-month floating rate coupon linked to Euribor. According to the terms the loan can be called in advance on each interest payment date from October 2012. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

<sup>3</sup> Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from December 2015. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with the right of redemption, the interest rate is changed to floating rate linked to Euribor.

<sup>4</sup> Perpetual subordinated loan with 3-month floating rate coupon linked to Euribor. According to the terms the loan can be called in advance on each interest payment date from March 2012. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

<sup>5</sup> Other foreign subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans.

## P34 Untaxed reserves

SEK m	2011	2010
Accumulated amortisation on goodwill in excess of plan	998	1 110
<b>Total</b>	<b>998</b>	<b>1 110</b>

## P35 Reclassifications to the income statement

SEK m	2011	2010
Reclassified from hedge reserve	5	3
Reclassified from fair value reserve	-183	-100
Reclassified from translation reserve	-17	-4
Reclassified tax	51	-41
<i>of which hedge reserve</i>	-1	-1
<i>of which fair value reserve</i>	47	26
<i>of which translation reserve</i>	5	-
<b>Total reclassification adjustments</b>	<b>-144</b>	<b>-142</b>

Reclassification adjustments consist of income and expense previously recognised in other comprehensive income and reclassified to the income statement during the year. Negative amounts in the table above represent recognised income in the income statement and vice versa. The accounting policies in note G1 describe under which line item in the income statement the amounts have been reported.



## P36 Specification of changes in equity

Change in hedge reserve SEK m	2011	2010
Hedge reserve at beginning of year	-710	-573
Unrealised value changes during the year	-198	-139
Recognised in income statement due to ineffectiveness	4	2
<b>Hedge reserve at end of year</b>	<b>-904</b>	<b>-710</b>

Specification of available-for-sale instruments (amounts after tax) SEK m	2011	2010
Fair value reserve at beginning of year	769	-821
Sold during the year	136	75
Unrealised market value change during the year for remaining and new holdings	-1 090	1 515
<b>Fair value reserve at end of year</b>	<b>-185</b>	<b>769</b>

Change in translation reserve SEK m	2011	2010
Translation reserve at beginning of year	-1 052	410
Change in translation difference in foreign branches	36	-1 462
<b>Translation reserve at end of year</b>	<b>-1 016</b>	<b>-1 052</b>

## P37 Assets pledged and received

Assets pledged for own debt SEK m	2011	2010
Cash	2 517	3 073
Government instruments and bonds, pledged as collateral with central banks and credit institutions	43 757	47 606
Government instruments and bonds, repurchase agreements	12 078	13 979
Equities	2 506	2 354
Securities lent	10 806	12 388
Other	343	191
<b>Total</b>	<b>72 007</b>	<b>79 591</b>

Other pledged assets SEK m	2011	2010
Cash	-	-
Government instruments and bonds	5 236	4 398
<b>Total</b>	<b>5 236</b>	<b>4 398</b>

Other pledged assets refers to collateral pledged for obligations not reported in the balance sheet.

### Assets received

As a component in reverse repurchase agreements and securities loans, the Group has received assets that can be sold or repledged to a third party. The fair value of received assets of this type was SEK 45,055m (67,823) at the end of the financial year, where assets worth SEK 1,125m (3,531) had been sold or repledged to a third party.

## P38 Contingent liabilities/commitments

SEK m	2011	2010
Guarantees, loans	76 110	61 212
Guarantees, other	42 599	40 020
Letters of credit	29 404	28 794
Other	948	1 453
<b>Total</b>	<b>149 061</b>	<b>131 479</b>

Contingent liabilities mainly consisted of various types of guarantees. The nominal amounts of the guarantees are shown in the table.

"Other" includes SEK 2m (60) relating to a number of civil actions which the Group is bringing in general courts of law. The Group's assessment is that the actions will essentially be settled in its favour. No disputed amounts or possible insurance compensation have been recognised as income.

## P39 Other commitments

SEK m	2011	2010
Committed loan offers	249 093	233 571
Unutilised part of granted overdraft facilities	154 201	167 248
Other	109 923	14 952
<b>Total</b>	<b>513 217</b>	<b>415 771</b>

Contracted irrevocable future operating lease charges distributed by the year they fall due for payment	2011	2010
SEK m		
2012	594	469
2013–2016	1 085	873
2017 and later	676	457
<b>Total</b>	<b>2 355</b>	<b>1 799</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

## P40 Pension obligations

SEK m	2011	2010
Fair value of plan assets	18 300	23 318
Pension obligations	18 269	19 402
<b>Surplus</b>	<b>31</b>	<b>3 916</b>

Pension obligations, plan assets and provisions for pension commitments are calculated in accordance with the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. They have developed as follows. The obligation under the above-mentioned act is entirely covered by the assets in the foundations and is not reported in the balance sheet. The pension obligations are SEK 3,871m (3,024) in the Bank's pension fund (Pensionskassan SHB, försäkringsförening) and the market value of the assets is SEK 7,666m (9,239). The surplus value in Pensionskassan SHB, försäkringsförening is thus SEK 3,795m (6,215).

Specification of pension cost reported for the period SEK m	2011	2010
Pensions paid	-484	-492
Pension premiums paid	-396	-326
Salary tax	0	0
Funds paid from pension foundation	540	410
<b>Pension cost recognised in the income statement</b>	<b>-340</b>	<b>-408</b>

The expected payment for next year for defined benefit pension plans is SEK 594m. The pension costs include premiums to the BTPK plan (defined-contribution pension) of SEK 77m (75).

Plan assets SEK m	2011	2010
Opening balance	23 318	18 268
Return	-4 478	5 460
Funds paid from pension foundation	-540	-410
<b>Closing balance</b>	<b>18 300</b>	<b>23 318</b>
Percentage return on specially separated assets	19%	30%

SEK 8,368m of the fair value of the plan assets is a commitment within the Bank's profit-sharing system Oktogonen.

Pension obligations SEK m	2011	2010
Opening balance	19 402	16 636
Actuarial pension cost	508	477
Interest expense	369	401
Indexation	85	83
Early retirement	153	187
Pensions paid	-484	-492
Changed assumptions	-216 <sup>1</sup>	805 <sup>1</sup>
Value change conditional obligation	-1 599	1 715
Other increase in capital value	51	-410
<b>Closing balance</b>	<b>18 269</b>	<b>19 402</b>

<sup>1</sup>Refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

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

SEK m	2011	2010
Shares and participating interests	15 451	20 505
Interest-bearing securities etc.	2 849	2 813
<b>Total</b>	<b>18 300</b>	<b>23 318</b>

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union, and between BAO and SACO (the Swedish Confederation of Professional Associations). The amount is 10 per cent of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65 per cent, and in the interval between 20 and 30 income base amounts, it is 32.5 per cent of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

The obligations include a commitment within the Bank's profit-sharing scheme, Oktogonen. This commitment is regarded in the Group as a non-defined benefit plan. Part of the commitment, SEK 6,248 m (7,779), is conditional.

The value of the pension commitments is calculated annually on the balance sheet date, on actuarial grounds. The most important calculation assumptions are mortality and the discount rate.

The mortality assumption is the so-called generation mortality in DUS06. The discount rate is 2.9 per cent (2.8) after tax and assumptions for costs.

## P41 Remaining maturities

2011 SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
<b>Assets</b>						
Loans to credit institutions	16 304	466 913	36 868	5 552	7 076	532 713
Loans to the public	10 277	609 426	34 658	25 547	6 919	686 827
Treasury bills and other eligible securities		4 291	5 962	14 850	13 041	38 144
Bonds and other interest-bearing securities		3 707	10 268	32 922	9 196	56 093
<b>Liabilities</b>						
Due to credit institutions	77 728	170 218	6 859	1 723	5 278	261 806
Deposits from the public	493 017					493 017
Borrowing from the public	13 561	180 161	16 473	2 289	64	212 548
Issued securities	3 900	299 938	104 561	103 415	32 062	543 876
Short positions interest-bearing securities	202	302	1 878	13 879	1 487	17 748

2010 SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
<b>Assets</b>						
Loans to credit institutions	33 291	462 803	3 147	2 570	3 238	505 049
Loans to the public	7 490	593 726	46 429	30 955	12 621	691 221
Treasury bills and other eligible securities		12 837	5 883	9 925	14 573	43 218
Bonds and other interest-bearing securities		3 929	8 193	46 551	1 945	60 618
<b>Liabilities</b>						
Due to credit institutions	76 184	161 688	13 632	2 302	6 311	260 117
Deposits from the public	472 737					472 737
Borrowing from the public	2 780	84 925	14 820	1 871	47	104 443
Issued securities	4 550	217 656	114 338	121 165	25 596	483 305
Short positions interest-bearing securities			113	28 995	4 157	33 265

The remaining time to maturity for loan agreements with periodically fixed terms is calculated as the time until the next date the terms are changed. For claims and liabilities where repayments are made, the remaining time to maturity is calculated as the time until the due date for the respective repayment. The calculation method has been changed compared to the previous financial year. The comparative figures have been adjusted.

