



# Highlights of 2009

- Operating profit went down to SEK 13,727 million (15,326)
- Profit before loan losses grew by 3 percent to SEK 17,115 million (16,661)
- The loan loss ratio rose to 0.21 percent (0.11) and loan losses were SEK -3,392 million (-1,605)
- Return on shareholders' equity for total operations was 12.6 percent (16.2)
- Income increased by 8 percent to SEK 32,335 million (29,890)
- For the first time ever, income in Great Britain exceeded SEK 1 billion
- Net interest income rose by 14 percent to SEK 22,000 million (19,223)
- The average loan volume increased by 8 percent and household deposits rose by 16 percent
- Net fee and commission income went up by 9 percent to SEK 7,393 million (6,795)
- The capital base amounted to SEK 121.8 billion and the capital ratio according to Basel II increased to 20.2 percent (16.0)
- Tier 1 capital went up by SEK 9.7 billion to 85.6 billion and the Tier 1 ratio according to Basel II increased to 14.2 percent (10.5)
- Profit after tax for total operations amounted to SEK 10,244 million (12,131), and earnings per share were SEK 16.44 (19.46)
- The board proposes a dividend of SEK 8.00 per share (7.00)
- Handelsbanken had the most satisfied bank customers in the Nordic countries and Great Britain according to the SKI/EPSI 2009 survey

## ANNUAL GENERAL MEETING (SHAREHOLDERS' MEETING)

Location: Grand Hôtel, Vinterträdgården, Royal Entrance,  
Stallgatan 4, Stockholm.

Time: at 10 a.m. on Thursday, 29 April, 2010.

### 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), at the latest on Friday, 23 April 2010.
- give notice of their attendance to:  
the Board Office, Handelsbanken, Kungsträdgårdsgatan 2,  
SE-106 70 Stockholm, Sweden, telephone +46 8 701 19 84,  
or online at [www.handelsbanken.se/bolagsstamma](http://www.handelsbanken.se/bolagsstamma) at the latest by 3 p.m. on Friday 23 April 2010.

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 23 April 2010, when this entry must have been effected.

### Dividend

The board proposes that the record day for the dividend be Tuesday, 4 May 2010. If the meeting resolves in accordance with the proposal, Euroclear expects to distribute the dividend on Friday, 7 May 2010.

## FINANCIAL INFORMATION

The following publications can be downloaded or ordered from Handelsbanken's website: [www.handelsbanken.se/ireng](http://www.handelsbanken.se/ireng).

- annual reports
- interim reports
- risk reports
- corporate governance reports
- fact books

## IMPORTANT DATES 2010

18 February	Financial statements
28 April	Interim report January – March
29 April	Annual general meeting
20 July	Interim report January – June
20 October	Interim report January – September

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## 2009

- 2009 was the year when the global financial crisis gradually turned into a deep recession, and concern about suspended payments no longer applied to just individuals and companies, but to entire countries.
- For Handelsbanken, it was a year when the business cycle had a subduing effect on existing customers' business activities, but the Bank was able to offset this by a further improvement in its productivity and a continuing healthy inflow of new customers.
- We continued to grow on our domestic markets outside Sweden. In Great Britain, our income exceeded SEK 1 billion for the first time.
- Handelsbanken's profitability, measured in terms of return on equity for total operations, was double-digit and stable for every quarter of 2009. For the full year, profitability was 12.6 percent. Operating profit for 2009 was SEK 13.7 billion.
- Our Tier 1 capital grew by SEK 9.7 billion during the year. The capital base amounted to SEK 121.8 billion and the capital ratio according to Basel II increased to 20.2 percent.
- Earnings per share declined from SEK 19.46 to SEK 16.44. The decrease was mainly due to higher loan losses.
- These results mean that, for the 38th year running, the Bank achieved its corporate goal of a higher return on equity than the average for our competitors.

The financial crisis is now in its fourth year, and indeed 2009 was characterised by the crisis and the recession. During this period, Handelsbanken has been able to grow, increase customer satisfaction and strengthen its balance sheet.

Operating profit for 2009 decreased by 10 percent to SEK 13,727 million (15,326) as a result of higher loan losses and because the 2008 figures included capital gains of a non-recurring nature totalling nearly SEK 1 billion.

However, profits before loan losses increased by 3 percent to SEK 17,115 million (16,661).

A strong factor in this profit increase before loan losses was the fact that net interest income in the Group rose by 14 percent, while net fee and commission income rose by 9 percent. Net interest income from branch operations outside Sweden increased by no less than 28 percent. The increase in commissions was mainly attributable to rising brokerage income.

Although much has gone our way in the past year, the trend for loan losses is disappointing. For the full year, these totalled SEK -3,392 million, or 0.21 percent of our lending.

#### FINANCIAL CRISIS

At fairly regular intervals – every 15 years or so – the financial sector, often in an economic upswing, appears to misjudge the risks in its lending so badly that we talk of a financial crisis. A common denominator prior to these crises seems to be that the financial sector has attempted to grow more quickly than the real economy.

Personally, I have always been sceptical about ideas that regard the financial industry as a separate business sector, just like any other sector. My view is that the banking system is primarily a support function for the real economy. In other words, sound banking operations means moving at the same pace as the natural growth in households and companies.

A bank's ability to manage the savings of those who wish to postpone their consumption is therefore what essentially legitimises a bank's operations, before it lends these savings to companies and households that wish to consume and invest now.

Thus, redistributing savings over time becomes the main task of a normal bank, that which many people would call proper banking operations.





Handelsbanken endeavours to be a proper bank, too: we do not attempt to overreach our role as a support function of the actual, real economy. Therefore, a Bank like ours grows in step with the real economy, and in step with our customers.

On the other hand, if the customer wishes to take a higher risk in return for a higher yield, or to try out new forms of savings or types of assets, naturally we can offer a wide range. We are also market leaders in exchange-traded savings products such as warrants, capital-guaranteed products, certificates, equities and exchange-traded funds (ETFs). But it is always the customer, based on his/her own risk preferences, that decides how the savings capital will be invested.

If the customer opts for a savings account, it is because he or she is aiming for high liquidity, and at the same time prioritises low risk. In short, the customer wants a risk-free investment. Therefore, given the turbulent times, Handelsbanken now has a liquidity reserve that exceeds our private customers' account balances.

#### STABLE FINANCES

The current financial crisis began when the price of credit and liquidity risks started to rise in early 2007. In late January/early February 2007, Handelsbanken began the work of preparing for one of the recurring financial crises.

Among other things, we extended the maturity of our funding and established more capital market programmes to give us greater freedom of action. We contacted and got to know more prospective investors for our long bond programmes. In short, we broadened and deepened our funding base.

We strengthened our capital by reducing the capital tied up in assets that were not directly linked to our core business. Among other things, we wound down our bond trading in the US in the second half of 2007 and the first half of 2008. The divestment of SPP helped to reduce the amount of capital tied up and produce a capital gain of SEK 4.1 billion.

During this period, liquidity reserves were gradually built up in the form of balances with the Riksbank and a number of other central banks. Every week since the summer of 2007, we have been a net lender on the Swedish interbank market.

#### A WELL-MANAGED BALANCE SHEET

Over the past year we have had access to a broad spectrum of funding sources. Our credibility on the international capital markets remains high, and demand for our bonds and certificates has at times been greater than our need to issue them.

Our liquidity reserves are large and securely invested in several central banks. Throughout 2009 we were net lenders to the Swedish state. During the financial crisis, Handelsbanken has neither received government aid nor participated in any state guarantee programme. Our balance sheet is structured entirely on commercial terms.

At year-end, risk-bearing capital – our capital base – amounted to SEK 121.8 billion, or 20.2 percent of our risk-weighted assets according to Basel II. This is a high level by international standards. Regardless of how we measure it, Handelsbanken had a stronger balance sheet at year-end 2009 than we had at the onset of the financial crisis in early 2007. This has been achieved without any capital injections from our shareholders.



**CUSTOMER MEETINGS – MORE VARIED THAN EVER**

Customers are using more methods than ever to contact the Bank. The most common are our online banking service, visits to a branch, phoning the Bank or simply using a card when making a purchase online or in a store. For Handelsbanken, it is important to be able to offer our customers the best availability on the market.

Regardless of the method the customer has chosen to contact us by, we endeavour to deal with his or her business in a simple, straightforward manner, without unnecessary bureaucracy.

Availability and simplicity are the bases of our service concept, which takes its lead from the local branch's relationship with the customer.

Our decentralised way of working, where almost all business decisions in the Bank are taken at the local branch, brings many advantages. One advantage is that no one at the Bank has a better basis for decision-making than our branch managers, who know their customers and their local market well. For the customer, it is also about availability: he or she wants to meet the person who makes the decision – not a representative.

Although evening and Saturday opening hours are becoming more common at Handelsbanken, there are times of the day when branches must, for various reasons, be closed. Therefore, a few years ago, we started up the Handelsbanken Direkt Personal Service, which is now fully operational for private and corporate customers alike. Customers can call the service 24 hours a day,

seven days a week, and receive assistance and advice from experienced bank staff. In addition, Handelsbanken Direkt Personal Service is headed up by an experienced branch manager.

For our customers, it is important to be able to choose – on each occasion – the way in which they wish to contact the Bank. Being able to choose freely between visiting a local branch, calling and speaking to an experienced bank employee, or logging on to the branch's website is much appreciated by customers.

They say so themselves in the annual customer surveys carried out by the independent institute SKI/EPSI on all our domestic markets, which measure satisfaction levels among private and corporate customers. For 2009, Handelsbanken was once again ranked No.1 on all its domestic markets. In Great Britain, the gap between us and our competitors was particularly wide.

**IN 43 TOWNS WE ARE THE ONLY BANK TO HAVE A BRANCH**

The combination of offering banking services at a local branch, on the branch's website and on the telephone 24 hours a day creates enormous opportunities for running a local branch with a high service level.

Customers naturally appreciate it if there is a branch of the Bank in the place where they live or run their business.

Today, we have easily the largest branch network in Sweden. In 43 towns we are the only bank with a branch and we have no plans to cut the number of branches – rather the contrary, in fact.

**WE'RE GROWING – BUT NOT UNCONTROLLABLY**

We are expanding our business primarily by growing branch by branch: we recruit a talented branch manager, preferably with local connections, and give him or her a very free hand in deciding how the branch in that town will build up Handelsbanken's local business.

The new branch will immediately have access to the collective expertise, product range and financial strength of the entire Handelsbanken Group, and can therefore start doing business very quickly, and at low cost. Consequently, we utilise our economies of scale to grow at low risk and limited cost. Or, more simply put: we're growing – but not uncontrollably.

This growth model has gradually evolved and been refined over the past 20 years. First in Norway, then in Finland and Denmark, and now in Great Britain.

In 2009, income from branch operations outside Sweden was SEK 9.1 billion, equivalent to 35 percent of total income from branch operations.

In Great Britain, we are constantly opening new branches. At year-end 2009, there were 62 branches in Britain, well spread over a nationwide network. This may seem a small figure in comparison with the major British clearing banks, as they have networks of 1,500–2,000 branches. However, this comparison is not entirely valid. For these British banks, the number of branches with decision-making capacity for credit and customer issues equivalent to a Handelsbanken branch is estimated at about 100–150.

Great Britain represents a particularly attractive market and growth opportunity for Handelsbanken. There are a large number of towns with a sufficiently large potential customer base.

In 2009, our income in this market exceeded SEK 1 billion for the first time.

**LARGEST LENDER TO SWEDISH COMPANIES**

We have succeeded in winning the confidence of many new customers. Over the past year, the inflow of new customers has remained high. With a market share of 26.8 percent, Handelsbanken remains – comfortably – the largest lender to Swedish business, and we are increasing our new lending on a shrinking market.

**SUCCESSFUL SPECIALISTS**

In 2009, the specialists at our investment bank had their most successful year ever. Our stock market position was strengthened and market shares rose. In independent customer surveys, our institutional securities business is ranked number one for Swedish equity trading and number two for Nordic equities in the US, Great Britain and continental Europe.

Activity on the fixed income and foreign exchange markets was high, and here, too, our market position was strengthened. Electronic trading by customers rose by 46 percent, and service levels were further raised by the introduction of 24-hour trading.

The Bank remained the leading commodities broker, and the number of customers trading commodities with us rose by 34 percent. The Bank also became a member of the Nordic power exchange Nord Pool, and can thus offer customers risk management of electricity prices.

Within structured products, Handelsbanken was the largest player in Sweden in 2009, with a 25 percent share of new sales of listed investments. The Bank's turnover on the warrant and certificate market grew, and our market shares for these product areas were 74 percent in Sweden and 56 percent in the Nordic region.

**IN CONCLUSION...**

Taken together, this means that for 2009, we have again achieved our corporate goal, namely to have higher profitability than the average of our competitors. For this I would like to thank all colleagues at the Bank for their sterling efforts during 2009.

I would also like to thank our customers – both those who have been with us a while and those who joined last year – for entrusting us with being their bank. We will do our utmost to live up to – and preferably exceed – their expectations in the years ahead.

We will do this by continuing our efforts to be a little better, perhaps a little bigger, while maintaining our stable finances and offering even greater availability.

Pär Boman  
Stockholm, February 2010

# The Handelsbanken concept

Handelsbanken's idea of how to run a successful universal bank is essentially based on trust and respect for the individual – both customers and employees.

## THE HANDELSBANKEN CONCEPT

Handelsbanken's idea of how to run a successful bank is based on trust and respect for the individual – both customers and employees. When customers and staff are given trust and opportunities, the foundation is formed for a profitable deal. Handelsbanken builds deep, long-term customer relationships characterised by availability, simplicity and genuine care.

Handelsbanken is a universal bank offering a full range of financial products and services to private and corporate customers on the Bank's domestic markets – in Sweden, Denmark, Finland, Norway and Great Britain.

## WORKING METHODS

The belief in people's will to always do their best and their ability to make the right decision at the right time is the basis of the strong decentralisation at the Bank – a working method that creates a sense of involvement and job satisfaction.

All business decisions that affect the individual customer's relationship with the Bank are based on the customer's requirements and are made by the local branch. Handelsbanken's methods of work and organisation are based on the branches' responsibility for individual customers and not on the central departments' responsibility for product areas or market segments.

The branch is the Bank. No-one has better knowledge of the specific demands that apply in the local market than the local branch. Hence, there are very few central market plans or marketing campaigns. Handelsbanken has consistently and successfully applied these working methods for many years.

## ORGANISATIONAL STRUCTURE

Responsibility for the customer always lies with the local branch, but regardless of where an employee works in the organisation, the aim of their work is the same – to meet the customer's requirements. Some customer requirements may require specialist expertise, and the branch may then delegate the business responsibility to a regional unit or a central business area. The interplay between the branches and central business areas/departments creates a dynamic organisation, which benefits customers.

At Handelsbanken, the focus is on the customer, not on individual products. A requirement for achieving and keeping satisfied customers is that the Bank has a wide range of high quality products and services. For this reason, a couple of years ago, the Bank made clearer the responsibility of central business areas and product owners in developing competitive products in their specific areas. In these cases, the specifications are made by experienced branch staff who see on a daily basis what their customers expect in the way of service.

The Bank has five central business areas: Handelsbanken International, Handelsbanken Capital Markets, Handelsbanken Finans, Handelsbanken Asset Management and Stadshypotek.

## CREDIT POLICY

While the business decision-making process is highly decentralised, the Bank's credit policy is the same for the entire Group and is therefore centralised. At Handelsbanken, the credit process always begins at the branch which has responsibility for the customer. The branch manager makes about 94 percent of the credit decisions. Decisions regarding larger credits are taken at a regional or central level, depending on the size of the credit, but all credits must be recommended by the branch manager at the branch responsible for the customer.

The assessment of the credit risk is always based on the customer's repayment capacity. A weak repayment capacity can never be accepted on the grounds that the Bank was offered good collateral or high margins. The requirement of good credit quality must never be overlooked in favour of a higher loan volume.

Handelsbanken works closely with its customers and is convinced of the value of long-term customer relations. The Bank's fundamental approach is therefore to retain all approved credits in its balance sheet rather than choosing to sell the credits to a third party.

## THE BANK'S VIEWS ON RISK

Handelsbanken has a low risk tolerance. The Bank avoids high-risk transactions even if the rewards, seen from the short-term perspective, are high. For many years, this approach has resulted in lower loan losses and a more even earnings trend than comparable banks.





# Goal and goal fulfilment in 2009

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

## OVERALL GOAL

### Corporate goal

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

### Goal achievement

Handelsbanken's return on equity for total operations was 12.6 percent (16.2). Adjusted for items affecting comparability, the figure was also 12.6 percent (14.1). The corresponding figure for a weighted average of other major Nordic banks was 4.1 percent (10.6).

Return on shareholders' equity, 1973-2009



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

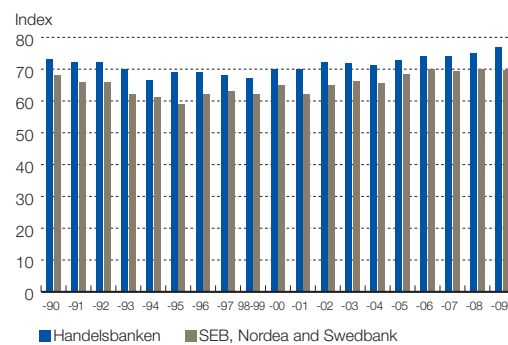
## MOST SATISFIED CUSTOMERS

The Bank aims to achieve its profitability goal by having the most satisfied customers. The quality and service level of the Handelsbanken Group's products and services 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 Great Britain. Satisfied customers are proof of the viability of Handelsbanken's way of working.

Customer satisfaction index, private customers in Sweden



## MOST COST-EFFECTIVE BANK

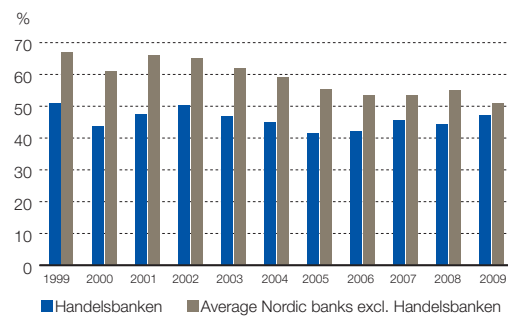
### Expenses

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

### Outcome

Handelsbanken's costs in relation to income for continuing operations were 47.1 percent (44.3). The corresponding figure for an average of other major Nordic banks was 51.0 percent (55.0). As in previous years, Handelsbanken had the highest cost-effectiveness of the major listed Nordic banks.

Costs/Income, excluding loan losses



## GROWTH

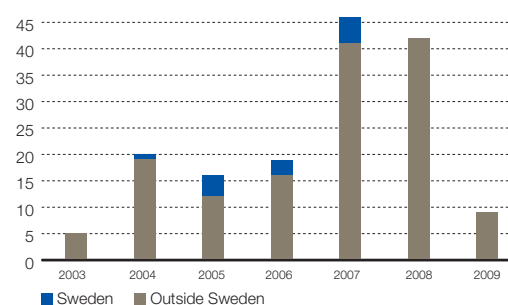
### Guidelines

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

### Outcome

Over the past year, in the midst of the financial crisis, Handelsbanken has opened nine new branches outside Sweden. In 2010, the rate of increase is expected to be higher, particularly in Great Britain.

Number of new branches



# Stable finances and good liquidity

Handelsbanken's ability to manage risks and capital efficiently is vital to the Bank's profitability. Being a bank with stable finances and good liquidity provides the strength needed to do business, regardless of economic cycles and other external factors.

## CAPITAL

### Policy

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

### Outcome

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

## LIQUIDITY

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

### Outcome

In 2009, Handelsbanken had good access to liquidity and was a constant net lender to the Riksbank and other central banks. The proportion of long-term funding has risen since the financial crisis started. Over SEK 450 billion is available securely and at short notice via a liquidity reserve which covers the Bank's liquidity requirement for over two years without new market borrowing.

## 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 wider margin.

### Outcome

Loan losses were SEK -3,392 million (-1,605). Loan losses as a proportion of lending were 0.21 percent (0.11). The corresponding figure for an average of other major Nordic banks was 1.07 percent (0.35).

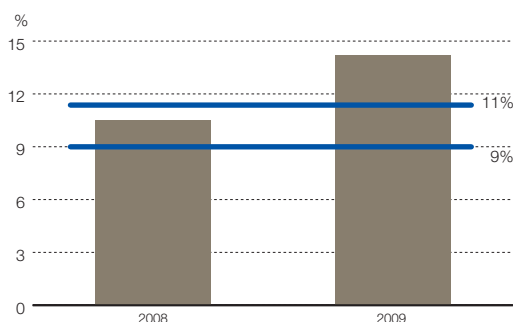
## RATING

Handelsbanken aims to have high ratings from external ratings agencies.

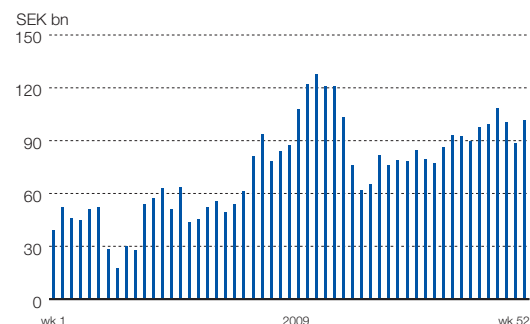
### Outcome

The Bank's long-term rating with Standard & Poor's and Fitch was unchanged: AA- with a "stable outlook". During the third quarter, Moody's rating agency downgraded the Bank's long-term rating to Aa2 (Aa1) with a "stable outlook", and its rating for financial strength to C+ (B).

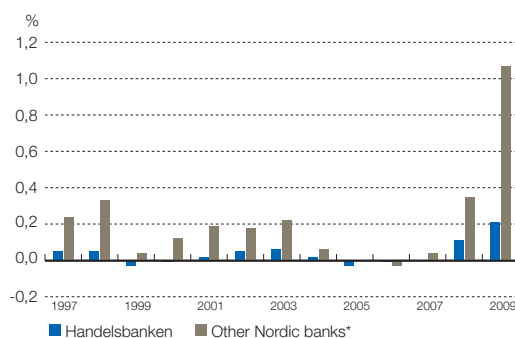
Tier 1 ratio



Handelsbanken's weekly net position with respect to the Riksbank



Loan losses as a percentage of lending 1997-2009



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

Ratings of Nordic banks

31 December 2009	Standard & Poor's		Fitch		Moody's		
	Long-term	Short-term	Long-term	Short-term	Financial strength*	Long-term	Short-term
Handelsbanken	AA-	A-1+	AA-	F1+	C+	Aa2	P-1
SEB	A	A-1	A+	F1	C-	A1	P-1
Nordea	AA-	A-1+	AA-	F1+	C+	Aa2	P-1
Swedbank	A	A-1	A+	F1	D+	A2	P-1
Danske Bank	A	A-1	A+	F1	C	Aa3	P-1
DnB NOR Bank	A+	A-1+	A+	F1	C	Aa3	P-1

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

# Sustainable growth model

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

Growth is necessary in order to achieve and retain high profitability. Handelsbanken grows by doing more and better business at existing branches and also by opening new branches in new locations.

Handelsbanken does not strive to be a mass-market bank. This is why it is important that growth occurs in new places and not by existing branches seeking customer segments with higher risk.

## ORGANIC GROWTH

Handelsbanken has chosen organic growth as its basic strategy – growing branch by branch, customer by customer. To complement this, Handelsbanken may acquire small, well-run banks, provided that these can be integrated into the Bank's existing branch network.

Organic growth enables the Bank to grow continuously but at low risk, while keeping its costs in control.

## MINIMISE THE MACROECONOMIC RISK

By giving priority to organic growth in countries with a stable economy and an established infrastructure, the Bank wants to minimise the macroeconomic risk that can easily result from rapid expansion in emerging markets with a less stable economy.

## SUSTAINABLE GROWTH MODEL

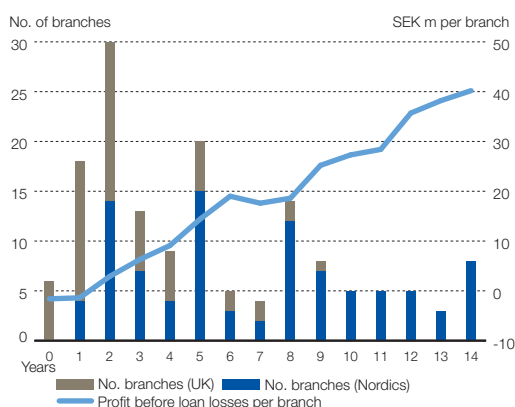
During the period 1995–2009, Handelsbanken's growth in its domestic markets outside Sweden added 192 branches to its network, with 153 of these opened by the Bank. On average, these branches make a profit within 24 months. After five years, a newly-opened branch reports average profits of over SEK 14 million. Ten years after opening for business, the average profit made by a new branch is SEK 27 million.

Having previously opened about 20 new branches a year, the Bank increased its rate of expansion three years ago and in 2007 opened 46 new branches, including 30 in its domestic markets. Within the next couple of years, this expansion in the platform of newly opened branches will thus have a positive impact on the Bank's earnings trend.

Over the past 24 months, in the midst of a financial crisis, the Bank has opened 34 new branches in its domestic markets outside Sweden.

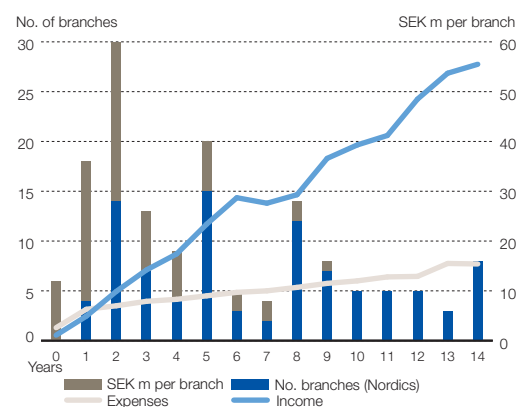
The majority of branches opened in recent years are in Great Britain. At the turn of the year, Handelsbanken had 62 British branches. Opening a new Handelsbanken branch office requires a skilled branch manager in a town with over 10,000 inhabitants. The exact location of the branch is less important, and there are still many areas of Great Britain without a Handelsbanken branch.

## Earnings performance



Refers to 153 branch offices opened 1995–2009 on domestic markets outside Sweden.

## Income and cost performance



Refers to 153 branch offices opened 1995–2009 on domestic markets outside Sweden.

# Performance on domestic markets

Handelsbanken offers financial products and services in Sweden, Denmark, Finland, Norway and Great Britain. The Bank regards these countries as its domestic markets.

Handelsbanken has no volume goals – neither in absolute figures nor as market shares. It aims to be the bank which best meets the customer's requirements in every location where the Bank is active.

## DOMESTIC MARKETS

Handelsbanken's domestic markets are markets where the Bank's 669 branches in Sweden, Denmark, Finland, Norway and Great Britain offer a full range of financial products and services.

Outside these domestic markets, Handelsbanken International conducts branch operations in countries such as Germany and the Netherlands and provides service to customers from the Bank's domestic markets. Overall, Handelsbanken has operations in 22 countries, making it the Nordic bank with operations in the largest number of countries.

## MARKET TRENDS IN SWEDEN

Sweden is the largest financial market in the Nordic region, and Handelsbanken's largest single market.

### Lending

The largest financial sub-market in Sweden is that of loans to households. Here, Handelsbanken is one of the leading players.

Lending by banks to non-financial companies in Sweden rose sharply in 2005–2008. During these years of economic upturn, Handelsbanken's rate of increase in lending was more cautious. From August 2008 to December 2009, the banks' loans to companies in Sweden fell by SEK 37 billion, while Handelsbanken increased its corporate lending in Sweden by SEK 1 billion. This confirmed Handelsbanken's position as the largest lender to non-financial companies in Sweden, with a market share of 26.8 percent.

### Savings market

In the first nine months of the year, new savings by Swedish households in mutual funds, insurance, bonds, bank deposits and premium pension funds amounted to SEK 92 billion. Handelsbanken's share of this was SEK 19.4 billion, or 21 percent, making it the second largest player as regards new savings.

It was seen as an increasingly attractive option to have funds on an account with a secure bank, particularly during the prevailing financial crisis. This was particularly true of Handelsbanken. From autumn 2008 until December 2009, Handelsbanken accounted for more than 40 percent of all new household deposits in Sweden. The Bank increased its market share from 16.1 percent at the start of 2008 to 18.0 percent at year-end 2009.

## TRENDS ON OTHER DOMESTIC MARKETS

The British banking market showed the same volume growth tendencies as in Sweden. The market for lending to households grew by 12 percent, while corporate lending decreased by 2 percent. Handelsbanken gained market share, especially in lending to companies as well as households. The Bank's market share of loans to companies is approaching 1 percent.

In Denmark, the market for corporate and household loans decreased. Lending by banks to companies fell by 17 percent, while household loans decreased by 2 percent. However, households increased their deposits with banks by 9 percent, while deposits from companies fell by 13 percent. Handelsbanken's market share for lending to households increased by over 4 percent. The market share for lending to companies was 3 percent.

In Finland, non-financial companies reduced their bank loans by 6 percent while households increased their borrowing by 5 percent. Household deposits in banks were unchanged, while companies increased their deposits by 2 percent. Handelsbanken's share of the corporate market in Finland was 10 percent. Its market share for corporate lending was over 3 percent.

In Norway, the market for household loans increased by 6.7 percent. Handelsbanken's share of loans to households was over 3 percent. Its share of loans to companies was 6 percent.



# Handelsbanken in the community

Put simply, Handelsbanken aims to make life a little easier and more secure for its customers.

The Bank is available as the customer wishes: by visiting the branch, by phone or online.

The way Handelsbanken works and deals with customers is characterised by a long-term approach, stability, respect, personal consideration and a local presence.

## HANDELSBANKEN'S MISSION

Handelsbanken has 461 branch offices in Sweden. In terms of numbers and geographical spread, this is more than any other player on the Swedish banking market. The Bank also has nationwide branch networks in the other Nordic countries and in Great Britain.

Handelsbanken always aims to offer its customers better service and greater accessibility. One example is that a number of branches offer Saturday opening hours in order to serve those customers who need to visit a branch but have difficulty finding the time during the week. Handelsbanken is always available via its online banking service as well as the telephone service – Handelsbanken Direkt Personal Service – provided free of charge and open 24 hours a day, 7 days a week. The Bank aims to offer support regardless of where its customers are based – from simpler, free banking services tailored for customers' basic needs to more sophisticated services.

As a bank, Handelsbanken fills an important role in society by providing companies and households with financing. Over the past two years, the recession has affected large parts of the community. Being a bank with stable finances and good liquidity provides the strength needed to do business, regardless of economic cycles or other external factors.

## HANDELSBANKEN IN THE LOCAL COMMUNITY

Handelsbanken is one of the main players in the Nordic financial market. The Bank combines the strength of a large bank with local presence.

The trend of several major banks reducing their numbers of branches continued in 2009. High cost-effectiveness allows

Handelsbanken to retain a local presence and thus continue to play a role in local communities, including places where other banks have closed their local branches.

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 Handelsbanken's branch in the local town. This is because the local branch has the best knowledge of the customer's circumstances. This approach means that Handelsbanken has close ties with the local community. This, combined with the Bank's extensive resources and know-how, means that Handelsbanken is well poised to continue monitoring its customers, continue working to attract new customers, and continue offering services that cover the entire spectrum of customer demands. Handelsbanken remains committed to assuming this responsibility in all markets where it operates.

## HANDELSBANKEN AND ECONOMIC RESEARCH

Since 1961, Handelsbanken has on a number of occasions awarded grants for economic research through allocations to two independent research foundations: the Jan Wallander and Tom Hedelius Foundation and the Tore Browaldh 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 2009, 150 grants were awarded for a total of SEK 140 million.

# Ethical standards and social responsibility

One of Handelsbanken's most important assets is the confidence of customers, public authorities and the general public. A condition for this confidence is that the Bank's operations are subject to high ethical standards and corporate social responsibility.

Handelsbanken's ethical guidelines state that operations must have high ethical standards. Employees must conduct themselves in a manner that upholds confidence in the Bank. The guidelines are adopted every year by Handelsbanken's board. A fundamental, natural rule is that the Bank and its employees must comply with the laws and regulations that govern its operations in various ways. General recommendations and statements from the Swedish Financial Supervisory Authority and other authorities must be observed when drafting procedures and instructions.

## CUSTOMER RELATIONS

Financial advice must always be based on the customer's needs, financial position and risk appetite. It is important that employees ensure that customers understand the implications of the decisions they make. However, the Bank is not an "independent" advisor. The advice given aims to provide the customer with the most suitable product from the Bank's range, irrespective of what is best for the Bank in the short term.

The Bank's customer information must be clear, factual and easy to understand. Terms and conditions for the Bank's services must be clear and not arbitrarily changed. Any complaints by customers must be dealt with quickly and correctly by the branch responsible for the customer in question.

It is especially important in relations with private customers that the Bank does not take advantage of its superior expertise and financial position. Sound business practices, acting in a consistent manner, and fair treatment of customers are key concepts at the Bank. Customers must be treated with respect. There must be no discrimination on grounds such as gender, transgender identity or expression, ethnic background, race, skin colour, religion or other beliefs, disability, sexual orientation or age.

## THE BANK AS A CUSTOMER

Handelsbanken purchases goods and services from both Swedish and international suppliers. Ethical considerations are just as important for the Bank in its role as customer as when it supplies services and products. To avoid incurring obligations to customers and suppliers, the Bank has rules regarding receiving and giving personal gifts and for business entertainment.

## CONDUCT OF EMPLOYEES

It is important that the Bank's employees are not suspected of taking improper advantage of knowledge about the financial markets which they obtain in the course of their work. All employees must be familiar with the local insider trading laws and observe the Bank's own rules for employees' and closely-related persons' private securities and currency transactions. 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. Employees must not handle matters in which they or a relative have a personal interest, nor matters for companies in which they or a relative have a material interest.

Common sense also applies where ethical standards are concerned. Employees who are in doubt regarding the application of the Bank's ethical guidelines or similar matters should contact their immediate superior to discuss an appropriate course of action. As a guide, employees are encouraged to ask themselves: "Can I account for my actions to the other employees at the Bank, to the public authorities, the press and other media and the general public without having the slightest doubt as to whether my conduct was ethically acceptable?"

## CORPORATE SOCIAL RESPONSIBILITY

Handelsbanken's success in the market is dependent on the confidence of the general public and public authorities in the Bank. The Bank's work methods are based on a fundamental human outlook characterised by trust and respect. All employees are clearly responsible for their actions, professionally as well as in social and ethical issues. Therefore, it is important that business decisions at the Bank can be justified from a social and ethical perspective.

## HUMAN RIGHTS

Handelsbanken endorses the principles set out in the United Nations Universal Declaration of Human Rights. This means that the Bank strives to support and respect the protection of international human rights within the area which the Bank can influence. It also means that the Bank ensures that it is not involved in any breach of human rights.

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

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

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

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

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

## HANDELSBANKEN AND GLOBAL COMPACT

In 2009, Handelsbanken joined the UN's Global Compact voluntary initiative. The purpose of the initiative is to persuade countries, organisations and companies to take active responsibility within four main areas: human rights, labour, the environment and anti-corruption. During the year, the Bank also signed the UN Principles of Responsible Investment (UN PRI).

# Most satisfied customers – year after year

Banking is about long-term security and trusting relationships between people. For Handelsbanken, this means that the starting point is to always meet the individual customer's requirements rather than selling individual products and services. Handelsbanken has successfully applied this approach for over 30 years.

## MOST SATISFIED CUSTOMERS ON ALL DOMESTIC MARKETS

One of Handelsbanken's cornerstones for achieving its goal of sustainable profitability is to have the most satisfied customers. Satisfied customers stay and do more business. They are also the most important ambassadors for reaching new customers. This is why Handelsbanken considers customer satisfaction surveys to be very important. Every year, Swedish Quality Index (SKI) and EPSI carry out independent surveys of customer satisfaction, based on a European standard. Every year since the survey started in 1989, Handelsbanken has been virtually unchallenged in the No.1 position for both private and corporate customers.

The 2009 results in Sweden show that Handelsbanken won its highest ever index rating among private customers and increased its lead over the other major banks. The Bank's corporate customer satisfaction rating also rose compared with peer banks.

Handelsbanken also took the No. 1 ranking in the other Nordic countries and Great Britain among both corporate and private customers. The Bank also increased its lead over competitors. Having the most satisfied customers on all domestic markets is proof of the viability of Handelsbanken's way of working.

## THE RIGHT ADVICE FOR THE RIGHT PERSON

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.

For the Bank's financial advisory services, gaining a total overview of the customer's circumstances and financial situation is at the very core of Handelsbanken's way of working. Based on this, the adviser and the Bank provide proposals adapted to each customer's requirements, investment horizon and risk level. The advice offered must take account of the customer's knowledge and understanding of the risks related to each type of investment.

The staff of the Bank are continually trained and certified in the area of investments and insurance, in order to meet developments in this field and the need for up-to-date information for customers. At the year-end, Handelsbanken had 4,275 employees who were certified to provide financial advice. All staff members in the Swedish branch office operations are certified.

## MORE TIME FOR CUSTOMERS

The programme launched in 2006 in the Swedish branch operations to create more time for customer contacts has so far increased the available time by 50 percent. This is much more than the original goal. The purpose is to make the branches' administrative work easier. Since there seems to be considerable potential for further improvements, the project will continue.

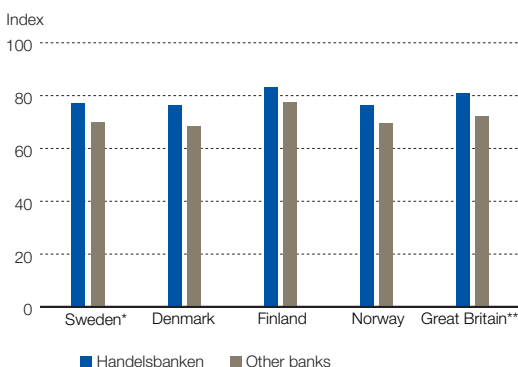
Proposals for simplifications come first of all from branch office staff and mostly apply to daily routines – regularly occurring tasks where there is a great deal of time and effort to be saved. Examples include reviewing procedures, removing unnecessary stages in the process or documents and simplifying and updating instructions. Overall, about 600 excellent proposals with clear development potential have been made; some 75 percent of these have been implemented and the remainder are being processed.

Experience has shown that more time for customers generates more business for the Bank. It is also in line with the ambition to remain the major bank with the most satisfied customers.

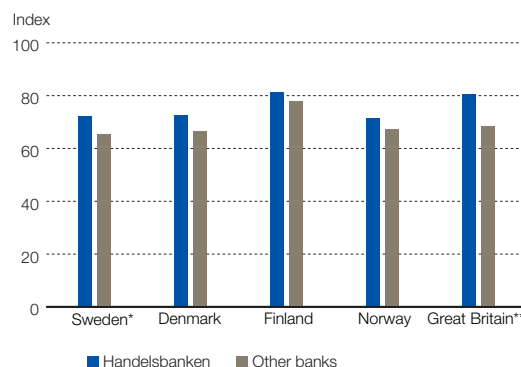
## CUSTOMER COMPLAINTS

Part of the work in achieving satisfied customers involves handling complaints in a manner which inspires confidence. Handelsbanken takes customer complaints very seriously and has well-established procedures for dealing with them. Dissatisfied customers first contact their branch where the problem is normally solved. If the customer wants to pursue the matter, there is a designated complaints manager who follows up complaints made to the Bank on a continual basis.

Customer satisfaction, private customers



Customer satisfaction, corporate customers



\*Average Nordea, SEB and Swedbank.

\*\*The result is based on a selection of more than 2,000 responses in telephone surveys of both private and corporate bank customers. The telephone survey was conducted by BMG Research in late January/early February 2009. Source: SKI/EPSI.

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# Review of operations

Profit before loan losses rose by 3 percent to SEK 17.1 billion (16.7). The loan loss ratio rose to 0.21 percent (0.11). An increase in loan losses led to a decline in operating profit to SEK 13.7 billion (15.3).

Operating profit for 2009 fell by 10 percent to SEK 13,727 million (15,326) due to higher loan losses, mandatory government fees and because the comparison period included capital gains of a non-recurring nature totalling SEK 988 million.

Profit before loan losses rose by 3 percent to SEK 17,115 million (16,661). This rise is chiefly attributable to increases in net interest income of 14 percent for the Group and as much as 28 percent for branch office operations outside Sweden. Furthermore, net fee and commission income rose by 9 percent, largely due to rising brokerage income and higher loan commissions.

During the year, household demand for the Bank's services was buoyant. The economic slowdown gradually led to subdued demand for loans from the corporate sector. During the second half of the year, however, companies began to show an increasing interest in new credit commitments. Average loan volumes grew by 8 percent.

Growth in the Group's household deposits remained strong at 16 percent.

The C/I ratio for continuing operations was 47.1 percent (44.3).

Earnings per share were SEK 16.44 (19.46) and the return on equity for total operations was 12.6 percent (16.2). One-half of this decrease of 3.6 percentage points is due to higher loan losses, and the rest is partly due to growth in equity.

The board proposes a dividend of SEK 8.00 per share (7.00).

## INCOME

The Group – Income			
SEK m	2009	2008	Change
Net interest income	22 000	19 223	14%
Net fee and commission income	7 393	6 795	9%
Net gains/losses on financial items	2 457	3 169	-22%
Other income	485	703	-31%
<b>Total income</b>	<b>32 335</b>	<b>29 890</b>	<b>8%</b>

Income rose by 8 percent as a result of higher net interest income and net fee and commission income. Net interest income rose by 14 percent to SEK 22,000 million, an increase that can largely be attributed to higher average volumes of loans and deposits, and to an increase in loan margins as a result of the Bank's good position on the funding market. Exchange rate movements accounted for SEK 385 million, or 2 percentage points, of this increase. Lower interest rates also led to falling deposit margins, with an estimated impact on earnings in Sweden of SEK -3.3 billion.

Overall, the Group's expenses relating to the Swedish Stabilisation Fund, the Danish state guarantee and various other deposit guarantees amounted to SEK 641 million (171), and this reduced net interest income by SEK 605 million (154).

In branch office operations outside Sweden, net interest income grew by 28 percent to SEK 7,317 million (5,700) and in the Swedish branch office operations net interest income fell by 1 percent to SEK 13,305 million (13,428).

The average volume of loans to the public rose by SEK 112 billion or 8 percent to SEK 1,491 billion (1,379). Loan volumes rose by 15 percent outside Sweden and by 5 percent for Swedish operations.

The average volume of deposits rose overall by 10 percent to SEK 538 billion (490). Growth in the Group's deposits from households was 16 percent. The average volume rose by 22 percent for branch office operations outside Sweden and by 16 percent for Swedish branch office operations.

Net fee and commission income rose by 9 percent to SEK 7,393 million, chiefly due to a rise of 34 percent in loan commissions and a rise of 11 percent in brokerage income. Payment commissions went up by 5 percent. For Handelsbanken Capital Markets, net fee and commission income rose by 40 percent.

Net gains/losses on financial items at fair value decreased to SEK 2,457 million (3,169), primarily because the period of comparison included a capital gain of SEK 716 million from the sale of the Bank's shares in NCSD (VPC).

**EXPENSES**

The Group – Expenses			
SEK m	2009	2008	Change
Staff costs	-10 018	-8 114	23%
- Other administrative expenses	-4 719	-4 688	1%
Depreciation, amortisation, impairments	-483	-427	13%
<b>Total expenses</b>	<b>-15 220</b>	<b>-13 229</b>	<b>15%</b>
	<b>Change</b>		<b>Percent. points</b>
Lokalbanken	227		2
Costs for variable remuneration	206		2
IAS 19 (pensions)	310		2
Oktogonen	741		6
Exchange rate changes	327		2
	<b>1 811</b>		<b>14</b>
Other expenses	180		1
<b>Total</b>	<b>1 991</b>		<b>15</b>

Total expenses rose by 15 percent to SEK 15,220 million. Staff costs rose by 23 percent to SEK 10,018 million and other administrative expenses rose by 1 percent to SEK 4,719 million. Excluding the breakdown items referred to in the table above, staff costs increased by 5 percent and total expenses by 1 percent. Of the rise in staff costs of 5 percent, increased salary costs in the Swedish operations represented 0.5 percentage points.

Expansion costs for new branch offices were SEK 398 million (468).

Variable remuneration amounted to SEK 381 million (230). The cost of this, including social security costs and other payroll overheads, amounted to SEK 483 million (277).

The number of employees decreased by 356 and totalled 10,616 at year-end (10,972). As an average figure, the number of employees was 10,821 (10,833).

**LOAN LOSSES**

Due to the ongoing recession, loan losses increased to SEK -3,392 million, with SEK 2,325 million (834) deriving from the Swedish branch operations and SEK -1,067 million (-771) from branch office operations outside Sweden. Of these loan losses, actual losses accounted for 10 percent or SEK -349 million (-468). The allocation to the collectively assessed provisions was SEK -115 million (-258).

The loan loss ratio was 0.21 percent (0.11) and net impaired loans rose by SEK 613 million to SEK 3,235 million, corresponding to 0.21 percent of loans.

**MOST SATISFIED CUSTOMERS IN THE NORDIC REGION**

In early October, SKI (Swedish Quality Index) and EPSI presented their surveys of customer satisfaction among banking customers in the Nordic countries. Handelsbanken remained in the top position in all four countries, for both corporate and private customers.

In Sweden, Denmark and Norway, the gap between Handelsbanken and the rest of the banking sector widened, for corporate and private customers alike.

**LIQUIDITY**

The Bank's total liquidity reserve at the turn of the year remained in excess of SEK 450 billion, including SEK 152 billion in liquid assets invested with central banks. The liquidity portfolio of bonds eligible as collateral amounted to SEK 79 billion, just over one-half of which were government bonds and covered bonds. The remainder of the liquidity reserve consisted of unutilised headroom for issues in Stadshypotek's covered bond pool, which can be converted into liquid funds with the Riksbank. The total reserve secures the Bank's financing requirements for more than two years without access to new market funding.

During the fourth quarter, the Bank also remained a net lender to the Riksbank and other central banks.

The situation on capital markets continued to stabilise during the fourth quarter. Since 2007, Handelsbanken has continually increased the proportion of long-term funding and bond issues during the quarter totalled SEK 38 billion (90), of which SEK 15 billion in bank bonds and SEK 23 billion in covered bonds. In 2009, the Bank issued bond loans for a total value of SEK 263 billion, and during the year the outstanding volume of bonds increased by SEK 66 billion. The Bank's healthy position in the funding market also means that Handelsbanken, in relation to the size of its balance sheet, was one of the largest issuers of non-state-guaranteed bonds in Europe during the year.

#### CAPITAL

Capital	31 Dec 2009	31 Dec 2008	Change
SEK m			
Tier 1 ratio according to Basel II	14.2%	10.5%	
Capital ratio according to Basel II	20.2%	16.0%	
Equity	83 088	74 963	11%
Tier 1 capital	85 575	75 854	13%
<b>Capital base</b>	<b>121 753</b>	<b>115 505</b>	<b>5%</b>

During the financial crisis, the Bank's capital situation has gradually strengthened, without any injection of capital from shareholders. The fourth quarter was the fifth consecutive quarter that the Tier 1 ratio had risen and since the third quarter of 2008, it has risen from 10.0 percent to 14.2 percent according to Basel II. This increase, which has been achieved during a period when the Group increased the average loan volume by 6 percent, was mainly achieved by steady profit growth and conscious efforts to reduce the level of risk in the Bank.

The capital base amounted to SEK 121.8 billion and the capital ratio according to Basel II rose by 4.2 percentage points during the year to 20.2 percent. Equity increased by SEK 8.1 billion to SEK 83.1 billion. During the fourth quarter, the increase was SEK 3.3 billion.

Tier 1 capital increased by 13 percent to SEK 85.6 billion. The Tier 1 ratio rose by 3.7 percentage points during the year to 14.2 percent. During the fourth quarter, the increase was 0.7 percentage points, with quarterly earnings accounting for 0.3 percentage points of this figure. The remaining increase of 0.4 percentage points is attributed to lower risk-weighted assets as a result of reduced credit exposure to major corporate customers, higher credit volumes to counterparties with lower risk weights, and larger collateral volumes, as well as to lower volumes risk-weighted according to the standardised approach.

As in the third quarter, migration of credit risks was limited and had only a marginal impact on the Tier 1 ratio.

The current Tier 1 ratio according to Basel II of 14.2 percent is well above the Bank's target of 9–11 percent. During the financial crisis, the healthy capitalisation has been an advantage and has contributed to lower funding costs. In December, the Basel Committee issued its proposal for stricter requirements regarding the regulations for banks' capital adequacy. The proposal is to be evaluated during the first six months of 2010.

The financial crisis has not led the Bank to change its views regarding capital requirement. According to the current definition, a Tier 1 ratio of 9–11 percent is still judged to be a level which by a satisfactory margin covers the risks associated with the business operations conducted by Handelsbanken.

#### RATING

Handelsbanken's rating in the fourth quarter remained unchanged at Standard & Poor's, Fitch and Moody's, with all three rating agencies issuing a stable outlook.

#### DISCONTINUED OPERATIONS

Discontinued operations includes businesses acquired by the Bank that it intends to sell. In the fourth quarter, profit after tax was SEK 17 million (8). For the full year, profit after tax amounted to SEK 36 million. In 2008, the net profit from discontinued operations was SEK 187 million, and this was entirely attributable to operations related to the sale of SPP. See note G12 on page 95 for more information about discontinued operations.

#### OTHER

In 2009, the corridor effect used in the calculation of pension costs according to IAS 19 was negative, and amounted to SEK -262 million (48). Under current accounting regulations, the effect for the 2010 full year is estimated to be SEK -31 million, corresponding to a profit improvement of SEK 231 million.

#### RISKS AND UNCERTAINTY FACTORS

Information regarding the Bank's goals and applied principles for risk management are presented in note G2 on pages 75–88.

#### GUIDELINES FOR REMUNERATION TO SENIOR MANAGEMENT

The board does not propose any material changes in the current guidelines for remuneration to senior management for presentation to the annual general meeting. The current guidelines are presented in the corporate governance report.

# Five-year overview Group

The accounting policies are described in Note G1.

<b>Consolidated income statement</b>					
SEK m	2009	2008	2007	2006	2005
Net interest income	22 000	19 223	15 608	14 727	15 090
Net fee and commission income	7 393	6 795	7 745	7 316	7 055
Net gains/losses on financial items at fair value	2 457	3 169	3 054	3 448	3 459
Risk result, insurance	171	215	151	219	194
Other dividend income	141	225	174	193	158
Share of profit of associated companies	26	79	103	89	59
Other income	147	184	291	355	308
<b>Total income</b>	<b>32 335</b>	<b>29 890</b>	<b>27 126</b>	<b>26 347</b>	<b>26 323</b>
Administrative expenses					
Staff costs	-10 018	-8 114	-7 528	-7 184	-6 678
Other expenses	-4 719	-4 688	-4 487	-3 955	-3 747
Depreciation, amortisation and impairments of property, equipment and intangible assets	-483	-427	-353	-366	-513
<b>Total expenses</b>	<b>-15 220</b>	<b>-13 229</b>	<b>-12 368</b>	<b>-11 505</b>	<b>-10 938</b>
<b>Profit before loan losses</b>	<b>17 115</b>	<b>16 661</b>	<b>14 758</b>	<b>14 842</b>	<b>15 385</b>
Net loan losses	-3 392	-1 605	-27	55	261
Gains/losses on disposal of property, equipment and intangible assets	4	270	1	1	4
<b>Operating profit</b>	<b>13 727</b>	<b>15 326</b>	<b>14 732</b>	<b>14 898</b>	<b>15 650</b>
Taxes	-3 519	-3 382	-3 879	-3 970	-4 296
<b>Profit for the year from continuing operations</b>	<b>10 208</b>	<b>11 944</b>	<b>10 853</b>	<b>10 928</b>	<b>11 354</b>
Profit for the year from discontinued operations, after tax	36	187	573	2 200	-
Capital gain/loss from the sale of discontinued operations, after tax	-	-	4 082	-	-
<b>Profit for the year</b>	<b>10 244</b>	<b>12 131</b>	<b>15 508</b>	<b>13 128</b>	<b>11 354</b>
<i>Attributable to</i>					
<i>Ordinary shareholders</i>	<i>10 244</i>	<i>12 131</i>	<i>15 508</i>	<i>13 128</i>	<i>11 354</i>
<i>Minority interest</i>	<i>0</i>	<i>0</i>	<i>-</i>	<i>-</i>	<i>-</i>
Earnings per share, continuing operations, SEK	16.38	19.16	17.39	16.99	16.98
after dilution	15.92	19.02	17.39	16.99	16.98
Earnings per share, discontinued operations, SEK	0.06	0.30	7.45	3.42	-
after dilution	0.06	0.29	7.45	3.42	-
Earnings per share, total operations, SEK	16.44	19.46	24.84	20.41	16.98
after dilution	15.98	19.31	24.84	20.41	16.98

A five-year overview for the parent company is shown on page 124.



Consolidated statement of comprehensive income					
SEK m	2009	2008	2007	2006	2005
Profit for the year	10 244	12 131	15 508	13 128	11 354
<b>Other comprehensive income</b>					
Cash flow hedges	47	-535	58	192	151
Available for sale instruments	3 274	-5 139	-749	281	241
Translation difference for the year	-109	606	518	-479	380
<i>of which hedges of net investments in subsidiaries</i>	-6	-169	-30	22	0
Tax related to other comprehensive income	-934	1 628	173	-97	-91
<i>of which cash flow hedges</i>	-12	144	-17	-54	-42
<i>of which instruments available for sale</i>	-924	1 440	173	-30	-49
<i>of which hedges of net investments in subsidiaries</i>	2	44	17	-13	0
<b>Total other comprehensive income</b>	<b>2 278</b>	<b>-3 440</b>	<b>0</b>	<b>-103</b>	<b>681</b>
<b>Total comprehensive income for the year</b>	<b>12 522</b>	<b>8 691</b>	<b>15 508</b>	<b>13 025</b>	<b>12 035</b>
<i>Attributable to</i>					
<i>Ordinary shareholders</i>	12 522	8 691	15 508	13 025	12 035
<i>Minority interest</i>	0	0	-	-	-

Consolidated balance sheet					
SEK m	2009	2008	2007	2006	2005
<b>Assets</b>					
Loans to the public	1 477 183	1 481 475	1 292 988	1 100 538	983 681
Loans to credit institutions	168 100	164 981	185 149	177 175	136 546
Interest-bearing securities	176 002	166 278	175 972	266 743	184 710
Other assets	301 558	346 050	205 273	245 552	277 970
<b>Total assets</b>	<b>2 122 843</b>	<b>2 158 784</b>	<b>1 859 382</b>	<b>1 790 008</b>	<b>1 582 907</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	549 748	543 760	512 841	533 885	407 617
Due to credit institutions	239 790	319 113	293 458	320 482	289 053
Issued securities	966 075	895 709	706 478	595 001	486 344
Subordinated liabilities	59 005	61 434	52 909	51 672	46 795
Other liabilities	225 137	263 805	219 205	222 742	287 340
Equity	83 088	74 963	74 491	66 226	65 758
<b>Total liabilities and equity</b>	<b>2 122 843</b>	<b>2 158 784</b>	<b>1 859 382</b>	<b>1 790 008</b>	<b>1 582 907</b>

# Key figures per year

Key figures for the Handelsbanken Group	2009	2008	2007	2006	2005
Profit before loan losses, continuing operations, SEK m	17 115	16 661	14 758	14 842	15 385
Net loan losses, SEK m	-3 392	-1 605	-27	55	261
Operating profit, total operations, SEK m	13 766	15 586	19 383	17 164	15 650
Operating profit, continuing operations, SEK m	13 727	15 326	14 732	14 898	15 650
Profit for the year, total operations, SEK m	10 244	12 131	15 508	13 128	11 354
Profit for the year, continuing operations, SEK m	10 208	11 944	10 853	10 928	11 354
Profit for the year, discontinued operations, SEK m	36	187	573	2 200	-
Capital gain from sale of discontinued operations, SEK m	-	-	4 082	-	-
Total assets, SEK m	2 122 843	2 158 784	1 859 382	1 790 008	1 582 907
Equity, SEK m	83 088	74 963	74 491	66 226	65 758
Return on equity, total operations, %	12.6	16.2	23.3	20.9	17.9
Return on equity, continuing operations, %	12.5	16.0	16.3	17.4	17.9
Return on capital employed, %	0.63	0.79	0.78	0.86	1.08
Cost/income ratio, continuing operations, %	47.1	44.3	45.6	43.7	41.6
Cost/income ratio, continuing operations, incl. loan losses, %	57.6	49.6	45.7	43.5	40.6
Loan loss ratio, %	0.21	0.11	0.00	-0.01	-0.03
Impaired loans reserve ratio, %	62.4	51.1	75.0	69.5	65.9
Proportion of impaired loans, %	0.21	0.17	0.05	0.07	0.12
Earnings per share, SEK	16.44	19.46	24.84	20.41	16.98
after dilution	15.98	19.31	24.84	20.41	16.98
Ordinary dividend per share, SEK	8.00**	7.00	8.50	8.00	7.00
Extra dividend per share, SEK	-**	-	5.00		
Adjusted equity per share, SEK	133.65	120.64	119.27	104.27	100.23
No. of shares as at 31 December, million	623.5	623.5	628.3	649.0	669.6
of which outstanding	623.3	623.5	623.4	634.2	656.5
Capital ratio, % according to Basel II*	20.2	16.0	16.9	9.5	11.6
Tier 1 ratio, % according to Basel II*	14.2	10.5	10.6	6.8	7.6
Average number of employees	10 821	10 833	10 768	10 163	9 395
No. of branches in Sweden	461	461	461	457	455
No of branches in other Nordic countries and Great Britain	208	203	171	141	128
No. of branches in other countries	35	38	28	17	14

For definitions, see page 160

\* Up to 2006 according to Basel I.

\*\* Dividend as proposed by the board.

