Annual report and financial statements

2023

Handelsbanken plc
Company No. 11305395
Year ended 31 December 2023

handelsbanken.co.uk

Handelsbanken

Directors and advisors

DIRECTORS
Mikael Hallåker (Chairman)

Maureen Laurie (Senior Independent Director)

John Ellacott

Patricia Jackson

Agneta Lilja

Arja Taaveniku

Margaret Willis

Martin Björnberg (Chief Financial Officer)

Mikael Sørensen (Chief Executive Officer)

COMPANY SECRETARY
Kevin Taylor

REGISTERED OFFICE
3 Thomas More Square
London
E1W 1WY

AUDITOR
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Contents

Handelsbanken plc is a public limited company incorporated and domiciled in the UK. The registered office is 3 Thomas More Square, London E1W 1WY.

Chairman's statement

It is with pleasure that I introduce the 2023 consolidated financial statements for Handelsbanken plc and its subsidiaries ('UK Group'), which was a year of record financial performance and profitability despite the backdrop of geopolitical and macroeconomic volatility.

> "The importance of a high quality customer experience, as evidenced by the Bank topping the Competition and Markets Authority survey for relationship and account management, would not be possible without our colleagues, who remain at the heart of the Bank's success and I thank them all for their efforts."

In times like these the Bank's business model provides the stability required to navigate these uncertainties. Our strong corporate culture and decentralised business model complement the financial strength provided by a strong capital and liquidity position. This in turn supports a market-leading service proposition, due to our proximity to customers and our focus on long-term relationships. The customer-driven model, with skilled staff serving customers in local branches, is becoming increasingly rare as many peers scale back their local presence. This provides opportunities for the Bank to grow as we continue to see strong demand for personalised service and the opportunity to meet a knowledgeable local banker, coupled with the ability to manage day-to-day transactions through digital channels.

The Board remains informed of strategic, regulatory and change matters and is fully supportive of the progress made this year towards long-term sustainable growth. There is continued focus on increasing lending within the Bank's targeted customer segments and growing our wealth management offering by exploring further synergies with the wider UK Bank.

Healthy progress has been made on our strategic journey which includes our ambitious sustainability programme, that aims to establish the Bank as a leader in green and sustainable finance. Our ambition is to reach net zero emissions by 2040 across both our business operations and our investment and financing activities.

It is also encouraging to report that investments in our technology infrastructure in the past year allow us to face the future with confidence. The professional and personal service that customers experience through our branches, will be further complemented by the ease and efficiency of the enhanced digital services that our customers have requested.

Handelsbanken Group supports this investment plan and recognises the value it offers. It is a large, multifaceted project, designed to provide incremental improvements to systems and processes that in turn drive efficiencies and reduce risks across the organisation. Delivering improved resilience and financial performance will ultimately deliver a better banking experience for our customers.

The importance of a high quality customer experience, as evidenced by the Bank topping the Competition and Markets Authority survey for relationship and account management, would not be possible without our colleagues, who remain at the heart of the Bank's success and I thank them all for their efforts. To acknowledge this, we addressed the cost of living pressures through our annual pay review process, focusing our support on those colleagues in lower-paid roles. We also endeavoured to recognise the importance of having an effective work life balance, by improving our well-being offerings and family-friendly policies, which included enhancing maternity and paternity leave on a gender neutral basis and introducing grandparent leave. To attract a talented and diverse workforce, we initiated a 'Return to Work' programme aiming to encourage those out of the workforce for an extended period of time to return with their wealth of expertise and experience. We also supported the 10,000 Black Interns initiative.

As this report shows, a lot has been achieved in the past year and whilst the outlook for 2024 remains challenging, we are well-placed to succeed and grow in the coming years given our strong foundations, financial strength and strategic clarity. Thanks again to our colleagues for their hard work and to our customers for trusting us with their business.

Mikael Hallåker
Chairman
14 March 2024

Chief Executive Officer's statement

2023 was a record year for Handelsbanken's financial performance in the UK. We posted our highest ever income and best ever operating result, and return on equity reached its highest level to date.

Our compelling customer proposition means that we have built up a substantial deposit book over time. For this reason, we were able to benefit from that position in 2023 when margins improved throughout the year due to the Bank of England (BoE) base rate moving from its long-term, historic low. Whilst interest margins peaked in the middle of the year, the Bank continued to grow its deposit volumes on the corporate side, contributing to our income and profitability achievements.

Lending volumes predictably proved more challenging. Understandably, customer appetite for lending was significantly dampened through a combination of incremental successive interest rate rises, and a lack of overall confidence in the UK macro-economic environment. Given the high credit quality of our customers, we saw their preference to de-leverage come to the fore during this period – a trend we tend to see in Handelsbanken during a high interest rate environment, when the cost of servicing debt means some customers prefer to use their existing deposits to pay that down. If we had not seen this increase in repayments due to our customers' financial strength, an uptick in new corporate lending would most likely have led to overall growth in our corporate lending book in 2023 – a positive trend compared to elsewhere in the market.

It is impossible to reflect on the past year without mentioning continuing geopolitical crises. The war in Ukraine shows no signs of ending, and the terrible events in the Middle East have produced both a humanitarian crisis and international instability. Such global events have local ramifications, and the impact has no doubt been felt across both society and our economy – the latter of which has continued to struggle through the year. These events, together with high inflation and the subsequent central bank response of hiking interest rates, have markedly affected investor expectations for the future, and the behaviour and performance of financial markets. Unsurprisingly, in Handelsbanken Wealth & Asset Management Limited, customers remained cautious amidst this prolonged uncertainty. However, our UK government bond investment offering has proved attractive to customers and provided a timely boost to our assets under management, with gross new business inflows of £60 million, assets under management and administration rose to £4.263 billion.

> "Ensuring we deliver first class service, as well as providing good customer outcomes, is in Handelsbanken's DNA."

As our customers continued to navigate market volatility, economic instability and the implications of a sharp increase in the cost of living, our relationship banking model delivered what it does best. Namely, every day, in communities across the country, providing highly personalised service through teams of empowered bankers who are accessible to our customers and ready to assist. Understanding each customer's financial requirements is paramount to our service proposition, and it also means we can, at an early stage, identify, discuss and help remedy signs of financial stress, or potential issues further down the line. This gives us, and crucially our customers, additional comfort at this stage in the economic cycle, and I pay tribute to the hard work of our branch teams delivering this industry-leading service. Handelsbanken was ranked top for satisfaction for 15 years in a row, for both personal and business banking, in an independent survey of British bank customers; and in February 2024 we were again named the most-recommended provider for relationship/account management for small and medium sized enterprises (SMEs), as well as for SME overdrafts and loans by the Competition and Markets Authority. This is particularly satisfying as this survey polls our customers.

Beyond the benefits derived from the strength and depth of our customer relationships, it was important that Handelsbanken responded to developments in its external environment in order to provide additional, appropriate support for our customers where required. For example, whilst many aspects of the Mortgage Charter were simply business as usual for Handelsbanken, we worked to ensure we were aligned with other elements as closely as possible, providing customers with increased flexibility and repayment breathing space if their circumstances meant they could benefit from that assistance. We also developed new savings products so that customers could take advantage of the higher interest rate environment, and we continue to ensure that the interest rate provided to customers on their instant access savings account remains competitive with our peers.

Ensuring we deliver first class service, as well as providing good customer outcomes, is in Handelsbanken's DNA. It is something we have focused on for decades, and in fact, it is through this lens that our business model has consistently proven itself, delivering on our only corporate goal – to be more profitable than the average of our peers – year after year. Handelsbanken is successful because of our values, our culture and our unwavering commitment to delivering the best advice, service and customer outcomes possible. This is why, when the Consumer Duty rules came into force midway through 2023, we believed our truly customer-centric business model would be well positioned to embrace them. We always start with the needs of our customers when designing products and services, which are ultimately always driven by customer demand. As with all regulation, we have examined our processes and found ways to improve them; we continuously seek ways to make banking with Handelsbanken even easier, through listening to our customers' feedback and enhancing the channels available to them.

As part of our business transformation focus through 2023, the Bank conducted a significant amount of work bringing in new skills and capabilities, and in starting to establish new ways of working. Bringing colleagues together from across the breadth of the Bank to work effectively in multi-disciplinary delivery teams, the transformation work will facilitate further business growth through creating capacity in our branches and operations, whilst reducing IT-related risks. Early successes for our customers saw include continued enhancement of our online banking and mobile app channels, including the launch of ApplePay and Confirmation of Payee. We have also rolled out digital signing capability across our branches and developed the ability to use data, via Open Banking, for on-boarding and credit assessment purposes.

Amongst the wealth of exciting developments earmarked for 2024, we plan to launch a new mortgage origination platform, explore new digital on-boarding capability, pilot a new Customer Relationship Management (CRM) platform, and roll out digital collaboration tools for our colleagues. These initiatives will collectively cut the time and resource spent on more manual and administrative processes, enabling our branch colleagues to focus more on deepening relationships with their customers and prospects.

I want to draw my reflections on 2023 to a close by addressing an increasingly important area for Handelsbanken and our customer base, as well as our sector and society at large, this is of course climate change and the transition to a net zero carbon economy. Handelsbanken remains steadfast in its commitment to reaching net zero by 2040 – a stretching and ambitious target that rightly spans carbon emissions from our own operations as well as those that we finance through our lending and investments. Over the past year, we have made solid advances in providing customers with the tools they need to support their own journey to net zero – from green features built into some of our mortgage products e.g. our buy-to-let loans, to electric vehicle finance and sustainability-linked large corporate lending. There is much more support to come for our customers as we focus on implementing our own net zero transition plan. Whilst the political momentum behind this transition may ebb and flow, our commitment is unwavering: morally it is the right thing to do and it aligns closely with our, our customers', and many of our other stakeholders' expectations.

As ever, as we close the books on a successful year, I want to thank the hard work of my colleagues right across the organisation who have all played a fundamental role in delivering record results for Handelsbanken in the UK. And to our customers, we are delighted you continue to choose Handelsbanken and I wish to extend my thanks to each of you for your on-going business and loyalty.

Mikael Sørensen
CEO

14 March 2024

Strategic report

Our Goal

Svenska Handelsbanken AB (publ). ('Svenska Handelsbanken'), and its group of subsidiaries ('Handelsbanken Group'), which includes Handelsbanken plc, has one corporate goal: attaining a higher return on equity than the average of its competitors in its home markets, of which the UK is one. This goal is achieved through focusing on two fundamental means within the Handelsbanken Group - having more satisfied customers and lower costs (including credit losses) than our competitors.

The Bank is managed on an entity basis and not by business segment, therefore no segmental information is provided. Consolidated financial statements were prepared for the first time for the year ended 31 December 2022 for Handelsbanken plc and its subsidiaries ('UK Group').

OUR BUSINESS MODEL – LOCAL RELATIONSHIP BANKING

Handelsbanken is a relationship bank, built around satisfied customers, financial strength and sustainable values. We believe banking should be local and personal, and that the interests of our customers should always come first.

The Bank has a long-term approach to customer relationships, a decentralised way of working and a strong local presence, through a nationwide branch network. This means that in communities across the UK, experienced bankers have the autonomy to take swift, sensible decisions and to provide customers with the best possible service. This distinctive approach, where decisions are devolved to employees throughout the organisation, is based on trust and respect for the individual and an unshakeable belief in people and their ability and will to do good things well. It is also an approach that has demonstrated, since we first began operating in the UK, that those closest to their customers take the best decisions and provide the best advice. As a result, branches build broad, strong and lasting relationships throughout the communities they serve.

We have found our bespoke, high-touch relationship banking service to be particularly well-suited to certain types of customer. These include family-owned and owner-managed businesses, business owners themselves, property investors, corporate executives and professionals. As we refine our business strategy, we are using our knowledge of these groups' particular needs to shape our product and service offering.

CHANGES TO OUR ORGANISATION

Since reorganising into one UK structure, the Bank has been focussed on continuing to optimise the organisational structure, whilst improving collaboration across functions. This has resulted in really good progress being made against the main activities in last year's business plan. The level of collaboration is expected to step up further over the coming years in order to deliver on business transformation and IT modernisation goals.

The Bank's strategy, to offer a limited number of core products across lending, deposits and wealth management to core private individual, property and trading business customers, remains unchanged. The branch-based distribution model focusses on providing a proactive, high-quality advisory service, enabling continued high income and margins per customer. Digital channels are being enhanced to create a more seamless customer experience. Customer Connect offers a value-add, proactive advisory service.

Over the years, we have continuously reviewed our branch network, making adjustments to configure it appropriately and position it to deliver the best possible service experience for our customers. Via this business as usual approach, our branch network is routinely kept under review.

REVIEW OF FINANCIAL PERFORMANCE

The UK Group's performance is presented on a statutory basis, as explained under the basis of preparation on page 88, and structured in a manner consistent with the key elements of the Bank's business model as explained on page 7.

	2023 £'000	2022 £'000	Movement
Income statement			
Total income	1,006,356	733,894	37.1%
Total expenses	(427,739)	(386,381)	10.7%
Net credit (losses) and net gains on disposal of property, equipment and intangible assets	(3,853)	(3,597)	7.1%
Profit before tax	574,764	343,916	67.1%

KEY PERFORMANCE INDICATORS

Key figures for the UK Group are as follows:

Financial and Non-financial KPIs	2023	2022	Movement
Liquidity Coverage Ratio (See Funding and Liquidity section)	147.2%	147.0%	0.2%
Net Stable Funding Ratio (NSFR)	131.0%	130.0%	1.0%
CET1 ratio (See Funding and Liquidity section)	20.0%	21.3%	-1.3%
Return on equity (See Chief Financial Officer commentary section)	15.1%	9.6%	5.5%
Cost / income ratio (See Chief Financial Officer commentary section)	42.5%	52.6%	-10.1%
Credit loss ratio	0.02%	0.01%	0.01%
Loan to deposit ratio	88.5%	92.9%	-4.4%
Average deposits from the public	£20.4bn	£20.1bn	1.4%
Average loans to the public	£18.6bn	£19.9bn	-6.4%
Assets Under Management and Administration (AUMA)	£4,263m	£4,073m	4.7%
Sustainable fund assets as a percentage of overall AUM of our multi asset funds	11.6%	11.7%	-0.2%
Corporate customer satisfaction (See Customer Outcomes section)	79.4	78.8	0.8%
Personal customer satisfaction (See Customer Outcomes section)	82.0	81.5	0.6%

Chief Financial Officer commentary

JANUARY – DECEMBER 2023 COMPARED WITH JANUARY – DECEMBER 2022

2023 was another record year for the Bank, with total income passing the £1 billion milestone (up 37%). Total expenses increased by 11% largely driven by investment in IT modernisation to support business transformation, together with inflationary pressure. Profit before tax increased by 67% to £575 million, supported by very low levels of loan losses and strong growth in income. The cost / income ratio fell by a further 10.1% units to 42.5% and return on equity (RoE) rose to 15.1, 5.5% units higher than 2022.

Total income rose by £272.5 million driven entirely by an increase in net interest income of £274 million, with other income lines falling by -£1.5 million. The growth in net interest income was driven by higher net interest margins, following Bank of England (BoE) rate increases. The income growth also reflects the structure of the balance sheet, where deposit balances have been growing at a faster pace than lending over a number of years positively impacting funding cost.

Expenses reached £427.74 million, increasing by £41 million, primarily driven by growth in staff costs and other expenses for business transformation. The growth in staff costs reflected both an increase in headcount to deliver future growth, together with higher levels of inflation built into annual salary increases. The rise in staff cost was partly offset by a lower provision for allocation to the profit share scheme Oktogonen as well as the one-off cost of living support payment made in 2022. The investment in business transformation was reflected across a number of other cost areas including staff, professional fees, charges from Group IT, and computer costs.

The net expected credit losses were £3.8 million in the year which compares to a net loss of £4.4 million in 2022. The net expected credit losses remain low due to write-backs in stage 3 provisions, offset by higher levels of stage 1 & 2 provisions. The driver for the increase in stage 1 & 2 provisions was largely attributable to movements in customer ratings. This reflects the Bank's dynamic rating approach, where customer positions are adjusted to reflect the increased economic uncertainty caused by the macroeconomic environment.

FUNDING AND LIQUIDITY

Capital and liquidity positions remain strong, with significant surplus to both regulatory requirements and risk tolerance. Given the strong capital position and considering our capital and liquidity plans, the Board has recommended a dividend of £625 million for the year. The recommended dividend reduces the CET1 ratio from 25.7% to 20.0% (2022 21.3%). The Bank reports a Liquidity Coverage Ratio (LCR) of 147% (2022: unchanged at 147%) as of 31 December 2023. The LCR has remained broadly consistent throughout 2023. As at 31 December 2023, the NSFR was 131%. The NSFR has remained relatively stable over the previous 12 months.

BUSINESS DEVELOPMENT AND OUTLOOK

Deposits grew during 2023 with total average volumes up 1% reaching £20.4 billion. Corporate banking average deposit volumes increased by 4%, but personal banking declined by 6%. Deposit volume growth was lower than 2022 following a general decrease in the deposit market, some out and inflows from high net worth customers diversifying, but also explained by a number of customers paying down borrowing with surplus deposits. This behaviour reflects the quality and strength of the Bank's customer base – typically Handelsbanken customers have high levels of surplus liquidity allowing them to reduce borrowing to adjust their overall interest cost in a high rate environment.

There were higher levels of new lending to corporate customers compared to the pandemic years, but this was offset by higher repayments due to the rate environment and customer repayment capacity. As a result of these movements corporate average volumes dropped 5% compared to 2022. The last few years' fierce competition on lending to personal banking customers continued in 2023. Paired with high levels of repayments and lower levels of appetite, the personal banking lending dropped 9%.

Assets Under Management & Administration (AUMA) in Handelsbanken Wealth & Asset Management Limited, were up 5% compared to last year (2023: £4,263 million, 2022: £4,073 million). The increase was due to both net business inflows from new and existing customers together with positive market movements. Handelsbanken Wealth & Asset Management Limited continue to strengthen the quality of engagement and collaboration with the Bank's branches, which has contributed to a continuation of new customer growth. Handelsbanken Wealth & Asset Management Limited has therefore increased its penetration of Bank customers with wealth and investment services.

In the general market, the outlook remains gloomy with elevated interest rates tempering real growth. Demand for borrowing amongst both individuals and corporates is expected to remain subdued in the short term as high interest rates constrain affordability and excess liquidity is used to deleverage. However, the banking sector should remain robust with provisions against expected impairments, comfortable levels of regulatory capital and a prudent approach to funding and liquidity

management this is likely to enable a continued highly competitive landscape. If the Bank of England takes the decision to start reducing rates at some point in the year, then this is likely to put some pressure on net interest margins again, though it should support increased investments and a greater demand for borrowing, with and potential lending growth to follow. Lower rates could also play a part in dampening loan repayment incentives and therefore support net lending growth. The Bank is likely to be able to continue to expand our deposit footprint where our financial stability, outstanding service and local presence have proven to be a very compelling offering.

The Bank's business model remains unchanged from 2022 – with a through-the-cycle view and low risk tolerance – paired with our strong financial position. This makes us well-poised and focused to capture the right opportunities for growth. Furthermore, we look to continue to invest in our operational capabilities and systems, ensuring continued improvements to our operations capacity and risk management.

BUSINESS DEVELOPMENT AND CHANGE PROGRAMMES

Climate change

A Net Zero Transition Project was launched, resulting in 59 sustainability-related commitments being board-approved, with enhanced oversight and dialogue.

A member of the executive team was made accountable, their role remit extended to Chief Product and Sustainability Officer, thereby providing executive committee engagement, with the Head of Sustainability continuing to provide the strategic lead and subject matter expertise.

Extensive work was undertaken to consider a broad range of climate-related opportunities and risks across the business and to assess business resilience. This included development and deployment of a range of low carbon and transition products, increased advisory services, and the review of proxy internal carbon pricing methods.

Risk tolerances

- Climate-related tolerances deployed covering physical and transition risks

Credit and customer engagement

- Processes enhanced to capture better ESG data

Risk-based pricing

- Continues to include sustainability-related factors

Capital adequacy

- Pillar 2 capital held against adverse climate scenarios for the first time

Handelsbanken Group-level science-based targets have been submitted for approval, complementing the Group's 2040 Net Zero commitment and 2025 target for 20% green, social or transition lending.

For more information on the Bank's approach to climate change, please see the Non-Financial and Sustainability Information Statement, starting on page 13.

Regulatory

Consumer Duty: Work continues to strengthen and enhance the control framework in place to meet Consumer Duty requirements following the implementation of actions to meet the April and July 2023 regulatory deadlines. Activity is now underway to meet the Consumer Duty requirements for closed products, which have an implementation deadline of July 2024. In addition to the work on the closed products, focus is being placed on closing all the actions that came out of customer journey mapping and fair value assessments, as well as continuing to develop and refine data and management information (MI) to help the Bank monitor and evidence good customer outcomes. The implementation of the changes under Consumer Duty principles is expected to further improve our service to customers and evidence thereof.

Internal Ratings Based (IRB) approach: Further to the subsidiarisation in 2018, Handelsbanken plc has focused on its strategic objectives, one of which being to obtain an IRB approval from the Prudential Regulation Authority ('PRA') for calculating credit capital requirements. The Bank's preparation to submit an IRB application for its Corporate and Real Estate portfolio, the first stage in its IRB roadmap, is due to be submitted to the PRA in 2024. This will be followed by an application for the retail portfolio in the coming years. During 2023, the Bank has continued to focus on enhancing its governance and controls arrangements, improving the data and IT infrastructure and building internal IRB models and expertise in line with the relevant regulations.

Technology

Technology Modernisation: The Bank's technology transformation is well underway; there has been a significant build of skills, capabilities, and tooling to prepare for the transformation, along with definition of the target state architecture and multi-year roadmap to deliver it. Work has now commenced on assessing technical migration options to inform the safe migration from current platforms, and in parallel, assessing a variety of technology solutions to better understand which are most viable to future-proof the Bank.

This technology investment will contribute to sustainable growth by building underlying technology enablers that help make business processes more efficient, increasing automation, decommissioning of costly legacy systems together with enhancements to products and channels. Fundamentally the investment will help the Bank to realise longer-term cost efficiencies, reduce risk, and provide a platform for longer-term sustainable growth and customer satisfaction.

CRM: The Bank has proceeded with its implementation of a new CRM platform, which will lead to more efficient internal processes and improved information supporting customer-focused activities. The CRM programme is building technical foundations to support a pilot of the new platform, with a focus on the aggregation of customer information, complaints, and vulnerable customer management. Subject to satisfactory pilot findings a rollout across the branch network will follow, along with customer onboarding support, and additional functionality informed by insights gained from the pilot period.

Digital Transformation: The Bank has continued to build digital transformation capacity to enhance its digital customer offering with the aim of meeting increased customer needs and expectations around digital services, supporting strong branch relationships. During 2023 the Bank has delivered incremental enhancements to online banking and mobile apps, including new log-on processes, improved payments screens, confirmation of payee, and integration with ApplePay digital wallet. A digital document signing pilot will be rolled out across the branch network providing an improved customer experience, time savings, and a reduction in postage and paper. Work is ongoing to refine customer journeys across the customer onboarding, home buying, and credit processes, informed by targeted prototyping activities. The Bank will continue this trend in 2024 by focusing on efficient digital touch-points for our customers, supported by improved internal processes and tooling.

STAKEHOLDER ENGAGEMENT

Further detail on how the directors have had regard to the matters set out in section 172 (1) forms the directors' statement required under section 414CZA of The Companies Act 2006 and can be found in the Strategic report on page 45.

Non-Financial and Sustainability Information (NFSI) Statement

HOW WE WORK WITH SUSTAINABILITY

Taking a long-term view in everything we do has been a principle guiding our operational approach and strategic decision-making for over five decades. We embed responsible lending through a conservative credit policy, primary focus on customer satisfaction and prioritisation of long-term relationships over short-term transactions. By avoiding top-down lending, product targets or individual incentives, we limit the risk of employees making decisions that are not in the long-term best interests of the Bank's customers.

A UK sustainability strategy was published in 2022 to steer our collective focus and efforts over the next few years. It reflects the organisation's established strengths and distinctive market position, in order to maximise positive societal impact and business value from our activities.

The strategy is divided into 12 ESG (Environmental, Social and Governance) focuses, where emphasis has initially been given to the environmental themes, given the urgency of society's joint response to climate change, nature and biodiversity loss. We will also continue to prioritise Diversity and Inclusion (D&I) initiatives and lay the foundations for enhanced impact with our customers, communities and employees, all areas where the Bank has a strong track record.

HANDELSBANKEN PLC'S 12 PRIORITY ESG THEMES

Environmental themes

- Climate action – Helping customers adapt
- Climate action – Becoming climate positive
- Go paperless
- Resource thrift

Social themes

- Diversity and inclusion
- Good customers outcomes
- Local community action
- Inspire: Employee empowerment

Governance themes

- Inspire: Leading with values
- Tax responsibility
- Prevent real estate financial crime
- A safe and sound bank

The strategy aligns with six of the 17 UN Sustainable Development Goals (SDGs) that Handelsbanken Group has chosen to focus on, as seen below. Aligning these goals with our sustainability strategy helps us contribute to the wider 2030 Agenda for Sustainable Development.

Image: The six UN Sustainable Development Goals that Handelsbanken has chosen to focus on

To further sharpen the organisation's focus, five Group-wide sustainability goals were announced in 2021. These comprise the overall achievement of net zero; transition-supportive targets for our lending and investment activities; and measures to support more gender-equal long-term savings outcomes. More information on the Group-wide goals is on our Handelsbanken.com website.

Our principal climate goal is to achieve net zero emissions of greenhouse gases as soon as possible, and by 2040 at the latest. This goal applies to our customer lending, investments and our own operations. It reflects our conviction that a rapid, co-ordinated transition, aimed at limiting global warming to as close to 1.5°C as possible, would be the best outcome for our customers, for the communities we serve, and therefore also for us.

Before providing a detailed report on the Bank's progress with climate change and planned activities, we first offer information on our approach to a wider set of ESG areas covered by the sustainability strategy. This strategy will continue to evolve based on analysis of market expectations, risks and opportunities for our customers and the Bank.

LEARNING AND DEVELOPMENT

Learning and Development (L&D) is crucial for fostering a mindset that addresses climate and wider sustainability challenges. We understand the importance of acquiring the knowledge and skills needed to make informed, responsible decisions, contributing to a more resilient and equitable future for the Bank and its communities.

Employees, including management, have annual formal sustainability-related training requirements. In 2023, mandatory climate and sustainability training was rolled out to all employees, with a 100% completion rate, and specific pathways assigned for colleagues in branches and for those in head office functions. In this way, we are empowering all colleagues to have better-informed conversations about our sustainability plans, both inside and outside the Bank. 2024 sees the launch of a rolling, multi-year Sustainability L&D programme tailored to a range of cohorts within the Bank. By setting out medium-term expectations for professional development in this area, we are able to steer and track individuals' as well as the organisation's development, in turn fostering a culture of continuous improvement.

In addition, the Bank's induction programme introduces new joiners to the sustainability strategy. This has been further complemented by a series of Lunch & Learn sessions and team meetings, in which subject matter experts present to and field questions from various parts of the Bank.

ENVIRONMENTAL

Our sharpest ESG focus remains on climate action, where we see considerable potential to make a positive difference. Handelsbanken plc's climate action work is two-fold: supporting customer transition to a low carbon economy, and achieving operational net zero, without significant reliance on carbon credits. Our approach, progress and outlook is detailed in the Climate Related Financial Disclosures report on pages 22-33.

Our range of committed activities for the years 2024 to 2026 will be set out in our first Net Zero Transition Plan, to be published separately during 2024. This will follow the UK's Transition Plan Taskforce framework. Accordingly, we will address nature-related disclosures, recognising the important relationship between nature loss and climate change. Indeed, during 2023, the Bank stepped up preparatory work at both a UK and Group level for action on nature and biodiversity. This has included work towards incorporating further relevant categories and activities into our sustainable lending framework and the establishment of a Sustainability Reporting Working Group. The latter will consider how best to incorporate assessment of material impacts, dependencies, risks and opportunities across both terrestrial and aquatic systems, as well as wider integrated reporting consistent with market practice.

SOCIAL

Handelsbanken has long held that creating highly satisfied, loyal employees and customers, while striving to maintain the trust of the communities we serve, is the most effective route to long-term profitability. This is the prism through which we approach relevant social sustainability issues.

Human rights and modern slavery

We understand that as a business we have an important role to play in promoting respect for human rights and we continue to align our approach to internationally recognised human rights standards including the UN Guiding Principles on Business and Human Rights (UNGPs) along with the UN Global Compact.

As a Group, we regularly engage with stakeholders regarding our responsibilities in this area, and acknowledge the importance of our supply chain to our overall operational sustainability. We are working towards new goals for the measurement and improvement of supply chain sustainability, while reviewing our current governance processes in this area. We have continued to take concrete steps, including becoming an accredited Living Wage Employer in 2022, while actively encouraging our supply-chain to sign up to the Living Wage Foundation.

Tackling modern slavery and human trafficking

Modern slavery and human trafficking remain prevalent in various forms, resulting in significant harms. We publish an annual Modern Slavery Act statement and put in place policies covering our customers, colleagues and suppliers, and monitor our financing and supply chain for any such activity. More than being a legal requirement, the statement reflects our commitment to ethical practices and transparency whilst emphasising the importance of social responsibility within the Bank. This is supplemented by mandatory annual training for all employees, so that colleagues understand how to respond if they are faced with, or suspect, a case of modern slavery or human trafficking. In 2023 we formed a cross-functional Modern Slavery Working Group to coordinate our activities and to develop and strengthen our approach.

For further information on our Modern Slavery Act Statement, please visit: handelsbanken.co.uk.

Our employees

We take a long-term approach to building employee relationships just as we do with our customers. Thus each recruitment is viewed as a significant and long-term investment in the success of the Bank. Employees with broad knowledge, diverse backgrounds and experience make a vital contribution, supporting the attainment of our corporate goal.

Academic studies continue to suggest that an individual's scope to contribute is particularly strong within Handelsbanken's devolved management model, where those closest to the question are responsible and accountable for finding a suitable solution. Moreover, the absence of departmental budgets and top-down targets ensures teams can form and collaborate openly in support of each other's objectives. Throughout 2023, we have sought to reinforce this distinctive management model through an engagement programme called "We are Handelsbanken", the launch of a Culture Hub, and a particular focus on our model at the Autumn Conference for all managers across the Bank.

To retain employees, the right conditions must exist for personal and career development, embracing each individual's experience, circumstances and background. In line with our culture, we enable all employees across the Bank to access appropriate development and learning resources.

People with disabilities

Opportunities are provided to all for training, career development and succession, regardless of mental or physical health or disability, with adjustments being accommodated as appropriate. Where a provision, criterion or practice places a disabled person at a substantial disadvantage in comparison with someone who is not disabled, the Bank will make reasonable adjustments to mitigate the disadvantage.

As a people-orientated bank, our hybrid working guidelines empower managers and colleagues to find ways of working that take account of the individual's work and personal needs while supporting customer-oriented collaboration.

Equal Opportnities and Diversity & Inclusion (D&I)

Building an inclusive environment for all employees to flourish enables us to embrace the many wider benefits of diversity as an organisation. This is why D&I, including equality, is a key priority and focus area for the Bank.

We are committed to providing all colleagues with equal opportunities in employment. We do not discriminate against employees or job applicants based on any protected characteristic, be that sex, gender reassignment, marital or civil partner status, pregnancy or maternity, sexual orientation, disability, age, race, religion or belief. Promotion within the Bank is purely based on merit.

The Bank's aims in this regard are:

- to create an inclusive environment in which individual differences and the contribution of everyone is recognised and valued;
- to provide a working environment that promotes safety, dignity and respect for all;
- not to tolerate any form of intimidation, bullying or harassment;
- to enable all training and development being inclusive and accessible to enable the same progression opportunities to all;
- to promote equality in the workplace as good management practice that makes sound business sense; and
- not discriminate unlawfully against customers, suppliers or others using or seeking to use the Bank's services.

To demonstrate support for diversity and inclusion, the Bank was one of the initial signatories of the Women in Finance Charter (WIFC), a pledge for gender balance across the UK financial services industry. Continued focus in this area has seen us increase the number of female leaders within the Bank by 50% since 2016.

In addition, the UK Diversity and Inclusion Working Group has been instrumental in driving greater engagement and raising awareness across the UK. Our Diversity and Inclusion (D&I) strategy is aligned with our culture and values. We have four Employee Resource Groups (Gender, LGBTQ+ and allies, Valuing Differences, and Wellbeing). These Bank-wide groups provide a space for discussion, and thus help raise awareness of difference through a collective voice. They are also integral in supporting and driving the D&I agenda. A policy has now been developed which will support the achievement of our D&I vision. The policy sets out how the Bank recognises the value of an equal and diverse workforce and its commitment to creating and maintaining a truly inclusive work culture based on trust and respect for all individuals.

Following an extensive submission in late 2022 to the Inclusive Employers Standard, we are pleased to have achieved a Bronze Award. This demonstrates our high level of commitment to, and delivery of, a broad range of events that promote and celebrate diversity, particularly highlighting our varied range of resources and learning available to increase colleague awareness and understanding. Alongside our accreditation, we received bespoke feedback that will support us to progress our D&I strategy and embed workplace inclusion throughout 2024 and beyond.

More broadly, we remain signed up to the 10,000 Black Interns initiative, to help address under-representation within financial services. 2023, our third year participating, saw our commitment double (from 2022) to hiring 10 Black interns for the summer of 2023.

Since December 2019 we have been actively encouraging colleagues to share their diversity data, so that we can set focused and meaningful D&I actions. So far, 58% of colleagues have shared their diversity data (from 44% in 2022). This data is vital for baselining and setting appropriate goals to steer the Bank's ambitions in this area.

Although not a UK listed company, we are cognisant of both the Hampton-Alexander Review and the Parker Review, and will take these recommendations into account when deciding on our own appropriate D&I goals in 2024. Our Board is already 56% female, and our Executive Committee is 36% female. 35% of those senior leaders who are direct reports to Executive Committee members are female.

In January 2023, we enhanced our Family Friendly Policies, so that all colleagues, irrespective of gender, are entitled to the same amount of enhanced leave and pay. A gender-neutral approach increases the probability of women returning to work after maternity leave (further supporting our goals under the WIFC), while encouraging the redistribution of domestic care work and parenting responsibilities. We also introduced grandparent leave, thereby supporting colleagues at a further stage in their lives, while recognising that a high proportion of families rely on grandparents for childcare when women first go back to work after maternity leave.

The Bank undertakes gender pay reporting in line with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Our Gender Pay Gap report is on our website.

Employee communication and engagement

A culture of open engagement and collaboration across all areas of the Bank is essential to achieving our corporate goal, and to bringing the Bank's values of mutual trust, respect and responsibility to life every day.

The Bank seeks feedback from employees in a variety of ways, many of which provide senior managers and decision-makers with valuable and timely input:

- Quarterly UK Works Council (UKWC) attended by the CEO and Chief Human Resources Officer;
- Annual work environment surveys and focus group;
- Q&A sessions with the CEO and other senior leaders;
- Visits by the CEO and other senior leaders to branches and functions; and
- A Staff Suggestions system.

One member of the UKWC also represents the Bank on Handelsbanken Group's European Works Council (EWC). The aim of the EWC is for all employees in Europe to be given relevant and regular information and the opportunity to have a dialogue and consultation with Svenska Handelsbanken in relevant cross-border matters.

All employees have access to the Bank's various communication channels which include:

- Handelsbanken's intranet, used to communicate both UK and Group-wide information and news, financial results and materials which further embed our culture and values; and
- Video presentations from senior managers such as the UK CEO and Chief Financial Officer, Group CEO and Group CFO, and the Chief HR Officer.

We have always focused on running the Bank in a prudent, risk-averse manner, with values of personal responsibility, empowerment and accountability fundamental to our way of doing business. In addition, we recognise the need for formal ways of maintaining our employees' high levels of competency and skill, which is achieved through mandatory training modules, annual reassessments of fitness and propriety for employees in Senior Manager or Certification Regime roles, an extensive training and competence scheme, and the Bank's performance management system, "the Wheel". This latter involves a year-round dialogue between employee and line manager in support of the individual's action plan and personal development, which are themselves aligned to broader business objectives. All of this facilitates motivated and engaged colleagues, in turn underpinning the Bank's culture, while maintaining the skills, knowledge and expertise necessary for excellent performance and outstanding customer service.

Oktogonen - Our employee profit sharing scheme

The profit-sharing scheme, Oktogonen, covers all employees in Handelsbanken Group and is classified as variable remuneration, with all eligible employees receiving the same allocation (adjusted for time spent in the business and part-timers).

For Oktogonen in the UK, we use a Share Incentive Plan (SIP) model, deferring the maximum amount possible via the SIP i.e. up to £3,600 per annum currently. The SIP model allows a significant proportion, with a minimum of circa 45%, of an allocation (depending on the exchange rate and the quantum) to be awarded in the form of Handelsbanken Group shares and deferred for five years. It is also subject to malus and clawback clauses, where required and in line with regulatory requirements including SYSC 19D of the FCA Handbook. If the allocation per person in a given year exceeds the maximum free shares award provided for in the SIP legislation (£3,600 currently), the excess may be allocated in cash. However employees will be given the option to use the excess to purchase additional shares via the SIP up to statutory limits and/ or to make an additional contribution to their pension scheme. Leavers and expats not eligible to participate in the SIP, and are categorised as 'good leavers', receive the allocation in cash. All shares held by employees are eligible to receive dividends if awarded, which are reinvested into the purchase of additional shares for employees. The Bank continues to welcome the use of this HMRC SIP framework, supporting Group-wide principles that promote employee ownership, good risk management and a strong appreciation of how long-term performance is valued.

Assessments that form the basis for the allocation to the profit-sharing scheme are based on Handelsbanken Group's corporate goal, calculated as return on equity (ROE) compared with peer banks in the Group's main markets, as well as on the Group Central Board's overall assessment of the Bank's performance and risk management. However, the Bank's Board ratifies any allocation, taking into account the Bank's overall performance, which must be risk-adjusted, and based on a perspective over several years, to take into account the underlying business cycle and any business risks, and on long-term sustainable profits. The assessment must also take into account the Bank's cost of capital and liquidity, while total Group-wide allocation is limited to a maximum of SEK 850 million (circa £67 million). The Remuneration Committee shall also decide if any individual adjustments to Oktogonen allocations in terms of malus and/ / or clawback shall be applied to relevant employees and/ or leavers.

Local community engagement

Being active in their local communities is a natural part of how our branches do business. The Bank's decentralised operating model empowers local teams to build long-term relationships in ways they find most appropriate, and to take responsibility for the Bank's impact and reputation among local stakeholders. Thus our branches are already active with a wide range of initiatives, typically tailored to the interests of each community. The Bank aims to support and encourage this further, by sharing good examples, and giving guidance on how local community engagement can align effectively with the organisation's chosen ESG priorities, so that we can maximise our positive environmental and social impact.

As a local relationship bank, we are established in over 150 communities across the UK. Our colleagues give regularly in terms of time, money and knowledge, whether to charities, local institutions or initiatives. The Bank offers matched funding, up to £500 per employee per year for donations made to established good causes. In 2023 total charitable donations came to £72,747 (2022: £67,530) which includes branch donations, employee donations and matched funding.

Another way to support local initiatives is by providing time for colleagues to give back to their communities through volunteering. In 2022, the Bank introduced the CSR Day, entitling employees to one day's paid leave to volunteer in their communities. As at 31 December 2023, 237 colleagues used their 2023 CSR entitlement and spent 201.5 days volunteering in the community. The figures for 2022 were 181 colleagues and 165 days respectively. We have seen the impact grow over the year with the number of CSR days taken increasing per quarter. We expect this trend to continue into 2024 as the Bank seeks to partner with an external provider to step up employee CSR support.

Customer outcomes

According to an independent EPSI Rating Group survey of British banks' personal and business customers, Handelsbanken plc was rated top for customer satisfaction for the fifteenth year running. The annual assessment has seen an increase in scores for the Bank compared to 2022 for both personal and corporate customers. The score for personal customers returned an index score of 82.0 (2022: 81.5), compared with a sector average of 74.5, where for corporate customers, the Bank had an index value of 79.4 (2022: 78.8), compared with a sector average of 65.2.

In February 2024, the latest independent service quality survey by the Competition and Markets Authority (CMA) was published. The survey looks at small and medium size enterprise (SME) customers' willingness to recommend their bank to other SMEs. For the sixteenth time in a row, and since the survey started, the Bank was rated highest for relationship / account management amongst the largest 15 providers of SME banking services in Great Britain, with 82% of the SMEs surveyed extremely or very likely to recommend Handelsbanken plc.

GOVERNANCE

Operating to high standards of security and integrity is critical to Handelsbanken's model of responsible banking. Consistently rated among the safest commercial banks in Europe [Global Finance], with substantially lower loan losses and stronger capital position than its peers, the Bank believes in always being an asset to, and never a burden on society.

We have chosen to focus on a number of other areas that we and our stakeholders believe to be essential to good governance.

Tax responsibility

We have long believed that being a responsible taxpayer is central to being a responsible bank and are proud to pay all taxes due in our countries of operation. We will continue to embed responsible tax management, both in our own operations and through our dealings with customers, landlords and suppliers. For further information on our Tax strategy, please visit: handelsbanken.co.uk.

Financial crime prevention, anti-bribery and anti-corruption

The Bank has zero tolerance of financial crime, including bribery and corruption, the criminal facilitation of tax evasion, money laundering, non-compliance with financial sanctions, and fraud. As part of our obligations as a regulated firm, we are required to have robust governance, effective risk procedures and adequate internal systems and control mechanisms in place to mitigate the risk the Bank might be used to commit financial crime.

Svenska Handelsbanken is responsible for establishing and maintaining consistent and effective financial crime compliance processes throughout the Handelsbanken Group. As a result, Handelsbanken plc's financial crime policies set out the strategy and approach to identify financial crime arising in connection with all its business activities and transactions, both in the UK and any other relevant jurisdiction.

All employees are required to comply with the Bank's financial crime policies and a mandatory annual training framework is in place to remind employees of their obligations.

Leading with values

Handelsbanken has long been held up as an example of a values-led business. In 2023, we have once again looked for opportunities to share our experiences of, and learnings from, running our organisation this way for over five decades. As well as making presentations to business school students and engaging with academics in the field, we have in the last year in particular, supported Professors Hamel and Zanini in preparing the second edition of their best-selling leadership book, Humanocracy. This is due for publication in summer 2024 and features an extensive analysis of how Handelsbanken puts its belief in trust and long-termism into practice through its operating model.

It is hoped that by engaging with management students, academics and influential third parties, the Bank can inspire more organisations to adopt values-led operating models for the benefit of their customers, employees, and wider stakeholder groups.

Climate-related Financial Disclosures

These climate-related disclosures have been prepared in accordance with the Companies Act 2006 requirements along with the Task Force on Climate-related Financial Disclosures (TCFD) 2021 implementation guidance, with further consideration given towards future International Sustainability Standards Board (ISSB) reporting obligations and a Transition Plan Taskforce (TPT) aligned disclosure which the Bank is working on separately.

GOVERNANCE

The structure below details sustainability-related governance in Handelsbanken plc:

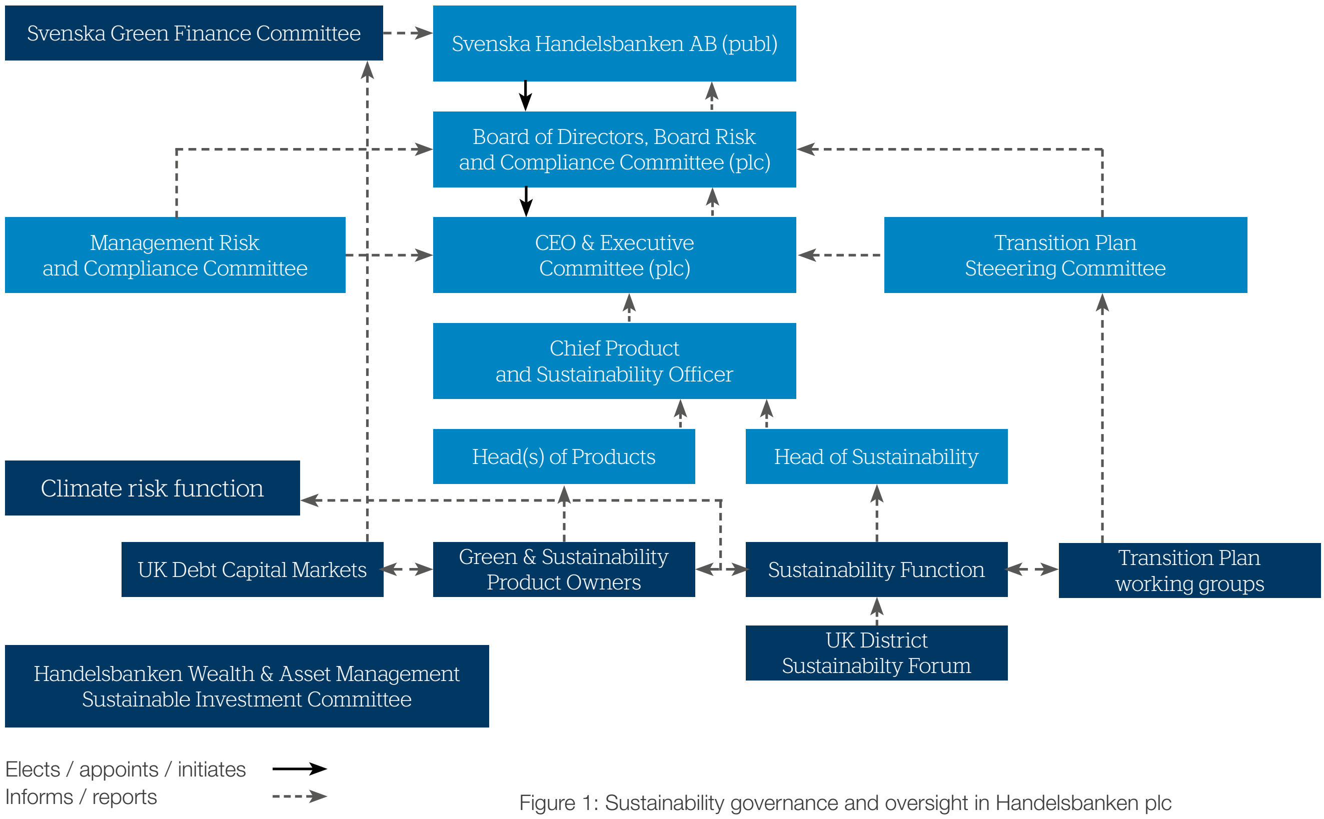


Figure 1: Sustainability governance and oversight in Handelsbanken plc

The Handelsbanken plc Board has ultimate accountability for all climate change related matters in the Bank. The Board sets the strategic direction, taking into consideration Handelsbanken Group's approach to climate risk, and the Board Risk and Compliance Committee (BRCC) oversees the risk. The Board considers climate-related issues in all aspects of management and oversight.

The Board monitors and oversees progress against goals and targets through the involvement within various Bank processes. This includes reviewing the inclusion of climate-related risks in the governance framework; supporting the business strategy and business plan which both include sustainability goals; and determining what is achievable and should be prioritised. In order to effectively manage the number of work streams in this area, the Board has delegated some aspects to the BRCC which meets quarterly.

The Board is provided with updates on climate-related risks and opportunities from the Executive Committee and its sub-group the Net Zero Transition Steering Committee, as well as from the Management Risk & Compliance Committee (MRCC), on both an ad hoc and periodic basis and at least quarterly.

On the management level, climate change risk is overseen by the MRCC, a sub-committee of the Executive Committee. The Chief Risk Officer has been assigned the senior management function (SMF) responsibility for climate-related financial risks under the Senior Managers Regime. The committee updates the Executive Committee and BRCC, also producing quarterly climate-related risk information for management, covering aspects such as physical and transition risk exposures, average company ESG ratings, and other relevant climate-related considerations.

During 2023, the Chief Product Officer was made formally accountable within the Executive Committee for development and embedding of the Bank's Sustainability programme, their role thus extended to Chief Product and Sustainability Officer (CPSO). This ensures ongoing focus and engagement within leadership group discussions, with the Head of Sustainability continuing to provide the strategic lead and subject matter expertise.

The Bank operates a UK District Sustainability Forum, facilitating representation, communication and implementation throughout the branch network. This Forum is co-steered by the branch network management team and the UK Sustainability function.

Debt Capital Markets (DCM) incorporates the Loan Market Association's (LMA) various sustainable finance principles into bespoke client loan agreements where appropriate. Counterparties are raised to Handelsbanken Group's Green Finance Committee (GFC) for approval - or potential veto - prior to being eligible for sustainable finance.

Similarly, Handelsbanken Wealth & Asset Management has a dedicated Sustainable Investment Committee. The Committee reviews each proposed investment to determine whether it is aligned with the Handelsbanken Wealth & Asset Management Sustainable Investment Policy. Handelsbanken Wealth & Asset Management has its own management and board, with climate-related responsibility.

