

# Annual Report 2013

**Handelsbanken**

# This is Handelsbanken

Handelsbanken is a full-service bank for both private and corporate customers. The Bank has a nationwide branch network in Sweden, the UK, Denmark, Finland, Norway and the Netherlands. The Bank regards these countries as its home markets. Handelsbanken was founded in 1871 and has operations in 24 countries.

**142**  
years of availability.

**810**  
offices in 24 countries.

**42**  
years running with better profitability than the average of peer banks in home markets.

**25**  
years with the most satisfied customers according to Swedish Quality Index (SKI)\*.

## SATISFIED CUSTOMERS IN OUR HOME MARKETS

Every year, Swedish Quality Index (SKI) and its associated organisation EPSI carry out independent surveys of customer satisfaction, based on a European standard. The results for 2013 showed that Handelsbanken had the most satisfied customers in Sweden. Handelsbanken also had top positions in all its home markets, among both private and corporate customers.

## STRONGEST BANK IN EUROPE

In spring 2013, the international news agency Bloomberg published its review of the strongest banks in the world. The results showed that Handelsbanken, at number eleven in the list,

is one of the 15 strongest banks in the world and the strongest bank in Europe. This success is proof that Handelsbanken's long-term business model is of high quality. Bloomberg used five different financial measures to reach the result. These included financial strength, the ability to manage risk and cost efficiency. 78 banks with assets of at least USD 100 billion were included in the ranking.

## FUNDING MARKET – POSITION CONTINUES TO BE STRONG

In 2013, Handelsbanken continued to have the lowest funding costs of all the European banks.

This is illustrated by the fact that in 2013, the Bank had the lowest level for its CDS (Credit

Default Swap) which reflect its funding costs.

A CDS can be compared to a credit insurance premium which a lender pays to insure the claim on a borrower. The lower the risk level a bank has, the lower the insurance premium an investor pays to insure the credit risk it takes when buying the Bank's bonds. Handelsbanken has the lowest CDS level of the European banks and can therefore borrow money at the lowest cost in the funding market.

During the year, Handelsbanken continued to broaden and vary its funding sources, including to the domestic Japanese bond market.

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

# Highlights of the year

**The period's profit after tax** for total operations increased by 2 per cent to SEK 14,295 million (14,038); excluding the year of comparison's recalculation of deferred taxes, the increase was 16 per cent.

**Earnings per share** increased to SEK 22.52 (22.34).

**Operating profit** increased by 6 per cent to SEK 18,088 million (17,108) and increased in all home markets outside Sweden.

**Return on equity for total operations** decreased to 13.9 per cent (14.9); excluding the effect of the recalculation of deferred taxes in 2012, return on equity increased by 0.8 percentage points.

**Income increased** by 4 per cent to SEK 36,327 million (35,062).

**Net interest** income increased by 2 per cent to SEK 26,669 million (26,081) and in the home markets outside Sweden, net interest income increased by 17 per cent.

**The C/I ratio** improved to 47.0 per cent (47.6).

**The loan loss ratio** fell to 0.07 per cent (0.08).

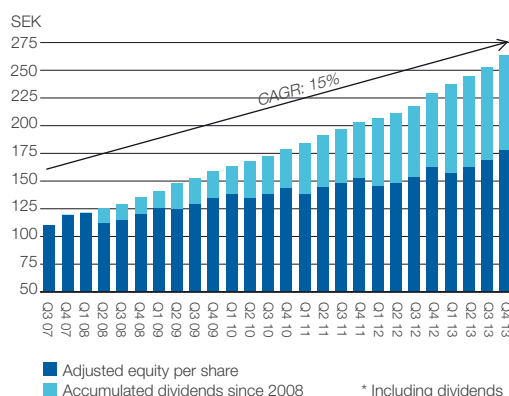
**The common equity tier 1 ratio according to Basel II** increased to 19.2 per cent (17.9) and the total capital ratio rose to 21.6 per cent (20.7).

**The common equity tier 1 ratio according to Basel III** was 18.9 per cent and the Bank continues to build up capital.

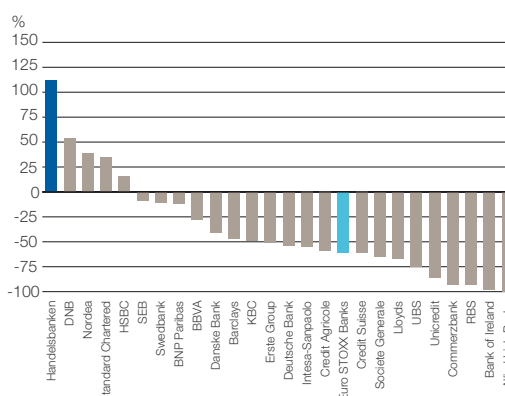
**The liquidity** reserve exceeded SEK 800 billion.

**The Board proposes a total dividend** of SEK 16.50 per share, with the ordinary dividend being SEK 11.50 per share (10.75).

Average growth in equity 2008–2013\*



Total return since the start of the financial crisis 31 December 2007–31 December 2013



Source: SNL, as at 31 December 2013 (dividends reinvested)

# Brief information about

## Handelsbanken's Annual General Meeting 2014

Location: Grand Hôtel, Winter Garden, Royal entrance, Stallgatan 4, Stockholm.

Time: Wednesday, 26 March 2014 at 10 a.m.

### Notice of attendance

Shareholders wishing to attend the AGM must be entered in the register of shareholders kept by Euroclear Sweden AB (formerly VPC AB), by Thursday, 20 March 2014 at the latest. Notice of attendance is to be made to Handelsbanken, Corporate Governance, Kungsträdgårdsgatan 2, SE-106 70 Stockholm, Sweden, telephone +46 (0)8 701 19 84, or via the Bank's website at [handelsbanken.se/ireng](http://handelsbanken.se/ireng) by Thursday, 20 March 2014 at the latest.

To be entitled to take part in the meeting, shareholders whose shares are nominee-registered must also request a temporary entry in the register of shareholders kept by Euroclear. Shareholders must notify the nominee of this well before Thursday, 20 March 2014, when this entry must have been effected.

### Dividend

The Board proposes that the record day for the dividend be Monday, 31 March 2014, which means that Handelsbanken's shares will be traded ex-dividend on Thursday, 27 March 2014. If the meeting resolves in accordance with the proposal, Euroclear expects to distribute the dividend on Thursday, 3 April 2014.

It is possible for private individuals who are domiciled in Sweden for tax purposes, to donate dividends to non-profit organisations without paying tax on them, under certain conditions. Shareholders who are interested in this must contact their bank or asset manager well in advance so that the gift can be registered prior to the AGM.

## Financial calendar 2014

5 February	Annual accounts 2013
26 March	Annual General Meeting
30 April	Interim report January–March 2014
17 July	Interim report January–June 2014
22 October	Interim report January–September 2014

## Financial information

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

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

## Distribution

The Annual Report can be ordered from Investor Relations, phone +46 (0)8 701 10 00 or online at [handelsbanken.se/ireng](http://handelsbanken.se/ireng) where other reports as listed above are also available.

Handelsbanken's printed annual report will be distributed to shareholders who are new for the year. A written request is then sent asking them how they wish to receive the report in future. A printed version is sent to all shareholders who reply in the affirmative.

## Annual Report including Sustainability Report

Handelsbanken's Annual Report for 2013 contains the Bank's complete Sustainability Report for 2013. The Sustainability Report is prepared in accordance with Global Reporting Initiatives (GRI) 3.0 guidelines for reporting and covers activities and results for the 2013 calendar year. Handelsbanken's Sustainability Report meets the information requirements of level C+ and this has been confirmed by the Bank's external auditors. Handelsbanken reports the Group's sustainability activities annually.

The report constitutes Handelsbanken's Communication on Progress for the UN Global Compact.

Additional information regarding Handelsbanken's sustainability activities is presented in an expanded GRI supplement, published on the Bank's website at [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

# Contents

<b>The Group Chief Executive's comments</b>	Local, digital and long-term	4
	<b>ADMINISTRATION REPORT GROUP</b>	
	Contents	7
	Concept and goal	9
	Goal achievement	10
	Our concept	12
	Organisation and working methods	14
	Available on the customer's terms	16
<b>Review of operations</b>	Financial overview 2013	19
	Review of operations	20
	Five-year overview Group	22
	Key figures per year	24
	Quarterly performance	25
	Business segments	26
	Branch operations in Sweden	28
	Branch operations in the UK	30
	Branch operations in Denmark	32
	Branch operations in Finland	34
	Branch operations in Norway	36
	Branch operations in the Netherlands	38
	Handelsbanken International	40
	Handelsbanken Capital Markets	42
	Handelsbanken's shares and shareholders	44
	Sustainability, employees and the environment	46
<b>Corporate Governance Report</b>	Corporate Governance Report 2013	49
	Contents	49
	Corporate Governance structure	50
	Board members	60
	Group Management and independent control functions	62
	<b>FINANCIAL REPORTS GROUP</b>	
	Contents	64
	Income statement Group	65
	Statement of comprehensive income Group	66
	Balance sheet Group	67
	Statement of changes in equity Group	68
	Group	69
	Cash flow statement Group	70
	Notes Group	
	<b>ADMINISTRATION REPORT PARENT COMPANY</b>	141
	<b>FINANCIAL REPORTS PARENT COMPANY</b>	
	Contents	142
	Income statement Parent company	143
	Statement of comprehensive income Parent company	143
	Balance sheet Parent company	144
	Statement of changes in equity Parent company	145
	Cash flow statement Parent company	146
	Five-year overview Parent company	147
	Notes Parent company	149
	<b>RECOMMENDED APPROPRIATION OF PROFITS</b>	
	Recommended appropriation of profits	175
	<b>AUDITOR'S REPORT</b>	
	Auditor's report	176
	<b>SUSTAINABILITY REPORT</b>	
	Contents	178
	Sustainability at Handelsbanken	179
	Key figures for sustainability work	180
	Our concept and organisation	182
	Customers	184
	Employees	186
	Shareholders	189
	Society	190
	Initiatives, awards indexes and surveys	198
	Content and restrictions	200
	GRI index	201
	Auditor's report	203
	<b>CONTACT INFORMATION</b>	
	Contents	205
	Contact information	206
	Branches and branch managers	208
	Boards of subsidiaries	215
	<b>OTHER</b>	
	Definitions and explanations	216

# Local, digital and long-term

- Operating profit for 2013 was SEK 18.1 billion. Earnings per share were SEK 22.52.
- Handelsbanken's return on equity for total operations was 13.9 per cent.
- The C/I ratio - our expenses divided by our income - was 47.0 per cent.
- The capital base was SEK 106 billion and the capital ratio according to Basel II was 21.6 per cent.
- For many years, Handelsbanken's equity, including dividends paid and share repurchases, has grown by an average of 15 per cent per year.
- There has not been a single quarter during the past eight years when return on equity - after loan losses and tax - has fallen below 12 per cent.
- We have more satisfied customers - both private and corporate - than the average for the sector on all our home markets. On several of them we have the most satisfied customers of all.

## A LONG-TERM APPROACH AND GROWTH

Handelsbanken started its operations in 1871, and since then - for 142 years - has grown branch by branch, customer by customer. We work without budgets, central sales targets, or broad, traditional marketing. Instead, we apply a highly decentralised working model, where each branch has a high degree of autonomy on its local market. Consequently, it is our branch managers who take the majority of important business decisions in the Bank. Other units at Handelsbanken are organised to support the branches' business in various ways.

We grow primarily by opening branches in locations where we currently have no presence. A newly opened branch needs 1-2 years before it shows positive cash flow. After this, the branch's income usually grows much more rapidly than its expenses. In exceptional circumstances, we supplement this organic growth model by acquiring small, well-run players - if they fit in with our business model and corporate culture.

A long-term approach is characteristic of the Bank as a whole - in everything from our commitment and how we build up and nurture our customer relationships to our view of our staff. And it applies particularly to our idea of how we aim to run our Bank.

This long-term approach is the basis of our ownership structure: the Bank's largest shareholders have long been the investment company Industrivärden - founded by Handelsbanken in 1944 - and the Bank's employees, via the Oktogonen staff foundation. Stable, long-term owners make a stable, long-term Bank.

For a long time, Handelsbanken has created value for its shareholders. For many years, Handelsbanken's equity, including dividends paid, has grown by an average of 15 per cent per year. We have not asked our shareholders for new capital, nor have we accepted state support.

## SATISFIED CUSTOMERS IN A RESPECTED BANK

At Handelsbanken we are convinced that sustainable long-term growth and shareholder value can only be achieved if we create long-term value for the Bank's customers at the same time.

In 2013, Handelsbanken again had the most satisfied customers of the four major banks in Sweden, according to the SKI/EPFI independent research institute. The results also show that the gap compared to the other major banks has widened. Handelsbanken also achieved top positions in our home markets in the Nordic countries, the UK and the Netherlands, among both private and corporate customers.

For 2013, Handelsbanken was acclaimed Bank of the Year by the Swedish business magazine *Privata Affärer*, the third time in five years that we had won the award. The UK magazine *The Banker* also named us Bank of the Year for 2013.

Every year, the TNS-Sifo research company measures the reputation that various companies have among the Swedish public. For 2013, Handelsbanken was one of the ten companies in Sweden with the best reputation, regardless of the sector.

## THE REALLY LARGE CORPORATES' BANK - AS WELL

In the past year, Handelsbanken has reinforced its position as the really large corporates' bank. For the third year running we were named Swedish Business Bank of the Year by *Finansbarometern*, an award based on opinions from senior corporate managers. The participants also named their company's main bank. In the category for the very largest companies, over 30 per cent of respondents named Handelsbanken.

These customers appreciate our high availability - particularly the fact that the person you talk to at the branch also has a mandate to take decisions at the Bank. The fact that we are Scandinavia's most international bank, with branches and offices in 24 countries globally, provides another form of availability: we are already present where our corporate customers have - or wish to start - their operations.

For medium-sized and owner-managed companies, Handelsbanken has long been the leading bank in Sweden.

Another parameter is our financial strength. Bloomberg ranks us as one of the world's ten strongest banks - and the strongest in Europe - meaning that we never have to say no to business that we and our corporate customers wish to do.

## GOOD PROFITABILITY LEADS TO GOOD TERMS

This financial strength has meant that the Bank has always had good access to its funding sources, even when the financial markets have been closed to most players.

An important reason for this is Handelsbanken's profitability - our ability to generate strong long-term value growth, regardless of the economic situation. For many decades, Handelsbanken has reported higher profitability than the average of peer banks in our home markets. This profitability has been utilised for growth and has enabled us to show a stable balance sheet over the long term. Solid finances provide the Bank not only with good access to the market, but also with one of the absolute lowest funding costs on the market.

To increase the financial system's resistance in our home markets, politicians and supervisory authorities have drawn up new regulations which are coming into force in stages from early 2014, to be fully implemented by 2018, according to current timetables.

### LONG TRADITION OF SUSTAINABILITY

Being financially stable is not just a business benefit for our customers and ourselves, it is also a way of assuming responsibility in the society where we operate. We grow at the rate our customers grow; we build for the long term, with low risk tolerance so that we avoid exposing society to unnecessary strain, in the form of government support measures, for example.

Sustainability and corporate social responsibility (CSR) are also deeply rooted in Handelsbanken's culture and working method. In addition to our internal steering documents and guidelines that govern Handelsbanken's actions, the Bank is also a member of the voluntary initiatives Global Compact and Principles of Responsible Investment (PRI), both UN initiatives directed at companies. Handelsbanken continues to support these initiatives which are in keeping with the values and principles already applying at Handelsbanken.

### LOCAL AND DIGITAL

Today, customers can manage almost all their personal finances via one of Handelsbanken's digital platforms. Customers can make decisions based on information obtained from a few clicks on their screen, and can then, for example, buy a mutual fund portfolio.

But people want to meet people, which is particularly true when it comes to taking a major financial decision. People want to discuss things and listen to what someone has to say – preferably someone who lives in the same town and knows the local conditions – everything from house prices to infrastructure for local companies. Someone who is familiar with things, and who can explain so you understand.

The Bank's very low external staff turnover results in employees with long experience of the Bank and the local business environment. This builds local relations and contributes to customer meetings based on trust.

Remarkably often, customers visit our branches due to a trivial, spontaneous need, on the spot – a simple transaction, which the customer might normally do digitally, but this time chose to do at the branch. Thus we now let these two worlds meet at the branch, to an increasing extent. The customer and our employee log on to the customer's online banking service, and the business is completed in the customer's own digital environment. This need to sometimes meet face-to-face, despite all the technical solutions, will surely change – but never disappear. So Handelsbanken will continue to develop its services both digitally and locally.

### OUR HOME MARKETS

Today, Handelsbanken has six home markets: Sweden, Norway, the UK, Denmark, Finland and the Netherlands. On these markets we strive to be a full-service bank with a nationwide branch network.

#### Sweden

Handelsbanken in Sweden has grown on a market with relatively weak demand. In 2013, our savings business grew, both the volume of household deposits as well as our market share of mutual funds savings. Our credit volumes are also increasing.

#### Norway

During our 25 years in Norway we have grown steadily, and today Handelsbanken is one of the country's three largest banks. In 2013, we again saw growth, with volumes increasing on both the corporate and private market.

#### UK

In 2013 we maintained our expansion in the UK. We opened 28 branches, and to ensure that new and existing branches continue to receive strong support, a new regional bank was also established – the fourth in the UK. Handelsbanken's business volumes in the UK continued to grow, with mortgage loans and deposits showing a particularly strong performance.

#### Denmark

The Danish banking market had another difficult year, with demand being weak. In 2013, Handelsbanken again had the most satisfied customers

on this market, on both the corporate and the private side. We have also won the confidence of many good new customers, and have increased our credit volumes on the corporate and private market alike.

#### Finland

In Finland, several banks were reorganised during the year, with branches being closed. Handelsbanken, on the other hand, plans to establish one or more new branches. Despite the weakness of the Finnish economy, Handelsbanken's income has grown. Volumes for private lending have grown more rapidly than for the market as a whole.

#### Netherlands

In our newest home market, we continued to grow; during the year, five new branches were opened, and we are now present in 18 locations, well spread across the country. In addition, during the year, SKI/EPSI conducted an independent survey of customer satisfaction with banks in the Netherlands. Here, too, Handelsbanken was the bank with the most satisfied customers – and in the Netherlands the gap between us and our competitors is wider than on any other of our home markets.

### WE'VE BECOME A LITTLE BETTER

We have good reason to feel confident in our Bank and how we run it. But our pride in what we have achieved so far will never diminish our efforts to constantly become better. Our savings business is a case in point. In recent years, major efforts have been made in this area, and in 2013 they yielded clear results.

For the fourth year running, our fund management company had by far the highest net inflow. At the same time, the Bank's mutual funds have become established among the top ratings of the Morningstar research company. Our private banking service has again been acclaimed best on the market. In Norway we have substantially advanced our position in discretionary management, and in the UK the acquisition of Heartwood was completed during the year so we can now offer UK customers very advanced wealth management solutions. And these are just a few examples.

The work of further improving our offering in the savings area will continue.

### MORE CHALLENGES

Another constant challenge is to continuously adapt our Bank to our customers' new requirements for where, when and how they wish to do their business with us, without compromising on what characterises Handelsbanken – the aspects of simplicity, personal service and local presence.

We must simply continue to be Handelsbanken – only slightly more, slightly better than in the past, and constantly in step with new customer behaviour and business logic.

To achieve this, we must naturally also work with ourselves. Our focus on developing our staff will continue. Our gender equality work has been acclaimed with prestigious awards, but there is still a great deal to do, particularly in our employees' day-to-day work situations.

We will also broaden our recruitment base, not only to take in new skills to meet new types of challenge, but also in terms of diversity, so that we become a Bank that even better reflects the society in which we work.

### FINALLY

Summing up the past year, Handelsbanken continued to grow, with increasing income and the most satisfied customers. Looking back on 2013, it is clear that the Bank's healthy profit is the result of hard work by all our employees, and therefore I would like to extend my sincere thanks to them.

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

Pär Boman  
Stockholm, February 2014





# Administration Report

<b>CONTENTS</b>	
Concept and goal	9
Goal achievement	10
Our concept	12
Organisation and working methods	14
Available on the customer's terms	16
<b>FINANCIAL OVERVIEW 2013</b>	<b>19</b>
<b>REVIEW OF OPERATIONS</b>	<b>20</b>
<b>FIVE-YEAR OVERVIEW GROUP</b>	<b>22</b>
<b>KEY FIGURES PER YEAR</b>	<b>24</b>
<b>QUARTERLY PERFORMANCE</b>	<b>25</b>
<b>BUSINESS SEGMENTS</b>	<b>26</b>
Branch operations in Sweden	28
Branch operations in the UK	30
Branch operations in Denmark	32
Branch operations in Finland	34
Branch operations in Norway	36
Branch operations in the Netherlands	38
Handelsbanken International	40
Handelsbanken Capital Markets	42
<b>HANDELSBANKEN'S SHARES AND SHAREHOLDERS</b>	<b>44</b>
<b>SUSTAINABILITY, EMPLOYEES AND THE ENVIRONMENT</b>	<b>46</b>
<b>CORPORATE GOVERNANCE REPORT 2013</b>	<b>49</b>
Contents Corporate Governance Report	49
Corporate Governance structure	50
Board members	60
Group Management and independent control functions	62



## Concept

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

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

## Goal

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

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

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

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

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

# Goal achievement

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

## OVERALL GOALS

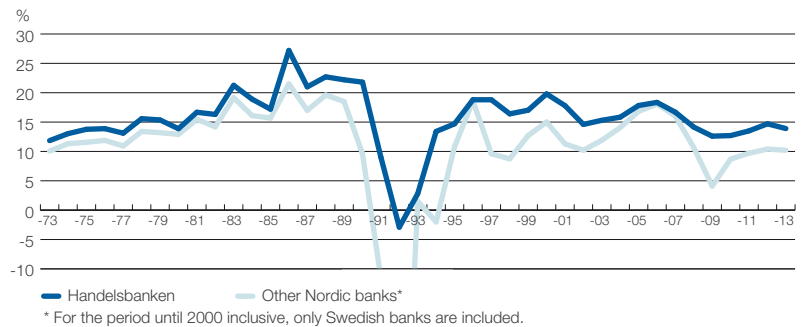
### Corporate goal

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

### Goal achievement

Handelsbanken's return on equity for total operations was 13.9 per cent (14.9). The corresponding figure for a weighted average of other major Nordic banks was 10.2 per cent (10.4). This meant that for the 42nd consecutive year, Handelsbanken met its corporate goal.

Return on equity, 1973–2013



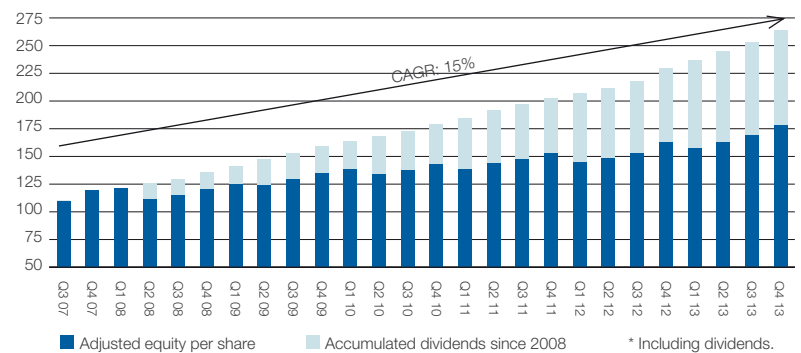
## STABLE, HIGH VALUE GROWTH

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

### Outcome

Average growth in equity, including dividends and share repurchases, has been 15 per cent each year for the past six years. The low variation between the quarters confirms the Bank's low risk tolerance and is a measure of the stability of the value creation.

Average growth in equity per share, SEK 2008–2013\*



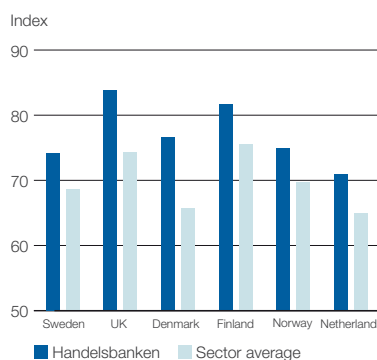
## MOST SATISFIED CUSTOMERS

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

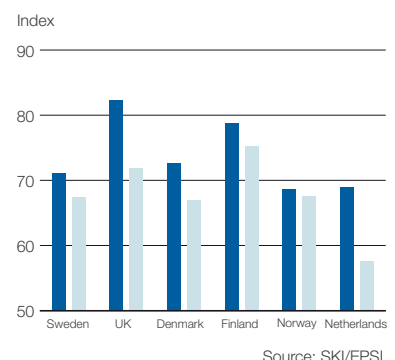
### Outcome

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

Customer satisfaction – Private customers 2013



Customer satisfaction – Corporate customers 2013



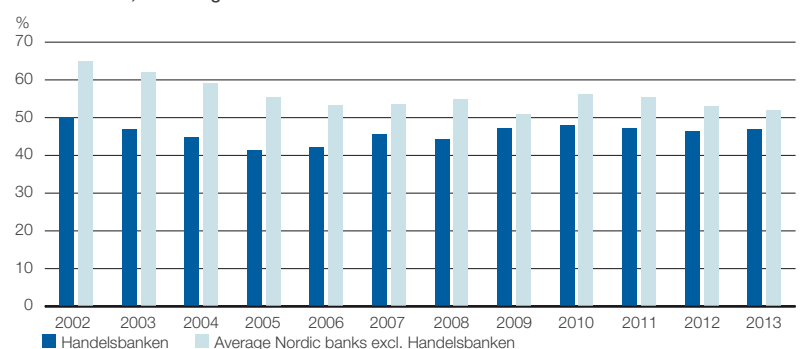
## MOST COST-EFFECTIVE BANK

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

### Outcome

Handelsbanken's costs in relation to income for continuing operations improved to 47.0 per cent (47.6). The corresponding figure for an average of other major Nordic banks was 52.1 per cent (53.0). As in previous years, Handelsbanken had the highest cost-effectiveness of the major listed Nordic banks.

Costs/income, excluding loan losses 2002–2013



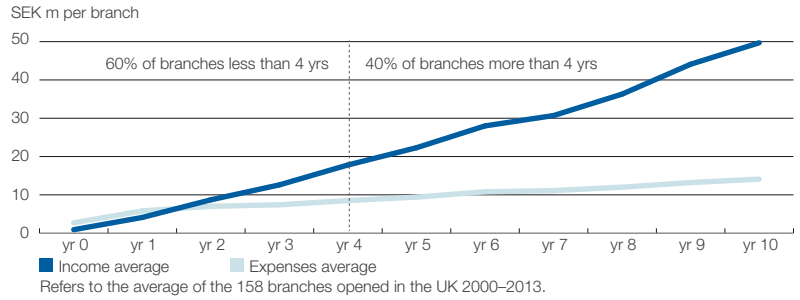
**GROWTH**

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

**Outcome**

In 2013, Handelsbanken opened 37 new branch offices in its home markets: two in Sweden, 28 in the UK, two in Denmark, two in Norway and five in the Netherlands.

**Income and cost performance, new branches in the UK**



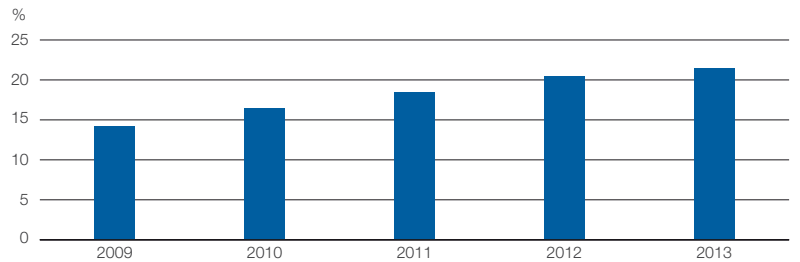
**CAPITAL**

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

**Outcome**

During the year, the tier 1 ratio according to Basel II increased to 21.5 per cent (20.4). The core tier 1 ratio according to Basel II rose to 19.2 per cent (17.9).

**Tier 1 capital ratio 2009–2013**



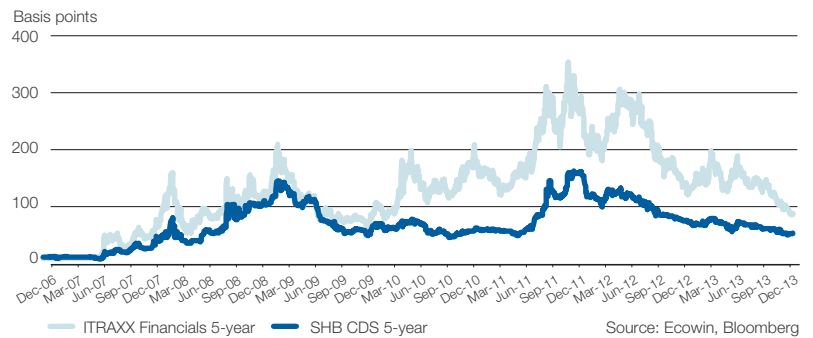
**LIQUIDITY AND FUNDING**

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

**Outcome**

The issue volume for long-term funding during the year amounted to SEK 281 billion, comprising SEK 173 billion in covered bonds, SEK 68 billion in senior bonds and SEK 40 billion in extendible notes in the American market. At the end of the year, the total liquidity reserve exceeded SEK 800 billion. The Bank's funding costs and five-year CDS spread continued to be among the very lowest in the European banking market.

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



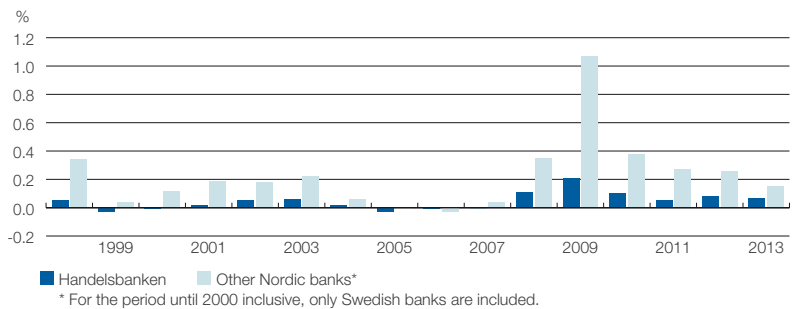
**CREDIT QUALITY**

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

**Outcome**

Loan losses were SEK -1,195 million (-1,251). Loan losses as a proportion of lending were 0.07 per cent (0.08). The corresponding figure for other major Nordic banks was 0.15 per cent (0.26).

**Loan losses as a percentage of lending 1998–2013**



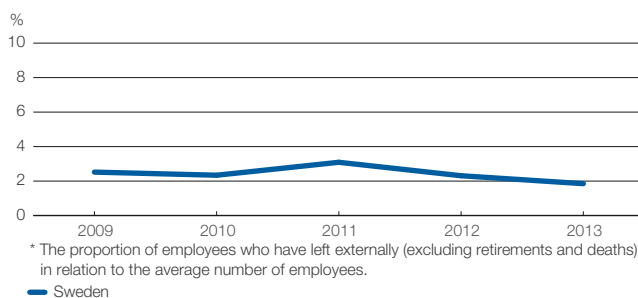
**A LONG-TERM PERSPECTIVE**

The Bank takes a long-term approach to customer relations and to its employees, and sees each employment as an important investment.

**Outcome**

External staff turnover continued to be low and was 1.8 per cent in Sweden.

**External staff turnover 2009–2013\***



**RATING**

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

**Outcome**

During the year, Handelsbanken's short-term and long-term ratings with the rating agencies which monitor the Bank were unchanged.

**Ratings of Nordic banks**

31 December 2013	Standard & Poor's		Fitch		Moody's		
	Long-term	Short-term	Long-term	Short-term	Financial strength*	Long-term	Short-term
Handelsbanken	AA-	A-1+	AA-	F1+	C	Aa3	P-1
SEB	A+	A-1	A+	F1	C-	A1	P-1
Nordea	AA-	A-1+	AA-	F1+	C	Aa3	P-1
Swedbank	A+	A-1	A+	F1	C-	A1	P-1
Danske Bank	A-	A-2	A	F1	C-	Baa1	P-2
DNB	A+	A-1	A+	F1	C-	A1	P-1

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

# Our concept

Handelsbanken is a full-service bank where personal meetings with our customers are key.

We have a decentralised way of working and a strong local presence through nationwide branch networks.

The Bank attaches great importance to availability and long-term customer relations, has low tolerance of risks and achieves international growth by applying its business model to selected markets.

Handelsbanken has been conducting banking operations since 1871 and has the oldest listed share on the Stockholm stock exchange. Our goal is to have better profitability than the average of peer banks in our home markets. The goal is mainly achieved by the Bank having lower costs and more satisfied customers than its competitors.

Our idea of how we should run our bank is based on trust and respect for individuals. This is why we are decentralised. This approach leads to better, quicker decisions close to the customer, and creates commitment and the opportunity for our employees to make an impact and do an even better job. This in turn helps the Bank to gain more satisfied customers.

The whole of a bank's business is based on trust. Our customers have chosen us because they trust us and have confidence in the way we do banking.

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“Our customers meet the person who will make the decision, not a messenger.”

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In short, our customers attach great importance to the fact that we are available, simple to deal with, and show understanding and care when interacting with them. With more than 140 years' experience, we have learned what is important to the Bank's customers.

Slightly simplified, the basis of our method of building and running Handelsbanken has several important elements as follows:

## CUSTOMER MEETINGS

All important business decisions should be taken as close to the customer as possible. This contributes to better decisions and more satisfied customers: our customers meet the person who will make the decision, not a messenger. This gives a sound basis for successful customer meetings – both at branches and our other meeting-places. The customer's trust is built up over the long term, but is won and

nurtured at every meeting. By winning its customers' trust, Handelsbanken becomes their natural choice as a provider of financial services. Therefore, meetings with customers are key to Handelsbanken's operations.

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“We like to say that we should give the customer 'the keys to the Bank'.”

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## Availability

We put a great deal of effort into being available for our customers and this is a major component in Handelsbanken's method of banking. We don't close branches – instead we open new ones. In Sweden, Handelsbanken Direkt Personal Service is always open, and is staffed by professional bankers to help customers by phone – 24 hours a day, 365 days a year.

We constantly strive to develop and improve our meeting-places and to increase the level of availability for our customers. This applies at our branches, online, and at new digital meeting-places, such as services in the form of apps (mobile applications) for smartphones and tablets.

## Simplicity

When a customer gets in contact with us, the meeting should be simple and unbureaucratic. For example, regardless of how the customer contacts us, we aim to have the same range of services in our various meeting-places. This means that it should be possible to do the same type of business with the Bank, regardless of whether the customer visits their local branch, calls us, or logs on to one of our digital meeting-places. Therefore, we are constantly working to develop and improve the Bank's technical solutions.

Several new technical solutions were launched during the year involving simplifications for our customers. For example, a new online service has been launched with better, more efficient functions and services. Mobile payment solutions have also been developed

for both personal and corporate customers and new electronic signature technology has been developed to make customer meetings easier.

## Care

In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. It is through these meetings that the Bank creates, maintains and develops strong, long-term customer relationships.

One example which creates the right conditions for customers to regard us as “the best bank in town” is that we still handle cash and that we do not close branches. On the contrary, we develop the Bank's meeting-places – since this is what our customers want.

When we meet our customers, it is not just a matter of solving their everyday banking needs in a simple way. We always focus on the customer's needs and our aim is that they should feel that our service is caring.

## Decentralised decisions

Handelsbanken's constant aim is that all important business decisions should be taken as close to the customer as possible. This contributes to better meetings with customers, better decisions and more satisfied customers.

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“We don't close branches – instead we open new ones.”

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Every branch of Handelsbanken is led by a manager who is solely responsible for all banking business in his/her local area of operations. The branches' independence gives them a very strong local presence, with long-term customer relationships. In addition, short decision paths make it possible to adapt more quickly to various changes in local markets and make the most of new business opportunities.

## Skilled staff

Handelsbanken's decentralised method of working means that we give our staff a high

degree of responsibility and authority to conduct customers' business. This high degree of trust is based on a belief in people's willingness and ability to constantly become more skilled in their work and in their efforts to seek and overcome new challenges.

#### The keys to the Bank

Almost all our customer relations started at the customer's branch, but customers meet Handelsbanken far more often on the phone, via their smartphones, tablet devices or online. The goal is for customers to be able to move freely between our various meeting-places and do their banking business when it suits them best. We like to say that we should give the customer "the keys to the Bank".

#### A full range of products and services

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

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

“Handelsbanken primarily grows by opening new branches in locations where the Bank has not previously had operations.”

#### Our best advice

Regardless of the meeting-place, we always give the customer our best advice without looking at what is the most profitable product for Handelsbanken in the short term. Our employees who meet customers are not paid variable compensation, either in the form of bonuses or

commission, and therefore have no financial incentive to convince the customer that a certain service or product suits them best.

By giving our best advice, we build trusting, long-term relationships with every customer. It is the customer's needs that are important.

#### PROFITABILITY BEFORE VOLUMES

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

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

#### ORGANIC GROWTH

In order for Handelsbanken to achieve and retain high profitability, growth is also necessary. Handelsbanken primarily grows by opening new branches in locations where the Bank has not previously had operations. In this way, Handelsbanken grows customer by customer, branch by branch. This organic growth model means that Handelsbanken can achieve growth, coupled with low risk and good cost control. This method of working and of achieving growth has proved successful in an increasing number of locations and in an increasing number of countries. For example, during the year we established a sixth home market in the Netherlands.

#### STABLE FINANCES

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

Stable finances not only provide freedom of action, but also lower funding costs, and thus contribute to higher profitability – without the customer paying more.

Handelsbanken builds its stable finances on entirely commercial terms, and is one of the few banks in its home markets that has not sought

financial support from the government, central banks or shareholders during periods of turbulence in the financial markets.

“Our employees who meet customers are not paid variable compensation, either in the form of bonuses or commission, and therefore have no financial incentive to convince the customer that a certain service or product suits them best.”

#### LOW RISK TOLERANCE

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

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

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

# Organisation and working methods

Handelsbanken is organised so as to create the best possible conditions for good meetings with customers.

Practically all important business decisions are therefore made close to our customers, at more than 800 offices worldwide.

This requires direct, effective and rapid contact with the central support functions.

## BRANCH OPERATIONS

Handelsbanken has six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. Handelsbanken has a nationwide branch network in these countries, organised into one or more regional banks in each country.

Handelsbanken's decentralised method of working results in a very flat organisational structure. In pace with the establishment of new home markets, the Bank strives to devolve central decision-making power, so that the decisions can be taken as close to the customers and the market as possible.

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

convinced that those who work closest to the customer will make the most sensible decisions, from the customer's and from the Bank's point of view.

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

The branches' independence gives them a very strong local presence, with long-term customer relationships. In order to retain and develop these relations, we also have a branch network outside our home markets.

Handelsbanken currently has more than 800 offices in 24 countries worldwide. Nearly 30 of these – 19 branches and nine representative offices – are located in 18 countries around the world, organised within Handelsbanken International since they are located outside our six home markets. Handelsbanken International's main task is to support the Bank's customers in the home markets with their international business.

In the UK, we now have 161 branches, and the Bank's growth there continues. Handelsbanken has also opened several new branches in the Netherlands, where we now have a total of 18 branches.

In Sweden, Handelsbanken is the bank with the most very large companies as customers. For these customers, among the largest international companies, we have gathered the Bank's specialists in a special unit called Large Corporates.

The Bank offers various advanced services and specialist skills, including advisory services, cash management, fixed income and currency trading where we co-ordinate the Bank's international presence and good lending capacity.

## PRODUCT SPECIALISTS AND BUSINESS AREAS

Handelsbanken has a full range of products and services to meet the various financial needs of its customers. Responsible for this range are product specialists in the Bank's business areas, who produce and develop solutions and services in close collaboration with the branch office operations in each country. These

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

Handelsbanken has four business areas with product owners: Handelsbanken Capital Markets, Stadshypotek, Forestry and Farming and Handelsbanken Direkt.

## Handelsbanken Capital Markets

The Capital Markets business area includes the operations for investment banking, asset management, and also pensions and insurance. Here we have gathered staff with highly specialised skills; operations are based on the Bank's research, asset management and allocation products which form the basis of product development and advisory services.

“Every branch of Handelsbanken is led by a manager who is solely responsible for all operations in his/her branch's local area of operations.”

Therefore, as we have grown, a need for stronger national operations has emerged. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country.

The regional banks have joint administrative resources, regional expertise and specialists to support the branches' business.

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

We have given our branch managers a very high degree of independence, as we are

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

Its operations comprise equities, commodities, fixed income, currencies, discretionary asset management, structured products, traditional and exchange-traded funds, corporate finance, debt capital markets, cash management, private banking, and pensions and insurance saving.

Research includes macro, strategy and corporate research with active monitoring of almost 250 Nordic companies, which forms the basis for stock recommendations. Handelsbanken is one of the leading players in all three research categories.

An example of Handelsbanken's business model in action is in the private banking offering. Here, local branches work together with the



Bank's specialist units to create a unique offering. According to TNS Sifo Prospera's annual survey of Private Banking, Handelsbanken has again received the highest rating from Private Banking customers in the categories of availability and service. For the third year running, Handelsbanken has been ranked number one overall for Private Banking as well as in the two customer segments investigated. The segments comprise private individuals with assets exceeding SEK 10 million and company owners with financial assets exceeding SEK 5 million.

“In the UK, we now have 161 branches, and the Bank's growth there continues.”

**Stadshypotek**

Stadshypotek is one of the leading mortgage institutions in Sweden which lends money for customers' housing. Stadshypotek offers mortgage loans for houses, housing co-operative properties and second homes, and also forest and agricultural property, multi-family dwellings and commercial and office buildings.

Stadshypotek dates back to 1865 and has been a wholly owned subsidiary of Handelsbanken since 1997.

**Handelsbanken Forestry and Farming**

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

**Handelsbanken Direkt**

Handelsbanken Direkt has overall responsibility for business and product development of standardised banking services for the private and corporate market. Examples of services we offer to the private market are deposits, lending, cards and payment services. Among the services we offer to the corporate market are deposits, lending, cards, investment financing with leasing and conditional sales; invoice services, debt collection and retail financial services.

This business area is also responsible for development of customer meetings outside the branches' premises in the Bank's digital meeting places and via the telephone service Handelsbanken Direkt Personal Service which is open for customers 24 hours a day.

**CENTRAL UNITS**

Handelsbanken's central head office has administrative functions and specialist departments with overall responsibility for various

functions at the Bank. These are support and management functions where certain units also formulate the Bank's corporate policy in areas such as finance, human resources, credits and communications.

“According to TNS Sifo Prospera's annual survey of Private Banking, Handelsbanken has again received the highest rating from Private Banking customers in the categories of availability and service.”



# Available on the customer's terms

At Handelsbanken, we are always increasing availability for our customers. New branches and meeting-places are being opened in the Bank's home markets and around the world. And the Bank's unique customer service - Handelsbanken Direkt Personal Service - is open 24 hours a day, 365 days a year, staffed by qualified bank personnel. Several digital solutions were also presented during the year to improve availability even more.



## New branches

Handelsbanken attaches great importance to personal meetings and closeness to our customers. This is why Handelsbanken is opening new branches in our home markets and around the world. During the year new branches were opened in Sweden, the UK, Denmark and the Netherlands.

In Sweden, two new branches were opened and we now have 462 branches.

Handelsbanken continues to grow in the UK. On 1 January 2013, a fourth regional bank was started with its head office in Bristol. At the end of the year, Handelsbanken thus had four regional banks, 161 branches and just over 1,400 employees in the UK.

In Denmark, we opened two new branches and now have a total of 56 branches in the country.

In January 2013, the Netherlands was established as the Bank's sixth home market, and interest in Handelsbanken is growing there. The Bank opened five new branches during the year. It now has 18 branches, and nearly 130 employees. Handelsbanken has been represented in the country since 2002.

Thus, at year-end, the Bank had a total of 791 branches in our home markets, and a total of 810 offices worldwide. In addition, Handelsbanken is now the only bank in 59 locations - 53 of these are in Sweden and six in Denmark.

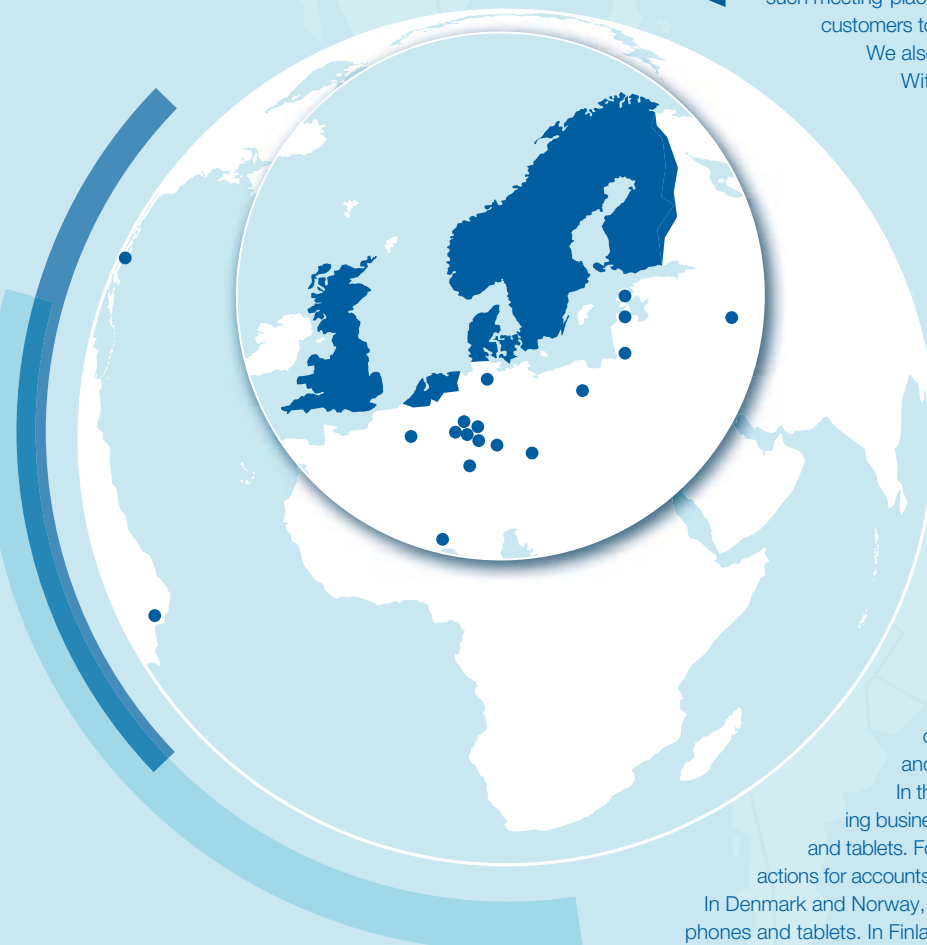


## More new physical meeting-places

Handelsbanken is opening more and more physical meeting-places linked to existing branches. So far, we have opened eleven such meeting-places in Sweden to make it even simpler for our customers to meet the Bank at times that suit them.

We also visit our customers when they need this.

With improved technology, we can also simplify physical customer meetings outside the Bank's premises, through the use of electronic signing and by using online banking as a work tool.



## Digital meeting-places

Handelsbanken's applications (apps)

for smartphones and tablets are being constantly improved, in order to fulfil to an even greater extent customers' needs to carry out banking transactions when it suits them.

In Sweden, the Personal Mobile Banking app has been updated for our private customers, so that they can now also buy and sell mutual fund units, set up monthly savings and have an overview of their loans. Corporate Mobile Banking is a new app for our corporate customers, whereby they can view balances and transactions, make transfers and pay bills.

In the UK, our customers can carry out basic banking business with the use of a new app for smartphones and tablets. For example, they can view balances and transactions for accounts and cards, transfer money and pay bills.

In Denmark and Norway, too, customers can access apps via smartphones and tablets. In Finland, customers have access to Mobilbanken, which offers mobile banking services and is compatible with all known types of smartphones, tablets and operating systems.



### Personal customer service, 24 hours a day, 365 days a year

Handelsbanken Direkt Personal Service offers unique availability to private and corporate customers in Sweden, with trained advisors responding to questions and helping out with banking business, 24 hours a day, 365 days a year. Handelsbanken Direkt Personal Service can be contacted by telephone or via the Bank's apps for smartphones and tablets.



### International network

Handelsbanken is the Nordic region's most international bank, with more than 800 offices in 24 countries worldwide; six of these countries constitute the Bank's home markets. Our international branch network is a strength, as our customers are increasingly active over national boundaries.

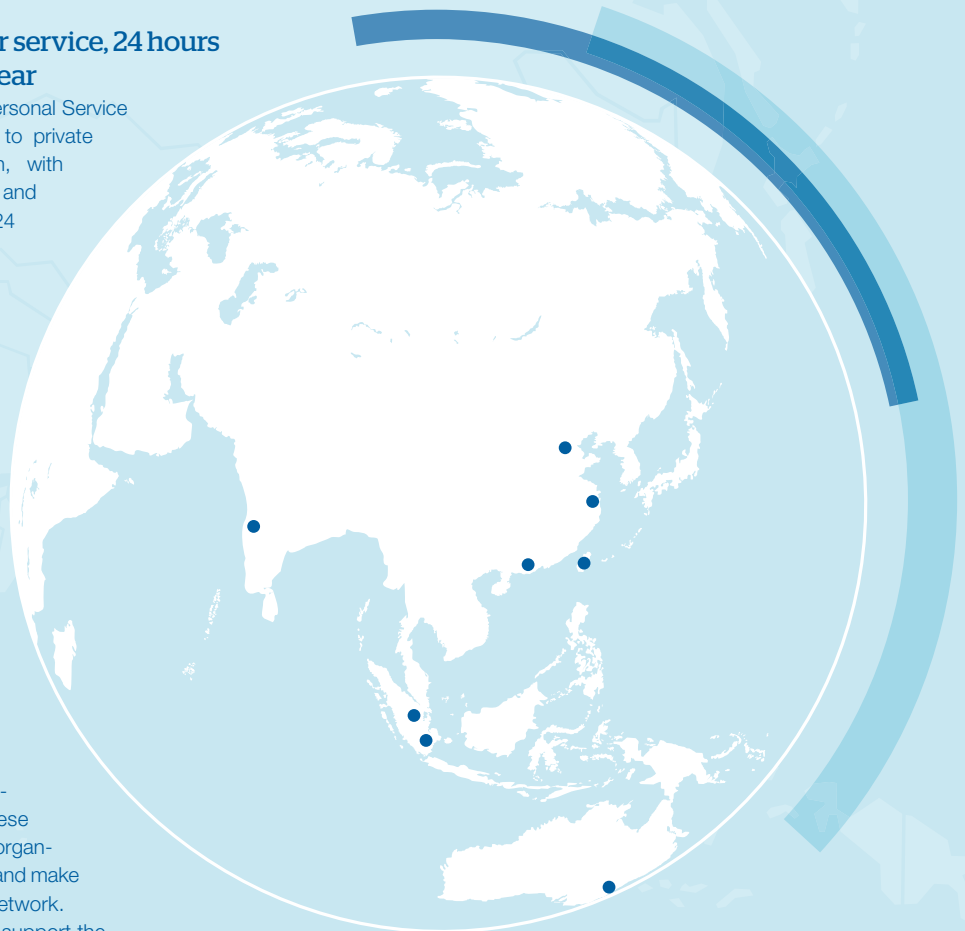
Almost 30 of the offices are in 18 countries outside our home markets. These branches and representative offices are organised under Handelsbanken International, and make up the core of the Bank's international network.

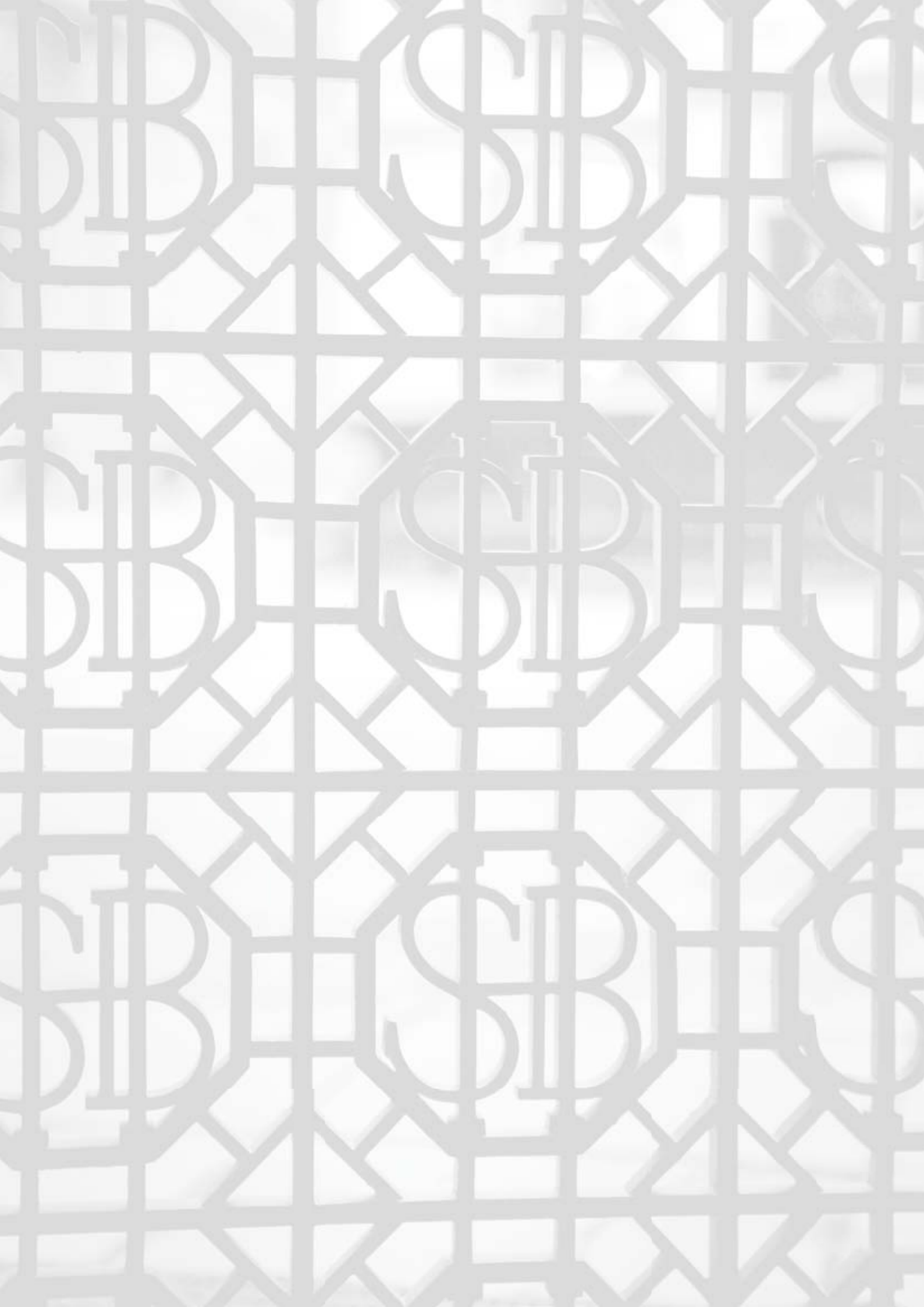
The main task of these branches is to support the Bank's customers in the home markets with all their international business. Close collaboration between the customer's home branch and the local branch outside the home market guarantees that the customer is offered the same strong availability and high level of service.

We always endeavour to make it easy for the customer – no matter where in the world the international business is being done. Handelsbanken also offers a broad range of banking services and products in our international branch network, including cash management, private banking and various types of financing.

Our local expertise in our network of international offices has unique leading edge expertise and in-depth experience of local business conditions on the markets where we operate. These offices also have broad local contact networks encompassing public authorities and professional organisations in the respective countries – with the objective of supporting customers and their business.

Just as with Handelsbanken's other meeting-places, we aim for the highest possible availability and service level at our international meeting-places.





# Financial overview 2013

- The period's profit after tax for total operations increased by 2 per cent to SEK 14,295 million (14,038); excluding the year of comparison's recalculation of deferred taxes, the increase was 16 per cent.
- Earnings per share increased to SEK 22.52 (22.34).
- Operating profit increased by 6 per cent to SEK 18,088 million (17,108) and increased in all home markets outside Sweden.
- Return on equity for total operations decreased to 13.9 per cent (14.9); excluding the effect of the recalculation of deferred taxes in 2012, return on equity increased by 0.8 percentage points.
- Income increased by 4 per cent to SEK 36,327 million (35,062).
- Net interest income increased by 2 per cent to SEK 26,669 million (26,081) and in the home markets outside Sweden, net interest income increased by 17 per cent.
- The C/I ratio improved to 47.0 per cent (47.6).
- The loan loss ratio fell to 0.07 per cent (0.08).
- The common equity tier 1 ratio according to Basel II increased to 19.2 per cent (17.9) and the total capital ratio rose to 21.6 per cent (20.7).
- The common equity tier 1 ratio according to Basel III was 18.9 per cent and the Bank continues to build up capital.
- The liquidity reserve exceeded SEK 800 billion.
- The Board proposes a total dividend of SEK 16.50 per share, with the ordinary dividend being SEK 11.50 per share (10.75).

# Review of operations

The Group's operating profit grew by 6 per cent to SEK 18,088 million (17,108). In the home markets outside Sweden, the increase was 27 per cent. In the fourth quarter, operating profit increased by 13 per cent compared with the corresponding period of the previous year. The C/I ratio for the whole year went down to 47.0 per cent (47.6).

The period's profit after tax for total operations increased by 2 per cent to SEK 14,295 million (14,038). Adjusted for the positive effect of the period of comparison's recalculation of deferred taxes due to a changed tax rate amounting to SEK 1,682 million, the period's profits increased by 16 per cent. Earnings per share increased to SEK 22.52 (22.34). Return on equity for total operations declined to 13.9 per cent (14.9).

## INCOME

The Group – Income SEK m	Full year 2013	Full year 2012	Change
Net interest income	26 669	26 081	2%
Net fee and commission income	7 804	7 369	6%
Net gains/losses on financial items	1 357	1 120	21%
Other income	497	492	1%
<b>Total income</b>	<b>36 327</b>	<b>35 062</b>	<b>4%</b>

Income increased by 4 per cent to SEK 36,327 million. A stronger Swedish krona resulted in exchange rate effects of SEK -339 million. Adjusted for this, income grew by 5 per cent.

Net interest income rose by 2 per cent to SEK 26,669 million. Exchange rate movements had a negative effect of SEK -285 million and in local currencies, net interest income increased by 3 per cent.

Lower interest rates in Sweden meant that deposit margins in Swedish branch operations reduced net interest income by SEK 958 million. This resulted in a reduction of 4 percentage points in the Group's growth in net interest income.

Net interest income fell by 2 per cent in Sweden, but increased overall by 17 per cent in other home markets. Net interest income grew by 23 per cent in the UK, by 18 per cent in Finland, while in the Netherlands the increase was 30 per cent. Adjusted for exchange rate effects of SEK -257 million, net interest income in home markets outside Sweden rose by 20 per cent.

The cost for the Stabilisation Fund and various deposit guarantees was SEK -1,101 million (-1,066).

The average volume of loans to the public grew by 4 per cent to SEK 1,674 billion (1,616). Exchange rate movements reduced the volume by SEK 17 billion, and in local currencies, the

increase was 5 per cent. Household lending increased by 5 per cent to SEK 800 billion (759) and corporate lending by 2 per cent to SEK 874 billion (857). Credit demand from companies continued to be weak in Sweden.

The average volume of deposits and borrowing rose by 6 per cent to SEK 731 billion (690). Adjusted for exchange rate effects of SEK -9 billion, the volume grew by 7 per cent. The average volume of household deposits went up by 6 per cent to SEK 267 billion (252) and corporate deposits also increased by 6 per cent to SEK 464 billion (438).

Net fee and commission income rose by 6 per cent to SEK 7,804 million (7,369), chiefly due to higher fund management commissions and increased advisory income.

Fund management commissions rose by 20 per cent or SEK 328 million to SEK 2,008 million (1,680), while advisory commissions increased by 43 per cent to SEK 278 million (195).

Brokerage income rose by 5 per cent to SEK 1,189 million (1,137), and net payment commissions increased by 2 per cent to SEK 1,638 million (1,606).

Net gains/losses on financial transactions increased by 21 per cent to SEK 1,357 million (1,120), mainly as a result of increased business volumes.

## EXPENSES

The Group – Expenses SEK m	Full year 2013	Full year 2012	Change
Staff costs	-11 404	-11 167	2%
Other administrative expenses	-5 181	-5 069	2%
Depreciation, amortisation and impairments	-476	-464	3%
<b>Total expenses</b>	<b>-17 061</b>	<b>-16 700</b>	<b>2%</b>

Total expenses rose by 2 per cent to SEK -17,061 million. Adjusted for exchange rate movements of SEK 184 million, expenses increased by 3 per cent.

Staff costs increased by 2 per cent to SEK -11,404 million (-11,167). The proposed dividend increase meant that the provision to the Oktogonen Foundation increased to SEK -1,096 million (-1,020). Variable compensation, including social security costs and other payroll overheads, increased to SEK -136 million (-127).

Exchange rate movements reduced staff costs by SEK 123 million.

The average number of employees increased by 3 per cent or 311 to 11,503 (11,192), mainly as a result of a higher number of employees in the UK (+316) and the Netherlands (+20).

Other administrative expenses rose by 2 per cent to SEK -5,181 million (-5,069), chiefly due to higher costs for IT development.

## LOAN LOSSES

Loan losses SEK m	Full year 2013	Full year 2012	Change
Net loan losses	-1 195	-1 251	56
Loan losses as % of lending	0.07	0.08	-0.01
Net impaired loans	3 041	3 197	-5%
Proportion of impaired loans, %	0.18	0.18	0.00

Loan losses went down to SEK -1,195 million (-1,251) and the credit quality continued to be stable. The loan loss ratio fell to 0.07 per cent (0.08). Net impaired loans fell to SEK 3,041 million (3,197), equivalent to 0.18 per cent (0.18) of lending.

## TAXES

As of 2013, Swedish corporate tax is payable at 22 per cent. The Group's tax expense in 2013 amounted to SEK -3,915 million (-3,092). Re-statement of deferred taxes had a positive effect of SEK 1,682 million on last year's taxes. The effective tax rate was 21.6 per cent (18.1).

## FUNDING AND LIQUIDITY

Handelsbanken's strong position in the market ensures continued good access to both long-term and short-term funding. During the year, the Bank was active in several international markets and benchmark issues were completed in USD, EUR, GBP, CHF and JPY. During 2013, the issued bond volume was SEK 281 billion (231), including SEK 40 billion in extendible notes in the US market. The average maturity of bond issues during the year was 4.3 years.

During the fourth quarter, bonds with a total value of SEK 46 billion (SEK 28 billion in Q4 2012) were issued, including SEK 39 billion in covered bonds and SEK 7 billion in senior bonds.

Total liquidity reserves exceeded SEK 800 billion.

Cash funds and liquid assets invested with central banks amounted to SEK 368 billion, while the volume of liquid bonds totalled SEK 90 billion. The remainder of the reserve mainly comprises an unutilised issue amount of covered bonds at Stadshypotek.

According to the Swedish definition applicable from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of the period was 128 per cent. In USD, the LCR was 170 per cent and in EUR it was 110 per cent. The Group's LCR according to the definition in CRD4 is estimated to be approximately 140 per cent.

## CAPITAL

Capital-related matters SEK m	31 Dec 2013	31 Dec 2012	Change
Capital ratio, Basel II	21.6%	20.7%	0.9
Capital ratio, Basel III	21.6%	-	-
Common equity tier 1 ratio, Basel II	19.2%	17.9%	1.3
Common equity tier 1 ratio, Basel III	18.9%	-	-
Common equity tier 1 capital, Basel II	89 535	87 207	3%
Common equity tier 1 capital, Basel III	93 038	-	-
Total capital base, Basel II	100 406	100 503	0%
Total capital base, Basel III	106 393	-	-
Equity	111 339	103 850	7%

The capital base decreased to SEK 100 billion (101), and the total capital ratio calculated according to Basel II increased to 21.6 per cent (20.7). During the period, the Bank redeemed subordinated loans for a net value of SEK 3.5 billion. At the end of the period, 89 per cent (87) of the capital base was common equity tier 1 capital.

Common equity tier 1 capital increased to SEK 89.5 billion (87.2) and the common equity tier 1 ratio according to Basel III was 18.9 per cent. According to Basel II, the common equity tier 1 ratio increased by 1.3 percentage points to 19.2 per cent (17.9) with the profit for the period after the proposed dividend contributing 0.7 percentage points and the conversion of staff convertibles 0.1 percentage point.

Higher lending volumes reduced the common equity tier 1 ratio by 0.4 percentage points and credit risk migration in the loan portfolio reduced it by 0.4 percentage points. At the same time, improved credit quality due to volume migration, i.e. the mix effect of the fact that new lending volumes are of higher credit quality than the portfolio average, made a positive contribution of 0.8 percentage points. The improvement in credit quality thus compensated for the entire increase in capital requirement resulting from credit risk migration and growing lending volumes.

The waiving of the transitional rules regarding investments in insurance holdings and capital contributions in Handelsbanken Liv had an impact of -0.5 percentage points.

IAS 19 had a positive effect of 0.2 percentage points and exchange rate movements of 0.1 percentage point. Other effects, including model validation, advanced approach, and increased utilisation of collateral improved the common equity tier 1 ratio by 0.7 percentage points.

The definition of the leverage ratio has not yet been established. In the 2013 Pillar 3 report, Handelsbanken will illustrate how different definitions affect the size of the Bank's leverage ratio.

## Capital requirements for Swedish mortgage loans in Pillar 2

As a Pillar 2 supervisory measure, the Swedish Financial Supervisory Authority decided on 21 May to introduce a capital requirement equivalent to a 15 per cent risk weight floor for Swedish mortgage loan portfolios. This will involve a capital requirement in Pillar 2 of approximately SEK 8 billion for Handelsbanken in 2014, based on its Swedish mortgage loan volumes at the year-end. If the proposal from the Swedish authorities to increase the total capital requirement of systemically important banks by an additional 2 percentage points in 2015 is implemented, the Bank's add-on in Pillar 2 will increase to just over SEK 9 billion.

During the fourth quarter, the Swedish Financial Supervisory Authority stated that it is motivated to increase the risk-weight floor in Pillar 2 to 25 per cent if the new capital adequacy regulations allow for this. An implementation of this in 2015 would increase the Bank's capital

requirement in Pillar 2 by approximately a further SEK 9 billion.

## RATING

During the year, Handelsbanken's short-term and long-term ratings with the rating agencies which monitor the Bank were unchanged.

Rating	Long-term	Short-term	Financial strength
Standard & Poor's	AA-	A-1+	
Fitch	AA-	F1+	
Moody's	Aa3	P-1	C
DBRS	AA (low)		

## EVENTS AFTER THE END OF THE REPORTING PERIOD

At the beginning of January 2014, the Bank issued a ten-year subordinated euro loan. The amount of the issue was EUR 1.5 billion, the equivalent of SEK 13.2 billion and it is fully included in the capital base. The effective interest rate of 2.66 per cent is the lowest noted for this type of loan. The issue increases the Bank's total capital ratio according to Basel II by about 2.9 percentage points.

## HANDELSBANKEN'S ANNUAL GENERAL MEETING ON 26 MARCH

The Board notes that the capital regulations for Swedish banks have still not yet been decided, making it impossible for the Bank to establish new capital goals. New goals will be determined once the new regulations have been decided.

The Board is proposing to the annual general meeting a total dividend of SEK 16.50 per share, of which the ordinary dividend be SEK 11.50 per share (10.75). In addition, it is proposed that the existing share repurchase programme for a maximum of 40 million shares be extended for an additional year.

The Board proposes that the record day for the dividend be Monday, 31 March 2014, which means that the Handelsbanken share will be traded ex-dividend on Thursday, 27 March 2014.

The Board is also proposing that the AGM resolves in favour of issuing a new convertible subordinated loan on market terms for a maximum amount of SEK 3.2 billion directed at the Bank's employees.

# Five-year overview Group

<b>Consolidated income statement</b>					
SEK m	2013	2012	2011	2010	2009
Net interest income	26 669	26 081	23 613	21 337	22 000
Net fee and commission income	7 804	7 369	7 673	8 022	7 393
Net gains/losses on financial transactions	1 357	1 120	1 016	1 377	2 457
Risk result, insurance	142	196	209	205	171
Other dividend income	161	152	146	190	141
Share of profit of associates	9	8	9	11	26
Other income	185	136	143	154	147
<b>Total income</b>	<b>36 327</b>	<b>35 062</b>	<b>32 809</b>	<b>31 296</b>	<b>32 335</b>
Staff costs	-11 404	-11 167	-9 942	-9 504	-10 018
Other expenses	-5 181	-5 069	-5 060	-5 062	-4 719
Depreciation, amortisation and impairments of property, equipment and intangible assets	-476	-464	-462	-452	-483
<b>Total expenses</b>	<b>-17 061</b>	<b>-16 700</b>	<b>-15 464</b>	<b>-15 018</b>	<b>-15 220</b>
<b>Profit before loan losses</b>	<b>19 266</b>	<b>18 362</b>	<b>17 345</b>	<b>16 278</b>	<b>17 115</b>
Net loan losses	-1 195	-1 251	-816	-1 507	-3 392
Gains/losses on disposal of property, equipment and intangible assets	17	-3	7	-1	4
<b>Operating profit</b>	<b>18 088</b>	<b>17 108</b>	<b>16 536</b>	<b>14 770</b>	<b>13 727</b>
Taxes	-3 915	-3 092	-4 372	-3 962	-3 519
<b>Profit for the year from continuing operations</b>	<b>14 173</b>	<b>14 016</b>	<b>12 164</b>	<b>10 808</b>	<b>10 208</b>
Profit for the year pertaining to discontinued operations, after tax	122	22	159	217	36
<b>Profit for the year</b>	<b>14 295</b>	<b>14 038</b>	<b>12 323</b>	<b>11 025</b>	<b>10 244</b>
<i>Attributable to</i>					
Shareholders in Svenska Handelsbanken AB	14 295	14 037	12 323	11 025	10 244
Minority interest	0	1	0	0	0
Earnings per share, continuing operations, SEK	22.33	22.30	19.52	17.37	16.38
after dilution	22.07	21.82	19.14	17.10	15.92
Earnings per share, discontinued operations, SEK	0.19	0.04	0.26	0.35	0.06
after dilution	0.19	0.03	0.25	0.34	0.06
Earnings per share, total operations, SEK	22.52	22.34	19.78	17.72	16.44
after dilution	22.26	21.85	19.39	17.44	15.98

A five-year overview for the parent company is shown on page 147.

The last five-year period has been characterised by the global financial crisis that gradually developed into a debt crisis and severe recession. During this period, Handelsbanken has increased its profits, strengthened its balance sheet, expanded its operations and boosted customer satisfaction.

### 15 per cent annual growth in equity

Since 1 January 2009, the Bank has increased its adjusted equity per share by 48 per cent, from SEK 120.31 per share to SEK 177.71 per share. Taking into account reinvestment of the period's accumulated dividends, the average annual growth in adjusted equity per share was 15 per cent.

### Creating shareholder value

During the past five years – since 31 December 2008 – Handelsbanken has generated positive shareholder value of SEK 150 billion. Market

capitalisation has grown by SEK 122 billion, while Handelsbanken has paid out SEK 28 billion in dividends to its shareholders during the period. Handelsbanken is the only listed commercial bank in Sweden which did not need to ask its shareholders for new capital during the period.

### Lower risk

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

During the past five-year period, Handelsbanken's total loan losses amounted to SEK 8,161 million, which corresponds to an average annual loan loss ratio of 0.10 per cent. The corresponding figure for the other major

Nordic banks was 0.40 per cent. The tier 1 ratio according to Basel II has more than doubled during the period and a large liquidity reserve has been built up.

### More satisfied customers

Each year since SKI (Swedish Quality Index) started its surveys in 1989, Handelsbanken has been the major bank with the most satisfied customers in Sweden. During the autumn, SKI presented its annual customer satisfaction survey, which showed that Handelsbanken has maintained its leading position. For private customers, Handelsbanken's index value was 74.2, as compared with the other three main competitors, all of which recorded scores within the range 64.1–66.2. Handelsbanken also received a considerably higher rating than the rest of the sector for customer satisfaction among corporate customers.



<b>Consolidated statement of comprehensive income</b>					
SEK m	2013	2012	2011	2010	2009
Profit for the year	14 295	14 038	12 323	11 025	10 244
<b>Other comprehensive income</b>					
<b>Items that cannot be reclassified into profit and loss</b>					
Defined benefit plans	1 402	2 583			
Taxes on items that cannot be reclassified into profit and loss	-307	-568			
<b>Total items that cannot be reclassified into profit and loss</b>	<b>1 095</b>	<b>2 015</b>			
<b>Items that can be reclassified into profit and loss</b>					
Cash flow hedges	-3 410	2 390	-297	-325	47
Available-for-sale instruments	535	984	-1 318	2 186	3 274
Translation difference for the year	763	-126	-4	-2 015	-109
<i>of which hedges of net investments in foreign operations</i>	767	486	-2	377	-6
Tax on items that can be related into profit and loss	514	-913	443	-612	-934
<i>of which cash flow hedges</i>	744	-565	78	85	-12
<i>of which available-for-sale instruments</i>	-61	-248	365	-598	-924
<i>of which hedges of net investments in foreign operations</i>	-169	-100	0	-99	2
<b>Total items that can be reclassified into profit and loss</b>	<b>-1 598</b>	<b>2 335</b>	<b>-1 176</b>	<b>-766</b>	<b>2 278</b>
<b>Total other comprehensive income</b>	<b>-503</b>	<b>4 350</b>	<b>-1 176</b>	<b>-766</b>	<b>2 278</b>
<b>Total comprehensive income for the year</b>	<b>13 792</b>	<b>18 388</b>	<b>11 147</b>	<b>10 259</b>	<b>12 522</b>
<i>Attributable to</i>					
Shareholders in Svenska Handelsbanken AB	13 792	18 387	11 147	10 259	12 522
Minority interest	0	1	0	0	0
<b>Consolidated balance sheet</b>					
SEK m	2013	2012	2011	2010	2009
<b>Assets</b>					
Cash and central banks	369 954	248 915	375 979	107 626	106 813
Loans to the public	1 696 339	1 680 479	1 591 128	1 513 687	1 495 622
Loans to other credit institutions	62 898	89 511	106 823	123 465	92 730
Interest-bearing securities	121 576	117 260	104 202	119 238	176 002
Other assets	239 039	247 786	276 234	289 514	251 676
<b>Total assets</b>	<b>2 489 806</b>	<b>2 383 951</b>	<b>2 454 366</b>	<b>2 153 530</b>	<b>2 122 843</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	825 205	682 223	724 888	564 142	564 048
Due to credit institutions	171 624	183 945	201 889	251 972	225 490
Issued securities	1 150 641	1 151 426	1 140 074	963 501	966 075
Subordinated liabilities	15 965	21 167	35 317	43 948	59 005
Other liabilities	215 032	241 340	257 674	241 576	225 137
Equity	111 339	103 850	94 524	88 391	83 088
<b>Total liabilities and equity</b>	<b>2 489 806</b>	<b>2 383 951</b>	<b>2 454 366</b>	<b>2 153 530</b>	<b>2 122 843</b>

# Key figures per year

Key figures for the Handelsbanken Group	2013	2012	2011	2010	2009
Profit before loan losses, continuing operations, SEK m	19 266	18 362	17 345	16 278	17 115
Net loan losses, SEK m	-1 195	-1 251	-816	-1 507	-3 392
Operating profit, continuing operations, SEK m	18 088	17 108	16 536	14 770	13 727
Profit for the year, continuing operations, SEK m	14 173	14 016	12 164	10 808	10 208
Profit for the year, discontinued operations, SEK m	122	22	159	217	36
Profit for the year, total operations, SEK m	14 295	14 038	12 323	11 025	10 244
Total assets, SEK m	2 489 806	2 383 951	2 454 366	2 153 530	2 122 843
Equity, SEK m	111 339	103 850	94 524	88 391	83 088
Return on equity, total operations, %	13.9	14.9	13.5	12.9	12.6
Return on equity, continuing operations, %	13.8	14.8	13.4	12.6	12.5
Return on capital employed, %	0.74	0.69	0.71	0.67	0.63
Cost/income ratio, continuing operations, %	47.0	47.6	47.1	48.0	47.1
Cost/income ratio, continuing operations, incl. loan losses, %	50.3	51.2	49.6	52.8	57.6
Loan loss ratio, %	0.07	0.08	0.05	0.10	0.21
Impaired loans reserve ratio, %	56.2	56.4	60.7	60.7	62.4
Proportion of impaired loans, %	0.18	0.18	0.16	0.23	0.21
Earnings per share, SEK	22.52	22.34	19.78	17.72	16.44
after dilution	22.26	21.85	19.39	17.44	15.98
Ordinary dividend per share, SEK	11.50 <sup>1</sup>	10.75	9.75	9.00	8.00
Total dividend per share, SEK	16.50 <sup>1</sup>	-	-	-	-
Adjusted equity per share, SEK	177.71	162.63	152.71	143.14	134.40
No. of shares as at 31 December, millions	635.6	632.8	624.1	623.5	623.5
of which outstanding	635.6	632.8	624.0	623.5	623.3
Average number of outstanding shares (millions)	634.8	628.5	623.1	622.1	623.3
after dilution	647.5	649.9	642.4	634.3	642.6
Capital ratio, % according to Basel II	21.6	20.7	20.9	20.9	20.2
Tier 1 ratio, % according to Basel II	21.5	20.4	18.4	16.5	14.2
Common equity tier 1 ratio, % according to Basel II	19.2	17.9	15.6	13.8	11.7
Average number of employees	11 503	11 192	11 184	10 850	10 821
No. of branches in Sweden	462	461	461	461	461
No. of branches in our other home markets	329	281	253	230	208
No. of branches in other countries	19	32	32	32	35

For definitions, see page 216.

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

# Quarterly performance

Quarterly performance for the Handelsbanken Group					
SEK m	2013:Q4	2013:Q3	2013:Q2	2013:Q1	2012:Q4
Interest income	13 573	13 569	13 544	13 777	14 428
Interest expense	-6 801	-6 886	-6 871	-7 236	-7 944
<b>Net interest income</b>	<b>6 772</b>	<b>6 683</b>	<b>6 673</b>	<b>6 541</b>	<b>6 484</b>
Fee and commission income	2 484	2 284	2 316	2 210	2 277
Fee and commission expense	-377	-388	-392	-333	-367
<b>Net fee and commission income</b>	<b>2 107</b>	<b>1 896</b>	<b>1 924</b>	<b>1 877</b>	<b>1 910</b>
Net gains/losses on financial transactions	304	354	440	259	366
Risk result, insurance	35	30	26	51	88
Other dividend income	1	4	155	1	1
Share of profit of associates	7	5	2	-5	7
Other income	52	37	20	76	35
<b>Total income</b>	<b>9 278</b>	<b>9 009</b>	<b>9 240</b>	<b>8 800</b>	<b>8 891</b>
Staff costs	-2 980	-2 845	-2 796	-2 783	-2 923
Other expenses	-1 411	-1 187	-1 304	-1 279	-1 511
Depreciation, amortisation and impairments of property, equipment and intangible assets	-116	-125	-115	-120	-112
<b>Total expenses</b>	<b>-4 507</b>	<b>-4 157</b>	<b>-4 215</b>	<b>-4 182</b>	<b>-4 546</b>
<b>Profit before loan losses</b>	<b>4 771</b>	<b>4 852</b>	<b>5 025</b>	<b>4 618</b>	<b>4 345</b>
Net loan losses	-322	-284	-306	-283	-395
Gains/losses on disposal of property, equipment and intangible assets	9	3	4	1	-2
<b>Operating profit</b>	<b>4 458</b>	<b>4 571</b>	<b>4 723</b>	<b>4 336</b>	<b>3 948</b>
Taxes	-966	-997	-1 067	-885	400
<b>Profit for the period from continuing operations</b>	<b>3 492</b>	<b>3 574</b>	<b>3 656</b>	<b>3 451</b>	<b>4 348</b>
Profit for the period pertaining to discontinued operations, after tax	35	33	39	15	-64
<b>Profit for the period</b>	<b>3 527</b>	<b>3 607</b>	<b>3 695</b>	<b>3 466</b>	<b>4 284</b>
<i>Attributable to</i>					
Shareholders in Svenska Handelsbanken AB	3 527	3 607	3 695	3 466	4 283
Minority interest	0	0	0	0	1
Earnings per share, continuing operations, SEK	5.50	5.63	5.76	5.45	6.88
after dilution	5.44	5.56	5.69	5.39	6.77
Earnings per share, discontinued operations, SEK	0.05	0.05	0.06	0.02	-0.10
after dilution	0.05	0.05	0.06	0.02	-0.10
Earnings per share, total operations, SEK	5.55	5.68	5.82	5.47	6.78
after dilution	5.49	5.61	5.75	5.41	6.67

# Business segments

Segment reporting 2013	Home markets										Total
	Branch operations in Sweden	Branch operations in the UK	Branch operations in Denmark	Branch operations in Finland	Branch operations in Norway	Branch operations in the Netherlands	Handelsbanken International	Capital Markets	Other	Adjustments and eliminations	
SEK m											
Net interest income	16 424	2 624	1 519	1 219	3 574	230	660	151	313	-45	26 669
Net fee and commission income	3 528	213	329	412	364	23	308	2 658	-31		7 804
Net gains/losses on financial items at fair value	462	120	97	40	83	1	79	977	-502		1 357
Risk result, insurance								142			142
Share of profit of associates									9		9
Other income	27	13	18	5	12	-	6	10	255		346
<b>Total income</b>	<b>20 441</b>	<b>2 970</b>	<b>1 963</b>	<b>1 676</b>	<b>4 033</b>	<b>254</b>	<b>1 053</b>	<b>3 938</b>	<b>44</b>	<b>-45</b>	<b>36 327</b>
Staff costs	-3 300	-1 059	-546	-331	-662	-96	-510	-2 033	-2 858	-9	-11 404
Other administrative expenses	-1 190	-243	-175	-145	-232	-21	-181	-785	-2 209		-5 181
Internal purchased and sold services	-3 027	-317	-252	-239	-368	-56	-153	31	4 336	45	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-87	-41	-17	-10	-10	-1	-11	-50	-249		-476
<b>Total expenses</b>	<b>-7 604</b>	<b>-1 660</b>	<b>-990</b>	<b>-725</b>	<b>-1 272</b>	<b>-174</b>	<b>-855</b>	<b>-2 837</b>	<b>-980</b>	<b>36</b>	<b>-17 061</b>
<b>Profit before loan losses</b>	<b>12 837</b>	<b>1 310</b>	<b>973</b>	<b>951</b>	<b>2 761</b>	<b>80</b>	<b>198</b>	<b>1 101</b>	<b>-936</b>	<b>-9</b>	<b>19 266</b>
Net loan losses	-357	-168	-161	-268	-169	-7	-65				-1 195
Gains/losses on disposal of property, equipment and intangible assets	9	1	-	0	0	-	0	0	7		17
<b>Operating profit</b>	<b>12 489</b>	<b>1 143</b>	<b>812</b>	<b>683</b>	<b>2 592</b>	<b>73</b>	<b>133</b>	<b>1 101</b>	<b>-929</b>	<b>-9</b>	<b>18 088</b>
Profit allocation	902	30	47	70	43	4	38	-1 134	0		
<b>Operating profit after profit allocation</b>	<b>13 391</b>	<b>1 173</b>	<b>859</b>	<b>753</b>	<b>2 635</b>	<b>77</b>	<b>171</b>	<b>-33</b>	<b>-929</b>	<b>-9</b>	<b>18 088</b>
Internal income	-1 104	-1 212	-395	-417	-3 606	-140	-50	-1 414	8 338		
C/I ratio, %	35.6	55.3	49.3	41.5	31.2	67.4	78.4	101.2			47.0
Loan loss ratio, %	0.03	0.14	0.25	0.30	0.08	0.05	0.22				0.07
Assets	1 325 261	194 503	78 830	153 436	202 567	33 039	76 640	294 607	1 533 505	-1 402 582	2 489 806
Liabilities	1 263 456	186 859	73 482	147 315	190 444	32 221	72 419	291 546	1 533 505	-1 412 780	2 378 467
Allocated capital	61 805	7 644	5 348	6 121	12 123	818	4 221	3 061		10 198	111 339
Return on allocated capital, %	17.7	13.2	12.7	9.9	17.0	7.7	3.1	-			13.8
The year's investments in non-financial non-current assets	71	22	37	10	14	8	22	225	233		642
The year's investments in associated companies									53		53
Average number of employees	4 420	1 260	624	490	650	102	511	1 464	1 982		11 503

Applied principles for segment reporting and a description of the items shown in the Other and Adjustments and eliminations columns are explained further in note G44.

Segment reporting 2012											
	Home markets										
SEK m	Branch operations in Sweden	Branch operations in the UK	Branch operations in Denmark	Branch operations in Finland	Branch operations in Norway	Branch operations in the Netherlands	Handelsbanken International	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	16 781	2 142	1 397	1 032	3 098	177	766	517	209	-38	26 081
Net fee and commission income	3 375	94	290	375	329	26	328	2 438	114		7 369
Net gains/losses on financial items at fair value	579	91	55	30	87	2	86	658	-468		1 120
Risk result, insurance								196			196
Share of profit of associates									8		8
Other income	18	15	19	5	15	-	2	11	203		288
<b>Total income</b>	<b>20 753</b>	<b>2 342</b>	<b>1 761</b>	<b>1 442</b>	<b>3 529</b>	<b>205</b>	<b>1 182</b>	<b>3 820</b>	<b>66</b>	<b>-38</b>	<b>35 062</b>
Staff costs	-3 157	-793	-537	-326	-700	-77	-526	-2 255	-2 745	-51	-11 167
Other administrative expenses	-1 218	-178	-173	-143	-235	-18	-192	-768	-2 144		-5 069
Internal purchased and sold services	-2 828	-201	-235	-208	-316	-37	-108	-127	4 022	38	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-90	-12	-16	-21	-12	-7	-13	-54	-239		-464
<b>Total expenses</b>	<b>-7 293</b>	<b>-1 184</b>	<b>-961</b>	<b>-698</b>	<b>-1 263</b>	<b>-139</b>	<b>-839</b>	<b>-3 204</b>	<b>-1 106</b>	<b>-13</b>	<b>-16 700</b>
<b>Profit before loan losses</b>	<b>13 460</b>	<b>1 158</b>	<b>800</b>	<b>744</b>	<b>2 266</b>	<b>66</b>	<b>343</b>	<b>616</b>	<b>-1 040</b>	<b>-51</b>	<b>18 362</b>
Net loan losses	-420	-151	-368	-128	-200	0	16				-1 251
Gains/losses on disposal of property, equipment and intangible assets	0	-1	-	0	0	-	-2	0	0		-3
<b>Operating profit</b>	<b>13 040</b>	<b>1 006</b>	<b>432</b>	<b>616</b>	<b>2 066</b>	<b>66</b>	<b>357</b>	<b>616</b>	<b>-1 040</b>	<b>-51</b>	<b>17 108</b>
Profit allocation	641	15	27	44	31	1	20	-779	0		
<b>Operating profit after profit allocation</b>	<b>13 681</b>	<b>1 021</b>	<b>459</b>	<b>660</b>	<b>2 097</b>	<b>67</b>	<b>377</b>	<b>-163</b>	<b>-1 040</b>	<b>-51</b>	<b>17 108</b>
Internal income	-2 178	-1 308	-538	-689	-4 131	-235	-44	-1 167	10 290		
C/I ratio, %	34.1	50.2	53.7	47.0	35.5	67.5	69.8	105.4			47.6
Loan loss ratio, %	0.04	0.16	0.61	0.15	0.11	0.00	-0.04				0.08
Assets	1 275 804	147 787	74 077	134 985	212 392	21 482	67 594	317 892	1 335 051	-1 203 113	2 383 951
Liabilities	1 218 560	141 909	69 151	129 558	200 519	20 942	63 593	313 705	1 335 051	-1 212 887	2 280 101
Allocated capital	57 244	5 878	4 926	5 427	11 873	540	4 001	4 187		9 774	103 850
Return on allocated capital, %	18.5	13.9	7.3	9.8	13.5	10.4	6.8	-			14.8
The year's investments in non-financial non-current assets	78	14	2	20	7	2	15	222	228		588
The year's investments in associated companies									30		30
Average number of employees	4 397	944	617	478	647	82	536	1 550	1 941		11 192

# Branch operations in Sweden

Branch operations in Sweden comprise six regional banks, as well as Handelsbanken Finans's and Stadshypotek's operations in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer a full range of banking services at 462 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches. Stadshypotek is the Bank's mortgage company, and is completely integrated with the branch operations.

Quarterly performance							
Branch operations in Sweden							
SEK m	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Total 2013	Total 2012	Change %
Net interest income	4 066	4 091	4 173	4 094	16 424	16 781	-2
Net fee and commission income	978	886	838	826	3 528	3 375	5
Net gains/losses on financial items at fair value	52	104	190	116	462	579	-20
Other income	9	8	3	7	27	18	50
<b>Total income</b>	<b>5 105</b>	<b>5 089</b>	<b>5 204</b>	<b>5 043</b>	<b>20 441</b>	<b>20 753</b>	<b>-2</b>
Staff costs	-814	-831	-822	-833	-3 300	-3 157	5
Other administrative expenses	-326	-261	-301	-302	-1 190	-1 218	-2
Internal purchased and sold services	-770	-719	-770	-768	-3 027	-2 828	7
Depreciation, amortisation and impairments of property, equipment and intangible assets	-21	-21	-25	-20	-87	-90	-3
<b>Total expenses</b>	<b>-1 931</b>	<b>-1 832</b>	<b>-1 918</b>	<b>-1 923</b>	<b>-7 604</b>	<b>-7 293</b>	<b>4</b>
<b>Profit before loan losses</b>	<b>3 174</b>	<b>3 257</b>	<b>3 286</b>	<b>3 120</b>	<b>12 837</b>	<b>13 460</b>	<b>-5</b>
Net loan losses	-75	-44	-135	-103	-357	-420	-15
Gains/losses on disposal of property, equipment and intangible assets	2	3	3	1	9	0	0
<b>Operating profit</b>	<b>3 101</b>	<b>3 216</b>	<b>3 154</b>	<b>3 018</b>	<b>12 489</b>	<b>13 040</b>	<b>-4</b>
Profit allocation	361	182	197	162	902	641	41
<b>Operating profit after profit allocation</b>	<b>3 462</b>	<b>3 398</b>	<b>3 351</b>	<b>3 180</b>	<b>13 391</b>	<b>13 681</b>	<b>-2</b>
Internal income	-278	-218	-223	-385	-1 104	-2 178	49
C/l ratio, %	35.3	34.8	35.5	36.9	35.6	34.1	
Loan loss ratio, %	0.03	0.02	0.05	0.04	0.03	0.04	
Assets	1 325 261	1 313 283	1 310 067	1 286 474	1 325 261	1 275 804	4
Liabilities	1 263 456	1 254 895	1 254 225	1 226 390	1 263 456	1 218 560	4
Allocated capital	61 805	58 388	55 842	60 084	61 805	57 244	8
Return on allocated capital, %	17.5	18.2	18.7	16.5	17.7	18.5	
Average number of employees	4 357	4 632	4 342	4 350	4 420	4 397	1
Number of branches	462	461	461	461	462	461	0

### Financial performance

Operating profit fell by 4 per cent to SEK 12,489 million (13,040), due to lower net interest income and higher expenses.

