

# Annual Report 2014

**Handelsbanken**

# This is Handelsbanken

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

**143**  
years of availability.

**832**  
offices in 24 countries.

**43**  
years running with  
better profitability  
than the average of  
peer banks in home  
markets.

**26**  
years with the most  
satisfied customers  
according to SKI  
(Swedish Quality  
Index)\*.

## SATISFIED CUSTOMERS IN OUR HOME MARKETS

Every year, SKI (Swedish Quality Index) and its associated organisation EPSI Rating carry out independent surveys of customer satisfaction, based on a European standard. The results for 2014 showed that Handelsbanken has the most satisfied customers of the four major banks in Sweden.

Handelsbanken also retains its strong and stable position in all home markets.

## STRONG SHARE PERFORMANCE

For 26 of the trading days in 2014, the Handelsbanken share was listed at an all time high. The highest listing for 2014 – SEK 372.80 – was on 11 December. Handelsbanken's market capitalisation increased during the year by SEK 32 billion and was SEK 233 billion as at 31 December 2014.

The Swedish stock market went up by 10 per cent during the year and the Stockholm stock exchange bank index rose by 10 per cent. Handelsbanken's class A share ended the year at SEK 366.60, an increase of 16 per cent. Including share dividends, the total return was 21 per cent.

## HANDELSBANKEN CREATES SHAREHOLDER VALUE

Handelsbanken is one of few banks in Europe 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 140 billion. Market capitalisation has grown by SEK 106 billion, while Handelsbanken has paid out SEK 34 billion in share dividends. Handelsbanken is also the only commercial bank listed on the Stockholm stock exchange which has not needed to ask its shareholders for new capital during this period.

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

# Highlights of the year

**Operating profit** went up by 6 per cent to SEK 19,212 million (18,088) – the highest figure in the Bank's 143-year history.

**The period's profit after tax** for total operations increased by 6 per cent to SEK 15,184 million (14,295).

**Earnings per share** for total operations increased by 6 per cent to SEK 23.89 (22.52).

**Return** on equity for total operations was 13.4 per cent (13.9).

**The Board proposes** an ordinary dividend of SEK 12.50 per share and also an extra dividend of SEK 5.00 per share.

**The Board has** decided to propose a stock split of 3:1.

**Following the Board's dividend proposal**, the common equity tier 1 ratio according to CRD IV increased to 20.4 per cent (18.9) and the total capital ratio rose to 25.6 per cent (21.6).

**The Board has** resolved on new capital goals, meaning that, under normal circumstances, the Bank's common equity tier 1 ratio must exceed the Swedish Financial Supervisory Authority's communicated requirements by 1 to 3 percentage points, and that the tier 1 ratio and the total capital ratio must exceed the Financial Supervisory Authority's communicated requirements by at least 1 percentage point.

**Income** increased by 5 per cent to SEK 38,314 million (36,327).

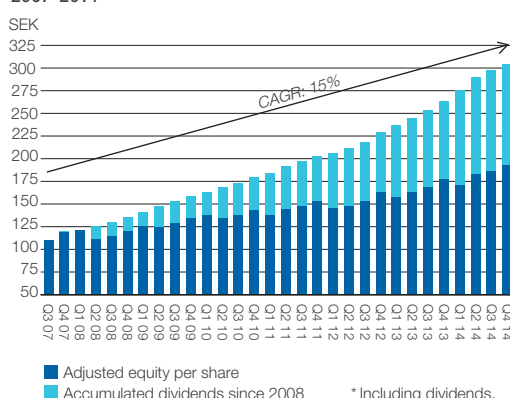
**Net interest income** went up by 2 per cent to SEK 27,244 million (26,669) and in the home markets outside Sweden, net interest income increased by 11 per cent.

**Total expenses** decreased by 0.5 per cent, adjusted for exchange rate movements.

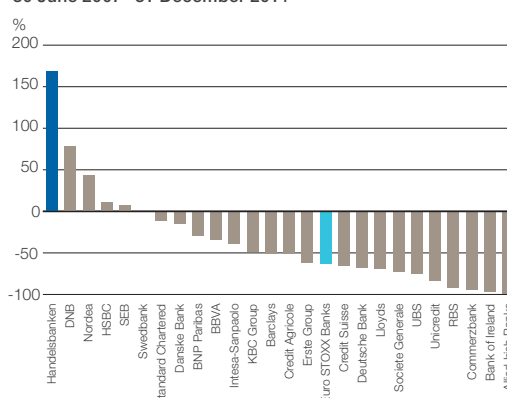
**The C/I ratio** improved to 45.2 per cent (47.0).

**The loan loss ratio** was 0.10 per cent (0.07).

Average growth in equity  
2007–2014\*



Total return since the start of the financial crisis  
30 June 2007– 31 December 2014



Source: SNL, as at 31 December 2014 (dividends reinvested)

# Brief information

## Handelsbanken's Annual General Meeting 2015

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

Time: Wednesday, 25 March 2015 at 9.30 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, 19 March 2015 at the latest. Notice of attendance is to be made to Handelsbanken, Corporate Governance, SE-106 70 Stockholm, Sweden, telephone +46 (0)8 701 19 84, or via [handelsbanken.se/ireng](http://handelsbanken.se/ireng) by Thursday, 19 March 2015 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, 19 March 2015, when this entry must have been effected.

### Dividend

The Board proposes that the record day for the dividend be Friday, 27 March 2015, which means that Handelsbanken's shares will be traded ex-dividend on Thursday, 26 March 2015. If the meeting resolves in accordance with the proposal, Euroclear expects to distribute the dividend on Wednesday, 1 April 2015.

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

## Financial calendar 2015

4 February	Annual accounts 2014
25 March	Annual General Meeting
29 April	Interim report January–March 2015
21 July	Interim report January–June 2015
21 October	Interim report January–September 2015

## Financial information

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

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

## Distribution

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

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

## Annual Report including Sustainability Report

Handelsbanken's Annual Report for 2014 contains the Bank's complete Sustainability Report for 2014. The Sustainability Report is prepared in accordance with Global Reporting Initiative's (GRI) 3.0 guidelines for reporting and covers activities and results for the 2014 calendar year. Handelsbanken's Sustainability Report meets the information requirements of level C+ and this has been confirmed by the Bank's external auditors. Handelsbanken reports the Group's sustainability activities annually.

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

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

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# Creating value and benefit

- Operating profit for 2014 grew to SEK 19.2 billion, the highest figure in the Bank's 143-year history.
- Earnings per share increased to SEK 23.89.
- Handelsbanken's return on equity for total operations was 13.4 per cent.
- The C/I ratio - our expenses divided by our income - improved to 45.2 per cent.
- Following the dividend proposal, the common equity tier 1 ratio according to CRD IV increased to 20.4 per cent and the total capital ratio rose to 25.6 per cent.
- For many years, Handelsbanken's equity, including dividends paid and share repurchases, has grown by an average of 15 per cent per year.
- Handelsbanken's share price reached all time high levels on 26 trading days in 2014.
- In Sweden we had the most satisfied customers, in terms of the banking sector as a whole. In our other home markets too, we maintained our strong, stable position as regards customer satisfaction.

## BUSINESS MODEL

Handelsbanken is essentially organised on a geographical basis. Like all companies with more than one customer and one product, we have to deal with matters of product responsibility, customer responsibility and function responsibility. We've made things simple for ourselves by establishing a geographical organisational model, with one manager being appointed for each area of operations. An area of operations is a well-defined geographical area, for example a town, a local authority, or part of a city. This manager has full responsibility for all the Bank's business in this well-defined geographical area.

We call this manager a branch manager. At Handelsbanken, the branch manager's role is an autonomous one.

For every branch we have an income statement and draw up a balance sheet. In this way, the branch manager, together with his or her staff, can make decisions based on local information and quickly gauge the financial consequences of their decisions.

Centrally, we establish policies and guidelines that set the framework within which we run our business. Examples of this include guidelines for the financial control system, measurement methods for customer satisfaction, and guiding principles for granting credit.

With a clear organisational model and decentralised decision-making – including a strong belief in the individual – we have been able to run a bank without setting budgets or having central marketing departments.

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

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

## SHAREHOLDER VALUE

For a long time, Handelsbanken has created value for its shareholders. For many years, Handelsbanken's equity, including dividends paid, has grown by an average of 15 per cent per year. Unlike in the other major Swedish banks, this value in Handelsbanken has been created entirely without the aid of state support, subsidised loans from central banks, or capital support in the form of new share issues. In fact, Handelsbanken is, and has been throughout the financial crisis, one of Sweden's largest taxpayers, as well as the largest contributor to the Swedish state's Stabilisation Fund.

Operating profit for 2014 was SEK 19.2 billion, which is the highest figure in the Bank's now 143-year history.

Since the financial crisis started in summer 2007, the total return for Handelsbanken's shareholders – i.e. share price performance including dividends – has amounted to 168 per cent. The average figure for European banks is -63 per cent, and no other Scandinavian bank achieves a level of more than 80 per cent.

The Handelsbanken share is listed on the Stockholm stock exchange, and has attained all time high price levels many times in the past few years. In the past two and a half years this has occurred on 65 trading days.

## CUSTOMER BENEFIT

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

Every year, SKI and its associated organisation EPSI Rating carry out independent surveys of customer satisfaction. The 2014 surveys showed that Handelsbanken has considerably more satisfied private customers than the average for the banking sector in all of the Bank's six home markets.

In the past year, Handelsbanken has received a string of awards, which naturally make us feel pleased, proud and encouraged. And we are particularly pleased when the award in question is voted for by customers. One example of this is the Best Customer Service award from Service-Score, which we again won this year. The results were based on a simple question to the general public: which bank do you think provides the best service? The same thing applies – although there are more questions and the calculations may be more complex – when we were again named Business Bank of the Year, No. 1 Private Banking Player and Sweden's Small Enterprise Bank. All these awards are essentially based on customers' own assessments.

According to the research company TNS Sifo, we have – for a bank – an unusually high proportion of "ambassadors," i.e. customers who actively recommend us to their friends and business acquaintances. There's no better – or more effective – marketing than this.

## BENEFIT TO THE COMMUNITY

For a community to function well, it needs banks that function well. A bank that does not function well will create problems for the community in which it operates. And the bigger the bank, the bigger the problems for the community. Ultimately, the citizens of the community, the taxpayers, may have to step in, either directly with aid, or indirectly by utilising resources for guarantee commitments, etc. – resources that the community would probably have preferred to use for other purposes.

Therefore, a bank's first and most important task is to function well, to be financially stable and thus be available when the community, its citizens and customers require the bank's services. In order to achieve this, the bank must be profitable in the long term.

Handelsbanken is one of the absolute most stable banks in the world. We grow at the rate that our customers grow, we build for the long term and we have low tolerance of risks. Therefore, over time, the Bank has had considerably lower loan losses than the rest of the sector.

And hence, throughout the financial crisis, we were the only major player on our home markets that did not require aid from central banks or state support programmes.

Being part of a community includes being present there – in the community, in physical terms. Today we have a network of 832 offices in 24 countries, 463 of which are in Sweden. For us, there is no incompatibility between branches and customers' use of apps in mobile phones, tablets, etc. On the contrary, customers who are at the leading edge of technology usage also value a personal relationship more, and regard this service as more exclusive today than people did five or ten years ago, for example. Therefore we continue to open new branches on a regular basis. We are currently the only bank in a total of 59 locations.

For us it's also self-evident that a business decision that affects a community should be taken there – in the town, village or city district. Our staff almost always live in the town where their branch is located. In this way Handelsbanken also reflects the community in which it operates.

To further strengthen this local presence, we also endeavour to constantly broaden our recruitment base and increase diversity in all areas. By seeking employees with other origins and backgrounds we will be an even better bank, better equipped to face new challenges in a constantly changing society.

We've come a long way, but are far from satisfied. One example of this is our work with gender equality: although we've won several prizes and awards for this work, we think there's a great deal left to be done.

Our strong local presence means that working with sustainability is a natural part of our day-to-day activities. You naturally want to take responsibility for the area that you live and work in. Therefore, sustainability and corporate social responsibility are deeply rooted in Handelsbanken's culture and working method. In addition to our internal steering documents and guidelines that govern Handelsbanken's actions, the Bank is also a member of the voluntary initiatives Global Compact and Principles of Responsible Investment (PRI), both UN initiatives directed at companies. Handelsbanken continues to support these initiatives which are in keeping with the values and principles already applying at Handelsbanken.

## OUR HOME MARKETS

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

### Sweden

Despite the prevailing economic situation in Sweden, with the repo rate at zero per cent and low demand for credit in the market, Handelsbanken continued to develop its business. Our commission-based business also showed increased activity and growing volumes. In a market where other banks are closing down branches, Handelsbanken opened new ones, and we now have 463 branches in Sweden.

### UK

In 2014, we maintained our expansion in the UK. We opened 17 new branches, and at year-end, a further eleven managers had been recruited for forthcoming branches. To ensure that new and existing branches continue to receive strong support, a new, fifth regional UK bank was established, with its operations officially commencing on 1 January 2015. Business volumes – particularly deposits – continued to grow.

The Heartwood acquisition is showing positive performance: since the acquisition in May 2013, assets under management have grown by just over 50 per cent to GBP 2.3 billion.

### Denmark

In Denmark the business climate remained difficult, with demand being weak. In 2014, Handelsbanken again had the most satisfied customers on this market, on both the corporate and the private side. The Bank opened a new branch in Aarhus North, and has generally seen a strong inflow of new customers, with growing business volumes as a natural consequence of this.

### Finland

In Finland we developed both our branch network and our digital channels. We opened a new branch in Ruoholahti in Helsinki, a new service location on Åland, and moved some branches to new premises where we can serve our customers better in terms of location and functionality. According to EPSI's customer satisfaction survey, we had the most satisfied customers on both the private and corporate side.

### Norway

In Norway, 2014 continued with volumes growing on both the private and corporate markets. We increased our deposits considerably during the year, and this, coupled with rising corporate lending, means that we are now Norway's third largest bank. We also opened two new branches during the year.

### The Netherlands

Business in the Netherlands showed positive development, and we continued to expand our branch network. During the year, two new branches were opened, and a further two are being formed. In the annual EPSI customer satisfaction survey, Handelsbanken remains the bank with far and away the most satisfied customers in the Netherlands, among private and corporate customers alike.

## WE HAVE MORE TO GIVE...

Although many things went our way during the year, with increasing customer satisfaction, growth in our income and the strong price performance of our share, there is a great deal more to be done.

In my view, we have a fairly long way to go before we reach our full potential.

Our business model combines local physical presence with digital platforms in such a way that it enables us to grow in a scalable, repeatable manner. Evidence of this is the fact that customer satisfaction is top-ranked in both the branch networks that are more than 100 years old and those that have only just been formed, such as those in the Netherlands and the UK.

In strict financial terms, too, our business model displays a similarly strong performance, irrespective of the market, as regards income/expenses and capital efficiency, for example.

If we look at the size of various markets in terms of population, numbers of companies and GDP, the conclusion is a simple one: we have not yet exploited most of our business opportunities.

## FINALLY...

Summing up the past year, Handelsbanken continued to grow, with ever increasing income, even better profits and the most satisfied customers. Looking back on 2014, it is clear that the Bank's healthy profit is the result of hard work by all our employees, and therefore I would like to extend my sincere thanks to them.

Also, I would especially like to take this opportunity to thank all our customers for the confidence you've had in us.

Pär Boman

Stockholm, February 2015







# Administration report

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## 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 higher profitability than the average of peer banks in its home markets.

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

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

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

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

# Goal achievement

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

## OVERALL GOALS

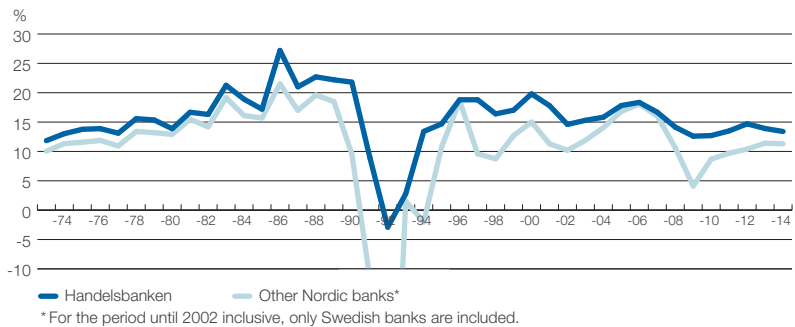
### Corporate goal

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

### Goal achievement

Handelsbanken's return on equity for total operations was 13.4 per cent (13.9). The corresponding figure for a weighted average of other major Nordic banks was 11.3 per cent (11.4). The corresponding figure for a weighted average of all peer banks in the home markets is estimated at approximately 10 per cent (10.2). This means that for the 43rd consecutive year, Handelsbanken has met its corporate goal.

Return on equity 1973–2014



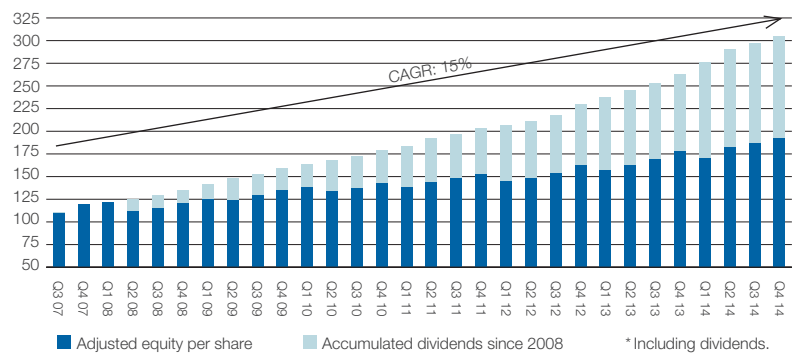
## STABLE, HIGH VALUE GROWTH

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 seven years. The low variation between the quarters confirms the Bank's low risk tolerance and is a measure of the stability of the value creation.

Average growth in equity per share, SEK, 2007–2014\*



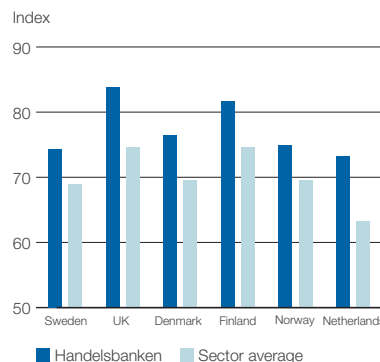
## MOST SATISFIED CUSTOMERS

One of the ways in which Handelsbanken will achieve its profitability goal is by having more satisfied customers than its competitors. The quality and service must therefore at least meet customer expectations, and preferably exceed them.

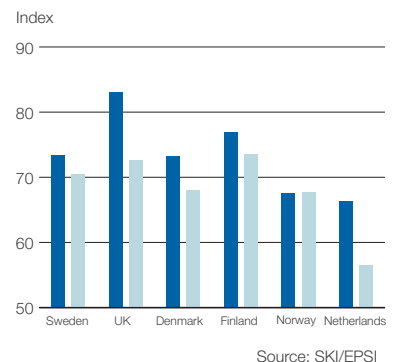
### Outcome

Handelsbanken continued to have the most satisfied customers of the four major banks in Sweden, both private and corporate. Handelsbanken also retains its strong and stable position regarding customer satisfaction in the Nordic countries, the UK and the Netherlands. Satisfied customers are proof of the viability of Handelsbanken's method of working.

Customer satisfaction – Private customers 2014



Customer satisfaction – Corporate customers 2014



Source: SKI/EPSI

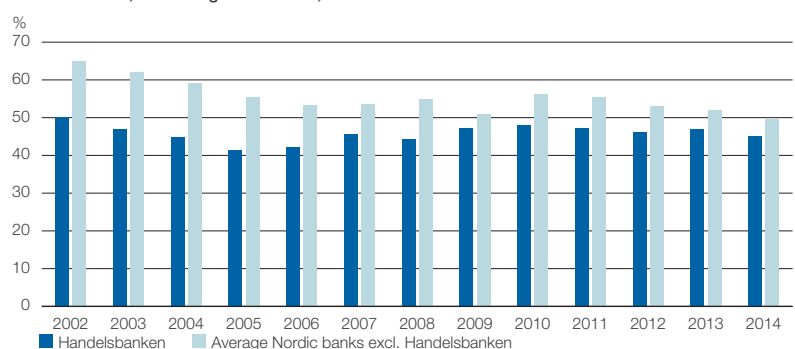
## MOST COST-EFFECTIVE BANK

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 45.2 per cent (47.0). The corresponding figure for an average of other major Nordic banks was 49.5 per cent (52.1).

Costs/Income, excluding loan losses, 2002–2014



## GROWTH

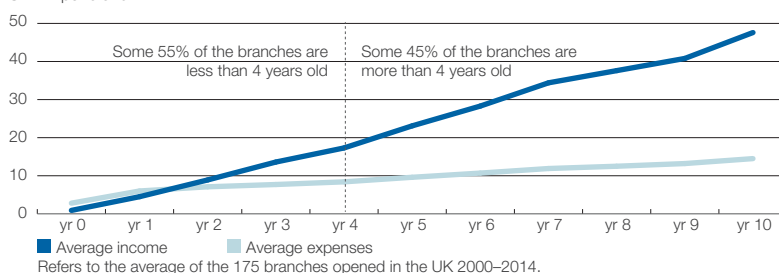
Handelsbanken's business is based on meeting the customer locally. It is therefore natural to open new branches in places where the Bank has not previously had operations.

### Outcome

In 2014, Handelsbanken opened 24 new branches in its home markets: one in Sweden, 17 in the UK, two in Norway, two in the Netherlands and one new branch in each of Denmark and Finland.

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

SEK m per branch



## CAPITAL

Under normal circumstances, the Bank's common equity tier 1 ratio must be between 1 and 3 percentage points above the combined common equity tier 1 capital requirement received by the Bank from the Swedish Financial Supervisory Authority. In addition, the tier 1 ratio and the total capital ratio must exceed the levels for the combined capital requirements received by the Bank from the Swedish Financial Supervisory Authority by at least 1 percentage point. The Bank must also fulfil all other capital requirements decided upon by public authorities.

### Outcome

The common equity tier 1 ratio according to CRD IV increased to 20.4 per cent (18.9), the tier 1 capital ratio rose to 22.1 per cent (21.0) and the total capital ratio increased to 25.6 per cent (21.6). All three capital levels met the stipulated capital ratios.

## Common equity tier 1 capital, CRD IV 2013–2014



## LIQUIDITY AND FUNDING

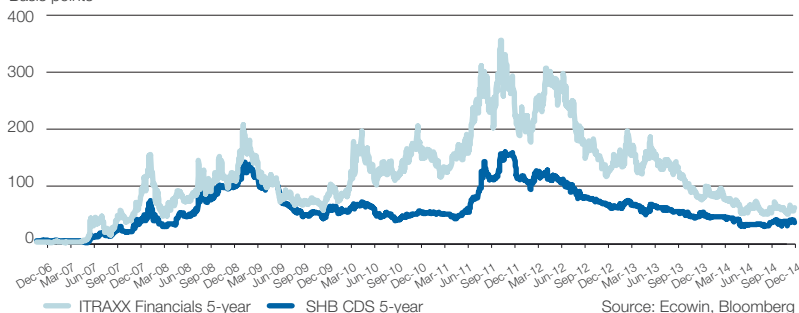
Handelsbanken must be able to manage for at least 12 months without borrowing any new funds in the financial markets. Its funding cost must be lower than for peer banks.

### Outcome

The issue volume for long-term funding during the year amounted to SEK 189 billion. At the end of the year, the total liquidity reserve exceeded SEK 800 billion. The Bank's funding costs and five-year CDS-spread were the lowest among peer banks and continued to be among the very lowest in the global banking market.

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

Basis points



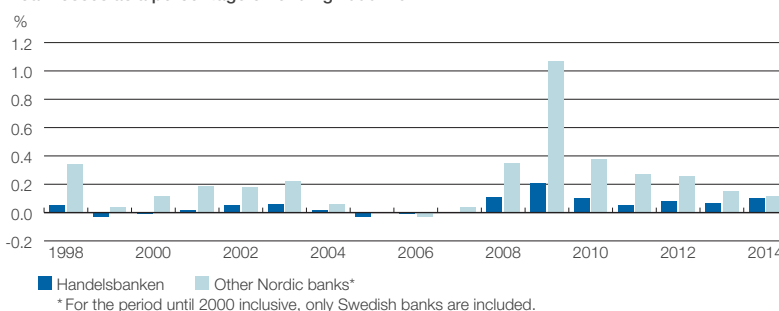
## CREDIT QUALITY

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 -1,781 million (-1,195). Loan losses as a proportion of lending were 0.10 per cent (0.07). The corresponding figure for other major Nordic banks was 0.12 per cent (0.15).

## Loan losses as a percentage of lending 1998–2014



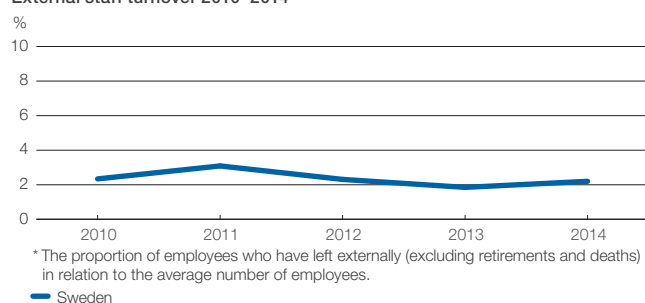
## A LONG-TERM PERSPECTIVE

The Bank takes a long-term approach to relations with both customers and employees. It sees each recruitment as important and long term.

### Outcome

External staff turnover in Sweden was very low and amounted to 2.2 per cent in Sweden (1.8).

## External staff turnover 2010–2014\*



## RATING

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

### Outcome

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

## Ratings of Nordic banks

	Standard & Poor's		Fitch		Moody's		
	Long-term	Short-term	Long-term	Short-term	Financial strength*	Long-term	Short-term
31 December 2014							
Handelsbanken	AA-	A-1+	AA-	F1+	C	Aa3	P-1
SEB	A+	A-1	A+	F1	C-	A1	P-1
Nordea	AA-	A-1+	AA-	F1+	C	Aa3	P-1
Swedbank	A+	A-1	A+	F1	C-	A1	P-1
Danske Bank	A	A-1	A	F1	C-	A3	P-2
DNB	A+	A-1			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. Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

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

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

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**“The whole of a bank's business is based on trust.”**

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

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

## CUSTOMER MEETINGS

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

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

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**“We put a great deal of effort into being available for our customers.”**

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## Availability

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

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

## Simplicity

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

Several new technical solutions were launched during the year involving simplifications for our customers. For example, the Bank was first of the major banks in Sweden to offer companies the opportunity of accepting payments via mobile phones or tablets. Mobile

Banking for both personal and corporate customers has also been developed with expanded functionality and it is also possible to log on using the Mobile BankID.

## Care

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

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

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

## Decentralised decisions

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

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

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Every branch of Handelsbanken is led by a manager who is solely responsible for all operations in his/her branch's local area of operations. The branches' independence gives them a very

strong local presence, with long-term customer relationships. In addition, short decision paths make it possible to adapt more quickly to various changes in local markets and make the most of new business opportunities.

#### Skilled staff

Handelsbanken's decentralised method of working means that we give our staff a high degree of responsibility and authority to conduct customers' business. This high degree of trust is based on a belief in people's willingness and ability to constantly become more skilled in their work and in their efforts to seek and overcome new challenges.

The Bank takes a long-term approach to relations with both customers and employees. It sees each recruitment as important and long term. Employees with long experience and with broad knowledge from the whole Bank make a vital contribution to the Bank having satisfied customers. To retain employees, the right conditions must exist for development in their work, as well as a variety of career opportunities – and consideration must be taken of the stage of life that she or he is in.

Our aim for long-term relations with our employees is reinforced by the profit-sharing scheme Oktogonen which instead of short-term bonus systems creates a long-term and similar incentive for all employees of the Bank, regardless of their position or work tasks. Furthermore, the employees are the second largest owner of the Bank via Oktogonen since it mainly invests the employees' units in shares in Handelsbanken. Some 98 per cent of the Group's employees are now covered by Oktogonen.

External staff turnover in the Group was 3.2 per cent during the year.

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**“A vital condition for successful customer meetings is never to lack any product or service that a customer needs.”**

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#### The keys to the Bank

Almost all our customer relations started at the customer's branch, but customers meet Handelsbanken far more often on the phone, via their mobile phones, tablet devices or online.

The goal is for customers to be able to move freely between our various meeting-places and do their banking business when it suits them best. We like to say that we should give the customer “the keys to the Bank”.

#### A full range of products and services

A vital condition for successful customer meetings is never to lack any product or service that a customer needs. We do not divide our customers into different segments or specialise in product or service niches.

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 remuneration, either in the form of bonuses or commission, and therefore have no financial incentive to convince the customer that a certain service or product suits them best.

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

#### PROFITABILITY BEFORE VOLUMES

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

Handelsbanken achieves higher profitability by running the Bank more efficiently, and thus at a lower cost, than peer banks on its home markets. Consequently, ‘high profitability’ does not mean that Handelsbanken's customers pay more.

#### ORGANIC GROWTH

For Handelsbanken to achieve and retain high profitability, growth is also necessary. Handelsbanken grows primarily by opening new branches in locations where it has not previously had operations. In this way, Handelsbanken grows customer by customer, branch by branch.

This organic growth model means that Handelsbanken can achieve growth, coupled with low risk and good cost control. This method of working and of achieving growth has proved successful in an increasing number of locations

and countries. For example, during the year, the Bank started to set up a fifth regional bank in the UK with its head office in Leeds.

#### STABLE FINANCES

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

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

Handelsbanken builds its stable finances on entirely commercial terms, and is one of the few banks in its home markets that has not sought financial support from the government, central banks or shareholders during periods of turbulence in the financial markets.

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**“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.”**

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#### LOW RISK TOLERANCE

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

The Bank's business model focuses on taking credit risks in the branch operations. The objective is therefore to minimise other risks, such as market risks. Position-taking in the Bank's business operations 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 successful meetings with customers.

Practically all important business decisions are therefore made close to our customers, at more than 830 local branch offices worldwide.

Our branches can be reached in many different ways: online, apps, personal visits or 24 hours a day on the phone.

## BRANCH OPERATIONS

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

In step 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. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country. The need for stronger national organisations has grown as the Bank has expanded.

“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.”

In the UK, we now have 178 branches, and the Bank's growth there continues. Handelsbanken has also opened several new branches in the Netherlands, where we now have 20 branches. In addition, the Bank has opened new branches and meeting places in its more mature markets in the Nordic countries. Handelsbanken has over 830 offices in 24 countries worldwide.

Nearly 30 offices – of which 17 branches and nine representative offices – are located in 18 countries around the world, organised within Merchant Banking International, whose main task is to support the Bank's customers in its home markets with their international business.

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.

At Handelsbanken, we strive for as many business decisions as possible to be taken locally, close to the customer. This creates a cost-effective, flexible organisation based on the customer's requirements and circumstances which can quickly react to market changes.

## EFFICIENT GEOGRAPHICAL STRUCTURE

Handelsbanken is an internationally active full-service bank with a local presence and long-term customer relations. The individual customer's unique requirements are the governing factor. Therefore, Handelsbanken has a full range of products and services to meet all the financial needs of our customers.

Handelsbanken is organised geographically. This means that we do not face the challenges of a complex matrix organisation where both employees and customers risk ending up in inefficient work processes.

Our geographical structure is decentralised and cost-effective, with short, clear decision paths. Every local branch has its own area of operations, with its own profit responsibility. An 'area of operations' is a geographically delimited area that constitutes the branch's local market.

When there are a sufficient number of branches in a larger geographical area, Handelsbanken establishes a regional bank. This encompasses all the branches' business areas, and has joint administrative resources, regional expertise and specialists to support the branches' business.

The regional bank is part of, or in turn forms, a national organisation that may include several regional banks, depending on how many local branches there are in the country concerned, and where they are located.

At present, Handelsbanken has more than 830 profit centres, each of which contributes to the Group's profits.

Handelsbanken's geographical structure means that it has a distinct local presence in all

the markets where the Bank operates. Our local branches are responsible for all the Bank's customers and make all credit decisions within their geographical area of operations, for example. All income and expenses within the branch's area of operations are allocated to the branch, while the Bank's central administrative departments and business areas have only one main task: to support the branches. Product specialists at the Bank's business areas are responsible for the full range of products and services that the local branches offer their customers.

## INDEPENDENT LOCAL BRANCHES

Handelsbanken's geographical structure ensures a local presence that creates loyal, satisfied customers and provides access to local information in the markets where we operate.

Decision-making at Handelsbanken is strictly decentralised to the local branch.

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

“Decision-making at Handelsbanken is strictly decentralised to the local branch.”

This mandate to take the important business decisions on the spot with the customer is a sound basis for successful customer meetings. Our customers are able to meet the person who takes the decisions – not a representative of a central decision-maker.

This engenders trust and increases customer satisfaction. In most cases, the branch manager also lives in the local town and is very much involved in the community in which she or he

works, including excellent knowledge of the local market.

This in turn creates a sound basis for rapid access to local information when assessing credit risks, for example. At the same time, it increases the branch's knowledge of its customers and their local situation; it also enables better documentation for decisions and personal service that is adapted individually to our customers.

At the central level, Handelsbanken establishes policies and rules in a number of different areas, including lending, ethical guidelines and personnel issues. And it is within these central frameworks that the branches take decisions that are based on local information.

Handelsbanken's decentralised structure has been developed and refined for 143 years, in order to increase customer satisfaction and the Bank's efficiency. With a geographically organised structure, it is easier for the branches to contribute to Group profitability.

In addition, local, decentralised decision-making reduces the Bank's need of central functions and managers at middle levels. But at the same time it requires a well-defined business model, a strong corporate culture and a robust system for business control. Handelsbanken has had this work method and these functions for a long time, and thus the Group has excellent cost-effectiveness.

### THE BRANCH IS THE BANK

At Handelsbanken, the local branch always has customer responsibility, regardless of how, where or when the customer contacts the Bank. But the customer can meet the branch in many different ways. Almost all the Bank's customer relationships begin with a personal meeting at a local branch. However, after this, relatively few customer meetings take place at the customer's branch. Although our customers consider one-to-one meetings to be important to them, these are no longer the most common way for customers to meet the Bank.

In step with rapid IT advances, Handelsbanken is constantly presenting new meeting places where customers can meet the branch. Regardless of how the customer chooses to contact the Bank, the local branch always offers one or more meeting places with good availability, so that customers can present or carry out their business – for example via mobile phone, tablet device, e-mail, online, Handelsbanken Direkt Personal Service, or a personal visit to a branch.

Our task is to make it simple for customers to access the branch when it suits them best, and with the greatest possible freedom of action.

This is why, in Handelsbanken's geographical structure, all contact paths lead to the branch.

We have long worked in this way, because it ensures that we offer our customers high availability to their local branches. At Handelsbanken, the customer's needs always come first.

Technical advances are not only rapid, increasing availability for the Bank's customers. They also lead to great efficiency, so that branch costs decrease.

For example, all IT communications used to be wired; now they are wireless, and more cost-effective. Among other things, modern IP telephony makes it possible to automatically re-route an unanswered customer call to a branch to a neighbouring branch, so that the call can be answered more quickly.

The option of digital signatures on various types of documents means that more business processes have become paperless. This saves time for both customers and branches, and also reduces costs.

New, better and more cost-effective information technology is constantly creating new methods for the customer to contact Handelsbanken. But in parallel with the high-tech environment of today, Handelsbanken also continues to open new local branches with personal service on all our home markets – simply because that is what our customers want.

“Our task is to make it simple for customers to access the branch when it suits them best, and with the greatest possible freedom of action.”

At the same time, we are continually improving the meeting-places for customers with various types of IT support, such as better and more comprehensive functions in apps for mobile phones and tablet devices.

Customers' needs regarding how they wish to meet and visit the branch determine the development of our meeting-places.

Thus for many years we have offered many different paths into the Bank, to increase customers' options when deciding when and how they wish to visit the branch.

The contact routes to Handelsbanken are not only meeting-places or channels of communication between the customer and the branch: they are the branch's meeting-places, where customers can carry out their banking business.



### 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 in their local market. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country. 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.

# Our digital journey – all paths lead to the branch

Handelsbanken's customers visit the Bank in many different ways – in person at our branches, by telephone, online, or via apps for mobile phones and tablet devices. Regardless of which path the customer chooses to visit Handelsbanken, it leads to the same place: the customer's local branch. This is how the Bank has worked for many years.

Our customers choose where and when they wish to visit Handelsbanken. We can be found at more than 830 local offices around the world, online and by telephone, as well as via apps for mobile phones and tablet devices.

Handelsbanken focuses on the customer's needs, and therefore the Bank offers a broad range of meeting-places for the customer's various requirements and purposes. This is nothing new. It's how we've worked for many years. For example, back in the early 1970s, cash dispensers were set up close to the branches and since then customers have been able to take out cash without visiting their branch.

Today, customers can manage almost all their banking business via one of the Bank's digital platforms, for example Online Banking or in a mobile phone app. But before making important decisions, many customers prefer to visit their local branch for advice or personal service.

Therefore Handelsbanken is constantly expanding the nationwide local branch networks on our six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. At the same time, we keep abreast of rapid IT advances and continue to develop new digital meeting-places so that our customers can access their local branch when it suits them.

We have done this since the breakthrough of digital information technology in the 1990s. Our digital meeting-places have evolved and developed in a journey over the past 25 years. Before the internet and advances in telephony, our physical branches were the main meeting-places for our customers. The services offered at our branches at that time can be summarised in three main functions:

- Cash desk services
- Product information, brochures and reports
- Advice and personal service.

## 1990s: BREAKTHROUGH FOR DIGITAL INFORMATION TECHNOLOGY

When the internet arrived in the early 1990s, Handelsbanken began to consider how the new digital technology could improve availability for customers. Here are some examples: In 1995, a new telephone service – Telefonöppet – was opened, which allowed customers to carry out their banking transactions by phone between 7 a.m. and 10 p.m. One year later, Handelsbanken started up its first website, an important step on the road to automated banking services. With the growth of the internet, new doors to the branches were opened. In 1997, Handelsbanken launched Online Banking, so that customers could take care of their banking transactions from a home PC, for example.

The Bank had thus transferred the first of the three main functions from the branches to Online Banking: cash desk services.

Remaining at the branches were the other two main functions: product information and brochures and also advice and personal service.

In the ensuing years, Online Banking was developed step by step, not only for private customers, but for corporate customers too.

















In the 1990s, digital advances came rapidly. The internet was here to stay. The Bank's first website was primarily a marketing tool to present the services that were available at the branches.

## 2000s: CHANGING CUSTOMER BEHAVIOUR

By the early 2000s, Handelsbanken had fully developed online services and separate websites on all the Nordic home markets, as well as a newly opened online service in the UK.

This meant that the Bank's websites were no longer just marketing channels for the branches, but complete meeting-places representing another way for customers to visit the branch, allowing them to carry out most of their banking business. The cash desk services had been supplemented with savings, card management and securities trading, and also services for corporate business.



1990s										2000s					
1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
 538	 525	 514	 511	 518	 527	 527	 533	 531	 528	 533	 567	 569	 571	 590	 603

New publishing tools made it possible to design modern websites. With this technology available, the Bank moved over the next main function to the online service: product information, brochures and reports.

One main function now remained for personal visits to the branches: advice and personal service.

At the same time, the link between customers' digital and local presence became clearer to the branches when the customers' behaviour gradually changed. In the early 2000s, it was seen that four out of five customers visited their branch via Online Banking. This was a clear difference compared to ten years earlier when four out of five customer visits were to a physical branch.

In 2006, Handelsbanken Direkt was launched with personal service 24 hours a day, 365 days a year for the Bank's private customers, to increase availability in the Swedish market. This gave customers wider opportunities to choose when and how they would do their banking business.

#### 2010s: AVAILABLE ON THE CUSTOMER'S TERMS

The early years of this decade saw the rapid development continuing, with apps being launched for mobile phones and tablet devices in our six home markets. When the cash desk services in Handelsbanken Online Banking were also included in the apps, customers were able to carry out banking transactions on their mobile phones, such as paying bills and transferring money between different accounts.

It wasn't long before it was also possible to manage cards and to trade in mutual funds and other securities via apps for mobile phones and tablets.

Since the great majority of customers have a mobile phone, there was a rapid change in customer behaviour. The apps became Handelsbanken's fastest growing meeting-place – indeed, at the halfway point in the decade we can say that apps have transformed the banking sector.

Customers pay bills, view their balance information, trade securities and do many other types of banking business. But they cannot acquire information from the Bank in the same way as in Online Banking or from a visit to a branch.

A very limited proportion of the Bank's extensive range of information is available in an app – for reasons of space.

A mobile phone screen is not sufficient to present an adequate overview, and the apps are designed for one-way communication, from the customer to the Bank, and not vice versa.

This means that customers' behaviour is changing again. People like to meet people, and so before making important decisions, more and more customers want personal advisory services – to talk to someone who knows what they're talking about – rather than just searching for information online.

Handelsbanken has full online banking services and nationwide local branch networks in our six home markets. Here we still have the third main function for our customers: advice and personal service.

We know that our customers appreciate this facility – particularly young adults who have grown up with mobiles and tablets, but not with home computers. They are pleased to visit their local branch – when the app in their mobile phone is not sufficient.

In 2014, IT advances have been progressing more rapidly than ever. Handelsbanken is continually offering new, improved digital solutions and constructing new locations where our customers can meet their branch.

In parallel with the digital developments, Handelsbanken continues to regularly open new branches. Newly opened branches don't always look the same as before, with a large space devoted to cash desk services and centrally located on the town's main street. Our new branches can also be smaller, and situated on the first or second floor. In the Bank's decentralised organisation, it is the local branch manager who decides where the branch is located and how it is designed according to the local market.

At Handelsbanken, the highest possible availability for customers is a key issue. For our customers, being able to visit their branch via different physical and digital meeting-places is a question of security and personal service.

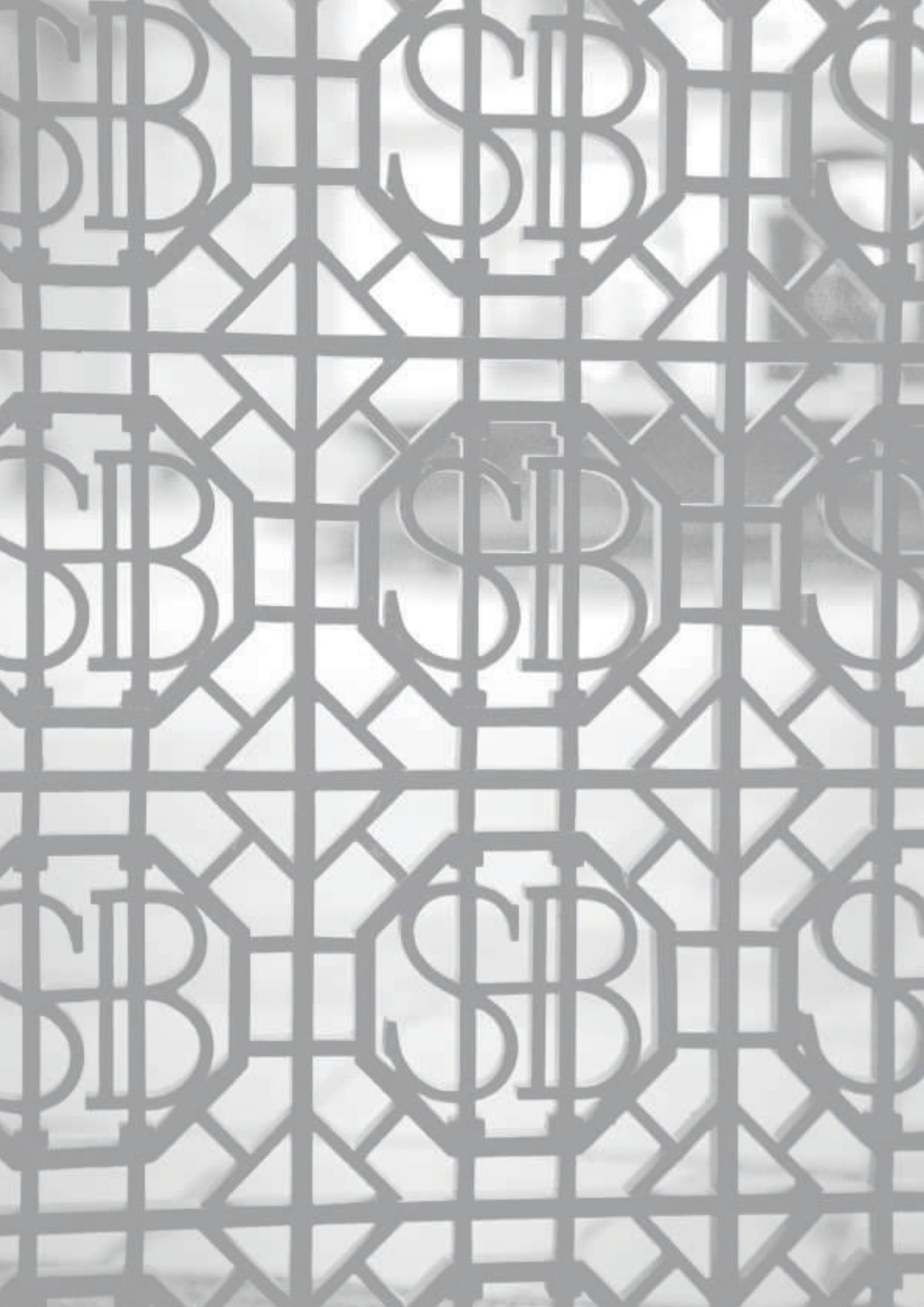
However our customers choose to visit the Bank, they will end up in the right place – all paths within the Bank lead to the branch.



The various phases of the digital revolution have enabled us to offer more locations where our customers can meet their branch when it best suits them. Since people like to meet people, the need for personal meetings remains. This is why the Bank is continually opening new branches.

#### 2010s







# Financial overview 2014

- Operating profit went up by 6 per cent to SEK 19,212 million (18,088) – the highest figure in the Bank's 143-year history.
- The period's profit after tax for total operations increased by 6 per cent to SEK 15,184 million (14,295).
- Earnings per share for total operations increased by 6 per cent to SEK 23.89 (22.52).
- The Board proposes an ordinary dividend of SEK 12.50 per share and also an extra dividend of SEK 5.00 per share.
- The Board has decided to propose a stock split of 3:1.
- Following the Board's dividend proposal, the common equity tier 1 ratio according to CRD IV increased to 20.4 per cent (18.9) and the total capital ratio rose to 25.6 per cent (21.6).
- The Board has resolved on new capital goals, meaning that, under normal circumstances, the Bank's common equity tier 1 ratio must exceed the Swedish Financial Supervisory Authority's communicated requirements by 1 to 3 percentage points, and that the tier 1 ratio and the total capital ratio must exceed the Financial Supervisory Authority's communicated requirements by at least 1 percentage point.
- Return on equity for total operations was 13.4 per cent (13.9).
- Income increased by 5 per cent to SEK 38,314 million (36,327) .
- Net interest income went up by 2 per cent to SEK 27,244 million (26,669) and in the home markets outside Sweden, net interest income increased by 11 per cent.
- Total expenses decreased by 0.5 per cent, adjusted for exchange rate movements.
- The C/I ratio improved to 45.2 per cent (47.0).
- The loan loss ratio was 0.10 per cent (0.07).

# Review of operations

The Group's operating profit grew by 6 per cent to SEK 19,212 million (18,088) – the highest figure in the Bank's history. The period's profit after tax for total operations increased by 6 per cent to SEK 15,184 million (14,295). Earnings per share increased to SEK 23.89 (22.52).

The Board proposes an ordinary dividend of SEK 12.50 per share and also an extra dividend of SEK 5.00 per share. After taking into account the proposed dividend, the common equity tier 1 ratio increased to 20.4 per cent (18.9). Return on equity for total operations was 13.4 per cent (13.9).

The C/I ratio improved to 45.2 per cent (47.0).

## INCOME

The Group – Income SEK m	Full year 2014	Full year 2013	Change
Net interest income	27 244	26 669	2%
Net fee and commission income	8 556	7 804	10%
Net gains/losses on financial trans.	1 777	1 357	31%
Other income	737	497	48%
<b>Total income</b>	<b>38 314</b>	<b>36 327</b>	<b>5%</b>

Income increased by 5 per cent to SEK 38,314 million (36,327).

Net interest income rose by 2 per cent to SEK 27,244 million (26,669). Exchange rate movements positively affected net interest income by SEK 427 million. Higher business volumes boosted net interest income by SEK 1,312 million, while rising lending margins improved net interest income by SEK 292 million.

The positive effects were offset by the fact that deposit margins in Sweden and interest income related to equity decreased by SEK 1,374 million, due to declining short-term interest rates. This negative short-term interest rate effect is equivalent to an 8 per cent decrease in operating profit.

The benchmark effect in Stadshypotek totalled SEK -27 million (19), and the cost of the Swedish Stabilisation Fund and various deposit guarantees rose by SEK 121 million to SEK -1,222 million (-1,101).

Net interest income grew by 33 per cent in the UK, by 23 per cent in the Netherlands, by 14 per cent in Finland, and by 6 per cent in Denmark. Net interest income fell by 3 per cent in Sweden, and by 4 per cent in Norway.

The average volume of loans to the public grew by 4 per cent to SEK 1,746 billion (1,674). Exchange rate effects increased lending volumes by SEK 21 billion. Household lending increased by 8 per cent to SEK 860 billion (800) and corporate lending grew by 1 per cent to SEK 886 billion (874).

The average volume of deposits and borrowing rose by 20 per cent to SEK 893 billion (742). The average volume of household deposits went up by 11 per cent to SEK 300 billion (271) and corporate deposits increased by 26 per cent to SEK 593 billion (470).

Net fee and commission income rose by 10 per cent to SEK 8,556 million (7,804), mainly as a result of higher asset management and payment commissions. Fund management commissions rose by 23 per cent to SEK 2,475 million (2,008), mainly as a result of increasing inflows, as well as rising share prices. Custody commissions increased by 26 per cent to SEK 540 million (427). Net payment commissions rose by 13 per cent to SEK 1,855 million (1,638), chiefly as a result of net commissions from card operations increasing by 16 per cent to SEK 1,270 million (1,094). Insurance commissions also grew, reaching SEK 637 million (571), an increase of 12 per cent.

Net gains/losses on financial transactions grew by 31 per cent to SEK 1,777 million (1,357). Adjusted for capital gains of a non-recurring nature on the sale of equities during the year, the increase was 4 per cent.

## EXPENSES

The Group – Expenses SEK m	Full year 2014	Full year 2013	Change
Staff costs	-11 766	-11 404	3%
Other administrative expenses	-5 099	-5 181	-2%
Depreciation and amortisation	-462	-476	-3%
<b>Total expenses</b>	<b>-17 327</b>	<b>-17 061</b>	<b>2%</b>

Adjusted for exchange rate movements, total expenses fell by 0.5 per cent. Including exchange rate effects of SEK -338 million, expenses rose by 2 per cent to SEK -17,327 million (-17,061).

Staff costs increased by 3 per cent to SEK -11,766 million (-11,404), of which 2 percentage points, or SEK -215 million, was attributable to exchange rate effects. The allocation to the Oktogonen Foundation decreased to SEK -795 million (-1,096), and variable remuneration, including social security costs and other payroll overheads, totalled SEK -140 million (-136). The underlying growth was due to annual salary increases in the Group and a higher number of employees, particularly in the UK.

The average number of employees rose by 189 to 11,692 (11,503). At the end of the year, however, the number of employees was slightly lower than at the beginning. More than the entire increase in the average number of employees is attributable to the continuing expansion in Branch operations in the UK and the Netherlands, where the average number of employees rose by 307 and 29 respectively. At Branch operations in Sweden, the number of employees decreased by 1 per cent.

Adjusted for exchange rate movements of SEK -112 million, other administrative expenses went down by 4 per cent. Including exchange rate movements, the decrease was 2 per cent, due chiefly to lower IT-related costs, but also to decreasing costs for purchased services, travel and marketing.

## LOAN LOSSES

Loan losses SEK m	Full year 2014	Full year 2013	Change
Net loan losses	-1 781	-1 195	586
Loan loss ratio as a % of loans	0.10	0.07	0.03
Impaired loans, net	4 591	3 041	51%
Proportion of impaired loans, %	0.25	0.18	0.07

Loan losses increased to SEK -1,781 million (-1,195), and the loan loss ratio was 0.10 per cent (0.07). Credit quality remained stable. Net impaired loans increased to SEK 4,591 million (3,041), equivalent to 0.25 per cent (0.18) of lending.

## FUNDING AND LIQUIDITY

During the year, the sharp increase in deposit volumes has meant that there has been less need of market funding than in previous years. The work of diversifying the investor base has continued. During the year, the Bank has carried out benchmark issues in USD, EUR, CHF, AUD and JPY, as well as regular issues in SEK and NOK.

In 2014, the issued volume of long-term market funding amounted to SEK 189 billion (281). This volume includes SEK 13.4 billion in a ten-year tier 2 subordinated loan that was issued in early 2014.

During the fourth quarter, bonds with a total value of SEK 48 billion (SEK 46 billion in Q4 2013) were issued, including SEK 47 billion in covered bonds and SEK 1 billion in senior bonds.



The Bank has a very high proportion of non-encumbered assets on its balance sheet, including mortgage loans that are outside the pool for covered bond issues. At year-end, the ratio of non-encumbered assets to all non-encumbered market funding was 237 per cent (222).

The liquidity reserve continued to exceed SEK 800 billion. Cash funds and liquid assets invested with central banks amounted to SEK 504 billion, while the volume of liquid bonds and other liquid assets totalled SEK 144 billion. The remainder of the reserve mainly comprises an unutilised issue amount of covered bonds at Stadshypotek.

According to the current Swedish definition from January 2013, the Handelsbanken Group's liquidity coverage ratio (LCR) at the end of the period was 140 per cent. In USD, the LCR was 137 per cent and in EUR it was 154 per cent. The Group's LCR according to the January 2013 definition in CRR is estimated to be 173 per cent.

## CAPITAL

Capital-related matters SEK m	31 Dec 2014	31 Dec 2013	Change
Common equity tier 1 ratio, CRD IV	20.4%	18.9%	1.5
Total capital ratio, CRD IV	25.6%	21.6%	4.0
Risk exposure amount CRD IV	480 388	492 785	-3%
Common equity tier 1 capital	98 084	93 039	5%
Total own funds	122 858	106 394	15%
Capital requirement, Basel I floor	90 406	81 295	11%
Total own funds, Basel I floor	124 961	100 406	24%

The common equity tier 1 capital increased by 5 per cent to SEK 98 billion (93) and the common equity tier 1 ratio rose by 1.5 percentage points to 20.4 per cent (18.9). The period's profit contributed 0.7 percentage points of this increase, after a deduction for the proposed dividend. Higher business volumes and credit risk migration in the loan portfolio affected the common equity tier 1 ratio by -0.3 and +0.1 percentage points respectively. The fact that new lending volumes are low-risk and improve the average credit quality of the loan portfolio (known as volume migration) had a positive impact of 0.4 percentage points. Higher quality and increasing volumes of collateral increased the common equity tier 1 ratio by 0.2 percentage points. The effect of IAS 19 (pensions) was -0.4 percent-

age points, while exchange rate movements made a positive contribution of 0.4 percentage points. The net effect of other factors, including final changes in CRD IV, increased the common equity tier 1 ratio by 0.4 percentage points.

## Capital requirements for Swedish banks

On 8 September, following the Riksdag's 26 June decision regarding strengthened capital adequacy regulations, the Swedish Financial Supervisory Authority published a memorandum on the structure of the new capital requirements for Swedish banks.

The countercyclical buffer for Swedish exposures was set at 1 per cent, applying from 13 September 2015. The capital requirement also includes increased risk weights for Norwegian mortgage loans.

In November, the Swedish Financial Supervisory Authority published Swedish banks' capital requirements for Q3 2014. For Handelsbanken, the combined common equity tier 1 capital requirement in Pillars 1 and 2 amounted to 17.7 per cent.

The Bank's assessment is that, taking account of the future regulations, the Group is well-capitalised.

## New risk-weighted capital goals

In the Board's assessment, the form of the new CRD IV capital regulations is now sufficiently clear for the new risk-weighted capital goals to be set. Under normal circumstances, the Bank's common equity tier 1 ratio must be between 1 and 3 percentage points above the combined common equity tier 1 capital requirement received by the Bank from the Swedish Financial Supervisory Authority. In addition, the tier 1 ratio and the total capital ratio must exceed the levels for these ratios received by the Bank from the Swedish Financial Supervisory Authority by at least 1 percentage point.

The Basel Committee is currently developing a new standard method for calculating capital requirements for banks that do not use internal approaches. Linked to the new standard approach, the Committee also plans to define new floor rules, which in the future may replace the current transitional rules.

The Board has also resolved that concerning the dividend, the Bank aims for the ordinary dividend to show long term, stable growth which reflects the value creation.

## RATING

During 2014, Handelsbanken's long-term and short-term ratings with the rating agencies which monitor the Bank were unchanged.

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

## ORGANISATIONAL CHANGE

Starting from the fourth quarter, Handelsbanken International is included as part of the Handelsbanken Capital Markets segment. Historical comparison figures have been adjusted to reflect this change.

## HANDELSBANKEN'S ANNUAL GENERAL MEETING ON 25 MARCH

The Board proposes a total dividend of SEK 17.50 per share, comprising an ordinary dividend of SEK 12.50 per share and an extra dividend of SEK 5.00 per share.

In addition, the Board is proposing a stock split of 3:1 and that the existing repurchase programme for a maximum of 40 million shares before the stock split, or 120 million after the stock split, is extended for another year.

The Board proposes that the record day for the dividend be Friday, 27 March 2015, which means that the Handelsbanken share will be traded ex-dividend on Thursday, 26 March 2015, and that the dividend will then be disbursed on 1 April 2015.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

In a press release on 22 January, the Board of Handelsbanken announced that Industrivärden and its major shareholders have stated that their intention is that Pär Boman, currently President and Group Chief Executive of Handelsbanken, be proposed as the new Chairman of the Bank's Board. Provided that the nomination committee proposes these changes, and that the 2015 AGM resolves in accordance with this, Pär Boman will be appointed as the Chairman of the Board.

# Five-year overview Group

Consolidated income statement SEK m	2014	2013	2012	2011	2010
Net interest income	27 244	26 669	26 081	23 613	21 337
Net fee and commission income	8 556	7 804	7 369	7 673	8 022
Net gains/losses on financial transactions	1 777	1 357	1 120	1 016	1 377
Risk result, insurance	165	142	196	209	205
Other dividend income	251	161	152	146	190
Share of profit of associates	18	9	8	9	11
Other income	303	185	136	143	154
<b>Total income</b>	<b>38 314</b>	<b>36 327</b>	<b>35 062</b>	<b>32 809</b>	<b>31 296</b>
Staff costs	-11 766	-11 404	-11 167	-9 942	-9 504
Other expenses	-5 099	-5 181	-5 069	-5 060	-5 062
Depreciation, amortisation and impairments of property, equipment and intangible assets	-462	-476	-464	-462	-452
<b>Total expenses</b>	<b>-17 327</b>	<b>-17 061</b>	<b>-16 700</b>	<b>-15 464</b>	<b>-15 018</b>
<b>Profit before loan losses</b>	<b>20 987</b>	<b>19 266</b>	<b>18 362</b>	<b>17 345</b>	<b>16 278</b>
Net loan losses	-1 781	-1 195	-1 251	-816	-1 507
Gains/losses on disposal of property, equipment and intangible assets	6	17	-3	7	-1
<b>Operating profit</b>	<b>19 212</b>	<b>18 088</b>	<b>17 108</b>	<b>16 536</b>	<b>14 770</b>
Taxes	-4 069	-3 915	-3 092	-4 372	-3 962
<b>Profit for the year from continuing operations</b>	<b>15 143</b>	<b>14 173</b>	<b>14 016</b>	<b>12 164</b>	<b>10 808</b>
Profit for the year pertaining to discontinued operations, after tax	41	122	22	159	217
<b>Profit for the year</b>	<b>15 184</b>	<b>14 295</b>	<b>14 038</b>	<b>12 323</b>	<b>11 025</b>
<i>Attributable to</i>					
Shareholders in Svenska Handelsbanken AB	15 183	14 295	14 037	12 323	11 025
Minority interest	1	0	1	0	0
Earnings per share, continuing operations, SEK after dilution	23.82 23.45	22.33 22.07	22.30 21.82	19.52 19.14	17.37 17.10
Earnings per share, discontinued operations, SEK after dilution	0.06 0.06	0.19 0.19	0.04 0.03	0.26 0.25	0.35 0.34
Earnings per share, total operations, SEK after dilution	23.89 23.51	22.52 22.26	22.34 21.85	19.78 19.39	17.72 17.44

A five-year overview for the parent company is shown on page 159.

The last five-year period has been characterised by the global financial crisis that started in 2008 and gradually developed into a debt crisis and severe recession. During this period, Handelsbanken has increased its profits, strengthened its balance sheet, expanded its operations and boosted customer satisfaction.

## 15 per cent annual growth in equity

Since 1 July 2007, the Bank has increased its adjusted equity per share by 82 per cent, from SEK 105.90 per share to SEK 192.40 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

In the past five years – since 31 December 2009 – Handelsbanken has generated positive shareholder value of SEK 140 billion. Market capitalisation has grown by SEK 106 billion, while Handelsbanken has paid out SEK 34 billion in

dividends to its shareholders. Handelsbanken is the only listed commercial bank in Sweden which did not need to ask its shareholders for new capital during the financial crisis.

## Lower risk

At the beginning of 2007, Handelsbanken began working on reducing the risks in its operations in order to reduce volatility. For example, the occupational pensions company SPP was sold in autumn 2007. Other market risks were also purposefully reduced.

During the past five-year period, Handelsbanken's total loan losses amounted to SEK 6,550 million, which corresponds to an average annual loan loss ratio of 0.08 per cent. The corresponding figure for the other major Nordic banks was 0.21 per cent.

## More satisfied customers

Since SKI (Swedish Quality Index) started its customer satisfaction surveys in 1989, every

year for private customers and every year but one for corporate customers, Handelsbanken has been the major bank with the most satisfied customers in Sweden. In autumn, SKI presented the 2014 survey stating that "overall for the banking sector (private and corporate customers combined), Handelsbanken has the most satisfied customers". For private customers, Handelsbanken's index value was 74.3 (74.2), as compared with the other major banks, all of which recorded scores in the 64.0–69.6 range. For corporate customers, Handelsbanken's index value was 73.4 (71.1), as compared with the average for the other major banks of 68.1.

The gap in customer satisfaction on the private market between Handelsbanken and the average of the other major banks was larger in 2014 than five years ago.

On the other home markets, Handelsbanken had more satisfied customers than the sector average.

Consolidated statement of comprehensive income					
SEK m	2014	2013	2012	2011	2010
Profit for the year	15 184	14 295	14 038	12 323	11 025
<b>Other comprehensive income</b>					
<b>Items that cannot be reclassified into profit and loss</b>					
Defined benefit plans	-2 699	1 402	2 583		
Taxes on items that cannot be reclassified into profit and loss	592	-307	-568		
<b>Total items that cannot be reclassified into profit and loss</b>	<b>-2 107</b>	<b>1 095</b>	<b>2 015</b>		
<b>Items that can be reclassified into profit and loss</b>					
Cash flow hedges	8 772	-3 410	2 390	-297	-325
Available-for-sale instruments	295	535	984	-1 318	2 186
Translation difference for the year	5 924	763	-126	-4	-2 015
<i>of which hedges of net investments in foreign operations</i>	<i>2 558</i>	<i>767</i>	<i>486</i>	<i>-2</i>	<i>377</i>
Tax on items that can be related into profit and loss	-2 501	514	-913	443	-612
<i>of which cash flow hedges</i>	<i>-1 924</i>	<i>744</i>	<i>-565</i>	<i>78</i>	<i>85</i>
<i>of which available-for-sale instruments</i>	<i>-14</i>	<i>-61</i>	<i>-248</i>	<i>365</i>	<i>-598</i>
<i>of which hedges of net investments in foreign operations</i>	<i>-563</i>	<i>-169</i>	<i>-100</i>	<i>0</i>	<i>-99</i>
<b>Total items that can be reclassified into profit and loss</b>	<b>12 490</b>	<b>-1 598</b>	<b>2 335</b>	<b>-1 176</b>	<b>-766</b>
<b>Total other comprehensive income</b>	<b>10 383</b>	<b>-503</b>	<b>4 350</b>	<b>-1 176</b>	<b>-766</b>
<b>Total comprehensive income for the year</b>	<b>25 567</b>	<b>13 792</b>	<b>18 388</b>	<b>11 147</b>	<b>10 259</b>
<i>Attributable to</i>					
Shareholders in Svenska Handelsbanken AB	25 566	13 792	18 387	11 147	10 259
Minority interest	1	0	1	0	0

Consolidated balance sheet					
SEK m	2014	2013	2012	2011	2010
<b>Assets</b>					
Cash and central banks	505 579	369 954	248 915	375 979	107 626
Loans to the public	1 807 836	1 696 339	1 680 479	1 591 128	1 513 687
Loans to other credit institutions	70 339	62 898	89 511	106 823	123 465
Interest-bearing securities	141 944	121 576	117 260	104 202	119 238
Other assets	290 978	233 954	247 786	276 234	289 514
<b>Total assets</b>	<b>2 816 676</b>	<b>2 484 721</b>	<b>2 383 951</b>	<b>2 454 366</b>	<b>2 153 530</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	1 022 267	825 205	682 223	724 888	564 142
Due to credit institutions	200 074	171 624	183 945	201 889	251 972
Issued securities	1 212 613	1 150 641	1 151 426	1 140 074	963 501
Subordinated liabilities	30 289	15 965	21 167	35 317	43 948
Other liabilities	224 606	209 947	241 340	257 674	241 576
Equity	126 827	111 339	103 850	94 524	88 391
<b>Total liabilities and equity</b>	<b>2 816 676</b>	<b>2 484 721</b>	<b>2 383 951</b>	<b>2 454 366</b>	<b>2 153 530</b>

# Key figures per year

Key figures for the Handelsbanken Group	2014	2013	2012	2011	2010
Profit before loan losses, continuing operations, SEK m	20 987	19 266	18 362	17 345	16 278
Net loan losses, SEK m	-1 781	-1 195	-1 251	-816	-1 507
Operating profit, continuing operations, SEK m	19 212	18 088	17 108	16 536	14 770
Profit for the year, continuing operations, SEK m	15 143	14 173	14 016	12 164	10 808
Profit for the year, discontinued operations, SEK m	41	122	22	159	217
Profit for the year, total operations, SEK m	15 184	14 295	14 038	12 323	11 025
Total assets, SEK m	2 816 676	2 484 721	2 383 951	2 454 366	2 153 530
Equity, SEK m	126 827	111 339	103 850	94 524	88 391
Return on equity, total operations, %	13.4	13.9	14.9	13.5	12.9
Return on equity, continuing operations, %	13.3	13.8	14.8	13.4	12.6
Return on capital employed, %	0.57	0.59	0.57	0.53	0.50
Cost/income ratio, continuing operations, %	45.2	47.0	47.6	47.1	48.0
Cost/income ratio, continuing operations, incl. loan losses, %	49.9	50.3	51.2	49.6	52.8
Loan loss ratio, %	0.10	0.07	0.08	0.05	0.10
Impaired loans reserve ratio, %	47.2	56.2	56.4	60.7	60.7
Proportion of impaired loans, %	0.25	0.18	0.18	0.16	0.23
Earnings per share, SEK	23.89	22.52	22.34	19.78	17.72
after dilution	23.51	22.26	21.85	19.39	17.44
Ordinary dividend per share, SEK	12.50 <sup>1</sup>	11.50	10.75	9.75	9.00
Total dividend per share, SEK	17.50 <sup>1</sup>	16.50	-	-	-
Adjusted equity per share, SEK	192.40	177.71	162.63	152.71	143.14
No. of shares as at 31 December, millions	635.7	635.6	632.8	624.1	623.5
of which outstanding	635.7	635.6	632.8	624.0	623.5
Average number of outstanding shares (millions)	635.7	634.8	628.5	623.1	622.1
after dilution	653.0	647.5	649.9	642.4	634.3
Common equity tier 1 ratio, % according to Basel II		19.2	17.9	15.6	13.8
Common equity tier 1 ratio, % according to CRD IV	20.4				
Tier 1 ratio, % according to Basel II		21.5	20.4	18.4	16.5
Tier 1 ratio, % according to CRD IV	22.1				
Capital ratio, % according to Basel II		21.6	20.7	20.9	20.9
Total capital ratio, % according to CRD IV	25.6				
Average number of employees	11 692	11 503	11 192	11 184	10 850
No. of branches in Sweden	463	462	461	461	461
No. of branches in our other home markets	352	329	281	253	230
No. of branches in other countries	17	19	32	32	32

For definitions, see page 236.

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

# Quarterly performance

Quarterly performance for the Handelsbanken Group					
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Interest income	12 512	12 591	12 926	12 870	13 573
Interest expense	-5 629	-5 587	-6 222	-6 217	-6 801
<b>Net interest income</b>	<b>6 883</b>	<b>7 004</b>	<b>6 704</b>	<b>6 653</b>	<b>6 772</b>
Fee and commission income	2 648	2 530	2 540	2 425	2 484
Fee and commission expense	-420	-397	-405	-365	-377
<b>Net fee and commission income</b>	<b>2 228</b>	<b>2 133</b>	<b>2 135</b>	<b>2 060</b>	<b>2 107</b>
Net gains/losses on financial transactions	264	389	466	658	304
Risk result, insurance	34	46	43	42	35
Other dividend income	2	0	245	4	1
Share of profit of associates	22	2	5	-11	7
Other income	123	56	49	75	52
<b>Total income</b>	<b>9 556</b>	<b>9 630</b>	<b>9 647</b>	<b>9 481</b>	<b>9 278</b>
Staff costs	-3 026	-2 943	-2 910	-2 887	-2 980
Other expenses	-1 418	-1 166	-1 267	-1 248	-1 411
Depreciation, amortisation and impairments of property, equipment and intangible assets	-108	-121	-122	-111	-116
<b>Total expenses</b>	<b>-4 552</b>	<b>-4 230</b>	<b>-4 299</b>	<b>-4 246</b>	<b>-4 507</b>
<b>Profit before loan losses</b>	<b>5 004</b>	<b>5 400</b>	<b>5 348</b>	<b>5 235</b>	<b>4 771</b>
Net loan losses	-697	-497	-272	-315	-322
Gains/losses on disposal of property, equipment and intangible assets	4	1	1	0	9
<b>Operating profit</b>	<b>4 311</b>	<b>4 904</b>	<b>5 077</b>	<b>4 920</b>	<b>4 458</b>
Taxes	-935	-1 022	-1 074	-1 038	-966
<b>Profit for the period from continuing operations</b>	<b>3 376</b>	<b>3 882</b>	<b>4 003</b>	<b>3 882</b>	<b>3 492</b>
Profit for the period pertaining to discontinued operations, after tax	-34	17	31	27	35
<b>Profit for the period</b>	<b>3 342</b>	<b>3 899</b>	<b>4 034</b>	<b>3 909</b>	<b>3 527</b>
<i>Attributable to</i>					
Shareholders in Svenska Handelsbanken AB	3 342	3 899	4 033	3 909	3 527
Minority interest	0	0	1	0	0
Earnings per share, continuing operations, SEK after dilution	5.31	6.10	6.30	6.11	5.50
Earnings per share, discontinued operations, SEK after dilution	5.23	5.97	6.21	6.04	5.44
Earnings per share, total operations, SEK after dilution	-0.05	0.03	0.05	0.04	0.05
Earnings per share, total operations, SEK after dilution	-0.05	0.03	0.05	0.04	0.05
Earnings per share, total operations, SEK after dilution	5.26	6.13	6.35	6.15	5.55
Earnings per share, total operations, SEK after dilution	5.18	6.00	6.26	6.08	5.49

# Business segments

Segment reporting 2014										
SEK m	Home markets						Capital Markets	Adjustments and eliminations		Total
	Branch operations in Sweden	Branch operations in the UK	Branch operations in Denmark	Branch operations in Finland	Branch operations in Norway	Branch operations in the Netherlands		Other		
Net interest income	15 734	3 497	1 610	1 389	3 439	283	847	495	-50	27 244
Net fee and commission income	3 908	344	385	440	390	26	3 041	22		8 556
Net gains/losses on financial transactions	400	158	116	76	102	7	1 537	-619		1 777
Risk result, insurance							165			165
Share of profit of associates								18		18
Other income	92	18	21	11	20	0	17	375		554
<b>Total income</b>	<b>20 134</b>	<b>4 017</b>	<b>2 132</b>	<b>1 916</b>	<b>3 951</b>	<b>316</b>	<b>5 607</b>	<b>291</b>	<b>-50</b>	<b>38 314</b>
Staff costs	-3 421	-1 471	-584	-351	-711	-127	-2 542	-2 587	28	-11 766
Other administrative expenses	-1 221	-333	-181	-158	-219	-28	-859	-2 100		-5 099
Internal purchased and sold services	-2 770	-379	-273	-232	-390	-68	-126	4 188	50	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-85	-18	-19	-8	-11	-1	-79	-241		-462
<b>Total expenses</b>	<b>-7 497</b>	<b>-2 201</b>	<b>-1 057</b>	<b>-749</b>	<b>-1 331</b>	<b>-224</b>	<b>-3 606</b>	<b>-740</b>	<b>78</b>	<b>-17 327</b>
<b>Profit before loan losses</b>	<b>12 637</b>	<b>1 816</b>	<b>1 075</b>	<b>1 167</b>	<b>2 620</b>	<b>92</b>	<b>2 001</b>	<b>-449</b>	<b>28</b>	<b>20 987</b>
Net loan losses	-657	-203	-529	-277	-141	-1	27	0		-1 781
Gains/losses on disposal of property, equipment and intangible assets	0	4	1	0	0	0	0	1		6
<b>Operating profit</b>	<b>11 980</b>	<b>1 617</b>	<b>547</b>	<b>890</b>	<b>2 479</b>	<b>91</b>	<b>2 028</b>	<b>-448</b>	<b>28</b>	<b>19 212</b>
Profit allocation	930	35	62	85	66	8	-1 186	0		
<b>Operating profit after profit allocation</b>	<b>12 910</b>	<b>1 652</b>	<b>609</b>	<b>975</b>	<b>2 545</b>	<b>99</b>	<b>842</b>	<b>-448</b>	<b>28</b>	<b>19 212</b>
Internal income	-492	-1 230	-468	-429	-3 430	-154	-1 858	8 061		
C/I ratio, %	35.6	54.3	48.2	37.4	33.1	69.1	81.6			45.2
Loan loss ratio, %	0.06	0.15	0.73	0.25	0.07	0.01	-0.05			0.10
Assets	1 402 774	263 459	88 395	177 009	206 536	38 651	423 265	1 919 427	-1 702 840	2 816 676
Liabilities	1 335 671	254 029	82 387	170 464	193 355	37 754	415 817	1 919 427	-1 719 055	2 689 849
Allocated capital	67 103	9 430	6 008	6 545	13 181	897	7 448	0	16 215	126 827
Return on allocated capital, %	15.7	15.2	8.5	12.4	15.9	9.2	8.1			13.3
The year's investments in non-financial non-current assets	53	41	13	12	14	11	144	186		474
The year's investments in associated companies								2		2
Average number of employees	4 381	1 567	631	494	672	131	1 885	1 931		11 692

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 G45.

Segment reporting 2013										
SEK m	Home markets						Capital Markets	Adjustments and		Total
	Branch operations in Sweden	Branch operations in the UK	Branch operations in Denmark	Branch operations in Finland	Branch operations in Norway	Branch operations in the Netherlands		Other	eliminations	
Net interest income	16 299	2 624	1 519	1 219	3 574	230	936	313	-45	26 669
Net fee and commission income	3 486	213	329	412	364	23	3 008	-31		7 804
Net gains/losses on financial transactions	445	120	97	40	83	1	1 073	-502		1 357
Risk result, insurance							142			142
Share of profit of associates								9		9
Other income	27	13	18	5	12	-	16	255		346
<b>Total income</b>	<b>20 257</b>	<b>2 970</b>	<b>1 963</b>	<b>1 676</b>	<b>4 033</b>	<b>254</b>	<b>5 175</b>	<b>44</b>	<b>-45</b>	<b>36 327</b>
Staff costs	-3 283	-1 059	-546	-331	-662	-96	-2 560	-2 858	-9	-11 404
Other administrative expenses	-1 187	-243	-175	-145	-232	-21	-969	-2 209		-5 181
Internal purchased and sold services	-3 002	-317	-252	-239	-368	-56	-147	4 336	45	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-87	-41	-17	-10	-10	-1	-61	-249		-476
<b>Total expenses</b>	<b>-7 559</b>	<b>-1 660</b>	<b>-990</b>	<b>-725</b>	<b>-1 272</b>	<b>-174</b>	<b>-3 737</b>	<b>-980</b>	<b>36</b>	<b>-17 061</b>
<b>Profit before loan losses</b>	<b>12 698</b>	<b>1 310</b>	<b>973</b>	<b>951</b>	<b>2 761</b>	<b>80</b>	<b>1 438</b>	<b>-936</b>	<b>-9</b>	<b>19 266</b>
Net loan losses	-357	-168	-161	-268	-169	-7	-65			-1 195
Gains/losses on disposal of property, equipment and intangible assets	9	1	-	0	0	-	0	7		17
<b>Operating profit</b>	<b>12 350</b>	<b>1 143</b>	<b>812</b>	<b>683</b>	<b>2 592</b>	<b>73</b>	<b>1 373</b>	<b>-929</b>	<b>-9</b>	<b>18 088</b>
Profit allocation	876	30	47	70	43	4	-1 070	0		
<b>Operating profit after profit allocation</b>	<b>13 226</b>	<b>1 173</b>	<b>859</b>	<b>753</b>	<b>2 635</b>	<b>77</b>	<b>303</b>	<b>-929</b>	<b>-9</b>	<b>18 088</b>
Internal income	-925	-1 212	-395	-417	-3 606	-140	-1 672	8 367		
C/I ratio, %	35.8	55.3	49.3	41.5	31.2	67.4	91.0			47.0
Loan loss ratio, %	0.03	0.14	0.24	0.27	0.08	0.05	0.08			0.07
Assets	1 309 092	194 503	78 830	153 436	202 567	33 039	377 283	1 528 713	-1 392 742	2 484 721
Liabilities	1 248 603	186 859	73 482	147 315	190 444	32 221	368 685	1 528 713	-1 402 940	2 373 382
Allocated capital	60 489	7 644	5 348	6 121	12 123	818	8 598		10 198	111 339
Return on allocated capital, %	17.9	13.2	12.7	9.9	17.0	7.7	2.6			13.8
The year's investments in non-financial non-current assets	71	22	37	10	14	8	247	233		642
The year's investments in associated companies								53		53
Average number of employees	4 410	1 260	624	490	650	102	1 985	1 982		11 503



# Branch operations in Sweden

Branch operations in Sweden comprise six regional banks, as well as Handelsbanken Finans's and Stadshypotek's operations in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer a full range of banking services at 463 branches throughout Sweden. Handelsbanken Finans offers finance company services and works through the Bank's branches. Stadshypotek is the Bank's mortgage company, and is completely integrated with the branch operations.

Quarterly performance Branch operations in Sweden							
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Total 2014	Total 2013	Change %
Net interest income	3 931	3 986	3 914	3 903	15 734	16 299	-3
Net fee and commission income	1 069	967	961	911	3 908	3 486	12
Net gains/losses on financial transactions	87	80	149	84	400	445	-10
Other income	28	32	12	20	92	27	241
<b>Total income</b>	<b>5 115</b>	<b>5 065</b>	<b>5 036</b>	<b>4 918</b>	<b>20 134</b>	<b>20 257</b>	<b>-1</b>
Staff costs	-853	-901	-832	-835	-3 421	-3 283	4
Other administrative expenses	-352	-315	-289	-265	-1 221	-1 187	3
Internal purchased and sold services	-677	-571	-764	-758	-2 770	-3 002	-8
Depreciation, amortisation and impairments of property, equipment and intangible assets	-20	-27	-18	-20	-85	-87	-2
<b>Total expenses</b>	<b>-1 902</b>	<b>-1 814</b>	<b>-1 903</b>	<b>-1 878</b>	<b>-7 497</b>	<b>-7 559</b>	<b>-1</b>
<b>Profit before loan losses</b>	<b>3 213</b>	<b>3 251</b>	<b>3 133</b>	<b>3 040</b>	<b>12 637</b>	<b>12 698</b>	<b>0</b>
Net loan losses	-100	-232	-77	-248	-657	-357	84
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	9	-100
<b>Operating profit</b>	<b>3 113</b>	<b>3 019</b>	<b>3 056</b>	<b>2 792</b>	<b>11 980</b>	<b>12 350</b>	<b>-3</b>
Profit allocation	247	246	240	197	930	876	6
<b>Operating profit after profit allocation</b>	<b>3 360</b>	<b>3 265</b>	<b>3 296</b>	<b>2 989</b>	<b>12 910</b>	<b>13 226</b>	<b>-2</b>
Internal income	127	-219	-89	-311	-492	-925	47
C/I ratio, %	35,5	34,2	36,1	36,7	35,6	35,8	
Loan loss ratio, %	0,04	0,08	0,03	0,09	0,06	0,03	
Assets	1 402 774	1 369 499	1 345 037	1 320 445	1 402 774	1 309 092	7
Liabilities	1 335 671	1 305 341	1 283 985	1 256 587	1 335 671	1 248 603	7
Allocated capital	67 103	64 158	61 052	63 857	67 103	60 489	11
Return on allocated capital, %	15,6	15,9	16,8	14,6	15,7	17,9	
Average number of employees	4 343	4 534	4 306	4 340	4 381	4 410	-1
Number of branches	463	462	462	462	463	462	0
Business volumes, Sweden							
Average volumes SEK bn	2014		2013		Change %		
<b>Loans to the public<sup>1</sup></b>	<b>1 118</b>		<b>1 092</b>		<b>2</b>		
households	645		614		5		
of which mortgage loans	593		560		6		
companies	473		478		-1		
of which mortgage loans	266		248		7		
<b>Deposits from the public</b>	<b>399</b>		<b>379</b>		<b>5</b>		
of which households	238		220		8		
companies	161		159		1		

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

### FINANCIAL PERFORMANCE

Operating profit fell by 3 per cent to SEK 11,980 million (12,350), due to lower net interest income and higher loan losses.

Net interest income decreased by SEK 565 million, or 3 per cent, to SEK 15,734 million (16,299). A lower interest rate environment reduced the deposit margin by SEK 769 million, and interest income related to allocated equity decreased by SEK 432 million. Lending margins had a positive impact of SEK 408 million, and growing deposit and lending volumes increased net interest income by SEK 386 million. The benchmark effect in Stadshypotek decreased by SEK 46 million to SEK -27 million (19), while fees to the Swedish Stabilisation Fund and the deposit guarantee increased by SEK 44 million to SEK -674 million (-630).

Net fee and commission income grew by 12 per cent to SEK 3,908 million (3,486), chiefly due to increased payment and mutual fund commissions.

Net gains/losses on financial transactions declined by 10 per cent to SEK 400 million (445), mainly as a result of a lower volume of loans redeemed ahead of time and a lower currency gain.

Total expenses decreased by 1 per cent to SEK -7,497 million (-7,559). Staff costs rose by SEK 138 million or 4 per cent, but adjusted for an internal organisational change, staff costs rose by 1 per cent. Other expenses decreased by SEK 232 million. The C/I ratio improved to 35.6 per cent (35.8).

Loan losses increased to SEK -657 million (-357) and the loan loss ratio rose to 0.06 per cent (0.03).

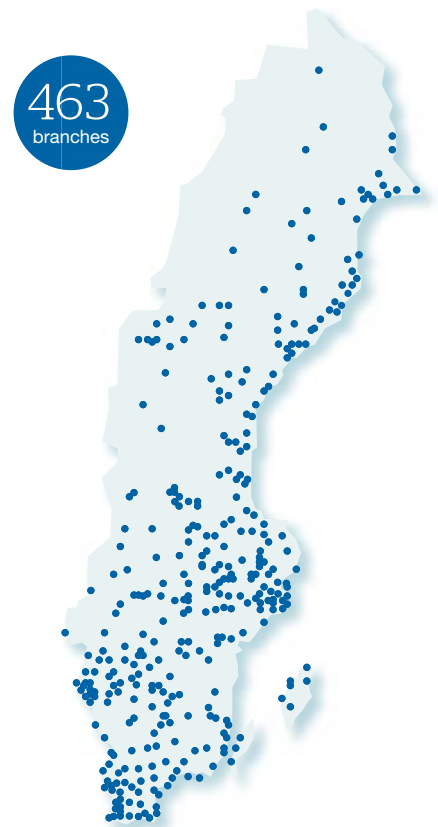
### BUSINESS DEVELOPMENT

In its major customer satisfaction survey, Swedish Quality Index (SKI) found that Handelsbanken has the most satisfied customers in the banking sector. For private customers, Handelsbanken's index value was 74.3 (74.2), as compared with the other major banks, all of which recorded scores in the 64.0–69.6 range. For corporate customers, Handelsbanken's index value was 73.4 (71.1), as compared with the average for the other four major banks of 68.1.

In 2014, Handelsbanken was the only one of the four major banks to increase its market share of household deposits in Sweden. The average volume of deposits from households rose by 8 per cent during the year to SEK 238 billion (220). During the year, new savings in the Bank's mutual funds in Sweden amounted to SEK 28.6 billion, corresponding to a market share of 18.7 per cent.

The average volume of mortgage loans to private individuals increased by 6 per cent to SEK 593 billion (560), while the average volume of lending to companies fell by 1 per cent to SEK 473 billion (478).

One new branch, Lund West, was opened on 1 October 2014. This brings the total number of Handelsbanken branches in Sweden to 463.



# Branch operations in the UK

Branch operations in the UK comprise five regional banks and the wealth and asset management company Heartwood. Handelsbanken Finans's operations in the UK are also included. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer banking services at 178 branches throughout the UK.

Quarterly performance Branch operations in the UK					Total 2014	Total 2013	Change %
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014			
Net interest income	963	933	834	767	3 497	2 624	33
Net fee and commission income	96	89	83	76	344	213	62
Net gains/losses on financial transactions	40	45	37	36	158	120	32
Other income	3	8	4	3	18	13	38
<b>Total income</b>	<b>1 102</b>	<b>1 075</b>	<b>958</b>	<b>882</b>	<b>4 017</b>	<b>2 970</b>	<b>35</b>
Staff costs	-401	-393	-348	-329	-1 471	-1 059	39
Other administrative expenses	-105	-78	-79	-71	-333	-243	37
Internal purchased and sold services	-87	-94	-102	-96	-379	-317	20
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-2	-6	-5	-18	-41	-56
<b>Total expenses</b>	<b>-598</b>	<b>-567</b>	<b>-535</b>	<b>-501</b>	<b>-2 201</b>	<b>-1 660</b>	<b>33</b>
<b>Profit before loan losses</b>	<b>504</b>	<b>508</b>	<b>423</b>	<b>381</b>	<b>1 816</b>	<b>1 310</b>	<b>39</b>
Net loan losses	-86	-66	-51	0	-203	-168	21
Gains/losses on disposal of property, equipment and intangible assets	3	0	1	0	4	1	
<b>Operating profit</b>	<b>421</b>	<b>442</b>	<b>373</b>	<b>381</b>	<b>1 617</b>	<b>1 143</b>	<b>41</b>
Profit allocation	12	6	8	9	35	30	17
<b>Operating profit after profit allocation</b>	<b>433</b>	<b>448</b>	<b>381</b>	<b>390</b>	<b>1 652</b>	<b>1 173</b>	<b>41</b>
Internal income	-330	-311	-289	-300	-1 230	-1 212	-1
C/I ratio, %	53.7	52.5	55.4	56.2	54.3	55.3	
Loan loss ratio, %	0.25	0.19	0.15	0.00	0.15	0.14	
Assets	263 459	251 012	244 496	211 551	263 459	194 503	35
Liabilities	254 029	242 412	236 764	203 365	254 029	186 859	36
Allocated capital	9 430	8 600	7 732	8 186	9 430	7 644	23
Return on allocated capital, %	14.4	16.2	15.4	14.9	15.2	13.2	
Average number of employees	1 638	1 608	1 547	1 476	1 567	1 260	24
Number of branches	178	173	170	166	178	161	11
<b>Business volumes, UK</b>							
<b>Average volumes GBP m</b>					<b>2014</b>	<b>2013</b>	<b>Change %</b>
<b>Loans to the public</b>					<b>13 153</b>	<b>11 633</b>	<b>13</b>
of which households					4 044	3 252	24
companies					9 109	8 381	9
<b>Deposits from the public</b>					<b>7 394</b>	<b>3 676</b>	<b>101</b>
of which households					1 261	688	83
companies					6 133	2 988	105

## FINANCIAL PERFORMANCE

Operating profit rose by 41 per cent to SEK 1,617 million (1,143), chiefly due to higher net interest income and improved net fee and commission income. Exchange rate movements increased operating profit by SEK 110 million, and expressed in local currency, operating profit improved by 28 per cent. Profits take full account of expenses relating to continuing expansion; over the past 12 months, 17 new branches have been opened.

Profit before loan losses grew by 39 per cent to SEK 1,816 million (1,310), as a result of continuing growth in business volumes and customer numbers.

Income increased by 35 per cent and net interest income grew by 33 per cent to SEK 3,497 million (2,624). The increase was mainly attributable to the continuing increase in deposit and lending volumes, but higher lending margins also made a positive contribution. Deposit margins decreased slightly.

Net fee and commission income went up by 62 per cent to SEK 344 million (213), due mainly to continuing growth in business volumes. Asset management commissions grew by 115 per cent, and payment commissions increased by 40 per cent. Heartwood, which was acquired in May 2013, contributed asset management and advisory commissions of SEK 198 million (95).

Net gains/losses on financial transactions went up by 32 per cent to SEK 158 million (120), as a result of growth in business volumes and customer numbers.

Expenses rose by 33 per cent to SEK -2,201 million (-1,660); this was attributable entirely to the expansion of operations. The average number of employees increased by 24 per cent to 1,567 (1,260).

Loan losses increased to SEK -203 million (-168), and the loan loss ratio was 0.15 per cent (0.14).

## BUSINESS DEVELOPMENT

According to the EPSI customer satisfaction survey, Handelsbanken had the most satisfied private and corporate customers among UK banks for the sixth year running. Private customers gave Handelsbanken an index value of 83.8 compared with a sector average of 74.7. Corporate customers gave the Bank an index value of 83.1 as compared to the sector average of 72.7.

Business volumes – particularly deposits – continued to grow. The average volume of lending increased by GBP 1.5 billion, while deposits grew by GBP 3.7 billion. The average volume of lending increased by 13 per cent compared to the corresponding period in the previous year; within this figure, lending to households grew by 24 per cent. The overall average volume of deposits was up 101 per cent; household deposits increased by 83 per cent. During the year, the loan/deposit ratio fell to 181 per cent (247).

Since the acquisition was made at the end of May 2013, Heartwood's assets under management have increased from GBP 1.5 billion to GBP 2.3 billion.

During the year, 17 new branches were opened, including five in the fourth quarter, so that at year-end, the Bank had 178 branches in the UK. In addition, managers have been recruited for another eleven new branches.

On 1 January 2015, the Bank established a fifth regional bank in the UK, with its head office in Leeds.



# Branch operations in Denmark

Branch operations in Denmark comprise the regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Denmark. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 57 branches throughout Denmark. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

Quarterly performance Branch operations in Denmark					Total 2014	Total 2013	Change %
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014			
Net interest income	421	420	389	380	1 610	1 519	6
Net fee and commission income	99	84	107	95	385	329	17
Net gains/losses on financial transactions	15	68	8	25	116	97	20
Other income	3	4	8	6	21	18	17
<b>Total income</b>	<b>538</b>	<b>576</b>	<b>512</b>	<b>506</b>	<b>2 132</b>	<b>1 963</b>	<b>9</b>
Staff costs	-149	-148	-147	-140	-584	-546	7
Other administrative expenses	-53	-41	-44	-43	-181	-175	3
Internal purchased and sold services	-81	-65	-64	-63	-273	-252	8
Depreciation, amortisation and impairments of property, equipment and intangible assets	-5	-5	-5	-4	-19	-17	12
<b>Total expenses</b>	<b>-288</b>	<b>-259</b>	<b>-260</b>	<b>-250</b>	<b>-1 057</b>	<b>-990</b>	<b>7</b>
<b>Profit before loan losses</b>	<b>250</b>	<b>317</b>	<b>252</b>	<b>256</b>	<b>1 075</b>	<b>973</b>	<b>10</b>
Net loan losses	-336	-172	-23	2	-529	-161	229
Gains/losses on disposal of property, equipment and intangible assets	0	1	0	0	1	-	
<b>Operating profit</b>	<b>-86</b>	<b>146</b>	<b>229</b>	<b>258</b>	<b>547</b>	<b>812</b>	<b>-33</b>
Profit allocation	18	17	14	13	62	47	32
<b>Operating profit after profit allocation</b>	<b>-68</b>	<b>163</b>	<b>243</b>	<b>271</b>	<b>609</b>	<b>859</b>	<b>-29</b>
Internal income	-102	-122	-129	-115	-468	-395	-18
C/I ratio, %	51.8	43.7	49.4	48.2	48.2	49.3	
Loan loss ratio, %	1.85	0.95	0.13	-0.01	0.73	0.24	
Assets	88 395	85 618	82 857	79 345	88 395	78 830	12
Liabilities	82 387	79 971	77 685	73 781	82 387	73 482	12
Allocated capital	6 008	5 648	5 172	5 564	6 008	5 348	12
Return on allocated capital, %	-3.5	9.0	14.7	15.2	8.5	12.7	
Average number of employees	627	632	635	633	631	624	1
Number of branches	57	57	57	57	57	56	2
<b>Business volumes, Denmark</b>							
<b>Average volumes DKK bn</b>					<b>2014</b>	<b>2013</b>	<b>Change %</b>
<b>Loans to the public</b>					<b>61.1</b>	<b>59.1</b>	<b>3</b>
of which households					32.8	29.1	13
companies					28.3	30.0	-6
<b>Deposits from the public</b>					<b>23.6</b>	<b>22.7</b>	<b>4</b>
of which households					9.9	9.1	9
companies					13.7	13.6	1

### FINANCIAL PERFORMANCE

Operating profit decreased by 33 per cent to SEK 547 million (812) due mainly to higher loan losses related to provisions for a single exposure. Profits before loan losses grew by 10 per cent to SEK 1,075 million (973). Exchange rate movements increased operating profit by SEK 38 million, and expressed in local currency, operating profit declined by 36 per cent. Income increased by 9 per cent, while expenses rose by 7 per cent.