# Quarterly performance

Quarterly performance for the Handelsbanken Group					
SEK m	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Interest income	10 548	11 351	13 160	16 217	21 979
Interest expense	-5 189	-5 741	-7 522	-10 824	-16 505
<b>Net interest income</b>	<b>5 359</b>	<b>5 610</b>	<b>5 638</b>	<b>5 393</b>	<b>5 474</b>
Fee and commission income	2 311	2 145	2 171	2 039	2 003
Fee and commission expense	-316	-342	-315	-300	-309
<b>Net fee and commission income</b>	<b>1 995</b>	<b>1 803</b>	<b>1 856</b>	<b>1 739</b>	<b>1 694</b>
Net gains/losses on financial items at fair value	497	278	541	1 141	2 229
Risk result, insurance	31	47	36	57	50
Other dividend income	4	2	124	11	1
Share of profit of associated companies	18	4	1	3	5
Other income	63	18	24	42	59
<b>Total income</b>	<b>7 967</b>	<b>7 762</b>	<b>8 220</b>	<b>8 386</b>	<b>9 512</b>
Administrative expenses					
Staff costs	-2 586	-2 451	-2 539	-2 442	-2 170
Other expenses	-1 373	-1 046	-1 178	-1 122	-1 309
Depreciation, amortisation and impairments of property, equipment and intangible assets	-99	-145	-119	-120	-121
<b>Total expenses</b>	<b>-4 058</b>	<b>-3 642</b>	<b>-3 836</b>	<b>-3 684</b>	<b>-3 600</b>
<b>Profit before loan losses</b>	<b>3 909</b>	<b>4 120</b>	<b>4 384</b>	<b>4 702</b>	<b>5 912</b>
Net loan losses	-691	-866	-939	-896	-696
Gains/losses on disposal of property, equipment and intangible assets	3	1	0	0	0
<b>Operating profit</b>	<b>3 221</b>	<b>3 255</b>	<b>3 445</b>	<b>3 806</b>	<b>5 216</b>
Taxes	-722	-829	-916	-1 052	-705
<b>Profit for the period from continuing operations</b>	<b>2 499</b>	<b>2 426</b>	<b>2 529</b>	<b>2 754</b>	<b>4 511</b>
Profit for the period from discontinued operations, after tax	17	8	0	11	44
<b>Profit for the period</b>	<b>2 516</b>	<b>2 434</b>	<b>2 529</b>	<b>2 765</b>	<b>4 555</b>
Attributable to					
Ordinary shareholders	2 516	2 434	2 529	2 765	4 555
Minority interest	0	0	0	0	0
Earnings per share, continuing operations, SEK	4.02	3.89	4.06	4.42	7.24
after dilution	3.94	3.81	3.96	4.28	7.09
Earnings per share, discontinued operations, SEK	0.02	0.02	0.00	0.01	0.07
after dilution	0.02	0.02	0.00	0.01	0.07
Earnings per share, total operations, SEK	4.04	3.91	4.06	4.43	7.31
after dilution	3.96	3.83	3.96	4.29	7.16

# Business segments

SEK m	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Asset Management	Other	Adjustments and eliminations	Total 2009	Total 2008	Change %
Net interest income	13 305	7 317	465	134	821	-42	22 000	19 223	14
Net fee and commission income	3 377	1 533	1 440	1 080	-37		7 393	6 795	9
Net gains/losses on financial items at fair value	512	250	3 055	-267	-1 151	58	2 457	3 169	-22
Risk result, insurance				171			171	215	-20
Share of profit of associated companies					26		26	79	-67
Other income	76	6	3	9	197	-3	288	409	-30
<b>Total income</b>	<b>17 270</b>	<b>9 106</b>	<b>4 963</b>	<b>1 127</b>	<b>-144</b>	<b>13</b>	<b>32 335</b>	<b>29 890</b>	<b>8</b>
Staff costs	-3 060	-2 778	-1 849	-522	-2 234	425	-10 018	-8 114	23
Other administrative expenses	-1 032	-1 133	-567	-241	-1 747	1	-4 719	-4 688	1
Internal purchased and sold services	-2 534	-842	85	-159	3 450				
Depreciation and amortisation	-80	-84	-31	-6	-269	-13	-483	-427	13
<b>Total expenses</b>	<b>-6 706</b>	<b>-4 837</b>	<b>-2 362</b>	<b>-928</b>	<b>-800</b>	<b>413</b>	<b>-15 220</b>	<b>-13 229</b>	<b>15</b>
<b>Profit before loan losses</b>	<b>10 564</b>	<b>4 269</b>	<b>2 601</b>	<b>199</b>	<b>-944</b>	<b>426</b>	<b>17 115</b>	<b>16 661</b>	<b>3</b>
Net loan losses	-2 325	-1 067					-3 392	-1 605	111
Gains/losses on disposal of property, equipment and intangible assets	0	0	-	-	4		4	270	-99
<b>Operating profit</b>	<b>8 239</b>	<b>3 202</b>	<b>2 601</b>	<b>199</b>	<b>-940</b>	<b>426</b>	<b>13 727</b>	<b>15 326</b>	<b>-10</b>
Profit allocation	757	294	-851	-200					
<b>Operating profit after profit allocation</b>	<b>8 996</b>	<b>3 496</b>	<b>1 750</b>	<b>-1</b>	<b>-940</b>	<b>426</b>	<b>13 727</b>	<b>15 326</b>	<b>-10</b>
Internal income	-3 733	-5 524	1 142	-682	8 797	-			
C/I ratio, %	38.8	53.1	47.6	82.3	-		47.1	44.3	
C/I ratio after profit allocation, %	37.2	51.5	57.4	100.1	-		47.1	44.3	
Loan loss ratio, %	0.24	0.19					0.21	0.11	
Assets	1 163 512	544 470	289 728	86 384	916 775	-878 026	2 122 843	2 158 784	
Liabilities	1 124 737	517 441	285 885	80 123	909 595	-878 026	2 039 755	2 083 821	
Allocated capital	38 775	27 029	3 843	6 261		7 180	83 088	74 963	
Return on allocated capital, %	17.3	9.4	36.7	0.0			12.5	16.0	
The year's investments in non-financial non-current assets	131	65	34	4	502		736	978	-25
The year's investments in associated companies							-	-	
Average number of employees	4 481	2 976	1 041	531	1 792		10 821	10 833	0

As of the 2009 financial year, the business segments are recognised in compliance with IFRS 8, Operating Segments. The principles for this are described in note G44.



# Branch office operations in Sweden

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

Quarterly performance Branch office operations in Sweden							
SEK m	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2009	Total 2008	Change %
Net interest income	3 058	3 335	3 459	3 453	13 305	13 428	-1
Net fee and commission income	900	874	818	785	3 377	3 275	3
Net gains/losses on financial items at fair value	134	33	214	131	512	459	12
Other income	26	21	8	21	76	50	52
<b>Total income</b>	<b>4 118</b>	<b>4 263</b>	<b>4 499</b>	<b>4 390</b>	<b>17 270</b>	<b>17 212</b>	<b>0</b>
Staff costs	-774	-757	-774	-755	-3 060	-3 025	1
Other administrative expenses	-302	-216	-268	-246	-1 032	-1 079	-4
Internal purchased and sold services	-691	-628	-614	-601	-2 534	-2 249	13
Depreciation and amortisation	-20	-20	-20	-20	-80	-81	-1
<b>Total expenses</b>	<b>-1 787</b>	<b>-1 621</b>	<b>-1 676</b>	<b>-1 622</b>	<b>-6 706</b>	<b>-6 434</b>	<b>4</b>
<b>Profit before loan losses</b>	<b>2 331</b>	<b>2 642</b>	<b>2 823</b>	<b>2 768</b>	<b>10 564</b>	<b>10 778</b>	<b>-2</b>
Net loan losses	-318	-674	-761	-572	-2 325	-834	179
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	0
<b>Operating profit</b>	<b>2 013</b>	<b>1 968</b>	<b>2 062</b>	<b>2 196</b>	<b>8 239</b>	<b>9 944</b>	<b>-17</b>
Profit allocation	322	177	142	116	757	559	35
<b>Operating profit after profit allocation</b>	<b>2 335</b>	<b>2 145</b>	<b>2 204</b>	<b>2 312</b>	<b>8 996</b>	<b>10 503</b>	<b>-14</b>
Internal income	-584	-696	-901	-1 552	-3 733	-7 827	-52
C/I ratio, %	43.4	38.0	37.3	36.9	38.8	37.4	
C/I ratio after profit allocation, %	40.2	36.5	36.1	36.0	37.2	36.2	
Loan loss ratio, %	0.13	0.27	0.31	0.23	0.24	0.09	
Assets	1 163 512	1 145 174	1 159 433	1 107 198	1 163 512	1 078 933	8
Liabilities	1 124 737	1 106 539	1 121 765	1 068 909	1 124 737	1 043 061	8
Allocated capital	38 775	38 635	37 668	38 289	38 775	35 872	8
Return on allocated capital, %	17.8	16.0	17.3	17.8	17.3	20.3	
Average number of employees	4 362	4 585	4 441	4 536	4 481	4 685	-4

Balance sheet			
Branch office operations in Sweden			
31 December	2009	2008	Change
SEK m			%
Loans to credit institutions	130 928	63 213	107
Loans to the public	994 708	982 812	1
Interest-bearing securities	220	4	
Other assets	37 656	32 904	14
<b>Total assets</b>	<b>1 163 512</b>	<b>1 078 933</b>	<b>8</b>
Due to credit institutions	290 572	241 579	20
Deposits and borrowing from the public	331 108	319 772	4
Issued securities	458 535	430 404	7
Other liabilities	44 522	51 306	-13
Equity	38 775	35 872	8
<b>Total liabilities and equity</b>	<b>1 163 512</b>	<b>1 078 933</b>	<b>8</b>

Business volumes, Sweden			
Average volumes,	2009	2008	Change
SEK bn			%
<b>Deposits from the public</b>	<b>320</b>	<b>284</b>	<b>13</b>
<i>of which households</i>	168	145	16
<i>companies</i>	152	139	9
<b>Loans to the public*</b>	<b>973</b>	<b>930</b>	<b>5</b>
<i>households</i>	490	458	7
<i>of which mortgage loans</i>	433	400	8
<i>companies</i>	483	472	2
<i>of which mortgage loans</i>	166	146	14

\* Excluding loans to the National Debt Office.

### Earnings performance

Operating profit decreased by 17 percent to SEK 8,239 million (9,944), chiefly due to higher loan losses. Profit before loan losses fell by 2 percent to SEK 10,564 million (10,778).

Income rose by SEK 58 million to SEK 17,270 million (17,212) despite net interest income falling by 1 percent to SEK 13,305 million (13,428). Higher volumes and improved margins on lending due to the Bank's favourable funding had a positive impact on net interest income. However, lower deposit margins had a negative impact on net interest income amounting to just over SEK 3.3 billion. Net interest income was also adversely affected by the Stabilisation Fund fee, of which SEK 203 million (-) was charged to branch office operations in Sweden.

Net fee and commission income went up by 3 percent, partly due to higher income from structured products and from higher equity brokerage commissions.

Net gains/losses on financial items at fair value, which include early redemption charges and the result of currency conversions, increased by 12 percent to SEK 512 million (459).

Expenses rose by 4 percent to SEK 6,706 million (6,434), giving a C/I ratio of 38.8 percent (37.4). Staff costs rose by 1 percent since the cost of the annual salary adjustment for 2009 was mainly neutralised by a 4 percent reduction (204 persons) in the number of employees.

Loan losses amounted to SEK -2,325 million (-834), which corresponds to a loan loss ratio of 0.24 percent (0.09).

### Satisfied customers

The Bank continued to reap good results from the efforts invested in increasing availability for customers and in the time branch staff can devote to meeting customers. Together with Handelsbanken Direkt, which offers personal service round the clock, every day of the year, this resulted in a rapid increase in the number of active customers.

This result was confirmed by the 2009 survey on customer satisfaction presented in early October by Swedish Quality Index. As in previous years, Handelsbanken was the major bank which had the most satisfied customers, on both the private and corporate side. Over the past ten years, Handelsbanken has presented a steady upward trend while the results for the other banks have fluctuated a great deal. This year, the gap between Handelsbanken and the other major banks was wider than it has been for a long time.

### Business development

Deposits from households continued to increase, amounting to SEK 175 billion (164) at the end of the year. During the past two years, Handelsbanken's share of the household deposit market in Sweden has risen from 16.1 percent to 18.0 percent. In 2009, more than one third of new deposits from Swedish households went to Handelsbanken.

The Bank's position as the largest lender to companies in Sweden was further confirmed, with its market share rising from 26.1 percent to 26.8 percent during the year.

# Branch office operations outside Sweden

Branch office operations outside Sweden comprise the regional banks in Denmark, Finland, Norway, the two regional banks in Great Britain and Handelsbanken Finans's operations outside Sweden. The principle is to offer universal banking services with a higher service level and at lower cost than comparable banks. The segment also includes Handelsbanken International.

Quarterly performance							
Branch office operations outside Sweden							
SEK m	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2009	Total 2008	Change %
Net interest income	1 883	1 896	1 844	1 694	7 317	5 700	28
Net fee and commission income	377	409	388	359	1 533	1 308	17
Net gains/losses on financial items at fair value	97	22	36	95	250	295	-15
Other income	-3	-3	10	2	6	18	-67
<b>Total income</b>	<b>2 354</b>	<b>2 324</b>	<b>2 278</b>	<b>2 150</b>	<b>9 106</b>	<b>7 321</b>	<b>24</b>
Staff costs	-688	-678	-702	-710	-2 778	-2 325	19
Other administrative expenses	-278	-270	-303	-282	-1 133	-1 065	6
Internal purchased and sold services	-240	-194	-218	-190	-842	-675	25
Depreciation and amortisation	-20	-21	-22	-21	-84	-71	18
<b>Total expenses</b>	<b>-1 226</b>	<b>-1 163</b>	<b>-1 245</b>	<b>-1 203</b>	<b>-4 837</b>	<b>-4 136</b>	<b>17</b>
<b>Profit before loan losses</b>	<b>1 128</b>	<b>1 161</b>	<b>1 033</b>	<b>947</b>	<b>4 269</b>	<b>3 185</b>	<b>34</b>
Net loan losses	-373	-192	-178	-324	-1 067	-771	38
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	-1	
<b>Operating profit</b>	<b>755</b>	<b>969</b>	<b>855</b>	<b>623</b>	<b>3 202</b>	<b>2 413</b>	<b>33</b>
Profit allocation	154	35	61	44	294	224	31
<b>Operating profit after profit allocation</b>	<b>909</b>	<b>1 004</b>	<b>916</b>	<b>667</b>	<b>3 496</b>	<b>2 637</b>	<b>33</b>
Internal income	-1 237	-1 097	-1 346	-1 844	-5 524	-9 850	-44
C/I ratio, %	52.1	50.0	54.7	56.0	53.1	56.5	
C/I ratio after profit allocation, %	48.9	49.3	53.2	54.8	51.5	54.8	
Loan loss ratio, %	0.27	0.14	0.13	0.24	0.19	0.20	
Assets	544 470	814 581	897 199	916 155	544 470	846 548	-36
Liabilities	517 441	787 069	869 013	889 805	517 441	823 428	-37
Allocated capital	27 029	27 512	28 186	26 350	27 029	23 120	17
Return on allocated capital, %	9.9	10.5	9.6	7.5	9.4	9.5	
Average number of employees	2 920	2 956	3 003	3 023	2 976	2 781	7

### Earnings performance

Operating profit increased by 33 percent, or SEK 789 million, to SEK 3,202 million (2,413). Profit before loan losses improved by 34 percent, or SEK 1,084 million, to SEK 4,269 million (3,185).

Income rose by 24 percent, or SEK 1,785 million, to SEK 9,106 million (7,321) as a result of higher net interest income.

Net interest income rose by SEK 1,617 million to SEK 7,317 million (5,700), of which exchange rate movements accounted for SEK 385 million. The fees for the Swedish Stabilisation Fund and the Danish state deposit guarantee affected net interest income by SEK -128 million (-) and SEK -58 million (-25) respectively. The fee for the Norwegian deposit guarantee was SEK 8 million (-). During the second half of the year, net interest income was also adversely affected by a conscious reduction of lending volumes in Handelsbanken International.

Expansion caused expenses to rise by 17 percent to SEK 4,837 million (4,136). The operating deficit for branches in regional banks outside Sweden which have not yet reported a profit was SEK 253 million (264).

Staff costs increased by SEK 453 million, of which some SEK 130 million derived from Lokalbanken in Denmark and SEK 125 million was due to exchange rate effects. The average number of employees increased by 7 percent to 2,976 (2,781). Excluding Lokalbanken, which was acquired in the fourth quarter of 2008, the average number of employees remained largely unchanged.

Government fees in Denmark which were charged to expenses amounted to SEK 36 million (17).

Loan losses amounted to SEK -1,067 million (-771), which corresponds to a loan loss ratio of 0.19 percent (0.20).

### Business development

The average volume of deposits rose by 15 percent to SEK 500 billion (433). Of this increase, eight percentage points stemmed from exchange rate movements. Corporate lending rose by 15 percent to SEK 361 billion (313) while loans to households grew by 16 percent to SEK 139 billion (120). Deposits from the public rose by 23 percent to SEK 177 billion (144).

In operations outside the Bank's domestic markets, the focus was on making more efficient use of the Bank's capital. This was reflected in the performance of Handelsbanken International, where there was a conscious reduction in lending volumes, resulting in a 32 percent decrease over the year.

Balance sheet			
Branch office operations outside Sweden			
31 December	2009	2008	Change
SEK m			%
Loans to credit institutions	47 338	258 080	-82
Loans to the public	461 078	478 705	-4
Interest-bearing securities	3 784	9 263	-59
Assets where the customer bears the value change risk	3 942	1 704	131
Other assets	28 328	98 796	-71
<b>Total assets</b>	<b>544 470</b>	<b>846 548</b>	<b>-36</b>
Due to credit institutions	262 010	435 116	-40
Deposits and borrowing from the public	151 117	157 818	-4
Issued securities	28 606	208 892	-86
Liabilities where the customer bears the value change risk	4 654	1 720	171
Other liabilities	71 054	19 882	257
Equity	27 029	23 120	17
<b>Total liabilities and equity</b>	<b>544 470</b>	<b>846 548</b>	<b>-36</b>

**BRANCH OFFICE OPERATIONS IN GREAT BRITAIN****Earnings performance**

Operating profit increased to SEK 177 million (-61). Profit before loan losses rose by SEK 275 million to SEK 328 million (53), mainly as a result of improved net interest income.

Net interest income rose by SEK 332 million, or 57 percent, to SEK 918 million (586) as the result of an increase in both volumes and margins. Charges made to net interest income included the fee of SEK 18 million (-) to the Stabilisation Fund.

Expenses rose by 11 percent to SEK 715 million (644) as a result of the continued expansion of the branch network. During the year, the Bank opened six new branches, and this is partly why the average number of employees rose by 9 percent to 502.

Loan losses amounted to SEK -151 million (-114), which corresponds to a loan loss ratio of 0.24 percent.

**Business development**

In spring 2009, EPSI conducted an independent survey of customer satisfaction among bank customers in Great Britain for the first time. As in the Nordic region, the results of this survey showed that Handelsbanken has the most satisfied customers in Great Britain, both private and corporate.

The average volume of loans increased by 14 percent to GBP 5,474 million (4,812), with loans to households rising by 28 percent. The decrease in deposit volumes is entirely attributable to the fact that, as from the first quarter, some volumes are reported in the Central Treasury Department. Average deposit volumes in the remaining business increased by 33 percent to GBP 1,244 million (937).

During the year, the Bank opened six new branches, in Huddersfield, Derby, Harrow, Warrington, Glasgow and Edinburgh. More branches will be opened in 2010, and by the end of the year five managers had already been recruited in readiness for the opening of new branches.

Branch office operations in Great Britain			
SEK m	2009	2008	Change %
Net interest income	918	586	57
Net fee and commission income	85	86	-1
Net gains/losses on financial items at fair value	36	21	71
Other income	4	4	0
<b>Total income</b>	<b>1 043</b>	<b>697</b>	<b>50</b>
Staff costs	-474	-444	7
Other administrative expenses	-132	-125	6
Internal purchased and sold services	-98	-63	56
Depreciation and amortisation	-11	-12	-8
<b>Total expenses</b>	<b>-715</b>	<b>-644</b>	<b>11</b>
Net loan losses	-151	-114	32
<b>Operating profit</b>	<b>177</b>	<b>-61</b>	
Profit allocation	24	35	-31
<b>Operating profit after profit allocation</b>	<b>201</b>	<b>-26</b>	
Average number of employees	502	459	9

Business volumes, Great Britain			
Average volumes, GBP m	2009	2008	Change %
<b>Deposits from the public</b>	<b>1 244</b>	<b>1 352</b>	<b>-8</b>
<i>of which households</i>	304	364	-16
<i>companies</i>	940	988	-5
<b>Loans to the public</b>	<b>5 474</b>	<b>4 812</b>	<b>14</b>
<i>of which households</i>	1 021	800	28
<i>companies</i>	4 453	4 012	11

**BRANCH OFFICE OPERATIONS IN DENMARK****Earnings performance**

Operating profit amounted to SEK 417 million (313). Profit before loan losses rose by 76 percent to SEK 606 million (344). Excluding Lokalbanken, which was acquired in the fourth quarter of 2008, the increase was about 35 percent. Both income and expenses were affected by the depreciation of the Swedish krona, which fell by 11 percent against the Danish krone.

Net interest income went up by SEK 470 million, or 54 percent. Excluding Lokalbanken, the fees for the Danish state guarantee and the Swedish Stabilisation Fund, and the effect of exchange rate movements, the increase was about 17 percent.

After adjustments for the above-mentioned items, income rose overall by about 14 percent.

Expenses remained unchanged, excluding Lokalbanken and fees to cover losses for Danish banks being wound down, as well as the effect of exchange rate movements.

Loan losses amounted to SEK -189 million (-31), which corresponds to a loan loss ratio of 0.30 percent.

**Business development**

The EPSI customer satisfaction survey showed that Handelsbanken had the most satisfied corporate customers in Denmark, and is also number one as regards private customers. This year, the gap between Handelsbanken and the rest of the banking sector was wider than previously.

The average volume of deposits rose by 15 percent to DKK 39.6 billion (34.5). Excluding Lokalbanken, lending amounted to DKK 36.2 billion, an increase of 7 percent, with loans to households increasing by 10 percent and loans to companies by 5 percent. Household deposits, excluding Lokalbanken, rose by 13 percent.

During the year, three equity-linked bonds were launched and attracted subscriptions of SEK 290 million. The Bank's branches in Denmark sell Handelsinvest's mutual funds and the Bank's fund management volume increased by 82 percent during the year.

Following the acquisition of Lokalbanken, two branches merged during the year, with the result that the Bank now has 53 branches in Denmark.

Branch office operations in Denmark			
SEK m	2009	2008	Change %
Net interest income	1 340	870	54
Net fee and commission income	280	202	39
Net gains/losses on financial items at fair value	68	19	258
Other income	1	-1	
<b>Total income</b>	<b>1 689</b>	<b>1 090</b>	<b>55</b>
Staff costs	-620	-421	47
Other administrative expenses	-251	-171	47
Internal purchased and sold services	-191	-146	31
Depreciation and amortisation	-21	-8	163
<b>Total expenses</b>	<b>-1 083</b>	<b>-746</b>	<b>45</b>
Net loan losses	-189	-31	
<b>Operating profit</b>	<b>417</b>	<b>313</b>	<b>33</b>
Profit allocation	24	3	
<b>Operating profit after profit allocation</b>	<b>441</b>	<b>316</b>	<b>40</b>
Average number of employees	677	545	24

Business volumes, Denmark			
Average volumes, DKK bn	2009	2008	Change %
<b>Deposits from the public</b>	<b>21.0</b>	<b>21.1</b>	<b>0</b>
<i>of which households</i>	8.2	5.5	49
<i>companies</i>	12.8	15.6	-18
<b>Loans to the public</b>	<b>39.6</b>	<b>34.5</b>	<b>15</b>
<i>of which households</i>	18.5	15.6	19
<i>companies</i>	21.1	18.9	12



**BRANCH OFFICE OPERATIONS IN FINLAND****Earnings performance**

Operating profit decreased by 25 percent to SEK 375 million (498), chiefly due to higher loan losses. Profit before loan losses fell by 7 percent to SEK 595 million (638). Income and expenses were impacted by the depreciation of the Swedish krona, which was down 11 percent compared to the previous year.

Net interest income rose by 1 percent to SEK 1,065 million (1,058) and was affected by fees to the Stabilisation Fund of SEK 24 million.

Expenses rose by 7 percent, which was entirely attributable to the weakening of the Swedish krona. Adjusted for changes in exchange rates, expenses went down by 3 percent.

Loan losses amounted to SEK -220 million (-140), which corresponds to a loan loss ratio of 0.19 percent.

**Business development**

The EPSI customer satisfaction survey showed that Handelsbanken has the most satisfied customers in Finland, too. This applies to private and corporate customers alike.

Loan volumes for 2009 as a whole rose by 4 percent; this included a decrease in the second half of the year, due to weaker credit demand from customers.

By contrast, deposit volumes rose sharply, particularly from corporate customers. The average volume of deposits rose by 97 percent from corporate customers and by 14 percent from households.

Branch office operations in Finland			
SEK m	2009	2008	Change %
Net interest income	1 065	1 058	1
Net fee and commission income	306	259	18
Net gains/losses on financial items at fair value	20	61	-67
Other income	-5	-3	67
<b>Total income</b>	<b>1 386</b>	<b>1 375</b>	<b>1</b>
Staff costs	-387	-354	9
Other administrative expenses	-230	-216	6
Internal purchased and sold services	-153	-151	1
Depreciation and amortisation	-21	-16	31
<b>Total expenses</b>	<b>-791</b>	<b>-737</b>	<b>7</b>
Net loan losses	-220	-140	57
<b>Operating profit</b>	<b>375</b>	<b>498</b>	<b>-25</b>
Profit allocation	58	34	71
<b>Operating profit after profit allocation</b>	<b>433</b>	<b>532</b>	<b>-19</b>
Average number of employees	502	508	-1

Business volumes, Finland			
Average volumes, EUR m	2009	2008	Change %
<b>Deposits from the public</b>	<b>3 523</b>	<b>2 297</b>	<b>53</b>
<i>of which households</i>	1 385	1 212	14
<i>companies</i>	2 138	1 085	97
<b>Loans to the public</b>	<b>10 267</b>	<b>9 857</b>	<b>4</b>
<i>of which households</i>	3 053	3 000	2
<i>companies</i>	7 214	6 857	5

**BRANCH OFFICE OPERATIONS IN NORWAY****Earnings performance**

Operating profit rose by 7 percent to SEK 1,675 million (1,565). The increase in net interest income more than compensated for the increase in loan losses. Profit before loan losses rose by 24 percent to SEK 2,091 million (1,682).

Income and expenses were impacted by the Swedish krona depreciating by 4 percent compared to the corresponding period in the previous year.

Net interest income rose by SEK 578 million, or 26 percent, primarily due to higher loan volumes and rising lending margins. Adjusted for exchange rate movements, the increase was 22 percent. Net interest income was affected by expenses of SEK 40 million (-) relating to the Swedish Stabilisation Fund and of SEK 8 million (-) relating to the Norwegian deposit guarantee.

Net fee and commission income went down by 12 percent to SEK 289 million (329), partly due to several payment services being free of charge since 1 July 2008.

Expenses rose by 11 percent, with exchange rate movements accounting for four percentage points of this increase. The average number of employees increased by 3 percent to 625. The increase in staff costs is partly due to the fact that pension costs the previous year were lower than normal owing to a one-off item reported during the fourth quarter.

The C/I ratio before loan losses improved to 33.5 percent (36.0). Loan losses increased to SEK -416 million (-117) and the loan loss ratio was 0.24 percent.

**Business development**

The EPSI customer satisfaction survey showed that Handelsbanken has Norway's most satisfied corporate customers. The Bank was also number one among private customers. This year, the gap between Handelsbanken and the rest of the banking sector was wider than previously.

The average volume of lending to the public climbed by 7 percent. Household deposits went up by 2 percent. Overall, the average volume of deposits from the public was unchanged.

Branch office operations in Norway			
SEK m	2009	2008	Change %
Net interest income	2 775	2 197	26
Net fee and commission income	289	329	-12
Net gains/losses on financial items at fair value	87	95	-8
Other income	-8	7	
<b>Total income</b>	<b>3 143</b>	<b>2 628</b>	<b>20</b>
Staff costs	-593	-512	16
Other administrative expenses	-255	-257	-1
Internal purchased and sold services	-188	-161	17
Amortisation	-16	-16	0
<b>Total expenses</b>	<b>-1 052</b>	<b>-946</b>	<b>11</b>
Net loan losses	-416	-117	256
<b>Operating profit</b>	<b>1 675</b>	<b>1 565</b>	<b>7</b>
Profit allocation	91	112	-19
<b>Operating profit after profit allocation</b>	<b>1 766</b>	<b>1 677</b>	<b>5</b>
Average number of employees	625	605	3

Business volumes, Norway			
Average volumes, NOK bn	2009	2008	Change %
<b>Deposits from the public</b>	<b>42.9</b>	<b>43.1</b>	<b>0</b>
<i>of which households</i>	8.6	8.4	2
<i>companies</i>	34.3	34.7	-1
<b>Loans to the public</b>	<b>154.3</b>	<b>143.8</b>	<b>7</b>
<i>of which households</i>	50.1	46.3	8
<i>companies</i>	104.2	97.5	7

**HANDELSBANKEN INTERNATIONAL**

Handelsbanken International is responsible for branch operations outside the Bank's domestic markets.

**Earnings performance**

Operating profit rose to SEK 551 million (93) as the result of an increase in net interest income and a reduction in loan losses. Profit before loan losses rose by 39 percent, or SEK 182 million, to SEK 650 million (468). Income and expenses were affected by the weakening of the Swedish krona in relation to most other currencies.

Income grew by 21 percent mainly because net interest income rose by 23 percent to SEK 1,219 million (989).

Loan losses were lower and amounted to SEK -99 million (-375), which corresponds to a loan loss ratio of 0.08 percent.

**Business development**

Handelsbanken had 35 branches and four representative offices in 17 countries outside the Nordic countries and Great Britain. In Germany, a new branch was opened in Essen, the Bank's seventh in the country. In Eindhoven, the Bank opened its fifth branch in the Netherlands.

During the year, the focus has been on making more efficient use of the Bank's capital, which was reflected in a conscious reduction of both lending volumes and risk-weighted assets. Lending volumes fell by 32 percent during the year. The reduction came primarily during the second half of the year, which is why the average volume nevertheless rose compared with the previous year.

Handelsbanken International			
SEK m	2009	2008	Change %
Net interest income	1 219	989	23
Net fee and commission income	573	432	33
Net gains/losses on financial items at fair value	39	99	-61
Other income	14	11	27
<b>Total income</b>	<b>1 845</b>	<b>1 531</b>	<b>21</b>
Staff costs	-704	-594	19
Other administrative expenses	-265	-296	-10
Internal purchased and sold services	-211	-154	37
Depreciation and amortisation	-15	-19	-21
<b>Total expenses</b>	<b>-1 195</b>	<b>-1 063</b>	<b>12</b>
Net loan losses	-99	-375	-74
<b>Operating profit</b>	<b>551</b>	<b>93</b>	<b>492</b>
Profit allocation	97	40	143
<b>Operating profit after profit allocation</b>	<b>648</b>	<b>133</b>	<b>387</b>
Average number of employees	670	664	1

Handelsbanken International			
Average volumes, SEK bn	2009	2008	Change %
<b>Deposits from the public</b>	<b>42.2</b>	<b>28.6</b>	<b>48</b>
<i>of which households</i>	4.1	4.5	-9
<i>companies</i>	38.1	24.1	58
<b>Loans to the public</b>	<b>81.8</b>	<b>67.6</b>	<b>21</b>
<i>of which households</i>	4.0	3.5	14
<i>companies</i>	77.8	64.1	21

# Handelsbanken Capital Markets

Capital Markets is Handelsbanken's investment bank. Its operations comprise equities, fixed income, commodities and foreign exchange trading, structured products, cash management, corporate finance and debt capital markets, as well as macroeconomic and financial research. There were just over 1,000 employees in six countries.

Quarterly performance Capital Markets							
SEK m	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2009	Total 2008	Change %
Net interest income	104	113	103	145	465	584	-20
Net fee and commission income	404	314	380	342	1 440	1 028	40
Net gains/losses on financial items at fair value	481	460	777	1 337	3 055	1 928	58
Other income	-1	-4	-1	9	3	24	-88
<b>Total income</b>	<b>988</b>	<b>883</b>	<b>1 259</b>	<b>1 833</b>	<b>4 963</b>	<b>3 564</b>	<b>39</b>
Staff costs	-464	-442	-521	-422	-1 849	-1 654	12
Other administrative expenses	-182	-114	-142	-129	-567	-581	-2
Internal purchased and sold services	38	25	20	2	85	75	13
Depreciation and amortisation	-8	-8	-7	-8	-31	-34	-9
<b>Total expenses</b>	<b>-616</b>	<b>-539</b>	<b>-650</b>	<b>-557</b>	<b>-2 362</b>	<b>-2 194</b>	<b>8</b>
<b>Profit before loan losses</b>	<b>372</b>	<b>344</b>	<b>609</b>	<b>1 276</b>	<b>2 601</b>	<b>1 370</b>	<b>90</b>
Net loan losses							
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	-	
<b>Operating profit</b>	<b>372</b>	<b>344</b>	<b>609</b>	<b>1 276</b>	<b>2 601</b>	<b>1 370</b>	<b>90</b>
Profit allocation	-402	-173	-174	-102	-851	-550	55
<b>Operating profit after profit allocation</b>	<b>-30</b>	<b>171</b>	<b>435</b>	<b>1 174</b>	<b>1 750</b>	<b>820</b>	<b>113</b>
Internal income	-129	-108	66	1 313	1 142	8 391	-86
C/I ratio, %	62.3	61.0	51.6	30.4	47.6	61.6	
C/I ratio after profit allocation, %	105.1	75.9	59.9	32.2	57.4	72.8	
Assets	289 728	301 560	309 435	694 053	289 728	630 197	-54
Liabilities	285 885	298 293	306 291	690 266	285 885	625 423	-54
Allocated capital	3 843	3 267	3 144	3 787	3 843	4 774	-20
Return on allocated capital, %	-	15.0	41.0	91.3	36.7	13.2	
Average number of employees	1 040	1 047	1 026	1 052	1 041	1 068	-3

## Earnings performance

Operating profit rose by 90 percent to SEK 2,601 million (1,370). The increase in profit was chiefly attributable to improved profits from fixed income and foreign exchange trading, from various financing solutions and from higher fee and commission income.

Income reached a historically high level and increased by 39 percent to SEK 4,963 million (3,564). Net fee and commission income increased by 40 percent to SEK 1,440 million. Given the Bank's stronger position on the bond issue market, this improvement can be attributed to most of the products and services provided by Capital Markets.

Expenses rose by 8 percent to SEK 2,362 million (2,194), mainly due to increased staff costs. The average number of employees was 1,041 (1,068).

## Business development

The stock market position was strengthened and market shares rose. Although the overall turnover on the Nordic stock market fell by 32 percent, the Bank's turnover fell by only 18 percent. Equity-related income was good, but did not quite reach the high levels of previous years.

For the first time, institutional customers rated the Bank as the undisputed No. 1 for Swedish equity trading in Prospera's annual survey. In the US, Great Britain and continental Europe, the Bank was ranked second in Nordic equities according to Greenwich Associates.

As a consequence of the global financial crisis in autumn 2008, the Nordic market for corporate mergers and acquisitions was more than halved while the market for IPOs was virtually non-existent. However, increasing activity in mergers and

acquisitions was noted towards the end of the year, while the interest in new share issues remained healthy throughout the year. The Bank took part in eleven new issues, more than three times as many as in the previous year, including five during the fourth quarter. Danish institutional customers rate the Bank's corporate finance operations in Denmark as No. 1, according to Prospera.

Interest in various funding solutions remained strong. The Bank completed 104 bond issues at an overall value of EUR 10.4 billion, more than twice as much as in 2008. It also completed what is, to date, Sweden's largest corporate bond issue aimed at the private market. The Bank was also the lead manager for nine syndicated loans and Swedish institutional investors ranked the Bank as the capital market's best provider of credit products, according to Prospera.

Activity on the fixed income and currency markets was very high. Large market fluctuations, especially in the first quarter, resulted in an increased need among customers for products to hedge interest and currency rates. In the subsequent quarters, the market, as well as business opportunities, gradually stabilised. The market position was strengthened and electronic trading by customers rose by 46 percent. Service levels have been improved, with 24-hour trading and a broader range of products that includes capital-protected currency-linked bonds and several foreign exchange indices for investment purposes.

The Bank continued to be Sweden's leading commodities trader. The large fluctuations in commodity prices have meant that price hedging has become increasingly important for many companies and the number of corporate customers has risen by 34 percent. The Bank also became a member of the Nordic power exchange Nord Pool and can now offer customers risk management of electricity prices. In the autumn, 14 different commodity indices for investment purposes were launched, tailored for customers in Northern Europe.

The Bank maintained its position as market leader in structured products and was also the largest player in capital-protected investments, with a market share of 25 percent of new sales of listed investments in Sweden. The Bank's turnover on the warrants and certificate markets in Sweden rose by 80 percent. It had a market share of 74 percent in Sweden and 56 percent in the Nordic region. During the year, new product launches included a Bull & Bear certificate, which soon became one of the most heavily traded securities on the Stockholm stock exchange.

The payments and cash management businesses performed well, despite an overall decline in global payment flows due to the economic downturn.

Balance sheet			
Capital Markets 31 December			Change
SEK m	2009	2008	%
Loans to credit institutions	66 273	363 166	-82
Loans to the public	19 772	14 440	37
Interest-bearing securities	47 549	39 618	20
Other assets	156 134	212 973	-27
<b>Total assets</b>	<b>289 728</b>	<b>630 197</b>	<b>-54</b>
Due to credit institutions	59 703	265 202	-77
Deposits and borrowing from the public	25 556	36 977	-31
Issued securities	42 182	101 061	-58
Other liabilities	158 444	222 183	-29
Equity	3 843	4 774	-20
<b>Total liabilities and equity</b>	<b>289 728</b>	<b>630 197</b>	<b>-54</b>

# Handelsbanken Asset Management

This segment comprises Handelsbanken's asset management and Handelsbanken Liv. Asset Management includes fund management, discretionary management and Nordic custody services, and also support to the branch offices regarding private banking, capital investment, portfolio systems and accounting for foundations. Handelsbanken Liv provides asset protection solutions, private pension savings and collectively agreed occupational pensions to private individuals via Handelsbanken's branches.

Quarterly performance Asset management							
SEK m	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2009	Total 2008	Change %
Net interest income	26	27	38	43	134	379	-65
Net fee and commission income	325	249	257	249	1 080	1 087	-1
Net gains/losses on financial items at fair value	-12	58	-138	-175	-267	-116	130
Risk result, insurance	31	47	36	57	171	215	-20
Other income	2	1	5	1	9	28	-68
<b>Total income</b>	<b>372</b>	<b>382</b>	<b>198</b>	<b>175</b>	<b>1 127</b>	<b>1 593</b>	<b>-29</b>
Staff costs	-146	-128	-124	-124	-522	-474	10
Other administrative expenses	-67	-54	-62	-58	-241	-351	-31
Internal purchased and sold services	-38	-36	-35	-50	-159	-186	-15
Depreciation and amortisation	14	-7	-6	-7	-6	-15	-60
<b>Total expenses</b>	<b>-237</b>	<b>-225</b>	<b>-227</b>	<b>-239</b>	<b>-928</b>	<b>-1 026</b>	<b>-10</b>
<b>Profit before loan losses</b>	<b>135</b>	<b>157</b>	<b>-29</b>	<b>-64</b>	<b>199</b>	<b>567</b>	<b>-65</b>
Net loan losses							
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	-	
<b>Operating profit</b>	<b>135</b>	<b>157</b>	<b>-29</b>	<b>-64</b>	<b>199</b>	<b>567</b>	<b>-65</b>
Profit allocation	-74	-39	-29	-58	-200	-234	-15
<b>Operating profit after profit allocation</b>	<b>61</b>	<b>118</b>	<b>-58</b>	<b>-122</b>	<b>-1</b>	<b>333</b>	
Internal income	-190	-198	-151	-143	-682	-746	-9
C/l ratio, %	63.7	58.9	114.6	136.6	82.3	64.4	
C/l ratio after profit allocation, %	79.5	65.6	134.3	204.3	100.1	75.5	
Assets	86 384	81 636	78 667	70 304	86 384	70 711	22
Liabilities	80 123	76 525	73 949	65 367	80 123	66 908	20
Allocated capital	6 261	5 112	4 718	4 937	6 261	3 803	65
Return on allocated capital, %	2.8	6.7	-	-	0.0	6.5	
Average number of employees	519	530	532	542	531	550	-3

## Earnings performance

Operating profit at Handelsbanken Asset Management fell by SEK 368 million to SEK 199 million (567). Handelsbanken Liv's profit fell by SEK 386 million, mainly due to an increase in the capital contribution to SEK 253 million (51), which led to the financial result falling by SEK 284 million.

Asset Management, excluding Handelsbanken Liv, increased its operating profit by SEK 17 million to SEK 170 million (153).

## Business development

Assets managed by Handelsbanken Asset Management rose by 33 percent to SEK 224 billion (169). The total volume of assets under management by the Group was SEK 281 billion (209).

During the year, net new savings in Handelsbanken's mutual funds amounted to SEK 18 billion (-25).

Assets under management in Handelsbanken Liv went up by 26 percent to SEK 68 billion (54), with unit-linked insurance accounting for SEK 31 billion (21) and portfolio bond insurance for SEK 11 billion (6).

Balance sheet			
Asset Management 31 December SEK m	2009	2008	Change %
Loans to credit institutions	15 012	12 298	22
Loans to the public	94	573	-84
Interest-bearing securities	21 209	21 677	-2
Assets where the customer bears the value change risk	42 579	26 909	58
Other assets	7 490	9 254	-19
<b>Total assets</b>	<b>86 384</b>	<b>70 711</b>	<b>22</b>
Due to credit institutions	1 657	2 195	-25
Deposits and borrowing from the public	28 411	29 168	-3
Issued securities			
Liabilities where the customer bears the value change risk	41 939	26 995	55
Insurance liabilities	952	865	10
Other liabilities	7 164	7 685	-7
Equity	6 261	3 803	65
<b>Total liabilities and equity</b>	<b>86 384</b>	<b>70 711</b>	<b>22</b>



**ASSET MANAGEMENT, EXCLUDING HANDELSBANKEN LIV**

Operating profit amounted to SEK 170 million (153). Income fell by 12 percent to SEK 747 million (851), chiefly due to lower net interest income.

The average volume of mutual fund assets under management fell by 7 percent to SEK 127 billion (136).

Excluding the one-off cost in the comparison period in connection with the sale of SPP, expenses decreased by 5 percent to SEK 577 million. This is partly due to a rationalisation of the range of funds on offer and to a lower number of employees. During the year, ten funds were wound down or merged with other funds, while five new funds were started.

**Business development**

At the end of the period, the Bank's mutual fund management company (Handelsbanken Fonder) managed 91 (96) mutual funds, with a total value of SEK 153 billion (105). Of the overall increase in volume of SEK 48 billion, SEK 18 billion was attributable to net inflows and SEK 30 billion to higher market values.

During the autumn, the Bank launched its Convenience range – Stabil 25, Balans 50 and Offensiv 100 – to simplify and clarify the range of funds on offer. The management fee was also reduced in connection with the launch. The Bank's Convenience range of funds was well received by customers and there was a sharp increase in deposits.

During the year, net new savings in Handelsbanken's mutual funds on the Swedish market amounted to SEK 15 billion (-25).

At the end of the year, the Bank managed 14 listed mutual funds (12) under the XACT brand. The assets managed in exchange-traded funds totalled SEK 19 billion (13). Net flows were positive during the year, amounting to SEK 3 billion. XACT funds completely dominated the Swedish market for exchange-traded funds, with a market share of 99.7 percent

The inflow of customers at Private Banking remained positive. During the year, the number of customers rose by 39 percent and assets under management increased by 57 percent.

Discretionary management volumes rose by 16 percent to SEK 88 billion (76). Of the assets under management, SEK 18 billion (12) was invested in Handelsbanken's mutual funds. Total assets under discretionary management in the Group amounted to SEK 110 billion (93).

Asset Management, excluding Handelsbanken Liv			
SEK m	2009	2008	Change %
Net interest income	37	127	-71
Net fee and commission income	705	714	-1
Net gains/losses on financial items at fair value	0	-5	-100
Other income	5	15	-67
<b>Total income</b>	<b>747</b>	<b>851</b>	<b>-12</b>
Staff costs	-363	-342	6
Other administrative expenses	-114	-219	-48
Internal purchased and sold services	-95	-134	-29
Depreciation and amortisation	-5	-3	67
<b>Total expenses</b>	<b>-577</b>	<b>-698</b>	<b>-17</b>
Net loan losses			
<b>Operating profit</b>	<b>170</b>	<b>153</b>	<b>11</b>
Profit allocation	-128	-163	-21
<b>Operating profit after profit allocation</b>	<b>42</b>	<b>-10</b>	
Average number of employees	326	357	-9

**HANDELSBANKEN LIV****Earnings performance**

Operating profit fell to SEK 29 million (415). The weaker figure was mainly due to a lower financial result. An increase of SEK 253 million (51) in the capital contribution to the policyholders was the main reason for the SEK 284 million decline in the financial result.

The administration result, which is the difference between the fees charged on the insurance contracts to cover administration and the company's actual expenses, decreased to SEK 30 million (53).

The risk result, which is the difference between the fees the company charges to cover the insurance risks (mortality, longevity, disability and accident) and the actual cost of these, decreased by SEK 44 million to SEK 171 million (215).

The available solvency margin was SEK 3,274 million. The available solvency margin should be related to the operational solvency margin requirement, which was SEK 1,446 million, giving a solvency ratio of 2.3 (1.3).

**Business development**

During the year, Handelsbanken Liv changed its investment strategy; instead of a common asset portfolio it adapted its investments to take into account the age of the policyholder and the level of the guaranteed rate. As a result, the insurance capital is now managed in several separate sub-groups, each with a separate investment strategy so that the returns yielded are allocated to the policyholders in each of the respective sub-groups. Any yield split for the company is also calculated separately for each portfolio.

New sales increased by 50 percent, with unit-linked and portfolio bond insurance accounting for virtually the entire increase. The net flow rose by 52 percent, all of which concerned unit-linked and portfolio bond insurance. Premiums written were SEK 10.1 billion (8.3). Insurance claims disbursed were SEK 4.8 billion (4.7).

Assets under management in Handelsbanken Liv increased by 26 percent and were SEK 68 billion, with unit-linked insurance accounting for SEK 31 billion (21) and portfolio bond insurance accounting for SEK 11 billion (6).

Handelsbanken Liv no longer offers insurance policies with a guaranteed rate. The demand for this type of product has been low. Customers are being offered to switch – at no charge – from a traditional policy with a guaranteed rate to unit-linked insurance.

Handelsbanken Liv, results and key figures		
SEK m	2009	2008
Administration result	30	53
Risk result	171	215
Financial result	-286	-2
Other	114	149
<b>Operating profit</b>	<b>29</b>	<b>415</b>
Assets managed, SEK bn, end of period	68	54
<i>of which unit-linked</i>	31	21
<i>of which portfolio bond insurance</i>	11	6
Solvency ratio, end of period	2.3	1.3

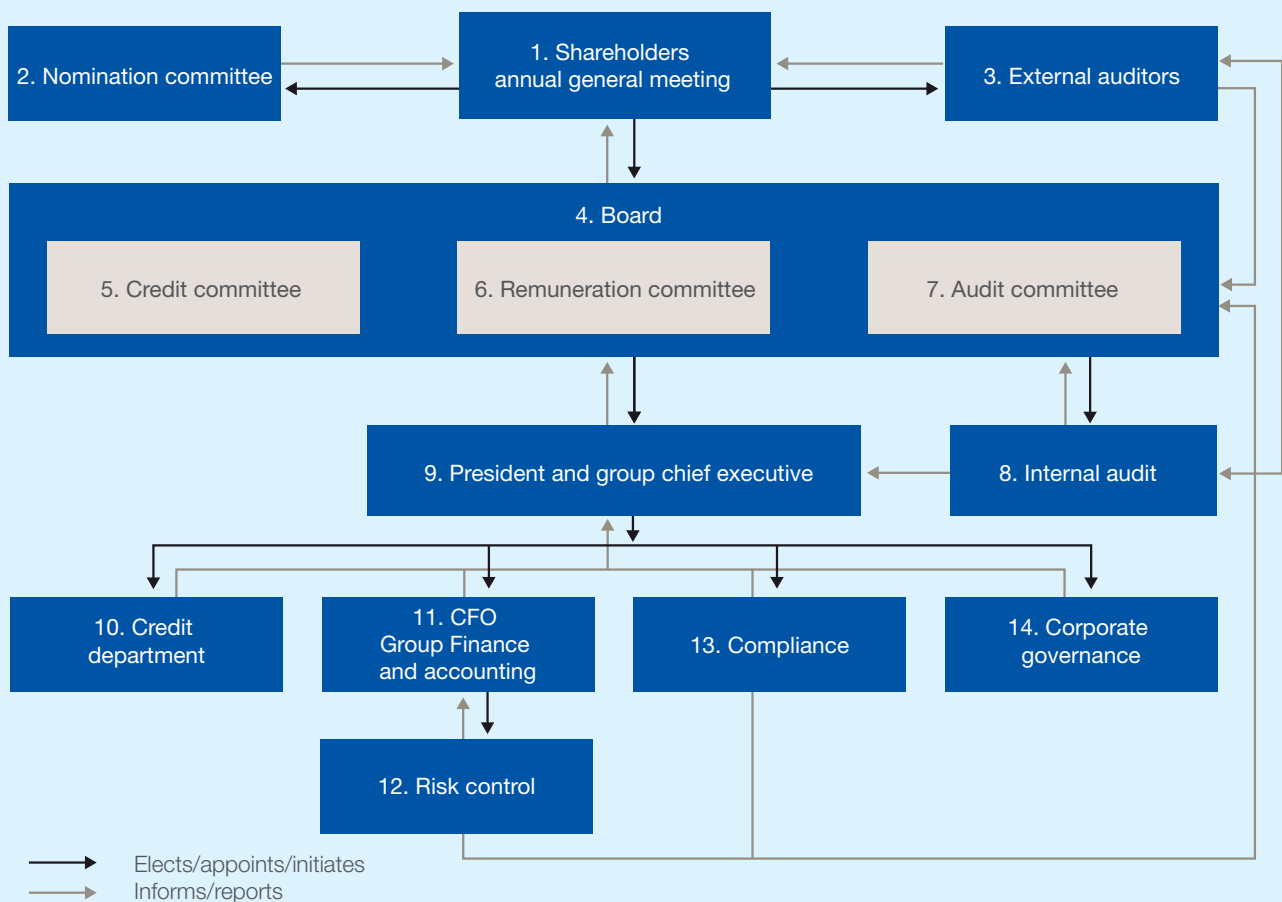
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# Corporate governance report 2009

Handelsbanken's shareholders are ultimately responsible for making decisions about the Bank's governance. At the annual general meeting (AGM), the shareholders appoint the board, the chairman of the board and auditors. The board is responsible to the owners for the Bank's organisation and management of the Bank's affairs. The auditors report to the AGM on their findings. The diagram below provides a summary of how governance and control are organised at Handelsbanken.

## Structure for corporate governance – an overview



### 1. SHAREHOLDERS AND ANNUAL GENERAL MEETING

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

### 2. NOMINATION COMMITTEE

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

board and fees to 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 appointment of the auditors and fees to them.

### 3. AUDITORS

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

#### 4. THE BOARD

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

#### 5. CREDIT COMMITTEE

The credit committee decides on credit cases where the amount exceeds the decision limit applying to the regional bank boards and to the board of Handelsbanken International. Cases of major importance can be 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 financial companies. The committee's tasks include preparing the board's proposals to the AGM concerning guidelines for remuneration to senior management and the board's decisions on these conditions for the group chief executive and the head of internal auditing. 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 the Group's internal control, internal auditing and risk management systems as well as the external auditors' impartiality and independence. It evaluates the auditing 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

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

#### 9. PRESIDENT AND GROUP CHIEF EXECUTIVE

The group chief executive is appointed by the board to lead the operations of the Handelsbanken Group. In addition to instructions from the board, the group chief executive is obliged to comply with the provisions of the Swedish

Companies Act and a number of other statutes concerning the Bank's accounting, management of funds and operational control. The Bank's highly decentralised organisation means that the group chief executive works very close to the line organisation through the senior management group.

#### 10. CENTRAL CREDIT DEPARTMENT

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

#### 11. GROUP FINANCE

Group Finance is responsible for normal functions such as control systems, reporting, control, book-keeping and accounting. It is also responsible for the Group's liquidity, funding and capital and for the Group's overall risk management for all risks except credit risk. For a detailed description of this risk management, see note G2 on pages 75–88. The head of this department, the CFO, also has main responsibility for the independent risk control (section 12 below) and reports on all the Group's risk, including credit risks at aggregate level to the group chief executive, the board's audit committee and the board.

#### 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. The task of risk control is to identify, measure and monitor the Group's risks, to inform the board and bank management about these risks and to analyse development of the risks. The management of the individual risks is, however, the task of the operating unit that is responsible for the customer or counterparty (account manager) or responsible for conducting a certain transaction (business manager). The head of risk control reports to the CFO. In addition, the head of risk control makes regular reports of his observations to the group chief executive.

#### 13. COMPLIANCE

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

#### 14. CORPORATE GOVERNANCE

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

### CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken is a Swedish public limited company, listed on the OMX Nordic Exchange Stockholm AB. Handelsbanken complies with the Swedish Code of Corporate Governance, applicable as from 1 July 2008. The Bank does not deviate from the code. The code states that the aim of good corporate governance is “a question of ensuring that companies are run as efficiently as possible on behalf of their shareholders”. Corporate governance is sometimes defined more broadly, for example in the OECD’s Principles of Corporate Governance and the Basel Committee’s document Enhancing corporate governance for banking organisations. This defines corporate governance as “a set of relationships between a company’s management, its board, its shareholders, and other stakeholders...”. For a bank it is obvious that stakeholders include customers in general, but particularly deposit customers, bond investors and supervisory authorities, on whose confidence the Bank is dependent.

The Bank’s corporate governance report is, however, based on a shareholder perspective. A central part of the governance comprises managing the risks that arise in operations. Risk management is described separately in a detailed section on risks, in note G2 on pages 75–88.

An addition to the Annual Accounts Act stipulates that, for 2010 at the latest, listed companies must submit a corporate governance report, which must have been examined by the company’s auditors. Handelsbanken has opted to make the corporate governance report part of the statutory annual report and thus be subject to the auditors’ examination.

In this text, “Bank” means the whole of the Handelsbanken Group, unless the context demands that a distinction is made between the parent company and subsidiaries.

The operations of Swedish banks are regulated by law, and banking operations may only be run with a licence from the Swedish Financial Supervisory Authority. The regulations for banking operations are very extensive, but 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. In countries where the Bank’s operations are in the form of a subsidiary, the host country’s authorities exercise supervision. As a result of the financial crisis, the supervisory authorities in Sweden, Denmark, Finland, Norway and Great Britain work together in a supervisory group for Handelsbanken, led by the Swedish Financial Supervisory Authority.

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

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

The current 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. However, a number of measures were taken to handle the major disruptions that occurred on the financial markets.

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

### READ MORE ON OUR WEBSITE

More information about Handelsbanken’s corporate governance is available at [www.handelsbanken.com](http://www.handelsbanken.com). 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 annual general meetings from 2004 onwards



## SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

### Rights of shareholders

Handelsbanken has more than 100,000 shareholders and they exercise their right to decide on matters related to the company at the annual general meeting of shareholders (AGM) or extraordinary meetings of shareholders. Handelsbanken has two classes of shares: class A and class B. Class A shares are by far the most common and represent 98.1 percent of all outstanding shares. Class A shares each carry one vote and class B shares carry one-tenth of a vote each. Handelsbanken's articles of association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than ten percent 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 that the matter can be included in the notice of the meeting. The Bank's website contains information as to when this request must have reached the board.

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

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

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

Information in Swedish in preparation for AGMs, as well as minutes of past meetings, can be viewed on the Bank's website at [www.handelsbanken.se](http://www.handelsbanken.se). Notice of AGMs, proposals for the meetings and minutes of the meetings are translated into English and are available on the website at [www.handelsbanken.com](http://www.handelsbanken.com).

### Major shareholders

Two shareholders have more than 10 percent of the votes: the Oktogonen Foundation, with 10.7 percent and AB Industrivärden with 10.3 percent. Detailed information on the Bank's largest shareholders can be found on page 53.

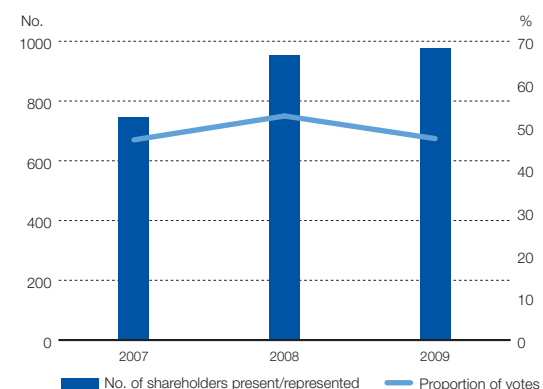
### Annual general meeting 2009

The annual general meeting took place on 29 April 2009, and was attended by more than 970 shareholders and representatives. Those present represented 47.2 percent of all the votes in the Bank. All board members were present, apart from Jon Fredrik Baksaas and Göran Ennerfelt. The auditors elected by the AGM also participated. The chairman of the meeting was Mr Sven Unger, a lawyer from the law firm Mannheimer Swartling Advokatbyrå.

The decisions made by the shareholders at the meeting included:

- dividend payment of SEK 7.00 per share, totalling SEK 4,364 million
- that the board is to consist of twelve members
- re-election of all board members for the period until the next AGM apart from Pirkko Alitalo and Sigrun Hjelmquist who both declined re-election
- electing Jan Johansson and Lone Fonss Schroeder as new members
- re-electing Hans Larsson as chairman of the board
- unchanged fees to the board members.

Attendance at AGMs



Jan Johansson is president of Svenska Cellulosa AB SCA and Lone Fonss Schroeder is president of Wallenius Lines AB.

The shareholders at the meeting also adopted the following guidelines for remuneration to the senior managers, group chief executive and executive vice presidents as proposed by the board:

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

#### Nomination committee

The shareholders at the 2009 AGM resolved to establish instructions for how the nomination committee is to be appointed. These instructions included 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 2009. However, the nomination committee must not include representatives of companies which are significant competitors of the Bank in any of its main areas of operations. It is the task of the board chairman to contact the largest owners so that they appoint one representative each to sit on the nomination committee together with the chairman. This has taken place and the 2010 nomination committee consists of:

Composition of nomination committee and voting representation		
Representative	Owner	Voting power in % as at 31 Aug 2009
Henrik Forssén	Oktogonen Foundation	10.7
Carl-Olof By, chairman	Industrivärden	10.3
Bo Selling	Alecta	3.7
Lars Öhrstedt	AFA Försäkring	2.6
Hans Larsson, chairman of the board		

All board members are independent of the Bank, its management and the largest shareholder in terms of votes – with the exception of Henrik Forssén who is an employee of Handelsbanken and a board member of the Oktogonen Foundation. Information on the composition of the nomination committee has been available on the Bank's website since 16 October 2009.

In advance of the AGM on 29 April 2010, the nomination committee has the task of evaluating the board's work. The committee also submits proposals for the election of a chairman of the AGM, the board chairman and other members of the board, the fees to the board chairman and other board members, remuneration for committee work and fees to auditors.