Net interest income went down by 2 per cent to SEK 16,424 million (16,781). Lower deposit margins reduced net interest income by SEK -958 million, which was partly offset by higher deposit and lending volumes which increased net interest income by SEK 482 million. Higher lending margins made a positive contribution of SEK 202 million. The fees to the Stabilisation Fund and the deposit guarantee fell by SEK 45 million and burdened net interest income by SEK -634 million (-679). The benchmark effect in Stadshypotek affected net interest income positively and was SEK 19 million (-14).

Net fee and commission income grew by 5 per cent to SEK 3,528 million (3,375), chiefly due to higher mutual fund commissions.

Net gains/losses on financial transactions fell by 20 per cent to SEK 462 million (579).

Total expenses rose by 4 per cent to SEK -7,604 million (-7,293), chiefly due to annual salary adjustments, as well as to increasing expenses for IT development. The C/I ratio was 35.6 per cent (34.1).

Loan losses decreased to SEK -357 million (-420). The loan loss ratio was 0.03 per cent (0.04).

### Business development

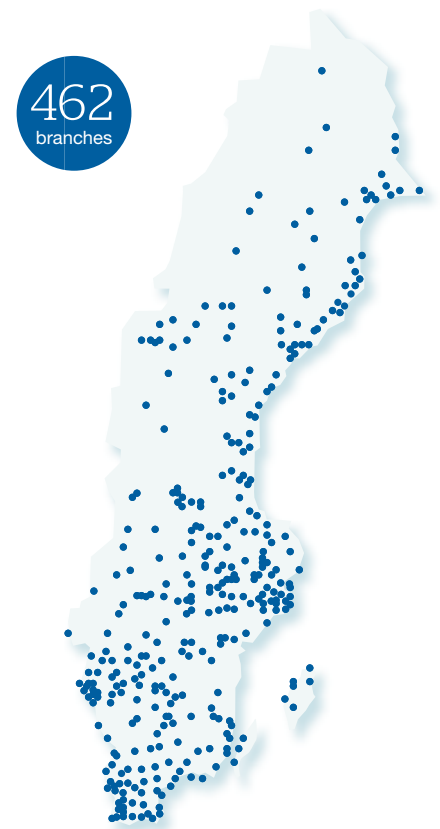
In the 2013 customer satisfaction survey, Handelsbanken once again had the most satisfied customers of the four major banks in Sweden, according to SKI (Swedish Quality Index). For private customers, Handelsbanken's index value was 74.2, as compared with the other three main competitors, all of which recorded scores within the range 64.1–66.2. Since the start of the financial crisis, Handelsbanken has increased its lead on the other three major banks and in the year's survey its lead further increased. Handelsbanken also received a considerably higher rating than the rest of the sector for customer satisfaction among corporate customers.

For the third consecutive year, Handelsbanken was acclaimed "Business Bank of the Year" in Finansbarometern's annual survey. The Bank received the highest rating of any bank during the eleven-year history of the survey.

The average volume of deposits from households continued to increase, amounting to SEK 220 billion (207), a rise of 6 per cent compared with the previous year. At the same time, figures from Svensk Fondstatistik mutual fund statistics showed that for the fourth year running, Handelsbanken was the largest player in the Swedish market in terms of net inflows. During the year, new fund savings in the Bank's mutual funds in Sweden amounted to SEK 12.0 billion, corresponding to a market share of 11.4 per cent.

Two new branches were opened during the year: a branch in Sävar in the first quarter and in Bara during the fourth quarter. Thus the Bank had 462 branches in Sweden.

The average volume of mortgage loans to private individuals increased by 5 per cent to SEK 560 billion (534), while the average volume of lending to companies grew by SEK 9 billion to SEK 490 billion (481).



Business volumes, Sweden			
Average volumes, SEK bn	2013	2012	Change %
<b>Loans to the public<sup>1</sup></b>	<b>1 103</b>	<b>1 068</b>	<b>3</b>
<i>households</i>	613	587	4
<i>of which mortgage loans</i>	560	534	5
<i>companies</i>	490	481	2
<i>of which mortgage loans</i>	248	226	10
<b>Deposits from the public</b>	<b>386</b>	<b>371</b>	<b>4</b>
<i>of which households</i>	220	207	6
<i>companies</i>	166	164	1

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

# Branch operations in the UK

Branch operations in the UK comprise four regional banks and the asset management company Heartwood. Handelsbanken Finans's operations in the UK are also included. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer banking services at 161 branches throughout the UK.

Quarterly performance							
Branch operations in the UK							
SEK m	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Total 2013	Total 2012	Change %
Net interest income	719	682	631	592	2 624	2 142	23
Net fee and commission income	73	73	42	25	213	94	127
Net gains/losses on financial items at fair value	51	25	21	23	120	91	32
Other income	4	0	6	3	13	15	-13
<b>Total income</b>	<b>847</b>	<b>780</b>	<b>700</b>	<b>643</b>	<b>2 970</b>	<b>2 342</b>	<b>27</b>
Staff costs	-327	-271	-241	-220	-1 059	-793	34
Other administrative expenses	-75	-59	-53	-56	-243	-178	37
Internal purchased and sold services	-82	-82	-81	-72	-317	-201	58
Depreciation, amortisation and impairments of property, equipment and intangible assets	-14	-16	-4	-7	-41	-12	242
<b>Total expenses</b>	<b>-498</b>	<b>-428</b>	<b>-379</b>	<b>-355</b>	<b>-1 660</b>	<b>-1 184</b>	<b>40</b>
<b>Profit before loan losses</b>	<b>349</b>	<b>352</b>	<b>321</b>	<b>288</b>	<b>1 310</b>	<b>1 158</b>	<b>13</b>
Net loan losses	2	-65	-50	-55	-168	-151	11
Gains/losses on disposal of property, equipment and intangible assets	0	1	0	0	1	-1	
<b>Operating profit</b>	<b>351</b>	<b>288</b>	<b>271</b>	<b>233</b>	<b>1 143</b>	<b>1 006</b>	<b>14</b>
Profit allocation	15	6	5	4	30	15	100
<b>Operating profit after profit allocation</b>	<b>366</b>	<b>294</b>	<b>276</b>	<b>237</b>	<b>1 173</b>	<b>1 021</b>	<b>15</b>
Internal income	-306	-312	-303	-291	-1 212	-1 308	7
C/I ratio, %	57.8	54.5	53.8	54.9	55.3	50.2	
Loan loss ratio, %	-0.01	0.22	0.17	0.19	0.14	0.16	
Assets	194 503	173 140	155 853	140 170	194 503	147 787	32
Liabilities	186 859	166 130	149 376	133 670	186 859	141 909	32
Allocated capital	7 644	7 010	6 477	6 500	7 644	5 878	30
Return on allocated capital, %	15.0	13.1	13.3	11.4	13.2	13.9	
Average number of employees	1 405	1 332	1 201	1 102	1 260	944	33
Number of branches	161	151	147	138	161	133	21



### Financial performance

Operating profit increased by 14 per cent to SEK 1,143 million (1,006). The result was charged with expenses related to the continued expansion of the branch network and also negative exchange rate movements. Expressed in local currency, operating profit increased by 20 per cent.

Profit before loan losses grew by 13 per cent to SEK 1,310 million (1,158), as a result of continuing growth in business volumes and customer numbers. In local currency, profit before loan losses grew by 19 per cent.

Income increased by 27 per cent and net interest income increased by 23 per cent to SEK 2,624 million (2,142), mainly as a result of larger business volumes but also due to larger lending margins.

Net fee and commission income more than doubled to SEK 213 million (94). The increase is mainly explained by increased asset management commissions as a result of the acquisition of Heartwood at the end of May. However, improved payment commissions also made a contribution. During the year, Heartwood contributed asset management and advisory commissions of SEK 95 million (-).

Net gains/losses on financial transactions increased by SEK 29 million to SEK 120 million (91) as a result of improved business volumes.

Expenses rose by 40 per cent to SEK -1,660 million (-1,184) as a result of the continuing expansion. The average number of employees increased by 33 per cent to 1,260 (944).

Loan losses increased to SEK -168 million (-151), but since the lending volume increased, the loan loss ratio went down to 0.14 per cent (0.16).

### Business development

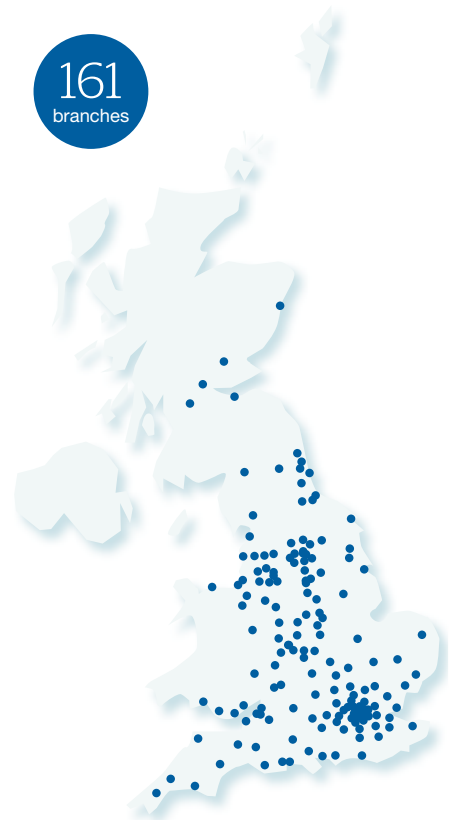
According to the EPSI customer satisfaction survey, Handelsbanken had the most satisfied private and corporate customers among UK banks for the fifth year running. Private customers gave the Bank an index value of 83.8 as compared to the sector average of 74.4. Corporate customers gave the Bank an index value of 82.3 as compared to the sector average of 71.9.

Business volumes continued to grow. During the year, the end-of-period volume of deposits grew by 92 per cent, while the lending volume increased by 15 per cent.

On 1 January 2013, a fourth regional bank was formed, with its head office in Bristol. 28 new branches were opened in 2013, ten of these being opened in the fourth quarter. At the end of the year, the Bank had 161 branches in the UK. In addition, managers have been recruited for another nine new branches.

Work with integrating the Bank's acquisition of the asset management company Heartwood continues according to plan. Since the acquisition was made at the end of May, assets under management have increased from GBP 1.5 billion to GBP 1.8 billion.

161  
branches



Business volumes, UK			
Average volumes, GBP m	2013	2012	Change %
<b>Loans to the public</b>	<b>11 633</b>	<b>9 656</b>	<b>20</b>
<i>of which households</i>	3 252	2 537	28
<i>companies</i>	8 381	7 119	18
<b>Deposits from the public</b>	<b>3 676</b>	<b>2 789</b>	<b>32</b>
<i>of which households</i>	688	463	49
<i>companies</i>	2 988	2 326	28

# Branch operations in Denmark

Branch operations in Denmark comprise the regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Denmark. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 56 branches throughout Denmark. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

Quarterly performance							
Branch operations in Denmark							
SEKm	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Total 2013	Total 2012	Change %
Net interest income	397	403	363	356	1 519	1 397	9
Net fee and commission income	92	74	82	81	329	290	13
Net gains/losses on financial items at fair value	35	29	25	8	97	55	76
Other income	5	4	4	5	18	19	-5
<b>Total income</b>	<b>529</b>	<b>510</b>	<b>474</b>	<b>450</b>	<b>1 963</b>	<b>1 761</b>	<b>11</b>
Staff costs	-142	-137	-137	-130	-546	-537	2
Other administrative expenses	-49	-37	-43	-46	-175	-173	1
Internal purchased and sold services	-69	-61	-59	-63	-252	-235	7
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-4	-4	-4	-17	-16	6
<b>Total expenses</b>	<b>-265</b>	<b>-239</b>	<b>-243</b>	<b>-243</b>	<b>-990</b>	<b>-961</b>	<b>3</b>
<b>Profit before loan losses</b>	<b>264</b>	<b>271</b>	<b>231</b>	<b>207</b>	<b>973</b>	<b>800</b>	<b>22</b>
Net loan losses	-65	-29	-37	-30	-161	-368	-56
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	-	
<b>Operating profit</b>	<b>199</b>	<b>242</b>	<b>194</b>	<b>177</b>	<b>812</b>	<b>432</b>	<b>88</b>
Profit allocation	17	12	10	8	47	27	74
<b>Operating profit after profit allocation</b>	<b>216</b>	<b>254</b>	<b>204</b>	<b>185</b>	<b>859</b>	<b>459</b>	<b>87</b>
Internal income	-89	-106	-94	-106	-395	-538	27
C/l ratio, %	48.5	45.8	50.2	53.1	49.3	53.7	
Loan loss ratio, %	0.40	0.18	0.22	0.19	0.25	0.61	
Assets	78 830	75 379	78 154	74 662	78 830	74 077	6
Liabilities	73 482	69 932	73 169	69 394	73 482	69 151	6
Allocated capital	5 348	5 447	4 985	5 268	5 348	4 926	9
Return on allocated capital, %	12.6	14.6	12.7	10.9	12.7	7.3	
Average number of employees	625	625	626	619	624	617	1
Number of branches	56	55	55	55	56	54	4

### Financial performance

Operating profit rose by 88 per cent to SEK 812 million (432) due to higher income and lower loan losses. Profit before loan losses increased by 22 per cent to SEK 973 million (800). Income increased by 11 per cent, while expenses grew by 3 per cent. Exchange rate movements had a negative impact on profits, and in local currency, profit before loan losses grew by 23 per cent.

Net interest income increased by 9 per cent, or SEK 122 million, to SEK 1,519 million (1,397). In local currency, the increase was 10 per cent, mainly due to higher lending volumes. At the same time, lower deposit margins due to falling interest rates had a SEK -69 million negative effect on net interest income. Fees for the Swedish Stabilisation Fund and the deposit guarantee, together with the Danish state deposit guarantee, burdened net interest income by SEK -44 million (-45).

Expenses increased by 3 per cent to SEK -990 million (-961). Exchange rate movements reduced expenses by SEK 8 million. Expressed in local currency, expenses increased by 4 per cent, mainly due to higher IT expenses. The average number of employees rose by 1 per cent to 624 (617).

Loan losses decreased to SEK -161 million (-368), which corresponds to a loan loss ratio of 0.25 per cent (0.61).

### Business development

The EPSI annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers in Denmark. Private customers gave the Bank an index value of 76.6 as compared to the sector average of 65.8. Handelsbanken received an index value of 72.6 from corporate customers as compared to the sector average of 66.9.

The Bank continued to have a stable inflow of new customers, and market shares increased. The average volume of lending grew by 12 per cent to DKK 59.1 billion (52.9). The Bank's volume of lending to households increased by 14 per cent while lending to companies rose by 9 per cent. The average volume of deposits from the public grew by 2 per cent to DKK 22.7 billion (22.3).

Two new branches were opened during the year, one of which in the fourth quarter, bringing the Bank's total number of branches in Denmark to 56.



Business volumes, Denmark			
Average volumes, DKK bn	2013	2012	Change %
<b>Loans to the public</b>	<b>59.1</b>	<b>52.9</b>	<b>12</b>
<i>of which households</i>	29.1	25.5	14
<i>companies</i>	30.0	27.4	9
<b>Deposits from the public</b>	<b>22.7</b>	<b>22.3</b>	<b>2</b>
<i>of which households</i>	9.1	8.7	5
<i>companies</i>	13.6	13.6	0

# Branch operations in Finland

Branch operations in Finland comprise the regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Finland. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 45 branches throughout Finland. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

Quarterly performance							
Branch operations in Finland							
SEK m	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Total 2013	Total 2012	Change %
Net interest income	337	315	294	273	1 219	1 032	18
Net fee and commission income	107	106	100	99	412	375	10
Net gains/losses on financial items at fair value	12	6	13	9	40	30	33
Other income	1	1	1	2	5	5	0
<b>Total income</b>	<b>457</b>	<b>428</b>	<b>408</b>	<b>383</b>	<b>1 676</b>	<b>1 442</b>	<b>16</b>
Staff costs	-85	-79	-84	-83	-331	-326	2
Other administrative expenses	-36	-35	-40	-34	-145	-143	1
Internal purchased and sold services	-62	-59	-60	-58	-239	-208	15
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-2	-2	-4	-10	-21	-52
<b>Total expenses</b>	<b>-185</b>	<b>-175</b>	<b>-186</b>	<b>-179</b>	<b>-725</b>	<b>-698</b>	<b>4</b>
<b>Profit before loan losses</b>	<b>272</b>	<b>253</b>	<b>222</b>	<b>204</b>	<b>951</b>	<b>744</b>	<b>28</b>
Net loan losses	-121	-77	-34	-36	-268	-128	109
Gains/losses on disposal of property, equipment and intangible assets	0	-	-	-	0	0	
<b>Operating profit</b>	<b>151</b>	<b>176</b>	<b>188</b>	<b>168</b>	<b>683</b>	<b>616</b>	<b>11</b>
Profit allocation	27	17	15	11	70	44	59
<b>Operating profit after profit allocation</b>	<b>178</b>	<b>193</b>	<b>203</b>	<b>179</b>	<b>753</b>	<b>660</b>	<b>14</b>
Internal income	-99	-110	-97	-111	-417	-689	39
C/I ratio, %	38.2	39.3	44.0	45.4	41.5	47.0	
Loan loss ratio, %	0.54	0.34	0.16	0.16	0.30	0.15	
Assets	153 436	142 837	143 636	133 183	153 436	134 985	14
Liabilities	147 315	136 549	138 265	127 329	147 315	129 558	14
Allocated capital	6 121	6 288	5 371	5 854	6 121	5 427	13
Return on allocated capital, %	9.0	9.6	11.8	9.5	9.9	9.8	
Average number of employees	485	502	496	477	490	478	3
Number of branches	45	45	45	45	45	45	0

### Financial performance

Operating profit improved by 11 per cent to SEK 683 million (616), chiefly due to rising net interest income. Income grew by 16 per cent, while expenses increased by only 4 per cent.

Net interest income increased by SEK 187 million, or 18 per cent, to SEK 1,219 million (1,032) as a result of both higher lending margins and larger lending volumes. In local currency, net interest income rose by 19 per cent. Fees for the Swedish Stabilisation Fund and the deposit guarantee burdened net interest income by SEK -47 million (-48).

Net fee and commission income increased by 10 per cent to SEK 412 million (375), which was attributable to higher lending commissions and asset management income. Net gains/losses on financial transactions increased to SEK 40 million (30).

Total expenses rose by 4 per cent to SEK -725 million (-698), chiefly due to increased expenses for internally purchased services. Staff costs rose by 2 per cent, due mainly to a rise of 12 (3 per cent) in the average number of employees.

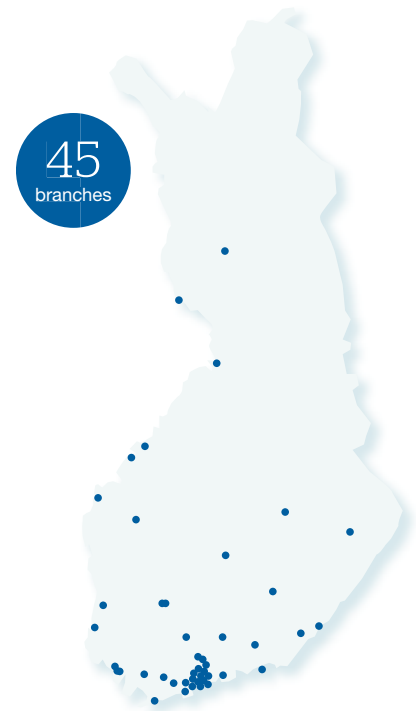
Loan losses increased to SEK -268 million (-128) and the loan loss ratio was 0.30 per cent (0.15).

### Business development

As in previous years, Handelsbanken had the most satisfied private and corporate customers among commercial banks in Finland, according to the EPSI customer satisfaction survey. Private customers gave the Bank an index value of 81.7, as compared to the sector average of 75.6.

The average volume of lending increased by 10 per cent from the previous year. The Bank's lending to companies increased by 12 per cent, while the average volume of lending to households rose by 6 per cent.

The average volume of deposits from households decreased by 2 per cent, while corporate deposits declined by 17 per cent. However, in the fourth quarter, the average volume of deposits from companies increased and was thus 26 per cent higher compared with the corresponding quarter of the previous year.



Business volumes, Finland			
Average volumes, EUR m	2013	2012	Change %
<b>Loans to the public</b>	<b>11 672</b>	<b>10 632</b>	<b>10</b>
<i>of which households</i>	3 693	3 480	6
<i>companies</i>	7 979	7 152	12
<b>Deposits from the public</b>	<b>3 026</b>	<b>3 422</b>	<b>-12</b>
<i>of which households</i>	1 262	1 287	-2
<i>companies</i>	1 764	2 135	-17

# Branch operations in Norway

Branch operations in Norway comprise the regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Norway. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 49 branches throughout Norway. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

Quarterly performance							
Branch operations in Norway							
SEK m	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Total 2013	Total 2012	Change %
Net interest income	902	918	905	849	3 574	3 098	15
Net fee and commission income	90	100	88	86	364	329	11
Net gains/losses on financial items at fair value	22	19	23	19	83	87	-5
Other income	3	4	2	3	12	15	-20
<b>Total income</b>	<b>1 017</b>	<b>1 041</b>	<b>1 018</b>	<b>957</b>	<b>4 033</b>	<b>3 529</b>	<b>14</b>
Staff costs	-161	-171	-159	-171	-662	-700	-5
Other administrative expenses	-66	-53	-54	-59	-232	-235	-1
Internal purchased and sold services	-104	-85	-93	-86	-368	-316	16
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-3	-2	-3	-10	-12	-17
<b>Total expenses</b>	<b>-333</b>	<b>-312</b>	<b>-308</b>	<b>-319</b>	<b>-1 272</b>	<b>-1 263</b>	<b>1</b>
<b>Profit before loan losses</b>	<b>684</b>	<b>729</b>	<b>710</b>	<b>638</b>	<b>2 761</b>	<b>2 266</b>	<b>22</b>
Net loan losses	-43	-25	-38	-63	-169	-200	-16
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	
<b>Operating profit</b>	<b>641</b>	<b>704</b>	<b>672</b>	<b>575</b>	<b>2 592</b>	<b>2 066</b>	<b>25</b>
Profit allocation	22	7	8	6	43	31	39
<b>Operating profit after profit allocation</b>	<b>663</b>	<b>711</b>	<b>680</b>	<b>581</b>	<b>2 635</b>	<b>2 097</b>	<b>26</b>
Internal income	-895	-911	-922	-878	-3 606	-4 131	13
C/I ratio, %	32.1	29.8	30.0	33.1	31.2	35.5	
Loan loss ratio, %	0.08	0.05	0.07	0.12	0.08	0.11	
Assets	202 567	200 958	206 174	203 062	202 567	212 392	-5
Liabilities	190 444	189 058	194 591	190 373	190 444	200 519	-5
Allocated capital	12 123	11 900	11 583	12 689	12 123	11 873	2
Return on allocated capital, %	17.1	18.6	18.3	14.3	17.0	13.5	
Average number of employees	655	654	648	644	650	647	0
Number of branches	49	49	49	49	49	49	0

### Financial performance

Operating profit rose by 25 per cent to SEK 2,592 million (2,066), mainly due to higher net interest income. Income increased by 14 per cent, while expenses increased by 1 per cent. The Norwegian krone weakened and exchange rate movements reduced operating profit by SEK 84 million. In local currency, operating profit increased by 32 per cent.

Net interest income increased by 15 per cent, or SEK 476 million, to SEK 3,574 million (3,098), mainly as a result of higher lending margins and also larger lending volumes. Fees for the Swedish Stabilisation Fund and the deposit guarantee, together with the Norwegian state deposit guarantee, burdened net interest income by SEK -97 million (-103).

Net fee and commission income increased by 11 per cent to SEK 364 million (329), chiefly due to higher lending and payment commissions and increased fund management income.

Expenses rose by 1 per cent to SEK -1,272 million (-1,263). Staff costs went down by 5 per cent, but were unchanged in local currency terms. The total increase in expenses was mainly attributable to rising IT expenses and expenses for other internally purchased services.

Loan losses went down to SEK -169 million (-200), and the loan loss ratio was 0.08 per cent (0.11).

### Business development

As in previous years, Handelsbanken had private and corporate customers that were significantly more satisfied than the average among banks in Norway, according to the EPSI customer satisfaction survey. Private customers gave the Bank an index value of 75.0, as compared to the sector average of 69.8.

Business volumes continued to grow. The average volume of lending rose by 5 per cent, with household lending increasing by 6 per cent and corporate lending by 4 per cent.

The average volume of deposits from households increased by 5 per cent, while corporate deposits went down by 2 per cent.



Business volumes, Norway			
Average volumes, NOK bn	2013	2012	Change %
<b>Loans to the public</b>	<b>182.8</b>	<b>174.8</b>	<b>5</b>
<i>of which households</i>	72.0	67.9	6
<i>companies</i>	110.8	106.9	4
<b>Deposits from the public</b>	<b>49.6</b>	<b>49.5</b>	<b>0</b>
<i>of which households</i>	14.0	13.3	5
<i>companies</i>	35.6	36.2	-2

# Branch operations in the Netherlands

Since 1 January 2013, branch operations in the Netherlands are organised as a separate regional bank. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers banking services at 18 branches in the Netherlands.

Quarterly performance							
Branch operations in the Netherlands							
SEK m	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Total 2013	Total 2012	Change %
Net interest income	66	61	53	50	230	177	30
Net fee and commission income	6	6	5	6	23	26	-12
Net gains/losses on financial items at fair value	0	0	1	0	1	2	-50
Other income	-	-	-	-	-	-	-
<b>Total income</b>	<b>72</b>	<b>67</b>	<b>59</b>	<b>56</b>	<b>254</b>	<b>205</b>	<b>24</b>
Staff costs	-26	-25	-23	-22	-96	-77	25
Other administrative expenses	-6	-5	-5	-5	-21	-18	17
Internal purchased and sold services	-17	-13	-15	-11	-56	-37	51
Depreciation, amortisation and impairments of property, equipment and intangible assets	0	-1	0	0	-1	-7	-86
<b>Total expenses</b>	<b>-49</b>	<b>-44</b>	<b>-43</b>	<b>-38</b>	<b>-174</b>	<b>-139</b>	<b>25</b>
<b>Profit before loan losses</b>	<b>23</b>	<b>23</b>	<b>16</b>	<b>18</b>	<b>80</b>	<b>66</b>	<b>21</b>
Net loan losses	-6	0	-1	0	-7	0	
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	-	
<b>Operating profit</b>	<b>17</b>	<b>23</b>	<b>15</b>	<b>18</b>	<b>73</b>	<b>66</b>	<b>11</b>
Profit allocation	1	0	1	2	4	1	300
<b>Operating profit after profit allocation</b>	<b>18</b>	<b>23</b>	<b>16</b>	<b>20</b>	<b>77</b>	<b>67</b>	<b>15</b>
Internal income	-33	-35	-37	-35	-140	-235	40
C/l ratio, %	67.1	65.7	71.7	65.5	67.4	67.5	
Loan loss ratio, %	0.17	0.01	0.02	0.00	0.05	0.00	
Assets	33 039	36 191	32 748	27 804	33 039	21 482	54
Liabilities	32 221	35 386	32 009	27 059	32 221	20 942	54
Allocated capital	818	805	739	745	818	540	51
Return on allocated capital, %	6.9	8.9	6.6	8.5	7.7	10.4	
Average number of employees	110	103	100	95	102	82	24
Number of branches	18	16	15	15	18	13	38



### Financial performance

Operating profit increased by 11 per cent to SEK 73 million (66). Income rose by 24 per cent, while continuing investments in operations led to a 25 per cent increase in expenses.

Net interest income increased by 30 per cent to SEK 230 million (177), mainly as a result of increased business volumes from private customers and increased corporate margins.

Expenses increased to SEK -174 million (-139), as a result of the expansion of the regional head office and the branch network. The average number of employees rose to 102 (82).

Loan losses were SEK -7 million (-), and the loan loss ratio was 0.05 per cent (-).

### Business development

According to the EPSI customer satisfaction survey in the Netherlands, Handelsbanken had more satisfied customers – both private and corporate – than the average in the sector.

At the beginning of 2013 the Bank decided to establish a regional bank in the Netherlands, at the same time designating this market as the Group's sixth home market. Five new branch offices were opened during the year, two of them in the fourth quarter. At the end of the year, the Bank had 18 branches in the Netherlands.

Average deposit volumes grew by 45 per cent to EUR 944 million (650), while lending volumes increased by 4 per cent to EUR 1,728 million (1,657). Household deposits grew by 53 per cent and the average volume of lending to households increased by 99 per cent.



Business volumes, Netherlands			
Average volumes, EUR m	2013	2012	Change %
<b>Loans to the public</b>	<b>1 728</b>	<b>1 657</b>	<b>4</b>
<i>of which households</i>	478	240	99
<i>companies</i>	1 250	1 417	-12
<b>Deposits from the public</b>	<b>944</b>	<b>650</b>	<b>45</b>
<i>of which households</i>	26	17	53
<i>companies</i>	918	633	45

# Handelsbanken International

Handelsbanken International's main task is to support the Bank's customers in the home markets with their international business. The Bank has operations in 28 locations (19 branches and nine representative offices) in 18 countries outside its home markets.

Quarterly performance Handelsbanken International							
SEK m	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Total 2013	Total 2012	Change %
Net interest income	176	170	161	153	660	766	-14
Net fee and commission income	73	75	79	81	308	328	-6
Net gains/losses on financial items at fair value	14	22	27	16	79	86	-8
Other income	2	0	1	3	6	2	200
<b>Total income</b>	<b>265</b>	<b>267</b>	<b>268</b>	<b>253</b>	<b>1 053</b>	<b>1 182</b>	<b>-11</b>
Staff costs	-126	-125	-129	-130	-510	-526	-3
Other administrative expenses	-58	-42	-43	-38	-181	-192	-6
Internal purchased and sold services	-47	-34	-37	-35	-153	-108	42
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-2	-3	-3	-11	-13	-15
<b>Total expenses</b>	<b>-234</b>	<b>-203</b>	<b>-212</b>	<b>-206</b>	<b>-855</b>	<b>-839</b>	<b>2</b>
<b>Profit before loan losses</b>	<b>31</b>	<b>64</b>	<b>56</b>	<b>47</b>	<b>198</b>	<b>343</b>	<b>-42</b>
Net loan losses	-14	-44	-11	4	-65	16	
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	-2	
<b>Operating profit</b>	<b>17</b>	<b>20</b>	<b>45</b>	<b>51</b>	<b>133</b>	<b>357</b>	<b>-63</b>
Profit allocation	18	9	3	8	38	20	90
<b>Operating profit after profit allocation</b>	<b>35</b>	<b>29</b>	<b>48</b>	<b>59</b>	<b>171</b>	<b>377</b>	<b>-55</b>
Internal income	2	-3	-21	-28	-50	-44	-14
C/I ratio, %	82.7	73.6	78.2	78.9	78.4	69.8	
Loan loss ratio, %	0.18	0.58	0.15	-0.05	0.22	-0.04	
Assets	76 640	80 766	67 697	70 355	76 640	67 594	13
Liabilities	72 419	76 259	63 495	66 086	72 419	63 593	14
Allocated capital	4 221	4 507	4 202	4 269	4 221	4 001	5
Return on allocated capital, %	2.5	2.0	3.6	4.3	3.1	6.8	
Average number of employees	498	511	517	519	511	536	-5
Number of branches	19	19	19	19	19	19	0

**Financial performance**

Operating profit went down to SEK 133 million (357) as a result of a deliberate reduction in business volumes and higher loan losses.

Net interest income decreased by 14 per cent to SEK 660 million (766), due to lower lending volumes and lower margins.

Net fee and commission income fell by 6 per cent to SEK 308 million (328), mainly due to lower business volumes leading to lower lending, payment and guarantee commissions.

Net gains/losses on financial transactions, which mainly consist of foreign exchange-related earnings and early redemption charges, decreased to SEK 79 million (86).

Expenses increased by 2 per cent to SEK -855 million (-839). The average number of employees fell to 511 (536).

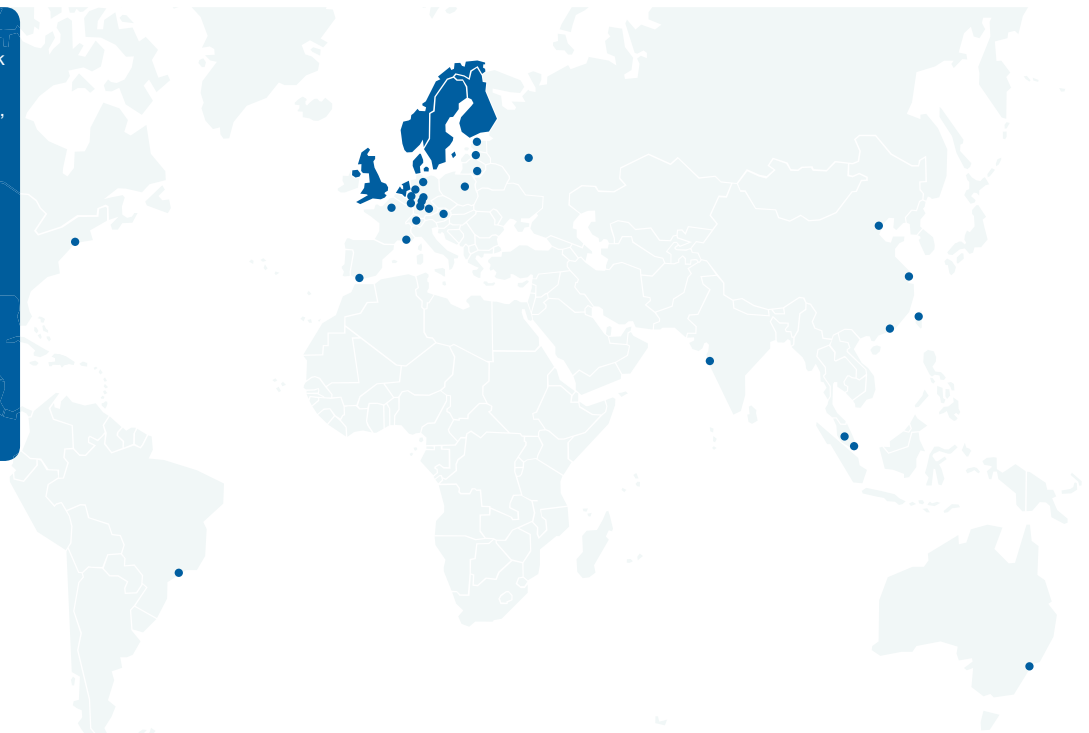
Loan losses amounted to SEK -65 million (16), which corresponds to a loan loss ratio of 0.22 per cent (-0.04).

**Business development**

The average volume of lending decreased by 10 per cent to SEK 33.2 billion (36.7) compared with the previous year. Deposits increased by 7 per cent to SEK 28.7 billion (26.7), mainly as a result of corporate deposits increasing by 11 per cent to SEK 26.3 billion (23.8).

Business volumes, Handelsbanken International			
Average volumes, SEK bn	2013	2012	Change %
<b>Loans to the public</b>	<b>33.2</b>	<b>36.7</b>	<b>-10</b>
<i>of which households</i>	3.5	3.6	-3
<i>companies</i>	29.7	33.1	-10
<b>Deposits from the public</b>	<b>28.7</b>	<b>26.7</b>	<b>7</b>
<i>of which households</i>	2.4	2.9	-17
<i>companies</i>	26.3	23.8	11

Handelsbanken has a nationwide branch network in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. Outside these markets, the Bank has 19 branches and 9 representative offices in 18 countries: Australia, Brazil, Estonia, France, India, China, Latvia, Lithuania, Luxembourg, Malaysia, Poland, Russia, Switzerland, Singapore, Spain, Germany, USA and Austria.



# Handelsbanken Capital Markets

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

In the table below, the income figures and comments for Capital Markets' products throughout the Group are presented first, followed by the equivalent figures and comments for the Handelsbanken Capital Markets segment.

Income distribution in the Group for Handelsbanken Capital Markets' products January–December 2013						Total Capital Markets products in the Group	Change % Jan–Dec 2013/ Jan–Dec 2012
SEK m	Capital Markets	Branch operations	Other				
Net interest income	151				151	-71	
Commission income	2 979	1 967	-135		4 811	13	
<i>of which brokerage income</i>	789	452	-52		1 189	5	
<i>of which mutual funds and custody</i>	1 336	1 155	-56		2 435	20	
<i>of which insurance</i>	239	360	-28		571	-2	
Net fee and commission income	2 658	1 914	-55		4 517	20	
Net gains/losses on financial items at fair value	977	525	-1		1 501	27	
Risk result	142				142	-27	
Other income	10				10	-9	
<b>Total income</b>	<b>3 938</b>	<b>2 439</b>	<b>-56</b>		<b>6 321</b>	<b>12</b>	

## Quarterly performance Capital Markets

SEK m	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Total 2013	Total 2012	Change %
Net interest income	28	34	46	43	151	517	-71
Net fee and commission income	707	588	703	660	2 658	2 438	9
Net gains/losses on financial items at fair value	253	215	298	211	977	658	48
Risk result, insurance	35	30	26	51	142	196	-28
Other income	2	10	-6	4	10	11	-9
<b>Total income</b>	<b>1 025</b>	<b>877</b>	<b>1 067</b>	<b>969</b>	<b>3 938</b>	<b>3 820</b>	<b>3</b>
Staff costs	-512	-505	-509	-507	-2 033	-2 255	-10
Other administrative expenses	-228	-164	-208	-185	-785	-768	2
Internal purchased and sold services	0	13	13	5	31	-127	-124
Depreciation, amortisation and impairments of property, equipment and intangible assets	-11	-14	-11	-14	-50	-54	-7
<b>Total expenses</b>	<b>-751</b>	<b>-670</b>	<b>-715</b>	<b>-701</b>	<b>-2 837</b>	<b>-3 204</b>	<b>-11</b>
<b>Profit before loan losses</b>	<b>274</b>	<b>207</b>	<b>352</b>	<b>268</b>	<b>1 101</b>	<b>616</b>	<b>79</b>
Net loan losses							
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	
<b>Operating profit</b>	<b>274</b>	<b>207</b>	<b>352</b>	<b>268</b>	<b>1 101</b>	<b>616</b>	<b>79</b>
Profit allocation	-461	-233	-239	-201	-1 134	-779	46
<b>Operating profit after profit allocation</b>	<b>-187</b>	<b>-26</b>	<b>113</b>	<b>67</b>	<b>-33</b>	<b>-163</b>	<b>80</b>
Internal income	-412	-290	-340	-372	-1 414	-1 167	-21
C/l ratio, %	133.2	104.0	86.4	91.3	101.2	105.4	
Assets	294 607	319 389	317 782	327 530	294 607	317 892	-7
Liabilities	291 546	316 148	313 856	323 576	291 546	313 705	-7
Allocated capital	3 061	3 241	3 926	3 954	3 061	4 187	-27
Return on allocated capital, %	-	-	9.0	5.3	-	-	
Average number of employees	1 448	1 486	1 458	1 463	1 464	1 550	-6

The Group's brokerage income increased by 5 per cent to SEK 1,189 million (1,137). Asset management commissions increased by 20 per cent to SEK 2,435 million (2,028), of which fund commissions rose by 20 per cent to SEK 2,008 million (1,680), mainly due to positive changes in the value of the funds.

Insurance commissions went down to SEK 571 million (583), due to fewer policies with guaranteed rates of return.

Net gains/losses on financial transactions increased by 27 per cent to SEK 1,501 million (1,178). Currency transactions related to branch operations, which are included in net gains/losses on financial transactions, resulted in a currency gain of SEK 525 million (522).

### Business development

For the fourth year running, the Bank was the largest player in new savings in mutual funds in Sweden, with a net inflow of SEK 12 billion. Net new savings in Handelsbanken's funds in the Group totalled SEK 16 billion during the year. Morningstar, an independent mutual fund research company, gave Handelsbanken's funds the highest average grade of all the major Swedish banks in its three-year rating of mutual fund companies on the Swedish market. According to the Swedish Quality Index (SKI), Handelsbanken also had the most satisfied savings customers of the four major banks in Sweden. Xact was the largest player in the Nordic market for exchange-traded

funds, with a market share of 90 per cent of the total assets under management.

Total fund volume, including exchange-traded funds, increased during the year by SEK 47 billion to SEK 271 billion (224), the highest ever volume. Total assets under management in the Group rose during the year by SEK 84 billion to SEK 452 billion (368).

Customers were more interested in structured investments during the year, and the sales of capital-protected investments increased by 85 per cent. Handelsbanken was the largest player in Sweden for capital-protected investments focused on the general public, with a market share of just over 22 per cent.

The Bank's risk mandate is only used to undertake customer business. As a result of this, the Bank's customers are ensured that they can always get the best possible execution of their transactions.

The Private Banking operation continued to perform well, both with regard to the inflow of customers and the volumes managed. Since 2010, TNS Sifo Prospera has ranked Handelsbanken as number one for Private Banking, and this included 2013 as well.

In January, the Bank launched its "High income solutions" for occupational pensions. These solutions do not have any capital, premium or fixed fees. High demand for occupational pension solutions resulted in the sales volume increasing by 53 per cent.

In the area of corporate finance, the Bank maintained its strong position and remained the leading adviser in acquisition and sales of companies in Sweden.

Exchange of business with large international companies at Large Corporates performed well.

### Financial performance

Operating profit increased by 79 per cent to SEK 1,101 million (616). Asset management operations, excluding Handelsbanken Liv, increased their profit to SEK 407 million (306) and the investment bank to SEK 384 million (-106).

Net interest income went down to SEK 151 million (517). However, the decrease should be seen together with net gains/losses on financial transactions, which at the same time increased to SEK 977 million (658).

Net fee and commission income grew by 9 per cent to SEK 2,658 million (2,438), chiefly due to higher mutual fund and advisory commissions.

The risk result in Handelsbanken Liv was SEK 142 million (196).

In total, income rose by 3 per cent to SEK 3,938 million (3,820), while expenses fell by 11 per cent to SEK -2,837 million (-3,204). The reduction in expenses is chiefly attributable to staff costs. The average number of employees fell by 6 per cent to 1,464 (1,550).

Income distribution SEK m	2013	2012
Asset Management and custody	945	838
Handelsbanken Liv	690	846
Investment banking	2 303	2 136
<b>Total income</b>	<b>3 938</b>	<b>3 820</b>

Asset under management SEK bn	2013	2012
Mutual funds, excl. PPM and unit-linked insurance	199	166
PPM	14	11
Unit-linked insurance	60	49
<i>of which external funds</i>	<i>-2</i>	<i>-2</i>
<b>Total mutual funds</b>	<b>271</b>	<b>224</b>
Structured products	25	28
Portfolio bond insurance	17	15
<i>of which in Handelsbanken mutual funds and structured products</i>	<i>-5</i>	<i>-4</i>
Traditional insurance	11	12
<i>of which in Handelsbanken mutual funds and structured products</i>	<i>0</i>	<i>0</i>
Institutional assets <sup>1</sup>	140	100
<i>of which in Handelsbanken mutual funds and structured products</i>	<i>-59</i>	<i>-51</i>
Handelsbanken's foundations	58	49
<i>of which in Handelsbanken mutual funds and structured products</i>	<i>-6</i>	<i>-5</i>
<b>Total assets under management, Handelsbanken Group</b>	<b>452</b>	<b>368</b>
Securities in custody, excl. mutual funds	256	228

<sup>1</sup> Including the whole volume managed by Heartwood, of which own funds SEK 10bn.

At Capital Markets, around 1,400 specialists work in seven countries: Sweden, the UK, Denmark, Finland, Norway, Luxembourg and the US.

# Handelsbanken's shares and shareholders

Handelsbanken's share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the exchange. In 2013, the share was noted at an "all time high" on 31 trading days. During the year, the share price grew by 36 per cent and including dividends paid, total return was 41 per cent.

There are two classes of Handelsbanken's share: class A and class B. Class A shares are by far the most common and represent more than 98 per cent of all shares, both in terms of the number of shares and the turnover. Class A shares each carry one vote while class B shares have one-tenth of a vote. The share capital was SEK 2,956 million divided over 635,645,795 shares. Each share thus represented SEK 4.65 of the share capital.

## STOCK EXCHANGE TRADE

Handelsbanken's shares are traded on several different market places. Turnover is largest on Nasdaq OMX (the Stockholm stock exchange), but for the past couple of years, the shares have also been traded on other venues, such as Burgundy, Chi-X/BATS. In 2013, an average of

1.3 million Handelsbanken shares were traded each day on Nasdaq OMX.

The Handelsbanken share is in the group of the most traded shares on the Stockholm stock exchange.

## DIVIDEND

One of the purposes of Handelsbanken's corporate goal is to offer shareholders long-term high growth in value, expressed in increasing earnings per share over a business cycle. The dividend should be competitive in relation to other listed Nordic bank shares.

The Board is proposing to the 2014 annual general meeting to decide on a total dividend of SEK 16.50 per share, with the ordinary dividend being SEK 11.50 per share (10.75). The complete proposal on share dividends is presented on page 175.

## CREATING SHAREHOLDER VALUE

Handelsbanken is one of few banks which has created a positive shareholder value during the years of the financial and debt crisis. Handelsbanken is the only commercial bank on the Stockholm stock exchange which has not needed to ask its shareholders for new capital during this period.

During the past five-year period, Handelsbanken has generated a positive shareholder value of SEK 150 billion. Market capitalisation has grown by SEK 122 billion, while Handelsbanken has paid out SEK 28 billion in dividends.

## SHARE PRICE PERFORMANCE

For 31 of the trading days in 2013, the Handelsbanken share was listed at an all time high. The highest listing for the year – SEK 319.60 – was

Handelsbanken's shares	2013	2012	2011	2010	2009
Earnings per share, total operations, SEK	22.52	22.34	19.78	17.72	16.44
after dilution	22.26	21.85	19.39	17.44	15.98
Ordinary dividend per share, SEK	11.50 <sup>1</sup>	10.75	9.75	9.00	8.00
Total dividend per share, SEK	16.50 <sup>1</sup>	-	-	-	-
Dividend growth, ordinary dividend, %	7 <sup>1</sup>	10	8	13	14
Price of class A share, 31 December, SEK	316.00	232.40	181.00	214.90	204.20
Highest share price during year, SEK	319.60	249.90	226.00	229.00	212.70
Lowest share price during year, SEK	234.30	181.00	147.40	180.50	81.75
Share price performance, %	36	28	-16	5	62
Total return, %	41	34	-12	9	68
Dividend yield, %	3.6 <sup>1</sup>	4.6	5.4	4.2	3.9
Adjusted equity per share, SEK	177.71	162.63	152.71	143.14	134.40
Stock exchange price/equity, %	178	143	119	151	153
Average daily turnover on Nasdaq OMX (no. of shares)					
Class A	1 240 755	1 542 761	2 056 789	1 927 262	2 792 980
Class B	17 007	16 111	23 754	25 798	35 361
P/E ratio	14.0	10.4	9.2	12.1	12.4
Market capitalisation, SEK bn	201	147	113	134	127
No. of converted shares from the convertible subordinated loan issued in 2008, millions	2.8	8.7	0.6	-	-
No. of shares as at 31 December, millions	635.6	632.8	624.1	623.5	623.5
Holding of repurchased shares, millions	-	-	-	-	-
Holding of own shares in trading book, millions	-	-	0.1	-	0.2
Number of outstanding shares, as at 31 December, millions	635.6	632.8	624.0	623.5	623.3
Dilution effect, end of period, millions	12.0	15.4	26.3	12.2	12.3
Number of outstanding shares after dilution, millions	647.6	648.2	650.3	635.7	635.6
Average number of outstanding shares (millions)	634.8	628.5	623.1	622.1	623.3
after dilution	647.5	649.9	642.4	634.3	642.6

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

on 27 December. Handelsbanken's market capitalisation increased during the year by SEK 54 billion and was SEK 201 billion (147) as at 31 December 2013. The Swedish stock market went up by 21 per cent during the year and the Stockholm stock exchange bank index rose by 42 per cent. Handelsbanken's class A share ended the year at SEK 316.00, an increase of 36 per cent. Including dividends, the total return was 41 per cent.

### REPURCHASE OF SHARES

At the AGM in March 2013, the Board received a mandate to repurchase a maximum of 40 million shares during the period until the AGM in March 2014. This mandate was not used during 2013. Since 2000, the Bank has repurchased 91.2 million shares (net), which has led to a transfer of capital totalling SEK 15.5 billion to Handelsbanken's shareholders.

### CONVERTIBLE LOAN

In spring 2008, the Bank issued a subordinated convertible loan on market terms for SEK 2.3 billion directed at the Group's employees. The loan has hybrid status and can be converted into Handelsbanken class A shares.

Since 1 June 2011, holders have been able to convert the loan to shares at the ordinary conversion price of SEK 187.56. After 21 May 2013 it is possible to convert to Handelsbanken shares at the ordinary conversion price, or at an adjusted conversion price corresponding to the share price applying at this date, if it is lower than the conversion price. The Bank can also demand conversion.

In spring 2011, the Bank issued another subordinated convertible loan for SEK 2.5 billion on market terms directed at the Group's employees. Holders can convert to class A shares in Handelsbanken between 1 May 2016 and 30 November 2016. The original ordinary conversion price was SEK 256.52. However, the convertible is fully dividend-protected which means that the ordinary conversion price is adjusted downwards by an amount corresponding

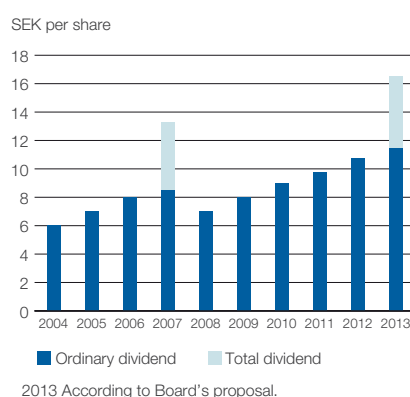
in percentage terms to the dividend paid on a class A share. Following the dividend paid in spring 2013, the conversion price was therefore recalculated to SEK 235.98. The Bank can also demand conversion.

### OWNERSHIP STRUCTURE

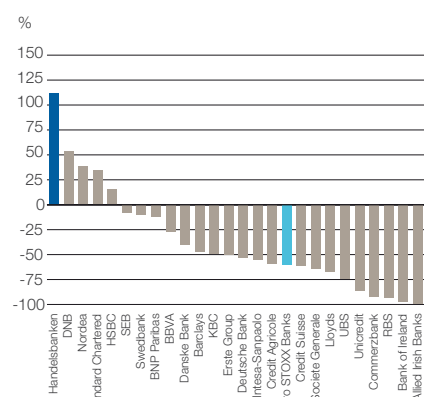
During the past few years the proportion of non-Swedish shareholders has increased from 30

per cent at the end of 2008 and was 47 per cent (46) as at 31 December 2013. Handelsbanken has almost 100,000 shareholders. Two thirds of these owned fewer than 501 shares. Four per cent of the shareholders owned more than 5,000 shares each, and together they held 91.6 per cent of the share capital. Two shareholders own more than ten per cent of the shares: the Oktogonen Foundation and Industrivärden.

#### Share dividends in the past ten years



#### Total return since the beginning of the financial crisis 31 December 2007 – 31 December 2013



Source: SNL, as at 31 December 2013 (dividends reinvested)

#### The largest Swedish shareholders as at 31 December 2013

	Number of shares	% of capital	% of votes
Oktogonen Foundation	64 451 572	10.14	10.31
Industrivärden	64 351 679	10.12	10.30
Swedbank Robur funds	17 077 900	2.69	2.73
Lundbergs	14 932 000	2.35	2.39
AMF and funds	14 698 379	2.31	2.35
Handelsbanken funds	9 306 402	1.46	1.49
Alecta	8 910 000	1.40	1.43
SEB funds	8 591 616	1.35	1.37
4th National Swedish Pension Fund	6 432 450	1.01	1.03
AFA Försäkring	5 181 234	0.82	0.83
3rd National Swedish Pension Fund	4 277 288	0.67	0.68
J. Wallanders & T. Hedelius stiftelse, T. Browaldhs stiftelse	4 100 000	0.65	0.66
SPP Fonder	3 589 307	0.56	0.57
Folksam / KPA / Förenade Liv	3 005 491	0.47	0.48
2nd National Swedish Pension Fund	2 664 654	0.42	0.43

#### Shareholdings per shareholder 31 December 2013

Number of shares	Shareholdings				
	Shareholders Number	Number of class A shares	Number of class B shares	% of share capital	% of votes
1-500 shares	63 607	8 111 860	2 225 256	1.6	1.3
501-1 000 shares	13 343	8 756 599	1 472 660	1.6	1.4
1 001-5 000 shares	15 204	29 584 033	3 432 575	5.2	4.8
5 001-20 000 shares	2 618	21 278 374	1 946 007	3.7	3.5
20 001+ shares	922	556 164 486	2 673 945	87.9	89.0
<b>Total</b>	<b>95 694</b>	<b>623 895 352</b>	<b>11 750 443</b>	<b>100.0</b>	<b>100.0</b>

#### Shares divided into share classes 31 December 2013

Share class	Number	% of capital	% of votes	Average prices/repurchased amount	Share capital
Class A	623 895 352	98.15	99.81	-	2 901 113 387
Class B	11 750 443	1.85	0.19	-	54 639 560
<b>Total</b>	<b>635 645 795</b>	<b>100.00</b>	<b>100.00</b>		<b>2 955 752 947</b>

# Sustainability, employees and the environment

Handelsbanken's business opportunities and successes depend upon the confidence that customers, investors, the general public and public authorities have in us and our employees. A condition for this confidence is that the Bank's operations are subject to high ethical standards and responsible actions, and that employees of the Bank conduct themselves in a manner that upholds confidence. The following is a summary of the Bank's sustainability work. The complete Sustainability Report is on pages 178-203 of this Annual Report.

## SUSTAINABILITY

### HANDELSBANKEN IN THE COMMUNITY

Handelsbanken is a bank that is stable over the long term – a bank which, regardless of the situation in the world around us, is there for our customers. By being a bank with stable finances and a stable presence, Handelsbanken aims to fulfil its role as a responsible institution. Handelsbanken also takes responsibility in this role by managing risks in such a way that as few customers as possible have difficulties in making payments, and the Bank can therefore continue to be a bank with stable finances that makes a positive contribution to its customers, its shareholders, and the community.

### HANDELSBANKEN IN THE LOCAL COMMUNITY

Handelsbanken is convinced of the need for a local presence. The basic concept of the Bank's way of operating is that business decisions are made as close to the customer as possible. This is why Handelsbanken offers a nationwide branch network in the countries the Bank has identified as its home markets. The Bank's decentralised organisational structure where the local branch manager is responsible for all the Bank's business in its local area of operations means that Handelsbanken is firmly established in the local community.

In recent years, most banks have decided to significantly reduce the number of branches. Handelsbanken has instead elected to retain its local branches and thus continues to fill an important function in the local community. In 2013, Handelsbanken opened 37 new branches in its home markets. Handelsbanken is currently the only bank in 59 locations.

### OUR ANALYSIS OF THE IMPACT OF OUR OPERATIONS

Taking responsibility is a vital element of a successful, sustainable banking operation. Handelsbanken aims to meet customers' needs for financial products and services in a responsible manner, and provide its shareholders with a good return. In addition, the Bank takes a social responsibility and acts ethically in relation to all its

stakeholders and works to reduce its environmental impact.

Different sectors have larger or smaller impacts within different areas. For example, a bank's direct environmental impact is fairly limited, even though Handelsbanken endeavours to minimise the carbon dioxide emissions, etc. generated by its operations.

Handelsbanken's customers have full responsibility for their operations and how they are run. Handelsbanken's possibility of affecting customers' actions is normally relatively limited.

### RESPONSIBLE LENDING

Handelsbanken has a very low risk tolerance. This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group.

A bank has the opportunity to make a difference when it comes to social and civic responsibility, particularly in its role as a lender.

Therefore, it is important that the Bank's lending is responsible, based on a close assessment of the customer's repayment capacity. The aim of short-term profits for the Bank must take second place to what can be considered sustainable in the long term.

### RESPONSIBLE INVESTMENTS

Handelsbanken integrates sustainability matters with the investment decisions made on behalf of customers. Our approach to this is based on the UN Principles for Responsible Investment, PRI, which Handelsbanken signed in 2009. Signing PRI means that we are committed to integrating sustainability matters into research and investment decisions, and to be involved in greater transparency relating to environmental, social and corporate governance matters in the companies that Handelsbanken Fonder invests in.

### ETHICAL GUIDELINES

Handelsbanken's ethical guidelines are adopted by the Board of the Bank. They formulate the basic guidelines for every employee's actions. A self-evident rule is that the Bank and its employees must comply with the laws and regulations that govern the Bank's operations. The guidelines are reviewed every year by the Board.

### HUMAN RIGHTS

Handelsbanken endorses the principles set out in the United Nations Universal Declaration of Human Rights. Handelsbanken adheres to UN's Global Compact, cementing the Bank's expressed support for universal human rights. When granting credits, the Bank takes account of its customers' attitudes to human rights.

### EMPLOYEES

In 2013, Handelsbanken had 11,503 employees, working in 24 countries, nearly 35 per cent of whom were employed outside Sweden.

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

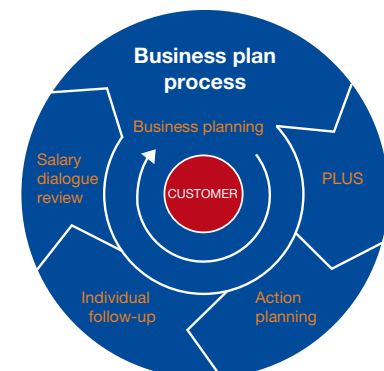
Above all, working at Handelsbanken is about relationships with other people. When we recruit new employees, we therefore constantly seek people who share the Bank's basic values. We want our employees to be driven by putting the customer first, to enjoy taking a large amount of individual responsibility, and to want to take their own initiatives.

### CONSTANT DEVELOPMENT

The Bank's strength is derived from the combined expertise of its employees. The most important source of increased professionalism is learning in your daily work, where all employees are responsible for constant development – their own and that of the operations.

Therefore, all employees participate in drawing up their own unit's business plan. This forms the basis of the PLUS performance dialogue, which

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





every employee has with his/her line manager at least once a year.

After this, each employee puts together an action plan setting out the goals to be attained and the conditions necessary for this. At the end of the year, the employee has a salary dialogue review with his/her line manager, based on a follow-up of the action plan that has been carried out.

### INTERNAL LABOUR MARKET AND MANAGEMENT SUCCESSION

Since the corporate culture and the Bank's values are so vital for Handelsbanken's success, internal recruitment is important. Internal mobility contributes to the working method and culture being spread to all parts of the Bank and all countries.

External staff turnover in the Group was 2.9 per cent (3.6) during the year.

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2013, 98 per cent (98) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 90 per cent (93), including those markets where the Bank established operations relatively recently.

One of the most vital tasks for managers at the Bank is to identify, encourage and develop new managers.

### FOR GENDER EQUALITY – AGAINST DISCRIMINATION

At Handelsbanken, there must be no discrimination on grounds such as gender, gender identity or expression, ethnicity, religion or other beliefs, disability, sexual orientation or age.

Incidents of discrimination concerning employees are normally managed in the operations through the local personnel functions, but cases reported to the national discrimination ombudsman or corresponding official body are followed up at Group level. No such cases were reported in 2013.

Handelsbanken aims to be an equal opportunities company where women and men have the same opportunities, chances and power to shape the Bank and their own professional career. Gender equality is about making the most of all of Handelsbanken's potential.

In all countries where Handelsbanken operates, the Bank must produce a gender equality plan which supports the Group's equality goals. The gender equality plan is to be based on Handelsbanken's fundamental values and the laws and guidelines applying in the country concerned.

At the year-end, 44 per cent (43) of the Bank's managers in Sweden were women. The proportion of women among the total number of employees in Sweden was 54 per cent (54).

In the Group as a whole, 38 per cent (37) of managers were women. The proportion of women among the total number of employees in the Group was 52 per cent (52).

The Bank's work with gender equality is continuing, with various measures aimed at making Handelsbanken a gender-equal company. Training is carried out for managers, staff at personnel functions and trade union representatives in order to increase awareness of how social and

cultural norms affect attitudes and behaviour in everyday life.

Focus on rectifying unwarranted pay differentials between women and men continued in 2013. Personnel functions and trade union representatives have organised joint meetings with salary-setting managers to provide them with further support in the work towards gender equality in salaries.

### WORK ENVIRONMENT AND HEALTH

Handelsbanken's overall goal with its work environment work focuses on employees enjoying good health, developing on a personal level and functioning in an optimal way. This is a long-term goal that includes factors such as clear and honest communication, having the skills and competence and the right conditions needed to perform tasks and deal with work-related situations, having pride and confidence in one's work, respecting others, and being respected oneself.

In co-operation with staff and employee representatives, managers are responsible for developing a healthy and safe workplace in accordance with the Bank's work environment goal.

In Sweden, managers with delegated responsibility for the work environment must, in collaboration with work environment representatives and employees, compile a work environment status report at least once a year. This includes the employees' physical and psychosocial environment. The results are discussed within each unit at the Bank, and any measures decided upon must be integrated into the business plan/operational plan.

### WORKING CONDITIONS AND UNION RIGHTS

All employees of Handelsbanken have the right to organise and join a union or employee organisation. Handelsbanken's traditional good relationship with unions is a valuable component of Handelsbanken's culture. All employees in Denmark, Finland, France, Luxembourg, Norway, Sweden and Austria, comprising almost 85 per cent of the Bank's employees, are covered by collective bargaining agreements. In these countries, employees who are not members of a union are also covered by the terms of the collective agreement. The number of employees has increased in countries which traditionally have a low rate of membership of collective bargaining agreements. For this reason, the proportion of employees who are covered by a collective bargaining agreement has fallen slightly.

There is an ongoing dialogue between union representatives and managers concerning operations – such as when changes and new services are to be launched – where valuable information is exchanged at the very early stages. As well as matters which are dealt with in a dialogue with the union organisations in each country, Handelsbanken's European Work Council (EWC) functions as a forum for joint and cross-border questions within the Handelsbanken Group. The EWC consists of representatives from nine countries: Denmark, Finland, Luxembourg, the Netherlands, Norway, Poland, the UK, Sweden and Germany.

### READ MORE

Additional information about how the Bank works with sustainability issues is given in the Bank's Sustainability Report on pages 178–203 of the Annual Report, as well as on the Bank's website at [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

### OKTOGONEN – THE BANK'S PROFIT-SHARING SCHEME

A condition for achieving the Bank's financial goal of achieving better profitability than the average of peer banks in its home markets is that employees outperform their peers in the rest of the sector. Therefore, the Board considers it reasonable that employees should receive a share of any extra profits. Every year but two since 1973, the Board has decided to allocate part of the Bank's profits to a profit-sharing scheme for its employees. The funds are managed by the Oktogonen Foundation.

All employees receive an equal part of the allocated amount and the scheme includes all employees in the Bank's home markets. In recent years, employees in Hong Kong, Luxembourg, Poland, Singapore and Taipei have also been included in Oktogonen.

### ENVIRONMENTAL PERFORMANCE

#### HANDELSBANKEN'S DIRECT ENVIRONMENTAL IMPACT

A bank's direct environmental impact is fairly limited. Handelsbanken's direct environmental impact derives mainly from its consumption of energy, materials, equipment, travel and transport. For several years, the Bank has measured and reported the carbon dioxide (CO<sub>2</sub>) emissions generated by its own operations as the result of its use of transport and its consumption of electricity and heat energy. For all the Bank's regional banks in the Nordic countries, the UK and the Netherlands and also central units, carbon dioxide emissions from the operations' total electricity consumption totalled 2,971 tonnes for 2013.

For the Swedish operations, in addition to electricity consumption, we also measure transport, business travel and heating/cooling of properties owned by Handelsbanken in Sweden, which totalled 4,094 tonnes of CO<sub>2</sub> for 2013. Emissions of CO<sub>2</sub> in Sweden have gone down by six per cent compared with 2012. The amount of CO<sub>2</sub> emissions from electricity consumption has fallen but CO<sub>2</sub> emissions related to business travel have increased in Sweden. Handelsbanken strives to minimise the (CO<sub>2</sub>) emissions generated in its operations.

In Sweden, the Bank has increasingly opted to buy green electricity compared to previous years. The share of this power is 92 per cent for the Nordic countries overall and 99 per cent for Sweden.

#### HANDELSBANKEN'S INDIRECT ENVIRONMENTAL IMPACT

By joining the UN's Global Compact, Handelsbanken undertakes to describe how it works with environmental matters, etc. In addition to the Bank's own consumption of resources, this mainly concerns the indirect environmental impact via lending and asset management.



# Corporate Governance Report

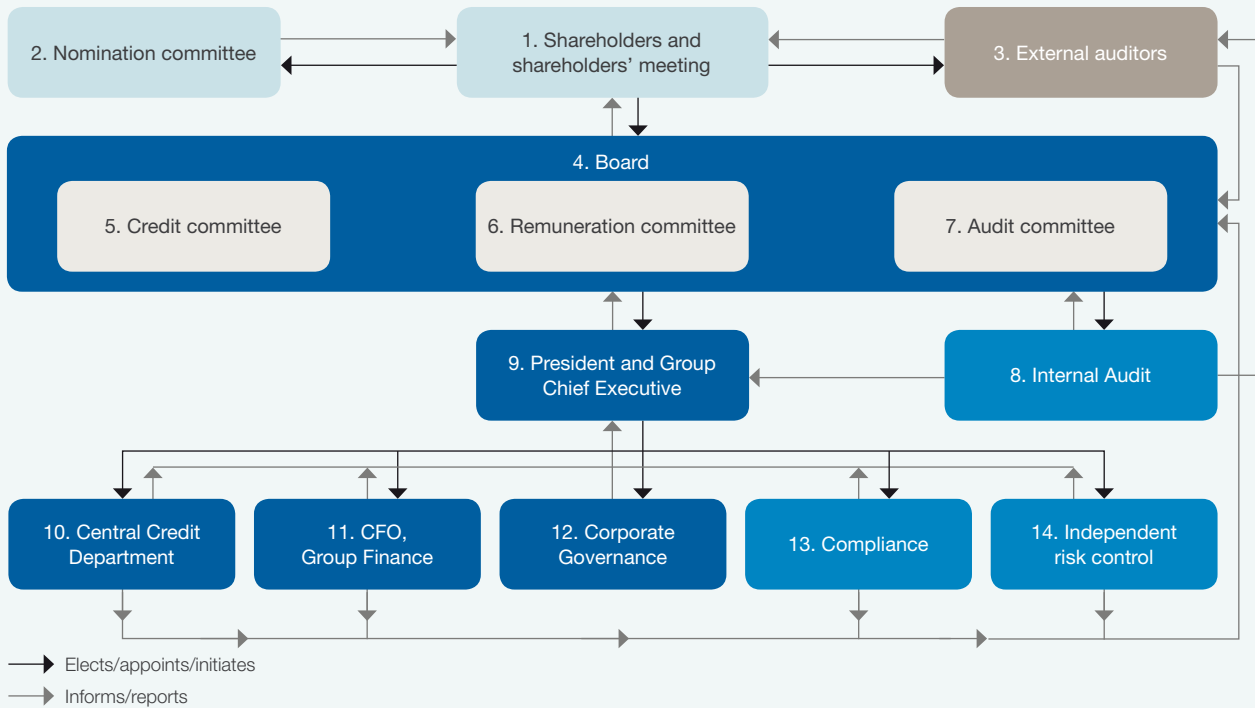
Handelsbanken is a Swedish public limited company, whose shares are listed on Nasdaq OMX Stockholm. The shareholders ultimately make the decisions about Handelsbanken's governance. Here the Board submits its Corporate Governance Report for 2013. Handelsbanken applies the Swedish Code of Corporate Governance.

## CONTENTS

<b>CORPORATE GOVERNANCE STRUCTURE</b>	<b>50</b>	<b>FRAMEWORK FOR CONTROL</b>	<b>55</b>
		Internal control for operations	55
<b>CORPORATE GOVERNANCE AT HANDELSBANKEN</b>	<b>52</b>	Internal Audit	55
Comments about corporate governance in banks	52	Compliance	55
		Risk Control	55
<b>PRINCIPLES OF CORPORATE GOVERNANCE AT HANDELSBANKEN</b>	<b>52</b>	<b>POLICY DOCUMENTS</b>	<b>56</b>
<b>SHAREHOLDERS AND SHAREHOLDERS' MEETINGS</b>	<b>52</b>	<b>PRINCIPLES FOR COMPENSATION AT HANDELSBANKEN</b>	<b>58</b>
Rights of shareholders	52	Fundamental principles for compensation	58
Major shareholders	53	Principles for compensation to senior management	58
Annual general meeting 2013	53	Variable compensation	58
Nomination committee	53	<b>THE BOARD'S REPORT ON INTERNAL CONTROL REGARDING FINANCIAL REPORTING</b>	<b>59</b>
Auditors	53	Control environment	59
<b>THE BOARD</b>	<b>53</b>	Risk assessment	59
Composition of the Board	53	Control activities	59
Independence of Board members	53	Information and communication	59
Regulations governing the Board's work	54	Follow-up	59
Chairman of the Board	54	<b>BOARD MEMBERS</b>	<b>60</b>
Committee work	54	<b>GROUP MANAGEMENT AND INDEPENDENT CONTROL FUNCTIONS</b>	<b>62</b>
The Board's work in 2013	54		
<b>THE BANK'S MANAGEMENT</b>	<b>55</b>		
Group Chief Executive	55		
Group Management and Group Management structure	55		

# 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](http://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](http://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.

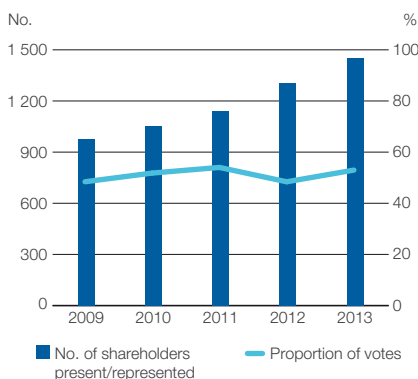
The decisions made by the shareholders at the meeting included:

- 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 Nyström 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 Nyström, 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 Nyström 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

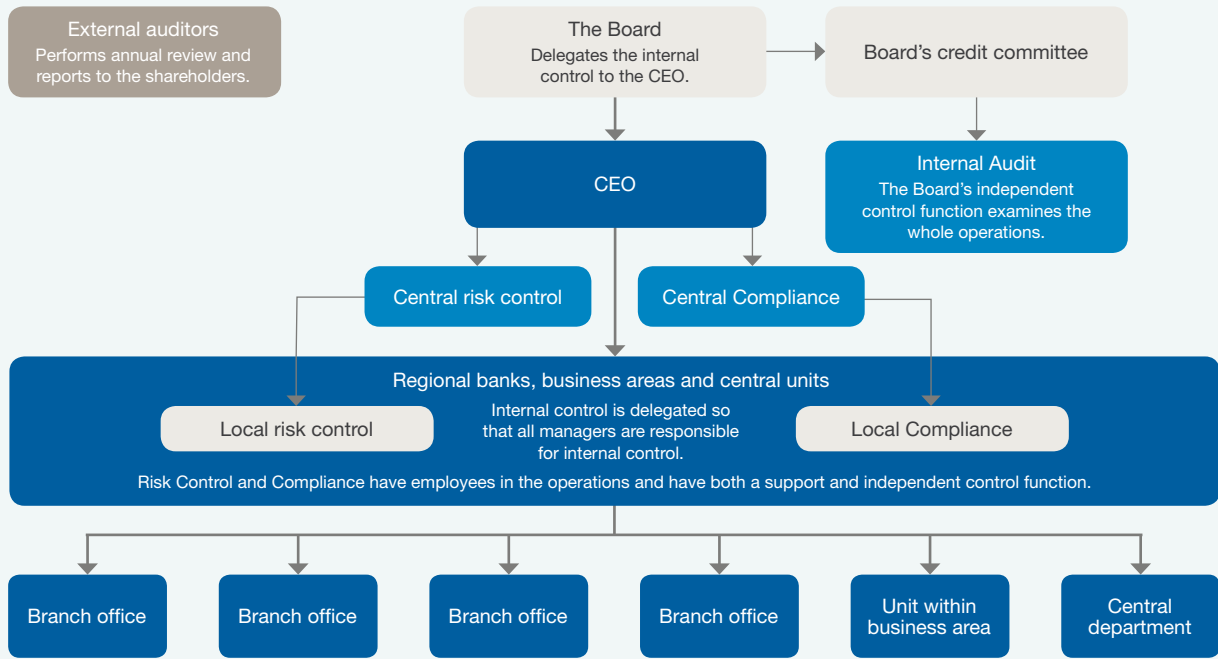
Compliance is the responsibility of all employees in the Group. Establishing compliance functions centrally, for regional banks, business areas and central departments, as well as for each country where the Bank has operations, does not release any employee from the responsibility of complying with the 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**

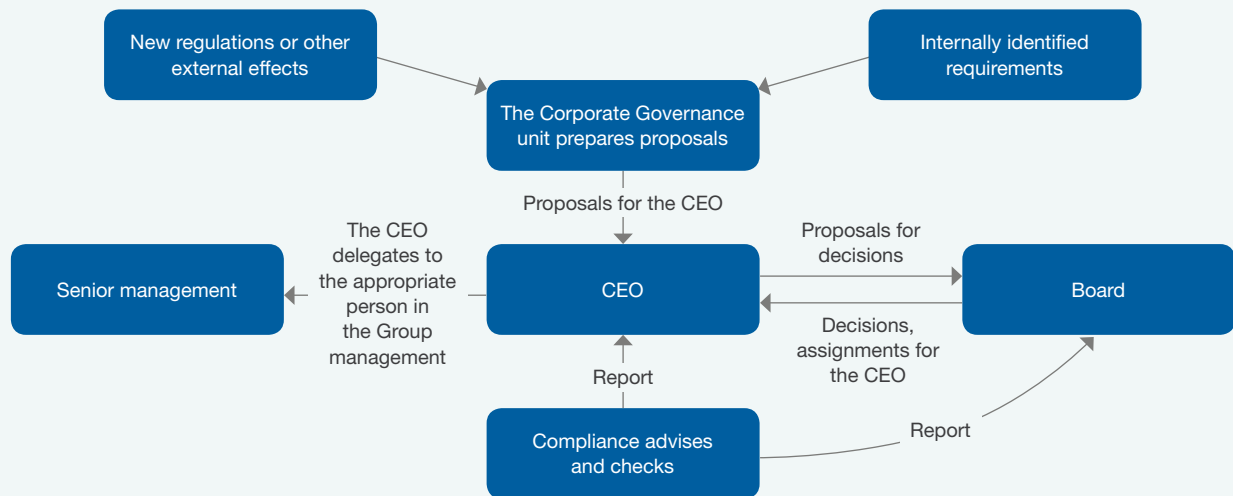
Employees of the Bank must conduct themselves in a manner that upholds confidence in the Bank. All operations at the Bank must be characterised by high ethical standards. Financial advice must be based on the customer's requirements. Conflicts of interest must be identified and handled in a manner that 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
<b>Position</b>	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
<b>Education</b>	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
<b>Year elected</b>	2001	2002	2002	2003	2006	2000
<b>Year of birth</b>	1954	1951	1943	1954	1961	1959
<b>Nationality</b>	Swedish	Swedish	Swedish	Norwegian	Swedish	Swedish
<b>Other assignments</b>	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.
<b>Background</b>	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.
<b>Remuneration 2013<sup>1</sup></b>	SEK 3,100,000	SEK 1,187,500	SEK 1,318,750	SEK 593,750	SEK 0	SEK 0
<b>Credit committee Attendance</b>	Chairman 9/11	Member 11/11	Member 11/11	–	Member 11/11	Member 11/11
<b>Audit committee Attendance</b>	Member 3/3 <sup>2</sup>	–	Chairman 5/5	–	–	–
<b>Remuneration committee Attendance</b>	Chairman 6/6 <sup>3</sup>	–	–	–	–	–
<b>Board meetings Attendance</b>	9/9	9/9	9/9	6/9	9/9	9/9
<b>Own shareholdings and those of immediate family</b>	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 <sup>4</sup> . Staff convertible at nominal amount: 2011: SEK 8,318,142	18,556 of which 18,556 in indirect holdings <sup>4</sup> . Staff convertible at nominal amount: 2011: SEK 1,131,799
<b>Dependent/independent</b>	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).

<sup>1</sup> 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.

<sup>2</sup> Member of the audit committee from March 2013.

<sup>3</sup> Chairman of the remuneration committee from March 2013.

<sup>4</sup> Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.

<sup>5</sup> Member of the credit committee from March 2013.

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

<sup>7</sup> 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
<b>Position</b>	President and CEO of Svenska Cellulosa AB SCA	Director	Director	Director	Bank employee
<b>Education</b>	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
<b>Year elected</b>	2009	2012	2004	2009	2012
<b>Year of birth</b>	1954	1951	1954	1960	1964
<b>Nationality</b>	Swedish	Finnish	Norwegian	Danish	Swedish
<b>Other assignments</b>	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 <sup>6</sup> . 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.
<b>Background</b>	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.
<b>Remuneration 2013<sup>1</sup></b>	SEK 718,750	SEK 837,500	SEK 1,037,500	SEK 818,750	SEK 0
<b>Credit committee Attendance</b>	–	Member 8/8 <sup>5</sup>	Member 11/11	Deputy member 3/11 <sup>7</sup>	Deputy member
<b>Audit committee Attendance</b>	–	–	–	Member 4/5	–
<b>Remuneration committee Attendance</b>	Member 8/8	–	Member 8/8	–	–
<b>Board meetings Attendance</b>	9/9	9/9	9/9	7/9	9/9
<b>Own shareholdings and those of immediate family</b>	5,000	9,500	1,330	0	6,321, of which 6,321 in indirect holdings. <sup>4</sup> Staff convertible at nominal amount: 2011: SEK 242,722
<b>Dependent/independent</b>	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 <sup>1</sup> 2011
<b>Pär Boman</b>	President and Group Chief Executive	1961	1991	11,892, of which 5,892 in indirect holdings*	SEK 8,318,142
<b>Nina Arkilahti</b>	Executive Vice President, CEO Handelsbanken Finland	1967	1995	5,339, of which 2,940 in indirect holdings*	SEK 4,000,000
<b>Per Beckman</b>	Chief Executive of Stadshypotek	1962	1993	2,936, of which 2,936 in indirect holdings*	SEK 5,545,428
<b>Yonnie Bergqvist</b>	Executive Vice President, Handelsbanken Direkt	1961	1979	17,590, of which 17,453 in indirect holdings*	SEK 5,000,000
<b>Katarina Berner Frösödal</b>	Executive Vice President, Central Personnel and responsible for CSR	1956	1979	20,033, of which 20,033 in indirect holdings*	SEK 5,545,428
<b>Anders Bouvin</b>	Executive Vice President, CEO Handelsbanken UK	1958	1985	11,700, of which 11,700 in indirect holdings*	SEK 5,545,428
<b>Michael Broom</b>	Senior Vice President, Head of Regional Bank South West Great Britain	1959	2009	162, of which 162 in indirect holdings*	SEK 1,131,799
<b>Annika Brunnéd</b>	Senior Vice President, Head of Regional Bank Northern Sweden	1964	1984	12,092, of which 12,092 in indirect holdings*	SEK 3,763,599
<b>Michael Green</b>	Executive Vice President, Handelsbanken Capital Markets	1966	1994	4,021, of which 4,021 in indirect holdings*	SEK 5,545,428
<b>Jan Häggström</b>	Senior Vice President, Economic Research	1949	1988	7,352, of which 7,352 in indirect holdings*	SEK 3,763,599
<b>Ulf Köping-Höggård</b>	Senior Vice President, Central Legal Department	1949	1990	6,291, of which 6,291 in indirect holdings*	SEK 3,763,599
<b>Anders H Johansson</b>	Executive Vice President, Central IT	1955	1999	2,444, of which 2,444 in indirect holdings*	SEK 5,545,428
<b>Lars Kahlund</b>	Executive Vice President, Central Credit Department	1954	1975	30,843, of which 30,843 in indirect holdings*	SEK 5,545,428
<b>Johan Lagerström</b>	Senior Vice President, Corporate Communications	1961	2002	2,280, of which 1,883 in indirect holdings*	SEK 3,763,599
<b>Rainer Lawniczak</b>	Senior Vice President, Forestry and Farming	1958	1982	15,969, of which 15,969 in indirect holdings*	SEK 4,654,514
<b>Agneta Lilja</b>	Senior Vice President, Central Infrastructure	1961	1985	11,466, of which 11,466 in indirect holdings*	SEK 3,763,599
<b>Katarina Ljungqvist</b>	Executive Vice President, Head of Regional Bank Western Sweden	1965	1989	6,486, of which 6,486 in indirect holdings*	SEK 1,131,799
<b>Simon Lodge</b>	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.

<sup>1</sup> See note G37.



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

<sup>1</sup> See note G37.

#### Independent control functions (not members of Group Management)

<b>Maria Hedin</b>	Senior Vice President, Independent Risk Control	613, of which 531 in indirect holdings*	SEK 155,454
<b>Luciana Pacor Hygrell</b>	Senior Vice President, Central Compliance	19,237, of which 19,234 in indirect holdings*	SEK 750,000
<b>Tord Jonerot</b>	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.

<sup>1</sup> See note G37.

# Financial reports Group

## CONTENTS

Income statement	65	<b>G24</b> Property and equipment	118
Statement of comprehensive income	66	<b>G25</b> Other assets	118
Balance sheet	67	<b>G26</b> Prepaid expenses and accrued income	118
Statement of changes in equity	68	<b>G27</b> Due to credit institutions	119
Cash flow statement	69	<b>G28</b> Deposits and borrowing from the public	119
Notes Group	70	<b>G29</b> Liabilities where the customer bears the value change risk	119
<b>G1</b> Accounting policies and other basis for preparing the financial reports	70	<b>G30</b> Issued securities	120
<b>G2</b> Risk and capital management	78	<b>G31</b> Short positions	120
<b>G3</b> Net interest income	102	<b>G32</b> Insurance liabilities	120
<b>G4</b> Net fee and commission income	102	<b>G33</b> Taxes	121
<b>G5</b> Net gains/losses on financial transactions	103	<b>G34</b> Provisions	122
<b>G6</b> Risk result – insurance	103	<b>G35</b> Other liabilities	122
<b>G7</b> Other income	103	<b>G36</b> Accrued expenses and deferred income	122
<b>G8</b> Staff costs	104	<b>G37</b> Subordinated liabilities	122
<b>G9</b> Other expenses	108	<b>G38</b> Classification of financial assets and liabilities	123
<b>G10</b> Loan losses	108	<b>G39</b> Fair value measurement of financial instruments	125
<b>G11</b> Gains/losses on disposal of property, equipment and intangible assets	111	<b>G40</b> Pledged assets, collateral received and transferred financial assets	128
<b>G12</b> Profit for the year pertaining to discontinued operations	111	<b>G41</b> Contingent liabilities	129
<b>G13</b> Earnings per share	111	<b>G42</b> Other commitments	129
<b>G14</b> Other loans to central banks	111	<b>G43</b> Leases	129
<b>G15</b> Loans to other credit institutions	112	<b>G44</b> Segment reporting	130
<b>G16</b> Loans to the public	112	<b>G45</b> Assets and liabilities in currencies	132
<b>G17</b> Interest-bearing securities	113	<b>G46</b> Related-party disclosures	133
<b>G18</b> Shares	113	<b>G47</b> Business combinations	134
<b>G19</b> Investments in associates	114	<b>G48</b> Restating of financial reports due to revised IAS 19	135
<b>G20</b> Assets where the customer bears the value change risk	114	<b>G49</b> Capital adequacy	136
<b>G21</b> Derivative instruments	115		
<b>G22</b> Offsetting of financial instruments	116		
<b>G23</b> Intangible assets	117		

# Income statement Group

Group SEK m		2013	2012
Interest income	Note G3	54 463	62 814
Interest expense	Note G3	-27 794	-36 733
<b>Net interest income</b>		<b>26 669</b>	<b>26 081</b>
Fee and commission income	Note G4	9 294	8 750
Fee and commission expense	Note G4	-1 490	-1 381
<b>Net fee and commission income</b>		<b>7 804</b>	<b>7 369</b>
Net gains/losses on financial transactions	Note G5	1 357	1 120
Risk result, insurance	Note G6	142	196
Other dividend income		161	152
Share of profit of associates	Note G19	9	8
Other income	Note G7	185	136
<b>Total income</b>		<b>36 327</b>	<b>35 062</b>
Staff costs	Note G8	-11 404	-11 167
Other expenses	Note G9	-5 181	-5 069
Depreciation, amortisation and impairments of property, equipment and intangible assets	Note G23, G24	-476	-464
<b>Total expenses</b>		<b>-17 061</b>	<b>-16 700</b>
<b>Profit before loan losses</b>		<b>19 266</b>	<b>18 362</b>
Net loan losses	Note G10	-1 195	-1 251
Gains/losses on disposal of property, equipment and intangible assets	Note G11	17	-3
<b>Operating profit</b>		<b>18 088</b>	<b>17 108</b>
Taxes	Note G33	-3 915	-3 092
<b>Profit for the year from continuing operations</b>		<b>14 173</b>	<b>14 016</b>
Profit for the year pertaining to discontinued operations, after tax	Note G12	122	22
<b>Profit for the year</b>		<b>14 295</b>	<b>14 038</b>
<i>Attributable to</i>			
Shareholders in Svenska Handelsbanken AB		14 295	14 037
Minority interest		0	1
Earnings per share, continuing operations, SEK	Note G13	22.33	22.30
after dilution	Note G13	22.07	21.82
Earnings per share, discontinued operations, SEK	Note G13	0.19	0.04
after dilution	Note G13	0.19	0.03
Earnings per share, total operations, SEK	Note G13	22.52	22.34
after dilution	Note G13	22.26	21.85

# Statement of comprehensive income Group

Group SEK m	2013	2012
Profit for the year	14 295	14 038
<b>Other comprehensive income</b>		
<b>Items that cannot be reclassified into profit and loss</b>		
Defined benefit plans	1 402	2 583
Taxes on items that cannot be reclassified into profit and loss	-307	-568
<b>Total items that cannot be reclassified into profit and loss</b>	<b>1 095</b>	<b>2 015</b>
<b>Items that can be reclassified into profit and loss</b>		
Cash flow hedges	-3 410	2 390
Available-for-sale instruments	535	984
Translation difference for the year	763	-126
<i>of which hedges of net investments in foreign operations</i>	767	486
Tax on items that can be related into profit and loss	514	-913
<i>of which cash flow hedges</i>	744	-565
<i>of which available-for-sale instruments</i>	-61	-248
<i>of which hedges of net investments in foreign operations</i>	-169	-100
<b>Total items that can be reclassified into profit and loss</b>	<b>-1 598</b>	<b>2 335</b>
<b>Total other comprehensive income</b>	<b>-503</b>	<b>4 350</b>
<b>Total comprehensive income for the year</b>	<b>13 792</b>	<b>18 388</b>
<i>Attributable to</i>		
Shareholders in Svenska Handelsbanken AB	13 792	18 387
Minority interest	0	1

The period's reclassifications to the income statement are presented in Statement of changes in equity. Discontinued operations only affects Translation difference for the year in Other comprehensive income.

# Balance sheet Group

Group SEK m		2013	2012	Opening balance 2012 <sup>1</sup>
<b>ASSETS</b>				
Cash and balances with central banks		334 794	236 545	251 857
Other loans to central banks	Note G14	35 160	12 370	124 122
Interest-bearing securities eligible as collateral with central banks	Note G17	57 451	48 906	43 971
Loans to other credit institutions	Note G15	62 898	89 511	106 823
Loans to the public	Note G16	1 696 339	1 680 479	1 591 128
Value change of interest hedged item in portfolio hedge		96	5 271	4 490
Bonds and other interest-bearing securities	Note G17	64 125	68 354	60 231
Shares	Note G18	48 595	30 146	27 236
Investments in associates	Note G19	272	203	205
Assets where the customer bears the value change risk	Note G20	86 015	69 590	62 721
Derivative instruments	Note G21	69 961	110 850	142 074
Reinsurance assets		4	1	2
Intangible assets	Note G23	7 835	7 206	7 079
Property and equipment	Note G24	2 205	2 209	3 507
Current tax assets		405	129	42
Deferred tax assets	Note G33	269	350	380
Net pension assets	Note G8	1 733	766	-
Assets held for sale		1 247	854	944
Other assets	Note G25	13 262	12 812	14 267
Prepaid expenses and accrued income	Note G26	7 140	7 399	8 512
<b>Total assets</b>	Note G38	<b>2 489 806</b>	<b>2 383 951</b>	<b>2 449 591</b>
<b>LIABILITIES AND EQUITY</b>				
Due to credit institutions	Note G27	171 624	183 945	201 889
Deposits and borrowing from the public	Note G28	825 205	682 223	724 888
Liabilities where the customer bears the value change risk	Note G29	86 062	69 638	62 800
Issued securities	Note G30	1 150 641	1 151 426	1 140 074
Derivative instruments	Note G21	61 529	106 044	127 303
Short positions	Note G31	22 845	16 201	21 397
Insurance liabilities	Note G32	622	666	690
Current tax liabilities		831	497	818
Deferred tax liabilities	Note G33	7 413	8 713	7 842
Provisions	Note G34	141	120	31
Net pension liabilities	Note G8	-	-	1 401
Liabilities related to assets held for sale		539	349	345
Other liabilities	Note G35	13 189	17 848	13 847
Accrued expenses and deferred income	Note G36	21 861	21 264	20 977
Subordinated liabilities	Note G37	15 965	21 167	35 317
<b>Total liabilities</b>	Note G38	<b>2 378 467</b>	<b>2 280 101</b>	<b>2 359 619</b>
Minority interest		2	2	0
Share capital		2 956	2 943	2 902
Share premium		2 843	2 337	793
Reserves		1 837	2 340	-2 010
Retained earnings		89 406	82 191	75 964
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB		14 295	14 037	12 323
<b>Total equity</b>		<b>111 339</b>	<b>103 850</b>	<b>89 972</b>
<b>Total liabilities and equity</b>		<b>2 489 806</b>	<b>2 383 951</b>	<b>2 449 591</b>

<sup>1</sup> The column opening balance 2012 shows the new opening balance, after the restatement of defined benefit pensions in accordance with the revised IAS 19 Employee benefits. For more information, see note G48.

# Statement of changes in equity Group

Group 2013									
SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2013	2 943	2 337		1 149	569	-1 393	101 290	2	106 897
Effects of implementing revised IAS 19			2 015				-5 062		-3 047
Opening equity after adjustment	2 943	2 337	2 015	1 149	569	-1 393	96 228	2	103 850
Profit for the year							14 295	0	14 295
Other comprehensive income			1 095	-2 666	474	594			-503
<b>Total comprehensive income for the year</b>			<b>1 095</b>	<b>-2 666</b>	<b>474</b>	<b>594</b>	<b>14 295</b>	<b>0</b>	<b>13 792</b>
Dividend							-6 822		-6 822
Conversion of the convertible subordinated loan issued in 2008	13	506							519
Changes in holdings of own shares in trading book									0
Changes in minority interests									0
<b>Closing equity 2013</b>	<b>2 956</b>	<b>2 843</b>	<b>3 110</b>	<b>-1 517</b>	<b>1 043</b>	<b>-799</b>	<b>103 701</b>	<b>2</b>	<b>111 339</b>
Group 2012									
SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2012	2 902	793		-676	-167	-1 167	92 839	0	94 524
Effects of implementing revised IAS 19							-4 552		-4 552
Opening equity after adjustment	2 902	793		-676	-167	-1 167	88 287	0	89 972
Profit for the year							14 037	1	14 038
Other comprehensive income			2 015	1 825	736	-226		0	4 350
<b>Total comprehensive income for the year</b>			<b>2 015</b>	<b>1 825</b>	<b>736</b>	<b>-226</b>	<b>14 037</b>	<b>1</b>	<b>18 388</b>
Dividend							-6 110		-6 110
Conversion of the convertible subordinated loan issued in 2008	41	1 544							1 585
Changes in holdings of own shares in trading book							14		14
Changes in minority interests								1	1
<b>Closing equity 2012</b>	<b>2 943</b>	<b>2 337</b>	<b>2 015</b>	<b>1 149</b>	<b>569</b>	<b>-1 393</b>	<b>96 228</b>	<b>2</b>	<b>103 850</b>

During the period January to December 2013, convertibles for a nominal value of SEK 533m (1,641) relating to the 2008 subordinated convertible bond had been converted into 2,838,683 class A shares (8,744,470). At the end of the financial year the holdings of Handelsbanken shares in the trading book was 0 (0).