In 2023, Handelsbanken plc established a Net Zero Transition Project. Four working groups were constituted to plan and then implement activities across lending, investments, operations, data & management information (MI), reporting to a Net Zero Transition Steering Committee. This committee is chaired by the Head of Sustainability with representation from the Executive Committee, including CEO, Deputy CEO, CEO of Handelsbanken Wealth & Asset Management, CFO, CRO and CPSO. Having initially scrutinised and then approved a Net Zero Transition Plan comprising 59 material commitments for the period 2024-26, the Committee now oversees delivery against these commitments. In this role, it provides a formal avenue to keep senior leadership informed about climate-related issues on a monthly and ad hoc basis and for the four workstreams to receive steering and challenge.

From an HR perspective, following consultation with the Employer Pension Committee, the Bank's defined contribution and defined benefit schemes introduced sustainable fund options for scheme members. In addition to this, the online pensions portal continues to be enhanced with information and tools to help members understand their sustainable fund options.

In other respects, Handelsbanken's work on climate-related issues adheres to the Bank's decentralised structure. This means that every unit has the responsibility to identify climate-related risks in respect of their function, and integrate them into their daily operations. This has resulted in dedicated sustainability-related headcount additions across various core functions, including within the Risk and Operations teams.

Employees are actively encouraged to monitor and raise climate-related issues. A dedicated Sustainability Hub provides guidance at branch level. The Sustainability team has a dedicated mailbox. Branch MI continues to be developed, to improve the quality and frequency of climate-related issue monitoring and engagement with customers.

STRATEGY

Risks and Opportunities

In terms of horizons related to climate change, Handelsbanken Group considers 2025 to be the short-term, 2030 medium-term, and 2040 long-term. This aligns with the Bank's upcoming Transition Plan disclosure, along with commitments towards sustainable finance for 2025, interim decarbonisation by 2030, and Net Zero by 2040 at the latest.

The Bank recognises that climate-related aspects often manifest over medium and longer terms, and considers all aspects of climate within its risk strategy, capital planning, and other strategy-related endeavours. Further, early work has been done to consider climate-related aspects beyond the Bank's 2040 target, recognising some mortgage-related lending is long-dated, and that many climate-related issues increase in significance in 2050 and out to 2100.

Climate risk forms part of Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) processes and has been incorporated into respective risk assessments and stress scenarios. The Bank continues to review climate-related issues arising in each time horizon, and their possible materiality. This informs capital planning in the ICAAP and the ILAAP, along with business continuity planning and operational risk reviews, including adverse impacts considering transition, physical or reputational risk scenarios.

During 2021 the Bank undertook the first long-term scenario analysis for climate change risks. The exercise was based on the Bank of England's scenarios published for the Climate Biennial Exploratory Scenario (CBES) (Early Action, Late Action and No Additional Action), with a cross reference to the Bank's risk profile. Existing European Policy Centre and external flood risk data from JBA, a third party data provider, was used to assess transition and physical risk to the portfolio. In 2023 the Bank performed a refresh of the analysis conducted since 2021, introducing further enhancements such as a deep dive on the counterparties accounting for the largest exposures. Further improvements to the Bank's scenario analysis capabilities are expected ahead of the 2024 run of the exercise.

The approach for the climate change scenario analysis covers longer-term assessment focused on credit provisions. In the absence of further mitigative actions, the highest impact on provisions was for customers with properties in lower Energy Performance Certificate (EPC) bands, as a key assumption was that properties in EPC F and G become unmarketable from 2035 onwards. The scenario with the highest expected increase in credit provisions was the Late Action scenario, mainly driven by the deterioration of the macroeconomic environment in years 2031-2033. The No Additional Action scenario showed high impact on provision from flood risk and from sectors affected by climate change.

The outcome is being used to analyse potential changes to the Bank's strategy, and mitigating actions for climate change risks such as the recent introduction of risk tolerances.

Looking to the medium-term, the Bank considers a range of physical and transition-related factors. Risks relating to our core real estate sector include:

- evolving legislation such as Minimum Energy Efficiency Standards (MEES), or gas boiler bans as considered in the Heat in Buildings Bill consultation in Scotland[1] (policy transition risk);
- possible fines received by clients for non-compliance (legal transition risks);
- changing consumer sentiment, with possible green premiums and brown discounts impacting rental cash flows (market transition risk); and
- evolving building standards such as the future homes and future building standards in England[2], and passivhaus standards for new buildings in Scotland (technology transition risk), along with possible EPC reforms across the UK, such as the Home Energy Model in England[3] and EPC reforms in Scotland[4].

Issues impacting customer-related balances are not considered financially material for 2023 due to the prudent LTV ratios and financially resilient customer profile across the Bank.

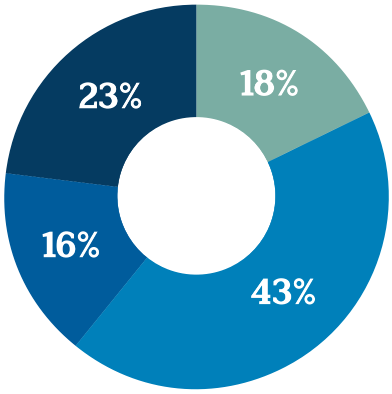
Over the long-term, transition and physical climate-related issues are considered financially material. Transition risks are many and varied, ranging from the possibility of a disorderly UK electricity grid decarbonisation to more significant divergence in climate targets and strategies between England, Wales and Scotland. Physical risks include acute events such as UK drought resulting in a recession, chronic issues such as sea level rise or breakdown in critical ocean systems, and possible global macro instability from the likes of forced migration as areas become uninhabitable. These issues, whilst recognised as material, remain hard to quantify and are considered beyond the five-year horizon used for ICAAP planning purposes.

The processes used to determine climate-related risks and opportunities include escalation of ideas through the relevant Net Zero Transition Project Working Groups, most notably the Lending Working Group. These groups agree forward-looking commitments for the Bank to focus on. From a risk process perspective, in addition to the quarterly risk MI described in the Governance section, a Sustainability Horizon Scanning Group has been formed with various relevant entities across the organisation, including Risk, Compliance, Credit, Sustainability, Products, DCM, and Handelsbanken Wealth & Asset Management.
This group has terms of reference complementary to the Bank's overall horizon scanning programme, and provides scanning on at least a monthly basis, which is used to help inform Working Group discussions. The Sustainability team also provides a monthly briefing to senior management across the organisation, which at times is used to escalate emergent climate-related risks or opportunities.

1. https://www.gov.scot/binaries/content/documents/govscot/publications/consultation-paper/2023/11/delivering-net-zero-scotlands-buildings-consultation-proposals-heat-buildings-bill/documents/delivering-net-zero-scotlands-buildings-consultation-proposals-heat-buildings-bill/delivering-net-zero-scotlands-buildings-consultation-proposals-heat-buildings-bill/govscot%3Adocument/delivering-net-zero-scotlands-buildings-consultation-proposals-heat-buildings-bill.pdf
2. https://www.gov.uk/government/consultations/the-future-homes-and-buildings-standards-2023-consultation
3. https://www.gov.uk/government/consultations/home-energy-model-replacement-for-the-standard-assessment-procedure-sap
4. https://www.gov.scot/publications/energy-performance-certificate-epc-reform-consultation/

Business Strategy and Financial Planning

From a business perspective, the Bank has launched a number of products with the goal of helping customers transition to a low-carbon economy. This includes a range of sustainability-related mortgage products, building on its existing offering of sustainable asset finance. Within the latter, electric vehicles represent 18% of cars financed by the Bank (2022: 19%). It is anticipated that this figure will increase with the introduction of the Zero Emission Mandate setting minimum EV sales thresholds from 2024.The Bank has also provided asset finance to grid-scale battery storage, and continues to consider further opportunities within transition and impact categories.



KEY: FUEL TYPE ELECTRIC PETROL DIESEL HYBRID

FIGURE 1A: ELECTRIC VEHICLES REPRESENT 18% OF CARS FINANCED (2022: 19%)

The Bank's DCM large corporate lending product has been updated to reflect best practice, following the LMA sustainable finance principles for bespoke loan agreements with the Bank's larger corporate customers. Since 2022, Handelsbanken plc's offering in this area has been increased from sustainability-linked loans (SLL) to also cover green loans, including loans related to water and maritime life, and social loans.

Recognising that at this stage in the economic transition, product demand will in many cases need to be prompted by customer awareness of their climate-related circumstances and options, the Bank continues to grow its advisory proposition. In 2023, this included providing bespoke advice across the nationwide branch network in everything from bilateral meetings to seminars for up to 100 clients and professional services firms at a time. The Bank is also reviewing customer tools including software to provide recommendations to property owners including portfolio landlords.

The Bank conducts an annual supplier survey, including climate-related questions. This is being revisited to explore suppliers' commitments in respect of Net Zero and broader sustainability. These issues are paramount at the outset of supplier relationships.

The Bank considers a "mitigation first" approach, yet recognises the growing need for adaptation across the economy. As such, it has developed a draft climate impact and adaptation lending framework, designed to lend against aspects which will improve the resilience of customer properties in the face of various physical risks, including the likes of flooding, wildfire and the effects of prolonged extreme temperatures, at a discounted rate.

As it relates to research and development, the Product team has created an accelerated timeline to launch transition finance products, including consideration of energy performance-based internal carbon pricing, single loan solutions for portfolio landlords, and sub-DCM sustainability-linked lending. The Bank is considering sustainability impacts within its IT transformation programme, and how best to integrate its evolving product and advisory offering throughout all relevant customer journeys.

The Bank considers reducing its own operational carbon footprint to be a priority. Beyond the primary focus on reducing our climate impact, improving energy efficiency offers long-term cost savings for the Bank, while making visible progress in our own transition builds our credibility to engage and advise our customers on their own transitions.

In 2023 as part of the overall Net Zero Transition Plan, a range of measures were identified and endorsed by our Board, their implementation now underway within the Own Operations workstream. During 2023, the following activities were substantially progressed:

- an LED lighting project, bringing branches with older lighting systems up to standard and fully integrating into future fit-out design specification;
- development of a waste management and electricity management strategy to be implemented in 2024;
- work with principal suppliers to improve sustainability options for office suppliers, efficiency of delivery, and circularity in areas such as office furniture;
- digitalisation of key operational processes such as accident and injury reporting and facilities audits to lower paper usage; and
- improvement to premises and supplier sustainability data.

Handelsbanken Group has also recently committed to reduce its operational emissions by 50% by 2030, relative to a 2021 baseline, discussed further in the Metrics and Targets section. Reduced operational energy use represents a material opportunity.

The Bank is not active in acquisitions or divestments and thus does not currently consider climate-related issues within these areas.

Climate-related issues currently have an immaterial impact on financial performance and financial losses. Historically, the Bank has amongst the lowest loan losses in the industry. Sustainability is taken into account during the credit granting process, wherein both transition and physical risks are considered, which feeds into a risk-based pricing model, resulting in sustainability being integrated into loan pricing.

The Bank recognises the economy-wide decarbonisation underway, including the UK's legally binding Net Zero commitment. It welcomes the Transition Plan Taskforce's framework and is in late stage development of an initial Transition Plan for disclosure in 2024.

Strategy Resilience

The Bank considers its strategy to be resilient to climate-related risks and opportunities. It is well positioned to capitalise on the transition to the low carbon economy. The Bank took the proactive decision several years ago to create internal policy documents known as "CEO guidelines" for high emitting sectors subject to high transition risks and scrutiny. The guidelines, and the associated Fossil Fuel Sector Framework, which includes definitions of "transition companies" aligned with current scientific consensus, have resulted in an immaterial exposure to the fossil fuel sector, as disclosed in the Metrics and Targets section. It is intended that guidelines and sector frameworks continue to be tightened and augmented in line both with developing science and pathways that support our interim and long-term climate targets.

The Bank's strategy may be affected by climate-related risks and opportunities as outlined in the following table:

Factor	Description	Impact	Mitigant
Risk: **Physical risk events are expected to increase**	The frequency and severity of severe weather events[5], including floods, wildfires, storms, droughts and exposure to extreme temperatures is set to increase	Handelsbanken's real estate exposed to high physical risks may be more vulnerable to a changing climate	The Bank has a strong customer base with low LTVs. The impact is expected to be of low materiality[6] within a 2030 horizon
Risk: **The transition could be disorderly**	Political cycles or climate litigation may result in disparate climate policies implemented in differing degrees of haste, increasing stranded asset chances	The Bank has exposure to a number of estates or listed buildings, which pose challenges to decarbonise	The Bank continues to explore its options as it relates to providing additional tools and services for its customers
Risk: **The UK economy could be negatively impacted in climate stress**	Acute or chronic events could cause short-term or lasting damage to the UK economy	Customers may withdraw deposits, properties may lose value. Interest rates may rise. Impairments may emerge	Handelsbanken is well capitalised with a strong customer base
Risk: **The Group could miss its stated climate targets**	The Group has publicly-stated targets for 2025, 2030 and 2040 across operations, lending and investments	The Group may suffer reputational damage or fines, or suffer customer withdrawals	The Bank has set up a number of Transition Plan working groups, expected to serve in perpetuity
Opportunity: **The Bank's customers will be looking to decarbonise**	As new government policies are introduced and customers increase ambition, many may look to banks to fund retrofits	There may be increased customer requests for retrofit-related lending opportunities	The Bank is developing a retrofit product along with its advisory service to assist its customers in the transition
Opportunity: **New sectors will offer opportunities**	The transition offers many businesses significant commercial opportunity	Customers will continue to approach Handelsbanken looking for support on "Net Zero aligned" opportunities, such as an estate looking to build a solar farm	Handelsbanken is further developing its sustainable products and Net Zero supportive credit policy
Opportunity: **Customers will be looking for low carbon "responsible" Banks**	As many customers map out their own indirect carbon footprint, it is possible or likely that a number may move away from polluting banks to those with relatively smaller footprints	More prospective customers will look to Handelsbanken, given the Bank's comparably low carbon footprint	Handelsbanken is well-placed to offer a range of core and sustainable products and services to a broad range of customers
Opportunity: **More customers will be doing sustainability reporting**	As UK sustainability regulations are expanded e.g. ISSB, Scope 3 reporting, UK Taxonomy, etc., more customers will report on a broader range of climate-related data	More climate-related information may become available to link with financing facilities	Handelsbanken's DCM team has strong capabilities and a strong track record in SLLs, and has recently added dedicated sustainability-related expertise

Figure 2: How the Bank's strategy may be impacted by climate-related risks and opportunities

5. Handelsbanken plc only captures physical risk data for flood risk as of 2023. The Bank will look to supplement this in 2024 with risk data covering additional hazards.
6. Only flood risk impact is currently quantified by the Bank.

The Bank's strategy is already adapting in relation to the climate-related risks and opportunities identified on the previous page. The credit process continues to be refined to consider sustainability-related aspects, with branch training provided. The product suite continues to develop. Sustainability-related resources have grown measuredly through 2023, with planning underway to scale this appropriately in 2024.

Efforts are also underway to quantify the potential impacts of climate-related issues on the Bank's financial position and performance, recognising the guidance also present in ISSB and TPT materials. The Bank currently considers the impact of climate-related issues to be of low materiality in the short term, given its core strategy and value proposition will not change, and customers are well-placed to seize opportunities, however work continues to quantify potential impacts further.

The Bank uses a range of RCP climate scenarios and information from CBES scenarios to inform its thinking, as aligned with current market practice. More on this is disclosed within the Risk Management section.

RISK MANAGEMENT

Climate change is embedded in the Bank-wide Risk Management Framework, which enables climate risks to be managed in line with other risks. This includes identification, assessment, management, monitoring and reporting of climate risks.

Handelsbanken plc has developed a climate change risk assessment including data from across all areas of the Bank. The risk assessment is subject to a yearly refresh and allows the Bank to manage and monitor the most significant risks on an ongoing basis.

Climate-related risks have been classified into physical and transition risks and are considered using the existing risk assessment matrix, that looks at both the likelihood and potential impact of an event happening in the next 12 months.

Risk owners have been assigned to identified climate-related risks from the first line of defence, and the risks have been included in the scope of second line of defence's oversight and third line of defence's (internal audit) audit plan.

Handelsbanken plc has introduced Climate Risk Early Warning Indicators (EWIs) within its quarterly ESG and Climate Risk MI report, with the objective of identifying trends in climate-related risk indicators that may negatively impact the Bank's portfolio, and prompting appropriate mitigation. The Bank has introduced climate-related risk tolerances and is exploring ways of operationalising them through revised credit assessment and review processes. Risk indicators are listed in the Metrics and Targets section of the report.

Climate change is managed across the three lines of defence as summarised below:

Team	Roles and responsibilities
First line risk owners, such as credit risk	• Identification, assessment, management and monitoring of climate change risks across impacted areas of the Bank. • Reporting of climate risk against risk control self-assessment.
Second line risk oversight	• Providing ongoing oversight with advisory input and challenge to ensure the Bank meets external and internal climate risk management requirements. • Coordinate further embedding of climate change risk across business functions and second line risk oversight, the Climate Change Risk working group's tasks include: - Coordinate progress against SS3/19 plan, PRA Dear CEO Letter from Sam Woods 'Thematic feedback on the PRA's supervision of climate-related financial risk and Dear CFO Letters on Thematic feedback from the 2021/2022 & 2022/2023 round of written auditor reporting'. - Further embedding climate change risk into the risk management processes, improving climate change reporting and support improvements in climate change capabilities. - Coordinate climate change scenario analysis and stress test, including development of modelling capabilities. - Production of quarterly climate risk management information. • Use scenario and risk analysis to build into Bank's strategy, communication and broader ESG plan.
Internal audit	• Climate change risk and ESG are assessed as part of the annual IA risk assessment process. • Independently assess the adequacy of the ICAAP governance and execution processes. This includes assessment of the Bank's approach to climate change.

The management of the main risk categories are summarised below:

Credit Risks
Physical and transition climate risk is considered as part of lending decisions and at annual review for lending secured against real estate, via assessment of flood risk and EPC ratings. In addition, a broader sustainability assessment is included in the customer credit rating process. As part of the annual review process the Bank then continues to monitor and look to support customers with transitional activities.

For investment properties, branches record and consider the implications of current EPCs and related risks (fire risks / social and flood risks). Such identifiers assist in supporting customers' transitional activities as well as credit assessment.

Work is ongoing to enhance the sustainability assessment in the credit rating process. A number of communications and training sessions have been delivered to branches to support their understanding and assessment. A tool is also being deployed to support account managers in embedding climate and sustainability considerations within their customer engagement, while capturing additional climate-related data.

Operational Risk
Risk Control Self-Assessment (RCSA) is the key mechanism through which the Bank understands its operational risk exposure. RCSA is used to identify and measure operational risks faced by the Bank in order to facilitate the effective management of risks within risk tolerance. Climate change risk is classified as a crosscutting risk in the Bank's taxonomy given that it can run across a spectrum of risk categories. For example, climate-related risks within operational risk in the Bank include business continuity, third party management and damage to the Bank's physical assets.

This approach to operational climate change risks is closely linked to our wider work on operational resilience (in line with FCA PS21/3, PRA PS6/21). This includes testing the Bank's ability to resume important business services within impact tolerance in a range of severe-but-plausible disruption scenarios.

Handelsbanken plc's test scenarios will cover disruptions to key people, facilities, systems, data, suppliers and FMIs. The implementation of policy statements will strengthen the Bank's ability to respond to and recover from operational disruptions, including those that could be caused – whether directly or indirectly – by climate change.

The third party due diligence questionnaire sent to new high and medium risk suppliers during on-boarding has been revised, with questions regarding disclosure and management of climate-related risks added.

Liquidity and funding risk
Handelsbanken plc has identified a number of climate-related risk factors that could impact the Bank's liquidity and cost of funding, such as:

- adverse climate events that affect inflation and market interest rates; and
- concentration of customers in high flood risk areas that could negatively impact customer deposits, should a severe flood event take place.

The risks are monitored on an ongoing basis via the annual risk assessment (mentioned previously), where the materiality of risks is assessed and necessary controls put in place. The quarterly ESG and Climate Risk MI report is also used for liquidity and funding-relevant Early Warning Indicator monitoring.

Risk identification is an ongoing process and climate change risks have now been embedded to inform part of the annual refresh across all principal risks in the Bank.

METRICS AND TARGETS

Climate Environmental Data
In order to become a climate-positive organisation, we recognise the need for accurate and reliable environmental data, particularly for our Scope 3 emissions. It is important that we have an accurate picture of our existing emissions so that we can monitor the impact and adequacy of our ensuing emissions reduction initiatives.

Climate-based calculations are made according to the GHG Protocol. Emissions are included from sources that are owned or operatively controlled by the Bank, divided into three categories, referred to as scopes.

- Scope 1 covers direct emissions from owned / controlled sources. The Bank previously reported gas usage as part of Scope 2 district purchased energy emissions on an intensity basis, as UK emissions data have historically been coordinated by Handelsbanken Group, where gas usage for heating is extremely limited. However, better availability of supplier data has allowed the Bank to partially separate Scope 1 and 2 during the year in order to better reflect the UK Bank's usage of gas for heating;
- Scope 2 covers indirect emissions from purchased electricity, heating and cooling. Emissions are calculated on the basis of specific consumption figures for each branch or unit, multiplied by an emission factor. Where specific figures are unavailable, consumption is estimated using adjacent units or energy statistics; and
- Scope 3 covers indirect emissions outside our organisation. For this, the information is received directly from our paper suppliers, travel agency, IT equipment and transporters. Scope 3 emissions are being reviewed to widen scope of included data for next year with the aim to cover all purchased goods and services.

We measure our emissions in tCO_2e which stands for metric tons of carbon dioxide equivalent, a standard unit for measuring greenhouse gases. It does not just cover carbon dioxide but other greenhouse gases too such as methane (CH_4) and nitrous oxide (N_2O). Certain emissions are not included in the calculations, such as emissions from coolants, commuting, and from the

Bank's investments. The methodology used for calculating emissions is in Handelsbanken Group's annual CDP report on the CDP website.

In 2023, we saw a year-on-year decrease in our overall emissions. Our overall 2023 emissions were 2,032 tCO2e, while our chosen intensity ratio of emissions per full time employee was 0.70 tCO2e, compared to 2022's 0.78 tCO2e.

We continued to see a decrease in key areas, such as the 11% year-on-year reduction in electricity usage, owing in part to a reduction in the number of branches, as well as to energy efficiency measures being put in place across our estate. We also saw a decrease in paper usage and in 2024 will continue to prioritise paper reduction across the Bank.

Business travel mileage had the most significant increase from 2022 with a 55% increase. This data has informed our 2024 priorities, which include a review of the Bank's travel policy and incentives, as well as the level of detail within our data. These and other initiatives detailed in the Operational Sustainability section above will lead to further reduction in our carbon emissions.

Handelsbanken plc continues to implement a data improvement plan across its operations, to give a more comprehensive and precise picture of Scope 1, 2 and 3 emissions. Resource has been increased to coordinate Bank-wide data improvements, with an initial focus on emission-related data. Within Scope 3, the scope of reported categories will be widened to include data on employee commuting, working from home and an expansive view of our purchased goods and services.

Activity	Source emission factors
Electricity consumption	The 2023 UK Government Greenhouse Gas Conversion factors for Company Reporting
Heating & cooling	The 2023 UK Government Greenhouse Gas Conversion factors for Company Reporting
Transport Figures	Average across home markets
Business travel	Figures from service provider
Resource consumption	Figures from service provider where available and average across home markets where not
Greenhouse gases (GHG)	GWP factors CO2 : 1, CH4 : 28 & N2 O: 265. Source: IPCC R4 consistent with the 2023 UK Government Greenhouse Gas Conversion factors for Company Reporting

Our emissions and energy usage data is as follows:

General information	Unit	2023	2022	2021 baseline*
Number of branches reporting	Number	153	162	196
Total office space reported	M^2	42,778	48,586	50,261
Number of employees covered by environmental data[1]	Number	2,923	2,658	2,667

GHG emissions (tCO2e)	Unit	2023	2022	2021 baseline*
Scope 1 emissions[2]	Tonnes	0	99	152
Scope 2 emissions[3]	Tonnes	992	1,089	1,148
Scope 2 emissions without GO electricity	Tonnes	1,489	1,614	1,948
Scope 3 emissions[4]	Tonnes	1,040	874	617
Total emissions	Tonnes	2,032	2,062	1,917
Total emissions per employee	Tonnes/employee	0.70	0.78	0.72

* 2021 is used as the base year in line with the Bank's work related to the Science Based Targets initiative.
1. Number of employees according to the definition in the Annual Report average number of full-time employees.
2. Scope 1 – Direct emissions from stationary combustion of diesel, city gas, biogas and Eo1 fuel oil. Scope 1 is 0 in 2023 due to our purchasing of Biogas. See Footnote 7 for more information.
3. Scope 2 – Indirect emissions from purchased electricity, heating and cooling.
4. Scope 3 – Other indirect emissions from business travel, transportation, paper use, water consumption, upstream emissions from electricity use, and purchased IT equipment.

Emissions of greenhouse gases by source (tCO2e)	Unit	2023	2022	2021 baseline*
Emission from energy use (in buildings)	Tonnes	1,112	1,237	1,367
Emissions from Business travel	Tonnes	670	369	105
Emissions from IT Equipment[4]	Tonnes	171	366	308
Emissions from other sources	Tonnes	79	90	138

Energy usage	Unit	2023	2022	2021 baseline*
Total energy consumption (in buildings)	MWh	8,356	9,514	11,233
Electricity consumption[5]	MWh	2,403	2,712	3,778
Change in electricity consumption from preceding year	%	-11%	-28%	N/A
Proportion renewable electricity[6]	%	100%	100%	100%
Total electricity consumption per employee	MWh/employee	0.82	1.02	1.42
Use of heating and cooling	MWh	5,953	6,802	7,455
Emission from Biogas[7]	Tonnes	54	N/A	N/A

Business travel	Unit	2023	2022	2021 baseline*
Total business travel	Km	4,569,091	2,942,175	814,340
Business travel per employee	Km/employee	1,563	1,107	305
Travel by air	Km	986,066	443,833	24,945
Travel by car	Km	1,657,105	1,262,561	542,986
Travel by train	Km	1,925,920	1,235,781	246,409

Resource efficiency	Unit	2023	2022	2021 baseline*
Paper usage	Tonnes	70	74	122
Paper usage per employee	Kg/employee	24	28	46
Water consumption[8]	M3	20,038	17,157	13,537

* 2021 is used as the base year in line with the Bank's work related to the Science Based Targets initiative.

5. A new review of energy data in the UK resulted in an increase in Scope 1 emissions and a decrease in Scope 2 emissions.
6. We purchase Renewable energy certificates after total volume of electricity is calculated.
7. Biogas emissions are accounted for outside of the regular GHG protocol. Handelsbanken has purchased Biogas for branches that are on a centrally managed contract evidenced through REGOs. This does not cover all of our branches as some have energy provided by the landlords. Centrally managed branches in 2022 and 2021 were also supplied with Biogas, however, we have not been able to update the Scope 1 & Scope 2 emissions from those years to reflect this. This means that there is a drop in emissions between these years and 2023 due to the inclusion of Biogas in this year's calculations, which is not a true reflection of the decrease in the Bank's energy emissions.
8. Data estimated from the Bank's own properties in Sweden.

Transition-related
Handelsbanken Group has a number of climate-related metrics and targets. These include a target that by 2025, 20% of loan volumes shall be green, social, or measurably contributing to the net-zero transition of a customer, e.g. sustainability-linked finance.

In 2021, Handelsbanken Group announced a target to be net zero by 2040 at the latest. The same year, the Bank signed up to use the Science Based Targets initiative (SBTi) for target–setting, the world's leading target setting protocol. In 2023, the Handelsbanken Group submitted its first interim targets for approval with SBTi, aligned with a 2040 trajectory.

These are:

- to reduce commercial real estate lending-related financed emissions by 53% by 2030 on an intensity basis per m2;
- to reduce residential real estate lending-related financed emissions by 56% by 2030 on an intensity basis per m2;
- to reduce power generation lending-related financed emissions by 72% by 2030 on an intensity basis per MWh of energy produced;
- to reduce operational emissions by 50% by 2030 on an absolute basis, whilst continuing to procure 100% renewable energy;
- to align its investment portfolios with a 2.02°C Implied Temperature Rise (ITR) by 2028 for Scopes 1 and 2, and 2.22°C ITR for Scopes 1-3; and
- for 50% of large real estate and 46% of large corporate customers to have set science-based targets by 2028.

All targets are relative to a 2021 baseline.

The Bank intends to monitor progress against targets on a quarterly basis, which will be provided to senior management.

Scope 3 category 15 Financed Emissions for real estate is the Bank's most material emissions source. It represents over 80% of Handelsbanken plc lending. Year on year performance is below.

Scope 3 Category 15 (Financed Emissions) Category	Metric Type	Q3 2023	2022	YoY change
Real Estate (kg CO2e/m2)	Intensity	39.23	39.18	0.1% increase

Scope 3 emissions calculated using PCAF methodology. Q4 '23 information unavailable at this time

The Bank's emissions intensity may have increased for a variety of reasons. Primarily, the sustainability strategy and product deployment remains early stage, and further product launches and customer tools may steer behaviours. Other reasons may include:

- the Bank's exposure to estates and listed property, which may have limited decarbonisation options;
- EPC evaluations becoming more stringent over time, in turn impacting financed emissions methodology, and;
- clients with strong financials and efficient property being potentially more likely to pay down loan balances during a high rates environment, resulting in a carbon intensity increase for the remaining lending book.

Risk Metrics
As discussed in the Risk Management section, the Bank creates quarterly climate risk MI, which measures aspects such as exposure to high flood risk, and exposure to poor EPCs, assessing trends. The intention is to widen the scope of these metrics to cover other relevant physical and transition risks.

Transition Metrics – Real Estate Energy Efficiency

The use of EPC data is crucial to understanding the impact of transition risk. EPC ratings are monitored to provide a view of the energy efficiency of the Bank's property lending book. There is an ongoing initiative to improve the data coverage and quality of the EPC ratings.

The distribution of the EPC ratings, as of December 2023 for our real estate collateral is shown below, compared to the UK market as of March 2023. The internal distribution is broadly aligned with the UK market, but it should be noted that the internal data is negatively skewed where there are multiple units with different EPC ratings within a single larger building, as our system records the worst performing EPC, including where that involves a missing or expired EPC.

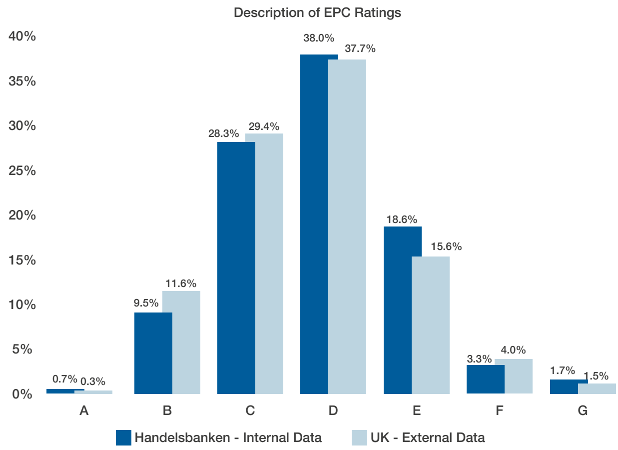


Figure 3: Distribution of EPC Ratings vs. National Average

Exposure to Flood Risk

The Bank has sourced flood risk data at postcode level from JBA. JBA's flood risk assessment incorporates four flood risk types (river, coastal, surface water and groundwater chalk). The flood risk rating in the figure below is based on JBA's 2023 floodability index which indicates the likelihood of flooding for postcodes in the UK; it is based on a qualitative scale across five bands, ranging from low to very high flood risk. As of 31 December 2023, 12% of the collateral is in areas that have high or very high flood risk (2022: 11%). Flood risk insurance is a condition of any lending and we do verify, and for larger exposures seek evidence, that flood risk insurance remains in place.

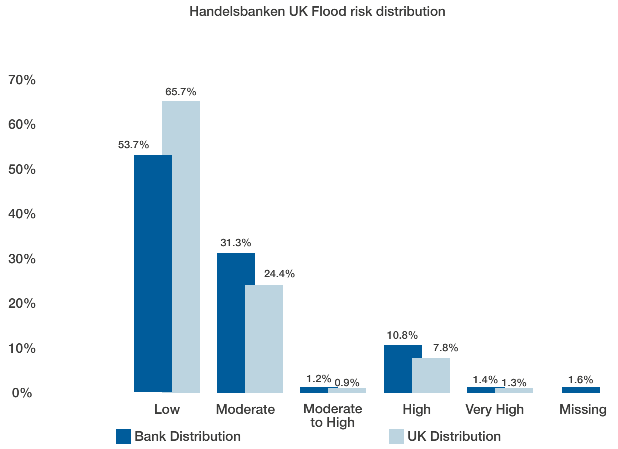


Figure 4: Distribution of Collateral by Flood Risk Rating

Branch Metrics

A dashboard has also been created for our branch teams, covering aspects such as branch-level financed emissions intensity for property lending, exposures to flood and EPC-related metrics, and commercial opportunities.

Operational Metrics

The Bank has a number of operational metrics and targets including, as previously noted, to be Operational Net Zero in the UK by 2030, as part of Handelsbanken plc's transition plan commitments. The scope of this target will be specified during 2024.

Regarding remuneration, the Bank operates an all-employee profit share scheme called Oktogonen, described earlier in the Non-Financial and Sustainability Information report. Whilst the scheme considers aspects such as long-term financial stability and customer satisfaction, to which sustainability is both linked and a contributing factor, the Bank does not directly consider sustainability factors such as net zero performance within this scheme. The absence of an individualised element within Oktogonen reflects the Bank's long-held principle that employees are intrinsically motivated to do worthwhile work well, and will take responsible decisions for the long-term where no individual (typically short-term) financial incentive is at stake. Sustainability forms part of business planning processes across the company and within the culture.

The Bank is reviewing the practical feasibility of internal carbon price implementation on various fronts, for example:

- **Products:** Draft tools have been created to provide attribution of internal carbon prices. A single loan solution for real estate portfolios has been reviewed. The Bank will assess appropriateness of internal carbon pricing, including possible pricing by EPC as a proxy method to reflect varying levels of counterparty transition risk.
- **Business travel:** The Bank is exploring the feasibility of implementing an internal carbon price with its third-party travel provider. To complement this, the Bank is looking at deploying other green travel incentives, such as an EV salary sacrifice scheme coupled with on-premises EV charging facilities.

Handelsbanken Wealth & Asset Management Limited offers four multi-asset sustainable funds that work to incentivise better corporate behaviour and support positive environmental and social impact. These funds are rated between A and AA by MSCI. Sustainable fund assets as a percentage of overall AUM of our multi asset funds remained steady through 2023.

Climate Risk Sector Exposure

The Bank has assessed its exposure to sectors with high physical or transitional climate risk. MI is recorded in line with PRA and European Central Bank (ECB) expectations. The table below shows exposures to these sectors relative to total corporate lending.

Proportion of lending to Climate Change Sensitiv Sectors			
Sector	**Q4 2022**	**Q4 2023**	**YoY Change (pp)**
Agriculture and Fishing	1.00%	1.03%	0.03%
Business Services related to accommodation and food (i.e. tourism) and human health	6.38%	7.24%	0.06%
Construction	6.17%	7.47%	0.21%
Electricity (production, trade, supply)	0.03%	0.03%	0.00%
Finance Industry	4.42%	4.68%	0.06%
Manufacturing various (e.g. food, textiles, apparel, leather, wood and paper products, chemicals)	2.36%	2.42%	0.03%
Public administration	0.01%	0.06%	5.00%
Real Estate	72.97%	71.39%	-0.02%
Transport, Utilities and Storage	1.01%	1.02%	0.01%
Water collection or transport	0.59%	0.61%	0.03%
Fossil Fuel - Indirect (i.e. Support Activities, Distribution, Trade, Sale)	N/A	0.11%	N/A

Table 1: Percentage of Lending by Sector

Corporate Governance report

CHAIRMAN'S INTRODUCTION

On behalf of the Board I am pleased to introduce the Corporate Governance Report for the year ended 31 December 2023

BOARD AND ACTIVITY

The Bank remains committed to delivering high standards of corporate governance, which it does by having a robust governance framework. A comprehensive range of policies and procedures enables the Board to take informed decisions to secure a position that will enable us to deliver sustainable growth on behalf of our key stakeholders.

This report seeks to provide oversight of the key areas of deliberation of the main Board committees and show the interconnectedness of decision-making across the Bank to highlight how they function according to the standards, processes and culture we ultimately set. The Board was also closely engaged with the progress made to implement the FCA's Consumer Duty requirements, which came into effect in July. These requirements support the Bank's customer-centric outlook which is synonymous with good customer outcomes. There were 10 scheduled Board meetings this year and these were supplemented by training, briefing sessions and ad hoc meetings which included strategy and execution, financial performance, risk management and corporate governance.

Regular updates were also received from around the business with presentations on matters such as the Bank's mortgage model, the district model and structure, wealth management proposition and integration with the branch network. There were also presentations on macroeconomic developments, business transformation and change, financial crime prevention, diversity and inclusion, sustainability and climate and regulatory change.

Below is a summary of some of the areas considered in the year:

- **Strategy:** Following the simplification and streamlining of the organisational structure in prior years, the Board kept close to developments which have helped increase efficiency and clarity of responsibility. This has included regular updates on investments, change programmes and deliverables, all the while monitoring and increasingly scrutinising costs. The Board also considered the Bank's business plan and oversaw updates to its strategy, ensuring alignment of strategic objectives with the wider Group;
- **Succession:** Succession plans for Board and senior management have been a key feature this year. Following subsidiarisation in 2018 and the appointment of a new Board, care has been taken to ensure that we have the right balance of skills both now and in the future. The Board has deliberated the rotation of committee members to ensure sufficient exposure as well as succession for the key position of Board Chair and Committee chairs. This encompassed the skills and experience required to deliver against the strategic ambitions of the Bank in addition to ensuring sufficient inclusion and diversity. Whilst the Board has a good gender balance more needs to be done and consideration given to how to accelerate this;
- **Governance and risk management:** Improvements to the policy framework and the governance framework in previous years have allowed more time to delve into the detail in certain areas, such as the credit framework and process. The Board has challenged management to streamline processes where possible to free up branch time, without compromising quality. In addition, the Board reviewed, challenged and approved the Bank's prudential documents including the ICAAP, ILAAP, recovery plan, risk tolerance statements and the Risk Management Framework. The Board has also considered the ongoing project for the Bank's move towards an Internal Ratings Based ('IRB') approach to calculate risk-weighted exposure amounts for credit risk;
- **Financial performance:** Regular updates from the CEO and Chief Financial Officer on the Bank's performance have kept the Board informed. There has been continued focus on business volumes and the effect of increasing interest rates, and the capital and liquidity position of the Bank;
- **Sustainability:** The Board remains informed of the path to net zero and how the initiatives in this area will align with the corporate strategy. This included consideration of how customers could be supported, new product lines and how the Bank could strengthen its Environmental, Social and Governance offerings; and
- **People:** The talent strategy to ensure we attract and retain key talent. The Board also received updates on the 'Back to Work' initiative and Black Interns programme. The Bank is committed to the development of a workplace strategy to help colleagues to thrive, develop and succeed.

COMMITTEES

The Board has delegated a number of responsibilities to Board committees, which utilise the expertise of members to make decisions and recommendations. The Chair of each committee reports the outcome of committee meetings to the Board and all committee papers and minutes are available to the whole Board ensuring that necessary oversight is maintained.

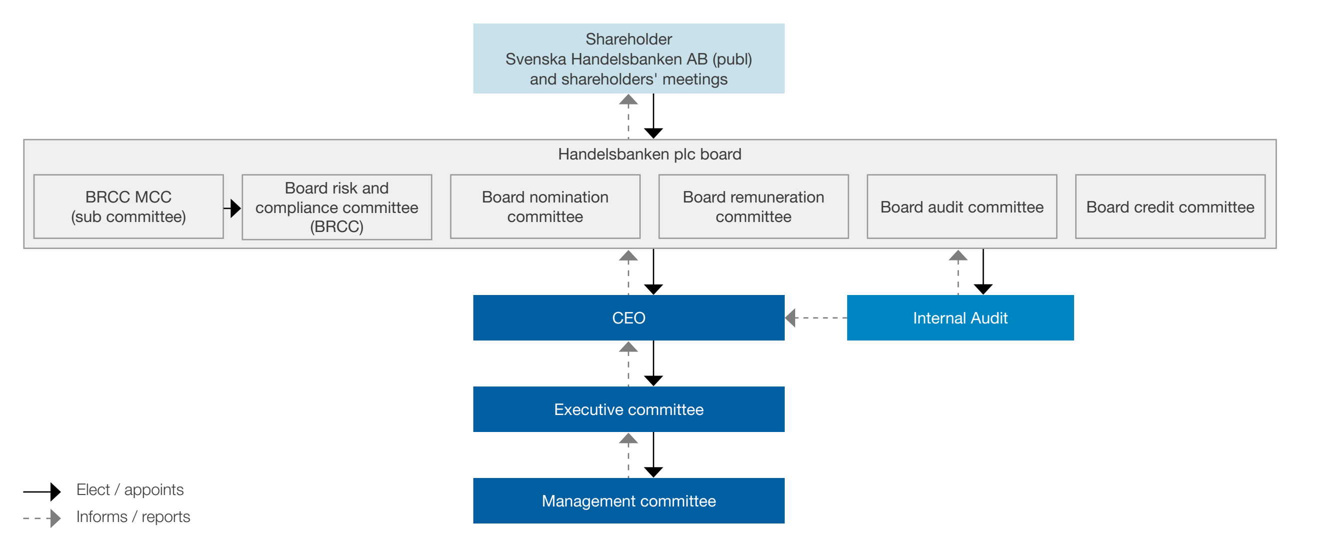
The matters reserved for the Board and terms of reference are reviewed annually to ensure they operate effectively. Independent non-executive directors are represented on all Board committees, to allow for independent challenge.

During the year, it was decided that the IT Strategy Committee would be disbanded. Instead a sub-committee of the Board Risk and Compliance Committee was established, named the Board Risk and Compliance Material Change Committee. The Committee's role is to oversee the Bank's strategic business and IT modernisation change objectives, and their associated risks.

A report from the main Board committees, which sets out their approach and considerations can be found in the Governance Report section starting on page 52.

Management committees report to the Executive Committee whose purpose is to be an advisory body to the CEO in order for the CEO to make informed decisions. The CEO reports formally to the Board, at each Board meeting, on any material matters raised and decisions taken by the CEO since the previous Board meeting. Terms of reference are issued for the management committees, and other governance bodies as appropriate, and these specify the responsibilities, membership, roles, responsibilities and reporting lines of the respective body.

The below illustrates the committee structure in Handelsbanken plc as at 31 December 2023:



CULTURE AND VALUES

There is a clear division of responsibility which enables each part of the business operations to have full responsibility for its business and risk management. The Board recognises the importance of its role in setting the tone of the Bank's culture and embedding it throughout the organisation. As a consequence, there are strong incentives for high risk awareness and for prudence in the business operations with the decentralised business model being combined with centralised controls. A number of information sources are used to gauge the company's culture and these include pulse surveys adherence to conduct rules, disciplinary procedures, incident logs, customer complaints and assessing the effectiveness of the Bank's risk management framework. The Handelsbanken culture, which empowers colleagues to make decisions and take responsibility is embedded throughout the organisation.

LOOKING AHEAD

Handelsbanken plc complied with the Wates Principles for the reporting period ended 31 December 2023. Our corporate governance priorities for the year ahead will be to continue to operate at high levels of corporate governance as well as reflect and further embed the learnings from the 2023 Board effectiveness reviews, which will result in the continued strengthening of governance across the Bank.

MEETING AND ATTENDANCE TABLE

The Board and Board committees held a number of scheduled meetings in 2023 at which senior executives, external advisors and independent advisors were invited, as required, to attend and present on business developments and governance matters. Sufficient time is scheduled at the start of every Board meeting, and as required, for the Chairman to meet separately with the non-executive directors to discuss any matters arising. There is a comprehensive Board pack and agenda which is circulated beforehand so that directors have the opportunity to consider the issues to be discussed. The Company Secretary attended all Board meetings and is responsible for documenting discussions and actions arising at meetings.

The table below sets out the attendance at formally scheduled meetings in 2023. Additional Board and Board committee meetings were convened during the year to discuss ad-hoc business development, governance, and regulatory matters. These ad-hoc meetings have not been included in the table below but are referenced in a footnote:

Board and Committee attendance at scheduled meetings in 2023

Board Member	Board Meeting	Remuneration Committee	Audit Committee	Risk and Compliance Committee	Nomination Committee	Credit Committee
Mikael Hallåker (Chair)	10/10	7/7				12/12
John Ellacott	10/10	7/7	5/5	8/8		
Maureen Laurie	10/10	7/7		4/4	3/3	
Agneta Lilja	10/10			8/8	3/3	
Mikael Sørensen	10/10					12/12
Martin Björnberg	10/10					
Arja Taaveniku	10/10			8/8		12/12
Margaret Willis	8/10	7/7	4/5	6/8		
Patricia Jackson	10/10		5/5	8/8	3/3	12/12

1. The Board met on 3 separate occasions in the year to consider one-off items where a Board approval was required
2. The Board welcomes directors to attend committee meetings where they are not members
3. The Board Nomination Committee met on 2 separate occasions in the year to consider one-off items, 1 of which was by circulation

SUBSIDIARY GOVERNANCE

Handelsbanken Wealth & Asset Management

Handelsbanken Wealth & Asset Management was acquired by the Handelsbanken Group in 2013 and became a wholly owned subsidiary of Handelsbanken plc on 30 November 2018. Handelsbanken Wealth & Asset Management provides investment and wealth management advice and solutions to UK based clients.

Handelsbanken Wealth & Asset Management is regulated in its own right by the FCA (Company Registration number 4132340) and has its own Board which meets four times a year. The Board incorporates two executive directors, two non-executive directors (including the Chair) and two independent non-executive directors:

Tracey Davidson
(Chair) (non-executive director) appointed on 24 May 2013

Margaret Willis
(independent non-executive director) appointed on the 1 February 2022.

Michael Broom
(non-executive director) appointed on the 17 May 2018

Richard Charnock
(independent non-executive director) appointed on 17 April 2023

Graham Turner
(CEO)

Peter McCree
(Chief Operating Officer)

A number of Board and management committees are established in Handelsbanken Wealth & Asset Management to support the Board and the business in making informed decisions. The CEO of Handelsbanken Wealth & Asset Management updates the Handelsbanken plc Board and Executive committee on proceedings at the subsidiary regularly. Since November 2021 Handelsbanken Wealth & Asset Management has an in-house Authorised Corporate Director (ACD) which reports to its own independent Board.

In line with the usual parent subsidiary relationship across the Handelsbanken Group, Handelsbanken Wealth & Asset Management's business model, vision, strategy and governance shall be aligned with that of Handelsbanken plc, as detailed above, unless UK regulations state otherwise. Handelsbanken Wealth & Asset Management is subject to internal audits by the Internal Audit department in Handelsbanken plc and external audit by PwC. For more details on the audit arrangements of Handelsbanken Wealth & Asset Management and how they are overseen please refer to the Committee Reports section on page 52.

The Board receives regular updates from Handelsbanken Wealth & Asset Management's business functions including the second line of defence.

Svenska Properties Nominees (SPNL)

SPNL is a nominee company, established to enable Handelsbanken plc to perfect legal charges over securities. It is classed as a dormant company under the Companies Act and has two directors appointed, both of which are executives of the Bank. The SPNL Board meets once a year.

Wates principles

Handelsbanken plc is committed to delivering high standards of governance, corporate and social responsibility, ethics and risk management with sound and prudent management being central to the Bank's values and governance structure. As in previous years, the Bank has applied the Wates Corporate Governance Principles for Large Private Companies which provide a framework for the Board to monitor governance standards across the Bank, ensuring that the business operates according to the expected culture, values and standards whilst delivering against the operational and strategic objectives. Detail on how this has been achieved is included below.

Principle 1 - Purpose and Leadership

"An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose."

The Wates Principles

PRINCIPLE 1 – PURPOSE AND LEADERSHIP

We are a relationship bank, both inside and out. We aim to build close, lifelong relationships with each of our customers, by showing them consistent care and high quality service, and by remaining financially strong enough to support them throughout the economic cycle. We also aim to attract and develop our employees for life, thereby strengthening both our customer relationships and our culture.

The Bank's core values are fundamental and timeless. First, we 'trust in the individual' and their desire and ability to do things well, which makes it natural to decentralise and empower colleagues throughout our business, with all employees working within the Bank's central framework of principles, policies and control. Second, we take a long-term, sustainable view in everything we do. This steers us to forge deep and lasting customer relationships, to limit the Bank's risks and those of our customers, and to take sensible, sustainable decisions. Our employee profit share foundation, Oktogonen, steers us in this direction. (Please refer to page 44 for details of our remuneration system).

These values support the Bank's aim 'to have higher return on equity than the average of comparable peer banks in its home markets,' an objective shared with Handelsbanken Group, as they support our goal to have more satisfied customers and lower costs than our competitors. In turn, this offers the Bank's shareholder long-term, high-growth in value, expressed in increasing earnings per share over a business cycle.

The Board's primary role is to provide leadership and to make sure the Bank is appropriately managed within a framework of prudent and effective controls and core values, while delivering long-term shareholder value. The Board is responsible for the Bank's strategy, corporate culture, governance framework, risk management and internal controls, risk tolerances, and its compliance obligations under the regulatory system. To assist with this, the Board continually monitors and takes opportunities to improve its performance.