Net interest income grew by 6 per cent to SEK 1,610 million (1,519), chiefly due to higher lending to households. In local currency, the increase was 1 per cent. Fees for the Swedish Stabilisation Fund and the deposit guarantee, together with the Danish state deposit guarantee, burdened net interest income by SEK -51 million (-45).

Net fee and commission income grew by 17 per cent to SEK 385 million (329), chiefly due to increased commissions on payments and lending.

Net gains/losses on financial transactions rose to SEK 116 million (97).

Expenses increased by 7 per cent to SEK -1,057 million (-990). Expenses, adjusted for the effects of exchange rate movements, increased by 1 per cent, partly as a result of a newly opened branch.

Loan losses rose to SEK -529 million (-161), chiefly due to provisions made on a single customer exposure. The loan loss ratio rose to 0.73 per cent (0.24).

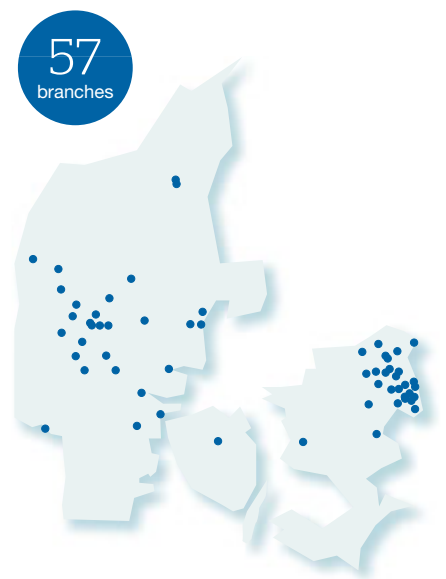
### BUSINESS DEVELOPMENT

The EPSI annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers in Denmark. Private customers gave the Bank an index value of 76.5, as compared to the sector average of 69.5. From corporate customers the Bank received an index value of 73.2, as compared with the sector average of 68.0.

During the autumn, The Banker magazine named Handelsbanken Bank of the Year in Denmark.

The Bank continued to have a stable inflow of new customers, and both business volumes and market shares continued to increase. The average volume of lending to households climbed by 13 per cent, while corporate lending declined by 6 per cent. In total, the average volume of loans to the public increased by 3 per cent. The average volume of deposits from the public grew by DKK 0.9 billion, or 4 per cent, to DKK 23.6 billion (22.7). Mutual fund savings also performed well, growing by 16 per cent.

At the beginning of the year, one new branch was opened, in Aarhus North, bringing the Bank's total number of branches in Denmark to 57.



# Branch operations in Finland

Branch operations in Finland comprise the regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Finland. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 46 branches throughout Finland. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

Quarterly performance Branch operations in Finland							
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Total 2014	Total 2013	Change %
Net interest income	348	357	340	344	1 389	1 219	14
Net fee and commission income	110	113	109	108	440	412	7
Net gains/losses on financial transactions	21	18	28	9	76	40	90
Other income	6	1	2	2	11	5	120
<b>Total income</b>	<b>485</b>	<b>489</b>	<b>479</b>	<b>463</b>	<b>1 916</b>	<b>1 676</b>	<b>14</b>
Staff costs	-97	-86	-83	-85	-351	-331	6
Other administrative expenses	-46	-39	-38	-35	-158	-145	9
Internal purchased and sold services	-55	-56	-60	-61	-232	-239	-3
Depreciation, amortisation and impairments of property, equipment and intangible assets	-2	-2	-2	-2	-8	-10	-20
<b>Total expenses</b>	<b>-200</b>	<b>-183</b>	<b>-183</b>	<b>-183</b>	<b>-749</b>	<b>-725</b>	<b>3</b>
<b>Profit before loan losses</b>	<b>285</b>	<b>306</b>	<b>296</b>	<b>280</b>	<b>1 167</b>	<b>951</b>	<b>23</b>
Net loan losses	-113	-10	-106	-48	-277	-268	3
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	
<b>Operating profit</b>	<b>172</b>	<b>296</b>	<b>190</b>	<b>232</b>	<b>890</b>	<b>683</b>	<b>30</b>
Profit allocation	26	19	19	21	85	70	21
<b>Operating profit after profit allocation</b>	<b>198</b>	<b>315</b>	<b>209</b>	<b>253</b>	<b>975</b>	<b>753</b>	<b>29</b>
Internal income	-93	-116	-119	-101	-429	-417	-3
C/I ratio, %	39.1	36.0	36.7	37.8	37.4	41.5	
Loan loss ratio, %	0.42	0.04	0.39	0.18	0.25	0.27	
Assets	177 009	169 978	170 598	163 005	177 009	153 436	15
Liabilities	170 464	163 945	164 881	156 801	170 464	147 315	16
Allocated capital	6 545	6 033	5 717	6 204	6 545	6 121	7
Return on allocated capital, %	9.4	16.3	11.4	12.7	12.4	9.9	
Average number of employees	483	506	500	486	494	490	1
Number of branches	46	46	46	45	46	45	2
<b>Business volumes, Finland</b>							
<b>Average volumes EUR m</b>					<b>2014</b>	<b>2013</b>	<b>Change %</b>
<b>Loans to the public</b>					<b>12 281</b>	<b>11 672</b>	<b>5</b>
of which households					3 843	3 693	4
companies					8 438	7 979	6
<b>Deposits from the public</b>					<b>4 513</b>	<b>3 026</b>	<b>49</b>
of which households					1 264	1 262	0
companies					3 249	1 764	84



### FINANCIAL PERFORMANCE

Operating profit improved by 30 per cent to SEK 890 million (683), as a result of income growing by 14 per cent while expenses went up by only 3 per cent. Exchange rate effects increased the operating profit by SEK 30 million, and expressed in local currency, operating profit grew by 24 per cent.

Net interest income rose by 14 per cent to SEK 1,389 million (1,219); SEK 61 million of this improvement was attributable to exchange rate movements. In local currency, net interest income rose by 8 per cent, which was chiefly attributable to increasing business volumes. Fees for the Swedish Stabilisation Fund and the deposit guarantee went up by SEK 5 million and burdened net interest income by SEK -52 million (-47).

Net fee and commission income went up by 7 per cent to SEK 440 million (412), due mainly to higher payment commissions from card business.

Net gains/losses on financial transactions increased to SEK 76 million (40), chiefly as a result of higher early repayment charges.

Total expenses increased by 3 per cent to SEK -749 million (-725). Adjusted for exchange rate movements of SEK -38 million, expenses decreased by 2 per cent. The average number of employees rose to 494 (490).

Loan losses increased slightly to SEK -277 million (-268), and the loan loss ratio fell to 0.25 per cent (0.27).

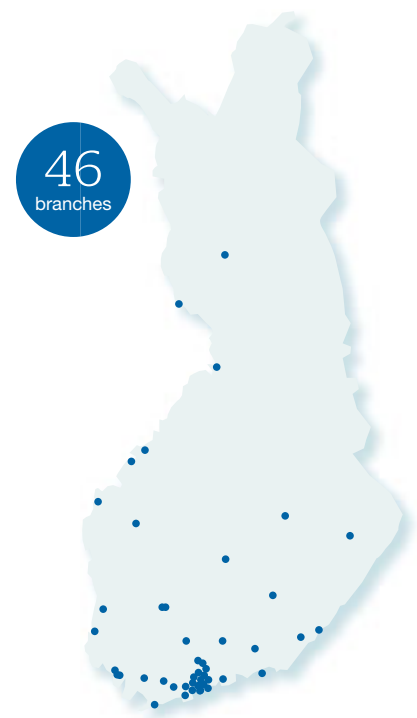
### BUSINESS DEVELOPMENT

According to the EPSI customer satisfaction survey, Handelsbanken had the most satisfied private and corporate customers among banks in Finland. Private customers gave the Bank an index value of 81.5 compared with a sector average of 74.7. Corporate customers gave the Bank an index value of 77.0 as compared to 73.5 for the sector as a whole.

Business volumes increased. Average lending increased by 5 per cent compared with the previous year. The Bank's lending to companies increased by 6 per cent, and the average volume of lending to households rose by 4 per cent; this growth rate exceeded that of the market as a whole.

The average volume of deposits from households increased slightly, while corporate deposits increased by 84 per cent.

Earlier in 2014, the Bank opened a new branch in Helsinki-Ruoholahti, bringing the Bank's total number of branches in Finland to 46.



# Branch operations in Norway

Branch operations in Norway comprise the regional bank, as well as Handelsbanken Finans's and Stadshypotek's operations in Norway. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers a full range of banking services at 51 branches throughout Norway. Handelsbanken Finans offers finance company services and works through the Bank's branches. The mortgage operations at Stadshypotek are fully integrated with the branch operations.

Quarterly performance Branch operations in Norway					Total 2014	Total 2013	Change %
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014			
Net interest income	851	886	859	843	3 439	3 574	-4
Net fee and commission income	97	99	97	97	390	364	7
Net gains/losses on financial transactions	28	34	23	17	102	83	23
Other income	6	3	5	6	20	12	67
<b>Total income</b>	<b>982</b>	<b>1 022</b>	<b>984</b>	<b>963</b>	<b>3 951</b>	<b>4 033</b>	<b>-2</b>
Staff costs	-183	-185	-174	-169	-711	-662	7
Other administrative expenses	-58	-45	-63	-53	-219	-232	-6
Internal purchased and sold services	-100	-101	-99	-90	-390	-368	6
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-3	-3	-2	-11	-10	10
<b>Total expenses</b>	<b>-344</b>	<b>-334</b>	<b>-339</b>	<b>-314</b>	<b>-1 331</b>	<b>-1 272</b>	<b>5</b>
<b>Profit before loan losses</b>	<b>638</b>	<b>688</b>	<b>645</b>	<b>649</b>	<b>2 620</b>	<b>2 761</b>	<b>-5</b>
Net loan losses	-41	-32	-47	-21	-141	-169	-17
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	
<b>Operating profit</b>	<b>597</b>	<b>656</b>	<b>598</b>	<b>628</b>	<b>2 479</b>	<b>2 592</b>	<b>-4</b>
Profit allocation	25	16	14	11	66	43	53
<b>Operating profit after profit allocation</b>	<b>622</b>	<b>672</b>	<b>612</b>	<b>639</b>	<b>2 545</b>	<b>2 635</b>	<b>-3</b>
Internal income	-830	-870	-898	-832	-3 430	-3 606	5
C/I ratio, %	34.2	32.2	34.0	32.2	33.1	31.2	
Loan loss ratio, %	0.08	0.06	0.10	0.04	0.07	0.08	
Assets	206 536	216 359	209 799	208 007	206 536	202 567	2
Liabilities	193 355	203 938	198 267	195 246	193 355	190 444	2
Allocated capital	13 181	12 421	11 532	12 761	13 181	12 123	9
Return on allocated capital, %	14.7	16.9	16.5	15.6	15.9	17.0	
Average number of employees	672	689	663	663	672	650	3
Number of branches	51	51	50	49	51	49	4
<b>Business volumes, Norway</b>							
<b>Average volumes NOK bn</b>					<b>2014</b>	<b>2013</b>	<b>Change %</b>
<b>Loans to the public</b>					<b>190.2</b>	<b>182.8</b>	<b>4</b>
of which households					76.3	72.0	6
companies					113.9	110.8	3
<b>Deposits from the public</b>					<b>62.4</b>	<b>49.6</b>	<b>26</b>
of which households					15.3	14.0	9
companies					47.1	35.6	32

### FINANCIAL PERFORMANCE

Operating profit went down by 4 per cent to SEK 2,479 million (2,592). Exchange rate effects reduced operating profit by SEK 41 million. Expressed in local currency, operating profit was 3 per cent lower.

Net interest income declined by 4 per cent till SEK 3,439 million (3,574), but adjusted for exchange rate movements of SEK -58 million, the decrease was 2 per cent. Increasing volumes of business made a positive contribution of SEK 227 million. At the same time, lending margins declined by SEK 187 million, and a lower interest rate level led to a SEK 57 million decrease in net interest income on allocated capital. Fees for the Swedish Stabilisation Fund and the deposit guarantee, together with the Norwegian state deposit guarantee, increased by SEK 6 million, burdening net interest income by SEK -104 million (-98).

Net fee and commission income increased by 7 per cent to SEK 390 million (364), chiefly due to higher fund management and lending commissions.

Expenses increased by 5 per cent to SEK -1,331 million (-1,272). Expressed in local currency, expenses were up by 7 per cent. Staff costs increased by 7 per cent, due to annual salary adjustments and a 3 per cent rise in the average number of employees.

Loan losses went down to SEK -141 million (-169), and the loan loss ratio was 0.07 per cent (0.08).

### BUSINESS DEVELOPMENT

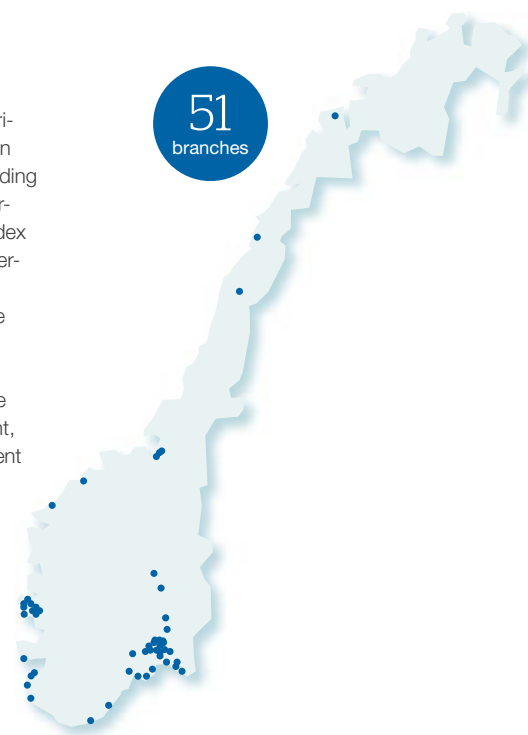
As in previous years, Handelsbanken had private customers that were more satisfied than the average among banks in Norway, according to the annual EPSI customer satisfaction survey. Private customers gave the Bank an index value of 74.9, as compared to the sector average of 69.6.

During the autumn, The Banker magazine named Handelsbanken Bank of the Year in Norway.

Business volumes continued to grow. The average volume of lending rose by 4 per cent, with household lending increasing by 6 per cent and corporate lending by 3 per cent.

The average volume of deposits from households increased by 9 per cent, while corporate deposits grew by 32 per cent.

During the first half of the year a new branch was opened in Oslo-Økern, and in the third quarter a new branch was opened in Leangen in Trondheim. This brings Handelsbanken's total number of branches in Norway to 51.



# Branch operations in the Netherlands

Since January 2013, branch operations in the Netherlands have been a home market with a regional bank. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers banking services at 20 branches in the Netherlands.

<b>Quarterly performance</b>							
<b>Branch operations in the Netherlands</b>							
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Total 2014	Total 2013	Change %
Net interest income	73	73	67	70	283	230	23
Net fee and commission income	7	7	7	5	26	23	13
Net gains/losses on financial transactions	1	1	3	2	7	1	600
Other income	0	0	0	0	0	-	
<b>Total income</b>	<b>81</b>	<b>81</b>	<b>77</b>	<b>77</b>	<b>316</b>	<b>254</b>	<b>24</b>
Staff costs	-32	-34	-32	-29	-127	-96	32
Other administrative expenses	-9	-7	-6	-6	-28	-21	33
Internal purchased and sold services	-20	-17	-15	-16	-68	-56	21
Depreciation, amortisation and impairments of property, equipment and intangible assets	0	0	-1	0	-1	-1	0
<b>Total expenses</b>	<b>-61</b>	<b>-58</b>	<b>-54</b>	<b>-51</b>	<b>-224</b>	<b>-174</b>	<b>29</b>
<b>Profit before loan losses</b>	<b>20</b>	<b>23</b>	<b>23</b>	<b>26</b>	<b>92</b>	<b>80</b>	<b>15</b>
Net loan losses	0	0	-2	1	-1	-7	
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	-	-	
<b>Operating profit</b>	<b>20</b>	<b>23</b>	<b>21</b>	<b>27</b>	<b>91</b>	<b>73</b>	<b>25</b>
Profit allocation	1	1	1	5	8	4	100
<b>Operating profit after profit allocation</b>	<b>21</b>	<b>24</b>	<b>22</b>	<b>32</b>	<b>99</b>	<b>77</b>	<b>29</b>
Internal income	-35	-36	-38	-45	-154	-140	-10
C/I ratio, %	74.4	70.7	69.2	62.2	69.1	67.4	
Loan loss ratio, %	0.00	0.00	0.04	-0.02	0.01	0.05	
Assets	38 651	36 957	38 681	34 850	38 651	33 039	17
Liabilities	37 754	36 098	37 939	33 985	37 754	32 221	17
Allocated capital	897	859	742	865	897	818	10
Return on allocated capital, %	7.4	8.4	9.7	11.4	9.2	7.7	
Average number of employees	141	135	128	120	131	102	28
Number of branches	20	20	18	18	20	18	11
<b>Business volumes, Netherlands</b>							
<b>Average volumes EUR m</b>					<b>2014</b>	<b>2013</b>	<b>Change %</b>
<b>Loans to the public</b>					<b>1 932</b>	<b>1 728</b>	<b>12</b>
<i>of which households</i>					723	478	51
<i>companies</i>					1 209	1 250	-3
<b>Deposits from the public</b>					<b>1 065</b>	<b>944</b>	<b>13</b>
<i>of which households</i>					32	26	23
<i>companies</i>					1 033	918	13

### FINANCIAL PERFORMANCE

Operating profit increased by 25 per cent to SEK 91 million (73). Income rose by 24 per cent, while continuing investments in operations led to a 29 per cent increase in expenses.

Income grew by 24 per cent to SEK 316 million (254). Net interest income rose by 23 per cent to SEK 283 million (230), mainly due to growing business volumes, while net fee and commission income increased by 13 per cent, as a result of higher lending commissions.

Expenses rose to SEK -224 million (-174), owing to the expansion of the branch network and the regional head office. The average number of employees rose to 131 (102).

Loan losses decreased to SEK -1 million (-7), which corresponds to a loan loss ratio of 0.01 per cent (0.05).

### BUSINESS DEVELOPMENT

According to the EPSI customer satisfaction survey, Handelsbanken, as in previous years, had the most satisfied private and corporate customers among banks in the Netherlands. Private customers gave the Bank an index value of 73.3 compared with a sector average of 63.3. Corporate customers gave the Bank an index value of 66.4 as compared to the sector average of 56.6.

Average lending volumes rose by EUR 204 million, or 12 per cent, while deposits grew by EUR 121 million, or 13 per cent. Household deposits grew by 23 per cent, while lending to households increased by 51 per cent. Corporate lending decreased by 3 per cent, while the average volume of deposits from companies went up by 13 per cent.

During the year, two new branches were opened: in Arnhem and in Apeldoorn. This brought the Bank's total number of branches in the Netherlands to 20. In addition, branch managers were recruited for future branches to be opened in Alphen aan den Rijn and in Haarlem.



# Handelsbanken Capital Markets

Handelsbanken Capital Markets consists of the three business areas Markets & Asset Management, Merchant Banking International and Pension & Life. Operations are run in 23 countries.

<b>Quarterly performance</b>							
<b>Handelsbanken Capital Markets</b>							
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Total 2014	Total 2013	Change %
Net interest income	180	214	217	236	847	936	-10
Net fee and commission income	740	749	779	773	3 041	3 008	1
Net gains/losses on financial transactions	431	307	442	357	1 537	1 073	43
Risk result, insurance	34	46	43	42	165	142	16
Other income	5	4	9	-1	17	16	6
<b>Total income</b>	<b>1 390</b>	<b>1 320</b>	<b>1 490</b>	<b>1 407</b>	<b>5 607</b>	<b>5 175</b>	<b>8</b>
Staff costs	-628	-626	-633	-655	-2 542	-2 560	-1
Other administrative expenses	-231	-192	-216	-220	-859	-969	-11
Internal purchased and sold services	-50	-8	-17	-51	-126	-147	-14
Depreciation, amortisation and impairments of property, equipment and intangible assets	-22	-20	-26	-11	-79	-61	30
<b>Total expenses</b>	<b>-931</b>	<b>-846</b>	<b>-892</b>	<b>-937</b>	<b>-3 606</b>	<b>-3 737</b>	<b>-4</b>
<b>Profit before loan losses</b>	<b>459</b>	<b>474</b>	<b>598</b>	<b>470</b>	<b>2 001</b>	<b>1 438</b>	<b>39</b>
Net loan losses	-21	15	34	-1	27	-65	
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	
<b>Operating profit</b>	<b>438</b>	<b>489</b>	<b>632</b>	<b>469</b>	<b>2 028</b>	<b>1 373</b>	<b>48</b>
Profit allocation	-330	-304	-296	-256	-1 186	-1 070	11
<b>Operating profit after profit allocation</b>	<b>108</b>	<b>185</b>	<b>336</b>	<b>213</b>	<b>842</b>	<b>303</b>	<b>178</b>
Internal income	-669	-426	-420	-343	-1 858	-1 672	-11
C/I ratio, %	87.8	83.3	74.7	81.4	81.6	91.0	
Loan loss ratio, %	0.15	-0.10	-0.24	0.01	-0.05	0.08	
Assets	423 265	401 771	387 864	370 728	423 265	377 283	12
Liabilities	415 817	393 619	379 433	362 124	415 817	368 685	13
Allocated capital	7 448	8 152	8 431	8 604	7 448	8 598	-13
Return on allocated capital, %	4.5	7.1	12.4	7.7	8.1	2.6	
Average number of employees	1 809	1 889	1 900	1 940	1 885	1 985	-5
Number of branches	17	19	19	19	17	19	
<b>Business volumes, Merchant Banking International</b>							
<b>Average volumes, SEK bn</b>					<b>2014</b>	<b>2013</b>	<b>Change %</b>
<b>Loans to the public</b>					<b>45.5</b>	<b>48.9</b>	<b>-7</b>
of which households					4.0	3.5	14
companies					41.5	45.4	-9
<b>Deposits from the public</b>					<b>49.4</b>	<b>34.1</b>	<b>45</b>
of which households					2.7	2.4	13
companies					46.7	31.7	47

## FINANCIAL PERFORMANCE

Operating profit improved by 48 per cent to SEK 2,028 million (1,373). Of the profit improvement of SEK 655 million, SEK 627 million derived from Markets & Asset Management and SEK 61 million from Pension & Life. Operating profit in Merchant Banking International declined by SEK 33 million.

Income increased by SEK 432 million, or 8 per cent, to SEK 5,607 million (5,175). This increase was attributable mainly to net gains/losses on financial items rising by SEK 464 million to SEK 1,537 million (1,073), on the back of improved profits in fixed income and currency trading.

Net fee and commission income grew by SEK 33 million, or 1 per cent, to SEK 3,041 million (3,008). Mutual fund commissions increased, while brokerage income was lower than the previous year.

Expenses fell by 4 per cent to SEK 3,606 million (3,737), mainly due to other administrative expenses being lower.

Loan losses in Merchant Banking International consisted of net recoveries of SEK 27 million (-65), with the loan loss ratio being -0.05 per cent (0.08).

## BUSINESS DEVELOPMENT

New savings in Handelsbanken's mutual funds in Sweden during the year were SEK 29 billion (16), corresponding to a market share of 18.7 per cent. Total net savings in the Handelsbanken Group's funds were SEK 32.2 billion. Xact Fonder remained the largest player on the Nordic market for exchange-traded funds, with a market share of 94 per cent of sales. The Morningstar mutual fund research company gave Handelsbanken's funds the highest average grade of the 30 largest fund managers in Sweden in its three-year rating of mutual funds on the Swedish market. And according to the annual TNS Sifo Prospera survey, Swedish institutional investors ranked Handelsbanken as the best asset manager in 2014.

Total fund volume, including exchange-traded funds, increased during the year by 24 per cent to SEK 337 billion (271) – the highest ever volume. Total assets under management in the Group rose during the same period by 18 per cent to SEK 533 billion (452).

The Private Banking operation continued to perform well, with a stable increase in assets under management as a result. Since 2010, TNS Sifo Prospera has ranked Handelsbanken as number one for Private Banking, and this was also the case in 2014.

Handelsbanken remained the largest player in Sweden for capital-protected investments focused on the general public, with a market share of just over 21 per cent.

Demand for capital market funding remained healthy, with several new issuers. In 2014, the Bank arranged 140 bond issues for a value of just over EUR 15 billion.

Within corporate finance activity levels rose, and the Bank was an advisor for four Nordic IPOs and 13 M&A transactions in Sweden. Handelsbanken was thus the Nordic commercial bank that was an advisor in most transactions.

Cash management business showed a stable trend, and according to the TNS Sifo Prospera survey, Swedish large corporate customers rank Handelsbanken's cash management offering as the best on the market.

The Bank remains the Nordic region's most international player, with operations in a total of 24 countries. The average volume of lending outside the Bank's home markets decreased by 7 per cent from the previous year to SEK 45.5 billion (48.9). Deposits went up by 45 per cent to SEK 49.4 billion (34.1).

Demand for the Bank's occupational pension solutions continued to grow, and new sales during the year were up by 40 per cent from the previous year. Total pension and insurance premiums paid in grew by 10 per cent from the previous year to SEK 11.4 billion.

Assets under management SEK bn	2014	2013
Mutual funds, excl. PPM and unit-linked insurance	247	199
PPM	18	14
Unit-linked insurance	74	60
of which external funds	-2	-2
<b>Total mutual funds</b>	<b>337</b>	<b>271</b>
Structured products	22	25
Portfolio bond insurance	18	17
of which in Handelsbanken mutual funds and structured products	-6	-5
Traditional insurance	10	11
of which in Handelsbanken mutual funds and structured products	-1	0
Institutional assets <sup>1</sup>	182	140
of which in Handelsbanken mutual funds and structured products	-82	-59
Handelsbanken's foundations	61	58
of which in Handelsbanken mutual funds and structured products	-8	-6
<b>Total assets under management, Handelsbanken Group</b>	<b>533</b>	<b>452</b>
Securities in custody, excl. mutual funds	293	256

<sup>1</sup> Including the whole volume managed by Heartwood, of which own funds SEK 16bn.



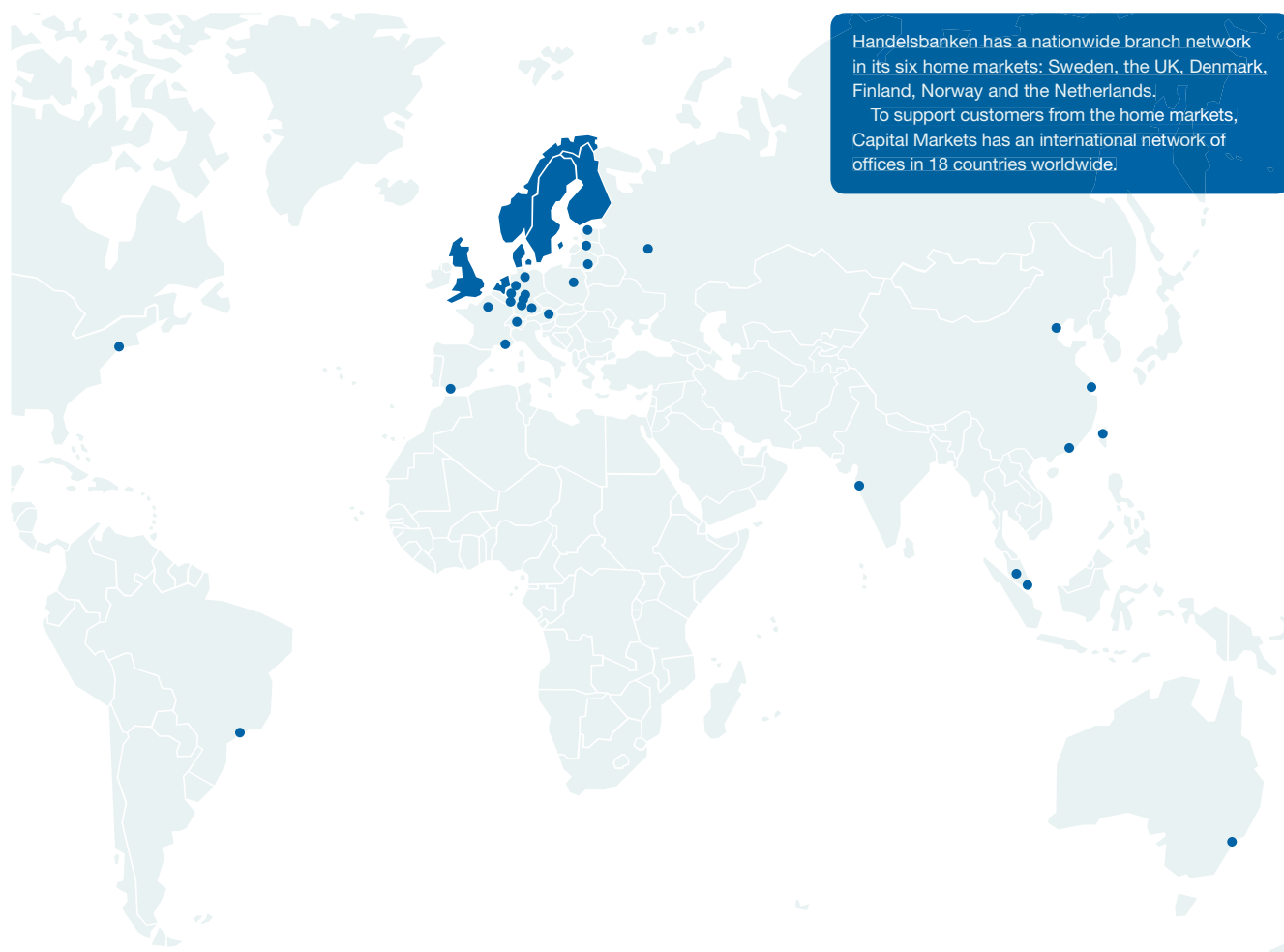
Markets & Asset Management offers a full range of products and services linked to risk management, securities, derivatives, mutual funds and research, as well as co-ordinating the Bank's offering in the savings area.

Merchant Banking International consists of the

following areas: Debt Capital Markets, Corporate Finance, Cash Management, Trade Finance and Export Finance, as well as global banking collaborations. This business area also includes Handelsbanken's operations in 26 locations in 18 countries outside the Bank's home markets.

The Pension & Life business area comprises the Handelsbanken Liv subsidiary and offers pension solutions and other insurance solutions for private and corporate customers.

The segment also includes business support units in these areas.



Quarterly performance Markets & Asset Management							
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Total 2014	Total 2013	Change %
Net interest income	7	8	4	4	23	39	-41
Net fee and commission income	403	401	424	442	1 670	1 661	1
Net gains/losses on financial transactions	425	298	434	333	1 490	1 027	45
Other income	-6	-3	-9	-13	-31	-37	-16
<b>Total income</b>	<b>829</b>	<b>704</b>	<b>853</b>	<b>766</b>	<b>3 152</b>	<b>2 690</b>	<b>17</b>
Staff costs	-268	-260	-263	-278	-1 069	-1 116	-4
Other expenses	-232	-198	-230	-235	-895	-1 013	-12
<b>Total expenses</b>	<b>-500</b>	<b>-458</b>	<b>-493</b>	<b>-513</b>	<b>-1 964</b>	<b>-2 129</b>	<b>-8</b>
<b>Profit before loan losses</b>	<b>329</b>	<b>246</b>	<b>360</b>	<b>253</b>	<b>1 188</b>	<b>561</b>	<b>112</b>
Net loan losses	-	-	-	-	-	-	-
<b>Operating profit</b>	<b>329</b>	<b>246</b>	<b>360</b>	<b>253</b>	<b>1 188</b>	<b>561</b>	<b>112</b>
<b>Operating profit after profit allocation</b>	<b>101</b>	<b>32</b>	<b>146</b>	<b>68</b>	<b>347</b>	<b>-146</b>	
Average number of employees	507	535	539	559	535	548	-2

Quarterly performance Merchant Banking International							
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Total 2014	Total 2013	Change %
Net interest income	179	190	195	213	777	816	-5
Net fee and commission income	200	212	211	196	819	874	-6
Net gains/losses on financial transactions	21	18	20	32	91	100	-9
Other income	10	8	16	11	45	49	-8
<b>Total income</b>	<b>410</b>	<b>428</b>	<b>442</b>	<b>452</b>	<b>1 732</b>	<b>1 839</b>	<b>-6</b>
Staff costs	-199	-190	-197	-201	-787	-784	0
Other expenses	-140	-117	-116	-130	-503	-488	3
<b>Total expenses</b>	<b>-339</b>	<b>-307</b>	<b>-313</b>	<b>-331</b>	<b>-1 290</b>	<b>-1 272</b>	<b>1</b>
<b>Profit before loan losses</b>	<b>71</b>	<b>121</b>	<b>129</b>	<b>121</b>	<b>442</b>	<b>567</b>	<b>-22</b>
Net loan losses	-21	15	34	-1	27	-65	
<b>Operating profit</b>	<b>50</b>	<b>136</b>	<b>163</b>	<b>120</b>	<b>469</b>	<b>502</b>	<b>-7</b>
<b>Operating profit after profit allocation</b>	<b>-16</b>	<b>102</b>	<b>126</b>	<b>86</b>	<b>298</b>	<b>298</b>	
Average number of employees	601	603	617	642	616	658	-6

Quarterly performance Pension & Life							
SEK m	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Total 2014	Total 2013	Change %
Net interest income	1	16	17	19	53	86	-38
Net fee and commission income	144	145	153	145	587	510	15
Net gains/losses on financial transactions	-15	-10	-12	-11	-48	-48	0
Other income	35	45	44	42	166	142	17
<b>Total income</b>	<b>165</b>	<b>196</b>	<b>202</b>	<b>195</b>	<b>758</b>	<b>690</b>	<b>10</b>
Staff costs	-42	-43	-42	-41	-168	-162	4
Other expenses	-64	-46	-51	-58	-219	-218	0
<b>Total expenses</b>	<b>-106</b>	<b>-89</b>	<b>-93</b>	<b>-99</b>	<b>-387</b>	<b>-380</b>	<b>2</b>
<b>Profit before loan losses</b>	<b>59</b>	<b>107</b>	<b>109</b>	<b>96</b>	<b>371</b>	<b>310</b>	<b>20</b>
Net loan losses	-	-	-	-	-	-	-
<b>Operating profit</b>	<b>59</b>	<b>107</b>	<b>109</b>	<b>96</b>	<b>371</b>	<b>310</b>	<b>20</b>
<b>Operating profit after profit allocation</b>	<b>23</b>	<b>51</b>	<b>64</b>	<b>59</b>	<b>197</b>	<b>151</b>	<b>-30</b>
Average number of employees	166	170	175	174	171	180	-5

# Handelsbanken's shares and shareholders

Handelsbanken's share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the exchange. In 2014, the share was noted at an all time high on 26 trading days (31). During the year, the share price grew by 16 per cent and including dividends paid, total return was 21 per cent.

There are two classes of Handelsbanken's share: class A and class B. Class A shares are by far the most common and represent more than 98 per cent of all shares, both in terms of the number of shares and the turnover. Class A shares each carry one vote while class B shares have one-tenth of a vote. The share capital is SEK 2,956 million, distributed over 635,675,719 shares. Each share thus represents SEK 4.65 of the share capital.

## STOCK EXCHANGE TRADE

Handelsbanken's shares are traded on several different market places. Turnover is largest on Nasdaq Stockholm, but for the past couple of years, the shares have also been traded on other venues, such as Chi-X/BATS. In 2014, an average of 1.1 million Handelsbanken shares were traded each day on Nasdaq Stockholm.

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

## DIVIDEND

One of the purposes of Handelsbanken's corporate goal is to offer shareholders long-term high growth in value, expressed in increasing earnings per share over a business cycle. The Bank aims for the ordinary dividend to show long term, stable growth which reflects the value creation. But the dividend level must not lead to the authorities' capital requirements not being met.

The Board is proposing to the 2015 AGM to decide on a total dividend of SEK 17.50 per share (16.50), with the ordinary dividend being SEK 12.50 per share (11.50). The complete proposal on share dividends is presented on page 191.

## CREATING SHAREHOLDER VALUE

Handelsbanken is one of few banks in Europe which has created a positive shareholder value during the years of the financial and debt crisis. Handelsbanken is the only commercial bank on the Stockholm stock exchange which has not

needed to ask its shareholders for new capital during this period.

During the past five-year period, Handelsbanken has generated a positive shareholder value of SEK 140 billion. Market capitalisation has grown by SEK 106 billion, while Handelsbanken has paid out SEK 34 billion in dividends.

## SHARE PRICE PERFORMANCE

For 26 (31) of the trading days during the year, the Handelsbanken share was listed at an all time high. The highest listing for the year – SEK 372.80 – was on 11 December. Handelsbanken's market capitalisation increased during the year by SEK 32 billion and was SEK 233 billion (201) as at 31 December 2014. The Swedish stock market went up by 10 per cent during the year and the Stockholm stock exchange bank index rose by 10 per cent.

Handelsbanken's class A share ended the year at SEK 366.60, an increase of 16 per cent. Including dividends, the total return was 21 per cent.

Handelsbanken's shares	2014	2013	2012	2011	2010
Earnings per share, total operations, SEK	23.89	22.52	22.34	19.78	17.72
after dilution	23.51	22.26	21.85	19.39	17.44
Ordinary dividend per share, SEK	12.50 <sup>1</sup>	11.50	10.75	9.75	9.00
Total dividend per share, SEK	17.50 <sup>1</sup>	16.50	-	-	-
Dividend growth, ordinary dividend, %	9 <sup>1</sup>	7	10	8	13
Price of class A share, 31 December, SEK	366.60	316.00	232.40	181.00	214.90
Highest share price during year, SEK	372.80	319.60	249.90	226.00	229.00
Lowest share price during year, SEK	305.10	234.30	181.00	147.40	180.50
Share price performance, %	16	36	28	-16	5
Total return, %	21	41	34	-12	9
Dividend yield, %	3.4 <sup>1</sup>	3.6	4.6	5.4	4.2
Adjusted equity per share, SEK	192.40	177.71	162.63	152.71	143.14
Stock exchange price/equity, %	191	178	143	119	151
Average daily turnover on Nasdaq OMX (no. of shares)					
Class A	1 083 603	1 240 755	1 542 761	2 056 789	1 927 262
Class B	19 567	17 007	16 111	23 754	25 798
P/E ratio	15.3	14.0	10.4	9.2	12.1
Market capitalisation, SEK bn	233	201	147	113	134
No. of converted shares from the convertible subordinated loan issued in 2008, millions	0	2.8	8.7	0.6	-
No. of shares as at 31 December, millions	635.7	635.6	632.8	624.1	623.5
Holding of repurchased shares, millions	-	-	-	-	-
Holding of own shares in trading book, millions	-	-	-	0.1	-
Number of outstanding shares, as at 31 December, millions	635.7	635.6	632.8	624.0	623.5
Dilution effect, end of period, millions	21.6	12.0	15.4	26.3	12.2
Number of outstanding shares after dilution, millions	657.3	647.6	648.2	650.3	635.7
Average number of outstanding shares (millions)	635.7	634.8	628.5	623.1	622.1
after dilution	653.0	647.5	649.9	642.4	634.3

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

## REPURCHASE OF SHARES

At the AGM in March 2014, the Board received a mandate to repurchase a maximum of 40 million shares during the period until the AGM in March 2015. This mandate was not used in 2014. 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 2011, the Bank issued a subordinated convertible loan for SEK 2.5 billion on market terms directed at the Group's employees. Holders can convert to class A shares in Handelsbanken between 1 May 2016 and 30 November 2016. The original ordinary conversion price was SEK 256.52. 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 2014, the conversion price was therefore recalculated at SEK 224.52. The Bank can also demand conversion.

In spring 2014, the Bank issued another subordinated convertible loan for SEK 3.2 billion on market terms directed at the Group's employees. Holders can convert to class A shares in Handelsbanken between 1 May 2019 and 30 November 2019. The original ordinary conversion price was SEK 379.19. 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. The Bank can also demand conversion.

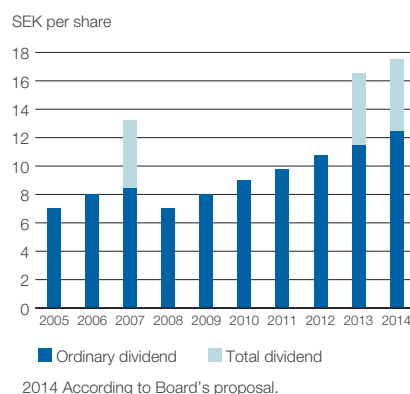
## OWNERSHIP STRUCTURE

During the past few years the proportion of non-Swedish shareholders has increased from 30 per cent at the end of 2008 to 48 per cent (47) as at 31 December 2014. Handelsbanken has almost 100,000 shareholders. Two thirds

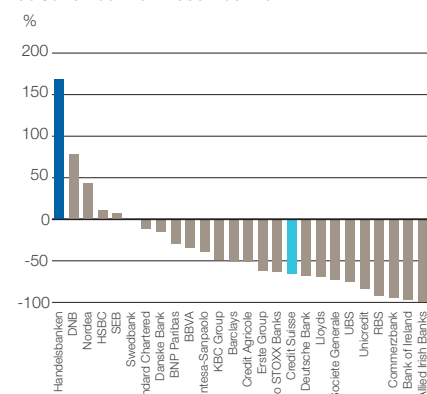
of these owned fewer than 501 shares. Four per cent of the shareholders owned more than 5,000 shares each, and together they held almost 92 per cent of the share capital.

Two shareholders own more than 10 per cent of the shares: the Oktogonen Foundation and Industrivärden.

### Share dividends in the past 10 years



### Total return since the beginning of the financial crisis 30 June 2007–31 December 2014



Source: SNL, as at 31 December 2014 (dividends reinvested)

### The largest Swedish shareholders as at 31 December 2014

	Number of shares	% of capital	% of votes
Industrivärden	64 661 679	10.17	10.34
Oktogonen Foundation	64 451 572	10.14	10.31
Lundbergs	14 932 000	2.35	2.39
Swedbank Robur funds	13 159 493	2.07	2.11
Alecta	12 882 000	2.03	2.06
AMF and funds	10 771 804	1.69	1.72
Handelsbanken funds	7 800 695	1.23	1.25
SEB funds	6 467 816	1.02	1.03
4th National Swedish Pension Fund	5 264 392	0.83	0.84
The J. Wallander & T. Hedelius Foundation, The T. Browaldh Foundation	4 100 000	0.64	0.66
3rd National Swedish Pension Fund	3 980 314	0.63	0.64
SPP Fonder	3 693 879	0.58	0.59
Didner & Gerge Fonder	3 519 098	0.55	0.56
Skandia	3 484 228	0.55	0.56
Folksam	3 307 232	0.52	0.53

### Shareholdings per shareholder 31 December 2014

		Shareholdings			
Number of shares		Shareholders Number	Number of class A shares	Number of class B shares	% of share capital
1–500	shares	66 681	8 074 888	2 397 396	1.7
501–1,000	shares	13 107	8 541 452	1 499 198	1.6
1,001–5,000	shares	14 890	28 730 225	3 447 506	5.1
5,001–20,000	shares	2 598	21 244 099	1 942 651	3.6
20,001–	shares	947	557 334 612	2 463 692	88.0
<b>Total</b>		<b>98 223</b>	<b>623 925 276</b>	<b>11 750 443</b>	<b>100.0</b>

### Shares divided into share classes 31 December 2014

Share class	Number	% of capital	% of votes	Average prices/repurchased amount	Share capital
Class A	623 925 276	98.15	99.81		2 901 252 533
Class B	11 750 443	1.85	0.19		54 639 560
<b>Total</b>	<b>635 675 719</b>	<b>100.00</b>	<b>100.00</b>		<b>2 955 892 093</b>

# Sustainability, employees and the environment

Handelsbanken's business opportunities and successes depend upon the confidence that customers, investors, the public and public authorities have in us and our employees. A condition for this confidence is that the Bank's operations are subject to high ethical standards and responsible actions, and that employees of the Bank conduct themselves in a manner that upholds confidence. The following is a summary of the Bank's sustainability work. The complete Sustainability Report is on pages 196–223 of this Annual Report.

## SUSTAINABILITY

### HANDELSBANKEN IN THE COMMUNITY

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

### HANDELSBANKEN IN THE LOCAL COMMUNITY

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

In recent years, most banks have decided to significantly reduce the number of branches. Handelsbanken has instead elected to retain its local branches and thus continues to fill an important function in the local community. In 2014, Handelsbanken opened 24 new branches in its home markets. We are currently the only bank in 59 locations.

### OUR ANALYSIS OF THE IMPACT OF OUR OPERATIONS

Companies can affect their environment in financial, social and environmental terms. Different sectors have varying impact within the various areas of responsibility. For example, a bank's direct environmental impact is fairly limited. In terms of its indirect environmental impact, Handelsbanken's assessment is that it normally has relatively little opportunity to affect customers' behaviour and that customers are fully responsible for how their operations are run. However, a fundamental condition for the Bank's lending is that the operation is legally compliant and that it fulfils all requirements from public authorities in terms of environmental and other sustainability matters.

## RESPONSIBLE LENDING

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

Handelsbanken considers it very important that the Bank's lending is responsible, and that it is based on a careful 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.

Handelsbanken's credit policy states that the Bank must maintain sound ethical standards in its lending operations. This means that in its credit risk assessment, the Bank takes into account the customer's attitude to human rights, fundamental principles of working conditions and environmental considerations and also fighting corruption.

## RESPONSIBLE INVESTMENTS

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

## ETHICAL GUIDELINES

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

## HUMAN RIGHTS

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

## EMPLOYEES

In 2014, Handelsbanken had 11,692 employees, working in 24 countries, nearly 37 per cent of whom were employed outside Sweden.

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

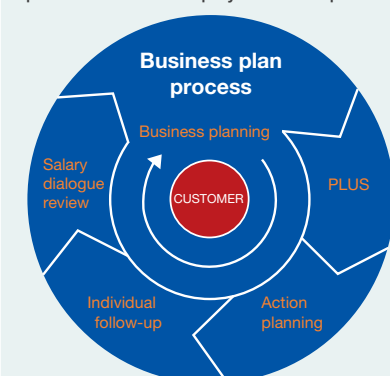
Above all, working at Handelsbanken is about relationships with other people. So when we recruit new employees, we always seek people who share the Bank's basic values. We want our employees to be driven by putting the customer first, to enjoy taking a large amount of individual responsibility, and to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

### CONSTANT DEVELOPMENT

Handelsbanken's strength is derived from the combined expertise of our employees. The most important source of increased professionalism is learning in our 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 their line manager at least once a year. After this, each employee puts together an action plan setting out the goals to be attained and the conditions necessary for this. The employee has a salary dialogue review with the line manager, based on a follow-up of the action plan carried out.

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



## INTERNAL LABOUR MARKET AND MANAGEMENT SUCCESSION

Handelsbanken's strong corporate culture and values are vital to the Bank's success. Due to the Bank's decentralised working methods, employees take a large amount of personal responsibility, are given a mandate to take their own decisions and are driven by putting the customer in focus. Internal mobility contributes to the working method and culture being spread to all parts of the Bank, through transfer of the skills and experience acquired to the employee's new tasks. This means that internal recruitment and long-term employment are important. To retain an employee, the right conditions must exist for development in their work, as well as a variety of career opportunities – and consideration must be taken of the stage of life that she or he is in. Employees who are secure and happy with long experience and broad knowledge of the whole Bank, give good service and create long-term customer relationships. This makes a vital contribution to the Bank having satisfied customers. The Handelsbanken Group continues to have very low external staff turnover. In 2014, the figure was 3.2 per cent (2.9).

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2014, 100 per cent (98) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 93 per cent (90), including those markets where the Bank established operations relatively recently.

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

## FOR GENDER EQUALITY AND DIVERSITY

The work towards equality at Handelsbanken continues, and this year the Bank began the work of increasing the focus on diversity in a wider perspective. The Bank aims to broaden its recruitment base, to become, to an even greater extent, a bank that reflects the community in which it operates. Initiatives have been taken in several parts of the Group to increase knowledge and awareness of diversity.

Gender equality and diversity at Handelsbanken are about making the most of all of the Bank's potential.

Diversity encompasses various individuals' different skills and work experience, different ways of thinking and solving problems, and different characteristics, appearance, behaviour and life situations. Diversity also encompasses differences such as gender, transgender identity or expression, age, ethnicity, sexual orientation, disability, religion, or any other grounds for discrimination.

Handelsbanken's gender equality goal is to be a company where men and women have the same opportunities, chances and power to shape the Bank and their own career. In all countries where Handelsbanken operates, a gender equality plan must be produced to support the Group's equality goals. The plan is to be based on Handelsbanken's fundamental values and the laws and guidelines applying in the country.

At the year-end, 45 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 51 per cent (52).

The Bank's work with gender equality is continuing, with various measures aimed at making Handelsbanken an even more gender-equal company. Training is carried out within the organisation in order to increase awareness of how social and cultural norms affect attitudes and behaviour in everyday life.

In 2014, the Bank, together with union representatives, carried out a separate survey to identify any remaining differentials. The survey was carried out with the aid of tools that indicate statistical and structural differences, and is separate from the previous review in conjunction with individual salary dialogues. The result of the past few years' work has been that pay differentials have decreased, and there is a strong basis for the effect to be a lasting one.

Incidents of discrimination concerning the Bank's employees are normally managed in the operations through the local personnel functions, but cases reported to the national discrimination ombudsman or corresponding official body are followed up at Group level. No such cases were reported in 2014.

## WORK ENVIRONMENT AND HEALTH

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

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

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

## RELATIONS WITH THE UNION

All employees of Handelsbanken have the right to organise and join a union or employee organisation. Handelsbanken's traditional good relationship with unions is a valuable component of the Bank's culture. All employees in Denmark, Finland, France, Luxembourg, Norway, Sweden and Austria, comprising almost 82 per cent of the Bank's employees, are covered by collective bargaining agreements. In these countries, employees who are not members of a union are also covered by the terms of the collective agreement. The number of employees has increased in countries which traditionally have a low rate of membership of collective bargaining agreements. For this reason, the proportion of employees who are covered by a

collective bargaining agreement has fallen slightly.

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

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

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

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

## ENVIRONMENTAL PERFORMANCE

### HANDELSBANKEN'S DIRECT ENVIRONMENTAL IMPACT

A bank's direct environmental impact is fairly limited. Handelsbanken's direct impact derives mainly from consumption of energy, materials, equipment, travel and transport.

For all the Bank's regional banks in the Nordic countries, the UK and the Netherlands and also central units, carbon dioxide emissions (CO<sub>2</sub>) from the operations' total electricity consumption totalled 3,663 tonnes for 2014.

For the Swedish operations, we measure CO<sub>2</sub> emissions for electricity consumption, transport, business travel and heating/cooling and diesel for properties owned by the Bank in Sweden, which totalled 3,702 tonnes of CO<sub>2</sub> (excluding paper consumption) for 2014. Emissions of CO<sub>2</sub> in Sweden have gone down by 10 per cent compared with 2013.

Handelsbanken strives to minimise the CO<sub>2</sub> emissions generated in its operations.

The proportion of green electricity is 99 per cent for Sweden and 89 per cent for the Nordic countries as a whole.

This year, a new environmental policy for the Handelsbanken Group has been adopted.

### 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.



SVENSKA  
HANDELSBANKEN





# Corporate Governance Report

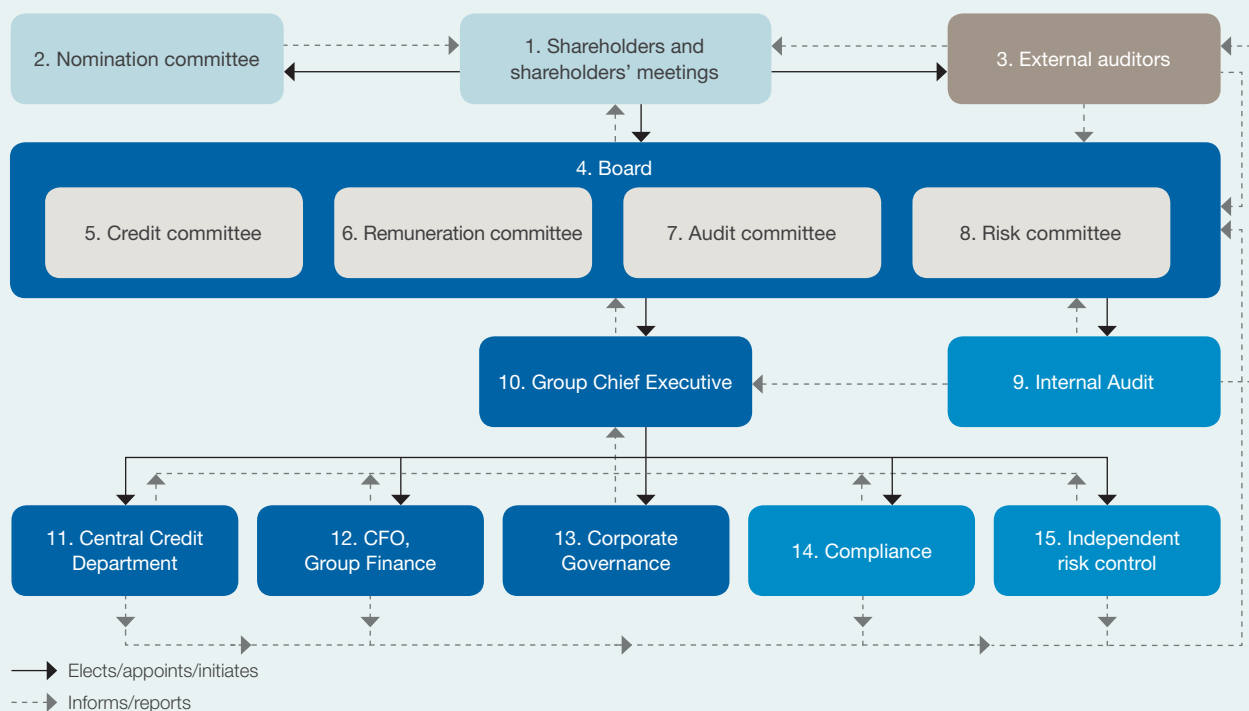
Handelsbanken is a Swedish public limited company, whose shares are listed on Nasdaq Stockholm. Here the Board submits its Corporate Governance Report for 2014. Handelsbanken applies the Swedish Code of Corporate Governance.

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# Corporate Governance structure

Corporate Governance at Handelsbanken – an overview



The diagram provides a summary of corporate governance at Handelsbanken. The shareholders take decisions at the AGM. For certain questions, the shareholders' decisions are prepared by the nomination committee. The shareholders appoint a board which in turn appoints a CEO to manage the operating activities. The Board organises itself into various committees. To support the work of governing the Bank, the CEO has the Group Finance unit, the Central Credit Department and the Corporate Governance unit. There are also a number of control functions at the Bank. The shareholders also exercise control via the external auditors.

## 1. SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders exercise their right to decide on matters concerning Handelsbanken at shareholders' meetings, which are the Bank's highest decision-making body. For example, a shareholders' meeting decides on any changes to the most fundamental governing document for the Bank – the articles of association. Every year an annual general meeting is held which among other things appoints the Board, the Chairman of the Board and auditors. It can also decide how the nomination committee is to be appointed. See also page 52.

## 2. NOMINATION COMMITTEE

The nomination committee's task is to prepare and submit proposals to the AGM regarding the appointment of the Chairman and other members of the Board and fees to the Chairman and other members of the Board. The nomination committee is also informed of the Board's evaluation of its work, primarily based on the report that the Chairman of the Board

submits to the committee. The committee also proposes the appointment of the auditors, and their fees. The AGM decides how the nomination committee will be appointed.

## 3. EXTERNAL AUDITORS

The auditors are appointed by the AGM for the period until the end of the following year's AGM. The auditors are accountable to the shareholders at the AGM. They carry out an audit and submit an audit report covering matters such as the Annual Report and the Board's administration. In addition, the auditors report orally and in writing to the Board's audit committee concerning how their audit was conducted and their assessment of the Bank's administrative order and internal control. The auditors also submit a summary report of their audit to the Board as a whole.

## 4. THE BOARD

The Board is responsible for the Bank's organisation and manages the Bank's affairs on

behalf of its shareholders. The Board is to continuously assess the Bank's financial situation and ensure that the Bank is organised such that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily controlled. The Board establishes policies and instructions on how this should be executed, and establishes 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 the CEO, Executive Vice Presidents and the Head of Internal Audit and stipulates the employment terms for inter alia these persons. The Board also decides the employment terms for the Heads of Compliance and Risk Control. The Chairman is responsible for evaluating the Board's work and informs the nomination committee of the results of the evaluation.

**Read more**

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

- Previous corporate governance reports from 2007 onwards
- Articles of association
- Information about the nomination committee
- Information from shareholders' meetings from 2008 onwards.

**5. CREDIT COMMITTEE**

The Board's credit committee decides on credit cases where the amount exceeds the decision limit which the Central Board has delegated to another unit. Cases of special importance are decided by the whole Board. The credit committee comprises the Chairman of the Board, the Vice Chairmen, the chairman of the audit committee, the CEO, three Board members appointed by the Board and the Head of the Central Credit Department. A representative from the unit within the Bank to which the credit case applies presents the case to the credit committee.

**6. REMUNERATION COMMITTEE**

The Board's remuneration committee evaluates the employment conditions for the Bank's Executive Directors 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 remuneration to executive officers, monitoring and evaluating the application of these guidelines, and preparing the Board's decisions on remuneration principles, remuneration and other terms of employment for Executive Directors, as well as for the heads of Compliance, Internal Audit and Risk Control. The committee also makes an independent assessment of Handelsbanken's remuneration policy and remuneration system. The remuneration committee consists of the Chairman of the Board and two members appointed by the Board.

**7. AUDIT COMMITTEE**

The Board's audit committee monitors the Bank's financial reporting by examining crucial accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control and internal audit, 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. RISK COMMITTEE**

The Board's risk committee monitors risk control and risk management in the Handelsbanken Group. The committee prepares

decisions regarding the Bank's risk strategy, risk tolerance, etc., and examines reports from the compliance and risk control functions. The risk committee comprises the Chairman of the Board and two other members appointed by the Board.

**9. INTERNAL AUDIT**

Internal Audit performs an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. A central task for Internal Audit is to assess and verify processes for risk management, internal control and corporate governance. Auditing is performed according to internationally accepted norms. The Head of Internal Audit is appointed by the Board and reports regularly to the audit committee, orally and in writing, and also submits an annual summary report to the whole Board.

**10. PRESIDENT AND GROUP CHIEF EXECUTIVE (CEO)**

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

**11. CENTRAL CREDIT DEPARTMENT**

The Central Credit Department is responsible for formulating and maintaining the Bank's credit policy, credit process and for preparing every major credit case that the Board's credit committee or the whole Board decides on. The Head of Credits presents all cases to the CEO and Chairman of the Board before they are presented for a decision by the credit committee or the Board. The Head of Credits reports to the CEO and is a member of the Board's credit committee. The Head of Credits also reports to the Board about loan losses and risks in the credit portfolio.

**12. CFO, GROUP FINANCE**

Group Finance is responsible for control systems, reporting, book-keeping, accounting and taxes. It is also responsible for the Group's liquidity, funding and capital, and for the Group's overall risk management for all risks except credit risk and compliance risk. For a detailed description of this risk management, see note G2 on pages 81–105.

**13. CORPORATE GOVERNANCE**

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

**14. COMPLIANCE**

The Compliance function is responsible for ensuring that laws, regulations and internal rules, as well as accepted business practices or norms, are complied with in the operations conducted by the Handelsbanken Group. The function must act as a support to business operations and follow up the application of the applicable regulations, check internal 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, the risk committee and the remuneration committee in matters regarding compliance.

**15. INDEPENDENT RISK CONTROL**

The centrally located independent Risk Control function is responsible for monitoring and reporting all the Group's material risks at an aggregate level. This responsibility comprises credit, counterparty and market risks (interest rate, exchange rate, equity price and commodity price risk), operational risks, liquidity risks and insurance risks, as well as risks associated with the Group's remuneration system. Risk Control identifies, measures and analyses Group risk. It reports continually to the CEO and on a regular basis to the risk committee and the remuneration committee. The Board is also informed of the material risks in the operations. The Head of Risk Control also provides regular information to the CFO. The management of the individual risks is the task of the operating unit that is responsible for the customer or counterparty (account manager) or responsible for conducting a certain transaction (business manager). Risk Control reports directly to the CEO and acts independently and is separate from the controlled operations.

## CORPORATE GOVERNANCE AT HANDELSBANKEN

Corporate governance concerns how rights and obligations are allocated among the Bank's entities, in accordance with prevailing laws and regulations. Corporate governance also encompasses systems for decision-making, and the structure through which shareholders control the Bank, directly and indirectly. The following are fundamental to corporate governance at Handelsbanken: on the one hand the documents adopted by the Board, for example the Board's rules of procedure, instructions to the CEO and the Head of Central Audit, and credit instructions and policy documents regarding the Bank's operations (see also pages 57–59), and on the other hand the instructions and guidelines issued by the CEO. These documents are revised every year but can be adjusted more often when necessary. However, the foundation of functioning corporate governance is not only formal documents but also the Bank's corporate culture, corporate goal, working methods, and remuneration system. The Bank's work with sustainability matters is also part of the corporate governance since it is an integral part of managerial responsibility at all levels of the organisation.

### The Bank's culture and long-term goal

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. This is mainly to be achieved by having more satisfied customers and lower costs than those of competitors. One of the purposes of this goal is to offer shareholders long-term high growth in value.

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's decentralised working model involves strong trust in employees' willingness and ability to take responsibility. This working model has been consistently applied for many decades and has resulted in the Bank's very strong corporate culture. A central part of governance of Handelsbanken comprises managing the risks that arise in operations. Risk management is described in detail in a separate risk section in the Annual Report, note G2 on pages 81–105, and also briefly in this Corporate Governance Report.

The salary and pension systems, combined with the Oktogonen profit-sharing scheme, are other ways of boosting the corporate culture by promoting long-term employment. Allocations to the Oktogonen scheme are made if Handels-

banken's profitability is better than the average of peer banks. The profit-sharing scheme contributes to the employees' interests being in agreement with the Bank's corporate goals. In this way, cost-awareness and caution will become part of Handelsbanken's corporate culture.

Handelsbanken wishes to recruit young employees for long-term employment at the Bank by offering development opportunities that make the Bank self-sufficient in terms of skilled employees and managers.

This long-term approach also applies to the way in which the Bank relates to its customers. It is manifested in, for example, the ambition of always giving the customer the best possible advice – without looking at what is most profitable for the Bank in the short term. This enables the Bank to build long-term relationships with both customers and employees.

### Application of the Swedish Code of Corporate Governance

Handelsbanken applies the Swedish Code of Corporate Governance, with only two deviations. Remuneration committee member Jan Johansson is not independent of the Bank and its management but the Board's assessment is that Jan Johansson's skills and experience in the field of remuneration matters should be utilised by the Bank and this justifies the deviation from the provisions of the Code. In addition, a majority of the members of the Board are not independent of the Bank and its management, according to the criteria of the Code. The reason for this deviation is that one Board member declined reelection such a short time before the 2014 AGM that the nomination committee did not have time to take the requisite action to recruit a new Board member.

According to the Code, information must be submitted regarding the material shareholdings of the CEO and his close relatives, or other part-ownership in companies with which the Bank has significant business relations. Pär Boman has no material shareholdings. Regardless of this, it is Handelsbanken's view that the provisions of the Code are not applicable to the Bank, since regulations on banking confidentiality prevent Handelsbanken from naming corporate customers.

### General information about corporate governance in banks

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

The regulations for banking operations are

very extensive, and are not described in detail in this report. A list of the key regulations is available on the Swedish Financial Supervisory Authority's website. 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, but have full supervision over the Bank's subsidiaries outside Sweden. The supervisory authorities in the Nordic countries, the UK and Germany are co-ordinated in a supervisory group for Handelsbanken, led by the Swedish Financial Supervisory Authority.

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

The Supervisory Authority's work also includes systematically visiting various parts of the Bank. The purpose of this is to follow up the Bank's actual compliance with the terms and conditions of granted licenses and other detailed regulations.

## SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

### Rights of shareholders

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

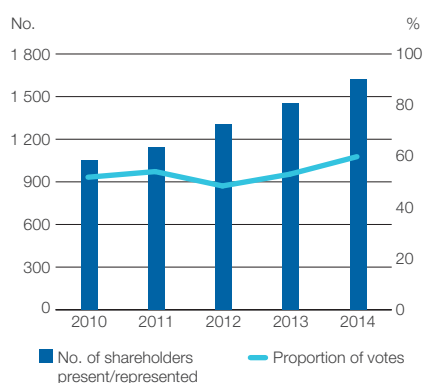
- how many members should be on the Board of the Bank, who these members should be, and who should be the Bank's auditors
- determining fees to Board members and auditors
- adopting the income statement and balance sheet
- appropriation of profits
- whether to discharge the Board and the CEO from liability for the past financial year
- principles for remuneration to executive officers.

The shareholders at a shareholders' meeting can also make decisions on the Bank's articles of association. The articles of association constitute the fundamental governing document for the Bank. They specify which operations the Bank is to conduct, the limits on the amount of share capital, the right of shareholders to participate at shareholders' meetings and the items to be presented at the AGM.

The articles of association state that the number of board members must be at least 8 and at most 15. They are elected for one year at a time. Handelsbanken's articles of association contain no stipulation regarding the appointment and discharging of board members nor concerning amendments to the articles of association.

Information in preparation for meetings is published at [handelsbanken.se/ireng](http://handelsbanken.se/ireng). Minutes of previous meetings are also available there in English.

Attendance at AGMs 2010–2014



### Major shareholders

At the end of 2014, two shareholders had more than 10 per cent of the votes: AB Industrivärden with 10.3 per cent and the Oktogonen Foundation with 10.3 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 45.

### Annual general meeting 2014

The annual general meeting took place on 26 March 2014.

Over 1,620 shareholders were represented at the meeting. They represented 58.63 per cent of all votes in the Bank. The whole Board was present at the AGM. Also participating were the chairman of the nomination committee Anders Nyberg, as well as Stefan Holmström and Erik Åström, principal auditors 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 16.50 per share, of which SEK 11.50 comprised the ordinary dividend
- authorisation for the Board to resolve on acquisition of not more than 40 million shares in the Bank, as well as divestment of shares
- the Board is to consist of ten members
- the re-election of all Board members for the period until the end of the next AGM, with the exception of Lone Fønss Schröder, who had declined re-election
- election of Anders Nyrén as Chairman of the Board
- fees to be paid to the Board members as follows: SEK 3,150,000 to the Chairman of the Board, SEK 900,000 to each of the Vice Chairmen and SEK 625,000 to the other Board members, as well as remuneration for committee work
- the issue on market terms of a convertible bond to employees.

The shareholders at the meeting also adopted the following guidelines for remuneration and other terms of employment for executive officers, as proposed by the Board:

- the aggregated total remuneration shall be on market terms
- remuneration 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 remuneration benefits, such as bonuses or commission on profits, are not paid

- the executive officers 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 six months and on the part of Handelsbanken, a maximum of twelve months. If the Bank terminates the contract later than five years after the person's appointment as one of the Bank's executive officers, 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 remuneration previously decided for executive officers. The senior management positions to which the guidelines apply are the CEO and Executive Vice Presidents.

### Auditors

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

Erik Åström has been an authorised public accountant since 1989 and has been principal auditor for Ernst & Young AB at Handelsbanken since 2008. He is also auditor for ICA Gruppen AB, Intrum Justitia AB, Kommuninvest co-operative association, Nasdaq OMX, Skistar AB, AB Svensk Exportkredit, Södra Skogsägarna co-operative association, and Transcom Worldwide AB. Mr Åström was born in 1957.

### NOMINATION COMMITTEE

The shareholders at the 2010 AGM resolved to establish instructions for how the nomination committee is to be appointed. According to the decision, the instruction will apply until it is changed by a later AGM. The instruction states that the nomination committee shall comprise five members: the Chairman of the Board and one representative from each of the Bank's four largest shareholders as at 31 August the year before the AGM is held.

However, the nomination committee must not include representatives of companies which are significant competitors of the Bank in any

of its main areas of operations. It is the Chairman of the Board's task to contact the largest owners, so that they appoint one representative each to sit on the nomination committee together with the Chairman. This has taken place and after AMF declined its position on the nomination committee, the 2015 nomination committee comprised:

Representative	Shareholders	Voting power in % as at 29 Aug 2014
Anders Nyberg, Chairman	Industrivärden	10.34
Jan-Erik Höög	Oktogonen Foundation	10.31
Mats Guldbrand	Lundberg ownership group	2.39
Bo Selling	Alecta	1.66
Anders Nyrén, Chairman of the Board		

Information on the composition of the nomination committee has been available on the Bank's website since 24 September 2014.

In advance of the AGM on 25 March 2015, the nomination committee has the task of studying the Board's evaluation of its work. The committee also submits proposals for the election of a chairman of the AGM, the Chairman of the Board and other members of the Board, the fees to the Chairman and other Board members, remuneration for committee work, and the election of and fees to auditors.

#### Recruitment and diversity-related work

In its work, the nomination committee takes into account matters relating to diversity, including gender distribution, on the Board. Handelsbanken's Board has adopted a policy to promote diversity in the Board. The policy states that to promote independent opinions and critical questioning, it is desirable that the Board should be characterised by sufficient diversity in terms of age, gender, geographical origin, and educational and professional background. The proportion of women on the Board of the Bank is 20 per cent and the proportion of members of another nationality than where Handelsbanken is domiciled is 30 per cent. In compiling its proposal for the AGM, the nomination committee will also consider the evaluation of the Board carried out by the Chairman of the Board.

#### THE BOARD

After the shareholders at the 2014 AGM had appointed Anders Nyrén to be Chairman of the Board, Fredrik Lundberg and Sverker Martin-

Löf were appointed as Vice Chairmen at the first Board meeting immediately after the AGM. At the same time, the Board appointed members of the credit committee, audit committee, risk committee and remuneration committee. Information about the Board is shown on pages 62–63.

#### Composition of the Board

The Board consists of ten members. When the Board is elected, the nomination committee proposes members. The nomination committee includes the Oktogonen Foundation which also proposes two of the members in the nomination committee's proposal.

The Board members have broad and extensive experience from the business world. Most are, or have been, chief executives of major companies, and most of them are also board members of major companies. See also pages 62–63. Several members have worked on the Bank's Board for a long time and are very familiar with the Bank's operations.

#### Independence of Board members

The Swedish Code of Corporate Governance stipulates that the majority of Board members elected by the AGM must be independent of the Bank and the Bank's management, and that at least two of the independent Board members must also be independent of those of the company's shareholders that control ten per cent or more of the shares and votes in the Bank. 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 the Oktogonen Foundation, which is a major shareholder. The third of the employed members, Pär Boman, works for the Bank as CEO and is also dependent in relation to AB Industrivärden, a major shareholder of the Bank, where Mr Boman is a board member. Jan Johansson and Anders Nyrén are also considered to be dependent in relation to the Bank since they are CEOs of Svenska Cellulosa AB SCA and AB Industrivärden respectively, while the Bank's CEO Pär Boman is a member of the board of both companies. The above circumstances mean that the Board's composition does not fulfil the requirements for independence in relation to the Bank and its management according to the Swedish Corporate Governance Code as stated in the section on Application of the Swedish Code of Corporate Governance on page 52. Anders Nyrén is also dependent in relation to a major shareholder (AB Industrivärden).

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

#### Regulations governing the Board's work

The fundamental rules regarding the distribution of tasks among the Board, the Board committees, the Chairman, the CEO and Internal Audit are expressed in the Board's rules of procedure, as well as in its instructions to the CEO and to the Head of the Central Audit department.

#### Chairman of the Board

The Board's rules of procedure state that the Chairman shall ensure that the Board carries out its work efficiently and that it fulfils its duties. This involves organising and managing the Board's work and creating the best possible conditions for this work. The Chairman must also ensure that the Board members continually update and expand their knowledge of the Bank, and that new members receive appropriate introduction and training. The Chairman must be available to the CEO as an advisor and discussion partner, but must also prepare the Board's evaluation of the CEO's work. The Chairman's duties include being chairman of the credit, remuneration and risk committees, as well as being a member of the audit committee. The Chairman is responsible for ensuring that the Board's work is evaluated annually. The evaluation is performed by means of discussions with each member; certain years, the members answer a special survey. The Chairman informs the nomination committee about the evaluation of the Board. The Chairman is also responsible for maintaining contact with the major shareholders concerning ownership matters. As chairman of the Bank's pension foundation, pension fund and staff foundation, he has overall responsibility for ownership issues associated with shareholdings of these three entities. There is no other division of work for the Board except as concerns the committees.



### The Board's work in 2014

During the year, the Board had ten meetings, including an extended strategy meeting.

The figure below gives an overview of some of the matters discussed regularly by the Board.

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

### Committee work

#### Credit committee

The credit committee consisted of eight members: the Chairman of the Board (Anders Nyrén, who is also chairman of the committee), the two Vice Chairmen (Fredrik Lundberg and Sverker Martin-Löf, also chairman of the audit committee), the CEO (Pär Boman), the Head of the Central Credit Department (Lars Kahnlund and then his successor Per Beckman), and three Board members appointed by the Board (Tommy Bylund, Ole Johansson and Bente Rathe).

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

would cause inconvenience to the Bank or the borrower, the credit instructions allow the CEO and the Head of the Central Credit Department to decide on credit cases during the interval between meetings.

In 2014, the credit committee had 13 meetings.

#### Audit committee

The audit committee consisted of the Chairman of the Board (Anders Nyrén) and two Board members appointed by the Board (Sverker Martin-Löf and Ole Johansson). The two latter members are independent of the Bank and its management. Ole Johansson is also independent in relation to the major shareholders. Sverker Martin-Löf is the committee chairman.

The work of the audit committee includes the following:

- monitoring the financial reporting and effectiveness of the Bank's internal control and internal audit
- establishing an audit plan for the work of Internal Audit
- regular contact with the external auditors. These auditors 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
- considering reports from Internal Audit.

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 persons with main responsibility from the audit companies appointed by the AGM.

In 2014, the audit committee had five meetings.

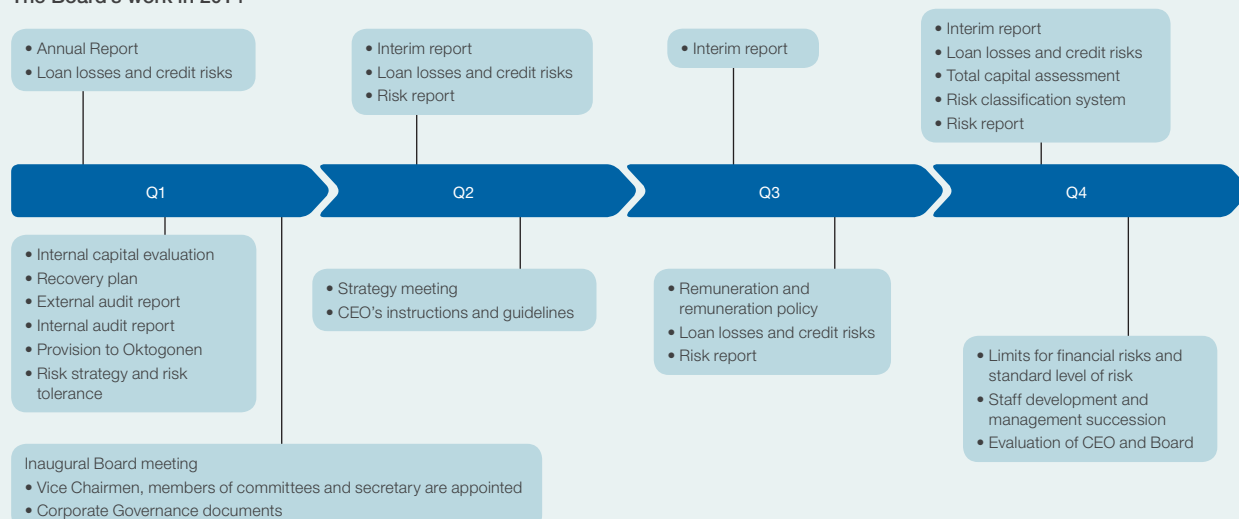
#### Risk committee

The risk committee comprised the Chairman of the Board (Anders Nyrén, who is also the committee chairman) and two Board members appointed by the Board (Ole Johansson and Bente Rathe). The two latter members are independent of the Bank, its management, and major shareholders.

The work of the risk committee includes the following:

- examining reports from the Heads of Risk Control and Compliance
- preparing the Board's decisions regarding the establishment of the internal capital adequacy assessment
- examining the validation and evaluation of the internal risk classification system
- preparing the Board's decisions regarding risk tolerance and risk strategy
- examining the evaluation of the risk calculation methods that are used for limiting financial risks, calculating capital requirements for market risks, and calculating economic capital
- scrutinising the quarterly presentation of the risk control report
- scrutinising the biannual presentations of the compliance function's six-month and full-year reports.

### The Board's work in 2014





The Head of Independent Risk Control, who is also the Bank's CRO, and the Head of Compliance themselves present their reports to the risk committee. The Bank's CFO also attends meetings of the risk committee. The risk committee was first formed in 2014, and during the year it had three meetings.

#### **Remuneration committee**

The remuneration committee comprised the Chairman of the Board (Anders Nyrén, who is also the committee chairman) and two Board members appointed by the Board (Jan Johansson and Bente Rathe). Bente Rathe is independent of the Bank and its management, although Jan Johansson is not. This composition entails a deviation from the Swedish Code of Corporate Governance. The justification for this deviation is given on page 52, under the heading "Application of the Swedish Code of Corporate Governance."

One of the tasks of the remuneration committee is to prepare matters regarding remuneration 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 remuneration to the CEO and executive officers, the Board decides in accordance with the regulations of the Swedish Financial Supervisory Authority on remuneration to executive management and the heads of the control functions: Internal Audit, Independent Risk Control and Compliance.

In 2014, the remuneration committee had nine meetings.

### **THE BANK'S MANAGEMENT**

#### **Group Chief Executive**

Pär Boman has been President and Group Chief Executive since April 2006. Pär Boman was born in 1961 and he has worked at Handelsbanken since 1991. In 1998, Pär Boman became a member of what was then called the Group management as Executive Vice President and Head of Regional Bank Denmark, and thereafter Head of Handelsbanken Markets. Pär Boman has an engineering degree and a business degree. His shareholdings in the Bank and those of close relatives are 12,335, of which 6,335 are held indirectly via the Oktagonen profit-sharing scheme. In addition, Pär Boman has a holding of staff convertible notes in Handelsbanken, issued on market terms to the Bank's employees in 2011 and 2014. His holding in the 2011 convertible totals SEK 8.32 million at a conversion price of SEK 224.52, corresponding to 37,048 shares. His holding in

the 2014 convertible totals SEK 9.80 million at a conversion price of SEK 379.19, corresponding to 25,828 shares.

#### **Senior Management and management structure**

Operations are pursued to a large extent within the parent company, but also in subsidiaries, both in Sweden and in other countries.

Handelsbanken has long had a decentralised working method, where almost all major business decisions are taken at the local bank branches, close to customers. Branch operations are geographically organised into regional banks: six in Sweden, five in the UK, and one each in Denmark, Finland, Norway and the Netherlands. Together, these countries comprise the Bank's home markets. Each regional bank is led by a head. Branch operations in Sweden (SE) and Great Britain (UK) are co-ordinated under the Head of Sweden and the Head of UK respectively. The organisation in Sweden also includes the finance company operation, which is run within the Handelsbanken Finans AB subsidiary.

There are six business areas within Handelsbanken. Three of these business areas are part of the Handelsbanken Capital Markets segment: Pension & Life, Markets & Asset Management and Merchant Banking International. These three business areas are co-ordinated under the Head of Handelsbanken Capital Markets. The remaining three business areas are Stadshypotek, Retail & E-services, and Forestry & Farming.

The Pension & Life business area includes the Bank's entire pensions-related offering, as well as the Handelsbanken Liv subsidiary. The Markets & Asset Management business area includes trading in financial instruments and asset management, with the Handelsbanken Fonder subsidiary. In the Merchant Banking International business area, the Bank's business with its largest international corporate customers is co-ordinated. This business area also includes the Bank's Corporate Finance department, as well as all the Bank's international operations outside its home markets. For every country outside the home markets in which Handelsbanken pursues operations there is a General Manager who reports to the Head of Merchant Banking International.

The Stadshypotek business area comprises the Stadshypotek AB subsidiary, which pursues mortgage loan operations and other property financing. The Forestry & Farming business area is responsible for the Bank's customer offering for forestry and agricultural services. Retail &

E-services develops services for e-commerce and traditional retailing under its own brand. Each business area has Groupwide responsibility for its products and services.

The heads of the regional banks in Denmark, Finland, Norway and the Netherlands, and the general managers for each country within Merchant Banking International, as well as the Head of UK operations, are responsible to the public authorities in their respective countries for all operations that the Bank and its subsidiaries pursue in those countries.

The Bank's management comprises Handelsbanken Corporate Committee whose main task is to prepare proposals to the Board. In addition to the CEO, the Corporate Committee consists of the CFO and the Heads of Independent Risk Control, Personnel, Credits, IT, Infrastructure and Sustainability. Since the Head of Independent Risk Control is a member of the Corporate Committee, it is ensured that risk aspects can be taken into consideration when evaluating the risk of material decisions.

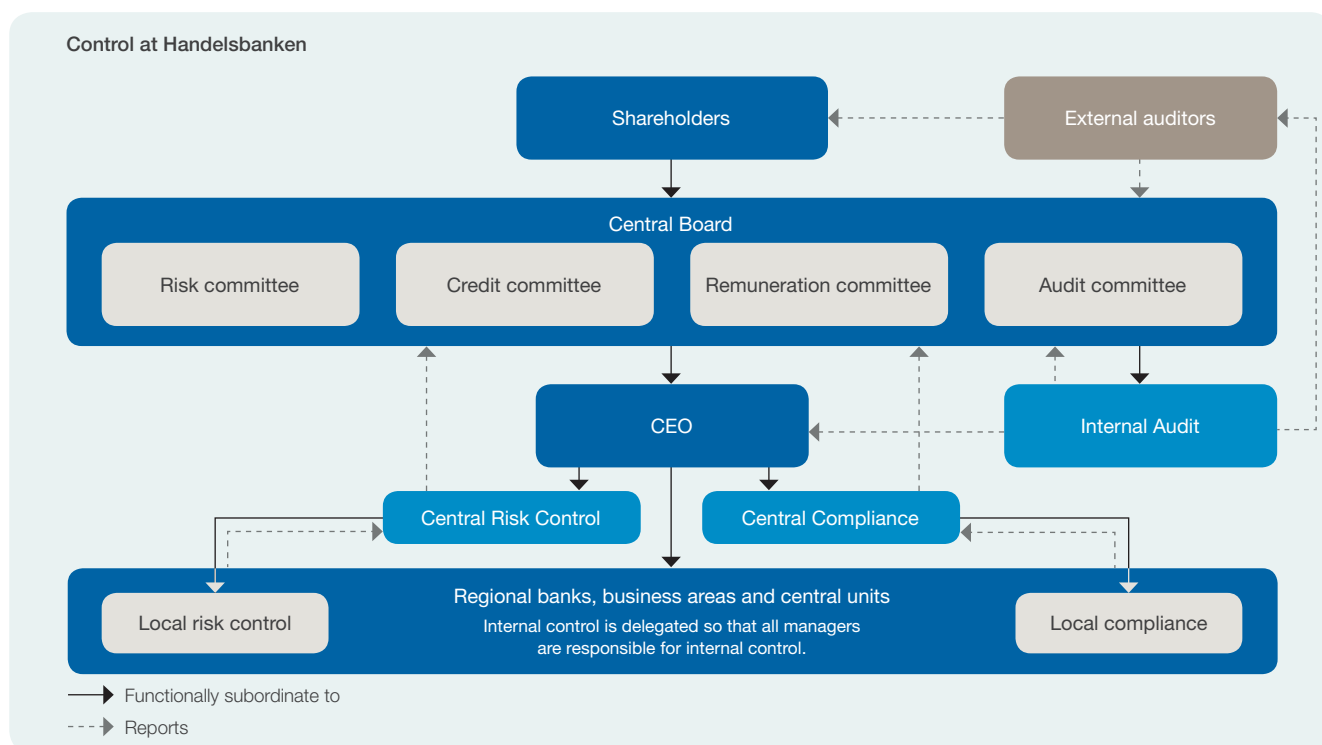
As of the end of 2014, the group of employees who according to the Swedish Companies Act are designated executive officers include the members of the Corporate Committee together with certain heads of business areas and the heads of Handelsbanken's home markets. At Handelsbanken, these persons are designated Executive Directors. See also pages 64–65.

Members of the Corporate Committee, all heads of business areas, heads of regional banks and heads of Handelsbanken's home markets are members of the Senior Management group. Senior Management also includes the heads of the Bank's central departments and administrative functions. Senior Management and the group of Executive Directors are a consultative body, not a decision-making body. To a large extent, responsibilities and powers of authority at Handelsbanken have been assigned to individual members of staff, rather than groups or committees. However, there are collective decisions regarding credit decisions made in credit committees and the boards of regional banks. It is also required that the members are unanimous regarding these decisions. Further information about Senior Management, Executive Directors and the Corporate Committee can be found on pages 64–65.

### **FRAMEWORK FOR CONTROL**

#### **Internal control for operations**

Responsibility for internal control has been delegated from the CEO to managers who report directly to the CEO and who are in charge of



internal control within their respective units. In turn, these managers have delegated to branch managers and heads of units the responsibility for internal control at their branches or units. This responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Thus, the responsibility for internal control and compliance is an integral part of managers' responsibility at all levels in the Bank.

### Internal Audit

Long before external requirements on internal auditing were introduced, the Bank had an internal audit function that was independent of the line organisation. The organisation has centrally and regionally placed internal auditors. The regional Internal Audit departments are part of the Central Audit Department, which constitutes an integrated internal audit function. The Audit Department comprises some 100 employees. The Head of the Central Audit Department is appointed by and reports to the Board. Thus the internal audit function is the Board's controlling body. The elected organisation and long tradition give Internal Audit the authority and integrity required to enable the auditors elected by the AGM to rely on measures and data from Internal Audit.

Internal Audit is tasked with performing an independent, impartial audit of the operations and financial reporting of the Handelsbanken Group. This includes assessing and verifying processes for risk management, internal control and corporate governance. Their assignment is based on a policy established by the Board and is performed on the basis of a risk-based methodology in accordance with internationally

accepted standards issued by the Institute of Internal Auditors. The planned auditing tasks are documented every year in an audit plan which is established by the Board's audit committee on behalf of the Board. The conclusions of internal audits, the actions to be taken, and their status are reported regularly to the audit committee and every year to the Board as a whole.

Internal Audit is regularly subject to independent external quality reviews. In addition, the Bank's external auditors perform an annual quality review of the work of Internal Audit.

### Compliance

Compliance is the responsibility of all employees in the Group. Establishing compliance functions centrally, for regional banks, business areas and central departments, as well as for each country where the Bank has operations, does not release any employee from the responsibility of complying with the external and internal regulations applying to the operations. However, the regulations are often complex and in some cases the individual employee may have limited experience. It is thus vital that guidance is available, to avoid mistakes. The compliance function must follow up and actively ensure that laws, regulations and internal rules, as well as accepted business practices and standards, are complied with in the operations conducted by the Handelsbanken Group. In its supporting role, the function must provide advice and support to business operations, and also assist in drawing up internal rules and provide information about new and amended rules for operations.

Central Compliance is an independent unit with the functional responsibility for compliance matters in the Group. The CEO appoints

the Head of Central Compliance. The Head of Central Compliance reports quarterly to the CEO on compliance in the Group. Twice a year, the Head of Central Compliance reports directly to the Board's risk committee. In addition, material observations are reported regularly to the CEO.

### Independent risk control

The Bank is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for risk management. There is local risk control at each regional bank and within the various business areas, which check, for example, that risks are within the limits and are correctly valued. The local risk control carries out risk analyses and verifies that transactions are conducted in a manner that does not entail undesirable risks. The local risk control reports to the business operations' management and to the central risk control.

The central risk control identifies, measures, analyses and reports all the Group's material risks. It also monitors that the risks and risk management comply with the Bank's risk strategy and risk tolerance. The independent risk control is also responsible for correct valuation of financial instruments. This responsibility includes ensuring that senior management has reliable information regarding risks to use in critical situations. The central risk control also has functional responsibility for local risk control.

The head of the central risk control reports directly to the CEO. Information is also provided to the CFO on a regular basis. The head of the central risk control reports regularly to the Board's risk committee and remuneration committee. The Board is kept continuously informed

## Production and follow-up of corporate governance documents



This chart shows an overview of the process of producing and following up corporate governance documents, such as policy documents from the board. It may be external factors – such as new regulations – or internal requirements that mean that a policy needs to be drawn up or amended. The Corporate Governance unit ensures that the policy is drawn up, and then submits a proposal to the CEO, who proposes to the Board that it adopts the policy. The CEO ensures that the established policy is implemented, and can delegate this task to a member of Senior Management. The Central Compliance department has the task of monitoring compliance with these policy documents within the organisation.

of material risks at the Bank. The central risk control is also in charge of the Bank's extensive risk reporting to the supervisory authorities.

A more detailed description of the Bank's risk management is contained in note G2 on pages 81–105, as well as in the Bank's Pillar 3 Report. It also describes the role which Handelsbanken's credit process plays in the Bank's credit risk management, particularly the Central Credit Department. Handelsbanken also has a risk management framework that describes the overall risk strategy and risk tolerance, as well as processes for risk management.

## POLICY DOCUMENTS

The following is a brief summary of the policy documents which the Board of Handelsbanken has decided on.

### Credit policy

Credits may only be granted if there are good grounds for expecting the borrower to meet his/her 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

Handelsbanken must have a risk control function that is independent of the functions that are to be monitored. Risk control must identify, monitor and report the risks to which business operations are exposed, or may be exposed in the future. This also entails monitoring that the units concerned manage the risks, and that this is carried out effectively. Risk control must also monitor compliance with the risk strategy and

risk tolerance decided upon by the Bank. The central risk control function reports to the CEO.

### Policy for operational risks

The Bank's tolerance of operational risks is very low. 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

The purpose of the capital policy is to ensure that the Group's supply of capital is secured. The Group must at all times be well capitalised in relation to risk, and fulfil the goals established by the Board and the capital adequacy requirements established by supervisory authorities, even in situations of financial stress (see the section on risk in note G2 on pages 81–105). 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. 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.

### Policy for financial risks

Financial risks here refer to market risks and liquidity risks. Market risks are in turn divided into interest rate risks, equity price risks, currency risks and commodity price risks.

Financial risks should normally only occur as a natural part of customer business, in connection with the Bank's funding and liquidity management, and in its role as a market maker. The Board establishes measurement methods and overall limits for financial risks.

### Information policy

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

### Ethical guidelines

Employees of the Bank must conduct themselves in a manner that upholds confidence in the Bank. All operations at the Bank must be characterised by high ethical standards. Financial advice must be based on the customer's requirements. Conflicts of interest must be identified and handled in a manner that is fair to all parties involved. In case of doubt as to what is ethically acceptable, the matter must be discussed with the employee's immediate superior. There must be no discrimination on grounds such as gender or religion. The ethical guidelines also describe how employees who suspect internal fraud or other irregularities should act,

for example with the aid of Handelsbanken's whistleblowing system.

The Bank's ethical guidelines are publicly available at [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

#### **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 conflicts may arise within the Bank's operations. It is the responsibility of all heads of units within the Bank to continuously identify possible conflicts of interest. If a conflict of interest is identified, the head of the unit responsible must first ensure that the customer's interests are not adversely affected. If this is not possible, the customer must be informed of the conflict of interest.

Employees of the Bank must carry out their responsibilities in all their activities at the Bank and their external assignments in a manner that upholds confidence in the Bank, and must therefore not participate in actions that may involve bribery or any other improper influence. The Code of Business Conduct from the Swedish Anti-Corruption Institute is also observed in the daily operations.

#### **Policy for remuneration and suitability assessment**

In some countries, Handelsbanken is a party to collective agreements concerning general employment conditions during the period of employment, and on pension terms after reaching the age of retirement. Remuneration for work performed is set individually for each employee, and is normally paid in the form of fixed salary, customary benefits and pension provisions. Variable remuneration is applied with great caution so as not to affect the Bank's risk profile. Salaries are established locally in accordance with the Bank's decentralised method of working and revisions take into account the collective agreements that are binding upon the Bank. The Bank's remuneration policy is reviewed annually, or when required, and is characterised by the Bank's low risk tolerance. The remuneration system is assessed annually by compliance, independent risk control and the personnel department.

A more detailed description of Handelsbanken's remuneration principles is shown on page 59 and details about remuneration are shown in note G8 on pages 108–111.

The Central Personnel Department performs suitability assessments when board members are elected for the Bank's subsidiaries, and also performs suitability assessments ahead of decisions on appointment of members to the Senior Management.

#### **Pension policy**

Pension benefits are part of the total remuneration to the Bank's employees. The total remuneration is to be on market terms. The pension terms in the countries where the Bank pursues its operations must be competitive and adapted to legislation and regulations, in accordance with the conditions prevailing in each country.

#### **Policy for internal audit operations**

Internal Audit is to evaluate the efficiency and appropriateness of the Group's processes for risk management, internal steering and control. The audit function must impartially and independently examine the Group's operations and accounts, ensure that material risks are identified and managed in a satisfactory manner, and that material financial information is reliable, correct and delivered on time. Internal Audit is to report to the Board and its audit committee.

#### **Policy for managing and reporting events of material importance**

Incidents of material importance must be reported to the Swedish Financial Supervisory Authority. This refers to incidents that may jeopardise the Bank's stability or protection of customers' assets. No such incidents occurred during the year.

#### **Policy for the Bank's use of the external auditors' services**

If the auditors that have been elected at the AGM are engaged for assignments other than auditing and related tasks, special instructions from the CEO must be complied with. Furthermore, this must be reported to the audit committee.

#### **Policy for compliance**

Compliance means the observance of laws, regulations, directives from public authorities and internal rules, as well as accepted business practices or accepted standards. Using a risk-based approach, the compliance function is to support and verify compliance. It reports to the Board's risk committee and the CEO. The compliance function must be independent of the functions that are monitored.

#### **Policy for handling customer complaints**

The branch responsible for the customer is responsible for receiving and handling a customer complaint. Complaints must be dealt with promptly and professionally, while maintaining a dialogue with the customer, taking into consideration the current regulations in the area to which the complaint relates.

#### **Policy for employees' private securities and currency transactions**

This policy applies to all Handelsbanken Group employees – temporary as well as permanent – closely-related persons and service providers. Its purpose is to prevent any person who is covered by the policy from carrying out his/her own securities transactions that involve market abuse, misuse or improper disclosure of confidential information under the regulations that apply to the Bank and its employees, in accordance with prevailing legislation, directives from public authorities and voluntary agreements.

