

Corporate Governance Report

Extract from Handelsbanken's Annual Report

2013

Corporate Governance Report

Handelsbanken is a Swedish public limited company, whose shares are listed on Nasdaq OMX Stockholm. The shareholders ultimately make the decisions about Handelsbanken's governance. Here the Board submits its Corporate Governance Report for 2013. Handelsbanken applies the Swedish Code of Corporate Governance.

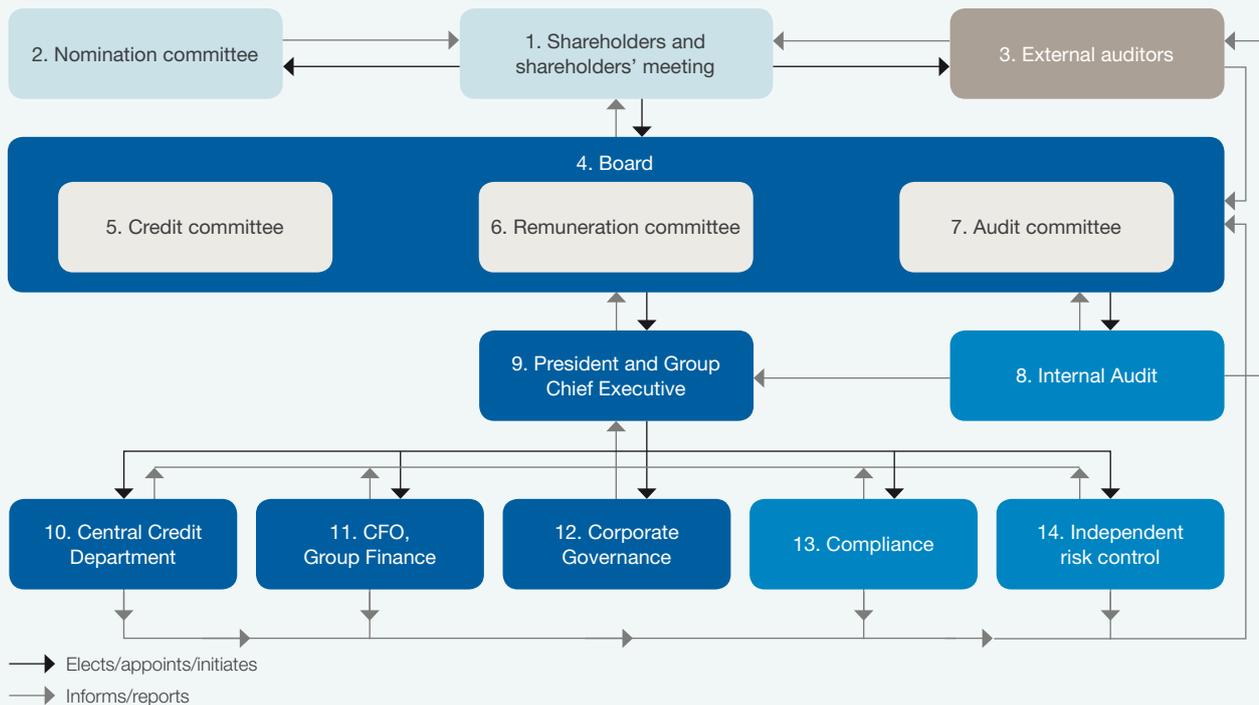
This Corporate Governance report is an extract from Handelsbanken's statutory annual report. The report has been audited by the Bank's external auditors and this audit is reported in the Auditor's Report.

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Corporate Governance structure

Corporate Governance at Handelsbanken – an overview



The diagram provides a summary of corporate governance at Handelsbanken. The shareholders decide at the AGM. Regarding certain questions, the shareholders' decisions are prepared by the nomination committee. The shareholders appoint a board which in turn appoints a CEO to manage the operating activities. The Board is organised into various committees. To support the work of governing the Bank, the CEO has the Group Finance unit, the Central Credit Department and the Corporate Governance unit. There are also a number of control functions at the Bank. The shareholders also exercise control via the external auditors.

1. SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders exercise their right to decide on matters concerning Handelsbanken at shareholders' meetings, which are the Bank's highest decision-making body. For example, a shareholders' meeting decides on any changes to the most fundamental governing document for the Bank – the articles of association. Every year an annual general meeting is held which among other things appoints the Board, the Chairman of the Board and auditors. It can also decide how the nomination committee is to be appointed. See also page 52.

2. NOMINATION COMMITTEE

The nomination committee's task is to prepare and submit proposals to the AGM regarding the appointment of the Chairman and other members of the Board and fees to the Chairman and other members of the Board. The nomination committee is also informed of the

Board's evaluation of its work, primarily based on the report that the Chairman of the Board submits to the committee. The committee also proposes the appointment of the auditors, and their fees. The AGM decides how the nomination committee will be appointed.

3. EXTERNAL AUDITORS

The auditors are appointed by the AGM for the period from one year's AGM until the end of the following year's AGM. The auditors are accountable to the shareholders at the AGM. They carry out an audit and submit an audit report covering matters such as the Annual Report and the Board's administration. In addition, the auditors report orally and in writing to the Board's audit committee concerning how their audit was conducted and their assessment of the Bank's administrative order and internal control. The auditors also submit a summary report of their audit to the Board as a whole.

4. THE BOARD

The Board is responsible for the Bank's organisation and manages the Bank's affairs on behalf of its shareholders. The Board is to continuously assess the Bank's financial situation and ensure that the Bank is organised such that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily controlled. The Board establishes policies and instructions on how this should be executed, and establishes rules of procedure for the Board and also instructions for the CEO.

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 CEO. The Board appoints and stipulates the employment terms for the CEO and Executive Vice Presidents and the Head of Internal Audit. The Board also decides the employment terms for the Heads of Compliance

and Risk Control. The Chairman is responsible for evaluating the Board's work and informs the nomination committee of the results of the evaluation.

5. CREDIT COMMITTEE

The Board's credit committee decides on credit cases where the amount exceeds the decision limit which the Central Board has delegated to another unit. Cases of special importance are decided by the whole Board. The credit committee comprises the Chairman of the Board, the Vice Chairmen, the chairman of the audit committee, the CEO, three Board members appointed by the Board and the Head of the Central Credit Department. A representative from the unit within the Bank to which the credit case applies presents the case to the credit committee.

6. REMUNERATION COMMITTEE

The Board's remuneration committee regularly evaluates the employment conditions for the Bank's senior management in the light of prevailing market terms for their peers in other companies. The committee's tasks include preparing the Board's proposals to the AGM concerning guidelines for compensation to senior management, monitoring and evaluating the application of these guidelines, and preparing the Board's decisions on compensation principles, compensation and other terms of employment for senior management, as well as for the heads of Compliance, Internal Audit and Risk Control. The committee also makes an independent assessment of Handelsbanken's compensation policy and compensation system. The remuneration committee consists of the Chairman of the Board and two members appointed by the Board.

7. AUDIT COMMITTEE

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

8. INTERNAL AUDIT

Internal Audit performs an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. A central task for Internal Audit is to assess and verify processes for risk management, internal control and corporate governance. Auditing is performed according to internationally accepted norms. The Head of Internal Audit is appointed by the Board and reports regularly to the audit committee, orally and in writing, and also submits an annual summary report to the whole Board.

9. PRESIDENT AND GROUP CHIEF EXECUTIVE (CEO)

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

10. CENTRAL CREDIT DEPARTMENT

The Central Credit Department is responsible for formulating and maintaining the Bank's credit policy, credit process and for 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 CEO and Chairman of the Board before they are presented for a decision by the credit committee or the Board. The Head of Credits reports to the CEO and is a member of the Board's credit committee. The Head of Credits also reports to the Board about loan losses and risks in the credit portfolio.

11. CFO, GROUP FINANCE

Group Finance is responsible for control systems, reporting, book-keeping, accounting and taxes. It is also responsible for the Group's liquidity, funding and capital, and for the Group's overall risk management for all risks except credit risk and compliance risk. For a detailed description of this risk management, see note G2 on pages 78–101.

12. CORPORATE GOVERNANCE

The Corporate Governance unit ensures that decisions made at shareholders' meetings and by the Board, as well as changes in legislation, regulations and corporate governance code, are implemented in policy documents from the

READ MORE ON OUR WEBSITE

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

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

Board and guidelines and instructions from the CEO, with the aim of stipulating responsibilities and authorities internally at the Bank.