## Specification of changes in equity

SEK m	2013	2012
<b>Change in hedge reserve</b>		
Hedge reserve at beginning of year	1 149	-676
Unrealised value changes during the year	-2 666	1 825
<b>Hedge reserve at end of year</b>	<b>-1 517</b>	<b>1 149</b>
<b>Change in fair value reserve</b>		
Fair value reserve at beginning of year	569	-167
Unrealised market value change during the year for remaining and new holdings	509	789
Realised market valuation reclassified in the income statement <sup>1</sup>	-35	-53
<b>Fair value reserve at end of year</b>	<b>1 043</b>	<b>569</b>
<b>Change in translation reserve</b>		
Translation reserve at beginning of year	-1 393	-1 167
Change in translation difference pertaining to branches	687	-176
Change in translation difference pertaining to subsidiaries	-107	-49
Reclassified in the income statement <sup>2</sup>	14	-1
<b>Translation reserve at end of year</b>	<b>-799</b>	<b>-1 393</b>

<sup>1</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 16m (17).

<sup>2</sup> Tax that has been reclassified to the income statement pertaining to this item SEK -17m (18).

# Cash flow statement Group

Group SEK m	2013	2012
<b>OPERATING ACTIVITIES</b>		
Operating profit, total operations	18 233	17 140
<i>of which paid-in interest</i>	55 030	63 858
<i>of which paid-out interest</i>	-27 923	-36 678
<i>of which paid-in dividends</i>	1 044	441
Adjustment for non-cash items in profit/loss		
Loan losses	1 392	1 438
Unrealised changes in value	-250	-33
Depreciation, amortisation and impairments	476	464
Paid income tax	-4 973	-3 997
Changes in the assets and liabilities of operating activities		
Other loans to central banks	-22 790	111 752
Loans to other credit institutions	26 605	17 465
Loans to the public	-12 152	-91 366
Interest-bearing securities and shares	-23 393	-20 099
Due to credit institutions	-12 321	-17 944
Deposits and borrowing from the public	142 810	-42 837
Issued securities	-785	11 352
Derivative instruments, net positions	-3 323	10 432
Short-term positions	6 644	-5 196
Claims and liabilities on investment banking settlements	-782	914
Other	-7 607	20 839
<b>Cash flow from operating activities</b>	<b>107 784</b>	<b>10 324</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	-446	-
Change in shares	-85	-1
Change in interest-bearing securities	594	4 551
Change in property and equipment	-320	-297
Change in intangible non-current assets	-335	-341
<b>Cash flow from investing activities</b>	<b>-592</b>	<b>3 912</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-4 048	-14 890
Issued subordinated loans	-	2 990
Dividend paid	-6 822	-6 110
<b>Cash flow from financing activities</b>	<b>-10 870</b>	<b>-18 010</b>
<b>Cash flow for the year</b>	<b>96 322</b>	<b>-4 230</b>
Liquid funds at beginning of year	236 545	251 857
Cash flow from operating activities	107 784	10 324
Cash flow from investing activities	-592	3 912
Cash flow from financing activities	-10 870	-18 010
Exchange rate difference on liquid funds	1 927	-11 538
<b>Liquid funds at end of year</b>	<b>334 794</b>	<b>236 545</b>
Liquid funds are defined as Cash and balances with central banks.		
<b>Acquisition of subsidiary</b> SEK m		
<b>Liquid funds</b>		
Cash and balances with central banks	0	
<b>Operating activities</b>		
Loans to credit institutions	93	
Other	1	
<b>Investing activities</b>		
Intangible fixed assets	345	
Property, plant and equipment	7	
<b>Total acquired assets and liabilities</b>	<b>446</b>	
Purchase price paid	-446	
Liquid funds in the acquired company	0	
<b>Net impact on the cash flow</b>	<b>-446</b>	

On 24 May 2013, the acquisition of Heartwood Wealth Group Limited was completed. For further information about the acquisition, see note G47.

# Notes Group

## G1 Accounting policies and other basis for preparing the financial reports

### 1. STATEMENT OF COMPLIANCE

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

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

### Issuing and adoption of annual report

The annual report and consolidated accounts were approved for issue by the Board on 4 February 2014 and will be adopted by the AGM on 26 March 2014.

### 2. CHANGED ACCOUNTING POLICIES ETC.

On 1 January 2013, the revised IAS 19 Employee benefits came into effect for application within the EU. This has led to effects on how Handelsbanken reports defined benefit pension plans since the "corridor" method for accounting of actuarial gains and losses has been removed. In addition, the previous assumption for the return on plan assets has been replaced by an estimated yield equivalent to the discount rate for the pension liability. This impacts the calculation of the pension cost reported in the income statement. Accumulated actuarial gains and losses have been reported in the transition against retained earnings. The resulting value changes in obligations and assets are reported in other comprehensive income. This change in policy has resulted in the Group's opening equity at the beginning of 2013 decreasing by SEK 3,047 million. The comparative figures for 2012 have been adjusted and were communicated in a press release on 15 April 2013. The adjusted comparison figures are shown in note G48.

IFRS 13 Fair Value Measurement also came into effect for application in the EU on 1 January 2013. The standard deals with common principles for fair value measurement of most of the assets and liabilities at fair value in the accounts. IFRS 13 clarifies some of the principles for measuring credit risk components in model valuation of financial instruments. In the model valuation of derivatives, the Bank already takes a conservative approach where material positive

differences between the value calculated at initial recognition and the transaction price are amortised over the life of the derivative. In addition, independent valuations of the total credit risk component in outstanding mark-to-model method OTC derivatives are performed on a regular basis. Changes in credit risk are recognised in profit/loss to the extent that the overall effect exceeds non-recognised day-1 effects. See also section 8 and note G39. The application of IFRS 13 has not had any effect on the income statements or balance sheet. However, the new standard contains more extensive requirements for disclosures of fair value measurement. Disclosures of fair value measurement of financial instruments are provided in section 8 and note G39. According to IFRS 13, information must also be provided annually starting with the 2013 annual report regarding fair value measurement of certain non-financial items. This information is shown in note G24.

As of the 2013 financial year, new disclosures are made concerning the set-off of financial assets and liabilities, in compliance with IFRS 7, Financial instruments. See note G22 for disclosures which came into effect for application in the EU on 1 January 2013.

The revised IAS 1 Presentation of financial statements, which came into effect for application in the EU on 1 January 2013, has affected the Bank's presentation of other comprehensive income since items which will later be reclassified to the income statement are reported separately from the items which are not reclassified.

In other respects, the accounting policies, classifications and calculation methods applied by the Group during the financial year agree in all essentials with the policies applied in the 2012 annual report.

### Future amendments to regulations

As of the 2014 financial year, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interest in Other Entities will come into effect for application in the EU. The new regulations mean that the current stipulations in IAS 27 and SIC 12 concerning when a company is to be consolidated in the consolidated annual accounts are being replaced by a number of assessment criteria for when an entity controls another entity. One of the effects of the new regulations is that fund units owned by the bank through unit-linked insurance contracts will not be included in the assessment of whether controlling influence of a mutual fund company applies. If the new regulations had applied at the end of the financial year, the balance-sheet items Assets/Liabilities where the customer bears the value change risk would have been SEK 5,085 million less. The application of the new regulations does not affect the income statement, nor is it expected to have

a significant effect on the capital adequacy.

IASB is currently revising a number of existing standards. Of these future regulatory changes, IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, is expected to have the greatest effect on Handelsbanken's financial reports. Since most of the work with IFRS 9 remains to be done, the Bank is refraining from estimating how the financial reports will be affected or when application of the new regulations will start.

None of the other changes in the accounting regulations issued for application are assessed to have a material impact on Handelsbanken's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements.

### 3. BASIS OF CONSOLIDATION AND PRESENTATION

#### Subsidiaries

All companies directly or indirectly controlled by Handelsbanken (subsidiaries) have been fully consolidated. Control is normally presumed to exist if Handelsbanken owns more than 50 per cent of the voting power at shareholders' meetings or the equivalent.

Subsidiaries are consolidated according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction where the Group acquires the company's identifiable assets and assumes its liabilities and obligations. In the case of business combinations, an acquisition balance sheet is prepared, where identifiable assets and liabilities are valued at fair value at the time of acquisition. The cost of the business combination comprises the fair value of all assets, liabilities and issued equity instruments provided as payment for the net assets in the subsidiary. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisition balance sheet is recognised as goodwill in the Group's balance sheet. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date until the date on which control ceases. Intra-group transactions and balances are eliminated when preparing the Group's financial reports.

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

Mutual funds in which the Bank, due to unit-linked insurance agreements or in some other way, owns more than 50 per cent of the shares are consolidated in their entirety in the balance sheet under Assets/Liabilities where the customer bears the value change risk.



### Associated companies

Companies in which Handelsbanken has a significant influence are reported as associates. A significant influence normally exists when the share of voting power in the company is at least 20 per cent and at most 50 per cent. Associates are reported in the consolidated accounts in accordance with the equity method. This means that the holding is initially reported at cost. The carrying amount is increased or decreased to recognise the Group's share of the associated company's profits or losses after the date of acquisition. Any dividends from associates are deducted from the carrying amount of the holding. Shares of the profit of associates are reported as Share of profit of associates on a separate line in the Group's income statement.

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

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

Independent operations of a material nature which can be clearly differentiated from the Group's other operations and which are classified as held for sale using the above policies are recognised as discontinued operations. Subsidiaries acquired solely for resale are also recognised as discontinued operations. In recognition as a discontinued operation, the operation's profit is reported on a separate line in the income statement, separate from other profit/loss items. Profit or loss from discontinued operations comprises the after-tax profit or loss of discontinued operations, the profit or loss after tax that arises when valuing the assets held for sale/disposal groups that are included in discontinued operations at fair value less costs to sell, and realised profit or loss from the disposal of discontinued operations.

### 4. SEGMENT REPORTING

The segment reporting presents income and expenses split into business segments. A business segment is a part of the Group that runs operations which generate external or internal income and expenses and of which the profit/loss is regularly assessed and followed up by the company management as part of corporate governance. As part of segment reporting, income

and expenses are also stated per geographical area in which the Group operates. The principles for segment reporting are described further in note G44.

### 5. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

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

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

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

### 6. RECOGNITION OF ASSETS AND LIABILITIES

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

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

Financial assets and liabilities are set off in the balance sheet if the Bank has a contractual right and intention to settle with a net amount. Further information about set-off of financial assets and liabilities is provided in note G22.

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

### 7. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial liabilities are classified as follows:

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

The classification in the balance sheet is independent of the measurement category. Thus, different measurement principles may be applied for assets and liabilities carried on the same line in the balance sheet. A classification into measurement categories of the financial assets and liabilities which are recognised on the balance sheet is shown in note G38.

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

### Loans and receivables

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

**Assets held to maturity**

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

**Assets and liabilities held for trading**

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

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

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

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

**Available-for-sale financial assets**

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

Financial assets which have been classified as available for sale are recognised at fair value in the balance sheet. Changes in market value of the assets are recognised as a component of Other comprehensive income and are included in the fair value reserve in equity. Changes in fair value are not recognised in the income statement until the asset has been realised or an impairment loss has occurred. Interest related to this category of assets is recognised directly in net interest income in the income statement. Exchange rate effects relating to monetary

assets which are available for sale are reported in Net gains/losses on financial transactions. Impairment testing of available-for-sale financial assets is performed when there is an indication of impairment; see section 9 concerning impairment losses for financial assets. Dividends on shares designated as available for sale are continuously recognised in profit or loss as Other dividend income.

**Reclassification of financial instruments**

During the financial year 2008, Handelsbanken reclassified some portfolios of interest-bearing securities. The regulations in IAS 39 only allow for reclassification of certain financial assets and only under exceptional circumstances. No further reclassification has been performed since the reclassification in 2008. The impact of the reclassification is described in note G38.

**Repurchase transactions**

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

**Securities loans**

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

**Financial guarantees and loan commitments**

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, for example a credit guarantee. The fair value of an issued guarantee is the same as the premium received when it was issued. Upon initial recognition, the premium received for the guarantee is recognised as deferred income in the balance sheet. The guarantee is subsequently measured at the higher of the amortised premium or the amount that represents

the expected cost of settling the obligation to which the guarantee gives rise. In addition, the total guaranteed amount relating to guarantees issued is reported off balance as a contingent liability. A utilised guarantee is reported as a probable or actual loan loss, depending on the circumstances.

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

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

**Combined financial instruments**

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

Combined financial instruments held for trading and combined financial instruments where the economic characteristics and risks of the instrument's various components are similar (such as variable rate lending with an interest rate cap) are not accounted for separately. The inherent value of the option to convert in issued convertible debt instruments is recognised separately in equity. The value of the equity component is determined at the time of issue as the difference between the fair value of the convertible instrument in its entirety reduced by the fair value of the liability component. The carrying amount of the equity component is not adjusted during the life of the convertible instrument. The liability component is recognised at fair value in the balance sheet at the time of issue. After initial recognition, the liability component is carried at amortised cost at the original effective interest rate.

**8. PRINCIPLES FOR FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants.

For financial instruments traded on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, execution venue, reliable news service or equivalent, and where the price information received can be verified by

means of regularly occurring transactions. The current market price is generally the same as the current bid price for financial assets or the current ask price for financial liabilities. For groups of financial instruments which are managed on the basis of the Bank's net exposure to market risk, the current market price is presumed to be the same as the price which would be received or paid if the net position were divested.

For financial instruments where there is no reliable information about market prices, fair value is established using valuation models. The valuation models used are based on input data which essentially can be verified using market observations such as market interest rates and share prices. If necessary, an adjustment is made for other variables which a market participant would be expected to take into consideration when setting a price. The assumptions used in the valuation are based on internally generated experience and are continuously examined by the risk organisation. The result is compared with the actual outcome so as to identify any need for adaptations of assumptions and forecasting models.

#### Interest-bearing securities

Interest-bearing securities issued by governments and Swedish mortgage bonds are valued using current market prices. Corporate bonds are valued using valuation techniques based on market yields for the corresponding maturity adjusted for credit and liquidity risk. The values are regularly examined in order to ensure that the valuation reflects the current market price. The examinations are mainly performed by obtaining prices from several independent price sources and by reconciliation with recently performed transactions in the same or equivalent instruments.

#### Shares

Shares listed on an active market are valued at market price. When valuing listed shares, the choice of model is determined by what is deemed appropriate for the individual instrument.

Holdings of unlisted securities mainly consist of various types of jointly owned operations related to the Bank's core business. In general, such holdings are valued at the Bank's share of the company's net asset value. For unlisted shares for which the company agreement regulates the price at which the shares can be divested, the holdings are valued at the divestment price determined in advance. In all material respects, unlisted shares are classified as available for sale. Value changes for these holdings are thus reported in other comprehensive income.

When valuing unlisted shares in private equity funds, valuation principles adopted by the European Venture Capital & Private Equity Association (EVCA) are used. In these models, the market value of the investments is derived from a relative valuation of comparable listed companies in the same sector. Adjustments are made for profit/loss items that prevent comparison between the investment and the compared

company and the value of the investment is then determined on the basis of profit multiples such as P/E and EV/EBITA. Value changes and capital gains on holdings in private equity funds which comprise part of the investment assets in the insurance operations are not reported directly in the income statement but are included in the basis for calculating the yield split in the insurance operations. See section 12 for more information.

#### Derivatives

Derivatives which are traded on an active market are valued at market price. Most of the Group's derivative contracts, including interest rate swaps and various types of linear currency derivatives, are valued using valuation models based on market rates and other market prices. The valuation of non-linear derivative contracts that are not actively traded is also based on a reasonable assumption of market-based input data such as volatility.

When performing model valuation for derivatives, in some cases there are differences between the transaction price and the value measured by a valuation model upon initial recognition. Such differences occur when the applied valuation model does not fully capture all the components that affect the value of the derivative. Material unrealised results due to positive differences between the transaction price and the value measured by a valuation model (day -1 effect) are not recognised in profit/loss upon initial recognition, but are amortised over the life of the derivative. In addition, the Bank makes an independent valuation of the total credit risk component (own credit risk as well as counterparty risk) in outstanding model-valued derivatives. Changes in fair value due to changed credit risk are recognised in profit/loss to the extent that the overall effect exceeds non-recognised day -1 effects.

#### Lending classified to be measured at fair value

Lending that is classified to be measured at fair value through the income statement is valued at the present value of expected future cash flows. When performing the calculation the market rate is adjusted for credit risk. The credit risk premium is assumed to be the same as the original margin as long as there is no proof that the counterparty's repayment capacity has significantly deteriorated. Information about repayment capacity is obtained from the Bank's internal rating system. Value changes of loans at fair value are reported in net gains/losses on financial transactions.

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

Assets where the customer bears the value change risk mainly comprise shares in unit-linked insurance contracts and mutual funds which are consolidated in the Group accounts. These shares are valued using the fund's current market value (NAV). Each asset corresponds to a liability where the customer bears the value change risk. The valuation of these liabilities reflects the valuation

of the assets. Since the policyholders/shareholders have prior rights to the assets, there is no motive to adjust the valuation for credit risk.

## 9. LOAN LOSSES AND IMPAIRMENT OF FINANCIAL ASSETS

### Loans and receivables recognised at amortised cost

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

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

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

Loan losses for the period comprise actual losses and probable losses on credits granted, minus recoveries and reversals of previous impairment losses recognised for probable loan losses. Actual loan losses may refer to entire loans or parts of loans and are recognised when there is no realistic possibility of recovery. This is the case, for example, when a trustee in bankruptcy has estimated bankruptcy dividends, when a scheme of arrangement has been accepted, or a concession has been extended in some other way. An amount forgiven

in connection with reconstruction of a loan or group of loans is always classified as an actual loss. If the customer is following a payment plan for a loan which was previously classified as an actual loan loss, the amount of the loss is subject to new testing. Recoveries comprise reversed amounts on loan losses previously reported as actual losses. Information about probable and actual losses is contained in note G10.

Interest rate effects arising due to discounting effects when the period until the expected payment is decreasing result in a reversal of previously provisioned amounts which are recognised as interest income in accordance with the effective interest method.

#### Disclosures concerning impaired loans

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

#### Valuation of repossessed property to protect claims

Upon initial recognition, repossessed property is recognised at fair value in the balance sheet. In subsequent valuation, repossessed real property and equipment (including repossessed lease assets) which is expected to be divested in the near future is valued at the lower of the carrying amount and fair value less costs to sell. Other property taken over is reported as investment properties at fair value in profit/loss. Unlisted shareholdings taken over to protect claims are recognised as available-for-sale financial assets.

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

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

Previously recognised impairment losses on interest-bearing securities classified as available-for-sale financial assets are reversed in the income statement if the fair value of the asset has

increased since the impairment loss was recognised and the increase can be objectively related to an event occurring after the impairment loss was recognised. Previous impairment losses on equity instruments classified as available-for-sale financial instruments are not reversed.

#### 10. HEDGE ACCOUNTING

The Group applies different methods for hedge accounting, depending on the purpose of the hedge. Derivatives – mainly interest rate swaps and currency swaps – are used as hedging instruments. In addition, when hedging currency risks related to net investments in foreign operations, liabilities in the functional currency of the respective foreign operation are used as a hedging instrument. As part of the Group's hedging strategies, the value changes of a hedging instrument are sometimes divided into separate components and included in more than one hedge relationship. Therefore, one and the same hedging instrument can hedge different risks. Division of hedging instruments is only done if the hedged risks can clearly be identified, the efficiency can be reliably measured, and the total value change of the hedging instrument is included in a hedge relationship.

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

Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. The hedged risk in these portfolio hedges is the interest rate risk for lending where the original interest rate was fixed for three months and interest rate caps for lending with an original fixed-interest period of three months. The hedging instruments for these portfolio hedges are interest rate swaps and interest rate options (caps). In portfolio hedges at fair value, the part of the portfolio's value that is exposed to the hedged risk is measured at market value. The value of the hedged item in hedged portfolios is reported as a separate line item in the balance sheet in conjunction with Loans to the public. Accumulated value changes on portfolio hedges which have been terminated prematurely are reported in the balance sheet under Other assets and are amortised in Net gains/losses on financial transactions over the remaining time to maturity of the portfolio.

Cash flow hedges are applied to manage exposures to variations in cash flows relating to

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

Hedging of net investments in foreign units is applied to protect the Group from exchange rate differences due to operations abroad. Currency swaps and loans in foreign currencies are used as hedging instruments. The hedged item in these hedges is made up of net investments in the form of direct investments, as well as claims on foreign operations that are not expected to be settled in the foreseeable future. Loans in foreign currency that hedge net investments in foreign operations are recognised in the Group at the exchange rate on the balance sheet date. The effective part of the exchange rate differences for such loans is recognised as a component of Other comprehensive income and in the translation reserve in equity. The effective part of changes in value in currency swaps that hedge exchange rate risk in claims on foreign operations is recognised in the same manner. The ineffective components of hedges of net investments in foreign operations are recognised in the income statement under Net gains/losses on financial transactions.

#### 11. LEASES

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

Operating lease contracts are not reported in the balance sheet. Expenses relating to operating leases where the Group is the lessee are recognised on a straight-line basis as other expenses.

#### 12. INSURANCE OPERATIONS

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

insurance and risk insurance in the form of health insurance and waiver of premium.

#### Classification and unbundling of insurance contracts

Contracts that include significant insurance risk are classified in the consolidated accounts as insurance contracts. Contracts that do not transfer significant insurance risk are classified in their entirety as investment contracts. Generally, this means that insurance policies with repayment cover are classified as investment contracts and other contracts are classified as insurance contracts. Insurance contracts consisting of both insurance components and savings (financial components) are split and recognised separately in accordance with the principles described below.

#### Accounting for insurance components in insurance contracts

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

Premiums received which have not yet been recognised as income are carried as a liability for paid-in premiums under Insurance liabilities in the balance sheet. The balance-sheet item Insurance liabilities also includes liabilities for sickness annuities, life annuities and other outstanding claims. The insurance liability is valued by discounting the expected future cash flows relating to insurance contracts entered into. The valuation is based on assumptions concerning interest, longevity, health and future charges. The assumptions concerning longevity vary depending on when the policy was taken out and takes into account expected future increases in longevity. The assumptions concerning fees also depend on when the policy was taken out. Principally, this means a fee that is proportional to the premium and a fee that is proportional to the life insurance provisions. Applied assumptions on the insured's future health are based on internally acquired experience and vary depending on the product. Interest rate assumptions are based on current market rates and depend on the maturity of the liability. The Group's insurance liabilities are subject to regular review, at least annually, to ensure that the reported insurance liability is sufficient to cover expected future claims. If necessary, an additional provision is made. The difference is recognised in the income statement.

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

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

The financial components of traditional life insurance policies that are separated from the insurance contract are recognised in the balance sheet as borrowing from the public. These liabilities

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

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

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

#### Reinsurance

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

### 13. INTANGIBLE ASSETS

#### Recognition in the balance sheet

An intangible asset is an identifiable non-monetary asset without physical form. An intangible asset is only recognised in the balance sheet if the probable future economic benefits attributable to the asset will flow to the Group and the cost can be reliably measured. This means that internally generated values in the form of goodwill, trademarks, customer databases and similar are not recognised as assets in the balance sheet.

Investments in software developed by the Bank are carried as an expense on a current basis to the extent that the expenditure refers to maintenance of existing business operations or software. In the case of development of new software, or developing existing software for new business operations, the expenditure incurred is capitalised from the time when it is probable that economic benefit that can be reliably measured will arise. Expenditure arising from borrowing costs is capitalised from the date on which the decision was made to capitalise expenditure for development of intangible assets.

When accounting for business combinations, the acquisition price is allocated to the value of

acquired identifiable assets, liabilities and contingent liabilities in the acquired business. These assets may also include intangible assets that would not have been recognised in the balance sheet if they had been acquired separately or internally generated. The part of the acquisition price in a business combination that cannot be allocated to identifiable assets and liabilities is recognised as goodwill.

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

Goodwill and other intangible assets with an indefinite useful life are recorded at cost less possible impairment losses. These assets are tested annually for impairment when preparing the annual report or when there is an indication that the asset is impaired. Impairment testing is performed by calculating the recoverable amount of the assets, i.e. the higher of the value in use and the fair value less costs to sell. As long as the recoverable amount exceeds the carrying amount, no impairment loss needs to be recognised. Impairment losses are recognised directly in the income statement.

Since it is not possible to differentiate cash flows arising from goodwill from cash flows arising from other assets, impairment testing of goodwill takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill which is followed up internally at a higher level than the cash-generating unit is tested at the higher level but never lower than the business segment level. Material assessments and assumptions in impairment testing of goodwill are described in note G23. Previously recognised goodwill impairment losses are not reversed.

#### Intangible assets with a finite useful life

Intangible assets for which it is possible to establish an estimated useful life are amortised. Currently this means that customer contracts are amortised over 20 years and that internally developed software is amortised over five years. Brand names which are subject to amortisation are amortised over five years. The amortisation is on a straight-line basis over the useful life of the asset. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed. Intangible assets with a finite useful life are tested for impairment when there is an indication that the asset may be impaired. The impairment test is performed according to the same principles as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

### 14. PROPERTY AND EQUIPMENT

The Group's tangible non-current assets consist of property and equipment. With the exception of real property that constitutes investment assets in the insurance business, and repossessed

properties to protect claims, these assets are recorded at cost of acquisition less accumulated depreciation and impairment losses.

Depreciation is based on the estimated useful lives of the assets. A linear depreciation plan is usually applied. The estimated useful lives are tested annually. The tangible assets that consist of components with different estimated useful lives are sub-divided into different categories with separate depreciation plans. Such depreciation of components is normally only applied for real property. Only components of the property whose acquisition costs are substantial in relation to the total acquisition cost are separately depreciated. The remaining parts of the real property (building structure) are depreciated as a whole over their expected useful life. Currently, the useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years and for building fixtures and fittings ten years. Personal computers and other IT equipment are usually depreciated over three years and investments in bank vaults and similar investments in premises over ten years. Other equipment is normally depreciated over five years.

Impairment testing of property and equipment is carried out when there is an indication that the value of the asset has decreased. Impairment loss is recognised in cases where the recoverable amount is less than the carrying amount. Any impairment losses are recognised immediately in the income statement. An impairment charge is reversed if there is an indication that there is no longer any impairment loss and there has been a change in the assumptions underlying the estimated recoverable amount.

## 15. PROVISIONS

Provisions consist of recognised expected negative outflows of resources from the Group and which are uncertain in terms of timing or amount. Provisions are reported when the Group, as a consequence of past events, has a legal or constructive obligation, and it is probable that an outflow of resources will be required to settle the obligation. For recognition it must be possible to estimate the amount reliably. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the obligation at the balance sheet date. The expected future date of the settlement is taken into account in the estimate.

## 16. EQUITY

Equity comprises the following components.

### Share premium reserve

The share premium reserve comprises the options component of issued convertible notes and the amount that in the issue of shares and conversion of convertible debt securities exceeds the quotient value of the shares issued.

### Hedge reserve

Unrealised changes in value on derivative instruments which comprise hedge instruments in cash flow hedges are reported in the hedge reserve.

### Fair value reserve

The fair value reserve comprises unrealised changes in value on financial assets classified as available for sale.

### Translation reserve

The translation reserve comprises unrealised foreign exchange effects arising due to translation of foreign units to the currency of the consolidated accounts.

### Defined benefit pension plans

Revaluations of the pension obligations and pension assets are reported in the item Defined benefit pension plans.

### Retained earnings

Retained earnings comprise the profits generated from the current and previous financial years. Dividends and repurchase of own shares are reported as deductions from Retained earnings.

### Minority interest

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

### Accounting for own shares

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

## 17. INCOME

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

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

## Net interest income

Interest income and interest expense are recognised as Net interest income in the income statement, with the exception of interest flows deriving from financial instruments held for trading. Net interest income also includes interest deriving from derivative instruments that hedge items whose interest flows are recognised in Net interest income. In addition to interest income and interest expense, net interest income includes fees for state guarantees, such as deposit guarantees and the stability fee.

In order to arrive at a net interest income figure which is free from interest deriving from financial assets and liabilities held for trading and to gain an overall view of the activity in the trading book, interest income and interest expense relating to financial assets and liabilities held for trading is recognised under Net gains/losses on financial transactions.

## Net fee and commission income

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

## Net gains/losses on financial transactions

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

- capital gains or losses from the disposal and settlement of financial assets and liabilities
- unrealised changes in value of the assets and liabilities which upon initial recognition were classified as Assets at fair value, through the income statement, excluding the component of change in value recognised as interest
- realised and unrealised changes in value on financial assets and liabilities classified as held for trading
- interest from financial instruments held for trading, with the exception of interest originating from derivatives that are hedging instruments whose interest flows are reported in Net interest income
- dividend income on financial assets classified as held for trading

- unrealised changes in fair value of the hedged risk in assets and liabilities which are hedged items in fair value hedges, and amortisation of unrealised value changes for hedges which have been prematurely terminated
- unrealised value changes on derivatives which comprise hedging instruments in fair value hedges
- ineffective component of the value change on derivatives which comprise hedging instruments in cash flow hedges
- ineffective component of the value change on hedging instruments which are hedging net investments in foreign operations
- negative yield split in the insurance operations, i.e. the losses arising when the yield on financial assets in the insurance business is less than the change in guaranteed yield.

#### Dividend received

Dividends on shares classified as available for sale are recognised in profit and loss as Other dividend income. Dividends on shares classified as financial assets held for trading are recognised in the income statement as Net gains/losses on financial transactions. Dividends on shares in associates are not included in the Dividends item in the income statement. The accounting for shares in the profits of associates is described in section 3.

## 18. EMPLOYEE BENEFITS

### Staff costs

Staff costs consist of salaries, pension costs and other forms of direct staff costs including social security costs, special payroll tax on pension costs and other forms of payroll overheads. Any remuneration in connection with terminated employment is recognised as a liability when the agreement is reached and amortised over the remaining employment period.

### Accounting for pensions

Post-employment benefits consist of defined contribution plans and defined benefit plans. Benefit plans under which the Group pays fixed contributions into a separate legal entity, and subsequently has no legal or constructive obligation to pay further contributions if the legal entity does not hold sufficient assets to fulfil its obligations to the employee, are accounted for as defined contribution plans. Premiums paid for defined contribution plans are recognised in the income statement as staff costs as they arise.

Other post-employment benefit plans are accounted for as defined benefit plans.

For defined benefit pension plans, the pension payable is based on the salary and period of employment, implying that the employer bears all the material risks for fulfilling the pension commitment. For the majority of defined benefit plans, the Group has kept plan assets separate in pension foundations and a pension fund. For defined benefit plans, the plan as-

sets minus the defined benefit obligations are reported as a net asset in the balance sheet. Actuarial gains and losses on the pension obligation and return which exceeds the calculated return on the plan assets are reported in other comprehensive income.

The pension cost recognised for defined benefit plans is the net of the following items, which are included in staff costs:

- + Accrued pension rights for the year, i.e. the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.
- + Interest expense for the year due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current corporate bond rate (the rate at the start of the year) for maturities corresponding to the period remaining until the pension liability is due to be disbursed.
- Estimated yield (interest) on the plan assets. Interest on the plan assets is reported in profit/loss using the same interest rate as when establishing the year's interest expense.
- + The estimated cost of special payroll tax is accrued using the same principles as for the underlying pension cost.

Calculation of costs and obligations resulting from the Group's defined benefit plans depend on several assessments and assumptions which may have a considerable impact on the amounts reported. A more detailed description of these assumptions and assessments is provided in section 20 and in note G8.

## 19. TAXES

The tax expense for the period consists of current tax and deferred tax. Current tax refers to taxes relating to the period's taxable result. Deferred tax is tax referring to temporary differences between the carrying amount of an asset or liability and its taxable value. Deferred taxes are valued at the tax rate which is deemed to be applicable when the item is realised. Deferred tax claims related to deductible temporary differences and loss carry forwards are only recognised if it is probable that they will be utilised. Deferred tax liabilities are carried at nominal value.

Tax is recognised in the income statement or in other comprehensive income depending on where the underlying transaction is reported.

## 20. ESTIMATES AND KEY ASSUMPTIONS

In certain cases, the application of the Group's accounting policies means that assessments must be made that have a material impact on amounts reported. The amounts reported are also affected in a number of cases by assumptions about the future. Such assumptions always imply a risk for adjustment of the reported value of assets and liabilities. The assessments and

assumptions applied always reflect the management's best and fairest assessments and are continually subject to examination and validation. Below follows a report of the assessments and assumptions that have had a material impact on the financial reports. Information on key assumptions is also described in the relevant notes.

### Actuarial calculation of defined benefit pension plans

Calculation of the Group's expense and obligations for defined benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of defined benefit obligations for employees in Sweden is based on DUS06, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by Insurance Sweden. The assumptions on future salary increases and inflation are based on the anticipated long-term trend. The discount rate is based on first-class corporate bonds. In this context, covered mortgage bonds are considered to be corporate bonds. The maturity is the same as the remaining period to payment.

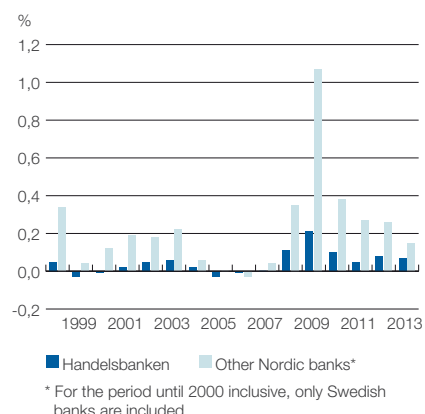
Note G8 provides a sensitivity analysis of the Group's defined benefit obligation for all major actuarial assumptions. This shows how the obligation would have been affected by reasonable possible changes in these assumptions.

### Assessment of need to recognise an impairment loss for loans and receivables

The value of the Group's loans is tested regularly and individually for each loan. If necessary, the loan is written down to the assessed recoverable amount. The estimated recoverable amount is based on an assessment of the counterparty's financial repayment capacity and assumptions on the realisable value of any collateral. The final outcome may deviate from the original provisions for loan losses. The assessments and assumptions used are subject to regular examinations by the internal credit organisation. See also note G2 for a detailed description of internal risk control and how the Bank manages credit risk.

## G2 Risk and capital management

Loan losses as a percentage of lending 1998–2013



Although the turbulence in the financial markets decreased during the year, the structural problems that brought on the crisis remain. The debt problems of certain countries are still a concern and both the financial sector and the real economy continue to be supported by massive stimuli in the form of monetary policy. Sooner or later the players in the economy must adapt to more normal circumstances. For the financial sector, apart from managing these circumstances, it also means adapting to significantly more stringent and extensive regulatory requirements – which have not yet been established in their entirety.

Handelsbanken's historically low tolerance of risk, sound capitalisation and strong liquidity situation means that the Bank is well equipped to cope with substantially more difficult market conditions than those experienced during the year. The core operations will continue to be run using the same business model, even under stricter regulations.

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

This strict approach to risk also enables the Bank to be a stable and long-term business partner for its customers. It contributes to good risk management and sustaining a high service level even when operations and the markets on which the Bank operates are subject to strain. The same principles for the Bank's approach to risks apply in all countries where the Bank operates and they are guiding principles in the Bank's future international expansion. In 2013, the Bank established a regional bank in the

### Risks at Handelsbanken

	Description
Credit risk	Credit risk is the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.
Market risk	Market risks arise from changes in prices and volatilities in the financial markets. Market risks are divided into interest rate risks, equity price risks, exchange rate risks and commodity price risks.
Liquidity risk	Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due, without being affected by unacceptable costs or losses.
Operational risk	Operational risk refers to the risk of loss due to inadequate or failed internal processes, people and systems, or external events. The definition includes legal risk.
Insurance risk	The risk in the outcome of an insurance that depends on the insured party's longevity or health.
Property risk	The risk of changes in prices of the Bank's property holdings.
Business risk	The risk of unexpected changes in earnings that are not attributable to the risk categories described above.
Compensation risk	Compensation risk is the risk of loss or other damage arising due to the compensation system.

Netherlands, which is thereby one of the Bank's home markets. In addition, organic growth in the UK continued and was supplemented by the acquisition of asset management firm Heartwood Wealth Group Limited.

Since the turbulence in the financial markets started in 2007, Handelsbanken has had good access to liquidity in all currencies of importance to the Bank. The Bank has broadened its investor base and increased the number of funding programmes for both covered and senior funding. The fact that this has taken place in the prevailing market conditions is a clear sign of the market's confidence in the Bank's risk work and business model. The Bank has had and continues to have access to the financial markets via its short-term and long-term funding programmes. Central Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and consists mainly of government bonds and covered bonds. The total liquidity reserve has risen further during the year, which provides a high degree of resistance to possible disruptions in the financial markets. At the year-end, the Bank's liquidity reserve exceeded SEK 800 billion.

SEK 368 billion of the reserve consisted of liquid assets invested with central banks, SEK 90 billion were liquid securities and the remainder was mainly an unutilised issue amount for covered bonds at Stadshypotek. Liquidity reserves are kept in all currencies that are important to the Bank. The total liquidity reserve covers the Bank's liquidity requirements in a stressed scenario with an outflow of deposits for more than two years without access to new market funding. Operations can also be maintained for a considerable period of time even in an extreme situation when the foreign exchange markets are closed.

The Bank's capital situation continued to grow stronger during the year and its earnings have been stable. Coupled with low loan losses, this has contributed to the strong position. Moreover, the reduced risk profile of the credit portfolio has resulted in lower capital require-

ments for credit risks. The strong capital situation provides good protection insurance in the fragile macro-economic situation, and should also be viewed in light of future regulatory amendments. Handelsbanken already meets future requirements regarding the common equity tier 1 ratio, even though all proposed capital buffer requirements have been set at maximum level by the authorities.

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



## Handelsbanken's risk management

## Business operations

The Bank's total view of risk and capital management comprises the following components:

**Business operations**

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

**Local risk control**

The accountability of the person taking a business decision is supplemented by local risk control in the regional banks and within the various business areas. This ensures that risk-taking does not become excessive in an individual transaction or in local operations, and that transactions are in line with the Bank's views of risk-taking. The local risk control assesses risk, checks limits, etc. and verifies that individual business transactions are documented and conducted in a manner that does not involve undesirable risks. Local risk control is also responsible for analysing the risk in new products and services. The local risk control reports to central risk control and also to the business operations management.

## Local risk control

**Central risk control**

As business decisions become more decentralised, the need for central monitoring of the risk and capital situation increases. The central credit and risk functions are therefore a natural and vital component of the Bank's business model.

The Central Credit Department prepares decisions made by the Board or by the Board's credit committee. The Central Credit Department also ensures that credit assessments are consistent and that loans are granted in accordance with the credit policy decided by the board. The Central Credit Department is also responsible for identifying risks in all major individual commitments and offers support and advice to other areas of the credit organisation.

Central risk control has the task of identifying, measuring, analysing and reporting on all the Group's material risks. It monitors that the risks and risk management comply with the Bank's low tolerance of risks and that senior management has reliable information to use as a basis for managing risks in critical situations. Central risk control also has functional responsibility for local risk control in the business areas and subsidiaries, for ensuring that risks are measured effectively and consistently, and ensuring that the Bank's senior management receives regular reports and analyses of the current risk situation.

## Central risk control

## Capital planning

**Capital planning**

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

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

In addition, operations are reviewed by compliance – at central, business area and subsidiary level – and the internal and external auditors.

Handelsbanken's risk management activities have stood the test of time and their effectiveness is illustrated by the fact that for a long time the Bank has had lower loan losses than its competitors and has shown a very stable financial performance.

**CREDIT RISK**

Credit risk is the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.

At Handelsbanken, the credit process is based on a conviction that a decentralised organisation with local presence ensures high quality in credit decisions. The Bank aims to be a relationship bank where the branches maintain regular contact with the customer, which gives them an in-depth understanding of each individual customer and a continually updated picture of the customer's financial situation.

In the Bank's decentralised organisation, each branch responsible for the customer has total credit responsibility. Customer and credit responsibility lies with the branch manager or with those employees at the local branch appointed by the manager.

Branch managers and most staff at branches have personal decision limits allowing them to decide on credits to the customers they are responsible for.

If there is a need for larger credits, there are regional and central decision levels. Each additional level of decision adds credit expertise. Each decision level has the right to reject credits both within their own decision level and also credits which would otherwise have been decided at a higher level. All delegates in the decision process, regardless of level, must be in agreement in order for a positive credit decision to be made. The largest credits are decided by the Board's credit committee, or by the entire Board, where cases are prepared by the Central

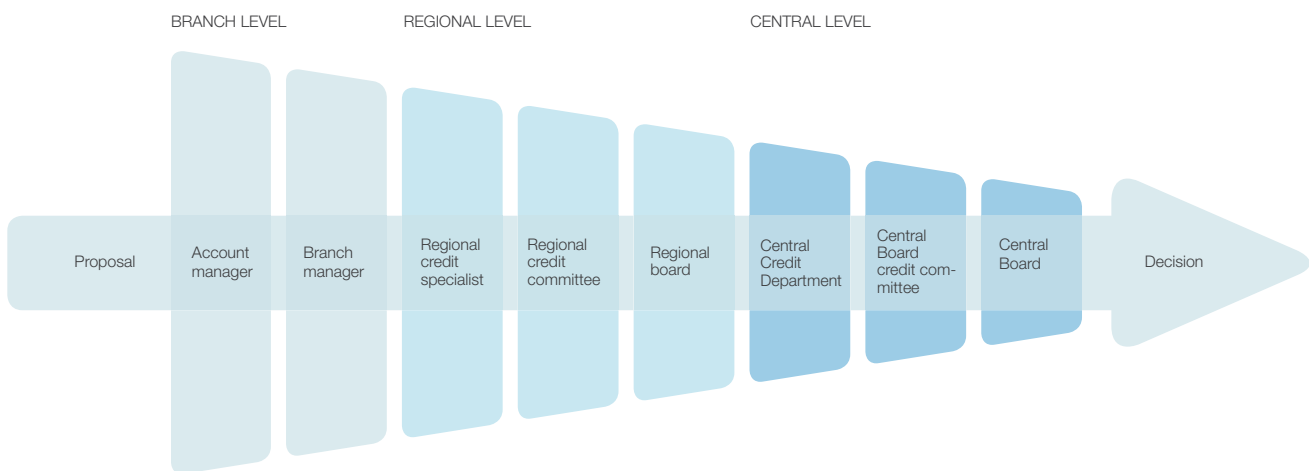
Credit Department. However, no credit application may be processed in the Bank without the recommendation of the branch manager.

The decision procedure for credits is illustrated in the diagram below. It also shows the percentage of decisions and amounts at the various decision levels.

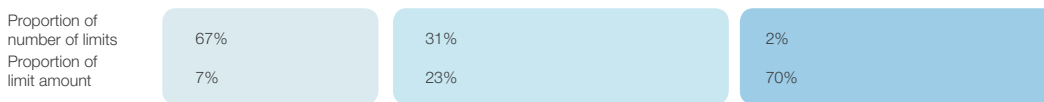
In Handelsbanken's decentralised organisation, the documentation that forms the basis for credit decisions is always prepared by the branch responsible for the credit, regardless of whether the final decision is to be made at the branch, at regional level, in the Board's credit committee or by the Board. Credit decision documentation includes general and financial information regarding the borrower, and an assessment of their repayment capacity, loans and credit terms, as well as a valuation of collateral. For borrowers whose total loans exceed SEK 3 million, the credit decision is made in the form of a credit limit.

In the case of loans to private individuals

The credit process and decision levels in Handelsbanken



Distribution of limit decisions



against collateral, a limit requirement comes into play for amounts exceeding SEK 6 million. For loans to housing co-operative associations against collateral in the residential property, a limit is required for amounts exceeding SEK 12 million.

Credit limits granted are valid for a maximum of one year. When extending limits, the decision documentation and decision procedure are the same as for a new credit.

In Handelsbanken's decentralised organisation where a large proportion of the credit and limit decisions are made by individual branches, it is important that there is a well-functioning review process to ensure that the credit decision is of high quality. The branch manager examines the quality of the staff's decisions and the regional credit departments examine the quality of decisions made by branch managers.

The purpose of the quality review is to ensure that the Bank's credit policy and internal instructions are complied with, that credit quality is maintained, and that credit decisions show that there is good credit judgement and a sound business approach. A corresponding examination of the quality is also made for credit decisions made at higher levels in the Bank. Credits granted by regional credit committees and regional bank boards are examined by the Central Credit Department, which also prepares and examines credits decided by the Bank's Central Board or its credit committee.

Rather than being a mass market bank, Handelsbanken is selective in its choice of customers. The credits must be of high quality. The quality requirement is never neglected in favour of higher credit volumes or to achieve higher returns. The Bank also avoids participating in financing where there are complex customer constellations or complex transactions which are difficult to understand.

The local branch's close contact with its customers also enables the branch to quickly identify any problems and take action. In many cases, this means that the Bank can take action more rapidly than would have been possible with a more centralised management of problem loans. The branch also has full financial responsibility for granting credits, and therefore addresses problems that arise when a customer has repayment difficulties and also bears any loan losses. If necessary, the local branch obtains support from the regional head office and central departments. The Bank's method of working means that all employees whose work involves transactions linked to credit risk acquire a solid and well-founded approach to such risks. This approach forms an important part of the Bank's culture.

Risk rating system

Handelsbanken's risk classification system comprises a number of different systems, methods, processes and procedures to support the Bank's classification and quantification of credit risk.

Handelsbanken's internal rating system is used to measure the credit risk in all operations reliably and consistently. The risk rating builds on the Bank's internal rating, which is based on an assessment of each counterparty's repayment capacity. The rating is determined by the risk of financial strain and by the assessed resistance to this strain. The method and classification are based on the rating model that the Bank has applied for several decades.

The internal rating is the most important component of the Bank's model for calculating the capital requirement in accordance with the IRB approach. The rating is dynamic; it is reassessed if there are signs that the counterparty's repayment capacity has changed. The rating is

also reviewed periodically as stipulated in the regulations. The rating is made by the person responsible for granting the credit and it is subsequently checked by independent bodies.

Risk classification methods

To quantify its credit risks, the Bank calculates the probability of default (PD), the exposure the Bank is expected to have if a default occurs (exposure at default, EAD), and the proportion of the loan that the Bank would lose in the case of default (loss given default – LGD). Default is defined as when the counterparty is either 90 days late in making payment, or when an assessment has been made that the counterparty will not be able to pay as contractually agreed, for example, if declared bankrupt.

The PD value is expressed as a percentage where, for example, a PD value of 0.5 per cent means that one borrower of 200 with the same PD value is expected to default within one year. A credit in default does not necessarily mean that the Bank will incur a loss since in most cases there is collateral for the exposure. Nor does a default mean that it is out of the question that the counterparty will pay at some time in the future.

For corporate and institutional exposures, the internal rating set for each counterparty is directly converted into a risk class on a scale between 1 and 10 (where risk class 10 refers to defaulted counterparties). A certain average PD is calculated for each risk class and type of counterparty. For institutional exposures and the corporate exposures that are subject to a capital requirement according to the foundation IRB approach, standardised values prescribed by the Swedish Financial Supervisory Authority's regulatory code are applied to the loss given default (LGD). The standardised value that may

be used is determined by the collateral provided for each exposure.

For retail exposures, the risk class is also based on the internal rating assigned to all credit customers. The rating is not translated directly into a risk class as for corporate exposures; instead, the different exposures are sorted into a number of smaller groups on the basis of certain factors. Such factors include the type of credit, the counterparty's debt-servicing record and whether there are one or more borrowers. An average probability of default is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the ten risk classes. Different models are used for exposures to private individuals and to small companies respectively (that are also classed as retail exposures), but the principle is the same.

For retail exposures and exposures to medium-sized companies, property companies and housing co-operative associations, the loss given default (LGD) is determined by the Bank's own loss history. For exposures to Large Corporates that are subject to a capital requirement using the IRB advanced approach, the LGD is calculated on the basis of internal losses and external observations. For retail exposures secured by property in Sweden and for property exposures to medium-sized companies, property companies and housing co-operative associations, different values are applied depending on the loan-to-value ratio of the exposure. For other exposures, the LGD value is determined by factors that may depend on the existence and valuation of collateral, the product and similar factors.

For each class of exposure, the average probability of default (PD) is calculated for each of the nine risk classes that refer to non-defaulted counterparties or agreements. Probability of default is based on calculations of the historical percentage of defaults for different types of exposure. The average proportion of defaults is then adjusted by a safety margin and a business cycle adjustment factor. The safety margin is intended to ensure that the probability of default is not underestimated.

The business cycle adjustment factor takes into account the fact that the measured proportion of default per risk class can be expected to vary due to the business cycle. The measured proportion may therefore need to be adjusted in relation to where in the business cycle the Bank's borrowers were in the period on which the calculations are based. This is in order to reflect a long-term probability of default which must be used for the risk weighting.

The business cycle adjustments are based on the Bank's internal history from 1985 to 2012 and these become less pronounced the longer there is historical information available for calculating the historical average per risk class.

Handelsbanken's method for business cycle adjustment is intended to even out business cycle fluctuations in probability of default (PD) at risk class level. This means that the PD per risk class will be less volatile over time and that

the PD at counterparty and portfolio level varies in association with some counterparties being assigned a changed rating in the case of strong business cycle variations. However, Handelsbanken's internal rating of a counterparty is so long-term that the PD at counterparty and portfolio level is expected to be stable during a normal business cycle.

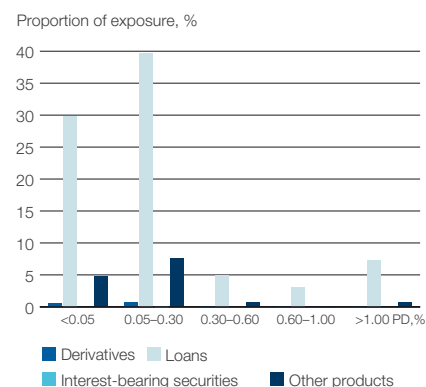
When calculating the LGD, the risk measure must reflect the loss proportion during economically unfavourable circumstances, known as a downturn LGD. For collateral in property, the downturn LGD is based on observed losses from the property crisis in the early 1990s. For other collateral relating to retail exposures, observed LGD is adjusted for downturns by a factor which depends on the PD and type of product. For corporate exposures in the advanced IRB approach, the LGD is adjusted for downturns so that the Bank's observed losses in the crisis years of 1991–92 can be explained by the risk weights with a good margin.

When the exposure at default (EAD) is to be calculated, certain adjustments are made to the carried exposure. Examples of this are committed loan offers or revolving credits, where the Bank agrees with the customer that the customer may borrow up to a certain amount in the future. This type of commitment constitutes a credit risk that must also be covered by adequate capital. Normally this means that the credit granted is adjusted using a certain conversion factor (CF) for the part of the credit that is unutilised. For certain product categories for corporate exposures and institutional exposures, the conversion factors are determined by the regulatory code, while for retail exposures and certain product categories for Large Corporates, medium-sized companies, property companies and housing co-operative associations, the Bank uses its own calculated conversion factors. Here, it is the product referred to that mainly governs the conversion factor, but the utilisation level may also be of relevance.

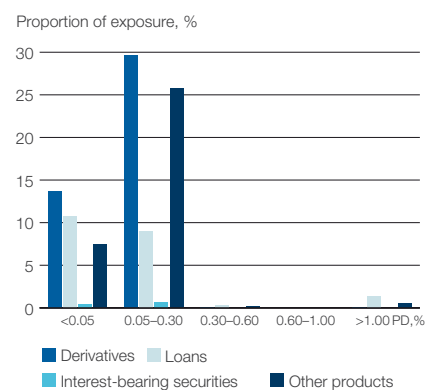
In addition to the capital adequacy calculation, measures of risk (PD, EAD, LGD) are used to calculate the cost of capital in each individual transaction and to calculate economic capital (EC). This means that margins in the form of business cycle adjustments and safety adjustments in the risk measurements are also included in the cost of capital in individual transactions and in calculations of economic capital, which means that the loss levels that the risk measurements imply are conservative. New credits that are assessed to involve higher than normal risk are refused, regardless of the price and regardless of the collateral available. The method used means that the Bank's historical losses have a direct impact on risk calculations and capital requirements, which contributes to the positive outcome for the Bank of the Basel II regulations compared with Basel I.

For corporate, institutional and retail exposures, the adjoining figures show how the exposure is distributed between bonds and other interest-bearing securities, and loans,

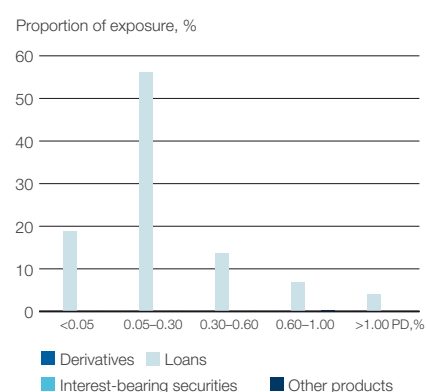
Proportion of exposure per product type per PD interval excluding defaulted credits – Corporate exposures



Proportion of exposure per product type per PD interval excluding defaulted credits – Institutional exposures



Proportion of exposure per product type per PD interval excluding defaulted credits – Retail exposures



derivatives and other products respectively. Other products are, for example, guarantees and committed loan offers. The diagrams show how the exposures (EAD), excluding credits in default, are distributed between different PD ranges in each exposure class. The PD values used are those applied when calculating the capital requirement.

### Collateral

When Handelsbanken assesses the credit risk of a specific customer, the assessment must start with the borrower's repayment capacity. According to the Bank's credit policy, weak repayment capacity can never be compensated for by being offered good collateral. Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his or her obligations. Credits must therefore normally be adequately secured.

Unsecured credit is mainly granted to customers with very good repayment capacity. For unsecured credits, special loan conditions are drawn up that entitle the Bank to renegotiate or terminate the agreement if the borrower's repayment capacity deteriorates or if the conditions are otherwise violated.

Since collateral is not generally utilised until a borrower faces serious repayment difficulties, the valuation of collateral focuses on the expected value of the collateral in the case of a rapid sale in unfavourable circumstances in connection with insolvency. The value of certain

assets may change considerably in an insolvency situation leading to a forced sale.

A large part of lending to credit institutions consists of reverse repos. A reverse repo is a repurchase transaction in which the Bank buys interest-bearing securities or equities with a special agreement that the security will be re-

sold to the seller at a specific price on a specific date. Handelsbanken regards reverse repos as secured lending.

In special circumstances, the Bank may buy credit derivatives or financial guarantees to hedge the credit risk in claims, but this is not part of the Bank's normal lending process.

Credit risk exposure on balance, broken down by collateral SEK m	2013	2012
Residential property <sup>1</sup>	1 030 392	961 955
Other property	245 196	240 895
Sovereigns, municipalities and county councils	452 502	339 171
Guarantees	19 338	18 698
Financial collateral	54 286	89 458
Collateral in assets	19 360	20 115
Other collateral	55 671	57 798
Unsecured	272 851	287 854
<b>Total credit risk exposure on balance</b>	<b>2 149 596</b>	<b>2 015 944</b>

<sup>1</sup> Including housing co-operatives.

Loans to the public, broken down by collateral SEK m	2013	2012
Residential property <sup>1</sup>	1 030 392	961 955
Other property	245 196	240 895
Sovereigns, municipalities and county councils	59 869	81 404
Guarantees	19 327	18 639
Financial collateral	13 773	26 328
Collateral in assets	19 360	20 114
Other collateral	55 671	57 798
Unsecured	252 751	273 346
<b>Loans to the public</b>	<b>1 696 339</b>	<b>1 680 479</b>

<sup>1</sup> Including housing co-operatives.

### Breakdown of the portfolio

The Bank's credit portfolio is presented in this section based on the balance sheet item categories. The section on Capital requirement for credit risks on page 26 in Pillar 3 presents the credit portfolio based on the capital adequacy regulations.

Unlike balance sheet information – where credit risk exposure is categorised in balance sheet items in the form of loans to the public/ loans to credit institutions and off-balance sheet items divided into product type – credit exposure for the purposes of capital requirement is catego-

rised into the exposure classes stipulated in the regulations for the respective calculation method. Exposure means the sum of items on and off the balance sheet.

Credit risk exposure SEK m	2013	2012
Loans to the public <sup>1</sup>	1 696 339	1 680 479
<i>of which reverse repos</i>	15 711	33 799
Loans to other credit institutions	62 898	89 511
<i>of which reverse repos</i>	33 874	59 241
Unutilised part of granted overdraft facilities	122 572	132 534
Committed loan offers	246 518	239 774
Other commitments	9 046	20 779
Guarantees, credits	8 371	10 723
Guarantees, other	58 568	39 913
Letters of credit	7 190	30 164
Derivatives <sup>2</sup>	69 961	110 850
Treasury bills and other eligible bills	57 451	48 906
Bonds and other fixed-income securities	64 125	68 354
<b>Total</b>	<b>2 403 039</b>	<b>2 471 987</b>

The amounts do not include holdings with central banks.

<sup>1</sup> SEK 2,580m (4,078) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

<sup>2</sup> Refers to the total of positive market values. Including legally viable netting agreements, the exposure is SEK 25,775m (30,422).

Geographical distribution 2013	Loans				Off-balance sheet commitments			Total
	Public	Credit institutions	Derivatives	Investments	Guarantees	Other		
SEK m								
Sweden	1 153 930	21 598	69 957	98 399	26 896	227 889	1 598 669	
UK	131 424	546	-552	0	5 390	27 874	164 682	
Denmark	70 725	73	57	5	2 890	26 619	100 369	
Finland	100 119	186	70	0	3 791	24 728	128 894	
Norway	196 596	110	0	0	7 299	49 558	253 563	
Netherlands	17 869	3	0	0	678	4 310	22 860	
Germany	4 778	39	9	0	3 368	5 345	13 539	
Poland	2 297	74	0	0	1 043	81	3 495	
USA	2 827	33 555	406	21 619	10 726	13 730	82 863	
Other countries	15 774	6 714	14	1 553	4 858	5 192	34 105	
<b>Total</b>	<b>1 696 339</b>	<b>62 898</b>	<b>69 961</b>	<b>121 576</b>	<b>66 939</b>	<b>385 326</b>	<b>2 403 039</b>	

Geographical distribution 2012	Loans				Off-balance sheet commitments			Total
	Public	Credit institutions	Derivatives	Investments	Guarantees	Other		
SEK m								
Sweden	1 169 937	33 297	110 726	99 942	23 486	273 379	1 710 767	
UK	112 871	339	-942	0	3 763	24 207	140 238	
Denmark	65 200	51	121	27	2 137	19 628	87 164	
Finland	88 247	304	116		4 543	23 306	116 516	
Norway	204 473	32	2	-	7 728	40 176	252 411	
Netherlands	13 261	3		-	656	5 601	19 521	
Germany	7 136	243	20	-	3 051	7 600	18 050	
Poland	2 573	86	1	-	719	190	3 569	
Other countries	16 781	55 156	806	17 291	4 553	29 164	123 751	
<b>Total</b>	<b>1 680 479</b>	<b>89 511</b>	<b>110 850</b>	<b>117 260</b>	<b>50 636</b>	<b>423 251</b>	<b>2 471 987</b>	

Loans to the public, by sector	2013			2012		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
SEK m						
Private individuals	788 495	-790	787 705	743 454	-852	742 602
<i>of which mortgage loans</i>	642 459	-54	642 405	607 163	-44	607 119
<i>of which other loans with property mortgages</i>	77 461	-111	77 350	67 031	-115	66 916
<i>of which other loans, private individuals</i>	68 575	-625	67 950	69 260	-693	68 567
Housing co-operative associations	140 320	-33	140 287	129 131	-17	129 114
<i>of which mortgage loans</i>	128 524	-9	128 515	105 421 <sup>1</sup>	-4	105 417
Property management	461 726	-394	461 332	436 694	-365	436 329
Manufacturing	39 051	-517	38 534	45 170	-473	44 697
Retail	31 570	-362	31 208	33 646	-441	33 205
Hotel and restaurant	7 396	-24	7 372	8 234	-36	8 198
Passenger and goods transport by sea	14 733	-423	14 310	17 839	-406	17 433
Other transport and communication	26 972	-80	26 892	32 406	-182	32 224
Construction	12 295	-116	12 179	13 395	-106	13 289
Electricity, gas and water	23 620	-44	23 576	23 965	-25	23 940
Agriculture, hunting and forestry	8 365	-25	8 340	8 917	-15	8 902
Other services	22 996	-101	22 895	25 558	-213	25 345
Holding, investment, insurance companies, mutual funds etc.	73 272	-569	72 703	89 219	-601	88 618
Sovereigns and municipalities	20 935		20 935	36 711	-	36 711
Other corporate lending	28 496	-68	28 428	40 268	-108	40 160
<b>Total loans to the public, before collective provisions</b>	<b>1 700 242</b>	<b>-3 546</b>	<b>1 696 696</b>	<b>1 684 607</b>	<b>-3 840</b>	<b>1 680 767</b>
Collective provisions			-357			-288
<b>Total loans to the public</b>	<b>1 700 242</b>		<b>1 696 339</b>	<b>1 684 607</b>		<b>1 680 479</b>

<sup>1</sup> The amount only includes Stadshypotek Sweden.

### Credit risk concentrations

Handelsbanken's branches focus strongly on establishing long-term relationships with customers of sound creditworthiness. If a branch identifies a good customer, it should be able to do business with this customer, irrespective of whether the Bank as a whole has major exposure to the business sector that the customer represents. In granting credit the Bank thus has no built-in restrictions to having relatively extensive exposures in individual sectors. The Bank monitors and calculates concentration risks continually for various business sectors, geographic areas and individual major exposures. Concentration risks are identified in the Bank's calculation of economic capital for credit risks and in the stress tests conducted in the internal capital adequacy assessment. This ensures that Handelsbanken has sufficient capital, taking into account concentration risks. If the concentration risks are judged to be excessive, the Bank has the opportunity and capacity to reduce them using various risk mitigation measures.

In addition to mortgage loans and lending to housing co-operative associations, Handelsbanken has considerable lending

operations for property management (SEK 462 billion). Property management refers here to all companies assessed for credit purposes as "property companies". It is common for groups of companies operating in other industries to have subsidiaries managing the properties in which the group conducts business, and such property companies are also considered here to belong to the property management. However, the underlying credit risk in such cases is not only property-related.

A large proportion of property lending is to government-owned property companies, municipal housing companies and other housing-related operations where the borrowers consistently have strong, stable cash flows and thus very high creditworthiness. A large part of lending to the property sector is therefore to companies with a very low probability of default and low LTVs. The Bank's exposure to the property sector is specified in the tables below.

The proportion of exposures to property counterparties with a poorer rating than the Bank's risk class 5 (normal risk) is very low. 98 (96) per cent of total property lending in Sweden is in risk class 5 or better. The corresponding

figures for property lending in the UK, Denmark, Finland, Norway and the Netherlands are 96 (94) per cent, 99 (91) per cent, 92 (99) per cent, 93 (95) per cent and 100 per cent respectively. For counterparties in poorer risk classes than normal, the majority are in risk classes 6 or 7 with only small volumes in the higher risk classes 8 and 9.

In the past few years, Handelsbanken has seen major credit growth in the UK as a result of a planned expansion of the branch network. A relatively large part of the growth has been in property-related credits. This has occurred during a period of poor performance in the UK property market. A strict credit policy often makes it easier to assess creditworthiness in a poorer economic climate since it is easier to identify potential problems. In its expansion, Handelsbanken has had the same strict requirements on repayment capacity and collateral quality as in its other home markets. The result of this is a high concentration of customers in good risk classes and a loan loss ratio in line with other home markets.

Specification Loans to the public – Property management	2013			2012		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
SEK m						
<b>Loans in Sweden</b>						
State-owned property companies	7 798	-	7 798	9 213	-	9 213
Municipal-owned property companies	15 430	-	15 430	14 468	-	14 468
Residential property companies	73 571	-15	73 556	72 894	-13	72 881
<i>of which mortgage loans</i>	57 726	-1	57 725	52 759	-3	52 756
Other property management	151 410	-110	151 300	145 066	-129	144 937
<i>of which mortgage loans</i>	75 969	-3	75 966	61 097	-5	61 092
<b>Total loans in Sweden</b>	<b>248 209</b>	<b>-125</b>	<b>248 084</b>	<b>241 641</b>	<b>-142</b>	<b>241 499</b>
<b>Loans outside Sweden</b>						
UK	81 129	-69	81 060	69 699	-20	69 679
Denmark	12 108	-117	11 991	10 623	-96	10 527
Finland	23 612	-	23 612	19 481	-10	19 471
Norway	76 457	-60	76 397	80 549	-74	80 475
Netherlands <sup>1</sup>	12 633	-	12 633			
Other countries	7 578	-23	7 555	14 701	-23	14 678
<b>Total loans outside Sweden</b>	<b>213 517</b>	<b>-269</b>	<b>213 248</b>	<b>195 053</b>	<b>-223</b>	<b>194 830</b>
<b>Total loans – property management</b>	<b>461 726</b>	<b>-394</b>	<b>461 332</b>	<b>436 694</b>	<b>-365</b>	<b>436 329</b>

<sup>1</sup> Regional bank as of 1 January 2013.

Specification Loans to the public – Property management	2013					2012				
	Total	Companies owned by government and municipality/property lending guaranteed by government and municipality	Multi-family dwellings/residential property	Commercial properties and other collateral	Unsecured	Total	Companies owned by government and municipality/property lending guaranteed by government and municipality	Multi-family dwellings/residential property	Commercial properties and other collateral	Unsecured
SEK m										
Sweden	248 209	24 744	89 037	111 582	22 846	241 641	25 252	80 983	105 039	30 367
UK	81 129	0	34 724	41 475	4 930	69 699	9	29 339	36 623	3 728
Denmark	12 108	0	6 290	3 813	2 005	10 623	1	5 368	3 911	1 343
Finland	23 612	8 549	2 974	10 452	1 637	19 481	6 624	2 492	8 982	1 383
Norway	76 457	964	13 626	52 671	9 196	80 549	24	17 146	49 518	13 861
Netherlands	12 633	0	3 682	8 046	905					
Other countries	7 578	532	828	5 645	573	14 701	694	1 801	10 670	1 536
<b>Total</b>	<b>461 726</b>	<b>34 789</b>	<b>151 161</b>	<b>233 684</b>	<b>42 092</b>	<b>436 694</b>	<b>32 604</b>	<b>137 129</b>	<b>214 743</b>	<b>52 218</b>

**Specification Loans to the public – Property management, risk class and country 2013**  
 SEK m

Risk class	Sweden	UK	Denmark	Finland	Norway	Netherlands	Other countries	Total		%	Accum. % of total
1	20 341	746	2	3 143	1 234	62	930	26 458	5.73		6
2	69 224	14 996	440	10 899	13 566	4 474	3 641	117 240	25.39		31
3	91 645	36 764	5 881	7 484	36 291	5 979	2 290	186 334	40.36		71
4	45 804	15 657	2 965	1 341	16 312	1 575	196	83 850	18.17		90
5	15 851	7 461	1 844	487	5 678	487	390	32 198	6.97		97
6	2 492	1 917	225	155	1 762	0	105	6 656	1.44		98
7	1 643	1 855	187	33	1 165	56	0	4 939	1.07		99
8	327	401	163	16	38	0	0	944	0.20		99
9	139	112	33	0	56	0	0	340	0.07		99
Defaults	743	1 220	368	54	356	0	25	2 766	0.60		100
<b>Total</b>	<b>248 209</b>	<b>81 129</b>	<b>12 108</b>	<b>23 612</b>	<b>76 458</b>	<b>12 633</b>	<b>7 577</b>	<b>461 726</b>	<b>100</b>		

**Specification Loans to the public – Property management, risk class and country 2012**  
 SEK m

Risk class	Sweden	UK	Denmark	Finland	Norway	Netherlands <sup>1</sup>	Other countries	Total		%	Accum. % of total
1	20 059	1 027	3	3 125	1 218		882	26 314	6.03		6
2	71 341	11 856	545	8 156	17 202		6 165	115 265	26.39		32
3	88 330	31 319	3 650	6 119	34 650		6 105	170 173	38.97		71
4	37 792	14 745	4 015	1 351	18 761		855	77 519	17.75		89
5	16 651	6 491	1 412	523	4 870		331	30 278	6.93		96
6	4 663	1 883	263	84	2 018		260	9 171	2.10		98
7	1 864	1 265	169	90	1 185		17	4 590	1.05		99
8	328	121	233	9	109		16	816	0.19		99
9	171	37	1	7	67		-	283	0.07		99
Defaults	442	954	332	17	469		71	2 285	0.52		100
<b>Total</b>	<b>241 641</b>	<b>69 698</b>	<b>10 623</b>	<b>19 481</b>	<b>80 549</b>		<b>14 702</b>	<b>436 694</b>	<b>100</b>		

<sup>1</sup> Regional bank as of 1 January 2013.

**Specification Loans to the public – Property management, risk class and type of collateral 2013**  
 SEK m

Risk class	Exposure		Collateral			
	Multi-family dwellings/residential property	Commercial property	Guarantee from government or municipality	Other collateral	Unsecured	
1	26 458	14 253	5 282	4 186	1 186	1 551
2	117 240	41 572	54 975	8 894	977	10 822
3	186 334	63 910	94 792	3 822	6 216	17 594
4	83 850	23 497	46 212	473	5 988	7 680
5	32 198	10 249	14 940	540	3 630	2 839
6	6 656	2 281	3 710	11	332	322
7	4 940	1 683	2 520	9	211	517
8	944	357	366	0	9	212
9	340	182	120	0	3	35
Defaults	2 766	1 134	808	8	75	741
<b>Total</b>	<b>461 726</b>	<b>159 118</b>	<b>223 725</b>	<b>17 943</b>	<b>18 627</b>	<b>42 313</b>

**Specification Loans to the public – Property management, risk class and type of collateral 2012**  
 SEK m

Risk class	Exposure		Collateral			
	Multi-family dwellings/residential property	Commercial property	Guarantee from government or municipality	Other collateral	Unsecured	
1	26 314	13 815	5 590	3 406	555	2 948
2	115 265	35 677	50 046	6 772	968	21 802
3	170 173	56 803	84 866	3 934	5 198	19 372
4	77 519	22 030	43 577	619	4 963	6 330
5	30 278	10 483	13 538	348	3 195	2 714
6	9 171	2 829	4 343	25	681	1 293
7	4 590	1 586	2 108	16	157	723
8	816	339	396	2	9	70
9	283	54	162	0	43	24
Defaults	2 285	846	745	8	68	618
<b>Total</b>	<b>436 694</b>	<b>144 462</b>	<b>205 371</b>	<b>15 130</b>	<b>15 837</b>	<b>55 894</b>

## COUNTERPARTY RISK

Counterparty risks arise when the Bank has entered into derivative contracts with a counterparty for instruments such as futures, swaps or options, or contracts regarding loans of securities.

Counterparty risk is regarded as a credit risk where the market value of the contract determines the size of the exposure. If the contract has a positive value, the default of the counterparty means a potential loss for the Bank – in the same way as for a loan.

In calculating both the capital requirement and economic capital (EC), counterparty exposures are taken into account based on the exposure amounts stipulated by the capital adequacy regulations. These credit exposures are then treated in the same way as other credit exposures.

In addition to derivatives, the capital adequacy regulations treat both repurchase transactions and equity loans as counterparty risks. When calculating EC, these transaction types are treated in the same way. The Bank applies the mark to market method to calculate the exposure amount for counterparty risks for capital adequacy purposes.

The size of counterparty exposures is restricted by setting credit limits in the regular credit process. The size of the exposures may vary substantially due to fluctuations in the price of the underlying asset. In order to take account of the risk that the exposure may increase, supplements are added to the value of the exposure when setting credit limits. These add-ons are calculated using standard amounts that depend on the type of contract and the time to maturity. The exposures are calculated and followed up daily. The counterparty risk in derivatives is reduced through so-called netting agreements, which involve setting off positive values against negative values in all derivative transactions with the same counterparty. Handelsbanken's policy is to aim

to have netting agreements with all counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure, which further reduces the credit risk.

The collateral for these transactions is mainly cash, but government securities are also used. Due to the high proportion of cash, the concentration risks in the collateral are limited. A very small number of the collateral agreements entered into by the Bank include terms and conditions concerning rating-based threshold amounts for Handelsbanken. These conditions mean that the Bank must provide further collateral for the counterparty in question, in the event of the Bank's rating from external parties being lowered. At year-end, a downgrading from AA- to A+ would have meant the Bank having to issue further collateral of SEK 30 million (144).

The Bank holds a portfolio of credit derivatives (credit default swaps, CDS) which are classed as trading book. The value of purchased protection is SEK 0.8 billion (1.1) and the value of sold protection is SEK 0.8 billion (1).

According to the Basel III regulations, a new capital requirement will be applied to counterparty risk exposures as of 1 January 2014. This capital requirement is based on the risk of a change in value due to the counterparty's credit quality (credit valuation adjustment, CVA) in the counterparty risk exposures. According to the 2013 regulations, the banks hold capital for the default risk, but not for the value. In Sweden, these rules are being implemented through the European implementation of the Basel III regulations, known as CRD IV. With the existing structure of the counterparty risks, an introduction of CVA risk in 2013 would increase the capital requirement for counterparty risk by approximately SEK 0.4 billion. Calculated according to the 2012 regulatory proposal, CVA for 2012 was SEK 1.4 billion.

Handelsbanken has strived to reduce this effect through, for example, changes to contract structure and collateral as well as greater use of clearing.

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

Setting a limit for the payment risk is a vital part of Handelsbanken's constant aim to limit risks. This includes developing technical solutions which reduce the period of time during which there is a payment risk. In these efforts, Handelsbanken co-operates with various banking sector clearing institutions. The Bank has also established co-operation with the banks which are considered to be the strongest and the most creditworthy.

Handelsbanken also participates in clearing collaborations such as CLS (Continuous Linked Settlement) for currency trading. CLS is a global organisation which aims at securing currency exchange settlement by limiting the counterparty risk. Handelsbanken is one of approximately 60 owners which are the largest international FX banks. Handelsbanken is also a partner and direct member of EBA (Euro Banking Association) and its euro payment system.

Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure SEK m	2013	2012
Positive gross market value for derivative contracts	72 844 <sup>1</sup>	108 872
Netting gains	47 069	78 450
Current set-off exposure	25 775	30 422
Collateral	15 405	11 843
Net credit exposure for derivatives	10 370	18 579

<sup>1</sup> The gross market value is stated for the banking group, excluding cleared derivatives which are not subject to capital adequacy in 2013.

### Counterparty risks in derivative contracts including potential future exposure 2013

SEK m	Current set-off exposure	Potential future exposure	Total credit exposure for derivatives/EAD	Risk-weighted amount	Capital requirement
Sovereign exposures	1 249	1 174	2 423	14	1
Institutional exposures	14 174	20 440	34 613	6 082	487
Corporate exposures	10 321	4 247	14 568	4 392	351
Other	31	36	67	48	4
<b>Total</b>	<b>25 775</b>	<b>25 897</b>	<b>51 671</b>	<b>10 536</b>	<b>843</b>

### Counterparty risks in derivative contracts including potential future exposure 2012

SEK m	Current set-off exposure	Potential future exposure	Total credit exposure for derivatives/EAD	Risk-weighted amount	Capital requirement
Sovereign exposures	888	1 726	2 615	11	1
Institutional exposures	14 305	19 006	33 311	5 756	460
Corporate exposures	15 142	4 601	19 743	6 101	488
Other	87	43	130	43	3
<b>Total</b>	<b>30 422</b>	<b>25 376</b>	<b>55 799</b>	<b>11 911</b>	<b>952</b>



**MARKET RISK**

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

Handelsbanken has a restrictive view of market risks. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. During the past few years, the Bank has worked actively to reduce the market risks in its balance sheet. One result of this is that a much smaller part of the earnings come from net gains/losses on financial transactions.

At a universal bank like Handelsbanken, market risks arise when the Bank's customers demand services where the Bank must have flexible funding. The Bank can also obtain funding on other markets than those where it has its lending so that it can diversify its sources of funding. The funding can also have a different maturity than the assets which are to be funded. Central Treasury manages a liquidity portfolio that can be converted into liquidity at short notice in conjunction with possible disruptions in the markets where the Bank conducts its operations. The portfolio secures the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve.

Market risks also arise to meet customers'

demand for financial instruments with exposure to the fixed income, currency, equity or commodities markets. To meet this demand, it may be necessary for the Bank to have certain holdings. This situation arises for example when the Bank has undertaken to set market prices in its function as a market maker. Finally, the Bank has major business flows, making it reasonable for it to take advantage of possible economies of scale.

The Bank's limit system restricts the size of the exposure to market risks. Measuring methods and limits are established by the Board. The limits for interest rate, currency and liquidity risk are allocated by the CEO and the CFO to the Head of Central Treasury, who in turn allocates these to the business-operating units. The Head of Central Treasury has operational responsibility for managing interest rate, currency and liquidity risks.

The CEO and the CFO also decide on supplementary risk measures, limits and detailed guidelines. The supplementary limit measures aim to reduce the Bank's total sensitivity to volatility changes in the financial markets, and to limit the risks of specific holdings and the liquidity risk per currency. These measures also limit the risks from a maturity perspective. The CFO, CEO and Board continually receive reports on the market risks and utilisation of the limits.

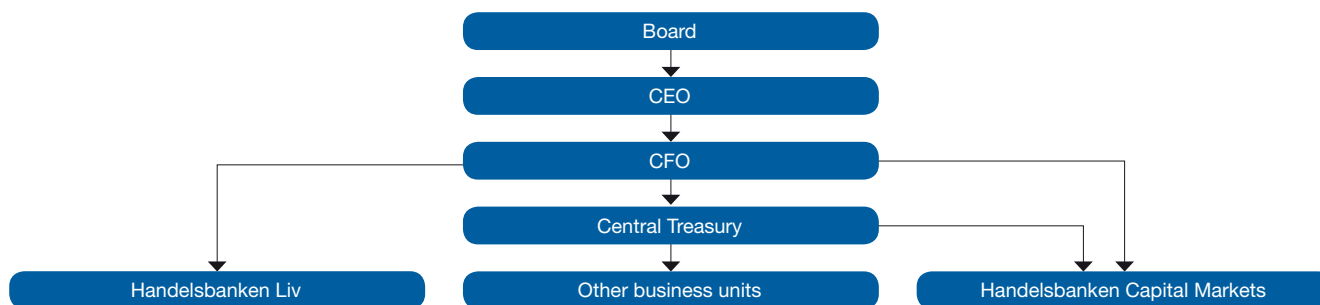
Market risks in the Bank's business operations mainly arise at Central Treasury, Handelsbanken Capital Markets and Handelsbanken Liv, and are managed there. The market risks at the insurance company, Handelsbanken Liv, are described in a separate section. Consequently, the information on market risks given in this section refers to risks excluding Handelsbanken Liv.

**Risk measurement**

Market risk is measured using several different methods. Various sensitivity measures are used, showing the changes in value arising from pre-defined changes in prices and volatilities. Position-related risk measures and probability-based Value at Risk models (VaR) are also used. VaR expresses the losses in Swedish kronor that may arise in risk positions due to movements in the underlying markets over a specified holding period and for a given confidence level.

The VaR method means that different risk classes can be handled in a uniform way so that they can be compared and aggregated into a total market risk. Handelsbanken has, however, been, and will continue to be, very restrictive in basing the limit system on VaR risk measurements since VaR in its construction stipulates a given loss level. The risk in that case would be that this loss level would become accepted as a norm in the operations.

**Decision levels and monitoring of market risk**



**VaR for trading book, Handelsbanken Capital Markets and Central Treasury**

SEK m	Total		Equities		Fixed income		Currency		Commodities	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Average	18	15	3	2	18	15	2	3	1	1
Maximum	42	26	6	5	40	31	5	8	4	7
Minimum	9	7	1	0	9	8	0	1	0	0
Year-end	14	11	1	2	14	11	1	4	2	1

**Risk at Handelsbanken measured as VaR**

For the portfolios classified as the trading book at Handelsbanken Capital Markets and Central Treasury, VaR is calculated for the individual risk classes and at portfolio level with a 99 per cent confidence level and a one-day holding period.

Since VaR is based on model assumptions, the model is continually verified to check that it is up-to-date. For that reason VaR is regularly evaluated using back testing. The result is reported quarterly to the CFO, the CEO and the Board. These tests verify the number of days

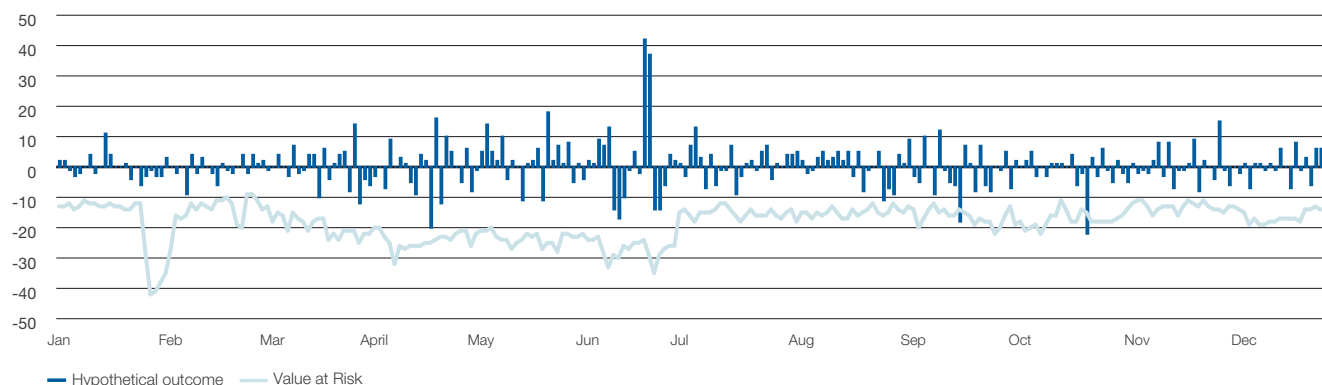
when the loss exceeded the estimated VaR. Back testing is performed on both the actual outcome and on the hypothetical outcome. The latter measures the outcome if the portfolio had been unchanged during the holding period.

A VaR model with a 99 per cent confidence level implies that the outcome will be worse than measured VaR on two to three occasions every year. If the number of observed occasions exceeds the expected number, there is a risk that the model underestimates the actual risk. On two occasions in 2013 the hypothetical

outcome was worse than the VaR. This is in line with what a VaR model with a confidence level of 99 per cent implies.

The VaR model does not identify risks associated with extreme market fluctuations. The calculations are therefore supplemented with regular stress tests where the portfolios are tested against scenarios based on all events in the financial markets since 1994. The results of these stress tests are also reported to the CEO, CFO and the Board on a regular basis.

**VaR and hypothetical outcome for trading book 2013, Handelsbanken Capital Markets and Central Treasury**



**Worst outcome in stress test for trading book, Handelsbanken Capital Markets and Central Treasury**

SEK m	2013	2012
Average	26	38
Maximum	69	70
Minimum	12	18
Year-end	28	28

**INTEREST RATE RISK**

Interest rate risk mainly arises at Handelsbanken Capital Markets, Central Treasury and in the lending operations.

In the latter, the interest rate risk arises as a result of the lending partly having longer interest-rate fixing periods than the funding. In bond funding, the reverse may also apply, i.e. that the interest-rate fixing period on the bonds is longer than the interest-rate fixing period for the lending that the bonds are funding. Interest rate is mainly managed by means of interest rate swaps. In general, interest rate risk exposure is in markets which are characterised by good liquidity.

Interest rate risk is measured at the Bank in several ways. VaR and other risk meas-

urements, supplemented by various stress scenarios, are used for Handelsbanken Capital Markets' portfolios and at Central Treasury. Yield curve twist risks – which are measured and followed up on a regular basis – show the development of the risks in the case of hypothetical changes in various yield curves. The non-linear interest rate risk, for example, part of the risk in interest rate options, is measured and a limit set with pre-defined stress scenarios expressed in matrices. This means that the risk is measured as changes in underlying market interest rates and volatilities.

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

At year-end, the Bank's total interest rate risk in the case of a one percentage point parallel upward or downward shift in the yield curve, measured as the worst outcome, was SEK -992 million (-701). This risk measure includes both interest-bearing items at market value and not at market value, and it is therefore not appropriate to assess the effects on the balance sheet and income statement. The risk measure does not take into account the equity held by the Bank nor the Bank's opportunities to adapt to changed interest rate levels.

The net interest income effect when interest rates change is measured as the change in net interest income over a 12-month period in the case of a general increase of market rates by one percentage point. This effect reflects the

Interest rate sensitivity (change in present value of future cash flows due to 1% shift in yield curve)		
SEK m	2013	2012
SEK	-746	-680
NOK	-138	-1
DKK	-121	-103
USD	114	72
GBP	-54	-43
EUR	-41	59
Other currencies	-6	-5
<b>Total</b>	<b>-992</b>	<b>-701</b>

differences in interest-rate fixing periods and volume composition between assets, liabilities and derivatives outside the trading book, assuming that the size of the balance sheet is constant.

The calculation takes account of the fact that interest rates on some deposit accounts without a fixed interest-rate period are not directly linked to market rates. The net interest income effect

was SEK 1,191 million at the year-end.

Specific interest rate risk is measured and limits set using sensitivity to changes in credit spreads. This risk only arises within Handelsbanken Capital Markets and in the Central Treasury liquidity portfolio. The risk is measured and limited on the basis of different rating classes and is calculated as a market value change for the worst outcome in the case of

a parallel shift in the credit spreads of +/- one basis point, i.e. the difference between the interest on the current holding and the yield on a government bond with the same maturity. This is performed for each individual counterparty and the outcomes are summed as an absolute total. The total specific interest rate risk at the year-end was SEK 7 million (8).

Interest rate adjustment periods for assets and liabilities 2013						
SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
<b>Assets</b>						
Loans	1 183 993	79 945	88 320	317 937	26 294	1 696 489
Banks and other financial institutions	431 284	1 351	130	87	0	432 852
Bonds etc.	30 549	11 182	1 218	42 861	7 508	93 318
<b>Total assets</b>	<b>1 645 826</b>	<b>92 478</b>	<b>89 668</b>	<b>360 885</b>	<b>33 802</b>	<b>2 222 659</b>
<b>Liabilities</b>						
Deposits	804 844	3 499	2 074	2 277	1 624	814 318
Banks and other financial institutions	167 610	6 943	489	125	5 019	180 186
Issued securities	369 497	169 073	24 758	501 699	101 579	1 166 606
Other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1 341 951</b>	<b>179 515</b>	<b>27 321</b>	<b>504 101</b>	<b>108 222</b>	<b>2 161 110</b>
Off-balance sheet items	-200 184	-14 766	5 014	160 395	49 191	-350
Difference between assets and liabilities including off-balance sheet items	103 691	-101 803	67 361	17 179	-25 229	61 199

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2013, reported by trade date. Non-interest-bearing assets and liabilities have been excluded.

Interest rate adjustment periods for assets and liabilities 2012						
SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
<b>Assets</b>						
Loans	1 169 895	72 208	98 827	315 171	24 378	1 680 479
Banks and other financial institutions	324 464	1 171	95	279	-	326 009
Bonds etc.	16 713	2 428	955	65 867	7 980	93 942
<b>Total assets</b>	<b>1 511 071</b>	<b>75 807</b>	<b>99 876</b>	<b>381 317</b>	<b>32 358</b>	<b>2 100 430</b>
<b>Liabilities</b>						
Deposits	662 783	3 995	2 746	976	39	670 538
Banks and other financial institutions	172 723	5 399	766	146	5 066	184 100
Issued securities	410 652	106 050	116 130	457 898	81 862	1 172 592
Other liabilities	-	98	316	193	3 176	3 783
<b>Total liabilities</b>	<b>1 246 158</b>	<b>115 542</b>	<b>119 958</b>	<b>459 212</b>	<b>90 143</b>	<b>2 031 013</b>
Off-balance sheet items	-207 011	-22 769	23 115	157 104	50 390	829
Difference between assets and liabilities including off-balance sheet items	57 902	-62 505	3 032	79 209	-7 395	70 245

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2012, reported by trade date. Non-interest-bearing assets and liabilities have been excluded. Handelsbanken Liv has been excluded from the table and consequently the comparative figures for 2012 have changed. The market risks in the Insurance operations are described in full in a separate section.

## EQUITY PRICE RISK

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

### Equity price risk in the trading book

The equity price risk at Handelsbanken Capital Markets arises in customer-generated equity-related transactions. Handelsbanken Capital Markets is a market maker for structured products, which gives rise to equity price risk, both linear and non-linear. The non-linear equity price risk arises via options included in the structured products.

The extent of own position-taking, which arises to meet customers' needs, is restricted by the limits decided by the Bank's Board, the CEO and the CFO. The Bank limits and measures the equity price risk at Handelsbanken Capital Markets using matrices. The advantage of this method is that it effectively identifies equity price risk including the non-linear risk. VaR as well as other risk measures and stress scenarios are used as a complement when measuring the equity price risk. The supplementary risk measures include dividend risk, event risk and sensitivity to general volatility changes on the equity market.

### Equity price risk outside the trading book

The majority of the Group's shareholdings – 96 per cent – comprises shares listed on an active market valued at market price. Holdings of unlisted securities mainly consist of various types of jointly owned operations related to the Bank's core business. In general, such holdings are valued at the Bank's share of the company's net asset value. For unlisted shares where the company agreement regulates the price at which the shares can be divested, the holdings are valued at a divestment price determined in advance. In all material respects, unlisted shares are classified as available for sale.

The table below shows the risk in the Bank's total equity positions in the case of hypothetical changes in underlying prices and volatilities at year-end.

## EXCHANGE RATE RISK

Handelsbanken has home markets outside Sweden and also operations in a number of other countries. Indirect currency exposure of a structural nature therefore arises, because

the Group's accounts are expressed in Swedish kronor. The structural risk is minimised by matching assets and liabilities in the same currency as far as possible. The exchange rate movements that affect the Bank's equity are shown in the table on page 68 of the Annual Report: Statement of changes in equity – Group.

The Bank's direct foreign exchange exposure arises as a consequence of customer-driven intra-day trading in the international foreign exchange markets. Trading is conducted at Handelsbanken Capital Markets. The Board, CEO and CFO have set VaR limits for exchange rate risk. At the year-end, VaR was SEK 0.4 million (2).

Some foreign exchange exposure also arises in the normal banking operations as part of managing customer payment flows and in funding operations at Central Treasury. The Board, CEO and CFO have allocated position limits for these exposures. At year-end, the aggregate net position amounted to SEK 186 million (293). The exchange rate risk in the Bank does not

depend on trends for an individual currency or group of currencies, because the positions are very short and arise in management of customer-driven flows. The total exchange rate risk was SEK 5 million (-18), measured as the impact on the Bank's earnings of an instantaneous 5 per cent change of the Swedish krona.

