# Annual report and Financial Statements 2024

Handelsbanken plc
Company No. 11305395
Year ended 31 December 2024

Handelsbanken

# Contents



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

# 1.0

# Statements

# Directors and advisors

DIRECTORS
Mikael Hallåker (Chairman)
Maureen Laurie (Senior Independent Director)
John Ellacott
Patricia Jackson
Agneta Lilja
Mikael Ericson
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

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

# 1.2

# Chairman's statement

12 March 2025
**Mikael Hallåker**
Chairman

**"The Bank remains committed to green and sustainable finance across our business operations and our investment and financing activities. This matters to all of our customers as demonstrated by additional engagement around climate change and more than doubling sustainable finance year-on-year."**

It is with pleasure that I introduce the 2024 consolidated financial statements for Handelsbanken plc and its subsidiaries (the "UK Group"). It was a year that saw the Bank continue to deliver strong financial performance and strategic progress against an evolving economic and geopolitical landscape, while maintaining our customer-centric approach and role as a socially responsible forward-looking organisation.

The changing UK economic and market environment has seen the decline in headline inflation, with the actions of the Bank of England to reduce interest rates influencing financial conditions and customer behaviour. The Bank has navigated this effectively with encouraging signs of investment from our strong personal and corporate customer base.

Our financial results reflect the strength of our business model, disciplined risk management and robust capital position. Whilst lower interest rates caused profitability to dip below 2023, which was a record-breaking year, there are many positives including growth in deposits, sustainable lending and corporate and institutional business. It was also promising to see an improving trend in our personal mortgage business in the latter part of the year.

The Board remains informed on strategic, regulatory and change matters and the Bank continues to benefit from a strong capital position as well as the financial strength and commitment from the Handelsbanken Group as we pursue our ambitious investment plan to improve efficiencies and scalability. Change programmes have advanced with structural adjustments creating operational efficiencies, strengthening local functions and right-sizing the Bank for future growth.

Our long-term customer-centric relationship approach delivered an all-time-high number of corporate customers and improved fee generation. The new 'Broker Connect' programme has opened up new channels for our mortgage business and it is pleasing to see that already at the onset over half of the new customers from this channel have moved their full banking relationship to Handelsbanken. This shows the attractiveness of our local relationship driven model once new customers are onboarded.

With customer satisfaction in the core of our business model, satisfied employees is a key enabler. A recent internal employee pulse survey showed that colleagues rated the Bank above the industry benchmark as a good place to work, which is testament to our strong corporate culture and decentralised business model. Recognising the importance of maintaining a healthy work-life balance we will continue the work progressed in 2024 to improve our employee proposition in 2025.

In view of this, it may therefore not seem surprising that Handelsbanken customers are more satisfied. Evidenced by the yearly CMA customer survey, Handelsbanken continues to deliver an exceptional customer experience by topping three categories, including for Relationship Management, which is a rating the Bank has held for seven years. Further evidence is found in the annual EPSI survey (see customer outcome section) where the Bank shows an outstanding performance to peers. This would not be possible without the dedication of our colleagues, who are integral to the Bank's success.

We acknowledge that the economic outlook remains uncertain with a number of geopolitical factors that could impact the macroeconomic environment, all of which we will manage in line with our low risk tolerance. As we enter 2025 we see reasons to be optimistic. The Bank is well-placed to improve our growth thanks to our solid foundations, strong financial position, low credit losses and a branch network that provides market-leading customer service.

Finally, I would like to thank our colleagues for their efforts and our customers for placing their trust in us.

# Chief Executive Officer's statement

12 March 2025
**Mikael Sørensen**
CEO

2024 was a year of changes for the UK – in which we saw a vindication of our Bank's model and core values. After a period of relative economic volatility, inflation normalised and, with that, the start of a gradual reduction in interest rates, largely in-line with market expectations. This brought greater stability to our operating environment and was welcome for our customers and the wider economy, although resulted in an anticipated reduction to our net interest income. The UK economy overall remains fragile. Stagnation persists and the outlook is for lower-than-expected growth in the near term. The Government faces tough choices, with the economy having contracted marginally in the latter months of 2024. This was accompanied by a dip in both business and consumer confidence as 2024 drew to a close, with an inevitable consequence on the Bank's financial performance. However, a generally less volatile economic and political environment has meant our customers' confidence has broadly improved; reflected in much higher activity levels both on the private and corporate side of our banking business as the year progressed. In particular, gross new lending to corporate customers was strong, and our property customers are again beginning to see better conditions to invest – private and corporate customers alike responding positively to the reduction, however gradual, in interest rates. One natural consequence of our longer-term relationship approach is that our customers, sharing our fiscally prudent values and low tolerance for risk, understand we are poised to partner them through changing economic cycles. Given the high credit quality of our customers, we continued to see their preference to decrease their leverage by repaying debt, a trend that is familiar to Handelsbanken when the cost of servicing debt remains higher than usual. We believe our customers will look to Handelsbanken for finance when there are better opportunities to invest - increasing their leverage once again.

The reduced economic volatility has also been encouraging for investors, and market indices were positive across 2024 – despite some geopolitical uncertainty. Assets under management increased – primarily driven by positive market performance – and overall, portfolios enjoyed positive returns both absolute and relative. Meanwhile, higher nominal economic growth mitigated the expected dip in bond yields. Our UK government bond investment offering continues to be attractive to customers supporting gross new business inflows of £631m, and assets under management and administration rose to £4.5bn. Despite rather subdued lending demand from our private customers, throughout 2024 we did see particularly high levels of activity from our larger corporate and institutional customers, with arrangement fees up 126% versus 2023, and even superseding our previous record year. Committed facilities increased by 26% (£812m) during the year, with a record number of new-to-bank customers in 2024. The year also saw an uptick in the number of sustainability-linked loans, including our first green loans, which accounted for 30% of total committed facilities in 2024. We now have over £1.5bn of committed sustainable finance, across all sizes of corporate customer, resulting in year-on-year growth of 79%.

Sustainability considerations are increasingly important for our customers, and we saw encouraging progress in customer engagement around climate change, made possible by our strong local relationships. This included structured branch discussions with all corporate customers, supported by new digital tools and greater data availability. Furthermore, having broadened access to discounted financing for eligible "green" assets, we launched our first product to finance customers' sustainable transition activities, such as installing renewable power generation, low carbon heat sources, and flood protections. We will continue to develop our sustainability offering in the year ahead, as we look to support more customers on their pathway to reaching net zero. As part of this, we will have a particular focus on supporting our private banking customers to make climate-friendly property choices, improve energy efficiency and resilience, and align their investments with their values. This is a key part of evolving the tailored services we offer private banking customers, but our bespoke approach is not limited to this one theme. Over 2024 we saw encouraging signs of revitalisation in the

UK mortgage market. These are indications of potential future growth; the pipeline is looking more positive, and we would expect this to filter through into net lending in 2025. And so, another strategic development in 2024 has been the pilot of our intermediaries' channel, 'Broker Connect'. Commencing in May 2024, this part of our broker strategy complements the work our branches do locally, by carefully sourcing customers via national brokers selected to reflect their close fit with our target customer profile. All customers that come via Broker Connect are passed to their branch in line with our local relationship banking model. Adding this complementary channel has allowed us to position our mortgage expertise with a much larger pool of prospective customers, enhancing the Bank's national presence in the market segment where the overwhelming majority of mortgage business is conducted.

Further to this exciting development, broader work to improve our colleague and customer experience has continued apace. New digital tools and platforms are being implemented, bank-wide, to increase efficiency and deliver demonstrable time-savings. This will allow branch teams to spend more time with customers, and colleagues elsewhere to focus on value-add tasks that help deliver sustainable growth. First, our East Midlands district has been piloting our new Salesforce CRM system, which provides branch colleagues with a holistic view of the customer relationship, including their current product suite and likely future requirements. This will be now rolled out more widely. A new mortgage origination tool has also been piloted, as well as automated mortgage statements – both successful and both to be expanded in the months ahead. Reducing friction – while maintaining rigour – in our credit onboarding process has also been a focus, to this end we have integrated with Equifax and developed a new assessment system, to deliver a more streamlined, intuitive and consistent process without impairing diligence or precision. Together, these developments have already delivered considerable time savings. Finally, we have devoted time and resource in improving the functionality of our online banking and mobile app. This means customers can now make bulk faster payments, log-on using biometrics, and can benefit from the roll-out of the account name-checking service. We know how important these enhancements are and will continue to make vital improvements to our customers' digital experience in the months and years ahead. Combining these systems and technology improvements with the dedicated customer service provided by branch colleagues across the country means we have a stronger than ever proposition for our customers. This is reflected in our continued top ranking for satisfaction, for both private and business banking, in an independent survey of British bank customers. It is also evident in the CMA's service quality metrics, where for SMEs, Handelsbanken is now top-rated in three categories: Relationship Management, Services in Branches, and SME Overdrafts and Loans – improving its lead against peers in each versus 2023.

It is right, therefore, that I conclude by acknowledging the hard work of all my colleagues, right across the Bank, in continuing to provide a great customer experience year after year. I also want to thank our customers, every one of you, for choosing to bank with Handelsbanken, for trusting us with your business and your finances. And, as we look to continue growing the Bank sustainably in the years ahead, we look forward to serving more customers – new and existing – delivering first class service, developing our customer experience and demonstrating why our relationship banking model goes from strength to strength each year.

# 2.0

# Reports

# 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.

## 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

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. Digital channels are being enhanced to create a more seamless customer experience. Customer Connect offers a value-add, proactive customer relationship service.

Over the years, we have continuously reviewed all areas of the Bank including the branch network, making adjustments to configure and position it appropriately to deliver the best possible service experience to our customers. In 2024, the Bank reduced the number of districts from 14 to 10 to create efficiencies and further calibrated the branch network. This resulted in the number of branches and meeting places reducing from 158 in 2023 year end to 150 in 2024 year-end.

The Bank continues to have a strong focus on having lower costs through the economic cycle. In 2024, the Bank completed a business analysis exercise to identify how costs could be reduced without impacting customer service, growth or IT modernisation. As a result, a number of initiatives have been launched to improve efficiencies and effectiveness, particularly in head office functions. The organisational design of head office has been reviewed as part of this exercise and will lead to changes in a number of departments together with a reduction in head office employees in 2025.

