

2007

Corporate governance report

Corporate governance

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BOARD OF DIRECTORS

At the 2007 AGM, all members of the board were re-elected. The AGM elected Lars O Grönstedt as chairman of the board. At the subsequent first board meeting, Hans Larsson and Anders Nyrén were appointed vice chairmen.

SIZE AND INDEPENDENCE

Handelsbanken's board comprises thirteen members who are elected by the AGM. No employee representatives are elected. The employees are instead represented by two board members, elected by the AGM, who represent the Bank's profit-sharing foundation, Oktogonen.

The rule concerning conflicts of interest in credit matters means that the board members cannot participate in credit decisions concerning companies where they have ownership interests or where they are employed or are board members. In order to make decisions concerning credits, it is therefore necessary to have a slightly larger board than is usual in other listed companies.

The Stockholm stock exchange's listing requirements make certain stipulations concerning the composition of the board. For example, the majority of the members elected by the AGM must be independent of the company and its management. At least two of the board members must also be independent of the company's major shareholders. Handelsbanken's board fulfils these requirements.

REGULATIONS GOVERNING THE BOARD'S WORK

According to the Swedish Companies Act, the board's overall task is to manage the company's business on behalf of its owners. The board of a universal bank such as Handelsbanken must also comply with a large number of industrial regulations. Central among these is the Swedish Banking and Financing Business Act (2004:297). In addition, there is specific legislation for operations such as securities and insurance. The commercial legislation is supplemented by regulations from the Swedish Financial Supervisory Authority. Many of these regulations include instructions addressed to the board of the Bank.

Banking legislation requires the board to ensure that certain general operating regulations on financial strength, liquidity, risk management, transparency and soundness are fulfilled.

Financial strength and liquidity

A bank's operations must be conducted in such a way that its ability to fulfil its obligations is not jeopardised. Risks are inherent in all operations, but these risks must be adapted to the size of the buffer capital. Similarly, sufficient liquidity is vital for the Bank to also fulfil its obligations in the short term, and not risk incurring temporary payment problems. Good liquidity requires advanced liquidity planning and tight control of payment flows.

The specific implications of the regulations on financial strength and liquidity are set out in the more detailed provisions of other legislation, including the regulations on capital adequacy. As of 1 February 2007, certain new capital adequacy regulations apply (Basel II), which place greater focus on the responsibility of the board for total capital requirements and requirements for transparency.

Risk management – internal control

A bank must have systems adapted to its operations which enable it to identify, measure, govern, internally report and have control over the risks associated with its operations. In particular, the board must ensure that the different forms of risk such as credit risks, market risks and operating risks, do not as a whole jeopardise the Bank's ability to fulfil its obligations. This requirement can only be met if good internal control exists. Thus, good internal control is part of the risk management and capital assessment functions.

Risk control at Group level is conducted at the Central Risk Control unit within Central Control and Accounting. The responsibility for capital planning rests with the head of the capital unit at Central Control and Accounting. Reporting to the head of Central Control and Accounting, the head of Central Treasury has responsibility for group liquidity and raising capital.

The Bank applies strict methods for risk assessment and risk management to ensure that the risks to which it is exposed are managed within the established framework. The outcome of the company's process for risk assessment and risk management is discussed annually by the board. Credit risks, operational risks, market risks and liquidity risks are regularly presented to the board. For a detailed report of Handelsbanken's risk management, see the section on risks and risk control on pages 44-55.

Financial reporting

Internal control for financial reporting is based on the Bank's own control environment (organisation, paths of decision, authority and responsibility) which is documented and communicated in governing documents such as internal policies, guidelines, manuals and codes. Examples of these are the division of work between on the one hand the board, and on the other

hand the group chief executive and the other bodies which the board establishes, instructions for the right to approve costs, and accounting and reporting instructions. The risks identified concerning financial reporting are managed via the Bank's control structures which are documented in descriptions of processes and internal control.