#### **Accounting policy**

This policy applies to the Bank's accounting function. The Bank's accounts and financial reports must be prepared in accordance with the provisions of the Swedish Accounting Act and generally accepted auditing standards in Sweden, and also applicable laws and international standards for financial reports. International units must prepare accounts in accordance not only with the Group's rules, but with the regulations that apply in the country where they are required to maintain accounting records.

#### **Policy on measures against money laundering and financing of terrorism**

This policy is based on the Swedish law on measures against money laundering and financing of terrorism. In the actions that the Bank takes, one key element is to ensure that the Bank is not used as a conduit for money laundering or financing of terrorism. Nor shall the Bank participate in transactions which may be suspected of being linked to criminal activities, or transactions of which the employees do not understand the implications.

#### **PRINCIPLES FOR REMUNERATION AT HANDELSBANKEN**

The Bank's principles for remuneration to employees are long established. In general, Handelsbanken has low tolerance of risk and considers that fixed remuneration contributes to healthy operations. This is, therefore, the main principle. Variable remuneration is to be applied with caution, and is only paid to a very limited extent. The Swedish Financial Supervisory Authority's regulations governing remuneration policies in credit institutions, investment firms and fund management companies with a licence for discretionary portfolio management include special rules for employees who receive variable remuneration and who are deemed to have a significant bearing on the institution's risk profile. The regulations also

contain provisions on deferred remuneration. The heads of the areas concerned, as well as those responsible for Risk Control and Compliance, take part in the remuneration committee's preparation and assessment of the Board's remuneration policy and the Bank's remuneration system.

Below is an overall presentation of the Bank's fundamental principles for fixed and variable remuneration. Other information concerning remuneration 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 Executive Directors.

### Fundamental remuneration principles

In Sweden and certain other countries, the Bank is party to collective agreements on general terms and conditions of employment during the employment period and on terms and conditions of pensions after employees have reached retirement age.

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

The Bank takes a long-term view of its staff's employment. Remuneration 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. The main principle is that salaries are set locally in salary reviews between the employee and his/her line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in the salary process, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

Salaries are based on factors known in advance: the nature and level of difficulty of the work, skills, performance and results achieved, leadership (for managers who are responsible for the career development of employees), supply and demand on the market, and performance as an ambassador for the Bank's corporate culture.

The principle of only having a fixed salary applies to more than 97 per cent of the Group's employees, and is applied without exception to executive officers, all staff who decide on the Bank's granting of credits, and employees in the Bank's control functions.

### Principles for remuneration to executive officers – referred to as Executive Directors at Handelsbanken

The shareholders at the AGM decide on guidelines for remuneration to the CEO and other executive officers, who at Handelsbanken are now designated Executive Directors. For the AGM guidelines from 2014, see the Annual general meeting 2014 section on page 53.

The Board decides on remuneration to the officers who are subject to the AGM's remuneration guidelines, as stated in the previous paragraph, a total of 21 individuals (as at 31 December 2014). The Board also determines remuneration for officers with main responsibility for the control functions: Compliance, Internal Audit and Risk Control.

Remuneration to the CEO and other Executive Directors is paid only in the form of fixed salary and pension provisions, and also customary benefits such as a company car. Following a special decision by the Board, Handelsbanken can provide housing as part of the remuneration. No variable remuneration is paid, nor are there any agreements on severance pay. The period of notice on the part of the officer is a maximum of six months, and on the part of Handelsbanken a maximum of twelve months or, if the Bank terminates the contract later than five years after the person becomes a member of the group of Executive Directors, the period of notice is a maximum of 24 months.

According to the AGM guidelines, the retirement age for new executive officers is 65 years of age. For officers who remain in their positions after reaching standard retirement age, a mutual period of notice of no more than six months applies.

Executive Directors receive an allocation in Handelsbanken's profit-sharing scheme *Oktagonen* on the same conditions as all other employees of the Bank and are also entitled to convert salary to pension on the same conditions as other employees. Note G8 on pages 108–111 provides further information about remuneration to executive officers. 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 2015 AGM, guidelines will be proposed for remuneration and other terms of employment for executive officers of Handelsbanken that are essentially unchanged.

### Variable remuneration

At Handelsbanken, the Board decides on the remuneration policy. The main principle of the policy is that remuneration is paid in the form of

fixed remuneration. However, the policy allows for variable remuneration, but for this a special decision is required by the CEO and the Board decides on the size of the final amount.

Variable remuneration occurs to a very limited extent, and only within Handelsbanken Capital Markets and the British subsidiary, Heartwood. Nor is variable remuneration 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 remuneration.

Variable remuneration is based on Handelsbanken's model for setting salaries and it must be designed so that it does not encourage unhealthy risk-taking and is within the limits of the Bank's risk tolerance. The financial result on which the variable remuneration is based is charged with the actual cost of the capital and liquidity required by the operations. There must also be a reasonable balance between fixed and variable remuneration.

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 remuneration. Variable remuneration is only paid in cash, and the disbursement of at least 40 per cent of variable remuneration of SEK 100,000 or more must be deferred by at least three years. For variable remuneration where the employee's variable remuneration exceeds the remuneration of any member of Senior Management, 60 per cent is deferred for four years. Deferred variable remuneration can be removed or reduced if losses, increased risks or increased expenses arise during the deferment period or if payment is deemed to be unjustifiable in view of the Bank's financial situation. Payment and the right of ownership to the variable remuneration do not accrue to the person with the entitlement until after the end of the deferment period. No employee may receive variable remuneration of more than 100 per cent of his/her fixed remuneration. Variable remuneration for 2014 was less than two per cent of the Group's total salary costs and fees.



## 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 events that constitute potential risks to the operation are evaluated and then the probability and consequences of each risk are estimated. 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 81–105.

### Control activities

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

Group Finance is responsible for consolidated accounts, consolidated financial reports and for financial and administrative control systems. The unit's responsibilities also include the Group's liquidity, the internal bank, own funds, tax analysis and Groupwide reporting to public authorities. The capital requirement is, however, calculated by the independent risk control. Group Finance must also ensure that the staff concerned are aware of and have access to instructions of significance to the financial reporting. The independent risk control identifies, checks and reports risks of errors in the Bank's assumptions and assessments that form the basis of the Bank's financial reporting.

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

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

The head of the independent risk control is responsible for setting up and maintaining a valuation committee. The committee's role is to support the independent risk control, Group Finance and the local risk and treasury functions in the decision-making processes for valuation and reporting matters. The committee deals with the valuation of financial assets and liabilities, including derivatives at fair value and also financial guarantees, both own holdings and holdings on behalf of others. The committee must ensure that the valuation complies with external regulations, internal guidelines and current market practices.

High information security is a precondition for good internal control of financial reporting, thus there are regulations and guidelines to ensure availability, accuracy, confidentiality and traceability of information in the business systems.

As part of the quality control work for financial reporting, the Board has set up an audit committee consisting of the Chairman of the Board and two Board members. The committee processes crucial accounting matters and the financial reports produced by the Bank. The committee also supervises the efficiency of the internal control, internal auditing and risk management systems for financial reporting. See the section under the Committee work heading on page 55 for more details.

### Information and communication

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

### Follow-up

Internal Audit, Compliance and the centrally located independent risk control function, and also the accounting/control units, monitor compliance with internal policies, instructions and other policy documents. Monitoring takes place at central level, but also locally in regional banks, subsidiaries, central departments and international units. The instructions established by the Board for Internal Audit state that it must examine internal governance and control. Internal Audit is described in more detail on page 57. The Group's information and communication paths are monitored continually to ensure that they are fit-for-purpose for the financial reporting.

# Board members



Name	Anders Nyrén, Chairman	Fredrik Lundberg, Vice Chairman	Sverker Martin-Löf, Vice Chairman	Jon Fredrik Baksaas, Board Member	Pär Boman, Board Member
Position	President and CEO of AB Industrivärden	President and CEO of L E Lundbergföretagen AB	Director	President and CEO of Telenor ASA	President and CEO of Handelsbanken
Education	Graduate in Business Administration and MBA, PhD (Econ) h.c.	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Lic. Tech, PhD (h.c.)	Graduate in Business Administration and MBA	Engineering and Business/Economics degree
Year elected	2001	2002	2002	2003	2006
Year of birth	1954	1951	1943	1954	1961
Nationality	Swedish	Swedish	Swedish	Norwegian	Swedish
Other assignments	Chairman of Sandvik AB • Board member Stockholm School of Economics and Stockholm School of Economics Association, AB Industrivärden, Svenska Cellulosa AB SCA, AB Volvo • Vice Preses IVA.	Chairman of Holmen AB, Hufvudstaden AB, Indutrade AB • Board member L E Lundbergföretagen AB, AB Industrivärden, Skanska AB.	Chairman of AB Industrivärden, Svenska Cellulosa AB SCA, SSAB AB • Vice Chairman Telefonaktiebolaget L M Ericsson • Board member Skanska AB.	Chairman GSM Association • Board Member of Doorstep AS • Member of Det Norske Veritas (council).	Board member AB Industrivärden, Svenska Cellulosa AB SCA.
Background	1997–2001 Deputy CEO, CFO, Skanska • 1996–1997 Dir Markets and Corporate Finance Nordbanken • 1992–1996 Deputy CEO, CFO Securum • 1987–1992 CEO OM International AB • 1986–1987 CEO STC Venture AB • 1982–1987 Deputy CEO, CFO, STC • 1979–1982 Director AB Wilhelm Becker.	Active at Lundbergs since 1977 • CEO L E Lundbergföretagen AB since 1981.	1977–2002 Active at Svenska Cellulosa AB SCA in various management positions.	1994–2002 CFO, EVP, Senior EVP Telenor ASA • 1997–1998 Managing Director Telenor Bedrift AS • 1989–1994 CFO, CEO TBK AS • 1988–1989 Chief Finance Director Aker AS • 1985–1988 Chief Finance Director Stolt Nielsen Seaway AS, Oslo and 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.
Remuneration 2014 <sup>1</sup>	SEK 3,937,500	SEK 1,218,750	SEK 1,418,750	SEK 618,750	SEK 0
Credit committee Attendance	Chairman 12/13	13/13	13/13	–	13/13
Audit committee Attendance	5/5	–	Chairman 5/5	–	–
Remuneration committee Attendance	Chairman 9/9	–	–	–	–
Risk committee Attendance	Chairman 3/3	–	–	–	–
Board meetings Attendance	Chairman 10/10	10/10	10/10	9/10	10/10
Own shareholdings and those of immediate family	2,000	2,525,000 and 12,500,000 via L E Lundbergföretagen AB	4,000	0	12,335, of which 6,335 in indirect holdings <sup>2</sup> . Staff convertible at nominal amount: 2011: SEK 8,318,142 2014: SEK 9,793,942
Dependent/independent	Not independent (President and CEO of AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Not independent (President and CEO).

<sup>1</sup> During the period January 2014 until the AGM in March 2014, Lone Fonss Schröder was a member of the Board. Her remuneration for this and for her work in the audit committee was SEK 187,500. Total remuneration to the Board in 2014 was SEK 10,625,000.

<sup>2</sup> Member of remuneration committee from March 2014.

<sup>3</sup> Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.





Name	Tommy Bylund, Board Member	Jan Johansson, Board Member	Ole Johansson, Board Member	Bente Rathe, Board Member	Charlotte Skog, Board Member
Position	Senior Vice President	President and CEO of Svenska Cellulosa AB SCA	Director	Director	Bank employee
Education	Upper Secondary School	Bachelor of Laws	Diploma in Economics and Business Administration	Graduate in Business Administration and MBA	Economics Programme Upper Secondary School
Year elected	2000	2009	2012	2004	2012
Year of birth	1959	1954	1951	1954	1964
Nationality	Swedish	Swedish	Finnish	Norwegian	Swedish
Other assignments	Chairman of the Oktogonen Foundation • Board member of Ljusdal Municipality's business policy foundation, Närjuss.	Board member SSAB AB, Svenska Cellulosa AB SCA.	Chairman of EQ Oyj Abp, Aker Arctic Technology Inc • Vice Chair of Hartwall Capital Oy Ab.	Chair of Ecohz AS and Cenium AS (both companies are subsidiaries of Home Invest AS) • Board member Polaris Media ASA, Home Invest AS and its subsidiary Nordic Choice Hospitality Group AS, Aker Kvaerner Holding AS.	Board member Financial Sector Union of Sweden, Oktogonen Foundation • Deputy board member Finansliv Sverige AB.
Background	Employed at Handelsbanken since 1980 • Branch manager at Handelsbanken since 1992.	2001–2007 President and CEO Boliden AB • 2001 Head of network operations Telia AB • 1994–2001 Deputy CEO Vattenfall • 1990–1994 Head of Division at Svenska Shell • 1985–1990 Corporate lawyer at Shell • 1984–1985 Trainee lawyer • 1981–1983 District court clerk.	1975–2011 various positions within Wärtsilä (Metra) Group except for a period at Valmet 1979–1981 • CEO 2000–2011.	1999–2002 Deputy CEO Gjensidige NOR (CEO of life insurance company, Chair of Mutual Fund and Asset Management Company) • 1996–1999 CEO Gjensidige Bank AS • 1993–1996 CEO Elcon Finans AS • 1991–1993 Deputy CEO Forenede Forsikring • 1989–1991 CFO Forenede Forsikring • 1977–1989 Head of Credits and CFO E.A. Smith AS.	Employed at Handelsbanken since 1989.
Remuneration 2014 <sup>1</sup>	SEK 0	SEK 743,750	SEK 1,243,750	SEK 1,256,250	SEK 0
Credit committee Attendance	13/13	Deputy member	13/13	13/13	Deputy member 2/13
Audit committee Attendance	–	–	3/5 <sup>2</sup>	–	–
Remuneration committee Attendance	–	9/9	–	9/9	–
Risk committee Attendance	–	–	3/3	3/3	–
Board meetings Attendance	10/10	10/10	10/10	10/10	10/10
Own shareholdings and those of immediate family	19,492, of which 19,492 in indirect holdings <sup>3</sup> . Staff convertible at nominal amount: 2011: SEK 1,131,799 2014: SEK 1,188,742	5,000	12,165	1,330	6,781, of which 6,781 in indirect holdings <sup>3</sup> . Staff convertible at nominal amount: 2011: SEK 242,722 2014: SEK 251,744
Dependent/independent	Not independent (employee).	Not independent of the Bank and its management (Handelsbanken's CEO is a member of the board of SCA). Independent of major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent (employee).

# Senior Management

## and Audit and Whistleblowing Function

### Group Functions Executives

#### Per Beckman<sup>1,2</sup>

Credits • Year of birth 1962 • Employed 1993 • Shareholdings 3,265, of which 3,265 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

#### Yonnie Bergqvist<sup>1</sup>

Central Head Office • Year of birth 1961 • Employed 1979 • Shareholdings 18,484, of which 18,347 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 5,000,000, 2014: SEK 5,617,510

#### Katarina Berner Frösdal<sup>1,2</sup>

HR and Sustainability • Year of birth 1956 • Employed 1979 • Shareholdings 21,027, of which 21,027 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

#### Pär Boman<sup>1,2</sup>

President and Group Chief Executive • Year of birth 1961 • Employed 1991 • Shareholdings 12,335, of which 6,335 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 8,318,142, 2014: SEK 9,793,942

#### Michael Green<sup>1</sup>

Capital Markets • Year of birth 1966 • Employed 1994 • Shareholdings 4,392, of which 4,392 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

#### Maria Hedin<sup>1,2</sup>

CRO • Year of birth 1964 • Employed 2010 • Shareholdings 847, of which 765 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 155,454, 2014: SEK 5,176,431

#### Jan Häggström

Economic Research • Year of birth 1949 • Employed 1988 • Shareholdings 7,852, of which 7,852 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 3,763,599, 2014: SEK 5,617,510

#### Anders H Johansson<sup>1,2</sup>

IT • Year of birth 1955 • Employed 1999 • Shareholdings 2,753, of which 2,753 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

#### Ulf Köping-Höggård

Legal • Year of birth 1949 • Employed 1990 • Shareholdings 6,750, of which 6,750 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 3,763,599, 2014: SEK 5,000,000

#### Johan Lagerström<sup>1,2</sup>

Communications • Year of birth 1961 • Employed 2002 • Shareholdings 2,566, of which 2,170 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 3,763,599, 2014: SEK 5,617,510

#### Agneta Lilja<sup>1,2</sup>

Infrastructure • Year of birth 1961 • Employed 1985 • Shareholdings 12,126, of which 12,126 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 3,763,599, 2014: 5,617,510

#### Olof Lindstrand

Central Head Office • Year of birth 1949 • Employed 1985 • Shareholdings 1,071, of which 1,071 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 1,188,742

#### Claes Norlén<sup>1,2</sup>

Central Head Office • Year of birth 1955 • Employed 1978 • Shareholdings 24,710, of which 24,129 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 4,654,514, 2014: SEK 5,441,079

#### Anders Ohlner<sup>1</sup>

Central Head Office • Year of birth 1955 • Employed 1985 • Shareholdings 10,875, of which 10,375 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 3,763,599, 2014: SEK 5,617,510

#### Ulf Riese<sup>1,2</sup>

CFO • Year of birth 1959 • Employed 1983 • Shareholdings 46,074, of which 15,336 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

#### Håkan Sandberg<sup>1,2</sup>

Central Head Office • Year of birth 1948 • Employed 1969 • Shareholdings 5,552, of which 462 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 4,654,514, 2014: SEK 5,617,510

#### Klas Tollstadius

Company Secretary and Corporate Governance • Year of birth 1954 • Employed 1991 • Shareholdings 6,366, of which 6,366 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 3,327,257, 2014: SEK 5,617,510

### Compliance

#### Luciana Pacor Hygrell

Compliance • Year of birth 1954 • Employed 1979 • Shareholdings 20,200, of which 20,197 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 750,000, 2014: SEK 5,441,079

### Independent of Senior Management – Audit and Whistleblowing Function

#### Tord Jonerot

Audit • Year of birth 1958 • Employed 1990 • Shareholdings 6,664, of which 6,664 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 4,654,514, 2014: SEK 5,617,510

## Group Business Executives

### Jan Amethier<sup>1</sup>

Merchant Banking International • Year of birth 1961 • Employed 2010 • Shareholdings 765, of which 765 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 777,271, 2014: SEK 1,012,310

### Nina Arkilahti<sup>1</sup>

Finland • Year of birth 1967 • Employed 1995 • Shareholdings 5,667, of which 3,268 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 5,000,000, 2014: SEK 5,617,510

### Anders Bouvin<sup>1</sup>

UK • Year of birth 1958 • Employed 1985 • Shareholdings 12,369, of which 12,369 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

### Michael Broom

South West Great Britain • Year of birth 1959 • Employed 2009 • Shareholdings 168, of which 168 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 5,769,602

### Per Elcar<sup>1</sup>

Markets & Asset Management • Year of birth 1962 • Employed 2002 • Shareholdings 2,052, of which 2,052 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 1,188,742

### Magnus Ericson

Northern Sweden • Year of birth 1968 • Employed 1988 • Shareholdings 5,975, of which 5,875 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 1,188,742

### John Hodson

Southern Great Britain • Year of birth 1961 • Employed 2007 • Shareholdings 354, of which 354 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 1,340,957

### Katarina Ljungqvist

Western Sweden • Year of birth 1965 • Employed 1989 • Shareholdings 6,953, of which 6,953 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 5,617,510

### Simon Lodge

North East Great Britain • Year of birth 1958 • Employed 2004 • Shareholdings 806, of which 806 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 4,654,514, 2014: SEK 5,769,602

### Nick Lowe

Central Great Britain • Year of birth 1966 • Employed 2007 • Shareholdings 336, of which 336 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 5,152,092

### Lars Moesgaard<sup>1</sup>

Denmark • Year of birth 1968 • Employed 1988 • Shareholdings 2,109, of which 1,628 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 1,188,742

### Stefan Nilsson

Eastern Sweden • Year of birth 1957 • Employed 1980 • Shareholdings 19,454, of which 19,454 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 5,617,510

### John Parker

Northern Great Britain • Year of birth 1955 • Employed 2006 • Shareholdings 469, of which 469 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 5,769,607

### Louise Sander

Pension & Life • Year of birth 1969 • Employed 2013 • Shareholdings 112, of which 62 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: –, 2014: SEK 1,188,742

### Göran Stille

Southern Sweden • Year of birth 1966 • Employed 1987 • Shareholdings 3,162, of which 3,162 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 4,654,514, 2014: SEK 5,617,510

### Ulrica Stolt Kirkegaard

Stadshypotek • Year of birth 1968 • Employed 1994 • Shareholdings 3,993, of which 3,993 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 5,000,000

### Mikael Sørensen<sup>1</sup>

Netherlands • Year of birth 1966 • Employed 1994 • Shareholdings 1,751, of which 1,751 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 5,617,510

### Dag Tjernsmo<sup>1</sup>

Norway • Year of birth 1962 • Employed 1988 • Shareholdings 4,032, of which 4,032 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 4,000,000, 2014: SEK 5,441,079

### Frank Vang-Jensen<sup>1</sup>

Sweden • Year of birth 1967 • Employed 1998 • Shareholdings 1,780, of which 1,780 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 4,000,000, 2014: SEK 5,000,000

### Åsa Willén

Forestry & Farming • Year of birth 1971 • Employed 2009 • Shareholdings 1,169, of which 1,169 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 242,722, 2014: SEK 5,176,431

### Pontus Åhlund

Central Sweden • Year of birth 1963 • Employed 1983 • Shareholdings 11,243, of which 10,243 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 3,763,599, 2014: SEK 5,617,510

### Carina Åkerström

Stockholm Sweden • Year of birth 1962 • Employed 1986 • Shareholdings 7,031, of which 7,031 in indirect holdings\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

<sup>1</sup> **Executive Directors:** Covered by the remuneration guidelines in accordance with the Swedish Companies Act.

<sup>2</sup> **Corporate Committee:** Individuals who prepare cases to be presented to the Board.

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

<sup>3</sup> See note G38.

# Financial reports Group

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# Income statement Group

Group SEK m		2014	2013
Interest income	Note G3	50 899	54 463
Interest expense	Note G3	-23 655	-27 794
<b>Net interest income</b>		<b>27 244</b>	<b>26 669</b>
Fee and commission income	Note G4	10 143	9 294
Fee and commission expense	Note G4	-1 587	-1 490
<b>Net fee and commission income</b>		<b>8 556</b>	<b>7 804</b>
Net gains/losses on financial transactions	Note G5	1 777	1 357
Risk result, insurance	Note G6	165	142
Other dividend income		251	161
Share of profit of associates	Note G19	18	9
Other income	Note G7	303	185
<b>Total income</b>		<b>38 314</b>	<b>36 327</b>
Staff costs	Note G8	-11 766	-11 404
Other expenses	Note G9	-5 099	-5 181
Depreciation, amortisation and impairments of property, equipment and intangible assets	Note G24, G25	-462	-476
<b>Total expenses</b>		<b>-17 327</b>	<b>-17 061</b>
<b>Profit before loan losses</b>		<b>20 987</b>	<b>19 266</b>
Net loan losses	Note G10	-1 781	-1 195
Gains/losses on disposal of property, equipment and intangible assets	Note G11	6	17
<b>Operating profit</b>		<b>19 212</b>	<b>18 088</b>
Taxes	Note G34	-4 069	-3 915
<b>Profit for the year from continuing operations</b>		<b>15 143</b>	<b>14 173</b>
Profit for the year pertaining to discontinued operations, after tax	Note G12	41	122
<b>Profit for the year</b>		<b>15 184</b>	<b>14 295</b>
<i>Attributable to</i>			
Shareholders in Svenska Handelsbanken AB		15 183	14 295
Minority interest		1	0
Earnings per share, continuing operations, SEK	Note G13	23.82	22.33
after dilution	Note G13	23.45	22.07
Earnings per share, discontinued operations, SEK	Note G13	0.06	0.19
after dilution	Note G13	0.06	0.19
Earnings per share, total operations, SEK	Note G13	23.89	22.52
after dilution	Note G13	23.51	22.26

# Statement of comprehensive income Group

Group SEK m	2014	2013
Profit for the year	15 184	14 295
<b>Other comprehensive income</b>		
<b>Items that cannot be reclassified into profit and loss</b>		
Defined benefit plans	-2 699	1 402
Taxes on items that cannot be reclassified into profit and loss	592	-307
<b>Total items that cannot be reclassified into profit and loss</b>	<b>-2 107</b>	<b>1 095</b>
<b>Items that can be reclassified into profit and loss</b>		
Cash flow hedges	8 772	-3 410
Available-for-sale instruments	295	535
Translation difference for the year	5 924	763
<i>of which hedges of net investments in foreign operations</i>	2 558	767
Tax on items that can be related into profit and loss	-2 501	514
<i>of which cash flow hedges</i>	-1 924	744
<i>of which available-for-sale instruments</i>	-14	-61
<i>of which hedges of net investments in foreign operations</i>	-563	-169
<b>Total items that can be reclassified into profit and loss</b>	<b>12 490</b>	<b>-1 598</b>
<b>Total other comprehensive income</b>	<b>10 383</b>	<b>-503</b>
<b>Total comprehensive income for the year</b>	<b>25 567</b>	<b>13 792</b>
<i>Attributable to</i>		
Shareholders in Svenska Handelsbanken AB	25 566	13 792
Minority interest	1	0

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

# Balance sheet Group

Group SEK m		2014	2013
<b>ASSETS</b>			
Cash and balances with central banks		454 532	334 794
Other loans to central banks	Note G14	51 047	35 160
Interest-bearing securities eligible as collateral with central banks	Note G17	78 219	57 451
Loans to other credit institutions	Note G15	70 339	62 898
Loans to the public	Note G16	1 807 836	1 696 339
Value change of interest hedged item in portfolio hedge		70	96
Bonds and other interest-bearing securities	Note G17	63 725	64 125
Shares	Note G18	46 546	48 595
Investments in associates	Note G19	286	272
Assets where the customer bears the value change risk	Note G20	94 763	80 930
Derivative instruments	Note G22	116 124	69 961
Reinsurance assets		6	4
Intangible assets	Note G24	8 132	7 835
Property and equipment	Note G25	2 239	2 205
Current tax assets		115	405
Deferred tax assets	Note G34	389	269
Net pension assets	Note G8	-	1 733
Assets held for sale		1 196	1 247
Other assets	Note G26	14 321	13 262
Prepaid expenses and accrued income	Note G27	6 791	7 140
<b>Total assets</b>	Note G39	<b>2 816 676</b>	<b>2 484 721</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	Note G28	200 074	171 624
Deposits and borrowing from the public	Note G29	1 022 267	825 205
Liabilities where the customer bears the value change risk	Note G30	94 864	80 977
Issued securities	Note G31	1 212 613	1 150 641
Derivative instruments	Note G22	62 878	61 529
Short positions	Note G32	20 648	22 845
Insurance liabilities	Note G33	663	622
Current tax liabilities		957	831
Deferred tax liabilities	Note G34	9 209	7 413
Provisions	Note G35	68	141
Net pension liabilities	Note G8	1 480	-
Liabilities related to assets held for sale		580	539
Other liabilities	Note G36	14 578	13 189
Accrued expenses and deferred income	Note G37	18 681	21 861
Subordinated liabilities	Note G38	30 289	15 965
<b>Total liabilities</b>	Note G39	<b>2 689 849</b>	<b>2 373 382</b>
Minority interest		3	2
Share capital		2 956	2 956
Share premium		3 203	2 843
Reserves		12 220	1 837
Retained earnings		93 262	89 406
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB		15 183	14 295
<b>Total equity</b>		<b>126 827</b>	<b>111 339</b>
<b>Total liabilities and equity</b>		<b>2 816 676</b>	<b>2 484 721</b>

# Statement of changes in equity Group

Group 2014									
SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2014	2 956	2 843	3 110	-1 517	1 043	-799	103 701	2	111 339
Profit for the year							15 183	1	15 184
Other comprehensive income			-2 107	6 848	281	5 361		0	10 383
<b>Total comprehensive income for the year</b>			<b>-2 107</b>	<b>6 848</b>	<b>281</b>	<b>5 361</b>	<b>15 183</b>	<b>1</b>	<b>25 567</b>
Dividend							-10 488		-10 488
Effects of convertible subordinated loans <sup>1</sup>	0	360					49		409
Changes in minority interests							0	0	0
<b>Closing equity 2014</b>	<b>2 956</b>	<b>3 203</b>	<b>1 003</b>	<b>5 331</b>	<b>1 324</b>	<b>4 562</b>	<b>108 445</b>	<b>3</b>	<b>126 827</b>

Group 2013									
SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2013	2 943	2 337		1 149	569	-1 393	101 290	2	106 897
Effects of implementing revised IAS 19			2 015				-5 062		-3 047
Opening equity after adjustment	2 943	2 337	2 015	1 149	569	-1 393	96 228	2	103 850
Profit for the year							14 295	0	14 295
Other comprehensive income			1 095	-2 666	474	594			-503
<b>Total comprehensive income for the year</b>			<b>1 095</b>	<b>-2 666</b>	<b>474</b>	<b>594</b>	<b>14 295</b>	<b>0</b>	<b>13 792</b>
Dividend							-6 822		-6 822
Effects of convertible subordinated loans	13	506							519
Changes in minority interests									0
<b>Closing equity 2013</b>	<b>2 956</b>	<b>2 843</b>	<b>3 110</b>	<b>-1 517</b>	<b>1 043</b>	<b>-799</b>	<b>103 701</b>	<b>2</b>	<b>111 339</b>

<sup>1</sup> The inherent value of the option to convert in issued convertible debt instruments is recognised in the share premium reserve. The net effect of the 2014 convertible instrument of debt amounted to SEK 466m. During the third quarter, the share premium reserve was adjusted by SEK 243m for deferred tax on the convertible instrument of debt. This amount is recognised in the income statement over the remaining maturity.

During the period January to December 2014, convertibles for a nominal value of SEK 6m (533) relating to the 2008 subordinated convertible bond had been converted into 29,924 class A shares (2,838,683). At the end of the financial year the number of Handelsbanken shares in the trading book was 0 (0).

## Specification of changes in equity

Change in hedge reserve		
SEK m	2014	2013
Hedge reserve at beginning of year	-1 517	1 149
Unrealised value changes during the year	14 631	-772
Reclassified in the income statement <sup>1</sup>	-7 783	-1 894
<b>Hedge reserve at end of year</b>	<b>5 331</b>	<b>-1 517</b>
Change in fair value reserve		
SEK m	2014	2013
Fair value reserve at beginning of year	1 043	569
Unrealised market value change during the year for remaining and new holdings	240	509
Reclassified in the income statement <sup>2</sup>	41	-35
<b>Fair value reserve at end of year</b>	<b>1 324</b>	<b>1 043</b>
Change in translation reserve		
SEK m	2014	2013
Translation reserve at beginning of year	-799	-1 393
Change in translation difference pertaining to branches	5 136	687
Change in translation difference pertaining to subsidiaries	230	-107
Reclassified in the income statement <sup>3</sup>	-5	14
<b>Translation reserve at end of year</b>	<b>4 562</b>	<b>-799</b>

<sup>1</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 2,195m (535).

<sup>2</sup> Tax that has been reclassified to the income statement pertaining to this item SEK -10m (16).

<sup>3</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 1m (-17).



# Cash flow statement Group

Group SEK m	2014	2013
<b>OPERATING ACTIVITIES</b>		
Operating profit, total operations	19 304	18 233
<i>of which paid-in interest</i>	51 568	55 030
<i>of which paid-out interest</i>	-27 175	-27 923
<i>of which paid-in dividends</i>	929	1 044
Adjustment for non-cash items in profit/loss		
Loan losses	2 066	1 392
Unrealised changes in value	1 158	-250
Depreciation, amortisation and impairments	462	476
Paid income tax	-4 011	-4 973
Changes in the assets and liabilities of operating activities		
Other loans to central banks	-15 887	-22 790
Loans to other credit institutions	-7 285	26 605
Loans to the public	-113 608	-12 152
Interest-bearing securities and shares	-20 983	-23 393
Due to credit institutions	28 450	-12 321
Deposits and borrowing from the public	197 189	142 810
Issued securities	61 972	-785
Derivative instruments, net positions	-44 123	-3 323
Short-term positions	-2 197	6 644
Claims and liabilities on investment banking settlements	-1 033	-782
Other	-48 676	-7 607
<b>Cash flow from operating activities</b>	<b>52 798</b>	<b>107 784</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	0	-446
Change in shares	-1 969	-85
Change in interest-bearing securities	3 405	594
Change in property and equipment	-391	-320
Change in intangible non-current assets	-258	-335
<b>Cash flow from investing activities</b>	<b>787</b>	<b>-592</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-2 905	-4 048
Issued subordinated loans	16 612	-
Dividend paid	-10 488	-6 822
<b>Cash flow from financing activities</b>	<b>3 219</b>	<b>-10 870</b>
<b>Cash flow for the year</b>	<b>56 804</b>	<b>96 322</b>
Liquid funds at beginning of year	334 794	236 545
Cash flow from operating activities	52 798	107 784
Cash flow from investing activities	787	-592
Cash flow from financing activities	3 219	-10 870
Exchange rate difference on liquid funds	62 934	1 927
<b>Liquid funds at end of year</b>	<b>454 532</b>	<b>334 794</b>

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

# Notes Group

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

### 1. STATEMENT OF COMPLIANCE

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

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

### Issuing and adoption of annual report

The annual report and consolidated accounts were approved for issue by the Board on 3 February 2015 and will be adopted by the AGM on 25 March 2015.

### 2. CHANGED ACCOUNTING POLICIES ETC.

On 1 January 2014, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosures of Interest in Other Entities came into effect for application in the EU. The new regulations mean that the previous stipulations in IAS 27 and SIC 12 concerning when a company is to be consolidated in the consolidated accounts are being replaced by a number of assessment criteria for when an entity controls another entity. The new regulations imply that fund units owned by the Bank through unit-linked insurance contracts will not be included in the assessment of whether controlling influence of a mutual fund company applies. This leads to adjustments in the balance sheet as shown in note G20 and note G30. The application of the new regulations does not affect the income statement, and has no effect on the Bank's capital adequacy. The new regulations also involve new disclosure requirements regarding holdings in non-consolidated structured entities. These disclosures are described in note G21. It also involves small changes in the disclosure requirements regarding subsidiaries and associated companies, see note G19.

FFFS 2008:25 Annual reports in credit institutions and securities companies has been amended through FFFS 2014:18 Regulations

amending the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) concerning annual reports in credit institutions and securities companies. The amendments will be implemented for the financial year starting on 1 January 2014. The changes have led to increased demands for disclosures regarding income etc. divided by country. These disclosures are shown in note G46.

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 2013 annual report.

### Future regulatory changes

IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, was adopted by the IASB in July 2014. Assuming that IFRS 9 is adopted by the EU, and the date of implementation proposed by the IASB is not changed, this standard will be applied as of the 2018 financial year. The standard comprises three areas: classification and measurement, impairment of financial instruments and general hedge accounting. The new regulations for classification and measurement of financial instruments are based on the company's business model and the purpose of the holding. As a result of the new regulations on impairment, a model is being introduced which is based on expected loan losses and not on incurred loan losses as in the existing model in IAS 39. The new general regulations of hedge accounting allow the company's own risk management to be better reflected in the financial reports. The Bank is currently analysing the financial effects of the new standard in more detail.

IFRS 15 Revenue from contracts with customers has also been adopted by the IASB. Assuming that IFRS 15 is adopted by the EU, and the date of implementation proposed by the IASB is not changed, this standard will be applied as of the 2017 financial year. The Bank is currently analysing the financial effects of the new standard.

The IFRIC 21 Levies interpretative communication has been adopted for application by the EU. IFRIC 21 will be applied as of the 2015 financial year. The interpretation clarifies that if the obligating event of a levy is that banking operations are carried out at the end of the accounting period, no liability is to be recognised before this date. This regulatory change is not expected to have a material impact on the Group's financial position and earnings, nor will it have an impact on the capital adequacy.

None of the other changes in the accounting regulations issued for application are assessed

to have a material impact on Handelsbanken's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements.

### 3. BASIS OF CONSOLIDATION AND PRESENTATION

#### Subsidiaries

All companies directly or indirectly controlled by Handelsbanken (subsidiaries) have been fully consolidated. The Bank is deemed to have direct control of a company when it is exposed to, or is entitled to, variable returns from its holdings in the company and can affect the return by means of its influence over the company. 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. Acquisition-related costs are recognised when they arise. 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 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. Ownership of between 20 and 50 per cent is consolidated in certain cases if the circumstances indicate that the Bank has a controlling interest, for example if the fund has a broad management mandate and generates a high proportion of variable return. Funds which the Bank owns through unit-linked insurance contracts are not consolidated.

### Associated companies

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

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

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

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

### 4. SEGMENT REPORTING

The segment reporting presents income and expenses split into business segments. A business segment is a part of the Group that runs operations which generate external or internal income and expenses and of which the profit/loss is regularly assessed and followed up by the company management as part of corporate governance. The principles for segment reporting are described further in note G45.

### 5. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

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

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

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

### 6. RECOGNITION OF ASSETS AND LIABILITIES

Purchases and sales of equities and money market and capital market instruments on the spot market are recognised on the trade date. The same applies to derivatives. Other financial assets and liabilities are normally recognised

on the settlement date. Financial assets are removed from the balance sheet when the contractual rights to the cash flows originating from the asset expire or when all risks and rewards related to the asset are transferred to another party. A financial liability is removed from the balance sheet when the obligation ceases or is cancelled.

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

Financial assets and liabilities are set off in the balance sheet if the Bank has a contractual right and intention to settle with a net amount. Further information about set-off of financial assets and liabilities is provided in note G23.

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 G39.

Upon initial recognition, all financial assets and liabilities are designated at fair value. For assets and liabilities at fair value through profit

or loss, the transaction costs are recognised directly in profit or loss at the time of acquisition. For other financial instruments, the transaction costs are included in the acquisition value.

#### Loans and receivables

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

#### Assets held to maturity

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

#### Assets and liabilities held for trading

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

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

The option of classifying financial instruments at fair value through the income statement has been applied for financial assets and liabilities that are not held for trading but for which the internal management and valuation is based on fair values (for example, assets and liabilities resulting from unit-linked insurance contracts). This valuation principle has also been applied to avoid inconsistencies when valuing assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis. The option of recognising assets

and liabilities at fair value in profit or loss has been applied for financial instruments that are reported in the balance sheet under Interest-bearing securities eligible as collateral with central banks, Loans to the public, Bonds and other interest-bearing securities, Shares and Assets/liabilities where the customer bears the value change risk.

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

#### Available-for-sale financial assets

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

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

#### Reclassification of financial instruments

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

#### Repurchase transactions

Repurchase transactions, or repo transactions, refer to agreements where the parties simultaneously agree on the sale of specific securities and the repurchase of these securities at a pre-determined price. Securities sold in a repo transaction remain on the balance

sheet during the life of the transaction. The sold instrument is also reported off the balance sheet as collateral pledged. Depending on the counterparty, payment received is recognised under Due to credit institutions or as Deposits and borrowing from the public. Securities bought in a repo transaction are accounted for in the corresponding way, i.e. they are not recognised in the balance sheet during the life of the transaction. Depending on the counterparty, the payment made is recognised under Other loans to central banks, Loans to other credit institutions or Loans to the public. Collateral received which are sold on under repurchase agreements are reported as off-balance sheet commitments.

#### Securities loans

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

#### Financial guarantees and loan commitments

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

Premiums for purchased financial guarantees are accrued and recognised as decreased interest income in net interest income if the debt instrument to which the guarantee refers is recognised there. Other premiums for purchased guarantees are recognised in Net fee and commission income. Loan commitments are reported off-balance until the settlement date of the loan. Fees received for loan commitments are accrued in net fee and commission income over the maturity of the

commitment unless it is highly probable that the commitment will be fulfilled, in which case the fee received is included in the effective interest rate of the loan.

### Combined financial instruments

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

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

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

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

For financial instruments traded on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, execution venue, reliable news service or equivalent, and where the price information received can be verified by means of regularly occurring transactions. The current market price is generally the same as the current bid price for financial assets or the current ask price for financial liabilities. For groups of financial instruments which are managed on the basis of the Bank's net exposure to market risk, the current market price is presumed to be the same as the price which would be received or paid if the net position were divested.

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

### Interest-bearing securities

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

### Shares

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

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

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

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

### Derivatives

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

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

### Lending classified to be measured at fair value

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



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

Assets where the customer bears the value change risk mainly comprise shares in unit-linked insurance contracts and mutual funds which are consolidated in the Group accounts. These shares are valued using the fund's current market value (NAV). Each asset corresponds to a liability where the customer bears the value change risk. The valuation of these liabilities reflects the valuation of the assets. Since the policyholders/shareholders have prior rights to the assets, there is no motive to adjust the valuation for credit risk.

## 9. LOAN LOSSES AND IMPAIRMENT OF FINANCIAL ASSETS

### Loans and receivables recognised at amortised cost

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

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

In addition to this individual assessment of loans, a collective assessment is made 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 impair-

ment losses for individual loans as soon as there is available information about the impairment in value at an individual level. A group impairment test is also performed for homogeneous groups of smaller loans with a similar risk profile.

Loan losses for the period comprise actual losses and probable losses on credits granted, minus recoveries and reversals of previous impairment losses recognised for probable loan losses. Actual loan losses may refer to entire loans or parts of loans and are recognised when there is no realistic possibility of recovery. This is the case, for example, when a trustee in bankruptcy has estimated bankruptcy dividends, when a scheme of arrangement has been accepted, or a concession has been extended in some other way. An amount forgiven in connection with reconstruction of a loan or group of loans is always classified as an actual loss. If the customer is following a payment plan for a loan which was previously classified as an actual loan loss, the amount of the loss is subject to new testing. Recoveries comprise reversed amounts on loan losses previously reported as actual losses. Information about probable and actual losses is contained in note G10.

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

### Disclosures concerning impaired loans

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

### Valuation of repossessed property and equipment to protect claims

Upon initial recognition, repossessed property and equipment is recognised at fair value in the balance sheet. Repossessed 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. Repossessed property which is not expected to be divested in the near future is reported as investment properties at fair value in profit/loss. Unlisted shareholdings taken over to protect claims are recognised as available-for-sale financial assets.

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

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

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

## 10. HEDGE ACCOUNTING

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

Fair value hedges are used to protect the Group against undesirable impact on profit/loss due to changes in the market prices of reported assets or liabilities. Hedged risks in hedging packages at fair value comprise the interest rate and currency risk on lending and funding at fixed interest rates. The hedging instruments in these hedging relationships consist of interest

rate swaps and cross-currency interest rate swaps. In the case of fair value hedges, the hedge instrument and hedged risk are both recognised at fair value. Changes in value are recognised directly in the income statement under Net gains/losses on financial transactions. When fair value hedges are prematurely terminated, the accrued value change on the hedged item is amortised in Net gains/losses on financial transactions.

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

Cash flow hedges are applied to manage exposures to variations in cash flows relating to changes in the floating interest rates on lending and funding. The expected maturity for this type of lending and funding is normally much longer than the fixing period, which is very short. Cash flow hedging is also used to hedge currency risk in future cash flows deriving from lending and funding. Currency risks deriving from intragroup monetary items can also be subject to this type of hedging, if they give rise to currency exposures which are not fully eliminated on consolidation. Derivatives which are hedging instruments in cash flow hedges are measured at fair value. If the derivative'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 derivative's value change are recognised in the income statement under Net gains/losses on financial transactions.

Hedging of net investments in foreign units is applied to protect the Group from exchange rate differences due to operations abroad. Cross-currency interest rate 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 cross-currency interest rate swaps that hedge exchange rate risk in claims on foreign operations is recognised in the same manner. The ineffective components of hedges of net investments in foreign operations are recognised in the income statement under Net gains/losses on financial transactions.

## 11. LEASES

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

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

## 12. INSURANCE OPERATIONS

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

### Classification and unbundling of insurance contracts

Contracts that include significant insurance risk are classified in the consolidated accounts as insurance contracts. Contracts that do not transfer significant insurance risk are classified in their entirety as investment contracts. Generally, this means that insurance policies with repayment cover are classified as investment contracts and other contracts are classified as insurance contracts. Insurance contracts consisting of both insurance components and

savings (financial components) are split and recognised separately in accordance with the principles described below.

### Accounting for insurance components in insurance contracts

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

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

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

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

The financial components of traditional life insurance policies that are separated from the insurance contract are recognised in the balance sheet as borrowing from the public. These liabilities are valued at the higher of the guaranteed amount and the current value of the insurance contract. The guaranteed amount earns interest at the guarantee rate of interest and corresponds to the amortised cost of the insurance contract. The current value of the



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

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

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

### Reinsurance

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

## 13. INTANGIBLE ASSETS

### Recognition in the balance sheet

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

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

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

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

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

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

### Intangible assets with a finite useful life

Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. Currently this means that customer contracts are amortised over 20 years and that internally developed software is normally amortised over 5 years. In certain infrastructure projects, the useful life is assessed to be up to 15 years, and thus the depreciation period is set at up to 15 years in these cases. Brand names which are subject to amortisation are amortised over five years. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed.

Intangible assets with a finite useful life are tested for impairment when there is an indication that the asset may be impaired. The impairment test is performed according to the same principles as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

## 14. PROPERTY AND EQUIPMENT

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

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

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

## 15. PROVISIONS

Provisions consist of recognised expected negative outflows of resources from the Group and which are uncertain in terms of timing or amount. Provisions are reported when the Group, as a consequence of past events, has a legal or constructive obligation, and it is

probable that an outflow of resources will be required to settle the obligation. For recognition it must be possible to estimate the amount reliably. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the obligation at the balance sheet date. The expected future date of the settlement is taken into account in the estimate.

## 16. EQUITY

Equity comprises the following components.

### Share premium reserve

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

### Hedge reserve

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

### Fair value reserve

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

### Translation reserve

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

### Defined benefit pension plans

Defined benefit pension plans comprises actuarial gains and losses on the pension obligation and return which exceeds the calculated return on the plan assets.

### Retained earnings

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

### Minority interest

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

### Accounting for own shares

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

## 17. INCOME

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

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

### Net interest income

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

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

### Net fee and commission income

Income and expense for various kinds of services are recognised in the income statement under Fee and commission income and Fee and commission expense, respectively. This means that brokerage income and various types of management fees are recognised as commissions. Other forms of income recognised as commission are payment commissions and card fees, premiums referring to financial guarantees issued, as well as commissions from insurance operations. Positive yield split in the insurance operations is also recognised as commission. Guarantee commissions that

are comparable to interest and such fees that constitute integrated components of financial instruments and therefore included when calculating the effective interest, are recognised as interest income and not commission.

### Net gains/losses on financial transactions

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

- capital gains or losses from the disposal and settlement of financial assets and liabilities
- unrealised changes in value of the assets and liabilities which upon initial recognition were classified as Assets at fair value, through the income statement, excluding the component of change in value recognised as interest
- realised and unrealised changes in value on financial assets and liabilities classified as held for trading
- interest from financial instruments held for trading, with the exception of interest originating from derivatives that are hedging instruments whose interest flows are reported in net interest income
- dividend income on financial assets classified as held for trading
- unrealised changes in fair value of the hedged risk in assets and liabilities which are hedged items in fair value hedges, and amortisation of unrealised value changes for hedges which have been prematurely terminated
- unrealised value changes on derivatives which comprise hedging instruments in fair value hedges
- ineffective component of value changes on hedging instruments which are hedging cash flow hedges and hedging of net investments in foreign operations
- negative yield split in the insurance operations, i.e. the losses arising when the yield on financial assets in the insurance business is less than the change in guaranteed yield.

### Dividend received

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

## 18. EMPLOYEE BENEFITS

### Staff cost

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

### Accounting for pensions

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

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

For defined benefit pension plans, the pension payable is based on the salary and period of employment, implying that the employer bears all the material risks for fulfilling the pension commitment. For the majority of defined benefit plans, the Group has kept plan assets separate in pension foundations and a pension fund. For defined benefit plans, the plan assets minus the defined benefit obligations are reported as a net liability in the balance sheet. Actuarial gains and losses on the pension obligation and return which exceeds the calculated return on the plan assets are reported in other comprehensive income.

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

- + Accrued pension rights for the year, i.e. the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.
- + Interest expense for the year due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current corporate bond rate (the rate at the start of the year) for maturities corresponding to the period remaining until the pension liability is due to be disbursed.

- Estimated yield (interest) on the plan assets. Interest on the plan assets is reported in profit/loss using the same interest rate as when establishing the year's interest expense.
- + The estimated cost of special payroll tax is accrued using the same principles as for the underlying pension cost.

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

## 19. TAXES

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

## 20. ESTIMATES AND KEY ASSUMPTIONS

In certain cases, the application of the Group's accounting policies means that assessments must be made that have a material impact on amounts reported. The amounts reported are also affected in a number of cases by assumptions about the future. Such assumptions always imply a risk for adjustment of the reported value of assets and liabilities. The assessments and assumptions applied always reflect the management's best and fairest assessments and are continually subject to examination and validation. Below follows a report of the assessments and assumptions that have had a material impact on the financial reports. Information on key assumptions is also described in the relevant notes.

### Actuarial calculation of defined benefit pension plans

Calculation of the Group's expense and obligations for defined benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of defined benefit obligations for employees in Sweden is based on DUS14, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by Insurance Sweden. The assumptions on future salary increases and inflation are based on the anticipated long-term trend. The discount rate is based on first-class corporate bonds. In this context, covered mortgage bonds are considered to be corporate bonds. The maturity is the same as the remaining period to payment.

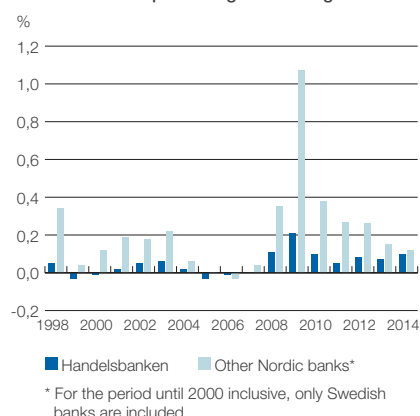
Note G8 provides a sensitivity analysis of the Group's defined benefit obligation for all major actuarial assumptions. This shows how the obligation would have been affected by reasonable possible changes in these assumptions.

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

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

## G2 Risk and capital management

Loan losses as a percentage of lending 1999–2014



Handelsbanken works on the basis of a well-tested business model which has been unchanged for more than 40 years. This business model means that the Bank has very low risk tolerance. As a consequence of this, the Bank has reported very stable profitability levels for a long period of time and its financial goal has been achieved for more than 40 years running. The Bank focuses on credit risks in its branch operations, and the model means that the Bank only takes credit risks which are in line with its very restrictive view of risk. The Bank aims to restrict as far as possible all other risks such as market and liquidity risks. For the past few decades, the loan loss ratio has been significantly lower than the average of other Nordic banks. The Bank's stated goal is always that no individual credit will lead to a loss. This approach completely determines the branches' granting of credit and work with their credit portfolios.

By building up liquidity reserves and matching cash flows, the Bank has worked on limiting its liquidity risks for a long period of time. This is also a natural consequence of the Bank's low risk tolerance and this work started before the new liquidity regulations were formulated. Handelsbanken is the only Swedish bank which has managed completely on its own for its funding, with no support from central banks or public authorities, both throughout the latest financial crisis and also in the crisis of the early 1990s.

Market risks at Handelsbanken have also decreased further during the past few years from already low levels to very low at present. This work has also continued for a long period of time and started before the financial crisis broke out and long before the regulations started to assign such importance to market risks as they do today.

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets and for the Bank to generate good, stable value growth, regardless of the business cycle. High profitability assumes

### 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, human error, erroneous 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.
Remuneration risk	Remuneration risk is the risk of loss or other damage arising due to the compensation system.
Compliance risk	Compliance risk is the risk that the Bank does not comply with laws, regulations and internal rules, or accepted business practices or standards.

low funding costs and low loan losses. Well functioning risk management has contributed to the fact that Handelsbanken's business model has stayed intact over the years, during financial crises and recessions, and it has proved very resistant to external strains.

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. 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 risk culture is an integral part of the Bank's work and is deeply rooted among the Bank's employees. 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. As a consequence, there are strong incentives for high risk awareness and for prudence in business operations. The low risk tolerance is also reflected in the view of remuneration. The main principle is that remuneration must be fixed since this contributes to the long-term perspective which is a central feature of Handelsbanken's business model. Employees with the authority to make business decisions which imply a risk for the Bank can only receive fixed remuneration with no variable components.

Lending has a strong local involvement, where the close customer relationship promotes low credit risks. Market risks in the Bank's business operations are only taken as part of meeting customers' investment and risk management needs and in conjunction with the Bank's funding, and also in long-term holdings in shares and the pension system. One result of this is that a much lower proportion of the Bank's earnings come from net gains/losses on financial transactions. The Bank's liquidity situation is planned so that business operations are not restricted if the financial markets are disrupted.

This strict approach to risk also means that

the Bank is a stable and long-term business partner for its customers, regardless of the business cycle or market situation. It contributes to good risk management and sustaining a high service level even when operations and the markets where 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 continued international expansion.

Since the turbulence in the financial markets started in 2007, Handelsbanken has had good access to liquidity in all currencies of importance to the Bank. The Bank has broadened its investor base and increased the number of funding programmes for both covered and senior funding. The fact that this has taken place in the prevailing market conditions is a clear sign of the market's confidence in the Bank's risk work and business model. The Bank has had and continues to have access to the financial markets via its short-term and long-term funding programmes. Central Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and consists mainly of government bonds and covered bonds. At the year-end, the Bank's liquidity reserve exceeded SEK 800 billion, which provides a high degree of resistance to possible disruptions in the financial markets. Of the reserve, balances with central banks and banks, as well as securities that are eligible as collateral with central banks, totalled SEK 648 billion. 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 for more than two years in a stressed scenario with an outflow of deposits and entirely without access to new market funding. Operations can also be maintained for a considerable period of time even in an extreme situation when the foreign exchange markets are closed.

The Bank's capital situation continued to grow stronger during the year and its earnings have been stable. Coupled with low loan losses, this has contributed to the strong position. The strong capital situation provides good protection in the current fragile macro-economic situation, and should also be viewed in light of future regulatory amendments. Handelsbanken already meets all future capital requirements,

even though all proposed capital buffer requirements have been set at maximum level by the authorities.

The Bank's historically low tolerance of risk, sound capitalisation and strong liquidity situation mean that the Bank is well equipped to operate under the new, stricter regulations and also under substantially more difficult market conditions than those experienced during the last few

years. The Bank's liquidity situation is described in more detail under the heading Funding and liquidity risk.

Handelsbanken is a full-service 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 control

##### Business operations

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

##### Business operations

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

However, the decentralised credit decisions are conditional on a joint credit process, for which the Central Credit Department is responsible.

The Central Credit Department prepares credit 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 also assesses risks in all major individual commitments and offers support and advice to other areas of the credit organisation. For information on the Bank's management of credit risks, as well as a full description of the credit process, please see the Credit risk section (page 11) in the publication Risk and Capital Management – Information according to Pillar 3.

##### Local risk control

##### Local risk control

The accountability of the person taking a business decision is supplemented by local control of the financial and operational risks in the regional banks and within the various business areas. In the UK, the risks are controlled centrally in the national organisation. The local risk control assesses risk, checks limits, etc., and verifies that individual business transactions are conducted in a manner that is in line with the Bank's risk tolerance. Local risk control is also responsible for analysing the risk in new products and services and for evaluating the operations' work with operational risks. The local risk control reports to central risk control and also to the management of the operations.

##### Central risk control

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

Central risk control has the task of identifying, measuring, analysing and reporting all the Group's material risks at an aggregate level. It monitors that the risks and risk management comply with the Bank's low tolerance of risks and that senior management has reliable information material concerning how risks are to be managed 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 in the Group, and ensuring

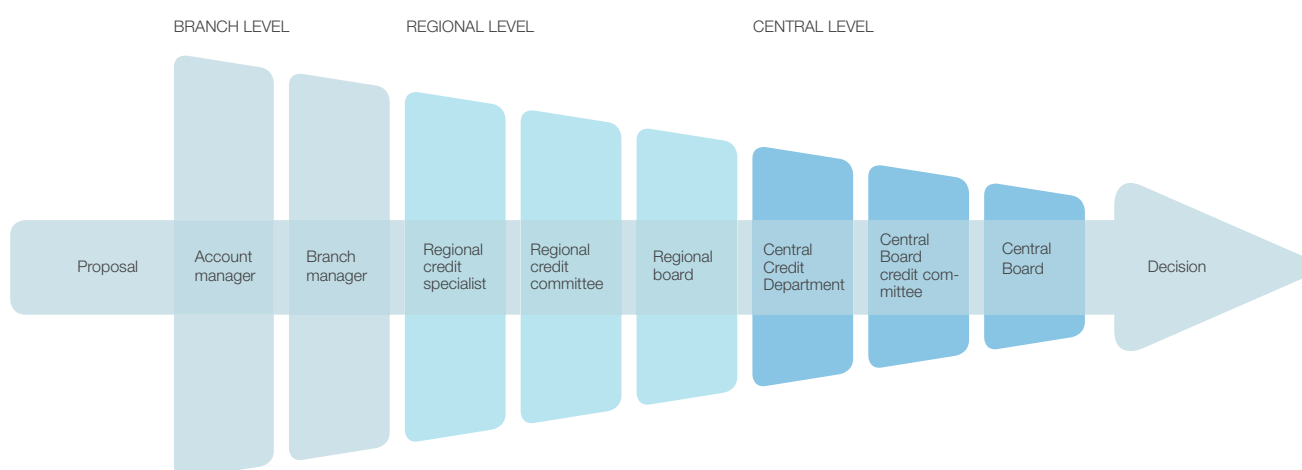
that the Bank's management and Board receive regular reports and analyses of the current risk situation.

##### Capital planning

If – despite the work in the three components described above – 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 future-oriented measures that need to be prepared or implemented to ensure satisfactory capitalisation at any given time. In addition, operations are reviewed by compliance, at central, business area and subsidiary level, and also the internal and external auditors.

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

### The credit process and decision levels at Handelsbanken



### Distribution of limit decisions



### CREDIT RISK

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

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

In the Bank's decentralised organisation, each branch responsible for the customer has total credit responsibility. Customer and credit responsibility lies with the branch manager or with those employees at the local branch appointed by the manager. Branch managers and most staff at branches have personal decision limits allowing them to decide on credits to the customers they are responsible for.

For decisions on larger credits, there are regional and central decision levels. Each additional level of decision adds credit expertise. Each decision level has the right to reject credits both within their own decision level and also credits which would otherwise have been decided at a higher level. All participants throughout the decision process, regardless of level, must be in agreement in order for a positive credit decision to be made. If there is the slightest doubt among any of the participants, the credit application is rejected. 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 above. It also shows the percentage of decisions and amounts at the various decision levels.

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

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

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

In Handelsbanken's decentralised organisation, where a large proportion of the credit and limit decisions are made by individual branches, it is important that there is a well-functioning re-examination 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 Board or its credit committee.

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

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



This approach forms an important part of the Bank's culture. The work method and approach described are important reasons for the Bank reporting very low loan losses over a long period.

### 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 in accordance with the IRB Approach. The rating is dynamic; it is reassessed if there are signs that the counterparty's repayment capacity has changed. The rating is also reviewed periodically as stipulated in the regulations. The rating is made by the person responsible for granting the credit and it is subsequently checked by independent bodies.

### Risk classification methods

To quantify its credit risks, the Bank calculates the probability of default (PD), the exposure the Bank is expected to have if a default occurs (exposure amount), 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, since the payment problems may be temporary.

For corporate and institutional exposures, the internal rating set for each counterparty is directly converted into a risk class on a scale from 1 to 10 (where risk class 10 refers to defaulted counterparties). Corporate exposures are divided into four counterparty types based on the business evaluation template used for the counterparty. PD is calculated individually for each risk class and counterparty type. For institutional exposures and the corporate exposures that are subject to a capital requirement according to the IRB Approach without own estimates of LGD and CCF, prescribed values are applied for the loss rates given default (LGD). The prescribed

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

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

For retail exposures and exposures to medium-sized companies, property companies and housing co-operative associations, the LGD is determined using the Bank's own loss history. For exposures to Large corporates that are subject to a capital requirement using the IRB Approach with own estimates of LGD and CCF, the LGD is determined on the basis of internal losses and external observations. For retail exposures secured by property in Sweden and for property exposures to medium-sized companies, property companies and housing co-operative associations, different LGD values are applied depending on the loan-to-value ratio of the collateral. 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 PD is calculated for each of the risk classes that refer to non-defaulted counterparties or agreements. PD is based on calculations of the historical percentage of defaults for different types of exposure. The average default rate is then adjusted by a margin of conservatism and a business cycle adjustment factor. The margin is intended to ensure that the long-term probability of default is not underestimated.

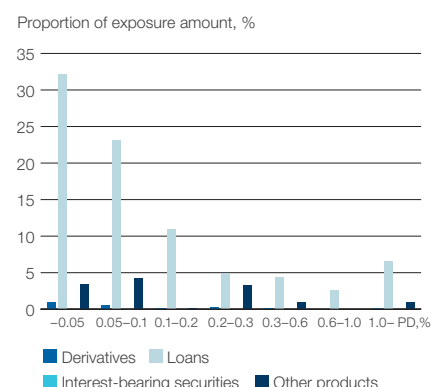
The business cycle adjustment factor adjusts, where necessary, the average default rates observed during the period determined as the basis for estimating the PD for an expected long-term level. The long-term level is based on information at portfolio level since 1985. The method takes into consideration expected migration between risk classes during a business cycle. As the period of time that can be used for estimating the PD is increasing, the need for business cycle adjustment is gradually reduced over time.

The adjustment evens out part of the variation in PD by risk class that arises due to the limitations of the material used for estimates when the risk measure is updated annually. PD at agreement level, counterparty level and portfolio level will, however, vary over time due to migration between risk classes. Since one of the most important parts of the risk classification, Handelsbanken's internal rating, has a sig-

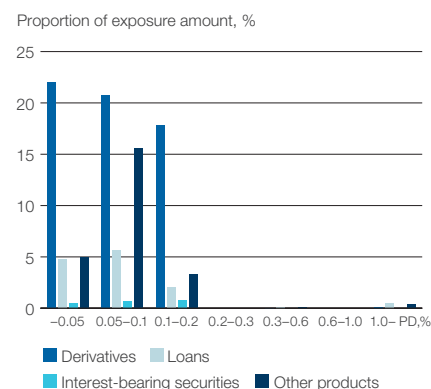
nificantly longer horizon than a year, that effect is expected to be very limited during normal fluctuations of the business cycle. Handelsbanken applies the conservative principle that the business cycle adjustment factor can cause PD to be adjusted upwards, but not downwards.

When establishing LGD, the risk measure must reflect the loss rates during economically unfavourable circumstances, known as downturn LGD. For collateral in property, the

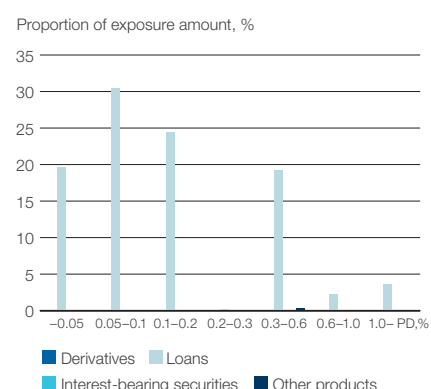
**Proportion of exposure amount per product type per PD interval excluding defaulted credits – Corporate exposures**



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



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





downturn LGD is based on observed loss rates 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 Approach with own estimates of LGD and CCF, the LGD is adjusted for downturns so that the Bank's observed losses in the crisis years of 1991–92 can be explained by the risk weights with a good margin.

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

In addition to the capital adequacy calculation, measures of risk (PD, exposure amounts, LGD) are used to calculate the cost of capital in each individual transaction and to calculate economic capital (EC). This means that margins in the form of business cycle adjustments and conservatism adjustments in the risk measurements are also included in the cost of capital in individual transactions and in calculations of economic capital, which means that the loss levels that the risk measurements imply are conservative. The method used means that the Bank's historical losses have a direct impact on risk calculations and capital requirement.

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

#### COLLATERAL

When Handelsbanken assesses the credit risk of a specific customer, the assessment must start with the borrower's repayment capacity. According to the Bank's credit policy, weak repayment capacity can never be accepted on the grounds that good collateral has been

offered to the Bank. Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his or her obligations. Credits must therefore normally be adequately secured.

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

Since collateral is not generally utilised until a borrower faces serious repayment difficulties, the valuation of collateral focuses on the expected value in the case of a rapid sale in unfavourable circumstances in connection with insolvency. The value of certain assets may change considerably in an insolvency situation leading to a forced sale.

A large part of lending to credit institutions consists of reverse repos. A reverse repo is a repurchase transaction in which the Bank buys interest-bearing securities or equities with a special agreement that the security will be 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, broken down by collateral SEK m	2014	2013
Residential property <sup>1</sup>	1 114 011	1 030 392
<i>of which private individuals</i>	782 821	726 190
Other property	271 041	245 196
Sovereigns, municipalities and county councils <sup>2</sup>	603 319	452 502
Guarantees <sup>3</sup>	18 876	19 338
Financial collateral	63 493	54 286
Collateral in assets	18 256	19 360
Other collateral	68 138	55 671
Unsecured	211 790	272 851
<b>Total credit risk exposure on balance</b>	<b>2 368 924</b>	<b>2 149 596</b>

Loans to the public, broken down by collateral SEK m	2014	2013
Residential property <sup>1</sup>	1 114 011	1 030 392
<i>of which private individuals</i>	782 821	726 190
Other property	271 041	245 196
Sovereigns, municipalities and county councils <sup>2</sup>	98 076	59 869
Guarantees <sup>3</sup>	18 305	19 327
Financial collateral	22 035	13 773
Collateral in assets	18 256	19 360
Other collateral	68 138	55 671
Unsecured	197 974	252 751
<b>Total loans to the public</b>	<b>1 807 836</b>	<b>1 696 339</b>

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

<sup>2</sup> Refers to direct sovereign exposures and government guarantees.

<sup>3</sup> Does not include government guarantees.

**CREDIT PORTFOLIO****Breakdown of the portfolio**

The Bank's credit portfolio is presented in this section based on the balance sheet item categories.

Based on the balance sheet, credits are categorised as loans to the public and loans to credit institutions and off-balance sheet items divided into the type of product. In a capital adequacy context, they are categorised as exposure

classes specified by the regulations for each calculation method. Exposure means the sum of items on and off the balance sheet.

Credit risk exposures SEK m	2014	2013
Loans to the public <sup>1</sup>	1 807 836	1 696 339
<i>of which reverse repos</i>	23 858	15 711
Loans to other credit institutions	70 339	62 898
<i>of which reverse repos</i>	42 138	33 874
Unutilised part of granted overdraft facilities <sup>2</sup>	102 778	99 660
Committed loan offers	271 001	246 518
Other commitments	14 134	9 046
Guarantees, credits	10 335	8 371
Guarantees, other	60 033	58 568
Letters of credit	5 369	7 190
Derivatives <sup>3</sup>	116 124	69 961
Treasury bills and other eligible bills	78 219	57 451
Bonds and other fixed-income securities	63 725	64 125
<b>Total</b>	<b>2 599 893</b>	<b>2 380 127</b>
Cash and balances with central banks	454 532	334 794
Other loans to central banks	51 047	35 160
<b>Total</b>	<b>3 105 472</b>	<b>2 750 081</b>

The amounts do not include holdings with central banks.

<sup>1</sup> SEK 2,181m (2,580) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

<sup>2</sup> As of 2014, unutilised overdraft facilities which the counterpart does not have at its disposal at the time of the recognition are not included and therefore do not give rise to a capital requirement. The comparative figures have been adjusted.

<sup>3</sup> Refers to the total positive market values. Including legally viable netting agreements, the exposure, excluding potential future exposure, is SEK 70,478 m (25,775).

Geographical distribution 2014												
	Loans						Off-balance-sheet commitments					
		Credit institutions excl. central banks	Cash and balances with central banks	Central banks	Derivative instruments	Investments		Committed loan offers etc.	Unutilised part of granted overdraft fac.	Letters of credit	Other	Total
SEK m	Public											
Sweden	1 194 402	18 368	253	6 926	115 104	112 376	25 033	124 761	72 334	2 483	14 134	1 686 174
UK	169 596	575	55 779	342	88	-	5 986	31 077	5 659	48	-	269 150
Denmark	79 030	85	111	28 021	66	5	3 531	28 443	-	220	-	139 512
Finland	115 087	163	69 176	-	108	-	4 912	18 817	6 494	216	-	214 973
Norway	204 067	428	2 353	15 758	-	-	6 748	37 219	15 729	92	-	282 394
Netherlands	18 504	-	11 971	-	0	-	823	6 536	160	-	-	37 994
Germany	5 228	227	87	-	-	-	3 570	3 776	711	53	-	13 652
Poland	2 255	6	35	-	-	-	1 204	1	83	-	-	3 584
USA	2 716	43 323	312 770	-	496	28 570	14 024	14 451	339	1 723	-	418 412
Other countries	16 951	7 164	1 997	-	262	993	4 537	5 920	1 269	534	-	39 627
Total	1 807 836	70 339	454 532	51 047	116 124	141 944	70 368	271 001	102 778	5 369	14 134	3 105 472

Geographical distribution 2013												
	Loans						Off-balance-sheet commitments					
		Credit institutions excl. central banks	Cash and balances with central banks	Central banks	Derivative instruments	Investments		Committed loan offers etc.	Unutilised part of granted overdraft fac.	Letters of credit	Other	Total
SEK m	Public						Guarantees					
Sweden	1 153 930	21 598	380	3 028	69 957	98 399	26 896	122 115	69 522	4 294	9 046	1 579 165
UK	131 424	546	46 581	229	-552	0	5 390	23 474	4 323	77	-	211 492
Denmark	70 725	73	92	21 158	57	5	2 890	26 363	0	256	-	121 619
Finland	100 119	186	38 814	0	70	0	3 791	18 637	5 699	392	-	167 708
Norway	196 596	110	4 275	10 745	0	0	7 299	33 832	15 694	32	-	268 583
Netherlands	17 869	3	8 564	0	0	0	678	4 192	118	0	-	31 424
Germany	4 778	39	243	0	9	0	3 368	2 268	2 630	447	-	13 782
Poland	2 297	74	29	0	0	0	1 043	1	80	0	-	3 524
USA	2 827	33 555	235 114	0	406	21 619	10 726	11 804	479	1 447	-	317 977
Other countries	15 774	6 714	702	0	14	1 553	4 858	3 832	1 115	245	-	34 807
<b>Total</b>	<b>1 696 339</b>	<b>62 898</b>	<b>334 794</b>	<b>35 160</b>	<b>69 961</b>	<b>121 576</b>	<b>66 939</b>	<b>246 518</b>	<b>99 660</b>	<b>7 190</b>	<b>9 046</b>	<b>2 750 081</b>

Loans to the public, breakdown by sector and counterparty type	2014			2013		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
SEK m						
Private individuals	852 466	-813	851 653	788 495	-790	787 705
<i>of which mortgage loans</i>	683 991	-30	683 961	642 459	-54	642 405
<i>of which other loans with property mortgages</i>	99 063	-101	98 962	77 461	-111	77 350
<i>of which other loans, private individuals</i>	69 412	-682	68 730	68 575	-625	67 950
Housing co-operative associations	153 058	-21	153 037	140 320	-33	140 287
<i>of which mortgage loans</i>	136 748	-9	136 739	128 524	-9	128 515
Property management	485 377	-589	484 788	461 726	-394	461 332
Manufacturing	38 508	-726	37 782	39 051	-517	38 534
Retail	27 736	-343	27 393	31 570	-362	31 208
Hotel and restaurant	8 299	-25	8 274	7 396	-24	7 372
Passenger and goods transport by sea	12 221	-405	11 816	14 733	-423	14 310
Other transport and communication	20 184	-39	20 145	26 972	-80	26 892
Construction	15 225	-114	15 111	12 295	-116	12 179
Electricity, gas and water	24 888	-24	24 864	23 620	-44	23 576
Agriculture, hunting and forestry	10 703	-16	10 687	8 365	-25	8 340
Other services	20 241	-42	20 199	22 996	-101	22 895
Holding, investment, insurance companies, mutual funds etc.	71 945	-187	71 758	73 272	-569	72 703
Sovereigns and municipalities	35 627	0	35 627	20 935		20 935
Other corporate lending	35 469	-483	34 986	28 496	-68	28 428
<b>Total loans to the public, before collective provisions</b>	<b>1 811 947</b>	<b>-3 827</b>	<b>1 808 120</b>	<b>1 700 242</b>	<b>-3 546</b>	<b>1 696 696</b>
Collective provisions for individually assessed loans			-284			-357
<b>Total loans to the public</b>	<b>1 811 947</b>		<b>1 807 836</b>	<b>1 700 242</b>		<b>1 696 339</b>

Loans to the public after deduction of provisions, geographical breakdown, by sector and counterparty type 2014							
	Sweden	UK	Denmark	Finland	Norway	Netherlands	Other countries
SEK m							
Private individuals	634 587	46 696	43 649	35 258	83 170	4 431	3 862
<i>of which mortgage loans</i>	586 689	0	24 628	22 617	50 027	0	0
<i>of which other loans with property mortgages</i>	14 801	37 227	14 409	8 075	17 160	4 108	3 182
<i>of which other loans, private individuals</i>	33 097	9 469	4 612	4 566	15 983	323	680
Housing co-operative associations	124 890	0	539	14 277	13 331	0	0
Property management	241 993	101 897	14 318	27 456	79 816	11 423	7 885
Manufacturing	19 795	2 888	2 079	3 740	3 395	484	5 401
Retail	13 626	3 748	4 336	2 069	2 841	0	773
Hotel and restaurant	2 641	2 922	1 123	359	181	0	1 048
Passenger and goods transport by sea	3 887	39	1 048	3 072	3 637	0	133
Other transport and communication	9 221	773	1 832	3 354	3 645	1 318	2
Construction	6 259	2 174	303	1 073	4 974	0	328
Electricity, gas and water	11 162	271	122	9 108	3 582	0	619
Agriculture, hunting and forestry	9 083	1 360	106	118	17	0	3
Other services	11 660	4 333	1 528	1 446	1 224	0	8
Holding, investment, insurance companies, mutual funds etc.	59 227	1 003	5 286	1 096	1 278	114	3 754
Sovereigns and municipalities	23 675	0	2	11 747	203	0	0
Other corporate lending	22 830	1 542	2 776	952	2 813	736	3 337
<b>Total loans to the public, before collective provisions</b>	<b>1 194 536</b>	<b>169 646</b>	<b>79 047</b>	<b>115 125</b>	<b>204 107</b>	<b>18 506</b>	<b>27 153</b>
Collective provisions for individually assessed loans	-134	-50	-17	-38	-40	-2	-3
<b>Total loans to the public</b>	<b>1 194 402</b>	<b>169 596</b>	<b>79 030</b>	<b>115 087</b>	<b>204 067</b>	<b>18 504</b>	<b>27 150</b>

### 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. The Swedish Financial Supervisory Authority also calculates a separate capital adequacy supplement under Pillar 2 for concentration risks in the credit portfolio. This ensures that Handelsbanken has sufficient capital, also 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 485 billion). Property management refers here to all companies assessed for credit purposes as "property companies". It is common for groups of companies operating in other industries to have subsidiaries managing the properties in which the group conducts business, and such property companies are also considered here to belong to the property management. However, the underlying credit risk in such cases is not only property-related.

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

The proportion of exposures to property

counterparties with a poorer rating than the Bank's risk class 5 (normal risk) is very low. 98 (98) per cent of total property lending in Sweden is in risk class 5 or better. The corresponding figures for property lending in the UK are 93 (96) per cent, Denmark, 94 (99) per cent, Finland, 99 (92) per cent, Norway 96 (93) per cent and the Netherlands, 98 (100) per cent. 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 an expansion of the branch network. A relatively large part of the growth has been in property-related credits. 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	2014			2013		
	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions	Loans before deduction of provisions	Provisions for probable loan losses	Loans after deduction of provisions
SEK m						
<b>Loans in Sweden</b>						
State-owned property companies	5 684	-	5 684	7 798	-	7 798
Municipal-owned property companies	16 926	-	16 926	15 430	-	15 430
Residential property companies	87 797	-19	87 778	73 571	-15	73 556
<i>of which mortgage loans</i>	70 370	-3	70 367	57 726	-1	57 725
Other property management	131 710	-105	131 605	151 410	-110	151 300
<i>of which mortgage loans</i>	64 392	-5	64 387	75 969	-3	75 966
<b>Total loans in Sweden</b>	<b>242 117</b>	<b>-124</b>	<b>241 993</b>	<b>248 209</b>	<b>-125</b>	<b>248 084</b>
<b>Loans outside Sweden</b>						
UK	102 152	-255	101 897	81 129	-69	81 060
Denmark	14 446	-127	14 319	12 108	-117	11 991
Finland	27 483	-28	27 455	23 612	-	23 612
Norway	79 859	-43	79 816	76 457	-60	76 397
Netherlands	11 423	-	11 423	12 633	-	12 633
Other countries	7 897	-12	7 885	7 578	-23	7 555
<b>Total loans outside Sweden</b>	<b>243 260</b>	<b>-465</b>	<b>242 795</b>	<b>213 517</b>	<b>-269</b>	<b>213 248</b>
<b>Total loans - property management</b>	<b>485 377</b>	<b>-589</b>	<b>484 788</b>	<b>461 726</b>	<b>-394</b>	<b>461 332</b>

Specification – Loans to the public – Property management Type of collateral and country	2014					2013				
	Companies owned by government and municipality/property lending guaranteed by government and municipality		Multi-family dwellings/residential property	Commercial properties and other collateral	Unsecured	Companies owned by government and municipality/property lending guaranteed by government and municipality		Multi-family dwellings/residential property	Commercial properties and other collateral	Unsecured
SEK m	Total					Total				
Sweden	242 117	24 669	92 972	111 558	12 918	248 209	24 744	89 037	111 582	22 846
UK	102 152	0	45 577	53 320	3 255	81 129	0	34 724	41 475	4 930
Denmark	14 446	0	7 113	5 563	1 770	12 108	0	6 290	3 813	2 005
Finland	27 483	9 827	3 902	12 959	795	23 612	8 549	2 974	10 452	1 637
Norway	79 859	0	12 350	56 996	10 513	76 457	964	13 626	52 671	9 196
Netherlands	11 423	0	4 451	6 943	29	12 633	0	3 682	8 046	905
Other countries	7 897	557	579	5 542	1 219	7 578	532	828	5 645	573
<b>Total</b>	<b>485 377</b>	<b>35 053</b>	<b>166 944</b>	<b>252 881</b>	<b>30 499</b>	<b>461 726</b>	<b>34 789</b>	<b>151 161</b>	<b>233 684</b>	<b>42 092</b>

Specification – Loans to the public – Property management, risk class and country 2014  
SEK m

Risk class	Sweden	UK	Denmark	Finland	Norway	Netherlands	Other countries	Total	%	Accum. % of total
1	20 614	984	73	3 263	1 390	164	1 047	27 535	5.67	6
2	74 952	22 468	850	10 904	16 038	1 751	3 762	130 725	26.93	33
3	88 932	46 474	7 088	10 274	40 298	8 157	2 523	203 746	41.98	75
4	39 221	18 286	3 738	1 854	14 648	1 059	176	78 982	16.27	91
5	14 602	7 090	1 821	794	4 089	16	308	28 720	5.92	97
6	1 962	3 198	209	236	2 186	26	42	7 859	1.62	98
7	1 130	1 689	166	54	851	250	0	4 140	0.85	99
8	294	669	144	37	116	0	0	1 260	0.26	100
9	111	102	60	7	12	0	0	292	0.06	100
Defaults	299	1 192	297	60	231	0	39	2 118	0.44	100
<b>Total</b>	<b>242 117</b>	<b>102 152</b>	<b>14 446</b>	<b>27 483</b>	<b>79 859</b>	<b>11 423</b>	<b>7 897</b>	<b>485 377</b>	<b>100</b>	

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

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

Specification – Loans to the public – Property management, risk class and type of collateral 2014  
SEK m

Risk class	Loans	Collateral				Unsecured
		Multi-family dwellings/ residential property	Commercial property	Guarantee from govern- ment or municipality	Other collateral	
1	27 535	15 403	5 616	4 558	139	1 819
2	130 725	45 759	60 303	10 956	3 195	10 512
3	203 746	72 906	109 122	5 210	4 926	11 582
4	78 982	26 337	43 371	920	4 588	3 766
5	28 720	9 553	14 612	619	2 402	1 534
6	7 859	1 807	5 221	12	533	286
7	4 140	1 022	2 680	0	234	204
8	1 260	257	672	0	12	319
9	292	110	138	6	2	36
Defaults	2 118	758	813	0	45	502
<b>Total</b>	<b>485 377</b>	<b>173 912</b>	<b>242 548</b>	<b>22 281</b>	<b>16 076</b>	<b>30 560</b>

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

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

## COUNTERPARTY RISK

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

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

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

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

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

ments with all counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure, which further reduces the credit risk. No transactions with material specific correlation risk have been identified.

The collateral for these transactions is mainly cash, but government securities are also used. Due to the high proportion of cash, the concentration risks in the collateral are limited. A very small number of the collateral agreements entered into by the Bank include terms and conditions concerning rating-based threshold amounts for Handelsbanken. These conditions mean that the Bank must provide further collateral for the counterparty in question, in the event of the Bank's rating from external parties being lowered. At the year-end, a downgrading from AA-/Aa3 to A+/A1 would have meant the Bank having to issue further collateral of SEK 76 million (30).

The Bank holds a portfolio of credit derivatives (credit default swaps, CDS) which is classed as trading book. The value of purchased protection is SEK 521 million (783), and the value of sold protection is SEK 474 million (757).

New capital requirements have been applied to counterparty risk exposures as of 1 January 2014, through the implementation of CRR. One of the new capital requirements is based on the risk of a value change due to the counterparty's credit quality (credit valuation adjustment, CVA) in the counterparty risk exposures. The implementation of CVA risk in 2014 resulted in additional capital requirements of SEK 534 million. Another new capital requirement has been introduced for derivatives which are cleared via central counterparties. Central counterparties are clearing houses which act as counterparty for both the buyer and seller in various transactions, and thus take over the responsibility for fulfilling the parties' obligations. All parties which use a central counterparty must provide collateral

for all transactions. In addition to collateral, the central counterparty also has access to other financial resources, both their own and contributions from their members. In most cases the risk weight for centrally cleared derivatives is considerably lower than for other types of derivatives.

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

Setting a limit for the payment risk is a vital part of Handelsbanken's constant aim to limit risks. This includes developing technical solutions which reduce the period of time during which there is a payment risk. In these efforts, Handelsbanken co-operates with various banking sector clearing institutions. The Bank has also established co-operation with the banks 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	2014	2013
Positive gross market value for derivative contracts	128 764	72 844 <sup>1</sup>
Netting gains	58 286	47 069
Current set-off exposure	70 478	25 775
Collateral	38 191	15 405
Net credit exposure for derivatives	32 287	10 370

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

### Counterparty risks in derivative contracts including potential future exposure 2014

SEK m	Current set-off exposure	Potential future exposure	Total credit exposure/exposure value for derivatives/EAD	Risk-weighted amount	Capital requirement
Sovereign exposures	7 766	1 824	9 590	19	2
Institutional exposures	41 726	21 611	63 338	9 683	775
Corporate exposures	20 799	7 107	27 905	7 215	577
Other	187	302	489	153	12
<b>Total</b>	<b>70 478</b>	<b>30 844</b>	<b>101 322</b>	<b>17 070</b>	<b>1 366</b>

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

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

## MARKET RISKS

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. Market risks at Handelsbanken have decreased further during the past few years from already low levels to very low at present. This work has continued for a long period of time and started before the financial crisis broke out and long before the regulations started to assign such importance to market risks as they do today. One result of this is that a much smaller part of the earnings come from net gains/losses on financial transactions.

At a full-service bank like Handelsbanken, market risks arise when the Bank's customers demand services where the Bank must have flexible funding. The Bank can also obtain funding on other markets than those where it has its lending so that it can diversify its sources of funding. The funding can also have a different maturity than the assets which are to be funded. Central Treasury manages a liquidity portfolio

that can be converted into liquidity at short notice in conjunction with possible disruptions in the markets where the Bank conducts its operations. The portfolio secures the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve.

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

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

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

CEO and Board continually receive reports on the market risks and utilisation of the limits.

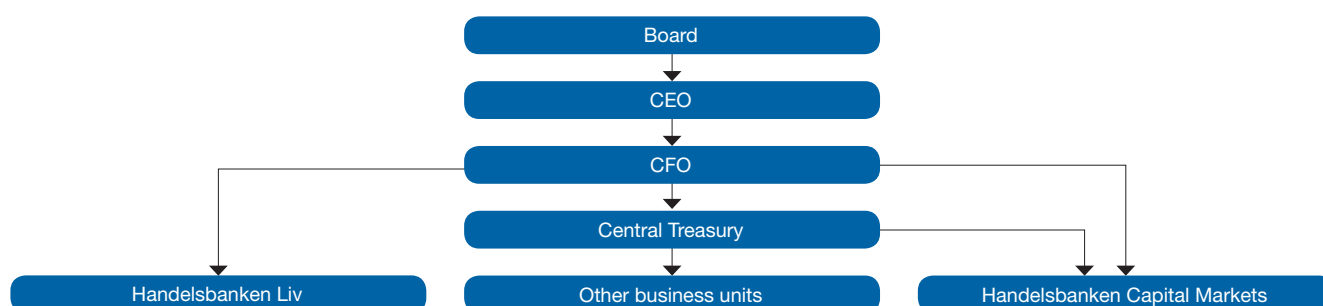
Market risks in the Bank's business operations mainly arise at Central Treasury, Handelsbanken Capital Markets and Handelsbanken Liv, and are managed there. The market risks at the insurance company, Handelsbanken Liv, are described in a separate section. Consequently, the information on market risks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

### Risk measurement

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

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

### Decision levels and monitoring of market risk





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

	Total		Equities		Fixed income		Currency		Commodities	
SEK m	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Average	14	18	1	3	14	18	2	2	1	1
Maximum	24	42	3	6	24	40	6	5	3	4
Minimum	8	9	1	1	9	9	0	0	0	0
Year-end	12	14	1	1	13	14	4	1	1	2

**Risk at Handelsbanken measured as VaR**

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

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

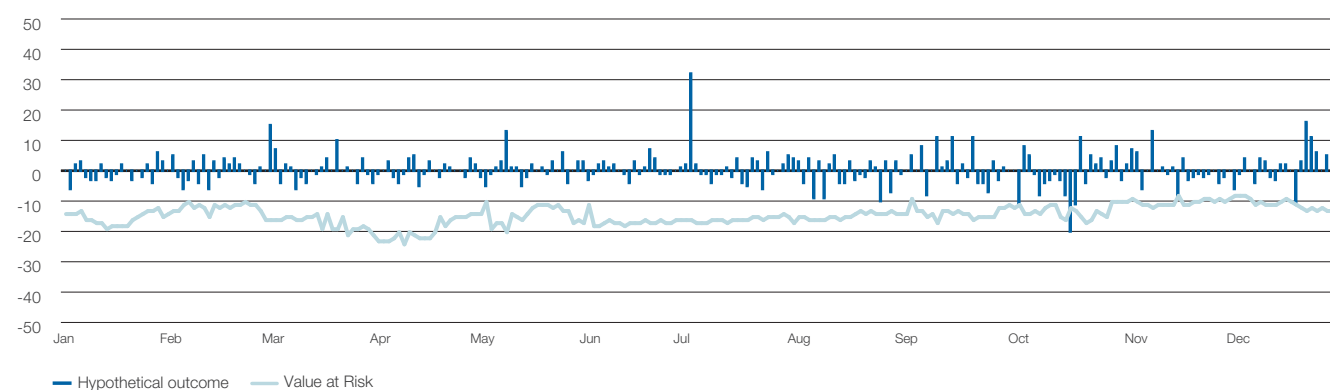
when the loss exceeded the estimated VaR. Back testing is performed on both the actual outcome and on the hypothetical outcome. The latter measures the outcome if the portfolio had been unchanged during the holding period.

A VaR model with a 99 per cent confidence level implies that the average outcome is expected to be worse than measured VaR on one to four occasions every year. If the number of observed occasions exceeds the expected number, there is a risk that the model will underestimate the actual risk. On four occasions in 2014, the hypothetical outcome was worse

than the VaR. This is an acceptable deviation from the expected situation and in line with that which a VaR model with a confidence level of 99 per cent implies.

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

## VaR and hypothetical outcome for trading book 2014, Handelsbanken Capital Markets and Central Treasury



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

SEK m	2014	2013
Average	27	26
Maximum	46	69
Minimum	13	12
Year-end	37	28

**INTEREST RATE RISK**

Interest rate risk mainly arises at Handelsbanken Capital Markets, Central Treasury and in the lending operations. Interest rate risk is measured at the Bank in several ways. General interest rate risk is measured and limited as the sum of the least favourable changes in fair value per currency in the case of substantial momentaneous upwards or downwards parallel shifts of 1 percentage point for all interest rates. At the year-end, the Bank's total general interest rate risk was SEK 1,431 million (861). In the calculation of general interest rate risk, deposits without an established interest-fixing period are assumed to have an interest-fixing period of one day. If the interest-fixing period for these deposits is assumed to be one month, the general risk is SEK 908 million (446). 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.

Specific interest rate risk is measured and limits set are using sensitivity to changes in credit spreads. This risk mainly arises within Handelsbanken Capital Markets and in the Central Treasury liquidity portfolio. The risk is measured and limited on the basis of different rating classes and is calculated as a market value change for the worst outcome in the case of a parallel shift in the credit spreads of +/- one basis point, i.e. the difference between the interest on the current holding and the yield on a government bond with the same maturity. This is performed for each individual counterparty and the outcomes are summed as an absolute

total. The total specific interest rate risk at the year-end was SEK 9 million (7).

**Interest rate risk in the trading book**

The trading book at Handelsbanken comprises Capital Markets' and Central Treasury's portfolios which are classified as trading book. The general interest rate risk in the trading book was SEK 117 million (34) and the specific interest rate risk was SEK 7 million (7). VaR and other risk measurements are used for the trading book, supplemented by various stress scenarios. 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

General interest rate risk for positions not included in the trading book (change in fair value as the worst outcome in the case of a one percentage point parallel shift in the yield curve)		
SEK m	2014	2013
SEK	764	367
DKK	206	118
EUR	103	34
NOK	101	133
USD	91	114
GBP	60	54
Other currencies	17	11
<b>Total</b>	<b>1 342</b>	<b>831</b>

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.

#### Interest rate risk in other operations

In the lending operations, interest rate risk arises as a result of the lending partly having longer interest-rate fixing periods than the funding. In bond funding, the reverse may also apply, i.e. that the interest-rate fixing period on the bonds is longer than the interest-rate fixing period for

the lending that the bonds are funding. Interest rate risk is mainly managed by means of interest rate swaps. In general, interest rate risk exposure is in markets which are characterised by good liquidity. The general interest rate risk for positions not included in the trading book measured as above was SEK 1,342 million (831) and the specific interest rate risk was SEK 2 million (1).

To estimate the effect of interest rate changes on the income statement, the net interest income effect is also measured. The net interest income effect when interest rates change is

measured as the change in net interest income over a 12-month period in the case of a general increase of market rates by 1 percentage point. This effect reflects the differences in interest-rate fixing periods and volume composition between assets, liabilities and derivatives outside the trading book, assuming that the size of the balance sheet is constant. In the calculation, it is assumed that deposits without an established interest-fixing period have an interest-fixing period of 1 month. The net interest income effect was SEK 788 million at the year-end (545).

Interest rate adjustment periods for assets and liabilities 2014 SEK m						
	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
<b>Assets</b>						
Loans	1 261 702	85 192	94 117	338 804	28 020	1 807 835
Banks and other financial institutions	480 157	1 643	194	169	77	482 240
Bonds etc.	40 039	4 730	15 057	45 553	17 189	122 568
<b>Total assets</b>	<b>1 781 898</b>	<b>91 565</b>	<b>109 368</b>	<b>384 526</b>	<b>45 286</b>	<b>2 412 643</b>
<b>Liabilities</b>						
Deposits	980 659	31 768	7 292	1 543	1 007	1 022 269
Banks and other financial institutions	185 229	8 208	696	474	5 468	200 075
Issued securities	287 955	94 458	153 569	605 712	101 208	1 242 902
Other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1 453 843</b>	<b>134 434</b>	<b>161 557</b>	<b>607 729</b>	<b>107 683</b>	<b>2 465 246</b>
Off-balance sheet items	-124 028	-12 929	-22 541	138 925	36 792	16 219
Difference between assets and liabilities including off-balance sheet items	204 027	-55 798	-74 730	-84 278	-25 605	-36 384

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2014, reported by trade date. Non-interest-bearing assets and liabilities have been excluded.

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

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

**EQUITY PRICE RISK**

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

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

**Equity price risk in the trading book**

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

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

**Equity price risk outside the trading book**

The majority of the Group's shareholdings – 88 per cent – comprises shares listed on an active market valued at market price. Holdings of unlisted securities mainly consist of various types of jointly owned operations related to the Bank's core business. In general, such holdings are valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. Equity exposures outside the trading book are classified as available for sale and are recognised at fair value in the balance sheet.

**EXCHANGE RATE RISK**

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

Group's accounts are expressed in Swedish kronor. The structural risk is minimised by matching assets and liabilities in the same currency as far as possible. The exchange rate movements that affect the Bank's equity are shown in the table on page 70 of the Annual Report: Statement of changes in equity – Group.

The Bank's direct foreign exchange exposure arises as a consequence of customer-driven intra-day trading in the international foreign exchange markets. This trading is conducted at Handelsbanken Capital Markets. The Board, CEO and CFO have set VaR limits for exchange rate risk. At year-end, VaR was SEK 3 million (0.4).

Some foreign exchange exposure also arises in the normal banking operations as part of managing customer payment flows and in funding operations at Central Treasury. The Board, CEO and CFO have allocated position limits for these exposures. At year-end, the aggregate net position amounted to SEK 355 million (186). The exchange rate risk in the Bank does not depend on trends for an individual currency or

group of currencies, because the positions are very short and arise in management of customer-driven flows. The total exchange rate risk was SEK -6 million (5), measured as the impact on the Bank's earnings of an instantaneous 5 per cent change of the Swedish krona.

**COMMODITY PRICE RISK**

Exposure in commodity-related instruments only occurs as a result of customer-based trading in the international commodity markets and is restricted by limits decided by the Board, CEO and CFO. Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Commodity price risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At the year-end, the commodity price risk was SEK 6 million (24), measured as the maximum loss on price changes up to 20 per cent in underlying commodities and changes in volatility up to 35 per cent.