## COMMODITY PRICE RISK

Exposure in commodity-related instruments only occurs as a result of customer-based trading in the international commodity markets and is restricted by limits decided by the Board, CEO and CFO. Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Commodity price risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At the year-end, the commodity price risk was SEK -24 million (-20), measured as the maximum loss on price changes up to 20 per cent in underlying commodities and changes in volatility up to 35 per cent.

Exchange rate sensitivity (worst outcome +/- 5% change SEK against the respective currency)		
SEK m	2013	2012
EUR	10	-8
USD	-10	-9
GBP	-5	-3
NOK	-2	-8
DKK	-2	0
Other currencies	-10	-24
Equity exposures outside the trading book		
SEK m	2013	2012
Classified as available for sale	5 725	5 205
<i>of which listed</i>	4 369	4 176
<i>of which unlisted</i>	1 356	1 029
Classified as available for sale	5 725	5 205
<i>of which business-related</i>	768	546
<i>of which other holdings</i>	4 957	4 659
Fair value reserve at beginning of year	796	134
Unrealised market value change value during the year for remaining and new holdings	420	661
Realised due to sale and settlements during the period	1	1
Fair value reserve at end of year	1 217	796
Included in tier 2 capital	1 216	797

### Equity price risk SEK m

Change in equity price	Change in volatility					
	2013			2012		
	-25%	0%	25%	-25%	0%	25%
10%	581	581	581	514	511	507
-10%	-577	-570	-565	-525	-518	-509

FUNDING AND LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.

Funding strategy

Handelsbanken has a low tolerance of liquidity risks and works actively to minimise them in total and also in all currencies. The ambition is that this will provide good access to liquidity, a low level of variation in earnings and a considerable capacity to meet customers' funding needs, even in difficult times. This is achieved by maintaining a good matching of incoming and outgoing cash flows over time in all currencies of importance to the Bank and by maintaining large liquidity reserves of good quality.

Furthermore, the Bank aims for breadth in its funding programmes and their use so that no type of investor is treated at a disadvantage compared to others. This ensures that the Bank can keep its core business intact for a very long period of time, even if there is extensive disruption in the financial markets.

The starting point of this work is a well-matched balance sheet, where illiquid assets are financed using stable funding. The illiquid assets comprise credits to households and

companies; these credits constitute the Bank's core business. The long-term stable funding of these assets consists of covered bonds issued in Stadshypotek, senior bonds issued by Handelsbanken, deposits from households and companies, subordinated liabilities and equity. Part of the core operations are short-term lending to households and companies and on the liabilities side some of the deposits for these customers are shorter term.

The main point is thus that illiquid assets are not funded with short-term liabilities. The rest of the balance sheet comprises liquid assets and liabilities that are shorter term.

The short-term market funding and deposits from financial institutions finance liquid assets and assets with shorter maturities. In addition, more short-term assets and liabilities arise via transactions that support customer-driven transactions, such as derivative and repo transactions with other banks.

A balance sheet is a snapshot of assets and liabilities. To ensure that the Bank's obligations towards customers and investors are fulfilled, it is important to adopt a future-oriented perspective in funding and liquidity risk management. The balance sheet is therefore structured in such a way that even during lengthy periods of stress in the financial markets, the real economy players in the form of companies and households and their needs for credit can be supported. Current assets cover current liabilities by a good margin. A long-term crisis could result in a reduced balance sheet with retained core business. In the event of an even longer crisis, measures have been prepared to create liquidity

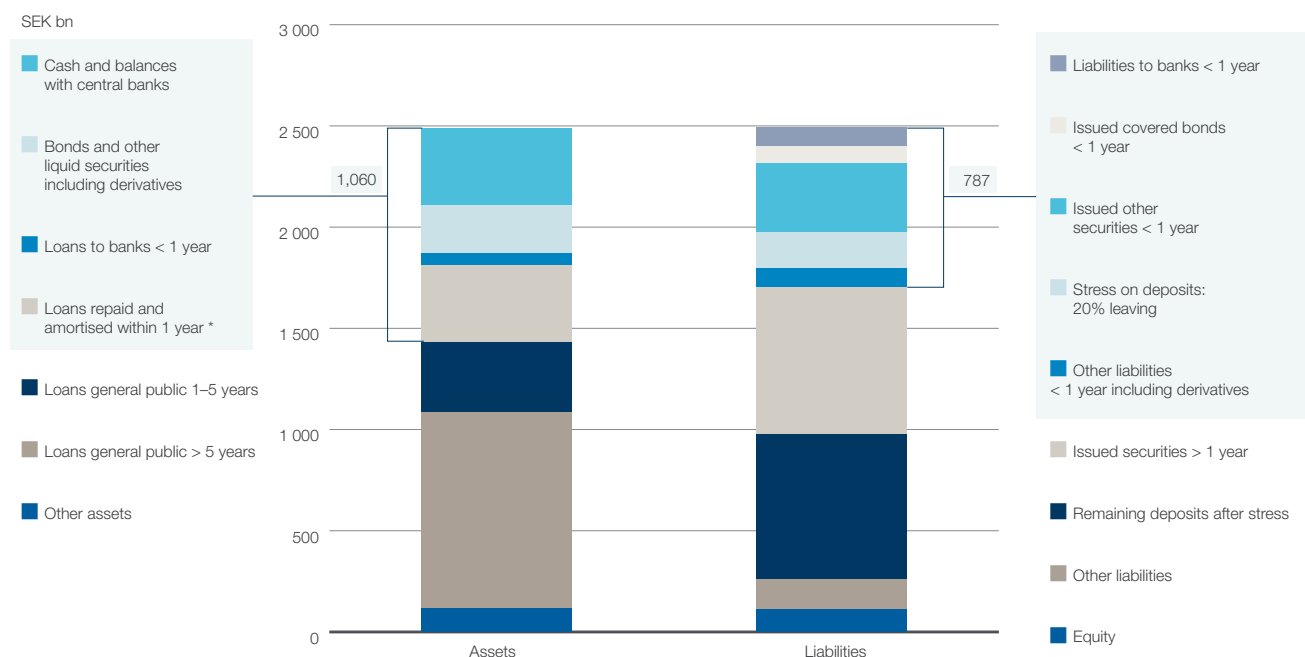
which will provide more support to the business operations.

A balance sheet that is structured in this manner at all times – on market terms – is how Handelsbanken assumes its responsibility in its role as a systemically important bank in the Swedish financial system.

The market has great confidence in Handelsbanken and its assessment is that Handelsbanken has a very low credit risk. One illustration of this is that the cost of insuring a credit risk on the Bank, which is known as the CDS spread, is one of the lowest of all among European banks, and Handelsbanken has the lowest funding cost of all peer banks.

Good diversification between different types of sources of funding in various markets, currencies and forms of funding instruments is a key component of the funding strategy. This reduces the significance of individual markets or sources of funding. In recent years, the Bank has considerably broadened its long-term international funding and has issued significant volumes of bonds in, for example, the eurozone, the UK, the US, Asia and Australia. The most important sources of funding are deposits from households and companies as well as covered and senior bonds. The short-term funding mainly comprises deposits from financial companies and institutions as well as issues of certificates. Central Treasury has a number of different funding programmes for market funding at its disposal, which in addition to the programmes reported in the table Funding programmes/limits contain covered bonds in Swedish kronor. Bonds and certificates are issued under these

Composition of the balance sheet from a maturity perspective, 31 December 2013



\* Scheduled amortisations, contractual maturities and estimated additional loan repayments.

programmes in the Bank's and Stadshypotek's names. The funding programmes ensure well-diversified access to funding in terms of different currencies, the number of investors and geographic distribution.

**Encumbered assets and cover pools**

An important part of Handelsbanken's liquidity management consists of retaining significant volumes of unutilised collateral that can be used in the event of disruptions in the financial markets. One prerequisite for being able to pledge additional collateral is for the Bank to have collateral at its disposal from the outset. The Bank retains substantial volumes of non-encumbered assets that could be used as collateral in the issue of covered bonds and highly liquid securities with high credit ratings. The Bank is very restrictive about entering into agreements that stipulate that the Bank, according to certain criteria, may be forced to provide collateral to another counterparty. In addition to securing the Bank's liquidity, this also contributes to limiting the extent to which the Bank's senior lenders could be subordinated to lenders who invest in covered bonds, known as subordination.

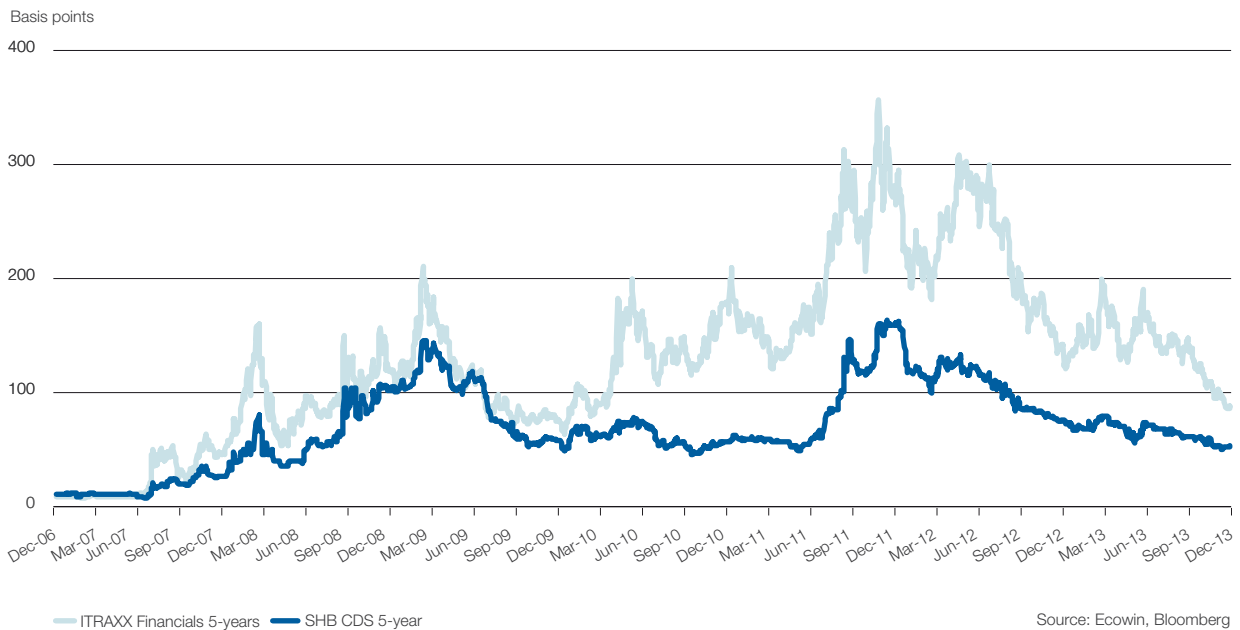
To assess the degree of subordination between investors of non-encumbered funding and encumbering funding, the volume and credit quality of the non-encumbered assets are the relevant factors. Handelsbanken's very restrictive approach to risk-taking means that the non-encumbered assets are of very high quality. Since Handelsbanken wishes to have a balanced utilisation of covered bonds, there is

a large volume of mortgage loans which are not encumbered. Other non-encumbered loans also have a very low risk measured in terms of the Bank's internal rating.

The table shows that the volume of non-encumbered assets for Handelsbanken is 222 per cent of the outstanding volume of non-encumbered funding.

The majority of the encumbered assets consist of Stadshypotek's cover pools, which comprise mortgage loans provided as collateral for outstanding covered bonds. The Bank also has voluntary OC (over-collateralisation – extra assets in addition to those which are needed to cover the issued bonds) of 10 per cent which is included in the pool. These extra assets are in the pool in case the value of the mortgage loans were to fall to a level such that further assets are needed to match the volume of outstanding bonds. When assessing the risk that it will be necessary to add further assets, the loan to value (LTV) of the mortgage loans in the cover pool is of fundamental importance. The lower the LTV, the less the risk that more mortgage loans are required in the pool if prices fall in the property market. Handelsbanken's average LTV in the Swedish pool is very low and at year-end it totalled 50 per cent; the corresponding figure in the Norwegian pool was 54 per cent. This shows that the Bank can withstand substantial drops in prices of underlying property assets before further mortgage loans have to be added to the pools.

**Handelsbanken's 5-year CDS spread compared with ITRAXX Financials 2007–2013**



Source: Ecwin, Bloomberg

ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

Encumbered assets and other pledged collateral	Exposure on balance sheet				
	2013		2012		
SEK bn					
Loans to the public		562		560	
Assets for insurance policyholders		92		79	
Government instruments and bonds		53		56	
Cash, equities and securities loans		15		7	
Other		17		0	
<b>Total pledged assets</b>		<b>739</b>		<b>702</b>	
Pledged without underlying claim <sup>1</sup>		57		51	
<b>Non-encumbered/non-pledged assets</b>					
		2013		2012	
SEK bn		Exposure on balance sheet <sup>2</sup>	% of non-secured funding <sup>3</sup>	Exposure on balance sheet <sup>2</sup>	% of non-secured funding <sup>3</sup>
Cash and balances with central banks		370	48	246	31
Liquid bonds in liquidity portfolio		90	60	114	45
<b>Loans to households</b>		<b>385</b>		<b>349</b>	
<i>of which mortgage loans</i>		255	93	225	74
<i>of which loans secured by property mortgage</i>		16	95	17	76
<i>of which other household lending</i>		114	110	107	90
<b>Loans to companies</b>		<b>679</b>		<b>687</b>	
<i>of which mortgage loans</i>		85	122	67	98
<i>of which loans to housing co-operative associations excl. mortgage loans</i>		24	125	23	101
<i>of which loans to property companies incl/excl mortgage loans</i>					
- risk category 1-3		203	151	196	126
- risk category 4-5		85	162	79	136
- of which risk category >5		12	164	12	137
<i>of which other corporate lending</i>					
- risk category 1-3		168	186	194	162
- risk category 4-5		71	195	91	173
- risk category >5		31	199	25	176
<b>Loans to credit institutions</b>		<b>69</b>		<b>88</b>	
- risk category 1-3		68	208	86	187
- risk category >3		1	209	2	188
<b>Other assets</b>		<b>0</b>	<b>209</b>	<b>33</b>	<b>192</b>
Other lending		101	222	118	207
<b>Non-encumbered/non-pledged assets</b>		<b>1 694</b>	<b>222</b>	<b>1 635</b>	<b>207</b>

<sup>1</sup> Over-collateralisation in cover pool (OC).

<sup>2</sup> NEA: Non-encumbered assets.

<sup>3</sup> Issued short and long non-secured funding and due to credit institutions.

Cover pool data	Sweden		Norway	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
SEK m				
Stadshypotek total lending, public	833 614	780 770	60 902	59 961
Available assets for cover pool	745 954	691 596	53 365	49 308
Utilised assets in cover pool	604 316	596 128	14 794	11 173
Maximum LTV, weighted average ASCB definition	49.6	47.4	54.1	54.8
Volume-weighted LTV (LTV-mid)	25.1	23.7	28.2	27.5
<b>LTV, distribution</b>				
0-10%	24.1	26.6	21.1	22.6
10-20%	20.9	21.9	20.9	21.4
20-30%	18	17.7	18.4	17.9
30-40%	15.1	14.1	16.6	15.6
40-50%	12.3	11	13.5	12.9
50-60%	9.4	8.3	9.5	9.3
60-70%	0.1	0.3	0	0.2
70-75%	0.1	0.1	0	0.1
Loan amount, weighted average, SEK	614 400	544 800	2 698 600	2 119 400
Loan term, weighted average, no. of months	39	38	20	17
<b>Interest fixing periods, distribution</b>				
Floating rate %	42	34	100	100
Fixed rate %	58	66	0	0

## Organisation

Handelsbanken has a highly decentralised business model, but all funding and liquidity risk management in the Group is centralised to Central Treasury. Funding and liquidity risk management is governed by policies established by the Board which also decides on limits. Guidelines from the CEO and CFO make these policies concrete. The guidelines stipulate limits, the composition of the funding and guides in the case of disruptions in the funding markets.

The basic condition for the funding operation is that it must promote long-term stable growth in profits by limiting market and liquidity risks. This is achieved by matching cash flows between funding and lending. The Bank thus minimises the economic risks in funding and can thereby decide on stable and long-term internal interest rates to the business-operating units. Furthermore, all liquidity risk limits are channelled via Central Treasury out into the operations.

In the wake of the financial crisis of recent years, a number of new regulations will come into force in the next few years. The Bank has made various changes to meet these new requirements. These include a centralised treasury function with overall responsibility for all funding and liquidity risk management, an increased proportion of long-term funding, internal prices that reflect the market price, liquidity

risk and maturity. In addition, the transparency related to funding and liquidity risk has been considerably increased.

Central Treasury is also responsible for the Bank's clearing operation and monitors liquidity flows during the day to ensure that the Bank has sufficient collateral in its payment systems at any given time to meet the Bank's payment obligations. The Bank's liquidity monitoring takes place locally, near the transactions, and is supplemented by central management of collateral and liquidity reserve for the whole group. The Bank participates in Continuous Linked Settlement (CLS) and other local payment systems required to support the core operation and thereby ensure payments and settlements by providing liquidity or collateral.

In 2013, the Bank became a direct member of CHAPS in the Bank of England. The size of collateral in the clearing systems is determined on the basis of what the Bank deems is required to fulfil the Bank's obligations, both in normal circumstances and in larger flows. If the flow changes, the size of collateral and liquidity are adjusted, and in times of crisis, collateral can also be redistributed and the liquidity reserve can be activated. The Bank secures liquidity in its nostro accounts for expected payment and settlement undertakings through active liquidity planning and monitoring in all currencies.

## Pricing of liquidity risk

An important part of liquidity risk management is that deposits and lending are priced internally, taking into account the liquidity risks that they give rise to. For example, when the Bank grants a loan with a long maturity this creates the need to obtain additional long-term funding – which is more expensive than more short-term funding. This is because investors who purchase the Bank's long-term bonds, in addition to yield, normally also demand higher compensation for the maturity. This must be taken into account in the Bank's internal pricing, which ensures that the price which internal units in the Bank have to pay for the loans they obtain from the Bank's treasury function varies according to the maturity at the same time as no liquidity risks can be taken locally. The internal pricing is important in order to create the right incentive and thereby avoid unsound risk-taking. The Bank has worked with maturity-based internal prices for a long time. They ensure that the price at contract level takes into account the liquidity risk that the agreement has given rise to. This system was fully implemented at the Bank in 2010.

### Funding programmes/limits as at 31 December 2013

Programme	Programme size	Currency	Unutilised amount, current programme	Countervalue SEK m
ECP <sup>1</sup>	5 000	EUR	3 080	27 430
ECP (Stadshypotek) <sup>1</sup>	4 000	EUR	2 521	22 452
French Certificates of Deposit	7 500	EUR	6 889	61 352
EMTCN (Stadshypotek) <sup>1</sup>	20 000	EUR	8 384	74 666
MTN <sup>1</sup>	100 000	SEK	75 639	75 639
Swedish Commercial Paper	25 000	SEK	24 805	24 805
Swedish Commercial Paper (Stadshypotek)	90 000	SEK	90 000	90 000
EMTN <sup>1</sup>	50 000	USD	25 660	166 030
Other funding > 1 yr <sup>1</sup>	15 000	USD	12 650	81 851
USCP	15 000	USD	7 994	51 724
Extendible Notes	15 000	USD	7 920	51 246
US 144A / 3(a)(2)	15 000	USD	5 150	33 323
Stadshypotek US 144A	15 000	USD	12 250	79 262
Stadshypotek AUD Covered Bond Programme	5 000	AUD	4 250	24 409
Samurai	400 000	JPY	349 500	21 503
<b>Total</b>				<b>885 692</b>
Total programme or limited amounts, SEK m	1 402 188			
Unutilised amount, SEK m	885 692			
<b>Remaining to utilise, %</b>	<b>63</b>			

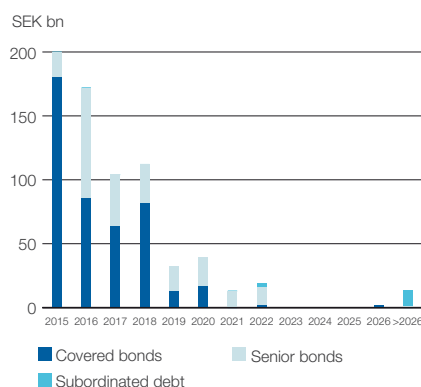
<sup>1</sup> It is possible to issue in other currencies than the original programme currency under these programmes, where currency conversion takes place at the time of issue.



### Composition of funding

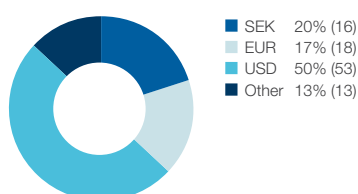
The Bank used all funding programmes during the year. They were supplemented during the year with a funding limit in Japan. During the year, Handelsbanken issued covered and non-covered long-term bonds in all currencies that are relevant to the Bank. Short-term funding mainly takes place through issues of certificates of deposit under the various loan programmes in Sweden, Europe and the US. These loan programmes are supplemented by funding in the international interbank market. Central Treasury ensures that the maturity structure and currency composition in the balance sheet are in keeping with the Bank's risk tolerance. In total SEK 290 billion (239) in long-term funding was issued during the year.

### Maturity profile long-term funding



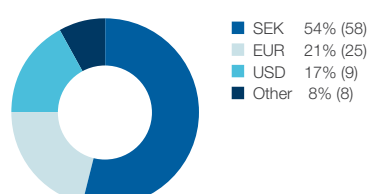
Refers to issued securities as at 31 December 2013 with an original maturity exceeding one year.

### Short-term funding per currency 31 December 2013



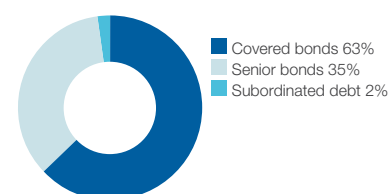
Refers to the currency distribution as at 31 December 2013 for issued securities and financing from credit institutions with a residual maturity of less than one year.

### Long-term funding per currency 31 December 2013



Refers to the currency distribution as at 31 December 2013 for issued securities and financing from credit institutions with a residual maturity of more than one year.

### Long-term funding per instrument 31 December 2013



Refers to distribution per instrument as at 31 December 2013 for issued securities with residual time to maturity of more than one year.

### Holdings with central banks and banks, and securities holdings in the liquidity reserve, 31 December 2013, market value

SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	2 034	48 127	235 115	83 075	368 351
Balances with other banks and National Debt Office, overnight	3	487	539	1 153	2 182
Government-issued securities	20 609	7 690	12 979	1 462	42 740
Securities issued by municipalities and other public entities	6	-	-	-	6
Covered bonds	26 097	2 329	0	8 267	36 693
Own covered bonds	6 499	73	-	53	6 625
Securities issued by non-financial companies	0	2	974	0	976
Securities issued by financial companies (excl. covered bonds)	1 130	788	417	170	2 505
Other securities	-	-	-	-	-
<b>Total</b>	<b>56 378</b>	<b>59 496</b>	<b>250 024</b>	<b>94 180</b>	<b>460 078</b>

### Holdings with central banks and banks, and securities holdings in the liquidity reserve, 31 December 2012, market value

SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	1 398	77 217	148 312	19 167	246 094
Balances with other banks and National Debt Office, overnight	12 790	313	734	3 451	17 288
Government-issued securities	20 463	3 830	10 939	218	35 450
Securities issued by municipalities and other public entities	507	0	130	-	637
Covered bonds	47 557	2 268	4 525	1 846	56 196
Own covered bonds	15 286	286	-	1 773	17 345
Securities issued by non-financial companies	-	-	1 233	-	1 233
Securities issued by financial companies (excl. covered bonds)	660	1 591	455	-	2 706
Other securities	-	-	-	-	-
<b>Total</b>	<b>98 661</b>	<b>85 505</b>	<b>166 328</b>	<b>26 455</b>	<b>376 949</b>

**Liquidity reserve**

To ensure sufficient liquidity to support its core operations in stressed financial conditions, the Bank holds large liquidity reserves. Liquidity reserves are kept in all currencies that are relevant to the Bank and are accessible from Central Treasury. The liquidity reserve is independent of funding and foreign exchange markets and can provide liquidity to the Bank at any time – some parts immediately and other parts gradually over a period of time.

The liquidity reserve comprises several different parts. Cash, balances and other lending to central banks are components which can provide the Bank with immediate liquidity. The reserve also comprises government bonds, covered bonds and other high-quality securities which are liquid and eligible as collateral with central banks. These can also provide the Bank with immediate liquidity. The remainder of the liquidity reserve comprises an unutilised issue amount for covered bonds and other liquidity-creating measures. As at the year-end, the Bank's total liquidity reserve exceeded SEK 800 billion.

**Liquidity risk**

The Bank handles a large number of incoming and outgoing cash flows every day. The gap between incoming and outgoing cash flows is restricted by means of limits. Central risk control reports risk utilisation daily to the CFO, weekly to the CEO and on a regular basis to the Board.

Liquidity planning is based on an analysis of cash flows for the respective currency. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where the liquidity is low. The strategy is that expected outgoing cash flows from the Bank must always be matched with incoming cash flows into the Bank that are at least of the same amount, and that a positive cash flow and cash position must be maintained – even in stressed conditions. This kind of gap analysis is supple-

mented by scenario tests, in which the effect on liquidity is stressed and analysed using various assumptions. These stress tests are performed at Group level and individually for the currencies that are important to the Bank. The internal governance of the Bank's liquidity situation is based on these stressed liquidity figures.

As a measure of short-term disruptions in the funding market, both the Basel Committee and the Swedish Financial Supervisory Authority have proposed the Liquidity Coverage Ratio (LCR). It is not defined in the same way by the Swedish Financial Supervisory Authority and the Basel Committee.

Since 2013, LCR has been a binding requirement for Swedish banks, and Handelsbanken reports it according to the Swedish Financial Supervisory Authority's definition. The requirement applies to LCR at aggregate level and separately for USD and EUR. The figure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The ratio must be more than 100 per cent.

A short-term liquidity ratio may display a degree of volatility over time, for example when funding that was originally long term and that finances mortgage loans is replaced by new long-term funding, or when the composition of counterparty categories varies in the short-term funding. At the year-end, the Group's aggregated LCR, according to the Swedish Financial Supervisory Authority's definition was 128 per cent (136), which shows that the Bank has large resistance to short-term disruptions on the funding markets. This also applies in US dollars and euros.

Daily stress testing of cash flows based on certain assumptions is used to test resistance to more long-term disruptions in the market. For example, it is assumed that the Bank cannot obtain funding in the financial markets at the same time as 10 per cent of deposits from households and companies disappear gradually in the first month. It is further assumed that the

Bank will continue to conduct its core activities, i.e. that fixed-term deposits from and loans to households and companies will be renewed at maturity and that issued commitments and credit facilities will be partly utilised by customers. The Bank also takes into account that balances with central banks and banks will be utilised and that Central Treasury's securities can immediately supply liquidity if provided as collateral in central banks.

Measures to create liquidity are also used to gradually provide the Bank with liquidity. With these conditions, the Bank will be liquid for over two years. Thus, the Bank also has major powers of resistance to very serious long-term disruptions in the funding markets.

A prerequisite for the Bank to be able to maintain such substantial resistance to disruptions in the financial markets as stated above consists of ensuring that the balance sheet is balanced in the way that is schematically described at the start of this chapter. Furthermore, the volume and quality of unutilised collateral must be able to give the Bank the liquidity it needs in times of crisis. Consistently steering the Bank towards positive future net cash flows, instead of point in time ratios, also secures this over time.

The maturity analysis table shows cash flows for the contracted payment commitments that are due for payment at the latest within the stated time intervals, including interest flows. The table shows holdings of bonds and other interest-bearing securities in the time intervals in which they can be converted to liquidity if they are pledged as collateral or sold. This means that the table does not reflect the actual maturities for the securities included. Assets, liabilities and interest flows are also shown that mature in the time intervals corresponding to the contractual maturity dates. Interest flows for lending in the mortgage operations are matched in time with the liabilities that funded the lending. Financial guarantees, committed loan offers and unutilised overdraft facilities are reported in their entirety in the 0–3-month interval. The total outstanding amount of these commitments does not necessarily represent future funding requirements. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid or received, such as currency swaps.

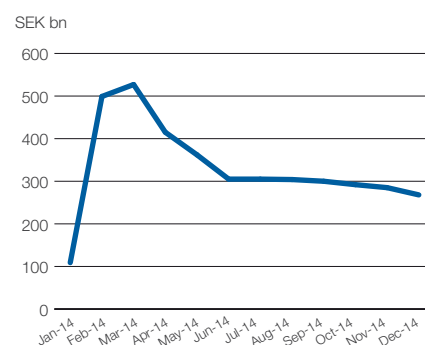
Liquidity Coverage Ratio (LCR), %	2013	2012
EUR	110	301
USD	170	174
<b>Total</b>	<b>128</b>	<b>136</b>

Calculated according to the Swedish Financial Supervisory Authority's directive 2012:6 which came into force on 1 January 2013.

Liquidity Coverage Ratio (LCR) – decomposition, SEK m	2013	2012
<b>Liquid assets</b>	<b>162 346</b>	<b>210 299</b>
Liquid assets level 1	130 591	161 442
Liquid assets level 2	31 755	48 857
<b>Cash outflows</b>	<b>507 882</b>	<b>402 356</b>
Deposits	165 295	149 860
Market funding	265 572	207 681
Other cash outflows	77 016	44 815
<b>Cash inflows</b>	<b>380 912</b>	<b>247 176</b>
Inflows from maturing lending to non-financial customers	22 080	26 122
Other cash inflows	358 832	221 054

The components are defined in line with the Swedish Financial Supervisory Authority's directives and requirements for the liquidity coverage ratio and reporting of liquid assets and cash flows, FFFS 2012:6. Liquid assets level 1 corresponds to Chapter 3, Section 6. Liquid assets level 2 corresponds to Chapter 3, Section 7. Customer Deposits corresponds to Chapter 4, Sections 4–9. Market funding corresponds to Chapter 4, Sections 10–13. Other cash flows corresponds to Chapter 4, Sections 14–25. Loans to non-financial customers corresponds to Chapter 5, Section 4. Other cash inflows corresponds to Chapter 5, Sections 6–12.

**Liquidity stress test including liquidity-creating measures – cumulative liquidity position**



<b>Maturity analysis for financial assets and liabilities, 2013</b> SEK m	<b>Up to 3 mths</b>	<b>3–12 mths</b>	<b>1–5 yrs</b>	<b>Over 5 yrs</b>	<b>Unspecified maturity</b>	<b>Total</b>
Cash and balances with central banks	369 957	-	-	-	-	369 957
Interest-bearing securities eligible as collateral with central banks <sup>1</sup>	58 112	-	-	-	-	58 112
Bonds and other interest-bearing securities <sup>2</sup>	64 863	-	-	-	-	64 863
Loans to credit institutions	57 769	1 075	1 878	2 441	291	63 454
<i>of which reverse repos</i>	33 892	-	-	-	-	33 892
Loans to the public	139 112	198 242	412 719	1 063 934	3 859	1 817 866
<i>of which reverse repos</i>	15 714	-	-	-	-	15 714
Other	55 730	-	-	-	183 309	239 039
<i>of which shares and participating interests</i>	48 595	-	-	-	-	48 595
<i>of which claims on investment banking settlements</i>	7 135	-	-	-	-	7 135
<b>Total</b>	<b>745 543</b>	<b>199 317</b>	<b>414 597</b>	<b>1 066 375</b>	<b>187 459</b>	<b>2 613 291</b>
Due to credit institutions	138 694	4 673	2 024	14 511	17 197	177 099
<i>of which repos</i>	748	-	-	-	-	748
<i>of which central banks</i>	68 544	1 404	-	-	1 634	71 582
Deposits and borrowing from the public	198 909	20 696	5 074	10 145	591 646	826 470
<i>of which repos</i>	7 606	-	-	-	-	7 606
Issued securities <sup>3</sup>	212 815	242 028	673 606	113 676	-	1 242 125
Subordinated liabilities	3 800	1 709	10 123	3 245	-	18 877
Other	29 947	-	-	-	296 749	326 696
<i>of which short positions</i>	23 170	-	-	-	-	23 170
<i>of which investment banking settlement debts</i>	6 777	-	-	-	-	6 777
<b>Total</b>	<b>584 165</b>	<b>269 106</b>	<b>690 827</b>	<b>141 577</b>	<b>905 592</b>	<b>2 591 267</b>
<b>Off-balance sheet items</b>						
Financial guarantees and unutilised commitments	378 136					

<b>Derivatives 2013</b> SEK m	<b>Up to 3 mths</b>	<b>3–12 mths</b>	<b>1–5 yrs</b>	<b>Over 5 yrs</b>	<b>Total</b>
Total derivatives inflow	465 618	284 153	437 695	133 681	1 321 147
Total derivatives outflow	481 367	268 287	424 401	127 844	1 301 899
<b>Net</b>	<b>-15 749</b>	<b>15 866</b>	<b>13 294</b>	<b>5 837</b>	<b>19 248</b>

<sup>1</sup> SEK 26,098m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>2</sup> SEK 11,192m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>3</sup> SEK 424,710m of the amount (excl. interest) has a residual maturity of less than one year.

For deposit volumes the column "Unspecified maturity" refers to deposits payable on demand. Reference numbers for 2012 are not recorded according to the more specific presentation 2013. The table contains interest flows which means that the balance sheet rows are not reconcilable with the Group's balance sheet. Maturity tables without interest flows including maturity tables in foreign currencies can be found in the Fact Book.

<b>Maturity analysis for financial assets and liabilities, 2012</b> SEK m	<b>Up to 3 mths</b>	<b>3–12 mths</b>	<b>1–5 yrs</b>	<b>Over 5 yrs</b>	<b>Unspecified maturity</b>	<b>Total</b>
Cash and balances with central banks	248 917	-	-	-	-	248 917
Bonds and other interest-bearing securities	119 019	-	-	-	-	119 019
Loans to credit institutions	67 130	692	942	3 954	17 473	90 191
<i>of which reverse repos</i>	59 257	-	-	-	-	59 257
Loans to the public	246 870	221 126	349 089	938 782	15 777	1 771 644
<i>of which reverse repos</i>	33 800	-	-	-	-	33 800
<b>Total</b>	<b>681 936</b>	<b>221 818</b>	<b>350 031</b>	<b>942 736</b>	<b>33 250</b>	<b>2 229 771</b>
Due to credit institutions	132 664	6 235	454	17 225	33 683	190 261
<i>of which repos</i>	2 394	-	-	-	-	2 394
Deposits and borrowing from the public	129 799	23 471	5 562	11 124	515 826	685 782
<i>of which repos</i>	12 295	-	-	-	-	12 295
Issued securities	322 185	277 089	553 903	90 840	-	1 244 017
Other trading liabilities	14 261	-	-	-	-	14 261
Subordinated liabilities	607	4 242	13 429	6 091	550	24 919
<b>Total</b>	<b>599 516</b>	<b>311 037</b>	<b>573 348</b>	<b>125 280</b>	<b>550 059</b>	<b>2 159 240</b>
<b>Off-balance sheet items</b>						
Financial guarantees and unutilised commitments	393 087					

<b>Derivatives 2012</b> SEK m	<b>Up to 3 mths</b>	<b>3–12 mths</b>	<b>1–5 yrs</b>	<b>Over 5 yrs</b>	<b>Total</b>
Total derivatives inflow	712 417	327 296	514 236	132 378	1 686 327
Total derivatives outflow	714 534	322 003	503 293	131 641	1 671 471
<b>Net</b>	<b>-2 117</b>	<b>5 293</b>	<b>10 943</b>	<b>737</b>	<b>14 856</b>

## RISKS IN THE INSURANCE OPERATIONS

### The risks in the insurance business mainly comprise market risks and insurance risks.

#### Market risk

Handelsbanken Liv conducts life insurance operations with traditional management, unit-linked insurance and portfolio bond insurance. For unit-linked and portfolio bond insurance, the customer chooses the investment option and bears the market risk. In traditional insurance with guaranteed interest, Handelsbanken Liv bears the risk of the financial guarantees entailed by the insurance terms not being fulfilled.

The financial guarantee means that the company makes a capital contribution at the value of the insurance contract at specific points in time when the value is less than the guaranteed value of the insurance. Any capital contributions are realised at the year-end or when there is an insurance event.

Handelsbanken Liv's board establishes the annual investment guidelines for the company, and this is the ultimate controlling document for allocation of the company's investment assets relating to traditionally managed insurance. The purpose of the investment guidelines is to provide instructions on how the assets are to be invested given the undertakings to the policyholders and the statutory requirements of the Swedish Insurance Business Act and the applicable regulations of the Swedish Financial Supervisory Authority.

Handelsbanken Liv has a low risk tolerance. The goal of the asset management is to secure the company's obligations to the policyholders.

Market risk at Handelsbanken Liv arises in the management of investment assets for the traditional insurance and from the fact that valuation of the company's obligations is sensitive to interest rate changes.

The total market risk at Handelsbanken Liv is calculated using Value at Risk (VaR) with a 99.5 per cent confidence level and a holding period of one quarter. In addition, the company's solvency ratio, the so-called traffic-light model and cover of liabilities are checked according to statutory requirements. The market risk management model used by Handelsbanken Liv weights the risk of a capital contribution at insurance contract level together with the risk of a capital contribution at company level due to the increased present value of future guaranteed amounts. Market risk is measured in terms of the overall sensitivity of the capital contributions to market disruptions. The risk exposure is checked daily against a limit stipulated by the Board of Handelsbanken. The larger of the value of contributions to policyholders or contributions due to solvency constitutes the risk utilisation. Sub-categories of financial risk are interest rate

risk, equity risk, credit risk, property risk and currency risk. The main risk at Handelsbanken Liv is interest rate risk. At year-end, VaR was SEK 893 million (995).

Liquidity risk in the insurance operations is the risk that the company will not be able to meet its payment obligations when they fall due, or that the company will not be able to sell securities at acceptable prices. This risk is limited by most of the investment assets being invested in listed securities with good liquidity.

#### Insurance risk

Insurance companies set their premiums based on assumptions regarding the size of costs for future insurance events. Insurance risk is the risk that the actual and assumed insurance costs differ. The ultimate controlling document is the insurance risk policy issued by the board of Handelsbanken Liv, specifying the amounts within which insurance policies may be issued.

Insurance risk at Handelsbanken Liv is related to the following events:

- mortality – payment to the policyholder in the event of the death of the insured person
- longevity – payment that is dependent on the insured person living, e.g. pension disbursements
- morbidity – payment in the event of illness or work incapacity
- accident – payment in the event of accident.

An insurance policy may contain combinations of these four events.

Most of Handelsbanken Liv's policies are taken out by small companies and private individuals. There is no risk concentration in terms of insurance risk, other than that most of the policies are taken out in Sweden.

Increased longevity in Sweden has an impact on the life insurance company's future commitments. The effect is positive for mortality insurance, but for life insurance it could become an economic burden for the company since average life expectancy is rising and pension disbursements must then be made over a longer period. Since 2009, Handelsbanken Liv has used life expectancy assumptions according to DUS06, which is the industry standard. If mortality continued to decline and in general were to be 10 per cent lower than the company's assumptions, the present value of the expected increased cost would be SEK 56 million, for the older section of the group who have lifelong payouts. Most of Handelsbanken Liv's insurance policies with mortality risk are, however, priced annually. This means that the company can unilaterally change the premium from year to year. Thus, an incorrect mortality assumption can be changed with rapid effect.

Changes in morbidity occur much more rapidly than changes in mortality, which may contribute to variations in the risk result. The result therefore depends both on how many insured persons fall ill and how many recover in relation to the assumptions applied. Sickness/disability

insurance products are generally designed in such a way that the premium can be changed annually, thus allowing the company to compensate for changes in morbidity. The sickness/disability result for 2013 is SEK 67 million, where SEK 70 million is attributable to sickness cases reported during the year, SEK -19 million to existing sickness cases which are being closed and the remaining SEK 16 million to sickness cases which have occurred but not yet been reported.

The insurance operations report their market, insurance and operational risks to the insurance company's board and chief executive, to Handelsbanken's central risk control and to the Bank's CFO and CEO. The risk situation is also reported regularly to the Board of the Bank.

#### Solvency II

During the past few years, Handelsbanken Liv has worked actively on adapting its operations to future new regulatory demands and this will continue during 2014. The full introduction of the Solvency II regulations is expected in 2016 when the directive will also be implemented in Swedish law. As of January 2014 parts of the regulations are being introduced into the supervisory authorities' practical supervision work. For example, new stipulations on calculating discounting curves for solvency, a traffic-light model and cover of liabilities will come into force.

One overall purpose of the regulations is to strengthen protection for insurance policyholders by linking the solvency requirement and thereby the capital requirement more clearly to how the insurance companies identify, measure and manage all risks.

#### OPERATIONAL RISK

Operational risk refers to the risk of loss due to inadequate or failed internal processes, people and systems, or external events. The definition includes legal risk.

Handelsbanken has a low tolerance of operational risks and works actively to identify and manage operational risks. This work is supported by the Bank's strict attitude to risk, but also by the strong focus on cost-effectiveness, since deficiencies in administrative order can easily lead to unnecessary costs.

Operational errors and deficiencies are therefore reduced as far as possible. This applies to minor but frequent events and major events which could cause major unexpected losses. The Bank's management performs frequent, active follow-ups of operational risk through the organisation for risk control. Operational risks which may lead to the most serious consequences are the subject of special attention.

Internal Audit's examination of the operations also focuses on operational risk.

Operational risk exists in all operations within Handelsbanken, and the responsibility for the day-to-day identification, management and control of risk is a clear, integrated part of managerial responsibility at all levels of the operations. The Bank's decentralised method of work promotes cost-consciousness that results in vigilance against potential loss risk in daily procedures and events. By focusing on good administrative order and possible proactive measures, all parts of the operations keep their risks at an acceptable level.

Operational risks are included in internal instructions issued by managers with function responsibility, where account is taken of whether the division of work and responsibilities, the control structure of procedures, and information and reporting systems are fit for purpose. Rules and procedures are assessed annually and the internal control of procedures and business flows is documented. The manager of each unit also conducts annual security reviews with their staff, including internal control, information security, bank confidentiality and other security measures.

Apart from the responsibility for operational risk borne by the managers, there are officers with special responsibility for information security and Group security who report directly to the CEO.

The responsibility for the management of operational risks is distributed between the business operations, local co-ordinators for operational risk, local risk control and central risk control.

The business operations are responsible for the regular identification and management of risks and for implementing proactive measures.

Local co-ordinators for operational risk are in place at regional banks, main departments, subsidiaries and units outside the Bank's home markets. These co-ordinators are responsible for ensuring that existing methods and procedures for managing operational risks are used in the business operations. They are also responsible for monitoring that the business operations take and implement appropriate proactive measures.

There are also local risk control functions to check that management of operational risk is correctly performed at regional banks, main departments, subsidiaries and units outside the Bank's home markets. This is achieved by means of regular quality assurance and evaluation.

Central risk control has the overall responsibility for the methods and procedures used to identify, steer, control and report operational risks, and for follow-up at overall Group level. To achieve and maintain good quality in this management, central risk control has close,

regular co-operation with the local co-ordinators for operational risk and the local risk control functions. Central risk control is also responsible for analysing and reporting the Group's operational risks to the management and Board.

As an aid to continual identification, handling and management of operational risks, the Bank has a reporting and case management system for incidents and a self-assessment procedure.

All employees throughout the Group must collect facts about incidents which have affected their unit and which result in a loss in excess of SEK 25,000. To further promote the unit's proactive work with risks, all employees are encouraged to collect facts about incidents which lead to smaller losses or no loss at all.

Incidents reported are reviewed and categorised on a regular basis by the local co-ordinator for operational risk. The Bank categorises operational risk according to Basel's seven event types: execution, delivery and process management; business disruption and system failure; clients, products and business practices; external crime; damage to physical assets; employment practices and workplace safety; internal fraud. The work also includes following up proactive measures in collaboration with the units and branches affected. Local compliance also has access to and can monitor incidents reported in their part of the business operations. Local risk control performs an annual evaluation of the procedure. Central risk control then performs an aggregated evaluation at Group level.

OPRA Risk Analysis is a self-assessment procedure to document and assess operational risks which may have an impact on the Bank. These are carried out at least once a year at all units. The respective head of all regional banks, main units, subsidiaries and international units outside the Bank's home markets is responsible for this being performed. The local co-ordinator for operational risk provides support for the planning and implementation. Units with more complex operations divide the self-assessment procedure into several sessions. Normally, between five and eight experienced employees who have a good overview of the unit's operations and risks participate in the sessions. The aim is to assess the consequence and likelihood of an event. The assessment of the impact includes both financial losses and lost reputation. Important input includes facts and statistics from incidents reported during the previous year together with incidents that have affected other parts of the Group or other banks and companies. The self-assessment procedure results in an action plan stating the risks to be reduced, how this will be done, who is responsible and time limits for when measures are to be taken. The action plan is a working document that is

regularly followed up during the year by the business operations with the support of the local co-ordinator for operational risk. The local risk control is informed about the completed OPRA analysis, including the action plan so that it can evaluate the procedure. Central risk control provides regular support to the co-ordinators for operational risk in planning, implementation and follow-up and also performs an annual aggregate assessment of the evaluations from all local risk control units.

The Bank pays great care when processing new products and services and major changes to existing products and services. Each business area, subsidiary and regional bank with product responsibility processes new products in accordance with central guidelines, which are minimum requirements. This includes an established process for deciding how products are to be introduced. A risk analysis led by the local risk control is always performed before a product is launched. The analysis takes account of the risks for the Bank and for the customer, including operational risks. Central risk control is informed of the results of the analysis and is involved in complex cases when this is justified.

There are emergency and continuity plans in place in all parts of the Group for dealing with serious disruptions. The emergency plans help the crisis team to quickly and systematically start to deal with a crisis situation and its effects. There is a central crisis team for the whole Group, and a local crisis team within each regional bank, subsidiary and international unit outside the Bank's home markets and also at the Central IT Department and Handelsbanken Capital Markets.

The central crisis team has permanent staff consisting of members of management and/or those close to them. The central crisis team functions as a liaison crisis team in the event of a major crisis in the Group, supports any local crisis team(s) working with an acute crisis and functions as a crisis team for the main central departments. Continuity planning focuses on taking preventive measures to minimise the consequences of a serious disruption of business operations. Local risk control performs an annual evaluation of the procedure. Central risk control then performs an aggregated evaluation at Group level.

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

The total capital requirement for operational risks for the whole of the Handelsbanken Group was SEK 4,246 million (4,181) at the end of 2013.

#### Operational risk management at Handelsbanken



## RISKS IN THE COMPENSATION SYSTEM

Compensation risk is the risk of loss or other damage arising due to the compensation system.

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

Compensation for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and a pension provision. At Handelsbanken, salaries are set at the local level. Salaries are set in salary reviews between the employee and their line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in salary processes, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs. Salaries are based on salary-setting factors defined 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 in the market, and the task of ambassador for the Bank's corporate culture.

Handelsbanken has low tolerance of compensation risks and actively strives to keep them at a low level. This is achieved in part by only using variable compensation to a very limited extent and only in the areas where this is market practice and is necessary in order to achieve the goals for the unit's operations. Where variable compensation exists, it is subject to deferred payment.

The Bank's principles for compensation to employees are long established. The principles for the Bank's compensation system are stipulated in the compensation policy which is decided by the Board. More detailed implementation directives are decided by the CEO. The responsibility for identifying and managing compensation risks rests with every responsible manager in the operations and is managed according to internal policy documents, guidelines and instructions. Local risk control regularly monitors that the compensation system is applied as intended. The Bank's central risk control is responsible for analysing the risks associated with the compensation policy and the compensation system before the compensa-

tion policy is processed and established by the Board. This is done at least once a year. The report analyses elements such as the incentive structure, the balance between fixed and variable compensation, deferral rules, and effects on the capital base. In addition, central risk control evaluates the application of the compensation. Based on this risk analysis and evaluation, an assessment is made as to whether the compensation system is designed in a way that could threaten the Bank's financial position. The responsibility also includes ensuring that risk costs are calculated correctly in the context of compensation.

Handelsbanken's remuneration policy and compensation system are deemed to generate low risks and promote sound and effective risk management, counteract excessive risk-taking, fit in with the Bank's low tolerance of risks and support the Bank's long-term interests. The compensation system is designed in such a way that there is no risk that the Bank's capital base is undermined as a result of mandatory payment of variable compensation. It is possible to reduce or remove variable compensation, wholly or partly – this applies both to allocations for variable compensation and to deferred variable compensation which has not yet been paid.

For more detailed information and statistics about the Bank's compensation system, see the Corporate Governance Report and note G8.

## ECONOMIC CAPITAL

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

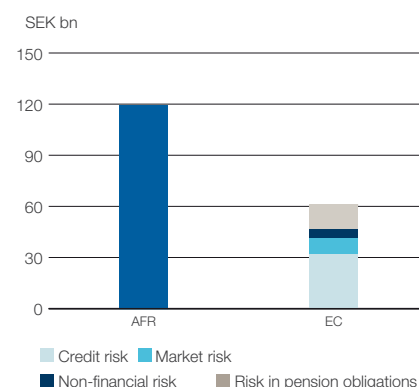
The central risk control function is responsible for comprehensive monitoring of the Group's various risks. The Bank's model for economic capital (EC) is an instrument in this monitoring. It is a vital component in planning to ensure that the Group has sufficient capital at all times in relation to all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

Economic capital is calculated with a time horizon of one year and a confidence level that reflects an acceptable level of risk and desired rating. The Board has determined that the calculation of the EC must be made with a 99.97 per cent confidence level, which captures an event which is extremely unfavourable for the Bank. EC is the difference between the outcome in an average year – with positive results and good growth in the value of the Bank's assets – and the outcome at a 99.97 per cent confidence level.

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

The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR is Handelsbanken's equity

Total of AFR and EC including diversification, 31 December 2013



with the addition of other financial values on and off the balance sheet, available to cover losses with a one-year time horizon.

In risk and capital management, the Group applies a shareholder perspective. The economic capital model provides an overall view of the Group which makes it possible to optimise the risk and capital situation from the shareholder's perspective. The outcome of the calculations plays an important role when new transactions or structural changes are considered.

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

Market risks comprise the risk of assets classed as trading book, interest rate risk in the banking operations, market risks in the insurance operations and the risk of value losses in the Bank's own share portfolio.

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

The non-financial risks are operational risk, business risk, property risk and insurance risk. Business risk is related to unexpected variations in earnings in the business area in question. This may arise if, for example, demand or competition changes unexpectedly, thus resulting in lower volumes and narrower margins. Property risk captures the risk of a fall in the value of the properties which the Bank owns.

At year-end, EC was SEK 61 billion (57), of which credit risks accounted for the main part of the total risks. The Board stipulates that the AFR/EC ratio should be at least 120 per cent. The ratio was 197 per cent (213) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

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

## CAPITAL PLANNING

### Handelsbanken's capital planning aims to ensure that the Group has adequate financial resources available at all times and that the capital is of optimal composition.

The capital planning unit is responsible for assessment of the Bank's total capital requirement. The capital requirement is a function of the Group's risks, expected development, the regulations and target ratios, Handelsbanken's model for economic capital and also of stress tests. The Bank's capital requirement is reported weekly to the CFO, regularly to the CEO, and at least quarterly to the Board.

The targets for the Bank's capital are determined regularly by the Board on the basis of stress tests of regulatory capital and EC. The Board stipulates that the tier 1 ratio in Basel II, which is the relevant measurement for management of the Bank according to the 2013 rules, must be between 9 and 11 per cent.

In view of the anticipated new rules with increased capital requirements, the Bank has opted to increase its capitalisation above the target interval. An adjusted target for capital can be established when the Swedish application of the new regulations has been decided.

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

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

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

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

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

The part of capital planning that comprises mid- to long-term forecasts aims to ensure compliance with statutory capital adequacy requirements and that the Group's AFR at all times covers by a good margin all risks calculated according to the economic capital model.

The objective is to forecast the expected performance and judge whether the Bank's resistance is satisfactory in various scenarios. The planning horizon is at least five years and takes account of the Group's overall business performance trend.

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

The result of the internal capital adequacy assessment is reported quarterly to the Board.

At the end of 2013, the tier 1 ratio according to Basel II was 21.5 per cent, since the Bank, pending a decision concerning capital regulations, has decided to increase its capitalisation to a level exceeding the Bank's target interval in Basel II of 9–11 per cent. The ratio between AFR and EC was 197 per cent at the same date.

The Bank's strong position is further emphasised by the result of the various forward-looking stress scenarios which are carried out, showing that Handelsbanken's long-term capital situation is very stable from both a financial and regulatory perspective.

## G3 Net interest income

SEK m	2013	2012
<b>Interest income</b>		
Loans to credit institutions and central banks	1 575	2 295
Loans to the public	52 614	59 084
Interest-bearing securities eligible as collateral with central banks	2 106	1 534
Bonds and other interest-bearing securities	1 898	1 967
Derivative instruments	-2 556	-1 198
Other interest income	1 459	1 498
<b>Total interest income</b>	<b>57 096</b>	<b>65 180</b>
Of which interest income reported in net gains/losses on financial items at fair value	2 633	2 366
<b>Interest income according to income statement</b>	<b>54 463</b>	<b>62 814</b>
<b>Interest expense</b>		
Due to credit institutions and central banks	-1 287	-2 066
Deposits and borrowing from the public	-4 608	-7 151
Issued securities	-23 137	-25 527
Derivative instruments	3 591	-319
Subordinated liabilities	-1 214	-1 359
Other interest expense	-3 294	-2 633
<b>Total interest expense</b>	<b>-29 949</b>	<b>-39 055</b>
Of which interest expense reported in net gains/losses on financial items at fair value	-2 155	-2 322
<b>Interest expense according to income statement</b>	<b>-27 794</b>	<b>-36 733</b>
<b>Net interest income</b>	<b>26 669</b>	<b>26 081</b>

Includes interest income on impaired loans SEK 107m (118). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 55,788m (62,655). Total interest expense on liabilities recognised at amortised cost was SEK 31,385m (36,414).

## G4 Net fee and commission income

SEK m	2013	2012
Brokerage and other securities commissions	1 189	1 137
Mutual funds	2 008	1 680
Custody and other asset management fees	427	348
Advisory services	278	195
Insurance	571	583
Payments	2 813	2 676
Loans and deposits	1 124	1 195
Guarantees	438	466
Other	446	470
<b>Total fee and commission income</b>	<b>9 294</b>	<b>8 750</b>
Securities	-228	-216
Payments	-1 175	-1 070
Other	-87	-95
<b>Total fee and commission expense</b>	<b>-1 490</b>	<b>-1 381</b>
<b>Net fee and commission income</b>	<b>7 804</b>	<b>7 369</b>



## G5 Net gains/losses on financial transactions

SEK m	2013	2012
Trading, derivatives, FX effect etc	2 026	80
Other financial instruments denominated at fair value in profit/loss	-785	732
<i>of which interest-bearing securities</i>	-707	730
<i>of which loans</i>	-78	2
Financial instruments at amortised cost	149	103
<i>of which loans</i>	439	329
<i>of which liabilities</i>	-290	-226
Financial instruments available for sale	24	18
Hedge accounting		
Fair value hedges	-26	210
<i>of which hedging instruments</i>	-1 575	925
<i>of which hedged items</i>	1 549	-715
Cash flow hedge ineffectiveness	28	-5
Hedge ineffectiveness on net investment in foreign operations	-	-
Gains/losses on unbundled insurance contracts	-59	-18
<b>Total</b>	<b>1 357</b>	<b>1 120</b>

### Trading, derivatives, FX effect etc

This item mainly contains unrealised and realised changes in market value and interest referring to financial assets and liabilities held for trading.

### Other financial instruments denominated at fair value in profit/loss

The item contains unrealised and realised value changes on instruments which upon initial recognition were classified at fair value in the income statement.\* Unrealised value changes on these instruments comprise interest rate and currency effects and the effects of changed credit risk. The accumulated value change due to changes in credit risk from lending which upon initial recognition were classified at fair value in the income statement is SEK -14 million (-1).

### Financial instruments at amortised cost

The item contains capital gains/losses that arise when loans are redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own issued securities.

### Financial instruments available for sale

The item contains realised gains/losses on financial assets classified as available for sale. Interest income from these assets is recognised under net interest income and dividends on the line Other dividend income. Unrealised value changes on available-for-sale financial assets are recognised in other comprehensive income and amounted to SEK 586 million (1,049) before tax during the financial year. Realised value changes in available-for-sale financial instruments previously recognised in other comprehensive income and which were reclassified to the income statement during the financial year amounted to SEK -51 million (-65) before tax. This amount has been partly recognised in net interest income.

### Hedge accounting

"Fair value hedges" includes the net profit/loss of unrealised and realised fair value changes on hedging instruments and the hedged risk component in financial assets and liabilities which are part of hedging packages. Interest income

and interest expense deriving from hedging instruments are recognised in net interest income. Value changes of hedging instruments in cash flow hedges which exceed the value changes of hedged future cash flows are reported under "Cash flow hedge ineffectiveness". The impact on earnings of ineffective portions of net investment hedges in foreign operations is recognised in "Hedge ineffectiveness on net investments in foreign operations."

### Gains/losses on unbundled insurance contracts

"Gains/losses on unbundled insurance contracts" corresponds to the result generated when calculating the guaranteed yield on the financial component in unbundled insurance contracts.

\* Value changes deriving from financial instruments which are plan assets in the Group's insurance operations are not included in this item. The principles for reporting results deriving from insurance operations are reported in note G1.

## G6 Risk result - insurance

SEK m	2013	2012
Premiums written	586	493
Insurance claims paid	-433	-382
Change in provisions for unsettled claims	25	31
Other	-36	54
<b>Total</b>	<b>142</b>	<b>196</b>

## G7 Other income

SEK m	2013	2012
Rental income	32	37
Other operating income	153	99
<b>Total</b>	<b>185</b>	<b>136</b>

## G8 Staff costs

SEK m	2013	2012
Salaries and fees	-7 107	-6 926
Social security costs	-1 780	-1 682
Pension costs <sup>1</sup>	-974	-1 117
Provision to profit-sharing foundation	-1 096	-1 020
Other staff costs	-447	-422
<b>Total</b>	<b>-11 404</b>	<b>-11 167</b>

<sup>1</sup> The components in the reported pension costs are shown in the Pension costs table.

Average number of employees	2013			2012		
	Men	Women		Men	Women	
Sweden	7 537	3 465	4 072	7 526	3 475	4 051
Norway	755	412	343	765	405	360
Finland	615	256	359	610	252	358
Denmark	699	348	351	697	353	344
UK	1 351	813	538	1 031	641	390
Luxembourg	73	42	31	83	54	29
Germany	64	36	28	68	40	28
USA	76	48	28	77	51	26
Netherlands	113	74	39	85	59	26
Singapore	37	9	28	36	8	28
Hong Kong	68	26	42	32	19	13
Poland	45	18	27	48	19	29
Russia	5	2	3	22	6	16
Other countries	65	25	40	112	37	75
<b>Total</b>	<b>11 503</b>	<b>5 574</b>	<b>5 929</b>	<b>11 192</b>	<b>5 419</b>	<b>5 773</b>

### EMPLOYEE BENEFITS

Handelsbanken's compensation principles are long established. In general, the Bank has a low tolerance of risk and considers that fixed compensation contributes to healthy operations. This is, therefore, the main principle. The Bank takes a long-term view of its staff's employment. Salary growth and other forms of compensation vary over an employee's period of service with the Bank, and good performance must always be rewarded. The total compensation will help to develop the Bank's competitiveness and profitability, so it can attract, retain and develop skilled staff, and ensure high-quality competence development and management succession.

Compensation is paid as a fixed salary, customary salary benefits and a pension provision. Salaries are set locally pursuant to the Bank's decentralised work model and 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), and supply and demand on the market, as well as performance as an ambassador for the Bank's business culture.

Variable compensation only occurs to a limited extent in operations where such compensation is assessed as being a market condition. The Bank's Board decides on the final amount for variable compensation. A decision on where variable compensation is permitted is made by the CEO, under conditions stated by the Board.

#### Policy for compensation and suitability assessment

The principles for the Bank's compensation system are established in Handelsbanken's Policy

for compensation and suitability assessment, which is established by the Board after preparation by the Board's remuneration committee. The remuneration committee prepares 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 (EVPs), the Board decides in accordance with the regulations of the Swedish Financial Supervisory Authority on compensation to the CEO, the EVPs and officers with the main responsibility for the control functions: Compliance, Internal Audit and Risk Control.

Handelsbanken's Policy for compensation and suitability assessment is reviewed annually, or when necessary. The policy is imbued with the Bank's low risk tolerance. An evaluation of the compensation system and the application of the policy is carried out annually by the control functions at compliance and risk control and by Central Personnel.

#### Variable compensation

At Handelsbanken, variable compensation occurs to a limited extent and only in the Handelsbanken Capital Markets business area and the British subsidiary Heartwood. Variable compensation is not paid to the Bank's 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 credits or product terms and conditions, can affect the Bank's risk profile, can have only fixed compensation. Since the profit figure on which variable

Staff costs, business segments SEK m	2013	2012
Branch operations in Sweden	-3 300	-3 157
Branch operations in the UK	-1 059	-793
Branch operations in Denmark	-546	-537
Branch operations in Finland	-331	-326
Branch operations in Norway	-662	-700
Branch operations in the Netherlands	-96	-77
Handelsbanken International	-510	-526
Capital Markets	-2 033	-2 255
Others	-2 858	-2 745
Adjustments and eliminations	-9	-51
<b>Total</b>	<b>-11 404</b>	<b>-11 167</b>

Salaries and fees SEK m	2013	2012
Senior management <sup>2</sup>	-134	-140
Others	-6 973	-6 786
<b>Total</b>	<b>-7 107</b>	<b>-6 926</b>

Gender distribution	2013		2012	
	Men	Women	Men	Women
%				
Senior management excl. boards <sup>3</sup>	70	30	74	26
Board	73	27	75	25
Boards <sup>4</sup>	69	31	77	23

<sup>2</sup> Board members, chief executives and EVPs in the parent company and in subsidiaries.

<sup>3</sup> Chief executives and EVPs in the parent company and in subsidiaries.

<sup>4</sup> Including boards of subsidiaries.

compensation is based is offset by the actual costs of capital and the liquidity required by the operations, this ensures that compensation levels are in line with the Bank's overall goals.

Variable compensation is based on Handelsbanken's model for setting salaries and the salary-setting factors stated there. In addition to these factors, operation-specific factors must be considered, with particularly sound risk-taking, observance of good order and compliance. Variable compensation is only paid in cash.

All employees eligible for variable compensation are in the 'identified staff' category, and are subject to rules regarding deferment of compensation. Where variable compensation amounts to or exceeds SEK 100,000, Handelsbanken defers 40 to 60 per cent of the amount. For variable compensation where the employee's fixed and variable compensation exceeds the fixed compensation of any member of the Group management team, 60 per cent is deferred for four years. The main rule in the Bank's policy is that variable compensation at the individual level must not exceed 150 per cent of the fixed compensation. Established rules for deferral of variable compensation apply to all employees and managers. Disbursement and right of ownership of the deferred compensation pass to the employee at the end of the deferment period. Deferred variable compensation is removed or reduced if losses, increased risks or increased expenses arise during the deferment period. Deferred variable compensation is also removed or reduced if payment of the compensation is indefensible based on the Bank's financial situation. For more details on the Bank's principles on variable compensation, see page 58 of the Corporate Governance Report.

Total compensation	2013			2012		
	Executive management <sup>1</sup>	Identified staff	Others	Executive management <sup>1</sup>	Identified staff	Others
SEK m						
Earned fixed compensation, SEK m <sup>2</sup>	95	4 648	2 412	90	4 546	2 234
Provision for pensions, SEK m	33	666	346	31	653	321
Earned variable compensation, SEK m		107		-	101	-
<b>Total</b>	<b>128</b>	<b>5 421</b>	<b>2 758</b>	<b>121</b>	<b>5 300</b>	<b>2 555</b>
No. of persons with fixed compensation only	19	7 075	5 074	18	6 868	4 771
No. of persons with both fixed and variable compensation	-	286	-	-	305	-
<b>Total number of persons</b>	<b>19</b>	<b>7 361</b>	<b>5 074</b>	<b>18</b>	<b>7 173</b>	<b>4 771</b>
Allocated variable compensation, SEK m	-	91	-	-	100	-
<i>of which deferred</i>	-	45	-	-	48	-
<i>of which disbursed</i>	-	46	-	-	52	-
No. of persons to whom variable compensation has been allocated	-	202	-	-	221	-
Deferred variable compensation at beginning of year	-	57	-	-	9	-
Allocated and deferred variable compensation during the year	-	45	-	-	48	-
Disbursed during the year	-	-	-	-	-	-
Adjusted during the year	-	-	-	-	-	-
<b>Deferred variable compensation at end of year</b>	<b>-</b>	<b>102</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>-</b>
Guaranteed variable compensation recognised as an expense in connection with new employment, SEK m	-	2	-	-	23	-
Contracted guaranteed variable compensation recognised as an expense in connection with new employment, SEK m	-	-	-	-	-	-

Earned compensation has been recognised as an expense in its entirety. Earned variable compensation is allocated at individual level during the financial year after it has been earned. Allocated variable compensation for the year was earned in its entirety during 2012. Allocated variable compensation is disbursed or deferred in accordance with the Bank's policy for variable compensation. The right of disposal of the deferred compensation transfers to the employee at the time of disbursement. All variable compensation is paid in cash. The amounts are excluding social security costs. During the year, termination benefits for 81 persons (122) have been recognised as an expense for SEK 51 m (74), and have been contracted for SEK 46 m (10) for 77 persons (21). The largest individual contracted termination benefit is SEK 4.5 m (1.5). During the year, guaranteed variable compensation has been allocated to 3 persons (18).

<sup>1</sup> The Swedish Financial Supervisory Authority uses the concept of executive management in its regulations FFFS 2011:1. At Handelsbanken this corresponds to the CEO and the EVPs in the parent company.

<sup>2</sup> Including other salary benefits.

## TERMS AND COMPENSATION FOR SENIOR MANAGEMENT

The AGM decides on guidelines for compensation to the CEO and the EVPs. The Board of Handelsbanken decides on compensation to the CEO and EVPs.

For more information about the principles and decision process concerning compensation, see the Corporate Governance Report on page 58 of the Administration Report.

### General

Compensation to the CEO and EVPs of the parent company is paid in the form of fixed salary, customary benefits such as a company car or similar, and a pension provision. Following a special decision by the Board, Handelsbanken can provide housing as part of the compensation. No variable compensation is paid to individuals holding these positions. Nor are there any agreements on termination benefits. The AGM's guidelines for compensation to senior managers state 65 years as the retirement age for new senior managers\*. The CEO and EVPs receive allocations in Handelsbanken's profit-sharing scheme, Oktogonen. Allocation is made according to the same principles as for all other employees of the Bank in the countries where Oktogonen has been implemented. In 2013 (relating to 2012), the allocation in Sweden corresponded to SEK 74,892. In 2012, the equivalent amount was SEK 67,552.

In Sweden, the CEO and EVPs at Handelsbanken are entitled to sacrifice salary for pension according to the same principles as for other employees.

All information concerning pensions during the year has been reported in accordance with IAS 19.

### Board compensation

Board members in the Handelsbanken Group who are not employees of the Bank have received fees only in accordance with a resolution of the AGM. Board members who are employees of the Bank or its subsidiaries receive compensation and pension benefits by reason of their employment. No further compensation or pension benefits are paid for serving on a board. The fees for the Board of the parent company are presented on pages 60–61. Fees for the ten (ten) board members of subsidiaries who are not employees of the Bank or its subsidiaries are SEK 0.8 million (0.6).

### Terms and compensation for the CEO

In 2013, the parent company's CEO, Pär Boman, received a fixed salary of SEK 11.3 million (10.9). Other salary benefits were SEK 0.2 million (0.4). External fees for serving on the boards have been invoiced and delivered to the Bank.

The CEO's retirement age is 65. Defined benefit pension is earned successively until he reaches the age of 60, when it is equivalent to 60 per cent of the fixed salary, including expected payments from statutory insurance. The defined benefit pension earned is recalculated in accordance with technical principles for insurance to be disbursed at the time of retirement. Between the ages of 60 and 65, a pension premium is instead received, amounting to 35 per cent of the fixed salary.

The defined benefit pension earned is vested, and if service ceases before the age of 60, the CEO receives a paid-up policy for the defined benefit pension rights earned.

### Terms for EVPs in the parent company

The lowest pension age for EVPs is 60\*. They receive a defined benefit retirement pension of a maximum of 65 per cent of their fixed salary at the time of retirement and also receive a pension premium of a maximum of two per cent of their fixed salary.

For three EVPs, a defined contribution retirement pension of a maximum of 35 per cent of the fixed salary applies instead.

Defined benefit retirement pensions for EVPs are earned successively during the years until retirement age, and are fully earned by the time retirement age is reached. The pension earned is vested, and if service ceases before retirement age, the employee receives a paid-up policy for the pension rights earned. The pension rights earned are secured in the Bank's pension foundation or in the Bank's pension fund.

For one EVP, a defined benefit retirement pension is earned until the age of 60, after which a defined contribution pension of a maximum of 35 per cent of the salary applies between the ages of 60 and 65.

\* In new pension terms for EVPs in the parent company entered into after 1 January 2012, the retirement age is 65. See also the Corporate Governance Report on page 53 of the Administration Report.

## G8 Cont

**Compensation to EVPs in the parent company**

Lars Kahlund, EVP, received compensation and other benefits amounting to SEK 5.3 million (5.2), with SEK 0.2 million (0.2) of this amount being other benefits.

The other 17 (16) EVPs received compensation totalling SEK 78.2 million (73.9), including other benefits amounting to SEK 5.4 million (5.4). Fees from external board assignments that are deemed to be in the interest of the Bank have been delivered to the Bank.

**Compensation to chief executives and EVPs at subsidiaries**

Compensation and other benefits to the 17 (19) chief executives and EVPs at subsidiaries have been paid in the amount of SEK 35.7 million (37.6), with SEK 1.9 million (2.0) of this sum being other benefits.

Compensation is not paid to chief executives and EVPs at subsidiaries who have other main work tasks at Handelsbanken.

**Cost of accrued pension rights during the year for chief executives and EVPs**

The cost of earned pension rights in 2013 for Pär Boman, CEO, was SEK 5.8 million (6.0), which corresponds to 51.4 per cent of the pensionable compensation (55.0) and for Lars Kahlund, EVP, it was SEK 2.4 million (2.3), which corresponds to 46.8 per cent of the pensionable

compensation (46.4). The cost of earned pension rights in 2013 for the other 17 (16) EVPs within the parent company totalled SEK 24.4 million (22.6), which corresponds to 42.6 per cent of the pensionable compensation (44.0).

Earned pension rights during 2013 for chief executives and EVPs within subsidiaries totalled SEK 5.7 million (5.2), which corresponds to 24.8 per cent of the pensionable compensation (25.2).

Pension rights are not earned for chief executives and EVPs at subsidiaries who have other main work tasks at Handelsbanken.

'Earned pension rights' refers to defined benefit pensions earned, as well as premiums for defined contribution pensions.

**Pension obligations\*\* for all current and previous board members, CEOs and EVPs**

As at 31 December 2013, the pension obligations for the CEO, Pär Boman, were SEK 143.3 million (134.5). As at 31 December 2013, the pension obligations for Lars Kahlund, EVP were SEK 72.1 million (70.1). In 2013, the pension obligations for the other 17 EVPs (16) within the parent company were SEK 790.5 million (685.2).

As at 31 December 2013, the pension obligations in the Handelsbanken Group for all current and previous board members, CEOs and EVPs totalled SEK 2,308 million (2,329). For the same set of positions in the parent company, pension obligations totalled SEK 2,124 million (2,110) as

at 31 December 2013. The number of people covered by these obligations in the Group is 75 (76), of whom 44 (44) are pensioners. The corresponding number for the parent company is 57 (57), of whom 38 (39) are pensioners.

**Credits to and deposits from Board members, chief executives and EVPs**

Credits to board members, the CEO Pär Boman and EVPs in the parent company total SEK 105 million (124) in the parent company and SEK 50 million (45) in the subsidiaries. Deposits in the parent company from these persons total SEK 629 million (672). The Bank's interest income from these persons for credits in the parent company totals SEK 3.8 million (4.5) and in the subsidiaries SEK 1.9 million (1.5). Interest paid to these persons for deposits in the parent company totals SEK 13.3 million (9.5).

Credits to board members, chief executives and EVPs in the subsidiaries total SEK 192 million (189) in the Handelsbanken Group.

Credit and deposit terms for the aforementioned individuals are in accordance with the same principles as for all other employees of the Handelsbanken Group. All credits are subject to the customary credit assessment.

\*\* Pension obligations are amounts which the Bank according to IAS 19 reserves for payment of future defined benefit pensions. The size of the amounts depend on financial and demographic assumptions which may change from year to year.

Net pension assets SEK m	2013	2012	2011
Defined benefit obligation	21 556	20 712	19 696
Fair value of plan assets	23 289	21 478	18 295
<b>Net pension assets</b>	<b>1 733</b>	<b>766</b>	<b>-1 401</b>

In addition to the defined pension obligations and plan assets in the above table, provisions have been made in the years 1989–2004 to Svenska Handelsbankens Pensionsstiftelse to a special supplementary pension (SKP). This includes plan assets whose market value amounts to SEK 11,042m (9,508). SKP entails a commitment to the Bank amounting to the same amount as the plan assets. Part of this commitment, SEK 8,655m (7,312), is conditional.

In 2013, there was a change to the plan where the possibility of taking early retirement from the age of 60 has been restricted. For employees born in 1967 and later, this possibility has been entirely removed; for those born in 1956 or previously, it remains in its entirety and for those born in intervening years, transitional rules apply. In addition, an assumption about future special pension agreements have been made, which represents a new obligation. These two changes are recognised as Gains and losses from settlements and curtailments.

Pension costs SEK m	2013	2012
Service cost	-653	-661
Past service cost	-	-
Interest on defined benefit obligation	-640	-615
Interest on plan assets	659	568
Redemption of defined benefit obligation	-	-
Gains and losses from settlements and curtailments	46	-
Social contributions, defined benefit plans	-10	-19
<b>Pension costs, defined benefit plans</b>	<b>-598</b>	<b>-727</b>
Pension costs, defined-contribution plans	-392	-342
Social contributions, defined-contribution plans	16	-48
<b>Total pension costs</b>	<b>-974</b>	<b>-1 117</b>

Defined benefit obligation SEK m	2013	2012
Opening balance	20 712	19 696
Service cost	653	661
Past service cost	-	-
Interest on defined benefit obligation	640	615
Paid benefits	-650	-495
Redemption of defined benefit obligation	-	-
Gains and losses from settlements and curtailments	-46	-
Effect of business combinations and disposals	-	-
Actuarial gains (-) / losses(+)	306	246
Foreign exchange effect	-59	-11
<b>Closing balance</b>	<b>21 556</b>	<b>20 712</b>

Plan assets SEK m	2013	2012
Opening balance	21 478	18 295
Interest on plan assets	659	568
Funds contributed by the employer	148	243
Compensation to employer	-575	-599
Funds paid directly to employees	-159	17
Actuarial gains (+) / losses (-)	1 774	2 964
Foreign exchange effect	-36	-10
<b>Closing balance</b>	<b>23 289</b>	<b>21 478</b>

Return on plan assets SEK m	2013	2012
Interest on plan assets	659	568
Actuarial gains (+) / losses (-)	1 774	2 964
<b>Actual return</b>	<b>2 433</b>	<b>3 532</b>

Allocation of plan assets SEK m	2013	2012
Shares listed on an active market	20 825	19 052
Shares not listed on an active market	414	522
Interest-bearing securities listed on an active market	1 580	1 610
Interest-bearing securities not listed on an active market	165	130
Other plan assets	305	164
<b>Total</b>	<b>23 289</b>	<b>21 478</b>

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK 0m (0) on the balance sheet date 31 December 2013. Bonds issued by Svenska Handelsbanken AB (publ) are included with a market value of SEK 561m (546).

Actuarial gains (-)/losses (+), defined benefit obligation SEK m	2013	2012
Changes in demographic assumptions	1 194	328
Changes in financial assumptions	-888	-82
<b>Total</b>	<b>306</b>	<b>246</b>

Future cash flows SEK m	Outcome 2013	Forecast 2014
Paid benefits	-650	-595

Defined-benefit pensions are mainly paid to employees in Sweden, Norway and the UK. In addition, there is small defined benefit plan in Germany which, given its size, is not considered material and therefore is not presented in more detail.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5 % of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

In Norway, retirement pensions are paid from the age of 67. The amount of the pension is partly dependent on the period of service and the final salary up to 12 base amounts. The retirement pension including the statutory pension is expected to be approximately 70% of the final salary up to 12 base amounts.

In the UK, defined-benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined-contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67% of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently GBP 137,400.

The pension plans are funded externally, meaning plan assets are held by trusts or similar legal entities. The trust's (or equivalent) activities are regulated by national laws and practices, as is the relationship between the Group and the trust (or equivalent) managing the plan assets, and provides the framework for how the plan assets shall be composed of different types of assets. In Sweden, the Pension Obligations Vesting Act and the Mutual Benefit Society's Act are applied, in Norway the Norwegian National Insurance Act is applied and in the UK, the standard UK pensions and tax law is applied.

The average duration of the Swedish part of the defined benefit obligation is 15.6 years.

Main assumptions	Sweden		Norway		UK	
	2013	2012	2013	2012	2013	2012
Discount rate, %	3.3	3.0	4.1	3.8	4.4	4.0
Expected salary increase, %	3.5	3.5	3.8	3.5	5.0	4.6
Pension indexing, %	2.0	2.0	3.5	3.0	3.4	3.0
Income base amount, %	3.0	3.0	na	na	na	na
Staff turnover, %	3.0	3.0	0-8 <sup>1</sup>	0-8 <sup>1</sup>	na	na
Expected remaining years of employment	20.0	20.0	15.0	15.0	16.0	17.0

<sup>1</sup> Age-related interval; 8% for the youngest annually, gradually decreasing to 0% for the oldest.

Sensitivity analysis	Effects on the defined benefit obligation		
	Changes in assumptions, %	Increased defined benefit obligation, SEK m	Decreased defined benefit obligation, SEK m
Discount rate	0.5	2 063	-1 808
Expected salary increase	1.0	962	-1 287
Pension indexing	0.5	988	-1 430

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The method is described in the accounting principles (see note G1, section 20).

Through its defined benefit pension plans, the Bank is exposed to a number of risks, the most significant of which are detailed below:

**Asset volatility:** The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. The pension plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the longterm while providing volatility and risk in the short term. The Bank believes that due to the long term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Bank's long term strategy to manage the plans efficiently.

**Changes in bond yields:** A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

**Inflation risk:** The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plan's assets are not affected by inflation in a material way, meaning that an increase in inflation will also increase the deficit.

**Life expectancy:** The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

**Asset-Liability matching (ALM):** The composition of the plan assets is matched to the pension liabilities composition and expected development. The overall goal is to generate a return, over the medium and long term, that at least corresponds to the development of the pension liability. The largest part of the plan assets is invested in equities, but investments are also made in fixed income instruments and cash. A high proportion of shares is deemed appropriate in order to manage the plans effectively.

**Funding arrangements:** Funding levels are monitored regularly. The Bank considers that the current contribution rate is appropriate.

## G9 Other expenses

SEK m	2013	2012
Property and premises	-1 118	-1 232
External IT costs	-1 704	-1 588
Communication	-369	-345
Travel and marketing	-378	-392
Purchased services	-1 031	-1 003
Supplies	-202	-190
Other administrative expenses	-379	-319
<b>Total</b>	<b>-5 181</b>	<b>-5 069</b>
<i>Of which expenses for operating leases</i>		
<i>Minimum lease fee</i>	-687	-763
<i>Variable fee</i>	-109	-20
<b>Total</b>	<b>-796</b>	<b>-783</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2013, the cost of the largest individual lease contract was approx. SEK 165m (130). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies SEK m	KPMG		Ernst & Young AB	
	2013	2012	2013	2012
Audit assignment	-12	-11	-3	-3
Audit operations outside the audit assignment	-4	-6	0	0
Tax advice	0	0	-1	-1
Other services	0	0	0	0

Internal audit costs were SEK 132m (129) during the year.

## G10 Loan losses

SEK m	2013	2012
<b>Specific provision for individually assessed loans</b>		
The year's provision	-1 287	-1 460
Reversal of previous provisions	289	344
<b>Total</b>	<b>-998</b>	<b>-1 116</b>
<b>Collective provision</b>		
The year's net provision for individually assessed loans	-60	77
The year's net provision for homogeneous loans	15	5
<b>Total</b>	<b>-45</b>	<b>82</b>
<b>Off-balance sheet items</b>		
Losses on off-balance sheet items	-9	-
Reversal of previous losses on off-balance sheet items	0	0
Change in collective provision for off-balance sheet items	-10	5
<b>Total</b>	<b>-19</b>	<b>5</b>
<b>Write-offs</b>		
Actual loan losses for the year	-1 503	-1 383
Utilised share of previous provisions	1 174	975
Recoveries	196	186
<b>Total</b>	<b>-133</b>	<b>-222</b>
<b>Net loan losses</b>	<b>-1 195</b>	<b>-1 251</b>
<b>Impaired loans etc</b>		
SEK m	2013	2012
Impaired loans	6 944	7 325
Specific provisions for individually assessed loans	-3 454	-3 725
Provisions for collectively assessed homogeneous groups of loans with limited value	-92	-115
Collective provisions for individually assessed loans	-357	-288
<b>Net impaired loans</b>	<b>3 041</b>	<b>3 197</b>
Total impaired loans reserve ratio, %	56.2	56.4
Proportion of impaired loans, %	0.18	0.18
Impaired loans reserve ratio excluding collective provisions, %	51.1	52.4
Non-performing loans but not impaired loans	2 150	2 563
Impaired loans reclassified as normal loans during the year	30	41

Loans are classified as impaired if it is probable that the contractual cash flows will not be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. Non-performing loans are loans where interest, repayments or overdrafts have been due for payment for more than 60 days. For other definitions, see page 216.

Change in provision for probable loan losses 2013				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-3 725	-288	-115	-4 128
The year's provision	-1 287	-60	-55	-1 402
Reversal of previous provisions	289	-	15	304
Utilised for actual loan losses	1 174	-	56	1 230
Foreign exchange effect etc.	95	-9	7	93
<b>Provision at end of year</b>	<b>-3 454</b>	<b>-357</b>	<b>-92</b>	<b>-3 903</b>

Change in provision for probable loan losses 2012				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-3 680	-366	-115	-4 161
The year's provision	-1 460	-	-82	-1 542
Reversal of previous provisions	344	77	15	436
Utilised for actual loan losses	975	-	72	1 047
Foreign exchange effect etc.	96	1	-5	92
<b>Provision at end of year</b>	<b>-3 725</b>	<b>-288</b>	<b>-115</b>	<b>-4 128</b>

SEK m	Impaired loans			Of which past due >60 days	Loans past due >60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Private individuals	1 634	-790	844	689	1 316
Housing co-operative associations	101	-33	68	45	7
Property management	1 299	-394	905	560	526
Manufacturing	890	-517	373	189	9
Retail	705	-362	343	210	42
Hotel and restaurant	37	-24	13	11	9
Passenger and goods transport by sea	424	-423	1	1	1
Other transport and communication	110	-80	30	28	5
Construction	194	-116	78	71	88
Electricity, gas and water	72	-44	28	28	7
Agriculture, hunting and forestry	33	-25	8	7	2
Other services	153	-101	52	43	33
Holding, investment and insurance companies, mutual funds etc.	1 138	-569	569	61	4
Other corporate lending	154	-68	86	74	101
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>6 944</b>	<b>-3 546</b>	<b>3 398</b>	<b>2 017</b>	<b>2 150</b>

SEK m	Impaired loans			Of which past due >60 days	Loans past due >60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Private individuals	1 541	-852	689	584	1 611
Housing co-operative associations	32	-17	15	12	46
Property management	1 004	-365	639	365	465
Manufacturing	829	-473	356	174	118
Retail	1 085	-441	644	399	45
Hotel and restaurant	79	-36	43	42	19
Passenger and goods transport by sea	419	-406	13	13	0
Other transport and communication	288	-182	106	105	17
Construction	216	-106	110	107	66
Electricity, gas and water	88	-25	63	1	13
Agriculture, hunting and forestry	26	-15	11	9	36
Other services	415	-213	202	190	59
Holding, investment and insurance companies, mutual funds etc.	1 153	-601	552	25	13
Other corporate lending	150	-108	42	42	55
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>7 325</b>	<b>-3 840</b>	<b>3 485</b>	<b>2 068</b>	<b>2 563</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually valued loans and provisions for collectively valued loans but excluding collective provisions for loans which are individually assessed.

## G10 Cont

Impaired loans and loans which are overdue by more than 60 days, geographic distribution 2013	Impaired loans				Loans past due >60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>	Of which past due >60 days	
SEK m					
Sweden	2 605	-1 367	1 238	1 106	1 126
Norway	433	-177	256	214	310
Finland	1 090	-444	646	396	153
Denmark	1 324	-871	453	173	19
UK	320	-106	214	47	459
Netherlands	15	-3	12	12	-
Rest of Europe	140	-65	75	69	83
North America	1 015	-513	502	-	-
Asia	2	0	2	-	-
<b>Total</b>	<b>6 944</b>	<b>-3 546</b>	<b>3 398</b>	<b>2 017</b>	<b>2 150</b>

Impaired loans and loans which are overdue by more than 60 days, geographic distribution 2012	Impaired loans				Loans past due >60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>	Of which past due >60 days	
SEK m					
Sweden	2 762	-1 653	1 109	989	1 327
Norway	645	-292	353	207	417
Finland	1 042	-318	724	415	278
Denmark	1 239	-811	428	237	34
UK	440	-158	282	177	441
Netherlands	-	-	-	-	-
Rest of Europe	174	-92	82	43	66
North America	1 021	-516	505	-	-
Asia	2	0	2	-	-
<b>Total</b>	<b>7 325</b>	<b>-3 840</b>	<b>3 485</b>	<b>2 068</b>	<b>2 563</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually valued loans and provisions for collectively valued loans but excluding collective provisions for loans which are individually assessed.

Maturity structure for past due loans which are not impaired 2013	Loans to the public				Total
	Loans to credit institutions	Retail	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	3 088	1 174	-	4 262
Past due > 1 month ≤ 2 months	-	395	166	-	561
Past due > 2 months ≤ 3 months	-	247	117	-	364
Past due > 3 months ≤ 12 months	-	614	405	-	1 019
Past due > 12 months	-	608	159	-	767
<b>Total</b>	<b>-</b>	<b>4 952</b>	<b>2 021</b>	<b>-</b>	<b>6 973</b>

Maturity structure for past due loans which are not impaired 2012	Loans to the public				Total
	Loans to credit institutions	Retail	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	3 827	1 636	-	5 463
Past due > 1 month ≤ 2 months	-	481	154	-	635
Past due > 2 months ≤ 3 months	-	391	119	-	510
Past due > 3 months ≤ 12 months	-	1 035	213	-	1 248
Past due > 12 months	-	591	214	-	805
<b>Total</b>	<b>-</b>	<b>6 325</b>	<b>2 336</b>	<b>-</b>	<b>8 661</b>

Assets repossessed for protection of claims		2013	2012
SEK m			
Property		392	390
Movable property		12	18
Shares		73	39
<b>Carrying amount</b>		<b>477</b>	<b>447</b>

Movable property mainly consists of repossessed leased assets. In addition to repossessed property shown in the table above, repossessed property is also included in discontinued operations, see note G12. The valuation principles for assets and liabilities repossessed for protection of claims are described in note G1.



## G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2013	2012
Equipment	16	-1
Property	1	-2
<b>Total</b>	<b>17</b>	<b>-3</b>

## G12 Profit for the year pertaining to discontinued operations

SEK m	2013	2012
Income	2 160	1 772
Expenses	-2 015	-1 645
<b>Operating profit from discontinued operations</b>	<b>145</b>	<b>127</b>
Tax	-23	-10
<b>Total</b>	<b>122</b>	<b>117</b>
Impairments	-	-95
<b>Profit for the year pertaining to discontinued operations</b>	<b>122</b>	<b>22</b>

Operating profit from discontinued operations comprises return on the Bank's holdings in the Plastal Group. The Plastal Group's operations consist of manufacturing of exterior plastic components for the auto industry. The Bank intends to divest operations in the Plastal Group as soon as conditions permit. A description of the Bank's valuation policy for discontinued operations is provided in note G1.

## G13 Earnings per share

	2013	2012
Profit for the year, continuing operations, SEK m	14 173	14 016
<i>of which interest expense on convertible subordinated loan after tax</i>	<i>-119</i>	<i>-162</i>
Profit for the year, discontinued operations, SEK m	122	22
<i>of which interest expense on convertible subordinated loan after tax</i>	<i>-</i>	<i>-</i>
Profit for the year, total operations, SEK m	14 295	14 038
<i>of which interest expense on convertible subordinated loan after tax</i>	<i>-119</i>	<i>-162</i>
Average number of shares converted during the year (millions)	2.1	4.9
Average holdings of own shares in trading book (millions)	0.2	0.5
Average number of outstanding shares (millions)	634.8	628.5
Average dilution effect, number of shares (millions)	12.7	21.4
Average number of outstanding shares after dilution (millions)	647.5	649.9
<b>Earnings per share, continuing operations, SEK</b>	<b>22.33</b>	<b>22.30</b>
after dilution	22.07	21.82
<b>Earnings per share, discontinued operations, SEK</b>	<b>0.19</b>	<b>0.04</b>
after dilution	0.19	0.03
<b>Earnings per share, total operations, SEK</b>	<b>22.52</b>	<b>22.34</b>
after dilution	22.26	21.85

Earnings per share after dilution is measured by taking the effects of conversion of outstanding convertible shares into account. The implication of this is that the number of potential converted shares are added to the average number of outstanding shares and that profit for the year is adjusted for the year's interest expense on outstanding convertible subordinated loans after tax.