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. The function must act as a support to business operations and follow up the application of the applicable regulations, check these 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. Compliance officers have been appointed for all business areas, regional banks and central units, as well as for all countries where the Bank operates. The Central Compliance unit has functional responsibility for compliance. The Head of Central Compliance reports regularly to the CEO and the audit committee in matters regarding compliance.

14. INDEPENDENT RISK CONTROL

The centrally located independent risk control function is responsible for monitoring and reporting 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 risks, liquidity risks and insurance risks, as well as risks associated with the Group's compensation system. Risk Control identifies, measures and analyses Group risk. It reports continually to the CEO and on a regular basis to the audit committee and the remuneration committee. The Board is also informed of the material risks in the operations. The Head of Risk Control also provides regular information to the CFO. The management of the individual risks is 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). Risk Control reports directly to the CEO and acts independently and is separate from the controlled operations.

CORPORATE GOVERNANCE AT HANDELSBANKEN

The aim of good corporate governance is ensuring that companies are run in a manner which is as fit for purpose as possible on behalf of their shareholders. It is also important for other interested parties such as customers, bond investors and regulatory authorities.

Handelsbanken applies the Swedish Code of Corporate Governance with only one deviation relating to the composition of the remuneration committee. Committee member Jan Johansson is not independent of the Bank and its management but the Board's assessment is that Jan Johansson's skills and experience in the field of compensation matters should be utilised by the Bank and this justifies the deviation from the provisions of the Code.

According to the Code, information must be submitted regarding the material shareholdings of the CEO and his close relatives, or other part-ownership in companies with which the Bank has significant business relations. Pär Boman has no material shareholdings. Regardless of this, it is Handelsbanken's view that the provisions of the Code are not applicable to the Bank, since regulations on banking secrecy prevent Handelsbanken from naming corporate customers.

A central part of governance of Handelsbanken comprises managing the risks that arise in operations. Risk management is described in detail in a separate risk section in the Annual Report, note G2 on pages 78–101 and also in this Corporate Governance Report.

Comments about corporate governance in banks

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, and are not described in detail in this report.* Handelsbanken's main principle is that operations outside Sweden are subject both to Swedish regulations and to the host country's regulations, if these are stricter or require deviations from Swedish rules.

The Swedish Financial Supervisory Authority extensively supervises the Bank's operations in Sweden and in all countries where the Bank runs branches, in other words, when the foreign operation is part of the Swedish legal entity Svenska Handelsbanken AB. Equivalent authorities in

other countries exercise limited supervision over the branches' operations and full supervision over the Bank's subsidiaries outside Sweden. The supervisory authorities in the Nordic countries, the UK and Germany are co-ordinated in a supervisory group for Handelsbanken, led by the Swedish Financial Supervisory Authority.

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

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

PRINCIPLES OF CORPORATE GOVERNANCE AT HANDELSBANKEN

The Bank's main tools for corporate governance are on the one hand the documents adopted by the Board, for example the Board's rules of procedure, instructions to the CEO and the Head of Central Audit and policy documents regarding the Bank's operations (see also pages 56–58), and on the other hand the instructions and guidelines issued by the CEO. These documents are revised every year but can be adjusted more often when necessary. However, the foundation of functioning corporate governance is not only formal documents but also the Bank's corporate goal, working methods, compensation system and corporate culture.

The Bank's corporate goal is to have better profitability than the average of peer banks in its home markets. This is mainly to be achieved through more satisfied customers and by being more cost-effective than competitors. One of the purposes of this goal is to offer shareholders long-term high growth in value expressed in increasing earnings per share over a business cycle.

Handelsbanken is a full-service bank with a decentralised working method, a strong local presence due to nationwide branch networks and a long-term approach to customer relations. The Bank has applied this basic concept consistently for several decades. The Bank's decentralised working model involves strong trust in employees' willingness and ability to take responsibility. This working model which has been unchanged for a long time has resulted in the Bank's very strong corporate culture.

The salary and pension systems, combined with the Oktogonen profit-sharing system, are other ways of boosting the corporate culture by promoting long-term employment. Allocations to the Oktogonen system are made if Handelsbanken's profitability is better than the average of peer banks. The allocated funds are managed by the Oktogonen Foundation. The profit-sharing system contributes to the employees' interests being in agreement with the Bank's corporate goals of profitability and cost-effectiveness. In this way, cost-awareness and caution will also become

part of Handelsbanken's corporate culture.

Handelsbanken wishes to recruit young employees for long-term employment at the Bank by offering development opportunities that make the Bank self-sufficient in terms of skilled employees and managers.

This long-term approach also applies to the way in which the Bank relates to its customers. It is manifested in, for example, the ambition of always giving the customer the best possible advice – without looking at what is most profitable for the Bank in the short term. Employees feel a sense of security in that they can always offer a customer the Bank's best advice without affecting their compensation. This enables the Bank to build long-term relationships with both customers and employees.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Rights of shareholders

Handelsbanken has more than 95,000 shareholders. They have the right to decide on matters related to the company at the AGM or extraordinary meetings of shareholders. Handelsbanken has two classes of shares: class A and class B. Class A shares are by far the most common and represent more than 98 per cent of all outstanding shares. Class A shares each carry one vote, while class B shares carry one-tenth of a vote each. Handelsbanken's articles of association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than 10 per cent of the total number of votes in the Bank.

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

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

- who should be on the Board of the Bank and who should be the Bank's auditors
- determining fees to Board members and auditors
- adopting the income statement and balance sheet
- appropriation of profits
- whether to discharge the Board and the CEO from liability for the past financial year
- principles for remuneration to senior management.

The shareholders at a shareholders' meeting can also make decisions on the Bank's articles of association. The articles of association constitute the fundamental governing document for the Bank. They specify which operations the Bank is to conduct, the amount of the share capital, the right of shareholders to participate at shareholders' meetings and the items to be presented at the AGM. The articles of association state that the number of board members must be at least 8 and at most 15. They are elected for one year at a time.

Information in preparation for meetings is published on the Bank's website: handelsbanken.se/ireng. Minutes of previous meetings are also available there.

* The most important statutes include the Swedish Banking and Financing Business Act (SFS 2004:297), the Swedish Companies Act (SFS 2005:551), the Act on Capital Adequacy and Large Exposures (SFS 2006:1371) and extensive legislation on securities and insurance operations. The Swedish Financial Supervisory Authority's regulatory code includes general guidelines regarding governance and control of financial undertakings (FFFS 2005:1), regulations and general guidelines on capital adequacy and large exposures (FFFS 2007:1), regulations governing investment services and activities (FFFS 2007:16) and regulations and general guidelines concerning measures against money laundering and financing of terrorism (FFFS 2009:1). During 2014, new regulations are expected to be introduced, such as a law on capital adequacy and new regulations from the Swedish Financial Supervisory Authority regarding governance, risk management and control in credit institutions. For a more detailed list of laws and regulations referring to operations subject to a licence, see handelsbanken.se/ireng.

Notice of shareholders' meetings, proposals for the meetings and minutes are translated into English and are available on the website at handelsbanken.se/ireng.

Major shareholders

At the end of 2013, two shareholders had more than 10 per cent of the votes: the Oktogonen Foundation with 10.3 per cent and AB Industrivärden with 10.3 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 45.

Annual general meeting 2013

The annual general meeting took place on 20 March 2013.

Over 1,450 shareholders were represented at the meeting. They represented 51.76 per cent of all votes in the Bank. The whole Board was present at the AGM. Also participating were the chairman of the nomination committee Carl-Olof By, as well as Stefan Holmström and Erik Åström from the auditing companies elected by the AGM. The chairman of the meeting was Sven Unger, a lawyer.

