

# HANDELSBANKEN

## *The proposals of the board for the 2011 annual general meeting (AGM)*

### ***Item 9. Resolution on the allocation of the Bank's profits in accordance with the adopted balance sheet and also concerning the record day***

The board proposes a dividend of SEK 9.00 per share, and that Monday, 28 March be the record day for receiving dividends. If the meeting resolves in accordance with the proposal, Euroclear Sweden AB expects to distribute the dividend on Thursday, 31 March 2011.

With reference to Chapter 18, Section 4 of the Swedish Companies Act, the following statement from the board was noted: When assessing the amount of the company's proposed dividend, account has been taken of the nature of operations, their scope, consolidation requirement and risk-taking. Our assessment is that the above appropriation of profits is prudent and well-adapted to the operations as a going concern. Unrealised changes in value of assets and liabilities at fair value have had a net impact of SEK -2 484 million on the shareholders' equity. The capital base of the financial corporate group exceeded the statutory capital requirement by SEK 34 684 million at the year-end. The surplus capital in the parent company was SEK 47 326 billion.

### ***Item 11. Authorisation for the board to resolve on acquisition and divestment of shares in the Bank.***

The earning capacity of the Bank remains good, and a stable equity situation can be foreseen. Due to the continuing growth in volumes, a strengthened capital situation may arise. A new authorisation by the meeting for the board to resolve on the repurchase of its own shares is therefore justified, in order to adjust the Bank's capital structure and increase earnings per share over time. The board also notes that if the Bank were to acquire a company or operations, such a transaction could be facilitated if its own shares were available to finance the acquisition.

Thus the board proposes that the AGM shall authorise the board to resolve on the purchase of Handelsbanken's own class A and/or B shares during the period until the AGM in 2012 on the following conditions:

- The purchases shall be made on NASDAQ OMX Stockholm (the Stockholm stock exchange).
- The Bank may purchase a total of no more than 40,000,000 class A and/or B shares.
- The shares shall be acquired at the market price applicable at the time of purchase.
- The aggregated holding of the Bank's own shares, including shares in the trading book, shall not at any time exceed one-tenth of the total number of shares in the Bank.

The board also proposes that the meeting authorise the board to resolve on disposal of the Bank's own shares, deviating from the shareholders' preferential rights, as payment in connection with future acquisition of a company or business, and, with or without preferential

rights for the shareholders, to resolve on disposal of the Bank's own shares in some other way than through NASDAQ OMX Stockholm, in order to finance acquisition of a company or business. In cases where disposal is made deviating from the shareholders' preferential rights, the remuneration for shares sold must correspond to an estimated market value and may be payable in forms other than cash. In other respects, the following terms shall apply:

- The authorisation can be utilised on one or more occasions until the next annual general meeting.
- The authorisation covers all class A or B shares in Handelsbanken held by the Bank at the time of the board's resolution.

With reference to Chapter 19, Section 22 of the Swedish Companies Act, the board has made the following statement:

The board finds that the proposed acquisition is justifiable, in view of the requirements which the nature, scope and risk level of the operations make on shareholders' equity, and also in view of the company's consolidation requirements, liquidity and situation in other respects. Unrealised changes in value of assets and liabilities at fair value have had a net impact of SEK -2 484 million on the shareholders' equity. The capital base of the financial corporate group exceeded the statutory capital requirement by SEK 34 684 million at the year-end. The surplus capital in the parent company was SEK 47 326 billion.

***Item 12. Acquisition of shares in the Bank for the Bank's trading book pursuant to Chapter 7, Section 6 of the Swedish Securities Market Act***

The board proposes that the AGM make the following resolution:

In order to facilitate its securities operations, and until the AGM in 2012, the Bank shall have the right to acquire its own ordinary class A and/or B shares for the Bank's 'trading book' pursuant to Chapter 7, Section 6 of the Swedish Securities Market Act (2007:528), on condition that the Bank's own shares in the trading book at no time exceed two per cent of all shares in the Bank. The shares shall be acquired at the market price applicable at the time of purchase.

***Item 13. The board's proposal regarding the issuing of convertible debt instruments to employees***

The Board proposes that the Annual General Meeting resolves on the implementation of a convertible bond programme for Group employees mainly on the following terms. The programme means that Svenska Handelsbanken AB (publ) raises a subordinated convertible loan in the nominal amount of not more than SEK 2,512,500,000 through an issue of convertible bonds. In the event the conversion price at the issue day is determined at a price which would lead to a dilution effect after full conversion exceeding 2 per cent. of the share capital and the votes, the maximum loan amount shall be reduced by such amount whereby the maximum dilution effect equals 2 per cent. The subscription price for each convertible bond shall correspond to its nominal amount.