## P42 Assets and liabilities in currencies

2011 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	1 301	3 020	7 089	91	4	239 403	684	251 592
Loans to credit institutions	227 248	138 097	64 744	29 374	528	69 195	3 527	532 713
Loans to the public	276 207	104 887	126 811	40 239	89 930	34 897	13 856	686 827
<i>of which corporate</i>	229 024	93 541	95 070	22 925	66 464	34 842	12 243	554 109
<i>of which households</i>	47 183	11 346	31 741	17 314	23 466	55	1 613	132 718
Treasury bills and other eligible securities	29 226	3 368	616	1	-	3 214	1 719	38 144
Bonds and other interest-bearing securities	42 137	6 926	1 103	65	-	5 686	176	56 093
Other assets not broken down by currency	247 892							247 892
<b>Total assets</b>	<b>824 011</b>	<b>256 298</b>	<b>200 363</b>	<b>69 770</b>	<b>90 462</b>	<b>352 395</b>	<b>19 962</b>	<b>1 813 261</b>
<b>Liabilities</b>								
Due to credit institutions	41 916	66 774	13 064	13 179	6 115	111 980	8 778	261 806
Deposits and borrowing from the public	387 800	73 590	53 159	25 840	30 007	128 904	6 265	705 565
<i>of which corporate</i>	183 964	60 577	38 846	15 463	25 534	128 063	6 127	458 574
<i>of which households</i>	203 836	13 013	14 313	10 377	4 473	841	138	246 991
Issued securities	34 911	166 888	9 431	456	42 811	284 963	4 416	543 876
Subordinated liabilities	9 562	16 364	-	120	7 730	211	1 338	35 325
Other items not broken down by currency	266 689							266 689
<b>Total liabilities and equity</b>	<b>740 878</b>	<b>323 616</b>	<b>75 654</b>	<b>39 595</b>	<b>86 663</b>	<b>526 058</b>	<b>20 797</b>	<b>1 813 261</b>
Other assets and liabilities broken down by currency and off-balance-sheet items		67 657	-124 655	-30 150	-3 632	173 801	916	
Net foreign currency position		339	54	25	167	138	81	804

2010 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	1 475	1 631	19 812	101	4	31 768	1 555	56 346
Loans to credit institutions	259 406	69 636	53 039	10 357	1 768	104 241	6 602	505 049
Loans to the public	287 026	131 189	118 777	35 910	66 728	35 601	15 990	691 221
<i>of which corporate</i>	239 173	99 934	91 938	18 435	50 256	35 461	12 242	547 439
<i>of which households</i>	47 853	31 255	26 839	17 475	16 472	140	3 748	143 782
Treasury bills and other eligible securities	28 661	3 322	9 261	1	-	539	1 434	43 218
Bonds and other interest-bearing securities	40 427	8 801	1 103	61	2	9 970	254	60 618
Other assets not broken down by currency	257 711							257 711
<b>Total assets</b>	<b>874 706</b>	<b>214 579</b>	<b>201 992</b>	<b>46 430</b>	<b>68 502</b>	<b>182 119</b>	<b>25 835</b>	<b>1 614 163</b>
<b>Liabilities</b>								
Due to credit institutions	96 213	54 986	11 099	15 722	12 100	54 815	15 182	260 117
Deposits and borrowing from the public	366 565	58 495	44 686	26 941	19 207	55 569	5 717	577 180
<i>of which corporate</i>	173 278	46 700	32 445	16 786	15 559	54 976	5 486	345 230
<i>of which households</i>	193 287	11 795	12 241	10 155	3 648	593	231	231 950
Issued securities	42 762	144 428	7 843	566	31 217	253 763	2 726	483 305
Subordinated liabilities	7 367	21 837	-	121	7 846	5 535	1 253	43 959
Other items not broken down by currency	249 602							249 602
<b>Total liabilities and equity</b>	<b>762 509</b>	<b>279 746</b>	<b>63 628</b>	<b>43 350</b>	<b>70 370</b>	<b>369 682</b>	<b>24 878</b>	<b>1 614 163</b>
Other assets and liabilities broken down by currency and off-balance-sheet items		66 305	-138 295	-3 048	1 634	187 589	-824	
Net foreign currency position		1 138	69	32	-234	26	133	1 164

## P43 Related-party disclosures

Claims on and liabilities to related parties	Subsidiaries		Associated companies		Other related parties	
	2011	2010	2011	2010	2011	2010
SEK m						
Loans to credit institutions	-	-	-	-	-	-
Loans to the public	303 429	332 410	348	325	-	-
Bonds and other interest-bearing securities	-	-	-	-	-	-
Derivatives	7 119	7 478	-	-	-	-
Other assets	6 021	2 282	-	-	23	424
<b>Total</b>	<b>316 569</b>	<b>342 170</b>	<b>348</b>	<b>325</b>	<b>23</b>	<b>424</b>
Due to credit institutions	-	-	-	-	-	-
Deposits and borrowing from the public	78 482	54 992	160	51	496	200
Issued securities	-	-	-	-	-	-
Derivatives	19 445	17 789	-	-	5	-
Subordinated liabilities	-	-	-	-	653	651
Other liabilities	112	1 683	-	-	106	56
<b>Total</b>	<b>98 039</b>	<b>74 464</b>	<b>160</b>	<b>51</b>	<b>1 260</b>	<b>907</b>
Contingent liabilities	24 069	33 669	-	-	-	-
Derivatives, nominal amount	415 256	384 987	-	-	-	-

Related parties – income and expense	Subsidiaries		Associated companies		Other related parties	
	2011	2010	2011	2010	2011	2010
SEK m						
Interest income	7 829	4 193	5	1	-	-
Interest expense	-703	-369	-1	0	-87	-72
Fee and commission income	26	47	0	0	-	0
Fee and commission expense	0	-51	-9	-8	-	-
Net gains/losses on financial items at fair value	0	0	0	0	-	-
Other income	597	578	-	-	14	12
Other expenses	-215	-219	-13	-39	-62	-56
<b>Total</b>	<b>7 534</b>	<b>4 179</b>	<b>-18</b>	<b>-46</b>	<b>-135</b>	<b>-116</b>

During the year, normal business transactions have been carried out between the parent company and subsidiaries. Note P19 contains a specification of subsidiaries and associated companies. The associated companies' operations comprise various types of services related to the financial markets. The following companies are included in the group of other related parties: Svenska Handelsbankens Pensionsstiftelse, Svenska Handelsbanken Personalstiftelse and Pensionskassan SHB försäkringsförening. These companies use Svenska Handelsbanken AB for normal banking and accounting services. Disclosures concerning shareholders' contributions to the Group and associated companies are provided in note P19. Disclosures on group contributions provided and received are given in note P11 and in the statement of changes in the parent company's equity.

Information regarding loans to senior management, conditions and other remuneration to senior management is given in note G8.

## P44 Capital adequacy

Capital base			Capital requirement		
SEK m	2011	2010	SEK m	2011	2010
<b>TIER 1 CAPITAL</b>			<b>Credit risk</b>		
Equity, parent company	72 657	58 033 <sup>1</sup>	Credit risk according to standardised approach	3 307	3 607
Accrued dividend, current year	-6 085	-5 611	Credit risk according to IRB approach	30 362	31 080
<b>Equity, capital base</b>	<b>66 572</b>	<b>52 422</b>	<b>Market risk</b>		
Innovative tier 1 capital contributions	11 254	9 449	Interest rate risk	850	1 346
Non-innovative tier 1 capital contributions	2 910	2 916	<i>of which general risk</i>	711	1 126
Minority interests	0	0	<i>of which specific risk</i>	139	220
Deduction items			Equity price risk	14	27
Goodwill and other intangible assets	-566	-406	<i>of which general risk</i>	6	12
Revaluation reserve	-115	-122	<i>of which specific risk</i>	7	14
Value adjustments for positions measured at fair value	-56	-	<i>of which funds</i>	1	1
Deferred tax assets	-360	-322	Foreign exchange risk	-	-
Special deduction for IRB institutions	-743	-597	Commodities risk	20	28
Capital contribution in insurance company	-9	-9	Settlement risk	-	-
Securitisation positions	-219	-219	<b>Operational risk</b>		
Adjustments in accordance with stability filter			Operational risk	3 202	2 971
Cash flow hedges	904	710	<b>Total capital requirement according to Basel II</b>	<b>37 755</b>	<b>39 059</b>
Unrealised accumulated gains/losses, equities	-115	-1 223	Adjustment according to transitional rules	8 599	7 844
Unrealised accumulated gains/losses, fixed income instruments	246	403	<b>Total capital requirement according to Basel II transitional rules</b>	<b>46 354</b>	<b>46 903</b>
<b>Total tier 1 capital</b>	<b>79 703</b>	<b>63 002</b>	Risk-weighted assets according to Basel II	471 942	488 240
<b>TIER 2 CAPITAL</b>			Risk-weighted assets according to Basel II, transitional rules	579 423	586 288
Perpetual subordinated loans	11 710	13 497	<b>Capital adequacy analysis, %</b>		
Dated subordinated loans	7 962	17 260	Capital requirement in Basel II compared to transitional rules	81	83.3
Additional items			Capital ratio according to		
Unrealised accumulated gains/losses, equities	115	1 223	<i>Basel II</i>	20.9	19.3
Revaluation reserve	115	122	<i>transitional rules</i>	17.0	16.1
Deducted items			Tier 1 capital ratio according to		
Special deduction for IRB institutions	-743	-597	<i>Basel II</i>	16.9	12.9
Capital contribution in insurance company	-9	-9	<i>transitional rules</i>	13.8	10.7
Securitisation positions	-219	-219	Core tier 1 capital ratio according to		
<b>Total tier 2 capital</b>	<b>18 931</b>	<b>31 277</b>	<i>Basel II</i>	13.9	10.4
<b>Total tier 1 and tier 2 capital</b>	<b>98 634</b>	<b>94 279</b>	<i>transitional rules</i>	11.3	8.6
Deductible items from total capital base			Capital base in relation to capital requirement		
Capital contribution in insurance company	-50	-50	<i>Basel II</i>	261	241
<b>Total capital base for capital adequacy purposes</b>	<b>98 584</b>	<b>94 229</b>	<i>transitional rules</i>	214	201

For information on conditions and regulations for capital base items and sub-items, see note G49.

