

# Annual Report 2015

**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 25 countries.

**144**  
years of availability.

**849**  
branches in 25 countries.

**44**  
years running with  
better profitability  
than the average of  
peer banks in home  
markets.

**27**  
years with the most  
satisfied customers  
according to SKI  
(Swedish Quality  
Index).\*

## SATISFIED CUSTOMERS

Just as in previous years, the major Swedish Quality Index (SKI) survey of customer satisfaction found that "overall, Handelsbanken has the most satisfied banking customers in Sweden". Corresponding surveys conducted by the EPSI Rating Group showed that on its other five home markets, too, Handelsbanken had more satisfied customers than the sector average, on both the private and corporate side.

## HIGHEST CREDIT RATING OF THE NORDIC BANKS

In June, the Moody's credit rating agency upgraded Handelsbanken's long-term rating to Aa2. Handelsbanken is the only commercial bank in the Nordic region with such a high rating, and in Europe as a whole only a very small number of commercial banks have a similarly high rating. One of the main reasons for the upgrade cited by Moody's was the Bank's decentralised business model, coupled with low risk-taking. According to Moody's, this has "resulted in a very stable bank that has been managed in an exemplary manner over a long period" (Moody's Credit Opinion, June 2015).

## 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 121 billion. Market capitalisation has grown by SEK 81 billion, while Handelsbanken has paid out SEK 40 billion in dividends. To improve liquidity in its share, the Bank implemented a 3:1 stock split during the year.

\* 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

**Return on equity** for total operations rose to 13.5 per cent (13.4).

**The corporate goal** of higher return on equity than the average of peer banks was achieved for the 44th year running - full provision to the Oktogonen profit-sharing foundation.

**Operating profit** grew by 7 per cent to SEK 20,475 million (19,212), the highest figure ever.

**The period's profit after tax** for total operations rose to SEK 16,343 million (15,184).

**Earnings per share** for total operations grew by 8 per cent to SEK 8.57 (7.96).

**The common equity tier 1 ratio** according to CRD IV increased to 21.2 per cent (20.4) and the total capital ratio rose to 27.2 per cent (25.6).

**The Board proposes** an increase in the ordinary dividend to SEK 4.50 per share and an extra dividend of SEK 1.50 per share.

**Moody's upgraded** Handelsbanken's long-term credit rating to Aa2, and thus the Bank has the highest rating in Europe of all peer banks.

**Income** rose by 5 per cent to SEK 40,336 million (38,314).

**Net interest income** went up by 2 per cent to SEK 27,740 million (27,244) and in the UK, net interest income increased by 31 per cent.

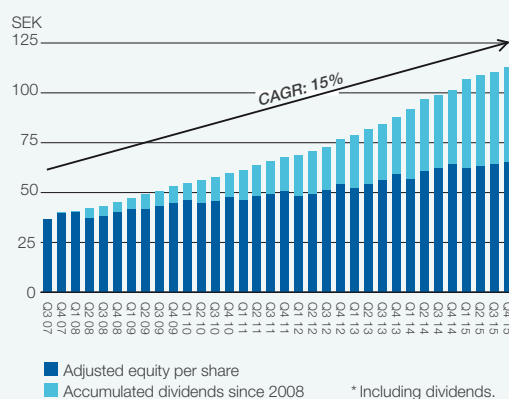
**Net fee and commission income** rose by 9 per cent to SEK 9,320 million (8,556).

**The Bank was the largest player** for new savings on the mutual funds market in Sweden with a market share of 31 per cent.

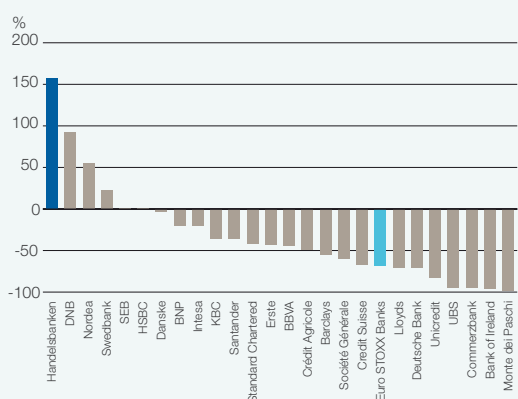
**The C/I ratio** was 45.3 per cent (45.2).

**The loan loss ratio** was 0.09 per cent (0.10).

Average growth in equity 2007–2015\*



Total return for the period 30 June 2007–31 December 2015



Source: SNL, as at 31 December 2015 (dividends reinvested)



# Brief information

## Handelsbanken's Annual General Meeting 2016

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

Time: Wednesday, 16 March 2016 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, 10 March 2016 at the latest. Notice of attendance is to be made to Handelsbanken, Corporate Governance, SE-106 70 Stockholm, Sweden, telephone +46 8 701 19 84, or via [handelsbanken.se/ireng](http://handelsbanken.se/ireng) by Thursday, 10 March 2016 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, 10 March 2016, when this entry must have been effected.

### Dividend

The Board proposes that the record day for the dividend be Friday, 18 March 2016, which means that Handelsbanken's shares will be traded ex-dividend on Thursday, 17 March 2016. If the meeting resolves in accordance with the proposal, Euroclear expects to distribute the dividend on Wednesday, 23 March 2016.

## Financial calendar 2016

9 February	Annual accounts 2015
16 March	Annual General Meeting
20 April	Interim report January–March 2016
15 July	Interim report January–June 2016
19 October	Interim report January–September 2016

## 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 8 701 10 00, or online at [handelsbanken.se/ireng](http://handelsbanken.se/ireng), where other reports as stated above are also available.

## Annual Report including Sustainability Report

Handelsbanken's Annual Report for 2015 contains the Bank's complete Sustainability Report for 2015. The Sustainability Report is prepared in accordance with Global Reporting Initiative's (GRI) G4 guidelines for reporting and covers activities and results for the 2015 calendar year. Handelsbanken's Sustainability Report meets the information requirements of the "Core" level and this has been confirmed by the Bank's external auditors. Handelsbanken reports the Group's sustainability activities every year.

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

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



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# Stability and growth – in a turbulent environment

- Operating profit for 2015 grew to SEK 20.5 billion, the highest figure in the Bank's 144-year history.
- Earnings per share increased to SEK 8.57.
- Handelsbanken's return on equity for total operations was 13.5 per cent.
- The C/I ratio – our expenses divided by our income – was 45.3 per cent.
- Following the dividend proposal, the common equity tier 1 ratio according to CRD IV increased to 21.2 per cent and the total capital ratio rose to 27.2 per cent.
- Moody's upgraded Handelsbanken's long-term credit rating to Aa2, and thus the Bank has the highest rating in Europe of all peer banks.
- The Bank was the largest player for new savings on the mutual funds market in Sweden with a market share of 31 per cent.
- We had more satisfied private and corporate customers than the average for the banking sector in all our six home markets.

For 144 years, Handelsbanken has grown and developed: customer by customer, transaction by transaction, and branch by branch.

2015 was another of those years when we grew, developed the Bank and we did good business. We did all this with control of our costs, while we acquired a larger number of customers, who are even more satisfied.

In doing so, we created value for our shareholders.

Operating profit for the past year was SEK 20.5 billion, which is the highest in the history of Handelsbanken. For the 44th year running we met our corporate goal: higher return on equity than a weighted average of the return of our competitors.

For many years, Handelsbanken's equity, including dividends paid, has also grown by an average of 15 per cent per year. Unlike the other major banks in our home markets, this has been possible without government support, subsidised loans from central banks or capital support from our shareholders.

In other words, Handelsbanken creates stable, long-term value. The reason is simple: our idea of how to run the Bank is based on exactly that: a long-term perspective and stability. This permeates the whole Bank, in everything we do, in our relationships with customers, in our business transactions and in our view of our employees.

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“In several independent assessments, Handelsbanken is also ranked as one of the strongest banks in the world by far.”

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This business model works which is why the Bank's strategy stands firm. As the new President and Group Chief Executive of the Bank, I see that we have great opportunities to grow and develop our business, while of

course we have to adapt to changes in the world around us and make use of the opportunities that these changes create.

2015 was a year of major geopolitical turbulence in our environment, major falls in commodity prices, volatile financial markets and a weak business cycle on most markets in Europe. We are used to navigating the Bank through times of crisis, in different business cycles and on turbulent financial markets. We have always worked according to the principle that our business model should be independent of business cycles – in other words it should work well and stably in good times and bad. This means that in everything we do, our work is characterised by low tolerance of risks, caution and a long-term approach.

In several independent assessments, Handelsbanken is also ranked as one of the strongest banks in the world by far. One example of this is the rating agency Moody's, which for many years has ranked Handelsbanken as one of the strongest in our home markets. In 2015, Moody's raised our rating another notch – to Aa2. No other commercial bank in our home markets has a higher rating.

In 2015, we experienced a new phenomenon in the financial markets – negative interest rates. This has a major impact on our net interest income from deposits, and naturally it is reflected in our results. But this is not a structural problem for us. Our very stable finances mean that we have resilience and stamina. Furthermore, our view is that the negative rates are temporary.

In markets with very high liquidity and generally low credit demand from businesses, the risk of price bubbles increases. Tough competition between the banks, combined with low interest rates, can create unsustainable price increases within different asset classes. As always, Handelsbanken is cautious with its lending. Good times for credits may last for a long time, but not for ever. This is why in Sweden, and also in several of our other home markets, we have been restrictive about increasing lending to the corporate market over the past few years.

## OUR BUSINESS MODEL – LOCAL AND DIGITAL

Handelsbanken's decentralised working method is at the core of our business model. Our view is that decisions should be taken locally by the person who knows our customers. We know that this creates better



decisions and – in particular – more satisfied customers. The customer appreciates meeting a decision-maker, who is well acquainted with him or her and the local market. This is why we are present in so many locations, now with 836 branches in our six home markets.

The branch is the Bank and the Bank is the branch. Our customers appreciate the fact that we are local, that we know them and that we make the decisions there, locally together with the customer. But customers also expect to be able to do their banking transactions when and where they please. So the branch is not just a physical building – we are developing the branches' digital meeting places all the time, so that customers can visit their branch on their mobile, tablet or computer. All contacts with our customers are between the customer and the branch, regardless of how the customer wishes to meet the Bank. It is the branch that is always responsible for the customer meeting – whenever and wherever this takes place.

Together with the Bank's specialists who are gathered regionally or centrally, our branches with their strong local connections create solutions which our customers appreciate. This is confirmed time and time again in customer satisfaction surveys and awards.

Our decentralised model with a large degree of local autonomy not only creates more satisfied customers. It also means that our risk assessment is better and our loan losses are lower. Decentralisation also gives us employees with a great degree of commitment and a high level of expertise, who are used to making their own, wise decisions.

Working with the Bank's operational efficiency is well-integrated into the Bank's business model, and benefiting from the efficiency gains which digital developments lead to is also an important part of our continued work.

It is therefore not difficult to remain decentralised. Quite the contrary: we always try to be more decentralised and local – and digital. Everything

which may create benefit for our customers will be decentralised. This is why we continued to move central functions and responsibilities to our national organisations in 2015, and we work incessantly on increasing the time branches can spend with their customers.

## SUSTAINABILITY

Our business concept and our decentralised method of working not only create a stable bank in the long term. They also create a more responsible bank, a more sustainable bank. Aspects of sustainability have also long been well-integrated into Handelsbanken's culture and operations.

In addition to our internal governance documents and guidelines, the Bank is also a member of the voluntary UN initiatives Global Compact and Principles for Responsible Investment (PRI). Handelsbanken continues to support these initiatives, which are totally in keeping with the values, principles and working methods that have been applied at Handelsbanken for a long time.

We run the Bank with low tolerance of risks and low expenses, and we aim for as low volatility in profits as possible. This, coupled with stable finances, has meant that in modern times, we have never needed to seek support from the government, central banks, taxpayers or shareholders.

We are convinced that our responsible method of running our Bank gives us a competitive edge. This applies in many areas – for example, regarding the opportunities and terms to obtain funding on the international bond market, or when it comes to attracting talented staff and stable, long-term shareholders.

We are also convinced that sustainability, long-term growth and shareholder value can only be achieved if the Bank works in a long-term manner for its customers – and for the community as a whole. Therefore, we will keep our work with sustainability high on the agenda.





## OUR HOME MARKETS

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

### Sweden

In 2015, Handelsbanken again won the Swedish Business Bank of the Year and Sweden's Small Enterprise Bank awards from Finansbarometern, for the fifth and fourth year running. These awards are based on a very comprehensive survey, in which customers' ratings for various parts of the Bank are taken into account.

This customer satisfaction aspect is confirmed by SKI (Swedish Quality Index), which, on the basis of its surveys of private and corporate customers, acclaims us as the bank that has the most satisfied customers overall.

In addition, the TNS Sifo research company finds that, this year too, we have by far the most satisfied customers within Private Banking.

Satisfied customers mean more business – and this enabled us to meet the challenges of negative interest rates and low demand for corporate loans, with good growth in our commissions business. Once again this year, in the savings area, we saw very high net inflows to our mutual funds, and we have great potential for further growth.

### UK

In the UK, Handelsbanken continued to grow. In addition to opening 19 new branches and recruiting branch managers for a further nine future branches, we have also established a new regional bank. This encompasses Yorkshire and the north-eastern part of the country, with its head office in Leeds, and it is our fifth regional bank in the UK.

In the area of customer satisfaction, our lead over our competitors is growing, particularly as regards corporate customers.

Handelsbanken's range of products and services has been broadened further, to meet the customers' requirements. In addition, the integration of Heartwood's wealth and asset management services into the Bank is now in progress; this will further supplement the Bank's offering.

“Our view is that decisions should be taken locally by the person who knows our customers.”

### Denmark

Despite an environment of negative interest rates, weak demand for credits, and tough competition, Handelsbanken continued to advance its positions, with good performance in all business areas.

In 2015, Handelsbanken again had the most satisfied customers, on both the private and the corporate markets.

During the year we increased availability for our customers, both digitally and via the branches. For example, a number of new self-service functions and payment solutions were launched, via a new app for customers' smartphones. In addition, a number of branches moved to new premises with better availability.

### Finland

Handelsbanken's position on the private market has strengthened, and during the year there was growing demand for our savings and investment products. More and more customers have also been interested in our wealth management services, and our wealth management grew substantially during the year.

We have continued to build up strong, long-term relationships with our customers at the local branches close to the customer, and we have also

continued to relocate and reorganise our branches, so as to better fulfil our customers' needs. In addition, a new mobile banking service for our customers was launched in the second half of the year.

As in previous years, we are top-ranked in terms of satisfied private customers and we also have the most satisfied corporate customers in Finland.

“Our customers' requirements as regards where, when and how they wish to meet the Bank are constantly evolving, and therefore we are continually developing and adapting to this.”

### Norway

In 2015, the macroeconomic environment in Norway was a turbulent one, with falling oil prices and lower activity levels in the business world. Nevertheless, Handelsbanken has shown good growth, particularly on the corporate side. On the private side, too, we won the confidence of many new customers, and succeeded in meeting the challenges of stiffer competition and low margins.

### The Netherlands

In 2015, Handelsbanken opened three new branches and one new meeting place in the Netherlands. During the year we also further strengthened our product range and infrastructure, in order to meet the steady inflow of new customers.

In 2015, Handelsbanken remained the bank with the most satisfied customers in the Netherlands, by a comfortable margin.

## WE WILL CONTINUE OUR JOURNEY

At present we are running our Bank at 836 locations in six home markets, and are also represented by branches in the world's most important financial centres. Our business model is scalable and repeatable. We have a strong position and excellent opportunities in all six home markets. We will continue our journey in all the markets.

Our customers' requirements as regards where, when and how they wish to meet the Bank are constantly evolving, and therefore we are continually developing and adapting to this. We are increasing our availability, we are creating more and better meeting places, and we are aiming to increase the time spent with customers. Therefore we have both a digital and a local presence.

We will work hard to continue having the most satisfied customers, to do more business, to be even more efficient – to simply be a little better and a little more Handelsbanken every day.

I'd like to say a warm thank-you to all our employees for your hard work over the past year. I take much pride in, and have great respect for your expertise, your work and your commitment. It's you who make the difference.

I would also like to extend my thanks to all our customers for the great confidence you show us.

Frank Vang-Jensen  
Stockholm, February 2016



# 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 GOAL

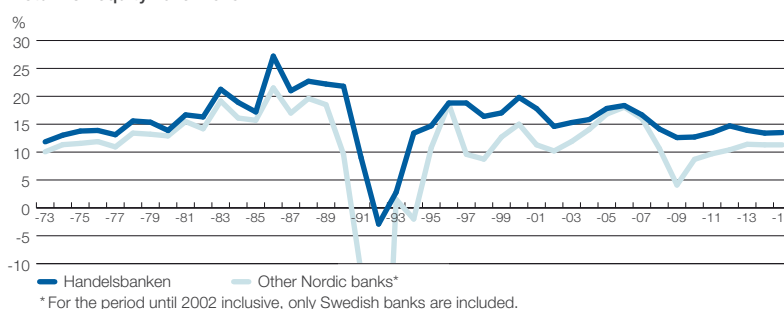
### Corporate goal

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 13.5 per cent (13.4). The corresponding figure for a weighted average of other major Nordic banks was 11.3 per cent (11.3). The corresponding figure for a weighted average of all peer banks in the home markets is estimated at approximately 11 per cent (9.8). This means that for the 44th consecutive year, Handelsbanken has met its corporate goal.

Return on equity 1973–2015



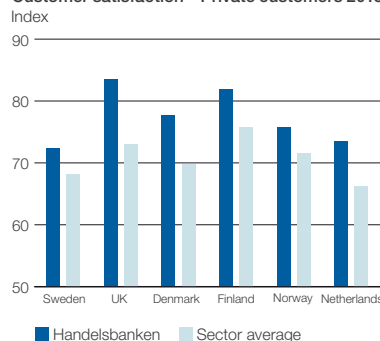
## MOST SATISFIED CUSTOMERS

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.

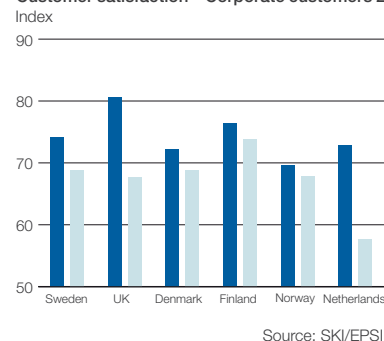
### Outcome

Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. In this way, the Bank retains its strong and stable position regarding customer satisfaction. Satisfied customers are proof of the viability of Handelsbanken's method of working.

Customer satisfaction – Private customers 2015



Customer satisfaction – Corporate customers 2015



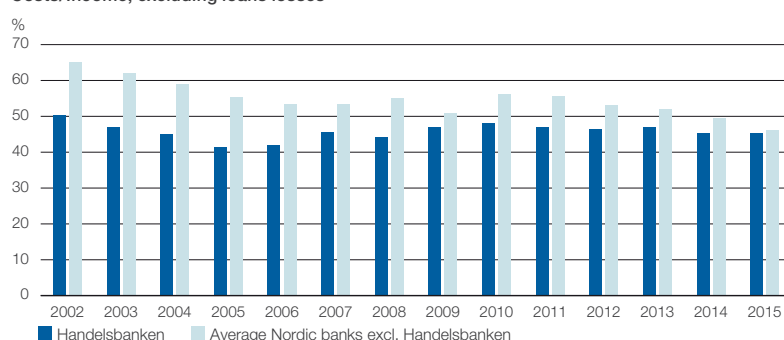
## MOST COST-EFFECTIVE BANK

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 were 45.3 per cent (45.2). The corresponding figure for an average of other major Nordic banks was 46.2 per cent (49.5).

Costs/Income, excluding loans losses



## RATING

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

### Outcome

During the second quarter of 2015, Moody's upgraded Handelsbanken's long-term rating from Aa3 to Aa2, and thus the Bank has the highest rating in the Nordic countries of all peer banks. Otherwise, Handelsbanken's short-term and long-term ratings with the other rating agencies were unchanged.

### Ratings of Nordic banks

31 December 2015	Moody's			Standard & Poor's		Fitch	
	Financial strength (BCA)*	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Handelsbanken	a2	Aa2	P-1	AA-	A-1+	AA-	F1+
Nordea	a3	Aa3	P-1	AA-	A-1+	AA-	F1+
SEB	a3	Aa3	P-1	A+	A-1	A+	F1
Swedbank	a3	Aa3	P-1	AA-	A-1+	A+	F1
DNB	a3	Aa3	P-1	A+	A-1	A+	F1
Danske Bank	baa1	A2	P-1	A	A-1	A	F1

\* Baseline Credit Assessment (BCA) is an indicator of the issuer's standalone intrinsic strength.

Source: SNL

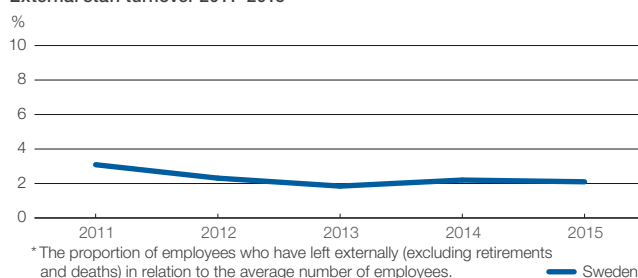
## A LONG-TERM PERSPECTIVE

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 was 2.1 per cent (2.2) in Sweden.

External staff turnover 2011–2015\*





## GROWTH

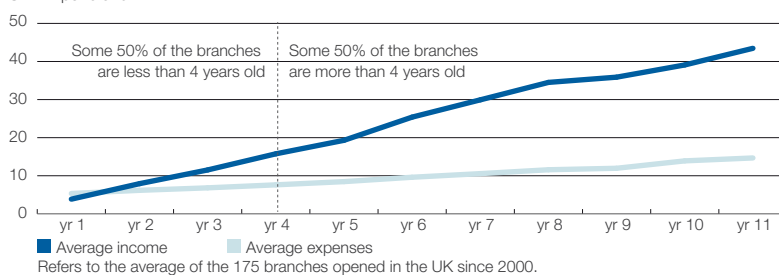
Handelsbanken's business is based on meeting the customer locally. It is therefore natural to open new branches in places where the Bank has not previously had operations.

### Outcome

In 2015, Handelsbanken opened 22 branches in its home markets: 19 of them in the UK and three in the Netherlands.

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

SEK m per branch



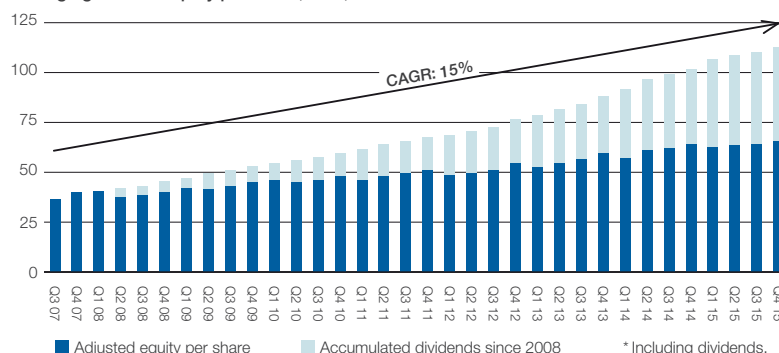
## STABLE, HIGH VALUE GROWTH

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 eight 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, 2007–2015\*



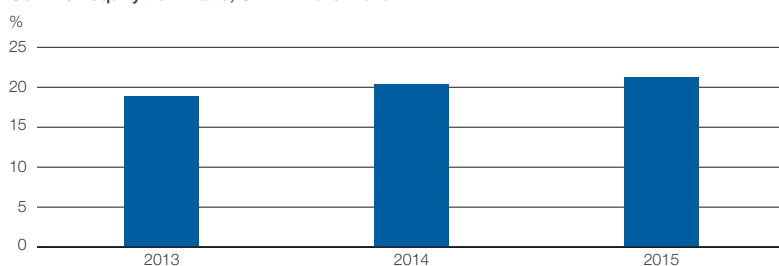
## CAPITAL

Under normal circumstances, the Bank's common equity tier 1 ratio must be 1 to 3 percentage points above the total common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. The tier 1 ratio and the total capital ratio must also be at least one percentage point above the total capital assessment communicated to the Bank by the Supervisory Authority for the respective capital tiers. Additionally, the Bank must fulfil any other capital requirements set by the regulators.

### Outcome

The common equity tier 1 ratio according to CRD IV rose to 21.2 per cent (20.4). The Swedish Financial Supervisory Authority's assessment was that Handelsbanken's common equity tier 1 capital requirement at the end of Q3 2015 corresponds to a common equity tier 1 ratio of 18.6 per cent, and the Bank is thus within the target range.

## Common equity tier 1 ratio, CRD IV 2013–2015



## LIQUIDITY AND FUNDING

Handelsbanken must be able to manage for at least twelve months under stressed conditions 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 181 billion. At the end of the year, the total liquidity reserve exceeded SEK 800 billion. The Bank's funding costs were the lowest among peer banks in the Nordic countries and continued to be among the very lowest in the global banking market.

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



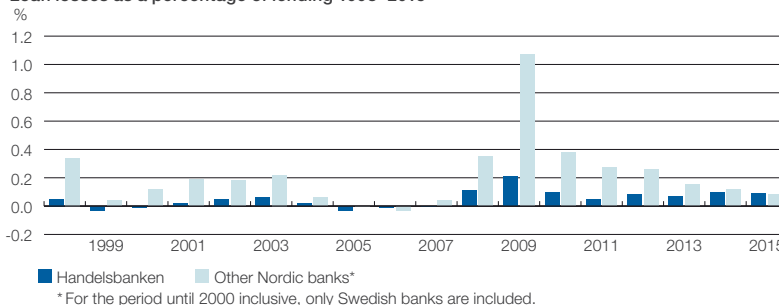
## CREDIT QUALITY

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

### Outcome

Loan losses decreased to SEK -1,597 million (-1,781). Loan losses as a proportion of lending were 0.09 per cent (0.10). Since 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: 0.31 per cent.

## Loan losses as a percentage of lending 1998–2015





# 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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“Our idea of how we should run our bank is based on trust and respect for individuals.”

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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 for our 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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“The customer's trust is built up over the long term, but is won and nurtured at every meeting.”

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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. In Sweden, Handelsbanken Direkt Personal Service is always open, and is staffed by professional bankers to help customers by phone – 24 hours a day, 365 days a year.

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

## Simplicity

When a customer contacts us, the meeting should be unbureaucratic. Our aim is that the customer should be able to do the same type of business with the Bank, regardless of the meeting place. Therefore, we are constantly working to develop and improve the Bank's technical solutions.

Several new technical solutions were launched during the year in our home markets involving simplifications for our customers.

In Sweden, an improved online service was launched for all corporate customers with content adapted to the customer's various needs,

better support functions and completely revised editorial content.

## 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 continue to develop the Bank's various meeting places – because that 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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“In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers.”

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Handelsbanken is organised geographically. Every branch of Handelsbanken is led by a manager who is responsible for all operations in his or 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 and consideration must also be taken of the stage of life that they are 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 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 during the year was 3.0 per cent.

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“By giving our best advice, we build trusting, long-term relationships with every customer.”

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**The keys to the Bank**

Almost all our customer relations start at the customer's branch, but after this customers meet Handelsbanken far more often via their smartphones, tablet devices, online, or on the phone. 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 our customers “all the keys to the Bank”.

**A full range of products and services**

A vital condition for successful customer meetings is that our customers never lack any prod-

uct or service that they need. We do not divide customers into different segments or specialise in product or service areas.

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.

**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, cost-effectiveness and profitability.

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 retain high profitability in the long term, growth is also necessary. Handelsbanken primarily grows by opening new branches in locations where the Bank has not previously had operations. In this way, Handelsbanken grows customer by customer, branch by branch. This organic growth model means that Handelsbanken can achieve growth, coupled with low risk and good cost control. This method of working and of achieving growth has proved successful in an increasing number of locations and in an increasing number of countries. Handelsbanken has a nationwide branch network in the Bank's six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

**Stable finances**

By means of low funding costs and low loan losses, coupled with high profitability, Handelsbanken builds a strong balance sheet. Stable finances are essential for the Bank to be able to

do all the business that we and our 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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“Handelsbanken adapts its offering to each customer's unique needs and circumstances.”

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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 geographically organised so as to create the best possible conditions for relationships with our customers. Practically all important business decisions are therefore made close to our customers, at our 849 local branches worldwide.

Our branches can be reached in many different ways: digitally via the internet and apps, personal visits to the branch or 24 hours a day by phone.

## OUR HOME MARKETS

Handelsbanken has six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. We have 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.

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“At Handelsbanken, we strive for as many business decisions as possible to be taken locally, close to the customer.”

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In the UK, we now have 197 branches, and the Bank's growth there continues. Handelsbanken has also opened several new branches in the Netherlands, where we now have 23 branches. In addition, the Bank has opened new branches and meeting places in its more mature markets in the Nordic countries. In total, Handelsbanken has 849 branches in 25 countries worldwide.

The Bank has 23 offices – of which 13 branches and ten representative offices – in 19 countries around the world. Their 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 so that it 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 cost centre. 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, containing all the branches' profit/cost centres. It includes 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 849 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. 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 or national organisations 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 responsible for all operations in his or 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.

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“Handelsbanken's decentralised structure has been developed and refined for 144 years, in order to increase customer satisfaction and the Bank's efficiency.”

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This mandate to take the important business decisions in discussion 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, giving valuable 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 personal service and a basis for decisions 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 standards and HR matters. 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 144 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 applied this work method and these functions for a long time, and thus the Group has good 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 physical 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 developing new meeting places where customers can meet the branch. In Handelsbanken's geographical structure, all contact paths – both digital and personal – lead

to the branch. Regardless of how the customer chooses to contact the Bank, the local branch always offers several meeting places with high availability, so that customers can present or carry out their business – for example via apps, 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.

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

Technical advances are not only rapid, increasing availability for our customers. They also lead to greater efficiency, so that branch costs decrease.

The increasing digitalisation contributes to greater customer benefit, and it increases accessibility to the Bank. Today, the great majority of customers have a smartphone, and therefore have access to the Bank's apps. Here they can carry out more and more types of banking transactions, including paying bills, viewing balances, trading in securities and applying for loans, which makes it easier for customers on an everyday basis.

Customer needs are always in focus, which means that Handelsbanken continually strives to enable the customer to do the same type of business with the Bank, regardless of the meeting place. Therefore we are constantly expanding our apps with new functions and making them even more available and user-friendly. For example, interest in savings has increased in step with the development of the app for private customers.

In the app for corporate customers, companies can follow the trends of exchange rates, mutual funds, equities, indexes and the Bank's market outlook.

Swish is another example of a service that provides customer benefit and simplifies cus-

tomers' everyday lives. By using the Swish app, all customers can quickly and simply make payments to private individuals, companies, associations and organisations that are linked to the service.

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 decentralised powers of decision and personal service in our home markets – simply because that is what our customers want.

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**“In Handelsbanken's geographical structure, all contact paths – both digital and personal – lead to the branch.”**

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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.



#### 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 joint business areas for the Group where product owners design and develop our products and solutions. The central head office also has joint units and staff functions with overarching responsibility for various functions at the Bank.



# Local branches as part of digital development

At Handelsbanken, the branch is the Bank. Every local branch within the Bank is well-integrated into its local community. At the same time, the local branches offer digital meeting places for advanced banking services, which customers can access easily via various channels. It can be said that all roads in the Bank lead to the branch.

At Handelsbanken, we regard our local branches as valuable assets. At the same time, all Handelsbanken's business proceeds from customers' requirements and wishes. However our customers choose to visit the Bank, they always arrive directly at their local branch. For our customers, being able to visit their branch via physical and digital meeting places is a question of security and personal service.

When a customer visits the Bank via their mobile app, it is the branch's home page that they are visiting. The same applies if a customer opts to call the Bank, or log on to Online Banking from a computer.

## ALL ROADS LEAD TO THE BRANCH

All roads lead to the local branch, which has the entire responsibility for the customer. Regional banks, central product specialists and central units of experts support the branches with the resources they need to fulfil customer requirements and wishes.

Handelsbanken is the Nordic region's most international bank. It has a strong position on the international financial markets, with extensive expertise in all aspects of finance and business. This means that our 836 branches in Sweden, the UK, Denmark, Finland, Norway and the Netherlands are supported by comprehensive resources to support them in their aim of always providing their customers with world class service.

It is a matter of offering the best possible customer service and the highest possible availability, regardless of the channel that the customer chooses for their visit – whether it is a personal visit to the branch's physical premises or a visit to the branch's digital environment.

At Handelsbanken we have long had the most satisfied bank customers in our six home markets, according to independent surveys by EPSI Rating, which includes SKI (Swedish Quality Index). This is a positive challenge for our local branches, since their objective is always to achieve even higher customer satisfaction and to provide even better customer service.

At the same time, rapid technical advances are placing new demands on the Bank. We know that our customers always can and wish to use new and improved technology to visit the Bank. Therefore, we are constantly working to develop and improve the contact routes to our branches in the new digital branch environment.

In addition, we are developing our physical branches so that they are even better adapted to our customers' needs.

## NEW BRANCHES DON'T ALWAYS LOOK AS THEY DID BEFORE

Newly opened branches of Handelsbanken 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, possibly a couple of blocks away from the town centre.

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.

In some cases, the interior of the branches is a little more personal, like a simple but pleasant living-room. At some branches the office space is split into several smaller rooms for individual customer meet-

ings, while other branches need open spaces in a more traditional environment. What all the branches have in common is that they are designed and adapted according to customer requirements.

Personal cash handling has long been a service that many customers, particularly in the Swedish home market, have very much wanted. But as cash handling in Sweden has decreased, our customers' needs for manual cash handling at our branches have also diminished.

Branches' opening hours are also adapted to customer and market requirements. In addition, in Sweden, Handelsbanken Direkt Personal Service is always open, and is staffed by professional bank officers who help customers by phone – 24 hours a day, 365 days a year. Similar service offerings are available in several home markets, including Norway.

But the most rapid development of our branches is taking place in the digital branch environment.

We know that nowadays, our customers visit our physical branches relatively seldom. Instead, they visit their local branch considerably more often via digital channels such as apps in smartphones and tablet devices. Many people find that this is a simple, convenient way to regularly check on their finances, pay their bills or trade in securities. In addition, they can keep an eye on the economic developments that the Bank monitors, analyses and presents in many different ways, for our customers and other interested parties.

## CHALLENGES ON THE DIGITAL BANKING MARKET

Rapid advances in digital technology are changing our customers' behaviour. Technical solutions for banking services that were regarded not long ago as being unique, and only for a few advanced users, are now everyday services that are used by most customers of all banks.

In general terms, it is thus more difficult for a bank to stand out among the competition by having unique technical features. Modern digital technology, with complete mobile apps for smartphones and tablet devices, etc., is now regarded by customers as a basic requirement for a bank.

At the same time, the banks' range of products and services is becoming increasingly standardised, without any major price differences. Most of the products and services offered by the Bank are much the same as its competitors' product ranges. And if a bank launches a new product or service, it is also relatively simple for its competitors to quickly copy it and offer something similar.

The overall trend on the digital banking market shows that it is difficult for a bank to be unique – if it does not have something to offer its customer that other banks lack.

And this is what Handelsbanken has. Our method of running a bank differs in several ways from our competitors.

## Church tower principle

We have a geographical organisational structure which is decentralised and cost-effective, with short, clear decision paths. This results in a distinct local presence in all the markets where the Bank operates.

Every local branch has its own geographically delimited area of operations, with its own profit responsibility. We usually refer to the "church tower principle," which means that the area that can be viewed by the branch manager from the town's church tower is the branch's local market.



Our local branches are responsible for all the Bank's customers and make all credit decisions within their area of operations. All income and expenses within the branch's area of operations are allocated to the branch, while the Bank's joint staff functions and business areas have only one main task: to support the branches.

Decision-making at Handelsbanken is strictly decentralised to the local branch. Every branch of Handelsbanken is led by a manager who is responsible for all operations in his or 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.

### Unique competitive advantages

This leads to unique advantages for our customers: Handelsbanken not only has a well-established local presence in our six home markets. The local branches are also part of the local community in six countries.

This creates a feeling of affinity in every town where the Bank has a branch. The customers often regard Handelsbanken as "the town bank"

or "the local bank," which creates unique customer loyalty and long-term customer relations. Our long-term integration into the local community gives our branches unique knowledge of our customers' circumstances and needs. This is one factor in customers becoming increasingly satisfied with and loyal to their local bank, Handelsbanken, which is also corroborated by independent surveys conducted by SKI/EPFI.

Our branch managers often live in the town, and know their market and their customers well. Thus they also have unique knowledge of the local market conditions, with the ability to make better risk assessments and utilise more business opportunities. This is an important reason why Handelsbanken has long shown considerably lower loan losses than our competitors.

Handelsbanken's way of running a bank gives us a unique competitive edge, with our 836 local branches in six countries making up the core of the Bank.



### All roads lead to the local branch, both digitally and physically

However our customers choose to visit Handelsbanken, they always arrive at their local branch. This applies whether it is a visit to the branch's digital environment or a personal visit to the branch's physical premises. Via a mobile app on a smartphone or a tablet device, the customer visits their local branch's home page. The same applies if the customer opts to log on to Online Banking from a computer. If the customer opts to call the Bank, link up for a video call, or send an email, it is the customer's local branch that replies. If the customer makes a purchase with a credit card or a withdrawal from an ATM, it is the customer's account at their local branch which is debited.

If the customer needs assistance with banking business after office hours, Handelsbanken Direkt Personal Service is available 24 hours a day, 365 days a year, in several of our home markets. When the matter has been resolved, the local branch receives immediate feedback regarding the customer's transaction. In this way, all paths lead to the local branch. Handelsbanken has 836 local branches in our six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.







# Financial overview 2015

- Return on equity for total operations rose to 13.5 per cent (13.4).
- The corporate goal of higher return on equity than the average of peer banks was achieved for the 44th year running – full provision to the Oktogonen profit-sharing foundation.
- Operating profit grew by 7 per cent to SEK 20,475 million (19,212), the highest figure ever.
- The period's profit after tax for total operations rose to SEK 16,343 million (15,184).
- Earnings per share for total operations increased by 8 per cent to SEK 8.57 (7.96).
- The common equity tier 1 ratio according to CRD IV increased to 21.2 per cent (20.4) and the total capital ratio rose to 27.2 per cent (25.6).
- The Board proposes an increase in the ordinary dividend to SEK 4.50 per share and an extra dividend of SEK 1.50 per share.
- Moody's upgraded Handelsbanken's long-term credit rating to Aa2, and thus the Bank has the highest rating in Europe of all peer banks.
- Income increased by 5 per cent to SEK 40,336 million (38,314).
- Net interest income went up by 2 per cent to SEK 27,740 million (27,244) and in the UK, net interest income increased by 31 per cent.
- Net fee and commission income rose by 9 per cent to SEK 9,320 million (8,556).
- The Bank was the largest player for new savings on the mutual funds market in Sweden, with a market share of 31 per cent.
- The C/I ratio was 45.3 per cent (45.2).
- The loan loss ratio was 0.09 per cent (0.10).



# Review of operations

The Group's operating profit increased by 7 per cent to SEK 20,475 million (19,212). The period's profit after tax for total operations rose to SEK 16,343 million (15,184) and earnings per share were SEK 8.57 (7.96).

The Board proposes an ordinary dividend of SEK 4.50 per share and also an extra dividend of SEK 1.50 per share.

The common equity tier 1 ratio increased to SEK 21.2 per cent (20.4) and the return on equity for total operations increased to 13.5 per cent (13.4).

The C/I ratio was 45.3 per cent (45.2).

## INCOME

The Group – Income SEK m	Full year 2015	Full year 2014	Change
Net interest income	27 740	27 244	2%
Net fee and commission income	9 320	8 556	9%
Net gains/losses on financial transaction	2 608	1 777	47%
Other income	668	737	-9%
<b>Total income</b>	<b>40 336</b>	<b>38 314</b>	<b>5%</b>

Income grew by 5 per cent to SEK 40,336 million (38,314).

Net interest income rose by 2 per cent to SEK 27,740 million (27,244). Exchange rate effects had a SEK 652 million positive impact on net interest income.

Higher lending volumes increased net interest income by SEK 1,241 million, while lower lending margins had a negative impact of SEK -49 million. Decreasing short-term interest rates – particularly in Sweden – reduced deposit margins by SEK -2,037 million, and negative interest rates meant that increased deposit volumes had a SEK -20 million negative effect on net interest income. The decrease in interest rates also meant that the interest on assets funded by equity declined by SEK 477 million.

The benchmark effect in Stadshypotek decreased to SEK -105 million (-27), and the cost of the Swedish Stability Fund and various deposit guarantees went down by SEK 104 million to SEK -1,118 million (-1,222).

The remainder of the change in net interest income of SEK 1,160 million was chiefly attributable to a change in the funding mix, since rising deposit volumes contributed to a reduced need for market funding.

Net interest income grew by 31 per cent in the UK, by 16 per cent in the Netherlands, and by 4 per cent in Denmark. Net interest income fell by 3 per cent in Sweden, by 6 per cent in Norway, and by 2 per cent in Finland.

The average volume of loans to the public grew by 6 per cent to SEK 1,847 billion (1,746). Exchange rate effects had a positive effect of SEK 22 billion on lending volumes. Household lending increased by 8 per cent to SEK 932

billion (860), while corporate lending grew by 3 per cent to SEK 915 billion (886).

The average volume of deposits and borrowing rose by 13 per cent to SEK 1,007 billion (893). The average volume of household deposits went up by 13 per cent to SEK 338 billion (300) and corporate deposits increased by 13 per cent to SEK 669 billion (593).

Net fee and commission income rose by 9 per cent to SEK 9,320 million (8,556), mainly as a result of higher asset management, advisory and payment commissions. Fund management commissions grew by 21 per cent to SEK 2,987 million (2,475), as a result of increasing inflows and rising market values. Other asset management commissions increased by 11 per cent to SEK 600 million (540). Net payment commissions rose by 9 per cent to SEK 2,027 million (1,855), chiefly as a result of net commissions from card operations increasing by 10 per cent to SEK 1,400 million (1,270). Advisory commissions grew by 39 per cent to SEK 326 million (235), due to a higher level of activity on the market.

Net gains/losses on financial transactions increased by 47 per cent to SEK 2,608 million (1,777). Capital gains from the sale of shares in SCA had a SEK 1,207 million positive impact on profits. Excluding the capital gains and non-recurring items in the period of comparison, the outcome was more or less unchanged.

Other income amounted to SEK 668 million (737).

## EXPENSES

The Group – Expenses SEK m	Full year 2015	Full year 2014	Change
Staff costs	-12 581	-11 766	7%
Other administrative expenses	-5 203	-5 099	2%
Depreciation and amortisation	-487	-462	5%
<b>Total expenses</b>	<b>-18 271</b>	<b>-17 327</b>	<b>5%</b>

Total expenses increased by 5 per cent to SEK -18,271 million (-17,327). Adjusted for exchange rate movements of SEK -470 million, the increase was just under 3 per cent.

Staff costs rose by 7 per cent to SEK -12,581 million (-11,766). Of this increase, three percentage points, or SEK -319 million, stemmed from exchange rate effects. The preliminary provision to the Oktogonen profit-sharing foundation rose to SEK -858 million (-795). The impact of IAS 19 increased costs for defined benefit pensions by SEK -196 million, and two percentage points of the increase were attributable to this. Excluding these items, staff costs rose by 2 per cent,

which was chiefly attributable to annual salary increases and continued expansion in the Bank's growth markets.

The average number of employees rose to 11,819 (11,692). Excluding the expanding operations in the UK and the Netherlands, where the average number of staff rose by 227 and 28 respectively, the average number of employees decreased by 1 per cent.

Variable remuneration, including social security costs and other payroll overheads, decreased to SEK -114 million (-140).

Other administrative expenses went up by 2 per cent to SEK -5,203 million (-5,099), chiefly as a result of increasing costs for property and premises, as well as higher costs for purchased services. Adjusted for exchange rate movements of SEK -144 million, other administrative expenses went down by 1 per cent.

## LOAN LOSSES

The Group – Loan losses SEK m	Full year 2015	Full year 2014	Change
Net loan losses	-1 597	-1 781	-184
Loan loss ratio as a % of loans	0.09	0.10	-0.01
Impaired loans, net	4 028	4 591	-12%
Proportion of impaired loans, %	0.21	0.25	-0.04

Loan losses decreased to SEK -1,597 million (-1,781), and the loan loss ratio was 0.09 per cent (0.10). Credit quality remained stable, and the year's loan losses derived principally from a small number of exposures. Net impaired loans decreased by 12 per cent to SEK 4,028 million (4,591), equivalent to 0.21 per cent (0.25) of lending.

## FUNDING AND LIQUIDITY

The issue volume of bonds decreased during the year to SEK 181 billion (189), of which SEK 139 billion was covered bonds, SEK 32 billion senior bonds and SEK 10 billion was a subordinated loan in the form of an AT1 bond. SEK 50 billion in covered bonds and SEK 12 billion in senior bonds were issued in the fourth quarter.

The Bank has large volumes of liquid funds, mortgage loans and other assets that are not encumbered and therefore represent protection for the Bank's senior lenders. At the end of the period, the ratio of non-encumbered assets to all non-encumbered market funding was 203 per cent (237).

At year-end, the Bank elected to reduce its volume of short-term deposits, but retained a liquidity reserve of over SEK 800 billion. Cash



funds and liquid assets invested with central banks amounted to SEK 236 billion, while the volume of liquid bonds and other liquid assets totalled SEK 115 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 year-end was 137 per cent. In USD, the LCR was 429 per cent and in EUR it was 161 per cent. The Group's LCR, calculated according to the European Commission's delegated act, was 140 per cent. At year-end, the net stable funding ratio (NSFR) was 100 per cent.

## CAPITAL

Capital-related matters SEK m	31 Dec 2015	31 Dec 2014	Change
Common equity tier 1 ratio, CRD IV	21.2%	20.4%	0.8
Total capital ratio, CRD IV	27.2%	25.6%	1.6
Risk exposure amount CRD IV	473 132	480 388	-2%
Common equity tier 1 capital	100 535	98 084	2%
Total own funds	128 489	122 858	5%
Capital requirement, Basel I floor	94 833	90 406	5%
Total own funds, Basel I floor	129 884	124 961	4%

The Bank's goal is that its common equity tier 1 ratio under normal circumstances should exceed the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority by 1–3 percentage points. Factoring in the Board's proposed dividend, totalling SEK 6.00 per share, the Bank's common equity tier 1 ratio at year-end amounted to 21.2 per cent. The Swedish Financial Supervisory Authority's assessment was that Handelsbanken's common equity tier 1 capital requirement at the end of Q3 2015 corresponded to a common equity tier 1 ratio of 18.6 per cent, and the Bank is thus within the target range. The raising of the countercyclical buffer that becomes effective in Sweden and Norway in 2016 is expected to increase the common equity tier 1 capital requirement by an amount equivalent to 0.3 percentage points of the common equity tier 1 ratio.

Own funds were SEK 128 billion (123) and the Bank's total capital ratio rose to 27.2 per cent (25.6). Of the increase of 1.6 percentage points, the Bank's AT1 issue contributed 2.1 percentage points, while matured subordinated loans reduced the ratio by 1.1 percentage points.

Common equity tier 1 capital amounted to SEK 101 billion (98) and the common equity tier 1 ratio rose by 0.8 percentage points to 21.2 per cent (20.4). The period's profit contributed 0.9 percentage points after a deduction for the dividend.

Higher lending volumes affected the common equity tier 1 capital ratio by -0.5 percentage points. Credit risk migration in the loan portfolio was neutral, and did not affect the common

equity tier 1 ratio. The effect of the fact that new lending volumes are lower risk than the credit portfolio average, while exposures leaving the portfolio are higher risk (known as volume migration), improved the common equity tier 1 ratio by 1.0 percentage point.

The effect of IAS 19 (pensions) reduced the common equity tier 1 ratio by 0.8 percentage points.

The effect of AFS holdings increased the common equity tier 1 ratio by 0.6 percentage points.

Foreign exchange movements had a 0.2 percentage point negative effect, while the net effect of other factors was a decrease of 0.2 percentage points.

## Economic capital and available financial resources

Handelsbanken's internal assessment of the capital requirement is based on the Bank's model for Economic Capital (EC), which is measured in relation to the Bank's Available Financial Resources (AFR). The Board stipulates that the AFR/EC ratio for the Group must exceed 120 per cent. At the end of the fourth quarter, Group EC totalled SEK 56.7 billion, while AFR was SEK 129.5 billion. Thus, the ratio between AFR and EC was 228 per cent. For the parent company, EC totalled SEK 48.8 billion, and AFR was SEK 104.2 billion.

For the consolidated situation, EC totalled SEK 53.4 billion, and AFR was SEK 125.8 billion.

## RATING

During the second quarter, Moody's upgraded Handelsbanken's long-term rating from Aa3 to Aa2, and thus the Bank has the highest rating in Europe of all peer banks. Otherwise, Handelsbanken's long-term and short-term ratings with the other rating agencies which monitor the Bank were unchanged.

Rating	Long-term	Short-term	Counter-party risk assessment
Standard & Poor's	AA-	A-1+	
Fitch	AA-	F1+	
Moody's	Aa2	P-1	Aa1
DBRS	AA (low)		

## HANDELSBANKEN'S AGM ON 16 MARCH

The Board proposes a total dividend of SEK 6.00 per share, comprising an ordinary dividend of SEK 4.50 per share and an extra dividend of SEK 1.50 per share.

In addition, the Board proposes that the existing repurchase programme for a maximum of 120 million shares be extended for another year. The Board also proposes that the AGM authorise the Board to be able to issue convertible debt instruments with the purpose of adapting the Bank's capital structure to the capital requirement prevailing at any time.

The Board proposes that the record day for the dividend be Friday, 18 March 2016, which means that Handelsbanken's shares will be traded ex-dividend on Thursday, 17 March

2016, and that the dividend is then expected to be disbursed on 23 March 2016.

## OTHER INFORMATION

### IAS 19

A higher net pension debt at the end of 2015, coupled with updated actuarial estimates, means that in 2016, pension costs according to IAS 19 will increase staff costs in the Group by some SEK 225 million.

### Sale of Visa Europe

In November 2015, Visa Inc. announced that it intends to acquire Visa Europe Limited. The acquisition requires the approval of authorities. Handelsbanken is a member of Visa Sweden Economic Association and Visa Bankgruppe Fli in Norway. The Bank also has a Principal licence with Visa for card issuance in Finland, the UK and the Baltic countries. Through these organisations and the licence, the Bank is an indirect and direct part-owner of Visa Europe and will therefore receive units of the purchase price if the acquisition is completed.

It is intended that the purchase price will consist partly of a cash component and partly of preference shares. In addition, they intend to pay an additional purchase price if certain goals are achieved. It is expected that the transaction will be completed in the second or third quarter of 2016.

The part of the purchase price which accrues to Handelsbanken is partly dependent on the establishment of the final allocation principles and currency exchange rates. The preference shares are also associated with certain conditions which make it difficult to assess their value. It is therefore difficult at present to estimate the overall effects for Handelsbanken. The result will be reported when the transaction is completed.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

### Organisational change at Handelsbanken Capital Markets

On 1 January 2016, the Merchant Banking International business area was reorganised within the Handelsbanken Capital Markets business segment. This unit has changed its name to Handelsbanken International, and in the future will comprise the Bank's offices outside its home markets, as well as Financial Institutions and Transaction Banking.

Corporate Finance and Debt Capital Markets, which were previously part of Merchant Banking International, have been transferred to the Markets & Asset Management business area. At the same time, the Large Corporates unit in Sweden is moving from Merchant Banking International to the Handelsbanken Sweden business segment.

These operations will be reported in accordance with the new organisational structure as of Q1 2016. Historical comparison figures will be distributed in March.



# Five-year overview Group

Consolidated income statement SEK m	2015	2014	2013	2012	2011
Net interest income	27 740	27 244	26 669	26 081	23 613
Net fee and commission income	9 320	8 556	7 804	7 369	7 673
Net gains/losses on financial transactions	2 608	1 777	1 357	1 120	1 016
Risk result - insurance	157	165	142	196	209
Other dividend income	281	251	161	152	146
Share of profit of associates	17	18	9	8	9
Other income	213	303	185	136	143
<b>Total income</b>	<b>40 336</b>	<b>38 314</b>	<b>36 327</b>	<b>35 062</b>	<b>32 809</b>
Staff costs	-12 581	-11 766	-11 404	-11 167	-9 942
Other expenses	-5 203	-5 099	-5 181	-5 069	-5 060
Depreciation, amortisation and impairments of property, equipment and intangible assets	-487	-462	-476	-464	-462
<b>Total expenses</b>	<b>-18 271</b>	<b>-17 327</b>	<b>-17 061</b>	<b>-16 700</b>	<b>-15 464</b>
<b>Profit before loan losses</b>	<b>22 065</b>	<b>20 987</b>	<b>19 266</b>	<b>18 362</b>	<b>17 345</b>
Net loan losses	-1 597	-1 781	-1 195	-1 251	-816
Gains/losses on disposal of property, equipment and intangible assets	7	6	17	-3	7
<b>Operating profit</b>	<b>20 475</b>	<b>19 212</b>	<b>18 088</b>	<b>17 108</b>	<b>16 536</b>
Taxes	-4 277	-4 069	-3 915	-3 092	-4 372
<b>Profit for the year from continuing operations</b>	<b>16 198</b>	<b>15 143</b>	<b>14 173</b>	<b>14 016</b>	<b>12 164</b>
Profit for the year pertaining to discontinued operations, after tax	145	41	122	22	159
<b>Profit for the year</b>	<b>16 343</b>	<b>15 184</b>	<b>14 295</b>	<b>14 038</b>	<b>12 323</b>
<i>Attributable to</i>					
Shareholders in Svenska Handelsbanken AB	16 342	15 183	14 295	14 037	12 323
Minority interest	1	1	0	1	0
Earnings per share, continuing operations, SEK after dilution	8.49 8.32	7.94 7.82	7.45 7.36	7.44 7.27	6.50 6.38
Earnings per share, discontinued operations, SEK after dilution	0.08 0.07	0.02 0.02	0.06 0.06	0.01 0.01	0.09 0.08
Earnings per share, total operations, SEK after dilution	8.57 8.39	7.96 7.84	7.51 7.42	7.45 7.28	6.59 6.46

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

A 3:1 stock split was carried out in May 2015. The comparative figures in the above table have been adjusted for the new number of shares.

The last five-year period was affected by the global financial crisis that started in 2007 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.

## Creating shareholder value

During the past five years – since 31 December 2010 – Handelsbanken has generated positive shareholder value of SEK 121 billion. Market capitalisation has grown by SEK 81 billion, while Handelsbanken has paid out SEK 40 billion in dividends to 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.

## 15 per cent annual growth in equity

Since the financial crisis began, in mid-2007, the Bank has increased its adjusted equity per share by 84 per cent, from SEK 35.31 per share to SEK 65.14 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.

## 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 6,640 million, which corresponds to an average

annual loan loss ratio of just under 0.08 per cent. The corresponding figure for the other major Nordic banks was 0.16 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 the autumn, Swedish Quality Index (SKI) presented its annual survey, and just as in previous years, SKI found that "overall, Handelsbanken has the most satisfied banking customers in Sweden". For private customers, Handelsbanken's index value was 72.4, as compared with the other major Swedish banks, all of which recorded scores in the 65.3–66.2 range. For corporate customers, Handelsbanken's index value



<b>Consolidated statement of comprehensive income</b>					
SEK m	2015	2014	2013	2012	2011
Profit for the year	16 343	15 184	14 295	14 038	12 323
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to the income statement</b>					
Defined benefit plans	-3 152	-2 699	1 402	2 583	
Taxes on items that will not be reclassified to the income statement	688	592	-307	-568	
<b>Total items that will not be reclassified to the income statement</b>	<b>-2 464</b>	<b>-2 107</b>	<b>1 095</b>	<b>2 015</b>	
<b>Items that may subsequently be reclassified to the income statement</b>					
Cash flow hedges	-501	8 772	-3 410	2 390	-297
Available-for-sale instruments	681	295	535	984	-1 318
Translation difference for the year	682	5 924	763	-126	-4
of which hedges of net investments in foreign operations	-1 713	2 558	767	486	-2
Tax on items that may subsequently be reclassified to the income statement	-394	-2 501	514	-913	443
of which cash flow hedges	110	-1 924	744	-565	78
of which available-for-sale instruments	18	-14	-61	-248	365
of which hedges of net investments in foreign operations	87	-563	-169	-100	0
<b>Total items that may subsequently be reclassified to the income statement</b>	<b>-1 317</b>	<b>12 490</b>	<b>-1 598</b>	<b>2 335</b>	<b>-1 176</b>
<b>Total other comprehensive income</b>	<b>-3 781</b>	<b>10 383</b>	<b>-503</b>	<b>4 350</b>	<b>-1 176</b>
<b>Total comprehensive income for the year</b>	<b>12 562</b>	<b>25 567</b>	<b>13 792</b>	<b>18 388</b>	<b>11 147</b>
<i>Attributable to</i>					
Shareholders in Svenska Handelsbanken AB	12 562	25 566	13 792	18 387	11 147
Minority interest	0	1	0	1	0
<b>Consolidated balance sheet</b>					
SEK m	2015	2014	2013	2012	2011
<b>Assets</b>					
Cash and central banks	236 748	505 579	369 954	248 915	375 979
Loans to the public	1 866 467	1 807 836	1 696 339	1 680 479	1 591 128
Loans to other credit institutions	49 656	70 339	62 898	89 511	106 823
Interest-bearing securities	119 290	141 944	121 576	117 260	104 202
Other assets	249 972	290 978	233 954	247 786	276 234
<b>Total assets</b>	<b>2 522 133</b>	<b>2 816 676</b>	<b>2 484 721</b>	<b>2 383 951</b>	<b>2 454 366</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	753 855	1 022 267	825 205	682 223	724 888
Due to credit institutions	163 770	200 074	171 624	183 945	201 889
Issued securities	1 245 367	1 212 613	1 150 641	1 151 426	1 140 074
Subordinated liabilities	34 216	30 289	15 965	21 167	35 317
Other liabilities	196 657	224 606	209 947	241 340	257 674
Equity	128 268	126 827	111 339	103 850	94 524
<b>Total liabilities and equity</b>	<b>2 522 133</b>	<b>2 816 676</b>	<b>2 484 721</b>	<b>2 383 951</b>	<b>2 454 366</b>

was 74.1, as compared with the other major Swedish banks, all of which recorded scores in the 64.4–70.2 range.

The gap in customer satisfaction on the private market between Handelsbanken and the average of the other major banks in Sweden was wider in 2015 than it was at the beginning of the financial crisis in 2007–2008.

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

#### Organic growth

Five years ago, Handelsbanken had five home markets, with a total of 691 branches. Five years later, on 31 December 2015, Handelsbanken had 836 branches in six home markets.



# Key figures per year

Key figures for the Handelsbanken Group	2015	2014	2013	2012	2011
Profit before loan losses, continuing operations, SEK m	22 065	20 987	19 266	18 362	17 345
Net loan losses, SEK m	-1 597	-1 781	-1 195	-1 251	-816
Operating profit, continuing operations, SEK m	20 475	19 212	18 088	17 108	16 536
Profit for the year, continuing operations, SEK m	16 198	15 143	14 173	14 016	12 164
Profit for the year, discontinued operations, SEK m	145	41	122	22	159
Profit for the year, total operations, SEK m	16 343	15 184	14 295	14 038	12 323
Total assets, SEK m	2 522 133	2 816 676	2 484 721	2 383 951	2 454 366
Equity, SEK m	128 268	126 827	111 339	103 850	94 524
Return on equity, total operations, %	13.5	13.4	13.9	14.9	13.5
Return on equity, continuing operations, %	13.4	13.3	13.8	14.8	13.4
Return on capital employed, %	0.58	0.57	0.59	0.57	0.53
Cost/income ratio, continuing operations, %	45.3	45.2	47.0	47.6	47.1
Cost/income ratio, continuing operations, incl. loan losses, %	49.3	49.9	50.3	51.2	49.6
Loan loss ratio, %	0.09	0.10	0.07	0.08	0.05
Impaired loans reserve ratio, %	54.5	47.2	56.2	56.4	60.7
Proportion of impaired loans, %	0.21	0.25	0.18	0.18	0.16
Earnings per share, SEK	8.57	7.96	7.51	7.45	6.59
after dilution	8.39	7.84	7.42	7.28	6.46
Ordinary dividend per share, SEK	4.50 <sup>1</sup>	4.17	3.83	3.58	3.25
Total dividend per share, SEK	6.00 <sup>1</sup>	5.83	5.50	-	-
Adjusted equity per share, SEK	65.14	64.13	59.24	54.21	50.90
No. of shares as at 31 December, millions	1 907.0	1 907.0	1 906.9	1 898.4	1 872.2
of which outstanding	1 907.0	1 907.0	1 906.9	1 898.4	1 871.9
Average number of outstanding shares (millions)	1 907.0	1 907.0	1 904.4	1 885.5	1 869.2
after dilution	1 971.9	1 959.0	1 942.6	1 949.8	1 927.3
Common equity tier 1 ratio, % according to Basel II			19.2	17.9	15.6
Common equity tier 1 ratio, % according to CRR	21.2	20.4			
Tier 1 ratio, % according to Basel II			21.5	20.4	18.4
Tier 1 ratio, % according to CRR	23.8	22.1			
Capital ratio, % according to Basel II			21.6	20.7	20.9
Total capital ratio, % according to CRR	27.2	25.6			
Average number of employees	11 819	11 692	11 503	11 192	11 184
No. of branches in Sweden	463	463	462	461	461
No. of branches in the UK	197	178	161	133	104
No. of branches in Denmark	57	57	56	54	54
No. of branches in Finland	46	46	45	45	45
No. of branches in Norway	50	51	49	49	50
No. of branches in the Netherlands	23	20	18	13	10
No. of branches in other countries	13	17	19	19	22

For definitions, see page 244.

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

A 3:1 stock split was carried out in May 2015. The comparative figures in the above table have been adjusted for the new number of shares.



# Quarterly performance

Quarterly performance for the Handelsbanken Group					
SEK m	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Interest income	10 540	10 436	10 646	11 430	12 512
Interest expense	-3 569	-3 602	-3 627	-4 514	-5 629
<b>Net interest income</b>	<b>6 971</b>	<b>6 834</b>	<b>7 019</b>	<b>6 916</b>	<b>6 883</b>
Fee and commission income	2 781	2 722	2 773	2 699	2 648
Fee and commission expense	-438	-414	-414	-389	-420
<b>Net fee and commission income</b>	<b>2 343</b>	<b>2 308</b>	<b>2 359</b>	<b>2 310</b>	<b>2 228</b>
Net gains/losses on financial transactions	1 503	226	451	428	264
Risk result, insurance	36	40	55	26	34
Other dividend income	2	1	275	3	2
Share of profit of associates	-11	18	9	1	22
Other income	65	34	53	61	123
<b>Total income</b>	<b>10 909</b>	<b>9 461</b>	<b>10 221</b>	<b>9 745</b>	<b>9 556</b>
Staff costs	-3 353	-2 953	-3 149	-3 126	-3 026
Other expenses	-1 442	-1 197	-1 336	-1 228	-1 418
Depreciation, amortisation and impairments of property, equipment and intangible assets	-112	-126	-122	-127	-108
<b>Total expenses</b>	<b>-4 907</b>	<b>-4 276</b>	<b>-4 607</b>	<b>-4 481</b>	<b>-4 552</b>
<b>Profit before loan losses</b>	<b>6 002</b>	<b>5 185</b>	<b>5 614</b>	<b>5 264</b>	<b>5 004</b>
Net loan losses	-475	-458	-359	-305	-697
Gains/losses on disposal of property, equipment and intangible assets	6	4	1	-4	4
<b>Operating profit</b>	<b>5 533</b>	<b>4 731</b>	<b>5 256</b>	<b>4 955</b>	<b>4 311</b>
Taxes	-1 076	-1 028	-1 110	-1 063	-935
<b>Profit for the period from continuing operations</b>	<b>4 457</b>	<b>3 703</b>	<b>4 146</b>	<b>3 892</b>	<b>3 376</b>
Profit for the period pertaining to discontinued operations, after tax	44	55	27	19	-34
<b>Profit for the period</b>	<b>4 501</b>	<b>3 758</b>	<b>4 173</b>	<b>3 911</b>	<b>3 342</b>
<i>Attributable to</i>					
Shareholders in Svenska Handelsbanken AB	4 501	3 757	4 173	3 911	3 342
Minority interest	0	1	0	0	0
Earnings per share, continuing operations, SEK after dilution	2.34	1.94	2.18	2.04	1.77
Earnings per share, discontinued operations, SEK after dilution	0.02	0.03	0.01	0.01	-0.02
Earnings per share, total operations, SEK after dilution	2.36	1.97	2.19	2.05	1.75
	2.30	1.93	2.14	2.01	1.73

A 3:1 stock split was carried out in May 2015. The comparative figures in the above table has been adjusted for the new number of shares.



# Business segments

Segment reporting 2015										
SEK m	Home markets						Capital Markets	Adjustments and eliminations		Total
	Sweden	UK	Denmark	Finland	Norway	The Netherlands		Other		
Net interest income	15 185	4 570	1 678	1 361	3 248	328	734	636		27 740
Net fee and commission income	4 566	452	436	387	395	23	3 025	36		9 320
Net gains/losses on financial transactions	379	194	77	60	94	5	1 230	569		2 608
Risk result – insurance							157			157
Share of profit of associates								17		17
Other income	61	7	17	23	31	-	10	345		494
<b>Total income</b>	<b>20 191</b>	<b>5 223</b>	<b>2 208</b>	<b>1 831</b>	<b>3 768</b>	<b>356</b>	<b>5 156</b>	<b>1 603</b>		<b>40 336</b>
Staff costs	-3 601	-1 870	-629	-369	-713	-158	-2 466	-2 651	-124	-12 581
Other administrative expenses	-1 160	-429	-178	-161	-207	-37	-860	-2 171		-5 203
Internal purchased and sold services	-2 578	-455	-279	-247	-370	-84	-103	4 116		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-88	-30	-15	-11	-13	-3	-79	-248		-487
<b>Total expenses</b>	<b>-7 427</b>	<b>-2 784</b>	<b>-1 101</b>	<b>-788</b>	<b>-1 303</b>	<b>-282</b>	<b>-3 508</b>	<b>-954</b>	<b>-124</b>	<b>-18 271</b>
<b>Profit before loan losses</b>	<b>12 764</b>	<b>2 439</b>	<b>1 107</b>	<b>1 043</b>	<b>2 465</b>	<b>74</b>	<b>1 648</b>	<b>649</b>	<b>-124</b>	<b>22 065</b>
Net loan losses	-763	-224	-299	-83	-222	-2	-4			-1 597
Gains/losses on disposal of property, equipment and intangible assets	-2	-12	8	0	6	-	0	7		7
<b>Operating profit</b>	<b>11 999</b>	<b>2 203</b>	<b>816</b>	<b>960</b>	<b>2 249</b>	<b>72</b>	<b>1 644</b>	<b>656</b>	<b>-124</b>	<b>20 475</b>
Profit allocation	881	34	72	110	57	0	-1 155	1		
<b>Operating profit after profit allocation</b>	<b>12 880</b>	<b>2 237</b>	<b>888</b>	<b>1 070</b>	<b>2 306</b>	<b>72</b>	<b>489</b>	<b>657</b>	<b>-124</b>	<b>20 475</b>
Internal income	228	-1 481	-295	-367	-2 805	-175	-2 529	7 424		
C/I ratio, %	35.2	53.0	48.3	40.6	34.1	79.2	87.7			45.3
Loan loss ratio, %	0.07	0.13	0.37	0.07	0.11	0.01	0.01			0.09
Assets	1 478 475	302 077	94 037	168 403	211 360	24 514	293 544	1 777 015	-1 827 292	2 522 133
Liabilities	1 408 410	291 625	87 818	162 217	198 394	23 663	286 044	1 777 015	-1 841 321	2 393 865
Allocated capital	70 065	10 452	6 219	6 186	12 966	851	7 500		14 029	128 268
Return on allocated capital, %	14.9	16.8	11.2	13.8	13.6	6.4	5.2			13.4
The year's investments in non-financial non-current assets	59	364	3	27	20	17	273	246		1 009
The year's investments in associated companies								10		10
Average number of employees	4 457	1 794	631	496	676	159	1 777	1 829		11 819

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 2014										
SEK m	Home markets						Capital Markets	Adjustments and eliminations		Total
	Sweden	UK	Denmark	Finland	Norway	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	-	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			-1 781
Gains/losses on disposal of property, equipment and intangible assets	0	4	1	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		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



# Handelsbanken Sweden

Handelsbanken Sweden comprises 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 Handelsbanken Sweden					Total 2015	Total 2014	Change %
SEK m	Q4 2015	Q3 2015	Q2 2015	Q1 2015			
Net interest income	3 753	3 696	3 877	3 859	15 185	15 734	-3
Net fee and commission income	1 127	1 141	1 174	1 124	4 566	3 908	17
Net gains/losses on financial transactions	49	93	137	100	379	400	-5
Other income	16	5	5	35	61	92	-34
<b>Total income</b>	<b>4 945</b>	<b>4 935</b>	<b>5 193</b>	<b>5 118</b>	<b>20 191</b>	<b>20 134</b>	<b>0</b>
Staff costs	-903	-906	-917	-875	-3 601	-3 421	5
Other administrative expenses	-323	-266	-302	-269	-1 160	-1 221	-5
Internal purchased and sold services	-632	-625	-642	-679	-2 578	-2 770	-7
Depreciation, amortisation and impairments of property, equipment and intangible assets	-21	-22	-21	-24	-88	-85	4
<b>Total expenses</b>	<b>-1 879</b>	<b>-1 819</b>	<b>-1 882</b>	<b>-1 847</b>	<b>-7 427</b>	<b>-7 497</b>	<b>-1</b>
<b>Profit before loan losses</b>	<b>3 066</b>	<b>3 116</b>	<b>3 311</b>	<b>3 271</b>	<b>12 764</b>	<b>12 637</b>	<b>1</b>
Net loan losses	-317	-136	-236	-74	-763	-657	16
Gains/losses on disposal of property, equipment and intangible assets	1	-	-	-3	-2	0	
<b>Operating profit</b>	<b>2 750</b>	<b>2 980</b>	<b>3 075</b>	<b>3 194</b>	<b>11 999</b>	<b>11 980</b>	<b>0</b>
Profit allocation	226	262	211	182	881	930	-5
<b>Operating profit after profit allocation</b>	<b>2 976</b>	<b>3 242</b>	<b>3 286</b>	<b>3 376</b>	<b>12 880</b>	<b>12 910</b>	<b>0</b>
Internal income	79	111	68	-30	228	-492	
C/I ratio, %	36.3	35.0	34.8	34.8	35.2	35.6	
Loan loss ratio, %	0.11	0.05	0.08	0.03	0.07	0.06	
Assets	1 478 475	1 461 059	1 453 439	1 408 973	1 478 475	1 402 774	5
Liabilities	1 408 410	1 394 305	1 389 297	1 339 345	1 408 410	1 335 671	5
Allocated capital	70 065	66 754	64 142	69 628	70 065	67 103	4
Return on allocated capital, %	13.3	15.2	16.0	15.1	14.9	15.7	
Average number of employees	4 418	4 702	4 374	4 337	4 457	4 381	2
Number of branches	463	463	463	463	463	463	0

Business volumes, Sweden							Change %
Average volumes, SEK bn					2015	2014	
<b>Loans to the public<sup>1</sup></b>					<b>1 154</b>	<b>1 118</b>	<b>3</b>
of which households					688	645	7
of which mortgage loans					633	593	7
companies					466	473	-1
of which mortgage loans					270	266	2
<b>Deposits from the public</b>					<b>450</b>	<b>399</b>	<b>13</b>
of which households					262	238	10
companies					188	161	17

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



463 branches

**FINANCIAL PERFORMANCE**

Operating profit increased marginally to SEK 11,999 million (11,980). Profits before loan losses increased by 1 per cent, or SEK 127 million, to SEK 12,764 million (12,637). Income rose by SEK 57 million, while expenses went down by SEK 70 million.

Net interest income declined by 3 per cent, or SEK 549 million, to SEK 15,185 million (15,734). Lower interest rates reduced the deposit margin by SEK -1,897 million, while higher lending margins had a SEK 473 million positive effect on net interest income. Growing lending volumes boosted net interest income by SEK 408 million, while negative Swedish short-term interest rates meant that growing deposit volumes had a SEK -106 million negative effect on net interest income. The benchmark effect in Stadshypotek decreased by SEK 78 million to SEK -105 million (-27). The fees to the Stability Fund and the deposit guarantee decreased slightly, amounting to SEK -667 million (-674). The remaining positive deviations were chiefly attributable to decreasing funding costs, due to lower market funding requirements.

Net fee and commission income grew by 17 per cent to SEK 4,566 million (3,908), chiefly due to increased fee and commission income in the asset management area. Insurance and payment commissions were also higher.

Net gains/losses on financial transactions decreased by 5 per cent to SEK 379 million (400).

Total expenses decreased by 1 per cent to SEK -7,427 million (-7,497). Staff costs rose by 5 per cent. Adjusted for internal organisational changes and higher pension costs, the increase in staff costs was 3 per cent. Other expenses fell by 6 per cent. The C/I ratio improved to 35.2 per cent (35.6).

Loan losses increased to SEK -763 million (-657) and the loan loss ratio was 0.07 per cent (0.06).

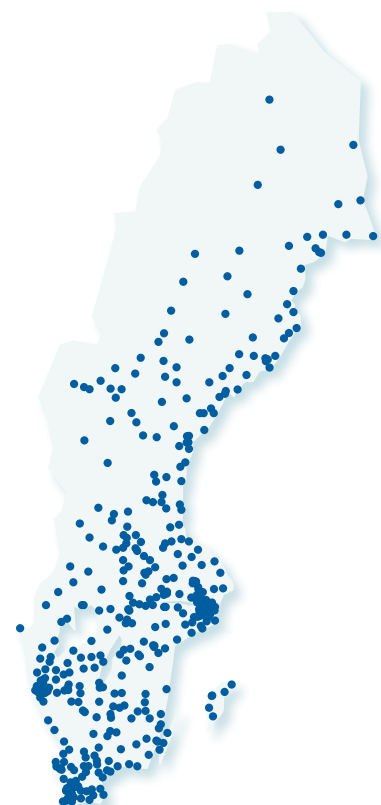
**BUSINESS DEVELOPMENT**

Just as in previous years, the major SKI (Swedish Quality Index) survey of customer satisfaction found that "overall, Handelsbanken has the most satisfied banking customers in Sweden". For private customers, Handelsbanken's index value was 72.4, as compared with the other major Swedish banks, all of which recorded scores in the 65.3–66.2 range. For corporate customers, Handelsbanken's index value was 74.1, as compared with the other major Swedish banks, all of which recorded scores in the 64.4–70.2 range.

