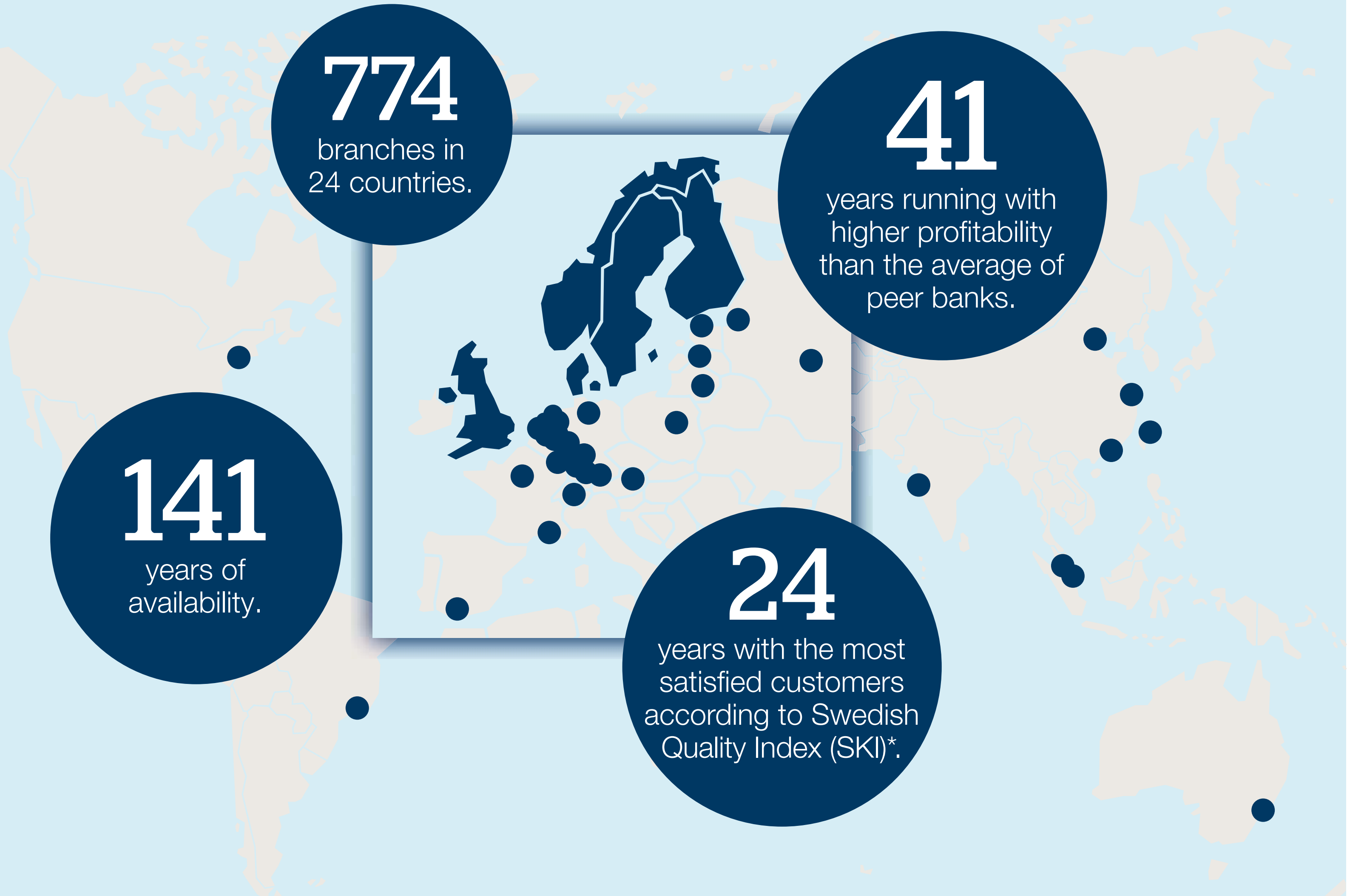
Annual Report 2012

Handelsbanken

This is Handelsbanken

Handelsbanken is a full-service bank for both private and corporate customers with a nationwide branch network in Sweden, the UK, Denmark, Finland and Norway. In January 2013, Handelsbanken started a regional bank in the Netherlands. The Bank regards these countries as its home markets. Handelsbanken was founded in 1871 and has operations in 24 countries.



SATISFIED CUSTOMERS IN OUR HOME MARKETS

Every year, Swedish Quality Index (SKI) and EPSI carry out independent surveys of customer satisfaction, based on a European standard. The results for 2012 showed that Handelsbanken had the most satisfied customers in Sweden. Handelsbanken also had top positions in all the Nordic countries and the UK, among both private and corporate customers.

STRONGEST BANK IN EUROPE

In spring 2012, the international news agency Bloomberg published its review of the strongest banks in the world with assets over USD 100 billion. The results showed that Handelsbanken is one of the ten 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.

CONTINUED STRONG POSITION IN THE INTERNATIONAL FUNDING MARKET

Handelsbanken continues to have the lowest funding costs of the European banks. This is illustrated by the Bank continuing to have the lowest CDS levels of all the European banks in 2012. A CDS (credit default swap) reflects a bank's or a company's funding cost. It can be compared to a credit insurance premium which a lender pays to insure the claim on a borrower. A low CDS level implies a low credit risk and a low insurance premium.

Handelsbanken has the lowest CDS level of the European banks and can therefore borrow money at the lowest cost on the funding market.

There was therefore continued large international interest in investing in Handelsbanken's bonds in 2012, and the Bank's funding is arranged until February 2014.

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

Highlights of 2012

The period's profit after tax for total operations went up by 18 per cent to SEK 14,548 million (12,323) and earnings per share rose to SEK 23.15 (19.78).

Changed corporate tax in Sweden resulted in a reversal of previously booked deferred tax of SEK 1,682 million; excluding this, earnings per share rose to SEK 20.47 (19.78).

Operating profit increased by 6 per cent to SEK 17,564 million (16,536).

In branch office operations outside Sweden, operating profit increased by 47 per cent.

Return on equity for total operations rose to 14.7 per cent (13.5).

Income increased by 7 per cent to SEK 35,062 million (32,809).

Net interest income rose by 10 per cent to SEK 26,081 million (23,613).

The C/I ratio improved to 46.3 per cent (47.1).

The loan loss ratio was 0.08 per cent (0.05).

The tier 1 capital ratio according to Basel II rose to 21.0 per cent (18.4) and the core tier 1 capital ratio increased to 18.4 per cent (15.6).

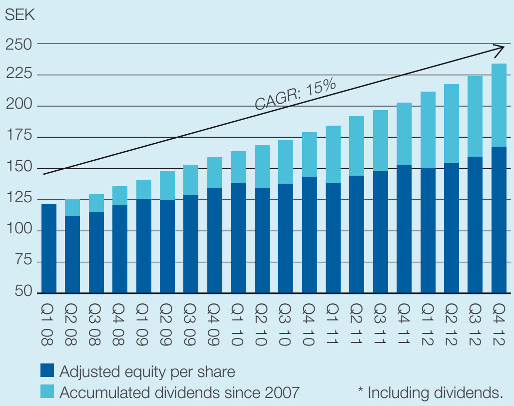
The Bank's liquidity reserve exceeded SEK 750 billion and all bonds maturing up to the end of February 2014 have been prefinanced.

In the UK, 29 new branches were opened, bringing the total to 133.

The Netherlands will become a new home market with a new regional bank.

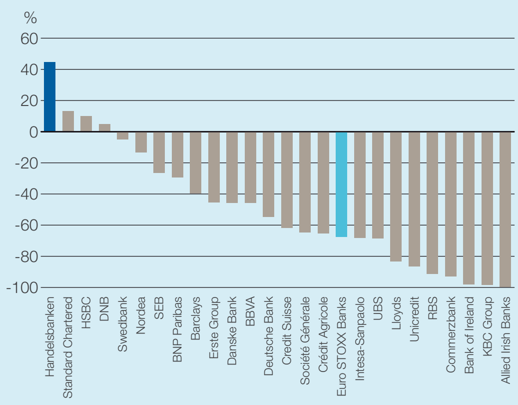
It is proposed that the dividend be increased to SEK 10.75 per share (9.75).

Average growth in equity 2008–2012*



* Including dividends.

Total return in the past five years



Source: Macrobond, as at 31 December 2012 (dividends reinvested)

BRIEF INFORMATION ABOUT HANDELSBANKEN'S ANNUAL GENERAL MEETING 2013

Location: Grand Hôtel, Winter Garden, Royal entrance, Stallgatan 4, Stockholm.
Time: Wednesday, 20 March 2013 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, 14 March 2013 at the latest. Notice of attendance is to be made to Handelsbanken, Corporate Governance, Kungsträdgårdsgatan 2, SE-106 70 Stockholm, Sweden, telephone +46 8 701 19 84, or online at www.handelsbanken.se/ireng by Thursday, 14 March 2013 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, 14 March 2013, when this entry must have been effected.

Dividend

The Board proposes that the record day for the dividend be Monday, 25 March 2013, which means that the Handelsbanken share will be traded ex-dividend on Thursday, 21 March 2013. If the meeting resolves in accordance with the proposal, Euroclear expects to distribute the dividend on Thursday, 28 March 2013.

It is possible for private individuals who are domiciled in Sweden, 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.

Contents

Svenska Handelsbanken AB (publ)
Corporate identity no: 502007-7862
Registered office: Stockholm
www.handelsbanken.com

This Annual Report is also available in Swedish.

Solid growth

- Operating profit for 2012 was SEK 17.6 billion. Earnings per share increased from SEK 19.78 to SEK 23.15.
- Handelsbanken's return on equity for total operations was 14.7 per cent.
- The C/I ratio - our expenses divided by our income - was 46.3 per cent. This was an improvement of 0.8 percentage points.
- The capital base was SEK 102 billion and the capital ratio according to Basel II increased to 20.9 per cent.
- Over the past five 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 seven years when return on equity - after loan losses and tax - has fallen below 12 per cent.
- The Netherlands was defined as a new home market.

SOLID GROWTH IN A TURBULENT ENVIRONMENT

The year 2012 – when Handelsbanken had been operating for 141 years – was characterised by very solid growth on all our home markets. The Bank continued to grow just as before: branch by branch, customer by customer.

This organic growth model means that Handelsbanken can achieve growth, coupled with low risk and good cost control. A newly opened branch normally reports positive cash flow within 24 months, with return on allocated capital of around eight per cent.

After this, income grows far more rapidly than expenses, resulting in higher return on equity. This model provides the Bank with stable growth in profits at low risk.

Parallel with this, the crisis in our environment became entrenched. At the start of the year, the government finances of several European countries were in a very exposed state. At the end of the year, the same countries were still struggling with large deficits and tough demands for reform, despite the fact that politicians, central banks and other players had taken many, forceful measures to alleviate the situation. The will to do so is there, but the major impact is not visible – at least not yet.

In an increasingly integrated global economy everyone is affected, including the countries which so far have fared better than others. Everyone – companies and households alike – becomes a bit more cautious.

If existing customers are less active, the Bank must seek growth by attracting good, new customers. We have succeeded with this – not least by tirelessly continuing to open branches in places where we have never been present before – and also opening branches where our customers on our home markets operate.

Handelsbanken is Scandinavia's most international bank, with operations in 24 countries worldwide.

Handelsbanken has grown and is a larger bank than ever before. This has taken place while the ratio between our expenses and income has continually improved.

The absolutely vital factor for our growth is our long-term ability to attract and retain satisfied customers. Once again this year, on all our home markets, we top the customer satisfaction surveys carried out by the independent organisation SKI/EPSI. Satisfied customers do more business with us, and they recommend us to good, new customers.

All our expansion in the UK has taken place without any type of external advertising in the press or radio or TV commercials.

We open branches, we keep our costs under control, and we create good, long-term relations with our customers. This is how we create continuous, solid growth over time.

OUR HOME MARKETS

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

Sweden

Handelsbanken in Sweden has grown on a market with relatively weak demand. Our savings business is growing, in terms of our volume of household deposits as well as our market share of mutual funds savings. Our credit volumes are also increasing, on both the corporate and the private side. This year, Handelsbanken is once again the bank that most large corporates state is their main bank.

During the year, Handelsbanken has worked a great deal with further developing its existing and new meeting-places – from bank branches to mobile phone applications. It must be our customers and not us who set the boundaries for what banking business they are able to do – regardless of where in the country they are, what day of the week it is, or what time of day they choose to do this business.

Norway

To support the banking market, the Norwegian central bank offered Norwegian banks funding at an interest rate below the market level. Handelsbanken was the only major bank to decline these subsidies. The support programme has now been completed, and the market is starting to normalise.

In Norway, Handelsbanken improved its operating profit last year by 71 per cent.

UK

The UK will be an important growth market for a long period of time. In 2012, we opened our doors in 29 new locations, and at year-end the

Bank had 133 branch offices in its increasingly comprehensive nationwide branch network. To ensure that our high level of service and business support to the UK branches continues, we opened a fourth regional bank on 1 January. This new regional bank has its head office in Bristol.

Despite this expansion, income in the UK is growing more rapidly than expenses. This meant that operating profits increased by 57 per cent compared to the previous year.

Denmark

In recent years, the business climate in Denmark has been tougher than in any other Nordic country, including sharp falls in property prices. In addition, several Danish banks have been forced to wind up their operations.

Handelsbanken, on the other hand, has advanced its positions, and in 2012 we gained many good new customers. Business volumes are growing and costs are under control. Income increased by 13 per cent, while expenses actually fell by 4 per cent.

Finland

Handelsbanken in Finland has the most satisfied customers in the Nordic region. In Finland, too, the most important factors in this are local decision-making power and strong local presence, as well as a high service level and availability.

In 2012, Handelsbanken in Finland improved its operating profit by 3 per cent.

The Netherlands – a new home market

Handelsbanken's operations in the Netherlands have shown a stable performance for several years now. Today we have 15 branches – and there is plenty of potential for continued expansion. In addition, Handelsbanken's presence has received a great deal of positive attention in recent years. Our decentralised working method works excellently in the Netherlands, where the branches take the important business decisions independently.

In 2012, Handelsbanken in the Netherlands achieved volumes and profits that certainly justify a full-scale focus. Therefore, the Netherlands has now become Handelsbanken's sixth home market.

STRONG LOCAL CONNECTIONS

Handelsbanken's decentralised working method is the very foundation of our way of running a bank. It suits us and it suits our customers.

When our customers need advice or assistance with something as important as their own or their company's finances, they prefer to meet someone who knows them and lives in the local community. They do not want to meet a messenger; they want to meet the person who can – and is given the responsibility to – take their own decisions.

This is why our branches have a very high degree of autonomy. On each local market, the branch manager decides what business the Bank will offer in that particular location. All the important business decisions are taken by our branches.

We believe this is a better principle for the Bank as a whole, too. It means that we have employees who can, want to, and are prepared to make sensible decisions – employees who are happy and develop. It also results in better decisions. For example, for several years, Handelsbanken has had much lower loan losses than the average of peer banks.

This local independence leads to a unique local presence in the community where the Bank is active, and trusting, long-term relationships are built up – which in turn generate more business. This is why we are retaining our branches while other banks are closing theirs.

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

MANAGING RISK

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 Bank's strict approach to risk means that it 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.

STRONG PROFITABILITY ENSURES BETTER ACCESS TO CAPITAL

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

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

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

WE CAN IMPROVE

More satisfied customers and lower expenses for decades have meant that every year, Handelsbanken has had higher profitability than the average of its peer banks. This was the case in 2012 as well.

In the past few years, the nature of customer meetings has changed to a fairly large extent. The occasions when customers come into our branches have become rarer. But we meet customers more often at other locations: on the customers' computer screens, mobiles or tablet devices. More is being demanded of us, and products must be made neutral in terms of the meeting-place. Customers do not want to be limited by the method they chose to access the Bank on any given occasion. Everything must work, in the same way – quickly and simply, but also with the personal touch.

The Bank has made excellent progress with this, but we have still only just started. Our focus in this area will be maintained.

AND FINALLY

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

The key to our future development will be well-trained and committed employees. Accordingly, in the coming years, we will be taking further measures to ensure the development of our staff.

Looking back on 2012, it is clear that the Bank's healthy profit is the result of hard work by all the Bank's employees, to whom I extend my sincere thanks.

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

Thank you – and we look forward to seeing you at Handelsbanken.

Pär Boman
Stockholm, February 2013

Administration Report

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HANDELSBANK
från den 15 november 1919
SVENSKA HANDELSBANKEN
AKTIEBREF
385871-385880 à 1000 Kronor

Concept

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

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

Goal

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

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

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

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

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

Goal achievement

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

OVERALL GOALS

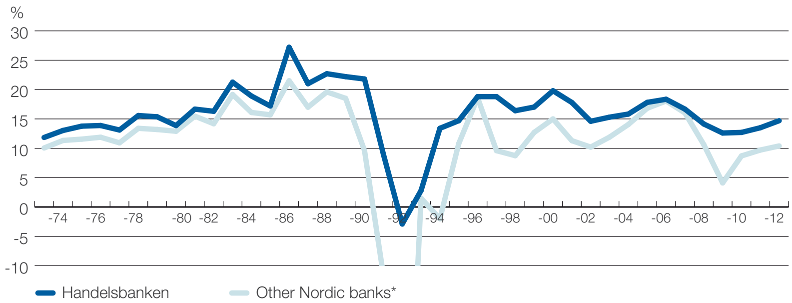
Corporate goal

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

Goal achievement

Handelsbanken's return on equity for total operations was 14.7 per cent (13.5). Adjusted for non-recurring items, the figure was 14.7 per cent (13.5). The corresponding figure for a weighted average of other major Nordic banks was 10.4 per cent (9.7). This meant that for the 41st consecutive year, Handelsbanken met its corporate goal.

Return on shareholders' equity, 1973–2012



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

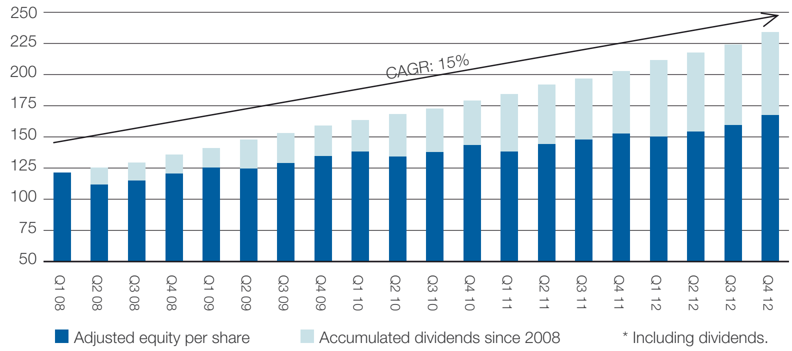
STABLE, HIGH VALUE GROWTH

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

Outcome

Average growth in equity, including dividends and share repurchases, has been 15 per cent each year for the past five years. No new shares were issued during the period. The low variation between the quarters confirms the Bank's low risk tolerance and is a measure of the stability of the value creation.

Average growth in equity per share, SEK 2008–2012*



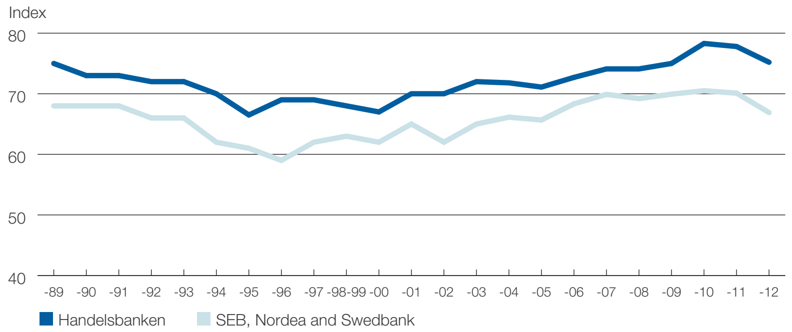
MOST SATISFIED CUSTOMERS

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

Outcome

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

Customer satisfaction index, private customers in Sweden 1989–2012



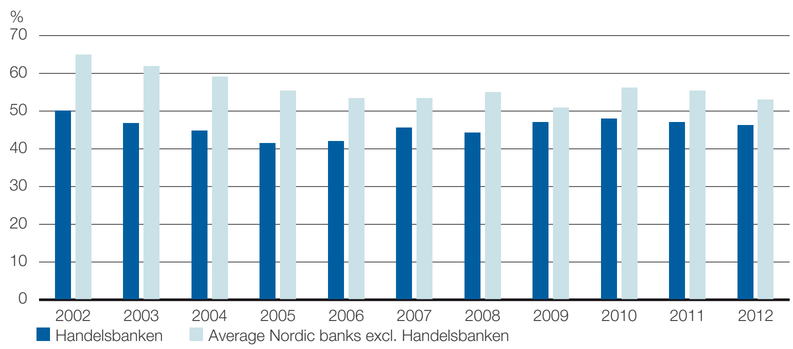
MOST COST-EFFECTIVE BANK

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 46.3 per cent (47.1). The corresponding figure for an average of other major Nordic banks was 53.0 per cent (55.5). As in previous years, Handelsbanken had the highest cost-effectiveness of the major listed Nordic banks.

Costs/income, excluding loan losses 2002–2012



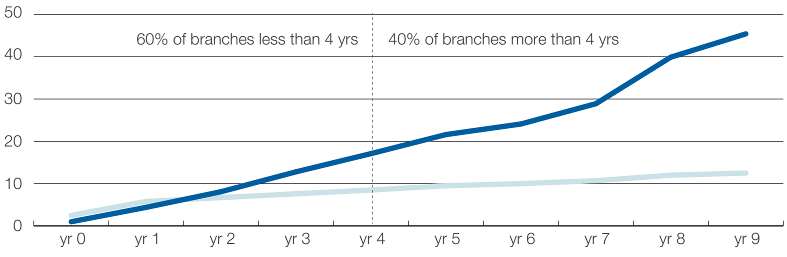
GROWTH

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 the past year, Handelsbanken opened a total of 29 branches in the UK and three branches in the Netherlands.

Income and cost performance, new branches in the UK



Refers to the average of the 130 branches opened in the UK 2000–2012.

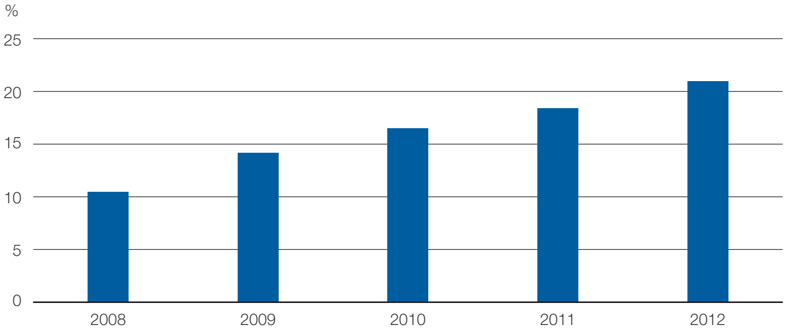
CAPITAL

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 capital ratio according to Basel II increased to 21.0 per cent (18.4). The core tier 1 capital ratio according to Basel II rose to 18.4 per cent (15.6).

Tier 1 capital ratio 2008–2012



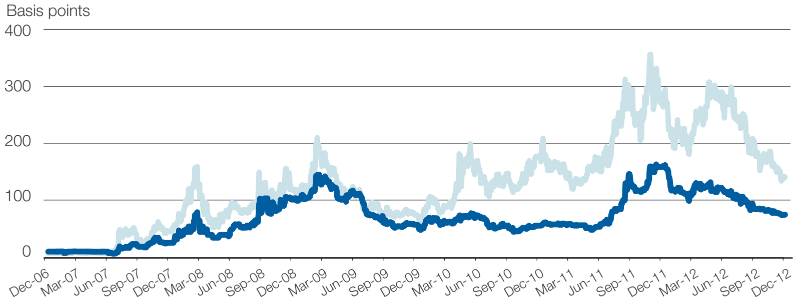
LIQUIDITY AND FUNDING

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

Outcome

The issue volume for long-term funding during the year amounted to SEK 231 billion, comprising SEK 148 billion in covered bonds, SEK 80 billion in senior bonds and SEK 3 billion in subordinated debt. At the end of the year, the liquidity reserve exceeded SEK 750 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



Source: Ecowin, Bloomberg

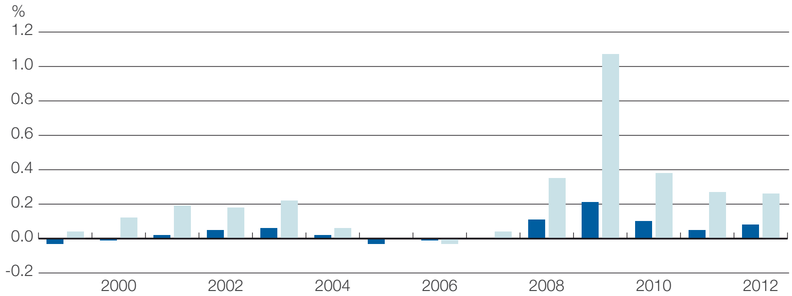
CREDIT QUALITY

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 -1,251 million (-816). Loan losses as a proportion of lending were 0.08 per cent (0.05). The corresponding figure for an average of other major Nordic banks was 0.26 per cent (0.27).

Loan losses as a percentage of lending 1999–2012



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

RATING

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

Outcome

In the fourth quarter, Standard & Poor's changed its view of the Swedish economy to a negative outlook. As a consequence of this, the outlook for the major Swedish banks was also changed to negative. Otherwise, Handelsbanken's short-term and long-term ratings were unchanged with Standard & Poor's, Fitch and DBRS. Due to Moody's reassessment of 114 European banks, during the second quarter this rating agency lowered the Bank's long-term rating from Aa2 to Aa3 with a stable outlook.

Ratings of Nordic banks

	Standard & Poor's		Fitch		Moody's		
31 December 2012	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-	A2	P-1
Danske Bank	A	A-1	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 higher profitability than the average of peer banks in our home markets. The goal is 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.

"With more than 140 years' experience, we have learned what is important to the Bank's customers."

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.

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 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 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.

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 have the customer's best at heart 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.

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

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

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 nowadays, customers far more often meet Handelsbanken 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 always having the product or service that a customer needs. Handelsbanken never has a niche in favour of a particular group of customers, or in a specific area of products or services.

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

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 individual'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 it has not previously had operations. In this way, Handelsbanken grows branch by branch, customer by customer. 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.

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

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 on its home markets that has not sought financial support from the government or shareholders during periods of turbulence on the financial markets.

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 branch office operations. The objective is therefore to minimise other risks, such as market risks. Position-taking is only accepted in customer-driven transactions, and only within strictly defined limits.

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

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

BRANCH OFFICE OPERATIONS

Since 1 January 2013, Handelsbanken has six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. In each of these countries we have a nationwide branch network, 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 questions that cannot be solved at a branch are still dealt with in the country where the branch is located. 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 profits of the branch operations.

Each regional bank has joint administrative resources, regional expertise and specialists to support the branches' business. Every Handelsbanken branch is led by a branch manager who is solely responsible for all operations in his/her branch's geographical area. Branch managers staff and organise their branches according to the business that the branch chooses to do on its market.

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

We have given our branch managers a very high degree of independence, as we are convinced that those who work closest to the customer will make the most sensible decisions, 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 770 branches in 24 countries worldwide. Over 30 of these branches 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 133 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 13 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 all the financial needs of its customers. Responsible for this range are product specialists in the Bank's business areas, who produce and develop solutions and services in close collaboration with 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 Handelsbanken Capital Markets business area includes the Bank's investment bank and asset management, and also pensions and insurance. Here we have gathered staff with highly specialised skills; operations are based on the Bank's top-ranked research, asset management and allocation products which form the basis of product development and advisory services.

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

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

Research includes macro, strategy and corporate research covering almost 250 Nordic companies, which forms the basis for stock recommendations. Handelsbanken is top-ranked 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. In a major Swedish customer survey from TNS Sifo Prospera, Handelsbanken was ranked number one overall in Private Banking and also in the two customer segments investigated: private individuals with assets exceeding SEK 10 million and company owners with financial assets exceeding SEK 5 million.

This is how we are organised
Handelsbanken's way of working can best be depicted by an arrow where all the operations focus on the customer. The branches are closest to the customer and are responsible for the Bank's customers on their local market. Each home market has its own national organisation with responsibility for the profits of the branch operations. For our customer offering to be of the highest quality, we have a number of central business areas where product owners design and develop our products and solutions. The central head office also has administrative functions and specialist departments with overarching responsibility for various functions at the Bank.

Stadshypotek
Stadshypotek is one of the leading mortgage institutions in Sweden which lends money to customers wishing to buy property. 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.

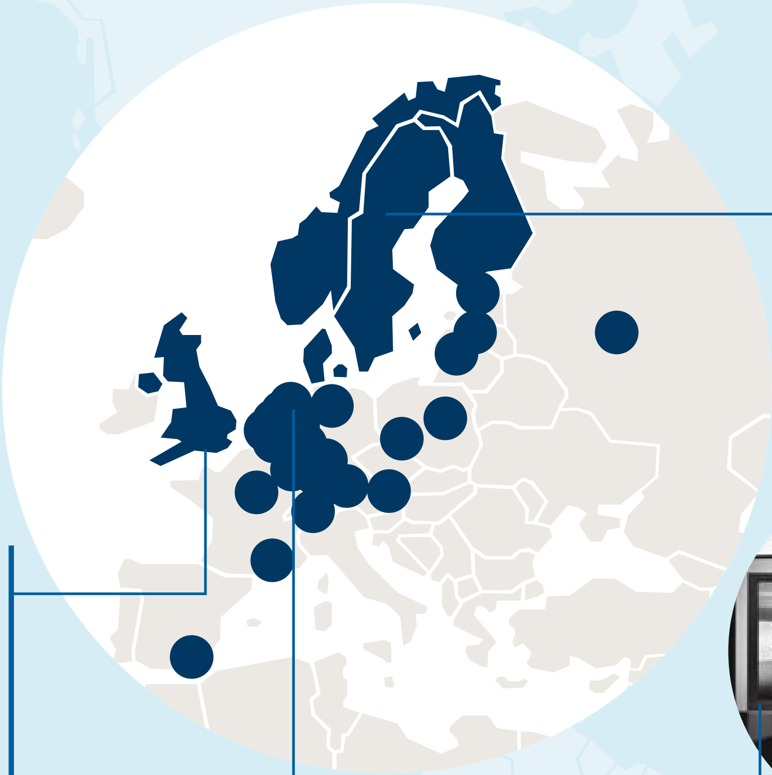
Handelsbanken Direkt
Handelsbanken Direkt has overall responsibility for business and product development of standardised banking services, such as deposit and payment services for private customers and personal service by phone and Handelsbanken's online service. For the corporate market, their responsibility covers leases, conditional sales, a vehicle fleet, invoice services, debt collection and personal service.

This business area is also responsible for all card operations.

CENTRAL UNITS
Handelsbanken's central head office has administrative functions and specialist departments with overarching 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.

We're always there for our customers

Handelsbanken is increasing its availability for its customers. New branches and meeting-places are being opened on the Bank's home markets and around the world. Availability is also being improved via new online services and new digital solutions for smartphones and tablets. And the Bank's unique customer service – Handelsbanken Direkt Personal Service – is open 24 hours a day, 365 days a year, and staffed by qualified bank personnel.



New meeting-places in Sweden
Handelsbanken attaches great importance to personal meetings and closeness to our customers. This is why we have developed a new type of meeting-place where customers can meet the Bank.

133 branches in the UK
Handelsbanken continues to grow in the UK. On average, one new UK branch is opened every eight banking days. At present, Handelsbanken has 133 branches in the UK, and more than 1,000 employees.

We're growing in the Netherlands
Interest in Handelsbanken in the Netherlands is growing, and during the year the Bank opened two new branches, including one in Amersfoort. The Bank now has a total of 13 branches and around 100 employees in the country.

Web TV with editorial financial news
Handelsbanken's web TV broadcasts financial news from Studio 12 several times a day. We also broadcast various in-depth programmes where viewers can benefit from the Bank's financial expertise in matters large and small. Our web TV provides new and existing customers with more detailed information ahead of important financial decisions, as well as the latest financial news.

Personal customer service, 24/7, all year round
Handelsbanken Direkt Personal Service offers unique availability to private and corporate customers in Sweden, 24 hours a day, 365 days a year. Trained advisors respond to customers' questions and assist them with their banking business. Handelsbanken Direkt Personal Service can be contacted by telephone or via the Bank's mobile apps for smartphones or tablets.

A major component of Handelsbanken's method of banking is being available for our customers. We do not close down branches or stop handling cash. On the contrary – Handelsbanken is opening new branches and meeting-places and we handle cash at our branches to meet our customers' needs.

In Sweden, more and more physical meeting-places linked to existing branches are being opened, to further increase availability. The Bank should be where our customers are, and at times that suit them. On our Swedish home market we have 461 branches.

On our other home markets of the UK, Denmark, Finland, Norway and the Netherlands, we also have nationwide branch networks. We have a total of 294 branches in these markets. In the UK, Handelsbanken opens a new branch every eight banking days, and it now has more than 130 branches there. Handelsbanken is currently the only bank in 50 locations.

We are also growing in the rest of the world, and are now present in 24 countries. All together, Handelsbanken has 774 branches throughout the world. In the autumn, the Bank opened a new representative office in São Paolo, Brazil. Handelsbanken can now offer a local presence for companies in Brazil which are customers of the Bank. The same applies in Australia, where Handelsbanken is now the first Nordic full-service bank with its own representative office.

First in Australia
Handelsbanken was the first Nordic bank to open a representative office in Sydney, Australia. There are around 1,400 companies in Australia and New Zealand that have business contacts on the Bank's six home markets. Many of these companies are customers of Handelsbanken, which can now offer local presence in the region.

In China since 1982
Handelsbanken is the Nordic bank that has been established in China the longest. Our presence there began as early as 1982. Due to our long experience of China we can offer our customers not only advanced financial know-how but also local Chinese expertise for assistance with the country's regulations in various areas, etc. Handelsbanken has branches in Shanghai and Hong Kong, as well as representative offices in Beijing and Taipei.

We visit the customer
At Handelsbanken we are constantly striving to increase our availability to customers, including using various digital solutions. New technology also means that we can visit the customer on site – when the customer needs our help.

Digital meeting-places
We are continually improving Handelsbanken's Mobile Service, where customers can carry out many types of banking transactions, such as paying bills, transferring money, checking balances and card transactions, and reviewing their mutual fund savings, directly via their smartphone or tablet. Apps are available for Android, iPhone, iPad and Windows Phone.

In January 2013, a regional bank was started in the Netherlands.

In addition, Handelsbanken is increasing its availability with improvements in its online services and new solutions for smartphones and tablets. With the aid of the Bank's apps, it's simple for our customers to do their banking business using a smartphone or tablet device.

Handelsbanken is a bank with a strong local presence on our various markets. By constantly improving availability for our customers through various communication channels, we can share our expertise and act to fulfil our customers' long-term needs. One example of this is Handelsbanken's web TV. Handelsbanken grows organically, branch by branch, customer by customer. Our growth model enables us to have tight cost control, low risk and satisfied customers.

All Handelsbanken branches know their local market. Our decentralised working method also means that every branch adapts its customer offerings to each customer's circumstances and financial requirements.

With good availability we build trusting, long-term relationships with customers.

It should be easy to get in touch with Handelsbanken.

New home market in the Netherlands

In January 2013, Handelsbanken started a new regional bank in the Netherlands. This means that the Bank now has six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

Handelsbanken has been active in the Netherlands for more than ten years. In the first five years, operations focused mainly on supporting customers from the Bank's home markets and their business in the country.

But since 2007, banking services have also been offered to local Dutch customers. In that year, our first proper branch was opened in the Netherlands.

A densely populated democracy

The Netherlands is Europe's most densely populated nation, with 16.5 million people living in an area slightly larger than Småland province. The country is a long-standing democracy with political, legal and economic systems that function well.

The country's form of government is a constitutional monarchy, with the kingdom being divided into twelve administrative regions. The capital is Amsterdam, but the administrative centre is the Hague. This is where the government, parliament and supreme court are based, and where the monarch's main residence is situated.

Handelsbanken is growing organically in the Netherlands, branch by branch, customer by customer.

Nationwide branch network

In the past five years the Bank has built up a nationwide network of 13 branches, from Groningen in the north to Maastricht in the south, and from Twente in the east to Rotterdam and Amsterdam in the west.

On numerous occasions the Dutch media have talked about the unique features of Handelsbanken's way of running a Bank: for example that we open new branches, do not have bonus systems or sales targets, and work locally, close to our customers in a decentralised structure.

Satisfied customers

It is clear that our Dutch customers appreciate our way of running a bank. For example, they like the fact that they can just go into their local Handelsbanken branch if they are going to apply for a mortgage or do any other form of major business.

Handelsbanken's business model works well on our new home market, enabling us to have tight cost control, low risk and satisfied customers.

The Het Gooi branch has conducted operations since January 2008.

Financial overview 2012

- The period's profit after tax for total operations went up by 18 per cent to SEK 14,548 million (12,323) and earnings per share rose to SEK 23.15 (19.78).
- Changed corporate tax in Sweden resulted in a reversal of previously booked deferred tax of SEK 1,682 million; excluding this, earnings per share rose to SEK 20.47 (19.78).
- Operating profit increased by 6 per cent to SEK 17,564 million (16,536).
- Operating profit rose by 47 per cent in Branch operations outside Sweden and by 2 per cent in Swedish branch operations.
- Return on equity for total operations rose to 14.7 per cent (13.5).
- Income increased by 7 per cent to SEK 35,062 million (32,809).
- Net interest income rose by 10 per cent to SEK 26,081 million (23,613).
- The C/I ratio improved to 46.3 per cent (47.1).
- The loan loss ratio was 0.08 per cent (0.05).
- The tier 1 capital ratio according to Basel II rose to 21.0 per cent (18.4) and the core tier 1 capital ratio increased to 18.4 per cent (15.6).
- All bonds maturing up to the end of February 2014 have been prefinanced and the Bank's liquidity reserve exceeded SEK 750 billion.
- Twenty-nine new branches were opened in the UK, bringing the total to 133.
- The Bank is acquiring the UK asset manager Heartwood Wealth Group and creating a platform for growth in wealth management in the UK operations.
- The Netherlands will become a new home market with a new regional bank.
- The Board proposes a dividend of SEK 10.75 per share (9.75).

Review of operations

Handelsbanken continued to report good performance for its operations in 2012. Operating profit increased by 6 per cent to SEK 17,564 million (16,536). The period's profit after tax for total operations increased by 18 per cent to SEK 14,548 million (12,323). Return on equity for total operations rose to 14.7 per cent (13.5).

Profit after tax for total operations increased during 2012 by 18 per cent to SEK 14,548 million (12,323). Earnings per share increased by 17 per cent to SEK 23.15 (19.78). Changed corporate tax in Sweden led to a reversal of previously booked deferred tax amounting to SEK 1,682 million. Excluding this, earnings per share increased to SEK 20.47. Return on equity for total operations increased to 14.7 per cent (13.5).

The Group's operating profit for 2012 increased by 6 per cent to SEK 17,564 million (16,536). Operating profit went up by 47 per cent in Branch office operations outside Sweden and by 2 per cent in Swedish branch office operations.

The C/I ratio for continuing operations improved to 46.3 per cent (47.1).

The Board proposes a dividend of SEK 10.75 per share (9.75).

INCOME

The Group – Income SEK m	Full year 2012	Full year 2011	Change
Net interest income	26 081	23 613	10%
Net fee and commission income	7 369	7 673	-4%
Net gains/losses on financial items	1 120	1 016	10%
Other income	492	507	-3%
Total income	**35 062**	**32 809**	**7%**

Income increased by 7 per cent to SEK 35,062 million as a result of rising net interest income. Exchange rate movements had only a marginal impact on income.

Net interest income rose by 10 per cent to SEK 26,081 million, mainly due to rising business volumes. Net interest income increased by 25 per cent in Branch office operations outside Sweden and by 6 per cent in Swedish branch office operations. The Group's costs for the Stabilisation Fund and various deposit guarantees were SEK -1,066 million (-1,118).

Deposit volumes grew more than lending volumes during the year. The average volume of deposits grew by 7 per cent to SEK 690 billion (645) and the average volume of loans to the public rose by 4 per cent to SEK 1,616 billion (1,552). In the corporate sector, the deposit volume grew by 8 per cent, while lending rose by 4 per cent. In the household sector, the increase in deposits was 6 per cent and lending grew by 4 per cent.

Net fee and commission income went down by SEK 304 million, or 4 per cent, to SEK 7,369 million (7,673). The fall was mainly because brokerage income went down by SEK 263 million to SEK 1,137 million (1,400), a lower yield split in the life insurance operations reduced insurance commissions by SEK 64 million to SEK 583 million (647) and there were lower lending commissions. However, mutual fund commissions rose by 3 per cent to SEK 1,680 million (1,639), and net income from card operations increased by 4 per cent to SEK 1,036 million (996).

Somewhat more stable market conditions compared to the previous year, contributed to a rise in net gains/losses on financial items at fair value of 10 per cent to SEK 1,120 million (1,016).

EXPENSES

The Group – Expenses SEK m	Full year 2012	Full year 2011	Change
Staff costs	-10 711	-9 942	8%
Other administrative expenses	-5 069	-5 060	0%
Depreciation, amortisation and impairments	-464	-464	0%
Total expenses	**-16 244**	**-15 464**	**5%**

Total expenses rose by 5 per cent to SEK -16,244 million. Staff costs increased by 8 per cent to SEK -10,711 million while other administrative expenses were unchanged. Three percentage points of the increase in staff costs is due to the fact that the allocation to the Oktogonen Foundation rose to SEK -1,020 million (-913), and that the cost for the corridor effect when calculating pensions in accordance with IAS 19 rose to SEK -220 million (-31). Variable compensation, including social security costs and other payroll overheads, was SEK -127 million (-125). The remainder of the increase in staff costs is mainly due to a higher number of employees outside Sweden and the annual salary adjustment.

The average number of employees was more or less unchanged at 11,192 (11,184).

Other administrative expenses were unchanged at SEK -5,069 million (-5,060).

LOAN LOSSES

Loan losses SEK m	Full year 2012	Full year 2011	Change
Net loan losses	-1 251	-816	-435
Loan losses as % of lending	0.08	0.05	0.03
Net impaired loans	3 197	2 697	19%
Proportion of impaired loans, %	0.18	0.16	0.02

Loan losses were SEK -1,251 million (-816) and the credit quality remained stable. The loan loss ratio was 0.08 per cent (0.05). Net impaired loans rose to SEK 3,197 million (2,697), equivalent to 0.18 per cent (0.16) of lending.

TAXES

In the fourth quarter, the Swedish Riksdag voted to lower corporate tax in Sweden to 22 per cent from the previous level of 26.3 per cent starting on 1 January 2013. This change meant that in the fourth quarter, the Bank recalculated the Group's net deferred tax liability to the new lower tax rate. This generated a positive non-recurring effect of SEK 1,682 million.

FUNDING AND LIQUIDITY

The short- and long-term fixed income markets stabilised during the fourth quarter. The risk premium continued to fall and investors had a greater appetite for risk resulting in many banks being active in the debt market.

Due to the high level of issue activity earlier in the year, the Bank had a limited funding requirement in the fourth quarter. In total during the last quarter of the year, bonds with a value of SEK 28 billion were issued. For the whole of 2012, the issued bond volume was SEK 231 billion, with SEK 148 billion of this in covered bonds, SEK 80 billion in senior bonds and SEK 3 billion in subordinated debt. The average maturity for the issued volume during the year was 4.7 years, as compared to 4.1 years in the previous year. The volumes issued during the period meant that all bonds maturing up to and including February 2014 have been prefinanced. The Bank's bonds due to reach maturity in 2013 amount to SEK 164 billion, which is considerably less than the issued volume of SEK 231 billion in 2012.

Issues during the year included the US market's first seven-year covered bond issue since 2008 and the Bank's first covered bond issue on the Australian market. In the fourth quarter, the Bank issued subordinated debt in Swedish kronor for SEK 3 billion, with its terms adapted to meet the requirements of the future capital regulations.

The Bank's total liquidity reserve exceeded SEK 750 billion. Cash funds and liquid assets invested with central banks amounted to SEK 246 billion, while the volume of liquid bonds totalled SEK 114 billion. The remainder of the reserve mainly comprised an unutilised issue amount for covered bonds at Stadshypotek.

According to the current Swedish definition from 1 January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of the period was 136 per cent. In US dollars, the LCR was 174 per cent and in euros, it was 301 per cent. In January, the Basel Committee decided on certain relaxations to the definition of LCR, and based on the new international definition the Group's LCR was around 160 per cent.

CAPITAL

Capital-related matters SEK m	31 Dec 2012	31 Dec 2011	Change
Core tier 1 ratio according to Basel II	18.4%	15.6%	2.8
Tier 1 ratio according to Basel II	21.0%	18.4%	2.6
Capital ratio according to Basel II	20.9%	20.9%	0.0
Equity	106 897	94 524	13%
Tier 1 capital	102 333	93 548	9%

The capital base decreased to SEK 102 billion (106) because the Bank redeemed subordinated loans for a net amount of SEK 12.3 billion during the year. At the end of the period, 88 per cent of the capital base was core tier 1 capital. The capital ratio calculated according to Basel II was 20.9 per cent (20.9).

The profit for the period was the main reason for equity increasing by SEK 12.4 billion to SEK 106.9 billion. Tier 1 capital rose by 9 per cent to SEK 102.3 billion (93.5) and core tier 1 capital increased by SEK 10.7 billion to SEK 90.1 billion (79.4).

The core tier 1 capital ratio according to Basel II rose during the year by 2.8 percentage points to 18.4 per cent (15.6) and the tier 1 capital ratio increased by 2.6 percentage points to 21.0 per cent (18.4). Increased tier 1 capital contributed 1.7 percentage points to the change and higher lending volumes contributed -0.3 percentage points. The mix effect of the fact that new lending volumes are of higher credit quality than the portfolio average and that volumes which leave the portfolio are of lower credit quality than the average, had a 1.1 percentage point positive impact. Credit risk migration in the loan portfolio also had a negative impact on the tier 1 ratio of 0.3 percenage points. The migration was mainly between better risk classes. The loan volume in the lower risk classes continued to fall. Exchange rate movements had a positive effect of 0.4 percentage points.

Capital effects of changed regulations

At the end of the period, the core tier 1 ratio according to CRD 4 (Basel III), including all IAS 19 effects, was 16.4 per cent. The total impact of the changes in IAS 19 was 0.5 percentage points, of which 0.4 percentage points were already included in the calculated effects of CRD 4. Until the implementation of CRD 4, IAS 19, which comes into effect on 1 January 2013, will thus lower the core tier 1 ratio by 0.5 percentage points.

The transitional rules which the Swedish banks have applied regarding how deductions for insurance holdings are made from the capital base, ceased to apply on 1 January 2013. Investments made before 20 June 2006 were previously deducted in their entirety from the capital base, but now these are to be deducted in equal parts from the tier 1 and tier 2 capital. This is expected to temporarily reduce the Bank's core tier 1 ratio by 0.4 percentage points. Since management of insurance holdings is also included in CRD 4, the effect is neutralised when CRD 4 is implemented.

The total effect of CRD 4, IAS 19 and the removed transitional rules regarding insurance holdings is expected to reduce the Bank's core tier 1 capital ratio by two percentage points, of which 0.9 percentage points (IAS 19 and the removed transitional rules) from the first quarter of 2013 inclusive, and a further 1.1 percentage points when CRD 4 is implemented.

New rules for pensions accounting

As of 1 January 2013, changed accounting regulations for pensions apply, IAS 19. The new regulations mean that actuarial gains and losses will be reported directly in other comprehensive income, and it will therefore no longer be possible to defer the recognition of gains and losses in what is known as the corridor method. This will create greater volatility in both other comprehensive income and in reported equity. The reported pension costs will also increase, since the calculated return on the pension assets, according to the new regulations, will be the same as the discount rate on the pension liability (3.0 per cent for 2012) and no longer an estimate of expected return. If the changed regulations had been in force in 2012, staff costs would have increased by SEK 456 million. In the Bank's interim reports for 2013, comparative figures will be adjusted and recalculated figures will be distributed during the first quarter.

RATING

In the fourth quarter, Standard & Poor's changed its view of the Swedish economy to a negative outlook. As a consequence of this, the outlook for the major Swedish banks was also changed to negative. Due to Moody's reassessment of 114 European banks, during the second quarter this rating agency lowered the Bank's long-term rating from Aa2 to Aa3 with a stable outlook.

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)		

NETHERLANDS NEW HOME MARKET

Branch operations in the Netherlands continue to perform well and the Bank has decided to start a regional bank with its head office in Amsterdam. This means that the Netherlands – with 13 branches at present – will become the Bank's sixth home market and operations will be reported separately starting in the first quarter of 2013.

HANDELSBANKEN ACQUIRES UK ASSET MANAGER

Handelsbanken has entered into an agreement to acquire the UK private wealth manager Heartwood Wealth Group Limited. The company mainly conducts discretionary wealth management with assets under management of around GBP 1.5 billion. This deal adds advanced wealth management services to the customer offering in the UK and creates a platform for the UK branch operations' growth in the area of asset management.

The transaction, which is subject to the customary permits from the regulatory authorities, will initially only have a marginal impact on the Bank's financial position and is expected to be completed during the second quarter.

HANDELSBANKEN'S ANNUAL GENERAL MEETING ON 20 MARCH 2013

The Board is proposing to the annual general meeting that the dividend be raised to SEK 10.75 per share (9.75) and 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 25 March 2013, which means that the Handelsbanken share will be traded ex-dividend on 21 March 2013.

Five-year overview Group

Consolidated income statement SEK m	2012	2011	2010	2009	2008
Net interest income	26 081	23 613	21 337	22 000	19 223
Net fee and commission income	7 369	7 673	8 022	7 393	6 795
Net gains/losses on financial items at fair value	1 120	1 016	1 377	2 457	3 169
Risk result, insurance	196	209	205	171	215
Other dividend income	152	146	190	141	225
Share of profit of associates	8	9	11	26	79
Other income	136	143	154	147	184
Total income	**35 062**	**32 809**	**31 296**	**32 335**	**29 890**
Administrative expenses					
Staff costs	-10 711	-9 942	-9 504	-10 018	-8 114
Other expenses	-5 069	-5 060	-5 062	-4 719	-4 688
Depreciation, amortisation and impairments of property, equipment and intangible assets	-464	-462	-452	-483	-427
Total expenses	**-16 244**	**-15 464**	**-15 018**	**-15 220**	**-13 229**
Profit before loan losses	**18 818**	**17 345**	**16 278**	**17 115**	**16 661**
Net loan losses	-1 251	-816	-1 507	-3 392	-1 605
Gains/losses on disposal of property, equipment and intangible assets	-3	7	-1	4	270
Operating profit	**17 564**	**16 536**	**14 770**	**13 727**	**15 326**
Taxes	-3 038	-4 372	-3 962	-3 519	-3 382
Profit for the year from continuing operations	**14 526**	**12 164**	**10 808**	**10 208**	**11 944**
Profit for the year pertaining to discontinued operations, after tax	22	159	217	36	187
Profit for the year	**14 548**	**12 323**	**11 025**	**10 244**	**12 131**
Attributable to					
Shareholders in Svenska Handelsbanken AB	14 547	12 323	11 025	10 244	12 131
Minority interest	1	0	0	0	0
Earnings per share, continuing operations, SEK	23.11	19.52	17.37	16.38	19.16
after dilution	22.60	19.14	17.10	15.92	19.02
Earnings per share, discontinued operations, SEK	0.04	0.26	0.35	0.06	0.30
after dilution	0.03	0.25	0.34	0.06	0.29
Earnings per share, total operations, SEK	23.15	19.78	17.72	16.44	19.46
after dilution	22.63	19.39	17.44	15.98	19.31

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 been able to increase its profits, strengthen its balance sheet, expand its operations and boost customer satisfaction.

15 per cent annual growth in equity

Since 1 January 2008, the Bank has increased its adjusted equity per share by 40 per cent, from SEK 119.25 per share to SEK 167.33 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 last five-year period, the Handelsbanken share has generated total return – the rise in the share price including reinvested dividends – amounting to 45 per cent. For the other major Nordic banks, the corresponding figure was on average -17 per cent. Handelsbanken was the only large Swedish bank to provide its shareholders with positive total return during the past five years.

Since 31 December 2007, Handelsbanken has generated positive shareholder value of SEK 47 billion. Market capitalisation has grown by SEK 18 billion, while Handelsbanken has paid out SEK 29 billion in dividends during the period. Of all the Swedish listed banks, Handelsbanken is the only one which did not need to issue new shares during the period.

Improved financial performance

Operating profit was SEK 2,832 million higher in 2012 than it was five years ago. Income was SEK 7,936 million higher than five years ago, while expenses increased by SEK 3,876 million.

Consolidated statement of comprehensive income SEK m	2012	2011	2010	2009	2008
Profit for the year	14 548	12 323	11 025	10 244	12 131
Other comprehensive income					
Cash flow hedges	2 390	-297	-325	47	-535
Available-for-sale instruments	984	-1 318	2 186	3 274	-5 139
Translation difference for the year	-126	-4	-2 015	-109	606
of which hedges of net investments in foreign operations	*486*	*-2*	*377*	*-6*	*-169*
Tax related to other comprehensive income	-913	443	-612	-934	1 628
of which cash flow hedges	*-565*	*78*	*85*	*-12*	*144*
of which available-for-sale instruments	*-248*	*365*	*-598*	*-924*	*1 440*
of which hedges of net investments in foreign operations	*-100*	*0*	*-99*	*2*	*44*
Total other comprehensive income	**2 335**	**-1 176**	**-766**	**2 278**	**-3 440**
Total comprehensive income for the year	**16 883**	**11 147**	**10 259**	**12 522**	**8 691**
Attributable to					
Shareholders in Svenska Handelsbanken AB	16 882	11 147	10 259	12 522	8 691
Minority interest	1	0	0	0	0

Consolidated balance sheet SEK m	2012	2011	2010	2009	2008
Assets					
Cash and central banks	248 915	375 979	107 626	106 813	116 066
Loans to the public	1 680 479	1 591 128	1 513 687	1 495 622	1 481 475
Loans to other credit institutions	89 511	106 823	123 465	92 730	115 809
Interest-bearing securities	117 260	104 202	119 238	176 002	166 278
Other assets	251 693	276 234	289 514	251 676	279 156
Total assets	**2 387 858**	**2 454 366**	**2 153 530**	**2 122 843**	**2 158 784**
Liabilities and equity					
Deposits and borrowing from the public	682 223	724 888	564 142	564 048	543 760
Due to credit institutions	183 945	201 889	251 972	225 490	319 113
Issued securities	1 151 426	1 140 074	963 501	966 075	895 709
Subordinated liabilities	21 167	35 317	43 948	59 005	61 434
Other liabilities	242 200	257 674	241 576	225 137	263 805
Equity	106 897	94 524	88 391	83 088	74 963
Total liabilities and equity	**2 387 858**	**2 454 366**	**2 153 530**	**2 122 843**	**2 158 784**

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 8,571 million, which corresponds to an average annual loan loss ratio of 0.11 per cent. The corresponding figure for the other major Nordic banks was 0.44 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 found that Handelsbanken has maintained its leading position. For private customers, Handelsbanken's index value was 75.2, as compared with the other three main competitors, all of which recorded scores within the range 66.4–67.7. Handelsbanken also received a considerably higher rating than the rest of the sector for customer satisfaction among corporate customers.

114 more Handelsbanken branches

At the end of 2007, Handelsbanken had a total of 660 branches and operations in 21 countries. Five years later, the Bank had 774 branches operating in 24 countries. In the UK, the number of Handelsbanken branches has more than tripled with the addition of 91 new branches. On 1 January 2013, a new home market was established in the Netherlands.

Key figures per year

Key figures for the Handelsbanken Group	2012	2011	2010	2009	2008
Profit before loan losses, continuing operations, SEK m	18 818	17 345	16 278	17 115	16 661
Net loan losses, SEK m	-1 251	-816	-1 507	-3 392	-1 605
Operating profit, continuing operations, SEK m	17 564	16 536	14 770	13 727	15 326
Profit for the year, continuing operations, SEK m	14 526	12 164	10 808	10 208	11 944
Profit for the year, discontinued operations, SEK m	22	159	217	36	187
Profit for the year, total operations, SEK m	14 548	12 323	11 025	10 244	12 131
Total assets, SEK m	2 387 858	2 454 366	2 153 530	2 122 843	2 158 784
Equity, SEK m	106 897	94 524	88 391	83 088	74 963
Return on equity, total operations, %	14.7	13.5	12.9	12.6	16.2
Return on equity, continuing operations, %	14.6	13.4	12.6	12.5	16.0
Return on capital employed, %	0.71	0.71	0.67	0.63	0.79
Cost/income ratio, continuing operations, %	46.3	47.1	48.0	47.1	44.3
Cost/income ratio, continuing operations, incl. loan losses, %	49.9	49.6	52.8	57.6	49.6
Loan loss ratio, %	0.08	0.05	0.10	0.21	0.11
Impaired loans reserve ratio, %	56.4	60.7	60.7	62.4	51.1
Proportion of impaired loans, %	0.18	0.16	0.23	0.21	0.17
Earnings per share, SEK	23.15	19.78	17.72	16.44	19.46
after dilution	22.63	19.39	17.44	15.98	19.31
Ordinary dividend per share, SEK	10,75[1]	9.75	9.00	8.00	7.00
Adjusted equity per share, SEK	167.33	152.71	143.14	134.40	120.31
No. of shares as at 31 December, millions	632.8	624.1	623.5	623.5	623.5
of which outstanding	632.8	624.0	623.5	623.3	623.5
Average number of outstanding shares (millions)	628.5	623.1	622.1	623.3	623.3
after dilution	649.9	642.4	634.3	642.6	631.5
Capital ratio, % according to Basel II	20.9	20.9	20.9	20.2	16.0
Tier 1 ratio, % according to Basel II	21.0	18.4	16.5	14.2	10.5
Average number of employees	11 192	11 184	10 850	10 821	10 833
No. of branches in Sweden	461	461	461	461	461
No. of branches in other Nordic countries and UK	281	253	230	208	203
No. of branches in other countries	32	32	32	35	38

For definitions, see page 187.