Those entitled to subscribe shall, deviating from the shareholders' pre-emptive rights, be employed by the Group, and wholly owned subsidiaries within the Group. The convertible bonds have no set repayment date. The holders of convertible bonds are not entitled to repayment of the loan other than after the Bank's decision to repay the loan. However, repayment can, with certain exceptions, be made no earlier than 1 July 2016.

The loan shall bear interest of STIBOR 12 month plus 0.45 percentage points from 1 June 2011, to be paid on 20 April each year. At conversion on the request of the bondholder the right to interest will cease for the period from the nearest preceding interest payment date. Bondholders are only entitled to interest payments provided the Bank has distributable profits available in accordance with applicable Swedish laws and regulations. In the event that interest has not been paid on the basis that distributable profits are not available, the bondholders' right to such unpaid interest will lapse.

If the Bank has prepared a special balance sheet for liquidation purposes indicating that the Bank is obliged to go into liquidation or if it is necessary to avoid or remedy a breach of the capital requirements applicable to the Bank, the Bank may, through a decision at a shareholders' meeting, convert the whole or parts of the loan including accrued interest to a capital contribution to restore equity capital in order to avoid liquidation or avoid or remedy a breach of the capital requirements, respectively.

As from 1 May 2016, the bondholder shall be entitled to convert each of the convertible bonds into one Class A share of the Bank at a conversion price which shall be set at 122 per cent. of the average volume weighted price paid for Class A shares on NASDAQ OMX Stockholm during the period from and including 19 April 2011 up until and including 4 May 2011. The bondholder shall be entitled to exercise conversion at an earlier date in certain situations. If the bondholder requests for conversion on 31 May 2016, or thereafter, the conversion shall take place at an adjusted conversion price corresponding to the current market price for the share at such point in time, if this price is lower than the ordinary conversion price set forth above. In the event that a bondholder requests for conversion on 31 May 2016, or thereafter and conversion thereby is taking place at the adjusted conversion price, the Bank shall be entitled to repay the loan amount which the holder has requested for conversion instead of effectuate the conversion. The bondholders right to exercise conversion shall lapse after 30 November 2016. Immediately following registration of the resolution to issue the convertible bonds, the Bank shall be entitled to request for conversion of the convertible bonds into new Class A shares of the Bank. For conversion that has been requested by the Bank prior to [31 May 2016 or requested by the bondholder in such situations where the bondholder is entitled to exercise conversion prior to 1 May 2016, conversion shall take place at an adjusted conversion price calculated with the objective to compensate the bondholder for the loss of the option value. In such situations the Bank shall be entitled to repay the Loan instead of executing the conversion. As is mentioned at the end of the notice to convene the Annual General Meeting, the Board reserves the right to make adjustments to the Board's proposal under this item 13, including the conversion price and the interest rate, up until the Board's final proposal is made available on 2 March 2011.

The convertible bonds may be subscribed for during the period from and including 19 April 2011 up until and including 5 May 2011 and shall be paid in cash no later than 1 June 2011. The convertible bonds shall be issued at a subscription price equal to 100 per cent. of the nominal amount.

The reason for the deviation from the shareholder's pre-emptive rights is that the convertible bond programme presents a personal long term ownership for the employees, which is expected to stimulate an increased interest in the business and its results. It thus benefits the Bank in being able to offer employees an opportunity to participate in the development of the Group in a way that also is favourable to the shareholders. A personal investment on market terms is required by the participants to participate in the programme and the programme is constructed in a way that prevents short term risk taking. Further, the Board's opinion is that the convertible bond programme is constructed in a way consistent with the group's guidelines governing remuneration policies and the Swedish Financial Supervisory Authority's (Sw. Finansinspektionen) regulations and general guidelines governing remuneration policies in credit institutions, investment firms and fund management companies (FFFS 2009:6).

### **Programme participants and allotment of convertible bonds**

The right to subscribe for the convertible bonds shall apply to persons who at the end of the subscription period are employees of the Group, except for persons who are employees of certain subsidiaries. The members of the Board of Directors who are not employed by the Group shall not be entitled to participate in the programme.