In 2015, Handelsbanken again won the "Swedish Business Bank of the Year" and "Sweden's Small Enterprise Bank" awards in Finansbarometern's annual survey. Handelsbanken continues to gain the highest ratings in the categories of customer satisfaction, electronic services, and service and customer treatment. These are also the areas that customers in the survey consider to be most important.

In 2015, new savings in the Bank's mutual funds in Sweden amounted to SEK 26.5 billion, corresponding to a market share of 31 per cent, and thus the Bank was the largest player for new savings in the Swedish mutual funds market. At the same time, the average volume of deposits from households was up by 10 per cent from the previous year, amounting to SEK 262 billion (238).

The average volume of mortgage loans to private individuals increased by 7 per cent to SEK 633 billion (593), while the average volume of lending to companies fell by 1 per cent to SEK 466 billion (473).





# Handelsbanken UK

Handelsbanken UK comprises branch operations in five regional banks and the asset management company Heartwood. Handelsbanken Finans's operations in the UK are also included. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer banking services at 197 branches throughout the UK.

Quarterly performance Handelsbanken UK					Total 2015	Total 2014	Change %
SEK m	Q4 2015	Q3 2015	Q2 2015	Q1 2015			
Net interest income	1 193	1 180	1 140	1 057	4 570	3 497	31
Net fee and commission income	130	114	105	103	452	344	31
Net gains/losses on financial transactions	47	44	54	49	194	158	23
Other income	2	1	2	2	7	18	-61
<b>Total income</b>	<b>1 372</b>	<b>1 339</b>	<b>1 301</b>	<b>1 211</b>	<b>5 223</b>	<b>4 017</b>	<b>30</b>
Staff costs	-480	-482	-463	-445	-1 870	-1 471	27
Other administrative expenses	-135	-104	-99	-91	-429	-333	29
Internal purchased and sold services	-129	-116	-109	-101	-455	-379	20
Depreciation, amortisation and impairments of property, equipment and intangible assets	-11	-9	-5	-5	-30	-18	67
<b>Total expenses</b>	<b>-755</b>	<b>-711</b>	<b>-676</b>	<b>-642</b>	<b>-2 784</b>	<b>-2 201</b>	<b>26</b>
<b>Profit before loan losses</b>	<b>617</b>	<b>628</b>	<b>625</b>	<b>569</b>	<b>2 439</b>	<b>1 816</b>	<b>34</b>
Net loan losses	-57	-65	-7	-95	-224	-203	10
Gains/losses on disposal of property, equipment and intangible assets	-1	-2	-8	-1	-12	4	
<b>Operating profit</b>	<b>559</b>	<b>561</b>	<b>610</b>	<b>473</b>	<b>2 203</b>	<b>1 617</b>	<b>36</b>
Profit allocation	9	8	8	9	34	35	-3
<b>Operating profit after profit allocation</b>	<b>568</b>	<b>569</b>	<b>618</b>	<b>482</b>	<b>2 237</b>	<b>1 652</b>	<b>35</b>
Internal income	-358	-391	-361	-371	-1 481	-1 230	-20
C/I ratio, %	54.7	52.8	51.6	52.6	53.0	54.3	
Loan loss ratio, %	0.13	0.15	0.02	0.22	0.13	0.15	
Assets	302 077	310 882	303 804	286 835	302 077	263 459	15
Liabilities	291 625	300 159	293 277	277 037	291 625	254 029	15
Allocated capital	10 452	10 723	10 527	9 798	10 452	9 430	11
Return on allocated capital, %	17.0	16.5	18.3	15.3	16.8	15.2	
Average number of employees	1 883	1 850	1 755	1 698	1 794	1 567	14
Number of branches	197	195	187	180	197	178	11
<b>Business volumes, UK</b>							
<b>Average volumes, GBP m</b>					<b>2015</b>	<b>2014</b>	<b>Change %</b>
<b>Loans to the public</b>					<b>14 834</b>	<b>13 153</b>	<b>13</b>
<i>of which households</i>					<i>4 809</i>	<i>4 044</i>	<i>19</i>
<i>companies</i>					<i>10 025</i>	<i>9 109</i>	<i>10</i>
<b>Deposits from the public</b>					<b>8 323</b>	<b>7 394</b>	<b>13</b>
<i>of which households</i>					<i>1 747</i>	<i>1 261</i>	<i>39</i>
<i>companies</i>					<i>6 576</i>	<i>6 133</i>	<i>7</i>



## FINANCIAL PERFORMANCE

Operating profit increased by 36 per cent to SEK 2,203 million (1,617). Income rose by 30 per cent, while expenses went up by 26 per cent. Exchange rate movements increased operating profit by SEK 210 million; expressed in local currency, operating profit improved by 19 per cent. Profits take full account of expenses relating to continuing expansion, and 19 new branches have been opened over the past 12 months.

Profit before loan losses grew by 34 per cent to SEK 2,439 million (1,816), as a result of growing business volumes and customer numbers. In local currency, the increase was 18 per cent.

Net interest income rose by 31 per cent to SEK 4,570 million (3,497). Exchange rate movements increased net interest income by SEK 498 million, and expressed in local currency, net interest income grew by 14 per cent. The underlying growth in net interest income was primarily due to higher deposit and lending volumes which increased net interest income by SEK 482 million. Higher lending margins had a positive impact of SEK 73 million. At the same time, lower deposit margins had a SEK -23 million negative effect.

Net fee and commission income increased by 31 per cent to SEK 452 million (344). This increase was due mainly to a rise of 31 per cent in asset management commissions and a rise of 32 per cent in net payment commissions. Heartwood's asset management operations contributed asset management and advisory commissions of SEK 256 million (198).

Net gains/losses on financial transactions went up by 23 per cent to SEK 194 million (158), due to expanding business volumes and a higher number of customers.

Expenses rose by 26 per cent to SEK -2,784 million (-2,201). In local currency, expenses were up by 11 per cent, with the underlying cost increase being entirely due to the expanding operations.

The average number of employees grew by 14 per cent to 1,794 (1,567).

Loan losses were SEK -224 million (-203). In local currency terms loan losses went down, and the loan loss ratio fell to 0.13 per cent (0.15).

## BUSINESS DEVELOPMENT

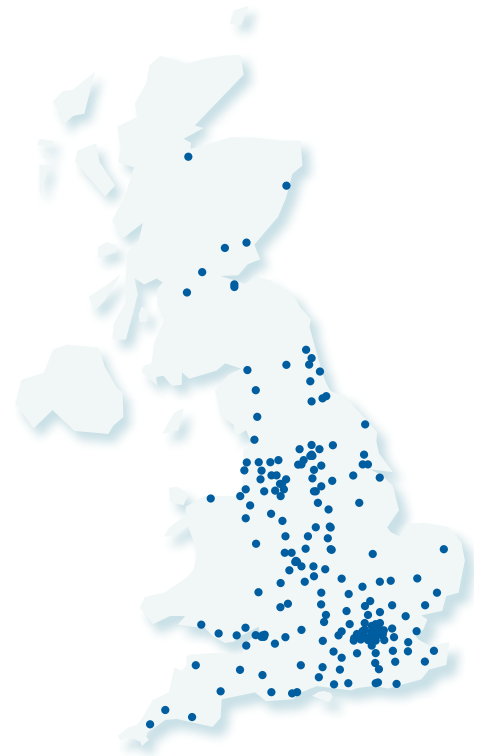
According to the EPSI customer satisfaction survey, Handelsbanken had the most satisfied private and corporate customers among UK banks for the seventh year running. Private customers gave Handelsbanken an index value of 83.6, compared with a sector average of 73.0. Corporate customers gave the Bank an index value of 80.7, as compared with the sector average of 72.7.

Business volumes – particularly deposits from households – continued to grow. In 2015, the average volume of deposits from households climbed by 39 per cent compared with the previous year, while lending to households grew by 19 per cent. Overall, the average volume of lending increased by 13 per cent to GBP 14.8 billion, while deposits grew by 13 per cent to GBP 8.3 billion. In the fourth quarter, the lending/deposits ratio was 178 per cent, compared with 181 per cent in the corresponding quarter of 2014.

Since the acquisition of Heartwood in May 2013, its assets under management have increased from GBP 1.5 billion to GBP 2.5 billion.

Two new branches were opened during the fourth quarter, bringing the total number of branches in the UK to 197. In addition, managers have been recruited for another nine new branches.

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





# Handelsbanken Denmark

Handelsbanken Denmark consists of the branch operations in Denmark, which are organised as a 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 Handelsbanken Denmark					Total 2015	Total 2014	Change %
SEK m	Q4 2015	Q3 2015	Q2 2015	Q1 2015			
Net interest income	418	417	424	419	1 678	1 610	4
Net fee and commission income	102	92	114	128	436	385	13
Net gains/losses on financial transactions	24	18	22	13	77	116	-34
Other income	3	4	5	5	17	21	-19
<b>Total income</b>	<b>547</b>	<b>531</b>	<b>565</b>	<b>565</b>	<b>2 208</b>	<b>2 132</b>	<b>4</b>
Staff costs	-160	-162	-152	-155	-629	-584	8
Other administrative expenses	-46	-42	-44	-46	-178	-181	-2
Internal purchased and sold services	-70	-64	-73	-72	-279	-273	2
Depreciation, amortisation and impairments of property, equipment and intangible assets	-6	-2	-3	-4	-15	-19	-21
<b>Total expenses</b>	<b>-282</b>	<b>-270</b>	<b>-272</b>	<b>-277</b>	<b>-1 101</b>	<b>-1 057</b>	<b>4</b>
<b>Profit before loan losses</b>	<b>265</b>	<b>261</b>	<b>293</b>	<b>288</b>	<b>1 107</b>	<b>1 075</b>	<b>3</b>
Net loan losses	-63	-190	-22	-24	-299	-529	-43
Gains/losses on disposal of property, equipment and intangible assets	5	1	2	0	8	1	
<b>Operating profit</b>	<b>207</b>	<b>72</b>	<b>273</b>	<b>264</b>	<b>816</b>	<b>547</b>	<b>49</b>
Profit allocation	19	18	17	18	72	62	16
<b>Operating profit after profit allocation</b>	<b>226</b>	<b>90</b>	<b>290</b>	<b>282</b>	<b>888</b>	<b>609</b>	<b>46</b>
Internal income	-53	-100	-81	-61	-295	-468	37
C/I ratio, %	49.8	49.2	46.7	47.5	48.3	48.2	
Loan loss ratio, %	0.31	0.94	0.11	0.12	0.37	0.73	
Assets	94 037	95 510	92 108	88 492	94 037	88 395	6
Liabilities	87 818	89 229	85 721	82 541	87 818	82 387	7
Allocated capital	6 219	6 281	6 387	5 951	6 219	6 008	4
Return on allocated capital, %	11.3	4.5	14.1	14.8	11.2	8.5	
Average number of employees	630	640	630	625	631	631	0
Number of branches	57	57	57	57	57	57	0
<b>Average volumes, Denmark</b>							
<b>Average volumes, DKK bn</b>					<b>2015</b>	<b>2014</b>	<b>Change %</b>
<b>Loans to the public</b>					<b>65.6</b>	<b>61.1</b>	<b>7</b>
of which households					36.7	32.8	12
companies					28.9	28.3	2
<b>Deposits from the public</b>					<b>28.0</b>	<b>23.6</b>	<b>19</b>
of which households					11.1	9.9	12
companies					16.9	13.7	23



57 branches

### FINANCIAL PERFORMANCE

Operating profit rose by 49 per cent to SEK 816 million (547), chiefly due to lower loan losses. Profit before loan losses increased by 3 per cent, or SEK 32 million; of this figure, SEK 30 million derived from exchange rate effects.

Net interest income rose by 4 per cent to SEK 1,678 million (1,610). In local currency, net interest income increased by 1 per cent. Both deposit and lending margins fell, while the main positive contribution was made by lending volumes. Fees for the Swedish Stability Fund and the deposit guarantee, together with the Danish state deposit guarantee, burdened net interest income by SEK -56 million (-51).

Net fee and commission income grew by 13 per cent to SEK 436 million (385), mainly as a result of the continuing flow of new customers and higher income, particularly in the area of asset management.

Net gains/losses on financial transactions declined to SEK 77 million (116); this was chiefly attributable to high non-recurring income in the comparison period.

Expenses increased by 4 per cent to SEK -1,101 million (-1,057). Expenses, adjusted for the effects of exchange rate movements, increased by 1 per cent.

Loan losses went down to SEK -299 million (-529), and the loan loss ratio fell to 0.37 per cent (0.73).

### BUSINESS DEVELOPMENT

The EPSI annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers among banks in Denmark – on both the private and corporate side. Private customers gave the Bank an index value of 77.7, as compared with the sector average of 69.8. From corporate customers the Bank received an index value of 72.2, as compared with the sector average of 68.9.

The Bank continued to have a stable inflow of new customers, and business volumes continued to increase. Compared with the previous year, the average volume of deposits grew by 19 per cent to DKK 28.0 billion (23.6), while lending rose by 7 per cent to DKK 65.6 billion (61.1).

The Bank had a total of 57 branches in Denmark, which was unchanged.





# Handelsbanken Finland

Handelsbanken Finland consists of the branch operations in Finland, which are organised as a 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 Handelsbanken Finland					Total 2015	Total 2014	Change %
SEK m	Q4 2015	Q3 2015	Q2 2015	Q1 2015			
Net interest income	345	333	341	342	1 361	1 389	-2
Net fee and commission income	93	96	98	100	387	440	-12
Net gains/losses on financial transactions	12	10	16	22	60	76	-21
Other income	7	3	7	6	23	11	109
<b>Total income</b>	<b>457</b>	<b>442</b>	<b>462</b>	<b>470</b>	<b>1 831</b>	<b>1 916</b>	<b>-4</b>
Staff costs	-90	-92	-94	-93	-369	-351	5
Other administrative expenses	-46	-35	-42	-38	-161	-158	2
Internal purchased and sold services	-66	-57	-61	-63	-247	-232	6
Depreciation, amortisation and impairments of property, equipment and intangible assets	-4	-2	-3	-2	-11	-8	38
<b>Total expenses</b>	<b>-206</b>	<b>-186</b>	<b>-200</b>	<b>-196</b>	<b>-788</b>	<b>-749</b>	<b>5</b>
<b>Profit before loan losses</b>	<b>251</b>	<b>256</b>	<b>262</b>	<b>274</b>	<b>1 043</b>	<b>1 167</b>	<b>-11</b>
Net loan losses	-13	-5	-51	-14	-83	-277	-70
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	-	0	0	
<b>Operating profit</b>	<b>238</b>	<b>251</b>	<b>211</b>	<b>260</b>	<b>960</b>	<b>890</b>	<b>8</b>
Profit allocation	32	26	27	25	110	85	29
<b>Operating profit after profit allocation</b>	<b>270</b>	<b>277</b>	<b>238</b>	<b>285</b>	<b>1 070</b>	<b>975</b>	<b>10</b>
Internal income	-72	-103	-93	-99	-367	-429	14
C/I ratio, %	42.1	39.7	40.9	39.6	40.6	37.4	
Loan loss ratio, %	0.04	0.02	0.17	0.05	0.07	0.25	
Assets	168 403	172 234	168 941	167 653	168 403	177 009	-5
Liabilities	162 217	166 220	162 958	161 658	162 217	170 464	-5
Allocated capital	6 186	6 014	5 983	5 995	6 186	6 545	-5
Return on allocated capital, %	13.6	14.4	12.4	14.8	13.8	12.4	
Average number of employees	491	508	502	481	496	494	0
Number of branches	46	46	46	46	46	46	0

Average volumes, Finland							Change %
Average volumes, EUR m					2015	2014	
<b>Loans to the public</b>					<b>12 566</b>	<b>12 281</b>	<b>2</b>
of which households					3 947	3 843	3
companies					8 619	8 438	2
<b>Deposits from the public</b>					<b>3 593</b>	<b>4 513</b>	<b>-20</b>
of which households					1 367	1 264	8
companies					2 226	3 249	-31



46 branches

### FINANCIAL PERFORMANCE

Operating profit grew by 8 per cent to SEK 960 million (890). Exchange rate effects increased the operating profit by SEK 25 million, and expressed in local currency, operating profit grew by 5 per cent. Return on equity improved to 13.8 per cent (12.4).

Income went down by 4 per cent. Net interest income fell by 2 per cent to SEK 1,361 million (1,389). In local currency, net interest income fell by 5 per cent, which was chiefly attributable to lower lending and deposit margins. Fees for the Swedish Stability Fund and the deposit guarantee decreased to SEK -51 million (-52).

Net fee and commission income fell by 12 per cent to SEK 387 million (440), and net gains/losses on financial transactions declined by 21 per cent to SEK 60 million (76).

Total expenses rose by 5 per cent to SEK -788 million (-749), which was mainly attributable to movements in exchange rates. In local currency terms, expenses were up by 2 per cent. The average number of employees was generally unchanged at 496 (494).

Loan losses went down to SEK -83 million (-277), and the loan loss ratio fell to 0.07 per cent (0.25).

### BUSINESS DEVELOPMENT

According to the annual EPSI customer satisfaction survey, Handelsbanken had the most satisfied corporate customers and the second most satisfied private customers among banks in Finland. Private customers gave the Bank a value of 81.9, as compared with the sector average of 75.8. Corporate customers gave the Bank a value of 76.4, as compared with the sector average of 73.9.

An increased focus on savings resulted in more business with both new and existing customers.

The average volume of deposits from households climbed by 8 per cent compared with the corresponding period in the previous year, while lending to households grew by 3 per cent.

The average volume of lending to companies grew by 2 per cent, while corporate deposits decreased by 31 per cent, owing to reduced deposits from large corporates.

The Bank had 46 branches in Finland. A large number of branches changed or adapted their premises during the year, with the purpose of more efficiently managing changed customer behaviour and the increased focus on advisory services.





# Handelsbanken Norway

Handelsbanken Norway consists of the branch operations in Norway, which are organised as a 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 50 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 Handelsbanken Norway					Total 2015	Total 2014	Change %
SEK m	Q4 2015	Q3 2015	Q2 2015	Q1 2015			
Net interest income	788	785	840	835	3 248	3 439	-6
Net fee and commission income	89	103	103	100	395	390	1
Net gains/losses on financial transactions	22	29	14	29	94	102	-8
Other income	14	8	6	3	31	20	55
<b>Total income</b>	<b>913</b>	<b>925</b>	<b>963</b>	<b>967</b>	<b>3 768</b>	<b>3 951</b>	<b>-5</b>
Staff costs	-169	-177	-183	-184	-713	-711	0
Other administrative expenses	-52	-48	-54	-53	-207	-219	-5
Internal purchased and sold services	-93	-85	-95	-97	-370	-390	-5
Depreciation, amortisation and impairments of property, equipment and intangible assets	-3	-3	-4	-3	-13	-11	18
<b>Total expenses</b>	<b>-317</b>	<b>-313</b>	<b>-336</b>	<b>-337</b>	<b>-1 303</b>	<b>-1 331</b>	<b>-2</b>
<b>Profit before loan losses</b>	<b>596</b>	<b>612</b>	<b>627</b>	<b>630</b>	<b>2 465</b>	<b>2 620</b>	<b>-6</b>
Net loan losses	-30	-53	-44	-95	-222	-141	57
Gains/losses on disposal of property, equipment and intangible assets	0	6	-	-	6	-	
<b>Operating profit</b>	<b>566</b>	<b>565</b>	<b>583</b>	<b>535</b>	<b>2 249</b>	<b>2 479</b>	<b>-9</b>
Profit allocation	20	14	15	8	57	66	-14
<b>Operating profit after profit allocation</b>	<b>586</b>	<b>579</b>	<b>598</b>	<b>543</b>	<b>2 306</b>	<b>2 545</b>	<b>-9</b>
Internal income	-643	-702	-742	-718	-2 805	-3 430	18
C/I ratio, %	34.0	33.3	34.4	34.6	34.1	33.1	
Loan loss ratio, %	0.06	0.10	0.09	0.19	0.11	0.07	
Assets	211 360	204 860	213 728	212 825	211 360	206 536	2
Liabilities	198 394	191 853	200 870	198 924	198 394	193 355	3
Allocated capital	12 966	13 007	12 858	13 901	12 966	13 181	-2
Return on allocated capital, %	14.1	13.9	14.5	12.2	13.6	15.9	
Average number of employees	666	691	673	673	676	672	1
Number of branches	50	51	51	51	50	51	0

Average volumes, Norway			Change %
Average volumes, NOK bn			
	2015	2014	
<b>Loans to the public</b>	<b>201.8</b>	<b>190.2</b>	<b>6</b>
<i>of which households</i>	<i>81.3</i>	<i>76.3</i>	<i>7</i>
<i>companies</i>	<i>120.5</i>	<i>113.9</i>	<i>6</i>
<b>Deposits from the public</b>	<b>68.4</b>	<b>62.4</b>	<b>10</b>
<i>of which households</i>	<i>17.3</i>	<i>15.3</i>	<i>13</i>
<i>companies</i>	<i>51.1</i>	<i>47.1</i>	<i>8</i>



50 branches

### FINANCIAL PERFORMANCE

Operating profit fell by 9 per cent to SEK 2,249 million (2,479), chiefly due to lower net interest income and higher loan losses. The depreciation of the Norwegian krone reduced the operating profit by SEK 95 million, and expressed in local currency, the profit declined by 6 per cent.

Income decreased by 5 per cent; this was attributable to a 6 per cent decline in net interest income to SEK 3,248 million (3,439). In local currency terms, income decreased by 1 per cent and net interest income fell by 2 per cent. Stiffer competition contributed to lending margins decreasing by SEK 441 million, while increasing business volumes made a positive contribution to net interest income of SEK 188 million. Higher deposit volumes and deposit margins had a positive impact of SEK 93 million. Fees for the Swedish Stability Fund and the deposit guarantee burdened net interest income by SEK -101 million (-104).

Net fee and commission income grew marginally to SEK 395 million (390), chiefly due to the continuing increase in fund management commissions.

Expenses decreased by 2 per cent to SEK -1,303 million (-1,331). Staff costs were virtually unchanged, as was the average number of employees, which totalled 676 (672).

Loan losses increased to SEK 222 million (-141) and the loan loss ratio was 0.11 per cent (0.07).

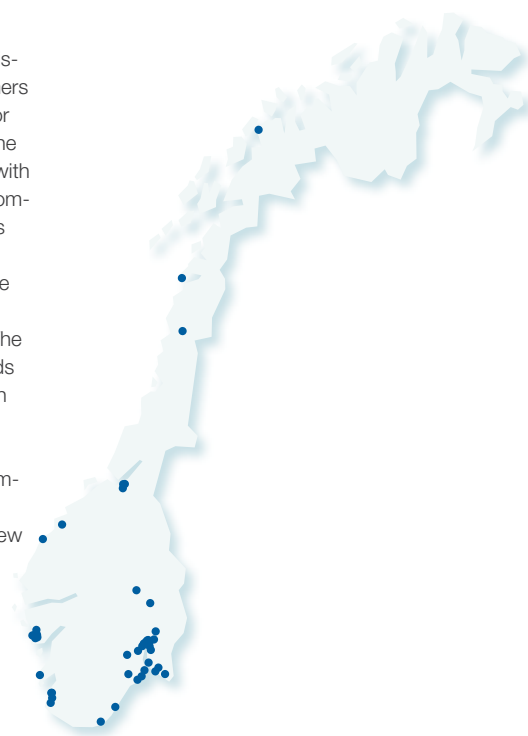
### BUSINESS DEVELOPMENT

According to the annual EPSI customer satisfaction survey, Handelsbanken had customers that were more satisfied than the average for banks in Norway. Private customers gave the Bank an index value of 75.8, as compared with the sector average of 71.5. Corporate customers gave the Bank an index value of 69.7, as compared with the sector average of 67.9.

Business volumes continued to grow. The average volume of deposits grew by 10 per cent, while lending went up by 6 per cent. The average volume of deposits from households increased by 13 per cent to NOK 17.3 billion (15.3), while lending to households grew by 7 per cent to NOK 81.3 billion (76.3).

The average volume of deposits from companies increased by 8 per cent to NOK 51.1 billion (47.1), while lending to companies grew by 6 per cent to NOK 120.5 billion (113.9).

Handelsbanken had 50 branches in Norway.





# Handelsbanken the Netherlands

Handelsbanken the Netherlands consists of the branch operations in the Netherlands, which are organised as a regional bank. The regional bank offers banking services at 23 branches in the Netherlands.

Quarterly performance Handelsbanken the Netherlands					Total 2015	Total 2014	Change %
SEK m	Q4 2015	Q3 2015	Q2 2015	Q1 2015			
Net interest income	88	84	81	75	328	283	16
Net fee and commission income	5	6	5	7	23	26	-12
Net gains/losses on financial transactions	1	3	1	0	5	7	-29
Other income	-	-	-	-	-	-	
<b>Total income</b>	<b>94</b>	<b>93</b>	<b>87</b>	<b>82</b>	<b>356</b>	<b>316</b>	<b>13</b>
Staff costs	-43	-41	-36	-38	-158	-127	24
Other administrative expenses	-11	-8	-10	-8	-37	-28	32
Internal purchased and sold services	-22	-19	-21	-22	-84	-68	24
Depreciation, amortisation and impairments of property, equipment and intangible assets	-1	-1	-1	0	-3	-1	200
<b>Total expenses</b>	<b>-77</b>	<b>-69</b>	<b>-68</b>	<b>-68</b>	<b>-282</b>	<b>-224</b>	<b>26</b>
<b>Profit before loan losses</b>	<b>17</b>	<b>24</b>	<b>19</b>	<b>14</b>	<b>74</b>	<b>92</b>	<b>-20</b>
Net loan losses	0	1	-3	0	-2	-1	100
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	-	
<b>Operating profit</b>	<b>17</b>	<b>25</b>	<b>16</b>	<b>14</b>	<b>72</b>	<b>91</b>	<b>-21</b>
Profit allocation	0	0	0	0	0	8	-100
<b>Operating profit after profit allocation</b>	<b>17</b>	<b>25</b>	<b>16</b>	<b>14</b>	<b>72</b>	<b>99</b>	<b>-27</b>
Internal income	-50	-45	-43	-37	-175	-154	-14
C/I ratio, %	81.9	74.2	78.2	82.9	79.2	69.1	
Loan loss ratio, %	0.00	-0.02	0.06	0.00	0.01	0.01	
Assets	24 514	29 870	25 455	36 369	24 514	38 651	-37
Liabilities	23 663	28 964	24 609	35 476	23 663	37 754	-37
Allocated capital	851	906	846	893	851	897	-5
Return on allocated capital, %	6.4	8.5	5.8	4.9	6.4	9.2	
Average number of employees	175	162	153	145	159	131	21
Number of branches	23	23	22	22	23	20	15
<b>Average volumes, The Netherlands</b>							<b>Change %</b>
<b>Average volumes, EUR m</b>					<b>2015</b>	<b>2014</b>	
<b>Loans to the public</b>					<b>2 171</b>	<b>1 932</b>	<b>12</b>
of which households					1 022	723	41
companies					1 149	1 209	-5
<b>Deposits from the public</b>					<b>750</b>	<b>1 065</b>	<b>-30</b>
of which households					47	32	47
companies					703	1 033	-32



**FINANCIAL PERFORMANCE**

Operating profit decreased to SEK 72 million (91), due to continued investment in the expansion of operations. The underlying business continues to show positive performance. Income rose by 13 per cent, while expenses went up by 26 per cent.

Net interest income increased by 16 per cent to SEK 328 million (283). A rise in lending volumes had a positive impact of SEK 45 million, increasing lending margins by SEK 20 million. At the same time, deposit margins had a negative impact on net interest income of SEK -16 million.

Net fee and commission income decreased marginally and amounted to SEK 23 million (26).

Expenses rose by 26 per cent to SEK -282 million (-224), as a result of the continuing investments in both infrastructure and the branch network. The average number of employees increased by 21 per cent to 159 (131).

Loan losses were SEK -2 million (-1), which corresponds to a loan loss ratio of 0.01 per cent (0.01).

**BUSINESS DEVELOPMENT**

The EPSI annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers of banks in the Netherlands – on both the private and corporate side. Private customers gave the Bank a value of 73.5, as compared with the sector average of 66.2. From corporate customers, Handelsbanken received a value of 72.8, as compared with the sector average of 57.6.

The average volume of deposits from households grew by 47 per cent to EUR 47 million (32), while lending to households increased by 41 per cent to EUR 1,022 million (723). As a result of reduced business volumes from a few large corporates, the average volume of deposits from companies decreased by 32 per cent to EUR 703 million (1,033), while lending to companies fell by 5 per cent to EUR 1,149 million (1,209). Business volumes with small and medium-sized companies continued to grow.

During the year, three new branches were opened, bringing the Bank's total in the Netherlands to 23.





# Handelsbanken Capital Markets

In 2015, Handelsbanken Capital Markets consisted of the business areas Markets & Asset Management, Merchant Banking International and Pension & Life. It has employees in 24 countries.

A large part of the income from Handelsbanken Capital Markets's products, including asset management commissions and income from currency conversions, are booked directly in branch operations at the branch with customer responsibility and thus are not included in the income statement below.

Quarterly performance Handelsbanken Capital Markets SEK m							
	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Total 2015	Total 2014	Change %
Net interest income	209	164	171	190	734	847	-13
Net fee and commission income	774	747	757	747	3 025	3 041	-1
Net gains/losses on financial transactions	215	250	331	434	1 230	1 537	-20
Risk result - insurance	36	40	55	26	157	165	-5
Other income	4	3	2	1	10	17	-41
<b>Total income</b>	<b>1 238</b>	<b>1 204</b>	<b>1 316</b>	<b>1 398</b>	<b>5 156</b>	<b>5 607</b>	<b>-8</b>
Staff costs	-595	-600	-634	-637	-2 466	-2 542	-3
Other administrative expenses	-229	-198	-216	-217	-860	-859	0
Internal purchased and sold services	-50	-17	-26	-10	-103	-126	-18
Depreciation, amortisation and impairments of property, equipment and intangible assets	-24	-18	-18	-19	-79	-79	0
<b>Total expenses</b>	<b>-898</b>	<b>-833</b>	<b>-894</b>	<b>-883</b>	<b>-3 508</b>	<b>-3 606</b>	<b>-3</b>
<b>Profit before loan losses</b>	<b>340</b>	<b>371</b>	<b>422</b>	<b>515</b>	<b>1 648</b>	<b>2 001</b>	<b>-18</b>
Net loan losses	5	-10	4	-3	-4	27	
Gains/losses on disposal of property, equipment and intangible assets	0	0	0	0	0	0	
<b>Operating profit</b>	<b>345</b>	<b>361</b>	<b>426</b>	<b>512</b>	<b>1 644</b>	<b>2 028</b>	<b>-19</b>
Profit allocation	-307	-328	-278	-242	-1 155	-1 186	-3
<b>Operating profit after profit allocation</b>	<b>38</b>	<b>33</b>	<b>148</b>	<b>270</b>	<b>489</b>	<b>842</b>	<b>-42</b>
Internal income	-589	-654	-631	-655	-2 529	-1 858	-36
C/I ratio, %	96.5	95.1	86.1	76.4	87.7	81.6	
Loan loss ratio, %	-0.03	0.06	-0.03	0.02	0.01	-0.05	
Assets	293 544	391 394	404 893	477 421	293 544	423 265	-31
Liabilities	286 044	384 475	397 695	469 509	286 044	415 817	-31
Allocated capital	7 500	6 919	7 198	7 912	7 500	7 448	1
Return on allocated capital, %	1.6	1.5	6.4	10.7	5.2	8.1	
Average number of employees	1 746	1 796	1 772	1 794	1 777	1 885	-6

## Average volumes, Merchant Banking International

Average volumes, SEK bn	2015	2014	Change %
<b>Loans to the public</b>	<b>47.9</b>	<b>45.5</b>	<b>5</b>
<i>of which households</i>	4.6	4.0	15
<i>companies</i>	43.3	41.5	4
<b>Deposits from the public</b>	<b>62.1</b>	<b>49.4</b>	<b>26</b>
<i>of which households</i>	3.4	2.7	26
<i>companies</i>	58.7	46.7	26



## FINANCIAL PERFORMANCE

Operating profit fell by SEK 384 million, or 19 per cent, to SEK 1,644 million (2,028). Total income decreased by 8 per cent to SEK 5,156 million (5,607) while expenses were down by 3 per cent.

### Markets & Asset Management

Operating profit decreased by SEK 127 million, or 11 per cent, to SEK 1,061 million (1,188). The cost reductions of SEK 89 million, corresponding to 5 per cent, could not fully compensate for the SEK 216 million fall in income, down 7 per cent. Net fee and commission income decreased by 1 per cent to SEK 1,648 million (1,670), chiefly due to the continuing price squeeze on brokerage fees. Net gains/losses on financial transactions decreased by 17 per cent to SEK 1,237 million (1,490), primarily due to deteriorating market conditions for fixed income business. Expenses decreased by 5 per cent to SEK 1,875 million (1,964), mainly due to a 6 per cent reduction in the workforce, to 504 employees (535).

### Merchant Banking International

Operating profit decreased by SEK 172 million, or 37 per cent, to SEK 297 million (469). The decrease was mainly due to lower net interest

income, as well as recoveries in the period of comparison. Net interest income fell by 18 per cent, mainly due to lower deposit margins. Loan losses amounted to SEK -4 million (+27), corresponding to a loan loss ratio of 0.01 per cent (-0.05).

### Pension & Life

Operating profit went down by 23 per cent to SEK 286 million (371). Insurance commissions grew as the result of increases in both the number of people insured and assets under management. Income fell by 6 per cent, however, primarily due to an increase in deferred capital contributions as a result of low market rates. Expenses rose by 10 per cent, primarily due to the adaptation to the Solvency 2 regulations.

## BUSINESS DEVELOPMENT

Net savings in Handelsbanken's mutual funds in Sweden during 2015 totalled SEK 26.5 billion, corresponding to a market share of 31 per cent. The Bank was thus the largest player for new savings on the mutual funds market in Sweden. Total net savings in the Handelsbanken Group's funds were SEK 31.3 billion. Xact remained the largest player for Nordic exchange-traded funds.

Morningstar, a mutual fund research company, gave Handelsbanken's funds the highest average

grade of all the Swedish banks in its three-year rating of funds on the Swedish market.

Total fund volume, including exchange-traded funds, increased during the year by 14 per cent to SEK 384 billion (337).

Activity within capital market financing decreased slightly during the period. The Bank arranged 107 bond issues in 2015 for a value of EUR 9.6 billion.

During the year, the average volume of lending outside the Bank's home markets increased by 5 per cent to SEK 47.9 billion (45.5). At the same time, deposits went up by 26 per cent to SEK 62.1 billion (49.4).

Demand for Handelsbanken's pension solutions remained firm. New sales in Sweden rose by 45 per cent, and net insurance commissions were up by 8 per cent from the previous year at SEK 631 million (587).

Assets under management SEK bn	2015	2014
Mutual funds, excl. PPM and unit-linked insurance	282	247
PPM	22	18
Unit-linked insurance	82	74
of which external funds	-2	-2
<b>Total mutual funds</b>	<b>384</b>	<b>337</b>
Structured products	18	22
Portfolio bond insurance	19	18
of which in Handelsbanken mutual funds and structured products	-7	-6
Traditional insurance	9	10
of which in Handelsbanken mutual funds and structured products	-1	-1
Discretionary and institutional assets, excl. insurance <sup>1</sup>	178	182
of which in Handelsbanken mutual funds and structured products	-105	-82
Handelsbanken's foundations	60	61
of which in Handelsbanken mutual funds and structured products	-7	-8
<b>Total assets under management, excl. securities in custody</b>	<b>548</b>	<b>533</b>
Securities in custody, excl. mutual funds	308	293

<sup>1</sup> Including the whole volume managed by Heartwood, of which Heartwood's own funds SEK 19bn.



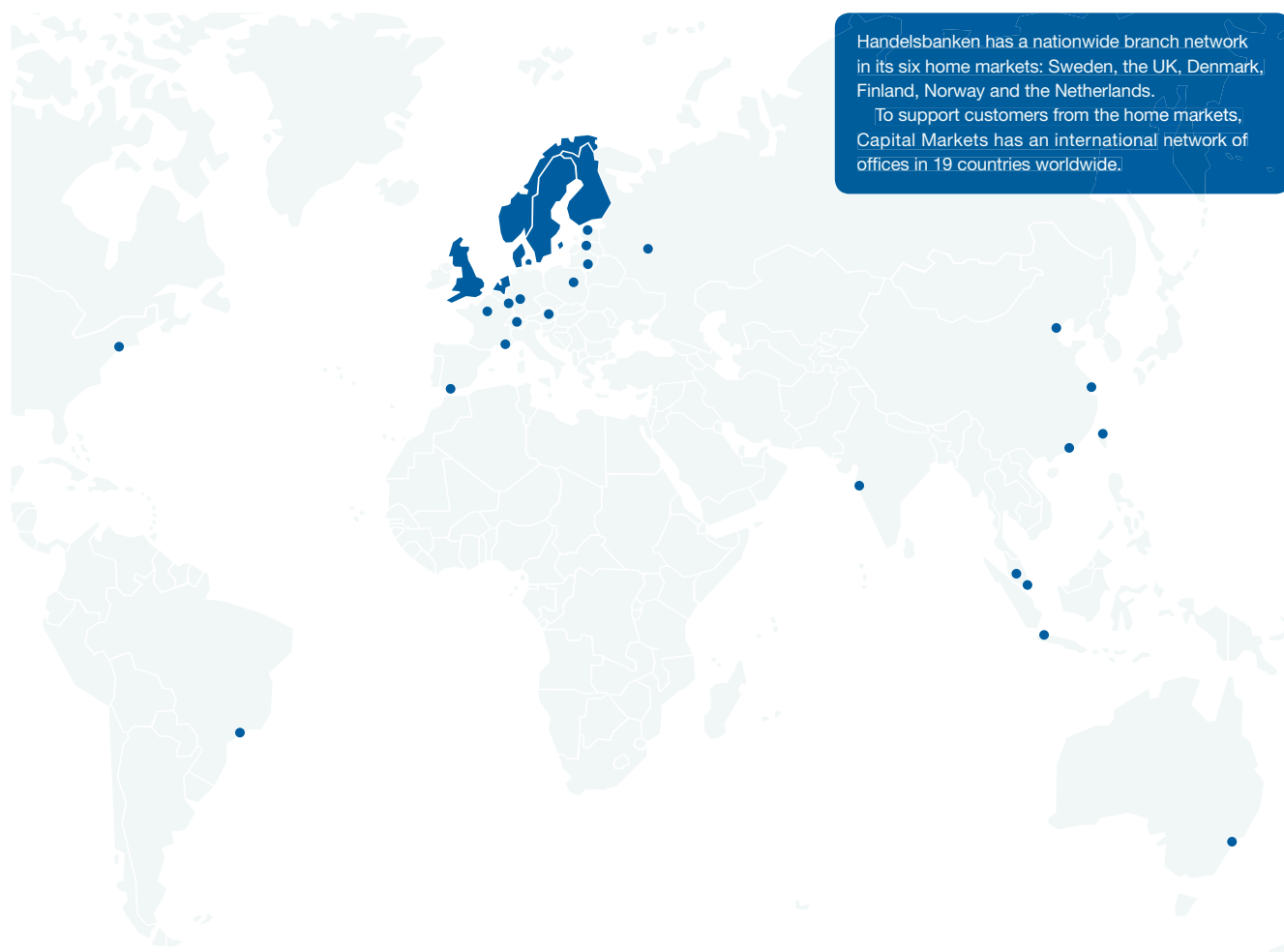
Markets & Asset Management offers a full range of products and services linked to risk management, securities, derivatives, mutual funds and research, as well as co-ordinating the Bank's offering in the savings area.

Merchant Banking International operated in the following business areas: Debt Capital Markets,

Corporate Finance, Cash Management, Trade Finance and Export Finance, and was also involved in global banking collaborations. These operations also included Handelsbanken's branches and representative offices at 24 locations in 19 countries outside the Bank's home markets.

Pension & Life 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 2015	Q3 2015	Q2 2015	Q1 2015	Total 2015	Total 2014	Change %
Net interest income	42	4	13	10	69	23	200
Net fee and commission income	421	402	423	402	1 648	1 670	-1
Net gains/losses on financial transactions	232	277	308	420	1 237	1 490	-17
Other income	-6	-3	-5	-4	-18	-31	-42
<b>Total income</b>	<b>689</b>	<b>680</b>	<b>739</b>	<b>828</b>	<b>2 936</b>	<b>3 152</b>	<b>-7</b>
Staff costs	-237	-247	-268	-260	-1 012	-1 069	-5
Other expenses	-235	-200	-229	-199	-863	-895	-4
<b>Total expenses</b>	<b>-472</b>	<b>-447</b>	<b>-497</b>	<b>-459</b>	<b>-1 875</b>	<b>-1 964</b>	<b>-5</b>
<b>Profit before loan losses</b>	<b>217</b>	<b>233</b>	<b>242</b>	<b>369</b>	<b>1 061</b>	<b>1 188</b>	<b>-11</b>
Net loan losses	-	-	-	-	-	-	-
<b>Operating profit</b>	<b>217</b>	<b>233</b>	<b>242</b>	<b>369</b>	<b>1 061</b>	<b>1 188</b>	<b>-11</b>
<b>Operating profit after profit allocation</b>	<b>2</b>	<b>-7</b>	<b>39</b>	<b>188</b>	<b>222</b>	<b>347</b>	<b>-36</b>
Average number of employees	501	511	503	502	504	535	-6

Quarterly performance Merchant Banking International							
SEK m	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Total 2015	Total 2014	Change %
Net interest income	160	155	150	176	641	777	-18
Net fee and commission income	206	207	199	187	799	819	-2
Net gains/losses on financial transactions	25	17	19	25	86	91	-5
Other income	5	4	7	4	20	45	-56
<b>Total income</b>	<b>396</b>	<b>383</b>	<b>375</b>	<b>392</b>	<b>1 546</b>	<b>1 732</b>	<b>-11</b>
Staff costs	-199	-196	-200	-207	-802	-787	2
Other expenses	-125	-102	-101	-115	-443	-503	-12
<b>Total expenses</b>	<b>-324</b>	<b>-298</b>	<b>-301</b>	<b>-322</b>	<b>-1 245</b>	<b>-1 290</b>	<b>-3</b>
<b>Profit before loan losses</b>	<b>72</b>	<b>85</b>	<b>74</b>	<b>70</b>	<b>301</b>	<b>442</b>	<b>-32</b>
Net loan losses	5	-10	4	-3	-4	27	-
<b>Operating profit</b>	<b>77</b>	<b>75</b>	<b>78</b>	<b>67</b>	<b>297</b>	<b>469</b>	<b>-37</b>
<b>Operating profit after profit allocation</b>	<b>44</b>	<b>53</b>	<b>58</b>	<b>49</b>	<b>204</b>	<b>298</b>	<b>-32</b>
Average number of employees	573	588	585	601	587	616	-5

Quarterly performance Pension & Life							
SEK m	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Total 2015	Total 2014	Change %
Net interest income	5	4	6	5	20	53	-62
Net fee and commission income	158	151	148	169	626	587	7
Net gains/losses on financial transactions	-42	-44	3	-11	-94	-48	-96
Other income	36	42	55	26	159	166	-4
<b>Total income</b>	<b>157</b>	<b>153</b>	<b>212</b>	<b>189</b>	<b>711</b>	<b>758</b>	<b>-6</b>
Staff costs	-43	-42	-41	-46	-172	-168	2
Other expenses	-63	-58	-64	-68	-253	-219	16
<b>Total expenses</b>	<b>-106</b>	<b>-100</b>	<b>-105</b>	<b>-114</b>	<b>-425</b>	<b>-387</b>	<b>10</b>
<b>Profit before loan losses</b>	<b>51</b>	<b>53</b>	<b>107</b>	<b>75</b>	<b>286</b>	<b>371</b>	<b>-23</b>
Net loan losses	-	-	-	-	-	-	-
<b>Operating profit</b>	<b>51</b>	<b>53</b>	<b>107</b>	<b>75</b>	<b>286</b>	<b>371</b>	<b>-23</b>
<b>Operating profit after profit allocation</b>	<b>-8</b>	<b>-13</b>	<b>51</b>	<b>33</b>	<b>63</b>	<b>197</b>	<b>-68</b>
Average number of employees	172	172	169	168	170	171	-1



# 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 2015, the share was noted at an all-time high on 14 trading days (26).

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 1,907,046,082 shares. Each share thus represents SEK 1.55 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 BATS Chi-X. In 2015, an average of 3.4 million class A shares in Handelsbanken were traded each day on Nasdaq Stockholm. The Handelsbanken share is in the group of the most traded shares on the Stock-

holm stock exchange. Handelsbanken's share was first listed on the Stockholm stock exchange in 1873, making it the oldest listed share on the 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 2016 AGM to decide on a total dividend of SEK 6.00 per share (5.83), with the ordinary dividend being SEK 4.50 per share (4.17). The previous year's dividend amounts have been adjusted for the stock split carried out in 2015. 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 121 billion. Market capitalisation has grown by SEK 81 billion, while Handelsbanken has paid out SEK 40 billion in dividends.

## SHARE PRICE PERFORMANCE

For 14 (26) of the trading days during the year, the Handelsbanken class A share was listed at an all time high. The peak price for the year, SEK 142 (adjusted for the stock split carried out) was reached on 3 March. As at 31 December 2015, Handelsbanken's market capitalisation

Handelsbanken's shares	2015	2014	2013	2012	2011
Earnings per share, total operations, SEK	8.57	7.96	7.51	7.45	6.59
after dilution	8.39	7.84	7.42	7.28	6.46
Ordinary dividend per share, SEK	4.50 <sup>1</sup>	4.17	3.83	3.58	3.25
Total dividend per share, SEK	6.00 <sup>1</sup>	5.83	5.50	-	-
Dividend growth, ordinary dividend, %	8 <sup>1</sup>	9	7	10	8
Price of class A share, 31 December, SEK	112.90	122.20	105.33	77.47	60.33
Highest share price during year, SEK	142.00	124.27	106.53	83.30	75.33
Lowest share price during year, SEK	108.40	101.70	78.10	60.33	49.13
Share price performance, %	-8	16	36	28	-16
Total return, %	-3	21	41	34	-12
Dividend yield, %	4.0 <sup>1</sup>	3.4	3.6	4.6	5.4
Adjusted equity per share, SEK	65.14	64.13	59.24	54.21	50.90
Stock exchange price/equity, %	173	191	178	143	119
Average daily turnover on Nasdaq OMX (no. of shares)					
Class A	3 425 715	3 250 808	3 722 265	4 628 283	6 170 367
Class B	60 342	58 700	51 021	48 333	71 262
P/E ratio	13.2	15.3	14.0	10.4	9.2
Market capitalisation, SEK bn	215	233	201	147	113
No. of converted shares from the convertible subordinated loan issued in 2008, millions	0.0	0.0	8.5	26.2	1.8
No. of shares as at 31 December, millions	1907.0	1 907.0	1 906.9	1 898.4	1 872.2
Holding of repurchased shares, millions	-	-	-	-	-
Holding of own shares in trading book, millions	-	-	-	-	0.3
Number of outstanding shares, as at 31 December, millions	1907.0	1 907.0	1 906.9	1 898.4	1 871.9
Dilution effect, end of period, millions	65.7	64.9	35.9	46.2	79.0
Number of outstanding shares after dilution, millions	1972.7	1 971.9	1 942.8	1 944.6	1 950.9
Average number of outstanding shares (millions)	1907.0	1 907.0	1 904.4	1 885.5	1 869.2
after dilution	1971.9	1 959.0	1 942.6	1 949.8	1 927.3

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

A 3:1 stock split was carried out in May 2015. The comparative figures in the above table have been adjusted for the new number of shares.



was SEK 215 billion (233). The Swedish stock market fell by 1 per cent during the year and the Stockholm stock exchange's bank index fell by 4 per cent. Handelsbanken's class A share ended the year at SEK 112.90, a decrease of 7.6 per cent. Including dividends, the total return was -2.8 per cent.

### 3:1 STOCK SPLIT

Following the approval of the AGM, a stock split was performed in May 2015 in Svenska Handelsbanken AB, whereby each existing share was split into three shares of the corresponding class (a 3:1 split). The first day for trading following the split was 19 May 2015.

### REPURCHASE OF SHARES

At the AGM in March 2015, the Board received a mandate to repurchase a maximum of 40 million shares (corresponding to 120 million shares following a split) until the AGM in March 2016. This mandate was not used in 2015.

### CONVERTIBLE LOANS

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 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 conversion price is SEK 71.62 after recalculation for dividends paid since the convertible loan was issued up to and including the dividend paid in spring 2015, and for the stock split carried out in May 2015. 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 convertible is fully dividend-protected, which means that the ordinary conversion price is adjusted downwards by an amount corresponding in percentage terms to

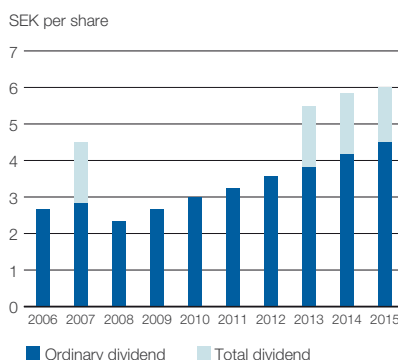
the dividend paid on a class A share. The conversion price has been recalculated at SEK 120.96 after the dividend paid in spring 2015, and the stock split carried out in May 2015. The Bank can also in this case request conversion.

### OWNERSHIP STRUCTURE

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

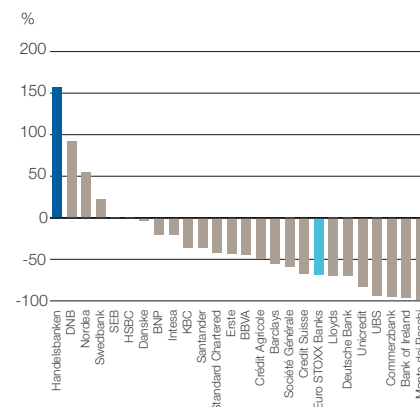
30 per cent at the end of 2008 to 48 per cent (48) at the year-end. Handelsbanken has over 100,000 shareholders. Almost two thirds of these owned fewer than 1001 shares. Just over two per cent of the shareholders owned more than 20,001 shares each, and together they held almost 91 per cent of the share capital. Two shareholders own more than 10 per cent of the shares: the Oktogonen Foundation and Industrivärden.

#### Share dividends in the past ten years



2015 according to Board proposal. A 3:1 stock split was carried out in May 2015. Historical dividends have been adjusted for this.

#### Total return for the period 30 June 2007–31 December 2015



Source: SNL, as at 31 December 2015 (dividends reinvested)

The largest Swedish shareholders as at 31 December 2015	Number of shares	% of capital	% of votes
Oktogonen Foundation	195 604 716	10.26	10.43
Industrivärden	193 985 037	10.17	10.34
Swedbank Robur funds	80 293 642	4.21	4.28
Lundbergs	52 825 000	2.77	2.82
Alecta	40 469 000	2.12	2.16
AMF and funds	27 239 060	1.43	1.45
Handelsbanken funds	24 538 000	1.29	1.31
Didner & Gerge Fonder	13 799 165	0.72	0.74
3rd National Swedish Pension Fund	12 305 543	0.65	0.66
The J. Wallander & T. Hedelius Foundation, The T. Browaldh Foundation	12 300 000	0.64	0.66
4th National Swedish Pension Fund	11 679 471	0.61	0.62
SPP funds	11 162 194	0.59	0.60
SEB funds	10 517 744	0.55	0.56
Folksam	9 016 596	0.47	0.48
Skandia	8 640 088	0.45	0.46

#### Shareholdings per shareholder 31 December 2015

Number of shares	Shareholdings				
	Shareholders Number	Number of class A shares	Number of class B shares	% of share capital	% of votes
1–500 shares	47 997	6 104 073	2 548 898	0.4	0.3
501–1,000 shares	17 036	9 781 850	2 926 559	0.7	0.5
1,001–5,000 shares	29 006	58 133 431	9 729 030	3.6	3.2
5,001–20,000 shares	9 288	76 959 975	8 632 557	4.5	4.2
20,001– shares	2 568	1 720 815 424	11 414 285	90.8	91.8
<b>Total</b>	<b>105 895</b>	<b>1 871 794 753</b>	<b>35 251 329</b>	<b>100.0</b>	<b>100.0</b>

#### Shares divided into share classes 31 December 2015

Share class	Number	% of capital	% of votes	Average prices/ repurchased amount	Share capital
Class A	1 871 794 753	98.20	99.80		2 901 252 533
Class B	35 251 329	1.80	0.20		54 639 560
<b>Total</b>	<b>1 907 046 082</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 195-231 of this Annual Report.

## SUSTAINABILITY

Sustainability 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 voluntary UN initiatives Global Compact and Principles for Responsible Investment (PRI), and follows the OECD guidelines for multinational companies. These initiatives and guidelines are totally in keeping with the values, principles and working methods that have applied at Handelsbanken for a long time.

## HOW WE WORK WITH SUSTAINABILITY

For Handelsbanken, corporate social responsibility is about the Bank acting responsibly and with a long-term perspective in areas where we as a Bank can make a difference, either directly or indirectly, through our own operations. By acting responsibly, we build long-term relations with our customers, employees, owners/investors and the wider community.

Companies can affect their environment in financial, social and environmental terms. Different sectors have varying impact within the various areas of responsibility. Handelsbanken's various stakeholders are affected by how the Bank acts in relation to various matters. In 2015, Handelsbanken performed a materiality analysis, which was part of the process of defining the Bank's most material sustainability questions. This analysis confirms to a high degree the view that Handelsbanken has had of its sustainability work over many years.

To clarify the outcome of the most material issues for Handelsbanken, both internally and externally, we have grouped these into six areas:

- the Bank's business culture
- the Bank's responsibility towards customers
- the Bank's role in the community
- the Bank as an employer
- the Bank as an investment
- the Bank's indirect impact.

## 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. The Bank can thus continue to be a bank with stable finances, making a positive contribution to customers, shareholders and the community.

“By acting responsibly, we build long term relations with our customers, employees, owners and the wider 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 strictly decentralised geographical 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 the past few decades, many banks have significantly reduced their number of branches. Handelsbanken has instead elected

to retain its local bank branches and thus continues to fill an important function in the local community. In 2015, we opened 22 new branches in our home markets. Handelsbanken is currently the only bank in a total of 68 locations.

## RESPONSIBLE LENDING

Handelsbanken has a very low risk tolerance. We maintain this low risk tolerance through the Bank's strong risk culture which is sustainable in the long term and applies to all areas throughout the Group.

Handelsbanken considers it very important that the Bank's lending is responsible, and that it is based on an 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 granting of credit, the Bank must work to ensure that principles of human rights, basic working conditions, anti-corruption and environmental considerations are upheld.

## RESPONSIBLE INVESTMENTS

Handelsbanken integrates sustainability 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 into research and investment decisions, and to engaging with the companies in which Handelsbanken Fonder invests to promote greater transparency relating to environmental, social and corporate governance questions.

## POLICY FOR ETHICAL STANDARDS

Handelsbanken's policy document regarding ethical standards 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.

### HUMAN RIGHTS

Handelsbanken endorses the principles set out in the United Nations Universal Declaration of Human Rights. Since 2009, Handelsbanken has adhered to UN's Global Compact, cementing the Bank's expressed support for universal human rights.

### EMPLOYEES

In 2015, Handelsbanken had 11,819 employees, working in 25 countries, nearly 40 per cent of whom were employed outside Sweden.

### WE RECRUIT 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. For us, it is very important that our employees are driven by putting the customer first, enjoy taking a large amount of individual responsibility, and want to take their own initiatives.

Handelsbanken's joint Group guidelines for its employees are based on the Bank's corporate culture, working methods and fundamental view of people.

### CONSTANT DEVELOPMENT

Handelsbanken's strength is derived from the combined expertise of our 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 of the Bank participate in drawing up their own unit's business plan. This forms the basis of the planned PLUS performance dialogue, which every employee has with their line manager at least once a year. After this, each employee puts together an individual 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.

In addition to this, all the Bank's managers and employees carried out a separate competency mapping during the year; from now on, this will be carried out every year. The results are documented and complement the Bank's working methods regarding performance reviews, action plans and follow-up.

### INTERNAL LABOUR MARKET AND MANAGEMENT SUCCESSION

Handelsbanken's strong corporate culture and values are vital to the Bank's success. During their period of employment, our employees are given the opportunity to develop within different professional roles, to work in different areas of operations and also to work outside their home country. Internal mobility contributes to both the working method and culture being spread to all parts of the Bank, through transfer of the skills and experience gained to the employee's new work tasks. This means that internal recruitment and long-term employment are important for the Bank. To retain an employee, the right conditions must exist for development in their work and consideration must also be taken of the stage of life that she or he is in. Employees who are secure and happy, with 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 2015, the figure was 3.0 per cent (3.2).

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2015, 100 per cent (100) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 93 per cent (93), including those markets where the Bank established operations relatively recently.

### FOR GENDER EQUALITY AND DIVERSITY

Working with gender equality, diversity and an inclusive corporate culture is a fundamental part of Handelsbanken's values and should also be a natural and integral part of our daily work. It is about making the most of the employees' combined potential, and of broadening the recruitment base, to become, to an even greater extent, a bank that reflects the community in which it operates. Diversity encompasses various individuals' different skills and work experience, different ways of thinking and solving problems.

Initiatives have been taken in several parts of the Group to further increase knowledge and awareness of diversity.

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 must be based on Handelsbanken's fundamental values, and take into account the laws and guidelines applying in the country. The purpose is to create as even a gender distribution as possible within different professional roles, working groups and units at the Bank. In the Group as a whole, 39 per cent (37) of managers were women. The proportion of women among the total number of employees in the Group was 50 per cent (51). At the year-end, 47 per cent (45) of the Bank's managers in Sweden were women. The proportion of women among the total number of employees in Sweden was 53 per cent (54).

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 the past few years in Sweden, the Bank, together with trade unions, has worked to rectify unwarranted pay differentials between women and men. In 2015, the work with gender-equal salaries changed from being a project to becoming an integral part of the normal operations. The Bank and the union organisations work together to reinforce the results of the work in recent years and they closely monitor the trend for gender-equal salaries within the Bank. Managers at the Bank have a mandate and the tools to correct any differentials that are identified and every year, all salaries are mapped by the Bank to act on any differentials that have arisen.

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





In order for the Bank's strong corporate culture to continue developing, an ongoing dialogue is necessary and as a condition for this, we promote a good working atmosphere. In the light of this, all types of discrimination and harassment are totally unacceptable, which is also stated in the Group-wide guidelines for employees.

Incidents of discrimination concerning our employees are normally managed in the operations through the Bank's HR units, but cases reported to the national discrimination ombudsman or corresponding official body are followed up at Group level. No such cases were reported in 2015.

#### 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.

Each manager is responsible for performing regular work environment reviews together with their employees. This includes matters relating to the physical and psychosocial work environment, gender equality, diversity, and an inclusive corporate culture. In a dialogue with their staff, they identify what works well and what could be better. This results in a work environment plan with activities to maintain and develop a good work environment. The plan is then integrated with the unit's business plan and in this way becomes a natural part of how the operation develops.

The work environment plans are regularly followed up in order to evaluate and continuously improve the Bank's work with the work environment and health. Handelsbanken also follows up the figures for healthy attendance (the opposite of sickness figures) and also reported incidents.

#### RELATIONS WITH UNIONS

Handelsbanken's traditional good relationship with unions is a valuable component of the Bank's culture. The Bank supports the right of all employees to join a trade union or employee organisation. All employees in Denmark, Finland, France, Luxembourg, Norway, Sweden and Austria, comprising 80 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.

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“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.”

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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 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. The scheme includes all employees in the Bank's home markets.

Some 98 per cent of the Group's employees are now covered by Oktogonen.

#### ENVIRONMENTAL PERFORMANCE

##### HANDELSBANKEN'S DIRECT ENVIRONMENTAL IMPACT

A bank's direct environmental impact is fairly limited. Handelsbanken's aim is always that the Bank's impact on the environment must be minimised. Its direct impact derives mainly from consumption of energy, business travel and transport, and also use of resources such as paper. The Bank measures its environmental impact on all six home markets. These markets represent more than 96 per cent of the Bank's total number of employees.

The total amount of carbon dioxide emissions in 2015 was 13,231 tonnes, which is a decrease of 15 per cent compared with the previous year. Total energy consumption decreased by 4 per cent to 106,913 MWh. The proportion of renewable electricity in the Nordic countries is 100 per cent, and for all home markets, the proportion is 87 per cent.

##### HANDELSBANKEN'S INDIRECT ENVIRONMENTAL IMPACT

Since 2009, Handelsbanken has adhered to UN's Global Compact. This means, for example, that we have undertaken to describe how the Bank works with environmental matters. 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.



# 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 2015. Handelsbanken applies the Swedish Code of Corporate Governance.

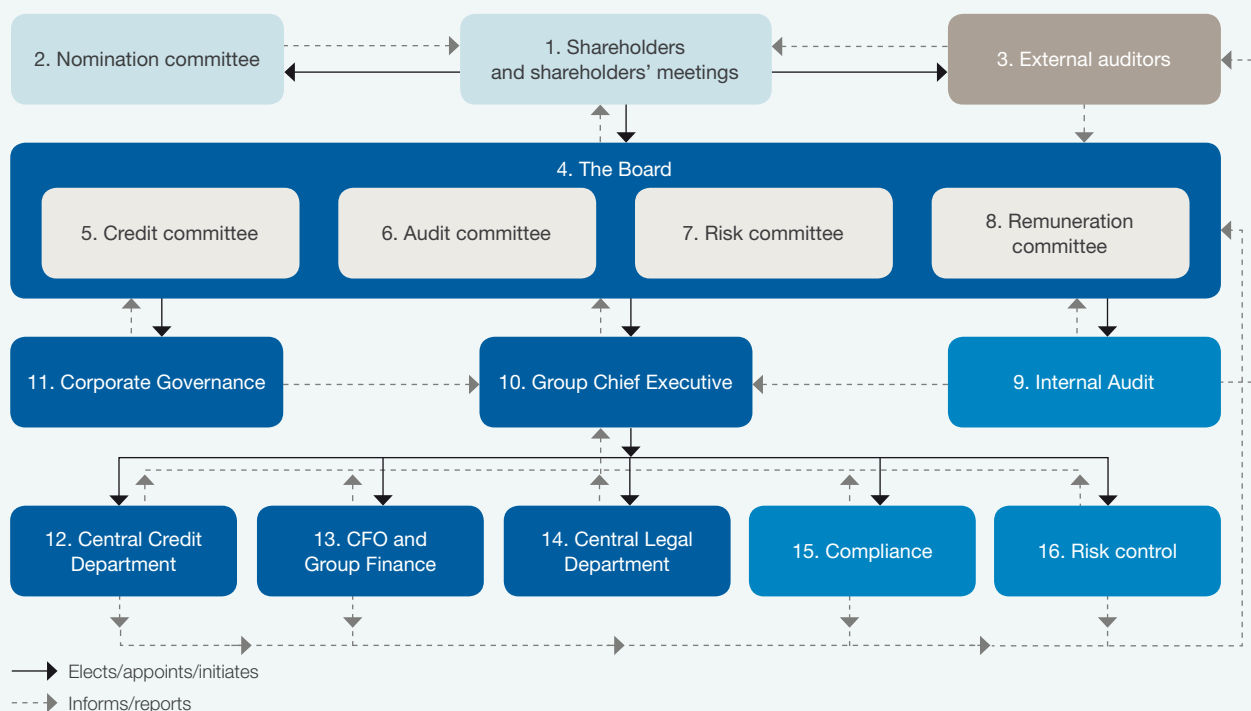
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# Corporate Governance structure

## 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 and has a corporate governance unit at its disposal. To support the work of governing the Bank, the CEO has Group Finance, the Central Credit Department and the Central Legal Department. There are also a number of control functions at the Bank. In addition, the shareholders 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. Every year, an annual general meeting is held which among other things appoints the Board, the Chairman of the Board and auditors. In addition, it can 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 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, including this Corporate Governance Report and the administration of the Board and the CEO. 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 allocated 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 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.

### 5. CREDIT COMMITTEE

The Board's credit committee decides on credit cases where the amount exceeds the



**More information**

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

The site includes the following information:

- previous corporate governance reports from 2007 onwards
- Articles of Association
- information about the nomination committee
- minutes of shareholders' meetings from 2008 onwards.

decision limit which the Central Board has delegated to another unit. Cases of special importance are decided by the Board. A representative from the unit within the Bank to which the credit case applies presents the case to the credit committee.

**6. AUDIT COMMITTEE**

The Board's audit committee monitors the Bank's financial reporting by examining important 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 committee also reads reports from the Bank's internal and external auditors.

**7. 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.

**8. REMUNERATION COMMITTEE**

The Board's remuneration committee evaluates the employment conditions for the Bank's executive officers in the light of prevailing market terms. 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 and other terms of employment for executive officers, 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.

**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. 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. 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, with the aim of stipulating general responsibilities and authorities. These are then passed on within the organisation, chiefly through guidelines and instructions from the CEO.

**12. 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 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.

**13. CFO AND 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, compliance risk and operational risks outside the department. For a detailed description of this risk management, see note G2 on pages 80–105. The CFO reports to the CEO and also regularly reports on behalf of the CEO to the Board's audit committee, risk committee and regarding market risks, liquidity, funding and capital to the whole Board.

**14. CENTRAL LEGAL DEPARTMENT**

The Central Legal Department is responsible for legal matters within the Group, and provides other units with legal advisory services. The department monitors developments as regards regulations, laws, standards and guidelines on Handelsbanken's home markets, and organises

a unit that manages Handelsbanken's contacts with public authorities. The Central Legal Department is also responsible for operational governance, meaning that the department works to ensure that decisions taken by the CEO, as well as changes in legislation, public authority regulations and guidelines relating to internal governance, risk management and control, are implemented in internal guidelines and instructions, with the aim of establishing responsibilities and powers of authority within the Bank.

**15. COMPLIANCE**

The Compliance function is responsible for ensuring that laws, regulations and internal rules, as well as accepted business practices and norms, are complied with in the operations conducted by the Handelsbanken Group. The function must give support to the business operations and assist in developing the internal rules and implementation of regulations. The compliance function must also identify and report risks regarding compliance and check compliance with internal rules. A key task is also to inform the units concerned about the regulations and the risks that may arise in the operations due to inadequate compliance. Compliance officers have been appointed for all business areas and regional banks, and most 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, the remuneration committee and the Board in matters regarding compliance.

**16. INDEPENDENT RISK CONTROL**

Risk Control identifies, measures and analyses Group risk. The centrally placed 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 risk, liquidity risks and insurance risks, as well as risks associated with the Group's remuneration system. Risk Control reports continually to the CEO and on a regular basis to the risk committee, the remuneration committee and the Board. The Head of Central Risk Control also provides regular information to the CFO. 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 the systems for decision-making, and the structure through which shareholders control the Bank, directly and indirectly. Handelsbanken's shareholders exercise corporate governance principally by electing the Board, and the Board appoints the CEO.

The following are fundamental to corporate governance at Handelsbanken: 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 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 is also part of the corporate governance since it is an integral part of managerial responsibility at all levels of the organisation.

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 80–105, in the Bank's Pillar 3 report and also briefly in this Corporate Governance Report.

### 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.

The Oktogonen profit-sharing scheme sharpens the employees' focus on profitability, and is thus a method of reinforcing a corporate culture that is characterised by cost-awareness and prudence. Allocations to the Oktogonen

scheme are made if Handelsbanken's profitability is better than the average of peer banks on Handelsbanken's home markets.

Handelsbanken takes a long-term view of both its employees and its customers. The Bank 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 no deviations. The code is publicly available on the Swedish Corporate Governance Board's website.

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. No such shareholdings exist.

### General information on regulation and supervision of 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 work is 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 regula-

tions 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

At the end of 2015, Handelsbanken had over 105,000 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 represented more than 98 per cent of all outstanding shares at the end of 2015. 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:

- adopting the income statement and balance sheet
- appropriation of profits
- discharge from liability for the Board and the CEO for the past financial year
- 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
- 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 eight 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.

### Major shareholders

At the end of 2015, two shareholders had more than 10 per cent of the votes: the Oktogonen Foundation with 10.4 per cent and AB Industrivärden with 10.3 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 45.

### Annual general meeting 2015

The annual general meeting took place on 25 March 2015.

1,745 shareholders were represented at the meeting. They represented 59 per cent of all votes in the Bank. Nine of the ten board members were present at the meeting. Also participating were the chairman of the nomination committee Anders Nyberg, as well as Erik Åström of Ernst & Young AB, principal auditor 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 17.50 per share, of which SEK 12.50 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 eight board members and the election of two new board members, Lise Kaae and Frank Vang-Jensen, for the period until the next AGM.
- The election of Pär Boman 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 the Vice Chairman and SEK 640,000 to the other Board members, as well as remuneration for committee work.
- A stock split, and the resulting changes in the Articles of Association.

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 total remuneration is to be on market terms.
- Remuneration is only paid 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 in question 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 other termination benefits are paid.
- 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 guidelines are applied to the Group Chief Executive, Executive Vice Presidents, other Executive Directors, and any members of the Handelsbanken Board who are also employees of the Bank.

### Auditors

Anders Bäckström is principal auditor for KPMG AB at Handelsbanken and is chairman of the auditing team. Mr Bäckström has been an authorised public accountant since 1996. He is

also auditor for Brummer & Partners, Folksam, Hoist Finance and Investment AB Öresund. Mr Bäckström was born in 1966.

Jesper Nilsson has been an authorised public accountant since 2007 and is principal auditor for Ernst & Young AB at Handelsbanken. In addition, Mr Nilsson is an auditor for Creades and Alecta. Mr Nilsson was born in 1964.

### 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. The 2016 nomination committee comprises:

Representative	Shareholders	Voting power in % as at 31 Aug 2015
Helena Stjernholm, Chair	Industrivärden	10.34
Jan-Erik Höög	Oktogonen Foundation	10.35
Mats Guldbrand	Lundberg ownership group	2.49
Bo Selling	Alecta	2.16
Pär Boman, Chairman of the Board		

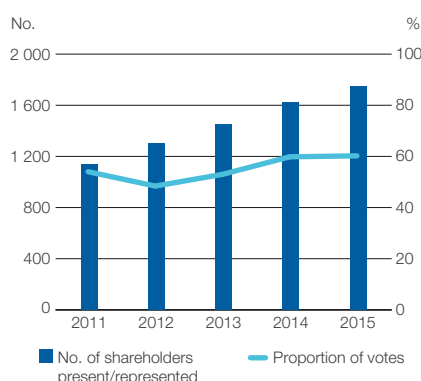
Information on the composition of the nomination committee has been available on the Bank's website since 9 September 2015.

In advance of the AGM on 16 March 2016, 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

Attendance at AGMs 2011–2015





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 33 per cent and the proportion of members of another nationality than where Handelsbanken is domiciled is 56 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 2015 AGM had appointed Pär Boman to be Chairman of the Board, Fredrik Lundberg was appointed as Vice Chairman 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 nine members following Anders Nyrén's decision in April 2015 to discontinue his Board assignment. 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. Several 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. The nomination committee's proposals at previous AGMs, including their reasons, are available at [handelsbanken.se/ireng](http://handelsbanken.se/ireng).

### 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. The composition of the Board fulfils the Code's requirements for independence. See also page 52.

### 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's operations, 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 2015 Board evaluation was performed by means of discussions with each member. The discussions were based on a list of relevant areas to be assessed. The Chairman informed the Board of the outcome of the evaluation and led a Board discussion on this. He also informed the nomination committee about the Board evaluation.

The Chairman is 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 2015

During the year, the Board had ten meetings, including an extended strategy meeting. The Board has also taken a minuted decision.

The figure on page 55 gives an overview of the Board's work in 2015 relating to regularly occurring major items. In addition, matters discussed at each committee meeting are reported at the next Board meeting.

### Committee work

#### Credit committee

The credit committee consisted of seven members: the Chairman of the Board (Pär Boman, who is also chairman of the committee), the Vice Chairman (Fredrik Lundberg), the chair of the audit committee (Bente Rathe), the CEO (Frank Vang-Jensen), the Head of the Central Credit Department (Per Beckman), and two Board members appointed by the Board (Tommy Bylund and Ole Johansson).

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 or legal requirements. On such occasions, the credit committee prepares the cases. The heads of the regional banks and the Head of Merchant Banking International presented cases from their own units in 2015 and participated when other cases were presented, with the objective of providing 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 credit committee meetings.

In 2015, the credit committee had 13 meetings.

#### Audit committee

The audit committee comprised the Chairman of the Board (Pär Boman) and three Board members appointed by the Board (Jon Fredrik Baksaas, Ole Johansson and Bente Rathe). The latter members are independent of the Bank and its management, and in relation to major shareholders. Bente Rathe chairs the committee.

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 mainly meets in connection with quarterly and annual reports. All interim reports and annual highlights reports are reviewed by the audit committee. Items are presented by the CEO, the CFO, the Head of Central Audit and the persons with main responsibility from the audit companies appointed by the AGM.

In 2015, the audit committee had six meetings.

#### Risk committee

The risk committee comprised the Chairman of the Board (Pär Boman, who is also chairman of the committee) and three Board members appointed by the Board (Jon Fredrik Baksaas, Ole Johansson and Bente Rathe). The latter



members are independent of the Bank, its management, and major shareholders.

The work of the risk committee includes the following:

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

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 CEO, CFO and the Head of the Central Credit Department also attend meetings of the risk committee. The risk committee held five meetings during the year.

#### Remuneration committee

The remuneration committee comprised the Chairman of the Board (Pär Boman, who is also

the committee chairman) and two Board members appointed by the Board (Ole Johansson and Bente Rathe), who are independent of the Bank, its management and major shareholders.

The tasks of the remuneration committee include making an independent assessment of Handelsbanken's remuneration policy and remuneration system. In addition, the remuneration committee prepares 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 executive officers, the Board decides on remuneration to these officers and the heads of the control functions: Internal Audit, Independent Risk Control and Compliance. The remuneration committee annually evaluates Handelsbanken's guidelines, as well as its remuneration structures and levels in accordance with the Swedish Code of Corporate Governance. A statement from the committee in this regard is published on handelsbanken.se/ireng prior to the AGM.

In 2015, the remuneration committee had ten meetings.