[1] Dividend as recommended by the Board.

Quarterly performance

Quarterly performance for the Handelsbanken Group SEK m	2012:4	2012:3	2012:2	2012:1	2011:4
Interest income	14 428	15 448	16 106	16 832	16 618
Interest expense	-7 944	-8 986	-9 531	-10 272	-10 261
Net interest income	**6 484**	**6 462**	**6 575**	**6 560**	**6 357**
Fee and commission income	2 277	2 088	2 170	2 215	2 215
Fee and commission expense	-367	-346	-345	-323	-338
Net fee and commission income	**1 910**	**1 742**	**1 825**	**1 892**	**1 877**
Net gains/losses on financial items at fair value	366	191	219	344	63
Risk result, insurance	88	33	39	36	38
Other dividend income	1	8	142	1	0
Share of profit of associates	7	1	5	-5	-3
Other income	35	29	34	38	42
Total income	**8 891**	**8 466**	**8 839**	**8 866**	**8 374**
Administrative expenses					
Staff costs	-2 811	-2 562	-2 670	-2 668	-2 510
Other expenses	-1 511	-1 108	-1 236	-1 214	-1 392
Depreciation, amortisation and impairments of property, equipment and intangible assets	-112	-113	-117	-122	-120
Total expenses	**-4 434**	**-3 783**	**-4 023**	**-4 004**	**-4 022**
Profit before loan losses	**4 457**	**4 683**	**4 816**	**4 862**	**4 352**
Net loan losses	-395	-277	-288	-291	-243
Gains/losses on disposal of property, equipment and intangible assets	-2	-1	0	0	1
Operating profit	**4 060**	**4 405**	**4 528**	**4 571**	**4 110**
Taxes	544	-1 167	-1 143	-1 272	-1 096
Profit for the period from continuing operations	**4 604**	**3 238**	**3 385**	**3 299**	**3 014**
Profit for the period pertaining to discontinued operations, after tax	-64	8	29	49	32
Profit for the period	**4 540**	**3 246**	**3 414**	**3 348**	**3 046**
Attributable to					
Shareholders in Svenska Handelsbanken AB	4 539	3 246	3 414	3 348	3 046
Minority interest	1	0	0	0	0
Earnings per share, continuing operations, SEK	7.28	5.14	5.40	5.28	4.83
after dilution	7.16	5.06	5.30	5.15	4.70
Earnings per share, discontinued operations, SEK	-0.10	0.01	0.04	0.08	0.05
after dilution	-0.10	0.01	0.04	0.07	0.05
Earnings per share, total operations, SEK	7.18	5.15	5.44	5.36	4.88
after dilution	7.06	5.07	5.34	5.22	4.75

Business segments

Segment reporting 2012

SEK m	Branch office operations in Sweden	Branch office operations outside Sweden	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	16 781	8 612	517	209	-38	26 081
Net fee and commission income	3 375	1 442	2 438	114		7 369
Net gains/losses on financial items at fair value	579	351	658	-468		1 120
Risk result, insurance			196			196
Share of profit of associates				8		8
Other income	18	56	11	203		288
Total income	**20 753**	**10 461**	**3 820**	**66**	**-38**	**35 062**
Staff costs	-3 157	-2 959	-2 255	-2 745	405	-10 711
Other administrative expenses	-1 218	-939	-768	-2 144		-5 069
Internal purchased and sold services	-2 828	-1 105	-127	4 022	38	
Depreciation and amortisation	-90	-81	-54	-239		-464
Total expenses	**-7 293**	**-5 084**	**-3 204**	**-1 106**	**443**	**-16 244**
Profit before loan losses	**13 460**	**5 377**	**616**	**-1 040**	**405**	**18 818**
Net loan losses	-420	-831				-1 251
Gains/losses on disposal of property, equipment and intangible assets	0	-3	0	0		-3
Operating profit	**13 040**	**4 543**	**616**	**-1 040**	**405**	**17 564**
Profit allocation	641	138	-779	0		
Operating profit after profit allocation	**13 681**	**4 681**	**-163**	**-1 040**	**405**	**17 564**
Internal income	-2 828	-6 295	-1 167	10 290		
C/I ratio, %	34.1	48.0	105.4			46.3
Loan loss ratio, %	0.04	0.19				0.08
Assets	1 246 473	685 946	317 915	1 338 916	-1 201 392	2 387 858
Liabilities	1 189 229	653 301	313 728	1 338 916	-1 214 213	2 280 961
Allocated capital	57 244	32 645	4 187		12 821	106 897
Return on allocated capital, %	18.5	11.1	-			14.6
The year's investments in non-financial non-current assets	78	61	222	227		588
The year's investments in associated companies				30		30
Average number of employees	4 378	3 304	1 550	1 960		11 192

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 G46.

Segment reporting 2011

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

Branch office operations in Sweden

Branch office operations in Sweden comprise six regional banks, as well as Handelsbanken Finans's and Stadshypotek's operations in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers. The regional banks offer a full range of banking services at 461 branches throughout Sweden. Handelsbanken Finans offers a full range of finance company services and works through the Bank's branches and in financing collaborations with retailers and vendors. Stadshypotek is the Bank's mortgage company, and is completely integrated with the branch operations.

Quarterly performance
Branch office operations in Sweden

SEK m	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2012	Total 2011	Change %
Net interest income	4 148	4 191	4 161	4 281	16 781	15 827	6
Net fee and commission income	847	819	860	849	3 375	3 630	-7
Net gains/losses on financial items at fair value	151	135	137	156	579	510	14
Other income	7	3	1	7	18	20	-10
Total income	**5 153**	**5 148**	**5 159**	**5 293**	**20 753**	**19 987**	**4**
Staff costs	-782	-785	-789	-801	-3 157	-3 118	1
Other administrative expenses	-358	-278	-315	-267	-1 218	-1 245	-2
Internal purchased and sold services	-766	-659	-703	-700	-2 828	-2 734	3
Depreciation and amortisation	-25	-21	-22	-22	-90	-91	-1
Total expenses	**-1 931**	**-1 743**	**-1 829**	**-1 790**	**-7 293**	**-7 188**	**1**
Profit before loan losses	**3 222**	**3 405**	**3 330**	**3 503**	**13 460**	**12 799**	**5**
Net loan losses	-155	-81	-109	-75	-420	-47	
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	0
Operating profit	**3 067**	**3 324**	**3 221**	**3 428**	**13 040**	**12 752**	**2**
Profit allocation	197	144	163	137	641	664	-3
Operating profit after profit allocation	**3 264**	**3 468**	**3 384**	**3 565**	**13 681**	**13 416**	**2**
Internal income	-462	-649	-796	-921	-2 828	-2 804	-1
C/I ratio, %	36.1	32.9	34.4	33.0	34.1	34.8	
Loan loss ratio, %	0.06	0.03	0.04	0.03	0.04	0.00	
Assets	1 246 473	1 248 740	1 210 011	1 242 328	1 246 473	1 233 568	1
Liabilities	1 189 229	1 194 616	1 158 419	1 187 479	1 189 229	1 183 160	1
Allocated capital	57 244	54 124	51 592	54 849	57 244	50 408	14
Return on allocated capital, %	16.8	18.9	19.3	19.2	18.5	19.6	
Average number of employees	4 332	4 527	4 293	4 361	4 378	4 478	-2
Number of branches	461	461	461	461	461	461	0

Financial performance

Operating profit rose by 2 per cent to SEK 13,040 million (12,752), due to higher income and good control of costs.

Net interest income rose by 6 per cent to SEK 16,781 million (15,827). The effect of larger deposit and lending volumes amounted to SEK 388 million and the change in deposit and lending margins positively affected net interest income by SEK -104 million. The fees to the Stabilisation Fund and the deposit guarantee fell by SEK 20 million and burdened net interest income by SEK -679 million (-699). The benchmark effect in Stadshypotek amounted to SEK -14 million (-9).

Net fee and commission income fell by 7 per cent to SEK 3,375 million (3,630), mainly due to lower securities-related commissions.

Net gains/losses on financial items at fair value increased by 14 per cent to SEK 579 million (510).

Total expenses rose by 1 per cent to SEK -7,293 million (-7,188). The C/I ratio improved to 34.1 per cent (34.8).

Loan losses were SEK -420 million (-47). The loan loss ratio was 0.04 per cent (0.00).

Business development

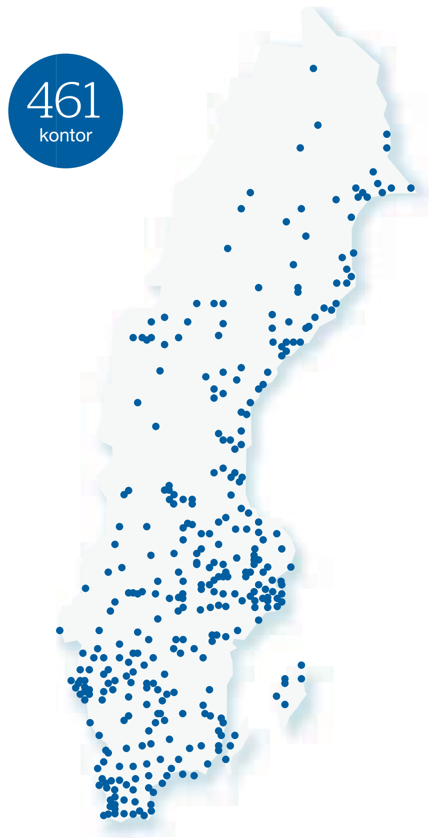
At the beginning of October, Swedish Quality Index (SKI) reported its annual survey of customer satisfaction in the banking sector. Handelsbanken comfortably retained its leading position both on the corporate and private sides.

For Handelsbanken, being available for customers is vital. Personal meetings with the customer are key, and to get even closer to their customers, several branches are planning to open new physical meeting-places. During the year, ten new meeting-places were opened and more are planned.

The average volume of deposits from households continued to increase, amounting to SEK 207 billion (196), a rise of 6 per cent compared with the previous year. At the same time, figures from Svensk Fondstatistik showed that Handelsbanken's share of the mutual fund market continues to grow. During the year, new savings in the Bank's mutual funds in Sweden amounted to SEK 21 billion, corresponding to a market share of 28 per cent.

The average volume of mortgage loans to private individuals grew by 3 per cent to SEK 534 billion (517).

The average volume of corporate lending was SEK 2 billion more than the corresponding period in the previous year and amounted to SEK 481 billion (479).



Business volumes, Sweden **Average volumes** SEK bn	2012	2011	Change %
Loans to the public [1]	1 068	1 049	2
households	*587*	*570*	*3*
of which mortgage loans	*534*	*517*	*3*
companies	*481*	*479*	*0*
of which mortgage loans	*226*	*215*	*5*
Deposits from the public	**371**	**353**	**5**
of which households	*207*	*196*	*6*
companies	*164*	*157*	*4*

[1] Excluding loans to the National Debt Office.

Branch office operations outside Sweden

Branch office operations outside Sweden comprise the three regional banks in the UK, as well as regional banks in Denmark, Norway and Finland. These countries, together with Sweden, are regarded as the Bank's home markets. The branch operations in these countries are run according to the same concept as in Sweden – to provide a full range of banking services with a higher service level and at a lower cost than peer banks. This business segment also includes Handelsbanken International as well as Handelsbanken Finans's and Stadshypotek's operations outside Sweden. Handelsbanken International is responsible for branch operations outside the Bank's home markets.

Quarterly performance
Branch office operations outside Sweden

SEK m	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2012	Total 2011	Change %
Net interest income	2 318	2 162	2 127	2 005	8 612	6 863	25
Net fee and commission income	383	338	367	354	1 442	1 428	1
Net gains/losses on financial items at fair value	85	82	92	92	351	388	-10
Other income	2	14	20	20	56	55	2
Total income	**2 788**	**2 596**	**2 606**	**2 471**	**10 461**	**8 734**	**20**
Staff costs	-776	-715	-746	-722	-2 959	-2 766	7
Other administrative expenses	-261	-210	-240	-228	-939	-976	-4
Internal purchased and sold services	-316	-248	-271	-270	-1 105	-1 059	4
Depreciation and amortisation	-23	-18	-20	-20	-81	-70	16
Total expenses	**-1 376**	**-1 191**	**-1 277**	**-1 240**	**-5 084**	**-4 871**	**4**
Profit before loan losses	**1 412**	**1 405**	**1 329**	**1 231**	**5 377**	**3 863**	**39**
Net loan losses	-240	-196	-179	-216	-831	-769	8
Gains/losses on disposal of property, equipment and intangible assets	-2	-1	0	0	-3	1	
Operating profit	**1 170**	**1 208**	**1 150**	**1 015**	**4 543**	**3 095**	**47**
Profit allocation	55	26	29	28	138	145	-5
Operating profit after profit allocation	**1 225**	**1 234**	**1 179**	**1 043**	**4 681**	**3 240**	**44**
Internal income	-1 363	-1 541	-1 654	-1 737	-6 295	-6 425	2
C/I ratio, %	48.4	45.4	48.5	49.6	48.0	54.9	
Loan loss ratio, %	0.22	0.18	0.16	0.19	0.19	0.18	
Assets	685 946	668 519	676 538	646 618	685 946	640 606	7
Liabilities	653 301	636 437	645 603	618 166	653 301	612 553	7
Allocated capital	32 645	32 082	30 935	28 452	32 645	28 053	16
Return on allocated capital, %	11.1	11.3	11.2	10.8	11.1	9.4	
Average number of employees	3 376	3 335	3 277	3 226	3 304	3 144	5
Number of branches	313	304	299	294	313	285	10

Financial performance

Operating profit rose by 47 per cent to SEK 4,543 million (3,095). The improved profit was mainly due to increased net interest income. Income increased by 20 per cent, while expenses grew by only 4 per cent. All units improved their profits. The effect of exchange rate movements was marginal.

Net interest income increased by 25 per cent to SEK 8,612 million (6,863) as a result of both higher business volumes and improved margins. Fees for state guarantees and deposit guarantees which are charged to net interest income decreased to SEK -274 million (-329).

Net fee and commission income increased by SEK 14 million to SEK 1,442 million (1,428), while net gains/losses on financial items decreased by SEK 37 million to SEK 351 million (388).

Expenses rose by 4 per cent to SEK -5,084 million (-4,871). Increased costs due to the continued expansion in the UK were partly offset by lower costs in branch office operations in Denmark and at Handelsbanken International.

Loan losses increased to SEK -831 million (-769) and the loan loss ratio was 0.19 per cent (0.18).

Lending volumes increased in all home markets and average lending volumes rose by 10 per cent to SEK 513 billion (468).

UK

In the UK, the Bank had 133 branches which in 2012 were organised into three regional banks with joint management in London. As of 1 January 2013, the branch operations are organised into four regional banks with their head offices in Manchester, Birmingham, London and Bristol.

Financial performance

Operating profit went up by 57 per cent to SEK 1,006 million (639) as a result of the continued expansion with increasing business volumes and a larger number of customers. Adjusted for exchange rate movements, profit before loan losses rose by 44 per cent.

Income rose by 38 per cent and net interest income increased by 39 per cent to SEK 2,142 million (1,540), mainly due to larger business volumes.

Net fee and commission income rose by 16 per cent to SEK 94 million (81) due to larger business volumes contributing to increased payment commissions. Net gains/losses on financial items also grew as a result of an increase in the number of customer transactions and amounted to SEK 91 million (79).

Expenses rose by 29 per cent to SEK -1,184 million (-919) as a result of the continued expansion of the branch network and the average number of employees increased by 25 per cent to 944 (753).

Loan losses were SEK -151 million (-142).

Business development

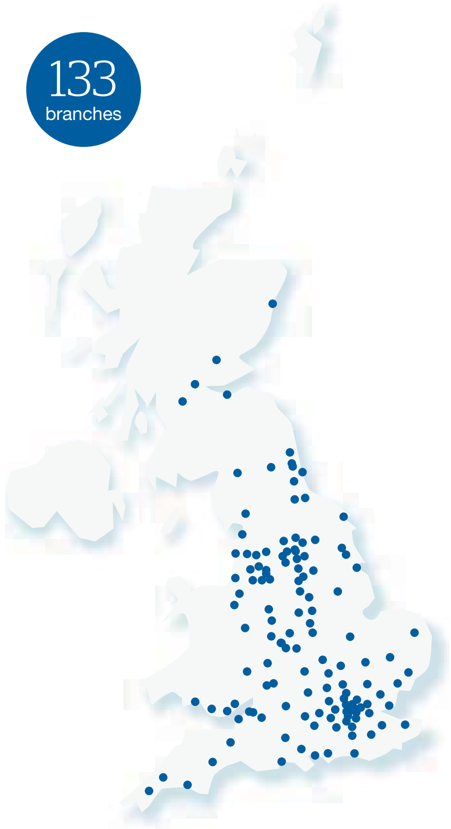
In EPSI's independent survey of customer satisfaction, for the fourth year running, Handelsbanken was ranked No.1 in the UK for customer satisfaction and loyalty, for both individual and corporate customers.

Business volumes continued to increase and for the second successive year deposits increased at a faster rate than lending. Average lending volumes rose by 27 per cent and deposits increased by 53 per cent.

During the year, 29 new branches were opened and at the end of the period, the Bank had 133 branches. In addition, 12 branch managers were recruited in preparation for opening more new branches.

On 1 January 2013, Regional Bank South West Great Britain started up, with its head office in Bristol. This means that the UK branch operations are now organised into four regional banks.

After the end of the period, the Bank agreed to acquire the wealth manager Heartwood Wealth Group Ltd with some GBP 1.5 billion of assets under management. This acquisition allows the Bank to expand its customer offering and take a major step forward for further growth also in its savings business.



Branch office operations in UK SEK m	2012	2011	Change %
Net interest income	2 142	1 540	39
Net fee and commission income	94	81	16
Net gains/losses on financial items at fair value	91	79	15
Other income	15	0	
Total income	**2 342**	**1 700**	**38**
Staff costs	-793	-613	29
Other administrative expenses	-178	-147	21
Internal purchased and sold services	-201	-151	33
Depreciation and amortisation	-12	-8	50
Total expenses	**-1 184**	**-919**	**29**
Net loan losses	-151	-142	6
Gains/losses on disposal of property, equipment and intangible assets	-1	0	
Operating profit	**1 006**	**639**	**57**
Profit allocation	15	15	0
Operating profit after profit allocation	**1 021**	**654**	**56**
Average number of employees	944	753	25
Number of branches	133	104	28

Business volumes, UK Average volumes GBP m	2012	2011	Change %
Loans to the public	**9 656**	**7 628**	**27**
of which households	*2 537*	*1 936*	*31*
companies	*7 119*	*5 692*	*25*
Deposits from the public	**2 789**	**1 828**	**53**
of which households	*463*	*367*	*26*
companies	*2 326*	*1 461*	*59*

Denmark

Since 1998, branch operations in Denmark have been organised as a separate regional bank with its head office in Copenhagen. Handelsbanken opened its first branch office in Denmark in 1996. At the end of 2012, Handelsbanken had 54 branches.

Financial performance

Operating profit increased by 24 per cent to SEK 432 million (349). Income increased by 13 per cent, while expenses fell by 4 per cent. Adjusted for exchange rate effects, operating profit grew by 28 percent.

Net interest income rose by 14 per cent, or SEK 172 million, to SEK 1,397 million (1,225). In local currency, the increase was 18 per cent and was due to higher business volumes and improved lending margins. Fees for the Swedish Stabilisation Fund and the deposit guarantee, together with the Danish state deposit guarantee, burdened net interest income by SEK -45 million (-46).

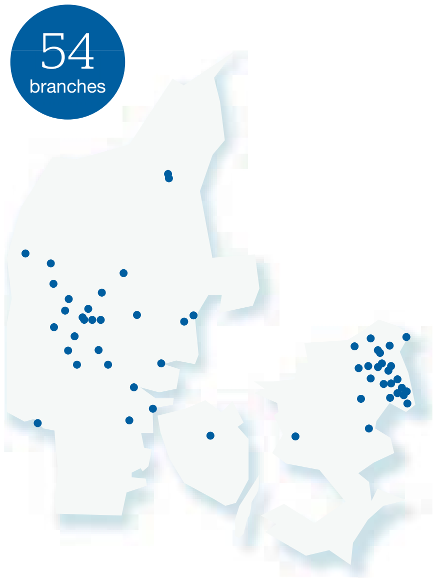
Expenses fell by SEK 44 million, or 4 per cent, to SEK -961 million (-1,005), partly because the previous year included fees to cover the Danish government's losses arising when failed Danish banks were wound down. This charged expenses with SEK 22 million.

Loan losses rose to SEK -368 million (-210).

Business development

The EPSI customer satisfaction survey showed that Handelsbanken has the most satisfied customers in Denmark.

The Bank continued to have a stable inflow of new customers. The average volume of lending increased by 19 per cent to DKK 52.9 billion (44.4). The Bank's lending to households increased by 16 per cent and corporate lending increased by 22 per cent. The average volume of deposits from the public grew by 12 per cent to DKK 22.3 billion (20.0).



Branch office operations in Denmark SEK m	2012	2011	Change %
Net interest income	1 397	1 225	14
Net fee and commission income	290	269	8
Net gains/losses on financial items at fair value	55	52	6
Other income	19	18	6
Total income	**1 761**	**1 564**	**13**
Staff costs	-537	-542	-1
Other administrative expenses	-173	-218	-21
Internal purchased and sold services	-235	-228	3
Depreciation and amortisation	-16	-17	-6
Total expenses	**-961**	**-1 005**	**-4**
Net loan losses	-368	-210	75
Gains/losses on disposal of property, equipment and intangible assets	0	0	
Operating profit	**432**	**349**	**24**
Profit allocation	27	18	50
Operating profit after profit allocation	**459**	**367**	**25**
Average number of employees	617	624	-1
Number of branches	54	54	0

Business volumes, Denmark Average volumes DKK bn	2012	2011	Change %
Loans to the public	**52.9**	**44.4**	**19**
of which households	*25.5*	*21.9*	*16*
companies	*27.4*	*22.5*	*22*
Deposits from the public	**22.3**	**20.0**	**12**
of which households	*8.7*	*8.4*	*4*
companies	*13.6*	*11.6*	*17*

Finland

Since 1998, branch operations in Finland have been organised as a separate regional bank with its head office in Helsinki. Handelsbanken opened its first street level branch in 1994. At the end of 2012, Handelsbanken had 45 branches.

Financial performance

Operating profit improved by 3 per cent to SEK 616 million (596) as a result of improved net interest income. Profit before loan losses increased by 19 per cent to SEK 744 million (625).

Net interest income went up by SEK 136 million, or 15 per cent, as a result of both growing volumes and higher lending margins and volumes. In local currency, net interest income rose by 19 per cent. The fee to the Stabilisation Fund burdened net interest income by SEK -36 million (-45).

Net fee and commission income rose by 5 per cent to SEK 375 million (356) while net gains/losses on financial items went down to SEK 30 million (51).

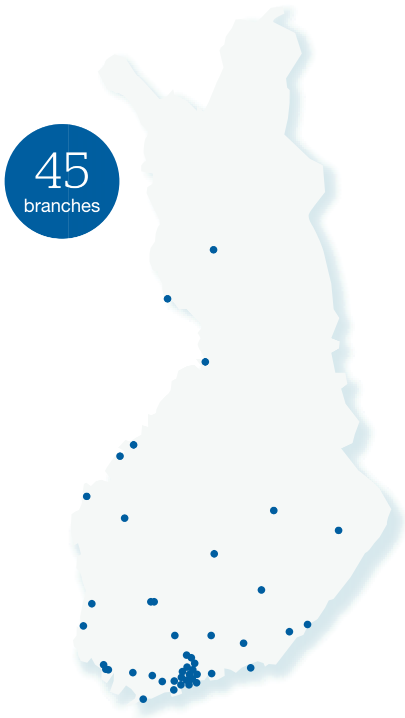
Total expenses rose by 2 per cent due to an increase in other administrative expenses. Staff costs were lower. In local currency, total expenses rose by 5 per cent.

Loan losses increased to SEK -128 million (-29).

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.

Average lending increased by 6 per cent compared with the previous year. The total average volume of deposits rose by 7 per cent, mainly as a result of a 10 per cent increase in corporate deposits.



Branch office operations in Finland SEK m	2012	2011	Change %
Net interest income	1 032	896	15
Net fee and commission income	375	356	5
Net gains/losses on financial items at fair value	30	51	-41
Other income	5	7	-29
Total income	**1 442**	**1 310**	**10**
Staff costs	-326	-327	0
Other administrative expenses	-143	-139	3
Internal purchased and sold services	-208	-199	5
Depreciation and amortisation	-21	-20	5
Total expenses	**-698**	**-685**	**2**
Net loan losses	-128	-29	341
Gains/losses on disposal of property, equipment and intangible assets	0	-	
Operating profit	**616**	**596**	**3**
Profit allocation	44	63	-30
Operating profit after profit allocation	**660**	**659**	**0**
Average number of employees	478	467	2
Number of branches	45	45	0

Business volumes, Finland Average volumes EUR m	2012	2011	Change %
Loans to the public	**10 632**	**10 007**	**6**
of which households	*3 480*	*3 239*	*7*
companies	*7 152*	*6 768*	*6*
Deposits from the public	**3 422**	**3 202**	**7**
of which households	*1 287*	*1 266*	*2*
companies	*2 135*	*1 936*	*10*

Norway

Since 1998, branch operations in Norway have been organised as a separate regional bank with its head office in Oslo. Handelsbanken opened its first branch in 1989. At the end of 2012, Handelsbanken had 49 branches.

Financial performance

Operating profit rose by 71 per cent to SEK 2,066 million (1,209), mainly due to higher net interest income and lower loan losses. Profits before loan losses increased by 42 per cent.

Net interest income increased by 30 per cent, or SEK 716 million, due to rising lending volumes and higher loan margins. The fee for the Swedish Stabilisation Fund burdened net interest income by SEK -85 million (-111).

Net fee and commission income increased by 6 per cent to SEK 329 million (311).

Expenses rose by 3 per cent to SEK -1,263 million (-1,232). Staff costs increased by 5 per cent, partly due to annual salary adjustments and higher actuarial pension costs. Other expenses fell slightly.

Loan losses fell to SEK -200 million (-389).

Business development

According to the EPSI customer satisfaction index, both corporate and private customers perceive Handelsbanken as being the best bank in Norway in terms of service quality.

The average volume of deposits from households increased by 16 per cent, while lending grew by 7 per cent. Corporate lending increased by 6 per cent, while corporate deposits went down by 3 per cent.

Branch office operations in Norway SEK m	2012	2011	Change %
Net interest income	3 098	2 382	30
Net fee and commission income	329	311	6
Net gains/losses on financial items at fair value	87	112	-22
Other income	15	24	-38
Total income	**3 529**	**2 829**	**25**
Staff costs	-700	-667	5
Other administrative expenses	-235	-254	-7
Internal purchased and sold services	-316	-298	6
Depreciation and amortisation	-12	-13	-8
Total expenses	**-1 263**	**-1 232**	**3**
Net loan losses	-200	-389	-49
Gains/losses on disposal of property, equipment and intangible assets	0	1	-100
Operating profit	**2 066**	**1 209**	**71**
Profit allocation	31	30	3
Operating profit after profit allocation	**2 097**	**1 239**	**69**
Average number of employees	647	659	-2
Number of branches	49	50	-2

Business volumes, Norway Average volumes NOK bn	2012	2011	Change %
Loans to the public	**174.8**	**164.5**	**6**
of which households	*67.9*	*63.5*	*7*
companies	*106.9*	*101.0*	*6*
Deposits from the public	**49.5**	**48.9**	**1**
of which households	*13.3*	*11.5*	*16*
companies	*36.2*	*37.4*	*-3*

Handelsbanken International

The main task of Handelsbanken International is to support the Bank's customers in the Nordic region and the UK with their international business and, in the long term, to develop prioritised countries' operations into regional banks in line with the Bank's business model. The Bank had 32 branches and 9 representative offices in a total of 19 countries outside the Nordic countries and the UK.

Financial performance

Operating profit improved by 40 per cent to SEK 423 million (302) as a result of increased net interest income and lower costs. Profit before loan losses increased by 36 per cent to SEK 409 million (301).

Net interest income increased by 15 per cent, or SEK 123 million, mainly due to higher net interest income in the Netherlands and the Bank's good creditworthiness attracting large volumes of deposits from corporate and institutional customers.

Expenses decreased by 5 per cent to SEK -978 million (-1,030), partly due to lower staff and IT costs.

Recoveries exceeded loan losses and totalled SEK 16 million (1).

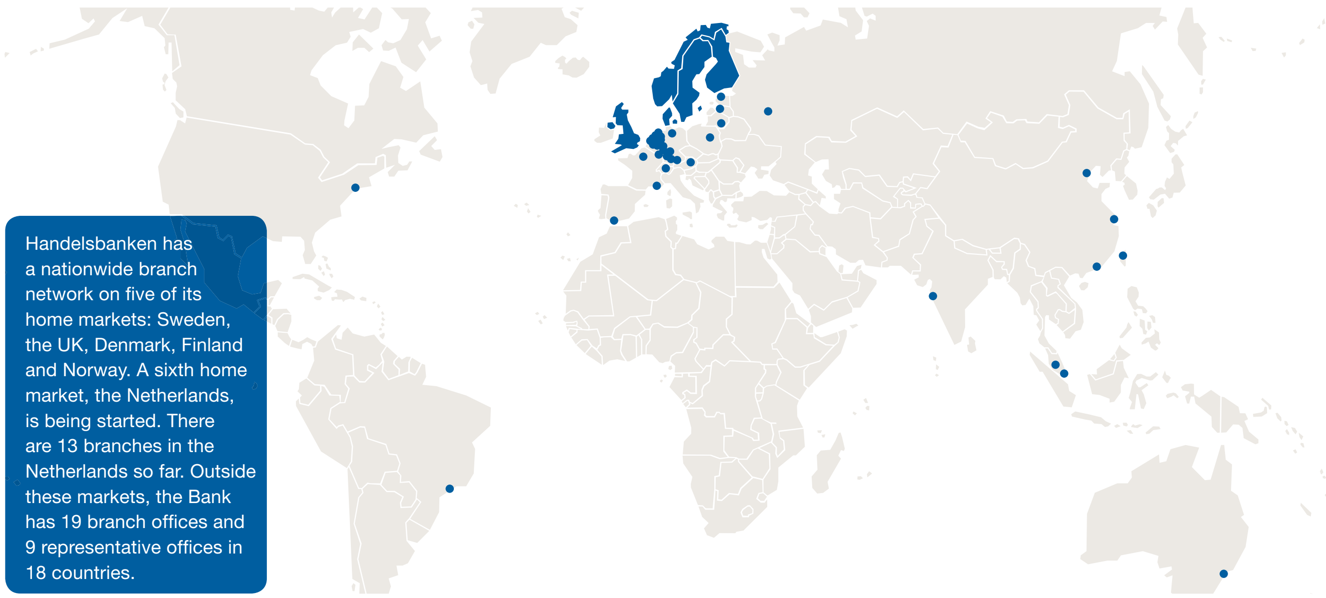
Business development

The average volume of lending decreased by 4 per cent to SEK 51.2 billion (53.2) compared with the corresponding period of the previous year. At the same time, deposits went up by 54 per cent to SEK 32.4 billion (21.0), mainly due to increased corporate volumes.

During the fourth quarter, the Bank opened its 13th branch in the Netherlands and branch managers have been recruited for a further two branches. It was decided to start a regional bank with its head office in Amsterdam, making the Netherlands Handelsbanken's sixth home market.

Handelsbanken International SEK m	2012	2011	Change %
Net interest income	943	820	15
Net fee and commission income	354	411	-14
Net gains/losses on financial items at fair value	88	94	-6
Other income	2	6	-67
Total income	**1 387**	**1 331**	**4**
Staff costs	-603	-617	-2
Other administrative expenses	-210	-218	-4
Internal purchased and sold services	-145	-183	-21
Depreciation and amortisation	-20	-12	67
Total expenses	**-978**	**-1 030**	**-5**
Net loan losses	16	1	
Gains/losses on disposal of property, equipment and intangible assets	-2	0	
Operating profit	**423**	**302**	**40**
Profit allocation	21	19	11
Operating profit after profit allocation	**444**	**321**	**38**
Average number of employees	618	641	-4
Number of branches	32	32	0

Handelsbanken International Average volumes SEK bn	2012	2011	Change %
Loans to the public	**51.2**	**53.2**	**-4**
of which households	*5.7*	*4.5*	*27*
companies	*45.5*	*48.7*	*-7*
Deposits from the public	**32.4**	**21.0**	**54**
of which households	*3.1*	*3.0*	*3*
companies	*29.3*	*18.0*	*63*



Handelsbanken Capital Markets

Capital Markets consists of 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, and for all savings products except bank account savings.

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

Income distribution in the Group for Handelsbanken Capital Markets' products

January–December 2012 SEK m	Capital Markets	Branch operations in Sweden	Branch operations outside Sweden	Other	Total Capital Markets products in the Group	Change % Q4 2011/ Q3 2011	Change % Jan–Dec 2011/Jan–Dec 2010
Net interest income	517						
Commission income	2 944	1 002	303	6	4 255		
of which brokerage income	*685*	*305*	*73*	*74*	*1 137*	*12*	*-19*
of which mutual funds and custody	*1 176*	*696*	*190*	*-34*	*2 028*	*5*	*1*
of which insurance	*576*	*1*	*40*	*-34*	*583*	*-4*	*-10*
Net fee and commission income	2 438						
Net gains/losses on financial items at fair value	658	353	169	-2	1 178	66	-1
Risk result, insurance	196						
Other income	11						
Total income	**3 820**						

Quarterly performance Capital Markets

SEK m	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Total 2012	Total 2011	Change %
Net interest income	44	98	195	180	517	711	-27
Net fee and commission income	637	539	607	655	2 438	2 611	-7
Net gains/losses on financial items at fair value	242	119	168	129	658	628	5
Risk result, insurance	88	33	39	36	196	209	-6
Other income	3	1	3	4	11	18	-39
Total income	**1 014**	**790**	**1 012**	**1 004**	**3 820**	**4 177**	**-9**
Staff costs	-583	-516	-573	-583	-2 255	-2 111	7
Other administrative expenses	-189	-158	-204	-217	-768	-889	-14
Internal purchased and sold services	-31	-47	-18	-31	-127	-77	65
Depreciation and amortisation	-14	-13	-12	-15	-54	-49	10
Total expenses	**-817**	**-734**	**-807**	**-846**	**-3 204**	**-3 126**	**2**
Profit before loan losses	**197**	**56**	**205**	**158**	**616**	**1 051**	**-41**
Net loan losses							
Gains/losses on disposal of property, equipment and intangible assets	0				0	0	
Operating profit	**197**	**56**	**205**	**158**	**616**	**1 051**	**-41**
Profit allocation	-252	-170	-192	-165	-779	-809	-4
Operating profit after profit allocation	**-55**	**-114**	**13**	**-7**	**-163**	**242**	**-167**
Internal income	-297	-257	-316	-297	-1 167	-911	-28
C/I ratio, %	107.2	118.4	98.4	100.8	105.4	92.8	
Assets	317 915	334 100	351 408	341 442	317 915	335 834	-5
Liabilities	313 728	329 519	346 597	335 247	313 728	328 660	-5
Allocated capital	4 187	4 581	4 811	6 195	4 187	7 174	-42
Return on allocated capital, %	-	-	0.8	-	-	2.7	
Average number of employees	1 481	1 553	1 563	1 605	1 550	1 626	-5

The Group's brokerage income fell by 19 per cent to SEK 1,137 million (1,400), mainly as a result of low activity on the equity markets.

Asset management commissions increased by 1 per cent to SEK 2,028 million (2,009), of which mutual fund commissions rose by 3 per cent to SEK 1,680 million (1,639) as a result of larger asset management volumes.

Insurance commissions went down to SEK 583 million (647), due to fewer policies with guaranteed rates of return.

Net gains/losses on financial items fell by 1 per cent to SEK 1,178 million (1,189). Currency transactions related to branch operations, which are included in net gains/losses on financial items, resulted in a currency gain of SEK 522 million (561).

Financial performance

Operating profit decreased to SEK 616 million (1,051). Asset management operations reported a profit of 722 million (850), while the earnings figure for the investment bank was SEK -106 million (201).

Net fee and commission income fell by 7 per cent to SEK 2,438 million (2,611). The decrease was chiefly attributable to lower brokerage income as a result of reduced turnover and activity on the equity market.

Net gains/losses on financial items at fair value increased by 5 per cent to SEK 658 million (628), as a result of higher business flows compared with the previous year.

The risk result in Handelsbanken Liv went down to SEK 196 million (209), due to lower mortality and longevity results.

Total income decreased by 9 per cent to SEK 3,820 million (4,177) of which the asset management business went down by 1 per cent and the investment bank by 14 per cent.

Expenses rose by 2 per cent to SEK -3,204 million (-3,126). The average number of employees fell by 5 per cent to 1,550 (1,626).

Business development

For the third year running, the Bank was the largest player in new savings in mutual funds in Sweden, with a net inflow of SEK 21 billion. For the market as a whole, net inflow in Sweden totalled SEK 74 billion, and the Bank's share of new savings was thus 28 per cent. During the year, the Bank started five generation funds which are free of management fees in the Swedish premium pensions system. In 2012, net new savings in Handelsbanken's funds in the Group totalled SEK 23 billion. XACT Fonder is the largest player on the Nordic market for exchange-traded funds, with a market share of 85 per cent of assets under management. Handelsbanken's total mutual fund volume, including XACT funds, increased during the year by SEK 35 billion to SEK 224 billion (189). Total assets under management in the Group rose during the year by SEK 59 billion, from SEK 529 billion to SEK 588 billion.

In its three-year performance reviews, the Morningstar rating institute ranked Handelsbanken's funds as best of the major Swedish banks' mutual funds. According to TNS Sifo Prospera, Handelsbanken Fonder is the most appreciated fund management company among Swedish mutual fund savers.

Private Banking operations performed well and the Bank strengthened its position. TNS Sifo Prospera ranked Handelsbanken best in Sweden for Private Banking & Wealth Management.

There was a high level of interest in capital market funding and the Bank made 133 bond issues for a value of just over EUR 15 billion.

Corporate Finance performed well despite the market in general being weak. The Bank was the largest Nordic player for corporate mergers and acquisitions in Sweden.

Income distribution SEK m	2012	2011
Asset management [1]	1 684	1 701
Investment banking	2 136	2 476
Total income	**3 820**	**4 177**

[1] Including Handelsbanken Liv.

Assets under management SEK bn	2012	2011
Mutual funds, excl PPM	142	118
PPM	11	9
Unit-linked insurance	49	41
XACT Fonder (Exchange-traded funds)	22	21
Total mutual funds	**224**	**189**
Portfolio bond insurance	15	15
Traditional insurance	12	13
Institutional assets	104	88
of which in Handelsbanken mutual funds[1]	*51*	*37*
Structured products	28	31
Directly owned shares in custody	164	150
Other securities in custody	48	43
Handelsbanken's foundations	49	41
of which in Handelsbanken mutual funds[1]	*5*	*4*
Total assets under management, Handelsbanken Group	**588**	**529**

[1] The amount is also included in total mutual funds.

The Handelsbanken share and shareholders

Handelsbanken's share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the exchange. During the year, the share price grew by 28 per cent and including dividends paid, total return was 34 per cent. At the end of August, the share was listed at an all time high of SEK 249.90.

There are two classes of Handelsbanken's share: A and B. In terms of both number and turnover, the class A shares are by far the most important, representing over 98 per cent of all shares. Class A shares each carry one vote while class B shares have one-tenth of a vote.

The share capital is SEK 2,943 million, distributed over 632,807,112 shares. Each share thus represented SEK 4.65 of the share capital.

STOCK EXCHANGE TRADE

Handelsbanken 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 2012, an average of 1.6 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

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

The Board is proposing to the 2013 Annual General Meeting to decide on an ordinary dividend for 2012 of SEK 10.75 (9.75), an increase of 10 per cent. 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. During the past five-year period, Handelsbanken has generated a positive shareholder value of SEK 47 billion. Market capitalisation has grown by SEK 18 billion, while Handelsbanken has paid out SEK 29 billion in dividends. Handelsbanken is the only bank on the Stockholm stock exchange which has not needed to make a new share issue during this period.

SHARE PRICE PERFORMANCE

Handelsbanken's market capitalisation increased during the year by SEK 34 billion and was SEK 147 billion (113) as at 31 December 2012. The Swedish stock market went up by 12 per cent during the year and the Stockholm stock exchange bank index rose by 28 per cent. Handelsbanken's class A share ended the year at SEK 232.40, an increase of 28 per cent. Including dividends, the total return was 34 per cent.

REPURCHASE OF SHARES

At the AGM in March 2012, the Board received a mandate to repurchase a maximum of 40 million shares during the period until the AGM in

Handelsbanken's shares	2012	2011	2010	2009	2008	2007
Earnings per share, total operations, SEK	23.15	19.78	17.72	16.44	19.46	24.84
after dilution	22.63	19.39	17.44	15.98	19.31	24.84
Ordinary dividend per share, SEK	10.75[1]	9.75	9.00	8.00	7.00	8.50
Extra dividend per share, SEK	-[1]	-	-	-	-	5.00
Dividend growth, ordinary dividend, %	10[1]	8	13	14	-18	6
Price of class A share, 31 December, SEK	232.40	181.00	214.90	204.20	126.00	207.00
Highest share price during year, SEK	249.90	226.00	229.00	212.70	209.50	223.00
Lowest share price during year, SEK	181.00	147.40	180.50	81.75	116.50	184.50
Share price performance, %	28	-16	5	62	-39	0
Total return, %	34	-12	9	68	-33	4
Dividend yield, %	4.6[1]	5.4	4.2	3.9	5.6	6.5
Adjusted equity per share, SEK	167.33	152.71	143.14	134.40	120.31	119.25
Stock exchange price/equity, %	139	119	151	153	105	174
Average daily turnover on Nasdaq OMX (no. of shares)						
Class A	1 542 761	2 056 789	1 927 262	2 792 980	3 610 914	3 536 774
Class B	16 111	23 754	25 798	35 361	31 587	27 664
P/E ratio	10.0	9.2	12.1	12.4	6.5	8.3
Market capitalisation, SEK bn	147	113	134	127	79	129
No. of converted shares from the convertible subordinated loan issued in 2008, millions	8.7	0.6	-	-	-	-
No. of shares as at 31 December, millions	632.8	624.1	623.5	623.5	623.5	628.3
Holding of repurchased shares, millions	-	-	-	-	-	4.8
Holding of own shares in trading book, millions	-	0.1	-	0.2	-	0.1
Number of outstanding shares, as at 31 December, millions	632.8	624.0	623.5	623.3	623.5	623.4
Dilution effect, end of period, millions	15.4	26.3	12.2	12.3	19.3	-
Number of outstanding shares after dilution, millions	648.2	650.3	635.7	635.6	642.8	623.4
Average number of outstanding shares (millions)	628.5	623.1	622.1	623.3	623.3	624.2
after dilution	649.9	642.4	634.3	642.6	631.5	624.2

[1] Dividend as recommended by the Board.

March 2013. This mandate was not used during 2012. 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 at the ordinary conversion price of SEK 187.56. After 21 May 2013 it will be possible to convert to Handelsbanken shares at the ordinary conversion price, or 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.

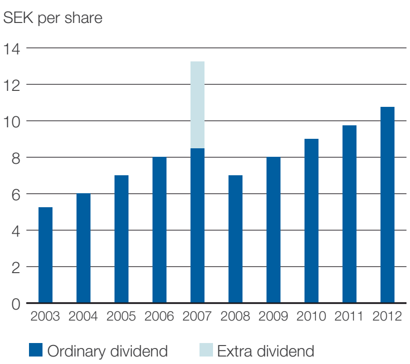
In spring 2011, the Bank issued another subordinated convertible loan on market terms for SEK 2.5 billion directed at the Group's employees. Holders can convert to class A shares in Handelsbanken between 1 May 2016 and 30 November 2016. The original ordinary conversion price was SEK 256.52. However, 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 2012, the conversion price was therefore recalculated to SEK 245.13. The Bank can also demand conversion.

OWNERSHIP STRUCTURE

Handelsbanken has almost 100,000 shareholders. Most of these, or 66 per cent of the total number of shareholders, owned fewer than 501 shares. Four per cent of the shareholders owned more than 5,000 shares each, and together they held 91 per cent of the share capital.

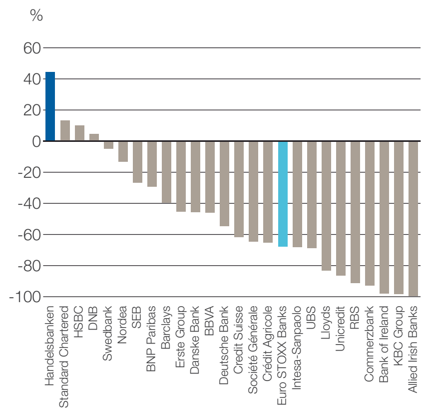
During the past few years the proportion of non-Swedish shareholders has increased from 30 per cent at the end of 2008 and was 46 per cent (41) as at 31 December 2012. Two shareholders own more than 10 per cent of the shares: the Oktogonen Foundation and Industrivärden.

Share dividends in the past ten years



2012 According to Board's proposal.

Total return in the past five years



Source: Macrobond, as at 31 December 2012 (dividends reinvested)

The largest Swedish shareholders as at 31 December 2012	Number of shares	% of capital	% of votes
Oktogonen Foundation	64 300 000	10.16	10.33
Industrivärden	64 251 679	10.15	10.33
Swedbank Robur funds	20 027 771	3.16	3.22
AMF Försäkring and funds	15 849 736	2.50	2.55
Lundbergs	14 932 000	2.36	2.40
Alecta	8 160 000	1.29	1.31
AFA Försäkring	7 420 559	1.17	1.19
4th National Swedish Pension Fund	6 985 792	1.10	1.12
Handelsbanken funds	6 815 780	1.08	1.10
SEB funds	6 618 587	1.05	1.06
J. Wallander's & T. Hedelius' foundation, T. Browaldh's foundation	4 100 000	0.65	0.66
Folksam / KPA / Förenade Liv	3 387 848	0.54	0.54
3rd National Swedish Pension Fund	3 299 299	0.52	0.53
SPP Fonder	3 234 015	0.51	0.52
2nd National Swedish Pension Fund	3 161 340	0.50	0.51

Shareholdings per shareholder			Shareholdings			
31 December 2012 Number of shares		Shareholders Number	Number of class A shares	Number of class B shares	% of share capital	% of votes
1–500	shares	62 312	8 173 929	2 143 795	1.6	1.4
501–1 000	shares	13 546	8 933 874	1 444 059	1.6	1.5
1 001–5 000	shares	15 529	30 582 534	3 361 956	5.4	5.0
5 001–20 000	shares	2 717	22 295 827	1 969 589	3.9	3.5
20 001–	shares	916	551 070 505	2 831 044	87.5	88.6
Total		**95 020**	**621 056 669**	**11 750 443**	**100.0**	**100.0**

Shares divided into share classes 31 December 2012 Share class	Number	% of capital	% of votes	Average prices/ repurchased amount	Share capital
Class A	621 056 669	98.14	99.81	-	2 887 913 511
Class B	11 750 443	1.86	0.19	-	54 639 560
Total	**632 807 112**	**100.00**	**100.00**		**2 942 553 071**

The head office at Kungsträdgården in Stockholm.

Corporate Governance Report

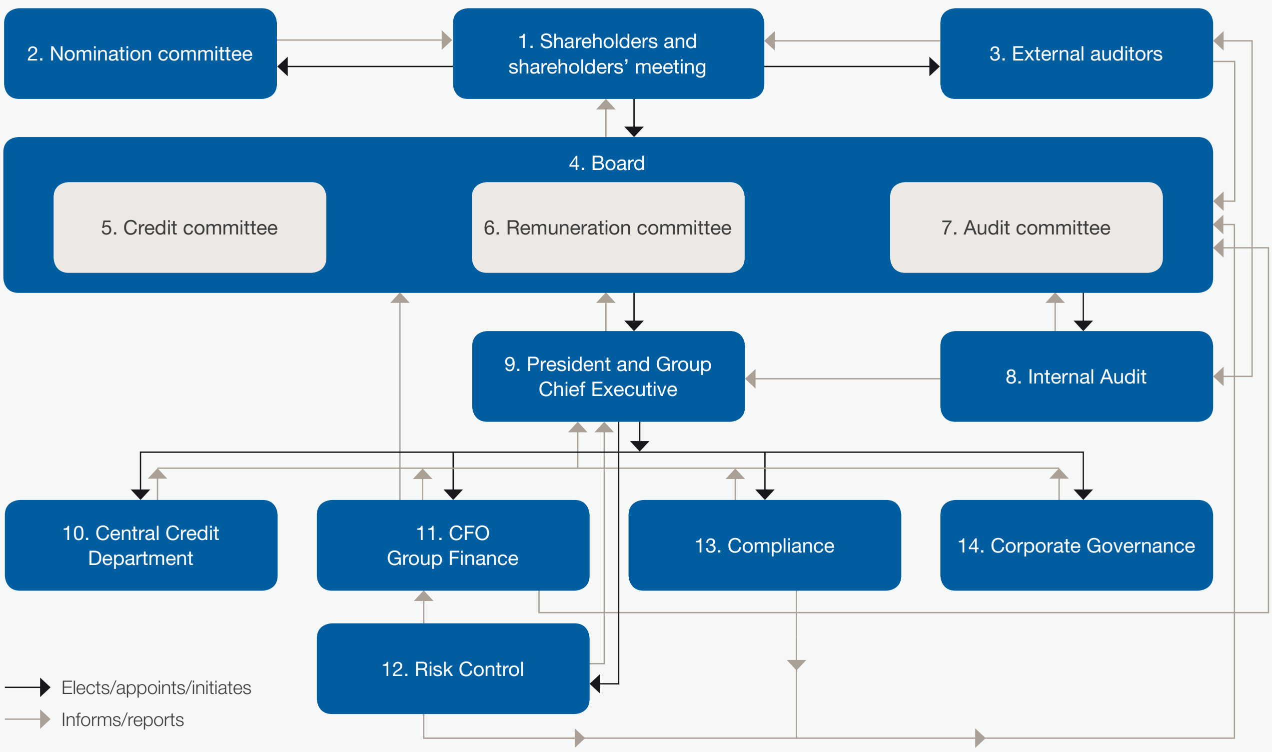
Handelsbanken is a Swedish public limited company, the shares of which are listed on Nasdaq OMX Stockholm. Here the Board submits its Corporate Governance Report for 2012. Handelsbanken applies the Swedish Code of Corporate Governance. There are no deviations from the Code to report.

CONTENTS

Corporate Governance structure

The shareholders ultimately make the decisions about Handelsbanken's governance. At the annual general meeting (AGM), the shareholders appoint the Board, the Chairman of the Board and auditors, and decide how the nomination committee will be appointed. The Board is responsible to the owners for the Bank's organisation and management of the Bank's affairs, and it appoints a Group Chief Executive (CEO) to run the Bank's operating activities. On behalf of the shareholders, the auditors examine the financial reporting, etc., and report to the AGM on their findings. The diagram below summarises how governance and control are organised at Handelsbanken.

Corporate Governance structure – an overview



1. SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders exercise their right to decide on matters concerning Handelsbanken at shareholders' meetings, which are Handelsbanken'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 (AGM) is held. This is a shareholders' meeting that decides on matters such as adoption of the income statement and balance sheet, discharge from liability for the Board, the new Board, new auditors, and compensation for the Chairman and other members of the Board, as well as for the auditors. The AGM also decides on guidelines for compensation paid to senior management.

2. NOMINATION COMMITTEE

The 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 committee's task also includes evaluating the work of the Board, primarily based on the report that the Chairman of the Board submits to the committee. The committee also proposes the appointment of the auditors, and their fees. 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 and submit an audit report covering matters such as the annual report and the Board's administration. In addition, the auditors report regularly, 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 a work 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, members of Central Group Management, other 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 reports the results of the evaluation to the nomination committee.

5. CREDIT COMMITTEE
The Board's credit committee decides on credit cases where the amount exceeds the decision limit applying to the regional bank boards and to Large Corporates and Handelsbanken International. Cases of major importance are referred to the full Board for a decision. The credit committee comprises the Chairman of the Board, the Vice Chairmen, the CEO, the chairman of the audit committee, 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 all crucial accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control, internal audit and risk management, as well as the external auditors' impartiality and independence. It evaluates the audit work and assists the nomination committee in appointing auditors. The audit committee comprises the Chairman of the Board and two other members appointed by the Board. One of these two members is the committee's chairman.

8. INTERNAL AUDIT
Internal Audit performs an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. A central task for Internal Audit is to assess and verify processes for risk management, internal steering and control. 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 full Board.

9. PRESIDENT AND GROUP CHIEF EXECUTIVE (CEO)
The CEO is appointed by the Board to lead the operations of the Handelsbanken Group. 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 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.

11. CFO, GROUP FINANCE
Group Finance is responsible for control systems, reporting, control, book-keeping, accounting and taxes. It is also responsible for the Group's liquidity, funding and capital, and for the Group's overall risk management for all risks except credit risk and compliance risk. For a detailed description of this risk management, see note G2 on pages 83–105. The Head of Group Finance, the CFO, also has the main responsibility for independent risk control (section 12) and reports on all the Group's risks, including credit risks at aggregate level, to the CEO, the Board's audit committee and the Board.

12. RISK CONTROL
The Risk Control unit is responsible for the overall internal reporting of all the Group's material risks at an aggregate level. This responsibility comprises credit, counterparty and market risks (interest rate, exchange rate, equity price and commodity price risk), operational, liquidity and insurance risks, as well as risks associated with the Group's compensation system. The task of Risk Control is to identify, measure and monitor the Group's risks, to inform the CEO, Group management, the audit committee, remuneration committee and Board about these risks, and to analyse development of the risks. The management of the individual risks is, however, the task of the operating unit that is responsible for the customer or counterparty (account manager) or responsible for conducting a certain transaction (business manager). The Head of Risk Control reports regularly to the CFO and directly to the CEO. Concerning risk matters for which the CFO is responsible, such as liquidity, the Head of Risk Control reports directly to the CEO.

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 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. 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 policies, guidelines and instructions with the aim of stipulating responsibilities and authorities internally at the Bank.

CORPORATE GOVERNANCE AT HANDELSBANKEN

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

A central part of governance in the Bank comprises managing the risks that arise in operations. Risk management is described in detail in a separate section of the Annual Report that deals with risks, in note G2 on pages 83–105. The corporate governance report is part of the statutory annual report and is thus subject to the auditors' examination.

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

* The most important statutes include the Swedish Companies Act (SFS 2005:551), the Banking and Financing Business Act (SFS 2004:297), the 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 (2009:1). For a list of the laws and regulations referring to operations subject to a licence, see handelsbanken.se/ireng.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Rights of shareholders

Handelsbanken has more than 95,000 shareholders, and they exercise their right to decide on matters related to the company at the AGM or extraordinary meetings of shareholders. Handelsbanken has two classes of shares: class A and class B. Class A shares are by far the most common and represent 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 also make decisions on the Bank's articles of association. The articles of association constitute the fundamental governing document for the Bank. The articles include a specification of what operations the Bank is to conduct, the amount of the share capital, the right of shareholders to participate at shareholders' meetings and what is to be presented at these meetings.

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

READ MORE ON OUR WEBSITE

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

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

Major shareholders

At the end of 2012, 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 39.

Annual general meeting 2012

The annual general meeting took place on 28 March 2012.

Over 1,300 shareholders were represented at the meeting. They represented 47.19 per cent of all the votes in the Bank. The Chairman, Hans Larsson, and the following Board members were present at the meeting: Ulrika Boëthius, Pär Boman (CEO), Tommy Bylund, Göran Ennerfelt, Jan Johansson, Fredrik Lundberg, Sverker Martin-Löf, Anders Nyrén, Bente Rathe and Lone Fønss Schrøder. 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 9.75 per share, totalling SEK 6,110 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 12 members
- the re-election of all Board members for the period until the end of the next AGM, with the exception of Ulrika Boëthius och Göran Ennerfelt, both of whom declined re-election
- the election of Ole Johansson and Charlotte Skog as Board members
- the re-election of Hans Larsson 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 and SEK 850,000 to each of the Vice Chairmen and SEK 575,000 to the other Board members, as well as compensation for committee work.

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

- the total remuneration is to be on market terms
- remuneration is only paid in the form of a fixed salary and customary benefits

- by special decision of the Board, the Bank can provide housing
- 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 the Bank, 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.

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. These instructions included the following: The committee is to comprise five members: the Chairman of the Board and one representative from each of the Bank's four largest shareholders as at 31 August 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 the 2013 nomination committee is presented in the table.

Composition of nomination committee and voting representation

Representative	Owner	Voting power in % as at 31 Aug 2012
Carl-Olof By, chairman	Industrivärden	10.40
Henrik Forssén	Oktogonen Foundation	10.36
Mats Guldbrand	Lundberg ownership group	2.40
Bo Selling	Alecta	1.22
Hans Larsson, Chairman of the Board		

All Board members are independent of the Bank, its management and the largest shareholder in terms of votes – with the exception of Carl-Olof By, who is an employee of AB Industrivärden. Information on the composition of the nomination committee has been available on the Bank's website since 19 September 2012.

In advance of the AGM on 20 March 2013, the nomination committee has the task of evaluating the Board's work. The committee also submits proposals for the election of a chairman of the AGM, the Chairman of the Board and other members of the Board, the fees to the Chairman and other Board members, compensation for committee work, and the election of and fees to auditors.

The nomination committee aims to achieve equal gender distribution among Board members. The proportion of women on the Board of the Bank is 25 per cent. The proportion of non-Swedish members of the Board is 33 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 an auditor for Hennes & Mauritz AB, Nasdaq OMX Holding AB and other companies. Mr Åström was born in 1957.