The nomination committee aims to achieve equal gender distribution among board members. In conjunction with two women on the board declining re-election at the 2009 AGM, the nomination committee proposed election of one man and one woman as new board members. The proportion of women on the board of the Bank is 25 percent.

#### 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 the Federation of Swedish Farmers (LRF). Mr Holmström was born in 1949.

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

## THE BOARD

After the shareholders at the AGM had appointed Hans Larsson to be board chairman, Anders Nyrén and Fredrik Lundberg were appointed as vice chairmen at the subsequent first board meeting. At the same time, the board appointed members of the credit committee, audit committee and remuneration committee. Information about the board is shown on pages 50–51.

### Composition of the board

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

The board members have broad and extensive experience from the business world and 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 listing requirements for the Stockholm stock exchange and the Swedish Code of Corporate Governance contain stipulations on the independence of members in relation to the Bank, the Bank's management and owners of more than ten percent of the shares and votes in the Bank. The nomination committee makes an overall assessment of each board member's independence in relation to the Bank, the Bank's management and major shareholders. As shown in the following table, all nine external members are independent of the Bank and its management. Of these nine members, six are also independent of major shareholders. Three members are dependent in relation to the Bank, one of whom, Pär Boman, works in the Bank's management.

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

### Regulations governing the board's work

The fundamental issues regarding the distribution of expertise shared among the board, the board committees, the chairman, the group chief executive and the internal auditing department are manifested in the board's work regulations and instructions to the group chief executive and to the head of internal auditing.

### Chairman of the board

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

### Committee work

#### Credit committee

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

The credit committee normally holds one meeting every month to decide on credit cases that are above a set limit level and that are not decided on by the whole board due to the major importance of these cases. The head of the central credit department presents all cases to the group chief executive before they are submitted for a decision. The heads of the regional banks and the head of Handelsbanken International present cases from their own units and participate as an audience for other cases, 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 credits. If a delay in the credit decision would cause inconvenience to the Bank or the borrower, the credit instructions allow the group chief executive and the head of the central credit department to decide on credit cases during the interval between meetings.

The credit committee had eleven meetings during the year.

**Audit committee**

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

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

The audit committee had five meetings during the year.

**Remuneration committee**

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

The remuneration committee comprised the board chairman (Hans Larsson) and two board members appointed by the board (Bente Rathe and Göran Ennerfelt). All the members are independent of the Bank, its management and major shareholders.

After the shareholders at the AGM have decided on guidelines for the terms and conditions of remuneration to senior management, the board decides on salary for the group chief executive and the head of internal auditing, and on salary frameworks for the executive vice presidents. The committee then makes a decision on the group chief executive's proposal for annual adjustment of the executive vice presidents' salaries.

In the future, remuneration to senior management will be decided on by the board.

The remuneration committee had five meetings during the year.

**The board's work in 2009**

The board had eleven ordinary meetings, including a two-day strategy meeting.

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

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

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

Regular subjects at board meetings during the year included the Bank's liquidity, financial and capital situation, as described on page 3 of the group chief executive's comments.

**PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN**

**The Bank's goal and strategy**

The Bank's overall goal is to have a higher return on equity than a weighted average of comparable listed Nordic and British banks. This is to be achieved by having the most satisfied customers and by being more cost-effective than peer banks.

The foundation of Handelsbanken's way of running banking operations is that the branch is the Bank. The Bank has applied this basic concept consistently for several decades. The Bank has a decentralised working model, involving strong trust in our employees' will and ability to take responsibility. Since the basic organisational model has remained unchanged for a long time, the Bank has a very strong corporate culture, which is manifested in an internal document called Our Way. This document describes the Bank's goals, ideas and way of working and is read and discussed by all employees of the Bank.

The salary and pension system, combined with the Oktogonen profit-sharing scheme, 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, manifested in, for example, the ambition of always giving the customer the best possible advice – without looking at what is most profitable for the Bank in the short term. Customers should never have reason to suspect that the Bank's actions are steered by its employees receiving

commission on a certain product. Employees thereby also feel a sense of security in that they can always offer a customer the Bank's best advice without affecting their remuneration. This enables the Bank to build long-term relationships with both customers and employees.

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

**Policy documents**

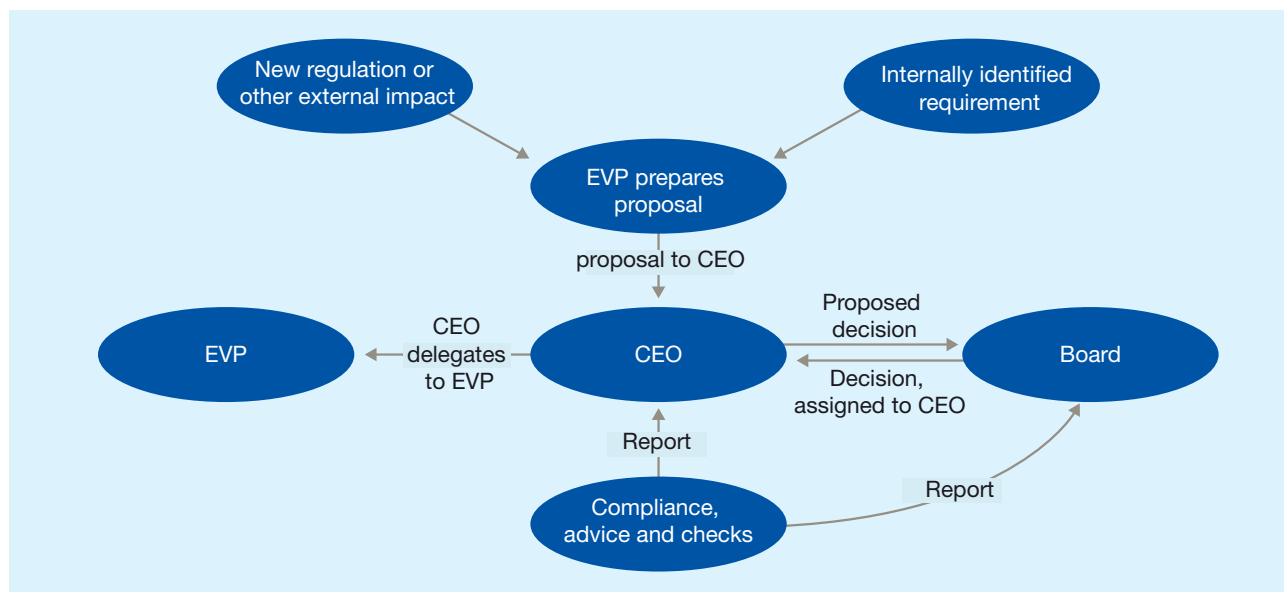
*Credit policy*

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

*Operational risks*

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

**Production and monitoring of corporate governance documents**



**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 page 87 of the risk section) 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 imply 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 board stipulates the measurement methods and limits for financial risks and instructs the group chief executive to organise an independent risk control function with adequate resources for appropriate monitoring of financial risks.

**Information policy**

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

**Ethical guidelines**

Employees of the Bank must conduct themselves in a manner that upholds confidence in the Bank. All operations at the Bank must be characterised by high ethical standards. Customers must be treated with respect and the financial advice given must be based on the customer's requirements. Conflicts of interest must be identified and handled according to internal and external regulations, such as those on banking confidentiality and investment advice. In case of doubt as to what is ethically acceptable, the matter must be discussed with the employee's immediate superior.

**Policy for internal auditing**

Internal auditing 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 other assignments than auditing and related assignments is subject to special review and reporting to the audit committee.

**Policy for compliance**

Compliance refers to the observance of laws, regulations and internal rules as well as accepted business practices or accepted standards related to the operations that are subject to a license. This means that the Bank must comply with the Swedish Financial Supervisory Authority's guidelines and industry codes, such as the Swedish Code of Corporate Governance, which is considered to represent sound practices. The compliance function must inform the board and group chief executive on the Bank's compliance. See also page 48.

**Policy for agreements relating to the engagement of third parties**

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

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

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

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

**Remuneration policy**

In Sweden the Bank is a 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. Remuneration



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. Salaries are based on well-known salary-setting factors such as the nature and level of difficulty of the work, skills, performance and results achieved. In Sweden pension is paid as per collective agreements under a defined benefit plan, which means that a pension amounting to a certain percentage of final salary is paid during the employee's remaining lifetime. In other countries, both defined contribution and defined benefit pension plans apply.

Exceptions from the fixed salary principle are only permitted by decision of the group chief executive and on terms stipulated by the board, which are adapted to the Swedish Financial Supervisory Authority's regulations as of 1 January 2010. Employees who are involved in credit decisions, decisions on other types of risk limits or employees in the Bank's control functions must not be paid variable compensation.

For information on remuneration to senior management, see the section below on the Bank's management and note G8 on page 91.

## THE BANK'S MANAGEMENT

### Group chief executive

Pär Boman has been president and group chief executive since April 2006. Mr Boman was born in 1961 and has worked at Handelsbanken since 1991. Before joining the Bank's management in 1998, he held positions at Regional Bank Eastern Sweden as a controller and credit specialist and as a branch manager in Norrköping. 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. He is board chairman of the Swedish Bankers' Association and board member of the European Financial Reporting Advisory Group (EFRAG), but has no other assignments outside the Bank. His shareholdings in the Bank and those of close relatives are 5,427, of which 3,927 are held indirectly via the Oktogonen profit-sharing foundation. In addition, Mr Boman has subscribed for staff convertible notes for a nominal amount of SEK 5 million at a conversion price of SEK 187.56 per share, corresponding to 26,507 shares.

### Group management and Group management structure

Handelsbanken has a decentralised way of working, in which virtually all material business decisions are taken at the branches, close to the customers. This also means that the Bank has a very flat organisational structure. There is only one level between branch manager and group chief executive: the head of the regional bank. This leads to short, efficient and clear decision paths.

The demands for efficient, clear and unequivocal decision paths have been accentuated by the dramatic expansion of recent years. In order to maintain and strengthen the decentralised model, Handelsbanken's Group management is organised into four distinct groupings: the central Bank management, heads of central departments, heads of business areas and heads of regional banks.

The heads of business areas and heads of regional banks have profit responsibility and the Bank's income is generated in these two groupings. There are eleven regional banks, six of which are in Sweden, two in Great Britain and one each in Denmark, Finland and Norway. The Bank regards these countries as its domestic markets. All regional banks are organised in a similar way, and in all regional banks – irrespective of country – the branch has customer responsibility.

The business areas in the Bank are Handelsbanken Capital Markets, Handelsbanken Asset Management, Handelsbanken International, Handelsbanken Finans and Stadshypotek. Capital Markets is the Bank's full-range investment bank. Asset Management includes the life insurance company Handelsbanken Liv. Handelsbanken International is responsible for the Bank's operations outside its domestic markets. Handelsbanken Finans offers a full range of financial company services and Stadshypotek is the Bank's mortgage company. The business areas' generation of income takes place via the branches and, to a more limited extent, through direct contact with the end customer – always on behalf of the branch. The business areas are responsible for all products in their respective areas – Capital Markets for corporate products and Handelsbanken Finans for most products for private customers.

The central bank management and central departments represent different parts of the Bank's head office functions such as the departments for treasury, control and accounting, credits, personnel, legal matters, and corporate communications. Senior management meets regularly, both all together and in different groups.

Details about senior management are presented on page 52.

### Remuneration to senior management

The AGM decides on guidelines for remuneration to the Bank's group chief executive and executive vice presidents. The board decides on remuneration to the group chief executive and the head of the Bank's internal auditing department and sets frameworks for remuneration to the executive vice presidents. The group chief executive decides on individual remuneration to the executive vice presidents.\*

\* As of 1 January 2010, in accordance with the Swedish Financial Supervisory Authority's regulations, the board is to decide on compensation to senior management at the Bank.

The terms and conditions of remuneration for the group chief executive, head of the credit department and other executive vice presidents are stated in more detail in note G8 on page 91.

As already stated, defined benefit pension conditions apply, payable as a certain proportion of final salary. For the group chief executive, Pär Boman whose contractual retirement age is 58, this means that his retirement pension is 65 percent of his salary immediately before the retirement date, provided that he remains in this position until that date.

As at 31 December 2009 his accrued pension right was 27 percent of his 2009 salary. For executive vice presidents, a retirement pension of 65 percent is paid between the ages of 60 and 64, and from the age of 65, their retirement pension is 10 percent of the annual salary up to 7.5 price base amounts. They also receive a pension under the general national insurance scheme. A retirement pension of 65 percent is paid on the portion of the salary exceeding 7.5 price base amounts.

#### **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 responsibility to branch managers and department managers, who are in charge of internal control at each branch or department. The responsibility means that appropriate instructions and procedures for the operation must be in place and compliance with these procedures must be monitored regularly. Thus, the responsibility for internal control and compliance is an integral part of managers' responsibility at all levels in the Bank.

The Bank has a long tradition of internal auditing. Long before external requirements on internal auditing were introduced, the Bank's management had an internal auditing function at its disposal that is independent of the line organisation. The current organisation with a central internal auditing department and regional auditing units has been very effective in the past twenty years. There are now requirements from external authorities for an internal auditing function, and the head of auditing is appointed by the board and reports to the group chief executive and the board. The internal auditing function has thus become the board's controlling body. The elected organisation and long tradition give the internal auditing function the authority and integrity required to enable the AGM-elected auditors in their close cooperation with the internal auditing function to trust in measures and data from the latter. The compliance and risk control functions are, however, the Bank management's control body for compliance and risk control.

#### **Internal auditing**

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

#### **Compliance**

Compliance is the responsibility of all employees in the Group. Setting up compliance functions centrally, within regional banks and in each main department and country where the Bank has operations, does not release any employee from the responsibility of following the external and internal rules applying to the operations. However, the regulations are often complex and in some cases the individual employee may have limited experience. It is thus vital that guidance is available to avoid mistakes. The compliance function must ensure that laws, regulations and internal rules, as well as accepted business practices or norms, are complied with in the operations conducted by the Handelsbanken Group that are subject to a licence. The function must also assist in drawing up internal rules and provide information about new and amended rules for the operation. The compliance function must actively check compliance with regulations. The head of the compliance function also heads the Bank's central legal department and reports directly to the group chief executive. As head of the compliance function, he reports directly to the board's audit committee at least twice a year concerning compliance in the Group.

The legal department is often involved in daily business operations. To highlight the independence of the compliance function, there is a separate compliance function under the head of the central legal department – parallel to the normal legal function.

#### **Risk control**

The risk control function is briefly described in the overview of the Bank's governance structure on pages 38–39. Note G2 on pages 75–88 includes a more detailed description.

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

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

### Control environment

The control environment described above in this corporate governance report is fundamental to Handelsbanken's internal control of financial reporting. The control environment comprises the organisational structure, division of responsibility, guidelines and policy 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 75–88.

### Control activities

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

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

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

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

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

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

As part of the quality control work for financial reporting, the board has set up an audit committee consisting of the chairman of the board and two board members. The committee processes crucial accounting matters and the financial reports produced by the Bank. The committee also supervises the efficiency of the internal control, internal auditing and risk management systems for financial reporting. See the section under the 'Committee work' heading on page 43 for more details.

### Information and communication

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

### Monitoring

The internal auditing department, central risk control department and the accounting and control departments follow up compliance with internal policies, instructions and other policy documents. Follow-up takes place at central level, but also locally in regional banks, subsidiaries and business areas. The instructions that the board has established for internal auditing state that internal control of financial reporting must be examined. The internal auditing function is described in more detail on page 48. The Group's information and communication paths are followed up continually to ensure that they are appropriate for the financial reporting.

# The board



Name	Hans Larsson, chairman of the board	Anders Nyren, vice chairman	Fredrik Lundberg, vice chairman	Jon Fredrik Baksaas, board member	Ulrika Boethius, board member	Pär Boman, board member
Position	Director	President and CEO of AB Industrivärden	President and CEO of L E Lundbergföretagen	President and CEO of Telenor ASA	Bank employee	President and group chief executive of Handelsbanken
Education	BA	Graduate in Business Administration and MBA	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Business Administration and MBA	Sciences Upper Secondary School	Engineering and Business/Economics degree
Year elected	1990	2001	2002	2003	2004	2006
Year of birth	1942	1954	1951	1954	1961	1961
Nationality	Swedish	Swedish	Swedish	Norwegian	Swedish	Swedish
Other assignments	Chairman of Nobia AB, Attendo AB, Valeco Partners Fund 1 AB. Board member Holmen AB.	Vice chairman of Sandvik AB. Board member Telefonaktiebolaget L M Ericsson, Ernströmgruppen AB, AB Industrivärden, Svenska Cellulosa AB SCA, SSAB, AB Volvo. Chairman of Swedish Association of Listed Companies, Association for Sound Practices in the Securities Market.	Chairman of Holmen AB, Cardo AB, Hufvudstaden AB. Vice chairman of NCC AB. Board member L E Lundbergföretagen AB, AB Industrivärden, Sandvik AB.	Det norske Veritas (council), Doorstep AS, GSMA.	Vice chair Swedish Union of Financial Sector Employees.	Chairman of the Swedish Bankers' Association. Member of the European Financial Reporting Advisory Group (EFRAG).
Background	1992–1999 President Nordstjernan AB. 1989–1991 President Esselte AB. 1985–1989 President Swedish Match AB. Chairman of the boards of, among others, NCC AB, Linjebuss AB, Bilspedition/BTL AB, Althin Medical AB, Carema AB, Sydsvenska Kemi AB.	1997–2001 Deputy CEO, CFO Skanska. 1996–1997 Dir Markets and Corporate Finance Nordbanken. 1992–1996 Deputy CEO, CFO Securum. 1987–1992 CEO OM International AB. 1986–1987 CEO STC Venture AB. 1982–1987 Deputy CEO, CFO STC. 1979–1982 Director AB Wilhelm Becker.	Active in Lundbergs since 1977. Group chief executive L E Lundbergföretagen AB since 1981.	1994–2002 CFO, Executive VP/Senior Executive VP Telenor ASA. 1997–1998 Managing Director Telenor Bedrift AS. 1989–1994 CFO/CEO TBK AS. 1988–1989 Chief Finance Director Aker AS. 1985–1988 Chief Finance Director. Stolt Nielsen Seaway AS. 1979–1985 System consultant/Controller/Contract Co-ordinator Det Norske Veritas.	Employed by Handelsbanken since 1981. Chair of union club, Handelsbanken 1997–2004.	2002–2005 EVP, Head of Handelsbanken Markets. 1998–2002 EVP, Head of Regional Bank Denmark, Handelsbanken. Employed by Handelsbanken since 1991.
Remuneration	SEK 2,825,000	SEK 925,000	SEK 925,000	SEK 700 000	SEK 0	SEK 0
Credit committee Attendance	Chairman 11/11	Member 11/11	Member 10/11	Member 4/7	-	Member 11/11
Audit committee Attendance	Member 5/5	-	-	-	-	-
Remuneration committee Attendance	Chairman 5/5	-	-	-	-	-
Board meetings Attendance	10/10	10/10	9/10	7/10	9/10	10/10
Own shareholdings and those of immediate family	18,600	2,000	2,425,000	0	3,888, of which indirect holdings 3,888*, staff convertible notional amount SEK 226,000.	5,427, of which indirect holdings 3,927*, staff convertible notional amount SEK 5,000,000.
Dependent/independent	Independent of the Bank, its management and major shareholders.	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 (employee).

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



Name	Tommy Bylund, board member	Göran Ennerfelt, board member	Lone Fonss Schroeder, board member	Jan Johansson, board member	Sverker Martin-Löf, board member	Bente Rathe, board member
Position	Bank Vice President	President of Axel Johnson Gruppen AB	President of Wallenius Lines AB	President and CEO of Svenska Cellulosa AB SCA	Director	Director
Education	Upper Secondary School	BA and Graduate in Business Administration	Graduate in Business Administration and Bachelor of Laws	Bachelor of Laws	Lic. Tech, PhD (h.c.)	Graduate in Business Administration and MBA
Year elected	2000	1985	2009	2009	2002	2004
Year of birth	1959	1940	1960	1954	1943	1954
Nationality	Swedish	Swedish	Danish	Swedish	Swedish	Norwegian
Other assignments	Chairman of the Oktogonen foundation. Member of Ljusdal Municipality's business policy foundation, Näråjus.	-	Board member Vattenfall audit committee), Yara ASA (audit committee), Bioneer A/S, Aker ASA (audit committee, WWL A/S, NKT A/S	-	Chairman of Svenska Cellulosa AB SCA, Skanska AB, SSAB. Vice chairman of Telefonaktiebolaget LM Ericsson, AB Industrivärden and Confederation of Swedish Enterprise.	Vice chair Norsk Hydro ASA. Board member Choice Hotels-Scandinavia AS, Home Invest AS, Powel AS. Chair Ecoch AS. Board member Norwegian Government Financial Crisis Commission.
Background	Employed by Handelsbanken since 1980. Branch manager at Handelsbanken since 1992.	Since 1966 has had various assignments and positions within the Axel Johnson Group except for a period at Wells Fargo, San Francisco, USA 1971-1972.	2006- President Walleniusrederierna AB. 1982-2004 Leading managerial positions within AP Møller/Maersk A/S.	2001-2007 President and CEO, Boliden AB. 2001 Head of network operations, Telia AB. 1994-2001 Deputy CEO Vattenfall. 1990-1994 Head of business area at Svenska Shell. 1985-1990 Corporate lawyer at Shell. 1984-1985 Trainee lawyer. 1981-1983 District court clerk.	1977-2002 Active at Svenska Cellulosa AB SCA in various management positions.	1999-2002 Deputy CEO Gjensidige NOR (CEO of life insurance company, chair of Mutual Fund and Asset Management company). 1996-1999 CEO Gjensidige Bank AS. 1993-1996 CEO Elcon Finans AS. 1991-1993 Deputy CEO Forenede Forsikring. 1989-1991 CFO Forenede Forsikring. 1977-1989 Head of credits and CFO E.A. Smith AS.
Remuneration	SEK 0	SEK 800,000	SEK 575,000	SEK 450,000	SEK 875,000	SEK 550,000
Credit committee Attendance	Member 11/11	Member 6/7	-	-	Member 11/11	Deputy 3/3
Audit committee Attendance	-	-	Member 2/2	-	Chairman 5/5	Member 2/3
Remuneration committee Attendance	-	Member 4/4	-	-	-	Member 4/4
Board meetings Attendance	10/10	9/10	6/7	6/7	10/10	10/10
Own shareholdings and those of immediate family	15,274, of which indirect holdings 14,330*, staff convertible notional amount SEK 909,000.	65,000	0	0	4,000	1,330
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, its management and major shareholders.	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank, its management and major shareholders.



# Senior management

## CENTRAL BANK MANAGEMENT

**Pär Boman**, President and group chief executive.

Year of birth 1961. Employed: 1991. Shareholding: 5,427, of which 3,927 in indirect holdings\*. Staff convertible with notional amount: 5,000,000.

**Katarina Berner Frösödal**, Senior vice president, Head of Infrastructure.

Year of birth 1956. Employed: 1979. Shareholding: 15,543, of which 15,543 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Björn Börjesson**, Executive vice president, responsible for contacts with financial sector and authorities and internal corporate governance.

Year of birth 1951. Employed: 1981. Shareholding: 13,063, of which 13,063 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Anders H Johansson**, Executive vice president, Head of IT Department.

Year of birth 1955. Employed: 1999. Shareholding: 1,095, of which 1,095 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Olle Lindstrand**, Executive vice president, Head of Credit Department.

Year of birth 1949. Employed: 1985. Shareholding: 8,721, of which 8,721 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Anna Ramberg**, Executive vice president, Head of Personnel Department.

Year of birth 1952. Employed: 1971. Shareholding: 32,576, of which 31,667 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Ulf Riese**, Executive vice president, CFO, Head of Group Finance, Investor relations. Year of birth 1959. Employed: 1983. Shareholding: 29,701, of which 11,044 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Håkan Sandberg**, Executive vice president, chairman of subsidiaries.

Year of birth 1948. Employed: 1969. Shareholding: 14,983, of which 14,474 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**M Johan Widerberg**, Executive vice president, chairman, international markets. Year of birth 1949. Employed: 1972. Shareholding: 32,459, of which 29,759 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

## HEADS OF REGIONAL BANKS

**Anders Bouvin**, Executive vice president, Head of Regional Bank Northern Great Britain. Year of birth 1958. Employed: 1985. Shareholding: 10,198, of which 8,698 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Henrik Carlstedt**, Executive vice president, Head of Regional Bank Finland. Year of birth 1947. Employed: 1995. Shareholding: 2,756, of which 1,756 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Michael Green**, Executive vice president, Head of Regional Bank Western Sweden. Year of birth 1966. Employed: 1994. Shareholding: 2,390, of which 2,390 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Rainer Lawniczak**, Executive vice president, Head of Regional Bank Central Sweden. Year of birth 1958. Employed: 1982. Shareholding: 12,140, of which 12,140 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Thommy Mossinger**, Executive vice president, Head of Regional Bank Stockholm. Year of birth 1951. Employed: 1982. Shareholding: 12,094, of which 12,094 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Anders Ohlner**, Executive vice president, Head of Regional Bank Southern Sweden. Year of birth 1955. Employed: 1985. Shareholding: 7,621, of which 7,121 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Göran Stille**, Executive vice president, Head of Regional Bank Northern

Sweden. Year of birth 1966. Employed: 1987. Shareholding: 1,499, of which 1,499 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Dag Tjernsmo**, Executive vice president, Head of Regional Bank Norway.

Year of birth 1962. Employed: 1988. Shareholding: 2,096, of which 2,096 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Magnus Uggla**, Executive vice president, Head of Regional Bank Southern

Great Britain. Year of birth 1952. Employed: 1983. Shareholding: 40,915, of which 10,915 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Frank Vang-Jensen**, Executive vice president, Head of Regional Bank

Denmark. Year of birth 1967. Employed: 1998. Shareholding: 1,232, of which 1,232 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Carina Åkerström**, Executive vice president, Head of Regional Bank Eastern

Sweden. Year of birth 1962. Employed: 1986. Shareholding: 4,478, of which 4,478 in indirect holdings\*. Staff convertible with notional amount: 1,133,000.

## HEADS OF BUSINESS AREAS

**Per Beckman**, Executive vice president, head of Handelsbanken Capital

Markets. Year of birth 1962. Employed: 1993. Shareholding: 1,499, of which 1,499 in indirect holdings\*. Staff convertible with notional amount: 2,266,000

**Yonnie Bergqvist**, Chief executive of Handelsbanken Finans. Year of birth

1961. Employed: 1979. Shareholding: 13,561, of which 13,424 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Petri Hatakka**, Executive vice president, Head of Handelsbanken

International. Year of birth 1962. Employed: 1990. Shareholding: 1,592, of which 1,592 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Lars Kahnlund**, Chief executive of Stadshypotek. Year of birth 1954.

Employed: 1975. Shareholding: 24,423, of which 24,423 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Claes Norlén**, Executive vice president, Head of Handelsbanken Asset

Management. Year of birth 1955. Employed: 1978. Shareholding: 18,496, of which 17,996 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

## HEADS OF CENTRAL DEPARTMENTS

**Jan Häggström**, Senior vice president, Head of Economic Research

Year of birth 1949. Employed: 1988. Shareholding: 5,126, of which 5,126 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Ulf Köping Höggård**, Senior vice president, Head of Legal Department.

Year of birth 1949. Employed: 1990. Shareholding: 4,255, of which 4,255 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

**Lena Thörnell**, Senior vice president, Head of Corporate Communications.

Year of birth 1956. Employed: 2007. Shareholding: 0. Staff convertible with notional amount: 2,266,000.

**Janita Thörner-Lehmark**, Senior vice president, Head of Administration.

Year of birth 1949. Employed: 1969. Shareholding: 32,495, of which 31,795 in indirect holdings\*. Staff convertible with notional amount: 2,266,000.

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

# The Handelsbanken share and shareholders

In 2009, the Handelsbanken share achieved a total return of 68 percent. The Handelsbanken share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the exchange

The Handelsbanken share is listed on NASDAQ OMX, the Stockholm stock exchange. The share capital was SEK 2,899 million divided over 623.5 million shares. Each share thus represented SEK 4.65 of the share capital.

There are two classes of shares. Class A shares each carry one vote, while class B shares have one-tenth of a vote each. Just over 98 percent of the shares are class A. At the annual general meeting, no shareholder is allowed a greater voting power than ten percent of the total number of votes in the Bank.

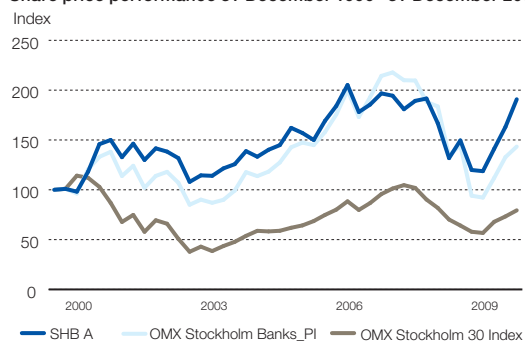
## DIVIDEND

Handelsbanken's policy is that the dividend should be competitive in relation to other listed Nordic bank shares. The board is proposing to the 2010 AGM to decide on an ordinary dividend for 2009 of SEK 8.00 (7.00), an increase of 14 percent. The complete proposal on share dividends is presented on page 151.

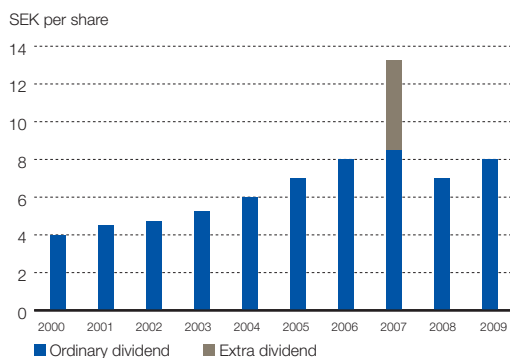
## SHARE PRICE PERFORMANCE

As at 31 December 2009, Handelsbanken's market capitalisation was SEK 127 billion (79). The Swedish stock market went up by 44 percent during the year and the Stockholm stock exchange bank index rose by 64 percent. The Handelsbanken share closed at SEK 204.20, which was a rise of 62 percent. Including dividends, the total return was 68 percent.

Share price performance 31 December 1999–31 December 2009



Share dividends 2000–2009



2009 as proposed by the board.

Since 1 January 2000, Handelsbanken's share price has increased by 91 percent while the Stockholm stock exchange has fallen by 21 percent. During the same period, the Stockholm stock exchange bank index rose by 43 percent.

## REPURCHASE OF SHARES

At the AGM in April 2008, the board received a mandate to repurchase a maximum of 20 million shares during the period until the AGM in April 2009. This mandate was not used however.

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

## CONVERTIBLE LOAN

In accordance with a previous resolution of the AGM, during spring 2008, the Bank issued a subordinated convertible loan on market terms for SEK 2.3 billion directed at the Group's employees. The loan has hybrid status and can be converted into Handelsbanken shares. Conversion is possible after 1 June 2011 at a conversion price of SEK 187.56, corresponding to 110 percent 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.

## OWNERSHIP STRUCTURE

Handelsbanken has some 100,000 shareholders. Most of these, or 64 percent of the total number of shareholders, owned fewer than 501 shares. Four percent of the shareholders owned more than 5,000 shares each, and together they held 90 percent of the share capital. The proportion of foreign owners was 32 percent (30).

Two shareholders own more than ten percent of the shares. The Oktogonen Foundation – the Bank's profit-sharing foundation – is the largest shareholder in the Bank with holdings corresponding to 10.7 percent of the votes.

The largest Swedish shareholders as at 31 December 2009	No. of shares	% of votes	% of capital
Oktogonen Foundation	65 800 000	10.7	10.6
Industrivärden	63 154 709	10.3	10.1
Alecta	22 858 000	3.7	3.7
Swedbank Robur funds	20 853 077	3.4	3.3
AFA Försäkring	14 550 058	2.4	2.3
Lundbergs etc.	13 432 000	2.2	2.2
AMF and funds	13 429 702	2.2	2.2
Handelsbanken's funds incl XACT	13 240 112	2.2	2.1
SEB Investment Management	7 880 572	1.3	1.3
2nd National Swedish Pension Fund	6 976 357	1.1	1.1
4th National Swedish Pension Fund	6 334 800	1.0	1.0
Folksam/KPA/Förenade Liv	5 990 014	1.0	1.0
1st National Swedish Pension Fund	4 579 331	0.8	0.7
Nordea Investment Funds	4 461 333	0.7	0.7



Handelsbanken's shares	2009	2008	2007	2006	2005
Earnings per share, total operations, SEK	16.44	19.46	24.84	20.41	16.98
after dilution	15.98	19.31	24.84	20.41	16.98
Ordinary dividend per share, SEK	8.00*	7.00	8.50	8.00	7.00
Extra dividend per share, SEK	-*	-	5.00		
Dividend growth, ordinary dividend, %	14*	-18	6	14	17
Price of class A share, 31 December, SEK	204.20	126.00	207.00	207.00	197.00
Highest share price during year, SEK	212.70	209.50	223.00	240.00	199.50
Lowest share price during year, SEK	81.75	116.50	184.50	173.00	156.50
Share price performance, %	62	-39	0	5	14
Total return, %	68	-36	4	9	18
Dividend yield, %	3.9*	5.6	6.5	3.9	3.6
Adjusted shareholders' equity per share, SEK	133.65	120.64	119.27	104.27	100.23
Stock exchange price/equity, %	153	105	174	199	197
Average daily turnover on Stockholm stock exchange (no. of shares)					
Class A	2 792 980	3 610 914	3 536 774	3 180 486	2 573 108
Class B	35 361	31 587	27 664	41 024	59 610
P/E ratio	12.4	6.5	8.3	10.1	11.6
Market capitalisation, SEK bn	127	79	129	131	129
No. of shares as at 31 December, million	623.5	623.5	628.3	649.0	669.6
of which outstanding	623.3	623.5	623.4	634.2	656.5

\* Dividend as recommended by the board.

Shares divided into share classes 31 December 2009				
Share class	Number	% of capital	% of votes	Share capital
Class A	611 719 019	98.12	99.81	2 844 493 438
Class B	11 750 443	1.88	0.19	54 639 560
	<b>623 469 462</b>	<b>100.00</b>	<b>100.00</b>	<b>2 899 132 998</b>

The average number of outstanding shares in 2009 was 623,263,916. After deducting the trading book, the number of outstanding shares was 623,308,871 as at 31 December 2009.

Shareholdings per shareholder 31 December 2009					
Number of shares	Shareholders Number	Shareholdings			
		No. in thousands Class A shares	No. in thousands Class B shares	% of share capital	% of votes
501 – 1 000 shares	65 348	8 996	2 179	1.8	1.5
1 001 – 5 000 shares	15 305	10 220	1 599	1.9	1.7
5 001 – 20 000 shares	17 585	34 961	3 670	6.2	5.8
20 001 – shares	3 204	26 615	2 143	4.6	4.3
	1 026	530 927	2 159	85.5	86.7
<b>Total</b>	<b>102 468</b>	<b>611 719</b>	<b>11 750</b>	<b>100.0</b>	<b>100.0</b>

# Shared values produce results

Irrespective of where in the world Handelsbanken opens branches, the Bank strives for its decentralised work method and belief in the individual to permeate its operations. A decentralised organisation must have common ideas on how the operations should be run.

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

In 2009, Handelsbanken had 10,821 employees in 22 countries. Some 30 percent of the Bank's employees work outside Sweden.

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

Working at Handelsbanken is above all about relationships with other people. Without the right staff, it does not matter how good the products are. The Bank takes a long-term approach to customer relations and to its employees. In order to retain staff, they must have the right conditions for development in their work, different career opportunities must exist, and consideration must be taken of the stage of life the employee is in.

## STAFF DEVELOPMENT

Handelsbanken's strength is derived from the combined expertise of its employees. Employees are responsible for their own skills and competence development, and also for sharing their competence with others in the Handelsbanken Group. The knowledge acquired by employees in their daily work is the most important source of increased professionalism. Handelsbanken defines competence as the ability to solve the tasks its employees encounter at work, now and in the future. All employees should take part in their unit's business planning process, to create a sense of involvement and commitment to reach set targets. Guided by the business plan, employees meet their immediate superior for a planned and structured personal development dialogue, known as PLUS. This involves a discussion of the employee's contribution to operational goals and the conditions required



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

to deal with specific tasks. The discussion leads to an individual action plan which is continuously followed up. This then forms the basis of the salary dialogue review between manager and employee. Individual salary reviews are another expression of the Bank's aim to decentralise responsibility and authority.

## CERTIFICATION FOR PROVIDING FINANCIAL ADVICE

Staff are continually trained and certified in the area of investments and insurance, in order to meet developments in this field and the need for up-to-date information for customers. At the year-end, Handelsbanken had 4,275 employees who were certified to provide financial advice. All employees in the Swedish branch operations who work with advisory services are certified.

## EQUALITY

Regardless of background, the Bank's staff are individuals with their own characteristics and strengths and their own way of expressing themselves. Handelsbanken's equal opportunities policy states that equal conditions must apply to men and women regarding career development within the Group. The goal is for the proportion of female and male managers to correspond to the overall gender distribution at the Bank. At year-end, 38 percent (37) of managers in the Handelsbanken Group were women. The proportion of women among the total number of employees was 53 percent (54). 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 percent 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.

## INTERNAL LABOUR MARKET

At a universal bank like Handelsbanken, there are many different professional roles, but what distinguishes the Bank from its competitors is its set of values. The Bank mainly aims to meet its need for employees at various levels through internal recruitment and promotion. Managers must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2009, 98 percent (97) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 92 percent (90), including those markets where the Bank established operations relatively recently.

## WORKING ENVIRONMENT AND HEALTH

The overall objectives in matters regarding the work environment focus on health. Employees should enjoy good health, 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. To achieve this goal it is important that all staff are aware of the importance of the working environment to the Bank's business and operations. All employees are responsible for creating a positive working environment at Handelsbanken.

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

Health promotion activities are an important factor in the work of keeping staff healthy. The aim is to make employees more active. Great emphasis is put on reaching out to all employees and to strengthening the sense of community at the Bank. Regular exercise adapted to the individual is a condition for a successful result. The Bank subsidises all forms of exercise approved by the Swedish National Tax Board. Handelsbanken's sports association, which dates back 90 years and has around 3,600 members, is one of the largest of its kind in Sweden.

**WORKING CONDITIONS AND UNION RIGHTS**

One component of Handelsbanken's culture is the traditionally good relationship with the trade union. There is an ongoing dialogue between union representatives and managers concerning changes to be launched – and this takes place at the very early stages. Since the union representatives represent many of the employees who will learn to use the new products or work methods, this dialogue leads to better product development and quality control. The Bank complies with the laws and agreements on working hours and the like in all countries where it has operations.

At Handelsbanken, all individuals with the same competence have the same right to employment, promotion, salary and professional development, regardless of gender, age, ethnic background or sexual orientation.

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

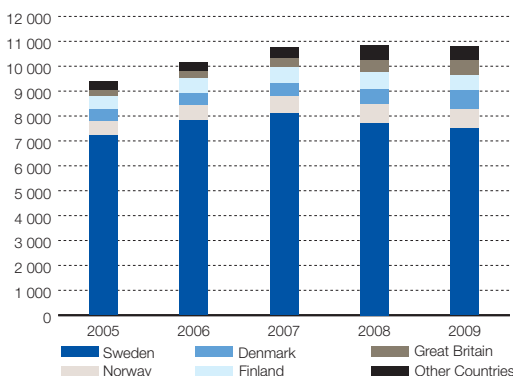
Handelsbanken's financial goal is to have higher profitability than comparable banks. A condition for achieving this goal is that employees outperform their peers in the rest of the industry. Therefore, the board considers it only reasonable that employees should receive a share of any extra profits.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

Allocations are subject to the Handelsbanken Group achieving its goal of higher return on shareholders' equity than a weighted average of other listed Nordic and British banks. One third of the extra profits can be allocated to the employees. The amount is limited to 15 percent of the dividends to shareholders. All employees receive an equal part of the allocated amount and the scheme includes all employees in the Bank's domestic markets, i.e. the four Nordic countries and Great Britain. Payments can be made once an employee has reached the age of 60.

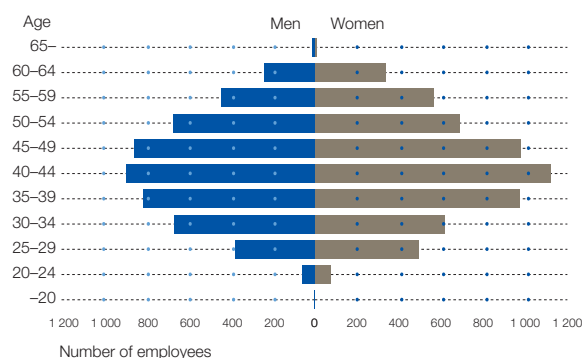
In 2008, too, the Bank achieved its goal of higher profitability than comparable banks, but since the dividend paid to shareholders was reduced, no allocation was made to Oktogonen for the 2008 financial year. Last year, a provisional allocation of SEK 748 million was made for the 2009 financial year, corresponding to some SEK 70,000 per employee, before tax.

One of the fundamental concepts in managing the foundation is that a considerable part of the funds are invested in shares in Handelsbanken. For several years now, Oktogonen has been the largest shareholder in the Bank. The board of the Oktogonen Foundation is appointed by the union organisation, the Swedish Union of Finance Sector Employees. The employees are represented on the board of the Bank by two members, elected by the AGM, who represent the foundation.

Average number of employees 2005–2009



Age and gender distribution 2009



# Environmental work during the year

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

## HANDELSBANKEN'S ENVIRONMENTAL POLICY

As far as technically and financially possible, and to the extent that it is compatible with the Bank's undertakings, Handelsbanken aims to promote long-term sustainable development. The Bank aims to minimise its negative impact on the environment. Consistent and long-term improvements will often generate dual benefits: environmental gains and cost savings.

Handelsbanken has signed and complies with a number of voluntary agreements, such as the ICC Business Charter for Sustainable Development and the UN Environment Programme – Banks and the Environment. In 2009, Handelsbanken joined the UN's Global Compact voluntary initiative. In 2009, the Bank signed the UN Principles of Responsible Investment (UN PRI).

## LOCAL MEASURES THAT REDUCE ENVIRONMENTAL IMPACT

As with other areas of responsibility at Handelsbanken, responsibility for the practical side of environmental activities is decentralised. All managers have the primary responsibility for environmental issues at their units, and environmental consideration should be a natural item on the daily agenda for all employees. At each regional bank and subsidiary, as well as at the central head office, there are environmental co-ordinators.

In practice, environmental work often involves taking many small steps which, when considered individually, may not appear that significant, but when looked at as part of a whole, they contribute to a better environment. Here are some examples:

- By sending reports, loan advices and information electronically, both internally and to customers, information distributed centrally by Handelsbanken decreased in 2009: for envelopes by 24 percent (6.3 million envelopes) and for paper by 33 percent (14.5 million sheets). In total between 2005 and 2009, paper consumption fell by some 27 million sheets and 13 million envelopes.
- Electronic processing of supplier invoices is gradually being increased, which reduces the use of paper and transport.
- Environmental considerations are included in all decisions on investments and purchases. An ongoing dialogue is maintained with the Bank's suppliers to promote and develop environmental issues. To facilitate the drafting of specifications there is a template for supplier agreements, with examples of how to specify environmental requirements.
- The Bank ensures that old equipment, when scrapped, is recycled in an environmentally friendly manner.
- In 2009, Handelsbanken Finans went over to recycling confidential waste paper; previously, the waste had been incinerated.
- The Bank's computer rooms use "green IT", focusing on how to minimise environmental impact in IT. One example is different systems sharing resources, to save energy and cooling.
- For 2009, the proportion of environmentally friendly electric power purchased for operations in Sweden was 59 percent, an increase of 22 percent compared to the same type of electric power purchased in 2008.

- Video conferencing is being used by more and more of the Bank's units to reduce the amount of business travel. Here are some good examples of this:
  - In 2009, Handelsbanken International reduced business travel by its staff by 6.3 percent.
  - During 2009, the Handelsbanken Capital Markets business area increased its number of video-conferencing hours by 35 percent compared with 2008.
- In order to encourage the selection of environmentally friendly cars as company cars, the Bank has decided to subsidise this type of car. The proportion of environmentally friendly company cars was 35.6 percent in 2009, as compared to 34 percent in 2008.
- Deep water source cooling is used during the period 1 December – 1 May for the head office buildings as a complement to the use of cooling machines and district cooling solutions. Deep water source cooling involves taking water from the Baltic Sea using heat exchangers.

## 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 travel, transport, consumption of electricity and heating.

In 2009, Handelsbanken purchased environmentally friendly electricity mainly based on hydro-electric power.

An important element in the environmental work is to raise awareness within the Bank of the Bank's direct impact on climate. This is to encourage all parts of the organisation to contribute to the reduction in energy consumption, etc.

## HANDELSBANKEN'S INDIRECT ENVIRONMENTAL IMPACT

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

One of the goals of Handelsbanken Asset Management is to help create economically, ecologically and socially sustainable development by means of involvement in and a dialogue with companies. Therefore, during 2009, guidelines for responsible investments were introduced. These guidelines are based on international standards for the environment, human rights and working conditions, and against corruption and controversial weapons. In 2009, Handelsbanken signed the UN Principles of Responsible Investment (UN PRI).

**ENVIRONMENTAL MATTERS ASSOCIATED WITH LENDING**

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

When evaluating credit risk, any environmental risks are included in the assessment of repayment capacity. This is particularly important for customers engaged in environmentally hazardous activities or selling products that involve environmental or health risks. For property-related credits, at Stadshypotek, it is essential to take account of environmentally harmful factors pertaining to buildings or environmentally harmful activities that are or have been conducted in the property. Environmental factors close to the property are also considered as far as possible.

The customer is always responsible for how operations are conducted, and for compliance with the environmental requirements prescribed in laws and public authority directives. The Bank's

credit risk assessment, and thus repayment capacity, is affected by the customer's willingness or ability to manage these risks.

**SAVINGS WITH AN ETHICAL OR ENVIRONMENTAL PROFILE**

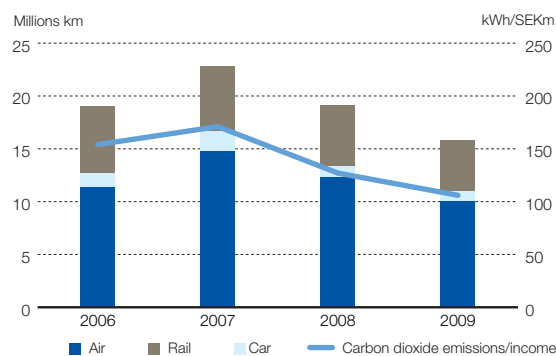
The Handelsbanken Group offers the opportunity to save in ethical and environmental products. The Handelsbanken Sweden Index Ethical Fund, and the Handelsbanken Global Index Ethical fund invest in companies which have been examined on the basis of specific ethical criteria. Total savings in these funds amounts to SEK 4.3 billion.

**EMISSIONS TRADING**

Handelsbanken carries out trading in emissions allowances, and the Bank's share of trading in these rights increased sharply in 2009. Many industrial companies, which have a surplus of emissions allowances, have chosen to sell rights. This is partly because awareness and understanding of this trading has increased, and partly because the economic situation has meant that companies have had more allowances to sell.

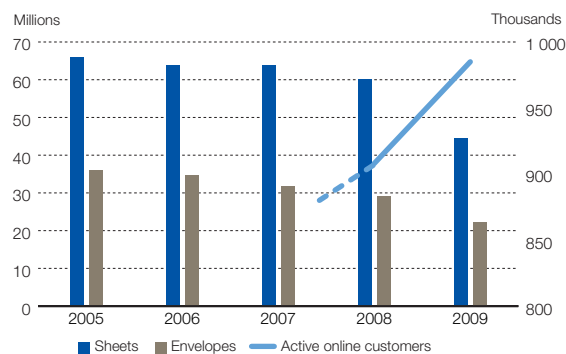
In the long term, Handelsbanken expects demand for both funding and management of environmental projects to increase.

**Business travel, Sweden**

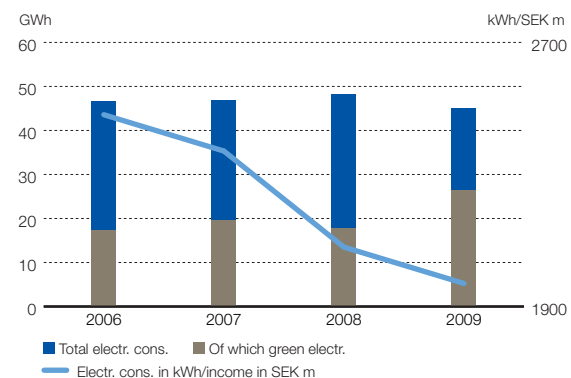


Carbon dioxide emissions, tonnes	2006	2007	2008	2009
Electricity consumption, Nordic	2 373	2 131	2 585	
Heating, own properties, Sweden	1 284	1 266	1 344	1 181
Transport of valuables, Sweden			209	289
Business travel, Sweden	2 895	3 371	2 945	2 417

**Central distribution**



**Electricity consumption, Sweden**



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# Income statement Group

The accounting and valuation principles applied are shown in note G1.

Group SEK m		2009	2008
Interest income	Note G3	51 276	83 355
Interest expense	Note G3	-29 276	-64 132
<b>Net interest income</b>		<b>22 000</b>	<b>19 223</b>
Fee and commission income	Note G4	8 666	8 030
Fee and commission expense	Note G4	-1 273	-1 235
<b>Net fee and commission income</b>		<b>7 393</b>	<b>6 795</b>
Net gains/losses on financial items at fair value	Note G5	2 457	3 169
Risk result – insurance	Note G6	171	215
Other dividend income		141	225
Share of profit of associated companies	Note G21	26	79
Other income	Note G7	147	184
<b>Total income</b>		<b>32 335</b>	<b>29 890</b>
Administrative expenses			
Staff costs	Note G8	-10 018	-8 114
Other expenses	Note G9	-4 719	-4 688
Depreciation, amortisation and impairments of tangible and intangible assets	Note G24, Note G25	-483	-427
<b>Total expenses</b>		<b>-15 220</b>	<b>-13 229</b>
<b>Profit before loan losses</b>		<b>17 115</b>	<b>16 661</b>
Net loan losses	Note G10	-3 392	-1 605
Gains/losses on disposal of property, equipment and intangible assets	Note G11	4	270
<b>Operating profit</b>		<b>13 727</b>	<b>15 326</b>
Taxes	Note G33	-3 519	-3 382
<b>Profit for the year from continuing operations</b>		<b>10 208</b>	<b>11 944</b>
Profit for the year from discontinued operations, after tax	Note G12	36	187
<b>Profit for the year</b>		<b>10 244</b>	<b>12 131</b>
<i>Attributable to</i>			
Ordinary shareholders		10 244	12 131
Minority interest		0	0
Earnings per share, continuing operations, SEK	Note G13	16.38	19.16
after dilution	Note G13	15.92	19.02
Earnings per share, discontinued operations, SEK	Note G13	0.06	0.30
after dilution	Note G13	0.06	0.29
Earnings per share, total operations, SEK	Note G13	16.44	19.46
after dilution	Note G13	15.98	19.31



# Statement of comprehensive income Group

Group	2009	2008
SEK m		
<b>Profit for the year</b>	<b>10 244</b>	<b>12 131</b>
<b>Other comprehensive income</b>		
Cash flow hedges	47	-535
Available-for-sale instruments	3 274	-5 139
Change in foreign currency component	-109	606
<i>of which hedging net investment in subsidiary</i>	-6	-169
Tax related to other comprehensive income	-934	1 628
<i>of which cash flow hedges</i>	-12	144
<i>of which available-for-sale instruments</i>	-924	1 440
<i>of which hedging net investment in subsidiary</i>	2	44
<b>Total other comprehensive income</b>	<b>2 278</b>	<b>-3 440</b>
<b>Total comprehensive income for the year</b>	<b>12 522</b>	<b>8 691</b>
Total comprehensive income for the year attributable to		
Ordinary shareholders	12 522	8 691
Minority interest	0	0

The period's reclassifications to the income statement are presented in note G39.

# Balance sheet Group

The accounting and valuation principles applied are shown in note G1.

Group SEK m		2009	2008
<b>ASSETS</b>			
Cash and balances with central banks		49 882	66 894
Treasury bills and other eligible bills	Note G19	105 156	84 781
Loans to credit institutions	Note G17	168 100	164 981
Loans to the public	Note G18	1 477 183	1 481 475
Value change of interest hedged item in portfolio hedge		2 979	144
Bonds and other interest-bearing securities	Note G19	70 846	81 497
Shares and participating interests	Note G20	24 883	15 689
Participating interests in associated companies	Note G21	93	84
Assets where the customer bears the value change risk	Note G22	51 032	31 552
Derivative instruments	Note G23	107 155	192 239
Reinsurance assets		12	13
Intangible assets	Note G24	7 319	7 057
Property and equipment	Note G25	3 281	3 416
Current tax assets		108	1 100
Deferred tax assets	Note G34	303	405
Net pension assets	Note G8	4 380	4 646
Assets held for sale		724	-
Other assets	Note G26	42 594	12 937
Prepaid expenses and accrued income	Note G27	6 813	9 874
<b>Total assets</b>	Note G14	<b>2 122 843</b>	<b>2 158 784</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	Note G28	239 790	319 113
Deposits and borrowing from the public	Note G29	549 748	543 760
Liabilities where the customer bears the value change risk	Note G30	51 103	31 654
Issued securities	Note G31	966 075	895 709
Derivative instruments	Note G23	93 101	169 640
Other trading liabilities	Note G32	29 647	17 580
Insurance liabilities	Note G33	952	865
Current tax liabilities		834	115
Deferred tax liabilities	Note G34	8 448	7 933
Provisions	Note G35	199	379
Liabilities related to assets held for sale		222	-
Other liabilities	Note G36	23 175	15 951
Accrued expenses and deferred income	Note G37	17 456	19 688
Subordinated liabilities	Note G38	59 005	61 434
<b>Total liabilities</b>	Note G14	<b>2 039 755</b>	<b>2 083 821</b>
Minority interest		1	1
Share capital		2 899	2 899
Reserves	Note G40	-68	-2 346
Retained earnings		70 012	62 278
Profit for the year		10 244	12 131
<b>Total equity</b>		<b>83 088</b>	<b>74 963</b>
<b>Total liabilities and equity</b>		<b>2 122 843</b>	<b>2 158 784</b>

# Statement of changes in equity Group

Group 2008							
SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening shareholders' equity 2008	2 890	139	547	408	70 507	0	74 491
Total comprehensive income for the year		-391	-3 699	650	12 131	0	8 691
Dividend					-8 417		-8 417
Holdings of own shares in trading book					13		13
Options element of convertible subordinated loan					184		184
Reduction of share capital by means of cancellation	-22				22		-
Bonus issue	31				-31		-
Acquisition of minority interests						1	1
<b>Closing shareholders' equity 2008</b>	<b>2 899</b>	<b>-252</b>	<b>-3 152</b>	<b>1 058</b>	<b>74 409</b>	<b>1</b>	<b>74 963</b>

Group 2009							
SEK m	Share capital	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening shareholders' equity 2009	2 899	-252	-3 152	1 058	74 409	1	74 963
Total comprehensive income for the year		35	2 350	-107	10 244	0	12 522
Dividend					-4 364		-4 364
Holdings of own shares in trading book					-33		-33
<b>Closing shareholders' equity 2009</b>	<b>2 899</b>	<b>-217</b>	<b>-802</b>	<b>951</b>	<b>80 256</b>	<b>1</b>	<b>83 088</b>

A more detailed specification of changes in equity is presented in note G40.

# Cash flow statement Group

Group SEK m	2009	2008
<b>OPERATING ACTIVITIES</b>		
Operating profit, total operations	13 766	15 586
<i>of which paid-in interest</i>	54 631	82 846
<i>of which paid-out interest</i>	-32 876	-63 652
<i>of which paid-in dividends</i>	561	1 425
Adjustment for non-cash items in profit/loss		
Loan losses	3 565	1 916
Unrealised changes in value	3 356	-2 649
Depreciation, amortisation and impairments	499	427
Paid income tax	-1 169	-3 296
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-3 287	4 139
Loans to the public	-2 391	-193 672
Interest-bearing securities and equities	-13 064	64 643
Due to credit institutions	-79 094	25 333
Deposits and borrowing from the public	5 841	26 372
Issued securities	70 367	189 002
Derivative instruments, net positions	8 485	-28 394
Short-term positions	12 066	-41 924
Claims and liabilities on investment banking settlements	-33 386	13 767
Other	11 540	-20 407
<b>Cash flow from operating activities</b>	<b>-2 906</b>	<b>50 843</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	-393	-1 013
Change in shares	-1	1 085
Change in interest-bearing securities	-5 700	-1 105
Change in property and equipment	-338	75
Change in intangible non-current assets	-112	-162
<b>Cash flow from investing activities</b>	<b>-6 544</b>	<b>-1 120</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-3 280	-1 346
Issued subordinated loans	2 922	2 556
Issue of subordinated convertible loan	-	2 296
Dividend paid	-4 364	-8 416
<b>Cash flow from financing activities</b>	<b>-4 722</b>	<b>-4 910</b>
<b>Cash flow for the year</b>	<b>-14 172</b>	<b>44 813</b>
Liquid funds at beginning of year	66 894	13 590
Cash flow from operating activities	-2 906	50 843
Cash flow from investing activities	-6 544	-1 120
Cash flow from financing activities	-4 722	-4 910
Exchange rate difference on liquid funds	-2 840	8 491
<b>Liquid funds at end of year</b>	<b>49 882</b>	<b>66 894</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 investment firms. RFR 1.2 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 consolidated accounts

The consolidated accounts were approved for issue by the board on 17 February 2010 and will be adopted by the AGM on 29 April 2010.

### 2. CHANGED ACCOUNTING POLICIES ETC.

With the exception of the changes presented below, in all significant respects, the accounting policies applied during the financial year are the same as those described in the 2008 annual report.

As a result of new provisions in IAS 1 Presentation of Financial Statements, a separate statement of the components included in other comprehensive income is presented by the Group as of the 2009 financial year. The statement of other comprehensive income contains changes in equity not derived from transactions with owners. The Group's comprehensive income comprises the profit/loss reported in the income statement and the compo-

nents included in other comprehensive income. The statement of Changes in equity thus only contains the changes that derive from transactions with owners.

The new IFRS 8 Operating Segments applies to the Group's financial reports as of the 2009 financial year. This means that new policies for reporting business segments have been implemented. According to IFRS 8, presentation of segment information is based on the same policies as those used for internal reporting to central and managing functions. One of the effects of this for the Handelsbanken Group is that income for the segments is presented before internal profit allocation at product level. Profit allocation for each segment is reported after operating profit on a separate line in the income statement. In addition, income and expenses for internally rendered services according to the cost price principle are reported net on a separate line in the segment information. In other respects, the application of IFRS 8 has only resulted in a few minor changes to the presentation of segment profit and loss. The principles applied when dividing the Bank's operations into business segments is described in more detail in note G44.