#### THE BANK'S MANAGEMENT

##### Group Chief Executive

Frank Vang-Jensen has been President and Group Chief Executive since March 2015. Frank Vang-Jensen was born in 1967 and he has worked at Handelsbanken since 1998. In 2006, Frank Vang-Jensen became a member of what was then called the Group management as Chief Executive of Stadshypotek AB. Frank

Vang-Jensen subsequently became Head of Handelsbanken Denmark and then Head of Handelsbanken Sweden. His shareholdings in the Bank and those of close relatives are 22,000 shares, as well as 6,530 shares held indirectly via the Oktogonen profit-sharing scheme. In addition, Frank Vang-Jensen has a holding of staff convertible notes in Handelsbanken, issued on market terms to the Bank's employees in 2014. His holding in the 2014 convertible totals SEK 5.0 million at a conversion price of SEK 120.96, corresponding to 41,335 shares.

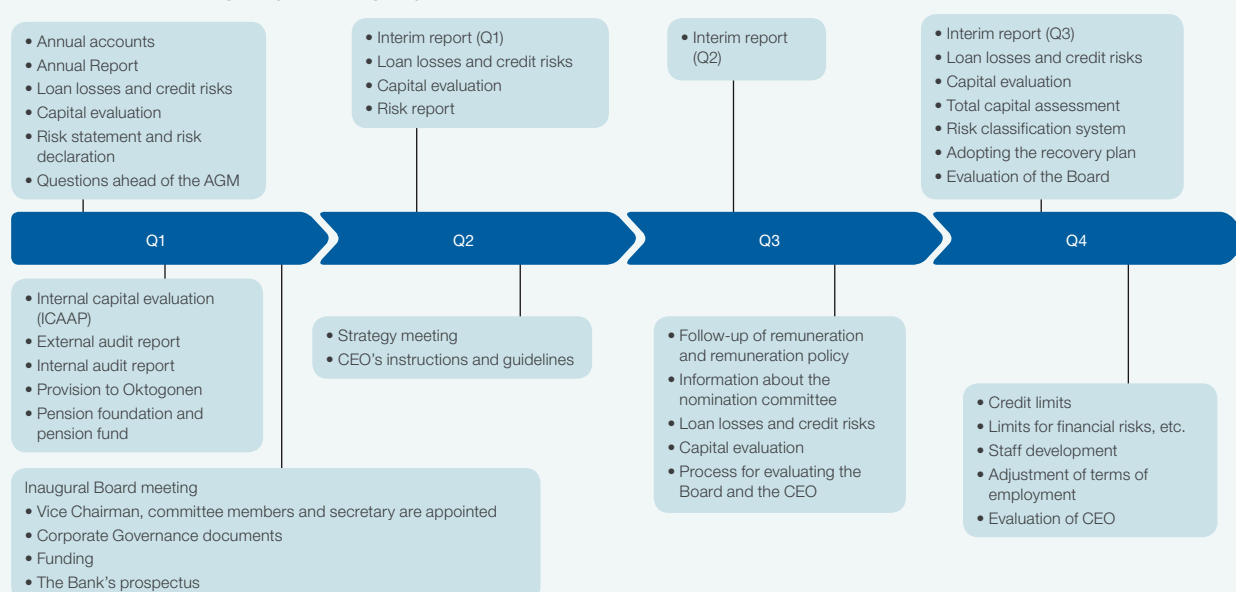
#### Senior Management and management structure

Handelsbanken has long had a decentralised working method, where almost all major business decisions are taken at the local bank branches, close to customers. Operations are pursued to a large extent within the parent company, but also in subsidiaries.

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. The regional banks in Sweden and the 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 five business areas within Handelsbanken. Three of these business areas are part

#### Board work 2015<sup>1</sup> – Regularly occurring major items<sup>2</sup>



<sup>1</sup> The work of the committees is not presented in the chart.

<sup>2</sup> Utilisation of market risk limits, liquidity and funding are dealt with at all meetings.



of the Handelsbanken Capital Markets business segment: Pension & Life, Markets & Asset Management and Handelsbanken International (until the end of 2015 known as Merchant Banking International). The joint functions of these three business areas, such as back-office operations, IT development, finance, HR, communications, risk control and compliance, are co-ordinated under a joint head. The remaining two business areas are Stadshypotek and Retail & E-services. Each business area has Group-wide responsibility for its products and services.

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. The Handelsbanken International business area includes 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 Handelsbanken International.

The Stadshypotek business area comprises the Stadshypotek AB subsidiary, which pursues mortgage loan operations and other property financing. Retail & E-services develops services for e-commerce and traditional retailing under its own brand.

Since the year-end, operations in the Handelsbanken Capital Markets business segment have been reorganised. Merchant Banking International has changed its name to Handelsbanken International, and from now on, large corporate customers in Sweden will be taken care of within Handelsbanken Sweden. At the same time, Corporate Finance and Debt Capital Markets have been moved to the Markets & Asset Management business area, to achieve better co-ordination.

The heads of the regional banks/general managers in Denmark, Finland, Norway and the Netherlands, and the general managers for the international operations outside the home markets, 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 includes Handelsbanken's Corporate Committee, whose main task is to co-ordinate issues which are common to the whole Group, and to prepare proposals to be decided by the Board in accordance with Swedish regulations. In addition to the CEO, the Corporate Committee consists of the CFO, the CIO and the Heads of Risk Control, Compliance, HR, Credits and Sustainability, and also the Head of Sweden and the Head of UK. Since the Head of Risk Control is a member of the

Corporate Committee, risk evaluation of material decisions is ensured.

Members of the Corporate Committee, 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 is 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 responsibility for internal control to managers who report to them. 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. The Head of Internal Audit is also the contact person for Handelsbanken's separate system for whistleblowing.

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

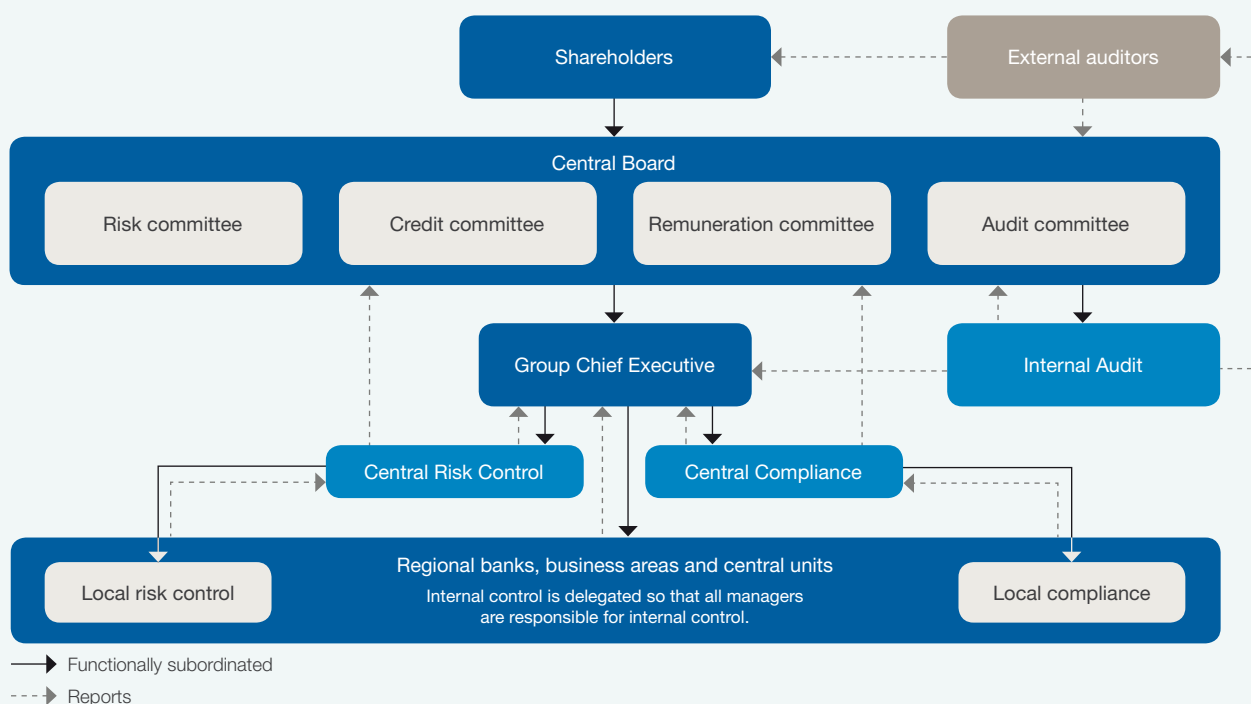
Compliance is the responsibility of all employees in the Group. Establishing compliance functions centrally, for regional banks, business areas and central departments, as well as for each country where the Bank has operations, does not release any employee from the responsibility of complying with the 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 supportive guidance is available from Compliance, 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 implementing regulations, as well as providing 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. The Head of Central Compliance reports on compliance in the Group twice a year directly to the Board's risk committee and once a year to the Board as a whole. In addition, material observations are reported regularly to the CEO.

## Risk control

The Bank is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for risk management. There is local risk control at each regional bank and within the various business areas, which check, for example,



**Control at Handelsbanken**

that risks are within the limits and are correctly valued. Local Risk Control carries out risk analyses and verifies that transactions are conducted in a manner that does not entail undesirable risks. Local Risk Control reports to the Central Risk Control and to the business operations' management.

Central Risk Control identifies, measures, analyses and reports all the Group's material risks. This includes monitoring and checking the Group's risk management and assessing that Handelsbanken's risk management framework is fit-for-purpose and efficient. Central Risk Control also monitors that the risks and risk management comply with the Bank's risk strategy and risk tolerance. Central Risk Control is also generally responsible for correct valuation of financial instruments. This responsibility includes ensuring that senior management has reliable information regarding risks to use in critical situations. Central Risk Control also has functional responsibility for local risk control.

The Head of Central Risk Control reports directly to the CEO. Information is also provided to the CFO on a regular basis. The Head of Central Risk Control reports regularly to the Board's risk committee and remuneration committee, and once a year to the Board as a whole. The Board is kept continuously informed of material risks at the Bank. 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 and control is contained in note G2 on pages 80–105, and also in the Bank's Pillar 3 Report.

**POLICY DOCUMENTS**

The following is a brief summary of the policy documents which the Board of Handelsbanken has decided on and which apply at the time this Annual Report is published.

**Credit policy**

Credits may only be granted if there are good grounds for expecting the borrower to meet his or her commitments. Credits must normally have satisfactory 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 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 be enforced regarding all material risks at Handelsbanken. The risk control function must verify that all major risks to which the Bank is exposed, or may be exposed in the future, are identified and managed by the relevant functions, and also supervise and monitor the company's risk management. The risk control function must also verify that every business unit monitors all its material risks in an efficient manner. The central risk control function reports to the CEO.

**Policy for operational risk**

The Bank's tolerance of operational risk is very low. Operational risk may, for example, relate to processing errors or disruptions in IT systems. Operational risk 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 risk 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 satisfactory. 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 80–105). The Bank's capital situation must also justify a continued high rating from the most important rating agencies.

**Financial policy**

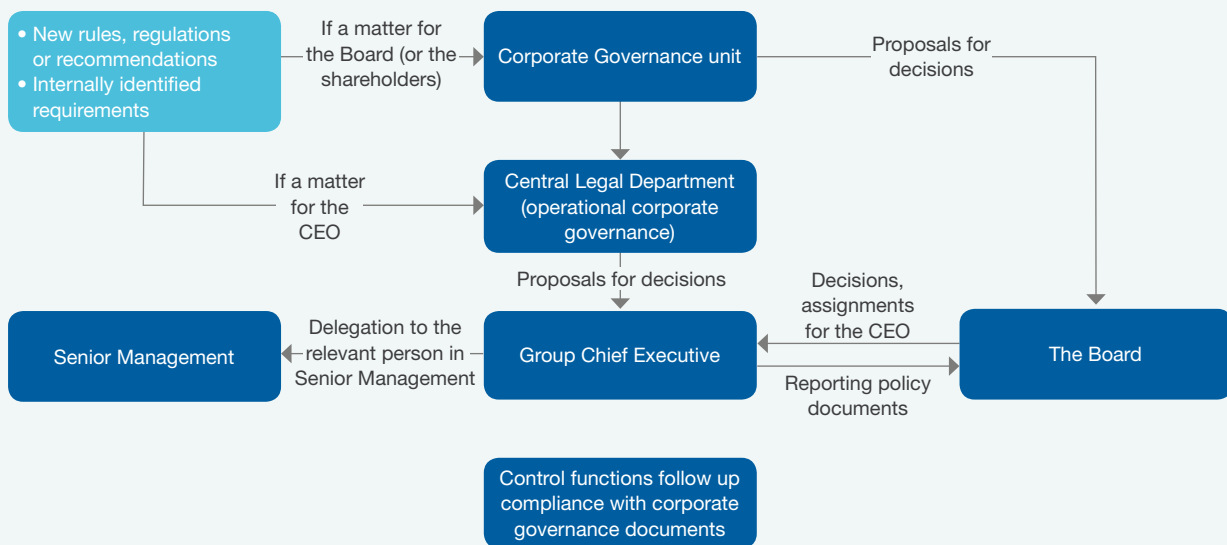
The Group's funding must be well-diversified in terms of markets, currencies and maturities. During stressed market conditions, the Bank must have an adequate liquidity reserve to be able to continue its operations for predetermined periods of time, without new funding in the financial markets.

**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. Through this policy, the Board establishes measurement methods for financial risks.



## Production and follow-up of corporate governance documents – an overview



This chart shows an overview of the process of producing and following up corporate governance documents. External factors – such as new regulations – or internal requirements may lead to a policy or guidelines needing to be drawn up or amended. The Corporate Governance unit formulates proposals for policies from the Board, which are then adopted by the Board. The Central Legal Department is responsible for formulating proposals for guidelines from the CEO, which are then submitted to the CEO for a decision. The CEO ensures that the policies and guidelines are implemented, and can delegate this task to a member of Senior Management. The Bank's control functions have the task of monitoring compliance with these documents within the organisation.

### 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 capital market must be correct, relevant, clear, reliable and in compliance with stock market regulations in all other respects. 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.

### Sustainability policy

The policy establishes the focus for sustainability in the Handelsbanken Group, in terms of Handelsbanken's approach in material questions relating to customers, the Group's actions as an employer and participant in society, and also the relationship with owners and investors. Handelsbanken aims to integrate financial, social and environmental sustainability into all its business operations.

Handelsbanken's success is dependent on the confidence of customers, employees, owners, public authorities and other stakeholders that the Group is acting in a responsible manner. In order for this confidence to be maintained, there must be transparency in the Group's sustainability activities. The policy is available at [handelsbanken.se/csreng](https://handelsbanken.se/csreng).

### Policy on ethical standards

Employees of the Bank must conduct themselves in a manner that upholds confidence in the Bank. All operations in the Group 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 policy on ethical standards also describes how employees who suspect internal fraud or other irregularities should act, for example with the aid of Handelsbanken's whistleblowing system. The policy is available at [handelsbanken.se/csreng](https://handelsbanken.se/csreng).

### Policy for managing conflicts of interest

Conflicts of interest are a natural part of a business operation, which means that these types of conflicts may arise within the Group's operations. It is the responsibility of all heads of units within the Bank to continuously identify potential 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. The policy is available at [handelsbanken.se/csreng](https://handelsbanken.se/csreng).

### Policy against corruption

The policy establishes the importance of preventing and never accepting corruption, and of

always taking action where there is suspicion of corruption.

Employees of the Group must carry out their responsibilities in all their activities at the Group and their external assignments in a manner that upholds confidence in Handelsbanken, and must therefore not participate in actions that may involve bribery or any other improper influence. The policy is available at [handelsbanken.se/csreng](https://handelsbanken.se/csreng).

### 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 paid in the form of a fixed salary, customary salary benefits and a pension provision. 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 take into account the collective agreements that are binding upon the Bank. The remuneration system is examined by compliance, independent risk control and the HR 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.

Group HR 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 and the Head of Internal Audit.

#### ***Pension policy***

Pensions 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, accounts and governance process, ensure that material risks are identified and managed in a satisfactory manner, and ensure 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 or a subsidiary'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.

Decisions regarding this policy are made by the Board's 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 and its risk committee, as well as to 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 or 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 must be prepared in accordance with the provisions of the Swedish Accounting Act and generally accepted accounting standards in Sweden. The consolidated accounts are prepared in accordance with IFRS, as adopted by the EU, plus additional standards in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority. The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority. 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 and the observance of international sanctions***

This policy is based on the Swedish law on measures against money laundering and financing of terrorism and the Swedish Act on Certain International Sanctions. The Bank shall not participate in transactions which may be suspected of being linked to criminal activities, or transactions of which the employees do not understand the implications. The Bank's work method is based on knowledge of customers, and an understanding of customers' operations. Knowledge of the customer must be achieved and maintained for as long as the customer relationship exists. The Bank shall monitor and comply with decisions and sanctions pursuant to the Swedish Act on Certain International Sanctions.

### **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 is of the opinion 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. Variable compensation is not paid to the Bank's management, nor to any employee who makes decisions on credits or limits. Handelsbanken complies with 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, which 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 pension. 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 98 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

The shareholders at the AGM decide on guidelines for remuneration to the Group Chief Executive and other executive officers. The guidelines are applied to the Group Chief Executive, Executive Vice Presidents, other Executive Directors, and any members of the Handelsbanken Board who are also employees of the Bank. For the AGM guidelines from 2015, see the Annual general meeting 2015 section on page 53.

The Board decides on remuneration to the officers who are subject to the AGM's remuneration guidelines (with the exception of the two Board members who are Handelsbanken employees), a total of 23 individuals (as at 31 December 2015). The Board also decides on remuneration for officers with main responsibility for the control functions: Compliance, Internal Audit and Risk Control.

In accordance with guidelines from the AGM, remuneration 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 officers, the period of notice is a maximum of 24 months.

According to the AGM guidelines, the retirement age for new officers is normally 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.

These officers receive an allocation 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. Note G8 on pages 108–111 provides further information about remuneration to executive officers. Fees for serving on the boards of other companies on behalf of the Bank are to be paid to the Bank.

Ahead of the 2016 AGM, the Board proposes the following guidelines for remuneration and other terms of employment for the executive officers of Handelsbanken. The guidelines shall not affect the remuneration previously decided for executive officers.

- The total remuneration is to be on market terms.
- Remuneration is only paid 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 bonus and percentage of profits are not paid.
- The executive officers in question 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 an executive officer is six (6) months, and on the part of Handelsbanken a maximum of twelve (12) months. If the Bank terminates the employment contract later than five (5) years after the person becomes one of the Bank's executive officers, the period of notice is a maximum of twenty-four (24) months. No other termination benefits are paid. Other time periods may apply due to collective agreements and labour legislation.
- The Board shall have the right to deviate from the established guidelines if there are special reasons in an individual case.

These guidelines apply to the Group Chief Executive, other Executive Directors and members of the Central Board of Handelsbanken who are also employees of the Bank.

#### 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 compensation, but for this a special decision is required by the CEO. The Board decides on the final amount.

Variable remuneration occurs to a very limited extent, and only within Handelsbanken Capital

Markets and the UK 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.

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 (with the exception of certain deferred variable remuneration in Heartwood, as specified below), 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 equals or exceeds the remuneration of any Executive Director, 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. At Heartwood, half of deferred variable compensation is invested in Heartwood funds. 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 2015 was equivalent to around one per cent of the total sum of salaries and fees in the Group.



## 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 80–105 and in the Bank's Pillar 3 report.

### 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 Group-wide reporting to public authorities. The capital requirement is, however, calculated by Central 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. 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 and analyses of income statements and balance sheets are reconciled and checked regularly within the accounting and control organisation.

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

The Head of Central Risk Control is responsible for setting up and maintaining a valuation committee. The committee's role is to support 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 three Board members. The committee processes crucial accounting matters and the financial reports produced by the Bank. The committee also supervises the efficiency of the internal control, internal auditing and risk management systems for financial reporting. See the section under the Committee work heading on page 54 for more details.

### Information and communication

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

### Follow-up

Internal Audit, Compliance and Central Risk Control, and also the accounting/control units, monitor compliance with internal policies, instructions and other policy documents. Monitoring takes place at central level, but also locally in regional banks, subsidiaries, 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 56. The Group's information and communication paths are monitored continually to ensure that they are fit-for-purpose for the financial reporting.



# The Board



Name	Pär Boman, Chairman	Fredrik Lundberg, Vice Chairman	Jon Fredrik Baksaas, Board Member	Tommy Bylund, Board Member	Ole Johansson, Board Member
Year elected	2006	2002	2003	2000	2012
Year of birth	1961	1951	1954	1959	1951
Nationality	Swedish	Swedish	Norwegian	Swedish	Finnish
Position and assignments	Chairman of Svenska Cellulosa AB SCA • Vice Chairman AB Industrivärden • Board member Skanska AB.	President and CEO of L E Lundbergföretagen AB • Chairman of Fastighets AB L E Lundberg, Holmen AB, Hufvudstaden AB, AB Industrivärden, Indutrade AB • Board member L E Lundbergföretagen AB, Skanska AB.	Chairman of GSM Association.	Bank Vice President at Handelsbanken • Chairman of the Oktogonen Foundation • Board member of Ljusdal Municipality's business policy foundation, Närjuss.	Chairman of Aker Arctic Technology Inc, Hartwall Capital Oy Ab • Vice Chairman of Konecranes Oyj Abp.
Background	2006–2015 President and CEO of Handelsbanken • 2002–2005 EVP, Head of Handelsbanken Markets • 1998–2002 EVP, Head of Regional Bank Denmark, Handelsbanken.	Active at Lundbergs since 1977 • CEO L E Lundbergföretagen AB since 1981.	1989–2015 Held various positions within the Telenor Group • CEO 2002–2015 • Employee of Aker AS (1988–1989), Stolt Nielsen Seaway AS (1985–1988) and Det Norske Veritas (1979–1985).	Employed at Handelsbanken since 1980 • Branch manager at Handelsbanken since 1992.	1975–2011 various positions within Wärtsilä (Metra) Group except for a period at Valmet 1979–1981 • CEO 2000–2011.
Education	Engineering and Business/Economics degree	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Business Administration and PED from IMD	Upper Secondary School	Diploma in Economics and Business Administration
Remuneration 2015 <sup>1</sup>	SEK 3,075,000	SEK 1,232,500	SEK 1,000,000	SEK 0	SEK 1,530,000
Credit committee Attendance	Chairman 13/13	13/13	Deputy member 0	13/13	13/13
Audit committee Attendance	4/6 <sup>2</sup>	–	4/6 <sup>2</sup>	–	5/6
Remuneration committee Attendance	Chairman 8/10 <sup>2</sup>	–	–	–	8/10 <sup>2</sup>
Risk committee Attendance	Chairman 3/5 <sup>2</sup>	–	3/5 <sup>2</sup>	–	5/5
Board meetings Attendance	Chairman 10/10	10/10	8/10	10/10	10/10
Own shareholdings and those of immediate family	43,295, of which 20,795 in indirect holdings <sup>3</sup> .	242,010,037, of which 193,985,037 owned by AB Industrivärden.	0	63,209, of which 63,209 in indirect holdings <sup>3</sup> . Staff convertible at nominal amount: 2011: SEK 1,131,799 2014: SEK 1,188,742	45,955
Dependent/independent	Not independent of the Bank and its management (ex-CEO). Not independent of major shareholders (Vice Chairman of AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Chairman of AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (employee). Not independent of major shareholders (Chairman of Oktogonen Foundation).	Independent of the Bank, its management and major shareholders.

<sup>1</sup> During the period January 2015 until the AGM in March 2015, Jan Johansson and Sverker Martin-Löf were Board members. During the period January 2015 to April 2015 inclusive, Anders Nyrén was a member of the Board and from January to March he was also Chairman of the Board. Their remuneration for this and for their work on the Board committees was as follows: Jan Johansson SEK 187,500, Sverker Martin-Löf SEK 356,250, and Anders Nyrén SEK 1,125,833. Pär Boman was an employee of Handelsbanken until the AGM in March 2015, and during his period of employment he did not receive any Board remuneration. Total remuneration to the Board in 2015 was SEK 10,548,333.

<sup>2</sup> Member of the Board/committee from March 2015

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





Name	Lise Kaae, Board Member	Bente Rathe, Board Member	Charlotte Skog, Board Member	Frank Vang-Jensen, Board Member
Year elected	2015	2004	2012	2015
Year of birth	1969	1954	1964	1967
Nationality	Danish	Norwegian	Swedish	Danish
Position and assignments	CFO Bestseller A/S • Board member Normal A/S, Whiteway A/S and various companies in the Bestseller Group.	Chair of Ecohz AS and Cenium AS (both companies are subsidiaries of Home Invest AS) • Board member Polaris Media ASA, SalMar ASA, Home Invest AS and its subsidiary Nordic Choice Hospitality Group AS.	Bank officer at Handelsbanken • Board member Financial Sector Union of Sweden, Oktogonen Foundation, Finansliv Sverige AB.	President and CEO of Handelsbanken • No other assignments.
Background	1992–2008 PricewaterhouseCoopers.	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.	2014–2015 EVP, Head of Handelsbanken Sweden • 2007–2014 EVP, Head of Handelsbanken Denmark • 2006–2007 Chief Executive of Stadshypotek AB • Employed at Handelsbanken since 1998.
Education	Authorised Public Accountant	Graduate in Business Administration and MBA	Economics Programme Upper Secondary School	HD Financing & Credit, HD Organisation & Management
Remuneration 2015 <sup>1</sup>	SEK 480,000	SEK 1,561,250	SEK 0	SEK 0
Credit committee Attendance	–	13/13	Deputy member 1/13	9/13 <sup>2</sup>
Audit committee Attendance	–	Chair 4/6 <sup>2</sup>	–	–
Remuneration committee Attendance	–	10/10	–	–
Risk committee Attendance	–	5/5	–	–
Board meetings Attendance	7/10 <sup>2</sup>	10/10	10/10	7/10 <sup>2</sup>
Own shareholdings and those of immediate family	0	3,990	22,232, of which 22,232 in indirect holdings <sup>3</sup> . Staff convertible at nominal amount: 2011: SEK 242,722 2014: SEK 251,744	28,530, of which 6,530 in indirect holdings <sup>3</sup> . Staff convertible at nominal amount: 2014: SEK 5,000,000
Dependent/independent	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (employee). Not independent of major shareholders (Board Member of Oktogonen Foundation).	Not independent of the Bank and its management (CEO). Independent of major shareholders.

## Secretary of the Board and Corporate Governance

### Klas Tollstadius

Secretary of the Board and Corporate Governance • Year of birth 1954 • Employed at Handelsbanken 1991 • Shareholdings\* 20,895, of which 20,895 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 3,327,257, 2014: SEK 5,617,510

\* Direct holdings of shares or convertibles refer to own holdings and those of closely related persons.

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

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



# Senior Management

## and Audit and Whistleblowing Function

### Group Functions Executives

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

Credits • Year of birth 1962 • Employed 1993 • Shareholdings\* 10,895, of which 10,895 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\* 59,927, of which 59,516 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 5,000,000, 2014: SEK 5,617,510

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

Sustainability • Year of birth 1956 • Employed 1979 • Shareholdings\* 68,155, of which 68,155 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

#### Klas Bornälv

Infrastructure • Year of birth 1971 • Employed 1997 • Shareholdings\* 10,665, of which 10,665 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 886,357, 2014: SEK 1,188,742

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

CRO • Year of birth 1964 • Employed 2010 • Shareholdings\* 3,085, of which 2,839 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\* 25,683, of which 25,683 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 3,763,599, 2014: SEK 5,617,510

#### Joakim Jansson<sup>1,2</sup>

Business Support Capital Markets • Year of birth 1976 • Employed 2006 • Shareholdings\* 5,041, of which 5,041 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 1,188,742

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

Central Head Office • Year of birth 1955 • Employed 1999 • Shareholdings\* 9,246, of which 9,246 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

#### Johan Lagerström<sup>1,2</sup>

Communications • Year of birth 1961 • Employed 2002 • Shareholdings\* 8,555, of which 7,367 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 3,763,599, 2014: SEK 5,617,510

#### Rolf Marquardt<sup>2</sup>

Compliance • Year of birth 1964 • Employed 2002 • Shareholdings\* 7,585, of which 7,585 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 886,357, 2014: SEK 1,188,742

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

CIO • Year of birth 1961 • Employed 1985 • Shareholdings\* 39,463, of which 39,463 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 3,763,599, 2014: SEK 5,617,510

#### Claes Norlén<sup>1,2</sup>

Central Head Office • Year of birth 1955 • Employed 1978 • Shareholdings\* 4,582, of which 2,839 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 4,654,514, 2014: SEK 5,441,079

#### Juha Rantamaa

IT Operations & Development • Year of birth 1964 • Employed 2011 • Shareholdings\* 8,881, of which 8,881 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 242,722, 2014: SEK 1,188,742

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

CFO • Year of birth 1959 • Employed 1983 • Shareholdings\* 142,025, of which 49,811 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

#### Frank Vang-Jensen<sup>1,2</sup>

President and Group Chief Executive • Year of birth 1967 • Employed 1998 • Shareholdings\* 28,530, of which 6,530 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: –, 2014: SEK 5,000,000

#### Martin Wasteson<sup>2</sup>

Legal • Year of birth 1971 • Employed 2012 • Shareholdings\* 1,060, of which 1,060 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: –, 2014: –

#### Anders Öhman<sup>1,2</sup>

HR • Year of birth 1955 • Employed 2009 • Shareholdings\* 8,604, of which 8,604 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 1,188,742

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

#### Tord Jonerot

Audit • Year of birth 1958 • Employed 1990 • Shareholdings\* 21,855, of which 21,855 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 4,654,514, 2014: SEK 5,617,510



## Group Business Executives

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

CEO Finland • Year of birth 1967 • Employed 1995 • Shareholdings\* 18,104, of which 10,907 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 4,000,000, 2014: SEK 5,617,510

### Anders Bouvin<sup>1,2</sup>

CEO UK • Year of birth 1958 • Employed 1985 • Shareholdings\* 40,247, of which 40,247 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 5,788,150, 2014: SEK 5,869,254

### Michael Broom

South West Great Britain • Year of birth 1959 • Employed 2009 • Shareholdings\* 736, of which 736 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\* 6,985, of which 6,985 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\* 19,611, of which 19,311 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 1,188,742

### Michael Green<sup>1,2</sup>

CEO Sweden • Year of birth 1966 • Employed 1994 • Shareholdings\* 14,529, of which 14,529 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 5,545,428, 2014: SEK 5,617,510

### John Hodson

Southern Great Britain • Year of birth 1961 • Employed 2007 • Shareholdings\* 1,337, of which 1,337 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\* 22,785, of which 22,785 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\* 2,791, of which 2,791 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 1958 • Employed 2007 • Shareholdings\* 1,278, of which 1,278 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 5,152,092

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

CEO Denmark • Year of birth 1968 • Employed 1988 • Shareholdings\* 7,408, of which 5,965 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\* 63,085, of which 63,085 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\* 1,708, of which 1,708 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\* 721, of which 571 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: –, 2014: SEK 1,188,742

### Göran Stille

Southern Sweden • Year of birth 1966 • Employed 1987 • Shareholdings\* 10,895, of which 10,895 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 4,654,514, 2014: SEK 5,617,510

### Mikael Sørensen<sup>1</sup>

CEO Netherlands • Year of birth 1966 • Employed 1994 • Shareholdings\* 6,106, of which 6,106 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 1,131,799, 2014: SEK 5,617,510

### Ulrica Stolt Kirkegaard

Stadshypotek • Year of birth 1968 • Employed 1994 • Shareholdings\* 13,768, of which 13,245 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 1,374,521, 2014: SEK 5,251,744

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

CEO Norway • Year of birth 1962 • Employed 1988 • Shareholdings\* 13,327, of which 13,327 in indirect holdings\*\* • Convertibles<sup>3</sup>: 2011: SEK 4,000,000, 2014: SEK 5,441,079

### Pontus Åhlund

Central Sweden • Year of birth 1963 • Employed 1983 • Shareholdings\* 36,392, of which 33,392 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\* 23,038, of which 23,038 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:** A group of people who co-ordinate Group-wide issues and prepare proposals to be decided by the Board in accordance with Swedish regulations.

\* Direct holdings of shares or convertibles refer to own holdings and those of closely related persons.

\*\* 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		2015	2014
Interest income	Note G3	43 052	50 899
Interest expense	Note G3	-15 312	-23 655
<b>Net interest income</b>		<b>27 740</b>	<b>27 244</b>
Fee and commission income	Note G4	10 975	10 143
Fee and commission expense	Note G4	-1 655	-1 587
<b>Net fee and commission income</b>		<b>9 320</b>	<b>8 556</b>
Net gains/losses on financial transactions	Note G5	2 608	1 777
Risk result – insurance	Note G6	157	165
Other dividend income		281	251
Share of profit of associates	Note G19	17	18
Other income	Note G7	213	303
<b>Total income</b>		<b>40 336</b>	<b>38 314</b>
Staff costs	Note G8	-12 581	-11 766
Other expenses	Note G9	-5 203	-5 099
Depreciation, amortisation and impairments of property, equipment and intangible assets	Note G24, G25	-487	-462
<b>Total expenses</b>		<b>-18 271</b>	<b>-17 327</b>
<b>Profit before loan losses</b>		<b>22 065</b>	<b>20 987</b>
Net loan losses	Note G10	-1 597	-1 781
Gains/losses on disposal of property, equipment and intangible assets	Note G11	7	6
<b>Operating profit</b>		<b>20 475</b>	<b>19 212</b>
Taxes	Note G34	-4 277	-4 069
<b>Profit for the year from continuing operations</b>		<b>16 198</b>	<b>15 143</b>
Profit for the year pertaining to discontinued operations, after tax	Note G12	145	41
<b>Profit for the year</b>		<b>16 343</b>	<b>15 184</b>
<i>Attributable to</i>			
Shareholders in Svenska Handelsbanken AB		16 342	15 183
Minority interest		1	1
Earnings per share, continuing operations, SEK	Note G13	8.49	7.94
after dilution	Note G13	8.32	7.82
Earnings per share, discontinued operations, SEK	Note G13	0.08	0.02
after dilution	Note G13	0.07	0.02
Earnings per share, total operations, SEK	Note G13	8.57	7.96
after dilution	Note G13	8.39	7.84

A 3:1 stock split was carried out in May 2015. The comparative figures in the above table have been adjusted for the new number of shares.



# Statement of comprehensive income Group

Group SEK m	2015	2014
Profit for the year	16 343	15 184
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to the income statement</b>		
Defined benefit plans	-3 152	-2 699
Taxes on items that will not be reclassified to the income statement	688	592
<b>Total items that will not be reclassified to the income statement</b>	<b>-2 464</b>	<b>-2 107</b>
<b>Items that may subsequently be reclassified to the income statement</b>		
Cash flow hedges	-501	8 772
Available-for-sale instruments	682	295
Translation difference for the year	-1 713	5 924
<i>of which hedges of net investments in foreign operations</i>	-394	2 558
Tax on items that may subsequently be reclassified to the income statement	215	-2 501
<i>of which cash flow hedges</i>	110	-1 924
<i>of which available-for-sale instruments</i>	18	-14
<i>of which hedges of net investments in foreign operations</i>	87	-563
<b>Total items that may subsequently be reclassified to the income statement</b>	<b>-1 317</b>	<b>12 490</b>
<b>Total other comprehensive income</b>	<b>-3 781</b>	<b>10 383</b>
<b>Total comprehensive income for the year</b>	<b>12 562</b>	<b>25 567</b>
<i>Attributable to</i>		
Shareholders in Svenska Handelsbanken AB	12 562	25 566
Minority interest	0	1

The period's reclassifications to the income statement are presented in Statement of changes in equity.

Discontinued operations only affects Translation difference for the year in Other comprehensive income.

During 2015, other comprehensive income totalled SEK -3,781m (10,383) after tax. The revaluation of pension liabilities had an adverse effect on this figure. In individual periods, the results of all items within other comprehensive income may fluctuate due to changes in the discount rate, exchange rates and inflation.

The pension liability for the defined benefit pension plans has increased and this affected other comprehensive income by SEK -2,464m after tax, compared with the period of comparison when the effect was SEK -2,107m after tax. The main reason for this year's change is a decrease in the discount rate to 2.25% (3.00) for the Swedish pension obligations.

Most of the Group's long-term funding is hedged using derivatives, where all cash flows are matched until maturity. Cash flow hedging manages the risk of variations in the cash flows related to changes in variable interest rates and currencies on lending and funding. The underlying funding and the asset which is being funded are valued at amortised cost, while the derivatives which are hedging these items are valued at market value. The impact on profit/loss of the market valuation is reported under Cash flow hedges. Over time, these values become zero at maturity for each individual hedge, but lead to volatility in other comprehensive income during their term. During the year, these value changes on hedge derivatives in cash flow hedges were SEK -391m (6,848) after tax. The value changes are partly derived from exchange rate movements, but above all from changes in the discount rates of the respective currency.

During the year, unrealised changes in the value of financial assets classified as available for sale had a positive effect on other comprehensive income of SEK 700m (281) after tax.

Unrealised exchange rate effects related to the restatement of foreign branches and subsidiaries to the Group's presentation currency and the effect of hedging of net investments in foreign operations affected other comprehensive income during the year of SEK -1,626m (5,361) after tax during the first half of the year.



# Balance sheet Group

Group SEK m		2015	2014
<b>ASSETS</b>			
Cash and balances with central banks		202 630	454 532
Other loans to central banks	Note G14	34 118	51 047
Interest-bearing securities eligible as collateral with central banks	Note G17	74 777	78 219
Loans to other credit institutions	Note G15	49 656	70 339
Loans to the public	Note G16	1 866 467	1 807 836
Value change of interest hedged item in portfolio hedge		27	70
Bonds and other interest-bearing securities	Note G17	44 513	63 725
Shares	Note G18	30 387	46 546
Investments in associates	Note G19	245	286
Assets where the customer bears the value change risk	Note G20	105 146	94 763
Derivative instruments	Note G22	85 347	116 124
Reinsurance assets		10	6
Intangible assets	Note G24	8 254	8 132
Property and equipment	Note G25	2 348	2 239
Current tax assets		143	115
Deferred tax assets	Note G34	1 489	389
Assets held for sale		1 442	1 196
Other assets	Note G26	8 887	14 321
Prepaid expenses and accrued income	Note G27	6 247	6 791
<b>Total assets</b>	Note G39	<b>2 522 133</b>	<b>2 816 676</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	Note G28	163 770	200 074
Deposits and borrowing from the public	Note G29	753 855	1 022 267
Liabilities where the customer bears the value change risk	Note G30	105 225	94 864
Issued securities	Note G31	1 245 367	1 212 613
Derivative instruments	Note G22	40 592	62 878
Short positions	Note G32	2 416	20 648
Insurance liabilities	Note G33	607	663
Current tax liabilities		996	957
Deferred tax liabilities	Note G34	8 844	9 209
Provisions	Note G35	113	68
Net pension liabilities	Note G8	5 314	1 480
Liabilities related to assets held for sale		759	580
Other liabilities	Note G36	14 206	14 578
Accrued expenses and deferred income	Note G37	17 585	18 681
Subordinated liabilities	Note G38	34 216	30 289
<b>Total liabilities</b>	Note G39	<b>2 393 865</b>	<b>2 689 849</b>
Minority interest		4	3
Share capital		2 956	2 956
Share premium		3 204	3 203
Reserves		8 440	12 220
Retained earnings		97 322	93 262
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB		16 342	15 183
<b>Total equity</b>		<b>128 268</b>	<b>126 827</b>
<b>Total liabilities and equity</b>		<b>2 522 133</b>	<b>2 816 676</b>



# Statement of changes in equity Group

Group 2015									
SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings	Minority interest	Total
Opening equity 2015	2 956	3 203	1 003	5 331	1 324	4 562	108 445	3	126 827
Profit for the year							16 342	1	16 343
Other comprehensive income			-2 464	-391	700	-1 625		-1	-3 781
<b>Total comprehensive income for the year</b>			<b>-2 464</b>	<b>-391</b>	<b>700</b>	<b>-1 625</b>	<b>16 342</b>	<b>0</b>	<b>12 562</b>
Dividend							-11 124		-11 124
Effects of convertible subordinated loans	0	1					1		2
Changes in minority interests							0	1	1
<b>Closing equity 2015</b>	<b>2 956</b>	<b>3 204</b>	<b>-1 461</b>	<b>4 940</b>	<b>2 024</b>	<b>2 937</b>	<b>113 664</b>	<b>4</b>	<b>128 268</b>

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	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>

During the period January to December 2015, convertibles for a nominal value of SEK 1m (6) relating to the 2008 subordinated convertible bond had been converted into 18,925 class A shares (89,772). 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			2015	2014
Hedge reserve at beginning of year			5 331	-1 517
Unrealised value changes during the year			-1 681	14 631
Reclassified in the income statement <sup>1</sup>			1 290	-7 783
<b>Hedge reserve at end of year</b>			<b>4 940</b>	<b>5 331</b>

Change in fair value reserve				
SEK m			2015	2014
Fair value reserve at beginning of year			1 324	1 043
Unrealised market value change during the year for remaining and new holdings			748	240
Reclassified in the income statement <sup>2</sup>			-48	41
<b>Fair value reserve at end of year</b>			<b>2 024</b>	<b>1 324</b>

Change in translation reserve				
SEK m			2015	2014
Translation reserve at beginning of year			4 562	-799
Change in translation difference pertaining to branches			-1 217	5 136
Change in translation difference pertaining to subsidiaries			-403	230
Reclassified in the income statement <sup>3</sup>			-5	-5
<b>Translation reserve at end of year</b>			<b>2 937</b>	<b>4 562</b>

<sup>1</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 364m (2,195).

<sup>2</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 63m (-10).

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



# Cash flow statement Group

Group SEK m	2015	2014
<b>OPERATING ACTIVITIES</b>		
Operating profit, total operations	20 656	19 304
<i>of which paid-in interest</i>	43 870	51 568
<i>of which paid-out interest</i>	-16 084	-27 175
<i>of which paid-in dividends</i>	706	929
Adjustment for non-cash items in profit/loss		
Loan losses	1 758	2 066
Unrealised changes in value	1 956	1 158
Depreciation, amortisation and impairments	487	462
Paid income tax	-4 878	-4 011
Changes in the assets and liabilities of operating activities		
Other loans to central banks	16 928	-15 887
Loans to other credit institutions	20 635	-7 285
Loans to the public	-60 419	-113 608
Interest-bearing securities and shares	35 113	-20 983
Due to credit institutions	-36 304	28 450
Deposits and borrowing from the public	-268 412	197 189
Issued securities	32 754	61 972
Derivative instruments, net positions	8 414	-44 123
Short-term positions	-18 187	-2 197
Claims and liabilities on investment banking settlements	3 350	-1 033
Other	-26 146	-48 676
<b>Cash flow from operating activities</b>	<b>-272 295</b>	<b>52 798</b>
<b>INVESTING ACTIVITIES</b>		
Change in shares	3 675	-1 969
Change in interest-bearing securities	11	3 405
Change in property and equipment	-510	-391
Change in intangible assets	-456	-258
<b>Cash flow from investing activities</b>	<b>2 720</b>	<b>787</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-5 690	-2 905
Issued subordinated loans	10 082	16 612
Dividend paid	-11 124	-10 488
<b>Cash flow from financing activities</b>	<b>-6 732</b>	<b>3 219</b>
<b>Cash flow for the year</b>	<b>-276 307</b>	<b>56 804</b>
Liquid funds at beginning of year	454 532	334 794
Cash flow from operating activities	-272 295	52 798
Cash flow from investing activities	2 720	787
Cash flow from financing activities	-6 732	3 219
Exchange rate difference on liquid funds	24 405	62 934
<b>Liquid funds at end of year</b>	<b>202 630</b>	<b>454 532</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 (IFRS) 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 8 February 2016 and will be presented for adoption by the AGM on 16 March 2016.

### 2. CHANGED ACCOUNTING POLICIES ETC.

On 1 January 2015, the interpretative communication IFRIC 21 Levies came into effect for application within the EU. This regulatory change has not had a material impact on the Group's financial position and earnings, nor has it had any impact on capital adequacy. 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 2014 annual report.

### Future regulatory changes

IFRS 9 Financial Instruments, which is to replace IAS 39 Financial Instruments: Recognition and Measurement, was published 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 published 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 2018 financial year. The current assessment is that the new standard will not have any material impact on Handelsbanken's financial reports, capital adequacy or large exposures.

IFRS 16 Leases has also been published by the IASB. Assuming that IFRS 16 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 2019 financial year. The main change in the new standard is that lease agreements where the Bank is the lessee, with certain exceptions, will need to be reported in the balance sheet. The Bank is analysing the financial effects of the new standard.

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 expenses 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 described 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/expenses and assets/liabilities broken down by 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 to the

Group's presentation 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 concerning these.

#### 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
  - 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. 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 G39.

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

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

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

### Disclosures concerning impaired loans

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



### Valuation of repossessed property 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.

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.

Fair value hedges are used to protect the Group against undesirable impact on profit/loss due to exposure to changes in market prices. Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. Hedged risks in hedging packages at fair value comprise the interest rate and currency risk on lending and funding at fixed interest rates and also lending with interest rate caps. The hedging instruments in these hedging relationships consist of interest rate swaps, cross-currency interest rate swaps and interest rate options. 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 portfolio hedging is applied, the value of the hedged item is reported as a separate line item in the balance sheet in conjunction with Loans to the public. When fair value hedges are prematurely terminated, the accrued value change on the hedged item is amortised in Net gains/losses on financial transactions. Accumulated value changes on portfolio hedges which have been terminated prematurely are reported in the balance sheet under Other assets.

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/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 acquisition 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 in-house 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 in-house development of new software, or development of 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 G24. 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 five years. In certain infrastructure projects, the useful life is assessed to be more than five years. For these types of investment, the amortisation period is up to 15 years. 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 reviewed 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 reviewed 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 may have 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 components described here.

### 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 presentation 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 under Net interest income and not commissions.

## 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 obligation. 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 return according to the discount rate 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.

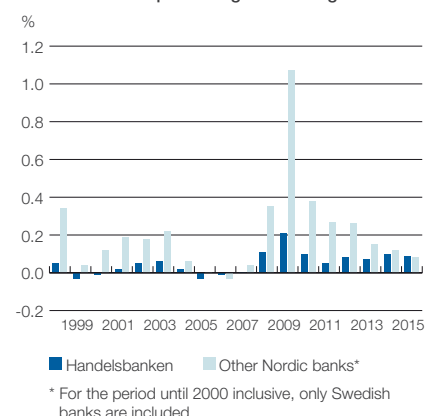
### Assessment of need to recognise an impairment loss for loans and receivables

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



## G2 Risk and capital management

Loan losses as a percentage of lending 1998–2015



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's business model focuses on taking 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 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 major 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 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.

### RISK TOLERANCE

Handelsbanken's decentralised business model is based on taking credit risk in the branch operations, but these risks must be kept low.

### 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 remuneration 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.

The Bank aims to be a relationship bank which only selects customers with a strong repayment capacity and financial position. The quality requirement must never be neglected in favour of higher credit volumes, higher prices or market share. There is low tolerance of market risks and they are only taken as part of customer business, in connection with the Bank's funding and liquidity management, in its role as a market maker, in its long-term shareholdings and in the pension system. One result of the Bank's low tolerance of market risks is that a comparatively lower proportion of the Bank's earnings come from net gains/losses on financial transactions. Tolerance is also low for operational risk and compliance risks. As far as possible, the Bank endeavours to prevent these risks and to reduce the losses in this area. Losses must be small, both in comparison with previous losses incurred, and in comparison with other banks.

### RISK STRATEGY

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 restrictive approach to risk means that the Bank deliberately avoids high-risk transactions, even if the expected 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. However, the decentralised business model is combined with strong centralised controls. 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. The employees are one of largest owners of the Bank via the Oktogonen Foundation which also contributes to a high level of risk awareness.

Lending has a strong local involvement, where the close customer relationship and local knowledge promote low credit risks. In addition, the Group must be well-capitalised at all times in relation to the risks in the operations and hold liquid assets so that it can always meet its payment commitments when they fall due, including in stressed situations where funding is not possible in the financial markets. In this way, Handelsbanken aims for a business model which is not affected by fluctuations in the business cycle.

This restrictive approach to risk 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.

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### RESILIENT RISK MANAGEMENT

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 business model and its work with risk. 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 352 billion. The remainder was mainly an unutilised issue amount for covered bonds at Stadshypotek. Liquidity reserves

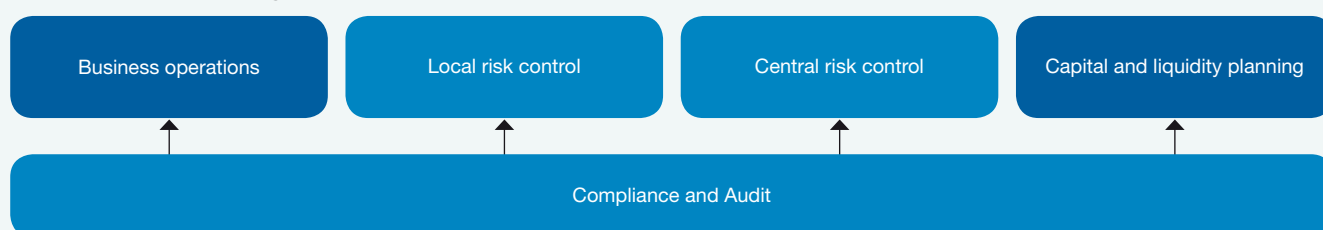
are kept in all currencies that are important to the Bank. The total liquidity reserve covers the Bank's liquidity requirements for more than three years in a stressed scenario with an outflow of deposits and entirely without access to new market funding. Operations can also be maintained for a considerable 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 insurance in the current macro-economic situation.

The Bank's 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's risk management and risk control



The Bank's total view of risk management and risk control 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 who know the customer and market conditions best are in the best position to assess the risk and can also act at an early stage if problems arise. Each branch and each profit centre is responsible for dealing with any problems that arise. This creates strong incentives for high risk awareness and for prudence in the 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 provides support and advice to other areas of the credit organisation.

##### Local Risk Control

There is a local risk control function in each country where the Bank has operations, unless the operations are very limited, at each regional bank, at central main departments and in financial subsidiaries. Local Risk Control works with identifying, measuring, analysing and reporting risks in the operations, particularly market risks, liquidity risks, counterparty risks, operational risk, reputation risk and where applicable, insurance risks, risks associated with the design of the remuneration system and risks in the asset management operations. Local Risk Control also checks the limits for market, liquidity and counterparty risks and analyses breaches of credit limits. Local Risk Control is also responsible for a risk analysis being performed for new products, IT systems and material processes and also for evaluating the business operations' work with operational risk. 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 to use as a basis for managing risks in critical situations. Central Risk Control also has functional responsibility for ensuring that Local Risk Control measures risks in a fit-for-purpose and consistent manner in the Group, and that the Bank's management and Board receive regular reports and analyses of the current risk situation.

##### Capital and liquidity planning

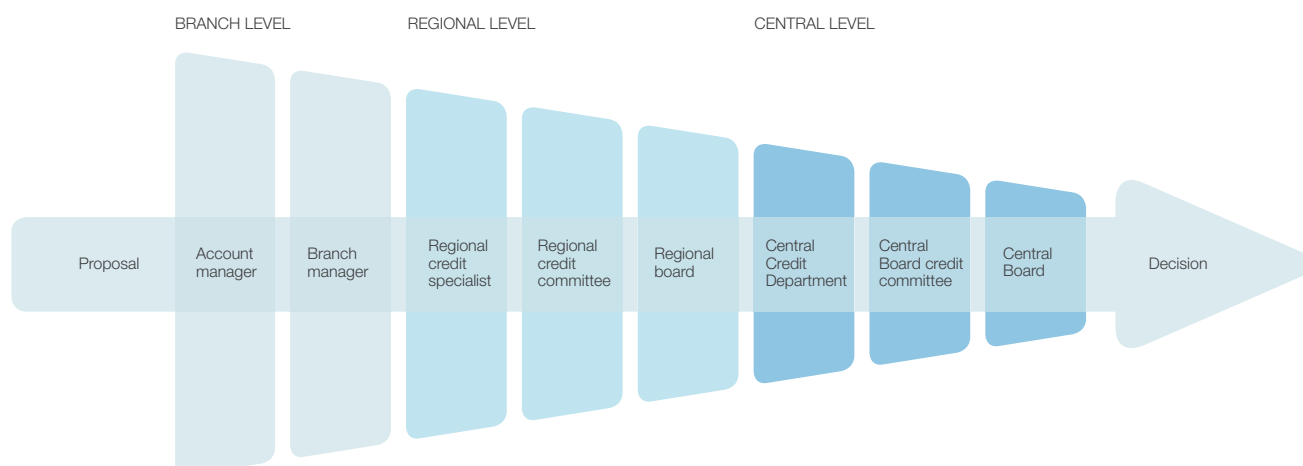
If – despite the work in the three components described above – Handelsbanken were to suffer serious losses, it holds capital to ensure its survival both during and after extreme events. Capital planning is based on an assessment of the capital situation in terms of the legal capital requirement, combined 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, the Group must be well-capitalised at all times in relation to the risks and hold liquid assets so that it can always meet its payment commitments when they fall due, including in stressed situations where funding is not possible in the financial markets.

##### Compliance and audit

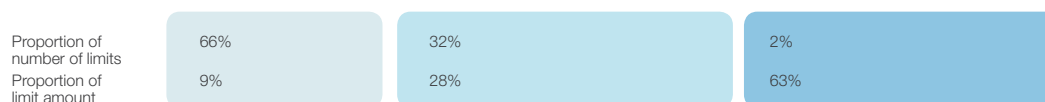
In addition to the parts described above, operations are examined by compliance, at central, business area and subsidiary level, and also by the internal and external auditors.



## The credit process and decision levels at Handelsbanken



### Breakdown of limit decisions



\* Excluding sovereign and bank limits decided at central level.

## 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 the employees at the local branch appointed by the manager.

Branch managers and most branch staff 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 have been reviewed by the Central Credit Department. However, no credit application may be processed in the Bank without the recommendation of the branch manager who is responsible for the credit.

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

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

For borrowers whose total loans exceed SEK 3 million, the credit decision is made in the form of a credit limit. In the case of loans to private individuals 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 procedure requirement is 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 performed 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 the branch 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 be expected to lose in the case of default (loss given default – LGD). Default is defined as when the counterparty is either more than 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.

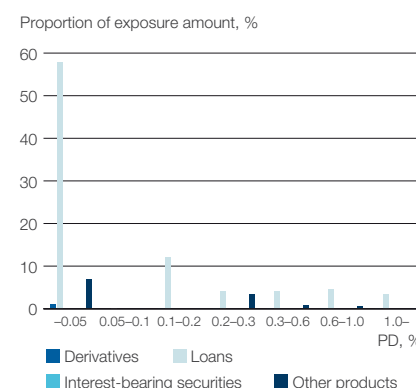
For retail exposures and exposures to medium-sized companies, property companies and housing co-operative associations, the LGD is determined using the Bank's own loss history. For exposures to large corporates that are subject to a capital requirement using the IRB Approach with own estimates of LGD 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 exposure class, 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.

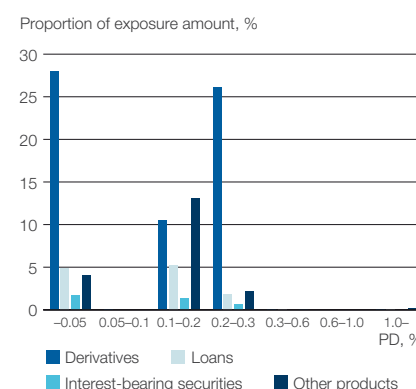
The business cycle adjustment factor adjusts, where necessary, the average default rates observed during the period determined as the basis for estimating the PD for an expected long-term level. The long-term level is based on information at portfolio level since 1985. The method takes into consideration 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

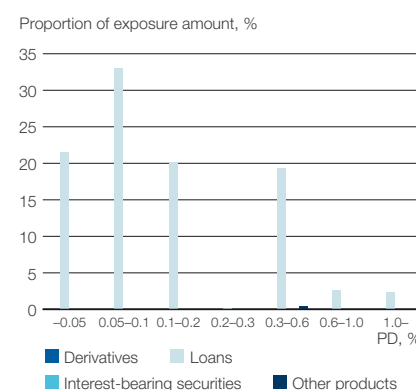
Proportion of exposure amount per product type per PD interval excluding defaulted credits – Corporate exposures



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



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 significantly longer horizon than a year, that effect is expected to be limited during normal fluctua-



tions 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 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 1991–1992 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 credit conversion factor (CCF) 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, medi-

um-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 almost exclusively granted to customers with good repayment capacity. For unsecured long-term credit commitments to companies, the Bank often enters into an agreement with the customer on special credit terms which allow the Bank to renegotiate or terminate the loan in the case of unfavourable performance.

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 sheet, broken down by collateral SEK m	2015	2014
Residential property <sup>1</sup>	1 207 242	1 114 011
<i>of which private individuals</i>	845 481	782 821
Other property	293 936	271 041
Sovereigns, municipalities and county councils <sup>2</sup>	313 475	603 319
Guarantees <sup>3</sup>	8 627	18 876
Financial collateral	40 632	63 493
Collateral in assets	23 789	18 256
Other collateral <sup>4</sup>	21 854	21 230
Unsecured <sup>4</sup>	242 361	258 698
<b>Total credit risk exposure on balance sheet</b>	<b>2 151 916</b>	<b>2 368 924</b>

Loans to the public, broken down by collateral SEK m	2015	2014
Residential property <sup>1</sup>	1 207 242	1 114 011
<i>of which private individuals</i>	845 481	782 821
Other property	293 936	271 041
Sovereigns, municipalities and county councils <sup>2</sup>	76 609	98 076
Guarantees <sup>3</sup>	8 134	18 305
Financial collateral	16 797	22 035
Collateral in assets	23 789	18 256
Other collateral <sup>4</sup>	21 854	21 230
Unsecured <sup>4</sup>	218 106	244 882
<b>Total loans to the public</b>	<b>1 866 467</b>	<b>1 807 836</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>4</sup> Comparative numbers are changed due to changed calculation method.



**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	2015	2014
Loans to the public <sup>1</sup>	1 866 467	1 807 836
<i>of which reverse repos</i>	7 742	23 858
Loans to other credit institutions	49 656	70 339
<i>of which reverse repos</i>	23 394	42 138
Unutilised part of granted overdraft facilities <sup>2</sup>	129 216	102 778
Committed loan offers	267 200	271 001
Other commitments	24 441	14 134
Guarantees, credits	9 750	10 335
Guarantees, other	61 274	60 033
Letters of credit	6 433	5 369
Derivatives <sup>2</sup>	85 347	116 124
Treasury bills and other eligible bills	74 777	78 219
Bonds and other fixed-income securities	44 513	63 725
<b>Total</b>	<b>2 619 074</b>	<b>2 599 893</b>
Cash and balances with central banks	202 630	454 532
Other loans to central banks	34 118	51 047
<b>Total</b>	<b>2 855 822</b>	<b>3 105 472</b>

<sup>1</sup> SEK 1,619m (2,181) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

<sup>2</sup> Refers to the total positive market values. Including legally viable netting agreements, the exposure is SEK 59,687m (SEK 70,478m).

Geographical breakdown 2015	Loans						Off-balance-sheet commitments					
	Public	Credit institutions excl. central banks	Cash and balances with central banks	Other lending to central banks	Derivative instruments	Investments	Guarantees	Committed loan offers etc.	Unutilised part of granted overdraft fac.	Letters of credit	Other	Total
SEK m												
Sweden	1 214 093	17 513	174	15 998	84 435	87 522	24 897	137 606	89 522	3 650	16 816	1 692 226
UK	194 069	610	55 538	364	77	-	6 636	36 565	6 235	40	2 768	302 902
Denmark	82 854	61	113	15 653	42	7	4 099	12 088	8 155	166	0	123 238
Finland	115 090	42	44 823	-	118	0	3 974	18 028	7 059	175	170	189 479
Norway	209 327	189	6 101	2 103	-	-	6 890	30 262	16 228	114	4 687	275 901
Netherlands	22 344	-	377	-	-	-	1 040	6 241	212	-	-	30 214
Germany	5 336	264	111	-	-	-	3 303	5 432	342	21	-	14 809
Poland	2 396	4	41	-	-	-	1 038	1	139	-	-	3 619
USA	4 233	24 776	94 626	-	471	30 744	14 758	15 310	375	1 395	-	186 688
Other countries	16 725	6 197	726	-	204	1 017	4 389	5 667	949	872	-	36 746
<b>Total</b>	<b>1 866 467</b>	<b>49 656</b>	<b>202 630</b>	<b>34 118</b>	<b>85 347</b>	<b>119 290</b>	<b>71 024</b>	<b>267 200</b>	<b>129 216</b>	<b>6 433</b>	<b>24 441</b>	<b>2 855 822</b>

Geographical breakdown 2014	Loans						Off-balance-sheet commitments					
	Public	Credit institutions excl. central banks	Cash and balances with central banks	Other lending to central banks	Derivative instruments	Investments	Guarantees	Committed loan offers etc.	Unutilised part of granted overdraft fac.	Letters of credit	Other	Total
SEK m												
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
<b>Total</b>	<b>1 807 836</b>	<b>70 339</b>	<b>454 532</b>	<b>51 047</b>	<b>116 124</b>	<b>141 944</b>	<b>70 368</b>	<b>271 001</b>	<b>102 778</b>	<b>5 369</b>	<b>14 134</b>	<b>3 105 472</b>



Loans to the public, breakdown by sector and counterparty type	2015			2014		
	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	912 517	-755	911 762	852 466	-813	851 653
<i>of which mortgage loans</i>	736 768	-31	736 737	683 991	-30	683 961
<i>of which other loans with property mortgages</i>	107 591	-146	107 445	99 063	-101	98 962
<i>of which other loans, private individuals</i>	68 158	-578	67 580	69 412	-682	68 730
Housing co-operative associations	169 595	-20	169 575	153 058	-21	153 037
<i>of which mortgage loans</i>	148 064	-7	148 057	136 748	-9	136 739
Property management	511 308	-697	510 611	485 377	-589	484 788
Manufacturing	33 540	-1 542	31 998	38 508	-726	37 782
Retail	24 236	-267	23 969	27 736	-343	27 393
Hotel and restaurant	8 981	-30	8 951	8 299	-25	8 274
Passenger and goods transport by sea	10 354	-543	9 811	12 221	-405	11 816
Other transport and communication	11 195	-60	11 135	20 184	-39	20 145
Construction	15 500	-92	15 408	15 225	-114	15 111
Electricity, gas and water	26 560	-52	26 508	24 888	-24	24 864
Agriculture, hunting and forestry	11 318	-15	11 303	10 703	-16	10 687
Other services	19 789	-66	19 723	20 241	-42	20 199
Holding, investment, insurance companies, mutual funds etc.	71 179	-282	70 897	71 945	-187	71 758
Sovereigns and municipalities	22 452	0	22 452	35 627	0	35 627
Other corporate lending	22 759	-117	22 642	35 469	-483	34 986
<b>Total loans to the public, before collective provisions</b>	<b>1 871 283</b>	<b>-4 538</b>	<b>1 866 745</b>	<b>1 811 947</b>	<b>-3 827</b>	<b>1 808 120</b>
Collective provisions for individually assessed loans			-278			-284
<b>Total loans to the public</b>	<b>1 871 283</b>		<b>1 866 467</b>	<b>1 811 947</b>		<b>1 807 836</b>

Loans to the public after deduction of provisions, geographical breakdown, by sector and counterparty type 2015							
	Sweden	UK	Denmark	Finland	Norway	Netherlands	Other countries
SEK m							
Private individuals	682 992	57 273	46 352	34 317	80 150	5 867	4 811
<i>of which mortgage loans</i>	635 871	0	29 001	21 083	50 782	0	0
<i>of which other loans with property mortgages</i>	14 023	45 685	13 276	8 806	16 222	5 532	3 901
<i>of which other loans, private individuals</i>	33 098	11 588	4 075	4 428	13 146	335	910
Housing co-operative associations	137 604	0	552	16 947	14 472	0	0
Property management	244 996	115 262	13 726	28 682	85 729	14 538	7 678
Manufacturing	15 401	2 692	1 443	3 386	2 565	1 059	5 452
Retail	12 304	4 596	1 367	1 688	2 969	0	1 045
Hotel and restaurant	2 507	3 218	1 734	268	153	0	1 071
Passenger and goods transport by sea	3 612	6	1 002	2 626	2 520	0	45
Other transport and communication	5 734	625	1 184	947	2 282	362	1
Construction	6 606	2 006	550	865	5 064	0	317
Electricity, gas and water	9 908	406	76	8 540	6 729	184	665
Agriculture, hunting and forestry	9 481	1 512	120	123	18	0	49
Other services	11 939	3 986	1 433	1 241	1 114	0	10
Holding, investment, insurance companies, mutual funds etc.	49 996	982	9 700	3 449	1 446	110	5 214
Sovereigns and municipalities	10 918	0	1	11 335	198	0	0
Other corporate lending	10 231	1 547	3 637	704	3 962	225	2 336
<b>Total loans to the public, before collective provisions</b>	<b>1 214 229</b>	<b>194 111</b>	<b>82 877</b>	<b>115 118</b>	<b>209 371</b>	<b>22 345</b>	<b>28 694</b>
Collective provisions for individually assessed loans	-137	-42	-23	-28	-44	-1	-3
<b>Total loans to the public</b>	<b>1 214 092</b>	<b>194 069</b>	<b>82 854</b>	<b>115 090</b>	<b>209 327</b>	<b>22 344</b>	<b>28 691</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 511 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 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. 99 per cent (98) of total property lending in Sweden is in risk class 5 or better. The corresponding figures for property lending in the UK are 96 per cent (93), Denmark 94 per cent (94), Finland 98 per cent (99), Norway 97 per cent (96) and the Netherlands 98 per cent (98). 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.

For information about LTVs in property management, see page 19.

Specification loans to the public – Property management	2015			2014		
	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	5 042	-	5 042	5 684	-	5 684
Municipal-owned property companies	12 242	-	12 242	16 926	-	16 926
Residential property companies	91 484	-35	91 449	87 797	-19	87 778
<i>of which mortgage loans</i>	77 367	-4	77 363	70 370	-3	70 367
Other property management	136 333	-71	136 262	131 710	-105	131 605
<i>of which mortgage loans</i>	61 993	-7	61 986	64 392	-5	64 387
<b>Total loans in Sweden</b>	<b>245 101</b>	<b>-106</b>	<b>244 995</b>	<b>242 117</b>	<b>-124</b>	<b>241 993</b>
<b>Loans outside Sweden</b>						
UK	115 669	-408	115 261	102 152	-255	101 897
Denmark	13 816	-89	13 727	14 446	-127	14 319
Finland	28 704	-22	28 682	27 483	-28	27 455
Norway	85 787	-58	85 729	79 859	-43	79 816
Netherlands	14 539	-	14 539	11 423	-	11 423
Other countries	7 692	-14	7 678	7 897	-12	7 885
<b>Total loans outside Sweden</b>	<b>266 207</b>	<b>-591</b>	<b>265 616</b>	<b>243 260</b>	<b>-465</b>	<b>242 795</b>
<b>Total loans – property management</b>	<b>511 308</b>	<b>-697</b>	<b>510 611</b>	<b>485 377</b>	<b>-589</b>	<b>484 788</b>

Specification loans to the public – Property management Type of collateral and country	2015					2014				
	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	245 101	18 746	99 658	111 881	14 816	242 117	24 669	92 972	111 558	12 918
UK	115 669	0	52 582	59 053	4 034	102 152	0	45 577	53 320	3 255
Denmark	13 816	0	7 717	4 870	1 229	14 446	0	7 113	5 563	1 770
Finland	28 704	11 117	4 577	12 247	763	27 483	9 827	3 902	12 959	795
Norway	85 787	0	12 209	64 187	9 391	79 859	0	12 350	56 996	10 513
Netherlands	14 539	0	7 286	6 904	349	11 423	0	4 451	6 943	29
Other countries	7 692	531	580	5 819	762	7 897	557	579	5 542	1 219
<b>Total</b>	<b>511 308</b>	<b>30 394</b>	<b>184 609</b>	<b>264 961</b>	<b>31 344</b>	<b>485 377</b>	<b>35 053</b>	<b>166 944</b>	<b>252 881</b>	<b>30 499</b>



Specification – Loans to the public – Property management, risk class and country 2015  
SEK m

Risk class	Sweden	UK	Denmark	Finland	Norway	Netherlands	Other countries	Total	%	Accum.% of total
1	20 034	943	53	2 903	1 127	115	1 044	26 219	5.13	5
2	73 556	22 677	829	11 365	18 026	1 942	3 249	131 644	25.75	31
3	92 801	56 376	6 197	11 006	45 263	10 247	2 869	224 759	43.96	75
4	43 115	24 298	4 338	1 619	15 418	1 873	172	90 833	17.76	93
5	12 592	6 249	1 548	1 125	3 430	75	289	25 308	4.95	98
6	1 606	1 939	289	401	1 444	221	30	5 930	1.16	99
7	889	1 331	190	118	793	66	0	3 387	0.66	99
8	161	363	26	17	91	0	0	658	0.13	99
9	107	87	8	9	15	0	2	228	0.04	100
Defaults	240	1 406	338	141	180	0	37	2 342	0.46	100
<b>Total</b>	<b>245 101</b>	<b>115 669</b>	<b>13 816</b>	<b>28 704</b>	<b>85 787</b>	<b>14 539</b>	<b>7 692</b>	<b>511 308</b>	<b>100</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, type of collateral and unsecured 2015  
SEK m

DERIV

	Loans	Collateral				
Risk class		Multi-family dwellings/ residential property	Commercial property	Guarantee from government or municipality	Other collateral	Unsecured
1	26 219	14 662	6 208	3 355	188	1 806
2	131 644	49 028	57 171	10 543	2 527	12 375
3	224 759	81 039	124 876	5 296	4 115	9 433
4	90 833	32 732	52 902	682	755	3 762
5	25 308	9 133	13 189	420	340	2 226
6	5 930	1 279	4 034	14	52	551
7	3 387	899	2 222	0	50	216
8	658	236	270	0	16	136
9	228	40	92	3	2	91
Defaults	2 342	579	890	0	49	824
Total	511 308	189 627	261 854	20 313	8 094	31 420

Specification – Loans to the public – Property management, risk class, type of collateral and unsecured 2014  
SEK m

	Loans	Collateral				
Risk class		Multi-family dwellings/ residential property	Commercial property	Guarantee from government or municipality	Other collateral	Unsecured
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
Total	485 377	173 912	242 548	22 281	16 076	30 560



## COUNTERPARTY RISK

Counterparty risk arises 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 transac-

tions with the same counterparty. Handelsbanken's policy is to aim to have netting agreements with all counterparties which are credit institutions. 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 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-/Aa2 to A+/Aa1 would have meant the Bank having to issue further collateral of SEK 42 million (76).

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 46 million (521), and the value of sold protection is SEK 0 million (474). The portfolio is being wound down.

In addition to the capital requirement for counterparty risk, derivative transactions result in capital requirements for value change risks related to the counterparty's credit quality (credit valuation adjustment, CVA). The capital requirement for CVA was SEK 713 million (534). Derivatives which are cleared via central counterparties also give rise to capital requirements. Central counterparties are clearing houses which act as the 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 most cases the risk weight for centrally cleared derivatives is considerably lower than for other types of derivatives. The risk-weighted amount for derivative transactions with central counterparties is SEK 342 million (176).

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 collaborations with the banks considered to be the strongest and the most creditworthy.

Handelsbanken participates in clearing collaborations such as CLS (Continuous Linked Settlement) for currency trading. Handelsbanken is part-owner of CLS together with around 60 of 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	2015	2014
Positive gross market value for derivative contracts	109 287	128 764
Netting gains	49 600	58 286
Current set-off exposure	59 687	70 478
Collateral	35 678	38 191
Net credit exposure for derivatives	24 009	32 287

Counterparty risks in derivative contracts including potential future exposure 2015	Current set-off exposure	Potential future exposure	Total credit exposure/exposure value for derivatives/EAD	Risk-weighted amount	Capital requirement
SEK m					
Sovereign exposures	1 783	1 035	2 818	63	5
Institutional exposures	45 087	25 296	70 383	13 336	1 067
Corporate exposures	12 671	4 181	16 852	4 473	358
Other	145	86	231	181	14
<b>Total</b>	<b>59 686</b>	<b>30 598</b>	<b>90 284</b>	<b>18 053</b>	<b>1 444</b>
<i>of which operations in trading book</i>	<i>18 522</i>	<i>13 524</i>	<i>32 046</i>	<i>6 628</i>	<i>530</i>

Counterparty risks in derivative contracts including potential future exposure 2014	Current set-off exposure	Potential future exposure	Total credit exposure/exposure value for derivatives/EAD	Risk-weighted amount	Capital requirement
SEK m					
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>
<i>of which operations in trading book</i>	<i>34 439</i>	<i>15 986</i>	<i>50 425</i>	<i>9 195</i>	<i>736</i>



## MARKET RISK

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

Handelsbanken has a restrictive view of market risks. 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 fund-

ing 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.

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.

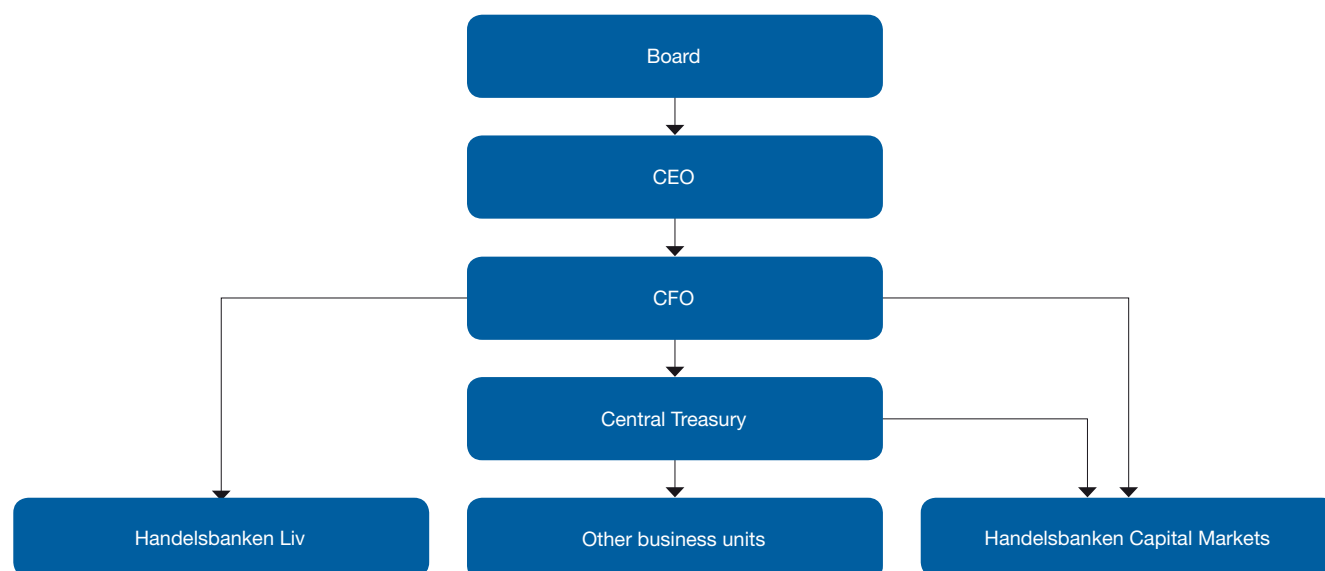
The Bank's limit system restricts the size of the exposure to market risks. Measurement methods and limits are established by the Board. The limits for interest rate, currency and

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. Limits for equity price risk and commodity risk are allocated directly to the Head of Capital Markets by the CFO.