# 2.1

## 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 11.**

| | 2024 £'000 | 2023 £'000 | Movement |
|---|---|---|---|
| **Income statement** | | | |
| Total income | 942,176 | 1,006,356 | -6.4% |
| Total expenses | (454,305) | (427,739) | 6.2% |
| Net credit gains/ (losses) and net gains on disposal of property, equipment and intangible assets | 10,151 | (3,853) | -363.5% |
| Profit before tax | 498,022 | 574,764 | -13.4% |

## Key performance indicators

**Key figures for the UK Group are as follows:**

| Financial and Non-financial KPIs | 2024 | 2023 | Movement |
|---|---|---|---|
| Liquidity Coverage Ratio (See Funding and Liquidity section) | 180.0% | 147.2% | 32.8% |
| Net Stable Funding Ratio (NSFR) | 136.0% | 128.0% | 8.0% |
| CET1 ratio (See Funding and Liquidity section) | 18.0% | 20.0% | -2.0% |
| Return on equity (See Chief Financial Officer commentary section) | 14.0% | 15.1% | -1.1% |
| Cost / income ratio (See Chief Financial Officer commentary section) | 48.2% | 42.5% | 5.7% |
| Credit (gain)/loss ratio | -0.05% | 0.02% | -0.07% |
| Loan to deposit ratio | 85.4% | 88.5% | -3.1% |
| Average deposits from the public | £20.6bn | £20.4bn | 1.0% |
| Average loans to the public | £17.9bn | £18.6bn | -3.8% |
| Assets Under Management and Administration (AUMA) | £4,536m | £4,263m | 6.4% |
| Responsible fund assets as a percentage of overall AUM of our multi asset funds | 9.1% | 11.6% | -2.5% |
| Corporate customer satisfaction (See Customer Outcomes section) | 81.9 | 79.4 | 3.1% |
| Personal customer satisfaction (See Customer Outcomes section) | 84.2 | 82.0 | 2.7% |
| Return on assets | 1.1% | 1.3% | -15.4% |

# Chief Financial Officer commentary

## JANUARY – DECEMBER 2024 COMPARED WITH JANUARY – DECEMBER 2023

The year offered strong competition, economic uncertainty and elevated but falling rates. Whilst deposits, sustainable lending, large corporate and government bond investments displayed a normalised or higher demand than usual, for the Bank overall it resulted in a subdued demand for investments. The second half of the year offered a better sentiment on demand, in particular for the corporate business. However, for the full year, altogether, this led to a higher than normal level of repayments margin compression across business lines and to slightly reduced lending volumes and a reduction in total income in 2024 to £942 million (down 6.4%). Total expenses increased by 6.2% to £454 million, driven by increases in employee numbers as well as annual salary increases. Profit before tax decreased by 13.4% to £498 million, supported by reductions in the provisions for loan losses of £10 million. The cost / income ratio increased by 5.7% units to 48.2% and return on equity (RoE) fell to 14%, 1.1% units lower than 2023.

The reduction in income was driven by reduced net interest margins. Margins were impacted by a competitive market, combined with Bank of England (BoE) rate cuts and a change in the business mix to lower margin offerings. Strong competition on new lending has continued through the year paired with a weaker investment demand leading to a reduction in lending volumes of £197.6 million (1%). Deposit balances have continued to grow, with total deposits up £521 million (3%). Other income lines are largely flat year on year.

Expenses increased by £27 million, driven by increases in employee costs of £33.8 million and depreciation of £3.0 million. The growth in employee costs was a combination of increased workforce to support the Bank's ongoing initiative to enable growth by modernising IT, combined with annual salary increases and to some degree termination costs. Other operating expenses reduced by £10.2 million mainly due to lower legal and professional fees, reflecting the Bank's investment in some of its risk management improvements has reached its tail. Depreciation, amortisation and impairment has started to increase mainly as a consequence of the IT investment.

The net credit gains were £10.2 million in the year which compares to a net credit loss of £3.8 million in 2023. The decrease in Stage 1 and 2 was partially offset by a slight increase in Stage 3 in 2024. The key drivers for the decrease in Stage 1 and 2 were release of two post model adjustments in the year after new enhanced models were in use, and an improved macro-economic environment. The expected credit loss provisions remain low reflecting the Bank's portfolio quality.

## 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 £485 million for the year. The recommended dividend reduces the CET1 from 22.2% (pre-dividend) to 18.0% (2023 20.0%). The Bank reports a Liquidity Coverage Ratio (LCR) of 180% (2023 147%). The LCR has increased due to an increase in the average duration of term funding and growth in customer deposits. As at 31 December 2024, the NSFR was 136%. The NSFR has remained relatively stable over the previous 12 months.

## BUSINESS DEVELOPMENT AND OUTLOOK

Overall, the UK experienced an improvement in business development during the year in 2024, driven by stronger performance from corporate business which represents the majority of the Bank's business volumes. The corporate banking business experienced growth in deposits and lending from new and existing customers. Lending growth was stronger in the second half of the year, with the change in Bank of England base rate encouraging customers to borrow again. The level of repayments remained elevated but continued to slow down also reflecting the change in the interest rate environment. 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 costs in a higher rate environment.

On average, deposits grew by 1% in 2024 with total average volumes reaching £20.6 billion. Corporate banking average deposit volumes increased by 2%, outperforming the general market trend. However personal banking average deposit volumes declined by 3%. Whilst average balances declined for personal banking, at the end of 2024 personal banking deposit balances had recovered to £5.7bn, up 6% on prior year.

New lending to personal banking customers improved from 2023 levels, however remained below pre-pandemic years. Competition remained fierce for lending to personal banking customers and repayment levels remained high, resulting in personal banking lending average volumes falling by 7%.

Assets Under Management & Administration (AUMA) in Handelsbanken Wealth & Asset Management Limited, reached £4,536 million, up 6% compared to last year (2023: £4,263 million). The increase was due to positive market movements. Handelsbanken Wealth & Asset Management Limited continues to strengthen the quality of engagement and collaboration with the Bank's branches.

The outlook for the UK in 2025 remains uncertain. There are downside risks to growth prospects due to global uncertainties arising from prospective policy changes in the US and the decline in UK business sentiment following the October Budget. An increase in government borrowing costs means that the UK's fiscal targets are at risk and further fiscal consolidation measures may be considered. Inflation persistence above the Bank of England's target is expected to continue through 2025 as services inflation is projected to remain elevated, wholesale energy costs are expected to rise, and it is likely many retailers will pass on to consumers costs associated with increased employer's National Insurance. This environment continues to suggest that, while interest rates will likely continue to fall, the base rate cutting cycle will only proceed at a cautious pace with the prospects for consumer and business sentiment remaining subdued.

The Bank's business model remains unchanged from 2023, 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 and transition to net zero emissions.**
Implementation of the first full year of Handelsbanken's Net Zero Transition Plan was a substantial focus across various affected functions and our branch network.

A steering committee, chaired by the Head of Sustainability and comprising several Executive Committee members, ensured progress and plans received due scrutiny and support, and that emerging issues could be escalated and addressed. During the year, the operating model for this programme was revised to reflect distributed ownership of actions, with relevant functions incorporating these into their business delivery plans and roadmaps.

Engagement with our corporate banking customers was stepped up substantially through the year as further tools, training and product features were rolled out, all reflected in steadily rising volumes of green and sustainable lending. In parallel, plans were enacted to accelerate emissions reductions in our own operations and supply chain, while the Bank's climate risk management approach was further enhanced.

| Risk tolerances | Credit and customer engagement | Risk-based pricing | Capital adequacy |
|---|---|---|---|
| Climate-related tolerances deployed covering physical and transition risks | Processes enhanced to capture better ESG data | Continues to include sustainability-related factors | Pillar 2 capital held against adverse climate scenarios for the first time |

For more information on the Bank's approach to climate change, please see the Non-Financial and Sustainability Information Statement, starting on page 16.

**Regulatory**

During 2024 the new Consumer Duty requirements came into force for closed products and were successfully implemented by the Bank (e.g. completion of fair value assessments and enhanced customer communications). Going forward, the Bank will continuously enhance and evolve its approach to Consumer Duty via further embedding of data, management information and Board reporting throughout 2025, all of which help us deliver good customer outcomes.

In response to Consumer Duty and external market and household pressures, the Bank has focused on understanding the needs of its customers, strengthening and enhancing the support it provides to those who may be at risk of experiencing financial difficulties.

Internal Ratings Based (IRB) approach: Further to the subsidiarisation in 2018, Handelsbanken plc has focused on its strategic objectives, one of which is to obtain an IRB approval from the Prudential Regulation Authority ('PRA') for calculating credit capital requirements. The Bank continues to strive for its IRB permissions and is currently engaging with the PRA to determine an appropriate date to formally submit its IRB application for the Corporate and Real Estate portfolio. This will be followed by an application for the retail portfolio in the coming years. During 2024, 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.

Future changes to our ratios may occur with the implementation of Basel 3.1. The PRA has published 'near final' Basel 3.1 rules with an implementation date of 1 January 2027. The Bank is currently working on the implementation of the new requirements and estimates the impact on capital ratios to be neutral.

**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 the set-up and operation of multi-year work streams to deliver against the target architecture. Work has now commenced on the implementation of a variety of technology solutions that will future-proof the Bank.

This technology investment will contribute to sustainable growth by building underlying technology enablers that help make business processes more efficient, increase automation, and decommission 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 (Customer Relationship Management): 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. A pilot has been running in the bank since March 2024, and full rollout is planned for Q1 2025. Users in the pilot have reported that the CRM has been helpful in their roles, particularly with respect to managing customer relationships. Following the full rollout, the Bank will continue to improve and expand on the initial CRM functionality.

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, and providing the tools colleagues need to allow them to focus on growth. During 2024, the Bank continued to deliver incremental enhancements to both online banking and mobile apps.

New Mortgage Origination platform: Throughout 2024 we have been piloting our mortgage origination platform across our Midlands district, with a full branch rollout planned for Q1 2025. The new platform delivers an improved colleague and customer experience, with time-to-offer reduced through digital signing, as well as enabling greater efficiency and reduced IT risk. The foundations we have put in place will also allow Handelsbanken to be more responsive to future customer and regulatory demands in the mortgage market.

## 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 41.

# 2.3

# 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.

Handelsbanken Group recently announced the next phase of the Bank's sustainability work. For the last five years, the Bank has used a set of goals to drive progress of its sustainability work. We are proud of how these goals have helped us strengthen our efforts, develop business products and services, build processes and working methods, and further position Handelsbanken as a responsible actor.

Although these targets achieved the desired short-term effects, to build further on this good momentum over the longer term, we now need to align our sustainability objectives more closely and explicitly with our core values and absorb our approach within the pillars of our core business model.

This unique model avoids setting central targets for different priorities - whether growing our loan book, selling our products, or reaching net zero - in favour of one long-term corporate goal, to be reached through focus on customer satisfaction and cost control. Our model also eschews central fixed planning, in favour of decentralised responsibility and delivery. By sticking to this model for well over half a century, the Bank has achieved higher customer satisfaction, lower costs and risks, and a higher return on equity every year since, with all the societal benefits that have flowed from these outcomes.

At the customer level, this next step to full integration will ensure Handelsbanken's branch teams reach for the Bank's advisory, product and service offerings more naturally within each customer meeting, and that these offerings come to match our customers' conditions and needs more closely. We view these outcomes as critical to increasing their transition activities.

Centrally, full integration will enable the Bank to manage its sustainability priorities more naturally again, since relevant topics will travel through the same well-worn channels as other, often-related business priorities. The Bank finds this deeper embedding particularly important with a view to meeting increasing regulatory requirements and managing our customers' and our growing sustainability risks.

While removing explicit sustainability goals, our climate and sustainability ambitions remain undimmed. The Bank is committed to playing its full part in the Paris Agreement's goal of limiting global warming to close to 1.5˚C, which we view as the best outcome for our customers, for the communities we serve, and therefore for us. Equally, we are committed to addressing further environmental and social challenges relevant and material to our business operations, while upholding the same high standards of financial integrity, customer consideration and responsibility to our communities that have become hallmarks of Handelsbanken's approach over many decades. In all of this, we are determined that the Bank and its stakeholders are able to accurately monitor and evaluate progress against these commitments.

A UK sustainability strategy, published in 2022, steers our objectives and resources. It builds upon the organisation's established strengths and distinctive market position, in order to maximise positive societal impact and business value from our activities.