The Bank has information and communication paths with the aim of achieving completeness and correctness in the financial reports, for example by making the governing documents for financial reporting available and known to the employees concerned. The Bank follows up how the control structures are managed and their efficiency. One of the tools for this is self-assessment tests. The company's information and communication channels are also followed up with the intention of ensuring that they are appropriate for their purpose in terms of the financial reporting.

Internal auditing

The head of the Central Auditing department is appointed by the board. The central auditing department has some seventy employees, a large number of whom have competence corresponding to public authorised accountants. The Bank's external auditors evaluate and perform quality control on the work of the internal auditing department. The internal auditing department's assignment is based on a policy for internal auditing operations established by the board. Following a co-ordinated risk assessment, the audit work should be planned so that it focuses on examining operations and procedures which are of material importance and/or involve risks. The planned auditing assignments are documented annually in an audit plan which is established by the board's audit committee on behalf of the board. The result of internal audits, the action to be taken and the status of these actions are continually reported the audit committee.

Transparency

A bank's operations must be organised and conducted so that its structure, links with other companies and financial position are clearly visible. The board has overall responsibility for the transparency of the bank's financial position and organisational structure. The exact implications of the requirement for transparency are, for example, set out in the Swedish legislation for annual accounts. The Bank's accounts have been prepared in accordance with international financial reporting standards, IFRSs, as adopted by the EU. The amendments and restrictions pursuant to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the implementation directives issued by the Swedish Financial Supervisory Authority are also applied. The requirement for transparency also entails compliance with stock exchange regulations such as the listing agreement and listing requirements.

Soundness

In other respects, too, a credit institution's operations must be pursued in a sound manner. This means that the Bank must maintain a level of quality in its operations, such that the con-

fidence of the market can be upheld. The areas affected by this include the Bank's conduct with respect to its customers.

Guidelines and instructions

The basic issues on how expertise is allocated among the board, the committees of the board, the chairman, the group chief executive and the internal auditing function are manifested in the board's work regulations and its instructions to the group chief executive. The set of instructions that is established every year at the statutory meeting includes credit instructions for the Group, as well as various policies relating to the management of the financial risks associated with the Group's operations. Every year, the board sets funding limits and assumes responsibility for the Bank's base prospectus. In addition, every year, the board establishes a risk mandate relating to market risks, liquidity risks and other risks.

The board's working instructions state that the chairman should assist the group chief executive in contacts with the Bank's most important relationships, particularly the main owners. The chairman also has overall responsibility for ownership issues relating to shareholdings in the Bank's pension foundation, pension fund and staff foundation.

In the absence of the chairman, in order of seniority on the board, the vice chairmen of the board must fulfil the chairman's tasks. In addition, they must assist the chairman as decided by him. In other respects, there is no other division of work for the board than that involving the committees.

The group chief executive also issues a series of instructions and policy documents, either in response to assignments from the board, or to fulfil regulatory requirements relating to the Bank's senior management specified by the Swedish Financial Supervisory Authority.

AUDITORS

The shareholders appoint external auditors at the AGM. Two firms of auditors are appointed. As stipulated by law, the mandate period for the auditors appointed by the AGM is four years. The 2004 AGM appointed KPMG Bohlins and Ernst & Young for the period until the 2008 AGM. This means that there will be a new election of auditors at the 2008 AGM.

When procuring consulting services from the companies which are responsible for auditing the Bank, the auditing policy states that a special review must be made.

SENIOR MANAGEMENT

See page 126 for information about the senior management and the shares they own in the company.

THE WORK OF THE BOARD IN 2007

During the year, the board held fifteen meetings including a two-day strategy meeting. The board regularly discussed the economic situation, the Bank's strategy and the Bank's financial position in relation to other banks. Risk limits for market risks etc were also reviewed and followed up. In addition, the board was regularly informed about operational risks. It also took deci-

sions on matters of funding, major credit-related matters, large investments and strategic issues.

The sale of SPP was given particular attention during the year.

As a result of the new capital adequacy regulations, the board established a capital policy and a financial risk policy for the Handelsbanken Group. The capital policy sets out responsibilities and guidelines for internal capital assessment and planning. The board also established a confidence level for calculating economic capital and a target for the tier 1 ratio and other relevant capital ratios. A finance policy describes the responsibility for the Bank's liquidity and funding. The financial risk policy clarifies the responsibility and sets guidelines for units such as the independent risk control function.