THE BOARD

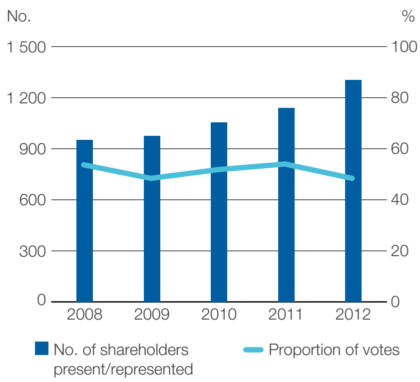
After the shareholders at the 2012 AGM had appointed Hans Larsson to be Board Chairman, Anders Nyrén and Fredrik Lundberg were appointed as Vice Chairmen at the subsequent first Board meeting. At the same time, the Board appointed members of the credit committee, audit committee and remuneration committee. Information about the Board is shown on pages 52–53.

Composition of the Board

The Board consists of 12 members. Two of these members elected by the AGM are nominated by the Oktogonen Foundation, the Bank's profit-sharing foundation in which the employees are beneficiaries. Apart from these members, the employees have no representatives on the Board.

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

Attendance at AGMs 2008–2012



The Swedish Code of Corporate Governance contains stipulations that the majority of Board members elected by the AGM must be independent of the Bank and the Bank's management, and that at least two of the independent Board members must also be independent of those of the company's shareholders that control 10 per cent or more of the shares and votes in the Bank. In an overall assessment of each Board member's independence in relation to the Bank, the Bank's management and major shareholders, the nomination committee has found that nine members are independent of the Bank and the Bank's management, and that five of them are also independent of major shareholders. Three members are employees of the Bank; hence, they are dependent in relation to the Bank. Two of the employed members (Tommy Bylund and Charlotte Skog) are also dependent in relation to a major shareholder (Oktogonen Foundation). One of the employed members (Pär Boman) works in the Bank's management.

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

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 work regulations, 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 working instructions state that the Chairman shall ensure that the Board carries out its work efficiently and that it fulfils its duties. This involves organising and managing the Board's work and creating the best possible conditions for this work. The Chairman must also ensure that the Board members continually update and expand their knowledge of the Bank, and that new members receive appropriate introduction and training. The Chairman must be available to the CEO as an advisor and discussion partner, but must also evaluate the CEO's work and report his assessment to the Board. The Chairman's duties include being chairman of the credit and remuneration committees, as well as being a member of the audit committee. The Chairman is responsible for ensuring that the Board's work is evaluated annually and for informing the nomination committee of the evaluation, as well as for preparing the Board's evaluation of the CEO. The Chairman is also responsible for maintaining contact with the major owners concerning ownership issues. As chairman of the Bank's pension foundation, pension fund and staff foundation, he has overall responsibility for ownership issues associated with shareholdings in these three entities. In other respects there is no other division of work for the Board than that involving the committees.

Committee work

CREDIT COMMITTEE

The credit committee consisted of nine members: the Chairman (Hans Larsson), the Vice Chairmen (Anders Nyrén and Fredrik Lundberg), the chairman of the audit committee (Sverker Martin-Löf), the CEO (Pär Boman), the Head of the Central Credit Department (Lars Kahnlund), and three Board members appointed by the Board (Tommy Bylund, Lone Fønss Schrøder 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 2012, the credit committee had 12 meetings.

AUDIT COMMITTEE

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

The audit committee monitors financial reporting and the effectiveness of the Bank's internal control, internal audit and risk management systems. The committee's other tasks include establishing an audit plan for the work of Internal Audit. The committee maintains regular contact with the external auditors, who report to the committee on significant matters that have emerged from the statutory audit, especially regarding shortcomings in the internal control of the financial reporting. The committee also examines reports from the officers with main responsibility for Internal Audit, Compliance and 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 2012, the audit committee had five meetings.

REMUNERATION COMMITTEE

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

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

In 2012, the remuneration committee had 11 meetings.

The Board's work in 2012

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 matters, 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 risks	–"–
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
Announcement of the nomination committee	September
Annual accounts	February
Interim report	April, July and October
Evaluation of the Board's work	annually
Evaluation of CEO	–"–
Skills development of staff and management succession	–"–
Salary review for senior Group management and heads of control functions	–"–
Function of the risk classification system	–"–
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.

PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

The Bank's goal and strategy

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

The Bank's corporate goal is to have better profitability than the average of peer banks in its home markets. This is 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. Since the basic organisational model has remained unchanged for a long time, the Bank has a very strong corporate culture.

The salary and pension system, combined with the Oktogonen profit-sharing system, are other ways of boosting the corporate culture by promoting long-term employment. 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's relates to its customers. It is manifested in, for example, the ambition of always giving the customer the best possible advice – without looking at what is most profitable for the Bank in the short term. Customers should never have reason to suspect that the Bank's actions are steered by its employees receiving commission on a certain product. Employees thereby also 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.

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

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 108–111. 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 business 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 involved in 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 2012, see the section "Annual general meeting 2012" on page 44.

At Handelsbanken, the Board decides on compensation to the CEO, the EVPs and Central Group management, a total of 18 individuals (as at 31 December 2012). 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, a company car, the customary benefits 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 severance pay. 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.

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

Note G8 on pages 108–111 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 2013 AGM, the Board proposes that the meeting decides on the following guidelines for compensation and other terms of employment for the senior management of Handelsbanken. The guidelines shall not affect any compensation previously decided for senior management.

- 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. Variable compensation benefits such as bonus and percentage of profits are not paid
- the senior managers in question are included in the Oktogonen profit-sharing system on the same terms as all employees of the Bank
- the retirement age is normally 65. Retirement benefits are defined-benefit or defined-contribution, or a combination of the two
- the period of notice on the part of a senior manager is six (6) months, and on the part of Handelsbanken a maximum of twelve (12) months. If the Bank terminates the employment contract later than five (5) years after the person becomes a member of the senior management, the period of notice is a maximum of twenty-four (24) months. No other termination benefits are paid
- the Board shall have the right in exceptional circumstances to deviate from the established guidelines if there are special reasons in an individual case.

The senior management positions to which the guidelines apply are the CEO and the Bank's EVPs. The proposal contains no material changes.

Variable compensation

At Handelsbanken, the Board decides on compensation policy. In accordance with the compensation policy, any exceptions to the principle of fixed salaries require a special decision 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 limited extent and only in the Handelsbanken Capital Markets business area. 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. The main elements of Handelsbanken's compensation policy are presented in note G8 on pages 108–111. 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 deferment period. No employee may receive variable compensation of more than 150 per cent of his/her fixed compensation, and the total variable compensation paid cannot be more than 100 per cent of the combined fixed compensation for the individuals who receive variable compensation.

Policy documents

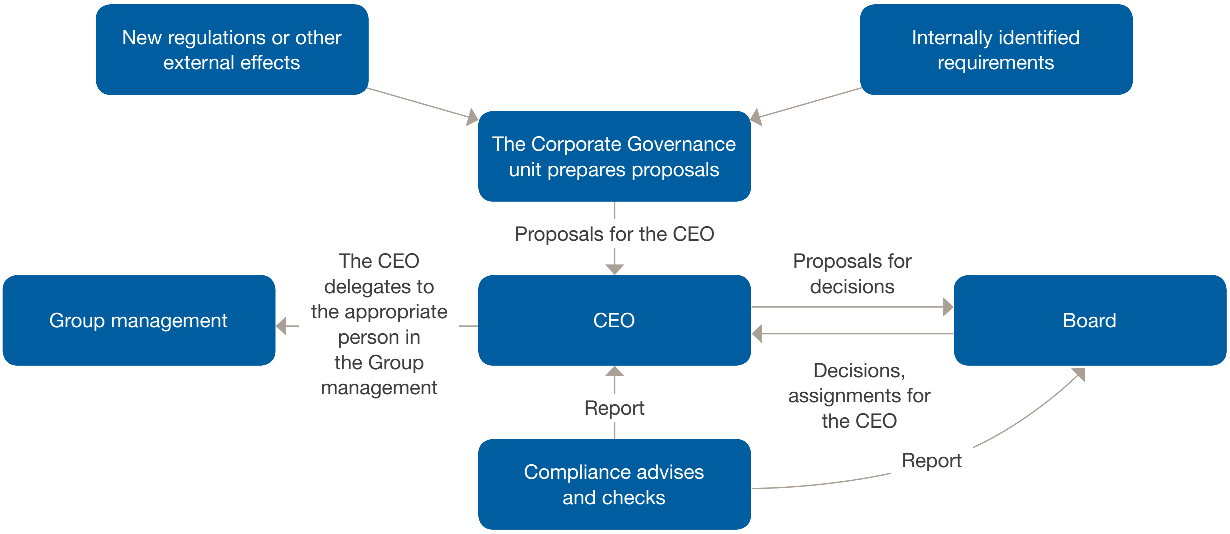
CREDIT POLICY

Credits may only be granted if there are good grounds for expecting the borrower to meet his commitments. Credits must normally have collateral. The Bank strives to maintain its historically low level of loan losses compared to other banks, thus contributing to the Bank's profitability 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 CFO and also provides direct, regular reports to the CEO.

Production and follow-up of corporate governance documents



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 risk section in note G2 on pages 83–105). 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 sets limits for long-term funding. During stressed market conditions, the Bank must have an adequate liquidity reserve to be able to continue its operations for a predetermined period of time, without new funding in the financial markets.

FINANCIAL RISK POLICY
Financial risks here refers to market risks and liquidity risks. Market risks are in turn divided into interest rate risks, equity price risks, currency risks and commodity price risks. The Bank's market risks must be low and normally occur only as a natural step in customer business. The Board stipulates the measurement methods and 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 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. Customers must be treated with respect and the financial advice given must be based on the customer's requirements. Conflicts of interest must be identified and handled in a manner that is fair to both parties. 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.ireng. Here, there is more information regarding the Bank and laws and directives, as well as its stance on economic crime, tax evasion, advisory services and human rights.

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 every Head of unit within the Bank to continuously identify possible conflicts of interest. If a conflict of interest is identified, the Head of the unit responsible must firstly 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 Institute against Corruption is also observed in the daily operations.

COMPENSATION POLICY
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.

For a more detailed description of Handelsbanken's compensation principles, see pages 46–47 and note G8 on pages 108–111.

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 INCIDENTS 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 50.

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, observing 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 does not participate in transactions which are suspected of being linked to criminal activities, or of which the employee does not understand the implications.

POLICY FOR AGREEMENTS RELATING TO THE ENGAGEMENT OF THIRD PARTIES

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

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

THE BANK'S MANAGEMENT

President and Group Chief Executive

Pär Boman has been President and Group Chief Executive since April 2006. Mr Boman was born in 1961 and he has worked at Handelsbanken since 1991. In 1998 he was appointed Executive Vice President and Head of Regional Bank Denmark, and thereafter Head of Handelsbanken Markets. Pär Boman has an engineering degree and a business degree. His shareholdings in the Bank and those of close relatives are 7,620, of which 5,370 are held indirectly via the Oktogonen profit-sharing foundation. In addition, Mr Boman has an unchanged holding of staff convertible notes for a nominal amount of SEK 5.64 million in the 2008 programme at a conversion price of SEK 187.56, corresponding to 30,059 class A shares, as well as staff convertible notes in the 2011 programme for a nominal amount of SEK 8.32 million, at a conversion price of SEK 245.13, corresponding to 33,933 shares.

Group management and Group management structure

Handelsbanken has long had a decentralised working method, where almost all major business decisions are taken at the branches, close to customers.

Operations are pursued to a large extent within the parent company and, primarily for legal reasons, also in subsidiaries, both in Sweden and in other countries. The Group management team consists of the Central Group management, as well as the heads of branch operations, business areas and central departments. Branch operations are geographically organised into regional banks: six in Sweden, one each in Denmark, Norway and Finland, and three (from 1 January 2013, four) in the UK. In January 2013, a regional bank was started in the Netherlands. Together, these countries comprise the Bank's home markets. The regional banks in Sweden and the UK have been co-ordinated under a Head of Swedish Regional Bank Operations and a Head of UK Regional Bank Operations respectively. 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 team. The Group management team also includes the Head of Handelsbanken International, the Head of Swedish Regional Bank Operations, and the Head of UK Regional Bank Operations. The heads of the regional banks in Denmark, Norway and Finland, as well as the Head of UK operations and the country managers within Handelsbanken International, are responsible to the public authorities in their respective host countries for all operations that the Bank and its subsidiaries pursue in those countries.

Handelsbanken has the following business areas: Handelsbanken Capital Markets, Handelsbanken Stadshypotek, Handelsbanken Direkt, and Forestry and Farming. In addition to the investment banking operations, Handelsbanken Capital Markets includes asset management and 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 corporate customers with the best possible service. Large Corporates works together with Handelsbanken Capital Markets. The Handelsbanken 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 the online, mobile and phone customer meeting-places. 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.

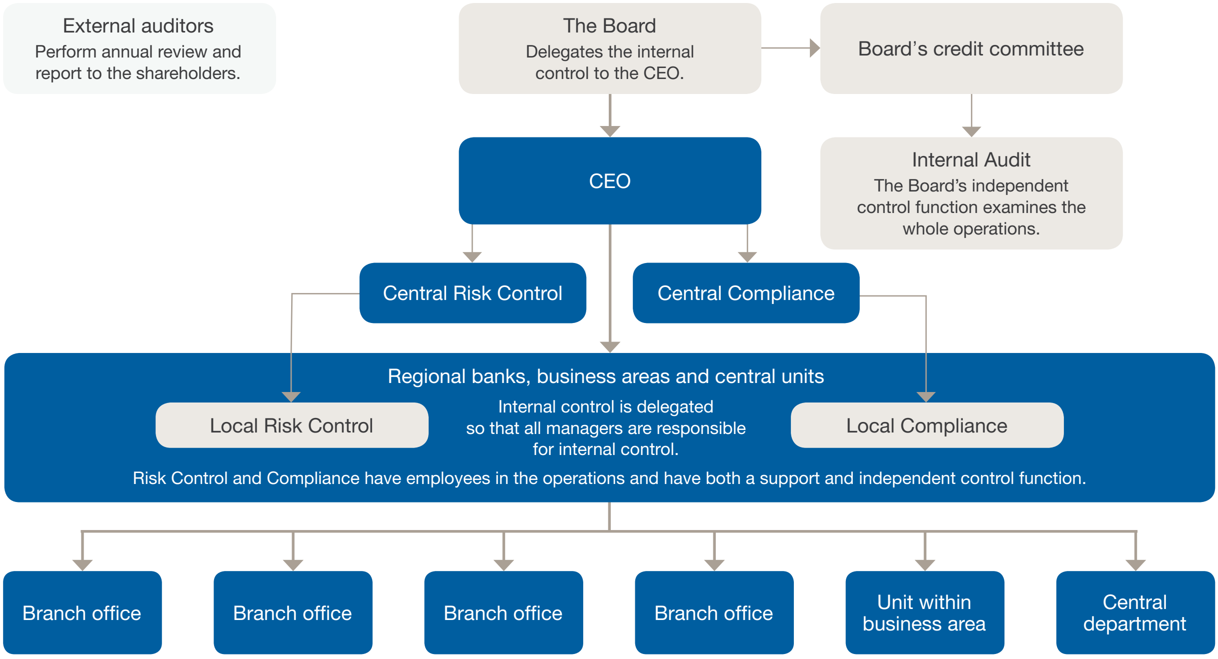
The Central Group management and central staff departments represent various parts of the Bank's head office functions, such as the units for treasury and finance, credits, infrastructure, corporate governance and contacts with public authorities, IT, human resources, legal matters, compliance and corporate communications.

Thus, the Bank has a somewhat broader concept of Group management than that which is considered to apply in the Swedish Company Act's regulations regarding senior management. This means that the Group management team that is presented on pages 54–55 of the Corporate Governance Report is wider than the group of persons included in 'senior management' under Note G8 on pages 108–111.

To a large extent, responsibilities and powers of authority have been assigned to individual members of staff, rather than groups or committees. This means that the Central Group Management, the Group management and the management teams of the regional banks and departments are consultative bodies rather than decision-making bodies. 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 54–55.

Simplified illustration of control at Handelsbanken



FRAMEWORK FOR CONTROL

Operation's internal control

Responsibility for internal control has been delegated from the CEO to country managers, heads of regional banks and heads of main units, 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 appropriate instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Thus, the responsibility for internal control and compliance is an integral part of managers' responsibility at all levels in the Bank.

Internal Audit

The Bank has a long tradition of internal auditing. 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 now part of the Central Audit department, which constitutes an integrated internal audit function. The Head of the Central Audit Department is appointed by and reports to the Board. Thus the internal audit function is the Board's controlling body. The elected organisation and long tradition give Internal Audit the authority and integrity required to enable the AGM-elected auditors to rely on measures and data from Internal Audit. Unlike Internal Audit, the compliance and risk control functions are the Bank management's control body for compliance and risk control.

The Head of the Central Audit department is appointed by the Board. Central Audit has 100 employees, a large number of whom have expertise corresponding to public authorised accountants. The Bank's external auditors evaluate and check the quality of Internal Audit's work. Internal Audit's assignments are based on an internal auditing policy established by the Board. The audit work is to focus on examining operations and procedures which are of material importance or involve risks. The planned auditing tasks are documented annually in an audit plan which is established by the Board's audit committee on behalf of the Board. The conclusions of internal audits, the actions to be taken, and their status are reported regularly to the audit committee and annually to the Board as a whole.

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 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. The function must also assist in drawing up internal rules and provide information about new and amended rules for the operation. The compliance function must actively check compliance with regulations. Central Compliance is an independent unit with the functional responsibility for compliance matters. The CEO appoints the Head of Central Compliance. The Head of Compliance submits regular reports regarding material observations to the CEO. In addition, every quarter, the CEO receives a Group compliance report, and twice a year a Group compliance report is submitted directly to the Board's audit committee.

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. This is supplemented by local risk control in the regional banks and within the various business areas. The local risk control assesses risk, checks limits, etc. and verifies that individual business transactions are documented and are conducted in a manner that does not involve undesirable risks. The local risk control reports to Central Risk Control and also to business operations management.

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 the management has reliable information to use as a basis for managing risks in critical situations. Central Risk Control also has functional responsibility for local risk control.

The Head of Central Risk Control reports on a regular basis and whenever necessary to the CFO and CEO. Reports from the Head of Central Risk Control are also made to the Board. Furthermore, Central Risk Control's observations are reported at least once a year to the Board's audit committee and the Board is kept regularly informed concerning material risks at the Bank. Central Risk Control also processes the Bank's extensive risk reporting to the supervisory authorities.

Note G2 on pages 83–105 contains a more detailed description. It also describes the role which Handelsbanken's credit process, particularly the Central Credit Department, plays in the Bank's credit risk management.

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 83–105.

Control activities

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

Group Finance is responsible for consolidated accounts, consolidated reports and for financial and administrative control systems. The 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 instructions of significance to financial reporting are disseminated and made available to the staff concerned.

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

Heads of accounting and control at regional banks, subsidiaries and central departments are responsible for ensuring that the control activities in the financial reporting for their respective units are 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.

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

High IT security is a precondition for good internal control of financial reporting, and 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 46 for more details.

Information and communication

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

Monitoring

Internal Audit, Compliance, and Central Risk Control, 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 and business areas. The instructions established by the Board for Internal Audit state that it must examine internal steering and control. Internal Audit is described in more detail on page 50. The Group's information and communication paths are monitored continually to ensure that they are appropriate for the financial reporting.

Board members

Name	Hans Larsson, Chairman	Anders Nyrén, Vice Chairman	Fredrik Lundberg, Vice Chairman	Jon Fredrik Baksaas, Board Member	Pär Boman, Board Member	Tommy Bylund, Board Member
Position	Director	President and CEO of AB Industrivärden	President and CEO of L E Lundbergföretagen AB	President and CEO of Telenor ASA	President and CEO of Handelsbanken	Bank Vice President
Education	BA	Graduate in Business Administration and MBA	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Business Administration and MBA	Engineering and Business/ Economics degree	Upper Secondary School
Year elected	1990	2001	2002	2003	2006	2000
Year of birth	1942	1954	1951	1954	1961	1959
Nationality	Swedish	Swedish	Swedish	Norwegian	Swedish	Swedish
Other assignments	Chairman of Attendo AB, Valedo Partners Fund 1 and 2 AB. Board member AB Industrivärden, Holmen AB.	Chairman of Sandvik AB. Board member, Telefonaktiebolaget L M Ericsson, Ernströmgruppen AB, AB Industrivärden, Svenska Cellulosa AB SCA, SSAB AB, AB Volvo. Board member, Stockholm School of Economics and Stockholm School of Economics Association.	Chairman of Holmen AB, Hufvudstaden AB. Board member, L E Lundbergföretagen AB, AB Industrivärden, Sandvik AB, Skanska AB.	Vice Chairman GSMA. Board member, Det norske Veritas (council), Doorstep AS, VimpelCom Ltd.	Board member, Svenska Cellulosa AB SCA, Swedish Bankers' Association.	Chairman of the Oktogonen Foundation. Member of Ljusdal Municipality's business policy foundation, Närljus.
Background	1992–1999 CEO Nordstjernan AB. 1989–1991 CEO Esselte AB. 1985–1989 CEO Swedish Match AB. Chairman of the boards of, among others, Nobia AB, Sydsvenska Kemi AB, Carema AB, Althin Medical AB, NCC AB, Bilspedition/BTL AB, Linjebuss AB.	1997–2001 Deputy CEO, CFO, Skanska. 1996–1997 Dir Markets and Corporate Finance Nordbanken.1992–1996 Deputy CEO, CFO Securum.1987–1992 CEO OM International AB.1986–1987 CEO STC Venture AB.1982–1987 Deputy CEO, CFO, STC. 1979–1982 Director AB Wilhelm Becker.	Active at Lundbergs since 1977. CEO L E Lundbergföretagen AB since 1981.	1994–2002 CFO, 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 Haugesund.1979–1985 System consultant, Controller, Contract Co-ordinator Det Norske Veritas.	2002–2005 EVP, Head of Handelsbanken Markets. 1998–2002 EVP, Head of Regional Bank Denmark, Handelsbanken. Employed at Handelsbanken since 1991.	Employed at Handelsbanken since 1980. Branch manager at Handelsbanken since 1992.
Remuneration	SEK 3,687,500	SEK 1,137,500	SEK 1,137,500	SEK 568,750	SEK 0	SEK 0
Credit committee Attendance	Chairman 11/12	Member 12/12	Member 11/12	–	Member 12/12	Member 12/12
Audit committee Attendance	Member 5/5	–	–	–	–	–
Remuneration committee Attendance	Chairman 11/11	–	–	–	–	–
Board meetings Attendance	9/9	9/9	9/9	7/9	9/9	9/9
Own shareholdings and those of immediate family	18,600	2,000	2,525,000	0	7,620 of which 5,370 in indirect holdings*. Staff convertible at nominal amount: 2008: SEK 5,638,000 2011: SEK 8,318,142	17,399 of which 17,399 in indirect holdings*. Staff convertible at nominal amount:: 2008: SEK 454,500 2011: SEK 1,131,799
Dependent/ independent	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (President and CEO of AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Not independent (President and CEO).	Not independent (employee).

* Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.
** Member of the remuneration committee from March 2012.
*** Elected board member for the first time at the AGM in March 2012.






Name	Jan Johansson, Board Member	Ole Johansson, Board Member	Sverker Martin-Löf, Board Member	Bente Rathe, Board Member	Lone Fønss Schrøder, Board Member	Charlotte Skog, Board Member
Position	President and CEO of Svenska Cellulosa AB SCA AB	Director	Director	Director	Director	Bank employee
Education	Bachelor of Laws	Diploma in Economics and Business Administration	Lic. Tech, PhD (h.c.)	Graduate in Business Administration and MBA	Graduate in Business Administration and Bachelor of Laws	Economics Programme Upper Secondary School
Year elected	2009	2012	2002	2004	2009	2012
Year of birth	1954	1951	1943	1954	1960	1964
Nationality	Swedish	Finnish	Swedish	Norwegian	Danish	Swedish
Other assignments	Board member, SSAB AB, Svenska Cellulosa AB SCA.	Chairman of Outokumpu Oyj, EQ Oyj Abp, Board member of East Office of Finnish Industries.	Chairman of AB Industrivärden, Svenska Cellulosa AB SCA, SSAB AB. Vice Chairman Telefonaktiebolaget L M Ericsson. Board member, Skanska AB.	Chair, Ecohz AS, Cenium AS, Hovedhuset AS and its subsdiary Eplehuset AS. Vice Chair, Powel AS. Board member, Polaris Media ASA, Nordic Choice Hospitality Group AS, Home Invest AS, Aker Kvaerner Holding AS, Ethics Committee for Norwegian Government Pension Fund Global.	Board member, Vattenfall (audit committee), Aker ASA (audit committee), Aker Solutions ASA, NKT A/S, Volvo Personvagnar AB (chair audit committee). Partner in Norfalck AS.	Vice Chair of the Financial Sector Union Club at Handelsbanken. Board member, Financial Sector Union of Sweden, Oktogonen Foundation.
Background	2001–2007 President and CEO Boliden AB. 2001 Head of network operations Telia AB.1994–2001 Deputy CEO Vattenfall. 1990–1994 Head of Division at Svenska Shell. 1985–1990 Corporate lawyer at Shell. 1984–1985 Trainee lawyer. 1981–1983 District court clerk.	1975–2011 Various positions within Wärtsilä (Metra) Group except for a period at Valmet 1979–1981. CEO 2000–2011.	1977–2002 Active at Svenska Cellulosa AB SCA in various management positions.	1999–2002 Deputy CEO Gjensidige NOR (CEO of life insurance company, Chair of Mutual Fund and Asset Management Company). 1996–1999 CEO Gjensidige Bank AS. 1993–1996 CEO Elcon Finans AS. 1991-1993 Deputy CEO Forenede Forsikring. 1989–1991 CFO Forenede Forsikring. 1977–1989 Head of Credits and CFO E.A. Smith AS.	2005–2010 CEO Walleniusrederierna AB. 1982–2004 Leading management positions within AP Møller/ Maersk A/S.	Employed at Handelsbanken since 1989.
Remuneration	SEK 662,500	SEK 431,250	SEK 1,068,750	SEK 993,750	SEK 1,018,750	SEK 0
Credit committee Attendance	Deputy member	–	Member 12/12	Member 11/12	Member 11/12	Deputy member
Audit committee Attendance	–	–	Chairman 5/5	–	Member 4/5	–
Remuneration committee Attendance	Member 7/7**	–	–	Member 11/11	–	–
Board meetings Attendance	8/9	5/7***	8/9	9/9	9/9	7/7***
Own shareholdings and those of immediate family	5,000	5,100	4,000	1,330	0	5,777, of which 5,777 in indirect holdings.* Staff convertible at nominal amount: 2008: SEK 226,000 2011: SEK 242,722
Dependent/ independent	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent (employee).

Group Management

and Compliance and Internal Audit

					Personnel convertible bond [1]	
Name	Position	Year of birth	Employed	Shareholdings	2008	2011
CENTRAL GROUP MANAGEMENT						
Pär Boman	President and Group Chief Executive	1961	1991	7,620, of which 5,370 in indirect holdings*	SEK 5,638,000	SEK 8,318,142
Katarina Berner Frösdal	Executive Vice President, Head of Personnel	1956	1979	18,802, of which 18,802 in indirect holdings*	SEK 0	SEK 5,545,428
Anders H Johansson	Executive Vice President, Head of IT	1955	1999	2,095, of which 2,095 in indirect holdings*	SEK 0	SEK 5,545,428
Lars Kahnlund	Executive Vice President, Head of Credits	1954	1975	29,071, of which 29,071 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
Agneta Lilja	Senior Vice President, Head of Infrastructure	1961	1985	10,665, of which 10,665 in indirect holdings*	SEK 0	SEK 3,763,599
Claes Norlén	Executive Vice President, board member Nordic regional banks	1955	1978	28,219, of which 21,638 in indirect holdings*	SEK 0	SEK 4,654,514
Ulf Riese	Executive Vice President, CFO, Head of Group Finance, Investor Relations	1959	1983	32,256, of which 13,599 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
Håkan Sandberg	Executive Vice President, Chairman of subsidiaries and regional bank boards	1948	1969	5,367, of which 277 in indirect holdings*	SEK 0	SEK 4,654,514
BRANCH OFFICE OPERATIONS						
SWEDISH REGIONAL BANK OPERATIONS						
Thommy Mossinger	Executive Vice President, Head of Swedish regional banks	1951	1982	277, of which 277 in indirect holdings*	SEK 0	SEK 5,545,428
Heads of regional banks in Sweden						
Annika Brunnéd	Senior Vice President, Head of Regional Bank Northern Sweden	1964	1984	11,259, of which 11,259 in indirect holdings*	SEK 0	SEK 3,763,599
Pontus Åhlund	Senior Vice President, Head of Regional Bank Central Sweden	1963	1983	9,943, of which 8,943 in indirect holdings*	SEK 1,133,000	SEK 3,763,599
Carina Åkerström	Executive Vice President, Head of Regional Bank Stockholm	1962	1986	6,006, of which 6,006 in indirect holdings*	SEK 1,133,000	SEK 5,545,428
Mikael Westerback	Senior Vice President, Head of Regional Bank Eastern Sweden	1962	1985	10,190, of which 10,190 in indirect holdings*	SEK 0	SEK 3,763,599
Katarina Ljungqvist	Senior Vice President, Head of Regional Bank Western Sweden	1965	1989	5,934, of which 5,934 in indirect holdings*	SEK 1,133,000	SEK 1,131,799
Anders Ohlner	Executive Vice President, Head of Regional Bank Southern Sweden	1955	1985	9,563, of which 9,063 in indirect holdings*	SEK 0	SEK 3,763,599

* Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.
[1] See note G39.

Name	Position	Year of birth	Employed	Shareholdings	Personnel convertible bond [1] 2008	2011
BRANCH OFFICE OPERATIONS CONT.						
UK REGIONAL BANK OPERATIONS						
Anders Bouvin	Executive Vice President, Head of UK regional banks	1958	1985	12,387, of which 10,887 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
Heads of regional banks in Great Britain						
Tracey Davidson	Senior Vice President, Head of Regional Bank Northern Great Britain	1968	2003	867, of which 867 in indirect holdings*	SEK 1,133,000	SEK 4,654,514
Göran Stille	Senior Vice President, Head of Regional Bank Central Great Britain	1966	1987	2,469, of which 2,469 in indirect holdings*	SEK 2,266,000	SEK 4,654,514
Michael Broom	Senior Vice President, Head of Regional Bank South West Great Britain (The regional bank started its operations on 1 January 2013)	1959	2009	154, of which 154 in indirect holdings*	SEK 0	SEK 1,131,799
Simon Lodge	Senior Vice President, Head of Regional Bank Southern Great Britain	1958	2004	737, of which 737 in indirect holdings*	SEK 1,133,000	SEK 4,654,514
DANISH REGIONAL BANK						
Frank Vang-Jensen	Executive Vice President, Head of Regional Bank Denmark	1967	1998	1,334, of which 1,334 in indirect holdings*	SEK 0	SEK 4,000,000
FINNISH REGIONAL BANK						
Nina Arkilahti	Executive Vice President, Head of Regional Bank Finland	1967	1995	4,965, of which 2,566 in indirect holdings*	SEK 0	SEK 4,000,000
NORWEGIAN REGIONAL BANK						
Dag Tjernsmo	Executive Vice President, Head of Regional Bank Norway	1962	1988	3,264, of which 3,264 in indirect holdings*	SEK 909,000	SEK 4,000,000
HANDELSBANKEN INTERNATIONAL						
Magnus Uggla	Executive Vice President, Head of Handelsbanken International	1952	1983	43,653, of which 13,653 in indirect holdings*	SEK 0	SEK 3,763,599
BUSINESS AREAS						
Michael Green	Executive Vice President, Head of Handelsbanken Capital Markets and Handelsbanken Asset Management	1966	1994	3,593, of which 3,593 in indirect holdings*	SEK 2,266,000	SEK 5,545,428
Yonnie Bergqvist	Executive Vice President, Head of Handelsbanken Direkt	1961	1979	16,489, of which 16,352 in indirect holdings*	SEK 0	SEK 5,000,000
Per Beckman	Chief Executive of Stadshypotek	1962	1993	2,562, of which 2,562 in indirect holdings*	SEK 0	SEK 5,545,428
Rainer Lawniczak	Senior Vice President, Head of Forestry and Farming	1958	1982	14,942, of which 14,942 in indirect holdings*	SEK 0	SEK 4,654,514
CENTRAL UNITS						
Jan Häggström	Senior Vice President, Head of Economic Research	1949	1988	6,756, of which 6,756 in indirect holdings*	SEK 2,226,000	SEK 3,763,599
Ulf Köping Höggård	Senior Vice President, Head of Legal Department	1949	1990	5,749, of which 5,749 in indirect holdings*	SEK 0	SEK 3,763,599
Johan Lagerström	Senior Vice President, Head of Corporate Communications	1961	2002	1,959, of which 1,562 in indirect holdings*	SEK 1,133,000	SEK 3,763,599
Klas Tollstadius	Senior Vice President, Central Board Secretary, Head of contacts with public authorities and the financial sector, Corporate Governance and CSR	1954	1991	5,398, of which 5,398 in indirect holdings*	SEK 0	SEK 3,327,257

Compliance and Internal Audit

Luciana Pacor Hygrell	Senior Vice President, Head of Central Compliance	1954	1979	18,047, of which 18,044 in indirect holdings*	SEK 1,133,000	SEK 750,000
Tord Jonerot	Senior Vice President, Head of Audit	1958	1990	5,671, of which 5,671 in indirect holdings*	SEK 2,266,000	SEK 4,654,514

* Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.
[1] See note G39.

The Karlskrona branch is part of Regional Bank Southern Sweden and has conducted operations since 1919.

Information about sustainability work

Handelsbanken has gathered information on the Bank's sustainability activities in this section. The Bank's sustainability work is reported in accordance with Global Reporting Initiatives (GRI) guidelines. For many years, however, in annual reports and on our website, the Bank has reported relationships with our main stakeholders – customers, employees, investors and the community at large – and also how the Bank's operations affect the environment.

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THE GLOBAL COMPACT
WE SUPPORT

ABOUT THIS INFORMATION

This section describes how the Bank works with its most important sustainability issues, in relation to the main stakeholders – customers, employees, investors and the community.

More detailed information is provided in Handelsbanken's separate Sustainability Report and a complete index of contents according to Global Reporting Initiative (GRI). Handelsbanken reports the Group's sustainability work every year and it is the Bank's third report according to the Global Reporting Initiative's (GRI) guidelines for reporting. It refers to the 2012 calendar year. The second and most recent report was submitted in September 2012, relating to 2011. In Handelsbanken's assessment, the information in the separate Sustainabiity Report, which the Bank's external auditors have examined, fulfils level C+ according to GRI.

The separate sustainability report constitutes Handelsbanken's Communication on Progress for the UN Global Compact and is also published on the Bank's website handelsbanken.se/csreng.

If you have comments or questions regarding this information or Handelsbanken's separate Sustainability Report, please contact Handelsbanken's Corporate Governance unit, e-mail: csr@handelsbanken.se.

Sustainability at Handelsbanken

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

Handelsbanken has nationwide branch networks in Sweden, the UK, Denmark, Finland and Norway. In January 2013, Handelsbanken started a regional bank in the Netherlands. The Bank is also opening new branches in other markets.

Handelsbanken has a strong local presence on 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.

Our definition of sustainability

Handelsbanken's corporate goal is to have higher profitability than the average of comparable peers on 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 means being an attractive employer and a stable market player that makes a positive contribution to the community and its development.

Our objective

How a company communicates information about its sustainability activities is important, but even more vital is how it acts in its day-to-day work. The aim of Handelsbanken's sustainability work is to act responsibly and to run a sustainable operation.

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 households that wish to spend and invest today. Together, banks must also maintain an efficient, functioning payments 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. For example, Handelsbanken has a major financial responsibility for the funds that the Bank is entrusted to manage and aims to meet customers' needs for financial products and services in a responsible manner, providing its shareholders with a good return. In addition, in the Bank's view, it has a responsibility for the environment, taking a social responsibility and acting ethically in relation to all its stakeholders.

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. But external analysts often highlight banks' indirect environmental impact, i.e. their ability to influence customers' actions in environmental matters, etc. when credit is granted. Although Handelsbanken carries out an environmental review when granting credit, the Bank's assessment is that its ability to influence customers' actions is fairly 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.

A loan loss often conceals a personal tragedy for a customer. Therefore, 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.

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 11,000+ 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.

The most fundamental criterion for sustainability

The 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.

Sustainability – a competitive advantage

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 ACTIVITIES

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

- Handelsbanken has stable finances, and on no occasion during the recent financial crisis did it need to ask for capital contributions, either from 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.

Social responsibility

- For a long period of time, Handelsbanken has had lower loan losses than peer players in the banking sector. In 2012, Handelsbanken's loan losses corresponded to 0.08 per cent (0.05) of lending. Over the past five years, the Bank's loan loss ratio has averaged 0.11 per cent. This can be compared with the average figure for the other major Nordic banks over the same period: 0.44 per cent.
- In 2012, 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. On Handelsbanken's other home markets, too, the Bank was 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, was 3.6 per cent (4.8).
- Total absence due to sickness for staff in Sweden remained low, and was 2.9 per cent (2.6); 1.1 percentage points of this figure was long-term sick leave (0.9).

Environmental performance

- Handelsbanken's carbon dioxide emissions from electric power consumption in the Nordic region decreased by 13 per cent from 2011 to 2012.
- The proportion of green electricity is 94 per cent for the Nordic region as a whole and 98 per cent for Swedish operations.
- In autumn 2012, the Carbon Disclosure Project (CDP) presented its annual report on how the world's 500 largest companies report their emissions, as well as how they manage their impact on climate. Handelsbanken received 71 points (76) out of a possible 100. The average value in the CDP Nordic survey was 69 points.
- For all the Bank's regional banks in the Nordic countries and the UK and central units, CO_2 emissions from the operations' total energy use, including transport, business travel and heating of properties owned by Handelsbanken in Sweden, totalled 5,794 tonnes for 2012. Emissions of CO_2 as above have gone down by 26 per cent compared with 2011.

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 been conducting banking operations since 1871 and the Handelsbanken share is the oldest listed share on the Stockholm stock exchange.

Our goal is to have higher profitability than the average of peer banks in home markets. The goal is achieved by the Bank 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 method of banking. We don't close branches – instead we open new ones. In Sweden, Handelsbanken Direkt Personal Service is always 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 our customers. This applies at our branches, online, and at new digital meeting-places, such as services for smartphones and tablets.

When a customer gets in contact with us, the meeting should be simple and unbureaucratic. For example, we aim to have the same range of services in our various meeting-places. This means that the customer can do the same type of business with the Bank regardless of how the customer contacts 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 business areas: Handelsbanken Capital Markets, Stadshypotek, Forestry and Farming and Handelsbanken Direkt. Each product owner markets 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 a full range of financial products and services on its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

In the UK, the Bank now has 133 branches, a fourth regional bank was opened in January 2013, with its head office in Bristol, and the Bank's growth continues there.

We have also opened several new branches in the Netherlands, where we now have 13 branches.

Handelsbanken has a nationwide branch network on its home markets, organised into one or more regional banks in each country.

Handelsbanken currently has more than 770 branches in 24 countries, including more than 740 branches on our six home markets.

Growth model

In order for Handelsbanken to achieve and retain high profitability, growth is also necessary. The Bank primarily grows by opening new branches in locations where it has not previously had operations. In this way, Handelsbanken grows branch by branch, customer by customer. This method of working and of achieving growth has proved successful in an increasing number of locations and in an increasing number of 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 operations in his/her branch's geographical area.

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 that apply in the local market than the local branch. This is why the Bank seldom uses central marketing plans or advertising campaigns. Handelsbanken has consistently and successfully applied this decentralised working method for many years.

Organisation for sustainability issues
Handelsbanken's Board has decided on the Bank's policy in a number of central sustainability issues.

One member of the Group management team has overall responsibility for ensuring that Handelsbanken identifies and addresses the sustainability issues that are relevant to the Bank. This person is also chair of the committee for sustainability issues, which was formed in 2010 with the purpose of pursuing and co-ordinating the Bank's work in this area. The committee consists of representatives from bank branches and the central functions for Corporate Governance, Group Finance, Corporate Communications, Investor Relations, IT, Asset Management, Credits and Personnel. 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 in Sweden and the other countries where the Bank operates.

Continuous dialogue
It is important that the Bank keeps itself up-to-date with 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.

OUR CUSTOMERS
The most important dialogue occurs at the thousands of meetings with customers that take place daily at the Bank's 770+ branches, by phone and email.

By being sensitive to customers' requests and questions, Handelsbanken can provide responses and meet the customers' expectations.

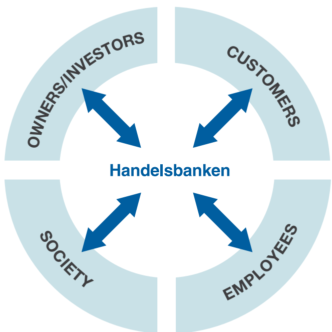
EMPLOYEES
All employees participate and are active in their own unit's business planning every year. This is followed by the individual planning dialogues and performance reviews which are the link between the goals of the business operations and the goals of the employee. The result is an action plan which is followed up regularly during the year and then forms the basis of an annual salary dialogue review between 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 annual 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 AGMs. 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 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. The Bank also has continuous contact with non-governmental organisations (NGOs).



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.
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. 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.

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. In Sweden, we have also developed a new type of 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.

Satisfied customers in all home markets
Handelsbanken considers customer satisfaction surveys very important. Every year, Swedish Quality Index (SKI) and its associated company EPSI carry out independent surveys of customer satisfaction. Every year since the surveys started in 1989, Handelsbanken has had top positions for both private and corporate customers.

The 2012 results showed that Handelsbanken achieved top positions in all the Nordic countries and the UK, among both private and corporate customers.

Managing customer complaints
Handelsbanken takes customer complaints very seriously and has well-established procedures for handling such matters. We attach great importance to handling the complaints that come in to the Bank in a manner which inspires confidence.

Complaints must be dealt with in the first place by the branch responsible for the customer in question, quickly and correctly, 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 the 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.

SKILLED STAFF

At Handelsbanken, we always aim 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.

Handelsbanken recruits people who share the Bank's basic values

In 2012, Handelsbanken had 11,192 employees, working in 24 countries, just over 30 per cent of whom were employed outside Sweden.

Above all, working at Handelsbanken is about relationships with other people. 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.

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.

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.

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. 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 stage of life that he or she is in. In 2012, external employee turnover was 3.6 per cent (4.8).

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2012, 98 per cent (97) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 93 per cent (94), including those markets where the Bank established operations relatively recently.

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

Local acceptance

On 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 local town and market. At the year-end, 92 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, functional impairment, 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 corresponding official body are followed up at Group level. No such cases were reported in 2012.

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, 43 per cent (44) 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).

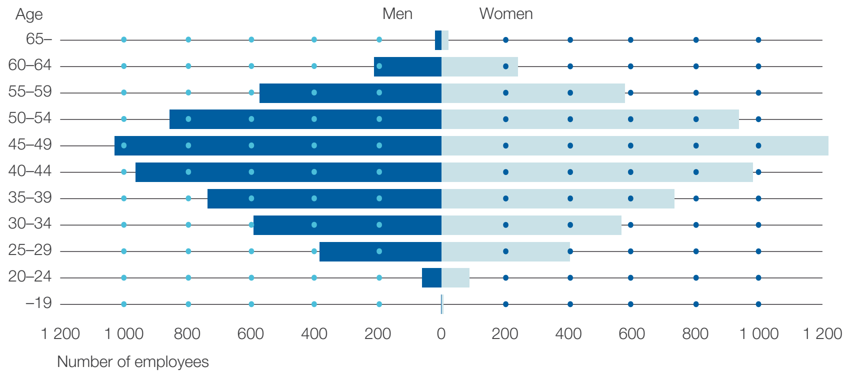
In the Group as a whole, 37 per cent (38) of managers were women. The proportion of women among the total number of employees in the Group was 52 per cent (52).

During the year, the Bank's work in this area continued, with various measures to speed up the attainment of gender equality at Handelsbanken. A large number of managers, HR staff and trade union representatives have undergone training to increase awareness of how social and cultural norms affect attitudes and behaviour in everyday life.

In collaboration with the trade unions, the Bank has also developed an interactive training course designed for all employees in Sweden. The aim of the course is to create dialogue and provide the tools for analysis and action in terms of gender equality.

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

Age and gender distribution 2012



During the year the Bank continued its focus on rectifying unwarranted pay differentials between women and men. 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.

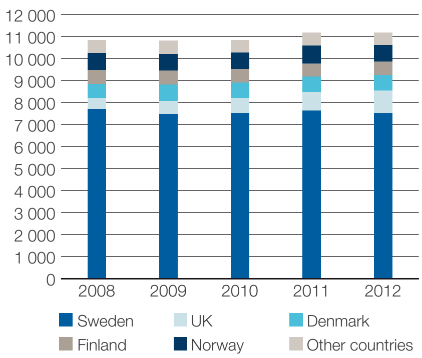
Handelsbanken subsidises home and family services for employees in Sweden who have children under the age of 12. In Sweden, employees on parental leave receive 80 per cent of the part of their salary that is not compensated by national insurance. Employees who take parental leave have the same right to salary development as other staff.

Work environment and health

Handelsbanken's overall objectives in matters regarding the work environment focus on health. Employees should enjoy good health, develop on a personal level and function in an optimal way. This is a long-term goal that includes factors such as balance in life, clear and honest communication, having the skills and competence needed to perform tasks and deal with work-related situations, having pride and confidence in one's work, respecting others, and being respected oneself.

All employees are responsible for creating a positive working environment at Handelsbanken. In 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 connection with crisis situations, for many years, Handelsbanken has had a support programme with the help of external partners.

Average number of employees 2008–2012



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 to create the conditions for good physical and mental health in the workplace. During the year the Bank started a project called "Sustainable health." The purpose of this is to increase awareness of the importance of health and physical stamina – for work and for leisure, both now and in the longer term.

Employees are offered a wide choice and large number of subsidised group and individual health promotion activities. Handelsbanken also has its own sports association. Dating back to 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. A valuable component of Handelsbanken's culture is the traditionally good relationship with the trade unions. All employees in Denmark, Finland, France, Luxembourg, Norway, Sweden, and Austria, comprising almost 90 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.

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, Swedish Association of Graduates in Business Administration and Economics, Swedish Association of Graduate Engineers.

There is an ongoing dialogue between union representatives and managers concerning operations, e.g. when changes and new services are to be launched – 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.

Benefits

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.

Oktogonen – the Bank's profit-sharing scheme

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

Allocations are subject to the Handelsbanken Group achieving its goal of higher return on equity than a weighted average of comparable listed Nordic and British 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, Switzerland, Singapore and Taipei have also been included in Oktogonen.

Some 97 per cent of Group employees are now covered by Oktogonen. The profit-sharing scheme is long-term, as payments cannot be made until an employee has reached the age of 60.

One of the fundamental concepts in managing the foundation is that the funds are invested in shares in Handelsbanken. The Oktogonen Foundation nominates two representatives to be members of 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

Sickness absence rate in Sweden	2012			2011		
%	Men	Women	Total	Men	Women	Total
Aged 29 or younger	1.2	2.8	2.2	1.2	2.6	2.0
Aged 30–49	1.4	3.1	2.3	1.4	2.9	2.2
Aged 50 or older	2.8	5.3	4.2	2.1	5.0	3.7
Total sickness absence	**1.8**	**3.7**	**2.9**	**1.6**	**3.5**	**2.6**
of which long-term absence	*0.5*	*1.6*	*1.1*	*0.3*	*1.5*	*0.9*

Sickness absence is stated as a percentage of total normal working hours. Long-term absence is a period of absence of 60 days or more.

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 society at large.

Principles for corporate governance at Handelsbanken

Handelsbanken has developed a strong value base for how our banking work should be carried out. 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. Our Way is read and discussed by all staff of the Bank.

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 established by the Board in a series of policy documents and instructions.

Furthermore, 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 appropriate instructions and procedures for the operation must be in place, and compliance with these procedures is monitored regularly.

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.

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.

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.

Low loan losses

Unless the 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. But for the individual customer, overly large debts may have serious negative consequences.

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. 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.

For many years, Handelsbanken has had much lower loan losses than peer banks. During the 1998–2012 period, the average loan loss ratio at Handelsbanken was 0.04 per cent, as compared to 0.19 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.

In investment matters, advice 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 work with providing customers with financial advice concerning investments and insurance have relevant, up-to-date knowledge. At the last year-end, Handelsbanken had just over 4,300 certified and/or SwedSec-certified employees in Sweden for advisory services concerning financial instruments and insurance. These employees take an annual knowledge update test. In 2013, all certified advisers will be SwedSec-licensed by means of training and a qualification test which will further boost the knowledge level.

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 participates in a reference group for the Swedish Ministry for Foreign Affairs' group for sustainable trade and enterprise. The Bank also has a representative on the central gender equality committee where both the union organisations and the Employers' Association of the Swedish Banking Institutions participate.

In addition, the Bank has a continual dialogue with its customers in the thousands of customer meetings that take place at our 770+ branches, and also with our investors and the public authorities regarding matters which are of importance to a bank. This includes social responsibility.

Human rights

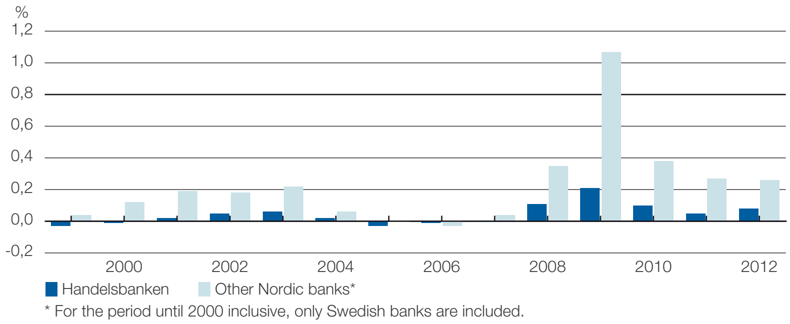
Handelsbanken endorses the principles set out in the United Nations Universal Declaration of Human Rights. Handelsbanken has signed the UN's Global Compact, cementing the Bank's expressed support for universal human rights.

This means that the Bank strives to support and respect the protection of 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.

Cooperation with Ecpat fighting commercial sexual exploitation of children

Handesbanken co-operates with the children's rights organisation Ecpat 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 1999–2012



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 benefits both 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.

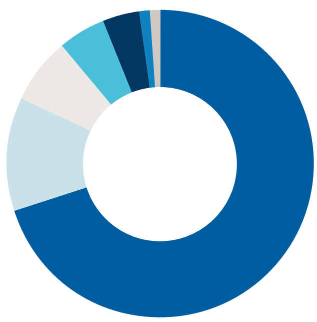
Ethical matters related to lending

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 who runs a company that manufactures products that are dangerous to health, with an adverse environmental impact, or that 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 directives.

The Bank's additional responsibility in the above examples is limited to an assessment of the credit risk – i.e. 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.

Loans to the public, geographical distribution



Ethical matters are manifested, among other things, in the Bank's credit policy, which states that, in its lending operations, the Bank must maintain sound ethical standards. This means that the Bank always aims to respect human rights and fundamental principles of working conditions and environmental considerations, regardless of where in the world the operations are pursued.

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.

For property-related lending, it is important to take into account whether environmentally harmful activities are or have been conducted in the property, or whether the property itself has a harmful effect on the environment. Environmental factors in the vicinity of the property are also considered.

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. This whole process 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 evaluating the credit risk at higher levels in the Bank, and for the branches' follow-up of 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.

RESPONSIBLE INVESTMENTS

Handelsbanken integrates sustainability matters with investment decisions made on behalf of customers. This is a prerequisite 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 on customers' investments.

The UN Principles for Responsible Investment now guide the way in which asset managers and capital owners work with sustainability issues. Handelsbanken became a signatory to these principles in 2009. In addition to a commitment to integrate sustainability matters into the Bank's investment research and investment decisions, it also means that we will be committed to more transparency relating to environmental, social and corporate governance matters in the companies that Handelsbanken invests in.

Corporate governance in Handelsbanken's funds

Handelsbanken Fonder exercises its ownership role in the companies in which its mutual funds own shares, on behalf of the unit-holders. It aims to exercise its ownership role so that the value of the companies, and thus the value of the funds, has optimal performance in the long term. This is managed, 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 2012, Handelsbanken Fonder participated in six nomination committees. In addition, Handelsbanken Fonder voted at around 50 annual general meetings.

Analysis and action

All funds managed by Handelsbanken Fonder are analysed on a regular basis, including companies whose operations violate the fundamental values which are established in Handelsbanken's policy for responsible investment. This policy is published on Handelsbanken's website.

This analysis is part of the investment process but is also carried out with the help of external experts on responsible investment. Thus, we are able to act regarding deviations from international standards and conventions, for example by having a dialogue with the company in question. Depending on how this dialogue evolves, we decide on possible future action.

In 2012, Handelsbanken Fonder specifically broached the subject of deviations from international norms and conventions with around ten companies. We also discuss sustainability issues in 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 2012, analysts and portfolio managers at Handelsbanken Fonder held one or more meetings with 1,300 corporate management teams or corporate representatives worldwide.

Handelsbanken's investment process will ensure that none of Handelsbanken Fonder's funds invests 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.

Handelsbanken Fonder also offers funds which observe special criteria in their investment strategy by excluding companies which operate in certain sectors which can be perceived as controversial.

Investments in commodities

Interest in commodities as investments has increased among institutional and private investors alike. Commodities have several advantages: they spread the risk in a portfolio, and they work well in the event of inflation.

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 financial commodity investments create price bubbles. A particularly sensitive area is agricultural commodities, about which opinions differ. Handelsbanken is closely monitoring and participating in the debate regarding this issue.

Handelsbanken participates in 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.

HANDELSBANKEN IN THE COMMUNITY

Handelsbanken aims to act in a socially responsible manner and contribute to economic development in the community by running stable, long-term banking operations that focus on customer needs.

Handelsbanken in the local community

Handelsbanken has a strong local presence on its home markets. The basic concept of the Bank's way of operating is that decisions are made as close to the customer as possible. This working method, and the Bank's decentralised organisational structure means that Handelsbanken is firmly established in the local community. At the same time, the Bank has high cost-effectiveness, which allows it 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. Handelsbanken is currently the only bank in 50 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 461 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.

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 households that wish to spend and invest today. Together, banks must also maintain an efficient, functioning payments system, as well as managing risk.

All private individuals who live in Sweden are welcome to open an account with Handelsbanken, free of charge. Other basic services, such as the Bank's online service, are also free of charge for private individuals.

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	2012	2011	2010	2009	2008
DIRECT ECONOMIC VALUE CREATED					
Customers					
Income after loan losses and before fees to the Stabilisation fund, deposit guarantee etc.	34.9	33.1	30.4	29.5	28.4
Value created by serving customers	**34.9**	**33.1**	**30.4**	**29.5**	**28.4**
ALLOCATED ECONOMIC VALUE					
Employees					
Salaries	6.9	6.7	6.4	6.7	6.1
Provision to profit-sharing foundation	1.0	0.9	0.8	0.7	0.0
Payroll charges and other staff costs	2.8	2.3	2.3	2.6	2.1
Cost of employees	**10.7**	**9.9**	**9.5**	**10.0**	**8.1**
Public authorities and society at large					
Suppliers, incl. non-deductible VAT*	5.5	5.5	5.5	5.2	5.1
Tax costs**	3.0	4.4	4.0	3.5	3.4
Fees to the Stabilisation fund, deposit guarantee etc.	1.1	1.1	0.6	0.6	0.1
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes	-	-	-	-	-
To society	**9.6**	**11.0**	**10.1**	**9.3**	**8.6**
Shareholders					
Dividends (refers to the year dividends were paid)	6.1	5.6	5.0	4.4	8.4
New share issue	-	-	-	-	-
Transactions with the shareholders	**6.1**	**5.6**	**5.0**	**4.4**	**8.4**
Reinvested economic value ("remaining in the Bank")	**8.5**	**6.6**	**5.8**	**5.8**	**3.3**

* Refers to Other administrative expenses and depreciation
** Refers to Tax costs according to the income statement

In recent years, many banks have stopped handling cash at more and more branches. Handelsbanken's perception is instead that customers want to be able to deposit and withdraw cash at their branch.

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. To a large extent, VAT is not payable on the Bank's operations, which means that the Bank cannot deduct input VAT which it pays when buying external services and products.

For 2012, it is estimated that Handelsbanken's total taxes and state fees amount to some SEK 7 billion.

Politically independent

Handelsbanken is not allied to any political parties. In 2012, the Bank did not provide any financial support to any political parties, nor did it make political donations in any other way.

Contributions to research and higher education

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research through allocations to two independent research foundations: the Tore Browaldh Foundation and the Jan Wallander and Tom Hedelius Foundation.

Taken together, these foundations are one of the most important sources of funding for economic research in Sweden, and their financing includes two professorships. In 2012, 139 (156) grants were awarded for a total of SEK 130 million (128).

Handelsbanken has undertaken to participate in the financial sector's financing of 'Swedish House of Finance,' a research and educational collaboration between the Stockholm School of Economics and SIFR, the Institute for Financial Research.

Moreover, in 2011, Handelsbanken helped to establish a new professorship at the Stockholm School of Economics, with a special focus on external accounting and financial analysis.

FINANCIAL 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 on the financial markets.

Value creation during 2012

In 2012, Handelsbanken's profit before taxes and government fees was some SEK 22 billion. This created value was distributed as follows: around SEK 7 billion in taxes and government fees, SEK 6.8 billion in proposed dividends, to be paid to the shareholders in March 2013, and the remaining approximately SEK 8 billion, which was 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 more 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.

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 financer 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.

HIGH ETHICAL STANDARDS ENGENDER TRUST

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.

The Bank 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. The basic guidelines for every employee's actions are formulated in the ethical guidelines.