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

We will refresh our strategy over the year ahead, to reflect evolving thinking at Plc and Group level, and to make use of internationally recognised standards for assessing the materiality of various areas of sustainability.

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.

# Environmental

Our sharpest ESG focus remains on climate action, where we look along the value chain: firstly, supporting our customers' transitions to a low carbon economy and adaptations to the physical consequences of climate change, secondly eliminating emissions from our own operations, and thirdly engaging our suppliers while ensuring their physical resilience. Our approach, progress and outlook are detailed in the Climate-related Financial Disclosures (CFD) report on pages 20-32.

During 2024, we began to identify the material impacts of our lending and investment activities on nature and biodiversity, and the risks that nature loss poses to our business, recognising the important interdependencies between nature, biodiversity and climate change. These are outlined in a Group-level Nature and Biodiversity Progress Report published in September 2024, which can be found on **handelsbanken.com**.

Finally, during the year, further consideration has been given to our disclosure requirements, through the Sustainability Reporting Working Group. This includes exploring emerging reporting structures, relationships with climate-related disclosures, while engaging with peers in sector forums. This capacity building work will continue through 2025 with a view to enhancing our nature-related analysis and reporting capacity ahead of structured local market disclosures in the coming years.

# 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 have an important role to play in promoting respect for human rights and we continue to align our approach to internationally recognised 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.

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. In 2024, further wide-ranging progress was made in this area. Our latest Modern Slavery Statement containing details, please visit; **handelsbanken.co.uk**.

To find out how we are embedding social, environmental and ethical priorities into our supplier engagement and procurement processes, see page 24 of our Climate-related Financial Disclosures.

## OUR EMPLOYEES

Each Handelsbanken 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.

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 2024, we continued to nurture and embed our distinctive management model and sought to inspire colleagues further by deepening the understanding of the breadth of our culture and values, showcasing examples of our culture in action, individual career opportunities, highlighting personal stories, and celebrating long service.

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 OPPORTUNITIES AND DIVERSITY AND 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 environment in which individual differences and the contribution of everyone is recognised and valued;
- to provide a working environment that promotes dignity and respect for all;
- not to tolerate any form of intimidation, bullying or harassment;
- to provide training, development and progression opportunities to all;
- to promote equality in the workplace as good management practice that makes sound business sense; and
- not discriminate unlawfully against clients, 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, our Employee Resource Groups have been instrumental in driving greater engagement and raising awareness of diversity and inclusion across the UK. Our Diversity and Inclusion (D&I) strategy is aligned with our culture and values. We have five Employee Resource Groups (Gender, LGBTQ+ and allies, Valuing Differences, Wellbeing and Neuro-Inclusion). 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. The D&I 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.

More broadly, we remain signed up to the 10,000 Black Interns initiative, to help address under-representation within financial services. 2024, our fourth year of participation, saw our commitment increase (from 2023) to hiring 13 Black interns for the summer of 2024.

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, 63% 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 2025. Our Board is already 44% female, and our Executive Committee is 23% female. 31% of our staff who hold leadership positions are female.

We have a gender-neutral approach to our family friendly policies, as well as providing grandparent leave, empowering employees to decide what works best for them and their family. Being a family-friendly employer means appreciating that the term 'family' can mean many different things. We want to ensure that we recognise this and that our support removes any barriers to our employees achieving a great work life blend, whilst allowing all our working parents, regardless of gender, to continue to develop and advance their career at the Bank. We also recognise the impact that being a working carer can have on our employees, so to further support those affected Carers Leave is paid.

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: **handelsbanken.com**.

## EMPLOYEE COMMUNICATION AND ENGAGEMENT

The Bank's values of mutual trust, respect and responsibility can only be brought to life through open channels of communication and collaboration. So, we continue to seek 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;
- A UKWC member also attends the Svenska Handelsbanken European Works Council (EWC) meetings, to discuss relevant cross-border matters;
- Annual work environment surveys and focus group;
- UK-wide 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.

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

- Handelsbanken's intranet is an internal platform focused on values-led communications. We drive engagement by sharing customer stories, celebrating our successes, and we keep employees informed by sharing the latest business news, financial results and training materials. In 2024, we introduced new people stories and features, to provide additional ways to embed our culture, and showcase our values of empowerment, and trust and respect for the individual; 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 an allocation 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. 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, so where 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 allocation to the profit-sharing scheme is 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.

### 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 scores of 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 2024 total charitable donations came to £73,053 (2023: £72,747) 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 2024, 340 colleagues used their 2024 CSR entitlement and spent 312 days volunteering in the community. The figures for 2023 were 237 colleagues and 201.5 days respectively. We have seen the impact grow over the year with the number of CSR days taken increasing per quarter.

### CUSTOMER OUTCOMES

According to an independent EPSI Rating Group survey of British banks' personal and business customers. In 2024, Handelsbanken plc was again rated top for customer satisfaction. The annual assessment has seen an increase in scores for the Bank compared to 2023 for both personal and corporate customers. The score for personal customers returned an index score of 84.2 (2023: 82.0), compared with a sector average of 75.0, where for corporate customers, the Bank had an index value of 81.9 (2023: 79.4), compared with a sector average of 67.1.

In February 2025, 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 16 providers of SME banking services in Great Britain, with 85% 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 the world, and the safest commercial bank 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 of 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. We continue to seek out opportunities to share our approach and learnings with other organisations and thereby create additional positive social impact from our way of working.

For example, during the year our Chief Branch Officer gave a keynote address to a conference hosted by the Institute of Chartered Accountants in England and Wales (ICAEW), highlighting our core values of long-term thinking, taking responsibility, trust, and respect for the individual – and illustrating how these drive our corporate culture and successes.

Separately our Chief Communications Officer presented the Bank's story to the Communication Directors' Forum. The presentation traced the roots of Handelsbanken's guiding values and decentralised management model in former CEO Jan Wallander's theories on human nature.

# 2.4

# 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) and transition plan reporting obligations.

## GOVERNANCE

**Policies and guidelines**
Handelsbanken Group has a number of sustainability-related policies and guidelines, which Handelsbanken plc has adopted across its UK operations. These include among the most restrictive policies towards fossil fuel financing of any European bank. To read more about these policies and guidelines, access the latest Group Annual and Sustainability Report at **handelsbanken.com.**

**Governance structure**
The diagram below sets out Handelsbanken plc's sustainability-related governance structure:

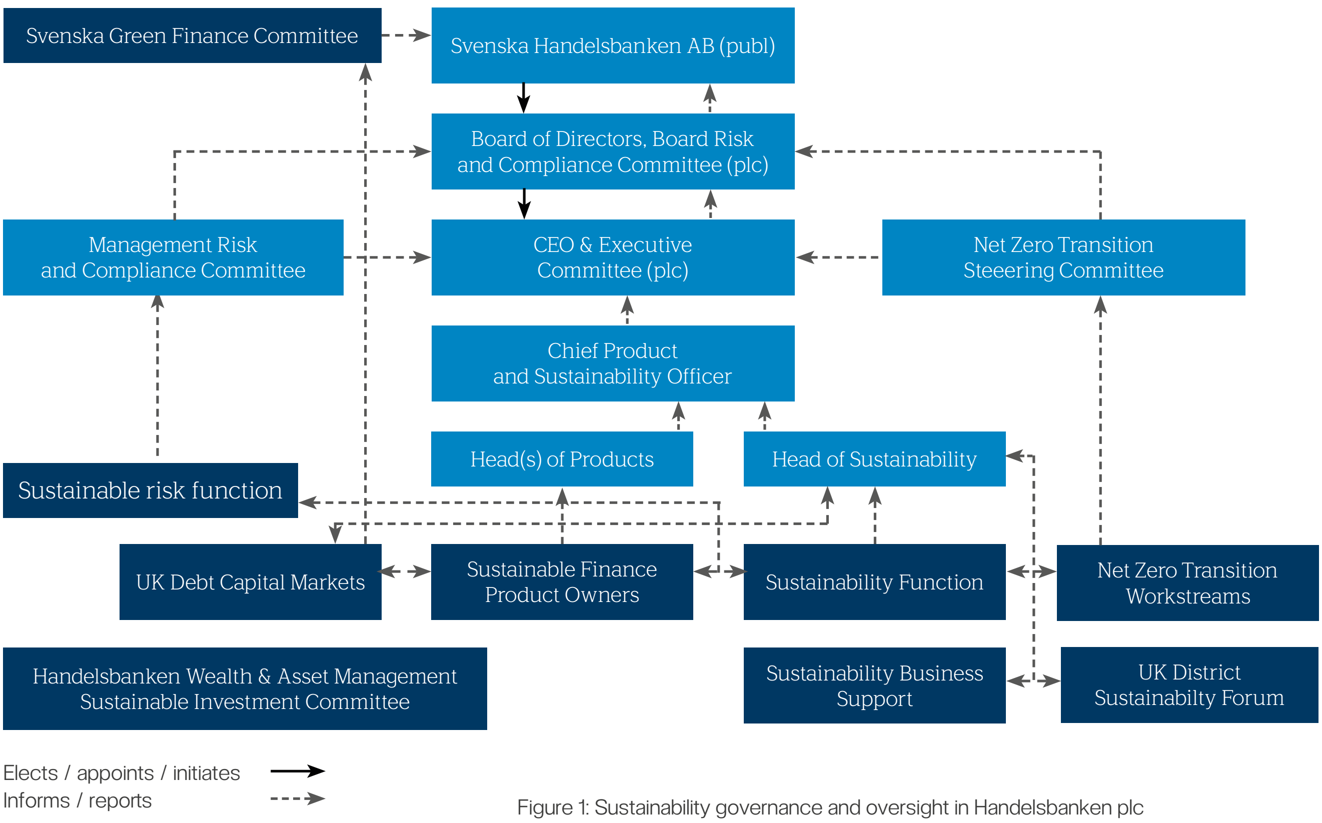



Figure 1: Sustainability governance and oversight in Handelsbanken plc

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 risks, opportunities and objectives. The Board Risk and Compliance Committee (BRCC) oversees the risks. Opportunities and objectives are informed by the Head of Sustainability, in consultation with the CEO and his relevant committees. The Board considers climate-related issues in all aspects of management and oversight.

The Board monitors and oversees progress against the Bank's objectives through involvement with 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 regular oversight of climate risk management to the BRCC which meets at least 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.

As strategic and subject matter lead, the Head of Sustainability updates the Executive Committee periodically on progress, priorities and market developments including regulations, taking input from the committee on alignment with wider business strategy and prioritisation. With a place on the Executive Committee, the Chief Product and Sustainability Officer (CPSO) ensures formal ongoing representation within leadership discussions.

During 2024, a Sustainable Business Support unit was created within the UK branch operations; this has facilitated the embedding of sustainability focus and responsibilities across the branch network. The head of this unit chairs a UK District Sustainability Forum, tasked with coordinating representation, communication and implementation throughout the branch network.

Our product owners develop their sustainable finance offerings in partnership with the sustainability function, the latter ensuring alignment to the Bank's local sustainable lending frameworks and UK market good practice. New product offerings are reviewed and formally approved by the Green Finance Committee (GFC) at Handelsbanken Group level, following review and endorsement by the UK Sustainability function. New material borrowing counterparties for Debt Capital Markets and our local branches are also submitted under the same endorsement and approval process, with the GFC retaining the power of 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.