<b>Exchange rate sensitivity (worst outcome +/- 5% change SEK against the respective currency)</b>		
SEK m	2014	2013
EUR	-14	10
NOK	-2	-2
DKK	-1	-2
USD	1	-10
GBP	0	-5
Other currencies	-10	-10

<b>Equity exposures outside the trading book</b>		
SEK m	2014	2013
Classified as available for sale	8 367	5 725
<i>of which listed</i>	6 753	4 369
<i>of which unlisted</i>	1 614	1 356
Classified as available for sale	8 367	5 725
<i>of which business-related</i>	6 198	768
<i>of which other holdings</i>	2 169	4 957
Fair value reserve at beginning of year	1 217	796
Unrealised market value change during the year for remaining and new holdings	237	420
Realised due to sale and settlements during the period	6	1
Fair value reserve at end of year	1 460	1 217
Included in tier 2 capital	0	1 216

Equity price risk SEK m	Change in volatility					
	2014			2013		
Change in equity price	-25%	0%	25%	-25%	0%	25%
10%	833	833	834	581	581	581
-10%	-825	-822	-820	-577	-570	-565

## 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.**

By building up liquidity reserves and matching cash flows, the Bank has worked on limiting its liquidity risks for a long period of time. This is a natural consequence of the Bank's low risk tolerance and this work started before the new liquidity regulations were formulated. Handelsbanken is the only Swedish bank which has managed completely on its own for its funding, with no support from central banks or public authorities, both throughout the latest financial crisis and also in the crisis of the early 1990s.

### Funding strategy

Handelsbanken has a low tolerance of liquidity risks and works actively to minimise them in total and also in each individual currency. The ambition is that this will provide good access to liquidity, a low level of variation in earnings and a considerable capacity to meet customers' funding needs, even in difficult times. This is achieved by maintaining a good matching of incoming and outgoing cash flows over time in all currencies of importance to the Bank and by maintaining large liquidity reserves of good quality.

Furthermore, the Bank aims for breadth in its funding programmes and their use so that no type of investor is treated at a disadvantage compared to others. This ensures that the Bank

can keep its core business intact for a very long period of time, even if there is extensive disruption in the financial markets.

The starting point of this work is a well-matched balance sheet, where illiquid assets are financed using stable funding. The illiquid assets comprise credits to households and companies; these credits constitute the Bank's core business. The long-term stable funding of these assets consists of covered bonds issued in Stadshypotek, senior bonds issued by Handelsbanken, deposits from households and companies, subordinated liabilities and equity. Part of the core operations are short-term lending to households and companies and on the liabilities side some of the deposits for these customers are shorter term.

The main point is thus that illiquid assets are not funded with short-term liabilities. The rest of the balance sheet comprises liquid assets and liabilities that are shorter term.

The short-term market funding and deposits from financial institutions finance liquid assets and assets with shorter maturities. In addition, short-term assets and liabilities arise via transactions that support customer-driven transactions, such as derivative and repo transactions with other banks.

A balance sheet is a snapshot of assets and liabilities. To ensure that the Bank's obligations towards customers and investors are fulfilled, it is important to adopt a future-oriented perspective in funding and liquidity risk management. The balance sheet is therefore structured in such a way that the real economy players in the form of companies and households and their needs for credit can be supported even during lengthy periods of stress in the financial markets. Short-term assets cover short-term liabilities by a good margin. In the diagram on the previous page, the balance sheet is

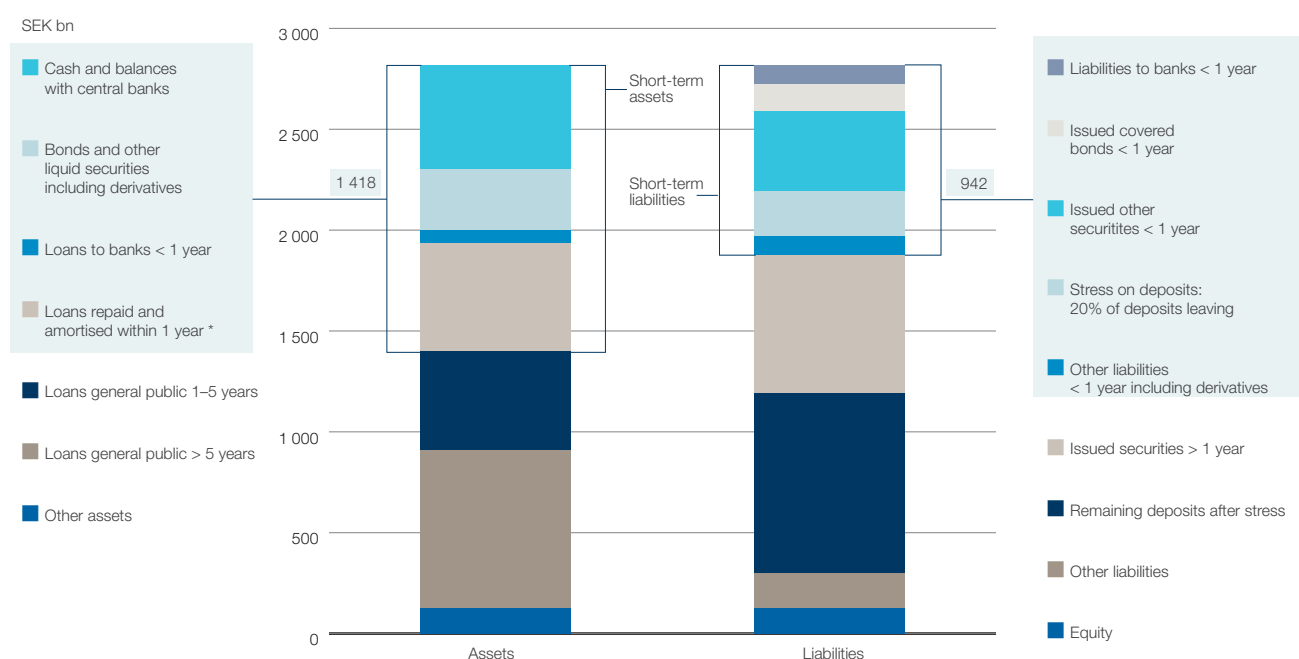
described in a stressed scenario where 20 per cent of deposits are assumed to disappear within one year and all access to new market funding disappears. Despite the stress, short-term assets are estimated to exceed short term liabilities by SEK 476 billion at year-end. A long-term crisis could result in a reduced balance sheet with retained core business, whereby the volume of short-term assets is gradually used to pay back maturing short-term liabilities. In the event of an even longer crisis, measures have been prepared to create liquidity which will provide more support to the business operations.

A balance sheet that is structured in this manner at all times – on market terms – is how Handelsbanken assumes its responsibility in its role as a systemically important bank in the Swedish financial system.

The market has great confidence in Handelsbanken and its assessment is that Handelsbanken has a very low credit risk. One illustration of this is that the cost of insuring a credit risk on the Bank, which is known as the CDS spread, is one of the lowest of all among European banks, and Handelsbanken has the lowest funding cost of all peer banks.

Good diversification between different types of sources of funding in various markets, currencies and forms of funding instruments is a key component of the funding strategy. This reduces the significance of individual markets or sources of funding. In recent years, the Bank has considerably broadened its long-term international funding and has issued significant volumes of bonds in, for example, the eurozone, the UK, the US, Asia and Australia. The most important sources of funding are deposits from households and companies as well as covered and senior bonds. The short-term funding mainly comprises deposits from financial companies and institutions as well as issues

Composition of the balance sheet from a maturity perspective, 31 December 2014



of certificates and CDs. Central Treasury has a number of different funding programmes for market funding at its disposal, which in addition to the programmes reported in the table Funding programmes/limits contain covered bonds in Swedish kronor. Bonds and certificates are issued under these programmes in the Bank's and Stadshypotek's names. The funding programmes ensure well-diversified access to funding in terms of different currencies, the number of investors and geographic distribution.

### Encumbered assets and cover pools

An important part of Handelsbanken's liquidity management consists of retaining significant volumes of unutilised collateral that can be used in the event of disruptions in the financial markets. One prerequisite for being able to pledge additional collateral is for the Bank to have collateral at its disposal from the outset. The Bank therefore retains substantial volumes of non-encumbered assets that could be used as collateral in the issue of covered bonds and highly liquid securities with high credit ratings. The Bank is very restrictive about entering into

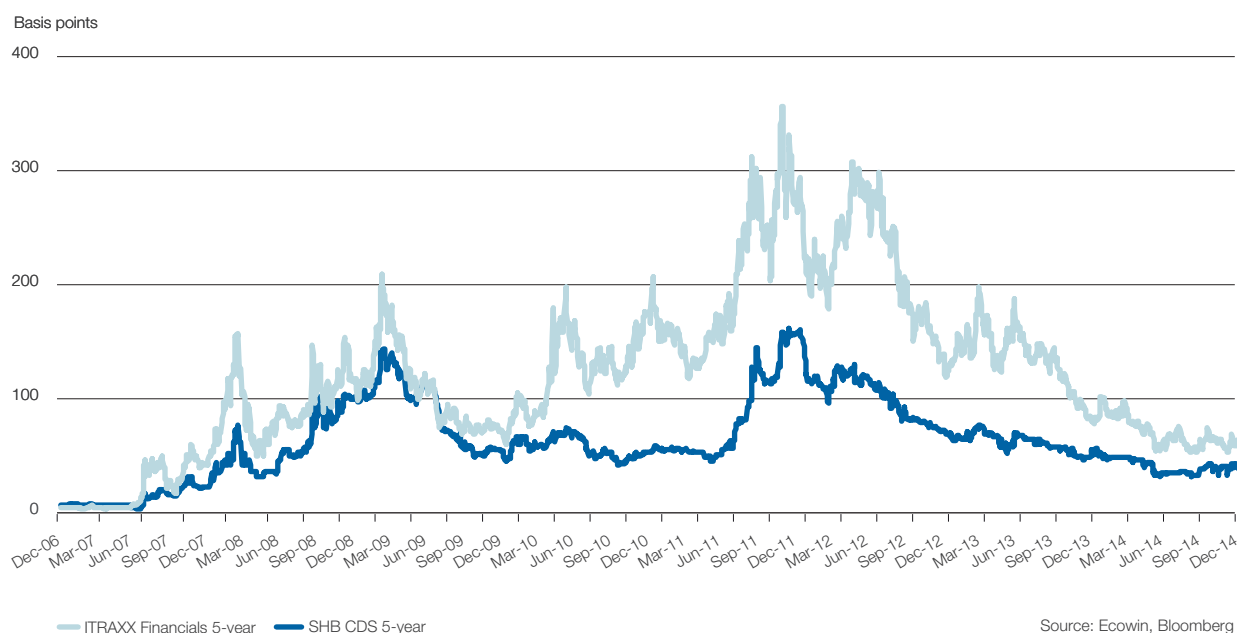
agreements such as CSA agreements, that stipulate that the Bank, according to certain criteria, may be forced to provide collateral to another counterparty. In addition to securing the Bank's liquidity, this also contributes to limiting the extent to which the Bank's senior lenders could be subordinated to lenders who invest in covered bonds, known as subordination.

To assess the degree of subordination between investors of non-encumbered funding and encumbered funding, the volume and credit quality of the non-encumbered assets are the relevant factors. Handelsbanken's very restrictive approach to risk-taking means that the non-encumbered assets are of very high quality. Since Handelsbanken wishes to have a balanced utilisation of covered and senior bonds, there is a large volume of mortgage loans which are not encumbered. Other non-encumbered loans also have a very low risk measured, for example, in terms of the Bank's internal rating.

The table of non-encumbered assets shows that the volume of non-encumbered assets for Handelsbanken is 237 per cent of the outstanding volume of non-encumbered funding.

The majority of the encumbered assets consist of Stadshypotek's cover pools, which comprise mortgage loans provided as collateral for outstanding covered bonds. The Bank also has voluntary OC (over-collateralisation – extra assets in addition to those which are needed to cover the issued bonds) of 10 per cent which is included in the pool. These extra assets are in the pool in case the value of the mortgage loans were to fall to a level such that further assets are needed to match the volume of outstanding bonds. When assessing the risk that it will be necessary to add further assets, the loan to value (LTV) of the mortgage loans in the cover pool is of fundamental importance. The lower the LTV, the lower the risk that more mortgage loans are required in the pool if prices fall in the property market. Handelsbanken's average LTVs, LTV Max, were 49 per cent in both the Swedish and Norwegian pools. This shows that the Bank can withstand substantial drops in prices of underlying property assets before further mortgage loans have to be added to the pools.

### Handelsbanken's 5-year CDS spread compared with ITRAXX Financials 2007–2014



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

Encumbered assets and other pledged collateral	Recognised amount	
	2014	2013 <sup>1</sup>
SEK bn		
Loans to the public	623 <sup>2</sup>	619
Government instruments and bonds	29	31
Equities	1	4
Cash	31	10
Other	105	90
<b>Total pledged assets</b>	<b>789<sup>3</sup></b>	<b>754</b>
Other pledged assets	36 <sup>4</sup>	42

Loans to the public are reported at amortised cost. Other pledged assets are reported at fair value. The reported value of the liabilities related to the collateral was SEK 799bn.

<sup>1</sup> The principles for how assets are classified in the table have been changed since the previous year. The comparative figures have been adjusted.

<sup>2</sup> Of which over-collateralisation in the cover pool (OC) SEK 57bn.

<sup>3</sup> Of which SEK 27bn is collateral which can be freely reclaimed by the Bank.

<sup>4</sup> Of which SEK 27bn is collateral which can be freely reclaimed by the Bank.

Non-encumbered/non-pledged assets	2014		2013	
	NEA <sup>1</sup>	% of non-secured funding <sup>2</sup>	NEA <sup>1</sup>	% of non-secured funding <sup>2</sup>
SEK bn				
Cash and balances with central banks	519	62	370	48
Liquid bonds in liquidity portfolio	129	77	90	60
<b>Loans to households including derivatives</b>	<b>461</b>		<b>385</b>	
<i>of which mortgage loans</i>	310	114	255	94
<i>of which loans secured by property mortgage</i>	15	116	16	96
<i>of which other household lending</i>	136	132	114	111
<b>Loans to companies including derivatives</b>	<b>702</b>		<b>679</b>	
<i>of which mortgage loans</i>	90	142	85	122
<i>of which loans to housing co-operative associations excl. mortgage loans</i>	32	146	24	125
<i>of which loans to property companies inc./exc. mortgage loans</i>				
- risk category 1-3	221	173	203	152
- risk category 4-5	79	182	85	163
- of which risk category > 5	14	184	12	164
<i>of which other corporate lending</i>				
- risk category 1-3	169	204	168	186
- risk category 4-5	74	212	71	196
- risk category > 5	23	215	31	200
<b>Loans to credit institutions including derivatives</b>	<b>64</b>		<b>69</b>	
- risk category 1-3	63	223	68	209
- risk category > 3	1	223	1	209
<b>Other assets</b>	<b>0</b>	<b>223</b>	<b>0</b>	<b>209</b>
Other lending	117	237	101	222
<b>Non-encumbered/non-pledged assets</b>	<b>1 992</b>	<b>237</b>	<b>1 694</b>	<b>222</b>

<sup>1</sup> NEA: Non-encumbered assets.

<sup>2</sup> Issued short and long non-secured funding and due to credit institutions.

Collateral received	Fair value of collateral received available for encumbrance		Fair value of encumbered collateral received	
	2014	2013	2014	2013
SEK bn				
Government instruments and bonds	29	14	1	6
Shares	4	10	4	4
<b>Total</b>	<b>33</b>	<b>24</b>	<b>5</b>	<b>10</b>

The carrying amount of the liabilities and other commitments for which the collateral has been pledged amounts to SEK 5bn.

Cover pool data	Sweden		Norway	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
SEK m				
Stadshypotek total lending, public	878 943	833 614	64 243	60 902
Available assets for cover pool	786 304	745 954	58 311	53 365
Utilised assets in cover pool	600 850	604 316	22 394	14 794
Maximum LTV, weighted average ASCB definition	49.3	49.6	49.4	54.1
Volume-weighted LTV (LTV-mid)	25	25.1	25.4	28.2
<b>LTV, distribution</b>				
0-10%	23.9	24.1	23.1	21.1
10-20%	20.9	20.9	22	20.9
20-30%	18.1	18	18.1	18.4
30-40%	15.2	15.1	15.6	16.6
40-50%	12.3	12.3	12.4	13.5
50-60%	9.5	9.4	8.8	9.5
60-70%	0	0.1	0	0
70-75%	0	0.1	0	0
Loan amount, weighted average, SEK	638 600	614 400	3 004 800	2 698 600
Loan term, weighted average, no. of months	41	39	22	20
<b>Interest fixing periods, distribution</b>				
Floating rate %	50	42	100	100
Fixed rate %	50	58	0	0

## Organisation

Handelsbanken has a highly decentralised business model, but all funding and liquidity risk management in the Group are centralised to Central Treasury. Funding and liquidity risk management is governed by policies established by the Board which also decides on limits. Guidelines from the CEO and CFO make these policies concrete. The guidelines stipulate limits, the composition of the funding and guides in the case of disruptions in the funding markets.

The basic condition for the funding operation is that it must promote long-term stable growth in profits by limiting market and liquidity risks. This is achieved by matching cash flows between funding and lending. The Bank thus minimises the economic risks in funding and can thereby decide on stable and long-term internal interest rates to the business-operating units. Furthermore, all liquidity risk limits are channelled via Central Treasury out into the operations.

In the wake of the financial crisis of recent years, a number of new regulations have been introduced. In good time before these regulations, at its own initiative, the Bank implemented a number of measures. It has therefore fulfilled these regulations for a long period of time. The measures include a centralised treasury function with overall responsibility for all funding and liquidity risk management, an increased propor-

tion of long-term funding, internal prices that reflect the market price, liquidity risk and maturity. In addition, the transparency related to funding, liquidity risk and the proportion of pledged assets has been considerably increased.

Central Treasury is also responsible for the Bank's clearing operation and monitors liquidity flows during the day to ensure that the Bank has sufficient collateral in its payment systems at any given time to meet the Bank's payment obligations. The Bank's liquidity monitoring takes place locally, near the transactions, and is supplemented by central management of collateral and the liquidity reserve for the whole Group. The Bank participates in Continuous Linked Settlement (CLS) and other local payment systems required to support the core operation and thereby ensure payments and settlements by providing liquidity or collateral.

The size of collateral in the clearing systems is determined on the basis of what the Bank deems is required to fulfil its obligations, both in normal circumstances and in case of larger flows. If the flow changes, the size of collateral and liquidity are adjusted, and in times of crisis, collateral can also be redistributed and the liquidity reserve can be activated. The Bank secures liquidity in its nostro accounts for expected payment and settlement undertakings through active liquidity planning and monitoring in all currencies.

## Pricing of liquidity risk

An important part of liquidity risk management is that deposits and lending are priced internally, taking into account the liquidity risks that they give rise to. For example, when the Bank grants a loan with a long maturity this creates the need to obtain additional long-term funding – which is more expensive than shorter-term funding. This is because investors who purchase the Bank's long-term bonds, in addition to yield, normally also demand higher compensation for the maturity. This must be taken into account in the Bank's internal pricing by ensuring that the price which internal units in the Bank have to pay for the loans they obtain from the Bank's treasury function varies according to the maturity at the same time as no liquidity risks can be taken locally. The internal pricing is important in order to create the right incentive and thereby avoid unsound risk-taking. The Bank has worked with maturity-based internal prices for a long time. They ensure that the price at contract level takes into account the liquidity risk that the agreement has given rise to. This system was already fully implemented at the Bank in 2010.

### Funding programmes/limits as of 31 December 2014

Programme	Programme size	Currency	Unutilised amount, current programme	Countervalue SEK m
ECP <sup>1</sup>	5 000	EUR	3 095	29 342
ECP (Stadshypotek) <sup>1</sup>	4 000	EUR	3 117	29 550
EMTCN (Stadshypotek) <sup>1</sup>	20 000	EUR	8 552	81 075
French Certificates of Deposit	7 500	EUR	6 693	63 452
MTN <sup>1</sup>	100 000	SEK	82 375	82 375
Swedish Commercial Paper	25 000	SEK	25 000	25 000
Swedish Commercial Paper (Stadshypotek)	90 000	SEK	90 000	90 000
EMTN <sup>1</sup>	50 000	USD	26 068	203 324
Extendible Notes	15 000	USD	7 924	61 805
Stadshypotek US 144A	15 000	USD	12 250	95 547
US 144A / 3(a)(2)	20 000	USD	10 600	82 677
USCP	15 000	USD	8 314	64 847
Other funding > 1 yr <sup>1</sup>	15 000	USD	14 200	110 756
AUD MTN	5 000	AUD	4 350	27 783
Stadshypotek AUD Covered Bond Programme	5 000	AUD	4 250	27 144
Samurai	400 000	JPY	274 500	17 881
<b>Total</b>				<b>1 092 558</b>

Total programme or limited amounts, SEK m

1 664 922

Unutilised amount, SEK m

1 092 558

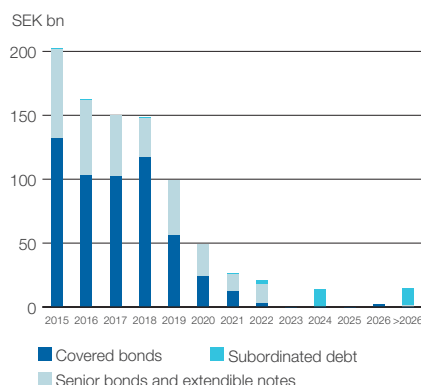
Remaining to utilise, %

66%

<sup>1</sup> It is possible to issue in other currencies than the original programme currency under these programmes, where currency conversion takes place at the time of issue.



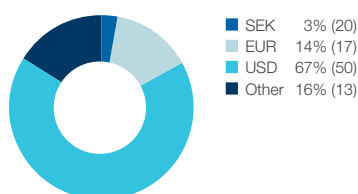
## Maturity profile long-term funding



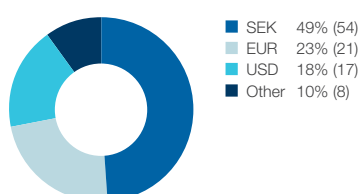
Refers to issued securities as at 31 December 2014 with an original maturity exceeding one year.

## Composition of funding

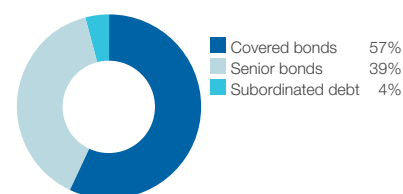
During the year, Handelsbanken issued long-term bonds in all currencies that are important to the Bank. Short-term funding mainly takes place through issues of certificates of deposit under the various loan programmes in Sweden, Europe and the US. These loan programmes are supplemented by funding in the international interbank market. Central Treasury ensures that the maturity structure and currency composition in the balance sheet are in keeping with the Bank's risk tolerance. In total, SEK 189 billion (281) in long-term funding was issued during the year.

Short-term funding per currency  
31 December 2014

Refers to the currency distribution as at 31 December 2014 for issued securities and financing from credit institutions with a residual maturity of less than one year.

Long-term funding per currency  
31 December 2014

Refers to the currency distribution as at 31 December 2014 for issued securities and financing from credit institutions with a residual maturity of more than one year.

Long-term funding per instrument  
31 December 2014

Refers to distribution per instrument as at 31 December 2014 for issued securities with residual time to maturity of more than one year.

## Holdings with central banks and banks, and securities holdings in the liquidity reserve 31 December 2014, market value

SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	5 797	81 766	312 770	103 509	503 842
Balances with other banks and National Debt Office, overnight	13 697	254	343	1 173	15 467
Government-issued securities	38 470	7 743	15 946	3 785	65 944
Securities issued by municipalities and other public entities	158	-	-	171	329
Covered bonds	36 765	2 710	-	11 263	50 738
Own covered bonds	8 398	86	-	1 401	9 885
Securities issued by non-financial companies	1 423	432	-	-	1 855
Securities issued by financial companies (excl. covered bonds)	124	96	-	49	269
Other securities	-	-	-	-	-
<b>Total</b>	<b>104 832</b>	<b>93 087</b>	<b>329 059</b>	<b>121 351</b>	<b>648 329</b>

## Holdings with central banks and banks, and securities holdings in the liquidity reserve 31 December 2013, market value

SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	2 034	48 127	235 115	83 075	368 351
Balances with other banks and National Debt Office, overnight	3	487	539	1 153	2 182
Government-issued securities	20 609	7 690	12 979	1 462	42 740
Securities issued by municipalities and other public entities	6	-	-	-	6
Covered bonds	26 097	2 329	0	8 267	36 693
Own covered bonds	6 499	73	-	53	6 625
Securities issued by non-financial companies	0	2	974	0	976
Securities issued by financial companies (excl. covered bonds)	1 130	788	417	170	2 505
Other securities	-	-	-	-	-
<b>Total</b>	<b>56 378</b>	<b>59 496</b>	<b>250 024</b>	<b>94 180</b>	<b>460 078</b>

## Liquidity reserve

As at the year-end, Handelsbanken's total liquidity reserve exceeded SEK 800 billion and it covers the Bank's liquidity requirement in stressed conditions for over two years.

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.

## Liquidity risk

The Bank handles a large number of incoming and outgoing cash flows every day. The gap between incoming and outgoing cash flows is restricted by means of limits. Central risk control reports risk utilisation daily to the CFO, weekly to the CEO and on a regular basis to the Board.

Liquidity planning is based on an analysis of cash flows for the respective currency. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where the liquidity is low. The strategy is that expected outgoing cash flows from the Bank must always be matched with incoming cash flows into the Bank that are at least of the same amount, and that a positive cash flow and cash

position must be maintained – even in stressed conditions. This kind of gap analysis is 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 the Liquidity Coverage Ratio (LCR). It is not defined in the same way by the Swedish Financial Supervisory Authority and the Basel Committee.

Since 2013, LCR has been a binding requirement for Swedish banks, and Handelsbanken reports it according to the Swedish Financial Supervisory Authority's definition. The requirement applies to LCR at aggregate level and separately for US dollars and euros. The figure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The ratio must be more than 100 per cent.

A short-term liquidity ratio may display a degree of volatility over time, for example when funding that was originally long term and that finances mortgage loans is replaced by new long-term funding, or when the composition of counterparty categories varies in the short-term funding. At the year-end, the Group's aggregated LCR according to the Swedish Financial Supervisory Authority's definition was 140 per cent (128), which shows that the Bank has great resistance to short-term disruptions in the funding markets. This also applies in US dollars and euros.

Daily stress testing of cash flows based on certain assumptions is used to test resistance to long-term disruptions in the market. For example, it is assumed that the Bank cannot obtain funding in the financial markets at the same time as 10 per cent of deposits from households and

companies disappear gradually in the first month. It is further assumed that the Bank will continue to conduct its core activities, i.e. that fixed-term deposits from and loans to households and companies will be renewed at maturity and that issued commitments and credit facilities will be partly utilised by customers. The Bank also takes into account that balances with central banks and banks will be utilised and that Central Treasury's securities can immediately supply liquidity if provided as collateral in central banks.

Measures to create liquidity are also used to gradually provide the Bank with liquidity. With these conditions, the Bank will be liquid for over two years. Thus, the Bank also has major powers of resistance to very serious long-term disruptions in the funding markets.

A condition for the Bank to be able to maintain such substantial resistance to disruptions in the financial markets as stated above is that the balance sheet is well balanced. The diagram on page 95 shows that the volume of current assets significantly exceeds the volume of current liabilities in a stressed scenario where 20 per cent of the deposits are assumed to disappear within one year. Furthermore, the volume and quality of unutilised collateral must be able to give the Bank the liquidity it needs in times of crisis. Consistently steering the Bank towards positive future net cash flows, instead of point-in-time ratios, also secures this over time.

The maturity analysis table shows cash flows for the contracted payment commitments, including interest flows, that are due for payment at the latest within the stated time intervals. The table shows holdings of bonds and other interest-bearing securities in the time intervals in which they can be converted to liquidity if they are pledged as collateral or sold. 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 0-1-month. The total outstanding amount of these commitments does not necessarily represent future funding requirements. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid or received, such as currency swaps.

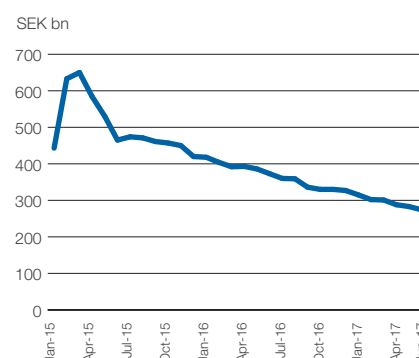
Liquidity Coverage Ratio (LCR), %	2014	2013
EUR	154	110
USD	137	170
<b>Total</b>	<b>140</b>	<b>128</b>

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

Liquidity Coverage Ratio (LCR) – decomposition SEK m	2014	2013
<b>Liquid assets</b>	<b>312 480</b>	<b>162 346</b>
Liquid assets level 1	270 364	130 591
Liquid assets level 2	42 116	31 755
<b>Cash outflows</b>	<b>595 043</b>	<b>507 882</b>
Deposits from customers	205 068	165 295
Market funding	351 164	265 572
Other cash outflows	38 811	77 016
<b>Cash inflows</b>	<b>372 482</b>	<b>380 912</b>
Inflows from maturing lending to non-financial customers	25 437	22 080
Other cash inflows	347 045	358 832

The components are defined in line with the Swedish Financial Supervisory Authority's directives and requirements for the liquidity coverage ratio and reporting of liquid assets and cash flows, FFFS 2012:6. Liquid assets level 1 corresponds to Chapter 3, Section 6. Liquid assets level 2 corresponds to Chapter 3, Section 7. Customer Deposits corresponds to Chapter 4, Sections 4–9. Market funding corresponds to Chapter 4, Sections 10–13. Other cash flows corresponds to Chapter 4, Sections 14–25. Loans to non-financial customers corresponds to Chapter 5, Section 4. Other cash inflows corresponds to Chapter 5, Sections 6–12.

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



Maturity analysis for financial assets and liabilities, 2014								
SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	505 579	-	-	-	-	-	-	505 579
Interest-bearing securities eligible as collateral with central banks <sup>1</sup>	78 618	-	-	-	-	-	-	78 618
Bonds and other interest-bearing securities <sup>2</sup>	64 389	-	-	-	-	-	-	64 389
Loans to credit institutions	27 920	37 022	812	333	706	4 204	-	70 997
of which reverse repos	9 576	32 589	-	-	-	-	-	42 165
Loans to the public	96 163	226 110	157 476	180 500	350 694	898 017	-	1 908 960
of which reverse repos	23 859	-	-	-	-	-	-	23 859
Other	55 897	-	-	-	-	-	235 081	290 978
of which shares and participating interests	46 546	-	-	-	-	-	-	46 546
of which claims on investment banking settlements	9 351	-	-	-	-	-	-	9 351
<b>Total assets</b>	<b>828 566</b>	<b>263 132</b>	<b>158 288</b>	<b>180 833</b>	<b>351 400</b>	<b>902 221</b>	<b>235 081</b>	<b>2 919 521</b>
Due to credit institutions	108 169	58 681	982	5 467	1 096	7 993	22 555	204 943
of which repos	88	-	-	-	-	-	-	88
of which central banks	45 647	47 374	116	-	-	-	3 948	97 085
Deposits and borrowing from the public	237 220	54 865	14 723	1 709	2 893	8 595	703 632	1 023 637
of which repos	168	-	-	-	-	-	-	168
Issued securities <sup>3</sup>	80 155	312 655	163 892	189 492	439 450	105 760	-	1 291 404
of which covered bonds	3 255	63 108	89 216	118 756	295 715	43 644	-	613 694
of which certificates and other securities with original maturity of less than one year	72 171	239 067	46 845	-	-	-	-	358 083
of which senior bonds and other securities with original maturity of more than one year	4 729	10 480	27 831	70 736	143 735	62 116	-	319 627
Subordinated liabilities	388	341	4 931	3 245	24 323	955	-	34 183
Other	28 608	-	-	-	-	-	322 825	351 433
of which short positions	20 648	-	-	-	-	-	-	20 648
of which investment banking settlement debts	7 960	-	-	-	-	-	-	7 960
<b>Total liabilities</b>	<b>454 540</b>	<b>426 542</b>	<b>184 528</b>	<b>199 913</b>	<b>467 762</b>	<b>123 303</b>	<b>1 049 012</b>	<b>2 905 600</b>
<b>Off-balance-sheet items</b>								
Financial guarantees and unutilised commitments	387 913	-	-	-	-	-	-	-

Derivatives 2014								
SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs		Total
Total derivatives inflow	362 607	459 377	82 332	134 595	293 242	136 415		1 468 568
Total derivatives outflow	355 952	448 422	78 481	126 537	273 046	132 743		1 415 181
<b>Net</b>	<b>6 655</b>	<b>10 955</b>	<b>3 851</b>	<b>8 058</b>	<b>20 196</b>	<b>3 672</b>		<b>53 387</b>

<sup>1</sup> SEK 21,927m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>2</sup> SEK 6,023m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>3</sup> SEK 529,498m of the amount (excl. interest) has a residual maturity of less than one year.

For deposit volumes the column "Unspecified maturity" refers to deposits payable on demand. The table contains interest flows which means that the balance sheet rows are not reconcilable with the Group's balance sheet. Maturity tables without interest flows including maturity tables in foreign currencies can be found in the Fact Book.

Maturity analysis for financial assets and liabilities, 2013								
SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	369 957	-	-	-	-	-	-	369 957
Interest-bearing securities eligible as collateral with central banks <sup>1</sup>	58 112	-	-	-	-	-	-	58 112
Bonds and other interest-bearing securities <sup>2</sup>	64 863	-	-	-	-	-	-	64 863
Loans to credit institutions	36 091	22 547	206	1 878	-	2 441	291	63 454
of which reverse repos	14 966	18 926	-	-	-	-	-	33 892
Loans to the public	64 580	140 906	131 868	125 351	287 368	1 063 934	3 859	1 817 866
of which reverse repos	15 714	-	-	-	-	-	-	15 714
Other	55 730	-	-	-	-	-	183 309	239 039
of which shares and participating interests	48 595	-	-	-	-	-	-	48 595
of which claims on investment banking settlements	7 135	-	-	-	-	-	-	7 135
<b>Total assets</b>	<b>649 333</b>	<b>163 453</b>	<b>132 074</b>	<b>127 229</b>	<b>287 368</b>	<b>1 066 375</b>	<b>187 459</b>	<b>2 613 291</b>
Due to credit institutions	103 699	39 168	500	107	1 917	14 511	17 197	177 099
of which repos	748	-	-	-	-	-	-	748
of which central banks	41 759	28 189	-	-	-	-	1 634	71 582
Deposits and borrowing from the public	164 285	44 456	10 864	2 556	2 518	10 145	591 646	826 470
of which repos	7 606	-	-	-	-	-	-	7 606
Issued securities <sup>3</sup>	82 109	318 265	54 469	282 719	390 887	113 676	-	1 242 125
of which covered bonds	1 087	83 197	29 789	204 441	255 514	37 863	-	611 891
of which certificates and other securities with original maturity of less than one year	74 954	196 335	4 394	38 822	-	-	-	314 505
of which senior bonds and other securities with original maturity of more than one year	6 068	38 733	20 286	39 456	135 373	75 813	-	315 729
Subordinated liabilities	13	4 357	1 139	4 524	5 599	3 245	-	18 877
Other	29 947	-	-	-	-	-	296 749	326 696
of which short positions	23 170	-	-	-	-	-	-	23 170
of which investment banking settlement debts	6 777	-	-	-	-	-	-	6 777
<b>Total liabilities</b>	<b>380 053</b>	<b>406 246</b>	<b>66 972</b>	<b>289 906</b>	<b>400 921</b>	<b>141 577</b>	<b>905 592</b>	<b>2 591 267</b>
<b>Off-balance-sheet items</b>								
Financial guarantees and unutilised commitments	378 136	-	-	-	-	-	-	-

Derivatives 2013								
SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs		Total
Total derivatives inflow	204 160	401 774	143 837	160 135	277 560	133 681		1 321 147
Total derivatives outflow	220 546	384 702	144 406	154 531	269 870	127 844		1 301 899
<b>Net</b>	<b>-16 386</b>	<b>17 072</b>	<b>-569</b>	<b>5 604</b>	<b>7 690</b>	<b>5 837</b>		<b>19 248</b>

<sup>1</sup> SEK 26,098m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>2</sup> SEK 11,192m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>3</sup> SEK 424,710m of the amount (excl. interest) has a residual maturity of less than one year.

For deposit volumes the column "Unspecified maturity" refers to deposits payable on demand. The table contains interest flows which means that the balance sheet rows are not reconcilable with the Group's balance sheet. Maturity tables without interest flows including maturity tables in foreign currencies can be found in the Fact Book.

## 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 fulfilling the financial guarantees entailed by the insurance terms.

The financial guarantee means that the company makes a capital contribution at the value of the insurance contract at specific points in time if 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, which is ultimately the controlling document for allocation of the company's investment assets relating to traditionally managed insurance. The purpose of the investment guidelines is to provide instructions on how the assets are to be invested given the undertakings to the policyholders and the statutory requirements of the Swedish Insurance Business Act and the applicable regulations of the Swedish Financial Supervisory Authority.

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

Market risk at Handelsbanken Liv arises in the management of investment assets for the traditional insurance and from the fact that valuation of the company's obligations is sensitive to interest rate changes.

The total market risk at Handelsbanken Liv is calculated using Value at Risk (VaR) with a 99.5 per cent confidence level and a holding period of three months. In addition, the company's solvency ratio, the so-called traffic-light model and liability coverage are checked according to statutory requirements. The market risk management model used by Handelsbanken Liv weights the risk of a capital contribution at insurance contract level together with the risk of a capital contribution at company level due to the increased present value of future guaranteed amounts. Market risk is measured in terms of the overall sensitivity of the capital contributions to market disruptions. The risk exposure is checked daily against a limit stipulated by the Board of Handelsbanken. The larger of the value of contributions to policyholders or contributions due to solvency constitutes the risk utilisation. Sub-categories of financial risk

are interest rate risk, equity risk, credit risk, property risk and exchange rate risk. The main risk at Handelsbanken Liv is interest rate risk. At year-end, VaR was SEK 754 million (893).

Liquidity risk in the insurance operations is the risk that the company will not be able to meet its payment obligations when they fall due, or that the company will not be able to sell securities at acceptable prices. This risk is limited by most of the investment assets being invested in listed securities with good liquidity.

#### Insurance risk

Insurance companies set their premiums based on assumptions regarding the size of costs for future insurance events. Insurance risk is the risk that the actual and assumed insurance costs differ. The ultimate governing document is Handelsbanken Liv's risk policy, established by the board of the insurance company, specifying the amounts within which insurance policies may be issued. A supplementary steering document, adopted by the board of the insurance company, states the limits within which risk-taking insurance may be entered into.

Insurance risk at Handelsbanken Liv is related to the following events:

- mortality – payment to beneficiaries in the event of the death of the insured person
- longevity – payment that is dependent on the insured person living, e.g. pension disbursements
- morbidity – payment in the event of illness or work incapacity
- accident – payment in the event of accident.

An insurance policy may contain combinations of protection for 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 life expectancy in Sweden affects the insurance company's future obligations. The effect is positive for mortality insurance but negative for life insurance since 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 81 million, for the older section of the group who have lifelong payouts. Most of Handelsbanken Liv's insurance policies with mortality risk are, however, priced annually. This means that the company can unilaterally change the premium from year to year. Thus, an incorrect mortality assumption can be changed with rapid effect.

Changes in morbidity occur much more rapidly than changes in mortality, which may contribute to variations in the risk result. The result therefore depends both on how many insured persons fall ill and how many recover in

relation to the assumptions applied. Sickness/disability insurance products are generally designed in such a way that the premium can be changed annually, thus allowing the company to compensate for changes in morbidity. The sickness/disability result for 2014 is SEK 72 million, where SEK 59 million is attributable to sickness cases reported during the year, SEK -28 million to existing sickness cases which are being closed, and the remaining SEK 41 million to sickness cases which have occurred but not yet been reported.

The insurance operations report their market, insurance and operational risks to the insurance company's board and chief executive, to Handelsbanken's central risk control and to the Bank's CFO and CEO. The risk situation is also reported regularly to the Board of the Bank.

#### Solvency II

During the past few years, Handelsbanken Liv has worked actively on adapting its operations to future new regulatory demands and this will continue during 2015. The full introduction of the Solvency II regulations is expected in 2016 when the directive will also be implemented in Swedish law. As of January 2014 parts of the regulations were introduced into the supervisory authorities' practical supervision work. For example, new stipulations on calculating discounting curves for solvency, a traffic-light model and liability coverage came into force.

One overall purpose of the regulations is to strengthen protection for insurance policyholders by linking the solvency requirement and thereby the capital requirement more clearly to how the insurance companies identify, measure and manage all risks.

## OPERATIONAL RISK

Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous 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 processes or administrative order can easily lead to unnecessary costs.

Operational errors and deficiencies are therefore reduced as far as possible. This applies to minor but frequent events and major events which could cause major unexpected losses. The Bank's management performs frequent, active follow-ups of operational risk through the organisation for risk control. Operational risks

which may lead to the most serious consequences are the subject of special attention. Internal Audit's examination of the operations also focuses on operational risk.

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

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

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

Operational risks are managed in the business operations, by risk control and Internal Audit.

The responsibility for the management of operational risks is distributed between the business operations, local co-ordinators for operational risk, local risk control and central risk control.

The business operations are responsible for the regular identification and management of risks and for implementing proactive measures.

Local co-ordinators for operational risk are in place at regional banks, main departments, subsidiaries and units outside the Bank's home markets. These co-ordinators are responsible for ensuring that existing methods and procedures for managing operational risks are used in the business operations. They are also responsible for monitoring that the business operations take and implement appropriate proactive measures.

There are also local risk control functions to check that management of operational risk is correctly performed at regional banks, main

departments, subsidiaries and units outside the Bank's home markets. This is achieved by means of regular quality assurance and evaluation.

Central risk control has the overall responsibility for the methods and procedures used to identify, steer, control and report operational risks, and for follow-up at overall Group level. To achieve and maintain good quality in this management, central risk control has close, regular co-operation with the local co-ordinators for operational risk and the local risk control functions. Central risk control is also responsible for analysing and reporting the Group's operational risks to the management and Board.

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

All employees throughout the Group must collect facts about incidents which have affected their unit and which result in a loss in excess of SEK 25,000. To further promote the unit's proactive work with risks, all employees are encouraged to also collect facts about incidents which lead to smaller losses or no loss at all.

Incidents reported are reviewed and categorised on a regular basis by the local co-ordinator for operational risk. The Bank categorises operational risk according to Basel's seven types of event:

- deficiencies in processing and processes
- business disruptions and system failures
- customers, products and business practice
- external crime
- damage to property, plant or equipment
- employment practices and workplace safety
- internal fraud.

The work also includes following up proactive measures in collaboration with the units and branches affected. Local compliance also has access to and can monitor incidents reported in their part of the business operations. Local risk control performs an annual evaluation of the procedure. Central risk control then performs an aggregated evaluation at Group level.

OPRA Risk Analysis is a self-assessment procedure to document and assess operational risks which may have an impact on the Bank. These are carried out at least once a year at all units. The respective head of all regional banks, main units, subsidiaries and international units outside the Bank's home markets is responsible for this being performed. The local co-ordinator for operational risk provides support for the planning and implementation. Units with more complex operations divide the self-assessment

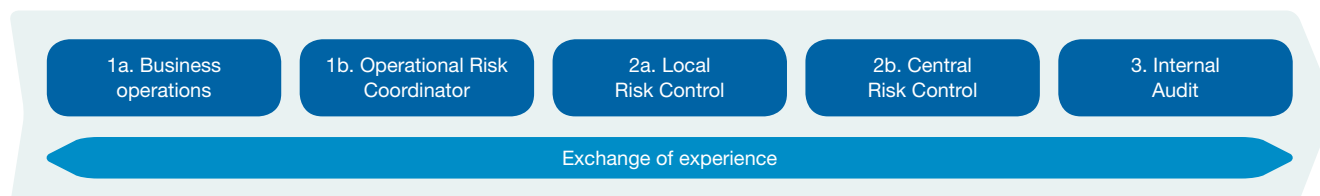
procedure into several sessions. Normally, between five and eight experienced employees who have a good overview of the unit's operations and risks participate in the sessions. The aim is to assess the consequence and likelihood of an event. The assessment of the impact includes both financial losses and lost reputation. Important input includes facts and statistics from incidents reported during the previous year together with incidents that have affected other parts of the Group or other banks and companies. The self-assessment procedure results in an action plan stating the risks to be reduced, how this will be done, who is responsible and time limits for when measures are to be taken. The action plan is a working document that is regularly followed up during the year by the business operations with the support of the local co-ordinator for operational risk. The local risk control is informed about the completed OPRA analysis, including the action plan, so that it can evaluate the procedure. Central risk control provides regular support to the co-ordinators for operational risk in planning, implementation and follow-up and also performs an annual aggregate assessment of the evaluations from all local risk control units.

The Bank pays great care when processing new products and services and major changes to existing products and services. Each business area, subsidiary and regional bank with product responsibility processes new products in accordance with central guidelines, which are minimum requirements. This includes an established process for deciding how products are to be introduced. A risk analysis led by the local risk control is always performed before a product is launched. The analysis takes account of the risks for the Bank and for the customer, including operational risks. Central risk control is informed of the results of the analysis and is involved in complex cases when this is justified.

There are emergency and continuity plans in place in all parts of the Group for dealing with serious disruptions. The emergency plans help the crisis team to quickly and systematically start to deal with a crisis situation and its effects. There is a central crisis team for the whole Group, and a local crisis team within each regional bank, subsidiary and international unit outside the Bank's home markets and also at the Central IT Department and Handelsbanken Capital Markets.

The central crisis team has permanent staff consisting of members of management and/or those close to them. The central crisis team functions as a liaison crisis team in the event of a major crisis in the Group, supports any local

#### Operational risk management at Handelsbanken





crisis team(s) working with an acute crisis and functions as a crisis team for the main central departments. Continuity planning focuses on taking preventive measures to minimise the consequences of a serious disruption of business operations. Local risk control performs an annual evaluation of the procedure. Central risk control then performs an aggregated evaluation at Group level.

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

The total capital requirement for operational risks for the whole of the Handelsbanken Group was SEK 4,439 million (4,246) at the end of 2014.

## RISKS IN THE REMUNERATION SYSTEM

Remuneration risk is the risk of loss or other damage arising due to the remuneration system.

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

Remuneration 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 local level. Salaries are set in salary reviews between the employee and their line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in salary processes, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs. Salaries are based on salary-setting factors defined in advance: the nature and level of difficulty of the work, skills, performance and results achieved, leadership (for managers who are responsible for the career development of employees), supply and demand in the market, and the task of ambassador for the Bank's corporate culture.

Handelsbanken has low tolerance of remuneration risks and actively strives to keep them at a low level. This is achieved in part by only using variable remuneration to a very limited extent and only in the areas where this is market practice and is necessary in order to achieve the goals for the unit's operations. Where variable remuneration exists, it is subject to deferred payment.

The Bank's principles for remuneration to employees are long established. The principles for the Bank's remuneration system are stipulated in the remuneration policy which is decided by the Board. More detailed implementation directives are decided by the CEO. The responsibility for identifying and managing remuneration risks rests with every responsible manager in the operations and is managed according to internal policy documents, guidelines and instructions. Local risk control regularly monitors that the remuneration system is applied as intended. The Bank's central risk control is responsible for analysing the risks associated with the remuneration policy and the remuneration system before the remuneration policy is processed and established by the Board. This is done at least once a year. The report analyses elements such as the incentive structure, the balance between fixed and variable remuneration, deferral rules, and effects on own funds. In addition, central risk control evaluates the application of the remuneration system. Based on this risk analysis and evaluation, an assessment is made as to whether the remuneration 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 remuneration.

Handelsbanken's remuneration policy and remuneration 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 remuneration system is designed in such a way that there is no risk that the Bank's own funds are undermined as a result of mandatory payment of variable remuneration. It is possible to reduce or remove variable remuneration, wholly or partly – this applies both to allocations for variable remuneration and to deferred variable remuneration which has not yet been paid.

For more detailed information and statistics about the Bank's remuneration system, see the Corporate Governance Report and note G8 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.

Central risk control 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 also the foundation of the Bank's assessment of the internal capital requirement. This assessment is intended to ensure that the Group has sufficient capital at all times in relation to all risks in the Group. The Group perspective 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 economic capital must be made with a 99.97 per cent confidence level, which captures an event which is extremely unfavourable for the Bank. EC is the difference between the outcome in an average year – with positive results and good growth in the value of the Bank's assets – and the outcome at a 99.97 per cent confidence level.

Diversification effects between the different risk classes are taken into account when calculating EC. The capital requirement for all risks is therefore lower than the sum of the economic capital for each individual risk, because the risks are partly independent of each other.

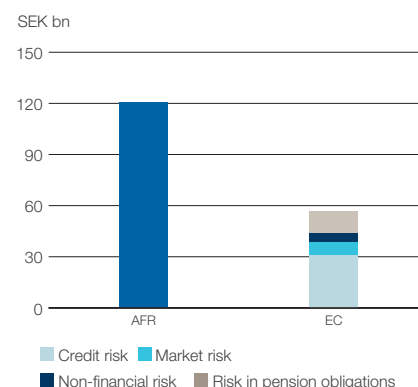
The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR is Handelsbanken's equity with the addition of other financial values on and off the balance sheet, available to cover losses with a one-year time horizon.

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 the risk in the assets

Total of AFR and EC including diversification, 31 December 2014



classified as the trading book, 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. For example, this may arise if demand or competition changes unexpectedly, thus resulting in lower volumes and squeezed 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 (61), 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 214 per cent (197) 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 margins of conservatism for business cycle fluctuations. To perform a final assessment of the Group's capital adequacy requirements, account must also be taken of the stress and scenario analysis carried out as part of the Bank's capital planning.

## CAPITAL PLANNING

**Handelsbanken's capital planning aims to ensure that the Group has adequate financial resources available at all times and that the capital is of optimal composition.**

The capital planning unit is responsible for assessment of the Bank's total capital requirement. The capital requirement is a function of the Group's risks, expected development, the regulations and target ratios, Handelsbanken's model for economic capital and also of stress tests. The Bank's capital requirement is reported weekly to the CFO and the CEO and at least quarterly to the Board.

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 own funds.

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

The result of the short-term analysis forms the basis of any capital operations performed and is continually reported to the CFO and the CEO, and if necessary to the Board. The analysis is based on a cautious basic scenario, with decision points in the near future for how existing earnings capacity can cope with various changes in volume, as well as what effects arise from potential capital operations.

The part of capital planning that comprises mid- to long-term forecasts aims to ensure compliance with statutory capital adequacy requirements and that the Group's AFR at all times covers by a good margin all risks calculated according to the economic capital model.

The objective is to forecast the expected performance and judge whether the Bank's resistance is satisfactory in various scenarios. The planning horizon is at least five years and takes account of the Group's overall business performance trend.

Scenario and stress tests are also continuously performed. A basic scenario forms the foundation of the capital forecast. This scenario is obtained from expected performance in the next five years regarding profit, volume growth, financial assumptions such as loan losses, and performance of the equity, property and fixed income markets. The basic scenario is then compared to the outcomes in a number of

business cycle and crisis scenarios. The stress scenarios have been established following analysis of the historical links between the impacts of different macroeconomic variables on the financial markets and have been selected by using the scenarios expected to have the most severe impact on Handelsbanken.

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

At the end of 2014, the common equity tier 1 ratio was 20.4 per cent. The ratio between AFR and EC was 214 per cent at the same date. Thus, AFR exceeds the assessed internal capital requirement (EC) by a very good margin.

The Bank's strong position is further emphasised by the result of the various forward-looking stress scenarios which are carried out, showing that Handelsbanken's long-term capital situation is very stable from both a financial and regulatory perspective.

## The Group's targets for regulatory capital

The Board continuously sets the targets for the Bank's capitalisation. A cornerstone of the internal capital requirement assessment of the regulatory capital situation are stress and scenario analyses of the Bank's situation, both long-term and short-term. The scenarios used are principally based on the Bank's internal risk tolerance and the direct requirements resulting from the regulations and other requirements from public authorities. In addition to the internal assessment of the capital requirement, when the new capital adequacy regulations were implemented, the Swedish Financial Supervisory Authority communicated that Swedish banks' target figures must not be lower than the total capital requirement calculated by the Supervisory Authority, regardless of the banks' internal calculations. The Bank has taken this into account when setting the target figures for the regulatory capitalisation.

The Board has decided that the common equity tier 1 ratio, which is the most relevant measure for the governance of the Bank under the current regulatory framework, under normal circumstances must amount to between 1 and 3 percentage points above the total capital assessment communicated to the Bank by the Swedish Financial Supervisory Authority. The other capital tiers (the tier 1 ratio and the total capital ratio) must amount to at least 1 percentage point above the total capital assessment communicated to the Bank by the Supervisory Authority for the respective capital tiers.



## G3 Net interest income

SEK m	2014	2013
<b>Interest income</b>		
Loans to credit institutions and central banks	1 642	1 575
Loans to the public	49 280	52 614
Interest-bearing securities eligible as collateral with central banks	719	2 106
Bonds and other interest-bearing securities	1 016	1 898
Derivative instruments	-2 484	-2 556
Other interest income	1 359	1 459
<b>Total interest income</b>	<b>51 532</b>	<b>57 096</b>
Of which interest income reported in net gains/losses on financial transactions	633	2 633
<b>Interest income according to income statement</b>	<b>50 899</b>	<b>54 463</b>
<b>Interest expense</b>		
Due to credit institutions and central banks	-1 033	-1 287
Deposits and borrowing from the public	-3 686	-4 608
Issued securities	-21 233	-23 137
Derivative instruments	4 838	3 591
Subordinated liabilities	-1 283	-1 214
Other interest expense	-1 523	-3 294
<b>Total interest expense</b>	<b>-23 920</b>	<b>-29 949</b>
Of which interest expense reported in net gains/losses on financial transactions	-265	-2 155
	<b>-23 655</b>	<b>-27 794</b>
<b>Net interest income</b>	<b>27 244</b>	<b>26 669</b>

Includes interest income on impaired loans SEK 98m (107). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 52,407m (55,788). Total interest expense on liabilities recognised at amortised cost was SEK 28,493m (31,385).

## G4 Net fee and commission income

SEK m	2014	2013
Brokerage and other securities commissions	1 104	1 189
Mutual funds	2 475	2 008
Custody and other asset management fees	540	427
Advisory services	235	278
Insurance	637	571
Payments	3 133	2 813
Loans and deposits	1 131	1 124
Guarantees	424	438
Other	464	446
<b>Total fee and commission income</b>	<b>10 143</b>	<b>9 294</b>
Securities	-225	-228
Payments	-1 278	-1 175
Other	-84	-87
<b>Total fee and commission expense</b>	<b>-1 587</b>	<b>-1 490</b>
<b>Net fee and commission income</b>	<b>8 556</b>	<b>7 804</b>

## G5 Net gains/losses on financial transactions

SEK m	2014	2013
Trading, derivatives, FX effect etc.	-955	2 049
Other financial instruments denominated at fair value in profit/loss	2 277	-785
<i>of which interest-bearing securities</i>	2 259	-707
<i>of which loans</i>	18	-78
Financial instruments at amortised cost	160	126
<i>of which loans</i>	611	416
<i>of which liabilities</i>	-451	-290
Financial instruments available for sale	369	24
Hedge accounting		
Fair value hedges	-81	-26
<i>of which hedging instruments</i>	197	-1 575
<i>of which hedged items</i>	-278	1 549
Ineffective portion of cash flow hedges	10	28
Hedge ineffectiveness on net investment in foreign operations	-	-
Gains/losses on unbundled insurance contracts	-3	-59
<b>Total</b>	<b>1 777</b>	<b>1 357</b>

### Trading, derivatives, FX effect etc.

This item mainly contains unrealised and realised changes in market value and interest referring to financial assets and liabilities held for trading.

### Other financial instruments denominated at fair value in profit/loss

The item contains unrealised and realised value changes on instruments which upon initial recognition were classified at fair value in the income statement. \* Unrealised value changes on these instruments comprise interest rate and currency effects and the effects of changed credit risk. The accumulated value change due to changes in credit risk from lending which upon initial recognition were classified at fair value in the income statement is SEK 4 million (-14).

### Financial instruments at amortised cost

The item contains capital gains/losses that arise when loans are redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own issued securities.

### Financial instruments available for sale

The item contains realised gains/losses on financial assets classified as available for sale. Interest income from these assets is recognised under net interest income and dividends on the line Other dividend income. Unrealised value changes on available-for-sale financial assets are recognised in other comprehensive income and amounted to SEK 244 million (586) before tax during the financial year. Realised value changes in available-for-sale financial instruments previously recognised in other comprehensive income and which were reclassified to the income statement during the financial year amounted to SEK 51 million before tax (-51). 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 "Ineffective portion of cash flow hedges". The impact on earnings of ineffective portions of net investment hedges in foreign operations is recognised in "Hedge ineffectiveness on net investments in foreign operations".

### Gains/losses on unbundled insurance contracts

"Gains/losses on unbundled insurance contracts" corresponds to the result generated when calculating the guaranteed yield on the financial component in unbundled insurance contracts.

\* Value changes deriving from financial instruments which are investment 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	2014	2013
Premiums written	510	586
Insurance claims paid	-377	-433
Change in provisions for unsettled claims	45	25
Other	-13	-36
<b>Total</b>	<b>165</b>	<b>142</b>

## G7 Other income

SEK m	2014	2013
Rental income	34	32
Other operating income	269	153
<b>Total</b>	<b>303</b>	<b>185</b>

## G8 Staff costs

SEK m	2014	2013
Salaries and fees	-7 574	-7 107
Social security costs	-1 851	-1 780
Pension costs <sup>1</sup>	-1 091	-974
Provision to profit-sharing foundation	-795	-1 096
Other staff costs	-455	-447
<b>Total</b>	<b>-11 766</b>	<b>-11 404</b>

<sup>1</sup> The components in the reported pension costs are shown in the Pension costs table.

Salaries and fees SEK m	2014	2013
Executive officers <sup>2</sup>	-144	-134
Others	-7 430	-6 973
<b>Total</b>	<b>-7 574</b>	<b>-7 107</b>

<sup>2</sup> Executive Directors and Board in the parent company and CEOs, EVPs and boards in subsidiaries.

Gender distribution, %	2014		2013	
%	Men	Women	Men	Women
Executive officers excluding boards	67	33	70	30
Boards	71	29	69	31
Of which in parent company	80	20	73	27
Of which in subsidiaries	70	30	69	31

Average number of employees	2014	Men	Women	2013	Men	Women
Sweden	7 383	3 402	3 981	7 537	3 465	4 072
Norway	766	415	351	755	412	343
Finland	613	259	354	615	256	359
Denmark	702	347	355	699	348	351
UK	1 667	1 000	667	1 351	813	538
Luxembourg	67	39	28	73	42	31
Germany	59	32	27	64	36	28
USA	74	47	27	76	48	28
Netherlands	140	86	54	113	74	39
Singapore	38	9	29	37	9	28
Hong Kong	69	26	43	68	26	42
Poland	43	16	27	45	18	27
Russia	1	1	0	5	2	3
Other countries	70	28	42	65	25	40
<b>Total</b>	<b>11 692</b>	<b>5 707</b>	<b>5 985</b>	<b>11 503</b>	<b>5 574</b>	<b>5 929</b>

Remuneration <sup>3</sup> exceeding EUR one million No. of persons	2014	2013
Range EUR 1.0–1.5m	4	5
Range EUR 1.5–2.0m	1	1
Range EUR 2.0–2.5m	1	-
Range EUR exceeding 2.5m	-	-
<b>Total</b>	<b>6</b>	<b>6</b>

<sup>3</sup> Including pension and other salary benefits.

### REMUNERATION TO EMPLOYEES

Information about remuneration principles to all employees in the Handelsbanken Group is provided in more detail in the Corporate Governance Report on pages 59–60. Handelsbanken has defined 7,662 (7,380) employees whose activities might affect the Group's risk profile to a material extent. At Handelsbanken, these employees are designated as "Identified staff". The tables report the Group's remuneration to its employees according to the Commission Delegated Regulation (EU) 604/2014 and according to FFFS 2011:1 most recently changed in FFFS 2014:22.

In 2014, Handelsbanken allocated SEK 1,096 million to the Oktogonen profit-sharing scheme. After a deduction for payroll charges, this corresponded to units in Oktogonen with a value of SEK 77,888 for a full-time employee (74,892).

### REMUNERATION TO EXECUTIVE OFFICERS

According to the Swedish Companies Act, the AGM is to establish guidelines for remuneration to executive officers. The 2014 AGM established such remuneration guidelines stating that the guidelines are to be applied for the CEO and for the Executive Vice Presidents. During 2014, Handelsbanken has changed the group of executive officers and, in addition to the Board, it now comprises the persons stated on pages 64–65 of the Corporate Governance Report, who are designated Executive Directors. The guidelines apply to all Executive Directors and the persons who are subject to the AGM's remuneration guidelines.

Remuneration to the CEO and other Executive Directors is paid only in the form of fixed

salary and pension provisions, and also customary benefits such as a company car. Following a special decision by the Board, Handelsbanken can provide housing as part of the remuneration. No variable remuneration is paid. Executive Directors are included in Handelsbanken's profit-sharing scheme Oktogonen on the same conditions as all other employees of the Bank and are also entitled to convert salary to pension on the same conditions as other employees.

Board members in the Handelsbanken Group who are not employees of the Bank only receive a fee according to the decision of the AGM.

Board members who are employees of the Bank or its subsidiaries receive remuneration and pension benefits by reason of their employment. No further remuneration or pension benefits are paid for serving on the Board. Fees to board members in the parent company are shown on pages 62–63 of the Corporate Governance Report.

### The CEO's remuneration and pension terms

In 2014, the CEO of the parent company, Pär Boman, received a fixed salary after conversion to pension amounting to SEK 11.2 million (11.3). His other salary benefits amounted to SEK 0.3 million (0.2). External fees for serving on the boards of other companies on behalf of the Bank have been paid to the Bank.

The CEO's retirement age is 65. A defined benefit pension is earned successively until the CEO reaches the age of 60, when it is equivalent to 60 per cent of the pension-qualifying\* salary, including expected payments from statutory insurance. The defined benefit pension earned is recalculated in accordance with technical insurance principles for 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 pension-qualifying 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 pension cost\*\* for the CEO was SEK 7.1 million (5.8) in 2014. Before conversion to pension, the pension cost was SEK 6.1 million (5.8), corresponding to 49.9 per cent of the pension-qualifying salary (51.4).

### Remuneration and pension terms for other Executive Directors in the parent company

#### Pension terms

Twelve (12) of the Bank's other Executive Directors receive a defined benefit retirement pension of a maximum of 65 per cent of the pension-qualifying salary at the time of retirement and also receive a pension premium of a maximum of two per cent of the pension-qualifying salary. Their minimum retirement age is 60\*\*\* and the defined benefit retirement pension is earned successively during the period of employment and is fully earned for these persons by the time they reach the age of retirement.

One (1) Executive Director with a retirement age of 65, has a defined benefit retirement pension which is fully earned at the age of 60 and receives a pension premium which is two per cent of the pension-qualifying salary until the age of 60. Between the ages of 60 and 65, a pension premium is instead received, amounting to 35 per cent of the pension-qualifying salary.

Seven (7) Executive Directors receive a defined contribution pension. The premium is individual and is a maximum of 50 per cent

Remuneration <sup>1</sup> to identified staff <sup>2</sup> , business segments	2014		2013	
	Remuneration	No. of persons	Remuneration	No. of persons
SEK m				
Branch operations in Sweden	1 894	3 184	1 668	3 136
Branch operations in the UK	765	836	506	678
Branch operations in Denmark	428	456	393	452
Branch operations in Finland	171	307	159	320
Branch operations in Norway	513	615	479	626
Branch operations in the Netherlands	39	39	35	40
Capital Markets	2 005	1 803	1 892	1 724
Others	467	422	417	404
<b>Total</b>	<b>6 282</b>	<b>7 662</b>	<b>5 549</b>	<b>7 380</b>

Remuneration <sup>1</sup> to identified staff <sup>2</sup>	2014		2013	
	Senior Management <sup>3</sup>	Other Identified staff	Senior Management <sup>3</sup>	Other Identified staff
Earned fixed remuneration, SEK m	138	6 029	128	5 314
Earned variable remuneration, SEK m	-	115	-	107
<b>Total</b>	<b>138</b>	<b>6 144</b>	<b>128</b>	<b>5 421</b>
No. of persons with fixed remuneration only	21	7 378	19	7 075
No. of persons with both fixed and variable remuneration	-	263	-	286
<b>Total number of persons</b>	<b>21</b>	<b>7 641</b>	<b>19</b>	<b>7 361</b>
Allocated variable remuneration, SEK m	-	115	-	91
<i>of which deferred</i>	-	59	-	45
<i>of which disbursed</i>	-	56	-	46
No. of persons to whom variable remuneration has been allocated	-	216	-	202
Deferred variable remuneration at beginning of year	-	102	-	57
Allocated and deferred variable remuneration during the year	-	59	-	45
Disbursed during the year	-	9	-	-
Adjusted during the year	-	-12	-	-
<b>Deferred variable remuneration at end of year</b>	<b>-</b>	<b>158</b>	<b>-</b>	<b>102</b>
Guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	2
Contracted guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-

Earned remuneration has been recognised as an expense in its entirety. Earned variable remuneration is allocated at individual level during the financial year after it has been earned. Allocated variable remuneration for the year was earned in its entirety during 2013. Allocated variable remuneration is disbursed or deferred in accordance with the Bank's policy for variable remuneration. The right of disposal of the deferred remuneration transfers to the employee at the time of disbursement. All variable remuneration is paid in cash. The amounts are excluding social security costs. During the year, termination benefits for 51 identified persons (81) have been recognised as an expense for SEK 46m (51), and have been contracted for SEK 47m (46) for 52 identified persons (77). The largest individual contracted termination benefit is SEK 4.1m (4.5). During the year, guaranteed variable remuneration has been allocated to 0 persons (3).

<sup>1</sup> Including pension and other salary benefits.

<sup>2</sup> Employees whose duties significantly can affect the Bank's risk profile (Commission Delegated Regulation (EU) 604/2014).

<sup>3</sup> The Swedish Financial Supervisory Authority uses the concept of senior management in its regulations FFFS 2014:22. At Handelsbanken this corresponds to the Executive Directors.

of the pension-qualifying salary. Three (3) of these persons are also covered by the defined contribution pension in the collective agreement BTP and BTPK schemes where the retirement age is 65.

An accrued defined benefit pension is vested and secured in the Bank's pension foundation or assured in the Bank's pension fund. If service ceases before retirement age, the person receives a paid-up policy for the defined benefit and defined contribution pension earned.

### Remuneration

In 2014, the Deputy CEO, Anders Ohlner, received a fixed salary amounting to SEK 3.7 million (3.5). Other salary benefits are SEK 0.3 million (0.2) and the pension cost was SEK 1.6 million (1.5), corresponding to 44.0 per cent (45.9) of the pension-qualifying salary.

Other Executive Directors, 19 individuals, have received fixed salary, after conversion to pension, amounting to SEK 77.9 million. Other salary benefits are SEK 6.4 million and the pension cost was SEK 28.5 million. Before conversion to pension, the pension cost was SEK 28.0 million, corresponding to 40.3 per cent of the pension-qualifying salary.

The 23 (19) individuals in the parent company who are specified in the remuneration guidelines from the 2014 AGM, the CEO and the Executive Vice Presidents, have received fixed salary, after conversion to pension, amounting to SEK 97.9 million (89.2). Other salary benefits are SEK 7.3 million (5.8) and the pension cost was SEK 45.6 million (32.6). Before conversion to pension, the pension cost was SEK 39.4 million (32.6), corresponding to 43.8 per cent of the pension-qualifying salary (41.9). 18 of

these 23 individuals are included in the group of Executive Directors.

Fees for serving on the boards of other companies on behalf of the Bank have been paid to the Bank.

### Remuneration in subsidiaries

Fees paid to the 11 (10) board members of subsidiaries who are not employees of the Bank or its subsidiaries are SEK 1.2 million (0.8).

In 2014, the chief executives and Executive Vice Presidents in the subsidiaries, 22 (17)

\* Pension-qualifying salary comprises contractual fixed salary before any conversion to pension.

\*\* The pension cost includes defined benefit pensions earned, as well as premiums for defined contribution pensions.

\*\*\* In new pension terms entered into after 1 January 2012, the age of retirement is 65.

## G8 Cont.

individuals, received fixed salaries after conversion to pension amounting to SEK 39.0 million (33.8). Other salary benefits are SEK 1.4 million (1.9) and the pension cost was SEK 5.9 million (5.7). Before conversion to pension, the pension cost was SEK 5.8 million (5.7), corresponding to 19.6 per cent of the pension-qualifying salary (24.8).

Remuneration is not paid to chief executives and EVPs at subsidiaries who have other main work tasks at Handelsbanken.

### PENSION OBLIGATIONS TO EXECUTIVE OFFICERS

As at 31 December 2014, the pension obligations\*\*\*\* for the CEO, Pär Boman, were SEK 169.6 million (143.3). As at 31 December 2014, the pension obligations for Anders Ohlner, Deputy CEO, were SEK 51.2 million (45.6), and for the other 19 Executive Directors in the parent company, pension obligations were SEK 729.0 million.

As at 31 December 2014, pension

obligations for the 23 (19) persons in the parent company specified in the remuneration guidelines from the 2014 AGM, the CEO and the Executive Vice Presidents, were SEK 1,185 million (1,028). 18 of these 23 individuals are included in the group of Executive Directors.

As at 31 December 2014, pension obligations in the Handelsbanken Group for all present and previous executive officers totalled SEK 2,316 million (2,308). As at 31 December 2014, pension obligations in the parent company for all present and previous executive officers totalled SEK 2,192 million (2,124). The number of people covered by these obligations in the Group is 78 (75), of whom 47 (44) are pensioners. The corresponding number for the parent company is 63 (57), of whom 42 (38) are pensioners.

### CREDITS TO AND DEPOSITS FROM EXECUTIVE OFFICERS

As at 31 December 2014, credits to executive officers in the parent company were

SEK 206 million (105) and SEK 61 million (50) in the subsidiaries. Deposits in the parent company from these persons totalled SEK 918 million (629). In 2014, the Bank's interest income from these persons for credits in the parent company totalled SEK 2.2 million (3.8) and in the subsidiaries SEK 1.0 million (1.9). Interest paid to these persons for deposits in the parent company was SEK 10.2 million (13.3).

As at 31 December 2014, credits to executive officers in the subsidiaries in the Handelsbanken Group were SEK 235 million (192).

Credit and deposit terms for the aforementioned persons are in accordance with the same principles as for all other employees of the Handelsbanken Group. All credits are subject to a credit assessment.

\*\*\*\* Pension obligations are amounts which, in accordance with IAS 19, the Bank reserves for payment of future defined benefit pensions. The size of the amounts depend on financial and demographic assumptions which may change from year to year.

Net pension obligations SEK m	2014	2013
Defined benefit obligation	24 938	21 556
Fair value of plan assets	23 458	23 289
<b>Net pensions</b>	<b>-1 480</b>	<b>1 733</b>

In addition to the defined pension obligations and plan assets in the above table, provisions have been made in the years 1989-2004 to Svenska Handelsbankens Pensionsstiftelse (pension foundation) to a special supplementary pension (SKP). This includes plan assets whose market value amounts to SEK 11,970m (11,042). SKP entails a commitment to the Bank amounting to the same amount as the plan assets.

A part of the commitment, SEK 9,518 m (8,655), is conditional.

No significant plan amendments, curtailments and settlements have been made during the year.

Pension costs SEK m	2014	2013
Service cost	-656	-653
Interest on defined benefit obligation	-729	-640
Interest on plan assets	781	659
Gains and losses from settlements and curtailments	-2	46
Social contributions, defined benefit plans	-12	-10
<b>Pension costs, defined benefit plans</b>	<b>-618</b>	<b>-598</b>
Pension costs, defined contribution plans	-478	-392
Social contributions, defined contribution plans	5	16
<b>Total pension costs</b>	<b>-1 091</b>	<b>-974</b>

Defined benefit obligation SEK m	2014	2013
Opening balance	21 556	20 712
Service cost	656	653
Interest on defined benefit obligation	729	640
Paid benefits	-684	-650
Gains and losses from settlements and curtailments	2	-46
Actuarial gains (-)/losses (+)	2 441	306
Foreign exchange effect	238	-59
<b>Closing balance</b>	<b>24 938</b>	<b>21 556</b>

The calculation of defined benefit obligations 2014 for employees in Sweden is based on DUS14, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by Insurance Sweden. The corresponding calculation regarding 2013 is based on DUS06.

Plan assets SEK m	2014	2013
Opening balance	23 289	21 478
Interest on plan assets	781	659
Funds contributed by the employer	280	148
Compensation to employer	-572	-575
Funds paid directly to employees	-176	-159
Actuarial gains (+)/losses (-)	-320	1 774
Foreign exchange effect	176	-36
<b>Closing balance</b>	<b>23 458</b>	<b>23 289</b>

Return on plan assets SEK m	2014	2013
Interest on plan assets	781	659
Actuarial gains (+)/losses (-)	-320	1 774
<b>Actual return</b>	<b>461</b>	<b>2 433</b>

Allocation of plan assets SEK m	2014	2013
Shares listed on an active market	21 316	20 825
Shares not listed on an active market	493	414
Interest-bearing securities listed on an active market	1 807	1 580
Interest-bearing securities not listed on an active market	224	165
Other plan assets	-382	305
<b>Total</b>	<b>23 458</b>	<b>23 289</b>

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK 0m (0) on the balance sheet date 31 December 2014. Bonds issued by Svenska Handelsbanken AB (publ) are included with a market value of SEK 570m (561). Other plan assets include compensation from the pension foundation that has not yet been paid out.

Actuarial gains (-)/losses (+), defined benefit obligation SEK m	2014	2013
Changes in demographic assumptions	762	1 194
Changes in financial assumptions	1 679	-888
<b>Total</b>	<b>2 441</b>	<b>306</b>

Future cash flows SEK m	Outcome 2014	Forecast 2015
Paid benefits	-684	-656

Defined benefit pensions are mainly paid to employees in Sweden, Norway and the UK. Of the total net obligation the Swedish plan is SEK 21,311m (19,015), the Norwegian plan is SEK 1,219m (959) and the UK plan is SEK 2,373m (1,559). In addition, there is a small defined benefit plan in Germany which, given its size, is not considered material and therefore is not presented in more detail.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts.

In Norway, retirement pensions are paid from the age of 67. The amount of the pension is partly dependent on the period of service and the final salary up to 12 base amounts. The retirement pension including the statutory pension is expected to be approximately 70% of the final salary up to 12 base amounts.

In the UK, defined-benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67% of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently GBP 137,400.

The pension plans are funded externally, meaning plan assets are held by trusts or similar legal entities. The trust's (or equivalent) activities are regulated by national laws and practices, as is the relationship between the Group and the trust (or equivalent) managing the plan assets, and provides the framework for how the plan assets shall be composed of different types of assets. In Sweden, the Pension Obligations Vesting Act and the Mutual Benefit Societies Act are applied, in Norway the Norwegian National Insurance Act is applied and in the UK, the standard UK pensions and tax law is applied.

Main assumptions	Sweden		Norway		UK	
	2014	2013	2014	2013	2014	2013
Discount rate, %	3.0	3.3	2.8	4.1	3.4	4.4
Expected salary increase, %	3.5	3.5	3.3	3.8	4.7	5.0
Pension indexing, %	2.0	2.0	3.0	3.5	3.2	3.4
Income base amount, %	3.0	3.0	na	na	na	na
Inflation, %	2.0	2.0	1.8	1.8	3.4	3.7
Staff turnover, %	3.0	3.0	0-8 <sup>1</sup>	0-8 <sup>1</sup>	na	na
Remaining life expectancy at retirement age, years	21.9	21.2	21.6	18.0	25.0	23.4
Average duration, years	16.7	15.6	23.0	21.9	23.0	23.0

<sup>1</sup> Age-related interval; 8% for the youngest annually, gradually decreasing to 0% for the oldest.

Sensitivity analysis	Effects on the defined benefit obligation				
	Changes in assumptions	Increased defined benefit obligation, SEK m		Decreased defined benefit obligation, SEK m	
		2014	2013	2014	2013
Discount rate, %	0.5	2 544	2 063	-2 214	-1 808
Expected salary increase, %	1.0	1 508	962	-1 656	-1 287
Pension indexing, %	0.5	1 183	988	-1 451	-1 430
Remaining life expectancy at retirement age, years	1.0	766		-767	

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The method is described in the accounting principles (see note G1, section 20). Compared with the 2013 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses. Remaining life expectancy at retirement has been added to the sensitivity analysis in comparison with the previous year.

Through its defined benefit pension plans, the Bank is exposed to a number of risks, the most significant of which are detailed below:

**Asset volatility:** The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. The pension plans hold a significant proportion of equities which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. The Bank believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Bank's long term strategy to manage the plans efficiently.

**Changes in bond yields:** A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

**Inflation risk:** The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The plans' assets are not affected by inflation in a material way, meaning that an increase in inflation will also increase the deficit.

**Life expectancy:** The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

**Asset-Liability matching (ALM):** The composition of the plan assets is matched to the pension liabilities composition and expected development. The overall goal is to generate a return, over the medium and long-term, that at least corresponds to the development of the pension liability. The majority of the plan assets are invested in equities, but investments are also made in fixed income instruments and cash. A high proportion of shares is deemed appropriate in order to manage the plans effectively.

**Funding arrangements:** Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies the funding requirement is generally that the pension obligations measured according to local requirements shall be covered in full. Funding levels are monitored regularly. The Bank considers that the current contribution rate is appropriate.

## G9 Other expenses

SEK m	2014	2013
Property and premises	-1 174	-1 118
External IT costs	-1 623	-1 704
Communication	-349	-369
Travel and marketing	-339	-378
Purchased services	-995	-1 031
Supplies	-207	-202
Other administrative expenses	-412	-379
<b>Total</b>	<b>-5 099</b>	<b>-5 181</b>
<i>Of which expenses for operating leases</i>		
Minimum lease fee	-754	-687
Variable fee	-19	-19
<b>Total</b>	<b>-773</b>	<b>-706</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2014, the cost of the largest individual lease contract was approx. SEK 167m (165). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies SEK m	KPMG		Ernst & Young AB	
	2014	2013	2014	2013
Audit assignment	-14	-12	-2	-3
Audit operations outside the audit assignment	-5	-4	-	-
Tax advice	-	-	-1	-1
Other services	-	-	-	-

Internal audit costs were SEK 135m (132) during the year.

## G10 Loan losses

SEK m	2014	2013
<b>Specific provision for individually assessed loans</b>		
The year's provision	-1 982	-1 287
Reversal of previous provisions	305	289
<b>Total</b>	<b>-1 677</b>	<b>-998</b>
<b>Collective provision</b>		
The year's net provision for individually assessed loans	76	-60
The year's net provision for homogeneous loans	3	15
<b>Total</b>	<b>79</b>	<b>-45</b>
<b>Off-balance sheet items</b>		
Losses on off-balance sheet items	-2	-9
Reversal of previous losses on off-balance sheet items	1	0
Change in collective provision for off-balance sheet items	16	-10
<b>Total</b>	<b>15</b>	<b>-19</b>
<b>Write-offs</b>		
Actual loan losses for the year	-1 998	-1 503
Utilised share of previous provisions	1 515	1 174
Recoveries	285	196
<b>Total</b>	<b>-198</b>	<b>-133</b>
<b>Net loan losses</b>	<b>-1 781</b>	<b>-1 195</b>

Impaired loans etc. SEK m	2014	2013
Impaired loans	8 702	6 944
Specific provisions for individually assessed loans	-3 734	-3 454
Provisions for collectively assessed homogeneous groups of loans with limited value	-93	-92
Collective provisions for individually assessed loans	-284	-357
<b>Net impaired loans</b>	<b>4 591</b>	<b>3 041</b>
Total impaired loans reserve ratio, %	47,2	56,2
Proportion of impaired loans, %	0,25	0,18
Impaired loans reserve ratio excluding collective provisions, %	44,0	51,1
Loans past due > 60 days, which are not impaired	2 133	2 150
Impaired loans reclassified as normal loans during the year	34	30

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 236.



Change in provision for probable loan losses 2014				
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	-3 454	-357	-92	-3 903
The year's provision	-1 982	-	-57	-2 039
Reversal of previous provisions	305	76	3	384
Utilised for actual loan losses	1 515		57	1 572
Foreign exchange effect etc.	-118	-3	-4	-125
<b>Provision at end of year</b>	<b>-3 734</b>	<b>-284</b>	<b>-93</b>	<b>-4 111</b>

Change in provision for probable loan losses 2013				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-3 725	-288	-115	-4 128
The year's provision	-1 287	-60	-55	-1 402
Reversal of previous provisions	289	-	15	304
Utilised for actual loan losses	1 174		56	1 230
Foreign exchange effect etc.	95	-9	7	93
<b>Provision at end of year</b>	<b>-3 454</b>	<b>-357</b>	<b>-92</b>	<b>-3 903</b>

**Impaired loans and loans which are overdue by more than 60 days, by sector 2014**

SEK m	Impaired loans				Loans past due > 60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>	Of which past due > 60 days	
Private individuals	1 569	-813	756	575	1 148
Housing co-operative associations	49	-21	28	14	25
Property management	1 759	-589	1 170	885	397
Manufacturing	1 639	-726	913	70	113
Retail	596	-343	253	167	14
Hotel and restaurant	45	-25	20	11	260
Passenger and goods transport by sea	1 615	-405	1 210	-	-
Other transport and communication	49	-39	10	9	41
Construction	188	-114	74	42	56
Electricity, gas and water	32	-24	8	8	0
Agriculture, hunting and forestry	23	-16	7	1	2
Other services	73	-42	31	25	56
Holding, investment and insurance companies, mutual funds etc.	316	-187	129	34	2
Other corporate lending	749	-483	266	266	19
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>8 702</b>	<b>-3 827</b>	<b>4 875</b>	<b>2 107</b>	<b>2 133</b>

**Impaired loans and loans which are overdue by more than 60 days, by sector 2013**

SEK m	Impaired loans				Loans past due > 60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>	Of which past due > 60 days	
Private individuals	1 634	-790	844	689	1 316
Housing co-operative associations	101	-33	68	45	7
Property management	1 299	-394	905	560	526
Manufacturing	890	-517	373	189	9
Retail	705	-362	343	210	42
Hotel and restaurant	37	-24	13	11	9
Passenger and goods transport by sea	424	-423	1	1	1
Other transport and communication	110	-80	30	28	5
Construction	194	-116	78	71	88
Electricity, gas and water	72	-44	28	28	7
Agriculture, hunting and forestry	33	-25	8	7	2
Other services	153	-101	52	43	33
Holding, investment and insurance companies, mutual funds etc.	1 138	-569	569	61	4
Other corporate lending	154	-68	86	74	101
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>6 944</b>	<b>-3 546</b>	<b>3 398</b>	<b>2 017</b>	<b>2 150</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually valued loans and provisions for collectively valued loans but excluding collective provisions for loans which are individually assessed.

## G10 Cont.

**Impaired loans and loans which are overdue by more than 60 days, geographic distribution 2014**

SEK m	Impaired loans			Of which past due > 60 days	Loans past due > 60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Sweden	3 455	-1 707	1 748	724	836
Norway	294	-138	156	118	381
Finland	949	-685	264	243	622
Denmark	2 741	-925	1 816	332	26
UK	1 103	-291	812	618	194
Netherlands	21	-8	13	11	-
Rest of Europe	137	-73	64	61	74
North America	-	-	-	-	-
Asia	2	0	2	-	-
<b>Total</b>	<b>8 702</b>	<b>-3 827</b>	<b>4 875</b>	<b>2 107</b>	<b>2 133</b>

**Impaired loans and loans which are overdue by more than 60 days, geographic distribution 2013**

SEK m	Impaired loans			Of which past due > 60 days	Loans past due > 60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Sweden	2 605	-1 367	1 238	1 106	1 126
Norway	433	-177	256	214	310
Finland	1 090	-444	646	396	153
Denmark	1 324	-871	453	173	19
UK	320	-106	214	47	459
Netherlands	15	-3	12	12	-
Rest of Europe	140	-65	75	69	83
North America	1 015	-513	502	-	-
Asia	2	0	2	-	-
<b>Total</b>	<b>6 944</b>	<b>-3 546</b>	<b>3 398</b>	<b>2 017</b>	<b>2 150</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually valued loans and provisions for collectively valued loans but excluding collective provisions for loans which are individually assessed.

**Maturity structure for past due loans which are not impaired 2014**

SEK m	Loans to the public				Total
	Loans to credit institutions	Households	Corporate	Other	
Past due ≥ 5 days ≤ 1 month	-	2 615	2 989	50	5 654
Past due > 1 month ≤ 2 months	-	312	152	0	464
Past due > 2 months ≤ 3 months	-	202	383	-	585
Past due > 3 months ≤ 12 months	-	609	224	-	833
Past due > 12 months	-	508	207	-	715
<b>Total</b>	<b>-</b>	<b>4 246</b>	<b>3 955</b>	<b>50</b>	<b>8 251</b>

**Maturity structure for past due loans which are not impaired 2013**

SEK m	Loans to the public				Total
	Loans to credit institutions	Households	Corporate	Other	
Past due ≥ 5 days ≤ 1 month	-	3 088	1 174	-	4 262
Past due > 1 month ≤ 2 months	-	395	166	-	561
Past due > 2 months ≤ 3 months	-	247	117	-	364
Past due > 3 months ≤ 12 months	-	614	405	-	1 019
Past due > 12 months	-	608	159	-	767
<b>Total</b>	<b>-</b>	<b>4 952</b>	<b>2 021</b>	<b>-</b>	<b>6 973</b>

**Assets repossessed for protection of claims**

SEK m	2014	2013
Property	465	392
Movable property	7	12
Shares	16	73
<b>Carrying amount</b>	<b>488</b>	<b>477</b>

Movable property mainly consists of repossessed leased assets. In addition to repossessed property shown in the table above, repossessed property is also included in discontinued operations, see note G12. The valuation principles for assets and liabilities repossessed for protection of claims are described in note G1.

## G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2014	2013
Equipment	2	16
Property	4	1
<b>Total</b>	<b>6</b>	<b>17</b>

## G12 Profit for the year pertaining to discontinued operations

SEK m	2014	2013
Income	2 281	2 160
Expenses	-2 132	-2 015
<b>Operating profit from discontinued operations</b>	<b>149</b>	<b>145</b>
Tax	-51	-23
<b>Total</b>	<b>98</b>	<b>122</b>
Impairments	-57	-
<b>Profit for the year pertaining to discontinued operations</b>	<b>41</b>	<b>122</b>

Operating profit from discontinued operations comprises return on the Bank's holdings in the Plastal Group. The Plastal Group's operations consist of manufacturing of exterior plastic components for the auto industry. The Bank intends to divest operations in the Plastal Group as soon as conditions permit. As the fair value of Plastal, less costs to sell, is lower than the carrying amount, an impairment has been made. The impairment essentially corresponds to the year's depreciation and does not affect the current year's tax. The fair value of Plastal has been calculated on the basis of valuation models where different valuation methods, such as peer valuation and discounted cash flow, have been used to obtain a reliable measurement. As far as possible, the material for the assumptions has been taken from external market observations. The valuation is to a material extent based on own assumptions. In the valuation hierarchy described in note G40 it would therefore be classified as level 3. A description of the Bank's valuation policy for discontinued operations is provided in note G1.

## G13 Earnings per share

	2014	2013
Profit for the year, continuing operations, SEK m	15 143	14 173
of which interest expense on convertible subordinated loan after tax	-170	-119
Profit for the year, discontinued operations, SEK m	41	122
of which interest expense on convertible subordinated loan after tax	-	-
Profit for the year, total operations, SEK m	15 184	14 295
of which interest expense on convertible subordinated loan after tax	-170	-119
Average number of shares converted during the year (millions)	0.0	2.1
Average holdings of own shares in trading book (millions)	-	0.2
Average number of outstanding shares (millions)	635.7	634.8
Average dilution effect, number of shares (millions)	17.3	12.7
Average number of outstanding shares after dilution (millions)	653.0	647.5
<b>Earnings per share, continuing operations, SEK after dilution</b>	<b>23.82</b>	<b>22.33</b>
<b>Earnings per share, discontinued operations, SEK after dilution</b>	<b>0.06</b>	<b>0.19</b>
<b>Earnings per share, total operations, SEK after dilution</b>	<b>23.89</b>	<b>22.52</b>

Earnings per share after dilution is measured by taking the effects of conversion of outstanding convertible shares into account. The implication of this is that the number of potential converted shares are added to the average number of outstanding shares and that profit for the year is adjusted for the year's interest expense on outstanding convertible subordinated loans after tax.

## G14 Other loans to central banks

SEK m	2014	2013
Other loans to central banks in Swedish kronor	7 042	2 540
Other loans to central banks in foreign currency	44 005	32 620
<b>Total</b>	<b>51 047</b>	<b>35 160</b>
Of which reverse repos	1 245	360
<b>Average volumes</b>		
SEK m	2014	2013
Other loans to central banks in Swedish kronor	15 483	14 999
Other loans to central banks in foreign currency	34 901	27 218
<b>Total</b>	<b>50 384</b>	<b>42 217</b>
Of which reverse repos	1 003	1 969

## G15 Loans to other credit institutions

SEK m	2014	2013
<b>Loans in Swedish kronor</b>		
Banks	1 311	2 902
Other credit institutions	409	1 218
<b>Total</b>	<b>1 720</b>	<b>4 120</b>
<b>Loans in foreign currency</b>		
Banks	23 422	23 492
Other credit institutions	45 197	35 286
<b>Total</b>	<b>68 619</b>	<b>58 778</b>
Probable loan losses	-	-
<b>Total loans to other credit institutions</b>	<b>70 339</b>	<b>62 898</b>
<i>Of which reverse repos</i>	<i>42 138</i>	<i>33 874</i>
<b>Average volumes</b>		
SEK m	2014	2013
Loans to other credit institutions in Swedish kronor	13 021	17 140
Loans to other credit institutions in Swedish kronor, insurance operations	30	37
Loans to other credit institutions in foreign currency	71 681	86 277
Loans to other credit institutions in foreign currency, insurance operations	11	13
<b>Total</b>	<b>84 743</b>	<b>103 467</b>
<i>Of which reverse repos</i>	<i>38 420</i>	<i>33 560</i>

## G16 Loans to the public

SEK m	2014	2013
<b>Loans in Swedish kronor</b>		
Households	664 333	627 212
Companies	483 207	491 036
National Debt Office	19 044	5 180
<b>Total</b>	<b>1 166 584</b>	<b>1 123 428</b>
<b>Loans in foreign currency</b>		
Households	231 566	200 098
Companies	413 797	376 716
National Debt Office	-	-
<b>Total</b>	<b>645 363</b>	<b>576 814</b>
Probable loan losses	-4 111	-3 903
<b>Total loans to the public</b>	<b>1 807 836</b>	<b>1 696 339</b>
<i>Of which reverse repos</i>	<i>23 858</i>	<i>15 711</i>
<b>Average volumes, excl. National Debt Office</b>		
SEK m	2014	2013
Loans to the public in Swedish kronor	1 136 043	1 116 418
Loans to the public in foreign currency	609 717	557 638
<b>Total</b>	<b>1 745 760</b>	<b>1 674 056</b>
<i>Of which reverse repos</i>	<i>16 565</i>	<i>22 665</i>

## G17 Interest-bearing securities

	2014			2013		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
SEK m						
Interest-bearing securities eligible as collateral with central banks	76 239	78 223	78 219	56 402	57 471	57 451
Bonds and other interest-bearing securities	61 357	63 722	63 725	61 936	64 123	64 125
<b>Total</b>	<b>137 596</b>	<b>141 945</b>	<b>141 944</b>	<b>118 338</b>	<b>121 594</b>	<b>121 576</b>
<i>Of which unlisted securities</i>		4 569	4 569		3 240	3 240

Interest-bearing securities distributed by issuer	2014			2013		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
SEK m						
Government	66 097	68 008	68 005	48 878	49 857	49 837
Credit institutions	10 828	11 164	11 166	11 044	11 453	11 455
Mortgage institutions	39 776	41 760	41 760	41 987	43 671	43 671
Other	20 895	21 013	21 013	16 429	16 613	16 613
<b>Total</b>	<b>137 596</b>	<b>141 945</b>	<b>141 944</b>	<b>118 338</b>	<b>121 594</b>	<b>121 576</b>

Average volumes		
SEK m	2014	2013
Interest-bearing securities	120 245	124 215
Interest-bearing securities, insurance operations	8 260	9 139
<b>Total</b>	<b>128 505</b>	<b>133 354</b>

## G18 Shares

SEK m	2014	2013
<b>Holdings at fair value over the income statement</b>		
Listed	34 338	41 019
Non-listed	3 841	1 851
<b>Total</b>	<b>38 179</b>	<b>42 870</b>
<b>Classified as available-for-sale</b>		
Listed	6 753	4 369
Non-listed	1 614	1 356
<b>Total</b>	<b>8 367</b>	<b>5 725</b>
<b>Total shares</b>	<b>46 546</b>	<b>48 595</b>

## G19 Investments in associates

There are no individually significant investments in associates held by Handelsbanken. There are certain entities that are considered strategic to the banking operation of the Group supporting, among others, payment services. During the year Festival AS has been divested. No other significant changes in ownership or agreements with the associates' other investors has occurred during the year. All investments are non-listed.

Investments in associates SEK m	2014	2013
Carrying amount at beginning of year	272	203
Share of profit for the year	21	8
Tax	-3	-2
Shareholders' contribution	2	-
Dividend	-7	-11
Acquisitions	-	73
Divestments	0	0
Recoveries	-	0
Translation difference	1	1
<b>Carrying amount at end of year</b>	<b>286</b>	<b>272</b>

Income from associates SEK m	2014	2013
Profit for the year	18	6
Total other comprehensive income	1	1
<b>Total comprehensive income for the year</b>	<b>19</b>	<b>7</b>

Associates	Corporate identity number	Domicile	Number of shares	Voting power %	Carrying amount SEK m	
					2014	2013
Bankomat AB	556817-9716	Stockholm	150	20.00	50	48
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.90	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.00	10	9
BGC Holding AB	556607-0933	Stockholm	25 382	25.40	69	68
Dyson Group plc	163096	Sheffield	122 387 481	29.99	41	29
Festival AS	993 798 304	Kristiansand				7
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30	24	20
Flisekompaniet Holding AS	992 999 136	Oslo	2 400	47.00	52	53
Getswish AB	556913-7382	Stockholm	10 000	20.00	2	2
Upplysningscentralen UC AB <sup>1</sup>	556137-5113	Stockholm	2 448	24.48	38	36
<b>Total</b>					<b>286</b>	<b>272</b>

<sup>1</sup> Information concerning the Group.