<sup>1</sup> Has not been affected by changed accounting policies for Group contributions provided.

Capital requirements, standardised approach*	2011		2010	
	Exposure amount (EAD)	Capital requirement	Exposure amount (EAD)	Capital requirement
SEK m				
Sovereign and central banks	425 503	16	143 912	16
Municipalities	33 771	1	39 019	1
Multilateral development banks	2 372	0	-	-
Institutions	320 116	159	346 102	186
Corporate	23 994	1 920	26 771	2 142
Retail	7 675	461	9 173	550
Property mortgages	17 295	531	13 023	395
Past due items	183	21	458	54
Other items	4 093	198	5 089	263
<b>Total</b>	<b>835 002</b>	<b>3 307</b>	<b>583 547</b>	<b>3 607</b>

\* Details of capital requirements for exposure classes where there are exposures.

## P44 Cont.

Credit risk IRB	Exposure after credit risk protection (EAD)		Average risk weight %		Capital requirement	
	2011	2010	2011	2010	2011	2010
SEK m						
<b>Corporate exposures</b>	<b>691 262</b>	<b>650 472</b>	<b>40.0</b>	<b>44.5</b>	<b>22 141</b>	<b>23 181</b>
<i>of which repos and securities loans</i>	6 340	12 317	1.5	0.5	8	5
<i>of which other lending, foundation approach</i>	373 039	361 685	43.6	45.9	13 004	13 268
<i>of which other lending, advanced approach</i>	311 883	276 470	36.6	44.8	9 129	9 908
- <i>Small and medium-sized companies</i>	69 266	82 866	68.1	73.9	3 773	4 898
- <i>Property companies</i>	227 129	178 710	27.9	33.4	5 062	4 775
- <i>Housing co-operative associations</i>	15 488	14 894	23.7	19.7	294	235
<b>Retail exposures</b>	<b>136 131</b>	<b>153 540</b>	<b>14.2</b>	<b>15.9</b>	<b>1 551</b>	<b>1 948</b>
<i>of which property loans</i>	60 071	82 242	9.8	14.2	469	936
<i>of which other</i>	76 060	71 298	17.8	17.7	1 082	1 012
<b>Small companies</b>	<b>22 842</b>	<b>23 336</b>	<b>43.0</b>	<b>45.6</b>	<b>786</b>	<b>852</b>
<b>Institutional exposures</b>	<b>158 484</b>	<b>181 482</b>	<b>12.3</b>	<b>10.7</b>	<b>1 556</b>	<b>1 551</b>
<i>of which repos and securities loans</i>	79 640	102 593	0.5	0.6	32	46
<i>of which other lending</i>	78 844	78 889	24.2	23.8	1 524	1 505
<b>Equity exposures</b>	<b>48 295</b>	<b>38 656</b>	<b>107.5</b>	<b>109.4</b>	<b>4 153</b>	<b>3 382</b>
Exposures without a counterparty	2 093	1 724	100	100	167	138
<b>Securitisation positions</b>	<b>1 944</b>	<b>5 460</b>	<b>5</b>	<b>6.4</b>	<b>8</b>	<b>28</b>
<i>Traditional securitisation</i>	1 944	5 460	5	6.4	8	28
<i>Synthetic securitisation</i>	-	-	-	-	-	-
<b>Total IRB</b>	<b>1 061 051</b>	<b>1 054 670</b>	<b>35.8</b>	<b>36.8</b>	<b>30 362</b>	<b>31 080</b>
<i>of which repos and securities loans</i>	85 980	114 910	0.6	0.6	40	51
<i>of which other lending, foundation approach</i>	504 215	486 415	46.7	47.1	18 855	18 322
<i>of which other lending, advanced approach</i>	470 856	453 345	30.4	35.0	11 467	12 707

# Recommended appropriation of profits and statement from the Board

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 67,073 million are at the disposal of the annual general meeting.

The Board recommends that the profit be distributed as follows:

Dividend per share paid to the shareholders SEK 9.75 (SEK 9.00 for 2010)	6,085
Balance carried forward	60,988
Total allocated	67,073

When assessing the amount of the company's proposed dividend, totalling SEK 6,085 million, account has been taken of the nature of operations, their scope, consolidation requirement, risk-taking, liquidity, and the general situation in both the Bank and the rest of the Group.

The Board's assessment is that the above appropriation of profits is prudent and well-adapted to the operations as a going concern.

Unrealised changes in the value of assets and liabilities at fair value have had a net impact on shareholders' equity of SEK 8,156 million in the Bank and SEK -74 million in the Group.

The capital base for the banking group at the year-end, minus the proposed dividend and changes in the capital base since the year-end, exceeded the statutory capital requirement by SEK 18,592 million; the equivalent figure for the parent company was SEK 43,699 million.

We hereby declare that the consolidated accounts were prepared in accordance with international financial reporting standards as referred to in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, that the parent company's annual accounts were prepared in accordance with sound accounting practices for stock market companies, that the annual accounts and consolidated accounts give a fair presentation of the Group's and the parent company's financial position and performance, and that the statutory administration report provides a fair view of the parent company's and Group's operations, financial position and performance, and describes material risks and uncertainties to which the parent company and other companies in the Group are exposed.

STOCKHOLM, 14 FEBRUARY 2012

Anders Nyrén

Hans Larsson  
*Chairman of the Board*

Fredrik Lundberg

Jon Fredrik Baksaa

Ulrika Boëthius

Tommy Bylund

Göran Ennerfelt

Lone Fønss Schrøder

Jan Johansson

Sverker Martin-Löf

Bente Rathe

Pär Boman  
*President and Group Chief Executive*

# Auditor's report

To the annual meeting of the shareholders of Svenska Handelsbanken AB (publ)  
Corporate identity number 502007-7862

## REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of Svenska Handelsbanken AB (publ) for the year 2011 included on pages 9–165.

### Responsibilities of the Board of Directors and the Chief Executive for the annual accounts and the consolidated accounts

The Board of Directors and the Chief Executive are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and for the fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Chief Executive determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from material misstatements. During the year, the Bank's internal audit department has continuously examined the internal controls and accounts. We have received the reports that have been prepared. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, the consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Directors' report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.



**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In addition to our audit of the annual accounts and the consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive of Svenska Handelsbanken AB (publ) for the year 2011.

**Responsibilities of the Board of Directors and the Chief Executive**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Chief Executive are responsible for administration under the Companies Act and the Banking and Financing Business Act.

**Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Chief Executive is liable to the company. We also examined whether any member of the Board of Directors or the Chief Executive has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Opinions**

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the Chief Executive be discharged from liability for the financial year.

STOCKHOLM, 17 FEBRUARY 2012

KPMG AB  
Stefan Holmström  
*Authorised Public Accountant*

Ernst & Young AB  
Erik Åström  
*Authorised Public Accountant*

# Branches and branch managers

## REGIONAL BANK NORTHERN SWEDEN

### Board

**Erik Orring** Umeå, Chairman  
**Bob Persson** Östersund  
**Hans Jonsson** Umeå  
**Margareta Jonsson** Älvsbyn  
**Gunnar Liljedahl** Luleå  
**Annika Brunnéd** Umeå  
**Inger Nordström** Härnösand, (E)\*

### Head of regional bank

**Annika Brunnéd** Umeå

### Number of branches

69

### Branch/branch manager

Arvidsjaur **Ann-Louise Högborg**  
 Backe **Linnea Olsson**  
 Bjurholm **Andreas Fors**  
 Bjästa **Karin Westin**  
 Björna **Margareta Persson**  
 Boden **Ann-Christin Söderberg Rånman**  
 Bredbyn **Mats Ågren**  
 Bureå **Emil Karlberg**  
 Burträsk **Catharina Olsson**  
 Byske **Sören Markström**  
 Domsjö **Patrise Halsius**  
 Dorotea **Christer Rolandsson**  
 Föllinge **Bodil Edfeldt Olsson**  
 Gammelstad **Susanne Rudeklint**  
 Gällivare **Kent Aidanpää**  
 Hammarstrand **Lars-Göran Fahlén**  
 Hammerdal **David Sjödin**  
 Haparanda **Tomas Björnfot**  
 Holmsund **Marina Lindgren**  
 Hoting **Berith Minasdotter**  
 Husum **Veronica Egnor**  
 Härnösand **Åsa Starfelt Nilsson**  
 Jokkmokk **Andreas Gerdin**  
 Junsele **Annica Olofsson**  
 Järpen **Jenny Strand**  
 Kalix **Ulla-Britt Söderberg**  
 Kiruna **Andreas Karlsson**  
 Kramfors **Susanne Moström**  
 Krokom **Ulf Hellström**  
 Liden **Tobias Wiklund**  
 Lit **Magnus Noren**  
 Lugnvik **Tommy Sjölund**  
 Luleå  
 Storgatan **Jörgen Ericsson**  
 Örnåset **Lisbeth Aidanpää**  
 Lycksele **Henrik Johansson**