Handelsbanken plc's Net Zero Transition Plan is owned by the Bank's sustainability function on behalf of the Executive Committee and Board. It comprises activities required to deliver on 59 Board-approved commitments covering the period 2024-26 Activities within the plan are owned by specific relevant functions and largely delivered within three workstreams, covering lending, investments and the Bank's own operations. Data and management information requirements linked to these wide-ranging activities, and to the Bank's market disclosure and regulatory reporting requirements, are progressed in parallel under a specially resourced project.

The Head of Sustainability chairs a Net Zero Transition Steering Committee made up of several Executive Committee members; the committee meets bi-monthly to review progress and delivery risks, and to consider issues where executive decision, challenge or endorsement is required to progress commitments.

In other respects, Handelsbanken's work on climate-related issues adheres to the Bank's decentralised structure. This means that, as well as incorporating relevant activities from the Net Zero Transition Plan into their own delivery plans and roadmaps, each unit has the responsibility to identify climate-related risks in respect of their function and integrate monitoring and controls into their daily operations. This operational integration has been supported by additional sustainability-related resourcing within several core functions, including Risk, Finance, Strategy, Products, Investments, Supplier Management, Facilities and Branch Business Support.

Employees are actively encouraged to monitor and raise climate-related issues. The Bank's risk management framework was further strengthened in 2024, through collaboration between Risk Control, Sustainability, Operational Risk and frontline functions. Branch MI continues to be developed, to support local decentralised decision-making to improve the quality and frequency of climate-related issue monitoring and engagement with customers.

**Training**
To support effective governance and collaboration, in 2024 further mandatory climate and sustainability training was rolled out to all employees including management, with a 99.97% completion rate. Specific additional learning pathways were assigned for colleagues in branches and for those in head office functions. Sustainability covers subjects ranging from climate change, nature loss and pollution, to human capital and economic resilience. Each must be considered through a number of lenses, from customer financing and investment to our direct and supply chain impacts, as well as emerging risk and regulatory requirements. This is why we decided in 2024 to initiate 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 drive long-term impact and help embed increasingly supportive thinking and behaviours into the Bank's operations and culture.

## STRATEGY

**Risks and Opportunities**
Handelsbanken's latest Climate Change Progress Report was published during 2024, with input from Handelsbanken plc. It summarises the Group's climate change strategy and transition plan, in respect of business development, engagement strategy, metrics and targets, and governance. The report can be downloaded from **handelsbanken.com**.

# 2.4

In terms of horizons related to climate change, Handelsbanken Group considers 0-1 year to be the short-term, 1-5 years to be medium-term, and more than five years to be long-term. This aligns with the Bank's overall strategy planning and decision-making as well as the Handelsbanken Group view.

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.

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 liquidity planning in the ILAAP, along with business continuity planning and operational risk reviews, including adverse impacts considering transition, physical or reputational risk scenarios.

The Bank undertook its first long-term scenario analysis for climate change risks in 2021. 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 2024 the Bank performed a refresh of the analysis conducted since 2021, introducing further enhancements such as a revised, more comprehensive and granular methodology to estimate credit losses and refreshed climate stress conditions. Further improvements to the Bank's scenario analysis capabilities are expected ahead of the 2025 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 buy to let properties in lower Energy Performance Certificate (EPC) bands. Coherently, the scenario with the highest expected increase in credit provisions was the Early Action scenario, mainly driven by the early onset of climate stress conditions related to properties with poor EPC ratings. The No Additional Action scenario showed high impact on provision from flood risk and from sectors affected by climate change[1].

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) for commercial, private rental and potentially owner-occupied buildings, the phasing out of gas boilers, expansion of carbon pricing to further sectors, and the rollout of stricter market disclosure requirements (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);
- Shifting investor preferences, as demand for low-carbon assets increases, while support for properties not meeting these criteria ebbs away (investment risk);
- Higher operating costs for less sustainable buildings, due to rising energy prices and the need to invest in retrofits to meet new standards (operational risk); and
- Evolving building standards such as the Future Homes and Buildings Standards in England, and Passivhaus standards for new buildings in Scotland (technology transition risk), along with planned reforms to the Energy Performance of Buildings regime and underlying assessment methodologies. This includes consideration of the Buildings Breakthrough commitment, which the UK government formally signed up to at COP28 in 2023, to make near-zero emissions and resilient buildings the new normal by 2030.

Issues impacting customer-related balances are not considered financially material for 2024 due to the 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, through ever more assets becoming uninsurable due to rising physical risks, 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 Bank has also been strengthening its processes to capture climate opportunities and leverage the most material ones to shape strategy and product development. The processes used to determine climate-related risks and opportunities include escalation of ideas through the relevant Net Zero Transition Programme workstreams, most notably the lending workstream. 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 quarterly basis, which is used to help inform Working Group discussions. The Sustainability team also provides a monthly briefing to senior management and other interested parties across the organisation, which at times is used to escalate emergent climate-related risks or opportunities.

**Business Strategy and Financial Planning**
From a business perspective, our principal focus has been on using our lending products and related customer engagement to incentivise and support climate change mitigation and adaptation measures. Given the predominance of corporate real estate in the Bank's loan book, we have built out from this base, launching a number of financing options with the goal of helping customers transition to a low-carbon economy, and adapt their properties in preparation for more frequent, severe weather events.

We have continued to pursue a strategy of integrating sustainability features into our core lending products, rather than creating a standalone range of 'green' products. This approach maximises our relationship managers' engagement with sustainable financing options when advising their customers, while ensuring eligible borrowers benefit from all of our standard product features alongside the relevant sustainability benefits.

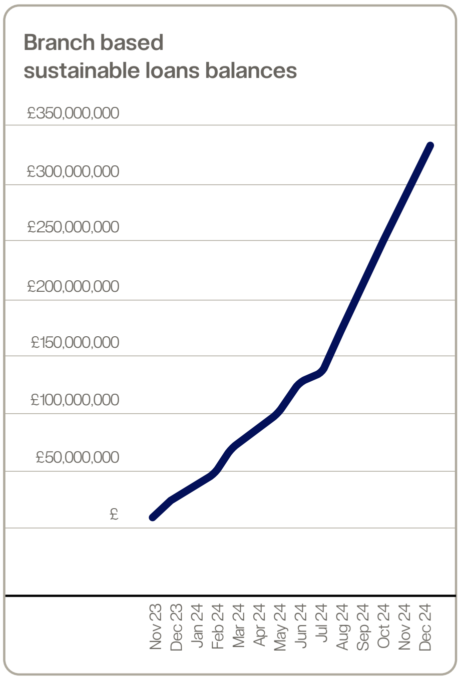
Offered by our Debt Capital Markets (DCM) team, the Bank's sustainable financing range for large corporate counterparties comprises Sustainability-Linked Loans (SLL),

**1. Sectors identified by the Bank as climate change sensitive are listed in Table 1: Percentage of Lending by Sector.**

green loans – including loans related to water and maritime life – and social loans. Product terms are designed to align with the LMA sustainable finance principles and regularly reviewed to ensure adherence to best practice and regulatory expectations. Through 2024, DCM Sustainable Financing commitments increased by 67%, from £693 million to £1.159 billion.

Beyond these largest counterparties, any corporate customer looking to finance one or more 'green' property assets, as defined by our sustainable lending framework, can benefit from a simple discount to the interest rate on their loan. Since the launch of this feature in Q4 2023 to year end 2024, the Bank had extended close to £317 million in discounted financing for sustainable properties of this kind, with volumes rising steadily quarter on quarter.

In addition, those businesses deciding to improve the energy performance of their buildings, install low-carbon technologies or renewable energy generation have, since Q2 2024, been able to apply for additional discounted lending to partially cover these costs. The same goes for customers adapting their properties to be more climate resilient. From its launch in Q2 2024, this feature has resulted in just over £16 million of additional financing for climate mitigation and adaptation measures.




Branch-based sustainable finance volume growth chart

Our 2025 roadmap for corporate customers includes further improvements to our sustainable financing products, to make them simpler for our customers and branch colleagues to work with, and more responsive to ongoing changes in the customer's portfolio. Beyond this, development continues of SLL options for our typical SME customer, whether a property investor or trading business. This, coupled with enhanced advisory capacity, will enable our customers to align discounted borrowing to the achievement of pre-agreed sustainability objectives including emissions reductions, in a similar but simplified approach to that deployed over several years by our DCM team with large corporate clients.

Work also continues towards a real estate loan product which incentivises long-term, portfolio-wide 'greening' of a customer's assets, based on internal carbon pricing linked to energy performance bands. In addition, we intend to roll out an enhanced sustainable finance offering for housing association clients, building on our adoption in 2024 of the Sustainable Reporting Standard for Social Housing.

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. We already have proven advisory strength in the large corporate sector, with our DCM team appointed lead sustainability advisor on several further SLL transactions last year. In parallel, the Bank provided technical sustainability guidance across the nationwide branch network in everything from bilateral meetings to regional seminars for customers and professional services contacts. Having piloted a Sustainability Advisory Service with a broad range of real estate customers and trading businesses, we are in the final stages of developing this into a formal part of our customer offering.

To facilitate that this corporate banking engagement leads to firm customer action, the Bank has progressed plans to deliver digital property retrofit planning tools alongside access to technical expertise from trusted partners, with a view to introducing these transition supportive services in the year ahead.

Handelsbanken will launch its first sustainable financing product feature for private banking customers early in 2025. This Sustainable Home Reward will, as the name suggests, reward homeowners for borrowing against an EPC A or B property. The feature is built into the Bank's standard regulated mortgage contract, rather than being a standalone product, meaning any of our home loan borrowers can become eligible for the discount once they have upgraded their home's energy performance to the required standard. We plan to launch this feature alongside a digital tool to help homeowners assess how best to improve their property for energy performance.

Since 2022, we have offered customers discounted financing for the purchase of electric cars and small vans. By the end of 2024, fully electric cars had risen to represent 28% of cars financed by the Bank, up from 19% a year before, with EV financing volumes increasing 44% year on year.

Handelsbanken Wealth & Asset Management Limited offers four multi-asset responsible funds that pursue investment in companies, sectors and countries that demonstrate a positive influence on environmental and/or society. UK investment products that have sustainability characteristics can choose to use a sustainable investment label as defined by the Financial Conduct Authority (FCA), if the product meets certain criteria. Sustainable investment labels help investors identify products that have a specific sustainability goal. The Responsible Funds do not have a UK sustainable investment label. This is because we do not invest the Responsible Funds' assets in accordance with a specific sustainability objective, which is a requirement for products where the manager has chosen to use a sustainable investment label.

Through 2025, we will continue to actively market these funds to our customers, as an opportunity to align their long-term investments with their values in respect of climate change and broader sustainability. Through work in 2024 to obtain more granular data on the underlying investments that make up our multi-asset fund portfolios.

Handelsbanken plc has not been active in acquisitions, divestments or the issuance of bonds or guarantees for capital raising purposes, 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 consistently had amongst the lowest loan losses in the banking sector. 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.

**Managing our operational climate impacts**
Reducing our own operational carbon footprint is a priority. Although limiting our negative climate impact is our principal motivation, improving energy efficiency offers long-term cost savings for the Bank. Making visible progress in our own transition also builds credibility to engage and advise our customers on their own transitions.