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 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.

### Decision levels and monitoring of market risk





### Risk measured as VaR

VaR is calculated for the portfolios at Handelsbanken Capital Markets and Central Treasury which are classified as trading book. VaR is a probability-based measure and 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. 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. The 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. The overall risk in the portfolios which are classified as trading book was SEK 16 million (12) at the year-end. VaR is reported to the CFO, the CEO and the Board on a regular basis.

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 CFO, CEO and the Board's risk committee on a regular basis.

VaR for trading book, Handelsbanken Capital Markets and Central Treasury

SEK m	Total		Equities		Fixed income		Currency		Commodities	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Average	12	14	1	1	12	14	5	2	1	1
Maximum	19	24	4	3	17	24	9	6	5	3
Minimum	8	8	0	1	7	9	2	0	0	0
Year-end	16	12	2	1	15	13	7	4	2	1

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

SEK m	2015	2014
Average	40	27
Maximum	130	46
Minimum	12	13
Year-end	107	37

### INTEREST RATE RISK

Interest rate risk mainly arises at Handelsbanken Capital Markets, Central Treasury and in the lending operations. Interest rate risk is measured in several ways at the Bank. 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 instantaneous upward or downward parallel shifts of one percentage point for all interest rates. At the year-end, the Bank's total general interest rate risk was SEK 1,423 million (908). In the calculation of general interest rate risk, deposits without an established interest-fixing period are assumed to have an average interest-fixing period of approximately one month. 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 the least favourable change in market value in the case of an upward or downward parallel shift in the credit spreads of one basis point, i.e. the difference between the interest on the current holding and the yield on a government bond with the same maturity. This is performed for each individual counterparty and the outcomes are summed as an absolute total. The total specific interest rate risk at the year-end was SEK 7 million (9).

### 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 51 million (117) and the specific interest rate risk was SEK 5 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 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 different 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 in other operations measured as above was SEK 1,384 million (819) and the specific interest rate risk was SEK 2 million (2).

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 twelve-month period in the case of a general increase of market rates by one 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 average interest-fixing period of approximately one month. The net interest income effect at the year-end was SEK 929 million (788).



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	2015	2014
SEK	920	241
DKK	234	206
EUR	68	103
NOK	12	101
USD	112	91
GBP	24	60
Other currencies	14	17
<b>Total</b>	<b>1 384</b>	<b>819</b>

Interest rate adjustment periods for assets and liabilities 2015						
SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
<b>Assets</b>						
Loans	1 237 710	149 780	97 672	351 750	29 555	1 866 467
Banks and other financial institutions	284 882	862	453	131	76	286 404
Bonds etc.	40 709	502	2 754	59 920	12 071	115 956
<b>Total assets</b>	<b>1 563 301</b>	<b>151 144</b>	<b>100 879</b>	<b>411 801</b>	<b>41 702</b>	<b>2 268 827</b>
<b>Liabilities</b>						
Deposits	737 001	5 117	2 508	349	2	744 977
Banks and other financial institutions	125 322	32 221	2 679	547	3 630	164 399
Issued securities	440 990	90 976	87 107	575 551	84 959	1 279 583
Other liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1 303 313</b>	<b>128 314</b>	<b>92 294</b>	<b>576 447</b>	<b>88 591</b>	<b>2 188 959</b>
Off-balance sheet items	-233 048	27 449	15 152	162 738	60 726	33 017
Difference between assets and liabilities including off-balance sheet items	26 934	50 279	23 737	-1 908	13 837	112 879

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2015. Non-interest-bearing assets and liabilities have been excluded.

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. 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 an instantaneous change in equity prices and volatilities by +/-10 and +/-25 per cent respectively. At the year-end, the Bank's worst case outcome of this risk was SEK 651 million (825).

### 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 prod-

ucts, which gives rise to equity price risk, both linear and non-linear. The non-linear equity price risk arises via options mainly 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. At the year-end, the Bank's VaR for equity price risk in the trading book was SEK 2 million (1).

### Equity price risk outside the trading book

The majority of the Group's shareholdings outside the trading book, 71 per cent (81), comprise 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.

Equity price risk SEK m	Change in volatility					
	2015			2014		
	-25%	0%	25%	-25%	0%	25%
Change in equity price						
10%	647	651	654	833	833	834
-10%	-651	-648	-645	-825	-822	-820

## 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: 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, the CEO and the CFO have set VaR limits for this exchange rate risk.

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 set position limits for these risks. At year-end, the aggregate net position amounted to SEK 391 million (355). 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 in the trading book and other operations was SEK 36 million (6), measured as the impact on the Bank's earnings of an instantaneous 5 per cent change of the Swedish krona.

Exchange rate sensitivity (worst outcome +/- 5% change SEK against the respective currency)		
SEK m	2015	2014
EUR	3	14
NOK	20	2
DKK	3	1
USD	4	1 <sup>1</sup>
GBP	6	0
Other currencies	8	10

<sup>1</sup> Positive effect of worst outcome +/- 5% change.

## 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 5 million (6), 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. At the year-end, the Bank's VaR for commodity price risk was SEK 2 million (1).

Equity exposures outside the trading book		
SEK m	2015	2014
Classified as available for sale	6 581	8 367
of which listed	4 667	6 753
of which unlisted	1 914	1 614
Classified as available for sale	6 581	8 367
of which business-related	5 198	6 198
of which other holdings	1 383	2 169
Fair value reserve at beginning of year	1 460	1 217
Unrealised market value change during the year for remaining and new holdings	789	237
Realised due to sale and settlements during the period	-111	6
Fair value reserve at end of year	2 138	1 460
Included in tier 2 capital	0	0



## 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.**

In 2015, Handelsbanken was slightly less active than previously in the bond markets, mainly due to a large increase in deposits. The Bank has, however, continued to meet investors to the same extent as previously, updated its funding programmes and also in other respects maintained the conditions for bond funding on all relevant funding markets worldwide. This enables funding operations to be maintained in circumstances that are much more difficult than those which have existed in the past few years.

Handelsbanken is the only major Swedish bank which has managed completely on its own for its funding throughout the latest financial crisis, with no support from central banks or public authorities.

## 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 aim is to have good access to liquidity, a low level of variation in results 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 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 by 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 that illiquid assets are not funded with long-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.

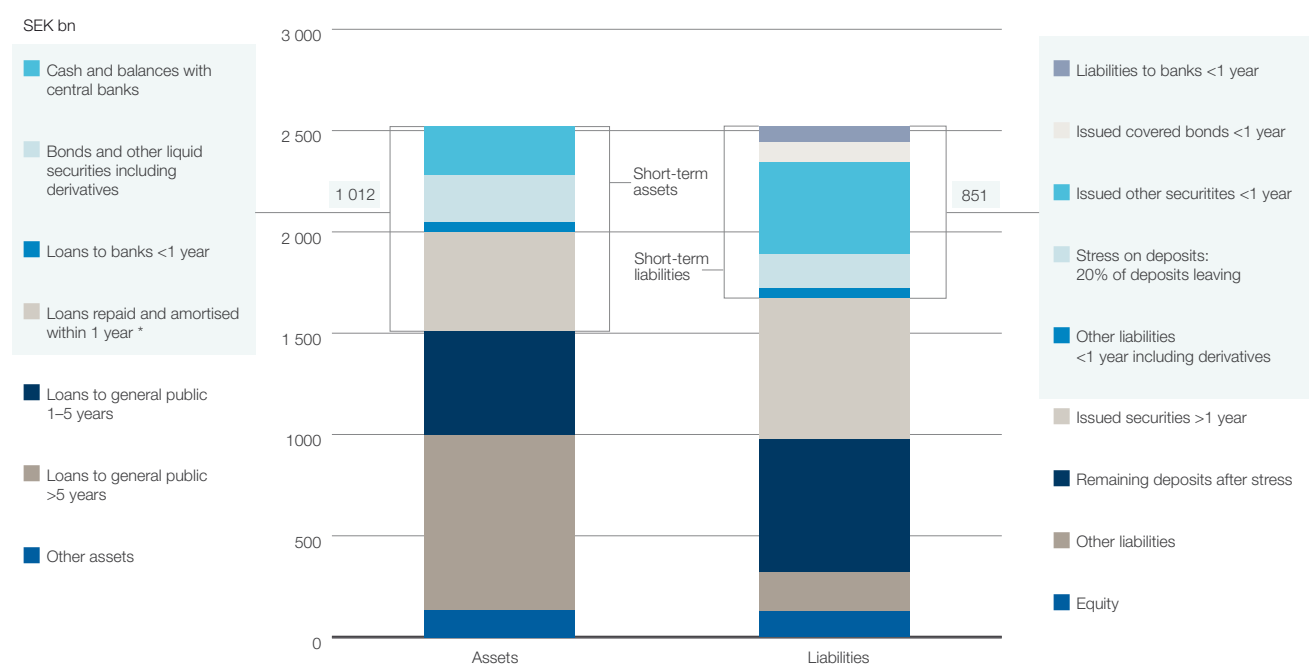
A balance sheet is a snapshot of assets and liabilities. To ensure that the Bank's obligations towards customers and investors are fulfilled, it

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 a considerable amount 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.

The market has great confidence in Handelsbanken and its assessment is that Handelsbanken has a 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

Composition of the balance sheet from a maturity perspective, as at 31 December 2015





volumes of bonds in, for example, the eurozone, the UK, the US, Asia and Australia. The most important sources of funding are deposits from households and companies as well as covered and senior bonds. The short-term funding mainly comprises deposits from financial companies and institutions as well as issues of certificates 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 on page 97, include 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 breakdown.

### 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 liquid securities with very high credit ratings. The Bank is restrictive about entering into agreements with other parties than credit institutions, 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 have lower priority than lenders who invest in covered bonds, known as subordination.

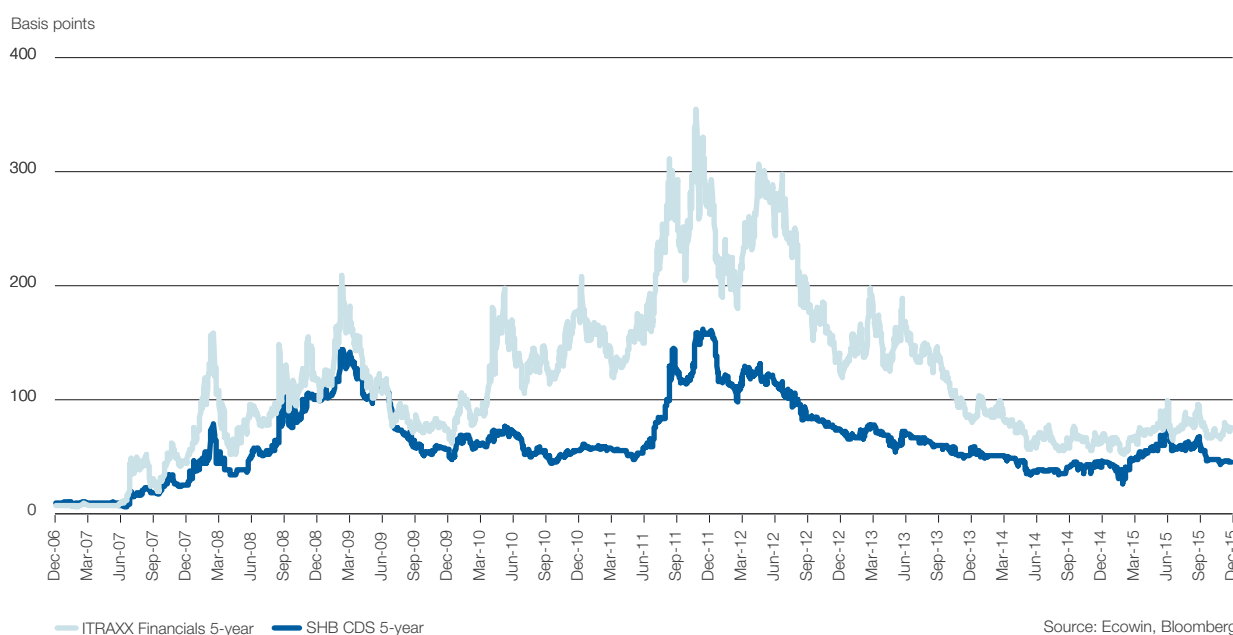
To assess the degree of subordination between investors of non-encumbered funding and encumbered funding, the volume and credit quality of the non-encumbered assets are the

relevant factors. Handelsbanken's restrictive approach to risk-taking means that the non-encumbered assets are of 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 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 203 per cent of the outstanding volume of non-encumbered funding. At the end of the year, the Bank decided to reduce the volume of short-term deposits. This explains the decrease in holdings with central banks and the ratio between non-encumbered assets in relation to the outstanding volume of non-covered funding compared with previous quarters.

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

### Handelsbanken's 5-year CDS spread compared with ITRAXX Financials 2007–2015



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

SEK bn	Reported values	
	2015	2014
Loans to the public <sup>1</sup>	618	623
Government instruments and bonds	26	29
Equities	1	1
Cash	22	31
Other	113	105
<b>Total pledged assets<sup>2</sup></b>	<b>780</b>	<b>789</b>
Other pledged assets <sup>3</sup>	33	36

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 833bn.

<sup>1</sup> Of which over-collateralisation in the cover pool (OC) SEK 57bn (57).

<sup>2</sup> Of which SEK 18bn (27) is collateral which can be freely reclaimed by the Bank.

<sup>3</sup> Of which SEK 22bn (27) is collateral which can be freely reclaimed by the Bank.



Non-encumbered/non-pledged assets	2015		2014	
	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	238	28	519	62
Liquid bonds in liquidity portfolio	114	42	129	77
<b>Loans to households including derivatives</b>	<b>486</b>		<b>461</b>	
<i>of which mortgage loans</i>	283	75	310	114
<i>of which loans secured by property mortgage</i>	14	77	15	116
<i>of which other household lending</i>	189	100	136	132
<b>Loans to companies including derivatives</b>	<b>786</b>		<b>702</b>	
<i>of which mortgage loans</i>	170	120	90	142
<i>of which loans to housing co-operative associations excl. mortgage loans</i>	40	125	32	146
<i>of which loans to property companies inc./excl. mortgage loans</i>				
- risk category 1–3	238	153	221	173
- risk category 4–5	88	163	79	182
- of which risk category >5	11	165	14	184
<i>of which other corporate lending</i>				
- risk category 1–3	150	182	169	204
- risk category 4–5	71	191	74	212
- risk category >5	18	193	23	215
<b>Loans to credit institutions including derivatives</b>	<b>46</b>		<b>64</b>	
- risk category 1–3	46	198	63	223
- risk category >3	0	198	1	223
<b>Other assets</b>	<b>0</b>	<b>198</b>	<b>0</b>	<b>223</b>
Other lending	39	203	117	237
<b>Non-encumbered/non-pledged assets</b>	<b>1 709</b>	<b>203</b>	<b>1 992</b>	<b>237</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 available for encumbrance	Fair value of collateral received available for encumbrance		Fair value of encumbered collateral received	
	2015	2014	2015	2014
SEK bn				
Government instruments and bonds	11	29	5	1
Shares	4	4	4	4
<b>Total</b>	<b>15</b>	<b>33</b>	<b>9</b>	<b>5</b>

The carrying amount of the liabilities and other commitments for which the collateral has been pledged amounts to SEK 8bn (5).

Cover pool data	Sweden		Norway	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
SEK m				
Stadshypotek total lending, public	936 504	878 943	66 986	64 243
Available assets for cover pool	859 398	786 304	62 264	58 311
Utilised assets in cover pool	600 025	600 850	17 701	22 394
Maximum LTV, weighted average ASCB definition <sup>1</sup>	53.6	49.3	56.7	49.4
Volume-weighted LTV (LTV Mid)	27.1	25	29.1	25.4
<b>LTV, breakdown</b>				
0–10%	23.5	23.9	19.6	23.1
10–20%	20.1	20.9	20.3	22
20–30%	16.8	18.1	17.3	18.1
30–40%	13.7	15.2	14.9	15.6
40–50%	10.8	12.3	12.1	12.4
50–60%	8	9.5	9.2	8.8
60–70%	5.4	0	5.5	0
70–75%	1.7	0	1.1	0
Loan amount, weighted average, SEK	625 700	638 600	3 115 226	3 156 843
Loan term, weighted average, no. of months	42	41	22	22
<b>Interest fixing periods, breakdown</b>				
Floating rate %	45	50	100	100
Fixed rate %	55	50	0	0

<sup>1</sup> The calculation method has been changed which has affected the comparison figures for 2014.



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 LTV, LTV Max, was 53.6 per cent in the Swedish pool and 56.7 per cent in the Norwegian pool. 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.

The assets which the Bank has chosen to keep outside the pool are shown in the table on the previous page and can be used for issues of covered bonds if necessary.

### 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 to the operations via Central Treasury.

In the wake of the financial crisis of recent years, a number of new regulations have been introduced. The Bank has previously implemented a number of measures at its own initiative. 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 proportion 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 local payment systems required to support the core operation and in this way ensures 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 is 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 normally 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 Central Treasury varies according to factors such as the maturity period. No liquidity risks can be taken locally. The internal pricing is important in order to create the right incentive and to 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 at 31 December 2015

Programme	Currency	Programme size	Utilised amount, current programme	Countervalue SEK m
ECP <sup>1</sup>	EUR	5 000	3 271	29 881
ECP (Stadshypotek) <sup>1</sup>	EUR	4 000	106	968
French commercial paper	EUR	7 500	673	6 148
Swedish commercial paper	SEK	25 000	400	400
Swedish commercial paper (Stadshypotek)	SEK	90 000	0	0
USCP	USD	15 000	7 032	58 734
AMTN	AUD	5 000	650	3 956
AMTCN (Stadshypotek)	AUD	5 000	750	4 565
EMTN <sup>1</sup>	USD	50 000	23 681	197 793
EMTCN (Stadshypotek) <sup>1</sup>	EUR	20 000	10 864	99 243
US 144A/3(a)(2)	USD	20 000	10 900	91 041
Stadshypotek US 144A	USD	15 000	3 750	31 322
Samurai	JPY	400 000	192 300	13 335
MTN <sup>1</sup>	SEK	100 000	15 392	15 392
General funding > 1 yr <sup>1</sup>	USD	15 000	2 324	19 411
Extendible notes	USD	15 000	3 804	31 773
<b>Total</b>				<b>603 962</b>
Total programme or limited amounts, SEK m		1 722 839		
Unutilised amount, SEK m		1 118 877		
<b>Remaining to utilise, %</b>		<b>65</b>		

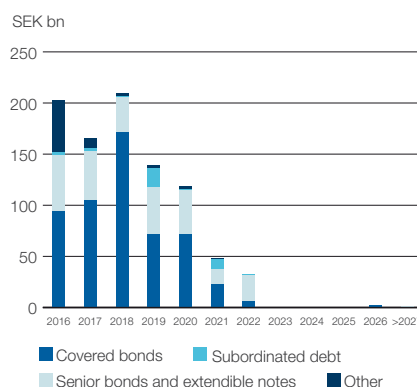
<sup>1</sup> It is possible to issue in other currencies than the original programme currency under these programmes, where currency conversion takes place at the time of issue.



### Long-term market funding – composition

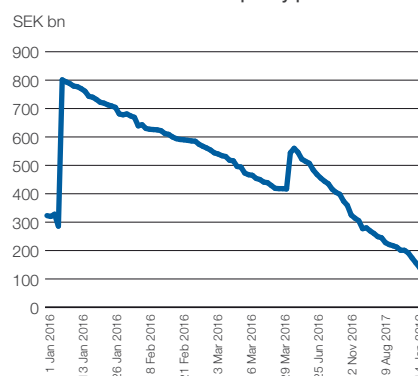
During the year, Handelsbanken issued long-term market funding in all currencies that are important to the Bank. Short-term funding mainly takes place through issues of certificates of deposit under the various loan programmes in Sweden, Europe and the US. These loan programmes are supplemented by funding 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 214 billion in long-term market funding was issued during the year.

### Maturity profile long-term market funding

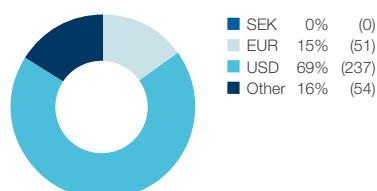


Refers to issued securities as at 31 December 2015 with an original maturity exceeding one year.

### Stress test of liquidity, including liquidity-creating measures – accumulated liquidity position

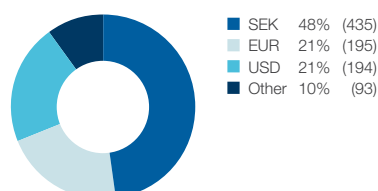


### Short-term market funding per currency as at 31 December 2015



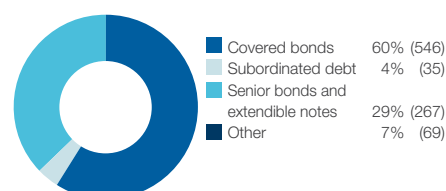
Refers to the currency breakdown as at 31 December 2015 for issued securities with original time to maturity of less than one year. Amounts in brackets SEK billions.

### Long-term market funding per currency as at 31 December 2015



Refers to the currency breakdown as at 31 December 2015 for issued securities with original time to maturity of more than one year. Amounts in brackets SEK billions.

### Long-term market funding per instrument as at 31 December 2015



Refers to breakdown per instrument as at 31 December 2015 for issued securities with original time to maturity of more than one year. Amounts in brackets SEK billions.

### Holdings with central banks and banks, and securities holdings in the liquidity reserve as at 31 December 2015, market value

SEK m	SEK	EUR	USD	Other	Total
Cash and balances with and other lending to central banks	15 998	45 560	94 626	80 175	236 359
Balances with other banks and National Debt Office, overnight	0	43	75	1 062	1 180
Government-issued securities	33 915	6 900	16 933	-	57 748
Securities issued by municipalities and other public entities	2 045	275	3 068	-	5 388
Covered bonds	35 707	2 554	-	10 521	48 782
Own covered bonds	1 314	-	-	-	1 314
Securities issued by non-financial companies	502	135	-	-	637
Securities issued by financial companies (excl. covered bonds)	214	4	-	15	233
Other securities	-	-	-	-	-
<b>Total</b>	<b>89 695</b>	<b>55 471</b>	<b>114 702</b>	<b>91 773</b>	<b>351 641</b>

### Holdings with central banks and banks, and securities holdings in the liquidity reserve as at 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>



### 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 three 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 flows is restricted by means of limits. Central Risk Control reports risk utilisation daily to the CFO, weekly to the CEO and continuously 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 also 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.

Since 2013, Liquidity Coverage Ratio (LCR) has been a binding requirement for Swedish banks, and Handelsbanken reports it according to the Swedish Financial Supervisory Authority's definition. The figure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The ratio must be more than 100 per cent. The requirement applies to LCR at aggregate level and separately for US dollars and euros. Since 1 October 2015, the European Commission's delegated act contains a minimum European requirement for LCR. The minimum requirement is initially 60 per cent and will be gradually raised to 100 per cent by 2018 when the delegated act will be fully implemented. The LCR introduced by the Swedish Financial Supervisory Authority is based on considerably more stressed assumptions, particularly in terms of outflow assumptions regarding deposits and the composition of the liquidity portfolio.

The LCR 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 137 per cent (140), which shows that the Bank has large 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 non-fixed-term 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 more than three years. Thus, the Bank also has major powers of resistance to 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 94 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, 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 a 0–1-month time interval. The total outstanding amount of these commitments does not necessarily represent future funding requirements. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid or received, such as currency swaps.

Liquidity Coverage Ratio (LCR) %	2015	2014
EUR	161	154
USD	429	137
<b>Total</b>	<b>137</b>	<b>140</b>

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

Liquidity Coverage Ratio (LCR) – decomposition SEK m	2015	2014
<b>Liquid assets</b>	<b>283 573</b>	<b>312 480</b>
Liquid assets level 1	242 606	270 364
Liquid assets level 2	40 967	42 116
<b>Cash outflows</b>	<b>318 364</b>	<b>595 043</b>
Deposits from customers	141 589	205 068
Market funding	142 770	351 164
Other cash outflows	34 005	38 811
<b>Cash inflows</b>	<b>111 599</b>	<b>372 482</b>
Inflows from maturing lending to non-financial customers	22 612	25 437
Other cash inflows	88 987	347 045

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. Deposits from customers 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. Lending to non-financial customers corresponds to Chapter 5, Section 4. Other cash inflows corresponds to Chapter 5, Sections 6–12.



Maturity analysis for financial assets and liabilities, 2015								
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	236 752	-	-	-	-	-	-	236 752
Interest-bearing securities eligible as collateral with central banks <sup>1</sup>	75 192	-	-	-	-	-	-	75 192
Bonds and other interest-bearing securities <sup>2</sup>	44 951	-	-	-	-	-	-	44 951
Loans to credit institutions	31 161	13 968	212	230	787	3 920	-	50 278
of which reverse repos	14 586	8 833	-	-	-	-	-	23 419
Loans to the public	58 113	233 279	171 597	191 513	364 138	940 827	-	1 959 467
of which reverse repos	7 742	-	-	-	-	-	-	7 742
Other	34 952	-	-	-	-	-	215 020	249 972
of which shares and participating interests	30 387	-	-	-	-	-	-	30 387
of which claims on investment banking settlements	4 565	-	-	-	-	-	-	4 565
<b>Total assets</b>	<b>481 121</b>	<b>247 247</b>	<b>171 809</b>	<b>191 743</b>	<b>364 925</b>	<b>944 747</b>	<b>215 020</b>	<b>2 616 612</b>
Due to credit institutions	69 819	67 894	1 620	5 868	903	7 736	14 113	167 953
of which repos	290	-	-	-	-	-	-	290
of which central banks	13 066	55 291	-	5	-	-	1 333	69 695
Deposits and borrowing from the public	3 119	43 653	7 729	1 084	2 396	6 650	689 373	754 004
of which repos	-	-	-	-	-	-	-	0
Issued securities <sup>3</sup>	98 204	356 399	120 523	182 911	478 689	79 415	-	1 316 141
of which covered bonds	23	44 708	68 531	120 017	337 249	33 424	-	603 952
of which certificates and other securities with original maturity of less than one year	96 773	270 064	7 722	-	-	-	-	374 559
of which senior bonds and other securities with original maturity of more than one year	1 408	41 627	44 270	62 894	141 440	45 991	-	337 630
Subordinated liabilities	374	825	2 566	4 226	21 791	10 416	-	40 198
Other	8 940	-	-	-	-	-	315 985	324 925
of which short positions	2 416	-	-	-	-	-	-	2 416
of which investment banking settlement debts	6 524	-	-	-	-	-	-	6 524
<b>Total liabilities</b>	<b>180 456</b>	<b>468 771</b>	<b>132 438</b>	<b>194 089</b>	<b>503 779</b>	<b>104 217</b>	<b>1 019 471</b>	<b>2 603 221</b>
<b>Off-balance-sheet items</b>								
Financial guarantees and unutilised commitments	420 857							
<b>Derivatives 2015</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	270 580	390 214	75 129	115 406	274 686	110 695		1 236 710
Total derivatives outflow	269 984	384 083	72 032	108 327	254 483	108 497		1 197 406
<b>Net</b>	<b>596</b>	<b>6 131</b>	<b>3 097</b>	<b>7 079</b>	<b>20 203</b>	<b>2 198</b>		<b>39 304</b>

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</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</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							
<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	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 25,294m (21,927) of the amount (excl. interest) has a residual maturity of less than one year.

<sup>2</sup> SEK 6,021m (6,023) of the amount (excl. interest) has a residual maturity of less than one year.

<sup>3</sup> SEK 550,827m (529,498) 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 value of the company's guaranteed 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 819 million (754).

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 management policy, established by the Board of the insurance company. 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. In 2015, Handelsbanken Liv started to use the life expectancy assumptions based on the industry standard, DUS14, and observed mortality in its own portfolio. If mortality continues 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 67 million for the part of the group with longevity risk. 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 2015 is SEK 53 million, where SEK 32 million is attributable to sickness cases reported during the year, SEK 4 million to existing sickness cases which are being closed, and the remaining SEK 17 million to sickness cases which have occurred but not yet been reported, and also settlements of sickness cases.

The insurance operations report their market and insurance risks as well as operational risk 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

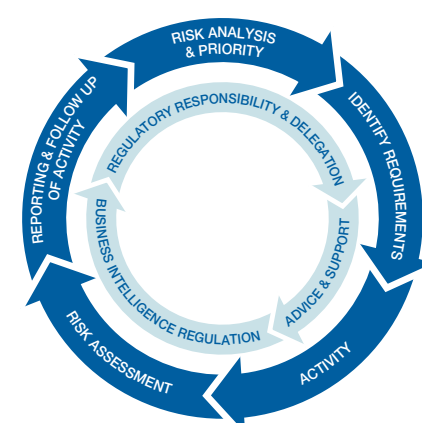
In 2016, the new Solvency II regulations will come into force. One overall purpose of the regulations is to strengthen protection for insurance policyholders by more clearly linking the capital requirement to how the insurance companies identify, measure and manage their risks. During the past few years, Handelsbanken Liv has worked actively on adapting its operations to the new regulatory demands and it will report according to the new regulations in 2016.

#### 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.

The Handelsbanken Group has high ambitions regarding good administrative order, ethical standards and compliance with laws and regulations. In its Compliance Policy, Handelsbanken's Central Board has established that:

#### Compliance work process





"The Bank has a low tolerance with regard to compliance risks and, as far as possible, it must endeavour to prevent these risks." The objective is that no breaches of regulations should occur within the Group's operations, and that compliance risks are identified and managed.

Poor management of compliance risks may lead to increased operational and legal risks, reputation risk and the risk of intervention by the supervisory authorities. The work of compliance aims to identify compliance risks and to ensure that the requisite action is taken to manage them.

The Swedish Financial Supervisory Authority's regulations and general guidelines regarding governance, risk management and control at credit institutions (FFFS 2014:1), EBA Guidelines on Internal Governance (GL44), and ESMA's Guidelines on certain aspects of the MiFID compliance function requirements establish the guidelines for how supervisory authorities consider the compliance function should be set up, and how work with compliance matters should be carried out. In addition to these, the Basel Committee's "Compliance and the compliance function in banks" establishes how compliance should function. Handelsbanken has implemented this work method through its policies, guidelines and instructions.

### Organisation

Handelsbanken's compliance function is organised as a central compliance department ("Central Compliance"), and also local compliance officers or departments ("Local Compliance") in every business area, regional bank and central department, and in all countries where Handelsbanken has local operations.

### Responsibility

Compliance is an essential part of Handelsbanken's operations and is thus the responsibility of all managers and employees in the Group. Compliance is responsible for identifying and assessing material compliance risks, performing regular controls and assessments as to how the Bank fulfils its obligations with regard to legislation, regulations and other rules applying to the licensed operations, providing support and advice to the Bank's units regarding compliance questions and reporting to management and the Board regarding compliance and compliance risks. Central Compliance has the functional and operational responsibility for all compliance work at Handelsbanken. Central Compliance may delegate functional responsibility for following up regulations to Local Compliance, which is thus allocated the operational responsibility and the authority for how the work is to be performed at the unit in question.

Local compliance functions are evaluated by Central Compliance, in order to assess whether they have satisfactory independence and sufficient quantitative and qualitative resources.

### Risk-based compliance work

Compliance's risk-based work follows a structure based on identifying regulations, risk analysis

for prioritisation, activities in the form of support and advice as well as controls, identifying compliance risks and reporting these. To evaluate Handelsbanken's compliance risks, a three-level assessment scale is used: "Low", "Medium" and "High". The assessments are based on the risk of sanctions, losses or damage to the brand. The Head of Central Compliance reports identified compliance risks and action taken every quarter to the CEO, every six months to the Board's risk committee and annually to the Board.

### Compliance risk

In 2015, a few compliance risks were reported as high and were subject to rapid action to reduce them to an acceptable level. In 2015, the risk that the Bank would be used for money laundering or for financing of terrorism was the highest risk. In spring 2015, the Bank received a sanction from the Swedish Financial Supervisory Authority since the Bank's anti-money laundering measures were not considered to be adequate. An extensive project was immediately started to ensure good management of the risks and compliance in this area.

The increasingly comprehensive and detailed regulations concerning investment advice and insurance mediation constitute a compliance risk for Handelsbanken and for the banking system as a whole. The Bank has undertaken extensive measures in order to manage this risk. A new user access system with three different levels of certification has been introduced for employees who give advice, system support for advisory services has improved, comprehensive internal training has been carried out and internal control of the advice given has been enhanced.

Another area which comprises a potential risk for the Bank and the banking sector as a whole is data quality. The Bank is deemed to have complete information for its risk management, but future, new requirements are very strict in terms of automatic aggregation of data in various dimensions. A large internal project is in progress to ensure compliance in this area when the new regulations come into force.

### 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 risk. Operational risk must be managed so that the Group's operational losses remain small, both in comparison with previous own losses incurred, and with other banks' operational losses. In 2015, Handelsbanken's opera-

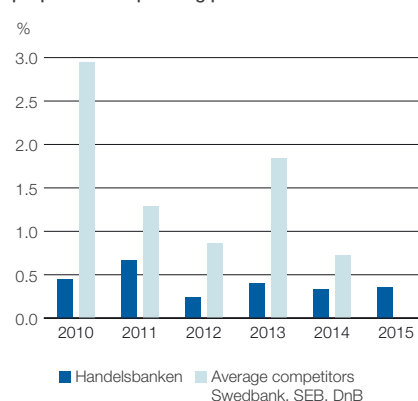
tional losses were SEK 74 million (63). This is a low figure, both in comparison with previous years and compared with other banks, as shown in the figure below.

Operational risk occurs in all operations at Handelsbanken. The responsibility for identifying, assessing and managing operational risk is therefore part of managerial responsibility at all levels in Handelsbanken. The Bank's decentralised method of work promotes good management of operational risk by means of the cost-consciousness which leads to vigilance against potential loss risk in daily procedures and events. Operational errors and deficiencies are reduced as far as possible. This applies to minor but frequent events and major events which could cause major unexpected losses. The strong focus on good administrative order in the Group also contributes to all parts of the operations keeping their risks at a level which is in line with the Bank's strict view of risk. Management of operational risk is thus carried out in the business operations and its work is checked by Local and Central Risk Control.

Specially appointed local co-ordinators for operational risk are in place at regional banks, main departments, subsidiaries and units outside the Bank's home markets to assist managers in their processing of operational risk. They are responsible for ensuring that existing methods and procedures for managing operational risk are used in the business operations. They are also responsible for monitoring that the business operations take and implement appropriate proactive measures. The Local Risk Control functions at regional banks, main departments, subsidiaries and units outside the Bank's home markets check that management of operational risk is correctly performed. This is done by means of regular quality assurance and evaluation of the operations' work with operational risk.

Central Risk Control has the overall responsibility for the methods and procedures used to identify, steer, control and report operational risk, and for follow-up at overall Group level. To achieve and maintain good quality in this management, Central Risk Control has close, regu-

Volume-weighted operational losses as a proportion of operating profit





## Operational risk management at Handelsbanken



lar co-operation with both 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 risk to the management and Board.

As an aid to continual identification, handling and management of operational risk, the Bank has a reporting and case management system for incidents, a self-assessment procedure and Key Risk Indicators (KRI). 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 seven types of events:

- Execution, Delivery & Process Management
- Business Disruptions & System Failures
- Clients, Products & Business Practices
- External Crime
- Damage to Physical Assets
- Employment Practices and Workplace Safety
- Internal Fraud.

OPRA risk analysis is a self-assessment procedure to document and assess operational risk 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. 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 information 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. Local Risk Control is informed about the completed OPRA risk analysis, including the action plan, and it evaluates 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.

Key Risk Indicators is a method of identifying operational risk at an early stage. Key Risk Indicators were implemented in 2015 as a tool at local and central level. Local co-ordinators for operational risk regularly collect data and present it to the local management. Some Key Risk Indicators are collected by Central Risk Control and presented to management and the Board.

Since May 2015, the Bank has been a member of ORX (Operational Riskdata eXchange Association). The main purpose of ORX is for participating banks to exchange anonymised data concerning incidents leading to operational losses. ORX also has an important function in standardising and ensuring the quality of data on operational risk. Extensive research is being done on methods regarding operational risk and it is an important forum for exchange of information.

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 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 risk. Central Risk Control is involved in complex cases or when this is justified for other reasons.

There are contingency and continuity plans in place in all parts of the Group for dealing with serious disruptions. The contingency 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 Central Risk Control, Central IT, Group Finance, the national organisations in Sweden and in the UK, 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 the local crisis teams 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 TSA, The Standardised Approach, to calculate the capital requirement for operational risk. According to TSA, 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 risk for the whole of the Handelsbanken Group was SEK 4,655 million (4,439) at the end of 2015.

## 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. 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 necessary in order to achieve the goals for the unit's operations. Where variable remuneration exists, it is subject to deferred payment.

In 2015, SEK 114 million (115) was paid in variable remuneration to 217 employees (216). This amount corresponds to a small part of total salaries and the number of employees who receive variable remuneration is also a small proportion of the total number of employees. 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 guidelines and 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. 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. Since the risks are partly independent of each other, the capital requirement for all risks is lower than the sum of the economic capital for each individual risk.

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.

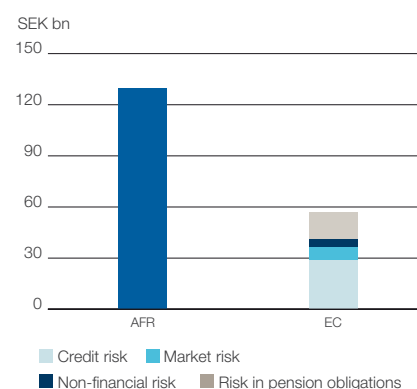
Credit risk is calculated using simulated outcomes of default for all the Group's counterparties and exposures.

Market risks comprise the risk in the assets 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.

**Total of AFR and EC including diversification, as at 31 December 2015**



Allocated variable remuneration	2015	2014
Earned variable remuneration <sup>1</sup> , SEK m	114	115
Salaries and fees, SEK m	7 986	7 574
No. of persons to whom variable remuneration has been allocated	217	216
Average number of employees	11 819	11 692
Allocated variable remuneration, as proportion of salaries and fees, %	1.4	1.5
No. of persons to whom variable remuneration has been allocated as a proportion of average number of employees, %	1.8	1.8

<sup>1</sup> All variable remuneration is paid in cash. The amounts are excluding social security costs.



At year-end, EC was SEK 57 billion (57), of which credit risks accounted for the main part of the total risk. The Board stipulates that the AFR/EC ratio should be at least 120 per cent. The ratio was 228 per cent (214) 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 requirement is a function of the Group's risks, expected development, the regulations and target ratios, Handelsbanken's model for economic capital and also of stress tests. The Bank's capital requirement is reported weekly to the CFO, regularly to the CEO, and at least quarterly to the Board.

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 the capital requirements and capital level. Short-term forecasting includes all sub-components that make up the Group's own funds and, in addition to the regulatory minimum requirements and buffers, the capital requirement includes Pillar 2 of the regulations. 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 its own funds if required – for example, through market operations.

The result of the short-term analysis forms the basis of any capital operations performed and is reported weekly to the CFO, on a regular basis to 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 the effects which 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 available financial resources (AFR) at all times cover by a good margin all risks calculated according to the economic capital model.

The long-term forecast also includes an assessment of the trend for the Bank's overall capital over the period: the minimum requirements, the combined buffer requirements and the Pillar 2 requirement. 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.

A basic scenario forms the foundation of the long-term 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 2015, the common equity tier 1 ratio was 21.2 per cent (20.4). The ratio between AFR and EC was 228 per cent (214) 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 is stress and scenario analysis 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, the Swedish Financial Supervisory Authority has communicated that the target figures of Swedish banks 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 be between 1 and 3 percentage points above the total common equity tier 1 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 be at least 1 percentage point above the total capital assessment communicated to the Bank by the Supervisory Authority for the respective capital tiers.

In November 2015, the Financial Supervisory Authority informed Handelsbanken that they assess that Handelsbanken's requirement for common equity tier 1 capital corresponds to a common equity tier 1 ratio of 18.6 per cent.



## G3 Net interest income

SEK m	2015	2014
<b>Interest income</b>		
Loans to credit institutions and central banks	1 356	1 642
Loans to the public	41 963	49 280
Interest-bearing securities eligible as collateral with central banks	651	719
Bonds and other interest-bearing securities	915	1 016
Derivative instruments	-2 386	-2 484
Other interest income	1 377	1 359
<b>Total interest income</b>	<b>43 876</b>	<b>51 532</b>
Of which interest income reported in net gains/losses on financial transactions	824	633
<b>Interest income according to income statement</b>	<b>43 052</b>	<b>50 899</b>
<b>Interest expense</b>		
Due to credit institutions and central banks	-908	-1 033
Deposits and borrowing from the public	-1 881	-3 686
Issued securities	-18 166	-21 233
Derivative instruments	8 364	4 838
Subordinated liabilities	-1 695	-1 283
Other interest expense	-1 574	-1 523
<b>Total interest expense</b>	<b>-15 860</b>	<b>-23 920</b>
Of which interest expense reported in net gains/losses on financial transactions	-548	-265
	<b>-15 312</b>	<b>-23 655</b>
<b>Net interest income</b>	<b>27 740</b>	<b>27 244</b>

Includes interest income on impaired loans SEK 107m (98). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 44,808m (52,407). Total interest expense on liabilities recognised at amortised cost was SEK 23,676m (28,493).

## G4 Net fee and commission income

SEK m	2015	2014
Brokerage and other securities commissions	1 071	1 104
Mutual funds	2 987	2 475
Custody and other asset management fees	600	540
Advisory services	326	235
Insurance	639	637
Payments	3 364	3 133
Loans and deposits	1 096	1 131
Guarantees	421	424
Other	471	464
<b>Total fee and commission income</b>	<b>10 975</b>	<b>10 143</b>
Securities	-244	-225
Payments	-1 337	-1 278
Other	-74	-84
<b>Total fee and commission expense</b>	<b>-1 655</b>	<b>-1 587</b>
<b>Net fee and commission income</b>	<b>9 320</b>	<b>8 556</b>



## G5 Net gains/losses on financial transactions

SEK m	2015	2014
Trading, derivatives, FX effect etc.	1 965	-955
Other financial instruments denominated at fair value in profit/loss	-497	2 277
<i>of which interest-bearing securities</i>	-401	2 259
<i>of which loans</i>	-96	18
Financial instruments at amortised cost	53	160
<i>of which loans</i>	482	611
<i>of which liabilities</i>	-429	-451
Financial instruments available for sale	1 203	369
Hedge accounting		
Fair value hedges	-53	-81
<i>of which hedging instruments</i>	38	197
<i>of which hedged items</i>	-91	-278
Ineffective portion of cash flow hedges	32	10
Hedge ineffectiveness on net investment in foreign operations	-	-
Gains/losses on unbundled insurance contracts	-95	-3
<b>Total</b>	<b>2 608</b>	<b>1 777</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 2 million (4).

### 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 792 million (244) 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 110 million (51) before tax. This amount has been partly recognised in net interest income.

### Hedge accounting

"Fair value hedges" includes the net profit/loss of unrealised and realised fair value changes on hedging instruments and the hedged risk component in financial assets and liabilities which are part of hedging packages. Interest income

and interest expense deriving from hedging instruments are recognised in net interest income. Value changes of hedging instruments in cash flow hedges which exceed the value changes of hedged future cash flows are reported under "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	2015	2014
Premiums written	499	510
Insurance claims paid	-376	-377
Change in provisions for unsettled claims	11	45
Other	23	-13
<b>Total</b>	<b>157</b>	<b>165</b>

## G7 Other income

SEK m	2015	2014
Rental income	33	34
Other operating income	180	269
<b>Total</b>	<b>213</b>	<b>303</b>



## G8 Staff costs

SEK m	2015	2014
Salaries and fees	-7 986	-7 574
Social security costs	-1 874	-1 851
Pension costs <sup>1</sup>	-1 360	-1 091
Provision to profit-sharing foundation	-858	-795
Other staff costs	-503	-455
<b>Total</b>	<b>-12 581</b>	<b>-11 766</b>

<sup>1</sup> The components in the reported pension costs are shown in the Pension costs table.

Salaries and fees SEK m	2015	2014
Executive officers <sup>2</sup>	-150	-144
Others	-7 836	-7 430
<b>Total</b>	<b>-7 986</b>	<b>-7 574</b>

<sup>2</sup> Executive Directors and Board in the parent company and Chief Executives, Deputy Chief Executives and boards in subsidiaries.

Gender distribution	2015		2014	
%	Men	Women	Men	Women
Executive officers excluding boards	67	33	67	33
Boards	73	27	71	29
Of which in parent company	67	33	80	20
Of which in subsidiaries	74	26	70	30

Average number of employees	2015	Men	Women	2014	Men	Women
Sweden	7 263	3 410	3 853	7 383	3 402	3 981
Norway	766	420	346	766	415	351
Finland	614	258	356	613	259	354
Denmark	690	361	329	702	347	355
UK	1 904	1 129	775	1 667	1 000	667
Luxembourg	62	36	26	67	39	28
Germany	53	30	23	59	32	27
USA	71	46	25	74	47	27
Netherlands	170	109	61	140	86	54
Singapore	39	12	27	38	9	29
China	72	29	43	69	26	43
Poland	42	16	26	43	16	27
Russia	1	1	0	1	1	0
Other countries	72	26	46	70	28	42
<b>Total</b>	<b>11 819</b>	<b>5 883</b>	<b>5 936</b>	<b>11 692</b>	<b>5 707</b>	<b>5 985</b>

Remuneration <sup>3</sup> exceeding EUR one million No. of persons	2015	2014
Range EUR 1.0–1.5m	4	4
Range EUR 1.5–2.0m	1	1
Range EUR 2.0–2.5m	-	1
Range EUR exceeding 2.5m	-	-
<b>Total</b>	<b>5</b>	<b>6</b>

<sup>3</sup> Including pension and other salary benefits.

### EMPLOYEE BENEFITS

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 8,101 employees (7,662) whose activities can affect the Group's risk profile to a material extent. At Handelsbanken, these employees are designated as "risk-takers". 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 amended in FFFS 2014:22.

For the financial year 2015, Handelsbanken has reserved SEK 858 million to the Oktogonen profit-sharing scheme. The corresponding amount for 2014 was SEK 795 million and for 2013, it was SEK 1,096 million. The reserved amount is established by the Board the year after the financial year. After a deduction for social security costs, the allocation established for 2014 corresponded to SEK 53,925 for a full-time employee.

### REMUNERATION TO EXECUTIVE OFFICERS

The executive officers of the parent company are the CEO, the other Executive Directors and Board members, who are presented on pages 62–65. The remuneration to executive officers of the parent company is in accordance with the guidelines for remuneration established by the 2015 annual general meeting (AGM). See also pages 58–60.

Information regarding remuneration, pension obligations, and credits to and deposits from executive officers of Handelsbanken is also provided on these pages for the subsidiaries'

Chief Executives, Deputy Chief Executives and Board members.

Remuneration to executive officers of the Handelsbanken Group is paid only in the form of fixed salary and pension provisions, as well as customary benefits such as a company car. Following a special Board decision, the Bank can provide housing as part of the remuneration. No variable remuneration is paid. Executive officers who are employees of the Bank are included in Handelsbanken's profit-sharing scheme Oktogonen and are entitled to convert salary to pension on the same conditions as all employees.

Board members in the Handelsbanken Group who are not employees of the Bank have only received 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 pension cost stated by the Bank in the remuneration information for executive officers below consists of the service cost relating to defined benefit pensions according to IAS 19, the agreed premiums for defined contribution pensions, and any pension premiums that have been sacrificed from salary.

### The CEO's remuneration and pension terms

For the period from 25 March until 31 December 2015, CEO Frank Vang-Jensen, who was appointed during the year, received a fixed salary amounting to SEK 7.3 million. His other sal-

ary benefits are SEK 0.9 million and the pension cost was SEK 2.9 million, corresponding to 40.0 per cent of his salary. The CEO's pension is defined contribution, with a retirement age of 65. The pension premium includes disability and surviving dependants' insurance.

The previous CEO of the parent company, Pär Boman, left his employment with the Bank on 25 March. For the period from 1 January until 25 March 2015, Pär Boman received a fixed salary after conversion to pension amounting to SEK 2.8 million (11.2). Other salary benefits were SEK 0.1 million (0.3) and the Bank's pension cost was SEK 2.4 million (7.1). Before conversion to pension, the pension cost was SEK 2.2 million, including settlement of SEK 0.6 million in accordance with IAS 19, which corresponds to 73.8 per cent (49.9) of the salary. External fees for serving on the boards of other companies on behalf of the Bank have been paid to the Bank. Pär Boman's defined benefit pension is 60 per cent of his most recently established annual salary, with lifelong disbursement starting from the age of 60. The pension is co-ordinated with the statutory pension insurance and is placed in a paid-up policy in conjunction with the termination of employment.

### Remuneration and pension terms for other executive officers in the parent company

#### Pension terms

8 of the Bank's other Executive Directors (12) receive a defined benefit retirement pension of a maximum of 65 per cent of their salary at the time of retirement, and also a pension premium of a maximum of two per cent of their salary. Their minimum retirement age is 60\* and the defined benefit retirement pension is earned



Remuneration <sup>1</sup> to risk-takers <sup>2</sup> , business segments	2015		2014	
	Remuneration	No. of persons	Remuneration	No. of persons
SEK m				
Handelsbanken Sweden	1 912	3 375	1 894	3 184
Handelsbanken UK	974	1 072	765	836
Handelsbanken Denmark	427	464	428	456
Handelsbanken Finland	180	315	171	307
Handelsbanken Norway	572	627	513	615
Handelsbanken the Netherlands	44	45	39	39
Handelsbanken Capital Markets	1 755	1 747	2 005	1 803
Others	469	456	467	422
<b>Total</b>	<b>6 333</b>	<b>8 101</b>	<b>6 282</b>	<b>7 662</b>

Remuneration <sup>1</sup> to risk-takers <sup>2</sup>	2015		2014	
	Executive Management <sup>3</sup>	Other risk-takers	Executive Management <sup>3</sup>	Other risk-takers
Earned fixed remuneration, SEK m	158	6 084	138	6 029
Earned variable remuneration, SEK m	-	91	-	115
<b>Total</b>	<b>158</b>	<b>6 175</b>	<b>138</b>	<b>6 144</b>
No. of persons with fixed remuneration only	19	7 843	21	7 378
No. of persons who may receive both fixed and variable remuneration	0	239	-	263
<b>Total number of persons</b>	<b>19</b>	<b>8 082</b>	<b>21</b>	<b>7 641</b>
Allocated variable remuneration, SEK m	-	114	-	115
of which deferred <sup>4</sup>	-	50	-	59
of which disbursed	-	64	-	56
No. of persons to whom variable remuneration has been allocated	-	217	-	216
Deferred variable remuneration at beginning of year	-	152	-	102
Allocated and deferred variable remuneration during the year	-	50	-	59
Disbursed during the year	-	-21	-	-9
Adjusted during the year	-	0	-	0
<b>Deferred variable remuneration at end of year</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>152</b>
Guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-
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 2014. 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 56 risk-takers (51) have been recognised as an expense for SEK 47m (46), and have been contracted for SEK 44m (47) for 55 risk-takers (52). The largest individual contracted termination benefit is SEK 5.6m (4.1). During the year, guaranteed variable remuneration has been allocated to 0 persons (0).

<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.

<sup>4</sup> As of 2015, part of the deferred remuneration in the subsidiary Heartwood Wealth Management Limited consists of fund shares in Heartwood Funds. In 2015 this share amounted to SEK 1.7m.

successively during the period of employment; it is fully earned for these persons by the time they reach the age of retirement.

1 Executive Director (1) 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 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 salary.

9 Executive Directors (7) receive a defined contribution pension with 65 as the age of retirement. The premium is individual and is a maximum of 50 per cent of the salary. 5 (3) of these persons have a collectively agreed occupational BTP and BTPK pension, in addition to the contracted premium.

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/or defined contribution pension earned.

### Remuneration

In 2015, Deputy CEO Claes Norlén received a fixed salary amounting to SEK 5.0 million (5.0). Other salary benefits are SEK 0.1 million (0.1) and the pension cost was SEK 1.9\*\* million (2.3), corresponding to 38.5 per cent (46.7) of his salary.

Other Executive Directors, an average of 19 individuals (19) during the year, have received fixed salary, after conversion to pension, amounting to SEK 86.2 million (76.6). Other

salary benefits were SEK 11.0 million (6.6) and the Bank's pension cost was SEK 37.2 million (27.7). Before conversion to pension, the pension cost was SEK 36.5 million (27.3), corresponding to 42.1 per cent of the salary (35.5).

Fees for serving on the boards of other companies on behalf of the Bank have been paid to the Bank.

\* In new pension terms entered into after 1 January 2012, the age of retirement is 65.

\*\* Claes Norlén reached the age of 60 in 2015 and thus according to the agreement his pension is fully earned. After the age of 60, his salary does not qualify for a pension.

\*\*\* A total of 19 Executive Directors as at 31 December 2015.

\*\*\*\* 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 depends on financial and demographic assumptions which may change from year to year.

\*\*\*\*\* The increase in the pension obligation is essentially due to actuarial deviations, mainly a lower discount rate.



## G8 Cont.

**Remuneration to executive officers in subsidiaries**

Fees paid to the 16 board members (11) of subsidiaries who are not employees of the Bank or its subsidiaries are SEK 2.1 million (1.2).

In 2015, the Chief Executives and Deputy Chief Executives of the subsidiaries, 24 individuals (22), received fixed salaries after conversion to pension amounting to SEK 36.1 million (39.0). Other salary benefits were SEK 1.5 million (1.4) and the Bank's pension cost was SEK 5.4 million (5.9). Before conversion to pension, the pension cost was SEK 5.3 million (5.8), corresponding to 14.6 per cent (19.6) of the salary.

Remuneration is not paid to Chief Executives and Deputy Chief Executives of subsidiaries who have other main work tasks at Handelsbanken.

**PENSION OBLIGATIONS TO EXECUTIVE OFFICERS**

During his previous period of service in the Handelsbanken Group, CEO Frank Vang-Jensen has earned defined benefit pension for which the pension obligation\*\*\*\* amounts to SEK 17.9 million (12.9) as at 31 December 2015. As at 31 December 2015, the pension obligation for the

previous CEO, Pär Boman, was SEK 223.1 million (169.6).\*\*\*\*\* As at 31 December 2015, the pension obligation for the Deputy CEO Claes Norlén was SEK 90.1 million (73.4), and for the other Executive Directors in the parent company – 17 individuals as at 31 December 2015 – pension obligations were SEK 773.6 million.

As at 31 December 2015, pension obligations in the Handelsbanken Group for all present and previous executive officers totalled SEK 2,878 million (2,316). As at 31 December 2015, pension obligations in the parent company for all present and previous executive officers totalled SEK 2,733 million (2,192). The number of people covered by these obligations in the Group is 83 (78), of whom 53 are pensioners (47). The corresponding number for the parent company is 67 (63), of whom 48 are pensioners (42).

**CREDITS TO AND DEPOSITS FROM EXECUTIVE OFFICERS**

As at 31 December 2015, credits to executive officers were SEK 146.2 million (206) in the parent company and SEK 67.4 million (61) in the subsidiaries. Deposits in the parent company from these persons totalled SEK 662.5 million

(918). In 2015, the Bank's interest income from these persons for credits totalled SEK 1.0 million (2.2) in the parent company and SEK 0.8 million (1.0) in the subsidiaries. Interest paid to these persons for deposits in the parent company was SEK 3.9 million (10.2).

As at 31 December 2015, credits to executive officers in the subsidiaries in the Handelsbanken Group were SEK 131.9 million (235).

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.

\* In new pension terms entered into after 1 January 2012, the age of retirement is 65.

\*\* Claes Norlén reached the age of 60 in 2015 and thus according to the agreement his pension is fully earned. After the age of 60, his salary does not qualify for a pension.

\*\*\* A total of 19 Executive Directors as at 31 December 2015.

\*\*\*\* 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 depends on financial and demographic assumptions which may change from year to year.

\*\*\*\*\* The increase in the pension obligation is essentially due to actuarial deviations, mainly a lower discount rate.

Net pension obligations SEK m	2015	2014
Defined benefit obligation	29 150	24 938
Fair value of plan assets	23 836	23 458
<b>Net pensions</b>	<b>-5 314</b>	<b>-1 480</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 12,310m (11,970). SKP entails a commitment to the Bank amounting to the same amount as the plan assets.

A part of the commitment, SEK 9,768m (9,518), is conditional.

No significant plan amendments, curtailments and settlements have been made during the year.

Pension costs SEK m	2015	2014
Service cost	-764	-656
Interest on defined benefit obligation	-758	-729
Interest on plan assets	711	781
Gains and losses from settlements and curtailments	-3	-2
Social security costs, defined benefit plans	-15	-12
<b>Pension costs, defined benefit plans</b>	<b>-829</b>	<b>-618</b>
Pension costs, defined contribution plans	-518	-478
Social security costs, defined contribution plans	-13	5
<b>Total pension costs</b>	<b>-1 360</b>	<b>-1 091</b>

Defined benefit obligation SEK m	2015	2014
Opening balance	24 938	21 556
Service cost	764	656
Interest on defined benefit obligation	758	729
Paid benefits	-763	-684
Gains and losses from settlements and curtailments	3	2
Actuarial gains (-)/losses (+)	3 486	2 441
Foreign exchange effect	-36	238
<b>Closing balance</b>	<b>29 150</b>	<b>24 938</b>

Plan assets SEK m	2015	2014
Opening balance	23 458	23 289
Interest on plan assets	711	781
Funds contributed by the employer	182	280
Compensation to employer	-505	-572
Funds paid directly to employees	-319	-176
Actuarial gains (+)/losses (-)	334	-320
Foreign exchange effect	-25	176
<b>Closing balance</b>	<b>23 836</b>	<b>23 458</b>

Return on plan assets SEK m	2015	2014
Interest on plan assets	711	781
Actuarial gains (+)/losses (-)	334	-320
<b>Actual return</b>	<b>1 045</b>	<b>461</b>

Allocation of plan assets SEK m	2015	2014
Shares listed on an active market	21 540	21 316
Shares not listed on an active market	332	493
Interest-bearing securities listed on an active market	1 745	1 807
Interest-bearing securities not listed on an active market	293	224
Other plan assets	-74	-382
<b>Total</b>	<b>23 836</b>	<b>23 458</b>

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK 132m (0) on the balance sheet date 31 December 2015. Bonds issued by Svenska Handelsbanken AB (publ) are included with a market value of SEK 531m (570). Other plan assets include compensation from the pension foundation that has not yet been paid out.



Actuarial gains (-)/losses (+), defined benefit obligation SEK m	2015	2014
Changes in demographic assumptions	-3	762
Changes in financial assumptions	3 210	1 679
Experience-based adjustments	279	-
<b>Total</b>	<b>3 486</b>	<b>2 441</b>

Future cash flows SEK m	Outcome 2015	Forecast 2016
Paid benefits	-763	-685

Defined benefit pensions are mainly paid to employees in Sweden, Norway and the UK. Of the total net obligation, the Swedish plan is SEK 25,665m (21,311), the Norwegian plan is SEK 1,076m (1,219) and the UK plan is SEK 2,374m (2,373). 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 149,400.

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	
	2015	2014	2015	2014	2015	2014
Discount rate, %	2.25	3.00	2.90	2.80	3.80	3.41
Expected salary increase, %	3.5	3.5	2.5	3.3	4.8	4.7
Pension indexing, %	2.0	2.0	2.3	3.0	3.3	3.2
Income base amount, %	3.0	3.0	na	na	na	na
Inflation, %	2.0	2.0	1.5	1.8	3.5	3.4
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	23.0	21.9	23.4	21.6	25.0	25.0
Average duration (Macaulay), years	17.8	16.7	21.7	23.0	24.0	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	
		2015	2014	2015	2014
Discount rate, %	0.5	3 077	2 544	-2 167	-2 214
Expected salary increase, %	1.0	1 693	1 508	-1 955	-1 656
Pension indexing, %	0.5	1 149	1 183	-1 642	-1 451
Remaining life expectancy at retirement age, years	1.0	959	766	-811	-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 2014 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

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	2015	2014
Property and premises	-1 243	-1 174
External IT costs	-1 623	-1 623
Communication	-342	-349
Travel and marketing	-335	-339
Purchased services	-1 027	-995
Supplies	-182	-207
Other administrative expenses	-451	-412
<b>Total</b>	<b>-5 203</b>	<b>-5 099</b>
<i>Of which expenses for operating leases</i>		
Minimum lease fee	-689	-754
Variable fee	-74	-19
<b>Total</b>	<b>-763</b>	<b>-773</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 2015, the cost of the largest individual lease contract was approx. SEK 172m (167). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies	KPMG		Ernst & Young AB	
	2015	2014	2015	2014
SEK m				
Audit assignment	-13	-14	-4	-2
Audit operations outside the audit assignment	-3	-5	-	-
Tax advice	-	-	-	-1
Other services	-	-	-	-

Internal audit costs were SEK 149m (135) during the year.

## G10 Loan losses

SEK m	2015	2014
<b>Specific provision for individually assessed loans</b>		
The year's provision	-1 832	-1 982
Reversal of previous provisions	372	305
<b>Total</b>	<b>-1 460</b>	<b>-1 677</b>
<b>Collective provision</b>		
The year's net provision for individually assessed loans	0	76
The year's net provision for homogeneous loans	-3	3
<b>Total</b>	<b>-3</b>	<b>79</b>
<b>Off-balance sheet items</b>		
Losses on off-balance sheet items	0	-2
Reversal of previous losses on off-balance sheet items	0	1
Change in collective provision for off-balance sheet items	-33	16
<b>Total</b>	<b>-33</b>	<b>15</b>
<b>Write-offs</b>		
Actual loan losses for the year	-964	-1 998
Utilised share of previous provisions	659	1 515
Recoveries	204	285
<b>Total</b>	<b>-101</b>	<b>-198</b>
<b>Net loan losses</b>	<b>-1 597</b>	<b>-1 781</b>



Impaired loans etc. SEK m	2015	2014
Impaired loans	8 844	8 702
Specific provisions for individually assessed loans	-4 444	-3 734
Provisions for collectively assessed homogeneous groups of loans with limited value	-94	-93
Collective provisions for individually assessed loans	-278	-284
<b>Net impaired loans</b>	<b>4 028</b>	<b>4 591</b>
Total impaired loans reserve ratio, %	54.5	47.2
Proportion of impaired loans, %	0.21	0.25
Impaired loans reserve ratio excluding collective provisions, %	51.3	44.0
Loans past due > 60 days, which are not impaired	1 218	2 133
Impaired loans reclassified as normal loans during the year	167	34

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. For other definitions, see page 244.

Change in provision for probable loan losses 2015				
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	-3 734	-284	-93	-4 111
The year's provision	-1 832	-	-49	-1 881
Reversal of previous provisions	372	0	4	376
Utilised for actual loan losses	659		42	701
Foreign exchange effect etc.	91	6	2	99
<b>Provision at end of year</b>	<b>-4 444</b>	<b>-278</b>	<b>-94</b>	<b>-4 816</b>

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>

#### Impaired loans and loans which are overdue by more than 60 days, by sector 2015

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	1 424	-755	669	494	757
Housing co-operative associations	35	-20	15	1	2
Property management	1 943	-697	1 246	410	149
Manufacturing	2 103	-1 542	561	49	21
Retail	394	-267	127	74	4
Hotel and restaurant	116	-30	86	85	168
Passenger and goods transport by sea	1 734	-543	1 191	0	-
Other transport and communication	78	-60	18	16	8
Construction	150	-92	58	40	77
Electricity, gas and water	73	-52	21	5	-
Agriculture, hunting and forestry	34	-15	19	3	0
Other services	101	-66	35	27	15
Holding, investment and insurance companies, mutual funds etc.	500	-282	218	74	17
Other corporate lending	159	-117	42	39	0
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>8 844</b>	<b>-4 538</b>	<b>4 306</b>	<b>1 317</b>	<b>1 218</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, 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	1 569	-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>

<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.

**Impaired loans and loans which are overdue by more than 60 days, geographical breakdown 2015**

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	3 229	-2 156	1 073	445	396
Norway	208	-130	78	46	181
Finland	973	-679	294	199	400
Denmark	2 803	-1 040	1 763	216	18
UK	1 437	-447	990	307	168
Netherlands	2	-1	1	-	-
Rest of Europe	192	-85	107	104	53
North America	-	-	-	-	-
Asia	-	-	-	-	2
<b>Total</b>	<b>8 844</b>	<b>-4 538</b>	<b>4 306</b>	<b>1 317</b>	<b>1 218</b>

**Impaired loans and loans which are overdue by more than 60 days, geographical breakdown 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>

<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 2015		Loans to the public			Total
SEK m	Loans to credit institutions	Households	Corporate	Other	
Past due ≥ 5 days ≤ 1 month	-	1 868	692	1	
Past due > 1 month ≤ 2 months	-	213	68	-	
Past due > 2 months ≤ 3 months	-	141	29	-	
Past due > 3 months ≤ 12 months	-	340	107	-	
Past due > 12 months	-	360	241	-	
Total	-	2 922	1 137	1	

Maturity structure for past due loans which are not impaired 2014		Loans to the public			Total
SEK m	Loans to credit institutions	Households	Corporate	Other	
Past due ≥ 5 days ≤ 1 month	-	2 615	2 989	50	
Past due > 1 month ≤ 2 months	-	312	152	0	
Past due > 2 months ≤ 3 months	-	202	383	-	
Past due > 3 months ≤ 12 months	-	609	224	-	
Past due > 12 months	-	508	207	-	
Total	-	4 246	3 955	50	

Assets repossessed for protection of claims		
SEK m	2015	2014
Property	429	465
Movable property	19	7
Shares	12	16
<b>Carrying amount</b>	<b>460</b>	<b>488</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	2015	2014
Equipment	16	2
Property	-9	4
<b>Total</b>	<b>7</b>	<b>6</b>

## G12 Profit for the year pertaining to discontinued operations

SEK m	2015	2014
Income	2 721	2 281
Expenses	-2 469	-2 132
<b>Operating profit from discontinued operations</b>	<b>252</b>	<b>149</b>
Tax	-36	-51
<b>Total</b>	<b>216</b>	<b>98</b>
Impairments	-71	-57
<b>Profit for the year pertaining to discontinued operations</b>	<b>145</b>	<b>41</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

	2015	2014
Profit for the year, continuing operations, SEK m	16 198	15 143
of which interest expense on convertible subordinated loan after tax	-199	-170
Profit for the year, discontinued operations, SEK m	145	41
of which interest expense on convertible subordinated loan after tax	-	-
Profit for the year, total operations, SEK m	16 343	15 184
of which interest expense on convertible subordinated loan after tax	-199	-170
Average number of shares converted during the year (millions)	0.0	0.0
Average holdings of own shares in trading book (millions)	-	-
Average number of outstanding shares (millions)	1907.0	1 907.0
Average dilution effect, number of shares (millions)	64.9	52.0
Average number of outstanding shares after dilution (millions)	1971.9	1 959.0
<b>Earnings per share, continuing operations, SEK</b>	<b>8.49</b>	<b>7.94</b>
after dilution	8.32	7.82
<b>Earnings per share, discontinued operations, SEK</b>	<b>0.08</b>	<b>0.02</b>
after dilution	0.07	0.02
<b>Earnings per share, total operations, SEK</b>	<b>8.57</b>	<b>7.96</b>
after dilution	8.39	7.84

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.

A 3:1 stock split was carried out in May 2015. The comparative figures in the above table have been adjusted for the new number of shares.

## G14 Other loans to central banks

SEK m	2015	2014
Other loans to central banks in Swedish kronor	15 998	7 042
Other loans to central banks in foreign currency	18 120	44 005
<b>Total</b>	<b>34 118</b>	<b>51 047</b>
Of which reverse repos	-	1 245
<b>Average volumes</b>		
SEK m	2015	2014
Other loans to central banks in Swedish kronor	26 353	15 483
Other loans to central banks in foreign currency	40 286	34 901
<b>Total</b>	<b>66 639</b>	<b>50 384</b>
Of which reverse repos	1 154	1 003



## G15 Loans to other credit institutions

SEK m	2015	2014
<b>Loans in Swedish kronor</b>		
Banks	2 009	1 311
Other credit institutions	552	409
<b>Total</b>	<b>2 561</b>	<b>1 720</b>
<b>Loans in foreign currency</b>		
Banks	20 706	23 422
Other credit institutions	26 389	45 197
<b>Total</b>	<b>47 095</b>	<b>68 619</b>
Probable loan losses	-	-
<b>Total loans to other credit institutions</b>	<b>49 656</b>	<b>70 339</b>
<i>Of which reverse repos</i>	<i>23 394</i>	<i>42 138</i>
<b>Average volumes</b>		
SEK m	2015	2014
Loans to other credit institutions in Swedish kronor	8 155	13 051
Loans to other credit institutions in foreign currency	80 078	71 692
<b>Total</b>	<b>88 233</b>	<b>84 743</b>
<i>Of which reverse repos</i>	<i>43 240</i>	<i>38 420</i>

## G16 Loans to the public

SEK m	2015	2014
<b>Loans in Swedish kronor</b>		
Households	715 563	664 333
Companies	473 845	483 207
National Debt Office	3 338	19 044
<b>Total</b>	<b>1 192 746</b>	<b>1 166 584</b>
<b>Loans in foreign currency</b>		
Households	244 439	231 566
Companies	434 098	413 797
National Debt Office	-	-
<b>Total</b>	<b>678 537</b>	<b>645 363</b>
Probable loan losses	-4 816	-4 111
<b>Total loans to the public</b>	<b>1 866 467</b>	<b>1 807 836</b>
<i>Of which reverse repos</i>	<i>7 742</i>	<i>23 858</i>
<b>Average volumes, excl. National Debt Office</b>		
SEK m	2015	2014
Loans to the public in Swedish kronor	1 170 301	1 136 043
Loans to the public in foreign currency	677 029	609 717
<b>Total</b>	<b>1 847 330</b>	<b>1 745 760</b>
<i>Of which reverse repos</i>	<i>18 458</i>	<i>16 565</i>



## G17 Interest-bearing securities

SEK m	2015			2014		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Interest-bearing securities eligible as collateral with central banks	72 263	74 777	74 777	76 239	78 223	78 219
Bonds and other interest-bearing securities	42 602	44 513	44 513	61 357	63 722	63 725
<b>Total</b>	<b>114 865</b>	<b>119 290</b>	<b>119 290</b>	<b>137 596</b>	<b>141 945</b>	<b>141 944</b>
<i>Of which unlisted securities</i>		364	364		4 569	4 569

Interest-bearing securities distributed by issuer	2015			2014		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
SEK m						
Government	59 932	62 471	62 471	66 097	68 008	68 005
Credit institutions	7 186	9 015	9 015	10 828	11 164	11 166
Mortgage institutions	29 266	31 560	31 560	39 776	41 760	41 760
Other	18 481	16 244	16 244	20 895	21 013	21 013
<b>Total</b>	<b>114 865</b>	<b>119 290</b>	<b>119 290</b>	<b>137 596</b>	<b>141 945</b>	<b>141 944</b>

Average volumes		
SEK m	2015	2014
Interest-bearing securities	140 313	120 245
Interest-bearing securities, insurance operations	7 391	8 260
<b>Total</b>	<b>147 704</b>	<b>128 505</b>

## G18 Shares

SEK m	2015	2014
<b>Holdings at fair value over the income statement</b>		
Listed	19 632	34 338
Non-listed	4 174	3 841
<b>Total</b>	<b>23 806</b>	<b>38 179</b>
<b>Holdings classified as available for sale</b>		
Listed	4 667	6 753
Non-listed	1 914	1 614
<b>Total</b>	<b>6 581</b>	<b>8 367</b>
<b>Total shares</b>	<b>30 387</b>	<b>46 546</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.

Investments in associates SEK m	2015	2014
Carrying amount at beginning of year	286	272
Share of profit for the year	17	21
Tax	-9	-3
Shareholders' contribution	10	2
Dividend	-7	-7
Divestments	-	0
Impairment	-53	-
Translation difference	1	1
<b>Carrying amount at end of year</b>	<b>245</b>	<b>286</b>

Income from associates SEK m	2015	2014
Profit for the year	8	18
Total other comprehensive income	1	1
<b>Total comprehensive income for the year</b>	<b>9</b>	<b>19</b>

Associates	Corporate identity number	Domicile	Number of shares	Voting power, %	Carrying amount, SEK m	
					2015	2014
Bankomat AB	556817-9716	Stockholm	150	20.00	52	50
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.89	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.00	13	10
BGC Holding AB	556607-0933	Stockholm	25 382	25.38	80	69
Dyson Group plc	163096	Sheffield	122 387 481	29.99	29	41
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12 735	28.30	23	24
Flisekompaniet Holding AS	992 999 136	Oslo	2 400	47.00	0	52
Getswish AB	556913-7382	Stockholm	10 000	20.00	8	2
Upplysningscentralen UC AB <sup>1</sup>	556137-5113	Stockholm	2 448	24.48	40	38
<b>Total</b>					<b>245</b>	<b>286</b>

<sup>1</sup> Information concerning the Group.