## G14 Other loans to central banks

SEK m	2013	2012
Other loans to central banks in Swedish kronor	2 540	2 444
Other loans to central banks in foreign currency	32 620	9 926
<b>Total</b>	<b>35 160</b>	<b>12 370</b>
<i>Of which reverse repos</i>	<i>360</i>	<i>2 820</i>
<b>Average volumes</b>		
SEK m	2013	2012
Other loans to central banks in Swedish kronor	14 999	21 278
Other loans to central banks in foreign currency	27 218	66 272
<b>Total</b>	<b>42 217</b>	<b>87 550</b>
<i>Of which reverse repos</i>	<i>1 969</i>	<i>2 997</i>

## G15 Loans to other credit institutions

SEK m	2013	2012
<b>Loans in Swedish kronor</b>		
Banks	2 902	5 022
Other credit institutions	1 218	4 283
<b>Total</b>	<b>4 120</b>	<b>9 305</b>
<b>Loans in foreign currency</b>		
Banks	23 492	25 943
Other credit institutions	35 286	54 263
<b>Total</b>	<b>58 778</b>	<b>80 206</b>
Probable loan losses	-	-
<b>Total loans to other credit institutions</b>	<b>62 898</b>	<b>89 511</b>
<i>Of which reverse repos</i>	33 874	59 241
<i>Of which subordinated</i>	-	-
<b>Average volumes</b>		
SEK m	2013	2012
Loans to other credit institutions in Swedish kronor	17 140	23 661
Loans to other credit institutions in Swedish kronor, insurance operations	37	35
Loans to other credit institutions in foreign currency	86 277	116 813
Loans to other credit institutions in foreign currency, insurance operations	13	9
<b>Total</b>	<b>103 467</b>	<b>140 518</b>
<i>Of which reverse repos</i>	33 560	9 097

## G16 Loans to the public

SEK m	2013	2012
<b>Loans in Swedish kronor</b>		
Households	627 212	596 896
Companies	491 036	515 052
National Debt Office	5 180	16 442
<b>Total</b>	<b>1 123 428</b>	<b>1 128 390</b>
<b>Loans in foreign currency</b>		
Households	200 098	182 164
Companies	376 716	374 053
National Debt Office	-	-
<b>Total</b>	<b>576 814</b>	<b>556 217</b>
Probable loan losses	-3 903	-4 128
<b>Total loans to the public</b>	<b>1 696 339</b>	<b>1 680 479</b>
<i>Of which reverse repos</i>	15 711	33 799
<b>Average volumes, excl. National Debt Office</b>		
SEK m	2013	2012
Loans to the public in Swedish kronor	1 116 418	1 076 757
Loans to the public in foreign currency	557 638	539 371
<b>Total</b>	<b>1 674 056</b>	<b>1 616 128</b>
<i>Of which reverse repos</i>	22 665	19 472

## G17 Interest-bearing securities

SEK m	2013			2012		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Interest-bearing securities eligible as collateral with central banks	56 402	57 471	57 451	44 853	48 973	48 906
Bonds and other interest-bearing securities	61 936	64 123	64 125	65 125	68 351	68 354
<b>Total</b>	<b>118 338</b>	<b>121 594</b>	<b>121 576</b>	<b>109 978</b>	<b>117 324</b>	<b>117 260</b>
<i>Of which unlisted securities</i>		3 240	3 240		2 890	2 890

SEK m	2013			2012		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	48 878	49 857	49 837	41 068	45 098	45 031
Credit institutions	11 044	11 453	11 455	14 251	14 879	14 882
Mortgage institutions	41 987	43 671	43 671	41 890	44 396	44 396
Other	16 429	16 613	16 613	12 769	12 951	12 951
<b>Total</b>	<b>118 338</b>	<b>121 594</b>	<b>121 576</b>	<b>109 978</b>	<b>117 324</b>	<b>117 260</b>

Average volumes SEK m	2013	2012
Interest-bearing securities	124 215	108 865
Interest-bearing securities, insurance operations	9 139	9 802
<b>Total</b>	<b>133 354</b>	<b>118 667</b>

## G18 Shares

SEK m	2013	2012
<b>Holdings at fair value over the income statement</b>		
Listed	41 019	23 894
Non-listed	1 851	1 047
<b>Total</b>	<b>42 870</b>	<b>24 941</b>
<b>Classified as available-for-sale</b>		
Listed	4 369	4 176
Non-listed	1 356	1 029
<b>Total</b>	<b>5 725</b>	<b>5 205</b>
<b>Total shares</b>	<b>48 595</b>	<b>30 146</b>

## G19 Investments in associates

Investments in associates SEK m	2013	2012
Non-listed	272	203
<b>Total</b>	<b>272</b>	<b>203</b>
Carrying amount at beginning of year	203	205
Share of profit for the year	8	8
Tax	-2	-3
Shareholders' contribution	-	30
Dividend	-11	-37
Acquisitions	73	0
Divestments	0	-2
Recoveries	0	-
Translation difference	1	2
<b>Carrying amount at end of year</b>	<b>272</b>	<b>203</b>

Associates	Corporate identity number	Domicile	Number of shares	Voting power %	Carrying amount SEK m	
					2013	2012
Bankomat AB	556817-9716	Stockholm	150	20.00	48	48
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.90	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.00	9	9
BGC Holding AB	556607-0933	Stockholm	25 382	25.40	68	63
Dyson Group plc	163096	Sheffield	122 387 481	29.99	29	16
Festival AS	993 798 304	Kristiansand	9 800 000	49.00	7	13
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30	20	22
Flisekompaniet Holding AS	992 999 136	Oslo	2 400	47.00	53	0
Getswish AB	556913-7382	Stockholm	10 000	20.00	2	2
Upplysningscentralen UC AB	556137-5113	Stockholm	2 448	24.48	36	30
<b>Total</b>					<b>272</b>	<b>203</b>

Financial information on associates referring to 100% of the companies SEK m	2013				2012			
	Assets	Liabilities	Income	Profit/loss	Assets	Liabilities	Income	Profit/loss
Bankomat AB	5 392	5 161	505	0	758	528	4	-24
Bankomatcentralen AB	2	1	2	0	4	4	0	0
BDB Bankernas Depå AB	3 253	3 205	56	3	1 859	1 816	41	3
BGC Holding AB <sup>1</sup>	388	112	651	23	367	114	656	14
Dyson Group plc	199	12	85	-8	232	25	109	-7
Festival AS	83	69	134	-9	109	83	172	-3
Finansiell ID-teknik BID AB	88	18	109	-6	97	16	106	5
Flisekompaniet Holding AS	268	267	373	1	254	349	384	-16
Getswish AB	144	133	2	-1	10	0	0	0
Upplysningscentralen UC AB <sup>1</sup>	250	91	497	47	223	86	454	36

<sup>1</sup> Information concerning the Group.

## G20 Assets where the customer bears the value change risk

SEK m	2013	2012
Unit-linked and portfolio bond insurance assets	76 817	63 714
Other fund assets	4 064	2 702
Share of consolidated funds not owned	5 134	3 174
<b>Total</b>	<b>86 015</b>	<b>69 590</b>

## G21 Derivative instruments

SEK m	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2013	2012	2013	2012	2013	2012
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	88 150	167 633	12 731	268 514	351 923	4 179	5 155	4 318	4 521
FRA/futures	1 814 427	1 157 801	-	2 972 228	2 987 099	421	1 347	143	1 512
Swaps	565 399	1 069 970	437 923	2 073 292	2 437 936	30 661	57 879	30 713	59 423
Other instruments	-	-	-	-	10	0	-	-	0
Currency-related contracts									
Options	43 144	1 490	-	44 634	89 107	311	467	234	599
Futures	103 932	7 058	223	111 213	184 435	1 085	1 840	1 313	2 633
Swaps	582 997	174 939	27 685	785 621	1 012 331	10 318	14 950	7 740	12 512
Other instruments	60	-	1	61	107	15	-	120	131
Equity-related contracts									
Options	18 836	23 605	258	42 699	47 180	3 019	2 652	5 112	3 806
Futures	4 416	-	-	4 416	2 222	9	19	35	6
Swaps	30 271	4 273	144	34 688	20 144	691	293	2 486	1 302
Other instruments	434	0	243	677	1 977	3	14	494	588
Commodity-related contracts									
Options	1 871	-	3 196	5 067	7 197	105	161	992	1 272
Futures	17 739	5	3 303	21 047	29 542	375	367	377	384
Swaps	300	13	-	313	1 031	-	9	49	49
Other instruments	372	3	82	457	729	132	150	420	718
Credit-related contracts									
Options	-	-	-	0	-	-	-	-	-
Swaps	893	7 900	1 256	10 049	12 585	544	253	-	46
Other instruments	-	-	-	0	-	-	-	45	-
Other derivative contracts	-	-	-	-	-	-	0	-	-
<b>Total</b>	<b>3 273 241</b>	<b>2 614 690</b>	<b>487 045</b>	<b>6 374 976</b>	<b>7 185 555</b>	<b>51 868</b>	<b>85 556</b>	<b>54 591</b>	<b>89 502</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Options	2 705	9 840	-	12 545	12 713	21	6	-	-
Swaps	32 352	17 866	-	50 218	400 178	-	21 425	762	3 892
Other instruments	-	-	-	-	-	-	-	-	-
Currency-related contracts									
Swaps	-	-	817	817	105 994	177	766	-	8 300
<b>Total</b>	<b>35 057</b>	<b>27 706</b>	<b>817</b>	<b>63 580</b>	<b>518 885</b>	<b>198</b>	<b>22 197</b>	<b>762</b>	<b>12 192</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	62 892	297 229	94 625	454 746	154 247	17 995	6 720	4 313	1 328
Currency-related contracts									
Swaps	28 808	155 731	64 175	248 714	113 968	5 935	326	7 898	6 971
<b>Total</b>	<b>91 700</b>	<b>452 960</b>	<b>158 800</b>	<b>703 460</b>	<b>268 215</b>	<b>23 930</b>	<b>7 046</b>	<b>12 211</b>	<b>8 299</b>
<b>Total derivative instruments</b>	<b>3 399 998</b>	<b>3 095 356</b>	<b>646 662</b>	<b>7 142 016</b>	<b>7 972 655</b>	<b>75 996</b>	<b>114 799</b>	<b>67 564</b>	<b>109 993</b>
Amounts set off in the balance sheet						-6 035	-3 949	-6 035	-3 949
<b>Net amount in the balance sheet</b>						<b>69 961</b>	<b>110 850</b>	<b>61 529</b>	<b>106 044</b>
<i>Cleared derivatives</i>				2 429 187	2 583 355	3 153	1 967	3 346	3 206
<b>Currency breakdown of market values</b>									
SEK						32 046	179 679	209 182	355 265
USD						44 929	-89 681	-204 134	-309 179
EUR						98 651	45 513	15 845	-81 760
Other						-99 630	-20 712	46 671	145 667

Derivative contracts are presented gross in the table. Offsetting amounts consist of the offsetted market value of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis in the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day-1 profit), over the life of the derivative. Such not yet recognised day-1 profit amounted to SEK 396m (341) at year-end.

## G22 Offsetting of financial instruments

2013	Repurchase agreements, securities lending/borrowing and similar agreements		Total
SEK m	Derivatives		
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amounts of recognised financial assets	75 996	53 586	129 582
Gross amounts of recognised financial liabilities set off in the balance sheet	-6 035	-	-6 035
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>69 961</b>	<b>53 586</b>	<b>123 547</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-41 036	-	-41 036
Collateral received	-10 540	-53 569	-64 109
<b>Net amount</b>	<b>18 385</b>	<b>17</b>	<b>18 402</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	67 564	8 352	75 916
Gross amounts of recognised financial liabilities set off in the balance sheet	-6 035	-	-6 035
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>61 529</b>	<b>8 352</b>	<b>69 881</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-41 036	-	-41 036
Assets pledged	-4 793	-7 889	-12 682
<b>Net amount</b>	<b>15 700</b>	<b>463</b>	<b>16 163</b>
<b>2012</b>			
SEK m	Derivatives	Repurchase agreements, securities lending/borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amounts of recognised financial assets	114 799	96 313	211 112
Gross amounts of recognised financial liabilities set off in the balance sheet	-3 949	-	-3 949
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>110 850</b>	<b>96 313</b>	<b>207 163</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-78 534	-	-78 534
Collateral received	-9 230	-96 290	-105 520
<b>Net amount</b>	<b>23 086</b>	<b>23</b>	<b>23 109</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	109 993	14 686	124 679
Gross amounts of recognised financial liabilities set off in the balance sheet	-3 949	-	-3 949
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>106 044</b>	<b>14 686</b>	<b>120 730</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-78 534	-	-78 534
Assets pledged	-6 647	-14 686	-21 333
<b>Net amount</b>	<b>20 863</b>	<b>-</b>	<b>20 863</b>

Derivative instruments are set off in the balance sheet when the settlement of two or more derivatives reflects the Bank's anticipated cash flows. This occurs when the Bank has both a contractual right and intention to settle the agreed cash flows with a net amount. The remaining counterparty risk in derivatives is re-

duced through netting agreements, i.e. netting positive values against negative values in all derivative transactions with the same counterparty in a bankruptcy situation. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral

for the net exposure. The collateral used is mainly cash, but government securities are also used. Collateral for repurchase agreements and borrowing and lending of securities is normally in the form of cash or other securities.

## G23 Intangible assets

2013					
SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2013
Cost of acquisition at beginning of year	6 273	3	143	1220	7 639
Cost of acquisition of additional intangible assets	144	51	209	336	740
Disposals and retirements	-	-	-	-82	-82
Foreign exchange effect	14	3	15	2	34
<b>Cost of acquisition at end of year</b>	<b>6 431</b>	<b>57</b>	<b>367</b>	<b>1 476</b>	<b>8 331</b>
Accumulated amortisation and impairments at beginning of year	-	-	-31	-402	-433
Disposals and retirements	-	-	-	82	82
Amortisation for the year	-	-6	-13	-121	-140
Impairments for the year	-	-	-	-2	-2
Foreign exchange effect	-	0	-1	-2	-3
<b>Accumulated amortisation and impairments at end of year</b>	<b>-</b>	<b>-6</b>	<b>-45</b>	<b>-445</b>	<b>-496</b>
<b>Carrying amount</b>	<b>6 431</b>	<b>51</b>	<b>322</b>	<b>1 031</b>	<b>7 835</b>
2012					
SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2012
Cost of acquisition at beginning of year	6 352	3	149	911	7 415
Cost of acquisition of additional intangible assets	-	-	-	333	333
Disposals and retirements	-	-	-	-21	-21
Foreign exchange effect	-79	-	-6	-3	-88
<b>Cost of acquisition at end of year</b>	<b>6 273</b>	<b>3</b>	<b>143</b>	<b>1 220</b>	<b>7 639</b>
Accumulated amortisation and impairments at beginning of year	-	-	-25	-311	-336
Disposals and retirements	-	-	-	21	21
Amortisation for the year	-	-	-7	-111	-118
Impairments for the year	-	-	-	-3	-3
Foreign exchange effect	-	-	1	2	3
<b>Accumulated amortisation and impairments at end of year</b>	<b>-</b>	<b>-</b>	<b>-31</b>	<b>-402</b>	<b>-433</b>
<b>Carrying amount</b>	<b>6 273</b>	<b>3</b>	<b>112</b>	<b>818</b>	<b>7 206</b>
Breakdown of Goodwill and Intangible assets with an indefinite useful life					
SEK m	Goodwill		Intangible assets with an indefinite useful life		
	2013	2012	2013	2012	
Branch operations in Sweden	3 331	3 331	-	-	
Branch operations in the UK	152	-	-	-	
Branch operations in Finland	15	15	-	-	
Branch operations in Denmark	2 224	2 148	-	-	
Branch operations in Norway	699	769	-	-	
Capital Markets	10	10	3	3	
<b>Total</b>	<b>6 431</b>	<b>6 273</b>	<b>3</b>	<b>3</b>	

### Impairment testing of goodwill and intangible assets with an indefinite useful life

Recognised goodwill mainly derives from traditional banking operations on Handelsbanken's home markets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually in connection with the closing of the annual accounts. When performing impairment testing, the value in use of the units to which goodwill has been allocated is calculated by discounting estimated future cash flows and the terminal value. In the above table goodwill has been allocated among the business segments. Goodwill which is followed up internally at a lower level than business segments is tested at the lower level. This applies to the newly acquired operations in Heartwood Wealth Group in the UK and to a small goodwill item allocated to the fund operations in the Capital Markets segment.

For the first five years, estimated future cash flows are based on forecasts of risk-weighted volumes, income, expenses and loan losses. The forecasts are mainly based on an internal assessment of the future income and cost development, economic climate, expected interest rates and the expected impact of future regulations. After the first five-year period, a forecast is made based on the assumption of a long-term growth rate. The estimated cash flows are based on historical real GDP growth, as well as the Riksbank's long-term inflation target. The year's impairment test is based on an assumption of a long-term growth rate of 2 per cent. The total forecast period is 20 years. The terminal value used is the forecast value of the net assets of the tested unit. Estimated cash flows have been discounted at a rate based on a risk-free interest rate and a risk adjustment corresponding to the market's average return

requirement. In the annual impairment testing, the discount rate was 7.6 per cent after tax (7.9). The corresponding rate before tax was 10.8 per cent (10.9).

The difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill was deemed to be satisfactory. The calculated value in use of goodwill is sensitive to a number of different variables, which are significant for expected cash flows and the discount rate. The variables that are of greatest significance to the calculation are assumptions for interest rates, the business cycle, future margins and cost-effectiveness. No reasonably possible change in the discount rate or growth rate would affect the reported value of goodwill.

## G24 Property and equipment

Property and equipment SEK m	2013	2012
Equipment	492	475
Property	1 309	1 326
Property repossessed for protection of claims	404	408
<b>Total</b>	<b>2 205</b>	<b>2 209</b>

Property repossessed for protection of claims contains properties which are regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims. See note G1. The fair value of properties which are regularly measured at fair value is SEK 392m. Unrealised value changes on these properties had an impact of SEK -10m on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of office properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. When valuing industrial property, an authorised valuer is always engaged. The valuation of industrial property is mainly based on the condition of the property, its location and alternative areas of use. As far as possible, the material for these assumptions is taken from external market observations. Valuations which are only based on market observations (SEK 48m) are classified as level 2 in the valuation hierarchy described in note G39. Valuations where own assumptions are used to a material extent (SEK 344m) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK -17m. The year's sale of properties which are regularly measured at fair value amounts to SEK 81m of which SEK 64m was classified as level 3 before the sale. The value of new properties added during the year is SEK 50m, with SEK 48m of this classified as level 3.

Equipment SEK m	2013	2012
Cost of acquisition at beginning of year	1 617	1 701
Cost of additional acquisition for the year	265	240
Changes due to business combinations during the year	22	-
Disposals and retirements	-256	-309
Foreign exchange effect	-21	-15
<b>Cost of acquisition at end of year</b>	<b>1 627</b>	<b>1 617</b>
Accumulated amortisation and impairments at beginning of year	-1 142	-1 166
Accumulated depreciation due to business combinations during the year	-15	-
Amortisation for the year according to plan	-260	-291
Disposals and retirements	261	304
Foreign exchange effect	21	11
<b>Accumulated amortisation and impairment at end of year</b>	<b>-1 135</b>	<b>-1 142</b>
<b>Carrying amount</b>	<b>492</b>	<b>475</b>

Property SEK m	2013	2012
Cost of acquisition at beginning of year	2 092	2 086
Cost of additional acquisition for the year	-	-
New construction and rebuilding	20	14
Disposals and retirements	-	-
Foreign exchange effect	8	-8
<b>Cost of acquisition at end of year</b>	<b>2 120</b>	<b>2 092</b>
Accumulated amortisation and impairments at beginning of year	-766	-717
Amortisation for the year according to plan	-45	-49
Impairments for the year	-	-3
Disposals and retirements	-	-
Foreign exchange effect	0	3
<b>Accumulated amortisation and impairment at end of year</b>	<b>-811</b>	<b>-766</b>
<b>Carrying amount</b>	<b>1 309</b>	<b>1 326</b>

Property in the insurance operations SEK m	2013	2012
Carrying amount at beginning of year	-	1 140
New acquisition	-	-
Revaluation	-	-
Disposals and retirements	-	-1 140
<b>Carrying amount</b>	<b>-</b>	<b>-</b>

## G25 Other assets

SEK m	2013	2012
Claims on investment banking settlements	7 135	7 668
Other	6 127	5 144
<b>Total</b>	<b>13 262</b>	<b>12 812</b>

## G26 Prepaid expenses and accrued income

SEK m	2013	2012
Accrued interest income	5 278	5 843
Other accrued income	1 649	1 361
Prepaid expenses	213	195
<b>Total</b>	<b>7 140</b>	<b>7 399</b>



## G27 Due to credit institutions

SEK m	2013	2012
<b>Due in Swedish kronor</b>		
Banks	19 870	17 937
Other credit institutions	9 825	8 316
<b>Total</b>	<b>29 695</b>	<b>26 253</b>
<b>Due in foreign currency</b>		
Banks	135 895	149 162
Other credit institutions	6 034	8 530
<b>Total</b>	<b>141 929</b>	<b>157 692</b>
<b>Total due to credit institutions</b>	<b>171 624</b>	<b>183 945</b>
<i>Of which repos</i>	748	2 391

Average volumes SEK m	2013	2012
Due to credit institutions in Swedish kronor	31 074	61 508
Due to credit institutions in foreign currency	189 546	190 109
<b>Total</b>	<b>220 620</b>	<b>251 617</b>
<i>Of which repos</i>	3 961	4 396

## G28 Deposits and borrowing from the public

Deposits from the public SEK m	2013	2012
<b>Deposits in Swedish kronor</b>		
Households	208 147	191 162
Companies	159 615	153 562
National Debt Office	-	-
<b>Total</b>	<b>367 762</b>	<b>344 724</b>
<b>Deposits in foreign currency</b>		
Households	49 045	44 377
Companies	174 840	126 725
National Debt Office	-	-
<b>Total</b>	<b>223 885</b>	<b>171 102</b>
<b>Total deposits from the public</b>	<b>591 647</b>	<b>515 826</b>
<b>Borrowing from the public</b> SEK m	<b>2013</b>	<b>2012</b>
Borrowing in Swedish kronor	61 378	69 126
Borrowing in foreign currency	172 180	97 271
<b>Total</b>	<b>233 558</b>	<b>166 397</b>
<i>Of which repos</i>	7 604	12 294
<i>Of which insurance operations</i>	10 759	11 685
<b>Total deposits and borrowing from the public</b>	<b>825 205</b>	<b>682 223</b>

Average volumes SEK m	2013	2012
<b>Deposits from the public</b>		
Deposits from the public in Swedish kronor	344 238	328 405
Deposits from the public in foreign currency	181 335	165 482
<b>Total</b>	<b>525 573</b>	<b>493 887</b>
<b>Borrowing from the public</b>		
Borrowing in Swedish kronor	55 329	59 491
Borrowing in Swedish kronor, insurance operations	11 060	12 396
Borrowing in foreign currency	149 135	135 545
<b>Total</b>	<b>215 524</b>	<b>207 432</b>
<i>Of which repos</i>	10 551	11 305

## G29 Liabilities where the customer bears the value change risk

SEK m	2013	2012
Unit-linked and portfolio bond insurance liabilities	76 817	63 714
Other fund liabilities	4 111	2 750
Share of consolidated funds not owned	5 134	3 174
<b>Total</b>	<b>86 062</b>	<b>69 638</b>

## G30 Issued securities

SEK m	2013		2012	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
<b>Commercial paper</b>				
Commercial paper in Swedish kronor	15 613	17 299	19 057	19 494
<i>Of which</i>				
<i>at amortised cost</i>	101	101	5 996	5 992
<i>for trading</i>	15 512	17 198	13 061	13 502
Commercial paper in foreign currency	286 346	286 329	387 426	387 399
<i>Of which</i>				
<i>at amortised cost</i>	286 159	286 107	387 209	387 145
<i>for trading</i>	187	222	217	254
<b>Total</b>	<b>301 959</b>	<b>303 628</b>	<b>406 483</b>	<b>406 893</b>
<b>Bonds</b>				
Bonds in Swedish kronor	437 977	460 093	431 356	458 751
<i>Of which</i>				
<i>at amortised cost</i>	437 977	459 801	276 689	295 461
<i>for fair value hedges</i>	-	292	154 667	163 290
Bonds in foreign currency	382 621	386 920	278 667	285 782
<i>Of which</i>				
<i>at amortised cost</i>	380 077	385 983	160 694	172 543
<i>for fair value hedges</i>	2 544	937	117 973	113 239
<b>Total</b>	<b>820 598</b>	<b>847 013</b>	<b>710 023</b>	<b>744 533</b>
<b>Total issued securities</b>	<b>1 122 557</b>	<b>1 150 641</b>	<b>1 116 506</b>	<b>1 151 426</b>

Turnover of own debt instruments SEK m	2013	2012
Issued	1 680 745	1 713 555
Repurchased	271 918	226 080
Matured	1 381 358	1 369 815

Average volumes SEK m	2013	2012
Swedish kronor	475 734	490 455
Foreign currency	705 123	668 751
<b>Total</b>	<b>1 180 857</b>	<b>1 159 206</b>

## G31 Short positions

SEK m	2013	2012	Average volumes SEK m	2013	2012
<b>Short positions at fair value</b>					
Equities	3 430	1 940	Swedish kronor	22 832	17 445
Interest-bearing securities	19 415	14 261	Foreign currency	1 214	2 406
<i>Of which</i>			<b>Total</b>	<b>24 046</b>	<b>19 851</b>
<i>other issuers</i>	19 279	14 147			
<i>own issued</i>	136	114			
<b>Total</b>	<b>22 845</b>	<b>16 201</b>			

## G32 Insurance liabilities

SEK m	2013	2012
Liability for sickness annuities	194	184
Liability for life annuities	146	149
Liability for other unsettled claims	273	286
Liability for prepaid premiums	9	47
<b>Total</b>	<b>622</b>	<b>666</b>

## G33 Taxes

<b>Deferred tax assets</b>				
SEK m		2013	2012	2011
Derivative instruments		213	298	322
Property and equipment		37	41	45
Other		19	11	13
<b>Total</b>		<b>269</b>	<b>350</b>	<b>380</b>

<b>Deferred tax liabilities</b>				
SEK m		2013	2012	2011
Loans to the public <sup>1</sup>		6 616	6 649	7 879
Derivative instruments <sup>2</sup>		103	728	82
Intangible assets		93	32	36
Property and equipment		86	91	91
Pension assets <sup>3</sup>		464	198	1 282
Tax allocation reserve		-	926	-
Hedges of net investments in foreign operations <sup>2</sup>		14	43	52
Other		37	46	44
<b>Total</b>		<b>7 413</b>	<b>8 713</b>	<b>9 466</b>

<b>Net deferred tax liabilities</b>				
		2013	2012	2011
		<b>7 144</b>	<b>8 363</b>	<b>9 086</b>

<b>Change in deferred taxes 2013</b>				
SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Loans to the public <sup>1</sup>	6 649	-33	-	6 616
Derivative instruments <sup>2</sup>	430	6	-546	-110
Intangible assets	32	-2	63	93
Property and equipment	50	-1	-	49
Pension assets <sup>3</sup>	198	-41	307	464
Tax allocation reserve	926	-926	-	-
Hedges of net investments in foreign operations <sup>2</sup>	43	-	-29	14
Other	35	-17	-	18
<b>Total</b>	<b>8 363</b>	<b>-1 014</b>	<b>-205</b>	<b>7 144</b>

<b>Change in deferred taxes 2012</b>				
SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Loans to the public <sup>1</sup>	7 879	-1 230	-	6 649
Derivative instruments <sup>2</sup>	-240	-	670	430
Intangible assets	36	-3	-1	32
Property and equipment	46	4	0	50
Pension assets <sup>3</sup>	1 282	-170	-914	198
Tax allocation reserve	-	926	-	926
Hedges of net investments in foreign operations <sup>2</sup>	52	-	-9	43
Other	31	4	0	35
<b>Total</b>	<b>9 086</b>	<b>-469</b>	<b>-254</b>	<b>8 363</b>

<b>Tax expenses recognised in income statement</b>			
SEK m		2013	2012
Current tax			
Tax expense for the year			-4 995
Adjustment of tax relating to previous years			66
Deferred tax			
Changes in temporary differences <sup>4</sup>			1 014
<b>Total</b>			<b>-3 915</b>

<b>Nominal tax rate in Sweden, %</b>			
		2013	2012
Deviations			
Different tax rate in insurance operations			-0.5
Non-taxable income/non-deductible expenses			0.2
Changes Swedish tax rate			0.0
Tax relating to previous years and other			-0.1
<b>Effective tax rate, %</b>		<b>21.6</b>	<b>18.1</b>

As of January 1 2013, the Swedish corporate tax rate was changed from 26.3% to 22%. Deferred taxes in the balance sheet have been restated in accordance with the new tax rate.

<sup>1</sup> Of which leases SEK 6,612m (6,639).

<sup>2</sup> The deferred tax liability relating to Derivative instruments 2012 includes an adjustment of SEK 106m that was previously included in Hedges of net investments in foreign operations.

<sup>3</sup> The deferred tax liability relating to Pensions 2012 is lowered by SEK 860m due to revised IAS 19, see note G48.

<sup>4</sup> Change in temporary differences relating to pensions is lowered by SEK 54m due to revised IAS 19, see note G48.

## G34 Provisions

SEK m	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2013	Total 2012
Provisions at beginning of year	91	15	14	120	31
Provisions during the year	-	44	17	61	95
Utilised	-40	-	-	-40	-
Written back	-	-	-	-	-6
<b>Provisions at end of year</b>	<b>51</b>	<b>59</b>	<b>31</b>	<b>141</b>	<b>120</b>

The provision for restructuring relate to additional costs as a result of the decision to terminate rental contracts for premises. Most of the provision is expected to be settled during 2014. Provision for guarantee commitments consists of provisions for a number of off-balance sheet items.

The Group is the subject of claims in a number of civil actions which are being pursued in general courts of law. The Group's assessment is that the actions will essentially be settled in favour of the Bank. The assessment is that the amounts in dispute would not have a material effect on the Bank's financial position or profit/loss. The amounts allocated for future settlement of the claims towards the Bank are presented under other provisions.

## G35 Other liabilities

SEK m	2013	2012
Liabilities on investment banking settlements	6 777	8 093
Other	6 412	9 755
<b>Total</b>	<b>13 189</b>	<b>17 848</b>

## G36 Accrued expenses and deferred income

SEK m	2013	2012
Accrued interest expenses	16 865	17 013
Other accrued expenses	4 434	4 048
Deferred income	562	203
<b>Total</b>	<b>21 861</b>	<b>21 264</b>

## G37 Subordinated liabilities

SEK m	2013	2012
Subordinated loans in Swedish kronor	10 472	10 897
Subordinated loans in foreign currency	5 493	10 270
<b>Total</b>	<b>15 965</b>	<b>21 167</b>
<b>Average volumes</b>		
SEK m	2013	2012
Subordinated loans in Swedish kronor	10 764	9 480
Subordinated loans in foreign currency	7 824	16 670
<b>Total</b>	<b>18 588</b>	<b>26 150</b>

Specification, subordinated loans	Original nominal amount in each currency	Interest rate %	Outstanding amount
<b>IN SWEDISH KRONOR</b>			
2008/perpetual <sup>1</sup>	2 350	11.000	2 348
2008/perpetual <sup>2</sup>	2 905	10.500	2 897
2011/perpetual <sup>3</sup>	2 512	floating rate	2 230
2012/fixed-term <sup>4</sup>	1 750	4.472	1 740
Other Swedish <sup>5</sup>			1 257
<b>Total</b>			<b>10 472</b>
<b>IN FOREIGN CURRENCY</b>			
2005/perpetual <sup>6</sup>	EUR 500	4.194	4 427
Other foreign <sup>7</sup>			1 066
<b>Total</b>			<b>5 493</b>
<b>Total subordinated liabilities</b>			<b>15 965</b>

<sup>1</sup> Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from March 2019. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with right of redemption, the interest rate is changed to floating rate linked to Stibor.

<sup>2</sup> Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from March 2014. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with right of redemption, the interest rate is changed to floating rate linked to Stibor.

<sup>3</sup> Perpetual subordinated loan at floating rate linked to Stibor. The loan is a subordinated convertible loan of nominally SEK 2.5bn, issued to the Group's employees on market terms. The loan has the status of tier 2 capital and can be converted into Handelsbanken shares. Conversion is possible after 1 May 2016 at an initial conversion price of SEK 256.52, corresponding to 122% of the average share price during the period 19 April-4 May 2011; the conversion price will subsequently be adjusted for dividend payments. After 31 May 2016 it will be possible to convert into Handelsbanken shares at the lower of the conversion price and the market price of the share. The last day to initiate conversion is 30 November 2016.

<sup>4</sup> Fixed term subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from October 2017. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with right of redemption, the interest rate is changed to floating rate linked to Euribor.

<sup>5</sup> Other Swedish subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans. The total amount partly includes a subordinated convertible loan of nominally SEK 2.3bn, issued to the Group's employees on market terms. The loan has hybrid status and can be converted into Handelsbanken shares. Conversion is possible after 1 June 2011 at a conversion price of SEK 187.56, corresponding to 110% of the average share price during the period 6-12 May 2008, adjusted for the 2008 dividend. The outstanding nominal amount including conversions up to 31 December 2013 amounts to SEK 7.6m. After 21 May 2013 it is possible to convert to Handelsbanken shares at the conversion price, or the share price applying at this date if it is lower than the conversion price, and the market price of the share. The additional outstanding amount constitutes one dated subordinated loan of SEK 1.25bn at floating rate. The term of this loan is flexible and aims at making the instrument fully compliant with the coming regulation, CRDIV/CRR. According to the terms the loan can be called in advance on each interest payment date from October 2017. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

<sup>6</sup> Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from December 2015. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with right of redemption, the interest rate is changed to floating rate linked to Euribor.

<sup>7</sup> Other foreign subordinated loans which are not specified here are issued in the form of perpetual subordinated loans.

## G38 Classification of financial assets and liabilities

2013 SEK m	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					334 185		609	334 794	334 794
Other loans to central banks					35 160			35 160	35 160
Interest-bearing securities eligible as collateral with central banks	32 611	19 819		3 463		1 558		57 451	57 471
Loans to other credit institutions					62 898			62 898	62 413
Loans to the public		2 580			1 693 759			1 696 339	1 701 517
Value change of interest hedged item in portfolio hedge					96			96	
Bonds and other interest-bearing securities	26 959	35 331		933		902		64 125	64 123
Shares	41 542	1 328				5 725		48 595	48 595
Investments in associates							272	272	272
Assets where the customer bears the value change risk		85 319			696			86 015	86 015
Derivative instruments	46 692		23 269					69 961	69 961
Other assets	68				12 846		348	13 262	13 262
Prepaid expenses and accrued income	480	791		117	3 848		1 904	7 140	7 140
<b>Total financial assets</b>	<b>148 352</b>	<b>145 168</b>	<b>23 269</b>	<b>4 513</b>	<b>2 143 488</b>	<b>8 185</b>	<b>3 133</b>	<b>2 476 108</b>	<b>2 480 723</b>
Other non-financial assets								13 698	
<b>Total assets</b>								<b>2 489 806</b>	
<b>Liabilities</b>									
Due to credit institutions							171 624	171 624	173 128
Deposits and borrowing from the public							825 205	825 205	824 904
Liabilities where the customer bears the value change risk		85 366					696	86 062	86 062
Issued securities	17 420						1 133 221	1 150 641	1 167 147
Derivative instruments	48 790		12 739					61 529	61 529
Short positions	22 845							22 845	22 845
Other liabilities	19						13 170	13 189	13 189
Accrued expenses and deferred income	357						21 504	21 861	21 861
Subordinated liabilities							15 965	15 965	17 710
<b>Total financial liabilities</b>	<b>89 431</b>	<b>85 366</b>	<b>12 739</b>				<b>2 181 385</b>	<b>2 368 921</b>	<b>2 388 375</b>
Other non-financial liabilities								9 546	
<b>Total liabilities</b>								<b>2 378 467</b>	

<sup>1</sup> Classified to be measured at fair value.

## G38 Cont

2012	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other <sup>1</sup>							
SEK m									
<b>Assets</b>									
Cash and balances with central banks					236 545			236 545	236 545
Other loans to central banks					12 370			12 370	12 370
Interest-bearing securities eligible as collateral with central banks	26 474	17 622		3 759		1 051		48 906	48 973
Loans to other credit institutions					89 511			89 511	89 292
Loans to the public		4 078			1 676 401			1 680 479	1 689 938
Value change of interest hedged item in portfolio hedge					5 271			5 271	
Bonds and other interest-bearing securities	30 535	35 073		1 340		1 406		68 354	68 351
Shares	23 078	1 863				5 205		30 146	30 146
Investments in associates							203	203	203
Assets where the customer bears the value change risk		68 565			1 025			69 590	69 590
Derivative instruments	83 357		27 493					110 850	110 850
Other assets	28				12 784			12 812	12 812
Prepaid expenses and accrued income	229	1 043		118	6 009	0		7 399	7 399
<b>Total financial assets</b>	<b>163 701</b>	<b>128 244</b>	<b>27 493</b>	<b>5 217</b>	<b>2 039 916</b>	<b>7 662</b>	<b>203</b>	<b>2 372 436</b>	<b>2 376 469</b>
Other non-financial assets								11 515	
<b>Total assets</b>								<b>2 383 951</b>	
<b>Liabilities</b>									
Due to credit institutions							183 945	183 945	186 259
Deposits and borrowing from the public							682 223	682 223	682 320
Liabilities where the customer bears the value change risk		68 613					1 025	69 638	69 638
Issued securities	13 756						1 137 670	1 151 426	1 167 175
Derivative instruments	85 933		20 111					106 044	106 044
Short positions	16 201							16 201	16 201
Other liabilities	19						17 829	17 848	17 848
Accrued expenses and deferred income	54						21 210	21 264	21 264
Subordinated liabilities							21 167	21 167	22 507
<b>Total financial liabilities</b>	<b>115 963</b>	<b>68 613</b>	<b>20 111</b>				<b>2 065 069</b>	<b>2 269 756</b>	<b>2 289 256</b>
Other non-financial liabilities								10 345	
<b>Total liabilities</b>								<b>2 280 101</b>	

<sup>1</sup> Classified to be measured at fair value.

Reclassified financial assets	Holdings classified as loans	
	Reclassified from held for trading	Reclassified from available for sale
SEK m		
Carrying amount	74	5 375
Fair value	74	5 464
Carrying amount at reclassification 1 July 2008	3 041	19 722
Carrying amount at beginning of 2013	96	7 782
Fair value at beginning of 2013	95	7 930
Value change recognised in income statement in 2013	-	170
Value change recognised in income statement in 2012	-	-5
Value change recognised in other comprehensive income in 2013	0	-3
Value change recognised in other comprehensive income in 2012	-5	-177
Value change which would have been recognised in income statement in 2013 if the assets had not been reclassified	1	170
Value change which would have been recognised in income statement in 2012 if the assets had not been reclassified	2	-5
Value change which would have been recognised in other comprehensive income in 2013 if the assets had not been reclassified	-	-25
Value change which would have been recognised in other comprehensive income in 2012 if the assets had not been reclassified	-	266
Proportion of amortisations and maturities since reclassification	99.5%	75.1%
Interest recognised as income 2013	69	137

The table shows the effects on reported amounts of the reclassification of parts of the Group's liquidity portfolio that was carried out on 1 July 2008. Since this date, no further reclassifications have been carried out. Unrealised profit and loss on assets previously classified as available for sale is amortised over the remaining lifetime of the instruments. The amounts which would have affected the income statement/other comprehensive income as stated above, if the reclassification had not been carried out, comprise the period's change in fair value of the holdings which remained in the balance sheet at the end of the financial year.

## G39 Fair value measurement of financial instruments

### Valuation process

Handelsbanken's independent central risk control is responsible for the existence of appropriate processes, instructions and an appropriate allocation of responsibilities for valuation of financial instruments at fair value in the Handelsbanken Group. Independent Risk Control is also responsible for issuing guidelines and approving general valuation instructions.

The daily valuation work is performed by local units. The basic principles for valuation of financial instruments at fair value is described in the Group's accounting policies in Note G1. In general, the valuations are based on externally generated data as far as is possible considering the circumstances in each case. In the case of model valuation, valuation models that are established in the market are always used. The

models and input data which form the basis of the valuations are regularly validated by the risk control to ensure that they are consistent with market practice and established financial theory. New and changed valuation models are always validated before they come into use. The risk control also performs a regular assessment of the uncertainty in the valuations.

Valuation matters which are of principle importance are discussed by the Group's valuation committee which includes representatives of both central and local risk control as well as financial functions. The valuation committee ensures that general instructions for valuation of financial instruments are consistently followed throughout the Group and serve as support for decision-making in valuation and accounting matters. The valuation committee is also a fo-

rum for spreading information and for preparing major matters in the valuation area.

### Differences between the transaction price and the value produced using a valuation model

As stated in the accounting policies in note G1, when performing model valuation of derivatives, material positive differences between the valuation at initial recognition and the transaction price (so-called day-1 gains) are amortised over the life of the derivative. As a consequence of the application of this principle, SEK 81 million (55) has been recognised in net gains/losses on financial transactions during the year. At the end of the year, non-recognised day-1 gains amounted to SEK 396 million (341).

Financial instruments at fair value 2013 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	32 611	-	-	32 611
Denominated at fair value	19 819	-	-	19 819
Available for sale	1 558	-	-	1 558
Loans to the public	-	2 562	18	2 580
Bonds and other interest-bearing securities				
Held for trading	21 881	5 078	-	26 959
Denominated at fair value	30 149	5 182	-	35 331
Available for sale	582	320	-	902
Shares				
Held for trading	40 283	1 183	76	41 542
Denominated at fair value	733	-	595	1 328
Available for sale	4 368	640	717	5 725
Assets where the customer bears the value change risk	84 829	-	490	85 319
Derivative instruments	1 333	68 628	-	69 961
<b>Total</b>	<b>238 146</b>	<b>83 593</b>	<b>1 896</b>	<b>323 635</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	84 876	-	490	85 366
Issued securities	4	17 332	84	17 420
Derivative instruments	2 158	59 371	-	61 529
Short positions	21 951	894	-	22 845
<b>Total</b>	<b>108 989</b>	<b>77 597</b>	<b>574</b>	<b>187 160</b>
<b>Financial instruments at fair value 2012</b>				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks	44 808	339	-	45 147
Loans to the public	-	4 054	24	4 078
Bonds and other interest-bearing securities	53 204	13 810	-	67 014
Shares	28 060	526	1 560	30 146
Assets where the customer bears the value change risk	68 565	-	-	68 565
Derivative instruments	1 242	109 608	-	110 850
<b>Total</b>	<b>195 879</b>	<b>128 337</b>	<b>1 584</b>	<b>325 800</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	68 613	-	-	68 613
Issued securities	5	13 674	77	13 756
Derivative instruments	2 508	103 536	-	106 044
Short positions	15 430	771	-	16 201
<b>Total</b>	<b>86 556</b>	<b>117 981</b>	<b>77</b>	<b>204 614</b>

## G39 Cont

**Valuation hierarchy**

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the extent of market data used in the valuation. The categorisation is shown as levels 1–3 in the table. The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2012), the instrument has been moved between the levels in the table.

Financial instruments which are valued at the current market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed equities and short positions in corresponding assets. Level 1 also includes the majority of shares in mutual funds and other assets which are related to unit-linked insurance contracts and similar agreements and the corresponding liabilities.

Financial instruments which are valued using valuation models which substantially are based on market data are categorised as level 2. Level 2 mainly includes interest-bearing securities and interest- and currency-related derivatives. Since the last financial year, interest-bearing securities worth SEK 1,733 million have been moved from level 2 to level 1 due to increased market activity. In addition, shares worth SEK 5 million have been moved from level 1 to level 2.

Financial instruments valued using models which to a material extent are based on input data that is not possible to verify using external market information, are categorised as level 3. These holdings mainly consist of unlisted holdings of equities and mutual fund units. Changes in level 3 holdings during the year are shown in a separate table.

Investments in private equity funds are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, e.g. P/E ratios. Value changes and capital gains on investments in private equity funds which comprise part of the investment assets in the insurance operations are not reported directly in the income statement but are included in the basis for calculating the yield split in the insurance operations.

The Group's holdings of unlisted securities mainly consist of the Bank's participating interests in various types of joint operations which are related to the Bank's business. For example, these may be participating interests in clearing organisations and infrastructure collaboration on Handelsbanken's home markets. In general, such holdings are valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction.

In all material respects, unlisted shares are classified as available for sale. Value changes for these holdings are thus reported in other comprehensive income.

Level 3 also includes loans at fair value and for which the valuation has been affected materially by a credit risk assumption which cannot be verified with externally generated data. A reasonable possible change in these credit risk assumptions would not have any significant effect on the Group's financial position or profit. Value changes of loans at fair value are reported in net gains/losses on financial transactions.

During the year, a review has been completed of the valuation of assets and liabilities which are reported as Assets or Liabilities where the customer bears the value change risk. As a result of this, SEK 490 million has been transferred between level 1 and level 3 under both items. The items consist of fund shares which the Bank owns but for which the counterparty bears the value change risk and the corresponding liability. The year's realised value changes on financial instruments in level 3 is SEK 141 million, of which SEK 147 million is included for calculation of the yield split in the insurance operations. The remaining amount has been recognised in net gains/losses on financial transactions.

**Reconciliation of financial instruments in level 3 2013**

SEK m	Shares	Derivatives net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	1 560	-	24	-	-	-77
Acquisitions/Issues	107	-	-	-	-	-1
Repurchases/Sales	-304	-	-	-	-	-
Matured	-1	-	-2	-	-	-
Unrealised value change in income statement	-12	-	0	-	-	-6
Unrealised value change in other comprehensive income	38	-	1	-	-	-
Transfer from level 1 or 2	-	-	3	490	-490	-
Transfer to level 1 or 2	-	-	-8	-	-	-
<b>Carrying amount at end of year</b>	<b>1 388</b>	<b>-</b>	<b>18</b>	<b>490</b>	<b>-490</b>	<b>-84</b>

**Reconciliation of financial instruments in level 3 2012**

SEK m	Shares	Derivatives net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	1 802	-3	25	-	-	-77
Acquisitions/Issues	84	-	-	-	-	-
Repurchases/Sales	-397	-	-	-	-	2
Matured	-	-	-6	-	-	-
The period's value change realised in the income statement	76	-	-	-	-	-
Unrealised value change in income statement	23	-	0	-	-	-2
Unrealised value change in other comprehensive income	-28	-	-1	-	-	-
Transfer from level 1 or 2	-	-	6	-	-	-
Transfer to level 1 or 2	-	3	-	-	-	-
<b>Carrying amount at end of year</b>	<b>1 560</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-77</b>



### Principles for information about the fair values of financial instruments which are carried at cost or amortised cost

Information about the fair values of financial instruments which are carried at cost or amortised cost is given in note G38 and in the below table. These instruments essentially comprise lending, deposits and funding. For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Thus, these items have not been subject to fair value measurement. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

The valuation of fixed-rate lending is based on the current market rate with an adjustment for an assumed credit and liquidity risk premium on market terms. The premium is assumed to be the same as the average margin for new lending at the time of the measurement. Interest-bearing securities have been valued at the current market price where this has been available. Funding and interest-bearing securities where market price information has not been found have been valued using a valuation model based on market data in the form of prices or interest for similar instruments.

In the table below, the valuation used for the information about the fair value of financial instruments reported at cost or amortised cost

is categorised in the valuation hierarchy described above. Means of payment and deposits are considered to be equivalent to cash and have been categorised as level 1. Level 1 also contains interest-bearing securities (assets and liabilities) for which there is a current market price. Lending where the assumption about credit and liquidity premium has materially affected the information about fair value has been categorised as level 3. Other instruments are categorised as level 2.

Fair value of financial instruments recognised at cost or amortised cost 2013 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with central banks	334 794	-	-	334 794
Other loans to central banks	2 668	32 492	-	35 160
Interest-bearing securities eligible as collateral with central banks	3 483	-	-	3 483
Loans to other credit institutions	15 228	46 248	937	62 413
Loans to the public	5 779	29 246	1 663 912	1 698 937
Bonds and other interest-bearing securities	931	-	-	931
Assets where the customer bears the value change risk	-	313	383	696
<b>Total</b>	<b>362 883</b>	<b>108 299</b>	<b>1 665 232</b>	<b>2 136 414</b>
<b>Liabilities</b>				
Due to credit institutions	33 487	139 641	-	173 128
Deposits and borrowing from the public	684 914	139 990	-	824 904
Liabilities where the customer bears the value change risk	-	696	-	696
Issued securities	644 538	505 189	-	1 149 727
Subordinated liabilities	-	17 710	-	17 710
<b>Total</b>	<b>1 362 939</b>	<b>803 226</b>	<b>-</b>	<b>2 166 165</b>

## G40 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2013	2012
Cash	5 010	5 000
Government instruments and bonds	21 860	55 676
Loans to the public	619 110	610 659
Equities	3 086	161
Assets registered on behalf of insurance policyholders	92 197	79 188
Other	13 002	-
<b>Total</b>	<b>754 265</b>	<b>750 684</b>

Other pledged assets SEK m	2013	2012
Cash	702	257
Government instruments and bonds	30 483	679
Equities	6 482	1 628
Other	4 012	-
<b>Total</b>	<b>41 679</b>	<b>2 564</b>

Other pledged assets refers to collateral pledged for obligations not reported in the balance sheet.

### Assets pledged

Assets pledged in the form of interest-bearing securities mainly comprise securities pledged as collateral to central banks and other credit institutions, for payment systems, securities trading and clearing and also securities sold under binding repurchase agreements.

Assets pledged in the form of equities mainly comprise lent equities.

Loans to the public pledged as security mainly comprise collateral registered for the benefit of holders of covered bonds issued by Stadshypotek. The collateral mainly comprises loans granted against mortgages in single-family homes, second homes, multi-family dwellings or housing co-operatives with a loan-to-value ratio within 75 per cent of the market value. In the event of the company's insolvency, pursuant to the Covered Bonds Act and the Right of Priority Act, the holders of the covered bonds have priority rights to the pledged assets. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must be kept separate from the bankruptcy estate's other assets and liabilities. The holders of the bonds will then receive contractual payments under the terms of the bond until maturity.

Assets registered on behalf of insurance policyholders comprise assets under life insurance contracts in Handelsbanken Liv where the policyholders have priority rights.

### Collateral received

For reverse repurchase agreements and equity

loans, securities are received that can be sold or repledged to a third party. Such securities are not reported in the balance sheet. The fair value of received securities under reverse repurchase agreements and agreements on equity loans was SEK 34,306 million (33,528) at the end of the financial year, where collateral worth SEK 1,050 million (11,452) had been sold or repledged to a third party. Information about received pledges for lending and other received collateral is shown in note G2.

### Transferred financial assets reported in the balance sheet

Transferred financial assets are assets where the rights to future cash flows are directly or indirectly transferred to an external counterparty. Most of the transferred financial assets carried in the balance sheet comprise interest-bearing securities which have been sold under binding repurchase agreements and lent equities. Normally the terms for the binding repurchases and equity loans are stipulated in framework agreements between the Bank and the respective counterparty.

Binding repurchase agreements imply selling securities with an undertaking to repurchase them at a fixed price at a pre-determined time in the future. The seller of the securities thus continues to be exposed to the risk of value changes during the life of the agreement. Securities sold under repurchase agreements remain at market value in the balance sheet throughout the life of the agreement. The purchase price received is reported as a liability to the coun-

terparty. According to the standard terms of a repurchase agreement, the right of ownership of the sold securities is transferred in its entirety from the seller to the buyer. This means that the buyer has the right to sell on, repledge or otherwise dispose of the purchased securities.

According to the standard agreements for equity loans, the exposure to the value change in the lent equity remains with the lender. Lent equities thus remain in the balance sheet throughout the life of the loan. Collateral for lent securities is normally in the form of cash or other securities. Cash collateral received is carried as a liability in the balance sheet. In the same way as for repurchase agreements, the standard agreement used for equity loans means that during the life of the loan, the borrower has the right to sell on, repledge or otherwise dispose of the borrowed securities.

Government instruments, bonds and equities provided as collateral for securities trading, clearing etc. where the title to the instrument has been transferred to the counterparty are reported as other transferred financial assets. Transferred financial assets also includes certain assets where the customer bears the value change risk. This item comprises portfolios of financial instruments where the Bank has the formal right of ownership but where the risks related to the assets and also the right to future cash flows have been transferred to a third party. The valuation of these assets reflects the valuation of the corresponding liability item.

Transferred financial assets recognised in the balance sheet SEK m	2013		2012	
	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	3 641	3 086	453	112 <sup>1</sup>
Shares, other	5 927	-	-	-
Government instruments and bonds, repurchase agreements	6 685	6 689	5 706	5 705
Government instruments and bonds, other	1 184	-	57	-
Assets where the customer bears the value change risk	2 203	2 203	1 025	1 025
<b>Total</b>	<b>19 640</b>	<b>11 978</b>	<b>7 241</b>	<b>6 842</b>

<sup>1</sup> Received cash collateral.

## G41 Contingent liabilities

SEK m	2013	2012
Guarantees, loans	8 371	10 723
Guarantees, other	58 568	39 913
Letters of credit	4 842	26 004
Other	2 348	4 183
<b>Total</b>	<b>74 129</b>	<b>80 823</b>

Contingent liabilities mainly consisted of various types of guarantees. The nominal amounts of the guarantees are shown in the table.

## G42 Other commitments

SEK m	2013	2012
Loan commitments	246 518	239 774
Unutilised part of granted overdraft facilities	122 572	132 534
Other	9 046	20 779
<b>Total</b>	<b>378 136</b>	<b>393 087</b>

Contracted irrevocable, future operating lease charges distributed by the year they fall due for payment		
SEK m	2013	2012
2014	701	530
2015–2018	1 781	1 101
2019 and later	564	373
<b>Total</b>	<b>3 046</b>	<b>2 004</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

## G43 Leases

Disclosures on gross investment and present value of future minimum lease payments		
SEK m	2013	2012
Gross investment	43 308	47 984
The present value of future minimum lease payments at balance sheet date	40 375	44 111

Distribution of gross investment and minimum lease payments by maturity				
SEK m	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	Total
<b>2013</b>				
Distribution of gross investment	4 181	15 847	23 280	43 308
Distribution of the present value of future minimum lease payments	4 157	15 368	20 850	40 375
<b>2012</b>				
Distribution of gross investment	5 477	16 756	25 751	47 984
Distribution of the present value of future minimum lease payments	5 439	16 146	22 526	44 111

Unearned finance income		
SEK m	2013	2012
Unearned finance income	2 932	3 873

The Group is lessor in all finance leases. All leases have guaranteed residual values. The book value of the provision for impaired loans with respect to minimum lease payments is SEK 22m (36). The variable part of the lease fee included in this year's profit is SEK 431m (742). The decrease is partly due to the lower interest rates in 2013 compared with 2012 but also to lower volumes.

At the end of the year in the Group there were six lease exposures each with an individual carrying amount exceeding SEK 1bn. The total carrying amount of these exposures was SEK 18.9bn (19.8) which is equivalent to 1.1% of the Group's total credit volume as at 31 December 2013. The carrying amount of the largest individual exposure was SEK 8.3bn (8.7). The average remaining maturity for this exposure was 6.2 years (7.2). These exposures are in the transport and energy sectors.

## G44 Segment reporting

Segment reporting 2013	Home markets										Continuing operations
	Branch operations in Sweden	Branch operations in the UK	Branch operations in Denmark	Branch operations in Finland	Branch operations in Norway	Branch operations in the Netherlands	Handelsbanken International	Capital Markets	Other	Adjustments and eliminations	
SEK m											
Net interest income	16 424	2 624	1 519	1 219	3 574	230	660	151	313	-45	26 669
Net fee and commission income	3 528	213	329	412	364	23	308	2 658	-31		7 804
Net gains/losses on financial items at fair value	462	120	97	40	83	1	79	977	-502		1 357
Risk result, insurance								142			142
Share of profit of associates									9		9
Other income	27	13	18	5	12	-	6	10	255		346
<b>Total income</b>	<b>20 441</b>	<b>2 970</b>	<b>1 963</b>	<b>1 676</b>	<b>4 033</b>	<b>254</b>	<b>1 053</b>	<b>3 938</b>	<b>44</b>	<b>-45</b>	<b>36 327</b>
Staff costs	-3 300	-1 059	-546	-331	-662	-96	-510	-2 033	-2 858	-9	-11 404
Other administrative expenses	-1 190	-243	-175	-145	-232	-21	-181	-785	-2 209		-5 181
Internal purchased and sold services	-3 027	-317	-252	-239	-368	-56	-153	31	4 336	45	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-87	-41	-17	-10	-10	-1	-11	-50	-249		-476
<b>Total expenses</b>	<b>-7 604</b>	<b>-1 660</b>	<b>-990</b>	<b>-725</b>	<b>-1 272</b>	<b>-174</b>	<b>-855</b>	<b>-2 837</b>	<b>-980</b>	<b>36</b>	<b>-17 061</b>
<b>Profit before loan losses</b>	<b>12 837</b>	<b>1 310</b>	<b>973</b>	<b>951</b>	<b>2 761</b>	<b>80</b>	<b>198</b>	<b>1 101</b>	<b>-936</b>	<b>-9</b>	<b>19 266</b>
Net loan losses	-357	-168	-161	-268	-169	-7	-65				-1 195
Gains/losses on disposal of property, equipment and intangible assets	9	1	-	0	0	-	0	0	7		17
<b>Operating profit</b>	<b>12 489</b>	<b>1 143</b>	<b>812</b>	<b>683</b>	<b>2 592</b>	<b>73</b>	<b>133</b>	<b>1 101</b>	<b>-929</b>	<b>-9</b>	<b>18 088</b>
Profit allocation	902	30	47	70	43	4	38	-1 134	0		
<b>Operating profit after profit allocation</b>	<b>13 391</b>	<b>1 173</b>	<b>859</b>	<b>753</b>	<b>2 635</b>	<b>77</b>	<b>171</b>	<b>-33</b>	<b>-929</b>	<b>-9</b>	<b>18 088</b>
Internal income <sup>1</sup>	-1 104	-1 212	-395	-417	-3 606	-140	-50	-1 414	8 338		
C/I ratio, %	35.6	55.3	49.3	41.5	31.2	67.4	78.4	101.2			47.0
Loan loss ratio, %	0.03	0.14	0.25	0.30	0.08	0.05	0.22				0.07
Assets	1 325 261	194 503	78 830	153 436	202 567	33 039	76 640	294 607	1 533 505	-1 402 582	2 489 806
Liabilities	1 263 456	186 859	73 482	147 315	190 444	32 221	72 419	291 546	1 533 505	-1 412 780	2 378 467
Allocated capital	61 805	7 644	5 348	6 121	12 123	818	4 221	3 061		10 198	111 339
Return on allocated capital, %	17.7	13.2	12.7	9.9	17.0	7.7	3.1	-			13.8
The year's investments in non-financial non-current assets	71	22	37	10	14	8	22	225	233		642
The year's investments in associated companies									53		53
Average number of employees	4 420	1 260	624	490	650	102	511	1 464	1 982		11 503

<sup>1</sup> Internal income which is included in total income comprises income from transactions with other operating segments. Since interest income and interest expense are reported net as income, this means that internal income includes the net amount of the internal funding cost among segments.

Geographical information 2013	Home markets								Other countries	Group
SEK m	Sweden	Denmark	Finland	Norway	UK	Netherlands				
Income	17 925	2 429	2 623	7 951	4 101	394		904	36 327	
Assets	1 458 999	97 940	142 878	215 909	219 267	26 520		328 293	2 489 806	

### Other information

Investments in non-financial assets

Sweden	Denmark	Finland	Norway	UK	Netherlands	Other countries	Group
515	41	13	21	22	8	22	642

Income and assets presented in the Geographical information are composed only of external income and assets in the respective country.

The business segments are recognised in compliance with IFRS 8, Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance. Handelsbanken's operations are presented in the following segments: Branch operations in Sweden, the UK, Denmark, Finland, Norway and the Netherlands; Handelsbanken International and Capital Markets. Handelsbanken's branch operations, which provide universal banking services, are divided into 14 regional banks. Six of these are Swedish, and eight

are located outside Sweden. Each regional bank is led by a head of regional bank, and is monitored as an independent profit centre. The Capital Markets segment is Handelsbanken's investment bank, including securities trading and investment advisory services. Its operations also include asset management and insurance operations.

Profit/loss for the segments is reported before and after internal profit allocation. Internal profit allocation means that the unit which is responsible for the customer is allocated all the profits deriving from its customers' transactions

with the Bank, regardless of the segment where the transaction was performed. Furthermore, income and expenses for services performed internally are reported net on the separate line "Internal purchased and sold services". Transactions among the segments are reported primarily according to the cost price principle. The Other and Adjustments and eliminations columns show items which do not belong to a specific segment or which are eliminated at Group level. Other includes Treasury and central departments and also the cost of the Oktogonen profit-sharing plan which is SEK 1,096

Segment reporting 2012	Home markets						Handelsbanken International	Capital Markets	Other	Adjustments and eliminations	Continuing operations
	Branch operations in Sweden	Branch operations in the UK	Branch operations in Denmark	Branch operations in Finland	Branch operations in Norway	Branch operations in the Netherlands					
SEK m											
Net interest income	16 781	2 142	1 397	1 032	3 098	177	766	517	209	-38	26 081
Net fee and commission income	3 375	94	290	375	329	26	328	2 438	114		7 369
Net gains/losses on financial items at fair value	579	91	55	30	87	2	86	658	-468		1 120
Risk result, insurance								196			196
Share of profit of associates									8		8
Other income	18	15	19	5	15	-	2	11	203		288
<b>Total income</b>	<b>20 753</b>	<b>2 342</b>	<b>1 761</b>	<b>1 442</b>	<b>3 529</b>	<b>205</b>	<b>1 182</b>	<b>3 820</b>	<b>66</b>	<b>-38</b>	<b>35 062</b>
Staff costs	-3 157	-793	-537	-326	-700	-77	-526	-2 255	-2 745	-51	-11 167
Other administrative expenses	-1 218	-178	-173	-143	-235	-18	-192	-768	-2 144		-5 069
Internal purchased and sold services	-2 828	-201	-235	-208	-316	-37	-108	-127	4 022	38	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-90	-12	-16	-21	-12	-7	-13	-54	-239		-464
<b>Total expenses</b>	<b>-7 293</b>	<b>-1 184</b>	<b>-961</b>	<b>-698</b>	<b>-1 263</b>	<b>-139</b>	<b>-839</b>	<b>-3 204</b>	<b>-1 106</b>	<b>-13</b>	<b>-16 700</b>
<b>Profit before loan losses</b>	<b>13 460</b>	<b>1 158</b>	<b>800</b>	<b>744</b>	<b>2 266</b>	<b>66</b>	<b>343</b>	<b>616</b>	<b>-1 040</b>	<b>-51</b>	<b>18 362</b>
Net loan losses	-420	-151	-368	-128	-200	0	16				-1 251
Gains/losses on disposal of property, equipment and intangible assets	0	-1	-	-	-	-	-2	0	0		-3
<b>Operating profit</b>	<b>13 040</b>	<b>1 006</b>	<b>432</b>	<b>616</b>	<b>2 066</b>	<b>66</b>	<b>357</b>	<b>616</b>	<b>-1 040</b>	<b>-51</b>	<b>17 108</b>
Profit allocation	641	15	27	44	31	1	20	-779	0		
<b>Operating profit after profit allocation</b>	<b>13 681</b>	<b>1 021</b>	<b>459</b>	<b>660</b>	<b>2 097</b>	<b>67</b>	<b>377</b>	<b>-163</b>	<b>-1 040</b>	<b>-51</b>	<b>17 108</b>
Internal income <sup>1</sup>	-2 178	-1 308	-538	-689	-4 131	-235	-44	-1 167	10 290		
C/I ratio, %	34.1	50.2	53.7	47.0	35.5	67.5	69.8	105.4			47.6
Loan loss ratio, %	0.04	0.16	0.61	0.15	0.11	0.00	-0.04				0.08
Assets	1 275 804	147 787	74 077	134 985	212 392	21 482	67 594	317 892	1 335 051	-1 203 113	2 383 951
Liabilities	1 218 560	141 909	69 151	129 558	200 519	20 942	63 593	313 705	1 335 051	-1 212 887	2 280 101
Allocated capital	57 244	5 878	4 926	5 427	11 873	540	4 001	4 187		9 774	103 850
Return on allocated capital, %	18.5	13.9	7.3	9.8	13.5	10.4	6.8	-			14.8
The year's investments in non-financial non-current assets	78	14	2	20	7	2	15	222	228		588
The year's investments in associated companies									30		30
Average number of employees	4 397	944	617	478	647	82	536	1 550	1 941		11 192

Geographical information 2012									Other countries	Group
SEK m	Sweden	Denmark	Finland	Norway	UK	Netherlands				
Income	17 738	2 693	2 306	7 914	3 308	367			736	35 062
Assets	1 465 364	81 277	165 771	217 050	190 791	16 906			250 699	2 387 858
<b>Other information</b>										
Investments in non-financial assets	531	6	10	9	14	3			15	588

million (1,020). The Adjustments and eliminations column includes adjustments for staff costs. Adjustments for staff costs contains the difference between the Group's pension costs calculated in accordance with IAS 19, Employee Benefits, and the standard pension costs, which total SEK -564 million (-611), and compensation from the pension foundation of SEK 555 million (560).

Internal income mainly consists of internal interest and commissions. The segment income statements also include internal items in the form of payment for internal services rendered. Internal debiting is primarily according to the

cost price principle. In branch operations, assets consist mainly of loans to the public and liabilities of deposits from the public and also internal borrowing. In the Capital Markets segment, assets mainly consist of securities that are managed within the asset management and insurance operations. The assets in the Other column are mainly internal lending to the various segments while the liabilities are mainly external borrowings. Return on allocated capital for the segments is calculated based on average allocated equity and a tax rate of 22 per cent. For the Group, return on equity is calculated after reported tax.

Income per product area	2013	2012
SEK m		
Investment bank	4 272	4 230
Bank deposits and corporate loans	11 913	11 720
Finance company services	1 887	1 982
Bank deposits and loans to private individuals	4 541	4 815
Mortgages	9 369	7 747
Pensions and insurance	1 031	1 105
Capital market	1 914	1 547
Trade finance	477	570
Other operations	923	1 346
<b>Total</b>	<b>36 327</b>	<b>35 062</b>

## G45 Assets and liabilities in currencies

2013 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	342	48 191	4 263	85	46 585	235 126	202	334 794
Other loans to central banks	2 540	130	11 105	21 156	229	-	0	35 160
Loans to other credit institutions	4 120	11 124	132	151	583	43 811	2 977	62 898
Loans to the public	1 121 986	164 903	182 613	62 231	129 807	24 378	10 421	1 696 339
<i>of which corporate</i>	494 774	123 076	101 809	24 965	90 892	24 313	9 199	869 028
<i>of which households</i>	627 212	41 827	80 804	37 266	38 915	65	1 222	827 311
Interest-bearing securities eligible as collateral with central banks	26 826	6 727	1 137	6	-	21 202	1 553	57 451
Bonds and other interest-bearing securities	54 921	5 651	2 667	75	-	734	77	64 125
Other items not broken down by currency	239 039							239 039
<b>Total assets</b>	<b>1 449 774</b>	<b>236 726</b>	<b>201 917</b>	<b>83 704</b>	<b>177 204</b>	<b>325 251</b>	<b>15 230</b>	<b>2 489 806</b>
<b>Liabilities</b>								
Due to credit institutions	29 695	24 208	5 252	13 315	12 156	75 355	11 643	171 624
Deposits and borrowing from the public	429 266	83 433	52 273	32 072	69 091	153 580	5 490	825 205
<i>of which corporate</i>	192 500	70 681	36 810	20 758	59 905	151 938	5 293	537 885
<i>of which households</i>	236 766	12 752	15 463	11 314	9 186	1 642	197	287 320
Issued securities	477 393	227 389	18 769	226	89 640	317 453	19 771	1 150 641
Subordinated liabilities	10 472	4 427	-	-	-	143	923	15 965
Other items not broken down by currency, incl. equity	326 371							326 371
<b>Total liabilities and equity</b>	<b>1 273 197</b>	<b>339 457</b>	<b>76 294</b>	<b>45 613</b>	<b>170 887</b>	<b>546 531</b>	<b>37 827</b>	<b>2 489 806</b>
Other assets and liabilities broken down by currency and off-balance sheet items		102 703	-125 629	-38 049	-6 362	221 290	22 683	
Net foreign currency position		-28	-6	42	-45	10	86	59

2012 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	1 333	77 689	8 628	73	4	148 320	498	236 545
Other loans to central banks	2 444	-422	375	9 875	98	0	0	12 370
Loans to other credit institutions	9 928	11 844	2 845	250	134	60 822	3 688	89 511
Loans to the public	1 126 737	150 201	199 231	54 637	110 953	27 488	11 232	1 680 479
<i>of which corporate</i>	529 830	114 036	115 970	23 374	80 975	27 426	9 808	901 419
<i>of which households</i>	596 907	36 165	83 261	31 263	29 978	62	1 424	779 060
Interest-bearing securities eligible as collateral with central banks	28 612	3 332	183	5	0	15 727	1 047	48 906
Bonds and other interest-bearing securities	57 812	5 971	3 081	107	-	1 251	132	68 354
Other items not broken down by currency	247 786							247 786
<b>Total assets</b>	<b>1 474 652</b>	<b>248 615</b>	<b>214 343</b>	<b>64 947</b>	<b>111 189</b>	<b>253 608</b>	<b>16 597</b>	<b>2 383 951</b>
<b>Liabilities</b>								
Due to credit institutions	27 773	46 440	12 076	12 109	3 811	66 438	15 298	183 945
Deposits and borrowing from the public	413 908	65 822	57 421	23 578	43 836	72 803	4 855	682 223
<i>of which corporate</i>	192 469	53 594	41 591	13 088	37 894	71 543	4 631	414 810
<i>of which households</i>	221 439	12 228	15 830	10 490	5 942	1 260	224	267 413
Issued securities	478 244	268 211	15 999	365	64 320	310 628	13 659	1 151 426
Subordinated liabilities	10 896	4 655	-	-	4 300	186	1 130	21 167
Other items not broken down by currency, incl. equity	345 190							345 190
<b>Total liabilities and equity</b>	<b>1 276 011</b>	<b>385 128</b>	<b>85 496</b>	<b>36 052</b>	<b>116 267</b>	<b>450 055</b>	<b>34 942</b>	<b>2 383 951</b>
Other assets and liabilities broken down by currency and off-balance sheet items		136 415	-128 745	-28 910	5 010	196 266	18 627	
Net foreign currency position		-98	102	-15	-68	-181	282	22

## G46 Related-party disclosures

Claims on and liabilities to related parties	Associated companies		Other related parties	
	2013	2012	2013	2012
SEK m				
Loans to credit institutions	-	12	-	-
Loans to the public	729	227	-	-
Bonds and other interest-bearing securities	-	-	-	-
Other assets	85	-	587	579
<b>Total</b>	<b>814</b>	<b>239</b>	<b>587</b>	<b>579</b>
Due to credit institutions	-	-	-	-
Deposits and borrowing from the public	186	152	334	227
Issued securities	-	-	-	-
Subordinated liabilities	-	-	698	400
Other liabilities	-	-	56	92
<b>Total</b>	<b>186</b>	<b>152</b>	<b>1 088</b>	<b>719</b>
<b>Related parties – income and expense</b>	<b>Associated companies</b>		<b>Other related parties</b>	
SEK m	2013	2012	2013	2012
Interest income	8	4	0	-
Interest expense	-2	-3	-18	-18
Fee and commission income	2	0	-	0
Fee and commission expense	-99	-17	-	-
Net gains/losses on financial items at fair value	0	0	-	-
Other income	-	-	3	4
Other expenses	-2	-2	-24	-21
<b>Total</b>	<b>-93</b>	<b>-18</b>	<b>-39</b>	<b>-35</b>

A list of associated companies and information about shareholder contributions to associated companies is presented in note G19. The associated companies' operations comprise various types of services related to the financial markets. The following companies comprise the group of related parties: Svenska Handelsbankens Pensionsstiftelse, Svenska Handelsbankens Personalstiftelse and Pensionskassan SHB, försäkringsförening. These companies use Svenska Handelsbanken AB for customary banking and accounting services. No material transactions between the Group and related companies have taken place during the year.

The parent company's Swedish subsidiary has paid pension premiums for defined benefit pensions to Pensionskassan SHB, försäkringsförening (pension fund) amounting to SEK 46m (42). The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if Pensionskassan SHB, försäkringsförening cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 3,557m (3,959). Svenska Handelsbanken AB has asked for compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 555m (560).

Information regarding loans to senior management, conditions and other remuneration to senior management is given in note G8.

## G47 Business combinations

On 24 May 2013, the acquisition of Heartwood Wealth Group Limited was completed with pertaining rights, asset management agreements and subsidiaries, etc. Heartwood Wealth Group Limited thus became a wholly owned subsidiary of Handelsbanken. The reason for the acquisition is to allow the Bank to expand its customer offering in the UK and take a major step forward for further growth in its savings business.

Heartwood manages around GBP 1.8 billion and has some 90 employees. The company has operations in London and Tunbridge Wells. It offers services such as discretionary management, financial advice and pension solutions.

To establish an acquisition balance sheet at the time of consolidation, the cost of acquisition at fair

value reported in accordance with IFRS 3 was set at approximately GBP 44 million. The acquisition analysis includes fair value measurement of the assets and liabilities in Heartwood, identifiable intangible assets, valuation of contingent liabilities, deferred taxes and maximum additional purchase price subject to certain conditions.

The table below shows how the cost of acquisition reported in the acquisition balance sheet was allocated over the acquired assets and liabilities in Heartwood at the time of the acquisition. The lower part of the table shows the carrying amounts and fair values for Heartwood's assets and liabilities.

At the time of the acquisition, a customer-related intangible asset and the Heartwood

brand were identified, the values of which can be reliably measured and which are therefore reported separately. Goodwill was also identified. The goodwill arising from the acquisition derives mainly from the synergy benefits from Handelsbanken's established operations in the UK and personnel-related resources.

Since the acquisition, Heartwood has contributed SEK 101 million to the year's income. The contribution to the year's profit is only marginal. If Heartwood had been included in the consolidated accounts from 1 January 2013, the company would have contributed SEK 160 million to the Group's income. The impact on the year's profit would have been only marginal.

SEK m		SEK m	Fair value upon acquisition	Carrying amount in Heartwood before acquisition
<b>Recognised cost of acquisition according to IFRS 3</b>	<b>446</b>	Loans to credit institutions	93	93
Fair value of carried assets (as specified below)	101	Intangible assets	-	58
Identifiable intangible asset	260	Property and equipment	7	7
Deferred tax	-59	Other assets	34	34
<b>Total net assets acquired</b>	<b>302</b>	<b>Total assets</b>	<b>134</b>	<b>192</b>
<b>Acquisition goodwill</b>	<b>144</b>	Other liabilities	33	33
		<b>Total liabilities</b>	<b>33</b>	<b>33</b>
		<b>Total net assets</b>	<b>101</b>	<b>159</b>



## G48 Restating of financial reports due to revised IAS19

The restatement relates to accounting for defined-benefit pensions in accordance with IAS 19 Employee benefits. The initial effect is recognised against retained earnings as of 1 January 2012. The adjusted 2011 balance sheet comprises the new opening balance for 2012. More details about the implications of the change can be found in note G1.

SEK m	2012	Adjustments IAS19	2012 Adjusted			
<b>Total income</b>	<b>35 062</b>		<b>35 062</b>			
Staff costs	-10 711	-456	-11 167			
Other administrative expenses	-5 069		-5 069			
Depreciation, amortisation and impairments of property, equipment and intangible assets	-464		-464			
<b>Total expenses</b>	<b>-16 244</b>	<b>-456</b>	<b>-16 700</b>			
<b>Profit before loan losses</b>	<b>18 818</b>	<b>-456</b>	<b>18 362</b>			
Net loan losses	-1 251		-1 251			
Gains/losses on disposal of property, equipment and intangible assets	-3		-3			
<b>Operating profit</b>	<b>17 564</b>	<b>-456</b>	<b>17 108</b>			
Taxes	-3 038	-54	-3 092			
<b>Profit for the year from continuing operations</b>	<b>14 526</b>	<b>-510</b>	<b>14 016</b>			
Profit for the year pertaining to discontinued operations, after tax	22		22			
<b>Profit for the year</b>	<b>14 548</b>	<b>-510</b>	<b>14 038</b>			
<i>Attributable to</i>						
Shareholders in Svenska Handelsbanken AB	14 547	-510	14 037			
Minority interest	1		1			
Earnings per share, continuing operations, SEK after dilution	23.11	-0.81	22.30			
Earnings per share, total operations, SEK after dilution	22.60	-0.78	21.82			
Earnings per share, total operations, SEK after dilution	23.15	-0.81	22.34			
Earnings per share, total operations, SEK after dilution	22.63	-0.78	21.85			
<b>Profit for the year</b>	<b>14 548</b>	<b>-510</b>	<b>14 038</b>			
<b>Other comprehensive income</b>						
Cash flow hedges	2 390		2 390			
Available-for-sale instruments	984		984			
Translation difference for the year	-126		-126			
Defined benefit plans		2 583	2 583			
Tax related to other comprehensive income	-913	-568	-1 481			
<b>Total other comprehensive income</b>	<b>2 335</b>	<b>2 015</b>	<b>4 350</b>			
<b>Total comprehensive income for the year</b>	<b>16 883</b>	<b>1 505</b>	<b>18 388</b>			
<i>Attributable to</i>						
Shareholders in Svenska Handelsbanken AB	16 882		18 387			
Minority interest	1		1			
<hr/>						
SEK m	2011	Adjustments IAS19	2011 Adjusted	2012	Adjustments IAS19	2012 Adjusted
<b>ASSETS</b>						
Net pension assets	4 775	-4 775	-	4 673	-3 907	766
Other assets	2 449 591		2 449 591	2 383 185		2 383 185
<b>Total assets</b>	<b>2 454 366</b>	<b>-4 775</b>	<b>2 449 591</b>	<b>2 387 858</b>	<b>-3 907</b>	<b>2 383 951</b>
<b>LIABILITIES AND EQUITY</b>						
Deferred tax liabilities	9 466	-1 624	7 842	9 573	-860	8 713
Net pension liabilities		1 401	1 401			
Other liabilities	2 350 376		2 350 376	2 271 388		2 271 388
<b>Total liabilities</b>	<b>2 359 842</b>	<b>-223</b>	<b>2 359 619</b>	<b>2 280 961</b>	<b>-860</b>	<b>2 280 101</b>
Other equity	1 685		1 685	5 607		5 607
Defined benefit plans					2 015	2 015
Retained earnings	80 516	-4 552	75 964	86 743	-4 552	82 191
Profit for the year	12 323		12 323	14 547	-510	14 037
<b>Total equity</b>	<b>94 524</b>	<b>-4 552</b>	<b>89 972</b>	<b>106 897</b>	<b>-3 047</b>	<b>103 850</b>
<b>Total liabilities and equity</b>	<b>2 454 366</b>	<b>-4 775</b>	<b>2 449 591</b>	<b>2 387 858</b>	<b>-3 907</b>	<b>2 383 951</b>

## G49 Capital adequacy

### CAPITAL POLICY

The Bank aims to maintain a robust capital level which meets the risk entailed in the Group's operations and which exceeds the minimum requirements prescribed by legislation. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

### LEGAL CAPITAL REQUIREMENT

According to the new capital adequacy regulations, Basel II, which were introduced in Sweden on 1 February 2007 through the Act (2006:1371) on Capital Adequacy and Large Exposures of Credit Institutions and Securities Companies, the Bank must maintain a capital base at least corresponding to the sum of the capital requirements for credit risks, market risks and operational risks. In addition to maintaining capital according to the minimum requirement, the Bank must make an internal capital adequacy assessment. Handelsbanken's capital policy – most recently adopted during 2012 – states the guidelines for the internal capital adequacy assessment. The Bank must also comply with a capital requirement at the financial conglomerate level in accordance with the Financial Conglomerates (Special Supervision) Act (2006:531). See below for more information about capital adequacy for the financial conglomerate. During 2013, the Bank met the statutory minimum level for its capital base by a good margin. More detailed information about the Bank's capital base and capital requirement is available in note G2, Risk and capital management, and in the document entitled "Handelsbanken's risk and capital management – information according to Pillar 3" (see handelsbanken.se/ireng).

### DESCRIPTION OF THE BANKING GROUP

The banking group consists of the parent company, subsidiaries and associated companies that are included in the consolidated group accounts, as shown in the table on page 137. Companies that are included in the group accounts but are excluded from the banking group are shown in the table on page 137. For capital adequacy purposes all companies are fully consolidated; in the group accounts, associated companies are consolidated using the equity method.

### DESCRIPTION OF THE CAPITAL BASE FOR THE BANKING GROUP

The capital base consists of tier 1 capital and tier 2 capital. The tier 1 capital consists of the equity and issued tier 1 capital contributions in the companies which are part of the banking group where Handelsbanken AB is the parent institution. The tier 2 capital mainly consists of perpetual and dated subordinated loans. Certain reductions are subsequently made from the capital base. The reductions are made from the tier 1 capital, from the tier 2 capital and from the capital base as a whole. Only capital from companies within

the banking group is included in the capital base. For the Bank's risk management, it is important that in risk terms, both the Group and the banking group can be viewed as one unit. To enable efficient risk management in the Group, capital may need to be re-allocated among the various companies in the Group. In general, Handelsbanken is able to re-allocate capital among the Group companies, to the extent that is permitted by legislation, for example capital adequacy requirements and restrictions in corporate law. The Bank sees no other material or legal obstacles to a rapid transfer of funds from the capital base, or repayment of liabilities between the parent company and its subsidiaries.

### Tier 1 capital

The tier 1 capital consists mainly of equity in the banking group. Since the Group's insurance companies are not part of the banking group, retained earnings in these companies are not included in the tier 1 capital. With the consent of the Swedish Financial Supervisory Authority, certain types of perpetual subordinated loans may be included in the tier 1 capital (so-called tier 1 capital contributions). The proportion that may be included net after reduction items depends on the contractual terms of the instruments issued. In total, tier 1 capital contributions can comprise at most 50 per cent of the overall tier 1 capital. Tier 1 capital contributions which are not convertible into shares, or which can be redeemed by the Bank at nominal value, can comprise at most 35 per cent. Innovative tier 1 capital contributions, which contain an increase of the interest margin (a step-up), may comprise at most 15 per cent. The total scope for issuing tier 1 capital contributions was SEK 78.9 billion at the end of 2013, including an amount of SEK 52.1 billion for tier 1 capital contributions which are not convertible into shares, or which can be redeemed by the Bank at nominal value. The scope for issuing innovative tier 1 capital contributions was SEK 19.2 billion.

Of the total of the Bank's issued tier 1 capital contributions, SEK 5.3 billion are regular tier 1 capital contributions and SEK 5.3 billion are so-called enhanced tier 1 capital contributions. Regular tier 1 capital contributions issued by the Bank up to and including 2007 give the Bank the right to convert the instrument into equity to avoid being forced to enter into liquidation. For enhanced tier 1 capital contributions issued since 2008, the Bank has the right to convert the instruments into equity at an earlier stage to avoid breaching regulatory requirements. In the case of liquidation, both types of instruments will be classified as liabilities, including the part that was previously converted into equity, and will then have the same residual claim to the assets of the company. This claim is subordinate to the claims of all other creditors. Only shareholders have a poorer claim to the assets of the company. For enhanced tier 1 capital contributions, the Bank has an unconditional

right to suspend coupon payments, in other words, payment of interest can be suspended at any time. If there are no distributable funds, coupon payments must be suspended for both types of instrument.

All tier 1 capital contributions are issued under the previous regulatory framework. The entire amount is therefore included according to the transitional arrangements in FFFS 2010:10.

The items to be excluded from tier 1 capital are mainly goodwill and other intangible assets, as well as unrealised gains on shares classified as available-for-sale. Deferred tax assets and write-ups of properties also reduce the tier 1 capital. Neutrality adjustments are made for interest-bearing instruments classified as available-for-sale and for the effect of cash flow hedges on equity. Due to the changed capital adequacy regulations applying from 31 December 2011, a deduction must be made for value adjustments for all less liquid positions measured at fair value. The previous regulations only included illiquid positions in the trading book.

### Tier 2 capital

The tier 2 capital contains subordinated loans, reductions relating to write-ups of property and unrealised gains on shares classified as available-for-sale. The gross amount of tier 2 capital must never exceed the tier 1 capital. A further restriction is that the maximum amount of the dated subordinated loans which can be included in the capital base is 50 per cent of the total tier 1 capital. Holdings of various types of subordinated liabilities are included within the regulatory restrictions. For more details of the terms of outstanding subordinated loans, see note G37 Subordinated Liabilities.

### Deductions from tier 1 and tier 2 capital

Institutions with permission to use internal ratings-based models (IRB institutions) must make a deduction for the difference between expected loan losses under the IRB model and the provisions for probable loan losses if the expected loan losses exceed the provisions made. Deductions must also be made for capital contributions in certain financial companies where there is an associated company relationship, if the share of the capital exceeds 10 per cent, or if the total contributions exceed 10 per cent of the company's capital. Half of these deductions must be made from the tier 1 capital and half from the tier 2 capital.

### Deductions from the total capital base

A deduction must be made from the total capital base for the net value of recognised surpluses in pension assets. However, the deduction may be reduced by an amount corresponding to the Bank's right to reimbursement for pension costs from Handelsbanken's pension foundation. The total capital base must also be reduced by contributions to insurance companies provided before 20 June 2006. From 2013, half of these

Companies included in the banking group	Corporate identity number	Domicile
<b>Handelsbanken AB (publ)<sup>1</sup></b>	502007-7862	Stockholm
<b>SUBSIDIARIES</b>		
<b>Handelsbanken Finans AB<sup>1</sup></b>	556053-0841	Stockholm
Kredit-Inkasso AB	556069-3185	Stockholm
Handelsbanken Rahoitus Oy	0112308-8	Helsinki
Kreditt-Inkasso AS	955074203	Fredrikstad
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	310101717882194	Shanghai
<b>Stadshypotek AB<sup>1</sup></b>	556459-6715	Stockholm
Svenska Intecknings Garanti AB Sigab (inactive)	556432-7285	Stockholm
<b>Handelsbanken Fondbolagsförvaltning AB</b>	556070-0683	Stockholm
Handelsbanken Fonder AB	556418-8851	Stockholm
Handelsinvest Investeringsförvaltning A/S	12930879	Copenhagen
Handelsbanken Fondbolag Ab	1105019-3	Helsinki
Handelsbanken Kapitalförvaltning AS	973194860	Oslo
<b>AB Handel och Industri</b>	556013-5336	Stockholm
<b>Heartwood Wealth Group Limited</b>	05498937	London
Heartwood Wealth Management Limited	4132340	London
Heartwood Nominees Limited (inactive)	2299877	London
Heartwood Second Nominees Limited (inactive)	3193458	London
Private Office limited (inactive)	4332528	London
Ejendomsselskabet af 1. januar 2002 A/S	38300512	Herning
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød
Forva AS	945812141	Oslo
Lejontrappan AB (inactive)	556481-1551	Gothenburg
Handelsbanken Markets Securities, Inc <sup>1</sup>	11-3257438	New York
Handelsbanken Mezzanine Fond 1 KB (inactive)	969710-3126	Stockholm
Handelsbanken Mezzanine Management AB (inactive)	556679-2668	Stockholm
Lokalbolig A/S	78488018	Hillerød
Rådstuplass 4 AS	910508423	Bergen
SIL (Nominees) Limited (inactive)	1932320	London
Svenska Handelsbanken Delaware Inc.	13-3153272	Delaware
Svenska Handelsbanken S.A. <sup>1</sup>	RCS Lux B-15992	Luxembourg
Svenska Property Nominees Limited (inactive)	2308524	London
Handelsbanken Fastigheter AB	556873-0021	Stockholm
Svenska Handelsbanken Representações (Brasil) Ltda	15.367.073/0001-93	São Paulo
EFN Ekonomikanalen AB	556930-1608	Stockholm
<b>ASSOCIATES</b>		
Bankomatcentralen AB	556197-2265	Stockholm
BDB Bankernas Depå AB	556695-3567	Stockholm
BGC Holding AB	556607-0933	Stockholm
Bankgirocentralen BGC AB	556047-3521	Stockholm
Devise Business Transactions Sweden AB	556564-5404	Stockholm
Finansiell ID-teknik BID AB	556630-4928	Stockholm
Upplysningscentralen UC AB	556137-5113	Stockholm
UC Ekonomipublikationer AB	556613-0042	Stockholm
UC Ljungquist Information AB	556576-7133	Stockholm
UC allabolag AB	556730-7367	Stockholm
Bankomat AB	556817-9716	Stockholm
Getswish AB	556913-7382	Stockholm

<sup>1</sup> Credit institution.

Companies not included in the banking group	Corporate identity number	Domicile
Handelsbanken Liv Försäkring AB (group excl. Handelsbanken Fastigheter AB)	516401-8284	Stockholm
Svenska Re S.A.	RCS Lux B-32053	Luxembourg
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm
Handelsbanken Renting AB (in liquidation)	556043-2766	Stockholm
Flisekompaniet Holding AS	992999136	Oslo
Dyson Group plc	163096	Sheffield
Plastal Industri AB	556532-8845	Gothenburg
Festival AS	993798304	Kristiansand

contributions must be made from the tier 1 capital and half from the tier 2 capital.

## CAPITAL REQUIREMENT

Handelsbanken applies an internal method called the IRB model for categorising risk and calculation of credit risk. The capital adequacy regulations contain two different IRB approaches: a foundation approach and an advanced approach.

In the foundation approach, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are set by the Financial Supervisory Authority. In the advanced approach, the Bank uses its own methods to calculate the loss in the case of default (LGD) and the exposure at default (EAD).

Handelsbanken applies the foundation IRB method for exposures to Institutions, and for certain product and collateral types related to corporate exposures for the whole regional banking operations and in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB, Handelsbanken Finans (Shanghai) Financial Leasing Co Ltd and Rahoitus Oy.

The advanced IRB method is applied for most of the exposures to Large Corporates, medium-sized companies, property companies and housing co-operative associations in the regional banking operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, and retail exposures in Sweden, Norway, Finland and Denmark and in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy.

As at the year-end, the IRB approach covered approximately 87 per cent of the total risk-weighted assets in terms of credit risk calculated according to Basel II. For the remaining credit risk exposures, the capital requirement during 2013 was measured using the Basel II standard regulations. Figures reported in this section refer to the minimum capital requirements under Pillar 1 of the Basel II capital adequacy rules. In the table, "According to Basel II" means that the figures are based on the minimum capital requirements after the transitional rules have ceased to apply. The transitional rules apply until further notice.

Repos and securities loans are reported separately in the table of capital requirement according to the IRB model, since they give rise to very low capital requirements, while the volumes vary considerably over time. The low capital requirement is because the exposure is reported gross and the exposure is secured.

The total average risk weight for IRB exposures went down by 1.2 percentage points during the year. The decrease is mainly due to a decrease in the average risk weight for corporate exposures. This in turn is mainly due to higher credit volume during the year to counterparties with relatively lower risk weights combined with a decrease in the volume to counterparties with relatively higher risk weights.

For further information about changes during the year, see the Bank's interim reports for

## G49 Cont

2013 and the Bank's disclosures according to the special information about capital adequacy stated in Risk and capital management – information according to Pillar 3.

## Operational risk

Handelsbanken uses the standardised approach according to which calculation of the capital requirement is based on the Bank's income in various business segments.

## MARKET RISKS

The capital requirement for market risks is calculated for the banking group. The capital requirement for interest rate risks and equity price risks is, however, only calculated for positions in the trading book. When calculating the capital requirement for market risks, standardised methods are applied.

## CAPITAL ADEQUACY FOR THE FINANCIAL CONGLOMERATE

Institutions and insurance companies which are part of the financial conglomerate must have a capital base which is adequate in relation to the capital requirement for the financial conglomerate. The capital base for the financial conglomerate has been calculated by means of a combination of the aggregation and settlement method and the consolidation method. This means that the capital base for the banking group has been combined with the capital base for the Handelsbanken Liv AB Försäkring Group. Correspondingly, in order to calculate the requirement for the conglomerate, the solvency requirement for the insurance group has been added to the capital requirement for the banking group.