During 2024, we have continued to undertake various initiatives, including:

- Concluding a new, long-term energy strategy, underpinned by a Corporate Power Purchase Agreement. This contract, effective from October 2025, moves us away from reliance on Renewable Energy Guarantee of Origin (REGO) certificates for our centrally contracted electricity supply. At the same time as securing clean electricity for our own operations, this commitment supports further build out of UK renewables capacity.
- Implementing a Branch of the Future project across our portfolio of premises. This embeds the use of sustainable products within branch fit-outs, while steering improvements to the energy performance and ratings of our branches and head offices.
- Launching a branch decarbonisation strategy. Developed in partnership with external technical consultants, based on practical achievement of the Bank's emissions reduction objectives.
- Decarbonisation audits of a sample of branches. These third party assessments focused on the powering, heating and cooling of buildings, providing ranked recommendations for emissions reduction measures, including the removal of gas. They were used to inform our decarbonisation strategy, as well as to address improvements in the branches sampled.

We have also commenced a programme of installing smart meters and internet-connected sensors across our estate, connected to central monitoring. As well as improving the quality of our energy-related data, such granular tracking enables us to analyse downstream energy demand and identify potential efficiencies, while extending the lifespan and productive capacity of existing apparatus.

With a view to our emissions from business travel and commuting, during 2025 we hope to introduce an employee salary sacrifice scheme for electric vehicles and to begin rolling out EV charging points where possible across the Bank's estate. We see that these steps, coupled with further tightening of our employee travel policy, alignment of relevant allowances, and consistent messaging, will be instrumental in driving down this substantial source of emissions.

**Working with our suppliers**
Our suppliers are an integrated part of our value chain and therefore our environmental, social and governance impacts. Thus, it is important they are aware of and aligned with our commitments, and that we collaborate effectively to achieve them.

In May 2024, we launched a four-year, rolling supply chain sustainability strategy, which aims to drive related value and manage risk through our third-party relationships. The strategy has four main objectives:

1. Protecting our planet
2. Protecting workers in our supply chains
3. Driving responsible business practices
4. Delivering social value

We make clear our expectations through our Supplier Code of Conduct (SCoC), ensuring our major suppliers comply with the environmental, as well as social and ethical business practices we require. The Code itself is also undergoing a fundamental review in collaboration with Handelsbanken Group, to ensure its close alignment and support for our climate and other priorities. We plan to engage with our suppliers on these enhanced requirements during 2025.

To improve the reliability, transparency, accessibility and comprehensiveness of our climate-related and broader supply chain data, the Bank has partnered with EcoVadis, a CSR rating agency conducting sustainability supply chain assessments based on international standards. We are currently onboarding suppliers following a risk-based approach and aim to complete this programme in 2025. In parallel, we have developed new ESG due diligence question sets for our tender process, which will be rolled into our standard procurement procedures going forward, in alignment with Handelsbanken Group.

**Strategy resilience**
The Bank considers its strategy to be resilient to climate-related risks and opportunities. We welcome the economy-wide transition underway and encourage ambitious public policy aligned to the UK's commitment to the Paris Agreement. Recognising that achievement of our own decarbonisation objectives depends substantially on such policy, we nevertheless judge the Bank well-positioned both to facilitate and 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 Energy 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. These guidelines are reviewed annually and calibrated to the Bank's evolving strategy.

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

| Factor | Description | Impact | Mitigant/Enabler |
|---|---|---|---|
| **Risk:** Physical risk events are expected to increase | The frequency and severity of severe weather events[2] , 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[3] within a 2030 horizon |
| **Risk:** The UK's transition to a net zero economy 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 by 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 |
| **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 has developed a retrofit product and is expanding its advisory service to assist its customers in the transition |
| **Opportunity:** New sectors will offer opportunities | The transition offers many businesses significant commercial opportunities | 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 product suite, building a sustainability advisory team, and has produced a 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 | With its immaterial fossil fuel exposure, 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 1: How the Bank's strategy may be impacted by climate-related risks and opportunities

The Bank's strategy is already adapting in relation to the climate-related risks and opportunities identified on the previous page. The credit process has been further refined during 2024 to consider sustainability-related aspects in greater depth and ensure these are reflected in customer credit evaluations, with branch training provided. Further sustainable lending product features were developed during 2024, and the product and service offering will be further enhanced through 2025.

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. 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.

As previously covered in the strategy section, the Bank uses a range of RCP climate scenarios and information from CBES scenarios to inform its thinking, as aligned with current market practice.

2. Handelsbanken plc only captures physical risk data for flood risk as of 2024. The Bank will look to supplement this in 2025 with risk data covering additional hazards.
3. Only flood risk impact is currently quantified by the Bank.

# 2.4

## 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, which looks at both the likelihood and potential impact of an event happening in the next 12 months.

Risk owners have been assigned to identify 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 plan.

Climate risk Early Warning Indicators (EWIs) are used within the Bank's 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 to prompt appropriate mitigation. In January 2024, the Bank introduced climate-related risk tolerances and is rolling out tools and MI to support branches in lowering their exposure to climate risks, while identifying and capturing potential climate opportunities. Risk indicators are listed in the Metrics and Targets section of the report.

In January 2025, the Bank changed its risk taxonomy, formally introducing Nature and Biodiversity risk and Social risk to sit alongside Climate Change as cross-cutting risks.

Climate Change risk is managed across the three lines of defence, in collaboration with the Handelsbanken plc and Group Sustainability functions, 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.<br>• Reporting of climate risk against risk control self-assessment. |
| **Second line risk oversight** | • Provide ongoing oversight with advisory input and challenge to ensure the Bank meets external and internal climate risk management requirements.<br>• Coordinate further embedding of climate change risk across business functions and second line risk oversight - the Climate Change Risk working group's tasks include to:<br>- 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 the yearly Dear CFO Letters on Thematic feedback from the rounds of written auditor reporting'.<br>- Further embed climate change risk into the risk management processes, improving climate change reporting and supporting improvements in climate change capabilities.<br>- Coordinate climate change scenario analysis and stress testing, including development of modelling capabilities.<br>- Produce quarterly climate risk management information.<br>• Leverage output of scenario and portfolio risk analysis as inputs to guide the Bank's strategy, product development, communication and broader sustainability strategy. |
| **Internal audit** | • Assess climate change and ESG risk as part of annual IA risk assessment process.<br>• 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 is 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. In 2024, the Bank updated its credit instructions, refreshing the guidance given to assess sustainability risk for all corporate lending customers. Communications and training sessions have been delivered to branches to support their understanding and assessment. In parallel, a digital interface has been rolled out across the corporate property lending and trading business portfolios, to support account managers in embedding climate and sustainability considerations within their customer engagement, making well-rounded credit assessments, and capturing additional climate-related data for revisiting and onward analysis. Additionally, branch-level climate MI will shortly be rolled out across the network, again to support customer engagement, while highlighting specific sources of climate risk and opportunity.

### 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 their effective management within risk tolerance. Climate change risk is classed as a crosscutting risk in the Bank's taxonomy, given that it can run across a spectrum of risk categories. For example, the Bank's climate-related operational risks include business continuity, third party management, inadequate MI on in-scope emissions, and damage to our 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.

Additionally, over the past years, the Bank has evaluated scenarios of median and 'once in a career' severity related to sustainability-related risk events. Examples of scenarios reviewed include mis-selling of sustainability-related products and discounts, failure to meet publicly stated sustainability objectives, and potential greenwashing.

Handelsbanken plc's test scenarios will cover disruptions to key people, facilities, systems, data, suppliers and FMIs. The implementation of policy statements strengthens 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. Additionally, the Bank runs a yearly operational risk scenario analysis exercise including adverse weather events such as extreme heat and flooding. This considers direct and indirect impacts, both financial and non-financial.

In 2024, Handelsbanken plc began to operationalise its supply chain sustainability strategy, as summarised in the Strategy section on page 24.

**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
- Lack of sufficient green bonds issued by Group to fund green lending products to customers in the UK
- Policy changes relating to minimum energy performance standards, resulting in costs to customers and a reduction in customer deposits.

The risks are monitored on an ongoing basis via the previously mentioned annual risk assessment, 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

Handelsbanken Group has decided to remove the corporate sustainability targets that were adopted in 2021 and previously governed the Bank's sustainability activities. Over this time, the targets played an important role in directing and mobilising organisational efforts. However, the Bank has concluded that, in order to build further on this momentum and accelerate real world mitigation and adaptation, our climate objectives must be fully embedded into the Bank's core business model and ways of working. Progress against these strategically important objectives will continue to be regularly assessed and steered through the Bank's relevant committees.

Since 1970, Handelsbanken has not operated with central targets other than a single, enterprise-wide goal: to achieve a higher return on equity than comparable peers in our home markets. This goal is to be attained through superior customer satisfaction, cost control and low risks. We view the active pursuit of our climate and other material responsibilities as essential to achieving all three of these outcomes. And while continuing with central targets would mean working counter to our deeply embedded and strongly decentralised operating model, we remain committed to maintaining our ambition and to stepping up action across our organisation.

This means that the Bank will continue to play a full part in helping the UK achieve its commitments to the Paris Agreement's goal of limiting global warming to close to 1.5°C, in line with prevailing scientific knowledge. To achieve this, we will pursue a pace of decarbonisation commensurate with our particular business and operational footprint. And we will continue to ensure transparency through measuring and reporting our own climate impacts and those of our customers and supply chain.

For more about this next phase in the Group's sustainability approach, and for a closing report on progress against these previous goals, access the Annual and Sustainability Report 2024 at www.handelsbanken.com

**Moving forward**
While we will transition away from our previous group sustainability goals, we remain committed to our climate efforts and will continue to work towards focused Group targets regarding the climate impact of our own operations. These are as follows:
- Halve the Bank's absolute scopes 1 and 2 operational emissions by 2030
- Purchase of 100% renewable energy through to 2030
- Reduction of head office energy consumption by an annual average of at least 2.5% per square meter, from 2023 to 2030

Handelsbanken Group's home markets are free to introduce further targets in support of the Bank's climate ambitions, and options will be considered and decided upon by Handelsbanken plc during 2025.

**Emissions data**
Accurate and complete emissions data and resulting MI, particularly for our Scope 3 emissions, is important so that we can judge the impact and adequacy of our emissions reduction initiatives, make further targeted interventions, and provide reliable disclosure of the Bank's progress.

Climate-based calculations are made according to the GHG Protocol. Emissions are included from sources that are owned or 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, since UK emissions data had historically been calculated by Handelsbanken Group in Stockholm as part of consolidated emissions reporting. Group's methodology had been based on Nordic energy use assumptions, where gas is barely used. However, an 18-month UK programme of obtaining better local energy use data across our supplier base has enabled us to separate emissions across Scopes 1 and 2 for 2024, better reflecting actual usage.
- 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.
- Scope 3 covers indirect emissions outside our organisation. For this, the information is received directly from our stationery and IT equipment suppliers, our travel agency and transporters. In 2024, preparatory work began for collecting, analysing and disclosing a broader range of relevant Scope 3 emissions, with the aim of covering all purchased goods and services.

We measure our emissions in metric tonnes of carbon dioxide equivalent ($tCO_2e$), a standard unit for measuring greenhouse gases. As well as carbon dioxide, it covers other greenhouse gases such as methane ($CH_4$) and nitrous oxide ($N_2O$). Certain emissions are not at this time included in the calculations, such as emissions from coolants, commuting, and from the Bank's investments. The methodology used for calculating emissions is explained in Handelsbanken Group's annual CDP report on the CDP website: www.cdp.net.