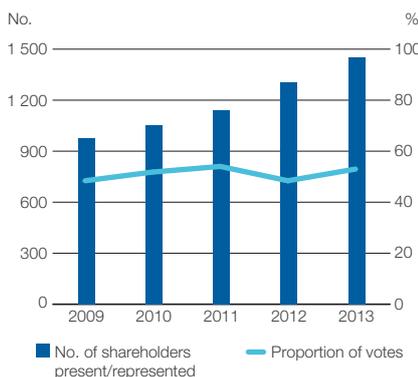
The decisions made by the shareholders at the meeting included:

- A dividend of SEK 10.75 per share, totalling SEK 6,822 million
- authorisation for the Board to resolve on acquisition of not more than 40 million shares in the Bank
- the Board is to consist of eleven members
- the re-election of all Board members for the period until the end of the next AGM, with the exception of Hans Larsson, Chairman of the Board, who had declined re-election
- election of Anders Nyrén as Chairman of the Board
- fees to be paid to the Board members as follows: SEK 3,150,000 to the Chairman of the Board, SEK 875,000 to each of the Vice Chairmen and SEK 600,000 to the other Board members, as well as compensation for committee work.

The shareholders at the meeting also adopted the following guidelines for compensation and other terms of employment for senior management, as proposed by the Board:

- The aggregated total compensation shall be on market terms
- compensation is paid only in the form of a fixed salary, pension provision and customary benefits
- by special decision of the Board, the Bank can provide housing

Attendance at AGMs 2009–2013



- 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 retirement age is normally 65. Retirement benefits are defined benefit or defined contribution, or a combination of the two
- the period of notice on the part of a senior manager is 6 months and on the part of Handelsbanken, a maximum of 12 months. If the Bank terminates the contract later than five years after the person's appointment as part of the Bank's senior management, the maximum period of notice is 24 months. No severance payment is made in excess of these amounts.
- the Board shall have the right to deviate from the established guidelines if there are special reasons in an individual case.

The guidelines do not affect compensation previously decided for senior management. The senior management positions to which the guidelines apply are the CEO and Executive Vice Presidents.

Nomination committee

The shareholders at the 2010 AGM resolved to establish instructions for how the nomination committee is to be appointed. According to the decision, the instruction will apply until it is changed by a later AGM. The instruction states that the nomination committee shall comprise five members: the Chairman of the Board and one representative from each of the Bank's four largest shareholders as at 31 August the year before the AGM is held.

However, the nomination committee must not include representatives of companies which are significant competitors of the Bank in any of its main areas of operations. It is the Chairman of the Board's task 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 after AMF declined its position on the nomination committee, the 2014 nomination committee comprised:

Representative	Shareholders	Voting power in % as at 31 August 2013
Anders Nyberg, Chairman	Industrivärden	10.30
Jan-Erik Höög	Oktogonen Foundation	10.29
Mats Guldbrand	Lundberg ownership group	2.39
Bo Selling	Alecta	1.34
Anders Nyrén, Chairman of the Board		

Anders Nyberg, Mats Guldbrand and Bo Selling are independent of the Bank and its management. Mats Guldbrand and Bo Selling are independent of the Bank's major shareholders. Information on the composition of the nomination committee has been available on the Bank's website since 25 September 2013.

In advance of the AGM on 26 March 2014, the nomination committee has the task of studying the Board's evaluation of its work. The committee also submits proposals for the election of a chairman of the AGM, the Chairman of the Board

and other members of the Board, the fees to the Chairman and other Board members, compensation for committee work, and the election of and fees to auditors.

In its work, the nomination committee takes into account matters relating to diversity, including gender distribution, on the Board. The nomination committee aims for an even gender distribution. The proportion of women on the Board of the Bank is 27 per cent and the proportion of members of another nationality than where Handelsbanken is domiciled is 36 per cent.

Auditors

Stefan Holmström is principal auditor for KPMG AB at Handelsbanken 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, Proffice AB and Fastighetsaktiebolaget Norrporten. Mr Holmström was born in 1949.

Erik Åström has been an authorised public accountant since 1989 and has been principal auditor for Ernst & Young AB at Handelsbanken since 2008. He is also auditor for Nasdaq OMX Holding AB, AB Svensk Exportkredit, Hemtex AB and Skistar AB, among other companies. Mr Åström was born in 1957.

THE BOARD

After the shareholders at the 2013 AGM had appointed Anders Nyrén to be Chairman of the Board, Fredrik Lundberg and Sverker Martin-Löf were appointed as Vice Chairmen at the first Board meeting immediately after the AGM. 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 60–61.

Composition of the Board

The Board consists of eleven members. When the Board is elected, the nomination committee proposes members. The nomination committee includes the Oktogonen Foundation which also proposes two of the members in the nomination committee's proposal.

The Board members have broad and extensive experience from the business world. Most are, or have been, chief executives of major companies, and most of them are also board members of major companies. Their sector knowledge covers a wide area ranging from, for example, traditional industrial operations to telecom. See also pages 60–61. Several members have worked on the Bank's Board for a long time and are very familiar with the Bank's operations.

Independence of Board members

The Swedish Code of Corporate Governance contains stipulations that the majority of Board members elected by the AGM must be independent of the Bank and the Bank's management, and that at least two of the independent Board members must also be independent of those of the company's shareholders that control ten per cent or more of the shares and votes in the Bank. Before the 2013 AGM, in an overall assessment of each Board member's independence in relation to the Bank, the Bank's management and major shareholders, the nomination committee found

that eight members were independent of the Bank and the Bank's management, and that five of them were also independent of major shareholders. In preparation for the 2014 AGM, the nomination committee has again assessed the independence of the members and has found that three members are employees of the Bank and are thus dependent in relation to the Bank. Two of the employed members (Tommy Bylund and Charlotte Skog) are also dependent in relation to the Oktogonen Foundation, which is a major shareholder. The third of the employed members, Pär Boman, works for the Bank as CEO and is also dependent in relation to AB Industrivärden, a major shareholder of the bank, where Mr Boman is a board member. Jan Johansson and Anders Nyrén are also considered to be dependent in relation to the Bank since they are CEOs of Svenska Cellulosa AB SCA and AB Industrivärden respectively, while the Bank's CEO Pär Boman is a member of the board of both companies. Anders Nyrén is also dependent in relation to a major shareholder (AB Industrivärden).

The nomination committee's assessment of independence for the proposed Board members in preparation for the 2014 AGM

Name	Independent of the Bank and its management	Independent of major shareholders
Anders Nyrén		
Fredrik Lundberg	•	
Sverker Martin-Löf	•	
Jon Fredrik Baksas	•	•
Jan Johansson		•
Ole Johansson	•	•
Bente Rathe	•	•
Pär Boman		
Tommy Bylund		
Charlotte Skog		

Ahead of the nomination committee's proposal, Lone Fønss Schröder has informed the committee that she is not standing for re-election.

Regulations governing the Board's work

The fundamental rules regarding the distribution of competence among the Board, the Board committees, the Chairman, the CEO and Internal Audit are manifested in the Board's rules of procedure, as well as in its instructions to the CEO and to the Head of the Central Audit department.

Chairman of the Board

The Board's rules of procedure state that the Chairman shall ensure that the Board carries out its work efficiently and that it fulfils its duties. This involves organising and managing the Board's work and creating the best possible conditions for this work. The Chairman must also ensure that the Board members continually update and expand their knowledge of the Bank, and that new members receive an appropriate introduction and training. The Chairman must be available to the CEO as an advisor and discussion partner, but must also prepare the Board's evaluation of the CEO's work. 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 responsible for ensuring that the Board's work is evaluated annually. The evaluation is performed by means of discussions with each member; certain years, the members answer a special survey. The Chairman

is also responsible for maintaining contact with the major shareholders concerning ownership issues. As chairman of the Bank's pension foundation, pension fund and staff foundation, he has overall responsibility for ownership issues associated with shareholdings in these three entities. There is no other division of work for the Board except as concerns the committees.

Committee work Credit committee

The credit committee consisted of eight members: the Chairman of the Board (Anders Nyrén, who is also chairman of the committee), the two Vice Chairmen (Fredrik Lundberg and Sverker Martin-Löf), the CEO (Pär Boman), the Head of the Central Credit Department (Lars Kahlund), and three Board members appointed by the Board (Tommy Bylund, Ole Johansson and Bente Rathe).

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

In 2013, the credit committee had eleven meetings.

Audit committee

The audit committee consisted of the Chairman of the Board (Anders Nyrén) and two Board members appointed by the Board (Sverker Martin-Löf and Lone Fønss Schröder). The latter are independent of the Bank and its management. Lone Fønss Schröder is also independent in relation to the major shareholders. Sverker Martin-Löf is the committee chairman.