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. One of these is that the Bank must have good knowledge of its customers and certain information about customers must therefore be obtained. The rules also imply an obligation to examine transactions which are perceived as being unusual and where the Bank does not understand the background.

The Bank's training, instructions, procedures and system support in the area of money laundering are intended to support employees so that good knowledge of customers is achieved. The Bank does not participate 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 in this context. 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. 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's 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 of 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. The Bank maintains an ongoing dialogue with its suppliers to promote and develop environmental considerations.

Handelsbanken's ethical guidelines are also complied with when the Bank itself is a customer.

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 effect 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 – UNPRI.

Additional information about how the Bank works with environmental issues is given on the Bank's website at handelsbanken.se/ireng.

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 trans-

Carbon dioxide emissions tonnes	2012	2011	2010	2009	2008	2007
Electricity consumption, Nordics[1] and UK	1 647	2 027				
of which Electricity consumption, Nordics[1]	244	781	1 464	2 482	2 585	2 131
Electricity consumption, Sweden	59	261	867	1 945	2 258	1 647
Heating own properties, Sweden	1 412	1 466	1 569	1 181	1 344	1 266
Transport of valuables, Sweden	115	125	128	289	209	
Business travel, Sweden	2 261	2 171	2 216	2 417	2 945	3 371

[1] Sweden, Denmark, Norway, Finland.

port. For several years, the Bank has measured and reported the carbon dioxide emissions generated by its own operations as the result of its use of transport and its consumption of electricity and heat energy. For all the Bank's regional banks in the Nordic countries and the UK and central units, CO_2 emissions from the operations' total energy use, including transport, business travel and heating of properties owned by Handelsbanken in Sweden, totalled 5,794 tonnes for 2012. Emissions of CO_2 as above have gone down by 26 per cent compared with 2011. Handelsbanken strives to minimise the carbon dioxide emissions generated in its operations.

Handelsbanken electricity consumption for its Nordic operations decreased in 2012. The Bank has increasingly opted to buy green electricity compared with previous years. The proportion of green electricity is 94 per cent for the Nordic countries as a whole and 98 per cent for Sweden. Together this means that the total amount of emissions of CO_2 has gone down for electricity consumption in the Nordic countries.

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.

In the Carbon Disclosure Project's report for 2012, which was presented in late 2012, Handelsbanken received 71 (76) points out of a possible 100. The average value in the CDP Nordic survey was 69 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 climatic impact.

- In 2012, the number of video conference hours was up by 3 per cent from 2011.
- 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
- in a previous replacement of facilities for interruption-free electricity in its computer rooms, the Bank reduced energy consumption for electricity and cooling by 800,000 kWh/year
- 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.

Measures to reduce the Bank's environmental impact

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

- 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, for example, energy consumption
- to participate in a pilot project where the Bank sells its surplus heat from IT installations to the district heating network. This results in more efficient use of energy and thus lower environmental impact
- increase the proportion of green electricity purchased in 2013
- 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, to reduce paper consumption.

Handelsbanken's indirect environmental impact

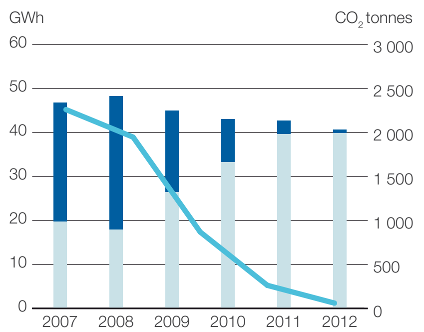
By joining the UN's Global Compact, Handelsbanken undertakes to describe how it works with environmental matters, etc. In addition to the Bank's own consumption of resources, this mainly concerns the indirect environmental impact via lending and asset management.

MORE INFORMATION ABOUT THE BANK'S SUSTAINABILITY WORK

A complete report of Handelsbanken's sustainability work in 2012 is given in the Bank's separate sustainability report. The report contains a comprehensive index according to GRI principles and an assurance report verifying that it has been audited.

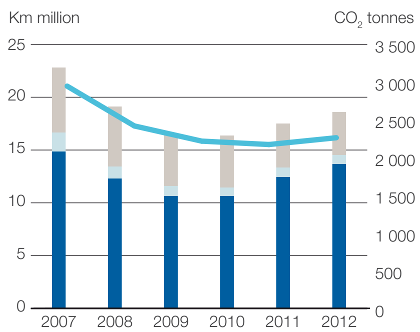
More information on Handelsbanken's work with sustainability issues can be found on the Bank's website handelsbanken.se/csreng.

Electricity consumption, Sweden



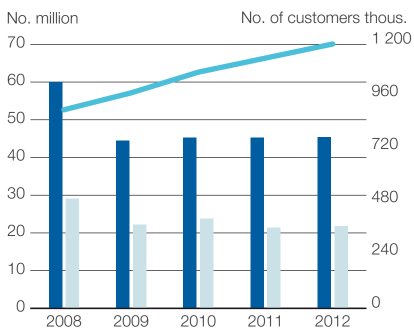
■ Electricity consumption (kWh)
■ Of which green electricity %
— CO_2 emissions (tonnes)

Business travel, Sweden



■ Air ■ Rail ■ Car
— CO_2 emissions

Centrally distributed information, Group



■ Sheets ■ Envelopes
— Active online customers*

* Private and corporate customers who have been active in the Bank's online services at least once in the last six months of 2012.

Financial reports Group

Income statement Group

Group SEK m		2012	2011
Interest income	*Note G3*	62 814	61 560
Interest expense	*Note G3*	-36 733	-37 947
Net interest income		**26 081**	**23 613**
Fee and commission income	*Note G4*	8 750	8 976
Fee and commission expense	*Note G4*	-1 381	-1 303
Net fee and commission income		**7 369**	**7 673**
Net gains/losses on financial items at fair value	*Note G5*	1 120	1 016
Risk result, insurance	*Note G6*	196	209
Other dividend income		152	146
Share of profit of associates	*Note G22*	8	9
Other income	*Note G7*	136	143
Total income		**35 062**	**32 809**
Administrative expenses			
Staff costs	*Note G8*	-10 711	-9 942
Other expenses	*Note G9*	-5 069	-5 060
Depreciation, amortisation and impairments of property, equipment and intangible assets	*Note G25, G26*	-464	-462
Total expenses		**-16 244**	**-15 464**
Profit before loan losses		**18 818**	**17 345**
Net loan losses	*Note G10*	-1 251	-816
Gains/losses on disposal of property, equipment and intangible assets	*Note G11*	-3	7
Operating profit		**17 564**	**16 536**
Taxes	*Note G35*	-3 038	-4 372
Profit for the year from continuing operations		**14 526**	**12 164**
Profit for the year pertaining to discontinued operations, after tax	*Note G12*	22	159
Profit for the year		**14 548**	**12 323**
Attributable to			
Shareholders in Svenska Handelsbanken AB		14 547	12 323
Minority interest		1	0
Earnings per share, continuing operations, SEK	*Note G13*	23.11	19.52
after dilution	*Note G13*	22.60	19.14
Earnings per share, discontinued operations, SEK	*Note G13*	0.04	0.26
after dilution	*Note G13*	0.03	0.25
Earnings per share, total operations, SEK	*Note G13*	23.15	19.78
after dilution	*Note G13*	22.63	19.39

Statement of comprehensive income Group

Group SEK m	**2012**	**2011**
Profit for the year	14 548	12 323
Other comprehensive income		
Cash flow hedges	2 390	-297
Available-for-sale instruments	984	-1 318
Translation difference for the year	-126	-4
of which hedges of net investments in foreign operations	*486*	*-2*
Tax related to other comprehensive income	-913	443
of which cash flow hedges	*-565*	*78*
of which available-for-sale instruments	*-248*	*365*
of which hedges of net investments in foreign operations	*-100*	*0*
Total other comprehensive income	**2 335**	**-1 176**
Total comprehensive income for the year	**16 883**	**11 147**
Attributable to		
Shareholders in Svenska Handelsbanken AB	16 882	11 147
Minority interest	1	0

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

Balance sheet Group

Group SEK m		2012	2011
ASSETS			
Cash and balances with central banks		236 545	251 857
Other loans to central banks	*Note G17*	12 370	124 122
Interest-bearing securities eligible as collateral with central banks	*Note G20*	48 906	43 971
Loans to other credit institutions	*Note G18*	89 511	106 823
Loans to the public	*Note G19*	1 680 479	1 591 128
Value change of interest hedged item in portfolio hedge		5 271	4 490
Bonds and other interest-bearing securities	*Note G20*	68 354	60 231
Shares	*Note G21*	30 146	27 236
Investments in associates	*Note G22*	203	205
Assets where the customer bears the value change risk	*Note G23*	69 590	62 721
Derivative instruments	*Note G24*	110 850	142 074
Reinsurance assets		1	2
Intangible assets	*Note G25*	7 206	7 079
Property and equipment	*Note G26*	2 209	3 507
Current tax assets		129	42
Deferred tax assets	*Note G35*	350	380
Net pension assets	*Note G8*	4 673	4 775
Assets held for sale		854	944
Other assets	*Note G27*	12 812	14 267
Prepaid expenses and accrued income	*Note G28*	7 399	8 512
Total assets	*Note G14*	**2 387 858**	**2 454 366**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note G29*	183 945	201 889
Deposits and borrowing from the public	*Note G30*	682 223	724 888
Liabilities where the customer bears the value change risk	*Note G31*	69 638	62 800
Issued securities	*Note G32*	1 151 426	1 140 074
Derivative instruments	*Note G24*	106 044	127 303
Short positions	*Note G33*	16 201	21 397
Insurance liabilities	*Note G34*	666	690
Current tax liabilities		497	818
Deferred tax liabilities	*Note G35*	9 573	9 466
Provisions	*Note G36*	120	31
Liabilities related to assets held for sale		349	345
Other liabilities	*Note G37*	17 848	13 847
Accrued expenses and deferred income	*Note G38*	21 264	20 977
Subordinated liabilities	*Note G39*	21 167	35 317
Total liabilities	*Note G14*	**2 280 961**	**2 359 842**
Minority interest		2	0
Share capital		2 943	2 902
Share premium		2 337	793
Reserves	*Note G41*	325	-2 010
Retained earnings		86 743	80 516
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB		14 547	12 323
Total equity		**106 897**	**94 524**
Total liabilities and equity		**2 387 858**	**2 454 366**

Statement of changes in equity Group

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

Group 2012 SEK m	Share capital	Share premium	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
Profit for the year						14 547	1	14 548
Other comprehensive income			1 825	736	-226		0	2 335
Total comprehensive income for the year			**1 825**	**736**	**-226**	**14 547**	**1**	**16 883**
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
Closing equity 2012	**2 943**	**2 337**	**1 149**	**569**	**-1 393**	**101 290**	**2**	**106 897**

During the period January to December 2012, convertibles for a nominal value of SEK 1,641m (111) relating to the 2008 subordinated convertible bond had been converted into 8,744,470 class A shares (593,180). At the end of the financial year the holdings of Handelsbanken shares in the trading book was 0 (79,520).

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

Cash flow statement Group

Group SEK m	2012	2011
OPERATING ACTIVITIES		
Operating profit, total operations	17 596	16 735
of which paid-in interest	*63 858*	*60 032*
of which paid-out interest	*-36 678*	*-36 248*
of which paid-in dividends	*441*	*734*
Adjustment for non-cash items in profit/loss		
Loan losses	*1 438*	*1 272*
Unrealised changes in value	*-33*	*-3 323*
Depreciation, amortisation and impairments	*464*	*462*
Paid income tax	-3 997	-3 994
Changes in the assets and liabilities of operating activities		
Other loans to central banks	*111 752*	*-73 134*
Loans to other credit institutions	*17 465*	*16 635*
Loans to the public	*-91 366*	*-78 964*
Interest-bearing securities and shares	*-20 099*	*31 127*
Due to credit institutions	*-17 944*	*-50 082*
Deposits and borrowing from the public	*-42 837*	*160 781*
Issued securities	*11 352*	*176 574*
Derivative instruments, net positions	*10 432*	*-14 100*
Short positions	*-5 196*	*-14 629*
Claims and liabilities on investment banking settlements	*914*	*43 617*
Other	*20 383*	*-8 880*
Cash flow from operating activities	**10 324**	**200 097**
INVESTING ACTIVITIES		
Change in shares	-1	168
Change in interest-bearing securities	4 551	-3 168
Change in property and equipment	-297	-358
Change in intangible non-current assets	-341	-301
Cash flow from investing activities	**3 912**	**-3 659**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-14 890	-10 835
Issued subordinated loans	2 990	2 512
Dividend paid	-6 110	-5 611
Cash flow from financing activities	**-18 010**	**-13 934**
Cash flow for the year	**-3 774**	**182 504**
Liquid funds at beginning of year	251 857	56 637
Cash flow from operating activities	10 324	200 097
Cash flow from investing activities	3 912	-3 659
Cash flow from financing activities	-18 010	-13 934
Exchange rate difference on liquid funds	-11 538	12 716
Liquid funds at end of year	**236 545**	**251 857**

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

Notes Group

G1 Accounting policies

CONTENTS

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 5 February 2013 and will be adopted by the AGM on 20 March 2013.

2. CHANGED ACCOUNTING POLICIES ETC.

With the aim of reporting an overall effect of the Group's hedge accounting in the income statement, and of arriving at a true and fair net interest income figure, as of 2012, the accrued mark-to-market effect of hedged items in prematurely terminated fair value hedges are included in net gains/losses on financial items at fair value. These accrual effects were previously included in the net interest income.

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 2011 annual report.

Future amendments to regulations

As of the 2013 financial year, the revised IAS 19 Employee benefits will come into effect for application within the EU. This will have an impact on how Handelsbanken reports defined-benefit pension plans since the "corridor" method for accrual accounting of actuarial gains and losses is being removed. Actuarial effects will instead be recognised directly in Other comprehensive income. In addition, the current assumption for the return on plan assets is being replaced by an estimated yield equivalent to the discount rate for the pension liability. This will have an impact on the calculation of the pension cost reported in the income statement. The revised IAS 19 would have led to an initial adjustment of the equity by SEK -4,552 million as at 1 January 2012. If the staff costs were recalculated for the period January–December 2012 to adjust for the impact of the revised IAS 19, these would have increased by SEK 456 million (SEK 336 million after tax). An adjustment would also need to be made for other comprehensive income which would have been affected by SEK 1,841 million after tax for the period January–December 2012. An adjustment of the items affected would have had a total impact on equity of SEK -3,047 million as at 31 December 2012. As at 31 December 2012, the plan assets would have exceeded the pension liability by SEK 766 million, this being the amount which would have been reported as net pension assets. The revised IAS 19 regulations also mean that pension costs for defined-benefit plans are expected to rise by SEK 408 million in 2013 compared with booked costs in 2012.

As of the 2013 financial year, IFRS 13 Fair Value Measurement comes into effect for application in the EU. The standard contains joint principles for fair value measurement of most of the assets and liabilities at fair value in the accounts, or for which information about fair value must be provided. IFRS 13 clarifies some of the principles for fair value measurement which were previously applied in accordance with IAS 39 Financial Instruments: Recognition and Measurement. According to the Bank's present assessment, the application of IFRS 13 will not affect the reported values for financial instruments to any significant degree.

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

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. Handelsbanken's preliminary assessment is that the companies which will be consolidated in the consolidated annual accounts according to the new regulations are essentially the same as the companies consolidated using the current regulations.

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

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 associated companies on a separate line in the Group's income statement.

Discontinued operations and held-for-sale assets

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

Independent operations 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 G46.

5. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

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

Translation of foreign operations to the Group's presentation currency

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

6. RECOGNITION OF ASSETS AND LIABILITIES

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

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

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

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

Financial assets and liabilities are set off in the balance sheet if the Bank has a contractual right to set off the recognised amounts and intends to settle the payments simultaneously with a net amount.

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

7. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial liabilities are classified as follows:

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

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

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

Loans and receivables

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

Assets held to maturity

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

Assets and liabilities held for trading

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

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

The option of classifying financial instruments at fair value in the income statement has been applied for financial assets and liabilities that are not held for trading but for which the internal management and valuation is based on fair values (for example, assets and liabilities resulting from unit-linked insurance contracts). This valuation principle has also been applied to avoid inconsistencies when valuing assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis. The option of recognising assets and liabilities at fair value in profit or loss has been applied for financial instruments that are reported in the balance sheet under 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 items at fair value. Interest related to lending which upon initial recognition was categorised at fair value in the income statement is recognised in Net interest income.

Available-for-sale financial assets

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

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

Reclassification of financial instruments

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

Repurchase transactions

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

Securities loans

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

Financial guarantees and loan commitments

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

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

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

Combined financial instruments

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

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

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

8. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

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

Differences between transaction price and fair value

When calculating the fair value for financial instruments, simultaneous positive differences between the transaction price and the value produced using a valuation model sometimes occur. Such unrealised gains are amortised over the maturity of the instrument.

Lending classified to be measured at fair value

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

Interest-bearing securities

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

Shares

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

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

Assets and liabilities where the customer bears the value change risk
Assets where the customer bears the value change risk are essentially 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/sharesholders have prior rights to the assets, there is no reason to adjust the valuation for credit risk.

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

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

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

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

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

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

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

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

Previously recognised impairment losses on interest-bearing securities classified as available-for-sale financial assets are reversed in the income statement if the fair value of the asset has increased since the impairment loss was recognised and the increase can be objectively related to an event occurring after the impairment loss was recognised. Previous impairment losses on equity instruments classified as available-for-sale financial instruments are not reversed.

10. HEDGE ACCOUNTING
The Group applies different methods for hedge accounting, depending on the purpose of the hedge. 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's value is included in a hedge relationship.

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

Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. The hedged risk in these portfolio hedges is the interest rate 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.

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 items at fair value.

Hedging of net investments in foreign units is applied to protect the Group from exchange rate differences due to operations abroad. 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 items at fair value.

11. LEASES

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

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

12. INSURANCE OPERATIONS

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

Classification and unbundling of insurance contracts

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

Accounting for insurance components in insurance contracts

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

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

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

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

Reinsurance

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

13. INTANGIBLE ASSETS

Recognition in the balance sheet

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

Investments in software developed by the Bank are carried as an expense on a current basis to the extent that the expenditure refers to maintenance of existing business operations or 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 and other intangible assets with an indefinite useful life from cash flows arising from other assets, impairment testing of goodwill takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Material assessments and assumptions in impairment testing of goodwill are described in note G25 and in section 20. Previously recognised goodwill impairment losses are not reversed.

Intangible assets with a finite useful life

Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed. Intangible assets with a finite useful life are tested for impairment when there is an indication that the asset may be impaired. The impairment test is performed in the same way as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

14. PROPERTY AND EQUIPMENT

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

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

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

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

15. PROVISIONS

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

16. EQUITY

Equity comprises Share capital, Share premium reserve, Provisions and Retained earnings. Small minority interests are also classified as part of the Group's equity.

Share premium reserve

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

Retained earnings

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

Hedge reserve

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

Fair value reserve

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

Translation reserve

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

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

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

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

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

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

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

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

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

- capital gains or losses from the disposal and settlement of financial assets and liabilities
- unrealised changes in value of the assets and liabilities which upon initial recognition were classified as Assets at fair value, through the income statement, excluding the component of change in value recognised as interest
- realised and unrealised changes in value on financial assets and liabilities classified as held for trading
- interest from financial instruments held for trading, with the exception of interest originating from derivatives that are hedging instruments whose interest flows are reported in Net interest income
- dividend income on financial assets classified as held for trading
- unrealised changes in fair value 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 items at fair value. Dividends on shares in associates are not included in the Dividends item in the income statement. The accounting for shares in the profits of associates is described in section 3.

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

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

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

For defined benefit pension plans, the pension payable is based on the salary and period of employment, implying that the employer bears all the material risks for fulfilling the pension commitment. For the majority of defined benefit plans, the Group has kept plan assets separate in pension foundations and a pension fund. The part of the net value of estimated pension obligations and fair value of the plan assets which may accrue to the Group in the form of a decrease of future charges or cash repayment, is recognised as a net asset in the balance sheet. The amount is tested annually.

The difference between actual and expected return on plan assets as well as differences in actual and estimated pension liability, due to changes in assumptions or diverging actual out-come in relation to previous assumptions, is called actuarial gains or losses. Only the part of unrecognised cumulative actuarial gains or losses exceeding the greater of 10 per cent of the present value of the pension liability and 10 per cent of the fair value of plan assets, measured at the opening of the reporting period, is recognised in the income statement. Amounts outside this corridor are recognised in the income statement on a straight-line basis during the average remaining period of service. For the Group, this means allocation of actuarial gains and losses over a period of 20 years.

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

+ Accrued pension rights for the year, i.e. the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.

+ Interest expense for the year due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current government bond rate (the rate at the start of the year) for maturities corresponding to the period remaining until the pension liability is due to be disbursed.
- Expected return on plan assets. The expected return is based on an assessment of the average long-term return which will be earned on the assets which are kept separate for securing defined benefit pension obligations.The time horizon for the assessment is related to the entire term of the commitment. The expected return is reduced by the taxes and administrative costs for managing the assets.

+/- Any part of actuarial gains and losses recognised in profit or loss. The estimated cost of special payroll tax is accrued using the same principles as for the underlying pension cost.

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

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

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

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

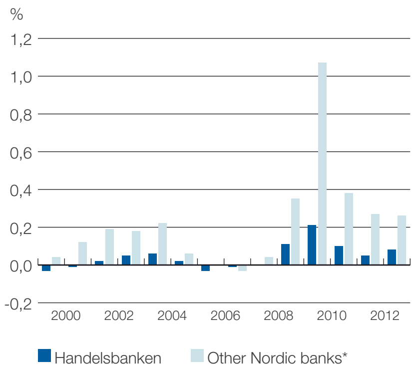
Actuarial calculation of defined-benefit pension plans
Calculation of the Group's expense and obligations for defined-benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of pension obligations for employees in Sweden is based on DUS06, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by Insurance Sweden. The assumptions on future salary increases and inflation are based on the anticipated long-term trend. The assumption on expected return on the plan assets kept separate in the Bank's pension fund and pension foundation is produced by analysing long-term expected return for the various asset classes over the whole life of the corresponding commitment. The assumption is partly based on an historical analysis of the risk premium on the Swedish equity market and partly on forecasts of future inflation and risk-free return. The assumption is established after deducting administration costs and yield tax. The calculation of the expected return on plan assets for the period is based on the carrying amount of the assets, which is equivalent to their fair value at the time the current accounting policy was first applied, with an upwards adjustment for the accumulated reported expected return from previous years, amortisation of cumulative actuarial gains and losses and adjustments for payments to and from the plan. The discount rate is based on first-class corporate bonds. In this context, covered bonds are considered to be corporate bonds. The maturity is the same as the remaining period to payment. In Sweden and Norway, the discount rate for the previous financial year was based on government bonds. Since a functioning market for corporate bonds is now considered to exist in Sweden and Norway, the discount rate is now based on these. In the UK, the discount rate was already based on corporate bonds. Note G8 shows the effects that the changed assessment in Sweden and Norway has on the amount of the pension obligations.

The Group's pension provisions are of a long-term character and the assumptions on which the calculation is based vary to only a small degree over time. The sensitivity of the pension costs reported to reasonable, possible changes in the actuarial assumptions is therefore considered to be very small.

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

G2 Risk and capital management

Loan losses as a percentage of lending 1999-2012



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

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.

Once again, the financial markets were under substantial stress during the year. This stress is based on the inability of indebted countries to manage their structural imbalances at the same time as they and many other countries around the world need to handle the early stages of a recession. Traditional solutions to resolve an economic downturn tend to exacerbate the structural imbalances. These external conditions affect the financial sector and also Handelsbanken, which, however, always strives to have low exposure to macro-economic risks. In addition to this there is still uncertainty regarding future regulations. Handelsbanken has no direct exposure to the troubled countries and has very limited other exposures in these countries, but the stress on the financial markets also affects Handelsbanken's home markets.

Handelsbanken's historically low tolerance of risk, sound capitalisation and strong liquidity situation means that the Bank is well equipped to cope with substantially more difficult market conditions than those experienced during the year.

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

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

Throughout the financial crisis, Handelsbanken has had good access to liquidity. The Bank has access to the financial markets via its short-term and long-term funding programmes. The long-term funding programmes have been expanded in recent years and this process continued during the year. Handelsbanken has issued a large number of senior and covered bonds in several currencies. It was the first Swedish bank to issue covered bonds in Australian dollars. Handelsbanken is the first bank since 2007 to issue a seven-year covered bond in the American market. The investor base has been broadened and there has been large demand from investors. The fact that this was possible during an ongoing financial crisis shows the market's confidence in the Bank's business model and its ability to manage uncertain external conditions. Central Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and consists mainly of government bonds and covered bonds. The total liquidity reserve provides a high degree of resistance to possible disruptions in the financial markets. At the year-end, the Bank's liquidity reserve exceeded SEK 750 billion.

SEK 246 billion of the reserve consisted of liquid assets invested with central banks, SEK 114 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 for more than two years without access to new market funding. The composition of the liquidity reserve guarantees maintained operations for a period exceeding the Swedish Financial Supervisory Authority's requirements according to the Liquidity Coverage Ratio (LCR) for all currencies in total and for US dollars and euros separately. 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 was strengthened during the year and its earnings have been stable. Coupled with low loan losses, this has contributed to the strong position. The low risk profile of the credit portfolio has resulted in lower capital requirements for credit risks compared with other banks. The strong capital situation provides good protection insurance in the fragile macro-economic situation. The strong capitalisation should be seen in light of future regulatory amendments regarding capital adequacy.

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

Handelsbanken's risk management

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

1. Business operations

The Bank is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for its business and 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 is responsible for dealing with any problems that arise. As a consequence, there are strong incentives for high risk awareness and for prudence in business operations.

2. 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. The local risk control reports to Central Risk Control and also to business operations management.

3. Central risk control

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

4. Capital planning

If – despite the work in the three components described – Handelsbanken were to suffer serious losses, it holds capital to ensure its survival 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 Group Chief Executive and Board.

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

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

CREDIT RISK

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

At Handelsbanken, the credit process is based on a conviction that a decentralised organisation with local presence ensures high quality in credit decisions. The Bank aims to be a relationship bank 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, the branch responsible for the customer has total credit responsibility. Customer and credit responsibility lies with the branch manager or the employees at the local branch delegated by the manager. 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. They have the right to reject credits both within their own decision level and also credits which would have been decided at a higher level. 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.

Decentralisation also means that the documentation that forms the basis for credit decisions is always prepared by the branch responsible for the credit, regardless of whether the final decision is to be made at the branch, at regional level, in the Board's credit committee or by the Board. Credit decision documentation includes general and financial information regarding the borrower, and an assessment of the repayment capacity, valuation of collateral, loans and credit terms. For borrowers whose total loans exceed SEK 3 million, the credit decision is made in the form of a credit limit (or SEK 6 million for residential mortgage loans for private individuals and SEK 12 million for loans to housing co-operative associations with a mortgage in the property).

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. Borrowers 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 branch obtains support from the regional head office and central departments. The Bank's method of working means that all employees whose work involves transactions linked to credit risk acquire a solid and well-founded approach to such risks. This approach forms an important part of the Bank's culture.

Risk rating system

Handelsbanken's risk rating system comprises a number of different systems, methods, processes 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 under the Basel II rules (the IRB approach). The rating is dynamic; it is reassessed if there are signs that the counterparty's repayment capacity has changed. The rating is also reviewed periodically as stipulated in the regulations. The rating is made by the person responsible for granting the credit and it is subsequently checked by independent bodies.

Risk classification methods

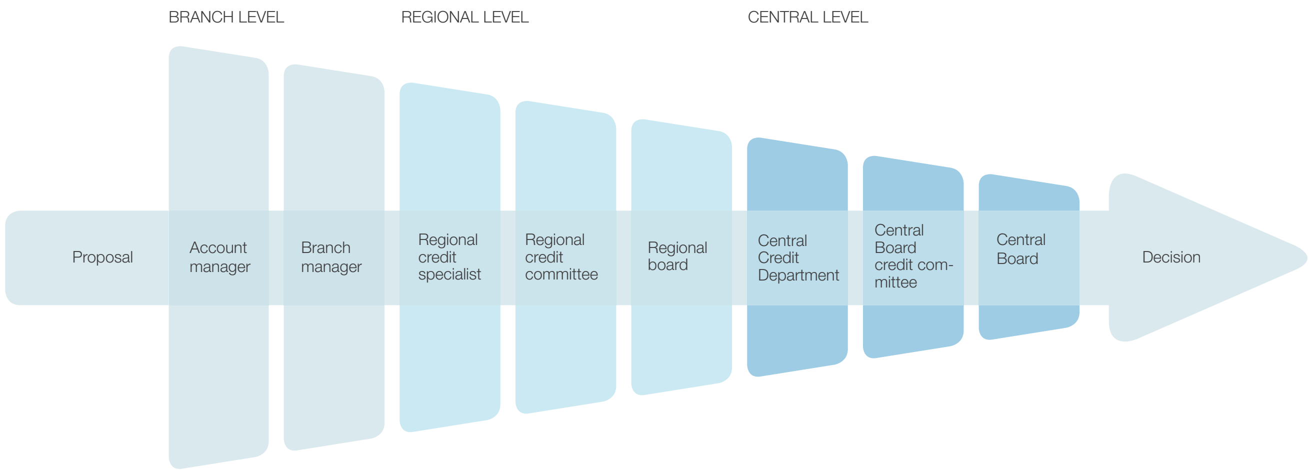
To quantify its credit risks, the Bank calculates the probability of default (PD), the Bank's exposure at default (EAD), and the proportion of the loan that the Bank would lose in the case of default (loss given default – LGD). Default is defined as when the counterparty is either 90 days late in making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

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

For corporate and institutional exposures, the internal rating set for each counterparty is directly converted into a risk class on a scale between 1 and 10 (where risk class 10 refers to defaulted counterparties). A certain average PD is calculated for each risk class. For exposures to large companies and institutional exposures, standardised values prescribed by the Swedish Financial Supervisory Authority's regulatory code are applied to 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 grade as for corporate exposures; instead, the different exposures are sorted into a number of smaller groups on the basis of certain factors. Such factors include the type of credit, the counterparty's 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

The credit process and decision levels in Handelsbanken



Distribution of limit decisions

	Branch level	Regional level	Central level
Proportion of number of limits	70%	28%	2%
Proportion of limit amount	6%	21%	73%

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. Different values are applied to retail exposures with collateral in property in Sweden, and for property exposures to medium-sized companies, property companies and housing co-operative associations depending on the loan-to-value ratio of the exposure. For other exposures, the LGD value is determined by factors that may depend on the existence and valuation of collateral, the product and similar 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 PD is then adjusted by a safety margin and a business cycle adjustment factor. The safety margin is intended to ensure that the probability of default is not underestimated. The business cycle adjustment factor takes into account the fact that the measured probability of default per risk class can be expected to vary due to the business cycle. The measured probability therefore needs to be adjusted in relation to where in the business cycle the Bank's borrowers were in the period on which the calculations are based in order to reflect a long-term probability of default which must be used for the risk weighting. The business cycle adjustments are based on the Bank's internal history from 1985 to 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 the PD at risk class level. The 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.

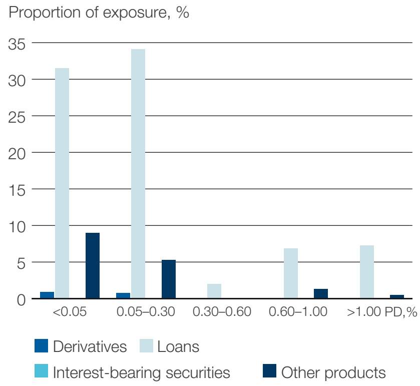
When calculating the LGD, the risk measure must reflect the loss proportion during economically unfavourable circumstances, known as a downturn LGD. For collateral in property, the downturn LGD is based on observed losses from the property crisis in the early 1990s. For other collateral relating to retail exposures, observed LGD is adjusted for downturns by a factor which depends on the PD and type of product. For corporate exposures in the IRB advanced approach, the LGD is adjusted for downturns so that the Bank's observed losses in 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. This applies predominantly to various types of commitments where exposure may increase without any active decision by the Bank. 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 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 other factors may also be of relevance.

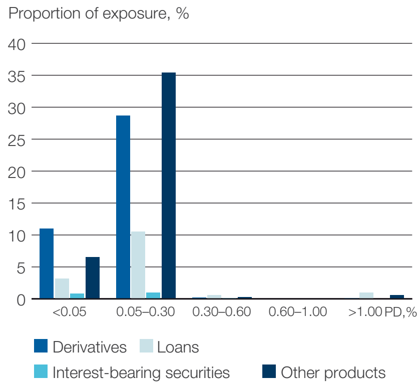
In addition to the capital adequacy calculation, measures of risk (PD, EAD, LGD) are used to calculate the cost of capital in each individual transaction and to calculate economic capital (EC). New credits that are assessed to involve higher than normal risk are refused, regardless of the price and regardless 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 1.

For corporate, institutional and retail exposures, the adjoining figures show how the exposure is distributed between bonds and other interest-bearing securities, and loans, derivatives and other products respectively. The diagrams show how the exposures (EAD), excluding credits in default, are distributed between different PD ranges in each counterparty category. Exposures within a certain range are shown in terms of the distribution between loans, interest-bearing securities, derivatives and other types of product. Other products are, for example, guarantees and committed loan offers. The PD values used are those applied for the statutory capital requirement. This means that margins in the form of business cycle adjustments and safety adjustments in the PD values are also included in the calculations of economic capital, which means that the loss levels that the PD values imply are conservative.

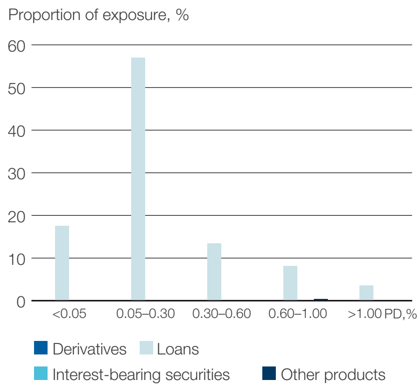
Proportion of exposure per product type per PD interval excluding defaulted credits – Corporate exposures



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



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. In these cases, special loan conditions are generally drawn up that entitle the Bank to renegotiate or terminate the agreement if the borrower's repayment capacity deteriorates or if the conditions are otherwise violated.

Since collateral is not generally utilised until a borrower faces serious repayment difficulties, the valuation of collateral focuses on the expected value of the collateral in the case of 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 fixed-income securities or equities with a special agreement that the security will be resold to the seller at a specific price on a specific date. Handelsbanken regards reverse repos as secured lending.

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

Credit risk exposure on balance, collateral SEK m	2012	2011
Residential property [1]	961 955	905 610
Other property	240 895	210 943
Sovereigns, municipalities and county councils	339 171	465 047
Guarantees	18 698	17 191
Financial collateral	89 458	73 374
Collateral in assets	20 115	20 869
Other collateral	57 798	59 882
Unsecured	287 854	342 666
Total credit risk exposure on balance	**2 015 944**	**2 095 582**

[1] Including housing co-operatives.

Loans to the public, collateral SEK m	2012	2011
Residential property [1]	961 955	905 610
Other property	240 895	210 943
Sovereigns, municipalities and county councils	81 404	61 170
Guarantees	18 639	17 027
Financial collateral	26 328	10 234
Collateral in assets	20 114	20 869
Other collateral	57 798	59 882
Unsecured	273 346	305 393
Loans to the public	**1 680 479**	**1 591 128**

[1] 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 of the publication Pillar 3 2012 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 categorised into the exposure classes stipulated in the regulations for the respective calculation method. Exposure means the sum of items on and off the balance sheet.

Credit risk exposure SEK m	2012	2011
Loans to the public[1]	1 680 479	1 591 128
of which reverse repos	*33 799*	*13 669*
Loans to other credit institutions	89 511	106 823
of which reverse repos	*59 241*	*60 585*
Unutilised part of granted overdraft facilities	132 534	152 392
Committed loan offers	239 774	254 415
Other commitments	20 779	9 035
Guarantees, credits	10 723	17 161
Guarantees, other	39 913	42 657
Letters of credit	30 164	36 712
Derivatives[2]	110 850	142 074
Treasury bills and other eligible bills	48 906	43 971
Bonds and other fixed-income securities	68 354	60 231
Total	**2 471 987**	**2 456 599**

The amounts do not include holdings with central banks.
[1] SEK 4,078 m (4,945) of this amount is loans which upon initial recognition were classified at fair value in the income statement.
[2] Refers to the total of positive market values. Including legally viable agreements, the exposure is SEK 30,422 m (37,588).

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

Geographical distribution 2011	Loans				Off-balance-sheet commitments		
SEK m	Public	Credit institutions	Derivatives	Investments	Guarantees	Other	Total
Sweden	1 129 954	43 662	141 545	93 557	32 245	307 997	1 748 960
Norway	184 565	199	36	-	6 892	35 517	227 209
Finland	79 720	411	301	-	7 281	23 788	111 501
Denmark	59 769	159	114	63	2 270	22 999	85 374
UK	92 621	165	-606	0	2 560	20 507	115 247
Germany	7 764	426	21	-	3 878	7 650	19 739
Poland	1 942	180	4	-	567	167	2 860
Netherlands	11 921	64	0	-	100	3 346	15 431
Other countries	22 872	61 557	659	10 582	4 025	30 583	130 278
Total	**1 591 128**	**106 823**	**142 074**	**104 202**	**59 818**	**452 554**	**2 456 599**

Loans to the public, by sector	2012			2011		
SEK m	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	743 454	-852	742 602	713 137	-820	712 317
of which mortgage loans	*607 163*	*-44*	*607 119*	*581 659*	*-30*	*581 629*
of which other loans with property mortgages	*67 031*	*-115*	*66 916*	*64 122*	*-100*	*64 022*
of which other loans, private individuals	*69 260*	*-693*	*68 567*	*67 356*	*-690*	*66 666*
Housing co-operative associations	129 131	-17	129 114	123 847	-4	123 843
of which mortgage loans	*105 421*	*-4*	*105 417*	*109 334*	*-4*	*109 330*
Property management	436 694	-365	436 329	396 961	-410	396 551
Manufacturing	45 170	-473	44 697	49 221	-497	48 724
Retail	33 646	-441	33 205	35 693	-305	35 388
Hotel and restaurant	8 234	-36	8 198	7 201	-120	7 081
Passenger and goods transport by sea	17 839	-406	17 433	18 356	-202	18 154
Other transport and communication	32 406	-182	32 224	37 374	-178	37 196
Construction	13 395	-106	13 289	12 371	-170	12 201
Electricity, gas and water	23 965	-25	23 940	22 091	-15	22 076
Agriculture, hunting and forestry	8 917	-15	8 902	7 331	-20	7 311
Other services	25 558	-213	25 345	24 398	-60	24 338
Holding, investment, insurance companies, mutual funds etc.	89 219	-601	88 618	85 998	-702	85 296
Sovereigns and municipalities	36 711	-	36 711	21 654	-	21 654
Other corporate lending	40 268	-108	40 160	39 656	-292	39 364
Total loans to the public, before collective provisions	**1 684 607**	**-3 840**	**1 680 767**	**1 595 289**	**-3 795**	**1 591 494**
Collective provisions			-288			-366
Total loans to the public	**1 684 607**		**1 680 479**			**1 591 128**

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 437 billion). Property management here refers to all companies assessed for credit purposes as "property companies". It is common for groups of companies operating in other industries to have subsidiaries managing the properties in which the group conducts its business, and such property companies are here also considered 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 normal risk in risk class 5 is very low. Some 96 (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, Norway and Finland are 94 (95) per cent, 91 (88) per cent, 95 (95) per cent and 99 (99) per cent (99) respectively. For counterparties in poorer risk classes than normal, the majority are in risk classes 6 or 7 with only small volumes in the higher risk classes 8 and 9.

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

Specification Loans to the public – Property management SEK m	2012 Loans before deduction of provisions	2012 Provisions for probable loan losses	2012 Loans after deduction of provisions	2011 Loans before deduction of provisions	2011 Provisions for probable loan losses	2011 Loans after deduction of provisions
Loans in Sweden						
State-owned property companies	9 213		9 213	11 808	-	11 808
Municipal-owned property companies	14 468		14 468	15 566	-	15 566
Residential property companies	72 894	-13	72 881	65 556	-12	65 544
of which mortgage loans	*52 759*	*-3*	*52 756*	*46 404*	*-2*	*46 402*
Other property management	145 066	-129	144 937	130 250	-127	130 123
of which mortgage loans	*61 097*	*-5*	*61 092*	*58 036*	*-8*	*58 028*
Total loans in Sweden	**241 641**	**-142**	**241 499**	**223 180**	**-139**	**223 041**
Loans outside Sweden						
Denmark	10 623	-96	10 527	9 408	-48	9 360
Finland	19 481	-10	19 471	18 718	-	18 718
Norway	80 549	-74	80 475	74 615	-73	74 542
UK	69 699	-20	69 679	56 953	-127	56 826
Other countries	14 701	-23	14 678	14 087	-23	14 064
Total loans outside Sweden	**195 053**	**-223**	**194 830**	**173 781**	**-271**	**173 510**
Total loans – Property management	**436 694**	**-365**	**436 329**	**396 961**	**-410**	**396 551**

Specification Loans to the public – Property management Collateral SEK m	2012 Total	2012 Companies owned by government and municipality/ property lending guaranteed by government and municipality	2012 Multi-family dwellings/ residential property	2012 Commercial properties and other collateral	2011 Total	2011 Companies owned by government and municipality/ property lending guaranteed by government and municipality	2011 Multi-family dwellings/ residential property	2011 Commercial properties and other collateral
Sweden	241 641	25 252	80 983	135 406	223 180	29 585	74 978	118 617
Norway	80 549	24	17 146	63 379	74 615	26	13 177	61 412
Finland	19 481	6 624	2 492	10 365	18 718	6 256	2 432	10 030
Denmark	10 623	1	5 368	5 254	9 408	-	3 905	5 503
UK	69 699	9	29 339	40 351	56 953	-	23 239	33 714
Other countries	14 701	694	1 801	12 206	14 087	-	580	13 507
Total	**436 694**	**32 604**	**137 129**	**266 961**	**396 961**	**35 867**	**118 311**	**242 783**

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

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

Specification – Loans to the public – Property management, risk class and country 2011
SEK m

Risk class	Sweden	Norway	Finland	Denmark	UK	Other countries	Total	%	Accum.% of total
1	18 912	1 109	2 292	17	523	567	23 420	5.90	6
2	58 279	16 744	6 620	272	7 512	6 777	96 204	24.23	30
3	80 422	32 228	7 175	2 811	25 377	5 698	153 711	38.72	69
4	37 591	15 615	1 803	3 498	13 670	308	72 485	18.26	87
5	18 426	5 482	674	1 722	7 173	334	33 811	8.52	96
6	5 481	1 595	27	248	998	300	8 649	2.18	98
7	2 925	1 034	53	191	807	5	5 015	1.26	99
8	396	343	10	119	104	12	984	0.25	99
9	230	21	-	52	97	-	400	0.10	99
Defaults	518	444	64	478	692	86	2 282	0.57	100
Total	**223 180**	**74 615**	**18 718**	**9 408**	**56 953**	**14 087**	**396 961**	**100**	

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

	Exposure	Collateral				
Risk class		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
Total	**436 694**	**144 462**	**205 371**	**15 130**	**15 837**	**55 894**

Specification – Loans to the public – Property management, risk class and type of collateral 2011
SEK m

	Exposure	Collateral				
Risk class		Multi-family dwellings/ residential property	Commercial property	Guarantee from government or municipality	Other collateral	Unsecured
1	23 420	11 566	5 343	3 180	497	2 834
2	96 204	25 449	39 066	7 664	826	23 199
3	153 711	48 558	70 837	4 957	6 043	23 316
4	72 485	20 790	37 830	924	5 271	7 670
5	33 811	11 639	16 979	438	1 577	3 178
6	8 649	2 787	2 866	26	466	2 504
7	5 015	1 936	2 193	50	180	656
8	984	450	426	0	3	105
9	400	175	134	4	3	84
Defaults	2 282	859	913	3	98	409
Total	**396 961**	**124 209**	**176 587**	**17 246**	**14 964**	**63 955**

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 statutory and economic capital (EC), counterparty exposures are taken into account based on the exposure amounts stipulated by the capital adequacy regulations. These credit exposures are then treated in the same way as other credit exposures when calculating statutory capital and when calculating EC for credit risks. In addition to derivatives, the capital adequacy regulations treat both repurchase transactions and equity loans as counterparty risks. When calculating EC, these transaction types are treated in the same way. The Bank applies the mark to market method to calculate the exposure amount for counterparty risks for capital adequacy purposes.

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

The collateral for these transactions is mainly cash, but government securities are also used. Due to the high proportion of cash, the concentration risks in the collateral are limited. A limited number of the collateral agreements entered into by the Bank include terms and conditions concerning rating-based threshold amounts for Handelsbanken. These conditions mean that the Bank must provide further collateral for the counterparty in question, in the event of the Bank's rating 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 144 million (153).

The Bank holds a portfolio of credit derivatives (credit default swaps) which are classed as trading book. The value of purchased protection is SEK 1.1 billion (1.7) and the value of sold protection is SEK 1 billion (1.2).

According to the Basel III regulations, a new capital requirement will be applied to counterparty risk exposures. 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 current regulations, the banks hold capital for the default risk, but not for the valuation adjustment risk. Implementation of these rules in Sweden is expected to take place 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 would increase the capital requirement for counterparty risk by approximately SEK 1.4 billion. Handelsbanken will strive to reduce this effect through, for example, changes to contract structure and collateral as well as greater use of clearing.

Payment risk

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

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	2012	2011
Positive gross market value for derivative contracts	108 872	140 312
Netting gains	78 450	102 723
Current set-off exposure	30 422	37 588
Collateral	11 843	14 384
Net credit exposure for derivatives	18 579	23 204

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
Total	**30 422**	**25 376**	**55 799**	**11 911**	**952**

Counterparty risks in derivative contracts including potential future exposure 2011

SEK m	Current set-off exposure	Potential future exposure	Total credit exposure for derivatives/EAD	Risk-weighted amount	Capital requirement
Sovereign exposures	5 952	2 098	8 051	4	0
Institutional exposures	15 794	23 555	39 349	6 668	533
Corporate exposures	15 722	5 360	21 082	6 860	549
Other	120	126	245	184	15
Total	**37 588**	**31 139**	**68 727**	**13 716**	**1 097**

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 items at fair value.

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 and the funding can also have a different maturity than the assets which are to be funded. Central Treasury also 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 also secures the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve.

Market risks also arise to meet customers' demand for financial instruments with exposure to the fixed income, currency, equity or commodities markets. To meet this demand, it may be necessary for the Bank to have certain holdings. This situation arises for example when the Bank has 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.

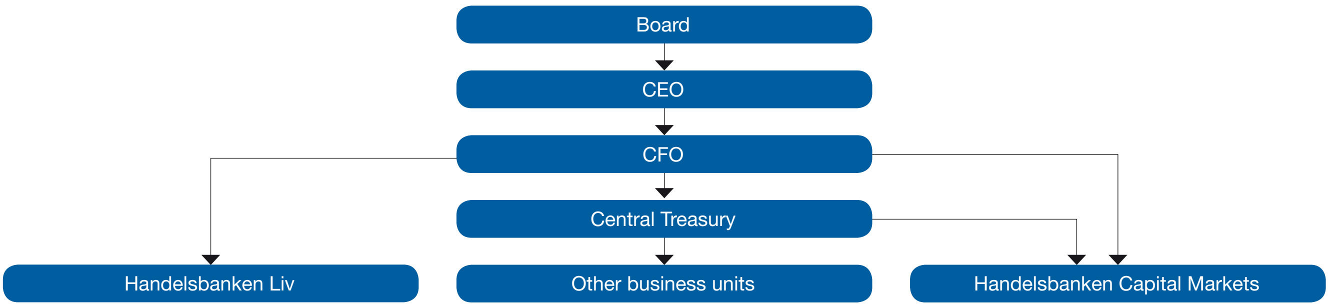
The Bank's limit system restricts the size of an exposure to the market. The measuring methods and limits for market risks are established by the Board. The limits for interest rate, currency and liquidity risk are allocated by the Group Chief Executive and the CFO to the Head of Central Treasury, who in turn allocates these to the business-operating units. The Head of Central Treasury has overall responsibility for managing interest rate, currency and liquidity risks. The Group Chief Executive and the CFO also decide on supplementary risk measures, limits and detailed guidelines. The supplementary limit measures aim to reduce total sensitivity to volatility changes in the financial markets and the liquidity risk per currency. These measures also limit the risks from a maturity perspective. The CFO, Group Chief Executive and Board continually receive reports on the market risks and utilisation of the limits.

Market risks in the Bank's business operations mainly arise at 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 in several ways in the Group. 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.

Decision levels and monitoring of market risk



VaR for trading book, Handelsbanken Capital Markets and Central Treasury

	Total		Equities		Fixed income		Currency		Commodities	
SEK m	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Average	15	22	2	4	15	23	3	5	1	2
Maximum	26	47	5	11	31	46	8	12	7	5
Minimum	7	8	0	2	8	8	1	1	0	1
Year-end	11	16	2	2	11	12	4	4	1	3

Risk at Handelsbanken measured as VaR

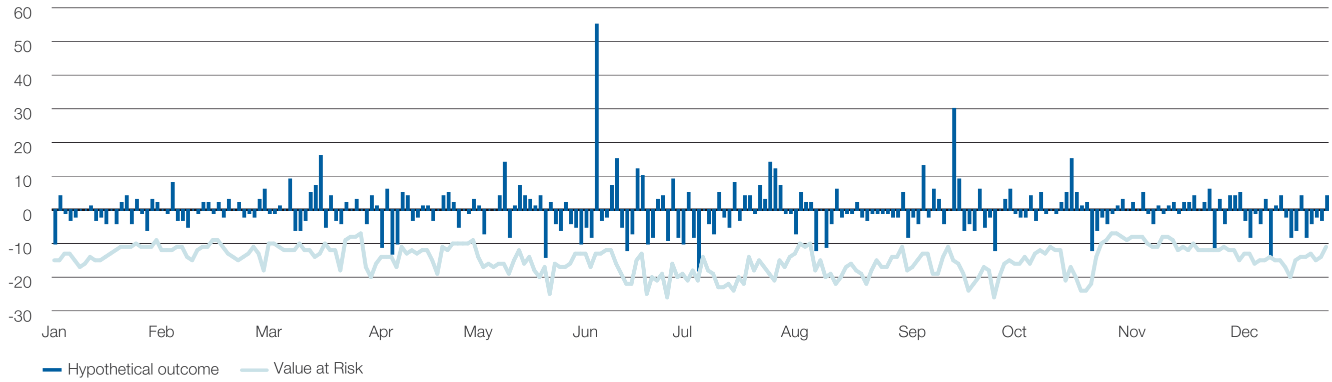
For the portfolios classified as the trading book at Handelsbanken Capital Markets and Central Treasury, VaR is calculated for the individual risk classes and at portfolio level with a 99 per cent confidence level and a one-day holding period.

Since VaR is based on model assumptions, it is important to continually verify the effectiveness of the model. For that reason VaR is regularly evaluated using back testing. These tests verify the number of days when the 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 2012, 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 during the period 1994–2012. The results of these stress tests are reported to the Group Chief Executive, CFO and the Board on a regular basis.

VaR and hypothetical outcome for trading book 2012, Handelsbanken Capital Markets and Central Treasury



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

SEK m	2012
Average	38
Maximum	70
Minimum	18
Year-end	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 maturities than the funding. In bond funding, the reverse may also apply, i.e. that the interest-fixing period on the bonds is longer than the interest-fixing period for the lending that the bonds are funding. 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 measurements, 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 -701 million (-707). Most of this risk is a Swedish kronor risk which, together with other home market currencies and an interest rate risk in US dollars, accounts for 99 (98) per cent of the total interest rate risk. This risk measure includes both interest-bearing items at market value and not at market value, and it is therefore not appropriate to assess the effects on the balance sheet and income statement. 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.

Specific interest rate risk is measured and limits set using sensitivity to changes in credit spreads. It is measured and limited on the basis of different rating classes and is calculated as a market value change for the worst outcome in the case of a parallel shift in the credit spreads of +/- one basis point, i.e. the difference between the interest on the current holding and the yield on a government bond with the same maturity. This is performed for each individual counterparty. The total specific interest rate risk at the year-end was approximately SEK 8 million (7).

Interest rate adjustment periods for the Group's assets and liabilities 2012

SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
Assets						
Loans	1 169 895	72 208	98 827	315 171	24 378	1 680 479
Banks and other financial institutions	324 508	1 171	95	279	-	326 053
Bonds etc.	17 561	2 898	955	73 202	8 383	102 999
Total assets	**1 511 964**	**76 277**	**99 877**	**388 652**	**32 761**	**2 109 531**
Liabilities						
Deposits	662 987	4 199	3 154	3 208	8 676	682 224
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
Total liabilities	**1 246 362**	**115 746**	**120 366**	**461 445**	**98 780**	**2 042 699**
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	58 591	-62 238	2 626	84 311	-15 629	67 661

The table shows the interest rate adjustment periods for the Group's interest-rate related assets and liabilities as at 31 December 2012, reported by the trade date. Non-interest-bearing assets and liabilities have been excluded.

Interest rate adjustment periods for the Group's assets and liabilities 2011

SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
Assets						
Loans	1 139 004	68 984	64 711	288 507	29 990	1 591 196
Banks and other financial institutions	480 062	1 860	552	328	-	482 802
Bonds etc.	25 845	6 586	3 613	27 730	19 030	82 804
Total assets	**1 644 911**	**77 430**	**68 876**	**316 565**	**49 020**	**2 156 802**
Liabilities						
Deposits	717 601	3 673	1 957	1 648	8	724 887
Banks and other financial institutions	191 572	3 787	1 799	122	5 126	202 406
Issued securities	548 250	33 428	106 495	434 992	52 227	1 175 392
Other liabilities	198	1 689	176	13 937	1 383	17 383
Total liabilities	**1 457 621**	**42 577**	**110 427**	**450 699**	**58 744**	**2 120 068**
Off-balance-sheet items	-149 235	-29 084	28 393	179 827	3 807	33 708
Difference between assets and liabilities including off-balance-sheet items	38 055	5 769	-13 158	45 693	-5 917	70 442

The table shows the interest rate adjustment periods for the Group's interest-rate related assets and liabilities as at 31 December 2011, reported by the trade date. Non-interest-bearing assets and liabilities have been excluded.

Equity price risk

The Bank's equity price risk 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 set by the Bank's Board. The Bank limits and measures the equity price risk at Handelsbanken Capital Markets using matrices. The advantage of this method is that it effectively identifies equity price risk including the non-linear risk. VaR as well as other risk measures and stress scenarios are used as a complement 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. Unlisted shares are measured at fair value using valuation models. The choice of model is determined by what is deemed appropriate for each individual share. For unlisted shares 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. For example, there are cases where the shareholders' meeting decides the value at which the transfer will be made.

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

Exchange rate risk

The Bank has home markets outside Sweden and operations in several other countries. Indirect currency exposure of a structural nature therefore arises, because the Group's accounts are expressed in Swedish kronor. The structural risk is minimised by matching assets and liabilities in the same currency as far as possible. The exchange rate movements that affect the Bank's equity are stated in note G41 on page 130.

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 has set VaR limits for exchange rate risk. At year-end, VaR was SEK 2 million (3). 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 has allocated position limits for these exposures. At year-end, the aggregate net position amounted to SEK 293 million (198). The exchange rate risk in the Bank does not thus depend on trends for an individual currency or group of currencies, because the positions are very short and arise in management of customer-driven flows. The total exchange rate risk was SEK -18 million (-44), measured as the impact on the Bank's earnings of an instantaneous 5 per cent change of the Swedish krona. The sensitivity to a change of the krona against any individual currency did not exceed the total exchange rate risk.

Commodity price risk

Exposure in commodity-related instruments occurs as a result of customer-based trading in the international commodity markets. The commodity price risk is only a small part of the Bank's total market risk. Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Commodity risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At the year-end, the commodity price risk was SEK -20 million (-26), measured as the maximum loss on price changes of 20 per cent in underlying commodities and a 35 per cent change in volatility.

Exchange rate sensitivity
(worst outcome +/- 5% change SEK against the respective currency)

SEK m	2012	2011
DKK	0	0
EUR	-8	-14
GBP	-3	-9
NOK	-8	-5
USD	-9	-9
Other currencies	-24	-7

Equity exposures outside the trading book

SEK m	2012	2011
Classified as available for sale	5 205	4 343
of which listed	*4 176*	*3 388*
of which unlisted	*1 029*	*955*
Classified as available for sale	5 205	4 343
of which business-related	*546*	*565*
of which other holdings	*4 659*	*3 778*
Fair value reserve at beginning of year	134	1 242
Unrealised market value change value during the year for remaining and new holdings	661	-1 192
Realised due to sale and settlements during the period	1	84
Fair value reserve at end of year	796	134
Included in tier 2 capital	797	133

Equity price risk
SEK m

	Change in volatility					
	2012			2011		
Change in equity price	-25%	0%	25%	-25%	0%	25%
10%	514	511	507	442	442	444
-10%	-525	-518	-509	-451	-429	-411

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 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 good liquidity reserves. 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, however, is that illiquid assets are not funded with short-term liabilities. Remaining parts of the balance sheet comprise 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.

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 among 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 below contain covered bonds in Swedish kronor. Bonds and certificates are issued under these programmes in the Bank's and Stadshypotek's names. The funding programmes ensure well-diversified access to funding in terms of different currencies, the number of investors and geographic distribution.

An important part of sound liquidity management consists of maintaining significant volumes of unutilised collateral that can be used in the event of disruptions in the financial markets. The Bank therefore maintains significant volumes of non-encumbered assets that can be used as collateral when issuing covered bonds and securities with a high credit rating and liquidity. 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 with collateral for their loans or who invest in covered bonds. The Bank therefore aims to achieve a sound balance between issuing non-covered bonds and covered bonds. Stadshypotek can issue in most currencies, and collateral pools are available in Sweden and Norway. The diversification creates cost efficiency in the funding, because the Bank has an opportunity of utilising the sources of funding that involve the lowest costs at that particular time.