Amendments to IFRS 7 Financial instruments: Disclosures adopted for application during the financial year include enhanced disclosures on financial instruments that are partly valued according to other factors than market data.

### Changes in regulations with a minor impact

The following amendments to international financial reporting standards (IFRSs) and their interpretations (issued by the IFRIC) effective for application as of the 2009 financial year have had little or no impact on the Group's financial reports:

- IFRIC 13 Customer Loyalty Programmes. The interpretation applies to the recognition of income and expenses in companies that, for example through loyalty award credit systems, make commitments to customers in conjunction with purchases.
- Amendments to IFRIC 9 and IAS 39 about embedded derivatives. The amendments clarify that embedded derivatives in financial instruments that following reclassification, cease to be valued at fair value through profit or loss, in certain cases shall be accounted for separately after the reclassification date.
- Amendments to IAS 27 about investments in subsidiaries, associates and joint ventures. The amendments affect, among other things, recognition of dividend in legal entities. See the accounting policies of the parent company in note P1.
- Amendments to IAS 32 and IAS 1 puttable financial instruments and obligations arising on liquidation. The amendments imply that certain puttable financial instruments shall be classified as equity.
- Amendments to IFRS 2 Share-based Payment. One of the effects of the amendment is that the conditions in share-based payment programmes which are not directly linked to employee services are to be included when measuring the option value of the programme.

**G1** Cont.

- Amendments to IAS 23 Borrowing Costs. According to this amendment, borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset must always be included in the cost of that asset. This principle is already applied by the Group.

Several amendments have also been implemented to IFRS 1 First-time Adoption of IFRSs, and within the framework of the IASB's annual improvements project. None of these amendments have affected the Group's financial reports.

**Future amendments to regulations**

The new IFRS 3 Business Combinations and changed IAS 27 Consolidated and Separate Financial Statements will be applied in the consolidated accounts as of the 2010 financial year. The changes in IFRS 3 means that transaction costs that occur on acquisitions shall be expensed directly on acquisition and no longer be recognised as part of the purchase consideration. The amendments also include the option of recognising goodwill at fair value in its entirety in business combinations, including goodwill that is attributable to non-controlling interests. In addition, the amendments entail new principles for recognition of business combinations achieved in stages and contingent considerations. The amendments to IAS 27 imply new principles for the accounting for ownership changes in subsidiaries that mean that the parent loses control over the subsidiary. The amendments also clarify the accounting principles applying for ownership changes when there is no loss of control in the subsidiary.

None of the other changes in standards or new interpretations adopted for application as from the 2010 financial year or later are deemed to have a material effect on the Group's financial reports.

In 2009 the IASB started a project to replace IAS 39 Financial Instruments: Recognition and Measurement. The amendment will be achieved in three sub-projects. The first project comprises principles for the classification and measurement of financial assets and has already resulted in a completed standard: IFRS 9: Financial Instruments. This new standard has not yet been adopted for application by the EU. Application of the new standard will entail far-reaching amendments to the policies for recognising and classifying financial instruments. The other two sub-projects in the ongoing replacement of IAS 39 concern impairment of financial instruments and hedge accounting. These projects have not yet resulted in a completed standard by the IASB.

**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 percent of the voting power at shareholders' meetings or the equivalent. Control may also exist when the participating interest is less than 50 percent, 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 combi-

nation comprises the fair value of all assets, liabilities and issued equity instruments provided as payment for the net assets in the subsidiary. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisition balance sheet is recognised as goodwill in the Group's balance sheet. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date until the date on which control ceases. Intra-group transactions and balances are eliminated when preparing the Group's financial reports.

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

**Associated companies**

Companies in which Handelsbanken has a significant influence are reported as associates. A significant influence normally exists when the share of voting power in the company is at least 20 percent and at most 50 percent. 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. A sale is deemed highly probable when a decision to sell has been made at the appropriate level in company management and active work on the sale has been initiated. After classification as an asset held for sale, special valuation principles are applied. These principles chiefly mean that, with the exception of items such as financial assets and liabilities and pension assets, 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.

Recognised profit from discontinued operations derives from those parts of the Plastal group that Handelsbanken acquired in July 2009, as well as remaining profit from operations deriving from the sale of SPP in December 2007; see note G12.

#### 4. SEGMENT REPORTING

The segment reporting presents income and expenses split into business segments. A business segment is a part of the Group that runs operations which generate external or internal income and expenses and of which the profit/loss is regularly assessed and followed up by the company management as part of corporate governance. As part of segment reporting, income and expenses are also stated per geographical area in which the Group operates. The principles for segment reporting are described further in Note G44.

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

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

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

#### 6. RECOGNITION OF ASSETS AND LIABILITIES

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

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

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

When accounting for business combinations, the acquired operations are recognised in the Group's accounts from the acquisition date. The acquisition date is the date when controlling influence of the acquired entity occurs. 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. RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

For the purposes of measurement, in compliance with IAS 39, all financial assets are classified as follows:

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

This 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 fair value.

##### Loans and receivables

Assets in the category Loans and receivables are carried at amortised cost, i.e. the discounted present value of all future cash flows relating to the instrument where the discount rate is the asset's effective interest rate at the time of acquisition. Loans and receivables are subject to impairment testing when indications of an impairment loss are present. See section 8 for more details. Impairment losses are 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 loan 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 indications of an impairment loss are present. See section 8 for more details.



**G1** Cont.**Assets and liabilities held for trading**

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

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

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

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

**Available-for-sale financial assets**

Interest-bearing assets that are not held for trading and for which there is an active market are recognised as available-for-sale financial assets. Equity instruments that are not held for trading are also recognised as available for sale.

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 in profit or loss. The same applies to foreign exchange effects relating to available-for-sale monetary items. Impairment testing of available-for-sale financial assets is performed when there is an indication of impairment; see section 8 concerning impairment losses for financial assets. Impairment losses are recognised in the income statement. Dividends on shares designated as available for sale are continuously recognised in profit or loss as Other dividend income.

**Reclassification of financial instruments**

The regulations in IAS 39 only allow for reclassification of certain financial assets and only under exceptional circumstances. Derivatives and financial assets which upon initial recognition were classified at fair value through profit or loss are never reclassified.

During the 2008 financial year, a reclassification was performed whereby financial assets were transferred from the held-for-trading category to the available-for-sale and loans and receivables categories. In addition, assets in the financial instruments available-for-sale category have been transferred to the

loans and other receivables category and the held-to-maturity category. The impact of this reclassification on the Group's financial position and earnings is described in note G16. For assets that are reclassified as loans and receivables/held-to-maturity, the fair value at the time of reclassification consists of the starting point for the subsequent calculation of amortised cost. Cumulative gains/losses on reclassified assets previously recognised in the fair value reserve in equity are amortised in Net interest income over the remaining maturity of the assets. No financial instruments have been reclassified since the reclassification performed in 2008.

**Calculation of fair value for financial assets and liabilities**

For financial instruments listed on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, multilateral trading facility, reliable news service or equivalent. 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, fair value is established using generally accepted valuation techniques. The techniques are generally based on comparisons with recently performed transactions in the same or corresponding instrument, to the extent that information about such transactions is available. Alternatively, valuation techniques are used that are substantially based on variables from observable markets. In rare cases, advanced valuation models are used which are partly based on own assumptions. If the transaction price of held-for-trading financial instruments differs from the fair value calculated using valuation techniques based on observable market data, the difference is reported directly in profit or loss under Net gains/losses on financial items at fair value. For fair values based on models where significant input data does not consist of market variables, only value changes in the instrument which are due to changes in the market data are recognised as income. Value changes that are only attributable to changes in own assumptions are accrued over the life of the instrument.

**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. Payment made is recognised under Loans to credit institutions or as Loans to the public.

**Securities loans**

Lent securities remain in the balance sheet and are also reported off balance as Collateral pledged. 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.

**Net reporting of financial instruments**

Receivables and payables with respect to the same counterparty which can be offset are recognised net in the balance sheet.

Receivables and payables can be offset if there is a legal right to set off and there is an intention to settle the obligation on a net basis or simultaneously.

**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.

The premiums for purchased financial guarantees are recognised as decreased interest income in Net interest income to the extent that the debt instruments the guarantees refer to are 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 amortised in Fee and commission income over the life of the commitment.

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

**Combined financial instruments**

Clearly separable financial components of assets and liabilities (such as derivatives) are normally accounted for separately in the balance sheet. This is the case, for example, for issued structured products where the derivative has been separated from the host contract and recognised at fair value through profit or loss.

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 value of the conversion right in issued convertible subordinated notes is recognised separately as unrestricted equity. The remainder is reported as subordinated debt.

**8. 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 loan receivables and other receivables that are recognised at amortised cost. Impairment testing is performed where there is objective evidence that the recoverable amount of the receivable 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 receivable is calculated by discounting the estimated future cash flows related to the receivable and any collateral by the effective interest rate of the receivable. 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 recognised loan loss reduces the carrying amount of the loan in the balance sheet.

In addition to this assessment of individual loans, a collective assessment is made of individually measured loans and of homogenous groups of loans with a similar risk profile with the purpose of identifying the need to recognise an impairment loss that cannot yet be allocated to individual loans. If necessary, a group impairment loss is recognised for the group of loans. 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.

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 receivable 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 written-back amounts on loan losses previously reported as actual losses. Information about probable and actual losses is contained in note G10.

**Information concerning impaired loans**

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

**Valuation of repossessed property**

Property that has been repossessed to protect claims is realised as soon as the market conditions are assessed to be favourable. Upon initial recognition, repossessed property is recognised at fair value in the balance sheet. In subsequent valuation, repossessed real property and equipment (including repossessed lease assets) is valued at the lower of the carrying amount and fair value less costs to sell. Unlisted financial instruments taken over to protect claims are recognised as available-for-sale financial assets. Realised and unrealised profit/loss on real property, lease assets and unlisted financial instruments are recognised as recoveries/loan losses in the income statement. Other repossessed property is recognised and measured in the same way as other assets of the same type.

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

Impairment losses on available-for-sale financial assets are recognised when there is objective evidence that one or more events of default have occurred with an impact on the expected future

**G1** Cont.

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.

**9. HEDGE ACCOUNTING**

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

Fair value hedges are used to protect the Group against undesirable exposures to changes in the market prices of recognised assets or liabilities. 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. In portfolio hedges at fair value, the part of the portfolio's value that is exposed to the hedged risk is measured at market value. The value which is attributable to the hedged part of the portfolio is reported on a separate line in the balance sheet in conjunction with Loans to the public.

Cash flow hedges are applied to eliminate undesirable variations in cash flows related to changes in the floating interest rate on lending and funding. Interest rate swaps are used as the instruments to hedge such interest rate risks. For cash flow hedges, the hedge instrument is recognised at fair value. If the value changes on the swap are effective – that is they correspond to cash flows related to the hedged item – they are recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of gains and losses on the swap are recognised in the income statement.

Hedging of net investments in foreign units is applied to protect the Group from exchange rate differences due to operations abroad. Loans in foreign currency raised to hedge net investments in foreign operations are recognised in the Group at the exchange rate on the balance sheet date. The effective part of the exchange rate differences for such loans is recognised as a component of Other comprehensive income and in the translation differences reserve in equity. The ineffective components of the hedge are recognised in the income statement. See note G23 for more information about hedge accounting.

**10. 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.

Most of the leases where the Group is lessor are finance 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.

Rental income and expense which derives from operating leases are accounted for as other income/expense.

**11. 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 percent is used as a threshold for what constitutes significant insurance risk. Contracts that do not transfer significant insurance risk are classified as investment contracts. Generally, this means that insurance policies with repayment cover are classified as investment contracts and other contracts are classified as insurance contracts. Insurance contracts consisting of both insurance components and savings (financial components) are split and recognised separately in accordance with the principles described below.

**Accounting for insurance components in insurance contracts**

Premiums received on contracts which in their entirety are classified as insurance are carried as a liability for paid-in premiums under Insurance liabilities in the balance sheet. The liability for paid-in premiums is accrued on a straight-line basis (pro rata temporis accounting). Premiums on insurance components in contracts that are partly classified as savings are settled from the policyholder's capital as the insurance risk arises. 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.

The balance sheet item Insurance liabilities includes liabilities deriving from contracts which in their entirety are classified as insurance and also liabilities deriving from the insurance component of the contracts unbundled into a financial and an insurance component. The item includes liabilities for insurance claims incurred but not yet reported at the close of the financial year, including the estimated future operating costs for settling these claims. In addition, this part of the insurance liabilities includes provision for claims incurred but not yet reported. The item also includes a premium reserve, i.e. a liability for advance payments of premiums and a liability for life annuities.

Insurance liabilities are calculated using assumptions and estimates about factors such as interest rates, longevity, health and

charges. The assumptions concerning longevity vary depending on when the policy was taken out and takes into account expected future increases in longevity. The assumptions concerning fees also depend on when the policy was taken out. Principally, this means a fee that is proportional to the premium and a fee that is proportional to the life insurance provisions. Applied assumptions on the insured's future health are based on internally acquired experience and vary depending on the product.

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

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

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

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

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

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

#### **Reinsurance**

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

## **12. 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, publishing rights, customer databases and similar are not recognised as assets.

Investments in software developed by the Bank are carried as an expense on a current basis where 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.

Intangible assets are recognised at cost less accumulated amortisation and impairment.

### **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. Normally, the useful life does not exceed five years. However, acquired trademarks and customer contracts are regarded as having a very long useful life, and thus the amortisation period may be much longer. The amortisation period is assessed on an individual basis at the time of new acquisition and also on a continuous basis if there are indications that the useful life period may have changed.

Impairment losses on intangible assets are recognised when the recoverable amount is less than the carrying amount. The recoverable amount is calculated as the higher of an asset's value in use or its fair value, less costs to sell. Impairment testing is carried out when there is an indication that the asset may have fallen in value. Impairment losses are recognised directly 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. The increased carrying amount of an asset after a reversal of an impairment loss never exceeds the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. If it is not possible to differentiate cash flows arising from an intangible asset from cash flows arising from other assets, impairment testing takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

### **Goodwill and intangible assets with an indefinite useful life**

For goodwill and some intangible assets, the useful life is not regarded as finite and consequently there is no successive amortisation. Instead such 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 carried out by establishing a recoverable amount in accordance with the principles described above.

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. Material assessments and assumptions in impairment testing of goodwill are described in note G24 and in section 19. Previously recognised goodwill impairment losses are not reversed.



G1 Cont.

**13. PROPERTY AND EQUIPMENT**

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

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

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

Impairment testing of property and equipment is carried out when there is an indication that the asset may have fallen in value. Impairment loss is recognised in cases where the recoverable amount is less than the carrying amount. Any impairment losses are recognised immediately in 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. The increased carrying amount of an asset after a reversal of an impairment loss never exceeds the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised.

**Real property in the insurance business**

Real property that constitutes investment assets in the insurance business is carried at fair value in the balance sheet. This valuation method is applied in the insurance business because changes in the value of the real property are directly linked to the size of the financial obligations in the insurance contracts.

**14. 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.

**15. EQUITY**

A detailed description of the various components of equity is given in note G40.

**Minority interest**

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

**Accounting for own shares**

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

**16. INCOME**

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

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

**Net interest income**

Interest income and interest expense are recognised as Net interest income in the income statement, with the exception of interest flows deriving from held-for-trading financial instruments. 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 held-for-trading financial assets and liabilities and to gain an overall view of the activity in the trading book, all interest income and interest expense relating to held-for-trading financial assets and liabilities is recognised under Net gains/losses on financial items at fair value.

**Net fee and commission income**

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

**Net gains/losses on financial items at fair value**

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

- Capital gains or losses from the disposal and settlement of financial assets and liabilities.

- Unrealised changes in fair value of those assets and liabilities which upon initial recognition were classified as Assets at fair value, through profit or loss, excluding the component of change in value recognised as interest.
- Realised and unrealised changes in value on assets and liabilities classified as held for trading.
- Interest from held-for-trading financial instruments, 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 of assets and liabilities that are subject to hedge accounting in fair value hedges, excluding the component of change in value reported as interest.
- Unrealised and realised changes in value that are not interest flows, on the derivative contracts hedging other financial assets and liabilities.
- Ineffective component of the value change on derivatives used as 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 held-for-trading financial assets 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.

## 17. 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 percent of the present value of the pension liability and 10 percent of the fair value of plan assets, measured at the opening of the reporting period, is recognised in the income statement. Amounts outside this corridor are recognised in the income statement on a straight-line basis during the average remaining period of service. For the Group, this means allocation of actuarial gains and losses over a period of 20 years.

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

- + Accrued pension rights for the year, i.e. the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.
- + Interest expense for the year due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current government bond rate for maturities corresponding to the period remaining until the pension liability is due to be disbursed. From the time the obligation is paid out, the remaining part of the provision is discounted with the real interest rate on government bonds.
- Expected return on plan assets. The expected return is based on an assessment of the average return which will be earned on the assets which are kept separate for securing defined benefit pension obligations. The time horizon for the assessment is related to the entire term of the commitment. The expected return is reduced by the taxes and administrative costs for managing the assets.
- +/- Any part of actuarial gains and losses recognised in profit or loss.

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

Calculation of costs and obligations resulting from the Group's benefit-related plans depend on several assessments and assumptions which may have a considerable impact on the amounts reported. A more detailed description of these assumptions and assessments is provided in section 19 and note G8.

## 18. 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.

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

## 19. ESTIMATES AND KEY ASSUMPTIONS

In certain cases, the application of the Group's accounting policies means that the amounts reported are partly based on estimates and assumptions concerning the future. The estimates and assumptions applied are always based on management's best and fairest assessments about the future and they are continually subject to examination and validation. Despite this, it is possible that future outcomes to some extent may differ from the original assumptions. In applying the Group's accounting policies, a number of assessments are also made that affect the financial reports, for example, concerning the time of transfer of risks and benefits associated with assets and liabilities. The following is a description of the areas where assumptions and estimates have had a significant impact on the amounts reported. Key assumptions are also described in the relevant notes.

### Consolidated accounts

When preparing the consolidated accounts, mutual funds managed by a company in the Group are consolidated if the Group holds more than 50 percent of the shares. In addition, funds managed by a company in the Group with less restrictive investment regulations and where the Group's remuneration is variable, are consolidated if the Group's total return from the fund exceeds five percent of the fund's total return. When consolidating funds, the part of the fund's assets belonging to other share owners is reported as Assets/Liabilities where the customer bears the value change risk. The Group's holdings in funds that are assets in unit-linked insurance contracts are reported in the same way. Other fund units are reported as Shares in the Group's balance sheet.

### 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 most critical assumptions used when calculating this year's provision. This year's calculation of the obligations for employees in Sweden is based on the so-called DUS06, which are assumptions on longevity that are generally accepted in the market and are based on statistics produced by the Swedish Insurance Federation. The assumptions on future salary increases and inflation are based on the anticipated long-term trend. The assumption on expected return on the plan assets kept separate in the Bank's pension fund and pension foundation is produced by analysing long-term expected return for the various asset classes over the whole life of the corresponding commitment. The assumption is partly based on an historical analysis of the risk premium on the Swedish

equity market and partly on forecasts of future inflation and risk-free return. The assumption is determined after deducting administration costs and special payroll tax. The calculation of the expected return on plan assets for the period is based on the carrying amount of the assets, which is equivalent to their fair value at the time the current accounting policy was first applied, with an upwards adjustment for the accumulated reported expected return from previous years, amortisation of cumulative actuarial gains/losses and adjustments for payments to and from the plan. The pension provisions are discounted with a discount rate similar to the interest on government bonds with maturities corresponding to the remaining period to payment. From the time the obligation is paid out, the remaining part of the provision is discounted with the real interest rate on government bonds.

### Assessment of the requirement for impairment losses on loans

The value of the Group's loan receivables is tested regularly and individually for each receivable. If necessary, the receivable is written down to the assessed recovery value. In order to estimate the recoverable amount, a number of assessments and assumptions are made, including the counterparty's repayment capacity and the realisable value of any collateral. The final outcome may deviate from the original provisions for loan losses. The assessments and assumptions used are subject to regular checks by the internal credit organisation. See also note G2 for a detailed description of internal risk control and how the Bank manages credit risk.

### Goodwill impairment testing

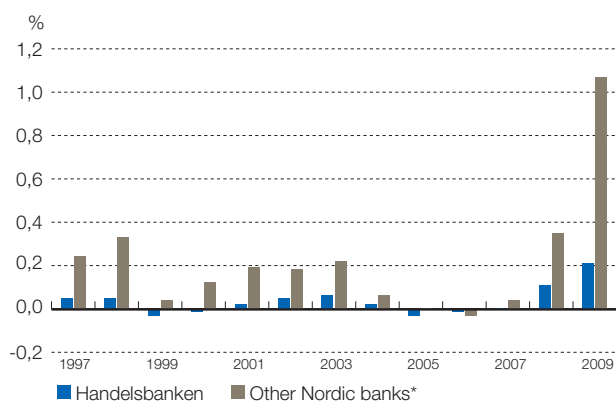
Goodwill is tested annually for impairment loss in accordance with the principles described in note G24. The test comprises a number of assessments of market situation, cost development, future growth rate and the discount rate.



## G2 Risk and capital management

There was a large degree of uncertainty concerning the economy in 2009. Companies had to adapt to lower demand and unemployment rose. This is a trend that directly or indirectly affects the Bank's customers and consequently the Bank. On the other hand, the recession has not changed the Bank's way of doing business. All business decisions always take into account the risk of changed conditions externally. This has been manifested in the longer term through low loan losses and an even financial performance. Furthermore, Handelsbanken has not utilised government or central bank support.

Loan losses as a percentage of loans 1997–2009



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

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

This strict approach to risk also enables the Bank to be a stable and long-term business partner for its customers. Handelsbanken's view of customer relationships is also underlined by the fact that the Bank keeps credit risks on its own books rather than securitising them and selling them on. This contributes both to good risk management and sustaining a high service level even when operations and the markets on which the Bank operates are subject to strain. The same principles apply in all countries where the Bank operates and they are guiding principles in the Bank's future international expansion.

Throughout the financial crisis, Handelsbanken has had good access to liquidity and the overall liquidity reserve was built up during the period. This is partly because the Bank has had access to the financial markets through its short-term and long-term funding programmes and partly due to its good access to liquidity from higher deposits from institutions and the public as a result of the strong confidence the Bank enjoys in the market. The Central Treasury department's liquidity portfolio, which is part of the Bank's liquidity reserve, has a very low risk profile and consists mainly of government bonds, covered bonds, and government-guaranteed 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 450 billion. This reserve covers the Bank's liquid-

ity requirement for more than two years, without access to any new market funding.

Handelsbanken's capital situation was strengthened during the year. The Bank has had stable earnings. This combined with low loan losses, given external conditions, has contributed to this strong position. The low risk profile of the credit portfolio has resulted in a comparatively low capital requirement for credit risks. The Bank has also issued Tier 1 capital loans for SEK 2.7 billion. The strong capital situation provides good protection insurance in the case of deteriorating conditions externally.

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

### Risks at Handelsbanken

	Description
Credit risk	Credit risk is the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.
Market risk	Market risks arise from changes in prices and volatilities in the financial markets. Market risks are divided into interest rate risks, equity price risks, exchange rate risks and commodity price risks.
Liquidity risk	Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.
Operational risk	Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. This 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.

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

#### 1. Business operations

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

#### 2. Operations-related risk control

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

#### 3. Central control

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

## Four risk management levels



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. Furthermore, the Central Credit Department is responsible for identifying risks in all major individual commitments and offers support and advice to other areas of the credit organisation.

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

#### 4. Capital planning

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

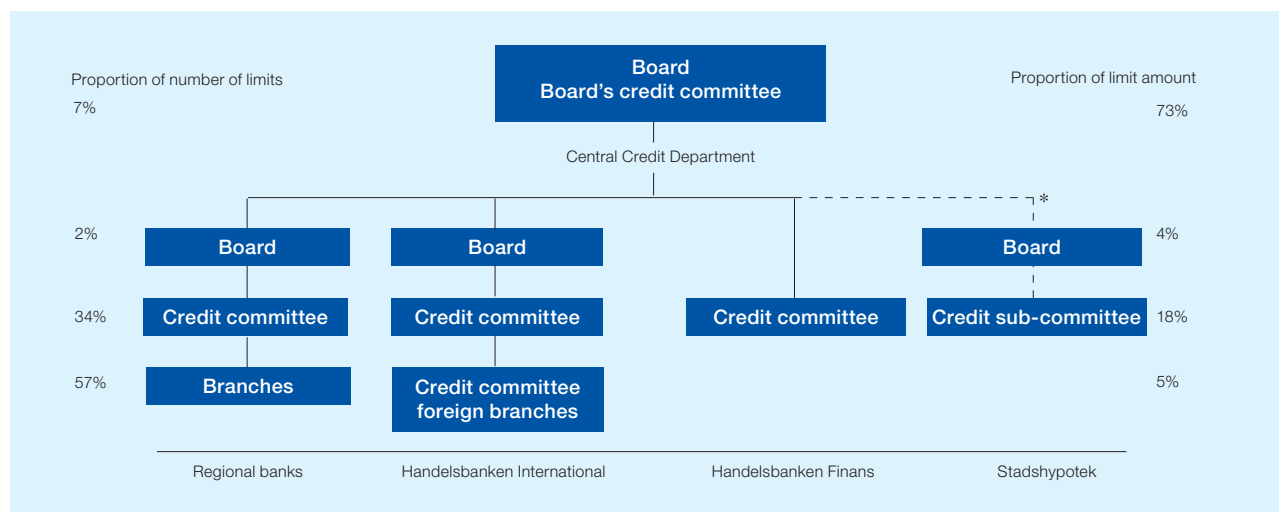
Apart from the formal risk organisation, Central Treasury is responsible for ensuring that the Group at any given time has satisfactory liquidity and is well prepared to quickly strengthen liquidity if needed. A liquidity report is issued daily to the CFO and regularly to the Bank's CEO and board.

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

Handelsbanken's risk management activities have stood the test of time and their effectiveness is illustrated by the fact that for a long time the Bank has had lower loan losses than its competitors. This can mainly be ascribed to the work on risk in the business operations and the operations-related risk control. The heightened risk sensitivity in calculation of the capital adequacy requirement – which follows from the Basel II rules – makes greater demands on the Group's risk management and capital planning. These functions have therefore had a more prominent role in the Group in recent years.

The Bank has obtained approval for the foundation approach in the internal rating system for calculating the capital requirement for credit risk. In 2009, it applied to the Swedish Financial Supervisory Authority for approval of the advanced approach for calculating the capital requirement, with the aim of implementation during 2010.

## Decision levels for credits



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

## CREDIT RISK

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

In the Bank's decentralised organisation, the branch responsible for the customer has total credit responsibility. The branches are responsible for all credit decisions, although credit limits are finally decided at different levels depending on the credit amount. 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 95 percent (97) 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 Bank aims to be a relationship bank and the branches are in continual contact with their customers, thus giving them an in-depth understanding of each individual customer and a continually updated picture of the individual or company. This contact 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 the credit and therefore addresses the problems that arise when a customer has repayment difficulties and also bears any loan losses. If necessary, the branch obtains support from the regional head office and central departments. The Bank's method of work 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.

## CREDIT RISK RATING

Handelsbanken's internal rating system is used to measure the credit risk in all operations reliably and consistently. The credit risk rating builds on the Bank's internal rating system, based on the branch's assessment of each counterparty's repayment capacity. The rating is determined by the risk of financial strain and re-

sistance to such strain. The methods and classification are based on the rating model that the Bank has applied for many years.

The internal rating is the most important component of the Bank's model for calculating capital adequacy under the Basel II rules (the 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 credit.

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

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

## METHODS FOR MEASURING CREDIT RISK

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). The Bank calculates PD for small and medium-sized companies and for private individuals on the basis of its own loss history. For large companies and banks (institutional exposures) PD is calculated using both internal and external data. For private individuals and small companies, EAD and LGD are also calculated on the basis of loss history.

The PD value is expressed as a percentage where a PD value of 0.5 percent statistically means that one borrower out of 200 is expected to default within one year. A credit in default does not necessarily mean that the Bank will suffer 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 by the credit organisation for each counterparty is directly converted into a risk category on a scale of one to ten. A certain average probability of default (PD) is calculated for each risk category. Standardised values prescribed by the regulatory code are applied to loss given default (LGD) for corporate exposures. The standardised value that may be used is determined by the collateral provided for a certain exposure.

For retail exposures, the risk category is also based on the internal rating assigned to all credit customers. The rating is not directly converted into a risk category as it is for corporate exposures; instead the various exposures are sorted into a number of smaller groups, depending on certain factors such as the type of credit, non-payment records, number of borrowers etc. An average probability of default has been calculated for each of the smaller groups, which are then assigned to one of the ten risk categories according to the size of the probability. Different models are used for exposures to private individuals and small businesses, but the principle is the same.

Loss given default (LGD) for retail exposures is determined by the Bank's own loss history and not by the regulatory code. Different values are used for the two sub-divisions of retail exposures: property exposures and other exposures. For property exposures in Sweden, the values applied depend on the loan-to-value ratio of the exposure. For other exposures the LGD value is determined by factors that may depend on the collateral, the product and the like.

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

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

**COLLATERAL**

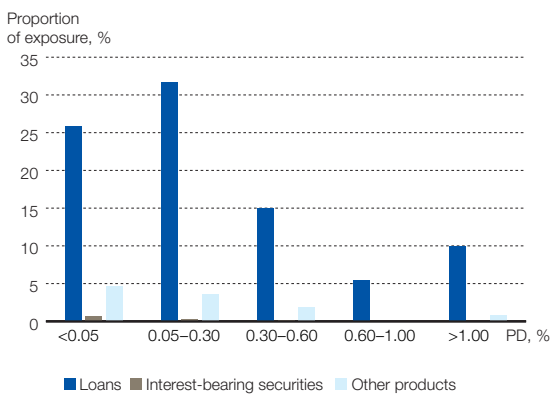
When Handelsbanken assesses the credit risk of a specific customer, the assessment starts with the borrower's repayment capacity. According to the Bank's credit policy, weak repayment capacity can never be offset by good collateral being offered.

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

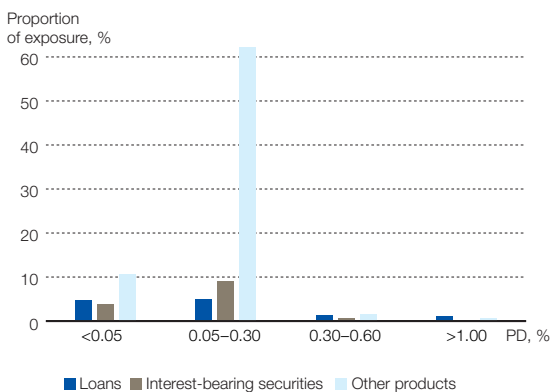
Credit without collateral is mainly granted in the case of small loans to private individuals and loans to large companies with very sound repayment capacity. In the latter case, special loan conditions are frequently drawn up that entitle the Bank to renegotiate or terminate the agreement if the borrower's 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 its expected value in the case of insolvency. The value of certain assets may change considerably in an insolvency situation and in the event of a forced sale.

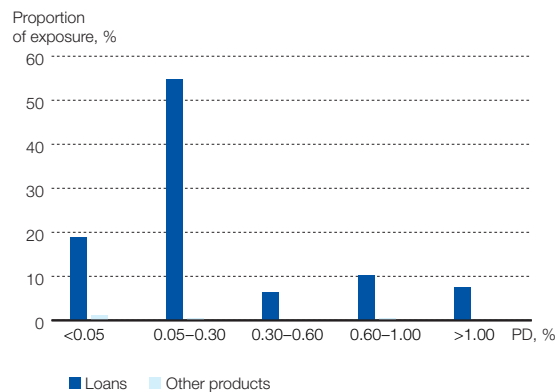
PD range and proportion of exposure per exposure type, corporate, excluding credits in default



PD range and proportion of exposure per exposure type, institutions, excluding credits in default



PD range and proportion of exposure per exposure type, retail, excluding credits in default



A large part of lending to credit institutions consists of reverse repos. A reverse repo is a repurchase transaction in which the Bank buys interest-bearing securities or equities under the 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 loan receivables, but this is not part of the Bank's normal lending operations.

### CREDIT RISK CONCENTRATIONS

Handelsbanken's branches focus strongly on establishing long-term relationships with good customers of sound credit-worthiness. If a branch identifies a good customer, the branch 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 thereby has no built-in restriction on relatively extensive exposures in individual sectors. The Bank monitors and calculates concentration risks continually for various business sectors, geographic areas and individual major exposures. Concentration risks are detected in the Bank's calculation of economic capital for credit risks and in the stress tests conducted in the overall

capital assessment. This ensures that Handelsbanken has sufficient capital, taking into account concentration risks. If the concentration risks are judged to be excessive, the Bank has the opportunity and capacity to mitigate them using various risk reduction measures.

In addition to mortgage loans, Handelsbanken has considerable lending operations to the property sector (SEK 346 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. Consequently, the underlying credit risk in such cases is not only property-related.

The predominant proportion of this lending is to government-owned property companies, municipal housing companies, housing co-operatives 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 on the following pages.

Credit risk exposure SEK m	2009	2008
Loans to the public <sup>1</sup>	1 477 183	1 481 475
<i>of which reverse repos</i>	11 544	4 781
Loans to credit institutions	168 100	164 981
<i>of which reverse repos</i>	64 701	48 870
Unutilised part of granted overdraft facilities	152 560	125 534
Credit commitments	229 525	246 281
Other commitments	1 971	249
Guarantees, loans	20 178	26 907
Guarantees, other	48 038	51 656
Documentary credits	42 474	56 647
Derivatives <sup>2</sup>	107 155	192 239
Treasury bills and other eligible bills	105 156	84 781
Bonds and other interest-bearing securities	70 846	81 497
<b>Total</b>	<b>2 423 186</b>	<b>2 512 247</b>

<sup>1</sup>SEK 5,728m (6,688) of this amount is lending which upon initial recognition was classified at fair value in the income statement.

<sup>2</sup>Refers to total positive market values. Including legally viable netting agreements, the exposure is SEK 31,269m (56,087).

Geographical distribution 2009							
SEK m	Loans				Off-balance-sheet commitments		Total
	General public	Credit institutions	Derivatives	Investments	Guarantees	Other	
Sweden	1 036 061	112 345	104 933	158 594	33 605	285 111	1 730 649
Norway	176 899	143	426	-	9 086	30 002	216 556
Finland	86 880	1 528	468	2 062	9 466	23 068	123 472
Denmark	55 940	2 417	158	73	3 217	7 671	69 476
UK	63 481	1 711	115	1 936	1 631	14 348	83 222
Germany	12 956	526	3	-	7 337	5 953	26 775
Poland	3 092	1 037	5	-	986	1 139	6 259
Netherlands	6 533	6	-	-	116	1 661	8 316
Other countries	35 341	48 387	1 047	13 337	2 772	57 577	158 461
<b>Total</b>	<b>1 477 183</b>	<b>168 100</b>	<b>107 155</b>	<b>176 002</b>	<b>68 216</b>	<b>426 530</b>	<b>2 423 186</b>

Loans to the public, by sector	2009			2008
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans after deduction of provisions
SEK m				
Private individuals	627 463	-664	626 799	574 541
<i>of which mortgage loans</i>	476 112	-18	476 094	433 881
<i>of which other loans secured by property mortgages</i>	82 820	-41	82 779	76 939
<i>of which other loans, private individuals</i>	68 531	-605	67 926	63 721
Housing co-operative associations	103 431	-15	103 416	92 151
<i>of which mortgage loans</i>	92 793	-4	92 789	85 562
Property management	346 524	-538	345 986	342 834
Manufacturing	67 740	-2 190	65 550	69 465
Retail	38 694	-444	38 250	40 173
Hotel and restaurant	7 667	-24	7 643	5 622
Shipping, passenger and goods transport by sea	16 730	-	16 730	13 385
Other transport and communication	39 421	-111	39 310	23 284
Construction	13 958	-155	13 803	13 546
Electricity, gas and water	22 030	-8	22 022	21 439
Agriculture, hunting and forestry	4 652	-23	4 629	6 432
Other services	18 189	-46	18 143	16 686
Holding, investment, insurance companies, mutual funds etc.	110 025	-370	109 655	122 673
Governments and municipalities	21 248	-	21 248	16 638
Other corporate lending	44 783	-310	44 473	123 088
<b>Total loans to the public, before collective provisions</b>	<b>1 482 555</b>	<b>-4 898</b>	<b>1 477 657</b>	<b>1 481 957</b>
Collective provision			-474	-482
<b>Total loans to the public</b>			<b>1 477 183</b>	<b>1 481 475</b>

Specification – Loans to the public – Property management	2009			2008
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans after deduction of provisions
SEK m				
<b>Loans in Sweden</b>				
State-owned property companies	6 855	-	6 855	8 451
Municipal-owned property companies	18 152	-	18 152	18 596
Residential property companies	58 640	-93	58 547	56 982
<i>of which mortgage loans</i>	37 181	-4	37 177	29 946
Other property management	119 487	-230	119 257	125 068
<i>of which mortgage loans</i>	60 943	-15	60 928	45 023
<b>Total loans in Sweden</b>	<b>203 134</b>	<b>-323</b>	<b>202 811</b>	<b>209 097</b>
<b>Loans outside Sweden</b>				
Denmark	5 786	-20	5 766	5 635
Finland	21 518	-2	21 516	22 247
Norway	65 151	-90	65 061	60 352
UK	41 397	-103	41 294	34 332
Other countries	9 538	-	9 538	11 171
<b>Total loans outside Sweden</b>	<b>143 390</b>	<b>-215</b>	<b>143 175</b>	<b>133 737</b>
<b>Total loans – Property management</b>	<b>346 524</b>	<b>-538</b>	<b>345 986</b>	<b>342 834</b>

Specification – Loans to the public – Property management	Total	State- and municipal-owned companies/ state- and municipal-guaranteed property lending	Multi-family housing/ residential property	Other property management
		SEK m	SEK m	SEK m
Sweden	203 134	35 612	70 566	96 956
Norway	65 151	1	10 596	54 554
Finland	21 518	7 699	4 400	9 419
Denmark	5 786	-	2 348	3 438
UK	41 397	-	12 784	28 613
Other countries	9 538	-	638	8 900
<b>Total</b>	<b>346 524</b>	<b>43 312</b>	<b>101 332</b>	<b>201 880</b>



Specification – Loans to the public – Property management, risk class and country, SEK m									
Risk class	Sweden	Norway	Finland	Denmark	UK	Other countries	Total	%	Accum. % of total
1	15 893	588	893	100	177	581	18 232	5.3	5.3
2	46 918	9 973	4 295	254	1 805	3 950	67 195	19.4	24.7
3	55 696	24 229	9 047	722	13 333	3 529	106 556	30.7	55.4
4	41 699	15 242	2 891	1 962	14 095	807	76 696	22.1	77.5
5	30 486	10 017	3 720	2 248	10 088	429	56 988	16.4	94.0
6	7 767	2 120	481	207	788	145	11 508	3.3	97.3
7	3 145	1 947	126	211	481	13	5 923	1.7	99.0
8	581	152	2	9	0	50	794	0.2	99.2
9	254	308	15	2	0	0	579	0.2	99.4
Default	695	575	48	71	630	34	2 053	0.6	100.0
<b>Total</b>	<b>203 134</b>	<b>65 151</b>	<b>21 518</b>	<b>5 786</b>	<b>41 397</b>	<b>9 538</b>	<b>346 524</b>	<b>100</b>	

Loans to the public, collateral		
SEK m	2009	2008
Residential property <sup>1</sup>	790 075	740 023
Other property	159 191	144 275
Governments, municipalities and county councils	77 824	99 206
Guarantees	16 604	28 126
Unsecured	319 581	294 229
Other collateral	113 908	175 616
<b>Loans to the public</b>	<b>1 477 183</b>	<b>1 481 475</b>

<sup>1</sup> Including housing co-operative apartments.

Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure		
SEK m	2009	2008
Positive gross market value for derivative contracts	107 155	192 204
Netting gains	75 886	136 117
Current exposure set off	31 269	56 087
Collateral	13 419	8 665
Net credit exposure for derivatives	17 850	47 422

## COUNTERPARTY RISK

Counterparty risks arise when the Bank has entered into derivative contracts with a counterparty for instruments such as futures, swaps or options. 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 loss for the Bank – in the same way as for a loan.

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. Due to this risk of an increase in exposure, when setting credit limits, supplements are added to the value of the exposure in question. The add-ons are calculated using standard amounts that depend on the type of contract and its 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 counterparties. Netting agreements are supplemented with collateral agreements 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.

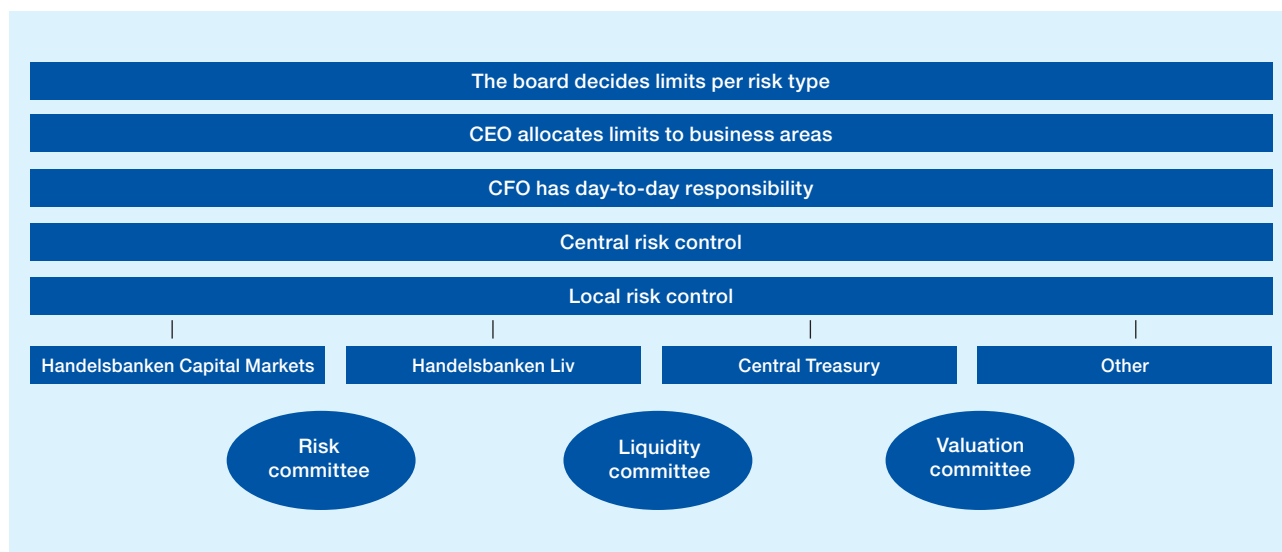
## PAYMENT RISK

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

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



## Decision levels and follow-up of market risk

**MARKET RISK**

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

Handelsbanken has low tolerance of losses related to market risks in its business operations. Risk exposure is therefore limited and positions are generally only taken as part of customer-related transactions. In order to control risk exposure, the board establishes measurement methods and limits for the market risks. The limits are allocated in the Group by the CEO and CFO. The CFO, CEO 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. Market risks at Handelsbanken Liv are presented in a separate section, thus the information in this section refers to risks excluding Handelsbanken Liv.

Handelsbanken Capital Markets takes market risks by being a market maker for fixed-income products, currencies, equity instruments and commodities. Market risks also arise in other customer-related transactions or through the Bank's own positions in the financial markets, which are mainly a result of customer transactions. The market risks at Central Treasury mainly comprise interest rate risks and they arise in conjunction with borrowing to secure the Group's requirements for funding and liquidity. For this purpose, a liquidity portfolio is managed which contains government bonds and bonds with a high rating. These securities are eligible as collateral with the Riksbank and other central banks. The portfolio secures both the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve. The liquidity portfolio can be turned into liquid funds at short notice in conjunction with possible liquidity disruptions in the market.

**RISK MEASUREMENT**

Market risk is measured in several ways in the Group. Stress measures are mainly used which show the changes in value arising from pre-defined changes in prices and volatilities. Value-at-Risk (VaR) is also used. VaR expresses the losses in 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 implies that various 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**

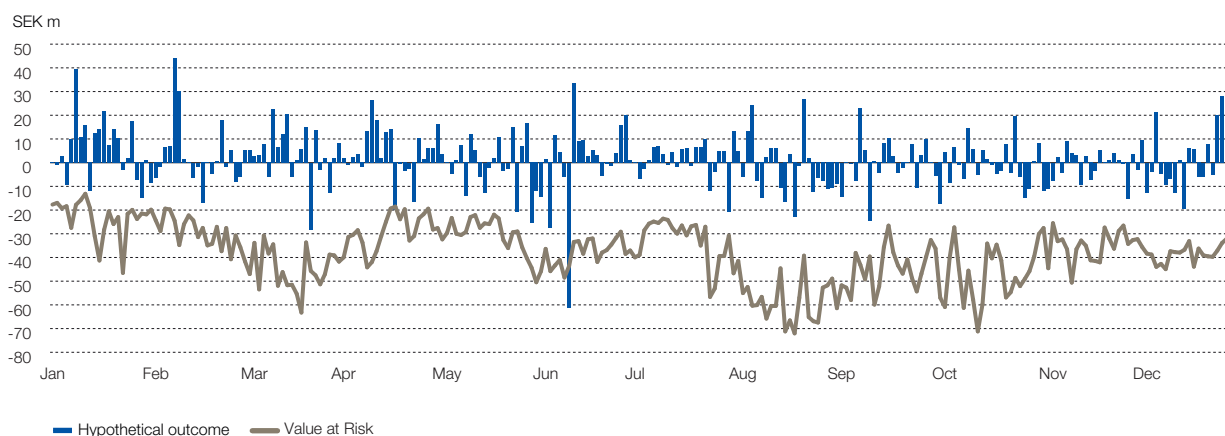
For Handelsbanken Capital Markets, VaR is calculated for individual risk categories and at portfolio level with a 99 percent confidence level and a one-day holding period. The calculations are based on historical simulation and measure the impact on the portfolio in question, revalued using the past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

VaR for the Handelsbanken Capital Markets trading portfolio was on average SEK 38 million (41) during the year. VaR fluctuated between a high of SEK 72 million (86) and a low of SEK 13 million (18).

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.

VaR for trading portfolio, Handelsbanken Capital Markets								
SEK m	Total		Equities		Fixed income		Currency	
	2009	2008	2009	2008	2009	2008	2009	2008
Average	38	41	12	12	32	38	13	11
Maximum	72	86	40	40	61	85	24	25
Minimum	13	18	3	3	14	16	4	3
Year-end	32	18	13	10	34	17	11	18

## VaR and hypothetical outcome 2009 trading portfolio, Handelsbanken Capital Markets



On two occasions in 2009, the hypothetical outcome was worse than the VaR. This is in line with the two to three occasions implied by a VaR model with a 99 percent confidence level. The VaR model does not always identify risks associated with extreme market fluctuations, which to a certain extent was the case in the past year. The calculations are therefore regularly supplemented by stress tests. The portfolios are tested against scenarios based on events in the financial markets during the period 1994–2009. When necessary, the portfolios are also tested against hypothetical extreme events. The tests for 2009 show that the portfolios could at most lose SEK 79 million with the given positions and the historic market events. The comparison with VaR for the days in question for the hypothetically worst outcomes in the stress test shows that the outcome in the stress tests was up to two times larger than the actual VaR.

Worst outcome in the trading portfolio stress test, Handelsbanken Capital Markets	
SEK m	Worst outcome scenario test
Average	55
Maximum	79
Minimum	34
Year-end	79

## INTEREST RATE RISK

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

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

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

At the year-end, the Bank's interest rate risk measured as the worst outcome in the case of an upward or downward parallel shift of one percentage point in the yield curve was SEK -866 million (-709).

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

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

Specific interest rate risk is measured and limits set taking into account sensitivity to changes in credit spreads. It is measured on the basis of different rating classes and calculated as a market value change for the worst outcome in the case of a parallel shift in the credit spreads of +/- one basis point, i.e. the difference between the interest on the current holding and the interest on a government bond with the same maturity, in relation to each individual counterparty. The total specific interest rate risk at the year-end was approximately SEK 9 million (13).

Another measurement of sensitivity to changes in market interest rates is the net interest income risk. The Bank defines this as the effect on net interest income for the coming year of an immediate parallel shift in the yield curve of one percentage point for all currencies. Net interest income risk is calculated by assuming that all interest-bearing assets, liabilities and derivative instruments falling due, or where the interest rate is adjusted during the next twelve-month period, are renewed in an interest rate environment where the rate is one percentage point higher. In the banking operations, the net interest income risk at year-end was SEK 1,393 million (1,748).

### EQUITY PRICE RISK

The Bank's equity price risk mainly arises in the Bank's own share portfolio and at Handelsbanken Capital Markets.

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

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

### EXCHANGE RATE RISK

The Bank's foreign exchange exposure mainly arises as a consequence of customer-based intra-day trading in the inter-

national foreign exchange markets. Trading is conducted at Handelsbanken Capital Markets. The board of the Bank has set VaR limits for exchange rate risk. Some foreign exchange exposure also arises in the normal banking operations as part of managing customer payment flows. The board has decided to allocate minor position limits for these exposures. The exchange rate risk was SEK -27 million (-36), measured as the impact on the Bank's earnings of a five percent weakening of the Swedish krona. The sensitivity in the case of a weakening of the Swedish krona against any individual currency did not exceed the overall currency 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 -55 million (-16), measured as the maximum loss on price changes of 20 percent in underlying commodities and a 35 percent change in volatility.

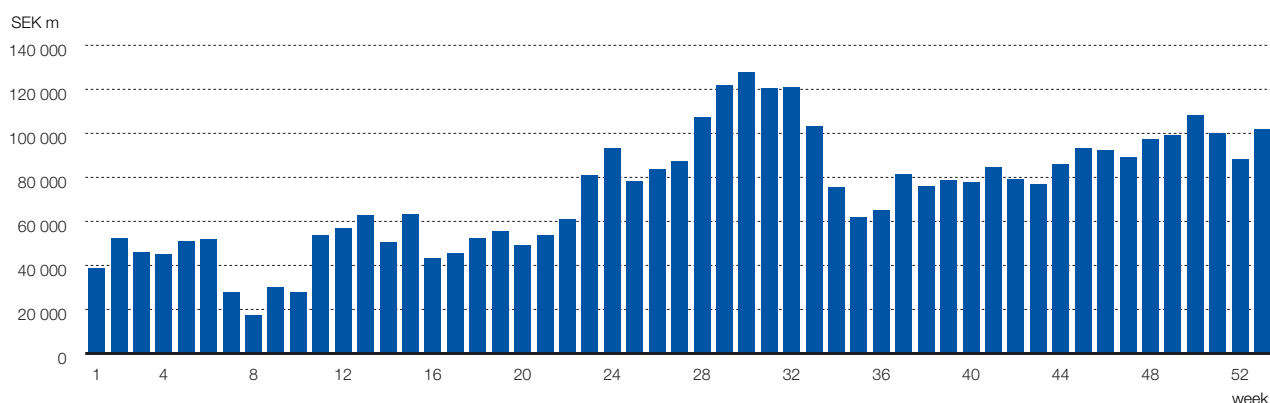
### LIQUIDITY RISK

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.

Throughout the year, despite the turbulent situation, the Bank has continuously issued covered bonds and has always had access to long-term funding in the Swedish and international markets. Handelsbanken has also made several bond issues with longer maturities in the Swedish and international capital markets. The total issue volume was SEK 263 billion. Despite the pressured markets, the Bank has had good access to funding. This is the result of Handelsbanken's work with anticipating the risks in its funding and liquidity management. The situation was facilitated due to the Bank at an early stage diversifying its funding in terms of markets, currencies, funding programs and the number of investors. This has significantly reduced the Bank's vulnerability to market disruptions. In 2009, Handelsbanken had one

Equity price risk, 31 December 2009 SEK m	Change in volatility					
	-25%		0%		25%	
Change in equity price	2009	2008	2009	2008	2009	2008
10%	408	309	442	307	478	304
-10%	-468	-277	-474	-284	-475	-289

Handelsbanken's weekly net position with respect to the Riksbank



of the lowest priced credit risks among European banks. It has also continuously been a net lender on the Swedish overnight market and has had major deposits with the Swedish Riksbank and other central banks.

In 2009, Handelsbanken started to implement a new organisation for its funding. The purpose of this was to increase control of liquidity risks and to optimise the Bank's funding structure. Central Treasury now also has overall operational responsibility for the Bank's funding, both short- and long-term. Part of this process entailed developing and reinforcing control of risks in the area of liquidity. For example, pricing of liquidity risk has been implemented when the Bank sets internal interest rates.

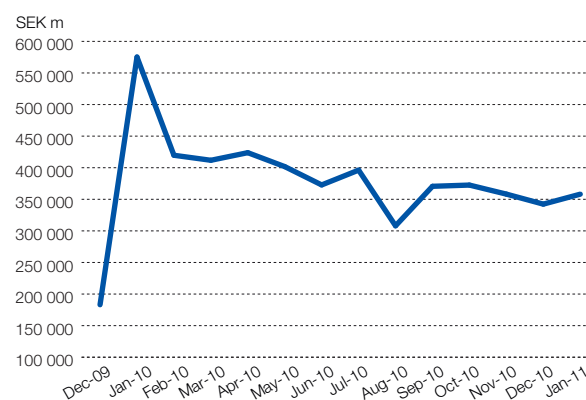
The organisational change also facilitates compliance with the new liquidity regulations that are expected to be introduced in Sweden and other countries. The new requirements are expected to clarify banks' responsibility for managing liquidity risks. Future regulation is also expected to include explicit demands for robust infrastructure with a central overview and control of liquidity risks, and internal control which takes into account the liquidity risk in various types of operations. The Bank has already implemented this.

In the light of these regulatory changes, Handelsbanken has continued to develop its liquidity management and risk control in this area. There is increased reporting to the management of the Bank's liquidity situation and work has started on developing more sophisticated stress tests.

Liquidity is planned so that the Bank can manage for at least twelve months without borrowing any new funds in the financial markets. Although at times during the year there were major disruptions in the financial markets, Handelsbanken's liquidity reserve has increased. The total liquidity reserve, which includes Central Treasury's liquidity portfolio, comprises assets with central banks, assets that are eligible as collateral with central banks and that thus can be converted to liquidity at short notice and with certainty. At the end of the year, the liquidity reserve exceeded SEK 450 billion. This covers the Bank's liquidity requirements for more than two years without access to new market funding.

The Bank must manage large incoming and outgoing cash flows every day. The gap between incoming and outgoing cash flows is restricted by means of limits. To match the differences between expected incoming and outgoing cash flows, the Bank plans its liquidity by maintaining liquidity reserves and by borrowing in the financial markets. Liquidity planning is based on an analysis of cash flows for different maturities regardless of currency and of cash flows in each currency in which the Bank has significant commitments. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where liquidity is low. The gap analysis is also supplemented by scenario tests in which the effect on liquidity is simulated and

Stress test of liquidity in SEK including liquidity-creating measures



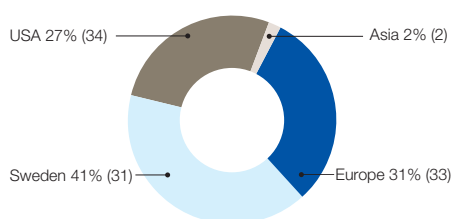
analysed using assumptions regarding, for example, substantially reduced deposit volumes, increased utilisation of credit commitments or inability to obtain funding in the financial markets.

The above figure shows a stress test of cash flows based on certain assumptions. For example, it is assumed that the Bank cannot obtain funding in the financial markets and there is a simultaneous disappearance of 10 percent of deposits from the public. It is further assumed that the Bank continues to conduct its core activities, i.e. that fixed term borrowing and lending to households and companies is renewed at maturity. Account is also taken of the fact that the Central Treasury liquidity portfolio can with absolute certainty provide immediate additional liquidity by acting as collateral with central banks, and that the Bank in other respects also has substantial reserves that can be quickly utilised.

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

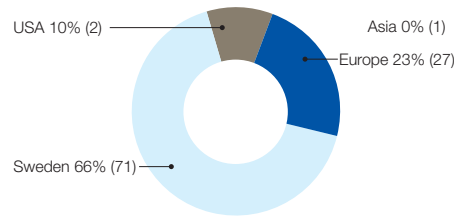
Long-term funding is mainly obtained through covered bond issues in Swedish kronor and utilisation of other funding programmes at the Bank. The total programme volume is SEK 1,185 billion, of which SEK 683 billion has not been utilised. If the concentration in the funding portfolio or maturity structure entails too high a risk, Central Treasury ensures that the concentration is reduced or that the maturity structure of the balance sheet is changed. For example, the maturity structure of the long-term debt was extended before the outbreak of the financial crisis. Despite the turbulence in the financial markets, the Bank has also continually issued securities, mainly commercial paper, bonds and covered bonds. Long-term funding instruments equivalent to around SEK 263 billion were issued during the year. This was done without any support from government guarantees. Bonds as a proportion of overall funding increased during the year, totalling some 33 percent at the year-end.

Short-term funding per market 2009



Refers to the market distribution on 31 Dec 2009 for issued securities with a residual maturity of less than one year and financing from credit institutions.

Long-term funding per market 2009



Refers to the market distribution on 31 Dec 2009 for issued securities with a residual maturity of more than one year and financing from credit institutions.

## OPERATIONAL RISK

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

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

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

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

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

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

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

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

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

The total capital requirement for operational risks for the whole of the Handelsbanken Group was SEK 3,484 million (3,292) at the end of 2009.

## RISKS IN THE INSURANCE OPERATIONS

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

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

The board of Handelsbanken Liv determines the investment policy that sets the framework for asset management and controls exposure in the various asset classes that are permitted. The market risks at Handelsbanken Liv are monitored daily by checking the risk exposure against an amount specified by the board of Handelsbanken. Besides this, the company's solvency situation is also monitored. The insurance operations report their market and insurance risks to the insurance company's chief executive, to Handelsbanken's Central Risk Control and to the Bank's CFO, group chief executive and the 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 percent confidence level and a holding period of one quarter. This is new for 2009 and means that a comparison with 2008 is not possible. The VaR measure includes both interest rate and equity price risk. At year-end, VaR was SEK 977 million.

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

- expected mortality
- life expectancy
- 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 will affect the insurance company's future pension insurance obligations. Handelsbanken Liv has made provisions of SEK 142 million to cover future losses for increased life expectancy. Calculation of the amount of the provision is based on assumptions on future mortality produced jointly by the insurance sector. If mortality in general were to be 10 percent lower than the assumption, the present value of future losses would be approximately SEK 50 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 can contribute to variations in the risk result. However, generally these premiums can also be adjusted annually, which means that the company can be compensated for the changes.

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

## MODEL FOR ECONOMIC CAPITAL

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

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

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

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

The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR is Handelsbanken's equity and an estimate of other financial values on and off the balance sheet, that are 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 increasingly important role when new transactions or structural changes are considered.

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

In addition to trading risks, market risks also include 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.