## G20 Assets where the customer bears the value change risk

SEK m	2014	2013
Unit-linked and portfolio bond insurance assets	91 739	76 817
Other fund assets	3 024	4 064
Share of consolidated funds not owned	-	49
<b>Total</b>	<b>94 763</b>	<b>80 930</b>

The comparative year 2013, Share of consolidated funds not owned, has been adjusted with SEK -5,085m due to new accounting rules regarding consolidation, IFRS 10, which came into effect on 1 January 2014. The changes are described in further detail in note G1.

## G21 Interests in unconsolidated structured entities

2014 SEK m	Asset management
<b>Assets</b>	
Shares	1 172
Assets where the customer bears the value change risk	79 735
<b>Total financial assets</b>	<b>80 907</b>

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Handelsbanken's interests in unconsolidated structured entities are limited and consist of fund holdings. Funds are owned primarily through unit-linked contracts at Handelsbanken Liv. Investments in funds through unit-linked contracts are never consolidated, see note G1 for the Bank's accounting principle regarding consolidation of funds, and these are thus unconsolidated structured entities. Handelsbanken also owns some fund holdings in its role as market maker. The maximum exposure to loss on all interests in unconsolidated structured entities is the current carrying amount of the interest. The total assets for these entities are not considered meaningful for the purpose of understanding the related risks and so have not been presented.



## G22 Derivative instruments

SEK m	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2014	2013	2014	2013	2014	2013
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	122 095	149 935	5 628	277 658	268 514	3 502	4 179	3 698	4 318
FRA/futures	1 555 336	778 881	-	2 334 217	2 972 228	1 137	421	1 549	143
Swaps	375 806	1 075 335	428 575	1 879 716	2 073 292	45 277	30 661	46 382	30 713
Other instruments	3 058	-	-	3 058	-	0	0	50	-
Currency-related contracts									
Options	60 623	1 668	29	62 320	44 634	663	311	953	234
Futures	105 516	9 463	271	115 250	111 213	3 050	1 085	1 709	1 313
Swaps	599 270	125 884	23 645	748 799	785 621	17 074	10 318	6 577	7 740
Other instruments	-	-	-	-	61	0	15	-	120
Equity-related contracts									
Options	10 845	24 158	949	35 952	42 699	2 537	3 019	2 371	5 112
Futures	10 306	-	-	10 306	4 416	8	9	36	35
Swaps	28 324	7 409	128	35 861	34 688	736	691	1 999	2 486
Other instruments	2 362	-	-	2 362	677	-	3	39	494
Commodity-related contracts									
Options	2 155	2 253	122	4 530	5 067	183	105	528	992
Futures	26 074	2 446	148	28 668	21 047	1 002	375	1 079	377
Swaps	12	-	-	12	313	-	-	8	49
Other instruments	-	-	-	-	457	-	132	-	420
Credit-related contracts									
Options	-	-	-	-	0	-	-	-	-
Swaps	1 195	7 640	729	9 564	10 049	620	544	91	-
Other instruments	-	-	-	-	0	-	-	-	45
Other derivative contracts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2 902 977</b>	<b>2 185 072</b>	<b>460 224</b>	<b>5 548 273</b>	<b>6 374 976</b>	<b>75 789</b>	<b>51 868</b>	<b>67 069</b>	<b>54 591</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Options	5 750	4 745	-	10 495	12 545	6	21	-	-
Swaps	11 011	-	-	11 011	50 218	-	-	196	762
Other instruments	-	-	-	-	-	-	-	-	-
Currency-related contracts									
Swaps	-	-	965	965	817	63	177	-	-
<b>Total</b>	<b>16 761</b>	<b>4 745</b>	<b>965</b>	<b>22 471</b>	<b>63 580</b>	<b>69</b>	<b>198</b>	<b>196</b>	<b>762</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	96 392	323 683	85 878	505 953	454 746	25 976	17 995	3 598	4 313
Currency-related contracts									
Swaps	31 449	201 132	56 518	289 099	248 714	26 919	5 935	4 644	7 898
<b>Total</b>	<b>127 841</b>	<b>524 815</b>	<b>142 396</b>	<b>795 052</b>	<b>703 460</b>	<b>52 895</b>	<b>23 930</b>	<b>8 242</b>	<b>12 211</b>
<b>Total derivative instruments</b>	<b>3 047 579</b>	<b>2 714 632</b>	<b>603 585</b>	<b>6 365 796</b>	<b>7 142 016</b>	<b>128 753</b>	<b>75 996</b>	<b>75 507</b>	<b>67 564</b>
Of which exchange traded derivatives				1 314 691	1 692 917	676	319	1 804	867
Of which OTC derivatives settled by CCP				716 067	736 270	12 009	2 834	11 140	2 479
Amounts set off in the balance sheet						-12 629	-6 035	-12 629	-6 035
<b>Net amount in the balance sheet</b>						<b>116 124</b>	<b>69 961</b>	<b>62 878</b>	<b>61 529</b>
<b>Currency breakdown of market values</b>									
SEK						-253 325	32 046	17 138	209 182
USD						396 046	44 929	98 084	-204 134
EUR						121 792	98 651	-60 771	15 845
Other						-135 760	-99 630	21 056	46 671

Derivative contracts are presented gross in the table. Offsetting amounts consist of the offsetted market value of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis in the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 profit), over the life of the derivative. Such not yet recognised day 1 profit amounted to SEK 465m (396) at year-end.

## G23 Offsetting of financial instruments

2014			
SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amounts of recognised financial assets	128 753	68 887	197 640
Gross amounts of recognised financial liabilities set off in the balance sheet	-12 629	-	-12 629
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>116 124</b>	<b>68 887</b>	<b>185 011</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-45 652	-	-45 652
Collateral received	-38 191	-68 857	-107 048
<b>Net amount</b>	<b>32 281</b>	<b>30</b>	<b>32 311</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	75 507	256	75 763
Gross amounts of recognised financial assets set off in the balance sheet	-12 629	-	-12 629
<b>Net amounts of financial liabilities presented in the balance sheet</b>	<b>62 878</b>	<b>256</b>	<b>63 134</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-45 652	-	-45 652
Assets pledged	-9 674	-256	-9 930
<b>Net amount</b>	<b>7 552</b>	<b>0</b>	<b>7 552</b>
2013			
SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amounts of recognised financial assets	75 996	53 586	129 582
Gross amounts of recognised financial liabilities set off in the balance sheet	-6 035	-	-6 035
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>69 961</b>	<b>53 586</b>	<b>123 547</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-41 036	-	-41 036
Collateral received	-10 540	-53 569	-64 109
<b>Net amount</b>	<b>18 385</b>	<b>17</b>	<b>18 402</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	67 564	8 352	75 916
Gross amounts of recognised financial assets set off in the balance sheet	-6 035	-	-6 035
<b>Net amounts of financial liabilities presented in the balance sheet</b>	<b>61 529</b>	<b>8 352</b>	<b>69 881</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-41 036	-	-41 036
Assets pledged	-4 793	-7 889	-12 682
<b>Net amount</b>	<b>15 700</b>	<b>463</b>	<b>16 163</b>

Derivative instruments are set off in the balance sheet when the settlement of two or more derivatives reflects the Bank's anticipated cash flows. This occurs when the Bank has both a contractual right and intention to settle the agreed cash flows with a net amount. The remaining counterparty risk in derivatives is reduced

through netting agreements, i.e. netting positive values against negative values in all derivative transactions with the same counterparty in a bankruptcy situation. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral

for the net exposure. The collateral used is mainly cash, but government securities are also used. Collateral for repurchase agreements and borrowing and lending of securities is normally in the form of cash or other securities.

## G24 Intangible assets

2014					
SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2014
Cost of acquisition at beginning of year	6 431	57	367	1476	8 331
Cost of acquisition of additional intangible assets	-	-	-	257	257
Disposals and retirements	-	-	-	-153	-153
Foreign exchange effect	166	7	41	1	215
<b>Cost of acquisition at end of year</b>	<b>6 597</b>	<b>64</b>	<b>408</b>	<b>1 581</b>	<b>8 650</b>
Accumulated amortisation and impairments at beginning of year	-	-6	-45	-445	-496
Disposals and retirements	-	-	-	153	153
Amortisation for the year	-	-11	-19	-128	-158
Impairments for the year	-	-	-	-9	-9
Foreign exchange effect	-	-2	-6	0	-8
<b>Accumulated amortisation and impairments at end of year</b>	<b>-</b>	<b>-19</b>	<b>-70</b>	<b>-429</b>	<b>-518</b>
<b>Carrying amount</b>	<b>6 597</b>	<b>45</b>	<b>338</b>	<b>1 152</b>	<b>8 132</b>

2013					
SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2014
Cost of acquisition at beginning of year	6 273	3	143	1220	7 639
Cost of acquisition of additional intangible assets	144	51	209	336	740
Disposals and retirements	-	-	-	-82	-82
Foreign exchange effect	14	3	15	2	34
<b>Cost of acquisition at end of year</b>	<b>6 431</b>	<b>57</b>	<b>367</b>	<b>1 476</b>	<b>8 331</b>
Accumulated amortisation and impairments at beginning of year	-	-	-31	-402	-433
Disposals and retirements	-	-	-	82	82
Amortisation for the year	-	-6	-13	-121	-140
Impairments for the year	-	-	-	-2	-2
Foreign exchange effect	-	0	-1	-2	-3
<b>Accumulated amortisation and impairments at end of year</b>	<b>-</b>	<b>-6</b>	<b>-45</b>	<b>-445</b>	<b>-496</b>
<b>Carrying amount</b>	<b>6 431</b>	<b>51</b>	<b>322</b>	<b>1 031</b>	<b>7 835</b>

SEK m	Goodwill		Intangible assets with an indefinite useful	
	2014	2013	2014	2013
Branch operations in Sweden	3 331	3 331	-	-
Branch operations in the UK	173	152	-	-
Branch operations in Finland	16	15	-	-
Branch operations in Denmark	2 373	2 224	-	-
Branch operations in Norway	694	699	-	-
Capital Markets	10	10	3	3
<b>Total</b>	<b>6 597</b>	<b>6 431</b>	<b>3</b>	<b>3</b>

### Impairment testing of goodwill and intangible assets with an indefinite useful life

Recognised goodwill mainly derives from traditional banking operations on Handelsbanken's home markets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually in connection with the closing of the annual accounts. When performing impairment testing, the value in use of the units to which goodwill has been allocated is calculated by discounting estimated future cash flows and the terminal value. In the above table goodwill has been allocated among the business segments. Goodwill which is followed up internally at a lower level than business segments is tested at the lower level.

For the first five years, estimated future cash flows are based on forecasts of risk-weighted

volumes, income, expenses and loan losses. The forecasts are mainly based on an internal assessment of the future income and cost development, economic climate, expected interest rates and the expected impact of future regulations. After the first five-year period, a forecast is made based on the assumption of a long-term growth rate. The estimated cash flows are based on historical real GDP growth, as well as the Riksbank's long-term inflation target. The year's impairment test is based on an assumption of a long-term growth rate of two 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 7.3 per cent after tax (7.6). The corresponding rate before tax was 10.6 per cent (10.8).

The difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill was deemed to be satisfactory. The calculated value in use of goodwill is sensitive to a number of different variables, which are significant for expected cash flows and the discount rate. The variables that are of greatest significance to the calculation are assumptions for interest rates, the business cycle, future margins and cost-effectiveness. No reasonably possible change in important assumptions would affect the reported value of goodwill.

## G25 Property and equipment

Property and equipment SEK m	2014	2013
Equipment	468	492
Property	1 299	1 309
Property repossessed for protection of claims	472	404
<b>Total</b>	<b>2 239</b>	<b>2 205</b>

Property repossessed for protection of claims contains properties which are regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims. See note G1. The fair value of properties which are regularly measured at fair value is SEK 465m (392). Unrealised value changes on these properties had an impact of SEK 6m (-10) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations (SEK 119m) are classified as level 2 in the valuation hierarchy described in note G40. Valuations where own assumptions are used to a material extent (SEK 346m) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK 0m (-17). The year's sale of properties which are regularly measured at fair value amounts to SEK 108m (81) of which SEK 80m (64) was classified as level 3 before the sale. The value of new properties added during the year is SEK 112m (50), with SEK 20m (48) of this classified as level 3.

Equipment SEK m	2014	2013
Cost of acquisition at beginning of year	1 627	1 617
Cost of additional acquisition for the year	208	265
Changes due to business combinations during the year	-	22
Disposals and retirements	-481	-256
Foreign exchange effect	45	-21
<b>Cost of acquisition at end of year</b>	<b>1 399</b>	<b>1 627</b>
Accumulated amortisation and impairments at beginning of year	-1 135	-1 142
Accumulated depreciation due to business combinations during the year	-	-15
Amortisation for the year according to plan	-244	-260
Disposals and retirements	478	261
Foreign exchange effect	-30	21
<b>Accumulated amortisation and impairment at end of year</b>	<b>-931</b>	<b>-1 135</b>
<b>Carrying amount</b>	<b>468</b>	<b>492</b>
Property SEK m	2014	2013
Cost of acquisition at beginning of year	2 120	2 092
Cost of additional acquisition for the year	0	-
New construction and rebuilding	23	20
Disposals and retirements	-3	-
Foreign exchange effect	15	8
<b>Cost of acquisition at end of year</b>	<b>2 155</b>	<b>2 120</b>
Accumulated amortisation and impairments at beginning of year	-811	-766
Amortisation for the year according to plan	-44	-45
Impairments for the year	-	-
Disposals and retirements	0	-
Foreign exchange effect	-1	0
<b>Accumulated amortisation and impairment at end of year</b>	<b>-856</b>	<b>-811</b>
<b>Carrying amount</b>	<b>1 299</b>	<b>1 309</b>

## G26 Other assets

SEK m	2014	2013
Claims on investment banking settlements	9 351	7 135
Other	4 970	6 127
<b>Total</b>	<b>14 321</b>	<b>13 262</b>

## G27 Prepaid expenses and accrued income

SEK m	2014	2013
Accrued interest income	4 612	5 278
Other accrued income	1 864	1 649
Prepaid expenses	315	213
<b>Total</b>	<b>6 791</b>	<b>7 140</b>

## G28 Due to credit institutions

SEK m	2014	2013
<b>Due in Swedish kronor</b>		
Banks	23 252	19 870
Other credit institutions	9 188	9 825
<b>Total</b>	<b>32 440</b>	<b>29 695</b>
<b>Due in foreign currency</b>		
Banks	166 458	135 895
Other credit institutions	1 176	6 034
<b>Total</b>	<b>167 634</b>	<b>141 929</b>
<b>Total due to credit institutions</b>	<b>200 074</b>	<b>171 624</b>
<i>Of which repos</i>	<i>88</i>	<i>748</i>
<b>Average volumes</b>		
SEK m	2014	2013
Due to credit institutions in Swedish kronor	27 566	31 074
Due to credit institutions in foreign currency	205 444	189 546
<b>Total</b>	<b>233 010</b>	<b>220 620</b>
<i>Of which repos</i>	<i>1 625</i>	<i>3 961</i>

## G29 Deposits and borrowing from the public

<b>Deposits from the public</b>			<b>Average volumes</b>		
SEK m	2014	2013	SEK m	2014	2013
<b>Deposits in Swedish kronor</b>			<b>Deposits from the public</b>		
Households	224 905	208 147	Deposits from the public in Swedish kronor	364 833	344 238
Companies	177 175	159 615	Deposits from the public in foreign currency	281 508	181 335
National Debt Office	-	-	<b>Total</b>	<b>646 341</b>	<b>525 573</b>
<b>Total</b>	<b>402 080</b>	<b>367 762</b>	<b>Borrowing from the public</b>		
<b>Deposits in foreign currency</b>			Borrowing in Swedish kronor	49 330	55 329
Households	65 758	49 045	Borrowing in Swedish kronor, insurance operations	10 373	11 060
Companies	235 794	174 840	Borrowing in foreign currency	186 526	149 135
National Debt Office	-	-	<b>Total</b>	<b>246 229</b>	<b>215 524</b>
<b>Total</b>	<b>301 552</b>	<b>223 885</b>	<i>Of which repos</i>	<i>8 685</i>	<i>10 551</i>
<b>Total deposits from the public</b>	<b>703 632</b>	<b>591 647</b>			
<b>Borrowing from the public</b>					
SEK m	2014	2013			
Borrowing in Swedish kronor	41 954	61 378			
Borrowing in foreign currency	276 681	172 180			
<b>Total</b>	<b>318 635</b>	<b>233 558</b>			
<i>Of which repos</i>	<i>168</i>	<i>7 604</i>			
<i>Of which insurance operations</i>	<i>10 010</i>	<i>10 759</i>			
<b>Total deposits and borrowing from the public</b>	<b>1 022 267</b>	<b>825 205</b>			

## G30 Liabilities where the customer bears the value change risk

SEK m	2014	2013
Unit-linked and portfolio bond insurance liabilities	91 739	76 817
Other fund liabilities	3 125	4 111
Share of consolidated funds not owned	-	49
<b>Total</b>	<b>94 864</b>	<b>80 977</b>

The comparative year 2013, Share of consolidated funds not owned, has been adjusted with SEK -5,085m due to new accounting rules regarding consolidation, IFRS 10, which came into effect on 1 January 2014. The changes are described in further detail in note G1.

## G31 Issued securities

SEK m	2014		2013	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
<b>Commercial paper</b>				
Commercial paper in Swedish kronor	9 816	10 621	15 613	17 299
<i>Of which</i>				
<i>at amortised cost</i>	-	-	101	101
<i>for trading</i>	9 816	10 621	15 512	17 198
Commercial paper in foreign currency	308 656	318 468	286 346	286 329
<i>Of which</i>				
<i>at amortised cost</i>	307 283	316 666	286 159	286 107
<i>for trading</i>	1 373	1 802	187	222
<b>Total</b>	<b>318 472</b>	<b>329 089</b>	<b>301 959</b>	<b>303 628</b>
<b>Bonds</b>				
Bonds in Swedish kronor	459 884	448 643	437 977	460 093
<i>Of which</i>				
<i>at amortised cost</i>	459 884	448 643	437 977	459 801
<i>for fair value hedges</i>	-	-	-	292
Bonds in foreign currency	432 965	434 881	382 621	386 920
<i>Of which</i>				
<i>at amortised cost</i>	431 995	434 764	380 077	385 983
<i>for fair value hedges</i>	970	117	2 544	937
<b>Total</b>	<b>892 849</b>	<b>883 524</b>	<b>820 598</b>	<b>847 013</b>
<b>Total issued securities</b>	<b>1 211 321</b>	<b>1 212 613</b>	<b>1 122 557</b>	<b>1 150 641</b>
<b>Issued securities at beginning of year</b>				
SEK m			<b>2014</b>	<b>2013</b>
Issued securities at beginning of year			1 150 641	1 151 426
Issued			950 171	1 204 858
Repurchased			107 726	106 361
Matured			851 680	1 087 539
Foreign exchange effect etc.			71 207	-11 743
<b>Issued securities at end of year</b>			<b>1 212 613</b>	<b>1 150 641</b>
<b>Average volumes</b>				
SEK m			<b>2014</b>	<b>2013</b>
Swedish kronor			470 359	475 734
Foreign currency			695 565	705 123
<b>Total</b>			<b>1 165 924</b>	<b>1 180 857</b>

## G32 Short positions

SEK m	2014		2013
	2014	2013	
<b>Short positions at fair value</b>			
Equities	1 273	3 430	
Interest-bearing securities	19 375	19 415	
<i>Of which</i>			
<i>other issuers</i>	16 667	19 279	
<i>own issued</i>	2 708	136	
<b>Total</b>	<b>20 648</b>	<b>22 845</b>	
<b>Average volumes</b>			
SEK m			
Swedish kronor	18 878	22 832	
Foreign currency	809	1 214	
<b>Total</b>	<b>19 687</b>	<b>24 046</b>	

## G33 Insurance liabilities

SEK m	2014	2013
Liability for sickness annuities	229	194
Liability for life annuities	177	146
Liability for other unsettled claims	219	273
Liability for prepaid premiums	38	9
<b>Total</b>	<b>663</b>	<b>622</b>

## G34 Taxes

<b>Deferred tax assets</b>		
SEK m	<b>2014</b>	<b>2013</b>
Hedging instruments	270	213
Intangible assets	9	-
Property and equipment	31	37
Pensions	75	-
Other	4	19
<b>Total</b>	<b>389</b>	<b>269</b>
<b>Deferred tax liabilities</b>		
SEK m	<b>2014</b>	<b>2013</b>
Loans to the public <sup>1</sup>	6 471	6 616
Hedging instruments	2 663	117
Intangible assets	77	93
Property and equipment	89	86
Pensions	-295	464
Other	204	37
<b>Total</b>	<b>9 209</b>	<b>7 413</b>
<b>Net deferred tax liabilities</b>	<b>8 820</b>	<b>7 144</b>

### Change in deferred taxes 2014

SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Foreign exchange effect	Closing balance
Loans to the public <sup>1</sup>	6 616	-145	-	-	6 471
Hedging instruments	-96	3	2 486	-	2 393
Intangible assets	93	-35	10	-	68
Property and equipment	49	9	-	-	58
Pensions	464	-228	-592	-14	-370
Other	18	-12	194	-	200
<b>Total</b>	<b>7 144</b>	<b>-408</b>	<b>2 098</b>	<b>-14</b>	<b>8 820</b>

### Change in deferred taxes 2013

SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Foreign exchange effect	Closing balance
Loans to the public <sup>1</sup>	6 649	-33	-	-	6 616
Hedging instruments	473	6	-575	-	-96
Intangible assets	32	-2	63	-	93
Property and equipment	50	-1	-	-	49
Pensions	198	-41	307	-	464
Tax allocation reserve	926	-926	-	-	-
Other	35	-17	-	-	18
<b>Total</b>	<b>8 363</b>	<b>-1 014</b>	<b>-205</b>	<b>-</b>	<b>7 144</b>

### Tax expenses recognised in the income statement

SEK m	<b>2014</b>	<b>2013</b>
Current tax		
Tax expense for the year	-4 426	-4 995
Adjustment of tax relating to prior years	-51	66
Deferred tax		
Changes in temporary differences	408	1 014
<b>Total</b>	<b>-4 069</b>	<b>-3 915</b>
<b>Nominal tax rate in Sweden, %</b>	<b>22.0</b>	<b>22.0</b>
Deviations		
Different tax rate in insurance operations	-0.7	-0.5
Non-taxable income/non-deductible expenses	-0.1	0.2
Changes Swedish tax rate	0.0	0.0
Tax relating to prior years	0.0	-0.1
<b>Effective tax rate, %</b>	<b>21.2</b>	<b>21.6</b>

<sup>1</sup> Of which leases SEK 6,467m (6,612).



## G35 Provisions

SEK m	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2014	Total 2013
Provisions at beginning of year	51	59	31	141	120
Provisions during the year	-	-	30	30	61
Utilised	-39	-52	-	-91	-40
Written back	-12	-	-	-12	-
<b>Provisions at end of year</b>	<b>-</b>	<b>7</b>	<b>61</b>	<b>68</b>	<b>141</b>

The provision for restructuring relates to additional costs as a result of the decision to terminate rental contracts for premises. All of the provision has been settled during 2014. Provision for guarantee commitments consists of provisions for a number of off-balance sheet items.

The Group is the subject of claims in a number of civil actions which are being pursued in general courts of law. The Group's assessment is that the actions will essentially be settled in favour of the Bank. The assessment is that the amounts in dispute would not have a material effect on the Bank's financial position or profit/loss. The amounts allocated for future settlement of the claims towards the Bank are presented under other provisions.

## G36 Other liabilities

SEK m	2014	2013
Liabilities on investment banking settlements	7 960	6 777
Other	6 618	6 412
<b>Total</b>	<b>14 578</b>	<b>13 189</b>

## G37 Accrued expenses and deferred income

SEK m	2014	2013
Accrued interest expenses	13 334	16 865
Other accrued expenses	4 210	4 434
Deferred income	1 137	562
<b>Total</b>	<b>18 681</b>	<b>21 861</b>

## G38 Subordinated liabilities

SEK m	2014	2013
Subordinated loans in Swedish kronor	10 308	10 472
Subordinated loans in foreign currency	19 981	5 493
<b>Total</b>	<b>30 289</b>	<b>15 965</b>

Average volumes	2014	2013
SEK m		
Subordinated loans in Swedish kronor	9 831	10 764
Subordinated loans in foreign currency	18 852	7 824
<b>Total</b>	<b>28 683</b>	<b>18 588</b>

Specification, subordinated loans				
Issue/conv./final payment year	Currency	Original nominal amount in each currency	Interest rate %	Outstanding amount
<b>IN SWEDISH KRONOR</b>				
Swedish subordinated liabilities <sup>1</sup>		13 337		10 308
<b>Total</b>				<b>10 308</b>
<b>IN FOREIGN CURRENCY</b>				
2005/perpetual <sup>2</sup>	EUR	500	4.194	4 713
2014/fixed-term <sup>2</sup>	EUR	1 500	2.656	14 174
Other foreign <sup>3</sup>				1 094
<b>Total</b>				<b>19 981</b>
<b>Total subordinated liabilities</b>				<b>30 289</b>

<sup>1</sup> Swedish subordinated loans are individually less than 10% of the total subordinated liabilities. The total includes one perpetual subordinated loan at a floating rate. The loan is a subordinated convertible loan of nominally SEK 3.2bn issued to the Group's employees on market terms. The loan does not have the status of regulatory capital but can be converted into Handelsbanken shares. The Bank has the right to demand conversion at any time and the holder has the right to demand conversion between 1 May and 30 November 2019, at the initial conversion price of SEK 379.19, corresponding to 117% of the average share price during the period 2–14 May 2014. The initial conversion price is adjusted for dividends during the term of the loan. If the common equity tier 1 ratio for the Bank or calculated according to the consolidated situation falls below 7%, there will be automatic conversion. For information regarding other Swedish subordinated loans, see note G49.

<sup>2</sup> For further information about subordinated loans in EUR, see note G49.

<sup>3</sup> Other foreign subordinated loans are issued in the form of perpetual subordinated loans.

## G39 Classification of financial assets and liabilities

2014	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
SEK m	Trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					454 040		492	454 532	454 532
Other loans to central banks					51 047			51 047	51 047
Interest-bearing securities eligible as collateral with central banks	42 095	34 377		749		998		78 219	78 223
Loans to other credit institutions					70 339			70 339	70 061
Loans to the public		2 181			1 805 655			1 807 836	1 823 256
Value change of interest hedged item in portfolio hedge					70			70	
Bonds and other interest-bearing securities	26 235	34 915		253		2 322		63 725	63 722
Shares	36 628	1 551				8 367		46 546	46 546
Investments in associates							286	286	286
Assets where the customer bears the value change risk		94 674			89			94 763	94 763
Derivative instruments	63 450		52 674					116 124	116 124
Other assets	35				13 892		394	14 321	14 321
Prepaid expenses and accrued income	408	654		1	3 546	2	2 180	6 791	6 791
<b>Total financial assets</b>	<b>168 851</b>	<b>168 352</b>	<b>52 674</b>	<b>1 003</b>	<b>2 398 678</b>	<b>11 689</b>	<b>3 352</b>	<b>2 804 599</b>	<b>2 819 672</b>
Other non-financial assets								12 077	
<b>Total assets</b>								<b>2 816 676</b>	
<b>Liabilities</b>									
Due to credit institutions							200 074	200 074	202 411
Deposits and borrowing from the public							1 022 267	1 022 267	1 022 274
Liabilities where the customer bears the value change risk		94 775					89	94 864	94 864
Issued securities	12 423						1 200 190	1 212 613	1 243 804
Derivative instruments	54 780		8 098					62 878	62 878
Short positions	20 648							20 648	20 648
Other liabilities	16						14 562	14 578	14 578
Accrued expenses and deferred income	315						18 366	18 681	18 681
Subordinated liabilities							30 289	30 289	34 411
<b>Total financial liabilities</b>	<b>88 182</b>	<b>94 775</b>	<b>8 098</b>				<b>2 485 837</b>	<b>2 676 892</b>	<b>2 714 549</b>
Other non-financial liabilities								12 957	
<b>Total liabilities</b>								<b>2 689 849</b>	

<sup>1</sup> Classified to be measured at fair value.

2013	At fair value in income statement divided into		Derivatives identified as hedge instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
SEK m	Trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					334 185		609	334 794	334 794
Other loans to central banks					35 160			35 160	35 160
Interest-bearing securities eligible as collateral with central banks	32 611	19 819		3 463		1 558		57 451	57 471
Loans to other credit institutions					62 898			62 898	62 413
Loans to the public		2 580			1 693 759			1 696 339	1 701 517
Value change of interest hedged item in portfolio hedge					96			96	
Bonds and other interest-bearing securities	26 959	35 331		933		902		64 125	64 123
Shares	41 542	1 328				5 725		48 595	48 595
Investments in associates							272	272	272
Assets where the customer bears the value change risk		80 234			696			80 930	80 930
Derivative instruments	46 692		23 269					69 961	69 961
Other assets	68				12 846		348	13 262	13 262
Prepaid expenses and accrued income	480	791		117	3 848		1 904	7 140	7 140
<b>Total financial assets</b>	<b>148 352</b>	<b>140 083</b>	<b>23 269</b>	<b>4 513</b>	<b>2 143 488</b>	<b>8 185</b>	<b>3 133</b>	<b>2 471 023</b>	<b>2 475 638</b>
Other non-financial assets								13 698	
<b>Total assets</b>								<b>2 484 721</b>	
<b>Liabilities</b>									
Due to credit institutions							171 624	171 624	173 128
Deposits and borrowing from the public							825 205	825 205	824 904
Liabilities where the customer bears the value change risk		80 281					696	80 977	80 977
Issued securities	17 420						1 133 221	1 150 641	1 167 147
Derivative instruments	48 790		12 739					61 529	61 529
Short positions	22 845							22 845	22 845
Other liabilities	19						13 170	13 189	13 189
Accrued expenses and deferred income	357						21 504	21 861	21 861
Subordinated liabilities							15 965	15 965	17 710
<b>Total financial liabilities</b>	<b>89 431</b>	<b>80 281</b>	<b>12 739</b>				<b>2 181 385</b>	<b>2 363 836</b>	<b>2 383 290</b>
Other non-financial liabilities								9 546	
<b>Total liabilities</b>								<b>2 373 382</b>	

<sup>1</sup> Classified to be measured at fair value.

Reclassified financial assets	2014		2013	
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
SEK m				
Carrying amount	12	4 469	74	5 375
Fair value	13	4 535	74	5 464
Value change recognised in the income statement	-	209	-	170
Value change recognised in other comprehensive income	2	318	0	-3
Value change that would have been recognised in income statement if the assets had not been reclassified	1	209	1	170
Value change that would have been recognised in other comprehensive income if the assets had not been reclassified	-	54	-	-25
Interest recognised as income	0	82	69	137

All holdings presented above were reclassified to loans and receivables on 1 July 2008.

## G40 Fair value measurement of financial instruments

Financial instruments at fair value 2014				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	42 095	-	-	42 095
Denominated at fair value	32 721	1 656	-	34 377
Available for sale	998	-	-	998
Loans to the public	-	2 168	13	2 181
Bonds and other interest-bearing securities				
Held for trading	21 643	4 592	-	26 235
Denominated at fair value	33 586	1 329	-	34 915
Available for sale	2 091	231	-	2 322
Shares				
Held for trading	33 175	3 359	94	36 628
Denominated at fair value	1 037	-	514	1 551
Available for sale	6 753	817	797	8 367
Assets where the customer bears the value change risk	93 976	-	698	94 674
Derivative instruments	630	115 494	-	116 124
<b>Total</b>	<b>268 705</b>	<b>129 646</b>	<b>2 116</b>	<b>400 467</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	94 077	-	698	94 775
Issued securities	-	12 329	94	12 423
Derivative instruments	1 566	61 312	-	62 878
Short positions	20 560	88	-	20 648
<b>Total</b>	<b>116 203</b>	<b>73 729</b>	<b>792</b>	<b>190 724</b>
Financial instruments at fair value 2013				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	32 611	-	-	32 611
Denominated at fair value	19 819	-	-	19 819
Available for sale	1 558	-	-	1 558
Loans to the public	-	2 562	18	2 580
Bonds and other interest-bearing securities				
Held for trading	21 881	5 078	-	26 959
Denominated at fair value	30 149	5 182	-	35 331
Available for sale	582	320	-	902
Shares				
Held for trading	40 283	1 183	76	41 542
Denominated at fair value	733	-	595	1 328
Available for sale	4 368	640	717	5 725
Assets where the customer bears the value change risk	79 744	-	490	80 234
Derivative instruments	1 333	68 628	-	69 961
<b>Total</b>	<b>233 061</b>	<b>83 593</b>	<b>1 896</b>	<b>318 550</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	79 791	-	490	80 281
Issued securities	4	17 332	84	17 420
Derivative instruments	2 158	59 371	-	61 529
Short positions	21 951	894	-	22 845
<b>Total</b>	<b>103 904</b>	<b>77 597</b>	<b>574</b>	<b>182 075</b>

### Valuation hierarchy

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the extent of market data used in the valuation. The categorisation is shown as levels 1–3 in the tables. Financial instruments which are valued at the current market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed equities, and short positions in corresponding assets. Level 1 also includes the majority of shares in mutual funds and other assets which are related to unit-linked insurance contracts and similar agreements and the corresponding liabilities. Financial instruments which are valued using valuation models which substantially are based on market data are categorised as level 2. Level 2 mainly includes interest- and currency-related derivatives. Financial instruments, the value of which to a material extent is affected by input data that cannot be verified using external market information, are categorised as level 3.

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2013), the instrument has been moved between the levels in the table. During the financial year, some of the volumes have

been moved between level 1 and level 2, as a result of a new assessment of market activity. Interest-bearing securities worth SEK 134 million have been moved from level 1 to level 2, and interest-bearing securities worth SEK 733 million have been moved from level 2 to level 1. Changes in level 3 holdings during the year are shown in a separate table.

The holdings in level 3 mainly comprise unlisted shares and holdings in private equity funds. Holdings in private equity funds are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, e.g. P/E ratios. Most of these holdings represent investment assets in the Group's insurance operations. Value changes on the investment assets are included in the basis for calculating the yield split in the insurance operations and are therefore not reported directly in the income statement.

The Group's holdings of unlisted securities mainly consist of the Bank's participating interests in various types of joint operations which are related to the Bank's business. For example, these may be participating interests in clearing organisations and infrastructure collaboration

on Handelsbanken's home markets. In general, such holdings are valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. In all material respects, unlisted shares are classified as available for sale. Value changes for these holdings are thus reported in other comprehensive income.

The year's realised value changes on financial instruments in level 3 is SEK 75 million, of which SEK 20 million is included for calculation of the yield split in the insurance operations. The remaining amount has been recognised in net gains/losses on financial transactions.

### Differences between the transaction price and the value produced using a valuation model

As stated in the accounting policies in note G1, when performing model valuation of derivatives, material positive differences between the valuation at initial recognition and the transaction price (so-called day 1 gains) are amortised over the life of the derivative. As a consequence of the application of this principle, SEK 88 million (81) has been recognised in net gains/losses on financial transactions during the year. At the end of the year, non-recognised day 1 gains amounted to SEK 465 million (396).

#### Reconciliation of financial instruments in level 3 2014

SEK m	Shares	Derivatives net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	1 388	-	18	490	-490	-84
Acquisitions	56	-	-	-	-	-10
Repurchases/sales	-56	-	-	-	-	-
Matured	-	-	-7	-	-	-
Unrealised value change in income statement	-62	-	-	208	-208	-
Unrealised value change in other comprehensive income	79	-	1	-	-	-
Transfer from level 1 or 2	-	-	1	-	-	-
Transfer to level 1 or 2	-	-	-	-	-	-
<b>Carrying amount at end of year</b>	<b>1 405</b>	<b>-</b>	<b>13</b>	<b>698</b>	<b>-698</b>	<b>-94</b>

#### Reconciliation of financial instruments in level 3 2013

SEK m	Shares	Derivatives net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk	Issued securities
Carrying amount at beginning of year	1 560	-	24	-	-	-77
Acquisitions	107	-	-	-	-	-1
Repurchases/sales	-304	-	-	-	-	-
Matured	-1	-	-2	-	-	-
Unrealised value change in income statement	-12	-	0	-	-	-6
Unrealised value change in other comprehensive income	38	-	1	-	-	-
Transfer from level 1 or 2	-	-	3	490	-490	-
Transfer to level 1 or 2	-	-	-8	-	-	-
<b>Carrying amount at end of year</b>	<b>1 388</b>	<b>-</b>	<b>18</b>	<b>490</b>	<b>-490</b>	<b>-84</b>

## G40 Cont.

**Principles for information about the fair values of financial instruments which are carried at cost or amortised cost**

Information about the fair values of financial instruments which are carried at cost or amortised cost is given in note G39 and in the below table. These instruments essentially comprise lending, deposits and funding. For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

The valuation of fixed-rate lending is based on the current market rate with an adjustment for an assumed credit and liquidity risk premium on market terms. The premium is assumed to be the same as the average margin for new lending at the time of the measurement. Interest-bearing securities have been valued at the current market price where this has been available. Funding and interest-bearing securities where market price information has not been found have been valued using a valuation model based on market data in the form of prices or interest for similar instruments.

In the table below, the valuation used for

the information about the fair value of financial instruments reported at cost or amortised cost is categorised in the valuation hierarchy described above. Means of payment and deposits are considered to be equivalent to cash and have been categorised as level 1. Level 1 also contains interest-bearing securities (assets and liabilities) for which there is a current market price. Lending where the assumption about credit and liquidity premium has materially affected the information about fair value has been categorised as level 3. Other instruments are categorised as level 2.

<b>Fair value of financial instruments recognised at cost or amortised cost 2014</b>				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with central banks	454 532	-	-	454 532
Other loans to central banks	27 905	23 142	-	51 047
Interest-bearing securities eligible as collateral with central banks	753	-	-	753
Loans to other credit institutions	14 816	54 753	492	70 061
Loans to the public	6 817	50 992	1 763 266	1 821 075
Bonds and other interest-bearing securities	250	-	-	250
Assets where the customer bears the value change risk	-	89	-	89
<b>Total</b>	<b>505 073</b>	<b>128 976</b>	<b>1 763 758</b>	<b>2 397 807</b>
<b>Liabilities</b>				
Due to credit institutions	60 442	141 969	-	202 411
Deposits and borrowing from the public	708 364	313 910	-	1 022 274
Liabilities where the customer bears the value change risk	-	89	-	89
Issued securities	674 330	557 051	-	1 231 381
Subordinated liabilities	-	34 411	-	34 411
<b>Total</b>	<b>1 443 136</b>	<b>1 047 430</b>	<b>-</b>	<b>2 490 566</b>

<b>Fair value of financial instruments recognised at cost or amortised cost 2013</b>				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with central banks	334 794	-	-	334 794
Other loans to central banks	2 668	32 492	-	35 160
Interest-bearing securities eligible as collateral with central banks	3 483	-	-	3 483
Loans to other credit institutions	15 228	46 248	937	62 413
Loans to the public	5 779	29 246	1 663 912	1 698 937
Bonds and other interest-bearing securities	931	-	-	931
Assets where the customer bears the value change risk	-	313	383	696
<b>Total</b>	<b>362 883</b>	<b>108 299</b>	<b>1 665 232</b>	<b>2 136 414</b>
<b>Liabilities</b>				
Due to credit institutions	33 487	139 641	-	173 128
Deposits and borrowing from the public	684 914	139 990	-	824 904
Liabilities where the customer bears the value change risk	-	696	-	696
Issued securities	644 538	505 189	-	1 149 727
Subordinated liabilities	-	17 710	-	17 710
<b>Total</b>	<b>1 362 939</b>	<b>803 226</b>	<b>-</b>	<b>2 166 165</b>

## G41 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2014	2013
Cash	31 427	9 803
Government instruments and bonds	28 552	30 695
Loans to the public	623 244	619 110
Shares	1 323	3 835
Assets where the customer bears the value change risk <sup>1</sup>	92 386	77 619
Other	12 720	13 203
<b>Total</b>	<b>789 652</b>	<b>754 265</b>
<i>Of which pledged assets that may be freely withdrawn by the Bank</i>	<i>27 497</i>	

<sup>1</sup> The comparison figures for 2013 have been adjusted as assets registered or behalf of insurance policyholders from 2014 are divided into the items Government instruments and bonds, Shares and Assets where the customer bears the value change risk.

Other pledged assets SEK m	2014	2013
Cash	2 101	702
Government instruments and bonds	25 185	30 483
Loans to the public	3 702	-
Shares	4 751	6 482
Other	18	4 012
<b>Total</b>	<b>35 757</b>	<b>41 679</b>
<i>Of which pledged assets that may be freely withdrawn by the Bank</i>	<i>26 788</i>	

Other pledged assets refers to collateral pledged for obligations not reported in the balance sheet.

### Assets pledged

Assets pledged in the form of interest-bearing securities mainly comprise securities pledged as collateral to central banks and other credit institutions, for payment systems, securities trading and clearing and also securities sold under binding repurchase agreements (repos). Assets pledged in the form of equities mainly comprise lent equities and equities in the insurance operations.

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 where the customer bears the value change risk mainly comprise units in unit-linked 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 38,562 million (34,306) at the end of the financial year, where collateral worth SEK 5,295 million (1,050) had been sold or repledged to a third party. Information about received pledges for lending and other received collateral is shown in note G2.

### Transferred financial assets reported in the balance sheet

Transferred financial assets are assets where the rights to future cash flows are directly or indirectly transferred to an external counterparty. Most of the transferred financial assets carried in the balance sheet comprise interest-bearing securities which have been sold under binding repurchase agreements and lent equities. Normally the terms for the binding repurchases and equity loans are stipulated in framework agreements between the Bank and the respective counterparty.

Binding repurchase agreements imply selling securities with an undertaking to repurchase them at a fixed price at a pre-determined time in the future. The seller of the securities thus continues to be exposed to the risk of value changes during the life of the agreement. Securities sold under repurchase agreements remain at market value in the balance sheet throughout

the life of the agreement. The purchase price received is reported as a liability to the counterparty. According to the standard terms of a repurchase agreement, the right of ownership of the sold securities is transferred in its entirety from the seller to the buyer. This means that the buyer has the right to sell on, repledge or otherwise dispose of the purchased securities.

According to the standard agreements for equity loans, the exposure to the value change in the lent equity remains with the lender. Lent equities thus remain in the balance sheet throughout the life of the loan. Collateral for lent securities is normally in the form of cash or other securities. Cash collateral received is carried as a liability in the balance sheet. In the same way as for repurchase agreements, the standard agreement used for equity loans means that during the life of the loan, the borrower has the right to sell on, repledge or otherwise dispose of the borrowed securities.

Government instruments, bonds and equities provided as collateral for securities trading, clearing etc. where the title to the instrument has been transferred to the counterparty are reported as other transferred financial assets. Transferred financial assets also includes certain assets where the customer bears the value change risk. This item comprises portfolios of financial instruments where the Bank has the formal right of ownership but where the risks related to the assets and also the right to future cash flows have been transferred to a third party. The valuation of these assets reflects the valuation of the corresponding liability item.



## G42 Cont.

Transferred financial assets recognised in the balance sheet	2014		2013	
	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
SEK m				
Shares, securities lending	1 646	206 <sup>1</sup>	3 641	3 086 <sup>1</sup>
Shares, other	3 337	-	5 927	-
Government instruments and bonds, repurchase agreements	196	201	6 685	6 689
Government instruments and bonds, other	57	-	1 184	-
Assets where the customer bears the value change risk	1 008	1 008	2 203	2 203
<b>Total</b>	<b>6 244</b>	<b>1 415</b>	<b>19 640</b>	<b>11 978</b>

<sup>1</sup> Received cash collateral.

## G42 Contingent liabilities

SEK m	2014	2013
Guarantees, loans	10 335	8 371
Guarantees, other	60 033	58 568
Letters of credit	3 733	4 842
Other	1 636	2 348
<b>Total</b>	<b>75 737</b>	<b>74 129</b>

Contingent liabilities mainly consisted of various types of guarantees. The nominal amounts of the guarantees are shown in the table.

## G43 Other commitments

SEK m	2014	2013
Loan commitments	271 001	246 518
Unutilised part of granted overdraft facilities <sup>1</sup>	102 778	99 660
Other	14 134	9 046
<b>Total</b>	<b>387 913</b>	<b>355 224</b>

<sup>1</sup> As of 2014, unutilised overdraft facilities which the counterparty does not have at its disposal at the time of recognition are not included and therefore do not give rise to a capital requirement. The comparative figures have been restated.

Contracted irrevocable, future operating lease charges distributed by the year they fall due for payment	2014	2013
SEK m		
2015	710	701
2016–2019	1 673	1 781
2020 and later	456	564
<b>Total</b>	<b>2 839</b>	<b>3 046</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

## G44 Leases

Disclosures on gross investment and present value of future minimum lease payments SEK m	2014	2013
Gross investment	39 537	43 308
The present value of future minimum lease payments at balance sheet date	37 802	40 375

Distribution of gross investment and minimum lease payments by maturity SEK m	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	Total
<b>2014</b>				
Distribution of gross investment	4 543	15 886	19 107	39 537
Distribution of the present value of future minimum lease payments	4 516	15 591	17 695	37 802
<b>2013</b>				
Distribution of gross investment	4 181	15 847	23 280	43 308
Distribution of the present value of future minimum lease payments	4 157	15 368	20 850	40 375

Unearned finance income SEK m	2014	2013
Unearned finance income	1 735	2 932

Companies within the Group are lessors 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 4m (22). The variable part of the lease fee included in this year's profit is SEK 197m (431). The decrease is partly due to the lower interest rates in 2014 compared with 2013 but also to lower volumes.

At the end of the year in the Group there were six lease exposures each with an individual carrying amount exceeding SEK 1bn. The total carrying amount of these exposures was SEK 18.0bn (18.9) which is equivalent to 0.9% of the Group's total credit volume as at 31 December 2014. The carrying amount of the largest individual exposure was SEK 7.8bn (8.3). The average remaining maturity for this exposure was 5.2 years (6.2). These exposures are in the transport and energy sectors.

## G45 Segment reporting

Segment reporting 2014										
SEK m	Home markets						Capital Markets	Adjustments and eliminations		Continuing operations
	Branch operations in Sweden	Branch operations in the UK	Branch operations in Denmark	Branch operations in Finland	Branch operations in Norway	Branch operations in the Netherlands		Other		
Net interest income	15 734	3 497	1 610	1 389	3 439	283	847	495	-50	27 244
Net fee and commission income	3 908	344	385	440	390	26	3 041	22		8 556
Net gains/losses on financial items at fair value	400	158	116	76	102	7	1 537	-619		1 777
Risk result, insurance							165			165
Share of profit of associates								18		18
Other income	92	18	21	11	20	0	17	375		554
<b>Total income</b>	<b>20 134</b>	<b>4 017</b>	<b>2 132</b>	<b>1 916</b>	<b>3 951</b>	<b>316</b>	<b>5 607</b>	<b>291</b>	<b>-50</b>	<b>38 314</b>
Staff costs	-3 421	-1 471	-584	-351	-711	-127	-2 542	-2 587	28	-11 766
Other administrative expenses	-1 221	-333	-181	-158	-219	-28	-859	-2 100		-5 099
Internal purchased and sold services	-2 770	-379	-273	-232	-390	-68	-126	4 188	50	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-85	-18	-19	-8	-11	-1	-79	-241		-462
<b>Total expenses</b>	<b>-7 497</b>	<b>-2 201</b>	<b>-1 057</b>	<b>-749</b>	<b>-1 331</b>	<b>-224</b>	<b>-3 606</b>	<b>-740</b>	<b>78</b>	<b>-17 327</b>
<b>Profit before loan losses</b>	<b>12 637</b>	<b>1 816</b>	<b>1 075</b>	<b>1 167</b>	<b>2 620</b>	<b>92</b>	<b>2 001</b>	<b>-449</b>	<b>28</b>	<b>20 987</b>
Net loan losses	-657	-203	-529	-277	-141	-1	27	0		-1 781
Gains/losses on disposal of property, equipment and intangible assets	0	4	1	0	0	0	0	1		6
<b>Operating profit</b>	<b>11 980</b>	<b>1 617</b>	<b>547</b>	<b>890</b>	<b>2 479</b>	<b>91</b>	<b>2 028</b>	<b>-448</b>	<b>28</b>	<b>19 212</b>
Profit allocation	930	35	62	85	66	8	-1 186	0		
<b>Operating profit after profit allocation</b>	<b>12 910</b>	<b>1 652</b>	<b>609</b>	<b>975</b>	<b>2 545</b>	<b>99</b>	<b>842</b>	<b>-448</b>	<b>28</b>	<b>19 212</b>
Internal income <sup>1</sup>	-492	-1 230	-468	-429	-3 430	-154	-1 858	8 061		
C/I ratio, %	35.6	54.3	48.2	37.4	33.1	69.1	81.6			45.2
Loan loss ratio, %	0.06	0.15	0.73	0.25	0.07	0.01	-0.05			0.10
Assets	1 402 774	263 459	88 395	177 009	206 536	38 651	423 265	1 919 427	-1 702 840	2 816 676
Liabilities	1 335 671	254 029	82 387	170 464	193 355	37 754	415 817	1 919 427	-1 719 055	2 689 849
Allocated capital	67 103	9 430	6 008	6 545	13 181	897	7 448	0	16 215	126 827
Return on allocated capital, %	15.7	15.2	8.5	12.4	15.9	9.2	8.1			13.3
The year's investments in non-financial non-current assets	53	41	13	12	14	11	144	186		474
The year's investments in associated companies								2		2
Average number of employees	4 381	1 567	631	494	672	131	1 885	1 931		11 692

<sup>1</sup> Internal income which is included in total income comprises income from transactions with other operating segments. Since interest income and interest expense are reported net as income, this means that internal income includes the net amount of the internal funding cost among segments.

The business segments are recognised in compliance with IFRS 8, Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance. Handelsbanken's operations are presented in the following segments: Branch operations in Sweden, the UK, Denmark, Finland, Norway, the Netherlands and Capital Markets. Handelsbanken's branch operations, which provide universal banking services, were divided into 14 regional banks in 2014. Six of these are Swedish, and eight are located outside Sweden. Each regional bank is led by a

head of regional bank, and is monitored as an independent profit centre. The Capital Markets segment is Handelsbanken's investment bank, including securities trading and investment advisory services. Its operations also include asset management, insurance operations and the Bank's international operations outside its home markets.

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 allocation to Oktogonen which is SEK 795 million (1,096). The Adjustments and eliminations column includes adjustments for staff costs.

Segment reporting 2013										
SEK m	Home markets						Capital Markets	Adjustments and eliminations		Continuing operations
	Branch operations in Sweden	Branch operations in the UK	Branch operations in Denmark	Branch operations in Finland	Branch operations in Norway	Branch operations in the Netherlands		Other		
Net interest income	16 299	2 624	1 519	1 219	3 574	230	936	313	-45	26 669
Net fee and commission income	3 486	213	329	412	364	23	3 008	-31		7 804
Net gains/losses on financial items at fair value	445	120	97	40	83	1	1 073	-502		1 357
Risk result, insurance							142			142
Share of profit of associates								9		9
Other income	27	13	18	5	12	-	16	255		346
<b>Total income</b>	<b>20 257</b>	<b>2 970</b>	<b>1 963</b>	<b>1 676</b>	<b>4 033</b>	<b>254</b>	<b>5 175</b>	<b>44</b>	<b>-45</b>	<b>36 327</b>
Staff costs	-3 283	-1 059	-546	-331	-662	-96	-2 560	-2 858	-9	-11 404
Other administrative expenses	-1 187	-243	-175	-145	-232	-21	-969	-2 209		-5 181
Internal purchased and sold services	-3 002	-317	-252	-239	-368	-56	-147	4 336	45	
Depreciation, amortisation and impairments of property, equipment and intangible assets	-87	-41	-17	-10	-10	-1	-61	-249		-476
<b>Total expenses</b>	<b>-7 559</b>	<b>-1 660</b>	<b>-990</b>	<b>-725</b>	<b>-1 272</b>	<b>-174</b>	<b>-3 737</b>	<b>-980</b>	<b>36</b>	<b>-17 061</b>
<b>Profit before loan losses</b>	<b>12 698</b>	<b>1 310</b>	<b>973</b>	<b>951</b>	<b>2 761</b>	<b>80</b>	<b>1 438</b>	<b>-936</b>	<b>-9</b>	<b>19 266</b>
Net loan losses	-357	-168	-161	-268	-169	-7	-65			-1 195
Gains/losses on disposal of property, equipment and intangible assets	9	1	-	0	0	-	0	7		17
<b>Operating profit</b>	<b>12 350</b>	<b>1 143</b>	<b>812</b>	<b>683</b>	<b>2 592</b>	<b>73</b>	<b>1 373</b>	<b>-929</b>	<b>-9</b>	<b>18 088</b>
Profit allocation	876	30	47	70	43	4	-1 070	0		
<b>Operating profit after profit allocation</b>	<b>13 226</b>	<b>1 173</b>	<b>859</b>	<b>753</b>	<b>2 635</b>	<b>77</b>	<b>303</b>	<b>-929</b>	<b>-9</b>	<b>18 088</b>
Internal income <sup>1</sup>	-925	-1 212	-395	-417	-3 606	-140	-1 672	8 367		
C/I ratio, %	35.8	55.3	49.3	41.5	31.2	67.4	91.0			47.0
Loan loss ratio, %	0.03	0.14	0.24	0.27	0.08	0.05	0.08			0.07
Assets	1 309 092	194 503	78 830	153 436	202 567	33 039	377 283	1 528 713	-1 392 742	2 484 721
Liabilities	1 248 603	186 859	73 482	147 315	190 444	32 221	368 685	1 528 713	-1 402 940	2 373 382
Allocated capital	60 489	7 644	5 348	6 121	12 123	818	8 598		10 198	111 339
Return on allocated capital, %	17.9	13.2	12.7	9.9	17.0	7.7	2.6			13.8
The year's investments in non-financial non-current assets	71	22	37	10	14	8	247	233		642
The year's investments in associated companies								53		53
Average number of employees	4 410	1 260	624	490	650	102	1 985	1 982		11 503

<sup>1</sup> Internal income which is included in total income comprises income from transactions with other operating segments. Since interest income and interest expense are reported net as income, this means that internal income includes the net amount of the internal funding cost among segments.

Adjustments for staff costs contain the difference between the Group's pension costs calculated in accordance with IAS 19, Employee Benefits, and the standard pension costs, which total SEK -568 million (-564), and also compensation from Svenska Handelsbanken's pension foundation of SEK 540 million (555).

Internal income mainly consists of internal interest and commissions. The segment income statements also include internal items in the form of payment for internal services rendered. Internal debiting is primarily according to the cost price principle. In branch operations, assets consist mainly of loans to the public

and liabilities of deposits from the public and also internal borrowing. In the Capital Markets segment, assets mainly consist of securities that are managed within the asset management and insurance operations. The assets in the Other column are mainly internal lending to the various segments while the liabilities are mainly external borrowings. The allocated capital for the segments is the same as the capital allocation according to the internal financial control model. Return on equity is calculated based on average allocated equity and a tax rate of 22 per cent. For the Group, return on equity is calculated after reported tax.

Income per product area SEK m	2014	2013
Investment bank	4 524	4 272
Bank deposits and corporate loans	11 589	11 913
Finance company services	2 001	1 887
Bank deposits and loans to private individuals	4 411	4 541
Mortgages	10 236	9 369
Pensions and insurance	1 152	1 031
Capital market	2 433	1 914
Trade finance	483	477
Other operations	1 485	923
<b>Total</b>	<b>38 314</b>	<b>36 327</b>

## G46 Geographical information

Geographical information 2014 SEK m	Sweden	Denmark	Finland	Norway	UK	Netherlands	Other countries	Group
Income	23 958	2 187	2 243	4 144	4 114	303	1 365	38 314
Operating profit	13 415	369	985	2 466	1 431	73	473	19 212
Tax	2 818	49	209	628	228	19	118	4 069
Assets	1 670 935	89 388	148 176	190 541	216 268	29 986	471 382	2 816 676

### Other information

Investments in non-financial assets	270	13	13	22	17	3	18	356
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Income, expenses and assets presented in the Geographic information are composed internal and external income, expenses and assets in the respective country. The geographic distribution of income and expenses is based on the country where the business transaction has been carried out. Tax includes current and deferred taxes. Additional geographical information is provided in note M16 concerning the domicile of subsidiaries and associates and in note G8 concerning average number of employees.

Geographical information 2013 SEK m	Sweden	Denmark	Finland	Norway	UK	Netherlands	Other countries	Group
Income	23 989	1 839	1 973	3 993	3 027	243	1 263	36 327
Operating profit	13 162	433	732	2 291	971	59	440	18 088
Tax	2 652	36	142	723	234	15	113	3 915
Assets	1 487 103	75 140	108 636	169 746	210 614	24 967	408 515	2 484 721

### Other information

Investments in non-financial assets	229	41	13	21	22	8	23	357
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## G47 Assets and liabilities in currencies

2014 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	223	81 932	2 342	97	55 782	312 782	1 374	454 532
Other loans to central banks	6 926	-	15 758	28 021	342	-	0	51 047
Loans to other credit institutions	1 719	10 075	275	288	874	54 871	2 237	70 339
Loans to the public	1 164 777	178 002	184 912	72 787	167 719	26 642	12 997	1 807 836
<i>of which corporate</i>	500 444	129 197	101 176	28 326	114 555	26 490	11 750	911 938
<i>of which households</i>	664 333	48 805	83 736	44 461	53 164	152	1 247	895 898
Interest-bearing securities eligible as collateral with central banks	40 967	6 576	1 080	6	-	28 597	993	78 219
Bonds and other interest-bearing securities	54 997	3 976	3 890	-	828	34	-	63 725
Other items not broken down by currency	290 978							290 978
<b>Total assets</b>	<b>1 560 587</b>	<b>280 561</b>	<b>208 257</b>	<b>101 199</b>	<b>225 545</b>	<b>422 926</b>	<b>17 601</b>	<b>2 816 676</b>

### Liabilities

Due to credit institutions	32 440	71 353	10 855	13 728	3 804	56 412	11 482	200 074
Deposits and borrowing from the public	444 033	120 068	61 616	30 218	106 728	249 885	9 719	1 022 267
<i>of which corporate</i>	191 628	105 379	44 311	17 550	87 548	247 678	9 423	703 517
<i>of which households</i>	252 405	14 689	17 305	12 668	19 180	2 207	296	318 750
Issued securities	459 264	236 831	22 625	342	89 923	371 593	32 035	1 212 613
Subordinated liabilities	10 308	18 887	-	-	-	117	977	30 289
Other items not broken down by currency, incl. equity	351 433							351 433
<b>Total liabilities and equity</b>	<b>1 297 478</b>	<b>447 139</b>	<b>95 096</b>	<b>44 288</b>	<b>200 455</b>	<b>678 007</b>	<b>54 213</b>	<b>2 816 676</b>

Other assets and liabilities broken down by currency, net		166 635	-113 117	-56 885	-24 996	254 804	36 690	
Net foreign currency position		57	44	26	94	-277	78	22

2013 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	342	48 191	4 263	85	46 585	235 126	202	334 794
Other loans to central banks	2 540	130	11 105	21 156	229	-	0	35 160
Loans to other credit institutions	4 120	11 124	132	151	583	43 811	2 977	62 898
Loans to the public	1 121 986	164 903	182 613	62 231	129 807	24 378	10 421	1 696 339
<i>of which corporate</i>	494 774	123 076	101 809	24 965	90 892	24 313	9 199	869 028
<i>of which households</i>	627 212	41 827	80 804	37 266	38 915	65	1 222	827 311
Interest-bearing securities eligible as collateral with central banks	26 826	6 727	1 137	6	-	21 202	1 553	57 451
Bonds and other interest-bearing securities	54 921	5 651	2 667	75	-	734	77	64 125
Other items not broken down by currency	233 954							233 954
<b>Total assets</b>	<b>1 444 689</b>	<b>236 726</b>	<b>201 917</b>	<b>83 704</b>	<b>177 204</b>	<b>325 251</b>	<b>15 230</b>	<b>2 484 721</b>
<b>Liabilities</b>								
Due to credit institutions	29 695	24 208	5 252	13 315	12 156	75 355	11 643	171 624
Deposits and borrowing from the public	429 266	83 433	52 273	32 072	69 091	153 580	5 490	825 205
<i>of which corporate</i>	192 500	70 681	36 810	20 758	59 905	151 938	5 293	537 885
<i>of which households</i>	236 766	12 752	15 463	11 314	9 186	1 642	197	287 320
Issued securities	477 393	227 389	18 769	226	89 640	317 453	19 771	1 150 641
Subordinated liabilities	10 472	4 427	-	-	-	143	923	15 965
Other items not broken down by currency, incl. equity	321 286							321 286
<b>Total liabilities and equity</b>	<b>1 268 112</b>	<b>339 457</b>	<b>76 294</b>	<b>45 613</b>	<b>170 887</b>	<b>546 531</b>	<b>37 827</b>	<b>2 484 721</b>
Other assets and liabilities broken down by currency, net		102 703	-125 629	-38 049	-6 362	221 290	22 683	
Net foreign currency position		-28	-6	42	-45	10	86	59

## G48 Related-party disclosures

Claims on and liabilities to related parties SEK m	Associated companies		Other related parties	
	2014	2013	2014	2013
Loans to credit institutions	-	-	-	-
Loans to the public	1 186	729	-	-
Bonds and other interest-bearing securities	-	-	-	-
Other assets	85	85	565	587
<b>Total</b>	<b>1 271</b>	<b>814</b>	<b>565</b>	<b>587</b>
Due to credit institutions	-	-	-	-
Deposits and borrowing from the public	178	186	281	334
Issued securities	-	-	-	-
Subordinated liabilities	-	-	701	698
Other liabilities	-	-	56	56
<b>Total</b>	<b>178</b>	<b>186</b>	<b>1 038</b>	<b>1 088</b>

Related parties – income and expense SEK m	Associated companies		Other related parties	
	2014	2013	2014	2013
Interest income	25	8	0	0
Interest expense	-2	-2	-74	-75
Fee and commission income	5	2	-	-
Fee and commission expense	-238	-99	-37	-29
Net gains/losses on financial items at fair value	0	0	-	-
Other income	0	-	13	12
Other expenses	-1	-2	-55	-45
<b>Total</b>	<b>-211</b>	<b>-93</b>	<b>-153</b>	<b>-137</b>

A list of associated companies and information about shareholder contributions to associated companies is presented in note G19. The associated companies' operations comprise various types of services related to the financial markets. The following companies comprise the group of related parties: Svenska Handelsbankens Pensionsstiftelse, Svenska Handelsbankens Personstiftelse and Pensionskassan SHB, Försäkringsförening (pension fund). These companies use Svenska Handelsbanken AB for customary banking and accounting services.

On 25 March 2014, Svenska Handelsbanken AB, Svenska Handelsbankens Pensionsstiftelse and Pensionskassan SHB Försäkringsförening made mutual reallocations of their respective shareholdings; the Bank divested several shareholdings and, at the same time, purchased shares in Industrivärden and SCA. Following these transactions, Svenska Handelsbanken AB controls 10.46% of the votes in Industrivärden (7.5% of the capital) and 10.15% of the votes in SCA (2.1% of the capital). These transactions generated a capital gain of SEK 306m for the Bank. All business transactions with associated companies are made on market terms.

The parent company's Swedish subsidiary has paid pension premiums for defined benefit pensions to the pension fund amounting to SEK 56m (46). The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 6,140m (3,557). Svenska Handelsbanken AB has asked for compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 540m (555). During the year a sub-portfolio has been moved from Svenska Handelsbankens Pensionsstiftelse to Pensionskassan SHB, Försäkringsförening. This is described in detail in note P38.

Information regarding loans to executive officers, and conditions and other remuneration to executive officers, 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.

### CAPITAL REQUIREMENT REGULATIONS

According to the new capital adequacy regulations, regulation no 575/2013 EU (CRR), which came into force in the EU on 1 January 2014 and directive 2013/36/EU (CRD IV), which was implemented in Sweden on 2 August 2014, the Bank must have common equity tier 1 capital, tier 1 capital and total own funds which at least correspond to the individual requirements relative to the total risk-weighted exposure amount for credit risks, market risks and operational risks. In addition to holding capital in accordance with the minimum requirement, the Bank must also hold common equity tier 1 capital to comply with the combined buffer requirement which in Sweden comprises the sum of a capital conservation buffer, a countercyclical buffer and a systemic risk buffer. The Bank must also perform an internal capital assessment. Handelsbanken's capital policy – most recently adopted in 2014 – 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. In 2014, the Bank met the statutory minimum and buffer levels by a comfortable margin. More detailed information about the Bank's own funds 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 CONSOLIDATED SITUATION

The regulatory consolidation (consolidated situation) consists of the parent company, subsidiaries and associated companies that are included in the consolidated group accounts, as shown in the table on page 141. The companies that are included in the consolidated accounts but are excluded from the consolidated situation are shown in the table on page 141. Just as in the consolidated accounts, associated companies are consolidated using the equity method in the regulatory consolidated situation. Wholly owned subsidiaries are also consolidated according to the acquisition method. All subsidiaries which are subject to the regulations are included in the consolidated situation. Handelsbanken has no subsidiaries where the actual own funds are less than the prescribed own funds.

### DESCRIPTION OF OWN FUNDS FOR CONSOLIDATED SITUATION

Own funds consist of tier 1 capital and tier 2 capital. The tier 1 capital is divided into common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital consists mainly

of share capital, retained earnings and other reserves in the companies that are included in the consolidation. Remaining tier 1 capital consists of additional tier 1 instruments. The tier 2 capital mainly consists of subordinated loans. Certain deductions are subsequently made from own funds. The deductions are made mainly from the common equity tier 1 capital. For the Bank's risk management, it is important that in risk terms, both the Group and the regulatory consolidation 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 own funds, or repayment of liabilities between the parent company and its subsidiaries.

#### Tier 1 capital

Tier 1 capital consists of common equity tier 1 capital and additional tier 1 capital.

#### Common equity tier 1 capital

Common equity tier 1 capital consists chiefly of share capital, retained earnings and other reserves in the companies that are included in the regulatory consolidation. Since the Group's insurance companies are not part of the consolidation, retained earnings in these companies are not included in the common equity tier 1 capital. The items to be excluded from the common equity tier 1 capital are mainly goodwill and other intangible assets, and also capital contributions to the insurance companies in the Group or certain deferred tax assets which exceed 10 per cent of the common equity tier 1 capital. The total of capital contributions and deferred tax assets must not exceed 15 per cent of the common equity tier 1 capital. Since neither the capital contributions to the insurance companies in the Group nor the deferred tax assets exceed the threshold value, these do not reduce the common equity tier 1 capital. Neutrality adjustments are made for the effect of cash flow hedges on equity. A price adjustment must also be calculated and when necessary, be made for prudent valuation of instruments at fair value. Institutions with permission to use internal ratings-based models must make a deduction for the difference between expected loan losses according to the IRB Approach and the provisions made for probable loan losses if the expected loan losses exceed the provisions made. A deduction must also be made for the net value of recognised surplus values 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.

In 2014, unrealised gains derived from assets classified as available for sale must also be deducted.

#### Additional tier 1 capital

Additional tier 1 capital consists of instruments which fulfil the requirements for additional tier 1 capital. This capital must be perpetual and must be redeemable after five years at the earliest,

but only with the permission of the supervisory authority. It must be possible to write down the nominal value or convert it to shares to create common equity tier 1 capital at a pre-defined level for the common equity tier 1 capital and it must be possible to unconditionally suspend interest payments.

However, all the Bank's outstanding additional tier 1 capital has been issued with permission in accordance with the previous regulations and is therefore included in the transitional rules in CRR. Of the total of the Bank's issued additional tier 1 capital – SEK 8 billion – SEK 2.4 billion is enhanced capital contributions. Ordinary capital contributions issued by the Bank up to and including 2007 give the Bank the right to write down the instrument to avoid being forced to enter into liquidation. For enhanced capital contributions issued since 2008, the Bank has the right to write down the instruments 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 which 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 more subordinated claim to the assets of the company. For enhanced 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.

#### Tier 2 capital

The tier 2 capital consists of subordinated loans with a maturity of at least five years. Deductions are made for subordinated loan contributions to the insurance companies within the Group.

### CAPITAL REQUIREMENTS

#### Credit risk

The capital requirement for credit risk is calculated according to the standardised approach and the IRB Approach according to CRR. Two different methods are used in the IRB Approach: the IRB Approach without own estimates of LGD and conversion factors (CF), corresponding to the foundation approach in the previous regulations, and the IRB Approach with own estimates of LGD and CCF, corresponding to the advanced approach in the previous regulations.

In the IRB Approach without own estimates of LGD and CCF, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are prescribed by the regulations. In the IRB Approach with own estimates of LGD and CCF, the Bank uses its own methods to calculate the loss in the case of default (LGD) and the exposure amount.

Handelsbanken uses the IRB approach without own estimates of LGD and CCF for exposures to institutions and for certain product and collateral types for corporate exposures 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 and Rahoitus Oy.

The IRB Approach with own estimates of LGD



and CCF is applied to the majority of exposures to Large corporates, medium-sized companies, property companies and housing co-operative associations in regional bank operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, and retail exposures in Sweden, Norway, Finland and Denmark, as well as in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB and Rahoitus Oy.

As at the year-end, the IRB Approach covered 83 per cent of the total risk-weighted exposure amount in terms of credit risk calculated according to CRR. For the remaining credit risk exposures, the capital requirement is calculated using the standardised approach. Figures reported in this section refer to the minimum capital requirements under Pillar 1 of the Basel III capital adequacy regulations, CRR and CRD IV. In the adjoining tables, According to CRR 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 Approach, since they give rise to very low capital requirements, while the volumes vary considerably over time. The low capital requirement is due to the exposure being reported gross and being secured.

The total average risk weight for the IRB-approved exposures went down by 1.9 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 2014 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 consolidated situation. 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, the standardised approach is applied.

### CAPITAL ADEQUACY FOR THE FINANCIAL CONGLOMERATE

Institutions and insurance companies which are part of the financial conglomerate must have own funds which are adequate in relation to the capital requirement for the financial conglomerate. Own funds for the financial conglomerate have been calculated by means of a combination of the aggregation and settlement method and the consolidation method. This means that the own funds for the consolidated situation have been combined with the capital base for the Handelsbanken Liv AB insurance 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 consolidated situation.

Companies included in consolidated situation	Ownership share %	Corporate identity number	Domicile
<b>Handelsbanken AB (publ)<sup>1</sup></b>		502007-7862	Stockholm
<b>SUBSIDIARIES</b>			
<b>Handelsbanken Finans AB<sup>1</sup></b>	100	556053-0841	Stockholm
Kredit-Inkasso AB	100	556069-3185	Stockholm
Handelsbanken Rahoitus Oy	100	0112308-8	Helsinki
Kreditt-Inkasso AS	100	955074203	Fredrikstad
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	100	310101717882194	Shanghai
<b>Stadshypotek AB<sup>1</sup></b>	100	556459-6715	Stockholm
Svenska Intecknings Garanti AB Sigab (inaktiv)	100	556432-7285	Stockholm
<b>Handelsbanken Fondbolagsförvaltning AB</b>	100	556070-0683	Stockholm
Handelsbanken Fonder AB	100	556418-8851	Stockholm
Handelsinvest Investeringsförvaltning A/S	100	12930879	Copenhagen
Handelsbanken Fondbolag Ab	100	1105019-3	Helsinki
Handelsbanken Kapitalförvaltning AS	100	973194860	Oslo
Xact Kapitalförvaltning AB	100	556997-8140	Stockholm
<b>AB Handel och Industri</b>	100	556013-5336	Stockholm
<b>Heartwood Wealth Management Limited</b>	100	04132340	London
Heartwood Nominees Limited (inactive)	100	2299877	London
Heartwood Second Nominees Limited (inactive)	100	3193458	London
Private Office limited (inactive)	100	4332528	London
<b>Other</b>			
Ejendomsselskabet af 1. maj 2009 A/S	100	59173812	Hillerød
Forva AS	100	945812141	Oslo
Lejontrappan AB (inaktiv)	100	556481-1551	Gothenburg
Handelsbanken Markets Securities, Inc <sup>1</sup>	100	11-3257438	New York
Handelsbanken Mezzanine Management AB (inaktiv)	100	556679-2668	Stockholm
Handelsbanken Mezzanine Fond 1 KB (inaktiv)	100	969710-3126	Stockholm
Lokalbolig A/S	67.5	78488018	Hillerød
Rådstuplass 4 AS	100	910508423	Bergen
SIL (Nominees) Limited (inaktiv)	100	1932320	London
Svenska Property Nominees Limited (inactive)	100	2308524	London
Lila stugan i Stockholm AB (inactive)	100	556993-9084	Stockholm
Bruna stugan i Stockholm (inactive)	100	556993-2311	Stockholm
Blå stugan i Stockholm (inactive)	100	556993-9357	Stockholm
Svenska Handelsbanken Representações (Brasil) Ltda	99.9	15.367.073/0001-93	São Paulo
<b>Subsidiaries of Handelsbanken Liv Försäkrings AB</b>			
Handelsbanken Fastigheter AB	100	556873-0021	Stockholm
<b>ASSOCIATES</b>			
Bankomatcentralen AB	21.89	556197-2265	Stockholm
BDB Bankernas Depå AB	20	556695-3567	Stockholm
BGC Holding AB	25.38	556607-0933	Stockholm
Bankgirocentralen BGC AB	100	556047-3521	Stockholm
Devise Business Transactions Sweden AB	100	556564-5404	Stockholm
Finansiell ID-teknik BID AB	28.3	556630-4928	Stockholm
Upplysningscentralen UC AB	24.48	556137-5113	Stockholm
UC Ekonomipublikationer AB	100	556613-0042	Stockholm
UC Ljungquist Information AB	100	556576-7133	Stockholm
UC allabolag AB	51	556730-7367	Stockholm
Bankomat AB	20	556817-9716	Stockholm
Getswish AB	20	556913-7382	Stockholm

<sup>1</sup> Credit institution.

Companies not included in consolidated situation	Ownership share %	Corporate identity number	Domicile
Handelsbanken Liv Försäkring AB (group excl. Handelsbanken Fastigheter AB)	100	516401-8284	Stockholm
Svenska Re S.A.	100	RCS Lux B-32053	Luxembourg
Handelsbanken Skadeförsäkrings AB	100	516401-6767	Stockholm
Flisekompaniet Holding AS	47	992999136	Oslo
Dyson Group plc	44.5	163096	Sheffield
Plastal Industri AB	100	556532-8845	Gothenburg
EFN Ekonomikanalen AB	100	556930-1608	Stockholm
SHB Liv Försäkringsaktiebolag	100	2478149-7	Helsinki
Svenska RKA International Insurance Services AB (inaktiv)	100	556324-2964	Stockholm

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Balance sheet	2014		2013	
	Consolidated situation	Banking group	Consolidated situation	Banking group
SEK m				
<b>ASSETS</b>				
Cash and balances with central banks	454 532	454 532	338 788	334 794
Other loans to central banks	51 047	51 047	35 160	35 160
Treasury bills and other eligible securities	74 367	78 219	53 790	57 451
Loans to other credit institutions	71 445	70 339	63 972	62 898
Loans to the public	1 808 036	1 807 836	1 696 489	1 696 339
Value change of interest-hedged item in portfolio hedge	70	70	96	96
Bonds and other interest-bearing securities	59 652	63 725	58 943	64 125
<i>of which interest-bearing instruments classified as available for sale (carrying amount)</i>	2 322	2 322	902	902
<i>of which interest-bearing instruments classified as available for sale accumulated, value change</i>	-124	-228	-293	-293
Shares and participating interests	44 995	46 546	47 268	48 595
<i>of which shares classified as available for sale (carrying amount)</i>	8 367	8 367	5 725	5 725
<i>of which shares classified as available for sale, accumulated value change</i>	1 614	1 614	1 369	1 369
Investments in associates	6 655	286	6 479	272
Assets where the customer bears the value change risk	3 024	94 763	4 112	80 930
Derivative instruments	116 135	116 124	69 959	69 961
<i>of which cash flow hedges</i>	5 331	5 331	0	0
Reinsurance assets	0	6	0	4
Intangible assets	8 055	8 132	8 229	7 835
Property and equipment	2 239	2 239	2 646	2 205
Current tax assets	115	115	360	405
Deferred tax assets	389	389	277	269
<i>of which related to cash flow hedges</i>	0	0	420	420
<i>of which related to interest-bearing instruments classified as available for sale</i>	43	43	54	54
Pension assets	0	0	1 747	1 733
Assets held for sale	0	1 196	0	1 247
Other assets	14 135	14 321	17 151	13 262
Prepaid expenses and accrued income	6 688	6 791	7 182	7 140
<b>Total assets</b>	<b>2 721 579</b>	<b>2 816 676</b>	<b>2 412 648</b>	<b>2 484 721</b>
<b>LIABILITIES AND EQUITY</b>				
Liabilities to credit institutions	208 018	200 074	186 609	171 624
Deposits and borrowing from the public	1 012 258	1 022 267	814 319	825 205
Liabilities where the customer bears the value change risk	3 125	94 864	4 160	80 977
Issued securities	1 212 613	1 212 613	1 150 641	1 150 641
Derivative instruments	62 878	62 878	61 532	61 529
<i>of which cash flow hedges</i>	0	0	1 518	1 518
Short-term positions	20 648	20 648	22 845	22 845
Insurance liabilities	0	663	0	622
Current tax liabilities	906	957	827	831
Deferred tax liabilities	9 164	9 209	7 378	7 413
<i>of which related to cash flow hedges</i>	1 504	1 504	0	0
<i>of which related to interest-bearing instruments classified as available for sale</i>	155	155	152	152
Provisions	0	0	235	141
Pension obligations	1 460	1 480	0	0
Liabilities related to assets held for sale	0	580	0	539
Other liabilities	14 366	14 578	13 225	13 189
Accrued expenses and deferred income	18 536	18 681	21 926	21 861
Subordinated liabilities	30 289	30 289	15 965	15 965
<i>of which tier 1 capital loans</i>	8 043	8 043	10 602	10 602
<i>of which loans with remaining time to maturity &gt; 5 yrs</i>	17 163	17 163	2 990	2 990
<i>of which loans with remaining time to maturity &lt; 5 yrs</i>	2 323	2 323	2 230	2 230
<i>of which other loans</i>	2 643	2 643	0	0
<b>Total liabilities</b>	<b>2 594 469</b>	<b>2 689 849</b>	<b>2 299 662</b>	<b>2 373 382</b>
Minority interest	3	3	602	2
Share capital	2 956	2 956	2 956	2 956
<i>Holdings of own shares</i>	0	0	0	0
Share premium reserve	3 203	3 203	2 843	2 843
<i>of which equity from combined financial instruments</i>	1 045	1 045	0	0
Other reserves	12 271	12 220	1 906	1 837
Retained earnings	94 227	93 262	91 064	89 406
Profit for the year (shareholders')	14 450	15 183	13 615	14 295
<b>Total equity</b>	<b>127 110</b>	<b>126 827</b>	<b>112 986</b>	<b>111 339</b>
<b>Total liabilities and equity</b>	<b>2 721 579</b>	<b>2 816 676</b>	<b>2 412 648</b>	<b>2 484 721</b>

Transitional own funds	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013		2013 according to CRR
	2014		
SEK m			
<b>Common equity tier 1 (CET1) capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	5 741		5 799
<i>of which share capital</i>	5 593		5 579
<i>of which convertible securities</i>	148	148	220
Retained earnings	94 227		91 064
Accumulated other comprehensive income (and other reserves)	12 271		1 906
Funds for general banking risk			
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1			
Public sector capital injections grandfathered until January 2018			
Minority interests (amount allowed in consolidated CET1)			
Independently reviewed interim profits net of any foreseeable charge or dividend	3 326		3 130
<b>Common equity tier 1 (CET1) capital before regulatory adjustment</b>	<b>115 565</b>		<b>101 899</b>
<b>Common equity tier 1 (CET1) capital: regulatory adjustment</b>			
Additional value adjustments (negative amount)	-1		-67
Intangible assets (net of related tax liability) (negative amount)	-8 123		-7 835
Empty set in the EU			
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)			
Fair value reserves related to gains or losses on cash flow hedges	-5 331		1 518
Negative amounts resulting from the calculation of expected loss amounts	-2 103		-1 986
Any increase in equity that results from securitised assets (negative amount)			
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing			
Defined-benefit pension fund assets (negative amount)			
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-466		0
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
Empty set in EU			
Exposure amounts of the following items which qualify for a RW of 1,250%, where the institution opts for deduction alternative			-491
<i>of which qualifying holdings outside the financial sector (negative amount)</i>			
<i>of which securitisation positions (negative amount)</i>			
<i>of which free deliveries (negative amount)</i>			
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)			
Amount exceeding the 15% threshold (negative amount)			
<i>of which direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities</i>			
Empty set in the EU			
<i>of which deferred tax assets arising from temporary difference</i>			
Losses for the current financial year (negative amount)			
Foreseeable tax charges relating to CET1 items (negative amount)			
Regulatory adjustments applied to common equity tier 1 in respect of amounts subject to pre-CRR treatment			
Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468	-1 457		
<i>of which filter for unrealised loss</i>	-1 457		
Amount to be deducted from or added to common equity tier 1 capital with regard to additional filters and deductions required pre-CRR			
Qualifying AT1 deductions that exceed the AT1 of the institution (negative amount)			
<b>Total regulatory adjustments to common equity tier 1 (CET1)</b>	<b>-17 480</b>		<b>-8 861</b>
<b>Common equity tier 1 (CET1) capital</b>	<b>98 084</b>		<b>93 038</b>

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

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Transitional own funds	2014	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2013 according to CRR
SEK m			
<b>Additional tier 1 (AT1) capital: instrument</b>			
Capital instruments and the related share premium accounts			10 602
<i>of which classified as equity under applicable accounting standards</i>			
<i>of which classified as liabilities under applicable accounting standards</i>			10 602
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	8 043	8 043	
Public sector capital injections grandfathered until 1 January 2018			
Qualifying tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties			
<i>of which instruments issued by subsidiaries subject to phase-out</i>			
<b>Additional tier 1 (AT1) capital before regulatory adjustments</b>	<b>8 043</b>		<b>10 602</b>
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>			
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)			
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
Regulatory adjustments applied to additional tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amount)			
Residual amounts deducted from additional tier 1 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			
<i>of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.</i>			
Residual amounts deducted from additional tier 1 capital with regard to deduction from tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			
<i>of which items to be detailed line by line, e.g. reciprocal cross holdings in tier 2 instrument, direct holdings of non-significant investments in the capital of other financial sector entities etc.</i>			
Amounts to be deducted from or added to additional tier 1 capital with regard to additional filters and deductions required pre-CRR			
Qualifying tier 2 (T2) deductions that exceed the T2 capital of the institution (negative amount)			
<b>Total regulatory adjustments to additional tier 1 (AT1) capital</b>	<b>0</b>		<b>0</b>
<b>Additional tier 1 (AT1) capital</b>	<b>8 043</b>		<b>10 602</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>106 127</b>		<b>103 640</b>
<b>Tier 2 (T2) capital: instruments and provisions</b>			
Capital instruments and the related share premium accounts	17 860	697	3 882
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2			
Public sector capital injections grandfathered until 1 January 2018			
Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party			
<i>of which instruments issued by subsidiaries subject to phase-out</i>			
Credit risk adjustments			
<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>17 860</b>		<b>3 882</b>

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Transitional own funds	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013		2013 according to CRR
	2014		
SEK m			
<b>Tier 2 (T2) capital: regulatory adjustments</b>			
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)			
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)			
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
<i>of which new holdings not subject to transitional arrangements</i>			
<i>of which holdings existing before 1 January 2013 and subject to transitional arrangements</i>			
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-1 129		-1 129
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
Residual amounts deducted from tier 2 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			
<i>of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.</i>			
Residual amounts deducted from tier 2 capital with regard to deduction from additional tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			
<i>of which items to be detailed line by line, e.g. reciprocal cross holdings in Tier 2 instrument, direct holdings of non-significant investments in the capital of other financial sector entities etc.</i>			
Amounts to be deducted from or added to tier 2 capital with regard to additional filters and deductions required pre-CRR			
<b>Total regulatory adjustments to tier 2 (T2) capital</b>	<b>-1 129</b>		<b>-1 129</b>
<b>Tier 2 (T2) capital</b>	<b>16 731</b>		<b>2 753</b>
<b>Total capital (TC = T1 + T2)</b>	<b>122 858</b>		<b>106 392</b>
Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	480 388		492 785
<i>of which additional capital to insurance companies in the Group not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)</i>	15 633		
<i>of which deferred tax claims not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)</i>	332		
Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)			
<b>Total risk-weighted assets</b>	<b>480 388</b>		<b>492 785</b>
<b>Capital ratios and buffers</b>			
Common equity tier 1 (as a percentage of total risk exposure amount)	20.4		18.9
Tier 1 (as a percentage of total risk exposure amount)	22.1		21.0
Total capital (as a percentage of total risk exposure amount)	25.6		21.6
Institution specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	2.5		0.0
<i>of which capital conservation buffer requirement</i>	2.5		0.0
<i>of which countercyclical buffer requirement</i>	0.0		0.0
<i>of which systemic risk buffer requirement</i>	0.0		0.0
<i>of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	0.0		0.0
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.9		18.9
[non-relevant in EU regulation]			
[non-relevant in EU regulation]			
[non-relevant in EU regulation]			

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

## G49 Cont.

Transitional own funds	2014	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	2013 according to CRR
SEK m			
<b>Capital ratios and buffers</b>			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)			
Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)			
[Empty set in the EU]			
Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)			
<b>Applicable caps on the inclusion of provisions tier 2</b>			
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)			
Cap on inclusion of credit risk adjustments in T2 under standardised approach			
Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)			
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach			
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>			
Current cap on CET1 instruments subject to phase-out arrangements			
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
Current cap on AT1 instruments subject to phase-out arrangements			
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
Current cap on T2 instruments subject to phase-out arrangements			
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Capital instruments main features, CET1	SHB A	SHB B
Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SE0000193120	SE0000152084
Governing law(s) of the instrument	Swedish law	Swedish law
<i>Regulatory treatment</i>		
Transitional CRR rules	Common equity tier 1 capital	Common equity tier 1 capital
Post-transitional rules	Common equity tier 1 capital	Common equity tier 1 capital
Eligible at solo/(sub-)consolidated/solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Share capital, class A	Share capital, class B
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 4,562m	SEK 86m
Nominal amount of instrument	SEK 2,901m	SEK 55m
Issue price	SEK 4,562m	SEK 86m
Redemption price	N/A	N/A
Accounting classification	Equity	Equity
Original date of issuance	1871	1990
Perpetual or dated	Perpetual	Perpetual
Original maturity date	N/A	N/A
Issuer call subject to prior supervisory approval	N/A	N/A
Optional call date, contingent call dates and redemption amount	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
<i>Coupons/dividends</i>		
Fixed or floating dividend/coupons	N/A	N/A
Coupon rate and any related index	N/A	N/A
Existence of dividend stopper	N/A	N/A
Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	N/A
Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
Existence of step-up or other incentive to redeem	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A
If convertible, fully or partially	N/A	N/A
If convertible, conversion rate	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A
Write-down features	No	No
If write-down, write-down trigger(s)	N/A	N/A
If write-down, full or partial	N/A	N/A
If write-down, permanent or temporary	N/A	N/A
If temporary write-down, description of write-up mechanism	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Lowest, next senior is additional tier 1 capital	Lowest, next senior is additional tier 1 capital
Non-compliant transitioned features	No	No
If yes, specify non-compliant features	N/A	N/A

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.



Capital instruments main features, T1				
Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0238196942	W8975#AA3	SE0002450601	XS0406264092
Governing law(s) of the instrument	Mainly English law, Swedish insolvency law	Mainly English law, Swedish insolvency law	Swedish law	Mainly English law, Swedish insolvency law
<i>Regulatory treatment</i>				
Transitional CRR rules	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Post-transitional rules	Non-eligible	Non-eligible	Non-eligible	Tier 2 capital
Eligible at solo/(sub-)consolidated/solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 4,712m	SEK 977m	SEK 6m	SEK 2,347m
Nominal amount of instrument	EUR 500m	JPY 15,000m	SEK 6m	SEK 2,350m
Issue price	100%	100%	100%	100%
Redemption price	100%	100%	100%	100%
Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
Original date of issuance	16 Dec 2005	20 Dec 2005	12 Jun 2008	19 Dec 2008
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	16 Dec 2015	20 Dec 2015	21 May 2013	19 Mar 2019
	Callable each subsequent interest payment date after first redemption date	2020-12-25, 2035-12-20 and then on each interest payment date	Callable at any time with 40-day qualification period	Callable each subsequent interest payment date after first redemption date
Subsequent call dates, if applicable				
<i>Coupons/dividends</i>				
Fixed or floating dividend/coupons	Fixed	Fixed to floating	Floating	Fixed
Coupon rate and any related index	4.19%	4.10%	1.56%	11%
Existence of dividend stopper	Yes	Yes	Yes	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Existence of step-up or other incentive to redeem	Yes	Yes	Yes	Yes
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Convertible	Non-convertible
If convertible, conversion trigger(s)	N/A	N/A	Fully discretionary	N/A
If convertible, fully or partially	N/A	N/A	Fully or partially	N/A
If convertible, conversion rate	N/A	N/A	SEK 187.56 per share	N/A
If convertible, mandatory or optional conversion	N/A	N/A	Optional	N/A
If convertible, specify instrument type convertible into	N/A	N/A	Share capital, class A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	Svenska Handelsbanken AB	N/A
Write-down features	Yes	Yes	Yes	Yes
	Breach of capital requirement	Breach of capital requirement	Expected breach of capital requirement	Expected breach of capital requirement
If write-down, write-down trigger(s)	Fully or partially	Fully or partially	Fully or partially	Fully or partially
If write-down, permanent or temporary	Temporary	Temporary	Temporary	Temporary
If temporary write-down, description of write-up mechanism	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all instruments except shares, next in priority are subordinated loans	Subordinate to all instruments except shares, next in priority are subordinated loans	Subordinate to all instruments except shares, next in priority are subordinated loans	Subordinate to all instruments except shares, next in priority are subordinated loans
Non-compliant transitioned features	Yes	Yes	Yes	Yes
If yes, specify non-compliant features	Step-up and dividend stopper	Step-up and dividend stopper	Step-up and dividend stopper	Step-up and dividend stopper

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Capital instruments main features, T2				
Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS1014674227	XS0842167719	XS0842167552	SE0003961713
Governing law(s) of the instrument	Mainly English law, Swedish insolvency law	Mainly English law, Swedish insolvency law	Mainly English law, Swedish insolvency law	Swedish law
<i>Regulatory treatment</i>				
Transitional CRR rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Post-transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Eligible at solo/(sub-)consolidated/solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated	Solo & (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated loan	Subordinated loan	Subordinated loan	Convertible debenture loan
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 14,174m	SEK 1,740m	SEK 1,250m	SEK 697m
Nominal amount of instrument	EUR 1,500m	SEK 1,750m	SEK 1,250m	SEK 2,513m
Issue price	100%	100%	100%	100%
Redemption price	100%	100%	100%	100%
Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
Original date of issuance	15 Jan 2014	12 Oct 2012	12 Oct 2012	1 Jun 2011
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	15 Jan 2024	12 Oct 2022	12 Oct 2022	N/A
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	No
Optional call date, contingent call dates and redemption amount	15 Jan 2019	12 Oct 2017	12 Oct 2017	1 Jul 2016
	Callable each subsequent interest payment date after first redemption date	Callable each subsequent interest payment date after first redemption date	Callable each subsequent interest payment date after first redemption date	Callable at any time with 40-day qualification period
Subsequent call dates, if applicable				
<i>Coupons/dividends</i>				
Fixed or floating dividend/coupons	Fixed	Fixed	Floating	Floating
Coupon rate and any related index	2.66%	4.47%	3.36%	1.49%
Existence of dividend stopper	No	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory	Partially discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Partially discretionary
Existence of step-up or other incentive to redeem	No	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Convertible
				Expected breach of capital requirement
If convertible, conversion trigger(s)	N/A	N/A	N/A	
If convertible, fully or partially	N/A	N/A	N/A	Partially
If convertible, conversion rate	N/A	N/A	N/A	SEK 224.52 per share
If convertible, mandatory or optional conversion	N/A	N/A	N/A	Optional
If convertible, specify instrument type convertible into	N/A	N/A	N/A	SHB A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	Svenska Handelsbanken AB
Write-down features	No	No	No	Yes
				Expected breach of capital requirement
If write-down, write-down trigger(s)	N/A	N/A	N/A	
If write-down, full or partial	N/A	N/A	N/A	Partially
If write-down, permanent or temporary	N/A	N/A	N/A	Temporary
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	Fully discretionary
				Subordinate to all instruments except shares, next in priority are subordinated loans
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all senior lending	Subordinate to all senior lending	Subordinate to all senior lending	
Non-compliant transitioned features	No	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

## G49 Cont.

Capital requirement SEK m	2014	2013
Credit risk according to standardised approach	5 575	4 225
Credit risk according to IRB approach	26 944	28 015
Market risk	939	770
Credit valuation adjustment risk (CVA)	534	-
Operational risk	4 439	4 246
<b>Total capital requirement</b>	<b>38 431</b>	<b>37 256</b>
Adjustment according to Basel 1 floor	51 975	44 039
<b>Capital requirement, Basel 1 floor</b>	<b>90 406</b>	<b>81 295</b>
Total capital base <sup>1</sup> , Basel 1 floor	124 961	100 406

<sup>1</sup> For 2013, total own funds for the Basel I floor correspond to the regulatory requirement. Thus it covers both the floor and the normal capital requirement.

Capital requirement market risks SEK m	2014	2013
Position risk in the trading book	927	756
Interest rate risk	908	745
<i>of which general risk</i>	566	493
<i>of which specific risk</i>	338	252
<i>of which positions in securitisation instruments</i>	0	1
<i>of which non-delta risk<sup>1</sup></i>	4	-
Equity price risk	19	11
<i>of which general risk</i>	3	3
<i>of which specific risk</i>	7	6
<i>of which mutual funds</i>	1	2
<i>of which non-delta risk<sup>1</sup></i>	8	-
Exchange rate risk	-	-
<i>of which non-delta risk<sup>1</sup></i>	-	-
Commodities risk	8	14
<i>of which non-delta risk<sup>1</sup></i>	0	-
Settlement risk	4	0
<b>Total capital requirement for market risks</b>	<b>939</b>	<b>770</b>

<sup>1</sup> Non-delta risks were included in the capital requirement when CRR came into force on 1 January 2014.