Capital base			2012
	2013	2012	Not adjusted IAS 19
SEK m			
<b>TIER 1 CAPITAL</b>			
Equity, Group	111 339	103 850	106 897
Accrued dividend, current year	-10 485	-6 804	-6 804
Deduction of equity outside the banking group	1 727	-1 018	-1 167
Difference in earnings between banking group and Group	-680	2 851	2 853
Minority interests, Group	-2	-2	-2
<b>Equity, capital base</b>	<b>101 899</b>	<b>98 877</b>	<b>101 777</b>
Minority interests, banking group	602	572	572
Deducted items			
Goodwill and other intangible assets	-8 296	-7 458	-7 458
Revaluation reserve	-100	-108	-108
Value adjustments for positions measured at fair value	-1	-14	-14
Deferred tax assets	-58	-61	-61
Special deduction for IRB institutions	-993	-1 094	-1 094
Capital contribution in companies outside the banking group	-3 691	-1 483	-1 483
Positions in securitisation	-245	-248	-248
Adjustments in accordance with stability filter			
Cash flow hedges	1 518	-1 149	-1 149
Unrealised accumulated gains, shares	-1 216	-797	-797
Unrealised accumulated gains/losses, fixed income instruments	116	170	170
<b>Total common equity tier 1 capital</b>	<b>89 535</b>	<b>87 207</b>	<b>90 107</b>
Innovative tier 1 capital contributions	7 705	9 323	9 323
Non-innovative tier 1 capital contributions	2 897	2 903	2 903
<b>Total tier 1 capital</b>	<b>100 137</b>	<b>99 433</b>	<b>102 333</b>
<b>TIER 2 CAPITAL</b>			
Perpetual subordinated loans		3 133	3 133
Dated subordinated loans	3 882	4 274	4 274
Additional items			
Unrealised accumulated gains, shares	1 216	797	797
Revaluation reserve	100	108	108
Deducted items			
Special deduction for IRB institutions	-993	-1 094	-1 094
Capital contribution in companies outside the banking group	-3 691	-1 483	-1 483
Positions in securitisation	-245	-248	-248
<b>Total tier 2 capital</b>	<b>269</b>	<b>5 487</b>	<b>5 487</b>
<b>Total tier 1 and tier 2 capital</b>	<b>100 406</b>	<b>104 920</b>	<b>107 820</b>
Deductible items from total capital base			
Capital contribution in insurance companies	-	-4 417	-4 417
Surplus value pension assets	-	-	-1 524
<b>Total capital base for capital adequacy purposes</b>	<b>100 406</b>	<b>100 503</b>	<b>101 879</b>

Capital requirements, Standardised approach<sup>1</sup>

SEK m	2013		2012	
	Exposure amount (EAD)	Capital requirement	Exposure amount (EAD)	Capital requirement <sup>2</sup>
Sovereign and central banks	406 996	12	301 760	9
Municipalities	57 231	2	53 038	1
Multilateral development banks	1 647	0	673	0
Institutions	2 238	45	4 606	103
Corporate	23 032	1 842	22 325	1 786
Retail	11 117	667	9 340	560
Property mortgages	36 378	1 102	25 961	790
Past due items	168	18	173	19
Other items	14 748	537	10 283	531
<b>Total</b>	<b>553 555</b>	<b>4 225</b>	<b>428 159</b>	<b>3 799</b>

<sup>1</sup> Details of capital requirements for exposure classes where there are exposures.

<sup>2</sup> Capital requirement for standardised not adjusted for IAS 19.

Credit risk IRB	Exposure after credit risk protection (EAD)		Average risk weight %		Capital requirement	
	2013	2012	2013	2012	2013	2012
SEK m						
<b>Corporate exposures</b>	<b>915 218</b>	<b>944 987</b>	<b>28.4</b>	<b>30.5</b>	<b>20 824</b>	<b>23 026</b>
<i>of which repos and securities loans</i>	8 376	23 286	0.5	0.6	3	12
<i>of which other lending, foundation approach</i>	140 425	341 048	35.8	44.5	4 023	12 137
<i>of which other lending, advanced approach</i>	766 417	580 653	27.4	23.4	16 798	10 877
- <i>Small and medium-sized companies</i>	138 597	-	5.2	-	582	-
- <i>Property companies</i>	153 810	72 467	52.5	61.2	6 458	3 549
- <i>Housing co-operative associations</i>	72 305	380 147	57.4	21.7	3 323	6 612
- <i>Large Corporates</i>	401 705	128 039	20	7	6 435	716
<b>Retail exposures</b>	<b>789 722</b>	<b>752 176</b>	<b>7.3</b>	<b>7.5</b>	<b>4 604</b>	<b>4 530</b>
<i>of which property loans</i>	705 004	665 969	5.2	5.4	2 934	2 885
<i>of which other</i>	84 718	86 207	24.6	23.8	1 670	1 645
<b>Small companies</b>	<b>28 358</b>	<b>28 596</b>	<b>35.3</b>	<b>38.1</b>	<b>801</b>	<b>872</b>
<b>Institutional exposures</b>	<b>100 503</b>	<b>128 748</b>	<b>11.9</b>	<b>9.5</b>	<b>954</b>	<b>976</b>
<i>of which repos and securities loans</i>	48 863	76 588	0.8	0.6	31	38
<i>of which other lending</i>	51 640	52 160	22.3	22.5	923	938
<b>Equity exposures</b>	<b>5 693</b>	<b>5 206</b>	<b>143.6</b>	<b>140.1</b>	<b>654</b>	<b>584</b>
<b>Exposures without a counterparty</b>	<b>2 204</b>	<b>2 279</b>	<b>100</b>	<b>100</b>	<b>176</b>	<b>182</b>
<b>Securitisation positions</b>	<b>878</b>	<b>1 323</b>	<b>3.1</b>	<b>3.5</b>	<b>2</b>	<b>4</b>
<i>Traditional securitisation</i>	878	1 323	3.1	3.5	2	4
<i>Synthetic securitisation</i>	-	-	-	-	-	-
<b>Total IRB</b>	<b>1 842 576</b>	<b>1 863 315</b>	<b>19.0</b>	<b>20.2</b>	<b>28 015</b>	<b>30 174</b>
<i>of which repos and securities loans</i>	57 239	99 874	0.7	0.6	34	50
<i>of which other lending, foundation approach</i>	200 840	402 016	36	43	5 778	13 845
<i>of which other lending, advanced approach</i>	1 584 497	1 361 425	17.5	14.9	22 203	16 279

Capital requirement	2013	2012	Capital adequacy analysis,	2013	2012
SEK m			%		
<b>Credit risk</b>			Capital requirement in Basel II compared to transitional rules	46	48
Credit risk according to standardised approach	4 225	3 654	Capital ratio according to		
Credit risk according to IRB approach	28 015	30 174	<i>Basel II</i>	21.6	20.7
<b>Market risk</b>			<i>transitional rules</i>	9.9	10.0
Interest rate risk	745	880	Tier 1 ratio according to		
<i>of which general risk</i>	493	660	<i>Basel II</i>	21.5	20.4
<i>of which specific risk</i>	252	220	<i>transitional rules</i>	9.9	9.9
Equity price risk	11	26	Common equity tier 1 ratio according to		
<i>of which general risk</i>	3	10	<i>Basel II</i>	19.2	17.9
<i>of which specific risk</i>	6	13	<i>transitional rules</i>	8.8	8.7
<i>of which funds</i>	2	3	Capital base in relation to capital requirement		
Foreign exchange risk	-	-	<i>Basel II</i>	270	258
Commodities risk	14	9	<i>transitional rules</i>	124	125
Settlement risk	0	3			
<b>Operational risk</b>			<b>History concerning statutory capital requirements (not adjusted for revised IAS 19)</b>		
Operational risk	4 246	4 181	SEK m	<b>31 December 2012</b>	
<b>Total capital requirement according to Basel II</b>	<b>37 256</b>	<b>38 927</b>	Common equity tier 1 capital	90 107	
Adjustment according to transitional rules	44 039	41 454	Total tier 1 capital	102 333	
<b>Total capital requirement according to Basel II transitional rules</b>	<b>81 295</b>	<b>80 381</b>	Total capital base for capital adequacy purposes	101 879	
Risk-weighted assets according to Basel II transitional rules	1 016 192	1 004 763	Total capital requirement, Basel II	39 072	
Risk-weighted assets according to Basel II	465 701	486 588	Capital requirement, Basel II, transitional rules	80 498	
			Risk-weighted assets in accordance with transitional rules	1 006 219	
			Risk-weighted assets, Basel II	488 400	
<b>Capital adequacy financial conglomerate</b>			Capital ratio, Basel II	20.9%	
SEK m			Capital ratio, transitional rules	10.1%	
Capital base after reduction and adjustments	107 365	107 482	Tier 1 ratio, Basel II	21.0%	
Capital requirement	82 180	81 451	Tier 1 ratio, transitional rules	10.2%	
<b>Surplus</b>	<b>25 185</b>	<b>26 031</b>			

Parent company



# Administration report

## Parent company

### Performance in the parent company

The parent company's accounts cover parts of the operations that, in organisational terms, are included in branch operations within and outside Sweden, Capital Markets, and central departments and administrative functions. Although most of Handelsbanken's business comes from the local branches and is co-ordinated by them, in legal terms a sizeable part of business volumes are outside the parent company in wholly-owned subsidiaries – particularly in the Stadshypotek AB mortgage institution. Thus, the performance of the parent company is not equivalent to the performance of business operations in the Group as a whole. The performance of business operations is therefore better illustrated by the administration report for the Group. To obtain a comprehensive and more representative picture of Handelsbanken's position, results and performance, see the Group's administration report.

During the financial year, the parent company's operating profit decreased by 12 per cent to SEK 16,380 million (18,602). The year's profit rose by 39 per cent to SEK 16,028 million (11,552). Net interest income decreased by 3 per cent to SEK 15,962 million (16,431) and net fee and commission income by 1 per cent to SEK 5,649 million (5,724). The parent company's equity increased to SEK 90,758 million (82,232). For the parent company's five-year overview, see page 147.

### Risk management

Handelsbanken has a low risk tolerance that is maintained through a strong risk culture which is sustainable in the long term and applies to all areas of the Group. For a more detailed description of the Bank's exposure to risks, and the management of these, see note G2.

### Principles for compensation to senior management

Handelsbanken's principles for compensation to senior management are set out in note G8 and in the principles for compensation to senior management section of the Corporate Governance Report, see page 58.

### Recommended appropriation of profits

The Board proposes a total dividend of SEK 16.50 per share, with the ordinary dividend being SEK 11.50 per share (10.75). The Board's recommendation for distribution of profits is shown on page 175.

### The Handelsbanken share

Shares divided into share classes  
31 December 2013

Share class	Number	% of capital	% of votes
Class A	623 895 352	98.15	99.81
Class B	11 750 443	1.85	0.19
<b>Total</b>	<b>635 645 795</b>	<b>100</b>	<b>100</b>

Two shareholders own more than ten per cent of the shares: Industrivärden and the Oktogonen Foundation. Detailed information on the Bank's largest Swedish shareholders can be found on page 45.

Handelsbanken's articles of association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than ten per cent of the total number of votes in the Bank. For more information regarding shareholders' rights, see page 52.

At the AGM in March 2013, the Board received a mandate to repurchase a maximum of 40 million shares during the period until the AGM in March 2014. This mandate was not used during 2013. More detailed information on this can be found on page 45.

### Other

Handelsbanken continually works with measures to minimise the Bank's direct and indirect impact on the environment. For more information regarding the Bank's environmental activities, see page 196.

Handelsbanken strives for its decentralised work method and belief in the individual to permeate its operations. For a more detailed description of the Bank's work method and staff development, see page 186.

# Financial reports

## Parent company

### CONTENTS

Income statement	143	<b>P19</b> Intangible assets	162
Statement of comprehensive income	143	<b>P20</b> Property and equipment	162
Balance sheet	144	<b>P21</b> Other assets	163
Statement of changes in equity	145	<b>P22</b> Prepaid expenses and accrued income	163
Cash flow statement	146	<b>P23</b> Due to credit institutions	163
Five-year overview	147	<b>P24</b> Deposits and borrowing from the public	163
Notes Parent company	149	<b>P25</b> Issued securities	164
<b>P1</b> Accounting policies	149	<b>P26</b> Short positions	164
<b>P2</b> Risk and capital management	150	<b>P27</b> Taxes	165
<b>P3</b> Net interest income	152	<b>P28</b> Provisions	165
<b>P4</b> Dividends received	153	<b>P29</b> Other liabilities	165
<b>P5</b> Net fee and commission income	153	<b>P30</b> Accrued expenses and deferred income	165
<b>P6</b> Net gains/losses on financial transactions	153	<b>P31</b> Subordinated liabilities	166
<b>P7</b> Other operating income	153	<b>P32</b> Untaxed reserves	166
<b>P8</b> Staff costs	154	<b>P33</b> Classification of financial assets and liabilities	167
<b>P9</b> Other administrative expenses	154	<b>P34</b> Fair value measurement of financial instruments	168
<b>P10</b> Loan losses	155	<b>P35</b> Pledged assets, collateral received and transferred financial assets	170
<b>P11</b> Appropriations	157	<b>P36</b> Contingent liabilities	170
<b>P12</b> Loans to credit institutions	157	<b>P37</b> Other commitments	170
<b>P13</b> Loans to the public	158	<b>P38</b> Pension obligations	171
<b>P14</b> Interest-bearing securities	158	<b>P39</b> Assets and liabilities in currencies	171
<b>P15</b> Shares	158	<b>P40</b> Related-party disclosures	172
<b>P16</b> Shares in subsidiaries and investments in associates	159	<b>P41</b> Capital adequacy	173
<b>P17</b> Derivative instruments	160		
<b>P18</b> Offsetting of financial instruments	161		



# Income statement

## Parent company

SEK m		2013	2012
Interest income	Note P3	29 295	35 933
Interest expense	Note P3	-13 333	-19 502
<b>Net interest income</b>		<b>15 962</b>	<b>16 431</b>
Dividends received	Note P4	8 995	9 152
Fee and commission income	Note P5	7 423	7 131
Fee and commission expense	Note P5	-1 774	-1 407
<b>Net fee and commission income</b>		<b>5 649</b>	<b>5 724</b>
Net gains/losses on financial transactions	Note P6	589	3 994
Other operating income	Note P7	1 953	758
<b>Total operating income</b>		<b>33 148</b>	<b>36 059</b>
General administrative expenses			
Staff costs	Note P8	-9 977	-9 808
Other administrative expenses	Note P9	-5 075	-5 157
Depreciation, amortisation and impairments of property, equipment and intangible assets	Note P19, P20	-498	-518
<b>Total expenses before loan losses</b>		<b>-15 550</b>	<b>-15 483</b>
<b>Profit before loan losses</b>		<b>17 598</b>	<b>20 576</b>
Net loan losses	Note P10	-1 189	-1 154
Impairment loss on financial assets		-29	-820
<b>Operating profit</b>		<b>16 380</b>	<b>18 602</b>
Appropriations	Note P11	4 267	-4 065
<b>Profit before taxes</b>		<b>20 647</b>	<b>14 537</b>
Taxes	Note P27	-4 619	-2 985
<b>Profit for the year</b>		<b>16 028</b>	<b>11 552</b>

# Statement of comprehensive income, Parent company

SEK m		2013	2012
Profit for the year		16 028	11 552
<b>Other comprehensive income</b>			
Cash flow hedges		-3 009	2 522
Available-for-sale instruments		534	983
Translation difference for the year		879	-10
<i>of which hedges of net assets in foreign operations</i>		901	481
Tax related to other comprehensive income		397	-962
<i>of which cash flow hedges</i>		656	-608
<i>of which available-for-sale instruments</i>		-61	-248
<i>of which hedges of net assets in foreign operations</i>		-198	-106
<b>Total other comprehensive income</b>		<b>-1 199</b>	<b>2 533</b>
<b>Total comprehensive income for the year</b>		<b>14 829</b>	<b>14 085</b>

The period's reclassifications to the income statement are presented in Statement of changes in equity.

# Balance sheet Parent company

SEK m		2013	2012
<b>ASSETS</b>			
Cash and balances with central banks		334 794	236 447
Interest-bearing securities eligible as collateral with central banks	<i>Note P14</i>	53 785	45 259
Loans to credit institutions	<i>Note P12</i>	475 440	422 897
Loans to the public	<i>Note P13</i>	685 372	731 967
Bonds and other interest-bearing securities	<i>Note P14</i>	58 943	62 939
Shares	<i>Note P15</i>	47 221	28 269
Shares in subsidiaries and investments in associates	<i>Note P16</i>	46 153	45 734
Assets where the customer bears the value change risk		2 188	2 011
Derivative instruments	<i>Note P17</i>	78 295	122 525
Intangible assets	<i>Note P19</i>	1 750	1 643
Property and equipment	<i>Note P20</i>	978	967
Current tax assets		-	-
Deferred tax assets	<i>Note P27</i>	202	333
Other assets	<i>Note P21</i>	16 468	18 428
Prepaid expenses and accrued income	<i>Note P22</i>	5 272	5 347
<b>Total assets</b>	<i>Note P33</i>	<b>1 806 861</b>	<b>1 724 766</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	<i>Note P23</i>	226 631	243 332
Deposits and borrowing from the public	<i>Note P24</i>	814 227	668 683
Liabilities where the customer bears the value change risk		2 236	2 059
Issued securities, etc.	<i>Note P25</i>	532 607	531 284
Derivative instruments	<i>Note P17</i>	77 143	126 922
Short positions	<i>Note P26</i>	22 845	16 201
Current tax liabilities		816	340
Deferred tax liabilities	<i>Note P27</i>	114	707
Provisions	<i>Note P28</i>	128	116
Other liabilities	<i>Note P29</i>	12 703	17 154
Accrued expenses and deferred income	<i>Note P30</i>	9 915	9 531
Subordinated liabilities	<i>Note P31</i>	15 965	21 167
<b>Total liabilities</b>	<i>Note P33</i>	<b>1 715 330</b>	<b>1 637 496</b>
<b>Untaxed reserves</b>	<i>Note P32</i>	<b>773</b>	<b>5 038</b>
Share capital		2 956	2 943
Share premium		2 843	2 337
Other funds		1 911	3 110
Retained earnings		67 020	62 290
Profit for the year		16 028	11 552
<b>Total equity</b>		<b>90 758</b>	<b>82 232</b>
<b>Total liabilities and equity</b>		<b>1 806 861</b>	<b>1 724 766</b>
<b>MEMORANDUM ITEMS</b>			
Assets pledged for own debt	<i>Note P35</i>	25 216	59 195
Other assets pledged	<i>Note P35</i>	41 679	2 564
Contingent liabilities/commitments	<i>Note P36</i>	121 509	131 586
Other commitments	<i>Note P37</i>	518 414	475 287

# Statement of changes in equity

## Parent Company

SEK m	Restricted equity		Unrestricted equity				Retained earnings	Total
	Share capital	Statutory reserve	Share premium	Hedge reserve <sup>1</sup>	Fair value reserve <sup>1</sup>	Translation reserve <sup>1</sup>		
Opening equity 2013	2 943	2 682	2 337	1 010	550	-1 132	73 842	82 232
Profit for the year							16 028	16 028
Other comprehensive income				-2 353	473	681		-1 199
<b>Total comprehensive income for the year</b>				<b>-2 353</b>	<b>473</b>	<b>681</b>	<b>16 028</b>	<b>14 829</b>
Dividend							-6 822	-6 822
Conversion of the convertible subordinated loan issued in 2008	13		506					519
Changes in holdings of own shares in trading book								-
<b>Closing equity 2013</b>	<b>2 956</b>	<b>2 682</b>	<b>2 843</b>	<b>-1 343</b>	<b>1 023</b>	<b>-451</b>	<b>83 048</b>	<b>90 758</b>

SEK m	Restricted equity		Unrestricted equity				Retained earnings	Total
	Share capital	Statutory reserve	Share premium	Hedge reserve <sup>1</sup>	Fair value reserve <sup>1</sup>	Translation reserve <sup>1</sup>		
Opening equity 2012	2 902	2 682	793	-904	-185	-1 016	68 385	72 657
Profit for the year							11 552	11 552
Other comprehensive income				1 914	735	-116		2 533
<b>Total comprehensive income for the year</b>				<b>1 914</b>	<b>735</b>	<b>-116</b>	<b>11 552</b>	<b>14 085</b>
Dividend							-6 110	-6 110
Conversion of the convertible subordinated loan issued in 2008	41		1 544					1 585
Changes in holdings of own shares in trading book							15	15
<b>Closing equity 2012</b>	<b>2 943</b>	<b>2 682</b>	<b>2 337</b>	<b>1 010</b>	<b>550</b>	<b>-1 132</b>	<b>73 842</b>	<b>82 232</b>

<sup>1</sup> Included in fair value fund.

During the period January to December 2013, convertibles for a nominal value of SEK 533m (1,641) relating to the 2008 subordinated convertible bond had been converted into 2,838,683 class A shares (8,744,470). At the end of the financial year the number of Handelsbanken shares in the trading book was 0 (0).

### Specification of changes in equity

<b>Change in hedge reserve</b>								
SEK m							<b>2013</b>	<b>2012</b>
Hedge reserve at beginning of year							1 010	-904
Unrealised value changes during the year							-2 353	1 914
<b>Hedge reserve at end of year</b>							<b>-1 343</b>	<b>1 010</b>
<b>Change in fair value reserve</b>								
SEK m							<b>2013</b>	<b>2012</b>
Hedge reserve at beginning of year							550	-185
Unrealised value changes during the year							507	787
Realised market valuation reclassified in the income statement <sup>1</sup>							-34	-52
<b>Hedge reserve at end of year</b>							<b>1 023</b>	<b>550</b>
<b>Change in translation reserve</b>								
SEK m							<b>2013</b>	<b>2012</b>
Translation reserve at beginning of year							-1 132	-1 016
Change in translation difference pertaining to branches							681	-113
Reclassified in the income statement <sup>2</sup>							0	-3
<b>Translation reserve at end of year</b>							<b>-451</b>	<b>-1 132</b>

<sup>1</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 16m (-17).

<sup>2</sup> Tax that has been reclassified to the income statement pertaining to this item - (-).

# Cash flow statement

## Parent company

SEK m	2013	2012
<b>OPERATING ACTIVITIES</b>		
Operating profit	16 380	18 602
<i>of which paid-in interest</i>	26 690	36 817
<i>of which paid-out interest</i>	-13 280	-19 602
<i>of which paid-in dividends</i>	1 039	432
Adjustment for non-cash items in profit/loss		
Loan losses	1 271	1 253
Unrealised changes in value	-162	197
Depreciation, amortisation and impairments	527	1 339
Group contribution to be received	-7 951	-7 477
Paid income tax	-4 145	-3 393
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-52 543	109 816
Loans to the public	45 214	-46 336
Interest-bearing securities and shares	-24 281	-21 934
Due to credit institutions	-16 701	-18 474
Deposits and borrowing from the public	145 544	-36 882
Issued securities	1 323	-12 592
Derivative instruments, net positions	-5 245	8 368
Short-term positions	6 644	-5 196
Claims and liabilities on investment banking settlements	-819	356
Other	-4 813	15 303
<b>Cash flow from operating activities</b>	<b>100 243</b>	<b>2 950</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	-446	-
Change in shares	-8	611
Change in interest-bearing securities	594	4 553
Change in property and equipment	-248	427
Change in intangible non-current assets	-322	-316
<b>Cash flow from investing activities</b>	<b>-430</b>	<b>5 275</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-4 048	-14 890
Issued subordinated loans	-	2 990
Dividend paid	-6 822	-6 110
Dividends received from group companies	7 477	6 170
<b>Cash flow from financing activities</b>	<b>-3 393</b>	<b>-11 840</b>
<b>Cash flow for the year</b>	<b>96 420</b>	<b>-3 615</b>
Liquid funds at beginning of year	236 447	251 592
Cash flow from operating activities	100 243	2 950
Cash flow from investing activities	-430	5 275
Cash flow from financing activities	-3 393	-11 840
Exchange rate difference on liquid funds	1 927	-11 530
<b>Liquid funds at end of year</b>	<b>334 794</b>	<b>236 447</b>

# Five-year overview

## Parent company

<b>Income statement</b> SEK m	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net interest income	15 962	16 431	15 684	14 549	14 584
Dividends received	8 995	9 152	5 733	2 749	6 687
Net fee and commission income	5 649	5 724	6 026	6 455	5 995
Net gains/losses on financial transactions	589	3 994	458	790	2 453
Other operating income	1 953	758	640	624	597
<b>Total operating income</b>	<b>33 148</b>	<b>36 059</b>	<b>28 541</b>	<b>25 167</b>	<b>30 316</b>
General administrative expenses					
Staff costs	-9 977	-9 808	-9 247	-8 838	-8 938
Other administrative expenses	-5 075	-5 157	-4 723	-4 775	-4 450
Depreciation, amortisation and impairments of property, equipment and intangible assets	-498	-518	-538	-533	-574
<b>Total expenses before loan losses</b>	<b>-15 550</b>	<b>-15 483</b>	<b>-14 508</b>	<b>-14 146</b>	<b>-13 962</b>
<b>Profit before loan losses</b>	<b>17 598</b>	<b>20 576</b>	<b>14 033</b>	<b>11 021</b>	<b>16 354</b>
Net loan losses	-1 189	-1 154	-1 081	-1 466	-3 781
Impairment loss on financial assets	-29	-820	-375	-470	-30
<b>Operating profit</b>	<b>16 380</b>	<b>18 602</b>	<b>12 577</b>	<b>9 085</b>	<b>12 543</b>
Appropriations	4 267	-4 065	106	108	1 100
<b>Profit before tax</b>	<b>20 647</b>	<b>14 537</b>	<b>12 683</b>	<b>9 193</b>	<b>13 643</b>
Taxes	-4 619	-2 985	-3 470	-2 548	-2 784
<b>Profit for the year</b>	<b>16 028</b>	<b>11 552</b>	<b>9 213</b>	<b>6 645</b>	<b>10 859</b>
Dividend for the year	10 488 <sup>1</sup>	6 804	6 085	5 611	4 988

<sup>1</sup> As proposed by the Board.

<b>Statement of comprehensive income</b> SEK m	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Profit for the year	16 028	11 552	9 213	6 645	10 859
<b>Other comprehensive income</b>					
Cash flow hedges	-3 009	2 522	-264	-186	13
Available-for-sale instruments	534	983	-1 319	2 188	3 277
Translation difference for the year	879	-10	36	-1 462	51
<i>of which hedges of net assets in foreign operations</i>	901	481	-	-	-
Tax related to other comprehensive income	397	-962	435	-549	-927
<i>of which cash flow hedges</i>	656	-608	70	49	-3
<i>of which available-for-sale instruments</i>	-61	-248	365	-598	-924
<i>of which hedges of net assets in foreign operations</i>	-198	-106	-	-	-
<b>Total other comprehensive income</b>	<b>-1 199</b>	<b>2 533</b>	<b>-1 112</b>	<b>-9</b>	<b>2 414</b>
<b>Total comprehensive income for the year</b>	<b>14 829</b>	<b>14 085</b>	<b>8 101</b>	<b>6 636</b>	<b>13 273</b>

# Five-year overview

## Parent company, cont

Balance sheet SEK m	2013	2012	2011	2010	2009
<b>Assets</b>					
Loans to the public	685 372	731 967	686 827	691 221	741 496
Loans to credit institutions	475 440	422 897	532 713	505 049	396 001
Interest-bearing securities	112 728	108 198	94 237	103 836	154 790
Other assets	533 321	461 704	499 484	314 057	278 351
<b>Total assets</b>	<b>1 806 861</b>	<b>1 724 766</b>	<b>1 813 261</b>	<b>1 614 163</b>	<b>1 570 638</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	814 227	668 683	705 565	577 180	570 166
Due to credit institutions	226 631	243 332	261 806	260 117	225 049
Issued securities	532 607	531 284	543 876	483 305	474 205
Subordinated liabilities	15 965	21 167	35 325	43 959	59 021
Other liabilities	125 900	173 030	193 034	178 922	172 940
Untaxed reserves	773	5 038	998	1 110	1 368
Equity	90 758	82 232	72 657	69 570	67 889
<b>Total liabilities and equity</b>	<b>1 806 861</b>	<b>1 724 766</b>	<b>1 813 261</b>	<b>1 614 163</b>	<b>1 570 638</b>
<b>Memorandum items</b>					
Assets pledged for own debt	25 216	59 195	72 007	79 591	171 051
Other assets pledged	41 679	2 564	5 236	4 398	8 124
Contingent liabilities/contingent commitments	121 509	131 586	149 061	131 479	154 338
Other commitments	518 414	475 287	513 217	415 771	376 628
<b>Key figures</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Impaired loans reserve ratio, %	58.0	56.0	61.0	61.5	61.9
Proportion of impaired loans, %	0.24	0.28	0.24	0.33	0.33
Capital ratio, % according to Basel II	21.4	20.6	20.9	19.3	20.2
Tier 1 ratio, % according to Basel II	20.5	19.0	16.9	12.9	12.0

# Notes Parent company

## P1 Accounting policies

### Statement of compliance

The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25, Annual reports in credit institutions and securities companies. In accordance with the transitional rules in FFFS 2013:24 Regulations amending the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) concerning annual reports in credit institutions and securities companies, these amendment regulations will be applied in advance of the prescribed date. The parent company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements. In compliance with the Supervisory Authority's general guidelines, the parent company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the connection between accounting and taxation.

### The relationship between the parent company's and the Group's accounting policies

The parent company's accounting policies mainly correspond with those of the Group. The following reports only on the areas where the parent company's policies differ from those of the Group. In all other respects, reference is made to the accounting policies in note G1.

### Changed accounting policies

The parent company's accounting policies are in all material respects the same as those applied in the 2012 financial year.

### Presentation

The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation by the Group:

- claims on central banks that are immediately available upon demand that are reported in the consolidated balance sheet under Other loans to central banks, are reported as Loans to credit institutions in the parent company's balance sheet.
- broker and stock exchange costs are reported in the parent company as commission expenses
- dividends received are reported on a separate line in the parent company's income statement
- the gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income/expense
- memorandum items are reported in direct conjunction with the parent company's balance sheet
- untaxed reserves that are split into equity share and tax liability in the Group are reported as a separate balance sheet item in the parent company.

### Assets and liabilities in foreign currencies

Loans in the parent company which are hedging net investments in foreign operations are measured at the historical rate of exchange.

### Held-for-sale assets and discontinued operations

Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Nor are held-for-sale assets presented separately in the balance sheet.

### Shares in subsidiaries and associated companies

Shares in subsidiaries and associated companies are measured at cost. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss under Dividends received.

### Financial guarantees

Financial guarantees in the form of guarantees in favour of subsidiaries and associated companies are recognised in the parent company as a provision in the balance sheet where the parent company has an existing commitment and payment will probably be required to settle this commitment.

### Intangible assets

In the parent company, acquisition assets and other intangible assets with an indefinite useful

life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. According to experience, the customer relations that the acquisitions have led to are very long, and consequently the useful life of goodwill on acquisitions. The amortisation period has been set at 20 years.

### Dividends

The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associated companies, and group contributions received. Anticipated dividend is recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

### Accounting for pensions

The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established and that the calculation of the future commitment does not take into account assumptions of future salary increases. The recognised net cost of pensions is calculated as disbursed pensions, pension premiums and an allocation to the pension foundation, with a deduction for any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated defined benefit obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company so if the pension fund cannot pay its commitments, the Bank is liable to take over and pay the commitment.

### Taxes

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise one component consisting of deferred tax liabilities and one component consisting of equity.

## P2 Risk and capital management

The Handelsbanken Group's risk management is described in note G2. Specific information about the parent company's risks is presented below. For definitions, see page 216.

### Credit risk

Credit risk exposure SEK m	2013	2012
Loans to the public <sup>1</sup>	685 372	731 967
of which repos	15 711	33 799
Loans to credit institutions	475 440	410 527
of which repos	34 259	62 104
Unutilised part of granted overdraft facilities	124 778	134 262
Credit commitments	242 242	235 670
Other commitments	151 394	105 355
Guarantees, credits	54 386	65 216
Guarantees, other	62 126	39 914
Letters of credit	4 997	26 433
Derivatives	78 295	122 525
Treasury bills and other eligible bills	53 785	45 259
Bonds and other interest-bearing securities	58 943	62 939
<b>Total</b>	<b>1 991 758</b>	<b>1 980 067</b>

<sup>1</sup> SEK 2,580m (4,078) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

Loans to the public, by sector SEK m	2013			2012		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
Private individuals	132 880	-618	132 262	123 328	-655	122 673
Housing co-operative associations	11 796	-24	11 772	12 373	-13	12 360
Property management	306 280	-391	305 889	297 298	-360	296 938
Manufacturing	36 237	-516	35 721	41 427	-472	40 955
Retail	28 971	-361	28 610	30 741	-440	30 301
Hotel and restaurant	6 556	-24	6 532	7 357	-36	7 321
Passenger and goods transport by sea	13 285	-423	12 862	16 209	-406	15 803
Other transport and communication	6 089	-80	6 009	10 955	-181	10 774
Construction	9 409	-116	9 293	10 175	-106	10 069
Electricity, gas and water	12 483	-44	12 439	13 492	-25	13 467
Agriculture, hunting and forestry	4 951	-20	4 931	5 997	-12	5 985
Other services	19 007	-97	18 910	21 176	-208	20 968
Holding, investment, insurance companies, mutual funds etc.	67 426	-569	66 857	81 854	-601	81 253
Sovereigns and municipalities	7 648	0	7 648	25 669	-	25 669
Other corporate lending	26 042	-67	25 975	37 807	-101	37 706
<b>Total loans to the public, before collective provisions</b>	<b>689 060</b>	<b>-3 350</b>	<b>685 710</b>		<b>-3 616</b>	<b>732 242</b>
Collective provisions			-338			-275
<b>Total loans to the public</b>	<b>689 060</b>		<b>685 372</b>	<b>735 858</b>		<b>731 967</b>

Loans to the public, collateral SEK m	2013	2012	Credit risk exposure on balance, collateral SEK m	2013	2012
Residential property <sup>1</sup>	163 375	151 103	Residential property <sup>1</sup>	163 375	151 103
Other property	192 153	190 973	Other property	192 153	190 973
Sovereigns, municipalities and county councils	6 048	32 944	Sovereigns, municipalities and county councils	398 681	290 613
Guarantees	14 897	15 207	Guarantees	14 908	15 266
Financial collateral	12 650	25 938	Financial collateral	53 163	89 110
Collateral in assets	0	0	Collateral in assets	0	0
Other collateral	54 914	56 986	Other collateral	54 914	56 986
Unsecured	241 335	258 816	Unsecured	678 271	639 047
<b>Total loans to the public</b>	<b>685 372</b>	<b>731 967</b>	<b>Total loans to the public</b>	<b>1 555 465</b>	<b>1 433 098</b>

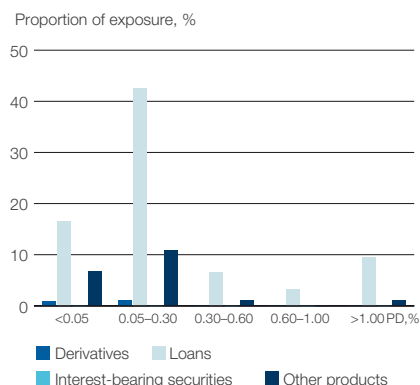
<sup>1</sup> Including housing co-operatives.

<sup>1</sup> Including housing co-operatives.

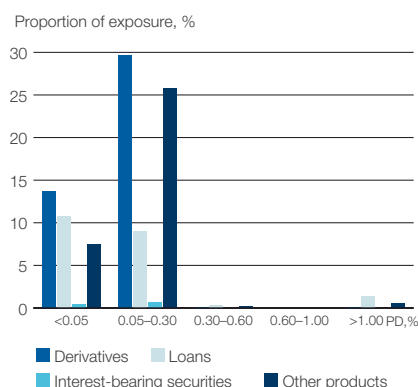


**Credit quality**

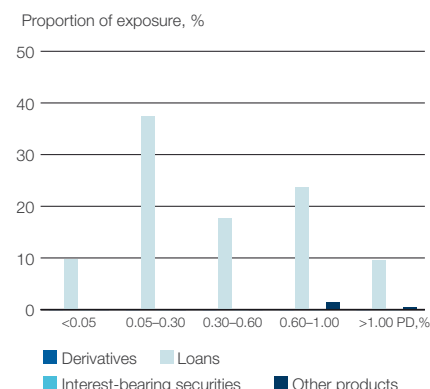
Proportion of exposure per product type per PD interval excluding defaulted credits – Corporate exposures



Proportion of exposure per product type per PD interval excluding defaulted credits – Institutional exposures



Proportion of exposure per product type per PD interval excluding defaulted credits – Retail exposures



**Market risks<sup>1</sup>**

SEK m	2013	2012
Interest rate risk	-747	-491
Exchange rate risk <sup>2</sup>	5	-18

<sup>1</sup> For information about equity and commodity risk in the parent company, see note G2.

<sup>2</sup> Worst outcome in the case of +/- 5% change in SEK.

Maturity analysis for financial assets and liabilities, 2013 SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	369 957	-	-	-	-	369 957
Interest-bearing securities eligible as collateral with central banks <sup>1</sup>	54 391	-	-	-	-	54 391
Bonds and other interest-bearing securities <sup>2</sup>	59 607	-	-	-	-	59 607
Loans to credit institutions	257 829	97 992	66 571	26 496	290	449 178
of which reverse repos	33 892	-	-	-	-	33 892
Loans to the public	119 587	113 227	281 914	224 364	1 992	741 084
of which reverse repos	15 714	-	-	-	-	15 714
Other	53 691	-	-	-	144 836	198 527
of which shares and participating interests	47 221	-	-	-	-	47 221
of which claims on investment banking settlements	6 470	-	-	-	-	6 470
<b>Total</b>	<b>915 062</b>	<b>211 219</b>	<b>348 485</b>	<b>250 860</b>	<b>147 118</b>	<b>1 872 744</b>
Due to credit institutions	159 757	10 990	28 265	13 874	20 850	233 736
of which repos	748	-	-	-	-	748
of which central banks	68 544	1 404	-	-	1 634	71 582
Deposits and borrowing from the public	202 022	22 775	3 326	499	586 677	815 299
of which repos	7 606	-	-	-	-	7 606
Issued securities <sup>3</sup>	159 053	115 714	210 650	74 488	-	559 905
Subordinated liabilities	3 800	1 709	10 123	3 245	-	18 877
Other	29 947	-	-	-	187 809	217 756
of which short positions	23 170	-	-	-	-	23 170
of which investment banking settlement debts	6 777	-	-	-	-	6 777
<b>Total</b>	<b>554 579</b>	<b>151 188</b>	<b>252 364</b>	<b>92 106</b>	<b>795 336</b>	<b>1 845 573</b>
<b>Off-balance sheet items</b>						
Financial guarantees and unutilised commitments	518 414					

Derivatives 2013 SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivatives inflow	488 689	307 754	521 344	153 825	1 471 612
Total derivatives outflow	502 480	290 891	501 830	147 748	1 442 949
<b>Net</b>	<b>-13 791</b>	<b>16 863</b>	<b>19 514</b>	<b>6 077</b>	<b>28 663</b>

<sup>1</sup> SEK 25,022m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>2</sup> SEK 11,192m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>3</sup> SEK 268,182m of the amount (excl. interest) has a residual maturity of less than one year.

For deposit volumes the column "Unspecified maturity" refers to deposits payable on demand. Reference numbers for 2012 are not recorded according to the more specific presentation 2013.

## P2 Cont

Maturity analysis for financial liabilities, 2012 SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Unspecified maturity	Total
Due to credit institutions	184 976	21 994	185	10 170	33 663	250 988
<i>of which repos</i>	2 394	-	-	-	-	2 394
Deposits and borrowing from the public	126 112	22 804	3 226	676	519 033	671 851
<i>of which repos</i>	12 295	-	-	-	-	12 295
Issued securities	255 811	104 453	141 967	54 988	-	557 219
Other trading liabilities	14 261	-	-	-	-	14 261
Subordinated liabilities	607	4 818	14 874	4 621	-	24 920
<b>Total</b>	<b>581 767</b>	<b>154 069</b>	<b>160 252</b>	<b>70 455</b>	<b>552 696</b>	<b>1 519 239</b>
<b>Off-balance sheet items</b>						
Financial guarantees and unutilised commitments	475 287					

Derivatives 2012 SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivatives inflow	714 535	334 438	528 529	133 964	1 711 466
Total derivatives outflow	718 076	332 489	527 453	133 431	1 711 449
<b>Total</b>	<b>-3 541</b>	<b>1 949</b>	<b>1 076</b>	<b>533</b>	<b>17</b>

## P3 Net interest income

SEK m	2013	2012
<b>Interest income</b>		
Loans to credit institutions and central banks	6 936	9 710
Loans to the public	22 442	25 269
Interest-bearing securities eligible as collateral with central banks	2 106	1 521
Bonds and other interest-bearing securities	1 897	1 967
Derivative instruments	-2 777	-1 524
Other interest income	1 324	1 356
<b>Total interest income</b>	<b>31 928</b>	<b>38 299</b>
Of which interest income reported in net gains/losses on financial items at fair value	2 633	2 366
<b>Interest income according to income statement</b>	<b>29 295</b>	<b>35 933</b>
<b>Interest expense</b>		
Due to credit institutions and central banks	-1 319	-1 961
Deposits and borrowing from the public	-4 609	-7 056
Issued securities	-7 344	-8 183
Derivative instruments	2 267	-879
Subordinated liabilities	-1 214	-1 359
Other interest expense	-3 269	-2 386
<b>Total interest expense</b>	<b>-15 488</b>	<b>-21 824</b>
Of which interest expense reported in net gains/losses on financial items at fair value	-2 155	-2 322
<b>Interest expense according to income statement</b>	<b>-13 333</b>	<b>-19 502</b>
<b>Net interest income</b>	<b>15 962</b>	<b>16 431</b>

Includes interest income on impaired loans SEK 93m (107). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 30,841m (36,113). Total interest expense on liabilities recognised at amortised cost was SEK 15,600m (18,623).

## P4 Dividends received

SEK m	2013	2012
Dividends on shares	1 039	432
Dividends from associates	5	-
Dividends from group companies	-	1 243
Group contribution received	7 951	7 477
<b>Total</b>	<b>8 995</b>	<b>9 152</b>

## P5 Net fee and commission income

SEK m	2013	2012
Brokerage and other securities commissions	1 171	1 112
Mutual funds	1 134	712
Custody and other asset management fees	316	304
Advisory services	263	195
Payments	2 784	2 676
Loans and deposits	856	892
Guarantees	434	461
Other	465	779
<b>Total fee and commission income</b>	<b>7 423</b>	<b>7 131</b>
Securities	-544	-278
Payments	-1 164	-1 056
Other	-66	-73
<b>Total fee and commission expense</b>	<b>-1 774</b>	<b>-1 407</b>
<b>Net fee and commission income</b>	<b>5 649</b>	<b>5 724</b>

## P6 Net gains/losses on financial transactions

SEK m	2013	2012
Trading, derivatives, FX effect etc.	1 214	-68
Other financial instruments denominated at fair value in profit/loss	-785	733
<i>of which interest-bearing securities</i>	-707	732
<i>of which loans</i>	-78	1
Financial instruments at amortised cost	129	30
<i>of which loans</i>	170	59
<i>of which liabilities</i>	-41	-29
Financial instruments available for sale	-21	3 167 <sup>1</sup>
Hedge accounting		
Fair value hedges	19	140
<i>of which hedging instruments</i>	-160	140
<i>of which hedged items</i>	179	0
Cash flow hedge ineffectiveness	33	-8
<b>Total</b>	<b>589</b>	<b>3 994</b>

<sup>1</sup> During last year, subsidiary shares have been sold in an intra-group transaction.

## P7 Other operating income

SEK m	2013	2012
Rental income	19	26
Other operating income	1 934	732
<b>Total</b>	<b>1 953</b>	<b>758</b>

## P8 Staff costs

SEK m	2013	2012
Salaries and fees	-6 497	-6 344
Social security costs	-1 622	-1 539
Pension costs <sup>1</sup>	-346	-515
Provision to profit-sharing foundation	-1 022	-959
Other staff costs	-490	-451
<b>Total</b>	<b>-9 977</b>	<b>-9 808</b>

<sup>1</sup> Information about pension costs is presented in note P38.

Salaries and fees SEK m	2013	2012
Senior management <sup>2</sup>	-100	-100
Others	-6 397	-6 244
<b>Total</b>	<b>-6 497</b>	<b>-6 344</b>

<sup>2</sup> Board-members, CEO and EVPs, 27 (26) persons.

Gender distribution %	2013		2012	
	Men	Women	Men	Women
Board	73	27	75	25
CEO and EVPs	79	21	82	18

Average number of employees	2013	Men	Women	2012	Men	Women
Sweden	6 966	3 201	3 765	6 984	3 222	3 762
Norway	745	411	334	753	403	350
Finland	526	216	310	530	218	312
Denmark	676	338	338	672	341	331
UK	1 294	780	514	1 024	637	387
Luxembourg	30	18	12	28	20	8
Germany	64	36	28	68	40	28
USA	76	48	28	77	51	26
Netherlands	113	74	39	85	59	26
Singapore	37	9	28	36	8	28
Hong Kong	66	26	40	32	19	13
Poland	45	18	27	48	19	29
Other countries	69	26	43	102	33	69
<b>Total</b>	<b>10 707</b>	<b>5 201</b>	<b>5 506</b>	<b>10 439</b>	<b>5 070</b>	<b>5 369</b>

Note G8 provides information about the principles for remuneration to CEO and EVPs in the parent company.

## P9 Other administrative expenses

SEK m	2013	2012
Property and premises	-1 261	-1 239
External IT costs	-1 653	-1 540
Communication	-341	-319
Travel and marketing	-327	-337
Purchased services	-952	-946
Supplies	-191	-180
Other administrative expenses	-350	-596
<b>Total</b>	<b>-5 075</b>	<b>-5 157</b>

Of which expenses for operating leases

Minimum lease fee	-680	-670
Variable fee	-109	-19
<b>Total</b>	<b>-789</b>	<b>-689</b>

Remuneration to auditors and audit companies SEK m	KPMG		Ernst & Young AB	
	2013	2012	2013	2012
Audit assignment	-8	-7	-3	-3
Audit operations outside the audit assignment	-2	-2	0	0
Tax advice	0	0	-1	-1
Other services	0	0	0	0

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2013, the cost of the largest individual lease contract was approx. SEK 165m (130). None of the major lease contracts has a variable fee.

## P10 Loan losses

SEK m	2013	2012
<b>Specific provision for individually assessed loans</b>		
The year's provision	-1 241	-1 388
Reversal of previous provisions	277	329
<b>Total</b>	<b>-964</b>	<b>-1 059</b>
<b>Collective provision</b>		
The year's net provision for individually assessed loans	-64	84
The year's net provision for homogeneous loans	1	6
<b>Total</b>	<b>-63</b>	<b>90</b>
<b>Off-balance sheet items</b>		
Losses on off-balance sheet items	-9	-
Reversal of previous losses on off-balance sheet items	0	0
Change in collective provision for off-balance sheet items	-10	5
<b>Total</b>	<b>-19</b>	<b>5</b>
<b>Write-offs</b>		
Actual loan losses for the year	-1 359	-1 227
Utilised share of previous provisions	1 134	937
Recoveries	82	100
<b>Total</b>	<b>-143</b>	<b>-190</b>
<b>Net loan losses</b>	<b>-1 189</b>	<b>-1 154</b>

Impaired loans, etc. SEK m	2013	2012
Impaired loans	6 360	6 949
Specific provisions for individually assessed loans	-3 350	-3 616
Provisions for collectively assessed homogeneous groups of loans with limited value	-	-
Collective provisions for individually assessed loans	-338	-275
<b>Net impaired loans</b>	<b>2 672</b>	<b>3 058</b>
Total impaired loans reserve ratio, %	58.0	56.0
Proportion of impaired loans, %	0.24	0.28
Impaired loans reserve ratio excluding group provisions, %	52.7	52.0
Non-performing loans which are not impaired loans	1 266	1 425
Impaired loans reclassified as normal loans during the year	27	41

Loans are classified as impaired if it is probable that the contractual cash flows will not be fulfilled. The full amount of each receivable that gives rise to a specific provision is included in impaired loans even if this amount is partly covered by collateral. Received collateral is thus not taken into account when calculating the reserve ratio. Non-performing loans are loans where interest, repayments or overdrafts have been due for payment for more than 60 days. For other definitions, see page 216.

Reconciliation of provision for probable loan losses 2013				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-3 616	-275	-	-3 891
The year's provision	-1 241	-64	-	-1 305
Reversal of previous provisions	277	-	-	277
Utilised for actual loan losses	1 134	-	-	1 134
Foreign exchange effect, etc.	96	1	-	97
<b>Provision at end of year</b>	<b>-3 350</b>	<b>-338</b>	<b>-</b>	<b>-3 688</b>

Reconciliation of provision for probable loan losses 2012				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-3 589	-360	-	-3 949
The year's provision	-1 388	-	-	-1 388
Reversal of previous provisions	329	84	-	413
Utilised for actual loan losses	937	-	-	937
Foreign exchange effect, etc.	95	1	-	96
<b>Provision at end of year</b>	<b>-3 616</b>	<b>-275</b>	<b>-</b>	<b>-3 891</b>

## P10 Cont

Impaired loans and loans which are overdue by more than 60 days, by sector 2013 SEK m	Impaired loans			Of which past due >60 days	Loans past due >60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Private individuals	1 226	-618	608	479	562
Housing co-operative associations	75	-24	51	45	6
Property management	1 166	-391	775	430	401
Manufacturing	890	-516	374	189	9
Retail	704	-361	343	209	42
Hotel and restaurant	37	-24	13	11	9
Passenger and goods transport by sea	424	-423	1	1	1
Other transport and communication	110	-80	30	28	5
Construction	193	-116	77	71	88
Electricity, gas and water	72	-44	28	28	7
Agriculture, hunting and forestry	25	-20	5	6	1
Other services	147	-97	50	43	33
Holding, investment and insurance companies, mutual funds, etc.	1 138	-569	569	61	4
Other corporate lending	153	-67	86	74	98
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>6 360</b>	<b>-3 350</b>	<b>3 010</b>	<b>1 675</b>	<b>1 266</b>

Impaired loans and loans which are overdue by more than 60 days, by sector 2012 SEK m	Impaired loans			Of which past due >60 days	Loans past due >60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Private individuals	1 213	-655	558	480	535
Housing co-operative associations	25	-13	12	12	43
Property management	993	-360	633	358	410
Manufacturing	828	-472	356	174	117
Retail	1 082	-440	642	397	45
Hotel and restaurant	79	-36	43	42	19
Passenger and goods transport by sea	419	-406	13	13	0
Other transport and communication	287	-181	106	105	17
Construction	216	-106	110	107	66
Electricity, gas and water	88	-25	63	1	13
Agriculture, hunting and forestry	20	-12	8	8	35
Other services	406	-208	198	188	58
Holding, investment and insurance companies, mutual funds, etc.	1 153	-601	552	25	13
Other corporate lending	140	-101	39	38	54
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>6 949</b>	<b>-3 616</b>	<b>3 333</b>	<b>1 948</b>	<b>1 425</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Impaired loans and loans which are overdue by more than 60 days, geographic distribution 2013 SEK m	Impaired loans			Of which past due >60 days	Loans past due >60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Sweden	2 224	-1 249	975	886	340
Norway	433	-177	256	214	285
Finland	934	-393	541	289	99
Denmark	1 294	-852	442	167	16
UK	320	-106	214	47	459
Netherlands	15	-3	12	12	-
Rest of Europe	123	-57	66	60	67
North America	1 015	-513	502	-	-
Asia	2	0	2	-	-
<b>Total</b>	<b>6 360</b>	<b>-3 350</b>	<b>3 010</b>	<b>1 675</b>	<b>1 266</b>

Impaired loans and loans which are overdue by more than 60 days, geographic distribution 2012 SEK m	Impaired loans			Of which past due >60 days	Loans past due >60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Sweden	2 521	-1 526	995	895	387
Norway	642	-290	352	207	383
Finland	970	-257	713	411	121
Denmark	1 195	-785	410	224	27
UK	440	-158	282	177	441
Netherlands	-	-	-	-	-
Rest of Europe	158	-84	74	34	66
North America	1 021	-516	505	-	-
Asia	2	0	2	-	-
<b>Total</b>	<b>6 949</b>	<b>-3 616</b>	<b>3 333</b>	<b>1 948</b>	<b>1 425</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Maturity structure for past due loans which are not impaired 2013	Loans to credit institutions	Loans to the public			Total
		Households	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	661	851	-	1 512
Past due > 1 month ≤ 2 months	-	138	110	-	248
Past due > 2 months ≤ 3 months	-	80	20	-	100
Past due > 3 months ≤ 12 months	-	280	297	-	577
Past due > 12 months	-	431	158	-	589
<b>Total</b>	-	<b>1 590</b>	<b>1 436</b>	-	<b>3 026</b>

Maturity structure for past due loans which are not impaired 2012	Loans to credit institutions	Loans to the public			Total
		Households	Corporate	Other	
SEK m					
Past due ≥ 5 days ≤ 1 month	-	717	986	-	1 703
Past due > 1 month ≤ 2 months	-	171	137	-	308
Past due > 2 months ≤ 3 months	-	120	91	-	211
Past due > 3 months ≤ 12 months	-	429	167	-	596
Past due > 12 months	-	419	199	-	618
<b>Total</b>	-	<b>1 856</b>	<b>1 580</b>	-	<b>3 436</b>

Assets repossessed for protection of claims	2013	2012
SEK m		
Property	392	390
Movable property	-	-
Shares	0	0
<b>Carrying amount</b>	<b>392</b>	<b>390</b>

## P11 Appropriations

SEK m	2013	2012
Tax allocation reserve	4 168	-4 168
Change in amortisation of goodwill in excess of plan	99	103
<b>Total</b>	<b>4 267</b>	<b>-4 065</b>

## P12 Loans to credit institutions

SEK m	2013	2012	Average volumes SEK m	2013	2012
<b>Loans in Swedish kronor</b>			Loans to credit institutions in Swedish kronor	261 438	237 965
Banks	5 402	7 434	Loans to credit institutions in foreign currency	212 622	259 985
Other credit institutions	250 765	201 030	<b>Total</b>	<b>474 060</b>	<b>497 950</b>
<b>Total</b>	<b>256 167</b>	<b>208 464</b>	<i>Of which reverse repos</i>	<i>35 528</i>	<i>12 093</i>
<b>Loans in foreign currency</b>					
Banks	55 930	35 723			
Other credit institutions	163 343	178 710			
<b>Total</b>	<b>219 273</b>	<b>214 433</b>			
Probable loan losses	-	-			
<b>Total loans to credit institutions</b>	<b>475 440</b>	<b>422 897</b>			
<i>Of which reverse repos</i>	<i>34 259</i>	<i>62 104</i>			
<i>Of which subordinated</i>	<i>21 218</i>	<i>16 718</i>			

## P13 Loans to the public

SEK m	2013	2012	Average volumes, excl. National Debt Office SEK m	2013	2012
<b>Loans in Swedish kronor</b>			Loans to the public in Swedish kronor	266 862	273 731
Households	42 794	43 732	Loans to the public in foreign currency	429 613	425 943
Companies	199 557	242 976	<b>Total</b>	<b>696 475</b>	<b>699 674</b>
National Debt Office	5 180	16 442	<i>Of which reverse repos</i>	22 665	19 472
<b>Total</b>	<b>247 531</b>	<b>303 150</b>			
<b>Loans in foreign currency</b>					
Households	105 864	93 101			
Companies	335 665	339 607			
National Debt Office	-	-			
<b>Total</b>	<b>441 529</b>	<b>432 708</b>			
Probable loan losses	-3 688	-3 891			
<b>Total loans to the public</b>	<b>685 372</b>	<b>731 967</b>			
<i>Of which reverse repos</i>	15 711	33 799			
<i>Of which subordinated</i>	1 129	1 129			

## P14 Interest-bearing securities

SEK m	2013			2012		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government securities eligible as collateral with central banks	45 803	46 695	46 675	37 620	41 451	41 384
Other securities eligible as collateral with central banks	7 019	7 110	7 110	3 785	3 875	3 875
<b>Total interest-bearing securities eligible as collateral with central banks</b>	<b>52 822</b>	<b>53 805</b>	<b>53 785</b>	<b>41 405</b>	<b>45 326</b>	<b>45 259</b>
Bonds and other interest-bearing securities	56 961	58 941	58 943	60 000	62 935	62 939
<b>Total interest-bearing securities</b>	<b>109 783</b>	<b>112 746</b>	<b>112 728</b>	<b>101 405</b>	<b>108 261</b>	<b>108 198</b>
<i>Of which unlisted securities</i>		3 240	3 240		2 890	2 890
<b>Interest-bearing securities distributed by issuer</b>	<b>2013</b>			<b>2012</b>		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	45 803	46 695	46 675	37 620	41 451	41 384
Credit institutions	10 330	10 696	10 698	9 454	9 813	9 817
Mortgage institutions	37 933	39 476	39 476	41 890	44 396	44 396
Other	15 717	15 879	15 879	12 441	12 601	12 601
<b>Total</b>	<b>109 783</b>	<b>112 746</b>	<b>112 728</b>	<b>101 405</b>	<b>108 261</b>	<b>108 198</b>
<b>Average volumes</b>						
SEK m				<b>2013</b>	<b>2012</b>	
Interest-bearing securities				124 208	108 860	

## P15 Shares

SEK m	2013	2012	SEK m	2013	2012
<b>Holdings at fair value over the income statement</b>			<b>Classified as available for sale</b>		
Listed	40 287	22 883	Listed	4 368	4 163
Non-listed	1 256	194	Non-listed	1 310	1 029
<b>Total</b>	<b>41 543</b>	<b>23 077</b>	<b>Total</b>	<b>5 678</b>	<b>5 192</b>
			<b>Total shares</b>	<b>47 221</b>	<b>28 269</b>



## P16 Shares in subsidiaries and investments in associates

Shares in subsidiaries and investments in associates					2013	2012
SEK m						
Associates, unlisted					92	92
Subsidiaries, unlisted					46 061	45 642
<b>Total</b>					<b>46 153</b>	<b>45 734</b>

Associates					Carrying amount SEK m	
	Corporate identity number	Domicile	Number of shares	Ownership share %	2013	2012
Bankomat AB	556817-9716	Stockholm	150	20.00	55	55
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.90	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.00	7	7
BGC Holding AB	556607-0933	Stockholm	25 382	25.40	4	4
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30	24	24
Getswish AB	556913-7382	Stockholm	10 000	20.00	2	2
Upplysningscentralen UC AB	556137-5113	Stockholm	2 448	24.48	0	0
<b>Total</b>					<b>92</b>	<b>92</b>

Subsidiaries					Carrying amount SEK m	
	Corporate identity number	Domicile	Number of shares	Ownership share %	2013	2012
<b>Handelsbanken Finans AB<sup>1</sup></b>	556053-0841	Stockholm	1 550 000	100	11 672	11 672
Kredit-Inkasso AB	556069-3185	Stockholm		100		
Handelsbanken Rahoitus Oy	0112308-8	Helsinki		100		
Kreditt-Inkasso AS	955074203	Oslo		100		
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	310101717882194	Shanghai		100		
<b>Stadshypotek AB<sup>1</sup></b>	556459-6715	Stockholm	162 000	100	26 870	26 870
<b>Handelsbanken Fondbolagsförvaltning AB</b>	556070-0683	Stockholm	10 000	100	1	1
Handelsbanken Fonder AB	556418-8851	Stockholm		100		
Handelsinvest Investeringsförvaltning A/S	12930879	Copenhagen		100		
Handelsbanken Fondbolag Ab	1105019-3	Helsinki		100		
Handelsbanken Kapitalförvaltning AS	973194860	Oslo		100		
<b>Handelsbanken Liv Försäkrings AB</b>	516401-8284	Stockholm	100 000	100	6 189	6 189
Handelsbanken Life & Pension Ltd	453703	Dublin		100		
SHB Liv Försäkringsaktieselskab	20594942	Copenhagen		100		
SHB Liv Försäkringsaktiebolag	2478149-7	Helsinki		100		
Handelsbanken Fastigheter AB	556873-0021	Stockholm		100		
<b>AB Handel och Industri</b>	556013-5336	Stockholm	100 000	100	104	63
Plastal Industri AB	556532-8845	Gothenburg		100		
<b>Heartwood Wealth Group Ltd</b>	5498937	London	1 000 000	100	470	-
Heartwood Wealth Management Limited	4132340	London		100		
<b>Other subsidiaries</b>						
EFN Ekonomikanalen AB	556930-1608	Stockholm	100	100	0	-
Ejendomsselskabet af 1. januar 2002 A/S	38300512	Herning	2 460 000	100	294	247
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød	2 700 000	100	200	200
Forva AS	945812141	Oslo	4 000 000	100	1	1
Lejontrappan AB	556481-1551	Gothenburg	1 000	100	0	0
Handelsbanken Markets Securities, Inc. <sup>1,2</sup>	11-3257438	New York	1 000	100	29	39
Handelsbanken Mezzanine Fond 1 KB	969710-3126	Stockholm		Unit	0	0
Handelsbanken Mezzanine Management AB	556679-2668	Stockholm	5 000	100	1	1
Handelsbanken Renting AB	556043-2766	Stockholm	1 000	100	14	14
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1 500	100	31	31
Lokalbolig A/S	78488018	Hillerød	540 000	68.35	1	1
Rådstuplass 4 AS	910508423	Bergen	40 000	100	0	0
SIL (Nominees) Limited	1932320	London	100	100	-	-
Svenska Handelsbanken Delaware Inc.	13-3153272	Delaware	1 000	100	0	0
Svenska Handelsbanken Representações (Brasil) Ltda	15.367.073/001-93	São Paulo	999	99.9	2	2
Svenska Handelsbanken S.A. <sup>1</sup>	RCS Lux B-15992	Luxembourg	1 000 000	100	147	147
Svenska Property Nominees Limited	2308524	London	100	100	-	-
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	20 000	100	35	35
ZAO Svenska Handelsbanken	1057711005384	Moscow			-	129
<b>Total</b>					<b>46 061</b>	<b>45 642</b>

The list of Group companies contains directly owned subsidiaries and large subsidiaries of these companies.

<sup>1</sup> Credit institution.

<sup>2</sup> A net impairment loss of SEK 10m concerning the shares in Handelsbanken Markets Securities, Inc. was recognised during the financial year. The new carrying amount of the shares corresponds to their fair value less costs to sell.

## P17 Derivative instruments

SEK m	Nominal amount/maturity			Nominal amount		Positive market value		Negative market values	
	up to 1 yr	over 1 yr up to 5 yrs	Over 5 yrs	2013	2012	2013	2012	2013	2012
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	90 854	190 017	12 731	293 602	377 350	4 200	5 167	4 338	4 524
FRA/futures	1 814 375	1 157 801	-	2 972 176	2 994 787	420	1 344	143	1 512
Swaps	752 125	1 498 568	488 260	2 738 953	3 217 456	47 505	82 111	47 831	83 333
Other instruments	-	-	-	-	10	-	-	-	0
Currency-related contracts									
Options	43 144	1 490	-	44 634	89 107	311	467	234	599
Futures	103 899	7 048	223	111 170	154 018	1 083	1 735	1 313	2 414
Swaps	635 019	317 485	64 975	1 017 479	1 221 606	16 236	23 553	13 949	21 153
Other instruments	60	-	1	61	107	15	-	120	117
Equity-related contracts									
Options	18 836	23 605	258	42 699	47 180	3 019	2 652	5 112	3 806
Futures	4 408	-	-	4 408	2 222	8	19	34	6
Swaps	30 271	4 273	144	34 688	20 144	691	293	2 486	1 302
Other instruments	434	0	243	677	1 977	3	14	494	588
Commodity-related contracts									
Options	1 871	-	3 196	5 067	7 197	105	161	992	1 272
Futures	17 739	5	3 303	21 047	29 542	375	367	377	384
Swaps	300	13	-	313	1 031	0	9	49	49
Other instruments	372	3	82	457	729	132	150	420	718
Credit-related contracts									
Options	-	-	-	-	-	-	-	-	-
Swaps	893	7 900	1 256	10 049	12 585	544	253	45	46
Other instruments	-	-	-	-	-	-	-	-	-
Other derivative contracts	-	-	-	-	-	-	0	-	-
<b>Total</b>	<b>3 514 600</b>	<b>3 208 208</b>	<b>574 672</b>	<b>7 297 480</b>	<b>8 177 048</b>	<b>74 647</b>	<b>118 295</b>	<b>77 937</b>	<b>121 823</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Swaps	-	-	-	-	26 261	-	1 188	-	749
Other instruments	-	-	-	-	-	-	-	-	-
Currency-related contracts									
Swaps	-	-	817	817	1 789	177	426	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>817</b>	<b>817</b>	<b>28 050</b>	<b>177</b>	<b>1 614</b>	<b>0</b>	<b>749</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	14 670	101 056	69 457	185 183	144 278	4 773	6 239	2 002	1 328
Currency-related contracts									
Swaps	13 672	84 457	45 530	143 659	113 969	4 733	326	3 239	6 971
<b>Total</b>	<b>28 342</b>	<b>185 513</b>	<b>114 987</b>	<b>328 842</b>	<b>258 247</b>	<b>9 506</b>	<b>6 565</b>	<b>5 241</b>	<b>8 299</b>
<b>Total derivative instruments</b>	<b>3 542 942</b>	<b>3 393 721</b>	<b>690 476</b>	<b>7 627 139</b>	<b>8 463 345</b>	<b>84 330</b>	<b>126 474</b>	<b>83 178</b>	<b>130 871</b>
Amounts set off in the balance sheet						-6 035	-3 949	-6 035	-3 949
<b>Net amount in the balance sheet</b>						<b>78 295</b>	<b>122 525</b>	<b>77 143</b>	<b>126 922</b>
<i>Cleared derivatives</i>				2 429 128	2 583 355	3 151	1 967	3 345	3 206
<b>Currency breakdown of market values</b>									
SEK						99 605	248 392	182 836	346 485
USD						23 433	-104 893	-199 795	-314 899
EUR						67 126	3 785	37 352	-60 208
Others						-105 834	-20 810	62 785	159 493

Derivative contracts are presented gross in the table. Offsetting amounts consist of the offsetted market value of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis in the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day-1 profit), over the life of the derivative. Such not yet recognised day-1 profit amounted to SEK 396m (341) at year-end.

## P18 Offsetting of financial instruments

2013	Derivatives	Repurchase agreements, securities lending/borrowing and similar agreements	Total
SEK m			
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amounts of recognised financial assets	84 330	53 612	137 942
Gross amounts of recognised financial liabilities set off in the balance sheet	-6 035	-	-6 035
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>78 295</b>	<b>53 612</b>	<b>131 907</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-41 036	-	-41 036
Collateral received	-10 540	-53 569	-64 109
<b>Net amount</b>	<b>26 719</b>	<b>43</b>	<b>26 762</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	83 178	8 352	91 530
Gross amounts of recognised financial liabilities set off in the balance sheet	-6 035	-	-6 035
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>77 143</b>	<b>8 352</b>	<b>85 495</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-41 036	-	-41 036
Assets pledged	-4 793	-7 889	-12 682
<b>Net amount</b>	<b>31 314</b>	<b>463</b>	<b>31 777</b>
<b>2012</b>			
SEK m	Derivatives	Repurchase agreements, securities lending/borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amounts of recognised financial assets	126 474	96 356	222 830
Gross amounts of recognised financial liabilities set off in the balance sheet	-3 949	-	-3 949
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>122 525</b>	<b>96 356</b>	<b>218 881</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-90 209	-	-90 209
Collateral received	-9 230	-96 333	-105 563
<b>Net amount</b>	<b>23 086</b>	<b>23</b>	<b>23 109</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	130 871	14 686	145 557
Gross amounts of recognised financial liabilities set off in the balance sheet	-3 949	-	-3 949
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>126 922</b>	<b>14 686</b>	<b>141 608</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-90 209	-	-90 209
Assets pledged	-6 647	-12 279	-18 926
<b>Net amount</b>	<b>30 066</b>	<b>2 407</b>	<b>32 473</b>

## P19 Intangible assets

2013	Acquisition assets	Internally developed software	Total 2013
SEK m			
Cost of acquisition at beginning of year	2 072	1 104	3 176
Cost of acquisition of additional intangible assets	-	322	322
Disposals and retirements	-	-82	-82
Foreign exchange effect	-1	2	1
<b>Cost of acquisition at end of year</b>	<b>2 071</b>	<b>1 346</b>	<b>3 417</b>
Accumulated amortisation and impairments at beginning of year	-1 193	-340	-1 533
Disposals and retirements	-	82	82
Amortisation for the year according to plan	-108	-106	-214
Impairments for the year	-	-2	-2
Foreign exchange effect	3	-3	0
<b>Accumulated amortisation and impairments at end of year</b>	<b>-1 298</b>	<b>-369</b>	<b>-1 667</b>
<b>Carrying amount</b>	<b>773</b>	<b>977</b>	<b>1 750</b>

2012	Acquisition assets	Internally developed software	Total 2012
SEK m			
Cost of acquisition at beginning of year	2 126	811	2 937
Cost of acquisition of additional intangible assets	-	317	317
Disposals and retirements	-	-21	-21
Foreign exchange effect	-54	-3	-57
<b>Cost of acquisition at end of year</b>	<b>2 072</b>	<b>1 104</b>	<b>3 176</b>
Accumulated amortisation and impairments at beginning of year	-1 111	-262	-1 373
Disposals and retirements	-	21	21
Amortisation for the year according to plan	-110	-98	-208
Impairments for the year	-	-3	-3
Foreign exchange effect	28	2	30
<b>Accumulated amortisation and impairments at end of year</b>	<b>-1 193</b>	<b>-340</b>	<b>-1 533</b>
<b>Carrying amount</b>	<b>879</b>	<b>764</b>	<b>1 643</b>

## P20 Property and equipment

Property and equipment	2013	2012
SEK m		
Equipment	466	452
Property	120	125
Property repossessed for protection of claims	392	390
<b>Total</b>	<b>978</b>	<b>967</b>

Property repossessed for protection of claims contains properties which are regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims. See note G1. The fair value of properties which are regularly measured at fair value is SEK 392m. Unrealised value changes on these properties had an impact of SEK -10m on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of office properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. When valuing industrial property, an authorised valuer is always engaged. The valuation of industrial property is mainly based on the condition of the property, its location and alternative areas of use. As far as possible, the material for these assumptions is taken from external market observations. Valuations which are only based on market observations (SEK 48m) are classified as level 2 in the valuation hierarchy described in note G39. Valuations where own assumptions are used to a material extent (SEK 344m) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK -17m. The year's sale of properties which are regularly measured at fair value amounts to SEK 81m of which SEK 64m was classified as level 3 before the sale. The value of new properties added during the year is SEK 50m, with SEK 48m of this classified as level 3.

Equipment	2013	2012
SEK m		
Cost of acquisition at beginning of year	1 513	1 588
Cost of additional acquisition for the year	265	234
Disposals and retirements	-238	-296
Foreign exchange effect	-23	-13
<b>Cost of acquisition at end of year</b>	<b>1 517</b>	<b>1 513</b>
Accumulated amortisation and impairments at beginning of year	-1 061	-1 086
Amortisation for the year according to plan	-248	-282
Change due to business combinations	-	1
Disposals and retirements	236	295
Foreign exchange effect	22	11
<b>Accumulated amortisation and impairment at end of year</b>	<b>-1 051</b>	<b>-1 061</b>
<b>Carrying amount</b>	<b>466</b>	<b>452</b>

Property	2013	2012
SEK m		
Cost of acquisition at beginning of year	190	1 853
Cost of additional acquisition for the year	-	-
New construction and rebuilding	-	0
Disposals and retirements	-	-1 663 <sup>1</sup>
<b>Cost of acquisition at end of year</b>	<b>190</b>	<b>190</b>
Accumulated amortisation and impairments at beginning of year	-65	-708
Amortisation for the year according to plan	-5	-22
Impairments for the year	-	-3
Disposals and retirements	-	668
<b>Accumulated amortisation and impairment at end of year</b>	<b>-70</b>	<b>-65</b>
<b>Carrying amount</b>	<b>120</b>	<b>125</b>

<sup>1</sup> During last year, property was sold to a subsidiary.

## P21 Other assets

SEK m	2013	2012
Claims on investment banking settlements	6 470	6 966
Other	9 998	11 462
<b>Total</b>	<b>16 468</b>	<b>18 428</b>

## P22 Prepaid expenses and accrued income

SEK m	2013	2012
Accrued interest income	3 739	4 135
Other accrued income	1 341	1 052
Prepaid expenses	192	160
<b>Total</b>	<b>5 272</b>	<b>5 347</b>
<i>Of which subordinated</i>	<i>11</i>	<i>13</i>

## P23 Due to credit institutions

SEK m	2013	2012	Average volumes SEK m	2013	2012
<b>Due in Swedish kronor</b>			Due to credit institutions in Swedish kronor	52 839	75 681
Banks	19 869	17 937	Due to credit institutions in foreign currency	223 293	197 509
Other credit institutions	12 162	11 072	<b>Total</b>	<b>276 132</b>	<b>273 190</b>
<b>Total</b>	<b>32 031</b>	<b>29 009</b>	<i>Of which repos</i>	<i>3 961</i>	<i>4 396</i>
<b>Due in foreign currency</b>					
Banks	135 848	149 145			
Other credit institutions	58 752	65 178			
<b>Total</b>	<b>194 600</b>	<b>214 323</b>			
<b>Total due to credit institutions</b>	<b>226 631</b>	<b>243 332</b>			
<i>Of which repos</i>	<i>748</i>	<i>2 391</i>			

## P24 Deposits and borrowing from the public

Deposits from the public SEK m	2013	2012	Average volumes SEK m	2013	2012
<b>Deposits in Swedish kronor</b>			<b>Deposits from the public</b>		
Households	207 374	190 328	Deposits from the public in Swedish kronor	348 970	332 836
Companies	165 314	159 348	Deposits from the public in foreign currency	178 337	165 123
National Debt Office	-	-	<b>Total</b>	<b>527 307</b>	<b>497 959</b>
<b>Total</b>	<b>372 688</b>	<b>349 676</b>	<b>Borrowing from the public</b>		
<b>Deposits in foreign currency</b>			Borrowing from the public in Swedish kronor	53 434	56 033
Households	48 990	44 308	Borrowing from the public in foreign currency	146 665	132 434
Companies	172 779	125 330	<b>Total</b>	<b>200 099</b>	<b>188 467</b>
National Debt Office	-	-	<i>Of which repos</i>	<i>10 551</i>	<i>11 305</i>
<b>Total</b>	<b>221 769</b>	<b>169 638</b>			
<b>Total deposits from the public</b>	<b>594 457</b>	<b>519 314</b>			
<b>Borrowing from the public</b>					
SEK m	2013	2012			
Swedish kronor	49 117	54 383			
Foreign currency	170 653	94 986			
<b>Total</b>	<b>219 770</b>	<b>149 369</b>			
<i>Of which repos</i>	<i>7 604</i>	<i>12 294</i>			
<b>Total deposits and borrowing from the public</b>	<b>814 227</b>	<b>668 683</b>			

## P25 Issued securities

SEK m	2013		2012	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
<b>Commercial paper</b>				
Commercial paper in Swedish kronor	15 613	17 299	16 127	16 568
<i>Of which</i>				
<i>at amortised cost</i>	101	101	3 066	3 066
<i>for trading</i>	15 512	17 198	13 061	13 502
Commercial paper in foreign currency	227 719	227 754	319 610	319 647
<i>Of which</i>				
<i>at amortised cost</i>	227 532	227 532	319 393	319 393
<i>for trading</i>	187	222	217	254
<b>Total</b>	<b>243 332</b>	<b>245 053</b>	<b>335 737</b>	<b>336 215</b>
<b>Bonds</b>				
Bonds in Swedish kronor	14 822	14 298	19 165	18 633
<i>Of which</i>				
<i>at amortised cost</i>	14 822	14 006	19 165	18 465
<i>for fair value hedges</i>	-	292	-	168
Bonds in foreign currency	271 426	273 256	173 780	176 436
<i>Of which</i>				
<i>at amortised cost</i>	268 882	272 319	150 437	157 624
<i>for fair value hedges</i>	2 544	937	23 343	18 812
<b>Total</b>	<b>286 248</b>	<b>287 554</b>	<b>192 945</b>	<b>195 069</b>
<b>Total issued securities</b>	<b>529 580</b>	<b>532 607</b>	<b>528 682</b>	<b>531 284</b>

Turnover of own debt instruments SEK m	2013	2012
Issued	864 221	1 153 240
Repurchased	25 575	47 788
Matured	838 283	1 086 716

Average volumes SEK m	2013	2012
Swedish kronor	32 140	36 452
Foreign currency	514 620	512 347
<b>Total</b>	<b>546 760</b>	<b>548 799</b>

## P26 Short positions

SEK m	2013	2012
<b>Short positions at fair value</b>		
Equities	3 430	1 940
Interest-bearing securities	19 415	14 261
<i>Of which</i>		
<i>other issuers</i>	19 415	14 261
<i>own issued</i>	-	-
<b>Total</b>	<b>22 845</b>	<b>16 201</b>

Average volumes SEK m	2013	2012
Swedish kronor	22 832	17 445
Foreign currency	1 214	2 406
<b>Total</b>	<b>24 046</b>	<b>19 851</b>

## P27 Taxes

Deferred tax assets SEK m	2013	2012	Tax expenses recognised in income statement SEK m	2013	2012
Property and equipment	35	35	Current tax		
Derivative instruments	159	298	Tax expense for the year	-4 604	-3 060
Other	8	0	Adjustment of tax relating to previous years	-19	5
<b>Total</b>	<b>202</b>	<b>333</b>	Deferred tax		
			Changes in temporary differences	4	70
			<b>Total</b>	<b>-4 619</b>	<b>-2 985</b>
<b>Deferred tax liabilities</b> SEK m	<b>2013</b>	<b>2012</b>	<b>Nominal tax rate in Sweden, %</b>	<b>22.0</b>	<b>26.3</b>
Property and equipment	16	18	Deviations		
Derivative instruments <sup>1</sup>	98	689	Non-taxable income/non-deductible expenses	0.3	-6.0
<b>Total</b>	<b>114</b>	<b>707</b>	Tax relating to previous years and other	0.1	0.2
<b>Net deferred taxes</b>	<b>-88</b>	<b>374</b>	<b>Effective tax rate, %</b>	<b>22.4</b>	<b>20.5</b>

Change in deferred taxes 2013 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	-17	-2	-	-19
Derivative instruments <sup>1</sup>	391	6	-458	-61
Other	0	-8	-	-8
<b>Total</b>	<b>374</b>	<b>-4</b>	<b>-458</b>	<b>-88</b>

Change in deferred taxes 2012 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	53	-70	-	-17
Derivative instruments <sup>1</sup>	-322	-	713	391
<b>Total</b>	<b>-269</b>	<b>-70</b>	<b>713</b>	<b>374</b>

As of 1 January 2013, the Swedish corporate tax rate was changed from 26.3% to 22%. Deferred taxes in the balance sheet have been restated in accordance with the new tax rate

<sup>1</sup> The deferred tax liability relating to Derivative instruments 2012 includes an adjustment of SEK 106m. This amount was previously included in the item Hedges of net assets in foreign operations, which has been removed.

## P28 Provisions

SEK m	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2013	Total 2012
Provisions at beginning of year	91	15	10	116	24
Provisions during the year	-	44	8	52	98
Utilised	-40	-	-	-40	-
Written back	-	-	-	-	-6
<b>Provisions at end of year</b>	<b>51</b>	<b>59</b>	<b>18</b>	<b>128</b>	<b>116</b>

The provision for restructuring relate to additional costs as a result of the decision to terminate rental contracts for premises. Most of the provision is expected to be settled during 2014. Provision for guarantee commitments consists of provisions for a number of off-balance sheet items.

The Group is the subject of claims in a number of civil actions which are being pursued in general courts of law. The Group's assessment is that the actions will essentially be settled in favour of the Bank. The assessment is that the amounts in dispute would not have a material effect on the Bank's financial position or profit/loss. The amounts allocated for future settlement of the claims towards the Bank are presented under other provisions.

## P29 Other liabilities

SEK m	2013	2012
Liabilities on investment banking settlements	6 777	8 091
Other	5 926	9 063
<b>Total</b>	<b>12 703</b>	<b>17 154</b>

## P30 Accrued expenses and deferred income

SEK m	2013	2012
Accrued interest expenses	5 817	5 868
Other accrued expenses	3 889	3 567
Deferred income	209	96
<b>Total</b>	<b>9 915</b>	<b>9 531</b>

## P31 Subordinated liabilities

SEK m	2013	2012
Subordinated loans in Swedish kronor	10 472	10 897
Subordinated loans in foreign currency	5 493	10 270
<b>Total</b>	<b>15 965</b>	<b>21 167</b>

Average volumes SEK m	2013	2012
Subordinated loans in Swedish kronor	10 764	9 480
Subordinated loans in foreign currency	7 824	16 670
<b>Total</b>	<b>18 588</b>	<b>26 150</b>

### Specification, subordinated loans

Issue/conv./final payment year	Currency	Original nominal amount in each currency	Interest rate %	Outstanding amount
<b>IN SWEDISH KRONOR</b>				
2008/perpetual <sup>1</sup>		2 350	11.000	2 348
2008/perpetual <sup>2</sup>		2 905	10.500	2 897
2011/perpetual <sup>3</sup>		2 512	floating rate	2 230
2012/fixed-term <sup>4</sup>		1 750	4.472	1 740
Other Swedish <sup>5</sup>				1 257
<b>Total</b>				<b>10 472</b>
<b>IN FOREIGN CURRENCY</b>				
2005/perpetual <sup>6</sup>	EUR	500	4.194	4 427
Other foreign <sup>7</sup>				1 066
<b>Total</b>				<b>5 493</b>
<b>Total subordinated liabilities</b>				<b>15 965</b>

<sup>1</sup> Perpetual subordinated loan at fixed rate. According to the terms, the loan can be called in advance on each interest payment date from March 2019. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with right of redemption, the interest rate is changed to floating rate linked to Stibor.

<sup>2</sup> Perpetual subordinated loan at fixed rate. According to the terms, the loan can be called in advance on each interest payment date from March 2014. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with right of redemption, the interest rate is changed to floating rate linked to Stibor.

<sup>3</sup> Perpetual subordinated loan at floating rate linked to Stibor. The loan is a subordinated convertible loan of nominally SEK 2.5bn, issued to the Group's employees on market terms. The loan has the status of tier 2 capital and can be converted into Handelsbanken shares. Conversion is possible after 1 May 2016 at an initial conversion price of SEK 256.52, corresponding to 122% of the average share price during the period 19 April–4 May 2011; the conversion price will subsequently be adjusted for dividend payments. After 31 May 2016 it will be possible to convert into Handelsbanken shares at the lower of the conversion price and the market price of the share. The last day to initiate conversion is 30 November 2016.

<sup>4</sup> Fixed term subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from October 2017. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with right of redemption, the interest rate is changed to floating rate linked to Euribor.

<sup>5</sup> Other Swedish subordinated loans which are not specified here are issued in the form of dated or perpetual subordinated loans. The total amount partly includes a subordinated convertible loan of nominally SEK 2.3bn, issued to the Group's employees on market terms. The loan has hybrid status and can be converted into Handelsbanken shares. Conversion is possible after 1 June 2011 at a conversion price of SEK 187.56, corresponding to 110% of the average share price during the period 6–12 May 2008, adjusted for the 2008 dividend. The outstanding nominal amount including conversions up to 31 December 2013 amounts to SEK 7.6m. After 21 May 2013 it is possible to convert to Handelsbanken shares at the conversion price, or the share price applying at this date if it is lower than the conversion price, and the market price of the share. The additional outstanding amount constitutes one dated subordinated loan of SEK 1.25bn at floating rate. The term of this loan is flexible and aims at making the instrument fully compliant with the coming regulation, CRDIV/CRR. According to the terms the loan can be called in advance on each interest payment date from October 2017. Early redemption requires the approval of the Swedish Financial Supervisory Authority.

<sup>6</sup> Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from December 2015. Early redemption requires the approval of the Swedish Financial Supervisory Authority. In connection with right of redemption, the interest rate is changed to floating rate linked to Euribor.

<sup>7</sup> Other foreign subordinated loans which are not specified here are issued in the form of perpetual subordinated loans.

## P32 Untaxed reserves

SEK m	2013	2012
Tax allocation reserve	-	4 168
Accumulated amortisation of goodwill in excess of plan	773	870
<b>Total</b>	<b>773</b>	<b>5 038</b>



## P33 Classification of financial assets and liabilities

2013	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other <sup>1</sup>							
SEK m									
<b>Assets</b>									
Cash and balances with central banks					334 185		609	334 794	334 794
Interest-bearing securities eligible as collateral with central banks	32 611	16 160		3 461		1 553		53 785	53 805
Loans to credit institutions					475 440			475 440	479 609
Loans to the public		2 580			682 792			685 372	685 711
Bonds and other interest-bearing securities	26 959	30 149		933		902		58 943	58 941
Shares	41 543					5 678		47 221	47 221
Shares in subsidiaries and investments in associates							46 153	46 153	46 153
Assets where the customer bears the value change risk		1 860			328			2 188	2 188
Derivative instruments	69 471		8 824					78 295	78 295
Other assets	68				8 346		8 054	16 468	16 468
Prepaid expenses and accrued income	480	661		117	1 734		2 280	5 272	5 272
<b>Total financial assets</b>	<b>171 132</b>	<b>51 410</b>	<b>8 824</b>	<b>4 511</b>	<b>1 502 825</b>	<b>8 133</b>	<b>57 096</b>	<b>1 803 931</b>	<b>1 808 457</b>
Other non-financial assets								2 930	
<b>Total assets</b>								<b>1 806 861</b>	
<b>Liabilities</b>									
Due to credit institutions							226 631	226 631	228 131
Deposits and borrowing from the public							814 227	814 227	814 035
Liabilities where the customer bears the value change risk		1 908					328	2 236	2 236
Issued securities	17 420						515 187	532 607	544 327
Derivative instruments	72 136		5 007					77 143	77 143
Short positions	22 845							22 845	22 845
Other liabilities	19						12 684	12 703	12 703
Accrued expenses and deferred income	357						9 558	9 915	9 915
Subordinated liabilities							15 965	15 965	17 705
<b>Total financial liabilities</b>	<b>112 777</b>	<b>1 908</b>	<b>5 007</b>				<b>1 594 580</b>	<b>1 714 272</b>	<b>1 729 040</b>
Other non-financial liabilities								1 058	
<b>Total liabilities</b>								<b>1 715 330</b>	

<sup>1</sup> Classified to be measured at fair value.

Reclassified financial assets	Holdings classified as loans	
	Reclassified from held for trading	Reclassified from available for sale
SEK m		
Carrying amount	74	5 375
Fair value	74	5 464
Carrying amount at reclassification 1 July 2008	3 041	19 722
Carrying amount at beginning of 2013	96	7 782
Fair value at beginning of 2013	95	7 930
Value change recognised in income statement in 2013	-	170
Value change recognised in income statement in 2012	-	-5
Value change recognised in other comprehensive income in 2013	0	-3
Value change recognised in other comprehensive income in 2012	-5	-177
Value change which would have been recognised in income statement in 2013 if the assets had not been reclassified	1	170
Value change which would have been recognised in income statement in 2012 if the assets had not been reclassified	2	-5
Value change which would have been recognised in other comprehensive income in 2013 if the assets had not been reclassified	-	-25
Value change which would have been recognised in other comprehensive income in 2012 if the assets had not been reclassified	-	266
Proportion of amortisations and maturities since reclassification	99.5%	75.1%
Interest recognised as income 2013	69	137

The reclassification was carried out on 1 July 2008, see note G38 for more information.

## P33 Cont

2012 SEK m	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
	Trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					236 447			236 447	236 447
Interest-bearing securities eligible as collateral with central banks	26 474	13 981		3 757		1 047		45 259	45 326
Loans to credit institutions					422 897			422 897	428 503
Loans to the public		4 078			727 889			731 967	732 646
Bonds and other interest-bearing securities	30 535	29 658		1 340		1 406		62 939	62 935
Shares	23 077					5 192		28 269	28 269
Shares in subsidiaries and investments in associates							45 734	45 734	45 734
Assets where the customer bears the value change risk		1 676			335			2 011	2 011
Derivative instruments	116 096		6 429					122 525	122 525
Other assets	28				18 393		7	18 428	18 428
Prepaid expenses and accrued income	229	854		118	4 146	0		5 347	5 347
<b>Total financial assets</b>	<b>196 439</b>	<b>50 247</b>	<b>6 429</b>	<b>5 215</b>	<b>1 410 107</b>	<b>7 645</b>	<b>45 741</b>	<b>1 721 823</b>	<b>1 728 171</b>
Other non-financial assets								2 943	
<b>Total assets</b>								<b>1 724 766</b>	
<b>Liabilities</b>									
Due to credit institutions							243 332	243 332	245 672
Deposits and borrowing from the public							668 683	668 683	668 777
Liabilities where the customer bears the value change risk		1 724					335	2 059	2 059
Issued securities	13 756						517 528	531 284	541 792
Derivative instruments	118 254		8 668					126 922	126 922
Short positions	16 201							16 201	16 201
Other liabilities	19						17 135	17 154	17 154
Accrued expenses and deferred income	54						9 477	9 531	9 531
Subordinated liabilities							21 167	21 167	22 507
<b>Total financial liabilities</b>	<b>148 284</b>	<b>1 724</b>	<b>8 668</b>				<b>1 477 657</b>	<b>1 636 333</b>	<b>1 650 615</b>
Other non-financial liabilities								1 163	
<b>Total liabilities</b>								<b>1 637 496</b>	

<sup>1</sup> Classified to be measured at fair value.

The principles for measurement at fair value are presented in note G39. For shares in subsidiaries and associated companies the acquisition cost is stated and not the fair value.

## P34 Fair value measurement of financial instruments

Financial instruments at fair value 2013				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	32 611	-	-	32 611
Denominated at fair value	16 160	-	-	16 160
Available for sale	1 553	-	-	1 553
Loans to the public	-	2 562	18	2 580
Bonds and other interest-bearing securities				
Held for trading	21 881	5 078	-	26 959
Denominated at fair value	30 149	-	-	30 149
Available for sale	582	320	-	902
Shares				
Held for trading	40 284	1 183	76	41 543
Denominated at fair value	-	-	-	-
Available for sale	4 367	634	677	5 678
Assets where the customer bears the value change risk	1 860	-	-	1 860
Derivative instruments	1 328	76 967	-	78 295
<b>Total</b>	<b>150 775</b>	<b>86 744</b>	<b>771</b>	<b>238 290</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	1 908	-	-	1 908
Issued securities	4	17 332	84	17 420
Derivative instruments	2 155	74 988	-	77 143
Short positions	21 951	894	-	22 845
<b>Total</b>	<b>26 018</b>	<b>93 214</b>	<b>84</b>	<b>119 316</b>

Financial instruments at fair value 2012 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks	41 163	339	-	41 502
Loans to the public	-	4 054	24	4 078
Bonds and other interest-bearing securities	48 792	12 807	-	61 599
Shares	27 046	515	708	28 269
Assets where the customer bears the value change risk	1 676	-	-	1 676
Derivative instruments	1 239	121 286	-	122 525
<b>Total</b>	<b>119 916</b>	<b>139 001</b>	<b>732</b>	<b>259 649</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	1 724	-	-	1 724
Issued securities	5	13 674	77	13 756
Derivative instruments	2 508	124 414	-	126 922
Short positions	15 430	771	-	16 201
<b>Total</b>	<b>19 667</b>	<b>138 859</b>	<b>77</b>	<b>158 603</b>

The principles applied are described in note G39.