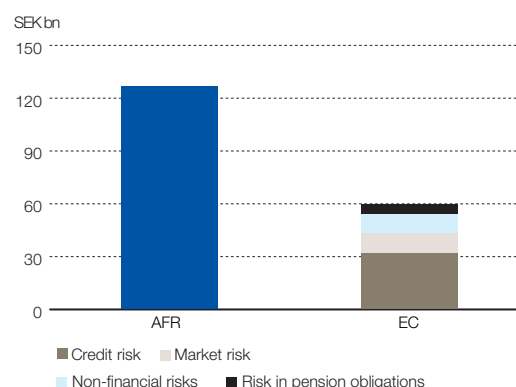
The risk in the pension obligations mainly consists of the risk of a decrease in the values that exist for securing the Bank's pension obligations. Most of the pension obligations are in Sweden and are secured there in a pension foundation and insured in an occupational pension fund.

The non-financial risks are operational risk, business risk, property risk and insurance risk. Business risk is related to unexpected variations in profit/loss in the business area in question that may arise if, for example, demand or competition changes unexpectedly, 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 60 billion (60), of which credit risks account for most of the total risk. The board stipulates that the AFR/EC ratio should be at least 120 percent. The AFR/EC ratio was 211 percent (177) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

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

Total of AFR and EC including diversification, 31 December 2009





**CAPITAL PLANNING**

Handelsbanken's capital planning aims to ensure that the Group has financial resources available at all times and that the capital is of the right composition. The capital requirement is a function of the Group's expected development, the operating regulations, Handelsbanken's economic capital model and of stress tests. The Bank's capital requirement is reported weekly to the Bank's 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 Tier 1 capital and EC. The board stipulates that the Tier 1 ratio in Basel II, which is the relevant measurement for management of the Bank, must be between 9 and 11 percent.

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

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

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

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

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

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

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

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

The results of the internal capital evaluation is reported quarterly to the board of the Bank.

At the end of 2009, the Tier 1 ratio according to Basel II was 14.2 percent and thus exceeded the Bank's long-term target of 9–11 percent. During the financial crisis, the healthy capitalisation has been an advantage and has contributed to lower funding costs. In December, the Basel Committee issued its proposal for new requirements regarding banks' capital adequacy in the regulations. The proposal is to be evaluated during the first half of 2010. The financial crisis has not led the Bank to change its views regarding capital requirement. According to the current definition, a Tier 1 ratio of 9–11 percent is still judged to be a level which by a satisfactory margin covers the risks associated with the business operations conducted by Handelsbanken.



### G3 Net interest income

SEK m	2009	2008
<b>Interest income</b>		
Credit institutions and central banks	1 655	6 978
General public	49 409	75 272
Treasury bills and other eligible bills	2 755	3 948
Interest-bearing securities	4 318	7 024
Derivative instruments recognised as hedges	-1 824	1 297
Other interest income	1 361	1 186
<b>Total interest income</b>	<b>57 674</b>	<b>95 705</b>
Of which interest income reported in net gains/losses on financial items at fair value	6 398	12 350
<b>Interest income according to income statement</b>	<b>51 276</b>	<b>83 355</b>
<b>Interest expense</b>		
Credit institutions and central banks	-2 511	-11 253
General public	-4 661	-16 809
Issued securities	-24 509	-32 374
Derivative instruments recognised as hedges	5 693	-3 258
Subordinated liabilities	-2 407	-2 677
Other interest expense	-6 329	-8 557
<b>Total interest expense, including trading-related</b>	<b>-34 724</b>	<b>-74 928</b>
Of which interest expense reported in net gains/losses on financial items at fair value	-5 448	-10 796
<b>Interest expense according to income statement</b>	<b>-29 276</b>	<b>-64 132</b>
<b>Net interest income</b>	<b>22 000</b>	<b>19 223</b>

Includes interest income on impaired loans SEK 139m (113). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 43,871m (77,029). Total interest expense on liabilities recognised at amortised cost was SEK 21,526m (46,214).

### G4 Net fee and commission income

SEK m	2009	2008
Brokerage	1 862	1 676
Mutual funds and custody	1 567	1 559
Advisory services	196	192
Insurance	532	520
Payments	2 377	2 257
Loans and deposits	1 109	894
Guarantees	529	430
Other	494	502
<b>Total fee and commission income</b>	<b>8 666</b>	<b>8 030</b>
Brokerage, mutual funds and custody	-223	-258
Payments	-957	-907
Other	-93	-70
<b>Total fee and commission expense</b>	<b>-1 273</b>	<b>-1 235</b>
<b>Net fee and commission income</b>	<b>7 393</b>	<b>6 795</b>

### G5 Net gains/losses on financial items at fair value

SEK m	2009	2008
Available for sale, realised	58	171
<i>of which equities</i>	7	701
<i>of which interest-bearing securities</i>	51	-530
Hedge accounting		
Fair value hedges	-80	-443
<i>of which hedging instruments</i>	815	6 303
<i>of which hedged items</i>	-895	-6 746
Ineffective portion of cash flow hedges	-6	-10
Ineffective portion of net investment hedges	0	-1
Instruments measured at fair value		
Loans and receivables	-23	236
<i>of which change due to changed interbank rate</i>	-50	246
Interest-bearing securities	23	1 072
Financial liabilities	158	-158
<i>of which change due to changed interbank rate</i>	158	-158
Loans and receivables at amortised cost	514	41
Financial liabilities at amortised cost	-648	17
Gains/losses on unbundled insurance contracts	-253	-51
Trading, incl trading-related interest	2 714	2 295
<b>Total</b>	<b>2 457</b>	<b>3 169</b>

The allocation of the amounts over different lines is slightly adjusted compared with previously published information. The net result is unchanged.

#### Available for sale

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

#### Hedge accounting

“Fair value hedges” includes the net profit/loss of unrealised and realised market value changes on financial assets and liabilities which are part of hedging packages. Interest income and interest expense 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.” Further information about hedge accounting is shown in note G23.

#### 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 through profit or loss. Interest income for these instruments is recognised under net interest income. As long as there is no objective evidence that the credit risk has changed, the original margin for the credit risk is normally a good indicator for estimating the credit risk margin over the life of the instrument. Examples of objective evidence of changed credit risk are delayed payment or non-payment, bankruptcy or a changed credit rating.

**Loans, 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 part of liabilities to policyholders.

**Trading**

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

**G6 Risk result – insurance**

SEK m	2009	2008
Premiums written	719	792
Insurance claims paid	-477	-470
Change in provisions for unsettled claims	-11	-29
Other	-60	-78
<b>Total</b>	<b>171</b>	<b>215</b>

**G7 Other income**

SEK m	2009	2008
Rental income	35	27
Other operating income	112	157
<b>Total</b>	<b>147</b>	<b>184</b>

**G8 Staff costs**

SEK m	2009	2008
Salaries and fees	-6 660	-6 053
Social security costs	-1 596	-1 511
Pension costs*	-520	-140
Provision to profit-sharing foundation	-748	-7
Other staff costs	-494	-403
<b>Total</b>	<b>-10 018</b>	<b>-8 114</b>

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

Gender distribution, %	2009		2008	
	Men	Women	Men	Women
Total number of employees	45	55	46	54
Managers	62	38	63	37
CEOs and EVPs	82	18	86	14
Board	75	25	67	33
Board incl. subsidiaries	81	19	79	21

Sickness absence rate in Sweden 2009						
%	2009			2008		
	Men	Women	Total	Men	Women	Total
Aged 29 or younger	1.4	2.8	2.7	1.5	2.5	2.1
Aged 30–49	1.6	3.3	2.5	1.6	3.8	2.8
Aged 50 or older	2.5	6.1	4.5	2.6	6.5	4.6
<b>Total sickness absence</b>	<b>1.8</b>	<b>4.1</b>	<b>3.1</b>	<b>1.9</b>	<b>4.4</b>	<b>3.3</b>
<i>of which long-term absence</i>	<i>0.6</i>	<i>2.1</i>	<i>1.4</i>	<i>0.6</i>	<i>2.4</i>	<i>1.6</i>

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

Salaries and other remuneration, SEK m	2009	2008
<b>Board, CEO and EVPs</b>		
Sweden	-101	-91
Norway	-7	-7
Finland	-7	-7
Denmark	-7	-6
UK	-7	-7
Luxembourg	-2	-2
USA	-1	-
Russia	-5	-
Shanghai	-1	-2
<b>Total</b>	<b>-138</b>	<b>-122</b>
<b>Other</b>		
Sweden	-3 947	-3 669
Norway	-674	-617
Finland	-401	-382
Denmark	-610	-453
UK	-421	-412
Luxembourg	-104	-87
Germany	-55	-45
USA	-114	-119
Singapore	-21	-21
Hong Kong	-22	-14
Poland	-43	-45
Russia	-31	-28
Other countries	-79	-39
<b>Total</b>	<b>-6 522</b>	<b>-5 931</b>
<b>Total</b>	<b>-6 660</b>	<b>-6 053</b>

Average number of employees	2009	Men	Women	2008
Sweden	7 502	3 376	4 126	7 715
Norway	772	389	383	755
Finland	624	243	381	647
Denmark	750	357	393	615
UK	574	380	194	516
Luxembourg	100	60	40	100
Germany	63	38	25	60
USA	80	51	29	87
Singapore	36	11	25	40
Hong Kong	31	18	13	32
Poland	86	36	50	100
Russia	63	19	44	58
Other countries	140	58	82	108
<b>Total</b>	<b>10 821</b>	<b>5 036</b>	<b>5 785</b>	<b>10 833</b>

## TERMS AND REMUNERATION OF SENIOR MANAGEMENT

For principles and the decision process concerning remuneration to senior management, see the Corporate governance report in the Administration report.

### General information

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

### Terms and remuneration of the CEO

In 2009, the Bank's CEO, Pär Boman, received a fixed salary of SEK 7.8 million (7.4), a pension provision of SEK 3.9 million (3.5) and other salary benefits amounting to SEK 0.4 million (0.4). Thus, the total amount of his remuneration was SEK 12.1 million (11.3).

Pär Boman's retirement age is 58, on condition that he remains as CEO until this age. During the period until retirement, his pension is accrued successively via provisions, until it is 65 percent of his salary immediately before the retirement date. At the end of 2009, the accrued pension was 27 percent of his 2009 salary. After he has reached retirement age, no further provisions are made. If the CEO stands down earlier, the provisions cease and the accrued pension is deposited into a paid-up policy.

External fees such as fees for serving on the boards of other companies must be paid in to the Bank. No external fees were received in 2009.

Like all other employees of the Bank, the CEO and other senior managers are allocated one unit in Handelsbanken's profit-sharing scheme, Oktogonen. No allocation was made in 2009 for the 2008 financial year. The allocation made in 2008 for the 2007 financial year was SEK 5,819 for a unit in Sweden.

### Terms of other senior management

The lowest pension age for the Bank's executive vice presidents is 60. Between the ages of 60 and 64, their retirement pension is 65 percent of their salary immediately before retirement. From the age of 65, the retirement pension is 10 percent 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 percent of the final salary immediately before the date of retirement is paid on the portion of the salary in excess of 7.5 price base amounts.

Pensions for the CEO and 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. If they leave the Bank before the stipulated retirement age, a paid-up policy is issued for the pension accrued.

### Remuneration of other senior managers and board members

Board members who are not employees of the Bank have received fees in accordance with a resolution of the annual general meeting of shareholders. The fees are presented on pages 50-51.

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

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

The 20 (23) other executive vice presidents have received remuneration and other benefits totalling SEK 75.0 million (70.7), with SEK 4.9 million (4.6) of this amount being other benefits. External fees are paid to the Bank.

### Pension obligations

Accrued pension rights during the year have increased the pension obligations for the CEO by SEK 3.9 million (3.5) and for Olle Lindstrand, executive vice president, by SEK 0.8 million (0.8). The pension obligation for the CEO was SEK 81.8 million (74.3). Accrued pension rights during the year have increased pension obligations for the 20 (23) other executive vice presidents by SEK 20.2 million (22.5).

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 executive vice presidents were SEK 37.0 million (40.4) for the Group and SEK 31.8 million (33.8) for the parent company.

Pension obligations for the same people are SEK 1,822 million (1,784) in the Group and SEK 1,614 million (1,576) in the parent company. The number of people covered by these obligations in the Group is 76 (75), of whom 32 (32) are pensioners. The corresponding number for the parent company is 57 (57), of whom 28 (28) are pensioners. The obligations are covered by the Bank's pension foundation, or are secured in the Bank's pension fund.

All information concerning pension obligations and accrued pension rights during the year has been calculated in accordance with IAS 19.

### Loans to board members and senior management

Loans to board members, chief executives and executive vice presidents at the Bank or Group companies are SEK 231.7 million (168.2) in the Bank or other group companies and SEK 132.6 million (112) in the parent company.

Net pension assets		
The following provisions for pension obligations have been made in the balance sheet SEK m		
	2009	2008
Pension obligations	16 007	15 529
Fair value of plan assets	17 945	13 332
<b>Pension obligations minus plan assets</b>	<b>-1 938</b>	<b>2 197</b>
Retained actuarial gains (+) / losses (-)	-2 442	-6 843
<b>Allocated for pensions</b>	<b>-4 380</b>	<b>-4 646</b>

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

#### Pension costs

Pensions accrued during the year	-509	-437
Interest on pension provision	-609	-574
Expected return on plan assets	1 129	1 104
Redemption of pension liability	-	6
Write-off of retained actuarial gains (+) / losses (-)	-262	48
<b>Pension costs, defined benefit plans</b>	<b>-251</b>	<b>147</b>
Costs for early retirement pensions	-3	-18
<b>Pension costs, funded plans</b>	<b>-254</b>	<b>129</b>
Pension costs, defined-contribution plans	-251	-204
Special employer's contribution and policyholder tax, other pension costs	-15	-65
<b>Total pension costs</b>	<b>-520</b>	<b>-140</b>

The actuarial calculation of pension obligations and pension costs is based on the following main assumptions

Discount rate %	3.9	3.9
Expected salary increase %	3.8	3.8
Expected rate of return on plan assets %	6.9	7.0
Pension indexing %	2.1	2.1
Income base amount %	2.8	2.8
Staff turnover %	2.8	2.8
Expected remaining years of employment	20.0	20.0

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

<b>Opening balance</b>	<b>15 529</b>	<b>14 728</b>
Pensions accrued during the year	509	437
Interest expense	609	574
Paid benefits	-611	-594
Redemption of pension obligations	-	-6
Retained income on accruals in previous periods	-	-3
Actuarial gains (-) / losses (+)	-124	577
Foreign exchange effect	95	-184
<b>Closing balance</b>	<b>16 007</b>	<b>15 529</b>

#### Plan assets

<b>Opening balance</b>	<b>13 332</b>	<b>22 059</b>
Expected return on plan assets	1 129	1 104
Funds contributed by the employer	161	364
Funds paid to employer	-621	-578
Funds paid directly to employees	-159	-289
Actuarial gains (+) / losses (-)	4 048	-9 209
Foreign exchange effect	55	-119
<b>Closing balance</b>	<b>17 945</b>	<b>13 332</b>

#### Return on plan assets

Expected return on plan assets	1 129	1 104
Actuarial gains (+) / losses (-)	4 048	-9 209
<b>Real return</b>	<b>5 177</b>	<b>-8 105</b>

#### Provision for pension obligations

<b>Opening balance</b>	<b>-4 646</b>	<b>-4 386</b>
Pension costs, defined benefit plans	251	-147
Paid benefits	169	273
Funds contributed by the employer	-161	-364
Foreign exchange effect	7	-22
<b>Closing balance</b>	<b>-4 380</b>	<b>-4 646</b>

#### Net actuarial gains / losses

<b>Opening actuarial gains (+) / losses (-)</b>	<b>-6 843</b>	<b>2 945</b>
Actuarial gains (-) / losses (+) to be recognised	262	-48
Actuarial gains (-) / losses (+), redeemed pension provision	0	0
Actuarial gains (+) / losses (-), pension obligations	124	-577
Actuarial gains (+) / losses (-), plan assets	4 048	-9 209
Foreign exchange effect	-33	46
<b>Closing balance, actuarial gains (+) / losses (-)</b>	<b>-2 442</b>	<b>-6 843</b>

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

Shares and participating interests	14 741	9 907
Interest-bearing securities etc.	3 204	3 425
<b>Total</b>	<b>17 945</b>	<b>13 332</b>

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK 0m (402) on the balance sheet date 31 December 2009. In Sweden, Norway, Great Britain and Germany, the pension plans are defined-benefit, meaning that the pension is based on a certain percentage of the final salary. There are no post-retirement health care plans.

History SEK m	2009	2008	2007	2006	2005
Pension obligations	16 007	15 529	14 728	13 669	13 709
Fair value of plan assets	17 945	13 332	22 059	23 842	20 147
<b>Pension obligations minus plan assets</b>	<b>-1 938</b>	<b>2 197</b>	<b>-7 331</b>	<b>-10 173</b>	<b>-6 438</b>
Actuarial gains (+) / losses (-) for the period, pension obligations	124	-577	-719	431	-1 286
of which experience adjustments	136	22	-693	462	-1 089
of which changed actuarial assumptions	-12	-599	-26	-31	-197
Actuarial gains (+) / losses (-) for the period, plan assets	4 048	-9 209	-2 383	3 126	3 142
of which experience adjustments	4 048	-9 193	-2 383	3 126	3 142
of which changed actuarial assumptions	0	-16	0	0	0

Future cash flows	Outcome 2009	Forecast 2010
Expected pension payments	-611	-559

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and Union of Finance Sector Employees and between BAO and SACO (the Swedish Confederation of Professional Associations). The amount 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 in the range between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

## G9 Other expenses

SEK m	2009	2008
Property and premises	-1 090	-1 028
External IT costs	-1 339	-1 309
Communication	-421	-414
Travel and marketing	-381	-394
Purchased services	-840	-771
Supplies	-303	-235
Other administrative expenses	-345	-537
<b>Total</b>	<b>-4 719</b>	<b>-4 688</b>
<i>Of which expenses for operating leases</i>		
Minimum lease fee	-709	-687
Variable fee	-13	-82
<b>Total</b>	<b>-722</b>	<b>-769</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 2009, the cost of the largest individual lease contract was approx. SEK 128m (128). None of the major lease contracts has a variable fee.

Audit costs SEK m	Audit		Consulting	
	2009	2008	2009	2008
<b>Auditors elected by the AGM</b>				
KPMG AB	-12	-14	-1	-1
Ernst & Young AB	-2	-2	-1	-1
<b>Internal auditing</b>	<b>-98</b>	<b>-90</b>		

## G10 Loan losses

SEK m	2009	2008
<b>Specific provision for individually assessed loan receivables</b>		
The year's provision	-3 341	-1 262
Write-back of previous provisions	204	189
<b>Total</b>	<b>-3 137</b>	<b>-1 073</b>
<b>Collective provision</b>		
The year's collective provision for individually assessed loan receivables	13	-189
The year's collective provision for homogeneous loan receivables	-98	-69
The year's collective provision for off-balance sheet items	-30	-
<b>Total</b>	<b>-115</b>	<b>-258</b>
<b>Other provisions</b>		
Provisions for off-balance sheet items	-16	-95
Write-back of previous provisions	78	-
<b>Total</b>	<b>62</b>	<b>-95</b>
<b>Write-offs</b>		
Actual loan losses for the year	-881	-963
Utilised share of previous provisions	532	495
Recoveries	148	289
<b>Total</b>	<b>-201</b>	<b>-179</b>
<b>Change in value of repossessed property</b>		
Value change during year	-1	-
<b>Net loan losses</b>	<b>-3 392</b>	<b>-1 605</b>

### Impaired loans etc.

SEK m	2009	2008
Impaired loans	8 615	5 367
Specific provisions for individually assessed loan receivables	-4 686	-2 102
Provisions for collectively assessed homogeneous groups of loan receivables with limited value and similar credit risk	-220	-161
Group provisions for individually valued loan receivables	-474	-482
<b>Net impaired loans</b>	<b>3 235</b>	<b>2 622</b>
Total impaired loans reserve ratio, %	62.4	51.1
Proportion of impaired loans, %	0.21	0.17
Impaired loans reserve ratio excluding group provisions, %	56.9	42.2
Non-performing loans which are not impaired loans, SEK m	1 519	1 709
Carrying amount of loan receivables restructured during the year, before restructuring, SEK m	1 479	1316
Carrying amount of loan receivables restructured during the year, after restructuring, SEK m	1 463	1316
Impaired loans reclassified as normal loans during the year, SEK m	100	127

Loan receivables are classified as impaired loans if contracted cash flows will probably not be fulfilled. The full amount of all loans which give rise to a specific provision is included in impaired loans even if parts are covered by collateral. This means that the reserve ratio does not take into account collateral received. 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 160.

## G10 Cont.

Impaired and/or non-performing loans, by sector, 2009	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net *	Of which non-performing	
SEK m					
Private individuals	1 222	-664	558	541	966
Housing co-operative associations	90	-15	75	71	85
Property management	1 304	-538	766	318	92
Manufacturing	2 852	-2 190	662	599	130
Retail	607	-444	163	20	44
Hotel and restaurant	29	-24	5	2	11
Other transport and communication	142	-111	31	20	5
Construction	335	-155	180	122	101
Electricity, gas and water	10	-8	2	0	2
Agriculture, hunting and forestry	33	-23	10	7	0
Other services	63	-46	17	16	11
Holding, investment, insurance companies, mutual funds etc.	1 311	-376	935	71	5
Other corporate lending	617	-313	304	239	67
<b>Total</b>	<b>8 615</b>	<b>-4 907</b>	<b>3 708</b>	<b>2 026</b>	<b>1 519</b>

Impaired and/or non-performing loans, by sector, 2008	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net *	Of which non-performing	
SEK m					
Private individuals	875	-431	444	422	939
Housing co-operative associations	38	-20	18	12	68
Property management	1 190	-285	905	423	390
Manufacturing	557	-401	156	151	50
Retail	359	-199	160	143	92
Hotel and restaurant	17	-10	7	8	15
Other transport and communication	57	-39	18	17	5
Construction	118	-46	72	70	54
Electricity, gas and water	4	0	4	4	26
Agriculture, hunting and forestry	37	-15	22	16	-
Other services	31	-15	16	15	13
Holding, investment, insurance companies, mutual funds etc.	1 359	-332	1 027	27	14
Other corporate lending	725	-470	255	257	43
<b>Total</b>	<b>5 367</b>	<b>-2 263</b>	<b>3 104</b>	<b>1 565</b>	<b>1 709</b>

Impaired and/or non-performing loans, geographic distribution 2009	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net *	Of which non-performing	
SEK m					
Sweden	4 810	-3 370	1 440	1 140	866
Norway	829	-408	421	422	276
Finland	513	-318	195	71	362
Denmark	412	-226	186	127	15
UK	772	-244	528	184	0
Rest of Europe	93	-10	83	82	0
North America	1 186	-331	855	0	0
Asia	0	0	0	0	0
<b>Total</b>	<b>8 615</b>	<b>-4 907</b>	<b>3 708</b>	<b>2 026</b>	<b>1 519</b>

Impaired and/or non-performing loans, geographic distribution 2008	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net *	Of which non-performing	
SEK m					
Sweden	2 192	-1 253	939	793	910
Norway	594	-136	458	457	432
Finland	279	-173	106	84	244
Denmark	365	-183	182	150	36
UK	604	-188	416	78	87
Rest of Europe	3	0	3	3	0
North America	1 330	-330	1 000	0	0
Asia	0	0	0	0	0
<b>Total</b>	<b>5 367</b>	<b>-2 263</b>	<b>3 104</b>	<b>1 565</b>	<b>1 709</b>

\* Carrying amount after taking into account specific provisions for individually valued loan receivables and provisions for collectively valued loan receivables, but excluding collective provisions for loan receivables which are individually assessed.

Analysis of past due loan receivables which are not impaired loans 2009					
SEK m	Loans to credit institutions	Loans to the public			Total
		Retail	Corpo- rate	Other	
Past due 5–30 days	-	2 554	1 336	4	3 894
Past due 31–60 days	-	413	300	0	713
Past due 61–90 days	-	231	215	0	446
Past due 91–360 days	-	515	249	0	764
Past due more than 360 days	-	220	90	0	310
<b>Total</b>	<b>-</b>	<b>3 933</b>	<b>2 190</b>	<b>4</b>	<b>6 127</b>

Analysis of past due loan receivables which are not impaired loans 2008					
SEK m	Loans to credit institutions	Loans to the public			Total
		Retail	Corpo- rate	Other	
Past due 5–30 days	1	3 630	2 765	1	6 397
Past due 31–60 days	-	581	617	0	1 198
Past due 61–90 days	-	278	280	0	558
Past due 91–360 days	-	480	289	-	769
Past due more than 360 days	-	181	201	-	382
<b>Total</b>	<b>1</b>	<b>5 150</b>	<b>4 152</b>	<b>1</b>	<b>9 304</b>

## G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2009	2008
Equipment	4	-3
Property	-	273
<b>Total</b>	<b>4</b>	<b>270</b>

The difference between the amount received and the carrying amount of sold property and equipment, and intangible assets is reported here.

## G12 Discontinued operations

Profit/loss from discontinued operations		
SEK m	2009	2008
Income	776	385
Expenses	-737	-125
<b>Operating profit from discontinued operations</b>	<b>39</b>	<b>260</b>
Tax	-3	-73
<b>Profit for the year from discontinued operations</b>	<b>36</b>	<b>187</b>

Profit/loss from discontinued operations mainly comprises the parts of the Plastal Group acquired during the period and the net amount of remuneration Handelsbanken received up to and including the first quarter of 2009 for asset management assignments and other services rendered by the Bank on behalf of SPP/Storebrand.

The operations in Plastal were acquired on 2 July 2009 through an agreement with the receiver in bankruptcy of the Plastal Group and Plastal Holding, where the assets and liabilities of the Swedish operations and 100 percent of the shares in Plastal AS, Plastal NV and Plastal Building AB were acquired. The shares were taken over and paid for on the agreement date and the assets and liabilities were taken over and paid for on 1 September 2009. The total purchase price was SEK 381 million. Most of this amount has been repaid to the Bank through amortisation of the Bank's claims on the bankruptcy estate. The Group's income and profits would have been essentially the same if the acquired operations had been part of the Group for the whole financial year.

The Plastal Group's operations consist of manufacturing exterior plastic components for the auto industry. As a result of the acquisition the Bank has taken over operations which are deemed to be financially sustainable and which generate a positive cash flow. The acquired parts of the Plastal Group conduct operations in Sweden, Norway and Belgium. The Bank intends to divest the Plastal operations as soon as possible.

The table below shows how the purchase price is distributed between assets and liabilities in the acquired operations. The fair value of the assets in the acquired operations exceeded the acquisition price by SEK 68 million. This amount has been reported as a recovered loan loss in the income statement.

SEK m	Recognised value (IFRS) at time of acquisition	Carrying amount in Plastal before acquisition
Cash	60	60
Intangible assets	7	7
Property and equipment	271	271
Other assets	301	301
Prepaid expenses and accrued income	14	14
<b>Total assets</b>	<b>653</b>	<b>653</b>
Current tax liability	2	2
Pension liability	32	0
Other liabilities	97	97
Accrued expenses and deferred income	73	73
<b>Total liabilities</b>	<b>204</b>	<b>172</b>
<b>Total net assets</b>	<b>449</b>	<b>481</b>

## G13 Earnings per share

SEK m	2009	2008
Profit for the year, continuing operations, SEK m	10 208	11 944
<i>of which interest expense on convertible subordinated loan after tax</i>	-25	-64
Profit for the year, discontinued operations, SEK m	36	187
<i>of which interest expense on convertible subordinated loan after tax</i>	-	-
Profit for the year, total operations, SEK m	10 244	12 131
<i>of which interest expense on convertible subordinated loan after tax</i>	-25	-64
Average number of outstanding shares (millions)	623.3	623.3
Average dilution effect, number of shares (millions)	19.3	8.2
Average number of outstanding shares after dilution (millions)	642.6	631.5
<b>Earnings per share, continuing operations, SEK</b>	<b>16.38</b>	<b>19.16</b>
after dilution	15.92	19.02
<b>Earnings per share, discontinued operations, SEK</b>	<b>0.06</b>	<b>0.30</b>
after dilution	0.06	0.29
<b>Earnings per share, total operations, SEK</b>	<b>16.44</b>	<b>19.46</b>
after dilution	15.98	19.31

Earnings per share is calculated by dividing the net profits attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue during the period. The denominator excludes the Bank's holding of repurchased own shares.

Earnings per share after dilution is calculated by restoring to the numerator interest costs for the convertible subordinated loan paid during the period, and adjusting the denominator by the average number of additional shares in the case of accepted conversion.



## G14 Classification of financial assets and liabilities

2009 SEK m	At fair value in profit/loss divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and customer receivables	Available-for- sale financial assets	Other financial assets/ liabilities	Total carrying amount	Fair value
	Trading	Other *							
<b>Assets</b>									
Cash and balances with central banks					49 882			49 882	49 882
Treasury bills and other eligible securities	24 771	73 098		5 700		1 587		105 156	105 151
Loans to credit institutions					168 100			168 100	167 883
Loans to the public		5 728			1 471 455			1 477 183	1 487 516
Value change of interest hedged item in portfolio hedge					2 979			2 979	2 979
Bonds and other interest-bearing securities	20 575	33 436		1 368		15 467		70 846	70 845
Shares and participating interests	17 076	3 746				4 061		24 883	24 883
Participating interests in associated companies							93	93	93
Assets where the customer bears the value change risk		47 666			3 366			51 032	51 032
Derivative instruments	90 096		17 059					107 155	107 155
Other assets	61				42 533			42 594	42 594
Prepaid expenses and accrued income	92	1 211		145	5 364	1		6 813	6 813
<b>Total financial assets</b>	<b>152 671</b>	<b>164 885</b>	<b>17 059</b>	<b>7 213</b>	<b>1 743 679</b>	<b>21 116</b>	<b>93</b>	<b>2 106 716</b>	<b>2 116 826</b>
Non-financial assets								16 127	
<b>Total assets</b>								<b>2 122 843</b>	
<b>Liabilities</b>									
Due to credit institutions							239 790	239 790	239 792
Deposits and borrowing from the public							549 748	549 748	550 750
Liabilities where the customer bears the value change risk		47 737					3 366	51 103	51 103
Issued securities	8 846						957 229	966 075	976 813
Derivative instruments	88 292		4 809					93 101	93 101
Other trading liabilities	29 647							29 647	29 647
Other liabilities							23 175	23 175	23 175
Accrued expenses and deferred income							17 456	17 456	17 456
Subordinated liabilities							59 005	59 005	61 174
<b>Total financial liabilities</b>	<b>126 785</b>	<b>47 737</b>	<b>4 809</b>				<b>1 849 769</b>	<b>2 029 100</b>	<b>2 043 011</b>
Non-financial liabilities								10 655	
<b>Total liabilities</b>								<b>2 039 755</b>	

\* Classified to be measured at fair value.

### CALCULATION OF FAIR VALUE FOR FINANCIAL ASSETS AND LIABILITIES

Information concerning the fair value of financial assets and liabilities has been produced as follows.

#### Assets and liabilities for which the carrying amount is a reasonable approximation of fair value

For means of payment, receivables and liabilities with a variable interest rate, and short-term receivables and liabilities, the fair value is considered to be the same as the carrying amount. Receivables and liabilities with final maturity or the date for next interest rate fixing falling within 30 days are defined as short-term.

#### Lending

For fixed-rate lending carried at amortised cost, fair value has been measured using the current market interest rate for the equivalent term with an adjustment for the credit and liquidity risk. The credit and liquidity risk premium by which the market rate has been adjusted is assumed to be the same as the average margin for new lending at the time of the measurement.

#### Treasury bills, other eligible securities and other interest-bearing securities

Securities issued by governments and Swedish mortgage bonds are valued using current market prices. Corporate bonds are valued using techniques that are based on market interest rates for the same maturity with an adjustment for credit and liquidity risk. The valuation is regularly evaluated to ensure that it reflects current market prices. The evaluations are primarily performed by comparing recently completed transactions in the same or equivalent instruments.

#### Shares and participating interests

The majority of the Group's holdings are shares listed on an active market which are valued at market price. Unlisted shares are measured at fair value using valuation models. The choice of model is governed by what is considered appropriate for the individual share. For unlisted shares where the company agreement stipulates the price at which the shares can be divested, the holdings are valued at the pre-determined divestment price. For example, there are cases where the shareholders' meeting resolves the value at which transfers will be made. When valuing invest-

2008 SEK m	At fair value in profit/loss divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and customer receivables	Available-for- sale financial assets	Other financial assets/ liabilities	Total carrying amount	Fair value
	Trading	Other *							
<b>Assets</b>									
Cash and balances with central banks					66 894			66 894	66 894
Treasury bills and other eligible securities	7 992	76 404				385		84 781	84 781
Loans to credit institutions					164 981			164 981	165 539
Loans to the public		6 688			1 474 787			1 481 475	1 493 483
Value change of interest hedged item in portfolio hedge					144			144	144
Bonds and other interest-bearing securities	30 525	25 598		1 435		23 939		81 497	81 497
Shares and participating interests	8 253	4 485				2 951		15 689	15 689
Participating interests in associated companies							84	84	84
Assets where the customer bears the value change risk		31 552						31 552	31 552
Derivative instruments	184 987		7 252					192 239	192 239
Other assets	8				12 929			12 937	12 937
Prepaid expenses and accrued income	244	1 133		12	8 475	10		9 874	9 874
<b>Total financial assets</b>	<b>232 009</b>	<b>145 860</b>	<b>7 252</b>	<b>1 447</b>	<b>1 728 210</b>	<b>27 285</b>	<b>84</b>	<b>2 142 147</b>	<b>2 154 713</b>
Non-financial assets								16 637	
<b>Total assets</b>								<b>2 158 784</b>	
<b>Liabilities</b>									
Due to credit institutions		41 385					277 728	319 113	320 848
Deposits and borrowing from the public							543 760	543 760	544 131
Liabilities where the customer bears the value change risk		31 654						31 654	31 654
Issued securities	3 162						892 547	895 709	907 549
Derivative instruments	166 660		2 980					169 640	169 640
Other trading liabilities	17 580							17 580	17 580
Other liabilities							15 951	15 951	15 951
Accrued expenses and deferred income	326	290					19 072	19 688	19 688
Subordinated liabilities							61 434	61 434	64 819
<b>Total financial liabilities</b>	<b>187 728</b>	<b>73 329</b>	<b>2 980</b>				<b>1 810 492</b>	<b>2 074 529</b>	<b>2 091 860</b>
Non-financial liabilities								9 292	
<b>Total liabilities</b>								<b>2 083 821</b>	

\* Classified to be measured at fair value.

ments in private equity funds, the valuation principles adopted by the European Venture Capital & Private Equity Association (EVCA) are applied which are based on earnings multiples for comparable listed companies in the same sector. For participating interests in associates, the carrying amount according to the equity method is reported and not the fair value.

#### Funding and issued securities

Issued securities listed on an active market have been valued at their market price. Unlisted issued securities and other funding have been valued at the Group's current funding interest rate.

#### Derivatives

Derivatives which are traded on an active market are valued at market price. Other derivatives are valued using generally accepted valuation techniques which are mainly based on data derived from the market. All valuation techniques applied are generally accepted in the market and take all parameters that the market would consider into account when pricing. The techniques are regularly reviewed to ensure their reliability. For a limited

number of contracts, advanced valuation models are applied that partly rely on assumptions that are not directly derived from the market. The assumptions applied are regularly evaluated against actual outcome in order to discover any need to adjust valuations and means of forecasting.

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

These items correspond to assets and liabilities for which the counterparty entirely bears the value change risk, for example assets and liabilities deriving from unit-linked insurance contracts. Shares in mutual funds are valued at their current market value. The valuation of liabilities for which the customer bears the risk reflects the valuation of the corresponding assets. Information on loans and receivables presented as assets for which the customer bears the risk have been obtained in the same manner as for other loans and receivables.

## G15 Fair value measurement of financial assets and liabilities

2009				
SEK m	Listed market price	Valuation based on market data	Valuation partly based on non-market data	Total
<b>Assets</b>				
Treasury bills and other eligible securities	99 456			99 456
Loans to the public		5 728		5 728
Bonds and other interest-bearing securities	59 172	10 306	-	69 478
Shares and participating interests	20 454	2 977	1 452	24 883
Assets where the customer bears the value change risk	47 666			47 666
Derivative instruments	3 279	103 876	-	107 155
<b>Total financial assets at fair value</b>	<b>230 027</b>	<b>122 887</b>	<b>1 452</b>	<b>354 366</b>
<b>Liabilities</b>				
Due to credit institutions				-
Liabilities where the customer bears the value change risk	46 450	1 287		47 737
Issued securities		8 846		8 846
Derivative instruments	2 841	90 260	-	93 101
Other trading liabilities	29 634	13		29 647
<b>Total financial liabilities at fair value</b>	<b>78 925</b>	<b>100 406</b>	<b>-</b>	<b>179 331</b>

2008				
SEK m	Listed market price	Valuation based on market data	Valuation partly based on non-market data	Total
<b>Assets</b>				
Treasury bills and other eligible securities	84 781			84 781
Loans to the public		6 688		6 688
Bonds and other interest-bearing securities	55 513	24 501	48	80 062
Shares and participating interests	10 094	4 182	1 413	15 689
Assets where the customer bears the value change risk	31 552			31 552
Derivative instruments	13 197	178 599	443	192 239
<b>Total financial assets at fair value</b>	<b>195 137</b>	<b>213 970</b>	<b>1 904</b>	<b>411 011</b>
<b>Liabilities</b>				
Due to credit institutions	227	41 158		41 385
Liabilities where the customer bears the value change risk	29 934	1 720		31 654
Issued securities	972	2 190		3 162
Derivative instruments	12 518	157 109	13	169 640
Other trading liabilities	17 399	181		17 580
<b>Total financial liabilities at fair value</b>	<b>61 050</b>	<b>202 358</b>	<b>13</b>	<b>263 421</b>

Unlike the corresponding information in the 2008 annual report, hedged items in fair value hedges are not included in the information above since these items are only measured at the market value attributable to the hedged interest rate risk. The comparative figures have been adjusted.

The tables above present a division of financial assets and liabilities carried at fair value, according to the valuation technique applied. The column “Listed market price” comprises instruments for which there are listed prices on an active market (valuation category 1). The market is regarded as active if prices are easily available with satisfactory regularity. The column “Valuation based on market data” shows financial instruments valued using other external market information such as listed interest rates or prices of closely-related instruments (valuation category 2). The

column “Valuation partly based on non-market data” comprises instruments which are valued using a valuation model for which some essential input is based on estimates or assumptions that are not directly available in the market such as assumptions about correlations or future cash flows (valuation category 3).

The table below is a reconciliation of the Group’s holdings of instruments partly valued on the basis of non-market data during the financial year.

Instruments whose value is partly based on non-market data				
SEK m	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives net position	Total 2009
Carrying amount at beginning of year	48	1 413	430	1 891
New acquisition		51		51
Issued during the year			-4	-4
Matured during the year			5	5
Realised value change in profit/loss	-48	-376	-376	-800
Unrealised value change in profit/loss			-139	-139
Value change recognised in other comprehensive income		14		14
Transfer from valuation category 1		350		350
Transfer to valuation category 2			84	84
<b>Carrying amount at end of year</b>	<b>-</b>	<b>1 452</b>	<b>-</b>	<b>1 452</b>

## G16 Reclassified financial assets

On 1 July 2008, parts of the Group's liquidity portfolio were reclassified from the held-for-trading category to the available-for-sale/loans and receivables categories. In addition, certain holdings which were previously reported as available for sale were reclassified to the loans and other receivables/held to maturity categories. The principles for reclassification are described in more detail in the Group's accounting policies, note G1. The table below shows how the reclassification has affected the amounts reported. Since the reclassification on 1 July 2008, there have been no new reclassifications of financial assets.

SEK m	Holdings classified as loans		Available-for-sale financial assets	Investments held to maturity
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
Carrying amount	1 595	18 662	2 745	227
Fair value	1 571	18 555	2 745	227
Carrying amount at reclassification 1 July 2008	3 041	19 722	2 578	209
Carrying amount at beginning of 2009	3 073	23 159	2 949	241
Fair value at beginning of 2009	2 953	21 535	2 949	231
Value change recognised in income statement in 2009	5	-123	1	-13
Value change recognised in other comprehensive income in 2009	-125	-896	118	-
Value change which would have been recognised in income statement in 2009 if reclassification had not occurred	57	-127	333	-13
Value change that would have been recognised in other comprehensive income in 2008 if reclassification had not occurred	-117	-	-334	-
Value change that would have been recognised in other comprehensive income in 2009 if reclassification had not occurred	-	1 539	-	8
Value change that would have been recognised in other comprehensive income in 2008 if reclassification had not occurred	-	-1 227	-	-9
Amortisations and maturities since reclassification	-1 731	-3 599	-286	-
Interest income 2009	39	565	85	7

The value changes recognised in the income statement and in other comprehensive income comprise recognised changes in the fair value of the assets.

## G17 Loans to credit institutions

SEK m	2009	2008
<b>Loans in Swedish kronor</b>		
Banks	71 312	54 286
Other credit institutions	14 733	16 687
<b>Total</b>	<b>86 045</b>	<b>70 973</b>
<b>Loans in foreign currency</b>		
Banks	30 524	41 273
Other credit institutions	51 540	52 739
<b>Total</b>	<b>82 064</b>	<b>94 012</b>
Probable loan losses	-9	-4
<b>Total</b>	<b>168 100</b>	<b>164 981</b>
<i>Of which reverse repos</i>	64 701	48 870

Average volumes SEK m	2009	2008
Loans to credit institutions in Swedish kronor	91 567	75 167
Loans to credit institutions in foreign currency	127 152	131 834
<b>Total</b>	<b>218 719</b>	<b>207 001</b>
<i>Of which reverse repos</i>	25 601	36 244

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	60 732	86 535	5 578	11 065	4 190	<b>168 100</b>
2008	62 831	72 172	11 131	12 857	5 990	<b>164 981</b>

## G18 Loans to the public

SEK m	2009	2008
<b>Loans in Swedish kronor</b>		
Households	511 315	474 781
Companies incl. National Debt Office	444 269	456 277
<b>Total</b>	<b>955 584</b>	<b>931 058</b>
<b>Loans in foreign currency</b>		
Households	144 332	133 396
Companies incl. National Debt Office	382 638	419 762
<b>Total</b>	<b>526 970</b>	<b>553 158</b>
Probable loan losses	-5 371	-2 741
<b>Total loans to the public</b>	<b>1 477 183</b>	<b>1 481 475</b>
<i>Of which reverse repos</i>	11 544	4 781
<i>Of which subordinated</i>	0	1 600

Average volumes – loans to the public SEK m	2009	2008
Loans to the public in Swedish kronor	939 913	901 987
Loans to the public in foreign currency	554 791	478 707
<b>Total</b>	<b>1 494 704</b>	<b>1 380 694</b>
<i>Of which reverse repos</i>	8 170	13 174

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	99 577	395 972	221 032	446 043	314 559	<b>1 477 183</b>
2008	63 345	424 216	193 746	490 179	309 989	<b>1 481 475</b>

## G19 Interest-bearing securities

SEK m	2009		2008	
	Notional value	Fair value	Notional value	Fair value
Government	99 396	103 677	81 921	84 781
Credit institutions	17 903	18 260	31 180	31 288
Mortgage institutions	32 946	34 260	31 140	31 974
Other	19 753	19 799	20 010	18 193
<b>Total</b>	<b>169 998</b>	<b>175 996</b>	<b>164 251</b>	<b>166 236</b>
Adjustment to carrying amount for investments held to maturity		6		42
<b>Total carrying amount</b>		<b>176 002</b>		<b>166 278</b>
Securities eligible as collateral	100 773	105 151	79 896	84 781
Bonds and other interest-bearing securities	69 225	70 845	84 355	81 455
<b>Total interest-bearing securities</b>	<b>169 998</b>	<b>175 996</b>	<b>164 251</b>	<b>166 236</b>
<i>Of which unlisted securities</i>		1 800		1 556
<i>Of which subordinated</i>		0		59

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	12 257	63 217	10 446	64 675	25 407	<b>176 002</b>
2008	11 611	56 355	18 283	62 343	17 686	<b>166 278</b>

Average volumes SEK m	2009	2008
Interest-bearing securities	125 097	103 752
Interest-bearing securities, insurance operations	20 492	21 388
<b>Total</b>	<b>145 589</b>	<b>125 140</b>

## G20 Shares and participating interests

SEK m	2009	2008
<b>Held for trading</b>		
Listed	18 446	9 552
Non-listed	2 376	3 185
<b>Total</b>	<b>20 822</b>	<b>12 737</b>
<b>Classified as available for sale</b>		
Listed	3 394	2 290
Non-listed	667	662
<b>Total</b>	<b>4 061</b>	<b>2 952</b>
<b>Total shares and participating interests</b>	<b>24 883</b>	<b>15 689</b>

## G21 Participating interests in associated companies

Holdings in associated companies	2009	2008
Non-listed	93	84
<b>Total shares and participating interests</b>	<b>93</b>	<b>84</b>
<b>Participating interests in associated companies</b>		
Carrying amount at beginning of year	84	448
Share of profit for the year	26	79
Tax	-7	-24
Dividend	-3	0
Divestments	-7	-417
Translation difference	-	-2
<b>Carrying amount at end of year</b>	<b>93</b>	<b>84</b>

Associated companies	Corporate identity number	Domicile	Number of shares	Participating interest %	Carrying amount SEK m	
					2009	2008
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.9	0	0
BGC Holding AB	556607-0933	Stockholm	25 382	25.4	45	49
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.0	7	4
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.3	12	6
Privatgirot AB	556302-4552	Stockholm	-	-	-	6
Upplysningscentralen UC AB	556137-5113	Stockholm	2 429	24.3	29	19
<b>Total</b>					<b>93</b>	<b>84</b>

Financial information on associated companies referring to 100% of the company SEK m	2009				2008			
	Assets	Liabilities	Income	Profit/loss	Assets	Liabilities	Income	Profit/loss
Bankomatcentralen AB	1	0	0	0	0	0	0	0
BGC Holding AB*	267	88	672	5	312	119	737	40
BDB Bankernas Depå AB	2 558	2 520	76	14	2 451	2 429	152	8
Finansiell ID-teknik BID AB	56	18	109	12	31	11	78	9
Privatgirot AB	-	-	-	-	50	30	119	1
Upplysningscentralen UC AB*	212	80	387	39	201	190	320	0

\* Information concerning the Group.

## G22 Assets where the customer bears the value change risk

SEK m	2009	2008
Unit-linked insurance assets	41 910	26 908
Other fund assets	4 611	1 704
Share of consolidated funds not owned	4 511	2 940
<b>Total</b>	<b>51 032</b>	<b>31 552</b>



## G23 Derivative instruments

SEK m	Notional amount/maturity			Notional amount		Positive market values		Negative market values	
	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2009	2008	2009	2008	2009	2008
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	195 223	136 880	30 218	362 321	202 502	3 886	4 210	2 395	2 664
FRA/futures	3 063 378	1 411 036	66 946	4 541 360	6 684 809	3 508	13 031	3 739	13 745
Swaps	1 088 100	1 379 244	780 334	3 247 678	4 297 600	50 659	82 759	53 630	84 975
Other instruments	16 285	88	173	16 546	78 038	5	220	1	328
Currency-related contracts									
Options	138 212	1 794	2 754	142 760	265 039	1 210	4 557	1 326	5 228
Futures	953 071	26 849	10 282	990 202	1 198 149	17 916	54 578	12 964	45 988
Swaps	117 635	264 580	45 607	427 822	357 821	7 839	19 552	7 248	9 382
Other instruments	-	-	-	-	15	-	0	-	0
Equity-related contracts									
Options	43 046	49 594	115	92 755	100 192	2 318	3 105	4 146	2 312
Futures	12 644	256	-	12 900	7 970	206	426	128	249
Swaps	19 076	5 976	-	25 052	28 567	661	390	840	150
Other instruments	4 956	-	-	4 956	3 670	20	-2	196	46
Other derivative contracts	34 031	16 719	27	50 777	47 948	1 868	2 161	1 679	1 593
<b>Total</b>	<b>5 685 657</b>	<b>3 293 016</b>	<b>936 456</b>	<b>9 915 129</b>	<b>13 272 320</b>	<b>90 096</b>	<b>184 987</b>	<b>88 292</b>	<b>166 660</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Options	530	5 873	30	6 433	4 435	67	13	-	-
Swaps	48 775	229 214	48 085	326 074	202 244	15 944	6 638	2 853	2 794
Other instruments	-	-	248	248	-	0	-	-	-
Currency-related contracts									
Swaps	1 489	31 929	1 094	34 512	9 129	358	8	1 169	39
<b>Total</b>	<b>50 794</b>	<b>267 016</b>	<b>49 457</b>	<b>367 267</b>	<b>215 808</b>	<b>16 369</b>	<b>6 659</b>	<b>4 022</b>	<b>2 833</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	6 240	31 561	4 780	42 581	31 904	682	593	787	147
Currency-related contracts									
Futures	0	1 539	236	1 775	-	8	-	0	-
<b>Total</b>	<b>6 240</b>	<b>33 100</b>	<b>5 016</b>	<b>44 356</b>	<b>31 904</b>	<b>690</b>	<b>593</b>	<b>787</b>	<b>147</b>
<b>Total</b>	<b>5 742 691</b>	<b>3 593 132</b>	<b>990 929</b>	<b>10 326 752</b>	<b>13 520 032</b>	<b>107 155</b>	<b>192 239</b>	<b>93 101</b>	<b>169 640</b>
<i>Of which cleared</i>				<i>2 268 035</i>	<i>3 259 173</i>	<i>1 118</i>	<i>4 177</i>	<i>1 322</i>	<i>4 790</i>
<b>Currency breakdown of market values</b>									
SEK						-37 511	-36 363	86 558	70 618
USD						225 563	103 973	40 776	-78 468
EUR						8 192	198 716	-71 956	154 291
Other						-89 089	-74 087	37 723	23 199

**HEDGE ACCOUNTING****Fair value hedges**

Handelsbanken uses fair value hedges to avoid undesirable effects on profit/loss due to changes in fair value for lending and deposits at fixed interest rates and to hedge foreign exchange exposure when borrowing in foreign currencies. The interest rate risk in lending portfolios where the original fixed interest period was three months and the interest rate cap on portfolios of variable-rate lending are hedged using fair value portfolio hedges. The instruments for these portfolio hedges are interest rate swaps and interest rate options (caps). In fair value hedges for portfolios of assets, the part of the portfolio's value that is exposed to the hedged risk is measured at market value. The value which is attributable to the hedged part of the portfolio is reported on a separate line in the balance sheet in conjunction with loans to the public.

The fair value of derivatives used as fair value hedging instruments was SEK 16 billion (7) in positive values and SEK 4 billion (3) in negative values. The notional amount for these derivatives was SEK 367 billion (216). The change for the year in fair value of derivatives used as fair value hedges was SEK 815 million (6,303). The change in fair value for the hedged items relating to hedged risk was SEK -895 million (-6,746). Thus, the Group's fair value hedges had an impact of SEK -80 million (-443) on the year's profits. Value changes on both hedging instruments and hedged items are recognised in profit or loss under Net gains/losses on financial items at fair value.

### Cash flow hedges

Handelsbanken uses cash flow hedges for the uncertainty of future cash flows arising when lending and funding are at variable interest rates. These variable interest rates are fixed for between one and six months. The maturity horizon of the loan is much longer, however: up to 15 years. To hedge the future interest payments for a required maturity, interest rate swaps are used. For future cash flows which are to be reinvested or refinanced, interest rate swaps are used with value dates in the future so as to guarantee a known reinvestment or refinancing interest rate. Since the future cash flows are contracted, the probability of them occurring is deemed to be very high.

The fair values of derivatives used for cash flow hedges were SEK 690 million (593) in positive values and SEK 787 million (147) in negative values. The notional amount for these derivatives was SEK 44 billion (32). Changes in fair value of swaps used as cash flow hedges are due to differences between fixed and variable interest rates and residual maturities. For the effective portion of hedges, the changes in value of the derivative contracts are recognised in the hedge reserve in equity. If the hedge is effective, the sum of the value changes recognised in the hedge reserve is zero when the swap expires.

## G24 Intangible assets

2009		Trademarks and other rights	Customer contracts	Internally developed software	Total 2009
SEK m	Goodwill				
Cost of acquisition at beginning of year	6 511	3	180	476	7 170
Cost of acquisition of additional intangible assets	293	-	-	120	413
Disposals and retirements	-12	-	-	-	-12
Foreign exchange effect	-33	-	-11	-5	-49
<b>Cost of acquisition at end of year</b>	<b>6 759</b>	<b>3</b>	<b>169</b>	<b>591</b>	<b>7 522</b>
Accumulated amortisation and impairments at beginning of year	-12	-	-3	-98	-113
Disposals and retirements	12	-	-	-	12
Amortisation for the year	-	-	-9	-71	-105
Impairments for the year	-	-	-	-25*	-25
Foreign exchange effect	-	-	3	0	3
<b>Accumulated amortisation and impairments at end of year</b>	<b>-</b>	<b>-</b>	<b>-9</b>	<b>-194</b>	<b>-203</b>
<b>Closing residual value</b>	<b>6 759</b>	<b>3</b>	<b>160</b>	<b>397</b>	<b>7 319</b>

\*The impairment for the year refers to software which has been discontinued and whose useful life is therefore assessed as zero.

2008		Trademarks and other rights	Customer contracts	Internally developed software	Total 2008
SEK m	Goodwill				
Cost of acquisition at beginning of year	6 032	3	4	294	6 333
Cost of acquisition of additional intangible assets	218	-	160	172	550
Foreign exchange effect	261	-	16	10	287
<b>Cost of acquisition at end of year</b>	<b>6 511</b>	<b>3</b>	<b>180</b>	<b>476</b>	<b>7 170</b>
Accumulated amortisation and impairments at beginning of year	-	-	-1	-49	-50
Amortisation for the year	-	-	-2	-36	-38
Impairments for the year	-12	-	-	-12	-24
Foreign exchange effect	-	-	0	-1	-1
<b>Accumulated amortisation and impairments at end of year</b>	<b>-12</b>	<b>-</b>	<b>-3</b>	<b>-98</b>	<b>-113</b>
<b>Closing residual value</b>	<b>6 499</b>	<b>3</b>	<b>177</b>	<b>378</b>	<b>7 057</b>

Amortisation is on a straight-line basis, based on the expected useful life. At present, this means that principally the following amortisation rates are applied:

SEK m	
Goodwill	Not amortised
Trademarks	Not amortised
Customer contracts	20 years
Internally developed software	5 years

#### Impairment testing of goodwill and intangible assets with an indefinite useful life

Goodwill impairment testing is performed at the end of the reporting year and when there is an indication of the need for impairment testing. The test is performed by calculating the recoverable amount of the cash-generating unit to which the asset belongs. As long as the recoverable amount exceeds the carrying amounts, no impairment loss needs to be recognised. In addition to Group goodwill, the useful life is not regarded as definable for certain acquired brand names. These assets are subject to impairment testing in the same way as goodwill. When testing for impairment, the respective asset classes have been allocated to the following cash-generating units:

SEK m	Goodwill		Intangible assets with an indefinite useful life	
	2009	2008	2009	2008
Branch operations	6 681	6 421	-	-
Asset management	10	10	3	3
Insurance operations	68	68	-	-
<b>Total</b>	<b>6 759</b>	<b>6 499</b>	<b>3</b>	<b>3</b>

The recoverable amount was established by calculating the useful life of each cash-generating unit. The useful life is calculated by discounting estimated future cash flows and terminal values for the unit. The choice of forecast period is based on the type and term of the contract and the character of the operations. For banking operations, the cash flow period used is 20 years and for insurance operations, the cash flow period used is 40 years. For traditional banking operations, detailed forecasts are made of risk-weighted volumes, income, expenses and loan losses for the first five years. The forecasts are based on reasonable and supportable assumptions founded on historical trends and knowledge of future events which may be expected to affect the trend. However, the effects of restructuring and measures that change the composition of the cash-generating unit for which goodwill is being tested are not included in the forecast.

For the branch office operations, the expected rate of growth in cash flows has been assessed taking into account the market situation in each geographical area. To assure the reliability of the forecast methods and values applied, a comparison is always made between previous forecasts and outcomes of individual years. Model adjustments and assumptions for the future are based on this comparison. For periods more than five years ahead, the forecast is based on an assumption of the long-term growth rate. Normally, cash flows are not assumed to grow at a faster rate than is justified by historic GDP development. This year's impairment test is based on a long-term growth rate of two percent which corresponds to the Riksbank's long-term inflation target. The terminal value used is the forecast net asset value of the tested unit.

The discount rate reflects the average required rate of return for the operations to which the goodwill is attributable.

For goodwill deriving from traditional banking operations in Handelsbanken's domestic markets, the Group's weighted average cost of capital is used, this being a weighted average of the required rate of return on equity and the long-term cost of debt. However, the interest rate is always tested on a case-by-case basis. The discount rate used in the year-end accounts was 3.8 percent (3.8), before tax. In the year's impairment testing of goodwill values, the difference between the recoverable amounts and the carrying amounts was deemed to be satisfactory. This means that no reasonable changes in central assumptions are assessed to lead to an impairment recognition.

#### Adjustment of acquisition balance sheet items and reported goodwill

On 20 October 2008, Handelsbanken acquired the shares in Lokalbanken i Nordsjælland A/S. During the year, additional shares have been acquired for SEK 9 million. Furthermore, the acquisition price has been adjusted upwards by SEK 3 million for additional transaction costs. The acquisition balance sheet items preliminarily calculated at the time of the acquisition were adjusted by means of a revaluation of the following balance sheet items: loans to the public (-294) and shares and participating interests (-49) and through a provision (17). The tables below show the acquisition balance sheet and how the acquisition price is distributed between acquired assets and liabilities.

SEK m	
Acquisition price	1 007
Costs directly attributable to the acquisition	18
<b>Total cost</b>	<b>1 025</b>
Fair value reported assets (as specified below)	394
Identifiable intangible assets	
customer base	160
deferred tax	-40
<b>Total net assets acquired</b>	<b>514</b>
<b>Acquisition goodwill</b>	<b>511</b>

SEK m	Established acquisition balance sheet items
Treasury bills and other eligible bills	20
Loans to credit institutions	562
Loans to the public	4 499
Bonds and other interest-bearing securities	45
Shares and participating interests	140
Derivative instruments	3
Intangible assets	-
Property and equipment	266
Other assets	889
<b>Total assets</b>	<b>6 424</b>
Due to credit institutions	996
Deposits and borrowing from the public	4 548
Issued securities	229
Derivative instruments	14
Provisions	17
Other liabilities	226
<b>Total liabilities</b>	<b>6 030</b>
<b>Total net assets</b>	<b>394</b>

## G25 Property and equipment

Property and equipment SEK m	2009	2008
Equipment	624	696
Property	1 436	1 477
Property in the insurance business	1 150	1 185
Property repossessed for protection of claims	71	58
<b>Total</b>	<b>3 281</b>	<b>3 416</b>

Equipment SEK m	2009	2008
<b>Opening cost of acquisition</b>	2 009	1 764
New acquisition	316	411
Change due to business combinations	-	38
Disposals and retirements	-433	-210
Foreign exchange effect	7	6
<b>Closing acquisition value</b>	<b>1 899</b>	<b>2 009</b>
<b>Opening accumulated depreciation</b>	-1 313	-1 167
Depreciation for the year	-333	-320
Change due to business combinations	-	-33
Disposals and retirements	379	200
Foreign exchange effect	-8	7
<b>Closing accumulated depreciation</b>	<b>-1 275</b>	<b>-1 313</b>
<b>Carrying amount</b>	<b>624</b>	<b>696</b>

Equipment is depreciated on a straight-line basis over 2–10 years.

