

# Corporate governance report

Extract from Handelsbanken's annual report for 2011

2011



SVEENSKA HANDELSBANKEN

# Corporate governance report

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

This corporate governance report is an extract from Handelsbanken's statutory annual report. The corporate governance report has been examined by the Bank's auditors and this examination is included in the audit report.

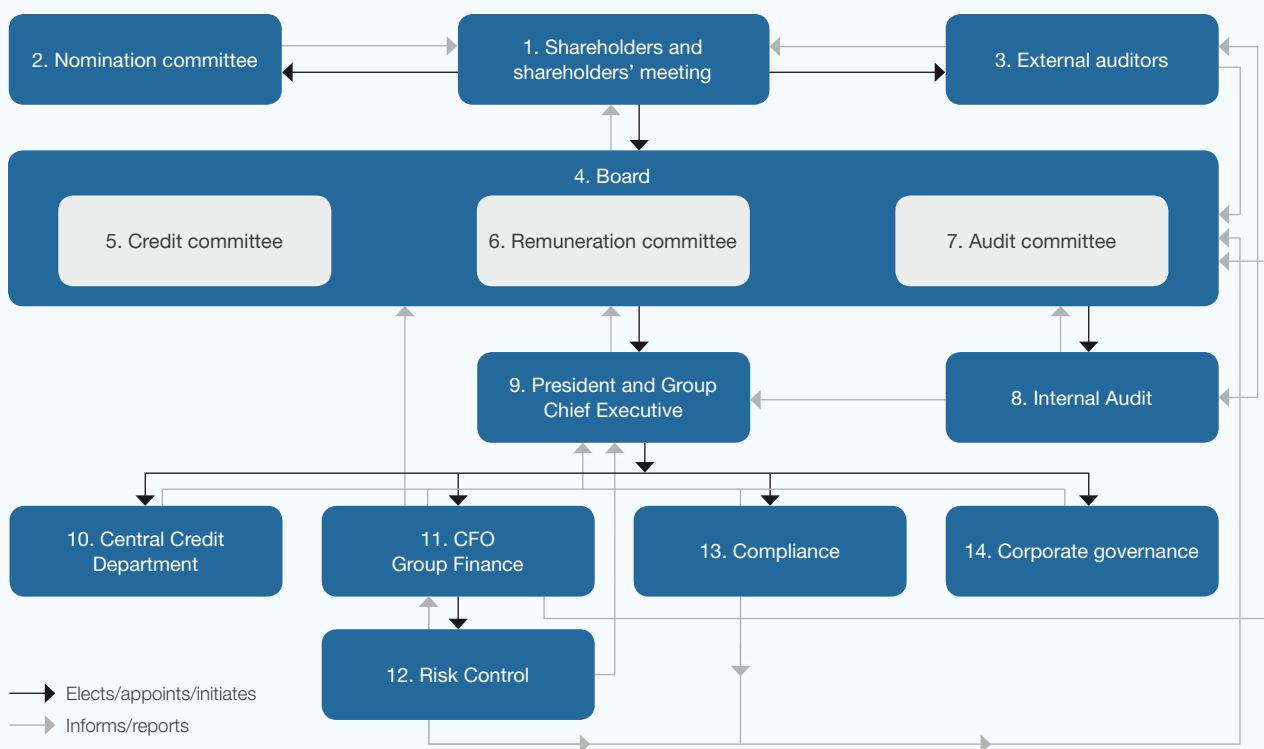
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# Corporate governance structure

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

## CORPORATE GOVERNANCE STRUCTURE – AN OVERVIEW



### 1. SHAREHOLDERS AND SHAREHOLDERS' MEETING

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

### 2. NOMINATION COMMITTEE

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

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

### 3. EXTERNAL AUDITORS

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

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

### 4. THE BOARD

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

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

#### 5. CREDIT COMMITTEE

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

#### 6. REMUNERATION COMMITTEE

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

#### 7. AUDIT COMMITTEE

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

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

#### 8. INTERNAL AUDIT

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

#### 9. PRESIDENT AND GROUP CHIEF EXECUTIVE

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

#### 10. CENTRAL CREDIT DEPARTMENT

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

#### 11. GROUP FINANCE

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

#### 12. RISK CONTROL

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

#### 13. COMPLIANCE

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

#### 14. CORPORATE GOVERNANCE

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

## CORPORATE GOVERNANCE AT HANDELSBANKEN

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

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

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

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

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

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

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

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

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

## SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

### Rights of shareholders

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

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

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

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

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

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

### 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
- the articles of association
- information about the nomination committee
- information from previous AGMs from 2004 onwards.

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

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

#### Major shareholders

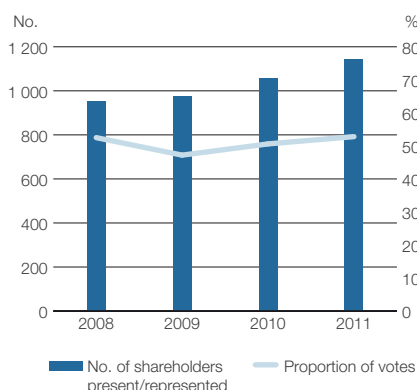
Two shareholders have more than 10 per cent of the votes: AB Industrivärden, with 11.08 per cent, and the Oktogonen Foundation, with 10.48 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 41.