The work of the audit committee includes the following:

- monitoring the financial reporting, the effectiveness of the Bank's internal control, internal audit and risk management systems
- establishing an audit plan for the work of Internal Audit
- 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.
- taking into consideration reports from Internal Audit, Compliance and Independent Risk Control.

The committee generally meets five times a year, normally in connection with quarterly and annual reports. Items are presented by the CEO, the CFO, the Head of the Central Audit Department and the principal auditors from the audit companies appointed by the AGM.

In 2013, the audit committee had five meetings.

Remuneration committee

The remuneration committee comprised the Chairman of the Board (Anders Nyrén, who is also the committee chairman) and two Board members appointed by the Board (Jan Johansson and Bente Rathe). Bente Rathe is independent of the Bank and its management. This composition entails a deviation from the Swedish Code of Corporate Governance. The deviation is explained on page 52 under the heading Corporate governance at Handelsbanken.

One of the tasks of the remuneration committee is to prepare matters regarding compensation to be decided on by the Board and the AGM. After the shareholders at the AGM have decided on guidelines for the terms and conditions of compensation to the CEO and the Executive Vice Presidents, the Board decides in accordance with the regulations of the Swedish Financial Supervisory Authority on compensation to the CEO, the Executive Vice Presidents and officers with responsibility for the control functions: Compliance, Internal Audit and Risk Control.

In 2013, the remuneration committee had eight meetings.

The Board's work in 2013

During the year, the Board had nine meetings, including an extended strategy meeting.

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

Subject	When
First board meeting after AGM and corporate governance documents	after AGM
Frameworks for funding	at least once a year
Strategy	-"-
CEO's instructions and guidelines	-"-
Operational risks	half-yearly
Compliance risk report (in audit committee)	-"-
Group risk report (in audit committee)	-"-
Adoption of internal capital evaluation	annually
Follow-up of internal capital evaluation	quarterly
Limits for financial risks	annually
Follow-up of financial risk limits	every meeting
Loan losses and credit risks	quarterly
Annual accounts	February
Interim report	April, July and October
Evaluation of the Board's work	annually
Evaluation of CEO	-"-
Staff development and management succession	-"-
Salary review for Group management and heads of control functions	-"-
Evaluation of risk calculation methods (in audit committee)	-"-
Proposals for AGM	Before AGM
External audit report	-"-
Internal Audit's report	-"-
Matter of allocation to the Oktogonen profit-sharing scheme	-"-
Business situation	every meeting
Reporting of credit cases	-"-
Preparation of corporate governance documents	February

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

THE BANK'S MANAGEMENT

Group Chief Executive

Pär Boman has been President and Group Chief Executive since April 2006. Pär Boman was born in 1961 and he has worked at Handelsbanken since 1991. In 1998, Pär Boman became a member of the senior bank management as 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. His shareholdings in the Bank and those of close relatives are 11,892, of which 5,892 are held indirectly via the Oktogonen profit-sharing scheme. In addition, Pär Boman has a holding of staff convertible notes for a nominal amount of SEK 8.32 million at a conversion price of SEK 235.98, corresponding to 35,249 shares.

Group management and Group management structure

Operations are pursued to a large extent within the parent company and, primarily for legal reasons, also in subsidiaries, both in Sweden and in other countries. The Group management team consists of the heads of branch operations, business areas, central departments and central administrative units.

Handelsbanken has long had a decentralised working method, where almost all major business decisions are taken at the local bank branches, close to customers. Branch operations are geographically organised into regional banks: six in Sweden, four in the UK, and one each in Denmark, Finland, Norway and the Netherlands. Together, these countries comprise the Bank's home markets. The regional banks in the UK have been co-ordinated under a Head of UK operations. Branch operations outside the Bank's home markets are led by the Head of Handelsbanken International.

Each regional bank is led by a head of regional bank, who is a member of the Group management. The Group management also includes the Head of Handelsbanken International and the Head of UK Operations.

The heads of the regional banks in Denmark, Norway, Finland and the Netherlands, as well as the Head of UK operations and the general managers for each country at Handelsbanken International, are responsible to the public authorities in their respective host countries for all operations that the Bank and its subsidiaries pursue in those countries.

Handelsbanken has the following four business areas: Handelsbanken Capital Markets, Stadshypotek, Handelsbanken Direkt, and Forestry and Farming. The heads of these units are members of Group management.

Handelsbanken Capital Markets includes the Bank's investment banking operations. It also includes asset management and operations within pensions and insurance. This business area also includes the subsidiaries Handelsbanken Fonder (mutual funds) and Handelsbanken Liv (life insurance). The Bank has also gathered a group of specialists at Large Corporates to provide the largest international corporate customers with the best possible service. Large Corporates works together with Handelsbanken Capital Markets. The Stadshypotek business area includes the Stadshypotek AB subsidiary, which pursues

mortgage loan operations and other property financing. The Forestry and Farming business area is responsible for the Bank's offering to forestry and agriculture customers. Handelsbanken Direkt has overall responsibility for a range of the Bank's standardised services, including card services and deposits and lending products. Handelsbanken Direkt is also responsible for customer meeting-places outside the physical branch such as online, mobile and phone services. This business area also includes the finance company operation, which is run within the Handelsbanken Finans AB subsidiary. Each business area has Groupwide responsibility for its products and services.

Finally, various parts of the Bank's central departments and administrative units are represented, such as corporate governance and contacts with public authorities, Group finance, communications, infrastructure, IT, legal affairs, credits and personnel.

The Bank has a somewhat broader concept of Group management than that which is considered to apply in the Swedish Company Act's regulations regarding senior management. This means that the Group management team that is presented on pages 62–63 of the Corporate Governance Report is wider than the group of persons included in 'senior management' under Note G8 on pages 104–107.

To a large extent, responsibilities and powers of authority have been assigned to individual members of staff, rather than groups or committees. This means that the Group management and the management teams of the regional banks and departments are consultative bodies rather than decision-making bodies. However, there are collective decisions regarding credit decisions made in credit committees. It is also required that the members of the committee are unanimous regarding these decisions.

Details about the Group management are presented on pages 62–63.

FRAMEWORK FOR CONTROL

Internal control for operations

Responsibility for internal control has been delegated from the CEO to managers who report directly to the CEO and who are in charge of internal control within their respective units. In turn, these managers have delegated to branch managers and heads of units the responsibility for internal control at their branches or units. This responsibility means that fit-for-purpose 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.

Internal Audit

Long before external requirements on internal auditing were introduced, the Bank had an internal audit function at its disposal that was independent of the line organisation. The organisation has centrally and regionally placed internal auditors. The regional Internal Audit departments are part of the Central Audit Department, which constitutes an integrated internal audit function. The Audit Department comprises some 100 employees. The Head of the Central Audit Department is

appointed by and reports to the Board. Thus the internal audit function is the Board's controlling body. The elected organisation and long tradition give Internal Audit the authority and integrity required to enable the auditors elected by the AGM to rely on measures and data from Internal Audit.

Internal Audit is tasked with performing an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. This includes assessing and verifying processes for risk management, internal control and corporate governance. Their assignment is based on a policy established by the Board and is performed on the basis of a risk-based methodology in accordance with internationally accepted standards issued by the Institute of Internal Auditors. The planned auditing tasks are documented every year in an audit plan which is established by the Board's audit committee on behalf of the Board. The conclusions of internal audits, the actions to be taken, and their status are reported regularly to the audit committee and every year to the Board as a whole.

Internal Audit is regularly subject to independent external quality reviews. In addition, the Bank's external auditors perform an annual quality review of the work of Internal Audit.