The Board is committed to ensuring good governance throughout the Bank and for instilling the culture of decentralisation, customer focus, sustainable decision-making, and social responsibility. These values are reflected in the policies and directions from the Board, as well as in its support, review and challenge of the Bank's affairs when engaging with executive management and other stakeholders.

Further details about stakeholder engagement can be found in our Strategic Report on page 45.

Highlights of the work completed by the Board during 2023 are in the Corporate Governance Report on page 34.

Principle 2 - Board Composition

"Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company."

The Wates Principles

The Bank's only shareholder, Svenska Handelsbanken approves the appointment of the Board members, based on recommendations from the Nomination Committee and approval by the Board. Board members bring a range of skills and experience to the Bank through the combination of four independent non-executive directors, three non-executive directors (including the Chairman) and two executive directors. This diverse skillset and experience ensures the Board has oversight and a strong understanding of the Bank's operation and its stakeholders which helps support executive management by providing useful challenge and support.

Directors

Mikael Hallåker
Chairman

Mikael Hallåker has worked for the parent company Svenska Handelsbanken since 2001 and is currently the chairman of the board for two other Handelsbanken Group subsidiaries: Handelsbanken Liv (life insurance) and Handelsbanken Fastigheter (property company). He is also a board member of the Handelsbanken Group's pension fund and the Group's pension trust. Mikael has been a member of senior management within the Bank's parent, having previously been Head of Investor Relations and Rating at Svenska Handelsbanken since 2010. He has experience in investment banking and from the insurance industry in Sweden and the United States where he has sat on a number of boards and subsidiary boards.

Board committee memberships
Board Remuneration Committee, Credit Committee

Maureen Laurie
Senior Independent Non-Executive Director, Chair of the Board Remuneration Committee

Maureen Laurie's background is in international financial services, news and the public sector, having held senior HR roles for Reuters, the European Bank for Reconstruction and Development, Standard Chartered Bank plc, Barclays International and Private Banking, London International Financial Futures and Options Exchange (LIFFE), Euronext NV/NYSE Inc. and the British Council. She has also served as a non-executive trustee director and independent governor for London Metropolitan University; independent non-executive director and remuneration committee chair for the Cooperative Bank plc, and as an elected trustee director for Reuters Pension Fund Limited.

Board committee memberships
Board Remuneration Committee (Chair), Board Nomination Committee, Board Risk and Compliance Committee

John Ellacott
Independent Non-Executive Director, Chair of the Board Audit Committee

John Ellacott worked at KPMG for 33 years, including 21 years as a Partner, before retiring in September 2017. At KPMG, John was primarily an auditor, but also provided advisory services covering strategy, regulatory transactions and listings both in the UK and internationally. John specialised in the financial sector and has worked with many of the UK's leading banks and building societies. John was a governor of Giggleswick School and has also served on the regional board of the Prince's Trust.

Board committee memberships
Board Audit Committee (Chair), Board Risk and Compliance Committee, Board Remuneration Committee, Credit Committee

Agneta Lilja
Non-Executive Director, Chair of the Board Nomination Committee

Agneta Lilja started her career in Svenska Handelsbanken in 1981 and during her time in the Bank has held senior positions as Head of Handelsbanken International as well as an area manager in the Bank's Stockholm region. Between 2010 and 2019 she was a member of Svenska Handelsbanken senior management, as Head of Central Infrastructure, Chief Information Officer and executive director.

Board committee memberships
Board Nomination Committee (Chair), Board Risk and Compliance Committee

---

Mikael Sørensen
Chief Executive Officer

Mikael Sørensen was appointed CEO of Handelsbanken UK in September 2016. Before joining the UK Bank, Mikael worked in numerous roles and regions across the Handelsbanken Group, including Branch Manager and Regional Area Manager in Denmark, General Manager in Poland, and as CEO in the Netherlands from 2007 to 2016. He has been a member of Handelsbanken's Group senior management since 2013. Mikael sits on the Council of the Swedish Chamber of Commerce, a not for profit organisation aimed at supporting entrepreneurs and businesses within the Swedish-British business community.

Board committee memberships
Credit Committee

Martin Björnberg
Chief Financial Officer

Martin Björnberg joined Svenska Handelsbanken AB (publ.) in 1989. Martin started working in the Bank's branch operations as an account manager before moving to IT and business development operations where he led improvement and efficiency programmes for the Bank's retail processes. Between 2002 and 2017 Martin moved on to hold senior management positions in one of the Swedish regions. He was also Head of HR for the Swedish Regional bank's unit in Stockholm. Martin has held his current position of Chief Financial Officer for Handelsbanken plc's operation since April 2017, with a short break between 1 December 2021 and 1 March 2022 when the position was held by Jorgen Olander.

Board committee memberships
None

Margaret Willis
Independent Non-Executive Director

Margaret has over 40 years' experience in financial services, having held a number of senior roles. She was CEO of Unity Trust Bank and prior to that she undertook roles within HSBC in the UK, US, and Canada. She was a member of HSBC European executive and risk management committee and diversity council. Her board experience included HSBC Securities and Global Asset Management, Canada. She returned to the UK in 2012 to lead HSBC Wealth Management Europe. Until the end of 2023 Margaret was the Chair of Music for Youth, a national, UK-based youth arts charity. Margaret has also been an independent non-executive director on the Board of Handelsbanken Wealth & Asset Management since 1 February 2022.

Board committee memberships
Board Remuneration Committee, Board Risk and Compliance Committee, Board Audit Committee, Handelsbanken Wealth & Asset Management - Board, Handelsbanken Wealth & Asset Management - Remuneration Committee (Chair)

Arja Taaveniku
Non-Executive Director

Arja has extensive experience of the Group, as she is an independent non-executive director of the Bank's shareholder Svenska Handelsbanken. She spent over 30 years in leadership positions with a number of international retail organisations including serving at the IKEA group between 1989 and 2012. She was also the CEO of the Ikano Group which operates within banking, insurance, property and retail 2012-2015, and as the CEO of a subsidiary and a member of the Kingfisher plc executive team between 2015 and 2018. Arja is chair of the board at Svenska Handelsfastigheter AB, and holds a non-executive director position at FTSE250 firm Dunelm plc. Previously she held a non-executive director role at Nobia Group. She is now also chairman of the board at Polarn O. Pyret.

Board committee memberships
Board Risk and Compliance Committee, Credit Committee

Patricia Jackson
Independent Non-Executive Director

Patricia has 30 years' experience in senior leadership roles supporting banks and other institutions in the development of their risk practices, capability and processes, both as a consultant and a non-executive director. Between 1994 and 2004 Patricia was the Head of the Financial Industry and Regulation Division of the BoE in 2004 she became partner and Head of the Banking Risk Practice at EY and was EMEIA Risk Governance lead between 2013 and 2017.

Patricia started her career as non-executive director in 2008 and was a member of the Lloyd's of London franchise board from 2017 until 2020 where she chaired the risk committee. She currently holds non-executive director positions as Chair of the Board of SMBC Nikko Capital Markets and Chair of the Risk Committee of a sister company, SMBC Bank International, the European hub of SMBC.

Board committee memberships
Board Risk and Compliance Committee (Chair), Board Audit Committee, Board Nomination Committee, Credit Committee

There is a clear division of responsibilities between the Board and the executive leadership of the Bank to enable a balance of power and effective decision-making. The Chairman is responsible for setting the tone from the top in terms of the purpose, vision and values of the Bank and leading and managing the Board in an effective way. The day-to-day running and management of the Bank is delegated to the CEO, save for the specific matters reserved for the Board, as set out in the Board Matters. The CEO and the Chief Financial Officer have been delegated authority by the Board to allocate formal decision powers to executive management.

The Bank operates on the basis that diversity and inclusion in its workforce is fundamental in order to reflect the societies within which it operates. In practice, this requires working towards being a truly diverse bank, in every sense. Diversity and inclusion is supported through recruitment procedures as well as career development initiatives.

Further details about gender diversity are included in the Board Nomination Committee's Report on pages 52.

Principle 3 - Director Responsibilities

"The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge."

The Wates Principles

Handelsbanken plc works with clear governance processes and direction throughout its corporate structure. The Group CEO establishes steering guidelines for the plc with the purpose of aligning the plc's model, culture, strategy, policies and guidelines with those of the parent. The steering guidelines contain a requirement to notify Group of material issues arising and reserves certain matters for shareholder approval, for example, material transactions, credit approvals in excess of delegated limits, approach to remuneration and board composition. The steering guidelines are supported by agreements between Group and the Bank in relation to, for example, balance sheet netting, capital and liquidity. Similarly to its parent, the Bank issues steering guidelines to its subsidiary Handelsbanken Wealth & Asset Management, providing high level guidance to its Board of directors, setting out certain matters reserved for the plc. The steering guidelines for Handelsbanken Wealth & Asset Management are formally established by the UK CEO.

Policies are formally documented so that responsibilities are allocated in compliance with prevailing laws and regulations. All policies and corporate governance practices are available to all employees in line with the Bank's culture of transparency and are translated into detailed instructions, supported by training where appropriate.

The Senior Managers Regime applies to individuals performing a senior management function (SMF). A SMF is a function that requires the person performing the role to be accountable for managing one or more aspects of the Bank's affairs (so far as relating to regulated activities). The regime means employees in scope are assessed annually to make sure they are fit and proper in their roles. A Senior Managers Regime responsibilities map is approved annually by the Board, having gone through review and challenge by the Executive Committee and the Board Risk and Compliance Committee.

Directors are under a statutory duty to exercise independent judgement. This includes avoiding conflicts of interest or other circumstances likely to compromise their judgement. In the Bank, all employees, including the directors of the Board, must adhere to the Bank's Conflicts of Interest Policy. The Board discloses potential conflicts of interests at every Board or Board committee meeting, with a complete conflict of interest register for directors formally noted by the Board once a year. The directors' conflicts of interest register is managed by the Company Secretary and where there are potential conflicts, these are mitigated or managed appropriately.

The Board receives regular, timely and accurate information on the business including financial data, risks, compliance and strategy. Financial information is collated by the Finance function whose team members are appropriately qualified to verify the integrity of such information. The financial statements are externally audited by PricewaterhouseCoopers LLP (PwC) annually, and financial controls are reviewed by the Internal Audit function. The departments that make up the second line of defence (e.g. Compliance and Risk) play an important role in reviewing non-financial data. Processes for collecting financial data, as well as the reporting of that data, are reviewed on a risk-based approach by the Internal Audit function with aggregate results reported to the Board Audit Committee.

All submissions for consideration at Board and Board committee meetings are reviewed by the Governance function for consistency and appropriateness. Where appropriate this is challenged with the business area, second line or the functions that oversee or specialise in risk management and compliance.

The Chairman of the Board maintains an ongoing and transparent dialogue with the shareholder about all significant matters. A Board committee, called the UK Shareholder Committee is established at Group. The aim is to have five meetings a year, four of which follow the Group financial results timetable. Although it does not possess any decision-making capability, it was established to provide additional time, focus and support on matters of importance to the Group and the Bank.

Principle 4 - Opportunity and risk

"A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risk."

The Wates Principles

OPPORTUNITY

The Executive Committee reviews and agrees the annual business plan for submission to the Board which includes opportunities to create and preserve value over the long-term and progress is monitored throughout the year. The Executive Committee continuously works to enable the business to meet its objectives and strategy, having regard to the interests of the shareholder and customers, employees and other stakeholders. The CEO presents any identified long-term strategic opportunities to the Board for approval. The culture fostered by the Board, Board committees and Management committees allows for regular dialogue on innovation and opportunity, and the flat structure of the organisation enables timely decisions to be made by the appropriate body.

RISK AND RESPONSIBILITIES

Handelsbanken plc's key risks are outlined in the Risk and Capital Management Report starting on page 61.

The Board has the ultimate responsibility for ensuring the effective management of risk. It also has overall responsibility for setting the strategy and corporate objectives, and in doing so the level and type of risks that it is prepared to allow the business to take in pursuit of the corporate goals. The Board and Board committees oversee the establishment of the risk policies, to support the governance of risk management and control in the Bank.

The Board Risk and Compliance Committee is responsible for maintaining oversight of all key risk categories relevant to the business. In doing so, it assists the Board in fulfilling its own risk oversight responsibilities, as well as monitoring risk control and risk management and the process for monitoring compliance with laws and regulations.

There are a number of management committees, including the Management Risk and Compliance Committee which oversees, reviews, assesses and challenges risks and controls and, where appropriate in line with its terms of reference make recommendations, and report to the Board Risk and Compliance Committee.

Handelsbanken plc's risk tolerance statements, which articulate the level and type of risks the business is prepared to take, are documented and communicated across the organisation; they are also reviewed and approved by the Board on an annual basis. The Board risk tolerance metrics feed into the Bank's approach to risk management, which is outlined in the Risk Management Framework, owned by the Chief Risk Officer. Risk tolerance statements and metrics are reflected in a range of documents including the Board-approved risk policies, and are translated into a series of risk frameworks. In turn, the Bank's operating standards and procedures are translated into instructions which allow implementation of risk policies through the risk management activities which are performed across the organisation as a whole. As part of the risk management framework, there is a stress testing framework outlining the Bank's approach to stress testing.

Principle 5 - Remuneration

> "A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company."
>
> *The Wates Principles*

The Remuneration policy outlines Handelsbanken plc's approach towards remuneration and is approved by the Board. The objective of the policy is to deliver a competitive and regulatory compliant reward offering, which is gender-equal and gender-neutral, and that enables the Bank to attract, retain and develop suitably qualified employees, whilst always aligning with the Bank's strategic business plan, risk profile, culture and values. The policy applies to all departments, units and branches and all employees, including directors and non-executive directors. Handelsbanken Wealth & Asset Management Limited is a wholly-owned subsidiary of the Bank and fully aligns with this policy, allowing for necessary deviation where the nature of the business, law, regulation and/or regulatory interpretation diverge from the equivalent position of the Bank, in which case the subsidiary informs the Bank of any deviation to this Policy. Remuneration at the Bank is compliant with relevant regulations and rules including the PRA remuneration rules and the FCA dual-regulated firm Remuneration Code. The views of the shareholder and alignment with shareholder policies (where deemed appropriate) are taken into account and, as necessary and where appropriate, reporting is escalated to the shareholder. There is no variable pay based on individual performance paid in the Bank. Variable remuneration in the asset and wealth management business is only paid to a small number of employees who are not material risk takers.

The Directors' Remuneration disclosure can be found in note 8.

Principle 6 - Stakeholder relationships and engagement

> "Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions."
>
> *The Wates Principles*

Playing an active, responsible role in our communities and maintaining the trust of our various stakeholders is a Handelsbanken Group value. The needs of different stakeholders are considered when making decisions, and with our reliance on word-of-mouth recommendation rather than brand or product marketing, the outcome of any decisions on our business conduct and reputation remain central to our thinking.

The Handelsbanken Group is a recognised leader in several areas relevant to our stakeholder groups, including empowering employees, creating customer loyalty, and running a stable bank that contributes to both local and national economies through the cycle.

The Handelsbanken plc Board recognises its role in ensuring that well-informed decisions are made, taking thorough account of the interests of our various stakeholders, as detailed in the following section on the Bank's stakeholder engagement.

Stakeholder engagement

The following disclosure describes how the directors of Handelsbanken plc have had regard to the matters set out in section 172(a) to (f) and forms the Directors' Statement required under section 414CZA of The Companies Act 2006. Further details on key actions in this area are also contained within each of the committee reports starting on page 52 and the Non-Financial and Sustainability Information Statement starting on page 13.

OUR COLLEAGUES

WHY WE ENGAGE

We have a fundamental belief in our colleagues and their desire and capacity to do a good job and know that empowering our employees leads to high levels of ownership and engagement, and thus in turn to customer satisfaction, which is crucial to the success of the Bank. Working this way over many years has also led to a mutually respectful, collaborative and entrepreneurial culture. Colleagues are encouraged and supported to develop their careers in whichever directions their particular talents and interests steer them: this cross-pollination of experience further strengthens the Bank's culture and effectiveness.

HOW WE ENGAGE

Our flat structure and open culture encourage colleagues to engage directly, day-to-day with executive directors and senior management.

- The non-executive directors have visited branches in the course of the year. This enabled them to have first-hand discussions with branch employees;
- Employees in the business (including all of the Executive Committee members and SMF holders) have presented to the Board during the year which provides an overview of various business areas and first hand exposure;
- The committee Chairs meet with members of management on a regular basis when planning for meetings or to receive updates on certain areas or discuss projects, as necessary. This insight helps facilitate the right items being on the agenda for discussion whilst providing additional insight;
- The Board has been involved in steps to formulate a Diversity & Inclusion strategy. This has enabled it to understand the key issues, and members also review regular updates of progress against the strategy;
- The CEO and Chief HR Officer attend the UK Works Council, which is a forum to provide a strong voice for employees. The Chair of the UK Works Council has attended Board meetings and Non-Executive Directors have also attended meetings when invited by the UK Works Council;
- The CEO holds regular physical or digital sessions with colleagues across the Bank. There have been 'town-hall' sessions to address first-hand questions from the business;
- Board briefing and training sessions have included participation from a variety of colleagues providing the Board with access to a wide-ranging group of employees;
- The CEO's regular report to the Board providing insights from across the Bank has been expanded during 2023, to include dashboards and metrics (including personnel), giving additional understanding of issues and challenges faced by the Bank; and
- There have been regular updates on organisational change from the Deputy CEO and Chief Human Resources Officer which have revealed how employees have been impacted and their views resulting from the project.

INSIGHTS AND OUTCOMES

Functions and branches in the Bank undertake an annual wellbeing survey, which looks at a number of factors including balance, respect engagement, and pride. The results provide an opportunity to consider the engagement of our employees, and some of the key drivers. The results are also produced at more local levels within the Bank, allowing teams and functions to discuss the results for their areas, and formulate any necessary actions as part of the business planning process.

There is a system through which whistleblowing concerns can be anonymously reported which supports colleagues by ensuring they can raise concerns in a confidential and safe way.

Given the Bank's straightforward, fixed salary remuneration approach, it promotes a collaborative, customer-oriented culture, as well as one with prudent decision-making, particularly in challenging economic conditions. Colleague engagement is also supported by the high levels of employee retention.

OUR CUSTOMERS

WHY WE ENGAGE

The Bank provides its customers with bespoke advice and services to actively help them transform and develop their business prospects and financial future. We want to develop long-term, personal relationships with each of our customers, ensuring they are highly satisfied with the service we provide. As a demand-led organisation, customer feedback is integral to how the Bank develops, for instance, informing and shaping which products and services we develop and how we deliver them. Through this highly engaged approach, we are able to develop our position as a 'trusted partner', while further reinforcing our local, relationship banking difference.

HOW WE ENGAGE

- The CEO regularly meets with customers enabling exposure and awareness to matters of importance to them;
- The CEO report to the Board includes an overview of metrics about branch performance. This gives the Board insight into customer feedback, competitor and industry developments locally as well as emerging trends and general customer sentiment;
- The CEO also reports on infrastructure and operations which supports the Board's understanding of the Bank's operational performance and subsequent ability to serve customers;
- The Board receives updates from senior management in respect of developments in their respective areas, as well as briefings on vulnerable customers and the steps being taken to make improvements in this area;
- Developing the digital proposition has continued to be a key focus this year as uptake increases. This will be an area of continuing focus as the Bank strives to improve functionality and usability; and
- The results of the Competition and Markets Authority (CMA)[7] banking quality survey of SME customers, and of the EPSI Rating[8] survey of personal and corporate banking customer satisfaction, are analysed and areas of potential improvement considered by the Board. This has promoted debate and supported enhancement of our digital offering to meet the needs of our customers.

INSIGHTS AND OUTCOMES

The EPSI Rating and CMA survey results show that the Bank continues to perform well, however there is no complacency, only a continued desire to improve. Long-term success is only possible with a customer-centric business model and therefore the customer outcome forms a core part of Board deliberations. The Board's focus on the green agenda, organisational change and technology at Board meetings during the year reflects this. The Bank remains committed to investment in its digital platforms to improve capabilities and, to enable focus and oversight in this area.

The Board receives continual information in relation to market developments, supporting strategic and competitor insight. Management reporting incorporates complaints statistics and customer satisfaction trends, while making suggestions for product, service and process developments that would improve the customer experience and meet their evolving expectations.

7. Independent Service Quality Survey, Competition and Markets Authority, February 2024
8. EPSI rating, October 2023

PUBLIC AUTHORITIES

WHY WE ENGAGE

As a responsible bank, there is constructive engagement with all relevant public authorities and a straightforward approach to meeting their expectations. The Board oversees the Bank's engagement with its regulatory supervisors and takes all obligations arising from this engagement extremely seriously, scrutinising plans to provide the right resources with due attention given to fulfilling the Bank's obligations. The Bank engages openly with parliamentarians, government officials and other groups involved in public policy discussions, wherever they deem our perspectives can add value to their deliberations. To this end Mikael Sorensen, CEO recently provided evidence as an expert witness to the UK parliament, as part of the Treasury Committee's inquiry into SME Finance.

The Board has received updates from the External Affairs department regularly. This facilitates harmonised engagement with these various stakeholders. The department has functional responsibility for engagement with government officials, parliamentarians, banking industry bodies and business representative groups. Responsibility for engagement with our regulators transferred to the Compliance function midway through the year.

HOW WE ENGAGE

- Throughout the year, executive directors have participated in meetings and conferences with our regulators at both the strategic and supervisory level;
- Some of our non-executive directors have also met with regulators at a supervisory level and participated in discussions with our prudential regulator in order to share their perspectives and benchmark the Bank's focuses against regulatory expectations;
- Regulatory updates are provided to the Board Risk and Compliance Committee with updates on financial regulatory horizon scanning. To improve oversight by the Board, regulatory engagement updates have been included in the Board packs during 2023;
- The CEO, Chief Financial Officer, Chief Risk Officer and Chief Compliance Officer raise matters of importance to the Board. They also provide a view of key areas of focus, alongside progress made addressing regulatory actions and other relevant areas of activity; and
- The Bank's External Affairs team enables transparency and alignment of views and enhanced proactive engagement with authorities.

INSIGHTS AND OUTCOMES

Handelsbanken plc has useful and transparent relationships with its regulators and with other public authorities including HMRC and HM Treasury. Regular liaison helps the Bank remain aligned to the evolving regulatory framework and aware of policy changes under consideration. The Board is committed to complying with all relevant legislation, in particular that relating to prudential and conduct regulation. Applicable regulation is considered in all Board decision-making and forms an integral part of the Bank's control frameworks.

OUR SUPPLIERS

WHY WE ENGAGE

Suppliers are engaged on a range of issues to minimise any risks to the Bank and also to embed best practice in a number of areas throughout our supply chain. Supporting and engaging with our suppliers enables the Bank to be in a position to receive the best possible outcomes for customers. It also gives our suppliers an opportunity to demonstrate that, in addition to providing the service, they also meet our expectations in terms of corporate, social and environmental areas.

HOW WE ENGAGE

- All contracts are subject to rigorous due diligence, follow up and cost management governance. Material outsourcing and high-risk third-party arrangements are approved by the Board in accordance with the Bank's policy on outsourcing and high-risk third-parties;
- Key supplier risk updates are provided to the Board and Board Risk and Compliance Committee that maintain oversight of high-risk and material outsourced contracts;
- The Board recognises the importance of engagement with suppliers. Via management reporting they get updates about business relationships with suppliers; and
- The Board has a zero-tolerance attitude towards modern slavery in our supply chain and annually approves the Modern Slavery Statement which is published on the Bank's website.

INSIGHTS AND OUTCOMES

With a dedicated procurement and supplier management department, the Bank engages with suppliers as part of the on-boarding process. As part of the ongoing monitoring of key suppliers, this department undertakes general due diligence regarding the financial soundness and credibility of suppliers.

The supplier management team is in regular contact with our key suppliers to monitor supplier performance against agreed deliverables to minimise any impact on the delivery of services. On a quarterly basis the supplier management team discusses performance (including objectives and plans throughout the year), risk and issues, change management, continuous process improvements and contract and commercial management. Our suppliers have continued to provide us and our customers with the contracted services throughout the year, and we continue our regular discussions with them.

OUR COMMUNITIES

WHY WE ENGAGE

Handelsbanken plc relies on the trust and support of our communities to prosper, to achieve local and sustainable growth through word-of-mouth referral. The Bank's high degree of empowerment, coupled with a decentralised structure, provides branches with both the discretion and the motivation to engage actively and responsibly within their own communities. Our branches' locally distinct constellations of stakeholders typically include business and professional networks, charitable and cultural initiatives and public institutions, among others.

Active engagement with representative organisations, business groups and industry peers facilitates the Bank's understanding of these stakeholders' interests and concerns, and facilitates their understanding of the Bank's values, approach and impacts. We remain committed to being a responsible taxpayer and corporate citizen and to meeting the evolving expectations of the communities we serve.

HOW WE ENGAGE

- During the year the Board has received regular updates on the Bank's sustainability work giving them an overview of initiatives in this area; and
- Board reporting provides insight into branch matters.

INSIGHTS AND OUTCOMES

Topics are diverse and often unique to the individual community - a benefit of our decentralised model. However, local and regional economic development, access to finance and banking expertise, and philanthropic causes are common threads, with the Bank recognising the benefits of developing meaningful, long-term networks with the local community. Employees are allowed to take a CSR day each year in order to give back to their local community through initiatives important to them. Match-funding in respect of colleagues' charity fundraising activities reiterates the Bank's desire to support causes close to colleagues' hearts.

The Board recognises that tax is one significant way in which a business contributes to society, and continues to develop Handelsbanken plc's transparent approach, building on the Group's strong reputation in this area. The Board approved a tax policy during 2023, to spell out and formalise the Bank's long-held commitment to pay all taxes due. This has also been embedded into the Bank's Risk Management Framework.

THE ENVIRONMENT

WHY WE ENGAGE

Responsible actions are essential to long-term value creation. Stable, productive and resilient ecosystems are pivotal to sustainable development, but such systems are under threat from climate change. In turn, this can impact both the global and local economy, and thus the Bank's long-term operations. From a risk perspective, it is important the Bank is able to identify and manage the risks climate change poses to its customers and their business or assets. At the same time, the opportunities of engaging with our customers to support their transitions to a net zero economy are significant, both from a commercial and relationship perspective.

HOW WE ENGAGE

- The Board engages through its credit risk framework and policy by ensuring that due regard is given to the environmental impact of credits granted;
- To demonstrate commitment to tackling climate change, the Board receives updates and participated in a session with the senior management team on climate and green environmental initiatives, including considering the development of further Green Finance products;
- The Bank's approach to climate change risk is overseen by the Board Risk and Compliance Committee, which reviews and challenges the Bank's approach in this area;
- The Handelsbanken Group is a leader in this field and continues its focus on having net zero emissions – both direct and financed – by 2040, with interim targets set for 2030 or sooner. The Board has received updates from the Group Head of Sustainability about initiatives and how they can be leveraged across the Handelsbanken Group;
- Policies, guidelines and instructions assist with alignment on corporate strategy, governance and sustainability;
- The Bank is represented on the UK Finance Sustainability Committee and is part of its working group to promote financial institutions working sustainably; and
- A common measurable environmental goal relating to the use of paper has been established for our branches and departments and the Bank is working to enhance data in relation to its operational impacts, to inform the focus and ambition of further planned activities.

INSIGHTS AND OUTCOMES

To minimise its adverse impact on the climate and environment and act as a responsible employer and business, each branch and department is encouraged to complete an environmental checklist annually, and to follow this up with actions. Sustainability goals have been mandatory in every department's business plan since 2020. This results in managers as well as employees within the Bank taking responsibility for incorporating environmental risks and opportunities into the way they adapt their operations and conduct business.

Making business decisions that further long-term, sustainable development, and not taking such decisions in cases where the negative environmental impact is too high, is important for the Bank, and is reflected in the fact that Handelsbanken Group was one of the founding signatories of the UN's Principles for Responsible Banking initiative (PRB). The purpose of this global initiative is to set out and increase the contribution to sustainable development from the global banking sector, within which the Bank is committed to align its climate impact with the Paris Climate Agreement's 1.5° C goal.

SHAREHOLDER

WHY WE ENGAGE

The Bank's strategy, values and policies are closely aligned with its parent and only shareholder Svenska Handelsbanken. Understanding and sharing these perspectives is important in order for the Bank to maintain the necessary independence as a subsidiary while adding value as a key contributor to the performance of the Handelsbanken Group.

HOW WE ENGAGE

- The Board visited Stockholm during the year and met with nearly all members of the Group Executive team, including the Group CEO. It was an opportunity to discuss ways of working and how we interact to consider the approach to specific topics;
- The Board, whilst independent in its judgement, understands the need to align with Group policies where appropriate and the proven Handelsbanken Group model. This is supported by the Chairman, but also by presentations or attendance at UK Board meetings of representatives from Svenska Handelsbanken, such as the Group Head of Sustainability or the Group Chief Information Officer;
- The parent issues 'Steering Guidelines' directly to the Board clarifying matters reserved for the shareholder;
- The UK Shareholder Committee has the purpose of providing additional time, focus and support on matters of importance to Group and the Bank;
- Reporting keeps Board members informed about initiatives at Group;
- The Remuneration Committee is cognisant of Group when considering the remuneration policy;
- Policies and processes are aligned with the parent to the extent this is appropriate and not contradicting local regulation; and
- Members of the executive management liaise regularly with their counterparts within the Handelsbanken Group.

INSIGHTS AND OUTCOMES

Engagement with the shareholder is necessary in order to be effective. The relationship is supported by clear guidelines and agreements clarifying responsibilities between the Bank and its shareholder, and by the Chairman engaging with the shareholder regularly as well as attending the UK Shareholder Committee together with the CEO. Given the proposed continuing investment in the UK, engagement between executive management in the Bank and Handelsbanken Group will intensify over the coming years. Senior Managers interact with their Group counterparts on a regular basis to enable the alignment of processes and policies.

Committee reports

BOARD NOMINATION COMMITTEE

Purpose: To periodically review the composition and effectiveness of the board of directors of Handelsbanken plc (the Board), prepare descriptions of roles, capabilities and time commitments required for Board appointments and make recommendations to the Board and to the shareholder for new Board members, and members of Board committees, and to formulate and keep current, diverse and inclusive succession plans for both executive and non-executive directors.

Membership: The Committee comprises three members of the Board, with the majority of the members being independent non-executive directors. Appointment of the Committee Chair, as well as of the members of the Committee, are made by the Board. The appointment is for a period of three or four years, which can be extended provided the director still meets the criteria for membership of the Committee, and is subject to annual re-appointment at the Annual General Meeting (AGM).

Skills and Experience: Maintaining a balanced Board and considering the skills and experience of individual Board members have remained in focus during 2023. The right mix of skills, experience and competencies is vital for constructive discussion and, ultimately, effective Board decisions. The Board annually reviews its skills and composition, which includes use of a Board Skills Matrix against which directors assess their competency against a broad set of criteria. This is then overlaid with observations and feedback from Board and key management stakeholders to determine areas of strength and weakness and whether any changes or training are required. The Board-approved Composition Statement also sets out the process to be followed enabling a robust and thorough process, which includes diversity considerations. Throughout 2024 the Board will continue its commitment to enhancing diversity.

The Nomination Committee, as part of its deliberations, considers the current composition to help deliver an appropriate balance of independence, diversity, skills and experience on the Board. Succession is also factored in as well as taking into account the challenges and opportunities facing the Bank and the skills and expertise that may be required in the future. Although there were no Board composition changes in the year, succession planning at a Board and Committee level formed a central part of deliberations.

Details of meeting attendance can be found in the Corporate Governance report on page 36, and individual members in the Wates Principle 2 section on pages 39-41.

Other attendees: The Chief Human Resource Officer and other Board members attend meetings as appropriate.

Activities and considerations during the year included:

- The Committee received updates on succession planning for the Board and senior management, with particular focus on Board and Executive Management Team. The Committee approved the Chair succession plan and considered other responsibility allocations that may be necessary as the new Chair assumes their role. The Committee has supported external training plans as part of the Skills Enhancement Matrix giving consideration to external environmental factors to aid management development that would bring an additional and unique skills base to the senior team. This programme of work continues into 2024;
- Board Effectiveness Evaluation for 2023. The Nomination Committee considered the findings and will continue to monitor them on behalf of the Board;
- There is a continued focus on the recruitment process to deliver an increase in diverse appointments, and that the process is designed to identify opportunities that enable leaders to grow their capability and potential for the future. In overseeing this approach, the Committee remained focussed on strengthening the Bank's leadership (management and executive) so that it has the talent needed for the future. This provided the Committee with a view of the talent pipeline of potential leaders as well their key strengths and development areas;
- The Committee continues to focus on its objectives to deliver gender balance and a more diverse and inclusive workforce, driving sustainable change across the Bank. As part of this work the Committee has noted an increase in female leaders (29.7%) compared with 2022 (28.956%), with 42% of external hires being female in the 12 months to 31 December 2023. This result was heavily influenced by the success of the Returners Programme, a programme initiative to encourage women back to the workforce after long-term breaks. The Committee remains focussed on this work initiative for 2024;
- It was noted that whilst there was work to do on the current gender balance, the Bank's succession pipeline will

make progress on addressing this in coming years. The Committee continues this focus paying particular attention to staff attrition and the impact this has on gender balance overall. As continuum from 2022, there is a focus on ensuring ethnic diversity in all areas. In recognition of this, there will be continued work to increase diversity within the senior management cohort and ensure succession management enables opportunities for diverse colleagues. This will assist the Bank in building an inclusive culture where everyone can thrive and to reflect the diversity of the communities served. The gender balance at year-end split between executive committee, senior management and employees is detailed below;

% Female	2023	2022
Executive Committee	36%	31%
Senior Management	29%	28%
Employees	48%	48%

- The Committee supervised the update of the Board Skills Matrix to reflect market developments and areas of increasing prominence. To support the work on diversity and inclusion, particular attention was given to it when assessing the needs to the Board as well as introducing broader environmental training factors for senior management; and
- The terms and time commitment of non-executive directors were considered so that they remained appropriate. No changes were made in the year however it will continue to be monitored. To assist with succession, the Board is considering the appointment of an additional non-executive director to the Board in support of its objective for highly effective standards of governance and demonstrated independence. The process for appointment will continue into 2024. Additionally, Chairman succession was also considered, by broader succession planning for the Board in light of these new appointments and timelines put in place to ensure deliverables could be met. To comply with high standards of corporate governance, all directors stand for annual re-election by the shareholder.

BOARD REMUNERATION COMMITTEE

Purpose: To make recommendations on the remuneration and other terms of employment for executive directors of the Board, for members of the Bank's Executive committee, the chief executive officer of Handelsbanken Wealth & Asset Management, the money laundering reporting officer, the Bank's chief audit executive and the heads and any deputies in control functions, taking into account prevailing market terms and ensuring that remuneration is consistent with the Bank's culture, risk tolerance and otherwise in accordance with legal and regulatory requirements.

The Board Remuneration Committee has ownership and oversight responsibility for setting the remuneration policy for all the Bank's executive directors and employees who are senior management function holders, and the chief executive officer of Handelsbanken Wealth & Asset Management ('senior management'). The Committee makes recommendations to the Board and, where required, to the shareholder on the remuneration and other terms of employment for senior management. The Committee also reviews and ratifies proposals for variable remuneration at Handelsbanken Wealth & Asset Management, for final approval by the shareholder, thus ensuring that such remuneration reflects the Handelsbanken Group's culture and risk tolerance. Remuneration of non-executive directors is determined by the shareholder, in consultation with the Chairman of the Board.

Membership: The Committee comprises four members of the Board, with the majority of the members, including the Committee Chair, being independent non-executive directors. Appointment of the Committee Chair, as well as of the members of the Committee, is made by the Board, on the recommendation of the Nomination Committee. Appointments are for a period of three or four years, which can be extended provided the director still meets the criteria for membership of the Committee, and remains subject to annual re-appointment at the AGM.

The Chief Human Resource Officer attends all meetings of the Committee, and directors of the Board are invited to join meetings as appropriate. Details of meeting attendance can be found in the Corporate Governance report on page 36, and individual members in the Wates principle 2 section on pages 39-41.

Skills: The Committee ensures it is kept up to date and appraised on market trends through the support of the Chief Human Resources Officer and external advisers Mercer Kepler who advised on a variety of matters in 2023 including remuneration and benefits benchmarking.

Activities during 2023 included:

- Regular updates were received from advisers Mercer Kepler on the external remuneration environment and trends including relevant competitor information. The Committee considered pay data on the financial sector's response to ongoing cost of living pressures, and for the annual review based on 2023 performance approved differentiation towards employees earning below £75k per annum, while maintaining an overall focus on performance, risk and affordability;
- The Committee approved the distribution of a Group allocation of £6.4m into its all-employee UK Oktogonen Share Incentive Plan, representing £2,495, prorated. Overall, 97% of the Bank's eligible employees, including Handelsbanken Wealth & Asset Management, participate in this plan which rewards performance on an equal basis based on a number of Group-determined criteria. In addition dividend payments of SEK 8 per share were allocated and reinvested in Svenska Handelsbanken shares for Oktogonen participants. The Committee also

considered and approved MRT Oktogonen awards. Further detail on Oktogonen can be seen in the Director's report;
- The outcome of a review by Mercer Kepler evaluating and benchmarking the Bank's total reward offering, including fixed pay, benefits and job architecture was considered. This review has informed the ongoing development of the Bank's remuneration strategy, in line with the policy and principles described above;
- The ratification of the individual performance related variable pay awards, and vesting of deferred awards, for eligible Handelsbanken Wealth & Asset Management employees, none of whom were Material Risk Takers;
- The gender pay gap analysis was considered, noting a continuous improvement year on year, with the mean gap reducing by 3.4% and the median by 3.1%. The Bank has seen an overall improvement of 11.8% in the mean gender pay gap and 9.7% in the median since its first results were published in 2018;
- Reports from the Chief Risk Officer, Chief Compliance Officer and Chief Audit Officer confirming satisfactory functioning and observation of regulatory requirements were received and considered; and
- The Committee approved all remuneration-based regulatory reporting including MRT quantitative analysis based on earnings, Directors' 'remuneration, High Earners report and Pillar 3 Remuneration disclosures.

In respect of Executive and Senior Manager Remuneration, the Committee:

- Reviewed and recommended to the Board remuneration awards, based on overarching goals and individual contributions of the Bank's executive directors, senior management including heads of control functions and deputies, and the MLRO. It remains the Bank's policy that terms and conditions for these roles are broadly aligned to those applicable to all employees, wherever possible.

BOARD RISK AND COMPLIANCE COMMITTEE

Purpose: Recommending appropriate risk appetite and tolerances to the Board and overseeing effective risk management across the Bank. Ensuring the Group's risk policies, frameworks, capabilities and controls are recognised and embedded, and reflected in a robust and supportive risk culture. Ensuring the Group's principal risks (including key and emerging risks) are properly identified, assessed and mitigated on an ongoing basis.

The Board Risk and Compliance Committee maintains oversight of all key risk categories relevant to the business of the Bank. In doing so it assists the Board of directors of the Bank in fulfilling their risk oversight responsibilities. This Committee also monitors risk control and risk management in the Bank, and oversees the Bank's processes for monitoring compliance with laws and regulations. It also provides oversight, review and challenge of the suitability of the Bank's Risk Management Framework and considers reports from, and oversees the work of, the Chief Risk Officer, the Chief Credit Officer and the Chief Compliance Officer.

Membership: The Committee comprises six members, with the majority of the members being independent non-executive directors. Appointment of the Committee Chair, as well as of the members of the Committee, are made by the Board, on the recommendation of the Nomination Committee. The appointment is for a period of three or four years, which can be extended provided the director still meets the criteria for membership of the Committee, and is subject to annual re-appointment at the AGM. According to its Terms of Reference the Chair of the Board Audit Committee shall be a member of the Committee.

In addition to the members the Chief Risk Officer, Deputy Chief Risk Officer, Chief Compliance Officer, Chief Credit Officer and Chief Audit Officer attend all meetings and other directors of the Board are invited to join meetings as appropriate.

Details of meeting attendance can be found in the Corporate Governance Report on page 36, and individual members in the Wates principle 2 section on pages 39-41.

Activities and considerations during the year included:

- During 2023 the Committee oversaw and recommended for Board approval the annual review of the Bank's risk tolerance statements and the risk assessment that underpins the Bank's ICAAP and ILAAP for 2024. Stress test results demonstrated that the Bank could withstand stress with only minor reliance on capital buffers, the Risk and Capital Management section on page 61 contains more detail on the stress testing approach. The Committee also reviewed and recommended for Board approval the Recovery Plan;
- The Committee provided oversight and advice to the Board in relation to current and potential future risk exposures of the Bank, including reviewing management's approach for mitigation of these risks. The Committee has focussed on monitoring that there is appropriate attention and action being taken where the Bank is outside the Board's risk tolerance, including escalation to the Board where required. Discussions have focussed on the operational risks, including data quality, information security, operational resilience and the Bank's approach to regulatory risk and delivery of change;
- To facilitate the review of ICAAP and ILAAP, dedicated meetings were held with the Committee at relevant points throughout the year to enable members to question and challenge the prudential capital and liquidity analysis work. The Committee provided feedback and worked with management to support appropriate focus being given;
- The Committee has continued to focus its oversight of risk management and support to the Board by assessing key current and emerging risks and their mitigation, and by leading the embedding of the risk culture;
- There remained close engagement with the regulators;
- The Committee approved the 2024 Compliance

monitoring plan and received reports and updates from the Compliance function on various issues including, but not limited to, regulatory developments, routine and non-routine interactions with the Bank's regulators and any significant instances of non-compliance with regulatory or internal compliance requirements;
- There has been continual focus on the oversight of the Bank's financial crime controls, including sanctions monitoring and fraud, with the Committee reviewing and recommending relevant policies related to this for approval to the Board; and
- The establishment of the sub-committee, Board Risk and Compliance: Material Change Committee, which has delegated authority from the Board Risk and Compliance Committee to oversee the Bank's strategic business and IT modernisation change objectives and their associated risks allows more time than would otherwise be possible to consider timelines, vendor selections and IT change and outsourcing arrangements.

BOARD AUDIT COMMITTEE

Purpose: The Board Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the internal system of financial controls and the internal and external audit process. The Committee is also responsible for overseeing the Bank's arrangements for whistleblowing.

Membership: Appointment of the Committee Chair, as well as of the members of the Committee, are made by the Board, on the recommendation of the Nomination Committee. The appointment is for a period of three or four years, which can be extended provided the director still meets the criteria for membership of the Committee, and is subject to annual re-appointment at the AGM. The Committee shall comprise at least three members and include at least one member of the Board Risk and Compliance Committee.

In addition to the members, the Chief Audit Officer, Chief Financial Officer, Chief Risk Officer, Chief Accountant and the External Auditor attend all meetings and other directors of the Board are invited to join meetings as appropriate. The members also have closed sessions with the Chief Audit Officer and the External Auditor.

Skills: As ongoing development, the Committee receives updates from key business areas as necessary and has had a briefing on the Corporate Governance Reform by an external provider. Members of the Committee also partake in all general Board training outlined on page 45.

Activities and considerations during the year included:

- During 2023 the Committee considered a number of matters related to the Bank's financial reporting, including the macro-economic scenarios and the key judgements and assumptions used by the Bank in the model based estimation of expected credit losses (IFRS 9). As part of reviewing this area, the Committee has actively monitored and challenged proposed IFRS9 model improvements, considering the updated models' impact on expected credit losses, using comparisons with the current model.
- The Committee reviewed the directors' going concern assessment and associated disclosures in relation to the preparation of the financial statements on a going concern basis. The assessment included consideration of the Bank's capital plan and funding and liquidity position, including stress testing, as well as the overall macroeconomic situation. Based on its review, the Committee concluded that the financial statements should be prepared on a going concern basis. The going concern statement is included in the Directors' report on page 59;
- During the year the Committee has received updates on the government's response to the consultation on strengthening the UK's audit, corporate reporting and corporate governance systems. This included a subject matter briefing by external consultants (EY), concentrating on the specific requirements applicable to the Bank and the responsibility of the Board of directors. With the material part of the proposed legislation withdrawn before it was passed at the end of 2023, work in the Bank continues in respect of the changes to the UK Corporate Governance Code and any implications of those for the organisation. An update on progress was provided to the Committee in Q1 '24.
- Based on reports from Internal Audit the Committee has reviewed the Bank's internal financial controls system and other control and risk management systems as well as the disclosures concerning internal control and risk management included in the financial statements. The control environment in the Bank is deemed to be improving with a key challenge ahead being the management of anticipated business transformation while continuing to manage and improve business as usual controls.
- The progress of addressing outstanding audit findings as well as those risks identified by the External Auditor, is a priority for the Committee and during 2023 reports on high-risk audit findings were received from the Internal Audit function setting out the progress of internal audit recommendations to allow for effective committee oversight.

INTERNAL AUDIT

The Internal Audit department operates as the third line of defence in the Bank providing independent assurance to the Board. It reports directly to the Chair of the Board Audit Committee and has an unrestricted scope based on an impartial assessment of the risks in the business operation and how effectively these are being managed. The Internal Audit department's scope, areas of responsibility and authority are defined in the Internal Audit Charter and are focused on the Bank's most material risks as determined by a formal risk assessment process. The outcome of the risk assessment is summarised in an internal audit plan that is approved by the Committee annually. The Committee monitors progress against the audit plan during the year and approves any updates or changes. The appointment and removal of the Chief Audit Officer is the responsibility of the Committee.

During 2023 Internal Audit carried out a substantial number of audits in line with the approved audit plan, including thematic audits concentrated on the credit processes, anti-money laundering and key operational process. Other audits during the year centred on the risk and control environment across the organisation including a review of certain regulatory attestations, operational resilience, regulatory reporting, financial crime prevention, IT privileged access controls, and the payments process. The Chief Audit Officer reports regularly on the outcome of the audits undertaken and the status of outstanding audit findings, with the Committee receiving a copy of the audit reports with the most severe risk grading.

The effectiveness of the Internal Audit department is reviewed and monitored by the Committee annually using feedback from the Board, senior executives and other relevant stakeholders. The Committee also oversees that Internal Audit is sufficiently resourced and has full, free and unrestricted access to all departments, functions, records, property and personnel within the Bank and its subsidiaries enabling the department to fulfil its responsibilities.

EXTERNAL AUDIT

The external auditor used by the Bank is one of the firms used by its parent Svenska Handelsbanken. The Committee oversees the relationship with the external auditor and considers the external auditor's engagement including remuneration, effectiveness, objectivity and independence. The Committee also agrees the external audit plan and the levels of materiality proposed by the external auditor.

The external auditor attends all Committee meetings and meets regularly with the Committee members without executive management present.

During the year, the Committee received regular detailed reports from the external auditor on its observations as well as reports outlining the audit objectives, the auditors' qualifications, resources and expertise, the effectiveness of the audit process, procedures and policies for maintaining independence and compliance with the ethical standards issued by the FRC.

EXTERNAL AUDIT INDEPENDENCE AND OBJECTIVITY

The effectiveness of the external audit process is contingent on maintaining an independent and objective relationship with the External Auditor. The Committee is responsible for monitoring and annually assessing these aspects of the external auditor relationship taking into account relevant UK law, regulation, other professional requirements, ethical standards and the guidance on rotation of audit partner and staff.

The rotation of the External Auditor takes place at regular intervals in line with the Bank's external audit policy and is recommended by the Committee for Board approval. As the appointment of external auditors in the Bank forms part of the selection of external auditors for the Handelsbanken Group, it is completed in conjunction with the Group Board Audit Committee.

During 2022 the Committee approved the use of a deposit product for PwC's Insolvency practice. The Bank and PwC determined that this type of banking product was permissible under the relevant independence requirements.

The Committee concluded that the External Auditor (PwC) had been effective for the financial year ending 31 December 2022 at the Committee meeting in June 2023.

NON-AUDIT SERVICES

The extern A policy is established for managing the use of the External Auditor for non-audit services detailing a list of prohibited and permitted non-audit services. Non-audit services performed by PwC during the financial year ending 31 December 2023 related to CASS (Client Asset Assurance Standard) audits for Handelsbanken plc, Handelsbanken Wealth & Asset Management and Handelsbanken ACD Limited. This audit related service is permitted under the FRC Ethical Standard, and PwC confirmed its independence and ability to perform the work prior to the audit. The fees for all audit and other services paid to our external auditors during the financial year are set out in note 7.

WHISTLEBLOWING

The Committee reviews the adequacy and security of the Bank's arrangements for anyone with a serious concern, including its customers, employees and contractors to raise concerns, in confidence, about possible wrongdoing, ensuring the arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. The Chair of the Committee is the Bank's appointed Whistleblowing Champion whose role is to oversee and opine on the effectiveness of the Bank's whistleblowing arrangements. The Chief Compliance Officer presents the status of outstanding whistleblowing reports for the year to the Committee. Due to the confidential nature of the reports, the Chair of the Committee also meets separately with the Compliance department to go through whistleblowing data. In respect of the financial year ending 31 December 2023, the Committee has deemed the arrangements in relation to whistleblowing to be working satisfactorily.

FAIR, BALANCED AND UNDERSTANDABLE

The Committee has concluded that the 2023 annual report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for stakeholders to assess the Bank's performance, business model and strategy. In its review of the financial statements the Committee focused on significant matters and judgements which were challenged and discussed with the business as well as the external auditor.