## G20 Assets where the customer bears the value change risk

SEK m	2015	2014
Unit-linked and portfolio bond insurance assets	101 724	91 739
Other fund assets	3 422	3 024
<b>Total</b>	<b>105 146</b>	<b>94 763</b>

## G21 Interests in unconsolidated structured entities

SEK m	Fund holdings	
	2015	2014
<b>Assets</b>		
Shares	398	1 172
Assets where the customer bears the value change risk	89 725	79 735
<b>Total financial assets</b>	<b>90 123</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	2015	2014	2015	2014	2015	2014
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	62 017	49 702	4 891	116 610	277 658	1 341	3 502	1 403	3 698
FRA/futures	544 286	115 655	-	659 941	2 334 217	475	1 137	511	1 549
Swaps	433 958	981 657	335 246	1 750 861	1 879 716	34 613	45 277	35 430	46 382
Other instruments	-	-	-	-	3 058	-	0	-	50
Currency-related contracts									
Options	74 687	1 159	33	75 879	62 320	471	663	700	953
Futures	120 382	5 582	237	126 201	115 250	1 669	3 050	1 703	1 709
Swaps	514 871	72 600	5 284	592 755	748 799	7 178	17 074	8 232	6 577
Other instruments	-	-	-	-	-	-	0	-	-
Equity-related contracts									
Options	9 250	21 091	270	30 611	35 952	2 032	2 537	2 656	2 371
Futures	2 779	-	-	2 779	10 306	1	8	32	36
Swaps	55 762	1 126	-	56 888	35 861	1 245	736	1 641	1 999
Other instruments	-	-	-	-	2 362	-	-	-	39
Commodity-related contracts									
Options	1 852	394	108	2 354	4 530	250	183	537	528
Futures	14 632	2 053	11	16 696	28 668	940	1 002	899	1 079
Swaps	-	-	-	-	12	-	-	-	8
Credit-related contracts									
Swaps	762	8 468	679	9 909	9 564	458	620	247	91
<b>Total</b>	<b>1 835 238</b>	<b>1 259 487</b>	<b>346 759</b>	<b>3 441 484</b>	<b>5 548 273</b>	<b>50 673</b>	<b>75 789</b>	<b>53 991</b>	<b>67 069</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Options	2 830	3 900	55	6 785	10 495	38	6	-	-
Swaps	-	1 512	-	1 512	11 011	-	-	1	196
Currency-related contracts									
Swaps	-	-	-	-	965	-	63	-	-
<b>Total</b>	<b>2 830</b>	<b>5 412</b>	<b>55</b>	<b>8 297</b>	<b>22 471</b>	<b>38</b>	<b>69</b>	<b>1</b>	<b>196</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	60 138	351 295	83 702	495 135	505 953	20 674	25 976	3 243	3 598
Currency-related contracts									
Swaps	54 343	222 719	61 539	338 601	289 099	37 902	26 919	6 998	4 644
<b>Total</b>	<b>114 481</b>	<b>574 014</b>	<b>145 241</b>	<b>833 736</b>	<b>795 052</b>	<b>58 576</b>	<b>52 895</b>	<b>10 241</b>	<b>8 242</b>
<b>Total derivative instruments</b>	<b>1 952 549</b>	<b>1 838 913</b>	<b>492 055</b>	<b>4 283 517</b>	<b>6 365 796</b>	<b>109 287</b>	<b>128 753</b>	<b>64 233</b>	<b>75 507</b>
<i>Of which exchange-traded derivatives</i>				233 328	1 314 691	490	676	1 613	1 804
<i>Of which OTC derivatives settled by CCP</i>				1 030 386	716 067	2 106	12 009	1 463	11 140
<i>Of which OTC derivatives not settled by CCP</i>				3 019 803	4 335 038	106 691	116 068	61 157	62 563
Amounts set off				-1 414 478		-23 940	-12 629	-23 641	-12 629
<b>Net amount</b>				<b>2 869 039</b>		<b>85 347</b>	<b>116 124</b>	<b>40 592</b>	<b>62 878</b>
<b>Currency breakdown of market values</b>									
SEK						-37 576	-253 325	221 736	17 138
USD						225 036	396 046	-73 477	98 084
EUR						99 729	121 792	-53 710	-60 771
Other						-177 902	-135 760	-30 316	21 056
<b>Total</b>						<b>109 287</b>	<b>128 753</b>	<b>64 233</b>	<b>75 507</b>

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. As of 2015, the notional amounts associated with the offsetted market values are disclosed.

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 539m (465) at year-end.



## G23 Offsetting of financial instruments

2015			
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	109 287	31 815	141 102
Gross amounts of recognised financial liabilities set off in the balance sheet	-23 940		-23 940
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>85 347</b>	<b>31 815</b>	<b>117 162</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-25 660		-25 660
Collateral received	-35 678	-31 815	-67 493
<b>Net amount</b>	<b>24 009</b>	<b>-</b>	<b>24 009</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	64 233	290	64 523
Gross amounts of recognised financial assets set off in the balance sheet	-23 641		-23 641
<b>Net amounts of financial liabilities presented in the balance sheet</b>	<b>40 592</b>	<b>290</b>	<b>40 882</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-25 660		-25 660
Assets pledged	-6 614	-290	-6 904
<b>Net amount</b>	<b>8 318</b>	<b>-</b>	<b>8 318</b>
<b>2014</b>			
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>-</b>	<b>7 552</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.

The amount set off for derivative assets include set-off cash collateral of SEK 964 million derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities include set-off cash collateral of SEK 664 million derived from the balance sheet item Loans to the public.



## G24 Intangible assets

2015					
SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2015
Cost of acquisition at beginning of year	6 597	64	408	1581	8 650
Cost of acquisition of additional intangible assets	-	-	-	455	455
Disposals and retirements	-	-	-	-89	-89
Foreign exchange effect	-137	1	2	-4	-138
<b>Cost of acquisition at end of year</b>	<b>6 460</b>	<b>65</b>	<b>410</b>	<b>1 943</b>	<b>8 878</b>
Accumulated amortisation and impairments at beginning of year	-	-19	-70	-429	-518
Disposals and retirements	-	-	-	89	89
Amortisation for the year	-	-13	-21	-147	-181
Impairments for the year	-	-	-	-17	-17
Foreign exchange effect	-	0	2	1	3
<b>Accumulated amortisation and impairments at end of year</b>	<b>-</b>	<b>-32</b>	<b>-89</b>	<b>-503</b>	<b>-624</b>
<b>Carrying amount</b>	<b>6 460</b>	<b>33</b>	<b>321</b>	<b>1 440</b>	<b>8 254</b>

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	1 476	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>

SEK m	Goodwill		Intangible assets with an indefinite useful life	
	2015	2014	2015	2014
Handelsbanken Sweden	3 331	3 331	-	-
Handelsbanken UK	178	173	-	-
Handelsbanken Finland	16	16	-	-
Handelsbanken Denmark	2 290	2 373	-	-
Handelsbanken Norway	635	694	-	-
Handelsbanken Capital Markets	10	10	3	3
<b>Total</b>	<b>6 460</b>	<b>6 597</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 table, goodwill has been allocated among the business segments. Goodwill which is followed up internally at a lower level than the business segment level 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 (2). 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 aver-

age return requirement. In the annual impairment testing, the discount rate was 6.3 per cent after tax (7.3). The corresponding rate before tax was 9.2 per cent (10.6).

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	2015	2014
Equipment	631	468
Property	1 269	1 299
Property repossessed for protection of claims	448	472
<b>Total</b>	<b>2 348</b>	<b>2 239</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 429m (465). Unrealised value changes on these properties had an impact of SEK 5m (6) 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 independent, authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations (SEK 411m) are classified as level 2 in the valuation hierarchy described in note G40. Valuations where own assumptions are used to a material extent (SEK 18m) 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 4m (0). The year's sale of properties which are regularly measured at fair value amounts to SEK 167m (108) of which SEK 8m (80) was classified as level 3 before the sale. The value of new properties added during the year is SEK 149m (112), with SEK 9m (20) of this classified as level 3.

Equipment SEK m	2015	2014
Cost of acquisition at beginning of year	1 399	1 627
Cost of additional acquisition for the year	318	208
Reclassification from other balance sheet item	195	-
Disposals and retirements	-221	-481
Foreign exchange effect	-37	45
<b>Cost of acquisition at end of year</b>	<b>1 654</b>	<b>1 399</b>
Accumulated amortisation and impairments at beginning of year	-931	-1 135
Reclassification from other balance sheet item	-83	-
Amortisation for the year according to plan	-253	-244
Disposals and retirements	217	478
Foreign exchange effect	27	-30
<b>Accumulated amortisation and impairment at end of year</b>	<b>-1 023</b>	<b>-931</b>
<b>Carrying amount</b>	<b>631</b>	<b>468</b>

Property SEK m	2015	2014
Cost of acquisition at beginning of year	2 155	2 120
Cost of additional acquisition for the year	-	0
New construction and rebuilding	41	23
Disposals and retirements	-29	-3
Foreign exchange effect	-7	15
<b>Cost of acquisition at end of year</b>	<b>2 160</b>	<b>2 155</b>
Accumulated amortisation and impairments at beginning of year	-856	-811
Amortisation for the year according to plan	-38	-44
Impairments for the year	-	-
Disposals and retirements	4	0
Foreign exchange effect	-1	-1
<b>Accumulated amortisation and impairment at end of year</b>	<b>-891</b>	<b>-856</b>
<b>Carrying amount</b>	<b>1 269</b>	<b>1 299</b>

## G26 Other assets

SEK m	2015	2014
Claims on investment banking settlements	4 565	9 351
Other	4 322	4 970
<b>Total</b>	<b>8 887</b>	<b>14 321</b>

## G27 Prepaid expenses and accrued income

SEK m	2015	2014
Accrued interest income	3 785	4 612
Other accrued income	2 319	1 864
Prepaid expenses	143	315
<b>Total</b>	<b>6 247</b>	<b>6 791</b>



## G28 Due to credit institutions

SEK m	2015	2014
<b>Due in Swedish kronor</b>		
Banks	16 722	23 252
Other credit institutions	8 271	9 188
<b>Total</b>	<b>24 993</b>	<b>32 440</b>
<b>Due in foreign currency</b>		
Banks	138 194	166 458
Other credit institutions	583	1 176
<b>Total</b>	<b>138 777</b>	<b>167 634</b>
<b>Total due to credit institutions</b>	<b>163 770</b>	<b>200 074</b>
<i>Of which repos</i>	290	88

Average volumes SEK m	2015	2014
Due to credit institutions in Swedish kronor	44 483	27 566
Due to credit institutions in foreign currency	236 991	205 444
<b>Total</b>	<b>281 474</b>	<b>233 010</b>
<i>Of which repos</i>	2 915	1 625

## G29 Deposits and borrowing from the public

Deposits from the public SEK m	2015	2014
<b>Deposits in Swedish kronor</b>		
Households	260 849	224 905
Companies	174 979	177 175
National Debt Office	-	-
<b>Total</b>	<b>435 828</b>	<b>402 080</b>
<b>Deposits in foreign currency</b>		
Households	74 640	65 758
Companies	178 904	235 794
National Debt Office	-	-
<b>Total</b>	<b>253 544</b>	<b>301 552</b>
<b>Total deposits from the public</b>	<b>689 372</b>	<b>703 632</b>

Average volumes SEK m	2015	2014
<b>Deposits from the public</b>		
Deposits from the public in Swedish kronor	417 509	364 833
Deposits from the public in foreign currency	293 480	281 508
<b>Total</b>	<b>710 989</b>	<b>646 341</b>
<b>Borrowing from the public</b>		
Borrowing in Swedish kronor	36 511	49 330
Borrowing in Swedish kronor, insurance operations	9 425	10 373
Borrowing in foreign currency	250 208	186 526
<b>Total</b>	<b>296 144</b>	<b>246 229</b>
<i>Of which repos</i>	8 552	8 685

Borrowing from the public SEK m	2015	2014
Borrowing in Swedish kronor	29 846	41 954
Borrowing in foreign currency	34 637	276 681
<b>Total</b>	<b>64 483</b>	<b>318 635</b>
<i>Of which repos</i>	-	168
<i>Of which insurance operations</i>	8 879	10 010
<b>Total deposits and borrowing from the public</b>	<b>753 855</b>	<b>1 022 267</b>

## G30 Liabilities where the customer bears the value change risk

SEK m	2015	2014
Unit-linked and portfolio bond insurance liabilities	101 724	91 739
Other fund liabilities	3 501	3 125
<b>Total</b>	<b>105 225</b>	<b>94 864</b>



## G31 Issued securities

SEK m	2015		2014	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
<b>Commercial paper</b>				
Commercial paper in Swedish kronor	6 371	6 594	9 816	10 621
Of which				
at amortised cost	400	400	-	-
for trading	5 971	6 194	9 816	10 621
Commercial paper in foreign currency	356 682	365 002	308 656	318 468
Of which				
at amortised cost	355 240	363 306	307 283	316 666
for trading	1 442	1 696	1 373	1 802
<b>Total</b>	<b>363 053</b>	<b>371 596</b>	<b>318 472</b>	<b>329 089</b>
<b>Bonds</b>				
Bonds in Swedish kronor	418 572	439 281	459 884	448 643
Of which				
at amortised cost	418 572	439 281	459 884	448 643
for fair value hedges	-	-	-	-
Bonds in foreign currency	434 221	434 490	432 965	434 881
Of which				
at amortised cost	434 221	434 490	431 995	434 764
for fair value hedges	-	-	970	117
<b>Total</b>	<b>852 793</b>	<b>873 771</b>	<b>892 849</b>	<b>883 524</b>
<b>Total issued securities</b>	<b>1 215 846</b>	<b>1 245 367</b>	<b>1 211 321</b>	<b>1 212 613</b>

SEK m	2015	2014
Issued securities at beginning of year	1 212 613	1 150 641
Issued	1 142 907	950 171
Repurchased	-72 680	-107 726
Matured	-1 043 828	-851 680
Foreign exchange effect etc.	6 355	71 207
<b>Issued securities at end of year</b>	<b>1 245 367</b>	<b>1 212 613</b>

Average volumes SEK m	2015	2014
Swedish kronor	456 539	470 359
Foreign currency	775 075	695 565
<b>Total</b>	<b>1 231 614</b>	<b>1 165 924</b>

## G32 Short positions

SEK m	2015	2014
<b>Short positions at fair value</b>		
Equities	1 499	1 273
Interest-bearing securities	917	19 375
<b>Total</b>	<b>2 416</b>	<b>20 648</b>

Average volumes SEK m	2015	2014
Swedish kronor	17 879	18 878
Foreign currency	263	809
<b>Total</b>	<b>18 142</b>	<b>19 687</b>

## G33 Insurance liabilities

SEK m	2015	2014
Liability for sickness annuities	235	229
Liability for life annuities	162	177
Liability for other unsettled claims	196	219
Liability for prepaid premiums	14	38
<b>Total</b>	<b>607</b>	<b>663</b>



## G34 Taxes

Deferred tax assets SEK m	2015	2014
Hedging instruments	206	270
Intangible assets	7	9
Property and equipment	20	31
Pensions	1 252	75
Other	4	4
<b>Total</b>	<b>1 489</b>	<b>389</b>

Deferred tax liabilities SEK m	2015	2014
Loans to the public <sup>1</sup>	6 116	6 471
Hedging instruments	2 408	2 663
Intangible assets	72	77
Property and equipment	91	89
Pensions	0	-295
Other	157	204
<b>Total</b>	<b>8 844</b>	<b>9 209</b>
<b>Net deferred tax liabilities</b>	<b>7 355</b>	<b>8 820</b>

Change in deferred taxes 2015 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehen- sive income	Foreign exchange effect	Closing balance
Loans to the public <sup>1</sup>	6 471	-355	-	-	6 116
Hedging instruments	2 393	6	-197	-	2 202
Intangible assets	68	-6	0	3	65
Property and equipment	58	12	1	-	71
Pensions	-370	-189	-688	-5	-1 252
Other	200	-48	0	1	153
<b>Total</b>	<b>8 820</b>	<b>-580</b>	<b>-884</b>	<b>-1</b>	<b>7 355</b>

Change in deferred taxes 2014 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehen- sive 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>

Tax expenses recognised in the income statement SEK m	2015	2014
Current tax		
Tax expense for the year	-4 820	-4 426
Adjustment of tax relating to prior years	-37	-51
Deferred tax		
Changes in temporary differences	580	408
<b>Total</b>	<b>-4 277</b>	<b>-4 069</b>
<b>Nominal tax rate in Sweden, %</b>	<b>22.0</b>	<b>22.0</b>
Deviations		
Different tax rate in insurance operations	-0.6	-0.7
Non-taxable income/non-deductible expenses	-0.7	-0.1
Tax relating to prior years	0.2	0.0
<b>Effective tax rate, %</b>	<b>20.9</b>	<b>21.2</b>

<sup>1</sup> Of which leases SEK 6,116m (6,467).



## G35 Provisions

SEK m	Provision for guarantee commitments	Other provisions	Total 2015	Total 2014
Provisions at beginning of year	7	61	68	141
Provisions during the year	33	12	45	30
Utilised	-	-	-	-91
Written back	-	-	-	-12
<b>Provisions at end of year</b>	<b>40</b>	<b>73</b>	<b>113</b>	<b>68</b>

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	2015	2014
Liabilities on investment banking settlements	6 524	7 960
Other	7 682	6 618
<b>Total</b>	<b>14 206</b>	<b>14 578</b>

## G37 Accrued expenses and deferred income

SEK m	2015	2014
Accrued interest expenses	12 148	13 334
Other accrued expenses	4 302	4 210
Deferred income	1 135	1 137
<b>Total</b>	<b>17 585</b>	<b>18 681</b>

## G38 Subordinated liabilities

SEK m	2015	2014
Subordinated loans in Swedish kronor	10 519	10 308
Subordinated loans in foreign currency	23 697	19 981
<b>Total</b>	<b>34 216</b>	<b>30 289</b>

Average volumes SEK m	2015	2014
Subordinated loans in Swedish kronor	10 510	9 831
Subordinated loans in foreign currency	28 144	18 852
<b>Total</b>	<b>38 654</b>	<b>28 683</b>

Specification, subordinated loans				
Issuance/Maturity	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
<b>IN SWEDISH KRONOR</b>				
Swedish subordinated liabilities <sup>1</sup>		13 337		10 519
<b>Total</b>				<b>10 519</b>
<b>IN FOREIGN CURRENCY</b>				
2014/fixed-term <sup>2</sup>	EUR	1 500	2.656	13 717
2015/perpetual <sup>3</sup>	USD	1 200	5.250	9 980
<b>Total</b>				<b>23 697</b>
<b>Total subordinated liabilities</b>				<b>34 216</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 adjusted conversion price of SEK 120.96. The initial conversion price has been adjusted for dividends and a split 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> For further information about subordinated loans in USD, see note G49.



## G39 Classification of financial assets and liabilities

2015	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 liabilities	Total carrying amount	Fair value
SEK m	Trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					202 630			202 630	202 630
Other loans to central banks					34 118			34 118	34 118
Interest-bearing securities eligible as collateral with central banks	33 286	39 717		752	0	1 022		74 777	74 777
Loans to other credit institutions					49 656			49 656	49 445
Loans to the public		1 619			1 864 848			1 866 467	1 878 810
Value change of interest hedged item in portfolio hedge					27			27	
Bonds and other interest-bearing securities	7 788	32 996		250		3 479		44 513	44 513
Shares	22 757	1 049				6 581		30 387	30 387
Assets where the customer bears the value change risk		105 077			69			105 146	105 146
Derivative instruments	30 997		54 350					85 347	85 347
Other assets	10				8 877			8 887	8 887
Prepaid expenses and accrued income	211	642			5 392	2		6 247	6 247
<b>Total financial assets</b>	<b>95 049</b>	<b>181 100</b>	<b>54 350</b>	<b>1 002</b>	<b>2 165 617</b>	<b>11 084</b>		<b>2 508 202</b>	<b>2 520 307</b>
Investments in associates								245	
Other non-financial assets								13 686	
<b>Total assets</b>								<b>2 522 133</b>	
<b>Liabilities</b>									
Due to credit institutions							163 770	163 770	165 587
Deposits and borrowing from the public							753 855	753 855	753 825
Liabilities where the customer bears the value change risk		105 156					69	105 225	105 225
Issued securities	7 890						1 237 477	1 245 367	1 267 460
Derivative instruments	31 693		8 899					40 592	40 592
Short positions	2 416							2 416	2 416
Other liabilities	16						14 190	14 206	14 206
Accrued expenses and deferred income	6						17 579	17 585	17 585
Subordinated liabilities							34 216	34 216	37 191
<b>Total financial liabilities</b>	<b>42 021</b>	<b>105 156</b>	<b>8 899</b>				<b>2 221 156</b>	<b>2 377 232</b>	<b>2 404 087</b>
Other non-financial liabilities								16 633	
<b>Total liabilities</b>								<b>2 393 865</b>	

<sup>1</sup> Classified to be measured at fair value.



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
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>3 066</b>	<b>2 804 313</b>	<b>2 819 386</b>
Investments in associates								286	
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.

Reclassified financial assets	2015		2014	
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
SEK m				
Carrying amount	11	4 092	12	4 469
Fair value	11	4 078	13	4 535
Value change recognised in the income statement	-	11	-	209
Value change recognised in other comprehensive income	1	109	2	318
Value change that would have been recognised in income statement if the assets had not been reclassified	-1	11	1	209
Value change that would have been recognised in other comprehensive income if the assets had not been reclassified	-	12	-	54
Interest recognised as income	0	49	0	82

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 2015				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	33 284	2	-	33 286
Denominated at fair value	37 875	1 842	-	39 717
Available for sale	1 022	-	-	1 022
Loans to the public	-	1 609	10	1 619
Bonds and other interest-bearing securities				
Held for trading	6 027	1 761	-	7 788
Denominated at fair value	31 988	1 008	-	32 996
Available for sale	3 479	-	-	3 479
Shares				
Held for trading	18 964	3 793	-	22 757
Denominated at fair value	667	-	382	1 049
Available for sale	4 666	1 014	901	6 581
Assets where the customer bears the value change risk	104 345	-	732	105 077
Derivative instruments	275	85 072	-	85 347
<b>Total</b>	<b>242 592</b>	<b>96 101</b>	<b>2 025</b>	<b>340 718</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	104 424	-	732	105 156
Issued securities	-	7 890	-	7 890
Derivative instruments	786	39 806	-	40 592
Short positions	2 098	318	-	2 416
<b>Total</b>	<b>107 308</b>	<b>48 014</b>	<b>732</b>	<b>156 054</b>

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>



### 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-bearing securities and 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 2014), 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. On the assets side, interest-bearing securities worth SEK 21 million have been moved from level 1 to level 2, and shares and participating interests worth SEK 82 million have been moved from level 2 to level 1. On the liabilities side, derivatives worth SEK 69 million have been moved from level 1 to level 2, and short-term positions worth SEK 6 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 -179 million (75), of which SEK -186 million (20) 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 126 million (88) 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 539 million (465).

#### Reconciliation of financial instruments in level 3 2015

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	1 405	-	13	698	-698	-94
Acquisitions	57	-	-	-	-	94
Repurchases/sales	-142	-	-	-	-	-
Matured	-	-	-5	-	-	-
Unrealised value change in income statement	-116	-	-	34	-34	-
Unrealised value change in other comprehensive income	82	-	-	-	-	-
Transfer from level 1 or 2	-	-	2	-	-	-
Transfer to level 1 or 2	-3	-	-	-	-	-
<b>Carrying amount at end of year</b>	<b>1 283</b>	<b>-</b>	<b>10</b>	<b>732</b>	<b>-732</b>	<b>-</b>

#### 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>



## 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 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, the valuation used for the information about the fair value of financial instruments reported at cost or amortised cost is categorised in the valuation hierarchy described above. Means of payment and deposits are considered to be equivalent to cash and have been categorised as level 1. Level 1 also contains interest-bearing securities (assets and liabilities) for which there is a current market price. Lending where the assumption about credit and liquidity premium has materially affected the information about fair value has been categorised as level 3. Other instruments are categorised as level 2.

Fair value of financial instruments recognised at cost or amortised cost 2015				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with central banks	202 630	-	-	202 630
Other loans to central banks	15 653	18 465	-	34 118
Interest-bearing securities eligible as collateral with central banks	752	-	-	752
Loans to other credit institutions	14 852	33 452	1 141	49 445
Loans to the public	6 981	1 828	1 868 382	1 877 191
Bonds and other interest-bearing securities	250	-	-	250
Assets where the customer bears the value change risk	-	69	-	69
<b>Total</b>	<b>241 118</b>	<b>53 814</b>	<b>1 869 523</b>	<b>2 164 455</b>
<b>Liabilities</b>				
Due to credit institutions	57 422	108 165	-	165 587
Deposits and borrowing from the public	688 286	65 539	-	753 825
Liabilities where the customer bears the value change risk	-	69	-	69
Issued securities	706 337	553 233	-	1 259 570
Subordinated liabilities	-	37 191	-	37 191
<b>Total</b>	<b>1 452 045</b>	<b>764 197</b>	<b>-</b>	<b>2 216 242</b>

Fair value of financial instruments recognised at cost or amortised cost 2014				
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>



## G41 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2015	2014
Cash	22 017	31 427
Government instruments and bonds	25 920	28 552
Loans to the public	617 726	623 244
Shares	933	1 323
Assets where the customer bears the value change risk	102 382	92 386
Other	10 856	12 720
<b>Total</b>	<b>779 834</b>	<b>789 652</b>
<i>Of which pledged assets that may be freely withdrawn by the Bank</i>	<i>17 672</i>	<i>27 497</i>

Other pledged assets SEK m	2015	2014
Cash	863	2 101
Government instruments and bonds	18 609	25 185
Loans to the public	3 820	3 702
Shares	10 196	4 751
Other	-	18
<b>Total</b>	<b>33 488</b>	<b>35 757</b>
<i>Of which pledged assets that may be freely withdrawn by the Bank</i>	<i>22 345</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 24,327 million (38,562) at the end of the financial year, where collateral worth SEK 8,933 million (5,295) 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 include 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.



**G41** Cont.

Transferred financial assets recognised in the balance sheet	2015		2014	
	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
SEK m				
Shares, securities lending	220	83 <sup>1</sup>	1 646	206 <sup>1</sup>
Shares, other	10 196	-	3 337	-
Government instruments and bonds, repurchase agreements	290	290	196	201
Government instruments and bonds, other	-	-	57	-
Assets where the customer bears the value change risk	1 162	1 162	1 008	1 008
<b>Total</b>	<b>11 868</b>	<b>1 535</b>	<b>6 244</b>	<b>1 415</b>

<sup>1</sup> Received cash collateral.

**G42** Contingent liabilities

SEK m	2015	2014
Guarantees, loans	9 750	10 335
Guarantees, other	61 274	60 033
Letters of credit	4 287	3 733
Other	2 146	1 636
<b>Total</b>	<b>77 457</b>	<b>75 737</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	2015	2014
Loan commitments	267 200	271 001
Unutilised part of granted overdraft facilities	129 216	102 778
Other	24 441	14 134
<b>Total</b>	<b>420 857</b>	<b>387 913</b>

**Contracted irrevocable future operating lease charges distributed by maturity**

SEK m	2015	2014
Within 1 year	774	710
Between 1 and 5 years	2 172	1 673
Over 5 years	1 250	456
<b>Total</b>	<b>4 196</b>	<b>2 839</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	2015	2014
Gross investment	37 180	39 537
The present value of future minimum lease payments at balance sheet date	35 985	37 802

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>2015</b>				
Distribution of gross investment	4 379	16 442	16 359	37 180
Distribution of the present value of future minimum lease payments	4 360	16 198	15 427	35 985
<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

Unearned finance income SEK m	2015	2014
Unearned finance income	1 195	1 735

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 0.2m (4). The variable part of the lease fee included in this year's profit is SEK 151m (197). The decrease is due to lower interest rates and 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 17.1bn (18.0) which is equivalent to 0.9% of the Group's total credit volume as at 31 December 2015. The carrying amount of the largest individual exposure was SEK 7.4bn (7.8). The average remaining maturity for this exposure was 4.3 years (5.2). These exposures are in the transport and energy sectors.



## G45 Segment reporting

Segment reporting 2015		Home markets						Adjustments and eliminations		Continuing operations
SEK m	Sweden	UK	Denmark	Finland	Norway	Netherlands	Capital Markets	Other		
Net interest income	15 185	4 570	1 678	1 361	3 248	328	734	636		27 740
Net fee and commission income	4 566	452	436	387	395	23	3 025	36		9 320
Net gains/losses on financial transactions	379	194	77	60	94	5	1 230	569		2 608
Risk result – insurance							157			157
Share of profit of associates								17		17
Other income	61	7	17	23	31	-	10	345		494
<b>Total income</b>	<b>20 191</b>	<b>5 223</b>	<b>2 208</b>	<b>1 831</b>	<b>3 768</b>	<b>356</b>	<b>5 156</b>	<b>1 603</b>		<b>40 336</b>
Staff costs	-3 601	-1 870	-629	-369	-713	-158	-2 466	-2 651	-124	-12 581
Other administrative expenses	-1 160	-429	-178	-161	-207	-37	-860	-2 171		-5 203
Internal purchased and sold services	-2 578	-455	-279	-247	-370	-84	-103	4 116		
Depreciation, amortisation and impairments of property, equipment and intangible assets	-88	-30	-15	-11	-13	-3	-79	-248		-487
<b>Total expenses</b>	<b>-7 427</b>	<b>-2 784</b>	<b>-1 101</b>	<b>-788</b>	<b>-1 303</b>	<b>-282</b>	<b>-3 508</b>	<b>-954</b>	<b>-124</b>	<b>-18 271</b>
<b>Profit before loan losses</b>	<b>12 764</b>	<b>2 439</b>	<b>1 107</b>	<b>1 043</b>	<b>2 465</b>	<b>74</b>	<b>1 648</b>	<b>649</b>	<b>-124</b>	<b>22 065</b>
Net loan losses	-763	-224	-299	-83	-222	-2	-4			-1 597
Gains/losses on disposal of property, equipment and intangible assets	-2	-12	8	0	6	-	0	7		7
<b>Operating profit</b>	<b>11 999</b>	<b>2 203</b>	<b>816</b>	<b>960</b>	<b>2 249</b>	<b>72</b>	<b>1 644</b>	<b>656</b>	<b>-124</b>	<b>20 475</b>
Profit allocation	881	34	72	110	57	0	-1 155	1		
<b>Operating profit after profit allocation</b>	<b>12 880</b>	<b>2 237</b>	<b>888</b>	<b>1 070</b>	<b>2 306</b>	<b>72</b>	<b>489</b>	<b>657</b>	<b>-124</b>	<b>20 475</b>
Internal income <sup>1</sup>	228	-1 481	-295	-367	-2 805	-175	-2 529	7 424		
C/I ratio, %	35.2	53.0	48.3	40.6	34.1	79.2	87.7			45.3
Loan loss ratio, %	0.07	0.13	0.37	0.07	0.11	0.01	0.01			0.09
Assets	1 478 475	302 077	94 037	168 403	211 360	24 514	293 544	1 777 015	-1 827 292	2 522 133
Liabilities	1 408 410	291 625	87 818	162 217	198 394	23 663	286 044	1 777 015	-1 841 321	2 393 865
Allocated capital	70 065	10 452	6 219	6 186	12 966	851	7 500		14 029	128 268
Return on allocated capital, %	14.9	16.8	11.2	13.8	13.6	6.4	5.2			13.4
The year's investments in non-financial non-current assets	59	364	3	27	20	17	273	246		1 009
The year's investments in associated companies								10		10
Average number of employees	4 457	1 794	631	496	676	159	1 777	1 829		11 819

<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: Sweden, the UK, Denmark, Finland, Norway, the Netherlands and Capital Markets. Handelsbanken's branch operations, which provide universal banking services, were divided into 15 regional banks in 2015. Six of these are Swedish, and nine 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 858 million (795). The Adjustments and eliminations column includes adjustments for staff costs. Adjustments for staff costs contain the difference



Segment reporting 2014		Home markets						Adjustments and		Continuing operations
SEK m	Sweden	UK	Denmark	Finland	Norway	Netherlands	Capital Markets	Other	eliminations	
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	-	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			-1 781
Gains/losses on disposal of property, equipment and intangible assets	0	4	1	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		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.

between the Group's pension costs calculated in accordance with IAS 19, Employee Benefits, and locally calculated pension costs.

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	2015	2014
Investment bank	4 722	4 524
Bank deposits and corporate loans	10 430	11 589
Finance company services	2 026	2 001
Bank deposits and loans to private individuals	3 807	4 411
Mortgages	12 069	10 236
Pensions and insurance	1 115	1 152
Capital market	3 090	2 433
Trade finance	462	483
Other operations	2 615	1 485
<b>Total</b>	<b>40 336</b>	<b>38 314</b>



## G46 Geographical information

Geographical information 2015 SEK m	Sweden	Denmark	Finland	Norway	UK	Netherlands	Other countries	Group
Income	25 461	2 209	2 111	3 708	5 290	341	1 216	40 336
Operating profit	14 305	600	1 106	2 005	2 089	57	313	20 475
Tax	2 746	169	232	563	479	13	75	4 277
Assets	1 597 179	81 114	125 307	177 143	232 867	18 959	289 564	2 522 133

### Other information

Investments in non-financial assets	565	4	35	23	362	18	2	1 009
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Income, expenses and assets presented in the geographical information are composed of internal and external income, expenses and assets in the respective country. The geographical 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 P16 concerning the domicile of subsidiaries and associates and in note G8 concerning average number of employees.

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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## G47 Assets and liabilities in currencies

2015 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	153	45 633	6 094	99	55 540	94 654	457	202 630
Other loans to central banks	15 998	-	2 103	15 653	364	-	0	34 118
Loans to other credit institutions	2 561	8 692	207	115	1 285	33 337	3 459	49 656
Loans to the public	1 190 747	174 047	190 881	78 738	195 097	27 213	9 744	1 866 467
<i>of which corporate</i>	475 424	122 999	110 217	31 446	131 228	27 024	8 758	907 096
<i>of which households</i>	715 323	51 048	80 664	47 292	63 869	189	986	959 371
Interest-bearing securities eligible as collateral with central banks	36 606	6 402	-	7	-	30 744	1 018	74 777
Bonds and other interest-bearing securities	39 770	2 726	716	2	1 282	17	-	44 513
Other items not broken down by currency	249 972							249 972
<b>Total assets</b>	<b>1 535 807</b>	<b>237 500</b>	<b>200 001</b>	<b>94 614</b>	<b>253 568</b>	<b>185 965</b>	<b>14 678</b>	<b>2 522 133</b>
<b>Liabilities</b>								
Due to credit institutions	25 008	53 015	19 818	14 977	13 142	29 439	8 371	163 770
Deposits and borrowing from the public	465 675	64 535	46 741	29 709	109 464	30 587	7 144	753 855
<i>of which corporate</i>	184 145	49 610	28 813	15 870	84 067	28 209	6 709	397 423
<i>of which households</i>	281 530	14 925	17 928	13 839	25 397	2 378	435	356 432
Issued securities	445 875	232 006	18 512	367	91 366	420 752	36 489	1 245 367
Subordinated liabilities	10 519	13 717	-	-	-	9 980	0	34 216
Other items not broken down by currency, incl. equity	324 925							324 925
<b>Total liabilities and equity</b>	<b>1 272 002</b>	<b>363 273</b>	<b>85 071</b>	<b>45 053</b>	<b>213 972</b>	<b>490 758</b>	<b>52 004</b>	<b>2 522 133</b>
Other assets and liabilities broken down by currency, net		125 716	-114 803	-49 492	-39 555	304 831	37 406	
Net foreign currency position		-57	127	69	41	38	80	298

Note G2 on page 93 describes the Bank's view of exchange rate risks.



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>
<b>Liabilities</b>								
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

## G48 Related-party disclosures

Claims on and liabilities to related parties SEK m	Associated companies		Other related parties	
	2015	2014	2015	2014
Loans to credit institutions	-	-	-	-
Loans to the public	815	1 186	-	-
Bonds and other interest-bearing securities	-	-	-	-
Other assets	64	85	544	565
<b>Total</b>	<b>879</b>	<b>1 271</b>	<b>544</b>	<b>565</b>
Due to credit institutions	-	-	-	-
Deposits and borrowing from the public	222	178	526	281
Issued securities	-	-	-	-
Subordinated liabilities	-	-	687	701
Other liabilities	0	-	56	56
<b>Total</b>	<b>222</b>	<b>178</b>	<b>1 269</b>	<b>1 038</b>

Related parties – income and expense SEK m	Associated companies		Other related parties	
	2015	2014	2015	2014
Interest income	10	25	0	0
Interest expense	0	-2	-93	-74
Fee and commission income	4	5	-	-
Fee and commission expense	-216	-238	-36	-37
Net gains/losses on financial items at fair value	0	0	1 207	-
Other income	1	0	19	13
Other expenses	-33	-1	-51	-55
<b>Total</b>	<b>-234</b>	<b>-211</b>	<b>1 046</b>	<b>-153</b>

A list of associated companies and information about shareholder contributions to associated companies is presented in note G19. The associated companies' operations comprise various types of services related to the financial markets. The following companies comprise the group of related parties: Svenska Handelsbankens Pensionsstiftelse, Svenska Handelsbankens Personalstiftelse and Pensionskassan SHB, Försäkringsförening (pension fund). These companies use Svenska Handelsbanken AB for customary banking and accounting services.

On 6 November 2015, Svenska Handelsbanken AB sold 15,145,124 class A shares in Svenska Cellulosa Aktiebolaget, SCA, to Svenska Handelsbankens Pensionsstiftelse. The holding corresponds to 2.1 per cent of the capital and 10.3 per cent of the voting rights. The sale means that the Bank will report a capital gain of approximately SEK 1,207 million, which will have a positive impact on the Bank's earnings in the fourth quarter of 2015. The sale did not lead to any increase in the Bank's equity, as the shares were recognised as available for sale assets and are thus reported at market value in the Bank's accounts. 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 51m (56). 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 5,585m (6,140). Svenska Handelsbanken AB has asked for compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 505m (540) regarding pension costs, SEK 480m (428) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 20m (20) for measures to benefit the employees.

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 2015 – 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). In 2015, 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 ten 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. An additional value 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. Finally, a deduction must also be made for permission to hold own shares in its capacity as market maker. The deduction must correspond to the highest market value covered by the permission.

#### 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.

The Bank's total additional tier 1 capital amounts to SEK 12.3 billion. Of these, additional tier 1 capital for SEK 10 billion was issued in 2015 which fulfilled the requirements of CRR. However, the Bank's other 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. These amount to SEK 2.3 billion and comprise enhanced capital contributions. For enhanced capital contributions, the Bank has the right to convert the instruments into equity at an earlier stage to avoid breaching regulatory requirements. In the case of liquidation, the 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 the 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 credit conversion factors (CCF), 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 80 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 1.6 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 2015 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 for the consolidated situation is calculated using the standardised approach. The capital requirement for interest rate risks and equity price risks is, however, only calculated for positions in the trading book. Shareholdings outside the trading book, which are classified as available for sale, comprise part of the calculation of the capital requirement for credit risk.

### 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>Svenska 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
Kredit-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 (inactive)	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
Handelsbanken Markets Securities, Inc <sup>1</sup>	100	11-3257438	New York
Handelsbanken Mezzanine Management AB (inactive)	100	556679-2668	Stockholm
Handelsbanken Mezzanine Fond 1 KB (inactive)	100	969710-3126	Stockholm
Lokalbolig A/S	67.5	78488018	Hillerød
Rådstuplass 4 AS	100	910508423	Bergen
SIL (Nominees) Limited (inactive)	100	1932320	London
Svenska Property Nominees Limited (inactive)	100	2308524	London
Lila stugan i Stockholm AB (inactive)	100	556993-9084	Stockholm
Ecster AB (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
UC AB	24.48	556137-5113	Stockholm
UC Affärsfakta AB	100	556613-0042	Stockholm
UC Marknadsinformation AB	100	556948-5518	Stockholm
UC Aktieadministration AB	100	556961-2079	Stockholm
UC Bostadsvärdering AB	100	556576-7133	Stockholm
UC allabolag AB	100	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 (inactive)	100	556324-2964	Stockholm



## G49 Cont.

Balance sheet	2015		2014	
	Consolidated situation	Banking group	Consolidated situation	Banking group
SEK m				
<b>ASSETS</b>				
Cash and balances with central banks	202 630	202 630	454 532	454 532
Other loans to central banks	34 118	34 118	51 047	51 047
Treasury bills and other eligible securities	71 441	74 777	74 367	78 219
Loans to other credit institutions	50 726	49 656	71 445	70 339
Loans to the public	1 866 717	1 866 467	1 808 036	1 807 836
Value change of interest-hedged item in portfolio hedge	27	27	70	70
Bonds and other interest-bearing securities	40 977	44 513	59 652	63 725
<i>of which interest-bearing instruments classified as available for sale (carrying amount)</i>	3 479	3 479	2 322	2 322
<i>of which interest-bearing instruments classified as available for sale accumulated, value change</i>	-100	-194	-124	-228
Shares and participating interests	29 338	30 387	44 995	46 546
<i>of which shares classified as available for sale (carrying amount)</i>	6 581	6 581	8 367	8 367
<i>of which shares classified as available for sale, accumulated value change</i>	2 268	2 268	1 614	1 614
Investments in associates	6 626	245	6 655	286
Assets where the customer bears the value change risk	3 422	105 146	3 024	94 763
Derivative instruments	85 347	85 347	116 135	116 124
<i>of which cash flow hedges</i>	4 940	4 940	5 331	5 331
Reinsurance assets	0	10	0	6
Intangible assets	8 179	8 254	8 055	8 132
Property and equipment	2 348	2 348	2 239	2 239
Current tax assets	143	143	115	115
Deferred tax assets	1 489	1 489	389	389
<i>of which related to cash flow hedges</i>	0	0	0	0
<i>of which related to interest-bearing instruments classified as available for sale</i>	37	37	43	43
Pension assets	-	-	0	0
Assets held for sale	-	1 442	0	1 196
Other assets	8 786	8 887	14 135	14 321
Prepaid expenses and accrued income	6 164	6 247	6 688	6 791
<b>Total assets</b>	<b>2 418 478</b>	<b>2 522 133</b>	<b>2 721 579</b>	<b>2 816 676</b>
<b>LIABILITIES AND EQUITY</b>				
Liabilities to credit institutions	172 957	163 770	208 018	200 074
Deposits and borrowing from the public	744 977	753 855	1 012 258	1 022 267
Liabilities where the customer bears the value change risk	3 501	105 225	3 125	94 864
Issued securities	1 245 367	1 245 367	1 212 613	1 212 613
Derivative instruments	40 596	40 592	62 878	62 878
<i>of which cash flow hedges</i>	0	0	0	0
Short positions	2 416	2 416	20 648	20 648
Insurance liabilities	0	607	0	663
Current tax liabilities	970	996	906	957
Deferred tax liabilities	8 799	8 844	9 164	9 209
<i>of which related to cash flow hedges</i>	1 393	1 393	1 504	1 504
<i>of which related to interest-bearing instruments classified as available for sale</i>	130	130	155	155
Provisions	101	113	208	68
Pension obligations	5 263	5 314	1 460	1 480
Liabilities related to assets held for sale	-	759	0	580
Other liabilities	13 854	14 206	14 366	14 578
Accrued expenses and deferred income	17 440	17 585	18 536	18 681
Subordinated liabilities	34 216	34 216	30 289	30 289
<i>of which tier 1 capital loans</i>	12 332	12 332	8 043	8 043
<i>of which loans with remaining time to maturity &gt; 5 yrs</i>	16 706	16 706	17 163	17 163
<i>of which loans with remaining time to maturity &lt; 5 yrs</i>	2 420	2 420	2 323	2 323
<i>of which other loans</i>	2 758	2 758	2 643	2 643
<b>Total liabilities</b>	<b>2 290 457</b>	<b>2 393 865</b>	<b>2 594 469</b>	<b>2 689 849</b>
Minority interest	4	4	3	3
Share capital	2 956	2 956	2 956	2 956
<i>Holdings of own shares</i>	0	0	0	0
Share premium reserve	3 204	3 204	3 203	3 203
<i>of which equity from combined financial instruments</i>	1 045	1 045	1 045	1 045
Other reserves	8 557	8 440	12 271	12 220
Retained earnings	97 705	97 322	94 227	93 262
Profit for the year (shareholders')	15 595	16 342	14 450	15 183
<b>Total equity</b>	<b>128 021</b>	<b>128 268</b>	<b>127 110</b>	<b>126 827</b>
<b>Total liabilities and equity</b>	<b>2 418 478</b>	<b>2 522 133</b>	<b>2 721 579</b>	<b>2 816 676</b>



Transitional own funds	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	
	2015	2014
SEK m		
<b>Common equity tier 1 (CET1) capital: instruments and reserves</b>		
Capital instruments and the related share premium accounts	5 832	5 741
<i>of which share capital</i>	5 760	5 593
<i>of which convertible securities</i>	72	148
Retained earnings	97 705	94 227
Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	8 556	12 271
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	4 153	3 326
<b>Common equity tier 1 (CET1) capital before regulatory adjustment</b>	<b>116 246</b>	<b>115 565</b>
<b>Common equity tier 1 (CET1) capital: regulatory adjustment</b>		
Additional value adjustments (negative amount)	-553	-1
Intangible assets (net of related tax liability) (negative amount)	-8 246	-8 123
[non-relevant in EU regulation]		
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	-4 940	-5 331
Negative amounts resulting from the calculation of expected loss amounts	-1 395	-2 103
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 amounts)	-577	-466
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)		
[non-relevant in EU regulation]		
Exposure amounts of the following items which qualify for a RW of 1,250%, where the institution opts for deduction alternative		
<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>		
[non-relevant in EU regulation]		
<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, shares classified as available for sale</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) capital</b>	<b>-15 711</b>	<b>-17 480</b>
<b>Common equity tier 1 (CET1) capital</b>	<b>100 535</b>	<b>98 084</b>

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.



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Transitional own funds	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013		Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	
SEK m	2015		2014	
<b>Additional tier 1 (AT1) capital: instruments</b>				
Capital instruments and the related share premium accounts	9 981			
<i>of which classified as equity under applicable accounting standards</i>				
<i>of which classified as liabilities under applicable accounting standards</i>	9 981			
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	2 351	2 351	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>12 332</b>		<b>8 043</b>	
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>				
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-399	-399		
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 amounts)				
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 instruments, 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 (T2) deductions that exceed the T2 capital of the institution (negative amount)				
<b>Total regulatory adjustments to additional tier 1 (AT1) capital</b>	<b>-399</b>		<b>0</b>	
<b>Additional tier 1 (AT1) capital</b>	<b>11 933</b>		<b>8 043</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>112 468</b>		<b>106 127</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>				
Capital instruments and the related share premium accounts	17 150	444	17 860	697
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>17 150</b>		<b>17 860</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	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
SEK m	2015	2014
<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 amounts)	-1 129	-1 129
Regulatory adjustments applied to tier 2 capital 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>16 021</b>	<b>16 731</b>
<b>Total capital (TC = T1 + T2)</b>	<b>128 489</b>	<b>122 858</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)	473 132	480 388
<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	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>	3 220	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>473 132</b>	<b>480 388</b>

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.



## G49 Cont.

Transitional own funds	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
SEK m	2015	2014
<b>Capital ratios and buffers</b>		
Common equity tier 1 (as a percentage of total risk exposure amount)	21.2	20.4
Tier 1 capital (as a percentage of total risk exposure amount)	23.8	22.1
Total capital (as a percentage of total risk exposure amount)	27.2	25.6
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)	6.1	2.5
<i>of which capital conservation buffer requirement</i>	2.5	2.5
<i>of which countercyclical buffer requirement</i>	0.6	0.0
<i>of which systemic risk buffer requirement</i>	3.0	0.0
<i>of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	0	0.0
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	16.7	15.9
[non-relevant in EU regulation]		
[non-relevant in EU regulation]		
[non-relevant in EU regulation]		
<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)	3	72
[non-relevant in EU regulation]		
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)	-1 288	-133
<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 January 2013 and 1 January 2022)</b>		
Current cap on CET1 instruments subject to phase-out arrangements	203	232
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	0
Current cap on AT1 instruments subject to phase-out arrangements	8 558	9 780
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	0
Current cap on T2 instruments subject to phase-out arrangements	5 185	5 926
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	0

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	<i>Common equity tier 1 capital</i>	<i>Common equity tier 1 capital</i>
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 4,456m	SEK 84m
Nominal amount of instrument	SEK 2,901m	SEK 55m
Issue price	SEK 4,456m	SEK 84m
Redemption price	N/A	N/A
Accounting classification	Equity	Equity
Original date of issuance		
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



## G49 Cont.

Capital instruments main features, T1			
Issuer	Svenska Handelsbanken AB	Svenska Handelsbanken AB	Svenska Handelsbanken AB
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	SE0002450601	XS0406264092	XS1194054166
Governing law(s) of the instrument	Swedish law	Mainly English law, Swedish insolvency 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
Post-transitional rules	Non-eligible	Tier 2 capital	Tier 1 capital
Eligible at 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
Amount recognised in regulatory capital (currency in million, at most recent reporting date)	SEK 4m	SEK 2,347m	SEK 9,981m
Nominal amount of instrument	SEK 4m	SEK 2,350m	USD 1,200m
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
Original date of issuance	12 Jun 2008	19 Dec 2008	25 Feb 2015
Perpetual or dated	Perpetual	Perpetual	Perpetual
Original maturity date	No maturity date	No maturity date	No maturity date
Issuer call subject to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	21 May 2013	19 Mar 2019	1 Mar 2021
Subsequent call dates, if applicable	Callable at any time with 40-day qualification period	Callable each subsequent interest payment date after first redemption date	Callable each subsequent interest payment date after first redemption date
<i>Coupons/dividends</i>			
Fixed or floating dividend/coupons	Floating	Fixed	Fixed
Coupon rate and any related index	0.52%	11%	5.25%
Existence of dividend stopper	Yes	Yes	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	Partially discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary	Partially discretionary	Fully discretionary
Existence of step-up or other incentive to redeem	Yes	Yes	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	Fully discretionary	N/A	N/A
If convertible, fully or partially	Fully or partially	N/A	N/A
If convertible, conversion rate	SEK 62.52 per share	N/A	N/A
If convertible, mandatory or optional conversion	Optional	N/A	N/A
If convertible, specify instrument type convertible into	Share capital, class A	N/A	N/A
If convertible, specify issuer of instrument it converts into	Svenska Handelsbanken AB	N/A	N/A
Write-down features	Yes	Yes	Yes
If write-down, write-down trigger(s)	Expected breach of capital requirement	Expected breach of capital requirement	Common equity tier 1 ratio 8% consolidated, 5.125% parent company
If write-down, full or partial	Fully or partially	Fully or partially	Fully or partially
If write-down, permanent or temporary	Temporary	Temporary	Temporary
If temporary write-down, description of write-up mechanism	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
Non-compliant transitioned features	Yes	Yes	
If yes, specify non-compliant features	Step-up and dividend stopper	Step-up and dividend stopper	N/A



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 13,717m	SEK 1,740m	SEK 1,250m	SEK 444m
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 2012	12 Oct 2012	30 Nov 2016
Subsequent call dates, if applicable	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
<i>Coupons/dividends</i>				
Fixed or floating dividend/coupons	Fixed	Fixed	Floating	Floating
Coupon rate and any related index	2.66%	4.47%	2.61%	0.37%
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
If convertible, conversion trigger(s)	N/A	N/A	N/A	Expected breach of capital requirement
If convertible, fully or partially	N/A	N/A	N/A	Partially
If convertible, conversion rate	N/A	N/A	N/A	SEK 71.62 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
If write-down, write-down trigger(s)	N/A	N/A	N/A	Expected breach of capital requirement
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
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	Subordinate to all instruments except shares, next in priority are subordinated loans
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	2015	2014
Credit risk according to standardised approach	6 433	5 575
Credit risk according to IRB approach	25 225	26 944
Market risk	825	939
Credit valuation adjustment risk (CVA)	713	534
Operational risk	4 655	4 439
<b>Total capital requirement</b>	<b>37 851</b>	<b>38 431</b>
Adjustment according to Basel I floor	56 982	51 975
<b>Capital requirement, Basel I floor</b>	<b>94 833</b>	<b>90 406</b>
Total capital base, Basel I floor	129 884	124 961

Capital requirement market risks SEK m	2015	2014
Position risk in the trading book	819	927
Interest rate risk	804	908
<i>of which general risk</i>	<i>512</i>	<i>566</i>
<i>of which specific risk</i>	<i>290</i>	<i>338</i>
<i>of which positions in securitisation instruments</i>	<i>-</i>	<i>0</i>
<i>of which non-delta risk</i>	<i>2</i>	<i>4</i>
Equity price risk	15	19
<i>of which general risk</i>	<i>1</i>	<i>3</i>
<i>of which specific risk</i>	<i>4</i>	<i>7</i>
<i>of which mutual funds</i>	<i>2</i>	<i>1</i>
<i>of which non-delta risk</i>	<i>8</i>	<i>8</i>
Exchange rate risk	-	-
<i>of which non-delta risk</i>	<i>-</i>	<i>-</i>
Commodities risk	6	8
<i>of which non-delta risk</i>	<i>0</i>	<i>0</i>
Settlement risk	0	4
<b>Total capital requirement for market risks</b>	<b>825</b>	<b>939</b>

Leverage ratio SEK m	2015	2014
<b>Assets on which the leverage ratio is calculated</b>		
Balance sheet according to accounting regulations	2 522 133	2 816 676
Deduction for assets not included in the banking group	-103 655	-95 097
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-37 126	-43 931
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	4 786	3 312
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>483 859</i>	<i>457 641</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-303 538</i>	<i>-284 089</i>
Assets reported off the balance sheet, net	180 321	173 552
Additional adjustment	-16 872	-18 489
<b>Total assets</b>	<b>2 549 587</b>	<b>2 836 023</b>
<b>Capital on which the leverage ratio can be calculated</b>		
Common equity tier 1 capital	100 535	98 084
Tier 1 capital	112 468	106 127
<b>Leverage ratio</b>		
Leverage ratio calculated on common equity tier 1 capital	3.9%	3.5%
Leverage ratio calculated on tier 1 capital	4.4%	3.7%

Capital adequacy financial conglomerate SEK m	2015	2014
Own funds after reduction and adjustments	129 660	129 412
Capital requirement	95 729	91 322
<b>Surplus</b>	<b>33 931</b>	<b>38 090</b>

Capital adequacy analysis, %	2015	2014
Common equity tier 1 ratio, CRR	21.2	20.4
Tier 1 ratio, CRR	23.8	22.1
Total capital ratio, CRR	27.2	25.6
Risk exposure amount, CRR, SEK m	473 132	480 388
Capital base in relation to capital requirement according to Basel I floor	137.0	138.0
Institution-specific buffer requirement	6.1	2.5
<i>of which capital conservation buffer requirement</i>	<i>2.5</i>	<i>2.5</i>
<i>of which countercyclical capital buffer requirement</i>	<i>0.6</i>	<i>-</i>
<i>of which systemic risk buffer requirement</i>	<i>3.0</i>	<i>-</i>
Common equity tier 1 capital available for use as a buffer	16.7	15.9

Risk exposure amount SEK m	2015	2014
Credit risk according to standardised approach	80 406	69 686
Credit risk according to IRB approach	315 310	336 795
Market risk	10 318	11 739
Credit valuation adjustment risk (CVA)	8 911	6676
Operational risk	58 187	55 492
<b>Total risk exposure amount</b>	<b>473 132</b>	<b>480 388</b>

Change in own funds SEK m	2015 Q4	2014 Q4
<b>Common equity tier 1 capital – opening amount</b>	<b>98 084</b>	<b>93 039</b>
Profit for the period	15 595	14 450
Dividend	-11 442	-11 124
Conversions	91	-58
Minority interests	0	0
Deferred tax	1 155	75
Capital contributions outside consolidated situation	0	0
Positions in securitisations	0	491
Goodwill and other intangible assets	-124	174
Value adjustments for positions measured at fair value	-552	66
Own shares	-110	-466
Special deduction for IRB institutions	708	-117
Items affected via Other comprehensive income		
AFS shares	2 138	-1 460
AFS shares	21	39
Pensions (IAS 19)	-3 573	-2 102
Currency effects	-1 303	3 341
Net investment hedging	-307	1 995
Other	154	-259
<b>Common equity tier 1 capital – closing amount</b>	<b>100 535</b>	<b>98 084</b>

<b>Additional tier 1 capital – opening amount</b>	<b>8 043</b>	<b>10 602</b>
<i>Additional tier 1 instruments</i>		
Issues	9 981	-
Calls	-5 521	-2 897
Currency effects	-169	341
Conversions	-2	-3
Regulatory adjustments capital	-399	-
<b>Additional tier 1 capital – closing amount</b>	<b>11 933</b>	<b>8 043</b>

<b>Total tier 1 capital</b>	<b>112 468</b>	<b>106 127</b>
<b>Tier 2 capital – opening amount</b>	<b>16 731</b>	<b>2 753</b>
<i>Tier 2 capital instruments</i>		
Issues	0	14 174
Currency effects	-457	0
Adjustment for time to maturity	-253	-196
<b>Tier 2 capital – closing amount</b>	<b>16 021</b>	<b>16 731</b>
<b>Total own funds</b>	<b>128 489</b>	<b>122 858</b>



Credit risk IRB			Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	Exposure amount							
SEK m	2015	2014	2015	2014	2015	2014	2015	2014
Corporate exposures								
(excl. Housing co-operative associations)	824 013	807 909	204 426	225 120	16 354	18 010	24.8	27.9
of which repos and securities loans	9 324	14 060	260	57	21	5	2.8	0.4
of which other lending, foundation approach	143 430	142 048	42 501	46 601	3 400	3 728	29.6	32.8
of which other lending, advanced approach	671 259	651 801	161 665	178 462	12 933	14 277	24.1	27.4
of which large corporates	137 749	149 446	61 130	72 577	4 890	5 806	44.4	48.6
of which small and medium-sized companies	76 639	74 041	32 888	33 723	2 631	2 698	42.9	45.5
of which property companies	456 871	428 314	67 647	72 162	5 412	5 773	14.8	16.8
Housing co-operative associations¹	168 369	150 952	6 003	5 619	480	449	3.6	3.7
Retail exposures	918 324	867 447	66 245	69 012	5 300	5 521	7.2	8
Private individuals	891 487	839 719	58 841	61 380	4 707	4 910	6.6	7.3
of which property loans	810 312	756 225	43 517	42 051	3 481	3 364	5.4	5.6
of which other	81 175	83 494	15 324	19 329	1 226	1 546	18.9	23.2
Small companies	26 837	27 728	7 404	7 632	593	611	27.6	27.5
of which property loans	7 541	7 535	2 016	1 529	161	122	26.7	20.3
of which other	19 296	20 193	5 388	6 103	432	489	27.9	30.2
Institutional exposures	117 263	134 409	20 471	16 671	1 638	1 334	17.5	12.4
of which repos and securities loans	31 143	51 433	424	661	34	53	1.4	1.3
of which other lending	86 120	82 976	20 047	16 010	1 604	1 281	23.3	19.3
Equity exposures	5 229	6 102	15 815	18 110	1 265	1 449	302.4	296.8
of which listed equities	4 418	5 584	12 811	16 195	1 025	1 296	290	290
of which other equities	811	518	3 004	1 915	240	153	370	370
Non credit-obligation asset exposures	2 348	2 239	2 348	2 239	188	179	100	100
Securitisation positions	28	269	2	24	0	2	7.4	8.8
off which traditional securitisation	28	269	2	24	0	2	7.4	8.8
off which synthetic securitisation	-	-	-	-	-	-	-	-
Total IRB	2 035 574	1 969 327	315 310	336 795	25 225	26 944	15.5	17.1
of which repos and securities loans	40 467	65 493	683	717	55	57	1.7	1.1
of which other lending, foundation approach	237 156	233 633	80 714	82 984	6 457	6 639	34	35.5
of which other lending, advanced approach	1 757 951	1 670 201	233 912	253 094	18 713	20 248	13.3	15.2

<sup>1</sup> Refers to housing co-operative associations included in the Corporate exposure class and reported in the advanced approach.

Credit risk, standardised approach <sup>1</sup>			Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m	2015	2014	2015	2014	2015	2014	2015	2014
Sovereign and central banks	270 402	558 624	72	46	6	4	0	0
Municipalities	58 231	64 086	18	20	1	2	0	0
Multilateral development banks	649	762	0	0	0	0	0	0
International organisations	1	0	0	0	0	0	0	0
Institutions	4 162	2 277	603	574	48	46	14.5	25.2
Corporate	12 232	12 771	11 570	10 389	926	831	94.6	81.3
Retail	22 417	19 212	16 774	14 350	1 342	1 147	74.8	74.7
Property mortgages	70 925	57 765	25 367	20 994	2 029	1 680	35.8	36.3
Past due items	229	144	319	186	25	15	139.2	129.9
Equities	7 978	7 110	17 308	16 393	1 385	1 311	216.9	230.6
<i>of which listed equities</i>	249	641	249	641	20	51	100.0	100.0
<i>of which other equities</i>	7 729	6 469	17 059	15 752	1 365	1 260	220.7	243.5
Other items	9 034	7 409	8 375	6 734	671	539	92.7	90.9
<b>Total standardised approach</b>	<b>456 260</b>	<b>730 160</b>	<b>80 406</b>	<b>69 686</b>	<b>6 433</b>	<b>5 575</b>	<b>17.6</b>	<b>9.5</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. 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 14 per cent to SEK 19,919 million (17,413). Operating profit for the year increased by 16 per cent to SEK 15,843 million (13,701). Net interest income decreased by 5 per cent to SEK 15,250 million (16,082) and net fee and commission income increased by 11 per cent to SEK 6,778 million (6,112). Dividends have been received amounting to SEK 11,978 million (9,664). The parent company's equity increased to SEK 107,112 million (102,585). For the parent company's five-year overview, see pages 159–160.

### 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 executive officers

Handelsbanken's principles for compensation to executive officers are set out in note G8 and in the principles for compensation to executive officers section of the Corporate Governance Report (see page 60).

### Recommended appropriation of profits

The Board proposes a total dividend of SEK 6.00 per share (5.83), comprising an ordinary dividend of SEK 4.50 per share (4.17) and an extra dividend of SEK 1.50 per share. The Board's recommended appropriation of profits is shown on page 191.

### The Handelsbanken share

#### Shares divided into share classes

31 December 2015

Share class	Number	% of capital	% of votes
Class A	1 871 794 753	98.20	99.80
Class B	35 251 329	1.80	0.20
<b>Total</b>	<b>1 907 046 082</b>	<b>100.00</b>	<b>100.00</b>

A 3:1 stock split was carried out in May 2015.

Two shareholders own more than ten per cent of the shares: AB 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 2015, the Board received a mandate to repurchase a maximum of 40 million shares during the period until the AGM in March 2016. This mandate was not used in 2015. 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 48.

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 pages 47–48.



# Financial report

## Parent company

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# Income Statement

## Parent company

SEK m		2015	2014
Interest income	Note P3	23 392	27 959
Interest expense	Note P3	-8 142	-11 877
<b>Net interest income</b>		<b>15 250</b>	<b>16 082</b>
Dividends received	Note P4	11 978	9 664
Fee and commission income	Note P5	8 631	8 030
Fee and commission expense	Note P5	-1 853	-1 918
<b>Net fee and commission income</b>		<b>6 778</b>	<b>6 112</b>
Net gains/losses on financial transactions	Note P6	2 349	1 117
Other operating income	Note P7	1 644	2 188
<b>Total operating income</b>		<b>37 999</b>	<b>35 163</b>
General administrative expenses			
Staff costs	Note P8	-10 904	-10 441
Other administrative expenses	Note P9	-5 040	-5 006
Depreciation, amortisation and impairments of property, equipment and intangible assets	Note P19, P20	-507	-478
<b>Total expenses before loan losses</b>		<b>-16 451</b>	<b>-15 925</b>
<b>Profit before loan losses</b>		<b>21 548</b>	<b>19 238</b>
Net loan losses	Note P10	-1 614	-1 825
Impairment loss on financial assets		-15	-
<b>Operating profit</b>		<b>19 919</b>	<b>17 413</b>
Appropriations	Note P11	100	111
<b>Profit before taxes</b>		<b>20 019</b>	<b>17 524</b>
Taxes	Note P27	-4 176	-3 823
<b>Profit for the year</b>		<b>15 843</b>	<b>13 701</b>

# Statement of comprehensive income, Parent company

SEK m	2015	2014
Profit for the year	15 843	13 701
<b>Other comprehensive income</b>		
Cash flow hedges	195	3 249
Available-for-sale instruments	694	295
Translation difference for the year	-1 155	5 634
<i>of which hedges of net assets in foreign operations</i>	-444	2 675
Tax related to other comprehensive income	73	-1 311
<i>of which cash flow hedges</i>	-43	-709
<i>of which available-for-sale instruments</i>	18	-14
<i>of which hedges of net assets in foreign operations</i>	98	-588
<b>Total other comprehensive income</b>	<b>-193</b>	<b>7 867</b>
<b>Total comprehensive income for the year</b>	<b>15 650</b>	<b>21 568</b>

The period's reclassifications to the income statement are presented in Statement of changes in equity.



# Balance sheet Parent company

SEK m		2015	2014
<b>ASSETS</b>			
Cash and balances with central banks		202 630	454 532
Interest-bearing securities eligible as collateral with central banks	<i>Note P14</i>	71 436	74 362
Loans to credit institutions	<i>Note P12</i>	596 441	568 589
Loans to the public	<i>Note P13</i>	733 988	737 483
Bonds and other interest-bearing securities	<i>Note P14</i>	40 974	59 652
Shares	<i>Note P15</i>	29 309	44 949
Shares in subsidiaries and investments in associates	<i>Note P16</i>	45 815	45 764
Assets where the customer bears the value change risk		3 422	3 024
Derivative instruments	<i>Note P17</i>	89 491	120 051
Intangible assets	<i>Note P19</i>	1 962	1 805
Property and equipment	<i>Note P20</i>	1 150	1 032
Deferred tax assets	<i>Note P27</i>	328	361
Other assets	<i>Note P21</i>	18 299	19 195
Prepaid expenses and accrued income	<i>Note P22</i>	4 813	4 996
<b>Total assets</b>	<i>Note P33</i>	<b>1 840 058</b>	<b>2 135 795</b>
<b>LIABILITIES AND EQUITY</b>			
Due to credit institutions	<i>Note P23</i>	173 533	210 099
Deposits and borrowing from the public	<i>Note P24</i>	755 066	1 020 962
Liabilities where the customer bears the value change risk		3 501	3 125
Issued securities, etc.	<i>Note P25</i>	676 950	633 128
Derivative instruments	<i>Note P17</i>	61 109	87 718
Short positions	<i>Note P26</i>	2 416	20 648
Current tax liabilities		847	829
Deferred tax liabilities	<i>Note P27</i>	1 521	1 669
Provisions	<i>Note P28</i>	96	87
Other liabilities	<i>Note P29</i>	13 751	14 148
Accrued expenses and deferred income	<i>Note P30</i>	9 370	9 809
Subordinated liabilities	<i>Note P31</i>	34 216	30 289
<b>Total liabilities</b>	<i>Note P33</i>	<b>1 732 376</b>	<b>2 032 511</b>
<b>Untaxed reserves</b>	<i>Note P32</i>	<b>570</b>	<b>699</b>
Share capital		2 956	2 956
Share premium		3 204	3 203
Other funds		9 585	9 778
Retained earnings		75 524	72 947
Profit for the year		15 843	13 701
<b>Total equity</b>		<b>107 112</b>	<b>102 585</b>
<b>Total liabilities and equity</b>		<b>1 840 058</b>	<b>2 135 795</b>
<b>MEMORANDUM ITEMS</b>			
Assets pledged for own debt	<i>Note P35</i>	30 185	42 225
Other pledged assets	<i>Note P35</i>	33 520	35 758
Contingent liabilities	<i>Note P36</i>	120 002	80 471
Other commitments	<i>Note P37</i>	489 646	487 070



# Statement of changes in equity

## Parent company

SEK m	Restricted equity		Unrestricted equity				Retained earnings	Total
	Share capital	Statutory reserve	Share premium	Hedge reserve <sup>1</sup>	Fair value reserve <sup>1</sup>	Translation reserve <sup>1</sup>		
Opening equity 2015	2 956	2 682	3 203	1 197	1 304	4 595	86 648	102 585
Profit for the year							15 843	15 843
Other comprehensive income				152	712	-1 057		-193
<b>Total comprehensive income for the year</b>				<b>152</b>	<b>712</b>	<b>-1 057</b>	<b>15 843</b>	<b>15 650</b>
Dividend							-11 124	-11 124
Effects of convertible subordinated loans	0		1					1
<b>Closing equity 2015</b>	<b>2 956</b>	<b>2 682</b>	<b>3 204</b>	<b>1 349</b>	<b>2 016</b>	<b>3 538</b>	<b>91 367</b>	<b>107 112</b>

SEK m	Restricted equity		Unrestricted equity				Retained earnings	Total
	Share capital	Statutory reserve	Share premium	Hedge reserve <sup>1</sup>	Fair value reserve <sup>1</sup>	Translation reserve <sup>1</sup>		
Opening equity 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	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>

<sup>1</sup> Included in fair value fund.

During the period January to December 2015, convertibles for a nominal value of SEK 1m (6) relating to the 2008 subordinated convertible bond had been converted into 18,925 class A shares (89,772). 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>2015</b>	<b>2014</b>
Hedge reserve at beginning of year	1 197	-1 343
Unrealised value changes during the year	152	2 620
Reclassified in the income statement <sup>1</sup>	-	-80
<b>Hedge reserve at end of year</b>	<b>1 349</b>	<b>1 197</b>
<b>Change in fair value reserve</b>		
SEK m	<b>2015</b>	<b>2014</b>
Fair value reserve at beginning of year	1 304	1 023
Unrealised market value change during the year for remaining and new holdings	745	240
Reclassified in the income statement <sup>2</sup>	-33	41
<b>Fair value reserve at end of year</b>	<b>2 016</b>	<b>1 304</b>
<b>Change in translation reserve</b>		
SEK m	<b>2015</b>	<b>2014</b>
Translation reserve at beginning of year	4 595	-451
Change in translation difference pertaining to branches	-1 059	5 043
Reclassified in the income statement <sup>3</sup>	2	3
<b>Translation reserve at end of year</b>	<b>3 538</b>	<b>4 595</b>

<sup>1</sup> Tax that has been reclassified to the income statement pertaining to this item SEK -m (22).

<sup>2</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 63m (-10).

<sup>3</sup> Tax that has been reclassified to the income statement pertaining to this item SEK 0m (-).



# Cash flow statement

## Parent company

SEK m	2015	2014
<b>OPERATING ACTIVITIES</b>		
Operating profit	19 919	17 413
<i>of which paid-in interest</i>	23 830	28 468
<i>of which paid-out interest</i>	-8 688	-12 130
<i>of which paid-in dividends</i>	11 978	9 664
Adjustment for non-cash items in profit/loss		
Loan losses	1 708	1 957
Unrealised changes in value	1 418	-188
Depreciation, amortisation and impairments	507	478
Group contribution to be received	-10 971	-8 727
Paid income tax	-4 221	-3 905
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-27 847	-88 573
Loans to the public	1 722	-51 840
Interest-bearing securities and shares	34 040	-20 317
Due to credit institutions	-35 224	-15 651
Deposits and borrowing from the public	-267 237	199 449
Issued securities	43 823	100 521
Derivative instruments, net positions	3 875	-30 489
Short-term positions	-18 187	-2 197
Claims and liabilities on investment banking settlements	2 094	-441
Other	-30 874	-53 136
<b>Cash flow from operating activities</b>	<b>-285 455</b>	<b>44 354</b>
<b>INVESTING ACTIVITIES</b>		
Change in shares	3 618	-1 666
Change in interest-bearing securities	0	3 395
Change in property and equipment	-415	-200
Change in intangible assets	-447	-248
<b>Cash flow from investing activities</b>	<b>2 756</b>	<b>1 281</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of subordinated loans	-5 690	-2 905
Issued subordinated loans	10 082	16 612
Dividend paid	-11 124	-10 488
Dividends received from Group companies	8 727	7 950
<b>Cash flow from financing activities</b>	<b>1 995</b>	<b>11 169</b>
<b>Cash flow for the year</b>	<b>-280 704</b>	<b>56 804</b>
Liquid funds at beginning of year	454 532	334 794
Cash flow from operating activities	-285 455	44 354
Cash flow from investing activities	2 756	1 281
Cash flow from financing activities	1 995	11 169
Exchange rate difference on liquid funds	28 802	62 934
<b>Liquid funds at end of year</b>	<b>202 630</b>	<b>454 532</b>



# Five-year overview

## Parent company

<b>Income statement</b>					
SEK m	2015	2014	2013	2012	2011
Net interest income	15 250	16 082	15 962	16 431	15 684
Dividends received	11 978	9 664	8 995	9 152	5 733
Net fee and commission income	6 778	6 112	5 649	5 724	6 026
Net gains/losses on financial transactions	2 349	1 117	589	3 994	458
Other operating income	1 644	2 188	1 953	758	640
<b>Total operating income</b>	<b>37 999</b>	<b>35 163</b>	<b>33 148</b>	<b>36 059</b>	<b>28 541</b>
General administrative expenses					
Staff costs	-10 904	-10 441	-9 977	-9 808	-9 247
Other administrative expenses	-5 040	-5 006	-5 075	-5 157	-4 723
Depreciation, amortisation and impairments of property, equipment and intangible assets	-507	-478	-498	-518	-538
<b>Total expenses before loan losses</b>	<b>-16 451</b>	<b>-15 925</b>	<b>-15 550</b>	<b>-15 483</b>	<b>-14 508</b>
<b>Profit before loan losses</b>	<b>21 548</b>	<b>19 238</b>	<b>17 598</b>	<b>20 576</b>	<b>14 033</b>
Net loan losses	-1 614	-1 825	-1 189	-1 154	-1 081
Impairment loss on financial assets	-15	-	-29	-820	-375
<b>Operating profit</b>	<b>19 919</b>	<b>17 413</b>	<b>16 380</b>	<b>18 602</b>	<b>12 577</b>
Appropriations	100	111	4 267	-4 065	106
<b>Profit before tax</b>	<b>20 019</b>	<b>17 524</b>	<b>20 647</b>	<b>14 537</b>	<b>12 683</b>
Taxes	-4 176	-3 823	-4 619	-2 985	-3 470
<b>Profit for the year</b>	<b>15 843</b>	<b>13 701</b>	<b>16 028</b>	<b>11 552</b>	<b>9 213</b>
Dividend for the year	11 442 <sup>1</sup>	11 124	10 488	6 804	6 085
<sup>1</sup> As proposed by the Board.					
<b>Statement of comprehensive income</b>					
SEK m	2015	2014	2013	2012	2011
Profit for the year	15 843	13 701	16 028	11 552	9 213
<b>Other comprehensive income</b>					
Cash flow hedges	195	3 249	-3 009	2 522	-264
Available-for-sale instruments	694	295	534	983	-1 319
Translation difference for the year	-1 155	5 634	879	-10	36
of which hedges of net assets in foreign operations	-444	2 675	901	481	-
Tax related to other comprehensive income	73	-1 311	397	-962	435
of which cash flow hedges	-43	-709	656	-608	70
of which available-for-sale instruments	18	-14	-61	-248	365
of which hedges of net assets in foreign operations	98	-588	-198	-106	-
<b>Total other comprehensive income</b>	<b>-193</b>	<b>7 867</b>	<b>-1 199</b>	<b>2 533</b>	<b>-1 112</b>
<b>Total comprehensive income for the year</b>	<b>15 650</b>	<b>21 568</b>	<b>14 829</b>	<b>14 085</b>	<b>8 101</b>



# Five-year overview

## Parent company, cont.

Balance sheet SEK m	2015	2014	2013	2012	2011
<b>Assets</b>					
Loans to the public	733 988	737 483	685 372	731 967	686 827
Loans to credit institutions	596 441	568 589	475 440	422 897	532 713
Interest-bearing securities	112 410	134 014	112 728	108 198	94 237
Other assets	397 219	695 709	533 321	461 704	499 484
<b>Total assets</b>	<b>1 840 058</b>	<b>2 135 795</b>	<b>1 806 861</b>	<b>1 724 766</b>	<b>1 813 261</b>
<b>Liabilities and equity</b>					
Deposits and borrowing from the public	755 066	1 020 962	814 227	668 683	705 565
Due to credit institutions	173 533	210 099	226 631	243 332	261 806
Issued securities	676 950	633 128	532 607	531 284	543 876
Subordinated liabilities	34 216	30 289	15 965	21 167	35 325
Other liabilities	92 611	138 033	125 900	173 030	193 034
Untaxed reserves	570	699	773	5 038	998
Equity	107 112	102 585	90 758	82 232	72 657
<b>Total liabilities and equity</b>	<b>1 840 058</b>	<b>2 135 795</b>	<b>1 806 861</b>	<b>1 724 766</b>	<b>1 813 261</b>
<b>Memorandum items</b>					
Assets pledged for own debt	30 185	42 225	25 216	59 195	72 007
Other pledged assets	33 520	35 758	41 679	2 564	5 236
Contingent liabilities	120 002	80 471	121 509	131 586	149 061
Other commitments	489 646	487 070	495 502	475 287	513 217

Key figures	2015	2014	2013	2012	2011
Impaired loans reserve ratio, %	54.3	46.6	58.0	56.0	61.0
Proportion of impaired loans, %	0.30	0.36	0.24	0.28	0.24
Common equity tier 1 ratio, % according to CRR	19.9	18.5			
Tier 1 ratio, % according to Basel II			20.5	19.0	16.9
Tier 1 ratio, % according to CRR	22.6	20.2			
Capital ratio, % according to Basel II			21.4	20.6	20.9
Total capital ratio, % according to CRR	26.1	23.9			
Return on capital employed, %	0.74	0.70	0.91	0.64	0.54



# 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 for the 2014 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 244.