Property SEK m	2009	2008
<b>Opening cost of acquisition</b>	2 069	2 038
New acquisition	-	-
Change due to business combinations	-	260
New construction and rebuilding	19	17
Disposals and retirements	-	-275
Foreign exchange effect	-16	29
<b>Closing acquisition value</b>	<b>2 072</b>	<b>2 069</b>
<b>Opening accumulated depreciation</b>	-592	-601
Depreciation for the year	-45	-43
Disposals and retirements	-	53
Impairment during the year in equity	-	-1
Foreign exchange effect	1	-
<b>Closing accumulated depreciation</b>	<b>-636</b>	<b>-592</b>
<b>Carrying amount</b>	<b>1 436</b>	<b>1 477</b>

For business premises, component depreciation is applied. The useful life varies between 20 and 100 years. See also the consolidated accounting policies in note G1.

Property in the insurance business SEK m	2009	2008
<b>Opening cost of acquisition</b>	1 185	1 300
New acquisition	-	-
Revaluation	-35	-115
Disposals and retirements	-	-
<b>Carrying amount</b>	<b>1 150</b>	<b>1 185</b>

Properties in the insurance operations are measured at fair value as at the balance sheet date using discounted cash flows. The valuation is performed by an external professional valuer. The carrying amount of the properties would have been SEK 1,057m (1,069), if they had not been carried at fair value.

Property repossessed for protection of claims SEK m	2009	2008
Property	33	33
Repossessed leased assets	38	25
<b>Carrying amount</b>	<b>71</b>	<b>58</b>

Repossessed property is also included in discontinued operations. See also note G12. The valuation principles for assets repossessed for protection of claims is described in note G1. Repossessed property is divested as soon as the market conditions permit.

SEK m	2009	2008
Tax assessment value for Swedish properties	3 006	2 979

## G26 Other assets

SEK m	2009	2008
Claims on investment banking settlements	35 208	7 009
Other	7 386	5 928
<b>Total</b>	<b>42 594</b>	<b>12 937</b>

## G27 Prepaid expenses and accrued income

SEK m	2009	2008
Accrued interest income	5 337	8 692
Other accrued income	1 307	1 026
Prepaid expenses	169	156
<b>Total</b>	<b>6 813</b>	<b>9 874</b>
<i>Of which subordinated</i>	-	-

## G28 Due to credit institutions

SEK m	2009	2008
<b>Due in Swedish kronor</b>		
Banks	60 990	101 987
Other credit institutions	49 773	30 366
<b>Total</b>	<b>110 763</b>	<b>132 353</b>
<b>Due in foreign currency</b>		
Banks	119 755	173 982
Other credit institutions	9 272	12 778
<b>Total</b>	<b>129 027</b>	<b>186 760</b>
<b>Total</b>	<b>239 790</b>	<b>319 113</b>
<i>Of which repos</i>	26 131	7 965

Average volumes SEK m	2009	2008
Due to credit institutions in Swedish kronor	87 979	88 234
Due to credit institutions in foreign currency	200 613	261 596
<b>Total</b>	<b>288 592</b>	<b>349 830</b>
<i>Of which repos</i>	17 224	26 586

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	86 477	129 278	13 522	2 225	8 288	<b>239 790</b>
2008	65 919	211 768	31 846	3 616	5 964	<b>319 113</b>

## G29 Deposits and borrowing from the public

Deposits from the public SEK m	2009	2008
<b>Deposits in Swedish kronor</b>		
Households	162 343	140 146
Companies incl. National Debt Office	143 196	132 008
<b>Total</b>	<b>305 539</b>	<b>272 154</b>
<b>Deposits in foreign currency</b>		
Households	40 538	36 020
Companies incl. National Debt Office	114 624	109 940
<b>Total</b>	<b>155 162</b>	<b>145 960</b>
<b>Total deposits from the public</b>	<b>460 701</b>	<b>418 114</b>

Borrowing from the public SEK m	2009	2008
Borrowing in Swedish kronor	63 208	88 407
Borrowing in foreign currency	25 839	37 239
<b>Total</b>	<b>89 047</b>	<b>125 646</b>
<i>Of which repos</i>	7 585	6 066
<b>Total deposits and borrowing from the public</b>	<b>549 748</b>	<b>543 760</b>

Average volumes SEK m	2009	2008
<b>Deposits from the public</b>		
Deposits from the public in Swedish kronor	285 493	245 616
Deposits from the public in foreign currency	170 249	144 656
<b>Total</b>	<b>455 742</b>	<b>390 272</b>
<b>Borrowing from the public</b>		
Borrowing in Swedish kronor	47 892	54 514
Borrowing in Swedish kronor, insurance operations	27 542	27 144
Borrowing in foreign currency	42 536	45 075
<b>Total</b>	<b>117 970</b>	<b>126 733</b>
<i>Of which repos</i>	3 559	6 223

The average volume for 2008 borrowing in Swedish kronor, insurance operations, has been adjusted compared to published figures.

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
<b>Deposits</b>						
2009	431 496	14 758	3 766	1 809	8 872	<b>460 701</b>
2008	381 561	27 444	2 988	748	5 373	<b>418 114</b>
<b>Borrowing</b>						
2009	5 453	45 948	10 367	6 900	20 379	<b>89 047</b>
2008	5 556	69 554	24 454	6 266	19 816	<b>125 646</b>

## G30 Liabilities where the customer bears the value change risk

SEK m	2009	2008
Unit-linked insurance liabilities	41 939	26 994
Other fund liabilities	4 653	1 720
Share of consolidated funds not owned	4 511	2 940
<b>Total</b>	<b>51 103</b>	<b>31 654</b>

## G31 Issued securities

SEK m	2009		2008	
	Notional amount	Carrying amount	Notional amount	Carrying amount
<b>Certificates</b>				
Certificates in Swedish kronor	39 464	47 096	29 296	31 133
<i>Of which</i>				
<i>at amortised cost</i>	38 355	38 315	29 241	29 025
<i>for trading</i>	1 109	8 781	55	2 108
Certificates in foreign currency	314 810	314 700	332 081	331 384
<i>Of which</i>				
<i>at amortised cost</i>	314 742	314 635	332 020	331 301
<i>for trading</i>	68	65	61	83
<b>Total</b>	<b>354 274</b>	<b>361 796</b>	<b>361 377</b>	<b>362 517</b>
<b>Bond loans</b>				
Bond loans in Swedish kronor	351 543	370 013	351 455	361 345
<i>Of which</i>				
<i>at amortised cost</i>	220 814	226 053	258 941	262 915
<i>for fair value hedges</i>	130 729	143 960	92 514	98 430
Bond loans in foreign currency	233 040	234 266	172 427	171 847
<i>Of which</i>				
<i>at amortised cost</i>	157 970	157 959	110 970	108 775
<i>for fair value hedges</i>	75 070	76 307	61 457	63 072
<b>Total</b>	<b>584 583</b>	<b>604 279</b>	<b>523 882</b>	<b>533 192</b>
<b>Total issued securities</b>	<b>938 857</b>	<b>966 075</b>	<b>885 259</b>	<b>895 709</b>

Issues, repurchases and maturities SEK m	2009	2008
Issued	1 599 706	1 318 425
Repurchased	230 669	205 521
Maturity	1 314 656	1 044 231

Average volume of issued securities SEK m	2009	2008
Swedish kronor	395 295	379 712
Foreign currency	553 514	411 271

Remaining maturities carrying amount SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	10 274	324 692	179 087	422 905	29 117	966 075
2008	3 599	348 738	177 439	342 611	23 322	895 709

## G32 Other trading liabilities

SEK m	2009	2008
<b>Short positions at fair value</b>		
Equities	3 746	1 393
Interest-bearing securities	25 901	16 187
<i>Of which</i>		
<i>other issuers</i>	21 452	14 399
<i>own issued</i>	4 449	1 788
<b>Total</b>	<b>29 647</b>	<b>17 580</b>

Average volumes of other trading liabilities SEK m	2009	2008
Swedish kronor	22 920	35 393
Foreign currency	1 907	3 125

Remaining maturities short positions interest-bearing securities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	-	-	1 090	13 068	11 743	25 901
2008	-	84	1 540	7 004	7 559	16 187

## G33 Insurance liabilities

SEK m	2009	2008
Liability for sickness annuities	290	388
Liability for life annuities	142	-
Liability for other unsettled claims	350	465
Liability for prepaid premiums	170	12
<b>Total</b>	<b>952</b>	<b>865</b>

During the financial year, the mortality assumptions applied in the insurance operations were adapted to a sector standard. This has led to an extra provision for life annuities of SEK 142m.



## G34 Taxes

Deferred tax assets SEK m	2009	2008
Loans to the public	12	62
Derivative instruments	204	208
Property and equipment	30	28
Other	57	107
<b>Total</b>	<b>303</b>	<b>405</b>

Deferred tax liabilities SEK m	2009	2008
Loans to the public*	6 979	6 103
Derivative instruments	127	118
Intangible assets	37	55
Property and equipment	93	96
Pension assets	1 174	1 242
Tax allocation reserve	-	273
Other	38	46
<b>Total</b>	<b>8 448</b>	<b>7 933</b>
<b>Net deferred tax liabilities</b>	<b>8 145</b>	<b>7 528</b>

\* Of which leases, SEK 6.975m (6.086).

Change in deferred taxes 2009 SEK m	Opening balance	Recognised in income statement	Adjustment* acquisition balance sheet items	Recognised directly in equity	Closing balance
Loans to the public	6 041	998	-74	2	6 967
Derivative instruments	-90	-	-	13	-77
Intangible assets	55	-16	-	-2	37
Property and equipment	68	-4	-	-1	63
Pension assets	1 242	-56	-	-12	1 174
Tax allocation reserve	273	-273	-	-	-
Other	-61	-14	-4	60	-19
<b>Total</b>	<b>7 528</b>	<b>635</b>	<b>-78</b>	<b>60</b>	<b>8 145</b>

Change in deferred taxes 2008 SEK m	Opening balance	Recognised in income statement	Adjustment* acquisition balance sheet items	Recognised directly in equity	Closing balance
Loans to the public	5 353	740	-57	5	6 041
Shares and participating interests	272	4	-4	-272	-
Derivative instruments	-15	-	-	-75	-90
Intangible assets	4	7	40	4	55
Property and equipment	109	-43	1	1	68
Restructuring reserve	-65	65	-	-	-
Pension assets	1 235	4	-	3	1 242
Tax allocation reserve	-	273	-	-	273
Other	13	10	-12	-72	-61
<b>Total</b>	<b>6 906</b>	<b>1 060</b>	<b>-32</b>	<b>-406</b>	<b>7 528</b>

\* Refers to the acquisition of Lokalbanken in 2008.

Tax expenses recognised in income statement SEK m	2009	2008
Current tax		
Tax expense for the year	-2 939	-2 368
Adjustment of tax relating to previous years	55	45
Deferred tax		
Changes in temporary differences	-635	-1 059
<b>Total</b>	<b>-3 519</b>	<b>-3 382</b>

Nominal tax rate in Sweden, %	2009	2008
26.3	26.3	28.0
Deviations		
Different tax rate in insurance operations	0.5	-0.4
Changed Swedish tax rate	-	-3.1
Non-taxable income/non-deductible expenses	0.0	-2.1
Tax relating to previous years and other	-1.2	-0.3
<b>Effective tax rate, %</b>	<b>25.6</b>	<b>22.1</b>

## G35 Provisions

SEK m	Restructuring reserve	Provision for guarantee commitments	Other provisions	Total 2009	Total 2008
Provisions at beginning of year	182	164	33	379	378
Provisions during the year	-	47	-1	46	129
Utilised	-121	-53	-5	-179	-128
Written back	-	-34	-13	-47	-
<b>Provisions at end of year</b>	<b>61</b>	<b>124</b>	<b>14</b>	<b>199</b>	<b>379</b>

A provision was made to the restructuring reserve at the time of the sale of SPP in 2007. It is expected that the remaining provision will be fully settled during 2010. The provision for guarantee commitments consists of provisions for a number of off-balance sheet items where the largest individual commitment is SEK 77m. The provision for this commitment was made in 2008 and the remaining amount is expected to be settled during 2010. Other provisions for guarantee commitments refer to minor commitments where the original maturity is mainly between 1 and 5 years.

**G36** Other liabilities

SEK m	2009	2008
Liabilities on investment banking settlements	11 558	6 371
Other	11 617	9 580
<b>Total</b>	<b>23 175</b>	<b>15 951</b>

**G37** Accrued expenses and deferred income

SEK m	2009	2008
Accrued interest expense	13 820	17 237
Other accrued expenses	3 477	2 281
Deferred income	159	170
<b>Total</b>	<b>17 456</b>	<b>19 688</b>

**G38** Subordinated liabilities

SEK m	2009	2008
Subordinated loans in Swedish kronor	7 347	4 678
Subordinated loans in foreign currency	51 658	56 756
<b>Total</b>	<b>59 005</b>	<b>61 434</b>
<b>Average volumes</b>		
Subordinated loans in Swedish kronor	6 855	1 255
Subordinated loans in foreign currency	54 754	52 045

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>6</sup>				7 347
<b>Total</b>				<b>7 347</b>
<b>IN FOREIGN CURRENCY</b>				
2005/2017 <sup>1</sup>	EUR	700	floating rate	7 217
2005/perpetual <sup>2</sup>	GBP	500	5.000	5 852
2006/2016 <sup>3</sup>	EUR	600	4.000	6 386
2006/2016 <sup>4</sup>	USD	800	floating rate	5 744
2007/perpetual <sup>5</sup>	EUR	600	floating rate	6 176
Other foreign <sup>6</sup>				20 283
<b>Total</b>				<b>51 658</b>
<b>Total</b>				<b>59 005</b>

<sup>1</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>2</sup> Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest due date from November 2010. 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 Libor.

<sup>3</sup> Dated subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest due date from April 2011. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with the right of redemption, the interest rate is changed to floating rate linked to Euribor.

<sup>4</sup> Dated subordinated loan with 3-month floating rate coupon linked to Libor. According to the terms the loan can be called in advance on each interest payment date from March 2011. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

<sup>5</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>6</sup> Other subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans.

**G39** Reclassifications to the income statement

SEK m	2009	2008
Reclassified from hedge reserve	6	10
Reclassified from fair value reserve	223	20
Reclassified from translation reserve	-6	0
Reclassified tax	-151	-72
<i>of which hedge reserve</i>	-2	-3
<i>of which fair value reserve</i>	-144	-6
<i>of which translation reserve</i>	-5	-63
<b>Total reclassification adjustments</b>	<b>72</b>	<b>-42</b>

Reclassification adjustments consist of income and expense that were previously recognised under other comprehensive income and which were reclassified during the financial year to recognition in the income statement. Negative amounts in the above table are recognised as income in the income statement and vice versa. The accounting policies in note G1 describe where in the income statement the amounts are recognised.

**G40** Specification of changes in equity**Hedge reserve**

Unrealised changes in value on derivative instruments used for cash flow hedges are reported in the hedge reserve.

Change in hedge reserve	2009	2008
Hedge reserve at beginning of year	-252	139
Unrealised value changes during the year	31	-398
Recognised in profit/loss due to ineffectiveness	4	7
<b>Hedge reserve at end of year</b>	<b>-217</b>	<b>-252</b>

**Fair value reserve**

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

Specification of available for sale instruments (amounts after tax)	2009	2008
Fair value reserve at beginning of year	-3 152	547
Sold during the year	162	14
Unrealised market value change value during the year for remaining and new holdings	2 188	-3 713
<b>Fair value reserve at end of year</b>	<b>-802</b>	<b>-3 152</b>

**Translation reserve**

The translation reserve contains the effects of changed exchange rates when translating foreign operations' financial reports to the currency of the consolidated accounts.

Change in translation reserve	2009	2008
Translation reserve at beginning of year	1 058	408
Change in translation difference in branches	25	407
Change in translation difference in subsidiaries	-128	429
Change in translation difference in associated companies	-	-2
Change in translation difference on funding net assets in subsidiaries	-4	-184
<b>Translation reserve at end of year</b>	<b>951</b>	<b>1 058</b>

**Retained earnings**

Retained earnings contains the Group's accumulated profits, including the profit for the year. This item includes previous provisions to the statutory reserve. Retained earnings are reduced by the acquisition value of the Group's holdings of its own shares.

Repurchased own shares	2009	2008
Repurchased own shares at beginning of year	-	-1 000
Repurchases during the year	-	-
Shares cancelled during the year	-	1 000
<b>Repurchased own shares at end of year</b>	<b>-</b>	<b>-</b>

Further information about repurchased shares can be found in the Share and shareholders section.

Revaluations in insurance operations recognised directly in equity	2009	2008
Change in value of properties recognised directly in equity	-35	-115
Insurance liabilities recognised directly in equity	35	115
<b>Total</b>	<b>-</b>	<b>-</b>

**G41** Collateral pledged, contingent liabilities/ commitments and contingent assets

Collateral pledged in the form of government instruments and bonds mainly comprises collateral required due to transactions with central banks. The collateral in the form of loans to the public comprises loans against mortgages in single-family dwellings, second homes, multi-family dwellings and housing co-operative apartments with a loan-to-value ratio within 75 per cent of the market value and additional collateral in the form of cash funds on blocked accounts. A separate specification is kept of the assets and the covered bonds, and also derivatives relating to these. In the event of the company's insolvency, pursuant to the Right of Priority Act, the holders of Stadshypotek's covered bonds have prior rights to the assets registered as collateral. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must instead be kept separate from the bankruptcy estate's other assets and liabilities. In this event, the bond-holders must receive contractual payments under the terms of the bond for the period until maturity.

Collateral pledged for own debt	2009	2008
SEK m		
Government instruments and bonds	103 858	179 182
Loans to the public	405 327	388 006
Repos	33 774	14 403
Equities	83	-
Cash funds	22 926	22 887
Securities loans	10 410	10 637
<b>Total</b>	<b>576 378</b>	<b>615 115</b>

Other collateral pledged	2009	2008
SEK m		
Cash funds	176	158
Government instruments and bonds	4 148	3 962
Assets registered on behalf of insurance policyholders	72 518	57 619
Securities loans	3 868	3 185
<b>Total</b>	<b>80 710</b>	<b>64 924</b>

Other collateral pledged refers to collateral pledged for obligations not reported in the balance sheet.

**Accepted collateral**

As a component in reverse repurchase agreements and securities loans, the Group has accepted collateral that can be sold or pledged to a third party. The fair value of accepted collateral of this type was SEK 60,874 million (45,275) at the end of the financial year, where collateral worth SEK 6,439 million (1,174) had been sold or pledged to a third party.

**Contingent liabilities/commitments**

Contingent liabilities/commitments total SEK 110,799 million (135,304). This amount includes SEK 106 million (91) relating to a number of civil actions which the Group is bringing in general courts of law. The largest individual amount in dispute is SEK 25 million (43). Handelsbanken's assessment is that the actions will essentially be settled in its favour. None of the disputed amounts, nor any insurance compensation, has been recognised in income. The data for contingent liabilities is reported in nominal amounts and an assessed expected value is included in the "Other" amount for the civil actions that the Group is bringing.

Contingent liabilities		
SEK m	2009	2008
Guarantees, loans	20 178	26 907
Guarantees, other	48 038	51 656
Irrevocable letters of credit	37 335	51 431
Own acceptances	221	800
Other	5 027	4 510
<b>Total</b>	<b>110 799</b>	<b>135 304</b>

#### Contingent assets

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

## G42 Other commitments

SEK m	2009	2008
Credit commitments	229 525	246 281
Unutilised part of granted overdraft facilities	152 560	125 534
Other commitments	1 971	249
<b>Total</b>	<b>384 056</b>	<b>372 064</b>

Contracted irrevocable future operating lease charges distributed by the year they fall due for payment		
SEK m	2009	2008
2010	672	503
2011	595	400
2012	536	282
2013	291	200
2014	166	126
2015	133	97
2016	121	84
2017	112	68
2018	94	52
2019	87	43
2020	76	34
2021 and later	108	33
<b>Total</b>	<b>2 991</b>	<b>1 922</b>

Operational leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

## G43 Leases

Disclosures on gross investment and present value of future minimum lease payments		
SEK m	2009	2008
Gross investment	54 832	58 024
Present value of future minimum lease payments at balance sheet date	48 094	51 399

Unearned finance income		
SEK m	2009	2008
Unearned finance income	6 738	6 625

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>2009</b>				
Distribution of gross investment	6 974	16 164	31 694	<b>54 832</b>
Distribution of present value minimum lease payments	6 954	15 323	25 817	<b>48 094</b>
<b>2008</b>				
Distribution of gross investment	6 638	16 590	34 796	<b>58 024</b>
Distribution of present value minimum lease payments	6 609	15 847	28 943	<b>51 399</b>

The Group is lessor in all finance leases. All leases have guaranteed residual values. The carrying amount of the provision for impaired loans with respect to minimum lease payments is SEK 23.3 million (15.5). The variable part of the lease fee included in this year's profits is SEK 719 million (1,603). The decrease is mainly due to the considerably lower interest rates during 2009 compared to 2008. At the end of the year in the Group there were seven lease exposures each with an individual carrying

amount exceeding SEK 1 billion. The total carrying amount of these exposures was SEK 20.1 billion which is equivalent to 1.3 percent of the Group's total credit volume as at 31 December 2009. The carrying amount of the largest individual exposure was SEK 10.0 billion (10.4). The average remaining maturity for this exposure was 10.1 years. The exposures are in the telcoms, transport and energy sectors.

## G44 Segment reporting

Segment reporting 2009							
SEK m	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Asset Management	Other	Adjustments and eliminations	Continuing operations
Net interest income	13 305	7 317	465	134	821	-42	22 000
Net fee and commission income	3 377	1 533	1 440	1 080	-37		7 393
Net gains/losses on financial items at fair value	512	250	3 055	-267	-1 151	58	2 457
Risk result – insurance				171			171
Share of profit of associated companies					26		26
Other income	76	6	3	9	197	-3	288
<b>Total income</b>	<b>17 270</b>	<b>9 106</b>	<b>4 963</b>	<b>1 127</b>	<b>-144</b>	<b>13</b>	<b>32 335</b>
Staff costs	-3 060	-2 778	-1 849	-522	-2 234	425	-10 018
Other administrative expenses	-1 032	-1 133	-567	-241	-1 747	1	-4 719
Internal purchased and sold services	-2 534	-842	85	-159	3 450		
Amortisation	-80	-84	-31	-6	-269	-13	-483
<b>Total expenses</b>	<b>-6 706</b>	<b>-4 837</b>	<b>-2 362</b>	<b>-928</b>	<b>-800</b>	<b>413</b>	<b>-15 220</b>
<b>Profit before loan losses</b>	<b>10 564</b>	<b>4 269</b>	<b>2 601</b>	<b>199</b>	<b>-944</b>	<b>426</b>	<b>17 115</b>
Net loan losses	-2 325	-1 067					-3 392
Gains/losses on disposal of property and equipment and intangible assets	0	0	-	-	4		4
<b>Operating profit</b>	<b>8 239</b>	<b>3 202</b>	<b>2 601</b>	<b>199</b>	<b>-940</b>	<b>426</b>	<b>13 727</b>
Profit allocation	757	294	-851	-200			
<b>Operating profit after profit allocation</b>	<b>8 996</b>	<b>3 496</b>	<b>1 750</b>	<b>-1</b>	<b>-940</b>	<b>426</b>	<b>13 727</b>
Internal income	-3 733	-5 524	1 142	-682	8 797	-	
C/I ratio, %	38.8	53.1	47.6	82.3	-		47.1
C/I ratio after profit allocation, %	37.2	51.5	57.4	100.1	-		47.1
Loan loss ratio, %	0.24	0.19					0.21
Assets	1 163 512	544 470	289 728	86 384	916 775	-878 026	2 122 843
Liabilities	1 124 737	517 441	285 885	80 123	909 595	-878 026	2 039 755
Allocated capital	38 775	27 029	3 843	6 261		7 180	83 088
Return on allocated capital, %	17.3	9.4	36.7	0.0			12.5
The year's investments in non-financial non-current assets	131	65	34	4	502		736
The year's investments in associated companies					-		-
Average number of employees	4 481	2 976	1 041	531	1 792		10 821

Geographical segment information 2009							
SEK m	Sweden	Denmark	Finland	Norway	Great Britain	Other countries	Group
Income	17 839	2 642	1 994	6 746	1 787	1 327	32 335
Assets	1 457 677	64 450	95 326	192 314	136 854	176 222	2 122 843
<b>Other information</b>							
Investments in non-financial assets	646	11	25	20	6	28	736

As of the 2009 financial year, the business segments are recognised in compliance with IFRS 8, Operating Segments. This means that the segment information is presented in a similar manner to that which is applied internally as part of corporate governance. Handelsbanken's segments consist of Branch office operations in and outside Sweden, Capital Markets and Asset Management. Handelsbanken's branch office operations, which provide universal banking services, are divided into regional banks. Six of these are Swedish, while five are outside Sweden. Each regional bank is led by a head of regional bank, and is monitored as an independent profit centre. In order that the number of segments does not become too large, the Bank has divided its branch operations into two segments: within and outside Sweden. This is warranted, as both these segments have similar financial characteristics in terms of product range and

the nature of their services. The Capital Markets segment is Handelsbanken's investment bank, including securities trading, investment advisory services, etc. Operations in the Asset Management segment provide products and services in conjunction with capital investment.

Profit/loss for the segments is reported before and after internal profit allocation. Internal profit allocation means that the unit which is responsible for the customer is allocated all the profits deriving from its customers' transactions with the Bank, regardless of the segment where the transaction was performed. Furthermore, income and expenses for services performed internally are reported net on a separate line "Internal purchased and sold services". Transactions among the segments are reported primarily according to the cost price principle. The Other and Adjustments and eliminations columns show items which do not

Segment reporting 2008							
SEK m	Branch operations in Sweden	Branch operations outside Sweden	Capital Markets	Asset Management	Other	Adjustments and eliminations	Continuing operations
Net interest income	13 428	5 700	584	379	-835	-33	19 223
Net fee and commission income	3 275	1 308	1 028	1 087	97	0	6 795
Net gains/losses on financial items at fair value	459	295	1 928	-116	838	-235	3 169
Risk result – insurance				215			215
Share of profit of associated companies					79		79
Other income	50	18	24	28	424	-135	409
<b>Total income</b>	<b>17 212</b>	<b>7 321</b>	<b>3 564</b>	<b>1 593</b>	<b>603</b>	<b>-403</b>	<b>29 890</b>
Staff costs	-3 025	-2 325	-1 654	-474	-1 456	820	-8 114
Other administrative expenses	-1 079	-1 065	-581	-351	-1 614	2	-4 688
Internal purchased and sold services	-2 249	-675	75	-186	3 035	0	
Amortisation	-81	-71	-34	-15	-220	-6	-427
<b>Total expenses</b>	<b>-6 434</b>	<b>-4 136</b>	<b>-2 194</b>	<b>-1 026</b>	<b>-255</b>	<b>816</b>	<b>-13 229</b>
<b>Profit before loan losses</b>	<b>10 778</b>	<b>3 185</b>	<b>1 370</b>	<b>567</b>	<b>348</b>	<b>413</b>	<b>16 661</b>
Net loan losses	-834	-771					-1 605
Gains/losses on disposal of property and equipment and intangible assets	0	-1	-	-	271		270
<b>Operating profit</b>	<b>9 944</b>	<b>2 413</b>	<b>1 370</b>	<b>567</b>	<b>619</b>	<b>413</b>	<b>15 326</b>
Profit allocation	559	224	-550	-234	1		
<b>Operating profit after profit allocation</b>	<b>10 503</b>	<b>2 637</b>	<b>820</b>	<b>333</b>	<b>620</b>	<b>413</b>	<b>15 326</b>
Internal income	-7 827	-9 850	8 391	-746	9 035	997	
C/I ratio, %	37.4	56.5	61.6	64.4	42.3	202.5	44.3
C/I ratio after profit allocation, %	36.2	54.8	72.8	75.5	42.2	202.5	44.3
Loan loss ratio, %	0.09	0.20					0.11
Assets	1 078 933	846 548	630 197	70 711	722 691	-1 190 296	2 158 784
Liabilities	1 043 061	823 428	625 423	66 908	715 297	-1 190 296	2 083 821
Allocated capital	35 872	23 120	4 774	3 803		7 394	74 963
Return on allocated capital, %	20.3	9.5	13.2	6.5			16.0
The year's investments in non-financial non-current assets	214	278	31	8	447		978
The year's investments in associated companies						-	-
Average number of employees	4 685	2 781	1 068	550	1 749		10 833

Geographical segment information 2008							
SEK m	Sweden	Denmark	Finland	Norway	Great Britain	Other countries	Group
Income	17 088	2 073	2 316	8 856	2 026	-2 469	29 890
Assets	1 379 751	70 489	111 101	164 325	177 132	255 986	2 158 784

Other information							
Investments in non-financial assets	608	203	76	26	15	50	978

belong to a specific segment or which are eliminated at Group level. Other includes Treasury and central departments and also the cost of the Oktogonen profit-sharing plan which amounts to SEK 748 million. The Adjustments and eliminations column includes translation differences and adjustments for pension costs calculated in accordance with IAS 19, Employee Benefits, which total SEK 213 million.

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

Income per product area		
SEK m	2009	2008
Investment bank	8 736	6 666
Bank deposits and corporate loans	8 059	8 940
Finance company services	1 923	1 895
Bank deposits and loans to private individuals	3 978	5 275
Mortgages	5 574	3 030
Pensions & insurance	638	1 017
Capital market	1 519	1 602
Trade finance	625	600
Other operations	1 283	865
<b>Total</b>	<b>32 335</b>	<b>29 890</b>



## G45 Maturity analysis for contracted payment commitments

The maturity analysis shows undiscounted cash flows for contracted payment commitments (including interest payments) that are due for payment within the stated time ranges. Commitments that are payable on demand, including financial guarantees and loan commitments, are reported in their entirety in the 0–3-month range.

For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid/received, such as currency swaps. As a consequence of changes in regulations, the comparative figures have been changed.

### Maturity analysis for contracted payment commitments – remaining contractual time to maturity

2009					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Due to credit institutions	216 721	13 722	2 827	9 779	243 049
Deposits from the public	447 226	3 834	2 793	8 875	462 728
Borrowing from the public	51 582	10 397	6 909	20 379	89 267
Issued securities	341 319	198 712	472 171	33 111	1 045 313
Other trading liabilities			14 159	11 743	25 902
Subordinated liabilities	6 122	6 802	41 093	12 798	66 815
<b>Total</b>	<b>1 062 970</b>	<b>233 467</b>	<b>539 952</b>	<b>96 685</b>	<b>1 933 074</b>
<b>Off-balance sheet items</b>					
Financial guarantees and unutilised loan commitments	407 492				407 492

### Derivatives

2009					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivative inflow	816 561	280 416	317 223	49 208	1 463 407
Total derivative outflow	810 512	274 978	301 903	51 942	1 439 336
<b>Total</b>	<b>6 049</b>	<b>5 437</b>	<b>15 319</b>	<b>-2 734</b>	<b>24 071</b>

2008					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Due to credit institutions	282 001	32 376	5 273	8 943	328 593
Deposits from the public	409 675	4 254	1 424	5 374	420 727
Borrowing from the public	76 377	24 679	6 278	19 816	127 150
Issued securities	366 312	199 323	379 907	26 375	971 917
Other trading liabilities	84	1 540	7 004	7 560	16 188
Subordinated liabilities	4 108	1 767	52 834	15 234	73 943
<b>Total</b>	<b>1 138 557</b>	<b>263 939</b>	<b>452 720</b>	<b>83 302</b>	<b>1 938 518</b>
<b>Off-balance sheet items</b>					
Financial guarantees and unutilised loan commitments	397 533				397 533

### Derivatives

2008					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivative inflow	376 045	119 719	1 068 467	43 066	1 607 297
Total derivative outflow	371 269	115 455	1 055 163	45 410	1 587 297
<b>Total</b>	<b>4 777</b>	<b>4 264</b>	<b>13 304</b>	<b>-2 344</b>	<b>20 001</b>

## G46 Assets and liabilities in foreign currencies

SEK m	SEK	EUR	NOK	DKK	GBP	USD	CHF	JPY	HKD	SGD	Other currencies	Total
<b>Assets</b>												
Loans to credit institutions	86 036	12 261	3 850	2 518	5 017	55 395	415	249	11	22	2 326	168 100
Loans to the public	951 921	170 648	173 242	49 280	61 323	50 406	5 463	2 192	1 618	610	10 480	1 477 183
<i>of which corporate</i>	440 606	133 243	108 825	23 646	48 388	50 207	2 896	1 750	1 601	609	9 764	821 535
<i>of which households</i>	511 315	37 405	64 417	25 634	12 935	199	2 567	442	17	1	716	655 648
Treasury bills and other eligible securities	96 183	4 298	3 158	1	0	0	-	-	1 483	33	-	105 156
Bonds and other interest-bearing securities	45 907	12 421	356	214	173	11 472	-	-	-	-	303	70 846
Other assets not broken down by currency	301 558											301 558
<b>Total assets</b>	<b>1 481 605</b>	<b>199 628</b>	<b>180 606</b>	<b>52 013</b>	<b>66 513</b>	<b>117 273</b>	<b>5 878</b>	<b>2 441</b>	<b>3 112</b>	<b>665</b>	<b>13 109</b>	<b>2 122 843</b>
<b>Liabilities</b>												
Due to credit institutions	110 763	40 177	4 572	3 531	14 260	53 163	3 984	149	6 424	22	2 745	239 790
Deposits and borrowing from the public	368 747	46 956	49 885	25 372	18 654	23 037	789	113	607	451	15 137	549 748
<i>of which corporate</i>	180 351	32 261	38 980	13 928	14 725	21 948	783	106	584	429	14 916	319 011
<i>of which households</i>	188 396	14 695	10 905	11 444	3 929	1 089	6	7	23	22	221	230 737
Issued securities	417 109	256 138	9 742	565	35 643	239 664	5 509	1 404	250	51	-	966 075
Subordinated liabilities	7 347	30 179	-	123	14 421	5 765	-	1 170	-	-	-	59 005
Other liabilities not broken down by currency	308 225											308 225
<b>Total liabilities and equity</b>	<b>1 212 191</b>	<b>373 450</b>	<b>64 199</b>	<b>29 591</b>	<b>82 978</b>	<b>321 629</b>	<b>10 282</b>	<b>2 836</b>	<b>7 281</b>	<b>524</b>	<b>17 882</b>	<b>2 122 843</b>
Other assets and liabilities not broken down by currency and off-balance sheet items		173 323	-116 154	-22 438	16 696	204 128	4 097	262	4 166	-155	4 950	
Net foreign currency position		-499	253	-16	231	-228	-307	-133	-3	-14	177	-539

## G47 Related-party disclosures

Claims on and liabilities to related parties	Associated companies		Other related parties	
	2009	2008	2009	2008
SEK m				
Loans to credit institutions	-	-	-	-
Loans to the public	276	310	-	-
Bonds and other interest-bearing securities	-	-	-	-
Other assets	-	-	598	574
<b>Total</b>	<b>276</b>	<b>310</b>	<b>598</b>	<b>574</b>
Due to credit institutions	-	-	-	-
Deposits and borrowing from the public	109	75	279	341
Issued securities	-	-	-	-
Subordinated liabilities	-	-	651	659
Other liabilities	-	-	125	50
<b>Total</b>	<b>109</b>	<b>75</b>	<b>1 055</b>	<b>1 050</b>

Related parties – income and expense	Associated companies		Other related parties	
	2009	2008	2009	2008
SEK m				
Interest income	3	3	-	-
Interest expense	0	-8	-77	-21
Fee and commission income	0	0	4	4
Fee and commission expense	-12	-5	-	-
Net gains/losses on financial items at fair value	0	-	-	-
Other income	-	-	19	9
Other expenses	-27	-1	-52	-14
<b>Total</b>	<b>-36</b>	<b>-11</b>	<b>-106</b>	<b>-22</b>

A list of associated companies and information about shareholder contributions to associated companies is presented in note G21. The associated companies' operations comprise various types of services related to the financial markets. During the year, normal business transactions have been carried out between Group companies. The following companies are included in the group Other related parties: Svenska Handelsbanken Pensionsstiftelse, Svenska Handelsbankens Personalstiftelse and Pensionskassan, SHB försäkringsförening. These companies use Handelsbanken AB for customary banking and accounting services.

Related-party transactions with CEO, EVPs and the board		
SEK m	2009	2008
Loans	251	168
Deposits	21	21
Interest income	8	5
Interest expense	0	1

For close family members who are employees of the Bank (but not board members), the terms for credit are the same as for other employees. This means that the interest on credits up to SEK 1.5 million is two percentage points lower than the equivalent interest rate for external customers. This benefit is taxable for the employee and constitutes a basis for employer's contributions for the Bank. Interest on credits above SEK 1.5 million is on normal commercial terms. All credits are subject to customary credit assessment. Credit to close family members is granted on normal commercial terms and is not included in the table. In exceptional cases, if credit to a close family member is granted at the subsidised interest rate described above, this is reported as a taxable benefit for the employee.

Information about senior managers' conditions and remuneration is presented in note G8.

## G48 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 (2006:1371) on Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies, the Bank must maintain a capital base at least corresponding to the sum of the capital requirements for credit risks, market risks and operational risks. In addition to maintaining capital according to the minimum requirement, the Bank must make an internal capital adequacy assessment. Handelsbanken's capital policy – most recently adopted during 2009 – 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 2009, the Bank met the statutory minimum level for its capital base.

More detailed information about the Bank's capital base and capital requirement is available in the document entitled Handelsbanken's risk and capital management – information according to Pillar 3. See [www.handelsbanken.se/ireng](http://www.handelsbanken.se/ireng).

### DESCRIPTION OF THE CAPITAL BASE FOR THE BANKING GROUP

The capital base consists of Tier 1 (primary) capital and Tier 2 (supplementary) capital. The Tier 1 capital consists of the equity and issued Tier 1 capital loans in the companies which are part of the banking group where Handelsbanken AB is the parent institution. The Tier 2 capital mainly consists of perpetual and dated subordinated loans. Certain reductions are subsequently made from the capital base. The reductions are made from the Tier 1 capital, from the Tier 2 capital and from the capital base as a whole. In the banking group, the Group's subsidiaries are fully consolidated, while the associated companies are either fully consolidated or are consolidated in accordance with the equity method. Companies that are not part of the banking group, and thus not covered by the capital requirements in the same way as other companies in the Group, are shown in the table.

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 has the possibility 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.

Companies outside the banking group	Corporate identity number	Domicile
Handelsbanken Liv Försäkrings AB (Group)	516401-8284	Stockholm
Handelsbanken Försäkring AB	516401-8326	Stockholm
Svenska Re S.A.	RCS Lux B-32053	Luxembourg
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm
Handelsbanken Renting AB	556043-2766	Stockholm
Flisekompaniet Holding AS	992999136	Oslo
Gryck Invest AB	556759-2505	Gothenburg
Festival AS	993798304	Søgne
Plastal Industri AB	556532-8845	Gothenburg

### 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, profits generated in these companies are not included in the Tier 1 capital. With the consent of the Swedish Financial Supervisory Authority, certain types of perpetual subordinated loans may be included in the Tier 1 capital (hybrid loans). Hybrid loans can comprise at most 30 percent of the total Tier 1 capital, net after reduction items. Hybrid loans which contain an increase of the interest margin (a step-up), may comprise at most 15 percent of the total Tier 1 capital, net after reduction items. At the end of 2009, the total scope for issuing hybrid loans was SEK 15.5 billion with SEK 3.2 billion of this being step-ups. The items to be excluded from the Tier 1 capital are mainly goodwill and other intangible assets and also unrealised gains on shares classified as available-for-sale. Deferred tax liabilities and write-ups of properties also reduce the Tier 1 capital. Neutrality adjustments are made for interest-bearing instruments classified as available-for-sale and for the effect of cash flow hedges on equity.

### TIER 2 CAPITAL

The Tier 2 capital contains subordinated loans, reductions relating to write-ups of property and unrealised gains on equity classified as available-for-sale. The gross amount of Tier 2 capital must never exceed 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 percent of the total Tier 1 capital. Holdings of various types of subordinated liabilities are included within the regulatory restrictions. See note G38, 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 recognised in the accounts for probable loan losses where 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 percent or if the total contributions exceed 10 percent 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 must 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 base SEK m	2009	2008
<b>TIER 1 CAPITAL</b>		
Equity <sup>1</sup>	78 003	70 488
Tier 1 capital contribution	14 845	11 579
Minority interests	282	1
Deducted items		
Goodwill and other intangible assets	-7 252	-6 990
Revaluation reserve	-130	-137
Deferred tax asset	-303	-405
Special deduction for IRB institutions	-443	-903
Capital contribution in insurance company	-233	-233
Securitisation positions	-165	-140
Adjustments in accordance with stability filter		
Cash flow hedges	217	252
Unrealised accumulated gains/losses, equities	-56	-
Unrealised accumulated gains/losses, fixed income instruments	810	2 342
<b>Total Tier 1 capital</b>	<b>85 575</b>	<b>75 854</b>
<b>TIER 2 CAPITAL</b>		
Perpetual subordinated loans	18 650	22 916
Dated subordinated loans	24 424	25 912
Additional items		
Unrealised accumulated gains/losses, equities	56	-
Revaluation reserve	130	137
Deducted items		
Special deduction for IRB institutions	-443	-903
Capital contribution in insurance company	-233	-233
Securitisation positions	-165	-140
<b>Total Tier 2 capital</b>	<b>42 419</b>	<b>47 689</b>
<b>Total Tier 1 and Tier 2 capital</b>	<b>127 994</b>	<b>123 543</b>
Items deducted from total capital base		
Capital contribution in insurance company	-4 717	-6 317
Surplus value pension assets	-1 524	-1 721
<b>Total capital base for capital adequacy purposes</b>	<b>121 753</b>	<b>115 505</b>

<sup>1</sup> Tier 1 capital has been affected by the board's proposed appropriations.

## CAPITAL REQUIREMENT

Handelsbanken applies an internal method for categorising risk and calculation of credit risk called the IRB model. There are two different IRB approaches, a basic approach and an advanced approach. In the basic 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). Following approval from the Financial Supervisory Authority, at the year-end 2009/2010, Handelsbanken used the advanced IRB method for retail exposures (households and small companies) in Sweden, Norway, Denmark and Finland and in its subsidiaries Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy. The basic IRB approach has been used for corporate exposures in the whole of the regional banking operations and also for institutional exposures. The IRB model has also been used for certain large corporate exposures at Handelsbanken's international branches that are not part of regional banking operations.

As at 31 December 2009, the IRB model covered approximately 91 percent of the total risk-weighted assets calculated according to Basel II. For the remaining credit risk exposures, the capital requirement during 2009 was measured using the Basel II standard regulations. Handelsbanken has decided to implement the advanced IRB model for corporate and institutional exposures, and plans to start using this method during 2010.

Figures reported in this section refer to the minimum capital requirements under Pillar I of the new capital adequacy rules, Basel II. In the table, "According to Basel II" means that the figures are based on the minimum capital requirements after the transitional rules have ceased to apply. In December 2009, the Swedish Financial Supervisory Authority decided that the transitional rules would apply for a further two years, that is until the end of 2011.

Repos 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 volume of repos varies considerably over time. The low capital requirement is because the exposure in repos is reported gross and the exposure is secured.

Credit risks IRB SEK m	Exposure after credit risk protection (EAD)		Average risk weight, %		Capital requirement	
	2009	2008	2009	2008	2009	2008
Corporate	918 506	961 710	42.6	49.1	31 290	37 797
of which repos	14 368	4 209	1.0	0.3	12	1
of which other lending	904 138	957 501	43.2	49.3	31 278	37 796
Retail	643 585	565 725	9.1	8.8	4 680	3 980
of which property loans	555 021	493 137	6.7	6.6	2 984	2 596
of which other	88 564	72 588	23.9	23.8	1 696	1 384
Small companies	31 435	32 677	42.9	43.8	1 080	1 145
Institutions	167 270	147 002	10.5	11.6	1 406	1 364
of which repos	90 401	46 524	0.4	0.2	31	6
of which other lending	76 869	100 478	22.4	16.9	1 375	1 358
Other	13 931	15 649	51.8	46.2	577	578
<b>Total IRB</b>	<b>1 774 727</b>	<b>1 722 763</b>	<b>27.5</b>	<b>32.6</b>	<b>39 033</b>	<b>44 864</b>

## G48 Cont.

The total average risk weight for IRB exposures decreased by just over 5 percentage points during the year. The decrease was due to an increase in the volume of exposures with a low risk weight, while exposures with a high risk weight have decreased, and also that the average risk weight for corporate exposures has decreased. For further information about changes during the year, see the Bank's interim reports for 2009 and the Bank's disclosures according to the special information about capital cover stated in Risk and capital management – information according to Pillar 3.

Capital cover standardised approach SEK m	EAD	Capital requirement
Governments and central banks	140 491	33
Municipalities	49 501	1
Institutions	5 020	130
Corporate	28 351	2 268
Retail	12 478	749
Collateral in properties	11 828	357
Past due loans	860	100
Other items	12 976	652
<b>Total standardised</b>	<b>261 505</b>	<b>4 290</b>

## Operational risks

Handelsbanken uses the standardised approach according to which calculation of the capital requirement is based on the Bank's income in various business segments.

## Market risks

Market risks are calculated in accordance with the Swedish Financial Supervisory Authority's standardised directives.

Capital requirement SEK m	2009	2008
Credit risk according to standardised approach	4 290	7 884
Credit risk according to IRB approach	39 033	44 864
Interest rate risk	1 308	1 690
Equity price risk	30	20
Currency risk	-	-
Commodities risk	41	12
Settlement risk	-	-
Operational risk	3 484	3 292
<b>Total capital requirement according to Basel II</b>	<b>48 186</b>	<b>57 762</b>
Adjustment according to transitional rules	27 102	29 332
<b>Total capital requirement according to Basel II, transitional rules</b>	<b>75 288</b>	<b>87 094</b>
Risk-weighted assets according to Basel I	1 190 218	1 234 713
Capital requirement according to Basel I (8% of risk-weighted assets)	95 217	98 777
Risk-weighted assets according to Basel II	602 330	722 002

Capital adequacy analysis, %	2009	2008
Capital requirement in Basel II compared with Basel I	51	58
Capital requirement in Basel II compared with transitional rules	64	66
Capital ratio according to Basel II	20.2	16.0
Capital ratio according to Basel I	10.3	9.5
Capital ratio according to transitional rules	12.9	10.6
Tier 1 ratio according to Basel II	14.2	10.5
Tier 1 ratio according to Basel I	7.3	6.2
Tier 1 ratio according to transitional rules	9.1	7.0
Capital base in relation to capital requirement Basel II	253	200
Capital base in relation to capital requirement Basel I	129	119
Capital base in relation to capital requirement according to transitional rules	162	133

## CAPITAL COVER 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 cover financial conglomerate SEK m	2009	2008
Capital base after reduction and adjustments	125 027	117 490
Capital requirement	76 733	88 587
<b>Surplus</b>	<b>48 294</b>	<b>28 903</b>

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# Income statement Parent company

Note G1 and Note P1 describe the accounting and valuation policies applied.

SEK m		2009	2008
Interest income	Note P3	31 554	58 921
Interest expense	Note P3	-16 970	-45 624
<b>Net interest income</b>		<b>14 584</b>	<b>13 297</b>
Dividends received	Note P4	3 096	1 557
Fee and commission income	Note P5	7 408	6 963
Fee and commission expense	Note P5	-1 413	-1 302
<b>Net fee and commission income</b>		<b>5 995</b>	<b>5 661</b>
Net gains/losses on financial operations	Note P6	2 453	2 304
Other operating income	Note P7	597	904
<b>Total operating income</b>		<b>26 725</b>	<b>23 723</b>
General administrative expenses			
Staff costs	Note P8	-8 938	-7 556
Other administrative expenses	Note P9	-4 450	-4 480
Depreciation, amortisation and impairments of property, equipment and intangible assets	Note P21, P22	-574	-498
<b>Total expenses before loan losses</b>		<b>-13 962</b>	<b>-12 534</b>
<b>Profit before loan losses</b>		<b>12 763</b>	<b>11 189</b>
Net loan losses	Note P10	-3 781	-1 580
Impairment loss on financial assets		-30	-
<b>Operating profit</b>		<b>8 952</b>	<b>9 609</b>
Appropriations	Note P11	4 691	2 795
<b>Profit before taxes</b>		<b>13 643</b>	<b>12 404</b>
Taxes	Note P29	-2 784	-3 097
<b>Profit for the year</b>		<b>10 859</b>	<b>9 307</b>



# Balance sheet Parent company

Note G1 and Note P1 describe the accounting and valuation policies applied.

SEK m		2009	2008
<b>ASSETS</b>			
Cash and balances with central banks		49 681	64 774
Treasury bills and other eligible bills	Note P17	96 701	70 691
Loans to credit institutions	Note P15	414 441	381 874
Loans to the public	Note P16	723 056	790 613
Bonds and other interest-bearing securities	Note P17	58 089	73 832
Shares and participating interests	Note P18	21 167	10 980
Shares in subsidiaries and associated companies	Note P19	33 458	33 435
Assets where the customer bears the value change risk		3 376	1 704
Derivative instruments	Note P20	110 177	195 054
Intangible assets	Note P21	1 782	1 848
Property and equipment	Note P22	1 750	1 785
Current tax assets		-	980
Deferred tax assets	Note P29	231	233
Other assets	Note P23	41 670	16 714
Prepaid expenses and accrued income	Note P24	4 691	7 639
<b>Total assets</b>	Note P12	<b>1 560 270</b>	<b>1 652 156</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	Note P25	272 712	373 996
Deposits and borrowing from the public	Note P26	522 503	505 903
Liabilities where the customer bears the value change risk		3 419	1 720
Issued securities, etc	Note P27	474 205	427 426
Derivative instruments	Note P20	110 788	183 488
Other trading liabilities	Note P28	29 647	17 580
Current tax liabilities		369	-
Deferred tax liabilities	Note P29	90	93
Provisions	Note P30	188	352
Other liabilities	Note P31	20 106	15 786
Accrued expenses and deferred income	Note P32	8 333	11 438
Subordinated liabilities	Note P33	59 021	61 306
<b>Total liabilities</b>	Note P12	<b>1 501 381</b>	<b>1 599 088</b>
<b>Untaxed reserves</b>	Note P34	<b>1 368</b>	<b>2 490</b>
Share capital		2 899	2 899
Statutory reserve		2 682	2 682
Retained earnings	Note P35	41 081	35 690
Profit for the year		10 859	9 307
<b>Total equity</b>		<b>57 521</b>	<b>50 578</b>
<b>Total liabilities and equity</b>		<b>1 560 270</b>	<b>1 652 156</b>
<b>MEMORANDUM ITEMS</b>			
Collateral pledged for own debt	Note P36	171 051	226 726
Other collateral pledged	Note P37	8 124	6 943
Contingent liabilities/commitments	Note P38	154 338	180 826
Other commitments	Note P40	376 563	339 956

# Statement of changes in equity

## Parent company

SEK m	Restricted equity						Retained earnings	Total
	Share capital	Statutory reserve	Hedge reserve <sup>1</sup>	Fair value reserve <sup>1</sup>	Translation reserve <sup>1</sup>			
Opening equity 2008	2 890	2 682	180	524	190	49 556	56 022	
Change in cash flow hedges, after tax			-763				-763	
Change in available-for-sale instruments, after tax				-3 698			-3 698	
Change in translation difference					169		169	
<b>Total income and expenses recognised directly in equity</b>	-	-	-763	-3 698	169	-	-4 292	
Profit for the year						9 307	9 307	
<b>Total changes before transactions with the owners</b>	-	-	-763	-3 698	169	9 307	5 015	
Dividend						-8 417	-8 417	
Group contributions provided						-2 239	-2 239	
Holdings of own shares in trading book						13	13	
Options element of convertible subordinated loan						184	184	
Reduction of share capital by means of cancellation	-22					22	-	
Bonus issue	31					-31	-	
<b>Closing equity 2008</b>	<b>2 899</b>	<b>2 682</b>	<b>-583</b>	<b>-3 174</b>	<b>359</b>	<b>48 395</b>	<b>50 578</b>	
Opening equity 2009	2 899	2 682	-583	-3 174	359	48 395	50 578	
Change in cash flow hedges, after tax			10				10	
Change in available-for-sale instruments, after tax				2 353			2 353	
Change in translation difference					51		51	
<b>Total income and expenses recognised directly in equity</b>	-	-	10	2 353	51	-	2 414	
Profit for the year						10 859	10 859	
<b>Total changes before transactions with the owners</b>	-	-	10	2 353	51	10 859	13 273	
Dividend						-4 364	-4 364	
Group contributions provided						-1 933	-1 933	
Holdings of own shares in trading book						-33	-33	
<b>Closing equity 2009</b>	<b>2 899</b>	<b>2 682</b>	<b>-573</b>	<b>-821</b>	<b>410</b>	<b>52 924</b>	<b>57 521</b>	

<sup>1</sup> Included in fair value fund.

# Cash flow statement Parent company

SEK m	2009	2008
<b>OPERATING ACTIVITIES</b>		
Operating profit	8 952	9 609
<i>of which paid-in interest</i>	34 728	58 113
<i>of which paid-out interest</i>	-21 309	-44 994
<i>of which paid-in dividends</i>	3 096	1 557
Adjustment for non-cash items in profit/loss		
Loan losses	3 875	1 751
Unrealised changes in value	3 019	-2 819
Depreciation, amortisation and impairments	604	498
Paid income tax	-1 439	-3 926
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-32 568	-79 605
Loans to the public	63 677	-88 656
Interest-bearing securities and equities	-14 297	60 086
Due to credit institutions	-101 283	66 899
Deposits and borrowing from the public	16 601	23 416
Issued securities	46 779	132 721
Derivative instruments, net positions	12 117	-17 050
Short-term positions	12 066	-41 924
Claims and liabilities on investment banking settlements	-26 591	8 362
Other	6 646	-22 372
<b>Cash flow from operating activities</b>	<b>-1 842</b>	<b>46 990</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	-12	-1 013
Change in shares	-114	793
Change in interest-bearing securities	-5 700	-1 105
Change in property and equipment	-312	137
Change in intangible non-current assets	-175	-151
<b>Cash flow from investing activities</b>	<b>-6 313</b>	<b>-1 339</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-3 280	-1 346
Issued subordinated loans	2 922	2 556
Issue of subordinated convertible loan	-	2 296
Dividend paid	-4 364	-8 416
Group contribution	558	2 423
<b>Cash flow from financing activities</b>	<b>-4 164</b>	<b>-2 487</b>
<b>Cash flow for the year</b>	<b>-12 319</b>	<b>43 164</b>
Liquid funds at beginning of year	64 774	13 380
Cash flow from operating activities	-1 842	46 990
Cash flow from investing activities	-6 313	-1 339
Cash flow from financing activities	-4 164	-2 487
Exchange rate difference on liquid funds	-2 774	8 230
<b>Liquid funds at end of year</b>	<b>49 681</b>	<b>64 774</b>

# Five-year overview Parent company

The accounting policies are described in note P1.

Income statement SEK m	2009	2008	2007	2006	2005
Net interest income	14 584	13 297	10 236	9 134	8 599
Dividends received	3 096	1 557	5 684	3 362	815
Net fee and commission income	5 995	5 661	6 428	5 831	5 246
Net gains/losses on financial operations	2 453	2 304	1 867	2 220	2 582
Other operating income	597	904	695	812	608
<b>Total operating income</b>	<b>26 725</b>	<b>23 723</b>	<b>24 910</b>	<b>21 359</b>	<b>17 850</b>
General administrative expenses					
Staff costs	-8 938	-7 556	-7 295	-7 186	-6 629
Other administrative expenses	-4 450	-4 480	-4 174	-3 695	-3 192
Depreciation, amortisation and impairments of property, equipment and intangible assets	-574	-498	-441	-634	-310
<b>Total expenses before loan losses</b>	<b>-13 962</b>	<b>-12 534</b>	<b>-11 910</b>	<b>-11 515</b>	<b>-10 131</b>
<b>Profit before loan losses</b>	<b>12 763</b>	<b>11 189</b>	<b>13 000</b>	<b>9 844</b>	<b>7 719</b>
Net loan losses	-3 781	-1 580	-64	-200	-160
Impairment loss on financial assets	-30	-	-	-	-
<b>Operating profit</b>	<b>8 952</b>	<b>9 609</b>	<b>12 936</b>	<b>9 644</b>	<b>7 559</b>
Appropriations	4 691	2 795	3 976	4 365	4 712
<b>Profit before taxes</b>	<b>13 643</b>	<b>12 404</b>	<b>16 912</b>	<b>14 009</b>	<b>12 271</b>
Taxes	-2 784	-3 097	-3 265	-3 302	-3 404
<b>Profit for the year</b>	<b>10 859</b>	<b>9 307</b>	<b>13 647</b>	<b>10 707</b>	<b>8 867</b>
Dividend for the year	4 988*	4 364	8 416	5 074	4 585

\* As proposed by the board

Balance sheet SEK m	2009	2008	2007	2006	2005
<b>Assets</b>					
Loans to the public	723 056	790 613	711 626	571 960	495 442
Loans to credit institutions	414 441	381 874	318 859	338 037	312 391
Interest-bearing securities	154 790	144 523	156 317	191 419	186 088
Other assets	267 983	335 146	172 908	166 776	155 135
<b>Total assets</b>	<b>1 560 270</b>	<b>1 652 156</b>	<b>1 359 710</b>	<b>1 268 192</b>	<b>1 149 056</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	522 503	505 903	482 487	412 664	376 947
Due to credit institutions	272 712	373 996	307 151	353 112	311 876
Issued securities	474 205	427 426	294 705	254 484	217 774
Subordinated liabilities	59 021	61 306	52 909	51 672	46 795
Other liabilities	172 940	230 457	164 952	144 068	144 587
Untaxed reserves	1 368	2 490	1 484	1 183	1 397
Equity	57 521	50 578	56 022	51 009	49 680
<b>Total liabilities and equity</b>	<b>1 560 270</b>	<b>1 652 156</b>	<b>1 359 710</b>	<b>1 268 192</b>	<b>1 149 056</b>
<b>Memorandum items</b>					
Collateral pledged for own debt	171 051	226 726	119 896	121 978	79 319
Other collateral pledged	8 124	6 943	21 841	5 397	5 986
Contingent liabilities	154 338	180 826	139 431	136 268	126 703
Other commitments	399 999	365 425	356 797	309 852	271 389

# Notes Parent company

## P1 Accounting policies

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2. The relationship between the parent company's and the Group's accounting policies.
3. Changed accounting policies
4. Presentation
5. Assets and liabilities in foreign currencies
6. Held-for-sale assets and discontinued operations
7. Shares and participating interests in subsidiaries and associated companies
8. Financial guarantees
9. Leases
10. Intangible assets
11. Dividends
12. Accounting for pensions
13. Taxes

### 1. STATEMENT OF COMPLIANCE

The parent company's annual report is prepared in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the 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 2.2 Accounting for legal entities as well as statements from the Swedish Financial Reporting Board. In accordance with the Financial Supervisory Authority's general guidelines, 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 relationship between accounting and taxation.