In 2024, we saw a modest year-on-year decrease in our overall emissions. Our overall 2024 emissions were 2,011 $tCO_2e$, while our chosen intensity ratio of emissions per full time employee was 0.65 $tCO_2e$, compared to 2023's 0.70 $tCO_2e$.

Energy consumption was broadly flat with the previous year, as were electricity usage and, consequently, the Bank's Scope 2 emissions,

# 2.4

after the previous year's 11% reduction. The previously mentioned Corporate Power Purchase Agreement should see further falls when it takes effect in Q4 of 2025, coupled with an enhanced focus on energy monitoring and efficiency measures.

Paper usage decreased by a further 24% following a number of digital improvements to our customer processes; usage has fallen 57% against our 2021 baseline.

We are particularly pleased to record a 16% decrease in business travel emissions following sustained increases after the COVID-19 lockdowns. The lion's share of reductions can be attributed to a reduction in air travel, reflecting the Bank's policy of replacing flights with digital meetings or, where feasible, cleaner modes of transport.

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.

We are committed to timely and transparent reporting. However, ongoing data availability and quality challenges, as well as the evolution of our processes and industry standards, may result in re-assessing our approach to sustainability disclosures. We will continue our work on enhancing our measurement capabilities and, over time, we expect climate data granularity to improve. To manage the impact of these changes, we have adopted a principles-based approach to guide whether prior metrics and baselines should be restated or re-baselined where impacted.

| Activity | Source emission factors |
|---|---|
| Electricity consumption | The 2024 UK Government Greenhouse Gas Conversion factors for Company Reporting |
| Heating & cooling | The 2024 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 2024 UK Government Greenhouse Gas Conversion factors for Company Reporting |

Our emissions and energy usage data is as follows:

| General information | Unit | 2024 | 2023 | 2021 baseline* |
|---|---|---|---|---|
| Number of premises reporting [1] | Number | 161 | 165 | 196 |
| Total office space reported | $M^2$ | 39,831 | 42,778 | 50,261 |
| Number of employees covered by environmental data [2] | Number | 3,087 | 2,923 | 2,667 |

| GHG emissions ($tCO_2e$) | Unit | 2024 | 2023 | 2021 baseline* |
|---|---|---|---|---|
| Scope 1 emissions [3] | Tonnes | 0 | 0 | 152 |
| Scope 2 emissions [4] | Tonnes | 999 | 992 | 1,148 |
| Scope 2 emissions without Green Obligations electricity | Tonnes | 1,509 | 1,489 | 1,948 |
| Scope 3 emissions [5] | Tonnes | 1,012 | 1,040 | 617 |
| Total emissions | Tonnes | 2,011 | 2,032 | 1,917 |
| Total emissions per employee | Tonnes/employee | 0.65 | 0.70 | 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 premises including branches, meeting space and Head Offices.
2. Number of employees according to the definition in the Annual Report average number of full-time employees.
3. Scope 1 – Direct emissions from stationary combustion of diesel, city gas, biogas and Eo1 fuel oil. Scope 1 is 0 in 2023 and 2024 due to our purchasing of Biogas which is outside the scope of GHG Protocol. See Footnote 7 for more information.
4. Scope 2 – Indirect emissions from purchased electricity, heating and cooling.
5. Scope 3 – Other indirect emissions from business travel, transportation, paper use, water consumption, upstream emissions from electricity use, and purchased IT equipment. Category 15 financed emissions are not included in the table. See section below for separate disclosure relating to financed emissions.

| Emissions of greenhouse gases by source (tCO2e) | Unit | 2024 | 2023 | 2021 baseline* |
|---|---|---|---|---|
| Emission from energy use (in buildings) | Tonnes | 1,145 | 1,112 | 1,367 |
| Emissions from Business travel | Tonnes | 562 | 670 | 105 |
| Emissions from IT Equipment [5] | Tonnes | 213 | 171 | 308 |
| Emissions from other sources | Tonnes | 91 | 79 | 138 |

| Energy usage | Unit | 2024 | 2023 | 2021 baseline* |
|---|---|---|---|---|
| Total energy consumption (in buildings) | MWh | 8,338 | 8,356 | 11,233 |
| Electricity consumption | MWh | 2,461 | 2,403 | 3,778 |
| Change in electricity consumption from preceding year | % | 2.40% | -11% | N/A |
| Proportion renewable electricity [6] | % | 100% | 100% | 100% |
| Total electricity consumption per employee | MWh/employee | 0.80 | 0.82 | 1.42 |
| Use of heating and cooling | MWh | 5,877 | 5,953 | 7,455 |
| Emission from Biogas [7] | Tonnes | 63 | 54 | N/A |

| Business travel | Unit | 2024 | 2023 | 2021 baseline* |
|---|---|---|---|---|
| Total business travel | Km | 3,836,489 | 4,569,091 | 814,340 |
| Business travel per employee | Km/employee | 1,243 | 1,563 | 305 |
| Travel by air | Km | 698,251 | 986,066 | 24,945 |
| Travel by car | Km | 1,573,982 | 1,657,105 | 542,986 |
| Travel by train | Km | 1,564,256 | 1,925,920 | 246,409 |

| Resource efficiency | Unit | 2024 | 2023 | 2021 baseline* |
|---|---|---|---|---|
| Paper usage | Tonnes | 53 | 70 | 122 |
| Paper usage per employee | Kg/employee | 17 | 24 | 46 |
| Water consumption [8] | M3 | 20,563 | 20,038 | 13,537 |

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

5. Scope 3 – Other indirect emissions from business travel, transportation, paper use, water consumption, upstream emissions from electricity use, and purchased IT equipment. Category 15 financed emissions are not included in the table. See section below for separate disclosure relating to financed 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 our baseline year and 2023 onwards 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. Estimates apply water usage per M2 in Handelsbanken's Swedish branch offices to data on total UK office space.

# 2.4

**Transition-related metrics**
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 against our chosen intensity metric of kg CO2e per m2 of financed property is below.

| Scope 3 Category 15 (Financed Emissions) Category | Metric Type | Q4 2024 | Q4 2023 | 2021 (baseline) | Change |
|---|---|---|---|---|---|
| Commercial Real Estate (kg CO2e/m2) | Intensity | 39.40 | 40.06 | 40.05 | 1.65% decrease |
| Residential Real Estate (kg CO2e/m2) | Intensity | 35.33 | 35.96 | 35.94 | 1.75% decrease |

Scope 3 emissions calculated using PCAF methodology.

The Bank's financed real estate emissions intensity has yet to decrease at a satisfactory rate, for a number of reasons. Primarily, the product deployment strategy has led with converting existing eligible assets to discounted green finance, in order to build branch teams' confidence and engagement with sustainable finance, and to 'break the ice' on climate change risks and opportunities, ahead of more challenging, transition-focused discussions. Secondarily, these initial products were deemed quicker to roll out, while the broader proposition and governance required to deploy transition finance products were worked on in parallel. 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;
- 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; and
- Gaps in coverage of EPCs and other property data required for accurate financed emissions readings, which the Bank is currently working at pace to address.

As new digital tools, advisory support and partnerships are delivered from 2025, alongside further transition lending products and improved data on our customer assets, we would expect to see financed emissions start to fall more substantially.

## 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 2024 for our real estate collateral is shown below, compared to the UK market as of October 2024. 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.

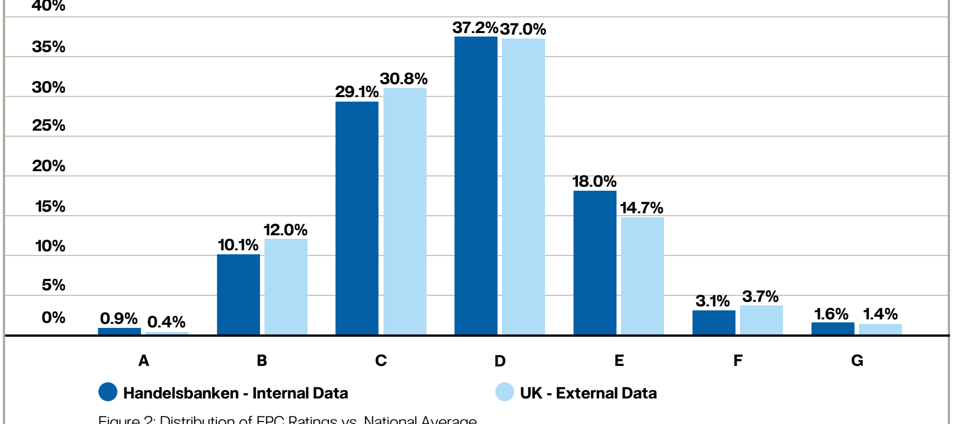


Figure 2: Distribution of EPC Ratings vs. National Average

## Risk Metrics
cont.

**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 2024 '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 2024, 9.7% of the collateral is in areas that have high or very high flood risk (2023: 9.5%)[4]. 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.

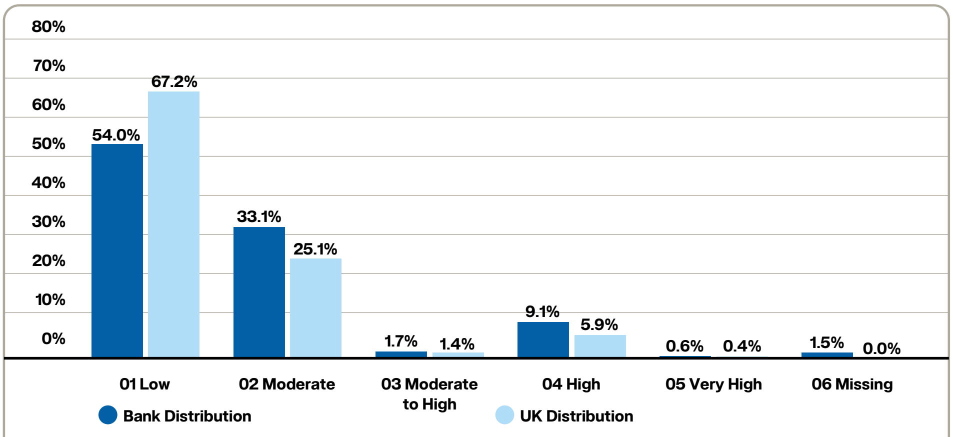


Figure 3: Distribution of Collateral by Flood Risk Rating

**Branch Metrics**
Quarterly MI is being 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 for providing sustainable finance.

**Operational Metrics (presentation via branch MI)**
During 2024, we undertook a full review of our operational emissions by GHG Protocol category, to identify gaps and inadequacies in our data sourcing and methodologies for calculating emissions. This work will underpin work in 2025 to build out relevant metrics, data and MI, as part of the Bank's broader data improvement programme. We intend to collect new data from, among other initiatives, the rollout of smart meters and real-time sensors across the Bank's estate.

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.

4. The Bank receives two distinct 'floodability' values from JBA: defended and undefended. The undefended value does not account for the impact and reliability of installed flood defences, whereas the defended value does. In previous iterations of the Bank's annual report, the undefended flood risk value was utilised. However, the current report references the defended flood risk value

- **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 set an ambition to increase client investment into its 'Responsible Funds' range as a percentage of overall AUM, on an ongoing basis. However, during 2024, this percentage fell from 11.6% to 9.1%.