Encumbered assets and cover pools

The adjoining table shows the Bank's assts split into encumbered assets and non-encumbered assets.

Most of the encumbered assets consist of Stadshypotek's cover pool, which comprises 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. Handelsbanken's average LTV in the Swedish pool is very low and was 47 per cent at the year-end. This shows that the pool can manage large falls in the price of underlying property assets before more mortgage loans must be added to the pool.

As presented in the section on Asset encumbrance on page 39 of the publication Pillar 3 2012, it is not primarily the volume of encumbered assets which is relevant when assessing the degree of subordination for the Bank's investors. The relevant factors are volume and the quality of the non-encumbered assets and to what extent these cover the non-secured debt.

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. As shown in the table, other 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 207 per cent of the outstanding volume of non-secured funding. The conclusion is therefore that Handelsbanken's use of covered bonds does not result in a level of encumbrance which jeopardises the security of non-secured lenders to the Bank.

Pricing 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, also demand higher compensation for the maturity. This must be taken into account in the Bank's 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. 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. Already in 2007, the Bank decided to continue regular issuing of long-term bonds – despite the higher prices for funding as a result of increased credit spreads. At the same time, the internal pricing system was developed to set prices at contract level for the underlying liquidity risk that the agreements give rise to, and at market price for the applicable maturity. The system was fully implemented in 2010.

Organisation

In an otherwise totally decentralised business model, all funding and liquidity risk management are centralised to Central Treasury. The

Handelsbanken's 5-year CDS spread compared with ITRAXX Financial 2007–2012

Source: Ecowin, Bloomberg

ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

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 liquidity risk and maturity, and expanded market reporting.

Central Treasury is 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 ensures intra-day liquidity through good control over the Bank's accounts and close cooperation with the Bank's business-operating units and their liquidity needs.

The Bank ensures liquidity through collateral in Sweden's central bank (the Riksbank), via the Scandinavian cashpool and in the collaborative work and central banks where it is also required to support the Bank's core business. The Bank participates in the Continuous Linked

Funding programmes/limits as of 31 December 2012

Programme	Programme size	Currency	Unutilised amount, current programme	Countervalue SEK m
ECP[1]	5 000	EUR	2 080	17 892
ECP (Stadshypotek)[1]	4 000	EUR	2 421	20 825
French Certificates of Deposit	5 000	EUR	2 107	18 124
EMTCN (Stadshypotek)[1]	20 000	EUR	7 060	60 728
MTN[1]	100 000	SEK	69 794	69 794
Swedish Commercial Paper	25 000	SEK	21 930	21 930
Swedish Commercial Paper (Stadshypotek)	90 000	SEK	87 070	87 070
EMTN[1]	50 000	USD	28 134	182 969
Other funding > 1 yr[1]	15 000	USD	12 960	84 285
USCP	15 000	USD	6 645	43 216
Extendible Notes	15 000	USD	14 230	92 545
US 144A / 3(a)(2)	15 000	USD	9 650	62 759
Stadshypotek US 144A	15 000	USD	11 900	77 392
Stadshypotek AUD Covered Bond Programme	5 000	AUD	4 250	28 688
Total				**868 217**

Total programme amount, SEK m	1 354 148
Unutilised amount, SEK m	868 217
Remaining to utilise, %	**64%**

[1] 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.

Encumbered assets and other pledged collateral 2012 SEK bn	Exposure on balance sheet
Loans to the public	560
Assets for insurance policyholders	79
Government instruments and Bonds	56
Cash, equities and securities loans	7
Total	**702**
Pledged without underlying claim[1]	51

Non-encumbered/non-pledged assets 2012 SEK bn	NEA[2]	Acc. prop. of non-secured funding, %[3]
Cash and balances with central banks	246	31
Liquid bonds in liquidity portfolio	114	45
Loans to households	**349**	
of which mortgage loans	*225*	*74*
of which loans secured by property mortgage	*17*	*76*
of which other household lending	*107*	*90*
Loans to companies	**687**	
of which mortgage loans	*67*	*98*
of which loans to housing co-operative associations excl mortgage loans	*23*	*101*
of which loans to property companies excl mortgage loans		
- risk class 1–3	*196*	*126*
- risk class 4–5	*79*	*136*
- risk class >5	*12*	*137*
of which other corporate lending		
- risk class 1–3	*194*	*162*
- risk class 4–5	*91*	*173*
- risk class >5	*25*	*176*
Loans to credit institutions	**88**	
- risk class 1–3	*86*	*187*
- risk class >3	*2*	*187*
Other lending	**33**	**192**
Other assets	118	206
Total	**1 635**	**207**

[1] Over-collateralisation in cover pool (OC).
[2] NEA: Non-encumbered assets.
[3] Issued short and long non-secured funding and due to credit institutions.

Cover pool data, Sweden SEK m	31 Dec 2012	31 Dec 2011
Stadshypotek total lending, public in Sweden	780 770	752 258
Available assets for cover pool	691 596	673 080
Utilised assets in cover pool	596 128	584 238
Maximum LTV, weighted average ASCB definition	47.4	48.5
Volume-weighted LTV (LTV-mid)	23.7	23.8
LTV, distribution		
0–10%	26.6	28.8
10–20%	21.9	21.5
20–30%	17.7	17.4
30–40%	14.1	13.9
40–50%	11	10.7
50–60%	8.3	7.3
60–70%	0.3	0.3
70–75%	0.1	0.1
Loan amount, weighted average, SEK	544 800	519 200
Loan term, weighted average, no. of months	38	37
Interest fixing periods, distribution		
Floating rate (3 months) %	34	49
Fixed rate (> 3 months) %	66	51

Settlement (CLS) and various local payment collaborations. The Bank is also working actively to meet future requirements for monitoring and reporting intra-day liquidity as proposed by the Basel Committee.

Composition of funding

The Bank used all funding programmes during the year. Handelsbanken was the first Nordic bank to issue covered bonds in Australian dollars and during the year, the Bank issued both 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. A total of SEK 239 billion (214) was issued in long-term funding during the year, and at the year-end, the Bank had prefinanced all bonds maturing in 2013.

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 750 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. 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. The gap analysis is supplemented by scenario tests, in which the effect on liquidity is stressed and analysed using various assumptions. These stress tests are performed at Group level and individually for the currencies that are important to the Bank. 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 a risk ratio called the Liquidity Coverage Ratio (LCR). The LCR is an external reporting requirement and is not part of the Bank's steering model. The ratio is not defined in exactly the same way in the Basel Committee's proposal and in the liquidity coverage ratio decided on by the Swedish Financial Supervisory Authority. Handelsbanken reports its data according to the Swedish Financial Supervisory Authority's definition. 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 was 136 per cent, which shows that the Bank has large resistance to short-term disruptions on the funding markets. This also applies in US dollars and euros.

Continuous stress testing of cash flows based on certain assumptions is used to test

Holdings with central banks and banks, and securities holdings in the liquidity reserve 31 December 2012, market value

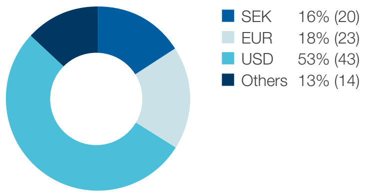
SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	1 398	77 217	148 312	19 167	246 094
Balances with other banks and National Debt Office, overnight[1]	12 790	313	734	3 451	17 288
Government-issued securities	20 463	3 830	10 939	218	35 450
Securities issued by municipalities 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	-	-	-	-	0
Total	**98 661**	**85 505**	**166 328**	**26 455**	**376 949**

[1] From 31 December 2012 repos are reported on the respective securities line.

Holdings with central banks and banks, and securities holdings in the liquidity reserve 31 December 2011, market value

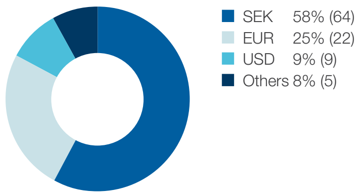
SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	14 471	87 123	239 394	34 763	375 751
Balances with other banks, overnight (incl. repos)	17 635	445	219	3 814	22 113
Government-issued securities	23 316	4 168	2 695	2	30 181
Securities issued by municipalities and other public entities	797	-	-	-	797
Covered bonds	30 585	1 956	153	-	32 694
Own covered bonds	6 260	-	-	-	6 260
Securities issued by non-financial companies	-	997	125	-	1 122
Securities issued by financial companies (excl. covered bonds)	5 309	1 050	5 165	-	11 524
Other securities	-	-	-	-	-
Total	**98 373**	**95 739**	**247 751**	**38 579**	**480 442**

Short-term funding per currency



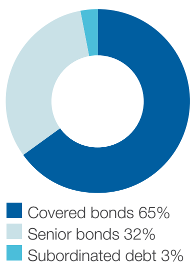
Refers to the currency distribution as at 31 December 2012 for issued securities and financing from credit institutions with a residual maturity of less than one year.

Long-term funding per currency



Refers to the currency distribution as at 31 December 2012 for issued securities and financing from credit institutions with a residual maturity of more than one year.

Long-term funding per instrument



Refers to distribution per instrument as at 31 December 2012 for issued securities with residual time to maturity of more than one year.

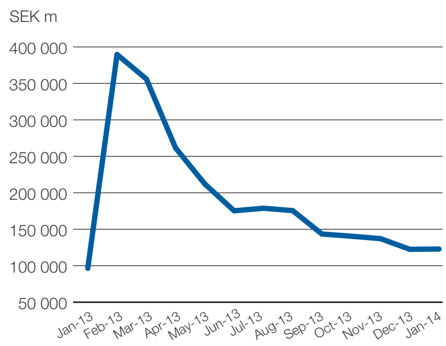
resistance to more long-term disruptions in the market. For example, it is assumed that the Bank cannot obtain funding in the financial markets at the same time as 10 per cent of deposits from households and companies disappear gradually over the course of a month. It is further assumed that the Bank 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 long-term disruptions in the funding market.

The maturity analysis shows undiscounted cash flows for the contracted payment commitments that are due for payment at the latest within the stated time intervals, including interest flows. The below table shows holdings of bonds and other interest-bearing instruments in the time interval in which they can be converted into liquidity if they are provided as collateral or sold. This means that the table does not reflect the actual maturities for the instruments included. Assets, liabilities and interest flows are also shown 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.

Maturities in US dollars

In the financial turbulence of recent years, Nordic banks' need for market funding has been in the spotlight – and above all, the need for funding and the ability to obtain funding in US dollars. The starting point of the debate was that the Nordic central banks have limited opportunities of providing the Nordic bank system with liquidity in US dollars. In the event of a liquidity crisis, the Nordic banks would encounter problems when trying to cover their needs in US dollars. Handelsbanken is preparing for such a potential scenario by having reserves in all currencies that are relevant to the Bank and continuity planning that does not presume that the markets for currency transactions are open. The Bank's funding in US dollars exceeds the Bank's need for funding in US dollars. In addition, the maturity structure of the assets and liabilities minimise the liquidity risk in the US dollar balance sheet.

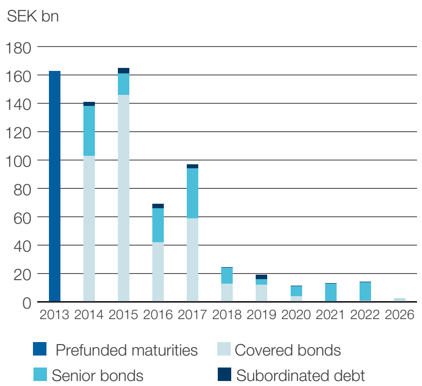
Liquidity stress test including liquidity-creating measures – cumulative liquidity position



Liquidity coverage ratio (LCR) 31 December 2012, %	
EUR	301
USD	174
Total	136

Calculated according to the Swedish Financial Supervisory Authority's directive 2012:6 which came into force on 1 January 2013.

Maturity profile long-term funding



Refers to issued securities as at 31 December 2012 with an original maturity exceeding one year.

Liquidity coverage ratio (LCR) - decomposition, 31 December 2012, SEK m	
Liquid assets	**210 299**
Liquid assets level 1	161 442
Liquid assets level 2	48 857
Cash outflows	**402 356**
Deposits	149 860
Market funding	207 681
Other cash outflows	44 815
Cash inflows	**247 176**
Inflows from maturing lending to non-financial customers	26 122
Other cash inflows	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.

Maturity analysis for financial assets and liabilities, 2012 SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Unspecified maturity	Total
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
of which reverse repos	*59 257*	-	-	-	-	*59 257*
Loans to the public	246 870	221 126	349 089	938 782	15 777	1 771 644
of which reverse repos	*33 800*	-	-	-	-	*33 800*
Total	**681 936**	**221 818**	**350 031**	**942 736**	**33 250**	**2 229 771**
Due to credit institutions	132 664	6 235	454	17 225	33 683	190 261
of which repos	*2 394*	-	-	-	-	*2 394*
Deposits and borrowing from the public	129 799	23 471	5 562	11 124	515 826	685 782
of which repos	*12 295*	-	-	-	-	*12 295*
Issued secutities	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
Total	**599 516**	**311 037**	**573 348**	**125 280**	**550 059**	**2 159 240**
Off-balance-sheet items						
Financial guarantees and unutilised commitments	393 087					

Derivatives 2012 SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
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
Net	**-2 117**	**5 293**	**10 943**	**737**	**14 856**

Maturity analysis for financial assets and liabilities, 2011 SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	375 996	-	-	-	-	375 996
Bonds and other interest-bearing securities	106 054	-	-	-	-	106 054
Loans to credit institutions	104 245	1 972	962	633	-	107 812
of which reverse repos	*60 492*	-	-	-	-	*60 492*
Loans to the public	230 622	104 035	222 818	1 135 339	-	1 692 814
of which reverse repos	*14 023*	-	-	-	-	*14 023*
Total	**816 917**	**106 007**	**223 780**	**1 135 972**	**-**	**2 282 676**
Due to credit institutions	178 503	6 572	2 828	22 100	-	210 003
of which repos	*4 056*	-	-	-	-	*4 056*
Deposits and borrowing from the public	188 899	29 291	5 483	5 490	495 725	724 888
of which repos	*8 003*	-	-	-	-	*8 003*
Issued secutities	439 973	212 333	527 827	56 565	-	1 236 698
Other trading liabilities	17 748	-	-	-	-	17 748
Subordinated liabilities	9 510	6 836	16 877	6 764	-	39 987
Total	**834 633**	**255 032**	**553 015**	**90 919**	**495 725**	**2 229 324**
Off-balance-sheet items						
Financial guarantees and unutilised commitments	415 842					

Derivatives 2011 SEK m	Up to 3 mths	3-12 mths	1–5 yrs	Over 5 yrs	Total
Total derivatives inflow	770 596	511 375	663 685	177 428	2 123 084
Total derivatives outflow	763 194	509 166	650 092	177 830	2 100 282
Net	**7 402**	**2 209**	**13 593**	**-402**	**22 802**

Maturities for assets and liabilities USD, 2012[1] SEK m	Up to 3 mths	3-12 mths	1–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	148 320	-	-	-	-	148 320
Bonds and other interest bearing securities	16 978	-	-	-	-	16 978
Loans to credit institutions	57 660	319	420	2 423	-	60 822
Loans to the public	5 515	1 742	15 944	4 279	8	27 488
Other, including derivatives	131 535	26 994	25 794	11 943	-	196 266
Total assets	**360 008**	**29 055**	**42 158**	**18 645**	**8**	**449 874**
Due to credit institutions	63 566	724	32	0	2 116	66 438
Deposits and borrowing from the public	60 563	159	-	-	12 081	72 803
Issued secutities	199 422	58 008	36 385	16 813	-	310 628
Subordinated liabilities	-	-	186	-	-	186
Total liabilities	**323 551**	**58 891**	**36 603**	**16 813**	**14 197**	**450 055**

[1] The table excludes interest flows.

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 directives of the Swedish Financial Supervisory Authority.

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, traffic light situation and cover of liabilities are followed up 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 995 million (857).

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.

Handelsbanken Liv has a low risk tolerance. The goal of the asset management is to secure the company's obligations to the policyholders while maintaining low management costs.

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, for example, 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 55 million. Most of Handelsbanken Liv's insurance policies with mortality risk are 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 2012 is SEK 65 million, where SEK 59 million is attributable to sickness cases reported during the year, SEK 3 million to existing sickness cases which are being closed and the remaining SEK 3 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, Group Chief Executive and Board.

Solvency II

The implementation of the Solvency II regulations has been further delayed and it is currently unclear when the directive will be fully implemented and implemented in Swedish law. However, parts of the regulations will be introduced in the regulatory authorities' practical supervision as of 1 January 2014. The legislator's aim is to strengthen protection for policyholders by linking the solvency requirement more clearly to how insurance companies identify, measure and manage all risks that occur in the companies such as market, insurance, credit and operational risk. During the last few years, Handelsbanken Liv has worked on adapting the operations to Solvency II, and this will continue during 2013.

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-up of operational risk through the organisation for risk control. Operational risks which may lead to the most serious consequence are the subject of special attention. Internal Audit's examination of the operations also focuses on operational risk.

The responsibility for the management of operational risks is distributed between operations, local risk control and Central Risk Control. The business operations are responsible for the regular identification and management of risks. Local risk control is responsible for ensuring that existing methods and procedures for managing operational risks are used in the business operations, and for evaluation of operational risk management. They are also responsible for implementation and follow-up of proactive measures. Central Risk Control is responsible for the procedures that are used to identify, steer, control and report operational risks, and for follow-up at overall Group level.

Operational risk exists in all operations within Handelsbanken, and the responsibility for the day-to-day identification, management and control of risk is a clear, integrated part of managerial responsibility at all levels of the operations. The Bank's decentralised method of work promotes cost-consciousness that results in vigilance against potential loss risk in daily procedures and events. By focusing on good administrative order and possible proactive measures, all parts of the operations keep their risks at an acceptable level.

Operational risks are included in internal instructions issued by managers with function responsibility, where account is taken of whether the division of work and responsibilities, the control structure of procedures, and information and reporting systems are fit for purpose. Rules and procedures are assessed annually and the internal control of procedures and business flows is documented. The manager of each unit also conducts annual security reviews with their staff, including internal control, information security, bank confidentiality and other security measures.

Apart from the responsibility for operational risk borne by the managers, there are officers with special responsibility for information security and Group security who report directly to the Group Chief Executive.

Local risk control functions with staff responsible for operational risk are in place at regional banks, main departments, subsidiaries and units outside the Bank's home markets. They are responsible for ensuring that existing methods to manage operational risk are used and they work proactively to identify operational risks and to monitor that appropriate measures to reduce the risks are taken and completed. They also check that operational risk management is correctly conducted.

Central Risk Control has the overall responsibility for the methods used for identifying and quantifying operational risk. Central Risk Control is also responsible for analysing and reporting the Group's operational risk to the management and Board, and for monitoring the measures taken to reduce the operational risks. To achieve and maintain good quality in this management, Central Risk Control and the local risk control functions cooperate closely and on a regular basis. Operational risks are reported to the Board every six months. Ahead of this report, Central Risk Control obtains information from heads of regional banks, main departments, subsidiaries and Handelsbanken International. The information covers significant events, major losses and important proactive measures which are in progress. Central Risk Control supplements this with an aggregated risk assessment at Group level. When major external events affect other financial institutions, the report can be supplemented with information concerning internal investigations or proactive measures within the Bank. The whole report is presented to the CFO, Group Chief Executive and Board.

The Bank 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.

As an aid to continual identification, handling and assessment of operational risks, the Bank has a self-assessment procedure, a reporting and case management system for incidents and risk indicators.

In order to capture the operational risks that are not identified and managed in regular procedures, internal control or when approving new products, all regional banks, main departments, subsidiaries and international units outside the Bank's home markets perform an annual self-assessment of operational risks called OPRA Risk Analysis. The local risk control function is responsible for carrying out an OPRA analysis every year. Central Risk Control provides support for the planning and implementation. Units with more complex operations divide the self-assessment procedure into several sessions. Normally, around 5–8 experienced employees who have a good overview of the unit's operations and risks participate in the sessions. The aim is to identify risks and assess the consequence and likelihood of the event occurring. The assessment of the impact includes both financial losses and lost reputation. Important input includes facts and statistics from incidents reported during the previous year together with incidents that have affected other parts of the Group or other banks and companies. The self-assessment procedure results in an action plan stating the risks to be reduced, how this will be done, who is responsible and time limits for when measures are to be taken. The action plan is a working document that is regularly followed up during the year by local risk control. To confirm that the assessment procedure has been completed, Central Risk Control is informed about the completed OPRA analysis, including the action plan. The action plan is also used in Central Risk Control's follow-up of proactive measures taken by the local risk control function.

An incident is an event that is covered by one of the seven Basel II types of event that cover operational risk. All employees throughout the Handelsbanken Group have a duty to report incidents that affect their units. A loss in excess of SEK 25,000 is always an incident. Incidents reported are reviewed and categorised on a regular basis by the local risk control function. The work also includes following up and initiating any proactive measures. This is done in close collaboration with the affected departments and branches. Local compliance is also authorised to monitor incidents reported in the regional bank, main department, subsidiary or international unit in question. In addition to Central Risk Control, the central departments of Group Security, Internal Audit, Information Security and Compliance have access to the database and can follow all incidents reported at Group level. This facilitates collaboration concerning management of risks and proactive measures.

There are emergency and continuity plans in place in all parts of the Group for dealing with serious disruptions. The emergency plans help the crisis team to quickly and systematically start to deal with a crisis situation and its effects. There is a central crisis team for the whole Group, and a local crisis team within each regional bank and international unit outside the Bank's home markets and also at the Central IT Department and Handelsbanken Capital Markets. The central crisis team has permanent staff consisting of members of management and/or those close to them. The central crisis team functions as a liaison crisis team in the event of a major crisis in the Group, supports any local crisis team(s) working with an acute crisis and functions as a crisis team for the main central departments. Continuity planning focuses on taking preventive measures to minimise the consequences of a serious disruption of business operations.

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

The total capital requirement for operational risks for the whole of the Handelsbanken Group was SEK 4,181 million (4,117) at the end of 2012.

RISKS IN THE COMPENSATION SYSTEM

Compensation risk is the risk of loss or other damage arising due to the compensation system.

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

Compensation for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and a pension provision. At Handelsbanken, salaries are set at the local level. Salaries are set in salary reviews between the employee and 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, namely the nature and level of difficulty of the work, skills, performance and results achieved, leadership (for managers who are responsible for the career development of employees), supply and demand on the market, and the task of ambassador for the Bank's corporate culture.

The Bank has low tolerance of compensation risks and actively strives to keep them at a low level. This is achieved in part by only using variable compensation to a very limited extent and only in the areas where this is market practice. Where variable compensation exists, it is subject to deferred payment.

The Bank's principles for compensation to employees are long established. The principles for the Bank's compensation system are stipulated in the compensation policy which is decided by the Board. More detailed implementation directives are decided by the Group Chief Executive. The responsibility for identifying and managing compensation risks rests with every responsible manager in the operations and is managed according to internal policies, guidelines and instructions. Local risk control regularly monitors that the compensation system is applied as intended. Central Risk Control is responsible for evaluating the risks associated with the compensation policy and the compensation system before the compensation policy is processed and established by the Board. This is done at least once a year. A broad approach is used in the evaluation, and points that must be evaluated include the incentive structure, 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 – which applies both for allocations for variable compensation and for deferred variable compensation which has not yet been paid.

For more detailed information and statistics about the Bank's compensation system, see the Corporate Governance Report and note G8, Staff costs, in the Annual Report.

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 in the event of an extreme shock 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 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 trading risks, the interest rate risk in the banking operations, market risks in the insurance operations and the risk of value losses in the Bank's own share portfolio.

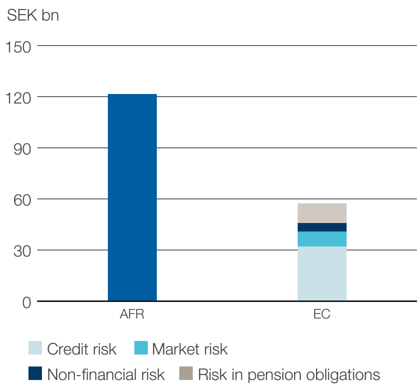
The risk in the pension obligations mainly consists of the risk of a decrease in the values that exist for securing the Bank's pension obligations. Most of the pension obligations are in Sweden and are secured there in a pension foundation and insured in an occupational pension fund.

The non-financial risks are operational risk, business risk, property risk and insurance risk. Business risk is related to unexpected variations in 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 57 billion (56), of which credit risks accounted for the main part of the total risks. The Board stipulates that the AFR/EC ratio should be at least 120 per cent. The AFR/EC ratio was 213 per cent (229) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

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

Total of AFR and EC including diversification, 31 December 2012



CAPITAL PLANNING

Handelsbanken's capital planning aims to ensure that the Group has financial resources available at all times and that the capital is of optimal composition. The capital requirement is a function of the Group's risks, expected development, the regulations and goal figures, 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 Group Chief Executive, 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 capital ratio in Basel II, which is the relevant measurement for management of the Bank according to the present 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 decided when the new regulations have been established.

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

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

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

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

The result of the short-term analysis forms the basis of any capital operations performed and is continually reported to the CFO and, if necessary, to the Group Chief Executive and Board. The analysis is based on a cautious 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 expected performance and judge whether the Bank's resistance is satisfactory in various scenarios. The planning period is at least five years and takes account of the Group's overall business performance trend.

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

The result of the internal capital adequacy assessment is reported quarterly to the Board.

At the end of 2012, the tier 1 capital ratio according to Basel II was 21 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 213 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 in both a financial and statutory perspective.

G3 Net interest income

SEK m	2012	2011
Interest income		
Loans to credit institutions and central banks	2 295	2 375
Loans to the public	59 084	57 336
Interest-bearing securities eligible as collateral with central banks	1 534	3 187
Bonds and other interest-bearing securities	1 967	4 652
Derivative instruments recognised as hedges	-1 198	-1 509
Other interest income	1 498	1 270
Total interest income	**65 180**	**67 311**
Of which interest income reported in net gains/losses on financial items at fair value	2 366	5 751
Interest income according to income statement	**62 814**	**61 560**
Interest expense		
Due to credit institutions and central banks	-2 066	-3 485
Deposits and borrowing from the public	-7 151	-7 387
Issued securities	-25 527	-24 366
Derivative instruments recognised as hedges	1 529	1 603
Subordinated liabilities	-1 359	-1 656
Other interest expense	-4 481	-8 384
Total interest expense	**-39 055**	**-43 675**
Of which interest expense reported in net gains/losses on financial items at fair value	-2 322	-5 728
Interest expense according to income statement	**-36 733**	**-37 947**
Net interest income	**26 081**	**23 613**

Includes interest income on impaired loans SEK118m (136). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 62,655m (61,384). Total interest expense on liabilities recognised at amortised cost was SEK 38,262m (39,550).

G4 Net fee and commission income

SEK m	2012	2011
Brokerage and other securities commissions	1 137	1 400
Mutual funds	1 680	1 639
Custody	348	370
Advisory services	195	212
Insurance	583	647
Payments	2 676	2 568
Loans and deposits	1 195	1 239
Guarantees	466	475
Other	470	426
Total fee and commission income	**8 750**	**8 976**
Securities commissions	-216	-215
Payment commissions	-1 070	-979
Other commission expense	-95	-109
Total fee and commission expense	**-1 381**	**-1 303**
Net fee and commission income	**7 369**	**7 673**

G5 Net gains/losses on financial items at fair value

SEK m	2012	2011
Available for sale, realised	18	100
of which equities	*1*	*111*
of which interest-bearing securities	*17*	*-11*
Hedge accounting		
Fair value hedges	210	-74
of which hedging instruments	*925*	*6 119*
of which hedged items	*-715*	*-6 193*
Cash flow hedge ineffectiveness	-5	-9
Hedge ineffectiveness on net investments in foreign operations	-	-
Instruments measured at fair value		
Loans and receivables	0	69
of which change due to changed interbank rate	*16*	*36*
Interest-bearing securities	732	2 712
Loans and receivables at amortised cost	329	276
Financial liabilities at amortised cost	-226	-66
Gains/losses on unbundled insurance contracts	-18	-8
Trading/Other	80	-1 984
Total	**1 120**	**1 016**

Available for sale
"Available for sale" shows realised gains/losses on financial assets classified as available for sale. Interest on these assets is recognised under net interest income and dividends on the line Other dividend income. During the year, unrealised value changes amounting to SEK 683 million (-1,089) after tax relating to available-for-sale financial assets were recognised in other comprehensive income. 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 -65 million before tax (183). 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."

Instruments measured at fair value
"Instruments measured at fair value" contains unrealised and realised value changes on instruments which upon initial recognition were classified at fair value in the income statement.* 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 -1 million.

Loans and receivables and financial liabilities at amortised cost
"Loans and receivables at amortised cost" are capital gains/losses arising when loans are redeemed ahead of time. "Financial liabilities at amortised cost" contain the capital gains/losses generated from repurchases of the Bank's own issued securities.

Gains/losses on unbundled insurance contracts
"Gains/losses on unbundled insurance contracts" corresponds to the result generated when revaluing the financial component in liabilities for insurance contracts.

Held for trading/other
This item mainly contains unrealised and realised changes in market value and interest referring to financial assets and liabilities held for trading.

* 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	2012	2011
Premiums written	493	512
Insurance claims paid	-382	-399
Change in provisions for unsettled claims	31	49
Other	54	47
Total	**196**	**209**

G7 Other income

SEK m	2012	2011
Rental income	37	33
Other operating income	99	110
Total	**136**	**143**

G8 Staff costs

SEK m	2012	2011
Salaries and fees	-6 926	-6 656
Social security costs	-1 682	-1 632
Pension costs[1]	-661	-273
Provision to profit-sharing foundation	-1 020	-913
Other staff costs	-422	-468
Total	**-10 711**	**-9 942**

[1] The components in the reported pension costs are shown in the Net pension assets table.

Average number of employees	2012	Men	Women	2011	Men	Women
Sweden	7 526	3 475	4 051	7 648	3 520	4 128
Norway	765	405	360	799	435	364
Finland	610	252	358	607	256	351
Denmark	697	353	344	705	354	351
UK	1 031	641	390	837	533	304
Luxembourg	83	54	29	92	53	39
Germany	68	40	28	61	39	22
USA	77	51	26	78	51	27
Netherlands	85	59	26	67	44	23
Singapore	36	8	28	39	11	28
Hong Kong	32	19	13	31	18	13
Poland	48	19	29	64	28	36
Russia	22	6	16	51	13	38
Other countries	112	37	75	105	38	67
Total	**11 192**	**5 419**	**5 773**	**11 184**	**5 393**	**5 791**

Staff costs, business segments SEK m	2012	2011
Branch office operations in Sweden	-3 157	-3 118
Branch office operations outside Sweden	-2 959	-2 766
Capital Markets	-2 255	-2 111
Others	-2 745	-2 632
Adjustments and eliminations	405	685
Total	**-10 711**	**-9 942**

Salaries and fees SEK m	2012	2011
Senior management[2]	-140	-146
Others	-6 786	-6 510
Total	**-6 926**	**-6 656**

Gender distribution	2012		2011	
%	Men	Women	Men	Women
Senior management excl. Board[2]	74	26	78	22
Board	75	25	75	25
Board[2]	77	23	80	20

[2] Including subsidiaries.

EMPLOYEE BENEFITS

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. The Bank takes a long-term view of its staff's employment. Growth in salary and other forms of compensation varies 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, in that the Bank will be able to attract, retain and develop skilled staff, and ensure high-quality competence development and management succession.

Compensation is paid in the form of a fixed salary, customary salary benefits and a pension provision. Salaries are established locally in accordance with the Bank's decentralised method of working and are based on factors known in advance, namely the nature and level of difficulty of the work, skills, performance and results achieved, leadership (for managers who are responsible for the career development of employees), 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 Board of the Bank decides on the final amount for variable compensation. A decision as to where variable compensation is permitted is made by the Group Chief Executive (CEO), under the conditions stated by the Board.

Compensation policy

The principles for the Bank's compensation system are established in a compensation policy established by the Board of the Bank 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 the 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 other members of the Central Group Management and officers with main responsibility for the control functions: Compliance, Internal Audit and Risk Control.

The Bank's compensation policy is reviewed annually, or when required. During the year, Handelsbanken's low risk tolerance has been a factor in the work of drawing up a policy for compensation. The work of producing proposals for the compensation policy, and the risk analysis of variable compensation linked to this work, has been carried out by an internal working group, composed of representatives from Handelsbanken Capital Markets, Central Risk Control, the Central Legal Department, Group Finance, Corporate Governance and Central Personnel. The Bank's compensation policy is based on a risk analysis produced by Central Risk Control.

Variable compensation

At Handelsbanken, variable compensation occurs to a limited extent and only in the Handelsbanken Capital Markets business area. 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 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 the Bank's model for setting salaries and the salary-setting factors stated therein. In addition to the salary-setting factors, operation-specific factors must be taken into account, with particular importance being attached to sound risk-taking, observance of good order and compliance. Variable compensation is only paid in cash.

All employees eligible for variable compensation are in the 'identified staff' category, and are subject to rules regarding deferment of compensation. In cases where variable compensation amounts to or exceeds SEK 100,000, Handelsbanken defers 40 to 60 per cent of the amount. For particularly large amounts of variable compensation, 60 per cent is deferred for four years. According to the Bank's policy, the main rule 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

Total compensation	2012			2011		
SEK m	Executive management[1]	Risk-takers[2]	Others	Executive management[1]	Risk-takers[2]	Others
Earned fixed compensation, SEK m	90	4 546	2 234	95	2 606	3 855
Provision för pensions, SEK m	31	653	321	31	313	463
Earned variable compensation, SEK m	-	101	-	-		100[3]
Total	**121**	**5 300**	**2 555**	**126**	**2 919**	**4 418**
No. of persons with fixed compensation only	18	6 868	4 771	21	4 962	5 761
No. of persons with both fixed and variable compensation	-	305	-	-	84	356
Total number of persons	**18**	**7 173**	**4 771**	**21**	**5 046**	**6 117**
Allocated variable compensation, SEK m	-	100	-	-	17	162
of which deferred	-	*48*	-	-	*9*	-
of which disbursed	-	*52*	-	-	*8*	*162*
No. of persons to whom variable compensation has been allocated	-	221	-	-	18	264
Deferred variable compensation at beginning of year	-	9	-	-	-	-
Allocated and deferred variable compensation during the year	-	48	-	-	9	-
Disbursed during the year	-	-	-	-	-	-
Adjusted during the year	-	-	-	-	-	-
Deferred variable compensation at end of year	**-**	**57**	**-**	**-**	**9**	**-**
Guaranteed variable compensation recognised as an expense in connection with new employment, SEK m	-	23	-	-	0	27
Contracted guaranteed variable compensation recognised as an expense in connection with new employment, SEK m	-	-	-	-	0	30

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 accrued. Allocated variable compensation for the year was earned in its entirety during 2011. 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 122 persons (120) have been recognised as an expense for SEK 74m (63), and have been contracted for SEK 10m (20) for 21 persons (60). The largest individual contracted termination benefit is SEK 1.5m (3.1). During the year, guaranteed variable compensation has been allocated to 18 persons (20).

[1] Executive management corresponds to Group Chief Executive, Executive Vice Presidents and Central Group Management.

[2] Risk-takers correspond to identified staff.

[3] The decision for allocation between Risk-takers and Others was made after the balance sheet date. The entire amount is therefore reported in the Others column.

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 47 of the Corporate Governance Report.

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, EVPs and members of the Central Group Management. For more information about the principles and decision process concerning compensation to senior management, see the Corporate Governance Report on page 46 of the Administration Report.

General

Compensation to senior managers at Handelsbanken is paid in the form of fixed salary, customary benefits such as a company car or similar, and a pension provision. No variable compensation is paid to this group. Nor are there any agreements on termination benefits. The AGM's guidelines for compensation to senior manager state 65 years as the retirement age for new officers.

All information concerning pensions during the year has been calculated in accordance with IAS 19.

The Board's compensation

Board members who are not employees of the Bank have received fees only in accordance with a resolution of the AGM. The fees are presented on pages 52–53. Board members who are employees of the Bank receive remuneration and pension benefits by reason of their employment. No further remuneration or pension benefits are paid for serving on the board.

Terms and compensation for the CEO

In 2012, the Bank's CEO, Pär Boman, received a fixed salary of SEK 10.9 million (10.4). Other salary benefits were SEK 0.4 million (0.7). External fees for serving on the boards of other companies 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 guidelines for insurance disbursement 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. The CEO and other senior managers 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 2012 (relating to 2011), the allocation in Sweden corresponded to SEK 67,552. In 2011, the equivalent amount was SEK 64,906.

Terms for senior management

The lowest pension age for the Central Group Management and EVPs is 60*. They receive a defined-benefit pension of a maximum of 65 per cent of their fixed salary at the time of retirement and receive a pension premium of a maximum of 2 per cent of their fixed salary. The defined-benefit pension includes that which is disbursed from statutory insurance.

For two EVPs, a defined-contribution pension of 35 per cent of the fixed salary instead applies. Statutory insurance is in addition to this.

For senior managers who are not EVPs, pensions are paid from the age of 65, according to collective pension schemes for bank employees. Statutory insurance is in addition to this.

Defined benefit pensions for senior managers 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

* For future Executive Vice Presidents, the retirement age is 65. See also page 47 of the Corporate Governance Report in the Administration Report.

G8 Cont

earned are secured in the Bank's pension foundation or in the Bank's pension fund. For one EVP, pension ceases being earned at the age of 58 years, 6 months.

Compensation for senior management

Claes Norlén, EVP, received compensation and other benefits amounting to SEK 4.5 million (4.3), with SEK 0.1 million (0.1) of this amount being other benefits.

The other 16 (19) senior managers received compensation totalling SEK 74.6 million (72.2), including other benefits amounting to SEK 5.5 million (6.0). Fees from external board assignments that are deemed to be in the interest of the Bank have been delivered to the Bank.

Cost of earned pension rights during the year for senior management in the Group

Cost of earned pension rights during the year for Pär Boman, CEO, were SEK 6.0 million (5.1) in 2012 and for Claes Norlén, EVP, SEK 1.6 million (1.3). Cost of earned pension rights during the year for the other 16 (19) senior managers totalled SEK 23.3 million (24.0).

Compensation for senior management of subsidiaries

Compensation and other benefits to chief executives and EVPs at subsidiaries have been paid in the amount of SEK 37.6 million (34.8), with SEK 2.0 million (2.4) of this sum being other benefits.

Pension obligations for all past and present senior management

As at 31 December 2012, the pension obligations for the CEO were SEK 134.5 million (132.2). As at 31 December 2012, the pension obligations for Claes Norlén, EVP, were SEK 54.6 million (41.7).

Earned pension rights during the year relating to defined-benefit pension and premiums relating to defined-contribution pension plans for the present and previous Boards, CEOs and other senior managers were SEK 36.1 million (31.1) for the Group and SEK 30.8 million (27.2) for the parent company. Pension obligations for the same people are SEK 2,329 million (2,478) in the Group and SEK 2,110 million (2,215) in the parent company. The number of people covered by these obligations in the Group is 76 (79), of whom 44 (40) are pensioners. The corresponding number for the parent company is 57 (54), of whom 39 (30) are pensioners.

Loans to all senior managers

Loans to Board members, CEOs , EVPs and other senior managers in the Group are SEK 291 million (283) at the Bank or other Group companies. The Bank's interest income for loans to the aforementioned staff categories amounts to SEK 7.9 million (4.4). The Bank's interest expense for deposits from the aforementioned staff categories amounts to SEK 9.9 million (1.0).

Senior managers who are employed by the Bank are subject to the same credit terms as other employees. The discount on the interest rate for credits is determined on the basis of the government borrowing rate set annually by the Swedish Tax Authority, plus one percentage point. The discount on the interest rate is taxed in connection with monthly salary payments and constitutes a basis for the Bank's employer's contributions. Interest on credits above SEK 1.5 million is on normal commercial terms. All credits are subject to customary credit assessment.

Net pension assets The following provisions for pension obligations have been made in the balance sheet SEK m	2012	2011
Pension obligations	20 712	19 696
Fair value of plan assets	21 478	18 295
Pension obligations minus plan assets	**-766**	**1 401**
Retained actuarial gains (+)/losses (-)	-3 907	-6 176
Net provisions for pensions	**-4 673**	**-4 775**

The fact that the total of Allocated for pensions is a negative amount means that a pension asset is reported in the balance sheet. If the discount rate would have been based on government bonds, Pension obligations would have amounted to SEK 22,725m. Further information concerning the discount rate can be found in note G1, section 20.

Pension costs SEK m	2012	2011
Service cost	-661	-521
Interest on pension provision	-615	-623
Expected return on plan assets	1 239	1 198
Redemption of pension liability	-	-
Amortisation of retained actuarial gains (+)/losses (-)	-220	-31
Pension costs, defined benefit plans	**-257**	**23**
Costs for early retirement pensions	-	0
Pension costs, funded plans	**-257**	**23**
Pension costs, defined-contribution plans	-342	-286
Payroll tax, tax on return on plan assets and other pension costs	-62	-10
Total pension costs	**-661**	**-273**

Pension obligations, plan assets and provisions for pension obligations and net actuarial gains/losses for the defined-benefit plans have developed as follows. Funds paid to the employer refer to funds paid for the employer's pension costs.

Pension obligations SEK m	2012	2011
Opening balance	19 696	17 212
Service cost	661	521
Interest expense	615	623
Paid benefits	-495	-524
Redemption of pension obligations	-	-
Actuarial gains(-)/losses(+)	246	1 845
Foreign exchange effect	-11	19
Closing balance	**20 712**	**19 696**

Plan assets SEK m	2012	2011
Opening balance	18 295	23 223
Expected return on plan assets	1 239	1 198
Funds contributed by the employer	243	161
Funds paid to employer	-599	-558
Funds paid directly to employees	17	-49
Actuarial gains (+)/ losses (-)	2 293	-5 695
Foreign exchange effect	-10	15
Closing balance	**21 478**	**18 295**

Return on plan assets SEK m	2012	2011
Expected return on plan assets	1 239	1 198
Actuarial gains (+) / losses (-)	2 293	-5 695
Actual return	**3 532**	**-4 497**

Net provisions for pensions SEK m	2012	2011
Opening balance	-4 775	-4 670
Pension costs, defined benefit plans	257	-23
Paid benefits	-472	-457
Funds contributed by the employer	-243	-161
Redeemed pension provision	560	540
Foreign exchange effect	0	-4
Closing balance	**-4 673**	**-4 775**

Net actuarial gains/losses SEK m	2012	2011
Opening balance, actuarial gains (+)/losses (-)	-6 176	1 341
Actuarial gains (-)/losses (+) to be recognised	220	31
Actuarial gains (+)/losses (-), pension obligations	-246	-1 845
Actuarial gains (+)/losses (-), plan assets	2 293	-5 695
Foreign exchange effect	2	-8
Closing balance, actuarial gains (+)/losses (-)	**-3 907**	**-6 176**

The plan assets mainly comprise shares and interest-bearing securities with the following market values on the balance sheet date:

SEK m	2012	2011
Shares and participating interests	17 318	14 510
Interest-bearing securities etc.	4 160	3 785
Total	**21 478**	**18 295**

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 2012.

History SEK m	2012	2011	2010	2009	2008
Pension obligations	20 712	19 696	17 212	16 007	15 529
Fair value of plan assets	21 478	18 295	23 223	17 945	13 332
Pension obligations minus plan assets	**-766**	**1 401**	**-6 011**	**-1 938**	**2 197**
Actuarial gains (+)/losses (-) for the period, pension obligations	-246	-1 845	-911	124	-577
of which experience adjustments	*-328*	*-29*	*-200*	*136*	*22*
of which changed actuarial assumptions	*82*	*-1 815*	*-711*	*-12*	*-599*
Actuarial gains (+)/losses (-) for the period, plan assets	2 293	-5 695	4 618	4 048	-9 209
of which experience adjustments	*2 293*	*-5 690*	*4 618*	*4 048*	*-9 193*
of which changed actuarial assumptions	*0*	*-5*	*0*	*0*	*-16*

Future cash flows SEK m	Outcome 2012	Forecast 2013
Expected pension payments	-495	-565

Defined-benefit pensions are mainly paid to employees in Sweden, Norway and the UK.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10 per cent of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65 per cent and in the interval between 20 and 30 income base amounts, it is 32.5 per cent of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

In Norway, retirement pensions are paid from the age of 67. The amount of the pension is partly dependent on the period of service and the final salary up to 12 base amounts. The retirement pension, including the statutory pension, is expected to be approximately 70 per cent of the final salary up to 12 base amounts.

In the UK, defined-benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined-contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67 per cent of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently GBP 137,400.

Main assumptions	Sweden		Norway		UK	
	2012	2011	2012	2011	2012	2011
Discount rate, %	3.0	3.0	3.8	3.0	4.0	4.7
Expected salary increase, %	3.5	3.5	3.5	4.0	4.6	4.7
Expected rate of return on plan assets, %	7.0	7.0	4.0	4.6	4.0	5.5
Pension indexing, %	2.0	2.0	3.0	0.5	3.0	3.1
Income base amount, %	3.0	3.0	na	na	na	na
Staff turnover, %	3.0	3.0	0–8[1]	0–8[1]	na	na
Expected remaining years of employment	20.0	21.1	15.0	16.0	17.0	17.0

[1] Age-related interval; 8% for the youngest annually, gradually decreasing to 0% for the oldest.

G9 Other expenses

SEK m	2012	2011
Property and premises	-1 232	-1 089
External IT costs	-1 588	-1 533
Communication	-345	-379
Travel and marketing	-392	-423
Purchased services	-1 003	-976
Supplies	-190	-216
Other administrative expenses	-319	-444
Total	**-5 069**	**-5 060**
Of which expenses for operating leases		
Minimum lease fee	*-763*	*-593*
Variable fee	*-20*	*-19*
Total	**-783**	**-612**

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 2012, the cost of the largest individual lease contract was approx. SEK 130m (124). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies	KPMG		Ernst & Young AB	
SEK m	2012	2011	2012	2011
Audit assignment	-11	-11	-3	-2
Audit operations outside the audit assignment	-6	-5	0	-
Tax advice	0	0	-1	0
Other services	0	-1	0	-

Internal audit costs were SEK 129m (122) during the year.

G10 Loan losses

SEK m	2012	2011
Specific provision for individually assessed loans		
The year's provision	-1 460	-1 341
Reversal of previous provisions	344	335
Total	**-1 116**	**-1 006**
Collective provision		
The year's net provision for individually assessed loans	77	29
The year's net provision for homogeneous loans	5	33
Total	**82**	**62**
Off-balance-sheet items		
Losses on off-balance-sheet items	-	14
Reversal of previous losses on off-balance-sheet items	0	-
Change in collective provision for off-balance-sheet items	5	2
Total	**5**	**16**
Write-offs		
Actual loan losses for the year	-1 383	-2 669
Utilised share of previous provisions	975	2 271
Recoveries	186	510
Total	**-222**	**112**
Net loan losses	**-1 251**	**-816**

Impaired loans etc. SEK m	2012	2011
Impaired loans	7 325	6 858
Specific provisions for individually assessed loans	-3 725	-3 680
Provisions for collectively assessed homogeneous groups of loans with limited value	-115	-115
Collective provisions for individually assessed loans	-288	-366
Net impaired loans	**3 197**	**2 697**
Total impaired loans reserve ratio, %	56.4	60.7
Proportion of impaired loans, %	0.18	0.16
Impaired loans reserve ratio excluding collective provisions, %	52.4	55.3
Non-performing loans but not impaired loans	2 563	2 161
Impaired loans reclassified as normal loans during the year	41	344

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 187.

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	-1 473
Reversal of previous provisions	344	77	15	367
Utilised for actual loan losses	975		72	1 047
Foreign exchange effect etc.	96	1	-5	92
Provision at end of year	**-3 725**	**-288**	**-115**	**-4 128**

Change in provision for probable loan losses 2011 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-5 039	-396	-157	-5 592
The year's provision	-1 341	-	-78	-1 421
Reversal of previous provisions	335	29	33	397
Utilised for actual loan losses	2 271		78	2 350
Foreign exchange effect etc.	94	1	9	105
Provision at end of year	**-3 680**	**-366**	**-115**	**-4 161**

Impaired and/or non-performing loans, by sector 2012	Impaired loans				
SEK m	Gross	Provisions	Net[1]	Of which non-performing	Non-performing loans which are not impaired loans
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	-	-	-	-	-
Total	**7 325**	**-3 840**	**3 485**	**2 068**	**2 563**

Impaired and/or non-performing loans, by sector 2011	Impaired loans				
SEK m	Gross	Provisions	Net[1]	Of which non-performing	Non-performing loans which are not impaired loans
Private individuals	1 418	-820	598	495	1 464
Housing co-operative associations	7	-4	3	-	76
Property management	1 275	-410	865	515	296
Manufacturing	933	-497	436	307	51
Retail	497	-305	192	182	59
Hotel and restaurant	173	-120	53	53	29
Passenger and goods transport by sea	202	-202	0	-	-
Other transport and communication	244	-178	66	57	20
Construction	289	-170	119	114	51
Electricity, gas and water	37	-15	22	2	-
Agriculture, hunting and forestry	26	-20	6	5	23
Other services	115	-60	55	45	56
Holding, investment and insurance companies, mutual funds etc.	1 231	-702	529	44	33
Other corporate lending	411	-292	119	100	3
Credit institutions	-	-	-	-	-
Total	**6 858**	**-3 795**	**3 063**	**1 919**	**2 161**

[1] Carrying amount after taking into account specific provisions for individually valued loans and provisions for collectively valued loans but excluding collective provisions for loans which are individually assessed.

G10 Cont

Impaired and/or non-performing loans, geographic distribution 2012 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which non-performing	Non-performing loans which are not impaired loans
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
Rest of Europe	174	-92	82	43	66
North America	1 021	-516	505	-	-
Asia	2	0	2	-	-
Total	**7 325**	**-3 840**	**3 485**	**2 068**	**2 563**

Impaired and/or non-performing loans, geographic distribution 2011 SEK m	Impaired loans Gross	Provisions	Net[1]	Of which non-performing	Non-performing loans which are not impaired loans
Sweden	2 576	-1 591	985	913	1 252
Norway	564	-358	206	188	565
Finland	817	-374	443	279	224
Denmark	895	-541	354	195	43
UK	815	-260	555	316	33
Rest of Europe	103	-31	72	27	44
North America	1 083	-639	444	-	-
Asia	5	-1	4	1	-
Total	**6 858**	**-3 795**	**3 063**	**1 919**	**2 161**

[1] Carrying amount after taking into account specific provisions for individually valued loans and provisions for collectively valued loans but excluding collective provisions for loans which are individually assessed.

Analysis of past due loans which are not impaired loans 2012 SEK m	Loans to credit institutions	Loans to the public Retail	Corporate	Other	Total
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
Total	**-**	**6 325**	**2 336**	**-**	**8 661**

Analysis of past due loans which are not impaired loans 2011 SEK m	Loans to credit institutions	Loans to the public Retail	Corporate	Other	Total
Past due ≥ 5 days ≤ 1 month	-	3 254	1 219	0	4 473
Past due > 1 month ≤ 2 months	-	577	167	-	744
Past due > 2 months ≤ 3 months	-	435	149	-	584
Past due > 3 months ≤ 12 months	-	807	291	-	1 098
Past due > 12 months	-	324	156	-	480
Total	**-**	**5 397**	**1 982**	**0**	**7 379**

Property repossessed for protection of claims SEK m	2012	2011
Property	390	446
Movable property	18	17
Shares	39	72
Carrying amount	**447**	**535**

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	2012	2011
Equipment	-1	7
Property	-2	-
Total	**-3**	**7**

G12 Profit for the year pertaining to discontinued operations

SEK m	2012	2011
Income	1 772	1 797
Expenses	-1 645	-1 598
Operating profit from discontinued operations	**127**	**199**
Tax	-10	-40
Total	**117**	**159**
Impairments	-95	-
Profit for the year pertaining to discontinued operations	**22**	**159**

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. An impairment of the net assets of the Plastal Group has been recognised in the fourth quarter. The impairment has no effect on the tax of the year. A description of the banks valuation policy for discountinued operations is provided in note G1.

G13 Earnings per share

	2012	2011
Profit for the year, continuing operations, SEK m	14 526	12 164
of which interest expense on convertible subordinated loan after tax	*-162*	*-134*
Profit for the year, discontinued operations, SEK m	22	159
of which interest expense on convertible subordinated loan after tax	-	-
Profit for the year, total operations, SEK m	14 548	12 323
of which interest expense on convertible subordinated loan after tax	*-162*	*-134*
Average holdings of shares converted during the year (millions)	4.9	0.3
Average holdings of own shares in trading book (millions)	0.5	0.7
Average number of outstanding shares (millions)	628.5	623.1
Average dilution effect, number of shares (millions)	21.4	19.3
Average number of outstanding shares after dilution (millions)	649.9	642.4
Earnings per share, continuing operations, SEK	**23.11**	**19.52**
after dilution	22.60	19.14
Earnings per share, discontinued operations, SEK	**0.04**	**0.26**
after dilution	0.03	0.25
Earnings per share, total operations, SEK	**23.15**	**19.78**
after dilution	22.63	19.39

Earnings per share after dilution is measured by taking the effects of conversion of outstanding convertible shares into account. The implication of this is that the number of potential converted shares are added to the average number of outstanding shares and that profit for the year is adjusted for the year's interest expense on outstanding convertible subordinated loans after tax.

G14 Classification of financial assets and liabilities

2012 SEK m	At fair value in income statement divided into Trading	Other[1]	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
Assets									
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
Total financial assets	**163 701**	**128 244**	**27 493**	**5 217**	**2 039 916**	**7 662**	**203**	**2 372 436**	**2 376 469**
Non-financial assets								15 422	
Total assets								**2 387 858**	
Liabilities									
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
Total financial liabilities	**115 963**	**68 613**	**20 111**				**2 065 069**	**2 269 756**	**2 289 256**
Non-financial liabilities								11 205	
Total liabilities								**2 280 961**	

[1] Classified to be measured at fair value.

Calculation of fair value for financial instruments

Principles for valuation of financial instruments carried at fair value on the balance sheet are described in the Group's accounting policies in note G1. In the right-hand column in the table above, information is provided about the fair values of financial instruments which are carried in the balance sheet at cost or amortised cost. Information concerning fair value for these instruments has been produced according to the below principles.

For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

Fixed-rate lending has been valued using the current market rate for the equivalent maturity with an adjustment for credit and liquidity risk. The credit and liquidity risk premium by which the market rate has been adjusted is assumed to be the same as the average margin for new lending at the time of the measurement.

Where market prices are lacking for interest-bearing securities that are reported as held to maturity or as lending, the fair value has been established using a valuation model based on market data in the form of prices or interest rates for instruments with the equivalent maturity and other characteristics.

Shares in associated companies are reported at the carrying amount according to the equity method.

Issued securities listed on an active market have been valued at their market price. Unlisted issued securities and other funding have been valued at the Group's current funding interest rate.

Fair value information on loans and receivables presented as assets for which the customer bears the risk has been obtained in the same manner as for other loans and receivables.

2011 SEK m	At fair value in income statement divided into Trading	 Other[1]	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
Assets									
Cash and balances with central banks					251 857			251 857	251 857
Other loans to central banks					124 122			124 122	124 122
Interest-bearing securities eligible as collateral with central banks	14 350	21 435		6 461		1 725		43 971	44 081
Loans to other credit institutions					106 823			106 823	106 820
Loans to the public		4 945			1 586 183			1 591 128	1 601 422
Value change of interest hedged item in portfolio hedge					4 490			4 490	
Bonds and other interest-bearing securities	14 401	35 751		3 339		6 740		60 231	60 235
Shares	20 345	2 597				4 294		27 236	27 236
Investments in associates							205	205	205
Assets where the customer bears the value change risk		61 212			1 509			62 721	62 721
Derivative instruments	117 588		24 486					142 074	142 074
Other assets	43				14 224			14 267	14 267
Prepaid expenses and accrued income	173	1 305		172	6 861	1		8 512	8 512
Total financial assets	**166 900**	**127 245**	**24 486**	**9 972**	**2 096 069**	**12 760**	**205**	**2 437 637**	**2 443 552**
Non-financial assets								16 729	
Total assets								**2 454 366**	
Liabilities									
Due to credit institutions							201 889	201 889	201 431
Deposits and borrowing from the public							724 888	724 888	725 044
Liabilities where the customer bears the value change risk		61 291					1 509	62 800	62 800
Issued securities	9 125						1 130 949	1 140 074	1 149 830
Derivative instruments	118 286		9 017					127 303	127 303
Short positions	21 397							21 397	21 397
Other liabilities	46						13 801	13 847	13 847
Accrued expenses and deferred income	168						20 809	20 977	20 977
Subordinated liabilities							35 317	35 317	37 068
Total financial liabilities	**149 022**	**61 291**	**9 017**				**2 129 162**	**2 348 492**	**2 359 697**
Non-financial liabilities								11 350	
Total liabilities								**2 359 842**	

[1] Classified to be measured at fair value.