Compliance

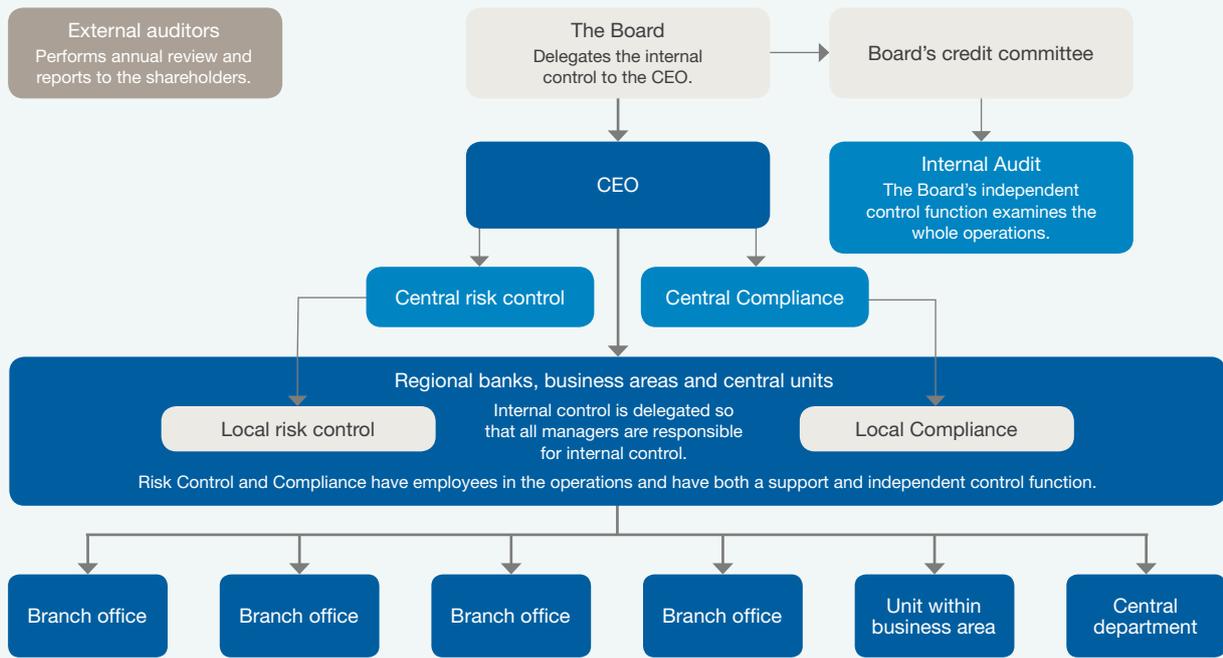
Compliance is the responsibility of all employees in the Group. Establishing compliance functions centrally, for regional banks, business areas and central departments, as well as for each country where the Bank has operations, does not release any employee from the responsibility of complying with the external and internal regulations applying to the operations. However, the regulations are often complex and in some cases the individual employee may have limited experience. It is thus vital that guidance is available, to avoid mistakes. The compliance function must follow up and actively ensure that laws, regulations and internal rules, as well as accepted business practices and standards, are complied with in the operations conducted by the Handelsbanken Group. In its supporting role, the function must provide advice and support to business operations, and also assist in drawing up internal rules and provide information about new and amended rules for operations.

Central Compliance is an independent unit with the functional responsibility for compliance matters in the Group. The CEO appoints the Head of Central Compliance. The head of the compliance function reports quarterly to the CEO on compliance in the Group. Twice a year, a Group compliance report is submitted directly to the Board's audit committee. In addition, material observations are reported regularly to the CEO.

Risk control

The Bank is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for risk management. There is local risk control at each regional bank and within the various business areas, which check, for example, that risks are within the limits and are correctly valued. The local risk control carries out risk analyses and verifies that transactions are conducted in a manner that does not entail undesirable risks. The local risk control reports to the business operations' management and to the central risk control.

Simplified illustration of control at Handelsbanken



The central risk control identifies, measures, analyses and reports all the Group's material risks. It monitors that the risks and risk management comply with the Bank's low tolerance of risks and that senior management has reliable information regarding risks to use in critical situations. The central risk control also has functional responsibility for local risk control.

The head of the central risk control reports directly to the CEO. Information is also provided to the CFO on a regular basis. The head of the central risk control reports regularly to the Board's audit committee and remuneration committee. The Board is kept continuously informed of material risks at the Bank. The central risk control is also in charge of the Bank's extensive risk reporting to the supervisory authorities.

A more detailed description of the Bank's risk management is contained in note G2 on pages 78–101, as well as in the Bank's Pillar 3 Report. It also describes the role which Handelsbanken's credit process plays in the Bank's credit risk management, particularly the Central Credit Department.

POLICY DOCUMENTS

The following is a brief summary of the policy documents which the Board of Handelsbanken has decided on.

Credit policy

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

Policy for independent risk control

The Bank has a central, independent risk control function with responsibility for identifying, measuring, analysing and reporting all material risks

at the aggregated level. The central risk control function reports to the CEO.

Policy for operational risks

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

Capital policy

Capital planning must ensure that the Bank at all times has available financial resources (AFR) to cover the risks that can lead to unforeseen losses (see the risk section in note G2 on pages 78–101). This is to guarantee that the capital covers the minimum legal capital requirements by a predetermined safety margin. The Bank's capital situation must also justify a continued high rating from the most important rating agencies.

Financial policy

The Group's funding must be well-diversified in terms of markets, currencies and maturities. The Board establishes the funding limits. During stressed market conditions, the Bank must have an adequate liquidity reserve to be able to continue its operations for a predetermined period of time, without new funding in the financial markets.

Financial risk policy

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

Information policy

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

Ethical guidelines

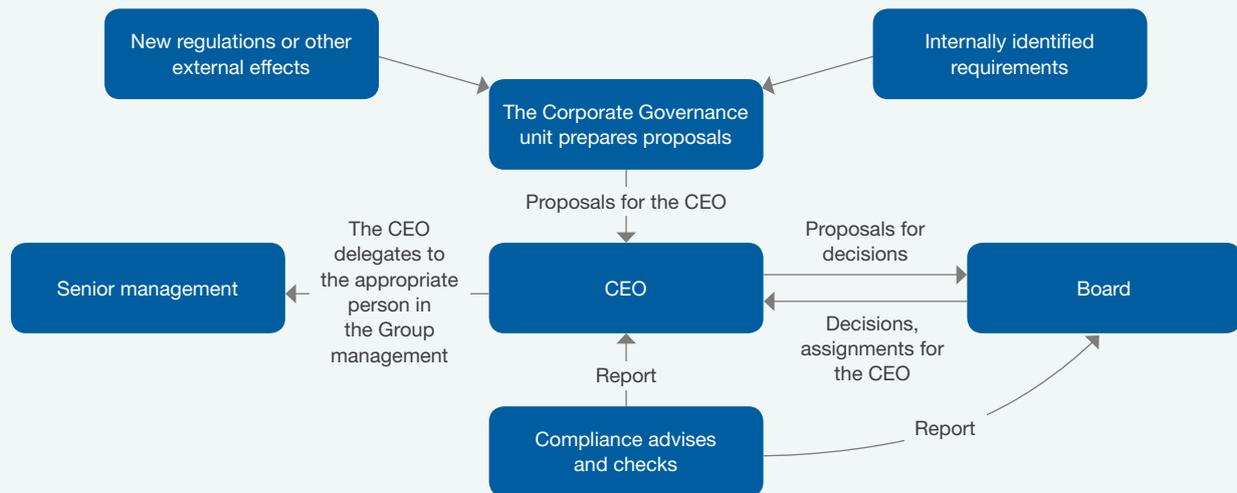
Employees of the Bank must conduct themselves in a manner that upholds confidence in the Bank. All operations at the Bank must be characterised by high ethical standards. Financial advice must be based on the customer's requirements. Conflicts of interest must be identified and handled in a manner that is fair to the parties involved. In case of doubt as to what is ethically acceptable, the matter must be discussed with the employee's immediate superior. There must be no discrimination of customers on grounds such as gender or religion.

The Bank's ethical guidelines are publicly available on its website: handelsbanken.se/csreng, where there is more information about matters such as Handelsbanken in the community, social responsibility and environmental work.

Policy for conflicts of interest and measures against bribery and improper influence

Conflicts of interest are a natural part of a business operation, which means that these types of conflict may arise within the Bank's area of operations. It is the responsibility of all heads of

Production and follow-up of corporate governance documents



This illustration shows an overview of the process of producing and following up corporate governance documents, such as policy documents from the board. It may be external factors – such as new regulations – or internal requirements that mean that a policy needs to be drawn up or amended. The Corporate Governance unit ensures that the policy is drawn up, and then submits a proposal to the CEO, who proposes to the Board that it adopts the policy. The CEO ensures that the established policy is implemented, and can delegate this task to a member of the Group management team. The Central Compliance department has the task of monitoring compliance with these policy documents within the organisation.

units within the Bank to continuously identify possible conflicts of interest. If a conflict of interest is identified, the head of the unit responsible must first ensure that the customer's interests are not adversely affected. If this is not possible, the customer must be informed of the conflict of interest.