Capital adequacy analysis	2014	2013
Common equity tier 1 ratio, CRR, %	20.4	18.9
Tier 1 ratio, CRR, %	22.1	21.0
Total capital ratio, CRR, %	25.6	21.6
Risk exposure amount, CRR, SEK m	480 388	492 785
Capital base in relation to capital requirement according to Basel 1 floor, %	138.0	124.0
Institution-specific buffer requirement, %	2.5	-
<i>of which capital conservation buffer requirement, %</i>	2.5	-
Common equity tier 1 capital available for use as a buffer, % <sup>1</sup>	15.9	-

<sup>1</sup> Available common equity tier 1 capital after a deduction for the part required for the Bank to fulfil all minimum requirements.

The historical comparison figures regarding the key ratios according to CRR/CRD IV for 2013 are estimates based on the Bank's interpretation of the regulations at the reporting date and assuming full implementation. See note G2 for information on risk-weighted amounts for counterparty risks.

Capital adequacy financial conglomerate SEK m	2014	2013
Capital base after reduction and adjustments	129 412	107 365
Capital requirement	91 322	82 180
<b>Surplus</b>	<b>38 090</b>	<b>25 185</b>

Credit risk IRB	Exposure amount		Average risk weight %		Capital requirement	
	2014	2013	2014	2013	2014	2013
SEK m						
<b>Corporate exposures</b>	<b>958 861</b>	<b>915 218</b>	<b>24.1</b>	<b>28.4</b>	<b>18 459</b>	<b>20 824</b>
of which repos and securities loans	14 060	8 376	0.4	0.5	5	3
of which other lending, foundation approach	142 047	140 425	32.8	35.8	3 728	4 023
of which other lending, advanced approach	802 754	766 417	22.9	27.4	14 726	16 798
of which Large corporates	149 446	153 810	48.6	52.5	5 806	6 458
of which Small and medium-sized companies	74 041	72 305	45.5	57.4	2 698	3 323
of which Property companies	428 314	401 705	16.8	20	5 773	6 435
of which Housing co-operative associations	150 952	138 597	3.7	5.2	449	582
<b>Retail exposures</b>	<b>867 447</b>	<b>818 080</b>	<b>8</b>	<b>8.3</b>	<b>5 521</b>	<b>5 405</b>
Private individuals	839 719	789 722	7.3	7.3	4 910	4 604
of which property loans	756 225	705 004	5.6	5.2	3 364	2 934
of which other	83 494	84 718	23.2	24.6	1 546	1 670
Small companies	27 728	28 358	27.5	35.3	611	801
of which property loans	7 535	7 207	20.3	25.2	122	145
of which other	20 193	21 151	30.2	38.7	489	656
<b>Institutional exposures</b>	<b>134 409</b>	<b>100 503</b>	<b>12.4</b>	<b>11.9</b>	<b>1 334</b>	<b>954</b>
of which repos and securities loans	51 433	48 863	1.3	0.8	53	31
of which other lending	82 976	51 640	19.3	22.3	1 281	923
<b>Equity exposures</b>	<b>6 102</b>	<b>5 693</b>	<b>296.8</b>	<b>143.6</b>	<b>1 449</b>	<b>654</b>
of which listed equities	5 584	4 369	290	133	1 296	465
of which other equities	518	1 324	370	180.7	153	189
<b>Exposures without a counterparty</b>	<b>2 239</b>	<b>2 204</b>	<b>100</b>	<b>100</b>	<b>179</b>	<b>176</b>
<b>Securitisation positions</b>	<b>269</b>	<b>878</b>	<b>8.8</b>	<b>3.1</b>	<b>2</b>	<b>2</b>
of which traditional securitisation	269	878	8.8	3.1	2	2
of which synthetic securitisation	-	-	-	-	-	-
<b>Total IRB</b>	<b>1 969 327</b>	<b>1 842 576</b>	<b>17.1</b>	<b>19</b>	<b>26 944</b>	<b>28 015</b>
of which repos and securities loans	65 493	57 239	1.1	0.7	57	34
of which other lending, foundation approach	233 633	200 840	35.5	36	6 639	5 778
of which other lending, advanced approach	1 670 201	1 584 497	15.2	17.5	20 247	22 203

Capital requirements, Standardised approach <sup>1</sup>	2014			2013		
	Exposure value	Average risk weight %	Capital requirement	Exposure value	Average risk weight %	Capital requirement
SEK m						
Sovereign and central banks	558 624	0.0	4	406 996	0.0	12
Municipalities	64 086	0.0	2	57 231	0.0	2
Multilateral development banks	762	0.0	0	1 647	0.0	0
Institutions	2 277	25.2	46	2 238	25.4	45
Corporate	12 771	81.3	831	23 032	100.0	1 842
Retail	19 212	74.7	1 147	11 117	75.0	667
Property mortgages	57 765	36.3	1 680	36 378	37.8	1 102
Past due items	144	129.9	15	168	136.2	18
Equities	7 110	230.6	1 311			
of which listed equities	641	100.0	51			
of which other equities	6 469	243.5	1 260			
Other items	7 409	90.9	539	14 748	45.5	537
<b>Total</b>	<b>730 160</b>	<b>9.5</b>	<b>5 575</b>	<b>553 555</b>	<b>9.5</b>	<b>4 225</b>

<sup>1</sup> Details of capital requirements for exposure classes where there are exposures.

Parent company



# Administration report

## Parent company

### Performance in the parent company

The parent company's accounts cover parts of the operations that, in organisational terms, are included in branch operations within and outside Sweden, Capital Markets, and central departments and administrative functions. Although most of Handelsbanken's business comes from the local branches and is co-ordinated by them, in legal terms a sizeable part of business volumes are outside the parent company in wholly-owned subsidiaries – particularly in the Stadshypotek AB mortgage institution. Thus, the performance of the parent company is not equivalent to the performance of business operations in the Group as a whole. The performance of business operations is therefore better illustrated by the administration report for the Group. To obtain a comprehensive and more representative picture of Handelsbanken's position, results and performance, see the Group's administration report.

The parent company's operating profit increased during the financial year by 6 per cent to SEK 17,413 million (16,380). The year's profit decreased by 15 per cent to SEK 13,701 million (16,028). Net interest income increased by 1 per cent to SEK 16,082 million (15,962) and net fee and commission income by 8 per cent to SEK 6,112 million (5,649). The parent company's equity increased to SEK 102,585 million (90,758). For the parent company's five-year overview, see page 159.

### 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 60).

### Recommended appropriation of profits

The Board proposes a total dividend of SEK 17.50 per share (16.50), comprising an ordinary dividend of SEK 12.50 per share (11.50) and an extra dividend of SEK 5.00 per share. The Board's recommendation for distribution of profits is shown on page 191.

### The Handelsbanken share

#### Shares divided into share classes

31 December 2014

Share class	Number	% of capital	% of votes
Class A	623 925 276	98.15	99.81
Class B	11 750 443	1.85	0.19
<b>Total</b>	<b>635 675 719</b>	<b>100.00</b>	<b>100.00</b>

Two shareholders own more than ten per cent of the shares: Industrivärden and the Oktogonen Foundation. Detailed information on the Bank's largest Swedish shareholders can be found on page 45.

Handelsbanken's articles of association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than ten per cent of the total number of votes in the Bank. For more information regarding shareholders' rights, see page 52.

At the AGM in March 2014, the Board received a mandate to repurchase a maximum of 40 million shares during the period until the AGM in March 2015. This mandate was not used in 2014. More detailed information on this can be found on page 45.

### Other

Handelsbanken works continually 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 47.

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 working method and staff development, see page 46.



# Financial report

## Parent company

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# Income statement

## Parent company

SEK m		2014	2013
Interest income	Note P3	27 959	29 295
Interest expense	Note P3	-11 877	-13 333
<b>Net interest income</b>		<b>16 082</b>	<b>15 962</b>
Dividends received	Note P4	9 664	8 995
Fee and commission income	Note P5	8 030	7 423
Fee and commission expense	Note P5	-1 918	-1 774
<b>Net fee and commission income</b>		<b>6 112</b>	<b>5 649</b>
Net gains/losses on financial transactions	Note P6	1 117	589
Other operating income	Note P7	2 188	1 953
<b>Total operating income</b>		<b>35 163</b>	<b>33 148</b>
General administrative expenses			
Staff costs	Note P8	-10 441	-9 977
Other administrative expenses	Note P9	-5 006	-5 075
Depreciation, amortisation and impairments of property, equipment and intangible assets	Note P19, P20	-478	-498
<b>Total expenses before loan losses</b>		<b>-15 925</b>	<b>-15 550</b>
<b>Profit before loan losses</b>		<b>19 238</b>	<b>17 598</b>
Net loan losses	Note P10	-1 825	-1 189
Impairment loss on financial assets		-	-29
<b>Operating profit</b>		<b>17 413</b>	<b>16 380</b>
Appropriations	Note P11	111	4 267
<b>Profit before taxes</b>		<b>17 524</b>	<b>20 647</b>
Taxes	Note P27	-3 823	-4 619
<b>Profit for the year</b>		<b>13 701</b>	<b>16 028</b>

# Statement of comprehensive income, Parent company

SEK m	2014	2013
Profit for the year	13 701	16 028
<b>Other comprehensive income</b>		
Cash flow hedges	3 249	-3 009
Available-for-sale instruments	295	534
Translation difference for the year	5 634	879
<i>of which hedges of net assets in foreign operations</i>	2 675	901
Tax related to other comprehensive income	-1 311	397
<i>of which cash flow hedges</i>	-709	656
<i>of which available-for-sale instruments</i>	-14	-61
<i>of which hedges of net assets in foreign operations</i>	-588	-198
<b>Total other comprehensive income</b>	<b>7 867</b>	<b>-1 199</b>
<b>Total comprehensive income for the year</b>	<b>21 568</b>	<b>14 829</b>

The period's reclassifications to the income statement are presented in Statement of changes in equity.

# Balance sheet Parent company

SEK m		2014	2013
<b>ASSETS</b>			
Cash and balances with central banks		454 532	334 794
Interest-bearing securities eligible as collateral with central banks	<i>Note P14</i>	74 362	53 785
Loans to credit institutions	<i>Note P12</i>	568 589	475 440
Loans to the public	<i>Note P13</i>	737 483	685 372
Bonds and other interest-bearing securities	<i>Note P14</i>	59 652	58 943
Shares	<i>Note P15</i>	44 949	47 221
Shares in subsidiaries and investments in associates	<i>Note P16</i>	45 764	46 153
Assets where the customer bears the value change risk		3 024	2 188
Derivative instruments	<i>Note P17</i>	120 051	78 295
Intangible assets	<i>Note P19</i>	1 805	1 750
Property and equipment	<i>Note P20</i>	1 032	978
Current tax assets		-	-
Deferred tax assets	<i>Note P27</i>	361	202
Other assets	<i>Note P21</i>	19 195	16 468
Prepaid expenses and accrued income	<i>Note P22</i>	4 996	5 272
<b>Total assets</b>	<i>Note P33</i>	<b>2 135 795</b>	<b>1 806 861</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	<i>Note P23</i>	210 099	226 631
Deposits and borrowing from the public	<i>Note P24</i>	1 020 962	814 227
Liabilities where the customer bears the value change risk		3 125	2 236
Issued securities, etc.	<i>Note P25</i>	633 128	532 607
Derivative instruments	<i>Note P17</i>	87 718	77 143
Short positions	<i>Note P26</i>	20 648	22 845
Current tax liabilities		829	816
Deferred tax liabilities	<i>Note P27</i>	1 669	114
Provisions	<i>Note P28</i>	87	128
Other liabilities	<i>Note P29</i>	14 148	12 703
Accrued expenses and deferred income	<i>Note P30</i>	9 809	9 915
Subordinated liabilities	<i>Note P31</i>	30 289	15 965
<b>Total liabilities</b>	<i>Note P33</i>	<b>2 032 511</b>	<b>1 715 330</b>
<b>Untaxed reserves</b>	<i>Note P32</i>	<b>699</b>	<b>773</b>
Share capital		2 956	2 956
Share premium		3 203	2 843
Other funds		9 778	1 911
Retained earnings		72 947	67 020
Profit for the year		13 701	16 028
<b>Total equity</b>		<b>102 585</b>	<b>90 758</b>
<b>Total liabilities and equity</b>		<b>2 135 795</b>	<b>1 806 861</b>
<b>MEMORANDUM ITEMS</b>			
Assets pledged for own debt	<i>Note P35</i>	42 225	25 216
Other assets pledged	<i>Note P35</i>	35 758	41 679
Contingent liabilities	<i>Note P36</i>	80 471	121 509
Other commitments	<i>Note P37</i>	487 070	495 502

# Statement of changes in equity

## Parent company

SEK m	Restricted equity		Unrestricted equity					Total
	Share capital	Statutory reserve	Share premium	Hedge reserve <sup>1</sup>	Fair value reserve <sup>1</sup>	Translation reserve <sup>1</sup>	Retained earnings	
Opening equity 2014	2 956	2 682	2 843	-1 343	1 023	-451	83 048	90 758
Profit for the year							13 701	13 701
Other comprehensive income				2 540	281	5 046		7 867
<b>Total comprehensive income for the year</b>				<b>2 540</b>	<b>281</b>	<b>5 046</b>	<b>13 701</b>	<b>21 568</b>
Dividend							-10 488	-10 488
Effects of convertible subordinated loans <sup>2</sup>	0		360				49	409
Effect of merger							338	338
<b>Closing equity 2014</b>	<b>2 956</b>	<b>2 682</b>	<b>3 203</b>	<b>1 197</b>	<b>1 304</b>	<b>4 595</b>	<b>86 648</b>	<b>102 585</b>

SEK m	Restricted equity		Unrestricted equity					Total
	Share capital	Statutory reserve	Share premium	Hedge reserve <sup>1</sup>	Fair value reserve <sup>1</sup>	Translation reserve <sup>1</sup>	Retained earnings	
Opening equity 2013	2 943	2 682	2 337	1 010	550	-1 132	73 842	82 232
Profit for the year							16 028	16 028
Other comprehensive income				-2 353	473	681		-1 199
<b>Total comprehensive income for the year</b>				<b>-2 353</b>	<b>473</b>	<b>681</b>	<b>16 028</b>	<b>14 829</b>
Dividend							-6 822	-6 822
Effects of convertible subordinated loans	13		506					519
<b>Closing equity 2013</b>	<b>2 956</b>	<b>2 682</b>	<b>2 843</b>	<b>-1 343</b>	<b>1 023</b>	<b>-451</b>	<b>83 048</b>	<b>90 758</b>

<sup>1</sup> Included in fair value fund.

<sup>2</sup> The inherent value of the option to convert in issued convertible debt instruments is recognised in the share premium reserve. The net effect of the 2014 convertible instrument of debt amounted to SEK 466m. During the third quarter, the share premium reserve was adjusted by SEK 243m for deferred tax on the convertible instrument of debt. This amount is recognised in the income statement over the remaining maturity.

During the period January to December 2014, convertibles for a nominal value of SEK 6m (533) relating to the 2008 subordinated convertible bond had been converted into 29,924 class A shares (2,838,683). At the end of the financial year the number of Handelsbanken shares in the trading book was 0 (0).

### Specification of changes in equity

<b>Change in hedge reserve</b>		
SEK m	<b>2014</b>	<b>2013</b>
Hedge reserve at beginning of year	-1 343	1 010
Unrealised value changes during the year	2 620	-2 432
Reclassified in the income statement <sup>1</sup>	-80	79
<b>Hedge reserve at end of year</b>	<b>1 197</b>	<b>-1 343</b>
<b>Change in fair value reserve</b>		
SEK m	<b>2014</b>	<b>2013</b>
Fair value reserve at beginning of year	1 023	550
Unrealised market value change during the year for remaining and new holdings	240	507
Realised market valuation reclassified in the income statement <sup>2</sup>	41	-34
<b>Fair value reserve at end of year</b>	<b>1 304</b>	<b>1 023</b>
<b>Change in translation reserve</b>		
SEK m	<b>2014</b>	<b>2013</b>
Translation reserve at beginning of year	-451	-1 132
Change in translation difference pertaining to branches	5 043	681
Reclassified in the income statement <sup>3</sup>	3	0
<b>Translation reserve at end of year</b>	<b>4 595</b>	<b>-451</b>

<sup>1</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 22m (-22).

<sup>2</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 10m (16).

<sup>3</sup> Tax that has been reclassified to the income statement pertaining to this item - (-).

# Cash flow statement

## Parent company

SEK m	2014	2013
<b>OPERATING ACTIVITIES</b>		
Operating profit	17 413	16 380
<i>of which paid-in interest</i>	28 468	26 690
<i>of which paid-out interest</i>	-12 130	-13 280
<i>of which paid-in dividends</i>	9 664	1 039
Adjustment for non-cash items in profit/loss		
Loan losses	1 957	1 271
Unrealised changes in value	-188	-162
Depreciation, amortisation and impairments	478	527
Group contribution to be received	-8 727	-7 951
Paid income tax	-3 905	-4 145
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-88 573	-52 543
Loans to the public	-51 840	45 214
Interest-bearing securities and shares	-20 317	-24 281
Due to credit institutions	-15 651	-16 701
Deposits and borrowing from the public	199 449	145 544
Issued securities	100 521	1 323
Derivative instruments, net positions	-30 489	-5 245
Short-term positions	-2 197	6 644
Claims and liabilities on investment banking settlements	-441	-819
Other	-53 136	-4 813
<b>Cash flow from operating activities</b>	<b>44 354</b>	<b>100 243</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	-	-446
Change in shares	-1 666	-8
Change in interest-bearing securities	3 395	594
Change in property and equipment	-200	-248
Change in intangible non-current assets	-248	-322
<b>Cash flow from investing activities</b>	<b>1 281</b>	<b>-430</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-2 905	-4 048
Issued subordinated loans	16 612	-
Dividend paid	-10 488	-6 822
Dividends received from group companies	7 950	7 477
<b>Cash flow from financing activities</b>	<b>11 169</b>	<b>-3 393</b>
<b>Cash flow for the year</b>	<b>56 804</b>	<b>96 420</b>
Liquid funds at beginning of year	334 794	236 447
Cash flow from operating activities	44 354	100 243
Cash flow from investing activities	1 281	-430
Cash flow from financing activities	11 169	-3 393
Exchange rate difference on liquid funds	62 934	1 927
<b>Liquid funds at end of year</b>	<b>454 532</b>	<b>334 794</b>

# Five-year overview

## Parent company

Income statement SEK m	2014	2013	2012	2011	2010
Net interest income	16 082	15 962	16 431	15 684	14 549
Dividends received	9 664	8 995	9 152	5 733	2 749
Net fee and commission income	6 112	5 649	5 724	6 026	6 455
Net gains/losses on financial transactions	1 117	589	3 994	458	790
Other operating income	2 188	1 953	758	640	624
<b>Total operating income</b>	<b>35 163</b>	<b>33 148</b>	<b>36 059</b>	<b>28 541</b>	<b>25 167</b>
General administrative expenses					
Staff costs	-10 441	-9 977	-9 808	-9 247	-8 838
Other administrative expenses	-5 006	-5 075	-5 157	-4 723	-4 775
Depreciation, amortisation and impairments of property, equipment and intangible assets	-478	-498	-518	-538	-533
<b>Total expenses before loan losses</b>	<b>-15 925</b>	<b>-15 550</b>	<b>-15 483</b>	<b>-14 508</b>	<b>-14 146</b>
<b>Profit before loan losses</b>	<b>19 238</b>	<b>17 598</b>	<b>20 576</b>	<b>14 033</b>	<b>11 021</b>
Net loan losses	-1 825	-1 189	-1 154	-1 081	-1 466
Impairment loss on financial assets	-	-29	-820	-375	-470
<b>Operating profit</b>	<b>17 413</b>	<b>16 380</b>	<b>18 602</b>	<b>12 577</b>	<b>9 085</b>
Appropriations	111	4 267	-4 065	106	108
<b>Profit before tax</b>	<b>17 524</b>	<b>20 647</b>	<b>14 537</b>	<b>12 683</b>	<b>9 193</b>
Taxes	-3 823	-4 619	-2 985	-3 470	-2 548
<b>Profit for the year</b>	<b>13 701</b>	<b>16 028</b>	<b>11 552</b>	<b>9 213</b>	<b>6 645</b>
Dividend for the year	11 124 <sup>1</sup>	10 488	6 804	6 085	5 611

<sup>1</sup> As proposed by the Board.

Statement of comprehensive income SEK m	2014	2013	2012	2011	2010
Profit for the year	13 701	16 028	11 552	9 213	6 645
<b>Other comprehensive income</b>					
Cash flow hedges	3 249	-3 009	2 522	-264	-186
Available-for-sale instruments	295	534	983	-1 319	2 188
Translation difference for the year	5 634	879	-10	36	-1 462
<i>of which hedges of net assets in foreign operations</i>	2 675	901	481	-	-
Tax related to other comprehensive income	-1 311	397	-962	435	-549
<i>of which cash flow hedges</i>	-709	656	-608	70	49
<i>of which available-for-sale instruments</i>	-14	-61	-248	365	-598
<i>of which hedges of net assets in foreign operations</i>	-588	-198	-106	-	-
<b>Total other comprehensive income</b>	<b>7 867</b>	<b>-1 199</b>	<b>2 533</b>	<b>-1 112</b>	<b>-9</b>
<b>Total comprehensive income for the year</b>	<b>21 568</b>	<b>14 829</b>	<b>14 085</b>	<b>8 101</b>	<b>6 636</b>

# Five-year overview

## Parent company, cont.

Balance sheet SEK m	2014	2013	2012	2011	2010
<b>Assets</b>					
Loans to the public	737 483	685 372	731 967	686 827	691 221
Loans to credit institutions	568 589	475 440	422 897	532 713	505 049
Interest-bearing securities	134 014	112 728	108 198	94 237	103 836
Other assets	695 709	533 321	461 704	499 484	314 057
<b>Total assets</b>	<b>2 135 795</b>	<b>1 806 861</b>	<b>1 724 766</b>	<b>1 813 261</b>	<b>1 614 163</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	1 020 962	814 227	668 683	705 565	577 180
Due to credit institutions	210 099	226 631	243 332	261 806	260 117
Issued securities	633 128	532 607	531 284	543 876	483 305
Subordinated liabilities	30 289	15 965	21 167	35 325	43 959
Other liabilities	138 033	125 900	173 030	193 034	178 922
Untaxed reserves	699	773	5 038	998	1 110
Equity	102 585	90 758	82 232	72 657	69 570
<b>Total liabilities and equity</b>	<b>2 135 795</b>	<b>1 806 861</b>	<b>1 724 766</b>	<b>1 813 261</b>	<b>1 614 163</b>
<b>Memorandum items</b>					
Assets pledged for own debt	42 225	25 216	59 195	72 007	79 591
Other assets pledged	35 758	41 679	2 564	5 236	4 398
Contingent liabilities	80 471	121 509	131 586	149 061	131 479
Other commitments	487 070	495 502	475 287	513 217	415 771

Key figures	2014	2013	2012	2011	2010
Impaired loans reserve ratio, %	46.6	58.0	56.0	61.0	61.5
Proportion of impaired loans, %	0.36	0.24	0.28	0.24	0.33
Common equity tier 1 ratio, % according to CRD IV	18.5				
Tier 1 ratio, % according to Basel II		20.5	19.0	16.9	12.9
Tier 1 ratio, % according to CRD IV	20.2				
Capital ratio, % according to Basel II		21.4	20.6	20.9	19.3
Total capital ratio, % according to CRD IV	23.9				
Return on capital employed, %	0.70	0.91	0.64	0.54	0.41

# 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 the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements. In accordance with the Financial 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 link between accounting and taxation.

### The relationship between the parent company's and the Group's accounting policies.

The parent company's accounting policies correspond largely to those of the Group. The following reports only on the areas where the parent company's policies differ from those of the Group. In all other respects, reference is made to the accounting policies in note G1.

### Changed accounting policies

The parent company's accounting policies are in all material respects the same as those applied in the 2013 financial year.

### Presentation

The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation by the Group:

- claims on central banks that are immediately available upon demand that are reported in the consolidated balance sheet under Other loans to central banks, are reported as Loans to credit institutions in the parent company's balance sheet

- broker and stock exchange costs are reported in the parent company as commission expenses
- dividends received are reported on a separate line in the parent company's income statement
- the gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income/expense
- memorandum items are reported in direct conjunction with the parent company's balance sheet
- untaxed reserves that are split into equity share and tax liability in the Group are reported as a separate balance sheet item in the parent company.

### Assets and liabilities in foreign currencies

Loans in the parent company which are hedging net investments in foreign operations are measured at the historical rate of exchange.

### Held-for-sale assets and discontinued operations

Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Nor are held-for-sale assets presented separately in the balance sheet.

### Shares in subsidiaries and associated companies

Shares in subsidiaries and associated companies are measured at cost. Dividends on shares in subsidiaries and associated companies are recognised as income in profit or loss under Dividends received.

### Financial guarantees

Financial guarantees in the form of guarantees in favour of subsidiaries and associated companies are recognised in the parent company as a provision in the balance sheet where the parent company has an existing commitment and payment will probably be required to settle this commitment.

### Intangible assets

In the parent company, acquisition assets and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. According to experience, the customer

relations that the acquisitions have led to are very long, and consequently the useful life of goodwill on acquisitions. The amortisation period has been set at 20 years.

### Dividends

The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associated companies, and group contributions received. Anticipated dividend is recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

### Accounting for pensions

The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established and that the calculation of the future commitment does not take into account assumptions of future salary increases. The recognised net cost of pensions is calculated as disbursed pensions, pension premiums and an allocation to the pension foundation, with a deduction for any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated 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 subsidiaries are guaranteed by the parent company so if the pension fund cannot pay its commitments, the Bank is liable to take over and pay the commitment.

### Taxes

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise one component consisting of deferred tax liabilities and one component consisting of equity.



## P2 Risk and capital management

The Handelsbanken Group's management is described in note G2. Specific information about the parent company's risks is presented below. For definitions, see page 236.

### Credit risk

Credit risk exposure SEK m	2014	2013
Loans to the public <sup>1</sup>	737 483	685 372
<i>of which repos</i>	23 858	15 711
Loans to credit institutions	517 542	440 280
<i>of which repos</i>	43 383	34 259
Unutilised part of granted overdraft facilities	102 817	101 866
Credit commitments	267 134	242 242
Other commitments	117 119	151 394
Guarantees, credits	10 336	54 386
Guarantees, other	66 172	62 126
Letters of credit	3 963	4 997
Derivatives	120 051	78 295
Treasury bills and other eligible bills	74 362	53 785
Bonds and other interest-bearing securities	59 652	58 943
<b>Total</b>	<b>2 076 631</b>	<b>1 933 686</b>
Cash and balances with central banks	454 532	334 794
Other loans to central banks	51 047	35 160
<b>Total</b>	<b>2 582 210</b>	<b>2 303 640</b>

<sup>1</sup> SEK 2,181m (2,580) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

<sup>2</sup> As of 2014, unutilised overdraft facilities which the counterpart does not have at its disposal at the time of the recognition are not included and therefore do not give rise to a capital requirement. The comparative figures have been adjusted.

Loans to the public, by sector SEK m	2014			2013		
	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	156 740	-614	156 126	132 880	-618	132 262
Housing co-operative associations	16 310	-12	16 298	11 796	-24	11 772
Property management	321 154	-585	320 569	306 280	-391	305 889
Manufacturing	35 873	-724	35 149	36 237	-516	35 721
Retail	25 461	-343	25 118	28 971	-361	28 610
Hotel and restaurant	7 380	-25	7 355	6 556	-24	6 532
Passenger and goods transport by sea	10 974	-405	10 569	13 285	-423	12 862
Other transport and communication	9 892	-39	9 853	6 089	-80	6 009
Construction	12 535	-113	12 422	9 409	-116	9 293
Electricity, gas and water	13 300	-24	13 276	12 483	-44	12 439
Agriculture, hunting and forestry	6 237	-15	6 222	4 951	-20	4 931
Other services	16 780	-42	16 738	19 007	-97	18 910
Holding, investment, insurance companies, mutual funds etc.	57 246	-187	57 059	67 426	-569	66 857
Sovereigns and municipalities	18 193	0	18 193	7 648	0	7 648
Other corporate lending	33 268	-466	32 802	26 042	-67	25 975
<b>Total</b>	<b>741 343</b>	<b>-3 594</b>	<b>737 749</b>	<b>689 060</b>	<b>-3 350</b>	<b>685 710</b>
Collective provisions			-266			-338
<b>Total loans to the public</b>	<b>741 343</b>		<b>737 483</b>	<b>689 060</b>		<b>685 372</b>

Loans to the public, collateral SEK m	2014	2013
Residential property <sup>1</sup>	194 270	163 375
<i>of which private individuals</i>	97 133	82 197
Other property	213 870	192 153
Sovereigns, municipalities and county councils <sup>2</sup>	13 519	6 048
Guarantees <sup>3</sup>	15 435	14 897
Financial collateral	22 032	12 650
Collateral in assets	0	0
Other collateral	67 357	54 914
Unsecured	211 000	241 335
<b>Total loans to the public</b>	<b>737 483</b>	<b>685 372</b>

Credit risk exposure on balance, collateral SEK m	2014	2013
Residential property <sup>1</sup>	194 270	163 375
<i>of which private individuals</i>	97 133	82 197
Other property	213 870	192 153
Sovereigns, municipalities and county councils <sup>2</sup>	542 282	398 681
Guarantees <sup>3</sup>	16 006	14 908
Financial collateral	63 490	53 163
Collateral in assets	0	0
Other collateral	67 357	54 914
Unsecured	634 280	678 271
<b>Total loans to the public on balance</b>	<b>1 731 555</b>	<b>1 555 465</b>

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

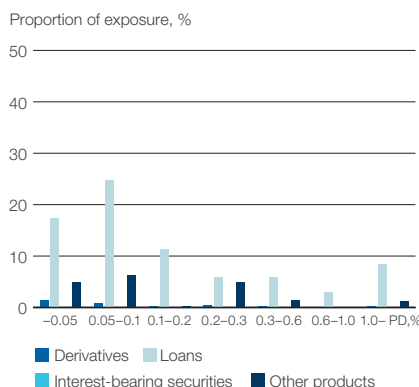
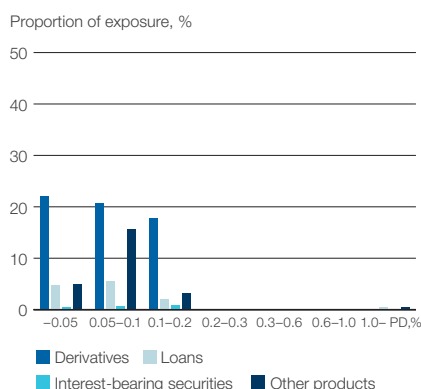
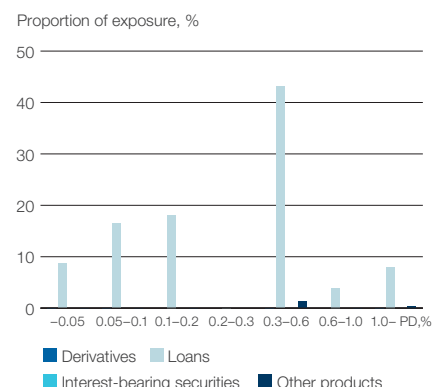
<sup>2</sup> Refers to direct sovereign exposures and government guarantees.

<sup>3</sup> Does not include government guarantees.

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

<sup>2</sup> Refers to direct sovereign exposures and government guarantees.

<sup>3</sup> Does not include government guarantees.

**Credit quality****Proportion of exposure amount per product type per PD interval excluding defaulted credits – Corporate exposures****Proportion of exposure amount per product type per PD interval excluding defaulted credits – Institutional exposures****Proportion of exposure amount per product type per PD interval excluding defaulted credits – Retail exposures**

Market risk <sup>1</sup> SEK m	2014	2013
Interest rate risk <sup>2</sup>	965	996
Exchange rate risk <sup>3</sup>	-7	5

<sup>1</sup> For information about equity and commodity risk in the parent company, see note G2.

<sup>2</sup> Reference numbers for 2013 have been recalculated according to the revised way of reporting interest rate risk which takes into account the equity held by the Bank.

<sup>3</sup> Worst outcome in the case of +/- 5% change in SEK.

Maturity analysis for financial assets and liabilities, 2014								
SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	505 579	-	-	-	-	-	-	505 579
Interest-bearing securities eligible as collateral with central banks <sup>1</sup>	74 729	-	-	-	-	-	-	74 729
Bonds and other interest-bearing securities <sup>2</sup>	60 267	-	-	-	-	-	-	60 267
Loans to credit institutions	131 372	158 451	99 965	68 424	33 672	34 405	-	526 289
of which reverse repos	9 576	32 589	-	-	-	-	-	42 165
Loans to the public	88 347	107 341	78 845	101 034	218 553	198 366	-	792 486
of which reverse repos	23 859	-	-	-	-	-	-	23 859
Other	53 044	-	-	-	-	-	188 133	241 177
of which shares and participating interests	44 949	-	-	-	-	-	-	44 949
of which claims on investment banking settlements	8 095	-	-	-	-	-	-	8 095
<b>Total</b>	<b>913 338</b>	<b>265 792</b>	<b>178 810</b>	<b>169 458</b>	<b>252 225</b>	<b>232 771</b>	<b>188 133</b>	<b>2 200 527</b>
Due to credit institutions	107 987	58 233	816	314	915	7 787	38 460	214 512
of which repos	88	-	-	-	-	-	-	88
of which central banks	45 647	47 374	116	-	-	-	3 948	97 085
Deposits and borrowing from the public	241 212	57 026	16 245	2 105	1 010	251	703 636	1 021 485
of which repos	168	-	-	-	-	-	-	168
Issued securities <sup>3</sup>	70 800	242 025	73 552	69 717	141 635	61 193	-	658 922
of which covered bonds	-	-	-	-	-	-	-	0
of which certificates and other securities with original maturity of less than one year	66 137	231 670	46 109	-	-	-	-	343 916
of which senior bonds and other securities with original maturity of more than one year	4 663	10 355	27 443	69 717	141 635	61 193	-	315 006
Subordinated liabilities	388	341	4 931	3 245	24 323	955	-	34 183
Other	28 923	-	-	-	-	-	212 709	241 632
of which short positions	20 963	-	-	-	-	-	-	20 963
of which investment banking settlement debts	7 960	-	-	-	-	-	-	7 960
<b>Total</b>	<b>449 310</b>	<b>357 625</b>	<b>95 544</b>	<b>75 381</b>	<b>167 883</b>	<b>70 186</b>	<b>954 805</b>	<b>2 170 734</b>
<b>Off-balance-sheet items</b>								
Financial guarantees and unutilised commitments	487 070	-	-	-	-	-	-	-
<b>Derivatives 2014</b>								
SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs		Total
Total derivatives inflow	369 950	484 637	84 462	155 742	364 527	158 132		1 617 450
Total derivatives outflow	363 872	476 643	82 078	153 094	353 974	155 709		1 585 370
<b>Net</b>	<b>6 078</b>	<b>7 994</b>	<b>2 384</b>	<b>2 648</b>	<b>10 553</b>	<b>2 423</b>		<b>32 080</b>

<sup>1</sup> SEK 21,127m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>2</sup> SEK 6,023m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>3</sup> SEK 380,028m of the amount (excl. interest) has a residual maturity of less than one year.

For deposit volumes the column Unspecified maturity refers to deposits payable on demand. The table contains interest flows which means that the balance sheet rows are not reconcilable with the Group's balance sheet. Maturity tables without interest flows including maturity tables in foreign currencies can be found in the Fact Book.

## P2 Cont.

Maturity analysis for financial assets and liabilities, 2013								
SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	369 957	-	-	-	-	-	-	369 957
Interest-bearing securities eligible as collateral with central banks <sup>1</sup>	54 391	-	-	-	-	-	-	54 391
Bonds and other interest-bearing securities <sup>2</sup>	59 607	-	-	-	-	-	-	59 607
Loans to credit institutions	130 985	176 516	48 320	30 015	36 556	26 496	290	449 178
<i>of which reverse repos</i>	14 966	18 926	-	-	-	-	-	33 892
Loans to the public	59 555	96 996	76 263	80 881	201 033	224 364	1 992	741 084
<i>of which reverse repos</i>	15 714	-	-	-	-	-	-	15 714
Other	53 691	-	-	-	-	-	144 836	198 527
<i>of which shares and participating interests</i>	47 221	-	-	-	-	-	-	47 221
<i>of which claims on investment banking settlements</i>	6 470	-	-	-	-	-	-	6 470
<b>Total</b>	<b>728 186</b>	<b>273 512</b>	<b>124 583</b>	<b>110 896</b>	<b>237 589</b>	<b>250 860</b>	<b>147 118</b>	<b>1 872 744</b>
Due to credit institutions	115 670	50 726	4 351	10 183	18 082	13 874	20 850	233 736
<i>of which repos</i>	748	-	-	-	-	-	-	748
<i>of which central banks</i>	41 759	28 189	-	-	-	-	1 634	71 582
Deposits and borrowing from the public	166 782	45 601	12 414	2 400	926	499	586 677	815 299
<i>of which repos</i>	7 606	-	-	-	-	-	-	7 606
Issued securities <sup>3</sup>	64 196	186 440	24 131	77 756	132 894	74 488	-	559 905
<i>of which covered bonds</i>	-	-	-	-	-	-	-	0
<i>of which certificates and other securities with original maturity of less than one year</i>	58 244	148 334	4 180	38 822	-	-	-	249 580
<i>of which senior bonds and other securities with original maturity of more than one year</i>	5 952	38 106	19 951	38 934	132 894	74 488	-	310 325
Subordinated liabilities	13	4 357	1 139	4 524	5 599	3 245	-	18 877
Other	29 947	-	-	-	-	-	187 809	217 756
<i>of which short positions</i>	23 170	-	-	-	-	-	-	23 170
<i>of which investment banking settlement debts</i>	6 777	-	-	-	-	-	-	6 777
<b>Total</b>	<b>376 608</b>	<b>287 124</b>	<b>42 035</b>	<b>94 863</b>	<b>157 501</b>	<b>92 106</b>	<b>795 336</b>	<b>1 845 573</b>
<b>Off-balance-sheet items</b>								
Financial guarantees and unutilised commitments	518 414							

Derivatives 2013							
SEK m	Up to 1 mth	1–6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	215 696	310 653	270 094	93 807	427 537	153 825	1 471 612
Total derivatives outflow	232 119	303 430	257 822	95 971	405 859	147 748	1 442 949
<b>Net</b>	<b>-16 423</b>	<b>7 223</b>	<b>12 272</b>	<b>-2 164</b>	<b>21 678</b>	<b>6 077</b>	<b>28 663</b>

<sup>1</sup> SEK 25,022m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>2</sup> SEK 11,192m of the amount (excl. interest) has a residual maturity of less than one year.

<sup>3</sup> SEK 268,182m of the amount (excl. interest) has a residual maturity of less than one year.

For deposit volumes the column Unspecified maturity refers to deposits payable on demand. The table contains interest flows which means that the balance sheet rows are not reconcilable with the Group's balance sheet. Maturity tables without interest flows including maturity tables in foreign currencies can be found in the Fact Book.

## P3 Net interest income

SEK m	2014	2013
<b>Interest income</b>		
Loans to credit institutions and central banks	6 748	6 936
Loans to the public	21 403	22 442
Interest-bearing securities eligible as collateral with central banks	719	2 106
Bonds and other interest-bearing securities	1 015	1 897
Derivative instruments	-2 511	-2 777
Other interest income	1 218	1 324
<b>Total interest income</b>	<b>28 592</b>	<b>31 928</b>
Of which interest income reported in net gains/losses on financial transactions	633	2 633
<b>Interest income according to income statement</b>	<b>27 959</b>	<b>29 295</b>
<b>Interest expense</b>		
Due to credit institutions and central banks	-1 124	-1 319
Deposits and borrowing from the public	-3 741	-4 609
Issued securities	-7 528	-7 344
Derivative instruments	3 041	2 267
Subordinated liabilities	-1 283	-1 214
Other interest expense	-1 508	-3 269
<b>Total interest expense</b>	<b>-12 143</b>	<b>-15 488</b>
Of which interest expense reported in net gains/losses on financial transactions	-266	-2 155
<b>Interest expense according to income statement</b>	<b>-11 877</b>	<b>-13 333</b>
<b>Net interest income</b>	<b>16 082</b>	<b>15 962</b>

Includes interest income on impaired loans SEK 88m (93). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 29,495m (30,841). Total interest expense on liabilities recognised at amortised cost was SEK 14,918m (15,600).

## P4 Dividends received

SEK m	2014	2013
Dividends on shares	929	1 039
Dividends from associates	8	5
Dividends from group companies	-	-
Group contribution received	8 727	7 951
<b>Total</b>	<b>9 664</b>	<b>8 995</b>

## P5 Net fee and commission income

SEK m	2014	2013
Brokerage and other securities commissions	1 089	1 171
Mutual funds	1 489	1 134
Custody and other asset management fees	365	316
Advisory services	209	263
Payments	3 075	2 784
Loans and deposits	878	856
Guarantees	424	434
Other	501	465
<b>Total fee and commission income</b>	<b>8 030</b>	<b>7 423</b>
Securities	-584	-544
Payments	-1 270	-1 164
Other	-64	-66
<b>Total fee and commission expense</b>	<b>-1 918</b>	<b>-1 774</b>
<b>Net fee and commission income</b>	<b>6 112</b>	<b>5 649</b>

## P6 Net gains/losses on financial transactions

SEK m	2014	2013
Trading, derivatives, FX effect etc.	-1 839	1 237
Other financial instruments denominated at fair value in profit/loss	2 278	-785
<i>of which interest-bearing securities</i>	2 260	-707
<i>of which loans</i>	18	-78
Financial instruments at amortised cost	262	106
<i>of which loans</i>	305	147
<i>of which liabilities</i>	-43	-41
Financial instruments available for sale	365	-21
Hedge accounting		
Fair value hedges	39	19
<i>of which hedging instruments</i>	-7	-160
<i>of which hedged items</i>	46	179
Cash flow hedge ineffectiveness	12	33
<b>Total</b>	<b>1 117</b>	<b>589</b>

## P7 Other operating income

SEK m	2014	2013
Rental income	21	19
Other operating income	2 167	1 934
<b>Total</b>	<b>2 188</b>	<b>1 953</b>

## P8 Staff costs

SEK m	2014	2013
Salaries and fees	-6 942	-6 497
Social security costs	-1 687	-1 622
Pension costs <sup>1</sup>	-600	-346
Provision to profit-sharing foundation	-722	-1 022
Other staff costs	-490	-490
<b>Total</b>	<b>-10 441</b>	<b>-9 977</b>

<sup>1</sup> Information about pension costs is presented in note P38.

Salaries and fees SEK m	2014	2013
Officers in an executive position <sup>2</sup> , 30 (27) persons	-103	-100
Others	-6 839	-6 397
<b>Total</b>	<b>-6 942</b>	<b>-6 497</b>

<sup>2</sup> Executive Directors and board members.

Gender distribution %	2014		2013	
	Men	Women	Men	Women
Board	80	20	73	27
Executive Directors	81	19	79	21

Average number of employees	2014	Men	Women	2013	Men	Women
Sweden	6 826	3 141	3 685	6 966	3 201	3 765
Norway	752	413	339	745	411	334
Finland	525	217	308	526	216	310
Denmark	682	338	344	676	338	338
UK	1 554	937	617	1 294	780	514
Luxembourg	67	39	28	30	18	12
Germany	59	32	27	64	36	28
USA	74	47	27	76	48	28
Netherlands	140	86	54	113	74	39
Singapore	38	9	29	37	9	28
Hong Kong	67	26	41	66	26	40
Poland	42	15	27	45	18	27
Other countries	71	29	42	69	26	43
<b>Total</b>	<b>10 897</b>	<b>5 329</b>	<b>5 568</b>	<b>10 707</b>	<b>5 201</b>	<b>5 506</b>

Note G8 provides information about the principles for remuneration to executive officers in the parent company.

## P9 Other administrative expenses

SEK m	2014	2013
Property and premises	-1 350	-1 261
External IT costs	-1 575	-1 653
Communication	-322	-341
Travel and marketing	-297	-327
Purchased services	-897	-952
Supplies	-194	-191
Other administrative expenses	-371	-350
<b>Total</b>	<b>-5 006</b>	<b>-5 075</b>
<i>Of which expenses for operating leases</i>		
Minimum lease fee	-738	-680
Variable fee	-19	-19
<b>Total</b>	<b>-757</b>	<b>-699</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes. In 2014, the cost of the largest individual lease contract was approx. SEK 167m (165). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies SEK m	KPMG		Ernst & Young AB	
	2014	2013	2014	2013
Audit assignment	-10	-8	-2	-3
Audit operations outside the audit assignment	-4	-2	-	-
Tax advice	-	-	-1	-1
Other services	-	-	-	-

## P10 Loan losses

SEK m	2014	2013
<b>Specific provision for individually assessed loans</b>		
The year's provision	-1 917	-1 241
Reversal of previous provisions	273	277
<b>Total</b>	<b>-1 644</b>	<b>-964</b>
<b>Collective provision</b>		
The year's net provision for individually assessed loans	75	-64
The year's net provision for homogeneous loans	1	1
<b>Total</b>	<b>76</b>	<b>-63</b>
<b>Off-balance sheet items</b>		
Losses on off-balance sheet items	-62	-9
Reversal of previous losses on off-balance sheet items	13	0
Change in collective provision for off-balance sheet items	16	-10
<b>Total</b>	<b>-33</b>	<b>-19</b>
<b>Write-offs</b>		
Actual loan losses for the year	-1 829	-1 359
Utilised share of previous provisions	1 474	1 134
Recoveries	131	82
<b>Total</b>	<b>-224</b>	<b>-143</b>
<b>Net loan losses</b>	<b>-1 825</b>	<b>-1 189</b>

Impaired loans, etc. SEK m	2014	2013
Impaired loans	8 290	6 360
Specific provisions for individually assessed loans	-3 594	-3 350
Provisions for collectively assessed homogeneous groups of loans with limited value	-	-
Collective provisions for individually assessed loans	-266	-338
<b>Net impaired loans</b>	<b>4 430</b>	<b>2 672</b>
Total impaired loans reserve ratio, %	46.6	58.0
Proportion of impaired loans, %	0.36	0.24
Impaired loans reserve ratio excluding collective provisions, %	43.3	52.7
Loans past due > 60 days, which are not impaired	1 491	1 266
Impaired loans reclassified as normal loans during the year	29	27

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 236.

Change in provision for probable loan losses 2014				
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	-3 350	-338	-	-3 688
The year's provision	-1 917	-	-	-1 917
Reversal of previous provisions	273	75	-	348
Utilised for actual loan losses	1 474	-	-	1 474
Foreign exchange effect, etc.	-74	-3	-	-77
<b>Provision at end of year</b>	<b>-3 594</b>	<b>-266</b>	<b>-</b>	<b>-3 860</b>

Change in provision for probable loan losses 2013				
SEK m	Provision for individually assessed loans	Collective provision for individually assessed loans	Provision for collectively assessed homogeneous loans	Total provision for probable loan losses
Provision at beginning of year	-3 616	-275	-	-3 891
The year's provision	-1 241	-64	-	-1 305
Reversal of previous provisions	277	-	-	277
Utilised for actual loan losses	1 134	-	-	1 134
Foreign exchange effect, etc.	96	1	-	97
<b>Provision at end of year</b>	<b>-3 350</b>	<b>-338</b>	<b>-</b>	<b>-3 688</b>

## P10 Cont.

Impaired loans and loans which are overdue by more than 60 days, by sector 2014 SEK m	Impaired loans			Of which past due > 60 days	Loans past due > 60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Private individuals	1 260	-614	646	423	570
Housing co-operative associations	23	-12	11	10	24
Property management	1 706	-585	1 121	837	337
Manufacturing	1 634	-724	910	70	111
Retail	595	-343	252	168	13
Hotel and restaurant	45	-25	20	11	260
Passenger and goods transport by sea	1 616	-405	1 211	-	-
Other transport and communication	49	-39	10	10	41
Construction	187	-113	74	42	56
Electricity, gas and water	32	-24	8	8	0
Agriculture, hunting and forestry	21	-15	6	1	2
Other services	73	-42	31	25	56
Holding, investment and insurance companies, mutual funds, etc.	316	-187	129	34	2
Other corporate lending	733	-466	267	266	19
Credit institutions	-	-	0	-	-
<b>Total</b>	<b>8 290</b>	<b>-3 594</b>	<b>4 696</b>	<b>1 905</b>	<b>1 491</b>

Impaired loans and loans which are overdue by more than 60 days, by sector 2013 SEK m	Impaired loans			Of which past due > 60 days	Loans past due > 60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Private individuals	1 226	-618	608	479	562
Housing co-operative associations	75	-24	51	45	6
Property management	1 166	-391	775	430	401
Manufacturing	890	-516	374	189	9
Retail	704	-361	343	209	42
Hotel and restaurant	37	-24	13	11	9
Passenger and goods transport by sea	424	-423	1	1	1
Other transport and communication	110	-80	30	28	5
Construction	193	-116	77	71	88
Electricity, gas and water	72	-44	28	28	7
Agriculture, hunting and forestry	25	-20	5	6	1
Other services	147	-97	50	43	33
Holding, investment and insurance companies, mutual funds, etc.	1 138	-569	569	61	4
Other corporate lending	153	-67	86	74	98
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>6 360</b>	<b>-3 350</b>	<b>3 010</b>	<b>1 675</b>	<b>1 266</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.

Impaired loans and loans which are overdue by more than 60 days, geographic distribution 2014 SEK m	Impaired loans			Of which past due > 60 days	Loans past due > 60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Sweden	3 212	-1 535	1 677	626	357
Norway	289	-135	154	118	338
Finland	798	-635	163	142	503
Denmark	2 728	-917	1 811	329	25
UK	1 103	-291	812	618	194
Netherlands	21	-8	13	11	-
Rest of Europe	137	-73	64	61	74
North America	-	-	-	-	-
Asia	2	0	2	-	-
<b>Total</b>	<b>8 290</b>	<b>-3 594</b>	<b>4 696</b>	<b>1 905</b>	<b>1 491</b>

Impaired loans and loans which are overdue by more than 60 days, geographic distribution 2013 SEK m	Impaired loans			Of which past due > 60 days	Loans past due > 60 days, which are not impaired
	Gross	Provisions	Net <sup>1</sup>		
Sweden	2 224	-1 249	975	886	340
Norway	433	-177	256	214	285
Finland	934	-393	541	289	99
Denmark	1 294	-852	442	167	16
UK	320	-106	214	47	459
Netherlands	15	-3	12	12	-
Rest of Europe	123	-57	66	60	67
North America	1 015	-513	502	-	-
Asia	2	0	2	-	-
<b>Total</b>	<b>6 360</b>	<b>-3 350</b>	<b>3 010</b>	<b>1 675</b>	<b>1 266</b>

<sup>1</sup> Carrying amount after taking into account specific provisions for individually assessed loans and provisions for collectively assessed loans, but excluding collective provisions for loans which are individually assessed.



Maturity structure for past due loans which are not impaired 2014					
	Loans to	Loans to the public			
SEK m	credit institutions	Households	Corporate	Other	Total
Past due ≥ 5 days ≤ 1 month	-	752	910	-	1 662
Past due > 1 month ≤ 2 months	-	140	99	-	239
Past due > 2 months ≤ 3 months	-	80	373	-	453
Past due > 3 months ≤ 12 months	-	323	203	-	526
Past due > 12 months	-	355	157	-	512
Total	-	1 650	1 742	-	3 392

Maturity structure for past due loans which are not impaired 2013					Total
SEK m	Loans to credit institutions	Loans to the public			
		Households	Corporate	Other	
Past due ≥ 5 days ≤ 1 month	-	661	851	-	1 512
Past due > 1 month ≤ 2 months	-	138	110	-	248
Past due > 2 months ≤ 3 months	-	80	20	-	100
Past due > 3 months ≤ 12 months	-	280	297	-	577
Past due > 12 months	-	431	158	-	589
<b>Total</b>	-	<b>1 590</b>	<b>1 436</b>	-	<b>3 026</b>

Assets repossessed for protection of claims		
SEK m	2014	2013
Property	465	392
Movable property	-	-
Shares	0	0
<b>Carrying amount</b>	<b>465</b>	<b>392</b>

## P11 Appropriations

SEK m	2014	2013
Tax allocation reserve	-	4 168
Change in amortisation of goodwill in excess of plan	111	99
<b>Total</b>	<b>111</b>	<b>4 267</b>

## P12 Loans to credit institutions

SEK m	2014	2013
<b>Loans in Swedish kronor</b>		
Banks	8 340	5 402
Other credit institutions	308 581	250 765
<b>Total</b>	<b>316 921</b>	<b>256 167</b>
<b>Loans in foreign currency</b>		
Banks	67 263	55 930
Other credit institutions	184 405	163 343
<b>Total</b>	<b>251 668</b>	<b>219 273</b>
Probable loan losses	-	-
<b>Total loans to credit institutions</b>	<b>568 589</b>	<b>475 440</b>
<i>Of which reverse repos</i>	<i>43 383</i>	<i>34 259</i>
<i>Of which subordinated</i>	<i>20 718</i>	<i>21 218</i>
<b>Average volumes</b>		
SEK m	2014	2013
Loans to credit institutions in Swedish kronor	351 308	261 438
Loans to credit institutions in foreign currency	182 945	212 622
<b>Total</b>	<b>534 253</b>	<b>474 060</b>
<i>Of which reverse repos</i>	<i>39 423</i>	<i>35 528</i>

## P13 Loans to the public

SEK m	2014	2013
<b>Loans in Swedish kronor</b>		
Households	45 120	42 794
Companies	184 336	199 557
National Debt Office	19 044	5 180
<b>Total</b>	<b>248 500</b>	<b>247 531</b>
<b>Loans in foreign currency</b>		
Households	130 142	105 864
Companies	362 701	335 665
National Debt Office	-	-
<b>Total</b>	<b>492 843</b>	<b>441 529</b>
Probable loan losses	-3 860	-3 688
<b>Total loans to the public</b>	<b>737 483</b>	<b>685 372</b>
<i>Of which reverse repos</i>	<i>23 858</i>	<i>15 711</i>
<i>Of which subordinated</i>	<i>1 129</i>	<i>1 129</i>
<b>Average volumes, excl. National Debt Office</b>		
SEK m	2014	2013
Loans to the public in Swedish kronor	237 742	266 862
Loans to the public in foreign currency	466 813	429 613
<b>Total</b>	<b>704 555</b>	<b>696 475</b>
<i>Of which reverse repos</i>	<i>16 565</i>	<i>22 665</i>

## P14 Interest-bearing securities

SEK m	2014			2013		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government securities eligible as collateral with central banks	62 426	64 155	64 152	45 803	46 695	46 675
Other securities eligible as collateral with central banks	10 137	10 210	10 210	7 019	7 110	7 110
<b>Total interest-bearing securities eligible as collateral with central banks</b>	<b>72 563</b>	<b>74 365</b>	<b>74 362</b>	<b>52 822</b>	<b>53 805</b>	<b>53 785</b>
Bonds and other interest-bearing securities	57 550	59 650	59 652	56 961	58 941	58 943
<b>Total interest-bearing securities</b>	<b>130 113</b>	<b>134 015</b>	<b>134 014</b>	<b>109 783</b>	<b>112 746</b>	<b>112 728</b>
<i>Of which unlisted securities</i>		<i>4 569</i>	<i>4 569</i>		<i>3 240</i>	<i>3 240</i>
<b>Interest-bearing securities distributed by issuer</b>						
SEK m	2014			2013		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	62 426	64 155	64 152	45 803	46 695	46 675
Credit institutions	9 404	9 633	9 635	10 330	10 696	10 698
Mortgage institutions	37 733	39 572	39 572	37 933	39 476	39 476
Other	20 550	20 655	20 655	15 717	15 879	15 879
<b>Total</b>	<b>130 113</b>	<b>134 015</b>	<b>134 014</b>	<b>109 783</b>	<b>112 746</b>	<b>112 728</b>
<b>Average volumes</b>						
SEK m	2014	2013				
Interest-bearing securities	120 237	124 208				

## P15 Shares

SEK m	2014	2013
<b>Holdings at fair value over the income statement</b>		
Listed	33 300	40 287
Non-listed	3 328	1 256
<b>Total</b>	<b>36 628</b>	<b>41 543</b>
<b>Classified as available for sale</b>		
Listed	6 753	4 368
Non-listed	1 568	1 310
<b>Total</b>	<b>8 321</b>	<b>5 678</b>
<b>Total shares</b>	<b>44 949</b>	<b>47 221</b>

## P16 Shares in subsidiaries and investments in associates

Shares in subsidiaries and investments in associates					2014	2013
SEK m						
Associates, unlisted					95	92
Subsidiaries, unlisted					45 669	46 061
<b>Total</b>					<b>45 764</b>	<b>46 153</b>

Associates						Carrying amount SEK m	
	Corporate identity number	Domicile	Number of shares	Ownership share %		2014	2013
Bankomat AB	556817-9716	Stockholm	150	20.00		55	55
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.90		0	0
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.00		7	7
BGC Holding AB	556607-0933	Stockholm	25 382	25.40		4	4
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30		24	24
Getswish AB	556913-7382	Stockholm	10 000	20.00		4	2
Upplysningscentralen UC AB	556137-5113	Stockholm	2 448	24.48		1	0
<b>Total</b>						<b>95</b>	<b>92</b>

Subsidiaries						Carrying amount SEK m	
	Corporate identity number	Domicile	Number of shares	Ownership share %		2014	2013
<b>Handelsbanken Finans AB<sup>1</sup></b>	556053-0841	Stockholm	1 550 000	100		11 672	11 672
Kredit-Inkasso AB	556069-3185	Stockholm		100			
Handelsbanken Rahotus Oy	0112308-8	Helsinki		100			
Kredit-Inkasso AS	955074203	Oslo		100			
Handelsbanken Finans (Shanghai) Financial Leasing Co., Ltd	310101717882194	Shanghai		100			
<b>Stadshypotek AB<sup>1</sup></b>	556459-6715	Stockholm	162 000	100		26 870	26 870
<b>Handelsbanken Fondbolagsförvaltning AB</b>	556070-0683	Stockholm	10 000	100		1	1
Handelsbanken Fonder AB	556418-8851	Stockholm		100			
Handelsinvest Investeringsförvaltning A/S	12930879	Copenhagen		100			
Handelsbanken Fondbolag Ab	1105019-3	Helsinki		100			
Handelsbanken Kapitalförvaltning AS	973194860	Oslo		100			
Xact Kapitalförvaltning AB	556997-8140	Stockholm		100			
<b>Handelsbanken Liv Försäkrings AB</b>	516401-8284	Stockholm	100 000	100		6 189	6 189
SHB Liv Försäkringsaktieselskab	20594942	Copenhagen		100			
SHB Liv Försäkringsaktiebolag	2478149-7	Helsinki		100			
Handelsbanken Fastigheter AB	556873-0021	Stockholm		100			
<b>AB Handel och Industri</b>	556013-5336	Stockholm	100 000	100		104	104
Plastal Industri AB	556532-8845	Göteborg		100			
<b>Heartwood Wealth Group Ltd</b>	5498937	London	1 000 000	100			470
<b>Heartwood Wealth Management Limited</b>	4132340	London	1 319 206	100		533	
<b>Other subsidiaries</b>							
EFN Ekonomikanalen AB	556930-1608	Stockholm	100	100		0	0
Ejendomsselskabet af 1. januar 2002 A/S	38300512	Herning					294
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød	2 700 000	100		200	200
Forva AS	945812141	Oslo	4 000 000	100		1	1
Lejontrappan AB	556481-1551	Göteborg	1 000	100		0	0
Handelsbanken Markets Securities, Inc. <sup>1</sup>	11-3257438	New York	1 000	100		29	29
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					14
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1 500	100		31	31
Lokalbolig A/S	78488018	Hillerød	540 000	68.35		1	1
Rådstuplass 4 AS	910508423	Bergen	40 000	100		0	0
SIL (Nominees) Limited	1932320	London	100	100		-	-
Svenska Handelsbanken Delaware Inc.	13-3153272	Delaware					0
Svenska Handelsbanken Representações (Brasil) Ltda	15.367.073/001-93	São Paulo	999	99.9		2	2
Svenska Handelsbanken S.A. <sup>1</sup>	RCS Lux B-15992	Luxembourg					147
Svenska Property Nominees Limited	2308524	London	100	100		-	-
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	20 000	100		35	35
Lila stugan i Stockholm AB	556993-9084	Stockholm	50	100		0	
Blå stugan i Stockholm AB	556993-9357	Stockholm	50	100		0	
Bruna stugan i Stockholm AB	556993-2311	Stockholm	50	100		0	
<b>Total</b>						<b>45 669</b>	<b>46 061</b>

The list of Group companies contains directly owned subsidiaries and large subsidiaries of these companies.  
<sup>1</sup> Credit institution.

## P17 Derivative instruments

SEK m	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
	up to 1 yr	over 1 yr up to 5 yrs	Over 5 yrs	2014	2013	2014	2013	2014	2013
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	132 389	161 396	5 773	299 558	293 602	3 505	4 200	3 699	4 338
FRA/futures	1 557 960	778 881	-	2 336 841	2 972 176	1 137	420	1 549	143
Swaps	547 979	1 405 325	483 861	2 437 165	2 738 953	61 994	47 505	62 865	47 831
Other instruments	3 058	-	-	3 058	-	-	-	50	-
Currency-related contracts									
Options	60 623	1 668	29	62 320	44 634	663	311	953	234
Futures	105 527	9 466	271	115 264	111 170	3 051	1 083	1 710	1 313
Swaps	643 585	300 350	65 306	1 009 241	1 017 479	28 515	16 236	18 752	13 949
Other instruments	-	-	-	-	61	0	15	-	120
Equity-related contracts									
Options	10 845	24 158	949	35 952	42 699	2 537	3 019	2 371	5 112
Futures	10 306	-	-	10 306	4 408	8	8	36	34
Swaps	28 324	7 409	128	35 861	34 688	736	691	1 999	2 486
Other instruments	2 362	-	-	2 362	677	-	3	39	494
Commodity-related contracts									
Options	2 155	2 253	122	4 530	5 067	183	105	528	992
Futures	26 074	2 446	148	28 668	21 047	1 002	375	1 079	377
Swaps	12	-	-	12	313	-	0	8	49
Other instruments	-	-	-	-	457	-	132	-	420
Credit-related contracts									
Options	-	-	-	-	-	-	-	-	-
Swaps	1 195	7 640	729	9 564	10 049	620	544	91	45
Other instruments	-	-	-	-	-	-	-	-	-
Other derivative contracts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3 132 394</b>	<b>2 700 992</b>	<b>557 316</b>	<b>6 390 702</b>	<b>7 297 480</b>	<b>103 951</b>	<b>74 647</b>	<b>95 729</b>	<b>77 937</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Swaps	-	-	-	-	-	-	-	-	0
Other instruments	-	-	-	-	-	-	-	-	-
Currency-related contracts									
Swaps	-	-	965	965	817	63	177	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>965</b>	<b>965</b>	<b>817</b>	<b>63</b>	<b>177</b>	<b>-</b>	<b>0</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	23 471	160 634	58 236	242 341	185 183	11 488	4 773	1 661	2 002
Currency-related contracts									
Swaps	18 364	113 900	35 687	167 951	143 659	17 178	4 733	2 957	3 239
<b>Total</b>	<b>41 835</b>	<b>274 534</b>	<b>93 923</b>	<b>410 292</b>	<b>328 842</b>	<b>28 666</b>	<b>9 506</b>	<b>4 618</b>	<b>5 241</b>
<b>Total derivative instruments</b>	<b>3 174 229</b>	<b>2 975 526</b>	<b>652 204</b>	<b>6 801 959</b>	<b>7 627 139</b>	<b>132 680</b>	<b>84 330</b>	<b>100 347</b>	<b>83 178</b>
<i>Of which exchange traded derivatives</i>				<i>1 314 691</i>	<i>1 692 858</i>	<i>676</i>	<i>317</i>	<i>1 804</i>	<i>866</i>
<i>Of which OTC derivatives settled by CCP</i>				<i>716 067</i>	<i>736 270</i>	<i>12 009</i>	<i>2 834</i>	<i>11 140</i>	<i>2 479</i>
Amounts set off in the balance sheet						-12 629	-6 035	-12 629	-6 035
<b>Net amount in the balance sheet</b>						<b>120 051</b>	<b>78 295</b>	<b>87 718</b>	<b>77 143</b>
<b>Currency breakdown of market values</b>									
SEK						-239 436	99 605	-89 043	182 836
USD						403 012	23 433	126 836	-199 795
EUR						109 799	67 126	21 384	37 352
Others						-140 695	-105 834	41 170	62 785

Derivative contracts are presented gross in the table. Offsetting amounts consist of the offsetted market value of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis in the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 profit), over the life of the derivative. Such not yet recognised day 1 profit amounted to SEK 465m (396) at year-end.

## P18 Offsetting of financial instruments

2014			
SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amounts of recognised financial assets	132 680	68 887	201 567
Gross amounts of recognised financial liabilities set off in the balance sheet	-12 629	-	-12 629
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>120 051</b>	<b>68 887</b>	<b>188 938</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-45 652	-	-45 652
Collateral received	-38 191	-68 857	-107 048
<b>Net amount</b>	<b>36 208</b>	<b>30</b>	<b>36 238</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	100 347	256	100 603
Gross amounts of recognised financial assets set off in the balance sheet	-12 629	-	-12 629
<b>Net amounts of financial liabilities presented in the balance sheet</b>	<b>87 718</b>	<b>256</b>	<b>87 974</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-45 652	-	-45 652
Assets pledged	-9 674	-256	-9 930
<b>Net amount</b>	<b>32 392</b>	<b>0</b>	<b>32 392</b>
2013			
SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amounts of recognised financial assets	84 330	53 612	137 942
Gross amounts of recognised financial liabilities set off in the balance sheet	-6 035	-	-6 035
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>78 295</b>	<b>53 612</b>	<b>131 907</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-41 036	-	-41 036
Collateral received	-10 540	-53 569	-64 109
<b>Net amount</b>	<b>26 719</b>	<b>43</b>	<b>26 762</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	83 178	8 352	91 530
Gross amounts of recognised financial assets set off in the balance sheet	-6 035	-	-6 035
<b>Net amounts of financial liabilities presented in the balance sheet</b>	<b>77 143</b>	<b>8 352</b>	<b>85 495</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-41 036	-	-41 036
Assets pledged	-4 793	-7 889	-12 682
<b>Net amount</b>	<b>31 314</b>	<b>463</b>	<b>31 777</b>

## P19 Intangible assets

2014				2013			
SEK m	Acquisition assets	Internally developed software	Total 2014	SEK m	Acquisition assets	Internally developed software	Total 2014
Cost of acquisition at beginning of year	2 071	1 346	3 417	Cost of acquisition at beginning of year	2 072	1 104	3 176
Cost of acquisition of additional intangible assets	-	248	248	Cost of acquisition of additional intangible assets	-	322	322
Disposals and retirements	-	-135	-135	Disposals and retirements	-	-82	-82
Foreign exchange effect	99	1	100	Foreign exchange effect	-1	2	1
<b>Cost of acquisition at end of year</b>	<b>2 170</b>	<b>1 460</b>	<b>3 630</b>	<b>Cost of acquisition at end of year</b>	<b>2 071</b>	<b>1 346</b>	<b>3 417</b>
Accumulated amortisation and impairments at beginning of year	-1 298	-369	-1 667	Accumulated amortisation and impairments at beginning of year	-1 193	-340	-1 533
Disposals and retirements	-	135	135	Disposals and retirements	-	82	82
Amortisation for the year according to plan	-111	-110	-221	Amortisation for the year according to plan	-108	-106	-214
Impairments for the year	-	-9	-9	Impairments for the year	-	-2	-2
Foreign exchange effect	-62	-1	-63	Foreign exchange effect	3	-3	0
<b>Accumulated amortisation and impairments at end of year</b>	<b>-1 471</b>	<b>-354</b>	<b>-1 825</b>	<b>Accumulated amortisation and impairments at end of year</b>	<b>-1 298</b>	<b>-369</b>	<b>-1 667</b>
<b>Carrying amount</b>	<b>699</b>	<b>1 106</b>	<b>1 805</b>	<b>Carrying amount</b>	<b>773</b>	<b>977</b>	<b>1 750</b>

## P20 Property and equipment

Property and equipment SEK m	2014	2013
Equipment	452	466
Property	115	120
Property repossessed for protection of claims	465	392
<b>Total</b>	<b>1 032</b>	<b>978</b>

Property repossessed for protection of claims contains properties which are regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims. See note G1. The fair value of properties which are regularly measured at fair value is SEK 465m (392). Unrealised value changes on these properties had an impact of SEK 6m (-10) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations (SEK 119m) are classified as level 2 in the valuation hierarchy described in note G40. Valuations where own assumptions are used to a material extent (SEK 346m) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK 0m (-17). The year's sale of properties which are regularly measured at fair value amounts to SEK 108m (81) of which SEK 80m (64) was classified as level 3 before the sale. The value of new properties added during the year is SEK 112m (50), with SEK 20m (48) of this classified as level 3.

Equipment SEK m	2014	2013
Cost of acquisition at beginning of year	1 517	1 513
Cost of additional acquisition for the year	247	265
Disposals and retirements	-472	-238
Foreign exchange effect	40	-23
<b>Cost of acquisition at end of year</b>	<b>1 332</b>	<b>1 517</b>
Accumulated amortisation and impairments at beginning of year	-1 051	-1 061
Amortisation for the year according to plan	-235	-248
Disposals and retirements	434	236
Foreign exchange effect	-28	22
<b>Accumulated amortisation and impairment at end of year</b>	<b>-880</b>	<b>-1 051</b>
<b>Carrying amount</b>	<b>452</b>	<b>466</b>

Property SEK m	2014	2013
Cost of acquisition at beginning of year	190	190
Cost of additional acquisition for the year	-	-
New construction and rebuilding	-	-
Disposals and retirements	-	-
<b>Cost of acquisition at end of year</b>	<b>190</b>	<b>190</b>
Accumulated amortisation and impairments at beginning of year	-70	-65
Amortisation for the year according to plan	-5	-5
Impairments for the year	-	-
Disposals and retirements	-	-
<b>Accumulated amortisation and impairment at end of year</b>	<b>-75</b>	<b>-70</b>
<b>Carrying amount</b>	<b>115</b>	<b>120</b>

## P21 Other assets

SEK m	2014	2013
Claims on investment banking settlements	8 095	6 470
Other	11 100	9 998
<b>Total</b>	<b>19 195</b>	<b>16 468</b>

## P22 Prepaid expenses and accrued income

SEK m	2014	2013
Accrued interest income	3 230	3 739
Other accrued income	1 477	1 341
Prepaid expenses	289	192
<b>Total</b>	<b>4 996</b>	<b>5 272</b>
<i>Of which subordinated</i>	36	11

## P23 Due to credit institutions

SEK m	2014	2013
<b>Due in Swedish kronor</b>		
Banks	23 252	19 869
Other credit institutions	15 818	12 162
<b>Total</b>	<b>39 070</b>	<b>32 031</b>
<b>Due in foreign currency</b>		
Banks	166 465	135 848
Other credit institutions	4 564	58 752
<b>Total</b>	<b>171 029</b>	<b>194 600</b>
<b>Total due to credit institutions</b>	<b>210 099</b>	<b>226 631</b>
<i>Of which repos</i>	<i>88</i>	<i>748</i>
<b>Average volumes</b>		
SEK m	2014	2013
Due to credit institutions in Swedish kronor	114 981	52 839
Due to credit institutions in foreign currency	149 491	223 293
<b>Total</b>	<b>264 472</b>	<b>276 132</b>
<i>Of which repos</i>	<i>1 625</i>	<i>3 961</i>

## P24 Deposits and borrowing from the public

<b>Deposits from the public</b>		
SEK m	2014	2013
<b>Deposits in Swedish kronor</b>		
Households	224 898	207 374
Companies	185 250	165 314
National Debt Office	-	-
<b>Total</b>	<b>410 148</b>	<b>372 688</b>
<b>Deposits in foreign currency</b>		
Households	65 758	48 990
Companies	236 431	172 779
National Debt Office	-	-
<b>Total</b>	<b>302 189</b>	<b>221 769</b>
<b>Total deposits from the public</b>	<b>712 337</b>	<b>594 457</b>
<b>Borrowing from the public</b>		
SEK m	2014	2013
Swedish kronor	31 944	49 117
Foreign currency	276 681	170 653
<b>Total</b>	<b>308 625</b>	<b>219 770</b>
<i>Of which repos</i>	<i>168</i>	<i>7 604</i>
<b>Total deposits and borrowing from the public</b>	<b>1 020 962</b>	<b>814 227</b>
<b>Average volumes</b>		
SEK m	2014	2013
<b>Deposits from the public</b>		
Deposits from the public in Swedish kronor	372 466	348 970
Deposits from the public in foreign currency	282 252	178 337
<b>Total</b>	<b>654 718</b>	<b>527 307</b>
<b>Borrowing from the public</b>		
Borrowing from the public in Swedish kronor	47 869	53 434
Borrowing from the public in foreign currency	186 525	146 665
<b>Total</b>	<b>234 394</b>	<b>200 099</b>
<i>Of which repos</i>	<i>8 685</i>	<i>10 551</i>



## P25 Issued securities

SEK m	2014		2013	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
<b>Commercial paper</b>				
Commercial paper in Swedish kronor	9 816	10 621	15 613	17 299
<i>Of which</i>				
<i>at amortised cost</i>	-	-	101	101
<i>for trading</i>	9 816	10 621	15 512	17 198
Commercial paper in foreign currency	300 177	309 993	227 719	227 754
<i>Of which</i>				
<i>at amortised cost</i>	298 804	308 191	227 532	227 532
<i>for trading</i>	1 373	1 802	187	222
<b>Total</b>	<b>309 993</b>	<b>320 614</b>	<b>243 332</b>	<b>245 053</b>
<b>Bonds</b>				
Bonds in Swedish kronor	18 443	18 000	14 822	14 298
<i>Of which</i>				
<i>at amortised cost</i>	18 443	18 000	14 822	14 006
<i>for fair value hedges</i>	-	-	-	292
Bonds in foreign currency	293 800	294 514	271 426	273 256
<i>Of which</i>				
<i>at amortised cost</i>	292 830	294 397	268 882	272 319
<i>for fair value hedges</i>	970	117	2 544	937
<b>Total</b>	<b>312 243</b>	<b>312 514</b>	<b>286 248</b>	<b>287 554</b>
<b>Total issued securities</b>	<b>622 236</b>	<b>633 128</b>	<b>529 580</b>	<b>532 607</b>

SEK m	2014	2013
Issued securities at beginning of year	532 607	531 284
Issued	708 274	857 711
Repurchased	15 886	17 373
Matured	664 066	843 242
Foreign exchange effect etc.	72 199	4 227
<b>Issued securities at end of year</b>	<b>633 128</b>	<b>532 607</b>

Average volumes	2014	2013
SEK m		
Swedish kronor	29 839	32 140
Foreign currency	521 628	514 620
<b>Total</b>	<b>551 467</b>	<b>546 760</b>

## P26 Short positions

SEK m	2014	2013
<b>Short positions at fair value</b>		
Equities	1 273	3 430
Interest-bearing securities	19 375	19 415
<i>Of which</i>		
<i>other issuers</i>	19 375	19 415
<i>own issued</i>	-	-
<b>Total</b>	<b>20 648</b>	<b>22 845</b>

Average volumes	2014	2013
SEK m		
Swedish kronor	18 878	22 832
Foreign currency	809	1 214
<b>Total</b>	<b>19 687</b>	<b>24 046</b>

## P27 Taxes

<b>Deferred tax assets</b>				
SEK m			<b>2014</b>	<b>2013</b>
Property and equipment			30	35
Hedging instruments			257	159
Other			74	8
<b>Total</b>			<b>361</b>	<b>202</b>
<b>Deferred tax liabilities</b>				
SEK m			<b>2014</b>	<b>2013</b>
Property and equipment			15	16
Hedging instruments			1 495	98
Other			159	-
<b>Total</b>			<b>1 669</b>	<b>114</b>
<b>Net deferred taxes</b>			<b>1 308</b>	<b>-88</b>
<b>Change in deferred taxes 2014</b>				
SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	-19	4	-	-15
Hedging instruments	-61	3	1 296	1 238
Other	-8	-99	192	85
<b>Total</b>	<b>-88</b>	<b>-92</b>	<b>1 488</b>	<b>1 308</b>
<b>Change in deferred taxes 2013</b>				
SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	-17	-2	-	-19
Hedging instruments	391	6	-458	-61
Other	0	-8	-	-8
<b>Total</b>	<b>374</b>	<b>-4</b>	<b>-458</b>	<b>-88</b>
<b>Tax expenses recognised in the income statement</b>				
SEK m			<b>2014</b>	<b>2013</b>
Current tax				
Tax expense for the year			-3 864	-4 604
Adjustment of tax relating to prior years			-51	-19
Deferred tax				
Changes in temporary differences			92	4
<b>Total</b>			<b>-3 823</b>	<b>-4 619</b>
<b>Nominal tax rate in Sweden, %</b>			<b>22.0</b>	<b>22.0</b>
Deviations				
Non-taxable income/non-deductible expenses			-0.2	0.3
Tax relating to prior years			0.0	0.1
<b>Effective tax rate, %</b>			<b>21.8</b>	<b>22.4</b>

## P28 Provisions

	Provision for restructuring	Provision for guarantee commitments	Other provisions	Total 2014	Total 2013
SEK m					
Provisions at beginning of year	51	59	18	128	116
Provisions during the year	-	-	62	62	52
Utilised	-39	-52	-	-91	-40
Written back	-12	-	-	-12	-
<b>Provisions at end of year</b>	<b>-</b>	<b>7</b>	<b>80</b>	<b>87</b>	<b>128</b>

The provision for restructuring relates to additional costs as a result of the decision to terminate rental contracts for premises. All of the provision has been settled during 2014. Provision for guarantee commitments consists of provisions for a number of off-balance sheet items.

The Group is the subject of claims in a number of civil actions which are being pursued in general courts of law. The Group's assessment is that the actions will essentially be settled in favour of the Bank. The assessment is that the amounts in dispute would not have a material effect on the Bank's financial position or profit/loss. The amounts allocated for future settlement of the claims towards the Bank are presented under other provisions.

## P29 Other liabilities

SEK m	2014	2013
Liabilities on investment banking settlements	7 960	6 777
Other	6 188	5 926
<b>Total</b>	<b>14 148</b>	<b>12 703</b>

## P30 Accrued expenses and deferred income

SEK m	2014	2013
Accrued interest expenses	5 441	5 817
Other accrued expenses	3 589	3 889
Deferred income	779	209
<b>Total</b>	<b>9 809</b>	<b>9 915</b>

## P31 Subordinated liabilities

SEK m	2014	2013
Subordinated loans in Swedish kronor	10 308	10 472
Subordinated loans in foreign currency	19 981	5 493
<b>Total</b>	<b>30 289</b>	<b>15 965</b>

Average volumes SEK m	2014	2013
Subordinated loans in Swedish kronor	9 831	10 764
Subordinated loans in foreign currency	18 852	7 824
<b>Total</b>	<b>28 683</b>	<b>18 588</b>

Specification, subordinated loans		Original nominal amount in each currency	Interest rate %	Outstanding amount
Issue/conv./final payment year	Currency			
<b>IN SWEDISH KRONOR</b>				
Swedish subordinated liabilities <sup>1</sup>		13 337		10 308
<b>Total</b>				<b>10 308</b>
<b>IN FOREIGN CURRENCY</b>				
2005/perpetual <sup>2</sup>	EUR	500	4.194	4 713
2014/fixed-term <sup>2</sup>	EUR	1 500	2.656	14 174
Other foreign <sup>3</sup>				1 094
<b>Total</b>				<b>19 981</b>
<b>Total subordinated liabilities</b>				<b>30 289</b>

<sup>1</sup> Swedish subordinated loans are individually less than 10% of the total subordinated liabilities. The total includes one perpetual subordinated loan at a floating rate. The loan is a subordinated convertible loan of nominally SEK 3.2bn issued to the Group's employees on market terms. The loan does not have the status of regulatory capital but can be converted into Handelsbanken shares. The Bank has the right to demand conversion at any time and the holder has the right to demand conversion between 1 May and 30 November 2019, at the initial conversion price of SEK 379.19, corresponding to 117% of the average share price during the period 2–14 May 2014. The initial conversion price is adjusted for dividends during the term of the loan. If the common equity tier 1 ratio for the Bank or calculated according to the consolidated situation falls below 7%, there will be automatic conversion. For information regarding other Swedish subordinated loans, see note G49.

<sup>2</sup> For further information about subordinated loans in EUR, see note G49.

<sup>3</sup> Other foreign subordinated loans are issued in the form of perpetual subordinated loans.

## P32 Untaxed reserves

SEK m	2014	2013
Accumulated amortisation of goodwill in excess of plan	699	773
<b>Total</b>	<b>699</b>	<b>773</b>

## P33 Classification of financial assets and liabilities

2014	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
SEK m	Trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					454 040		492	454 532	454 532
Interest-bearing securities eligible as collateral with central banks	42 096	30 526		747		993		74 362	74 365
Loans to credit institutions					568 589			568 589	575 487
Loans to the public		2 181			735 302			737 483	738 506
Bonds and other interest-bearing securities	26 235	30 842		253		2 322		59 652	59 650
Shares	36 628					8 321		44 949	44 949
Shares in subsidiaries and investments in associates							45 764	45 764	45 764
Assets where the customer bears the value change risk		2 935			89			3 024	3 024
Derivative instruments	91 612		28 439					120 051	120 051
Other assets	35				10 168		8 992	19 195	19 195
Prepaid expenses and accrued income	408	573		1	1 605	2	2 407	4 996	4 996
<b>Total financial assets</b>	<b>197 014</b>	<b>67 057</b>	<b>28 439</b>	<b>1 001</b>	<b>1 769 793</b>	<b>11 638</b>	<b>57 655</b>	<b>2 132 597</b>	<b>2 140 519</b>
Other non-financial assets								3 198	
<b>Total assets</b>								<b>2 135 795</b>	
<b>Liabilities</b>									
Due to credit institutions							210 099	210 099	212 437
Deposits and borrowing from the public							1 020 962	1 020 962	1 021 010
Liabilities where the customer bears the value change risk		3 036					89	3 125	3 125
Issued securities	12 423						620 705	633 128	649 565
Derivative instruments	83 440		4 278					87 718	87 718
Short positions	20 648							20 648	20 648
Other liabilities	16						14 132	14 148	14 148
Accrued expenses and deferred income	315						9 494	9 809	9 809
Subordinated liabilities							30 289	30 289	34 409
<b>Total financial liabilities</b>	<b>116 842</b>	<b>3 036</b>	<b>4 278</b>				<b>1 905 770</b>	<b>2 029 926</b>	<b>2 052 869</b>
Other non-financial liabilities								2 585	
<b>Total liabilities</b>								<b>2 032 511</b>	

2013	At fair value in income statement divided into		Derivatives identified as hedging instruments	Investments held to maturity	Loans and receivables	Financial assets available for sale	Other financial assets/liabilities	Total carrying amount	Fair value
SEK m	Trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					334 185		609	334 794	334 794
Interest-bearing securities eligible as collateral with central banks	32 611	16 160		3 461		1 553		53 785	53 805
Loans to credit institutions					475 440			475 440	479 609
Loans to the public		2 580			682 792			685 372	685 711
Bonds and other interest-bearing securities	26 959	30 149		933		902		58 943	58 941
Shares	41 543					5 678		47 221	47 221
Shares in subsidiaries and investments in associates							46 153	46 153	46 153
Assets where the customer bears the value change risk		1 860			328			2 188	2 188
Derivative instruments	69 471		8 824					78 295	78 295
Other assets	68				8 346		8 054	16 468	16 468
Prepaid expenses and accrued income	480	661		117	1 734		2 280	5 272	5 272
<b>Total financial assets</b>	<b>171 132</b>	<b>51 410</b>	<b>8 824</b>	<b>4 511</b>	<b>1 502 825</b>	<b>8 133</b>	<b>57 096</b>	<b>1 803 931</b>	<b>1 808 457</b>
Other non-financial assets								2 930	
<b>Total assets</b>								<b>1 806 861</b>	
<b>Liabilities</b>									
Due to credit institutions							226 631	226 631	228 131
Deposits and borrowing from the public							814 227	814 227	814 035
Liabilities where the customer bears the value change risk		1 908					328	2 236	2 236
Issued securities	17 420						515 187	532 607	544 327
Derivative instruments	72 136		5 007					77 143	77 143
Short positions	22 845							22 845	22 845
Other liabilities	19						12 684	12 703	12 703
Accrued expenses and deferred income	357						9 558	9 915	9 915
Subordinated liabilities							15 965	15 965	17 705
<b>Total financial liabilities</b>	<b>112 777</b>	<b>1 908</b>	<b>5 007</b>				<b>1 594 580</b>	<b>1 714 272</b>	<b>1 729 040</b>
Other non-financial liabilities								1 058	
<b>Total liabilities</b>								<b>1 715 330</b>	

<sup>1</sup> Classified to be measured at fair value.

The principles for measurement at fair value are presented in note G39. For shares in subsidiaries and associated companies, the acquisition cost is stated and not the fair value.

## P33 Cont.

Reclassified financial assets	2014		2013	
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
SEK m				
Carrying amount	12	4 469	74	5 375
Fair value	13	4 535	74	5 464
Value change recognised in the income statement	-	209	-	170
Value change recognised in other comprehensive income	2	318	0	-3
Value change that would have been recognised in income statement if the assets had not been reclassified	1	209	1	170
Value change that would have been recognised in other comprehensive income if the assets had not been reclassified	-	54	-	-25
Interest recognised as income	0	82	69	137

All holdings presented above were reclassified to loans and receivables on 1 July 2008.

## P34 Fair value measurement of financial instruments

Financial instruments at fair value 2014				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	42 096	-	-	42 096
Denominated at fair value	30 526	-	-	30 526
Available for sale	993	-	-	993
Loans to the public	-	2 168	13	2 181
Bonds and other interest-bearing securities				
Held for trading	21 643	4 592	-	26 235
Denominated at fair value	30 842	-	-	30 842
Available for sale	2 091	231	-	2 322
Shares				
Held for trading	33 175	3 359	94	36 628
Denominated at fair value	-	-	-	-
Available for sale	6 753	811	757	8 321
Assets where the customer bears the value change risk	2 237	-	698	2 935
Derivative instruments	630	119 421	-	120 051
<b>Total</b>	<b>170 986</b>	<b>130 582</b>	<b>1 562</b>	<b>303 130</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	2 338	-	698	3 036
Issued securities	-	12 329	94	12 423
Derivative instruments	1 566	86 152	-	87 718
Short positions	20 560	88	-	20 648
<b>Total</b>	<b>24 464</b>	<b>98 569</b>	<b>792</b>	<b>123 825</b>

Financial instruments at fair value 2013					Level 1	Level 2	Level 3	Total
SEK m								
Assets								
Interest-bearing securities eligible as collateral with central banks								
Held for trading				32 611	-	-		32 611
Denominated at fair value				16 160	-	-		16 160
Available for sale				1 553	-	-		1 553
Loans to the public				-	2 562		18	2 580
Bonds and other interest-bearing securities								
Held for trading				21 881	5 078		-	26 959
Denominated at fair value				30 149	-		-	30 149
Available for sale				582	320		-	902
Shares								
Held for trading				40 284	1 183		76	41 543
Denominated at fair value				-	-		-	-
Available for sale				4 367	634		677	5 678
Assets where the customer bears the value change risk				1 860	-		-	1 860
Derivative instruments				1 328	76 967		-	78 295
Total				150 775	86 744		771	238 290
Liabilities								
Liabilities where the customer bears the value change risk								
				1 908	-		-	1 908
Issued securities				4	17 332		84	17 420
Derivative instruments				2 155	74 988		-	77 143
Short positions				21 951	894		-	22 845
Total				26 018	93 214		84	119 316
Reconciliation of financial instruments in level 3 2014								
SEK m	Shares	Derivatives, net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk		Issued securities	
Carrying amount at beginning of year	753	-	18	-	-		-84	
Acquisitions	30	-	-	490	-490		-10	
Repurchases/sales	-30	-	-	-	-		-	
Matured	-	-	-7	-	-		-	
Unrealised value change in income statement	19	-	-	208	-208		-	
Unrealised value change in other comprehensive income	79	-	1	-	-		-	
Transfer from level 1 or 2	-	-	1	-	-		-	
Transfer to level 1 or 2	-	-	-	-	-		-	
Carrying amount at end of year	851	-	13	698	-698		-94	
Reconciliation of financial instruments in level 3 2013								
SEK m	Shares	Derivatives, net position	Loans to the public	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk		Issued securities	
Carrying amount at beginning of year	708	-	24	-	-		-77	
Acquisitions	44	-	-	-	-		-1	
Repurchases/sales	-6	-	-	-	-		-	
Matured	-1	-	-2	-	-		-	
Unrealised value change in income statement	-30	-	0	-	-		-6	
Unrealised value change in other comprehensive income	38	-	1	-	-		-	
Transfer from level 1 or 2	-	-	3	-	-		-	
Transfer to level 1 or 2	-	-	-8	-	-		-	
Carrying amount at end of year	753	-	18	-	-		-84	
Fair value of financial instruments recognised at cost or amortised cost 2014								
SEK m				Level 1	Level 2	Level 3	Total	
Assets								
Cash and balances with central banks				454 532	-	-	454 532	
Interest-bearing securities eligible as collateral with central banks				750	-	-	750	
Loans to credit institutions				49 357	525 638	492	575 487	
Loans to the public				6 818	52 511	676 996	736 325	
Bonds and other interest-bearing securities				251	-	-	251	
Assets where the customer bears the value change risk				-	89	-	89	
Total				511 708	578 238	677 488	1 767 434	
Liabilities								
Due to credit institutions				75 727	136 710	-	212 437	
Deposits and borrowing from the public				709 555	311 455	-	1 021 010	
Liabilities where the customer bears the value change risk				-	89	-	89	
Issued securities				160 516	476 626	-	637 142	
Subordinated liabilities				-	34 409	-	34 409	
Total				945 798	959 289	-	1 905 087	

## P34 Cont.

Fair value of financial instruments recognised at cost or amortised cost 2013				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with central banks	334 794	-	-	334 794
Interest-bearing securities eligible as collateral with central banks	3 481	-	-	3 481
Loans to credit institutions	17 693	460 979	937	479 609
Loans to the public	5 768	30 449	646 914	683 131
Bonds and other interest-bearing securities	931	-	-	931
Assets where the customer bears the value change risk	-	312	16	328
<b>Total</b>	<b>362 667</b>	<b>491 740</b>	<b>647 867</b>	<b>1 502 274</b>
<b>Liabilities</b>				
Due to credit institutions	47 866	180 265	-	228 131
Deposits and borrowing from the public	679 852	134 183	-	814 035
Liabilities where the customer bears the value change risk	-	328	-	328
Issued securities	136 324	390 583	-	526 907
Subordinated liabilities	-	17 705	-	17 705
<b>Total</b>	<b>864 042</b>	<b>723 064</b>	<b>-</b>	<b>1 587 106</b>

## P35 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt		
SEK m	2014	2013
Cash	21 048	-
Government instruments and bonds	20 629 <sup>1</sup>	21 853
Loans to the public	-	-
Shares	232	3 086
Other	316	277
<b>Total</b>	<b>42 225</b>	<b>25 216</b>
<i>Of which pledged assets that may be freely withdrawn by the Bank</i>		
	27 497	

Other pledged assets		
SEK m	2014	2013
Cash	2 102	702
Government instruments and bonds	25 185 <sup>2</sup>	30 483
Loans to the public	3 702	-
Shares	4 751	6 482
Other	18	4 012
<b>Total</b>	<b>35 758</b>	<b>41 679</b>
<i>Of which pledged assets that may be freely withdrawn by the Bank</i>		
	26 788	

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 38,562m (34,306) at the end of the financial year, where assets worth SEK 5,295m (1,050) had been sold or repledged to a third party.

Transferred financial assets recognised in the balance sheet		2014		2013	
		Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
SEK m					
Shares, securities lending		1 646	206 <sup>1</sup>	3 641	3 086 <sup>1</sup>
Shares, other		3 337	-	5 927	-
Government instruments and bonds, repurchase agreements		196	201	6 685	6 689
Government instruments and bonds, other		57	-	1 184	-
Assets where the customer bears the value change risk		1 008	1 008	328	328
<b>Total</b>		<b>6 244</b>	<b>1 415</b>	<b>17 765</b>	<b>10 103</b>

<sup>1</sup> Received cash collateral.

## P36 Contingent liabilities

SEK m	2014	2013
Guarantees, loans	10 336	54 386
Guarantees, other	66 172	62 126
Letters of credit	3 733	4 842
Other	230	155
<b>Total</b>	<b>80 471</b>	<b>121 509</b>

Contingent liabilities mainly consisted of various types of guarantees. The nominal amounts of the guarantees are shown in the table.



## P37 Other commitments

SEK m	2014	2013
Loan commitments	267 134	242 242
Unutilised part of granted overdraft facilities	102 817	101 866
Other	117 119	151 394
<b>Total</b>	<b>487 070</b>	<b>495 502</b>

<sup>1</sup> As of 2014, unutilised overdraft facilities which the counterparty does not have at its disposal at the time of recognition are not included and therefore do not give rise to a capital requirement. The comparative figures have been restated.

"Other" includes internal liquidity guarantees to subsidiaries amounting to SEK 102,285m (140,112).

Contracted irrevocable future operating lease charges distributed by the year they fall due for payment SEK m	2014	2013
2015	704	694
2016–2019	1 670	1 765
2020 and later	456	556
<b>Total</b>	<b>2 830</b>	<b>3 015</b>

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.

## P38 Pension obligations

SEK m	2014	2013
Fair value of plan assets	25 108	23 972
Pension obligations	25 615	25 234
<b>Net pensions<sup>1</sup></b>	<b>-507</b>	<b>-1 262</b>

Pension obligations are calculated in accordance with the Swedish Financial Supervisory Authority's regulations, which for the Swedish obligation means in accordance with the Act on Safeguarding Pension Obligations and for foreign obligations in accordance with their corresponding local regulation. Plan assets are held by Svenska Handelsbankens Pensionsstiftelse, Pensionskassan SHB, Försäkringsföreningen, and similar legal entities regarding commitments of the bank branches in the UK, Norway and Germany. During the year a sub-portfolio has been moved from Svenska Handelsbankens Pensionsstiftelse to Pensionskassan SHB, Försäkringsförening. As a result the obligations of Svenska Handelsbankens Pensionsstiftelse has decreased with SEK 1,494m. As neither the assets of Pensionskassan nor the actuarial provisions can be allocated to employers with insurances with Pensionskassan, these are not included in the plan assets nor the obligations in the table above. The surplus in Pensionskassan SHB, Försäkringsförening can be used to cover the deficit in the parent company. The pension obligations are SEK 6,140m (3,557) in the Bank's pension fund (Pensionskassan SHB, Försäkringsförening) and the market value of the assets is SEK 10,089m (10,141). The surplus value in Pensionskassan SHB, Försäkringsförening is thus SEK 3,949m (6,584).