Reconciliation of financial instruments in level 3 2013 SEK m	Shares	Derivatives, net position	Loans to the public	Issued securities
Carrying amount at beginning of year	708	-	24	-77
Acquisitions/Issues	44	-	-	-1
Repurchases/Sales	-6	-	-	-
Matured	-1	-	-2	-
Unrealised value change in income statement	-30	-	0	-6
Unrealised value change in other comprehensive income	38	-	1	-
Transfer from level 1 or 2	-	-	3	-
Transfer to level 1 or 2	-	-	-8	-
<b>Carrying amount at end of year</b>	<b>753</b>	<b>-</b>	<b>18</b>	<b>-84</b>

Reconciliation of financial instruments in level 3 2012 SEK m	Shares	Derivatives, net position	Loans to the public	Issued securities
Carrying amount at beginning of year	740	-3	25	-77
Acquisitions/Issues	14	-	-	-
Repurchases/Sales	-18	-	-	2
Matured	-	-	-6	-
The period's value change realised in the income statement	-8	-	-	-
Unrealised value change in income statement	8	-	0	-2
Unrealised value change in other comprehensive income	-28	-	-1	-
Transfer from level 1 or 2	-	-	6	-
Transfer to level 1 or 2	-	3	-	-
<b>Carrying amount at end of year</b>	<b>708</b>	<b>-</b>	<b>24</b>	<b>-77</b>

Financial instruments at cost or amortised cost 2013 SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with central banks	334 794	-	-	334 794
Interest-bearing securities eligible as collateral with central banks	3 481	-	-	3 481
Loans to credit institutions	17 693	460 979	937	479 609
Loans to the public	5 768	30 449	646 914	683 131
Bonds and other interest-bearing securities	931	-	-	931
Assets where the customer bears the value change risk	-	312	16	328
<b>Total</b>	<b>362 667</b>	<b>491 740</b>	<b>647 867</b>	<b>1 502 274</b>
<b>Liabilities</b>				
Due to credit institutions	47 866	180 265	-	228 131
Deposits and borrowing from the public	679 852	134 183	-	814 035
Liabilities where the customer bears the value change risk	-	328	-	328
Issued securities	136 324	390 583	-	526 907
Subordinated liabilities	-	17 705	-	17 705
<b>Total</b>	<b>864 042</b>	<b>723 064</b>	<b>-</b>	<b>1 587 106</b>

## P35 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt			Other pledged assets		
SEK m	2013	2012	SEK m	2013	2012
Cash	0	0	Cash	702	257
Government instruments and bonds	21 853	55 676	Government instruments and bonds	30 483	679
Loans to the public	0	3 358	Equities	6 482	1 628
Equities	3 086	161	Other	4 012	-
Other	277	-	<b>Total</b>	<b>41 679</b>	<b>2 564</b>
<b>Total</b>	<b>25 216</b>	<b>59 195</b>			

Other pledged assets refers to collateral pledged for obligations not reported in the balance sheet.

### Assets received

As a component in reverse repurchase agreements and securities loans, the Group has received assets that can be sold or repledged to a third party. The fair value of received assets of this type was SEK 34,306m (33,528) at the end of the financial year, where assets worth SEK 1,050m (11,452) had been sold or repledged to a third party.

Transferred financial assets recognised in the balance sheet	2013		2012	
	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
SEK m				
Shares, securities lending	3 641	3 086	453	112 <sup>1</sup>
Shares, other	5 927	-	-	-
Government instruments and bonds, repurchase agreements	6 685	6 689	6 566	6 564
Government instruments and bonds, other	1 184	-	57	-
Assets where the customer bears the value change risk	328	328	335	335
<b>Total</b>	<b>17 765</b>	<b>10 103</b>	<b>7 411</b>	<b>7 011</b>

<sup>1</sup> Received cash collateral.

## P36 Contingent liabilities

SEK m	2013	2012
Guarantees, loans	54 386	65 216
Guarantees, other	62 126	39 914
Letters of credit	4 842	26 004
Other	155	452
<b>Total</b>	<b>121 509</b>	<b>131 586</b>

Contingent liabilities mainly consisted of various types of guarantees. The nominal amounts of the guarantees are shown in the table.

## P37 Other commitments

Other commitments			Contracted irrevocable future operating lease charges distributed by the year they fall due for payment		
SEK m	2013	2012	SEK m	2013	2012
Loan commitments	242 242	235 670	2014	694	535
Unutilised part of granted overdraft facilities	124 778	134 262	2015–2018	1 765	1 008
Other	151 394	105 355	2019 and later	556	288
<b>Total</b>	<b>518 414</b>	<b>475 287</b>	<b>Total</b>	<b>3 015</b>	<b>1 831</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

## P38 Pension obligations

SEK m	2013	2012
Fair value of plan assets	23 972	21 835
Pension obligations	25 234	21 231
<b>Net pensions</b>	<b>-1 262</b>	<b>604</b>

Pension obligations and plan assets are calculated in accordance with the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. Plan assets are held by Svenska Handelsbankens Pensionsstiftelse, and similar legal entities regarding commitments of the bank branches in the UK, Norway and Germany. The surplus in Pensionskassan SHB, försäkringsförening can be used to cover the deficit in the parent company. The pension obligations are SEK 3,557m (3,959) in the Bank's pension fund (Pensionskassan SHB, försäkringsförening) and the market value of the assets is SEK 10,141m (8,941). The surplus value in Pensionskassan SHB, försäkringsförening is thus SEK 6,584m (4,982). Given that the surplus in Pensionskassan SHB, försäkringsförening can be used to cover the parent company's pension obligations, a deficit is not recorded as a liability in the balance sheet for 2013.

Pension costs SEK m	2013	2012
Pensions paid	-464	-464
Pension premiums	-426	-463
Social contributions	16	-48
Compensation from pension foundation	555	560
Payments to own pension trusts	-27	-100
<b>Pension cost recognised in the income statement</b>	<b>-346</b>	<b>-515</b>

The expected payment for next year for defined benefit pension plans is SEK 595m. The costs for pension premiums include premiums to the BTPK plan (defined-contribution pension) of SEK 80m (82).

Plan assets SEK m	2013	2012
Opening balance	21 835	18 808
Return	2 692	3 587
Compensation from pension foundation	-555	-560
<b>Closing balance</b>	<b>23 972</b>	<b>21 835</b>
Percentage return on plan assets	12%	19%

SEK 11,042m (9,508) of the fair value of the plan assets in Svenska Handelsbankens Pensionsstiftelse consists of the provisions made in the years 1989–2004 to a special supplementary pension (SKP). The obligations include a commitment regarding SKP of the same amount as the fair value of the plan assets. Part of this commitment, SEK 8,655m (7,312), is conditional.

Pension obligations SEK m	2013	2012
Opening balance	21 231	19 223
Actuarial pension cost	422	479
Interest expense	416	385
Indexation	18	184
Early retirement	109	171
Pensions paid	-464	-464
Changed assumptions <sup>1</sup>	1 819	225
Value change conditional obligation	1 343	1 064
Additional items retirement pension	480	-
Other change in capital value	-140	-36
<b>Closing balance</b>	<b>25 234</b>	<b>21 231</b>

<sup>1</sup> Refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

Allocation of plan assets SEK m	2013	2012
Shares	19 565	18 646
Interest-bearing securities	3 489	2 956
Other plan assets	918	233
<b>Total</b>	<b>23 972</b>	<b>21 835</b>

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union, and between BAO and SACO (the Swedish Confederation of Professional Associations). The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

The value of the pension commitments is calculated annually on the balance sheet date, on actuarial grounds. The most important calculation assumptions are mortality and the discount rate. The mortality assumption follows the assumptions in the Act on Safeguarding Pension Obligations. The discount rate is 2% (2.8) after tax and assumptions for costs.

## P39 Assets and liabilities in currencies

2013 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	342	48 191	4 263	85	46 585	235 126	202	334 794
Loans to credit institutions	256 800	61 117	55 136	41 214	1 510	55 844	3 819	475 440
Loans to the public	246 168	112 723	120 198	42 815	128 823	24 349	10 296	685 372
<i>of which corporate</i>	203 374	96 502	88 683	24 522	90 189	24 294	9 150	536 714
<i>of which households</i>	42 794	16 221	31 515	18 293	38 634	55	1 146	148 658
Interest-bearing securities eligible as collateral with central banks	23 165	6 727	1 137	1	0	21 202	1 553	53 785
Bonds and other interest-bearing securities	49 739	5 651	2 667	75	-	734	77	58 943
Other items not broken down by currency	198 527							198 527
<b>Total assets</b>	<b>774 741</b>	<b>234 409</b>	<b>183 401</b>	<b>84 190</b>	<b>176 918</b>	<b>337 255</b>	<b>15 947</b>	<b>1 806 861</b>
<b>Liabilities</b>								
Due to credit institutions	32 664	25 769	7 982	14 260	12 490	121 745	11 721	226 631
Deposits and borrowing from the public	421 806	81 255	52 376	32 395	68 467	152 487	5 441	814 227
<i>of which corporate</i>	190 365	68 902	36 967	21 093	59 592	151 289	5 286	533 494
<i>of which households</i>	231 441	12 353	15 409	11 302	8 875	1 198	155	280 733
Issued securities	31 597	154 408	5 190	226	74 753	254 048	12 385	532 607
Subordinated liabilities	10 472	4 427	-	-	-	143	923	15 965
Other items not broken down by currency, incl. equity	217 431							217 431
<b>Total liabilities and equity</b>	<b>713 970</b>	<b>265 859</b>	<b>65 548</b>	<b>46 881</b>	<b>155 710</b>	<b>528 423</b>	<b>30 470</b>	<b>1 806 861</b>
Other assets and liabilities broken down by currency and off-balance sheet items		31 421	-117 857	-37 267	-21 253	191 178	14 609	
Net foreign currency position		-29	-4	42	-45	10	86	60

## P39 Cont

2012 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	1 333	77 611	8 628	73	4	148 320	478	236 447
Loans to credit institutions	209 087	72 468	50 742	24 942	1 015	60 827	3 816	422 897
Loans to the public	301 636	104 925	137 370	39 749	109 793	27 445	11 049	731 967
<i>of which corporate</i>	257 894	93 108	103 974	22 904	80 174	27 394	9 687	595 135
<i>of which households</i>	43 742	11 817	33 396	16 845	29 619	51	1 362	136 832
Interest-bearing securities eligible as collateral with central banks	25 101	3 199	183	1	0	15 728	1 047	45 259
Bonds and other interest-bearing securities	52 396	5 972	3 081	107	-	1 251	132	62 939
Other items not broken down by currency	225 257							225 257
<b>Total assets</b>	<b>814 810</b>	<b>264 175</b>	<b>200 004</b>	<b>64 872</b>	<b>110 812</b>	<b>253 571</b>	<b>16 522</b>	<b>1 724 766</b>
<b>Liabilities</b>								
Due to credit institutions	30 671	49 460	9 816	12 134	4 121	121 740	15 390	243 332
Deposits and borrowing from the public	404 142	63 303	57 524	23 883	43 153	71 776	4 902	668 683
<i>of which corporate</i>	188 799	51 513	41 775	13 399	37 545	70 755	4 734	408 520
<i>of which households</i>	215 343	11 790	15 749	10 484	5 608	1 021	168	260 163
Issued securities	35 200	190 197	5 728	365	58 610	235 708	5 476	531 284
Subordinated liabilities	10 897	4 655	-	-	4 300	181	1 134	21 167
Other items not broken down by currency, incl. equity	260 300							260 300
<b>Total liabilities and equity</b>	<b>741 210</b>	<b>307 615</b>	<b>73 068</b>	<b>36 382</b>	<b>110 184</b>	<b>429 405</b>	<b>26 902</b>	<b>1 724 766</b>
Other assets and liabilities broken down by currency and off-balance sheet items		43 342	-126 834	-28 505	-696	175 653	10 662	
Net foreign currency position		-98	102	-15	-68	-181	282	22

## P40 Related-party disclosures

Claims on and liabilities to related parties SEK m	Subsidiaries		Associated companies		Other related parties	
	2013	2012	2013	2012	2013	2012
Loans to credit institutions	377 619	321 192	-	12	-	-
Loans to the public	1 207	1 162	729	227	-	-
Bonds and other interest-bearing securities	-	-	-	-	-	-
Derivatives	8 338	11 778	-	-	-	-
Other assets	8 725	8 363	85	-	587	579
<b>Total</b>	<b>395 889</b>	<b>342 495</b>	<b>814</b>	<b>239</b>	<b>587</b>	<b>579</b>
Due to credit institutions	61 701	70 511	-	-	-	-
Deposits and borrowing from the public	7 214	4 527	186	152	334	227
Issued securities	-	-	-	-	-	-
Derivatives	15 250	21 127	-	-	0	5
Subordinated liabilities	-	-	-	-	698	400
Other liabilities	325	308	-	-	56	87
<b>Total</b>	<b>84 490</b>	<b>96 473</b>	<b>186</b>	<b>152</b>	<b>1 088</b>	<b>719</b>
Contingent liabilities	55 907	61 461	-	-	-	-
Derivatives, nominal amount	475 041	512 532	-	-	-	-
<b>Related parties – income and expense</b>						
SEK m	Subsidiaries		Associated companies		Other related parties	
	2013	2012	2013	2012	2013	2012
Interest income	5 406	7 519	8	4	0	-
Interest expense	-591	-680	-2	-3	-18	-18
Fee and commission income	25	27	2	0	-	0
Fee and commission expense	0	0	-93	-11	-	-
Net gains/losses on financial items at fair value	-	-	0	0	-	-
Other income	1 835	709	-	-	3	4
Other expenses	-438	-293	-2	-2	-24	-21
<b>Total</b>	<b>6 237</b>	<b>7 282</b>	<b>-87</b>	<b>-12</b>	<b>-39</b>	<b>-35</b>

During the year, improved methods of analysing the items in Claims on and liabilities to related parties have been implemented. This has resulted in adjustments of the comparative figures between the items Loans to credit institutions and Loans to the public. Total loans is unchanged.

During the year, normal business transactions have been carried out between the parent company and subsidiaries. Note P16 contains a specification of subsidiaries and associated companies. The associated companies' operations comprise various types of services related to the financial markets. The following companies are included in the group of other related parties: Svenska Handelsbankens Pensionsstiftelse, Svenska Handelsbanken Personalstiftelse and Pensionskassan SHB, försäkringsförening. These companies use Svenska Handelsbanken AB for normal banking and accounting services. Disclosures concerning shareholders' contributions to Group and associated companies are provided in note P16.

Information regarding loans to senior management, and conditions and other remuneration to senior management is given in note G8.

## P41 Capital adequacy

Capital base SEK m	2013	2012	Capital requirement SEK m	2013	2012
<b>TIER 1 CAPITAL</b>			<b>Credit risk</b>		
Equity, parent company	90 758	82 232	Credit risk according to standardised approach	3 836	3 486
Untaxed reserves		3 253	Credit risk according to IRB approach	27 081	29 067
Accrued dividend, current year	-10 485	-6 804	<b>Market risk</b>		
<b>Equity, capital base</b>	<b>80 273</b>	<b>78 681</b>	Interest rate risk	745	880
Innovative tier 1 capital contributions	7 705	9 323	<i>of which general risk</i>	493	660
Non-innovative tier 1 capital contributions	2 897	2 903	<i>of which specific risk</i>	252	220
Deduction items			Equity price risk	11	26
Goodwill and other intangible assets	-977	-774	<i>of which general risk</i>	3	10
Revaluation reserve		-108	<i>of which specific risk</i>	6	13
Value adjustments for positions measured at fair value	-1	-14	<i>of which funds</i>	2	3
Deferred tax assets	-36	-35	Foreign exchange risk	-	-
Special deduction for IRB institutions	-806	-891	Commodities risk	14	9
Capital contribution in insurance company	-32	-8	Settlement risk	0	3
Securitisation positions	-245	-248	<b>Operational risk</b>		
Adjustments in accordance with stability filter			Operational risk	3 128	3 165
Cash flow hedges	1 344	-1 010	<b>Total capital requirement according to Basel II</b>	<b>34 815</b>	<b>36 636</b>
Unrealised accumulated gains/losses, equities	-1 196	-777	Adjustment according to transitional rules	8 993	9 055
Unrealised accumulated gains/losses, fixed income instruments	114	169	<b>Total capital requirement according to Basel II transitional rules</b>	<b>43 808</b>	<b>45 691</b>
<b>Total tier 1 capital</b>	<b>89 040</b>	<b>87 211</b>	Risk-weighted assets according to Basel II	435 189	457 950
<b>TIER 2 CAPITAL</b>			Risk-weighted assets according to Basel II, transitional rules	547 596	571 140
Perpetual subordinated loans		3 133	<b>Capital adequacy analysis,%</b>	<b>2013</b>	<b>2012</b>
Dated subordinated loans	3 881	4 275	Capital requirement in Basel II compared to transitional rules	79.5	80
Additional items			Capital ratio according to		
Unrealised accumulated gains/losses, equities	1 196	777	<i>Basel II</i>	21.4	20.6
Revaluation reserve		108	<i>transitional rules</i>	17.0	16.5
Deducted items			Tier 1 capital ratio according to		
Special deduction for IRB institutions	-806	-891	<i>Basel II</i>	20.5	19.0
Capital contribution in insurance company	-32	-8	<i>transitional rules</i>	16.3	15.3
Securitisation positions	-245	-248	Common equity tier 1 capital ratio according to		
<b>Total tier 2 capital</b>	<b>3 994</b>	<b>7 146</b>	<i>Basel II</i>	18.0	16.4
<b>Total tier 1 and tier 2 capital</b>	<b>93 034</b>	<b>94 357</b>	<i>transitional rules</i>	14.3	13.1
Deductible items from total capital base			Capital base in relation to capital requirement		
Capital contribution in insurance company		-50	<i>Basel II</i>	267	257
<b>Total capital base for capital adequacy purposes</b>	<b>93 034</b>	<b>94 307</b>	<i>transitional rules</i>	212	206

For information on conditions and regulations for capital base items and sub-items, see note G49.

Capital requirements, standardised approach <sup>1</sup> SEK m	2013		2012	
	Exposure amount (EAD)	Capital requirement	Exposure amount (EAD)	Capital requirement
Sovereign and central banks	403 612	12	299 065	8
Municipalities	31 115	2	30 498	1
Multilateral development banks	1 647	0	673	0
Institutions	402 234	69	345 327	117
Corporate	23 740	1 898	22 994	1 840
Retail	10 277	617	8 065	484
Property mortgages	35 349	1 072	25 304	770
Past due items	147	16	148	16
Other items	2 487	150	4 742	250
<b>Total</b>	<b>910 608</b>	<b>3 836</b>	<b>736 816</b>	<b>3 486</b>

<sup>1</sup> Details of capital requirements for exposure classes where there are exposures.

## P41 Cont

Credit risk IRB SEK m	Exposure after credit risk protection (EAD)		Average risk weight %		Capital requirement	
	2013	2012	2013	2012	2013	2012
<b>Corporate</b>	<b>642 301</b>	<b>697 512</b>	<b>36.3</b>	<b>37.3</b>	<b>18 655</b>	<b>20 810</b>
<i>of which repos and securities loans</i>	8 376	23 286	0.5	0.6	3	12
<i>of which other lending, foundation approach</i>	139 862	340 098	35.9	44.5	4 015	12 108
<i>of which other lending, advanced approach</i>	494 063	334 128	37	32.5	14 637	8 690
- Large Corporates	153 531	-	52.5	-	6 450	-
- Small and medium-sized companies	65 961	65 812	60.1	64.1	3 172	3 373
- Property companies	261 980	254 371	23.1	24.6	4 832	5 010
- Housing co-operative associations	12 591	13 945	18.1	27.5	183	307
<b>Retail</b>	<b>132 514</b>	<b>130 385</b>	<b>15.7</b>	<b>15.5</b>	<b>1 667</b>	<b>1 619</b>
<i>of which property loans</i>	61 259	57 360	8.8	9.6	432	442
<i>of which other</i>	71 255	73 025	21.7	20.2	1 235	1 177
<b>Small companies</b>	<b>21 631</b>	<b>21 778</b>	<b>39.4</b>	<b>43.1</b>	<b>682</b>	<b>751</b>
<b>Institutional</b>	<b>100 490</b>	<b>128 670</b>	<b>11.9</b>	<b>9.5</b>	<b>953</b>	<b>974</b>
<i>of which repos and securities loans</i>	48 863	76 588	0.8	0.6	31	38
<i>of which other lending</i>	51 627	52 082	22.3	22.5	922	936
<b>Equity</b>	<b>51 829</b>	<b>50 860</b>	<b>121.6</b>	<b>118.8</b>	<b>5 043</b>	<b>4 832</b>
<b>Exposures without a counterparty</b>	<b>978</b>	<b>967</b>	<b>100</b>	<b>100</b>	<b>78</b>	<b>77</b>
<b>Securitisation positions</b>	<b>878</b>	<b>1 323</b>	<b>3.1</b>	<b>3.5</b>	<b>2</b>	<b>4</b>
<i>Traditional securitisation</i>	878	1 323	3.1	3.5	2	4
<i>Synthetic securitisation</i>	-	-	-	-	-	-
<b>Total IRB</b>	<b>950 621</b>	<b>1 031 495</b>	<b>35.6</b>	<b>35.2</b>	<b>27 081</b>	<b>29 067</b>
<i>of which repos and securities loans</i>	57 239	99 874	0.7	0.6	34	50
<i>of which other lending, foundation approach</i>	245 174	445 330	51.3	50.4	10 061	17 957
<i>of which other lending, advanced approach</i>	648 208	486 291	32.8	28.4	16 986	11 060



# Recommended appropriation of profit and statement from the Board

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 85,121 million are at the disposal of the annual general meeting.

The Board recommends that the profit be distributed as follows:

Dividend per share paid to the shareholders SEK 16.50	
of which SEK 11.50 as ordinary dividend (SEK 10.75 for 2012)	10,488
Balance carried forward	74,633
Total allocated	85,121

When assessing the amount of the company's proposed dividend, totalling SEK 10,488 million, (or a higher amount which may result if more shares are added as a result of the conversion of Handelsbanken's outstanding 2008 convertible loan, but a maximum of 10,489 million), account has been taken of the nature of operations, their scope, consolidation requirement, risk-taking, liquidity, and the general situation in both the Bank and the rest of the Group.

The Board's assessment is that the above appropriation of profits is prudent and well-adapted to the operations as a going concern.

Unrealised changes in assets and liabilities at fair value have affected the equity by SEK 8,533 million net.

The capital base for the banking group at the year-end, minus the proposed dividend based on completed conversions and other material changes in the capital base since the year-end, exceeded the statutory capital requirement by SEK 29,414 million; the equivalent figure for the parent company was SEK 59,529 million.

We hereby declare that the consolidated accounts were prepared in accordance with international financial reporting standards as referred to in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, that the parent company's annual accounts were prepared in accordance with sound accounting practices for stock market companies, that the annual accounts and consolidated accounts give a fair presentation of the Group's and the parent company's financial position and performance, and that the statutory administration report provides a fair view of the parent company's and Group's operations, financial position and performance, and describes material risks and uncertainties to which the parent company and other companies in the Group are exposed.

STOCKHOLM, 4 FEBRUARY 2014

Fredrik Lundberg

Anders Nyrén  
*Chairman of the Board*

Sverker Martin-Löf

Jon Fredrik Baksaa

Tommy Bylund

Jan Johansson

Ole Johansson

Bente Rathe

Lone Fønss Schröder

Charlotte Skog

Pär Boman  
*President and Group Chief Executive*

# Auditor's report

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

## REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of Svenska Handelsbanken AB (publ) for the year 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*

# Sustainability Report

Handelsbanken has gathered information about the Bank's sustainability work in this sustainability report, in accordance with guidelines from the Global Reporting Initiative, GRI. For many years, the Bank has reported relationships with our main stakeholders - customers, employees, investors and the community at large - and also how the Bank's operations have affected the environment.

## CONTENTS

### INTRODUCTION

Sustainability at Handelsbanken 179

### OVERVIEW

Key figures for sustainability work 180

### OUR CONCEPT AND ORGANISATION

Our concept and organisation 182

Handelsbanken's stakeholders 183

### CUSTOMERS

Satisfied customers 184

### EMPLOYEES

Skilled staff 186

### OWNERS

Corporate Governance 189

### SOCIETY

Corporate social responsibility 190

Responsible lending 191

Responsible investments 192

Handelsbanken in the community 193

Economic value creation 194

High ethical standards engender trust 195

The Bank's environmental activities 196

### INITIATIVES, AWARDS, INDEXES AND SURVEYS 198

### GRI – GLOBAL REPORTING INITIATIVE

Content and restrictions 200

GRI index 201

### EXAMINERS' REPORT

Auditor's report 203



#### ABOUT THIS REPORT

This section describes how Handelsbanken works with its most important sustainability issues, in relation to its main stakeholders. This is Handelsbanken's fourth sustainability report prepared in accordance with Global Reporting Initiatives (GRI) 3.0 guidelines for reporting and covers activities and results for the 2013 calendar year. The information refers to the Group unless otherwise stated. Handelsbanken's reporting meets level C+, which has also been confirmed by the Bank's external auditors. See the combined assurance report on page 203.

There is a comprehensive index according to GRI principles on pages 201–202.

The report constitutes Handelsbanken's Communication on Progress for the UN Global Compact.

Additional information regarding Handelsbanken's sustainability activities is presented in an expanded GRI supplement, published on Handelsbanken's website.

# Sustainability at Handelsbanken

Handelsbanken's business opportunities and successes depend upon the confidence that customers, investors, the general public and public authorities have in us and our employees. A condition for this confidence is that the Bank's operations are subject to high ethical standards and responsible actions, and that employees of the Bank conduct themselves in a manner that upholds confidence.

Handelsbanken is a bank that is stable over the long term – a bank which, regardless of the situation in the world around us, is there for our customers.

Handelsbanken has six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. Handelsbanken has a nationwide branch network in these countries, organised into one or more regional banks in each country. The Bank is also opening new offices in other markets, to support the Bank's customers in the home markets with their international business.

Handelsbanken has a strong local presence in its home markets. Handelsbanken's high cost-effectiveness allows the Bank to retain a local presence and thus continue to fulfil an important function in local communities, including places where other banks have closed their local branches.

The Bank has an organic growth model that has proved successful in an increasing number of locations and an increasing number of countries. Our growth model creates high availability and satisfied customers, and means that the Bank can achieve growth, coupled with low risk and good cost control. This, together with the Bank's cautious view of risk and its tradition of prudent financial reserves, makes it a stable, responsible Bank over the long term.

## HOW WE WORK WITH SUSTAINABILITY

Handelsbanken's corporate goal is to have better profitability than the average of peer banks in our home markets. In addition, Handelsbanken aims to act as a responsible institution in society.

It is therefore logical for the Bank to work with sustainability issues, which entail a voluntary responsibility for how the Bank's operations affect the community from an economic, social, ethical and environmental perspective. For Handelsbanken, sustainability also means being an attractive employer and a stable market player that makes a positive contribution to the community and its development.

## SERVICES FOR THE PUBLIC GOOD

By delivering financial services, Handelsbanken, together with other players in the financial sector, comprises an important component in the basic infrastructure of society.

A bank's fundamental tasks are, on the one hand, to manage the money of those who wish to postpone their spending and save their money, and on the other to lend money to companies and house-

holds that wish to spend and invest today. Together, banks must also maintain an efficient, functioning payment system, as well as managing risk.

## OUR ANALYSIS OF THE IMPACT OF OUR OPERATIONS

Taking responsibility is a vital element of a successful, sustainable banking operation. Handelsbanken must meet its customers' needs for financial products and services in a responsible manner, and provide its shareholders with a good return. The Bank also takes a social responsibility, acts ethically in relation to all its stakeholders and works to minimise the Bank's environmental impact.

Different sectors have larger or smaller impacts within different areas. For example, a bank's direct environmental impact is fairly limited, even though Handelsbanken endeavours to minimise the carbon dioxide emissions, etc. generated by its operations.

Handelsbanken's customers have full responsibility for their operations and how they are run. Handelsbanken's possibility of affecting customers' actions is normally relatively limited.

## RESPONSIBLE LENDING

A bank has the opportunity to make a difference when it comes to social and civic responsibility, particularly in its role as a lender.

It is important that the Bank's lending is responsible, based on a close assessment of the customer's repayment capacity. A weak repayment capacity can never be accepted with the argument that the customer is prepared to pay a high interest rate. The aim of short-term profits for the Bank must take second place to what can be considered sustainable in the long term. This is one reason why Handelsbanken does not apply performance- or volume-based bonuses, or other forms of variable compensation, either for the Bank's senior management or for any other employee who takes decisions on credits, or who can affect the Bank's risk profile in any other way. Nor does the Bank make any budgets, or have any volume or market share targets.

## OUR LONG TRADITION OF SUSTAINABILITY WORK

Sustainability has long been a well-integrated part of the Handelsbanken concept of how successful banking operations can be run in a sustainable way.

Handelsbanken is an international group with operations in 24 countries. No matter where in the world we work, Handelsbanken always

puts the customer first, focusing on long-term, sustainable customer relationships.

Every day the Bank's 11,500+ employees work to ensure that our customers are satisfied, that our income is increasing more rapidly than our expenses, and that there is good administrative order in our operations.

Handelsbanken takes responsibility by managing risks in such a way that as few customers as possible have difficulties in making payments, and we can therefore remain a bank with stable finances that makes a positive contribution to its customers, its shareholders, and the community in general.

Handelsbanken's good profitability, which is mainly explained by the Bank's good cost-effectiveness, also benefits the community as whole; Handelsbanken has been one of the largest payers of corporate tax in Sweden for many years and the largest payer to the Swedish Stabilisation Fund for the financial system.

## THE MOST FUNDAMENTAL CRITERION FOR SUSTAINABILITY

The latest global financial crisis has shown clearly that, for a bank, the most fundamental criterion for sustainability is survival. A bank must be run in such a way that it is always able to fund its operations, so that it can survive unaided.

This means that a bank's top priority must be to maintain the confidence of its customers, its bond investors, the supervisory authorities and its shareholders. Such confidence is based on the assumption that the bank's operations are sound. It is therefore vital that corporate social responsibility is an integral part of all Handelsbanken's operations.

In times of financial turbulence, it becomes even clearer that banks which have acted responsibly have a competitive edge, for example in terms of their ability to fund themselves on the international capital market and to attract talented staff.

Private customers, too, attach great importance to the fact that a bank has acted responsibly. During the financial crisis, having funds on an account with a secure bank was seen as an increasingly attractive option.

# Key figures for sustainability work

To follow up the sustainability work, the Bank has identified a number of measurable indicators for how our sustainability activities perform over time, and compared them with those of peer companies with similar conditions.



## FINANCIAL

- For a long period of time, Handelsbanken has had lower loan losses than peer players in the banking sector. In 2013, Handelsbanken's loan losses corresponded to 0.07 per cent (0.08) of lending. Over the past five years, the Bank's loan loss ratio has averaged 0.10 per cent. This can be compared with the average figure of 0.40 per cent for the other major Nordic banks over the same period.
- Handelsbanken has stable finances, and on no occasion during the recent financial crisis did it need to ask for liquidity support or capital contributions, either from a central bank, the state or in the form of a new share issue.
- Every year since the early 1970s, Handelsbanken has had higher profitability than the average of peer banks on our home markets.
- Handelsbanken has paid a dividend to its shareholders for many years in succession, including every year during the recent period of turbulence on the financial markets.
- By virtue of its profit level over many years, Handelsbanken has been one of the largest payers of corporate tax in Sweden and is the largest payer to the Swedish Stabilisation Fund for the financial system.



## SOCIAL RESPONSIBILITY

- In 2013, Handelsbanken had the most satisfied customers of the four major banks\* in Sweden, according to SKI (Swedish Quality Index). This applied to both private and corporate customers. In Handelsbanken's other home markets, the Bank was also top-ranked for customer satisfaction, according to SKI's associated organisation EPSI.
- Handelsbanken is an attractive employer that offers its staff security. External staff turnover remained low and, excluding retirements and deaths, was 2.9 per cent (3.6) in the Group, and 1.8 per cent in Sweden.
- Total absence due to sickness for staff in Sweden was 3.0 per cent (2.9), with 1.3 per cent of this figure long-term sick leave (1.1).

\* Handelsbanken, Nordea, SEB and Swedbank.



## ENVIRONMENTAL PERFORMANCE

- The proportion of green electricity is 92 per cent for the Nordic region as a whole and 99 per cent for Swedish operations.
- In autumn 2013, the Carbon Disclosure Project (CDP) presented its annual report on how the world's 500 largest companies report their emissions, and how they manage their impact on climate. It also presented the equivalent report for Nordic companies. Handelsbanken improved its result to 81 points (71) out of a possible 100. The average value in the CDP Nordic survey was 73 points.
- For all the Bank's regional banks in the Nordic countries, the UK and the Netherlands and also central units, carbon dioxide (CO<sub>2</sub>) emissions from the operations' electricity consumption totalled 2,971 tonnes in 2013. For the Swedish operations, in addition to electricity consumption, we also measure transport, business travel and heating of properties owned by Handelsbanken in Sweden. Total CO<sub>2</sub> emissions for all reported units totalled 6,982 tonnes in 2013.

Emissions of CO<sub>2</sub> as reported above have increased compared with 2012. This is because the Bank's operations grew in 2013, mainly in the UK and the Netherlands, which affects the Bank's energy consumption.

## OVERALL GOALS

### Corporate goal

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

### Goal achievement

Handelsbanken's return on equity for total operations was 13.9 per cent (14.9). The corresponding figure for a weighted average of other major Nordic banks was 10.2 per cent (10.4). This meant that for the 42nd consecutive year, Handelsbanken met its corporate goal.

Return on equity, 1973–2013



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

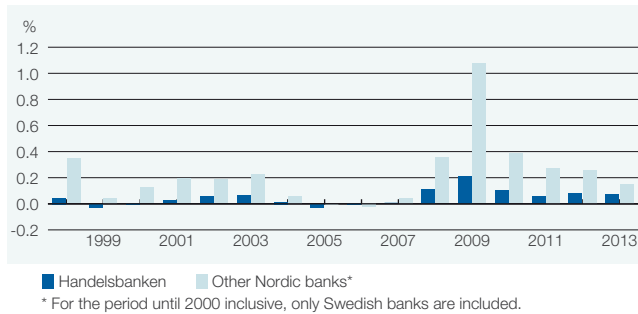
### LOWER LOAN LOSSES

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

#### Outcome

Loan losses were SEK -1,195 million (-1,251). Loan losses as a proportion of lending were 0.07 per cent (0.08). The corresponding figure for other major Nordic banks was 0.15 per cent (0.26).

Loan losses as a percentage of lending 1998–2013



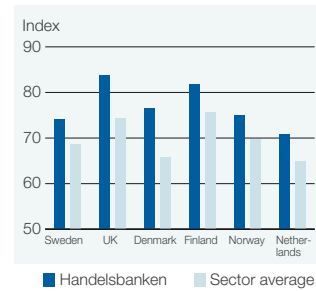
### MOST SATISFIED CUSTOMERS

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

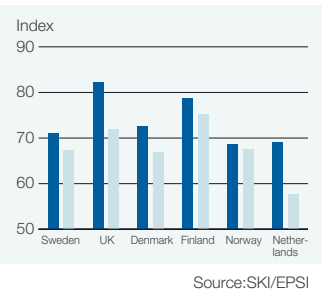
#### Outcome

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

Customer satisfaction – Private customers 2013



Customer satisfaction – Corporate customers 2013



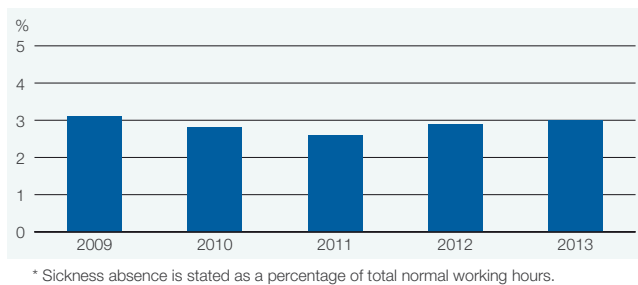
### SICKNESS ABSENCE

Handelsbanken aims for all its employees to enjoy good health, develop on a personal level and function in an optimal way. This is a long-term goal that includes factors such as clear and honest communication, having the skills and competence and the right conditions needed to perform tasks and deal with work-related situations, having pride and confidence in one's work, respecting others, and being respected oneself.

#### Outcome

Total absence due to sickness for staff in Sweden was 3.0 per cent (2.9), of which those on long-term sick leave represented 1.3 per cent (1.1).

Sickness absence in Sweden 2009–2013\*



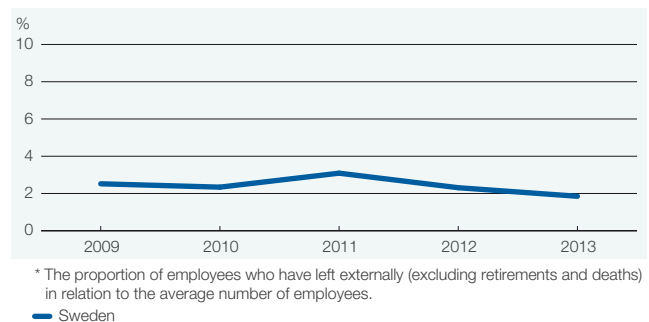
### A LONG-TERM PERSPECTIVE

The Bank takes a long-term approach to customer relations and to its employees. It sees each recruitment as a vital investment. Employees with long experience and with broad knowledge from the whole Bank make a vital contribution to the Bank having satisfied customers.

#### Outcome

External staff turnover continued to be low and was 1.8 per cent in Sweden.

External staff turnover 2009–2013\*



### CARBON DIOXIDE EMISSIONS

To clarify Handelsbanken's environmental impact and activities, the Bank has opted to report carbon dioxide emissions from electricity consumption in the Nordic countries for 2008–2013 and in the UK for 2011–2013. For 2013, electricity consumption in the Netherlands is also reported.

#### Outcome

Carbon dioxide emissions for electricity consumption increased compared to 2012. This is because the Bank's operations grew in 2013, mainly in the UK and the Netherlands, which affects the Bank's energy consumption.

Emissions (CO <sub>2</sub> ) tonnes	2013	2012	2011	2010	2009	2008
Electricity consumption, Nordic region, UK and Netherlands	2 971					
Electricity consumption, Nordic region and UK	2 846	2 170	3 763			
of which electricity consumption, Nordic countries <sup>1</sup>	1 093	767	2 517	4 519	6 568	9 878
electricity consumption, Sweden	83	224	821	2 717	5 071	8 367
Heating etc for own properties, Sweden	1 143	1 480	1 466	1 569	1 181	1 344
External transport, Sweden	398	401	125	128	289	209
Business travel, Sweden	2 470	2 261	2 171	2 216	2 417	2 945

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

The recalculation factor applied for emissions of CO<sub>2</sub> for non-green electricity in the Nordic countries is residual mix Nordic countries, that is electricity where the source cannot be traced. Emissions of CO<sub>2</sub> for 2008–2012 are recalculated retroactively according to residual mix Nordic countries.

# Our concept and organisation

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. Handelsbanken primarily grows by opening new branches in locations where the Bank has not previously had operations.

Handelsbanken has conducted banking since 1871 and its share is the oldest listed share on the Stockholm stock exchange.

We aim to have better profitability than the average of peer banks in our home markets. This will mainly be achieved by Handelsbanken having lower costs and more satisfied customers than its competitors.

## AVAILABILITY, SIMPLICITY AND CARE

We put a great deal of effort into being available for our customers and this is a major component in Handelsbanken's banking model. We don't close branches – instead we open new ones. In Sweden, Handelsbanken Direkt Personal Service is open 24 hours a day, 365 days a year. We constantly strive to develop and improve our meeting-places and to increase the level of availability for customers. This applies at branches, online, and at digital meeting-places, such as services in the form of apps for smartphones and tablets.

When a customer contacts us, the meeting should be simple and unbureaucratic. We aim to have the same range of services in our various meeting-places so customers can do the same type of business with the Bank regardless of how they contact the Bank.

In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. The Bank creates, maintains and develops strong, long-term customer relationships through these meetings.

We always have the customer's best at heart and our aim is that they should feel that our service is caring.

## PRODUCTS AND SERVICES

Handelsbanken has a full range of products and services to meet all the financial needs and wishes of its customers. Responsible for this range are product specialists in the Bank's four business areas: Handelsbanken Capital Markets, Stadshypotek, Forestry and Farming,

and Handelsbanken Direkt. Each product owner packages their product, while the branch takes responsibility for each individual customer being offered services which are adapted to that particular customer's needs and circumstances.

## MARKETS

Handelsbanken offers financial products and services in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

In the UK, the Bank now has 161 branches and four regional banks, and the Bank continues to grow there.

We also opened several new branches in the Netherlands in 2013, and at the end of the year had 18 branches there.

Handelsbanken has a nationwide branch network in its home markets, organised into one or more regional banks in each country.

Handelsbanken currently has more than 800 offices in 24 countries, including 791 branches in our six home markets.

## GROWTH MODEL

For Handelsbanken to achieve and retain high profitability, growth is also necessary. The Bank primarily grows by opening branches in locations where it does not already have operations. In this way, the Bank grows customer by customer, branch by branch. This method of working and of achieving growth has proved successful in more and more locations and countries. This organic growth model means that Handelsbanken can achieve growth, coupled with low risk and good cost control.

## DECENTRALISED ORGANISATION FOCUSING ON THE CUSTOMER

All business decisions that affect the individual customer's relationship with the Bank are based on the customer's requirements and are made by the local branch. Every branch is led by a manager who is solely responsible for all bank-

ing business in his/her local area of operations.

Handelsbanken's branch managers have a very high degree of independence, as we are convinced that those who work closest to the customer will make the most sensible decisions, from the customer's and from the Bank's point of view. This mandate to take the important business decisions on the spot with the customer is a sound basis for successful customer meetings. Our customers meet the person who will make the decision, not a messenger.

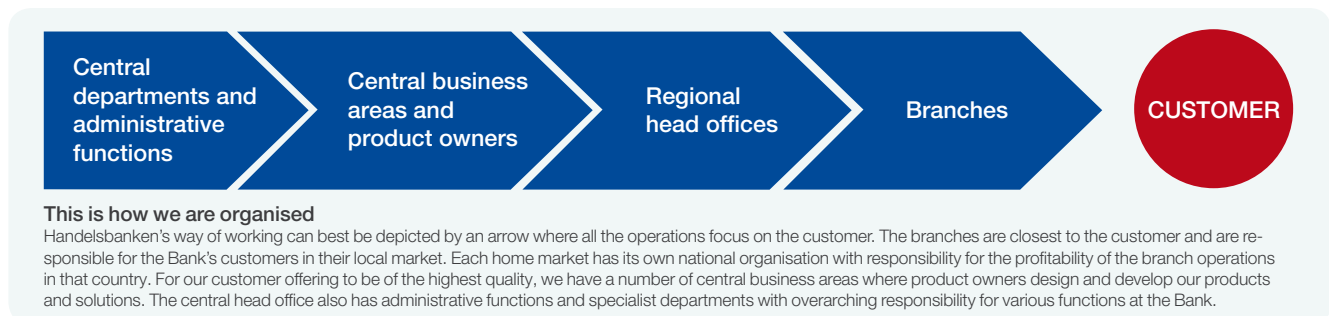
The branches' independence gives them a very strong local presence, with long-term customer relationships. No one has better knowledge of the specific demands applying in the local market than the local branch. This is why the Bank does not normally use central marketing plans or advertising campaigns.

Handelsbanken has consistently and successfully applied this decentralised working method for many years.

## ORGANISATION FOR SUSTAINABILITY

Handelsbanken's Board has decided on the Bank's policy in a number of central sustainability matters.

Handelsbanken has a committee for sustainability matters which was formed in 2010. The chairman of the committee is an Executive Vice President and a member of the Group Management and has overall responsibility for ensuring that Handelsbanken identifies and addresses the sustainability matters that are relevant to the Bank. The committee consists of representatives from branch offices in Sweden and the Handelsbanken Capital Markets business area, as well as representatives from the central functions for Group Finance, Communications, Investor Relations, IT, Credits and Personnel. And during the year, representatives from Handelsbanken International and the Handelsbanken Direkt business area were added. The committee met regularly during the year.





# Handelsbanken's stakeholders

Many private individuals, organisations and companies are affected by how Handelsbanken acts in various matters. For Handelsbanken, corporate social responsibility means living up to the reasonable expectation of these stakeholders and acting in such a way that their confidence in the Bank is maintained.

Handelsbanken's principal stakeholders are our customers, employees, shareholders and bond investors, as well as the community at large, for example in the form of the supervisory authorities where the Bank operates.

## CONTINUOUS DIALOGUE

It is important that the Bank keeps itself up-to-date concerning the wishes and requirements that various stakeholders have as regards Handelsbanken. Therefore the Bank has a continuous dialogue with its customers, staff, shareholders and investors, as well as with authorities and other public organisations.

## Customers

The most important dialogue occurs at the thousands of meetings with customers that take place daily at the Bank's 810 offices and by phone and by email.

By being responsive to customers' requests and questions, Handelsbanken can provide answers and meet the customers' expectations.

## Employees

All employees participate and are active in their own unit's business planning every year. This is followed by the individual planning dialogues and performance reviews which are the link between the goals of the business operations and the goals of the employee. The result is an action plan which is followed up regularly during the year and then forms the basis of an annual salary dialogue review between the employee and manager.

## Shareholders

Handelsbanken's shareholders are those who ultimately decide about the Bank's governance. The shareholders exercise their right to decide on matters relating to the company at general meetings of shareholders. Here, individual shareholders have the opportunity to put questions to the Bank's board and senior management.

Shareholders show great interest in the Bank's annual general meetings. In the past

three years, shareholders representing around 50 per cent of the votes in the Bank have participated.

The Bank's Investor Relations unit provides investors, analysts, rating agencies and other capital market players with information regarding Handelsbanken's share and its financial performance.

## Society

Handelsbanken has a continuous dialogue with supervisory authorities, central banks, regulatory bodies, etc. as well as with governments and parliaments, in both Sweden and abroad. The Bank also has continuous contact with non-governmental organisations (NGOs).

The table, which is laid out according to GRI's principles, shows how the income generated by the Bank's operations is allocated over various groups of stakeholders. The data comes from the Group's income statement and balance sheet.

Direct economic value generated and distributed (according to GRI)					
Economic flows to and from various groups of stakeholders					
SEK bn	2013	2012	2011	2010	2009
<b>DIRECT ECONOMIC VALUE CREATED</b>					
<b>Customers</b>					
Income after loan losses and before fees to the Stabilisation fund, deposit guarantee etc.	36.2	34.9	33.1	30.4	29.5
<b>Value created by serving customers</b>	<b>36.2</b>	<b>34.9</b>	<b>33.1</b>	<b>30.4</b>	<b>29.5</b>
<b>ALLOCATED ECONOMIC VALUE</b>					
<b>Employees</b>					
Salaries	7.1	6.9	6.7	6.4	6.7
Provision to profit-sharing foundation	1.1	1.0	0.9	0.8	0.7
Payroll charges and other staff costs	3.2	3.3	2.3	2.3	2.6
<b>Cost of employees</b>	<b>11.4</b>	<b>11.2</b>	<b>9.9</b>	<b>9.5</b>	<b>10.0</b>
<b>Public authorities and society at large</b>					
Suppliers*	5.7	5.5	5.5	5.5	5.2
Tax costs**	3.9	3.0	4.4	4.0	3.5
Fees to the Stabilisation fund, deposit guarantee etc.	1.1	1.1	1.1	0.6	0.6
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes	-	-	-	-	-
<b>To society</b>	<b>10.7</b>	<b>9.6</b>	<b>11.0</b>	<b>10.1</b>	<b>9.3</b>
<b>Shareholders</b>					
Dividends (refers to the year dividends were paid)	6.8	6.1	5.6	5.0	4.4
New share issue	-	-	-	-	-
<b>Transactions with the shareholders</b>	<b>6.8</b>	<b>6.1</b>	<b>5.6</b>	<b>5.0</b>	<b>4.4</b>
<b>Reinvested economic value ("remaining in the Bank")</b>	<b>7.3</b>	<b>8.0</b>	<b>6.6</b>	<b>5.8</b>	<b>5.8</b>

\*Refers to Other administrative expenses and depreciation.  
\*\*Refers to Tax costs according to the income statement.



All stakeholders have expectations of Handelsbanken. What they have in common is that they all wish the Bank to be stable, and responsive to their wishes. How well the Bank manages to live up to these expectations has an impact on the continued success of Handelsbanken.

# Satisfied customers

For Handelsbanken, the starting point is always meeting the individual customers' requirements. In this way we build a trusting, long-term relationship with every customer. Every year, Swedish Quality Index (SKI) measures customer satisfaction, including in the banking sector. For the 25th year running, customers rated Handelsbanken highest compared with the three other major banks\* in Sweden.

Handelsbanken always aims for all important business decisions to be taken as close to the customer as possible. This contributes to better meetings with customers, better decisions and more satisfied customers. In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. By gaining its customers' trust, Handelsbanken becomes their natural choice.

“In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers.”

### ALWAYS INCREASE AVAILABILITY

An important starting-point for having satisfied customers is to constantly increase our availability, to be there for our customers, whenever and wherever they need us. We don't close branches – instead we open new ones. We also develop a new type of physical meeting-place that is linked to the local branch office in locations where customers can meet the Bank when it suits them.

When the branches are closed, Handelsbanken Direkt Personal Service is always open. This is a unique service since it is staffed by professional bank officers who help customers out by phone, 24 hours a day, 365 days a year.

In addition to personal service, we work all the time to improve our digital meeting-places where customers can do most of their banking transactions such as paying bills, transferring money, seeing balances and card transactions, buying and selling mutual fund units and reviewing their mutual fund savings directly via a smartphone or tablet device. There are mobile applications (apps) for Android, iPhone, iPad and Windows Phone.

### SATISFIED CUSTOMERS IN ALL OUR HOME MARKETS

Handelsbanken considers customer satisfaction surveys to be very important. Every year, Swedish Quality Index (SKI) and its associated organisation EPSI carry out independent surveys of customer satisfaction. Every year since the surveys started in Sweden in 1989, Handelsbanken has had top positions for both private and corporate customers.

The results for 2013 show that Handelsbanken has the most satisfied customers of the four major banks in Sweden. According to the survey, local presence, service and cash handling are all appreciated by the Bank's customers. The result also shows that the gap

has increased compared to other major banks in Sweden.

The 2013 results show that Handelsbanken also achieved top positions in all our home markets, among both private and corporate customers.

“When the branches are closed, Handelsbanken Direkt Personal Service is always open.”

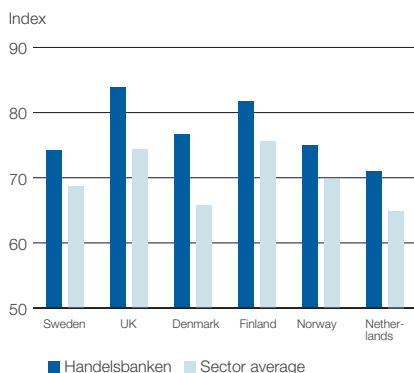
In the UK, Handelsbanken continued to have the most satisfied private and corporate customers. The result also shows that customer satisfaction is higher than the average for the sector.

In Denmark, Handelsbanken had the most satisfied private and corporate customers and the result showed that the Bank remains at a stable, high level despite customer satisfaction having fallen for the sector as a whole.

In Finland, the Bank is top-ranked in terms of most satisfied private and corporate customers, as it has been in previous years.

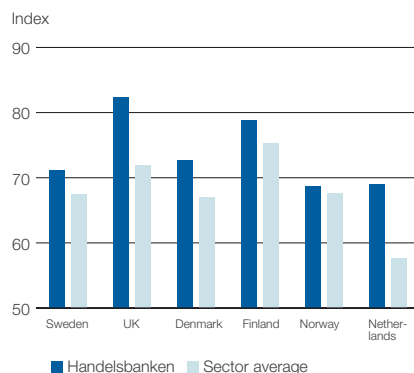
The result in Norway showed that Handels-

Customer satisfaction – Private customers 2013



Source: SKI/EPSI

Customer satisfaction – Corporate customers 2013



Source: SKI/EPSI

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

banken had more satisfied customers – both private and corporate – than the average for the Norwegian banking sector.

“It is at least as important to have loyal customers as satisfied customers.”

In the Netherlands too, surveys showed that the Bank has more satisfied customers than the average for the sector. This applies to both private and corporate customers.

To sum up, these independent surveys of customer satisfaction are proof of Handelsbanken’s success in working consistently and continuously with building up long-term customer relationships.

**LOYAL CUSTOMERS**

It is just as important to have loyal customers as satisfied customers. In Swedish Quality Index’s (SKI) and EPSI’s annual surveys, loyalty, too is a key result linked to customer satisfaction. There is a positive connection between customer satisfaction and loyalty. Loyalty reflects whether customers intend to remain with their bank, in what terms

they talk about their bank, and whether they would recommend their bank to other people.

In addition to the fact that Handelsbanken’s customers are very satisfied, the results for 2013 show that they are also very loyal. In all home markets, it can be seen that loyalty is considerably higher than for the average of the sector. This also applies to markets where Handelsbanken can be regarded as a major player, which must be considered unique.

**REPUTATION**

According to the TNS Sifo Reputation Index for 2013, based on public opinion, Handelsbanken is one of the ten companies in Sweden with the best reputation, regardless of the sector surveyed. The Bank’s index score of 60 can be compared with those of the other three major Swedish banks, which are between 25 and 41.

According to the survey, Handelsbanken is perceived, among other things, to have high ethical and moral standards and to be a good workplace; these are important factors influencing Handelsbanken’s reputation in terms of sustainability.

**MANAGING CUSTOMER COMPLAINTS**

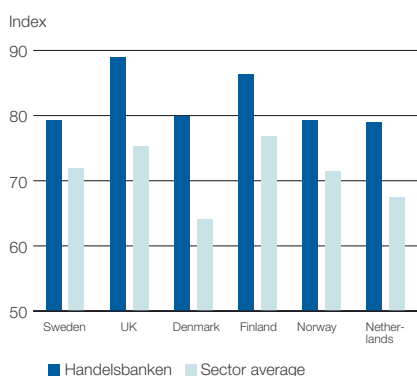
Handelsbanken takes customer complaints very seriously and has well-established procedures for handling these cases. We attach great importance to handling opinions and complaints that come in to the Bank in a manner which inspires confidence.

Complaints must be dealt with in the first place by the responsible branch, with the attention that each case requires. If the customer wishes to pursue the matter, there is a designated complaints officer in each regional bank. In addition, there are complaints officers at Group level who regularly report to Group management, regional banks and product owners.

Information about complaints management at the Bank is easily available on the Bank’s website: handelsbanken.com.

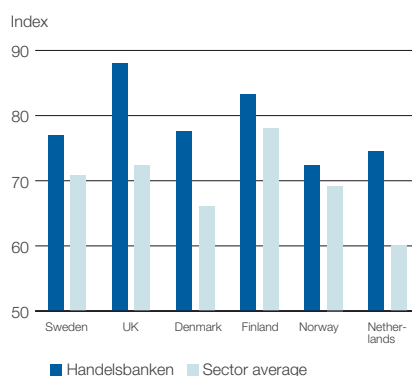
“According to the survey, Handelsbanken is perceived, among other things, to have high ethical and moral standards and to be a good workplace.”

Loyalty – Private customers 2013



Source: SKI/EPSI

Loyalty – Corporate customers 2013



Source: SKI/EPSI

# Skilled staff

At Handelsbanken, we constantly strive for our corporate culture, with its decentralised work method and belief in the individual, to permeate our operations. This applies no matter where in the world Handelsbanken opens new branches. In 2013, Handelsbanken had 11,503 employees, working in 24 countries, almost 35 per cent of whom were employed outside Sweden.

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

Above all, working at Handelsbanken is about relationships with other people. Without the right staff, it does not matter how good the products or services are. When we recruit new employees, we therefore constantly seek people who share the Bank's basic values. We want our employees to be driven by putting the customer first, to enjoy taking a large amount of individual responsibility, and to want to take their own initiatives.

“When we recruit new employees, we therefore constantly seek people who share the Bank's basic values.”

## HANDELSBANKEN'S STUDENT PROGRAMME

Handelsbanken in Sweden offers students from upper secondary school who plan to study at university the opportunity to participate in the Bank's student programme alongside their studies. The programme comprises working at

the Bank during their studies, their own action plan and relevant studies for development at Handelsbanken. The purpose is to attract and recruit young employees as part of the Bank's future management succession and to promote gender equality.

## CONSTANT DEVELOPMENT

The Bank's strength is derived from the combined expertise of its employees. The most important source of increased professionalism is learning in your daily work, where all employees are responsible for constant development – their own and that of the operations.

Therefore, all employees participate in drawing up their own unit's business plan. This forms the basis of the PLUS performance dialogue, which every employee has with his/her line manager at least once a year. After this, each employee puts together an action plan setting out the goals to be attained and the conditions necessary for this. At the end of the year, the employee has a salary dialogue review with his/her line manager, based on a follow-up of the action plan that has been carried out.

## INTERNAL LABOUR MARKET AND MANAGEMENT SUCCESSION

Since the corporate culture and the Bank's values are so vital for Handelsbanken's success, internal recruitment is important. Internal mobility contributes to the working method and culture being spread to all parts of the Bank and all countries, through the skills and experience

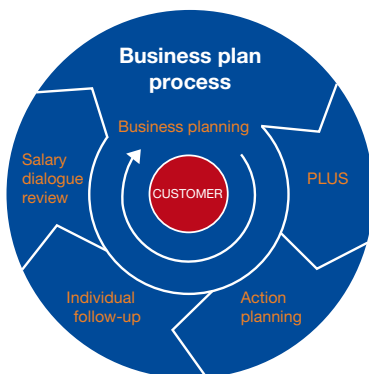
acquired being transferred to the employee's new tasks.

“Handelsbanken's strength is derived from the combined expertise of its employees.”

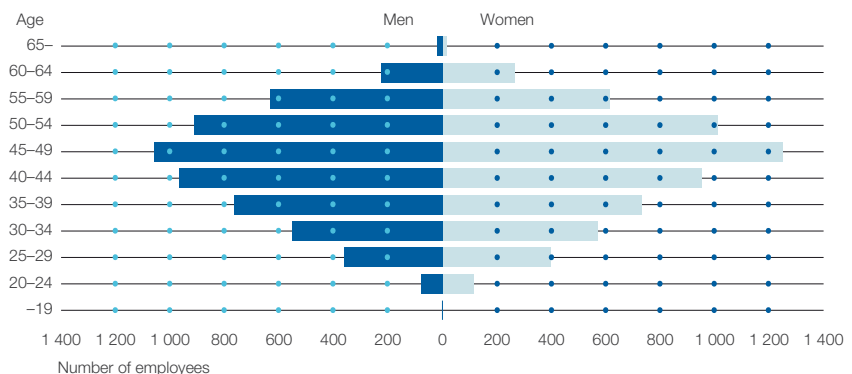
Employees with long experience and with broad knowledge from the whole Bank make a vital contribution to the Bank having satisfied customers. In order to retain an employee, there must be the right conditions for development in their work, as well as a variety of career opportunities – and consideration must be taken of the employee's stage of life. External staff turnover in the Group was 2.9 per cent (3.6) during the year.

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2013, 98 per cent (98) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 90 per cent (93), including the markets where the Bank established operations relatively recently.

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



Age and gender distribution 2013



One of the most important tasks for managers at the Bank is to identify, encourage and develop new managers.

**LOCAL ACCEPTANCE**

In the bank's home markets outside Sweden – with few exceptions – managers and employees are locally employed. It is important that those who work at branches have natural links to and good knowledge of the town and local market. At the year-end, 86 per cent of senior managers (chief executives, executive vice presidents and chief executives of subsidiaries) in these home markets were locally employed.

**FOR GENDER EQUALITY – AGAINST DISCRIMINATION**

Regardless of background, the Bank's staff are individuals with their own characteristics and strengths and their own way of expressing themselves. At Handelsbanken, there must be no discrimination on grounds such as gender, gender identity or expression, ethnicity, religion or other beliefs, disability, sexual orientation or age.

Incidents of discrimination concerning employees are normally managed in the operations through the local personnel functions, but cases which are reported to the national discrimination ombudsman or the corresponding official body are followed up at Group level. No such cases were reported in 2013.

Handelsbanken aims to be an equal opportunities company where women and men have

the same opportunities, chances and power to shape the Bank and their own professional career. Gender equality is about making the most of all of Handelsbanken's potential.

In all countries where Handelsbanken operates, the Bank must produce a gender equality plan which supports the Group's equality goals. The gender equality plan is to be based on Handelsbanken's fundamental values and the laws and guidelines applying in the country concerned.

At the year-end, 44 per cent (43) of the Bank's managers in Sweden were women. The proportion of women among the total number of employees in Sweden was 54 per cent (54).

In the Group as a whole, 38 per cent (37) of managers were women. The proportion of women among the total number of employees in the Group was 52 per cent (52).

Training is carried out for managers, staff at personnel functions and trade union representatives in order to increase awareness of how social and cultural norms affect attitudes and behaviour in everyday life.

There is also an interactive training course aimed at all employees in Sweden. This has been designed in collaboration with the union organisation and its purpose is to create a dialogue and provide the tools for analysis and action from a gender equality perspective.

The focus on rectifying unwarranted pay differentials between women and men continued during the year. Personnel functions and trade union representatives have organised joint meetings with salary-setting managers to provide them with further support in the work towards gender equality in salaries.

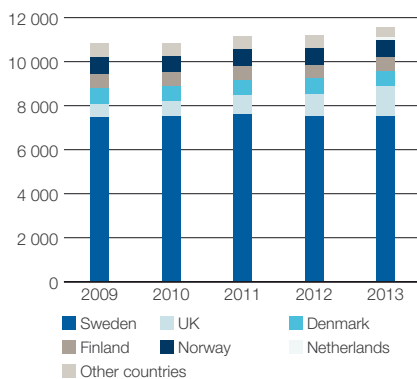
The work of promoting equality also aims to make it easier for both men and women to combine employment with parenthood.

Handelsbanken subsidises home and family services for employees in Sweden who have children under the age of 12. Handelsbanken complies with the prevailing social insurance rules on parental leave. In addition to this, in most of its home markets, the Bank provides compensation in accordance with local regulations; taken together, this means that employees receive 80 to 100 per cent of their salaries over a limited period. Employees who take parental leave have the same right to salary development as other staff.

“Gender equality is about making the most of all of Handelsbanken's potential.”

The Bank's work with gender equality is continuing, with various measures aimed at making Handelsbanken a gender-equal company.

Average number of employees 2009–2013



Sickness absence rate in Sweden	2013			2012		
	Men	Women	Total	Men	Women	Total
Aged 29 or younger	1.2	2.8	2.1	1.2	2.8	2.2
Aged 30–49	1.5	3.2	2.5	1.4	3.1	2.3
Aged 50 or older	2.5	5.8	4.3	2.8	5.3	4.2
<b>Total sickness absence</b>	<b>1.8</b>	<b>4.0</b>	<b>3.0</b>	<b>1.8</b>	<b>3.7</b>	<b>2.9</b>
<i>of which long-term absence</i>	<i>0.6</i>	<i>1.9</i>	<i>1.3</i>	<i>0.5</i>	<i>1.6</i>	<i>1.1</i>

Sickness absence is stated as a percentage of total normal working hours. Long-term absence is a continuous period of absence of 60 days or more.

## WORK ENVIRONMENT AND HEALTH

Handelsbanken's overall goal with its work environment work focuses on employees enjoying good health, developing on a personal level and functioning in an optimal way. This is a long-term goal that includes factors such as clear and honest communication, having the skills and competence and the right conditions needed to perform tasks and deal with work-related situations, having pride and confidence in one's work, respecting others, and being respected oneself.

All employees are responsible for creating a positive working environment at Handelsbanken. In co-operation with staff and employee representatives, managers are responsible for developing a healthy and safe workplace in accordance with the Bank's work environment goal.

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

Health promotion and work environment activities are components of the long-term process, called Sustainable Health, to create the conditions for good physical and mental health in the workplace.

In connection with crisis situations, for many years, Handelsbanken has had a support programme with the help of external partners.

Employees are offered a wide choice and large number of subsidised group and individual healthcare and health promotion activities. Handelsbanken has had a sports association since 1919. With 4,000 members, the association is one of the largest of its kind in Sweden.

To stimulate interest in art and crafts the Bank also has an Art Association with just over 3,500 members. It is the largest art association in Sweden.

## WORKING CONDITIONS AND UNION RIGHTS

All employees of Handelsbanken have the right to organise and join a union or employee organisation. Handelsbanken's traditional good relationship with unions is a valuable component of Handelsbanken's culture. All employees in Denmark, Finland, France, Luxembourg, Norway, Sweden and Austria, comprising almost 85 per cent of the Bank's employees, are covered by collective bargaining agreements. In these countries, employees who are not members of a union are also covered by the terms of the collective agreement. The number

of employees has increased in countries which traditionally have a low rate of membership of collective bargaining agreements. For this reason, the proportion of employees who are covered by a collective bargaining agreement has fallen slightly.

Various matters in Sweden, such as organisational changes, are regulated in Handelsbanken's co-determination agreement with the Financial Sector Union of Sweden's local bodies and in the collective agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and Jusek, the Swedish Association of Graduates in Business Administration and Economics and the Swedish Association of Graduate Engineers.

There is an ongoing dialogue between union representatives and managers concerning operations – such as when changes and new services are to be launched – where valuable information is exchanged at the very early stages. In addition to the matters which are dealt with in a dialogue with the union organisations in each country, there is also Handelsbanken's European Work Council (EWC), which functions as a forum for joint and cross-border questions within the Handelsbanken Group. The EWC consists of representatives from nine countries: Denmark, Finland, Luxembourg, the Netherlands, Norway, Poland, the UK, Sweden and Germany.

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“Handelsbanken has had a sports association since 1919. With 4,000 members, the association is one of the largest of its kind in Sweden.”

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## STAFF MAGAZINE

Handelsbanken's staff magazine, *Remissan*, started in 1948 and is a publication which is made by and for the employees of the Bank. *Remissan*'s task is to create a sense of community, belonging and commitment among the employees, and to reflect Handelsbanken's culture throughout the Group. The magazine is published in Swedish and English.

## PENSIONS AND OTHER CONDITIONS

Handelsbanken aims to be an attractive employer. The Bank therefore offers various types

of competitive benefits, for both permanent and temporary employees in the Group.

Pension benefits are part of the total compensation to employees of Handelsbanken. 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 local conditions prevailing in each country.

An occupational pension plan can include a retirement pension, disability pension and surviving family member protection. The pension benefits which can be offered to employees of Handelsbanken are defined benefit, defined contribution or a combination of the two.

In the Bank's home markets, employees are offered credits on favourable terms. These credits are mainly granted for housing purposes. The terms differ between countries depending on the local conditions, and in Norway and Sweden, this is a taxable benefit.

## OKTOGONEN – THE BANK'S PROFIT-SHARING SCHEME

A condition for achieving the Bank's financial goal of achieving better profitability than peer banks in its home markets is that employees outperform their peers in the rest of the sector. Therefore, the Board considers it reasonable that employees should receive a share of any extra profits. Every year but two since 1973, Handelsbanken has allocated part of the Bank's profits to a profit-sharing scheme for its employees. The funds are managed by the Oktogonen Foundation.

Allocations are subject to the Handelsbanken Group achieving its goal of higher return on equity than a weighted average of comparable listed Nordic, UK and Dutch banks. If this is satisfied, one third of the extra profits can be allocated to the employees. The allocated amount is limited to 15 per cent of the dividends to shareholders. If the Bank reduces the dividend paid out to its shareholders, no allocation can be made to the profit-sharing foundation. All employees receive an equal part of the allocated amount and the scheme includes all employees in the Bank's home markets. In recent years, employees in Hong Kong, Luxembourg, Poland, Singapore and Taipei have also been included in Oktogonen.

Some 97 per cent of the Group's employees are now covered by Oktogonen. The profit-sharing scheme is long-term, as payments cannot be made until the year when an employee reaches the age of 60.

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

The Oktogonen Foundation has two representatives on Handelsbanken's Board.

# Corporate Governance

A Swedish bank's operations are regulated by Swedish law, and banking operations may only be run with a licence from the Swedish Financial Supervisory Authority.

Handelsbanken applies Swedish regulations in its operations, both in and outside Sweden. The main principle is that outside Sweden, the host country's regulations are also applied, if these are stricter or deviate in other respects.

Handelsbanken's corporate governance report is based on a shareholder perspective. There are, however, also other stakeholders with an interest in Handelsbanken's corporate governance, upon whose confidence the Bank is dependent. These include customers, employees, shareholders, bond investors and the community in general.

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“Handelsbanken's strong corporate culture is of major importance in the governance of the Bank.”

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## PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken has developed a strong corporate culture for how banking work should be

carried out. The Bank has a decentralised working method with a high degree of autonomy extending throughout the organisational structure. This corporate culture is described in detail in an internal document called Our Way, which sets out the Bank's goals, business concept and working method. All employees receive a personal copy of Our Way.

Handelsbanken's strong corporate culture is of major importance in the governance of the Bank. It works in parallel with and permeates the principles, strategies, limits and target figures stated in policy documents and instructions.

Handelsbanken's Board has decided on the Bank's policy in a number of central sustainability issues, in particular by adopting ethical guidelines for the Handelsbanken Group which comprise matters such as economic crime, relations with customers, conflicts of interest, confidentiality and the environment.

### Internal control

The responsibility for internal control and the Bank's compliance is an integral part of managers' responsibility at all levels in the Bank. This responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures is monitored regularly.

The compliance function offers advice and support in regulatory matters and follows up

compliance within the Bank. Internal control and compliance work are subject to internal and external risk-based auditing.

Sustainability issues, too, are part of the responsibility of all managers within the Group. According to the Bank's procedures, planning and personal development dialogues (PLUS) must also be held with managers and in these discussions, the manager's work with sustainability matters is followed up.

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“Sustainability issues, too, are part of the responsibility of all managers within the Group.”

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### A SELECTION OF POLICY DOCUMENTS ESTABLISHED BY THE BOARD:

- Credit policy
- Policy for operational risks
- Capital policy
- Financial policy
- Financial risk policy
- Information policy
- Ethical guidelines
- Policy for compensation and suitability assessment
- Policy for use of the external auditors' services (established by the audit committee)
- Policy for independent risk control
- Policy for compliance
- Policy for agreements relating to the engagement of third parties
- Policy on measures against money laundering and financing of terrorism
- Policy for responsible investment (established by the asset management unit)
- Policy for conflicts of interest and measures against bribery and improper influence
- Policy for handling customer complaints

### A SELECTION OF CODES OF CONDUCT IN THE PERSONNEL AREA:

- Personnel policy
- Guidelines for alcohol- and drug-related matters
- Guidelines for the prevention of victimisation at work
- Guidelines for the prevention of sexual harassment
- Guidelines regarding bribery and improper influence
- Environmental policy

### MORE INFORMATION

For more information, please see the Bank's full corporate governance report, which can be found on pages 49–63 of the Annual Report.

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

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

# Corporate social responsibility

Corporate social responsibility at Handelsbanken is manifested in responsible lending and advisory services, as well as our efforts to have satisfied customers and be a good employer.

The actual words corporate social responsibility well reflect the strong social and ethical aspects of a responsibly run banking operation. The Bank's environmental impact is relatively limited, both directly and indirectly. But how the Bank acts can make a large difference – not least in the role of lender. Unless a bank acts in a responsible manner, customers, the bank's shareholders and taxpayers run the risk of being negatively affected. Over-aggressive selling of credits which leads to an unhealthy level of household and corporate debt always hits the customer hardest.

## LOW LOAN LOSSES

For those who wish to evaluate a bank in terms of sustainability, one method is to study the bank's risk tolerance. Handelsbanken has a very low risk tolerance. Handelsbanken's strict approach to risk means that the Bank deliberately avoids high-risk transactions, even if the customer is willing to pay a high interest rate. This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group.

For many years, Handelsbanken has had much lower loan losses than peer banks. During the 1998–2013 period, the average loan loss ratio at Handelsbanken was 0.05 per cent, as compared to 0.18 per cent for the average of the other three major Swedish banks.

## RESPONSIBLE SALES AND ADVISORY SERVICES

When providing financial advisory services and insurance mediation, the Bank always considers the customer's overall situation and financial

circumstances. Based on this, the adviser and the Bank can provide guidance on financing, payments or investments that is adapted to each customer's requirements.

When providing investment advice, the proposal is adapted to the customer's goals, savings horizon and attitude to risk. The customer's knowledge and understanding of the specific risks related to each type of financial instrument, and how active the customer is as an investor, are also taken into account.

The regulations require that all employees who provide customers with financial advice concerning investments and insurance have relevant, up-to-date knowledge. In 2013, certified staff were SwedSec-licensed by means of training and a qualification test. At the last year-end, Handelsbanken had just over 4,600 SwedSec-licensed employees in Sweden for advisory services concerning financial instruments and insurance. These employees take an annual knowledge update test.

The Bank's advice always prioritises the customer's interests and is professional, observes high ethical standards and is executed in accordance with the current laws and regulations.

The Bank's customer information must be clear, factual and easy to understand. Terms and conditions for the Bank's services must be clear and not arbitrarily changed.

## EXTERNAL DIALOGUE CONCERNING SOCIAL RESPONSIBILITY

Handelsbanken in Sweden has a representative working with gender equality at the Employers' Association of the Swedish Banking Institutions (BAO).

In addition, the Bank has a continual dialogue with its customers in the thousands of customer meetings that take place at our 800+ offices, and also with our investors and the public authorities regarding matters which are of importance to a bank. This includes social responsibility.

## HUMAN RIGHTS

Handelsbanken endorses the principles set out in the United Nations Universal Declaration of Human Rights. Handelsbanken adheres to UN's Global Compact, cementing the Bank's expressed support for universal human rights. This means that the Bank strives to support and respect the protection of human rights within the area which the Bank can influence. It also means that the Bank ensures that it is not involved in any breach of human rights. When granting credits, the Bank takes account of its customers' attitudes to human rights.

## THE BANK AS AN EMPLOYER

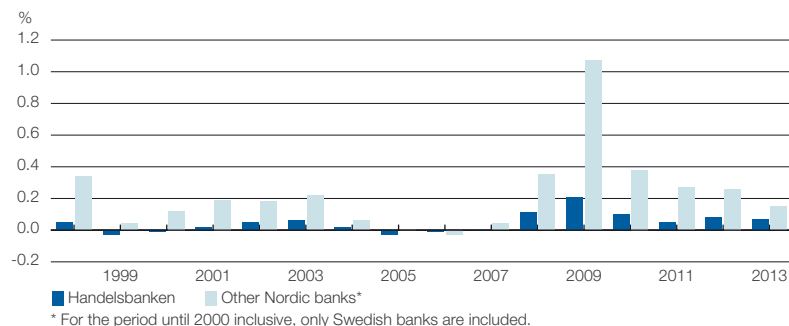
Handelsbanken has a long-term view of its relationship with its employees and its belief in the individual's will and ability is the foundation of the Bank's corporate culture. Since people have different needs and capacity during their professional life, the Bank as employer aims to provide the right conditions for its employees to develop and contribute to the Bank's success.

Among other things, Handelsbanken in Sweden has started working with Samhall. Samhall's task is to create meaningful work with development opportunities for people with various functional disabilities.

## COOPERATION WITH ECPAT FIGHTING COMMERCIAL SEXUAL EXPLOITATION OF CHILDREN

In Sweden, Handelsbanken co-operates with the children's rights organisation Ecpat Sweden and is also a member of the Financial Coalition against Child Pornography. The overall objective of the co-operation and membership is to prevent trafficking and commercial sexual exploitation of children by means of information, and preventing and obstructing monetary transactions made as payment for child pornography.

Loan losses as a percentage of lending 1998–2013



Handelsbanken has a low tolerance of risk. One manifestation of this is that for many years the Bank has had far lower loan losses than the rest of the sector.



# Responsible lending

Financial advice in conjunction with lending must always be based on the customer's needs and financial position.

Responsible lending means that Handelsbanken does not grant credit to customers who are not in a position to repay their loans. When the Bank grants credit, great importance is therefore attached to customers' ability to fulfil their commitments. This protects the individual customer from running into financial difficulties due to excessive indebtedness – something that also benefits the Bank and society at large.

Financial advice in conjunction with lending must always be based on the customer's needs and financial position. Deficiencies in a customer's repayment capacity can never be ignored on the grounds that the Bank is being offered good collateral or high margins.

## SUSTAINABILITY MATTERS RELATED TO LENDING

An important matter in terms of ethics and principles is the extent to which the Bank should bear the responsibility for what its customers do. This could, for example, apply to a borrower that manufactures products that are dangerous to health, has a manufacturing process that affects the environment adversely, or does not permit its employees to exercise their union rights.

Handelsbanken's view is based on the principle that it is the customer that is fully responsible for its operation and how they are run. However, a fundamental condition for Handelsbanken's lending is that the operation is legally compliant and fulfils all requirements from public authorities in terms of environmental questions and other sustainability matters. In the Bank's home markets, which are countries with advanced legislation regarding health protection, the environment and union rights, there are public authorities that monitor compliance with laws and regulations.

Handelsbanken's credit policy states that the Bank must maintain sound ethical standards in its lending operations. This means that in its credit risk assessment, the Bank aims to take into account the customer's attitude to human rights and fundamental principles of working conditions and environmental considerations.

## ENVIRONMENTAL ASSESSMENTS WHEN LENDING

In its credit assessments, Handelsbanken takes into account how environmental risks affect the

customer's repayment capacity. This is particularly important for customers engaged in environmentally hazardous activities or selling products that involve environmental or health risks.

“Financial advice in conjunction with lending must always be based on the customer's needs and financial position.”

The Bank's responsibility for sustainability matters related to granting credits is limited to an assessment of the customer's repayment capacity and thus the credit risk. One example may be the risk that the customer's product cannot be sold, or that more stringent

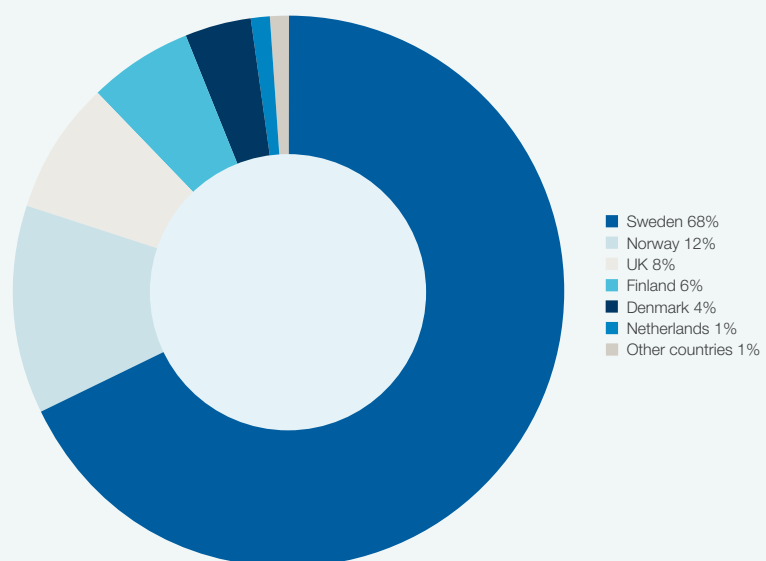
environmental requirements for the customer's manufacturing process will cause the company's repayment capacity to deteriorate.

For property-related lending, it is important to take into account whether environmentally harmful activities are or have been conducted in the property.

The branch which is responsible for the customer carries out the credit risk assessment. Thus, the branch also assesses how environmental risks will affect the customer's repayment capacity. All this is part of the business assessment which is the Bank's method of evaluating a customer. The business assessment is a good aid for the branches when it comes to identifying and assessing risks. It is also good documentation for higher levels in the Bank to evaluate credit risk and monitor that branches take into account environmental issues in the credit risk assessment.

For a long time, the Bank has taken a restrictive approach to risk in its lending – including environmental risk. This culture and expertise on the part of the staff is best maintained and developed in day-to-day work at the branches.

Loans to the public, geographical distribution



# Responsible investments

Handelsbanken integrates sustainability matters with investment decisions which we make on behalf of our customers. This is a condition for creating long-term value growth. This work is based on the UN Principles for Responsible Investment, PRI.

A responsible attitude is essential to long-term value creation on capital markets. Investing our customers' assets in a responsible manner is therefore a vital prerequisite for achieving our goal of generating a strong long-term return in Handelsbanken's mutual funds.

Global Compact – a UN initiative which has established a number of principles, relating to human rights, labour rights, corruption and environmental damage – also acts as guidance for the Bank in its work with responsible investments.

Handelsbanken integrates sustainability matters with the investment decisions made on behalf of customers. Our approach to this work is based on the UN Principles for Responsible Investment, PRI, which Handelsbanken signed in 2009. These principles now guide the way in which asset managers and capital owners work with sustainability issues. Signing PRI means that we are committed to integrating sustainability matters into research and investment decisions, and to be involved in greater transparency relating to environmental, social and corporate governance matters in the companies that Handelsbanken Fonder invests in.

## CORPORATE GOVERNANCE IN HANDELSBANKEN'S FUNDS

The Bank's fund management company, Handelsbanken Fonder, exercises its ownership role in the companies in which its mutual funds own shares, on behalf of the unit-holders. It exercises its ownership role with the goal that the value of the companies, and thus the value

of the funds, has optimal performance in the long term. This occurs, for example, in matters concerning the composition of the companies' boards and the procedure prior to and at shareholders' meetings. Ahead of annual general meetings in 2013, Handelsbanken Fonder participated in nine nomination committees. In addition, Handelsbanken Fonder voted at 55 annual general meetings.

## RESPONSIBLE INVESTMENTS AT HANDELSBANKEN LIV

The Bank's insurance company, Handelsbanken Liv, has investment guidelines based on Global Compact and the UN Principles for Responsible Investment, PRI. Responsible asset management is a condition both for long-term value creation and for meeting customer demand. When Handelsbanken Liv selects and evaluates asset managers, funds and fund management companies for traditional insurance and unit-linked insurance, account must be taken of Global Compact and PRI.

## ANALYSIS AND ACTION

All holdings in the funds and portfolios managed by Handelsbanken Fonder are regularly reviewed, with Global Compact as one of the starting points. These international standards and conventions form the foundation of Handelsbanken Fonder's policy for responsible investments.

This analysis is part of the fund management but is also carried out with the help of external experts on responsible investment. Thus, we are able to follow up deviations from these standards, for example by having a dialogue with the company in question. Depending on how this dialogue evolves, we decide on possible future action.

Our integrated work method means that we readily discuss sustainability issues as part of the ongoing dialogue we have with the companies that we invest in. The dialogue takes the form of regular meetings with company management and other representatives of the companies. In 2013, analysts and portfolio managers at Handelsbanken Fonder held one or more meetings with around 1,300 corporate management teams or corporate representatives worldwide. In 2013, Handelsbanken Fonder specifically broached the subject of deviations from international standards and conventions with some 20 companies.

Handelsbanken Fonder does not invest in

companies which are involved in manufacturing or selling prohibited weapons as defined according to international legislation. This applies, for example, to cluster weapons and landmines.

## FUNDS WITH SPECIAL CRITERIA

Handelsbanken Fonder also offers funds which observe special criteria in their investment strategy. Sweden Index Criteria and Global Index Criteria exclude companies which operate in certain sectors which can be considered controversial. These funds continued to see a good inflow of capital in 2013. Together with some other products with a sustainability profile aimed at institutional investors, these funds have total assets of SEK 15 billion.

## INVESTMENTS IN COMMODITIES

As a rule, financial investments in commodities take place through the purchase of financial instruments such as derivatives, often on the futures market. This market exists mainly so that producers and purchasers of various commodities can reduce the effect of price changes, but it also provides investors with the opportunity to benefit from movements in commodity prices.

Although supply and demand for the underlying physical commodity ultimately determine the price, some maintain that investments in futures create price bubbles. One area is agricultural commodities, where opinions differ. It is important for Handelsbanken to follow this debate and participate where these matters are discussed.

## HANDELSBANKEN PARTICIPATES IN SUSTAINABLE VALUE CREATION

Together with a number of major Swedish institutional investors, in 2013, Handelsbanken Asset Management took part in the Sustainable Value Creation initiative. In a survey, the 100 companies on Nasdaq OMX Stockholm with the highest market capitalisation were asked a series of questions regarding guidelines, implementation and governance of sustainability issues. The aim was to provide the companies with a better understanding of the issues that are relevant to investors, and to provide support for the development of communications and reporting. The project members will, in various ways, each use the companies' survey responses as a basis for their dialogues and investment decisions as owners.

Signatory of:



1. Incorporate environmental, social and corporate governance (ESG) issues into investment analysis and decision-making processes
2. Be active owners and incorporate ESG issues into our ownership policies and practices
3. Seek appropriate disclosure on ESG issues by the entities in which we invest
4. Promote acceptance and application of the principles within the investment industry
5. Work together to enhance our effectiveness in implementing the principles
6. Each report on our activities and progress towards implementing the principles

# Handelsbanken in the community

Handelsbanken acts in a socially responsible manner and contributes to economic development in the community by running stable, long-term banking operations that focus on customer needs.

## HANDELSBANKEN IN THE COMMUNITY

Handelsbanken is a bank that is stable over the long term – a bank which, regardless of the situation in the world around us, is there for our customers. By being a bank with stable finances and a stable presence, Handelsbanken aims to fulfil its role as a responsible institution. Handelsbanken also takes responsibility in this role by managing risks in such a way that as few customers as possible have difficulties in making payments, and the Bank can therefore continue to be a bank with stable finances that makes a positive contribution to its customers, its shareholders, and the community.

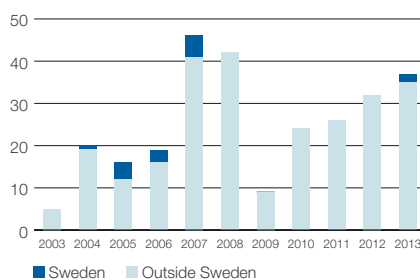
## HANDELSBANKEN IN THE LOCAL COMMUNITY

Handelsbanken is convinced of the need for a local presence. The basic concept of the Bank's way of operating is that business decisions are made as close to the customer as possible. This is why Handelsbanken offers a nationwide branch network in the countries the Bank has identified as its home markets. The Bank's decentralised organisational structure where the local branch manager is responsible for all the Bank's business in its local area of operations means that Handelsbanken is firmly established in the local community.

In recent years, most banks have decided to significantly reduce the number of branches. Handelsbanken has instead elected to retain its local branches and thus continues to fill an important function in the local community.

The Bank is also developing a new type of physical meeting-place linked to the local branches in various locations.

Number of new branches opened, 2003–2013



During 2013, Handelsbanken opened 37 new branch offices in its home markets: two new branches in Sweden, 28 new branches in the UK, two branches in Denmark, two branches in Norway and five new branches in the Netherlands. Handelsbanken is currently the only bank in 59 locations.

## ACCESSIBLE LOCAL BRANCHES

The Bank's local branches must also be accessible to customers with reduced mobility or sense of direction. Most of the Bank's 462 branches in Sweden meet with these requirements. In cases where these requirements are not met, it is usually due to restrictions regarding alterations to the exterior of the building or the street environment. Our large number of branches means that if necessary we can offer customers a nearby branch which is adapted to these needs.

“Handelsbanken is convinced of the need for a local presence.”

## SERVICES FOR THE PUBLIC GOOD

A bank's fundamental tasks are, on the one hand, to manage the money of those who wish to postpone their spending and save their money, and on the other to lend money to companies and households that wish to spend and invest today. Together, banks must also maintain an efficient, functioning payment system, as well as managing risk.

## HANDELSBANKEN AS A TAXPAYER

For many years, Handelsbanken has been one of the largest payers of corporate tax in Sweden. VAT is also a major cost for Handelsbanken since VAT is to a large extent not payable on the Bank's operations. This means that the Bank cannot deduct input VAT which it pays when buying external services and products.

In addition, Handelsbanken is the largest payer to the Swedish Stabilisation Fund for the financial system.

For 2013, it is estimated that Handelsbanken's total taxes and state fees amount to over SEK 7 billion.

## POLITICALLY INDEPENDENT

Handelsbanken is not allied to any political parties. The Bank does not provide financial support to any political parties, nor does it make any other type of political donation.

## GRANTS FOR RESEARCH AND EDUCATION

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research, mainly through allocations to two independent research foundations: the Tore Browaldh Foundation and the Jan Wallander and Tom Hedelius Foundation. Taken together, these foundations are one of the most important sources of funding for economic research in Sweden, and their financing includes two professorships. In 2013, 148 (139) grants were awarded for a total of SEK 149 million (130).

For several years, Handelsbanken has supported a project to improve young people's knowledge of personal finance through financial support for information campaigns and contributing the Bank's expertise.

# Economic value creation

Handelsbanken's higher profitability benefits society at large, as well as the Bank's shareholders. Handelsbanken is one of the few Nordic banks that has not sought financial support from central banks, the government or its shareholders during the recent years of turbulence in the financial markets.

## VALUE CREATION DURING 2013

In 2013, Handelsbanken's profit before taxes and government fees was just over SEK 21 billion. This created value was distributed as follows: just over SEK 7 billion in taxes and government fees, just over SEK 10 billion in proposed dividends, to be paid to the shareholders in the spring of 2014, and the remaining approximately SEK 4 billion, which is reinvested in the operations.

## STABLE IN THE MIDST OF THE FINANCIAL CRISIS

During the financial crisis, Handelsbanken has not used the Swedish government's capital support or guarantee programme and is the only listed Swedish bank that has not needed to ask its shareholders for new capital.

A well-run bank, which acts sustainably and responsibly, has a substantial positive impact

on the economy in general. This applies not only to direct economic effects such as paying corporate tax, but also to the indirect economic effects.

“A well-run bank, which acts sustainably and responsibly, has a substantial positive impact on the economy in general.”

## DIRECT ECONOMIC VALUE

During the most recent business cycle, Handelsbanken has paid dividends to its shareholders every year, while remaining one of the largest payers of corporate tax in Sweden.

## INDIRECT ECONOMIC EFFECTS

Handelsbanken is the largest financier of companies in Sweden, and thus it finances growth and increased employment throughout the country.

The Bank enables households to fund property purchases and thus move to a new town where the employment situation is better, for example. The Handelsbanken Group finances one quarter of households' mortgage loans in Sweden.

The table, which is laid out according to GRI's principles, shows how the income generated by the Bank's operations is allocated over various groups of stakeholders. The data comes from the Group's income statement and balance sheet.

### Direct economic value generated and distributed (according to GRI) Economic flows to and from various groups of stakeholders

SEK bn	2013	2012	2011	2010	2009
<b>DIRECT ECONOMIC VALUE CREATED</b>					
<b>Customers</b>					
Income after loan losses and before fees to the Stabilisation fund, deposit guarantee etc.	36.2	34.9	33.1	30.4	29.5
<b>Value created by serving customers</b>	<b>36.2</b>	<b>34.9</b>	<b>33.1</b>	<b>30.4</b>	<b>29.5</b>
<b>ALLOCATED ECONOMIC VALUE</b>					
<b>Employees</b>					
Salaries	7.1	6.9	6.7	6.4	6.7
Provision to profit-sharing foundation	1.1	1.0	0.9	0.8	0.7
Payroll charges and other staff costs	3.2	3.3	2.3	2.3	2.6
<b>Cost of employees</b>	<b>11.4</b>	<b>11.2</b>	<b>9.9</b>	<b>9.5</b>	<b>10.0</b>
<b>Public authorities and society at large</b>					
Suppliers*	5.7	5.5	5.5	5.5	5.2
Tax costs**	3.9	3.0	4.4	4.0	3.5
Fees to the Stabilisation fund, deposit guarantee etc.	1.1	1.1	1.1	0.6	0.6
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes	-	-	-	-	-
<b>To society</b>	<b>10.7</b>	<b>9.6</b>	<b>11.0</b>	<b>10.1</b>	<b>9.3</b>
<b>Shareholders</b>					
Dividends (refers to the year dividends were paid)	6.8	6.1	5.6	5.0	4.4
New share issue	-	-	-	-	-
<b>Transactions with the shareholders</b>	<b>6.8</b>	<b>6.1</b>	<b>5.6</b>	<b>5.0</b>	<b>4.4</b>
<b>Reinvested economic value ("remaining in the Bank")</b>	<b>7.3</b>	<b>8.0</b>	<b>6.6</b>	<b>5.8</b>	<b>5.8</b>

\*Refers to Other administrative expenses and depreciation.