Employees of the Bank must carry out their responsibilities in all their activities at the Bank and their external assignments in a manner that upholds confidence in the Bank, and must therefore not participate in actions that may involve bribery or any other improper influence. The Code of Business Conduct from the Swedish Anti-Corruption Institute is also observed in the daily operations.

Policy for compensation and suitability assessment

In some countries, Handelsbanken is a party to collective agreements concerning general employment conditions during the period of employment, and on pension terms after reaching the age of retirement. Compensation for work performed is set individually for each employee and is normally 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.

The Central Personnel Department performs suitability assessments when board members are elected for the Bank's subsidiaries, and also performs suitability assessments ahead of decisions on appointment of members of the Group management.

For a more detailed description of Handelsbanken's compensation principles, see page 58 and note G8 on pages 104–107.

Pension policy

Pension benefits are part of the total compensation to the Bank's employees. The total compensation is to be on market terms. The pension

terms in the countries where the Bank pursues its operations must be competitive and adapted to legislation and regulations, in accordance with the conditions prevailing in each country.

Policy for internal audit operations

Internal Audit is to evaluate 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 operations and 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. Internal Audit is to report to the Board and its audit committee.

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

If the auditors that have been elected at the AGM are engaged for assignments other than auditing and related tasks, special instructions from the CEO must be complied with. Furthermore, this must be reported to the audit committee.

Policy for compliance

Compliance means the observance of laws, regulations, directives from public authorities and internal rules, as well as accepted business practices or accepted standards. Using a risk-based approach, the Compliance function is to support and verify compliance. It reports to the Board's audit committee and the CEO. See also page 55.

Policy for handling customer complaints

The branch responsible for the customer is responsible for receiving and handling a customer complaint. Complaints must be dealt with promptly and professionally, while maintaining a dialogue with the customer, taking into consideration the current regulations in the area to which the complaint relates.

Policy for employees' private securities and currency transactions

This policy applies to all Handelsbanken Group employees – temporary as well as permanent – closely-related persons and service providers. Its purpose is to prevent any person who is covered by the policy from carrying out his/her own securities transactions that involve market abuse, misuse or improper disclosure of confidential information under the regulations that apply to the Bank and its employees, in accordance with prevailing legislation, directives from public authorities and voluntary agreements.

Accounting policy

This policy applies to the Bank's accounting function. The Bank's accounts and financial reports must be prepared in accordance with the provisions of the Swedish Accounting Act and generally accepted auditing standards in Sweden, and also applicable laws and international standards for financial reports. International units must prepare accounts in accordance not only with the Group's rules, but with the regulations that apply in the country where they are required to maintain accounting records.

Policy on measures against money laundering and financing of terrorism

This policy is based on the Swedish law on measures against money laundering and financing of terrorism. The Bank must not participate in transactions which are suspected of being linked to criminal activities, or of which the employees do not understand the implications.

Policy for agreements relating to the engagement of third parties

When the Bank outsources operations which are subject to a license, or other operations with a natural link to the Bank's operations, this is regulated by the policy for agreements relating to the engagement of third parties.

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

PRINCIPLES FOR COMPENSATION AT HANDELSBANKEN

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

The following is an overall presentation of the Bank's fundamental principles for fixed and variable compensation. Other information concerning compensation paid by the Bank in accordance with the current regulations is presented in note G8 on pages 104–107. This note also provides information about amounts for salaries, pensions and other benefits, and loans to senior management.

Fundamental principles for compensation

In Sweden and certain other countries, the Bank is party to collective agreements on general terms and conditions of employment during the employment period and on terms and conditions of pensions after employees have reached retirement age.

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

Compensation for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and a pension provision. At Handelsbanken, salary-setting takes place at local level. Salaries are set in salary reviews between the employee and his/her line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in the salary process, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

Salaries are based on factors known in advance: the nature and level of difficulty of the work, skills, performance and results achieved, leadership (for managers who are responsible for the career development of employees), supply and demand on the market, and performance as an ambassador for the Bank's corporate culture.

The principle of only having a fixed salary applies to more than 97 per cent of the Group's employees, and is applied without exception to senior management, all staff who decide on the Bank's granting of credits, and employees in the Bank's control functions.

Principles for compensation to senior management

The shareholders at the AGM decide on guidelines for compensation to the CEO and the Executive Vice Presidents (EVPs). For the guidelines from the AGM for 2013, see the section "Annual general meeting 2013" on page 53.

At Handelsbanken, the Board decides on compensation to the CEO and the EVPs, a total of 18 individuals (as at 31 December 2013). The Board also determines compensation for officers with main responsibility for the control functions: Compliance, Internal Audit and Risk Control.

Compensation to the CEO and EVPs is paid only in the form of fixed salary, customary benefits such as a company car, and pension provisions. Following a special decision by the Board, Handelsbanken can provide housing as part of the compensation. No variable compensation is paid, nor are there any agreements on termination benefits. The period of notice on the part of a senior manager is 6 months, and on the part of Handelsbanken a maximum of 12 months or, if the Bank terminates the employment contract later than five years after the person becomes a member of the senior management, the period of notice is a maximum of 24 months.

For senior managers who remain in their positions after reaching standard retirement age, a mutual period of notice of no more than 6 months applies.

Senior managers receive allocations in Handelsbanken's profit-sharing system, Oktogonen, on the same terms as all other employees of the Bank.

Note G8 on pages 104–107 provides further information about remuneration to senior managers.

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

Ahead of the 2014 AGM, the Board is proposing guidelines for compensation and other terms of employment that are essentially unchanged, but have one further condition, which means that Handelsbanken must indemnify senior managers in the event of an administrative sanctioning charge being imposed on them under the new regulations that are proposed to come into force in 2014. The guidelines do not affect compensation previously decided for senior management. The senior management positions to which the guidelines apply are the CEO and the EVPs.

Variable compensation

At Handelsbanken, the Board decides on the compensation policy. The main principle of the policy is that compensation is paid in the form of

fixed remuneration. However, the policy allows for variable compensation, but for this a special decision is required by the CEO. The heads of the areas concerned, as well as those responsible for Risk Control and Compliance, have taken part in the remuneration committee's preparation of the Board's compensation policy.

Variable compensation occurs to a very limited extent and only in the Handelsbanken Capital Markets business area and in the British subsidiary, Heartwood. Nor is variable compensation paid to the Bank's management or to any employee who makes decisions on credits or limits. Employees who, alone or together with others, are entitled to decide on credit risk, market risk, liquidity risk, commodity risk, currency risk or interest rate risk limits, as well as employees who, by deciding on credits or product terms and conditions, can affect the Bank's risk profile, can have only fixed compensation.

Variable compensation at Handelsbanken must be designed so that it does not encourage unhealthy risk-taking, is within the limits of the Bank's risk tolerance, taking into account a reasonable balance between fixed and variable compensation. The financial result on which the variable compensation is based must also be risk-adjusted. Handelsbanken's compensation policy is also described in note G8 on pages 104–107. Among other things, the policy prescribes that only employees within units whose profits derive from commissions or intermediary transactions that take place without the Bank being subject to risk, are entitled to receive variable compensation. Variable compensation is paid in cash, and the disbursement of at least 40 per cent of variable compensation of SEK 100,000 or more must be deferred by at least three years. Deferred compensation can be removed or lowered and will not be paid to the person with the entitlement until after the end of the deferral period. No employee may receive variable compensation of more than 150 per cent of his/her fixed compensation. The total variable compensation paid in the Group cannot be more than 100 per cent of the combined fixed compensation for the individuals who are eligible to receive variable compensation.

During 2014, new regulations are expected to come into force, prohibiting variable compensation of amounts exceeding 100 per cent of the fixed compensation, unless the annual general meeting consents to higher variable compensation. Handelsbanken will be adapting its rules for variable compensation to the new regulations, and does not intend to seek the consent of the AGM for higher variable compensation.

The Board's report on internal control regarding financial reporting

The presentation of Handelsbanken's internal control process for financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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: organisational structure, division of responsibilities, guidelines and steering documents.