G15 Fair value measurement of financial assets and liabilities

2012 SEK m	Level 1	Level 2	Level 3	Total
Assets				
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
Total financial assets at fair value	**195 879**	**128 337**	**1 584**	**325 800**
Liabilities				
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
Total financial liabilities at fair value	**86 556**	**117 981**	**77**	**204 614**

2011 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	37 510	-	-	37 510
Loans to the public	-	4 920	25	4 945
Bonds and other interest-bearing securities	46 003	10 889	-	56 892
Shares	24 974	460	1 802	27 236
Assets where the customer bears the value change risk	61 212	-	-	61 212
Derivative instruments	1 764	140 310	-	142 074
Total financial assets at fair value	**171 463**	**156 579**	**1 827**	**329 869**
Liabilities				
Liabilities where the customer bears the value change risk	61 291	-	-	61 291
Issued securities	625	8 423	77	9 125
Derivative instruments	3 324	123 976	3	127 303
Short positions	20 386	1 011	-	21 397
Total financial liabilities at fair value	**85 626**	**133 410**	**80**	**219 116**

The tables above present a division of financial assets and liabilities carried at fair value, according to the valuation method applied. Level 1 comprises instruments for which there are listed prices on an active market. The market is regarded as active if the prices are easily available and are the result of actual, regular transactions. The holdings in level 1 mainly comprise listed shares, government instruments and other interest-bearing securities that are traded actively, and short positions in corresponding assets. Level 1 also includes shares in mutual funds and other assets linked to unit-linked contracts and similar agreements and the corresponding items on the liability side (assets and liabilities where the customer bears the value change risk). Level 2 comprises instruments which directly or by means of a valuation model are valued using information obtained from the market such as listed interest rates or prices of closely-related instruments. The holdings in level 2 mainly comprise interest-bearing securities valued on the basis of market interest rates as well as interest rate swaps and currency-related derivatives. There was no material transfer of financial instruments between levels 1 and 2 during the year.

Level 3 comprises instruments valued using a model where some of the input data which has had a material effect on the valuation relies on an assumption. The holdings reported in level 3 mainly comprise unlisted shares and investments in venture capital funds in the insurance operations. The year's change in the Group's holdings of financial instruments in level 3 is shown in a separate table. During the year, individual loan receivables which are part of a loan portfolio that had been classified at fair value in the income statement were transferred to level 3 as a result of changes in the assumptions about the credit risk premium applied in the valuation.

Reconciliation of financial instruments in level 3 2012 SEK m	Bonds and other interest-bearing securities	Shares	Derivatives net position	Loans to the public	Issued securities
Carrying amount at beginning of year	-	1 802	-3	25	-77
New acquisition	-	84	-	-	-
Issued during the year	-	-	-	-	-
Repurchased during the year	-	-	-	-	-
Sold during the year	-	-397	-	-	2
Matured during the year	-	-	-	-6	-
Realised value change in income statement	-	76	-	-	-
Unrealised value change in income statement	-	23	-	0	-2
Value change recognised in other comprehensive income	-	-28	-	-1	-
Transfer from level 1 or 2	-	-	-	6	-
Transfer to level 1 or 2	-	-	3	-	-
Carrying amount at end of year	**-**	**1 560**	**-**	**24**	**-77**

Reconciliation of financial instruments in level 3 2011 SEK m	Bonds and other interest-bearing securities	Shares	Derivatives net position	Loans to the public	Issued securities
Carrying amount at beginning of year	1 837	1 814	-87	24	-77
New acquisition	-	691	4	-	-
Issued during the year	-	-	-	-	-
Repurchased during the year	-	-	-	-	1
Sold during the year	-	-577	-	-	-
Matured during the year	-1 844	-	-	-15	-
Realised value change in income statement	-20	-12	-	-	-
Unrealised value change in income statement	-	-319	4	0	-1
Value change recognised in other comprehensive income	27	-45	-	0	-
Transfer from level 1 or 2	-	251	-	16	-
Transfer to level 1 or 2	-	-1	76	-	0
Carrying amount at end of year	**-**	**1 802**	**-3**	**25**	**-77**

G16 Reclassified financial assets

	Holdings classified as loans		Financial assets available for sale
SEK m	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading
Carrying amount	96	7 782	310
Fair value	95	7 930	312
Carrying amount at reclassification 1 July 2008	3 041	19 722	2 578
Carrying amount at beginning of 2012	132	11 992	378
Fair value at beginning of 2012	131	11 837	380
Value change recognised in income statement in 2012	-	-5	-
Value change recognised in income statement in 2011	-	-23	-
Value change recognised in other comprehensive income in 2012	-5	-177	-15
Value change recognised in other comprehensive income in 2011	1	133	22
Value change which would have been recognised in income statement in 2012 if the assets would not have been reclassified	2	-5	5
Value change which would have been recognised in income statement in 2011 if the assets would not have been reclassified	3	19	41
Value change which would have been recognised in other comprehensive income in 2012 if the assets would not have been reclassified	-	266	-
Value change which would have been recognised in other comprehensive income in 2011 if the assets would not have been reclassified	-	-90	-
Proportion of amortisations and maturities since reclassification	98%	68%	93%
Interest recognised as income 2012	1	221	2

The table shows the effects on reported amounts of the reclassification of parts of the Group's liquidity portfolio that was carried out on 1 July 2008. Since this date, no further reclassifications have been carried out. Unrealised profit and loss on assets previously classified as available for sale is amortised over the remaining lifetime of the instruments. The amounts which would have affected the income statement/other comprehensive income as stated above, if the reclassification had not been carried out, comprise the period's change in fair value of the holdings which remained in the balance sheet at the end of the financial year.

G17 Other loans to central banks

SEK m	2012	2011
Other loans to central banks in Swedish kronor	2 444	13 108
Other loans to central banks in foreign currency	9 926	111 014
Total	**12 370**	**124 122**
Of which reverse repos	*2 820*	*228*

Average volumes SEK m	2012	2011
Other loans to central banks in Swedish kronor	21 278	9 406
Other loans to central banks in foreign currency	66 272	45 518
Total	**87 550**	**54 924**
Of which reverse repos	*2 997*	*2 223*

G18 Loans to other credit institutions

SEK m	2012	2011
Loans in Swedish kronor		
Banks	5 022	21 896
Other credit institutions	4 283	4 872
Total	**9 305**	**26 768**
Loans in foreign currency		
Banks	25 943	27 485
Other credit institutions	54 263	52 570
Total	**80 206**	**80 055**
Probable loan losses	-	-
Total loans to other credit institutions	**89 511**	**106 823**
Of which reverse repos	*59 241*	*60 585*
Of which subordinated	*0*	*3*

Average volumes SEK m	2012	2011
Loans to other credit institutions in Swedish kronor	23 661	29 155
Loans to other credit institutions in Swedish kronor, insurance operations	35	29
Loans to other credit institutions in foreign currency	116 813	142 018
Loans to other credit institutions in foreign currency, insurance operations	9	3
Total	**140 518**	**171 205**
Of which reverse repos	*9 097*	*17 499*

G19 Loans to the public

SEK m	2012	2011
Loans in Swedish kronor		
Households	596 896	582 521
Companies	515 052	483 473
National Debt Office	16 442	8 679
Total	**1 128 390**	**1 074 673**
Loans in foreign currency		
Households	182 164	165 676
Companies	374 053	354 940
National Debt Office	-	-
Total	**556 217**	**520 616**
Probable loan losses	-4 128	-4 161
Total loans to the public	**1 680 479**	**1 591 128**
Of which reverse repos	*33 799*	*13 669*

Average volumes, excl. National Debt Office SEK m	2012	2011
Loans to the public in Swedish kronor	1 076 757	1 055 089
Loans to the public in foreign currency	539 371	496 876
Total	**1 616 128**	**1 551 965**
Of which reverse repos	*19 472*	*19 617*

G20 Interest-bearing securities

	2012			2011		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Interest-bearing securities eligible as collateral with central banks	44 853	48 973	48 906	39 445	44 081	43 971
Bonds and other interest-bearing securities	65 125	68 351	68 354	58 018	60 235	60 231
Total	**109 978**	**117 324**	**117 260**	**97 463**	**104 316**	**104 202**
Of which unlisted securities		*2 890*	*2 890*		*231*	*231*

Interest-bearing securities distributed by issuer	2012			2011		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	41 068	45 098	45 031	39 431	44 068	43 958
Credit institutions	14 251	14 879	14 882	10 821	11 038	11 035
Mortgage institutions	41 890	44 396	44 396	33 504	35 483	35 483
Other	12 769	12 951	12 951	13 707	13 727	13 726
Total	**109 978**	**117 324**	**117 260**	**97 463**	**104 316**	**104 202**

Average volumes SEK m	2012	2011
Interest-bearing securities	108 865	113 019
Interest-bearing securities, insurance operations	9 802	11 868
Total	**118 667**	**124 887**

G21 Shares

SEK m	2012	2011
Holdings at fair value over the income statement		
Listed	23 894	21 769
Non-listed	1 047	1 124
Total	**24 941**	**22 893**
Classified as available-for-sale		
Listed	4 176	3 388
Non-listed	1 029	955
Total	**5 205**	**4 343**
Total shares	**30 146**	**27 236**

G22 Investments in associates

Investments in associates SEK m	2012	2011
Non-listed	203	205
Total	**203**	**205**
Carrying amount at beginning of year	205	133
Share of profit for the year	8	9
Tax	-3	-4
Shareholders' contribution	30	12
Dividend	-37	-
Acquisitions	0	0
Divestments	-2	-
Recoveries	-	54
Translation difference	2	1
Carrying amount at end of year	**203**	**205**

Associates	Corporate identity number	Domicile	Number of shares	Voting power %	Carrying amount SEK m 2012	Carrying amount SEK m 2011
Bankomat AB	556817-9716	Stockholm	150	20.00	48	24
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.90	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.00	9	8
BGC Holding AB	556607-0933	Stockholm	25 382	25.40	63	59
Dyson Group plc	163096	Sheffield	48 053 809	17.45	16	55
Festival AS	993 798 304	Kristiansand	9 800 000	49.00	13	14
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30	22	21
Flisekompaniet Holding AS	992 999 136	Oslo	2 499	49.98	0	0
Getswish AB	556913-7382	Stockholm	10 000	20.00	2	-
Innovativ Vision Holding AB	556708-7589	Linköping	-	-	-	2
Upplysningscentralen UC AB	556137-5113	Stockholm	2 448	24.48	30	22
Total					**203**	**205**

Financial information on associates referring to 100% of the companies SEK m	2012 Assets	2012 Liabilities	2012 Income	2012 Profit/loss	2011 Assets	2011 Liabilities	2011 Income	2011 Profit/loss
Bankomat AB	758	528	4	-24	123	7	1	-19
Bankomatcentralen AB	1	0	0	0	1	0	0	0
BDB Bankernas Depå AB	1 859	1 816	41	3	3 013	2 795	88	2
BGC Holding AB[1]	367	114	656	14	368	123	759	36
Dyson Group plc	232	25	109	-7	427	49	49	6
Festival AS	109	83	172	-3	118	89	179	-3
Finansiell ID-teknik BID AB	97	16	106	5	89	13	111	7
Flisekompaniet Holding AS	254	349	384	-16	277	346	341	-18
Getswish AB	10	0	0	0	-	-	-	-
Innovativ Vision Holding AB	-	-	-	-	114	80	63	-16
Upplysningscentralen UC AB[1]	223	74	454	36	176	87	414	3

[1] Information concerning the Group.

G23 Assets where the customer bears the value change risk

SEK m	2012	2011
Unit-linked insurance assets	63 714	55 842
Other fund assets	2 702	3 325
Share of consolidated funds not owned	3 174	3 554
Total	**69 590**	**62 721**

G24 Derivative instruments and hedge accounting

	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
SEK m	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2012	2011	2012	2011	2012	2011
Derivatives held for trading									
Interest rate-related contracts									
Options	181 337	146 044	24 542	351 923	683 562	5 155	5 752	4 521	4 508
FRA/futures	2 542 736	417 868	26 495	2 987 099	5 401 810	1 347	3 362	1 512	3 453
Swaps	826 147	1 046 650	565 139	2 437 936	4 152 461	55 680	77 300	55 854	80 544
Other instruments	-	-	10	10	-	-	-	0	-
Currency-related contracts									
Options	86 675	2 432	-	89 107	82 173	467	686	599	895
Futures	173 584	10 848	3	184 435	995 097	1 840	17 326	2 633	13 081
Swaps	767 031	209 865	35 435	1 012 331	546 569	14 950	9 582	12 512	7 400
Other instruments	107	-	-	107	29	-	-	131	64
Equity-related contracts									
Options	22 682	24 488	10	47 180	86 704	2 652	2 125	3 806	3 810
Futures	2 222	-	-	2 222	2 864	19	54	6	23
Swaps	13 653	6 151	340	20 144	18 074	293	280	1 302	1 448
Other instruments	1 920	-	44	1 964	3 361	14	21	587	549
Other derivative contracts	31 504	19 434	159	51 097	42 990	940	1 100	2 470	2 511
Total	**4 649 598**	**1 883 780**	**652 177**	**7 185 555**	**12 015 694**	**83 357**	**117 588**	**85 933**	**118 286**
Derivatives for fair value hedges									
Interest rate-related contracts									
Options	898	11 815	-	12 713	13 293	6	62	-	-
Swaps	105 153	270 161	24 864	400 178	450 482	20 930	22 497	3 812	3 377
Other instruments	-	-	-	-	-	-	-	-	-
Currency-related contracts									
Swaps	28 928	65 453	11 613	105 994	69 459	766	1 329	8 300	4 406
Total	**134 979**	**347 429**	**36 477**	**518 885**	**533 234**	**21 702**	**23 888**	**12 112**	**7 783**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	13 075	88 497	52 675	154 247	39 044	5 465	596	1 028	1 157
Currency-related contracts									
Swaps	10 531	67 492	35 945	113 968	3 559	326	2	6 971	77
Total	**23 606**	**155 989**	**88 620**	**268 215**	**42 603**	**5 791**	**598**	**7 999**	**1 234**
Total derivative instruments	**4 808 183**	**2 387 198**	**777 274**	**7 972 655**	**12 591 531**	**110 850**	**142 074**	**106 044**	**127 303**
Of which cleared OTC				*1 759 462*	*160 034*	*1 048*	*112*	*953*	*20*
Of which other cleared				*823 893*	*2 454 692*	*919*	*1 348*	*2 253*	*2 916*
Currency breakdown of market values									
SEK						176 626	-10 177	352 212	92 954
USD						-89 688	374 072	-309 186	194 046
EUR						45 227	-74 756	-82 046	-181 025
Other						-21 315	-147 065	145 064	21 328

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price, over the life of the derivative. Such non-amortised gains amounted to SEK 341m at year end.

G25 Intangible assets

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
Cost of acquisition at end of year	**6 273**	**3**	**143**	**1 220**	**7 639**
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[1]	-3
Foreign exchange effect	-	-	1	2	3
Accumulated amortisation and impairments at end of year	**-**	**-**	**-31**	**-402**	**-433**
Closing residual value	**6 273**	**3**	**112**	**818**	**7 206**

2011 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2011
Cost of acquisition at beginning of year	6 371	3	149	625	7 148
Cost of acquisition of additional intangible assets	-	-	-	301	301
Disposals and retirements	-	-	-	-14	-14
Foreign exchange effect	-19	-	0	-1	-20
Cost of acquisition at end of year	**6 352**	**3**	**149**	**911**	**7 415**
Accumulated amortisation and impairments at beginning of year	-	-	-17	-226	-243
Disposals and retirements	-	-	-	14	14
Amortisation for the year	-	-	-8	-98	-106
Impairments for the year	-	-	-	-2[1]	-2
Foreign exchange effect	-	-	0	1	1
Accumulated amortisation and impairments at end of year	**-**	**-**	**-25**	**-311**	**-336**
Closing residual value	**6 352**	**3**	**124**	**600**	**7 079**

[1] The impairments refer to software which is no longer used and whose useful life has therefore been assessed as zero.
Amortisation is on a straight-line basis according to the expected useful life. Currently this means that customer contracts are amortised over 20 years and that internally developed software is amortised over 5 years. Goodwill and brands are not amortised.

	Goodwill		Intangible assets with an indefinite useful life	
SEK m	2012	2011	2012	2011
Branch operations in Sweden	3 331	3 263	-	-
Branch operations outside Sweden	2 932	3 010	-	-
Capital Markets	10[1]	79	3	3
Total	**6 273**	**6 352**	**3**	**3**

[1] During the year a reallocation of goodwill of SEK 68m has been made from Capital Markets to Branch operations in Sweden.

Impairment testing of goodwill and intangible assets with an indefinite useful life
Impairment testing of goodwill and intangible assets with an indefinite useful life (brand names) is performed annually in connection with the closing of the annual accounts. When performing impairment testing, the useful life of the units to which goodwill has been allocated is calculated by discounting estimated future cash flows and the terminal value. For the first five years, estimated future cash flows are based on detailed forecasts of risk-weighted volumes, income, expenses (including funding costs) and loan losses. Detailed forecasts are mainly based on internally generated experience. After the first five-year period, a forecast is made based on the assumption of a long-term growth rate. The 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 7.9 per cent after tax which corresponds to 10.9 per cent before tax. In the previous year's impairment test, the discount rate was 8.4 per cent.

Recognised goodwill mainly derives from traditional banking operations on Handelsbanken's home markets. The goodwill relating to the Swedish branch operations originates from the acquisition of Stadshypotek in 1996. The goodwill referring to branch operations outside Sweden mainly derive from the acquisitions of Lokalbanken and Midtbank in Denmark and Bergensbank in Norway. The distribution of the assets in the impairment testing is shown in the above table.

The difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill was deemed to be satisfactory. The calculated value in use of goodwill is sensitive to a number of different variables, which are significant for expected cash flows and the discount rate. The variables that are of greatest significance to the calculation are the assumptions of interest rates and other market parameters, growth, loan losses, future margins and cost-effectiveness. No reasonably possible change in any of these assumptions would affect the reported value of goodwill to a material extent.

G26 Property and equipment

Property and equipment SEK m	2012	2011
Equipment	475	535
Property	1 326	1 369
Property in the insurance operations	-	1 140
Property repossessed for protection of claims	408	463
Total	**2 209**	**3 507**

For further information regarding property repossessed for protection of claims, see note G10.

Equipment SEK m	2012	2011
Opening cost of acquisition	1 701	1 784
New acquisition	240	268
Disposals and retirements	-309	-293
Foreign exchange effect	-15	-58
Closing acquisition value	**1 617**	**1 701**
Opening accumulated depreciation	-1 166	-1 195
Depreciation for the year	-291	-310
Disposals and retirements	304	284
Foreign exchange effect	11	55
Closing accumulated depreciation	**-1 142**	**-1 166**
Carrying amount	**475**	**535**

Equipment is depreciated on a straight-line basis over 2–10 years.

Property SEK m	2012	2011
Opening cost of acquisition	2 086	2 060
New acquisition	-	-
New construction and rebuilding	14	26
Disposals and retirements	-	2
Foreign exchange effect	-8	-2
Closing acquisition value	**2 092**	**2 086**
Opening accumulated depreciation	-717	-673
Depreciation for the year	-49	-43
Impairments for the year	-3	-
Disposals and retirements	-	-2
Foreign exchange effect	3	1
Closing accumulated depreciation	**-766**	**-717**
Carrying amount	**1 326**	**1 369**

For business premises, component depreciation is applied. The useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years and for building fixtures and fittings 10 years. See also the consolidated accounting policies in note G1.

Property in the insurance operations SEK m	2012	2011
Carrying amount at beginning of year	1 140	1 260
New acquisition	-	-
Revaluation	-	-120
Disposals and retirements	-1 140	-
Carrying amount	**-**	**1 140**

G27 Other assets

SEK m	2012	2011
Claims on investment banking settlements	7 668	10 765
Other	5 144	3 502
Total	**12 812**	**14 267**

G28 Prepaid expenses and accrued income

SEK m	2012	2011
Accrued interest income	5 843	6 886
Other accrued income	1 361	1 397
Prepaid expenses	195	229
Total	**7 399**	**8 512**

G29 Due to credit institutions

SEK m	2012	2011
Due in Swedish kronor		
Banks	17 937	53 785
Other credit institutions	8 316	13 683
Total	**26 253**	**67 468**
Due in foreign currency		
Banks	149 162	132 025
Other credit institutions	8 530	2 396
Total	**157 692**	**134 421**
Total due to credit institutions	**183 945**	**201 889**
Of which repos	*2 391*	*4 055*

Average volumes SEK m	2012	2011
Due to credit institutions in Swedish kronor	61 508	59 819
Due to credit institutions in foreign currency	190 109	221 508
Total	**251 617**	**281 327**
Of which repos	*4 396*	*14 494*

G30 Deposits and borrowing from the public

Deposits from the public SEK m	2012	2011
Deposits in Swedish kronor		
Households	191 162	182 318
Companies	153 562	151 330
National Debt Office	0	0
Total	**344 724**	**333 648**
Deposits in foreign currency		
Households	44 377	42 707
Companies	126 725	113 103
National Debt Office	-	-
Total	**171 102**	**155 810**
Total deposits from the public	**515 826**	**489 458**

Borrowing from the public SEK m	2012	2011
Borrowing in Swedish kronor	69 126	179 698
Borrowing in foreign currency	97 271	55 732
Total	**166 397**	**235 430**
Of which repos	*12 294*	*8 001*
Of which insurance operations	*11 685*	*13 437*
Total deposits and borrowing from the public	**682 223**	**724 888**

Average volumes SEK m	2012	2011
Deposits from the public		
Deposits from the public in Swedish kronor	328 405	319 063
Deposits from the public in foreign currency	165 482	214 941
Total	**493 887**	**534 004**
Borrowing from the public		
Borrowing in Swedish kronor	59 491	62 308
Borrowing in Swedish kronor, insurance operations	12 396	14 897
Borrowing in foreign currency	135 545	48 303
Total	**207 432**	**125 508**
Of which repos	*11 305*	*8 459*

G31 Liabilities where the customer bears the value change risk

SEK m	2012	2011
Unit-linked insurance liabilities	63 714	55 892
Other fund liabilities	2 750	3 354
Share of consolidated funds not owned	3 174	3 554
Total	**69 638**	**62 800**

G32 Issued securities

SEK m	2012 Nominal amount	2012 Carrying amount	2011 Nominal amount	2011 Carrying amount
Commercial paper				
Commercial paper in Swedish kronor	19 057	19 494	14 429	13 489
Of which				
at amortised cost	*5 996*	*5 992*	*4 593*	*4 584*
for trading	*13 061*	*13 502*	*9 836*	*8 905*
Commercial paper in foreign currency	387 426	387 399	404 850	404 761
Of which				
at amortised cost	*387 209*	*387 145*	*404 626*	*404 539*
for trading	*217*	*254*	*224*	*222*
Total	**406 483**	**406 893**	**419 279**	**418 250**
Bonds				
Bonds in Swedish kronor	431 356	458 751	447 308	472 068
Of which				
at amortised cost	*276 689*	*295 461*	*287 756*	*294 585*
for fair value hedges	*154 667*	*163 290*	*159 552*	*177 483*
Bonds in foreign currency	278 667	285 782	243 323	249 756
Of which				
at amortised cost	*160 694*	*172 543*	*43 260*	*50 904*
for fair value hedges	*117 973*	*113 239*	*200 063*	*198 852*
Total	**710 023**	**744 533**	**690 631**	**721 824**
Total issued securities	**1 116 506**	**1 151 426**	**1 109 910**	**1 140 074**

Turnover of own debt instruments SEK m	2012	2011
Issued	1 713 555	1 479 263
Repurchased	226 080	227 430
Matured	1 369 815	1 102 854

Average volumes SEK m	2012	2011
Swedish kronor	490 455	447 347
Foreign currency	668 751	593 574
Total	**1 159 206**	**1 040 921**

G33 Short positions

SEK m	2012	2011
Short positions at fair value		
Equities	1 940	3 649
Interest-bearing securities	14 261	17 748
Of which		
other issuers	*14 147*	*14 541*
own issued	*114*	*3 207*
Total	**16 201**	**21 397**

Average volumes SEK m	2012	2011
Swedish kronor	17 445	28 824
Foreign currency	2 406	2 959
Total	**19 851**	**31 783**

G34 Insurance liabilities

SEK m	2012	2011
Liability for sickness annuities	184	205
Liability for life annuities	149	157
Liability for other unsettled claims	286	286
Liability for prepaid premiums	47	42
Total	**666**	**690**

G35 Taxes

Deferred tax assets SEK m	2012	2011
Derivative instruments	298	322
Property and equipment	41	45
Other	11	13
Total	**350**	**380**

Deferred tax liabilities SEK m	2012	2011
Loans to the public[1]	6 649	7 879
Derivative instruments	622	82
Intangible assets	32	36
Property and equipment	91	91
Pension assets	1 058	1 282
Tax allocation reserve	926	-
Hedges of net investments in foreign operations	149	52
Other	46	44
Total	**9 573**	**9 466**
Net deferred tax liabilities	**9 223**	**9 086**

[1] Of which leases SEK 6,639m (7,866).

Change in deferred taxes 2012 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Loans to the public	7 879	-1 230	-	6 649
Derivative instruments	-240	-	564	324
Intangible assets	36	-3	-1	32
Property and equipment	46	4	0	50
Pension assets	1 282	-224	0	1 058
Tax allocation reserve	-	926	-	926
Hedges of net investments in foreign operations	52	-	97	149
Other	31	4	0	35
Total	**9 086**	**-523**	**660**	**9 223**

Change in deferred taxes 2011 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Loans to the public	7 587	292	-	7 879
Derivative instruments	-162	-	-78	-240
Intangible assets	32	4	-	36
Property and equipment	57	-11	-	46
Pension assets	1 244	38	-	1 282
Other	49	39	-5	83
Total	**8 807**	**362**	**-83**	**9 086**

Tax expenses recognised in income statement SEK m	2012	2011
Current tax		
Tax expense for the year	-3 567	-4 090
Adjustment of tax relating to previous years	6	80
Deferred tax		
Changes in temporary differences	523	-362
Total	**-3 038**	**-4 372**
Nominal tax rate in Sweden, %	**26.3**	**26.3**
Deviations		
Different tax rate in insurance operations	-0.2	-0.3
Non-taxable income/non-deductible expenses	0.4	0.2
Changes tax rate	-8.5	-
Tax relating to previous years and other	-0.7	0.2
Effective tax rate, %	**17.3**	**26.4**

As of January 1 2013, the Swedish corporation 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.

G36 Provisions

SEK m	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2012	Total 2011
Provisions at beginning of year	-	21	10	31	77
Provisions during the year	91	-	4	95	-
Utilised	-	-	-	-	-
Written back	-	-6	-	-6	-46
Provisions at end of year	**91**	**15**	**14**	**120**	**31**

A provision has been made for estimated additional costs as a result of the decision to terminate rental contracts for premises. Most of the provision is expected to be settled during 2013. Provision for guarantee commitments consists of provisions for a number of off-balance-sheet items.

G37 Other liabilities

SEK m	2012	2011
Liabilities on investment banking settlements	8 093	5 910
Other	9 755	7 937
Total	**17 848**	**13 847**

G38 Accrued expenses and deferred income

SEK m	2012	2011
Accrued interest expenses	17 013	16 862
Other accrued expenses	4 048	3 963
Deferred income	203	152
Total	**21 264**	**20 977**

G39 Subordinated liabilities

SEK m	2012	2011
Subordinated loans in Swedish kronor	10 897	9 562
Subordinated loans in foreign currency	10 270	25 755
Total	**21 167**	**35 317**

Average volumes SEK m	2012	2011
Subordinated loans in Swedish kronor	9 480	8 544
Subordinated loans in foreign currency	16 670	28 430
Total	**26 150**	**36 974**

Specification, subordinated loans **Issue/conv./final payment year**	**Currency**	**Original nominal amount in each currency**	**Interest rate %**	**Outstanding amount**
IN SWEDISH KRONOR				
2008/perpetual[1]		2 350	11.000	2 348
2008/perpetual[2]		2 905	10.500	2 903
2011/perpetual[3]		2 512	floating rate	2 141
Other Swedish[4]				3 505
Total				**10 897**
IN FOREIGN CURRENCY				
2005/perpetual[5]	EUR	500	4.194	4 655
2006/perpetual[6]	GBP	300	5.375	3 223
Other foreign[7]				2 392
Total				**10 270**
Total subordinated liabilitites				**21 167**

[1] 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.

[2] 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.

[3] Perpetual subordinated loan at floating rate linked to Stibor. The loan is a subordinated convertible loan of nominally SEK 2.5 billion, 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.

[4] 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 2.3 billion, 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 2012 amounts to SEK 0.5 billion. After 21 May 2013 it will be possible to convert to Handelsbanken shares at the conversion price, or the share price applying at this date if it is lower than the conversion price, and the market price of the share. The additional outstanding amount constitutes one dated subordinated loan of SEK 1.7 billion at fixed rate and one dated subordinated loan of SEK 1.3 billion at floating rate. The terms of these loans are flexible and aim at making the instruments 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.

[5] 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.

[6] Perpetual subordinated loan at fixed rate. According to the terms the loan can be called in advance on each interest payment date from September 2013. 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 Libor.

[7] Other foreign subordinated loans which are not specified here are issued in the form of perpetual subordinated loans.

G40 Reclassifications to the income statement

SEK m	2012	2011
Reclassified from hedge reserve	5	9
Reclassified from fair value reserve	65	-183
Reclassified from translation reserve	-1	-4
Reclassified tax	0	49
of which hedge reserve	*-1*	*-3*
of which fair value reserve	*-17*	*47*
of which translation reserve	*18*	*5*
Total reclassification adjustments	**69**	**-129**

Reclassification adjustments consist of income and expense previously recognised in other comprehensive income and reclassified to the income statement during the year. Negative amounts in the table above represent recognised income in the income statement and vice versa. The accounting policies in note G1 describe under which line item in the income statement the amounts have been reported.

G41 Specification of changes in equity

Change in hedge reserve SEK m	2012	2011
Hedge reserve at beginning of year	-676	-457
Unrealised value changes during the year	1 821	-225
Recognised in income statement due to ineffectiveness	4	6
Hedge reserve at end of year	**1 149**	**-676**

Specification of available-for-sale instruments SEK m	2012	2011
Fair value reserve at beginning of year	-167	786
Sold during the year	53	136
Unrealised market value change during the year for remaining and new holdings	683	-1 089
Fair value reserve at end of year	**569**	**-167**

Change in translation reserve SEK m	2012	2011
Translation reserve at beginning of year	-1 167	-1 163
Change in translation difference pertaining to branches	-551	13
Change in translation difference pertaining to subsidiaries	-61	-15
Change in translation difference relating to hedges of net investments in foreign operations	386	-2
Translation reserve at end of year	**-1 393**	**-1 167**

The reserves are presented after tax.

G42 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2012	2011
Cash	5 000	7 517
Government instruments and bonds	55 676	55 835
Loans to the public	610 659	584 238
Equities	161	13 312
Assets registered on behalf of insurance policyholders	79 188	74 043
Other	-	343
Total	**750 684**	**735 288**

Other pledged assets SEK m	2012	2011
Cash	257	-
Government instruments and bonds	679	5 323
Equities	1 628	-
Total	**2 564**	**5 323**

Other pledged assets refers to collateral pledged for obligations not reported in the balance sheet.

Transferred financial assets recognised in the balance sheet SEK m	Carrying amount	Carrying amount associated liability
Securities lending	453	112[1]
Repurchase agreements	5 706	5 705
Other		
Government instruments and bonds	57	-
Loans	1 025	1 025
Total	**7 241**	**6 842**

[1] Received cash collateral.

Assets pledged

Assets pledged in the form of government instruments and bonds 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 prior rights to the pledged assets. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must be kept separate from the bankruptcy estate's other assets and liabilities. The holders of the bonds will then receive contractual payments under the terms of the bond until maturity.

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 33,528 million (42,721) at the end of the financial year, where collateral worth SEK 11,452 million (1,125) 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 or 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 counterparty. According to the standard terms of a repurchase agreement, the title 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, agreements on equity loans normally means that during the life of the loan, the borrower has the right to sell on, repledge or otherwise dispose of the purchased securities.

Government instruments and bonds 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. Some smaller loan portfolios where the Bank has the formal right of ownership but where the right to future cash flows have been transferred to a third party are also reported as other transferred financial assets. The valuation of these assets reflects the valuation of the corresponding liability item and is carried in the balance sheet as Assets where the customer bears the value change risk.

Due to the new disclosure requirements in IFRS 7, information about transferred financial assets is provided for the first time in the 2012 Annual Report. Comparative figures for 2011 are not reported.

G43 Contingent liabilities/commitments

SEK m	2012	2011
Guarantees, loans	10 723	17 161
Guarantees, other	39 913	42 657
Letters of credit	26 004	29 404
Other	4 183	7 314
Total	**80 823**	**96 536**

Contingent liabilities/commitments mainly consist of various types of guarantees. The nominal amounts of the guarantees are shown in the table. "Other" includes SEK 20m (3) relating to a number of civil actions which the Group is bringing in general courts of law. The Group's assessment is that the actions will essentially be settled in its favour. No disputed amounts or possible insurance compensation has been recognised as income.

G44 Other commitments

SEK m	2012	2011
Loan commitments	239 774	254 415
Unutilised part of granted overdraft facilities	132 534	152 392
Other	20 779	9 035
Total	**393 087**	**415 842**

Contracted irrevocable, future operating lease charges distributed by the year they fall due for payment

SEK m	2012	2011
2013	642	444
2014–2017	1 492	1 007
2018 and later	511	365
Total	**2 645**	**1 816**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

G45 Leases

Disclosures on gross investment and present value of future minimum lease payments

SEK m	2012	2011
Gross investment	47 984	52 142
Present value of future minimum lease payments at balance sheet date	44 111	46 485

Unearned finance income

SEK m	2012	2011
Unearned finance income	3 873	5 657

Distribution of gross investment and minimum lease payments by maturity

SEK m	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	Total
2012				
Distribution of gross investment	5 477	16 756	25 751	**47 984**
Distribution of present value minimum lease payments	5 439	16 146	22 526	**44 111**
2011				
Distribution of gross investment	5 950	17 416	28 776	**52 142**
Distribution of present value minimum lease payments	5 891	16 528	24 066	**46 485**

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 36m (22.9). The variable part of the lease fee included in this year's profit is SEK 742m (901). The decrease is partly due to the lower interest rates in 2012 compared with 2011 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 19.8bn which is equivalent to 1.1% of the Group's total credit volume as at December 31 2012. The carrying amount of the largest individual exposure was SEK 8.7bn (9.2). The average remaining maturity for this exposure was 7.2 years. These exposures are in the transport and energy sectors.

G46 Segment reporting

Segment reporting 2012 SEK m	Branch office operations in Sweden	Branch office operations outside Sweden	Capital Markets	Other	Adjustments and eliminations	Continuing operations
Net interest income	16 781	8 612	517	209	-38	26 081
Net fee and commission income	3 375	1 442	2 438	114		7 369
Net gains/losses on financial items at fair value	579	351	658	-468		1 120
Risk result, insurance			196			196
Share of profit of associates				8		8
Other income	18	56	11	203		288
Total income	**20 753**	**10 461**	**3 820**	**66**	**-38**	**35 062**
Staff costs	-3 157	-2 959	-2 255	-2 745	405	-10 711
Other administrative expenses	-1 218	-939	-768	-2 144		-5 069
Internal purchased and sold services	-2 828	-1 105	-127	4 022	38	
Depreciation and amortisation	-90	-81	-54	-239		-464
Total expenses	**-7 293**	**-5 084**	**-3 204**	**-1 106**	**443**	**-16 244**
Profit before loan losses	**13 460**	**5 377**	**616**	**-1 040**	**405**	**18 818**
Net loan losses	-420	-831				-1 251
Gains/losses on disposal of property, equipment and intangible assets	0	-3	0	0		-3
Operating profit	**13 040**	**4 543**	**616**	**-1 040**	**405**	**17 564**
Profit allocation	641	138	-779	0		
Operating profit after profit allocation	**13 681**	**4 681**	**-163**	**-1 040**	**405**	**17 564**
Internal income[1]	-2 828	-6 295	-1 167	10 290		
C/I ratio, %	34.1	48.0	105.4			46.3
Loan loss ratio, %	0.04	0.19				0.08
Assets	1 246 473	685 946	317 915	1 338 916	-1 201 392	2 387 858
Liabilities	1 189 229	653 301	313 728	1 338 916	-1 214 213	2 280 961
Allocated capital	57 244	32 645	4 187		12 821	106 897
Return on allocated capital, %	18.5	11.1	-			14.6
The year's investments in non-financial non-current assets	78	61	222	227		588
The year's investments in associated companies				30		30
Average number of employees	4 378	3 304	1 550	1 960		11 192

[1] 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 segment information 2012 SEK m	Sweden	Denmark	Finland	Norway	UK	Other countries	Group
Income	17 738	2 693	2 306	7 914	3 308	1 103	35 062
Assets	1 465 364	81 277	165 771	217 050	190 791	267 605	2 387 858
Other information							
Investments in non-financial assets	531	6	10	9	14	18	588

Income and assets presented in the Geographic segment information are composed only of external income and assets in the respective country. The geographic distribution of external income is based on the country where the business transaction has been carried out.

The business segments are recognised in compliance with IFRS 8, Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance. Handelsbanken's operations are presented in the following segments: Branch office operations in Sweden, Capital Markets and Branch office operations outside Sweden, which is a merger of the following segments: Branch office operations in the UK, Branch office operations in Denmark, Branch office operations in Norway, Branch office operations in Finland and Other branch office operations (Handelsbanken International). Handelsbanken's branch office operations, which provide universal banking services, are divided into twelve regional banks. Six of these are Swedish, and six 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 1,020 million (913). The Adjustments and eliminations column includes translation differences and 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 -155 million (145), and compensation from the pension foundation of SEK 560 million (540).

Internal income mainly consists of internal

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

Geographical segment information 2011 SEK m	Sweden	Denmark	Finland	Norway	UK	Other countries	Group
Income	17 364	2 287	2 328	7 127	2 455	1 248	32 809
Assets	1 424 290	83 154	169 582	205 433	193 554	378 353	2 454 366
Other information							
Investments in non-financial assets	508	9	15	26	12	25	595

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 office 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 26.3 per cent. For the Group, return on equity is calculated after reported tax.

Income per product area SEK m	2012	2011
Investment bank	4 230	4 520
Bank deposits and corporate loans	11 720	11 359
Finance company services	1 982	1 946
Bank deposits and loans to private individuals	4 815	4 517
Mortgages	7 747	5 754
Pensions and insurance	1 105	1 181
Capital market	1 547	1 664
Trade finance	570	571
Other operations	1 346	1 297
Total	35 062	32 809

G47 Assets and liabilities in currencies

2012 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
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
of which corporate	*529 830*	*114 036*	*115 970*	*23 374*	*80 975*	*27 426*	*9 808*	*901 419*
of which households	*596 907*	*36 165*	*83 261*	*31 263*	*29 978*	*62*	*1 424*	*779 060*
Interest-bearing securites 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	251 693	-	-	-	-	-	-	251 693
Total assets	**1 478 559**	**248 615**	**214 343**	**64 947**	**111 189**	**253 608**	**16 597**	**2 387 858**
Liabilities								
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
of which corporate	*192 469*	*53 594*	*41 591*	*13 088*	*37 894*	*71 543*	*4 631*	*414 810*
of which households	*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	349 097	-	-	-	-	-	-	349 097
Total liabilities and equity	**1 279 918**	**385 128**	**85 496**	**36 052**	**116 267**	**450 055**	**34 942**	**2 387 858**
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

2011 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	1 302	3 169	7 090	91	4	239 403	798	251 857
Other loans to central banks	13 108	83 974	9 406	17 555	79	-	0	124 122
Loans to other credit institutions	22 456	14 790	138	580	58	65 410	3 391	106 823
Loans to the public	1 073 324	144 068	182 275	51 510	90 875	34 989	14 087	1 591 128
of which corporate	*490 487*	*109 206*	*105 463*	*23 489*	*67 022*	*34 909*	*12 355*	*842 931*
of which households	*582 837*	*34 862*	*76 812*	*28 021*	*23 853*	*80*	*1 732*	*748 197*
Interest-bearing securites eligible as collateral with central banks	34 868	3 519	616	35	-	3 214	1 719	43 971
Bonds and other interest-bearing securities	46 275	6 926	1 103	65	-	5 686	176	60 231
Other items not broken down by currency	276 234							276 234
Total assets	**1 467 567**	**256 446**	**200 628**	**69 836**	**91 016**	**348 702**	**20 171**	**2 454 366**
Liabilities								
Due to credit institutions	41 594	61 476	11 797	12 626	5 552	60 366	8 478	201 889
Deposits and borrowing from the public	400 176	78 267	53 125	25 250	31 124	130 509	6 437	724 888
of which corporate	*189 106*	*64 689*	*38 713*	*14 860*	*26 123*	*129 261*	*6 195*	*468 947*
of which households	*211 070*	*13 578*	*14 412*	*10 390*	*5 001*	*1 248*	*242*	*255 941*
Issued securities	485 556	243 320	9 431	456	46 590	346 179	8 542	1 140 074
Subordinated liabilities	9 562	16 364	-	112	7 730	211	1 338	35 317
Other items not broken down by currency	352 198							352 198
Total liabilities and equity	**1 289 086**	**399 427**	**74 353**	**38 444**	**90 996**	**537 265**	**24 795**	**2 454 366**
Other assets and liabilities broken down by currency and off-balance-sheet items		143 320	-126 221	-31 367	147	188 701	4 705	
Net foreign currency position		339	54	25	167	138	81	804

G48 Related-party disclosures

Claims on and liabilities to related parties	Associated companies		Other related parties	
SEK m	2012	2011	2012	2011
Loans to credit institutions	12	-	-	-
Loans to the public	227	348	-	-
Bonds and other interest-bearing securities	-	-	-	-
Other assets	-	-	579	23
Total	**239**	**348**	**579**	**23**
Due to credit institutions	-	-	-	-
Deposits and borrowing from the public	152	160	227	496
Issued securities	-	-	-	-
Subordinated liabilities	-	-	400	653
Other liabilities	-	-	92	111
Total	**152**	**160**	**719**	**1 260**

Related parties – income and expense	Associated companies		Other related parties	
SEK m	2012	2011	2012	2011
Interest income	4	5	-	-
Interest expense	-3	-1	-18	-87
Fee and commission income	0	0	0	0
Fee and commission expense	-17	-15	-	-
Net gains/losses on financial items at fair value	0	0	-	-
Other income	-	-	4	14
Other expenses	-2	-13	-21	-62
Total	**-18**	**-24**	**-35**	**-135**

A list of associated companies and information about shareholder contributions to associated companies is presented in note G22. The associated companies' operations comprise various types of services related to the financial markets. The following companies comprise the group of related parties: Svenska Handelsbanken Pensionsstiftelse, Svenska Handelsbankens Personalstiftelse and Pensionskassan SHB, Försäkringsförening. These companies use Svenska Handelsbanken AB for customary banking and accounting services. No material transactions between the group and related companies have taken place during the year.

Information regarding loans to senior management, conditions and other remuneration to senior management is given in note G8.

G49 Capital adequacy

CAPITAL POLICY

The Bank aims to maintain a robust capital level which meets the risk entailed in the Group's operations and which exceeds the minimum requirements prescribed by legislation. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

LEGAL CAPITAL REQUIREMENT

According to the new capital adequacy regulations, Basel II, which were introduced in Sweden on 1 February 2007 through the Act (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 2012, 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 77.9 billion at the end of 2012, including an amount of SEK 50.8 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 17.7 billion.

Of the total of the Bank's issued tier 1 capital contributions, SEK 6.5 billion are regular tier 1 capital contributions and SEK 5.7 billion are so-called enhanced tier 1 capital contributions. Regular tier 1 capital contributions give the Bank the right to convert the instrument into equity to avoid being forced to enter into liquidation. For enhanced tier 1 capital contributions, the Bank has the right to convert the instruments into equity at an earlier stage to avoid breaching regulatory requirements. In the case of liquidation, both types of instruments will be classified as liabilities, including the part that 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. See note G39, Subordinated liabilities, for details of outstanding subordinated loans.

Deductions from tier 1 and tier 2 capital

Institutions with permission to use internal ratings-based models (IRB institutions) must make a deduction for the difference between expected loan losses under the IRB model and the provisions for probable loan losses if the expected loan losses exceed the provisions made. Deductions must also be made for capital contributions in certain financial companies where there is an associated company relationship, if the share of the capital exceeds 10 per cent, or if the total contributions exceed 10 per cent of the company's capital. Half of these deductions must be made from the tier 1 capital and half from the tier 2 capital.

Companies included in the banking group	Corporate identity no.	Domicile
Handelsbanken AB (publ)[1]	502007-7862	Stockholm
SUBSIDIARIES		
Handelsbanken Finans AB[1]	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
Stadshypotek AB[1]	556459-6715	Stockholm
Stadshypotek Delaware Inc. (in liquidation)	98-0342158	New York
Svenska Intecknings Garanti AB Sigab (inactive)	556432-7285	Stockholm
Handelsbanken Fondbolagsförvaltning AB	556070-0683	Stockholm
Handelsbanken Fonder AB	556418-8851	Stockholm
Handelsinvest Investeringsforvaltning A/S	12930879	Copenhagen
Handelsbanken Fondbolag Ab	1105019-3	Helsinki
Handelsbanken Kapitalförvaltning AS	973194860	Oslo
XACT Fonder AB (in liquidation)	556582-4504	Stockholm
AB Handel och Industri	556013-5336	Stockholm
Ejendomsselskabet af 1. januar 2002 A/S	38300512	Herning
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød
Forva AS	945812141	Oslo
Lejontrappan AB	556481-1551	Gothenburg
Handelsbanken Markets Securities, Inc[1]	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.[1]	RCS Lux B-15992	Luxembourg
Svenska Property Nominees Limited (inactive)	2308524	London
ZAO Svenska Handelsbanken (in liquidation)	1057711005384	Moskow
Handelsbanken Fastigheter AB	556873-0021	Stockholm
Sv Handelsbanken Representacöes (Brasil) Ltda	15.367.073/0001-93	São Paulo
ASSOCIATED COMPANIES		
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 allabolag AB	556730-7367	Stockholm
Bankomat AB	556817-9716	Stockholm
Getswish AB	556913-7382	Stockholm

[1] Credit institution

Companies not included in the banking group	Corporate identity no.	Domicile
Handelsbanken Liv Försäkring AB (the Group excluding Handelsbanken Fastigheter AB)	516401-8284	Stockholm
Svenska Re S.A.	RCS Lux B-32053	Luxembourg
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm
Handelsbanken Renting AB (under likvidation)	556043-2766	Stockholm
Flisekompaniet Holding AS	992999136	Oslo
Dyson Group plc	163096	Sheffield
Plastal Industri AB	556532-8845	Gothenburg
Festival AS	993798304	Kristiansand

Capital base SEK m	2012	2011
TIER 1 CAPITAL		
Equity, Group	106 897	94 524
Accrued dividend, current year	-6 804	-6 085
Deduction of equity outside the banking group	-1 167	-558
Difference in result between banking group and Group	2 853	-520
Minority interests, Group	-2	0
Equity, capital base	**101 777**	**87 361**
Innovative tier 1 capital contributions	9 323	11 254
Non-innovative tier 1 capital contributions	2 903	2 910
Minority interests, banking group	572	423
Deducted items		
Goodwill and other intangible assets	-7 458	-7 234
Revaluation reserve	-108	-115
Value adjustements for positions measured at fair value	-14	-56
Deferred tax assets	-61	-386
Special deduction for IRB institutions	-1 094	-945
Capital contribution in companies outside the banking group	-1 483	-234
Positions in securitisation	-248	-219
Adjustments in accordance with stability filter		
Cash flow hedges	-1 149	676
Unrealised accumulated gains, shares	-797	-133
Unrealised accumulated gains/losses, fixed income instruments	170	246
Total tier 1 capital	**102 333**	**93 548**
TIER 2 CAPITAL		
Perpetual subordinated loans	3 133	11 710
Dated subordinated loans	4 274	7 957
Additional items		
Unrealised accumulated gains, shares	797	133
Revaluation reserve	108	115
Deducted items		
Special deduction for IRB institutions	-1 094	-945
Capital contribution in companies outside the banking group	-1 483	-234
Positions in securitisation	-248	-219
Total tier 2 capital	**5 487**	**18 517**
Total tier 1 and tier 2 capital	**107 820**	**112 065**
Deductable items from total capital base		
Capital contribution in insurance companies	-4 417	-4 417
Surplus value pension assets	-1 524	-1 471
Total capital base for capital adequacy purposes	**101 879**	**106 177**

G49 Cont

Credit risk IRB	Exposure after credit risk protection (EAD)		Average risk weight %		Capital requirement	
SEK m	2012	2011	2012	2011	2012	2011
Corporate exposures	**944 987**	**917 480**	**30.5**	**33.4**	**23 026**	**24 529**
of which repos and securities loans	*23 286*	*6 340*	*0.6*	*1.5*	*12*	*8*
of which other lending, foundation approach	*341 048*	*374 461*	*44.5*	*43.6*	*12 137*	*13 052*
of which other lending, advanced approach	*580 653*	*536 679*	*23.4*	*26.7*	*10 877*	*11 469*
- Medium-sized companies	*72 467*	*75 068*	*61.2*	*65.8*	*3 549*	*3 949*
- Property companies	*380 147*	*339 390*	*21.7*	*25.1*	*6 612*	*6 812*
- Housing co-operative associations	*128 039*	*122 221*	*7*	*7.2*	*716*	*708*
Retail exposures	**752 176**	**730 669**	**7.5**	**7.2**	**4 530**	**4 217**
of which property loans	*665 969*	*643 449*	*5.4*	*5.4*	*2 885*	*2 795*
of which other	*86 207*	*87 220*	*23.8*	*20.4*	*1 645*	*1 422*
Small companies	**28 596**	**29 800**	**38.1**	**38.9**	**872**	**927**
Institutional exposures	**128 748**	**158 538**	**9.5**	**12.3**	**976**	**1 559**
of which repos and securities loans	*76 588*	*79 640*	*0.6*	*0.5*	*38*	*32*
of which other lending	*52 160*	*78 898*	*22.5*	*24.2*	*938*	*1 527*
Equity exposures	**5 206**	**4 355**	**140.1**	**136.2**	**584**	**475**
Exposures without a counterparty	**2 279**	**2 364**	**100**	**100**	**182**	**189**
Securitisation positions	**1 323**	**1 944**	**3.5**	**5.0**	**4**	**8**
Traditional securitisation	*1 323*	*1 944*	*3.5*	*5.0*	*4*	*8*
Synthetic securitisation	*-*	*-*	*-*	*-*	*-*	*-*
Total IRB	**1 863 315**	**1 845 150**	**20.2**	**21.6**	**30 174**	**31 904**
of which repos and securities loans	*99 874*	*85 980*	*0.6*	*0.6*	*50*	*40*
of which other lending, foundation approach	*402 016*	*462 022*	*43*	*41.3*	*13 845*	*15 251*
of which other lending, advanced approach	*1 361 425*	*1 297 148*	*14.9*	*16.0*	*16 279*	*16 613*

Capital requirements, Standardised approach[1]	2012		2011	
SEK m	Exposure amount (EAD)	Capital requirement	Exposure amount (EAD)	Capital requirement
Sovereign and central banks	301 760	9	426 725	19
Municipalities	53 038	1	57 897	1
Multilateral development banks	673	0	2 372	0
Institutions	4 606	103	6 835	154
Corporate	22 325	1 786	24 485	1 958
Retail	9 340	560	9 015	541
Property mortgages	25 961	790	17 833	548
Past due items	173	19	190	22
Other items	10 283	531	11 253	517
Total	**428 159**	**3 799**	**556 605**	**3 760**

[1] Details of capital requirements for exposure classes where there are exposures.

Capital requirement SEK m	2012	2011
Credit risk		
Credit risk according to standardised approach	3 799	3 760
Credit risk according to IRB approach	30 174	31 904
Market risk		
Interest rate risk	880	850
of which general risk	*660*	*711*
of which specific risk	*220*	*139*
Equity price risk	26	14
of which general risk	*10*	*6*
of which specific risk	*13*	*7*
of which funds	*3*	*1*
Foreign exchange risk	-	-
Commodities risk	9	20
Settlement risk	3	-
Operational risk		
Operational risk	4 181	4 117
Total capital requirement according to Basel II	**39 072**	**40 665**
Adjustment according to transitional rules	41 426	38 389
Total capital requirement according to Basel II transitional rules	**80 498**	**79 054**
Risk-weighted assets according to Basel II transitional rules	1 006 219	988 180
Risk-weighted assets according to Basel II	488 400	508 317

Capital adequacy analysis, %	2012	2011
Capital requirement in Basel II compared to transitional rules	49	51
Capital ratio according to		
Basel II	*20.9*	*20.9*
transitional rules	*10.1*	*10.7*
Tier 1 capital ratio according to		
Basel II	*21.0*	*18.4*
transitional rules	*10.2*	*9.5*
Core tier 1 capital ratio according to		
Basel II	*18.4*	*15.6*
transitional rules	*9.0*	*8*
Capital base in relation to capital requirement		
Basel II	*261*	*261*
transitional rules	*127*	*134*

Capital adequacy financial conglomerate SEK m	2012	2011
Capital base after reduction and adjustments	107 482	108 734
Capital requirement	81 451	80 078
Surplus	**26 031**	**28 656**

Deductions from the total capital base
A deduction must be made from the total capital base for the net value of recognised surpluses in pension assets. However, the deduction may be reduced by an amount corresponding to the Bank's right to reimbursement for pension costs from Handelsbanken's pension foundation. The total capital base must also be reduced by contributions to insurance companies provided before 20 June 2006. From 2013, half of these contributions must be made from the tier 1 capital and half from the tier 2 capital.

CAPITAL REQUIREMENT
Handelsbanken applies an internal method called the IRB model for categorising risk and calculation of credit risk. 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 uses the foundation IRB approach for exposures to large companies and institutions in the whole of the regional banking operations and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans AB, Handelsbanken Finans (Shanghai) Financial Leasing Co Ltd, ZAO Svenska Handelsbanken (in liquidation) and Rahoitus Oy.

The advanced IRB method was used for retail exposures (households and small companies) in Sweden, Norway, Denmark and Finland, and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy. In addition, the advanced IRB approach is used for medium-sized companies, housing co-operative associations and property companies in the regional banking operations, Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans.

As at the year-end, the IRB approach covered approximately 89 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 2012 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 1.4 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 2012 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.

Parent company

The head office at Kungsträdgården in Stockholm.

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 increased by 48 per cent to SEK 18,602 million (12,577). The year's profit increased to SEK 11,552 million (9,213). The parent company's equity increased to SEK 82,232 million (72,657). Deposit margins have decreased both in Sweden and other countries. However, deposit volumes have grown in both Sweden and abroad, which has had a positive volume effect. Bank lending margins have increased in Sweden and also in other countries. Volumes have decreased slightly in Sweden, however, while net interest income abroad is driven by a strong increase in volumes, particularly in the UK. In an intra-group transaction during the second quarter of 2012, the parent company sold subsidiary shares to Handelsbanken Liv. The subsidiary contains properties. The transaction resulted in a net capital gain in the parent company of SEK 2,815 million. The Riksdag's decision to lower corporation tax has resulted in only marginal effects in the parent company. For the parent company's 5-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 47.

Recommended appropriation of profits

The Board proposes a dividend of SEK 10.75 per share (9.75). The Board's recommendation for distribution of profits is shown on page 175.

The Handelsbanken share

Shares divided into share classes
31 December 2012

Share class	Number	% of capital	% of votes
Class A	621 056 669	98.14	99.81
Class B	11 750 443	1.86	0.19
Total	**632 807 112**	**100**	**100**

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 39.

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 44.

At the 2012 AGM, the Board received a mandate to repurchase a maximum of 40 million shares during the period until the 2013 AGM. More detailed information on this can be found on page 38.

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 59.

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 61.

Financial reports Parent company

Income statement Parent company

SEK m		2012	2011
Interest income	*Note P3*	35 933	37 014
Interest expense	*Note P3*	-19 502	-21 330
Net interest income		**16 431**	**15 684**
Dividends received	*Note P4*	9 152	5 733
Fee and commission income	*Note P5*	7 131	7 382
Fee and commission expense	*Note P5*	-1 407	-1 356
Net fee and commission income		**5 724**	**6 026**
Net gains/losses on financial operations	*Note P6*	3 994	458
Other operating income	*Note P7*	758	640
Total operating income		**36 059**	**28 541**
General administrative expenses			
Staff costs	*Note P8*	-9 808	-9 247
Other administrative expenses	*Note P9*	-5 157	-4 723
Depreciation, amortisation and impairments of property, equipment and intangible assets	*Note P21, P22*	-518	-538
Total expenses before loan losses		**-15 483**	**-14 508**
Profit before loan losses		**20 576**	**14 033**
Net loan losses	*Note P10*	-1 154	-1 081
Impairment loss on financial assets		-820	-375
Operating profit		**18 602**	**12 577**
Appropriations	*Note P11*	-4 065	106
Profit before taxes		**14 537**	**12 683**
Taxes	*Note P29*	-2 985	-3 470
Profit for the year		**11 552**	**9 213**

Statement of comprehensive income Parent company

SEK m	2012	2011
Profit for the year	11 552	9 213
Other comprehensive income		
Cash flow hedges	2 522	-264
Available-for-sale instruments	983	-1 319
Translation difference for the year	-10	36
of which hedges of net assets in foreign operations	*481*	-
Tax related to other comprehensive income	-962	435
of which cash flow hedges	*-608*	*70*
of which available-for-sale instruments	*-248*	*365*
of which hedges of net assets in foreign operations	*-106*	-
Total other comprehensive income	**2 533**	**-1 112**
Total comprehensive income for the year	**14 085**	**8 101**

The period's reclassifications to the income statement are presented in note P35.