Directors’ duty to promote the success of the company

Section 172 requires a company director to act in a way that he / she considers, in good faith, would most likely promote the success of the company for the benefit of its members, and in doing so has regard (amongst others) to:

- the likely consequences of any decisions in the long term;
- the interests of the Bank’s employees;
- the need to foster the Bank’s business relationships with suppliers, customers and others;
- the impact of the Bank’s operations on the community and the environment;
- the desirability of the Bank maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Bank.

The Bank’s business model revolves around empowering employees to make the right decisions with a focus on the long-term, wherever they are employed within the Bank. This has the benefit of not only improving the quality of the service to the customer, but also ensuring that the employees can see that their individual efforts are making a contribution to the performance of the Bank.

The directors believe in building long-term relation¬ships with customers, employees, and also with the commu¬nities and markets where the Bank is active. The Bank always wants to be close to the communities that we call home, so we believe in a decentralised business model where the local branch is the hub of the customer relationship, based on personal meetings combined with digital services and solutions.

As discussed in the stakeholder engagement section on pages 45-51, the Bank liaises with suppliers on a range of issues to minimise risks and embed best practice in a number of areas throughout the supply chain. Supporting and engaging with suppliers facilitates the Bank being in a position to receive the best possible outcomes for customers.

For further information on stakeholder engagement, please see the stakeholder engagement section on pages 45-51.

Approved by the Board of Directors

and signed on behalf of the Board

Mikael Sørensen
CEO
Date 14 March 2024

Directors' report

The Directors present their report and the financial statements for the Bank and its subsidiaries for the year ended 31 December 2023. The Strategic Report and Corporate Governance Report, together with this section fulfils section 414C of the Companies Act 2006 by including, by cross reference, details of the Bank's position on the business model and strategy, financial risk management objectives and policies, business overview, future prospects and Corporate Social Responsibility activities during 2023.

PROPOSED DIVIDEND

The Board of Directors of Handelsbanken plc met on 12 March 2024 and recommended a final dividend of £625 million (2022: £266 million) which is for approval at the AGM (see note 23 for more details).

DIRECTORS

The directors of the company who held office during the year, and up to the date of signing the financial statements were:

- Mikael Hallåker (Chairman)
- Maureen Laurie (Senior Independent Director)
- John Ellacott
- Agneta Lilja
- Mikael Sørensen
- Arja Taaveniku
- Margaret Willis
- Patricia Jackson
- Martin Björnberg

DIRECTORS' THIRD-PARTY INDEMNITY INSURANCE

A third-party indemnity provision was in place for directors throughout the year and at the date of the approval of the financial statements via Svenska Handelsbanken indemnity insurance.

POLITICAL AND CHARITABLE DONATIONS

There were no political donations made or political expenditure incurred in the financial year (2022: nil).

During the year, the Bank made £72,747 (2022: £67,530) of donations to charitable organisations.

BRANCHES

The Bank operates via a network of branches in the UK, with no branches outside the UK.

OUR EMPLOYEES

For disclosures related to employment, training and advancement of disabled persons please see the Strategic Report starting on page 16.

STAKEHOLDER RELATIONSHIPS

To see how the Bank engages with its stakeholders and the impact of this engagement, please see the Stakeholder Engagement Report starting on page 45 and the Bank's Section 172 statement, on page 57.

RESEARCH AND DEVELOPMENT

The Bank undertakes research and development on projects that will improve its technological and operational infrastructure and create efficiencies. The aim is to improve the service provided to its customers, to increase operational efficiency, and to improve compliance with regulatory and economic requirements. Examples of these investments include areas that drive efficiencies and simplify or automate manual processes, or the proposed development of technical capabilities in the CRM system.

The costs of development are capitalised when they have economic value that will extend into the future, and when the relevant accounting requirements are met.

FINANCIAL INSTRUMENTS

For the financial risk management objectives of the Bank, including an assessment of the exposure to credit risk, liquidity risk and cash-flow, please see note 2 and the Risk and Capital Management Report starting on page 61.

SECURITIES AND SHARES

The Bank has no listed securities.

There were no shares:

- purchased or acquired by the Bank under Section 659 of the Companies Act 2006;
- acquired by the Bank's nominee, or by another with company financial assistance, the company having a beneficial interest under Section 662(1) of The Companies Act 2006;
- made subject to a lien or other charge taken (whether expressly or otherwise) by the company and permitted by Section 670(2) or (4) of the Companies Act 2006 (exceptions from general rule against a company having a lien or charge on its own shares); and
- acquired as prescribed by Article 22(2), Directive 77/91/EEC.

REGULATION

The Bank is authorised by the PRA and regulated by the FCA. Its Financial Services Register number is 806852. The Bank is incorporated in England and Wales with company number 11305395.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Having made enquiries of fellow directors and of the auditor, each of these directors confirms that:

- so far as each of the directors are aware, there is no relevant audit information of which the auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions in s418 of The Companies Act 2006.

EVENTS AFTER THE BALANCE SHEET DATE

The UK Group has reviewed events from 31 December 2023 up until the authorisation of the financial statements for issue.

On 12 March 2024, the Directors recommended a dividend for 2023 of £123.82 (2022: £52.57) per ordinary share. The total dividend will be paid, subject to approval at the AGM, on 19 April 2024. As the dividend was recommended after 31 December 2023, it is classified as a non-adjusting event and is therefore not recognised in the financial statements for the year ended 31 December 2023.

There have been no significant events between 31 December 2023 and the date of approval of the annual report and consolidated financial statements which would require a change to or additional disclosure in the financial statements.

GOING CONCERN

After making due enquiries, the directors believe that the Bank has sufficient resources to continue its activities for the foreseeable future, and over the going concern assessment period through to 31 March 2024.

For further information on Handelsbanken plc's going concern statement, please see note 1 on page 88.

FUTURE DEVELOPMENTS

The Bank continues to see the UK as an attractive growth market, with solid long-term opportunities to deliver relationship banking to an increasing number of customers. As such, the Bank will continue to play an integral role as an engine for growth for the Handelsbanken Group.

In 2024, the Bank will continue to support the increasing drive for sustainability and continue its programme of technology and digital transformation to further enhance the Bank's offering.

The Bank is continuing on its path of building a bank for the future, including those that drive efficiencies, and those that simplify or automate manual processes which will allow for our branch colleagues to spend more time serving customers.

As ever, our growth strategy remains consistent with our model: organic, customer-by-customer, and through mainly word-of-mouth, recommendation and referral.

OTHER INFORMATION

For an indication of likely developments in the business and information regarding significant events since the end of the financial year, please see information within this Directors' report on pages 58-59. Information in relation to streamlined energy and carbon reporting (SECR) can be found in the climate change section of the Strategic Report starting on page 29.

AUDITORS

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
And signed on behalf of the Board

Mikael Sørensen
CEO
Date 14 March 2024

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the consolidated report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

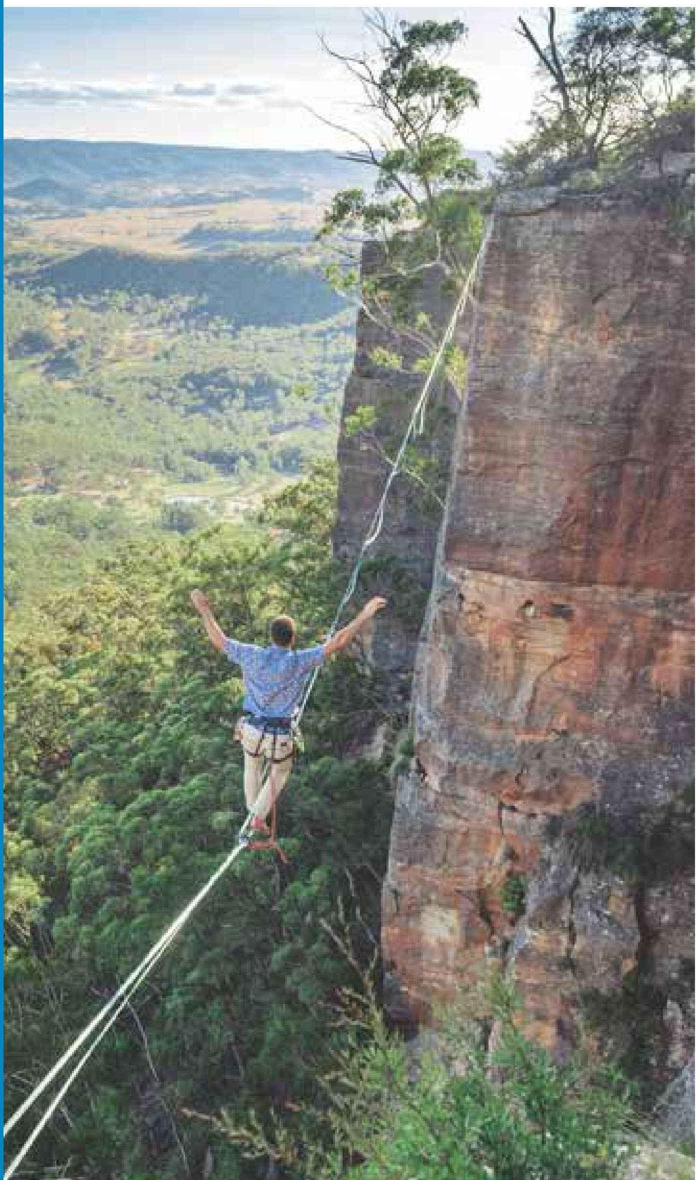
DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Risk and capital management

Handelsbanken plc works on the basis of a proven business model which has been unchanged within the Handelsbanken Group for over 40 years. The Bank has a decentralised way of working and a strong local presence through its nationwide branch network. The Bank attaches great importance on its availability to customers and long-term relationships with those customers, has low tolerance of risk and achieves growth by expanding business organically. The business model focuses on taking a large proportion of credit decisions in-branch and works to minimise other risks.



Handelsbanken plc aims to maintain a robust financial and capital position, defined by regulatory and internal ratios, by seeking to maintain liquidity reserves and by matching cash flow to safeguard its low liquidity risk.

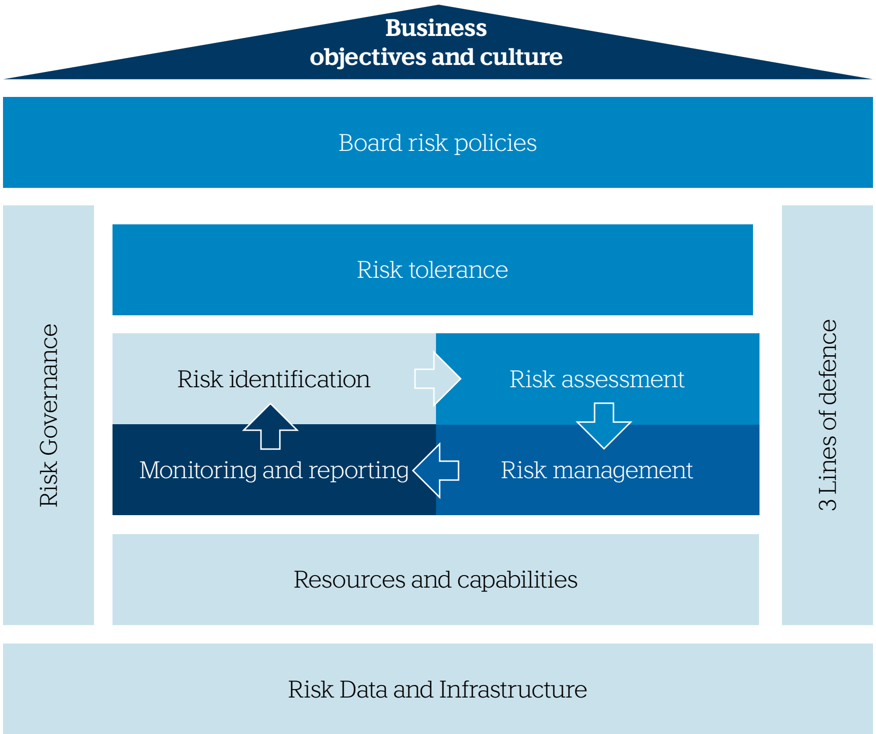
RISK CULTURE

Handelsbanken plc has a strong risk-management culture. Effective risk-management is central to the Bank's approach in maintaining a sustainable bank that is efficient and disciplined. The low tolerance of risk is embedded in the corporate culture, through empowerment, good administrative order and supported by aligned risk management frameworks (RMF) for the Bank and investment businesses (Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited). Every employee in the Bank has a common responsibility to manage risks, through being familiar with risk management policies which are relevant to their responsibilities, know-how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the risk-management process as defined by the RMF. The Bank's decentralised organisational model, with a local presence, enables decision-making to be managed in close proximity to the customer, with the ultimate responsibility residing with the Board.

Handelsbanken plc's core values and operating principles are set out in an internal booklet called 'Our Way'. These core values provide a stable, enduring and long-term perspective for day-to-day decision-making. They are integral to every aspect of the Bank's work and are deeply embedded among the Bank's employees, forming the roots of the Bank's distinctive corporate culture. Our Way provides a common reference point, steering how each employee should approach working relationships with customers, colleagues, policymakers, supervisors, business partners, suppliers, industry peers and the broader community. It provides a clear framework of principles for how we manage our bank in a sustainable way, focusing on lifelong customer relationships, mutual trust and respect, strong control of risks and costs, financial stability, and long-term, responsible decision-making.

RISK MANAGEMENT FRAMEWORK

Managing risk effectively is fundamental to the Bank's strategy and to enable sustainable growth. Handelsbanken plc has an established RMF that sets out the Bank's structure of risk-management including risk tolerance, governance and the approach to effectively identify, assess, manage and report relevant risks as illustrated in the diagram below. The RMF is informed by Board risk policies and provides the link from the policies to instructions and standards, where the operational aspects of risk management are described and defined, including controls, monitoring and reporting. The Bank continues to enhance and embed enhancements to the framework, aiming for best industry practice. Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited take a similar approach to their RMFs.



RISK GOVERNANCE STRUCTURE

The Board of Handelsbanken plc has responsibility for setting strategy and corporate objectives and has the ultimate responsibility for ensuring risks are managed effectively. The Board has delegated the oversight of risks and risk management to the Board Risk and Compliance Committee.

On the management level there are two key risk committees: the Financial and Capital Risk Committee, and the Management Risk and Compliance Committee, that are responsible for overseeing the risk profile of the Bank. These committees are in turn supported by a number of sub-committees, for example Credit, Operational, Model and Financial Crime Risk Management.

Within Handelsbanken Wealth & Asset Management Limited, the Handelsbanken Wealth & Asset Management Limited Board has responsibility for setting strategy and corporate objectives and has the ultimate responsibility for ensuring risks are managed effectively. The Board has delegated the oversight of risks and risk-management to the Management Group, which in turn, has an Audit, Risk and Compliance Committee. There are a number of other committees which support the Management Group e.g. Investment Management Operating Committee, Distribution Committee, Sustainability Committee.

Handelsbanken ACD Limited has its own Board with responsibility for the high-level supervision of the regulatory activities of the ACD, focusing on compliance, risk, systems and controls, and regulatory responsibilities. The following Handelsbanken ACD Limited Board Committees consider the risk profile of the multi-asset fund range: the Investment Oversight Committee, the Product Governance Committee and the Audit, Risk & Compliance Committee. There is also a Management and Oversight Committee.

RISK TOLERANCE

Risk tolerance is defined as the type and level of risk that the Bank is prepared to tolerate in pursuing its business objectives. The Bank has a conservative approach to risk and the articulated low risk tolerance is one of the fundamental principles of the business model.

Risk tolerances are set by the Bank and Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited Boards and are used to guide decision-making and risk-management across the UK Group. The Risk Tolerance Statements consist of qualitative statements, supplemented by quantitative metrics where possible.

THREE LINES OF DEFENCE

Handelsbanken plc adopts a three lines of defence approach to risk management where the first line consists of the business areas and their central support functions, the second line of the risk and compliance functions, and the third line of internal audit.

- The first line of defence consists of the branch network and the supporting head-office functions. The first line is responsible for risk-management and for making business decisions in line with the Bank's risk tolerance;
- The second line of defence consists of the risk control and compliance functions. These functions are independent

units with responsibility for providing oversight and challenge to the first line, as well as supporting them in building out appropriate controls and risk-management capabilities; and

- Internal Audit is the third line of defence. They are independent and impartial and provide independent assurance to the Board. Their scope is unrestricted and based on independent assessment of key risks and how effectively they are being managed. The Bank's Internal Audit function also provides internal audit services to the Bank's subsidiaries.

RISK-MANAGEMENT PROCESS

The Bank's risk-management process consists of risk identification, assessment, management and monitoring and reporting.

RISK IDENTIFICATION

Risk identification is the process of finding, recognising and describing risks that can have an impact on the strategic objectives on the Bank. The process aims to identify all risks related to principal and emerging risk types.

Risk identification is carried out through both a top-down and bottom-up approach as well as by assessing emerging risks:

- Top-down risk assessment is performed by starting from the Bank's principal risks as defined in the risk taxonomy and from there identifying specific risk events relevant to the Bank. This is done through the annual review and refresh of the risk taxonomy, and further assessed through the annual ICAAP and ILAAP.
- Bottom-up is performed by identifying key inherent risks in the business that affect the ability to achieve the Bank's objectives and these are linked to the risk taxonomy. This is supported by the RCSA process and as lessons learned from the incident management process.
- Emerging risks should include those whose impact and probability are difficult to assess and quantify at present, but there is a reasonable probability of affecting the company over a longer time horizon. These risks may not be fully understood yet or measurable.
- Emerging risks are to be identified through monitoring of new governance policy, regulations, industry trends and other external factors as well as monitoring of internal factors such as changing portfolio, business model and product offerings.

Functions in the first line of defence are responsible for the bottom-up and emerging risk identification within their respective remits.

The second line of defence is responsible for reviewing, challenging and providing oversight of the risk identification processes, and for coordinating the top-down bank-wide risk identification processes.

RISK ASSESSMENT

Risk assessment is the process to assess and measure identified risks following a consistent and standardised approach. This process allows the Bank to identify its key financial and non-financial material risks and helps to prioritise resources and development of mitigating measures and controls.

RISK MANAGEMENT

Risks are managed through preventive, detective and corrective controls that mitigate the risk exposure to a tolerable level. When a risk is outside management risk tolerance, the functions managing the risk define action plans to change the underlying process, change existing controls or introduce new controls to prevent the risk going outside the Board's risk tolerance. There are also other risk treatments that are used in certain instances such as elimination of the risk (i.e. cease activity) or risk transfer (taking insurance to provide cover).

RISK MONITORING AND REPORTING

Risk monitoring aims to continuously monitor identified and assessed risks to understand how the risk profile changes. This allows the Bank to check that risk controls and mitigating actions remain efficient and that any changes in the risk profile can be escalated and addressed. Risk monitoring is performed across the first and second line: Risk monitoring aims to continuously monitor identified and assessed risks to understand how the risk profile changes. This allows the Bank to check that risk controls and mitigating actions remain efficient and that any changes in the risk profile can be escalated and addressed. Risk monitoring is performed across the first and second line:

- First line perform day-to-day risk monitoring in line with the RMF, risk policies and instructions;
- The Risk Control function provides independent monitoring of the overall risk profile and risk exposure compared to risk tolerance thresholds and limits; and
- The Compliance function undertakes independent monitoring as a part of its oversight and challenge role, using a risk-based approach to design an annual Compliance Monitoring Plan.

Risk reporting provides the Board, risk committee members and senior management with appropriate, accurate and timely information related to the risk profile of the Bank to support timely actions and decision making.

Risk reports are produced by risk owners in the first line, and second line provide oversight and produce a risk opinion report. The most material risks are presented to the Management Risk Committees which in-turn assess and escalate any risks or specific risk-related issues to the Board Risk and Compliance Committee.

STRESS-TESTING

Stress-testing is a key risk-management tool for measuring risks and testing the effectiveness of controls and mitigation measures. Stress-testing, including scenario analysis, risk specific sensitivity analysis and firm-wide stress tests, are performed both for internal risk analysis, informing business strategy, and for capital, liquidity and funding planning and adequacy assessment.

The key stress-testing processes performed by the Bank are:

- Firm-wide stress test assessed as part of the ICAAP to assess the impact of idiosyncratic and macroeconomic events on the overall capital position and profitability of the Bank;
- Liquidity stress test used for the ILAAP to assess the impact of idiosyncratic and macroeconomic events on the overall liquidity position of the bank;
- Firm-wide stress test performed as part of recovery planning to test the Bank's recovery plan to the maximum extent possible;
- Reverse stress-testing, which is used to assess potential tail events that could harm the Bank's business model in the absence of mitigating actions;
- Operational risk scenario analysis that analyses the Bank's key operational risks to assess potential impact and to test the controls and mitigating actions; and
- Scenario and stress-testing is undertaken in relation to forecasting and assessing potential credit losses. The results of these stresses are included in the ICAAP and form part of Risk Control's forward-looking analysis.

The Board Risk and Compliance Committee is actively involved in defining relevant scenarios and in reviewing key stress assumptions and results.

Within Handelsbanken Wealth & Asset Management Limited, the internal capital and risk assessment process requires identification of potential material harms that may result from the ongoing operation or the winding down of the business, and includes a firm-wide stress test, liquidity stress test, operational risk scenario analysis, and wind-down planning. This process incorporates the ACD function.

PRINCIPAL RISKS

The principal risks set out below are the key risks relevant to Handelsbanken plc, including those that could result in events or circumstances that might threaten the Bank's business model, future performance, solvency or liquidity and reputation. These risks are broadly categorised and should be read in conjunction with other sections of this annual report, including the forward-looking statements section and the Strategic Report. It should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing Handelsbanken plc.

- Business strategy risk
- Credit risk
- Liquidity, funding and capital risk
- Investment and market risk
- Compliance risks including;
  - Financial crime risk
  - Regulatory compliance
- Operational risks including;
  - Information technology and information security risk
  - Change management risk
  - Third-party management risk
- Climate change risk

BUSINESS STRATEGY RISK

The Bank distinguishes between external and internal strategic risks. External strategic risk is defined as the potential for income, capital or reputational loss, as well as the inability to achieve strategic objectives, materialising from external factors such as macro regulatory changes or shifts in industry dynamics, customer preferences, competition or regulations. Alternatively, internal strategic risk is defined as risk arising from decisions or plans related to business strategy, including remuneration, strategy implementation or adaptation to changes in the internal business environment, such as capacity, staff turnover, or technology.

Handelsbanken plc continuously assesses risk-drivers linked to industry shifts, competition, customer preferences, regulatory alterations, product launches, project outcomes and technological advancements to effectively monitor and mitigate strategic risks.

Handelsbanken plc has a low risk tolerance of business strategy risk and a business model that focuses on long-term profit stability, through-the-cycle financial resilience and is true to the Handelsbanken culture. Business strategies should be achievable, understandable, resilient to normal business cycles, and adaptable to external events and changes.

The UK economy is currently in a period of essentially flat-lining growth, with last half of 2023 in a shallow recession. High interest rates are serving to suppress demand in the economy, but a recent fall in energy prices and real wages turning positive has counteracted the impact of tightening monetary policy, helping to increase real household disposable income.

Interest rates have now risen to 5.25%, following 14 consecutive base rate rises. It is believed that base rate has now peaked and rates will be held at this level until at least the middle of 2024 to bear down on domestically-led inflation. The Consumer Price Index (CPI) rose by 4% in the 12 months to December 2023, up from 3.9% in November and down from a recent peak of 11.1% in October 2022. The major fall in CPI has been driven by absolute falls in energy prices, base effects as well as disinflation from goods and food prices. However, the pathway to 2% inflation is likely to be challenging as services inflation will be stickier. The Bank of England is currently of the view that it will take until 2025 to meet the 2% inflation target.

In terms of growth prospects in the short and medium term, the current base case scenario is for the UK's economic growth to remain sluggish. The UK's composite purchasing managers' index (PMI) is registering 52.1 in December 2023, retail sales by volume are falling and consumer confidence has taken a recent dip in October, in large part due to consumer concerns around conflict in the Middle East, though it has recovered slightly by December 2023. More recently the Governor of the Bank of England has referenced "encouraging signs" that price pressures are easing and further stated that future interest rate cuts in 2024 were "not unreasonable."

House prices have so far seen a peak-to-trough correction in nominal terms by around 5%, according to measures based on mortgage approvals. Mortgage approvals are currently running at around a quarter lower than the pre-pandemic average, highlighting the current struggles faced by the housing market. The current view is that the housing market correction still has some way to go, with a projected peak to trough fall in nominal house prices of 4.5%.

Our expectation is that business investment will continue to be sluggish in 2024.

The Bank operates in a competitive market that is experiencing increasing competition from a range of sources including high street banks and challenger banks, particularly in the offering of traditional bank products and disaggregation of payment services. The heightened competition and current economic climate has resulted in the slower growth of new business and compressed margins.

CREDIT RISK

Credit risk is the risk of losses arising from a borrower or counterparty failing to meet its obligations as they fall due. The Bank has a conservative and sustainable approach to credit risk through the economic cycle, where a weak or uncertain repayment capacity can never be offset by a high margin or by collateral.

The Bank believes that branches know their customers and the local market conditions best. Branches focus on our core customers. These customers fall into one of four categories: private individual, SME, corporate, and property.

Handelsbanken plc's business model focuses on taking credit risks in the branch operations. The objective is to reduce risks, so that the business model is relatively independent of changes in the economic cycle. Consequently, Handelsbanken plc is not a full-service or universal bank, but it offers a limited number of core products and services of high quality that are relevant for the core customers and meet their expectations.

The Bank's strict approach to maintaining a low risk-tolerance for credit risk means that it deliberately avoids high-risk transactions, even if the remuneration is high at the time. This low credit-risk tolerance is maintained through a strong credit culture that is sustainable in the long-term. Relationships with customers are for the long-term, which means that the Bank is a stable and long-term business partner for its customers, regardless of the business cycle or market situation.

The Bank is only prepared to take credit risks on customers whom the branches know well. This local relationship banking model improves the quality of credit decisions, as the branch knows its customers and the local conditions better than anyone else at the Bank. The Bank only lends to borrowers if there are demonstrable grounds for believing that the borrower is fully able to repay, which results in customers with a better repayment capacity than average being taken on. The Bank does not have an even distribution of lending across the risk curve, rather a concentration in better credit risk classes – credit quality must never be compromised in favour of achieving higher volume or a higher margin.

The Bank operates a number of well-established steering mechanisms, including the allocation of internal capital, minimum qualitative thresholds to aid customer selection and consistent credit policy which all support a prudent credit risk culture. It is important to the Bank that granting credit facilities is based on an assessment of each customer's repayment capacity.

The Bank's credit policy is centralised, in an otherwise decentralised bank, which enables the Bank to operate a consistent approach to credit assessment and decision-making.

The Bank's decentralised way of working empowers employees to make credit decisions that are based on prudent, long-term relationships. Employees are empowered to choose the best customers within their geographical area, and to only provide credit to those customers that have a better than average repayment capacity as defined by credit policy.

In the Bank's decentralised organisation, customer and credit responsibility lies with the branch manager or with the employees appointed by the manager. The Bank 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, credit department, Credit Committee, or Board level. 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.

The local branch's close contact with its customers also enables the branch to quickly identify any issues, actively manage higher risks 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. If necessary, the local branch obtains support from the head office and central departments.

Operating within a decentralised and empowered organisation requires a strong control environment and common ideas on how credit-related operations should be run. Consequently, the Bank never decentralises its values, business model, business strategy, policies, risk frameworks, financial steering system or the brand. These all remain centralised elements within the Bank's way of working.

To enable the Bank to maintain a strong control environment we:

- Have comprehensive and fit-for-purpose policies, guidelines, risk frameworks, delegated decision limits and governance frameworks;
- Maintain a risk register of key and emerging risks, and always have clear ownership of all risks;
- Focus on mitigating all risks and ensuring proper oversight;
- Maintain the consistency and quality of data; and
- Have effective governance and risk escalation reporting processes.

A strong credit risk culture is embedded within the Bank through:

1. Strong leadership and a clearly-defined credit strategy;
2. Involvement of stakeholders at all stages of the risk-management process through the operation of the 'credit lifecycle';
3. An emphasis on training in credit risk management procedures and continuous learning;
4. Absence of an automatic decision-making model so that individuals have appropriate accountability for actions and decisions;
5. Communication and openness on all credit risk-management issues and the lessons that can be learned;
6. Use of insights, lessons learned and knowledge-sharing as best practice; and
7. No short-term incentives in terms of volume goals or bonuses.

Ensuring quality and consistency is a key component of decentralised decision-making. Within the credit process, an overview of the credit assessment is conducted by a higher-level examining party. Dependent upon the decision level, this may include credit quality, and rating confirmation, documentation and process adherence.

Credit quality

The quality of the Bank's credit portfolio, which is underpinned by a strong customer base with substantially secured exposure, has shown resilience and maintained a high-quality risk distribution throughout the COVID-19 pandemic. The significant majority of concessions and financial support that the Bank provided during COVID-19 were effective in helping our customers maintain their credit quality. As a result the Bank is well-positioned to face the challenges brought about by the macroeconomic environment. The portfolio has proven to be resilient and remains strong, with the significant majority of customers assessed to have stronger than normal repayment capacity.

The Bank is prepared to support our customers through their lifecycle with the Bank, including as they face the potential strain created by the increased cost of living crisis pressure, higher interest rates, and inflation-linked expenses. Our local operating model, dynamic rating approach and expert account managers enable the Bank to respond to changing customer circumstances, and we have a range of support options available to assist customers as required. These options will be assessed on a case-by-case basis. Our account managers, on average, manage 80 retail customers.

A significant proportion of the Bank's loan portfolio (57%) is provided to property management customers, secured on income-producing real estate. 26% of the portfolio is provided to individuals. The substantial majority of the individual portfolio is secured on residential real estate via regulated mortgage contracts. The remaining 17% of the portfolio is provided to non-property management corporate customers. Overall, in excess of 89% of total portfolio is secured on UK properties, mainly private dwellings, securing regulated mortgage contracts or income-producing real estate. In total, across all customers only 11% of the Bank's portfolio is unsecured.

The composition of our portfolio has been largely unchanged throughout the year. The Bank has followed its principles of managing the lending portfolio on a case-by-case basis, applying a prudent approach to credit decision-making, supporting our customers and using our well-established credit methodology and conservative appetite for risk.

The Bank's measures to limit its credit risk include the acceptance of collateral from customers. The primary means of reducing credit risk in the Bank is the pledging of immovable property, such as residential properties and other real estate, floating charges on assets, guarantees (including guarantor commitments) and the use of netting agreements. The basic principle applied in property finance is that credits must be covered by collateral in the form of properties. For exposures with properties as collateral, a loanto-value (LTV) ratio is calculated by dividing the credit exposure by the market value of the collateral. The Bank follows internal recommendations and external regulations which limit the maximum amount of a loan for which the collateral is property. Collateral valuations are undertaken by professionally-qualified experts at origination and reviewed annually by credit experts. In addition, the Bank uses automatic valuation monitoring and appropriate property indices to support our valuation overview processes at portfolio level. Valuations at counterparty level are subject to annual monitoring and are undertaken by credit experts in branches.

The portfolio remains very well secured with modest LTVs. Weighted average LTV for property management customers secured on investment property collateral is 45.8% and the weighted average LTV for private individuals secured on residential properties which form collateral for a regulated mortgage contract is 54.3%.

The LTV distribution is based on the most up-to-date, un-indexed professional valuations on charged collateral, by customer classification as at 31 December 2023:

2023 LTV	<50%	50-60%	60-70%	70-75%	75%-80%	80%-90%	90%-100%	>100%
Private Individuals £m	1,990	1,022	1,060	508	311	131	29	23
Private Individuals %	39.2%	20.2%	20.9%	10.0%	6.1%	2.6%	0.6%	0.4%
Property Management £m	7,434	3,023	394	75	72	51	28	175
Property Management %	66.1%	26.9%	3.5%	0.7%	0.6%	0.5%	0.2%	1.6%

2022 LTV	<50%	50-60%	60-70%	70-75%	75%-80%	80%-90%	90%-100%	>100%
Private Individuals £m	2,052	1,124	1,126	547	385	168	28	39
Private Individuals %	37.5%	20.6%	20.6%	10.0%	7.0%	3.1%	0.5%	0.7%
Property Management £m	7,136	3,670	496	177	55	56	21	145
Property Management %	60.7%	31.2%	4.2%	1.5%	0.5%	0.5%	0.2%	1.2%

For further information on the Bank's lending and deposits, refer to the balance sheet and relevant notes.

Credit risk concentrations

The Bank's branches focus on establishing long-term relationships with customers of sound creditworthiness. If a branch identifies a good customer, it should be able to conduct business with this customer, irrespective of whether the Bank as a whole has major exposure to the business sector that the customer represents. As a consequence, Handelsbanken plc has relatively large concentrations in some individual sectors. However, the Bank monitors the performance and quality of the credit portfolio and calculates concentrations for various business sectors. The Bank also measures and monitors exposure to major individual counterparties. The Bank has a suite of credit risk metrics to monitor changes in levels of concentration on a monthly and quarterly basis.

If the credit portfolio has a concentration in a particular sector or counterparty that can be assumed to increase risk, this concentration is monitored. Concentration risks are identified and assessed when the Bank considers its capital requirements, as documented in the ICAAP. This helps the Bank maintain sufficient capital whilst 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.

Concentration risk is a function of the Bank's strategic low risk-tolerance, with a focus on secured recourse and the branch operating model. As a low-risk, secured lender, the Bank has an intentional property concentration in line with the Bank's strategy and long-established expertise in this sector. These concentrations are mitigated by mature procedures and controls, including:

- Having clear qualitative (risk rating) parameters set out in credit policy;
- Undertaking active, through-the-cycle risk management via local branches, using defined processes for annual reviews, CQE (Credit Quality Examination) and watchlist and monthly monitoring via risk tolerances, to ensure risks are well managed;
- Having a Pillar 2A buffer for sector concentration risk (and using the Herfindahl-Hirschman index to monitor concentration risk via the ICAAP);
- Monitoring single counter-party concentrations; and
- Having a UK market concentration, as a result of our geographic operating model (mitigated by virtue of having UK-wide diversification).

Credit provisions

The accounting standard IFRS 9 imposes rules for the calculation of provisions for expected credit losses (ECL) on financial assets recognised at amortised cost, as well as on financial guarantees and irrevocable loan commitments.

The calculation of ECL is undertaken at agreement level, whereby the characteristics of the agreement and the assessed credit risk of the counterparty govern the classification and quantification of the provision requirement. For information pertaining to the recognition and measurement of ECL and for definitions, please see note 1(i) of these financial statements. The relevant figures can be found in note 10 of the financial statements.

The Bank has used Post Model Adjustments (PMA) in the ECL calculations in 2023. The PMAs have been designed to reflect potential significant increases in credit risk within specific segments of the portfolio which have not yet been reflected in specific impairments, and reflect forward looking macro risks which are not captured in the modelled output.

This means, in practice, that the model calculated ECL could be disclosed as 'specific' provisions (as they are based on agreement-specific customer level information), while the PMAs are calculated using expert judgement and are used to measure risks as a timely response to increased credit risks which are not yet evident within specific customer level provisions.

In 2023 the Bank has used PMAs to reflect uncertain macroeconomic geopolitical risks and increased refinancing risks for customers with maturing fixed rates that have increased risks within defined segments.

We have recorded an IFRS 9 balance sheet provision of £31.6 million in the year to 31 December 2023, an increase of £3.5 million when compared with the year prior. We have kept this position under close watch throughout the year and updated our view on a quarterly basis. Key indicators of the underlying quality of the lending portfolio are the movement in staging of the provisions over time and the levels of arrears in the portfolios.

Arrears levels as at 31 December 2023 total £117 million and arrears volumes have increased by £10 million when compared with the year prior. Current arrears volumes represent 0.64% of exposure at default. £79 million relates to customers considered in financial difficulty. Delays in refinancing matured loans, caused by operational factors and the legacy impact AML processes, have contributed to the growth in arrears volumes.

Model-based provision calculations for credit agreements in Stage 1 and Stage 2

For definitions and additional information on model-based calculations of ECL, see note 1, section (i) Credit Losses.

Handelsbanken Group's central process for model-based calculations of expected credit losses in Stage 1 and Stage 2 incorporates a number of different processes and methods which support the quantification of the provision requirement. The model-based calculations factor in historical, current, and forward-looking data. Historical data form the basis for the construction of the model and parameters applied, current data comprise the prevailing balances on the reporting date (as included in the calculation requirements) and forward-looking data refer to the macroeconomic scenarios used to calculate future risk parameters and exposures.

The models use historical risk data, meaning that the accounting of provisions and calculations of capital requirements are based on loss history. The calculations are primarily affected by the risk parameters known as 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD).

Stage 1 & 2 IFRS 9 volumes including PMAs have increased from £24.1 million to £28.4 million, up £4.3 million, when compared to 31 December 2022. There has been a negative trend in rating distribution throughout 2023, which reflects the increased economic strain caused by higher interest and supply chain costs. This increased strain and uncertainty caused by the macroeconomic environment, has resulted in management's decision to introduce PMAs.

Customers seeking support have been assisted and evaluated via the business as usual credit assessment processes and provided with forbearance if appropriate.

Notwithstanding the quality of the portfolio, including the level of security at low loan-to-values, the economic outlook remains challenging, with uncertainty relating to inflationary and supply-chain pressures. As such the Bank has continued to deploy PMAs to support model produced provisions. The Bank will continue to monitor and assess the quality of our credit portfolio, and make prudent case-by-case decisions using our established methodology.

In May 2022 the Bank introduced a new rating methodology for retail (private individual) customers. This new methodology forms part of our work towards IRB transition, and is designed to combine a statistical and expert judgement into the assignment of credit ratings. The new methodology has increased the number of available risk classes which has improved discrimination and rank ordering. The impact of the additional risk classes has meant the portfolio is now more distributed. The redistribution has resulted in some negative migration, when compared to the rating distribution seen prior to May 2022, however we have not seen the adoption of the new methodology have material changes in the underlying credit quality of our private individual portfolio.

Forbearance

Forbearance occurs when the local branch agrees to grant a concession for a customer experiencing, or about to experience, financial difficulty in meeting prevailing contractual payments. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and where the Bank would not have agreed to them if the borrower had been financially healthy.

A key indicator of underlying strength within the credit portfolio is the level of forbearance granted. During 2023, the forbearance instructions were improved and further training was delivered to the branch network. As of 31 December 2023, active forbearance totalled £77.9 million, an increase of £38.8 million from that at 31 December 2022. The increase in active forbearance was expected given the increase in strain observed in the portfolio and is considered as an indicator of proactive risk management by the branch network. All forbearance arrangements have been agreed on a case-by-case basis based on the specific financial circumstances of each customer. Given forbearance is granted where a path to the original prepayment capacity is visible, the majority of customers benefitting from these arrangements are expected to return to fully performing status.

Forbearance allows modifications to the terms agreed at the point that the facility was originally drawn, moving them to a basis that would not otherwise be considered in order to support the repayment of the debt. Examples of forbearance include the extension of a repayment period and agreeing respites for payments of interest, capital or fees. The Bank also reassesses whether there has been a significant increase in credit risk, and whether the assets should be classified as impaired or reported as a Stage 3 exposure.

Credit agreements with registered forbearance measures are subject to enhanced monitoring for a period of two years, known as a probation period.

Monitored credits automatically return to normal status following the completion of the probation period if all conditions have been met. The conditions required for the forbearance to be removed are that the payment plan is being followed and there is no default.

In addition to the two-year probation period for registered forborne exposures, an additional one-year probation period, i.e. a total of three years, is applicable for credits reported as in default when the forbearance was registered.

Handelsbanken plc's approach is based on a commitment to treat customers fairly and to agree forbearance, if, after a full assessment of all financial factors, it is concluded there is a realistic prospect of the customer's financial position stabilising to enable them to repay their facility in full. A request for a concession can either come from a customer or can be identified as appropriate by the branch employees who proactively monitor the financial health of the customer on an ongoing basis.

Customers who have a forbearance concession approved continue to be managed by the local branch where the relationship is already established. The forbearance plan is closely monitored with all higher risk exposures subject to quarterly reporting and review by the local credit teams. This enables a good understanding of the customer's financial situation and provides a local source of support. Branch employees receive advice from a variety of specialist teams who provide support and guidance throughout the process, from the point of agreeing the concession. Customers are also signposted to free debt advice agencies for additional support.

As at 31 December 2023, there were 242 defaults across the portfolio, totalling £167 million, based on exposure at default. £86.8 million of this EAD was derived from secured Property Management exposure.

The Bank has continued to monitor a high-risk population of customers, and this high-risk portfolio has been kept under regular review and now includes those sectors considered most vulnerable to increased strain caused by changes to the macroeconomic environment, especially fuel and energy volatility.

As at 31st December 2023, our EAD to these higher risk customers totalled £988 million. £697 million or 71% of exposure at default to those customers operating in high risk business areas are considered to have a better than average repayment capacity.

LIQUIDITY AND FUNDING RISK

Liquidity risk is defined as the risk that Handelsbanken plc will not be able to meet its payment obligations when they fall due or can only do so by bearing unacceptable costs or losses. Funding risk is defined as the risk that Handelsbanken plc does not have stable sources of funding in the medium and long-term.

The Bank's Board oversees key decisions for the funding and liquidity strategy, as outlined in the Bank's Funding and Liquidity Risk Policy. The objective of the policy is to ensure the Bank can continue to operate and meet its obligations as they fall due, even in the event of severe but plausible stress. The policy establishes the basis for suitable governance arrangements to ensure that Handelsbanken plc holds an adequate buffer of High-Quality Liquid Assets (HQLA), funds illiquid assets with stable funding and also complies with the relevant regulatory requirements.

Liquidity and funding in the Handelsbanken Group
The Bank primarily relies on Handelsbanken Group for its liquidity contingency support through a formal funding agreement. The Handelsbanken Group has a strong liquidity position. For many years, it has actively worked with liquidity measures and has adopted a prudent approach. Part of this work has involved centralising liquidity management with the purpose of strengthening control of the liquidity risks and of optimising funding in all scenarios. The liquidity position is reviewed and monitored at the Board level. The Bank can supplement the Group liquidity contingency support with its own liquidity raising measures in the event of a stress event, as outlined in its Recovery Plan.

Handelsbanken Group has a low tolerance of liquidity risks and liquidity risks are included in internal pricing. Handelsbanken Group's global funding programmes cover the maturities in all currencies that it needs to fund its lending. This minimises liquidity risks at an aggregate level and also in each individual currency.

Handelsbanken Group Treasury sets the overall funding strategy and approach of the Handelsbanken Group which in turn sets the principles for the Bank's funding strategy. This covers its sources and types of funding. The strategy is aligned with Handelsbanken Group's business model and is implemented by the Bank's Board via the Funding and Liquidity Risk Policy.

Liquidity and funding in Handelsbanken plc
The Funding and Liquidity Risk Policy references the Bank's Funding and Liquidity Risk Tolerance Statement. The statement is based on always holding enough liquidity of sufficient quality to meet liabilities as they fall due throughout severe, yet plausible, liquidity stress scenarios. Survival time horizons are defined to determine quantitative measures to support the statement and monitor adherence.

The statement is embedded via quantitative Board Risk Tolerance limits to support key regulatory ratios, namely the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR') metrics.

The ILAAP document sets out the Bank's approach to managing liquidity and funding. The ILAAP has been prepared in line with regulation on liquidity and funding risk-management defined in the PRA Rulebook for Capital Requirement Regulation ('CRR') firms and the related guidelines and policy statements.

The purpose of the ILAAP is to ensure:

- The Board and senior management are informed about the ongoing identification, assessment and management of liquidity and funding risks;
- All material liquidity and funding risks are identified and for sufficient management and controls are put in place to effectively manage them;
- The portfolio of HQLA of the Bank is adequate under stressed conditions, taking into account a variety of scenarios which cover severe but plausible idiosyncratic and market-wide liquidity stress events, including a combination of the two, alongside appropriate reverse stress testing;
- The Bank has in place adequate liquidity contingency planning as part of the Bank's Recovery Plan and a clear understanding of available recovery options and sources of funding under stress;
- The results of the ILAAP are taken into account as part of business strategy and funding and liquidity planning; and
- The Bank meets the PRA's Overall Liquidity Adequacy Rule (OLAR).

As of 31 December 2023, the Bank's balance sheet funding includes £20.4 billion (2022: £20.5 billion) of deposits from individual and corporate customers. This is supplemented by £6.9 billion (2022: £7.2 billion) of predominantly long-term funding from Svenska Handelsbanken. This funding includes £400 million of subordinated Tier 2 debt and £50 million of senior non-preferred debt for MREL (Minimum Requirements for Own Funds and Eligible Liabilities).

The Bank also has a sterling book of certificates of deposit of £2.1 billion (2022: £2.2 billion) funding short-term assets only. The majority of all sources of funding are denominated in sterling.

Balances in the BoE Reserve Account totalled £8.9 billion (2022: £7.9 billion) as of 31 December 2023. The Bank's asset encumbrance is limited to cash ratio deposits held at the BoE only.

The Bank reports an LCR, 147% (2022: 147%) as of 31 December 2023, and maintains the LCR above internal buffers set on top of the minimum regulatory requirement of 100%. The LCR is a measure of liquidity measuring the cash inflows and outflows over a period of 30 days. It is calculated as high quality liquid assets expressed as a proportion of the liquidity requirements (net cash inflows and outflows).

UK Group	**2023**	**2022**
Liquidity coverage ratio (LCR)%	147%	147%

	2023	**2022**
UK Group	**£'000**	**£'000**
High quality liquid assets (HQLA)	8,825,548	7,904,334
Cash outflows	**7,240,571**	**6,792,143**
Of which, deposits from the public and small and medium companies	801,764	917,451
Of which, unsecured capital market financing and large corporate deposits	6,043,770	5,461,774
Of which, other cash outflows	395,036	412,918
Cash inflows	**1,246,743**	**1,414,674**

Liquidity and funding in Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited

Under IFPR, there is a requirement to hold an amount of liquid assets equal to one third of the firm's Fixed Overhead Requirement. Consideration must also be given to any higher requirement needed to meet (1) the liquid assets needed at any given point in time to fund ongoing operations as well as to mitigate any adverse trends throughout the economic cycle, or (2) the liquid assets required in the event of an orderly wind down.

INVESTMENT AND MARKET RISK

The Bank has defined market risk as the risk of loss arising from potential adverse changes in the value or income of the firm's assets and liabilities due to a fluctuation in market rates, namely interest and FX rates. From a Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited perspective, investment and market risk includes investment breaches and investment performance risk, and liquidity risk. Handelsbanken Wealth & Asset Management Limited does not engage in proprietary trading and therefore investment and market risk are centred on investment performance and the resultant impact on assets under management and Handelsbanken Wealth & Asset Management Limited's income. Liquidity risk in this context relates to enabling clients to redeem their investments or access their portfolio cash within reasonable time periods and in accordance with fund terms and regulations.

Exposure
Handelsbanken plc maintains a simple banking book balance sheet, with simple products and primarily sterling denominated activity, does not engage in proprietary trading and does not hold any commodities in either a trading or banking book.

The fixed income, currencies and commodities department (FICC) of the Bank has adopted an agency model with Svenska Handelsbanken, where all market risk of the trading book is held (including interest rate, FX, credit spread, equity and commodity pricing risks). As such, market risks are only considered for the banking book, which includes the banking activity (lending and borrowing money, holding and issuing securities and gathering deposits) aimed to generate earnings from a cash-flow.

Market risk is focused on the banking book and arises as part of meeting customers' lending, investment and risk management needs. Market risk is limited by naturally matching assets and liabilities as far as possible, hedging residual positions via Handelsbanken Group intercompany loans / deposits and taking other actions to limit residual risk where appropriate. Market risk is managed within tight limits by UK Group Treasury, primarily by an Economic Value of Equity measure that is independently reported by Risk Control.

Handelsbanken Wealth & Asset Management Limited provides wealth management advice and solutions, and provides asset management through active global multi-asset investing. A range of investment vehicles with different risk/return outcomes are offered. These services are provided to private investors, owner-managed companies, charities, trusts and pension funds. It does not engage in proprietary trading. The investment process includes strategic asset allocation, which is a risk framework for identifying the asset mix most likely to deliver strong returns for a given level of risk, and tactical asset allocation, which reflects shorter-term views based on analysis of the economic cycle and adjusts exposure to asset classes, styles, geographic areas and industry sectors. Instrument selection looks at due diligence, counterparty risk and cost efficiency, and active risk controls look holistically at exposures, stress testing scenarios and drivers of tracking errors, amongst other things, enabling portfolios to be managed within mandates.

Within Handelsbanken Wealth & Asset Management Limited liquidity risk exists in an investment context and is managed in accordance with a Liquidity Policy which seeks to facilitate the funds and portfolios having sufficient and appropriate liquidity to enable clients to redeem their investment in a reasonable allocated time period and where relevant, in accordance with the fund terms, prospectus and rules. An independent third party provider supplies liquidity information and analysis on each of the multi-asset funds, and this is overseen by the ACD.

Outlook
The Bank has transitioned both funding and lending away from LIBOR-linked contracts to alternative rates bar a small number of customer loans which could not be transitioned due to operational, legal, or regulatory reasons. These exposures reference the synthetic LIBOR-rate and the Bank is actively working with those customers to find alternatives.