#### Issuing and adoption of annual report

The annual report was approved for issue by the board on 17 February 2010 and will be adopted by the AGM on 29 April 2010.

### 2. 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. The following is only a description of the areas where the parent company's policies differ from those of the Group. In all other respects, reference is made to the accounting policies in note G1.

### 3. CHANGED ACCOUNTING POLICIES

On 1 July 2009 changes were made to IAS 27 Consolidated and separate financial statements implying that dividends from subsidiaries are always reported as dividends in the parent company's income statement. If the subsidiary's recoverable amount after dividends is less than the parent company's reported value for the shares, the shares are written down to the recoverable amount.

Otherwise, the parent company's accounting policies are in all material respects the same as those applied in the 2008 financial year.

#### Future amendments to regulations

As of the 2010 financial year, the regulations in IAS 1 concerning the statement of comprehensive income will also be fully implemented for the parent company. This means that alongside the normal income statement, a separate statement with the components of other comprehensive income will be presented in the same way as for the consolidated accounts. The parent company's statement of changes in equity will thus only contain transactions with the owners.

### 4. 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:

- There is no separate report of the components included in other comprehensive income in the parent company. Thus the parent company's statement of changes in equity reports all changes in equity not reported in the income statement.
- 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 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.

**5. 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.

**6. 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.

**7. SHARES AND PARTICIPATING INTERESTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES**

Shares and participating interests in subsidiaries and associated companies are measured at cost. Dividends on shares in subsidiaries and associated companies are recognised as income in the income statement under Dividends received.

**8. 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.

**9. LEASES**

The parent company is the lessee in a number of lease contracts. All lease agreements are recognised as operating leases. This means that the lease costs are recognised in profit or loss as expenses.

**10. INTANGIBLE ASSETS**

In the parent company, goodwill and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. The useful life on acquisition assets in the parent company is assessed as very long. The amortisation period has been set at 20 years.

**11. DIVIDENDS**

The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associated companies.

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.

**12. 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.

**13. TAXES**

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves can be divided into one part which is deferred tax liability and one part which is equity. Group contributions are recognised in accordance with the economic substance of the contribution. Contributions which are justified for tax purposes are thus recognised after tax adjustment as an increase/decrease of Retained earnings. Group contributions that are equivalent to dividends are recognised as an appropriation in the income statement of the recipient and as a reduction of retained earnings for the giver.

## P2 Risk and capital management

The Handelsbanken Group's risk management is described in note P2. Specific information about the parent company's risks is presented below. For definitions, see note G2.

### CREDIT RISK

Credit risk exposure SEK m	2009	2008
Loans to the public <sup>1</sup>	723 056	790 613
<i>of which reverse repos</i>	11 544	4 781
Loans to credit institutions	414 441	381 874
<i>of which reverse repos</i>	64 701	48 870
Unutilised part of granted overdraft facilities	164 142	125 273
Credit commitments	210 451	214 434
Other commitments	1 970	249
Guarantees, loans	67 394	77 290
Guarantees, other	47 849	50 818
Documentary credits	39 011	52 624
Derivatives	110 177	195 054
Treasury bills and other eligible bills	96 701	70 691
Bonds and other interest-bearing securities	58 089	73 832
<b>Total</b>	<b>1 933 281</b>	<b>2 032 752</b>

<sup>1</sup> SEK 5,728m (6,688) of this amount is loans which upon initial recognition was classified at fair value in the income statement.

Loans to the public, by sector SEK m	2009			2008
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans after deduction of provisions
Private individuals	137 433	-476	136 957	127 452
Housing co-operative associations	10 637	-11	10 626	6 571
Property management	245 369	-616	244 753	259 529
Manufacturing	59 969	-2 202	57 767	65 991
Retail	37 031	-529	36 502	36 334
Hotel and restaurant	6 877	-48	6 829	4 792
Shipping, passenger and goods transport by sea	14 577	-2	14 575	11 099
Other transport and communication	14 507	-109	14 398	14 327
Construction	11 143	-184	10 959	10 701
Electricity, gas and water	13 445	-10	13 435	13 180
Agriculture, hunting and forestry	3 864	-33	3 831	5 756
Other services	14 810	-43	14 767	13 031
Holding, investment, insurance companies, mutual funds etc.	103 323	-438	102 885	106 415
Governments and municipalities	17 783	-	17 783	13 654
Other corporate lending	37 806	-354	37 452	102 234
<b>Total loans to the public, before collective provisions</b>	<b>728 574</b>	<b>-5 055</b>	<b>723 519</b>	<b>791 066</b>
Collective provision			-463	-453
<b>Total loans to the public</b>			<b>723 056</b>	<b>790 613</b>

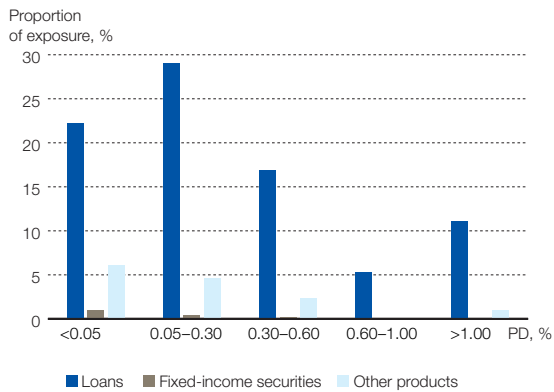
Loans to the public, collateral SEK m	2009	2008
Residential property <sup>1</sup>	148 842	159 105
Other property	130 778	106 631
Governments, municipalities and county councils	45 293	33 643
Guarantees	13 669	28 126
Unsecured	291 986	281 419
Other collateral	92 488	181 689
<b>Total</b>	<b>723 056</b>	<b>790 613</b>

<sup>1</sup> Including co-operative apartments

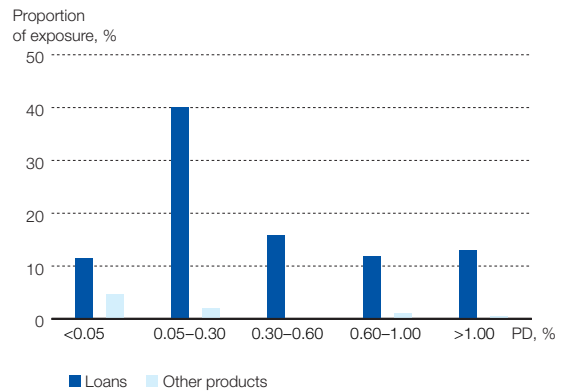


**CREDIT QUALITY**

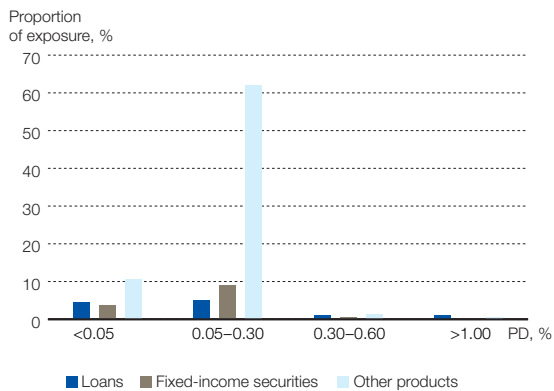
**Proportion of exposure by exposure category, corporate, excluding credits in default**



**Proportion of exposure by exposure category, retail, excluding credits in default**



**Proportion of exposure by exposure category, institutions, excluding credits in default**



**MARKET RISKS**

SEK m	2009	2008
Interest rate risk	-381	-283
Net interest income risk	1 205	1 411
Exchange rate risk	-27	-34
Commodity price risk	-55	-16

**P3** Net interest income

SEK m	2009	2008
<b>Interest income</b>		
Credit institutions and central banks	6 110	15 054
General public	25 608	43 338
Treasury bills and other eligible bills	2 732	3 806
Bonds and other interest-bearing securities	4 318	7 024
Derivative instruments recognised as hedges	-1 992	1 112
Other interest income	1 176	937
<b>Total interest income</b>	<b>37 952</b>	<b>71 271</b>
Of which interest income reported in net gains/losses on financial items at fair value	6 398	12 350
<b>Interest income according to income statement</b>	<b>31 554</b>	<b>58 921</b>
<b>Interest expense</b>		
Credit institutions and central banks	-2 785	-11 882
General public	-4 524	-16 558
Issued securities	-8 905	-14 674
Derivative instruments recognised as hedges	2 394	-2 142
Subordinated liabilities	-2 404	-2 675
Other interest expense	-6 195	-8 489
<b>Total interest expense</b>	<b>-22 419</b>	<b>-56 420</b>
Of which interest expense reported in net gains/losses on financial items at fair value	-5 449	-10 796
<b>Interest expense according to income statement</b>	<b>-16 970</b>	<b>-45 624</b>
<b>Net interest income</b>	<b>14 584</b>	<b>13 297</b>

Includes interest income on impaired loans SEK 137m (105). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 25,220m (43,208). Total interest expense on liabilities recognised at amortised cost was SEK 14,517m (33,595).

**P4** Dividends received

SEK m	2009	2008
Dividend on shares and participating interests	557	1 423
Dividend from associated companies	3	0
Dividend from group companies	2 536	134
<b>Total</b>	<b>3 096</b>	<b>1 557</b>

**P5** Net fee and commission income

SEK m	2009	2008
<b>Brokerage</b>	<b>1 777</b>	<b>1 602</b>
Mutual funds and custody	850	1 007
Advisory services	196	192
Payments	2 364	2 247
Loans and deposits	836	636
Guarantees	525	419
Other	860	860
<b>Total fee and commission income</b>	<b>7 408</b>	<b>6 963</b>
Brokerage, mutual funds and custody	-322	-353
Payments	-935	-887
Other	-156	-62
<b>Total fee and commission expense</b>	<b>-1 413</b>	<b>-1 302</b>
<b>Net fee and commission income</b>	<b>5 995</b>	<b>5 661</b>

**P6** Net gains/losses on financial operations

SEK m	2009	2008
Available for sale, realised	65	328
<i>of which equities</i>	14	858
<i>of which interest-bearing securities</i>	51	-530
Hedge accounting		
Fair value hedges	55	-249
<i>of which hedging instruments</i>	307	1589
<i>of which hedged items</i>	-252	-1838
Ineffective portion of cash flow hedges	-5	-11
Instruments measured at fair value		
Loans and receivables	-23	237
<i>of which change due to changed interbank rate</i>	-50	246
Interest-bearing securities	23	1 072
Financial liabilities	158	-158
<i>of which change due to changed interbank rate</i>	158	-158
Loans and receivables at amortised cost	0	-23
Financial liabilities at amortised cost	-254	17
Trading, incl. trading-related interest	2 434	1 091
<b>Total</b>	<b>2 453</b>	<b>2 304</b>

**P7** Other operating income

SEK m	2009	2008
Rental income	27	27
Capital gain on sale of property	-	273
Other operating income	570	604
<b>Total</b>	<b>597</b>	<b>904</b>

## P8 Staff costs

SEK m	2009	2008
Salaries and fees	-6 019	-5 466
Social security costs	-1 447	-1 374
Pension costs*	-232	-328
Provision to profit-sharing foundation	-748	-
Other staff costs	-492	-388
<b>Total</b>	<b>-8 938</b>	<b>-7 556</b>

\*Information about pension costs is presented in note P39.

Salaries and other remuneration, SEK m	2009	2008
<b>Board, CEO and EVPs</b>		
Sweden	-83	-73
Norway	-3	-4
Finland	-3	-5
Denmark	-4	-4
UK	-7	-7
<b>Total</b>	<b>-100</b>	<b>-93</b>
<b>Other</b>		
Sweden	-3 622	-3 390
Norway	-623	-563
Finland	-348	-331
Denmark	-588	-412
UK	-417	-408
Luxembourg	-29	-20
Germany	-55	-45
USA	-76	-85
Singapore	-21	-21
Hong Kong	-22	-14
Poland	-42	-45
Other countries	-76	-39
<b>Total</b>	<b>-5 919</b>	<b>-5 373</b>
<b>Total</b>	<b>-6 019</b>	<b>-5 466</b>

Gender distribution %	2009		2008	
	Men	Women	Men	Women
Board	75	25	67	33
CEO/EVPs	91	9	91	9

Sickness absence rate in Sweden 2009						
%	2009			2008		
	Men	Women	Total	Men	Women	Total
Aged 29 or younger	1.4	2.7	2.2	1.4	2.4	2.0
Aged 30–49	1.6	3.3	2.5	1.6	3.6	2.7
Aged 50 or older	2.5	6.1	4.4	2.8	6.7	4.9
<b>Total sickness absence</b>	<b>1.8</b>	<b>4.0</b>	<b>3.0</b>	<b>1.9</b>	<b>4.4</b>	<b>3.3</b>
<i>of which long-term absence</i>	<i>0.6</i>	<i>2.1</i>	<i>1.4</i>	<i>0.7</i>	<i>2.4</i>	<i>1.6</i>

Note G8 provides information about remuneration to senior managers in the parent company

## P9 Other administrative expenses

SEK m	2009	2008
Property and premises	-1 033	-943
External IT costs	-1 307	-1 294
Communication	-373	-366
Travel and marketing	-321	-315
Purchased services	-833	-794
Supplies	-281	-214
Other administrative expenses	-302	-554
<b>Total</b>	<b>-4 450</b>	<b>-4 480</b>
<i>Of which expenses for operating leases</i>		
<i>Minimum lease fee</i>	-789	-761
<i>Variable fee</i>	-13	-82
<b>Total</b>	<b>-802</b>	<b>-843</b>

Operational 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 2009, the cost of the largest individual lease contract was approx. SEK 128m (128). None of the major lease contracts has a variable fee.

Audit costs SEK m	Audit		Consulting	
	2009	2008	2009	2008
<b>Auditors elected by the AGM</b>				
KPMG AB	-8	-10	-1	-1
Ernst & Young AB	-2	-2	-1	-1
<b>Internal auditing</b>	-93	-85		

## P10 Loan losses

SEK m	2009	2008
<b>Specific provision for individually assessed loan receivables</b>		
The year's provision	-3 816	-1 224
Write-back of previous provisions	249	182
<b>Total</b>	<b>-3 567</b>	<b>-1 042</b>
<b>Collective provision</b>		
The year's collective provision for individually assessed loan receivables	-11	-158
The year's collective provision for homogeneous loan receivables	-	3
The year's collective provision for off-balance sheet items	-30	-
<b>Total</b>	<b>-41</b>	<b>-155</b>
<b>Other provisions</b>		
Provisions for off-balance sheet items	-16	-95
Write-back of previous provisions	78	-
<b>Total</b>	<b>62</b>	<b>-95</b>
<b>Write-offs</b>		
Actual loan losses for the year	-882	-941
Utilised share of previous provisions	553	485
Recoveries	94	168
<b>Total</b>	<b>-235</b>	<b>-288</b>
<b>Change in value of repossessed property</b>		
Value change during year	-	-
<b>Net loan losses</b>	<b>-3 781</b>	<b>-1 580</b>

Impaired loans etc SEK m	2009	2008
Impaired loans	8 922	4 878
Specific provisions for individually assessed loan receivables	-5 064	-2 041
Provision for collectively assessed homogeneous groups of loan receivables with limited value and similar credit risk	-	0
Provisions by group for individually assessed loan receivables	-463	-453
<b>Net impaired loans</b>	<b>3 395</b>	<b>2 384</b>
Total impaired loans reserve ratio, %	61.9	51.1
Proportion of impaired loans, %	0.33	0.22
Impaired loans reserve ratio excluding group provisions, %	56.8	41.8
Non-performing loans which are not impaired loans	952	1 115
Carrying amount of loan receivables restructured during the year, before restructure	1 466	1 293
Carrying amount of loan receivables restructured during the year, after restructure	1 451	1 293
Impaired loans reclassified as normal loans during the year	45	45

Loan receivables are classified as impaired loans if contracted cash flows will probably not be fulfilled. The full amount of all loans which give rise to a specific provision is included in impaired loans even if parts are covered by collateral. This means that the reserve ratio does not take into account collateral received. 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 160.

Impaired and/or non-performing loans, by sector, 2009	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net*	Of which non-performing	
SEK m					
Private individuals	833	-476	357	301	434
Housing co-operative associations	84	-11	73	72	66
Property management	1 406	-616	790	311	76
Manufacturing	2 843	-2 202	641	576	130
Retail	738	-529	209	23	44
Hotel and restaurant	81	-48	33	27	11
Shipping	6	-2	4	4	-
Other transport and communication	140	-109	31	19	5
Construction	406	-184	222	112	101
Electricity, gas and water	12	-10	2	-	2
Agriculture, hunting and forestry	36	-33	3	0	0
Other services	59	-43	16	14	11
Holding, investment, insurance companies, mutual funds etc.	1 449	-444	1 005	71	5
Other corporate lending	829	-357	472	363	67
<b>Total</b>	<b>8 922</b>	<b>-5 064</b>	<b>3 858</b>	<b>1 893</b>	<b>952</b>

Impaired and/or non-performing loans, by sector, 2008	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net*	Of which non-performing	
SEK m					
Private individuals	490	-254	236	222	438
Housing co-operative associations	20	-10	10	10	24
Property management	1 143	-260	883	413	341
Manufacturing	561	-403	158	152	50
Retail	358	-200	158	141	92
Hotel and restaurant	17	-10	7	8	15
Other transport and communication	56	-39	17	16	5
Construction	115	-45	70	68	54
Electricity, gas and water	17	-6	11	6	0
Agriculture, hunting and forestry	21	-13	8	7	13
Other services	4		4	4	26
Holding, investment, insurance companies, mutual funds etc.	1 359	-332	1 027	27	14
Other corporate lending	717	-469	248	249	43
<b>Total</b>	<b>4 878</b>	<b>-2 041</b>	<b>2 837</b>	<b>1 323</b>	<b>1 115</b>

Impaired and/or non-performing loans, geographic distribution 2009	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net*	Of which non-performing	
SEK m					
Sweden	4 213	-3 090	1 123	837	274
Norway	829	-408	421	421	277
Finland	513	-318	195	71	362
Denmark	1 316	-662	654	297	39
UK	772	-245	527	185	-
Rest of Europe	93	-10	83	82	-
North America	1 186	-331	855	-	-
Asia	-	-	-	-	-
<b>Total</b>	<b>8 922</b>	<b>-5 064</b>	<b>3 858</b>	<b>1 893</b>	<b>952</b>

Impaired and/or non-performing loans, geographic distribution 2008	Impaired loans				Non-performing loans which are not impaired loans
	Gross	Provisions	Net*	Of which non-performing	
SEK m					
Sweden	1 703	-1 031	672	550	315
Norway	594	-136	458	458	432
Finland	279	-173	106	84	244
Denmark	365	-183	182	150	36
UK	604	-188	416	78	88
Rest of Europe	3		3	3	0
North America	1 330	-330	1 000	0	0
Asia	-	-	-	-	-
<b>Total</b>	<b>4 878</b>	<b>-2 041</b>	<b>2 837</b>	<b>1 323</b>	<b>1 115</b>

\* Carrying amount after taking into account specific provisions for individually valued loan receivables and provisions for collectively valued loan receivables, but excluding collective provisions for loan receivables which are individually assessed.

Analysis of past due loan receivables which are not impaired loans 2009 SEK m	Loans to credit institutions	Loans to the public			Total
		Retail	Corporate	Other	
Past due 5–30 days	-	103	1 521	-	1 624
Past due 31–60 days	-	27	396	-	423
Past due 61–90 days	-	66	176	-	242
Past due 91–360 days	-	215	239	-	454
Past due more than 360 days	-	153	103	-	256
<b>Total</b>	-	<b>564</b>	<b>2 435</b>	-	<b>2 999</b>

Analysis of past due loan receivables which are not impaired loans 2008 SEK m	Loans to credit institutions	Loans to the public			Total
		Retail	Corporate	Other	
Past due 5–30 days	-	828	1 926	-	2 754
Past due 31–60 days	-	164	499	-	663
Past due 61–90 days	-	139	257	-	396
Past due 91–360 days	-	185	231	-	416
Past due more than 360 days	-	114	189	-	303
<b>Total</b>	-	<b>1 430</b>	<b>3 102</b>	-	<b>4 532</b>

## P11 Appropriations

SEK m	2009	2008
Change in amortisation of goodwill in excess of plan	112	116
Tax allocation reserve	988	-988
Group contribution received	3 591	3 667
<b>Total</b>	<b>4 691</b>	<b>2 795</b>

## P12 Classification of financial assets and liabilities

2009 SEK m	At fair value in profit/loss divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and customer receivables	Available-for- sale financial assets	Other financial assets/ liabilities	Total carrying amount	Fair value
	Trading	Other *							
<b>Assets</b>									
Cash and balances with central banks					49 681			49 681	49 681
Treasury bills and other eligible bills	24 771	64 646		5 700		1 584		96 701	96 696
Loans to credit institutions					414 441			414 441	414 212
Loans to the public		5 728			717 328			723 056	723 564
Bonds and other interest-bearing securities	20 575	20 679		1 368		15 467		58 089	58 088
Shares and participating interests	17 075					4 092		21 167	21 167
Shares in subsidiaries and associated companies							33 458	33 458	33 458
Assets where the customer bears the value change risk		1 245			2 131			3 376	3 376
Derivative instruments	108 313		1 864					110 177	110 177
Other assets	61				41 609			41 670	41 670
Prepaid expenses and accrued income	92	750		145	3 703	1		4 691	4 691
<b>Total financial assets</b>	<b>170 887</b>	<b>93 048</b>	<b>1 864</b>	<b>7 213</b>	<b>1 228 893</b>	<b>21 144</b>	<b>33 458</b>	<b>1 556 507</b>	<b>1 556 780</b>
Non-financial assets								3 763	
<b>Total assets</b>								<b>1 560 270</b>	
<b>Liabilities</b>									
Due to credit institutions							272 712	272 712	272 592
Deposits and borrowing from the public							522 503	522 503	523 502
Liabilities where the customer bears the value change risk		1 288					2 131	3 419	3 419
Issued securities	8 846						465 359	474 205	477 059
Derivative instruments	109 081		1 707					110 788	110 788
Other trading liabilities	29 647							29 647	29 647
Other liabilities							20 106	20 106	20 106
Accrued expenses and deferred income							8 333	8 333	8 333
Subordinated liabilities							59 021	59 021	61 189
<b>Total financial liabilities</b>	<b>147 574</b>	<b>1 288</b>	<b>1 707</b>				<b>1 350 165</b>	<b>1 500 734</b>	<b>1 506 635</b>
Non-financial liabilities								647	
<b>Total liabilities</b>								<b>1 501 381</b>	

\* 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.



2008 SEK m	At fair value in profit/loss divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and customer receivables	Available-for- sale financial assets	Other financial assets/ liabilities	Total carrying amount	Fair value
	Trading	Other *							
<b>Assets</b>									
Cash and balances with central banks					64 774			64 774	64 774
Treasury bills and other eligible bills	7 992	62 366				333		70 691	70 691
Loans to credit institutions					381 874			381 874	385 289
Loans to the public		6 688			783 925			790 613	792 176
Bonds and other interest-bearing securities	30 525	17 959		1 435		23 913		73 832	73 832
Shares and participating interests	8 201					2 779		10 980	10 980
Shares in subsidiaries and associated companies							33 435	33 435	33 435
Assets where the customer bears the value change risk		1 704						1 704	1 704
Derivative instruments	194 046		1 008					195 054	195 054
Other assets	8				16 706			16 714	16 714
Prepaid expenses and accrued income	244	787		12	6 586	10		7 639	7 639
<b>Total financial assets</b>	<b>241 016</b>	<b>89 504</b>	<b>1 008</b>	<b>1 447</b>	<b>1 253 865</b>	<b>27 035</b>	<b>33 435</b>	<b>1 647 310</b>	<b>1 652 288</b>
Non-financial assets								4 846	
<b>Total assets</b>								<b>1 652 156</b>	
<b>Liabilities</b>									
Due to credit institutions		41 385					332 611	373 996	375 466
Deposits and borrowing from the public							505 903	505 903	506 235
Liabilities where the customer bears the value change risk		1 720						1 720	1 720
Issued securities	3 162						424 264	427 426	430 353
Derivative instruments	182 496		992					183 488	183 488
Other trading liabilities	17 580							17 580	17 580
Other liabilities							15 786	15 786	15 786
Accrued expenses and deferred income	326	290					10 822	11 438	11 438
Subordinated liabilities							61 306	61 306	64 692
<b>Total financial liabilities</b>	<b>203 564</b>	<b>43 395</b>	<b>992</b>				<b>1 350 692</b>	<b>1 598 643</b>	<b>1 606 758</b>
Non-financial liabilities								445	
<b>Total liabilities</b>								<b>1 599 088</b>	

\* Classified to be measured at fair value.

## P13 Fair value measurement of financial assets and liabilities

2009				
SEK m	Listed market price	Valuation based on market data	Valuation partly based on non-market data	Total
<b>Assets</b>				
Treasury bills and other eligible securities	91 001			91 001
Loans to the public		5 728		5 728
Bonds and other interest-bearing securities	46 415	10 306	-	56 721
Shares and participating interests	17 952	2 977	238	21 167
Assets where the customer bears the value change risk	1 245			1 245
Derivative instruments	3 269	106 908	-	110 177
<b>Total financial assets at fair value</b>	<b>159 882</b>	<b>125 919</b>	<b>238</b>	<b>286 039</b>
<b>Liabilities</b>				
Due to credit institutions				-
Liabilities where the customer bears the value change risk		1 288		1 288
Issued securities		8 846		8 846
Derivative instruments	2 805	107 983	-	110 788
Other trading liabilities	29 634	13		29 647
<b>Total financial assets at fair value</b>	<b>32 439</b>	<b>118 130</b>	<b>-</b>	<b>150 569</b>

2008				
SEK m	Listed market price	Valuation based on market data	Valuation partly based on non-market data	Total
<b>Assets</b>				
Treasury bills and other eligible securities	70 691			70 691
Loans to the public		6 688		6 688
Bonds and other interest-bearing securities	47 896	24 501		72 397
Shares and participating interests	6 704	4 182	94	10 980
Assets where the customer bears the value change risk	1 704			1 704
Derivative instruments	12 160	182 451	443	195 054
<b>Total financial assets at fair value</b>	<b>139 155</b>	<b>217 822</b>	<b>537</b>	<b>357 514</b>
<b>Liabilities</b>				
Due to credit institutions	227	41 158		41 385
Liabilities where the customer bears the value change risk		1 720		1 720
Issued securities	972	2 190		3 162
Derivative instruments	12 290	171 185	13	183 488
Other trading liabilities	17 399	181		17 580
<b>Total financial assets at fair value</b>	<b>30 888</b>	<b>216 434</b>	<b>13</b>	<b>247 335</b>

Unlike the corresponding information in the 2008 annual report, hedged items in fair value hedges are not included in the information above since these items are only measured at the market value attributable to the hedged interest rate risk. The comparative figures have been adjusted. The principles applied are described in note G15.

Instruments whose value is partly based on non-market data	Bonds and other interest-bearing securities	Shares and participating interests	Derivatives net position	Total 2009
SEK m				
Carrying amount at beginning of year		94	430	524
New acquisition		123		123
Issued during the year			-4	-4
Matured during the year			5	5
Realised value change in income statement		7	-376	-369
Unrealised value change in income statement			-139	-139
Value change recognised in other comprehensive income		14		14
Transfer to valuation category 2			84	84
<b>Carrying amount at end of year</b>	<b>-</b>	<b>238</b>	<b>-</b>	<b>238</b>

## P14 Reclassified financial assets

SEK m	Holdings classified as loans		Available-for-sale financial assets	Investments held to maturity
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
Carrying amount	1 595	18 662	2 745	227
Fair value	1 571	18 555	2 745	227
Carrying amount at reclassification 1 July 2008	3 041	19 722	2 578	209
Carrying amount at beginning of 2009	3 073	23 159	2 949	241
Fair value at beginning of 2009	2 953	21 535	2 949	231
Value change recognised in income statement in 2009	5	-123	1	-13
Value change recognised in other comprehensive income in 2009	-125	-896	118	-
Value change that would have been recognised in income statement in 2009 if reclassification had not occurred	57	-127	333	-13
Value change that would have been recognised in other comprehensive income in 2008 if reclassification had not occurred	-117	-	-334	-
Value change that would have been recognised in other comprehensive income in 2009 if reclassification had not occurred	-	1 539	-	8
Value change that would have been recognised in other comprehensive income in 2008 if reclassification had not occurred	-	-1 227	-	-9
Amortisations and maturities since reclassification	-1 731	-3 599	-286	-
Interest income	39	565	85	7

Reclassification of financial assets is described in Note G16.

## P15 Loans to credit institutions

SEK m	2009	2008
<b>Loans in Swedish kronor</b>		
Banks	71 360	54 281
Other credit institutions	190 525	168 899
<b>Total</b>	<b>261 885</b>	<b>223 180</b>
<b>Loans in foreign currency</b>		
Banks	32 455	43 881
Other credit institutions	120 110	114 817
<b>Total</b>	<b>152 565</b>	<b>158 698</b>
Probable loan losses	-9	-4
<b>Total</b>	<b>414 441</b>	<b>381 874</b>
<i>Of which reverse repos</i>	<i>64 701</i>	<i>48 870</i>
<i>Of which subordinated</i>	<i>8 818</i>	<i>8 818</i>

Average volumes SEK m	2009	2008
Loans to credit institutions in Swedish kronor	218 361	183 132
Loans to credit institutions in foreign currency	194 275	172 424
<b>Total</b>	<b>412 636</b>	<b>355 556</b>
<i>Of which reverse repos</i>	<i>25 601</i>	<i>36 244</i>

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	67 515	236 359	42 283	58 943	9 341	<b>414 441</b>
2008	69 175	221 839	28 241	54 243	8 376	<b>381 874</b>

## P16 Loans to the public

SEK m	2009	2008
<b>Loans in Swedish kronor</b>		
Households	47 980	51 354
Companies incl. National Debt Office	224 153	262 580
<b>Total</b>	<b>272 133</b>	<b>313 934</b>
<b>Loans in foreign currency</b>		
Households	100 258	87 780
Companies incl. National Debt Office	356 183	391 389
<b>Total</b>	<b>456 441</b>	<b>479 169</b>
Probable loan losses	-5 518	-2 490
<b>Total</b>	<b>723 056</b>	<b>790 613</b>
<i>Of which reverse repos</i>	<i>11 544</i>	<i>4 781</i>
<i>Of which subordinated</i>	<i>1 129</i>	<i>2 729</i>

Average volumes SEK m	2009	2008
Loans to the public in Swedish kronor	294 272	314 314
Loans to the public in foreign currency	482 137	437 387
<b>Total</b>	<b>776 409</b>	<b>751 701</b>
<i>Of which reverse repos</i>	<i>8 170</i>	<i>13 174</i>

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	46 910	90 337	103 396	266 903	215 510	<b>723 056</b>
2008	37 394	156 232	119 228	270 467	207 292	<b>790 613</b>

## P17 Interest-bearing securities

SEK m	2009		2008	
	Notional value	Fair value	Notional value	Fair value
<b>Interest-bearing securities</b>				
Government	91 491	95 223	70 043	70 691
Credit institutions	17 903	18 260	30 734	30 881
Mortgage institutions	24 970	25 964	26 432	27 114
Other	15 629	15 337	17 734	15 795
<b>Total</b>	<b>149 993</b>	<b>154 784</b>	<b>144 943</b>	<b>144 481</b>
Adjustment to carrying amount for investments held to maturity		6		42
<b>Total carrying amount</b>		<b>154 790</b>		<b>144 523</b>
Government instruments eligible as collateral with central banks	91 491	95 223	68 018	70 691
Other instruments eligible as collateral with central banks	1 377	1 473	-	-
Bonds and other interest-bearing securities	57 125	58 088	76 925	73 790
<b>Total interest-bearing securities</b>	<b>149 993</b>	<b>154 784</b>	<b>144 943</b>	<b>144 481</b>
<i>Of which unlisted securities</i>		<i>1 800</i>		<i>1 507</i>
<i>Of which subordinated</i>		<i>0</i>		<i>-</i>

Remaining maturities	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	12 257	62 478	9 860	50 708	19 487	<b>154 790</b>
2008	11 604	53 830	17 497	56 870	4 722	<b>144 523</b>

Average volumes	2009	2008
Interest-bearing securities	125 088	103 730

## P18 Shares and participating interests

SEK m	2009	2008
<b>Held for trading</b>		
Listed	15 595	5 804
Non-listed	1 480	2 397
<b>Total</b>	<b>17 075</b>	<b>8 201</b>

SEK m	2009	2008
<b>Classified as available for sale</b>		
Listed	3 393	2 286
Non-listed	699	493
<b>Total</b>	<b>4 092</b>	<b>2 779</b>
<b>Total shares and participating interests</b>	<b>21 167</b>	<b>10 980</b>

## P19 Shares in subsidiaries and associated companies

Holdings in subsidiaries and associated companies SEK m	2009	2008
Associated companies, unlisted	35	35
Subsidiaries, unlisted	33 423	33 400
<b>Total</b>	<b>33 458</b>	<b>33 435</b>

Associated companies	Corporate identity number	Domicile	Number of shares	Participating interest %	Carrying amount SEK m	
					2009	2008
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.9	0	0
BGC Holding AB	556607-0933	Stockholm	25 382	25.4	4	4
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.0	7	7
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.3	24	24
Privatgirot AB	556302-4552	Stockholm	-	-	-	0
Upplysningscentralen UC AB	556137-5113	Stockholm	2 429	24.3	0	0
<b>Total</b>					<b>35</b>	<b>35</b>

Subsidiaries	Corporate identity number	Domicile	Number of shares	Participating interest %	Carrying amount SEK m	
					2009	2008
<b>Swedish credit institutions</b>						
Handelsbanken Finans AB	556053-0841	Stockholm	1 550 000	100	145	145
Stadshypotek AB	556459-6715	Stockholm	162 000	100	26 870	26 870
<b>Total</b>					<b>27 015</b>	<b>27 015</b>
<b>Foreign credit institutions</b>						
Handelsbanken Markets Securities, Inc	11-3257438	New York	1 000	100	23	23
SH 2005 S.A	017277754	Warsaw	-	-	-	1
Svenska Handelsbanken S.A	RCS Lux B-15992	Luxembourg	1 000 000	100	147	147
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød	2 700 000	100	1025	1013
ZAO Svenska Handelsbanken	1057711005384	Moscow	1 500 000	100	530	530
<b>Total</b>					<b>1 725</b>	<b>1 714</b>
<b>Other Swedish companies</b>						
AB Handel och Industri	556013-5336	Stockholm	100 000	100	48	5
Fritidsvärden AB*	556192-4803	Gothenburg	1 000	100	0	0
Handelsbanken Renting AB	556043-2766	Stockholm	1 000	100	134	134
Förvaltnings AB Lejontrappan*	556481-1551	Gothenburg	1 000	100	0	0
Handelsbanken Fondbolagsförvaltning AB	556070-0683	Stockholm	10 000	100	1	1
Handelsbanken Försäkring AB	516401-8326	Stockholm	1 500	100	300	300
Handelsbanken Liv Försäkrings AB	516401-8284	Stockholm	100 000	100	3 688	3 688
Handelsbanken Mezzanine Management AB	556679-2668	Stockholm	5 000	100	1	1
Handelsbanken Mezzanine Fond 1 KB	969710-3126	Stockholm	Proportion	100	0	0
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1 500	100	30	30
<b>Total</b>					<b>4 202</b>	<b>4 159</b>
<b>Other foreign companies</b>						
Ejendomsselskabet af 1. januar 2002 A/S	38300512	Herning	2 460 000	100	392	392
Forva AS	945812141	Oslo	4 000 000	100	1	1
Rådstuplass 4 ASA	910508423	Bergen	40 000	100	0	0
SIL (Nominees) Limited	1932320	London	100	100	-	-
Svenska Finans International BV	0055 97 705	Rotterdam	10 200	100	54	84
Svenska Handelsbanken Delaware Inc.	13-3153272	Delaware	1 000	100	0	0
Svenska Property Nominees Limited	2308524	London	100	100	-	-
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	19 999	99.99	35	35
<b>Total</b>					<b>482</b>	<b>512</b>
<b>Total</b>					<b>33 424</b>	<b>33 400</b>

The list of subsidiaries includes the parent company's direct holdings. Data on indirect holdings in subsidiaries is available from the Bank upon request.

## P20 Derivative instruments

SEK m	Notional amount/maturity			Notional amount		Positive market values		Negative market values	
	up to 1 yr	over 1 yr up to 5 yrs	over 5 yrs	2009	2008	2009	2008	2009	2008
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	202 603	148 625	30 278	381 506	214 498	3 952	4 223	2 449	2 918
FRA/futures	3 061 340	1 411 036	66 946	4 539 322	6 682 490	3 498	13 019	3 733	13 729
Swaps	1 201 366	1 691 250	839 532	3 732 148	4 705 781	67 435	91 953	70 450	94 064
Other instruments	16 285	103	173	16 561	77 993	5	219	1	327
Currency-related contracts									
Options	138 212	1 794	2 754	142 760	265 077	1 210	4 557	1 326	5 228
Futures	943 598	26 656	10 282	980 536	1 207 629	17 829	54 471	12 730	45 817
Swaps	135 866	334 840	47 794	518 500	409 064	9 311	19 527	11 403	16 064
Equity-related contracts									
Options	43 046	49 594	115	92 755	100 192	2 318	3 105	4 146	2 311
Futures	12 644	256	-	12 900	7 748	206	422	128	249
Swaps	19 076	5 976	-	25 052	28 566	661	390	840	150
Other instruments	4 956	-	-	4 956	3 670	20	-2	196	46
Other derivative contracts	34 031	16 719	27	50 777	47 948	1 868	2 162	1 679	1 593
<b>Total</b>	<b>5 813 023</b>	<b>3 686 849</b>	<b>997 901</b>	<b>10 497 773</b>	<b>13 750 656</b>	<b>108 313</b>	<b>194 046</b>	<b>109 081</b>	<b>182 496</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Swaps	7 863	96 648	18 759	123 270	51 058	1 850	965	922	847
Other instruments	-	-	248	248	-	0	-	-	-
Currency-related contracts									
Swaps	-	-	-	-	752	-	34	-	-
<b>Total</b>	<b>7 863</b>	<b>96 648</b>	<b>19 007</b>	<b>123 518</b>	<b>51 810</b>	<b>1 850</b>	<b>999</b>	<b>922</b>	<b>847</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	1 167	15 483	4 780	21 430	7 846	6	9	785	145
Currency-related contracts									
Swaps	-	1 539	236	1 775	-	8	-	-	-
<b>Total</b>	<b>1 167</b>	<b>17 022</b>	<b>5 016</b>	<b>23 205</b>	<b>7 846</b>	<b>14</b>	<b>9</b>	<b>785</b>	<b>145</b>
<b>Total</b>	<b>5 822 053</b>	<b>3 800 519</b>	<b>1 021 924</b>	<b>10 644 496</b>	<b>13 810 312</b>	<b>110 177</b>	<b>195 054</b>	<b>110 788</b>	<b>183 488</b>
<i>Of which cleared</i>				<i>2 268 035</i>	<i>3 259 173</i>	<i>1 118</i>	<i>4 177</i>	<i>1 322</i>	<i>4 790</i>
<b>Currency breakdown of market values</b>									
SEK						-21 849	-15 985	89 471	60 335
USD						225 828	86 352	40 602	-78 809
EUR						-3 799	199 696	-61 424	177 013
Other						-90 003	-75 009	42 139	24 948

**HEDGE ACCOUNTING**

The fair values of derivatives used for fair value hedges were SEK 2 billion (1) in positive values and SEK 1 billion (1) in negative values. The notional amount for these derivatives was SEK 124 billion (52). The value change for the year for derivatives used as fair value hedges was SEK 307 million (1,589). The change in fair value for the hedged items relating to hedged risk was SEK -252 million (-1,838). Thus, the parent company's

fair value hedges had an impact of SEK 55 million (-249) on the year's profits.

The fair values of derivatives used for cash flow hedges were SEK 14 million (9) in positive values and SEK 785 million (145) in negative values.

The parent company's principles for hedge accounting are the same as for the Group. See note G23.

## P21 Intangible assets

2009	Acquisition assets	Internally developed software	Total 2009
SEK m			
Cost of acquisition at beginning of year	2 402	416	2 818
Cost of acquisition of additional intangible assets	58	117	175
Disposals and retirements	-12	-	-12
Foreign exchange effect	-36	-3	-39
<b>Cost of acquisition at end of year</b>	<b>2 412</b>	<b>530</b>	<b>2 942</b>
Accumulated amortisation and impairments at beginning of year	-901	-69	-970
Disposals and retirements	12	-	12
Amortisation for the year according to plan	-128	-62	-190
Impairments for the year	-	-25*	-25
Foreign exchange effect	12	1	13
<b>Accumulated amortisation and impairments at end of year</b>	<b>-1 005</b>	<b>-155</b>	<b>-1 160</b>
<b>Closing residual value</b>	<b>1 407</b>	<b>375</b>	<b>1 782</b>

\*The impairment for the year refers to software which has been discontinued and whose useful life is therefore assessed as zero.

2008	Acquisition assets	Internally developed software	Total 2008
SEK m			
Cost of acquisition at beginning of year	2 196	255	2 451
Cost of acquisition of additional intangible assets	-	151	151
Foreign exchange effect	206	10	216
<b>Cost of acquisition at end of year</b>	<b>2 402</b>	<b>416</b>	<b>2 818</b>
Accumulated amortisation and impairments at beginning of year	-704	-34	-738
Amortisation for the year according to plan	-118	-28	-146
Impairments for the year	-7	-6	-13
Foreign exchange effect	-72	-1	-73
<b>Accumulated amortisation and impairments at end of year</b>	<b>-901</b>	<b>-69</b>	<b>-970</b>
<b>Closing residual value</b>	<b>1 501</b>	<b>347</b>	<b>1 848</b>

Amortisation is on a straight-line basis, based on the expected useful life. At present, this means that principally the following amortisation rates are applied:

Goodwill on acquisition assets	20 years
Internally developed software	5 years

## P22 Property and equipment

Property and equipment SEK m	2009	2008
Equipment	576	594
Property	1 169	1 191
Property repossessed for protection of claims	5	-
<b>Total</b>	<b>1 750</b>	<b>1 785</b>

Equipment SEK m	2009	2008
Opening cost of acquisition	1 746	1 602
New acquisition	291	339
Change due to business combinations	42	-
Disposals and retirements	-413	-194
Foreign exchange effect	20	-1
<b>Closing acquisition value</b>	<b>1 686</b>	<b>1 746</b>
Opening accumulated depreciation	-1 152	-1 057
Depreciation for the year	-318	-296
Change due to business combinations	-36	-
Disposals and retirements	409	193
Foreign exchange effect	-13	8
<b>Closing accumulated depreciation</b>	<b>-1 110</b>	<b>-1 152</b>
<b>Carrying amount</b>	<b>576</b>	<b>594</b>

Equipment is depreciated on a straight-line basis over 2–10 years.

Property SEK m	2009	2008
Opening cost of acquisition	1 782	2 038
New acquisition	-	-
New construction and rebuilding	19	17
Disposals and retirements	-	-273
<b>Closing acquisition value</b>	<b>1 801</b>	<b>1 782</b>
Opening accumulated depreciation	-591	-601
Depreciation for the year	-41	-42
Disposals and retirements	-	53
Impairment during the year in equity	-	-1
<b>Closing accumulated depreciation</b>	<b>-632</b>	<b>-591</b>
<b>Carrying amount</b>	<b>1 169</b>	<b>1 191</b>

For business premises, component depreciation is applied. The useful life varies between 20 and 100 years. See also the consolidated accounting policies in note G1.

Property repossessed for protection of claims SEK m	2009	2008
Properties	5	-
<b>Carrying amount</b>	<b>5</b>	<b>-</b>

Repossessed property is also included in discontinued operations. See also note G12. The valuation principles for assets repossessed for protection of claims is described in note G1. Repossessed property is divested as soon as the market conditions permit.

SEK m	2009	2008
Tax assessment value for Swedish properties	2 167	2 140



**P23** Other assets

SEK m	2009	2008
Claims on investment banking settlements	31 605	5 813
Other	10 065	10 901
<b>Total</b>	<b>41 670</b>	<b>16 714</b>

**P24** Prepaid expenses and accrued income

SEK m	2009	2008
Accrued interest income	3 417	6 592
Other accrued income	1 137	927
Prepaid expenses	137	120
<b>Total</b>	<b>4 691</b>	<b>7 639</b>
<i>Of which subordinated</i>	4	18

**P25** Due to credit institutions

SEK m	2009	2008
<b>Due in Swedish kronor</b>		
Banks	53 724	94 429
Other credit institutions	52 301	49 635
<b>Total</b>	<b>106 025</b>	<b>144 064</b>
<b>Due in foreign currency</b>		
Banks	123 463	177 566
Other credit institutions	43 224	52 366
<b>Total</b>	<b>166 687</b>	<b>229 932</b>
<b>Total</b>	<b>272 712</b>	<b>373 996</b>
<i>Of which repos</i>	26 131	7 813

Average volumes SEK m	2009	2008
Due to credit institutions in Swedish kronor	83 290	80 361
Due to credit institutions in foreign currency	234 609	299 489
<b>Total</b>	<b>317 899</b>	<b>379 850</b>
<i>Of which repos</i>	17 224	26 586

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	99 729	156 102	13 520	306	3 055	<b>272 712</b>
2008	97 872	241 547	32 406	1 588	583	<b>373 996</b>

**P26** Deposits and borrowing from the public

Deposits from the public SEK m	2009	2008
<b>Deposits in Swedish kronor</b>		
Households	161 549	139 350
Companies incl. National Debt Office	147 357	136 416
<b>Total</b>	<b>308 906</b>	<b>275 766</b>
<b>Deposits in foreign currency</b>		
Households	39 606	30 825
Companies incl. National Debt Office	114 494	107 605
<b>Total</b>	<b>154 100</b>	<b>138 430</b>
<b>Total deposits from the public</b>	<b>463 006</b>	<b>414 196</b>

Average volumes SEK m	2009	2008
<b>Deposits from the public</b>		
Deposits from the public in Swedish kronor	289 491	250 035
Deposits from the public in foreign currency	166 886	143 042
<b>Total</b>	<b>456 377</b>	<b>393 077</b>
<b>Borrowing from the public</b>		
Borrowing from the public in Swedish kronor	45 043	52 164
Borrowing from the public in foreign currency	39 191	41 467
<b>Total</b>	<b>84 234</b>	<b>93 631</b>
<i>Of which repos</i>	3 559	6 223

Borrowing from the public SEK m	2009	2008
Borrowing in Swedish kronor	36 405	58 385
Borrowing in foreign currency	23 092	33 322
<b>Total</b>	<b>59 497</b>	<b>91 707</b>
<i>Of which repos</i>	7 585	6 066
<b>Total deposits and borrowing from the public</b>	<b>522 503</b>	<b>505 903</b>

Remaining maturities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
<b>Deposits</b>						
2009	433 807	14 759	3 753	1 810	8 877	<b>463 006</b>
2008	378 453	26 883	2 814	721	5 325	<b>414 196</b>
<b>Borrowing</b>						
2009	5 454	41 422	9 581	2 583	457	<b>59 497</b>
2008	5 554	61 741	23 178	821	413	<b>91 707</b>

## P27 Issued securities

SEK m	2009		2008	
	Notional amount	Carrying amount	Notional amount	Carrying amount
<b>Certificates</b>				
Certificates in Swedish kronor	3 668	11 340	6 305	8 324
<i>Of which</i>				
<i>at amortised cost</i>	2 559	2 559	6 250	6 216
<i>for trading</i>	1 109	8 781	55	2 108
Certificates in foreign currency	246 066	246 005	262 483	262 120
<i>Of which</i>				
<i>at amortised cost</i>	245 998	245 940	262 422	262 037
<i>for trading</i>	68	65	61	83
<b>Total</b>	<b>249 734</b>	<b>257 345</b>	<b>268 788</b>	<b>270 444</b>
<b>Bond loans</b>				
Bond loans in Swedish kronor	42 021	39 881	36 778	32 448
<i>Of which</i>				
<i>at amortised cost</i>	39 597	37 801	34 354	30 288
<i>for fair value hedges</i>	2 424	2 080	2 424	2 160
Bond loans in foreign currency	177 016	176 979	125 806	124 534
<i>Of which</i>				
<i>at amortised cost</i>	156 421	156 412	105 211	103 086
<i>for fair value hedges</i>	20 595	20 567	20 595	21 448
<b>Total</b>	<b>219 037</b>	<b>216 860</b>	<b>162 584</b>	<b>156 982</b>
<b>Total issued securities</b>	<b>468 771</b>	<b>474 205</b>	<b>431 372</b>	<b>427 426</b>

Issues, repurchases and maturities		
SEK m	2009	2008
Issued	985 933	780 585
Repurchased	45 501	27 517
Maturities	891 133	698 602

Average volume of issued securities		
SEK m	2009	2008
Swedish kronor	38 413	38 048
Foreign currency	439 908	313 931

Remaining maturities carrying amount SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	10 274	224 815	83 983	138 531	16 602	474 205
2008	3 598	220 006	107 545	96 049	228	427 426

## P28 Other trading liabilities

SEK m	2009	2008
<b>Short positions at fair value</b>		
Equities	3 746	1 393
Interest-bearing securities	25 901	16 187
<i>Of which</i>		
<i>Other issuers</i>	25 901	16 187
<i>Own issued</i>	-	-
<b>Total</b>	<b>29 647</b>	<b>17 580</b>

Average volumes of other trading liabilities		
SEK m	2009	2008
Swedish kronor	22 920	35 393
Foreign currency	1 907	3 125

Remaining maturities short positions interest-bearing securities SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
2009	-	-	1 090	13 068	11 743	25 901
2008	-	84	1 540	7 004	7 559	16 187

## P29 Taxes

Deferred tax assets SEK m	2009	2008
Property and equipment	27	25
Derivative instruments	204	208
<b>Total</b>	<b>231</b>	<b>233</b>

Deferred tax liabilities SEK m	2009	2008
Property and equipment	90	93
<b>Total</b>	<b>90</b>	<b>93</b>

<b>Net deferred taxes</b>	<b>-141</b>	<b>-140</b>
---------------------------	-------------	-------------

Tax expenses recognised in income statement SEK m	2009	2008
Current tax		
Tax expense of the year	-2 853	-3 144
Adjustment of tax relating to previous years	64	65
Deferred tax		
Changes in temporary differences	5	-18
<b>Total</b>	<b>-2 784</b>	<b>-3 097</b>
<b>Nominal tax rate in Sweden, %</b>	<b>26.3</b>	<b>28.0</b>
Deviations		
Non-taxable income/non-deductible expenses	-4.8	-3.3
Tax relating to previous years and other	-1.1	0.3
<b>Effective tax rate, %</b>	<b>20.4</b>	<b>25.0</b>

Change in deferred taxes 2009 SEK m	Opening balance	Recognised in income statement	Recognised directly in equity	Closing balance
Derivative instruments	-208	-	4	-204
Property and equipment	68	-5	-	63
<b>Total</b>	<b>-140</b>	<b>-5</b>	<b>4</b>	<b>-141</b>

Change in deferred taxes 2008 SEK m	Opening balance	Recognised in income statement	Recognised directly in equity	Closing balance
Shares and participating interests	272	-	-272	-
Derivative instruments	-	-	-208	-208
Shares and participating interests	110	-46	4	68
Derivative instruments	-65	65	-	-
<b>Total</b>	<b>317</b>	<b>19</b>	<b>-476</b>	<b>-140</b>

During the year, tax expenses corresponding to SEK -927m (1,721) were recognised directly in equity. SEK -3m (278) of this amount is a change in the hedge reserve and SEK -924m (1,443) a change in the fair value reserve.

## P30 Provisions

SEK m	Restructuring reserve	Provision for guarantee commitments	Other provisions	Total 2009	Total 2008
Provisions at beginning of year	182	164	6	352	363
Provisions during the year	-	47	2	49	117
Utilised	-121	-53	-5	-179	-128
Written back	-	-34	-	-34	-
<b>Provisions at end of year</b>	<b>61</b>	<b>124</b>	<b>3</b>	<b>188</b>	<b>352</b>

A provision was made to the restructuring reserve at the time of the sale of SPP in 2007. It is expected that the remaining provision will be fully settled during 2010. The provision for guarantee commitments consists of provisions for a number of off-balance sheet items where the largest individual commitment is SEK 77 million. The provision for this commitment was made in 2008 and the remaining amount is expected to be settled during 2010. Other provisions for guarantee commitments refer to minor commitments where the original maturity is mainly between 1 and 5 years.

## P31 Other liabilities

SEK m	2009	2008
Liabilities on investment banking settlements	7 170	6 371
Other	12 936	9 415
<b>Total</b>	<b>20 106</b>	<b>15 786</b>

## P32 Accrued expenses and deferred income

SEK m	2009	2008
Accrued interest expense	5 040	9 199
Other accrued expenses	3 166	2 094
Deferred income	127	145
<b>Total</b>	<b>8 333</b>	<b>11 438</b>

### P33 Subordinated liabilities

SEK m	2009	2008
Subordinated loans in Swedish kronor	7 347	4 678
Subordinated loans in foreign currency	51 674	56 628
<b>Total</b>	<b>59 021</b>	<b>61 306</b>
<b>Average volumes</b>		
Subordinated loans in Swedish kronor	6 885	1 255
Subordinated loans in foreign currency	54 705	52 045

Specification, subordinated loans				
Issue/conv./final payment year	Currency	Original nominal amount in each currency	Interest rate %	Outstanding amount
<b>IN SWEDISH KRONOR</b>				
Other Swedish <sup>6</sup>				7 347
<b>Total</b>				<b>7 347</b>
<b>IN FOREIGN CURRENCY</b>				
2005/2017 <sup>1</sup>	EUR	700	floating rate	7 217
2005/perpetual <sup>2</sup>	GBP	500	5.000	5 852
2006/2016 <sup>3</sup>	EUR	600	4.000	6 386
2006/2016 <sup>4</sup>	USD	800	floating rate	5 744
2007/perpetual <sup>5</sup>	EUR	600	floating rate	6 176
Other foreign <sup>6</sup>				20 299
<b>Total</b>				<b>51 674</b>
<b>Total</b>				<b>59 021</b>

<sup>1</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>2</sup> Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest due date from November 2010. 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 Libor.

<sup>3</sup> Dated subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest due date from April 2011. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with the right of redemption, the interest rate is changed to floating rate linked to Libor.

<sup>4</sup> Dated subordinated loan with 3-month floating rate coupon linked to Libor. According to the terms the loan can be called in advance on each interest payment date from March 2011. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

<sup>5</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>6</sup> Other subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans.

### P34 Untaxed reserves

SEK m	2009	2008
Accumulated amortisation on goodwill in excess of plan	1 368	1 502
Tax allocation reserve	-	988
<b>Total</b>	<b>1 368</b>	<b>2 490</b>

### P35 Specification of changes in equity

#### Hedge reserve

Unrealised changes in value on derivative instruments used for cash flow hedges are reported in the hedge reserve.

Change in hedge reserve SEK m	2009	2008
Hedge reserve at beginning of year	-583	180
Unrealised value changes during the year	6	-771
Recognised in profit/loss due to ineffectiveness	4	8
<b>Hedge reserve at end of year</b>	<b>-573</b>	<b>-583</b>

#### Fair value reserve

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

Specification of available for sale instruments (amounts after tax) SEK m	2009	2008
Fair value reserve at beginning of year	-3 174	524
Sold during the year	160	15
Unrealised market value change during the year for remaining and new holdings	2 193	-3 713
<b>Fair value reserve at end of year</b>	<b>-821</b>	<b>-3 174</b>

#### Translation reserve

The translation reserve contains the effects of changed exchange rates when translating foreign operations' financial reports to the parent company's functional currency.

Change in translation reserve SEK m	2009	2008
Translation reserve at beginning of year	359	190
Change in translation difference in foreign branches	51	169
<b>Translation reserve at end of year</b>	<b>410</b>	<b>359</b>

#### Retained earnings

Retained earnings contains the parent company's accumulated earnings, including the year's profit. This item includes previous provisions to the statutory reserve. The acquisition cost of the parent company's holdings of its own shares reduces the retained earnings item in equity.

Repurchased own shares SEK m	2009	2008
Repurchased own shares at beginning of year	-	-1 000
Repurchases during the year	-	-
Shares cancelled during the year	-	1 000
<b>Repurchased own shares at end of year</b>	<b>-</b>	<b>-</b>

Further information about repurchased shares can be found in the Share and shareholders section.

### P36 Collateral pledged for own debt

SEK m	2009	2008
Government instruments and bonds	103 858	179 182
Repos	33 774	14 020
Equities	83	-
Cash	22 926	22 887
Securities loans	10 410	10 637
<b>Total</b>	<b>171 051</b>	<b>226 726</b>

### P37 Other collateral pledged

SEK m	2009	2008
Cash funds	176	158
Government instruments and bonds	4 080	3 600
Securities loans	3 868	3 185
<b>Total</b>	<b>8 124</b>	<b>6 943</b>

The table refers to collateral pledged for obligations not reported in the balance sheet.

#### Accepted collateral

As a component in reverse repurchase agreements and securities loans, the Group has accepted collateral that can be sold or pledged to a third party. The fair value of accepted collateral of this type was SEK 60,874 million (99,609) at the end of the financial year, where collateral worth SEK 6,439 million (54,968) had been sold or pledged to a third party.

### P38 Contingent liabilities/commitments and contingent assets

#### Contingent liabilities/commitments

Contingent liabilities/commitments total SEK 154,338 million (180,826). This amount includes SEK 81 million (91) relating to a number of civil actions which the Group is bringing in general courts of law. The largest individual amount in dispute is SEK 25 million (43). Handelsbanken's assessment is that the actions will essentially be settled in its favour. None of the amounts in dispute, nor any insurance compensation has been recognised in income. The data for commitments is reported in nominal amounts and an assessed expected value is included in the amount under "Other" for the civil actions that the parent company is bringing.