The board's work is evaluated in individual discussions with the chairman of the board, supported by a questionnaire which is answered individually by the members. The results were compiled and discussed at the board meeting in November. The chairman reported the results of the evaluation and the board's discussion to the nomination committee. The board also met on one occasion to evaluate the work of the group chief executive without him being present.

BOARD COMMITTEES

Credit committee

The credit committee makes decisions on behalf of the board regarding the majority of credit cases referred to the board for its decision. It also prepares credit cases which, because of their particular importance, must be presented to the whole board. The regulations regarding conflicts of interest in the Swedish Companies Act are stringently observed. The chairman of the board, the vice chairmen, the group chief executive and the head of the Bank's Central Credit Department are permanent members of this committee. Other board members circulate on the committee with two-year mandates.

The credit committee met thirteen times during the year.

Remuneration committee

The task of the remuneration committee is to prepare proposals to the board regarding adjustments to the salaries and benefits of the group chief executive and the head of the Bank's internal auditing department. This committee also establishes the principles and overall policy for the salaries, benefits and pensions of the executive vice presidents. The committee reports annually on the results of its work to the board. The remuneration committee has also been assigned to prepare the board's proposal to the AGM regarding remuneration principles and other employment terms for the Bank's senior management team.

The chairman of the board is also chairman of the remuneration committee. The committee also includes two independent members.

The remuneration committee met three times during the year.

Audit committee/Work with accounting and audit issues

The audit committee prepares the work of the board to ensure compliance with the principles established for financial reporting and internal control. The committee normally performs this by processing crucial accounting matters and material events after the balance sheet date, and any other circumstances which may affect the qualitative content of the financial reports. The audit committee maintains regular contacts with the Bank's external and internal auditors. In conjunction with the six-monthly financial accounts, the internal and external auditors are to inform about the risk analyses which have been performed, including co-ordination between the internal and external auditors and

observations made at their summary audit of the financial report. In conjunction with the full-year financial accounts, the internal and external auditors are to inform about material uncertainties in reported values, observations relating to internal control, compliance, irregularities and observations made when auditing the full-year figures.

A written annual report of observations from the regular audits and an examination of six-monthly and annual accounts is submitted every year by the external auditors to the chairman of the board and the group chief executive. In addition, the chairman of the external auditors comments on these reports at separate meetings of the auditors and the chairman of the board and the group chief executive, respectively, and at audit committee meetings. When the audit has been completed, the head of internal auditing and the chairman of the external group of auditors provide a verbal report of their observations to the board. The chairman of the external group of auditors also meets the board once a year without the group chief executive or other members of the Bank's management being present. The chairman of the external auditors also presents a report of the Bank's auditing to the annual general meeting of shareholders.

The audit committee consists of the chairman of the board, plus two members who are independent of the company and its management. One of these members is also independent of the Bank's major shareholders. One of the independent members is the committee's chairman.

The audit committee met three times during the year.

REMUNERATION

The 2007 AGM established the following principles for remuneration and other conditions of employment for the group chief executive and senior managers who report directly to the group chief executive and are members of the group management team: the aggregate total remunerations are to be on market terms, and remuneration is only to be paid in the form of a fixed salary and standard perquisites. No variable remuneration is paid in the form of bonuses. The minimum retirement age is 60, although for the group chief executive it may be lower. Pension benefits are defined-benefit. The period of notice on the part of the employee is six months and on the part of the Bank, twelve months. If the Bank terminates the contract later than five years after the person's appointment as part of the Bank's management, the period of notice is 24 months. In exceptional cases, periods of notice may be shorter. No severance payments are made.

There are no existing equity-related or equity price-related incentive programmes for the board and company management. The senior managers in question are included in the Oktogonen profit-sharing system on the same terms as all employees of the Bank.

The company's auditors have submitted a written statement to the board showing that the principles applicable since the last AGM have been complied with.