Balance sheet Parent company

SEK m		2012	2011
ASSETS			
Cash and balances with central banks		236 447	251 592
Interest-bearing securities eligible as collateral with central banks	*Note P17*	45 259	38 144
Loans to credit institutions	*Note P15*	422 897	532 713
Loans to the public	*Note P16*	731 967	686 827
Bonds and other interest-bearing securities	*Note P17*	62 939	56 093
Shares	*Note P18*	28 269	24 636
Shares in subsidiaries and investments in associates	*Note P19*	45 734	44 020
Assets where the customer bears the value change risk		2 011	2 644
Derivative instruments	*Note P20*	122 525	148 972
Intangible assets	*Note P21*	1 643	1 564
Property and equipment	*Note P22*	967	2 093
Deferred tax assets	*Note P29*	333	360
Other assets	*Note P23*	18 428	17 208
Prepaid expenses and accrued income	*Note P24*	5 347	6 395
Total assets	*Note P12*	**1 724 766**	**1 813 261**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note P25*	243 332	261 806
Deposits and borrowing from the public	*Note P26*	668 683	705 565
Liabilities where the customer bears the value change risk		2 059	2 673
Issued securities, etc	*Note P27*	531 284	543 876
Derivative instruments	*Note P20*	126 922	145 421
Short positions	*Note P28*	16 201	21 397
Current tax liabilities		340	677
Deferred tax liabilities	*Note P29*	707	91
Provisions	*Note P30*	116	24
Other liabilities	*Note P31*	17 154	13 058
Accrued expenses and deferred income	*Note P32*	9 531	9 693
Subordinated liabilities	*Note P33*	21 167	35 325
Total liabilities	*Note P12*	**1 637 496**	**1 739 606**
Untaxed reserves	*Note P34*	**5 038**	**998**
Share capital		2 943	2 902
Share premium		2 337	793
Other funds	*Note P36*	3 110	577
Retained earnings		62 290	59 172
Profit for the year		11 552	9 213
Total equity		**82 232**	**72 657**
Total liabilities and equity		**1 724 766**	**1 813 261**
MEMORANDUM ITEMS			
Assets pledged for own debt	*Note P37*	59 195	72 007
Other assets pledged	*Note P37*	2 564	5 236
Contingent liabilities/commitments	*Note P38*	131 586	149 061
Other commitments	*Note P39*	475 287	513 217

Statement of changes in equity Parent company

SEK m	Restricted equity Share capital	Restricted equity Statutory reserve	Unrestricted equity Share premium	Unrestricted equity Hedge reserve[1]	Unrestricted equity Fair value reserve[1]	Unrestricted equity Translation reserve[1]	Unrestricted equity Retained earnings	Total
Opening equity 2011	2 899	2 682	184	-710	769	-1 052	64 798	69 570
Profit for the year							9 213	9 213
Other comprehensive income				-194	-954	36		-1 112
Total comprehensive income for the year				**-194**	**-954**	**36**	**9 213**	**8 101**
Dividend							-5 611	-5 611
Conversion of the convertible subordinated loan issued in 2008	3		103					106
Equity component of the convertible subordinated loan issued in 2011			506					506
Changes in holdings of own shares in trading book							-15	-15
Closing equity 2011	**2 902**	**2 682**	**793**	**-904**	**-185**	**-1 016**	**68 385**	**72 657**

SEK m	Restricted equity Share capital	Restricted equity Statutory reserve	Unrestricted equity Share premium	Unrestricted equity Hedge reserve[1]	Unrestricted equity Fair value reserve[1]	Unrestricted equity Translation reserve[1]	Unrestricted equity Retained earnings	Total
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
Total comprehensive income for the year				**1 914**	**735**	**-116**	**11 552**	**14 085**
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
Closing equity 2012	**2 943**	**2 682**	**2 337**	**1 010**	**550**	**-1 132**	**73 842**	**82 232**

[1] Included in fair value fund.

During the period January to December 2012, convertibles for a nominal value of SEK 1,641m (111) relating to the 2008 subordinated convertible bond had been converted into 8,744,470 class A shares (593,180). At the end of the financial year the holdings of Handelsbanken shares in the trading book was 0 (79,520).

A more detailed specification of changes in equity is presented in note P36.

Cash flow statement Parent company

SEK m	2012	2011
OPERATING ACTIVITIES		
Operating profit	18 602	12 577
of which paid-in interest	*36 817*	*35 484*
of which paid-out interest	*-19 602*	*-20 339*
of which paid-in dividends	*432*	*805*
Adjustment for non-cash items in profit/loss		
Loan losses	1 253	1 233
Unrealised changes in value	197	-3 168
Depreciation, amortisation and impairments	1 339	913
Group contribution to be received	-7 477	-4 928
Paid income tax	-3 393	-3 142
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	109 816	-27 664
Loans to the public	-46 336	2 728
Interest-bearing securities and shares	-21 934	25 024
Due to credit institutions	-18 474	1 688
Deposits and borrowing from the public	-36 882	128 385
Issued securities	-12 592	60 571
Derivative instruments, net positions	8 368	-12 725
Short positions	-5 196	-14 629
Claims and liabilities on investment banking settlements	356	42 254
Other	15 303	-9 289
Cash flow from operating activities	**2 950**	**199 828**
INVESTING ACTIVITIES		
Change in shares	611	293
Change in interest-bearing securities	4 553	-3 168
Change in property and equipment	427	-277
Change in intangible non-current assets	-316	-255
Cash flow from investing activities	**5 275**	**-3 407**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-14 890	-10 835
Issued subordinated loans	2 990	2 512
Dividend paid	-6 110	-5 611
Dividends received from group companies	6 170	41
Cash flow from financing activities	**-11 840**	**-13 893**
Cash flow for the year	**-3 615**	**182 528**
Liquid funds at beginning of year	251 592	56 346
Cash flow from operating activities	2 950	199 828
Cash flow from investing activities	5 275	-3 407
Cash flow from financing activities	-11 840	-13 893
Exchange rate difference on liquid funds	-11 530	12 718
Liquid funds at end of year	**236 447**	**251 592**

Five-year overview Parent company

Income statement SEK m	2012	2011	2010	2009	2008
Net interest income	16 431	15 684	14 549	14 584	13 297
Dividends received	9 152	5 733	2 749	6 687	5 224
Net fee and commission income	5 724	6 026	6 455	5 995	5 661
Net gains/losses on financial operations	3 994	458	790	2 453	2 304
Other operating income	758	640	624	597	904
Total operating income	**36 059**	**28 541**	**25 167**	**30 316**	**27 390**
General administrative expenses					
Staff costs	-9 808	-9 247	-8 838	-8 938	-7 556
Other administrative expenses	-5 157	-4 723	-4 775	-4 450	-4 480
Depreciation, amortisation and impairments of property, equipment and intangible assets	-518	-538	-533	-574	-498
Total expenses before loan losses	**-15 483**	**-14 508**	**-14 146**	**-13 962**	**-12 534**
Profit before loan losses	**20 576**	**14 033**	**11 021**	**16 354**	**14 856**
Net loan losses	-1 154	-1 081	-1 466	-3 781	-1 580
Impairment loss on financial assets	-820	-375	-470	-30	-
Operating profit	**18 602**	**12 577**	**9 085**	**12 543**	**13 276**
Appropriations	-4 065	106	108	1 100	-872
Profit before tax	**14 537**	**12 683**	**9 193**	**13 643**	**12 404**
Taxes	-2 985	-3 470	-2 548	-2 784	-3 097
Profit for the year	**11 552**	**9 213**	**6 645**	**10 859**	**9 307**
Dividend for the year	6 804[1]	6 085	5 611	4 988	4 364

[1] As proposed by the Board.

Statement of comprehensive income SEK m	2012	2011	2010	2009	2008
Profit for the year	11 552	9 213	6 645	10 859	9 307
Other comprehensive income					
Cash flow hedges	2 522	-264	-186	13	-1 040
Available-for-sale instruments	983	-1 319	2 188	3 277	-5 142
Translation difference for the year	-10	36	-1 462	51	169
of which hedges of net asssets in foreign operations	*481*	-	-	-	-
Tax related to other comprehensive income	-962	435	-549	-927	1 721
of which cash flow hedges	*-608*	*70*	*49*	*-3*	*277*
of which available-for-sale instruments	*-248*	*365*	*-598*	*-924*	*1 444*
of which hedges of net assets in foreign operations	*-106*	-	-	-	-
Total other comprehensive income	**2 533**	**-1 112**	**-9**	**2 414**	**-4 292**
Total comprehensive income for the year	**14 085**	**8 101**	**6 636**	**13 273**	**5 015**

Five-year overview Parent company, cont.

Balance sheet SEK m	2012	2011	2010	2009	2008
Assets					
Loans to the public	731 967	686 827	691 221	741 496	790 613
Loans to credit institutions	422 897	532 713	505 049	396 001	381 874
Interest-bearing securities	108 198	94 237	103 836	154 790	144 523
Other assets	461 704	499 484	314 057	278 351	343 582
Total assets	**1 724 766**	**1 813 261**	**1 614 163**	**1 570 638**	**1 660 592**
Liabilities and equity					
Deposits and borrowing from the public	668 683	705 565	577 180	570 166	505 903
Due to credit institutions	243 332	261 806	260 117	225 049	373 996
Issued securities	531 284	543 876	483 305	474 205	427 426
Subordinated liabilities	21 167	35 325	43 959	59 021	61 306
Other liabilities	173 030	193 034	178 922	172 940	230 457
Untaxed reserves	5 038	998	1 110	1 368	2 490
Equity	82 232	72 657	69 570	67 889	59 014
Total liabilities and equity	**1 724 766**	**1 813 261**	**1 614 163**	**1 570 638**	**1 660 592**
Memorandum items					
Assets pledged for own debt	59 195	72 007	79 591	171 051	226 726
Other assets pledged	2 564	5 236	4 398	8 124	6 943
Contingent liabilities/contingent commitments	131 586	149 061	131 479	154 338	180 826
Other commitments	475 287	513 217	415 771	376 628	330 253

Key figures	2012	2011	2010	2009	2008
Impaired loans reserve ratio, %	56.0	61.0	61.5	61.9	51.1
Proportion of impaired loans, %	0.28	0.24	0.33	0.33	0.22
Capital ratio, % according to Basel II	20.6	20.9	19.3	20.2	16.2
Tier 1 ratio, % according to Basel II	19.0	16.9	12.9	12.0	8.7

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. The parent company also applies Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements from the Swedish Financial Reporting Board. In compliance with the Supervisory Authority's general advice, the parent company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the connection between accounting and taxation.

The relationship between the parent company's and the Group's accounting policies
The parent company's accounting policies mainly correspond with those of the Group. In the following, only areas where the parent company's policies differ from those of the Group are presented. In all other respects, reference is made to the accounting policies in note G1.

Changed accounting policies
The parent company's accounting policies are in all material respects the same as those applied in the 2011 financial year.

Presentation
The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies, and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation by the Group:

- claims on central banks that are immediately available upon demand that are reported in the consolidated balance sheet under Other loans to central banks, are reported as Loans to credit institutions in the parent company's balance sheet.
- broker and stock exchange costs are reported in the parent company as commission expenses
- dividends received are reported on a separate line in the parent company's income statement
- the gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income/expense
- off-balance sheet items are reported in direct conjunction with the parent company's balance sheet
- untaxed reserves that are split into equity share and tax liability in the Group are reported as a separate balance sheet item in the parent company.

Assets and liabilities in foreign currencies
Loans in the parent company which are hedging net investments in foreign operations are measured at the historical rate of exchange.

Held-for-sale assets and discontinued operations
Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Nor are held-for-sale assets presented separately in the balance sheet.

Shares in subsidiaries and associated companies
Shares in subsidiaries and associated companies are measured at cost. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss under Dividends received.

Financial guarantees
Financial guarantees in the form of guarantees in favour of subsidiaries and associated companies are recognised in the parent company as a provision in the balance sheet where the parent company has an existing commitment and payment will probably be required to settle this commitment.

Intangible assets
In the parent company, acquisition assets and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. According to experience, the customer relations that the acquisitions have led to are very long, and consequently the useful life of goodwill on acquisitions. The amortisation period has been set at 20 years.

Dividends
The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associated companies, and group contributions received.

Anticipated dividend is recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

Accounting for pensions
The parent company does not apply the provisions of IAS 19 concerning accounting for defined-benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established, that the calculation of the future commitment does not take into account assumptions of future salary increases and that when calculating the parent company's pension commitment, actuarial gains and losses are recognised in full when they arise. The recognised net cost of pensions is calculated as pensions paid and pension premiums minus any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

The pension fund's commitments to the employees of subsidaries 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 can be divided into two parts: deferred tax liabilities and equity.

P2 Risk and capital management

The Handelsbanken Group's risk management is described in note G2. Specific information about the parent company's risks is presented below. For definitions, see page 187.

Credit risk

Credit risk exposure SEK m	2012	2011
Loans to the public[1]	731 967	686 827
of which repos	*33 799*	*13 669*
Loans to credit institutions	410 527	408 591
of which repos	*62 104*	*60 813*
Unutilised part of granted overdraft facilities	134 262	154 201
Credit commitments	235 670	249 093
Other commitments	105 355	109 923
Guarantees, credits	65 216	76 110
Guarantees, other	39 914	42 599
Letters of credit	26 433	30 348
Derivatives	122 525	148 972
Treasury bills and other eligible bills	45 259	38 144
Bonds and other interest-bearing securities	62 939	56 093
Total	**1 980 067**	**2 000 901**

[1] SEK 4,078m (4,945) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

Loans to the public, by sector	2012			2011		
SEK m	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	123 328	-655	122 673	120 040	-648	119 392
Housing co-operative associations	12 373	-13	12 360	14 578	0	14 578
Property management	297 298	-360	296 938	270 062	-400	269 662
Manufacturing	41 427	-472	40 955	44 389	-496	43 893
Retail	30 741	-440	30 301	32 865	-303	32 562
Hotel and restaurant	7 357	-36	7 321	6 422	-120	6 302
Passenger and goods transport by sea	16 209	-406	15 803	16 547	-202	16 345
Other transport and communication	10 955	-181	10 774	14 300	-178	14 122
Construction	10 175	-106	10 069	9 151	-170	8 981
Electricity, gas and water	13 492	-25	13 467	11 172	-15	11 157
Agriculture, hunting and forestry	5 997	-12	5 985	4 706	-11	4 695
Other services	21 176	-208	20 968	19 961	-52	19 909
Holding, investment, insurance companies, mutual funds etc.	81 854	-601	81 253	78 605	-702	77 903
Sovereigns and municipalities	25 669		25 669	12 382	0	12 382
Other corporate lending	37 807	-101	37 706	35 596	-292	35 304
Total loans to the public, before collective provisions		**-3 616**	**732 242**	**690 776**	**-3 589**	**687 187**
Collective provisions			-275			-360
Total loans to the public	**735 858**		**731 967**	**690 776**		**686 827**

Loans to the public, collateral SEK m	2012	2011
Residential property[1]	151 103	136 225
Other property	190 973	167 276
Sovereigns, municipalities and county councils	32 944	11 905
Guarantees	15 207	14 143
Financial collateral	25 938	9 900
Collateral in assets	0	0
Other collateral	56 986	61 366
Unsecured	258 816	286 012
Total loans to the public	**731 967**	**686 827**

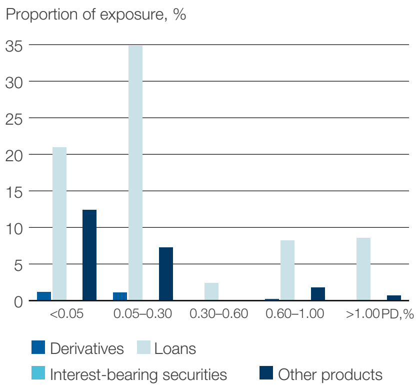
[1] Including housing co-operatives.

Credit risk exposure on balance, collateral SEK m	2012	2011
Residential property[1]	151 103	136 225
Other property	190 973	167 276
Sovereigns, municipalities and county councils	290 613	415 746
Guarantees	15 266	14 307
Financial collateral	89 110	81 634
Collateral in assets	0	0
Other collateral	56 986	61 366
Unsecured	639 047	651 598
Total loans to the public	**1 433 098**	**1 528 152**

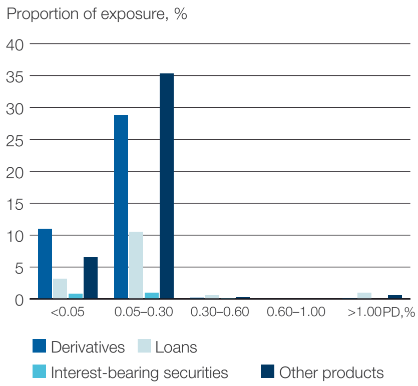
[1] Including housing co-operatives.

Credit quality

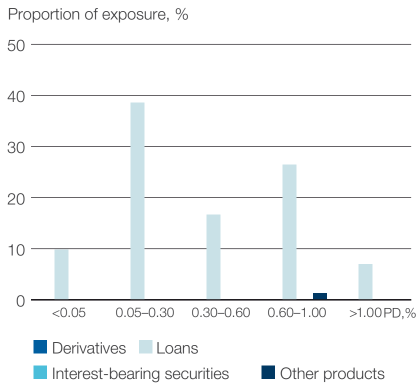
Proportion of exposure per product type per PD interval excluding defaulted credits – Corporate exposures



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[1] SEK m	**2012**	**2011**
Interest rate risk	-491	-466
Exchange rate risk[2]	-18	-44

[1] For information about equity and commodity risk in the parent company, see note G2.
[2] Worst outcome in the case of +/- 5% change in SEK.

Maturity analysis for 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
of which repos	*2 394*	-	-	-	-	*2 394*
Deposits and borrowing from the public	126 112	22 804	3 226	676	519 033	671 851
of which repos	*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
Total	**581 767**	**154 069**	**160 252**	**70 455**	**552 696**	**1 519 239**
Off-balance-sheet items						
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
Total	**-3 541**	**1 949**	**1 076**	**533**	**17**

P2 Cont

Maturity analysis for liabilities, 2011 SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Unspecified maturity	Total
Due to credit institutions	174 110	5 794	1 972	14 185	-	196 061
of which repos	*4 056*	-	-	-	-	*4 056*
Deposits and borrowing from the public	186 163	29 628	5 043	1 268	477 919	700 021
of which repos	*8 003*	-	-	-	-	*8 003*
Issued securities	306 689	107 974	117 934	36 774	-	569 371
Other trading liabilities	17 748	-	-	-	-	17 748
Subordinated liabilities	9 512	6 838	16 880	6 765	-	39 995
Total	**694 222**	**150 234**	**141 829**	**58 992**	**477 919**	**1 523 196**
Off-balance-sheet items						
Financial guarantees and unutilised commitments		411 960				

Derivatives 2011 SEK m	Up to 3 mths	3–12 mths	1–5 yrs	Over 5 yrs	Total
Total derivatives inflow	773 214	519 781	682 420	179 070	2 154 485
Total derivatives outflow	766 741	519 613	676 872	179 471	2 142 697
Total	**6 473**	**168**	**5 548**	**-401**	**11 788**

P3 Net interest income

SEK m	2012	2011
Interest income		
Loans to credit institutions and central banks	9 710	10 130
Loans to the public	25 269	25 493
Interest-bearing securities eligible as collateral with central banks	1 521	3 169
Bonds and other interest-bearing securities	1 967	4 652
Derivative instruments recognised as hedges	-1 524	-1 835
Other interest income	1 356	1 156
Total interest income	**38 299**	**42 765**
Of which interest income reported in net gains/losses on financial items at fair value	2 366	5 751
Interest income according to income statement	**35 933**	**37 014**
Interest expense		
Due to credit institutions and central banks	-1 961	-2 998
Deposits and borrowing from the public	-7 056	-7 322
Issued securities	-8 183	-7 966
Derivative instruments recognised as hedges	969	1 022
Subordinated liabilities	-1 359	-1 653
Other interest expense	-4 234	-8 141
Total interest expense	**-21 824**	**-27 058**
Of which interest expense reported in net gains/losses on financial items at fair value	-2 322	-5 728
Interest expense according to income statement	**-19 502**	**-21 330**
Net interest income	**16 431**	**15 684**

Includes interest income on impaired loans SEK 107m (130). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 36,113m (37,164). Total interest expense on liabilities recognised at amortised cost was SEK 20,471m (22,352).

P4 Dividends received

SEK m	2012	2011
Dividends on shares	432	726
Dividends from group companies	1 243	79
Group contribution received	7 477	4 928
Total	**9 152**	**5 733**

P5 Net fee and commission income

SEK m	2012	2011
Brokerage and other securities commissions	1 112	1 349
Mutual funds	712	752
Custody	304	330
Advisory services	195	211
Payments	2 676	2 565
Loans and deposits	892	947
Guarantees	461	469
Other	779	759
Total fee and commission income	**7 131**	**7 382**
Securities commissions	-278	-318
Payment commissions	-1 056	-965
Other commission expense	-73	-73
Total fee and commission expense	**-1 407**	**-1 356**
Net fee and commission income	**5 724**	**6 026**

P6 Net gains/losses on financial operations

SEK m	2012	2011
Available for sale, realised	3167	97
of which shares	*3 150*[1]	*108*
of which interest-bearing securities	*17*	*-11*
Hedge accounting		
Fair value hedges	140	-37
of which hedging instruments	*140*	*2 582*
of which hedged items	*0*	*-2 619*
Ineffective portion of cash flow hedges	-8	-5
Instruments measured at fair value		
Loans and receivables	1	69
of which change due to changed interbank rate	*16*	*36*
Interest-bearing securities	732	2 712
Loans and receivables at amortised cost	59	100
Financial liabilities at amortised cost	-29	-24
Trading/Other	-68	-2 454
Total	**3 994**	**458**

[1] During the year, subsidiary shares have been sold in an intra-group transaction.

P7 Other operating income

SEK m	2012	2011
Rental income	26	25
Other operating income	732	615
Total	**758**	**640**

P8 Staff costs

SEK m	2012	2011
Salaries and fees	-6 344	-6 091
Social security costs	-1 539	-1 494
Pension costs[1]	-515	-340
Provision to profit-sharing foundation	-959	-839
Other staff costs	-451	-483
Total	**-9 808**	**-9 247**

[1] Information about pension costs is presented in note P40.

Salaries and fees SEK m	2012	2011
Board, CEO and EVPs	-100	-98
Others	-6 244	-5 993
Total	**-6 344**	**-6 091**

Gender distribution, %	2012		2011	
	Men	Women	Men	Women
Board	75	25	75	25
CEO and EVPs	82	18	80	20

Average number of employees	2012	Men	Women	2011	Men	Women
Sweden	6 984	3 222	3 762	7 086	3 269	3 817
Norway	753	403	350	784	434	350
Finland	530	218	312	522	218	304
Denmark	672	341	331	680	341	339
UK	1 024	637	387	831	529	302
Luxembourg	28	20	8	33	20	13
Germany	68	40	28	61	39	22
USA	77	51	26	78	51	27
Netherlands	85	59	26	67	44	23
Singapore	36	8	28	39	11	28
Hong Kong	32	19	13	31	18	13
Poland	48	19	29	63	27	36
Other countries	102	33	69	97	34	63
Total	**10 439**	**5 070**	**5 369**	**10 372**	**5 035**	**5 337**

Note G8 provides information about the principles for remuneration to CEO and EVPs in the parent company.

P9 Other administrative expenses

SEK m	2012	2011
Property and premises	-1 239	-1 043
External IT costs	-1 540	-1 487
Communication	-319	-343
Travel and marketing	-337	-349
Purchased services	-946	-912
Supplies	-180	-205
Other administrative expenses	-596	-384
Total	**-5 157**	**-4 723**
Of which expenses for operating leases		
Minimum lease fee	*-670*	*-650*
Variable fee	*-19*	*-19*
Total	**-689**	**-669**

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 2012, the cost of the largest individual lease contract was approx. SEK 130m (124). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies SEK m	KPMG 2012	KPMG 2011	Ernst & Young AB 2012	Ernst & Young AB 2011
Audit assignment	-7	-8	-3	-2
Audit operations outside the audit assignment	-2	-4	0	-
Tax advice	0	0	-1	0
Other services	0	0	0	-

P10 Loan losses

SEK m	2012	2011
Specific provision for individually assessed loans		
The year's provision	-1 388	-1 303
Reversal of previous provisions	329	304
Total	**-1 059**	**-999**
Collective provision		
The year's net provision for individually assessed loans	84	29
The year's net provision for homogeneous loans	6	4
Total	**90**	**33**
Off-balance-sheet items		
Losses on off-balance-sheet items	-	14
Reversal of previous losses on off-balance-sheet items	0	-
Change in collective provision for off-balance-sheet items	5	2
Total	**5**	**16**
Write-offs		
Actual loan losses for the year	-1 227	-2 535
Utilised share of previous provisions	937	2 251
Recoveries	100	153
Total	**-190**	**-131**
Net loan losses	**-1 154**	**-1 081**

Impaired loans, etc. SEK m	2012	2011
Impaired loans	6 949	6 476
Specific provisions for individually assessed loans	-3 616	-3 589
Provisions for collectively assessed homogeneous groups of loans with limited value	-	-
Collective provisions for individually assessed loans	-275	-360
Net impaired loans	**3 058**	**2 527**
Total impaired loans reserve ratio, %	56.0	61.0
Proportion of impaired loans, %	0.28	0.24
Impaired loans reserve ratio excluding group provisions, %	52.0	55.4
Non-performing loans which are not impaired loans	1 425	1 168
Impaired loans reclassified as normal loans during the year	41	340

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 187.

P10 Cont

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	-	-	-1 319
Reversal of previous provisions	329	84	-	344
Utilised for actual loan losses	937		-	937
Foreign exchange effect, etc.	95	1	-	96
Provision at end of year	**-3 616**	**-275**	**-**	**-3 891**

Reconciliation of provision for probable loan losses 2011 SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-4 953	-390	-	-5 343
The year's provision	-1 303	-	-	-1 303
Reversal of previous provisions	304	29	-	333
Utilised for actual loan losses	2 251		-	2 251
Foreign exchange effect, etc.	112	1	-	113
Provision at end of year	**-3 589**	**-360**	**-**	**-3 949**

Impaired and/or non-performing loans, by sector 2012	Impaired loans				Non-performing loans which are not impaired loans
SEK m	Gross	Provisions	Net[1]	Of which non-performing	
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	-	-	-	-	-
Total	**6 949**	**-3 616**	**3 333**	**1 948**	**1 425**

Impaired and/or non-performing loans, by sector 2011	Impaired loans				Non-performing loans which are not impaired loans
SEK m	Gross	Provisions	Net[1]	Of which non-performing	
Private individuals	1 089	-648	441	350	620
Housing co-operative associations	-	-	-	-	71
Property management	1 261	-400	861	512	166
Manufacturing	925	-496	429	300	51
Retail	494	-303	191	182	56
Hotel and restaurant	173	-120	53	53	29
Passenger and goods transport by sea	202	-202	0	-	-
Other transport and communication	242	-178	64	56	21
Construction	289	-170	119	114	51
Electricity, gas and water	37	-15	22	2	-
Agriculture, hunting and forestry	16	-11	5	5	18
Other services	106	-52	54	43	50
Holding, investment and insurance companies, mutual funds, etc.	1 231	-702	529	44	33
Other corporate lending	411	-292	119	100	2
Credit institutions	-	-	-	-	-
Total	**6 476**	**-3 589**	**2 887**	**1 761**	**1 168**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Impaired and/or non-performing loans, geographic distribution 2012	Impaired loans				Non-performing loans
SEK m	Gross	Provisions	Net[1]	Of which non-performing	which are not impaired loans
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
Rest of Europe	158	-84	74	34	66
North America	1 021	-516	505	-	-
Asia	2	0	2	-	-
Total	**6 949**	**-3 616**	**3 333**	**1 948**	**1 425**

Impaired and/or non-performing loans, geographic distribution 2011	Impaired loans				Non-performing loans
SEK m	Gross	Provisions	Net[1]	Of which non-performing	which are not impaired loans
Sweden	2 392	-1 478	914	858	396
Norway	555	-357	198	180	517
Finland	676	-313	363	199	158
Denmark	848	-510	338	180	20
UK	814	-260	554	316	33
Rest of Europe	103	-31	72	27	44
North America	1 083	-639	444	-	-
Asia	5	-1	4	1	-
Total	**6 476**	**-3 589**	**2 887**	**1 761**	**1 168**

[1] Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Analysis of past due loans which are not impaired loans 2012		Loans to the public			
SEK m	Loans to credit institutions	Households	Corporate	Other	Total
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
Total	**-**	**1 856**	**1 580**	**-**	**3 436**

Analysis of past due loans which are not impaired loans 2011		Loans to the public			
SEK m	Loans to credit institutions	Households	Corporate	Other	Total
Past due ≥ 5 days ≤ 1 month	-	677	626	-	1 303
Past due > 1 month ≤ 2 months	-	257	113	-	370
Past due > 2 months ≤ 3 months	-	175	116	-	291
Past due > 3 months ≤ 12 months	-	364	194	-	558
Past due > 12 months	-	199	121	-	320
Total	**-**	**1 672**	**1 170**	**-**	**2 842**

Property repossessed for protection of claims SEK m	2012	2011
Property	390	446
Movable property	-	-
Shares	0	1
Carrying amount	**390**	**447**

P11 Appropriations

SEK m	2012	2011
Tax allocation reserve	-4 168	-
Change in amortisation of goodwill in excess of plan	103	106
Total	**-4 065**	**106**

P12 Classification of financial assets and liabilities

2012 SEK m	At fair value in income statement divided into Trading	 Other[1]	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
Assets									
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
Total financial assets	**196 439**	**50 247**	**6 429**	**5 215**	**1 410 107**	**7 645**	**45 741**	**1 721 823**	**1 728 171**
Non-financial assets								2 943	
Total assets								**1 724 766**	
Liabilities									
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
Total financial liabilities	**148 284**	**1 724**	**8 668**				**1 477 657**	**1 636 333**	**1 650 615**
Non-financial liabilities								1 163	
Total liabilities								**1 637 496**	

2011 SEK m	At fair value in income statement divided into Trading	 Other[1]	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
Assets									
Cash and balances with central banks					251 592			251 592	251 592
Interest-bearing securities eligible as collateral with central banks	14 350	15 614		6 461		1 719		38 144	38 256
Loans to credit institutions					532 713			532 713	535 881
Loans to the public		4 945			681 882			686 827	687 067
Bonds and other interest-bearing securities	14 401	31 612		3 340		6 740		56 093	56 096
Shares	20 344					4 292		24 636	24 636
Shares in subsidiaries and investments in associates							44 020	44 020	44 020
Assets where the customer bears the value change risk		1 816			828			2 644	2 644
Derivative instruments	143 018		5 954					148 972	148 972
Other assets	43				17 159		6	17 208	17 208
Prepaid expenses and accrued income	173	1 107		172	4 943			6 395	6 395
Total financial assets	**192 329**	**55 094**	**5 954**	**9 973**	**1 489 117**	**12 751**	**44 026**	**1 809 244**	**1 812 767**
Non-financial assets								4 017	
Total assets								**1 813 261**	
Liabilities									
Due to credit institutions							261 806	261 806	261 382
Deposits and borrowing from the public							705 565	705 565	705 721
Liabilities where the customer bears the value change risk		1 845					828	2 673	2 673
Issued securities	9 125						534 751	543 876	551 625
Derivative instruments	143 025		2 396					145 421	145 421
Short positions	21 397							21 397	21 397
Other liabilities	47						13 011	13 058	13 058
Accrued expenses and deferred income	168						9 525	9 693	9 693
Subordinated liabilities							35 325	35 325	37 076
Total financial liabilities	**173 762**	**1 845**	**2 396**				**1 560 811**	**1 738 814**	**1 748 046**
Non-financial liabilities								792	
Total liabilities								**1 739 606**	

[1] Classified to be measured at fair value.
The principles for measurement at fair value are presented in note G14. For shares in subsidiaries and associated companies the acquisition cost is stated and not the fair value.

P13 Fair value measurement of financial assets and liabilities

2012 SEK m	Level 1	Level 2	Level 3	Total
Assets				
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
Total financial assets at fair value	**119 916**	**139 001**	**732**	**259 649**
Liabilities				
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
Total financial liabilities at fair value	**19 667**	**138 859**	**77**	**158 603**

2011 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	31 683	-	-	31 683
Loans to the public	-	4 920	25	4 945
Bonds and other interest-bearing securities	43 130	9 623	-	52 753
Shares	23 436	460	740	24 636
Assets where the customer bears the value change risk	1 816	-	-	1 816
Derivative instruments	1 759	147 213	-	148 972
Total financial assets at fair value	**101 824**	**162 216**	**765**	**264 805**
Liabilities				
Liabilities where the customer bears the value change risk	1 845	-	-	1 845
Issued securities	625	8 423	77	9 125
Derivative instruments	3 324	142 094	3	145 421
Short positions	20 386	1 011	-	21 397
Total financial liabilities at fair value	**26 180**	**151 528**	**80**	**177 788**

The principles applied are described in note G15.

Reconciliation of financial instruments in level 3 2012 SEK m	Bonds and other interest-bearing securities	Shares	Derivatives, net position	Loans to the public	Issued securities
Carrying amount at beginning of year	-	740	-3	25	-77
New acquisition	-	14	-	-	-
Issued during the year	-	-	-	-	-
Repurchased during the year	-	-	-	-	-
Sold during the year	-	-18	-	-	-2
Matured during the year	-	-	-	-6	-
Realised value change in income statement	-	-8	-	-	-
Unrealised value change in income statement	-	8	-	0	2
Value change recognised in other comprehensive income	-	-28	-	-1	-
Transfer from level 1 or 2	-	-	-	6	-
Transfer to level 1 or 2	-	-	3	-	0
Carrying amount at end of year	**-**	**708**	**-**	**24**	**-77**

Reconciliation of financial instruments in level 3 2011 SEK m	Bonds and other interest-bearing securities	Shares	Derivatives, net position	Loans to the public	Issued securities
Carrying amount at beginning of year	1 837	536	-87	24	-77
New acquisition	-	-	4	-	-
Issued during the year	-	-	-	-	-
Repurchased during the year	-	-	-	-	1
Sold during the year	-	-6	-	-	-
Matured during the year	-1 844	-	-	-15	-
Realised value change in income statement	-20	-3	-	-	-
Unrealised value change in income statement	-	8	4	-	-1
Value change recognised in other comprehensive income	27	-45	-	0	-
Transfer from level 1 or 2	-	251	-	16	-
Transfer to level 1 or 2	-	-1	76	-	0
Carrying amount at end of year	**-**	**740**	**-3**	**25**	**-77**

P14 Reclassified financial assets

SEK m	Holdings classified as loans: Reclassified from held for trading	Holdings classified as loans: Reclassified from available for sale	Financial assets available for sale: Reclassified from held for trading
Carrying amount	96	7 782	310
Fair value	95	7 930	312
Carrying amount at reclassification 1 July 2008	3 041	19 722	2 578
Carrying amount at beginning of 2012	132	11 992	378
Fair value at beginning of 2012	131	11 837	380
Value change recognised in income statement in 2012	-	-5	-
Value change recognised in income statement in 2011	-	-23	-
Value change recognised in other comprehensive income in 2012	-5	-177	-15
Value change recognised in other comprehensive income in 2011	1	133	22
Value change that would have been recognised in income statement in 2012 if the assets would not have been reclassified	2	-5	5
Value change that would have been recognised in income statement in 2011 if the assets would not have been reclassified	3	19	41
Value change that would have been recognised in other comprehensive income in 2012 if the assets would not have been reclassified	-	266	-
Value change that would have been recognised in other comprehensive income in 2011 if the assets would not have been reclassified	-	-90	-
Proportion of amortisations and maturities since reclassification	98%	68%	93%
Interest recognised as income 2012	1	221	2

Reclassification of financial assets is described in note G16.

P15 Loans to credit institutions

SEK m	2012	2011
Loans in Swedish kronor		
Banks	7 434	34 973
Other credit institutions	201 030	196 567
Total	**208 464**	**231 540**
Loans in foreign currency		
Banks	35 723	138 179
Other credit institutions	178 710	162 994
Total	**214 433**	**301 173**
Probable loan losses	-	-
Total loans to credit institutions	**422 897**	**532 713**
Of which reverse repos	*62 104*	*63 147*
Of which subordinated	*16 718*	*16 721*

Average volumes SEK m	2012	2011
Loans to credit institutions in Swedish kronor	237 965	248 217
Loans to credit institutions in foreign currency	259 985	298 357
Total	**497 950**	**546 574**
Of which reverse repos	*12 093*	*19 721*

P16 Loans to the public

SEK m	2012	2011
Loans in Swedish kronor		
Households	43 732	46 867
Companies	242 976	221 891
National Debt Office	16 442	8 679
Total	**303 150**	**277 437**
Loans in foreign currency		
Households	93 101	85 851
Companies	339 607	327 488
National Debt Office	-	-
Total	**432 708**	**413 339**
Probable loan losses	-3 891	-3 949
Total loans to the public	**731 967**	**686 827**
Of which reverse repos	*33 799*	*13 669*
Of which subordinated	*1 129*	*1 129*

Average volumes, excl. National Debt Office SEK m	2012	2011
Loans to the public in Swedish kronor	273 731	276 548
Loans to the public in foreign currency	425 943	409 425
Total	**699 674**	**685 973**
Of which reverse repos	*19 472*	*19 617*

P17 Interest-bearing securities

	2012			2011		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government securities eligible as collateral with central banks	37 620	41 451	41 384	34 260	38 243	38 130
Other securities eligible as collateral with central banks	3 785	3 875	3 875	14	13	14
Total interest-bearing securities eligible as collateral with cental banks	**41 405**	**45 326**	**45 259**	**34 274**	**38 256**	**38 144**
Bonds and other interest-bearing securities	60 000	62 935	62 939	54 037	56 096	56 093
Total interest-bearing securities	**101 405**	**108 261**	**108 198**	**88 311**	**94 352**	**94 237**
Of which unlisted securities		*2 890*	*2 890*		*231*	*231*

Interest-bearing securities distributed by issuer	2012			2011		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	37 620	41 451	41 384	34 260	38 243	38 130
Credit institutions	9 454	9 813	9 817	10 325	10 522	10 520
Mortgage institutions	41 890	44 396	44 396	30 749	32 611	32 611
Other	12 441	12 601	12 601	12 977	12 976	12 976
Total	**101 405**	**108 261**	**108 198**	**88 311**	**94 352**	**94 237**

Average volumes SEK m	2012	2011
Interest-bearing securities	108 860	113 014

P18 Shares

SEK m	2012	2011
Holdings at fair value over the income statement		
Listed	22 883	20 234
Non-listed	194	62
Total	**23 077**	**20 296**

SEK m	2012	2011
Classified as available for sale		
Listed	4 163	3 386
Non-listed	1 029	954
Total	**5 192**	**4 340**
Total shares	**28 269**	**24 636**

P19 Shares in subsidiaries and investments in associates

Shares in subsidiaries and investments in associates SEK m	2012	2011
Associates, unlisted	92	62
Subsidiaries, unlisted	45 642	43 958
Total	**45 734**	**44 020**

Associates	Corporate identity number	Domicile	Number of shares	Ownership share %	Carrying amount SEK m 2012	Carrying amount SEK m 2011
Bankomat AB	556817-9716	Stockholm	150	20.00	55	27
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	-
Upplysningscentralen UC AB	556137-5113	Stockholm	2 448	24.48	0	0
Total					**92**	**62**

Subsidiaries	Corporate identity number	Domicile	Number of shares	Ownership share %	Carrying amount SEK m 2012	Carrying amount SEK m 2011
Handelsbanken Finans AB[1]	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		
Stadshypotek AB[1]	556459-6715	Stockholm	162 000	100	26 870	26 870
Handelsbanken Fondbolagsförvaltning AB	556070-0683	Stockholm	10 000	100	1	1
Handelsbanken Fonder AB	556418-8851	Stockholm		100		
Handelsinvest Investeringsforvaltning A/S	12930879	Copenhagen		100		
Handelsbanken Fondbolag Ab	1105019-3	Helsinki		100		
Handelsbanken Kapitalforvaltning AS	973194860	Oslo		100		
Handelsbanken Liv Försäkrings AB	516401-8284	Stockholm	100 000	100	6 189	3 688
Handelsbanken Life & Pension Ltd	453703	Dublin		100		
SHB Liv Forsikringsaktieselskab	20594942	Copenhagen		100		
SHB Liv Försäkringsaktiebolag	2478149-7	Helsinki		100		
Handelsbanken Fastigheter AB[2]	556873-0021	Stockholm		100		
AB Handel och Industri	556013-5336	Stockholm	100 000	100	63	63
Plastal Industri AB	556532-8845	Gothenburg		100		
Other subsidiaries						
Ejendomsselskabet af 1. januar 2002 A/S[3]	38300512	Herning	2 460 000	100	247	392
Ejendomsselskabet af 1. maj 2009 A/S[4]	59173812	Hillerød	2 700 000	100	200	727
Forva AS	945812141	Oslo	4 000 000	100	1	1
Fritidsvärden AB	556192-4803	Gothenburg	1 000	100	-	0
Lejontrappan AB	556481-1551	Gothenburg	1 000	100	0	0
Handelsbanken Markets Securities, Inc.[1]	11-3257438	New York	1 000	100	39	39
Handelsbanken Mezzanine Fond 1 KB	969710-3126	Stockholm	Unit	100	0	0
Handelsbanken Mezzanine Management AB	556679-2668	Stockholm	5 000	100	1	1
Handelsbanken Renting AB	556043-2766	Stockholm	1 000	100	14	14
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1 500	100	31	31
Lokalbolig A/S	78488018	Hillerød	540 000	70.13	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 Paolo	999	99.9	2	-
Svenska Handelsbanken S.A.[1]	RCS Lux B-15992	Luxembourg	999 999	100	147	147
Svenska Property Nominees Limited	2308524	London	100	100	-	-
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	19 999	99.99	35	35
ZAO Svenska Handelsbanken[5]	1057711005384	Moscow	1 500 000	100	129	276
Total					**45 642**	**43 958**

The list of Group companies contains directly owned subsidiaries and large subsidiaries of these companies.

[1] Credit institution.

[2] Svenska Handelsbanken Service AB has been sold to Handelsbanken Försäkrings AB and the company has been renamed Handelsbanken Fastigheter AB.

[3] An impairment loss of SEK 145m concerning the shares in Ejendomsselskabet af 1. januar 2002 A/S was recognised during the financial year. The new carrying amount of the shares corresponds to their fair value less costs to sell.

[4] An impairment loss of SEK 527m concerning the shares in Ejendomsselskabet af 1. maj 2009 A/S was recognised during the financial year. The new carrying amount of the shares corresponds to their fair value less costs to sell.

[5] An impairment loss of SEK 146m concerning the shares in ZAO Svenska Handelsbanken was recognised during the financial year. The new carrying amount of the shares corresponds to their fair value less costs to sell. The company is in liquidation.

P20 Derivative instruments and hedge accounting

SEK m	Nominal amount/maturity up to 1 yr	over 1 yr up to 5 yrs	Over 5 yrs	Nominal amount 2012	2011	Positive market values 2012	2011	Negative market values 2012	2011
Derivatives held for trading									
Interest rate-related contracts									
Options	194 949	157 859	24 542	377 350	718 798	5 167	5 982	4 524	4 846
FRA/futures	2 550 424	417 868	26 495	2 994 787	5 401 745	1 344	3 359	1 512	3 453
Swaps	1 006 953	1 605 204	605 299	3 217 456	4 798 594	79 912	97 847	79 764	100 788
Other instruments	-	-	10	10	65	-	0	0	-
Currency-related contracts									
Options	86 675	2 432	-	89 107	82 173	467	686	599	895
Futures	143 198	10 817	3	154 018	980 329	1 735	17 202	2 414	12 239
Swaps	802 975	363 548	55 083	1 221 606	687 507	23 553	14 362	21 153	12 398
Other instruments	107	-	-	107	29	-	-	117	64
Equity-related contracts									
Options	22 682	24 488	10	47 180	86 704	2 652	2 125	3 806	3 810
Futures	2 222	-	-	2 222	2 854	19	54	6	23
Swaps	13 653	6 151	340	20 144	18 075	293	280	1 302	1 448
Other instruments	1 920	-	44	1 964	3 361	14	21	587	549
Other derivative contracts	31 504	19 434	159	51 097	42 990	940	1 100	2 470	2 512
Total	**4 857 262**	**2 607 801**	**711 985**	**8 177 048**	**12 823 224**	**116 096**	**143 018**	**118 254**	**143 025**
Derivatives for fair value hedges									
Interest rate-related contracts									
Swaps	4 912	18 390	2 959	26 261	148 632	693	5 211	669	1 162
Other instruments	-	-	-	-	-	-	-	-	-
Currency-related contracts									
Swaps	-	-	1 789	1 789	1 966	426	736	-	-
Total	**4 912**	**18 390**	**4 748**	**28 050**	**150 598**	**1 119**	**5 947**	**669**	**1 162**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	5 905	85 698	52 675	144 278	25 229	4 984	5	1 028	1 157
Currency-related contracts									
Swaps	10 531	67 493	35 945	113 969	3 559	326	2	6 971	77
Total	**16 436**	**153 191**	**88 620**	**258 247**	**28 788**	**5 310**	**7**	**7 999**	**1 234**
Total derivative instruments	**4 878 610**	**2 779 382**	**805 353**	**8 463 345**	**13 002 610**	**122 525**	**148 972**	**126 922**	**145 421**
Of which cleared OTC				*1 759 462*	*160 034*	*1 048*	*112*	*953*	*20*
Of which other cleared				*823 893*	*2 453 929*	*919*	*1 344*	*2 253*	*2 916*
Currency breakdown of market values									
SEK						245 339	28 164	343 432	88 394
USD						-104 900	370 577	-314 906	193 113
EUR						3 499	-101 908	-60 494	-164 514
Others						-21 413	-147 861	158 890	28 428

The bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price, over the life of the derivative. Such non-amortised gains amounted to SEK 341m at year end.

P21 Intangible assets

2012 SEK m	Acquisition assets	Internally developed software	Total 2012
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
Cost of acquisition at end of year	**2 072**	**1 104**	**3 176**
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[1]	-3
Foreign exchange effect	28	2	30
Accumulated amortisation and impairments at end of year	**-1 193**	**-340**	**-1 533**
Closing residual value	**879**	**764**	**1 643**

2011 SEK m	Acquisition assets	Internally developed software	Total 2011
Cost of acquisition at beginning of year	2 139	557	2 696
Cost of acquisition of additional intangible assets	-	292	292
Disposals and retirements	-	-37	-37
Foreign exchange effect	-13	-1	-14
Cost of acquisition at end of year	**2 126**	**811**	**2 937**
Accumulated amortisation and impairments at beginning of year	-1 005	-175	-1 180
Disposals and retirements	-	0	0
Amortisation for the year according to plan	-113	-85	-198
Impairments for the year	-	-2[1]	-2
Foreign exchange effect	7	0	7
Accumulated amortisation and impairments at end of year	**-1 111**	**-262**	**-1 373**
Closing residual value	**1 015**	**549**	**1 564**

[1] The impairments refer to software which has been discontinued and whose useful life is therefore assessed as zero.

Amortisation is on a straight-line basis according to the expected useful life. Currently this means that goodwill on acquisition assets is amortised over 20 years and that internally developed software is amortised over 5 years.

P22 Property and equipment

Property and equipment SEK m	2012	2011
Equipment	452	502
Property	125	1 145
Property repossessed for protection of claims	390	446
Total	**967**	**2 093**

For further information regarding property repossessed for protection of claims, see note P10.

Equipment SEK m	2012	2011
Opening cost of acquisition	1 588	1 663
New acquisition	234	254
Disposals and retirements	-296	-272
Foreign exchange effect	-13	-57
Closing acquisition value	**1 513**	**1 588**
Opening accumulated depreciation	-1 086	-1 110
Depreciation for the year	-282	-298
Change due to business combinations	1	
Disposals and retirements	295	269
Foreign exchange effect	11	53
Closing accumulated depreciation	**-1 061**	**-1 086**
Carrying amount	**452**	**502**

Equipment is depreciated on a straight-line basis over 2–10 years.

Property SEK m	2012	2011
Opening cost of acquisition	1 853	1 825
New acquisition	-	-
New construction and rebuilding	0	26
Disposals and retirements	-1 663[1]	2
Closing acquisition value	**190**	**1 853**
Opening accumulated depreciation	-708	-667
Depreciation for the year	-22	-39
Impairments for the year	-3	-
Disposals and retirements	668	-2
Closing accumulated depreciation	**-65**	**-708**
Carrying amount	**125**	**1 145**

[1] During the year, property has been sold to a subsidiary.

For business premises, component depreciation is applied. The useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years and for building fixtures and fittings 10 years. See also the consolidated accounting policies in note G1.

P23 Other assets

SEK m	2012	2011
Claims on investment banking settlements	6 966	9 504
Other	11 462	7 704
Total	**18 428**	**17 208**

P24 Prepaid expenses and accrued income

SEK m	2012	2011
Accrued interest income	4 135	5 020
Other accrued income	1 052	1 189
Prepaid expenses	160	186
Total	**5 347**	**6 395**
Of which subordinated	*13*	*14*

P25 Due to credit institutions

SEK m	2012	2011
Due in Swedish kronor		
Banks	17 937	49 065
Other credit institutions	11 072	18 736
Total	**29 009**	**67 801**
Due in foreign currency		
Banks	149 145	132 062
Other credit institutions	65 178	61 943
Total	**214 323**	**194 005**
Total due to credit institutions	**243 332**	**261 806**
Of which repos	*2 391*	*4 055*

Average volumes SEK m	2012	2011
Due to credit institutions in Swedish kronor	75 681	50 868
Due to credit institutions in foreign currency	197 509	215 680
Total	**273 190**	**266 548**
Of which repos	*4 396*	*14 494*

P26 Deposits and borrowing from the public

Deposits from the public SEK m	2012	2011
Deposits in Swedish kronor		
Households	190 328	181 286
Companies	159 348	157 221
National Debt Office	0	0
Total	**349 676**	**338 507**
Deposits in foreign currency		
Households	44 308	42 418
Companies	125 330	112 092
National Debt Office	-	-
Total	**169 638**	**154 510**
Total deposits from the public	**519 314**	**493 017**

Borrowing from the public SEK m	2012	2011
Swedish kronor	54 383	162 464
Foreign currency	94 986	50 084
Total	**149 369**	**212 548**
Of which repos	*12 294*	*8 001*
Total deposits and borrowing from the public	**668 683**	**705 565**

Average volumes SEK m	2012	2011
Deposits from the public		
Deposits from the public in Swedish kronor	332 836	316 771
Deposits from the public in foreign currency	165 123	213 430
Total	**497 959**	**530 201**
Borrowing from the public		
Borrowing from the public in Swedish kronor	56 033	59 250
Borrowing from the public in foreign currency	132 434	45 286
Total	**188 467**	**104 536**
Of which repos	*11 305*	*8 459*

P27 Issued securities

SEK m	2012 Nominal amount	2012 Carrying amount	2011 Nominal amount	2011 Carrying amount
Commercial paper				
Commercial paper in Swedish kronor	16 127	16 568	12 399	11 468
Of which				
at amortised cost	*3 066*	*3 066*	*2 563*	*2 563*
for trading	*13 061*	*13 502*	*9 836*	*8 905*
Commercial paper in foreign currency	319 610	319 647	333 189	333 187
Of which				
at amortised cost	*319 393*	*319 393*	*332 965*	*332 965*
for trading	*217*	*254*	*224*	*222*
Total	**335 737**	**336 215**	**345 588**	**344 655**
Bonds				
Bonds in Swedish kronor	19 165	18 633	24 801	23 444
Of which				
at amortised cost	*19 165*	*18 465*	*11 237*	*10 438*
for fair value hedges	-	*168*	*13 564*	*13 006*
Bonds in foreign currency	173 780	176 436	172 533	175 777
Of which				
at amortised cost	*150 437*	*157 624*	*43 260*	*50 904*
for fair value hedges	*23 343*	*18 812*	*129 273*	*124 873*
Total	**192 945**	**195 069**	**197 334**	**199 221**
Total issued securities	**528 682**	**531 284**	**542 922**	**543 876**

Turnover of own debt instruments SEK m	2012	2011
Issued	1 153 240	947 132
Repurchased	47 788	71 165
Matured	1 086 716	842 021

Average volumes SEK m	2012	2011
Swedish kronor	36 452	37 533
Foreign currency	512 347	463 048
Total	**548 799**	**500 581**

P28 Short positions

SEK m	2012	2011
Short positions at fair value		
Equities	1 940	3 649
Interest-bearing securities	14 261	17 748
Of which		
other issuers	*14 261*	*17 748*
own issued	-	-
Total	**16 201**	**21 397**

Average volumes SEK m	2012	2011
Swedish kronor	17 445	28 824
Foreign currency	2 406	2 959
Total	**19 851**	**31 783**

P29 Taxes

Deferred tax assets SEK m	2012	2011
Property and equipment	35	38
Derivative instruments	298	322
Total	**333**	**360**

Deferred tax liabilities SEK m	2012	2011
Property and equipment	18	91
Derivative instruments	583	-
Hedges of net assets in foreign operations	106	-
Total	**707**	**91**
Net deferred taxes	**374**	**-269**

Tax expenses recognised in income statemet SEK m	2012	2011
Current tax		
Tax expense for the year	-3 060	-3 534
Adjustment of tax relating to previous years	5	96
Deferred tax		
Changes in temporary differences	70	-32
Total	**-2 985**	**-3 470**
Nominal tax rate in Sweden, %	**26.3**	**26.3**
Deviations		
Non-taxable income/non-deductible expenses	-6.0	-0.1
Tax relating to previous years and other	0.2	1.2
Effective tax rate, %	**20.5**	**27.4**

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	-322	-	607	285
Hedges of net assets in foreign operations	-	-	106	106
Total	**-269**	**-70**	**713**	**374**

Change in deferred taxes 2011 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	60	-7	-	53
Derivative instruments	-253	-	-69	-322
Loss reserve	-39	39	-	-
Total	**-232**	**32**	**-69**	**-269**

As of 1 January 2013, the Swedish corporation 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.

P30 Provisions

SEK m	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2012	Total 2011
Provisions at beginning of year	-	21	3	24	74
Provisions during the year	91	-	7	98	-
Utilised	-	-	-	-	-
Written back	-	-6	-	-6	-50
Provisions at end of year	**91**	**15**	**10**	**116**	**24**

A provision has been made for estimated additional costs as a result of the decision to terminate rental contracts for premises. Most of the provision is expected to be settled during 2013. Provision for guarantee commitments consists of provisions for a number of off-balance-sheet items.

P31 Other liabilities

SEK m	2012	2011
Liabilities on investment banking settlements	8 091	5 909
Other	9 063	7 149
Total	**17 154**	**13 058**

P32 Accrued expenses and deferred income

SEK m	2012	2011
Accrued interest expenses	5 868	6 094
Other accrued expenses	3 567	3 529
Deferred income	96	70
Total	**9 531**	**9 693**

P33 Subordinated liabilities

SEK m	2012	2011
Subordinated loans in Swedish kronor	10 897	9 562
Subordinated loans in foreign currency	10 270	25 763
Total	**21 167**	**35 325**

Average volumes SEK m	2012	2011
Subordinated loans in Swedish kronor	9 480	8 544
Subordinated loans in foreign currency	16 670	28 430
Total	**26 150**	**36 974**

Specification, subordinated loans

Issue/conv./ final payment year	Currency	Original nominal amount in each currency	Interest rate %	Outstanding amount
IN SWEDISH KRONOR				
2008/perpetual [1]		2 350	11.000	2 348
2008/perpetual [2]		2 905	10.500	2 903
2011/perpetual [3]		2 512	floating rate	2 141
Other Swedish [4]				3 505
Total				**10 897**
IN FOREIGN CURRENCY				
2005/perpetual [5]	EUR	500	4.194	4 655
2006/perpetual [6]	GBP	300	5.375	3 223
Other foreign [7]				2 392
Total				**10 270**
Total subordinated liabilites				**21 167**

[1] 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.

[2] 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.

[3] Perpetual subordinated loan at floating rate linked to Stibor. The loan is a subordinated convertible loan of nominally SEK 2.5 billion, 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.

[4] 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 2.3 billion, 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 2012 amounts to SEK 0.5 billion. After 21 May 2013 it will be possible to convert to Handelsbanken shares at the conversion price, or the share price applying at this date if it is lower than the conversion price, and the market price of the share. The additional outstanding amount constitutes one dated subordinated loan of SEK 1.7 billion at fixed rate and one dated subordinated loan of SEK 1.3 billion at floating rate. The terms of these loans are flexible and aim at making the instruments 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.

[5] 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.

[6] Perpetual subordinated loan at fixed rate. According to the terms, the loan can be called in advance on each interest payment date from September 2013. 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 Libor.

[7] Other foreign subordinated loans which are not specified here are issued in the form of perpetual subordinated loans.

P34 Untaxed reserves

SEK m	2012	2011
Tax allocation reserve	4 168	-
Accumulated amortisation on goodwill in excess of plan	870	998
Total	**5 038**	**998**

P35 Reclassifications to the income statement

SEK m	2012	2011
Reclassified from hedge reserve	8	5
Reclassified from fair value reserve	67	-183
Reclassified from translation reserve	-3	-17
Reclassified tax	-19	51
of which hedge reserve	*-2*	*-1*
of which fair value reserve	*-17*	*47*
of which translation reserve	*-*	*5*
Total reclassification adjustments	**53**	**-144**

Reclassification adjustments consist of income and expense previously recognised in other comprehensive income and reclassified to the income statement during the year. Negative amounts in the table above represent recognised income in the income statement and vice versa. The accounting policies in note G1 describe under which line item in the income statement the amounts have been reported.

P36 Specification of changes in equity

Change in hedge reserve SEK m	2012	2011
Hedge reserve at beginning of year	-904	-710
Unrealised value changes during the year	1 908	-198
Recognised in income statement due to ineffectiveness	6	4
Hedge reserve at end of year	**1 010**	**-904**

Specification of available-for-sale instruments SEK m	2012	2011
Fair value reserve at beginning of year	-185	769
Sold during the year	52	136
Unrealised market value change during the year for remaining and new holdings	683	-1 090
Fair value reserve at end of year	**550**	**-185**

Change in translation reserve SEK m	2012	2011
Translation reserve at beginning of year	-1 016	-1 052
Change in translation difference pertaining to branches	-491	36
Change in translation difference relating to hedges of net assets in foreign operations	375	-
Translation reserve at end of year	**-1 132**	**-1 016**

The reserves are presented after tax.

P37 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2012	2011
Cash	0	2 517
Government instruments and bonds	55 676	55 835
Loans to the public	3 358	-
Equities	161	13 312
Other	-	343
Total	**59 195**	**72 007**

Other pledged assets SEK m	2012	2011
Cash	257	-
Equities	679	5 236
Government instruments and bonds	1 628	-
Total	**2 564**	**5 236**

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 33,528m (45,055) at the end of the financial year, where assets worth SEK 11,452m (1,125) had been sold or repledged to a third party.