Lövånger **Kjell-Ove Lövgren**  
 Malå **Annifrid Lindberg**  
 Mörsil **Astrid Larsson Lindh**  
 Nordingrå **Tommy Sjölund**  
 Nordmaling **Nina Essebro**  
 Norsjö **Greger Holmström**  
 Nåsåker **Kerstin Isaksson**  
 Offerdal **Jörgen Nordqvist**  
 Pajala **Per-Anders Juntti**  
 Piteå **Stefan Uddström**  
 Ramsele **Jan-Åke Sjömåling**  
 Robertsfors **Jenny Berglund**  
 Råneå **Maria Granström**  
 Skellefteå **Hans Albert Lindgren**  
 Sollefteå **Sofia Bodin**  
 Sorsele **Fredrik Karlsson**  
 Storuman **Fredrik Karlsson**  
 Strömsund **Lars-Erik Olsén**  
 Trehörningsjö **Gunilla Näslund**  
 Ullånger **Tommy Sjölund**  
 Umeå  
 City **Lena Svedberg**  
 Teg **Thomas Rönberg**  
 Västra **Henrik Lundström**  
 Vilhelmina **Roland Wennerberg**  
 Vindeln **Anna Johansson**  
 Vännäs **Helene Hedman**  
 Änåset **Eva Nordenstam**  
 Åre **Malin Persson**  
 Åsele **Anna Andersson**  
 Älvsbyn **Eva Berggren**  
 Örnsköldsvik **Lars Norlander**  
 Östersund **Petter Dahlin**  
 Överkalix **Maria Fältmark**  
 Övertorneå **Asta Blombäck**

## REGIONAL BANK CENTRAL SWEDEN

### Board

**Ulf Bergkvist** Insjön, Chairman  
**Torsten Engwall** Gävle  
**Peter Larsson** Sandviken  
**Monica Oldenstedt** Västerås  
**Åke Rydén** Sveg  
**Anders Wiklander** Sundsvall  
**Pontus Åhlund** Gävle  
**Monica Morén** Hedemora, (E)\*

### Head of regional bank

**Pontus Åhlund** Gävle

### Number of branches

89

### Branch/branch manager

Alfta **Mats Södertund**  
 Arboga **Larry Andersson**  
 Arbrå **Pär Lindh**  
 Avesta **Ulrika Leidefeldt**  
 Bergby **Susanne Persson**  
 Bergsjö **Ulrica Sjöström**  
 Bjursås **Anders Rapp**  
 Björbo **Ruben Bergdahl**  
 Bollnäs **Thomas Frykberg**  
 Borlänge **Caroline Cedergren**  
 Bräcke **Mikael Mellström**  
 Delsbo **Rose-Marie Hildingsson**  
 Edsbyn **Annika Wikström**  
 Enköping **Hans Norell**  
 Fagersta **Mikael Johansson Holst**  
 Falun **Anders Forsgren**  
 Fellingsbro **Daniel Wallin**  
 Frånsta **Micaela Morén**  
 Frövi **Mikael Jansson**  
 Furudal **Lena Abrahamsson**  
 Gagnef **Anders Rehn**  
 Gnarp **Niclas Södergren**  
 Grangårde **Johanna Sallander**  
 Grängesberg **Siri Andersen Nyssönen**  
 Gällö **Sofie Ehrström**  
 Gävle City **Svante Larsson**  
 Hallstavik **Catarina Lyshag**  
 Heby **Maria Oscarsson**  
 Hede **Mattias Sundt**  
 Hedemora **Håkan Arvidsson**  
 Hedesunda **Pernilla Strömberg**  
 Hudiksvall **Thony Nylund**  
 Insjön **Oskar Ahlzén**  
 Järvsö **Ove Larsson**  
 Kilafors **Sten Morin**  
 Knivsta **Agneta Sturesson**  
 Kolbäck **Eva Klang**  
 Kopparberg **Lena Ragnarsson Vöks**  
 Kungsör **Stefan Granholm**  
 Kvissleby **Per Pettersson**  
 Köping **Peter Fällman**  
 Leksand **Anders Ekström**  
 Lima **Lena Eggens**  
 Lindesberg **Maria Ekdahl**  
 Ljusdal **Tommy Bylund**  
 Ljusne **Anna Ekström**



Ludvika **Carina Lundefors**  
 Malung **Bengt Eric Anderson**  
 Mattfors **Johan Billström**  
 Mockfjärd **Bengt Korning**  
 Mora **Henrik Ragnarsson**  
 Norberg **Håkan Bjurling**  
 Norrtälje **Bo Schotte**  
 Ockelbo **Karin Eriksson**  
 Orsa **Anette Skoglund**  
 Rimbo **Iréne Widnersson**  
 Rättvik **Martin Sellberg**  
 Sala **Robert Karlsson**  
 Sandviken **Pia Källarbo**  
 Skinnskatteberg **Niclas Zidén**  
 Skultuna **Johan Gustavsson**  
 Skutskär **Magnus Sjökvist**  
 Skärplinge **Stefan Holmquist**  
 Skönsberg **Urban Strömbom**  
 Stora Tuna **Anette Köpman**  
 Storvik **Helene Hedin**  
 Sundsvall **Owe Sundin**  
 Sveg **Gunilla Bäckius**  
 Svenstavik **Bengt Nilzén**  
 Säter **Patrik Nylén**  
 Söderhamn **Joakim Frithiof**  
 Sörberge **Bertil Sjöstrand**  
 Tierp **Micael Lindström**  
 Timrå **Amanda Eriksson**  
 Torsåker **Pia Hedén Sjökvist**  
 Uppsala  
 City **Johan Lindblom**  
 Eriksberg **Lars Olsson**  
 Industriområde **Baruch Grauman**  
 Luthagen **Birger Kristiansson**  
 Vansbro **Fredrik Hallqvist**  
 Västanfors **Andreas Byrén**  
 Västerås  
 City **Per Karlsson**  
 Emausgatan **Therese Massaro Kvarnryd**  
 Köpingsvägen **Johanna Landin, Acting**  
 Stora Gatan **Håkan Janson**  
 Ånge **Per-Erik Decker**  
 Österbybruk **Magnus Sundqvist**  
 Östervåla **Ildikó Teleki Lundmark**  
 Östhammar **Carina Modén**

(E)\*= employee representative

## REGIONAL BANK STOCKHOLM

## Board

**Stefan Wigren** Bromma, Chairman  
**Carl-Olof By** Saltsjöbaden  
**Jan-Erik Lindstedt** Stockholm  
**Ulf Lundahl** Lidingö  
**Göran Näsholm** Stockholm  
**Fredrik Persson** Stockholm  
**Carina Åkerström** Stockholm  
**Charlotte Skog** Stockholm, (E)\*

## Head of regional bank

**Carina Åkerström** Stockholm

## Number of branches

96

## Branch/branch manager

Alviks Torg **Johan Lurén**  
 Arlanda Sky City **Carl-Fredrik Boija**  
 Birger Jarlsgatan **Thomas von Schéée**  
 Blackeberg **Daniel Spangenberg**  
 Brommaplan **Peter Lindh**  
 Bålsta **Joakim Kihlgren**  
 Dalarö **Kristina Jansenberger**  
 Djursholm **Sune Werkell**  
 Ekerö **Mathias Lindmark**  
 Farsta **Ulrika Kallur**  
 Fleminggatan **Nicklas Hedblom**  
 Fridhemsplan **Malin Meijer**  
 Frihamnen **Johanna Lagerbäck**  
 Gamla Stan **Carl-Magnus Gustafsson**  
 Globen **Daniel Andersson**  
 Gustav Adolfs Torg **Fredrik Christoffersson**  
 Götgatsbacken **Maria Wedholm**  
 Hallunda **Hans Lundin**  
 Hammarby **Stefan Zettergren**  
 Haninge **Katarina Alf**  
 Hornsberg **Jan Larsson**  
 Hornsgatan **Lars Holm**  
 Huddinge **Jenny Löw Borsos**  
 Humlegården **AnneMarie Dahlstedt**  
 Hägersten **Anders Friman**  
 Hässelby Gård **Marie Lindström**  
 Högalid **Per Lindholm**  
 Högdalen **Maria Sjöstedt**  
 Jakobsberg **Mattias Nordin**  
 Järna **Ellinor Lindblom**  
 Karlaplan **Johan Hilmersson**  
 Karlavägen **Mats-Jörgen Hansson**  
 Kista **Eva Rångevall**  
 Kungsholmstorg **Jan Wallin**  
 Kungsträdgården **Kent Johansson**  
 Kungsängen **Stina Marklund**  
 Kärrtorp **Karl-Erik Bäckman**  
 Large Corporates **Peter Almström**  
 Lidingö  
 Centrum **Elisabeth Hiljebäck**  
 Larsberg **Tomas Wisedt**  
 Näset **Evalena Holmqvist**  
 Marieberg **Lotta Adestam**  
 Marievik **David Haqvinsson**  
 Märsta **Magnus Hedlund**  
 Mörby Centrum **Peder Wiberg**  
 Nacka Forum **Jörgen Nilsson**  
 Normalmstorg **Johan Nordström**  
 Norrtull **Kjell Andersson**