ANNUAL GENERAL MEETING OF SHAREHOLDERS 2008

The shareholders exercise their right to decide on matters relating to the company at annual general meetings. The annual general meeting appoints the board, the chairman of the board and the auditors, and also decides on their fees. The annual general meeting also decides on policies for salary and other remuneration for the group chief executive and other members of the Bank's senior management.

Information in preparation for meetings, as well as minutes of the meetings, can be viewed on the Bank's website. Notice of general meetings and all proposals for the meeting are translated into English and are available on the website.

NOMINATION COMMITTEE

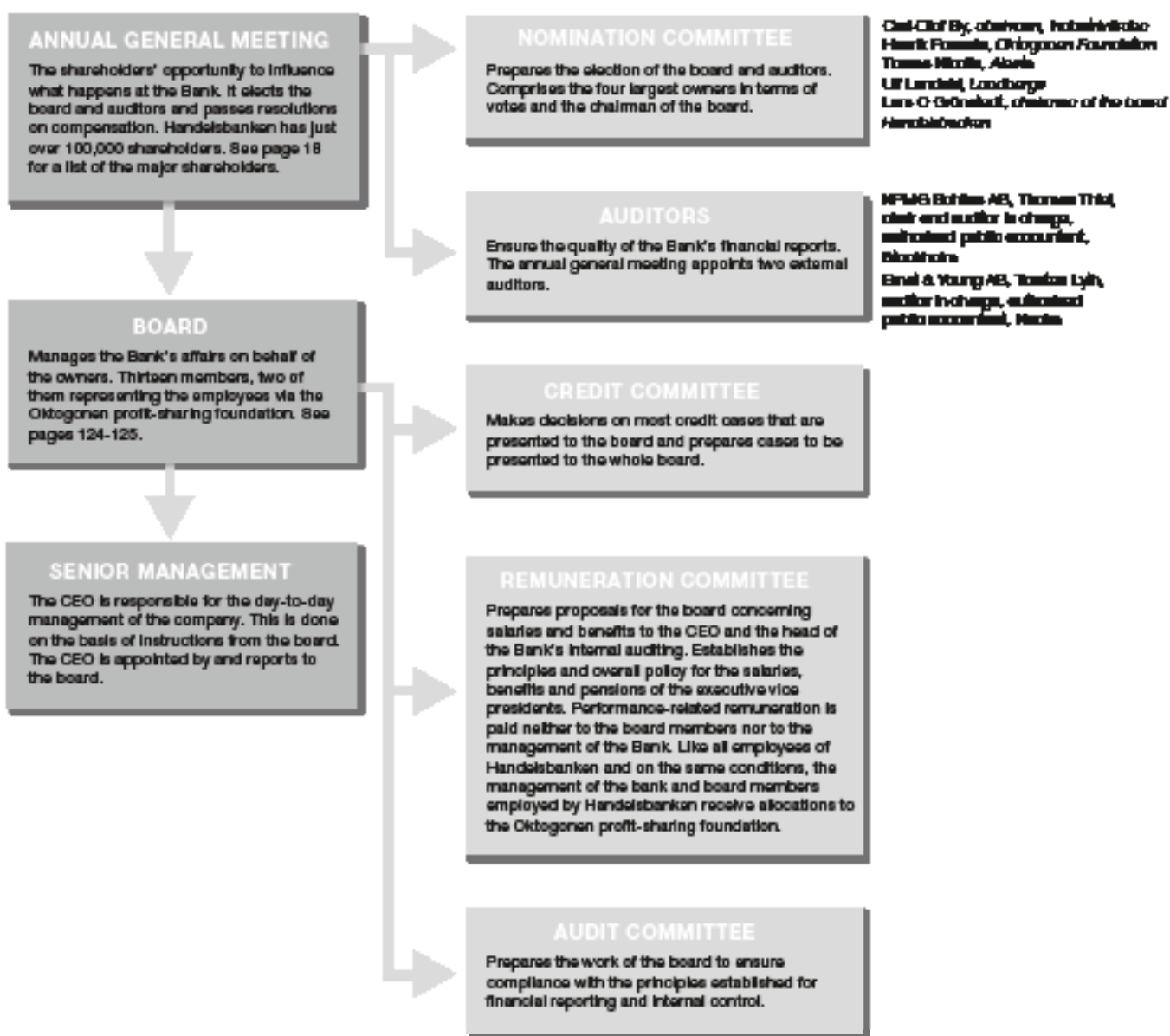
According to a resolution of the Handelsbanken's AGM on 24 April 2007, the nomination committee should have five members. Four of the members (the "Shareholders' Representatives") are to represent the Bank's four largest shareholders/shareholder groups in terms of votes, according to shareholder information as at 31 August from the VPC (the Swedish Central Securities Depository and Clearing Organisation), or who by some other means prove to be among the largest shareholders (the "Largest Shareholders") on this date. One of these members is to chair the committee. 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. Defined thus, the Bank's four largest shareholders as at 31 August 2007 were Industrivärden, the Oktogonen foundation, Alecta and Lundbergs. Together, the members of the nomination committee represent approximately 30% of the number of votes for all shares in the Bank.