### Credit risk

Credit risk exposure SEK m	2015	2014
Loans to the public <sup>1</sup>	733 988	737 483
<i>of which repos</i>	7 742	23 858
Loans to credit institutions	562 323	517 542
<i>of which repos</i>	23 632	43 383
Unutilised part of granted overdraft facilities	128 969	102 817
Credit commitments	263 956	267 134
Other commitments	96 721	117 119
Guarantees, credits	48 486	10 336
Guarantees, other	66 860	66 172
Letters of credit	4 656	3 963
Derivatives	89 491	120 051
Treasury bills and other eligible bills	71 436	74 362
Bonds and other interest-bearing securities	40 974	59 652
<b>Total</b>	<b>2 107 860</b>	<b>2 076 631</b>
Cash and balances with central banks	202 630	454 532
Other loans to central banks	34 118	51 047
<b>Total</b>	<b>2 344 608</b>	<b>2 582 210</b>

<sup>1</sup> SEK 1,619m (2,181) of this amount is loans which upon initial recognition were classified at fair value in the income statement.

Loans to the public, by sector SEK m	2015			2014		
	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	164 386	-605	163 781	156 740	-614	156 126
Housing co-operative associations	21 531	-13	21 518	16 310	-12	16 298
Property management	346 029	-690	345 339	321 154	-585	320 569
Manufacturing	30 766	-1 542	29 224	35 873	-724	35 149
Retail	22 127	-267	21 860	25 461	-343	25 118
Hotel and restaurant	8 061	-29	8 032	7 380	-25	7 355
Passenger and goods transport by sea	9 307	-543	8 764	10 974	-405	10 569
Other transport and communication	7 253	-60	7 193	9 892	-39	9 853
Construction	12 780	-92	12 688	12 535	-113	12 422
Electricity, gas and water	16 359	-52	16 307	13 300	-24	13 276
Agriculture, hunting and forestry	5 281	-15	5 266	6 237	-15	6 222
Other services	16 346	-66	16 280	16 780	-42	16 738
Holding, investment, insurance companies, mutual funds etc.	54 707	-282	54 425	57 246	-187	57 059
Sovereigns and municipalities	3 012	0	3 012	18 193	0	18 193
Other corporate lending	20 651	-93	20 558	33 268	-466	32 802
<b>Total</b>	<b>738 596</b>	<b>-4 349</b>	<b>734 247</b>	<b>741 343</b>	<b>-3 594</b>	<b>737 749</b>
Collective provisions			-259			-266
<b>Total loans to the public</b>	<b>738 596</b>		<b>733 988</b>	<b>741 343</b>		<b>737 483</b>

Loans to the public, collateral SEK m	2015	2014
Residential property <sup>1</sup>	216 487	194 270
<i>of which private individuals</i>	107 846	97 133
Other property	237 558	213 870
Sovereigns, municipalities and county councils <sup>2</sup>	12 627	13 519
Guarantees <sup>3</sup>	8 025	15 435
Financial collateral	16 777	22 032
Collateral in assets	0	0
Other collateral <sup>4</sup>	21 446	20 864
Unsecured <sup>4</sup>	221 068	257 493
<b>Total loans to the public</b>	<b>733 988</b>	<b>737 483</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>4</sup> Comparative numbers are changed due to changed calculation method.

Credit risk exposure on balance, collateral SEK m	2015	2014
Residential property <sup>1</sup>	216 487	194 270
<i>of which private individuals</i>	107 846	97 133
Other property	237 558	213 870
Sovereigns, municipalities and county councils <sup>2</sup>	256 477	542 282
Guarantees <sup>3</sup>	8 518	16 006
Financial collateral	40 612	63 490
Collateral in assets	0	0
Other collateral <sup>4</sup>	21 446	20 864
Unsecured <sup>4</sup>	738 927	680 773
<b>Total loans to the public on balance</b>	<b>1 520 025</b>	<b>1 731 555</b>

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

<sup>2</sup> Refers to direct sovereign exposures and government guarantees.

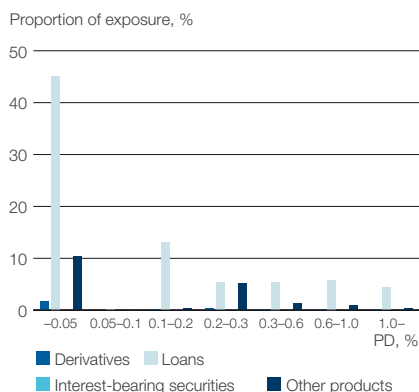
<sup>3</sup> Does not include government guarantees.

<sup>4</sup> Comparative numbers are changed due to changed calculation method.

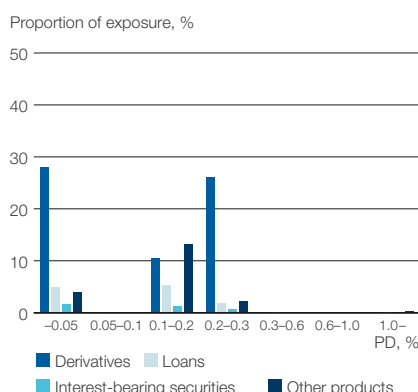


**Credit quality**

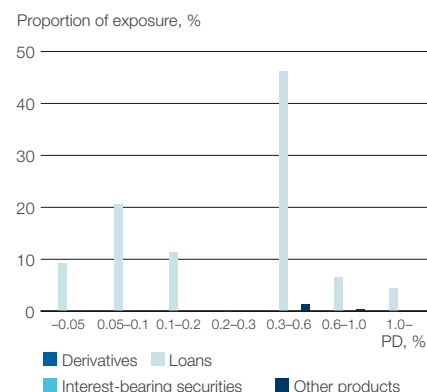
**Proportion of exposure amount per product type per PD interval excluding defaulted credits – Corporate exposures**



**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

Interest rate risk

Exchange rate risk<sup>2</sup>

2015

2014

1 192

442

36

7

<sup>1</sup> For information about equity and commodity risk in the parent company, see note G2.<sup>2</sup> Worst outcome in the case of +/- 5% change in SEK.**Maturity analysis for financial assets and liabilities, 2015**

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	236 752	-	-	-	-	-	-	236 752
Interest-bearing securities eligible as collateral with central banks <sup>1</sup>	71 831	-	-	-	-	-	-	71 831
Bonds and other interest-bearing securities <sup>2</sup>	41 371	-	-	-	-	-	-	41 371
Loans to credit institutions	116 614	181 433	104 419	73 047	58 721	40 277	-	574 511
of which reverse repos	14 586	8 833	-	-	-	-	-	23 419
Loans to the public	47 153	117 959	96 341	115 802	212 769	186 158	-	776 182
of which reverse repos	7 742	-	-	-	-	-	-	7 742
Other	33 874	-	-	-	-	-	160 715	194 589
of which shares and participating interests	29 309	-	-	-	-	-	-	29 309
of which claims on investment banking settlements	4 565	-	-	-	-	-	-	4 565
<b>Total</b>	<b>547 595</b>	<b>299 392</b>	<b>200 760</b>	<b>188 849</b>	<b>271 490</b>	<b>226 435</b>	<b>160 715</b>	<b>1 895 236</b>
Due to credit institutions	70 184	67 827	1 467	744	903	7 765	28 836	177 726
of which repos	290	-	-	-	-	-	-	290
of which central banks	13 066	55 291	-	5	-	-	1 333	69 695
Deposits and borrowing from the public	11 412	44 749	7 666	1 118	716	133	689 421	755 215
of which repos	-	-	-	-	-	-	-	0
Issued securities <sup>3</sup>	96 520	305 495	51 161	61 908	139 179	45 241	-	699 504
of which covered bonds	-	-	-	-	-	-	-	0
of which certificates and other securities with original maturity of less than one year	95 126	264 533	7 591	-	-	-	-	367 250
of which senior bonds and other securities with original maturity of more than one year	1 394	40 962	43 570	61 908	139 179	45 241	-	332 254
Subordinated liabilities	374	825	2 566	4 226	21 791	10 416	-	40 198
Other	8 946	-	-	-	-	-	191 353	200 299
of which short positions	2 422	-	-	-	-	-	-	2 422
of which investment banking settlement debts	6 524	-	-	-	-	-	-	6 524
<b>Total</b>	<b>187 436</b>	<b>418 896</b>	<b>62 860</b>	<b>67 996</b>	<b>162 589</b>	<b>63 555</b>	<b>909 610</b>	<b>1 872 942</b>
<b>Off-balance-sheet items</b>								
Financial guarantees and unutilised commitments	489 646							

**Derivatives 2015**

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	270 753	408 773	77 344	142 412	343 064	135 278	1 377 624
Total derivatives outflow	270 590	406 014	76 564	138 827	330 024	132 591	1 354 610
<b>Net</b>	<b>163</b>	<b>2 759</b>	<b>780</b>	<b>3 585</b>	<b>13 040</b>	<b>2 687</b>	<b>23 014</b>

<sup>1</sup> SEK 25,294m of the amount (excl. interest) has a residual maturity of less than one year.<sup>2</sup> SEK 6,021m of the amount (excl. interest) has a residual maturity of less than one year.<sup>3</sup> SEK 446,340m 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 Parent company's balance sheet.



## P2 Cont.

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							

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	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 Parent company's balance sheet.

## P3 Net interest income

SEK m	2015	2014
<b>Interest income</b>		
Loans to credit institutions and central banks	4 425	6 748
Loans to the public	19 376	21 403
Interest-bearing securities eligible as collateral with central banks	651	719
Bonds and other interest-bearing securities	914	1 015
Derivative instruments	-2 387	-2 511
Other interest income	1 237	1 218
<b>Total interest income</b>	<b>24 216</b>	<b>28 592</b>
Of which interest income reported in net gains/losses on financial transactions	824	633
<b>Interest income according to income statement</b>	<b>23 392</b>	<b>27 959</b>
<b>Interest expense</b>		
Due to credit institutions and central banks	-941	-1 124
Deposits and borrowing from the public	-1 898	-3 741
Issued securities	-7 732	-7 528
Derivative instruments	5 188	3 041
Subordinated liabilities	-1 695	-1 283
Other interest expense	-1 612	-1 508
<b>Total interest expense</b>	<b>-8 690</b>	<b>-12 143</b>
Of which interest expense reported in net gains/losses on financial transactions	-548	-266
<b>Interest expense according to income statement</b>	<b>-8 142</b>	<b>-11 877</b>
<b>Net interest income</b>	<b>15 250</b>	<b>16 082</b>

Includes interest income on impaired loans SEK 106m (88). Total interest income on assets recognised at amortised cost and available-for-sale assets was SEK 25,149m (29,495). Total interest expense on liabilities recognised at amortised cost was SEK 13,330m (14,918).



## P4 Dividends received

SEK m	2015	2014
Dividends on shares	705	929
Dividends from associates	8	8
Dividends from group companies	294	-
Group contribution received	10 971	8 727
<b>Total</b>	<b>11 978</b>	<b>9 664</b>

## P5 Net fee and commission income

SEK m	2015	2014
Brokerage and other securities commissions	1 065	1 089
Mutual funds	1 837	1 489
Custody and other asset management fees	386	365
Advisory services	276	209
Payments	3 313	3 075
Loans and deposits	849	878
Guarantees	421	424
Other	484	501
<b>Total fee and commission income</b>	<b>8 631</b>	<b>8 030</b>
Securities	-465	-584
Payments	-1 331	-1 270
Other	-57	-64
<b>Total fee and commission expense</b>	<b>-1 853</b>	<b>-1 918</b>
<b>Net fee and commission income</b>	<b>6 778</b>	<b>6 112</b>

## P6 Net gains/losses on financial transactions

SEK m	2015	2014
Trading, derivatives, FX effect etc.	1 424	-1 839
Other financial instruments denominated at fair value in profit/loss	-497	2 278
<i>of which interest-bearing securities</i>	-401	2 260
<i>of which loans</i>	-96	18
Financial instruments at amortised cost	111	262
<i>of which loans</i>	178	305
<i>of which liabilities</i>	-67	-43
Financial instruments available for sale	1 203	365
Hedge accounting		
Fair value hedges	78	39
<i>of which hedging instruments</i>	-59	-7
<i>of which hedged items</i>	137	46
Ineffective portion of cash flow hedges	30	12
<b>Total</b>	<b>2 349</b>	<b>1 117</b>

## P7 Other operating income

SEK m	2015	2014
Rental income	21	21
Other operating income	1 623	2 167
<b>Total</b>	<b>1 644</b>	<b>2 188</b>



## P8 Staff costs

SEK m	2015	2014
Salaries and fees	-7 340	-6 942
Social security costs	-1 710	-1 687
Pension costs <sup>1</sup>	-573	-600
Provision to profit-sharing foundation	-816	-722
Other staff costs	-465	-490
<b>Total</b>	<b>-10 904</b>	<b>-10 441</b>

<sup>1</sup> Information about pension costs is presented in note P38.

Salaries and fees SEK m	2015	2014
Officers in an executive position <sup>2</sup> , 28 persons (30)	-112	-103
Others	-7 228	-6 839
<b>Total</b>	<b>-7 340</b>	<b>-6 942</b>

<sup>2</sup> Executive Directors and board members.

Gender distribution %	2015		2014	
	Men	Women	Men	Women
Board	67	33	80	20
Executive Directors	79	21	81	19

Average number of employees	2015	Men	Women	2014	Men	Women
Sweden	6 759	3 166	3 593	6 826	3 141	3 685
Norway	744	415	329	752	413	339
Finland	527	219	308	525	217	308
Denmark	673	354	319	682	338	344
UK	1 779	1 060	719	1 554	937	617
Luxembourg	62	36	26	67	39	28
Germany	53	30	23	59	32	27
USA	71	46	25	74	47	27
Netherlands	170	109	61	140	86	54
Singapore	39	12	27	38	9	29
China	70	29	41	67	26	41
Poland	41	15	26	42	15	27
Other countries	73	27	46	71	29	42
<b>Total</b>	<b>11 061</b>	<b>5 518</b>	<b>5 543</b>	<b>10 897</b>	<b>5 329</b>	<b>5 568</b>

Note G8 provides information about the principles for remuneration to executive officers in the parent company.

## P9 Other administrative expenses

SEK m	2015	2014
Property and premises	-1 374	-1 350
External IT costs	-1 549	-1 575
Communication	-317	-322
Travel and marketing	-289	-297
Purchased services	-898	-897
Supplies	-168	-194
Other administrative expenses	-445	-371
<b>Total</b>	<b>-5 040</b>	<b>-5 006</b>
<i>Of which expenses for operating leases</i>		
Minimum lease fee	-671	-738
Variable fee	-74	-19
<b>Total</b>	<b>-745</b>	<b>-757</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 2015, the cost of the largest individual lease contract was approx. SEK 172m (167). None of the major lease contracts has a variable fee.

Remuneration to auditors and audit companies SEK m	KPMG		Ernst & Young AB	
	2015	2014	2015	2014
Audit assignment	-9	-10	-4	-2
Audit operations outside the audit assignment	-2	-4	-	-
Tax advice	-	-	-	-1
Other services	-	-	-	-



## P10 Loan losses

SEK m	2015	2014
<b>Specific provision for individually assessed loans</b>		
The year's provision	-1 798	-1 917
Reversal of previous provisions	321	273
<b>Total</b>	<b>-1 477</b>	<b>-1 644</b>
<b>Collective provision</b>		
The year's net provision for individually assessed loans	1	75
The year's net provision for homogeneous loans	-	1
<b>Total</b>	<b>1</b>	<b>76</b>
<b>Off-balance sheet items</b>		
Losses on off-balance sheet items	-24	-62
Reversal of previous losses on off-balance sheet items	40	13
Change in collective provision for off-balance sheet items	-33	16
<b>Total</b>	<b>-17</b>	<b>-33</b>
<b>Write-offs</b>		
Actual loan losses for the year	-851	-1 829
Utilised share of previous provisions	633	1 474
Recoveries	97	131
<b>Total</b>	<b>-121</b>	<b>-224</b>
<b>Net loan losses</b>	<b>-1 614</b>	<b>-1 825</b>
<b>Impaired loans, etc.</b>		
SEK m	2015	2014
Impaired loans	8 480	8 290
Specific provisions for individually assessed loans	-4 349	-3 594
Provisions for collectively assessed homogeneous groups of loans with limited value	-	-
Collective provisions for individually assessed loans	-259	-266
<b>Net impaired loans</b>	<b>3 872</b>	<b>4 430</b>
Total impaired loans reserve ratio, %	54.3	46.6
Proportion of impaired loans, %	0.30	0.36
Impaired loans reserve ratio excluding collective provisions, %	51.3	43.3
Loans past due > 60 days, which are not impaired	866	1 491
Impaired loans reclassified as normal loans during the year	167	29

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. For other definitions, see page 244.

Change in provision for probable loan losses 2015				
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	-3 594	-266	-	-3 860
The year's provision	-1 798	-	-	-1 798
Reversal of previous provisions	321	1	-	322
Utilised for actual loan losses	633	-	-	633
Foreign exchange effect, etc.	89	6	-	95
<b>Provision at end of year</b>	<b>-4 349</b>	<b>-259</b>	<b>-</b>	<b>-4 608</b>

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>



## P10 Cont.

Impaired loans and loans which are overdue by more than 60 days, by sector 2015 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	1 100	-605	495	330	427
Housing co-operative associations	14	-13	1	1	2
Property management	1 926	-690	1 236	400	127
Manufacturing	2 103	-1 542	561	49	21
Retail	394	-267	127	74	4
Hotel and restaurant	116	-29	87	85	168
Passenger and goods transport by sea	1 734	-543	1 191	0	-
Other transport and communication	78	-60	18	16	8
Construction	149	-92	57	40	77
Electricity, gas and water	73	-52	21	5	-
Agriculture, hunting and forestry	34	-15	19	3	0
Other services	101	-66	35	27	15
Holding, investment and insurance companies, mutual funds, etc.	500	-282	218	74	17
Other corporate lending	158	-93	65	39	0
Credit institutions	-	-	-	-	-
<b>Total</b>	<b>8 480</b>	<b>-4 349</b>	<b>4 131</b>	<b>1 143</b>	<b>866</b>

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>

<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, geographical breakdown 2015 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	3 019	-2 014	1 005	376	124
Norway	208	-130	78	46	159
Finland	826	-637	189	96	343
Denmark	2 797	-1 035	1 762	214	17
UK	1 436	-447	989	307	168
Netherlands	2	-1	1	-	-
Rest of Europe	192	-85	107	104	53
North America	-	-	-	-	-
Asia	-	-	-	-	2
<b>Total</b>	<b>8 480</b>	<b>-4 349</b>	<b>4 131</b>	<b>1 143</b>	<b>866</b>

Impaired loans and loans which are overdue by more than 60 days, geographical breakdown 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>

<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 2015					Total
SEK m	Loans to credit institutions	Loans to the public			
		Households	Corporate	Other	
Past due ≥ 5 days ≤ 1 month	-	554	447	-	1 001
Past due > 1 month ≤ 2 months	-	92	58	-	150
Past due > 2 months ≤ 3 months	-	56	18	-	74
Past due > 3 months ≤ 12 months	-	184	103	-	287
Past due > 12 months	-	269	236	-	505
<b>Total</b>	-	<b>1 155</b>	<b>862</b>	-	<b>2 017</b>

Maturity structure for past due loans which are not impaired 2014					Total
SEK m	Loans to credit institutions	Loans to the public			
		Households	Corporate	Other	
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

Assets repossessed for protection of claims		
SEK m	2015	2014
Property	429	465
Movable property	-	-
Shares	0	0
<b>Carrying amount</b>	<b>429</b>	<b>465</b>

## P11 Appropriations

SEK m	2015	2014
Change in amortisation of machinery and equipment in excess of plan	-12	-
Change in amortisation of goodwill in excess of plan	112	111
<b>Total</b>	<b>100</b>	<b>111</b>

## P12 Loans to credit institutions

SEK m	2015	2014
<b>Loans in Swedish kronor</b>		
Banks	18 007	8 340
Other credit institutions	374 441	308 581
<b>Total</b>	<b>392 448</b>	<b>316 921</b>
<b>Loans in foreign currency</b>		
Banks	38 630	67 263
Other credit institutions	165 363	184 405
<b>Total</b>	<b>203 993</b>	<b>251 668</b>
Probable loan losses	-	-
<b>Total loans to credit institutions</b>	<b>596 441</b>	<b>568 589</b>
<i>Of which reverse repos</i>	<i>23 632</i>	<i>43 383</i>
<i>Of which subordinated</i>	<i>20 718</i>	<i>20 718</i>
<b>Average volumes</b>		
SEK m	2015	2014
Loans to credit institutions in Swedish kronor	402 776	351 308
Loans to credit institutions in foreign currency	223 201	182 945
<b>Total</b>	<b>625 977</b>	<b>534 253</b>
<i>Of which reverse repos</i>	<i>44 394</i>	<i>39 423</i>



## P13 Loans to the public

SEK m	2015	2014
<b>Loans in Swedish kronor</b>		
Households	45 414	45 120
Companies	169 665	184 336
National Debt Office	3 338	19 044
<b>Total</b>	<b>218 417</b>	<b>248 500</b>
<b>Loans in foreign currency</b>		
Households	139 295	130 142
Companies	380 884	362 701
National Debt Office	-	-
<b>Total</b>	<b>520 179</b>	<b>492 843</b>
Probable loan losses	-4 608	-3 860
<b>Total loans to the public</b>	<b>733 988</b>	<b>737 483</b>
<i>Of which reverse repos</i>	<i>7 742</i>	<i>23 858</i>
<i>Of which subordinated</i>	<i>1 129</i>	<i>1 129</i>
<b>Average volumes, excl. National Debt Office</b>		
SEK m	2015	2014
Loans to the public in Swedish kronor	228 526	237 742
Loans to the public in foreign currency	519 176	466 813
<b>Total</b>	<b>747 702</b>	<b>704 555</b>
<i>Of which reverse repos</i>	<i>18 458</i>	<i>16 565</i>

## P14 Interest-bearing securities

SEK m	2015			2014		
	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government securities eligible as collateral with central banks	56 715	59 135	59 135	62 426	64 155	64 152
Other securities eligible as collateral with central banks	12 326	12 301	12 301	10 137	10 210	10 210
<b>Total interest-bearing securities eligible as collateral with central banks</b>	<b>69 041</b>	<b>71 436</b>	<b>71 436</b>	<b>72 563</b>	<b>74 365</b>	<b>74 362</b>
Bonds and other interest-bearing securities	39 252	40 974	40 974	57 550	59 650	59 652
<b>Total interest-bearing securities</b>	<b>108 293</b>	<b>112 410</b>	<b>112 410</b>	<b>130 113</b>	<b>134 015</b>	<b>134 014</b>
<i>Of which unlisted securities</i>		<i>364</i>	<i>364</i>		<i>4 569</i>	<i>4 569</i>
<b>Interest-bearing securities distributed by issuer</b>	<b>2015</b>			<b>2014</b>		
SEK m	Nominal amount	Fair value	Carrying amount	Nominal amount	Fair value	Carrying amount
Government	56 715	59 135	59 135	62 426	64 155	64 152
Credit institutions	5 994	7 756	7 756	9 404	9 633	9 635
Mortgage institutions	27 638	29 803	29 803	37 733	39 572	39 572
Other	17 946	15 716	15 716	20 550	20 655	20 655
<b>Total</b>	<b>108 293</b>	<b>112 410</b>	<b>112 410</b>	<b>130 113</b>	<b>134 015</b>	<b>134 014</b>
<b>Average volumes</b>						
SEK m	2015			2014		
Interest-bearing securities	140 304			120 237		

## P15 Shares

SEK m	2015	2014
<b>Holdings at fair value over the income statement</b>		
Listed	18 964	33 300
Non-listed	3 792	3 328
<b>Total</b>	<b>22 756</b>	<b>36 628</b>
<b>Holdings classified as available for sale</b>		
Listed	4 667	6 753
Non-listed	1 886	1 568
<b>Total</b>	<b>6 553</b>	<b>8 321</b>
<b>Total shares</b>	<b>29 309</b>	<b>44 949</b>



## P16 Shares in subsidiaries and investments in associates

Shares in subsidiaries and investments in associates SEK m					2015	2014
Associates, unlisted					104	95
Subsidiaries, unlisted					45 711	45 669
<b>Total</b>					<b>45 815</b>	<b>45 764</b>

Associates					Carrying amount SEK m	
	Corporate identity number	Domicile	Number of shares	Ownership share, %	2015	2014
Bankomat AB	556817-9716	Stockholm	150	20.00	55	55
Bankomatcentralen AB	556197-2265	Stockholm	1 100	21.89	0	0
BDB Bankernas Depå AB	556695-3567	Stockholm	13 000	20.00	7	7
BGC Holding AB	556607-0933	Stockholm	25 382	25.38	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	13	4
Upplysningscentralen UC AB	556137-5113	Stockholm	2 448	24.48	1	1
<b>Total</b>					<b>104</b>	<b>95</b>

Subsidiaries					Carrying amount SEK m	
	Corporate identity number	Domicile	Number of shares	Ownership share, %	2015	2014
<b>Handelsbanken Finans AB<sup>1</sup></b>	556053-0841	Stockholm	1 550 000	100	11 672	11 672
Kredit-Inkasso AB	556069-3185	Stockholm		100		
Handelsbanken Rahoitus Oy	0112308-8	Helsinki		100		
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 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	Gothenburg		100		
<b>Heartwood Wealth Management Limited</b>	4132340	London	1 319 206	100	548	533
<b>Other subsidiaries</b>						
EFN Ekonomikanalen AB	556930-1608	Stockholm	100	100	0	0
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød	2 700 000	100	200	200
Forva AS	945812141	Oslo	4 000 000	100	1	1
Lejontrappan AB	556481-1551	Gothenburg				0
Handelsbanken Markets Securities, Inc. <sup>1</sup>	11-3257438	New York	1 000	100	57	29
Handelsbanken Mezzanine Fond 1 KB	969710-3126	Stockholm				0
Handelsbanken Mezzanine Management AB	556679-2668	Stockholm				1
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1 500	100	31	31
Lokalbolig A/S	78488018	Hillerød	540 000	64.29	1	1
Rådstuplass 4 AS	910508423	Bergen	40 000	100	0	0
SIL (Nominees) Limited	1932320	London	100	100	-	-
Svenska Handelsbanken Representações (Brasil) Ltda	15.367.073/001-93	São Paulo	999	99.9	2	2
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	0
Blå stugan i Stockholm AB	556993-9357	Stockholm	50	100	0	0
Ecster AB	556993-2311	Stockholm	50	100	0	0
<b>Total</b>					<b>45 711</b>	<b>45 669</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	2015	2014	2015	2014	2015	2014
<b>Derivatives held for trading</b>									
Interest rate-related contracts									
Options	67 949	57 659	5 001	130 609	299 558	1 378	3 505	1 435	3 699
FRA/futures	593 247	115 655	-	708 902	2 336 841	476	1 137	510	1 549
Swaps	487 314	1 315 097	389 219	2 191 630	2 437 165	46 427	61 994	47 249	62 865
Other instruments	-	-	-	-	3 058	-	-	-	50
Currency-related contracts									
Options	74 687	1 159	33	75 879	62 320	471	663	700	953
Futures	120 383	5 582	237	126 202	115 264	1 669	3 051	1 703	1 710
Swaps	554 714	253 464	51 410	859 588	1 009 241	19 982	28 515	20 973	18 752
Other instruments	-	-	-	-	-	-	0	-	-
Equity-related contracts									
Options	9 250	21 091	270	30 611	35 952	2 032	2 537	2 656	2 371
Futures	2 779	-	-	2 779	10 306	1	8	32	36
Swaps	55 762	1 126	-	56 888	35 861	1 245	736	1 641	1 999
Other instruments	-	-	-	-	2 362	-	-	-	39
Commodity-related contracts									
Options	1 852	394	108	2 354	4 530	250	183	537	528
Futures	14 632	2 053	11	16 696	28 668	940	1 002	899	1 079
Swaps	-	-	-	-	12	-	-	-	8
Credit-related contracts									
Swaps	762	8 468	679	9 909	9 564	458	620	247	91
<b>Total</b>	<b>1 983 331</b>	<b>1 781 748</b>	<b>446 968</b>	<b>4 212 047</b>	<b>6 390 702</b>	<b>75 329</b>	<b>103 951</b>	<b>78 582</b>	<b>95 729</b>
<b>Derivatives for fair value hedges</b>									
Interest rate-related contracts									
Swaps	-	1 512	-	1 512	-	-	-	1	-
Currency-related contracts									
Swaps	-	-	-	-	965	-	63	-	-
<b>Total</b>	<b>-</b>	<b>1 512</b>	<b>-</b>	<b>1 512</b>	<b>965</b>	<b>-</b>	<b>63</b>	<b>1</b>	<b>-</b>
<b>Derivatives for cash flow hedges</b>									
Interest rate-related contracts									
Swaps	33 464	184 576	56 715	274 755	242 341	10 114	11 488	1 990	1 661
Currency-related contracts									
Swaps	35 072	132 286	38 476	205 834	167 951	27 988	17 178	4 177	2 957
<b>Total</b>	<b>68 536</b>	<b>316 862</b>	<b>95 191</b>	<b>480 589</b>	<b>410 292</b>	<b>38 102</b>	<b>28 666</b>	<b>6 167</b>	<b>4 618</b>
<b>Total derivative instruments</b>	<b>2 051 867</b>	<b>2 100 122</b>	<b>542 159</b>	<b>4 694 148</b>	<b>6 801 959</b>	<b>113 431</b>	<b>132 680</b>	<b>84 750</b>	<b>100 347</b>
<i>Of which exchange traded derivatives</i>				233 328	1 314 691	490	676	1 613	1 804
<i>Of which OTC derivatives settled by CCP</i>				1 030 386	716 067	2 106	12 009	1 463	11 140
<i>Of which OTC derivatives not settled by CCP</i>				3 430 434	4 771 201	110 835	119 995	81 674	87 403
Amounts set off				-1 414 478		-23 940	-12 629	-23 641	-12 629
<b>Net amount</b>				<b>3 279 670</b>		<b>89 491</b>	<b>120 051</b>	<b>61 109</b>	<b>87 718</b>
<b>Currency breakdown of market values</b>									
SEK						1 216	-239 436	143 198	-89 043
USD						223 628	403 012	-43 334	126 836
EUR						76 434	109 799	8 840	21 384
Others						-187 847	-140 695	-23 954	41 170
<b>Total</b>						<b>113 431</b>	<b>132 680</b>	<b>84 750</b>	<b>100 347</b>

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. As of 2015, the notional amounts associated with the offsetted market values are disclosed.

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 539m (465) at year-end.



## P18 Offsetting of financial instruments

2015		Repurchase agreements, securities borrowing and similar agreements	
SEK m	Derivatives		Total
<b>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</b>			
Gross amounts of recognised financial assets	113 431	32 053	145 484
Gross amounts of recognised financial liabilities set off in the balance sheet	-23 940		-23 940
<b>Net amounts of financial assets presented in the balance sheet</b>	<b>89 491</b>	<b>32 053</b>	<b>121 544</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-25 660		-25 660
Collateral received	-35 678	-31 815	-67 493
<b>Net amount</b>	<b>28 153</b>	<b>238</b>	<b>28 391</b>
<b>Financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements</b>			
Gross amounts of recognised financial liabilities	84 750	290	85 040
Gross amounts of recognised financial assets set off in the balance sheet	-23 641		-23 641
<b>Net amounts of financial liabilities presented in the balance sheet</b>	<b>61 109</b>	<b>290</b>	<b>61 399</b>
<b>Related amounts not set off in the balance sheet</b>			
Financial instruments not set off in the balance sheet	-25 660		-25 660
Assets pledged	-6 614	-290	-6 904
<b>Net amount</b>	<b>28 835</b>	<b>-</b>	<b>28 835</b>
<b>2014</b>			
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>-</b>	<b>32 392</b>

## P19 Intangible assets

2015	Acquisition assets	Internally developed software	Total 2015
SEK m			
Cost of acquisition at beginning of year	2 170	1 460	3 630
Cost of acquisition of additional intangible assets	-	447	447
Disposals and retirements	-	-88	-88
Foreign exchange effect	-102	-3	-105
<b>Cost of acquisition at end of year</b>	<b>2 068</b>	<b>1 816</b>	<b>3 884</b>
Accumulated amortisation and impairments at beginning of year	-1 471	-354	-1 825
Disposals and retirements	-	88	88
Amortisation for the year according to plan	-113	-130	-243
Impairments for the year	-	-17	-17
Foreign exchange effect	74	1	75
<b>Accumulated amortisation and impairments at end of year</b>	<b>-1 510</b>	<b>-412</b>	<b>-1 922</b>
<b>Carrying amount</b>	<b>558</b>	<b>1 404</b>	<b>1 962</b>
<b>2014</b>			
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 of additional intangible assets	-	248	248
Disposals and retirements	-	-135	-135
Foreign exchange effect	99	1	100
<b>Cost of acquisition at end of year</b>	<b>2 170</b>	<b>1 460</b>	<b>3 630</b>
Accumulated amortisation and impairments at beginning of year	-1 298	-369	-1 667
Disposals and retirements	-	135	135
Amortisation for the year according to plan	-111	-110	-221
Impairments for the year	-	-9	-9
Foreign exchange effect	-62	-1	-63
<b>Accumulated amortisation and impairments at end of year</b>	<b>-1 471</b>	<b>-354</b>	<b>-1 825</b>
<b>Carrying amount</b>	<b>699</b>	<b>1 106</b>	<b>1 805</b>



## P20 Property and equipment

Property and equipment SEK m	2015	2014
Equipment	598	452
Property	123	115
Property repossessed for protection of claims	429	465
<b>Total</b>	<b>1 150</b>	<b>1 032</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 429m (465). Unrealised value changes on these properties had an impact of SEK 5m (6) 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 independent authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations (SEK 411m) are classified as level 2 in the valuation hierarchy described in note G40. Valuations where own assumptions are used to a material extent (SEK 18m) 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 4m (0). The year's sale of properties which are regularly measured at fair value amounts to SEK 167m (108) of which SEK 8m (80) was classified as level 3 before the sale. The value of new properties added during the year is SEK 149m (112), with SEK 9m (20) of this classified as level 3.

Equipment SEK m	2015	2014
Cost of acquisition at beginning of year	1 332	1 517
Cost of additional acquisition for the year	290	247
Reclassification from other balance sheet item	195	-
Disposals and retirements	-218	-472
Foreign exchange effect	-37	40
<b>Cost of acquisition at end of year</b>	<b>1 562</b>	<b>1 332</b>
Accumulated amortisation and impairments at beginning of year	-880	-1 051
Amortisation for the year according to plan	-246	-235
Reclassification from other balance sheet item	-83	-
Disposals and retirements	217	434
Foreign exchange effect	28	-28
<b>Accumulated amortisation and impairment at end of year</b>	<b>-964</b>	<b>-880</b>
<b>Carrying amount</b>	<b>598</b>	<b>452</b>

Property SEK m	2015	2014
Cost of acquisition at beginning of year	190	190
Cost of additional acquisition for the year	-	-
New construction and rebuilding	14	-
Disposals and retirements	-1	-
<b>Cost of acquisition at end of year</b>	<b>203</b>	<b>190</b>
Accumulated amortisation and impairments at beginning of year	-75	-70
Amortisation for the year according to plan	-5	-5
Impairments for the year	-	-
Disposals and retirements	0	-
<b>Accumulated amortisation and impairment at end of year</b>	<b>-80</b>	<b>-75</b>
<b>Carrying amount</b>	<b>123</b>	<b>115</b>

## P21 Other assets

SEK m	2015	2014
Claims on investment banking settlements	4 565	8 095
Other	13 734	11 100
<b>Total</b>	<b>18 299</b>	<b>19 195</b>

## P22 Prepaid expenses and accrued income

SEK m	2015	2014
Accrued interest income	2 784	3 230
Other accrued income	1 882	1 477
Prepaid expenses	147	289
<b>Total</b>	<b>4 813</b>	<b>4 996</b>
<i>Of which subordinated</i>	<i>31</i>	<i>36</i>



## P23 Due to credit institutions

SEK m	2015	2014
<b>Due in Swedish kronor</b>		
Banks	16 705	23 252
Other credit institutions	14 498	15 818
<b>Total</b>	<b>31 203</b>	<b>39 070</b>
<b>Due in foreign currency</b>		
Banks	138 209	166 465
Other credit institutions	4 121	4 564
<b>Total</b>	<b>142 330</b>	<b>171 029</b>
<b>Total due to credit institutions</b>	<b>173 533</b>	<b>210 099</b>
<i>Of which repos</i>	<i>290</i>	<i>88</i>
<b>Average volumes</b>		
SEK m	2015	2014
Due to credit institutions in Swedish kronor	119 605	114 981
Due to credit institutions in foreign currency	156 387	149 491
<b>Total</b>	<b>275 992</b>	<b>264 472</b>
<i>Of which repos</i>	<i>2 915</i>	<i>1 625</i>

## P24 Deposits and borrowing from the public

<b>Deposits from the public</b>		
SEK m	2015	2014
<b>Deposits in Swedish kronor</b>		
Households	260 839	224 898
Companies	184 483	185 250
National Debt Office	-	-
<b>Total</b>	<b>445 322</b>	<b>410 148</b>
<b>Deposits in foreign currency</b>		
Households	74 640	65 758
Companies	179 500	236 431
National Debt Office	-	-
<b>Total</b>	<b>254 140</b>	<b>302 189</b>
<b>Total deposits from the public</b>	<b>699 462</b>	<b>712 337</b>
<b>Borrowing from the public</b>		
SEK m	2015	2014
Swedish kronor	20 967	31 944
Foreign currency	34 637	276 681
<b>Total</b>	<b>55 604</b>	<b>308 625</b>
<i>Of which repos</i>	<i>-</i>	<i>168</i>
<b>Total deposits and borrowing from the public</b>	<b>755 066</b>	<b>1 020 962</b>
<b>Average volumes</b>		
SEK m	2015	2014
<b>Deposits from the public</b>		
Deposits from the public in Swedish kronor	426 374	372 466
Deposits from the public in foreign currency	294 120	282 252
<b>Total</b>	<b>720 494</b>	<b>654 718</b>
<b>Borrowing from the public</b>		
Borrowing from the public in Swedish kronor	36 511	47 869
Borrowing from the public in foreign currency	250 208	186 525
<b>Total</b>	<b>286 719</b>	<b>234 394</b>
<i>Of which repos</i>	<i>8 552</i>	<i>8 685</i>



## P25 Issued securities

SEK m	2015		2014	
	Nominal amount	Carrying amount	Nominal amount	Carrying amount
<b>Commercial paper</b>				
Commercial paper in Swedish kronor	6 371	6 594	9 816	10 621
<i>Of which</i>				
<i>at amortised cost</i>	400	400	-	-
<i>for trading</i>	5 971	6 194	9 816	10 621
Commercial paper in foreign currency	355 748	364 069	300 177	309 993
<i>Of which</i>				
<i>at amortised cost</i>	354 306	362 373	298 804	308 191
<i>for trading</i>	1 442	1 696	1 373	1 802
<b>Total</b>	<b>362 119</b>	<b>370 663</b>	<b>309 993</b>	<b>320 614</b>
<b>Bonds</b>				
Bonds in Swedish kronor	18 472	18 234	18 443	18 000
<i>Of which</i>				
<i>at amortised cost</i>	18 472	18 234	18 443	18 000
<i>for fair value hedges</i>	-	-	-	-
Bonds in foreign currency	288 201	288 053	293 800	294 514
<i>Of which</i>				
<i>at amortised cost</i>	288 201	288 053	292 830	294 397
<i>for fair value hedges</i>	-	-	970	117
<b>Total</b>	<b>306 673</b>	<b>306 287</b>	<b>312 243</b>	<b>312 514</b>
<b>Total issued securities</b>	<b>668 792</b>	<b>676 950</b>	<b>622 236</b>	<b>633 128</b>

SEK m	2015	2014
Issued securities at beginning of year	633 128	532 607
Issued	971 633	708 274
Repurchased	-15 839	-15 886
Matured	-931 645	-664 066
Foreign exchange effect etc.	19 673	72 199
<b>Issued securities at end of year</b>	<b>676 950</b>	<b>633 128</b>

Average volumes SEK m	2015	2014
Swedish kronor	26 993	29 839
Foreign currency	628 679	521 628
<b>Total</b>	<b>655 672</b>	<b>551 467</b>

## P26 Short positions

SEK m	2015	2014
<b>Short positions at fair value</b>		
Equities	1 499	1 273
Interest-bearing securities	917	19 375
<b>Total</b>	<b>2 416</b>	<b>20 648</b>

Average volumes SEK m	2015	2014
Swedish kronor	17 879	18 878
Foreign currency	263	809
<b>Total</b>	<b>18 142</b>	<b>19 687</b>



## P27 Taxes

<b>Deferred tax assets</b>				
SEK m			<b>2015</b>	<b>2014</b>
Property and equipment			18	30
Hedging instruments			202	257
Other			108	74
<b>Total</b>			<b>328</b>	<b>361</b>
<b>Deferred tax liabilities</b>				
SEK m			<b>2015</b>	<b>2014</b>
Property and equipment			16	15
Hedging instruments			1 392	1 495
Other			113	159
<b>Total</b>			<b>1 521</b>	<b>1 669</b>
<b>Net deferred taxes</b>			<b>1 193</b>	<b>1 308</b>
<b>Change in deferred taxes 2015</b>				
SEK m	<b>Opening balance</b>	<b>Recognised in income statement</b>	<b>Recognised in other comprehensive income</b>	<b>Closing balance</b>
Property and equipment	-15	11	2	-2
Hedging instruments	1238	7	-55	1 190
Other	85	-80	-	5
<b>Total</b>	<b>1 308</b>	<b>-62</b>	<b>-53</b>	<b>1 193</b>
<b>Change in deferred taxes 2014</b>				
SEK m	<b>Opening balance</b>	<b>Recognised in income statement</b>	<b>Recognised in other comprehensive income</b>	<b>Closing balance</b>
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>Tax expenses recognised in the income statement</b>				
SEK m			<b>2015</b>	<b>2014</b>
Current tax				
Tax expense for the year			-4 219	-3 864
Adjustment of tax relating to prior years			-19	-51
Deferred tax				
Changes in temporary differences			62	92
<b>Total</b>			<b>-4 176</b>	<b>-3 823</b>
<b>Nominal tax rate in Sweden, %</b>			<b>22.0</b>	<b>22.0</b>
Deviations				
Non-taxable income/non-deductible expenses			-1.2	-0.2
Tax relating to prior years			0.1	0.0
<b>Effective tax rate, %</b>			<b>20.9</b>	<b>21.8</b>

## P28 Provisions

	<b>Provision for guarantee commitments</b>	<b>Other provisions</b>	<b>Total 2015</b>	<b>Total 2014</b>
SEK m				
Provisions at beginning of year	7	80	87	128
Provisions during the year	33	3	36	62
Utilised	-	-	-	-91
Written back	-	-27	-27	-12
<b>Provisions at end of year</b>	<b>40</b>	<b>56</b>	<b>96</b>	<b>87</b>

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	2015	2014
Liabilities on investment banking settlements	6 524	7 960
Other	7 227	6 188
<b>Total</b>	<b>13 751</b>	<b>14 148</b>

## P30 Accrued expenses and deferred income

SEK m	2015	2014
Accrued interest expenses	4 884	5 441
Other accrued expenses	3 675	3 589
Deferred income	811	779
<b>Total</b>	<b>9 370</b>	<b>9 809</b>

## P31 Subordinated liabilities

SEK m	2015	2014
Subordinated loans in Swedish kronor	10 519	10 308
Subordinated loans in foreign currency	23 697	19 981
<b>Total</b>	<b>34 216</b>	<b>30 289</b>

Average volumes SEK m	2015	2014
Subordinated loans in Swedish kronor	10 510	9 831
Subordinated loans in foreign currency	28 144	18 852
<b>Total</b>	<b>38 654</b>	<b>28 683</b>

### Specification, subordinated loans

Issuance/Maturity	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
<b>IN SWEDISH KRONOR</b>				
Swedish subordinated liabilities <sup>1</sup>		13 337		10 519
<b>Total</b>				<b>10 519</b>
<b>IN FOREIGN CURRENCY</b>				
2014/fixed-term <sup>2</sup>	EUR	1 500	2.656	13 717
2015/perpetual <sup>3</sup>	USD	1 200	5.250	9 980
<b>Total</b>				<b>23 697</b>

### Total subordinated liabilities

34 216

<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 adjusted conversion price of SEK 120.96. The initial conversion price has been adjusted for dividends and a split 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> For further information about subordinated loans in USD, see note G49.

## P32 Untaxed reserves

SEK m	2015	2014
Accumulated amortisation of machinery and equipment in excess of plan	12	-
Accumulated amortisation of goodwill in excess of plan	558	699
<b>Total</b>	<b>570</b>	<b>699</b>



## P33 Classification of financial assets and liabilities

2015	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 liabilities	Total carrying amount	Fair value
SEK m	Trading	Other <sup>1</sup>							
<b>Assets</b>									
Cash and balances with central banks					202 630			202 630	202 630
Interest-bearing securities eligible as collateral with central banks	33 287	36 382		750		1 017		71 436	71 436
Loans to credit institutions					596 441			596 441	602 507
Loans to the public		1 619			732 369			733 988	733 443
Bonds and other interest-bearing securities	7 786	29 459		250		3 479		40 974	40 974
Shares	22 756					6 553		29 309	29 309
Assets where the customer bears the value change risk		3 353			69			3 422	3 422
Derivative instruments	55 653		33 838					89 491	89 491
Other assets	10				18 289			18 299	18 299
Prepaid expenses and accrued income	211	581			4 019	2		4 813	4 813
<b>Total financial assets</b>	<b>119 703</b>	<b>71 394</b>	<b>33 838</b>	<b>1 000</b>	<b>1 553 817</b>	<b>11 051</b>		<b>1 790 803</b>	<b>1 796 324</b>
Shares in subsidiaries and investments in associates								45 815	
Other non-financial assets								3 440	
<b>Total assets</b>								<b>1 840 058</b>	
<b>Liabilities</b>									
Due to credit institutions							173 533	173 533	175 349
Deposits and borrowing from the public							755 066	755 066	755 046
Liabilities where the customer bears the value change risk		3 432					69	3 501	3 501
Issued securities	7 890						669 060	676 950	689 165
Derivative instruments	56 284		4 825					61 109	61 109
Short positions	2 416							2 416	2 416
Other liabilities	16						13 735	13 751	13 751
Accrued expenses and deferred income	6						9 364	9 370	9 370
Subordinated liabilities							34 216	34 216	37 189
<b>Total financial liabilities</b>	<b>66 612</b>	<b>3 432</b>	<b>4 825</b>				<b>1 655 043</b>	<b>1 729 912</b>	<b>1 746 896</b>
Other non-financial liabilities								2 464	
<b>Total liabilities</b>								<b>1 732 376</b>	

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
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>11 891</b>	<b>2 086 833</b>	<b>2 094 755</b>
Shares in subsidiaries and investments in associates								45 764	
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>	

<sup>1</sup> Classified to be measured at fair value.

The principles for measurement at fair value are presented in note G39.



## P33 Cont.

Reclassified financial assets	2015		2014	
	Reclassified from held for trading	Reclassified from available for sale	Reclassified from held for trading	Reclassified from available for sale
SEK m				
Carrying amount	11	4 092	12	4 469
Fair value	11	4 078	13	4 535
Value change recognised in the income statement	-	11	-	209
Value change recognised in other comprehensive income	1	109	2	318
Value change that would have been recognised in income statement if the assets had not been reclassified	-1	11	1	209
Value change that would have been recognised in other comprehensive income if the assets had not been reclassified	-	12	-	54
Interest recognised as income	0	49	0	82

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 2015				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Interest-bearing securities eligible as collateral with central banks				
Held for trading	33 285	2	-	33 287
Denominated at fair value	36 382	-	-	36 382
Available for sale	1 017	-	-	1 017
Loans to the public	-	1 609	10	1 619
Bonds and other interest-bearing securities				
Held for trading	6 025	1 761	-	7 786
Denominated at fair value	29 459	-	-	29 459
Available for sale	3 479	-	-	3 479
Shares				
Held for trading	18 963	3 793	-	22 756
Denominated at fair value	-	-	-	-
Available for sale	4 666	1 006	881	6 553
Assets where the customer bears the value change risk	2 621	-	732	3 353
Derivative instruments	275	89 216	-	89 491
<b>Total</b>	<b>136 172</b>	<b>97 387</b>	<b>1 623</b>	<b>235 182</b>
<b>Liabilities</b>				
Liabilities where the customer bears the value change risk	2 700	-	732	3 432
Issued securities	-	7 890	-	7 890
Derivative instruments	785	60 324	-	61 109
Short positions	2 098	318	-	2 416
<b>Total</b>	<b>5 583</b>	<b>68 532</b>	<b>732</b>	<b>74 847</b>
<b>Financial instruments at fair value 2014</b>				
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>

The principles applied are described in note G40.



Reconciliation of financial instruments in level 3 2015						
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	851	-	13	698	-698	-94
Acquisitions	45	-	-	-	-	94
Repurchases/sales	-94	-	-	-	-	-
Matured	-	-	-5	-	-	-
Unrealised value change in income statement	-	-	-	34	-34	-
Unrealised value change in other comprehensive income	82	-	-	-	-	-
Transfer from level 1 or 2	-	-	2	-	-	-
Transfer to level 1 or 2	-3	-	-	-	-	-
<b>Carrying amount at end of year</b>	<b>881</b>	<b>-</b>	<b>10</b>	<b>732</b>	<b>-732</b>	<b>-</b>

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	-	-	-	-	-	-
<b>Carrying amount at end of year</b>	<b>851</b>	<b>-</b>	<b>13</b>	<b>698</b>	<b>-698</b>	<b>-94</b>

Fair value of financial instruments recognised at cost or amortised cost 2015				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and balances with central banks	202 630	-	-	202 630
Interest-bearing securities eligible as collateral with central banks	750	-	-	750
Loans to credit institutions	30 414	570 952	1 141	602 507
Loans to the public	6 981	3 256	721 587	731 824
Bonds and other interest-bearing securities	250	-	-	250
Assets where the customer bears the value change risk	-	69	-	69
<b>Total</b>	<b>241 025</b>	<b>574 277</b>	<b>722 728</b>	<b>1 538 030</b>
<b>Liabilities</b>				
Due to credit institutions	68 795	106 554	-	175 349
Deposits and borrowing from the public	689 618	65 428	-	755 046
Liabilities where the customer bears the value change risk	-	69	-	69
Issued securities	192 257	489 018	-	681 275
Subordinated liabilities	-	37 189	-	37 189
<b>Total</b>	<b>950 670</b>	<b>698 258</b>	<b>-</b>	<b>1 648 928</b>

Fair value of financial instruments recognised at cost or amortised cost 2014				
SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
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
<b>Total</b>	<b>511 708</b>	<b>578 238</b>	<b>677 488</b>	<b>1 767 434</b>
<b>Liabilities</b>				
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
<b>Total</b>	<b>945 798</b>	<b>959 289</b>	<b>-</b>	<b>1 905 087</b>



## P35 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2015	2014
Cash	10 451	21 048
Government instruments and bonds	19 051	20 629
Loans to the public	-	-
Shares	220	232
Other	463	316
<b>Total</b>	<b>30 185</b>	<b>42 225</b>
<i>Of which pledged assets that may be freely withdrawn by the Bank</i>	<i>17 672</i>	<i>27 497</i>

Other pledged assets SEK m	2015	2014
Cash	863	2 102
Government instruments and bonds	18 610	25 185
Loans to the public	3 820	3 702
Shares	10 196	4 751
Other	31	18
<b>Total</b>	<b>33 520</b>	<b>35 758</b>
<i>Of which pledged assets that may be freely withdrawn by the Bank</i>	<i>22 345</i>	<i>26 788</i>

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 24,565m (38,562) at the end of the financial year, where assets worth SEK 8,933m (5,295) had been sold or repledged to a third party.

Transferred financial assets recognised in the balance sheet SEK m	2015		2014	
	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	220	83 <sup>1</sup>	1 646	206 <sup>1</sup>
Shares, other	10 196	-	3 337	-
Government instruments and bonds, repurchase agreements	290	290	196	201
Government instruments and bonds, other	-	-	57	-
Assets where the customer bears the value change risk	1 162	1 162	1 008	1 008
<b>Total</b>	<b>11 868</b>	<b>1 535</b>	<b>6 244</b>	<b>1 415</b>

<sup>1</sup> Received cash collateral.

## P36 Contingent liabilities

SEK m	2015	2014
Guarantees, loans	48 486	10 336
Guarantees, other	66 860	66 172
Letters of credit	4 287	3 733
Other	369	230
<b>Total</b>	<b>120 002</b>	<b>80 471</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	2015	2014
Loan commitments	263 956	267 134
Unutilised part of granted overdraft facilities	128 969	102 817
Other	96 721	117 119
<b>Total</b>	<b>489 646</b>	<b>487 070</b>

"Other" includes internal liquidity guarantees to subsidiaries amounting to SEK 71,393m (102,285).

Contracted irrevocable future operating lease charges distributed by maturity SEK m	2015	2014
Within 1 year	751	704
Between 1 and 5 years	2 090	1 670
Over 5 years	1 181	456
<b>Total</b>	<b>4 022</b>	<b>2 830</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	2015	2014
Fair value of plan assets	25 680	25 108
Pension obligations	28 159	25 615
<b>Net pensions<sup>1</sup></b>	<b>-2 479</b>	<b>-507</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. 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 5,586m (6,140) in the Bank's pension fund (Pensionskassan SHB, Försäkringsförening) and the market value of the assets is SEK 10,241m (10,089). The surplus value in Pensionskassan SHB, Försäkringsförening is thus SEK 4,655m (3,949).

<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 2015.

<b>Pension costs</b>		
SEK m	2015	2014
Pensions paid	-439	-471
Pension premiums	-593	-527
Social contributions	-13	-11
Compensation from own pension trust	505	540
Payments to own pension trusts	-33	-131
<b>Pension cost recognised in the income statement</b>	<b>-573</b>	<b>-600</b>

The expected payment for next year for defined benefit pension plans is SEK 679m. The costs for pension premiums include premiums to the BTPK plan (defined-contribution pension) of SEK 85m (86).

<b>Plan assets</b>		
SEK m	2015	2014
Opening balance	25 108	23 972
Return	1 044	1 545
Payments to own pension trusts	33	131
Compensation from own pension trust	-505	-540
<b>Closing balance</b>	<b>25 680</b>	<b>25 108</b>
Percentage return on plan assets	4%	6%

SEK 12,310m (11,970) 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 9,768m (9,518), is conditional.

<b>Pension obligations</b>		
SEK m	2015	2014
Opening balance	25 615	25 234
Technical fee	646	452
Interest	267	382
Indexation	-	269
Early retirement	154	208
Pensions paid	-439	-471
Changed assumptions <sup>2</sup>	1 614	0
Value change conditional obligation	249	863
Sub-portfolio movement	-	-1 494
Other change in capital value	53	172
<b>Closing balance</b>	<b>28 159</b>	<b>25 615</b>

<sup>2</sup> Refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

<b>Allocation of plan assets</b>		
SEK m	2015	2014
Shares	20 991	20 880
Interest-bearing securities	4 713	4 357
Other plan assets <sup>3</sup>	-24	-129
<b>Total</b>	<b>25 680</b>	<b>25 108</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 149,400.

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 1.4% (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

2015 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
<b>Assets</b>								
Cash and balances with central banks	153	45 633	6 094	99	55 540	94 654	457	202 630
Loans to credit institutions	392 448	64 993	52 441	47 135	2 547	33 275	3 602	596 441
Loans to the public	216 540	114 955	122 702	48 630	194 258	27 201	9 702	733 988
<i>of which corporate</i>	171 366	87 515	93 865	31 036	130 389	27 012	8 716	549 899
<i>of which households</i>	45 174	27 440	28 837	17 594	63 869	189	986	184 089
Interest-bearing securities eligible as collateral with central banks	33 270	6 402	0	2	0	30 744	1 018	71 436
Bonds and other interest-bearing securities	36 234	2 726	716	0	1 281	17	0	40 974
Other items not broken down by currency	194 589							194 589
<b>Total assets</b>	<b>873 234</b>	<b>234 709</b>	<b>181 953</b>	<b>95 866</b>	<b>253 626</b>	<b>185 891</b>	<b>14 779</b>	<b>1 840 058</b>
<b>Liabilities</b>								
Due to credit institutions	31 217	53 339	20 647	17 153	13 287	29 436	8 454	173 533
Deposits and borrowing from the public	466 291	64 790	47 004	29 781	109 464	30 592	7 144	755 066
<i>of which corporate</i>	188 268	49 865	29 076	15 942	84 067	28 214	6 710	402 142
<i>of which households</i>	278 023	14 925	17 928	13 839	25 397	2 378	434	352 924
Issued securities	24 828	148 862	2 121	367	81 793	389 107	29 872	676 950
Subordinated liabilities	10 519	13 716	0	0	0	9 981	0	34 216
Other items not broken down by currency, incl. equity	200 293							200 293
<b>Total liabilities and equity</b>	<b>733 148</b>	<b>280 707</b>	<b>69 772</b>	<b>47 301</b>	<b>204 544</b>	<b>459 116</b>	<b>45 470</b>	<b>1 840 058</b>
Other assets and liabilities broken down by currency, net		45 941	-112 051	-48 496	-49 041	273 263	30 771	
Net foreign currency position		-57	130	69	41	38	80	301

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

Note G2 on page 93 describes the Bank's view of exchange rate risks.



## P40 Related-party disclosures

Claims on and liabilities to related parties	Subsidiaries		Associated companies		Other related parties	
SEK m	2015	2014	2015	2014	2015	2014
Loans to credit institutions	512 863	447 382	-	-	-	-
Loans to the public	1 202	1 207	815	1 186	-	-
Bonds and other interest-bearing securities	-	-	-	-	-	-
Derivatives	4 145	3 931	-	-	-	-
Other assets	11 612	9 433	64	85	544	565
<b>Total</b>	<b>529 822</b>	<b>461 953</b>	<b>879</b>	<b>1 271</b>	<b>544</b>	<b>565</b>
Due to credit institutions	15 849	15 418	-	-	-	-
Deposits and borrowing from the public	9 413	9 072	222	178	526	281
Issued securities	-	-	-	-	-	-
Derivatives	20 512	24 430	-	-	-	-
Subordinated liabilities	-	-	-	-	687	701
Other liabilities	163	522	0	-	56	56
<b>Total</b>	<b>45 937</b>	<b>49 442</b>	<b>222</b>	<b>178</b>	<b>1 269</b>	<b>1 038</b>
Contingent liabilities	49 383	53 120	-	-	5 585	6 140
Derivatives, nominal amount	405 554	420 219	-	-	-	-

Related parties – income and expense	Subsidiaries		Associated companies		Other related parties	
SEK m	2015	2014	2015	2014	2015	2014
Interest income	3 091	5 144	10	25	0	0
Interest expense	-232	-404	0	-2	-93	-74
Fee and commission income	22	25	4	5	-	-
Fee and commission expense	-	-	-210	-231	-	-37
Net gains/losses on financial items at fair value	-	-	0	0	1 207	-
Other income	1 499	1 973	-	0	19	13
Other expenses	-297	-405	-31	-2	-	-55
<b>Total</b>	<b>4 083</b>	<b>6 333</b>	<b>-227</b>	<b>-205</b>	<b>1 133</b>	<b>-153</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 (pension fund). 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 6 November 2015, Svenska Handelsbanken AB sold 15,145,124 class A shares in Svenska Cellulosa Aktiebolaget, SCA, to Svenska Handelsbankens Pensionsstiftelse. The holding corresponds to 2.1 per cent of the capital and 10.3 per cent of the voting rights. The sale means that the Bank will report a capital gain of approximately SEK 1,207 million, which will have a positive impact on the Bank's earnings in the fourth quarter of 2015. The sale did not lead to any increase in the Bank's equity, as the shares were recognised as available for sale asset and are thus reported at market value in the Bank's accounts. All business transactions with associated companies are made on market terms.

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 5,585m (6,140). Svenska Handelsbanken AB has asked for compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 20m (20).

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.



## P41 Capital adequacy

Transitional own funds	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
SEK m	2015	2014
<b>Common equity tier 1 (CET1) capital: instruments and reserves</b>		
Capital instruments and the related share premium accounts	5 832	5 741
<i>of which share capital</i>	5 760	5 593
<i>of which convertible securities</i>	72	148
Retained earnings	78 206	75 629
Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	6 904	7 096
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	4 400	2 576
<b>Common equity tier 1 (CET1) capital before regulatory adjustment</b>	<b>95 342</b>	<b>91 043</b>
<b>Common equity tier 1 (CET1) capital: regulatory adjustment</b>		
Additional value adjustments (negative amount)	-364	-1
Intangible assets (net of related tax liability) (negative amount)	-1 404	-1 106
[non-relevant in EU regulation]		
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	-1 349	-1 197
Negative amounts resulting from the calculation of expected loss amounts	-1 024	-1 693
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 amounts)	-577	-466
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)		
[non-relevant in EU regulation]		
Exposure amounts of the following items which qualify for a RW of 1,250%, where the institution opts for deduction alternative		
<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 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>		
[non-relevant in EU regulation]		
<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
<i>of which filter for unrealised loss, shares classified as available for sale</i>		-1 437
Amounts 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) capital</b>	<b>-4 718</b>	<b>-5 900</b>
<b>Common equity tier 1 (CET1) capital</b>	<b>90 624</b>	<b>85 143</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		Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	
SEK m	2015		2014	
<b>Additional tier 1 (AT1) capital: instruments</b>				
Capital instruments and the related share premium accounts	9 981			
<i>of which classified as equity under applicable accounting standards</i>				
<i>of which classified as liabilities under applicable accounting standards</i>	9 981			
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	2 351	2 351	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>12 332</b>		<b>8 043</b>	
<b>Additional tier 1 (AT1) capital: regulatory adjustments</b>				
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-399	-399		
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 amounts)				
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 instruments, 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 T2 deductions that exceed the T2 capital of the institution (negative amount)				
<b>Total regulatory adjustments to additional tier 1 (AT1) capital</b>	<b>-399</b>		<b>0</b>	
<b>Additional tier 1 (AT1) capital</b>	<b>11 933</b>		<b>8 043</b>	
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>102 557</b>		<b>93 185</b>	
<b>Tier 2 (T2) capital: instruments and provisions</b>				
Capital instruments and the related share premium accounts	17 150	444	17 860	697
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>17 150</b>		<b>17 860</b>	

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013.



## P41 Cont.

Transitional own funds	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
SEK m	2015	2014
<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 amounts)	-1 129	-1 129
Regulatory adjustments applied to tier 2 capital 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 instruments, 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>16 021</b>	<b>16 731</b>
<b>Total capital (TC = T1 + T2)</b>	<b>118 578</b>	<b>109 916</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)	454 661	460 401
<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	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>	315	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>454 661</b>	<b>460 401</b>
<b>Capital ratios and buffers</b>		
Common equity tier 1 capital (as a percentage of total risk exposure amount)	19.9	18.5
Tier 1 capital (as a percentage of total risk exposure amount)	22.6	20.2
Total capital (as a percentage of total risk exposure amount)	26.1	23.9
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)	3.1	2.5
<i>of which capital conservation buffer requirement</i>	2.5	2.5
<i>of which countercyclical buffer requirement</i>	0.6	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 capital available to meet buffers (as a percentage of risk exposure amount)	15.4	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	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
SEK m	2015	2014
<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)	3	72
[non-relevant in EU regulation]		
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)	-126	-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 January 2013 and 1 January 2022)</b>		
Current cap on CET1 instruments subject to phase-out arrangements	232	232
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	0
Current cap on AT1 instruments subject to phase-out arrangements	8 558	9 780
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	0
Current cap on T2 instruments subject to phase-out arrangements	5 185	5 926
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	0

For reporting of the main features of capital instruments, see note G49 and 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	2015	2014
SEK m		
Credit risk according to standardised approach	11 120	10 221
Credit risk according to IRB approach	20 377	21 941
Market risk	825	939
Credit valuation adjustment risk (CVA)	713	534
Operational risk	3 338	3 197
<b>Total capital requirement</b>	<b>36 373</b>	<b>36 832</b>
Adjustment according to Basel I floor	14 150	12 317
<b>Capital requirement, Basel I floor</b>	<b>50 523</b>	<b>49 149</b>
Total capital base, Basel I floor	119 602	111 610

Capital requirement market risks	2015	2014
SEK m		
Position risk in the trading book	819	927
Interest rate risk	804	908
of which general risk	512	566
of which specific risk	290	338
of which positions in securitisation instruments	-	0
of which non-delta risk	2	4
Equity price risk	15	19
of which general risk	1	3
of which specific risk	4	7
of which mutual funds	2	1
of which non-delta risk	8	8
Exchange rate risk	-	-
of which non-delta risk	-	-
Commodities risk	6	8
of which non-delta risk	0	0
Settlement risk	0	4
<b>Total capital requirement for market risks</b>	<b>825</b>	<b>939</b>



## P41 Cont.

Capital adequacy analysis, %		
	2015	2014
Common equity tier 1 ratio, CRR	19.9	18.5
Tier 1 ratio, CRR	22.6	20.2
Total capital ratio, CRR	26.1	23.9
Risk exposure amount, CRR, SEK m	454 661	460 401
Own funds in relation to capital requirement according to Basel I floor	237	227.0
Institution-specific buffer requirement	3.1	2.5
of which capital conservation buffer requirement	2.5	2.5
of which countercyclical capital buffer requirement	0.6	
of which systemic risk buffer requirement		
Common equity tier 1 capital available for use as a buffer	15.4	14.0

Credit risk IRB		Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m		2015	2014	2015	2014	2015	2014	2015	2014
<b>Corporate exposures</b>									
(excl. housing co-operative associations)		665 688	650 878	187 153	205 407	14 973	16 433	28.1	31.6
of which repos and securities loans		9 324	14 060	260	57	21	5	2.8	0.4
of which other lending, foundation approach		142 267	139 438	42 134	45 794	3 371	3 663	29.6	32.8
of which other lending, advanced approach		514 097	497 380	144 759	159 556	11 581	12 765	28.2	32.1
of which large corporates		137 556	148 769	61 046	72 279	4 884	5 782	44.4	48.6
of which small and medium-sized companies		67 928	66 036	31 135	31 783	2 491	2 543	45.8	48.1
of which property companies		308 613	282 575	52 578	55 494	4 206	4 440	17.0	19.6
<b>Housing co-operative associations<sup>1</sup></b>		22 340	16 304	2 366	1 832	189	146	10.6	11.2
<b>Retail exposures</b>		138 235	140 337	19 303	22 126	1 544	1 770	14.0	15.8
of which property loans		75 658	75 321	9 044	8 726	723	698	12.0	11.6
of which other		62 577	65 016	10 260	13 400	821	1 072	16.4	20.6
<b>Small companies</b>		19 910	20 857	6 315	6 502	505	520	31.7	31.2
<b>Institutional exposures</b>		117 261	134 408	20 469	16 670	1 638	1 334	17.5	12.4
of which repos and securities loans		31 143	51 433	424	661	34	53	1.4	1.3
of which other lending		86 118	82 975	20 046	16 009	1 604	1 281	23.3	19.3
<b>Equity exposures</b>		5 807	6 794	17 953	20 670	1 436	1 654	309.1	304.2
of which listed equities		4 418	5 584	12 811	16 195	1 025	1 296	290	290
of which other equities		1 389	1 209	5 141	4 475	411	358	370	370
<b>Non credit-obligation asset exposures</b>		1 150	1 032	1 150	1 032	92	82	100	100
<b>Securitisation positions</b>		28	269	2	24	0	2	7.4	8.8
of which traditional securitisation		28	269	2	24	0	2	7.4	8.8
of which synthetic securitisation		-	-	-	-	-	-	-	-
<b>Total IRB</b>		970 420	970 879	254 712	274 262	20 377	21 941	26.2	28.2
of which repos and securities loans		40 467	65 493	684	718	55	58	1.7	1.1
of which other lending, foundation approach		235 371	230 508	81 285	83 528	6 503	6 682	34.5	36.2
of which other lending, advanced approach		694 582	674 878	172 743	190 016	13 819	15 201	24.9	28.2

<sup>1</sup> Refers to housing co-operative associations included in the Corporate exposure class and reported in the advanced approach.

Credit risk, standardised approach <sup>1</sup>		Exposure value		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
SEK m		2015	2014	2015	2014	2015	2014	2015	2014
Sovereign and central banks		265 818	553 001	72	46	6	4	0	0
Municipalities		28 595	29 965	18	17	1	1	0	0
Multilateral development banks		649	762	0	0	0	0	0	0
International organisations		1	0	0	0	0	0	0	0
Institutions		526 344	454 716	1 010	944	81	76	0.2	0.2
Corporate		11 557	12 355	10 896	9 970	872	798	94.3	80.7
Retail		22 032	18 591	16 487	13 900	1 319	1 112	74.8	74.8
Property mortgages		70 925	58 011	25 367	21 078	2 029	1 686	35.8	36.3
Past due items		226	136	316	178	25	14	139.4	130.3
Equities		67 279	66 571	76 609	75 952	6 129	6 076	113.9	114.1
of which listed equities		249	641	249	641	20	51	100.0	100.0
of which other equities		46 313	45 212	55 642	54 593	4 451	4 367	120.1	120.7
Other items		8 880	6 348	8 221	5 673	658	454	92.6	89.4
<b>Total standardised approach</b>		1 002 308	1 200 456	138 996	127 758	11 120	10 221	13.9	10.6

<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 101,474 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 6.00 of which SEK 4.50 in ordinary dividend (SEK 5.83 for 2014)	11,442
Balance carried forward	90,032
Total allocated	101,474

When assessing the amount of the company's proposed dividend, totalling SEK 11,442 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 11,443 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 had a net impact on equity of SEK 9,230 million.

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 requirement and the buffer requirement by SEK 35,051 million, common equity tier 1 capital exceeded the minimum requirement and the buffer requirement by SEK 50,394 million, and the tier 1 capital by SEK 55,230 million. For the parent company, the total capital exceeded the statutory minimum requirement by SEK 68,042 million, common equity tier 1 capital exceeded the minimum requirement and the buffer requirement by SEK 56,002 million, and the tier 1 capital by SEK 61,115 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, 8 FEBRUARY 2016

Pär Boman  
*Chairman of the Board*

Fredrik Lundberg

Jon Fredrik Baksaas

Tommy Bylund

Ole Johansson

Lise Kaae

Bente Rathe

Charlotte Skog

Frank Vang-Jensen  
*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 2015, 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 2015 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 2015 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 2015.

### 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, 18 February 2016

KPMG AB  
Anders Bäckström  
*Authorised Public Accountant*

Ernst & Young AB  
Jesper Nilsson  
*Authorised Public Accountant*



SVENSKA  
HANDELSBANKEN





# Sustainability Report 2015



# 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, owners/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 sixth sustainability report prepared in accordance with the Global Reporting Initiative (GRI) guidelines for reporting and covers activities and results for the 2015 calendar year in accordance with G4. The information refers to the Group unless otherwise stated. Handelsbanken's reporting meets the "Core" level, which has also been confirmed by the Bank's external auditors. See the assurance report on page 231.

There is a comprehensive index according to GRI principles on pages 228–230.

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

Sustainability at Handelsbanken is about understanding the Bank's role in the community, and acting responsibly and with a long-term perspective in areas where the Bank can make a difference through its own operations, either directly or indirectly. Through dialogue, commitment and transparency, we build long-term relations with our customers, employees, owners/investors, and the wider community, in a financial, social and environmental perspective.

## OUR VIEW OF SUSTAINABILITY

In addition to Handelsbanken's 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 natural for the Bank to work in an integrated manner with sustainability.

Sustainability 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 voluntary UN initiatives Global Compact and Principles for Responsible Investment (PRI), and follows the OECD guidelines for multinational companies. These initiatives and guidelines are totally in keeping with the values, principles and working methods that have applied at Handelsbanken for a long time.

## 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. Success is not only measured as profitability, but also as a strong brand and a high degree of trust from stakeholders.