COMPLIANCE RISK

Compliance risk is the risk of regulatory sanctions, material financial loss, or loss to reputation the UK Group may suffer as a result of its failure to comply with laws, regulations, external or internal rules, codes of conduct or guidance applicable to its operations that are subject to authorisation and its regulatory permissions. This includes improper licensing / certification as well as inadequate and ineffective engagement with regulators.

The business owners, Risk Control and Compliance functions, monitor the upstream financial services regulatory landscape to identify potential changes in the near and medium-term that could impact the UK Group. This assists in the mitigation of risks associated with non-compliance with laws and regulations. Areas regarding the new Consumer Duty requirements, vulnerable customer support and management, the macroeconomic environment e.g. the cost of living crisis, and evolving ESG-related regulation, as well as financial crime prevention, continue to require focus in time and resource within the financial services sector. Progress continues to be made in the development of systems, controls and technology, although continuous improvement is anticipated to be required in these areas across the industry.

OPERATIONAL RISK

Operational risk is the risk of loss due to inadequate or failed internal processes, people, systems or external events including legal risk.

Operational risk-management is a core component of the RMF and is embedded in day-to-day business activities. Responsibilities are set out in a combination of policies, framework and guidance documents to identify, assess, mitigate, monitor and report operational risk that could impact the achievement of business objectives and ability to stay within tolerance levels set by the Board.

Business and Operations functions, as risk and control owners, are responsible for the day-to-day management of operational risk, with oversight from the Risk and Compliance functions and independent assurance activities undertaken by Internal Audit.

Exposure
The UK Group's exposure to operational risk is impacted through the provision of banking, wealth and asset management services; engagement with third parties; delivery of new products and services; and making effective use of reliable data in a changing external environment to deliver on the Bank's strategic objectives. Management continues to address risks with material residual exposures in line with the low risk-tolerance of the Bank. Alongside ongoing risk and control monitoring, operational risk oversight is focused on a number of key areas: those that are currently of most significance for the Bank and its subsidiaries are:

Financial crime risk
Financial crime risk is the risk that the UK Group's products and services will be used to facilitate financial crime against the UK Group, its customers or third parties. Financial crime risk, which includes money laundering, fraud, bribery and corruption, terrorism financing, tax evasion and non-compliance with sanctions, continues to be a concern for the financial services industry, while losses to fraud remain a significant threat particularly given the worsening economic environment. Financial crime prevention and sanctions compliance consumes considerable amounts of time and resources for the financial services sector.

The UK Group has continued to enhance its financial crime control framework to identify, assess and mitigate the risks of its services and products being used for the purposes of financial crime. As a result, the residual financial crime risk at the UK Group has reduced against the previous year.

Payments risk
Payments risk is the risk of payments processed in an untimely manner, erroneously or duplicated, resulting in the detriment of customers or in regulatory breaches, and includes compliance with external payment scheme rules and regulations.

The Bank facilitates customer payments through its various channels, such as online banking and mobile app platforms, customer support service as well as via branches. The types of payments the Bank facilitates includes, but is not limited to, CHAPS, Bacs and Faster Payments. Whilst the payments landscape modernises at pace the Bank continues to progress efforts within its payment systems as well as control environment to meet both customer and regulatory requirements.

Information technology and information security risk
Our business relies on the IT we use being fit for the UK Group's needs. It therefore needs to be resilient, secure, available and appropriately governed such that IT supports the business to achieve its objectives, provides quality products and services to our customers, supports our strategies, and meets our legal and regulatory obligations.

IT presents the risk of technology solutions not meeting business requirements, customer expectations or failing to deliver consistently, resulting in sub-optimal performance.

IT plays a key role in supporting the mitigation of information security, data, change and resilience-related risks.

Information Security Risk is the risk of potential financial, reputational or legal / regulatory loss as a result of a compromise in the confidentiality, integrity, availability or traceability of information assets.

Cyber-attacks remain a key area of focus across financial services organisations. The Bank remains alert to ongoing and emerging cyber risks, with monitoring processes in place to identify vulnerabilities and robust controls to manage the related risks.

The UK Group also continues to enhance processes to meet evolving business, customer and regulatory requirements and expectations impacting on IT, information security, data, resilience and change, and to mitigate the associated risks. This includes continuing to enhance and invest in systems, technologies, processes, people and capabilities (including reporting and oversight) in alignment with the UK Group's IT strategy, modernisation imperative, the broader direction of the UK Group and that of the Handelsbanken Group.

Handelsbanken Group is a material outsource provider of services, including IT services, to the Bank. These services are covered by a formal Master Service Agreement (MSA) and supported by Service Level Agreements (SLAs) between Handelsbanken Group and the Bank. Changes and enhancements to the Service Level Agreement are made on a periodic basis in cooperation with the Bank's Legal and Supplier Management departments. A range of service meetings take place to support the ongoing governance and management of Group service provision. These include executive meetings with both the Bank's CIO and Handelsbanken Group CIO in attendance, management meetings to foster close supplier relationship management, and delivery meetings focused on delivery and operational demands. A formal escalation and dispute resolution procedure is established and exercised through these channels.

Change management risk
The change management risk is the risk of failure to effectively design, execute or deliver change initiatives, and not realising intended benefits and outcomes.

The volume and complexity of change programmes across the UK Group covering remediation, regulatory and mandatory change, in addition to meeting business needs, heightens both the change delivery risk, and the ability of the business to absorb large amounts of change into processes and systems. The UK Group Change Governance Framework has been launched this year, which is the overarching framework beneath which the UK Group's change control processes operate. Further consolidation of change activities has been achieved by bringing Change Management and Transformation under the control of the Chief Information Officer, so that we are collaborating more closely than ever to minimise risks to the UK Group.

Change management risks are managed through the UK Group's change methodology and aforementioned framework and are reported through governance, up to and including the Board and periodic updates to PRA/FCA on our change initiatives. This approach provides a centralised view of change (including prioritisation), in conjunction with additional assurance activities by the second and third lines of defence in order to minimise the overall risks to the UK Group.

Business resilience risk
Business Resilience Risk is the risk of disruption to UK Group's (including IT systems and data) ability to operate through and/or recover from disruptive/impactful continuity events (for example, natural disasters, IT systems failure).

The UK Group continues to refine its framework by aligning to industry good practice. Over the past year there has been significant focus on enhancements to its business continuity programme, further to continuous identification, assessment and mitigation of the associated risks within this area.

The UK Group has achieved a number of the key deliverables in accordance with prescribed regulatory time-frames connected to operational resilience. This work is ongoing to meet future commitments and to embed the resulting practices within the UK Group.

Third-party management risk
Third-Party Management risk is the risk of the UK Group's inability to effectively source or manage third-party arrangements (including outsourcing), resulting in disruption to customer services or activities, business operations or regulatory breaches. The UK Group works with a variety of external suppliers to deliver services and products. The business is also reliant on a range of shared enterprise services and supporting systems provided by Svenska Handelsbanken, such as payments and IT management. Ongoing performance management and assurance is undertaken to maintain effective supplier relationships.

There remains regulatory focus on outsourcing and third party risk management, including oversight of sub-outsourcing arrangements as well as increasing consideration of the risks associated with cloud service providers (CSP) and Important Business Services (IBS) including but not limited to cross-border data security, compliance risk and cloud concentration risk. This will continue to remain an area of focus as part of ongoing framework enhancements.

The Bank continues to develop and embed its third-party management risk framework including procurement management and supplier relationship management with oversight of service providers to support their adherence to these requirements.

Conduct risk
Conduct Risk is the risk of action or inaction and conduct of the UK Group's employees, at each stage of the product lifecycle or customer journey that may result in poor or unfair outcomes for our customers. This may impact brand and / or our market integrity, resulting in reputational damage to the UK Group.

The UK Group continues its work to embed conduct risk considerations within its working practices in order to mitigate poor customer outcomes and to enhance the visibility of its exposure to conduct risk across its operational landscape.

A series of focus areas exist, the most notable of which concerns the UK Group's further embedding its obligations under the Consumer Duty regulation.

Monitoring
The operational risk requirements are defined and documented within the relevant RMFs, and associated policies, standards, instructions, and Board risk tolerance statements, which are aligned with Svenska Handelsbanken's policies and risk tolerance.

Monitoring of key operational risks focuses on the implementation of risk mitigation action plans, operational risk events, and the assessment of controls and is undertaken in line with the three lines of defence approach. Operational risk reporting is an essential component of the framework providing the Operational Risk Committee, Management Risk and Compliance Committee, Board Risk and Compliance Committee as well as the Board with appropriate, accurate and timely information regarding material operational risks in order to inform decision-making including risk-mitigation actions.

The UK Group undertakes annual, forward-looking scenario analysis to gain insight into severe, but plausible, operational risk events that could materially impact the Bank's ability to deliver on the strategic objectives and/or operational risk capital. The Bank's scenario analysis examines risks both within the risk profile, as well as horizon-scanning or market-wide stresses such as geopolitical risk, and how these could crystallise into an operational risk event.

Outlook
The UK Group's operational risk outlook is impacted by the environment in which it operates as well as its strategy. Current themes the Bank remains vigilant of include:

- The scale, complexity and pace of change, particularly in meeting strategic (including organisational change technology), regulatory and remediation programmes;
- Availability of skilled staff required within the workforce to meet its strategic and regulatory objectives;
- Disparities within the workforce resulting from hybrid working practices;
- IT and operational resilience and the continued increase in the sophistication of technology and cyber-crime threats;
- Threats to infrastructure resulting from the current geopolitical landscape, including cyber-attacks and potential energy supply disruption;
- Third-party supplier concentration risk, including Svenska Handelsbanken and cloud service providers; and
- Regulatory environment and the volume of changes impacting the industry.

The UK Group continues to invest in these areas to maintain and develop appropriate controls and help facilitate residual risk exposures being managed within tolerance, whilst at the same time enhancing frameworks and processes to meet the evolving regulations and external requirements.

CLIMATE CHANGE RISK

The climate change risk management is described in the Non-Financial and Sustainability Information report on pages 27-28.

Environmental, Social and Governance Risk (ESG)

The Bank's approach to ESG is described in the Non-Financial and Sustainability Information report on pages 15-21.

CAPITAL MANAGEMENT

The UK Group aims to maintain a strong capital base in relation to the underlying risks of the business, regulatory requirements and internal risk tolerances, while having the resources to support further capital efficient growth.

The Bank measures the amount of capital it requires and holds through applying the regulatory framework defined by the Capital Requirements Directive and Regulation (CRD IV / CRR), as implemented in the UK by the PRA and supplemented through additional regulation under the PRA Rulebook.

The PRA uses capital ratios as a measure of capital adequacy in the UK banking sector, comparing the Bank's capital resources with its risk-weighted assets (the assets and off-balance sheet exposures are 'weighted' to reflect the inherent credit and other risks).

The minimum amount of total capital, under Pillar 1 of the regulatory framework, is determined as 8% of aggregate risk-weighted assets (RWAs). At least 4.5% of RWAs are required to be covered by Common Equity Tier 1 (CET1) capital and at least 6% of RWAs are required to be covered by Tier 1 capital. Given the Bank does not hold Additional Tier 1 capital it needs to meet the 6% of RWA with CET1 capital.

There are also some risks which are not adequately covered by the Pillar 1 requirements (e.g. interest rate risk and credit concentration). These risks are captured within the Bank's Pillar 2A requirements. Pillar 2A capital requirements are determined as part of the ICAAP and subsequently agreed by the PRA through their Capital Supervisory Review and Evaluation Process (C-SREP). Pillar 2A requirements must be met with at least the same capital quality as Pillar 1 and therefore at least 56.25% CET1 capital, no more than 43.75% Additional Tier 1 capital and no more than 25% Tier 2 capital. Similar to Pillar 1, given the Bank does not hold Additional Tier 1 capital it needs to meet 75% of Pillar 2A requirement with CET1 capital.

The PRA sets these additional minimum requirements through the issuance of the Bank specific Total Capital Requirement (TCR), which includes the aggregate of Pillar 1 and 2A requirements. As of 31 December 2023, the TCR for the Bank is set at 10.82%.

CAPITAL BUFFERS

The regulatory capital buffer framework is designed so that firms maintain enough capital above their regulatory minimum to withstand periods of stress. All buffers are required to be met with CET1 capital.

The Capital Conservation Buffer (CCB) is a standard buffer of 2.5% of RWAs designed to provide for losses in the event of stress. The Countercyclical Capital Buffer (CCyB) is time-varying and is designed to require banks to hold additional capital to remove or reduce the build-up of systemic risk in times of credit boom, providing additional loss-absorbing capacity and acting as an incentive for banks to constrain further credit growth. The amount of the buffer is determined by reference to buffer rates set by the individual countries where the Bank has relevant credit risk exposures. The UK Group exposures are almost exclusively in the UK, therefore as of 31 December 2023, the Bank applies the UK CCyB rate of 2% of RWAs set by the Financial Policy Committee (FPC) since July 2023.

The PRA may also determine that further additional 'Pillar 2B' capital is required to be held in addition to the buffers outlined above. The additional buffer is based on an institution's own stress testing as part of the ICAAP. The PRA does not permit firms to disclose if they are subject to such a buffer.

LEVERAGE RATIO

The UK Group is not in scope of the UK leverage ratio minimum capital requirement. Nonetheless, the PRA expects firms not in scope of the UK leverage ratio requirement to maintain a leverage ratio above 3.25%, which the Bank has complied with. The leverage ratio framework does not currently give rise to higher capital requirements for the Bank than the risk-based capital framework.

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

MREL is focused on ensuring that UK banks have sufficient capital resources and liabilities to absorb losses to allow them to return to business as usual following a resolution event and without recourse to taxpayer funds. Handelsbanken plc, as a material subsidiary of a foreign-owned group, is subject to MREL requirements. Since 1 January 2023, the Bank's MREL requirements are 21.6% of RWA, reduced by any applicable BoE scalar. MREL applies the same to Handelsbanken plc and the UK Group.

The UK Group has considered the impact of MREL as part of the strategic and capital planning process, noting that Svenska Handelsbanken, as the sole shareholder and provider of all the Bank's regulatory capital, will also be expected to provide any future MREL-compliant instruments. As of 31 December 2023, the UK Group has £50 million of unsecured senior non-preferred debt. With this £50 million of MREL-compliant debt and £2.6 billion of capital resources, the UK Group has a total capital and MREL ratio of 24.1% of RWA, as of 31 December 2023.

REPORTING AND MONITORING

The Bank reports quarterly to the PRA detailing the Bank's capital requirements, capital resources and capital adequacy.

In addition, the Bank's Management Financial and Capital Risk Committee monitors the actual capital and forecast positions monthly, and reports regularly to the Board and Board Risk and Compliance Committee. This facilitates the capital position being appropriately reviewed, with visibility and challenge of the capital ratios, risk tolerance and the outlook.

CAPITAL ADEQUACY MANAGEMENT

As of 31 December 2023, the UK Group's consolidated CET1 ratio and T1 ratio were 20.0%. Handelsbanken plc's individual CET1 ratio and T1 ratio were 20.3%.

As part of the Bank's strategic capital planning process, the level of capital resources required to support the Bank's future growth, strategic business investments, minimum regulatory requirements (including any forthcoming regulatory requirements) and internal risk tolerances are considered. Handelsbanken plc also plans for severe stresses and sets out what actions would be taken if an extremely severe stress threatened the Bank's viability and solvency.

Capital resources

The Bank's capital resources consist of CET1 capital and Tier 2 capital issued to its parent, Svenska Handelsbanken. The Bank has not issued any Additional Tier 1 capital. The Bank's regulatory capital resources are as follows:

UK Group	2023 £'m	2022 £'m
Common equity tier 1		
Paid up capital	**5**	**5**
Share premium	**2,071**	**2,071**
Retained earnings	398	411
Current year P&L	**416**	**253**
Goodwill and other	(51)	(48)
Adjustment to retained earnings for forseeable dividends	(625)	(266)
Common equity tier 1 capital	**2,214**	**2,426**
Additional tier 1 instruments	-	-
Total tier 1 capital	**2,214**	**2,426**
Tier 2	**400**	**400**
Total capital resources	**2,614**	**2,826**

The recommended dividend of £625 million reduces the CET1 ratio from 25.7% to 20.0%.

CAPITAL REQUIREMENTS

The Bank's Pillar 1 capital requirements for credit risk are calculated using the standardised approach under CRR, applying the risk-weights prescribed in the regulation. Operational risk is quantified using the basic indicator approach (BIA). According to the BIA, the capital requirements are calculated by multiplying a factor specified in CRR by the average of three years' operating income. The Bank has not included capital requirements for market risk in its RWA calculations as it does not hold trading positions and its FX exposures are below the minimum regulatory thresholds.

At 31 December 2023, the Bank's RWAs decreased by c. £0.3 billion, compared to 31 December 2022, reflecting lower lending volumes in 2023.

The following table summarises the Bank's RWAs. It shows the year-end and average total credit exposures, broken down by exposure class. For on-balance sheet items, the exposure value shown is the gross carrying value of exposure less allowances and impairments. For off-balance sheet items, the exposure value shown is the gross carrying value of the exposure less provisions. The average exposure values shown are the average of the quarter-end values.

UK Group	RWAs 2023 £'m	RWAs 2022 £'m
Credit risk according to standardised approach	**9,940**	**10,364**
Operational risk according to BIA	**1,126**	**1,040**
Market risks	**-**	**-**
Total RWAs	**11,066**	**11,404**

UK Group £'m	2023		2022	
	Value of exposures at year end	**Average value of exposures over the year**	**Value of exposures at year end**	**Average value of exposures over the year**
Central Governments or Central Banks	9,066	8,286	8,146	8,310
Institutions	5,279	6,113	5,572	4,984
Corporates	2,605	2,620	2,648	2,764
Retail	329	353	444	450
Secured by mortgages on immovable property	18,374	18,934	19,535	19,984
- of which, secured by mortgages on residential property	*11,822*	*12,293*	*12,814*	*13,176*
Exposures in default*	167	137	94	107
Items associated with particularly high risk*	111	113	113	145
Other items	91	96	118	132
Total	**36,022**	**36,652**	**36,670**	**36,876**

* Sourced from Common Reporting Framework

Capital adequacy ratios

The Bank's capital adequacy ratios are as follows:

UK Group	2023	2022
Common equity tier 1 capital ratio	**20.0%**	**21.3%**
Tier 1 capital ratio	**20.0%**	**21.3%**
Total capital ratio	**23.6%**	**24.8%**

Capital ratios remain well above the TCR and capital buffers set by the PRA.

LEVERAGE RATIO

The leverage ratio is the ratio of Tier 1 capital to total exposure. Tier 1 capital is defined according to the CRR. Exposures are defined as the total on and off balance sheet exposures (after application of credit conversion factors) minus assets that are deducted from capital resources and central bank claims, as per the PRA Rulebook. The Bank's leverage ratio is as follows:

UK Group	2023 £'m	2022 £'m
Tier 1 capital	2,214	2,426
Exposure measure	24,356	25,680
Of which, on-balance sheet	32,566	32,970
Of which, (-) asset deduction	(51)	(48)
Of which, (-) central bank claims	(8,879)	(7,945)
Of which, off-balance sheet	720	703
Leverage ratio	9.1%	9.4%

CREDIT RATINGS

Handelsbanken plc aims to have a high rating with the external rating agencies. During the year, prospects for Fitch Ratings moved to stable, after being negative in 2020 – due to the ongoing pandemic, the outlook for Standard & Poor’s remained stable. The Bank’s long-term and short-term ratings are below.

31 December 2023	Long-term	Short-term
Standard & Poor's	AA-	A-1+
Fitch	AA (S)	F1+

31 December 2022	Long-term	Short-term
Standard & Poor's	AA-	A-1+
Fitch	AA (S)	F1+

Independent auditors' report to the members of Handelsbanken plc

Report on the audit of the financial statements

OPINION

In our opinion, Handelsbanken plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's and company's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 31 December 2023; the consolidated and company statements of profit or loss and comprehensive income, the consolidated and company statements of changes in equity, and the consolidated and company cash flow statements for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 7 (group) and Note 7.2 (company), we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

Context

The group comprises Handelsbanken plc (either the company, or the Bank), Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited . There are a number of centralised functions operated by the ultimate parent company, Svenska Handelsbanken , incorporated in Sweden, on which the group is reliant, and that are relevant to the audit of the group.

Overview

Audit scope

- We performed a full scope audit of the consolidated and company financial statements of Handelsbanken plc. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.
- The scope of the audit and the nature, timing and extent of audit procedures were determined with consideration of our risk assessment, the financial significance of account balances and other qualitative factors.
- Audit procedures were performed over all account balances and disclosures which represent a risk of material misstatement to the financial statements.

Key audit matters

- Expected credit losses (ECL) on loans to the public (group and company)

Materiality

- Overall group materiality: £28.7m (2022: £17.2m) based on 5% of profit before tax.
- Overall company materiality: £27.3m (2022: £17.0m) based on 5% of profit before tax, capped at 95% of the group materiality.
- Performance materiality: £21.6m (2022: £12.9m) (group) and £20.5m (2022: £12.6m) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for effective interest rate method on fees and commission income, which was a key audit matter last year, is no longer included because of our assessment that a material error arising from changes in the assumptions is unlikely. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses (ECL) on loans to the public (group and parent) An expected credit loss provision of £28.8 m (2022: £24.8m) was recognised on loans to the public at the year end. Under IFRS 9, impairment losses are recognised on an expected credit loss (ECL) basis which requires the use of forward looking information, reflecting management's view of potential future economic scenarios. The standard also requires management to make judgements regarding when a loan has experienced a 'significant increase in credit risk'. The ECL for stage 1 and 2 loans is determined by impairment models which include assumptions such as probability of default (PD), loss given default (LGD), exposure at default (EAD) and the use of multiple probability weighted economic scenarios. Post model adjustments (PMAs) are recorded to modelled output to account for situations where known or expected risk factors and information are not fully incorporated in the modelling process. Individual impairment assessments are performed for credit impaired loans (which are categorised as stage 3 loans). We focused our work on the areas that we considered to be the most judgemental, being: • The appropriateness of staging criteria selected by management to determine whether a significant increase in credit risk ("SICR") has arisen. • Appropriateness of Post Model Adjustments ("PMAs"); and • Measurement of stage 3 loans, including valuation of collateral and consideration of alternative possible scenarios. Refer to Notes 1 and 10 in the financial statements.	We understood and critically assessed the appropriateness of the impairment policy (including the definitions of default and significant increase in credit risk). We evaluated the design effectiveness and implementation of key controls over the ECL process. We evaluated the methodology for determining the SICR criteria and assessed its appropriateness. We independently tested the staging allocation, considering both qualitative and quantitative factors, across the loans portfolio on a sample basis, and with reference to the SICR thresholds. We involved credit risk modelling specialists to review the ECL model methodology, and test its implementation (through code reviews and replication of the ECL calculation for a sample of customers). We identified and tested the completeness and accuracy of key data inputs, sourced from underlying systems, that are applied in the calculation of ECL. We involved credit risk modelling specialists to support the audit team in the performance of these audit procedures. We tested the reasonableness of macroeconomic and forward-looking information used in the ECL models by evaluating the coherence of the assumptions with our own knowledge and that of other market constituents. We assessed the appropriateness of methodologies used to determine and quantify the post model adjustments required and the reasonableness of key assumptions. Based on our knowledge and understanding of the limitations in models and industry emerging risks, we critically assessed the completeness of the post model adjustments. For a sample of individually impaired (Stage 3) loans, we evaluated and tested the specific circumstances of the borrower, including the latest developments, collateral valuation (using our property valuation experts), and scenarios assigned for measuring the impairment provision, and assessed whether the key judgements applied were appropriate. We evaluated and tested the disclosures in the financial statements. Overall, based on the procedures performed and the evidence obtained, we found management's determination of expected credit loss provision to be reasonable and materially compliant with the requirements of IFRS 9.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Handelsbanken plc provides corporate and retail banking services to customers in the United Kingdom. It operates through a series of branches, with centralised regional support and oversight arrangements. The group comprises Handelsbanken plc, Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited. We performed a full scope audit of Handelsbanken plc, and specific audit work in relation to material balances in Handelsbanken Wealth & Asset Management Limited. The balances of Handelsbanken ACD Limited are not considered to be material for group reporting.

There are a number of centralised functions operated by the ultimate parent company, Svenska Handelsbanken , incorporated in Sweden, on which the group is reliant, and that are relevant to the audit of the group. Accordingly our audit involved instructing PwC Sweden to test certain controls and processes, including:

- Information Technology General Controls and automated business controls operated in Sweden; and
- Expected credit loss provisions on stage 1 and 2 loans.

We interacted regularly with PwC Sweden throughout the course of the audit. This included reviewing their working papers and evaluating the work performed and their findings. We concluded that the procedures performed on our behalf were sufficient for the purposes of our audit.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements. These procedures included consideration of the impact of climate risk on loan provisioning.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£28.7m (2022: £17.2m).	£27.3m (2022: £17.0m).
How we determined it	5% of profit before tax	5% of profit before tax
Rationale for benchmark applied	Profit before tax is a key measure used by management and the parent shareholder in assessing the performance of the group, and is a generally accepted auditing benchmark.	Profit before tax is a key measure used by management and the parent shareholder in assessing the performance of the group, and is a generally accepted auditing benchmark. Since the standalone company profit is more than the overall group profit, we have restricted the company materiality to a lower level, being 95% of the overall group materiality.

The group audit involved two components, being the Bank and Handelsbanken Wealth & Asset Management Limited. Handelsbanken plc is the only significant component in the scope of our group audit, and the materiality allocated was £27.3m, less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (overall materiality: 75%) of overall materiality, amounting to £21.6m (2022: £12.9m) for the group financial statements and £20.5m (2022: £12.6m) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.4m (group audit) (2022: £0.9m) and £1.3m (company audit) (2022: £0.8m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- assessing and challenging key assumptions used by directors in their determination of going concern of the group and company;
- assessing the liquidity and capital forecasts prepared by management. This included reviewing the results of stress testing performed by management of both liquidity and regulatory capital, and considering the reasonableness of the stress scenarios that were used;
- assessing the nature and diversification of the group's deposit base, and associated levels of FSCS protection coverage;
- assessing the intragroup arrangements with respect to financing and operational support on which the group and company depend, and the continued availability of these;
- reviewing key legal and regulatory correspondence, and performed enquiries of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA");
- giving consideration as to whether our audit procedures have identified events or conditions which may impact going concern of the group and company; and
- critically evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the Directors' report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the rules of the PRA and the FCA, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- enquiries of management, internal audit and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing key correspondence with regulatory authorities (such as the PRA and the FCA);
- assessing matters reported through whistleblowing and reviewing management's consideration thereof, and their results;
- identifying and testing selected journal entries that we assessed as having a higher risk of being fraudulent;
- assessing the assumptions and judgements made by management in their accounting estimates for bias; and
- incorporating unpredictability into the nature, timing and/or extent of our audit procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the members on 26 April 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2022 and 31 December 2023.

Darren Meek (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

14 March 2024

Consolidated statement of profit or loss and comprehensive income, UK Group

UK Group	Note	2023 £'000	2022 £'000
Interest income*		1,802,094	923,790
of which interest income according to the effective interest method		1,802,094	923,790
Interest expense		(875,598)	(271,326)
Net interest income	3	**926,496**	**652,464**
Fee and commission income		71,497	72,357
Fee and commission expense		(3,624)	(3,656)
Net fee and commission income	4	**67,873**	**68,701**
Net gains on financial transactions and other income*	5	11,987	12,729
Total income		**1,006,356**	**733,894**
Personnel costs	6	(262,399)	(240,280)
Depreciation, amortisation and impairment of property, equipment, right of use and intangible assets	15,16 & 25	(25,183)	(23,420)
Other operating expenses	7	(140,157)	(122,681)
Total expenses		**(427,739)**	**(386,381)**
Profit before credit gains/(losses)		**578,617**	**347,513**
Net credit (losses)	10	(3,788)	(4,415)
Net (losses)/gains on disposal of property, equipment and intangible assets		(65)	818
Profit before tax		**574,764**	**343,916**
Taxes	11	(159,024)	(91,284)
Profit for the year		**415,740**	**252,632**
Other comprehensive income, net of tax		**-**	**-**
Profit and total comprehensive income for the year		**415,740**	**252,632**

* In 2023, breakage fees which were previously reported under "Net gains on financial transactions and other income" started to be presented within "Interest income". This presentation change resulted in reclassification of £11m of breakage fees in the previous year (2022).

There is no other comprehensive income for the year ended 31 December 2023.
The results for the year were derived wholly from Handelsbanken UK Group's continuing operations.

The notes on pages 88-129 form part of these financial statements.

Balance sheet UK Group

UK Group	Note	2023 £'000	2022 £'000
ASSETS			
Cash and balances with central banks	12	8,878,735	7,944,713
Other loans to central banks	13	88,371	99,900
Loans to other credit institutions	14	5,230,310	5,523,785
Loans to the public	2	18,023,996	19,028,715
Intangible assets	15	51,005	47,844
Property and equipment	16	19,892	18,435
Right-of-use assets	25	50,720	51,454
Current tax assets		396	-
Deferred tax assets	11	2,098	3,869
Prepaid expenses and accrued income		16,385	14,187
Other assets	17	6,033	31,723
Total assets		**32,367,941**	**32,764,625**
LIABILITIES			
Due to credit institutions	14	6,886,954	7,239,434
Deposits from the public	18	20,359,402	20,486,618
Issued securities	19	2,134,871	2,190,225
Current tax liabilities		108	3,916
Deferred tax liabilities	11	2,730	3,020
Provisions	20	16,731	22,843
Lease liabilities		51,290	52,611
Accrued expenses and deferred income		11,300	10,203
Other liabilities	21	14,870	16,294
Total liabilities		**29,478,256**	**30,025,164**
EQUITY			
Share capital	22	5,050	5,050
Share premium	22	2,070,619	2,070,619
Retained earnings		398,276	411,160
Profit for the year		415,740	252,632
Total equity		**2,889,685**	**2,739,461**
Total liabilities and equity		**32,367,941**	**32,764,625**

These financial statements were approved by the Board of directors and authorised for issue on 14 March 2024.
The notes on pages 88-129 form part of these financial statements.

Martin Björnberg, Director

Statement of changes in equity UK Group

UK Group 2023	Note	Share capital	Share premium	Retained earnings including profit for the year	Total
		£'000	£'000	£'000	£'000
At 1 January 2023	22	5,050	2,070,619	663,792	**2,739,461**
Dividend Paid	23	-	-	(265,516)	**(265,516)**
Total comprehensive income		-	-	415,740	**415,740**
At 31 December 2023		**5,050**	**2,070,619**	**814,016**	**2,889,685**

UK Group 2022	Note	Share capital	Share premium	Retained earnings including profit for the year	Total
		£'000	£'000	£'000	£'000
At 1 January 2022	22	5,050	2,070,619	411,160	**2,486,829**
Total comprehensive income		-	-	252,632	**252,632**
At 31 December 2022		**5,050**	**2,070,619**	**663,792**	**2,739,461**

Cash flow statement UK Group

	Note	2023 £'000	20202 £'000
OPERATING ACTIVITIES			
Profit before tax		574,764	343,916
of which paid in interest		1,737,308	828,237
of which paid out interest		(839,811)	(243,797)
Adjustment for non-cash items in profit:			
Net credit losses	10	3,788	4,415
Gains on financial transactions		(876)	(2,229)
Net losses / (gains) on disposal of property, equipment and intangible assets		65	(818)
Depreciation, amortisation and impairment of property, equipment, right-of-use and intangible assets	15,16 & 25	25,129	23,420
Lease liability interest expense	25	1,535	1,328
Acquisition of right of use asset	25	(8,866)	(7,388)
Changes in the assets and liabilities of operating activities:			
Other loans to central banks	13	11,529	2,879
Loans to other credit institutions		289,812	(1,598,199)
Loans to the public		1,000,930	1,144,359
Due to credit institutions	14	(352,481)	(636,336)
Deposits from the public	18	(127,216)	1,284,768
Issued securities	19	(55,354)	(786,756)
Provisions	20	(6,112)	4,654
Lease liabilites		7,327	4,549
Income tax (payment)		(161,747)	(90,301)
Other assets	17	25,690	(25,292)
Prepaid expenses and accrued income		(2,198)	(75)
Other liabilities	21	(1,424)	(3,036)
of which payments made for variable lease expenses	25	(5,122)	(3,899)
of which payments made for short-term and low value leases	25	(934)	(576)
of which other		4,632	1,439
Accrued expenses and deferred income		1,097	(3,233)
Cash inflow/(outflow) from operating activities		**1,215,640**	**(351,346)**
INVESTING ACTIVITIES			
Assets held for sale		-	963
Acquisitions of property and equipment	16	(7,000)	(4,714)
Disposal of property and equipment		166	1,216
Acquisitions of intangible assets	15	(11,138)	(6,635)
Cash outflow from investing activities		**(17,972)**	**(9,170)**
FINANCING ACTIVITIES			
Dividends paid to company's shareholders	23	(265,516)	-
Payments made for lease liabilities	25	(12,424)	(12,141)
Cash outflow from financing activities		**(277,940)**	**(12,141)**
Cash inflow/(outflow) for the year		**919,728**	**(372,657)**
Cash balance at beginning of year	12	7,996,622	8,368,955
Net foreign exchange differences		(136)	324
Cash balance at end of year	**12**	**8,916,214**	**7,996,622**

Notes to the financial statements

NOTE 1 BASIS FOR PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

The parent company, Handelsbanken plc, is a public limited company limited by shares, registered and domiciled in England and Wales, the registered office is given in the directors and advisors section on page 1. The UK Group is principally engaged in the provision of Banking and Wealth Management services.

Basis of accounting

Handelsbanken plc prepares and presents consolidated financial statements for UK Group, even though it continues to meet the exemption criteria for presenting consolidated financial statements. Handelsbanken plc has two direct subsidiaries, Handelsbanken Wealth & Asset Management Limited and Svenska Property Nominees Limited (SPNL) and three indirect subsidiaries (owned via Handelsbanken Wealth & Asset Management Limited) as shown in note 13.2. The UK Group consolidated financial statements comprise these direct and indirect subsidiaries.

The report and consolidated financial statements of the UK Group have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared on a historical cost basis unless otherwise stated. The parent company's accounting policies are shown in note 1.2.The financial statements are presented in GBP rounded to the nearest thousand '£'000', which is also the functional currency. The functional currency of the ultimate Parent Svenska Handelsbanken is Swedish Krona (SEK).

Going concern

The consolidated financial statements are prepared on a going concern basis as the directors are satisfied that Handelsbanken plc and its subsidiaries have the resources to continue in business for the foreseeable future - which has been taken as at least 12 months from the date of approval of the financial statements. In making this assessment, the directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows, capital resources and the longer-term strategy of the business.

The UK group benefits from support (from the ultimate parent, Svenska Handelsbanken) available in the form of capital and contingency funding arrangements, as well as operational support in some areas of activity, and the directors are satisfied that these will continue to be available for the foreseeable future. The UK Group aims to maintain a robust financial, capital and liquidity position, defined by regulatory and internal ratios. The UK Group has a diversified liquidity profile and can supplement the Group liquidity contingency support with its own liquidity raising measures in the event of a stress event, as outlined in its Recovery Plan. Alongside the capital plan, a sensitivity analysis is undertaken to understand the impact of a range of factors on the capital projections and future regulatory changes. The UK Group has tested the resilience of the business by performing capital and liquidity stress tests. The stress tests include identification of material risks which can adversely impact the UK Group's capital and liquidity positions, development of severe but plausible stress test scenarios, and calculation of financial, capital and liquidity impacts. The results of the UK Group's stress testing support the going concern assessment.

After making due enquiries, the directors believe that the UK Group has sufficient resources to continue its activities for the foreseeable future, and over the going concern assessment period through to 31 March 2025.

(b) Changes in Accounting Policies

New and amended standards and interpretations

The following accounting standards and amendments are applicable from 1 January 2023:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information;
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;
- Amendments to IAS 12 Deferred tax: deferred tax related to assets and liabilities arising from a single transaction; and
- Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules.

The effect of new IFRS accounting standards and amendments effective from 1 January 2023 on our financial statements is immaterial.

Changes in IFRS which are yet to be applied
None of the changes to IFRS which have been issued, but are not yet effective, are expected to have a material effect on the UK Group.

(c) Basis of consolidation and presentation

Subsidiaries
All companies directly or indirectly controlled by Handelsbanken plc (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. As a rule, control exists if the Bank owns more than 50% 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 acquisition date. 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.

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 interest over the acquired entity starts. The acquisition date may differ from the date when the transaction is legally established.

(d) Assets and liabilities in foreign currencies

The accounts are presented in Great British Pounds (£), the UK Group's functional and presentation currency.

Translation of transactions in a currency other than the functional currency
Transactions in a currency other than the functional currency (foreign currency) are initially translated into the functional currency at the rate prevailing on the transaction date. Monetary items in foreign currencies are converted at the balance sheet date using the prevailing closing rate. Gains and losses arising from the currency translation of monetary items are recognised in the income statement as foreign exchange rate effects in net gains / losses on financial transactions.

(e) Recognition and derecognition of financial instruments on the balance sheet

Purchases and sales of foreign exchange spot instruments are recognised on the trade date, which is the date on which an agreement is entered into. Other financial assets and liabilities are normally recognised on the settlement date.

Financial assets are derecognised 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 derecognised from the balance sheet when the obligation is fulfilled, ceased or cancelled.

(f) Financial instruments

Measurement categories
In accordance with IFRS 9, the UK Group classifies all financial assets into one of the following measurement categories:

1. amortised cost;
2. fair value through other comprehensive income; or
3. fair value through profit or loss;
   a. mandatory;
   b. fair value option.

The UK Group does not engage in hedging activities in the capacity of principal, so the hedge accounting rules have no impact on the financial statements.

The starting point for the classification of financial assets into the respective measurement categories is the UK Group's business model for managing the financial instruments, as well as whether the instruments' contractual cash flows constitute solely payments of principal and interest (SPPI). All of the UK Group's financial assets are measured at amortised cost.

Financial liabilities are classified as follows:

1. amortised cost; or
2. fair value through profit or loss;
   a. mandatory;
   b. fair value option.

As a general rule, financial liabilities are recognised at amortised cost. The exceptions are financial liabilities which are required to be measured at fair value through profit or loss, such as derivatives and liabilities which are designated at fair value through profit or loss upon initial recognition. All of the UK Group's financial liabilities are measured at amortised cost as it does not have any derivatives or financial liabilities recognised under the fair value classification.

Upon initial recognition, all financial assets and liabilities are measured at fair value. Directly attributable transaction costs are included in the acquisition cost.

Assessment of the business model
The business model for managing financial assets defines classification into measurement categories. The business model is determined at the portfolio level, as this best reflects how the operations are governed and how information is reported to and evaluated by UK Group's management. Information of significance when making a weighted assessment of the business model for a portfolio includes the established guidelines and objectives with a portfolio and how these are implemented in the operations, the risks which affect the performance of the portfolio and how the risks are managed, as well as the frequency, volume, reasons for and times of sales.

Assessment whether contractual cash flows are solely payments of principal and interest
The assessment of whether contractual cash flows constitute SPPI is significant for the classification into measurement categories. For the purpose of this assessment, 'principal' is defined as the financial asset's fair value upon initial recognition. 'Interest' is defined as consideration for the time value of money, credit risk, other fundamental lending risks (such as liquidity risk) and costs (such as administrative expenses) as well as a profit margin.

To assess whether the financial asset's contractual cash flows constitute SPPI, the contractual terms of the financial asset are reviewed. If there are contractual terms that could change the timing or amounts of the contractual cash flows, modify the consideration for the time value of money, cause leverage or entail extra costs for prepayment and extension, then the cash flows need to be further assessed to determine whether the SPPI criterion is met.

Amortised cost
A financial asset is to be measured at amortised cost if both of the following conditions are met:

- the objective of the business model is to collect contractual cash flows; and
- the contractual cash flows constitute SPPI.

Financial assets recognised in the measurement category amortised cost consist of loans and holdings that fulfil the above conditions. These assets are subject to impairment testing, see note 1 section (g). Financial liabilities recognised in the measurement category amortised cost consist primarily of liabilities due to credit institutions, deposits and borrowing from the public, and issued securities.

Amortised cost consists of the discounted present value of all future cash flows relating to the instrument where the discount rate is the instrument's effective interest rate at the time of acquisition.

Interest and credit losses relating to financial instruments measured at amortised cost are recognised in the income statement under Net interest income and Net credit gain / losses, respectively. Early repayment charges for loans redeemed ahead of time are recognised in the income statement under Interest income. Foreign exchange effects are recognised in Net gains / losses on financial transactions.

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 (loans and interest bearing securities), 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 a liability under accrued expenses and deferred income on the balance sheet. The guarantee is subsequently measured at the higher of the amortised premium or the provision for the expected loss. Premiums relating to issued financial guarantees are amortised in Net fee and commission income over the validity period of the guarantee. In addition, the total guaranteed amount relating to guarantees issued is reported off-balance as a contingent liability, see note 24.

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.

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 of the loan.

Financial guarantees and irrevocable loan commitments are subject to impairment testing, see note 1 section (g).

Certificates of deposit
The Bank funds part of the balance sheet in the short term by issuing coupon-bearing Certificates of Deposit (CDs) in the UK money market. The CDs are initially recognised at fair value, being the issue proceeds less transaction costs incurred. The CDs are subsequently measured at amortised cost using the effective interest method.

(g) Credit losses

Expected credit losses

The impairment rules presented in IFRS 9 apply to financial assets at amortised cost, financial assets at fair value through other comprehensive income, as well as irrevocable loan commitments, financial guarantees and other commitments, and are based on a model for the recognition of expected credit losses (ECL). This model stipulates that the provision must reflect a probability-weighted amount determined through the evaluation of a number of potential outcomes, with consideration given to all reasonable and verifiable information available on the reporting date without unreasonable expense or exertion. The assessment takes into account historical, current and future-oriented factors. The assets to be tested for impairment are divided into the following three stages, depending on the degree of credit impairment:

- Stage 1 comprises financial assets with no significant increase in credit risk since initial recognition;
- Stage 2 comprises financial assets with a significant increase in credit risk since initial recognition, but for which there is no objective evidence that the asset is credit-impaired at the time of reporting; and
- Stage 3 comprises financial assets for which objective circumstances have been identified indicating that the claim is credit impaired.

For a definition of credit-impaired assets, refer to the heading Default / Credit-impaired assets in this section of note 1.

In Stage 1, provisions are to be recognised which correspond to the loss expected to occur within 12 months as a result of default. In Stage 2 and Stage 3, provisions are to be recognised corresponding to the loss expected to occur at some time during the whole of the remaining maturity of the asset as a result of default.

For agreements in Stage 1 and Stage 2, there is a Bank-wide, central process using model-based calculations. The process begins for all agreements with an assessment of whether there has been a significant increase in the credit risk since initial recognition (start date of the agreement). The provisions in the different impairment stages are calculated separately. Agreements in Stage 3 are calculated manually. In conjunction with each reporting date, an assessment is made at the agreement level as to whether an agreement will be subject to a model-based calculation or a manual calculation.

Significant increase in credit risk

A significant increase in credit risk reflects the risk of default and is a measurement by which the agreement's relative change in credit risk since initial recognition is measured. For calculating significant increases in credit risks, the same underlying model is used in Handelsbanken Group as is used for the calculation of expected credit losses, with consideration given to historical, current and future-oriented information. Collateral is not taken into account in the assessment. At each reporting date, the Group-wide, central, model-based process begins for all agreements with an assessment of whether there has been a significant increase in the credit risk since initial recognition (start date of the agreement). This assessment then determines whether the expected credit loss is assessed over a 12-month horizon after the reporting date (Stage 1) or during the agreement's remaining lifetime (Stage 2). An important aspect which affects the size of the provision for credit losses is therefore which factors and thresholds are defined as triggers for the transfer of assets from Stage 1 to Stage 2. The Bank's definition of a significant increase in credit risk, which is decisive in the transfer of agreements to Stage 2, is based on both qualitative and quantitative factors. The quantitative indicator which is primarily used to assess the change in credit risk is the relative change, between the instrument's initial recognition and up to the most recent reporting date, in the probability of default (PD) during the agreement's remaining lifetime. In cases where it has required an unreasonable expense or exertion to establish the PD in conjunction with the initial recognition of an instrument, changes in the counterparty's or the agreement's internal rating or risk rating since initial recognition have been used to assess the significant change in the credit risk. Forecasts regarding the risk of default are based on three scenarios.

The primary criterion when assessing whether an agreement is deemed to have incurred a significant increase in credit risk and is thus transferred to Stage 2 is, as defined by Handelsbanken Group, that the estimated remaining probability of default (PD) on the reporting date is greater than a multiple of 2.5 times the corresponding probability of default upon initial recognition. The threshold level of 2.5 is based on statistical analysis of historical data and compares the increase in the remaining risk that the counterparty will default with the corresponding estimated risk upon the initial recognition of the agreement. In addition, there are other qualitative factors which the Bank has assessed as entailing a significant increase in credit risk, such as the agreement having payments that are more than 30 days overdue, or that counterparty having been granted forbearance measures to be taken as the result of a deteriorated credit rating. If a significant increase in credit risk has arisen since initial recognition, a provision is recognised which corresponds to the expected credit losses for the entirety of the remaining lifetime and the financial instrument is transferred to Stage 2. The model is symmetrical, meaning that, if the financial instrument's credit risk decreases and there is therefore no longer a significant increase in credit risk since initial recognition, the financial asset is transferred back to Stage 1.

Model-based calculation

The calculations of expected credit losses are primarily affected by the risk parameters ‘probability of default’ (PD), ‘exposure at default’ (EAD) and ‘loss given default’ (LGD). Expected credit losses are determined by calculating PD, EAD and LGD up to the expected final maturity date of the agreement. The three risk parameters are multiplied and adjusted by the survival probability or, alternatively, the probability that a credit exposure has not defaulted or been repaid in advance. The estimated expected credit losses are then discounted back to the reporting date using the original effective interest rate and are summed up. Total credit losses in Stage 1 are calculated using the probability of default within a 12 month period, while for Stage 2 and Stage 3, the calculation uses the probability of default during the asset’s time to maturity.

Models for risk parameters and expected lifetime

The risk parameters PD, LGD and EAD are calculated for every agreement and future point in time, based on statistical models. These models are, as far as possible, founded on the relationships between the significant risk factors and relevant risk outcomes. In cases where the Handelsbanken Group lacks sufficient information due to, for example, too few defaults, the data is complemented with external information. The historical outcomes are analysed with regard to the correlation in agreement-specific risk factors such as product type, internal rating, length of customer relationship, collateral type, loan-to-value ratio, unemployment and GDP growth. The risk factors identified as significant for a specific risk parameter are included in the model and the historical correlation is quantified. Post-core model adjustments are made to modelled output mainly to account for situations where known or expected risk factors and information cannot be fully incorporated in the modelling process. These model adjustments have been explained on page 99.

Probability of default (PD)

PD refers to the probability that a customer or an agreement will go into default at a given point in time during the asset’s remaining lifetime. 12-month PD refers to the probability of default during the coming 12-month period. Lifetime PD refers to the probability of default during the asset’s remaining lifetime (up to a maximum of 30 years). The future PDs are forecast on the reporting date, using forward-looking macroeconomic scenarios and current agreement and counterparty information. The forecast risk of default takes into account the development of scenarios and the probability of migrations between different states over time. The models calculate annual migration and default probabilities, whereby the migration model presents a probability that the agreement will belong to a particular state with a given risk of default in the future. The agreements expected PD for a given year is calculated as the probability-weighted PD over all conceivable states and scenarios. Expected PD for the remaining lifetime is based on the annual expected default forecasts and the probability that the agreement will be subject to early repayment. The degradation of an economic outlook based on forecast macroeconomic risk factors for each scenario, or an increase in the probability that the negative scenario will be realised, results in a higher PD.

Exposure at default (EAD)

EAD refers to the expected credit exposure at default. On the reporting date, future exposure at default is forecast on the basis of current repayment plans, the probability of early repayment and the expected utilisation of, for example, credit facilities, financial guarantees and loan commitments. EAD is forecast on an annual basis and comprises the amount at which losses and recoveries take place in conjunction with future defaults.

Expected lifetime

An instrument’s expected lifetime is relevant to both the assessment of significant increase in credit risk, which takes into account changes in PD during the expected remaining lifetime, and the measurement of expected credit losses for the asset’s expected remaining lifetime. The expected lifetime is considered when calculating the remaining PD, by weighing the forecast annual PD values during the agreement’s contractual duration against the probability that the agreement will not be subject to early repayment before defaulting. The probability of the agreement being subject to early repayment is based on statistical analysis and is included as a component of the model for EAD. Potential risk factors in the form of agreement, counterparty and macroeconomic risk factors have been assessed in the analysis. The risk factors identified as significant are included in the model. In several cases, no significant risk factors for early repayment are identified other than counterparty type and rating. These risk factors are, however, affected by forward-looking macroeconomic scenarios, which means that early repayment is indirectly dependent on forward-looking macroeconomic scenarios. For revolving credits with no maturity date, such as credit cards, and mortgage loans with interest-rate fixing periods of a maximum of three months, a 30-year maturity from the reporting date is applied, meaning that the expected lifetime is, in practice, defined by the behaviour-based statistical model.