In advance of the 2008 AGM, the nomination committee has the task of evaluating the work of the board and submitting proposals for the chairman of the shareholders' meeting, the chairman and other members of the board and fees for the chairman and other members and compensation for the board's committees. The nomination committee also makes proposals for auditors (for the period until the AGM in 2012) and fees for auditors.

STOCK MARKET INFORMATION

The Bank's website www.handelsbanken.se/ireng includes all published information provided to the stock market during the past three years. Information is also available on corporate governance and the annual general meeting.

Handelsbanken's governance structure



The board



LARS O GRÖNSTEDT
chairman

BA and Graduate in business administration, Stockholm, year of birth 1954. Member since 2001.

Chairman of the Board's remuneration committee and credit committee, member of the Board's audit committee.

Other assignments: Director of AB Industrivärden, Stiftelsen Fritt Näringsliv (The Swedish Free Enterprise Foundation), Probusinessbank, vice chairman of Stockholm Chamber of Commerce.

Background: 2001-2006 President and Group Chief Executive, Handelsbanken 1997-2000 EVP, Head of Central Business Development and IT Department, Handelsbanken. 1992-1997 Head of equity operations, Handelsbanken. 1983-1992 Positions at Handelsbanken's head office, branch operations and Regional Bank Stockholm City.

Own shareholdings and those of immediate family: 10,167, of which 9,567 indirectly via the Oktogonen profit-sharing foundation.

Not independent (Previous President and Group Chief Executive).



HANS LARSSON
vice chairman

BA, director, Stockholm, year of birth 1942. Member since 1990.

Member of the Board's credit committee.

Other assignments: Chairman of Nobia AB, Biolight International AB, Attendo Holding AB, Valedo Partners Fund 1 AB. Director of Holmen AB, Dynea Oy.

Background: CEO Swedish Match AB, Esselte AB and Nordstjärnan AB. Chairman of the boards of, among others, NCC AB, Linjebuss AB, Bilspedition/BTL AB, Althin Medical AB, Carema AB, Sydsvenska Kemi AB.

Own shareholdings and those of immediate family: 18,600.
Not independent (Member since 1990).



ANDERS NYRÉN
vice chairman

Graduate in business administration and MBA, President and Group Chief Executive of AB Industrivärden, Bromma, year of birth 1954. Member since 2001. Member of the board's credit committee.

Other assignments: Vice chairman of Sandvik AB. Director of Telefonaktiebolaget L M Ericsson, Ernströmgruppen AB, AB Industrivärden, Skanska AB, Svenska Cellulosa AB SCA, SSAB Svenskt Stål AB. Chairman of the Swedish Association of Listed Companies and the Association for Sound Practices in the Securities Market.

Background: 1997-2001 Skanska, Executive Vice President, CFO. 1996-1997 Nordbanken, Director with responsibility for Markets and Corporate Finance.

Own shareholdings and those of immediate family: 2,000.