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 board to representatives of its employees, in their capacity as shareholders, through the staff-owned profit-sharing foundation, Oktogonen.

For more than 40 years, Handelsbanken has built up a geographical organisational structure that is strictly decentralised with a strong local presence, where operations are based on the customer's requirements. The results have been a consistently high level of customer satisfaction and since EPSI Rating/SKI started their customer satisfaction surveys in the late 1980s, Handelsbanken has been at the top.

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 the 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.

Global financial crises have shown that banking operations can – if they are not run in a responsible manner – lead to negative conse-

quences for stakeholders and the wider community. 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 taxpayers or central banks in modern times.

## OUR ANALYSIS OF THE IMPACT OF OUR OPERATIONS

The banking system has a vital function in society and one of the basic tasks of a bank is to redistribute savings to investments, which is a central function for creating economic growth and prosperity. Banks accept savings in the form of deposits, and lend to households and companies which have investment requirements. Another task is to make it possible for the public to make payments in an effective and secure manner.

If a bank of Handelsbanken's size does not manage to maintain stable finances, this will result in major social consequences. In Handelsbanken's opinion, this is the core of our responsibility as a company. But we also have a responsibility to design our operations so that they create value for the Bank's stakeholders.

During the year, Handelsbanken performed a materiality analysis, which was part of the process of defining the Bank's most material sustainability questions. This analysis confirms to a high degree the view that Handelsbanken has had of its sustainability work over many years. To make clear the outcome of Handelsbanken's most material sustainability questions, both internally and externally, we have grouped them into six sub-areas: the Bank's business culture, the Bank's customer responsibility, the Bank's role in the community, the Bank as an employer, the Bank as an investment, and the Bank's indirect impact. The results presented in this Sustainability Report are based on the GRI G4 reporting standard.

## HOW WE WORK WITH SUSTAINABILITY

Handelsbanken aims to continue being a responsible participant in society by taking responsibility for how the Bank directly or indirectly affects stakeholders and the community from a financial, social and environmental perspective.

Handelsbanken considers sustainability questions to be very important when granting credits. The Bank's credit policy states that the customer's approach to principles for human rights, fundamental work conditions, environmental concerns and anti-corruption must be taken into account when making credit risk assessments.

Sustainability is also a vital component of responsible asset management. In mutual fund, asset and pension management, Handelsbanken

endeavours to contribute to sustainable development in financial, social and environmental terms in the companies which the Bank invests in on behalf of its customers.

Handelsbanken also examines its major suppliers' approach to sustainability. When making purchasing decisions, the Bank investigates working conditions, work environment, corruption, etc. Environmental considerations are also taken in purchasing decisions.

## Financial sustainability

For a bank, one of the most fundamental criteria for sustainability is survival. Handelsbanken is – and will continue to be – a bank with stable finances; 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. The Bank reports and pays tax based on national regulations in the countries where its operations are run.

## Social sustainability

One manifestation of social and ethical responsibility at Handelsbanken is responsible lending and advice. Our work is permeated by a long-term commitment with no short term incentive systems. For this reason no performance- or volume-based bonuses are paid, or other forms of variable remuneration, to the Bank's executive officers or to 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. The work with gender equality and diversity is continuing. Traditionally, Handelsbanken has a good relationship with unions, which is a valuable component of the Bank's culture, and the Bank supports the right of all employees to join a trade union or employee organisation.

Through its business operations, the Bank aims to minimise negative impact within human rights and working conditions.

## Environmental sustainability

Handelsbanken aims to promote long-term sustainable development and to minimise the Bank's environmental impact. The Bank monitors, measures and takes action to minimise the carbon dioxide emissions generated by its operations. In Handelsbanken's view, an integrated approach to environmental considerations is also essential to long-term value creation. The Bank aims to minimise its indirect impact on the environment, for example through lending and investments.



# Key figures for our sustainability activities

In order to evaluate Handelsbanken's sustainability activities we have identified a number of key figures that we consider to be relevant to our operations in terms of sustainability, and have compared some of them with those of peer banks in a similar situation.



## 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 latest 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 in 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 historically has been the largest payer to the Swedish Stability Fund for the financial system.
- The Bank's goal is that its common equity tier 1 ratio under normal circumstances must exceed by 1–3 percentage points the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. At the end of the year, the common equity tier 1 ratio according to CRD IV was 21.2 per cent (20.4). The Swedish Financial Supervisory Authority's assessment was that Handelsbanken's common equity tier 1 capital requirement at the end of the third quarter of 2015 corresponds to a common equity tier 1 ratio of 18.6 per cent, and the Bank is thus within the target range.



## 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.

- 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 2015, Handelsbanken's loan losses were 0.09 per cent (0.10) of lending. Since 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: 0.31 per cent.
- In 2015, Handelsbanken had more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. In this way, Handelsbanken retains its strong and stable position regarding customer satisfaction, according to EPSI Rating, which also includes SKI (Swedish Quality Index).
- Handelsbanken is an attractive employer that offers its staff security and good opportunities for development. External staff turnover was very low and, excluding retirements and deaths, was 3.0 per cent (3.2) in the Group, and 2.1 per cent (2.2) in Sweden.
- Total absence due to sickness for staff in Sweden was 3.0 per cent (2.7), of which those on long-term sick leave represented 1.2 per cent (1.0).



## 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 renewable electricity is 100 per cent for Nordic operations and 87 per cent for all six home markets as a whole.
- In autumn 2015, CDP presented its annual report, where 5,500 global companies report their emissions, and how they manage their impact on the climate. CDP also published an equivalent report for Nordic companies. The result in CDP's annual survey is based on how transparent a company is and how well it works with climate matters. The result for transparency is based on a scale between 0 and 100 and the climate work on a grading scale between A and E. In this year's survey, the Bank improved its performance in the area of transparency to 95 points (85) out of 100 possible, while the grading for the Bank's climate work fell to level C (B). The average value in CDP Nordic was 84 C.
- Handelsbanken constantly strives to minimise the carbon dioxide emissions generated in its operations. For 2015, total emissions for the operations amounted to 13,231 tonnes. This is a decrease of 15 per cent from the previous year, and is mainly attributable to the Bank increasing the proportion of renewable electricity that it uses.
- Starting in 2015, Handelsbanken Fonder's mutual funds do not invest in companies that have significant operations in coal mining or coal combustion. For equity funds, the fund's carbon footprint is also reported.

## OVERALL GOAL

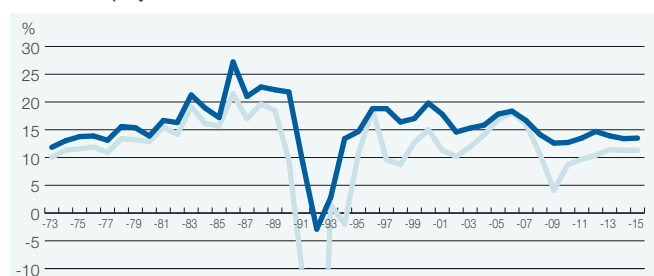
### Corporate goal

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 13.5 per cent (13.4). The corresponding figure for a weighted average of other major Nordic banks was 11.3 per cent (11.3). The corresponding figure for a weighted average of all peer banks in the home markets is estimated at approximately 11 per cent (9.8). This means that for the 44th consecutive year, Handelsbanken has met its corporate goal.

## Return on equity 1973–2015



\* For the period until 2002 inclusive, only Swedish banks are included.



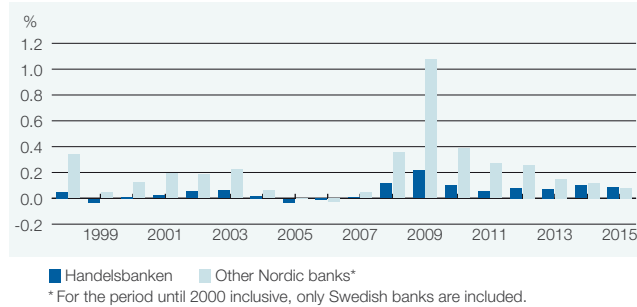
## LOWER LOAN LOSSES

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 decreased to SEK -1,597 million (-1,781). Loan losses as a proportion of lending were 0.09 per cent (0.10). Since 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: 0.31 per cent.

Loan losses as a percentage of lending 1998–2015



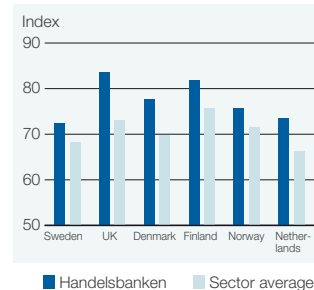
## MOST SATISFIED CUSTOMERS

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.

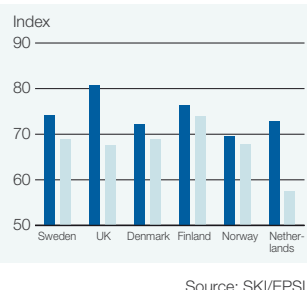
### Outcome

Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. In this way, the Bank retains its strong and stable position regarding customer satisfaction. Satisfied customers are proof of the viability of Handelsbanken's method of working.

Customer satisfaction – Private customers 2015



Customer satisfaction – Corporate customers 2015



Source: SKI/EPRI

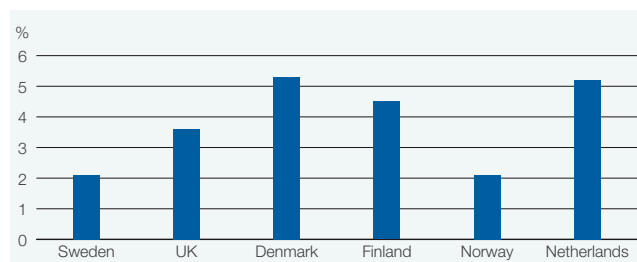
## LONG-TERM EMPLOYEE RELATIONS

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 for the six home markets was very low at 2.8 per cent, and the figure was 2.1 per cent (2.2) in Sweden.

Staff turnover 2015\*



\* Percentage of the number of employees in each home market.

Number of employees who leave the Bank (excluding retirements and deaths) as a proportion of all employees.

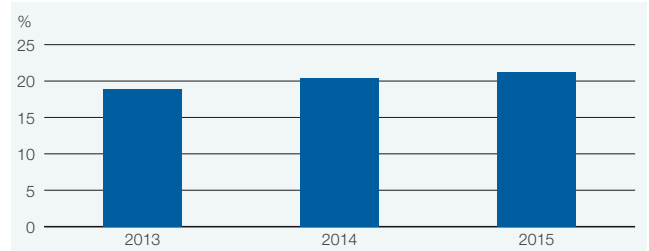
## CAPITAL

Under normal circumstances, the Bank's common equity tier 1 ratio must be 1 to 3 percentage points above the total common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. The tier 1 ratio and the total capital ratio must also be at least 1 percentage point above the total capital assessment communicated to the Bank by the Supervisory Authority for the respective capital tiers. Additionally, the Bank must fulfil any other capital requirements set by the regulators.

### Outcome

The common equity tier 1 ratio according to CRD IV rose to 21.2 per cent (20.4). The Swedish Financial Supervisory Authority's assessment was that Handelsbanken's common equity tier 1 capital requirement at the end of Q3 2015 corresponds to a common equity tier 1 ratio of 18.6 per cent, and the Bank is thus within the target range.

Common equity tier 1 ratio, CRD IV 2013–2015



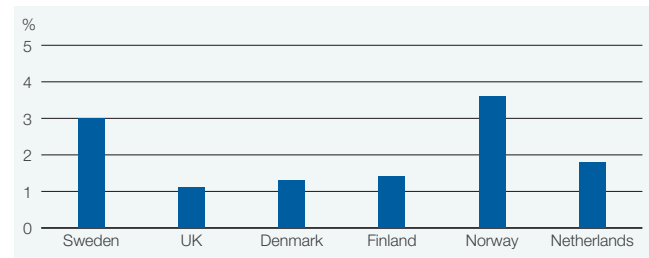
## SICKNESS ABSENCE

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

Absence due to sickness for staff in the six home markets was 2.5 per cent, and for staff in Sweden the figure was 3.0 per cent (2.7) of which those on long-term sick leave represented 1.2 per cent (1.0).

Sickness absence 2015\*



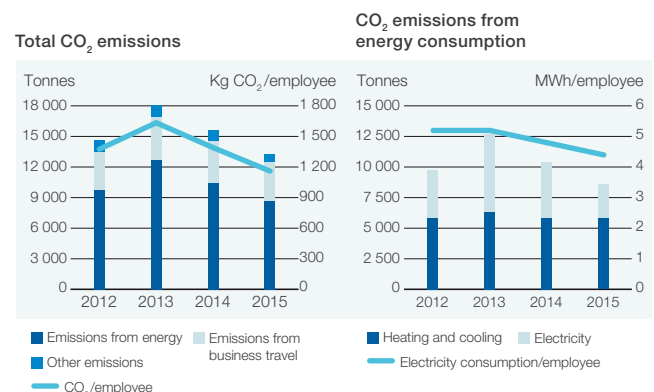
\* Sickness absence is stated as a percentage of total normal working hours.

## CARBON DIOXIDE EMISSIONS

Handelsbanken reports emissions for all its home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. These markets correspond to more than 96 per cent of the Bank's total number of employees.

### Outcome

In 2015, carbon dioxide emissions decreased by 15 per cent compared with the previous year.





# 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. In Sweden, Handelsbanken Direkt Personal Service is always open by phone – 24 hours a day, 365 days a year. We constantly strive to develop and improve our meeting places and to increase the level of availability for our customers. This applies at our branches, online, and at new digital meeting places, such as services in the form of apps for smartphones 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 our customers can do the same type of business with the branch regardless of how they contact us.

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 is a full-service bank and has a complete range of products and services to meet all the financial needs and wishes of its customers. Responsible for this range are product spe-

cialists in the Bank's business areas and national organisations. Each product owner packages their product, while the branch takes responsibility for each individual customer being offered services which are adapted to his or her needs and circumstances.

## MARKETS

Handelsbanken offers financial products and services in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. Handelsbanken has nationwide branch networks in these markets, which are organised into one or more regional banks in each country.

In the UK, the Bank now has 197 branches, and our growth there continues. We also opened new branches in the Netherlands in 2015, and at the end of the year had 23 branches there.

Handelsbanken currently has 849 branches in 25 countries, including 836 branches in our six home markets.

## GROWTH MODEL

For Handelsbanken to retain high profitability in the long term, growth is also necessary. The Bank primarily grows by opening new branches in locations where we have not previously had operations. In this way, Handelsbanken grows customer by customer, branch by branch. We are the only bank in a total of 68 locations. This method of working and of achieving growth has proved successful in an increasing number of locations and countries. This organic growth model means that Handelsbanken can achieve growth, coupled with low risk and good cost control.

## EFFICIENT GEOGRAPHICAL ORGANISATIONAL STRUCTURE FOCUSING ON THE CUSTOMER

Handelsbanken is organised geographically. Our geographical structure is strictly decentralised

and cost-effective, with short, clear decision paths. That means that 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 responsible for all banking business in his or 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, in discussions 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' high degree of 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 decades.

## ORGANISATION FOR SUSTAINABILITY

Handelsbanken has a committee for sustainability matters which was formed in 2010. The chairman of the committee is responsible at Group level for sustainability issues, and is a member of Senior Management. The chairman of the committee also has overall responsibility for ensuring that Handelsbanken identifies and addresses the sustainability matters of relevance to the Bank. The committee consists of representatives from various business operations; it met regularly during the year, a total of nine times.



### 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 joint business areas for the Group where product owners design and develop our products and solutions. The central head office also has joint units and staff functions with overarching responsibility for various functions at the Bank.



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# Our 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. The Bank's four main stakeholder groups have been identified based on the fact that they materially affect, or are materially affected by, Handelsbanken's operations – or both.

In addition to these four main stakeholder groups, Handelsbanken also maintains a continuous dialogue with other stakeholder groups. Here is a selection of these in alphabetical order:

- consumer organisations
- equity research analysts
- international organisations
- municipal and county councils
- non-profit organisations
- potential shareholders and investors in the Group's bonds
- press and media
- prospective customers
- sector organisations
- special interest organisations
- students, schools and universities
- suppliers
- sustainability analysts
- union organisations.

## REGULAR DIALOGUE WITH OUR STAKEHOLDERS

It is vital that Handelsbanken keeps itself constantly updated regarding the needs and wishes of its stakeholders. Therefore we have, and have long had, a continuous dialogue with our customers, staff, shareholders and investors, as well as with the community at large, for example, authorities and other public organisations, in the markets where the Bank operates.

### Customers

The most important dialogue occurs at the thousands of meetings with customers that take place daily, by phone and e-mail, or at visits to our 849 branches around the world. By maintaining close, long-term relations with our customers, the Bank gains a better understanding of customer expectations, such as what they expect of the Bank's products and services. By being responsive to customers' requests and questions, we can provide answers and meet customers' expectations as regards product development, availability and the like.

When the Bank's corporate customers procure banking services, it is becoming increasingly common that they wish to discuss our work with sustainability, where the focus is on the Bank's

direct and indirect impact. Private customers also attach great importance to the fact that a bank acts responsibly.

**“It is vital that Handelsbanken keeps itself constantly updated regarding the needs and wishes of the Bank's stakeholders.”**

In addition to direct discussions with our customers, Handelsbanken also closely monitors the customer satisfaction surveys that are carried out by independent research companies. The most comprehensive studies of customer satisfaction on the Bank's six home markets are the annual surveys conducted by the EPSI Rating Group, which includes SKI (Swedish Quality Index). Among other things, SKI surveys in recent years have shown that public perception of banks is

closely linked to the image of whether the banks are acting responsibly. In recent years, a clear general trend in the banking sector has been to close down local branches and shift customers over to online services and mobile applications. This year's SKI survey clearly showed that this is not what customers ask for and that there is a considerable positive link between satisfied customers and the personal service offered by a local branch.

### Employees

All of the Bank's employees participate 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 individual 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

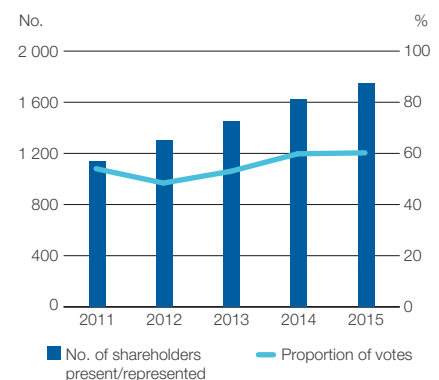
Handelsbanken's shareholders are those who ultimately decide about the Bank's governance. The shareholders exercise their right to decide on matters relating to the company at general meetings of shareholders. Here, individual shareholders have the opportunity to put questions to the Bank's Board and senior management.

Great interest is shown by shareholders in Handelsbanken's annual general meetings. In the past five years, shareholders representing more than 50 per cent of the votes in the Bank have participated.

The Bank provides investors, analysts, rating agencies and other capital market players with



Attendance at AGMs 2011–2015





information regarding Handelsbanken's operations and financial performance. During the year, the Bank's CEO, CFO and Investor Relations Department held over 500 meetings with equity and fixed income investors.

### 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 the rest of the world. The sustainability perspective is increasingly being highlighted in the dialogue between public authorities and the Bank.

The Bank also has continuous contact with non-governmental organisations (NGOs) and during the year has had several ongoing discussions with these, including Transparency International.

In 2015, Handelsbanken had discussions and several meetings with Fair Finance Guide, which is an international initiative to increase transparency in terms of how sustainably and responsibly banks manage investments, lending and funding. Fair Finance Guide focuses on the policy documents published by banks with the purpose of mapping the requirements of the major banks in terms of the sustainability and social responsibility in their operations.

### Union organisations

For a long time, Handelsbanken has had very good relations with the union organisations, which are an important part of the Bank's business culture. There is an ongoing dialogue

between union representatives and managers concerning operations – such as when changes are to be made – where valuable information is exchanged at the very early stages. In the past few years, the Bank, together with trade unions in Sweden, has worked to correct unwarranted pay differentials between women and men. The Bank, together with union representatives, has also carried out a separate survey of salaries, to identify and correct any remaining differentials. Managers have also received support and training so that they can independently decide on salary adjustments.

### Sustainability analysts

The contact between sustainability research analysts and the companies that they analyse often takes the form of the Bank being asked to respond to forms containing a number of standard questions. In the past few years, Handelsbanken has taken the initiative to increase contacts with several research firms by means of an ongoing dialogue with each analyst to discuss the various aspects of the Bank's sustainability work.

### Suppliers

Handelsbanken purchases goods and services from many different suppliers. The Group's purchases can roughly be divided into the following categories: property and premises, external IT costs, communications, travel and marketing, purchased services, procurement of material, and other expenses. External IT and communications are purchased centrally, while the other categories are mainly local purchases. Two thirds of the purchasing volume in the Swedish operations is procured from more than 70 different suppliers. The Bank has an ongoing dialogue with these where sustainability is an important aspect. As support for its dialogue with suppliers, the Bank has a check list, and in 2016, the Bank intends to implement a code of conduct for its major suppliers.

One result of these dialogues is that our environmental work is promoted and improved. For example, we aim to co-ordinate purchases with the purpose of taking account of both cost and environment effects.

### DETAILED DIALOGUE WITH STAKEHOLDERS

In addition to the dialogues that Handelsbanken regularly maintains with stakeholders, the Bank also carried out during the year a more detailed dialogue with representatives from the Bank's main stakeholder groups. The purpose was partly to confirm that the sustainability matters which the Bank has identified as being the most material in previous years, correspond to the view of the stakeholders, and also to gain increased understanding of the expectations which external parties have on the Bank's sustainability work.

The dialogue was an important part of the materiality analysis carried out during the year.

The analysis was based on a broad spectrum of questions which are particularly relevant to Handelsbanken – partly based on the Bank's own experience, partly on questions the Bank receives from external stakeholders – but also generally relevant questions for a bank. To clarify the outcome of the most material issues for Handelsbanken, both internally and externally, we have grouped these into six sub-areas:

- the Bank's business culture
- the Bank's responsibility towards customers
- the Bank's role in the community
- the Bank as an employer
- the Bank as an investment
- the Bank's indirect impact.

In order to decide upon the areas that were deemed to be the most important, there was a selection process which resulted in a number of questions for stakeholders to give their opinion on.

The stakeholder dialogue was only carried out with stakeholders in the Bank's largest market – Sweden. In 2016, we plan to also carry out more detailed dialogues in the other five home markets.

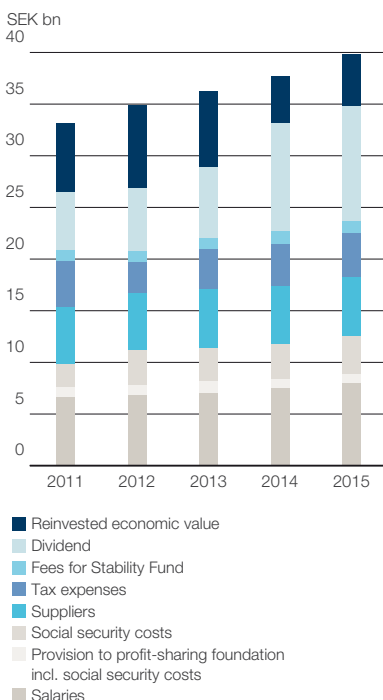
**“The detailed stakeholder dialogue performed during the year confirms to a high degree the view that Handelsbanken has had of its sustainability work over many years.”**

### Handelsbanken's view of its sustainability work is confirmed by the detailed stakeholder dialogue

The detailed stakeholder dialogue performed during the year confirms to a high degree the view that the Bank has had of its sustainability work over many years. The results were very consistent, with no major differences among the various main stakeholder groups.

In addition to the detailed dialogue with these main stakeholders, Handelsbanken has chosen to carry out, by various methods, dialogues with representatives of other stakeholder groups. For example, we have had discussions with representatives of the union organisations at Handelsbanken, a number of non-profit organisations, and a selection of the Bank's suppliers.

Distribution of economic value





## Outcome of in-depth stakeholder dialogue

In 2015, an in-depth stakeholder dialogue was performed which was an important part of a materiality analysis, and was carried out with the purpose of defining the sustainability questions which are the most important for Handelsbanken. This analysis confirms to a high degree the view that Handelsbanken has had of its sustainability work over many years.

To clarify the outcome of Handelsbanken's material sustainability questions, both internally and externally, we have grouped them into six sub-areas that show the Bank's role and responsibilities: the Bank's business culture, the Bank's customer responsibility, the Bank's role in the community, the Bank as an employer, the Bank as an investment, and the Bank's indirect impact. The different sub-areas indicate where the material questions have the greatest impact – within or outside our own operations. Below we describe what the questions involve and show the opportunities and risks that they entail.

In addition to these, we also provide information about other questions in this Sustainability Report, since the Bank is aware that there is general interest in these questions. These questions include how the Bank can minimise its own environmental impact.



### THE BANK'S BUSINESS CULTURE

#### Material questions

- Business culture
- Salaries and remuneration
- Anti-corruption and bribery

#### What does it involve?

Handelsbanken aims to conduct its operations with high ethical standards. This means, for example, that we must have a sound remuneration model for employees and executive officers. Our operations are permeated by a long-term commitment, with no short-term incentive systems. For this reason no performance- or volume-based bonuses are

paid, or other forms of variable remuneration, to Handelsbanken's executive officers or to 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. The Bank's employees must never be involved in activities that could involve bribery or corruption.



### THE BANK'S RESPONSIBILITY TOWARDS CUSTOMERS

#### Material questions

- Satisfied customers
- High availability
- Responsible lending
- Responsible sales and advisory services
- Integrity and confidentiality

#### What does it involve?

One of Handelsbanken's most important assets is the confidence of customers and the public. Handelsbanken must conduct its operations in such a manner that the levels of quality and service at the very least meet, and preferably exceed, the customer's expectations. This is achieved by developing services that cater for individual needs and by being available, whether at a branch, by phone or digital services. In lending, the Bank always proceeds from the customer's financial situation; that is to say, the Bank does not grant credit to customers who lack the capacity to repay their loans. A weak repayment capacity is never

accepted, even if the customer is prepared to pay a high interest rate. Handelsbanken aims to provide advice and recommendations based on the customer's requirements – not on what would be most profitable for the Bank in the short term. At Handelsbanken, no performance- or volume-based bonuses are paid, or other forms of variable remuneration, to the Bank's management or to any other employee who takes decisions on credits or limits. The Bank's customer responsibility also includes protecting customers' banking business, for example from unauthorised access, by providing high standards of IT security.



### THE BANK'S ROLE IN THE COMMUNITY

#### Material questions

- Local presence
- The Bank as a taxpayer
- Counteracting money laundering and financing of terrorism
- The Bank should not be a burden on society
- Financial stability and profitability

#### What does it involve?

Handelsbanken has a strong presence in the local community, with a nationwide branch network in the Bank's six home markets. The Bank makes a contribution to the community in the countries where it pursues operations, including payment of taxes and charges. The Bank aims to do whatever it can to prevent criminal activities such as money laundering, the financing of terrorism and other financial crime. 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 its environment, is there for its customers. Handelsbanken's social responsibility also includes taking steps to reduce its direct environmental impact from business travel, electronic waste, paper consumption, etc.



### THE BANK AS AN EMPLOYER

#### Material questions

- Responsible employer
- Working conditions and union rights
- Employee commitment
- Gender equality and diversity
- Leadership and development
- Work environment and health

#### What does it involve?

Handelsbanken aims to continue to be a secure, attractive employer where all employees develop, are happy and enjoy good health. Among other things, this means that all employees have the right to join a union or employee organisation. The Bank's aim is that the majority of employees are permanently employed and that temporary employment only occurs to a limited extent. The Bank aims to promote working methods that allow employees to be proactive and influence operations. One condition for successful operations is that Handelsbanken succeeds in recruiting and retaining skilled employees. If the Bank does not act in a responsible manner, it may be forced to reduce staff numbers which may have major social consequences for those affected. A bank which is not perceived as an attrac-

tive employer risks losing valuable skills. For a number of years, Handelsbanken has received several awards which strengthen the view of the Bank as an attractive employer, so that Handelsbanken can continue to recruit the most skilled employees. When the Bank recruits new employees, it aims to take a broad-based approach to recruitment so that the workforce reflects the society where the Bank conducts its operations. Handelsbanken's culture aims to be inclusive, and characterised by an open attitude towards diversity. Managers at Handelsbanken are urged to identify, encourage and develop new managers at the Bank. The Bank aims to create conditions for a sustainable working life so that employees enjoy good health and have enough energy for their work and also for their leisure time.



### THE BANK AS AN INVESTMENT

#### Material questions

- Creating shareholder value

#### What does it involve?

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. One of the objectives 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.



### THE BANK'S INDIRECT IMPACT

#### Material questions

- Responsible credits
- Responsible investments

#### What does it involve?

Handelsbanken considers sustainability to be very important when granting credits. The Bank's credit policy states that when making an assessment of credit risk, the customer's approach to human rights, fundamental principles regarding work conditions, environmental concerns and anti-corruption must be taken into account.

Sustainability is also a vital component of asset management. In mutual fund, asset and pension management, Handelsbanken works to promote sustainable development in financial, environmental and social terms in the companies in which the Bank invests on behalf of customers, as part of the investment process.







# 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, EPSI Rating, which includes SKI (Swedish Quality Index), carries out independent surveys of customer satisfaction, including in the banking sector. This year's surveys showed that Handelsbanken has more satisfied customers than the average for the banking sector in all of the Bank's six home markets.

Handelsbanken always aims for all important business decisions to be taken as close to the customer as possible. This contributes to better meetings with customers, better decisions and more satisfied customers. In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. By gaining its customers' trust, Handelsbanken becomes their natural choice.

**“In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers.”**

## ALWAYS INCREASE AVAILABILITY

An important starting-point for having satisfied customers is to constantly increase our availability, to be there for our customers, whenever and wherever they need us. When branches are closed, Handelsbanken Direkt Personal Service in Sweden is always open. This is a service that is staffed by professional bank officers who help customers 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, applying for and changing the terms of loans, buying and selling mutual fund units and reviewing their mutual fund savings directly via a smartphone or tablet device. 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.

We believe that customers with knowledge and understanding of their financial situation are more satisfied customers. This is why we work continuously to give our customers the best possible conditions to make the best possible financial decisions. EFN.se is an online financial news channel which explains complex subjects, structures and events by means of news reports, in-depth programmes and broadcasts. EFN.se gives customers the opportunity to deepen their knowledge of economics and finance, both their own economy and broader international matters. The service is free of charge and available to everyone via a computer, smartphone or tablet device.

## SATISFIED CUSTOMERS IN OUR HOME MARKETS

Handelsbanken considers customer satisfaction surveys to be very important. Every year, EPSI Rating/SKI (Swedish Quality Index), carries out independent surveys of customer satisfaction. This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets.

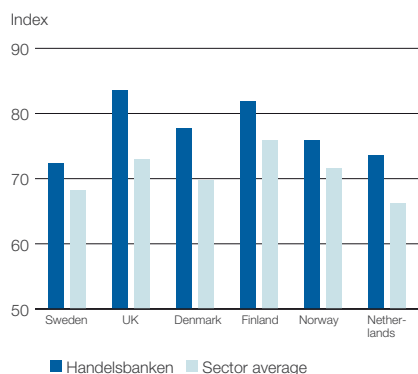
ers than the average for the banking sector in all of the Bank's six home markets. In this way, the Bank retains its strong and stable position regarding customer satisfaction.

In Sweden, Handelsbanken has the most satisfied customers overall, in terms of the banking sector as a whole. Among our corporate customers, satisfaction is increasing, in contrast to the situation for other banks in the sector. The key to this is Handelsbanken's local presence and service – something that our customers appreciate.

**“This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets.”**

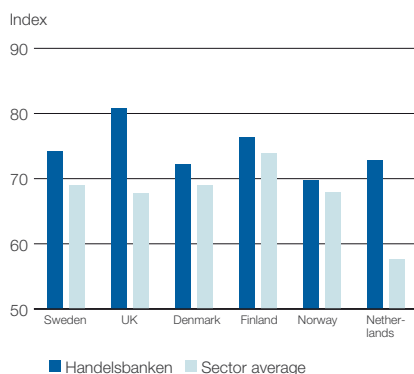
In the UK, Handelsbanken continued to have the most satisfied private and corporate customers. The result also shows that customer satisfaction

Customer satisfaction – Private customers 2015



Source: SKI/EPRI

Customer satisfaction – Corporate customers 2015



Source: SKI/EPRI



is considerably higher than the average for the sector.

In Denmark, too, Handelsbanken had the most satisfied private and corporate customers, and thus retains its No. 1 position for another year.

In Finland, Handelsbanken is top-ranked, as it has been in previous years, in terms of most satisfied private customers; in addition, the Bank has the most satisfied corporate customers.

The results in Norway showed that customer satisfaction for Handelsbanken's private and corporate customers increased, and that the Bank has more satisfied customers than the average for the Norwegian banking sector.

“For Handelsbanken, it is important that customers who make complaints are satisfied.”

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.

It is just as important to have loyal customers as satisfied customers. This offers many advantages. For example, it is less likely that customers are dissatisfied and change banks. This leads to lower costs for the Bank, which in turn creates the right conditions for more competitive prices to customers.

In EPSI's and SKI'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 2015 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 is regarded as a major player, which must be considered unique.

#### HIGH REPUTATION

According to the TNS Sifo Reputation Index for 2015, 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 61 can be compared with those of the other three major Swedish banks, which are between 32 and 42.

The survey shows that Handelsbanken is perceived to have an important role in the community and to be a good workplace; these are important factors influencing Handelsbanken's reputation in terms of sustainability.

#### HANDLING CUSTOMER COMPLAINTS

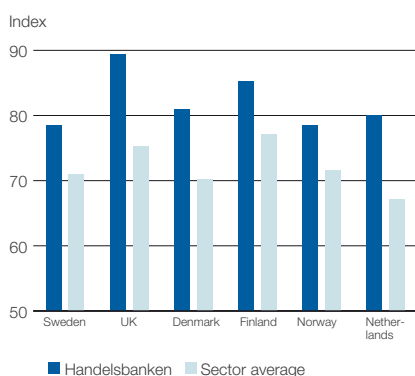
For Handelsbanken, it is important that customers who make complaints are satisfied.

The Bank 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. The results from the EPSI and SKI surveys show that the proportion of complaints at Handelsbanken, for all home markets combined, is below the average for the sector.

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.

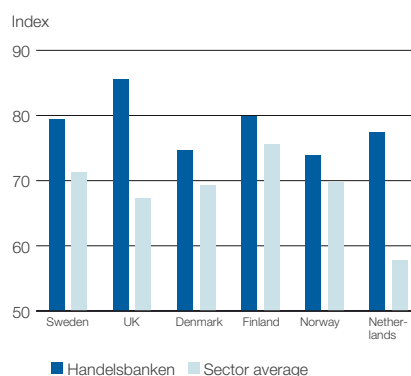
Information about complaints management at the Bank is easily available at [handelsbanken.com](http://handelsbanken.com).

Loyalty – Private customers 2015



Source: SKI/EPPI

Loyalty – Corporate customers 2015



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 2015, Handelsbanken had 11,819 employees, working in 25 countries, nearly 40 per cent of whom were employed outside Sweden.

## WE RECRUIT PEOPLE WHO SHARE THE BANK'S BASIC VALUES

Handelsbanken's concept of how to run a successful full-service bank is based on trust and respect for the individual – both customers and employees.

Above all, working at Handelsbanken is about relationships with other people. Without the right staff, it does not matter how good the products or services are. When we recruit new employees, we seek people who share the Bank's basic values. For us, it is very important that our employees are driven by putting the customer first, enjoy taking a large amount of individual responsibility, and want to take their own initiatives.

Handelsbanken's joint Group guidelines for its employees are based on the Bank's corporate culture, working methods and fundamental view of people.

## CONSTANT DEVELOPMENT

The Bank's strength is derived from the combined expertise of its employees. When employees develop, the Bank develops. The most important source of increased professionalism is learning in our daily work, where all the Bank's employees are responsible for constant development – their own and that of the operations. Learning on a daily basis is supplemented by various training activities, including training in the field of investment advice and measures against money laundering and financing of terrorism. These courses are organised by both the Bank's HR departments and central units. It is important that employees have the skills they need to comply with the current policies and regulations. There is

a structured, continual relationship between the Bank's operations and the employee's development. All employees participate in drawing up their own unit's business plan. This forms the basis of the planned PLUS performance dialogue, which every employee has with their line manager at least once a year. After this, each employee puts together an individual 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. In addition to this, all the Bank's managers and employees carried out a separate competency mapping during the year; from now on, this will be carried out every year. The results are documented and complement the Bank's working methods regarding performance reviews, action plans and follow-up.

## 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. During their period of employment, employees are given the opportunity to develop within different professional roles, to work in different areas of operations and also to work outside their home country. Internal mobility contributes to both the working method and culture being spread to all parts of the Bank, through transfer of the skills and experience gained to the employee's new work tasks. This means that

internal recruitment and long-term employment are important for the Bank. To retain an employee, the right conditions must exist for development in their work and consideration must also be taken of the stage of life that they are. Employees who are secure and happy, with 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 2015, the figure was 3.0 per cent (3.2) for the Group and 2.1 per cent (2.2) in Sweden.

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2015, 100 per cent (100) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 93 per cent (93), including those markets where the Bank established operations relatively recently.

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

## HANDELSBANKEN'S STUDENT PROGRAMME

Handelsbanken Sweden has a student programme aimed at young people who are about to start studying at a university. The students participate in the Bank's programme in parallel with their studies. The aim of the programme is to attract and recruit young employees as part of Handelsbanken's future management succession, and to promote gender equality and diversity. The programme includes the student working at the Bank

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



	New employees by home market, age group and gender		Staff turnover* by home market, age group and gender	
	Number	%**	Number	%**
Sweden	284	4.0	151	2.1
UK	338	16.5	74	3.6
Denmark	55	7.6	38	5.3
Finland	30	4.4	31	4.5
Norway	15	1.9	16	2.1
The Netherlands	55	25.8	11	5.2
<b>Total number</b>	<b>777</b>	<b>6.7</b>	<b>321</b>	<b>2.8</b>
men <30 years old	156		32	
of whom 30–50 yrs	213		91	
>50 yrs	54		46	
women <30 years old	137		27	
of whom 30–50 yrs	172		79	
>50 yrs	45		46	

\* Staff turnover is the number of employees who leave the Bank (excluding retirements and deaths) as a proportion of all employees.

\*\* Percentage of the number of employees in each home market.

Employees per form of employment	Number		Men, %		Women, %	
	Number	%	%	%	%	%
Regular employment						
Full-time	6 442	78	51		49	
Part-time	1 178	14	15		85	
Temporary employment	673	8	42		58	
<b>Total Sweden</b>	<b>8 293</b>					

Average number of employees	Number		Men, %		Women, %	
	Number	%	%	%	%	%
Sweden	7 263	62	47		53	
UK	1 904	16	59		41	
Denmark	690	6	52		48	
Finland	614	5	42		58	
Norway	766	6	55		45	
The Netherlands	170	1	64		36	
Other countries	412	4	47		53	
<b>Group total</b>	<b>11 819</b>		<b>49.9</b>		<b>50.1</b>	



during their student years, having their own action plan and receiving the relevant training to be able to develop at Handelsbanken. Some 140 of the Bank's employees are participating, or have participated, in the Student Programme since its inception in 2011.

### LOCAL ACCEPTANCE

In the Bank's home markets – with few exceptions – managers and employees work and live in their local community. 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, the proportion of managers in the respective home market's management team who had been recruited locally was 86 per cent.

### FOR GENDER EQUALITY AND DIVERSITY

Working with gender equality, diversity and an inclusive corporate culture is a fundamental part of Handelsbanken's values and should also be a natural and integral part of our daily work. It is about making the most of the employees' combined potential, and of broadening the recruitment base, to become, to an even greater extent, a bank that reflects the community in which it operates. Diversity encompasses various individuals' different skills and work experience, different ways of thinking and solving problems.

Initiatives are being taken in several parts of the Group to further increase knowledge and awareness of diversity.

In 2015, Handelsbanken in Sweden produced a training film on the subject of diversity. It is aimed at all managers and employees with the purpose of increasing knowledge and awareness of diversity and an inclusive culture.

In order for the Bank's strong corporate culture to continue developing, an ongoing dialogue is necessary and as a condition for this, we promote a good working atmosphere and an inclusive culture where differences are valued and benefited from. In light of this, all types of discrimination and harassment are totally unacceptable, which is also stated in the Group guidelines for employees.

Incidents of discrimination concerning the Bank's employees are normally managed through the Bank's HR units, but cases reported to the national discrimination ombudsman or corresponding official body are followed up at Group level. No such cases were reported in 2015.

### AN EVEN MORE EQUAL HANDELSBANKEN

Handelsbanken's gender equality goal is to be a company where men and women have the same opportunities and conditions 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 must be based on Handelsbanken's fundamental values, and take into account the laws and guidelines applying in the country. The purpose is to create as even a gender distribution as possible within different professional roles, working groups and units at the Bank.

In the Group as a whole, 39 per cent (37) of managers were women. The proportion of women among the total number of employees in the Group was 50 per cent (51). At the year-end, 47 per cent (45) of the Bank's managers in Sweden were women. The proportion of women among the total number of employees in Sweden was 53 per cent (54).

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 the past few years in Sweden, the Bank, together with trade unions, has worked to rectify unwarranted pay differentials between women and men. In 2015, the work with gender-equal salaries changed from being a project to becoming an integral part of the normal operations. The Bank and the union organisations work together to reinforce the results of the work in recent years, and they closely monitor the trend for gender-equal salaries within the Bank. Managers at the Bank have a mandate and the tools to correct any differentials that are identified and every year, all salaries are mapped by the Bank to act on any differentials that have arisen.

### 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 their own health and for contributing to the creation of a positive work environment at Handelsbanken. In co-operation with staff and employee representatives, managers must develop a healthy and safe workplace for a sustainable working life.

Each manager is responsible for performing regular work environment reviews together with their employees. This includes matters relating to the physical and psychosocial work environment, gender equality, diversity, and an inclusive corporate culture. In a dialogue with their staff, they identify what works well and what could be better. This results in a work environment plan with activities to maintain and develop a good work environment. The plan is then integrated with the unit's business plan and in this way becomes a natural part of how the operation develops.

The work environment plans are regularly followed up in order to evaluate and continuously improve the Bank's work with the work environment and health. Handelsbanken also follows up the figures for healthy attendance (the opposite of sickness figures) and also reported incidents.

In connection with crisis situations, Handelsbanken has well-developed procedures, including a support programme with the help of external partners.

As support for the health of its individual employees, Handelsbanken also offers a large number of subsidised health-related and health promotion activities. The Bank has had a sports and leisure association since 1919; it currently has 4,300 members and is one of the largest of its kind in Sweden. Finland and Denmark also have associations.

To stimulate interest in art and crafts the Bank also has an Art Association with just over 3,700 members. It is one of the largest art associations in Sweden.

### STAFF MAGAZINE

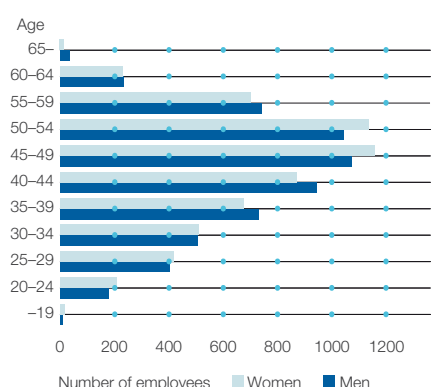
The staff magazine, Remissan, started in 1948 and is a publication which is for, about and by the employees of Handelsbanken. Remissan's task is to create a sense of community, belonging and commitment among the employees, and to reflect Handelsbanken's culture throughout the Group. The magazine is published in Swedish and English.

Sickness absence by home market	2015		
	Men	Women	Total
%			
Sweden	1.9	3.9	3.0
UK	1.0	1.3	1.1
Denmark	0.8	1.8	1.3
Finland	0.9	1.7	1.4
Norway	2.0	5.1	3.6
The Netherlands*	-	-	1.8
<b>Total sickness absence</b>	<b>1.6</b>	<b>3.3</b>	<b>2.5</b>
of which long-term absence	0.5	1.4	1.0

\* According to national legislation, it is not permitted to report sickness absence broken down by gender.

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.

Age and gender distribution 2015





# Remuneration 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 of 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 wishes to be an attractive employer which meets 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.

The Bank's Board resolves on the remuneration policy, is responsible for this being applied, and takes decisions regarding follow-up action. The Bank's remuneration committee must make an assessment of the policy and the remuneration system, and report it to the Board once a year.

## PENSIONS AND OTHER BENEFITS

Handelsbanken offers various types of competitive benefits, for both permanent and temporary employees of the Group; these differ between the countries. In 2015, the proportion of permanent employees was 96 per cent (96).

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 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 women and men 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. Of those who have taken parental leave in 2015 in the Bank's home markets, 66 per cent were women and 34 per cent men. Almost all of these employees returned to work.

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 and in some countries, the conditions are a taxable benefit. Other examples of benefits are insurance, staff or company cars and various health promotion benefits.

## CONVERTIBLES AIMED AT EMPLOYEES

On several occasions, Handelsbanken has offered its employees the opportunity to subscribe for convertible bonds. The convertible bond programmes offer 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. Subscription for convertibles is entirely on market terms with no subsidy; the rate of participation in the Bank's convertible programmes has been 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 corporate 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.

Allocations are subject to Handelsbanken achieving its corporate goal. If this is satisfied, one third of the extra profits can be allocated to the employees. The amount allocated is limited to ten per cent of the ordinary dividend to the 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. The scheme includes all employees in the Bank's home markets. Some 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 an employee has reached the age of 60.

One of the fundamental concepts in managing the foundation is that the funds are invested in shares in Handelsbanken.

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 UNIONS

Handelsbanken's traditionally good relationship with unions is a valuable component of the Bank's culture. The Bank supports the right of all employees to join a trade union or employee organisation. All employees in Denmark, Finland, France, Luxembourg, Norway, Sweden and Austria, comprising 80 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, close dialogue between union representatives and managers concerning operations – such as when changes and new services are to be launched – where valuable information is exchanged at the very early stages. In 2015, the Bank updated the process for major operational and organisational changes in the Group.

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, Germany, Luxembourg, the Netherlands, Norway, Poland, Sweden and the UK.



# Corporate Governance

Corporate governance concerns how the owners directly or indirectly control the Bank, and how rights and obligations are allocated among the Bank's bodies, in accordance with prevailing laws and regulations.

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 and bond investors, as well as the community at large.

## PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken's shareholders elect the Board and the Board appoints the CEO. One way in which the Board exercises its governance of the Bank is by issuing policies and instructions. It is partly through the issued policies that the Board takes decisions regarding Handelsbanken's overall risk tolerance, and ensures the Bank's financial stability. Through these, the Board also decides on the Bank's approach in a number of central sustainability issues regarding measures against money laundering and financing of terrorism, the environment, remuneration and corruption. The CEO also exercises governance by issuing various governance documents. The CEO issues 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. These documents are revised every year but can be adjusted more often when necessary.

“The Bank's work with sustainability is also part of the corporate governance since it is part of managerial responsibility at all levels of the organisation.”

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. It permeates and works in parallel with the principles, strategies, limits and target figures stated in policy documents and instructions. The Bank's work with sustainability is also part of the corporate governance since it is part of managerial responsibility at all levels of the organisation.

## RECRUITMENT AND DIVERSITY-RELATED WORK BY 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 33 per cent and the proportion of members of another nationality than where Handelsbanken is domiciled is 56 per cent.

## INTERNAL CONTROL

The responsibility for internal control and the Bank's compliance is an integral part of managers' responsibility at all levels in the Bank. This responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures is monitored regularly.

The compliance department 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, which means that employees who suspect irregularities can report these to a unit outside their own unit. Anonymous reports are also acted upon.

### SELECTION OF POLICY DOCUMENTS ESTABLISHED BY THE BOARD APPLYING AT THE TIME THIS SUSTAINABILITY REPORT IS PUBLISHED:

- Credit policy
- Policy for operational risks
- Capital policy
- Financial policy
- Policy for financial risks
- Information policy
- Sustainability policy
- Policy on ethical standards
- Policy against corruption
- Policy for managing conflicts of interest
- 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 handling customer complaints

A summary of these policies is available in the Bank's Corporate Governance Report, and at [handelsbanken.se/ireng](https://handelsbanken.se/ireng).

### SELECTION OF GUIDELINES ESTABLISHED BY THE BANK'S GROUP CHIEF EXECUTIVE:

- Environmental policy
- Guidelines for business relations with the armaments and defence industry
- Guidelines for information security in the Handelsbanken Group

### POLICY DOCUMENTS THAT THE BOARDS OF HANDELSBANKEN'S SUBSIDIARIES HAVE DECIDED ON:

- Corporate governance policy and policy for responsible investments for Handelsbanken Fonder
- Policy for responsible investments at Handelsbanken Liv

### SELECTION OF CODES OF CONDUCT IN THE HR AREA:

- Guidelines for employees
- 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
- Guidelines on presence on social media

### 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](https://handelsbanken.se/ireng). The site includes the following information:

- previous corporate governance reports from 2007 onwards
- Articles of Association
- information about the nomination committee
- minutes of 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 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.

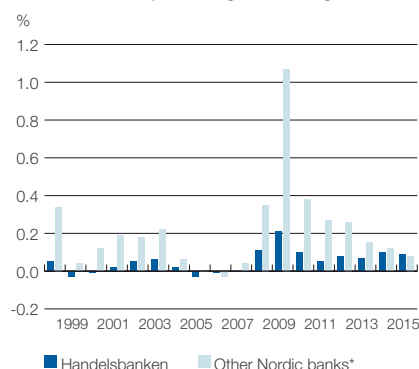
## LOW LOAN LOSSES

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.

The loan loss ratio is a key figure which can be studied by anyone wishing to form an opinion of how responsibly a bank runs its operations. When banks have a negative impact on their environment, the problems are often due to high loan losses, or an expectation that the loan losses will rise significantly. Most stakeholders are affected negatively if a bank suffers high loan losses.

For many years, Handelsbanken has had much lower loan losses than peer banks. During the 1998–2015 period, the average loan loss ratio at Handelsbanken was 0.05 per cent, as compared to 0.20 per cent for the average of the other five other major banks in the Nordic region: Danske Bank, DnB, Nordea, SEB and Swedbank.

Loan losses as a percentage of lending 1998–2015



## 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 individual requirements.

When providing investment advice, the proposal is adapted to the customer’s goals, interests, savings horizon and attitude to risk. The Bank attaches particular importance to the customer understanding the risk that is associated with each type of financial instrument, and having the knowledge and experience required to make an investment in the product concerned.

The regulations for financial advisory services and insurance mediation require that all employees who provide customers with advice concerning investments and insurance have relevant, up-to-date competency. In Sweden, the Bank has nearly 3,850 employees who are permitted to provide investment advice. All of these are SwedSec-licensed for advisory services concerning financial instruments and insurance, and they take a knowledge update test every year. During the year broad training programmes have been carried out, to further strengthen the staff’s competency 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 applies no performance- or volume-based bonuses or other forms of variable remuneration to the Bank’s management or to any other employee who takes decisions on credits or limits. 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. Since 2009, Handelsbanken has adhered to UN’s Global Compact, cementing the Bank’s expressed support for universal human rights. This means that the Bank supports and respects the protection of human rights within the areas which the Bank can influence, directly or indirectly through our operations. It also means that the Bank ensures that it is not involved in any breach of human rights.

## THE BANK AS AN EMPLOYER

At Handelsbanken, we have a long-term view of our relationship with our 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.

Handelsbanken collaborates with various educational institutions and organisations where we offer internships so that students have the opportunity to gain experience and contact with workplaces. Every summer, many students work at the Bank as temporary staff, which contributes to Handelsbanken’s development and that of the students. Student degree thesis projects are another valuable way of exchanging knowledge between students and the Bank. Several of our managers and employees are active in various external mentor programmes and networks in order to contribute to work with integration and diversity.

Handelsbanken in Sweden also works with Samhall. Samhall’s task is to create meaningful work with development opportunities for people with various functional disabilities.

Handelsbanken has very low external staff turnover. In 2015, the figure for the Group was 3.0 per cent (3.2) and 2.1 per cent (2.2) in Sweden.

## INITIATIVES TO COMBAT COMMERCIAL SEXUAL EXPLOITATION OF CHILDREN

As part of Handelsbanken’s work with corporate social responsibility, we integrate a preventative work method into our operations, in order to contribute to our stance against commercial sexual exploitation of children.

Since 2009, Handelsbanken, together with the Swedish Bankers’ Association, has been part of a collaboration with Ecpat Sweden, and has been a member of the Financial Coalition Against Commercial Sexual Exploitation of Children.

During the year, we increased our collaboration with Ecpat Sweden. The overall objective is to help prevent the exploitation of children by obstructing and making monetary transactions that are linked to sexual exploitation of children more difficult.

For a number of years, Handelsbanken has also had the NetClean IT application installed on the Bank’s computers in Sweden. This application identifies and blocks images and videos of child pornography.



# Responsible lending

Credits to households and companies are Handelsbanken's core operations. The Bank considers it very important that its lending is based on an assessment of the individual customer's repayment capacity, so that the Bank does not grant credit to customers who cannot repay their loans. A weak repayment capacity can never be accepted with arguments that the customer is prepared to pay a high interest rate or can offer the Bank good collateral.

## THE CUSTOMER IN FOCUS

Financial advice in conjunction with lending must always be based on the customer's overall situation and financial position. Using this knowledge, the Bank can give guidance based on the individual needs of each customer. In this way, the customer is in focus – not individual products or services. The aim of short-term profits for the Bank must take second place to what can be considered sustainable in the long term. This protects the individual customer from running into financial difficulties due to excessive indebtedness – something that also benefits the Bank and society at large.

Handelsbanken does not apply performance- or volume-based bonuses, or other forms of variable remuneration for employees who make decisions on credits or limits. Nor does the Bank have volume or market share goals.

## RULES AND PRINCIPLES WHEN GRANTING CREDITS

In accordance with the Bank's credit policy, lending must be responsible, meeting high demands for sound ethical standards. In 2009, Handelsbanken became a signatory to the UN Global Compact, which summarises principles for human rights, basic working conditions, anti-corruption and environmental considerations. This means that in its lending, Handelsbanken must work to ensure that these principles are complied with. Ultimately, this can mean Handelsbanken declining to grant credits to companies that do not apply these principles.

## GEOGRAPHICAL ORGANISATIONAL STRUCTURE WITH INDEPENDENT BRANCHES

Decision-making at Handelsbanken is strictly decentralised to the local branch. Each local branch has its own area of operations which is geographically delimited and constitutes the branch's local market. Handelsbanken's geographical structure means that it has a distinct local presence in all the markets where the Bank operates. Taking the important business decisions on the spot, in discussion with the customer, is a sound basis for successful customer meetings. This creates close, long-term relations with our customers.

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

## GUIDELINES FOR BUSINESS RELATIONS WITH THE ARMAMENTS AND DEFENCE INDUSTRY

During the year, Handelsbanken introduced guidelines for business relations with the armaments and defence industry. Among other things, these state that Handelsbanken must not have business relations with companies which manufacture or trade in weapons that are prohibited under international conventions. This includes biological weapons, chemical weapons, anti-personnel mines and cluster munitions. Nor may

Handelsbanken have business relations with companies which manufacture or trade in nuclear weapons.

## 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. 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 useful tool for the branches when it comes to identifying and assessing risks. It is also good documentation for higher levels in the Bank when credit risk is to be evaluated, and when monitoring that branches take into account environmental issues in their 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.

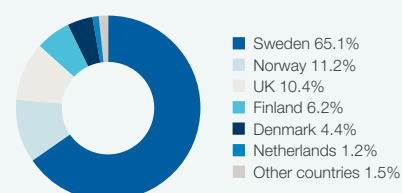


## GREEN BONDS

In 2015, the market for green bonds continued to grow, both in Sweden and globally. Green bonds enable investors to participate in the financing of sustainable, environmentally correct projects. Interest from investors has continued to grow, and on the fixed income market there is clearly an increasing focus on environmental and sustainability issues. In 2015, Handelsbanken organised a well-attended seminar in Stockholm for borrowers and investors, on the theme of green bonds and a sustainable capital market.

When a borrower issues a green bond, an external verification agency examines the area of use, and investigates and confirms the environmental benefits in the investments concerned. Handelsbanken welcomes this trend, and the opportunity it provides to assist our customers in financing green and sustainable projects. During the year, Handelsbanken arranged green bonds for four issuers.

Loans to the public, geographical distribution





# Responsible investments

As an asset manager, Handelsbanken has been entrusted by our customers to manage their savings in the optimum way. Our goal is to generate strong long-term returns for our customers, which assumes that we invest in a sustainable, responsible manner. We achieve this by working in an integrated manner, where sustainability is an important part of the investment process, and also by offering a wide range of mutual funds and other savings products that meet our customers' requirements.

Our work is based on a clear, common value base. A long-term approach is an important part of Handelsbanken's corporate culture and investment philosophy. In mutual fund and asset management, as well as pension management, we endeavour to contribute to sustainable development in financial, social and environmental 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; for example, Handelsbanken stands behind the UN Global Compact. Handelsbanken also adheres to the UN Principles of Responsible Investment (PRI).

## SUSTAINABILITY – AN IMPORTANT PART OF ACTIVE FUND MANAGEMENT

Our active asset management is based on fundamental research into markets and companies. Sustainability research takes place on a regular basis and is an integral part of our investment process. The research is carried out by our fund managers. 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 investment decisions pay heed to sustainability issues in their daily work, both from a risk perspective and as a way of identifying investment ideas.

In our view, sustainability risks are also financial risks; thus the assessment of these is a vital part of our long-term research when we select companies to invest in. As we have a long-term investment horizon, we have no interest in investing in companies which take short-term shortcuts.

One of the investment processes we work with in active management is thematic investments, which is a method of identifying external changes with a long-term impact on a company's profitability. It is very natural that many of these changes are linked to sustainability. Global water supply and energy efficiency are two themes we have worked with in our portfolios during the year, where we have identified companies which contribute efficient solutions to global problems with water shortages and energy consumption.

## WORK TO REDUCE CLIMATE IMPACT

In 2015, we also worked with a climate theme. One way of reducing the funds' carbon footprint is to exclude a number of stocks from our actively managed funds. These are companies operating in coal mining and combustion of coal

that we excluded from our mutual funds during the year.

During the year, Handelsbanken signed the Montréal Pledge, a UN initiative where owners of capital and asset managers worldwide have committed to measuring and reporting the carbon footprint in their portfolios. As a first step, we have measured and reported the carbon footprint of Handelsbanken's equity funds. A summary of these is published at [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

Handelsbanken also supports the Carbon Disclosure Project (CDP), an independent international non-profit organisation which works for transparency and a dialogue concerning companies' carbon dioxide emissions and climate strategies.

“We have a long-term perspective on the investments we make on behalf of our customers.”

## IALOGUE AND ANALYSIS

We have a long-term perspective on the investments we make on behalf of our customers. 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 an important part of this overall assessment.

In 2015, our asset managers had meetings with almost 1,700 companies, in order to monitor their performance, their business methods and their 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 do not comply with 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.

A signal of sustainability risks can therefore come from several directions – from our own or external analysis. Handelsbanken Fonder's Committee for Responsible Investments takes a decision on action when we receive such a signal. Dialogue is our main long-term method for contributing to sustainable development. If we receive indications that the companies we invest in are not complying with the international standards and conventions that we respect, we contact these companies – independently or together with other investors. In 2015, we had discussions regarding specific sustainability matters with almost 50 companies. These discussions have included matters such as corruption, environmental destruction and labour laws. A list of these companies is published at [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

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.

All of Handelsbanken's actively managed funds exclude companies that are involved in the production of weapons that are banned under international law, and companies that are involved in nuclear weapons. This is in accordance with the Bank's guidelines for business relations with the armaments and defence industry. A list of the companies that have been excluded from Handelsbanken's mutual funds is published at [handelsbanken.se/csreng](http://handelsbanken.se/csreng).

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).



## ORGANISATIONAL STRUCTURE FOR RESPONSIBLE INVESTMENTS

Matters of principle relating to sustainability in asset management are also 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. The chair of the committee is the Chief Executive of Handelsbanken Fonder, and the other members include heads of asset management.

## 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, benefitting 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 AGMs in 2015, Handelsbanken Fonder participated in the work of 12 nomination committees, and ahead of the 2016 AGMs, we have participated in 26 nomination committees. In the nomination work, we consider it particularly important to have a more even gender distribution on the boards of Swedish companies. The proportion of women on the boards of listed Swedish companies has increased in the past few years and was 28 per cent on average in 2015. In the boards where Handelsbanken Fonder has been involved in the nomination committee, the proportion of women was on average 38 per cent. In addition, Handelsbanken Fonder voted at 82 annual general meetings in 2015, 55 of these in Swedish companies.

## SUSTAINABILITY IN INDEX FUNDS

Through its subsidiary, Xact Kapitalförvaltning, Handelsbanken is the leading manager for index funds and exchange-traded funds in the Nordic countries. Management of index funds is a passive, rule-based form of asset management and is thus based on a fundamental analysis of com-

panies or markets. Our index funds own many of the largest international companies as part of their goal to provide return in line with the index, and it is therefore important for us to take responsibility in the area of sustainability via a well-developed influence process.

All holdings in the funds are regularly examined by means of norm-based screening, where, with the assistance of independent external expertise, we identify companies which do not meet up to Handelsbanken's fundamental values – which are based on international standards and conventions. In cases where companies systematically violate these standards, Xact Kapitalförvaltning takes action with the goal of achieving an improvement, principally by means of a dialogue with the purpose of influencing the company. The dialogue is undertaken together with other investors and with the assistance of an independent external supplier. Where possible, index funds exclude companies which are involved in controversial operations such as prohibited weapons, nuclear weapons or mining and burning of coal. A decision to exclude a company is determined on the basis of whether it jeopardises the fund's ability to comply with the current fund regulations. The decision to undertake a dialogue to influence a company or exclude it is made by the Chief Executive of Xact Kapitalförvaltning.

On behalf of its fund unit holders, Xact Kapitalförvaltning exercises its ownership role in the companies in which its mutual funds own shares. The goal is that the companies show optimal value performance in the long term, benefitting our fund savers. This means that Xact Kapitalförvaltning can participate in, and vote at, annual general meetings.

## FUNDS WITH SPECIAL CRITERIA

Handelsbanken 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 2015, we further increased the range of such funds: we now offer a total of eleven funds with special criteria. The range now consists of index funds, actively managed equity funds and fixed income funds with a special investment focus with the general name Criteria. Together with the Handelsbanken Hållbar Energi (sustainable energy) fund, which invests in companies that develop or use technologies and techniques to

## More information

For more information, please see [handelsbanken.se/csreng](http://handelsbanken.se/csreng). There are the following policies and documents among others:

- Corporate governance policy and policy for responsible investments for Handelsbanken Fonder
- 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
- List of carbon footprints for Handelsbanken's equity funds

limit global warming, these funds have combined assets of SEK 65 billion, corresponding to 17 per cent of total fund volumes.

## RESPONSIBLE INVESTMENTS AT HANDELSBANKEN LIV

Handelsbanken offers pension solutions and other insurance solutions for private and corporate customers via the Handelsbanken Liv subsidiary.

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, Handelsbanken Liv factors in how well they live up to their sustainability requirements.

Handelsbanken Liv has decided to manage most of its customers' pension capital with Handelsbanken Fonder, which was thus the largest supplier of Handelsbanken Liv's traditional pension management and unit-linked management in 2015.

## STRUCTURED PRODUCTS WITH A SUSTAINABILITY FOCUS

In 2015, Handelsbanken issued four equity-linked bonds with a sustainability focus. These are capital-protected investments which give exposure to European companies with a strong focus on sustainability, or to European companies with low climate impact. The total value of these products was SEK 193 million.

## CO-OPERATION AND INITIATIVES FOR SUSTAINABILITY WITHIN ASSET MANAGEMENT

### PRI

PRI (the United Nations-backed Principles for Responsible Investment Initiative) is a network of investors that work together with the UN to implement principles for responsible investment. During the year, Handelsbanken Fonder participated in the following PRI-related initiatives:

- G20 Energy Efficiency Investor Statement. This initiative is about paying heed to energy efficiency within our work with responsible investments.
- Sustainable Stock Exchanges – an initiative to persuade the stock exchanges of the world to demand greater transparency from listed companies in sustainability issues.
- Montréal Pledge – an initiative whereby asset managers undertake to measure and report their funds' carbon footprints.

### CDP

CDP is an independent international non-profit organisation which works for transparency and a dialogue concerning companies' carbon dioxide emissions and climate strategies. Handelsbanken supports this initiative and reports annually to CDP.

### SWESIF

Handelsbanken is a member of SWESIF, an independent network forum for organisations working for or with sustainable investments in Sweden. SWESIF aims to increase knowledge of and interest in sustainable investments on the part of institutional asset owners and managers. To make it easier for savers to compare funds and how sustainability is integrated in mutual fund management, SWESIF has developed a sectorwide sustainability profile for mutual funds.

Since 2015, most of Handelsbanken's funds have this type of sustainability profile. More information about this can be found at [hallbarhetsprofilen.se](http://hallbarhetsprofilen.se) (Swedish-only site).

### Sustainable Value Creation

Since 2009, Handelsbanken Asset Management, together with other major Swedish investors, has taken part in the Sustainable Value Creation project. The aim of the project is to highlight the importance of Swedish companies working with sustainability issues in a structured manner. During the year, Sustainable Value Creation highlighted the need for companies to carry out human rights-related management and reporting.



# Our role 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. The Bank can thus continue to be a bank with stable finances, making a positive contribution to customers, shareholders, and the community.

“Handelsbanken can thus 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 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 six 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 the past few decades, many banks have significantly reduced their 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 2015, Handelsbanken opened 22 new branches in its home markets: 19 of them in the UK and 3 in the Netherlands. We are currently the only bank in 68 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 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 their 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. The payment systems which Handelsbanken and other banks have developed together are technically advanced and are characterised by a high degree of efficiency and security. Payments are effected quickly, securely and at low cost. Increased use of digital payment solutions such as card payments and mobile payments make customers' everyday life easier and also reduces our direct environmental impact.

Swish is an example of a service for the public good that Handelsbanken helped to develop in collaboration with other Swedish banks. By using Swish, all the Bank's customers can quickly and simply make payments to individuals, companies, associations and organisations that are linked to the service.

BankID is e-identification which allows public authorities, organisations, companies and banks to identify and enter into agreements with private individuals online. Using this, the person can then prove their identity in contacts with various public authorities. This is another example of services jointly developed by the major Swedish banks for the public good.

## Availability – on the customer's terms

Handelsbanken puts a great deal of effort into being available for our customers and this is a major component of our method of banking. In addition to our local branches, we are also available on our digital meeting places, such as Online Banking, and in our apps. In Sweden, Handelsbanken Direkt Personal Service is open 24 hours a day, and is staffed by professional bankers who help customers by phone. Via our personal telephone service we can also meet our customers in a number of different languages.

Good accessibility in our digital meeting places is about the Bank striving to give the opportunity to everyone who wishes to access the informa-

tion and services that we provide, regardless of the customer's ability.

We constantly strive to develop and improve our meeting places and to increase the level of accessibility for our customers. We also work constantly to identify and remove obstacles in our digital services.

“Handelsbanken puts a great deal of effort into being available for our customers.”

When we build new services or renew our existing ones, we do this based on market standards. We have also drawn up our own guidelines that go further than these standards, with the aim of being accessible to our customers. The aspect of accessibility is one of the cornerstones of all our development work, and we use external parties to check the quality of accessibility in our digital meeting places.

Our customers in Sweden can also use a large number of ATMs operated by Bankomat AB, in which Handelsbanken is a shareholder. The ATMs are available in around 500 towns around Sweden. Most of them are accessible to people in wheelchairs and also have a sound function for the visually impaired. The ATM display supports Swedish and seven other languages.

## HANDELSBANKEN AS A TAXPAYER

Handelsbanken makes a contribution to the community in the countries where the Bank operates, partly by paying taxes and charges, and also by employing staff. For many years, Handelsbanken has been one of the largest payers of corporate tax in Sweden. In addition to corporate tax, Handelsbanken pays substantial amounts in social security costs and other taxes. Historically, it has been the largest payer to the Swedish Stability Fund for the financial system and one of the largest payers to the state deposit guarantee scheme. For 2015, it is estimated that Handelsbanken's total taxes and state fees amount to SEK 8 billion (8). In addition, VAT represents a substantial cost for Handelsbanken, since the Bank cannot deduct input VAT which it pays when buying external services and products. This is because the Bank's business is largely not subject to VAT,



i.e. the Bank's customers do not pay VAT on financial services.

Handelsbanken pays and reports tax based on local regulations in the countries where it operates. The table below shows that 98.6 per cent of the Group's tax costs derive from the Bank's six home markets, which corresponds well with the fact that these countries account for 98.5 per cent of the Group's profits. The Bank strives to maintain an open dialogue with the tax authorities in the countries where the Bank operates. In the UK, Handelsbanken has adopted the British tax authorities' code of conduct for banks.

In addition to taxes relating to the Bank's own operations, the Bank withholds, reports and pays in substantial amounts on behalf of its customers and employees to the tax authorities in the countries where the Bank operates.

Handelsbanken's actions regarding taxes aim to be responsible, correct and transparent. The Bank has co-ordinated management, governance and follow-up of tax-related issues. It continually monitors developments in the area of taxation in Sweden and internationally, particularly with reference to transparency and tax ethics.

At Handelsbanken, high ethical standards must

be observed, as regulated in policy documents from the Board. The Bank must not participate in transactions or provide products that may be called into question in the light of prevailing tax legislation. If there is doubt, Handelsbanken must not participate.

“For many years, Handelsbanken has been one of the largest payers of corporate tax in Sweden.”

#### POLITICALLY INDEPENDENT

Handelsbanken is not allied to any political parties. In modern times, the Bank has not provided any financial support to any political party, nor has it made any other type of political donations.

#### 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.

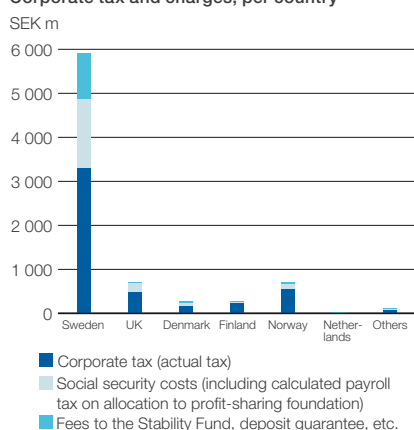
Together, these foundations are some of the most important sources of funding for economic research in Sweden. In 2015, 169 grants (152) were awarded for a total of SEK 180 million (151).

At the end of 2015, the foundations' combined capital totalled some SEK 6,051 million.

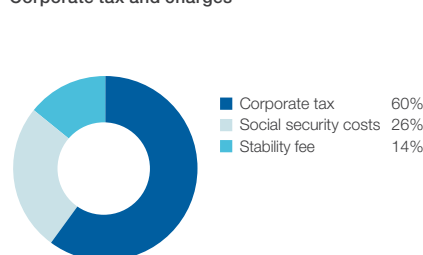
Handelsbanken has also funded a professorial chair in accounting at the Stockholm School of Economics and has contributed to the Institute for Financial Research (SIFR) and Swedish House of Finance (SHoF).

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.

#### Corporate tax and charges, per country



#### Corporate tax and charges



#### Taxes and government fees, per country

SEK m	Sweden	UK	Denmark	Finland	Norway	Netherlands	Other	Group
Corporate tax (actual tax)	3 318	485	170	232	563	13	76	4 857
Social security costs (including calculated payroll tax on allocation to profit-sharing foundation)	1 568	214	87	21	108	15	35	2 048
Fees to the Stability Fund, deposit guarantee, etc.	1 037	17	24	13	25	1	1	1 118
<b>Total taxes and government fees</b>	<b>5 923</b>	<b>716</b>	<b>281</b>	<b>266</b>	<b>696</b>	<b>30</b>	<b>113</b>	<b>8 025</b>
Income	25 461	5 290	2 209	2 111	3 708	341	1 216	40 336
Operating profit	14 305	2 089	600	1 106	2 005	57	313	20 475
Assets	1 597 179	232 867	81 114	125 307	177 143	18 959	289 564	2 522 133



# Economic value creation

Handelsbanken's 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, taxpayers or its shareholders in modern times.

## THE FOUNDATION OF A BANK'S OPERATIONS

The foundation of a bank's operations is money. This consists of capital which initially comprises the share capital which the owners pay in when a bank is founded and profits generated over time, together with other funding such as deposits and borrowing from the public and funding in the capital markets. When studying a bank in a sustainability perspective, it may therefore be of interest to also look at how that bank manages its capital and its view of funding.

“A condition for customers putting money in a bank is that they have confidence in the bank.”

## Capital

To ensure that banks have sufficient resistance to the risks arising in their operations, but also to protect customers' assets and interests, the public authorities have established capital requirements – rules for the minimum amount of capital a bank must have in order to run its operations. A bank must have sufficient capital for its current business volumes, but in order to meet customers' future loan requirements, it must also have capital to allow growth in lending and other business operations. From the customer's point of

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	2015	2014	2013	2012	2011
<b>DIRECT ECONOMIC VALUE CREATED</b>					
<b>Customers</b>					
Income after loan losses and before fees to Stability Fund, deposit guarantee, etc.	39.8	37.7	36.2	34.9	33.1
<b>Value created by serving customers</b>	<b>39.8</b>	<b>37.7</b>	<b>36.2</b>	<b>34.9</b>	<b>33.1</b>
<b>ALLOCATED ECONOMIC VALUE</b>					
<b>Employees</b>					
Salaries	8.0	7.6	7.1	6.9	6.7
Provision to profit-sharing foundation (incl. social security costs)	0.9	0.8	1.1	1.0	0.9
Social security costs and other staff costs	3.7	3.4	3.2	3.3	2.3
<b>Cost of employees</b>	<b>12.6</b>	<b>11.8</b>	<b>11.4</b>	<b>11.2</b>	<b>9.9</b>
<b>Public authorities and society at large</b>					
Suppliers*	5.7	5.6	5.7	5.5	5.5
Tax costs**	4.3	4.1	3.9	3.0	4.4
Fees to Stability Fund, deposit guarantee, etc.	1.1	1.2	1.1	1.1	1.1
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes	-	-	-	-	-
<b>To society</b>	<b>11.1</b>	<b>10.9</b>	<b>10.7</b>	<b>9.6</b>	<b>11.0</b>
<b>Shareholders</b>					
Dividends (refers to the year dividends were paid)	11.1	10.5	6.8	6.1	5.6
New share issue	-	-	-	-	-
<b>Transactions with the shareholders</b>	<b>11.1</b>	<b>10.5</b>	<b>6.8</b>	<b>6.1</b>	<b>5.6</b>
<b>Reinvested economic value ("remaining in the Bank")</b>	<b>5.0</b>	<b>4.5</b>	<b>7.3</b>	<b>8.0</b>	<b>6.6</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 social development.



view, it is particularly important that the bank is available in times of financial turmoil, such as in the early 1990s or since the financial crisis of 2008.