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

Risk assessment

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

In a self-evaluation, the employee defines the events that constitute potential risks to the operation and then estimates the probability and consequences of each risk. Particular focus is placed on the risk of fraud and the risk of loss or embezzlement of assets. A plan of action is then drawn up, based on the self-evaluation. Other aspects of Handelsbanken's risk management are detailed in note G2 on pages 78–101.

Control activities

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

Group Finance is responsible for consolidated accounts, consolidated financial reports and for financial and administrative control systems. The unit's responsibilities also include the Group's liquidity, the internal bank, the capital base, risk calculations, tax analysis and Groupwide reporting to public authorities. The unit must also ensure that the staff concerned are aware of and have access to instructions of significance to the financial reporting.

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, central departments and international units are responsible for ensuring that the control activities in the financial reporting for their respective units are fit-for-purpose – 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.

There is a valuation committee which is part of Group Finance with the task of supporting decision-making relating to valuation and accounting matters. The committee deals with valuation of financial assets and liabilities, including derivatives at fair value and also financial guarantees. The committee must ensure that the valuation complies with external regulations, internal guidelines and current market practices.

High information security is a precondition for good internal control of financial reporting, thus 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 54 for more details.

Information and communication

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

Follow-up

Internal Audit, Compliance and the centrally located independent risk control function, and also the accounting/control units, monitor compliance with internal policies, instructions and other policy documents. Monitoring takes place at central level, but also locally in regional banks, subsidiaries, central departments and international units. The policy for Internal Audit established by the Board states that it must examine internal governance and control. Internal Audit is described in more detail on page 55. The Group's information and communication paths are monitored continually to ensure that they are fit-for-purpose for the financial reporting.

Board members



Name	Anders Nyrén, Chairman	Fredrik Lundberg, Vice Chairman	Sverker Martin-Löf, Vice Chairman	Jon Fredrik Baksaas, Board Member	Pär Boman, Board Member	Tommy Bylund, Board Member
Position	President and CEO of AB Industrivärden	President and CEO of L E Lundbergföretagen AB	Director	President and CEO of Telenor ASA	President and CEO of Handelsbanken	Senior Vice President
Education	Graduate in Business Administration and MBA	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Lic. Tech, PhD (h.c.)	Graduate in Business Administration and MBA	Engineering and Business/Economics degree	Upper Secondary School
Year elected	2001	2002	2002	2003	2006	2000
Year of birth	1954	1951	1943	1954	1961	1959
Nationality	Swedish	Swedish	Swedish	Norwegian	Swedish	Swedish
Other assignments	Chairman of Sandvik AB. Board member Ernström & C:o AB, Stockholm School of Economics and Stockholm School of Economics Association, AB Industrivärden, Svenska Cellulosa AB SCA, AB Volvo.	Chairman of Holmen AB, Hufvudstaden AB, Indutrade AB. Board member L E Lundbergföretagen AB, AB Industrivärden, Sandvik AB, Skanska AB.	Chairman of AB Industrivärden, Svenska Cellulosa AB SCA, SSAB AB. Vice Chairman Telefonaktiebolaget L M Ericsson. Board member Skanska AB.	Chairman GSM Association. Member of Det Norske Veritas (council), Doorstep AS, VimpelCom Ltd.	Board member AB Industrivärden, Svenska Cellulosa AB SCA.	Chairman of the Oktogonen Foundation. Member of Ljusdal Municipality's business policy foundation, Näriljus.
Background	1997–2001 Deputy CEO, CFO, Skanska. 1996–1997 Dir Markets and Corporate Finance Nordbanken. 1992–1996 Deputy CEO, CFO Securum. 1987–1992 CEO OM International AB. 1986–1987 CEO STC Venture AB. 1982–1987 Deputy CEO, CFO, STC. 1979–1982 Director AB Wilhelm Becker.	Active at Lundbergs since 1977. CEO L E Lundbergföretagen AB since 1981.	1977–2002 Active at Svenska Cellulosa AB SCA in various management positions.	1994–2002 CFO, EVP, Senior EVP Telenor ASA. 1997–1998 Managing Director Telenor Bedrift AS. 1989–1994 CFO, CEO TBK AS. 1988–1989 Chief Finance Director Aker AS. 1985–1988 Chief Finance Director Stolt Nielsen Seaway AS, Oslo and Hauge-sund. 1979–1985 System consultant, Controller, Contract Co-ordinator Det Norske Veritas.	2002–2005 EVP, Head of Handelsbanken Markets. 1998–2002 EVP, Head of Regional Bank Denmark, Handelsbanken. Employed at Handelsbanken since 1991.	Employed at Handelsbanken since 1980. Branch manager at Handelsbanken since 1992.
Remuneration 2013¹	SEK 3,100,000	SEK 1,187,500	SEK 1,318,750	SEK 593,750	SEK 0	SEK 0
Credit committee Attendance	Chairman 9/11	Member 11/11	Member 11/11	–	Member 11/11	Member 11/11
Audit committee Attendance	Member 3/3 ²	–	Chairman 5/5	–	–	–
Remuneration committee Attendance	Chairman 6/6 ³	–	–	–	–	–
Board meetings Attendance	9/9	9/9	9/9	6/9	9/9	9/9
Own shareholdings and those of immediate family	2,000	2,525,000 and 12,500,000 via L E Lundbergföretagen AB	4,000	0	11,892 of which 5,892 in indirect holdings ⁴ . Staff convertible at nominal amount: 2011: SEK 8,318,142	18,556 of which 18,556 in indirect holdings ⁴ . Staff convertible at nominal amount: 2011: SEK 1,131,799
Dependent/independent	Not independent (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 and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Not independent (President and CEO).	Not independent (employee).

¹ During the period January 2013 until the AGM in March 2013, Hans Larsson was Chairman of the Board. His remuneration for this and for his work in the credit committee, audit committee and remuneration committee was SEK 931,250. Total remuneration to the Board was SEK 10,543,750 in 2013.

² Member of the audit committee from March 2013.

³ Chairman of the remuneration committee from March 2013.

⁴ Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.

⁵ Member of the credit committee from March 2013.

⁶ Lone Fønss Schröder has informed the nomination committee that she is not standing for re-election.

⁷ Deputy member of the credit committee from March 2013. Previously member.



Name	Jan Johansson, Board Member	Ole Johansson, Board Member	Bente Rathe, Board Member	Lone Fønss Schrøder, Board Member	Charlotte Skog, Board Member
Position	President and CEO of Svenska Cellulosa AB SCA	Director	Director	Director	Bank employee
Education	Bachelor of Laws	Diploma in Economics and Business Administration	Graduate in Business Administration and MBA	Graduate in Business Administration and Bachelor of Laws	Economics Programme Upper Secondary School
Year elected	2009	2012	2004	2009	2012
Year of birth	1954	1951	1954	1960	1964
Nationality	Swedish	Finnish	Norwegian	Danish	Swedish
Other assignments	Board member SSAB AB, Svenska Cellulosa AB SCA.	Chairman of EQ Oyj Abp.	Chair of Ecohz AS and Cenium AS (both companies are subsidiaries of Home Invest AS). Vice Chair of Powel AS. Board member Polaris Media ASA, Home Invest AS and its subsidiary Nordic Choice Hospitality Group AS, Aker Kvaerner Holding AS, Ethics Committee for Norwegian Government Pension Fund Global.	Vice Chair of Saxo Bank A/S ⁶ . Board member Aker Solutions ASA, NKT A/S (chair audit committee), Volvo Personvagnar AB (chair audit committee). Partner in Norfalck AS.	Vice Chair of the Financial Sector Union Club at Handelsbanken. Board member Financial Sector Union of Sweden, Oktogonen Foundation.
Background	2001–2007 President and CEO Boliden AB. 2001 Head of network operations Telia AB. 1994–2001 Deputy CEO Vattenfall. 1990–1994 Head of Division at Svenska Shell. 1985–1990 Corporate lawyer at Shell. 1984–1985 Trainee lawyer. 1981–1983 District court clerk.	1975–2011 various positions within Wärtsilä (Metra) Group except for a period at Valmet 1979–1981. CEO 2000–2011.	1999–2002 Deputy CEO Gjensidige NOR (CEO of life insurance company, Chair of Mutual Fund and Asset Management Company). 1996–1999 CEO Gjensidige Bank AS. 1993–1996 CEO Elcon Finans AS. 1991–1993 Deputy CEO Forenede Forsikring. 1989–1991 CFO Forenede Forsikring. 1977–1989 Head of Credits and CFO E.A. Smith AS.	2005–2010 CEO Walleniusrederierna AB. 1982–2004 Leading management positions within AP Moller/ Maersk A/S.	Employed at Handelsbanken since 1989.
Remuneration 2013¹	SEK 718,750	SEK 837,500	SEK 1,037,500	SEK 818,750	SEK 0
Credit committee Attendance	–	Member 8/8 ⁵	Member 11/11	Deputy member 3/11 ⁷	Deputy member
Audit committee Attendance	–	–	–	Member 4/5	–
Remuneration committee Attendance	Member 8/8	–	Member 8/8	–	–
Board meetings Attendance	9/9	9/9	9/9	7/9	9/9
Own shareholdings and those of immediate family	5,000	9,500	1,330	0	6,321, of which 6,321 in indirect holdings. ⁴ Staff convertible at nominal amount: 2011: SEK 242,722
Dependent/independent	Not independent of the Bank and its management (Handelsbanken's CEO is a member of the board of SCA). Independent of major shareholders.	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.	Not independent (employee).