Loss given default (LGD)

LGD reflects the financial loss which the Bank expects to incur in the event of default. The most important risk factors when calculating LGD are the value and type of collateral, and the characteristics of the counterparty. Forward looking macroeconomic risk factors are reflected in the LGD calculations through their impact on the value of collateral and the loan-to-value ratio. The quantification of the loss is divided between a probability that the counterparty recovers without causing the Bank any financial loss and a recovery rate if the counterparty does not recover. The recovery rate is affected by the loan-to-value ratio, in that a higher loan-to-value ratio is associated with a lower recovery rate. The most recently obtained valuation of collateral is included in the majority of LGD models. The collateral value of properties, and thus the loan-to-value ratio and the recovery rate, is affected by the price trend for the property, whereby an expected decline in real estate values pushes up the loan-to-value ratio and the expected loss given default.

Individual Assessment calculation
Assets in Stage 3 are tested for impairment on an individual basis using a manual process. This testing is carried out on a regular basis and in conjunction with every reporting date by the bank branch with business responsibility (unit with customer and credit responsibility) and is decided by the area or central credit departments, or the Bank's Board.

Impairment testing is carried out when there are objective circumstances which indicate that the counterparty will not be able to fulfil its contractual obligations, according to the definition of default. Such objective circumstances could be, for example, late payment or non-payment, a change in the internal rating, or if the borrower enters bankruptcy.

Impairment testing involves an estimation of the future cash flows and the value of the collateral (including guarantees). Consideration is normally given to at least two forward-looking scenarios for expected cash flows, based on both the customer's repayment capacity and the value of the collateral. The outcome of these scenarios is probability-weighted and discounted with the claim's original effective interest rate. The scenarios used may take into account both macroeconomic and agreement-specific factors, depending on what is deemed to affect the individual counterparty's repayment capacity and the value of the collateral. The assessment takes into account the specific characteristics of the individual counterparty. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount.

Expert-based calculation
Expert-based calculation is also carried out for credit losses on agreements in Stage 1 and Stage 2, in order to incorporate the estimated impact of factors not deemed to have been considered in the model (Stage 1 and Stage 2) or not deemed to have been considered in manual calculation (Stage 3). The model-based calculations are constructed with the ambition of making as accurate estimations as possible of the individual contributions to the overall provision requirement. However, it is very difficult to incorporate all of the particular characteristics that define an individual agreement into a general model. For this reason, a manual analysis is carried out of the agreements which give the largest contributions to the overall provision requirement. For examples of these adjustments, see page 99 where post-core model adjustments have been explained.

The manual analysis aims to apply expert knowledge to determine whether the model-based calculations or manual calculations need to be replaced with an expert-based calculation. An expert-based calculation may entail either a higher or lower provision requirement than the original calculation.

Expert-based calculation can also be carried out at a more aggregate level to adjust the model-based calculations for a sub-portfolio or similar. These adjustments are distributed proportionally over the agreements involved. An expert-based calculation may entail either a higher or lower provision requirement than the original calculation.

Recognition and presentation of credit losses
Financial assets measured at amortised cost are recognised on the balance sheet at their net value, after the deduction of expected credit losses.

Off-balance sheet items (financial guarantees and irrevocable loan commitments) are recognised at their nominal values. Provisions for expected credit losses on these instruments are recognised as a provision on the balance sheet.

For financial assets measured at amortised cost and off-balance sheet items, the year's credit losses (expected and actual) are recognised in the income statement under the item Net credit (losses)/gains. The item Credit losses consists of the year's provisions for expected credit losses, less reversals of previous provisions, as well as write-offs and recoveries during the year.

Write-offs consist of incurred credit losses, less reversals of previous provisions for expected credit losses in Stage 3 and may refer to either the entirety or parts of a financial asset. Write-offs are recorded when there is deemed to be no realistic possibility of repayment. Following a write-off, the claim on the borrower and any guarantor normally remains and is thereafter, as a rule, subject to enforcement activities. Enforcement activities are not pursued in certain situations, such as when a trustee in bankruptcy has submitted their final accounts of the distribution of assets in conjunction with the bankruptcy, when a scheme of arrangement has been accepted or when a claim has been conceded in its entirety. Claims for which a concession is granted in conjunction with a restructuring of financial assets are always recognised as actual credit losses. Payments to the Bank in relation to written-off financial assets are recognised in income as recoveries. Further information on credit losses is provided in note 10.

Default / Credit-impaired assets
The Bank's definition of default is identical to that applied in the Capital Requirements Regulation (CRR), entailing either that the counterparty is over 90 days overdue with a payment or that an assessment has been made that the counterparty will be unable to fulfil its contractual payment obligations. Such an assessment implies that it is deemed to be more likely than not that the borrower will be unable to pay. The assessment is founded on all available information about the borrower's repayment capacity. Consideration is given to indicators of insolvency such as insufficient liquidity, late / cancelled payments, records of non-payment or other signs of impaired repayment capacity. Other signals may include the borrower entering into bankruptcy or the granting of a substantial concession entailing a decrease in the value of the Bank's claim on the borrower.

The probability of default is calculated before each reporting date and is incorporated in the assessment of whether there has been a significant increase in the credit risk since the initial recognition, as well as in the calculation of expected credit losses for financial assets in Stage 1 and Stage 2.

A credit-impaired financial asset, which is an exposure in Stage 3, is defined as an exposure in default. This means that the assessment for accounting purposes is consistent with the assessment used in the Bank's credit risk management.

Interest
In Stage 1 and Stage 2, recognition of interest income attributable to items on the balance sheet is based on gross accounting, which means that the full amount of interest income is recognised in Net interest income.

In Stage 3, interest income is recognised net, that is, taking impairment into account. For Stage 3 assets that are subsequently no longer credit impaired (i.e. cured) the Bank reverts to calculating interest income on a gross basis and any unrecognised interest is recognised as a reversal of credit losses.

Modified financial assets
A loan is seen as modified when the terms and provisions which determine the cash flows are amended relative to those in the original agreement as the result of forbearance or commercial renegotiations. Forbearance refers to changes to terms and conditions in conjunction with restructurings or other financial relief measures implemented with the objective of securing repayment in full, or of maximising the repayment of the outstanding loan amount, from lenders experiencing, or facing, financial difficulties. Commercial renegotiations refer to changes to terms and conditions which are not related to a borrower's financial difficulties, such as changes in the cash flow for a loan arising due to changes in market conditions with regard to repayment or interest.

If the cash flows from a financial asset which is classified as measured at amortised cost have been modified, but the cash flows have not significantly changed, the modification does not normally cause the financial asset to be derecognised from the balance sheet. In such cases, the gross carrying amount is recalculated on the basis of the changed cash flows of the financial asset, and the adjustment amount is recognised in the income statement.

As there may be various reasons for implementing a modification, there is no conditional connection between modifications and assessed credit risk. When a financial asset is subject to forbearance measures and the asset remains based on the outcome of the assessment made when granting the concession on the balance sheet, it is classified in Stage 2 or Stage 3. The assessment involves a check of whether a provision is required for credit loss, or other circumstance which results in classification in Stage 3.

If a financial asset is modified in a way that results in significantly changed cash flows, the modified financial asset is derecognised from the balance sheet and replaced with a new agreement. In such cases, the modification date constitutes the initial recognition date for the new agreement and is used thereafter for the calculation of expected credit losses and for the assessment of whether there has been a significant increase in the credit risk since the initial recognition.

Climate change
In preparing these financial statements, the UK Group has incorporated assessment of the climate-related risks outlined in the Climate-related financial disclosures on pages 22-33 into judgements associated with recognition, measurement, presentation and disclosure, where so permitted by UK adopted International Accounting Standards. At 31 December 2023, the UK Group considers its present financial exposure to climate-related risk to be low and accordingly has made limited reference to the impacts of climate-related risk in the notes to the financial statements, though consideration has been given in particular to the possible financial impacts of climate-related risks on its expected credit losses. Where forward-looking information is relied on in preparing the financial statements the UK Group has

given due consideration, where appropriate and quantifiable, to potential future impacts of climate-related risk, but recognises that governmental and societal responses to climate change risks are still developing and thus their ultimate impacts on the UK Group are inherently uncertain and cannot be fully known.

The Bank has identified credit losses as one of the main areas in which it could be exposed to the financial impacts of climate change risk, either where its lending practices could expose it to physical risks (e.g. secured collateral value detrimented by flooding caused by extreme weather events) or transition risks (e.g. where corporate customers' viability is threatened by the need to transition to greener working practices). The Bank's expected credit loss models do not explicitly consider the potential impacts of such risks and during the year it was considered whether a post-core model adjustment should be established to capture this exposure. Following a consideration of the potential impacts, it was determined that reasonably possible credit losses associated with climate risk are likely to be immaterial particularly when considering discounting of any future dated impacts. On this basis, no post-core model adjustment was recognised.

(h) Leases

The UK Group assesses at contract inception whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, it is deemed to be, or to contain, a lease. To assess whether a contract conveys the right to control the use of an asset, the UK Group must assess whether:

i the contract involves the use of an identified asset;

ii it has the right to direct the use of the asset, explicitly or implicitly;

iii it has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

iv it has the right to operate the asset.

UK Group has leasehold interests in its branches and head office premises. The leases are negotiated on commercial terms and incorporate the usual tenant covenants and restrictions expected in a standard commercial lease. Some of the tenant's leasehold covenants may be specific to individual premises or specific to the individual commercial terms of the transaction. The Bank considers all the leasehold covenants and restrictions carefully and any impact they may have on the Bank before committing to the lease.

Discount rates

Under IFRS 16, lease payments are discounted at the interest rate implicit in the lease, if this can be determined, otherwise the incremental borrowing rate can be used. The Bank's assessment is that it is not possible to determine the implicit interest rates for leases, therefore the discount rate will be the Group's incremental borrowing rate, taking into account the individual circumstances of each lease, including currency and duration.

The incremental borrowing rate reflects the interest rate that the market considers to correspond to Handelsbanken Group's credit risk and general interest rate risk.

The Handelsbanken Group's funding strategy is managed centrally by Treasury in Stockholm. The Bank is covered by a guarantee on liquidity support. The Bank therefore applies the internal interest rate(s) as stated above as the discount rate when calculating the lease liability.

The borrowing rate varies between different currencies, because the market rate, including the cost of converting the loan to the desired currency and the interest-fixing period, differ for each currency.

Since Handelsbanken Group does not issue bonds at any given time, a method must be used to estimate the borrowing rate in the currencies in which the Bank has leases. The most significant borrowing currency for the Group is euros, however for the Bank this is sterling. One method of estimating the borrowing rate is to use prices from the secondary market for the Group's issued bonds in euros, with different remaining maturities, and then adjust for the cost of converting to sterling through currency interest rate swaps. When comparing this method with the indicative prices that agents quote, it is apparent that the method provides a good estimate of the borrowing rate. One difference that exists is the so-called "New issue premium", which is a premium offered to investors at the time of a new issue and is thus not included in prices from the secondary market. To adjust for this effect, 15bp is added to all interest curves and maturities.

UK Group as lessee

UK Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. Lease liabilities are recognised for lease payments and right-of-use assets are recognised to represent the right to use the underlying assets.

I. *Right-of-use assets*

When determining the value of the right-of-use asset and lease liability, UK Group includes initial direct costs attributable to the right-of-use asset, however UK Group excludes both VAT and property tax from the initial cost, with property tax being treated as a variable lease payment.

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Right-of-use assets are tested for impairment in accordance with IAS 36 when impairment indicators exist.

II. *Lease liabilities*

At the commencement date of the lease, a lease liability is recognised at the present value of future lease payments made over the lease term, discounted at UK Group's incremental borrowing rate.

The lease payments include fixed payments less any incentives receivable, variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments).

When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset or is recorded in the income statement if the carrying amount of the asset has been reduced to zero.

III. *Short-term and leases of low-value assets*

UK Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less from the transition date.

For low value assets, UK Group has adopted the IASB indicative figure of USD 5,000 (Circa £4,000) as the low value threshold. Lease payments for these leases are recognised as an expense on a straight-line basis over the lease term.

(i) Intangible assets

Recognition on the balance sheet

An Intangible asset is an identifiable non-monetary asset without physical form. An Intangible asset is only recognised on the balance sheet if the probable future economic benefits attributable to the asset will flow to UK Group and if 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 on the balance sheet.

Investments in software developed in-house are recognised 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 that can be reliably measured is capitalised from the time when it is probable that economic benefit 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 on 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.

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 as follows:

Internally developed software	five years
Purchased software and licences	five years
Acquisition brand	five years
Customer contracts	twenty 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. For the impairment review of intangible assets with a finite useful life see note 1(p).

Intangible assets with an indefinite useful life

The only intangible asset with an indefinite useful life that the UK Group has is Goodwill. Goodwill is recorded at cost less any impairment losses. Goodwill is 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 between cash flows arising from goodwill and 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 is assessed at Handelsbanken Wealth & Asset Management Limited as a whole. Material assessments and assumptions in the impairment testing of goodwill are described in note 1(p) and note 15. Previously recognised impairment losses on goodwill are not reversed.

(j) Property and equipment

UK Group's tangible non-current assets consist of property and equipment, 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. Fixtures, fittings and equipment are depreciated over five years, Computer equipment is usually depreciated over three years and Branch fit-out costs over the lease term.

Impairment testing of property and equipment is carried out when there is an indication that the value of the asset may have decreased. Impairment losses are 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 underpinning the estimated recoverable amount.

(k) Provisions

Provisions consist of recognised expected negative outflows of resources which are uncertain in terms of timing or amount. Provisions are reported when the UK 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.

Provision is made for restructuring costs, including the costs of redundancy, when the UK Group has a constructive obligation to restructure. Restructuring refers to major organisational changes, for example when employees receive termination benefits relating to early termination of employment, or branches are closed. In order for a provision to be reported, a detailed formal restructuring plan must have been established and communicated so that a valid expectation has been created in those affected, that the entity will carry out the restructuring. A restructuring provision only includes the direct expenditures arising from the restructuring and which are not related to the future operations.

If the UK Group has a contract that is onerous, it recognises the present obligation under the contract as a provision. An onerous contract is one where the unavoidable costs of meeting the obligations under the contract exceed the expected economic benefits.

(l) Equity

Equity includes the components described below:

Share premium reserve

The share premium reserve comprises of amounts that, in the issue of shares exceeds the quotient value of the shares issued, and premiums arising upon the transfer of assets and liabilities from Svenska Handelsbanken upon the creation of Handelsbanken plc.

Retained earnings including profit for the year

Retained earnings comprise of the profits generated from the current and prior year(s).

(m) Income

Net interest income

Interest income and interest expense are recognised as Net interest income in the income statement. Net interest income also includes fees for state guarantees, such as deposit guarantees.

Interest income and interest expense for financial instruments at amortised cost are calculated and recognised by applying the effective interest method or, where considered appropriate, by applying a method that results in an amount constituting a reasonable estimate of the results of a calculation based on the effective interest method. Effective interest includes fees which are considered an integral part of the effective interest rate of a financial instrument (generally fees received as compensation for risk). The effective interest rate corresponds to the rate used to discount future contractual cash flows to the carrying amount of the financial asset or liability.

Net fee and commission income

Fee and commission is recognised at the point in time at which the performance obligation is satisfied, which corresponds to the transfer of control over the service to the customer.

The total income is divided between each service and recognition in income depends on whether the services are fulfilled at a specific point in time, or over time.

Fee and commission income in the form of, for example, management fees in asset management, is usually recognised at the rate these services are performed.

Fee and commission income in the form of, for example, brokerage, card fees or payment commissions, is generally recognised when the service has been performed, i.e. at a specific point in time.

When the income includes variable reimbursement, such as a refund, bonus or performance-based element, the income is recognised only when it is highly probable that no repayment of the amount will take place.

Loan fees not included in the effective interest are recognised as fee and commission income.

Fee and commission expenses are transaction-based and directly related to transactions for which the income is recognised as Fee and commission income.

The Bank acts as an intermediary for Svenska Handelsbanken for the sale of certain Capital Markets products and services in the UK. This is an Agency model whereby the Bank acts in the capacity of agent and therefore only recognises Commission income in the income statement. The commission is recognised at a point in time when our performance obligation is satisfied which corresponds to the sale of products and services in the UK. The commission is disclosed as intercompany commission and presented net of related costs.

Net gains / losses on financial transactions

Gains / losses on financial instruments at amortised cost consist of realised gains and losses on financial assets and liabilities classified as measured at amortised cost.

(n) Employee benefits

Personnel cost

Personnel costs consist of salaries, pension costs and other forms of direct staff costs including social security costs and 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

The UK Group participates in a defined contribution scheme, the 'Svenska UK Retirement and Death Benefits Scheme (Defined Contribution Section)'. The pension scheme is set up under trusts and the assets are held separately from those of the Bank.

The UK Group makes contributions on behalf of employees to the scheme in accordance with the rules of the scheme, with no legal or constructive obligation to pay further amounts.

Handelsbanken plc also makes contributions to the personal pension schemes of certain employees. The Bank treats its contributions to these schemes as if they were contributions to a defined contribution scheme on the grounds that the assets and liabilities of the scheme are not separately attributable to the Bank.

Both of these types of contributions are recognised as expenses in the income statement during the time which services are rendered by employees.

Oktogonen profit-sharing scheme

The UK Group participates in a profit-sharing scheme Oktogonen, established by Svenska Handelsbanken to allow employees to share in Handelsbanken Group's profits when prescribed targets are achieved and subject to the Board's overall assessment regarding the UK Group's performance, on an annual basis.

Since 2020, Oktogonen allocations are primarily disbursed in the UK through a Share Incentive Plan ("SIP") as described in the Directors' report.

Share-based payment arrangements - Share Incentive Plan ("SIP")

During 2021 the UK Group established one share-based payment arrangement, a SIP. The UK Group introduced the SIP as a more efficient means of disbursing Oktogonen allocations in the UK. The conditions for an allocation to the SIP are identical to those for the Oktogonen profit-sharing scheme. As an HMRC approved scheme, a SIP requires a UK trust to be established to operate the scheme on behalf of the company. The UK trust acquires and awards shares to the employees and then holds the shares on behalf of the employees. The UK Group's share-based payment arrangement is settled in Svenska Handelsbanken shares and classified, in accordance with IFRS 2, as cash-settled by the UK Group.

The SIP has no vesting conditions as the conditions are the same as for the Oktogonen profit-sharing scheme and based on services rendered for the previous financial year. A UK Oktogonen allocation is subject to UK Board approval. Once approved, the share-based payment vests immediately and the full amount is expensed. In addition, the approved final allocation amount is treated as a share-based payment liability until the UK trust purchases the shares and immediately awards them to employees. The SIP is designed to enable retention of the shares awarded to employees in the trust for 5 years after the award date. In accordance with HMRC regulations if an employee leaves the UK Group then their shares must be withdrawn from the SIP.

For more detail see note 9: Share-based payment arrangement.

(o) Taxes

The tax expense for the year consists of current tax and deferred tax. Current tax relates to the tax charge for the current period and any adjustment in relation to prior periods. Deferred tax relates to temporary differences between the carrying amount of an asset or liability and its taxable value.

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(p) Material accounting judgements, estimates and assumptions

In certain cases, the application of the UK 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 estimates and 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. The following assessments and assumptions have had a material impact on the financial statements.

Information about material accounting judgements, estimates and key assumptions is included in the following notes:

- The assumptions used in ECL provision calculations (see the Manual and expert-based calculation section at the end of note 1(p))
- Information about other accounting judgements, estimates and key assumptions is included in the following notes:
- Estimating the incremental borrowing rate, see note 1(h)
- Provisions (including restructuring provisions), see notes 1(k) and note 20
- Estimation of the effective interest rate, see note 1(m)
- Impairment of goodwill note 1(p) and note 15
- The assumptions used in relation to present and potential conditions, including projections for profitability, future cash flows and capital resources in making the going concern assessment see note 1(a)
- The assumptions used when determining the lease terms, where the UK Group is both the lessee (IFRS 16) and the lessor (Asset Financing) see note 25
- Impairment of Property and equipment (see note 16) Right-of-use assets (see note 25) and Intangible Assets (see notes 15 and 1(p) below)

Impairment of intangibles with a finite useful life

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.

Impairment testing of goodwill

Recognised goodwill is derived from the Bank's investment in Handelsbanken Wealth & Asset Management Limited. Goodwill is tested for impairment annually in connection with the closing of the annual accounts. Impairment testing of the goodwill involves material judgements in determining both the value in use and fair value less costs to sell. Material assessments and assumptions in the impairment testing of goodwill are described in note 15. Previously recognised impairment losses on goodwill are not reversed.

Credit losses
The calculation of expected credit losses involves a number of assumptions and assessments. The valuation of expected credit losses is inherently associated with a certain degree of uncertainty. Areas involving a high degree of assumptions and assessments are described below under the respective headings.

Future-oriented information in macroeconomic scenarios
The Bank continuously monitors macroeconomic developments. Through this monitoring, the Handelsbanken Group develops the macroeconomic scenarios which form the basis for the future-oriented information used in the model-based calculation of expected credit losses. The Bank reviews the output from the models and assesses the results for reasonableness. The capacity of the Bank's customers to fulfil their contractual payments varies in line with macroeconomic developments. Consequently, future macroeconomic developments have an impact on the Bank's view of the provision needed to cover expected losses. The calculation of the provision requirement for expected credit losses is based on the base scenario proposed by Svenska Handelsbanken's macroanalysis unit. As the losses may be more highly affected by a future deterioration of economic trends than by the equivalent improvement, the Bank uses another three alternative scenarios (the additional "severe downturn" scenario was first used as of 31 December 2021) to take into account the non-linear aspects of expected credit losses. These alternative scenarios represent conceivable developments, one significantly worse, one worse and one significantly better than the base scenario. The most significant macroeconomic risk factors have been selected on the basis of Handelsbanken's loss history over the past decade, supplemented with experience-based assessments. These macroeconomic risk factors are then used as macroeconomic risk factors in the quantitative statistical models for forecasting migrations, defaults, loss rates and exposures. Macroeconomic risk factors include unemployment, key / central bank rates, GDP, inflation and property prices. The Bank's business model, to offer credit to customers with a high repayment capacity, means that the connection between the macroeconomic developments and the provision requirement is not always especially strong.

The macroeconomic scenarios were regularly updated during the year based on the current market conditions. The provision requirement has increased during 2023. This is partly due to updated values for the forward-looking macroeconomic risk factors, whereby GDP has decreased, while inflation and interest rates have increased compared to the forecast at the previous year-end.

Significant increase in credit risk
The Bank makes an assessment at agreement level at the end of each reporting period as to whether there has been a significant increase in credit risk since initial recognition.

Model-based calculation
The quantitative models which form the basis for the calculation of expected credit losses for agreements in Stage 1 and Stage 2 use several assumptions and assessments. One key assumption is that the quantifiable relationships between macroeconomic risk factors and risk parameters in historical data are representative for future events. The quantitative models applied are based on a history of approximately ten years, although this history varies by product and region due to inconsistency in the availability of historical outcomes. The quantitative models have been constructed with the help of econometric models, applying the assumption that the observations are independently conditioned by the risk factors. This means that the risk parameters can be predicted without distortion. Furthermore, a selection of the most significant macroeconomic risk factors is made on the basis of the macroeconomic risk factors' ability to demonstrate to individual risk parameters. The selection of the macroeconomic risk factors and specification of the model are based on achieving a balance between simplicity, demonstrative ability and stability.

The calculation of expected credit losses applies forward-looking information in the form of macro scenarios (one base, one upturn, one downturn and one severe downturn),with relevant macroeconomic risk factors, such as unemployment, key / central Bank rates, GDP, inflation and property prices. The various scenarios are used to adjust the risk parameters. Every macroeconomic scenario is assigned a probability and the expected credit losses are obtained as a probability-weighted average of the expected credit losses for each scenario. The base scenario is assigned a weighting of 60% (2022: 60%), while an upturn in the economy is assigned a weighting of 5% (2022: 5%) , a downturn in the economy is assigned a weighting of 20% (2022: 20%) and the severe downturn in the economy scenario is assigned a weighting of 15% (2022: 15%).

The following table presents the Macro scenario forecasts for 2023 for some of the central risk factors and scenarios for the next three years. These have formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2023.

UK Group & Bank 2023 Macro factors	Severe downturn %			Downturn %			Base %			Upturn %		
	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
GDP Growth	-4.20	-2.16	3.30	-2.20	0.44	2.95	0.80	1.84	2.30	3.80	2.84	2.00
Unemployment rate	8.00	9.50	9.00	6.40	6.70	6.40	5.00	5.00	4.50	4.30	4.00	3.80
Policy Interest rate	1.00	0.25	0.25	6.25	4.50	3.50	4.75	3.00	2.50	4.00	2.00	1.50
Consumer Pricing Index	2.20	1.40	1.40	5.70	4.30	3.00	3.50	2.50	2.20	2.61	2.10	1.90
Commercial property price growth	-16.20	-10.78	2.88	-8.35	-4.01	3.56	-0.15	1.63	2.01	3.43	7.49	4.23
Residential property price growth	-13.44	-6.44	-0.03	-7.77	-7.27	-2.44	-5.97	-0.89	3.27	-3.03	4.90	8.22

The following table presents the Macro scenarios forecasts for 2022 for some of the central risk factors and scenarios for the next three years (as of 2022). These formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2022.

UK Group & Bank 2022 Macro factors	Severe downturn %			Downturn %			Base %			Upturn %		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP Growth	-8.30	-3.20	4.40	-3.80	-0.20	3.90	-1.30	0.80	3.40	1.20	2.30	3.10
Unemployment rate	7.83	8.89	8.70	5.93	6.39	6.20	5.33	4.89	4.70	4.73	3.69	3.80
Policy Interest rate	0.75	0.25	0.50	3.25	3.25	3.25	4.00	4.00	3.75	4.50	4.75	4.50
Consumer Pricing Index	5.15	3.90	1.90	6.28	4.35	2.35	7.40	4.80	2.80	8.00	5.60	3.10
Commercial property price growth	-26.49	-15.22	-1.94	-18.72	-5.11	3.34	-13.83	-1.23	2.11	-8.93	1.31	0.90
Residential property price growth	-22.76	1.62	1.12	-10.00	0.07	1.08	-3.20	1.20	2.35	5.00	2.41	2.74

The table below shows the percentage increase/decrease in the provision for expected credit losses in Stage 1 and Stage 2, as at the balance sheet date, which arises when a probability of 100% is assigned to the Downturn (negative) and Upturn (positive) scenarios, respectively.

	2023		2022	
%	Increase in the provision in a Downturn scenario, %	Decrease in the provision in an Upturn scenario, %	Increase in the provision in a Downturn scenario, %	Decrease in the provision in an Upturn scenario, %
	3.37	-7.81	7.49	-7.19
Severe Downturn	10.20		25.30	

Manual and expert-based calculation

Expert-based calculations are applied as a rule for agreements in Stage 3. Expert-based calculation is also carried out for model outcomes on agreements in Stage 1 and Stage 2, in order to incorporate the estimated impact of factors not deemed to have been considered in the model, as well as for manually calculated agreements in Stage 3. For a more detailed description of expert-based calculation, see note 1 point (g) under the headings 'Expert-based calculation'.

Post-core model adjustments (PMAs) are made to modelled output mainly to account for situations where known or expected risk factors and information cannot be fully incorporated in the modelling process, for example the loss associated with the current geopolitical and economic environment. As of 31 December 2023, provisions include PMAs amounting to total £16.5 million (2022: £15.7 million). In 2023 the Bank has used PMAs to reflect uncertain macroeconomic geopolitical risks and increased refinancing risks for customers with maturing fixed rates that have increased risks within defined segments. The level of PMAs is higher this year due to the additional stress to the sectors at a high level of sensitivity, increased economic uncertainty caused by the macroeconomic environment and movements in customer ratings.

NOTE 2 RISK MANAGEMENT

The UK Group's risk management is described in the risk and capital management report on pages 61-77. Specific information about the Bank's risks are presented below.

GENERAL RISK EXPOSURE

Loans to the public subject to impairment testing under IFRS 9, broken down by sector and industry

UK Group and Bank 2023 £'000	Gross			Provisions			Loans after deduction of provisions
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	5,010,377	216,337	62,468	(3,304)	(1,967)	(610)	5,283,301
of which other loans with property mortgages	*4,806,344*	*209,275*	*54,601*	*(3,055)*	*(1,818)*	*(304)*	*5,065,043*
of which other loans, private individuals	*204,033*	*7,062*	*7,867*	*(249)*	*(149)*	*(306)*	*218,258*
Property management	9,902,176	1,298,829	90,866	(5,524)	(10,071)	(2,247)	**11,274,029**
Other	1,264,395	193,636	13,689	(1,563)	(3,196)	(295)	**1,466,666**
Total	**16,176,948**	**1,708,802**	**167,023**	**(10,391)**	**(15,234)**	**(3,152)**	**18,023,996**

UK Group and Bank 2022 £'000	Gross			Provisions			Loans after deduction of provisions
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	5,361,929	366,678	39,228	(2,941)	(2,605)	(1,118)	**5,761,171**
of which other loans with property mortgages	*5,096,089*	*331,639*	*32,021*	*(2,561)*	*(2,358)*	*(200)*	*5,454,630*
of which other loans, private individuals	*265,840*	*35,039*	*7,207*	*(380)*	*(247)*	*(918)*	*306,541*
Property management	10,995,120	709,867	50,493	(4,148)	(4,841)	(2,517)	**11,743,974**
Other	1,331,289	194,235	4,729	(2,356)	(3,986)	(341)	**1,523,570**
Total	**17,688,338**	**1,270,780**	**94,450**	**(9,445)**	**(11,432)**	**(3,976)**	**19,028,715**

Credit risk exposures, breakdown by type of collateral

UK Group 2023 £'000	Residential property	Other property	Sovereigns, municipalities [1]	Financial collateral	Collateral in assets	Unsecured	Total
Cash and balances with central banks	-	-	8,878,735	-	-	-	**8,878,735**
Other loans to central banks	-	-	88,371	-	-	-	**88,371**
Loans to other credit institutions	-	-	-	-	-	5,230,310	**5,230,310**
Loans to the public	11,529,571	5,838,634	15,491	14,113	156,883	469,304	**18,023,996**
Total	**11,529,571**	**5,838,634**	**8,982,597**	**14,113**	**156,883**	**5,699,614**	**32,221,412**
Off-balance sheet items							
Contingent liabilities	553,765	794,808	96,707	2,961	-	2,278,442	**3,726,683**
of which guarantee commitments	*14,483*	*18,620*	*40*	*2,340*	-	*516,267*	***551,750***
of which obligations	*539,282*	*776,188*	*96,667*	*621*	-	*1,762,175*	***3,174,933***
Total	**553,765**	**794,808**	**96,707**	**2,961**	**-**	**2,278,442**	**3,726,683**
Total on and off-balance sheet items	**12,083,336**	**6,633,442**	**9,079,304**	**17,074**	**156,883**	**7,978,056**	**35,948,095**

1. Refers to direct sovereign exposures and government guarantees

NOTE 2 Cont.

UK Group 2022 £'000	Residential property	Other property	Sovereigns, municipalities [1]	Financial collateral	Collateral in assets	Unsecured	Total
Cash and balances with central banks	-	-	7,944,713	-	-	-	**7,944,713**
Other loans to central banks	-	-	99,900	-	-	-	**99,900**
Loans to other credit institutions	-	-	-	-	-	5,523,785	**5,523,785**
Loans to the public	12,330,048	6,011,814	26,829	32,490	151,284	476,250	**19,028,715**
Total	**12,330,048**	**6,011,814**	**8,071,442**	**32,490**	**151,284**	**6,000,035**	**32,597,113**
Off-balance sheet items	703,615	785,344	96,709	4,875	-	2,316,388	**3,906,931**
of which guarantee commitments	*15,603*	*17,931*	*42*	*3,786*	-	*496,108*	***533,470***
of which obligations	*688,012*	*767,413*	*96,667*	*1,089*	-	*1,820,280*	***3,373,461***
Total	**703,615**	**785,344**	**96,709**	**4,875**	**-**	**2,316,388**	**3,906,931**
Total on and off-balance sheet items	**13,033,663**	**6,797,158**	**8,168,151**	**37,365**	**151,284**	**8,316,423**	**36,504,044**

1. Refers to direct sovereign exposures and government guarantees

LIQUIDITY RISK

Contractual maturity analysis

The following table summarises the contractual maturity profile of the Group's financial assets and liabilities. Loans and deposits to / from the public are shown in accordance with their contractual maturity rather than their next repricing date or behavioural characteristics. Fixed rate lending is assumed to refinance at the end of initial benefit, rather than the end of term.

UK Group 2023 £'000	Up to 30 days	31 days - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Unspecified maturity	Total
Assets								
To central banks	8,878,735	-	-	-	-	88,371	-	**8,967,106**
To credit institutions	1,032,533	1,802,913	881,487	1,385,625	85,969	41,783	-	**5,230,310**
Loans to public	918,564	1,810,359	1,896,618	2,457,416	8,548,762	2,392,277	-	**18,023,996**
Other	-	-	-	-	-	-	146,529	**146,529**
of which goodwill	-	-	-	-	-	-	*14,293*	*14,293*
of which other	-	-	-	-	-	-	*132,236*	*132,236*
Total	**10,829,832**	**3,613,272**	**2,778,105**	**3,843,041**	**8,634,731**	**2,522,431**	**146,529**	**32,367,941**
Liabilities								
To credit institutions	1,809,111	426,668	489,881	932,896	2,305,564	520,369	402,465	**6,886,954**
Deposits from public	16,515,442	3,202,763	354,708	38,107	934	247,448	-	**20,359,402**
Issued securities	370,207	1,729,611	35,053	-	-	-	-	**2,134,871**
Of which CD's less than one year	*370,207*	*1,729,611*	*35,053*	-	-	-	-	*2,134,871*
Other	-	-	-	-	-	-	97,029	**97,029**
Total	**18,694,760**	**5,359,042**	**879,642**	**971,003**	**2,306,498**	**767,817**	**499,494**	**29,478,256**
Off-balance sheet items								
Unutilised guarantees and loan commitments	3,174,933	-	-	-	-	-	-	**3,174,933**

NOTE 2 Cont.

UK Group 2022 £'000	Up to 30 days	31 days - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Unspecified maturity	Total
Assets								
To central banks	7,944,713	-	-	-	-	-	99,900	**8,044,613**
To credit institutions	1,296,700	1,447,972	1,019,138	1,114,984	604,992	39,999	-	**5,523,785**
Loans to public	1,003,787	2,100,808	1,982,257	3,353,566	8,025,873	2,562,423	-	**19,028,714**
Other	-	-	-	-	-	-	167,513	**167,513**
of which goodwill	-	-	-	-	-	-	*14,293*	*14,293*
of which other	-	-	-	-	-	-	*153,220*	*153,220*
Total	**10,245,200**	**3,548,780**	**3,001,395**	**4,468,550**	**8,630,865**	**2,602,422**	**267,413**	**32,764,625**
Liabilities								
To credit institutions	892,994	498,761	1,120,549	1,139,485	2,351,980	1,235,665	-	**7,239,434**
Deposits from public	17,879,374	2,183,828	392,370	31,046	-	-	-	**20,486,618**
Issued securities	454,068	1,736,157	-	-	-	-	-	**2,190,225**
Of which CD's less than one year	*454,068*	*1,736,157*	-	-	-	-	-	*2,190,225*
Other	-	-	-	-	-	-	108,887	**108,887**
Total	**19,226,436**	**4,418,746**	**1,512,919**	**1,170,531**	**2,351,980**	**1,235,665**	**108,887**	**30,025,164**
Off-balance sheet items								
Unutilised guarantees and loan commitments	3,373,461	-	-	-	-	-	-	**3,373,461**

Maturity periods for financial liabilities

The table below does not directly reconcile to the UK Group's balance sheet or contractual maturity table, as the table includes all cash flows, on an undiscounted basis, related to both principal and future interest flows for the UK Group's financial liabilities.

UK Group 2023 £'000	Up to 30 days	31 days - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Unspecified maturity	Total
Liabilities								
To credit institutions	8,902,935	13,728	25,243	69,095	301,266	177,680	-	**9,489,947**
Deposits from public	16,515,777	3,229,443	367,248	40,434	1,047	247,438	-	**20,401,387**
Issued securities	370,411	1,751,625	36,949	-	-	-	-	**2,158,985**
Of which CD's less than one year	*370,411*	*1,751,625*	*36,949*	-	-	-	-	*2,158,985*
Other	-	-	-	-	-	-	97,029	**97,029**
Total	**25,789,123**	**4,994,796**	**429,440**	**109,529**	**302,313**	**425,118**	**97,029**	**32,147,348**

UK Group 2022 £'000	Up to 30 days	31 days - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Unspecified maturity	Total
Liabilities								
To credit institutions	913,839	541,601	1,190,298	1,243,999	2,551,540	1,307,154	-	**7,748,431**
Deposits from public	17,871,132	2,199,220	406,172	32,906	-	-	-	**20,509,430**
Issued securities	454,068	1,746,491	-	-	-	-	-	**2,200,559**
of which CDs less than one year	*454,068*	*1,746,491*	-	-	-	-	-	*2,200,559*
Other	-	-	-	-	-	-	108,887	**108,887**
Total	**19,239,039**	**4,487,312**	**1,596,470**	**1,276,905**	**2,551,540**	**1,307,154**	**108,887**	**30,567,307**

NOTE 2 Cont.

MARKET RISK

LIBOR replacement

The vast majority of LIBOR loans transitioned to alternative Risk Free Rates (RFRs) in the first quarter of 2022. A small number of customer loans remained as these could not be transitioned due to operational, legal or regulatory reasons. These exposures reference the synthetic LIBOR rate and the Bank continues to actively work with those customers to find alternatives. As at 31 December 2023 there are remaining exposures of £44 million (2022: £76 million), which comprise all GBP LIBOR (2022: GBP LIBOR £53 million; EUR LIBOR £22 million and USD LIBOR £1.0 million).

Net interest income sensitivity

The net interest income sensitivity represents the effect of hypothetical movements of projected yield curves on the Bank's net interest income over a 12-month horizon. It is prepared based on a static balance sheet with all assets and liabilities maturing within the year replaced with like-for-like products. Interest rate adjustment periods of deposits without a contractual maturity are established using an internal method which is based on historical observations and takes the observed sensitivity of deposits to interest rate movements and their stability into account.

As at year-end 2023, the net interest income sensitivity to a move that assumes that the interest rates of all maturities increase by 1%, was +£36m. The net interest income sensitivity calculation does not include the impact of any management actions Handelsbanken plc would undertake to mitigate the impact of changing interest rates. Therefore, it should not be considered as a guide to future earnings performance.

NOTE 3 NET INTEREST INCOME

UK Group	2023 £'000	2022 £'000
Loans to the public	1,116,726	683,156
Loans to credit institutions and central banks	383,005	123,061
Loans to other group undertakings	292,440	79,646
Other interest income*	9,923	37,927
Total interest income	**1,802,094**	**923,790**
of which interest income according to the effective interest method	*1,802,094*	*923,790*
Deposits and borrowing from the public	(510,759)	(104,729)
Due to other group undertakings	(259,618)	(129,801)
Issued securities	(103,131)	(34,609)
Lease liability	(1,535)	(1,328)
Other interest expense	(555)	(859)
Total interest expense	**(875,598)**	**(271,326)**
Net interest income	**926,496**	**652,464**

* In 2023, breakage fees which were previously reported under "Net gains on financial transactions and other income" started to be presented within "Other interest income". This presentation change resulted in reclassification of £11m of breakage fees in the previous year (2022).

NOTE 4 NET FEE AND COMMISSION INCOME

UK Group	2023 £'000	2022 £'000
Fund management commission	25,481	27,129
Payments	24,714	24,865
Loans and deposits	10,800	9,924
Advisory fees	3,777	3,830
Asset management commssion	2,254	2,360
Intercompany commission	1,859	2,149
Guarantees	1,022	1,182
Other	1,590	918
Total fee and commission income	**71,497**	**72,357**
Payments	(3,526)	(3,567)
Intercompany commission	(95)	(48)
Other	(3)	(41)
Total fee and commission expense	**(3,624)**	**(3,656)**
Net fee and commission income	**67,873**	**68,701**

Fee and commission income refers to income from contracts with customers. Intercompany commissions, ad hoc advisory fees, payments and loans and deposits are generally recognised in conjunction with the rendering of the service, i.e. at a specific point in time. Income from fund and asset management commission, guarantees and on-going advisory fees are generally recognised as the services are rendered, i.e. on a straight-line basis over time.

Fund management commission, advisory fees, asset management commission and other lines shown in the table above includes £33 million (2022: £34 million) revenue from contracts with customers recognised in the Handelsbanken Wealth & Asset Management Limited entity. The further breakdown of this revenue has been provided in the following table.

UK Group 2023	Investment management fees £'000	Other investment management revenue £'000	Rendering of wealth management services £'000	Insurance commission £'000	Total £'000
Type of service					
Investment management services	27,736	-	-	-	**27,736**
Other investment management revenue	-	1245	-	-	**1,245**
Rendering of wealth management services	-	-	3,777	-	**3,777**
Insurance comission	-	-	-	9	**9**
Revenue from contracts with customers	**27,736**	**1,245**	**3,777**	**9**	**32,767**
Timing of revenue recognition					
Services transferred at a point in time	-	341	709	9	**1,059**
Services transferred over time	27,736	904	3,068	-	**31,708**
Revenue from contracts with customers	**27,736**	**1,245**	**3,777**	**9**	**32,767**

NOTE 4 Cont.

UK Group 2022	Investment management fees £'000	Other investment management revenue £'000	Rendering of wealth management services £'000	Insurance commission £'000	Total £'000
Type of service					
Investment management services	29,489	-	-	-	**29,489**
Other investment management revenue	-	414	-	-	**414**
Rendering of wealth management services	-	-	3,830	-	**3,830**
Insurance comission	-	-	-	10	**10**
Revenue from contracts with customers	**29,489**	**414**	**3,830**	**10**	**33,743**
Timing of revenue recognition					
Services transferred at a point in time	-	262	953	10	**1,225**
Services transferred over time	29,489	152	2,877	-	**32,518**
Revenue from contracts with customers	**29,489**	**414**	**3,830**	**10**	**33,743**

NOTE 5 NET GAINS ON FINANCIAL TRANSACTIONS AND OTHER INCOME

UK Group	2023 £'000	2022 £'000
Foreign exchange spot instruments	11,119	11,712
Other	868	1,017
Total	**11,987**	**12,729**

In 2023, breakage fees which were previously reported under “Net gains on financial transactions and other income” started to be presented within “Interest income”. This presentation change resulted in reclassification of £11m of breakage fees in the previous year (2022).

The Other line mainly includes the research & development expenditure credit ("RDEC") related income recognised in the year.

NOTE 6 PERSONNEL COSTS

Average number of employees UK Group	2023	2022
Head office and support	1,648	1,017
Branch operations	1,201	1,567
Wealth management	166	152
Total	**3,015**	**2,736**

Personnel costs for the above persons were:

UK Group	2023 £'000	2022 £'000
Wages and salaries	194,355	172,754
Pension costs	28,817	24,801
Social security costs	24,414	23,781
Staff benefits and other	12,216	11,967
Share-based payment arrangement	2,364	6,628
Variable pay	233	349
Total	**262,399**	**240,280**

For further detail on the Share-based payment arrangement, please see note 9.

NOTE 7 OTHER OPERATING COSTS

UK Group	2023 £'000	2022 £'000
Professional and legal fees	30,909	24,438
Intercompany recharges	46,165	42,512
Rent and premises costs	17,586	14,684
IT and communication costs	15,080	12,351
Unrecoverable VAT on intercompany invoices	5,198	8,576
Travel, marketing, membership & supplies	12,475	9,963
Consultancy fees	7,565	3,969
Restructuring cost	(473)	313
Auditors' remuneration	1,533	1,385
Other operating expenses	4,119	4,490
Total operating expenses	**140,157**	**122,681**

Restructuring costs are negative primarily due to release of provisions during 2023.

Restructuring costs comprise amounts provided for onerous contracts, professional and legal fees provided in relation to the restructure.

Auditors' remuneration relating to PwC is £1.5 million in 2023 (2022: £1.4 million).

For further details on intercompany recharges, please see note 28.

Auditors' remuneration

UK Group	2023 £'000	2022 £'000
Fees payable to the company's auditor for the audit of the group accounts *	1,261	1,105
Fees payable to the company's auditor for other services:		
Audit related assurance services		
Handelsbanken plc CASS	32	30
Handelsbanken Wealth & Asset Mangement Limited CASS	130	130
Handelsbanken ACD Limited CASS	110	120
Total audit and non-audit fees	**1,533**	**1,385**

* 2023 audit fees payable for the audit of the group accounts includes £80,000 relating to previous year

NOTE 8 DIRECTORS' REMUNERATION

Handelsbanken plc considers its key management personnel to be the executive and non-executive directors of the Bank.

Directors' remuneration for the year, including non-executive directors (NEDs)

Directors remuneration for 2023, including non-executive directors (NEDs)

Bank	2023 £'000	2022 £'000
Short-term employment benefits	2,368	2,248
Post employment benefits	1	-
Share-based payment	4	2
Total remuneration	2,373	2,250

NOTE 8 Cont.

Total contributions to the Handelsbanken DC pension scheme made by the Bank on behalf of the directors in 2023 was nil (2022:nil).

Expatriates assigned to the UK from other locations within the Handelsbanken Group do not participate in this pension scheme. Handelsbanken plc is not charged for the continuation of home based Defined Benefit pension scheme, however, the cost of continuing this is included in the disclosures for completeness.

During the year to 31 December 2023, one (2022: one) director was remunerated via Svenska Handelsbanken, all other directors were remunerated via the UK Group.

The amounts in respect of the highest paid director were as follows:

Bank	2023 £'000	2022 £'000
Director's emoluments and fees	1,084	1,026

NOTE 9 SHARE BASED PAYMENT ARRANGEMENT

As described in the Directors' report, Oktogonen allocations are primarily disbursed in the UK through a UK approved HMRC SIP.

Following the approval of an Oktogonen award for the 2022 performance year this was disbursed via the SIP during 2023.

UK Group employees that are employed during the financial year to which the Oktogonen allocation relates, are eligible to receive the annual free share award with the exception of some leavers. Employees cannot sell their shares for five years unless they leave the UK Group, in which case they can sell their shares but they may have tax implications.

Awards made during 2023 to the UK Group's personnel are shown in the table below.

	2023		2022	
UK Group	**No. of shares**	**Average cost of shares £**	**No. of shares**	**Average cost of shares £**
Annual free share awards	891,271	6.68	282,108	7.17

UK Group	2023 £'000	2022 £'000
Expenses arising from share based payment transactions	**2,363**	**6,628**
2021 Oktogonen allocation	-	721
2022 Oktogonen allocation	*1,004*	*5,907*
2023 Oktogonen allocation	*1,359*	-
Share-based payment liability	374	177
Oktogonen allocation provision	1,359	5,860

NOTE 10 CREDIT LOSSES

The majority of the disclosures and calculations within this note are based on the activities of Handelsbanken plc. Due to its nature, Handelsbanken Wealth & Asset Management Limited has minimal balances that are within scope of IFRS 9, and none of these balances have provisions.

Reconciliation of expected credit loss provision gains and losses

UK Group and Bank	2023 £'000	2022 £'000
Expected credit (losses)/ gains on balance sheet items		
Stage 3 provision	(1,090)	(1,919)
Reversal of Stage 3 provision	1,569	5,482
Costs related to provision Stage 3	-	-
Total expected credit gains/ (losses) in Stage 3	**479**	**3,563**
The year's net (provision)/ reversal Stage 1	(923)	(4,727)
The year's net (provision)/ reversal Stage 2	(3,802)	(1,898)
Total expected credit (losses)/ gains in Stage 1 and Stage 2	**(4,725)**	**(6,625)**
Total expected credit (losses)/ gains on balance sheet items	**(4,246)**	**(3,062)**
Expected credit (losses)/ gains on off-balance-sheet items		
The year's net (provision)/ reversal Stage 2	104	(1,044)
The year's net (provision)/ reversal Stage 1	374	(525)
Total expected credit (losses)/ gains on off-balance-sheet items	**478**	**(1,569)**
Write-offs		
Actual credit losses for the year[1]	(239)	(237)
Utilised share of previous provisions in Stage 3	199	230
Total write-offs	**(40)**	**(7)**
Recoveries	20	224
Net credit (losses)/ gains	**(3,788)**	**(4,415)**
of which loans to the public	*(4,289)*	*(2,828)*

1. Of the year's actual credit losses, no amount is subject to enforcement activities (2022: nil)

Balance sheet and off-balance sheet items that are subject to impairment testing

2023 UK Group £'000	Gross amount			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	8,878,735	-	-	-	-	-
Other loans to central banks	88,371	-	-	-	-	-
Loans to other credit institutions	5,230,365	-	-	(55)	-	-
Loans to the public	16,176,948	1,708,802	167,023	(10,391)	(15,234)	(3,152)
Total	**30,374,419**	**1,708,802**	**167,023**	**(10,446)**	**(15,234)**	**(3,152)**
Off-balance sheet items						
Total off-balance sheet	1,783,142	74,858	3,148	(747)	(1,939)	-
of which contingent liabilities	*539,893*	*11,271*	*586*	*(172)*	*(945)*	-
of which commitments	*1,243,249*	*63,587*	*2,562*	*(575)*	*(994)*	-
Total	**32,157,561**	**1,783,660**	**170,171**	**(11,193)**	**(17,173)**	**(3,152)**

NOTE 10 Cont.