<sup>1</sup> Given that the surplus in Pensionskassan SHB, Försäkringsförening can be used to cover the parent company's pension obligations, a deficit is not recorded as a liability in the balance sheet for 2014.

Pension costs SEK m	2014	2013
Pensions paid	-471	-464
Pension premiums	-527	-426
Social contributions	-11	16
Compensation from own pension trust	540	555
Payments to own pension trusts	-131	-27
<b>Pension cost recognised in the income statement</b>	<b>-600</b>	<b>-346</b>

The expected payment for next year for defined benefit pension plans is SEK 650m. The costs for pension premiums include premiums to the BTPK plan (defined-contribution pension) of SEK 86m (80).

Plan assets SEK m	2014	2013
Opening balance	23 972	21 835
Return	1 545	2 665
Payments to own pension trusts	131	27
Compensation from own pension trust	-540	-555
<b>Closing balance</b>	<b>25 108</b>	<b>23 972</b>
Percentage return on plan assets	6%	12%

SEK 11,970m (11,042) of the fair value of the plan assets in Svenska Handelsbankens Pensionsstiftelse consists of the provisions made in the years 1989–2004 to a special supplementary pension (SKP). The obligations include a commitment regarding SKP of the same amount as the fair value of the plan assets.

A part of the commitment, SEK 9,518m (8,655), is conditional.

Pension obligations SEK m	2014	2013
Opening balance	25 234	21 231
Technical fee	452	422
Interest	382	416
Indexation	269	18
Early retirement	208	109
Pensions paid	-471	-464
Changed assumptions <sup>2</sup>	0	1 819
Value change conditional obligation	863	1 343
Additional items retirement pension	0	480
Sub-portfolio movement	-1 494	-
Other change in capital value	172	-140
<b>Closing balance</b>	<b>25 615</b>	<b>25 234</b>

<sup>2</sup> Refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

Allocation of plan assets SEK m	2014	2013
Shares	20 340	19 565
Interest-bearing securities	4 357	3 489
Other plan assets <sup>3</sup>	411	918
<b>Total</b>	<b>25 108</b>	<b>23 972</b>

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts. The value of the pension commitments is calculated annually on the balance sheet date, on actuarial grounds.

In Norway, retirement pensions are paid from the age of 67. The amount of the pension is partly dependent on the period of service and the final salary up to 12 base amounts. The retirement pension including the statutory pension is expected to be approximately 70% of the final salary up to 12 base amounts.

In the UK, defined-benefit pensions are paid to employees who were employed before 1 January 2006. For employees who started after this date, defined-contribution pensions are paid. The normal retirement age is 65. The maximum retirement pension is some 67% of the pensionable salary, which is achieved after 40 years of service. The pensionable salary is limited to a maximum amount which is currently GBP 137,400.

In Sweden, the most important calculation assumptions are mortality and the discount rate. The mortality and discount rate assumption follows the assumptions in the Act on Safeguarding Pension Obligations. The discount rate is 2% (2%) after tax and assumptions for costs. The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

<sup>3</sup> Other plan assets include compensation from pension foundation that has not yet been paid out.

## P39 Assets and liabilities in currencies

2014 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	223	81 932	2 342	97	55 782	312 782	1 374	454 532
Loans to credit institutions	316 920	72 350	60 444	54 914	6 738	54 849	2 374	568 589
Loans to the public	246 820	117 776	119 338	46 912	167 068	26 628	12 941	737 483
<i>of which corporate</i>	201 700	94 255	86 286	27 907	113 903	26 476	11 694	562 221
<i>of which households</i>	45 120	23 521	33 052	19 005	53 165	152	1 247	175 262
Interest-bearing securities eligible as collateral with central banks	37 115	6 576	1 080	1	-	28 597	993	74 362
Bonds and other interest-bearing securities	50 924	3 976	3 890	-	828	34	-	59 652
Other items not broken down by currency	241 177							241 177
<b>Total assets</b>	<b>893 179</b>	<b>282 610</b>	<b>187 094</b>	<b>101 924</b>	<b>230 416</b>	<b>422 890</b>	<b>17 682</b>	<b>2 135 795</b>
<b>Liabilities</b>								
Due to credit institutions	39 071	71 539	12 424	15 187	3 922	56 408	11 548	210 099
Deposits and borrowing from the public	442 092	120 325	61 907	30 277	106 728	249 914	9 719	1 020 962
<i>of which corporate</i>	193 758	105 636	44 602	17 609	87 548	247 707	9 423	706 283
<i>of which households</i>	248 334	14 689	17 305	12 668	19 180	2 207	296	314 679
Issued securities	28 620	150 348	2 067	342	77 212	349 888	24 651	633 128
Subordinated liabilities	10 308	18 887	-	-	-	117	977	30 289
Other items not broken down by currency, incl. equity	241 317							241 317
<b>Total liabilities and equity</b>	<b>761 408</b>	<b>361 099</b>	<b>76 398</b>	<b>45 806</b>	<b>187 862</b>	<b>656 327</b>	<b>46 895</b>	<b>2 135 795</b>
Other assets and liabilities broken down by currency, net		78 545	-110 649	-56 091	-42 460	233 160	29 291	
Net foreign currency position		56	47	27	94	-277	78	25

2013 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	342	48 191	4 263	85	46 585	235 126	202	334 794
Loans to credit institutions	256 800	61 117	55 136	41 214	1 510	55 844	3 819	475 440
Loans to the public	246 168	112 723	120 198	42 815	128 823	24 349	10 296	685 372
<i>of which corporate</i>	203 374	96 502	88 683	24 522	90 189	24 294	9 150	536 714
<i>of which households</i>	42 794	16 221	31 515	18 293	38 634	55	1 146	148 658
Interest-bearing securities eligible as collateral with central banks	23 165	6 727	1 137	1	0	21 202	1 553	53 785
Bonds and other interest-bearing securities	49 739	5 651	2 667	75	-	734	77	58 943
Other items not broken down by currency	198 527							198 527
<b>Total assets</b>	<b>774 741</b>	<b>234 409</b>	<b>183 401</b>	<b>84 190</b>	<b>176 918</b>	<b>337 255</b>	<b>15 947</b>	<b>1 806 861</b>
<b>Liabilities</b>								
Due to credit institutions	32 664	25 769	7 982	14 260	12 490	121 745	11 721	226 631
Deposits and borrowing from the public	421 806	81 255	52 376	32 395	68 467	152 487	5 441	814 227
<i>of which corporate</i>	190 365	68 902	36 967	21 093	59 592	151 289	5 286	533 494
<i>of which households</i>	231 441	12 353	15 409	11 302	8 875	1 198	155	280 733
Issued securities	31 597	154 408	5 190	226	74 753	254 048	12 385	532 607
Subordinated liabilities	10 472	4 427	-	-	-	143	923	15 965
Other items not broken down by currency, incl. equity	217 431							217 431
<b>Total liabilities and equity</b>	<b>713 970</b>	<b>265 859</b>	<b>65 548</b>	<b>46 881</b>	<b>155 710</b>	<b>528 423</b>	<b>30 470</b>	<b>1 806 861</b>
Other assets and liabilities broken down by currency, net		31 421	-117 857	-37 267	-21 253	191 178	14 609	
Net foreign currency position		-29	-4	42	-45	10	86	60

## P40 Related-party disclosures

Claims on and liabilities to related parties		Subsidiaries		Associated companies		Other related parties	
SEK m		2014	2013	2014	2013	2014	2013
Loans to credit institutions		447 382	377 619	-	-	-	-
Loans to the public		1 207	1 207	1 186	729	-	-
Bonds and other interest-bearing securities		-	-	-	-	-	-
Derivatives		3 931	8 338	-	-	-	-
Other assets		9 433	8 725	85	85	565	587
<b>Total</b>		<b>461 953</b>	<b>395 889</b>	<b>1 271</b>	<b>814</b>	<b>565</b>	<b>587</b>
Due to credit institutions		15 418	61 701	-	-	-	-
Deposits and borrowing from the public		9 072	7 214	178	186	281	334
Issued securities		-	-	-	-	-	-
Derivatives		24 430	15 250	-	-	-	0
Subordinated liabilities		-	-	-	-	701	698
Other liabilities		522	325	-	-	56	56
<b>Total</b>		<b>49 442</b>	<b>84 490</b>	<b>178</b>	<b>186</b>	<b>1 038</b>	<b>1 088</b>
Contingent liabilities		53 120	55 907	-	-	-	-
Derivatives, nominal amount		420 219	475 041	-	-	-	-

Related parties – income and expense		Subsidiaries		Associated companies		Other related parties	
SEK m		2014	2013	2014	2013	2014	2013
Interest income		5 144	5 406	25	8	0	0
Interest expense		-404	-591	-2	-2	-74	-75
Fee and commission income		25	25	5	2	-	-
Fee and commission expense		-	0	-231	-93	-37	-29
Net gains/losses on financial items at fair value		-	-	0	0	-	-
Other income		1 973	1 835	0	-	13	12
Other expenses		-405	-438	-2	-2	-55	-45
<b>Total</b>		<b>6 333</b>	<b>6 237</b>	<b>-205</b>	<b>-87</b>	<b>-153</b>	<b>-137</b>

Note P16 contains a specification of subsidiaries and associated companies. The associated companies' operations comprise various types of services related to the financial markets. The following companies are included in the group of other related parties: Svenska Handelsbankens Pensionsstiftelse, Svenska Handelsbankens Personalstiftelse and Pensionskassan SHB, Försäkringsförening. These companies use Svenska Handelsbanken AB for normal banking and accounting services. Disclosures concerning shareholders' contributions to Group and associated companies are provided in note P16.

On 25 March 2014, Svenska Handelsbanken AB, Svenska Handelsbankens Pensionsstiftelse and Pensionskassan SHB, Försäkringsförening made mutual reallocations of their respective shareholdings; the Bank divested several shareholdings and, at the same time, purchased shares in Industrivärden and SCA. Following these transactions, Svenska Handelsbanken AB controls 10.46% of the votes in Industrivärden (7.5% of the capital) and 10.15% of the votes in SCA (2.1% of the capital). These transactions generated a capital gain of SEK 306m for the Bank. All business transactions with associated companies are made on market terms.

During the year a sub-portfolio has been moved from Svenska Handelsbankens Pensionsstiftelse to Pensionskassan SHB, Försäkringsförening. This is described in detail in note P38.

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.

## P41 Capital adequacy

Transitional own funds		
SEK m	2014	2013 according to Basel II
<b>Common equity tier 1 (CET1) capital: instruments and reserves</b>		
Capital instruments and the related share premium accounts	5 741	5 799
<i>of which share capital</i>	5 593	5 579
<i>of which convertible securities</i>	148	220
Retained earnings	75 629	69 702
Accumulated other comprehensive income (and other reserves)	7 096	-771
Funds for general banking risk		
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1		
Public sector capital injections grandfathered until January 2018		
Minority interests (amount allowed in consolidated CET1)		
Independently reviewed interim profits net of any foreseeable charge or dividend	2 576	5 543
<b>Common equity tier 1 (CET1) capital before regulatory adjustment</b>	<b>91 043</b>	<b>80 273</b>
<b>Common equity tier 1 (CET1) capital: regulatory adjustment</b>		
Additional value adjustments (negative amount)	-1	-1
Intangible assets (net of related tax liability) (negative amount)	-1 106	-977
Empty set in the EU		
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		-36
Fair value reserves related to gains or losses on cash flow hedges	-1 197	1 344
Negative amounts resulting from the calculation of expected loss amounts	-1 693	-806
Any increase in equity that results from securitised assets (negative amount)		
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		
Defined-benefit pension fund assets (negative amount)		
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-466	0
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
Empty set in EU		
Exposure amounts of the following items which qualify for a RW of 1,250%, where the institution opts for deduction alternative		-245
<i>of which qualifying holdings outside the financial sector (negative amount)</i>		
<i>of which securitisation positions (negative amount)</i>		
<i>of which free deliveries (negative amount)</i>		
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		
Amount exceeding the 15% threshold (negative amount)		
<i>of which direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities</i>		
Empty set in the EU		
<i>of which deferred tax assets arising from temporary difference</i>		
Losses for the current financial year (negative amount)		
Foreseeable tax charges relating to CET1 items (negative amount)		
Regulatory adjustments applied to common equity tier 1 in respect of amounts subject to pre-CRR treatment		
Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468	-1 437	-1 080
<i>of which filter for unrealised loss</i>	-1 437	-1 196
Amount to be deducted from or added to common equity tier 1 capital with regard to additional filters and deductions required pre-CRR		-32
Qualifying AT1 deductions that exceed the AT1 of the institution (negative amount)		
<b>Total regulatory adjustments to common equity tier 1 (CET1)</b>	<b>-5 900</b>	<b>-1 835</b>
<b>Common equity tier 1 (CET1) capital</b>	<b>85 143</b>	<b>78 438</b>

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Transitional own funds	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013		2013 according to Basel II
SEK m	2014		
<b>Additional tier 1 (AT1) capital: instrument</b>			
Capital instruments and the related share premium accounts	8 043	8 043	10 602
<i>of which classified as equity under applicable accounting standards</i>			
<i>of which classified as liabilities under applicable accounting standards</i>	8 043	8 043	10 602
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1			
Public sector capital injections grandfathered until 1 January 2018			
Qualifying tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties			
<i>of which instruments issued by subsidiaries subject to phase-out</i>			
<b>Additional tier 1 (AT1) capital before regulatory adjustments</b>	<b>8 043</b>		<b>10 602</b>
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>			
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)			
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			
Regulatory adjustments applied to additional tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amount)			
Residual amounts deducted from additional tier 1 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			
<i>of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.</i>			
Residual amounts deducted from additional tier 1 capital with regard to deduction from tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			
<i>of which items to be detailed line by line, e.g. reciprocal cross holdings in tier 2 instrument, direct holdings of non-significant investments in the capital of other financial sector entities etc.</i>			
Amounts to be deducted from or added to additional tier 1 capital with regard to additional filters and deductions required pre-CRR			
Qualifying tier 2 (T2) deductions that exceed the T2 capital of the institution (negative amount)			
<b>Total regulatory adjustments to additional tier 1 (AT1) capital</b>	<b>0</b>		<b>0</b>
<b>Additional tier 1 (AT1) capital</b>	<b>8 043</b>		<b>10 602</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>93 185</b>		<b>89 040</b>
<b>Tier 2 (T2) capital: instruments and provisions</b>			
Capital instruments and the related share premium accounts	17 860	697	3 881
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2			
Public sector capital injections grandfathered until 1 January 2018			
Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party			
<i>of which instruments issued by subsidiaries subject to phase-out</i>			
Credit risk adjustments			
<b>Tier 2 (T2) capital before regulatory adjustment</b>	<b>17 860</b>		<b>3 881</b>

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

## P41 Cont.

Transitional own funds	2014	2013 according to Basel II
SEK m		
<b>Tier 2 (T2) capital: regulatory adjustments</b>		
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
<i>of which new holdings not subject to transitional arrangements</i>		
<i>of which holdings existing before 1 January 2013 and subject to transitional arrangements</i>		
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-1 129	-32
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		145
Residual amounts deducted from tier 2 capital with regard to deduction from common equity tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		
<i>of which items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.</i>		
Residual amounts deducted from tier 2 capital with regard to deduction from additional tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		
<i>of which items to be detailed line by line, e.g. reciprocal cross holdings in Tier 2 instrument, direct holdings of non-significant investments in the capital of other financial sector entities etc.</i>		
Amounts to be deducted from or added to tier 2 capital with regard to additional filters and deductions required pre-CRR		
<b>Total regulatory adjustments to tier 2 (T2) capital</b>	<b>-1 129</b>	<b>113</b>
<b>Tier 2 (T2) capital</b>	<b>16 731</b>	<b>3 994</b>
<b>Total capital (TC = T1 + T2)</b>	<b>109 916</b>	<b>93 034</b>
Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	460 401	435 189
<i>of which additional capital to insurance companies in the Group not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)</i>	15 633	
<i>of which deferred tax claims not deducted from common equity tier 1 capital (residual values according to Regulation (EU) No 575/2013)</i>	262	
Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		
<b>Total risk-weighted assets</b>	<b>460 401</b>	<b>435 189</b>
<b>Capital ratios and buffers</b>		
Common equity tier 1 (as a percentage of total risk exposure amount)	18.5	18.0
Tier 1 (as a percentage of total risk exposure amount)	20.2	20.5
Total capital (as a percentage of total risk exposure amount)	23.9	21.4
Institution specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	2.5	
<i>of which capital conservation buffer requirement</i>	2.5	
<i>of which countercyclical buffer requirement</i>	0.0	
<i>of which systemic risk buffer requirement</i>	0.0	
<i>of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	0.0	
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.0	
[non-relevant in EU regulation]		
[non-relevant in EU regulation]		
[non-relevant in EU regulation]		

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Transitional own funds	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013		2013 according to Basel II
	2014		
SEK m			
<b>Capital ratios and buffers</b>			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)			
Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	72		
[Empty set in the EU]			
Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-105		
<b>Applicable caps on the inclusion of provisions tier 2</b>			
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)			
Cap on inclusion of credit risk adjustments in T2 under standardised approach			
Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)			
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach			
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>			
Current cap on CET1 instruments subject to phase-out arrangements	232		
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0		
Current cap on AT1 instruments subject to phase-out arrangements	9 780		
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0		
Current cap on T2 instruments subject to phase-out arrangements	5 926		
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0		

For reporting of the main features of capital instruments, see the publication "Risk and Capital Management – Information according to Pillar 3".  
Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.

Capital requirement	2014	2013
SEK m		
Credit risk according to standardised approach	10 221	3 836
Credit risk according to IRB approach	21 941	27 081
Market risk	939	770
Credit valuation adjustment risk (CVA)	534	-
Operational risk	3 197	3 128
<b>Total capital requirement</b>	<b>36 832</b>	<b>34 815</b>
Adjustment according to Basel 1 floor	12 317	8 993
<b>Capital requirement, Basel 1 floor</b>	<b>49 149</b>	<b>43 808</b>
Total capital base, Basel 1 floor	111 610	94 646
Capital requirement market risks	2014	2013
SEK m		
Position risk in the trading book	927	756
Interest rate risk	908	745
of which general risk	566	493
of which specific risk	338	252
of which positions in securitisation instruments	0	1
of which non-delta risk <sup>1</sup>	4	-
Equity price risk	19	11
of which general risk	3	3
of which specific risk	7	6
of which mutual funds	1	2
of which non-delta risk <sup>1</sup>	8	-
Exchange rate risk	-	-
of which non-delta risk <sup>1</sup>	-	-
Commodities risk	8	14
of which non-delta risk <sup>1</sup>	0	-
Settlement risk	4	0
<b>Total capital requirement for market risks</b>	<b>939</b>	<b>770</b>

<sup>1</sup> Non-delta risks were included in the capital requirement when CRR came into force on 1 January 2014.

## P41 Cont.

Capital adequacy analysis	2014	2013
Common equity tier 1 ratio, CRR, %	18.5	18,0
Tier 1 ratio, CRR, %	20.2	20.5
Total capital ratio, CRR, %	23.9	21.4
Risk exposure amount <sup>1</sup> , CRR, SEK m	460 401	435 189
Own funds in relation to capital requirement according to Basel 1 floor, %	227	212
Institution-specific buffer requirement, %	2.5	-
of which capital conservation buffer requirement, %	2.5	-
Common equity tier 1 capital available for use as a buffer, %	14.0	-

<sup>1</sup> Called risk-weighted assets in the regulations applying as at 31 December 2013 (Basel II).

Credit risk IRB	Exposure amount		Average risk weight %		Capital requirement	
SEK m	2014	2013	2014	2013	2014	2013
<b>Corporate exposures</b>	<b>667 183</b>	<b>642 301</b>	<b>31.1</b>	<b>36.3</b>	<b>16 579</b>	<b>18 655</b>
of which repos and securities loans	14 060	8 376	0.4	0.5	5	3
of which other lending, IRB Approach without own estimates of LGD and CCF	139 438	139 862	32.8	35.9	3 664	4 015
of which other lending, IRB Approach with own estimates of LGD and CCF	513 684	494 063	31.4	37	12 911	14 637
- Large corporates	148 769	153 531	48.6	52.5	5 782	6 450
- Small and medium-sized companies	66 036	65 961	48.1	60.1	2 543	3 172
- Property companies	282 575	261 980	19.6	23.1	4 440	4 832
- Housing co-operative associations	16 304	12 591	11.2	18.1	147	183
<b>Retail exposures</b>	<b>140 337</b>	<b>132 514</b>	<b>15.8</b>	<b>15.7</b>	<b>1 770</b>	<b>1 667</b>
of which property loans	75 321	61 259	11.6	8.8	698	432
of which other	65 016	71 255	20.6	21.7	1 072	1 235
<b>Small companies</b>	<b>20 857</b>	<b>21 631</b>	<b>31.2</b>	<b>39.4</b>	<b>520</b>	<b>682</b>
<b>Institutional exposures</b>	<b>134 408</b>	<b>100 490</b>	<b>12.4</b>	<b>11.9</b>	<b>1 334</b>	<b>953</b>
of which repos and securities loans	51 433	48 863	1.3	0.8	53	31
of which other lending	82 975	51 627	19.3	22.3	1 281	922
<b>Equity exposures</b>	<b>6 794</b>	<b>51 829</b>	<b>304.2</b>	<b>121.6</b>	<b>1 654</b>	<b>5 043</b>
of which listed equities	5 584	-	290	-	1 296	-
of which other equities	1 209	-	370	-	358	-
<b>Exposures without a counterparty</b>	<b>1 032</b>	<b>978</b>	<b>100</b>	<b>100</b>	<b>82</b>	<b>78</b>
<b>Securitisation positions</b>	<b>269</b>	<b>878</b>	<b>8.8</b>	<b>3.1</b>	<b>2</b>	<b>2</b>
of which traditional securitisation	269	878	8.8	3.1	2	2
of which synthetic securitisation	-	-	-	-	-	-
<b>Total IRB</b>	<b>970 879</b>	<b>950 621</b>	<b>28.2</b>	<b>35.6</b>	<b>21 941</b>	<b>27 081</b>
of which repos and securities loans	65 493	57 239	1.1	0.7	57	34
of which other lending, IRB Approach without own estimates of LGD and CCF	230 508	245 174	36.2	51.3	6 682	10 061
of which other lending, IRB Approach with own estimates of LGD and CCF	674 878	648 208	28.2	32.8	15 201	16 986

Capital requirements, Standardised approach <sup>1</sup>	2014			2013		
SEK m	Exposure value	Average risk weight %	Capital requirement	Exposure value	Average risk weight %	Capital requirement
Sovereign and central banks	553 001	0.0	4	403 612	0.0	12
Municipalities	29 965	0.1	1	31 115	0.1	2
Multilateral development banks	762	0.0	0	1 647	0.0	0
Institutions	454 716	0.2	76	402 234	0.2	69
Corporate	12 355	80.7	798	23 740	100.0	1 898
Retail	18 591	74.8	1 112	10 277	75.0	617
Property mortgages	58 011	36.3	1 686	35 349	37.9	1 072
Past due items	136	130.3	14	147	137.2	16
Equity exposures	66 571	114.1	6 076	-	-	-
of which listed equities	641	100.0	51	-	-	-
of which other equities	65 930	114.2	6 025	-	-	-
Other items	6 348	89.4	454	2 487	75.5	150
<b>Total Standardised approach</b>	<b>1 200 456</b>	<b>10.6</b>	<b>10 221</b>	<b>910 608</b>	<b>5.3</b>	<b>3 836</b>

<sup>1</sup> Details of capital requirements for exposure classes where there are exposures.



# Recommended appropriation of profit and statement from the Board

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 96,947 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 17.50, of which SEK 12.50 in ordinary dividend (SEK 16.50 for 2013)	11,124
Balance carried forward	85,823
Total allocated	96,947

When assessing the amount of the company's proposed dividend, totalling SEK 11,124 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 SEK 11,125 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 12,365 million net.

The Bank's total capital according to the consolidated situation at the year-end, minus the proposed dividend based on completed conversions and other material changes since the year-end, exceeded the statutory minimum capital requirement by SEK 34,555 million, common equity tier 1 capital exceeded the minimum requirement and the buffer requirement by SEK 50,045 million, and the tier 1 capital by SEK 50,882 million. For the parent company, the total capital exceeded the statutory minimum capital requirement by SEK 62,461 million, common equity tier 1 capital exceeded the minimum requirement and the buffer requirement by SEK 52,914 million, and the tier 1 capital by SEK 54,051 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, 3 FEBRUARY 2015

Fredrik Lundberg

Anders Nyrén  
*Chairman of the Board*

Sverker Martin-Löf

Jon Fredrik Baksaas

Tommy Bylund

Jan Johansson

Ole Johansson

Bente Rathe

Charlotte Skog

Pär Boman  
*President and Group Chief Executive*

# Auditor's report

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

## REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of Svenska Handelsbanken AB (publ) for the year 2014, included in the printed version of this document on pages 7–191.

### 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 2014 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 2014 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 2014.

### 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, 12 February 2015

KPMG AB  
Stefan Holmström  
*Authorised Public Accountant*

Ernst & Young AB  
Erik Åström  
*Authorised Public Accountant*



# Sustainability Report 2014

# Sustainability Report

In this Sustainability Report, Handelsbanken has gathered information about the Bank's sustainability work, in accordance with guidelines from the Global Reporting Initiative, GRI. For many years, the Bank has reported relationships with our main stakeholders - customers, employees, investors and the community at large - and also how the Bank's operations have affected the environment.

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#### ABOUT THIS REPORT

This report describes how Handelsbanken works with its most important sustainability issues, in relation to its main stakeholders. This is Handelsbanken's fifth sustainability report prepared in accordance with Global Reporting Initiative's (GRI) 3.0 guidelines for reporting and covers activities and results for the 2014 calendar year. The information refers to the Group unless otherwise stated. Handelsbanken's reporting meets level C+, which has also been confirmed by the Bank's external auditors. See the assurance report on page 223.

There is a comprehensive index according to GRI principles on pages 221–222.

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

Additional information regarding Handelsbanken's sustainability activities is presented in an expanded GRI supplement, published on Handelsbanken's website.

# Sustainability at Handelsbanken

The Bank's business opportunities and successes depend on customers, employees, the general public, investors and public authorities having confidence in the Bank. A condition for this confidence is that the Bank's operations are subject to high ethical standards and responsible actions.

## DEFINITION

In addition to Handelsbanken's corporate goal of having higher profitability than the average of peer banks in its home markets, Handelsbanken also aims to act as a responsible institution in the community. It is therefore logical for the Bank to work with sustainability issues – often referred to as Corporate Social Responsibility – which entail a voluntary responsibility for how the Bank's operations affect the community from an economic, social and environmental perspective.

## LONG TRADITION OF TAKING RESPONSIBILITY

Sustainability has long been a well-integrated part of the Handelsbanken concept of how successful banking operations can be run in a responsible way. Back in the early 20th century, the management of the Bank was keen to offer the employees good terms of employment, including pensions and paid holiday leave.

For a long time, Handelsbanken has had very good relations with the union organisations. In the early 1970s, Handelsbanken was a pioneer in giving seats on the Bank's Board to representatives of its employees.

For more than 40 years, Handelsbanken has built up a decentralised organisation with a strong local presence where operations are based on the customer's requirements. The results have been steadily increasing customer satisfaction and since SKI/EPIS started their customer satisfaction surveys in the late 1980s, Handelsbanken has been at the top.

Handelsbanken's operations are characterised by long-term stable finances. This means that Handelsbanken has never needed to seek support from either the government and tax payers or central banks in modern times.

## OUR ANALYSIS OF THE IMPACT OF OUR OPERATIONS

Companies can affect their environment in financial, social and environmental terms. Different sectors have varying impact within the various areas of responsibility. For example, a bank's direct environmental impact is fairly limited. In terms of its indirect environmental impact, Handelsbanken's assessment is that it normally has relatively little opportunity to affect customers' behaviour and that customers are fully responsible for how their operations are run. However, a fundamental condition for the Bank's lending is that the operation is legally compliant and that it fulfils all requirements from public authorities in terms of environmental and other sustainability matters.

The loan loss ratios of a bank are perhaps the clearest indicator when assessing how responsible a bank is. An unhealthy level of household and corporate debt always hits the customer hardest. The latest global financial crisis has shown that banking operations can – if they are not run in a responsible manner – lead to negative consequences for stakeholders and the wider community. Handelsbanken considers it very important that the Bank's lending is responsible, and that it is based on a careful 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. Traditionally, Handelsbanken has a very low risk tolerance and therefore has low loan losses.

In times of financial turbulence, it becomes even clearer that banks which have acted responsibly have a competitive edge, for example regarding their opportunities and terms to obtain funding on the international bond market and attracting talented staff. Customers also attach great importance to the fact that a bank has acted responsibly. Having funds on an account with a secure bank is perceived as an attractive option.

## HOW WE WORK WITH SUSTAINABILITY

Handelsbanken aims to continue being a responsible participant in society by, in addition to the legal requirements, taking responsibility for how the Bank's operations affect stakeholders and the community from an economic, social, ethical and environmental perspective.

Sustainability work is completely integrated in Handelsbanken's corporate culture and working methods and encompasses the whole of the Group's operations in all markets where the Bank operates. In addition to internal governance documents and guidelines, the Bank is also a member of the UN initiatives: Global Compact and Principles for Responsible Investment (PRI). These initiatives are totally in keeping with the values, principles and working methods that have been applied at Handelsbanken for a long time.

Handelsbanken considers sustainability questions to be very important when granting credits. The Bank's credit policy states that when making credit risk assessments, the customer's approach to human rights, fundamental principles regarding work conditions, environmental concerns and anti-corruption must be taken into account.

Sustainability issues are also a vital component of responsible asset management. In mutual

fund, asset and pension management, Handelsbanken endeavours to contribute to sustainable development in economic, environmental and social terms in the companies in which we invest, on behalf of our customers.

Handelsbanken also examines its major suppliers' approach to sustainability. When making purchases, the Bank must make enquiries as to whether suppliers have collective agreements, and have policies regarding work environment and giving and taking bribes.

## Financial sustainability

The latest global financial crisis has clearly shown that, for a bank, the most fundamental criterion for sustainability is survival. Handelsbanken is – and will continue to be – a bank with stable finances, which manages without support from the government or central banks, a bank which, regardless of the situation in the world around us, is there for our customers. Handelsbanken is convinced that sustainable long-term growth and shareholder value can only be achieved if the Bank creates long-term value for its customers at the same time – and for society as a whole.

## Social sustainability

One manifestation of social and ethical responsibility at Handelsbanken is responsible lending and advice. A long-term commitment permeates our work with no short-term incentive systems. This is our overall approach in the Bank. For this reason no performance- or volume-based bonuses occur, or other forms of variable remuneration, for the Bank's management or for any other employee who takes decisions on credits or limits. Nor does the Bank make any budgets, or have any volume or market share targets.

Handelsbanken aims to continue to be a secure, attractive employer where all employees are happy and enjoy good health. Among other things, this means that employees have the right to join a union or employee organisation and that the Bank's work with gender equality and diversity will continue. The Bank aims to retain a very low level of external staff turnover.

## Environmental sustainability

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. A bank's direct environmental impact is relatively limited. The Bank measures and takes action to minimise the carbon dioxide emissions generated by its operations.

# Key figures for sustainability work

To follow up the sustainability work, the Bank has identified a number of measurable indicators for how our sustainability activities perform over time, and compared them with those of peer companies with similar conditions.



## FINANCIAL SUSTAINABILITY

By being a bank with stable finances, Handelsbanken aims to act as a responsible institution and contribute to the development of the community.

- For a bank, the most fundamental criterion for sustainability is survival – without taxpayer support. Handelsbanken has stable finances, and on no occasion during the most recent financial crisis did it need to ask for liquidity support or capital contributions, either from a central bank, the state or in the form of a new share issue.
- Every year since the early 1970s, Handelsbanken has had higher profitability than the average of peer banks on our home markets.
- Handelsbanken has paid a dividend to its shareholders for many years in succession, including every year during the recent period of turbulence on the financial markets.
- By virtue of its profit level over many years, Handelsbanken has been one of the largest payers of corporate tax in Sweden and is the largest payer to the Swedish Stabilisation Fund for the financial system.



## SOCIAL SUSTAINABILITY

Corporate social responsibility at Handelsbanken is manifested partly in responsible lending and advisory services, the aim to have satisfied customers and also be an attractive employer.

- Over-aggressive selling of credits which leads to an unhealthy level of household and corporate debt always hits the customer hardest. For many years, Handelsbanken has had much lower loan losses than peer players in the banking sector. In 2014, Handelsbanken's loan losses were 0.10 per cent (0.07) of lending. Since the onset of the financial crisis in 2008, the Bank's loan loss ratio has averaged 0.10 per cent. This can be compared with the average figure for the other major Nordic banks over the same period: 0.35 per cent.
- In 2014, Handelsbanken had the most satisfied customers of the four major banks\* in Sweden, according to SKI (Swedish Quality Index). This applied to both private and corporate customers. In Handelsbanken's other home markets, the Bank is maintaining its strong, stable position as regards customer satisfaction, according to SKI's associated organisation, EPSI Rating.
- Handelsbanken is an attractive employer that offers its staff security. External staff turnover was very low and, excluding retirements and deaths, was 3.2 per cent (2.9) in the Group, and 2.2 per cent (1.8) in Sweden.
- Total absence due to sickness for staff in Sweden was 2.7 per cent (3.0), with 1.0 per cent of this figure long-term sick leave (1.3).

\* Handelsbanken, Nordea, SEB and Swedbank.



## ENVIRONMENTAL SUSTAINABILITY

To promote long-term sustainable development, Handelsbanken works to minimise the Bank's direct and indirect impact on the environment.

- The proportion of green electricity is 89 per cent for the Nordic region as a whole and 99 per cent for Swedish operations.
- In autumn 2014, CDP presented its annual report on how the world's 4,800 largest companies report their emissions, and how they manage their impact on climate. Handelsbanken improved its result to 85 points (81) out of a possible 100. The average value in the CDP Nordic survey was 80 points for the 189 respondents.
- For all the Bank's regional banks in the Nordic countries, the UK and the Netherlands and also central units, carbon dioxide (CO<sub>2</sub>) emissions from the operations' electricity consumption totalled 3,663 tonnes in 2014. Emissions of CO<sub>2</sub> for electricity consumption have increased compared with 2013. This is because the Bank's operations grew in 2014, mainly in the UK, which affects the Bank's electricity consumption.

For the Swedish operations, we measure CO<sub>2</sub> emissions for electricity consumption, transport, business travel and heating/cooling and diesel for properties owned by the Bank in Sweden, which totalled 3,702 tonnes of CO<sub>2</sub> (excluding paper consumption) for 2014. Emissions of CO<sub>2</sub> in Sweden have gone down by 10 per cent compared with 2013.

- Starting in 2014, the Bank reports internal use of paper for Sweden, Finland and Norway.

## OVERALL GOALS

### Corporate goal

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

### Goal achievement

Handelsbanken's return on equity for total operations was 13.4 per cent (13.9). The corresponding figure for a weighted average of other major Nordic banks was 11.3 per cent (11.4). The corresponding figure for a weighted average of all peer banks in the home markets is estimated at approximately 10 per cent (10.2). This means that for the 43rd consecutive year, Handelsbanken has met its corporate goal.

## Return on equity 1973–2014



\* For the period until 2002 inclusive, only Swedish banks are included.



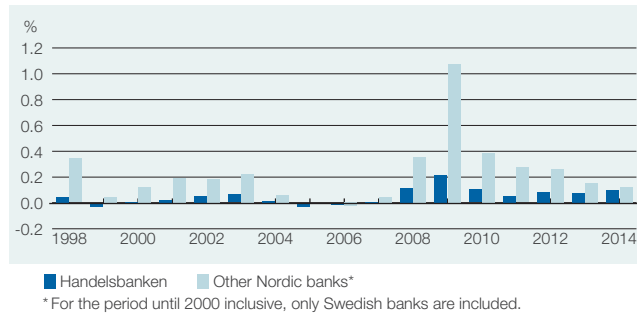
## LOWER LOAN LOSSES

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

### Outcome

Loan losses were SEK -1,781 million (-1,195). Loan losses as a proportion of lending were 0.10 per cent (0.07). The corresponding figure for other major Nordic banks was 0.12 per cent (0.15).

Loan losses as a percentage of lending  
1998–2014



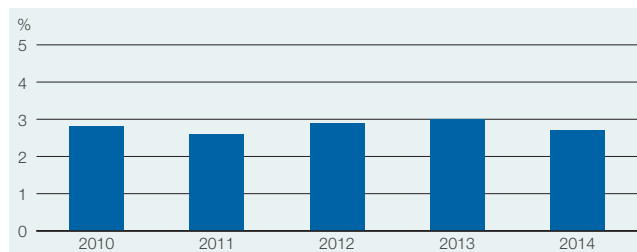
## SICKNESS ABSENCE

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

### Outcome

Total absence due to sickness for staff in Sweden was 2.7 per cent (3.0), of which those on long-term sick leave represented 1.0 per cent (1.3).

Sickness absence rate in Sweden 2010–2014\*



\* Sickness absence is stated as a percentage of total normal working hours.

## MOST SATISFIED CUSTOMERS

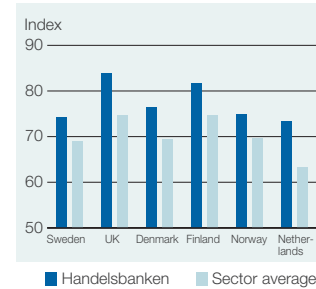
One way that Handelsbanken aims to achieve its profitability goal is by having more satisfied customers than its competitors. The quality and service must therefore at least meet customer expectations, and preferably exceed them.

### Outcome

Handelsbanken continued to have the most satisfied customers of the four major banks in Sweden, both private and corporate. Handelsbanken also retains its strong and stable position regarding customer satisfaction in the Nordic countries, the UK and the Netherlands. Satisfied customers are proof of the viability of Handelsbanken's method of working.

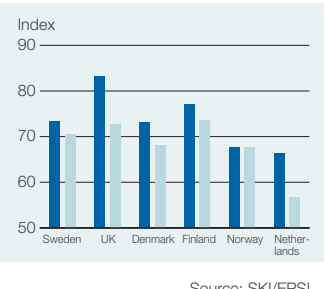
Customer satisfaction

– Private customers 2014



Customer satisfaction

– Corporate customers 2014



Source: SKI/EPRI

## LONG-TERM EMPLOYEE RELATIONS

The Bank takes a long-term approach to relations with both customers and employees. It sees each recruitment as important and long term. Employees with long experience and with broad knowledge from the whole Bank make a vital contribution to the Bank having satisfied customers.

### Outcome

External staff turnover in Sweden was very low and amounted to 2.2 per cent in Sweden (1.8).

External staff turnover 2010–2014\*



\* The proportion of employees who have left externally (excluding retirements and deaths) in relation to the average number of employees.

— Sweden

## CARBON DIOXIDE EMISSIONS

To clarify Handelsbanken's environmental impact and activities, the Bank has opted to report carbon dioxide emissions from electricity consumption in the Nordic countries for 2009–2014, in the UK for 2011–2014 and in the Netherlands for 2013–2014.

Carbon dioxide emissions (CO <sub>2</sub> ) tonnes	2014	2013	2012	2011	2010	2009
Electricity consumption, Nordic region <sup>1,2</sup> , UK <sup>3</sup> and Netherlands <sup>4</sup>	3 663	2 971				
Electricity consumption, Nordic region <sup>1,2</sup> and UK <sup>3</sup>	3 515	2 846	2 170	3 763		
of which electricity consumption, Nordic countries <sup>1,2</sup>	1 568	1 093	767	2 517	4 519	6 568
electricity consumption, Sweden <sup>2</sup>	152	83	224	821	2 717	5 071
Heating, cooling, oil, diesel, city gas for own properties, Sweden	992	1 143	1 480	1 466	1 569	1 181
External transport, Sweden	345	398	401	125	128	289
Business travel, Sweden	2 214	2 470	2 261	2 171	2 216	2 417
Business travel by car in Denmark, Finland and Norway	253					
Paper consumption external distribution, Sweden	539					
Paper consumption, Sweden, Finland and Norway	31					
<b>Total reported carbon dioxide emissions</b>	<b>8 036</b>					

<sup>1</sup> Sweden, Denmark, Norway, Finland.

<sup>2</sup> The recalculation factor applied for emissions of CO<sub>2</sub> for non-green electricity in the Nordic countries is residual mix Nordic countries, i.e. electricity where the source cannot be derived.

Emissions of CO<sub>2</sub> for 2009–2012 have been retroactively recalculated according to residual mix Nordic countries.

<sup>3</sup> For the UK, the emission factor is from the report: "2014 Government GHG Conversion Factors for Company Reporting: Methodology Paper for Emission Factors".

<sup>4</sup> For the Netherlands, the emission factor is from the report "CO<sub>2</sub> emissions from fuel combustion: highlights (2013 Edition)".

# Our concept and organisation

Handelsbanken is a full-service bank with a decentralised working method, a strong local presence due to nationwide branch networks and a long-term approach to customer relations. Handelsbanken primarily grows by opening new branches in locations where the Bank has not previously had operations.

Handelsbanken has conducted banking since 1871 and its share is the oldest listed share on the Stockholm stock exchange.

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of 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 customers. This applies at our branches, online, and at new digital meeting-places, such as services in the form of apps (mobile applications) for mobile phones and tablets.

When a customer contacts 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 they contact the Bank.

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

We always focus on the customer's needs 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: Pension & Life, Markets & Asset

Management, Merchant Banking International, Stadshypotek, Forestry & Farming and Retail & E-services. Each product owner packages their product, while the branch takes responsibility for each individual customer being offered services which are adapted to that particular customer's needs and circumstances.

## MARKETS

Handelsbanken offers financial products and services in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

In the UK, the Bank now has 178 branches. During the year, it opened a fifth regional bank, with its head office in Leeds, and the Bank continues to grow in the UK.

We also opened new branches in the Netherlands in 2014, and at the end of the year had 20 branches there.

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

Handelsbanken currently has more than 830 offices in 24 countries, including 815 branches in our six home markets.

## GROWTH MODEL

For Handelsbanken to achieve and retain high profitability, growth is also necessary. The Bank primarily grows by opening new branches in locations where it has not previously had operations. In this way, Handelsbanken grows customer by customer, branch by branch. 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 banking business in his/her local area of operations.

Handelsbanken's branch managers have a very high degree of independence, as we are convinced that those who work closest to the customer will make the most sensible decisions, from the customer's and from the Bank's point of view. This mandate to take the important business decisions on the spot with the customer is a sound basis for successful customer meetings. Our customers meet the person who will make the decision, not a messenger.

The branches' independence gives them a very strong local presence, with long-term customer relationships. No one has better knowledge of the specific demands applying in the local market than the local branch. This is why the Bank does not normally use central marketing plans or advertising campaigns. Handelsbanken has consistently and successfully applied this decentralised working method for many years.

## ORGANISATION FOR SUSTAINABILITY

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

Handelsbanken has a committee for sustainability matters which was formed in 2010. The chairman of the committee is an Executive Vice President and member of Senior Management with overall responsibility for ensuring that Handelsbanken identifies and addresses the sustainability matters of relevance to the Bank. The committee comprises representatives from branches in Sweden, branches outside the Bank's home markets, Handelsbanken Capital Markets, and representatives from the central functions for Communications, Investor Relations, IT, Credits and Personnel. The committee met nine times during the year.

Central  
departments and  
administrative  
functions

Central business  
areas and  
product owners

Regional  
head offices

Branches

CUSTOMER

### 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 in their local market. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country. 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.

# 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 expectations of these stakeholders and acting so 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. This includes the supervisory authorities in the countries where the Bank operates.

## CONTINUOUS DIALOGUE

It is important that the Bank keeps itself up-to-date concerning the wishes and requirements that various stakeholders have as regards Handelsbanken. Therefore the Bank has a continuous dialogue with its customers, staff, shareholders and investors, as well as with authorities and other public organisations.

## Customers

The most important dialogue occurs at the thousands of meetings with customers that take place daily at over 830 offices and by phone and by email.

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

## Employees

All employees participate and are active in their own unit's business planning every year. This is followed by the individual planning dialogues and performance reviews which are the link between the goals of the business operations and the goals of the employee. The result is an action plan which is followed up regularly during the year and then forms the basis of an annual salary dialogue review between employee and manager.

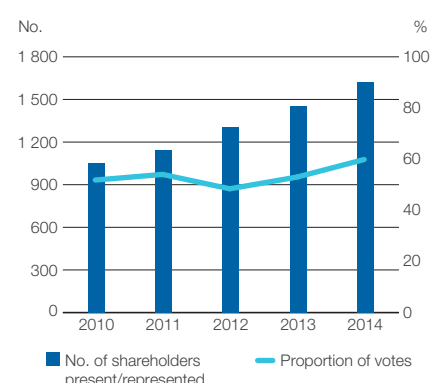
## Shareholders

Handelsbanken's shareholders are those who ultimately decide about the Bank's governance. The shareholders exercise their right to decide on matters relating to the company at general meetings of shareholders. Here, individual shareholders have the opportunity to put questions to the Bank's Board and senior management.

Shareholders show great interest in the Bank's AGMs. In the past five years, shareholders representing more than 50 per cent of the votes in the Bank have participated.

The Bank's Investor Relations unit provides investors, analysts, rating agencies and other capital market players with information regarding Handelsbanken's operations and financial performance.

## Attendance at AGMs 2010–2014



## Society

Handelsbanken has a continuous dialogue with supervisory authorities, central banks, regulatory bodies, etc., as well as with governments and parliaments, in Sweden, the EU and other countries. The Bank also has continuous contact with non-governmental organisations (NGOs).

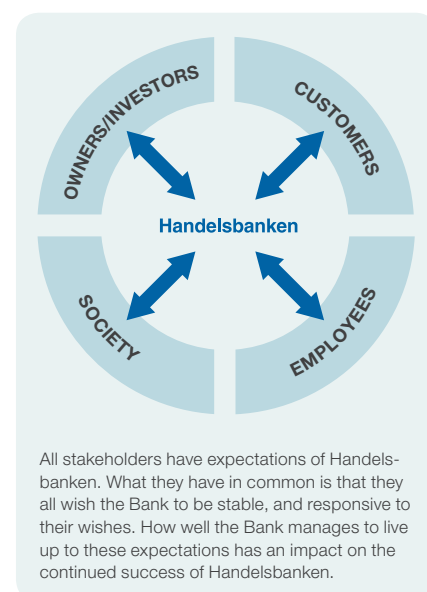
The table, which is laid out according to GRI's principles, shows how the income generated by the Bank's operations is allocated over various groups of stakeholders. The data comes from the Group's income statement and balance sheet.

## Direct economic value generated and distributed (according to GRI) Economic flows to and from various groups of stakeholders

SEK bn	2014	2013	2012	2011	2010
<b>DIRECT ECONOMIC VALUE CREATED</b>					
<b>Customers</b>					
Income after loan losses and before fees to the Stabilisation fund, deposit guarantee etc.	37.7	36.2	34.9	33.1	30.4
<b>Value created by serving customers</b>	<b>37.7</b>	<b>36.2</b>	<b>34.9</b>	<b>33.1</b>	<b>30.4</b>
<b>ALLOCATED ECONOMIC VALUE</b>					
<b>Employees</b>					
Salaries	7.6	7.1	6.9	6.7	6.4
Provision to profit-sharing foundation	0.8	1.1	1.0	0.9	0.8
Payroll charges, pensions and other staff costs	3.4	3.2	3.3	2.3	2.3
<b>Cost of employees</b>	<b>11.8</b>	<b>11.4</b>	<b>11.2</b>	<b>9.9</b>	<b>9.5</b>
<b>Public authorities and society at large</b>					
Suppliers incl. non-deductible VAT*	5.6	5.7	5.5	5.5	5.5
Tax costs**	4.1	3.9	3.0	4.4	4.0
Fees to the Stabilisation fund, deposit guarantee etc.	1.2	1.1	1.1	1.1	0.6
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes/central bank support	-	-	-	-	-
<b>To society</b>	<b>10.9</b>	<b>10.7</b>	<b>9.6</b>	<b>11.0</b>	<b>10.1</b>
<b>Shareholders</b>					
Dividends (refers to the year dividends were paid)	10.5	6.8	6.1	5.6	5.0
New share issue	-	-	-	-	-
<b>Transactions with the shareholders</b>	<b>10.5</b>	<b>6.8</b>	<b>6.1</b>	<b>5.6</b>	<b>5.0</b>
<b>Reinvested economic value ("remaining in the Bank")</b>	<b>4.5</b>	<b>7.3</b>	<b>8.0</b>	<b>6.6</b>	<b>5.8</b>

\* Refers to Other administrative expenses and depreciation.

\*\* Refers to Tax costs according to the income statement.



# Satisfied customers

For Handelsbanken, the starting point is always meeting the individual customers' requirements. In this way we build a trusting, long-term relationship with every customer. Every year, SKI (Swedish Quality Index) and EPSI Rating carry out independent surveys of customer satisfaction, including in the banking sector. For the 26th year running,\* customers rated Handelsbanken highest compared with the three other major banks in Sweden.

Handelsbanken always aims for all important business decisions to be taken as close to the customer as possible. This contributes to better meetings with customers, better decisions and more satisfied customers. In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. By gaining its customers' trust, Handelsbanken becomes their natural choice.

**“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. We also develop a new type of physical meeting-place that is linked to the local branch office in locations where customers can meet the Bank when it suits them.

When the branches are closed, Handelsbanken Direkt Personal Service is always open.

This is a unique service since it is staffed by professional bank officers who help customers out by phone, 24 hours a day, 365 days a year.

In addition to personal service, we work all the time to improve our digital meeting-places where customers can do most of their banking transactions such as paying bills, transferring money, seeing balances and card transactions, buying and selling mutual fund units and reviewing their mutual fund savings directly via a mobile phone or tablet device. There are apps (mobile applications) for Android, iPhone, iPad and Windows Phone. But customer responsibility is always with the local branch, regardless of the meeting-place the customer chooses. At Handelsbanken, all contact paths lead to the local branch.

## SATISFIED CUSTOMERS IN OUR HOME MARKETS

Handelsbanken considers customer satisfaction surveys to be very important. Every year, SKI (Swedish Quality Index) and its associated organisation EPSI Rating carry out independent surveys of customer satisfaction. This year's surveys showed that Handelsbanken has more satisfied private customers than the average for the banking sector in each of the Bank's six home markets.

In Sweden, Handelsbanken has the most satisfied customers, in terms of the banking sector as a whole. Handelsbanken also gains the highest ratings when it comes to acting responsibly, as the survey also shows that

customers attach great importance to whether banks act in a responsible manner – for example by maintaining branch presence in towns, and not closing down branches.

**“In Sweden, Handelsbanken has the most satisfied customers, in terms of the banking sector as a whole.”**

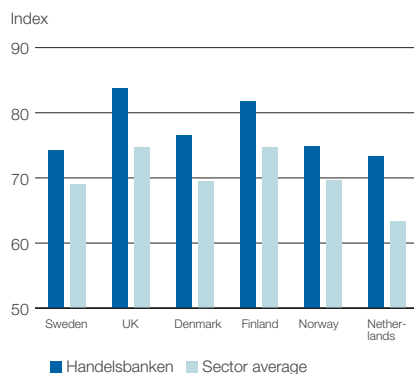
In the UK, Handelsbanken continued to have the most satisfied private and corporate customers. The result also shows that customer satisfaction is higher than the average for the sector.

In Denmark, Handelsbanken had the most satisfied private and corporate customers, and thus the Bank retains its No.1 position for another year.

In Finland, too, the Bank has the most satisfied private and corporate customers.

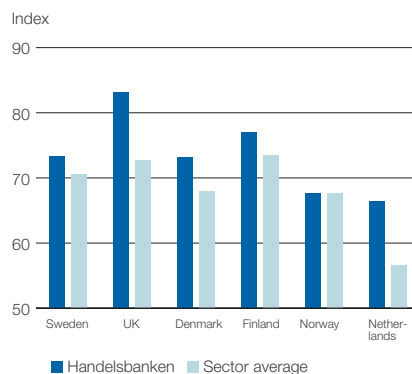
The results in Norway showed that Handelsbanken has more satisfied private customers than the average for the Norwegian banking sector. Among corporate customers, satisfaction is on a par with the sector average.

Customer satisfaction – Private customers 2014



Source: SKI/EPSI

Customer satisfaction – Corporate customers 2014



Source: SKI/EPSI

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

“To sum up, these independent surveys of customer satisfaction are proof of Handelsbanken’s success in working consistently and continuously with building up long-term customer relationships.”

In the Netherlands, surveys showed that the Bank’s customers are considerably more satisfied than the average for the sector. This applies to both private and corporate customers.

To sum up, these independent surveys of customer satisfaction are proof of Handelsbanken’s success in working consistently and continuously with building up long-term customer relationships.

#### LOYAL CUSTOMERS

It is just as important to have loyal customers as satisfied customers. This offers many advantages, for example, that customers are dissatisfied

and change banks to a lesser extent. This leads to lower costs for the Bank which in turn creates the right conditions for more competitive prices to customers.

In Swedish Quality Index’s (SKI) and EPSI’s annual surveys, loyalty, too is a key result linked to customer satisfaction. There is a positive connection between customer satisfaction and loyalty. Loyalty reflects whether customers intend to remain with their bank, in what terms they talk about their bank, and whether they would recommend their bank to other people.

In addition to the fact that Handelsbanken’s customers are very satisfied, the results for 2014 show that they are also very loyal. In all home markets, it can be seen that loyalty is considerably higher than for the average of the sector. This also applies to markets where Handelsbanken can be regarded as a major player, which must be considered unique.

#### REPUTATION

According to the TNS Sifo Reputation Index for 2014, based on public opinion, Handelsbanken is one of the ten companies in Sweden with the best reputation, regardless of the sector surveyed. The Bank’s index score of 56 can be compared with those of the other three major Swedish banks, which are between 29 and 42.

According to the survey, Handelsbanken is perceived, among other things, to have high ethical and moral standards, to show civic responsibility, and to be a good workplace; these are important factors influencing Handelsbanken’s reputation in terms of sustainability.

#### HANDLING OF CUSTOMER COMPLAINTS

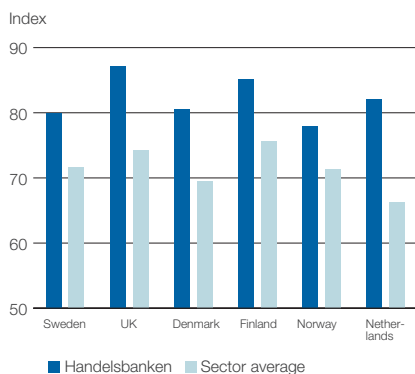
Handelsbanken takes customer complaints very seriously and has well-established procedures for handling these cases. We attach great importance to handling opinions and complaints that come in to the Bank in a manner which inspires confidence.

Complaints must be dealt with in the first place by the responsible branch, with the attention that each case requires. If the customer wishes to pursue the matter, there is a designated complaints officer in each regional bank. In addition, there are complaints officers at Group level who regularly report to Senior Management, regional banks and product owners.

Information about complaints management at the Bank is easily available at [handelsbanken.com](http://handelsbanken.com).

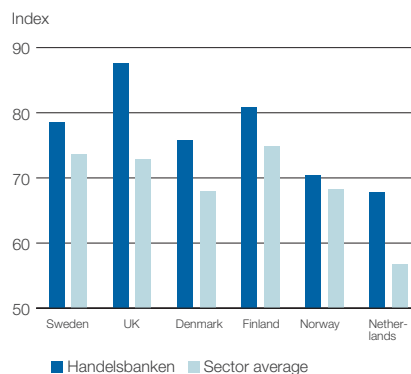
“In all home markets, it can be seen that loyalty is considerably higher than for the average of the sector.”

Loyalty – Private customers 2014



Source: SKI/EPPI

Loyalty – Corporate customers 2014



Source: SKI/EPPI

# Skilled staff

At Handelsbanken, we constantly strive for our corporate culture, with its decentralised work method and belief in the individual, to permeate our operations. This applies no matter where in the world Handelsbanken opens new branches. In 2014, Handelsbanken had 11,692 employees, working in 24 countries, almost 37 per cent of whom were employed outside Sweden.

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

Above all, working at Handelsbanken is about relationships with other people. Without the right staff, it does not matter how good the products or services are. So when we recruit new employees, we always seek people who share the Bank's basic values. We want our employees to be driven by putting the customer first, to enjoy taking a large amount of individual responsibility, and to want to take their own initiatives.

## 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 purpose is to attract and recruit young employees as part of the Bank's future management succession, and to promote gender equality and diversity. The programme comprises working at the Bank during their studies, their own action plan and relevant studies for development at Handelsbanken. Just over 100 of the Bank's employees are participating, or have participated, in the Student Programme since its inception in 2011.

## CONSTANT DEVELOPMENT

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

Therefore, all employees participate in drawing up their own unit's business plan. This forms

the basis of the PLUS performance dialogue, which every employee has with his/her line manager at least once a year. After this, each employee puts together an action plan setting out the goals to be attained and the conditions necessary for this. The employee has a salary dialogue review with his/her line manager, based on a follow-up of the action plan carried out.

## INTERNAL LABOUR MARKET AND MANAGEMENT SUCCESSION

Handelsbanken's strong corporate culture and values are vital to the Bank's success. Due to the Bank's decentralised working methods, employees take a large amount of personal responsibility, are given a mandate to take their own decisions and are driven by focusing on the customer. Internal mobility helps to spread the working method and culture throughout the Bank, by transferring skills and experience acquired to the employee's new tasks. This means that internal recruitment and long-term employment are important. To retain an employee, the right conditions must exist for work development, as well as a variety of career opportunities – and consideration must be taken of the stage of life that she or he is in. Employees who are secure and happy, and have long and broad experience of the whole Bank, give good service and create long-term customer relationships. This makes a vital contribution to the Bank having satisfied customers. The Handelsbanken Group continues to have very low external staff turnover. In 2014, the figure was 3.2 per cent (2.9).

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are

recruited internally. In 2014, 100 per cent (98) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 93 per cent (90), including markets where the Bank established operations relatively recently.

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

## LOCAL ACCEPTANCE

In the Bank's home markets – with few exceptions – managers and employees are locally employed. It is important that those who work at branches have natural links to and good knowledge of the town and local market.

At the year-end, in the home markets, 95 per cent of executive officers, who at Handelsbanken are Executive Directors in the parent company and chief executives and deputy chief executives in subsidiaries, were locally employed.

## FOR GENDER EQUALITY AND DIVERSITY

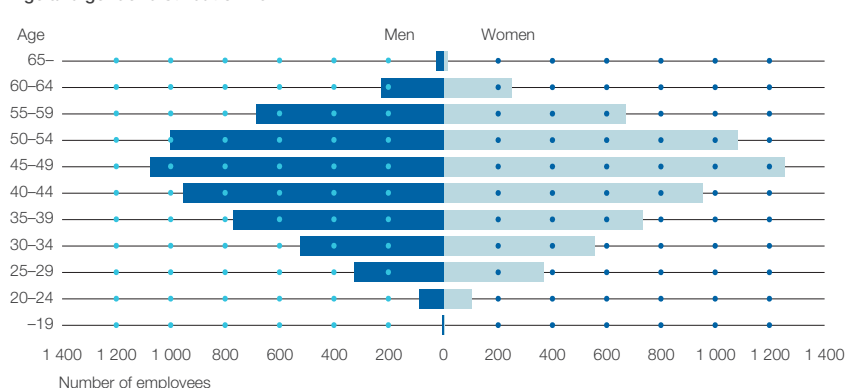
The work towards equality at Handelsbanken continues, and this year the Bank began the work of increasing the focus on diversity in a wider perspective. The Bank aims to broaden its recruitment base, to become, to an even greater extent, a bank that reflects the community in which it operates. Initiatives have been taken in several parts of the Group to increase knowledge and awareness of diversity. At Handelsbanken, it is a question of benefiting from the whole of the Bank's potential, and is a vital condition for remaining a successful, profitable bank.

Diversity encompasses various individuals' different skills and work experience, different

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



Age and gender distribution 2014





ways of thinking and solving problems, and different characteristics, appearance, behaviour and life situations. Diversity also encompasses differences such as gender, transgender identity or expression, age, ethnicity, sexual orientation, disability, religion, or any other grounds for discrimination.

#### An even more equal Handelsbanken

Handelsbanken's gender equality goal is to be a company where men and women have the same opportunities, chances and power to shape the Bank and their own professional career. In all countries where Handelsbanken operates, the Bank must produce a gender equality plan to support 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.

At the year-end, 45 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 51 per cent (52).

The Bank's work with gender equality is continuing, with various measures aimed at making Handelsbanken an even more gender-equal company. Training is carried out within the organisation in order to increase awareness of how social and cultural norms affect attitudes and behaviour in everyday life. In Sweden there is an interactive training course aimed at all employees. This has been designed in collaboration with the union organisation and its purpose is to create a dialogue and provide the tools for analysis and action from a gender equality perspective. In Denmark, training courses have been run for all managers at both branches and internal departments. In the UK, seminars for regional bank management teams and personnel functions have been organised, as part of the process of integrating gender equality plans into annual business planning.

#### Separate salary mapping completed

In the past few years in Sweden, the Bank, together with trade unions, has worked to rectify unwarranted pay differentials between women and men. Joint events have been organised,

to provide support for managers so that they have been able to take salary-setting decisions independently.

In 2014, the Bank, together with union representatives, carried out a separate survey to identify any remaining differentials. The survey was carried out with the aid of tools that indicate statistical and structural differences, and is separate from the previous review in conjunction with individual salary dialogues.

The result of the past few years' work has been that pay differentials have decreased, and there is a strong basis for the effect to be a lasting one.

“Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally.”

The collaboration between the Bank and the trade unions is a vital condition for systematic, goal-oriented gender equality work. And as an affirmation of this, Handelsbanken has received external gender equality awards on several occasions.

Incidents of discrimination concerning the Bank's employees are normally managed in the operations through the local personnel functions, but cases reported to the national discrimination ombudsman or corresponding official body are followed up at Group level. No such cases were reported in 2014.

#### WORK ENVIRONMENT AND HEALTH

Handelsbanken's overall goal with its work environment work focuses on employees enjoying good health, developing on a personal level and functioning in an optimal way. This is a long-

term goal that includes factors such as clear and honest communication, having the skills and competence and the right conditions 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 work environment at Handelsbanken. In co-operation with staff and employee representatives, managers must develop a healthy and safe workplace in accordance with the Bank's work environment goal.

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

Health promotion and work environment activities are components of the long-term process, called Sustainable Health, to create the conditions for good physical and mental health in the workplace.

In connection with crisis situations, for many years, Handelsbanken has had a support programme with the help of external partners.

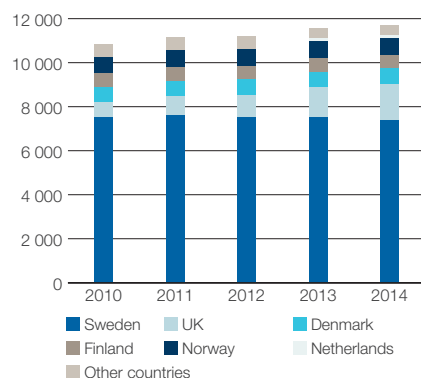
Employees are offered a wide choice and large number of subsidised group and individual healthcare and health promotion activities. Handelsbanken also has its own sports association. Dating back to 1919, with 4,300 members, the association is one of the largest of its kind in Sweden.

To stimulate interest in art and crafts the Bank also has an Art Association with just over 3,600 members. It is the largest art association in Sweden.

#### STAFF MAGAZINE

Handelsbanken's staff magazine, Remissan, started in 1948 and is a publication which is made by and for the employees of the Bank. Remissan's task is to create a sense of community, belonging and commitment among the employees, and to reflect Handelsbanken's culture throughout the Group. The magazine is published in Swedish and English.

Average number of employees 2010–2014



Sickness absence rate in Sweden	2014			2013		
	Men	Women	Total	Men	Women	Total
%						
Aged 29 or younger	1.3	3.1	2.3	1.2	2.8	2.1
Aged 30–49	1.5	3.3	2.5	1.5	3.2	2.5
Aged 50 or older	2.1	3.8	3.0	2.5	5.8	4.3
<b>Total sickness absence</b>	<b>1.7</b>	<b>3.5</b>	<b>2.7</b>	<b>1.8</b>	<b>4.0</b>	<b>3.0</b>
of which long-term absence	0.4	1.4	1.0	0.6	1.9	1.3

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.

# Conditions and benefits

Handelsbanken aims to be an attractive employer. In addition to the laws, regulations and agreements which the Bank follows, we also offer various types of competitive benefits, for both permanent and temporary employees in the Group.

## AN ATTRACTIVE EMPLOYER

Collective bargaining agreements are the foundation of the conditions the Bank offers to both temporary and permanent employees. At Handelsbanken, we have individual salaries which are decided in the salary dialogue review between managers and employees. Handelsbanken aims to be an attractive employer and wishes to meet its employees' need for benefits at various phases of their life in a flexible way. Conditions and benefits differ within the Group and are adapted to the market where the Bank operates and the collective agreements which have been entered into.

## PENSIONS AND OTHER CONDITIONS

Handelsbanken aims to be an attractive employer. The Bank therefore offers various types of competitive benefits, for both permanent and temporary employees of the Group.

Pensions are part of the total remuneration to employees of Handelsbanken. The pension terms in the countries where the Bank pursues its operations must be competitive and adapted to legislation and regulations, in accordance with the local conditions prevailing in each country.

An occupational pension plan can include a retirement pension, disability pension and surviving family member protection. The pension solutions which can be offered to employees of Handelsbanken are defined benefit, defined contribution or a combination of the two.

Handelsbanken also aims to make it easier for both men and women to combine employment with parenthood. The Bank subsidises home and family services for employees in Sweden who have children under the age of 12. In addition to current social insurance regulations for parental leave, in most of its home markets, Handelsbanken provides remuneration in accordance with local regulations. Taken together, this means that parents receive 80 to 100 per cent of their salaries over a limited period. Employees who take parental leave have the same right to salary development as other staff.

In the Bank's home markets, employees are offered credits on special terms. These credits are mainly granted for housing purposes. The terms differ between countries depending on the local conditions. In certain countries, it is a taxable benefit. Other examples of benefits are insurance, staff or company cars and various health promotion benefits.

## CONVERTIBLE AIMED AT EMPLOYEES

During the year the Bank issued a convertible subordinated bond aimed at its employees. The

convertible bond offered new employees, as well as those who have been with the Bank a long time, a further opportunity to benefit from the value created jointly by the staff and to participate in the Bank's future development. Holders may call for conversion to shares in 2019. Employees were also offered the opportunity to subscribe for convertibles in 2008 and 2011. Subscription for convertibles is entirely on market terms with no subsidy; the rate of participation in the Bank's convertible programmes is uniquely high compared with other companies where subscription is on similar terms.

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“Handelsbanken's traditional good relationship with unions is a valuable component of Handelsbanken's culture.”

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

A condition for achieving the Bank's financial goal of better profitability than the average of peer banks in its home markets is that employees outperform their peers in the rest of the sector. The Board thus considers it reasonable that employees 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 employees. The funds are managed by the Oktogonen Foundation.

Allocations are subject to the Handelsbanken Group achieving its goal of higher return on equity than a weighted average of comparable listed Nordic, UK and Dutch banks. If this is satisfied, one third of the extra profits can be allocated to the employees. The allocated amount is limited to ten per cent of the dividends to shareholders. If the Bank reduces the dividend paid to its shareholders, no allocation can be made to the foundation. All employees receive an equal part of the allocated amount, regardless of their position and work tasks, and the scheme includes all employees in the Bank's home markets. In recent years, employees in Hong Kong, Luxembourg, Poland, Singapore and Taipei have also been included.

98 per cent of the Group's employees are now covered by Oktogonen. The profit-sharing scheme is long-term, as payments cannot be made until the year the employee turns 60.

One of the fundamental concepts in managing the foundation is that the funds are invested in shares in Handelsbanken.

For many years, the profit-sharing foundation has been one of the Bank's largest shareholders, and Oktogonen has two representatives on the Handelsbanken Board. Thus, the employees are also able to influence the Bank at Board level.

## RELATIONS WITH THE UNION

All employees of Handelsbanken have the right to organise and join a union or employee organisation. Handelsbanken's traditional good relationship with unions is a valuable component of the Bank's culture. All employees in Denmark, Finland, France, Luxembourg, Norway, Sweden and Austria, comprising almost 82 per cent of the Bank's employees, are covered by collective bargaining agreements. In these countries, employees who are not members of a union are also covered by the terms of the collective agreement. The number of employees has increased in countries which traditionally have a low rate of membership of collective bargaining agreements. For this reason, the proportion of employees who are covered by a collective bargaining agreement has fallen slightly.

Various matters in Sweden, such as organisational changes, are regulated in Handelsbanken's co-determination agreement with the Financial Sector Union of Sweden's local bodies and in the collective agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Association of Graduates in Business Administration and Economics and the Swedish Association of Graduate Engineers, which are affiliated to the Swedish Confederation of Professional Associations (SACO).

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



# Corporate Governance

Corporate governance concerns how rights and obligations are allocated among the Bank's bodies, in accordance with prevailing laws and regulations. Corporate governance also encompasses systems for decision-making, and the structure through which owners control the Bank, directly and indirectly.

Handelsbanken's corporate governance report is based on a shareholder perspective. There are, however, also other stakeholders with an interest in Handelsbanken's corporate governance, upon whose confidence the Bank is dependent. These include customers, employees, shareholders, bond investors and the community at large.

internal document called Our Way, which sets out the Bank's goals, business concept and working method. All employees receive a personal copy of Our Way.

Handelsbanken's strong corporate culture is of major importance in the governance of the Bank. It permeates and works in parallel with the principles, strategies, limits and target figures stated in policy documents and instructions.

One way in which the Handelsbanken Board exercises its governance of the Bank is by issuing policies and instructions. The CEO also exercises his governance by issuing various policy documents. The CEO compiles instructions for the managers who report directly to him, and issues guidelines, some of which provide more detailed directions to complement and clarify the Board's policies. Based on these, the Board takes decisions on the Bank's policy in a number of central sustainability issues, in particular by adopting ethical guidelines for the Handelsbanken Group. These relate to, for example, matters such as economic crime, relations with customers, conflicts of interest, confidentiality and the environment.

must be in place, and compliance with these procedures is monitored regularly.

The compliance function has the function responsibility for compliance, and provides advice and support in regulatory matters. Internal control and compliance work are subject to internal and external risk-based auditing.

Handelsbanken has an established system for whistleblowing.

“The Bank has a decentralised working method with a high degree of autonomy extending throughout the organisational structure.”

“The Bank's corporate culture, working methods and fundamental view of people are based on sustainable values.”

## PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken has developed a strong corporate culture for how the Bank's work should be carried out. The Bank has a decentralised working method with a high degree of autonomy extending throughout the organisational structure. This corporate culture is described in detail in an

### Internal control

The responsibility for internal control and the Bank's compliance is an integral part of managers' responsibility at all levels in the Bank. This responsibility means that fit-for-purpose instructions and procedures for the operation

The Bank's corporate culture, working methods and fundamental view of people are based on sustainable values. It is therefore natural in the planning and development review (PLUS) with managers, to have a discussion concerning responsible business, profitability through high customer satisfaction and the ability to lead employees.

### SELECTION OF POLICY DOCUMENTS ESTABLISHED BY THE BOARD:

- Credit policy
- Policy for operational risks
- Capital policy
- Financial policy
- Policy for financial risks
- Information policy
- Ethical guidelines
- Policy for conflicts of interest and measures against bribery and improper influence
- Policy for remuneration and suitability assessment
- Policy for independent risk control
- Policy for compliance
- Policy on measures against money laundering and financing of terrorism and the observance of international sanctions
- Policy for responsible investment (established by the asset management unit)
- Policy for handling customer complaints

### A SELECTION OF CODES OF CONDUCT IN THE PERSONNEL AREA:

- Personnel policy
- Guidelines for alcohol- and drug-related matters
- Guidelines for handling suspected addiction to gambling
- Guidelines for the prevention of victimisation at work
- Guidelines for the prevention of sexual harassment
- Guidelines regarding bribery and improper influence
- Environmental policy

### More information

For more information, please see the Bank's full Corporate Governance Report, which can be found on pages 49–65 of the Annual Report.

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

- Previous corporate governance reports from 2007 onwards
- Articles of association
- Information about the nomination committee
- Information from shareholders' meetings from 2008 onwards.

# Corporate social responsibility

Corporate social responsibility at Handelsbanken is manifested in responsible lending and advisory services, as well as our efforts to have satisfied customers and be an attractive employer.

The actual words corporate social responsibility well reflect the strong social and ethical aspects of a responsibly run banking operation. While the Bank's environmental impact is relatively limited, the Bank can make a major difference in terms of social responsibility towards customers, employees and taxpayers. The most recent financial crisis showed that unless a bank acts in a responsible manner, it is not only the bank's shareholders that run the risk of being adversely affected, but customers, employees and taxpayers too.

## LOW LOAN LOSSES

Over-aggressive selling of credits which leads to an unhealthy level of household and corporate debt always hits the customer hardest. For those who wish to evaluate a bank in terms of sustainability, one method is to study the bank's risk tolerance. At Handelsbanken we have a very low risk tolerance. The Bank's strict approach to risk means that we deliberately avoid high-risk transactions, even if the customer is willing to pay a high interest rate. This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group.

For many years, Handelsbanken has had much lower loan losses than peer banks. During the 1998–2014 period, the average loan loss ratio at Handelsbanken was 0.05 per cent, as compared to 0.18 per cent for the average of the other three major Swedish banks.

## RESPONSIBLE 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, we can provide

guidance on financing, payments or investments that is adapted to each customer's requirements.

When providing investment advice, the proposal is adapted to the customer's goals, savings horizon and attitude to risk. The customer's knowledge and understanding of the specific risks related to each type of financial instrument, as well as the customer's investment experience, are also taken into account.

The regulations require that all employees who provide customers with financial advice concerning investments and insurance have relevant, up-to-date competence. In Sweden, the Bank has almost 4,860 employees who are permitted to provide investment advice. All of these are SwedSec-licensed for advisory services concerning financial instruments and insurance. These employees take an annual knowledge update test. During the year broad training programmes have been carried out, to further strengthen competence in this area.

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.

Handelsbanken does not apply performance- or volume-based bonuses, or other forms of variable remuneration. Nor do we have volume or market share goals.

Our customer information must be clear, factual and easy to understand, and the terms and conditions for the Bank's services must be clear and not arbitrarily changed.

## HUMAN RIGHTS

Handelsbanken endorses the principles set out in the United Nations Universal Declaration of Human Rights. Handelsbanken adheres to

UN's Global Compact, cementing the Bank's expressed support for universal human rights. This means that the Bank strives to support and respect the protection of human rights within the area which the Bank can influence. It also means that the Bank ensures that it is not involved in any breach of human rights.

## THE BANK AS AN EMPLOYER

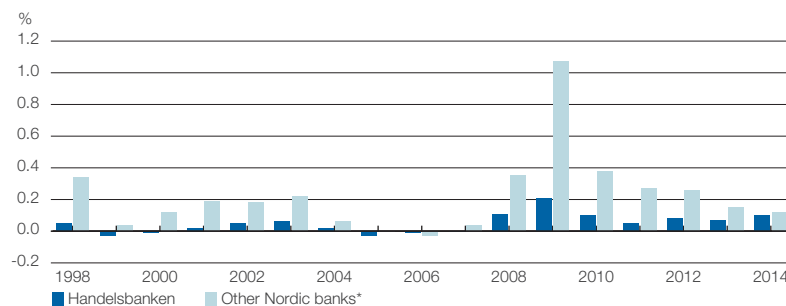
Handelsbanken has a long-term view of its relationship with its employees, and we believe that the individual's will and ability is the foundation of the Bank's corporate culture. Since people have different needs and capacity during their professional life, we as an employer aim to provide the right conditions for our employees to develop and contribute to the Bank's success.

Among other things, Handelsbanken in Sweden works with Samhall. Samhall's task is to create meaningful work with development opportunities for people with various functional disabilities.

## COOPERATION WITH ECPAT FIGHTING COMMERCIAL SEXUAL EXPLOITATION OF CHILDREN

In Sweden, Handelsbanken co-operates with the children's rights organisation Ecpat Sweden and is also a member of the Financial Coalition against Child Pornography. The overall objective of the co-operation and membership is to prevent trafficking and commercial sexual exploitation of children by means of information, and preventing and obstructing monetary transactions made as payment for child pornography.

Loan losses as a percentage of lending 1998–2014



Handelsbanken has a low risk tolerance. One manifestation of this is the fact that for many years, the Bank has had considerably 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 lack the capacity to repay their loans. When the Bank grants credit, great importance is therefore attached to customers' ability to fulfil their commitments. This protects the individual customer from running into financial difficulties due to excessive indebtedness – something that also benefits the Bank and society at large.

Financial advice in conjunction with lending must always be based on the customer's needs and financial position. Deficiencies in a customer's repayment capacity can never be ignored on the grounds that the Bank is being offered good collateral or high margins.

## SUSTAINABILITY MATTERS RELATED TO LENDING

An important matter in terms of ethics and principles is the extent to which the Bank should bear the responsibility for what its customers do. This could, for example, apply to a borrower that manufactures products that are dangerous to health, has a manufacturing process that affects the environment adversely, or does not permit its employees to exercise their union rights.

Handelsbanken's view is based on the principle that it is the customer that is fully responsible for its operation and how they are run. However, a fundamental condition for Handelsbanken's lending is that the operation is legally compliant and fulfils all requirements from public authorities in terms of environmental questions and other sustainability matters. In the Bank's home markets, which are countries with advanced legisla-

tion regarding health protection, the environment and union rights, there are public authorities that monitor compliance with laws and regulations. Even if the business is legal and meets all regulatory requirements, there may be businesses which Handelsbanken does not finance. One example of this is manufacture and distribution of nuclear weapons. Handelsbanken intends to introduce a written policy on this in 2015.

Handelsbanken's credit policy states that the Bank must maintain sound ethical standards in its lending operations. This means that in its credit risk assessment, the Bank takes into account the customer's attitude to human rights, fundamental principles of working conditions and environmental considerations, and fighting corruption.

“Handelsbanken's credit policy states that the Bank must maintain sound ethical standards in its lending operations.”

## 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.

The Bank's responsibility for sustainability matters related to granting credits is limited to an assessment of the customer's repayment capacity and thus the credit risk. One example may be the risk that the customer's product cannot be sold, or that more stringent environmental requirements for the customer's manufacturing process will cause the company's repayment capacity to deteriorate.

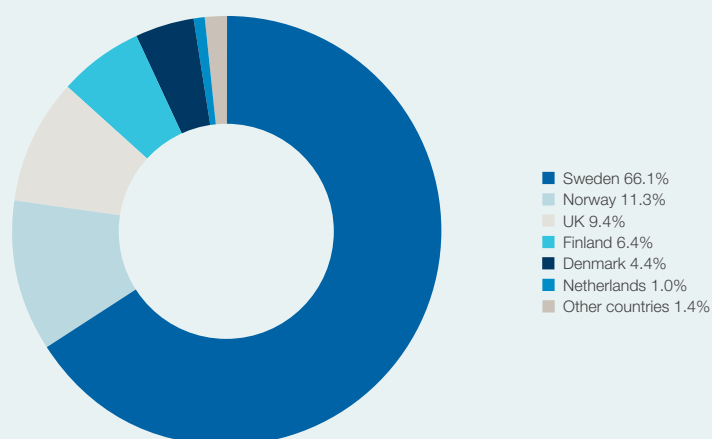
For property-related lending, it is important to take into account whether environmentally harmful activities are or have been conducted in the property.

The branch which is responsible for the customer carries out the credit risk assessment. Thus, the branch also assesses how environmental risks will affect the customer's repayment capacity. All this is part of the business assessment which is the Bank's method of evaluating a customer.

The business assessment is a good aid for the branches when it comes to identifying and assessing risks. It is also good documentation for higher levels in the Bank to evaluate credit risk and monitor that branches take into account environmental issues in the credit risk assessment.

For a long time, the Bank has taken a restrictive approach to risk in its lending – including environmental risk. This culture and expertise on the part of the staff is best maintained and developed in day-to-day work and learning at the branches.

Loans to the public, geographical distribution



## GREEN BONDS

The market for “green bonds” developed substantially in 2014 and several Swedish companies have opted to issue green bonds. Interest from investors has increased, and there is clearly a growing focus on environmental and sustainability issues. Handelsbanken welcomes this trend, and the opportunity it provides to assist our customers in financing green and sustainable projects. Green bonds enable investors to participate in the financing of sustainable, environmentally correct projects. An external verification agency investigates and confirms the environmental benefits in the investments concerned.

During the year, Handelsbanken has arranged green bonds for three issuers.

# Responsible investments

As asset manager, Handelsbanken has been entrusted by our customers to manage their savings in the optimum way. During the year, we continued to develop our work in the area of responsible investments. Our goal is to generate strong long-term returns for our customers, while living up to expectations of us as a responsible investor. We achieve this through an integrated work method where sustainability questions are part of the investment process, and a product offering that meets our customers' requirements.

Our work is based on a clear, common value base. At Handelsbanken, low risk tolerance and a long-term approach are two of the cornerstones of our corporate culture and our investment philosophy. In mutual fund and asset management, as well as pension management, we endeavour to contribute to sustainable development in economic, environmental and social terms in the companies in which we invest, on behalf of our customers. We base this on the joint standards set out in international conventions and guidelines. Handelsbanken stands behind the UN Global Compact, which sets out standards regarding human rights, labour rights, environmental damage and corruption. Handelsbanken has also signed the UN Principles of Responsible Investment (PRI).

## INTEGRATED WORK METHOD IN MUTUAL FUND AND PORTFOLIO MANAGEMENT

Our approach is for the work with responsible investments to be done continuously and be integrated into the existing investment process and asset management organisation. In our view, an integrated working method has the greatest impact in an already robust investment process and, in the long term, this creates value in the portfolios. The people who make our actual investment decisions pay regard to sustainability issues in their daily work, both from a risk perspective and as a way of identifying investment ideas. Our active asset management is based on fundamental research, careful follow-up and risk control. We regard sustainability risks as also being financial risks. Therefore, the assessment of these is a vital part of our long-term financial research and our decisions on which compa-

nies to invest in. As we have a long-term investment horizon, companies which take short-term shortcuts are less attractive to invest in.

Matters of principle relating to sustainability in asset management are the responsibility of Handelsbanken's Responsible Investments Committee. The committee actively monitors developments in this area, to contribute to the continuing evolution of Handelsbanken's work with responsible investments. It also sets up and monitors relevant objectives for operations in responsible investments. The chair of the committee is the Chief Executive of Handelsbanken Fonder and the other members include the head of asset management, the Corporate Governance manager and account managers.

**“At Handelsbanken, low risk tolerance and a long-term approach are two of the cornerstones of our corporate culture and our investment philosophy.”**

We have a long-term perspective on the investments we make on behalf of our customers. On behalf of our customers, we are able to contact

and conduct a dialogue with the companies that we invest in. A natural part of a fund manager's work is to assess the financial risks and potential in an investment. Our assessments of how companies manage their sustainability risks are relevant to good value growth in the long term. In 2014, our asset managers had meetings with almost 1,750 companies, in order to monitor their performance, their business methods and their opportunities, taking into account sustainability, among other things.

## IDENTIFYING RISKS AND OPPORTUNITIES

In addition to our regular investment research, a twice-yearly analysis of all our holdings of listed equities and corporate bonds is carried out, to identify any companies that are violating international standards or conventions – a “norm-based screening.” It is based on Global Compact's ten principles, as well as the International Labour Organization's core conventions on labour laws, the OECD guidelines for multinational companies, and other internationally accepted standards. The analysis is carried out by an external party.

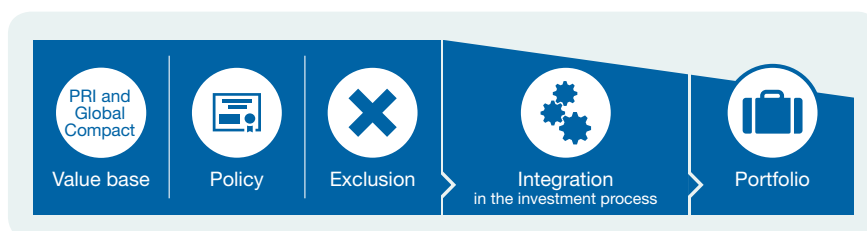
Signatory of:



1. Incorporate environmental, social, and corporate governance (ESG) issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices
3. Seek appropriate disclosure on ESG issues by the entities in which we invest
4. Promote acceptance and application of the principles within the investment industry
5. Work together to enhance our effectiveness in implementing the principles
6. Report on our activities and progress towards implementing the principles

In the annual PRI survey of the players that are signatories to the principles, Handelsbanken receives high scores. Parts of our reporting, on which the evaluation was based, are available at [unpri.org](http://unpri.org).

## Responsible investments – from fundamental values to investment decisions



A signal of breaches in sustainability matters can therefore come from several sources. In such cases, the Committee for Responsible Investments takes a decision on what action to take. Dialogue is our primary long-term method for contributing to sustainable development.

We can – alone or together with other investors – contact companies if we receive indications that the companies we invest in do not live up to the international standards and conventions that we respect. In 2014, we had discussions regarding specific sustainability matters with 41 companies. These discussions have included matters such as corruption, environmental destruction and labour laws. A list of these companies is available at [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

Handelsbanken has also taken part in the Sustainable Value Creation project – a collaboration between major Swedish investors with the aim of highlighting the importance of Swedish listed companies taking a structured approach to sustainability issues.

Patience and persistence are vital in these processes – but up to a finite limit. Divestment or exclusion of companies from our investments are a last resort if all other alternatives have failed. For example, Handelsbanken excludes companies that are involved in the production of weapons that are banned under international law. In 2015, the Bank intends to introduce exclusion of companies involved in manufacture and distribution of nuclear weapons. A list of the companies that are excluded from Handelsbanken's mutual funds is available at [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

#### CORPORATE GOVERNANCE IN HANDELSBANKEN'S FUNDS

The Bank's fund management company, Handelsbanken Fonder, exercises its ownership role in the companies in which its mutual funds own shares, on behalf of the unit-holders. The goal is that the companies show optimal value performance in the long term, benefiting our fund savers. Work in the ownership role follows the principles for governance set out in the Swedish Code of Corporate Governance. This occurs, for example, in matters concerning the

composition of the companies' boards and the procedure prior to and at shareholders' meetings. Ahead of annual general meetings in 2014, Handelsbanken Fonder participated in the work of nine nomination committees. In addition, Handelsbanken Fonder voted at 55 annual general meetings, 44 of these in Swedish companies. Questions concerning sustainability and diversity have been in focus at several annual general meetings during the year.

#### RESPONSIBLE INVESTMENTS AT HANDELSBANKEN LIV

Handelsbanken offers pension solutions and other insurance solutions for private and corporate customers. Handelsbanken Liv has a policy for responsible investment based on Global Compact and PRI. Handelsbanken Liv does not have its own asset managers. When selecting asset managers, mutual funds and fund management companies, we factor in how well they live up to Handelsbanken's sustainability requirements.

In 2014, Handelsbanken Fonder was the largest provider for both traditional management and unit-linked management.

fer seven index funds, actively managed equity funds and fixed income funds with a special investment focus under the general name Criteria. Together with our fund Handelsbanken Hållbar Energi (sustainable energy) that invests in companies that develop or use technologies and techniques to limit global warming, these funds have combined assets of SEK 40 billion, corresponding to 12 per cent of total fund volumes.

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“In the annual PRI survey of signatories to the principles, Handelsbanken receives high scores.”

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#### FUNDS WITH SPECIAL CRITERIA

Handelsbanken Fonder also offers funds which observe special criteria in their investment strategy, for example, excluding investments in controversial operations, such as alcohol, tobacco and fossil fuels. In 2014, we increased our offering of these types of funds: we now of-

#### More information

For more information, please see [handelsbanken.se/csreng](http://handelsbanken.se/csreng). There are the following policies and documents, for example:

- Handelsbanken Fonder's Policy for Responsible investments – part of our Corporate Governance Policy
- Handelsbanken Liv's Policy for Responsible Investments
- Examples of companies with which we are having discussions
- Examples of companies that we exclude
- Information brochure about Responsible investments.





# Handelsbanken in the community

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

## HANDELSBANKEN IN THE COMMUNITY

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

## HANDELSBANKEN IN THE LOCAL COMMUNITY

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

In recent years, most banks have decided to significantly reduce the number of branches.

Handelsbanken has instead elected to retain its local branches and thus continues to fill an important function in the local community.

During 2014, Handelsbanken opened 24 new branch offices in its home markets: one branch in Sweden, 17 branches in the UK, one branch in Denmark, two branches in Norway and two branches in the Netherlands. We are currently the only bank in 59 locations.

## ACCESSIBLE LOCAL BRANCHES

The Bank's local branches must also be accessible to customers with reduced mobility or sense of direction. Most of the Bank's 463 branches in Sweden meet with these requirements. In cases where these requirements are not met, it is usually due to restrictions regarding alterations to the exterior of the building or the street environment. Our large number of branches means that if necessary we can offer customers a nearby branch which is adapted to these needs.

## SERVICES FOR THE PUBLIC GOOD

A bank's fundamental tasks are, on the one hand, to manage the money of those who wish to postpone their spending and save their money, and on the other to lend money to companies and households that wish to spend and invest today. Together, banks must also maintain an efficient, functioning payment system, as well as managing risk.

## HANDELSBANKEN AS A TAXPAYER

Handelsbanken contributes to society by paying taxes and fees, and has for many years been one of the largest payers of corporate tax in Sweden. VAT is also a major cost for Handelsbanken since VAT is to a large extent not payable on the Bank's operations. This means that the Bank cannot deduct input VAT which it pays when buying external services and products.

Handelsbanken also pays tax based on the local regulations in other countries where the

Bank is active and it maintains an open dialogue with the tax authorities in all countries where operations are conducted. In the UK, Handelsbanken has adopted the British tax authorities' code of conduct for banks. In addition, Handelsbanken is the largest payer to the Swedish Stabilisation Fund for the financial system and pays large amounts to the state deposit guarantee scheme.

For 2014, it is estimated that Handelsbanken's total taxes and state fees amount to SEK 8 billion.

## POLITICALLY INDEPENDENT

Handelsbanken is not allied to any political parties. The Bank has never, in living memory, provided financial support to any political parties, nor made any other type of political donation.

## GRANTS FOR RESEARCH AND EDUCATION

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

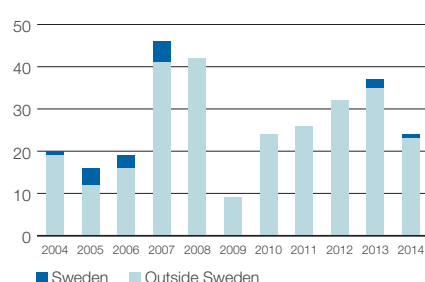
Together, these foundations are one of the most important sources of funding for economic research in Sweden. In 2014, 152 (148) grants were awarded for a total of SEK 151 million (149).

At the end of 2014, the foundations' combined capital totalled some SEK 5,627 million.

Handelsbanken has also funded a professorial chair in accounting at the Stockholm School of Economics and has contributed to the Institute for Financial Research (SIFR) and Swedish House of Finance (SHOF).

For several years, Handelsbanken has supported a project to improve young people's knowledge of personal finance through financial support for information campaigns and contributing the Bank's expertise.

Number of new branches opened, 2004–2014



Tax per country

SEK m	Sweden	Denmark	Finland	Norway	UK	Netherlands	Other countries	Group
Income	23 958	2 187	2 243	4 144	4 114	303	1 365	38 314
Operating profit	13 415	369	985	2 466	1 431	73	473	19 212
Tax	2 818	49	209	628	228	19	118	4 069
Assets	1 670 935	89 388	148 176	190 541	216 268	29 986	471 382	2 816 676

# Economic value creation

Handelsbanken's higher profitability benefits society at large, as well as the Bank's shareholders.

Handelsbanken is one of the few Nordic banks that has not sought financial support from central banks, the government or its shareholders during the recent years of turbulence in the financial markets.

## VALUE CREATION DURING 2014

Handelsbanken's profit before taxes and government fees was just over SEK 23 billion in 2014. The created value was distributed as follows: SEK 8 billion in taxes and government fees, SEK 11 billion in proposed dividends, to be paid to the shareholders in the spring of 2015, and the remaining SEK 4 billion, which is reinvested in the operations.

## STABLE IN THE MIDST OF THE FINANCIAL CRISIS

During the financial crisis, Handelsbanken has not used the Swedish government's capital support or guarantee programme and is the only listed Swedish bank that has not needed to ask its shareholders for fresh capital.

When the financial crisis was at its height in Sweden in 2009, Handelsbanken deposited around SEK 100 billion to the Riksbank, which was at their disposal.

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.

“During the most recent business cycle, Handelsbanken has paid dividends to its shareholders every year.”

## DIRECT ECONOMIC VALUE

During the most recent business cycle, Handelsbanken has paid dividends to its shareholders every year, while remaining one of the largest payers of corporate tax in Sweden.

## INDIRECT ECONOMIC EFFECTS

Handelsbanken is the largest financier of companies in Sweden, and thus it finances growth and increased employment throughout the country.

The Bank enables households to fund property purchases and thus move to a new town where the employment situation is better, for example. The Handelsbanken Group finances almost one quarter of households' mortgage loans in Sweden.

The table, which is laid out according to GRI's principles, shows how the income generated by the Bank's operations is allocated over various groups of stakeholders. The data comes from the Group's income statement and balance sheet.