Nynäshamn **Anders Hagman**  
 Näsby Park **Cecilia Sonntag**  
 Odengatan **Catarina Thunstedt**  
 Odenplan **Susanne Signell**  
 Renstiernas Gata **Cecilia Hallqvist**  
 Rotebro **Katarina Fridén**  
 S:t Eriksplan **Marika Hedblom**  
 Salem **Torsten Johansson**  
 Saltsjö-Boo **Hans Ek**  
 Sigtuna **Christer Bengtsson**  
 Skanstull **Mikael Wenngren**  
 Skärholmen **Anki Lenksjö**  
 Sköndal **Tommie Jonsson**  
 Sollentuna **Fredrik Andersson**  
 Solna  
 Frösunda **Ulf Eliasson**  
 Solna **Lisa Smideblad**  
 Solna Strand **Lena Schaumburger**  
 Spånga **Anders Nygren**  
 Stockholm Sergel **Maria Hellberg**  
 Strandvägen **Mats Eriksson**  
 Stureplan **Peter Sturesson**  
 Stuvsta **Mats Nordling**  
 Sundbyberg **Per Anders Tranberg**  
 Sveavägen **Malin Bergström**  
 Södertälje **Bengt Bohman**  
 Tessinparken **Lars Ebersson**  
 Trångsund **Pia Bergkvist**  
 Tullinge **Lena Lövkvist**  
 Tyresö **Susanne Norman-Taube**  
 Täby Centrum **Siv Joelsson-Nee**  
 Ulvsunda **Tina Nylén**  
 Upplands Väsby **Urban Wolters**  
 Upplandsgatan **Lena Stenmark**  
 Vallentuna **Fredrik Enander**  
 Vanadisplan **Johan Palm**  
 Vasagatan **Christer Örtegren**  
 Vaxholm **Maria Lindberg**  
 Vällingby **Kajsen Hansson**  
 Värmdö **Niklas Eklund**  
 Värtavägen **Marcus Rönnestam**  
 Västerhaninge **Göran Hartog**  
 Västermalm **Ulrika Staffas Nordqvist**  
 Åkersberga **Christer Lövhalm**  
 Årsta **Anna Karlsson**  
 Älvsjö **Anna Blomstergren**  
 Ösmo **Renée Andersson**  
 Östermalmstorg **Marion Ulander**  
 Östra Station **Ritva Martonen**

## REGIONAL BANK EASTERN SWEDEN

## Board

**Jan Cedwall** Nyköping, Chairman  
**Santhe Dahl** Växjö  
**Jan-Eric Nilsson** Djursholm  
**Sten Peterson** Katrineholm  
**Kenneth Synnersten** Västerås  
**Mikael Westerback** Linköping  
**Alf Åke Dratzén** Visby, (E)\*

## Head of regional bank

**Mikael Westerback** Linköping

## Number of branches

70

## Branch/branch manager

Alvesta **Thorwald Burman**  
 Anderstorp **Sten Berglund**  
 Bankeryd **Åsa Olsson**  
 Borensberg **Malin Svanberg**  
 Borgholm **Conny Johansson**  
 Eksjö **Karin Jönsson**  
 Emmaboda **Johan Lorentzon**  
 Eskilstuna  
 Fristadstorget **Jonas Elfridsson**  
 Östermalm **Bo Vallin**  
 Finspång **Carina Karlsson**  
 Fjugesta **Anders Hedvall**  
 Flen **Lotta Peppas**  
 Fårösund **Britt Nordstöm**  
 Färjestaden **Jan Pilemyr**  
 Gislaved **Per Risberg**  
 Gnesta **Mårten Larsson**  
 Hallsberg **Yvonne Bülow**  
 Hemse **Lars Cramér**  
 Hultsfred **Monica Carlenskog**  
 Huskvarna **Mats Andersson**  
 Högsby **Jonas Petersson**  
 Jönköping **Claes Ericson**  
 Kalmar  
 Berga **Tina Solehed**  
 Kvarnholmen **Ola Tyrberg**  
 Katrineholm **Göran Bjerke**  
 Klintehamn **Stefan Jernberg**  
 Kumla **Thomas Ljungberg**  
 Lammhult **Per-Olof Lenegård**  
 Landsbro **Kent Lind**  
 Linköping  
 City **Staffan Krause**  
 Tornby **Mats Borgsjö**  
 Mjölby **Michael Rimstedt**  
 Motala **Anders Hättström**  
 Mönsterås **Maria Malmberg**  
 Mörbylånga **Susann Svenzén**  
 Mörlunda **Marie Jonsson**



Norrköping  
 Drottninggatan **Hans Widmark**  
 Eneby **Ulrika Carlgren**  
 Fjärilsgatan **Lars Blomqvist**  
 Nybro **Ann-Helene Markström**  
 Nyköping **Holger Namér**  
 Näsås **Cecilia Antonsson**  
 Oskarshamn **Jenny Nilsson**  
 Pålsvoda **Anders Lindfors**  
 Rörvik **Per-Olof Lenegård**  
 Slite **Catarina Bylund**  
 Strängnäs **Thomas Wedholm**  
 Sävsjö **Cecilia Tahlin**  
 Söderköping **Marika Ronnerheim**  
 Tingsryd **Peter Andersson**  
 Torsås **Jeanette Karlström**  
 Tranås **Patrik Rosengren**  
 Trosa **Anna-Karin Borg**  
 Vadstena **Håkan Birgersson**  
 Vaggeryd **Inger Ågren**  
 Vetlanda **Jörgen Asp**  
 Vimmerby **Hans Will**  
 Virserum **Monica Johansson**  
 Visby  
 Adelsgatan **Niclas Boklund**  
 Öster **Carl Oscar Sjöström**  
 Vislanda **Camilla Ivarsson**  
 Värnamo **Jonas Flink**  
 Västermik **Michael Skännestig**  
 Växjö **Jonas Ahlqvist**  
 Ålem **Maria Malmberg**  
 Åseda **Maria Bjarnehäll Sunesson**  
 Åtvidaberg **Erik Torbrand**  
 Örebro  
 Ekersgatan **Kristina Dahl**  
 Stortorget **Kenneth Vallin**  
 Våghustorget **Bengt Gunnarsson**

(E)\* = employee representative

## REGIONAL BANK WESTERN SWEDEN

## Board

**Lennart Mankert** Gothenburg, Chairman  
**Stig-Arne Blom** Ulricehamn  
**Peter Claesson** Gothenburg  
**Thomas Dafgård** Axvall  
**Claes Larsson** Gothenburg  
**Håkan Larsson** Gothenburg  
**Josefine Hjörne Meyer** Gothenburg  
**Eva Persson** Gothenburg  
**Vilhelm Schottenius** Varberg  
**Katarina Ljungqvist** Gothenburg  
**Henrik Forssén** Onsala, (E)\*

## Head of regional bank

**Katarina Ljungqvist** Gothenburg

## Number of branches

77

## Branch/branch manager

Ale Torg **Anna-Lisa Jansson**  
 Alingsås **Staffan Svantesson**  
 Arvika **Stefan Lindberg**  
 Bollebygd **Malin Lignell**  
 Borås  
     Hulta **Kenneth Olofsson**  
     Stora Torget **Hans Winge**  
     Viared **Thomas Bogsjö**  
 Falkenberg **Thomas Zilén**  
 Falköping **Magnus Kvarnmarker**  
 Filipstad **Charlotte Schreck-Pettersson**  
 Finnerödja **Olle Jonsson**  
 Fristad **Anders Roos**  
 Färgelanda **Maj-Lis Lyckehav**  
 Gällstad **Janne Pehrsson**  
 Gothenburg  
     Almedal **Jan Gottberg**  
     Avenyn **Olle Eksell**  
     Backa-Ringön **Anna Fägersten**  
     City **Peter Romedahl**  
     Eriksberg **Kent Larsson**  
     Frölunda **Fredrik Wiklund**  
     Första Långgatan **Anders Olausson**  
     Gårda **Jens Persson**  
     Hisings Kärra **Paula Johannesson**  
     Hjällbo **Peter Lindemark**  
     Högsbo **Lars-Peter Forsberg**  
     Kortedala **Per Stolpe**  
     Landala **Fredrik Olsson**  
     Lilla Bommen **Christian Pennert**  
     Lindholmen **Gabriella Berndtsson**  
     Majorna **Kajsa Mägi**  
     Odinsgatan **Catherine Jögi**  
     Sisjön **Vacant**  
     Torslanda **Vacant**  
     Volvo **Jonas Almhöjd**  
     Örgryte **Jan Sahlin**  
     Övre Husargatan **Christian Nielsen**  
 Hagfors **Pär Skogfeldt**  
 Herrljunga **Lenita Andréasson**