Group Management

and independent control functions

Group Management

Name	Position	Year of birth	Employed	Shareholdings	Personnel convertible bond ¹ 2011
Pär Boman	President and Group Chief Executive	1961	1991	11,892, of which 5,892 in indirect holdings*	SEK 8,318,142
Nina Arkilahti	Executive Vice President, CEO Handelsbanken Finland	1967	1995	5,339, of which 2,940 in indirect holdings*	SEK 4,000,000
Per Beckman	Chief Executive of Stadshypotek	1962	1993	2,936, of which 2,936 in indirect holdings*	SEK 5,545,428
Yonnie Bergqvist	Executive Vice President, Handelsbanken Direkt	1961	1979	17,590, of which 17,453 in indirect holdings*	SEK 5,000,000
Katarina Berner Frösödal	Executive Vice President, Central Personnel and responsible for CSR	1956	1979	20,033, of which 20,033 in indirect holdings*	SEK 5,545,428
Anders Bouvin	Executive Vice President, CEO Handelsbanken UK	1958	1985	11,700, of which 11,700 in indirect holdings*	SEK 5,545,428
Michael Broom	Senior Vice President, Head of Regional Bank South West Great Britain	1959	2009	162, of which 162 in indirect holdings*	SEK 1,131,799
Annika Brunnéd	Senior Vice President, Head of Regional Bank Northern Sweden	1964	1984	12,092, of which 12,092 in indirect holdings*	SEK 3,763,599
Michael Green	Executive Vice President, Handelsbanken Capital Markets	1966	1994	4,021, of which 4,021 in indirect holdings*	SEK 5,545,428
Jan Häggström	Senior Vice President, Economic Research	1949	1988	7,352, of which 7,352 in indirect holdings*	SEK 3,763,599
Ulf Köping-Höggård	Senior Vice President, Central Legal Department	1949	1990	6,291, of which 6,291 in indirect holdings*	SEK 3,763,599
Anders H Johansson	Executive Vice President, Central IT	1955	1999	2,444, of which 2,444 in indirect holdings*	SEK 5,545,428
Lars Kahlund	Executive Vice President, Central Credit Department	1954	1975	30,843, of which 30,843 in indirect holdings*	SEK 5,545,428
Johan Lagerström	Senior Vice President, Corporate Communications	1961	2002	2,280, of which 1,883 in indirect holdings*	SEK 3,763,599
Rainer Lawniczak	Senior Vice President, Forestry and Farming	1958	1982	15,969, of which 15,969 in indirect holdings*	SEK 4,654,514
Agneta Lilja	Senior Vice President, Central Infrastructure	1961	1985	11,466, of which 11,466 in indirect holdings*	SEK 3,763,599
Katarina Ljungqvist	Executive Vice President, Head of Regional Bank Western Sweden	1965	1989	6,486, of which 6,486 in indirect holdings*	SEK 1,131,799
Simon Lodge	Senior Vice President, Head of Regional Bank Southern Great Britain	1958	2004	775, of which 775 in indirect holdings*	SEK 4,654,514

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

¹ See note G37.

Name	Position	Year of birth	Employed	Shareholdings	Personnel convertible bond ¹ 2011
Stefan Nilsson	Senior Vice President, Head of Regional Bank Eastern Sweden	1957	1980	18,519, of which 18,519 in indirect holdings*	SEK 1,131,799
Claes Norlén	Executive Vice President, Chairman of regional bank board	1955	1978	23,599, of which 23,018 in indirect holdings*	SEK 4,654,514
Anders Ohlner	Executive Vice President, Head of Regional Bank Southern Sweden	1955	1985	10,280, of which 9,780 in indirect holdings*	SEK 3,763,559
John Parker	Senior Vice President, Head of Regional Bank Northern Great Britain	1955	2006	452, of which 452 in indirect holdings*	SEK 1,131,799
Ulf Riese	Executive Vice President, CFO, Group Finance, Investor Relations	1959	1983	45,293, of which 14,555 in indirect holdings*	SEK 5,545,428
Håkan Sandberg	Executive Vice President, Chairman of subsidiaries and regional bank board	1948	1969	5,329, of which 239 in indirect holdings*	SEK 4,654,514
Göran Stille	Senior Vice President, Head of Regional Bank Central Great Britain	1966	1987	2,838, of which 2,838 in indirect holdings*	SEK 4,654,514
Mikael Sørensen	Executive Vice President, CEO Regional Bank Netherlands	1966	1994	1,480, of which 1,480 in indirect holdings*	SEK 1,131,799
Dag Tjernsmo	Executive Vice President, CEO Regional Bank Norway	1962	1988	3,675, of which 3,675 in indirect holdings*	SEK 4,000,000
Klas Tollstadius	Senior Vice President, Central Board Secretary, Corporate Governance and contacts with public authorities	1954	1991	5,922, of which 5,922 in indirect holdings*	SEK 3,327,257
Magnus Ugglå	Executive Vice President, Handelsbanken International	1952	1983	44,612, of which 14,612 in indirect holdings*	SEK 3,763,599
Frank Vang-Jensen	Executive Vice President, CEO Regional Bank Denmark	1967	1998	1,402, of which 1,402 in indirect holdings*	SEK 4,000,000
Pontus Åhlund	Senior Vice President, Head of Regional Bank Central Sweden	1963	1983	10,653, of which 9,653 in indirect holdings*	SEK 3,763,599
Carina Åkerström	Executive Vice President, Head of Regional Bank Stockholm	1962	1986	6,562, of which 6,562 in indirect holdings*	SEK 5,545,428

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

¹ See note G37.

Independent control functions (not members of Group Management)

Maria Hedin	Senior Vice President, Independent Risk Control	613, of which 531 in indirect holdings*	SEK 155,454
Luciana Pacor Hygrel	Senior Vice President, Central Compliance	19,237, of which 19,234 in indirect holdings*	SEK 750,000
Tord Jonerot	Senior Vice President, Central Audit	6,209, of which 6,209 in indirect holdings*	SEK 4,654,514

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

¹ See note G37.

Auditor's report

To the annual meeting of the shareholders of Svenska Handelsbanken AB (publ)
Corporate identity number 502007-7862

REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of Svenska Handelsbanken AB (publ) for the year 2013, included in the printed version of this document on pages 7–175.

Responsibilities of the Board of Directors and the Chief Executive for the annual accounts and the consolidated accounts

The Board of Directors and the Chief Executive are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and for the fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Chief Executive determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from material misstatements. During the year, the Bank's internal audit department has continuously examined the internal controls and accounts. We have received the reports that have been prepared.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Directors' report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive of Svenska Handelsbanken AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Chief Executive

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Chief Executive are responsible for administration under the Companies Act and the Banking and Financing Business Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Chief Executive is liable to the company. We also examined whether any member of the Board of Directors or the Chief Executive has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the Chief Executive be discharged from liability for the financial year.

STOCKHOLM, 14 FEBRUARY 2014

KPMG AB
Stefan Holmström
Authorised Public Accountant

Ernst & Young AB
Erik Åström
Authorised Public Accountant