**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 Sensitive Sectors**

| Sector | Q4 2023 | Q4 2024 | YoY Change |
|---|---|---|---|
| Agriculture & Fishing | 1.03% | 0.99% | -4% |
| Business Services related to accommodation and food (i.e. tourism) and human health | 7.24% | 6.71% | -7% |
| Construction | 7.47% | 7.14% | -4% |
| Electricity (production, trade, supply) | 0.03% | 0.02% | -33% |
| Finance Industry | 4.68% | 6.71% | 43% |
| Manufacturing various (e.g. food, textiles, apparel, leather, wood and paper products, chemicals) | 2.42% | 2.88% | 19% |
| Public administration | 0.06% | 0.07% | 17% |
| Real Estate | 71.39% | 69.91% | -2% |
| Transport, Utilities & Storage | 1.02% | 1.10% | 8% |
| Water collection or transport | 0.61% | 0.59% | -3% |
| Fossil Fuel - Indirect (i.e. Support Activities, Distribution, Trade, Sale) | 0.11% | 0.10% | -9% |

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 2024".

### BOARD AND ACTIVITY

The Bank is committed to meeting the highest standards of corporate governance that are underpinned by a robust governance framework. This includes a comprehensive range of policies and procedures that enable the Board to make informed decisions to deliver sustainable growth on behalf of our key stakeholders.

This report outlines the key activities and deliberations of the Board and its committees, demonstrating both the interconnectedness of decision-making across the Bank and adherence to the standards, processes and culture that are set. The Board also remains closely engaged with embedding the FCA's Consumer Duty requirements across the organisation. These requirements share the same ethos as the Bank's customer-centric outlook that is synonymous with good customer outcomes. There were eight 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 IT modernisation, interest rate risk, wealth management proposition and integration with the branch network. There were also presentations on macroeconomic developments, cyber, financial crime prevention, the broker model, Consumer Duty implementation, sustainability and climate and regulatory change.

The Board also visited a branch and visited the office in Manchester. In 2025, it is intended that board members visit at least two different business locations and visit Stockholm to hold meetings with senior management at Group.

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 that have helped increase efficiency and clarity of responsibility. This has included regular updates on investments, change programmes and deliverables, all the while monitoring and 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: Following deliberation in 2023 to ensure that the Bank has the right balance of skills both now and in the future, the Board appointed Mikael Ericson as an independent non-executive director;
- Governance and risk management: 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 maintained oversight of 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 and decreasing 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 forthcoming regulatory change, how customers could be supported, new product lines and how the Bank could strengthen its Environmental, Social and Governance offerings.

## 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.

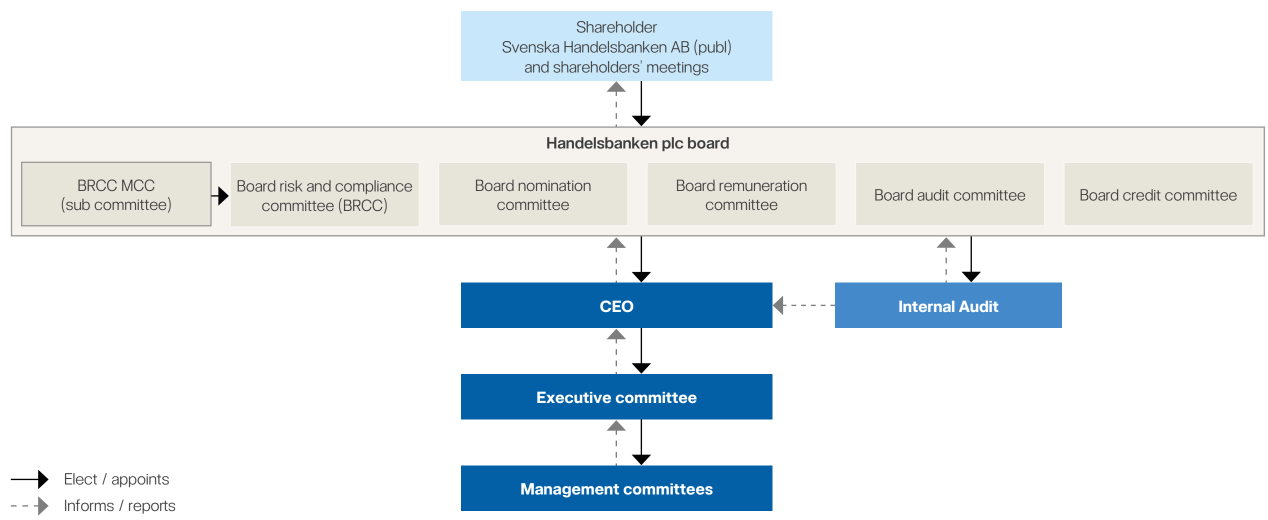
The matters reserved for the Board and terms of reference are reviewed annually to ensure they operate effectively. Independent non-executive directors are represented on all Board committees, to allow for independent challenge.

A report from the main Board committees, which sets out their approach and considerations can be found in the Committee Report section starting on page 48.

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 2024:

The below illustrates the committee structure in Handelsbanken plc as at 31 December 2024:




## 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 2024. 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 2024 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 2024 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 2024. 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 2024**

| Board Member | Board Meeting | Remuneration Committee | Audit Committee | Risk and Compliance Committee | Nomination Committee | Credit Committee |
|---|---|---|---|---|---|---|
| Mikael Hallåker (Chair) | 8/8 | 6/6 | | | | 12/13 |
| John Ellacott | 8/8 | 6/6 | 5/5 | 8/8 | | 12/13 |
| Maureen Laurie | 8/8 | 6/6 | | 8/8 | 3/3 | |
| Agneta Lilja | 8/8 | | | 8/8 | 3/3 | |
| Mikael Sørensen | 8/8 | | | | | 13/13 |
| Martin Björnberg | 8/8 | | | | | |
| Mikael Ericson (appointed on 1 June) | 5/5 | | 3/3 | 3/3 | | |
| Margaret Willis | 7/8 | 6/6 | 5/5 | 7/8 | | |
| Patricia Jackson | 8/8 | | 5/5 | 8/8 | 3/3 | 9/13 |
| Arja Taaveniku (resigned on 30 June) | 4/4 | | | 6/6 | | 6/6 |

1. The Board met on two separate occasions in the year to consider one-off items where a Board approval was required. It also held a Strategy Day which all members attended.
2. The Board welcomes directors to attend committee meetings where they are not members.
3. The Board Nomination Committee met on two separate occasions in the year to consider one-off items, one 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 and two independent non-executive directors (including the Chair):

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 audits 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 48.

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.

# 2.6

# 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."

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 40 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 41.

Highlights of the work completed by the Board during 2024 are in the Corporate Governance report on page 33.

### 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 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 five independent non-executive directors, two 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.

**Mikael Hallåker**
**Chairman**

**Board committee memberships**
Board Remuneration Committee
Board Risk and Compliance - Material Change Committee
Credit Committee

Mikael Hallåker has worked for the parent company Svenska Handelsbanken since 2001 and is currently the Chairman of the Board for the Handelsbanken Group subsidiary: 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.

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

**Board committee memberships**
Board Remuneration Committee (Chair)
Board Nomination Committee
Board Risk and Compliance Committee
Board Risk and Compliance - Material Change 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.

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

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

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.

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

**Board committee memberships**
Board Nomination Committee (Chair)
Board Risk and Compliance Committee
Board Risk and Compliance - Material Change Committee (Chair)

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.

**Mikael Sørensen**
**Chief Executive Officer**

**Board committee memberships**
Credit Committee

Mikael Sorensen was appointed CEO of Handelsbanken UK in September 2016. Before joining the UK, 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.

**Martin Björnberg**
**Chief Financial Officer**

**Board committee memberships**
None

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 banks' unit in Stockholm.

Martin has held his current position of Chief Financial Officer for Handelsbanken's UK operation since April 2017, with a short break in-between and he is also a director of a Handelsbanken Group entity, Stadshypotek AB. Martin sits on the Board of the Swedish Chamber of Commerce, a not for profit organisation aimed at supporting entrepreneurs and businesses within the Swedish-British business community.

**Margaret Willis**
**Independent Non-Executive Director**

**Board committee memberships**
Board Remuneration Committee
Board Risk and Compliance Committee
Board Audit Committee

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.

**Patricia Jackson**
**Independent Non-Executive Director**

**Board committee memberships**
Board Risk and Compliance Committee, Chair
Board Risk and Compliance - Material Change Committee
Board Audit Committee
Board Nomination Committee
Credit Committee

Patricia has over 30 years of experience in leadership positions in the City. She joined EY as a partner in 2004 to build the banking risk practice, supporting banks and other institutions in the development of their risk practices, capability and processes. Between 2013 and 2017 she led the EMEIA Risk Governance practice.

Patricia has strong official sector background as a Senior Official at the Bank of England and was Head of the Financial Industry and Regulation Division at the BoE between 1994 and 2004.

Patricia started her career as a non-executive director in 2008 and was a member of the Lloyd's Franchise Board from 2017 to 2020. Until January this year, she held non-executive director positions at SMBC and SMBC NIKKO Capital Markets where she was the non-executive Chairman.

**Mikael Ericson**
**Independent Non-Executive Director (from 1 June 2024)**

**Board committee memberships**
Board Risk and Compliance Committee
Board Audit Committee

Mikael has over 35 years' experience in financial services across different organisations. He has led and advised banks through many strategic issues, having held a number of executive positions in the UK and Europe, being Head of International Banking at Danske Bank and CEO of Carnegie Investment Bank. During his time as CEO and President, Mikael also helped establish Intrum AB as the world's leading debt collection and credit management company.

Amongst other Board positions, he is Chairman of Lyvia, which is a leading European technology partner covering the full value chain from digital design and strategy to software and tech development. He is also Chairman of Protium, a green hydrogen energy services company.

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 are 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 48.

## 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."

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 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 management responsibilities map is approved annually by the Board.

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 through the UK Shareholder Committee established at Group. The aim has been 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."

### 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 58.

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 which monitor risk, the dominant one being 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 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 regulatorily 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 of 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."

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 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 48 and the Non-Financial and Sustainability Information Statement starting on page 16.

## 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 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; and
- There have been regular updates on organisational change from the 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.

2.7

## Our customers

## Why we engage

The Bank provides its customers with tailored advice and bespoke 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, customer numbers, complaint levels 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. It is recognised that this is an area requiring improved functionality and usability; and
- The results of the Competition and Markets Authority (CMA) banking quality survey of SME customers[5], and of the EPSI Rating[6] 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.

5. Independent Service Quality Survey, Competition and Markets Authority, February 2025
6. EPSI rating, October 2024

## 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.

The Board has received updates from the External Affairs department regularly, which in turn represents Handelsbanken on UK Finance's External Affairs Committee. 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 resides with the Compliance function.

### 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;
- Regular biannual meetings with HM Treasury are facilitated by External Affairs and conducted with the CEO and Chief Financial Officer. Further ad hoc policy and political engagement continues throughout the year, particularly focused at present on forging relationships with relevant roles in the new Labour government;
- 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 2024;
- 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.

# 2.7

## 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.

The Bank takes pride in making payments promptly and as detailed on the government portal for payment practices pays 99% of invoices within 30 days[7].

7. https://check-payment-practices.service.gov.uk/

## Our communities

### Why we engage

Handelsbanken plc relies on the trust and support of our communities to prosper, to achieve local and sustainable growth mainly 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. As mentioned above, 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 2024, 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.