The allocation of convertible bonds shall be decided by the Board in accordance with the following principles: The CEO shall be guaranteed allotment of convertible bonds equivalent to a nominal amount of SEK 7,500,000 and can be allotted convertible bonds equivalent to a maximum nominal amount of SEK 15,000,000; members of the group management team shall each be guaranteed allotment of convertible bonds equivalent to a nominal amount of SEK 2,500,000 – 5,000,000 per person after a decision by the CEO and the chairman of the Board with the total aggregated amount for the group management team not exceeding the number of persons in the group management team (30 persons) x 4,000,000 and can each be allotted convertible bonds equivalent to a maximum nominal amount of SEK 10,000,000; for branch office managers and country managers, managers reporting directly to a head of a regional bank, a head off a business area or a chef of staff there is a guaranteed amount of SEK 750,000 and a maximum amount of SEK 4,250,000; and for all other employees and managers there is a guaranteed amount of SEK 150,000 and a maximum amount of SEK 1,000,000. The above mentioned amounts are based on a maximum loan amount of SEK 2,512,500,000. If the final loan amount is adjusted for the purpose of not exceeding the maximum dilution effect, the corresponding adjustment shall be made in respect of the above allocation amounts.

In the event of over-subscription employees shall at first hand obtain the guaranteed allotment and secondly allotment of additional convertible bonds corresponding to the same percentage share, regardless of which category they belong to, in respect of the subscribed amount exceeding the guaranteed allotment as set forth above, however, not exceeding the maximum nominal amount for each category in accordance with the above.

Employees' ownership of convertible bonds shall not be subject to any restrictions in respect of their rights of disposal.

### **Financing**

The Bank intends offering financing to the employees who have registered participating in the convertible bond programme. Such financing will be provided on market terms and be conditional upon credit analysis.

## **Dilution**

If all convertible bonds are allotted and the conversion price is assumed to be fixed at SEK 264.86, corresponding to 122 per cent. of SEK 217.10, which was the latest price paid on 4 February 2011 for the Bank's Class A shares on the NASDAQ OMX Stockholm, the share capital will increase by SEK 44,110,564 at full conversion and based on the present ratio value of SEK 4.65 per share. This represents a dilution effect of approx. 1.50 per cent of the share capital and 1.52 per cent of the votes after full conversion. Assuming that the convertible bonds issued in 2008 are converted at the current conversion price the aggregated dilution effect will amount to 1.47 per cent of the share capital and 1.49 per cent of the votes after full conversion.

## **Final proposal**

The final proposal from the board and the detailed terms and conditions regarding the convertible bonds will become available on the Bank's website on Wednesday, 2 March 2011.

## ***Item 17. The board's proposal concerning guidelines for compensation to senior management***

The board recommends that the meeting approve the following guidelines for compensation and other terms of employment for the senior management of Handelsbanken:

- The total compensation shall be on market terms.
- Compensation is paid only in the form of a fixed salary and customary benefits.
- No variable compensation is paid in the form of bonuses.
- The senior managers in question are included in the Oktogonen profit-sharing system on the same terms as all employees of the Bank.
- The minimum pension age is 60. Pension benefits are defined-benefit.
- The period of notice on the part of a senior manager is six (6) months and on the part of Handelsbanken, twelve (12) months. If the Bank terminates the employment contract later than five years after the person's appointment as a member of the Bank's management, the period of notice is 24 months. In exceptional cases, periods of notice may be shorter.
- No termination benefits are paid.

The senior management positions to which these guidelines apply are the group chief executive and the Bank's executive vice presidents.

***Item 18. The board's proposal concerning the appointment of auditors in foundations and their associated management***

The board proposes that the registered public accounting firm KPMG Bohllins AB be appointed as auditing company to the following foundations, which are newly associated with Svenska Handelsbanken AB:

- The Maria and Olof Bergfeldt Fund Foundation
- The Elsa Borg Fund Foundation
- The Erik Funk Memorial Fund Foundation
- The Ernest Grege Scholarship Fund
- The IH Foundation
- Josef and Rika Margulies' funds for Rosh Hashanah and Yom Kippur.

***Item 19. The board's proposal regarding changes to the articles of association***

As of 1 January 2011, to comply with the Swedish Companies Act, notices to attend meetings of shareholders must be made through advertisements in the official Swedish Gazette (*Post-och Inrikes Tidningar*) and through being available on the company's website. At the same time as it issues the notice, the company must announce that the notice has been issued by advertising in at least one of the Swedish national daily newspapers specified in the company's articles of association. The board proposes that section 9 of the articles of association should state that such announcements will be made through advertisements in *Svenska Dagbladet* and *Dagens Nyheter*.

In addition, an adjustment to section 10 of the articles of association is proposed, namely that shareholders may give notice of their attendance at the annual general meeting until the end of the day specified in the Bank's notice to attend.