Transferred financial assets recognised in the balance sheet SEK m	Carrying amount	Carrying amount associated liability
Securities lending	453	112[1]
Repurchase agreements	6 566	6 564
Other		
Government instruments and bonds	57	-
Loans	335	335
Total	**7 411**	**7 011**

[1] Received cash collateral.

P38 Contingent liabilities/commitments

SEK m	2012	2011
Guarantees, loans	65 216	76 110
Guarantees, other	39 914	42 599
Letters of credit	26 004	29 404
Other	452	948
Total	**131 586**	**149 061**

Contingent liabilities mainly consisted of various types of guarantees. The nominal amounts of the guarantees are shown in the table.
"Other" includes SEK 20m (2) relating to a number of civil actions which the Group is bringing in general courts of law. The Group's assessment is that the actions will essentially be settled in its favour. No disputed amounts or possible insurance compensation have been recognised as income.

P39 Other commitments

SEK m	2012	2011
Loan commitments	235 670	249 093
Unutilised part of granted overdraft facilities	134 262	154 201
Other	105 355	109 923
Total	**475 287**	**513 217**

Contracted irrevocable future operating lease charges distributed by the year they fall due for payment SEK m	2012	2011
2013	650	468
2014–2017	1 432	986
2018 and later	400	307
Total	**2 482**	**1 761**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

P40 Pension obligations

SEK m	2012	2011
Fair value of plan assets	21 835	18 808
Pension obligations	21 231	19 223
Surplus	**604**	**-415**

Pension obligations and plan assets are calculated in accordance with the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. The surplus in Pensionskassan SHB, Försäkringsförening can be used to cover the deficit in the parent company. The pension obligations are SEK 3,959m (3,871) in the Bank's pension fund (Pensionskassan SHB, Försäkringsförening) and the market value of the assets is SEK 8,954m (7,666). The surplus value in Pensionskassan SHB, Försäkringsförening is thus SEK 4,995m (3,795).

Specification of pension cost reported for the period SEK m	2012	2011
Pensions paid	-564	-484
Pension premiums paid	-463	-389
Payroll tax	-48	-7
Funds paid from pension foundation	560	540
Pension cost recognised in the income statement	**-515**	**-340**

The expected payment for next year for defined benefit pension plans is SEK 477m. The pension costs include premiums to the BTPK plan (defined-contribution pension) of SEK 82m (77).

Plan assets SEK m	2012	2011
Opening balance	18 808	23 773
Return	3 587	-4 425
Funds paid from pension foundation	-560	-540
Closing balance	**21 835**	**18 808**
Percentage return on separated assets	19%	-19%

SEK 9,508m of the fair value of the plan assets is a commitment within the Bank's profit-sharing foundation Oktogonen.

Pension obligations SEK m	2012	2011
Opening balance	19 223	20 158
Actuarial pension cost	479	508
Interest expense	385	369
Indexation	184	85
Early retirement	171	153
Pensions paid	-564	-484
Changed assumptions	225[1]	-216[1]
Value change conditional obligation	1 064	-1 599
Other increase in capital value	64	249
Closing balance	**21 231**	**19 223**

[1] Refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

The plan assets mainly comprise shares and interest-bearing securities with the following market values on the balance sheet date:

SEK m	2012	2011
Shares and participating interests	18 646	15 491
Interest-bearing securities etc.	3 189	3 317
Total	**21 835**	**18 808**

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union and between BAO and SACO (the Swedish Confederation of Professional Associations). The amount is 10 per cent of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65 per cent and in the interval between 20 and 30 income base amounts, it is 32.5 per cent of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

The obligations include a commitment within the Bank's profit-sharing scheme, Oktogonen. This commitment is regarded in the Group as a non-defined benefit plan. Part of the commitment, SEK 7,312m (6,248), is conditional.

The value of the pension commitments is calculated annually on the balance sheet date, on actuarial grounds. The most important calculation assumptions are mortality and the discount rate. The mortality assumption is the so-called generation mortality in DUS06. The discount rate is 2.8 per cent (2.9) after tax and assumptions for costs.

P41 Remaining maturities

2012 SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
Assets						
Loans to credit institutions	9 969	376 531	16 931	12 126	7 340	422 897
Loans to the public	9 345	645 660	38 983	31 169	6 810	731 967
Interest-bearing securities eligible as collateral with central banks		5 490	2 133	26 954	10 682	45 259
Bonds and other interest-bearing securities		12 650	2 054	47 366	869	62 939
Liabilities						
Due to credit institutions	57 398	159 664	21 034	184	5 052	243 332
Deposits from the public	519 314					519 314
Borrowing from the public	46 539	79 579	20 772	2 380	99	149 369
Issued securities	6 792	258 490	96 711	120 515	48 776	531 284
Short positions interest-bearing securities		-	911	8 874	4 476	14 261

2011 SEK m	Payable on demand	Within 3 mths	>3 mths to 1 yr	>1 yr to 5 yrs	Over 5 yrs	Total
Assets						
Loans to credit institutions	16 304	466 913	36 868	5 552	7 076	532 713
Loans to the public	10 277	609 426	34 658	25 547	6 919	686 827
Interest-bearing securities eligible as collateral with central banks		4 291	5 962	14 850	13 041	38 144
Bonds and other interest-bearing securities		3 707	10 268	32 922	9 196	56 093
Liabilities						
Due to credit institutions	77 728	170 218	6 859	1 723	5 278	261 806
Deposits from the public	493 017					493 017
Borrowing from the public	13 561	180 161	16 473	2 289	64	212 548
Issued securities	3 900	299 938	104 561	103 415	32 062	543 876
Short positions interest-bearing securities	202	302	1 878	13 879	1 487	17 748

The remaining time to maturity for loan agreements with periodically fixed terms is calculated as the time until the next date the terms are changed. For claims and liabilities where repayments are made, the remaining time to maturity is calculated as the time until the due date for the respective repayment.

P42 Assets and liabilities in currencies

2012 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
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
of which corporate	*257 894*	*93 108*	*103 974*	*22 904*	*80 174*	*27 394*	*9 687*	*595 135*
of which households	*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
Total assets	**814 810**	**264 175**	**200 004**	**64 872**	**110 812**	**253 571**	**16 522**	**1 724 766**
Liabilities								
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
of which corporate	*188 799*	*51 513*	*41 775*	*13 399*	*37 545*	*70 755*	*4 734*	*408 520*
of which households	*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	260 300	-	-	-	-	-	-	260 300
Total liabilities and equity	**741 210**	**307 615**	**73 068**	**36 382**	**110 184**	**429 405**	**26 902**	**1 724 766**
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

2011 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	1 301	3 020	7 089	91	4	239 403	684	251 592
Loans to credit institutions	227 248	138 097	64 744	29 374	528	69 195	3 527	532 713
Loans to the public	276 207	104 887	126 811	40 239	89 930	34 897	13 856	686 827
of which corporate	*229 024*	*93 541*	*95 070*	*22 925*	*66 464*	*34 842*	*12 243*	*554 109*
of which households	*47 183*	*11 346*	*31 741*	*17 314*	*23 466*	*55*	*1 613*	*132 718*
Interest-bearing securities eligible as collateral with central banks	29 226	3 368	616	1	-	3 214	1 719	38 144
Bonds and other interest-bearing securities	42 137	6 926	1 103	65	-	5 686	176	56 093
Other items not broken down by currency	247 892							247 892
Total assets	**824 011**	**256 298**	**200 363**	**69 770**	**90 462**	**352 395**	**19 962**	**1 813 261**
Liabilities								
Due to credit institutions	41 916	66 774	13 064	13 179	6 115	111 980	8 778	261 806
Deposits and borrowing from the public	387 800	73 590	53 159	25 840	30 007	128 904	6 265	705 565
of which corporate	*183 964*	*60 577*	*38 846*	*15 463*	*25 534*	*128 063*	*6 127*	*458 574*
of which households	*203 836*	*13 013*	*14 313*	*10 377*	*4 473*	*841*	*138*	*246 991*
Issued securities	34 911	166 888	9 431	456	42 811	284 963	4 416	543 876
Subordinated liabilities	9 562	16 364	-	120	7 730	211	1 338	35 325
Other items not broken down by currency	266 689							266 689
Total liabilities and equity	**740 878**	**323 616**	**75 654**	**39 595**	**86 663**	**526 058**	**20 797**	**1 813 261**
Other assets and liabilities broken down by currency and off-balance-sheet items		67 657	-124 655	-30 150	-3 632	173 801	916	
Net foreign currency position		339	54	25	167	138	81	804

P43 Related-party disclosures

Claims on and liabilities to related parties	Subsidiaries		Associated companies		Other related parties	
SEK m	2012	2011	2012	2011	2012	2011
Loans to credit institutions	-	-	12	-	-	-
Loans to the public	322 354	303 429	227	348	-	-
Bonds and other interest-bearing securities	-	-	-	-	-	-
Derivatives	11 778	7 119	-	-	-	-
Other assets	8 363	6 021	-	-	579	23
Total	**342 495**	**316 569**	**239**	**348**	**579**	**23**
Due to credit institutions	-	-	-	-	-	-
Deposits and borrowing from the public	75 038	78 482	152	160	227	496
Issued securities	-	-	-	-	-	-
Derivatives	21 127	19 445	-	-	5	5
Subordinated liabilities	-	-	-	-	400	653
Other liabilities	308	112	-	-	87	106
Total	**96 473**	**98 039**	**152**	**160**	**719**	**1 260**
Contingent liabilities	61 461	65 188	-	-	-	-
Derivatives, nominal amount	512 532	415 256	-	-	-	-

Related parties – income and expense	Subsidiaries		Associated companies		Other related parties	
SEK m	2012	2011	2012	2011	2012	2011
Interest income	7 519	7 829	4	5	-	-
Interest expense	-680	-703	-3	-1	-18	-87
Fee and commission income	27	26	0	0	0	-
Fee and commission expense	0	0	-11	-9	-	-
Net gains/losses on financial items at fair value	-	0	0	0	-	-
Other income	709	597	-	-	4	14
Other expenses	-293	-215	-2	-13	-21	-62
Total	**7 282**	**7 534**	**-12**	**-18**	**-35**	**-135**

During the year the parent company has sold subsidiary shares to Handelsbanken Liv. The transaction resulted in a net capital gain in the parent company of SEK 2,815m. Otherwise normal business transactions have been carried out between the parent company and subsidiaries. Note P19 contains a specification of subsidiaries and associated companies. The associated companies' operations comprise various types of services related to the financial markets. The following companies are included in the group of other related parties: Svenska Handelsbankens Pensionsstiftelse, Svenska Handelsbanken Personalstiftelse and Pensionskassan SHB, Försäkringsförening. These companies use Svenska Handelsbanken AB for normal banking and accounting services. Disclosures concerning shareholders' contributions to Group and associated companies are provided in note P19. Disclosures on group contributions provided and received are given in note P11 and in the statement of changes in the parent company's equity.

Information regarding loans to senior management, conditions and other remuneration to senior management is given in note G8.

P44 Capital adequacy

Capital base SEK m	2012	2011
TIER 1 CAPITAL		
Equity, parent company	82 232	72 657
Untaxed reserves	3 253	
Accrued dividend, current year	-6 804	-6 085
Equity, capital base	**78 681**	**66 572**
Innovative tier 1 capital contributions	9 323	11 254
Non-Innovative tier 1 capital contributions	2 903	2 910
Deduction items		
Goodwill and other intangible assets	-774	-566
Revaluation reserve	-108	-115
Value adjustments for positions measured at fair value	-14	-56
Deferred tax assets	-35	-360
Special deduction for IRB institutions	-891	-743
Capital contribution in insurance company	-8	-9
Securitisation positions	-248	-219
Adjustments in accordance with stability filter		
Cash flow hedges	-1 010	904
Unrealised accumulated gains/losses, equities	-777	-115
Unrealised accumulated gains/losses, fixed income instruments	169	246
Total tier 1 capital	**87 211**	**79 703**
TIER 2 CAPITAL		
Perpetual subordinated loans	3 133	11 710
Dated subordinated loans	4 275	7 962
Additional items		
Unrealised accumulated gains/losses, equities	777	115
Revaluation reserve	108	115
Deducted items		
Special deduction for IRB institutions	-891	-743
Capital contribution in insurance company	-8	-9
Securitisation positions	-248	-219
Total tier 2 capital	**7 146**	**18 931**
Total tier 1 and tier 2 capital	**94 357**	**98 634**
Deductible items from total capital base		
Capital contribution in insurance company	-50	-50
Total capital base for capital adequacy purposes	**94 307**	**98 584**

For information on conditions and regulations for capital base items and sub-items, see note G49.

Capital requirement SEK m	2012	2011
Credit risk		
Credit risk according to standardised approach	3 486	3 307
Credit risk according to IRB approach	29 067	30 362
Market risk		
Interest rate risk	880	850
of which general risk	*660*	*711*
of which specific risk	*220*	*139*
Equity price risk	26	14
of which general risk	*10*	*6*
of which specific risk	*13*	*7*
of which funds	*3*	*1*
Foreign exchange risk	-	-
Commodities risk	9	20
Settlement risk	3	-
Operational risk		
Operational risk	3 165	3 202
Total capital requirement according to Basel II	**36 636**	**37 755**
Adjustment according to transitional rules	9 055	8 599
Total capital requirement according to Basel II transitional rules	**45 691**	**46 354**
Risk-weighted assets according to Basel II	457 950	471 942
Risk-weighted assets according to Basel II, transitional rules	571 140	579 423

Capital adequacy analysis, %	2012	2011
Capital requirement in Basel II compared to transitional rules	80	81
Capital ratio according to		
Basel II	*20.6*	*20.9*
transitional rules	*16.5*	*17*
Tier 1 capital ratio according to		
Basel II	*19.0*	*16.9*
transitional rules	*15.3*	*13.8*
Core tier 1 capital ratio according to		
Basel II	*16.4*	*13.9*
transitional rules	*13.1*	*11.3*
Capital base in relation to capital requirement		
Basel II	*257*	*261*
transitional rules	*206*	*214*

Capital requirements, standardised approach[1]	2012		2011	
SEK m	Exposure amount (EAD)	Capital requirement	Exposure amount (EAD)	Capital requirement
Sovereign and central banks	299 065	8	425 503	16
Municipalities	30 498	1	33 771	1
Multilateral development banks	673	0	2 372	0
Institutions	345 327	117	320 116	159
Corporate	22 994	1 840	23 994	1 920
Retail	8 065	484	7 675	461
Property mortgages	25 304	770	17 295	531
Past due items	148	16	183	21
Other items	4 742	250	4 093	198
Total	**736 816**	**3 486**	**835 002**	**3 307**

[1] Details of capital requirements for exposure classes where there are exposures.

P44 Cont

Credit risk IRB	Exposure after credit risk protection (EAD)		Average risk weight %		Capital requirement	
SEK m	2012	2011	2012	2011	2012	2011
Corporate	**697 512**	**691 262**	**37.3**	**40.0**	**20 810**	**22 141**
of which repos and securities loans	*23 286*	*6 340*	*0.6*	*1.5*	*12*	*8*
of which other lending, foundation approach	*340 098*	*373 039*	*44.5*	*43.6*	*12 108*	*13 004*
of which other lending, advanced approach	*334 128*	*311 883*	*32.5*	*36.6*	*8 690*	*9 129*
- Small and medium-sized companies	65 812	69 266	64.1	68.1	3 373	3 773
- Property companies	254 371	227 129	24.6	27.9	5 010	5 062
- Housing co-operative associations	13 945	15 488	27.5	23.7	307	294
Retail	**130 385**	**136 131**	**15.5**	**14.2**	**1 619**	**1 551**
of which property loans	*57 360*	*60 071*	*9.6*	*9.8*	*442*	*469*
of which other	*73 025*	*76 060*	*20.2*	*17.8*	*1 177*	*1 082*
Small companies	**21 778**	**22 842**	**43.1**	**43.0**	**751**	**786**
Institutional	**128 670**	**158 484**	**9.5**	**12.3**	**974**	**1 556**
of which repos and securities loans	*76 588*	*79 640*	*0.6*	*0.5*	*38*	*32*
of which other lending	*52 082*	*78 844*	*22.5*	*24.2*	*936*	*1 524*
Equity	**50 860**	**48 295**	**118.8**	**107.5**	**4 832**	**4 153**
Exposures wihout a counterparty	**967**	**2 093**	**100**	**100**	**77**	**167**
Securitisation positions	**1 323**	**1 944**	**3.5**	**5.0**	**4**	**8**
Traditional securitisation	*1 323*	*1 944*	*3.5*	*5.0*	*4*	*8*
Synthetic securitisation	-	-	-	-	-	-
Total IRB	**1 031 495**	**1 061 051**	**35.2**	**35.8**	**29 067**	**30 362**
of which repos and securities loans	*99 874*	*85 980*	*0.6*	*0.6*	*50*	*40*
of which other lending, foundation approach	*445 330*	*504 215*	*50.4*	*46.7*	*17 957*	*18 855*
of which other lending, advanced approach	*486 291*	*470 856*	*28.4*	*30.4*	*11 060*	*11 467*

Recommended appropriation of profit and statement from the Board

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 76,608 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 10.75 (SEK 9.75 for 2011)	6,804
Balance carried forward	69,804
Total allocated	76,608

When assessing the amount of the company's proposed dividend, totalling SEK 6,804 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 6,834 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 1,270 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 19,471 million; the equivalent figure for the parent company was SEK 48,616 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, 5 FEBRUARY 2013

Anders Nyrén

Hans Larsson
Chairman of the Board

Fredrik Lundberg

Jon Fredrik Baksaas

Tommy Bylund

Lone Fønss Schrøder

Jan Johansson

Ole Johansson

Sverker Martin-Löf

Bente Rathe

Charlotte Skog

Pär Boman
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 2012, 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 2012 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 2012 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 2012.

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 2013

KPMG AB
Stefan Holmström
Authorised Public Accountant

Ernst & Young AB
Erik Åström
Authorised Public Accountant

Branches and branch managers

REGIONAL BANK NORTHERN SWEDEN

Board
Erik Orring Umeå, Chairman
Bob Persson Östersund
Hans Jonsson Umeå
Margareta Jonsson Älvsbyn
Gunnar Liljedahl Luleå
Annika Brunnéd Umeå
Inger Nordström Härnösand, (E)*
Agneta Marell Umeå

Head of regional bank
Annika Brunnéd Umeå

Branch/branch manager
Arvidsjaur **Ann-Louise Högberg**
Backe **Linnea Olsson**
Bjurholm **Andreas Fors**
Bjästa **Kathrin Nordenberg**
Björna **Veronica Egnor**
Boden **Ann-Christin Söderberg Rånman**
Bredbyn **Mats Ågren**
Bureå **Helen Sundström**
Burträsk **Joakim Löfbom**
Byske **Sören Markström**
Domsjö **Patrise Halsius**
Dorotea **Christer Rolandsson**
Föllinge **Bodil Edfeldt Olsson**
Gammelstad **Susanne Rudeklint**
Gällivare **Kent Aidanpää**
Hammarstrand **Lars-Göran Fahlén**
Hammerdal **David Sjödin**
Haparanda **Tomas Björnfot**
Holmsund **Marina Lindgren**
Hoting **Berith Minasdotter**
Husum **Veronica Egnor**
Härnösand **Åsa Starfelt Nilsson**
Jokkmokk **Andreas Gerdin**
Junsele **Annica Olofsson**
Järpen **Jenny Strand**
Kalix **Ulla-Britt Söderberg**
Kiruna **Andreas Karlsson**
Kramfors **Susanne Moström**
Krokom **Ulf Hellström**
Liden **Tobias Wiklund**
Lit **Magnus Noren**
Lugnvik **Tommy Sjölund**
Luleå
- Storgatan **Jörgen Ericsson**
- Örnäset **Lisbeth Aidanpää**

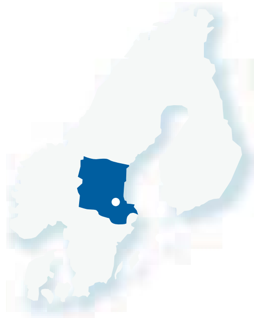
Lycksele **Henrik Johansson**
Lövånger **Kjell-Ove Lövgren**
Malå **Annifrid Lindberg**
Mörsil **Astrid Larsson Lindh**
Nordingrå **Tommy Sjölund**
Nordmaling **Nina Essebro**
Norsjö **Greger Holmström**
Näsåker **Kerstin Isaksson**
Offerdal **Jörgen Nordqvist**
Pajala **Per-Anders Juntti**
Piteå **Stefan Uddström**
Ramsele **Jan-Åke Sjömäling**
Robertsfors **Jenny Berglund**
Råneå **Maria Mörk**
Skellefteå **Hans Albert Lindgren**
Sollefteå **Sofia Bodin**
Sorsele **Fredrik Karlsson**
Storuman **Fredrik Karlsson**
Strömsund **Lars-Erik Olsén**
Trehörningsjö **Gunilla Näslund**
Ullånger **Tommy Sjölund**
Umeå
- City **Lena Svedberg**
- Teg **Thomas Rönnberg**
- Västra **Henrik Lundström**

Vilhelmina **Vacant**
Vindeln **Anna Johansson**
Vännäs **Helene Hedman**
Ånäset **Jenny Berglund**
Åre **Vacant**
Åsele **Anna Andersson**
Älvsbyn **Eva Berggren**
Örnsköldsvik **Lars Norlinder**
Östersund **Petter Dahlin**
Överkalix **Maria Fältmark**
Övertorneå **Asta Blombäck**

REGIONAL BANK CENTRAL SWEDEN

Board
Ulf Bergkvist Insjön, Chairman
Torsten Engwall Gävle
Peter Larsson Sandviken
Monica Oldenstedt Västerås
Åke Rydén Sveg
Anders Wiklander Sundsvall
Pontus Åhlund Gävle
Monica Morén Hedemora, (E)*

Head of regional bank
Pontus Åhlund Gävle



Branch/branch manager
Alfta **Dan Silvroth**
Arboga **Larry Andersson**
Arbrå **Pär Lindh**
Avesta **Ruben Bergdahl**
Bergby **Susanne Persson**
Bergsjö **Ulrica Bolt**
Bjursås **Anders Rapp**
Björbo **Ruben Bergdahl**
Bollnäs **Thomas Frykberg**
Borlänge **Caroline Cedergren**
Bräcke **Mikael Mellström**
Delsbo **Rose-Marie Hildingsson**
Edsbyn **Annika Wikström**
Enköping **Lars Olsson**
Fagersta **Mikael Johansson Holst**
Falun **Anders Forsgren**
Fellingsbro **Daniel Wallin**
Fränsta **Micaela Morén**
Frövi **Mikael Jansson**
Furudal **Margrethe Westerberg**
Gagnef **Anders Rehn**
Gnarp **Niclas Södergren**
Grangärde **Johanna Sallander**
Grängesberg **Siri Andersen Nyyssönen**
Gällö **Karin Evertsson**
Gävle City **Svante Larsson**
Hallstavik **Catarina Lyshag**
Heby **Maria Oscarsson**
Hede **Mattias Sundt**
Hedemora **Håkan Arvidsson**
Hedesunda **Pernilla Strömberg**
Hudiksvall **Thony Nylund**
Insjön **Oskar Ahlzén**
Järvsö **Ove Larsson**
Kilafors **Sten Morin**
Knivsta **Agneta Sturesson**
Kolbäck **Eva Klang**
Kopparberg **Lena Ragnarsson Völks**
Kungsör **Stefan Granholm**
Kvissleby **Per Pettersson**
Köping **Peter Fällman**
Leksand **Anders Ekström**
Lima **Lena Eggens**
Lindesberg **Maria Ekdahl**
Ljusdal **Tommy Bylund**
Ljusne **Anna Ekström**
Ludvika **Carina Lundefors**
Malung **Martin Sellberg**
Matfors **Johan Billström**
Mockfjärd **Bengt Korning**
Mora **Henrik Ragnarsson**
Norberg **Håkan Bjurling**
Norrtälje **Bo Schotte**
Ockelbo **Karin Eriksson**
Orsa **Anette Skoglund**
Rimbo **Iréne Widnersson**
Rättvik **Maria Holmberg**
Sala **Robert Karlsson**
Sandviken **Pia Källarbo**
Skinnskatteberg **Niclas Zidén**
Skultuna **Johan Gustavsson**
Skutskär **Magnus Sjökvist**
Skärplinge **Stefan Holmquist**
Skönsberg **Urban Strömbom**
Stora Tuna **Anette Köpman**
Storvik **Helene Hedin**
Sundsvall **Owe Sundin**
Sveg **Jörgen Andersson**
Svenstavik **Bengt Nilzén**
Säter **Patrik Nylén**
Söderhamn **Joakim Frithiof**
Sörberge **Bertil Sjöstrand**
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 **Carina Modén**

(E)*= employee representative

REGIONAL BANK STOCKHOLM

Board
- **Stefan Wigren** Bromma, Chairman
- **Carl-Olof By** Saltsjöbaden
- **Jan-Erik Lindstedt** Stockholm
- **Ulf Lundahl** Lidingö
- **Fredrik Persson** Stockholm
- **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 **Thomas von Schéele**
- Blackeberg **Daniel Spangenberg**
- Brommaplan **Peter Lindh**
- Bålsta **Ann-Sofie Sivander**
- Dalarö **Kristina Jansenberger**
- Djursholm **Sune Werkell**
- Ekerö **Mathias Lindmark**
- Farsta **Ulrika Kallur**
- Fleminggatan **Nicklas Hedblom**
- 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 Lööw 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**
- Kärrtorp **Karl-Erik Bäckman**
- Lidingö
  - Centrum **Elisabeth Hiljebäck**
  - Larsberg **Tomas Wisedt**
  - Näset **Evalena Holmqvist**
- Marieberg **Lotta Adestam**
- Marievik **David Haqvinsson**
- Märsta **Magnus Hedlund**
- Mörby Centrum **Peder Wiberg**
- Nacka Forum **Jörgen Nilsson**
- 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 **Tommie Jonsson**
- 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 Sturesson**
- Stuvsta **Mats Nordling**
- Sundbyberg **Per Anders Tranberg**
- Sveavägen **Malin Bergström**
- Södertälje **Bengt Bohman**
- Tessinparken **Lars Eberson**
- Trångsund **Pia Bergkvist**
- Tullinge **Lena Lövkvist**
- Tyresö **Susanne Norman-Taube**
- Täby Centrum **Siv Joelsson-Nee**
- Ulvsunda **Tina Nylén**
- Upplands Väsby **Urban Wolters**
- Upplandsgatan **Lena Stenmark**
- Vallentuna **Fredrik Enander**
- Vanadisplan **Johan Palm**
- Vasagatan **Christer Örtegren**
- Vaxholm **Maria Lindberg**
- Vällingby **Stefan Sjöstedt, Acting**
- Värmdö **Niklas Eklund**
- Värtavägen **Anna Gustafsson**
- Västerhaninge **Göran Hartog**
- Västermalm **Ulrika Staffas Nordqvist**
- Åkersberga **Christer Lövholm**
- Årsta **Anna Karlsson**
- Älvsjö **Anna Blomstergren**
- Ösmo **Anna Persson**
- Östermalmstorg **Marion Ulander**
- Östra Station **Ritva Martonen**

Meeting-places
- Alviks Torg
  - Äppelviken **Johan Lurén**
- Högdalen
  - Stureby **Maria Sjöstedt**
- Täby Centrum
  - Arninge **Siv Joelsson-Nee**
- Ängby Blackeberg
  - Ängbyplan **Daniel Spangenberg**

(E)*= employee representative

REGIONAL BANK EASTERN SWEDEN

Board
- **Jan Cedwall** Nyköping, Chairman
- **Santhe Dahl** Växjö
- **Jan-Eric Nilsson** Djursholm
- **Sten Peterson** Katrineholm
- **Kenneth Synnersten** Västerås
- **Mikael Westerback** Linköping
- **Alf Åke Dratzén** Visby, (E)*

Head of regional bank
Mikael Westerback Linköping

Branch/branch manager
- Alvesta **Thorwald Burman**
- Anderstorp **Sten Berglund**
- Bankeryd **Åsa A Olsson**
- Borensberg **Malin Svanberg**
- Borgholm **Conny Johansson**
- Eksjö **Karin Jönsson**
- Emmaboda **Johan Lorentzon**
- Eskilstuna
  - Fristadstorget **Jonas Elfridsson**
  - Östermalm **Bo Vallin**
- Finspång **Carina Karlsson**
- Fjugesta **Anders Hedvall**
- Flen **Lotta Peppas**
- Fårösund **Britt Nordstöm**
- Färjestaden **Jan Pilemyr**
- Gislaved **Per Risberg**
- Gnesta **Mårten Larsson**
- Hallsberg **Yvonne Bülow**
- Hemse **Lars Cramér**
- Hultsfred **Monica Carlenskog**
- Huskvarna **Mats Andersson**
- Högsby **Jonas Petersson**
- Jönköping **Claes Ericson**
- Kalmar
  - Kalmar Hansa **Tina Solehed**
  - Kvarnholmen **Ola Tyrberg**
- Katrineholm **Göran Bjerke**
- Klintehamn **Stefan Jernberg**
- Kumla **Thomas Ljungberg**
- Lammhult **Per-Olof Lenegård**
- Landsbro **Kent Lind**
- Linköping
  - City **Staffan Krause**
  - Tornby **Mats Borgsjö**
- Mjölby **Michael Rimstedt**
- Motala **Anders Hättström**
- Mönsterås **Ann Robertsson**
- Mörbylånga **Susann Svenzén**
- Mörlunda **Marie Jonsson**
- Norrköping
  - Drottninggatan **Hans Widmark**
  - Eneby **Ulrika Carlgren**
  - Fjärilsgatan **Lars Blomqvist**
- Nybro **Eric Elmlid**
- Nyköping **Jens Fransson**
- Nässjö **Cecilia Antonsson**
- Oskarshamn **Jenny Nilsson**
- Pålsboda **Anders Lindfors**
- Rörvik **Per-Olof Lenegård**
- Slite **Catarina Bylund**
- Strängnäs **Thomas Wedholm**
- Sävsjö **Cecilia Tahlin**
- Söderköping **Marika Ronnerheim**
- Tingsryd **Peter Andersson**
- Torsås **Jeanette Karlström**
- Tranås **Patrik Rosengren**
- Trosa **Anna-Karin Borg**
- Vadstena **Christine Wallstén**
- Vaggeryd **Inger Ågren**
- Vetlanda **Jörgen Asp**
- Vimmerby **Hans Will**
- Virserum **Monica Johansson**
- Visby
  - Adelsgatan **Niclas Boklund**
  - Öster **Carl Oscar Sjöström**
- Vislanda **Camilla Ivarsson**
- Värnamo **Jonas Flink**
- Västervik **Michael Skännestig**
- Växjö **Jonas Ahlqvist**
- Ålem **Ann Robertsson**
- Åseda **Mattias König**
- Åtvidaberg **Erik Torbrand**
- Örebro
  - Ekersgatan **Kristina Dahl**
  - Stortorget **Kenneth Vallin**
  - Våghustorget **Bengt Gunnarsson**

Meeting-places
- Norrköping Drottninggatan
  - Östra Husby **Hans Widmark**
- Strängnäs
  - Mariefred **Thomas Wedholm**

REGIONAL BANK WESTERN SWEDEN

Board

Lennart Mankert Gothenburg, Chairman
Stig-Arne Blom Ulricehamn
Peter Claesson Gothenburg
Thomas Dafgård Axvall
Claes Larsson Gothenburg
Håkan Larsson Gothenburg
Josefine Hjörne Meyer Gothenburg
Eva Persson Gothenburg
Vilhelm Schottenius Varberg
Katarina Ljungqvist Gothenburg
Henrik Forssén Onsala, (E)*
M. Johan Widerberg Gothenburg

Head of regional bank

Katarina Ljungqvist Gothenburg

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 **Charlotte Schreck-Pettersson**
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 **Lenita Andréasson**
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 **Roger Björck**
Lidköping **Nina Ahlén**
Lilla Edet **Ingela Karlsson**
Mariestad **Torbjörn Läth**
Mellerud **Maria Sääf**
Mölndal **Martin Henriksson**
Mölnlycke **Ann Sundvisson**
Partille **Anna Ekstrand**
Skara **Jens Ekelund**
Skövde **Niklas Standar**
Sollebrunn **Peter Kornesjö**
Stenungsund **Anette Pettersson**
Strömstad **Claes Hernvall, Acting**
Sunne **Maria Hannebo**
Surte **Allison Åsblom**
Svenljunga **Hans Qvist**
Säffle **Dennis Göransson**
Tibro **Hanna Rosing**
Tidaholm **Carina Darolf**
Torsby **Nils-Inge Johnsson**
Tranemo **Christina Ljung**
Trollhättan **Mats Johansson**
Uddevalla **Stefan Widlund**
Ulricehamn **Janne Pehrsson**
Vara **Maj Rudell**
Varberg **Jonas Lagerqvist**
Vårgårda **Agneta Gustafsson**
Vänersborg **Jan-Olof Strand**
Åmål **Cecilia Blom**
Årjäng **Peter Johansson**
Älvängen **Vacant**

Meeting-places

Gothenburg Frölunda
- Långedrag **Fredrik Wiklund**

Kungsbacka
- Kungsporten **Mats Rollof**

REGIONAL BANK SOUTHERN SWEDEN

Board

Jörgen Centerman Ramdala, Chairman
Bengt Kjell Helsingborg
Claes Lindqvist Viken
Mikael Roos Malmö
Johan Mattsson Tomelilla
Charlotta Falvin Genarp
Anders Ohlner Malmö
Pia Håkansson Ystad, (E)*

Head of regional bank

Anders Ohlner Malmö

Branch/branch manager

Arlöv **Rickard Ohlsson**
Broby **Jonas Bondesson**
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**
Höör **Magnus Holmer**
Karlshamn **Helén Olofsson**
Karlskrona **Hedvig Stache**
Kivik **Camilla Bärnheim**
Klippan **Fredrik Gabrielsson**
Knislinge **Jonas Bondesson**
Kristianstad **Thomas Johansson**
Kävlinge **Lars Andersson**
Laholm **Irene Andersson**
Landskrona **Per-Ove Kamlund**
Ljungby **Thomas Eldh**
Ljungbyhed **Fredrik Gabrielsson**
Lomma **Erik Hultgren**
Lund
- City **Peter Andersson**
- Ideon **Nils Möllerberg**

Malmö
- Amiralsgatan **Göran Camitz**
- City **Erik Bredberg**
- Dalaplan **Anna Harrison Barthold**
- Fosie **Anders Persson**
- Fridhem **Marie Brunstam**
- Köpenhamnsvägen **Peter Ivarsson**
- Limhamn **Bengt Rosendahl**
- Lundavägen **Bengt Nyquist**
- Triangeln **Annila Hansson**
- Värnhem **Annika Bäckström**
- Västra Hamnen **Mårten Edlund**

Markaryd **Maria Larsson**
Olofström **Emelia Ericsson**
Osby **Henrica Lorentsson**
Ronneby **Magnus Jurvin**
Simrishamn **Andreas Jeppsson**
Sjöbo **Thomas Hansson**
Skanör **Björn Andersson**
Skurup **Jonas Sjöberg**
Staffanstorp **Magnus Anderberg**
Svedala **Cecilia Leijgård**
Sölvesborg **Magnus Gardell**
Sösdala **Karin Eriksson**
Tomelilla **Pål Andersson**
Trelleborg **Marianne Nilsson**
Tyringe **Yvonne Liljeqvist**
Veberöd **Hans-Åke Mårtensson**
Vellinge **Susanne Linné Nilsson**
Vittsjö **Peter Andersson**
Vollsjö **Thomas Hansson**
Ystad **Mia Kristell**
Åhus **Daniel N Högstedt**
Älmhult **Fredrik Roghner**
Ängelholm **Kenneth Persson**

Meeting-places

Höganäs
- Viken **Gunilla Voss**

Lund City
- Hjärup **Peter Andersson**

Svedala
- Bara **Cecilia Leijgård**

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
Ulf Sylvan London
Anders Bouvin London, Head of Handelsbanken UK
Tracey Davidson Manchester
Olof Lindstrand Lidingö

Head of regional bank

Tracey Davidson Manchester

Branch/branch manager

Aberdeen **Neil Clark**
Altrincham **Ian Noke**
Barnsley **Suzanne Minifie**
Beverley **Ian Gatenby**
Blackburn **Philip Skupski**
Bradford **Mark Rawnsley**
Bolton **Sean Greenhalgh**
Burnley **David Kovacs**
Carlisle **Jason Smith**
Castleford **Andy Reed**
Chester **Chris Burgoyne**
Chesterfield **Phil Walker**
Darlington **Mike Airey**
Doncaster **Neil Ebden**
Durham **Paul Langdon**
Edinburgh **Michael Mullins**
Glasgow **George Shanks**
Grimsby **Anthony Winn**
Halifax **Angela Dowd**
Harrogate **Richard Lally**
Hexham **Rory Gibson**
Huddersfield **Tony Jones**
Hull **Tim Kitching**
Ilkley **Sue Toulson**
Kendal **Richard Lancaster**
Lancaster **Kevin Sanderson**
Leeds
  The Embankment **David Brady**
  Wellington Street **Stephen Hill**
Liverpool **Keith Lowe**
Lytham **Christopher Strahan**
Manchester
  Spinningfields **Joe McGrath**
  Trinity Way **John Burke**
Morpeth **David Elliot**
Newcastle
  Grey Street **Tom Ramshaw**
  Saville Row **Mike Brunskill**
Perth **Alexander McDougall**
Preston **Simon Joyce**
Rotherham **Mike Harrison**
Scarborough **Nick Sharples**
Sheffield **Patrick McGarry**
Stirling **David Beggs**
Stockport **Andrew Buckley**
Stockton-on-Tees **David Filby**
Sunderland **Paul Sinclair**
Wakefield **Ian Mason**
Warrington **Lesley Cozens**
Wetherby **Adam von Emloh**
Wigan **Alan Bowers**
Wrexham **Vicky Davies**
York **Christopher Ibbotson**

REGIONAL BANK CENTRAL GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board

Anders Bouvin London, Chairman,
Head of Handelsbanken UK
Ulf Sylvan Stockholm
Håkan Sandberg Stockholm
Olof Lindstrand Lidingö
Göran Stille Birmingham

Head of regional bank

Göran Stille Birmingham

Branch/branch manager

Banbury **Paul Graham**
Bedford **Mick Valerio**
Birmingham
  Newhall St **David Hastings**
  Temple Row **Tony Hall**
Bridgend **Vacant**
Bury St Edmunds **Nigel Foyster**
Cambridge **Richard Waters**
Coventry **Paul Belfield**
Derby **Shaun Hill**
Ipswich **Michael Olding**
Leicester **Simon Bradley**
Lincoln **David Thompson**
Loughborough **Simon Grant**
Luton **Paul Drummond**
Mansfield **Darryn Evans**
Milton Keynes **Derek Bell**
Northampton **David Rundle**
Norwich **Ian Hall**
Nottingham **Andrew Tomlinson**
Peterborough **Julian Turner**
Shrewsbury **Chris Hyde**
Solihull **Richard Baker**
Stafford **Mike Smith**
Stoke-on-Trent **Paul Stokes**
Tamworth **Christine Banks**
Wolverhampton **Mike Priddy**
Worcester **Philip Dutton**

REGIONAL BANK SOUTH WEST GREAT BRITAIN

The regional bank started its operations on 1 January 2013.
The operations are part of Svenska Handelsbanken, London branch.

Board
Anders Bouvin London, Head of Handelsbanken UK
Håkan Sandberg London
Olof Lindstrand Lidingö
Michael Broom Bristol

Head of regional bank
Michael Broom Bristol

Branch/branch manager
Aylesbury **Derek Beards**
Ascot **Richard Payton**
Basingstoke **Craig Ward**
Bath **Chris Johnson**
Bodmin **Phil Kerkin**
Bournemouth **Vacant**
Bridgend **Vacant**
Bristol **Ian Dibble**
Cardiff **Mark Standley**
Cheltenham **Di Pitts**
Chichester **Chris Golding**
Clifton **Martin Bidgood**
Exeter **Jon Richards**
Gloucester **Simon Cropper**
Guildford **Neil Truman**
Hereford **Craig Wyer**
High Wycombe **Guy Birkby**
Newbury **Geoff Dann**
Newport **Martin Leech**
Oxford **David Woodhead**
Plymouth **Phill Harvey**
Portsmouth **Vacant**
Reading **Graham Beith**
Salisbury **Graham Renshaw**
Slough **Andy Taylor**
Southampton **Mike Glanville**
Swansea **Steve Smith**
Swindon **Shaun Bradshaw**
Taunton **Peter Kirby**
Truro **Denise Major**
Weston super Mare **Martin Fey**

REGIONAL BANK SOUTHERN GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

Board
Håkan Sandberg Stockholm, Chairman
Ulf Sylvan London
Anders Bouvin London, Head of Handelsbanken UK
Olof Lindstrand Lidingö
Simon Lodge London

Head of regional bank
Simon Lodge London

Branch/branch manager
Bishop's Stortford **Steve Cooper**
Brighton **Simon Howe**
Canterbury **David Kiernan**
Chelmsford **Julian Waller**
Chiswick **Dermot Jordan**
Colchester **Alan Barnard**
Crawley **Simon Briggs**
Croydon **Hazel Hellier**
Dartford **Trevor Adams**
Enfield **Adrian Bennett**
Epsom **Phil Hunt**
Hampstead **Denis McCarthy**
Harrow **Ross Simmons**
Kensington **Tom Fuller**
Kingston **Peter Wylde**
London
- Moorgate **Paul Chapman**
- West End **Roy Budgett**

Maidstone **Jeremy Brett**
Redhill **Clive Martin**
Richmond **Mark Lobo**
Romford **David Roe**
St Albans **Anthony Fogden**
Southend **John Brooks**
Tunbridge Wells **Nick Green**
Watford **Graham Turner**
Wimbledon **Barry Sexton**

REGIONAL BANK DENMARK

The operations are part of Svenska Handelsbanken, Copenhagen branch.

Board

Claes Norlén Stockholm, Chairman
Erik Uttenthal Hillerød
Ulrik Kolding Hartvig Roskilde
Steen Winther-Petersen Copenhagen
John Vestergaard Ikast
Frank Vang-Jensen Gentofte
Lise Westphal Emdrup
Helle Rank Aalborg, (E)*

Head of regional bank

Frank Vang-Jensen Copenhagen

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**
Copenhagen
- City **Gorm Bjørkmann**
- Østerbro **Bjarne Albrechtsen**
- Large Corporates **Knud Jacobsen**
- Vest **Jan Arup**

Esbjerg **Morten Andersen**
Farum **Jens Karlsson**
Fredensborg **Flemming Kjær**
Fredericia **Brian Sørensen**
Frederiksberg **Henrik Bengtsson**
Frederikssund **Michael Tøgersen**
Frederiksværk **Alan Nielsen**
Give **Martin Skovgaard Larsen**
Hammerum **Jakob Rousing Sloth**
Helsinge **Steen Malmqvist**
Helsingør **Dan-Gösta Larsen**
Herlev **Flemming Jensen, Acting**
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 **Frank Jensen**
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**
Sdr. Omme **Lars Balle Olsen**
Silkeborg **Lars Graugaard**
Slagelse **Henrik Kragh**
Slangerup **Jesper Christensen**
Stenløse **Dennis Grouleff**
Struer **Poul Bakkegaard**
Sunds **Stefan Brochmann**
Vejle **Carsten Hjortflod**
Viborg **Jens Rahbek**
Videbæk **Anja Lyhne**
Vildbjerg **Torkild K. Larsen**
Århus
- Århus **Esben Kjeldsen**
- Århus Syd **Esben Kjeldsen**

REGIONAL BANK FINLAND

The operations are part of Svenska Handelsbanken, Helsinki branch.

Board

Stig Gustavson Helsinki, Chairman
Claes Norlén Stockholm, Vice Chairman
Elmar Paananen Helsinki
Andreas Tallberg Kirkonummi
Seija Turunen Helsinki
Bjarne Mitts Helsinki
Leena Niemistö Helsinki
Nina Arkilahti Espoo
Tiina Pöyhönen Kuopio, (E)*

Head of regional bank

Nina Arkilahti Helsinki

Branch/branch manager

Esboo
- Leppävaara **Nina Lukka**
- Matinkylä **Outi Vesanto**
- Tapiola **Wilhelm von Frenckell**

Helsinki
- Dianapuisto **Ilari Tyrkkö**
- Esplanadi **Tuija Nuutinen**
- Hakaniemi **Jussi Nikkanen**
- Itäkeskus **Outi Vainikka**
- Kamppi **Riitta Hallila**
- Munkkivuori **Vacant**
- Pasila **Maria Kaisa Ylimäinen**

Hyvinkää **Risto Mäkeläinen**
Hämeenlinna **Pauli Ranta**
Imatra **Pekka Lankinen**
Joensuu **Juha Saastamoinen**
Jyväskylä **Jarkko Käki**
Jävenpää **Jouni Linnavuori**
Kerava **Kimmo Heiskanen**
Kirkkonummi **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 **Esa Yli-Sipilä**
Porvoo **Ulf Randell**
Raisio **Maaria Rahikainen**
Rauma **Esa Yli-Sipilä**
Rovaniemi **Pekka Pistokoski**
Salo **Juho Huovinen**
Seinäjoki **Jorma Soukka**
Tammisaari **Wilhelm von Frenckell**
Tampere
- Kauppakatu **Tarja Suvisalmi**
- Kyttälä **Kari Koivisto**

Tornio **Roger Keisu**
Turku
- Hämeenkatu **Risto Vihula**
- Kauppatori **Risto Vihula**

Vaasa **Frej Björses**
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
Dag Tangevald-Jensen Oslo
Dag Tjernsmo Oslo
Hans Anfinn Eide Helland Sandnes
Rebekka Glasser Herlofsen Oslo
Kjell Arild Andersen Bergen, (E)*

Head of regional bank

Dag Tjernsmo Oslo

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**

Bodø **Tore Halvorsen**
Bryne **Sindre Bergsagel**
Drammen **Kirsti Jensås**
Fredrikstad **Tove Anita R Torp**
Halden **Roar Elsness**
Hamar **Hans Skjelbreid**
Haugesund **Knut Børge Lunde**
Jessheim **Inger Kyhen**
Kolbotn **Geir Anders Sundnes**
Kongsberg **Kristin Franck**
Kristiansand **Vidar Akselsen**
Larvik **Bodil Hansen**
Lillehammer **Lars Erik Jevanord**
Lillestrøm **Paal Tollefsen**
Lysaker **Glenn Steinbø**
Mo i Rana **Jonny I Bohlin**
Molde **Kolbjørn Heggdal**
Moss **Hilde Solberg**
Oslo
- Grev Wedels plass **Steinar Hegge**
- Large Corporates **Sven Ove Oksvik**
- Majorstuen **Bjørn Erik Røv**
- Nydalen **Bente Bjerkvold**
- Olav Vs gate **Harald Søreide**
- Bryn **Eirik Arnesen**
- Skøyen **Thomas Stousland**

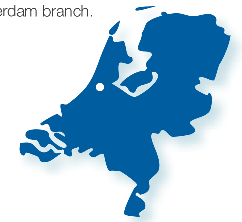
Sandefjord **Hans Jørgen Ormar**
Sandnes **Sindre Bergsagel**
Sandvika **Thomas B. Tresselt**
Sarpsborg **Tormod Sørum**
Ski **Terje Andersen, Acting**
Skien **Jan Egil Hafredal**
Sotra **Lisbeth Turøy**
Stavanger
- Sentrum **Lynn Sperb**
- Straen **Ole Henry Slette**

Tromsø **Yngve Haldorsen**
Trondheim
- Heimdal **Bente E Dahl**
- Søndregate **Ola Grøtte**

Tønsberg **Wibeke Bjørnflaten**
Ålesund **Steinar Krøvel**

REGIONAL BANK NETHERLANDS

The regional bank started its operations in January 2013.
The operations are part of Svenska Handelsbanken, Amsterdam branch.



Board

Håkan Sandberg Stockholm, Chairman
Olof Lindstrand Lidingö
Anders Bouvin London
Mikael Sørensen Haarlem

Head of regional bank

Mikael Sørensen Haarlem

Branch/branch manager

Amersfoort **Robert van der Kolk**
Amsterdam Zuid **Kristiaan Buter**
Breda **Ton Schröder**
Eindhoven **Hans van de Ven**
Emmen **Marc Bruin**
Groningen **Erwin van der Steur**
Het Gooi **Lars Vissers**
Maastricht **Tim Neu**
Rotterdam **Peter Loef**
Schiphol **Carolien Reijnen**
Twente **Martijn Peters**
Utrecht **Michiel van Loon**
Zwolle **Wery Hegge**

(E)*= employee representative

BRANCHES 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.

Branch/branch manager

Austria
General Manager **Christian Prinz zu Solms-Lich**
Vienna **Christian Prinz zu Solms-Lich**

China
General Manager **Dan Lindwall**
Hong Kong **Dan Lindwall**
Shanghai **Johan Andrén**

Estonia
General Manager **Rauno Klettenberg**
Tallinn **Rauno Klettenberg**

France
General Manager **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 **Kai Thiemann**

Latvia
General Manager **Dzintars Salavs**
Riga **Dzintars Salavs**

Lithuania
General Manager **Arturas Ungulaitis**
Vilnius **Arturas Ungulaitis**

Luxembourg
General Manager **Jörgen Oldensand**
Luxembourg **Jörgen Oldensand**

Poland
General Manager **Harri Tuohimaa**
Warsaw **Harri Tuohimaa**

Singapore
General Manager **Jan B Djerf**
Singapore **Jan B Djerf**

USA
General Manager **Stefan Nilsson**
New York **Stefan Nilsson**

Representative offices

Beijing
Representative **Jason Wang**

Kuala Lumpur
Representative **Abhinash Murukesvan**

Marbella
Representative **Jessika Kroon**
Representative **Vibeke Toustrup Bonne**

Moscow
Representative **Viktor Tsoy**

Mumbai
Representative **Ashish Gupta**

São Paolo
Representative **Carl-Gustav Moberg**

Sydney
Representative **Robert Karlsson**

Taipei
Representative **Amy Chen**

Zurich
Representative **Torben Kragh**

SUBSIDIARIES**

HANDELSBANKEN FINANS

Board
Yonnie Bergqvist Täby, Chairman
Kai Jokitullpo Eskilstuna
Carl Renström Täby
Peter Gustafsson Farsta (E)*
Chief Executive
Marie Lundberg Stockholm

HANDELSBANKEN FONDER

Board
Thommy Mossinger Stockholm, Chairman
Michael Bertorp Stockholm
Gunnar Båtelsson Sandviken
Åsa Magnusson Linköping
Lena Munkhammar Gävle
Ann-Christine Frilund Gustavsberg, (E)*
Chief Executive
Javiera Ragnartz Stockholm

HANDELSBANKEN LIV

Board
Thommy Mossinger Stockholm, Chairman
Mats Arvidsson Lidingö
Anna Hjelmberg Järfälla, (E)*
Chief Executive
Göran Holgerson Gnesta

HANDEL OCH INDUSTRI

Board
M. Johan Widerberg Gothenburg, Chairman
Olof Lindstrand Lidingö
Bo Annvik Hovås
Chief Executive
Bengt Kjell Helsingborg

STADSHYPOTEK

Board
Håkan Sandberg Stockholm, Chairman
Yonnie Bergqvist Täby
Olof Lindstrand Lidingö
Thommy Mossinger Stockholm
Camilla Persson Farsta (E)*
Chief Executive
Per Beckman Lidingö

(E)*= employee representative
** For the complete name of the company, see note P19.

Addresses

www.handelsbanken.com unless otherwise stated.

CENTRAL HEAD OFFICE

HANDELSBANKEN
Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 8-701 10 00
Corporate identity no.: 502007-7862

HANDELSBANKEN CAPITAL MARKETS
Blasieholmstorg 11
SE-106 70 Stockholm
+46 8-701 10 00

HANDELSBANKEN INTERNATIONAL
Blasieholmsgatan 4 B
SE-106 70 Stockholm
+46 8-701 10 00

HANDELSBANKEN ASSET MANAGEMENT
Blasieholmstorg 12
SE-106 70 Stockholm
+46 8-701 10 00

CENTRAL IT DEPARTMENT
Värtavägen 73
SE-115 38 Stockholm
+46 8-701 10 00

SUBSIDIARIES

HANDELSBANKEN FINANS
Torsgatan 12–14
SE-106 35 Stockholm
+46 8-701 46 00
Corporate identity no.: 556053-0841

HANDELSBANKEN FONDER
Blasieholmstorg 12
SE-106 70 Stockholm
+46 8-701 10 00
Corporate identity no.: 556418-8851

HANDELSBANKEN LIV
Torsgatan 14
Box 1325
SE-111 83 Stockholm
+46 8-701 71 00
Corporate identity no.: 516401-8284

HANDEL OCH INDUSTRI
Nybrokajen 15
SE-106 70 Stockholm
+46 8-701 41 10
Corporate identity no.: 556013-5336

STADSHYPOTEK
Torsgatan 12
SE-103 70 Stockholm
+46 8-701 54 00
Corporate identity no.: 556459-6715

XACT FONDER
Blasieholmstorg 11
SE-106 70 Stockholm
+46 8-701 40 00

REGIONAL BANK HEAD OFFICES

NORTHERN SWEDEN
Storgatan 48
Box 1002
SE-901 20 Umeå
+46 90-15 45 60

CENTRAL SWEDEN
Nygatan 20
Box 196
SE-801 03 Gävle
+46 26-17 20 60

STOCKHOLM
Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 8-701 10 00

EASTERN SWEDEN
Nygatan 20
Box 421
SE-581 04 Linköping
+46 13-28 91 00

WESTERN SWEDEN
Östra Hamngatan 23
SE-405 40 Gothenburg
+46 31-774 80 00

SOUTHERN SWEDEN
Södergatan 10
SE-205 40 Malmö
+46 40-24 56 00

NORTHERN GREAT BRITAIN
4M Building
Malaga Avenue
Manchester Airport
Manchester M90 3RR
UK
+44 161 602 0200
www.handelsbanken.co.uk

CENTRAL GREAT BRITAIN
Two Colmore Square
38 Colmore Circus, 3rd floor
Queensway
Birmingham B4 6BN
UK
+44 121 212 9174
www.handelsbanken.co.uk

SOUTH WEST GREAT BRITAIN
1100 Parkway North
Stoke Gifford
Bristol BS34 8YU
UK
+44 117 931 1008
www.handelsbanken.co.uk

SOUTHERN GREAT BRITAIN
3 Thomas More Square
London E1W 1WY
UK
+44 20 757 880 00
www.handelsbanken.co.uk

DENMARK
Havneholmen 29
DK-1561 Copenhagen V
Denmark
+45 46 79 12 00
www.handelsbanken.dk

FINLAND
Aleksanterinkatu 11
FI-00100 Helsinki
Finland
+358 10 444 11
www.handelsbanken.fi

NORWAY
Tjuvholmen Allé 11
Postboks 1342 Vika
NO-0113 Oslo
Norway
+47 22 39 70 00
www.handelsbanken.no

NEDERLÄNDERNA
WTC Schipol Airport
Schiphol Boulevard 135
1118 BG Schiphol
Nederländerna
+31 207 184 000
www.handelsbanken.nl

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.

CORE TIER 1 CAPITAL
Total tier 1 capital excluding tier 1 capital contributions.

CORE TIER 1 CAPITAL RATIO
Core tier 1 capital in relation to risk-weighted volume.

DIVIDEND YIELD
Dividend per share divided by the share price at year-end.

EARNINGS PER SHARE
The profit for the year attributable to holders of ordinary shares divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

IMPAIRED LOANS
Loans are classified as impaired loans if contracted cash flows are not likely to be fulfilled. The full amount of all claims which give rise to a specific provision are included in impaired loans even if parts are covered by collateral.

ITRAXX
ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

LOAN LOSS RATIO
Loan losses and changes in value of repossessed property in relation to loans to the public and credit institutions (excluding banks) at the beginning of the year, and also repossessed property and credit guarantees.

P/E RATIO
The share price at year-end divided by earnings per share.

PREMIUMS WRITTEN
A concept used within the Bank's insurance operations denoting mainly the total of premiums paid in during the year.

PROPORTION OF IMPAIRED LOANS
Net impaired loans in relation to total loans to the public and credit institutions (excluding banks). Impaired loans are reported without deduction for the collateral that is security for the claim.

RETURN ON EQUITY
The year's profit in relation to average equity. Average equity is adjusted for value changes on financial assets classified as available for sale and derivatives in cash flow hedges and a weighted average of new share issues, dividends and repurchase of own shares.

RETURN ON TOTAL ASSETS
Operating profit in relation to average total assets.

RISK RESULT
A concept used in the Bank's insurance operations. The difference between the fees the company charges to cover the insurance risks (mortality, life expectancy, disability and accident) and the actual cost of the insurance claims.

RISK-WEIGHTED VOLUME
The total risk-weighted amount from each credit risk exposure. The risk-weighted amount is the same as the risk weight of the exposure multiplied by its exposure amount. The risk weight is based on a number of factors, such as the repayment capacity and debt-servicing of the counterparty, type of product and the value of any collateral.

SOLVENCY RATIO
A concept used in the Bank's insurance operations. The solvency ratio is the available solvency margin divided by the required solvency margin and is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company.

TIER 1 CAPITAL
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.

FINANCIAL INFORMATION
The following reports can be downloaded or ordered from Handelsbanken's website handelsbanken.se/ireng:

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

FINANCIAL CALENDER 2013

6 February	Highlights of Annual Report 2012
20 March	Annual general meeting
24 April	Interim report January – March 2013
17 July	Interim report January – June 2013
23 October	Interim report January – September 2013

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

Handelsbanken's printed Annual Report will be distributed to new shareholders for 2012. 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.

MILJÖMÄRKT Trycksak Larsson Offsettryck 341 298

HANDELSBANKEN · BANK · ESTABLISHED 1871

www.handelsbanken.com +46 8-701 10 00 SE-106 70 Stockholm, Sweden