#### Annual general meeting 2011

The AGM took place on 23 March 2011.

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

#### Attendance at AGMs



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

The decisions made by the shareholders at the meeting included:

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

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

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

#### Nomination committee

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

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

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

#### Composition of nomination committee and voting representation

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

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

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

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

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

### Auditors

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

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

### THE BOARD

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

### Composition of the Board

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

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

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

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

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

### Regulations governing the Board's work

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

### Chairman of the Board

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

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

### Committee work

#### CREDIT COMMITTEE

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

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



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

The credit committee held 12 meetings during 2011.

#### AUDIT COMMITTEE

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

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

The audit committee held five meetings during 2011.

#### REMUNERATION COMMITTEE

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

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

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

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

The remuneration committee held 11 meetings during 2011.

#### The Board's work in 2011

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

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

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

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

#### PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

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

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

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

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

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

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

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

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

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

#### Compensation principles

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

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

#### Fundamental compensation principles

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

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

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

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

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

#### Principles for compensation to senior management

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

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

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

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

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

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

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

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

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

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

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

#### Variable compensation

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

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

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

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

#### Policy documents

##### CREDIT POLICY

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

##### POLICY FOR OPERATIONAL RISKS

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

##### FINANCIAL POLICY

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

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

##### CAPITAL POLICY

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

##### FINANCIAL RISK POLICY

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

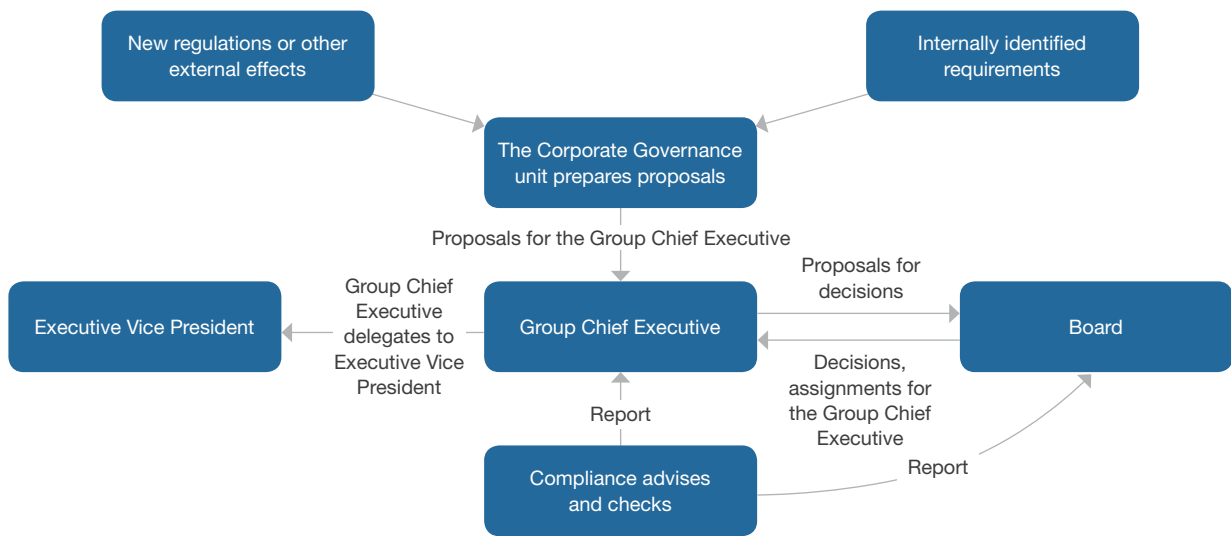
##### INFORMATION POLICY

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

##### ETHICAL GUIDELINES

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

Production and follow-up of corporate governance documents



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

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

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

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

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

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

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

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

in accordance with any licences linked to the operations.

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

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

#### COMPENSATION POLICY

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

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

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

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

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

#### Group Management and Group Management structure

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

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

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

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

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

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

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

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

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

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

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

#### Internal Audit

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

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

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

#### Compliance

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

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

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

#### Risk Control

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

#### Organisation for internal control

##### RESPONSIBILITIES

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

##### CONTROL

Central independent risk control  
Central Credit Department  
Compliance

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

##### REVIEW & EVALUATION

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

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

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

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

#### Control environment

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

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

#### Risk assessment

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

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

#### Control activities

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

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

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

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

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

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

ability of information in the business systems.

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

#### Information and communication

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

#### Follow-up

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

# Board members



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

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

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

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

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





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

# Group Management

## and Compliance and Internal Audit

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

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

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

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

## Compliance and Internal Audit

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

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

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

# Auditor's report

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

## REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of Svenska Handelsbanken AB (publ) for the year 2011 included on pages 9–165.

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

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

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from material misstatements. During the year, the Bank's internal audit department has continuously examined the internal controls and accounts. We have received the reports that have been prepared. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

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

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, the consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Directors' report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

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

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In addition to our audit of the annual accounts and the consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive of Svenska Handelsbanken AB (publ) for the year 2011.

#### **Responsibilities of the Board of Directors and the Chief Executive**

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

#### **Auditor's responsibility**

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

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

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

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

#### **Opinions**

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

STOCKHOLM, 17 FEBRUARY 2012

KPMG AB  
Stefan Holmström  
*Authorised Public Accountant*

Ernst & Young AB  
Erik Åström  
*Authorised Public Accountant*