Hjo **Thomas Waller**  
 Karlskoga **Johan Dahl**  
 Karlstad  
     Karlstad **Ulrik Wedelin**  
     Våxnäs **Sara Brask**  
 Kristinehamn **Fredrik Ekenberg**  
 Kungsbacka **Mats Rolof**  
 Kungälv **Lena Uhrlander**  
 Landvetter **Hanna Samuelsson**  
 Lerum **Roger Björck**  
 Lidköping **Anders Stigson**  
 Lilla Edet **Börje Ström**  
 Mariestad **Torbjörn Låth**  
 Mellerud **Maria Sääf**  
 Mölndal **Martin Henriksson**  
 Mölnlycke **Ann Sundvisson**  
 Partille **Anna Ekstrand**  
 Skara **Jens Ekelund**  
 Skövde **Niklas Standar**  
 Sollebrunn **Peter Kornesjö**  
 Stenungsund **Anette Pettersson**  
 Strömstad **Claes Hernvall, Acting**  
 Sunne **Maria Hannebo**  
 Surte **Allison Åsblom**  
 Svenljunga **Hans Qvist**  
 Säfte **Dennis Göransson**  
 Tibro **Andreas Hauge**  
 Tidaholm **Carina Darolf**  
 Torsby **Nils-Inge Johnsson**  
 Tranemo **Christina Ljung**  
 Trollhättan **Mats Johansson**  
 Uddevalla **Stefan Widlund**  
 Ulricehamn **Janne Pehrsson**  
 Vara **Maj Rudell**  
 Varberg **Anders Ohlsson**  
 Vårgårda **Agneta Gustafsson**  
 Vänersborg **Lena Gillholm**  
 Åmål **Cecilia Blom**  
 Årjäng **Peter Johansson**  
 Älvängen **Deborah Moberg**



## REGIONAL BANK SOUTHERN SWEDEN

## Board

**Jörgen Centerman** Ramdala, Chairman  
**Bengt Kjell** Helsingborg  
**Claes Lindqvist** Viken  
**Mikael Roos** Malmö  
**Johan Mattsson** Tomelilla  
**Anders Ohlner** Malmö  
**Pia Håkansson** Ystad, (E)\*

## Head of regional bank

**Anders Ohlner** Malmö

## Number of branches

60

## Branch/branch manager

Ärlöv **Rickard Ohlsson**  
 Broby **Jonas Bondesson**  
 Båstad **Lars-Olof Ottosson**  
 Eslov **Mats Jonsson**  
 Halmstad **Tony Bringevall**  
 Helsingborg  
     Norr **Olof Enander**  
     Stortorget **Lars Voss**  
     Söderport **Maria Brygg**  
 Hässleholm **John Persson**  
 Höganäs **Gunilla Voss**  
 Hölmliken **Ebba Olsson**  
 Höör **Annika Johansson**  
 Karlshamn **Helén Olofsson**  
 Karlskrona **Hedvig Stache**  
 Kivik **Camilla Bärnheim**  
 Klippan **Fredrik Gabrielsson**  
 Knislinge **Jonas Bondesson**  
 Kristianstad **Thomas Johansson**  
 Kävlinge **Lars Andersson**  
 Laholm **Irene Andersson**  
 Landskrona **Per-Ove Kamlund**  
 Ljungby **Thomas Eldh**  
 Ljungbyhed **Fredrik Gabrielsson**  
 Lomma **Erik Hultgren**  
 Lund  
     City **Peter Andersson**  
     Ideon **Nils Möllerberg**  
 Malmö  
     Amiralsgatan **Britt-Louise Lindgren**  
     City **Erik Bredberg**  
     Dalaplän **Anna Harrison Barthold**

Fosie **Dag Sundewall**  
 Fridhem **Marie Brunstam**  
 Köpenhamnsvägen **Fredrik Berg**  
 Limhamn **Bengt Rosendahl**  
 Lundavägen **Bengt Nyquist**  
 Triangeln **Annika Hansson**  
 Värnhem **Erik Sjölund**  
 Västra Hamnen **Mårten Edlund**

Markaryd **Maria Larsson**  
 Olofström **Emelia Ericsson**  
 Osby **Ingela Ström**  
 Ronneby **Magnus Jurvin**  
 Simrishamn **Mia Kristell**  
 Sjöbo **Thomas Hansson**  
 Skanör **Björn Andersson**  
 Skurup **Jonas Sjöberg**  
 Staffanstorps **Olle Svensson**  
 Svedala **Tomas Wall**  
 Sölvesborg **Magnus Gardell**  
 Sösdala **Karin Eriksso**  
 Tomelilla **Andreas Jeppsson**  
 Trelleborg **Marianne Nilsson**  
 Tyringe **Yvonne Liljeqvist**  
 Veberöd **Hans-Åke Mårtensson**  
 Vellinge **Susanne Linné Nilsson**  
 Vittsjö **Peter Andersson**  
 Vollesjö **Fredrik Göransson**  
 Ystad **Roger Håkansson**  
 Åhus **Daniel N Högstedt**  
 Älmhult **Fredrik Roghner**  
 Ängelholm **Kenneth Persson**



(E)\* = employee representative

**REGIONAL BANK NORTHERN GREAT BRITAIN**

The operations are part of Svenska Handelsbanken, London branch.

**Board**

**Håkan Sandberg** Stockholm, Chairman  
**Ulf Sylvan** London  
**Anders Bouvin** London, Head of Handelsbanken UK  
**Tracey Davidson** Manchester  
**Olle Lindstrand** Stockholm

**Head of regional bank**  
**Tracey Davidson** Manchester

**Number of branches**  
 42

**Branch/branch manager**

Altrincham **Joe McGrath**  
 Barnsley **Suzanne Minifie**  
 Beverley **Ian Gatenby**  
 Blackburn **Francis Bradshaw**  
 Bradford **Mark Rawnsley**  
 Bolton **Sean Greenhalgh**  
 Burnley **David Hornby**  
 Carlisle **Sarah Carter**  
 Castleford **Andy Reed**  
 Chester **Haydn Aird**  
 Darlington **Mike Airey**  
 Doncaster **Neil Ebden**  
 Durham **Paul Langdon**  
 Edinburgh **Iain Shearer**  
 Glasgow **George Shanks**  
 Grimsby **Anthony Winn**  
 Halifax **Angela Dowd**  
 Harrogate **Richard Lally**  
 Huddersfield **Tony Jones**  
 Hull **Tim Kitching**  
 Ilkley **Sue Toulson**  
 Kendal **Mike Fell**

Leeds **Stephen Hill**  
 Liverpool **Keith Lowe**  
 Manchester  
 Spinningfields **David Edwards**  
 Trinity Way **Simon Raine**  
 Morpeth **David Elliot**  
 Newcastle  
 Grey Street **Tom Ramshaw**  
 Saville Row **Mike Brunskill**  
 Preston **Simon Joyce**  
 Rotherham **Mike Harrison**  
 Scarborough **Nick Sharples**  
 Sheffield **Colin Kirk**  
 Stockport **Andrew Buckley**  
 Stockton **David Filby**  
 Sunderland **Paul Sinclair**  
 Wakefield **Ian Mason**  
 Warrington **Lesley Cozens**  
 Wetherby **Adam von Emloh**  
 Wigan **Alan Bowers**  
 Wrexham **Vicky Davies**  
 York **Dave Brady**

**REGIONAL BANK CENTRAL GREAT BRITAIN**

The operations are part of Svenska Handelsbanken, London branch.

**Board**

**Anders Bouvin** London, Chairman,  
 Head of Handelsbanken UK  
**Ulf Sylvan** London  
**Håkan Sandberg** Stockholm  
**Olle Lindstrand** Stockholm  
**Göran Stille** Birmingham

**Head of regional bank**  
**Göran Stille** Birmingham

**Number of branches**  
 25

**Branch/branch manager**

Birmingham **Tony Hall**  
 Cambridge **Richard Waters**  
 Cardiff **Stephen Cridland**  
 Cheltenham **Di Pitts**  
 Coventry **Paul Belfield**  
 Derby **Andrew Tomlinson**  
 Gloucester **Simon Cropper**  
 Ipswich **Michael Olding**  
 Leicester **Simon Lindley**  
 Lincoln **David Thompson**  
 Luton **Paul Drummond**  
 Milton Keynes **Mick Valerio**  
 Newport **Martin Leech**

Northampton **David Rundle**  
 Norwich **Vacant**  
 Nottingham **Sean Martin**  
 Peterborough **Julian Turner**  
 Shrewsbury **Chris Hyde**  
 Solihull **Richard Baker**  
 Stafford **Mike Smith**  
 Stoke-on-Trent **Paul Stokes**  
 Swansea **Steve Smith**  
 Tamworth **Christine Banks**  
 Wolverhampton **Mike Priddy**  
 Worcester **Philip Dutton**

**REGIONAL BANK SOUTHERN GREAT BRITAIN**

The operations are part of Svenska Handelsbanken, London branch.

**Board**

**Håkan Sandberg** Stockholm, Chairman  
**Ulf Sylvan** London  
**Anders Bouvin** London, Head of Handelsbanken UK  
**Olle Lindstrand** Stockholm  
**Simon Lodge** London

**Head of regional bank**  
**Simon Lodge** London

**Number of branches**  
 37

**Branch/branch manager**

Ascot **Richard Payton**  
 Basingstoke **Craig Ward**  
 Bath **Chris Johnson**  
 Bournemouth **Nick Lowe**  
 Brighton **Simon Howe**  
 Bristol **Martin Fey**  
 Canterbury **David Kiernan**  
 Chelmsford **Julian Waller**  
 Chiswick **Dermot Jordan**  
 Clifton **Clare Lavender**  
 Colchester **Alan Barnard**  
 Crawley **Simon Briggs**  
 Croydon **Hazel Hellier**  
 Dartford **Trevor Adams**  
 Enfield **Adrian Bennett**  
 Exeter **Jon Richards**  
 Guildford **Neil Truman**  
 Harrow **Ross Simmons**  
 High Wycombe **Guy Birkby**

Kingston **Peter Wylde**  
 London  
 City **Rick Spencer**  
 West End **John Hodson**  
 Maidstone **Jeremy Brett**  
 Newbury **Geoff Dann**  
 Oxford **David Woodhead**  
 Plymouth **Phil Kerkin**  
 Portsmouth **Lorrae Hayes**  
 Reading **Graham Beith**  
 Richmond **Mark Lobo**  
 St Albans **Paul Smith**  
 Slough **Andy Taylor**  
 Southampton **Mike Glanville**  
 Swindon **Ian Dibble**  
 Taunton **Peter Kirby**  
 Truro **Denise Major**  
 Tunbridge Wells **Nick Green**  
 Watford **Graham Turner**

## REGIONAL BANK DENMARK

The operations are part of Svenska Handelsbanken, Copenhagen branch.