Independent in relation to the Bank and its management. Not independent in relation to major shareholders (President and Group Chief Executive of AB Industrivärden).



PIRKKO ALITALO

Graduate in business administration, Helsinki, year of birth 1949.

Member since 2000. Member of the board's credit committee and remuneration committee.

Other assignments: Director of Lagercrantz Group AB.

Background: 1997-2000 deputy CEO Pohjola Group Abp. 1988-1989 Various management positions at the Pohjola Group. 1986-1988 Director of Midland Montagu Aktiebank. 1977-1986 Various management positions in the Pohjola Group. 1975-1976 Analyst at Postipankki.

Own shareholdings and those of immediate family: 2,500.

Independent in relation to the Bank, its management and major shareholders.



JON FREDRIK BAKSAAS

Graduate in Business Administration and MBA. President and group chief executive Telenor ASA, Sandvika, year of birth 1954. Member since 2003.

Other assignments: Board member of Aker ASA, Det norske Veritas (council).

Background: 1994-2002 Telenor ASA, Chief Financial Officer/Executive Vice President/Senior Executive Vice President. 1997-1998 Telenor Bedrift AS, Managing Director. 1989-1994 TBK AS, Chief Finance Officer/Chief Executive Officer. 1988-1989 Aker AS, Chief Finance Director. 1985-1988 Stolt Nielsen Seaway AS, Oslo and Haugesund, Chief Finance Director.

Own shareholdings and those of immediate family: 0.
Independent in relation to the Bank, its management and major shareholders.



ULRIKA BOËTHIUS

Sciences programme Upper Secondary School, Bank employee, Stockholm year of birth 1961. Member since 2004.

Other assignments: Vice chairperson Swedish Union of Financial Sector Employees.

Background: Bank officer at Handelsbanken since 1981. Chairperson of Handelsbanken's union club 1997-2004.

Own shareholdings and those of immediate family: 3,323, of which 3,323 indirectly via the Oktogonen profit-sharing foundation.

Not independent (employee).



PÄR BOMAN

Engineering and Business/Economics degree, President and Group Chief Executive of Handelsbanken

Linköping, year of birth 1961. Member since 2006.
Member of the Board's credit committee.

Other assignments: Member of the board of the Swedish Bankers' Association.

Background: 2002-2005 EVP, head of Handelsbanken Markets. 1998-2002 EVP, Head of Regional Bank Denmark, Handelsbanken. Bank officer at Handelsbanken since 1991.

Own shareholdings and those of immediate family: 4,857, of which 3,357 indirectly via the Oktogonen profit-sharing foundation.
Not independent (President and Group Chief Executive).



TOMMY BYLUND

Upper Secondary School, Bank Vice President, Ljusdal, year of birth 1959. Member since 2000. Member of the board's credit committee.

Other assignments: Chairman of the Oktogonen foundation.

Background: Bank officer at Handelsbanken since 1980. Branch manager at Handelsbanken since 1992.

Own shareholdings and those of immediate family: 13,263, of which 12,319 indirectly via the Oktogonen profit-sharing foundation.

Not independent (employee).



GÖRAN ENNERFELT

BA and Graduate in Business Administration. President and Group Chief Executive of Axel Johnson Gruppen AB, Upplands Väsby, year of birth 1940. Member since 1985.

Other assignments: Chairman of Axfood AB.

Background: Since 1966 has had various assignments and positions within the Axel Johnson Group except for a period at Wells Fargo, San Francisco, USA 1971-1972.

Own shareholdings and those of immediate family: 65,000.

Not independent (Member since 1985).



SIGRUN HJELMQUIST

Graduate engineer and Licentiate of Technology, Partner and chair of Sight Executive Group AB, Djursholm, year of birth 1956. Member since 2003. Member of the board's remuneration committee.

Other assignments: Director of Sandvik AB, E.ON Sverige AB, RAE Systems Inc, Audiocdev AB, Micronic Laser Systems AB, Symsoft AB, Seamless Distribution AB, Silex AB.

Background: 2000-2005 Partner & Investment Mgr Brainheart Capital KB. 1998-2000 VD Ericsson Components AB. 1979-2000 Various positions in Ericsson Group.