### Direct economic value generated and distributed (according to GRI) Economic flows to and from various groups of stakeholders

SEK bn	2014	2013	2012	2011	2010
<b>DIRECT ECONOMIC VALUE CREATED</b>					
<b>Customers</b>					
Income after loan losses and before fees to the Stabilisation fund, deposit guarantee etc.	37.7	36.2	34.9	33.1	30.4
<b>Value created by serving customers</b>	<b>37.7</b>	<b>36.2</b>	<b>34.9</b>	<b>33.1</b>	<b>30.4</b>
<b>ALLOCATED ECONOMIC VALUE</b>					
<b>Employees</b>					
Salaries	7.6	7.1	6.9	6.7	6.4
Provision to profit-sharing foundation	0.8	1.1	1.0	0.9	0.8
Payroll charges, pensions and other staff costs	3.4	3.2	3.3	2.3	2.3
<b>Cost of employees</b>	<b>11.8</b>	<b>11.4</b>	<b>11.2</b>	<b>9.9</b>	<b>9.5</b>
<b>Public authorities and society at large</b>					
Suppliers incl. non-deductible VAT*	5.6	5.7	5.5	5.5	5.5
Tax costs**	4.1	3.9	3.0	4.4	4.0
Fees to the Stabilisation fund, deposit guarantee etc.	1.2	1.1	1.1	1.1	0.6
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes/central bank support	-	-	-	-	-
<b>To society</b>	<b>10.9</b>	<b>10.7</b>	<b>9.6</b>	<b>11.0</b>	<b>10.1</b>
<b>Shareholders</b>					
Dividends (refers to the year dividends were paid)	10.5	6.8	6.1	5.6	5.0
New share issue	-	-	-	-	-
<b>Transactions with the shareholders</b>	<b>10.5</b>	<b>6.8</b>	<b>6.1</b>	<b>5.6</b>	<b>5.0</b>
<b>Reinvested economic value ("remaining in the Bank")</b>	<b>4.5</b>	<b>7.3</b>	<b>8.0</b>	<b>6.6</b>	<b>5.8</b>

\*Refers to Other administrative expenses and depreciation.

\*\*Refers to Tax costs according to the income statement.

The table of created and delivered direct economic value shows how the income generated by Handelsbanken's operations during the year was allocated over various stakeholders. The calculation is based on the figures in the income statement and in accordance with the GRI guidelines. The items allocated in the table are based on broader value created where salaries and other administrative costs (suppliers) are added to the operating profit. The purpose is to show in a basic way how Handelsbanken creates value for its stakeholders and in the economic system in which the organisation works. The table provides an overview of the direct measurable monetary value contributed by Handelsbanken to its stakeholders, and thus to development in the community.



# High ethical standards engender trust

To retain the confidence of the business world, it is important that the Bank acts ethically. Guidelines for this are formulated in the Bank's ethical guidelines, which are established by the Bank's Board.

## ETHICAL GUIDELINES

Handelsbanken's ethical guidelines are adopted by the Bank's Board and formulate the basic guidelines for every employee's actions.

Employees who are in doubt when applying the Bank's ethical guidelines and dealing with related issues must contact their immediate superior to find out what is ethically acceptable.

A self-evident rule is that Handelsbanken and the Bank's 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, laws and regulations stipulate that the Bank is obliged to have good knowledge of its customers and their banking transactions both at the time the business relationship starts and during the period it lasts. Transactions, ownership structures and business arrangements which are perceived as being unusual and where the Bank does not understand the background are examined.

The Bank's instructions, procedures, training and system support in the area of money laundering are intended to support employees so that good knowledge of customers is achieved. In this way, the Bank can avoid participating in transactions which are suspected of being linked to criminal activities, or of which the employees do not understand the implications.

## EXPOSURE AND COMPLIANCE

Handelsbanken has over 830 offices in 24 different countries, six of which are the Bank's home markets. With such a large number of branches, the Bank could be, for example, more exposed to attempts at money laundering, compared with banks which only offer their customers a small number of branches.

For the past few years, we have paid attention to this and in consultation with the national supervisory authorities, we ensure that Handelsbanken complies with the current laws and regulations in the markets where we operate.

## CONFLICTS OF INTEREST AND CORRUPTION

Conflicts of interest occur daily in society and the financial sector is no exception. Regardless of where they work in the Bank, employees must comply with the Bank's regulations on conflicts of interest and identify conflicts of interest whenever they arise, and as far as possible ensure that they are avoided. It is also important that employees comply with laws and the Bank's regulations regarding bribery and improper influence so that they avoid being dependent on a customer or supplier to the Bank or have improper influence on a customer. As well as the applicable legislation and regulations, employees must follow recommendations issued by the Swedish Anti-Corruption Institute. Every head of unit must hold an annual review with the unit's staff based on the current regulations regarding bribery and improper influence.

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 local insider trading laws and observe the Bank's rules for employees' private securities and currency transactions
- must, in their work at the Bank and private affairs, refrain from business transactions that violate the Bank's rules or current legislation
- must refrain from transactions or other commitments that could seriously jeopardise their personal financial position
- are not permitted to process transactions in which they, or persons closely related to them, have a personal interest. This also applies to companies to which these employees or persons closely related to them have a commitment

- must notify their manager or Central Audit if they suspect irregularities at the Bank. Handelsbanken's special system for whistleblowing is used to complement these reporting channels. The report is made on a special form and is sent to the Head of Central Audit
- 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 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 must be included in all purchase decisions. When making purchases, the Bank must make enquiries as to whether suppliers have:

- collective bargaining agreements
- a work environment policy
- a policy concerning giving and taking bribes.

As support to ensure quality when making purchases, the Bank has drawn up a check list which was implemented in Sweden in 2014.

The Bank maintains an ongoing dialogue with its suppliers to promote and improve our environmental activities.

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

## HANDELSBANKEN'S ETHICAL GUIDELINES COVER THE FOLLOWING AREAS:

- High ethical standards
- Laws, regulations and guiding principles
- Economic crime
- Customer relations
- Conflicts of interest
- The UN Global Compact
- Conduct of employees
- Reporting by employees who suspect internal fraud or other irregularities
- Confidentiality
- Environmental matters
- External contractors

## Read more

The Bank's ethical guidelines are available at [handelsbanken.se/csreng](https://handelsbanken.se/csreng).

# The Bank's environmental activities

To promote long-term sustainable development, Handelsbanken works to minimise the Bank's direct and indirect impact on the environment.

## HANDELSBANKEN'S ENVIRONMENTAL POLICY

As far as is technically and financially possible, and to the extent that is compatible with the Bank's undertakings, Handelsbanken aims to promote long-term sustainable development. Therefore, the starting-point is that Handelsbanken's impact on the environment must be minimised. As part of our efforts to achieve this, a new environmental policy for the entire Handelsbanken Group was adopted in 2014. Among other things, this means that the Bank aims to:

- take long-term sustainable business decisions in which environmental factors are taken into consideration
- set environmental requirements in all central procurements, and ensuring that these are complied with
- encourage environmental awareness and environmental competence among employees
- constantly develop its environmental activities, so that the Bank's environmental impact is continuously minimised
- monitor and measure the Bank's impact on the environment.

Handelsbanken has signed and complies with a number of voluntary agreements, such as the ICC Business Charter for Sustainable Development, the UN's Banks and the Environment programme (UNEP FI), the UN's Global Compact voluntary initiative, and the UN Principles of Responsible Investment (PRI).

## HANDELSBANKEN'S DIRECT ENVIRONMENTAL IMPACT

A bank's direct environmental impact is fairly limited. Handelsbanken's direct impact derives mainly from consumption of energy, materials, equipment, travel and transport. For several years, the Bank has measured and reported the carbon dioxide (CO<sub>2</sub>) emissions generated by its own operations as the result of its use of transport and its consumption of electricity and heat energy. For all the Bank's regional banks in the Nordic countries, the UK and the Netherlands and also central units, CO<sub>2</sub> emissions from the operations' total electricity consumption totalled 3,663 tonnes for 2014.

“Handelsbanken strives to minimise the CO<sub>2</sub> emissions generated in its operations.”

For the Swedish operations, we measure CO<sub>2</sub> emissions for electricity consumption, transport, business travel and heating/cooling and diesel for properties owned by the Bank in Sweden, which totalled 3,702 tonnes of CO<sub>2</sub> (excluding paper consumption) for 2014. Emissions of CO<sub>2</sub> in Sweden have gone down by 10 per cent compared with 2013.

The proportion of green electricity is 99 per cent for Sweden.

Handelsbanken's electricity consumption for its Nordic operations decreased in 2014 compared with 2013. On the other hand, the proportion of green electricity for the Nordic countries as a whole has decreased to 89 per cent, which means that the total amount of CO<sub>2</sub> emissions for the Nordic countries increased in 2014 compared to 2013.

Handelsbanken strives to minimise the CO<sub>2</sub> emissions generated in its operations.

CDP is an independent international non-profit organisation which works for transparency and a dialogue concerning companies' CO<sub>2</sub> emissions and how they manage their climate impact and pass this knowledge on to investors. Over 5,000 organisations in some 60 countries worldwide measure and report their emissions of greenhouse gases and climate impact via CDP.

Handelsbanken improved its result and received 85 (81) points out of a possible 100 in CDP's report for 2014, which was presented in autumn of the same year. The average value in the CDP Nordic survey was 80 points.

CDP works on behalf of over 800 institutional investors, and as of 2015, Handelsbanken is one of them.

## CLIMATE COMPENSATION

Handelsbanken compensates for emissions of CO<sub>2</sub> which are currently related to business travel in Sweden and for business travel by company car in Denmark, Finland and Norway. Compensation is through purchase of emission rights and in 2014, Handelsbanken will purchase 3,000 rights.

Carbon dioxide emissions (CO <sub>2</sub> ) tonnes	2014	2013	2012	2011	2010	2009
Electricity consumption, Nordic region <sup>1,2</sup> , UK <sup>3</sup> and Netherlands <sup>4</sup>	3 663	2 971				
Electricity consumption, Nordic region <sup>1,2</sup> and UK <sup>3</sup>	3 515	2 846	2 170	3 763		
of which electricity consumption, Nordic countries <sup>1,2</sup>	1 568	1 093	767	2 517	4 519	6 568
electricity consumption, Sweden <sup>2</sup>	152	83	224	821	2 717	5 071
Heating, cooling, oil, diesel, city gas for own properties, Sweden	992	1 143	1 480	1 466	1 569	1 181
External transport, Sweden	345	398	401	125	128	289
Business travel, Sweden	2 214	2 470	2 261	2 171	2 216	2 417
Business travel by car in Denmark, Finland and Norway	253					
Paper consumption external distribution, Sweden	539					
Paper consumption, Sweden, Finland and Norway	31					
<b>Total reported carbon dioxide emissions</b>	<b>8 036</b>					

<sup>1</sup> Sweden, Denmark, Norway, Finland.

<sup>2</sup> The recalculation factor applied for emissions of CO<sub>2</sub> for non-green electricity in the Nordic countries is residual mix Nordic countries, i.e. electricity where the source cannot be derived.

Emissions of CO<sub>2</sub> for 2009–2012 have been retroactively recalculated according to residual mix Nordic countries.

<sup>3</sup> For the UK, the emission factor is from the report: "2014 Government GHG Conversion Factors for Company Reporting: Methodology Paper for Emission Factors".

<sup>4</sup> For the Netherlands, the emission factor is from the report "CO<sub>2</sub> emissions from fuel combustion: highlights (2013 Edition)".

### MORE EFFICIENT EQUIPMENT AND UTILISATION OF RESOURCES

Throughout the Bank, changes are constantly being made which, together, are reducing environmental and 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 water from the Baltic Sea using heat exchangers to cool the Bank's premises and computer rooms.
- New customers who save regularly each month and who use Handelsbanken Online Banking receive electronic notifications.
- In 2014, the number of video conferences was up by 44 per cent from 2013.
- 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 one of the Bank's properties, new ventilation units with heat recycling have been installed, becoming fully operational at year-end 2013. This has led to a halving of the annual heating 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, and in the long term also reduce paper consumption.

- When old equipment is to be scrapped, the Bank ensures that it is recycled in an environmentally friendly manner.
- Handelsbanken has supplemented its selection of leasing vehicles for employees in Sweden with plug-in hybrid cars that can be charged from the electricity mains.

### MEASURES TO REDUCE THE BANK'S ENVIRONMENTAL IMPACT

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

- Further increase the level of awareness internally by means of information and training regarding measures to reduce the Bank's direct climatic impact. The aim of this is that all parts of the organisation should be able to contribute effectively to reducing energy consumption, for example.
- In 2015, it is estimated that electricity and cooling requirements for the Bank's computer rooms will decrease by around 20 per cent. This is largely due to the enhancement of the efficiency of the Bank's servers that has taken place in recent years, and also replacement of old equipment. New, modernised equipment also means that there is less need for cooling in the computer rooms.
- The Bank has begun collaborating with an external property owner, to gain environmental certification for one of the properties in which the Bank is a tenant. The surface area in question is 10,500 m<sup>2</sup> and environmental certification is in accordance with Green Building and Sweden Green Building Council (Miljöbyggnad).

The main focus of this joint work is to reduce energy consumption and influence selection of materials and interior environments.

- A long-term maintenance plan has been drawn up for the properties owned by the Bank, to reduce the properties' overall energy consumption.
- Increase the proportion of green electricity purchased in 2015 for the other home markets.
- Increase the amount of recycled refuse.
- Reduce the amount of business travel by facilitating the use of video conferences.
- Further develop digital services for customers via computers, mobile phones and tablet devices, and for branches and internal units in order 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, asset management and agreements with suppliers.

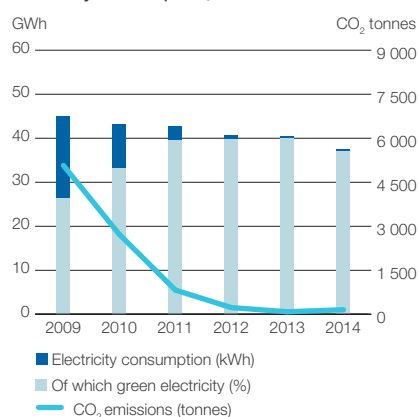
#### Read more

For more information regarding the Bank's environmental activities, see [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

The site includes the following information:

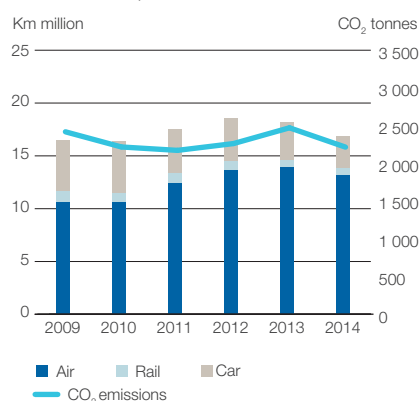
- The Bank's environmental policy
- Supplementary GRI Appendix.

Electricity consumption, Sweden

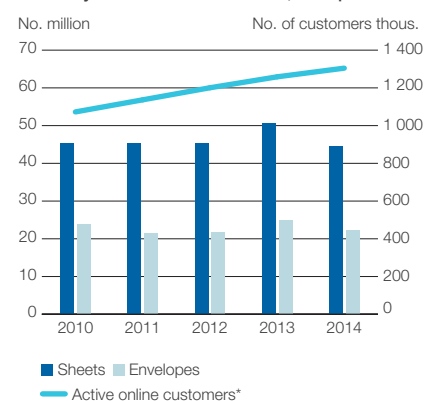


The recalculation factor applied for emissions of CO<sub>2</sub> for non-green electricity in the Nordic countries is residual mix Nordic countries, that is electricity where the source cannot be traced. Emissions of CO<sub>2</sub> for 2008–2012 are recalculated retroactively according to residual mix Nordic countries.

Business travel, Sweden



Centrally distributed information, Group



\* Private and corporate customers who have been active in Handelsbanken Online Banking at least once during the last six months of 2014.

# Initiatives, awards, surveys and sustainability index

Handelsbanken works both within and outside the financial industry in various initiatives which are intended to increase the level of awareness relating to sustainability and corporate social responsibility.

## INITIATIVES

### Global Compact



In 2009, Handelsbanken signed the UN's Global Compact, cementing the support the Bank has expressed for universal human rights and corporate social responsibility. Global Compact is an initiative aimed at companies and advocates ten principles based on international conventions. These principles, which were established in 2000, include human rights, labour laws, the environment and anti-corruption.

### ICC



The International Chamber of Commerce (ICC) has developed a business charter, with the aim of guiding the world's companies in their efforts to fulfil their environmental commitments. These commitments are in compliance with national and international guidelines and standards for environmentally aware governance. Handelsbanken has signed the charter and complied with it since the 1990s.

### PRI

Signatory of:



PRI (United Nations backed Principles for Responsible Investment Initiative) was launched in 2006. It is a network of investors that work together with the UN to implement principles for responsible investment. Its aim is to promote responsible actions among institutional investors and to work for increased openness and awareness of environmental, social and corporate governance issues in the companies in which these players invest. Handelsbanken became a signatory to the principles in 2009. In total, almost 1,350 capital owners, asset managers and other stakeholders have become signatories.

### UNEP FI



The UN Environmental Programme has a special organisation that works with how the capital markets can promote the adoption of best environmental and sustainability practice.

Some 200 financial institutions which support the initiative contribute to research into and knowledge of how sustainability issues can be integrated into financial decisions. Handelsbanken has been a member of UNEP FI since the mid-1990s.

### Ecpat



In 2009, Handelsbanken, together with the Swedish Bankers' Association, started co-operating with Ecpat. The overall objective of the cooperation is to prevent commercial sexual exploitation of children by preventing and obstructing monetary transactions made as payment for child pornography.

Ecpat Sweden is part of Ecpat International, which has member organisations in more than 70 countries. Ecpat is working to prevent and stop all forms of commercial sexual exploitation of children: child pornography, child sex tourism and trafficking in under-age human beings for sexual purposes.

### Financial Coalition Against Child Pornography

Finanskoalition mot barnpornografi.

Handelsbanken has been a member of the Swedish Financial Coalition Against Child Pornography (the Financial Coalition) since 2009. The Financial Coalition works to impede and prevent trade related to child pornography, based on the overall crime-prevention goal of stopping child sexual abuse. With the intention of preventing this trade from being conducted through the financial systems, a unique cooperation has been developed between public authorities, the private sector and the non-profit sector. The fact that the Financial Coalition's members impede the opportunity of using the financial systems for this kind of crime, helps to make it more complicated and limit its distribution.

### Economic research

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

Together, these foundations are one of the most important sources of funding for economic research in Sweden. In 2014, 152 (148) grants were awarded for a total of SEK 151 million (149).

At the end of 2014, the foundations' combined capital totalled some SEK 5,627 million.

Handelsbanken has also funded a professorial chair in accounting at the Stockholm School of Economics and has contributed to the Institute for Financial Research (SIFR) and Swedish House of Finance (SHOF).

### Personal finances for young people

Handelsbanken supports initiatives that improve young people's knowledge of personal finance by supporting information campaigns and contributing know-how. Ung Privatekonomi (Young Personal Finances) is a schools information project that teaches Swedish upper secondary school students and teachers about personal finances and savings.

### Collaboration with universities and colleges

Handelsbanken has a number of collaborations with universities and colleges, and these are an important part of its long-term employer branding work. Through this, Handelsbanken establishes contact with target groups that are important in terms of recruitment and contributes expertise and experience to the courses. This is based on co-operation with and commitment from local personnel departments, as well as employees and managers from branches and internal units.

### Handelsbanken's Student Programme

Handelsbanken in Sweden offers students from upper secondary school who plan to study at university the opportunity to participate in the Bank's Student Programme alongside their studies. The programme comprises working at the Bank during their studies, their own action plan and relevant studies for development at Handelsbanken. The purpose is to attract, recruit and develop young employees as part of the Bank's future management succession, and to promote gender equality and diversity.

### The Technology Leap

Since the autumn of 2013, Handelsbanken in Sweden has taken part in the Technology Leap (Tekniksprånget). The Technology Leap is run by the Royal Swedish Academy of Engineering Sciences (IVA), on behalf of the Swedish National Agency for Education. The Technology Leap is an initiative, the aim of which is to give young people who have graduated from natural sciences and technology programmes in upper secondary school an insight into the engineering profession. Over a four-month period, the young people are offered work experience aimed at inspiring them to apply for technology degree courses in the future.

## AWARDS

### Bank of the Year 2014 in Denmark



Handelsbanken was acclaimed Bank of the Year in Denmark by the financial periodical The Banker, which is owned by the Financial Times. One of the factors cited for the award was the Bank's ability to create positive and stable growth on a very difficult market.

**Bank of the Year 2014 in Norway**

Handelsbanken was acclaimed Bank of the Year in Norway by the financial periodical *The Banker*, which is owned by the Financial Times. The award was due to the Bank's sound financial development, its operative efficiency and customer satisfaction. The Banker also points to Handelsbanken's success with decentralised, local responsibility and continuing branch establishments in parallel with digital development.

**Bank of the Year in the UK**

Handelsbanken was acclaimed Bank of the Year for 2014 by the London-based periodical *City AM*. This was the fifth year running the award was given and it goes to companies which are considered to provide a major contribution to the economy in terms of growth and wealth. The jury, which consists of British business leaders, praised the Bank for its ongoing expansion of branches in the UK with the comment "totally messing up perceptions that you can't have a retail banking business that's successful."

**Sweden's Small Enterprise Bank 2014**

**Finans Barometern** For the third consecutive year, Handelsbanken has been acclaimed Small Enterprise Bank of the Year in Sweden by companies with between one and nine employees in *Finansbarometern's* annual survey. Service and contacts, and the quality of electronic services are the factors considered most important when corporates choose a bank. The rating is the highest that has been awarded to any bank since the survey began.

**Business Bank of the Year 2014**

**Finans Barometern** For the fourth consecutive year, Handelsbanken was voted Business Bank of the Year by Sweden's 1,000 largest companies in *Finansbarometern's* annual survey. Service and contacts, the quality of advice, and the range of products are some of the factors considered most important when corporates choose a bank.

**SURVEYS****Satisfied customers**

In 2014, Handelsbanken again had the most satisfied customers of the major banks in Sweden. This applies to both private and corporate customers.



The Bank also retains its strong and stable position in all home markets. SKI (Swedish Quality Index) is a system for compiling, analysing and distributing information about customers' expectations, perceived quality and evaluation of goods and services. Helping to run SKI is the international organisation EPSI Rating (European Performance Satisfaction Index), which conducts comparable surveys in over 20 countries. Research and development related to the surveys is conducted regularly at SIQ (the Swedish Institute for Quality) and the Stockholm School of Economics.

**Sustainable Brand Index****SUSTAINABLE BRAND INDEX**

The 2014 results of Scandinavia's largest annual brand study focusing on sustainability – Sustainable Brand Index™ – shows that Handelsbanken is in top place in Sweden among the four major banks.

In this study, 24,000 consumers assess the sustainability of a brand. Based on the setting, the human and the brand, the study seeks to understand why a brand is perceived in a certain way.

**Universum Employees**

Sveriges Bäste Arbetsgivare 2014  
Branschbäst

During the year, the research company Universum performed three different surveys in which Handelsbanken received very high ratings. When Universum ranked Sweden's Ideal Employer 2014, Handelsbanken came in 19th place, which is best in the banking sector. This result was based on factors such as "internal identity" (i.e. employees' views of their employers' reputation and image), job characteristics, people and corporate culture, as well as remuneration and opportunities to advance. Employees also graded their "satisfaction" in overall terms, and their "loyalty" – how inclined they were to remain with their employer.

**Business students**

Handelsbanken was in seventh place, and the number two bank, out of a total of 203 companies in the Corporate Barometer 2014, a survey carried out by the Universum research company among business students in Sweden. The survey's participants – business students in Sweden – responded to questions on ideal employers, and graded these according to the following criteria: reputation and image; job characteristics; people and corporate culture; remuneration and opportunities to advance.

**Young professionals**

In Universum's Career Barometer survey, Sweden's "young professionals" named their ideal employers. "Young professionals" refers to people under 40 with an academic background and one to eight years' experience of working life. Among professionals working in finance, Handelsbanken was the number two bank and in ninth place out of a total of 197 companies. In this survey, too, participants answered questions about what is a good employer based on the following criteria: reputation and image; job characteristics; people and corporate culture; remuneration and opportunities to advance.

**SUSTAINABILITY INDEX**

Handelsbanken is scrutinised and assessed by both customers and financial market players. The outcome, and the assessment of the Bank that results from this, shows how well Handelsbanken is living up to their expectations.

**Ethibel Sustainability Index**

The Brussels-based organisation Ethibel provides the financial market with information on various companies and their sustainability work. Its analyses are carried out by the Vigeo research company, and based on these results, Ethibel creates a universe that forms a platform for sustainability products and responsible investments. The Svenska Handelsbanken class A share has been included in the Ethibel Excellence Investment Register since 2004, and is also included in the ESI Excellence index, which is based on this universe.

**OMX GES Sustainability**

Together with the GES Investment Services research company, the Nasdaq Stockholm stock exchange has launched a number of sustainability indexes that provide investors with a universe of companies that are fulfilling sustainability requirements. Handelsbanken has qualified for the OMX GES Sustainability Sweden index, as well as the OMX GES Sustainability Nordic index.

**STOXX Global ESG Leaders**

Handelsbanken is included in the STOXX Global ESG Leaders index. The companies included in the index were selected in an analysis process based on environmental factors, social responsibility and corporate governance issues. The Index consists of three underlying indices: STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders and STOXX Global ESG Governance Leaders. Handelsbanken is included in all three of these indices.

**FTSE4Good**

Handelsbanken has been selected to be included in the international FTSE4Good Index 2014. The index is independent and is based on analyses of companies' work with environmental, social and governance practices (ESG). Handelsbanken has been part of the index since 2001.

**Sustainable Value Creation**

Since 2009, Handelsbanken Asset Management, together with other major Swedish investors, has taken part in the Sustainable Value Creation project. For the participants, the aim of the project has been to highlight the importance of Swedish companies working with sustainability issues in a structured manner.

In its capacity as one of the 100 largest listed Swedish companies, Handelsbanken has itself responded to the surveys on its work.



# Content and restrictions

Since 2009, Handelsbanken has reported its relevant work with sustainability in accordance with guidelines from the Global Reporting Initiative, GRI 3.0. We do this as part of the Bank's Annual Report. The aim of the report is that our stakeholders should be able to find out about our work in a simple manner, gaining a good understanding of the Bank's performance.

## THE WORK OF DEFINING CONTENT

Handelsbanken's sustainability committee consists of representatives from branch offices in Sweden, offices outside the Bank's home markets, Handelsbanken Capital Markets, as well as representatives from the central functions for Communications, Investor Relations, IT, Credits and Personnel. With its starting-point in the Bank's business operations, the committee has conducted an analysis of the mutual influences and relationship between the Bank and its stakeholders, and the results of their continuous dialogue. Handelsbanken has defined a stakeholder as a player that is affected to a large extent by the Bank's actions, or that can affect the Bank's ability to create value. The information presented in this report is intended to provide a clear picture of Handelsbanken's sustainability efforts and to meet the information requirements of stakeholders.

## RELEVANCE FOR A BANK IN THE NORDIC REGION, THE UK AND THE NETHERLANDS

Relevance and materiality are key GRI concepts in sustainability reporting. Handelsbanken re-

ports the sustainability issues that we consider to be particularly relevant to the Bank's ability as regards long-term value creation, and to our stakeholders. To be able to report what is relevant and material, Handelsbanken applies the GRI Financial Services Sector Supplement (FSSS).

In assessing the degree of relevance of a specific indicator, the starting point has been Handelsbanken's operations and where they are conducted. Banking operations have a limited direct environmental impact, and therefore, a number of GRI environmental indicators have been deemed to have less relevance for Handelsbanken, and thus these are not reported. Handelsbanken's suppliers, e.g. real estate owners that provide premises for bank branches, or suppliers of office material, are located in the regions where Handelsbanken operates. Risks associated with human rights and working conditions among providers are therefore deemed to be limited.

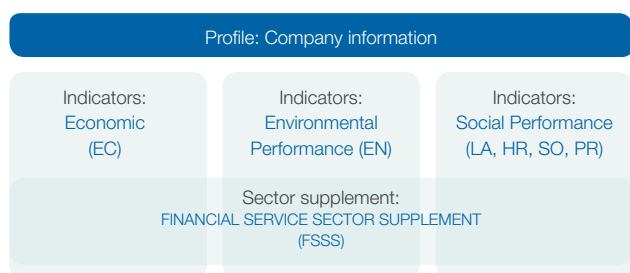
In addition to the information provided in the report, there is also a separate GRI appendix at [handelsbanken.se/csreng](http://handelsbanken.se/csreng). This includes infor-

mation that is deemed to have a lower degree of relevance, but which has been requested by some external stakeholders.

## DATA COLLECTION AND LIMITATIONS

The Sustainability Report contains information relating to the Group unless otherwise stated. The information presented in the report covers the largest and most important parts of the operations, with focus on banking operations.

The Report has certain limitations regarding labour practices and environmental data (LA and EN). Some personnel information refers to the Swedish operations only, while other information is for the Group as a whole. Environmental data refers to operations in the Bank's home markets, with focus on the Swedish operations. Any limitations are shown in the report. No major corrections or amendments with reference to previous information provided in previous years' sustainability reports have been made in this report.



Report Application Level	C	C+	B	B+	A	A+
Standard Disclosures	Report on 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15	Report on all criteria listed for Level C plus: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	Same as requirement for Level B	Same as requirement for Level B	Same as requirement for Level B	Same as requirement for Level B
G3 Profile Disclosures	Not Required	Management Approach Disclosures for each Indicator Category	Management Approach Disclosures for each Indicator Category	Management Approach Disclosures for each Indicator Category	Management Approach Disclosures for each Indicator Category	Management Approach Disclosures for each Indicator Category
G3 Management Approach Disclosures	Report on a minimum of 10 Performance Indicators, at least one from each of Economic, Social and Environmental.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product responsibility.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product responsibility.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product responsibility.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product responsibility.	Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product responsibility.
G3 Performance Indicators & Sector Supplement Performance Indicators	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality principle.	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality principle.	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality principle.	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality principle.	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality principle.	Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality principle.

\*Sector supplement in final version

## INDEX ACCORDING TO THE GLOBAL REPORTING INITIATIVE (GRI)

Handelsbanken reports its sustainability in accordance with guidelines from the Global Reporting Initiative (GRI) 3.0. The Sustainability Report meets the information requirements of level C+ and this has been confirmed by the Bank's external auditors. Handelsbanken reports the Group's sustainability activities annually. This year's Sustainability Report is Handelsbanken's fifth in accordance with GRI, and relates to

the 2014 calendar year. The latest report was submitted in February 2014, and related to the 2013 calendar year.

The table below contains the indicators which are assessed to be relevant to Handelsbanken's operations including indicators from the GRI Financial Services Sector Supplement (FSSS). The symbols in the table show the degree of relevance that Handelsbanken deems the indicator to have and also to what extent Handelsbanken reports on the indicator.

## CONTACT

For questions or comments on this report, or on the Bank's sustainability work, please mail Handelsbanken's sustainability officer at [csr@handelsbanken.se](mailto:csr@handelsbanken.se).

	PROFILE: COMPANY INFORMATION	Page CSR	Page AR/www	Scope
<b>1. STRATEGY AND ANALYSIS</b>				
1.1	Comments from the Group Chief Executive		4–5	■
1.2	Description of key impacts, risks and opportunities	197, 208–211, 213–217	12–13	■
<b>2. ORGANISATIONAL PROFILE</b>				
2.1	Name of the organisation		3	■
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2.3	Operational structure of the organisation		14–15	■
2.4	Location of the organisation's headquarters		3	■
2.5	Countries where the organisation operates		14–17, 225–235	■
2.6	Nature of ownership and legal form		50–58	■
2.7	Markets		Inside cover, 14–17, 225–235	■
2.8	Scale of the organisation		Inside cover, 10–11, 19, 22–23	■
2.9	Significant changes during the reporting period	220	20–21	■
2.10	Awards received during the reporting period	218–219	4–5	■
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3.3	Reporting cycle	221		■
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3.5	Process for defining report content	220		■
3.6	Boundary of the report	220		■
3.7	Specific limitations on the scope or boundary of the report	220		■
3.8	Basis for reporting on joint ventures, subsidiaries, etc.	220	72–73	■
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	220		■
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4.9	The Board's monitoring of the sustainability work	207	54–58	■
4.10	Processes for evaluating the Board's own performance		52–54	■
4.12	Endorsement of external voluntary codes, principles or other initiatives	196–197, 208, 210–211, 215–216, 218	4–5	■
4.13	Memberships in associations	218–219		■
4.14	List of stakeholder groups	201, 213		■
4.15	Basis for identification and selection of stakeholders with whom to engage	197, 201		■
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4.17	Key topics and concerns that have been raised through stakeholder engagement	201–203		■

### Key to symbols

AR	Refers to the 2014 Annual Report	● Relevant	■ Reported
CSR	Refers to the 2014 Sustainability Report	◐ Partly relevant	◐ Partly reported
www	Refers to the GRI supplement at <a href="http://handelsbanken.se/csreng">handelsbanken.se/csreng</a>	○ Not relevant	□ Not reported



INDICATORS		Page CSR	Page AR/www	Relevance	Scope
<b>5. ECONOMIC INDICATORS (EC)</b>					
<b>Disclosure on management approach/Economic</b>		197, 209	9–13		
EC1.	Direct economic value generated and distributed	201, 213–214		●	■
EC2.	Financial impact, and risks and opportunities for the organisation due to climate changes	197, 209–211, 215–216		●	■
EC3.	Coverage of the organisation's defined benefit plan obligations	206	108–111	●	■
EC4.	Significant financial assistance received from government	197, 213–214		●	■
EC7.	Local hiring and proportion of senior management hired from the local community	204		●	■
EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	213, 218		●	■
EC9.	Significant indirect economic impacts, including the extent of impacts	197, 213–214		●	■
<b>6. ENVIRONMENTAL PERFORMANCE INDICATORS (EN)</b>					
<b>Disclosure on management approach/Environment</b>		197–199, 216–217			
EN1.	Materials used by weight or volume		www	○	■
EN4.	Indirect energy consumption by primary source	198–199, 216–217		○	■
EN5.	Energy saved due to conservation and efficiency improvements	216–217		○	■
EN6.	Initiatives to provide energy-efficient or renewable energy-based products/services, and reductions in energy requirements as a result of these initiatives	209, 216–217		○	■
EN7.	Initiatives to reduce indirect energy consumption and results	216–217		○	■
EN16.	Direct and indirect greenhouse gas emissions	198–199, 216–217		○	■
EN17.	Other relevant indirect greenhouse gas emissions	216–217	www	○	■
EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved	198–199, 216–217		●	■
EN22.	Total weight of waste by type and disposal method		www	○	■
EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	216–217		○	■
<b>7. SOCIAL PERFORMANCE INDICATORS (LA, HR, SO, PR)</b>					
<b>Disclosure on management approach</b>					
<b>Employment and working conditions (LA)</b>		197–201, 204–216			
LA1.	Total workforce by employment type, contract and region	204–205		●	■
LA2.	Staff turnover and employees who have left the Bank	199, 204–205	108	●	■
LA3.	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	206	62–65, 108–111	●	■
LA4.	Percentage of employees covered by collective bargaining agreements	206		●	■
LA5.	Minimum notice period(s) regarding major operational changes and whether this is specified in the collective agreement	206		●	■
LA7.	Rates of injury, occupational diseases, lost days, total work related fatalities per region	198–199, 205		○	■
LA9.	Health and safety topics covered in formal agreements with trade unions	205		●	■
LA12.	Percentage of employees receiving regular performance and career development reviews	204		●	■
LA13.	Composition of governance bodies and employees according to gender, age group, minority group membership and other indicators of diversity	204–205	62–65, 108–111	●	■
LA14.	Ratio of basic salary of men to women per employee category	205		●	■
<b>Human rights (HR)</b>					
HR1.	Proportion and number of Investment agreements that include human rights clauses, or that have been examined on the basis of human rights	208–213		●	■
HR4.	Total number of incidents of discrimination and actions taken	205		●	■
<b>Society (SO)</b>					
SO2.	Business units analysed for risks related to corruption		56–59, 81–105	●	■
SO3.	Employees trained in the organisation's anti-corruption policies and procedures	215	57–59	●	■
SO4.	Actions taken in response to incidents of corruption	There were no corruption incidents in 2014		●	■
SO5.	Participation in public policy development and lobbying	213		○	■
SO8.	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No significant incidents in 2014		●	■
<b>Product responsibility (PR)</b>					
PR3.	Type of products and service information required by procedures, and percentage of products subject to such information requirements	208–211		●	■
PR5.	Results related to customer satisfaction, including results of surveys measuring customer satisfaction	199, 202–203, 219		●	■
PR6.	Programme for adherence to laws, standards and voluntary codes for marketing communications	197, 208		●	■
PR9.	Monetary value of fines for non-compliance with regulations concerning the use of products and services	No significant incidents in 2014		●	■
<b>FINANCIAL SERVICES SECTOR SUPPLEMENT</b>					
<b>FS. PRODUCT AND SERVICE IMPACT SECTION</b>					
FS1.	Policies with specific environmental and social components applied to business lines	197, 209–211, 216–217		●	■
FS2.	Procedures for assessing and screening environmental and social risks in business lines	209–211		●	■
FS3.	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	209		●	■
FS5.	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	209–211		●	■
FS10.	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	210–211		●	■
FS11.	Percentage of assets subject to positive and negative environmental screening	210–211		●	■
FS12.	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	210–211		●	■
FS13.	Access points in low-populated or economically disadvantaged areas by type	200, 213	16–17	●	■
FS15.	Policies for the fair design and sale of financial products and services	197, 208		●	■
FS16.	Initiative to enhance financial literacy by type of beneficiary	213, 218		●	■

**Key to symbols**

AR	Refers to the 2014 Annual Report	●	Relevant	■	Reported
CSR	Refers to the 2014 Sustainability Report	○	Partly relevant	■	Partly reported
www	Refers to the GRI supplement at handelsbanken.se/csreng	○	Not relevant	■	Not reported

# Auditor's Combined Assurance Report on Svenska Handelsbanken AB (publ) Sustainability Report

To Svenska Handelsbanken AB (publ)

## INTRODUCTION

We have been engaged by the executive management of Svenska Handelsbanken AB (publ) to undertake an examination of Svenska Handelsbanken AB (publ) Sustainability Report for the year 2014. The Sustainability Report also includes a separate GRI Appendix, Handelsbanken's GRI Appendix 2014 at [www.handelsbanken.se/csreng](http://www.handelsbanken.se/csreng). The Company has defined the scope of the Sustainability Report on page 3 in the Annual Report 2014.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT.

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 221 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the procedures we have performed.

We conducted our engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. The engagement includes a limited assurance engagement on the complete Sustainability Report and audit of certain information as specified below. The objective of an audit is to obtain reasonable

assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a test basis, evidence supporting the quantitative and qualitative information in the Sustainability Report. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. Hence, the conclusion based on our limited assurance procedures does not comprise the same level of assurance as the conclusion of our reasonable assurance procedures. Since this assurance engagement is combined, our conclusions regarding the reasonable assurance and the limited assurance will be presented in separate sections.

Our reasonable assurance engagement includes the following:

- Table "External staff turnover 2010–2014"
- Tables "Return on equity, 1973–2014", "Loan losses as a percentage of lending 1998–2014", "Customer satisfaction, private customers and corporate customers 2014".
- Carbon dioxide emissions from electricity consumption

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

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

## CONCLUSIONS

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

In our opinion the information in the Sustainability Report which has been subject to our reasonable assurance procedures have, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 12 February 2015

KPMG AB

Stefan Holmström  
Authorised Public  
Accountant

Torbjörn Westman  
Expert Member of FAR

Handelsbanken



# Contact information

Web site: handelsbanken.com unless otherwise stated.

## CENTRAL HEAD OFFICE

**Pär Boman**, Group Chief Executive  
**Yonnie Bergqvist**, Central Head Office  
**Katarina Berner Frösdal**, Sustainability  
**Olof Lindstrand**, Central Head Office  
**Claes Norlén**, Central Head Office  
**Anders Ohlner**, Central Head Office  
**Håkan Sandberg**, Central Head Office

Kungsträdgårdsgatan 2  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00  
 handelsbanken.se  
 Corporate identity no.: 502007-7862

## HEAD OFFICE SWEDEN

**Frank Vang-Jensen**, Head

Kungsträdgårdsgatan 2  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## HEAD OFFICE UK

**Anders Bouvin**, Head

3 Thomas More Square  
 London E1W 1WY, UK  
 +44 (0)20 757 880 00  
 handelsbanken.co.uk

## UNITS AND CENTRAL DEPARTMENTS AT THE CENTRAL HEAD OFFICE

### CORPORATE GOVERNANCE

**Klas Tollstadius**, Head

Kungsträdgårdsgatan 2  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

### COMPLIANCE

**Luciana Pacor Hygrel**, Head

Blasieholmstorg 11  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

### GROUP FINANCE

**Ulf Riese**, CFO

Kungsträdgårdsgatan 2  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

### COMMUNICATIONS

**Johan Lagerström**, Head

Kungsträdgårdsgatan 2  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

### INFRASTRUCTURE

**Agneta Lilja**, Head

Torsgatan 14  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## IT

**Anders H Johansson**, Head

Tegeluddsvägen 10  
 SE-115 82 Stockholm, Sweden  
 +46 (0)8 701 10 00

## LEGAL AFFAIRS

**Ulf Köping-Höggård**, Head

Kungsträdgårdsgatan 2  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## CREDITS

**Per Beckman**, Head

Kungsträdgårdsgatan 2  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## INDEPENDENT RISK CONTROL

**Maria Hedin**, Head

Kungsträdgårdsgatan 2  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## PERSONNEL

**Katarina Berner Frösdal**, Head

Blasieholmstorg 12  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## AUDIT

**Tord Jonerot**, Head

Blasieholmstorg 12  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## SEGMENTS AND BUSINESS AREAS

### CAPITAL MARKETS

**Michael Green**, Head

**Jan Häggström**, Head of Economic Research

Blasieholmstorg 11  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

### RETAIL & E-SERVICES

**Anders Karlsson**, Head

Torsgatan 12  
 SE-106 35 Stockholm, Sweden  
 +46 (0)8 701 10 00

### MARKETS & ASSET MANAGEMENT

**Per Elcar**, Head

Blasieholmstorg 11  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

### MERCHANT BANKING INTERNATIONAL

**Jan Amethier**, Head

Blasieholmstorg 11  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## PENSION & LIFE

**Louise Sander**, Head

Blasieholmstorg 12  
 Box 1325  
 SE-111 83 Stockholm, Sweden  
 +46 (0)8 701 71 00

## FORESTRY & FARMING

**Åsa Willén**, Head

Torsgatan 14  
 SE-103 70 Stockholm, Sweden  
 +46 (0)8 701 10 00

## SUBSIDIARIES

### EFN

**Carl Bjurling**, Head

Blasieholmstorg 12  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00  
 Corporate identity no.: 556930-1608

### HANDEL & INDUSTRI

**Bengt Kjell**, Head

Nybrokajen 15  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 41 10  
 Corporate identity no.: 556013-5336

### HANDELSBANKEN FINANS

**Marie Lundberg**, Head

Torsgatan 12-14  
 SE-106 35 Stockholm, Sweden  
 +46 (0)8 701 46 00  
 Corporate identity no.: 556053-0841

### HANDELSBANKEN FONDER

**Katja Bergqvist**, Head

Blasieholmstorg 12  
 SE-106 70 Stockholm, Sweden  
 +46 (0)8 701 10 00  
 Corporate identity no.: 556418-8851

### HANDELSBANKEN LIV

**Louise Sander**, Head

Blasieholmstorg 12  
 Box 1325  
 SE-111 83 Stockholm, Sweden  
 +46 (0)8 701 71 00  
 Corporate identity no.: 516401-8284

### HEARTWOOD

**Tracey Davidson**, Head

12 Henrietta Street  
 Covent Garden  
 London WC2E 8LH, UK  
 +44 (0)20 704 513 20  
 Corporate identity no.: 4132340

### STADSHYPOTEK

**Ulrica Stolt Kirkegaard**, Head

Torsgatan 12  
 SE-103 70 Stockholm, Sweden  
 +46 (0)8 701 54 00  
 Corporate identity no.: 556459-6715

## HEAD OFFICES, REGIONAL BANKS

### NORTHERN SWEDEN

**Magnus Ericson**, Head

Storgatan 48  
Box 1002  
SE-901 20 Umeå  
+46 (0)90 15 45 60

### CENTRAL SWEDEN

**Pontus Åhlund**, Head

Nygatan 20  
Box 196  
SE-801 03 Gävle  
+46 (0)26 17 20 60

### STOCKHOLM

**Carina Åkerström**, Head

Arsenalsgatan 9  
SE-106 70 Stockholm  
+46 (0)8 701 10 00

### EASTERN SWEDEN

**Stefan Nilsson**, Head

Ågatan 7  
Box 421  
SE-581 04 Linköping  
+46 (0)13 28 91 00

### WESTERN SWEDEN

**Katarina Ljungqvist**, Head

Östra Hamngatan 23 A  
SE-405 40 Gothenburg  
+46 (0)31 774 80 00

### SOUTHERN SWEDEN

**Göran Stille**, Head

Södergatan 10  
SE-205 40 Malmö  
+46 (0)40 24 50 00

### GREAT BRITAIN – NORTHERN

**John Parker**, Head

4M Building  
Malaga Avenue  
Manchester Airport  
Manchester M90 3RR, UK  
+44 (0)16 160 202 00  
handelsbanken.co.uk

### GREAT BRITAIN – NORTH EAST

**Simon Lodge**, Head

No 1 Whitehall Riverside, 4<sup>th</sup> Floor  
Leeds LS1 4BN, UK  
+44 (0)11 338 601 00  
handelsbanken.co.uk

### GREAT BRITAIN – CENTRAL

**Nick Lowe**, Head

Two Colmore Square  
38 Colmore Circus, 3<sup>rd</sup> floor  
Queensway  
Birmingham B4 6BN, UK  
+44 (0)12 121 291 74  
handelsbanken.co.uk

### GREAT BRITAIN – SOUTH WEST

**Michael Broom**, Head

1100 Parkway North  
Stoke Gifford  
Bristol BS34 8YU, UK  
+44 (0)11 793 110 08  
handelsbanken.co.uk

### GREAT BRITAIN – SOUTHERN

**John Hodson**, Head

3 Thomas More Square  
London E1W 1WY, UK  
+44 (0)20 757 880 00  
handelsbanken.co.uk

### DENMARK

**Lars Moesgaard**, Head

Havneholmen 29  
DK-1561 Copenhagen V, Denmark  
+45 (0)46 79 12 00  
handelsbanken.dk

### FINLAND

**Nina Arkilahti**, Head

Alexanderkatu 11  
FI-00100 Helsinki, Finland  
+358 (0)10 444 11  
handelsbanken.fi

### NORWAY

**Dag Tjernsmo**, Head

Tjuvholmen Allé 11  
Postboks 1342 Vika  
NO-0113 Oslo, Norway  
+47 (0)22 39 70 00  
handelsbanken.no

### THE NETHERLANDS

**Mikael Sørensen**, Head

WTC Schiphol Airport  
Schiphol Boulevard 135  
NL-1118 BG Schiphol, The Netherlands  
+31 (0)204 127 600  
handelsbanken.nl

# Branches and branch managers

## REGIONAL BANK NORTHERN SWEDEN

### Board

**Bob Persson** Frösön, Chairman  
**Hans Jonsson** Umeå  
**Gunnar Liljedahl** Luleå  
**Agneta Marell** Umeå  
**Magnus Ericson** Umeå  
**Anna Mattsson** Luleå, (E)\*

### Head

**Magnus Ericson** Umeå



### Branch/branch manager

Arvidsjaur **Ann-Louise Högberg**  
 Backe **Linnea Olsson**  
 Bjurholm **Linda Öhrman**  
 Bjästa **Kathrin Nordenberg**  
 Björna **Veronica Egnor**  
 Boden **Ann-Christin Söderberg Rånman**  
 Bredbyn **Anna Englund**  
 Bureå **Helen Sundström**  
 Burträsk **Joakim Löfbom**  
 Byske **Sören Markström**  
 Domsjö **Patrise Halsius**  
 Dorotea **Fredrik Sjöbom**  
 Föllinge **Bodil Edfeldt Olsson**  
 Gammelstad **Susanne Rudeklint**  
 Gällivare **Björn Nyström**  
 Hammarstrand **Lars-Göran Fahlén**  
 Hammerdal **David Sjödin**  
 Haparanda **Tomas Björnfot**  
 Holmsund **Helene Hedman**  
 Hoting **Berith Minasdotter**  
 Husum **Veronica Egnor**  
 Härnösand **Åsa Starfelt Nilsson**  
 Jokkmokk **Ulrica Kvickström**  
 Junsele **Annica Olofsson**  
 Järpen **Pär Jakobsson**  
 Kalix **Ulla-Britt Söderberg**  
 Kiruna **Andreas Karlsson**  
 Kramfors **Susanne Moström**  
 Krokom **Henrik Lindqvist**  
 Liden **Tobias Wiklund**  
 Lit **Magnus Noren**  
 Lugnvik **Tommy Sjölund**  
 Luleå  
     Storgatan **Jörgen Ericsson**  
     Örnåset **Lisbeth Aidanpää**  
 Lycksele **Henrik Johansson**

Lövånger **Kjell-Ove Lövgren**  
 Malå **Ewa Lundqvist**  
 Mörsil **Jessica Forssén**  
 Nordingrå **Tommy Sjölund**  
 Nordmaling **Mats Ågren**  
 Norsjö **Greger Holmström**  
 Näsåker **Mari Tarander Jakobsson**  
 Offerdal **Jörgen Nordqvist**  
 Pajala **Martin Hedberg**  
 Piteå **Stefan Uddström**  
 Ramsele **Jan-Åke Sjömäling**  
 Robertsfors **Anton Olofsson**  
 Råneå **Maria Mörk**  
 Skellefteå **Hans Albert Lindgren**  
 Sollefteå **Sofia Bodin**  
 Sorsele **Fredrik Karlsson**  
 Storuman **Fredrik Karlsson**  
 Strömsund **Lars-Erik Olsén**  
 Sävar **Andreas Fors**  
 Trehörningsjö **Gunilla Näslund**  
 Ullånger **Tommy Sjölund**  
 Umeå  
     City **Anders Sundström**  
     Teg **Thomas Rönberg**  
     Västra **Henrik Lundström**  
 Vilhelmina **Karin Svensson**  
 Vindeln **Anna Johansson**  
 Vännäs **Alexander Bagrov**  
 Ånäset **Anton Olofsson**  
 Åre **Jenny Strand**  
 Åsele **Anna Andersson**  
 Älvsbyn **Eva Berggren**  
 Örnköldsvik **Lars Norlinder**  
 Östersund **Petter Dahlin**  
 Överkalix **Maria Fältmark**  
 Övertorneå **Asta Blombäck**

## REGIONAL BANK CENTRAL SWEDEN

### Board

**Ulf Bergkvist** Insjön, Chairman  
**Torsten Engwall** Gävle  
**Peter Larson** Gävle  
**Ulf Larsson** Sundsvall  
**Monica Oldenstedt** Västerås  
**Arne Skoglund** Uppsala  
**Pontus Åhlund** Gävle  
**Monica Morén** Hedemora, (E)\*

### Head

**Pontus Åhlund** Gävle



### Branch/branch manager

Alfta **Dan Silvroth**  
 Arboga **Larry Andersson**  
 Arbrå **Pär Lindh**  
 Avesta **Ruben Bergdahl**  
 Bergby **Susanne Persson**  
 Bergsjö **Rose-Marie Hildingsson**  
 Bjursås **Anders Rapp**  
 Björbo **Jenny Åkerström**  
 Bollnäs **Thomas Frykberg**  
 Borlänge **Caroline Cedergren**  
 Bräcke **Per Stålhandske**  
 Delsbo **Örjan Källman**  
 Edsbyn **Annika Wikström**  
 Enköping **Lars Olsson**  
 Fagersta **Mikael Johansson Holst**  
 Falun **Henrik Ragnarsson**  
 Fellingsbro **Daniel Wallin**  
 Frånsta **Per Röstlund**  
 Frövi **Mikael Jansson**  
 Furudal **Maria Holmberg**  
 Gagnef **Anders Rehn**  
 Gnarp **Niclas Södergren**  
 Grangårde **Andreas Abraham**  
 Grängesberg **Mia Karlsson**  
 Gällö **Karin Evertsson**  
 Gävle City **Svante Larsson**  
 Hallstavik **Catarina Lyshag**  
 Heby **Maria Oscarsson**  
 Hede **Mattias Sundt**  
 Hedemora **Håkan Arvidsson**  
 Hedesunda **Markus Strömberg**  
 Hudiksvall **Thony Nylund**  
 Insjön **Oskar Ahlén**  
 Järvsö **Mikael Stridh**  
 Kilafors **Sten Morin**  
 Knivsta **Agneta Stureson**  
 Kolbäck **Terése Ahl Lejderud**  
 Kopparberg **Lena Ragnarsson Vöks**  
 Kungsör **Ann-Charlotte Edin**  
 Kvissleby **Per Pettersson**  
 Köping **Peter Fällman**  
 Leksand **Anders Ekström**  
 Lima **Lena Eggens**  
 Lindesberg **Maria Ekdahl**  
 Ljusdal **Tommy Bylund**  
 Ljusne **Anna Ekström**  
 Ludvika **Andreas Abraham**  
 Malung **Martin Sellberg**  
 Matfors **Caroline Jungell**  
 Mockfjärd **Bengt Korning**

Mora **Jürgen Smolle**  
 Norberg **Håkan Bjurling**  
 Norrtälje **Bo Schotte**  
 Ockelbo **Fredrik Nordkvist**  
 Orsa **Anette Skoglund**  
 Rimbo **Iréne Widnerström**  
 Rättvik **Maria Holmberg**  
 Sala **Robert Karlsson**  
 Sandvikens **Johan Lindahl**  
 Skinnskatteberg **Niclas Zidén**  
 Skultuna **Johan Gustavsson**  
 Skutskär **Magnus Sjökvist**  
 Skärplinge **Stefan Holmquist**  
 Skönsberg **Urban Strömbom**  
 Stora Tuna **Andreas Borgefors**, Acting  
 Storvik **Helene Hedin**  
 Sundsvall **Owe Sundin**  
 Sveg **Jörgen Andersson**  
 Svenstavik **Bengt Nilzén**  
 Säter **Patrik Nylén**  
 Söderhamn **Joakim Frithiof**  
 Sörberge **Ulrica Bolt**  
 Tierp **Pernilla Strömberg**  
 Timrå **Amanda Eriksson**  
 Torsåker **Toni Soppela**  
 Uppsala  
     City **Johanna Lundberg**  
     Eriksberg **Magnus Sundqvist**  
     Industriområde **Micael Lindström**  
     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 **Michaela Morén**  
 Österbybruk **Kristina Carlsson**  
 Östervåla **Helena Kolström**  
 Östhammar **Anna Lydell Bjälmén**

### Meeting-places

Knivsta  
     Alsike **Agneta Stureson**  
 Mora  
     Älvdalen **Jürgen Smolle**

(E)\*= employee representative



## REGIONAL BANK STOCKHOLM

## Board

**Stefan Wigren** Bromma, Chairman  
**Ingall Berglund** Solna  
**Carl-Olof By** Saltsjöbaden  
**Jörgen Centerman** Stockholm  
**Ulf Lundahl** Lidingö  
**Carina Åkerström** Stockholm  
**Anne Reis** Stockholm, (E)\*

## Head

**Carina Åkerström** Stockholm



## Branch/branch manager

Alviks Torg **Johan Lurén**  
 Arlanda Sky City **Carl-Fredrik Boija**  
 Birger Jarlgatan **Daniel Spangenberg**  
 Brommaplan **Peter Lindh**  
 Bålsta **Ann-Sofie Sivander**  
 Dalarö **Kristina Jansenberger**  
 Djursholm **Sune Werkell**  
 Ekerö **Mathias Lindmark**  
 Farsta **Jesper Hellström**, Acting  
 Fleminggatan **Tomas Wistedt**  
 Fridhemsplan **Ann Lilja**  
 Frihamnen **Johanna Lagerbäck**  
 Gamla Stan **Carl-Magnus Gustafsson**  
 Globen **Daniel Andersson**  
 Gustav Adolfs Torg **Anders Lindegren**  
 Götgatsbacken **Maria Wedholm**  
 Hallunda **Göran Rönngren**  
 Hammarby **Marcus Axelsson**  
 Haninge **Pernilla Eldstrand**  
 Hornsberg **Kajsen Hansson**  
 Hornsgatan **Lars Holm**  
 Huddinge **Jenny Löf Borsos**  
 Humlegården **AnneMarie Dahlstedt**  
 Hägersten **Anders Friman**  
 Håsselby Gård **Anders Stenberg**  
 Högalid **Per Lindholm**  
 Högdalen **Maria Sjöstedt**  
 Jakobsberg **Marie Lindström**  
 Järna **Ellinor Lindblom**  
 Karlaplan **Vacant**  
 Karlavägen **Mats-Jörgen Hansson**  
 Kista **Hans Lundin**  
 Kungsholmstorg **Jan Wallin**  
 Kungsträdgården **Peter Einarsson**  
 Kungsängen **Stina Marklund**  
 Kärrtorp **Katarina Erikszon**  
 Lidingö  
   Centrum **Elisabeth Hiljebäck**  
   Larsberg **Mikael Gustafson**  
   Näset **Magnus Blomqvist**  
 Marieberg **Lotta Adestam**  
 Marievik **David Haqvinsson**  
 Mårsta **Magnus Hedlund**  
 Mörbj Centrum **Peder Wiberg**  
 Nacka Forum **Anki Lenksjö**  
 Normalmstorg **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 **Vacant**  
 Skanstull **Johan Hilmersson**  
 Skärholmen **Rickard Svalfors**  
 Sköndal **Jessica Nirvin**  
 Sollentuna **Fredrik Andersson**  
 Solna  
   Frösunda **Ulf Eliasson**  
   Solna **Lisa Spangenberg**  
   Solna Strand **Lena Schaumburger**  
 Spånga **Ola Arvidsson**  
 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 Ebersson**  
 Torsgatan **Lena Stenmark**  
 Trångsund **Pia Bergkvist**  
 Tullinge **Lena Lövkvist**  
 Tyresö **Susanne Norman-Taube**  
 Täby Centrum **Johan Grahn**  
 Ulvsunda **Tina Nylén**  
 Upplands Väsby **Urban Wolters**  
 Vallentuna **Fredrik Enander**  
 Vanadisplan **Johan Palm**  
 Vasagatan **Christer Örtegren**  
 Vaxholm **Maria Lindberg**  
 Vällingby **Åsa Eriksson-Hedensjö**  
 Värmdö **Niklas Eklund**  
 Värtavägen **Carl-Gustav Moberg**, Acting  
 Västerhaninge **Göran Hartog**  
 Västermalm **Ulrika Staffas Nordqvist**  
 Åkersberga **Christer Lövholt**  
 Årsta **Anna Karlsson**  
 Älvsjö **Anna Blomstergren**  
 Ängby Blackeberg **Marcus Lundgren**  
 Ösmo **Anna Persson**  
 Östermalmstorg **Jan Larsson**  
 Östra Station **Elisabeth Croon**

## Meeting-places

Alviks Torg  
 Äppelviken **Johan Lurén**  
 Högdalen  
   Stureby **Maria Sjöstedt**  
 Solna  
   Arenastaden **Lisa Spangenberg**  
 Täby Centrum  
   Arlinge **Johan Grahn**  
 Värtavägen  
   Norra Djurgårdsstaden **Carl-Gustav Moberg**, Acting  
 Ängby Blackeberg  
   Ängbyplan **Marcus Lundgren**

## REGIONAL BANK EASTERN SWEDEN

## Board

**Jan Cedwall** Nyköping, Chairman  
**Santhe Dahl** Växjö  
**Jan-Eric Nilsson** Djursholm  
**Sten Peterson** Katrineholm  
**Kenneth Synnersten** Västerås  
**Stefan Nilsson** Linköping  
**Helena Håkansson** Färjestaden, (E)\*

## Head

**Stefan Nilsson** Linköping



## Branch/branch manager

Alvesta **Maj-Lis Pettersson**  
 Anderstorp **Sten Berglund**  
 Bankeryd **Åsa A Olsson**  
 Borensberg **Malin Svanberg**  
 Borgholm **Conny Johansson**  
 Eksjö **Karin Jönsson**  
 Emmaboda **Johan Lorentzon**  
 Eskilstuna  
   Fristadstorget **Katarina Rülcker**  
   Östermalm **Bo Vallin**  
 Finspång **Ingela Nyrén**  
 Fjögsta **Anders Hedvall**  
 Flen **Johan Hallkvist**  
 Färösund **Britt Nordström**  
 Färjestaden **Ida Petersson**  
 Gislaved **Per Risberg**  
 Gnesta **Mårten Larsson**  
 Hallsberg **Mats Kagerup**  
 Hemse **Lars Cramér**  
 Hulfsfred **Monica Carlenskog**  
 Huskvarna **Mats Andersson**  
 Högsby **Jonas Petersson**  
 Jönköping **Cicki Törnell**  
 Kalmar  
   Kalmar Hansa **Christin Abrahamsson**  
   Kvarnholmen **Ola Tyrberg**  
 Katrineholm **Göran Bjerke**  
 Klintehamn **Linda Ewald**  
 Kumla **Thomas Ljungberg**  
 Lammhult **Christina Blomstrand**  
 Landsbro **Jörgen Asp**  
 Linköping  
   City **Michael Sterne**  
   Tornby **Mats Borgsjö**  
 Mjölby **Michael Rimstedt**  
 Motala **Anders Hättström**  
 Mönsterås **Helena Edström**  
 Mörbylånga **Ida Petersson**  
 Mörlunda **Marie Jonsson**

Norrköping  
   Drottninggatan **Hans Widmark**  
   Eneby **Marie Kellgren**  
   Fjärilsgatan **Terese Klöver**  
 Nybro **Thomas Svensson**  
 Nyköping **Jens Fransson**  
 Nässjö **Cecilia Antonsson**  
 Oskarshamn **Jenny Nilsson**  
 Pålshoda **Anna Klerne**  
 Rörvik **Christina Blomstrand**  
 Slite **Per Karlsson**  
 Strängnäs **Katharina Schramm Hellmark**  
 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**  
 Vinneby **Hans Will**  
 Virserum **Monica Johansson**  
 Visby  
   Adelsgatan **Linda Ewald**  
   Öster **Carl Oscar Sjöström**  
 Vislanda **Maj-Lis Pettersson**  
 Värnamo **Jonas Flink**  
 Västervik **Michael Skännergist**  
 Växjö **Jonas Ahlqvist**  
 Ålem **Helena Edström**  
 Åseda **Mattias König**  
 Ätvidaberg **Lars Blomqvist**  
 Örebro  
   Ekersgatan **Kristina Dahl**  
   Stortorget **Kenneth Vallin**  
   Våghustorget **Anders Forsgren**

## Meeting-places

Norrköping Drottninggatan  
 Östra Husby **Hans Widmark**  
 Strängnäs  
   Mariefred **Katharina Schramm Hellmark**

(E)\* = employee representative

## REGIONAL BANK WESTERN SWEDEN

## Board

**Lennart Mankert** Gothenburg, Chairman  
**Stig-Arne Blom** Ulricehamn  
**Peter Claesson** Gothenburg  
**Carin Kindbom** Västra Frölunda  
**Claes Larsson** Gothenburg  
**Håkan Larsson** Gothenburg  
**Vilhelm Schottenius** Varberg  
**M. Johan Widerberg** Gothenburg  
**Katarina Ljungqvist** Västra Frölunda  
**Lena Lindén** Karlstad, (E)\*

## Head

**Katarina Ljungqvist** Västra Frölunda



## Branch/branch manager

Ale Torg **Anna-Lisa Jansson**  
 Alingsås **Staffan Svantesson**  
 Arvika **Stefan Lindberg**  
 Bollebygd **Malin Lignell**  
 Borås  
     Hulta **Kenneth Källerman**  
     Stora Torget **Ingela Forsberg**  
     Viared **Thomas Bogsjö**  
 Falkenberg **Kristian Gårdenfelt**  
 Falköping **Magnus Kvarnmarker**  
 Filipstad **Ida Sandgren**  
 Finnerödja **Olle Jonsson**  
 Fristad **Anders Roos**  
 Färgelanda **Mats Brändén**  
 Gällstad **Janne Pehrsson**  
 Gothenburg  
     Almedal **Jan Gottberg**  
     Avenyn **Håkan Jarbeck**  
     Backa-Ringön **Deborah Moberg**  
     City **Martin Henriksson**  
     Eriksberg **Kent Larsson**  
     Frölunda **Camilla Sjöberg**  
     Första Långgatan **Anders Olausson**  
     Gårda **Jens Persson**  
     Hisings Kärra **Paula Johannesson**  
     Hjällbo **Börje Ström**  
     Högsbo **Sara Larsson**  
     Kortedala **Per Stolpe**  
     Landala **Louise Martinsson**  
     Lilla Bommen **Marie Kaptein**  
     Lindholmen **Gabriella Berndtsson**  
     Majorna **Niklas Häggström**  
     Odinsgatan **Annika Löfberg**  
     Sisjön **Christian Pennert**  
     Torslanda **Fredrik Karlberg**  
     Volvo **Christian Sjöberg**  
     Örgryte **Patrik Niklasson**  
     Övre Husargatan **Christian Nielsen**  
 Hagfors **Hans-Göran Lindgren**  
 Herrljunga **Susanne Bender**

Hjo **Thomas Waller**  
 Karlskoga **Johan Dahl**  
 Karlstad  
     Stora Torget **Ulrik Wedelin**  
     Våxnäs **Sara Brask**  
 Kristinehamn **Fredrik Ekenberg**  
 Kungsbacka **Mats Rollof**  
 Kungälv **Lena Gillholm**  
 Landvetter **Hanna Samuelsson**  
 Lerum **Ola Forsman**  
 Lidköping **Nina Ahlén**  
 Lilla Edet **Ellinor Fagerberg**  
 Mariestad **Torbjörn Låth**  
 Mellerud **Claes Hernvall**  
 Mölndal **Ulrika Jivefors**  
 Mölntycke **Ann Sundvisson**  
 Partille **Anna Ekstrand**  
 Skara **Anna-Lena Andersson**  
 Skövde **Martin Drebin**  
 Sollebrunn **Peter Kornesjö**  
 Stenungsund **Anette Pettersson**  
 Strömstad **Johan Rosengren**  
 Sunne **Maria Hannebo**  
 Surte **Marie Erlandson**  
 Svenljunga **Hans Qvist**  
 Sättele **Dennis Göransson**  
 Tibro **Hanna Rosing**  
 Tidaholm **Martin Ekman**, Acting  
 Torsby **Pär Olsson**  
 Tranemo **Christina Ljung**  
 Trollhättan **Ingela Karlsson**  
 Uddevalla **Peter Johansson**  
 Ulricehamn **Janne Pehrsson**  
 Vara **Maj Rudell**  
 Varberg **Jonas Lagerqvist**  
 Värghårda **Ann Björn**  
 Vänersborg **Jan-Olof Strand**  
 Åmål **Magdalena Gunnarsson**  
 Årjäng **Louise Persson**, Acting  
 Älvängen **Marie Wall**

## Meeting-places

Gothenburg Frölunda  
     Långedrag **Camilla Sjöberg**  
 Kungsbacka  
     Kungsporten **Mats Rollof**

## REGIONAL BANK SOUTHERN SWEDEN

## Board

**Charlotta Falvin** Genarp, Chairman  
**Bengt Kjell** Helsingborg  
**Claes Lindqvist** Viken  
**Johan Mattsson** Tomelilla  
**Mikael Roos** Malmö  
**Göran Stille** Falsterbo  
**Pia Håkansson** Ystad, (E)\*

## Head

**Göran Stille** Falsterbo



## Branch/branch manager

Ärlöv **Rickard Ohlsson**  
 Bara **Cecilia Leijgård**  
 Broby **Catharina Munkberg**  
 Båstad **Lars-Olof Ottosson**  
 Eslöv **Mats Jonsson**  
 Halmstad **Magnus Landbring**  
 Helsingborg  
     Norr **Olof Enander**  
     Stortorget **Göran Pelvén**  
     Söderport **Martin Berg**  
 Hässleholm **Rebecca Thörnqvist**  
 Höganäs **Gunilla Voss**  
 Höllviken **Ebba Olsson**  
 Höör **Magnus Holmer**  
 Karlshamn **Catharina Lydell**  
 Karlskrona **Hedvig Stache**  
 Kivik **Pontus Hansson**  
 Klippan **Jonas Olsson**  
 Knislinge **Catharina Munkberg**  
 Kristianstad **Thomas Johansson**  
 Kävlinge **Sara Malterling**  
 Laholm **Fredrik Johnson**  
 Ljungby **Thomas Eldh**  
 Ljungbyhed **Jonas Olsson**  
 Lomma **Erik Hultgren**  
 Lund  
     City **Peter Andersson**  
     Ideon **Nils Möllerberg**  
     Väster **Anneli Sömnéz**  
 Malmö  
     Amiralsgatan **Göran Camitz**  
     City **Erik Bredberg**  
     Fosie **Anders Persson**  
     Fridhem **Marie Brunstam**  
     Hyllie **Anna Harrison Barthold**  
     Köpenhamnsvägen **Peter Ivarsson**  
     Limhamn **Roger Håkansson**  
     Lundavägen **Bengt Nyquist**  
     Triangeln **Annika Hansson**  
     Värnhem **Annika Bäckström**  
     Västra Hamnen **Mårten Edlund**

Markaryd **Maria Larsson**  
 Olofström **Catharina Lydell**  
 Osby **Henrica Lorentsson**  
 Ronneby **Magnus Jurvin**  
 Simrishamn **Andreas Jeppsson**  
 Sjöbo **Thomas Hansson**  
 Skanör **Maria Hägerström**  
 Skurup **Louise Pedersen**  
 Staffanstorp **Susanne Linné Nilsson**  
 Svedala **Cecilia Leijgård**  
 Sölvesborg **Magnus Gardell**  
 Sösdala **Karin Eriksson**  
 Tomelilla **Pål Andersson**  
 Trelleborg **Marianne Nilsson**  
 Tyringe **Marie Persson-Lärka**  
 Veberöd **Hans-Åke Mårtensson**  
 Vellinge **Eric Elmlid**  
 Vittsjö **Henrica Lorentsson**  
 Vollsjö **Thomas Hansson**  
 Ystad **Mia Kristell**  
 Åhus **Daniel N Högstedt**  
 Älmhult **Fredrik Roghner**  
 Ängelholm **Irene Andersson**

## Meeting-places

Höganäs  
     Viken **Gunilla Voss**  
 Lund City  
     Hjärup **Peter Andersson**  
 Sölvesborg  
     Bromölla **Magnus Gardell**

(E)\*= employee representative

**REGIONAL BANK NORTHERN GREAT BRITAIN**

The operations are part of Svenska Handelsbanken, London branch.

**Board**

**Anders Bouvin** London,  
CEO of Handelsbanken UK, Chairman

**Olof Lindstrand** Lidingö

**Håkan Sandberg** Stockholm

**John Parker** Manchester

**Head**

**John Parker** Manchester

**Branch/branch manager**

Aberdeen **Neil Clark**

Altrincham **Ian Noke**

Blackburn **Philip Skupski**

Bolton **Sean Greenhalgh**

Burnley **Alan Jolliffe**

Bury **David Bowen**

Carlisle **Jason Smith**

Chester **Chris Burgoyne**

Chorley **Andrew Pearson**

Edinburgh

George Street **Michael Mullins**

West End **Iain Henderson**

Glasgow **George Shanks**

Heswall **Richard Malley**

Kendal **Richard Lancaster**

Lancaster **Kevin Sanderson**

Liverpool **Keith Lowe**

Lytham **Christopher Strahan**

Manchester

Spinningfields **Joe McGrath**

Trinity Way **John Burke**

Perth **Alexander McDougall**

Preston **David Warbrick**

Stirling **David Beggs**

Stockport **David Kovacs**

Warrington **Lesley Cozens**

Wigan **Alan Bowers**

Wilmslow **Anthony Flynn**

**REGIONAL BANK CENTRAL GREAT BRITAIN**

The operations are part of Svenska Handelsbanken, London branch.

**Board**

**Anders Bouvin** London,  
CEO of Handelsbanken UK, Chairman

**Olof Lindstrand** Lidingö

**Håkan Sandberg** Stockholm

**Nick Lowe** Birmingham

**Head**

**Nick Lowe** Birmingham

**Branch/branch manager**

Banbury **Paul Graham**

Bedford **Mick Valerio**

Birmingham

Newhall St **David Hastings**

Temple Row **Tony Hall**

Bromsgrove **Stephen Ellis**

Burton-on-Trent **Ian Morris**

Bury St Edmunds **Nigel Foyster**

Cambridge **Richard Waters**

Colwyn Bay **Gareth Jones**

Coventry **Paul Belfield**

Crewe **Adrian Smith**

Derby **Shaun Hill**

Ipswich **Andrew Pike**

Leamington Spa **Paul Brooksbank**

Leicester **Simon Bradley**

Lincoln **David Thompson**

Loughborough **Simon Grant**

Luton **Brett Alligan**

Mansfield **Darryn Evans**

Milton Keynes **Derek Bell**

Northampton **Mark Charteress**

Norwich **Ian Hall**

Nottingham

City Gate **Andrew Tomlinson**

West Bridgford **Ian Davys**

Peterborough **Julian Turner**

Rugby **Andy McCabe**

Shrewsbury **Chris Hyde**

Soilhill **Richard Baker**

Stafford **Mike Smith**

Stratford-upon-Avon **Andrew Smith**

Stoke-on-Trent **Paul Stokes**

Tamworth **Christine Banks**

Walsall **Stephen Breen**

Wolverhampton **Steven Lewis**

Worcester **Philip Dutton**

Wrexham **Vicky Davies**

**REGIONAL BANK NORTH EAST GREAT BRITAIN**

The operations are part of Svenska Handelsbanken, London branch.

**Board**

**Anders Bouvin** London,  
CEO of Handelsbanken UK, Chairman

**Olof Lindstrand** Lidingö

**Håkan Sandberg** Stockholm

**Simon Lodge** Leeds

**Head**

**Simon Lodge** Leeds

**Branch/branch manager**

Barnsley **Peter Gray**

Beverley **Anna Adcock**

Bradford **Andrew Lowther**

Castleford **Ian Mason**

Chesterfield **Phil Walker**

Darlington **Mike Airey**

Doncaster **Neil Ebdon**

Durham **Rory Gibson**

Grimsby **Anthony Winn**

Halifax **Ian Jackson**, Acting

Harrogate **Richard Lally**

Hexham **David Wilson**

Huddersfield **Tony Jones**

Hull

Hesslewood **Neil Harrison**

Marina Court **Ian Gatenby**

Ilkley **Sue Toulson**

Leeds

The Embankment **David Brady**

Headingley **Stephen Hill**

Wellington Street **James Cornell**

Middlesbrough **John Martinson**

Morpeth **David Elliot**

Newcastle

Grey Street **Tom Ramshaw**

Saville Row **Mike Brunskill**

Rotherham **Mike Harrison**

Scarborough **Nick Sharples**

Sheffield

Riverside **Stephen Tweedle**

Tudor Square **Patrick McGarry**

Stockton-on-Tees **David Filby**

Sunderland **Granville Kelly**

Wakefield **Paul Drysdale**

Wetherby **Adam von Emloh**

York **Christopher Ibbotson**

## REGIONAL BANK SOUTH WEST GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

## Board

**Anders Bouvin** London,  
CEO of Handelsbanken UK, Chairman

**Olof Lindstrand** Lidingö

**Håkan Sandberg** Stockholm

**Michael Broom** Bristol

## Head

**Michael Broom** Bristol



## Branch/branch manager

Abingdon **David Cook**

Ascot **Richard Payton**

Aylesbury **Derek Beards**

Barnstaple **Peter Larcombe**

Basingstoke **Richard James**

Bath **Chris Johnson**

Bodmin **Phil Kerkin**

Bournemouth **Jeremy Tollworthy**

Bridgend **Mark Standley**

Bristol

Clifton **Martin Bidgood**

Parkway **Roger Bell**

Queen Square **Ian Dibble**

Cardiff **Neil Humphreys**

Cheltenham **Di Pitts**

Chichester **Chris Golding**

Dorchester **Andrew Denning**

Exeter **Darren Galliford**

Farnham **Glenn Gough**

Frimley **Mark Clinkske**

Gloucester **Simon Cropper**

Guildford **Neil Truman**

Henley-on-Thames **Sarah Dean**

Hereford **Craig Wyer**

High Wycombe **Jack Miller**

Newbury **Geoff Dann**

Newport **Martin Leech**

Oxford **David Woodhead**

Plymouth **Phill Harvey**

Poole **Dave Shering**

Portsmouth **Phil Dedman**

Reading **Graham Beith**

Salisbury **Graham Renshaw**

Slough **Mark Bradbury**

Southampton **Craig Ward**

Swansea **Steve Smith**

Swindon **Shaun Bradshaw**

Taunton **Peter Kirby**

Truro **Denise Major**

Weston-super-Mare **Martin Fey**

Winchester **John Gornall**

Yeovil **Jim Durrant**

## REGIONAL BANK SOUTHERN GREAT BRITAIN

The operations are part of Svenska Handelsbanken, London branch.

## Board

**Anders Bouvin** London,  
CEO of Handelsbanken UK, Chairman

**Olof Lindstrand** Lidingö

**Håkan Sandberg** Stockholm

**John Hodson** London

## Head

**John Hodson** London



## Branch/branch manager

Bishop's Stortford **Steve Cooper**

Brighton **Simon Howe**

Bromley **Chris Pye**

Canterbury **David Kiernan**

Chatham **Gavin Coleman**

Chelmsford **Mark Earlam**

Colchester **Alan Barnard**

Crawley **Simon Briggs**

Croydon **Keith Yeoman**

Dartford **Trevor Adams**

Ealing **Chris Ttoui**

Enfield **Adrian Bennett**

Epsom **Phil Hunt**

Harrow **Paul Jarman**

Hertford **Debbie Chilton**

Hove **Simon Nicholson**

Islington **Paul Cooledge**

Kingston **Peter Wylde**

London

Chelsea **Kieran Costello**

Chiswick **Dermot Jordan**

Clapham **Neil Higgs**

Finchley **Steve Smith**

Greenwich **Mark Foley**

Hampstead **Denis McCarthy**

Holborn **Toni Virtanen**

Kensington **Tom Fuller**

London Bridge **David Boaden**

Marylebone **Andrew Rowlands**

Moorgate **Paul Chapman**

Queen's Park **Steve MacDonald**

West End **Roy Budgett**

Maidstone **Jeremy Brett**

Redhill **Clive Martin**

Richmond **Mark Lobo**

Romford **David Roe**

Sevenoaks **Nick Brooker**

Southend-on-Sea **John Brooks**

St Albans **Bill Whittemore**

Tunbridge Wells **Nick Green**

Uxbridge **Steve Howarth**

Watford **Andrew Samarasinghe**

Weybridge **Tim Tostevin**

Wimbledon **Barry Sexton**

## Meeting-places

London Moorgate

Canary Wharf **Paul Chapman**

## REGIONAL BANK DENMARK

The operations are part of Svenska Handelsbanken, Copenhagen branch.

## Board

**Claes Norlén** Stockholm, Chairman  
**Ulrik Kolding Hartvig** Roskilde  
**Steen Winther-Petersen** Copenhagen  
**John Vestergaard** Ikast  
**Lise Westphal** Emdrup  
**Lars Moesgaard** Copenhagen  
**Helle Rank** Aalborg, (E)\*

## Head

**Lars Moesgaard** Copenhagen



## REGIONAL BANK FINLAND

The operations are part of Svenska Handelsbanken, Helsinki branch.

## Board

**Stig Gustavson** Helsinki, Chairman  
**Claes Norlén** Stockholm, Vice Chairman  
**Bjarne Mitts** Helsinki  
**Leena Niemistö** Helsinki  
**Elmar Paananen** Helsinki  
**Andreas Tallberg** Kirkkonummi  
**Nina Arkilahti** Espoo  
**Tiina Pöyhönen** Kuopio, (E)\*

## Head

**Nina Arkilahti** Helsinki



## Branch/branch manager

Aalborg

City **Ole Dahl Nielsen**  
 Syd **Morten O. Hedemann**

Aarhus

Aarhus City **Esben Kjeldsen**  
 Aarhus Nord **Lars Graugaard**  
 Aarhus Syd **Arne Vestergaard Knudsen**

Allerød **Mads Christian Heidemann**

Amager **Dorte Jellestad**

Aulum **Gerda Kviesgaard**

Ballerup **Steen Hansen**

Birkerød **Jesper Borglykke**

Brande **Henrik Overgaard**

Charlottenlund **Allan Kandrup**

Copenhagen

City **Gorm Bjørkman**  
 Østerbro **Bjarne Albrechtsen**  
 Large Corporates **Knud Jacobsen**  
 Vest **Jan Arup**

Esbjerg **Morten Andersen**

Farum **Jens Karlsson**

Fredensborg **Kjeld Aunstrup**

Fredericia **Brian Sørensen**

Frederiksberg

Frederiksberg **Jan Rasmussen**  
 Frederiksberg Vest **Jesper Christensen**

Frederikssund **Michael Tøgersen**

Frederiksværk **Alan Nielsen**

Give **Martin Skovgaard Larsen**

Grindsted **Dorthe Vestergaard**

Hammerum **Jakob Rousing Sloth**

Helsingør **Steen Malmqvist**

Helsingør **Henrik Bengtsson**

Herlev **Flemming Jensen**  
 Herning

City **Niels Viggo Malle**  
 Fredhøj **Bruno Hansen**

Hillerød

Hillerød **Steen Hirschsprung**  
 Vest **Lisbeth Arenfeldt**

Holstebro **Henrik Kristiansen**

Horsens **John Jørgensen**

Ikast **Arnth Stougaard**

Karup **Vibeke Hestbek**

Kgs. Lyngby **Preben Bjerrekær**

Kibæk **Preben Staal**

Kolding **Jesper Andersen**

Køge **Maj-Britt Nielsen**

Lemvig **Peter Tornbo**

Lynge **Hatice Bakke**

Odense **Klaus Rydal**

Roskilde **Boje Nielsen**, Acting

Sdr. Felding **Kristian Hansen**

Silkeborg **Stefan Brochmann**

Slagelse **Henrik Kragh**

Slangør **Jørgen Torm**

Stenløse **Dennis Grouleff**

Struer **Poul Bakkegaard**

Sunds **Allan Eg**

Vejle **Carsten Hjortflod**

Viborg **Henrik Toft Mathiasen**

Videbæk **Anja Lyhne**

Vildbjerg **Frank Jensen**

## Branch/branch manager

Espoo

Matinkylä **Outi Vesanto**  
 Tapiola **Hannu Oksanen**

Helsinki

Aleksi **Tuija Nuutinen**  
 Dianapuisto **Ilari Tyrkkö**  
 Hakaniemi **Jussi Nikkanen**  
 Herttoniemi **Outi Vainikka**  
 Kampi **Ari Turunen**  
 Munkkivuori **Nora Kari**  
 Pasila **Jari Murtoperä**  
 Ruoholahti **Kristiina Seppälä**

Hyvinkää **Risto Mäkeläinen**

Hämeenlinna **Pauli Ranta**

Imatra **Pekka Lankinen**

Joensuu **Mauri Kujanen**

Jyväskylä **Jarkko Käki**

Järvenpää **Ilkka Arenius**

Kauniainen **Nina Lukka**

Kerava **Aku Dunderfelt**

Kirkkonummi **Päivi Toppari**

Kokkola **Esa Alkio**

Kotka **Hannu Huostila**

Kouvola **Henri Lilja**

Kuopio **Simo Sarkkinen**

Lahti **Matti Nieminen**

Lappeenranta **Martti Mäkelä**

Lohja **Arto Finérus**

Mikkeli **Jouko Kervinen**

Oulu **Timo Väisänen**

Pietarsaari **Jörgen Blomqvist**

Pori **Sami-Pekka Ylikoski**

Porvoo **Annika Bergvall**

Raisio **Maaria Rahikainen**

Rauma **Sami-Pekka Ylikoski**, Acting

Rovaniemi **Merja Majanen**

Salo **Teemu Alanko**

Seinäjoki **Vacant**

Tammisaari **Hannu Oksanen**

Tampere

Kauppakatu **Tarja Suvisalmi**

Kyttälä **Kari Koivisto**

Tornio **Roger Keisu**

Turku

Hämeenkatu **Risto Vihula**

Kauppatie **Josefiina Vornanen**

Vaasa **Frej Björnses**

Vantaa

Aviapolis **Tero Juotasniemi**

Tikkurila **Stephan Björkell**

Myyrmäki **Matti Sulamaa**

(E)\*= employee representative

## REGIONAL BANK NORWAY

The operations are part of Svenska Handelsbanken, Oslo branch.

## Board

**Bjørn Flatgård** Kolbotn, Chairman  
**Claes Norlén** Stockholm, Vice Chairman  
**Hans Anfinn Eide Helland** Sandnes  
**Dag Tangevald-Jensen** Oslo  
**Dag Tjernsmo** Oslo  
**Christer Enersen** Slemmestad, (E)\*

## Head

**Dag Tjernsmo** Oslo



## REGIONAL BANK THE NETHERLANDS

The operations are part of Svenska Handelsbanken AB, Netherlands branch.

## Board

**Håkan Sandberg** Stockholm, Chairman  
**Anders Bouvin** London  
**Olof Lindstrand** Lidingö  
**Mikael Sørensen** Haarlem

## Head

**Mikael Sørensen** Haarlem



## Branch/branch manager

Arendal **Trond Røisland**

Asker **Turid Williksen**

Bergen

Fana **Monica Vågen**

Fyllingsdalen **Gottlieb Gullaksen**

Kokstad **Jarle Hundven**

Minde **Margunn Kolle**, Acting

Sentrum **Tore Svein Nese**

Strandgaten **Erik Ramsdal**

Vest **Kristian Hartvedt Knudsen**

Åsane **Mette Skaug**

Bodø **Tore Halvorsen**

Drammen **Toril Garntangen**

Fredrikstad **Tove Anita R Torp**

Halden **Roar Elsness**

Hamar **Hans Skjelbreid**

Haugesund **Knut Børge Lunde**

Jæren **Rolf Inge Knutsen**

Jessheim **Inger Kyhen**

Kolbotn **Terje Andersen**

Kongsberg **Kristin Franck**

Kristiansand **Vidar Akselsen**

Larvik **Bodil Hansen**

Lillehammer **Thomas Næstad Moe**

Lillestrøm **Paal Tollefsen**

Lysaker **Glenn Steinbo**

Mo i Rana **Jonny I Bohlin**

Molde **Jorund Alme**

Moss **Willy Fossum**

Oslo

Grev Wedels plass **Thomas B. Tresselt**

Large Corporates **Sven Ove Oksvik**

Majorstuen **Bjørn Erik Øverland**

Nydalen **Eirik Arnesen**

Olav Vs gate **Harald Søreide**

Bryn **Christian Doksørd**

Skøyen **Thomas Stousland**

Økern **Ronny Myreng**

Sandefjord **Hans Jørgen Ormar**

Sandnes **Sindre Bergsagel**

Sandvika **Kirsti Jensås**

Sarpsborg **Tormod Sørum**

Ski **Geir Anders Sundnes**

Skien **Jan Egil Hafredal**

Sotra **Erik Nygård**, Acting

Stavanger

Sentrum **Lynn Sperb**

Straen **Ole Henry Slette**

Tromsø **Yngve Haldorsen**

Trondheim

Heimdal **Fredrik Lillemyr**

Leangen **Ole-Martin Smedseng**

Søndregate **Ola Grøtte**

Tønsberg **Per Skustad**

Ålesund **Steinar Krøvel**

## Branch/branch manager

Amersfoort **Robert van der Kolk**

Amsterdam

Centrum **Jasper Klok**

Zuid **Daniël van Til**

Apeldoorn **Jeroen Altena**

Arnhem **Patricia Schwalbach**

Barendrecht **Peter Bot**

Bergen op Zoom **Patrick van Zon**

Breda **Ton Schröder**

Den Haag **Roderick Mastenbroek**

Eindhoven **Pieter van de Koolwijk**

Emmen **Marc Bruin**

Groningen **Erwin van der Steur**

Het Gooi **Lars Vissers**

Leeuwarden **Tammo Oosterhof**

Maastricht **Tim Neu**

Rotterdam **Hans Troost**

Schiphol **Edwin Boonk**

Twente **Martijn Peters**

Utrecht **Michiel van Loon**

Zwolle **Wery Hegge**

(E)\*= employee representative

## OFFICES OUTSIDE THE NORDIC COUNTRIES, THE UK AND THE NETHERLANDS

Operations are conducted in Svenska Handelsbanken with branches in each country.

**Branch/branch manager****Austria**

General Manager **Johan Sandh**, Acting  
Vienna **Johan Sandh**, Acting

**China**

General Manager **Mikael Westerback**  
Hong Kong **Johan Andrén**  
Shanghai **Mikael Westerback**

**Estonia**

General Manager **Annika Nordström**  
Tallinn **Annika Nordström**

**France**

General Manager **Björn Torsteinsrud**  
Nice **Anna Jansson-Clauzier**  
Paris **Martijn van Dongen**

**Germany**

General Manager **Tomas Ejnar**  
Düsseldorf **Thomas Kuhn**  
Frankfurt **Marie Jöhnk**  
Hamburg **Kerstin Fuchs**  
Munich **Andreas Stein**  
Stuttgart **Jürgen Ding**

**Latvia**

General Manager **Dzintars Salavs**  
Riga **Dzintars Salavs**

**Lithuania**

General Manager **Håkan Molin**  
Vilnius **Håkan Molin**

**Luxembourg**

General Manager **Jörgen Oldensand**  
Luxembourg **Jörgen Oldensand**

**Poland**

General Manager **Harri Tuohimaa**  
Warsaw **Harri Tuohimaa**

**Singapore**

General Manager **Jan B Djerf**  
Singapore **Jan B Djerf**

**USA**

General Manager **Rolf Marquardt**  
New York **Rolf Marquardt**

**Moscow**

Representative **Viktor Tsoy**

**Mumbai**

Representative **Ashish Gupta**

**São Paulo**

Representative **Per Magnus Egeberg-Pedersen**

**Sydney**

Representative **Robert Karlsson**

**Taipei**

Representative **Amy Chen**

**Zurich**

Representative **Olof Svalborn**

**Meeting-places****Vienna**

Salzburg **Johan Sandh**, Acting

**Representative offices****Beijing**

Representative **Jason Wang**

**Kuala Lumpur**

Representative **Abhinash Murukesvan**

**Marbella**

Representative **Jessika Kroon**  
Representative **Vibeke Toustrup Bonne**

## BOARDS OF SUBSIDIARIES AND BUSINESS AREA

**EFN\*\*****Board**

**Johan Lagerström** Täby, Chairman  
**Magnus Berglund** Saltsjöbaden  
**Michael Green** Västra Frölunda  
**Ulf Köping-Höggård** Lidingö  
**Frank Vang-Jensen** Stockholm

**Chief Executive**

**Carl Bjurling** Enskede

**HANDEL & INDUSTRI\*\*****Board**

**M. Johan Widerberg** Gothenburg, Chairman  
**Olof Lindstrand** Lidingö  
**Bo Annvik** Hovås

**Chief Executive**

**Bengt Kjell** Stockholm

**HANDELSBANKEN FINANS\*\*****Board**

**Yonnie Bergqvist** Täby, Chairman  
**Kai Jokitulppo** Stockholm  
**Göran Holgerson** Gnesta  
**Frank Vang-Jensen** Stockholm  
**Peter Gustafsson** Farsta, (E)\*

**Chief Executive**

**Marie Lundberg** Stockholm

**HANDELSBANKEN FONDER\*\*****Board**

**Olof Lindstrand** Stockholm, Chairman  
**Michael Bertorp** Stockholm  
**Gunnar Båtelsson** Sandviken  
**Åsa Magnusson** Linköping  
**Lena Munkhammar** Solna  
**Ann-Christine Frilund** Gustavsberg, (E)\*

**Chief Executive**

**Katja Bergqvist** Stockholm

**HANDELSBANKEN LIV\*\*****Board**

**Thommy Mossinger** Malmö, Chairman  
**Joakim Jansson** Sundbyberg  
**Anders Ohlner** Malmö  
**Lennart Söderberg** Täby  
**Anna Hjelmberg** Järfälla, (E)\*

**Chief Executive**

**Louise Sander** Danderyd

**HEARTWOOD\*\*****Board**

**Ian White** Stockport, Chairman  
**Tracey Davidson** London  
**Nolan Carter** Oxfordshire  
**Karen Fryer** Croydon  
**Simon Dixon** Battle

**FORESTRY & FARMING****Board**

**Anders Ohlner** Malmö, Chairman  
**Kent Anving** Varberg  
**Ulf Bergqvist** Insjön  
**Magnus Börjeson** Vreta Kloster  
**Olof Lindstrand** Lidingö  
**Johan Mattsson** Tomelilla  
**Bob Persson** Frösön  
**Thomas Rappe** Ålem  
**Baltzar Wachtmeister** Knislinge  
**Åsa Willén** Uppsala

**STADSHYPOTEK\*\*****Board**

**Håkan Sandberg** Stockholm, Chairman  
**Michael Bertorp** Stockholm  
**Yonnie Bergqvist** Täby  
**Olof Lindstrand** Lidingö  
**Anders Ohlner** Malmö  
**Camilla Persson** Farsta, (E)\*

**Chief Executive**

**Ulrica Stolt Kirkegaard** Stocksund

(E)\* = employee representative

\*\* For the complete name of the company, see note P16.



# Definitions and explanations

## ADDITIONAL TIER 1 CAPITAL

Additional tier 1 capital comprises perpetual subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in the tier 1 capital.

## ADJUSTED EQUITY PER SHARE

Equity at the end of the year reduced by the equity effect of cash flow hedges and the minority share of 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.

## C/I RATIO

Total expenses in relation to total income.

## COMMON EQUITY TIER 1 CAPITAL

Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. 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.

## COMMON EQUITY TIER 1 RATIO

Common equity tier 1 capital in relation to risk-weighted assets.

## COMMON EQUITY TIER 1 CAPITAL AVAILABLE TO COVER BUFFER REQUIREMENTS

The common equity tier 1 ratio after a deduction for the part of common equity tier 1 capital required to comply with all formal capital requirements.

## 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.

## OWN FUNDS/TOTAL CAPITAL

Own funds are the sum of tier 1 and tier 2 capital. For a more detailed description of own funds, see note G49.

## 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 insurance 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, derivatives in cash flow hedges, revaluation effects from defined benefit pension plans and a weighted average of new share issues, dividends and repurchase of own shares.

## RETURN ON TOTAL ASSETS

The year's 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 ASSETS

Total risk exposure amount. The statutory capital requirement is based on this.

## 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

Common equity tier 1 capital including additional tier 1 capital. For a more detailed description of own funds, see note G49.

## TIER 1 RATIO

Tier 1 capital in relation to risk-weighted assets.

## TIER 2 CAPITAL

Tier 2 capital is one of the components of own funds, and mainly consists of perpetual subordinated loans which fulfil the requirements stated in Regulation (EU) No 575/2013 to be included as tier 2 capital. For a more detailed description of own funds, see note G49.

## TOTAL CAPITAL RATIO

Total own funds for capital adequacy purposes in relation to risk-weighted assets.

## 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 guaranteed return for insurance with a guaranteed return, the insurance company will receive 10 per cent of the total yield as its share in the yield split.