## Board

**Håkan Sandberg** Stockholm, Chairman  
**Jens Iversen** Brande  
**Erik Utenthal** Hillerød  
**Knud Nielsen** Græsted  
**Ulrik Kolding Hartvig** Roskilde  
**Steen Winther-Petersen** Copenhagen  
**John Vestergaard** Ikast  
**Frank Vang-Jensen** Gentofte  
**Helle Rank** Aalborg, (E)\*

## Head of regional bank

**Frank Vang-Jensen** Copenhagen

## Number of branches

54

## Branch/branch manager

Aalborg

City **Ole Dahl Nielsen**  
 Syd **Morten O. Hedemann**

Allerød **Mads Christian Heidemann**

Amager **Dorte Jellestad**

Aulum **Gerda Kviesgaard**

Ballerup **Steen Hansen**

Birkedal **Jesper Borglykke**

Brande **Henrik Overgaard**

Copenhagen

City **Gorm Bjørkmann**

Østerbro **Bjarne Albrechtsen**

Large Corporates **Knud Jacobsen**

Esbjerg **Morten Andersen**

Farum **Jørgen Torm**

Fredensborg **Flemming Kjær**

Fredericia **Brian Sørensen**

Frederiksberg **Henrik Bengtsson**

Frederikssund **Michael Tøgersen**

Frederiksværk **Lars Blickfeldt**

Give **Martin Skovgaard Larsen**

Hammerum **Jakob Rousing Sloth**

Helsingør **Steen Malmqvist**

Helsingør **Dan-Gösta Larsen**

Herlev **Michael Hirschsprung**

Herning

City **Niels Viggo Malle**

Fredhøj **Bruno Hansen**

Hillerød

Hillerød **Steen Hirschsprung**

Vest **Lisbeth Arenfeldt**

Holstebro **Henrik Kristiansen**

Horsens **Carsten Hjortflod**

Ikast **Arnth Stougaard**

Karup **Frank Jensen**

Kgs. Lyngby **Preben Bjerrekær**

Kibæk **Preben Staal**

Kolding **Jesper Andersen**

Køge **Brian Jakobsen**

Lemvig **Peter Tornbo**

Lyngbe **Kristian Lovgreen-Hansen**

Odense **Klaus Rydal**

Park Allé **Henrik Eg**

Roskilde **Stig Teilman**

Sdr. Felding **Kristian Hansen**

Sdr. Omme **Lars Balle Olsen**

Silkeborg **Lars Graugaard**

Slagelse **Henrik Kragh**

Slangerup **Jesper Christensen**

Stenløse **Dennis Grouleff**

Struer **Poul Bakkegaard**

Sunds **Stefan Brochmann**

Vejle **John Jørgensen**

Viborg **Jan Arup**

Videbæk **Lene Dahl Jensen**

Vildbjerg **Torkild K. Larsen**

Århus

Århus **Esben Kjeldsen**

Århus Syd **Esben Kjeldsen**

## REGIONAL BANK NORWAY

The operations are part of Svenska Handelsbanken, Oslo branch.

## Board

**Bjørn Flatgård** Kolbotn, Chairman  
**M. Johan Widerberg** Gothenburg, Vice Chairman  
**Dag Tangevald-Jensen** Oslo  
**Dag Tjernsmo** Oslo  
**Hans Anfinn Eide Helland** Sandnes  
**Rebekka Glasser Herlofsen** Oslo  
**Kjell Arild Andersen** Bergen, (E)\*

## Head of regional bank

**Dag Tjernsmo** Oslo

## Number of branches

50

## Branch/branch manager

Arendal **Petter Anker Rasch**

Asker **Turid Williksen**

Bergen

Fana **Monica Vågen**

Flesland **Gunnar Røslund**

Fyllingsdalen **Gottlieb Gullaksen**

Kokstad **Jarle Hundven**

Minde **Åse Fluge Nordgreen**

Sentrum **Tore Svein Nese**

Strandgaten **Erik Ramsdal**

Vest **Mette Skauge**

Åsane **Thomas Rasmussen**

Bodø **Tore Halvorsen**

Bryne **Karl Geir Pedersen**

Drammen **Kirsti Jensås**

Fredrikstad **Tove Anita R Torp**

Halden **Roar Elsness**

Hamar **Lars Erik Jevanord, Acting**

Haugesund **Knut Børge Lunde**

Jessheim **Inger Kyhen**

Kolbotn **Geir Anders Sundnes**

Kongsberg **Kristin Franck**

Kristiansand **Vidar Akselsen**

Larvik **Vacant**

Lillehammer **Hans Skjelbreid**

Lillestrøm **Annika Hanneborg**

Lysaker **Jørgen Misvær**

Mo i Rana **Jonny I Bohlin**

Molde **Kolbjørn Heggdal**

Moss **Hilde Solberg**

Oslo

Fyrstikketorget **Eirik Arnesen**

Grev Wedels plass **Steinar Hegge**

Large Corporates **Sven Ove Oksvik**

Majorstuen **Bjørn Erik Røv**

Nydalen **Bente Bjerkvold**

Olav Vs gate **Glenn Steinbo**

Skøyen **Thomas Stousland**

Sandefjord **Hans Jørgen Ormar**

Sandnes **Sindre Bergsagel**

Sandvika **Thomas B. Tresselt**

Sarpsborg **Tormod Sørum**

Ski **Edwin Kongsness**

Skien **Jan Egil Hafredal**

Sotra **Lisbeth Turøy**

Stavanger

Sentrum **Lynn Sperb**

Straen **Ole Henry Slette**

Tromsø **Yngve Haldorsen**

Trondheim

Heimdal **Bente E Dahl**

Søndregate **Ola Grøtte**

Tønsberg **Wibeke Bjørnflaten**

Ålesund **Steinar Krøvel**

(E)\*= employee representative

## REGIONAL BANK FINLAND

The operations are part of Svenska Handelsbanken, Helsinki branch.

## Board

**Stig Gustavson** Helsinki, Chairman  
**M. Johan Widerberg** Gothenburg, Vice Chairman  
**Elmar Paananen** Helsinki  
**Andreas Tallberg** Kirkkonummi  
**Seija Turunen** Helsinki  
**Nina Arkilahti** Espoo  
**Kim Lindberg** Espoo, (E)\*



## Head of regional bank

**Nina Arkilahti** Helsinki

## Number of branches

45

## Branch/branch manager

Espoo

Leppävaara **Jarkko Hara**  
 Matinkylä **Marcus Sandholm**  
 Tapiola **Carl Hannuksela**

Helsinki

Dianapuisto **Sanna Schoultz**  
 Esplanadi **Ulf Grönlund**  
 Hakaniemi **Jussi Nikkanen**  
 Itäkeskus **Nina Lagerblom**  
 Kamppi **Riitta Hallila**  
 Munkkivuori **Mervi Sarkisak**  
 Pasila **Maria Kaisa Ylimäinen**

Hyvinkää **Risto Mäkeläinen**

Hämeenlinna **Pauli Ranta**

Imatra **Pekka Lankinen**

Joensuu **Juha Saastamoinen**

Jyväskylä **Jarkko Käki**

Jävenpää **Jouni Linnavuori**

Kerava **Kimmo Heiskanen**

Kirkkonummi **Michaela Kaitemo**

Kokkola **Esa Alkio**

Kotka **Hannu Huostila**

Kouvola **Henri Lijja**

Kuopio **Simo Sarkkinen**

Lahti **Matti Nieminen**

Lappeenranta **Martti Mäkelä**

Lohja **Risto Vihula**

Mikkeli **Jouko Kervinen**

Oulu **Timo Väisänen**

Pietarsaari **Jörgen Blomqvist**

Pori **Esa Yli-Sipilä**

Porvoo **Ulf Randell**

Raisio **Juha Vasanen**

Rauma **Esa Yli-Sipilä**

Rovaniemi **Pekka Pistokoski**

Salo **Juho Huovinen**

Seinäjoki **Jorma Soukka**

Tammisaari **Carl Hannuksela**

Tampere

Kauppakatu **Tarja Suvisalmi**

Kyttälä **Tuija Nuutinen**

Tornio **Roger Keisu**

Turku

Hämeenkatu **Vacant**

Kauppatori **Vacant**

Vaasa **Frej Björse**

Vantaa

Aviapolis **Tero Juotasniemi**

Myyrmäki **Matti Sulamaa**

Tikkurila **Stephan Björkell**

## BRANCHES OUTSIDE THE NORDIC COUNTRIES AND THE UK

Operations are conducted in Svenska Handelsbanken with branches in each country except for Luxembourg where operations are conducted both as a subsidiary and a branch, and in Russia where operations are conducted in a subsidiary.