\*\*Refers to Tax costs according to the income statement.

The table of created and delivered direct economic value shows how the income generated by Handelsbanken's operations during the year was allocated over various stakeholders. The calculation is based on the figures in the income statement and in accordance with the GRI guidelines. The items allocated in the table are based on broader value created where salaries and other administrative costs (suppliers) are added to the operating profit. The purpose is to show in a basic way how Handelsbanken creates value for its stakeholders and in the economic system in which the organisation works. The table provides an overview of the direct measurable monetary value contributed by Handelsbanken to its stakeholders, and thus to development in the community.

# High ethical standards engender trust

Handelsbanken has ethical guidelines stating that operations must be characterised by high ethical standards.

## ETHICAL GUIDELINES AT HANDELSBANKEN

Handelsbanken's ethical guidelines are adopted by the Board of the Bank. They formulate the basic guidelines for every employee's actions.

Employees who are in doubt when applying the Bank's ethical guidelines and dealing with related issues must contact their immediate superior to find out what is ethically acceptable.

A self-evident rule is that the Bank and its employees must comply with the laws and regulations that govern the Bank's operations. If the individual has poorer protection from local laws and regulations than Swedish laws, regulations and principles, Handelsbanken applies the latter.

The guidelines are reviewed every year by the Board. The starting point here is any changes to the relevant legislation, but also changes in external expectations, the Bank's experience of regular internal work and observations from the Bank's comprehensive internal control.

## MEASURES AGAINST MONEY LAUNDERING AND FINANCING OF TERRORISM

To prevent banks being used for money laundering and financing of terrorism, there are special rules which apply in large parts of the world. This means, for example, that the Bank is obliged to have good knowledge of its customers and their banking transactions both at the time the business relationship starts and during the period it lasts. Transactions, ownership structures and business arrangements which are perceived as being unusual and where the Bank does not understand the background are examined.

The Bank's instructions, procedures, training and system support in the area of money laundering are intended to support employees so that good knowledge of customers is achieved. In this way, the Bank can avoid participating in transactions which are suspected of being linked to criminal activities, or of which the employees do not understand the implications.

## CONFLICTS OF INTEREST AND CORRUPTION

Conflicts of interest occur daily in society and the financial sector is no exception. Regardless of where they work in the Bank, employees

must comply with the Bank's regulations regarding conflicts of interest and in connection with this identify conflicts of interest whenever they arise and as far as possible ensure that they are avoided. It is also important that the employees comply with the Bank's regulations regarding bribery and improper influence so that they avoid becoming dependent on a customer or supplier to the Bank or have improper influence on a customer. In addition to the applicable legislation, employees must follow the Bank's own regulations in this area and the recommendations issued by the Swedish Anti-Corruption Institute. Handelsbanken has identified a suspected case of corruption during the year which the Bank is currently investigating.

The regulations must be followed in all contexts, including gifts, entertainment and other events. Employees' business travel must always be paid for by the Bank.

## CONDUCT OF EMPLOYEES

Handelsbanken employees

- must not be in a position where they may be suspected of taking improper advantage of knowledge about the financial markets which they obtain in the course of their work
- must be familiar with the local insider trading laws and observe the Bank's own rules for employees' private securities and currency transactions
- must, in their work at the Bank and in their private affairs, refrain from business transactions that violate the Bank's rules or current legislation
- must refrain from transactions or other commitments that could seriously jeopardise their personal financial position
- are not permitted to process transactions in which they, or persons closely related to them, have a personal interest. This also applies to companies to which these employees or persons closely related to them have a commitment
- must notify their manager or the Central Audit Department if they suspect irregularities at the Bank
- must notify the Bank of assignments outside the Bank and obtain approval. These rules also apply to secondary occupations and certain posts in clubs, societies and the like.

## THE BANK AS A CUSTOMER

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

Environmental considerations are also included in all decisions on purchases. When making purchasing decisions, the Bank must make enquiries as to whether suppliers:

- comply with collective bargaining agreements
- have a work environment policy
- have a policy concerning giving and taking bribes.

In order to ensure quality when making purchasing decisions, the Bank has drawn up a checklist. This list will be implemented during 2014.

The Bank maintains an ongoing dialogue with its suppliers to promote and improve our environmental activities.

Handelsbanken's ethical guidelines are also complied with when the Bank itself is a customer.

### HANDELSBANKEN'S ETHICAL GUIDELINES COVER THE FOLLOWING AREAS:

- High ethical standards
- Laws, regulations and guiding principles
- Economic crime
- Customer relations
- Conflicts of interest
- The UN Global Compact
- Conduct of employees
- Confidentiality
- Environmental matters
- External contractors

### READ MORE

The Bank's ethical guidelines are available on its website [handelsbanken.se/ireng](http://handelsbanken.se/ireng).

# The Bank's environmental activities

Handelsbanken takes responsibility for how its operations affect society in several areas. Among other things, we work to minimise the Bank's direct and indirect impact on the environment.

## HANDELSBANKEN'S ENVIRONMENTAL POLICY

As far as is technically and financially possible, and to the extent that is compatible with the Bank's undertakings, Handelsbanken aims to promote long-term sustainable development. Therefore, the starting-point is that Handelsbanken's impact on the environment must be minimised. Handelsbanken has signed and complies with a number of voluntary agreements, such as the ICC Business Charter for Sustainable Development, the UN's Banks and the Environment programme (UNEP FI), the UN's Global Compact voluntary initiative, and the UN Principles of Responsible Investment (PRI).

## HANDELSBANKEN'S DIRECT ENVIRONMENTAL IMPACT

A bank's direct environmental impact is fairly limited. Handelsbanken's direct environmental impact derives mainly from its consumption of energy, materials, equipment, travel and transport. For several years, the Bank has measured and reported the carbon dioxide (CO<sub>2</sub>) emissions generated by its own operations as the result of its use of transport and its consumption of electricity and heat energy. For all the Bank's regional banks in the Nordic countries, the UK and the Netherlands and also central units, CO<sub>2</sub> emissions from the operations' total energy consumption totalled 2,971 tonnes for 2013.

For the Swedish operations, in addition to electricity consumption, we also measure transport, business travel and heating/cooling of properties owned by Handelsbanken in Sweden, which totalled 4,094 tonnes of CO<sub>2</sub> for 2013. Emissions of CO<sub>2</sub> in Sweden have gone down by six per cent compared with 2012. The amount of CO<sub>2</sub> emissions from electricity consumption has fallen but CO<sub>2</sub> emissions related to business travel have increased in Sweden.

The proportion of green electricity is 99 per cent for Sweden. Handelsbanken strives to minimise the CO<sub>2</sub> emissions generated in its operations.

Handelsbanken's electricity consumption for its Nordic operations was at the same level in 2013 as in 2012. On the other hand, the proportion of green electricity for the Nordic countries as a whole has decreased to 92 per cent. This means that the total amount of emissions of CO<sub>2</sub> for electricity consumption in the Nordic countries increased in 2013 compared to 2012.

The Carbon Disclosure Project (CDP) is a global project where investors have joined together to urge listed companies worldwide to report their emissions, and how they are dealing with their impact on the climate. The initiators of the project include 500 major banks, institutional investors and insurance companies. The report has been published annually since 2000.

“Throughout the Bank, changes are constantly being made which, together, are reducing environmental and climatic impact.”

Handelsbanken improved its result and in the Carbon Disclosure Project's report for 2013, which was presented in late 2013, received 81 (71) points out of a possible 100. The average value in the CDP Nordic survey was 73 points.

## CLIMATIC IMPACT

Deep water source cooling is used from December to May for the head office properties as a complement to the use of cooling machines and district cooling solutions. Deep water source cooling involves taking coldness from Baltic Sea water using heat exchangers.

A long-term maintenance plan has been drawn up for the properties owned by the Bank, to reduce the properties' overall energy consumption.

## MORE EFFICIENT EQUIPMENT AND UTILISATION OF RESOURCES

Throughout the Bank, changes are constantly being made which, together, are reducing environmental and climatic impact.

- Carbon dioxide emissions from electricity consumption in Sweden have decreased by 99 per cent over the past six years. This is mainly due to reduced electricity consumption, but also to the decision to purchase a higher proportion of electricity of guaranteed origin (100 per cent hydroelectric)
- new customers who save regularly each month and who use Handelsbanken Online Banking receive electronic notifications
- the number of video conference hours increased by two per cent in 2013 compared with 2012
- electronic processing of supplier invoices is gradually being increased, which reduces the use of paper and transport. The Bank continues to develop digital services for customers, branches and internal units, so as to further reduce paper consumption
- the work continues of reducing the Bank's environmental impact in the IT area. In autumn 2013, work started on making old servers more efficient. So far, 15 servers have been upgraded which means they have a reduced need for cooling and electricity

Emissions (CO <sub>2</sub> ) tonnes	2013	2012	2011	2010	2009	2008
Electricity consumption, Nordic region, UK and Netherlands	2 971					
Electricity consumption, Nordic region and UK	2 846	2 170	3 763			
of which electricity consumption, Nordic countries <sup>1</sup>	1 093	767	2 517	4 519	6 568	9 878
electricity consumption, Sweden	83	224	821	2 717	5 071	8 367
Heating etc for own properties, Sweden	1 143	1 480	1 466	1 569	1 181	1 344
External transport, Sweden	398	401	125	128	289	209
Business travel, Sweden	2 470	2 261	2 171	2 216	2 417	2 945

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

The recalculation factor applied for emissions of CO<sub>2</sub> for non-green electricity in the Nordic countries is residual mix Nordic countries, that is electricity where the source cannot be traced. Emissions of CO<sub>2</sub> for 2008–2012 are recalculated retroactively according to residual mix Nordic countries.

- in the Bank's properties, older ventilation systems have been modernised to reduce energy consumption
- old printers, fax machines and scanners are being replaced by multi-function machines which use less energy, are environmentally certified and have environmentally friendly toner. A further long-term aim is to reduce paper consumption when old equipment is to be scrapped; the Bank ensures that it is recycled in an environmentally friendly manner.
- Handelsbanken has supplemented its selection of leasing vehicles for employees in Sweden with plug-in hybrid cars that can be charged from the electricity mains.

“Emissions of carbon dioxide in Sweden have gone down by six per cent compared with 2012.”

**MEASURES TO REDUCE THE BANK'S ENVIRONMENTAL IMPACT**

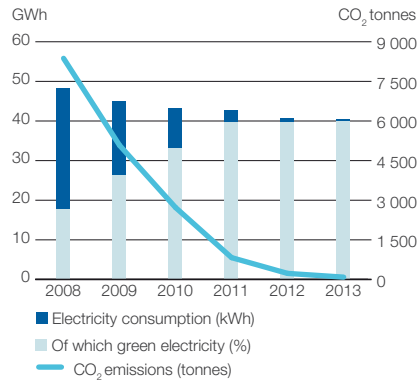
To reduce the Bank's environmental impact, the following initiatives are planned over the next few years:

- Further increase the level of awareness regarding measures to reduce the Bank's direct climatic impact. The aim of this is that all parts of the organisation should be able to contribute effectively to reducing energy consumption, for example
- increase the proportion of green electricity purchased in 2014
- increase the amount of recycled refuse
- reduce the amount of business travel by facilitating the use of video conferences
- develop digital services for customers, branches and internal units, so as to reduce paper consumption.

**HANDELSBANKEN'S INDIRECT ENVIRONMENTAL IMPACT**

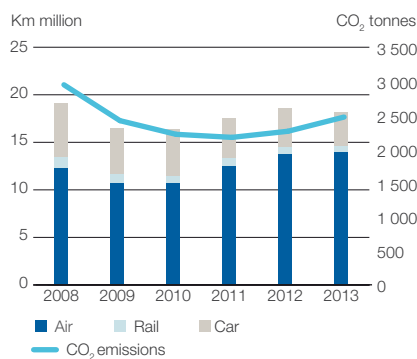
By joining the UN's Global Compact, Handelsbanken undertakes to describe how it works with environmental matters, etc. In addition to the Bank's own consumption of resources, this mainly concerns the indirect environmental impact via lending and asset management.

**Electricity consumption, Sweden**

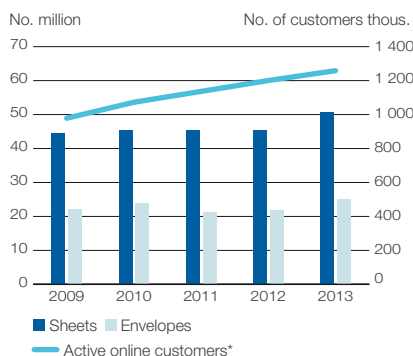


The recalculation factor applied for emissions of CO<sub>2</sub> for non-green electricity in the Nordic countries is residual mix Nordic countries, that is electricity where the source cannot be traced. Emissions of CO<sub>2</sub> for 2008–2012 are recalculated retroactively according to residual mix Nordic countries.

**Business travel, Sweden**



**Centrally distributed information Group**



\* Private and corporate customers who have been active in the Bank's online services at least once in the last six months of 2013.

**READ MORE**  
Additional information about how the Bank works with environmental issues is given on the Bank's website [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

# Initiatives, awards, indexes and surveys

Handelsbanken works both within and outside the financial industry in various initiatives which are intended to increase the level of awareness relating to sustainability and corporate social responsibility.

## INITIATIVES

### Global Compact



In 2009, Handelsbanken signed the UN's Global Compact, cementing the support the Bank has expressed for universal human rights and corporate social responsibility. Global Compact is an initiative aimed at companies and advocates ten principles based on international conventions. These principles, which were established in 2000, include human rights, labour laws, the environment and anti-corruption.

### ICC



The International Chamber of Commerce (ICC) has developed a business charter, with the aim of guiding the world's companies in their efforts to fulfil their environmental commitments. These commitments are in compliance with national and international guidelines and standards for environmentally aware governance. Handelsbanken has signed the charter and complied with it since the 1990s.

### PRI

Signatory of:



Principles for Responsible Investment

PRI (United

Nations backed

Principles for

Responsible Investment Initiatives) was launched in 2006. It is a network of investors that work together with the UN to implement principles for responsible investment. Its aim is to promote responsible actions among institutional investors and to work for increased openness and awareness of environmental, social and corporate governance issues in the companies in which these players invest. Handelsbanken became a signatory to the principles in 2009. A total of around 1,200 capital owners, asset managers and other stakeholders have signed the principles.

### UNEP FI



The UN Environmental Programme has a special organisation that works with how the capital markets can promote the adoption of best environmental and sustainability practice. Some 200 financial institutions which support the initiative contribute to research into and knowledge of how sustainability issues can be integrated into financial decisions.

Handelsbanken has been a member of UNEP FI since the mid-1990s.

### Ecpat



In 2009, Handelsbanken, together with the Swedish Bankers' Association, started cooperating with Ecpat. The overall objective of the cooperation is to prevent commercial sexual exploitation of children by preventing and obstructing monetary transactions made as payment for child pornography.

Ecpat Sweden is part of Ecpat International, which has member organisations in more than 70 countries. Ecpat is working to prevent and stop all forms of commercial sexual exploitation of children, child pornography and child sex tourism.

### Financial Coalition Against Child Pornography



Handelsbanken has been a member of the Swedish Financial Coalition Against Child Pornography (the Financial Coalition) since 2009. The Financial Coalition works to impede and prevent trade related to child pornography, based on the overall crime-prevention goal of stopping child sexual abuse. With the intention of preventing this trade from being conducted through the financial systems, a unique cooperation has been developed between public authorities, the private sector and the non-profit sector. The fact that the Financial Coalition's members impede the opportunity of using the financial systems for this kind of crime, helps to make it more complicated and limit its distribution.

### Economic research

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research, mainly through allocations to two independent research foundations: the Jan Wallander and Tom Hedelius Foundation and the Tore Browaldh Foundation.

Taken together, these foundations are one of the most important sources of funding for economic research in Sweden, and their financing includes two professorships. In 2013, 148 (139) grants were awarded for a total of SEK 149 million (130).

At the end of 2013, the foundations' combined capital totalled some SEK 5,000 million.

### Personal finances for young people

Handelsbanken supports initiatives that improve young people's knowledge of personal finance by supporting information campaigns and contributing know-how. Ung Privatekonomi ("Young Personal Finances") is a school information project that teaches Swedish upper secondary school students and teachers about personal finances and savings.

### Collaboration with universities and colleges

Handelsbanken has a number of collaborations with universities and colleges, and these are an important part of its long-term employer branding work. Through these collaborations Handelsbanken establishes contact with target groups that are important in terms of recruitment. This is based on co-operation with and commitment from local personnel departments, as well as employees and managers from branches and internal units.

### Handelsbanken's student programme

Handelsbanken in Sweden offers students from upper secondary school who plan to study at university the opportunity to participate in the Bank's student programme alongside their studies. The programme comprises working at the Bank during their studies, their own action plan and relevant studies for development at Handelsbanken. The purpose is to attract and recruit young employees as part of the Bank's future management succession and to promote gender equality.

### The Technology Leap

Since the autumn of 2013, Handelsbanken has taken part in the Technology Leap (Tekniksprånget). The Technology Leap is run by the Royal Swedish Academy of Engineering Sciences (IVA), on behalf of the Swedish National Agency for Education. The Technology Leap is an initiative, the aim of which is to give young people who have graduated from upper secondary school natural sciences and technology programmes an insight into the engineering profession. Over a four-month period, the young people are offered work experience aimed at inspiring them to apply for technology degree courses in the future.



**AWARDS**

**Bank of the Year 2013**



Handelsbanken has been acclaimed Bank of the Year for 2013 by the business magazine *Privata Affärer*. With the citation "The big bank which also looks after the small needs of its customers," the Bank accepted the award for the third time in five years. This prize – which is by far the most important banking award in Sweden – has been awarded since 1991. It is based on the magazine's many readers' opinions of the various banks in Sweden, with a jury then picking the best bank.

**Business Bank of the Year 2013**



For the third consecutive year, Handelsbanken was acclaimed Business Bank of the Year in *Finansbarometern's* annual survey. Handelsbanken received the highest rating of any bank during the entire eleven-year history of the survey when assessments of customer satisfaction, electronic services, quality of advisory services, price, service level, attitude and the range of products and services were taken into account.

**Small Enterprise Bank of the Year 2013, Sweden**



For the second consecutive year, Handelsbanken has been acclaimed Small Enterprise Bank of the Year in Sweden in *Finansbarometern's* annual survey. Handelsbanken received the highest rating given to any bank in this survey when assessments of customer satisfaction, electronic services, quality of advisory services, price, service level, attitude and the range of products and services were taken into account.

**Universum Employees**



During the year, the research company Universum performed three different surveys in which Handelsbanken received very high ratings. When Universum ranked Sweden's Ideal Employer 2013, Handelsbanken came in eighth place, which is the best in the banking sector. This result was based on factors such as "internal identity" (i.e. employees' views on their employers' reputation and image), job characteristics, people and corporate culture, as well as compensation and opportunities to advance. Employees also graded how satisfied they were in overall terms, and how inclined they were to remain with their employer.

**Business students**

Handelsbanken achieved sixth place in the Corporate Barometer 2013, a survey carried out by the Universum research company; it was thus the best in its sector among business students in Sweden. The survey's participants responded to questions on ideal employers, and graded these according to the following criteria: reputation and image; job characteristics; people and corporate culture; as well as compensation and opportunities to advance.

**Young professionals**

In Universum's Career Barometer survey, Sweden's 'young professionals' named their ideal employers. 'Young professionals' refers to people under 40 with an academic background and one to eight years' experience of working life. Among professionals working with finance Handelsbanken achieved ninth place, and was thus the highest-ranked Swedish bank. In this survey, too, participants answered questions about what is a good employer based on the following criteria: reputation and image; job characteristics; people and corporate culture; compensation and opportunities to advance.

**Anna's Gender Equality Prize 2012**



In 2012, Handelsbanken was awarded Anna's Gender Equality Prize for the work it has systematically and purposefully pursued for many years in promoting equal rights and opportunities for women and men. Anna's Gender Equality Prize was founded in 1993, and since then has been awarded every year in Sweden to an individual, a company, a club, a project or a working group for good efforts towards increased equality in the banking and finance sector. The prize is awarded by the Central Equality and Diversity Committee, formed by the Employers' Association of the Swedish Banking Institutions (BAO) and the Financial Sector Union of Sweden.

**INDEXES AND SURVEYS**

Handelsbanken is scrutinised and assessed by both customers and financial market players. The outcome, and the assessment of the Bank that results from this, shows how well Handelsbanken is living up to their expectations.

**Ethibel Sustainability Index**



The Brussels-based Ethibel provides the financial market with information on companies' CSR work. Its analyses are carried out by the Vigeo research company, and based on these results, Ethibel creates a universe that forms a platform for sustainability products and responsible investments. The Svenska Handelsbanken class A share has been included in the Ethibel Excellence Investment Register since 2004, and is also included in the ESI Excellence index, which is based on this universe.

**OMX GES Sustainability**



Together with the GES Investment Services research company, OMX has launched a number of sustainability indexes that provide investors with a universe of companies that are fulfilling sustainability requirements. Handelsbanken has qualified for the OMX GES Sustainability Sweden index, as well as the OMX GES Sustainability Nordic index.

Both indexes are based on a ranking of how well companies are working with environmental, social and governance (ESG) issues. The companies that receive the highest scores qualify for the indexes.

**STOXX Europe Sustainability Index**

Handelsbanken is included in the STOXX Europe Sustainability Index. The companies included in the index were selected in an analysis process provided by Bank Sarasin. Companies are assessed in terms of environmental, social and corporate governance criteria.

**FTSE4Good**



Handelsbanken has been selected to be included in the international FTSE4Good Index 2013. The research analysis is provided by Eiris, one of the leading research houses for analysis of corporate social responsibility. Investors and owners use the FTSE4Good Index to identify companies that fulfil globally recognised standards for corporate social responsibility. The index is independent and based on analyses of companies' work with environmental matters, human rights and the other areas that come under corporate social responsibility. Handelsbanken has been included in the index since 2001.

**Satisfied customers**



In 2013, Handelsbanken had the most satisfied customers of the major banks in Sweden.



This applies to both private and corporate customers. The Bank tops these lists in all its home markets. Svenskt Kvalitetsindex (SKI) is a system for compiling, analysing and distributing information about customers' expectations, perceived quality and evaluation of goods and services. Helping to run SKI is the international organisation EPSI Rating (European Performance Satisfaction Index), which conducts comparable surveys in over 20 countries. Research and development related to the surveys is conducted regularly at SIQ (the Swedish Institute for Quality) and the Stockholm School of Economics.

**Sustainable Value Creation**



Since 2009, Handelsbanken Asset Management, together with other major Swedish investors, has taken part in the Sustainable Value Creation project. For the participants, the aim of the project has been to highlight the importance of Swedish companies working with sustainability issues in a structured manner.

In its capacity as one of the 100 largest listed Swedish companies, Handelsbanken has itself responded to the survey on its work.

# Content and restrictions

Since 2009, Handelsbanken has reported its relevant work with sustainability in accordance with guidelines from the Global Reporting Initiative, GRI 3.0. This year we are doing this as part of the Bank's annual report; previously it was published in a separate sustainability report. The aim of the report is that our stakeholders – customers, employees, investors and the public in general – should be able to find out about our work in a simple manner, gaining a good understanding of the Bank's performance.

## THE WORK OF PRODUCING THE REPORT

Handelsbanken's committee for sustainability matters (see page 182) identified the most relevant aspects of the Bank's sustainability work. Its starting-points were the Bank's business operations, an internal analysis of the mutual influences and relationship between the Bank and its stakeholders, and the results of a continuous dialogue with stakeholders. By "stakeholders," the Bank is referring to groups that are affected to a large extent by the Bank's actions or that can affect the Bank's ability to create value.

## RELEVANCE FOR A BANK IN THE NORDIC REGION, THE UK AND THE NETHERLANDS

Relevance and materiality are key GRI concepts in reporting. Handelsbanken reports the sustainability issues that we consider to be particularly relevant to our stakeholders and to the Bank's ability as regards long-term value creation. The analysis of what is relevant and material has resulted in Handelsbanken also reporting in accordance with the GRI Financial Services

Sector Supplement (FSSS). Banking operations have a limited direct environmental impact, and therefore, a number of GRI environmental indicators have been deemed to have less relevance for Handelsbanken, and thus these are not reported. Handelsbanken's suppliers, e.g. property owners that provide premises for bank branches, or suppliers of office material, are located in the regions where Handelsbanken operates. Risks associated with human rights and working conditions among providers are therefore deemed to be limited.

In assessing the degree of relevance of a specific indicator, the starting point has been Handelsbanken's operations and where they are conducted.

In addition to the information provided in the report, there is also a separate GRI appendix on Handelsbanken's website [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

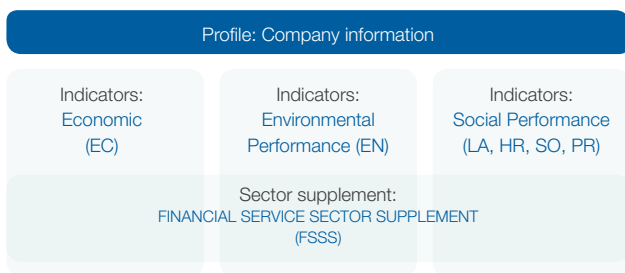
For more information about GRI, visit the organisation's website [globalreporting.org](http://globalreporting.org).

## DATA COLLECTION AND LIMITATIONS

The Sustainability Report contains information relating to the Group unless otherwise stated. The information presented in the report covers the largest and most important parts of the operations, with the focus on banking operations.

Handelsbanken established a regional bank in the Netherlands in January 2013 which is thus the Bank's sixth home market.

The Report has certain limitations regarding labour practices and environmental data (LA and EN). Some personnel information refers to the Swedish operations only, while other information is for the Group as a whole. Environmental data refers to operations in the Bank's home markets, with focus on the Swedish operations. Any limitations are shown in the report. Emissions of carbon dioxide for 2008–2012 have been retroactively recalculated according to residual mix Nordic countries and this has affected the information provided in previous reports. Apart from this, no other major corrections or amendments have been made relating to information provided in previous years' sustainability reports.



Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures	Report on 1.1 2.1–2.10 3.1–3.8, 3.10–3.12 4.1–4.4, 4.14–4.15	Report on all criteria listed for Level C plus:	1.2 3.9, 3.13 4.5–4.13, 4.16–4.17		Same as requirement for Level B	
G3 Management Approach Disclosures	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, at least one from each of Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality principle.	

\*Sector supplement in final version

## INDEX ACCORDING TO THE GLOBAL REPORTING INITIATIVE (GRI)

Handelsbanken reports its sustainability in accordance with guidelines from the Global Reporting Initiative (GRI) 3.0. The Sustainability Report meets the information requirements of level C+ and this has been confirmed by the Bank's external auditors. Handelsbanken reports the Group's sustainability activities annually. This is Handelsbanken's fourth Sustainability Report in accordance with GRI, and relates to the 2013 calendar year. The latest report was submit-

ted in February 2013, and related to the 2012 calendar year.

The information presented in this report is intended to provide a clear picture of Handelsbanken's sustainability efforts and to meet the information requirements of stakeholders.

The table below contains the indicators which are assessed to be relevant to Handelsbanken's operations including indicators from the GRI Financial Services Sector Supplement (FSSS). The symbols in the table show the degree of relevance that Handelsbanken deems

the indicator to have and also to what extent Handelsbanken reports on the indicator.

In addition to the information provided in this sustainability report, there is a separate GRI appendix on Handelsbanken's website handelsbanken.se/csreng.

### CONTACT

For questions or comments on this report, or on the Bank's sustainability work, please contact Handelsbanken Central Personnel, email [csr@handelsbanken.se](mailto:csr@handelsbanken.se).

	Page CSR	Page AR/www	Scope
<b>PROFILE: COMPANY INFORMATION</b>			
<b>1. STRATEGY AND ANALYSIS</b>			
1.1		4–5	■
1.2	179, 190–197	12–13, 46–47	■
<b>2. ORGANISATIONAL PROFILE</b>			
2.1		3	■
2.2		9, 14–17	■
2.3		14–15	■
2.4		3	■
2.5		Inside cover, 16–17, 204–211	■
2.6		49	■
2.7		Inside cover, 16–17, 204–211	■
2.8		Inside cover, 10–11, 19, 22–23	■
2.9	200	20–21	■
2.10	190, 199	4–5	■
<b>3. REPORT PARAMETERS</b>			
3.1	201		■
3.2	201		■
3.3	201		■
3.4	201		■
3.5	200		■
3.6	200		■
3.7	200		■
3.8	178, 200	70–71	■
3.10	200		■
3.11	200		■
3.12	201–202		■
3.13	203		■
<b>4. GOVERNANCE, COMMITMENTS &amp; ENGAGEMENT</b>			
4.1	189	50–58, 60–63	■
4.2		53–54, 60	■
4.3		53–54, 60–61	■
4.4	183	2, 50, 52–53	■
4.5		53–54, 57–58, 104–106	■
4.6		52–54, 57	■
4.7		52–54	■
4.8	179, 184–187, 189–193, 195–196		■
4.9		50–57	■
4.10	189	52–53	□
4.12	190, 192, 196, 198	4–5	■
4.13	198–199		■
4.14	183, 193		■
4.15	183–185		□
4.16	183–186, 188, 196		■
4.17	183–185		□

AR Refers to the 2013 Annual Report  
 CSR Refers to the 2013 Sustainability Report  
 www Refers to the GRI supplement at [handelsbanken.se/csreng](http://handelsbanken.se/csreng)

#### Key to symbols

● Relevant  
 ○ Partly relevant  
 ○ Not relevant  
 ■ Reported  
 □ Partly reported  
 □ Not reported

INDICATORS		Page CSR	Page AR/www	Relevance	Scope
<b>5. ECONOMIC INDICATORS (EC)</b>					
<b>Disclosure on management approach/Economic</b>				9–15	
EC1.	Direct economic value generated and distributed	183, 194		●	■
EC2.	Financial impact, and risks and opportunities for the organisation due to climate changes	179, 191–192, 196–197		●	■
EC3.	Coverage of the organisation's defined benefit plan obligations		104–106	●	■
EC4.	Significant financial assistance received from government	180, 194		●	■
EC7.	Local hiring and proportion of senior management hired from the local community	186–187		●	■
EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	193, 198		●	■
EC9.	Significant indirect economic impacts, including the extent of impacts	179, 193–194		●	■
<b>6. ENVIRONMENTAL PERFORMANCE INDICATORS (EN)</b>					
<b>Disclosure on management approach/Environment</b>		180–183, 191–192, 196–197			
EN1.	Materials used by weight or volume		www	○	□
EN4.	Indirect energy consumption by primary source	180–181, 196–197		○	■
EN5.	Energy saved due to conservation and efficiency improvements	196–197		○	□
EN6.	Initiatives to provide energy-efficient or renewable energy-based products/services, and reductions in energy requirements as a result of these initiatives	191, 196–197		○	□
EN7.	Initiatives to reduce indirect energy consumption and results	196–197		○	□
EN16.	Direct and indirect greenhouse gas emissions	180–181, 196		○	■
EN17.	Other relevant indirect greenhouse gas emissions	196–197, 200	www	○	□
EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved	180–181, 196–197		●	■
EN22.	Total weight of waste by type and disposal method		www	○	□
EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	196–197		○	□
<b>7. SOCIAL PERFORMANCE INDICATORS (LA, HR, SO, PR)</b>					
<b>Disclosure on management approach</b>					
<b>Employment and working conditions (LA)</b>		179–183, 186–193, 195, 198			
LA1.	Total workforce by employment type, contract and region	186–187	104	●	■
LA2.	Staff turnover and employees who have left the Bank	181, 186–187		●	□
LA3.	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	188	60–63, 104	●	□
LA4.	Percentage of employees covered by collective bargaining agreements	188		●	■
LA5.	Minimum notice period(s) regarding major operational changes and whether this is specified in the collective agreement	188		●	□
LA7.	Rates of injury, occupational diseases, lost days, total work related fatalities per region	180–181, 187		○	□
LA9.	Health and safety topics covered in formal agreements with trade unions	188		●	□
LA12.	Percentage of employees receiving regular performance and career development reviews	186		●	■
LA13.	Composition of governance bodies and employees according to gender, age group, minority group membership and other indicators of diversity	186–187	60–63, 104	●	■
LA14.	Ratio of basic salary of men to women per employee category	187		●	□
<b>Human rights (HR)</b>					
HR1.	Proportion and number of Investment agreements that include human rights clauses, or that have been examined on the basis of human rights	190–193		●	□
HR4.	Total number of incidents of discrimination and actions taken	187		●	■
<b>Society (SO)</b>					
SO2.	Business units analysed for risks related to corruption		55–57, 78–101	●	■
SO3.	Employees trained in the organisation's anti-corruption policies and procedures	195	56–57	●	□
SO4.	Actions taken in response to incidents of corruption	195		●	■
SO5.	Participation in public policy development and lobbying	193		○	■
SO8.	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No significant incidents in 2013		●	■
<b>Product responsibility (PR)</b>					
PR3.	Type of products and service information required by procedures, and percentage of products subject to such information requirements	190–192		●	□
PR5.	Results related to customer satisfaction, including results of surveys measuring customer satisfaction	180–182, 184–185, 199		●	■
PR6.	Programme for adherence to laws, standards and voluntary codes for marketing communications	190		●	■
PR9.	Monetary value of fines for non-compliance with regulations concerning the use of products and services	No significant incidents in 2013		●	■

FINANCIAL SERVICES SECTOR SUPPLEMENT		Page CSR	Page AR/www	Relevance	Scope
<b>FS. PRODUCT AND SERVICE IMPACT SECTION</b>					
FS1.	Policies with specific environmental and social components applied to business lines	182, 190–193, 195–197		●	■
FS2.	Procedures for assessing and screening environmental and social risks in business lines	191–192		●	■
FS3.	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	191		●	□
FS5.	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	191–192		●	■
FS10.	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	192		●	□
FS11.	Percentage of assets subject to positive and negative environmental screening	192		●	■
FS12.	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	192		●	□
FS13.	Access points in low-populated or economically disadvantaged areas by type	182, 193	16–17	●	■
FS15.	Policies for the fair design and sale of financial products and services	179, 190		●	■
FS16.	Initiative to enhance financial literacy by type of beneficiary	193, 198		●	■

**Key to symbols**

AR	Refers to the 2013 Annual Report	●	Relevant	■	Reported
CSR	Refers to the 2013 Sustainability Report	○	Partly relevant	□	Partly reported
www	Refers to the GRI supplement at handelsbanken.se/csreng	○	Not relevant	□	Not reported

# Auditor's Combined Assurance Report on Svenska Handelsbanken AB (publ) Sustainability Report

To the readers of Svenska Handelsbanken AB (publ) Sustainability Report 2013.

## INTRODUCTION

We have been engaged by the Executive Management of Svenska Handelsbanken AB (publ) to undertake an examination of Svenska Handelsbanken AB (publ) Sustainability Report for the year 2013. The Sustainability Report also includes a separate GRI Appendix, Handelsbanken's GRI Appendix 2013 at [www.handelsbanken.se/csreng](http://www.handelsbanken.se/csreng). The Company has defined the scope of the Sustainability Report on page 3 in the Annual Report 2013.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for ongoing activities regarding sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with the applicable criteria, as explained on page 201 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines G3, published by The Global Reporting Initiative (GRI), which are applicable to the Sustainability Report.

## RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the procedures we have performed.

We conducted our engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. The engagement includes a limited assurance engagement on the complete Sustainability Report and audit of certain information as specified below. The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements.

The Bank's internal audit department has continuously examined the internal control and the Sustainability Report. We have received the reports that have been prepared.

A reasonable assurance engagement includes examining, on a test basis, evidence supporting the quantitative and qualitative information in the Sustainability Report. A limited assurance engagement is mainly focused on making inquiries of personnel responsible for sustainability issues, and applying analytical and other limited assurance procedures. Hence, the conclusion based on our limited assurance procedures does not comprise the same level of assurance as the conclusion of our reasonable assurance procedures. Since this assurance engagement is combined, our conclusions regarding the reasonable assurance and the limited assurance will be presented in separate sections.

Our reasonable assurance engagement includes the following:

- Table "External staff turnover 2009–2013"
- Tables "Return on equity, 1973–2013", "Loan losses as a percentage of lending 1998–2013", "Customer satisfaction, private customers and corporate customers 2013"
- Carbon dioxide emissions from electricity consumption

The criteria on which our procedures are based are the parts of the Sustainability Reporting Guidelines G3, published by The Global Reporting Initiative (GRI), which are applicable to the Sustainability Report. We consider these criteria suitable for the preparation of the Sustainability Report.

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

## CONCLUSIONS

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the above stated criteria.

In our opinion the information in the Sustainability Report which has been subject to our reasonable assurance procedures has, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, February 14, 2014

KPMG AB

Stefan Holmström  
Authorised Public  
Accountant

Åse Bäckström  
Expert Member of FAR

Handelsbanken



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### CENTRAL COMPLIANCE

**Luciana Pacor Hygrel**, Head

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 SE-106 70 Stockholm, Sweden  
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### CENTRAL AUDIT

**Tord Jonerot**, Head

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### HANDELSBANKEN CAPITAL MARKETS

**Michael Green**, Head

**Jan Häggström**, Head of Economic Research

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### HANDELSBANKEN DIREKT

**Yonnie Bergqvist**, Head

Torsgatan 12  
 SE-106 35 Stockholm, Sweden  
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**Rainer Lawniczak**, Head

**Åsa Willén** takes over as Head on 1 June 2014

Torsgatan 14  
 SE-103 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## SUBSIDIARIES

### EFN

**Carl Bjurling**, Head

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 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00  
 Corporate identity no.: 556930-1608

### HANDEL OCH INDUSTRI

**Bengt Kjell**, Head

Nybrokajen 15  
 SE-106 70 Stockholm, Sweden  
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 Corporate identity no.: 556013-5336

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**Marie Lundberg**, Head

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 SE-106 35 Stockholm, Sweden  
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 Corporate identity no.: 556053-0841

### HANDELSBANKEN FONDER

**Javiera Ragnartz**, Head

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 +46 (0)8 701 10 00  
 Corporate identity no.: 556418-8851

### HANDELSBANKEN LIV

**Louise Sander**, Head

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 Corporate identity no.: 516401-8284

### HEARTWOOD

**Simon Lough**, Head

12 Henrietta Street  
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 Corporate identity no.: 4132340

### STADSHYPOTEK

**Per Beckman**, Head

**Ulrika Stolt Kirkegaard** takes over as Head on 1 May 2014

Torsgatan 12  
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 +46 (0)8 701 54 00  
 Corporate identity no.: 556459-6715



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**REGIONAL BANK CENTRAL SWEDEN****Pontus Åhlund**, Head

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**REGIONAL BANK STOCKHOLM****Carina Åkerström**, Head

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**REGIONAL BANK EASTERN SWEDEN****Stefan Nilsson**, Head

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**REGIONAL BANK WESTERN SWEDEN****Katarina Ljungqvist**, Head

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**REGIONAL BANK SOUTHERN SWEDEN****Anders Ohlner**, Head

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**REGIONAL BANK  
NORTHERN GREAT BRITAIN****John Parker**, Head

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 Malaga Avenue  
 Manchester Airport  
 Manchester, M90 3RR, UK  
 +44 (0)16 160 202 00  
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**REGIONAL BANK  
CENTRAL GREAT BRITAIN****Göran Stille**, Head

Two Colmore Square  
 38 Colmore Circus, 3rd floor  
 Queensway  
 Birmingham B4 6BN, UK  
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**REGIONAL BANK  
SOUTH WEST GREAT BRITAIN****Michael Broom**, Head

1100 Parkway North  
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**REGIONAL BANK  
SOUTHERN GREAT BRITAIN****Simon Lodge**, Head

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**REGIONAL BANK DENMARK****Frank Vang-Jensen**, Head

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Tjuvholmen Allé 11  
 Postboks 1342 Vika  
 NO-0113 Oslo, Norway  
 +47 (0)22 39 70 00  
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**REGIONAL BANK NETHERLANDS****Mikael Sørensen**, Head

WTC Schipol Airport  
 Schiphol Boulevard 135  
 NL-1118 BG Schiphol, Netherlands  
 +31 (0)204 127 600  
 handelsbanken.nl

**HANDELSBANKEN INTERNATIONAL****Magnus Uggla**, Head

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 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

# Branches and branch managers

## REGIONAL BANK NORTHERN SWEDEN

### Board

**Bob Persson** Östersund, Chairman  
**Hans Jonsson** Umeå  
**Gunnar Liljedahl** Luleå  
**Agneta Marell** Umeå  
**Annika Brunnéd** Umeå  
**Inger Nordström** Härnösand, (E)\*

### Head of regional bank

**Annika Brunnéd** Umeå



## REGIONAL BANK CENTRAL SWEDEN

### Board

**Ulf Bergkvist** Insjön, Chairman  
**Torsten Engwall** Gävle  
**Peter Larsson** Sandviken  
**Monica Oldenstedt** Västerås  
**Åke Rydén** Sveg  
**Anders Wiklander** Sundsvall  
**Pontus Åhlund** Gävle  
**Monica Morén** Hedemora, (E)\*

### Head of regional bank

**Pontus Åhlund** Gävle



### Branch/branch manager

Arvidsjaur **Ann-Louise Högberg**  
 Backe **Linnea Olsson**  
 Bjurholm **Linda Öhrman**  
 Bjästa **Kathrin Nordenberg**  
 Björna **Veronica Egnor**  
 Boden **Ann-Christin Söderberg Rånman**  
 Bredbyn **Anna Englund**  
 Bureå **Helen Sundström**  
 Burträsk **Joakim Löfbom**  
 Byske **Sören Markström**  
 Domsjö **Patrise Halsius**  
 Dorotea **Fredrik Sjöbom**  
 Föllinge **Bodil Edfeldt Olsson**  
 Gammelstad **Susanne Rudeklint**  
 Gällivare **Björn Nyström**  
 Hammarstrand **Lars-Göran Fahlén**  
 Hammerdal **David Sjödin**  
 Haparanda **Tomas Björnfot**  
 Holmsund **Marina Lindgren**  
 Hoting **Berith Minasadotter**  
 Husum **Veronica Egnor**  
 Härnösand **Åsa Starfelt Nilsson**  
 Jokkmokk **Ulrica Kvikström**  
 Junsele **Annica Olofsson**  
 Järpen **Pär Jakobsson**  
 Kalix **Ulla-Britt Söderberg**  
 Kiruna **Andreas Karlsson**  
 Kramfors **Susanne Moström**  
 Krokom **Ulf Hellström**  
 Liden **Tobias Wiklund**  
 Lit **Magnus Noren**  
 Lugnvik **Tommy Sjölund**  
 Luleå  
 Storgatan **Jörgen Ericsson**  
 Örnåset **Lisbeth Aidanpää**  
 Lycksele **Henrik Johansson**

Lövånger **Kjell-Ove Lövgren**  
 Malå **Ewa Lundqvist**  
 Mörsil **Astrid Larsson Lindh**  
 Nordingrå **Tommy Sjölund**  
 Nordmaling **Mats Ågren**  
 Norsjö **Greger Holmström**  
 Nåsåker **Mari Tarander Jakobsson**  
 Offerdal **Jörgen Nordqvist**  
 Pajala **Per-Anders Juntti**  
 Piteå **Stefan Uddström**  
 Ramsele **Jan-Åke Sjömåling**  
 Robertsfors **Jenny Berglund**  
 Råneå **Maria Mörk**  
 Skellefteå **Hans Albert Lindgren**  
 Sollefteå **Sofia Bodin**  
 Sorsele **Fredrik Karlsson**  
 Storuman **Fredrik Karlsson**  
 Strömsund **Lars-Erik Olsén**  
 Sävar **Andreas Fors**  
 Trehörningsjö **Gunilla Näslund**  
 Ullånger **Tommy Sjölund**  
 Umeå  
 City **Anders Sundström**  
 Teg **Thomas Rönnberg**  
 Västra **Henrik Lundström**  
 Vilhelmina **Karin Svensson**  
 Vindeln **Anna Johansson**  
 Vännäs **Helene Hedman**  
 Ånäset **Jenny Berglund**  
 Åre **Jenny Strand**  
 Åsele **Anna Andersson**  
 Älvsbyn **Eva Berggren**  
 Örnsköldsvik **Lars Norlinder**  
 Östersund **Petter Dahlin**  
 Överkalix **Maria Fältmark**  
 Övertorneå **Asta Blombäck**

### Branch/branch manager

Alfta **Dan Silvroth**  
 Arboga **Larry Andersson**  
 Arbrå **Pär Lindh**  
 Avesta **Ruben Bergdahl**  
 Bergby **Susanne Persson**  
 Bergsjö **Rose-Marie Hildingsson**  
 Bjursås **Anders Rapp**  
 Björbo **Jenny Åkerström**  
 Bollnäs **Thomas Frykberg**  
 Borlänge **Caroline Cedergren**  
 Bräcke **Mikael Mellström**  
 Delsbo **Örjan Källman**  
 Edsbyn **Annika Wikström**  
 Enköping **Lars Olsson**  
 Fagersta **Mikael Johansson Holst**  
 Falun **Anders Forsgren**  
 Fellingsbro **Daniel Wallin**  
 Frånsta **Micaela Morén**  
 Frövi **Mikael Jansson**  
 Furudal **Margrethe Westerberg**  
 Gagnef **Anders Rehn**  
 Gnarp **Niclas Södergren**  
 Grangärde **Johanna Sallander**  
 Grängesberg **Mia Karlsson**  
 Gällö **Karin Evertsson**  
 Gävle City **Svante Larsson**  
 Hallstavig **Catarina Lyshag**  
 Heby **Maria Oscarsson**  
 Hede **Mattias Sundt**  
 Hedemora **Håkan Arvidsson**  
 Hedesunda **Pernilla Strömberg**  
 Hudiksvall **Thony Nylund**  
 Insjön **Oskar Ahlzén**  
 Järvsö **Ove Larsson**  
 Kilafors **Sten Morin**  
 Knivsta **Agneta Sturesson**  
 Kolbäck **Eva Klang**  
 Kopparberg **Lena Ragnarsson Vöks**  
 Kungsör **Stefan Granholm**  
 Kvisleby **Per Pettersson**  
 Köping **Peter Fällman**  
 Leksand **Anders Ekström**  
 Lima **Lena Eggens**  
 Lindsberg **Maria Ekdahl**  
 Ljusdal **Tommy Bylund**  
 Ljusne **Anna Ekström**

Ludvika **Carina Lundefors**  
 Malung **Martin Sellberg**  
 Mattfors **Johan Billström**  
 Mockfjärd **Bengt Korning**  
 Mora **Henrik Ragnarsson**  
 Norberg **Håkan Bjurling**  
 Norrtälje **Bo Schotte**  
 Ockelbo **Karin Eriksson**  
 Orsa **Anette Skoglund**  
 Rimbo **Irène Widnersson**  
 Rättvik **Maria Holmberg**  
 Sala **Robert Karlsson**  
 Sandviken **Pia Källarbo**  
 Skinnkatteberg **Niclas Zidén**  
 Skultuna **Johan Gustavsson**  
 Skutskär **Magnus Sjökvist**  
 Skärplinge **Stefan Holmquist**  
 Skönsberg **Urban Strömbo**  
 Stora Tuna **Anette Köpman**  
 Storvik **Helene Hedin**  
 Sundsvall **Owe Sundin**  
 Sveg **Jörgen Andersson**  
 Svenstavik **Bengt Nilzén**  
 Säter **Patrik Nylén**  
 Söderhamn **Joakim Frithiof**  
 Sörberge **Ulrika Bolt**  
 Tierp **Micael Lindström**  
 Timrå **Amanda Eriksson**  
 Torsåker **Toni Soppela**  
 Uppsala  
 City **Johan Lindblom**  
 Eriksberg **Magnus Sundqvist**  
 Industriområde **Baruch Grauman**  
 Luthagen **Birger Kristiansson**  
 Vansbro **Fredrik Hallqvist**  
 Västanfors **Andreas Byrén**  
 Västerås  
 City **Per Karlsson**  
 Emausgatan **Therese Massaro Kvarnryd**  
 Köpingsvägen **Mats Söderlund**  
 Stora Gatan **Håkan Janson**  
 Ånge **Andreas Abraham**  
 Österbybruk **Kristina Carlsson**  
 Östervåla **Helena Kolström**  
 Östhammar **Anna Lydell Bjälmén**

(E)\*= employee representative

## REGIONAL BANK STOCKHOLM

## Board

**Stefan Wigren** Bromma, Chairman  
**Ingall Berglund** Solna  
**Carl-Olof By** Saltsjöbaden  
**Jörgen Centerman** Stockholm  
**Jan-Erik Lindstedt** Stockholm  
**Ulf Lundahl** Lidingö  
**Carina Åkerström** Stockholm  
**Anne Reis** Stockholm, (E)\*

**Head of regional bank**  
**Carina Åkerström** Stockholm



## Branch/branch manager

Alviks Torg **Johan Lurén**  
 Arlanda Sky City **Carl-Fredrik Boija**  
 Birger Jarlsgatan **Daniel Spangenberg**  
 Brommaplan **Peter Lindh**  
 Bålsta **Ann-Sofie Sivander**  
 Dalarö **Kristina Jansenberg**  
 Djursholm **Sune Werkell**  
 Ekerö **Mathias Lindmark**  
 Farsta **Ulrika Kallur**  
 Fleminggatan **Tomas Wistedt**  
 Fridhemsplan **Ann Lilja**  
 Frihamnen **Johanna Lagerbäck**  
 Gamla stan **Carl-Magnus Gustafsson**  
 Globen **Daniel Andersson**  
 Gustav Adolfs Torg **Anders Lindegren**  
 Götgatsbacken **Maria Wedholm**  
 Hallunda **Göran Rönngren**  
 Hammarby **Stefan Zettergren**  
 Haninge **Pernilla Eldestrand**  
 Hornsberg **Jan Larsson**  
 Hornsgatan **Lars Holm**  
 Huddinge **Jenny Lööv Borsos**  
 Humlegården **AnneMarie Dahlstedt**  
 Hägersten **Anders Friman**  
 Hässelby Gård **Anders Stenberg**  
 Högalid **Per Lindholm**  
 Högdalen **Maria Sjöstedt**  
 Jakobsberg **Marie Lindström**  
 Järna **Ellinor Lindblom**  
 Karlaplan **Johan Hilmersson**  
 Karlavägen **Mats-Jörgen Hansson**  
 Kista **Hans Lundin**  
 Kungsholmstorg **Jan Wallin**  
 Kungsträdgården **Peter Einarsson**  
 Kungsängen **Stina Marklund**  
 Kärtorp **Karl-Erik Bäckman**  
 Lidingö  
 Centrum **Elisabeth Hiljebäck**  
 Larsberg **Mikael Gustafson**  
 Näset **Magnus Blomqvist**  
 Marieberg **Lotta Adestam**  
 Marievik **David Haqvinnsson**  
 Märsta **Magnus Hedlund**  
 Mörby Centrum **Peder Wiberg**  
 Nacka Forum **Jörgen Nilsson**  
 Norrmalmstorg **Johan Nordström**  
 Norrtull **Kjell Andersson**  
 Nynäshamn **Anders Hagman**  
 Näsby Park **Cecilia Sonntag**  
 Odengatan **Catarina Thunstedt**  
 Odenplan **Susanne Signell**  
 Renstiernas gata **Cecilia Hallqvist**  
 Rotebro **Katarina Fridén**

S:t Eriksplan **Marika Hedblom**  
 Salem **Torsten Johansson**  
 Saltsjö-Boo **Malin Meijer**  
 Sigtuna **Christer Bengtsson**  
 Skanstull **Mikael Wenngren**  
 Skärholmen **Anki Lenksjö**  
 Sköndal **Jessica Nirvin**  
 Sollentuna **Fredrik Andersson**  
 Solna  
 Frösunda **Ulf Eliasson**  
 Solna **Lisa Spangenberg**  
 Solna strand **Lena Schaumburger**  
 Spånga **Anders Nygren**  
 Stockholm Sergel **Maria Hellberg**  
 Strandvägen **Mats Ernborg**  
 Stureplan **Peter Stuesson**  
 Stuvsta **Mats Nordling**  
 Sundbyberg **Per Anders Tranberg**  
 Sveavägen **Malin Bergström**  
 Södertälje **Bengt Bohman**  
 Tessinparken **Lars Ebersson**  
 Torsgatan **Lena Stenmark**  
 Trångsund **Pia Bergkvist**  
 Tullinge **Lena Lövkvist**  
 Tyresö **Susanne Norman-Taube**  
 Täby Centrum **Johan Grahn**  
 Ulvsunda **Tina Nylén**  
 Upplands Väsby **Urban Wolters**  
 Vallentuna **Fredrik Enander**  
 Vanadisplan **Stefan Sjöstedt**, Acting  
 Vasagatan **Christer Örtegren**  
 Vaxholm **Maria Lindberg**  
 Vällingby **Kajsen Hansson**  
 Värmdö **Niklas Eklund**  
 Värtavägen **Anna Gustafsson**  
 Västerhaninge **Göran Hartog**  
 Västermalm **Ulrika Staffas Nordqvist**  
 Åkersberga **Christer Lövhölm**  
 Årsta **Anna Karlsson**  
 Älvsjö **Anna Blomstergren**  
 Ängby Blackeberg **Marcus Lundgren**  
 Ösmo **Anna Persson**  
 Östermalmstorg **Marion Ulander**  
 Östra station **Elisabeth Croon**

## Meeting-places

Alviks Torg  
 Äppelviken **Johan Lurén**  
 Högdalen  
 Stureby **Maria Sjöstedt**  
 Solna  
 Arenastaden **Lisa Spangenberg**  
 Täby Centrum  
 Arninge **Johan Grahn**  
 Ängby Blackeberg  
 Ängbyplan **Marcus Lundgren**

## REGIONAL BANK EASTERN SWEDEN

## Board

**Jan Cedwall** Nyköping, Chairman  
**Santhe Dahl** Växjö  
**Jan-Eric Nilsson** Djursholm  
**Sten Peterson** Katrineholm  
**Kenneth Synnersten** Västerås  
**Stefan Nilsson** Linköping  
**Alf Åke Dratzén** Visby, (E)\*

**Head of regional bank**  
**Stefan Nilsson** Linköping



## Branch/branch manager

Alvesta **Maj-Lis Pettersson**  
 Anderstorp **Sten Berglund**  
 Bankeryd **Åsa A Olsson**  
 Borensberg **Malin Svanberg**  
 Borgholm **Conny Johansson**  
 Eksjö **Karin Jönsson**  
 Emmaboda **Johan Lorentzon**  
 Eskilstuna  
 Fristadstorget **Vacant**  
 Östermalm **Bo Vallin**  
 Finspång **Carina Karlsson**  
 Fjugesta **Anders Hedvall**  
 Flen **Lotta Peppas**  
 Färösund **Britt Nordstöm**  
 Färjestaden **Ida Petersson**  
 Gislaved **Per Risberg**  
 Gnesta **Mårten Larsson**  
 Hallsberg **Yvonne Bülow**  
 Hemse **Lars Cramér**  
 Hultsfred **Monica Carlenskog**  
 Huskvarna **Mats Andersson**  
 Högsby **Jonas Petersson**  
 Jönköping **Claes Ericson**  
 Kalmar  
 Kalmar Hansa **Christin Abrahamsson**  
 Kvarnholmen **Ola Tyrberg**  
 Katrineholm **Göran Bjerke**  
 Klintehamn **Linda Ewald**  
 Kumla **Thomas Ljungberg**  
 Lammhult **Christina Blomstrand**  
 Landsbro **Kent Lind**  
 Linköping  
 City **Staffan Krause**  
 Tornby **Mats Borgsjö**  
 Mjölby **Michael Rimstedt**  
 Motala **Anders Hättström**  
 Mönsterås **Ann Robertsson**  
 Mörbylånga **Susann Svenzén**  
 Mörlunda **Marie Jonsson**

Norrköping  
 Drottninggatan **Hans Widmark**  
 Eneby **Marie Kellgren**  
 Fjärilsgatan **Lars Blomqvist**  
 Nybro **Eric Emlid**  
 Nyköping **Jens Fransson**  
 Nässjö **Cecilia Antonsson**  
 Oskarshamn **Jenny Nilsson**  
 Pålsholmen **Anders Lindfors**  
 Rörvik **Christina Blomstrand**  
 Slite **Catarina Bylund**  
 Strängnäs **Thomas Wedholm**  
 Sävsjö **Cecilia Tahlin**  
 Söderköping **Marika Ronnerheim**  
 Tingryd **Peter Andersson**  
 Torsås **Jeanette Karlström**  
 Tranås **Patrik Rosengren**  
 Trosa **Anna-Karin Borg**  
 Vadstena **Christina Wallstén**  
 Vaggeryd **Inger Ågren**  
 Vetlanda **Jörgen Asp**  
 Vimmerby **Hans Will**  
 Visserum **Monica Johansson**  
 Visby  
 Adelsgatan **Niclas Boklund**  
 Öster **Carl Oscar Sjöström**  
 Vislanda **Camilla Ivarsson**  
 Värnamo **Jonas Flink**  
 Västervik **Michael Skännevig**  
 Växjö **Jonas Ahlqvist**  
 Ålem **Ann Robertsson**  
 Åseda **Mattias König**  
 Åtvidaberg **Erik Torbrand**  
 Örebro  
 Ekersgatan **Kristina Dahl**  
 Stortorget **Kenneth Vallin**  
 Vågustorget **Bengt Gunnarsson**

## Meeting-places

Norrköping Drottninggatan  
 Östra Husby **Hans Widmark**  
 Strängnäs  
 Mariefred **Thomas Wedholm**

(E)\* = employee representative

## REGIONAL BANK WESTERN SWEDEN

## Board

**Lennart Mankert** Gothenburg, Chairman  
**Stig-Arne Blom** Ulricehamn  
**Peter Claesson** Gothenburg  
**Thomas Dafgård** Axvall  
**Carin Kindbom** Västra Frölunda  
**Claes Larsson** Gothenburg  
**Håkan Larsson** Gothenburg  
**Vilhelm Schottenius** Varberg  
**M. Johan Widerberg** Gothenburg  
**Katarina Ljungqvist** Västra Frölunda  
**Lena Lindén** Karlstad, (E)\*

## Head of regional bank

**Katarina Ljungqvist** Västra Frölunda



## Branch/branch manager

Ale Torg **Anna-Lisa Jansson**  
 Alingsås **Staffan Svantesson**  
 Arvika **Stefan Lindberg**  
 Bollebygd **Malin Lignell**  
 Borås  
     Hulta **Kenneth Källerman**  
     Stora Torget **Ingela Forsberg**  
     Viared **Thomas Bogsjö**  
 Falkenberg **Kristian Gårdenfelt**  
 Falköping **Magnus Kvarnmarker**  
 Filipstad **Ida Sandgren**  
 Finnerödja **Olle Jonsson**  
 Fristad **Anders Roos**  
 Färgelanda **Stefan Widlund**  
 Gällstad **Janne Pehrsson**  
 Gothenburg  
     Almedal **Jan Gottberg**  
     Avenyn **Håkan Jarbeck**  
     Backa-Ringön **Deborah Moberg**  
     City **Peter Romedahl**  
     Eriksberg **Kent Larsson**  
     Frölunda **Fredrik Wiklund**  
     Första Långgatan **Anders Olausson**  
     Gårda **Jens Persson**  
     Hisings Kärra **Paula Johannesson**  
     Hjällbo **Börje Ström**  
     Högsbo **Marie Magnusson**  
     Kortedala **Per Stolpe**  
     Landala **Fredrik Olsson**  
     Lilla Bommen **Marie Kaptein**  
     Lindholmen **Gabriella Berndtsson**  
     Majorna **Kajsa Mägi**  
     Odinsgatan **Annika Löfberg**  
     Sisjön **Christian Pennert**  
     Torslanda **Jonas Sandberg**  
     Volvo **Jonas Almhöjd**  
     Örgryte **Patrik Niklasson**  
     Övre Husargatan **Christian Nielsen**  
 Hagfors **Pär Skogfeldt**  
 Herrljunga **Susanne Bender**

Hjo **Thomas Waller**  
 Karlskoga **Johan Dahl**  
 Karlstad  
     Stora Torget **Ulrik Wedelin**  
     Våxnäs **Sara Brask**  
 Kristinehamn **Fredrik Ekenberg**  
 Kungsbacka **Mats Rollof**  
 Kungälv **Lena Gillholm**  
 Landvetter **Hanna Samuelsson**  
 Lerum **Ola Forsman**  
 Lidköping **Nina Ahlén**  
 Lilla Edet **Ingela Karlsson**  
 Mariestad **Torbjörn Låth**  
 Mellerud **Claes Hernvall**  
 Mölndal **Martin Henriksson**  
 Mölnlycke **Ann Sundvisson**  
 Partille **Anna Ekstrand**  
 Skara **Anna-Lena Andersson**  
 Skövde **Martin Drebin**  
 Sollebrunn **Peter Kornesjö**  
 Stenungsund **Anette Pettersson**  
 Strömstad **Johan Rosengren, Acting**  
 Sunne **Maria Hannebo**  
 Surte **Allison Åsblom**  
 Svenljunga **Hans Qvist**  
 Säftele **Dennis Göransson**  
 Tibro **Hanna Rosing**  
 Tidaholm **Martin Ekman, Acting**  
 Torsby **Pär Olsson**  
 Tranemo **Christina Ljung**  
 Trollhättan **Mats Johansson**  
 Uddevalla **Stefan Widlund**  
 Ulricehamn **Janne Pehrsson**  
 Vara **Maj Rudell**  
 Varberg **Jonas Lagerqvist**  
 Vårgårda **Ann Björn**  
 Vänersborg **Jan-Olof Strand**  
 Åmål **Cecilia Blom**  
 Årjäng **Peter Johansson**  
 Älvängen **Anette Winther**

## Meeting-places

Gothenburg Frölunda  
     Långedrag **Fredrik Wiklund**  
 Kungsbacka  
     Kungspporten **Mats Rollof**

## REGIONAL BANK SOUTHERN SWEDEN

## Board

**Charlotta Falvin** Genarp, Chair  
**Bengt Kjell** Helsingborg  
**Claes Lindqvist** Viken  
**Johan Mattsson** Tomelilla  
**Mikael Roos** Malmö  
**Anders Ohlner** Malmö  
**Pia Håkansson** Ystad, (E)\*

## Head of regional bank

**Anders Ohlner** Malmö



## Branch/branch manager

Arlöv **Rickard Ohlsson**  
 Bara **Cecilia Leijgård**  
 Broby **Catharina Munkberg**  
 Båstad **Lars-Olof Ottosson**  
 Eslöv **Mats Jonsson**  
 Halmstad **Magnus Landbring**  
 Helsingborg  
     Norr **Olof Enander**  
     Stortorget **Göran Pelvén**  
     Söderport **Maria Brygg**  
 Hässleholm **Rebecca Thörnqvist**  
 Höganäs **Gunilla Voss**  
 Höllviken **Ebba Olsson**  
 Hörö **Magnus Holmer**  
 Karlshamn **Helén Olofsson**  
 Karlskrona **Hedvig Stache**  
 Kivik **Pontus Hansson**  
 Klippan **Jonas Bondesson**  
 Knislinge **Catharina Munkberg**  
 Kristianstad **Thomas Johansson**  
 Kävlinge **Sara Malterling**  
 Laholm **Fredrik Johnson**  
 Landskrona **Per-Ove Kamlund**  
 Ljungby **Thomas Eldh**  
 Ljungbyhed **Jonas Bondesson**  
 Lomma **Erik Hultgren**  
 Lund  
     City **Peter Andersson**  
     Ideon **Nils Möllerberg**  
 Malmö  
     Amiralsgatan **Göran Camitz**  
     City **Erik Bredberg**  
     Fosie **Anders Persson**  
     Fridhem **Marie Brunstam**  
     Hyllie **Anna Harrison Barthold**  
     Köpenhamnsvägen **Peter Ivarsson**  
     Limhamn **Bengt Rosendahl**  
     Lundavägen **Bengt Nyquist**  
     Triangeln **Annika Hansson**  
     Värnhem **Annika Bäckström**  
     Västra Hamnen **Mårten Edlund**

Markaryd **Maria Larsson**  
 Olofström **Catharina Lydell**  
 Osby **Henrica Lorentsson**  
 Ronneby **Magnus Jurvin**  
 Simrishamn **Andreas Jeppsson**  
 Sjöbo **Thomas Hansson**  
 Skanör **Björn Andersson**  
 Skurup **Jonas Sjöberg**  
 Staffanstorps **Magnus Anderberg**  
 Svedala **Cecilia Leijgård**  
 Sölvesborg **Magnus Gardell**  
 Sösådal **Karin Eriksson**  
 Tomelilla **Pål Andersson**  
 Trelleborg **Marianne Nilsson**  
 Tyringe **Marie Persson-Lärka**  
 Veberöd **Hans-Åke Mårtensson**  
 Vellinge **Susanne Linné Nilsson**  
 Vittsjö **Henrica Lorentsson**  
 Völvsjö **Thomas Hansson**  
 Ystad **Mia Kristell**  
 Åhus **Daniel N Högstedt**  
 Älmhult **Fredrik Roghner**  
 Ängelholm **Irene Andersson**

## Meeting-places

Höganäs  
     Viken **Gunilla Voss**  
 Lund City  
     Hjärup **Peter Andersson**  
 Sölvesborg  
     Bromölla **Magnus Gardell**

(E)\*= employee representative

## REGIONAL BANK NORTHERN GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

## Board

**Håkan Sandberg** Stockholm, Chairman

**Anders Bouvin** London, CEO of Handelsbanken UK

**Olof Lindstrand** Lidingö

**John Parker** Manchester

## Head of regional bank

**John Parker** Manchester



## REGIONAL BANK CENTRAL GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

## Board

**Anders Bouvin** London, Chairman,  
CEO of Handelsbanken UK

**Olof Lindstrand** Lidingö

**Håkan Sandberg** Stockholm

**Göran Stille** Birmingham

## Head of regional bank

**Göran Stille** Birmingham



## Branch/branch manager

Aberdeen <b>Neil Clark</b>	Leeds
Altrincham <b>Ian Noke</b>	The Embankment <b>David Brady</b>
Barnsley <b>Suzanne Minifie</b>	Headingley <b>Stephen Hill</b>
Beverley <b>Ian Gatenby</b>	Wellington Street <b>James Cornell</b>
Blackburn <b>Philip Skupski</b>	Liverpool <b>Keith Lowe</b>
Bolton <b>Sean Greenhalgh</b>	Lytham <b>Christopher Strahan</b>
Bradford <b>Andrew Lowther</b>	Manchester
Burnley <b>David Kovacs</b>	Spinningfields <b>Joe McGrath</b>
Carlisle <b>Jason Smith</b>	Trinity Way <b>John Burke</b>
Castleford <b>Ian Mason</b>	Middlesbrough <b>John Martinson</b>
Chester <b>Chris Burgoyne</b>	Morpeth <b>David Elliot</b>
Chesterfield <b>Phil Walker</b>	Newcastle
Darlington <b>Mike Airey</b>	Grey Street <b>Tom Ramshaw</b>
Doncaster <b>Neil Ebdon</b>	Saville Row <b>Mike Brunskill</b>
Durham <b>Rory Gibson</b>	Perth <b>Alexander McDougall</b>
Edinburgh <b>Michael Mullins</b>	Preston <b>David Warbrick</b>
Glasgow <b>George Shanks</b>	Rotherham <b>Mike Harrison</b>
Grimsby <b>Anthony Winn</b>	Scarborough <b>Nick Sharples</b>
Halifax <b>Angela Dowd</b>	Sheffield
Harrogate <b>Richard Lally</b>	Riverside <b>Stephen Tweedle</b>
Heswall <b>Richard Malley</b>	Tudor Square <b>Patrick McGarry</b>
Hexham <b>David Wilson</b> , Acting	Stirling <b>David Beggs</b>
Huddersfield <b>Tony Jones</b>	Stockport <b>Andrew Buckley</b>
Hull <b>Neil Harrison</b>	Stockton-on-Tees <b>David Filby</b>
Ilkley <b>Sue Toulson</b>	Sunderland <b>Granville Kelly</b>
Kendal <b>Richard Lancaster</b>	Wakefield <b>Ian Mason</b> , Acting
Lancaster <b>Kevin Sanderson</b>	Warrington <b>Lesley Cozens</b>
	Wetherby <b>Adam von Emlöh</b>
	Wigan <b>Alan Bowers</b>
	York <b>Christopher Ibbotson</b>

## Branch/branch manager

Banbury <b>Paul Graham</b>	Luton <b>Paul Drummond</b>
Bedford <b>Mick Valerio</b>	Mansfield <b>Darryn Evans</b>
Birmingham	Milton Keynes <b>Derek Bell</b>
Newhall St <b>David Hastings</b>	Northampton <b>David Rundle</b>
Temple Row <b>Tony Hall</b>	Norwich <b>Ian Hall</b>
Bromsgrove <b>Stephen Ellis</b>	Nottingham
Burton-on-Trent <b>Ian Morris</b>	City Gate <b>Andrew Tomlinson</b>
Bury St Edmunds <b>Nigel Foyster</b>	West Bridgford <b>Ian Davys</b>
Cambridge <b>Richard Waters</b>	Peterborough <b>Julian Turner</b>
Colwyn Bay <b>Gareth Jones</b>	Rugby <b>Andy McCabe</b>
Crewe <b>Adrian Smith</b>	Shrewsbury <b>Chris Hyde</b>
Coventry <b>Paul Belfield</b>	Solihull <b>Richard Baker</b>
Derby <b>Shaun Hill</b>	Stafford <b>Mike Smith</b>
Ipswich <b>Andrew Pike</b>	Stoke-on-Trent <b>Paul Stokes</b>
Leamington Spa <b>Paul Brooksbank</b>	Tamworth <b>Christine Banks</b>
Leicester <b>Simon Bradley</b>	Wolverhampton <b>Steven Lewis</b>
Lincoln <b>David Thompson</b>	Worcester <b>Philip Dutton</b>
Loughborough <b>Simon Grant</b>	Wrexham <b>Vicky Davies</b>

## REGIONAL BANK SOUTH WEST GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

## Board

**Anders Bouvin** London, Chairman,  
CEO of Handelsbanken UK

**Michael Broom** Bristol

**Olof Lindstrand** Lidingö

**Håkan Sandberg** Stockholm

## Head of regional bank

**Michael Broom** Bristol



## REGIONAL BANK SOUTHERN GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

## Board

**Håkan Sandberg** Stockholm, Chairman

**Anders Bouvin** London,  
CEO of Handelsbanken UK

**Olof Lindstrand** Lidingö

**Simon Lodge** London

## Head of regional bank

**Simon Lodge** London



## Branch/branch manager

Aylesbury **Derek Beards**

Ascot **Richard Payton**

Barnstaple **Peter Larcombe**

Basingstoke **Vacant**

Bath **Chris Johnson**

Bodmin **Phil Kerkin**

Bournemouth **Jeremy Tollworthy**

Bridgend **Mark Standley**

Bristol

Clifton **Martin Bidgood**

Parkway **Roger Bell**

Queen Square **Ian Dibble**

Camberley **Mark Clinkskel**

Cardiff **Neil Humphreys**

Cheltenham **Di Pitts**

Chichester **Chris Golding**

Dorchester **Andrew Denning**

Exeter **Darren Galliford**

Gloucester **Simon Cropper**

Guildford **Neil Truman**

Hereford **Craig Wyer**

High Wycombe **Vacant**

Newbury **Geoff Dann**

Newport **Martin Leech**

Oxford **David Woodhead**

Plymouth **Phill Harvey**

Poole **Dave Shering**

Portsmouth **Richard Gillard**

Reading **Graham Beith**

Salisbury **Graham Renshaw**

Slough **Sarah Dean**, Acting

Southampton **Craig Ward**

Swansea **Steve Smith**

Swindon **Shaun Bradshaw**

Taunton **Peter Kirby**

Truro **Denise Major**

Weston-super-Mare **Martin Fey**

Yeovil **Jim Durrant**

## Branch/branch manager

Bishop's Stortford **Steve Cooper**

Brighton **Simon Howe**

Bromley **Chris Pye**

Canterbury **David Kiernan**

Chatham **Gavin Coleman**

Chelmsford **Mark Earlam**

Chiswick **Dermot Jordan**

Clapham **Neil Higgs**

Colchester **Alan Barnard**

Crawley **Simon Briggs**

Croydon **Vacant**

Dartford **Trevor Adams**

Ealing **Chris Ttoui**

Enfield **Adrian Bennett**

Epsom **Phil Hunt**

Hampstead **Denis McCarthy**

Harrow **Paul Jarman**

Hertford **Debbie Chilton**

Kensington **Tom Fuller**

Kingston **Peter Wylde**

London

Holborn **Sean McManus**

London Bridge **David Boaden**

Marylebone **Andrew Rowlands**

Moorgate **Paul Chapman**

West End **Roy Budgett**

Maidstone **Jeremy Brett**

Queen's Park **Steve MacDonald**

Redhill **Clive Martin**

Richmond **Mark Lobo**

Romford **David Roe**

Sevenoaks **Nick Brooker**

St Albans **Anthony Fogden**

Southend-on-Sea **John Brooks**

Tunbridge Wells **Nick Green**

Uxbridge **Steve Howarth**

Watford **Andrew Samarasinghe**

Wimbledon **Barry Sexton**

## REGIONAL BANK DENMARK

The operations are part of Svenska Handelsbanken, Copenhagen branch.

## Board

**Claes Norlén** Stockholm, Chairman  
**Ulrik Kolding Hartvig** Roskilde  
**Steen Winther-Petersen** Copenhagen  
**John Vestergaard** Ikast  
**Lise Westphal** Emdrup  
**Frank Vang-Jensen** Gentofte  
**Helle Rank** Aalborg, (E)\*

## CEO of regional bank

**Frank Vang-Jensen** Copenhagen



## REGIONAL BANK FINLAND

The operations are part of Svenska Handelsbanken, Helsinki branch.

## Board

**Stig Gustavson** Helsinki, Chairman  
**Claes Norlén** Stockholm, Vice Chairman  
**Bjarne Mitts** Helsinki  
**Leena Niemistö** Helsinki  
**Elmar Paananen** Helsinki  
**Andreas Tallberg** Kirkonummi  
**Seija Turunen** Helsinki  
**Nina Arkilahti** Espoo  
**Tiina Pöyhönen** Kuopio, (E)\*

## CEO of regional bank

**Nina Arkilahti** Helsinki



## Branch/branch manager

Aalborg

City **Ole Dahl Nielsen**  
 Syd **Morten O. Hedemann**

Allerød **Mads Christian Heidemann**

Amager **Dorte Jellestad**

Aulum **Gerda Kviesgaard**

Ballerup **Steen Hansen**

Birkerød **Jesper Borglykke**

Brande **Henrik Overgaard**

Charlottenlund **Allan Kandrup**

Copenhagen

City **Gorm Björkmann**  
 Østerbro **Bjarne Albrechtsen**  
 Large Corporates **Knud Jacobsen**  
 Vest **Jan Arup**

Esbjerg **Morten Andersen**

Farum **Jens Karlsson**

Fredensborg **Kjeld Aunstrup**

Fredericia **Brian Sørensen**

Frederiksberg

Frederiksberg **Henrik Bengtsson**  
 Frederiksberg Vest **Jesper Christensen**

Frederikssund **Michael Tøgersen**

Frederiksværk **Alan Nielsen**

Give **Martin Skovgaard Larsen**

Grindsted **Lars Balle Olsen**

Hammerum **Jakob Rousing Sloth**

Helsingør **Steen Malmqvist**

Helsingør **Dan-Gösta Larsen**

Herlev **Flemming Jensen**

Herning

City **Niels Viggo Malle**  
 Fredhøj **Bruno Hansen**

Hillerød

Hillerød **Steen Hirschsprung**  
 Vest **Lisbeth Arenfeldt**

Holstebro **Henrik Kristiansen**

Horsens **John Jørgensen**

Ikast **Arnth Stougaard**

Karup **Vibeke Hestbek**

Kgs. Lyngby **Preben Bjerrekær**

Kibæk **Preben Staal**

Kolding **Jesper Andersen**

Køge **Brian Jakobsen**

Lemvig **Peter Tornbo**

Lynge **Kristian Løvgreen-Hansen**

Odense **Klaus Rydal**

Roskilde **Stig Teilman**

Sdr. Felding **Kristian Hansen**

Silkeborg **Stefan Brochmann**

Slagelse **Henrik Kragh**

Slangør **Jørgen Torm**

Stenløse **Dennis Grouleff**

Struer **Poul Bakkegaard**

Sunds **Allan Eg**

Vejle **Carsten Hjortflod**

Viborg **Jens Rahbek**

Videbæk **Anja Lyhne**

Vildbjerg **Frank Jensen**

Århus

Århus City **Esben Kjeldsen**

Århus Syd **Arne Vestergaard Knudsen**

## Branch/branch manager

Espoo

Leppävaara **Nina Lukka**

Matinkylä **Outi Vesanto**

Tapiola **Hannu Oksanen**

Helsinki

Aleksi **Tuija Nuutinen**

Dianapuisto **Ilari Tyrkkö**

Hakaniemi **Jussi Nikkanen**

Itäkeskus **Outi Vainikka**

Kamppi **Riitta Hallila**

Munkkivuori **Jouni Linnavuori**

Pasila **Maria Kaisa Ylimäinen**

Hyvinkää **Risto Mäkeläinen**

Hämeenlinna **Pauli Ranta**

Imatra **Pekka Lankinen**

Joensuu **Mauri Kujanen**

Jyväskylä **Jarkko Käki**

Jämsä **Ilkka Arenius**

Kerava **Kimmo Heiskanen**

Kirkkonummi **Päivi Toppari**

Kokkola **Esa Alkio**

Kotka **Hannu Huostila**

Kouvola **Henri Lilja**

Kuopio **Simo Sarkkinen**

Lahti **Matti Nieminen**

Lappeenranta **Martti Mäkelä**

Lohja **Arto Finérus**

Mikkeli **Jouko Kervinen**

Oulu **Timo Väisänen**

Pietarsaari **Jörgen Blomqvist**

Pori **Sami-Pekka Ylikoski**

Porvoo **Annika Bergvall**

Raisio **Maaria Rahikainen**

Rauma **Sami-Pekka Ylikoski**, Acting

Rovaniemi **Pekka Pistokoski**

Salo **Teemu Alanko**

Seinäjäki **Jorma Soukka**

Tammisaari **Hannu Oksanen**

Tampere

Kauppakatu **Tarja Suvisalmi**

Kyttälä **Kari Koivisto**

Tornio **Roger Keisu**

Turku

Hämeenkatu **Risto Vihula**

Kauppatori **Josefiina Vornanen**

Vaasa **Frej Björnses**

Vantaa

Aviapolis **Tero Juotasniemi**

Myyrmäki **Matti Sulamaa**

Tikkurila **Stephan Björkell**

(E)\*= employee representative

## REGIONAL BANK NORWAY

The operations are part of Svenska Handelsbanken, Oslo branch.

## Board

**Bjørn Flatgård** Kolbotn, Chairman  
**Claes Norlén** Stockholm, Vice Chairman  
**Hans Anfinn Eide Helland** Sandnes  
**Rebekka Glasser Herlofsen** Oslo  
**Dag Tangevald-Jensen** Oslo  
**Dag Tjernsmo** Oslo  
**Kjell Arild Andersen** Bergen, (E)\*

## CEO of regional bank

**Dag Tjernsmo** Oslo



## REGIONAL BANK NETHERLANDS

The operations are part of Svenska Handelsbanken AB, Netherlands branch.

## Board

**Håkan Sandberg** Stockholm, Chairman  
**Anders Bouvin** London  
**Olof Lindstrand** Lidingö  
**Mikael Sørensen** Haarlem

## CEO of regional bank

**Mikael Sørensen** Haarlem



## Branch/branch manager

Arendal **Petter Anker Rasch**

Asker **Turid Williksen**

Bergen

Fana **Monica Vågen**

Fyllingsdalen **Gottlieb Gullaksen**

Kokstad **Jarle Hundven**

Minde **Åse Fluge Nordgreen**

Sentrum **Tore Svein Nese**

Strandgaten **Erik Ramsdal**

Vest **Mette Skauge**

Åsane **Thomas Rasmussen**

Bodo **Tore Halvorsen**

Bryne **Rolf Inge Knutsen**

Drammen **Toril Garntangen**

Fredrikstad **Tove Anita R Torp**

Halden **Roar Elsness**

Hamar **Hans Skjelbreid**

Haugesund **Knut Børge Lunde**

Jessheim **Inger Kyhen**

Kolbotn **Terje Andersen**

Kongsberg **Kristin Franck**

Kristiansand **Vidar Akselsen**

Larvik **Bodil Hansen**

Lillehammer **Lars Erik Jevanord**

Lillestrøm **Paal Tollefsen**

Lysaker **Glenn Steinbo**

Mo i Rana **Jonny I Bohlin**

Molde **Jan Fredrik Fogth**, Acting

Moss **Willy Fossum**

Oslo

Grev Wedels plass **Thomas B. Tresselt**

Large Corporates **Sven Ove Oksvik**

Majorstuen **Bjørn Erik Røv**

Nydalen **Bente Bjerkvold**

Olav Vs gate **Harald Søreide**

Bryn **Eirik Arnesen**

Skøyen **Thomas Stousland**

Sandefjord **Hans Jørgen Ormar**

Sandnes **Sindre Bergsagel**

Sandvika **Kirsti Jensås**

Sarpsborg **Tormod Sørum**

Ski **Geir Anders Sundnes**

Skien **Jan Egil Hafredal**

Sotra **Lisbeth Turøy**

Stavanger

Sentrum **Lynn Sperb**

Straen **Ole Henry Slette**

Tromsø **Yngve Haldorsen**

Trondheim

Heimdal **Fredrik Lillemyr**

Søndregate **Ola Grøtne**

Tønsberg **Per Skustad**

Ålesund **Steinar Krøvel**

## Branch/branch manager

Amersfoort **Robert van der Kolk**

Amsterdam

Centrum **Jasper Klok**

Zuid **Daniël van Til**

Barendrecht **Peter Bot**

Bergen op Zoom **Patrick van Zon**

Breda **Ton Schröder**

Den Haag **Roderick Mastenbroek**

Eindhoven **Marco van Tongeren**

Emmen **Marc Bruin**

Groningen **Erwin van der Steur**

Het Gooi **Lars Vissers**

Leeuwarden **Tammo Oosterhof**

Maastricht **Tim Neu**

Rotterdam **Hans Troost**

Schiphol **Edwin Boonk**

Twente **Martijn Peters**

Utrecht **Michiel van Loon**

Zwolle **Wery Hegge**

(E)\*= employee representative



## OFFICES OUTSIDE THE NORDIC COUNTRIES, THE UK AND THE NETHERLANDS

Operations are conducted in Svenska Handelsbanken with branches in each country except for Luxembourg, where operations are conducted both as a subsidiary and a branch. As of January 2014, the Bank's subsidiary in Luxembourg was merged with the parent company which will conduct the operations in the existing branch.

## Branch/branch manager

**Austria**

General Manager **Christian Prinz zu Solms-Lich**  
Vienna **Christian Prinz zu Solms-Lich**

**China**

General Manager **Mikael Westerback**  
Hong Kong **Johan Andrén**  
Shanghai **Mikael Westerback**

**Estonia**

General Manager **Annika Nordström**  
Tallinn **Annika Nordström**

**France**

General Manager **Björn Torsteinsrud**  
Nice **Anna Jansson-Clauzier**  
Paris **Jesper Hellström**

**Germany**

General Manager **Elisa Saarinen**  
Düsseldorf **Thomas Kuhn**  
Essen **Thomas Kuhn**  
Frankfurt **Marie Jöhnk**  
Hamburg **Kerstin Fuchs**  
Mannheim **Hans Jürgen Ding**  
Munich **Andreas Stein**  
Stuttgart **Hans Jürgen Ding**

**Latvia**

General Manager **Dzintars Salavs**  
Riga **Dzintars Salavs**

**Lithuania**

General Manager **Håkan Molin**  
Vilnius **Håkan Molin**

**Luxembourg**

General Manager **Jörgen Oldensand**  
Luxembourg **Jörgen Oldensand**

**Poland**

General Manager **Harri Tuohimaa**  
Warsaw **Harri Tuohimaa**

**Singapore**

General Manager **Jan B Djerf**  
Singapore **Jan B Djerf**

**USA**

General Manager **Rolf Marquardt**  
New York **Rolf Marquardt**

## Representative offices

**Beijing**

Representative **Jason Wang**

**Kuala Lumpur**

Representative **Abhinash Murukesvan**

**Marbella**

Representative **Jessika Kroon**  
Representative **Vibeke Toustrup Bonne**

**Moscow**

Representative **Viktor Tsoy**

**Mumbai**

Representative **Ashish Gupta**

**São Paulo**

Representative **Carl-Gustav Moberg**

**Sydney**

Representative **Robert Karlsson**

**Taipei**

Representative **Amy Chen**

**Zurich**

Representative **Torben Kragh**

## BOARD SUBSIDIARIES\*\*

## EFN

**Board**

**Johan Lagerström** Täby, Chairman  
**Magnus Berglund** Saltsjöbaden  
**Michael Green** Västra Frölunda  
**Ulf Köping-Höggård** Lidingö  
**Carina Åkerström** Stockholm

**Chief Executive**

**Carl Bjurling** Enskede

## HANDEL OCH INDUSTRI

**Board**

**M. Johan Widerberg** Göteborg, Chairman  
**Olof Lindstrand** Lidingö  
**Bo Annvik** Hovås

**Chief Executive**

**Bengt Kjell** Stockholm

## HANDELSBANKEN FINANS

**Board**

**Yonnie Bergqvist** Täby, Chairman  
**Kai Jokitullo** Stockholm  
**Göran Holgerson** Gnesta  
**Peter Gustafsson** Farsta, (E)\*

**Chief Executive**

**Marie Lundberg** Stockholm

## HANDELSBANKEN FONDER

**Board**

**Olof Lindstrand** Stockholm, Chairman  
**Michael Bertorp** Stockholm  
**Gunnar Båtelsson** Sandviken  
**Åsa Magnusson** Linköping  
**Lena Munkhammar** Solna  
**Ann-Christine Frilund** Gustavsberg, (E)\*

**Chief Executive**

**Javiera Ragnartz** Stockholm

## HANDELSBANKEN LIV

**Board**

**Thommy Mossinger** Stockholm, Chairman  
**Joakim Jansson** Sundbyberg  
**Lennart Söderberg** Täby  
**Anna Hjelmberg** Järfälla, (E)\*

**Chief Executive**

**Louise Sander** Danderyd

## HEARTWOOD

**Board**

**Ian White** Stockport, Chairman  
**Simon Lough** London  
**Tracey Davidson** London  
**Nolan Carter** Oxfordshire  
**Karen Fryer** Croydon  
**Simon Dixon** Battle

## STADSHYPOTEK

**Board**

**Håkan Sandberg** Stockholm, Chairman  
**Yonnie Bergqvist** Täby  
**Olof Lindstrand** Lidingö  
**Thommy Mossinger** Stockholm  
**Michael Bertorp** Stockholm  
**Camilla Persson** Farsta, (E)\*

**Chief Executive**

**Per Beckman** Lidingö

(E)\* = employee representative

\*\* For the complete name of the company, see note P16.

# Definitions and explanations

## ADJUSTED SHAREHOLDERS' EQUITY PER SHARE

Equity at the end of the year reduced by the equity effect of cash flow hedges and the minority share of shareholders' equity. Adjusted equity is then divided by the number of ordinary shares at the year-end reduced by buybacks. Where applicable, the dilution effect is taken into account.

## CAPITAL BASE

The capital base is the sum of tier 1 and tier 2 capital. To obtain the total capital base for capital adequacy purposes, deductions are made for capital contributions in insurance companies and reported surplus values of pension assets. For a more detailed description of the capital base, see note G49.

## CAPITAL RATIO

The total capital base for capital adequacy purposes in relation to risk-weighted volume.

## C/I RATIO

Total expenses in relation to total income.

## COMMON EQUITY TIER 1 CAPITAL

Total tier 1 capital excluding tier 1 capital contributions.

## COMMON EQUITY TIER 1 CAPITAL RATIO

Core tier 1 capital in relation to risk-weighted volume.

## DIVIDEND YIELD

Dividend per share divided by the share price at year-end.

## EARNINGS PER SHARE

The profit for the year attributable to holders of ordinary shares divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

## IMPAIRED LOANS

Loans are classified as impaired loans if contracted cash flows are not likely to be fulfilled. The full amount of all claims which give rise to a specific provision are included in impaired loans even if parts are covered by collateral.

## ITRAXX

ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European

bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

## LOAN LOSS RATIO

Loan losses and changes in value of repossessed property in relation to loans to the public and credit institutions (excluding banks) at the beginning of the year, and also repossessed property and credit guarantees.

## P/E RATIO

The share price at year-end divided by earnings per share.

## PREMIUMS WRITTEN

A concept used within the Bank's insurance operations denoting mainly the total of premiums paid in during the year.

## PROPORTION OF IMPAIRED LOANS

Net impaired loans in relation to total loans to the public and credit institutions (excluding banks). Impaired loans are reported without deduction for the collateral that is security for the claim.

## RETURN ON EQUITY

The year's profit in relation to average equity. Average equity is adjusted for value changes on financial assets classified as available for sale and derivatives in cash flow hedges and a weighted average of new share issues, dividends and repurchase of own shares.

## RETURN ON TOTAL ASSETS

Operating profit in relation to average total assets.

## RISK RESULT

A concept used in the Bank's insurance operations. The difference between the fees the company charges to cover the insurance risks (mortality, life expectancy, disability and accident) and the actual cost of the insurance claims.

## RISK-WEIGHTED VOLUME

The total risk-weighted amount from each credit risk exposure. The risk-weighted amount is the same as the risk weight of the exposure multiplied by its exposure amount. The risk weight is based on a number of factors, such as the repayment capacity and debt-servicing of the counterparty, type of product and the value of any collateral.

## SOLVENCY RATIO

A concept used in the Bank's insurance operations. The solvency ratio is the available solvency margin divided by the required solvency margin and is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company.

## TIER 1 CAPITAL

Tier 1 capital is one of the components of the capital base and comprises equity and tier 1 capital contributions. Deductions are made for, inter alia, dividends generated, goodwill and other intangible assets and also the difference between an expected loss and provisions made for probable loan losses. Profits generated in the Group's insurance company are not included in the tier 1 capital. For a more detailed description of the capital base, see note G49.

## TIER 1 CAPITAL CONTRIBUTION

Tier 1 capital contributions (hybrid loans) comprise subordinated loans that may be included in the tier 1 capital with the consent of the Swedish Financial Supervisory Authority.

## TIER 1 RATIO

Total tier 1 capital in relation to risk-weighted volume.

## TIER 2 CAPITAL

Tier 2 capital is one of the components of the capital base and mainly consists of perpetual and fixed-term subordinated loans. Deductions are made for, inter alia, the difference between an expected loss and provisions made for probable loan losses. For a more detailed description of the capital base, see note G49.

## TOTAL RETURN

The total of the year's change in share price and paid dividend per share divided by the share price at the end of the previous year.

## YIELD SPLIT

When the total yield exceeds the rate guaranteed by the insurance company, the company will receive 10 per cent of the total yield as its share in the yield split.