2022 UK Group £'000	Gross amount			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	7,944,713	-	-	-	-	-
Other loans to central banks	99,900	-	-	-	-	-
Loans to other credit institutions	5,523,862	-	-	(77)	-	-
Loans to the public	17,688,338	1,270,780	94,450	(9,445)	(11,432)	(3,976)
Total	**31,256,813**	**1,270,780**	**94,450**	**(9,522)**	**(11,432)**	**(3,976)**
Off-balance sheet items						
Total off-balance sheet	1,985,041	64,412	1,640	(1,121)	(2,043)	-
of which contingent liabilities	*522,476*	*10,398*	*446*	*(185)*	*(1,044)*	-
of which commitments	*1,462,565*	*54,014*	*1,194*	*(936)*	*(999)*	-
Total	**33,241,854**	**1,335,192**	**96,090**	**(10,643)**	**(13,475)**	**(3,976)**

Key figures, credit losses

Loans to the public

UK Group and Bank	2023	2022
Credit loss ratio, % of loans to the public[1]	0.02%	0.01%
Total credit loss reserve ratio, %	0.16%	0.13%
Credit loss reserve ratio Stage 1, %	0.06%	0.05%
Credit loss reserve ratio Stage 2, %	0.89%	0.90%
Credit loss reserve ratio Stage 3, %	1.89%	4.21%
Proportion of loans in Stage 3, %	0.91%	0.47%

1.The calculation is based on the net credit loss for the year and the Loans to public balance at the beginning of the year.

CHANGE ANALYSIS

CHANGE IN GROSS EXPOSURE, PROVISION FOR EXPECTED CREDIT LOSSES, AND THE MAXIMUM EXPOSURE TO LOSS AT THE BEGINNING AND END OF THE YEAR

Balance sheet items that are subject to impairment testing

Loans to the public – retail

Change in exposures and provisions in Loans to the public - Retail, that are subject to impairment testing

2023 UK Group and Bank £'000	Exposure				Provision			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	5,410,156	357,334	39,850	5,807,340	(3,353)	(3,910)	(847)	**(8,110)**
Derecognised assets	(452,283)	(59,656)	(5,792)	(517,731)	221	276	35	**532**
Write-offs	-	-	(222)	(222)	-	-	198	**198**
Remeasurements due to changes in credit risk	(392,496)	76,486	(3,931)	(319,941)	(277)	2,333	484	**2,540**
Foreign exchange effect, etc	(5,597)	(1,031)	(62)	(6,690)	(15)	28	13	**26**
Originated assets	307,076	5,389	906	313,371	(221)	(98)	-	**(319)**
Transfer to Stage 1	297,577	(296,901)	(676)	-	(333)	83	-	**(250)**
Transfer to Stage 2	(157,484)	160,206	(1,119)	1,603	65	(1,394)	-	**(1,329)**
Transfer to Stage 3	(22,902)	(12,031)	33,330	(1,603)	592	598	(284)	**906**
Balance at 31 December 2023	**4,984,047**	**229,796**	**62,284**	**5,276,127**	**(3,321)**	**(2,084)**	**(401)**	**(5,806)**

NOTE 10 Cont.

Change in exposures and provisions in Loans to the public - Retail, that are subject to impairment testing

	Exposure				Provision			
2022 UK Group and Bank £'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	6,171,090	159,926	39,132	6,370,148	(619)	(438)	(1,931)	**(2,988)**
Derecognised assets	(523,222)	(17,245)	(5,326)	(545,793)	26	30	4	**60**
Write-offs	-	-	(72)	(72)	-	-	66	**66**
Remeasurements due to changes in credit risk	(122,802)	(188,130)	(8,460)	(319,392)	(2,539)	(1,055)	1,005	**(2,589)**
Foreign exchange effect, etc	(7,646)	(339)	(166)	(8,151)	(66)	(13)	32	**(47)**
Originated assets	300,824	9,776	-	310,600	(191)	(44)	-	**(235)**
Transfer to Stage 1	56,127	(54,864)	(1,263)	-	(225)	27	-	**(198)**
Transfer to Stage 2	(456,857)	462,328	(5,471)	-	120	(2,718)	-	**(2,598)**
Transfer to Stage 3	(7,358)	(14,118)	21,476	-	141	301	(23)	**419**
Balance at 31 December 2022	**5,410,156**	**357,334**	**39,850**	**5,807,340**	**(3,353)**	**(3,910)**	**(847)**	**(8,110)**

Loans to public – Corporate

Change in exposures and provisions in Loans to the public - Corporate, that are subject to impairment testing

	Exposure				Provision			
2023 UK Group and Bank £'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2023	12,278,182	913,446	54,600	13,246,228	(6,092)	(7,522)	(3,129)	**(16,743)**
Derecognised assets	(742,717)	(79,108)	(22,940)	(844,765)	393	792	240	**1,425**
Write-offs	-	-	-	-	-	-	-	**-**
Remeasurements due to changes in credit risk	(264,739)	13,356	2,019	(249,364)	(8,927)	(3,370)	136	**(12,161)**
Foreign exchange effect, etc	(1,841)	(1,562)	(62)	(3,465)	(163)	(55)	2	**(216)**
Originated assets	594,459	33,552	-	628,011.00	(375)	(505)	-	**(880)**
Transfer to Stage 1	482,744	(479,997)	(2,746)	1	(815)	1,278	-	**463**
Transfer to Stage 2	(1,113,455)	1,117,860	(51)	4,354	4,367	(9,264)	-	**(4,897)**
Transfer to Stage 3	(39,732)	(38,541)	73,919	(4,354)	4,542	5,496	-	**10,038**
Balance at 31 December 2023	**11,192,901**	**1,479,006**	**104,739**	**12,776,646**	**(7,070)**	**(13,150)**	**(2,751)**	**(22,971)**

Change in exposures and provisions in Loans to the public - Corporate, that are subject to impairment testing

	Exposure				Provision			
2022 UK Group and Bank £'000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	12,653,399	1,111,316	64,855	13,829,570	(4,118)	(9,096)	(6,010)	**(19,224)**
Derecognised assets	(812,523)	(155,288)	(19,241)	(987,052)	390	1,277	3,878	**5,545**
Write-offs	-	-	(165)	(165)	-	-	164	**164**
Remeasurements due to changes in credit risk	112,071	(469,228)	(20,079)	(377,236)	(4,197)	3,360	(1,100)	**(1,937)**
Foreign exchange effect, etc	(10,427)	(1,713)	(553)	(12,693)	(115)	60	(27)	**(82)**
Originated assets	748,952	43,817	1,035	793,804	(388)	(475)	-	**(863)**
Transfer to Stage 1	472,138	(470,230)	(1,908)	-	(703)	802	-	**99**
Transfer to Stage 2	(865,800)	869,845	(4,045)	-	807	(5,718)	-	**(4,911)**
Transfer to Stage 3	(19,628)	(15,073)	34,701	-	2,232	2,268	(34)	**4,466**
Balance at 31 December 2022	**12,278,182**	**913,446**	**54,600**	**13,246,228**	**(6,092)**	**(7,522)**	**(3,129)**	**(16,743)**

NOTE 10 Cont.

Off-balance sheet items that are subject to impairment testing

Change in exposures and provisions in off-balance sheet items that are subject to impairment testing

	Exposure				Provision			
2023 UK Group and Bank £'000	**Stage 1***	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2023	1,985,041	64,412	1,640	2,051,093	(1,121)	(2,043)	-	**(3,164)**
Derecognised assets	(502,525)	(38,395)	(294)	(541,214)	98	247	-	**345**
Remeasurements due to changes in credit risk	166,430	33,010	(571)	198,869	307	235	-	**542**
Foreign exchange effect, etc	(20,380)	(1,224)	(13)	(21,617)	7	16	-	**23**
Originated assets	165,947	8,071	-	174,018	(119)	(116)	-	**(235)**
Transfer to Stage 1	31,593	(31,592)	(1)	-	(31)	40	-	**9**
Transfer to Stage 2	(42,480)	42,511	(16)	15.00	73	(435)	-	**(362)**
Transfer to Stage 3	(484)	(1,935)	2,403	(16)	39	117	-	**156**
Balance at 31 December 2023	**1,783,142**	**74,858**	**3,148**	**1,861,148**	**(747)**	**(1,939)**	**-**	**(2,686)**

Change in exposures and provisions in off-balance sheet items that are subject to impairment testing

	Exposure				Provision			
2022 UK Group and Bank £'000	**Stage 1***	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022	4,084,984	167,295	1,232	4,253,511	(596)	(1,000)	-	**(1,596)**
Derecognised assets	(311,286)	(5,103)	(91)	(316,480)	59	126	-	**185**
Remeasurements due to changes in credit risk	(2,041,102)	(160,877)	(250)	(2,202,229)	(475)	122	-	**(353)**
Foreign exchange effect, etc	(8,587)	(171)	(7)	(8,765)	(12)	2	-	**(10)**
Originated assets	321,603	2,908	545	325,056	(207)	(72)	-	**(279)**
Transfer to Stage 1	113,747	(113,697)	(50)	-	(53)	80	-	**27**
Transfer to Stage 2	(173,838)	174,071	(233)	-	94	(1,302)	-	**(1,208)**
Transfer to Stage 3	(480)	(14)	494	-	69	1	-	**70**
Balance at 31 December 2022	**1,985,041**	**64,412**	**1,640**	**2,051,093**	**(1,121)**	**(2,043)**	**-**	**(3,164)**

*For the Bank, stage one exposure is £3m higher as a result of an intercompany guarantee

The change analysis shows the net effect on the provision for the Stage in question for each explanatory item during the year. The effect of derecognitions and write-offs is calculated on the opening balance. The effect of revaluations due to changes in the methodology for estimation and foreign exchange effects etc. is calculated before any transfer of the net amount between Stages. Originated assets and amounts transferred between Stages are recognised after the effects of other explanatory items are taken into account. The transfer rows represent the effect on the provision for the stated Stage. The explanatory items are identified at the customer level.

NOTE 10 Cont.

Balance sheet items, by Risk Class

Loans to the public - Retail

	Gross Volume				ECL				
2023 UK Group and Bank £'000	Stage 1	Stage 2	Stage 3	Total Gross	Stage 1	Stage 2	Stage 3	Total ECL	Total
Risk Class 1	243,932	246	-	244,178	(1)	(3)	-	**(4)**	**244,174**
Risk Class 2	652,798	473	-	653,271	(15)	(12)	-	**(27)**	**653,244**
Risk Class 3	1,689,453	7,635	-	1,697,088	(74)	(33)	-	**(107)**	**1,696,981**
Risk Class 4	1,618,434	91,395	-	1,709,829	(2,084)	(342)	-	**(2,426)**	**1,707,403**
Risk Class 5	779,310	53,306	-	832,616	(1,147)	(598)	-	**(1,745)**	**830,871**
Risk Class 6	46	42,715	-	42,761	-	(551)	-	**(551)**	**42,210**
Risk Class 7	-	31,415	-	31,415	-	(475)	-	**(475)**	**30,940**
Risk Class 8	-	1,810	-	1,810	-	(40)	-	**(40)**	**1,770**
Risk Class 9	-	801	-	801	-	(30)	-	**(30)**	**771**
Default	-	-	62,284	62,284	-	-	(401)	**(401)**	**61,883**
Unauthorised Overdraft	-	-	-	-	-	-	-	**-**	**-**
Other	74	-	-	74	-	-	-	**-**	**74**
Total	**4,984,047**	**229,796**	**62,284**	**5,276,127**	**(3,321)**	**(2,084)**	**(401)**	**(5,806)**	**5,270,321**

	Gross Volume				ECL				
2022 UK Group and Bank £'000	Stage 1	Stage 2	Stage 3	Total Gross	Stage 1	Stage 2	Stage 3	Total ECL	Total
Risk Class 1	540,898	344	-	541,242	(4)	-	-	**(4)**	**541,238**
Risk Class 2	1,804,958	6,893	-	1,811,851	(88)	(36)	-	**(124)**	**1,811,727**
Risk Class 3	1,566,054	56,682	-	1,622,736	(533)	(396)	-	**(929)**	**1,621,807**
Risk Class 4	1,003,537	190,726	-	1,194,263	(1,600)	(1,089)	-	**(2,689)**	**1,191,574**
Risk Class 5	478,240	77,901	-	556,141	(1,020)	(1,836)	-	**(2,856)**	**553,285**
Risk Class 6	14,713	15,080	-	29,793	-92.00	(323)	-	**(415)**	**29,378**
Risk Class 7	1,668	9,205	-	10,873	-16.00	(201)	-	**(217)**	**10,656**
Risk Class 8	-	390	-	390	-	(23)	-	**(23)**	**367**
Risk Class 9	-	113	-	113	-	(6)	-	**(6)**	**107**
Default	-	-	39,850	39,850	-	-	(847)	**(847)**	**39,003**
Unauthorised Overdraft	-	-	-	-	-	-	-	**-**	**-**
Other	88	-	-	88	-	-	-	**-**	**88**
Total	**5,410,156**	**357,334**	**39,850**	**5,807,340**	**(3,353)**	**(3,910)**	**(847)**	**(8,110)**	**5,799,230**

Loans to public – Corporate

	Gross Volume				ECL				
2023 UK Group and Bank £'000	Stage 1	Stage 2	Stage 3	Total Gross	Stage 1	Stage 2	Stage 3	Total ECL	Total
Risk Class 1	70,673	-	-	70,673	-	-	-	**-**	**70,673**
Risk Class 2	1,489,033	1,904	-	1,490,937	(78)	(2)	-	**(80)**	**1,490,857**
Risk Class 3	3,333,136	10,612	-	3,343,748	(398)	(10)	-	**(408)**	**3,343,340**
Risk Class 4	4,620,530	273,248	-	4,893,778	(2,478)	(464)	-	**(2,942)**	**4,890,836**
Risk Class 5	1,561,155	865,848	-	2,427,003	(3,415)	(5,605)	-	**(9,020)**	**2,417,983**
Risk Class 6	118,119	249,443	-	367,562	(699)	(4,075)	-	**(4,774)**	**362,788**
Risk Class 7	-	77,584	-	77,584	-	(2,946)	-	**(2,946)**	**74,638**
Risk Class 8	-	367	-	367	-	(48)	-	**(48)**	**319**
Risk Class 9	-	-	-	-	-	-	-	**-**	**-**
Default	-	-	104,739	104,739	-	-	(2,751)	**(2,751)**	**101,988**
Unauthorised Overdraft	5	-	-	5	-	-	-	**-**	**5**
Other	250	-	-	250	(2)	-	-	**(2)**	**248**
Total	**11,192,901**	**1,479,006**	**104,739**	**12,776,646**	**(7,070)**	**(13,150)**	**(2,751)**	**(22,971)**	**12,753,675**

NOTE 10 Cont.

2022 UK Group and Bank £'000	Gross Volume Stage 1	Stage 2	Stage 3	Total Gross	ECL Stage 1	Stage 2	Stage 3	Total ECL	Total
Risk Class 1	63,046	-	-	63,046	(2)	-	-	**(2)**	**63,044**
Risk Class 2	1,806,348	3,982	-	1,810,330	(119)	(3)	-	**(122)**	**1,810,208**
Risk Class 3	4,782,222	29,056	-	4,811,278	(638)	(25)	-	**(663)**	**4,810,615**
Risk Class 4	4,857,853	364,983	-	5,222,836	(3,271)	(893)	-	**(4,164)**	**5,218,672**
Risk Class 5	720,159	317,888	-	1,038,047	(1,658)	(3,209)	-	**(4,867)**	**1,033,180**
Risk Class 6	47,797	163,663	-	211,460	(386)	(2,241)	-	**(2,627)**	**208,833**
Risk Class 7	209	17,876	-	18,085	(13)	(413)	-	**(426)**	**17,659**
Risk Class 8	-	15,998	-	15,998	-	(738)	-	**(738)**	**15,260**
Risk Class 9	-	-	-	-	-	-	-	**-**	**-**
Default	-	-	54,600	54,600	-	-	(3,129)	**(3,129)**	**51,471**
Unauthorised Overdraft	5	-	-	5	-	-	-	**-**	**5**
Other	543	-	-	543	(5)	-	-	**(5)**	**538**
Total	**12,278,182**	**913,446**	**54,600**	**13,246,228**	**(6,092)**	**(7,522)**	**(3,129)**	**(16,743)**	**13,229,485**

Off-balance sheet items

2023 UK Group and Bank £'000	Gross Volume Stage 1	Stage 2	Stage 3	Total Gross	ECL Stage 1	Stage 2	Stage 3	Total ECL	Total
Risk Class 1	202,086	1	-	202,087	(1)	-	-	**(1)**	**202,086**
Risk Class 2	297,388	45	-	297,433	(13)	(9)	-	**(22)**	**297,411**
Risk Class 3	482,311	1,587	-	483,898	(65)	(9)	-	**(74)**	**483,824**
Risk Class 4	593,791	14,489	-	608,280	(444)	(118)	-	**(562)**	**607,718**
Risk Class 5	197,002	40,181	-	237,183	(195)	(1,329)	-	**(1,524)**	**235,659**
Risk Class 6	9,850	16,124	-	25,974	(29)	(371)	-	**(400)**	**25,574**
Risk Class 7	52	2,260	-	2,312	-	(71)	-	**(71)**	**2,241**
Risk Class 8	241	158	-	399	-	(31)	-	**(31)**	**368**
Risk Class 9	-	13	-	13	-	(1)	-	**(1)**	**12**
Default	-	-	3,148	3,148	-	-	-	**-**	**3,148**
Unauthorised Overdraft	-	-	-	-	-	-	-	**-**	**-**
Other	421	-	-	421	-	-	-	**-**	**421**
Total	**1,783,142**	**74,858**	**3,148**	**1,861,148**	**(747)**	**(1,939)**	**-**	**(2,686)**	**1,858,462**

2022 UK Group and Bank £'000	Gross Volume Stage 1	Stage 2	Stage 3	Total Gross	ECL Stage 1	Stage 2	Stage 3	Total ECL	Total
Risk Class 1	242,934	-	-	242,934	(1)	-	-	**(1)**	**242,933**
Risk Class 2	403,725	35	-	403,760	(23)	(2)	-	**(25)**	**403,735**
Risk Class 3	515,416	3,265	-	518,681	(117)	(13)	-	**(130)**	**518,551**
Risk Class 4	683,912	13,745	-	697,657	(716)	(172)	-	**(888)**	**696,769**
Risk Class 5	130,085	30,528	-	160,613	(236)	(1,276)	-	**(1,512)**	**159,101**
Risk Class 6	6,987	14,493	-	21,480	(10)	(392)	-	**(402)**	**21,078**
Risk Class 7	278	2,129	-	2,407	-	(107)	-	**(107)**	**2,300**
Risk Class 8	-	101	-	101	-	(80)	-	**(80)**	**21**
Risk Class 9	-	116	-	116	-	(1)	-	**(1)**	**115**
Default	-	-	1,640	1,640	-	-	-	**0**	**1,640**
Unauthorised Overdraft	-	-	-	-	-	-	-	**-**	**-**
Other	1,704	-	-	1,704	(18)	-	-	**(18)**	**1,686**
Total	**1,985,041**	**64,412**	**1,640**	**2,051,093**	**(1,121)**	**(2,043)**	**-**	**(3,164)**	**2,047,929**

NOTE 10 Cont.

Loans to the public by LTV

Retail

2023 UK Group and Bank £'000	Gross				ECL				
	Stage 1	Stage 2	Stage 3	Total Gross	Stage 1	Stage 2	Stage 3	Total ECL	Total
LTV<50%	1,941,696	94,031	24,048	2,059,775	(832)	(475)	(77)	**(1,384)**	**2,058,391**
50%<=LTV<60%	973,736	50,924	10,408	1,035,068	(619)	(482)	-	**(1,101)**	**1,033,967**
60%<=LTV<70%	1,024,723	43,942	7,402	1,076,067	(813)	(709)	-	**(1,522)**	**1,074,545**
70%<=LTV<75%	492,315	12,318	5,835	510,468	(430)	(105)	-	**(535)**	**509,933**
75%<=LTV<80%	294,741	18,974	3,264	316,979	(283)	(143)	(106)	**(532)**	**316,447**
80%<=LTV<90%	115,804	3,989	6,706	126,499	(138)	(45)	(7)	**(190)**	**126,309**
90%<=LTV<100%	25,532	2,295	2,096	29,923	(24)	(38)	-	**(62)**	**29,861**
100<=LTV	16,991	753	1,286	19,030	(15)	(25)	-	**(40)**	**18,990**
Unsecured	98,509	2,570	1,239	102,318	(167)	(62)	(211)	**(440)**	**101,878**
Total	**4,984,047**	**229,796**	**62,284**	**5,276,127**	**(3,321)**	**(2,084)**	**(401)**	**(5,806)**	**5,270,321**

2022 UK Group and Bank £'000	Gross				ECL				
	Stage 1	Stage 2	Stage 3	Total Gross	Stage 1	Stage 2	Stage 3	Total ECL	Total
LTV<50%	1,984,210	157,542	13,189	2,154,941	(811)	(659)	(54)	**(1,524)**	**2,153,417**
50%<=LTV<60%	1,086,349	51,629	7,923	1,145,901	(541)	(333)	-	**(874)**	**1,145,027**
60%<=LTV<70%	1,087,325	62,734	8,413	1,158,472	(698)	(1,251)	(206)	**(2,155)**	**1,156,317**
70%<=LTV<75%	522,676	34,814	3,624	561,114	(431)	(535)	-	**(966)**	**560,148**
75%<=LTV<80%	365,012	27,687	1,232	393,931	(321)	(536)	-	**(857)**	**393,074**
80%<=LTV<90%	159,751	6,659	1,899	168,309	(223)	(86)	(12)	**(321)**	**167,988**
90%<=LTV<100%	31,224	2,659	-	33,883	(55)	(301)	-	**(356)**	**33,527**
100<=LTV	32,609	6,489	2,121	41,219	(43)	(36)	-	**(79)**	**41,140**
Unsecured	141,000	7,121	1,449	149,570	(230)	(173)	(575)	**(978)**	**148,592**
Total	**5,410,156**	**357,334**	**39,850**	**5,807,340**	**(3,353)**	**(3,910)**	**(847)**	**(8,110)**	**5,799,230**

Corporate

2023 UK Group and Bank £'000	Gross				ECL				
	Stage 1	Stage 2	Stage 3	Total Gross	Stage 1	Stage 2	Stage 3	Total ECL	Total
LTV<50%	7,492,773	710,213	70,777	8,273,763	(3,750)	(4,286)	(140)	**(8,176)**	**8,265,587**
50%<=LTV<60%	2,403,667	609,887	21,551	3,035,105	(2,191)	(6,278)	-	**(8,469)**	**3,026,636**
60%<=LTV<70%	426,529	42,482	2,257	471,268	(358)	(672)	(81)	**(1,111)**	**470,157**
70%<=LTV<75%	53,960	1,000	1,155	56,115	(40)	(1)	-	**(41)**	**56,074**
75%<=LTV<80%	54,225	6,456	2,548	63,229	(64)	(593)	-	**(657)**	**62,572**
80%<=LTV<90%	45,195	2,934	-	48,129	(65)	(10)	-	**(75)**	**48,054**
90%<=LTV<100%	77,322	7,681	978	85,981	(82)	(44)	(81)	**(207)**	**85,774**
100<=LTV	123,158	7,102	556	130,816	(58)	(10)	-	**(68)**	**130,748**
Unsecured	516,072	91,251	4,917	612,240	(462)	(1,256)	(2,449)	**(4,167)**	**608,073**
Total	**11,192,901**	**1,479,006**	**104,739**	**12,776,646**	**(7,070)**	**(13,150)**	**(2,751)**	**(22,971)**	**12,753,675**

NOTE 10 Cont.

2022 UK Group and Bank £'000	Gross Stage 1	Stage 2	Stage 3	Total Gross	ECL Stage 1	Stage 2	Stage 3	Total ECL	Total
LTV<50%	7,469,561	428,013	32,046	7,929,620	(2,946)	(3,323)	(337)	**(6,606)**	**7,923,014**
50%<=LTV<60%	3,416,567	327,447	12,048	3,756,062	(1,807)	(2,316)	-	**(4,123)**	**3,751,939**
60%<=LTV<70%	471,065	18,042	1,847	490,954	(437)	(103)	-	**(540)**	**490,414**
70%<=LTV<75%	133,114	1,698	1,555	136,367	(49)	(9)	-	**(58)**	**136,309**
75%<=LTV<80%	61,307	406	1,899	63,612	(42)	(4)	-	**(46)**	**63,566**
80%<=LTV<90%	86,516	8,757	799	96,072	(54)	(43)	-	**(97)**	**95,975**
90%<=LTV<100%	19,773	276	338	20,387	(17)	(10)	(44)	**(71)**	**20,316**
100<=LTV	120,379	21,343	182	141,904	(93)	(266)	(82)	**(441)**	**141,463**
Unsecured	499,900	107,464	3,886	611,250	(647)	(1,448)	(2,666)	**(4,761)**	**606,489**
Total	**12,278,182**	**913,446**	**54,600**	**13,246,228**	**(6,092)**	**(7,522)**	**(3,129)**	**(16,743)**	**13,229,485**

NOTE 11 TAXES

Income tax expense for the year

UK Group	2023 £'000	2022 £'000
Corporation tax:		
UK corporation tax	156,571	92,078
Adjustments in respect of previous years	972	624
Total current tax charge	**157,543**	**92,702**
Deferred tax:		
Current year	568	(1,010)
Adjustments in respect of previous years	913	(408)
Total deferred tax charge/(credit)	**1,481**	**(1,418)**
Tax charge on profit on ordinary activities	**159,024**	**91,284**

The tax assessed for the year is higher (2022: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

Tax reconcilliation

UK Group	2023 £'000	2022 £'000
Profit on ordinary activities before taxation	574,764	343,916
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.50% 2022:19%)	135,070	65,344
Tax effects of:		
Expenses not deductible for tax purposes	968	441
Bank corporation tax surcharge	21,054	25,682
Adjustment in respect of deferred tax on acquisition of subsidiaries	(290)	301
Adjustment to tax charge in respect of prior years current tax	972	624
Impact of bank surcharge on deferred tax	104	(158)
Adjustment to tax charge in respect of prior year deferred tax	913	(408)
Remeasurement of deferred tax due to rate changes	52	(131)
Unutilised losses carried forward	181	(411)
Total tax charge	**159,024**	**91,284**

NOTE 11 Cont.

The main rate of corporation tax increased from 19% to 25% on 1 April 2023 in accordance with the Finance Act 2021. The hybrid rate of 23.5% has been applied for calculation of tax charge.

The surcharge in respect of the taxable profit for banks, which was introduced from 1 January 2016, is £21m for the period ended 31 December 2023. The surcharge imposes an 8% rate on taxable profits over £25m up to 31 March 2023. Finance Act 2022 reduced the rate to 3%, and increased the threshold to £100m from 1 April 2023. Therefore, a hybrid rate of 4.25%, and hybrid threshold of £81.25m have been used to calculate the surcharge.

Deferred tax assets of £2.1m have been recognised at 28% (corporation tax 25% and bank surcharge 3%).

Deferred tax liabilities of £2.7 million (2022: £3 million) have been recognised at 28% (corporation tax 25% and bank surcharge 3%).The total deferred tax liability arose on acquisition of subsidiaries.

The Finance (No.2) Act 2023, which received Royal Assent in July 2023, implements the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two income inclusion rule (IIR) in the UK. It introduces a multinational top-up tax (MTT), together with a domestic top-up tax (DTT), and applies to large multinational enterprises for accounting periods beginning on or after 31 December 2023. The entities comprising the UK sub-group are in scope of the enacted legislation.

MTT applies where a UK located entity is responsible for paying the top-up tax in respect of members of a qualifying multinational group located outside the UK and where their effective tax rate is less than 15%. DTT applies to both stand-alone UK entities and group entities for a top-up tax to be paid by UK entities with an effective tax rate of less than 15%.

The entities that make up the Handelsbanken UK sub-group, do not have subsidiaries, permanent establishments, or operations in other jurisdictions. Based on recent tax filings and financial statements, their effective tax rates have been, and are projected to remain above 15%. Consequently, the entities that make up the UK sub-group do not expect MTT/DTT to have a material impact.

The UK sub-group applies the exemption to recognise and disclose information about deferred tax assets and liabilities related to income taxes under Pillar 2, as set out in the amendments to IAS 12 issued in May 2023.

Deferred Tax Balance

UK Group	2023 £'000	2022 £'000
Short term timing differences	1,418	2,349
Fixed asset timing differences	680	1,520
Deferred tax assets	**2,098**	**3,869**

Deferred tax movement

UK Group	2023 £'000	2022 £'000
Deferred tax asset at beginning of year	3,869	2,150
Income statement (charge)/credit:		
Fixed asset timing differences	95	624
Holiday accrual	140	(315)
Unutilised losses carried forward	192	-
Short term temporary differences	(1,285)	1,181
Prior year adjustment	(913)	408
Movement in tax rate	-	(179)
Deferred tax asset at end of year	**2,098**	**3,869**

NOTE 12 CASH AND BALANCES WITH CENTRAL BANKS

Cash balance at the end of the year in the cash flow statement includes Cash held at central banks and Due from other banks, excluding accrued interest income and provisions for expected credit losses.

UK Group	2023 £'000	2022 £'000
Cash held at central banks	8,878,735	7,944,713
Due from other banks	59,824	64,341
Of which on demand	*59,824*	*64,341*
Balance at end of year	**8,938,559**	**8,009,054**
Of which accrued interest income	*22,400*	*12,509*
Of which provision for expected credit losses reported as provisions, see note 2	*(55)*	*(77)*
Loans to intercompany, on demand	*5,170,486*	*5,459,444*
Total	**14,109,045**	**13,468,498**
of which accrued interest income	*51,465*	*32,311*

Reconciliation of cash and balances on Balance sheet and Cash flow

UK Group	2023 £'000	2022 £'000
Cash and balances with central banks (Balance sheet)	8,878,735	7,944,713
External nostro	59,879	64,418
Less accrued interest	(22,400)	(12,509)
Cash balance at the end of the year (cash flow)	**8,916,214**	**7,996,622**

NOTE 13 OTHER LOANS TO CENTRAL BANKS

UK Group	2023 £'000	2022 £'000
Cash held at central banks	88,371	99,900
of which term deposits	*88,371*	*99,900*

Other loans to central banks consist of deposits with the Bank of England which represent mandatory cash ratio deposits and are not available for use in the Bank's day-to-day operations.

NOTE 14 DUE TO / FROM OTHER CREDIT INSTITUTIONS

UK Group	2023 £'000	2022 £'000
Due from other banks	*59,879*	*64,418*
Intercompany lending	*5,170,486*	*5,459,444*
Total	**5,230,365**	**5,523,862**
Provision for expected credit loss	*(55)*	*(77)*
Total asset	**5,230,310**	**5,523,785**
of which accrued interest income	*51,465*	*32,311*
Loans from other credit institutions		
Due to other banks	*21,205*	*3,119*
Intercompany borrowing	*6,865,749*	*7,236,315*
Total liability	**6,886,954**	**7,239,434**
of which accrued interest expense	*12,136*	*16,299*

NOTE 15 INTANGIBLE ASSETS

2023 UK Group and Bank	Acquisition customer lists £'000	Purchased software and licences £'000	Internally developed software £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2023	20,709	1,960	38,932	14,293	75,894
Additions	-	-	11,138	-	11,138
Disposals	-	-	(8,112)	-	(8,112)
At 31 December 2023	**20,709**	**1,960**	**41,958**	**14,293**	**78,920**
Accumulated amortisation and impairment					
At 1 January 2023	(9,922)	(1,660)	(16,468)	-	(28,050)
Amortisation	(1,036)	(300)	(6,641)	-	(7,977)
Change in Impairment	-	-	3,699	-	3,699
Disposals	-	-	4,413	-	4,413
At 31 December 2023	**(10,958)**	**(1,960)**	**(14,997)**	**-**	**(27,915)**
Balance at 1 January 2023	10,787	300	22,464	14,293	47,844
Balance at 31 December 2023	**9,751**	**-**	**26,961**	**14,293**	**51,005**

2022 UK Group and Bank	Acquisition customer lists £'000	Purchased software and licences £'000	Internally developed software £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2022	20,709	1,960	40,225	14,293	77,187
Additions	-	-	6,635	-	6,635
Disposals	-	-	(7,928)	-	(7,928)
At 31 December 2022	**20,709**	**1,960**	**38,932**	**14,293**	**75,894**
Accumulated amortisation and impairment					
At 1 January 2022	(8,887)	(1,268)	(17,612)	-	(27,767)
Amortisation	(1,035)	(392)	(5,377)	-	(6,804)
Change in Impairment	-	-	(1,407)	-	(1,407)
Disposals	-	-	7,928	-	7,928
At 31 December 2022	**(9,922)**	**(1,660)**	**(16,468)**	**-**	**(28,050)**
Balance at 1 January 2022	11,822	692	22,613	14,293	49,420
Balance at 31 December 2022	**10,787**	**300**	**22,464**	**14,293**	**47,844**

Acquisition customer lists was initially recognised upon acquisition of Handelsbanken Wealth & Asset Management Limited. It is amortised over 20 years from recognition in 2013. There were no indicators of impairment upon assessment at 31 December 2023.

Purchased software and licences relate to internal projects and include the cost of IT consultancy in Handelsbanken Wealth & Asset Management Limited. These costs have been fully amortised at 31 December 2023.

Internally developed software consists of internal development projects undertaken that meet the criteria to be capitalised. As at 31 December 2023 there was £5.0 million (2022: £3.1 million) of capitalised work in progress included within intangible assets that is currently not being amortised. No internally developed software costs have been impaired during 2023 (2022: £1.4 million). A previously impaired asset that had not been amortised was derecognised in 2023. Amortisation was calculated on a straight-line basis over the useful life of five years. The remaining amortisation periods for internally developed software are between 2 - 50 months.

NOTE 15 Cont.

Capitalised work in progress relates to projects that have not yet been completed or have not yet met the criteria to commence amortisation.

Research and development costs incurred and recognised in the income statement and not capitalised amount to £18 million (2022: £14 million).

Goodwill has an indefinite useful life and therefore not amortised. It is recognised on the balance sheet at cost less any impairment losses.

Impairment testing of goodwill and intangible assets with an indefinite useful life:

Recognised goodwill is derived from the Bank's investment in Handelsbanken Wealth & Asset Management Limited. Goodwill as with any indefinite useful life intangible asset is tested for impairment annually in connection with the closing of the annual accounts. Impairment testing of the goodwill involves determining both the value in use and fair value less costs to sell. When performing impairment testing, the value in use of the unit to which goodwill has been allocated is calculated by discounting estimated future cash flows. For the first five years, estimated future cash flows are based on financial forecasts utilising historical trends. The forecasts are mainly based on an internal assessment of the future income and cost development, economic climate, expected interest rates, historical market trends and customer pipeline. 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 Bank of England long-term inflation target. The year's impairment test is based on an assumption of a long-term growth rate of 2%. The value is determined by performing a benchmark analysis of the fair values of similar UK asset management firms against AUMA. 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 return requirement. In the annual impairment test, the discount rate was 10.83% (2022: 9.04%). 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 includes a number of different variables, which are used to derive the expected cash flows and the discount rate. The variables used in the calculation are the assumptions for AUMA, fee rates, cost estimates, and discount rate. Reasonable changes in underlying assumptions do not indicate that any of the assumptions are key and would not result in any impairment.

NOTE 16 PROPERTY AND EQUIPMENT

UK Group 2023	**Branch fit out £'000**	**Fixtures, fittings and equipment £'000**	**Computer equipment £'000**	**Total £'000**
Cost				
At 1 January 2023	33,489	9,440	13,280	**56,209**
Additions	3,956	931	2,113	**7,000**
Disposals	(2,419)	(737)	(531)	**(3,687)**
At 31 December 2023	**35,026**	**9,634**	**14,862**	**59,522**
Accumulated Depreciation and impairment				
At 1 January 2023	(19,324)	(8,020)	(10,430)	**(37,774)**
Charge	(2,935)	(636)	(1,702)	**(5,273)**
Change in Impairment	(39)	-	-	**(39)**
Disposals	2,330	728	398	**3,456**
At 31 December 2023	**(19,968)**	**(7,928)**	**(11,734)**	**(39,630)**
Balance at 1 January 2023	14,165	1,420	2,850	**18,435**
Balance at 31 December 2023	**15,058**	**1,706**	**3,128**	**19,892**

NOTE 16 Cont.

UK Group 2022	Branch fit out £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2022	36,460	9,499	11,927	**57,886**
Additions	2,113	331	2,270	**4,714**
Disposals	(5,084)	(390)	(917)	**(6,391)**
At 31 December 2022	**33,489**	**9,440**	**13,280**	**56,209**
Accumulated depreciation and impairment				
At 1 January 2022	(21,579)	(7,773)	(9,618)	**(38,970)**
Charge	(2,774)	(628)	(1,719)	**(5,121)**
Change in impairment	1,141	-	-	**1,141**
Disposals	3,888	381	907	**5,176**
At 31 December 2022	**(19,324)**	**(8,020)**	**(10,430)**	**(37,774)**
Balance at 1 January 2022	14,881	1,726	2,309	**18,916**
Balance at 31 December 2022	**14,165**	**1,420**	**2,850**	**18,435**

NOTE 17 OTHER ASSETS

UK Group	2023 £'000	2022 £'000
Sundry debtors	2,209	**29,314**
Other intercompany assets	155	148
Trade debtors	3,669	2,261
Total	**6,033**	**31,723**

NOTE 18 DEPOSITS FROM THE PUBLIC

UK Group	2023 £'000	2022 £'000
Corporate	15,009,080	**14,568,012**
Private	5,350,322	5,918,606
Total	**20,359,402**	**20,486,618**
of which accrued interest expenses	*41,632*	*10,041*

NOTE 19 ISSUED SECURITIES

Issued securities consist of CDs issued in the UK money market. The CDs are used to fund the balance sheet in the short term.

UK Group £'000	2023		2022	
	Carrying	Nominal	Carrying	Nominal
Issued securities at beginning of year	2,175,375	**2,175,375**	2,976,296	**2,976,296**
Issued	5,125,131	5,125,131	7,729,484	7,729,484
Matured	(5,200,623)	(5,200,623)	(8,530,405)	(8,530,405)
Balance at 31 December	**2,099,883**	**2,099,883**	**2,175,375**	**2,175,375**
Accrued interest expenses	34,988	-	14,850	-
Issued securities at end of period	2,134,871	2,099,883	2,190,225	2,175,375

NOTE 20 PROVISIONS

UK Group £'000	Provisions for off-balance sheet items	Restructuring provision	Other provisions	2023 Total	2022 Total
Provision at beginning of year	3,164	1,685	17,994	22,843	18,188
Additional provision	-	-	3,174	3,174	8,611
Reduction in provision	-	(1,030)	(7,778)	(8,808)	(5,524)
Change in expected credit losses	(478)	-	-	(478)	1,568
Provision at end of year	**2,686**	**655**	**13,390**	**16,731**	**22,843**

Restructuring provision can be further broken down as below:

UK Group and Bank £'000	2023 Total	2022 Total
Personnel	130	455
Premises	525	1,230
Total	**655**	**1,685**

The provision for off-balance sheet items relates to expected credit losses. See note 10.

The restructuring provision includes £0.3 million (2022: £1.2 million) relating to onerous contracts for business rates and service charges related to the premises to be vacated.

The restructuring provision was regularly reviewed and updated throughout the year as more information became available. At 31 December 2023, incurred year to date employee and premises costs in relation to restructuring were £0.1 million (2022: £2.1 million) and approximately £2.1 million (2022: £3.4 million), respectively.

Other provisions mainly consist of amounts provided to restore the Bank's premises back to their original condition upon exit, an Oktogonen provision (please see Share based payment arrangement note 9 for more detail) and amounts allocated for future settlement of the litigation and claims on the Bank.

NOTE 21 OTHER LIABILITIES

UK Group	2023 £'000	2022 £'000
Sundry creditors and other liabilities	10,737	12,272
VAT	1,403	1,463
Trade creditors	2,647	2,558
Other intercompany liabilities	83	1
Total	**14,870**	**16,294**

Sundry creditors and other liabilities consist mainly of tax and social security costs, variable pay and other liabilities.

NOTE 22 SHARE CAPITAL AND SHARE PREMIUM

UK Group and Bank	Number of ordinary shares of 100p each*	Share capital £'000	Share premium £'000	Total £'000
At 31 December 2022	5,050,401	5,050	2,070,619	2,075,669
Shares issued during year	-	-	-	-
At 31 December 2022	**5,050,401**	**5,050**	**2,070,619**	**2,075,669**
Shares issued during year	-	-	-	-
At 31 December 2023	**5,050,401**	**5,050**	**2,070,619**	**2,075,669**

*All shares are fully paid up, carry full voting, dividend and capital distribution rights; including on a winding up. They do not confer any rights of redemption. The par value of each share is 100 pence and there is no unauthorised share capital.

NOTE 23 DIVIDENDS

	2023		2022	
UK Group and Bank	**Per Share (£)**	**Total £'000**	**Per Share (£)**	**Total £'000**
Dividends paid on ordinary shares	52.57	265,516	-	-
Dividends not recognised at the end of the year In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of £123.82 per fully paid ordinary share (2022: £52.57).	123.82	625,341	52.57	265,516

On 12 March 2024, the Directors recommended a dividend for 2023 of £123.82 per ordinary share. The total dividend will be paid, subject to approval at the AGM, on 19 April 2024. For further information refer to the Directors' Report and Subsequent Events, note 29.

NOTE 24 CONTINGENT LIABILITIES

UK Group	2023 £'000	2022 £'000
Contingent liabilities		
Credit guarantees	372,426	354,574
Other guarantees	127,274	155,425
Of which, intercompany	*16,709*	*42,988*
Of which, other	*110,565*	*112,437*
Irrevocable letters of credit	52,050	23,321
Of which, intercompany	*32,033*	*4,900*
Of which, other	*20,017*	*18,421*
Other	61	150
Total contingent liabilities	**551,811**	**533,470**
of which subject to impairment testing according to IFRS 9	*551,750*	*533,320*
Commitments		
Loan commitments	2,640,604	2,769,938
Unutilised part of granted overdraft facilities	500,737	542,596
Other	33,592	60,927
Total commitments	**3,174,933**	**3,373,461**
of which subject to impairment testing according to IFRS 9	*1,309,398*	*1,517,773*
Provision for expected credit losses reported as provisions, see Note 20	*2,686*	*3,164*

Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Certain legal cases which were disclosed as contingent liability as of year-end can be seen in Other line in the table above. In addition to the ones disclosed, there are a number of cases, as a result of the ordinary course of business, which could result in contingent liability, but the Bank is comfortable that they are remote and not significant to our financial statements.

Commitments include loans and overdraft commitments provided to customers.

NOTE 25 LEASING

LEASING AS A LESSEE

The UK Group leases right-of-use assets, consisting of leases on properties that do not meet the definition of investment properties. Information about these leases, where the UK Group is the lessee is presented below.

Right-of-use assets

UK Group	£'000
Balance at 1 January 2022	**58,053**
Additions	7,388
Depreciation	(11,982)
Reversal of Impairment	753
Right-of-use remeasurements	(2,758)
Balance at 31 December 2022 and 1 January 2023	**51,454**
Additions	8,866
Depreciation	(11,311)
Reversal of Impairment	(529)
Right-of-use remeasurements	2,240
Balance at 31 December 2023	**50,720**

Lease liabilities

Maturity analysis, contractual undiscounted cash flows

UK Group	2023 £'000	2022 £'000
Less than one year	11,152	11,857
More than one year, less than 2 years	9,391	10,617
More than two years, less than 5 years	23,629	24,139
More than 5 years	12,922	13,262
Total undiscounted lease liabilities	**57,094**	**59,875**

Some of the Bank's contracts for the rental of premises include an option to extend the term of the agreement, requiring that the contract is extended for a specific period of time if it is not terminated by a specific point in time. There are also contracts for the rental of premises which include an option for the Bank to terminate the agreement before expiry. When determining the terms of lease agreements, the options of extending the term or terminating the agreement before expiry are only included when it is reasonably certain that these options will be exercised.

Handelsbanken Wealth & Asset Management Limited's contracts for the rental premises do not include an option to extend the term of the agreement, so it is not possible to extend these contracts beyond the termination date of the lease or to terminate the agreement before expiry.

The terms of the leases have also been reviewed when reviewing the options to extend the term or terminate the lease.

Service components are only included in the lease payments if they are part of the lease contract. However if there is a separate service contract that does not contain a lease, the expense is recognised on a straight-line basis over the life of the lease term.

Amounts recognised in income statement

UK Group	2023 £'000	2022 £'000
Depreciation expenses	11,311	11,982
Variable lease expenses	5,122	3,899
Lease liability, interest expenses	1,535	1,328
Short-term, low-value lease expenses	934	576

Variable lease expenses largely relate to service charges attached to the right-of-use asset.

The UK Group also leases IT equipment and machinery with contract terms between one and three years. These leases are short term, or of low-value. The UK Group has elected not to recognise right-of-use assets or lease liabilities for these leases.

NOTE 25 Cont.

The value of these variable, short-term and low-value leases and interest expenses recognised in the income statement amounted to £7.6 million (2022: £5.8 million).

Amounts recognised in cash flow statement

UK Group	2023 £'000	2022 £'000
Total cash outflow for leases	12,424	12,141

NOTE 26 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Information about the fair values of financial instruments which are carried at amortised cost is given in note 27 and in the tables below.

2023 UK Group £'000	Amortised cost	Total carrying amount	Fair value
Assets			
Cash and balances with central banks	8,878,735	8,878,735	8,878,735
Other loans to central banks	88,371	88,371	88,371
Loans to other credit institutions	5,230,310	5,230,310	5,266,816
Loans to the public	18,023,996	18,023,996	17,719,994
Other assets	6,033	6,033	6,033
Total	**32,227,445**	**32,227,445**	**31,959,949**
Goodwill and Intangible assets		51,005	
Other non-financial assets		89,491	
Total assets		**32,367,941**	
Liabilities			
Due to credit institutions	6,886,954	6,886,954	6,825,011
Deposits from the public	20,359,402	20,359,402	20,341,439
Issued securities	2,134,871	2,134,871	2,134,871
Other liabilities	14,870	14,870	14,870
Total	**29,396,097**	**29,396,097**	**29,316,191**
Non-financial liabilities		82,159	
Total liabilities		**29,478,256**	

2022 UK Group £'000	Amortised cost	Total carrying amount	Fair value
Assets			
Cash and balances with central banks	7,944,713	7,944,713	7,944,713
Other loans to central banks	99,900	99,900	99,900
Loans to other credit institutions	5,523,785	5,523,785	5,553,595
Loans to the public	19,028,715	19,028,715	18,536,600
Other assets	31,723	31,723	31,723
Total	**32,628,836**	**32,628,836**	**32,166,531**
Goodwill and Intangible assets		47,844	
Other non-financial assets		87,945	
Total assets		**32,764,625**	
Liabilities			
Due to credit institutions	7,239,434	7,239,435	6,961,149
Deposits from the public	20,486,618	20,486,618	20,466,202
Issued securities	2,190,225	2,190,225	2,190,225
Other liabilities	16,294	16,294	16,294
Total	**29,932,571**	**29,932,572**	**29,633,870**
Non-financial liabilities		92,592	
Total liabilities		**30,025,164**	

NOTE 26 Cont.

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. The fair value hierarchy categorises financial instruments according to how the valuations have been carried out together with the degree of transparency of the market data used in the valuation. Financial instruments which are valued at a direct and liquid market price are categorised as level 1. Financial instruments which are valued using valuation models which substantially are based on market data are categorised as level 2. Financial instruments whose value to a material extent are 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.

Information about the fair value of financial instruments measured at amortised cost is categorised according to the valuation hierarchy described above. The categorisation is shown as levels 1-3 in the table below. These instruments essentially comprise lending, deposits and borrowing. For cash, cash equivalents and short-term receivables and liabilities, the carrying amount is considered to be an acceptable approximation of the fair value. Receivables and liabilities with the maturity date or the date for the next interest rate fixing falling within 30 days are defined as short-term. The valuation of loans to the public and customer deposits is based on a discounted cash flow model. The populations of loans to the public and customer deposits are categorised into portfolios with similar maturities. Market swap curves and the transactional margins for the populations are used to calculate the discount curves. Loans to customers are categorised as level 3 and customer deposits are categorised as level 2. The fair value of group funding and lending balances and issued securities are also based on a discounted cash flow model and are all categorised as level 2.