SEK m	2009	2008
Guarantees, loans	67 394	77 290
Guarantees, other	47 849	50 818
Irrevocable letters of credit	37 335	51 429
Own acceptances	221	800
Other	1 539	489
<b>Total</b>	<b>154 338</b>	<b>180 826</b>

#### Contingent assets

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

### P39 Pension obligations

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 in the Bank's pension fund (Pensionskassan SHB, försäkringsförening) are SEK 2,782 million (2,737) and the market value of the assets is SEK 7,312 million (5,909). The surplus value in Pensionskassan SHB, försäkringsförening is thus SEK 4,530 million (3,172). Since the surplus in the pension fund can be used to cover the parent company's pension obligations, a deficit in the pension foundation is not recognised as a liability in the balance sheet for 2008.

SEK m	2009	2008
Fair value of plan assets	18 268	12 646
Pension obligations	16 636	14 485
<b>Excess/deficit</b>	<b>1 632</b>	<b>-1 839</b>

Specification of pension cost reported for the period SEK m	2009	2008
Pensions paid	-469	-511
Pension premiums paid	-359	-319
Salary tax	-2	-66
Funds paid from pension foundation	598	568
<b>Pension cost recognised in profit or loss</b>	<b>-232</b>	<b>-328</b>

The expected payment for next year for defined benefit pension plans is SEK 429 million.

Plan assets SEK m	2009	2008
<b>Opening balance</b>	<b>12 646</b>	<b>22 475</b>
Return	6 220	-9 261
Funds paid from pension foundation	-598	-568
<b>Closing balance</b>	<b>18 268</b>	<b>12 646</b>
Percentage return on specially separated assets	49%	-41%

SEK 8,252 million of the fair value of the plan assets is a commitment within the Bank's profit-sharing system Oktogonen.

Pension obligations SEK m	2009	2008
<b>Opening balance</b>	<b>14 485</b>	<b>17 935</b>
Actuarial pension cost	424	445
Interest expense	306	326
Indexation	174	213
Early retirement	140	280
Pensions paid	-469	-511
Changed assumptions	-754*	-788**
Value change conditional obligation	2 488	-3 663
Other increase in capital value	-158	248
<b>Closing balance</b>	<b>16 636</b>	<b>14 485</b>

\* Refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

\*\* Refers to the one-off effect of the transition to new mortality assumptions (DUS06) and of the discount rate prescribed by the Swedish Financial Supervisory Authority.

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

SEK m	2009	2008
Shares and participating interests	16 910	11 528
Interest-bearing securities etc.	1 358	1 118
<b>Total</b>	<b>18 268</b>	<b>12 646</b>

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employer's Association of the Swedish Banking Institutions (BAO) and Union of Finance Sector Employees and between BAO and SACO (the Swedish Confederation of Professional Associations). The amount is 10 percent 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 percent and in the range between 20 and 30 income base amounts, it is 32.5 percent 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 6,228 million (3,761), is conditional.

The parent company's pension obligations are calculated using the assumptions prescribed by the Swedish Financial Supervisory Authority (FFFS 2007:31).

## P40 Other commitments

SEK m	2009	2008
Credit commitments	210 451	214 434
Unutilised part of granted overdraft facilities	164 142	125 273
Other commitments	1 970	249
<b>Total</b>	<b>376 563</b>	<b>339 956</b>

Contracted irrevocable future operating lease charges distributed by the years they fall due for payment	2009	2008
2010	663	492
2011	582	379
2012	522	264
2013	282	188
2014	157	117
2015	124	88
2016	112	75
2017	103	59
2018	85	43
2019	77	33
2020	66	25
2021 and later	86	24
<b>Total</b>	<b>2 859</b>	<b>1 787</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

## P41 Maturity analysis for contracted payment commitments

The maturity analysis shows undiscounted cash flows for the contracted payment commitments (including interest payments) that are due for payment within the stated time ranges. Commitments that are payable on demand, including financial guarantees and loan commitments are reported in their entirety in the 0–3-month range.

For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid/received, such as currency swaps.

### Maturity analysis for contracted payment commitments – remaining contractual time to maturity

2009					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Due to credit institutions	256 712	13 668	700	4 344	275 424
Deposits from the public	449 538	3 821	2 794	8 880	465 033
Borrowing from the public	47 057	9 611	2 592	457	59 717
Issued securities	236 938	87 611	148 445	17 375	490 369
Other trading liabilities		1 091	13 068	11 743	25 902
Subordinated liabilities	6 122	6 802	41 093	12 798	66 815
<b>Total</b>	<b>996 367</b>	<b>122 604</b>	<b>208 692</b>	<b>55 597</b>	<b>1 383 260</b>
<b>Off-balance sheet items</b>					
Financial guarantees and unutilised loan commitments		399 999			399 999

### Derivatives

2009					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivative inflow	798 006	277 676	317 223	49 208	1 442 112
Total derivative outflow	791 972	272 251	301 903	51 942	1 418 068
<b>Total</b>	<b>6 033</b>	<b>5 425</b>	<b>15 319</b>	<b>-2 734</b>	<b>24 044</b>

## P41 Cont.

2008					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Due to credit institutions	343 541	32 936	3 245	3 562	383 284
Deposits from the public	406 005	4 080	1 397	5 326	416 808
Borrowing from the public	68 563	23 403	833	413	93 212
Issued securities	231 145	114 031	101 650	342	447 168
Other trading liabilities	84	1 540	7 004	7 560	16 188
Subordinated liabilities	4 108	1 767	52 834	15 234	73 943
<b>Total</b>	<b>1 053 446</b>	<b>177 757</b>	<b>166 963</b>	<b>32 437</b>	<b>1 430 603</b>
<b>Off-balance sheet items</b>					
Financial guarantees and unutilised loan commitments	365 425				365 425

## Derivatives

2008					
SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivative inflow	362 768	119 172	1 068 467	43 066	1 593 474
Total derivative outflow	358 348	114 948	1 055 163	45 410	1 573 870
<b>Total</b>	<b>4 420</b>	<b>4 224</b>	<b>13 304</b>	<b>-2 344</b>	<b>19 604</b>

## P42 Assets and liabilities in foreign currencies

SEK m	SEK	EUR	NOK	DKK	GBP	USD	CHF	JPY	HKD	SGD	Other curren- cies	Total
<b>Assets</b>												
Loans to credit institutions	261 885	83 398	3 822	2 516	5 014	54 982	415	243	11	21	2 134	414 441
Loans to the public	268 633	157 872	120 652	47 233	59 859	49 499	5 463	2 165	1 617	610	9 453	723 056
<i>of which corporate</i>	220 653	123 222	96 204	22 324	47 397	49 312	2 895	1 740	1 600	609	8 862	574 818
<i>of which households</i>	47 980	34 650	24 448	24 909	12 462	187	2 568	425	17	1	591	148 238
Treasury bills and other eligible securities	87 860	4 166	3 158	1	0	0	-	-	1 483	33	-	96 701
Bonds and other interest-bearing securities	33 192	12 421	356	172	173	11 472	-	-	-	-	303	58 089
Other assets not broken down by currency	267 983											267 983
<b>Total assets</b>	<b>919 553</b>	<b>257 857</b>	<b>127 988</b>	<b>49 922</b>	<b>65 046</b>	<b>115 953</b>	<b>5 878</b>	<b>2 408</b>	<b>3 111</b>	<b>664</b>	<b>11 890</b>	<b>1 560 270</b>
<b>Liabilities</b>												
Due to credit institutions	106 025	52 733	6 001	4 634	18 716	67 475	5 229	195	8 431	29	3 244	272 712
Deposits and borrowing from the public	345 311	45 256	49 757	25 351	18 050	22 309	789	107	598	441	14 534	522 503
<i>of which corporate</i>	171 472	31 389	38 950	13 918	14 571	21 514	783	102	584	428	14 432	308 143
<i>of which households</i>	173 839	13 867	10 807	11 433	3 479	795	6	5	14	13	102	214 360
Issued securities	51 221	176 798	9 742	565	26 296	205 607	2 271	1 404	250	51	-	474 205
Subordinated liabilities	7 347	30 193	-	139	14 421	5 751	-	1 170	-	-	-	59 021
Other liabilities not broken down by currency	231 829											231 829
<b>Total liabilities and equity</b>	<b>741 733</b>	<b>304 980</b>	<b>65 500</b>	<b>30 689</b>	<b>77 483</b>	<b>301 142</b>	<b>8 289</b>	<b>2 876</b>	<b>9 279</b>	<b>521</b>	<b>17 778</b>	<b>1 560 270</b>
Other assets and liabilities not broken down by currency and off-balance sheet items		46 624	-62 235	-19 249	12 668	184 960	2 104	335	6 165	-157	6 064	
Net foreign currency position		-499	253	-16	231	-229	-307	-133	-3	-14	176	-541



## P43 Related-party disclosures

Claims on and liabilities to related parties SEK m	Subsidiaries		Associated companies		Other related parties	
	2009	2008	2009	2008	2009	2008
Loans to credit institutions	-	-	-	-	-	-
Loans to the public	248 468	219 230	276	310	-	-
Bonds and other interest-bearing securities	-	-	-	-	-	-
Derivatives	-	3 588	-	-	-	-
Other assets	3 971	6 609	-	-	598	574
<b>Total</b>	<b>252 439</b>	<b>229 427</b>	<b>276</b>	<b>310</b>	<b>598</b>	<b>574</b>
Due to credit institutions	-	-	-	-	-	-
Deposits and borrowing from the public	56 800	82 718	109	75	279	341
Issued securities	-	-	-	-	-	-
Derivatives	15 042	14 162	-	-	-	-
Subordinated liabilities	-	-	-	-	651	659
Other liabilities	4 327	3 334	-	-	125	50
<b>Total</b>	<b>76 169</b>	<b>100 214</b>	<b>109</b>	<b>75</b>	<b>1 055</b>	<b>1 050</b>
Contingent liabilities	36 308	14 817	-	-	-	-
Derivatives, notional value	-14 628	-13 260	-	-	-	-

Related parties – income and expense SEK m	Subsidiaries		Associated companies		Other related parties	
	2009	2008	2009	2008	2009	2008
Interest income	4 487	8 142	3	3	-	-
Interest expense	-670	-2 217	0	-8	-77	-21
Fee and commission income	460	470	0	0	4	4
Fee and commission expense	-87	-50	-6	-5	-	-
Net gains/losses on financial items at fair value	0	0	0	-	-	-
Other income	511	472	-	-	19	9
Other expenses	-232	-224	-27	-1	-52	-14
<b>Total</b>	<b>4 469</b>	<b>6 593</b>	<b>-30</b>	<b>-11</b>	<b>-106</b>	<b>-22</b>

Related-party transactions with CEO, EVPs and the board SEK m	2009	2008
	Loans	150
Deposits	20	19
Interest income	4	3
Interest expense	0	1

Information on terms and remuneration for senior management is given in note G8. Conditions for loans to related parties are presented in note G47.

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 Handelsbanken AB for customary banking and accounting services. Disclosures concerning shareholders' contributions to Group and associated companies is provided in note P18. Disclosures on group contributions provided and received is given in note P11 and in the statement of changes in the parent company's equity.

## P44 Capital adequacy

Capital base SEK m	2009	2008
<b>TIER 1 CAPITAL</b>		
Equity <sup>1</sup>	52 533	46 213
Tier 1 capital contribution	12 745	8 620
Minority interests	0	0
Deducted items		
Goodwill and other intangible assets	-414	-346
Revaluation reserve	-130	-137
Deferred tax asset	-231	-233
Special deduction for IRB institutions	-191	-769
Capital contribution in insurance company	-8	-8
Securitisation positions	-165	-140
Adjustments in accordance with stability filter		
Cash flow hedges	573	583
Unrealised accumulated gains/losses, equities	-36	-
Unrealised accumulated gains/losses, fixed income instruments	810	2 342
<b>Total Tier 1 capital</b>	<b>65 486</b>	<b>56 125</b>
<b>TIER 2 CAPITAL</b>		
Perpetual subordinated loans	20 752	25 876
Dated subordinated loans	24 439	25 785
Additional items		
Unrealised accumulated gains/losses, equities	36	-
Revaluation reserve	130	137
Deducted items		
Special deduction for IRB institutions	-191	-769
Capital contribution in insurance company	-8	-8
Securitisation positions	-165	-140
<b>Total Tier 2 capital</b>	<b>44 993</b>	<b>50 881</b>
<b>Total Tier 1 and Tier 2 capital</b>	<b>110 479</b>	<b>107 006</b>
Items deducted from total capital base		
Capital contribution in insurance company	-50	-1 650
<b>Total capital base for capital adequacy purposes</b>	<b>110 429</b>	<b>105 356</b>

<sup>1</sup> Tier 1 capital has been affected by the board's proposed appropriations.

For information on conditions and regulations for capital base items and sub-items, see note G48.

Capital cover standardised approach SEK m	EAD	Capital requirement
Governments and central banks	139 849	33
Municipalities	39 248	1
Institutions	271 625	281
Corporate	28 352	2 268
Retail	9 983	599
Collateral in properties	11 359	342
Past due items	733	85
Other items	6 316	330
<b>Total standardised</b>	<b>507 465</b>	<b>3 939</b>

Capital requirement SEK m	2009	2008
Credit risk according to standardised approach	3 939	6 597
Credit risk according to IRB approach	35 785	41 154
Interest rate risk	1 308	1 690
Equity price risk	30	20
Currency risk	-	-
Commodities risk	41	12
Settlement risk	-	-
Operational risk	2 679	2 419
<b>Total capital requirement according to Basel II</b>	<b>43 782</b>	<b>51 892</b>
Adjustment according to transitional rules	7 133	7 296
<b>Total capital requirement according to Basel II, transitional rules</b>	<b>50 915</b>	<b>59 188</b>
Risk-weighted assets according to Basel I	801 530	843 411
Capital requirement according to Basel I (8% of risk-weighted assets)	64 122	67 473
Risk-weighted assets according to Basel II	547 276	648 650

Capital adequacy analysis, %	2009	2008
Capital requirement in Basel II compared with Basel I	68	77
Capital requirement in Basel II compared with transitional rules	86	88
Capital ratio according to Basel II	20.2	16.2
Capital ratio according to Basel I	13.9	12.7
Capital ratio according to transitional rules	17.4	14.2
Tier 1 ratio according to Basel II	12.0	8.7
Tier 1 ratio according to Basel I	8.2	6.8
Tier 1 ratio according to transitional rules	10.3	7.6
Capital base in relation to capital requirement Basel II	252	203
Capital base in relation to capital requirement Basel I	173	159
Capital base in relation to capital requirement according to transitional rules	217	178

Credit risks IRB SEK m	Exposure after credit risk protection (EAD)		Average risk weight, %		Capital requirement	
	2009	2008	2009	2008	2009	2008
Corporate	725 993	789 061	47.7	53.7	27 720	33 912
of which repos and securities loans	14 368	4 209	1.0	0.3	12	1
of which other lending	711 625	784 852	48.7	54.0	27 708	33 911
Retail	155 408	122 232	18.5	18.9	2 297	1 846
of which property loans	77 895	57 506	16.3	17.4	1 016	801
of which other	77 513	64 726	20.7	20.2	1 281	1 045
Small companies	25 024	26 119	46.1	47.8	923	998
Institutions	166 821	146 213	10.4	11.4	1 392	1 335
of which repos and securities loans	90 401	46 524	0.4	0.2	31	6
of which other lending	76 420	99 689	22.3	16.7	1 361	1 329
Other	47 109	43 974	91.6	87.1	3 453	3 063
<b>Total IRB</b>	<b>1 120 355</b>	<b>1 127 599</b>	<b>39.9</b>	<b>45.6</b>	<b>35 785</b>	<b>41 154</b>

# Recommended appropriation of profits and statement from the board

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 51,940 million are at the disposal of the annual general meeting.

The board recommends that the profits be distributed as follows:

Dividend per share paid to the shareholders SEK 8.00 (SEK 7.00 in 2008)	SEK m 4,988
Balance carried forward	46,952
Total allocated	51,940

When assessing the amount of the company's proposed dividend, account has been taken of the nature of operations, their scope, consolidation requirement and risk-taking.

Our assessment is that the above appropriation of profits is prudent and well-adapted to the operations as a going concern.

Unrealised changes in value of assets and liabilities at fair value have had a net impact of SEK 1,445 million on the shareholders' equity.

The capital base of the banking group exceeded the statutory capital requirement by SEK 46,466 million at year-end. The surplus capital in the parent company was SEK 59,514 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, 17 FEBRUARY 2010

Anders Nyrén

Hans Larsson  
*Chairman of the board*

Fredrik Lundberg

Jon Fredrik Baksas

Ulrika Boëthius

Tommy Bylund

Göran Ennerfelt

Lone Fonss Schroeder

Jan Johansson

Sverker Martin-Löf

Bente Rathe

Pär Boman  
*President and group chief executive*

# Audit report

To the annual general meeting of the shareholders of Svenska Handelsbanken AB (publ)  
Corporate identity number: 502007-7862

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the chief executive of Svenska Handelsbanken AB (publ) for the year 2009. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 14–151. The board of directors and the chief executive are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. During the year, the Bank's internal auditing department has continuously examined the internal controls and accounts. These reports have been submitted to us. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the chief executive and assessing significant estimates made by the board of directors and the chief executive when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the chief executive. We also examined whether any board member or the chief executive has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. We believe that our audit provides a reasonable basis for our opinions set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards, IFRSs, as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual general meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the chief executive be discharged from liability for the financial year.

STOCKHOLM, 18 FEBRUARY 2010

KPMG AB  
Stefan Holmström  
*Authorised Public Accountant*

Ernst & Young AB  
Erik Åström  
*Authorised Public Accountant*

# Branches and branch managers

## REGIONAL BANK NORTHERN SWEDEN

### Board

**Erik Orring** Umeå, chairman  
**Hans Jonsson** Umeå  
**Margareta Jonsson** Älvsbyn  
**Gunnar Liljedahl** Luleå  
**Jens Östensson** Nordmaling  
**Göran Stille** Umeå  
**Inger Nordström** Härnösand, (E)\*

### Head of regional bank

**Göran Stille** Umeå

### Number of branches

69



### Branch/branch manager

Arvidsjaur **Ann-Louise Högberg**  
 Backe **Anna-Karin Öhnerud**  
 Bjurholm **Malin Eek**  
 Bjästa **Mats Hällberg**  
 Björna **Margareta Persson**  
 Boden **AnnChristin Söderberg Rånman**  
 Bredbyn **Mats Ågren**  
 Bureå **Emil Karlberg**  
 Burträsk **Catharina Olsson**  
 Byske **Sören Markström**  
 Domsjö **Patrice Halsius**  
 Dorotea **Anna-Karin Öhnerud**  
 Föllinge **Bodil Edfeldt Olsson**  
 Gammelstad **Eva-Britt Lindström**  
 Gällivare **Kent Aidanpää**  
 Hammarstrand **Lars-Göran Fahlén**  
 Hammerdal **Johan Olsson**  
 Haparanda **Kari Pessa**  
 Holmsund **Marina Stenebo**  
 Hoting **Berith Bölander**  
 Husum **Thomas Kassman**  
 Härnösand **Johan Grahn**  
 Jokkmokk **Sanna Wiberg**  
 Junsele **Annica Olofsson**  
 Järpen **Christina Hernerud**  
 Kalix **Ulla-Britt Söderberg**  
 Kiruna **Malin Skans**  
 Kramfors **Lars Norlinder**  
 Krokom **Ulf Hellström**  
 Liden **Tobias Wiklund**  
 Lit **Eva Mooe**  
 Lugnvik **Tommy Sjölund**  
 Luleå  
     Storgatan **Jörgen Ericsson**  
     Örnäset **Lisbeth Aidanpää**  
 Lycksele **Henrik Johansson**

Löfvånger **Kjell-Ove Lövgren**  
 Malå **Ann-Charlotte Renström**  
 Mörnsil **Astrid Larsson Lindh**  
 Nordingrå **Tommy Sjölund**  
 Nordmaling **Nina Essebro**  
 Norsjö **Greger Holmström**  
 Näsåker **Kerstin Isaksson**  
 Offerdal **Jörgen Nordqvist**  
 Pajala **Per-Anders Juntti**  
 Piteå **Stefan Uddström**  
 Ramsåsa **Jan-Åke Sjömäling**  
 Robertsfors **Jenny Berglund**  
 Råneå **Maria Granström, tf**  
 Skellefteå **Göran Olsson**  
 Sollefteå **Sofia Bodin**  
 Sorsele **Peter Persson**  
 Storuman **Peter Persson**  
 Strömsund **Lars-Erik Olsén**  
 Trehörningsjö **Gunilla Näslund**  
 Ullånger **Tommy Sjölund**  
 Umeå  
     City **Lena Svedberg**  
     Teg **Thomas Rönnberg**  
     Västra **Mikael Karlsson**  
 Vilhelmina **Roland Vennerberg**  
 Vindeln **Alexander Bagrov**  
 Vänersås **Helene Hedman**  
 Ånäset **Eva Nordenstam**  
 Åre **Malin Persson**  
 Åsele **Anna Andersson**  
 Älvsbyn **Eva Berggren**  
 Örnsköldsvik **Helena Johansson**  
 Östersund **Petter Dahlin**  
 Övertorneå **Maria Fältmark**  
 Övertorneå **Erik Rubing**

## REGIONAL BANK CENTRAL SWEDEN

### Board

**Ulf Bergkvist** Insjön, chairman  
**Torsten Engwall** Gävle  
**Peter Larsson** Sandviken  
**Monica Oldenstedt** Västerås  
**Åke Rydén** Sveg  
**Anders Wiklander** Stockholm  
**Rainer Lawniczak** Gävle  
**Monica Morén** Avesta, (E)\*

### Head of regional bank

**Rainer Lawniczak** Gävle

### Number of branches

89



### Branch/branch manager

Alfta **Mats Söderlund**  
 Arbrå **Pär Lindh**  
 Arboga **Ulla-Karin Aufrecht**  
 Avesta **Ulrika Leidefeldt**  
 Bergby **Susanne Persson**  
 Bergsjö **Ulrica Sjöström**  
 Bjursås **Anders Rapp**  
 Björbo **Gerd Kosjanow**  
 Bollnäs **Thomas Frykberg**  
 Borlänge **Katarina Rülcker**  
 Bräcke **Mikael Mellström**  
 Delsbo **Joakim Frithiof**  
 Edsbyn **Annika Wikström**  
 Enköping **Hans Norell**  
 Fagersta **Lars Annerman**  
 Falun **Anders Forsgren**  
 Fellingsbro **Ingrid Persson**  
 Frånsta **Lars Gustafsson**  
 Frövi **Mikael Jansson**  
 Furudal **Lena Abrahamsson**  
 Gagnef **Kerstin Berg Lindgren**  
 Gnarp **Niclas Södergren**  
 Grangårde **Maria Jonasson**  
 Grängesberg **Eva Ludvigsson**  
 Gällö **Sofie Ehrström**  
 Gävle City **Svante Larsson**  
 Hallstavik **Catarina Lyshag**  
 Heby **Åsa Olsson**  
 Hede **Ville Welin**  
 Hedemora **Håkan Arvidsson**  
 Hedesunda **Pernilla Strömberg**  
 Hudiksvall **Thony Nylund**  
 Insjön **Clas Bond**  
 Järvsö **Ove Larsson**  
 Kilafors **Sten Morin**  
 Knivsta **Agneta Stuesson**  
 Kolbäck **Eva Klang**  
 Kopparberg **Lena Ragnarsson Vöks**  
 Kungsör **Stefan Granholm**  
 Kvissleby **Per Pettersson**  
 Köping **Peter Fällman**  
 Leksand **Anders Ekström**  
 Lima **Lena Eggens**  
 Lindesberg **Larry Andersson**  
 Ljusdal **Tommy Bylund**  
 Ljusne **Anna Jonsson**

Ludvika **Carina Lundefors**  
 Malung **Bengt Eric Anderson**  
 Matfors **Johan Billström**  
 Mockfjärd **Bengt Korning**  
 Mora **Henrik Ragnarsson**  
 Norberg **Leif Magnusson**  
 Norrtälje **Bo Schotte**  
 Ockelbo **Karin Eriksson**  
 Orsa **Anette Skoglund**  
 Rimbo **Iréné Widnersson**  
 Rättvik **Martin Sellberg**  
 Sala **Robert Karlsson**  
 Sandviken **Pia Källarbo**  
 Skinnskatteberg **Andreas Byrén**  
 Skultuna **Lars-Åke Pettersson**  
 Skutskär **Tom Wallin**  
 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 **Peter Brodin**  
 Sörberge **Bertil Sjöstrand**  
 Tierp **Micael Lindström**  
 Timrå **Johanna Lundberg**  
 Torsåker **Kerstin Persson**  
 Uppsala  
     City **Johan Lindblom**  
     Eriksberg **Lars Olsson**  
     Industriområdet **Baruch Grauman**  
     Luthagen **Christina Dansk**  
 Vansbro **Fredrik Hallqvist**  
 Västanfors **Mikael Johansson Holst**  
 Västerås  
     City **Per Karlsson**  
     Emausgatan **Åsa Kilstedt**  
     Köpingsvägen **Lena Nilsson**  
     Stora Gatan **Håkan Janson**  
 Ånge **Per-Erik Decker**  
 Österbybruk **Magnus Sundqvist**  
 Östervåla **Ildikó Teleki Lundmark, tf**  
 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  
**Thommy Mossinger** Stockholm  
**Charlotte Skog** Bromma, (E)\*

**Head of regional bank**  
**Thommy Mossinger** Stockholm

**Number of branches**  
 95



## Branch/branch manager

Alviks Torg **Johan Lurén**  
 Arlanda Sky City **Katrine Renström**  
 Birger Jarlsgatan **Thomas von Schéele**  
 Blackeberg **Ann-Charlotte Sjöström**  
 Brommaplan **Peter Lindh**  
 Bålsta **Joakim Kihlgren**  
 Dalarö **Maud Lyckenius**  
 Djursholm **Sune Werkell**  
 Ekerö **Jesper Hellström**  
 Farsta **Niklas Eklund**  
 Fleminggatan **Niklas Hedblom**  
 Fridhemsplan **Johan Hilmersson**  
 Frihamnen **Marina Forsell**  
 Gamla Stan **Carl-Magnus Gustafsson**  
 Globen **Hans Widmark**  
 Gustav Adolfs Torg **Fredrik Christoffersson**  
 Götgatsbacken **Anders Lindegren**  
 Hallunda **Hans Lundin**  
 Hammarby **Marion Ulander**  
 Haninge **Katarina Alf**  
 Hornsberg **Jan Larsson**  
 Hornsgatan **Per Hirschfeldt**  
 Huddinge **Maria Westerfalk**  
 Humlegården **Jörgen Larson**  
 Hägersten **Johan Nordström**  
 Hässelby Gård **Marie Lindström**  
 Högalid **Åsa Hall**  
 Högdalen **Maria Sjöstedt**  
 Jakobsberg **Mattias Nordin**  
 Järna **Ellinor Lindblom**  
 Karlaplan **Petri Rask**  
 Karlavägen **Birgitta Billström**  
 Kista **Peter Stuesson**  
 Kungsholmstorg **Jan Wallin**  
 Kungsträdgården **Kent Johansson**  
 Kungsängen **Maria Wedholm**  
 Kärrtorp **Karl-Erik Bäckman**  
 Lidingö  
     Centrum **Mia Hilljebäck**  
     Larsberg **Torbjörn Hagström**  
     Näset **Eva-Lena Holmqvist**  
 Marieberg **Karin Lundqvist**  
 Marievik **Tomas Ejnar**  
 Märsta **Magnus Hedlund**  
 Mörbj Centrum **Peder Wiberg**  
 Nacka Forum **Jörgen Nilsson**  
 Norrmalmstorg **Christer Örtegren**  
 Norrtull **Kjell Andersson**  
 Nynäshamn **Anders Hagman**  
 Näsby Park **Mats Kivilä**  
 Odengatan **Catarina Thunstedt**  
 Renstiernas Gata **Karin Lennegren**  
 Rotebro **Ann-Christine Ståhlberg**  
 S:t Eriksplan **Mats Byrstedt**  
 Salem **Torsten Johansson**  
 Saltsjö-Boo **Hans Ek**  
 Sigtuna **Katarina Fridén**  
 Skanstull **Mikael Wenngren**  
 Skärholmen **Anki Lenksjö**  
 Sköndal **Pia Bergkvist**  
 Sollentuna **Fredrik Andersson**  
 Solna  
     Frösunda **Ulf Eliasson**  
     Solna **Lisa Smideblad**  
     Solna Strand **Lena Schaumburger**  
 Spånga **Anders Nygren**  
 Stockholm Sergel **Maria Hellberg**  
 Strandvägen **Bengt Bohman**  
 Stureplan **Bengt Högborg**  
 Stuvsta **Mats Nordling**  
 Sundbyberg **Per Anders Tranberg**  
 Sveavägen **Malin Bergström**  
 Södertälje **Peter Almström**  
 Tessinparken **Lars Eberon**  
 Trångsund **Maria Särkioja**  
 Tullinge **Lena Lövkvist**  
 Tyresö **Lars Holm**  
 Täby Centrum **Siv Joelsson-Nee**  
 Ulvsunda **Tina Nylén**  
 Upplands Väsby **Urban Wolters**  
 Upplandsgatan **Daniel Andersson**  
 Vallentuna **Fredrik Enander**  
 Vanadisplan **Thomas Anttila**  
 Vasagatan **Mats Liebgott**  
 Vaxholm **Anneli Sönmez**  
 Vällingby **Thomas Wedholm**  
 Värmdö **Per Anwret**  
 Värtavägen **Marcus Rönneham**  
 Västerhaninge **Jenny Lööv Borsos**  
 Västermalm **Lena Wennerberg**  
 Åkersberga **Christer Lövhölm**  
 Årsta **Christer Borssén**  
 Älvsjö **Anna Blomstergren**  
 Ösmo **Renée Andersson**  
 Östermalmstorg **Anders Danielsson**  
 Östra Station **Ritva Martonen**

(E)\* = employee representative

## REGIONAL BANK EASTERN SWEDEN

## Board

**Jan Cedwall** Nyköping, chairman  
**Santhe Dahl** Växjö  
**Jan-Eric Nilsson** Djursholm  
**Sten Peterson** Katrineholm  
**Lars-Åke Rydh** Jönköping  
**Kenneth Ståhl** Jönköping  
**Kenneth Synnersten** Västerås  
**Carina Åkerström** Stockholm  
**Alf Åke Dratzén** Visby

**Head of regional bank**  
**Carina Åkerström** Linköping

**Number of branches**  
 70



## Branch/branch manager

Alvesta **Thorwald Burman**  
 Anderstorp **Per Risberg**  
 Bankeryd **Thomas Landén**  
 Borensberg **Birgitta Östergren**  
 Borgholm **Conny Johansson**  
 Eksjö **Karin Jönsson**  
 Emmaboda **Jonas Ahlqvist**  
 Eskilstuna  
     Fristadstorget **Jonas Elfridsson**  
     Östermalm **Bo Vallin**  
 Finspång **Dag Kinnerud**  
 Fjugesta **Anders Hedwall**  
 Flen **Lotta Peppas**  
 Färösund **Britt Nordström**  
 Färjestaden **Jan Pilemyr**  
 Gislaved **Jörgen Asp**  
 Gnesta **Mårten Larsson**  
 Hallsberg **Yvonne Bülow**  
 Hemse **Lars Cramér**  
 Hultsfred **Monica Carlenskog**  
 Huskvarna **Mats Andersson**  
 Högsby **Ann-Helene Markström**  
 Jönköping **Claes Ericson**  
 Kalmar  
     Berga **Johan Lorentzon**  
     Kvarnholmen **Ola Tyrberg**  
 Katrineholm **Göran Bjerke**  
 Klintehamn **Lars Cramér**  
 Kumla **Thomas Ljungberg**  
 Lammhult **Per-Olof Lenegård**  
 Landsbro **Kent Lind**  
 Linköping  
     City **Johan Lindzén**  
     Torby **Mats Borgsjö**  
 Mjölby **Anders Hättström**  
 Motala **Michael Minnered**  
 Mönsterås **Maria Malmberg**  
 Mörbylånga **Tina Ingvarsson**  
 Mörlunda **Martina Årleskog**  
 Norrköping  
     Drottninggatan **Staffan Krause**  
     Eneby **Åsa Lundberg Stenström**  
     Fjärilsgatan **Lars Blomqvist**  
 Nybro **Jonas Persson**  
 Nyköping **Holger Namér**  
 Nässjö **Cecilia Antonsson**  
 Oskarshamn **Ingvar Persson**  
 Pålssboda **Eva Jouper**  
 Rörvik **Per-Olof Lenegård**  
 Slite **Catarina Bylund**  
 Strängnäs **Wilhelm Trahn**  
 Sövsjö **Jonas Flink**  
 Söderköping **Michael Rimstedt**  
 Tingsryd **Ingela Nilsson**  
 Torsås **Jeanette Karlström**  
 Tranås **Patrik Rosengren**  
 Trosa **Anna-Karin Borg**  
 Vadstena **Håkan Birgersson**  
 Vaggeryd **Inger Ågren**  
 Vetlanda **Olle Hagström**  
 Vimmerby **Hans Will**  
 Virserum **Maria Bjarnehäll**  
 Visby  
     Adelsgatan **Niclas Boklund**  
     Öster **Stefan Lövkvist**  
 Vislanda **Maj-Lis Pettersson**  
 Värnamo **Lars-Eric Ericsson**  
 Västervik **Michael Skänestig**  
 Växjö **Michael Jismark**  
 Ålem **Örjan Lundqvist**  
 Åseda **Peter Holmberg**  
 Åtvidaberg **Erik Torbrand**  
 Örebro  
     Ekersgatan **Vakant**  
     Stortorget **Kenneth Vallin**  
     Våghustorget **Bengt Gunnarsson**

## REGIONAL BANK WESTERN SWEDEN

## Board

**Lennart Mankert** Gothenburg, chairman  
**Stig-Arne Blom** Ulricehamn  
**Svante Carlsson** Gothenburg  
**Thomas Dafgård** Källby  
**Claes Larsson** Billdal  
**Håkan Larsson** Gothenburg  
**Eva Persson** Västra Frölunda  
**Vilhelm Schottenius** Varberg  
**Michael Green** Västra Frölunda  
**Henrik Forsén** Onsala (E)\*

## Head of regional bank

**Michael Green** Gothenburg

## Number of branches

78

## Branch/branch manager

Ale Torg **Lena Gillholm**  
 Alingsås **Staffan Svantesson**  
 Arvika **Sara Brask**  
 Bollebygd **Evalotta Duneskog**  
 Borås  
 Hulta **Kenneth Olofsson**  
 Stora Torget **Hans Winge**  
 Viared **Thomas Bogsjö**  
 Falkenberg **Thomas Zilén**  
 Falköping **Magnus Kvarnmarker**  
 Filipstad **Charlotte Schreck-Pettersson**  
 Finnerödja **Olle Jonsson**  
 Fristad **Hans Qvist**  
 Färjelanda **Maria Sääf**  
 Gällstad **Janne Pehrsson**  
 Gothenburg  
 Almedal **Tarja Ingemarsson**  
 Avenyn **Olle Eksell**  
 Backa-Ringön **Anna Fägersten**  
 City **Jan Wergeland**  
 Eriksberg **Kent Larsson**  
 Frölunda **Veronica Wallin Johansson**  
 Första Långgatan **Knut Pokorny**  
 Gårda **Jonas Almhöjd**  
 Hisings Kärra **Kajsa Mägi**  
 Hjällbo **Peter Lindemark**  
 Högsbo **Lars-Peter Forsberg**  
 Kortedala **Jan Gottberg**  
 Landala **Michael Åhman**  
 Lilla Bommen **Christian Pennert**  
 Lindholmen **Sara Larsson**  
 Majorna **Marie Jakobsson**  
 Marieholm **Anna Ekstrand**  
 Odinsgatan **Christian Sjöberg**  
 Sisjön **Lars Andersson**  
 Torslanda **Fredrik Wiklund**  
 Volvo **Peter Romedahl**  
 Örgryte **Jan Sahlin**  
 Övre Husargatan **Christina Nielsen**  
 Hagfors **Pär Skogfeldt**  
 Herljunga **Lenita Andreasson**



Hjo **Lena Karlsson**  
 Karlskoga **Johan Dahl**  
 Karlstad  
 Stora Torget **Peter Andersson**  
 Våxnäs **Fredrik Ekenberg**  
 Kristinehamn **Mats-Ove Mattsson**  
 Kungsbacka **Mats Roloff**  
 Kungälv **Peter Kornesjö**  
 Landvetter **Lena Uhrlander**  
 Lerum **Roger Björck**  
 Lidköping **Anders Stigson**  
 Lilla Edet **Börje Ström**  
 Mariestad **Torbjörn Låth**  
 Mellerud **Cecilia Blom**  
 Mölndal **Martin Henriksson**  
 Mölnlycke **Ann Sundvisson**  
 Partille **Liselott Mattson**  
 Skara **Martin Drebin**  
 Skövde **Niklas Standar**  
 Sollebrunn **Maj Rudell**  
 Stenungsund **Anette Pettersson**  
 Strömstad **Petra Gabrielsson**  
 Sunne **Pär Olsson**  
 Surte **Allison Åsblom**  
 Svenljunga **Bengt Larsson**  
 Säfle **Elisabeth Korp**  
 Tibro **Mats-Eric Jansson tf**  
 Tidaholm **Agneta Gustafsson**  
 Torsby **Morgan Smegård**  
 Tranemo **Magnus Liman**  
 Trollhättan **Thomas Eriksson**  
 Uddevalla **Stefan Widlund**  
 Ulricehamn **Janne Pehrsson**  
 Vara **Joakim Carlsson**  
 Varberg **Jan Bogsjö**  
 Vårgårda **Anna-Karin Heljegård**  
 Vänersborg **Mats Johansson**  
 Åmål **Bo Larsson**  
 Årjäng **Peter Johansson**  
 Älvängen **Deborah Moberg**

## REGIONAL BANK SOUTHERN SWEDEN

## Board

**Jörgen Centerman** Ramdala, chairman  
**Bengt Kjell** Helsingborg  
**Sven Landelius** Lund  
**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

Årlöv **Rickard Ohlsson**  
 Broby **Henrica Lorentsson**  
 Båstad **Lars-Olof Ottosson**  
 Eslöv **Lena Wrangå**  
 Halmstad **Tony Bringevall**  
 Helsingborg  
 Norr **Per Franklin**  
 Stortorget **Göran Pelvén**  
 Söderport **Maria Brygg**  
 Hässleholm **Catharina Munkberg**  
 Höganäs **Magnus Landbring**  
 Höllviken **Eva Aurell**  
 Hör **Annika Johansson**  
 Karlshamn **Katarina Ring**  
 Karlskrona **Hedvig Stache**  
 Kivik **Camilla Bärnheim**  
 Klippan **Martin Berg**  
 Knislinge **Henrica Lorentsson**  
 Kristianstad **Thomas Johansson**  
 Kävlinge **Lars Andersson**  
 Laholm **Irene Andersson**  
 Landskrona **Annika Hansson**  
 Ljungby **Thomas Eldh**  
 Ljungbyhed **Annika Bengtsson**  
 Lomma **Mona Persson**  
 Lund  
 City **Nils-Erik Persson**  
 Ideon **John Persson**  
 Markaryd **Maria Larsson**  
 Malmö  
 Amiralsgatan **Britt-Louise Lindgren**  
 City **Erik Bredberg**  
 Dalaplan **Anna Harrison Barthold**  
 Fosie **Dag Sundewall**  
 Fridhem **Gunnar Holmqvist**  
 Köpenhamnsvägen **Helena Brandt**  
 Limhamn **Bengt Rosendahl**  
 Lundavägen **Bengt Nyquist**  
 Triangeln **Ulf Dahlqvist**  
 Värnhem **Per-Ove Kamlund**  
 Västra Hamnen **Anna Bredberg**



Olofström **Emelia Ericsson**  
 Osby **Ingela Ström**  
 Ronneby **Mikael Ström**  
 Simrishamn **Mia Kristell**  
 Sjöbo **Cecilia Siöland**  
 Skanör **Christer Nilsson**  
 Skurup **Jonas Sjöberg**  
 Staffanstorp **Olle Svensson**  
 Svedala **Nils Möllerberg**  
 Sölvesborg **Magnus Gardell**  
 Sösdala **Karin Eriksson**  
 Tomelilla **Andreas Jeppsson**  
 Trelleborg **Marie Brunstam**  
 Tyringe **Yvonne Liljeqvist**  
 Veberöd **Hans-Åke Mårtensson**  
 Vellinge **Tomas Wall**  
 Vittsjö **Peter Andersson**  
 Vollsjo **Fredrik Göransson**  
 Ystad **Roger Håkansson**  
 Åhus **Thomas Hansson**  
 Älmhult **Fredrik Roghner**  
 Ängelholm **Kenneth Persson**

(E)\* = employee representative



## REGIONAL BANK DENMARK

## Board

**Håkan Sandberg** Stockholm, chairman  
**Steen Hove** Herning  
**Jens Iversen** Brande  
**Eskild Thygesen** Ikast  
**Erik Uttenthal** Hillerød  
**Knud Nielsen** Græsted  
**Steen Thomsen** Helsingør  
**Lone Mørch** Vedbæk  
**Frank Vang-Jensen** Gentofte  
**Steen Brodersen** Slangerup, (E)\*

## Head of regional bank

**Frank Vang-Jensen** Copenhagen

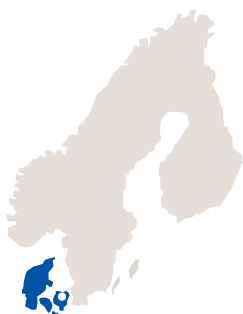
## Number of branches

53

## Branch/branch manager

Aalborg  
 City **Ole Dahl Nielsen**  
 Syd **Morten O. Hedemann**  
 Allerød **Mads Christian Heidemann**  
 Amager **Claes Peulecke**  
 Aulum **Yvonne Hartvigsen**  
 Ballerup **Fin Mortensen**  
 Birkerød **Jesper Borglykke**  
 Brande **Benny Larsen**  
 Copenhagen  
 City **Knud Jacobsen**  
 Østerbro **Bjame Albrechtsen**  
 Esbjerg **Morten Andersen**  
 Farum **Jørgen Torm**  
 Fredensborg **Flemming Kjær**  
 Fredericia **Brian Sørensen**  
 Frederiksberg **Henrik Bengtsson**  
 Frederikssund **Claus Jesper Livbjerg**  
 Frederiksværk **Lars Blickfeldt**  
 Give **Henrik Overgaard**  
 Hammerum **Jakob Rousing Sloth**  
 Helsingør **Steen Malmqvist**  
 Helsingør **Dan-Gösta Larsen**  
 Herlev **Niels Ole Rishøj**  
 Herning  
 City **Niels Viggo Malle**  
 Fredhøj **Bruno Hansen**  
 Hillerød **Steen Hirschsprung**  
 Hillerød Vest **Lisbeth Arenfeldt**

Holstebro **Henrik Kristiansen**  
 Horsens **Carsten Hjortfod**  
 Ikast **Arnth Stougaard**  
 Karup **Frank Jensen**  
 Kgs. Lyngby **Preben Bjerrekær**  
 Kibæk **Preben Staal**  
 Kolding **Jesper Andersen**  
 Køge **Brian Jakobsen**  
 Lemvig **Peter Tornbo**  
 Lyngø **Kristian Løvgreen-Hansen**  
 Odense **Klaus Rydal**  
 Park Allé **Henrik Eg**  
 Roskilde **Boje Nielsen**  
 Sdr. Felding **Kristian Hansen**  
 Sdr. Omme **Lars Balle Olsen**  
 Silkeborg **Lars Graugaard**  
 Slagelse **Henrik Kragh**  
 Slangerup **Claus Jesper Livbjerg**  
 Stenløse **Kim Normann**  
 Struer **Poul Bakkegaard**  
 Sunds **Anders Frederiksen**  
 Vejle **John Jørgensen**  
 Viborg **Jan Arup**  
 Videbæk **Gerda Kviesgaard**  
 Vibbjerg **Torkild K. Larsen**  
 Århus **Esben Kjeldsen**  
 Århus Syd **Christian Just**



## REGIONAL BANK NORWAY

## Board

**Bjørn Flatgård** Kolbotn, chairman  
**Dag Tangevald-Jensen** Oslo  
**Sjur Galtung** Oslo  
**M. Johan Widerberg** Göteborg  
**Dag Tjernsmo** Oslo  
**Hege Jensen** Oslo, (E)\*

## Head of regional bank

**Dag Tjernsmo** Oslo

## Number of branches

48

## Branch/branch manager

Arendal **Per Olav Nærestad**  
 Asker **Turid Williksen**  
 Bergen  
 Fana **Arvid Føleide**  
 Flesland **Gunnar Røslund**  
 Fyllingsdalen **Gottlieb Gullaksen**  
 Minde **Erik Ramsdal**  
 Sentrum **Arild Andersen**  
 Strandgaten **Åse Fluge Nordgreen**  
 Vest **Mette Skauge**  
 Åsane **Tore Svein Nese**  
 Bodø **Tore Halvorsen**  
 Bryne **Sindre Bergsagel**  
 Drammen **Kirsti Jensås**  
 Fredrikstad **Tove Anita R Torp**  
 Halden **Roar Elsness**  
 Hamar **Hans Skjelbreid**  
 Haugesund **Knut Borge Lunde**  
 Jessheim **Line Thams Blikstad**  
 Kolbotn **Geir Anders Sundnes**  
 Kongsberg **Kristin Franck**  
 Kristiansand **Arild Andresen**  
 Larvik **Hans Jørgen Ormar**  
 Lillehammer **Mads Lie Lo**  
 Lillestrøm **Annika Hanneborg**  
 Lysaker **Jørgen Misvær**  
 Mo i Rana **Bjørn Erik Røv**

Molde **Kolbjørn Heggdal**  
 Moss **Jan Fredrik Fogth**  
 Oslo  
 Fyrstikktoget **Eirik Arnesen**  
 Grev Wedels plass **Steinar Hegge**  
 Majorstuen **Ronny Myreng**  
 Nydalen **Torstein Haugland**  
 Olav Vs gate **Glenn Steinbo**  
 Skøyen **Sven Ove Oksvik**  
 Sandefjord **Ingelise Schliekelmann**  
 Sandnes **Anette Wathne**  
 Sandvika **Christian Doksrød**  
 Sarpsborg **Espen Lerkerød**  
 Ski **Anna M Aanensen**  
 Skien **Jan Egil Hafredal**  
 Sotra **Lisbeth Turøy**  
 Stavanger  
 Sentrum **Hroar Gudbrandsen**  
 Straen **Terje Lind**  
 Tromsø **Even Liahjell**  
 Trondheim  
 Heimdal **Bente E Dahl**  
 Sondregt **Ola Grøtte**  
 Tønsberg **Jan Erik Skjolden**  
 Ålesund **Steinar Krøvel**



(E)\* = employee representative

## REGIONAL BANK FINLAND

## Board

**Stig Gustavson** Helsinki, chairman  
**Markus Fogelholm** Espoo  
**Johanna Ikäheimo** Rovaniemi  
**Elmar Paananen** Helsinki  
**Mika Seitovirta** Helsinki  
**Andreas Tallberg** Oitbacka  
**Seija Turunen** Helsinki  
**M. Johan Widerberg** Gothenburg  
**Henrik Carlstedt** Paimio  
**Kim Lindberg** Espoo, (E)\*

## Head of regional bank

**Henrik Carlstedt** Helsinki

## Number of branches

45

## Branch/branch manager

Espoo

Leppävaara **Pekka Vasankari**  
 Matinkylä **Marcus Sandholm**  
 Tapiola **Sirpa Pensas**

Helsinki

Dianapuisto **Merja Carlander**  
 Esplanadi **Ulf Grönlund**  
 Hakaniemi **Kari Komulainen**  
 Itäkeskus **Nina Lagerblom**  
 Kamppi **Harry Peltonen**  
 Munkkivuori **Reima Jokela**  
 Pasila **Carl Hannuksela**  
 Hyvinkää **Mervi Karsikas**  
 Hämeenlinna **Pauli Ranta**

Imatra **Pekka Lankinen**

Joensuu **Juha Saastamoinen**

Jyväskylä **Tauno Virkki**

Jävenpää **Jouni Linnavuori**

Kerava **Kimmo Heiskanen**

Kirkkonummi **Michaela Kaitemo**

Kokkola **Sören Björkgård**

Kotka **Hannu Huostila**

Kouvola **Jorma Qvick**

Kuopio **Simo Sarkkinen**

Lahti **Matti Nieminen**

Lappeenranta **Martti Mäkelä**

Lohja **Risto Vihula**

Mikkeli **Jouko Kervinen**

Oulu **Jari Murtopeä**

Pietarsaari **Jörgen Blomqvist**

Pori **Esa Yli-Sipilä**

Porkoo **Ulf Randell**

Raisio **Juha Vasanen**

Rauma **Markus Suominen**

Rovaniemi **Pekka Pistokoski**

Salo **Juho Huovinen**

Seinäjoki **Esa Alkio**

Tammisaari **Annika Karnell**

Tampere

Kauppakatu **Tarja Suvisalmi**

Kyttälä **Pekka Ursin**

Tornio **Roger Keisu**

Turku

Linäankatu **Marku Ropponen**

Hämeenkatu **Pia-Liisa Hellman**

Vaasa **Frej Björkses**

Vantaa

Aviapolis **Jaakko Hara**

Myyrmäki **Maria Kaisa Ylimäinen**

Tikkurila **Stephan Björkell**



## REGIONAL BANK GREAT BRITAIN – SOUTH

## Board

**Håkan Sandberg** Stockholm, chairman  
**Ulf Sylvan** Bath  
**Magnus Uggla** London

## Head of regional bank

**Magnus Uggla** London

## Number of branches

32

## Branch/branch manager

Basingstoke **Craig Ward**

Bath **Chris Johnson**

Bournemouth **Nick Lowe**

Brighton **Simon Howe**

Bristol **Martin Fey**

Cambridge **Richard Waters**

Cardiff **Steve Cridland**

Chelmsford **Julian Waller**

Crawley **Simon Briggs**

Croydon **Vacant**

Dartford **Trevor Adams**

Enfield **Adrian Bennett**

Exeter **Jon Richards**

Guildford **Neil Truman**

Harrow **Ross Simmons**

Kingston **Simon Silvestor**

London

City **Steve Cresswell**

West End **John Hodson**

Maidstone **David Kiernan**

Milton Keynes **Mick Valerio**

Northampton **David Arcscott**

Norwich **Nigel Foyster**

Oxford **David Woodhead**

Plymouth **Phil Kerkin**

Portsmouth **Paul Mlinar**

Reading **Michael Broom**

St Albans **Paul Smith**

Slough **John Parker**

Southampton **Vacant**

Swansea **Steve Smith**

Swindon **Vacant**

Tunbridge Wells **Nick Green**



## REGIONAL BANK GREAT BRITAIN – NORTH

## Board

**Håkan Sandberg** Stockholm, chairman  
**Ulf Sylvan** Bath

**Anders Bouvin** Manchester

## Head of regional bank

**Anders Bouvin** Manchester

## Number of branches

30

## Branch/branch manager

Birmingham **Pat Hanlon**

Bradford **Mark Rawnsley**

Carlisle **Sarah Carter**

Chester **Haydn Aird**

Coventry **Colin Kirk**

Derby **Andrew Tomlinson**

Doncaster **Andy Reed**

Edinburgh **Ian Shearer**

Glasgow **George Shanks**

Grimsby **Anthony Winn**

Harrogate **Richard Lally**

Huddersfield **Tony Jones**

Hull **Tim Kitching**

Leeds **Stephen Hill**

Leicester **Sean Martin**

Lincoln **David Thompson**

Liverpool **Sean McGurran**

Manchester **David Edwards**

Newcastle **Kevin Pattison**

Nottingham **Larick Walker**

Preston **Simon Raine**

Scarborough **Nick Sharples**

Sheffield **Mike Harrison**

Shrewsbury **Malcolm Sutcliffe**

Stockport **Andrew Buckley**

Stockton On Tees **Chris Teasdale**

Stoke On Trent **Michael Smith**

Warrington **Dennis Evans**

Wakefield **Steve Passey**

Wolverhampton **Mike Priddy**



(E)\* = employee representative

**BRANCHES OUTSIDE THE NORDIC COUNTRIES  
AND GREAT BRITAIN**
**Branch/branch manager**
**Austria**

General manager **Christian Prinz zu Solms-Lich**

**China**

General manager **Michael Zell**  
Hong Kong **Michael Zell**  
Shanghai **Johan André**

**Estonia**

Tallinn **Rauno Klettenberg**

**France**

General manager **Peter Einarsson**  
Nice **Karin Enestad**  
Paris **Mattias Linhardt**

**Germany**

General manager **Nina Arkilahti**  
Dusseldorf **Thomas Kuhn**  
Essen **Thomas Kuhn**  
Frankfurt **Markus Achten**  
Hamburg **Roland Kupka**  
Mannheim **Jürgen Ding**  
Munich **Andreas Stein**  
Stuttgart **Kai Thiemann**

**Latvia**

Riga **Dzintars Salavs**

**Lithuania**

Vilnius **Arturas Ungulaitis**

**Luxembourg**

General manager **Jörgen Oldensand**

**Netherlands**

General manager **Mikael Sörensen**  
Amsterdam  
Zuid **Kristiaan Buter**  
Zuidoost **Kim Meijer**

Breda **Gerard Worm**  
Eindhoven **Hans van de Ven**  
Rotterdam **Roland van Pooij**

**Poland**

General manager **Elisa Saarinen**  
Bydgoszcz **Marcin Plocha**  
Gdansk **Waldemar Wieckowicz**  
Katowice **Krystyna Olszewska**  
Krakow **Dariusz Romanski**  
Poznan **Mariusz Bialczyk**  
Warsaw **Monika Kamecka**  
Wroclaw **Marek Cader**

**Russia**

General manager **Esa Teräväinen**  
Moscow **Annika Nordström**  
St Petersburg **Mirjam Sarkki**

**Singapore**

General manager **Jan B Djerf**

**Spain**

General manager **Carl-Gustav Moberg**  
Madrid **Carl-Gustav Moberg**  
Marbella **Carl-Gustav Moberg**

**Switzerland**

Zurich **Håkan Lennartsson**

**USA**

General manager **Stefan Nilsson**  
New York **Richard Johnson**

**SUBSIDIARIES  
AND BUSINESS AREAS**
**HANDELSBANKEN FINANS  
Board**

**Håkan Sandberg** Stockholm, chairman  
**Peter Gustafsson** Stockholm, (E)\*  
Chief executive  
**Yonnie Bergqvist** Täby

**HANDELSBANKEN FONDER  
Board**

**Håkan Sandberg** Stockholm, chairman  
**Michael Bertorp** Stockholm  
**Gunnar Bätelsson** Sandviken  
**Lennart Hedquist** Uppsala  
**Åsa Magnusson** Linköping  
**Lena Munkhammar** Gävle  
**Claes Norlén** Stockholm  
**Hans Pehrson** Stockholm  
Chief executive  
**Katja Bergqvist** Stockholm

**HANDELSBANKEN LIV  
Board**

**Yonnie Bergqvist** Täby, chairman  
**Håkan Sandberg** Stockholm  
**Anna Hjelmberg** Järfälla, (E)\*  
Chief executive  
**Snorre Storset** Lidingö

**STADSHYPOTEK  
Board**

**Håkan Sandberg** Stockholm, chairman  
**Yonnie Bergqvist** Täby  
**Olle Lindstrand** Lidingö  
**Catharina Hildebrand** Lidingö, (E)\*  
Chief executive  
**Lars Kahlund** Lidingö

**XACT FONDER  
Board**

**Michael Sohlman** Stockholm, chairman  
**Claes Norlén** Stockholm  
**Petter Åberg** Lidingö  
**Lars Wedin** Stockholm  
Chief executive  
**Henrik Norén** Danderyd

**HANDELSBANKEN INTERNATIONAL  
Board**

**M Johan Widerberg** Göteborg, chairman  
**Curt Källströmer** Stockholm  
Head of Handelsbanken International **Petri Hatakka** Kauniainen

**HANDELSBANKEN CAPITAL MARKETS  
Board**

**Johan Widerberg** Göteborg, chairman  
**Håkan Sandberg** Stockholm  
Head of Handelsbanken Capital Markets **Per Beckman** Stockholm

**HANDELSBANKEN ASSET MANAGEMENT  
Board**

**Håkan Sandberg** Stockholm, chairman  
Head of Handelsbanken Asset Management **Claes Norlén** Stockholm

(E)\*= employee representative

# Addresses

www.handelsbanken.com unless otherwise stated.

## CENTRAL HEAD OFFICE

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+46 8 701 10 00  
Corporate identity no. 502007-7862

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+46 8 701 10 00

### HANDELSBANKEN INTERNATIONAL

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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 outstanding ordinary shares at the year-end.

## ADMINISTRATION RESULT

A concept used in the Bank's insurance operations. It is the difference between the fees charged on the insurance contracts and the company's actual costs.

## CAPITAL BASE

Comprises the sum of Tier 1 (primary) and Tier 2 (supplementary) capital. To obtain the total capital base for capital adequacy purposes, deductions are made for capital contributions in insurance companies, reported surplus values of pension assets and the difference between the expected loss and the provisions made for probable loan losses.

## CAPITAL RATIO

The total capital base for capital adequacy purposes in relation to risk-weighted volume.

## C/I RATIO

Total expenses in relation to total income.

## DIVIDEND YIELD

Dividend per share divided by the share price at year-end.

## EARNINGS PER SHARE

The profit for the year divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

## HYBRID LOANS

Hybrid loans (Tier 1 capital loans) are subordinated loans that may be included in the Tier 1 capital with the consent of the Swedish Financial Supervisory Authority.

## IMPAIRED LOANS

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

## LEVEL OF IMPAIRED LOANS

Impaired loans (net) in relation to total loans to the public and credit institutions (excluding banks). Impaired loans are reported without deduction for the collateral which exists to secure the claim.

## 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 referring mainly to the total of premiums paid in during the year.

## RETURN ON EQUITY

Profit for the year in relation to average shareholders' equity excluding the equity impact of financial assets classified as available for sale, and cash flow hedges. An adjustment is also made for a weighted average of 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 these.

## RISK-WEIGHTED VOLUME

The total risk-weighted amounts from each credit risk exposure. The risk-weighted amount is the same as the risk weight of the exposure multiplied by its exposure amount. The risk weight is based on a number of factors such as the repayment capacity of the counterparty, repayment capacity and debt-servicing, type of product and the value of any collateral.

## SOLVENCY RATIO

A concept used in the Bank's insurance operations. The solvency ratio is the available solvency margin divided by the required solvency margin. It is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company.

## TIER 1 CAPITAL

Consists of shareholders' equity and Tier 1 hybrid capital. Deductions are made for 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.

## TIER 1 RATIO

Tier 1 capital in relation to risk-weighted volume.

## TIER 2 CAPITAL

Mainly consists of perpetual and fixed-term subordinated loans.

## TOTAL YIELD

A concept used in the Bank's insurance operations. It refers to the sum of value changes and return on the assets managed on behalf of savings customers where the rate is guaranteed. The yield is calculated after deduction of fees related to the asset management.

## YIELD SPLIT

Yield split means that when the total yield exceeds the rate guaranteed by the insurance company, the company will receive 10 percent of the total yield as its share in the yield split.