Own shareholdings and those of immediate family: 1,000.

Independent in relation to the Bank, its management and major shareholders.



FREDRIK LUNDBERG

Graduate engineer and graduate in business administration, Honorary Doctor of Philosophy and Honorary Doctor of Technology, President and Group Chief Executive of L E Lundbergföretagen AB, Djursholm, year of birth 1951. Member since 2002. Member of the board's credit committee.

Other assignments: Chairman of Holmen AB, Cardo AB, Hufvudstaden AB Director of L E Lundbergföretagen AB, NCC AB, AB Industrivärden, Sandvik AB.

Background

Active at Lundbergs since 1977. President and group chief executive of L E Lundbergföretagen AB since 1981.

Own shareholdings and those of immediate family: 2,125,000.

Independent in relation to the Bank and its management

Not independent in relation to major

shareholders (Director of AB Industrivärden).



SVERKER MARTIN-LÖF

Doctor of Engineering in Technology in Paper and Chemical Pulping. Director, Stockholm, year of birth 1943. Member since 2002. Chairman of the board's audit committee.

Member of the board's credit committee.

Other assignments: Chairman of Svenska Cellulosa AB SCA, Skanska AB, SSAB Svenskt Stål AB. Vice chairman of Telefonaktiebolaget LM Ericsson, AB Industrivärden.

Background: 1977-2002 Active within Svenska Cellulosa AB SCA in various management positions.

Own shareholdings and those of immediate family: 4,000.

Independent in relation to the Bank and its management.

Not independent in relation to major

shareholders (Director of AB Industrivärden).



BENTE RATHE

Graduate in business administration and MBA, Trondheim, year of birth, 1954. Member since 2004. Member of the board's audit committee.

Other assignments: Chairperson of Ecohz ASA, Director of Kongsberg Automotive ASA, Norsk Hydro ASA, Powel ASA.

Background: 1999-2002 Deputy Group Chief Executive Gjensidige NOR (CEO of life insurance company, chairperson 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.

Own shareholdings and those of immediate family: 1,330.

Independent in relation to the Bank, its management and major shareholders.

Handelsbanken's board of directors

Refers to the 12-month period between the 2007 and 2008 AGMs

	Year of birth	Nationality	Remuneration	Own shareholdings and those of immediate family	Credit committee	Audit committee	Remuneration committee	Present at board meetings	Present at committee meetings
Lars O Grönstedt, chairman,	1954	Swedish	1 575 000	10 167	chairman	member	chairman	15/15	100%
Hans Larsson, vice chairman***	1942	Swedish	800 000	18 600	member			15/15	100%
Anders Nyrén, vice chairman *	1954	Swedish	800 000	2 000	member			15/15	100%
Pirkko Alltalo **	1949	Finnish	675 000	2 500	member		member	15/15	100%
Jon Fredrik Baksaas **	1954	Norwegian	400 000	0				13/15	-
Ulrika Boëthius	1961	Swedish	-	3 323				15/15	-
Pär Boman, CEO	1961	Swedish	-	4 857	member			15/15	100%
Tommy Bylund	1959	Swedish	-	13 263	member			15/15	100%
Göran Ennerfelt ***	1940	Swedish	400 000	65 000				13/15	100%
Signrun Hjelmquist **	1956	Swedish	475 000	1 000			member	14/15	100%
Fredrik Lundberg*	1951	Swedish	600 000	2 125 000	member			15/15	92%
Sverker Martin-Löf*	1943	Swedish	750 000	4 000	member	chairman		15/15	100%
Bente Rathe **	1954	Norwegian	500 000	1 330		member		15/15	100%

* This member is to be regarded as independent of the company and its management.

** This member is to be regarded as independent of the company, its management and the company's major shareholders.

*** This member is to be regarded as dependent on the company due to the fact that the member has been a board member for more than 12 years.

In an overall assessment of the independence issue (according to the listing requirements applicable at the OMX Nordic Exchange) the company and the nomination committee find that these members are independent of both the company and major shareholders.