If a bank makes substantial losses, its shareholders may be compelled to contribute more share capital in the form of a new share issue, which may be difficult at that point in time.

A condition for customers putting money in a bank is that they have confidence in the bank. A bank which does not meet its customers' expectations, risks seeing outflows of deposits when the crisis is at its peak. If these outflows are large, the bank's survival is in jeopardy. Outflows of savings which customers have placed in mutual funds, life insurance and other types of saving, which are not used for the operations' own financing, are not as serious, but nevertheless result in a significant deterioration of the earnings capacity, which may lead to problems.

“By always having a balance sheet which is structured so that the Bank's commitments to customers and investors can be secured, Handelsbanken takes responsibility in its capacity as a bank which is important to the financial system.”

#### Funding on the capital markets

For a large part of the deposits, customers can withdraw money from their account at any time so it is not desirable to fund all lending with deposits. At the same time, much of bank lending has a long maturity, for example, mortgage loans.

Funding long-term lending with short-term deposits creates liquidity risks which may create serious problems in the financial system.

Handelsbanken's view of funding is based on a well-balanced balance sheet where long-term loans to the Bank's customers are financed with stable funding. For this reason, mortgage loans are financed by Handelsbanken's wholly owned mortgage institution – Stadshypotek – issuing covered bonds with a long maturity. By always having a balance sheet which is structured so that the Bank's commitments to customers and investors can be secured, Handelsbanken takes responsibility in its capacity as a bank which is important to the financial system.

It is vital that banks have a good long-term funding strategy so that they avoid running into a liquidity shortage where they cannot fully meet the agreements they have entered into with customers who have deposits, and other lenders.

#### VALUE CREATION DURING 2015

It is also vital that a bank makes a profit. This is because the surplus in a bank's operations benefits both society and the shareholders. A large proportion of the profit is reinvested in the operations so that the Bank can meet customers' future loan requirements.

Handelsbanken's profit before taxes and government fees was just over SEK 24 billion in 2015. The created value was distributed as follows: SEK 8 billion in taxes and government fees, just over SEK 11 billion in proposed dividends, to be paid to the shareholders in the spring of 2016, and the remaining SEK 5 billion, which is reinvested in the operations.

#### STABLE THROUGHOUT 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 lent 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.

“A well-run bank, which acts sustainably and responsibly, has a substantial positive impact on the economy in general.”

#### DIRECT ECONOMIC VALUE

During the most recent business cycle, Handelsbanken has paid dividends to its shareholders every year, while remaining one of the largest payers of corporate tax in Sweden.

#### INDIRECT ECONOMIC EFFECTS

Handelsbanken is the largest financier of companies in Sweden, and thus it finances growth and increased employment throughout the country.

The Bank enables households to fund property purchases and thus move to a new town where the employment situation is better, for example. The Handelsbanken Group finances almost one quarter of households' mortgage loans in Sweden.



# 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 a policy document, established by the Bank's Board.

## POLICY FOR ETHICAL STANDARDS AT HANDELSBANKEN

Handelsbanken's policy documents on ethical standards is 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 rules and dealing with related issues must contact their immediate superior to find out what is ethically acceptable.

Banks' operations are regulated by legislation and are governed by extensive laws and regulations. If a bank does not comply with the laws and regulations, the responsible supervisory authority can issue fines and in the worst case revoke the banking licence.

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 policy document is 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.

## INFORMATION SECURITY

Sensitive information is processed in the Bank's operations, particularly regarding the Bank's customers and customer relations. Handelsbanken's work with information and IT security focuses on availability, correctness, confidentiality and traceability. The information and the Bank's business systems must be available based on the business requirements of the operations. The information must also be reliable, correct and complete. Nor should it be distributed to unauthorised persons and it may only be used to the extent required by the work assignment. It must be possible to determine afterwards who has read or changed the information, when this happened and which changes were made.

The work with the Bank's information security involves protecting customers' information and transactions and also the Bank's IT environment. If shortcomings in the processing were to arise or the information was incorrectly distributed, this could lead to serious consequences, including loss of or deteriorated confidence in the Bank or financial losses.

Information security covers administrative solutions such as rules and instructions, as well as technical security solutions. It is important that the Bank's IT security is very high in order to meet possible risks and that there are procedures for managing changes in the IT environment so that no shortcomings occur.

Nine complaints were managed in 2015 relating to customer integrity or identified leaks of customer data, in all cases in collaboration with the parties involved. In one of the cases, this has led to a change in internal procedures.

The Group Chief Executive establishes guidelines for information security at Handelsbanken. All employees are responsible for compliance with the rules for protection of information and all managers are responsible for compliance with the rules within their own area of responsibility. Information security work is pursued in accordance with the ISO 27001 international standard. This means that any risks are identified on a regular basis and that internal rules are produced so that the information is protected over time.

The Bank's management of sensitive information is also governed by international and national legislation. The processing of personal data is subject to the provisions of the Swedish Personal Data Act and corresponding international legislation. The rules mean that private individuals are protected against their personal integrity being violated due to the processing of personal data. The regulations regarding bank confidentiality whereby information about individuals' relations with the Bank must not be disclosed are stated in the Swedish Banking and Financing Business Act and corresponding international legislation.

The Bank's information security regulations are based on the Standard of Good Practice developed by Information Security Forum (ISF), an organisation where most of the largest companies in the world are members. The work with information and IT security is pursued systematically and we apply a process where risk analysis plays a central role. The risk analyses are performed using the IRAM method (ISF's Information Risk Analysis Methodology).

The conditions for IT security change all the time. Handelsbanken therefore needs to continuously evaluate and take a stand on possible new risks in this area. By continuously following up events which occur both within and outside the Bank's operations, it is easier to take the right action at the right time. To this end, the Bank participates and collaborates in international forums.

In 2015, Handelsbanken was the first Nordic bank to become a member of FIRST (Forum of Incident Response and Security Teams). Handelsbanken also participates in FIDI Finans which is a forum for sharing information between the government, the business community and other relevant organisations regarding information security in the financial sector. The forum is led by MSB – the Swedish Civil Contingencies Agency.

## MEASURES AGAINST MONEY LAUNDERING AND FINANCING OF TERRORISM

One of the starting-points for the regulations against money laundering and the financing of terrorism is that banks must have good knowledge of their customers, and that Know Your Customer information must be documented. Handelsbanken's decentralised work methods and strong local presence in the community create a good basis for close, long-term customer relations. This means that our staff know their customers and understand their business and requirements. Thousands of customer meetings take place every day at the Bank's 849 branches in 25 countries.

Almost all our customer relations begin at the customer's branch. Our customers subsequently meet Handelsbanken via our digital meeting places, such as online banking and mobile banking. This means that we need several methods of keeping informed of how the Bank's customers are using our products and services. We need these to understand customer needs, and also to work effectively with measures against money laundering and financing of terrorism.

The responsibility for working with measures against money laundering and financing of terrorism is held by a central department which must ensure that there is competency in and aware-

### HANDELSBANKEN'S POLICY ON ETHICAL STANDARDS COVER THE FOLLOWING AREAS:

- High ethical standards
- Laws, regulations and guiding principles
- The UN Global Compact
- Counteracting financial crime
- Customer relations
- Counteracting conflicts of interest
- Conduct of employees
- Reporting by employees who suspect internal fraud or other irregularities
- Confidentiality
- External contractors



ness of these areas throughout the Group. In addition, there are regional officers for this area in the countries where the Bank conducts its banking operations.

In spring 2013, the Swedish Financial Supervisory Authority began an investigation into how the four major Swedish banks comply with the anti-money laundering regulations. The investigation was concluded in the spring of 2015.

In May 2015, Handelsbanken received a remark and an administrative fine of SEK 35 million from the Supervisory Authority. The remark related to shortcomings in how Handelsbanken Sweden complies with the anti-money laundering regulations. The Bank takes very seriously the shortcomings pointed out by the Supervisory Authority in its investigation of the Bank's Swedish operations. Neither Handelsbanken nor the Supervisory Authority has discovered any type of crime in this investigation. Even before the remark was received, an extensive programme of action had begun, to improve the Bank's work in this area. This means that Handelsbanken has corrected, or is in the process of correcting, the shortcomings that were highlighted. To ensure effective work, Handelsbanken will continue to invest in both competency and technology. In this area, high competency and awareness are required from all employees, as well as fit-for-purpose processes and customised IT solutions. The action programme therefore contains major efforts to improve risk assessments, ensure gathering of customer due diligence, carry out major training efforts and comprehensive development of the Bank's IT systems.

Through the current action programme and measures that have already been carried out, the Bank has reduced the risk of participating in transactions which may be suspected of being linked to criminal activities. At the same time, we are creating an effective basis for compliance.

### WORK TO COUNTERACT CONFLICTS OF INTEREST, CORRUPTION, BRIBERY AND IMPROPER INFLUENCE

Conflicts of interest occur daily in society and the financial sector is no exception. All employees of Handelsbanken, regardless of where they work in the Group, are obliged to follow the Bank's regulations concerning conflicts of interest and to identify these on a regular basis, and as far as possible ensure that they are avoided.

Handelsbanken has established procedures for managing conflicts of interest with the purpose of preventing customers' interests from being negatively affected. The Bank's regulations contain requirements for transparency, whereby the customer must be informed when a conflict of interest has been identified which might affect the customer. Handelsbanken's Board has revised the Bank's policy for managing conflicts of interest where it states how the work of identifying and managing conflicts of interest is conducted. The revision applies at the time this Sustainability Report is published.

In banking operations there is a risk that staff will be exposed to a situation that can be linked to attempts at bribery, which in turn may lead to a position of dependence. It is therefore important

that the Bank's 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, or have improper influence on a customer. The Bank's employees must not participate in actions that may involve bribery or any other improper influence, either within the Bank's operations, or when they perform other assignments outside the Bank. All unit heads must annually go through the regulations applying to bribery and improper influence with their employees. There are also procedures for how employees are to report a suspected breach of these regulations.

The regulations must be followed in all contexts, such as gifts, entertainment and other events. In addition, employees' business travel must always be paid for by the Bank.

During the year, Handelsbanken has worked to further reinforce and guarantee the quality of its work to counteract conflicts of interest, corruption, bribery and improper influence. For example, a special analysis was made of the risk of bribery, corruption and improper influence within the Handelsbanken Group and this was documented in preparation for revision of the Bank's policy. The analysis identified the areas where the Bank is at greatest risk of being exposed to, or complicit in, bribery, corruption and improper influence.

In addition to this analysis, operational risk analyses are performed each year which include the area of corruption. Security reviews are also performed every year and these contain a training and information section on corruption.

No verified corruption incidents were reported in 2015.

Handelsbanken's Board has revised the Bank's anti-corruption policy, which states that all new employees of the Bank must complete a course on corruption, bribery and improper influence. Completion of the course must be documented. All employees must also update their knowledge annually. The policy also applies to all Board members throughout the Group who must complete applicable parts of the course. Service providers and representatives of the Bank must also be informed of the Bank's rules on bribery, improper influence and corruption, and they are subject to these rules when they perform assignments on behalf of the Bank. The revision of the policy applies at the time that this Sustainability Report is published.

### 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 legislation concerning trading in financial instruments 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, local compliance 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 A CUSTOMER AND OUR SUPPLIERS

Ethical considerations are just as important for the Bank in its role as customer as when it supplies products and services. One example is that the Bank has rules for receiving and giving personal gifts and for corporate entertaining in order to avoid incurring obligations to suppliers. We have a regular dialogue with suppliers and when making purchasing decisions, we investigate that they have collective bargaining agreements, a work environment policy and a policy against giving and accepting bribes. Environmental considerations are also taken in purchasing decisions. A check list exists to support quality assurance of the Bank's purchases.

In 2016, Handelsbanken intends to gradually implement a code of conduct for major suppliers in Sweden. It is intended to implement the code in all the Bank's home markets.

It is intended that the code of conduct will define the requirements we make of our suppliers and their sub-contractors. Most of the requirements are based on internationally accepted standards with the UN Global Compact as the starting point. This means that the Bank requires that suppliers and their sub-contractors comply with the code of conduct or corresponding standards which may imply stricter requirements than the current legislation. The supplier is also obliged to ensure that their employees and sub-contractors in their turn meet the requirements of the code.



#### More information

The Bank's sustainability policy, policy on ethical standards, policy against corruption and policy for managing conflicts of interest are available at [handelsbanken.se/csreng](https://handelsbanken.se/csreng).



# Our environmental work

To promote long-term sustainable development, Handelsbanken works to minimise the Bank's direct and indirect impact on the environment.

## HANDELSBANKEN'S ENVIRONMENTAL POLICY

Environmental work at Handelsbanken is based on the Bank's environmental policy. As far as is technically and financially possible, and to the extent that is compatible with its undertakings, the Bank aims to promote long-term sustainable development. We therefore continually strive to minimise our negative environmental impact.

We will achieve this by:

- taking long-term sustainable business decisions in which environmental factors are taken into consideration
- setting environmental requirements in all central procurements, and ensuring that these are complied with
- encouraging environmental awareness and environmental competence among employees
- constantly developing our environmental activities, so that the Bank's environmental impact is continuously minimised
- monitoring and measuring the Bank's impact on the environment.

Handelsbanken has signed and complies with a number of voluntary agreements, such as the ICC Guidelines for Sustainable Development, the UN's Banks and the Environment programme (UNEP FI), the UN's Global Compact, and the UN Principles of Responsible Investment (PRI).

## HANDELSBANKEN'S DIRECT ENVIRONMENTAL IMPACT

A bank's direct environmental impact is fairly limited. We always strive for our negative impact on the environment to be as small as possible. Our

direct impact derives mainly from consumption of energy, business travel and transport, and also use of resources such as paper. We measure our material environmental impact in our six home markets. These markets represent more than 96 per cent of the Bank's total number of employees.

**“We are working to minimise the carbon dioxide emissions generated in our operations.”**

We are working to minimise the carbon dioxide emissions generated in our operations. In 2015, carbon dioxide emissions for the operations totalled 13,231 tonnes. This is a decrease of 15 per cent from the previous year, and is mainly attributable to the Bank increasing the proportion of renewable electricity.

In 2015, the Bank's electricity consumption decreased by 6 per cent compared with 2014. The proportion of renewable electricity is 100 per cent for Nordic operations and 87 per cent for all home markets.

For 2015, Handelsbanken has corrected its climate calculations, in order to reflect the Bank's direct environmental impact more clearly. These corrections have led to higher emission figures than the Bank previously reported. To improve

comparability, the results for 2012–2014 have been recalculated in accordance with the new climate calculations.

CDP is an independent, international non-profit organisation that works to promote openness and dialogue concerning companies' carbon dioxide emissions, and how companies should manage their impact on climate, in order to pass this knowledge on to investors. Over 5,500 organisations in more than 80 countries world-wide measure and report their emissions of greenhouse gases and climate impact via CDP.

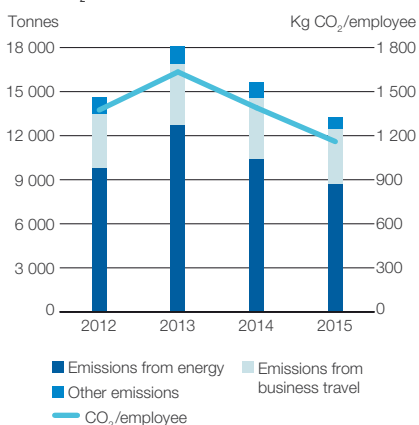
The result in CDP's annual survey is based on how transparent a company is and how well it works with climate matters. The result for transparency is based on a scale between 0 and 100 and the climate work on a grading scale between A and E. In this year's survey, the Bank improved its performance in the area of transparency to 95 points (85) out of 100 possible, while the grading for the Bank's climate work fell to level C (B). The average value in CDP Nordic was 84 C. The Bank will continue the work of improving management of our climate impact in an open, transparent manner and our clear goal is thus to improve our result in CDP's next survey.

CDP acts on behalf of more than 800 institutional investors, and starting from 2015, Handelsbanken is one of them.

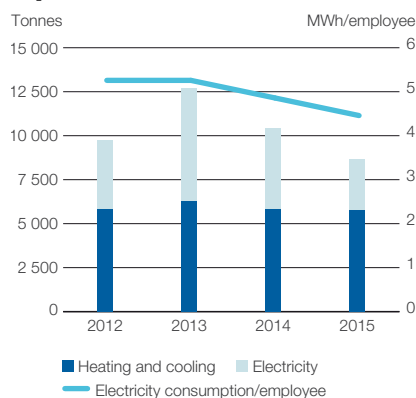
## CLIMATE COMPENSATION

Handelsbanken compensates for carbon dioxide emissions currently related to business travel in the Bank's six home markets. The Bank compensates through CDM projects (Clean Development Mechanism), which are UN-registered projects

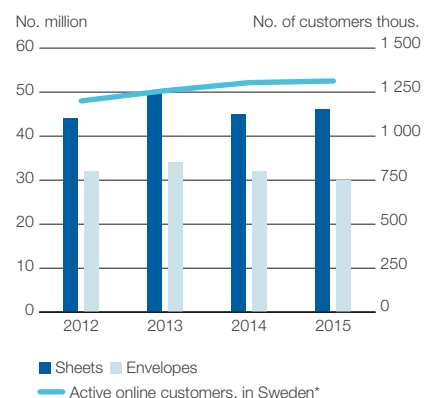
Total CO<sub>2</sub> emissions



CO<sub>2</sub> emissions from energy consumption



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 2015.



with verified climate benefit. The projects are certified according to the Gold Standard, which is endorsed by more than 80 NGOs and which ensures that the projects contribute to long-term sustainable development.

#### MORE EFFICIENT EQUIPMENT AND UTILISATION OF RESOURCES

Throughout the Bank, changes are constantly being made which, together, are reducing environmental and climatic impact.

- A green collaboration agreement with the Bank's landlords means that one of the Bank's largest office buildings has now been certified according to the European Green Building standard. An application for environmental classification of the building according to the Swedish Green Building Silver standard has been submitted and we expect a response in 2016.
- The Bank is developing a code of conduct for our suppliers which will be gradually implemented during 2016. This states that suppliers to Handelsbanken must support preventative action to counteract environmental problems, take initiatives to increase environmental awareness and encourage development of environmentally friendly technology.
- 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.
- In 2015, the number of video conferences that can replace business trips was up by 34 per cent from 2014.
- 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.
- 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.
- The Bank's internal printing unit was certified according to the Nordic environmental certification Svanen, and the Bank therefore fulfils the requirements for climate-efficient mail. This means that as of 2016, climate compensation applies to the majority of all Handelsbanken's transport with Postnord in Sweden.

#### 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.
- Increased proportion of green electricity purchased in 2016 in the home markets outside Sweden.
- Increase the amount of recycled refuse.
- Reduce the amount of business travel by facilitating the use of video conferences.
- Further develop the Group's digital services for customers via computers, smartphones and tablet devices, and for branches and internal units in order to reduce paper consumption.
- Continued system development to more exactly be able to measure our use of resources and direct environmental impact.

#### HANDELSBANKEN'S INDIRECT ENVIRONMENTAL IMPACT

By joining the UN's Global Compact, Handelsbanken has undertaken 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. See the respective sections on pages 213, 214 and 221.



#### More information

For more information regarding the Bank's environmental activities, see [handelsbanken.se/cseng](http://handelsbanken.se/cseng). The site includes the following information:

- The Bank's environmental policy
- Supplementary GRI Appendix



# 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



**WE SUPPORT** 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



**INTERNATIONAL CHAMBER OF COMMERCE** The International Chamber of Commerce (ICC) has developed guidelines for sustainable development. The purpose is to provide companies worldwide with a framework and tools to develop their sustainability work. The guidelines are based on national and international sustainability standards. Handelsbanken has complied with the ICC guidelines since the 1990s.

### PRI

Signatory of:



**Principles for Responsible Investment** Nations-backed Principles for Responsible Investment (PRI) 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, some 1,450 capital owners, asset managers and other stakeholders have become signatories.

### UNEP FI



The UN Environment 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.

### CDP



CDP is an independent, international non-profit organisation that works to promote openness and dialogue concerning companies' carbon dioxide emissions, and how companies should manage their climate impact, in order to pass this knowledge on to investors. Over 5,500 organisations in more than 80 countries all over the world measure and report their greenhouse gas emissions and their climate performance through CDP.

CDP acts on behalf of more than 800 institutional investors, and starting from 2015, Handelsbanken is one of them.

### Ecpat



In 2009, Handelsbanken, together with the Swedish Bankers' Association, started co-operating with Ecpat Sweden. During the year, we increased our collaboration with Ecpat. The overall objective is to prevent exploitation of children by obstructing and making monetary transactions that are linked to commercial sexual exploitation of children more difficult. As part of Handelsbanken's work with corporate social responsibility, we integrate a preventative work method into our operations, in order to contribute to our stance against commercial sexual exploitation of children.

Ecpat Sweden is a 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 Commercial Sexual Exploitation of Children



Handelsbanken has been a member of the Swedish Financial Coalition Against Commercial Sexual Exploitation of Children (the Financial Coalition) since 2009. The Financial Coalition works to obstruct and prevent trade with images of sexual abuse of children, 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.

### 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.

### 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 Tore Browaldh Foundation and the Jan Wallander and Tom Hedelius Foundation.

Together, these foundations are some of the most important sources of funding for economic research in Sweden. In 2015, 169 grants (152) were awarded for a total of SEK 180 million (151).

At the end of 2015, the foundations' combined capital totalled some SEK 6,051 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).

Handelsbanken also supports a research project at the Stockholm School of Economics where studies and analyses are performed on the most important factors in terms of creating customer satisfaction, and also in following the link between loyalty and profitability.

### Personal finances for young people

#### UNG PRIVATEKONOMI

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 HR 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

#### Boldness in Business Awards

Handelsbanken received one of the world's most prestigious awards for social responsibility: FT ArcelorMittal Boldness in Business Awards. The award is given to the organisation that takes responsibility for its impact on stakeholders and the community, while contributing to improvements in society in general.

In their citation, the judges particularly emphasised the Bank's ethical principles and the fact that the Bank is based on customers' requirements.

### Best reporting on value creation

Handelsbanken came in joint second place when PwC for the second year decided the best reporting on value creation. Some 70 companies from the Nasdaq Stockholm Large Cap list have been assessed in terms of the information contained in their full annual reports, including the corporate governance report and sustainability report. The jury has mainly looked at the reports' value creation, credibility, intelligibility and completeness. According to the citation, Handelsbanken has presented its annual report in a clear, structured way and it is perceived as being totally transparent. It also bears witness to a corporate culture where social responsibility is a cornerstone.

### Investors Chronicle and Financial Times Investment and Wealth Management Awards 2015

Handelsbanken was acclaimed "Best Private bank 2015" in the UK by the international periodicals Financial Times and Investors Chronicle. This is the third occasion in four years that Handelsbanken has received this award where readers nominate banks and financial institutions. The award is decided by a jury which mainly looks at institutions which provide the best service, the best value for money and quality which is sustainable over time.

### International Banker

The periodical International Banker has acclaimed Handelsbanken "Best innovation in retail banking Sweden 2015" and "Best customer service provider Western Europe 2015".

International Banker wrote "Handelsbanken's business model and commitment to customer service make the bank unique" in its citation. International Banker is one of the most renowned international periodicals in the fields of economics, banking and finance. International Banker presents its awards to banks all over the world, that are at the very forefront of the sector and not only do a good job, but excel in their field.

### Sweden's Small Enterprise Bank 2015

For the fourth 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 small enterprises choose their bank. The Bank's local presence and its ability to create close ties with its customers are important to many small enterprises. Handelsbanken has the highest customer loyalty of all banks in the survey.

### World Finance



Handelsbanken has been named the "Best Nordic Banking Group 2015" and the "Best Nordic Retail Bank 2015" by the international magazine World Finance. "By understanding that the challenges should not be seen as obstacles but opportunities, and by focusing on customers and not products, Handelsbanken has succeeded where many have not," writes World Finance. The publication is widely distributed throughout the world, mainly targeting decision-makers, company leaders, economists, politicians and institutions, as well as private and public investors. With the help of a jury and nominations from its readers, World Finance has given awards for achievements and innovations since 2007.

### Business Bank of the Year 2015

For the fifth consecutive year, Handelsbanken was voted Business Bank of the Year by Sweden's nearly 1,000 largest companies in Finansbarometern's annual survey. Service and contacts, the quality of advice, and understanding of the companies' needs are some of the factors that are considered most important when companies choose a bank.



## SURVEYS

## Customer satisfaction



In 2015, Handelsbanken had more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. In this way, the Bank retains its strong and stable position regarding customer satisfaction. SKI (Swedish Quality Index) is a system for compiling, analysing and distributing information about customers' expectations, perceived quality and evaluation of goods and services. SKI is related to the Swedish Institute for Quality (SIQ) and the international organisation EPSI Rating Group (European Performance Satisfaction Index), which conducts comparable surveys in Europe. Research and development related to EPSI's quality surveys is conducted together with SIQ and the Stockholm School of Economics.

## Sustainable Brand Index



## SUSTAINABLE BRAND INDEX

The 2015 results of Scandinavia's largest annual brand study focusing on sustainability – Sustainable Brand Index™ – shows that Handelsbanken has a top position in the top echelon of banks in Sweden. In this study, 27,000 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.

## TNS Sifo Reputation Index 2015



## TNS Sifo

Handelsbanken is among the ten companies in Sweden with the best reputation according to the 2015 survey by TNS Sifo which every year asks the Swedish public how much confidence they have in various companies. Around 4,000 people aged 18–79 took part in the survey. They answered questions about their expectations of various companies and how well the companies meet these.

## Universum Employees



## Top in Industry

Large employers

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 2015, Handelsbanken came in 24th place of a total of 102 companies, 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



According to Universum research company's survey – Corporate Barometer 2015 – Handelsbanken was second bank and fifth of a total of 204 companies. 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 2015 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 fifteenth place out of a total of 201 companies.

Among professional IT graduates, Handelsbanken was best of the banks and in 42nd place out of a total of 125 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



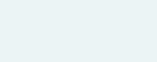
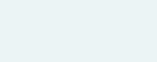
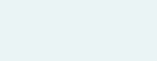
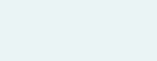
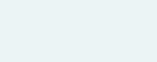
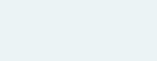
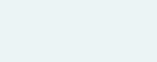
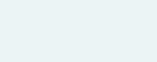
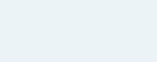
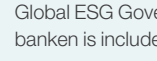
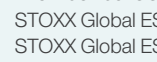
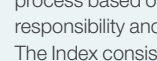
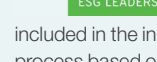
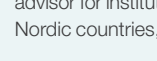
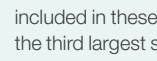
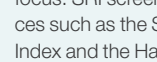
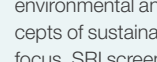
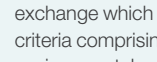
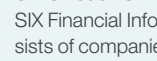
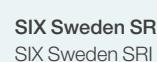
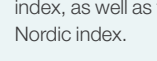
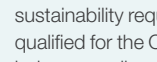
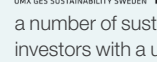
The Brussels-based organisation Ethibel provides the financial market with information on various companies and their sustainability work. Its analyses are carried out by the Vigeo research company, and based on these results, Ethibel creates a universe that forms a platform for sustainability products 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.

## FTSE4Good



Handelsbanken has been selected to be included in the international FTSE4Good Index 2015. 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.

## OMX GES Sustainability

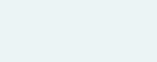
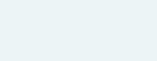
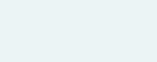
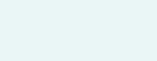
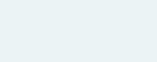
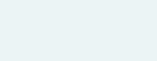
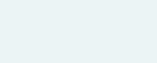
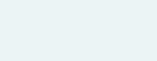
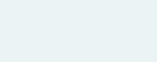
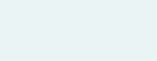
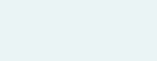
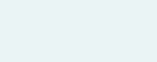
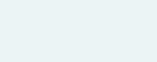
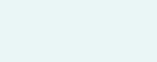
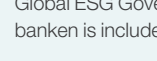
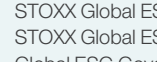
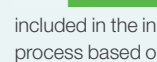


Together with the GES Investment Services research company, the Nasdaq Stockholm stock exchange has launched a number of sustainability indices that provide investors with a universe of companies that fulfil sustainability requirements. Handelsbanken has qualified for the OMX GES Sustainability Sweden index, as well as the OMX GES Sustainability Nordic index.

## SIX Sweden SRI Index

SIX Sweden SRI Index is a collaboration between SIX Financial Information and ISS-Ethix and consists of companies listed on the Stockholm stock exchange which meet ISS-Ethix's sustainability criteria comprising a modern standard for social, environmental and ethical criteria, where the concepts of sustainability and responsibility are in focus. SRI screening is also applied to other indices such as the SIX30 SRI Index and SIX60 SRI Index and the Handelsbanken share is also included in these. SIX Financial Information is the third largest supplier of financial information in Europe and a leading index calculator on the Nordic market. ISS-Ethix is an analysis-based advisor for institutional investors in Sweden, other Nordic countries, Europe and the US.

## 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.



# Content and restrictions

Since 2009, Handelsbanken has reported its relevant work with sustainability in accordance with guidelines from the Global Reporting Initiative (GRI). 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.

## 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 HR information refers to the Swedish operations only or the Bank's home markets, while other information is for the Group as a whole. Environmental data refers to operations in the Bank's home markets. Any limitations are shown in the report. For 2015, Handelsbanken has corrected its climate calculations, in order to reflect the Bank's direct environmental impact even more clearly. These corrections have led to higher emission figures than the Bank previously reported. To improve comparability, the results for 2012–2014 have been recalculated in accordance with the new climate calculations.

## THE WORK OF DEFINING CONTENT

In 2015, Handelsbanken performed a materiality analysis, which was part of the process of defining the Bank's most material sustainability questions. This confirms to a high degree the view that Handelsbanken has had of its sustainability work over many years.

In addition to the dialogues that Handelsbanken constantly maintains with stakeholders, the Bank also carried out during the year a more

detailed dialogue with representatives from the Bank's main stakeholder groups. The purpose was partly to confirm that the sustainability matters which the Bank has identified as being the most material in previous years, correspond to the view of the stakeholders, and also to gain increased understanding of the expectations which external parties have on the Bank's sustainability work.

The analysis was based on a broad spectrum of questions which are particularly relevant to Handelsbanken – partly based on the Bank's own experience, partly on questions the Bank receives from external stakeholders – but also generally relevant questions for a bank.

The stakeholder dialogue was only carried out with stakeholders on the Bank's largest market – Sweden. In 2016, we plan to also carry out more detailed dialogues on the other five home markets.

The questions which the groups considered most important comprise Handelsbanken's material sustainability questions which we describe in detail in this report. To be able to report what is relevant and material, Handelsbanken applies the GRI Financial Services Sector Supplement (FSSS). In this Sustainability Report, we also provide information about other questions since the Bank is aware that there is general interest in these questions.

Read more about the materiality analysis on pages 203–204.

### Standard disclosures

Governance and indicators:  
Economic performance  
(EC)

Governance and indicators:  
Environmental performance  
(EN)

Governance and indicators:  
Social performance  
(LA, HR, SO, PR)

Sector supplement:  
**FINANCIAL SERVICE SECTOR SUPPLEMENT**  
(FSSS)



## INDEX ACCORDING TO THE GLOBAL REPORTING INITIATIVE (GRI)

Handelsbanken reports its sustainability in accordance with the Global Reporting Initiative (GRI) guidelines G4. The Sustainability Report meets the information requirements of the "Core" level 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

sixth in accordance with GRI, and relates to the 2015 calendar year. The previous report was submitted in February 2015, and related to the 2014 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).

Additional information regarding Handelsbanken's sustainability activities is presented in

an expanded GRI supplement, published on Handelsbanken's website.

## CONTACT

For questions or comments on this report, or on the Bank's sustainability work, please e-mail Handelsbanken's sustainability officer at [csr@handelsbanken.se](mailto:csr@handelsbanken.se).

STANDARD DISCLOSURES		PAGE SR <sup>1</sup>	PAGE AR <sup>2</sup> /WWW <sup>3</sup>	EXTERNAL ASSURANCE
Strategy and analysis				
G4-1	Comments from the Group Chief Executive		4-5	•
Organizational profile				
G4-3	Name of the organisation		3	•
G4-4	Primary brands, products and services		Inside cover	•
G4-5	Location of headquarter		234	•
G4-6	Countries of operation		236-243	•
G4-7	Ownership and legal form		44-45	•
G4-8	Markets served		28-43	•
G4-9	Scale of the organisation		24	•
G4-10	Total number of employees	208	108	•
G4-11	Percentage of total employees covered by collective bargaining agreements	210		•
G4-12	Supply chain	203	166	•
G4-13	Significant changes during the reporting period	227		•
G4-14	Implementation of the precautionary principle	Handelsbanken applies the precautionary principle in accordance with Global Compact and Swedish legislation		•
G4-15	External charters, principles or initiatives	212, 214-215, 220, 222, 224-225		•
G4-16	Membership of associations	215, 217, 220, 224		•
Identified material aspects and boundaries				
G4-17	Entities included or alternatively excluded	227	141	•
G4-18	Process for defining report content	203-205, 227		•
G4-19	Identified material aspects	204-205		•
G4-20	Aspect boundary within the organisation	205		•
G4-21	Aspect boundary outside the organisation	205		•
G4-22	Explanation of the effect of any re-statements of information provided in earlier reports	222		•
G4-23	Significant changes of scope or boundaries compared with previous annual reports	222		•
Stakeholder engagement				
G4-24	Stakeholder groups	202		•
G4-25	Identification and selection of stakeholders	202, 204		•
G4-26	Approach to stakeholder engagement	202-204		•
G4-27	Key topics raised through stakeholder dialogue and how the organisation has responded	202-204		•
Report profile				
G4-28	Reporting period	228		•
G4-29	Most recent previous report	228		•
G4-30	Reporting cycle	228		•
G4-31	Contact point for the report	228		•
G4-32	Report the 'in accordance' option, GRI Content Index, External Assurance Report	228-231		•
G4-33	Policy and practice for external assurance	228, 231		•
Governance				
G4-34	Governance structure	211	50-51	•
Ethics and integrity				
G4-56	Values, principles, standards, codes of conduct or ethics	211, 220	57-59	•

<sup>1</sup> SR Refers to Sustainability Report 2015

<sup>2</sup> AR Refers to Annual Report 2015

<sup>3</sup> www Refers to GRI Appendix at [handelsbanken.se/cstreng](http://handelsbanken.se/cstreng)



## SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECTS	DISCLOSURE OF MANAGEMENT APPROACH AND INDICATORS		PAGE SR <sup>1</sup>	PAGE AR <sup>2</sup> /WWW <sup>3</sup>	OMISSIONS/ COMMENT	EXTERNAL ASSURANCE
Economic						
ECONOMIC RESULTS	G4-DMA	Management of material aspects	198–199, 205, 211, 213, 217–218	10–11		•
Handelsbanken's material questions: • Stable finances	G4-EC1	Direct economic value generated and distributed	203, 217–218			•
• Create shareholder value	G4-EC3	Coverage of the defined benefit plan obligations	218	183		•
• Independent of support	G4-EC4	Financial assistance received from government	218			•
• Salaries and remuneration						
• Responsible taxpayer						
MARKET PRESENCE	G4-DMA	Management of material aspects	205, 208–209, 211			•
Handelsbanken's material questions: • Local presence	G4-EC6	Proportion of senior management hired from the local community	208–209			•
INDIRECT ECONOMIC IMPACTS	G4-DMA	Management of material aspects	205, 211–212			•
Handelsbanken's material questions: • Local presence	G4-EC7	Development and impact of infrastructure investments and services supported	216			•
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	212, 219			•
Environment						
EMISSIONS*	G4-DMA	Management of material aspects	205, 211, 222–223	www		•
	G4-EN3	Direct and indirect energy consumption per primary energy source	222	www		•
	G4-EN15	Total amount of direct greenhouse gas emissions (Scope 1)	222	www		•
	G4-EN16	Total amount of indirect greenhouse gas emissions (Scope 2)	222	www		•
	G4-EN17	Other relevant indirect greenhouse gas emissions (Scope 3)	222	www		•
Social						
Labour practices and decent work						
EMPLOYMENT	G4-DMA	Management of material aspects	205, 208–210, 211			•
Handelsbanken's material questions: • Salaries and remuneration	G4-LA1	New employees and employee turnover, by age group, gender and region	208			•
• Responsible employer	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	210		Handelsbanken does not consider it relevant to report the situation in the different countries since only 4 per cent of the Bank's employees are temporarily employed.	•
LABOUR/MANAGEMENT RELATIONS	G4-DMA	Management of material aspects	205, 210–211			•
Handelsbanken's material questions: • Work conditions and union rights	G4-LA4	Minimum notice periods regarding operational changes and whether these are specified in collective agreements	210			•
• Employee commitment						
OCCUPATIONAL HEALTH AND SAFETY	G4-DMA	Management of material aspects	205, 209, 211			•
Handelsbanken's material questions: • Work environment and health	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees	209			•
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	209			•
TRAINING AND EDUCATION	G4-DMA	Management of material aspects	202, 205, 208, 211			•
Handelsbanken's material questions: • Responsible employer	G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	208			•
• Leadership and development	G4-LA11	Percentage of employees receiving regular performance and career development reviews	208			•
• Employee commitment						
NON-DISCRIMINATION	G4-DMA	Management of material aspects	205, 208–209, 211			•
Handelsbanken's material questions: • Gender equality and diversity	G4-LA12	Composition of governance bodies and break-down of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	211	62–65		•

\* The materiality analysis did not identify environmental impact among Handelsbanken's most material sustainability questions but with regard to the importance of climate issues both locally and globally we have opted to include in the GRI Index a selected number of indicators showing our performance within this area.

<sup>1</sup> SR Refers to Sustainability Report 2015

<sup>2</sup> AR Refers to Annual Report 2015

<sup>3</sup> www Refers to GRI Appendix at handelsbanken.se/csreng



MATERIAL ASPECTS	DISCLOSURE OF MANAGEMENT APPROACH AND INDICATORS	PAGE SR <sup>1</sup>	PAGE AR <sup>2</sup> /WWW <sup>3</sup>	OMISSIONS/ COMMENT	EXTERNAL ASSURANCE
<b>Human rights</b>					
INVESTMENT	G4-DMA Management of material aspects	205, 211, 213–215, 221			•
<i>Handelsbanken's material questions:</i> • Responsible credits	G4-HR1 Number and percentage of significant investment agreements that include human rights clauses or that underwent human rights screening	213–214, 221			•
NON-DISCRIMINATION	G4-DMA Sustainability management of material aspects	205, 209, 211			•
<i>Handelsbanken's material questions:</i> • Satisfied customers • Gender equality and diversity	G4-HR3 Total number of incidents of discrimination and actions taken	209			•
<b>Society</b>					
LOCAL COMMUNITY	G4-DMA Management of material aspects	205, 211, 216–217			•
<i>Handelsbanken's material questions:</i> • High availability • Local presence	G4-SO1 Operations with implemented local community engagement, impact assessment and development programmes	216–217			•
	FS13 Access points in low-populated or economically disadvantaged areas	216			•
	FS14 Initiatives to improve access to financial services for disadvantaged people	216–217			•
CORRUPTION	G4-DMA Management of material aspects	205, 211, 221			•
<i>Handelsbanken's material questions:</i> • Business culture • Anti-corruption and bribery • Counteract crime	G4-SO3 Number and percentage of operations assessed for risks related to corruption	221			•
	G4-SO4 Communication and training on anti-corruption policies and procedures	221			•
	G4-SO5 Confirmed incidents of corruption and actions taken	221			•
COMPLIANCE	G4-DMA Management of material aspects	205, 211, 220–221			•
<i>Handelsbanken's material questions:</i> • Counteract crime	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations concerning the provisions and use of products and services	220–221			•
<b>Product responsibility</b>					
PRODUCT AND SERVICE LABELLING	G4-DMA Management of material aspects	205, 211–212			•
<i>Handelsbanken's material questions:</i> • Satisfied customers • Responsible lending	G4-PR3 Type of product information required by procedures for product and service information and labelling, and percentage of products subject to such information requirements	212			•
	G4-PR4 Total numbers of non-compliance with regulations and voluntary codes concerning product and service information and labelling	No major incidents in 2015			•
	G4-PR5 Results of surveys measuring customer satisfaction	197–199, 202, 206–207, 226			•
CUSTOMER PRIVACY	G4-DMA Management of material aspects	205, 211, 220			•
<i>Handelsbanken's material questions:</i> • Integrity and confidentiality	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	220			•
COMPLIANCE	G4-DMA Sustainability management of material aspects	205, 211–212, 220–221			•
<i>Handelsbanken's material questions:</i> • Integrity and confidentiality	G4-PR9 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations concerning the provisions and use of products and services	220			•
PRODUCT PORTFOLIO	G4-DMA Management of material aspects	205, 211, 213–215			•
<i>Handelsbanken's material questions:</i> • Responsible credits	FS6 Percentage of the portfolio for business lines by specific region, size and by sector	213			•
	FS8 Monetary value of products and services designed to deliver a specific environmental benefit	213, 215			•
MONITORING CREDITS AND INVESTMENTS (FS)	G4-DMA Management of material aspects (FS)	205, 211, 213–215			•
<i>Handelsbanken's material questions:</i> • Responsible credits • Responsible investments					
ACTIVE OWNERSHIP	G4-DMA Management of material aspects	205, 211, 214–215			•
<i>Handelsbanken's material questions:</i> • Responsible investments	FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	214			•
	FS11 Percentage of assets subject to positive and negative environmental or social screening	214–215			•

<sup>1</sup> SR Refers to Sustainability Report 2015<sup>2</sup> AR Refers to Annual Report 2015<sup>3</sup> www Refers to GRI Appendix at handelsbanken.se/csreng



# Auditor's Limited 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 a limited assurance engagement of Handelsbanken's Sustainability Report for the year 2015. The Sustainability Report also includes a separate GRI Appendix, Handelsbanken's GRI Appendix 2015 at handelsbanken.se/csreng. Handelsbanken has defined the scope of the Sustainability Report on page 196 in the Annual Report 2015.

## 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 196 in the Annual Report 2015, that are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also 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 limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. 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 scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Consequently, the procedures performed do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

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 conclusion below.

## CONCLUSION

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.

Stockholm, 18 February 2016

KPMG AB

Anders Bäckström  
Authorised Public  
Accountant

Torbjörn Westman  
Expert Member of FAR



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**Hans Jonsson** Umeå  
**Agneta Marell** Umeå  
**Magnus Ericson** Umeå  
**Anna Mattsson** Luleå, (E)\*

### Head

**Magnus Ericson** Umeå



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**Peter Larson** Gävle  
**Ulf Larsson** Sundsvall  
**Monica Oldenstedt** Västerås  
**Arne Skoglund** Uppsala  
**Pontus Åhlund** Gävle  
**Monica Morén** Hedemora, (E)\*

### Head

**Pontus Åhlund** Gävle



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 Rimbo **Helena Kolström**  
 Rättvik **Maria Holmberg**  
 Sala **Helén Emnerud Wilhelmsson**  
 Sandviken **Johan Lindahl**  
 Skinnskatteberg **Emelie Strandh**  
 Skultuna **Johan Gustavsson**  
 Skutskär **Magnus Sjökvist**  
 Skärplinge **Sören Herbertsson**  
 Skönsberg **Urban Strömbom**  
 Stora Tuna **Henrik Bergenström**  
 Storvik **Helene Hedin**  
 Sundsvall **Owe Sundin**  
 Sveg **Jörgen Andersson**  
 Svenstavik **Bengt Nilzén**  
 Säter **Patrik Nylén**  
 Söderhamn **Joakim Frithiof**  
 Sörberge **Ulrica Bolt**  
 Tierp **Anders Estman**  
 Timrå **Amanda Eriksson**  
 Torsåker **Toni Soppela**  
 Uppsala  
     City **Johanna Lundberg**  
     Eriksberg **Kristina Carlsson**  
     Industriområde **Micael Lindström**  
     Luthagen **Birger Kristiansson**  
 Vansbro **Fredrik Hallqvist**  
 Västanfors **Andreas Byrén**  
 Västerås  
     City **Therese Massaro**  
     Emausgatan **Johanna Landin**  
     Köpingsvägen **Mats Söderlund**  
     Stora Gatan **Håkan Janson**  
 Ånge **Michaela Morén**  
 Österbybruk **Ann Robertsson**  
 Östervåla **Pernilla Strömberg**  
 Östhammar **Anna Lydell Bjälmén**

### Meeting places

Knivsta  
     Alsike **Agneta Sturesson**  
 Lima  
     Sälen **Lena Eggens**  
 Mora  
     Älvdalen **Jürgen Smolle**

(E)\*= employee representative



## REGIONAL BANK STOCKHOLM

## Board

**Stefan Wigren** Stockholm, Chairman  
**Ingaliil 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 Jarlsgratan **Daniel Spangenberg**  
 Brommaplan **Charlotta Hallqvist Lindström**  
 Bålsta **Ann-Sofie Sivander**  
 Dalarö **Sofia Tärnfors**  
 Djursholm **Sune Werkell**  
 Ekerö **Mathias Lindmark**  
 Farsta **Camilla Sandgren Esgård**  
 Fleminggatan **Tomas Wistedt**  
 Fridhemsplan **Ann Lilja**  
 Frihamnen **Johanna Lagerbäck**  
 Gamla Stan **Fredrik Andersson**, Acting  
 Globen **Lena Stenmark**  
 Gustav Adolfs Torg **Anders Lindegren**  
 Götgatsbacken **Cecilia Hallqvist**  
 Hallunda **Ritva Martonen**  
 Hammarby **Marcus Axelsson**  
 Haninge **Maria Sjöstedt**  
 Hornsberg **Kajsen Hansson**  
 Hornsgatan **Lars Holm**  
 Huddinge **Jenny Lööv Borsos**  
 Humlegården **AnneMarie Dahlstedt**  
 Hägersten **Eva Kallur**  
 Håsselby Gård **Anders Stenberg**  
 Högalid **Mårten Larsson**  
 Högdalen **Vacant**  
 Jakobsberg **Anna Andersson**  
 Järna **Ellinor Lindblom**  
 Karlaplan **Cecilia Carlberg**  
 Karlavägen **Nahir Oussi**  
 Kista **Hans Lundin**  
 Kungsholmstorg **Anders Friman**  
 Kungsträdgården **Peter Einarsson**  
 Kungsängen **Stina Marklund**  
 Kärrtorp **Katarina Eriksson**  
 Lidingö  
     Centrum **Elisabeth Hildebäck**  
     Larsberg **Mikael Gustafson**  
     Näset **Magnus Blomqvist**  
 Marieberg **Lotta Adestam**  
 Marievik **Anna Blomstergren**  
 Mårsta **Magnus Hedlund**  
 Mörbj Centrum **Kjell Andersson**, Acting  
 Nacka Forum **Anki Lenksjö**  
 Normalmstorg **Johan Nordström**  
 Norrtull **Mats Waldhagen**  
 Nynäshamn **Anders Hagman**  
 Näsby Park **Cecilia Sonntag**  
 Odengatan **Catarina Thunstedt**  
 Odenplan **Susanne Signell**  
 Renstiernas Gata **Vacant**  
 Rotebro **Katarina Fridén**  
 S:t Eriksplan **Marika Hedblom**

Salem **Niclas Landbergsson**  
 Saltsjö-Boo **Malin Meijer**  
 Sigtuna **Mattias Nordin**  
 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 Ernberg**  
 Stureplan **Peter Stureson**  
 Stuvsta **Kristin Elofsson**  
 Sundbyberg **Per Anders Tranberg**  
 Sveavägen **Malin Bergström**  
 Södertälje **Bengt Bohman**  
 Tessinparken **Lars Ebersson**  
 Torsgatan **Vacant**  
 Trångsund **Sanja Raspudic**  
 Tullinge **Kristina Jansenberger**  
 Tyresö **Susanne Norman-Taube**  
 Täby Centrum **Johan Grahm**  
 Ulvsunda **Tina Nylén**  
 Upplands Väsby **Urban Wolters**  
 Vallentuna **Fredrik Enander**  
 Vanadisplan **Johan Palm**  
 Vasagatan **Christer Örtgren**  
 Vaxholm **Maria Lindberg**  
 Vällingby **Åsa Eriksson-Hedensiö**  
 Värmdö **Ulrika Kallur**  
 Värtavägen **Carl-Gustav Moberg**, Acting  
 Västerhaninge **Mats Nordling**  
 Västermalm **Ulrika Staffas Nordqvist**  
 Åkersberga **Christer Lövhölm**  
 Årsta **Anna Karlsson**  
 Älvsjö **Jesper Hellström**  
 Ängby Blackeberg **Camilla Juhlin**  
 Ösmo **Anders Hagman**  
 Östermalmstorg **Jan Larsson**  
 Östra Station **Elisabeth Croon**

## Meeting places

Alviks Torg  
     Äppelviken **Johan Lurén**  
 Högdalen  
     Stureby **Maria Sjöstedt**  
 Solna  
     Arenastaden **Lisa Spangenberg**  
 Värtavägen  
     Norra Djurgårdsstaden **Carl-Gustav Moberg**, Acting

## REGIONAL BANK EASTERN SWEDEN

## Board

**Jan Cedwall** Nyköping, Chairman  
**Santhe Dahl** Växjö  
**Jan-Eric Nilsson** Djursholm  
**Sten Peterson** Katrineholm  
**Kenneth Synnersten** Västerås  
**Kristina Alsér** Växjö  
**Gunilla Åberg** Linköping  
**Stefan Nilsson** Linköping  
**Helena Håkansson** Färjestaden, (E)\*

## Head

**Stefan Nilsson** Linköping



## Branch/branch manager

Alvesta **Maj-Lis Pettersson**  
 Anderstorp **Per Risberg**  
 Bankeryd **Åsa A Olsson**  
 Borensberg **Malin Svanberg**  
 Borgholm **Conny Johansson**  
 Eksjö **Karin Jönsson**  
 Emmaboda **Torbjörn Danielsson**  
 Eskilstuna  
     Fristadstorget **Katarina Rülcker**  
     Östermalm **Bo Vallin**  
 Finspång **Ingela Nyrén**  
 Fjögsta **Anders Hedvall**  
 Flen **Johan Hallkvist**  
 Fårösund **Britt Nordstöm**  
 Färjestaden **Ida Petersson**  
 Gislaved **Per Risberg**  
 Gnesta **Asta Beyerl**  
 Hallsberg **Mats Kagerup**  
 Hemse **Lars Cramér**  
 Huftsred **Monica Carlenskog**  
 Huskvarna **Mats Andersson**  
 Högsby **Jonas Petersson**  
 Jönköping **Cicki Törnell**  
 Kalmar  
     Kalmar Hansa **Christin Abrahamsson**  
     Kvarnholmen **Johan Lorentzon**  
 Katrineholm **Mattias Jönsson**  
 Klintehamn **Linda Ewald**  
 Kumla **Michael Johnsson**  
 Lammhult **Christina Blomstrand**  
 Landsbro **Jörgen Asp**  
 Linköping  
     City **Michael Sterne**  
     Tornby **Anders Spång**  
 Mjölby **Karl Gustafsson**  
 Motala **Anders Hättström**  
 Mönsterås **Helena Edström**  
 Mörbylånga **Beatrice Granlöv**  
 Mörlunda **Marie Jonsson**

Norrköping  
     Drottninggatan **Hans Widmark**  
     Eneby **Marie Kellgren**  
     Fjärilsgatan **Terese Klöver**  
 Nybro **Thomas Svensson**  
 Nyköping **Jens Fransson**  
 Nässjö **Cecilia Antonsson**  
 Oskarshamn **Jonas Pettersson**  
 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 **Mattias König**  
 Trosa **Anna-Karin Borg**  
 Vadstena **Christine Wallstén**  
 Vaggeryd **Inger Ågren**  
 Vetlanda **Jörgen Asp**  
 Vimmerby **Hans Will**  
 Virserum **Monica Johansson**  
 Visby  
     Adelsgatan **Linda Ewald**  
     Öster **Carl Oscar Sjöström**  
 Vislanda **Maj-Lis Pettersson**  
 Värnamo **Jonas Flink**  
 Västervik **Michael Skännestig**  
 Växjö **Jonas Ahlqvist**  
 Ålem **Helena Edström**  
 Åseda **Marie-Louise Mobelius**  
 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 **Camilla Weihart**  
 Borås  
     Hulta **Kenneth Källerman**  
     Stora Torget **Joakim Antonsson**  
     Viared **Thomas Bogsjö**  
 Falkenberg **Kristian Gårdenfelt**  
 Falköping **Magnus Kvarnmarker**  
 Filipstad **Cecilia Blom**  
 Finnerödja **Torbjörn Låth**, Acting  
 Fristad **Anders Roos**  
 Färgelanda **Mats Brändén**  
 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 **Peter Kornesjö**  
     Hjällbo **Börje Ström**  
     Högsbo **Sophia von Sydow Witte**  
     Kortedala **Per Stolpe**  
     Landala **Louise Martinsson**  
     Lilla Bommen **Marie Kaptein**  
     Lindholmen **Tobias Johansson**  
     Majorna **Niklas Häggström**  
     Odinsgatan **Annika Löfberg**  
     Sisjön **Christian Pennert**  
     Torslanda **Fredrik Karlberg**  
     Volvo **Christian Sjöberg**  
     Örgryte **Patrik Niklasson**  
     Övre Husargatan **Christian Nielsen**  
 Gällstad **Janne Pehrsson**  
 Hagfors **Anna Bengtsson**  
 Herrljunga **Susanne Bender**

Hjo **Thomas Waller**  
 Karlskoga **Per Forsman**  
 Karlstad  
     Stora Torget **Fredrik Ekenberg**  
     Våxnäs **Sara Brask**  
 Kristinehamn **Cecilia Blom**  
 Kungsbacka **Mats Rollof**  
 Kungälv **Lena Gillholm**  
 Landvetter **Anja Börve**  
 Lerum **Anna Green**  
 Lidköping **Nina Ahlén**  
 Lilla Edet **Ellinor Fagerberg**  
 Mariestad **Torbjörn Låth**  
 Mellerud **Claes Hernvall**  
 Mölndal **Ulrika Jivefors**  
 Mölnlycke **Ann Sundvisson**  
 Partille **Sara Larsson**  
 Skara **Anna-Lena Andersson**  
 Skövde **Martin Drebin**  
 Sollebrunn **Staffan Svantesson**  
 Stenungsund **Anette Pettersson**  
 Strömstad **Johan Rosengren**  
 Sunne **Maria Hannebo**  
 Surte **Marie Erlandson**  
 Svenljunga **Patrik Hedemyr**  
 Säffle **Dennis Göransson**  
 Tibro **Hanna Rosing**  
 Tidaholm **Magnus Kvarnmarker**  
 Torsby **Pär Olsson**  
 Tranemo **Christina Ljung**  
 Trollhättan **Ingela Karlsson**  
 Uddevalla **Peter Johansson**  
 Ulricehamn **Janne Pehrsson**  
 Vara **Maj Rudell**  
 Varberg **Jonas Lagerqvist**  
 Vårgårda **Lars-Göran Pettersson**, Acting  
 Vänersborg **Jan-Olof Strand**  
 Åmål **Magdalena Gunnarsson**  
 Årjäng **Dennis Göransson**, Acting  
 Älvängen **Marie Wall**

## Meeting places

Göteborg Frölunda  
     Långedrag **Camilla Sjöberg**  
 Kungsbacka  
     Kungssporten **Mats Rollof**

## REGIONAL BANK SOUTHERN SWEDEN

## Board

**Charlotta Falvin** Genarp, Chair  
**Bengt Kjell** Helsingborg  
**Claes Lindqvist** Viken  
**Johan Mattsson** Tomelilla  
**Anders Ohlner** Malmö  
**Mikael Roos** Malmö  
**Göran Stille** Falsterbo  
**Pia Håkansson** Ystad, (E)\*

## Head

**Göran Stille** Falsterbo



## Branch/branch manager

Arlöv **Magnus Björk**  
 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 **Marie Lärka Stjernström**  
 Karlshamn **Catharina Lydell**  
 Karlskrona **Hedvig Stache**  
 Kivik **Andreas Jeppsson**  
 Klippan **Jonas Olsson**  
 Knislinge **Catharina Munkberg**  
 Kristianstad **Thomas Johansson**  
 Kävlinge **Dag Olsson**  
 Laholm **Fredrik Johnson**  
 Landskrona **Per-Ove Kamlund**  
 Ljungby **Thomas Eldh**  
 Ljungbyhed **Jonas Olsson**  
 Lomma **Erik Hultgren**  
 Lund  
     City **Peter Andersson**  
     Ideon **Nils Möllerberg**  
     Väster **Peter Andersson**  
 Malmö  
     Amiralsgatan **Göran Camitz**  
     City **Erik Bredberg**  
     Fosie **Anders Persson**  
     Fridhem **Marie Brunstam**  
     Hyllie **Anna Harrison Barthold**  
     Köpenhamnsvägen **Marie Brunstam**  
     Limhamn **Roger Håkansson**  
     Lundavägen **Magnus Björk**  
     Triangeln **Annika Hansson**  
     Värnhem **Annika Bäckström**  
     Västra Hamnen **Alexander Lindeskog**

Markaryd **Maria Larsson**  
 Olofström **Catharina Lydell**  
 Osby **Henrica Lorentsson**  
 Ronneby **Magnus Jurvin**  
 Simrishamn **Andreas Jeppsson**  
 Sjöbo **Thomas Hansson**  
 Skanör **Maria Hågerström**  
 Skurup **Louise Pedersen**  
 Staffanstorp **Susanne Linné Nilsson**  
 Svedala **Cecilia Leijgård**  
 Sölvesborg **Magnus Gardell**  
 Sösdala **Rebecca Thörnqvist**  
 Tomelilla **Pål Andersson**  
 Trelleborg **Marianne Nilsson**  
 Tyringe **Rebecca Thörnqvist**  
 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**

(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 **David Barker**

Chorley **Andrew Pearson**

Dundee **Vic Bicocchi**

Edinburgh

Charlotte Square **Michael Mullins**

West End **Iain Henderson**

Glasgow **George Shanks**

Heswall **Richard Malley**

Inverness **Hamish Boag**

Kendal **Mike Fell**

Lancaster **Kevin Sanderson**

Liverpool **Keith Lowe**

Lytham **Christopher Strahan**

Manchester

Spinningfields **Joe McGrath**

Trinity Way **John Burke**

Oldham **Scott Parkinson**

Penrith **Richard Lancaster**

Perth **Michael Mullins**

Preston **David Warbrick**

Southport **Steve Peck**

Stirling **David Beggs**

Stockport **David Kovacs**

Warrington **Matthew Martin**

Wigan **Alan Bowers**

Wilmslow **Anthony Flynn**

**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 Jackson**

Chesterfield **Phil Walker**

Darlington **Mike Airey**

Doncaster **Neil Ebdon**

Durham **Rory Gibson**

Grimsby **David Mountain**, Acting

Halifax **Ian Mason**

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 **Granville Kelly**

Saville Row **Mike Brunskill**

Rotherham **Mike Harrison**

Scarborough **Nick Sharples**

Scunthorpe **Sarah Smith**

Sheffield

Riverside **Stephen Tweedle**

Tudor Square **Clare Ibbotson**

Stockton-on-Tees **David Filby**

Sunderland **David Allenson**

Wakefield **Paul Drysdale**

Wetherby **Adam von Emloh**

York **Christopher Ibbotson**

**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 **Pat Hanlon**

Bromsgrove **Stephen Ellis**

Burton-on-Trent **Ian Morris**

Bury St Edmunds **Nigel Foyster**

Cambridge

Milton Road **Richard Waters**

Hills Road **David Rundle**

Colwyn Bay **Gareth Jones**

Coventry **Paul Belfield**

Crewe **Adrian Smith**

Derby **Shaun Hill**

Edgbaston **Tony Hall**

Hitchin **Paul Drummond**

Ipswich **Andrew Pike**

Leamington Spa **Paul Brooksbank**

Leicester

New Walk **John Clay**

Grey Friars **Simon Whitaker**

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 **Larick Walker**

West Bridgford **Ian Davys**

Peterborough **Julian Turner**

Rugby **Andy McCabe**

Shrewsbury **Lindsay Pearson**

Solihull **Richard Baker**

Stafford **Mike Smith**

Stratford-upon-Avon **Andrew Smith**

Stoke-on-Trent **Shaun Hill**, Acting

Tamworth **Andrew Mair**, Acting

Walsall **Stephen Breen**

Wolverhampton **Chris Hyde**

Worcester **Philip Dutton**

Wrexham **Vicky Davies**



## 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 **Julie Hurst**

Bath **Chris Johnson**

Bodmin **Phil Kerkin**

Bournemouth **Jeremy Tollworthy**

Bridgend **Mark Standley**

Bristol

Clifton **Martin Bidgood**

Parkway **Roger Bell**

Queen Square **Jo Norton**

Cardiff **Neil Humphreys**

Cheltenham **Di Pitts**

Chichester **Chris Golding**

Dorchester **Andrew Denning**

Exeter **Darren Galliford**

Farnham **Glenn Gough**

Frimley **Mark Clinkske**

Gloucester **Emma Gray**

Guildford **Richard James**

Henley-on-Thames **Sarah Dean**

Hereford **Andy Williams**

High Wycombe **Jack Miller**

Newbury **Geoff Dann**

Newport **Craig Wyer**

Oxford

West Way **Graham Beith**

Parkway **Bob Wood**

Petersfield **Sean Kanavan**

Plymouth **Phill Harvey**

Poole **Dave Shering**

Portsmouth **Phil Dedman**

Portsmouth **Phil Dedman**

Reading **Mike Booth**

Salisbury **Graham Renshaw**

Slough **Mark Bradbury**

Southampton **Craig Ward**

Swansea **Steve Smith**

Swindon **Shaun Bradshaw**

Taunton **Peter Kirby**

Truro **Denise Major**

Weston-super-Mare **Steve Carter**

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

Ashford **David Kiernan**

Bishop's Stortford **Steve Cooper**

Brighton **Simon Howe**

Bromley **Chris Pye**

Canterbury **Andy Davies**

Chatham **Gavin Coleman**

Chelmsford **Mark Earlam**

Colchester **Alan Barnard**

Crawley **Simon Briggs**

Croydon **Keith Yeoman**

Dartford **Trevor Adams**

Ealing **Chris Ttoui**

Eastbourne **Neil Hooper**

Enfield **Adrian Bennett**

Epsom **Phil Hunt**

Harrow **Paul Jarman**

Haywards Heath **David Barden**

Hertford **Debbie Chilton**

Hove **Simon Nicholson**

Islington **Paul Cooledge**

Kingston **Peter Wylde**

London

Belgravia **Julian Reynolds**

Chelsea **Kieran Costello**

Chiswick **Dermot Jordan**

Clapham **Neil Higgs**

Finchley **Steve Smith**

Greenwich **David Boaden**, Acting

Hampstead **Denis McCarthy**

Holborn **Toni Virtanen**

Kensington **Tom Fuller**

London Bridge **David Boaden**

Marylebone **Andrew Rowlands**

Moorgate **Paul Chapman**

Queen's Park **Steve MacDonald**

Stratford **Paul Andrews**

West End **Roy Budgett**

Maidstone **Jeremy Brett**

Redhill **Clive Martin**

Richmond **Kim Lowe**

Romford **David Roe**

Sevenoaks **Nick Brooker**

Southend-on-Sea **John Brooks**

Staines-upon-Thames **Geoff Harrison**

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  
**John Vestergaard** Ikast  
**Lise Westphal** Copenhagen  
**Steen Winther-Petersen** Copenhagen  
**Lars Moesgaard** Hellerup  
**Helle Rank** Aalborg, (E)\*

## Head

**Lars Moesgaard** Copenhagen



## REGIONAL BANK FINLAND

The operations are part of Svenska Handelsbanken, Helsinki branch.

## Board

**Matti Vuoria** 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 Ejmfors-Björkmann**  
 Østerbro **Bjarne Albrechtsen**  
 Large Corporates **Knud Jacobsen**  
 Vest **Jan Arup**

Esbjerg **Morten Andersen**Farum **Jens Karlsson**Fredensborg **Kjeld Aunstrup**Fredericia **Brian Sørensen**

## Frederiksberg

Frederiksberg **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 **Lars Hoffmann**

## Herning

City **Niels Viggo Malle**

Fredhøj **Bruno Hansen**

## Hillerød

Hillerød **Steen Hirschsprung**

Vest **Jeanett Schultz Brix**

Holstebro **Henrik Kristiansen**Horsens **John Jørgensen**Ikast **Arnth Stougaard**Karup **Vibeke Hestbek**Kgs. Lyngby **Preben Bjerrekræ**Kibæk **Preben Staal**Kolding **Carsten Johansen**Køge **Maj-Britt Nielsen**Lemvig **Peter Tornbo**Lyngby **Hatice Bakke**Odense **Klaus Rydal**Roskilde **Jakob Nordahl Weber**Sdr. Felding **Kristian Hansen**Silkeborg **Stefan Brochmann**Slagelse **Jens Mølby**Slangerup **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 **Arja Luoto**  
 Tapiola **Jussi Nikkanen**

## Helsinki

Aleksi **Tuija Nuutinen**  
 Dianapuiisto **Johannes Lehtinen**  
 Hakaniemi **Mona von Weissenberg**  
 Herttoniemi **Outi Vainikka**  
 Kampi **Ari Turunen**  
 Large Corporates **Riitta Hallila**  
 Munkkivuori **Nora Kari**  
 Pasila **Jari Murtoperä**  
 Ruoholahti **Outi Vesanto**

Hyvinkää **Risto Mäkeläinen**Hämeenlinna **Jarkko Pöysti**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 **Auli Lehtomäki**Kuopio **Simo Sarkkinen**

## Lahti

Askonkatu **Henri Lilja**

Vapaudenkatu **Matti Nieminen**

Lappeenranta **Arto Valjakka**

Mikkeli **Jouko Kervinen**

Oulu **Timo Väisänen**

Pietarsaari **Jörgen Blomqvist**

Pori **Tero Järvisjö**

Porvoo **Annika Ekroos**

Raisio **Maaria Rahikainen**

Rauma **Janne Saarinen**

Rovaniemi **Merja Majanen**

Salo **Teemu Alanko**

Seinäjoki **Jaana Holkkola**

Tammisaari **Anders Sandbacka**

Tampere

Kauppakatu **Tarja Suvisalmi**

Kyttälä **Ilari Tyrkkö**

Tornio **Jari Itkonen**

Turku

Hämeenkatu **Risto Vihula**

Kauppatori **Josefiina Vormanen**

Vaasa **Frej Björnses**

Vantaa

Aviapolis **Tero Juotasniemi**

Tikkurila **Pauli Ranta**

(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  
**Linda Bernander Silseth** Nesøya  
**Ivar Rusdal** Egersund  
**Dag Tangevald-Jensen** Oslo  
**Dag Tjernsmo** Oslo  
**Christer Enersen** Slemmestad, (E)\*

## Head

**Dag Tjernsmo** Oslo



## Branch/branch manager

Arendal **Trond Røisland**  
 Asker **Kirsti Jensås**  
 Bergen  
     Fana **Monica Vågen**  
     Fyllingsdalen **Gottlieb Gullaksen**  
     Kokstad **Jarle Hundven**  
     Minde **Åse Fluge Nordgreen**  
     Sentrum **Geir Flaa**  
     Vest **Kristian Hartvedt Knudsen**  
     Åsane **Mette Skaug**  
 Bodø **Tore Halvorsen**  
 Drammen **Hege Kristiansen**  
 Fredrikstad **Tove Anita R Torp**  
 Halden **Espen Lerkørød**  
 Hamar **Hans Skjelbreid**  
 Haugesund **Knut Borge Lunde**  
 Jæren **Rolf Inge Knutsen**  
 Jessheim **Inger Kyhen**  
 Kolbotn **Terje Andersen**  
 Kongsberg **Turid Williksen**  
 Kristiansand **Vidar Akselsen**  
 Larvik **Bodil Hansen**  
 Lillehammer **Thomas Næstad Moe**  
 Lillestrøm **Paal Tollefsen**  
 Lysaker **Glenn Steinbo**  
 Mo i Rana **Svenn Harald Johannesen**  
 Molde **Jørund Alme**

Moss **Willy Fossum**  
 Oslo  
     Grev Wedels plass **Thomas B. Tresselt**  
     Large Corporates **Sven Ove Oksvik**  
     Majorstuen **Bjørn Erik Øverland**  
     Nydalén **Eirik Arnesen**  
     Olav Vs gate **Harald Søreide**  
     Bryn **Christian Doksrød**  
     Skøyen **Thomas Stousland**  
     Økern **Ronny Myreng**  
 Sandefjord **Hans Jørgen Ormar**  
 Sandnes **Sindre Bergsagel**  
 Sandvika **Cecilie Tvedt**  
 Sarpsborg **Tormod Sørum**  
 Ski **Geir Anders Sundnes**  
 Skien **Jon Are Skarholt**  
 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**

## REGIONAL BANK THE NETHERLANDS

The operations are part of Svenska Handelsbanken AB, the Netherlands branch.

## Board

**Håkan Sandberg** Stockholm, Chairman  
**Anders Bouvin** London  
**Olof Lindstrand** Lidingö  
**Mikael Sørensen** Haarlem

## Head

**Mikael Sørensen** Haarlem



## Branch/branch manager

Alphen aan den Rijn **Edwin Boonk**  
 Amersfoort **Yvonne van den Berg**  
 Amsterdam  
     Centrum **Jasper Klok**  
     Zuid **Daniël van Til**  
 Apeldoorn **Jeroen Altena**  
 Arnhem **Patricia Schwalbach**  
 Barendrecht **Wim Tieleman**  
 Bergen op Zoom **Jeroen Wiertz**  
 Breda **Ton Schröder**  
 Den Haag **Roderick Mastenbroek**  
 Eindhoven **Pieter van de Koolwijk**  
 Emmen **Marc Bruin**  
 Groningen **Erwin van der Steur**

Haarlem **Nicole Broersma**  
 Het Gooi **Lars Vissers**  
 Leeuwarden **Tammo Oosterhof**  
 Maastricht **Tim Neu**  
 Rotterdam **Peter Bot**  
 Schiphol **Kristiaan Buter**  
 Tilburg **Marco van Tongeren**  
 Twente **Martijn Peters**  
 Utrecht **Robert van der Kolk**  
 Zwolle **Peter Hulsbergen**

## Meeting places

Het Gooi  
     Laren **Lars Vissers**

(E)\*= employee representative



## OFFICES OUTSIDE THE NORDIC COUNTRIES, GREAT BRITAIN AND THE NETHERLANDS

Operations are conducted in Svenska Handelsbanken with branches in each country.

### Austria

General Manager **Christian Prinz zu Solms-Lich**

### China

General Manager **Mikael Westerback**

Hong Kong **Johan Andrén**

Shanghai **Mikael Westerback**

### Estonia

General Manager **Annika Nordström**

Tallinn **Jan Nurminen**

### France

General Manager **Björn Torsteinsrud**

Nice **Anna Jansson-Clauzier**

Paris **Martijn van Dongen**

### Germany

General Manager **Tomas Ejnar**

### Latvia

General Manager **Annika Nordström**

Riga **Martins Freibergs**

### Lithuania

General Manager **Annika Nordström**

Vilnius **Paulius Zagurskis**

### Luxembourg

General Manager **Jörgen Oldensand**

### Poland

General Manager **Harri Tuohimaa**

### Singapore

General Manager **Jan B Djerf**

### USA

General Manager **Mark Cleary**, Acting

## REPRESENTATIVE OFFICES

### Beijing

Representative **Jason Wang**

### Jakarta

Representative **Erik Milfors**

### Kuala Lumpur

Representative **Abhinash Murukesvan**

### Marbella

Representative **Vibeke Toustrup Bonne**

### Moscow

Representative **Viktor Tsoy**

### Mumbai

Representative **Ashish Gupta**

### São Paulo

Representative **Per Magnus Egeberg-Pedersen**

### Sydney

Representative **Robert Karlsson**

### Taipei

Representative **Amy Chen**

### Zürich

Representative **Olof Svalborn**

## BOARDS OF SUBSIDIARIES

### EFN\*\*

#### Board

**Johan Lagerström** Täby, Chairman

**Magnus Berglund** Saltsjöbaden

**Michael Green** Västra Frölunda

**Ulf Köping-Höggård** Lidingö

**Joakim Jansson** Sundbyberg

#### Chief Executive

**Carl Bjurling** Enskede

### HANDEL & INDUSTRI\*\*

#### Board

**M. Johan Widerberg** Gothenburg, Chairman

**Olof Lindstrand** Lidingö

**Bo Annvik** Hovås

#### Chief Executive

**Magnus Sternbrink** Bromma

### HANDELSBANKEN FINANS\*\*

#### Board

**Yonnie Bergqvist** Täby, Chairman

**Annika Brunnéd** Lidingö

**Anders Fagerdahl** Linköping

**Peter Gustafsson** Farsta, (E)\*

#### Chief Executive

**Maria Lidström Andersson** Örebro

### HANDELSBANKEN FONDER\*\*

#### Board

**Katja Bergqvist** Stockholm, Chair

**Helen Fast Gillstedt** Lidingö

**Malin Hedman Björkmo** Djursholm

**Lars Seiz** Antibes, France

**Robert Lundin** Stockholm, (E)\*

#### Chief Executive

**Carl Cederschiöld** Värmdö

### HANDELSBANKEN LIV\*\*

#### Board

**Thommy Mossinger** Malmö, Chairman

**Katarina Berner Frösdaal** Bromma

**Michael Green** Västra Frölunda

**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

**Simon Dixon** Battle

### STADSHYPOTEK\*\*

#### Board

**Yonnie Bergqvist** Täby, Chairman

**Michael Bertorp** Stockholm

**Olof Lindstrand** Lidingö

**Michael Green** Västra Frölunda

**Monica Morén** Hedemora, (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 RATIO 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 year's risk result is 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 events.

## RISK-WEIGHTED ASSETS

Total risk exposure amount. The statutory capital requirement is based on this.

## SOCIAL SECURITY COSTS

Fees for financing the social security systems. This comprises employers' contributions and special payroll tax, and the equivalent taxes and charges outside Sweden.

## 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 ten per cent of the total yield as its share in the yield split.