NOTE 27 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of financial instruments at amortised cost

2023 UK Group £'000	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	8,878,735	-	-	8,878,735
Other loans to central banks	-	88,371	-	88,371
Loans to other credit institutions	-	5,266,816	-	5,266,816
Loans to the public	-	-	17,719,994	17,719,994
Total financial assets	**8,878,735**	**5,355,187**	**17,719,994**	**31,953,916**
Liabilities				
Due to credit institutions	-	6,825,011	-	6,825,011
Deposits from the public	-	20,341,439	-	20,341,439
Issued securities	-	2,134,871	-	2,134,871
Total financial liabilities	**-**	**29,301,321**	**-**	**29,301,321**

2022 UK Group £'000	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	7,944,713	-	-	7,944,713
Other loans to central banks	-	99,900	-	99,900
Loans to other credit institutions	-	5,553,595	-	5,553,595
Loans to the public	-	-	18,536,600	18,536,600
Total financial assets	**7,944,713**	**5,653,495**	**18,536,600**	**32,134,808**
Liabilities				
Due to credit institutions	-	6,961,149	-	6,961,149
Deposits from the public	-	20,466,202	-	20,466,202
Issued securities	-	2,190,225	-	2,190,225
Total financial liabilities	**-**	**29,617,576**	**-**	**29,617,576**

NOTE 28 RELATED PARTY TRANSACTIONS

The related parties of the UK Group includes all entities within the Handelsbanken Group and key management personnel.

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The UK Group considers the members of Handelsbanken plc's Board of Directors to be key management personnel.

A full list of the directors of the Bank can be found in the Directors' Report, the remuneration of the directors is disclosed in note 8 to the financial statements.

Transactions with the directors of the UK Group

The following table provides the total amount of transactions, which Handelsbanken Group has entered into with the directors for the year ended 31 December 2023:

UK Group 2023 £'000	Balances at 31 December 2023	Interest expense
Residential mortgages	2,606	65
Loans (Excl Mortgages)	158	1
Deposits	1,529	9
Other	5,556	24

UK Group 2022 £'000	Balances at 31 December 2022	Interest expense
Residential mortgages	2,778	41
Loans (Excl Mortgages)	10	-
Deposits	1,839	3
Other	4,763	21

Loans include loans given to directors from Handelsbanken plc and other Handelsbanken Group companies at the same terms and conditions applicable to all employees. Any additional tax costs incurred in the UK as a result of these transactions have been included in Note 8.

Transactions with other related parties

In addition to transactions with key management personnel, Handelsbanken plc enters into transactions with entities that have significant influence over it. The following tables show transactions during the year and outstanding balances at the end of the reporting period.

During the year ended 31 December 2023, the UK Group received income and expenses from related parties as follows:

Other intercompany expenses and income mainly relate to costs recharged and services charged between members of the Handelsbanken Group.

UK Group £'000	Note	2023 Parent	2022 Parent
Intercompany interest income	Note 3	292,440	79,646
Intercompany interest expense	Note 3	(259,618)	(129,801)
Net intercompany interest income / (expense)		**32,822**	**(50,155)**
Intercompany commission income	Note 4	1,859	2,149
Intercompany commission expense	Note 4	(95)	(48)
Net intercompany commission income		**1,764**	**2,101**
Other intercompany income		634	960
Other intercompany expense		(46,799)	(43,473)
Total other intercompany (expense)	**Note 7**	**(46,165)**	**(42,513)**
Total		**(11,578)**	**(90,567)**

NOTE 28 Cont.

Amounts with Parent company, as at 31 December 2023 were as follows:

UK Group £'000	Note	2023 Parent	2022 Parent
Included within assets			
Intercompany lending*	Note 14	5,170,486	5,459,444
Other intercompany assets		155	148
Total		**5,170,641**	**5,459,592**
Included within liabilities			
Intercompany borrowings	Note 14	6,865,749	7,236,315
Of which deposits		6,287,881	6,621,440
Of which subordinated loans		402,465	401,732
Of which senior non preferred debt		50,160	150,323
Of which other		125,243	62,820
Other intercompany liabilities		84	1
Total		**6,865,833**	**7,236,316**
Of which, accrued interest	*Note 14*	*63,601*	*48,821*

* Subject to impairment testing

We have considered the impairment of intercompany balances and assessed with specific regard to the current economic environment that no impairment is required in 2023 (2022: nil).

NOTE 29 SUBSEQUENT EVENTS

The UK Group has reviewed events from 31 December 2023 up until the authorisation of the financial statements for issue.

On 12 March 2024, the Directors recommended a dividend for 2023 of £123.82 per ordinary share. The total dividend will be paid, subject to approval at the AGM, on 19 April 2024. As the dividend was recommended after 31 December 2023, it is classified as a non-adjusting event and is therefore not recognised in the financial statements for the year ended 31 December 2023.

There have been no significant events between 31 December 2023 and the date of approval of the annual report and consolidated financial statements which would require a change to or additional disclosure in the financial statements.

NOTE 30 ULTIMATE PARENT UNDERTAKING

The UK Group, including Handelsbanken plc is a wholly owned subsidiary of Svenska Handelsbanken, incorporated in Sweden, which is the ultimate Parent undertaking.

Svenska Handelsbanken heads the largest group in which the results of the UK Group and the Bank are consolidated. Handelsbanken Group's financial statements are available upon request at: Central Head Office, Kungsträdgårdsgatan 2 SE-106 70 Stockholm. They are also available online.

Financial Statements Parent Company

2023

Handelsbanken

Statement of profit or loss and comprehensive income Bank only

Bank	Note	2023 £'000	2022 £'000
Interest income*		1,802,068	923,788
of which interest income according to the effective interest method		*1,802,068*	*923,788*
Interest expense		(875,529)	(271,234)
Net interest income	3.2	**926,539**	**652,554**
Fee and commission income		38,730	38,615
Fee and commission expense		(3,621)	(3,655)
Net fee and commission income	4.2	**35,109**	**34,960**
Net gains on financial transactions	5.2	11,975	12,729
Total income		**973,623**	**700,243**
Personnel costs	6.2	(241,636)	(220,945)
"Depreciation, amortisation and impairment of property, equipment, right of use and intangible assets"	14.2,15.2 & 21.2	(22,553)	(20,788)
Other operating expenses	7.2	(129,095)	(114,634)
Total expenses		**(393,284)**	**(356,367)**
Profit before credit losses and net gains from disposal		**580,339**	**343,876**
Net credit (losses)	10	(3,788)	(4,415)
Net (losses)/gains on disposal of property, equipment and intangible assets		(65)	818
Profit before tax		**576,486**	**340,279**
Taxes	10.2	(159,454)	(90,121)
Profit for the year		**417,032**	**250,158**
Other comprehensive income, net of tax		–	–
Profit and total comprehensive income for the year		**417,032**	**250,158**

* In 2023, breakage fees which were previously reported under "Net gains on financial transactions and other income" started to be presented within "Interest income". This presentation change resulted in reclassification of £11m of breakage fees in the previous year (2022).

There is no other comprehensive income for the year ended 31 December 2023.

The results for the year were derived wholly from Handelsbanken plc's continuing operations.

The notes on pages 135-154 form part of these financial statements.

Balance sheet Bank only

Bank	Note	2023 £'000	2022 £'000
ASSETS			
Cash and balances with central banks	11.2	8,878,735	7,944,713
Other loans to central banks	13	88,371	99,900
Loans to other credit institutions	12.2	5,227,990	5,522,526
Loans to the public	2	18,023,996	19,028,715
Investments in subsidiaries	13.2	44,119	44,119
Intangible assets	14.2	26,961	22,465
Property and equipment	15.2	19,423	17,834
Right-of-use assets	21.2	48,154	47,842
Deferred tax assets	10.2	1,460	3,380
Prepaid expenses and accrued income		11,830	9,787
Other assets	16.2	6,899	32,224
Total assets		**32,377,938**	**32,773,505**
LIABILITIES			
Due to credit institutions	12.2	6,886,954	7,239,434
Deposits from the public	17.2	20,377,717	20,506,731
Issued securities	19	2,134,871	2,190,225
Current tax liabilities		108	4,051
Provisions	18.2	16,394	22,273
Lease liabilities		49,049	49,090
Accrued expenses and deferred income		9,163	8,270
Other liabilities	19.2	14,937	16,202
Total liabilities		**29,489,193**	**30,036,276**
EQUITY			
Share capital	22	5,050	5,050
Share premium	22	2,070,619	2,070,619
Retained earnings		396,044	411,402
Profit for the year		417,032	250,158
Total equity		**2,888,745**	**2,737,229**
Total liabilities and equity		**32,377,938**	**32,773,505**

These financial statements were approved by the Board of directors and authorised for issue on 14 March 2024.
The notes on pages 135-154 form part of these financial statements.

Martin Björnberg

Director

Statement of changes in equity Bank only

Bank 2023	Note	Share capital £'000	Share premium £'000	Retained earnings including profit for the year £'000	Total £'000
At 1 January 2023	22	5,050	2,070,619	661,560	**2,737,229**
Dividend Paid	23	-	-	(265,516)	**(265,516)**
Total comprehensive income		-	-	417,032	**417,032**
At 31 December 2023		**5,050**	**2,070,619**	**813,076**	**2,888,745**

Bank 2022	Note	Share capital £'000	Share premium £'000	Retained earnings including profit for the year £'000	Total £'000
At 1 January 2022	22	5,050	2,070,619	411,402	**2,487,071**
Total comprehensive income		-	-	250,158	**250,158**
At 31 December 2022		**5,050**	**2,070,619**	**661,560**	**2,737,229**

Cash flow statement Bank only

	Note	2023 £'000	2022 £'000
OPERATING ACTIVITIES			
Profit before tax		576,486	340,280
of which paid in interest		*1,737,283*	*828,297*
of which paid out interest		*(839,742)*	*(243,705)*
Adjustment for non-cash items in profit:			
Net credit losses	10	3,788	4,415
(Gains) on financial transactions		(876)	(2,230)
Net losses / (gains) on disposal of property, equipment and intangible assets		65	(818)
Depreciation, amortisation and impairment of property, equipment, right-of-use and intangible assets	14.2,15.2 & 21.2	22,499	20,788
Lease liability interest expense	21.2	1,467	1,236
Acquisition of right of use asset	21.2	(8,866)	(7,388)
Changes in the assets and liabilities of operating activities:			
Other loans to central banks	13	11,529	2,879
Loans to other credit institutions		289,813	(1,598,198)
Loans to the public		1,000,930	1,144,359
Due to credit institutions	12.2	(352,480)	(636,336)
Deposits from the public	17.2	(129,014)	1,288,704
Issued securities	19	(55,354)	(786,756)
Provisions	18.2	(5,879)	4,194
Lease liabilities		7,329	4,779
Income tax (payment)		(161,477)	(88,581)
Other assets	16.2	25,325	(25,379)
Prepaid expenses and accrued income		(2,043)	(654)
Other liabilities	19.2	(1,265)	(3,064)
of which payments made for variable lease expenses	*21.2*	*(5,122)*	*(3,899)*
of which payments made for short-term and low value leases	*21.2*	*(1,329)*	*(971)*
of which other		*5,185*	*1,806*
Accrued expenses and deferred income		893	(3,231)
Other		(9,756)	(11,973)
Cash inflow/(outflow) from operating activities		**1,213,114**	**(352,974)**
INVESTING ACTIVITIES			
Assets held for sale		-	963
Acquisitions of property and equipment	15.2	(6,884)	(4,561)
Disposal of property and equipment		166	1,215
Acquisitions of intangible assets	14.2	(11,138)	(6,635)
Cash outflow from investing activities		**(17,856)**	**(9,018)**
FINANCING ACTIVITIES			
Dividends paid to company's shareholders	23	(265,516)	-
Payments made for lease liabilities	21.2	(11,077)	(11,240)
Cash outflow from financing activities		**(276,593)**	**(11,240)**
Cash inflow/(outflow) for the year		**918,665**	**(373,232)**
Cash balance at beginning of year	11.2	7,995,365	8,368,272
Net foreign exchange differences		(135)	325
Cash balance at end of year	11.2	**8,913,895**	**7,995,365**

Notes to the financial statements Bank only

NOTE 1.2 BASIS FOR PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

Handelsbanken plc is a public limited company limited by shares, registered and domiciled in England and Wales, the registered office is given in the directors and advisors section on page 1. The Bank is principally engaged in the provision of banking services.

Basis of accounting
The financial statements of the Bank have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared on a historical cost basis unless otherwise stated.

The financial statements are presented in GBP rounded to the nearest thousand '£'000', which is also the Bank's functional currency. The functional currency of the ultimate Parent Svenska Handelsbanken is Swedish Krona (SEK).

The relationship between the Bank's and the UK Group's accounting policies.

Handelsbanken plc's accounting policies correspond largely to those of the UK Group. The following reports only on those areas where the Bank's policies differ from those of the UK Group. In all other respects, reference is made to the accounting policies in note 1, starting on page 88.

(b) Investment in subsidiaries

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. As a rule, control exists if the Bank owns more than 50 per cent of the voting power at shareholders' meetings or the equivalent. The acquisition of a subsidiary is regarded as a transaction where the Bank acquires the company's identifiable assets and assumes its liabilities and obligations.

Handelsbanken plc has two wholly owned direct subsidiaries. Shares in subsidiaries are measured at cost. All holdings are reviewed for impairment at each balance sheet date in order to assess whether they require impairment. If a value has decreased, impairment is recognised to adjust the value to the consolidated value. Any impairment costs are classified as impairment loss on financial assets in the income statement. Information on the Bank's subsidiaries can be found in note 13.2.

Svenska Handelsbanken heads the largest group in which the results of the Bank and its subsidiaries are consolidated. Svenska Handelsbanken is incorporated in Sweden. Handelsbanken Group's 2023 Annual Report is available from its head office at Kungsträdgårdsgatan 2, SE-106 70, Stockholm, Sweden.

NOTE 2.2 RISK MANAGEMENT

Credit risk exposures, breakdown by type of collateral

Bank 2023 £'000	Residential property	Other property	Sovereigns, municipalities[1]	Financial collateral	Collateral in assets	Unsecured	Total
Cash and balances with central banks	-	-	8,878,735	-	-	-	8,878,735
Other loans to central banks	-	-	88,371	-	-	-	88,371
Loans to other credit institutions	-	-	-	-	-	5,227,990	5,227,990
Loans to the public	11,529,571	5,838,634	15,491	14,113	156,883	469,304	18,023,996
Total	**11,529,571**	**5,838,634**	**8,982,597**	**14,113**	**156,883**	**5,697,294**	**32,219,092**
Off-balance sheet items	553,765	794,808	96,707	2,961	-	2,281,442	**3,729,683**
of which guarantee commitments	*14,483*	*18,620*	*40*	*2,340*	-	*519,267*	*554,750*
of which obligations	*539,282*	*776,188*	*96,667*	*621*	-	*1,762,175*	*3,174,933*
Total	**553,765**	**794,808**	**96,707**	**2,961**	**-**	**2,281,442**	**3,729,683**
Total on and off-balance sheet items	**12,083,336**	**6,633,442**	**9,079,304**	**17,074**	**156,883**	**7,978,736**	**35,948,775**

1 Refers to direct sovereign exposures and government guarantees.

Bank 2022 £'000	Residential property	Other property	Sovereigns, municipalities[1]	Financial collateral	Collateral in assets	Unsecured	Total
Cash and balances with central banks	-	-	7,944,713	-	-	-	**7,944,713**
Other loans to central banks	-	-	99,900	-	-	-	**99,900**
Loans to other credit institutions	-	-	-	-	-	5,522,526	**5,522,526**
Loans to the public	12,330,048	6,011,814	26,829	32,490	151,284	476,250	**19,028,715**
Total	**12,330,048**	**6,011,814**	**8,071,442**	**32,490**	**151,284**	**5,998,776**	**32,595,854**
Off-balance sheet items	703,615	785,344	96,709	4,875	-	2,319,388	**3,909,931**
of which guarantee commitments	*15,603*	*17,931*	*42*	*3,786*	-	*499,108*	*536,470*
of which obligations	*688,012*	*767,413*	*96,667*	*1,089*	-	*1,820,280*	*3,373,461*
Total	**703,615**	**785,344**	**96,709**	**4,875**	**-**	**2,319,388**	**3,909,931**
Total on and off-balance sheet items	**13,033,663**	**6,797,158**	**8,168,151**	**37,365**	**151,284**	**8,318,164**	**36,505,785**

1 Refers to direct sovereign exposures and government guarantees.

NOTE 2.2 Cont.

LIQUIDITY RISK

Contractual maturity analysis

The following table summarises the contractual maturity profile of the Bank's financial assets and liabilities. Loans and deposits to / from the public are shown in accordance with their contractual maturity rather than their next repricing date or behavioural characteristics. Fixed rate lending is assumed to refinance at the end of initial benefit, rather than the end of term.

Bank 2023 £'000	Up to 30 days	31 days– 6 months	6–12 months	1–2 years	2–5 years	Over 5 years	Unspecified maturity	Total
Assets								
To central banks	8,878,735	-	-	-	-	88,371	-	**8,967,106**
To credit institutions	1,030,213	1,802,913	881,487	1,385,625	85,969	41,783	-	**5,227,990**
Loans to public	918,564	1,810,359	1,896,618	2,457,416	8,548,762	2,392,277	-	**18,023,996**
Other	-	-	-	-	-	-	158,846	**158,846**
of which shares and participating interests	-	-	-	-	-	-	*44,119*	*44,119*
of which other	-	-	-	-	-	-	*114,727*	*114,727*
Total	**10,827,512**	**3,613,272**	**2,778,105**	**3,843,041**	**8,634,731**	**2,522,431**	**158,846**	**32,377,938**
Liabilities								
To credit institutions	1,809,111	426,668	489,881	932,896	2,305,564	520,369	402,465	**6,886,954**
Deposits from public	16,533,757	3,202,763	354,708	38,107	934	247,448	-	**20,377,717**
Issued securities	370,207	1,729,611	35,053	-	-	-	-	**2,134,871**
Of which CD's less than one year	*370,207*	*1,729,611*	*35,053*	-	-	-	-	*2,134,871*
Other	-	-	-	-	-	-	89,651	**89,651**
Total	**18,713,075**	**5,359,042**	**879,642**	**971,003**	**2,306,498**	**767,817**	**492,116**	**29,489,193**
Off-balance sheet items								
Unutilised guarantees and loan commitments	3,174,933	-	-	-	-	-	-	**3,174,933**

Bank 2022 £'000	Up to 30 days	31 days– 6 months	6–12 months	1–2 years	2–5 years	Over 5 years	Unspecified maturity	Total
Assets								
To central banks	7,944,713	-	-	-	-	-	99,900	**8,044,613**
To credit institutions	1,295,441	1,447,972	1,019,138	1,114,984	604,992	39,999	-	**5,522,526**
Loans to public	1,003,787	2,100,808	1,982,257	3,353,566	8,025,873	2,562,423	-	**19,028,714**
Other	-	-	-	-	-	-	177,652	**177,652**
of which shares and participating interests	-	-	-	-	-	-	*44,119*	*44,119*
of which other	-	-	-	-	-	-	*133,533*	*133,533*
Total	**10,243,941**	**3,548,780**	**3,001,395**	**4,468,550**	**8,630,865**	**2,602,422**	**277,552**	**32,773,505**
Liabilities								
To credit institutions	892,994	498,761	1,120,549	1,139,485	2,351,980	1,235,665	-	**7,239,434**
Deposits from public	17,899,487	2,183,828	392,370	31,046	-	-	-	**20,506,731**
Issued securities	454,068	1,736,157	-	-	-	-	-	**2,190,225**
of which CDs less than one year	*454,068*	*1,736,157*	-	-	-	-	-	*2,190,225*
Other	-	-	-	-	-	-	99,886	**99,886**
Total	**19,246,549**	**4,418,746**	**1,512,919**	**1,170,531**	**2,351,980**	**1,235,665**	**99,886**	**30,036,276**
Off-balance sheet items								
Unutilised guarantees and loan commitments	3,373,461	-	-	-	-	-	-	**3,373,461**

NOTE 2.2 Cont.

Maturity periods for financial liabilities

The table below does not directly reconcile to the Bank's balance sheet or contractual maturity table, as the table includes all cash flows, on an undiscounted basis, related to both principal and future interest flows for the UK Group's financial liabilities.

Bank 2023 £'000	Up to 30 days	31 days– 6 months	6–12 months	1–2 years	2–5 years	Over 5 years	Unspecified maturity	Total
Liabilities								
To credit institutions	8,902,935	13,728	25,243	69,095	301,266	177,680	-	**9,489,947**
Deposits from public	16,534,092	3,229,443	367,248	40,434	1,047	247,438	-	**20,419,702**
Issued securities	370,411	1,751,625	36,949	-	-	-	-	**2,158,985**
Of which CD's less than one year	*370,411*	*1,751,625*	*36,949*	-	-	-	-	*2,158,985*
Other	-	-	-	-	-	-	89,652	**89,652**
Total	**25,807,438**	**4,994,796**	**429,440**	**109,529**	**302,313**	**425,118**	**89,652**	**32,158,286**

Bank 2022 £'000	Up to 30 days	31 days– 6 months	6–12 months	1–2 years	2–5 years	Over 5 years	Unspecified maturity	Total
Liabilities								
To credit institutions	913,839	541,601	1,190,298	1,243,999	2,551,540	1,307,154	-	**7,748,431**
Deposits from public	17,891,245	2,199,220	406,172	32,906	-	-	-	**20,529,543**
Issued securities	454,068	1,746,491	-	-	-	-	-	**2,200,559**
of which CDs less than one year	*454,068*	*1,746,491*	-	-	-	-	-	*2,200,559*
Other	-	-	-	-	-	-	99,886	**99,886**
Total	**19,259,152**	**4,487,312**	**1,596,470**	**1,276,905**	**2,551,540**	**1,307,154**	**99,886**	**30,578,419**

NOTE 3.2 NET INTEREST INCOME

Bank	2023 £'000	2020 £'000
Loans to the public	1,116,726	683,156
Loans to credit institutions and central banks	382,980	123,059
Loans to other group undertakings	292,440	79,646
Other interest income*	9,922	37,927
Total interest income	**1,802,068**	**923,788**
of which interest income according to the effective interest method	*1,802,068*	*923,788*
Deposits and borrowing from the public	(510,759)	(104,729)
Due to other group undertakings	(259,618)	(129,801)
Issued securities	(103,131)	(34,609)
Lease liability	(1,467)	(1,236)
Other interest expense	(554)	(859)
Total interest expense	**(875,529)**	**(271,234)**
Net interest income	**926,539**	**652,554**

* In 2023, breakage fees which were previously reported under "Net gains on financial transactions and other income" started to be presented within "Other interest income". This presentation change resulted in reclassification of £11m of breakage fees in the previous year (2022).

NOTE 4.2 NET FEE AND COMMISSION INCOME

Bank	2023 £'000	2022 £'000
Payments	24,714	24,865
Loans and deposits	10,800	9,924
Intercompany commission	1,859	2,149
Guarantees	1,022	1,182
Other	335	495
Total fee and commission income	**38,730**	**38,615**
Payments	(3,526)	(3,567)
Intercompany commission	(92)	(47)
Other	(3)	(41)
Total fee and commission expense	**(3,621)**	**(3,655)**
Net fee and commission income	**35,109**	**34,960**

NOTE 5.2 NET GAINS ON FINANCIAL TRANSACTIONS AND OTHER INCOME

Bank	2023 £'000	2022 £'000
Foreign exchange spot instruments	11,119	11,712
Other	856	1,017
Total	**11,975**	**12,729**

In 2023, breakage fees which were previously reported under "Net gains on financial transactions and other income" started to be presented within "Interest income". This presentation change resulted in reclassification of £11m of breakage fees in the previous year (2022).

The Other line mainly includes the research & development expenditure credit ("RDEC") related income recognised in the year.

NOTE 6.2 PERSONNEL COSTS

The average number of persons employed (including directors) during the year was:

Average number of employees Bank	2023	2022
Head office and support	1,648	1,017
Branch operations	1,201	1,567
Total	**2,849**	**2,584**

Personnel costs for the above persons were:

Bank	2023 £'000	2022 £'000
Wages and salaries	178,786	158,490
Pension costs	26,742	23,039
Social security costs	22,474	21,865
Staff benefits and other	11,375	11,263
Share-based payment arrangement	2,259	6,288
Total	**241,636**	**220,945**

NOTE 7.2 OTHER OPERATING EXPENSES

Bank	2023 £'000	2022 £'000
Professional and legal fees	28,666	24,261
Intercompany recharges	42,926	39,106
Rent and premises costs	16,806	14,108
IT and communication costs	13,965	11,373
Unrecoverable VAT on intercompany invoices	5,198	8,576
Travel, marketing, membership & supplies	10,652	8,365
Consultancy fees	7,554	3,845
Restructuring cost	(473)	313
Auditors' remuneration	1,133	975
Other operating expenses	2,668	3,712
Total operating expenses	**129,095**	**114,634**

Restructuring costs are negative primarily due to release of provisions during 2023.

Restructuring costs comprise amounts provided for onerous contracts, professional and legal fees provided in relation to the restructure.

Auditors' remuneration relating to PwC is £1.1 million in 2023 (2022: £1 million).

For further details on intercompany recharges, please see note 24.2.

Auditors' remuneration

Bank	2023 £'000	2022 £'000
Fees payable to the company's auditor for the audit of the company accounts *	1,101	945
Fees payable to the company's auditor for other services:		
Audit related assurance services	32	30
Total audit and non-audit fees	**1,133**	**975**

* 2023 audit fees payable for the audit of the group accounts includes £80,000 relating to previous year

NOTE 8.2 SHARE BASED PAYMENT ARRANGEMENT

As described in the Directors' report, Oktogonen allocations are primarily disbursed in the UK through a UK approved HMRC SIP.

Following the approval of an Oktogonen award for the 2021 performance year this was disbursed via the SIP during 2022.

UK Group employees that are employed during the financial year to which the Oktogonen allocation relates, are eligible to receive the annual free share award with the exception of some leavers. Employees cannot sell their shares for five years unless they leave the Bank, in which case they can sell their shares but they may have tax implications.

Awards made during 2022 to the Bank's personnel are shown in the table below.

Bank	2023 No. of shares	2023 Average cost of shares £	2022 No. of shares	2022 Average cost of shares £
Annual free share awards	841,288	6.68	266,712	7.17

Bank	2023 £'000	2022 £'000
Expenses arising from share based payment transactions	2,259	6,288
2021 Oktogonen allocation	–	*695*
2022 Oktogonen allocation	*981*	*5,593*
2023 Oktogonen allocation	*1,278*	–
Share-based payment liability	374	177
Oktogonen allocation provision	1,278	5,545

NOTE 9.2 CREDIT LOSSES

Balance sheet and off-balance sheet items that are subject to impairment testing

2023 Bank £'000	Gross amount			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	8,878,735	-	-	-	-	-
Other loans to central banks	88,371	-	-	-	-	-
Loans to other credit institutions	5,228,045	-	-	(55)	-	-
Loans to the public	16,176,948	1,708,802	167,023	(10,391)	(15,234)	(3,152)
Total	**30,372,099**	**1,708,802**	**167,023**	**(10,446)**	**(15,234)**	**(3,152)**
Off-balance sheet items						
Total off-balance sheet	1,786,142	74,858	3,148	(747)	(1,939)	-
of which contingent liabilities	*542,893*	*11,271*	*586*	*(172)*	*(945)*	-
of which commitments	*1,243,249*	*63,587*	*2,562*	*(575)*	*(994)*	-
Total	**32,158,241**	**1,783,660**	**170,171**	**(11,193)**	**(17,173)**	**(3,152)**

NOTE 9.2 Cont.

2022 Bank £'000	Gross amount Stage 1	 Stage 2	 Stage 3	Provisions Stage 1	 Stage 2	 Stage 3
Balance sheet items						
Cash and balances with central banks	7,944,713	-	-	-	-	-
Other loans to central banks	99,900	-	-	-	-	-
Loans to other credit institutions	5,522,603	-	-	(77)	-	-
Loans to the public	17,688,338	1,270,780	94,450	(9,445)	(11,432)	(3,976)
Total	**31,255,554**	**1,270,780**	**94,450**	**(9,522)**	**(11,432)**	**(3,976)**
Off-balance sheet items						
Total off-balance sheet	1,988,041	64,412	1,640	(1,121)	(2,043)	-
of which contingent liabilities	*525,476*	*10,398*	*446*	*(185)*	*(1,044)*	-
of which commitments	*1,462,565*	*54,014*	*1,194*	*(936)*	*(999)*	-
Total	**33,243,595**	**1,335,192**	**96,090**	**(10,643)**	**(13,475)**	**(3,976)**

NOTE 10.2 TAXES

Income tax expense for the year

Bank	2023 £'000	2023 £'000
Corporation tax:		
UK corporation tax	156,571	91,096
Adjustments in respect of previous years	963	637
Total current tax charge	**157,534**	**91,733**
Deferred tax:		
Current year	966	(1,133)
Adjustments in respect of previous years	954	(479)
Total deferred tax (credit)	**1,920**	**(1,612)**
Tax charge on profit on ordinary activities	**159,454**	**90,121**

The tax assessed for the year is higher (2022: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

Tax reconciliation

Bank	2023 £'000	2022 £'000
Profit on ordinary activities before taxation	**576,486**	**340,280**
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.50% (2022: 19%)	135,474	64,653
Tax effects of:		
Expenses not deductible for tax purposes	853	171
Bank corporation tax surcharge	21,054	25,683
Adjustments to tax charge in respect of prior years	963	637
Impact of bank surcharge on deferred tax	104	(158)
Adjustments to tax charge in respect of prior years deferred tax	954	(479)
Remeasurement of deferred tax due to rate changes	52	25
Tax effects from Research and Development Expenditure Credit	-	(411)
Adjustment of deferred tax for rate change	-	-
Total tax charge	**159,454**	**90,121**

NOTE 10.2 Cont.

The main rate of corporation tax increased from 19% to 25% on 1 April 2023 in accordance with the Finance Act 2021. The hybrid rate of 23.5% has been applied for calculation of tax charge.

The surcharge in respect of the taxable profit for banks, which was introduced from 1 January 2016, is £21m for the period ended 31 December 2023. The surcharge imposes an 8% rate on taxable profits over £25m up to 31 March 2023. Finance Act 2022 reduced the rate to 3%, and increased the threshold to £100m from 1 April 2023. Therefore, a hybrid rate of 4.25%, and hybrid threshold of £81.25m have been used to calculate the surcharge.

Deferred tax assets of £1.46 million have been recognised at 28% (corporation tax 25% and banking surcharge 3%).

The Finance (No.2) Act 2023, which received Royal Assent in July 2023, implements the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two income inclusion rule (IIR) in the UK. It introduces a multinational top-up tax (MTT), together with a domestic top-up tax (DTT), and applies to large multinational enterprises for accounting periods beginning on or after 31 December 2023. The entities comprising the UK sub-group are in scope of the enacted legislation.

MTT applies where a UK located entity is responsible for paying the top-up tax in respect of members of a qualifying multinational group located outside the UK and where their effective tax rate is less than 15%. DTT applies to both stand-alone UK entities and group entities for a top-up tax to be paid by UK entities with an effective tax rate of less than 15%.

The entities that make up the Handelsbanken UK sub-group, do not have subsidiaries, permanent establishments, or operations in other jurisdictions. Based on recent tax filings and financial statements, their effective tax rates have been, and are projected to remain above 15%. Consequently, the entities that make up the UK sub-group do not expect MTT/DTT to have a material impact.

The UK sub-group applies the exemption to recognise and disclose information about deferred tax assets and liabilities related to income taxes under Pillar 2, as set out in the amendments to IAS 12 issued in May 2023.

Deferred tax balance

Bank	2023 £'000	2022 £'000
Holiday accrual	623	484
Short term timing differences	358	1,565
Fixed asset temporary differences	479	1,331
Deferred tax assets	**1,460**	**3,380**

Deferred tax movement

Bank	2023 £'000	2022 £'000
Deferred tax asset at beginning of year	3,380	1,768
Fixed asset temporary differences	102	627
Holiday accrual	140	(315)
Short term timing differences	(1,208)	1,162
Prior year adjustment	(954)	479
Movement in tax rate	-	(341)
Deferred tax asset at end of year	**1,460**	**3,380**

NOTE 11.2 CASH AND BALANCES WITH CENTRAL BANKS

Bank	2023 £'000	2022 £'000
Cash held at central banks	8,878,735	7,944,713
Due from other banks	57,504	63,082
Of which on demand	*57,504*	*63,082*
Of which term deposits	*8,936,239*	*8,007,795*
Balance at end of year	**8,007,795**	**8,369,076**
Of which accrued interest income	*22,400*	*12,509*
Of which provision for expected credit losses reported as provisions, see note 2	*(55)*	*(77)*
Loans to intercompany, on demand	5,170,486	5,459,444
Total	**14,106,725**	**13,467,239**
of which accrued interest income	*51,465*	*32,311*

Reconciliation of cash and balances on Balance sheet and Cash flow

Bank	2023 £'000	2022 £'000
Cash and balances with central banks (Balance sheet)	8,878,735	7,944,713
External nostro	57,560	63,161
Less accrued interest	(22,400)	(12,509)
Cash balance at the end of the year (cash flow)	**8,913,895**	**7,995,365**

NOTE 12.2 DUE TO / FROM OTHER CREDIT INSTITUTIONS

Bank	2023 £'000	2022 £'000
Due from other banks	57,559	63,159
Intercompany lending	5,170,486	5,459,444
Total	**5,228,045**	**5,522,603**
Provision for expected credit loss	(55)	(77)
Total asset	**5,227,990**	**5,522,526**
of which accrued interest income	*51,465*	*32,311*
Loans from other credit institutions		
Due to other banks	21,205	3,118
Intercompany borrowing	6,865,749	7,236,316
Total liability	**6,886,954**	**7,239,434**
of which accrued interest expense	*12,136*	*16,299*

NOTE 13.2 INVESTMENTS IN SUBSIDIARIES

Bank	Total £'000
Cost	
At 1 January 2022 and 1 January 2023	44,119
Impairment	
At 31 December 2022 and 31 December 2023	–
Balance	
At 31 December 2022 and 31 December 2023	44,119

Investments in subsidiaries held by the Bank during 2023 have been regularly reviewed for impairment indicators. An annual impairment review was undertaken at 31 December 2023, taking into account the current economic conditions. No impairment was needed as a result of the reviews during the year ended 31 December 2023.

Handelsbanken plc holds the following investments:

Name of company	UK company number	Place of business/ country of incorporation	Nature of Business	Percentage owned %	Registered office
Direct subsidiaries:					
Svenska Property Nominees Limited (inactive)	2308524	UK	Financial intermediation	100	3 Thomas More Square, London, E1W 1WY
Handelsbanken Wealth & Asset Management Limited	4132340	UK	Fund management	100	No.1 Kingsway, London, England, WC2B 6AN
Indirect subsidiaries:					
Handelsbanken Nominees Limited (inactive)	2299877	UK	Administration of financial markets	100	77 Mount Ephraim, Tunbridge Wells, Kent, TN4 8BS
Handelsbanken Second Nominees Limited (inactive)	3193458	UK	Administration of financial markets	100	77 Mount Ephraim, Tunbridge Wells, Kent, TN4 8BS
Handelsbanken ACD Limited	4332528	UK	Financial intermediation	100	77 Mount Ephraim, Tunbridge Wells, Kent, TN4 8BS

NOTE 14.2 INTANGIBLE ASSETS

Bank 2023	Internally developed software £'000
Cost	
At 1 January 2023	38,932
Additions	11,138
Disposals	(8,112)
At 31 December 2023	**41,958**
Accumulated amortisation and impairment	
At 1 January 2023	(16,468)
Amortisation	(6,641)
Change in Impairment	3,699
Disposals	4,413
At 31 December 2023	**(14,997)**
At 1 January 2023	22,464
At 31 December 2023	**26,961**

Bank 2022	Internally developed software £'000
Cost	
At 1 January 2022	40,225
Additions	6,635
Disposals	(7,928)
At 31 December 2022	**38,932**
Accumulated amortisation and impairment	
At 1 January 2022	(17,612)
Amortisation	(5,377)
Change in Impairment	(1,407)
Disposals	7,928
At 31 December 2022	**(16,468)**
At 1 January 2022	22,613
At 31 December 2022	**22,464**

Research and development costs incurred and recognised in the income statement and not capitalised amount to £17.0 million (2022: £13.9 million), these costs relate entirely to internally developed software.

NOTE 15.2 PROPERTY AND EQUIPMENT

Bank 2023	Branch fit out £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2023	33,489	6,840	10,757	51,086
Additions	3,956	902	2,026	6,884
Disposals	(2,419)	(737)	(531)	(3,687)
At 31 December 2023	**35,026**	**7,005**	**12,252**	**54,283**
Accumulated depreciation and impairment				
At 1 January 2023	(19,324)	(5,887)	(8,041)	(33,252)
Charge	(2,935)	(470)	(1,620)	(5,025)
Change in Impairment	(39)	-	-	(39)
Disposals	2,330	728	398	3,456
At 31 December 2023	**(19,968)**	**(5,629)**	**(9,263)**	**(34,860)**
Balance at 1 January 2023	14,165	954	2,715	17,834
Balance at 31 December 2023	**15,058**	**1,376**	**2,989**	**19,423**

Bank 2022	Branch fit out £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2022	36,460	6,929	9,527	52,916
Additions	2,113	302	2,146	4,561
Disposals	(5,084)	(390)	(917)	(6,391)
At 31 December 2022	**33,489**	**6,841**	**10,756**	**51,086**
Accumulated depreciation and impairment				
At 1 January 2022	(21,578)	(5,804)	(7,315)	(34,697)
Charge	(2,775)	(464)	(1,633)	(4,872)
Change in Impairment	1,141	-	-	1,141
Disposals	3,888	381	907	5,176
At 31 December 2022	**(19,324)**	**(5,887)**	**(8,041)**	**(33,252)**
Balance at 1 January 2022	14,882	1,125	2,212	18,219
Balance at 31 December 2022	**14,165**	**954**	**2,715**	**17,834**

NOTE 16.2 OTHER ASSETS

Bank	2023 £'000	2022 £'000
Sundry debtors	3,312	30,040
Other intercompany assets	155	148
Trade debtors	3,432	2,036
Total	**6,899**	**32,224**

NOTE 17.2 DEPOSITS FROM THE PUBLIC

Bank	2023 £'000	2022 £'000
Corporate	15,009,080	14,568,012
Private	5,350,322	5,918,606
Intercompany borrowing	18,315	20,113
Total	**20,377,717**	**20,506,731**
of which accrued interest expenses	*41,632*	*10,041*

NOTE 18.2 PROVISIONS

Bank £'000	Provisions for off-balance sheet items	Restructuring provision	Other provisions	2023 Total	2022 Total
Provision at beginning of year	3,164	1,685	17,423	22,272	18,078
Additional provision	-	-	3,092	3,092	7,974
Reduction in provision	-	(1,030)	(7,462)	(8,492)	(5,348)
Change in expected credit losses	(478)	-	-	(478)	1,568
Provision at end of year	**2,686**	**655**	**13,053**	**16,394**	**22,272**

NOTE 19.2 OTHER LIABILITIES

Bank	2023 £'000	2022 £'000
Sundry creditors and other liabilities	10,888	12,230
VAT	1,403	1,463
Trade creditors	2,563	2,509
Other intercompany liabilities	83	1
Total	**14,937**	**16,203**

NOTE 20.2 CONTINGENT LIABILITIES

Commitments include loans and overdraft commitments provided to customers.

Bank	2023 £'000	2022 £'000
Contingent liabilities		
Credit guarantees	372,426	354,574
Other guarantees	130,274	158,425
Of which, intercompany	*19,709*	*45,988*
Of which, other	*110,565*	*112,437*
Irrevocable letters of credit	52,050	23,321
Of which, intercompany	*32,033*	*4,900*
Of which, other	*20,017*	*18,421*
Other	61	150
Total contingent liabilities	**554,811**	**536,470**
of which subject to impairment testing according to IFRS 9	*554,750*	*536,320*
Commitments		
Loan commitments	2,640,604	2,769,938
Unutilised part of granted overdraft facilities	500,737	542,596
Other	33,592	60,927
Total commitments	**3,174,933**	**3,373,461**
of which subject to impairment testing according to IFRS 9	*1,309,398*	*1,517,773*
Provision for expected credit losses reported as provisions, see note 18.2	*2,686*	*3,164*

Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Certain legal cases which were disclosed as contingent liability as of year-end can be seen in Other line in the table above. In addition to the ones disclosed, there are a number of cases, as a result of the ordinary course of business, which could result in contingent liability, but the Bank is comfortable that they are remote and not significant to our financial statements.

NOTE 21.2 LEASING

LEASING AS A LESSEE

The Bank leases right-of-use assets, consisting of leases on properties that do not meet the definition of investment properties. Information about these leases, where the Bank is the lessee is presented below.

Right-of-use assets

Bank	£'000
Balance at 1 January 2022	**53,717**
Additions	7,388
Depreciation	(11,027)
Reversal of Impairment	753
Right-of-use remeasurements	(2,989)
Balance at 31 December 2022 and 1 January 2023	**47,842**
Additions	8,866
Depreciation	(10,265)
Reversal of Impairment	(529)
Right-of-use remeasurements	2,240
Balance at 31 December 2023	**48,154**

Lease liabilities
Maturity analysis, contractual undiscounted cash flows

Bank	2023 £'000	2022 £'000
Less than one year	10,200	10,510
More than one year, less than 2 years	8,497	9,723
More than two years, less than 5 years	22,878	22,718
More than 5 years	12,922	13,262
Total undiscounted lease liabilities	**54,497**	**56,213**

Amounts recognised in income statement

Bank	2023 £'000	2022 £'000
Depreciation expenses	10,265	11,027
Variable lease expenses	5,122	3,899
Lease liability, interest expenses	1,467	1,236
Short-term, low-value lease expenses	1,329	971

Amounts recognised in cash flow statement

Bank	2023 £'000	2022 £'000
Total cash outflow for leases	11,077	11,240

NOTE 22.2 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Information about the fair values of financial instruments which are carried at amortised cost is given in note 23.2 and in the tables below.

2023 Bank £'000	Amortised cost	Total carrying amount	Fair value
Assets			
Cash and balances with central banks	8,878,735	8,878,735	8,878,735
Other loans to central banks	88,371	88,371	88,371
Loans to other credit institutions	5,227,990	5,227,990	5,264,496
Loans to the public	18,023,996	18,023,996	17,719,994
Other assets	6,899	6,899	6,899
Total	**32,225,991**	**32,225,991**	**31,958,495**
Investments in subsidiary		44,119	
Other non-financial assets		107,828	
Total assets		**32,377,938**	
Liabilities			
Due to credit institutions	6,886,954	6,886,954	6,825,011
Deposits from the public	20,377,717	20,377,717	20,359,754
Issued securities	2,134,871	2,134,871	2,134,871
Other liabilities	14,937	14,937	14,937
Total	**29,414,479**	**29,414,479**	**29,334,573**
Non-financial liabilities		74,714	
Total liabilities		**29,489,193**	

2022 Bank £'000	Amortised cost	Total carrying amount	Fair value
Assets			
Cash and balances with central banks	7,944,713	7,944,713	7,944,713
Other loans to central banks	99,900	99,900	99,900
Loans to other credit institutions	5,522,526	5,522,526	5,552,337
Loans to the public	19,028,715	19,028,715	18,536,600
Other assets	32,224	32,224	32,224
Total	**32,628,078**	**32,628,078**	**32,165,774**
Investments in subsidiary		44,119	
Other non-financial assets		101,308	
Total assets		**32,773,505**	
Liabilities			
Due to credit institutions	7,239,435	7,239,435	6,961,149
Deposits from the public	20,506,731	20,506,731	20,486,314
Issued securities	2,190,225	2,190,225	2,190,225
Other liabilities	16,202	16,202	16,202
Total	**29,952,593**	**29,952,593**	**29,653,890**
Non-financial liabilities		83,683	
Total liabilities		**30,036,276**	

NOTE 23.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of financial instruments at amortised cost

2023 Bank £'000	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks				
Other loans to central banks	8,878,735	-	-	8,878,735
Loans to other credit institutions	-	88,371	-	88,371
Loans to the public	-	5,264,496	-	5,264,496
Total financial assets	-	-	17,719,994	17,719,994
Total financial assets	**8,878,735**	**5,352,867**	**17,719,994**	**31,951,596**
Liabilities				
Due to credit institutions	-	6,825,011	-	6,825,011
Deposits from the public	-	20,359,754	-	20,359,754
Issued securities	-	2,134,871	-	2,134,871
Total financial liabilities	**-**	**29,319,636**	**-**	**29,319,636**

2022 Bank £'000	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	7,944,713	-	-	7,944,713
Other loans to central banks	-	99,900	-	99,900
Loans to other credit institutions	-	5,552,337	-	5,552,337
Loans to the public	-	-	18,536,600	18,536,600
Total financial assets	**7,944,713**	**5,652,237**	**18,536,600**	**32,133,550**
Liabilities				
Due to credit institutions	-	6,961,149	-	6,961,149
Deposits from the public	-	20,486,314	-	20,486,314
Issued securities	-	2,190,225	-	2,190,225
Total financial liabilities	**-**	**29,637,688**	**-**	**29,637,688**

NOTE 24.2 RELATED PARTY TRANSACTIONS

The related parties of the Bank include the Parent company, subsidiaries and key management personnel.

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The Bank considers the members of the Board of Directors to be key management personnel.

A list of the subsidiaries of the Bank can be found in note 13.2 to the financial statements.

A full list of the directors of the Bank can be found in the Directors' report, the remuneration of the directors is disclosed in note 8 of the UK Group's consolidated financial statements.

Transactions with the directors of the Bank

The following table provides the total amount of transactions, which Handelsbanken Group has entered into with the directors for the year ended 31 December 2023:

Bank 2023 £'000	**Balances at 31 December 2023**	**Interest expense**
Residential mortgages	**2,375**	**60**
Loans (Excl Mortgages)	**158**	**1**
Deposits	**1,201**	**7**
Other	**2,189**	**-**

Bank 2022 £'000	**Balances at 31 December 2022**	**Interest expense**
Residential mortgages	2,460	37
Loans (Excl Mortgages)	8	-
Deposits	1,482	3
Other	1,524	-

Loans include loans given to directors from Handelsbanken plc and other Handelsbanken Group companies at the same terms and conditions applicable to all employees. Any additional tax costs incurred in the UK as a result of these transactions have been included in Note 8.

Bank 2023 £'000	**Balances at 31 December 2023**	**Interest expense**
Residential mortgages	2,375	60
Loans (Excl Mortgages)	158	1
Deposits	1,201	7
Other	2,189	-

Bank 2022 £'000	**Balances at 31 December 2022**	**Interest expense**
Residential mortgages	2,460	37
Loans (Excl Mortgages)	8	-
Deposits	1,482	3
Other	1,524	-

NOTE 24.2 Cont.

Loans include loans given to directors from Handelsbanken plc and other Handelsbanken Group companies at the same terms and conditions applicable to all employees. Any additional tax costs incurred in the UK as a result of these transactions have been included in Note 8.

Transactions with other related parties

In addition to transactions with key management personnel, the Bank enters into transactions with entities that have significant influence over it. The following tables show transactions during the year and outstanding balances at the end of the reporting period.

During the year ended 31 December 2023, the UK Group received income and expenses from related parties as follows:

Other intercompany expenses and income mainly relate to costs recharged and services charged between members of the Handelsbanken Group.

		2023		2022	
Bank £'000	**Note**	**Parent**	**Wholly-owned subsidiary**	**Parent**	**Wholly-owned subsidiary**
Intercompany interest income	Note 3.2	292,440	-	79,646	-
Intercompany interest expense	Note 3.2	(259,618)	-	(129,801)	-
Net intercompany interest income / (expense)		**32,822**	**-**	**(50,155)**	**-**
Intercompany commission income	Note 4.2	1,859	-	2,149	-
Intercompany commission expense	Note 4.2	(92)	-	(47)	-
Net intercompany commission income		**1,767**	**-**	**2,102**	**-**
Other intercompany income		370	2,777	2,619	3,028
Other intercompany expense		(46,069)	(4)	(42,830)	(1)
Total other intercompany (expense)/ income	Note 7.2	**(45,699)**	**2,773**	**(40,211)**	**3,027**
Total		**(11,110)**	**2,773**	**(88,264)**	**3,027**

Amounts with Parent company, and other intercompany parties as at 31 December 2023 were as follows:

		2023		2022	
Bank	**Note**	**Parent**	**Wholly-owned subsidiary**	**Parent**	**Wholly-owned subsidiary**
Included within assets					
Intercompany lending*	Note 12.2	5,170,486	-	5,459,444	-
Other intercompany assets		155	-	148	*1,792*
Total		**5,170,641**	**-**	**5,459,592**	**1,792**
Included within liabilities					
Intercompany borrowings	Note 12.2	6,865,749	18,315	7,236,315	**20,113**
Of which deposits		*6,287,881*	-	*6,621,440*	-
Of which subordinated loans		*402,465*	-	*401,732*	-
Of which senior non preferred debt		*50,160*	-	*150,323*	-
Of which other		*125,243*	*18,315*	*62,820*	*20,113*
Other intercompany liabilities		84	-	1	**-**
Total		**6,865,833**	**18,315**	**7,236,316**	**20,113**
Of which, accrued interest	*Note 12.2*	*63,601*		*48,821*	

* Subject to impairment testing

We have considered the impairment of intercompany balances and assessed with specific regard to the current economic environment that no impairment is required in 2023 (2022: nil).

handelsbanken.co.uk

Handelsbanken

Handelsbanken is the trading name of Handelsbanken plc, which is incorporated in England and Wales with company number 11305395.
Registered office: 3 Thomas More Square, London, E1W 1WY, UK. Handelsbanken plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register number 806852.
Handelsbanken plc is a wholly-owned subsidiary of Svenska Handelsbanken AB (publ).

1753 I 02.237 I 03.2024