## Branch/branch manager

**Austria**

General Manager **Christian Prinz zu Solms-Lich**  
 Vienna **Christian Prinz zu Solms-Lich**

**China**

General Manager **Dan Lindwall**  
 Hong Kong **Dan Lindwall**  
 Shanghai **Johan Andrén**

**Estonia**

General Manager **Rauno Klettenberg**  
 Tallinn **Rauno Klettenberg**

**France**

General Manager **Peter Einarsson**  
 Nice **Anna Jansson-Clauzier**  
 Paris **Jesper Hellström**

**Germany**

General Manager **Elisa Saarinen**  
 Düsseldorf **Thomas Kuhn**  
 Essen **Thomas Kuhn**  
 Frankfurt **Marie Jöhnk**  
 Hamburg **Timo Quast**  
 Mannheim **Hans Jürgen Ding**  
 Munich **Andreas Stein**  
 Stuttgart **Kai Thiemann**

**Latvia**

General Manager **Dzintars Salavs**  
 Riga **Dzintars Salavs**

**Lithuania**

General Manager **Arturas Ungulaitis**  
 Vilnius **Arturas Ungulaitis**

**Luxembourg**

General Manager **Jörgen Oldensand**  
 Luxembourg **Jörgen Oldensand**

**Netherlands**

General Manager **Mikael Sörensen**  
 Amsterdam **Kristiaan Buter**  
 Breda **Ton Schröder**  
 Eindhoven **Hans van de Ven**  
 Emmen **Marc Bruin**  
 Groningen **Erwin van der Steur**  
 Het Gooi **Robert van der Kolk**  
 Rotterdam **Peter Loef**  
 Schiphol **Carolien Reijnen**  
 Twente **Martijn Peters**  
 Zwolle **Wery Hegge**

**Poland**

General Manager **Harri Tuohimaa**  
 Warsaw **Harri Tuohimaa**

**Russia**

General Manager **Mirjam Sarkki**  
 Moscow **Annika Nordström**  
 St Petersburg **Mirjam Sarkki**

**Singapore**

General Manager **Jan B Djerf**  
 Singapore **Jan B Djerf**

**Switzerland**

General Manager **Jörgen Oldensand**  
 Zürich **Håkan Lennartsson**

**USA**

General Manager **Stefan Nilsson**  
 New York **Stefan Nilsson**

## Representative offices

**Beijing**

Representative **Jason Wang**

**Kuala Lumpur**

Representative **Abhinash Murukesvan**

**Marbella**

Representative **Jessika Kroon**

Representative **Vibeke Toustrup Bonne**

**Mumbai**

Representative **Ashish Gupta**

**Taipei**

Representative **Amy Chen**

(E)\* = employee representative

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**SUBSIDIARIES\*\***

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**HANDELSBANKEN FINANS**

**Board**

Yonnie Bergqvist Täby, Chairman  
Kai Jokitullpo Eskilstuna  
Carl Renström Täby  
Peter Gustafsson Farsta (E)\*  
Chief Executive  
Marie Lundberg Stockholm

**HANDELSBANKEN FONDER**

**Board**

Håkan Sandberg Stockholm, Chairman  
Michael Bertorp Stockholm  
Gunnar Båtelsson Gomarängen  
Åsa Magnusson Linköping  
Lena Munkhammar Gävle  
Ann-Christine Frilund Gustavsberg, (E)\*  
Chief Executive  
Katja Bergqvist Stockholm

**HANDELSBANKEN LIV**

**Board**

Håkan Sandberg Stockholm, Chairman  
Mats Arvidsson Lidingö  
Anna Hjelmberg Järfälla, (E)\*  
Chief Executive  
Göran Holgerson Gnesta

**HANDEL OCH INDUSTRI**

**Board**

M. Johan Widerberg Gothenburg, Chairman  
Olle Lindstrand Lidingö  
Chief Executive  
Bengt Kjell Helsingborg

**STADSHYPOTEK**

**Board**

Håkan Sandberg Stockholm, Chairman  
Yonnie Bergqvist Täby  
Olle Lindstrand Lidingö  
Thommy Mossinger Stockholm  
Camilla Persson Farsta (E)\*  
Chief Executive  
Per Beckman Lidingö

(E)\*= employee representative

\*\* For the complete name of the company, see note P19.



# Addresses

www.handelsbanken.com unless otherwise stated.

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## CENTRAL HEAD OFFICE

### HANDELSBANKEN

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Corporate identity no.: 502007-7862

### HANDELSBANKEN CAPITAL MARKETS

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### CENTRAL IT DEPARTMENT

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## SUBSIDIARIES

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### EASTERN SWEDEN

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# Definitions and explanations

## ADJUSTED SHAREHOLDERS' EQUITY PER SHARE

Equity at the end of the year reduced by the equity effect of cash flow hedges and the minority share of shareholders' equity. Adjusted equity is then divided by the number of ordinary shares at the year-end, reduced by buybacks. Where applicable, the dilution effect is taken into account.

## CAPITAL BASE

Comprises the sum of tier 1 (primary) and tier 2 (supplementary) capital. To obtain the total capital base for capital adequacy purposes, deductions are made for capital contributions in insurance companies, reported surplus values of pension assets and the difference between the expected loss and the provisions made for probable loan losses.

## CAPITAL RATIO

The total capital base for capital adequacy purposes in relation to risk-weighted volume.

## C/I RATIO

Total expenses in relation to total income.

## CORE CAPITAL RATIO

See core tier 1 capital ratio.

## CORE TIER 1 CAPITAL

Total tier 1 capital excluding tier 1 capital contributions.

## CORE TIER 1 CAPITAL RATIO

Core tier 1 capital in relation to risk-weighted volume.

## DIVIDEND YIELD

Dividend per share divided by the share price at year-end.

## EARNINGS PER SHARE

The profit for the year attributable to holders of ordinary shares divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

## IMPAIRED LOANS

Loans are classified as impaired loans if contracted cash flows are not likely to be fulfilled. The full amount of all claims which give rise to a specific provision are included in impaired loans even if parts are covered by collateral.

## ITRAXX

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

## LOAN LOSS RATIO

Loan losses and changes in value of repossessed property in relation to loans to the public and credit institutions (excluding banks) at the beginning of the year, and also repossessed property and credit guarantees.

## P/E RATIO

The share price at year-end divided by earnings per share.

## PREMIUMS WRITTEN

A concept used within the Bank's insurance operations denoting mainly the total of premiums paid in during the year.

## PROPORTION OF IMPAIRED LOANS

Net impaired loans in relation to total loans to the public and credit institutions (excluding banks). Impaired loans are reported without deduction for the collateral that is security for the claim.

## RETURN ON EQUITY

The year's profit in relation to average equity. Average equity is adjusted for value changes on financial assets classified as available for sale and derivatives in cash flow hedges and a weighted average of new share issues, dividends and repurchase of own shares.

## RETURN ON TOTAL ASSETS

Operating profit in relation to average total assets.

## RISK RESULT

A concept used in the Bank's insurance operations. The difference between the fees the company charges to cover the insurance risks (mortality, life expectancy, disability and accident) and the actual cost of the insurance claims.

## RISK-WEIGHTED VOLUME

The total risk-weighted amount from each credit risk exposure. The risk-weighted amount is the same as the risk weight of the exposure multiplied by its exposure amount. The risk weight is based on a number of factors such as the repayment capacity and debt-servicing of the counterparty, type of product and the value of any collateral.

## SOLVENCY RATIO

A concept used in the Bank's insurance operations. The solvency ratio is the available solvency margin divided by the required solvency margin and is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company.

## TIER 1 CAPITAL

Consists of shareholders' equity and tier 1 capital contribution. Deductions are made for, inter alia, dividends generated, goodwill and other intangible assets, and also the difference between an expected loss and provisions made for probable loan losses. Profits generated in the Group's insurance company are not included in the tier 1 capital. For a more detailed description, see note G49.

## TIER 1 CAPITAL CONTRIBUTION

Tier 1 capital contributions (hybrid loans) comprise subordinated loans that may be included in the tier 1 capital with the consent of the Swedish Financial Supervisory Authority.

## TIER 1 CAPITAL RATIO

Tier 1 capital in relation to risk-weighted volume.

## TIER 2 CAPITAL

Mainly consists of perpetual and fixed-term subordinated loans.

## TOTAL RETURN

The total of the year's change in share price and paid dividend per share divided by the share price at the end of the previous year.

## YIELD SPLIT

When the total yield exceeds the rate guaranteed by the insurance company, the company will receive ten per cent of the total yield as its share in the yield split.





## **FINANCIAL INFORMATION**

The following reports can be downloaded or ordered from Handelsbanken's website [handelsbanken.se/ireng](http://handelsbanken.se/ireng):

- annual reports
- interim reports
- risk reports
- corporate governance reports
- fact books
- sustainability reports

## **IMPORTANT DATES 2012**

15 February	Highlights of Annual Report 2011
28 March	Annual general meeting
26 April	Interim report January – March 2012
17 July	Interim report January – June 2012
22 October	Interim report January – September 2012

## **DISTRIBUTION**

The Annual Report can be ordered from Investor Relations, phone +46 8 701 10 00, or online at [handelsbanken.se/ireng](http://handelsbanken.se/ireng) where other reports as listed above are also available.

Handelsbanken's printed Annual Report will be distributed to new shareholders for 2011. A written request is then sent asking them how they wish to receive the report in future. A printed version is sent to all shareholders who reply in the affirmative.