# 2.7

## 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 the Bank's 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. 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, 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.

# 2.8

# 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.

Maintaining a balanced Board and considering the skills and experience of individual Board members have remained in focus during 2024. 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 2025 the Board will continue its commitment to enhancing diversity by ensuring this remains a key criterion in any appointment process.

The Nomination Committee, as part of its deliberations, considers the current Board composition to help deliver an appropriate balance of independence, diversity, skills and experience. Succession is also factored in as well as the challenges and opportunities facing the Bank and the skills and expertise that may be required in the future. The appointment of Mikael Ericson followed succession planning and the desire to appoint a director with frontline banking and asset management experience.

Details of meeting attendance can be found in the Corporate Governance report on page 35, and individual members in the Wates Principle 2 section on pages 36-40.

**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. This included future changes to membership of Board Committees. An outline plan was formulated to assist any transition as some NEDs move into their final terms;
- Chair succession was monitored, with the planned change of Chair from Mikael Hallåker to Margaret Willis in Q2 2025. It is felt that this has progressed well in the year and will facilitate a smooth transition;
- The Committee reviewed the Board training plans, which this year have included a number of external presenters. It was felt that this external view supplemented that from internal presenters, so providing a broad spectrum of views;
- To support the Bank's remuneration system, the full Material Risk Taker population was reviewed. The list, which identified staff whose professional activities have a material impact on the Bank's risk profile, was assessed against qualitative criteria, in parallel with the Remuneration Committee's review against quantitative criteria;
- Outputs from the Board Effectiveness Evaluation were monitored on behalf of the Board, including the follow up of actions to ensure any recommendations were adequately implemented;
- The terms and time commitment of non-executive directors were considered so that they remained appropriate;
- There is a continued focus on the recruitment process to deliver an increase in diverse appointments. In overseeing this approach, the Committee focussed on strengthening the Bank's leadership (management and executive) so that it has the talent needed for the future. In recognition of the importance of ensuring ethnic diversity, the senior management succession plans in particular were scrutinised to ensure opportunities for colleagues from diverse backgrounds. This is seen as essential in building an inclusive culture where everyone can thrive and to reflect the diversity of the communities served;
- The Returners Programme, a programme initiative to encourage people back to the workforce after long-term breaks has continued and is an area the Committee will continue to monitor into 2025;
- 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. It considered the gender pay statement as part of this work. It was noted that whilst there was work to do on the current gender balance, the Bank's succession pipeline will progress this in the coming years. The Committee pays particular attention to staff attrition and the impact this has on gender balance overall. The gender balance at year-end split between executive committee, senior management and employees is detailed below;

| % Female | 2024 | 2023 |
|---|---|---|
| Executive Committee | 23% | 36% |
| Senior Management | 31% | 28% |
| Employees | 46% | 48% |

- The Committee supervised the update of the Board Skills Matrix to reflect market developments and areas of increasing prominence. It also monitored this for senior management so providing a view of the talent pipeline of potential leaders as well their key strengths and development areas.

## BOARD REMUNERATION COMMITTEE

**Purpose:** To make recommendations on the remuneration and other terms of employment for executive directors of the Board, for senior management function holders that form part of the Bank's Executive Committee, the Chief Executive Officer of Handelsbanken Wealth & Asset Management, the money laundering reporting officer, the Bank's Chief Compliance Officer, Chief Risk Officer and Chief Audit Officer. The Committee takes 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 Committee makes recommendations to the Board and, where required, to the shareholder.

The Committee also reviews and ratifies proposals for variable remuneration at Handelsbanken Wealth & Asset Management, before it is shared with 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.

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 35, and individual members in the Wates principle 2 section on pages 36-40.

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.

Activities and considerations during the year included:

- The Remuneration Committee routinely benchmarks pay policy and levels to relevant UK market comparators, and in 2024 considered, on two occasions, detailed reports from its advisors Mercer Kepler on financial sector practices, pay levels and trends. In particular, the Committee evaluated the Bank's fixed pay and benefits models and received updates from Human Resources on initiatives to maintain a competitive and attractive total reward package.
- Remuneration for the Bank's executive directors, (Executive Committee members who are senior management function holders, Heads of Control Functions and the CEO of Handelsbanken Wealth & Asset Management) takes into account quantitative and qualitative performance. In 2024, when deciding on awards the Committee maintained a strong focus on profitability, credit quality, net asset growth, risk management, customer satisfaction, product development, digital and technology improvements, with evaluation of leadership alongside continued observance of our regulatory commitments. Comparator data indicated a muted sentiment, and this was reflected across the Bank, including executive directors whose pay awards are broadly aligned to the levels approved for all employees. (Benefits, which are an important element of total reward, are not differentiated by seniority).
- The Committee also reviewed and ratified the awards for a number of Handelsbanken Wealth & Asset Management staff, none being classed as MRTs, who are eligible for individual performance related variable pay. This is assessed against performance in accordance with the annual business plan, and remains subject to deferral, malus and clawback conditions.
- The Bank encourages employee share ownership through awards made as part of the Group's Oktogonen plan. In the UK, 98% of eligible employees in the Bank, including those employed by Handelsbanken Wealth & Asset Management participated in the HMRC approved UK Oktogonen Share Incentive Plan in 2024. Awards, which are allocated equally to each participant (adjusted for time spent in the business and part-timers), vary according to a number of Group determined performance measures, principally Return on Equity, in comparison with peer banks. In 2024 the Committee approved and allocated £4.2million which was distributed to UK staff in respect of prior year performance, amounting to share awards of £1,500 prior to any pro-rating for each participating employee, with additional approval of awards for those designated as Material Risk Takers (MRTs). In addition, dividend payments of SEK13 per share were allocated and reinvested in Svenska Handelsbanken shares held in the UK Oktogonen Share Incentive Plan.
- The Committee actively encourages gender pay gap improvements and in 2024, the average gender pay gap reduced by 1.1% and the median by 0.6% (since first reporting in 2018, the Bank has achieved an improvement in both average and median gender pay gaps of almost 13% and just over 10% respectively). During 2024, the Committee noted the structural factors which can influence career progression and in conjunction with the Nomination Committee continued to encourage the development of policies that attract and support a well-qualified gender balanced pipeline, especially for key and senior roles. The Committee also discussed the various measures introduced by the Bank to support these improvements, noting in particular the extension of family-friendly benefits and policies including the introduction of carers' leave and women returners' initiatives.
- The Committee approved all remuneration-based regulatory reporting, including MRT quantitative analysis, Directors' remuneration report, High Earners' report and Pillar 3 Remuneration disclosures. Annual reports from the Chief Risk Officer, Chief Compliance Officer and Chief Audit Officer were received by the Committee, and these confirmed the satisfactory functioning of the remuneration system and compliance with regulatory requirements.
- As noted above, the Bank agreed to retain the services of Mercer Kepler as its advisors on remuneration matters, and, having regard to the specific policy requirements and the knowledge contributed by Mercer Kepler, the Committee approved renewal of this continuing contractual relationship in 2024.

## 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 its 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. 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 35, and individual members in the Wates Principle 2 section on pages 36-40.

Activities and considerations during the year included:

- During 2024 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 60 contains more detail on the stress testing approach. The Committee also reviewed and recommended for Board approval the Recovery Plan;
- 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;
- Review and recommendation to Board of an annual dividend of £625m to the shareholder whilst ensuring that the CET1 ratio remained at a prudent position of 20%;
- The Committee approved the implementation of a Tax Control Framework to formalise the management of tax risks within the Bank;
- 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 2025 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;
- The BRCC Material Change Committee met twice in the year to receive updates on the Bank's IT modernisation programme and to provide oversight of the associated risks including timelines, vendor selection 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 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.

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 33.

Activities and considerations during the year included:

- During 2024 the Committee considered a number of matters related to the Bank's financial reporting, including the impairment testing of carrying value of Handelsbanken Wealth & Asset Management investment in Handelsbanken plc financials and goodwill in the UK Group consolidated financials. This area was reviewed by receipt of updates from the business, challenge of financial forecasts and an assessment of an external valuation of the subsidiary, completed by KPMG ahead of the 2024 financial year closing. The Committee also reviewed 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 considering this, the Committee actively monitored the IFRS 9 model improvements by reviewing and challenging output from model validation examinations.
- 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 55.
- During the year the Committee has received updates on the changes to the UK Corporate Governance Code and any implications of those for the organisation. The Committee is continuing to follow industry developments, specifically in relation to the Board assessment as to the effectiveness of material controls.
- 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 2024 reports on high-risk audit findings were received from both the Internal Audit function and the relevant business function, setting out the progress of addressing 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 2024 Internal Audit carried out a substantial number of audits in line with the approved audit plan, including district 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, governance, risk management framework implementation, information security, regulatory reporting, 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 and is selected through a tender process which was last conducted in 2021 when PwC was appointed as the External Auditor. 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.

In 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. This arrangement was approved for continued use in 2024.
The Committee concluded that the External Auditor (PwC) had been effective for the financial year ending 31 December 2023 at the Committee meeting in June 2024.

## NON-AUDIT SERVICES

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 2024 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 2024, the Committee has deemed the arrangements in relation to whistleblowing to be working satisfactorily.

## FAIR, BALANCED AND UNDERSTANDABLE

The Committee has concluded that the 2024 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.

# 2.9

# 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 relationships with customers, employees, and also with the communities and markets where the Bank is active. The Bank always wants to be close to the communities that we serve, 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 41-47, 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 41-47.

Approved by the Board of Directors
and signed on behalf of the Board.

**Mikael Sørensen**
CEO
Date: 12 March 2025

# Directors' report

The Directors present their report and the audited financial statements for the Bank and its subsidiaries for the year ended 31 December 2024.

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 2024.

## PROPOSED DIVIDEND

The Board of Directors of Handelsbanken plc met on 12 March 2025 and recommended a final dividend of £485 million (2023: £625 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 (Resigned 30 June 2024)
Mikael Ericson (Appointed 1 June 2024)
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 (2023: nil).

During the year, the Bank made £73,053 (2023: £72,747) 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 17.

## 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 41 and the Bank's Section 172 statement, on page 52.

## 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.

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.

# 2.10

## 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 58.

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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual 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.

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 2024 up until the authorisation of the financial statements for issue.

On 12 March 2025, the Directors recommended a dividend for 2024 of £95.97 (2023: £123.82) per ordinary share. The total dividend will be paid, subject to approval at the AGM, on 19 March 2025. As the dividend was recommended after 31 December 2024, it is classified as a non-adjusting event and is therefore not recognised in the financial statements for the year ended 31 December 2024.

On 14 January 2025, the Bank announced to its employees that there would be organisational business changes in the head office functions. Further information regarding this organisational restructure was disclosed in the Strategic report on page 11 and Subsequent events note 29.

The Bank executed a new lease in February 2025 such that its head office operations will move to new premises in summer 2025.

There have been no other significant events between 31 December 2024 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

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. 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 2025, the Bank will continue to support the increasing drive for sustainability and continue its programme of IT modernisation 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. At the same time the Bank is managing costs carefully, finding ways to be more efficient and effective in its head office functions.

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

## STREAMLINED ENERGY AND CARBON REPORTING

The Company is required to adhere to the streamlined energy and carbon reporting (SECR) regulation introduced by the UK government. Information in relation to SECR can be found in the climate change section of the Strategic report on page 28.

## OTHER DISCLOSURES

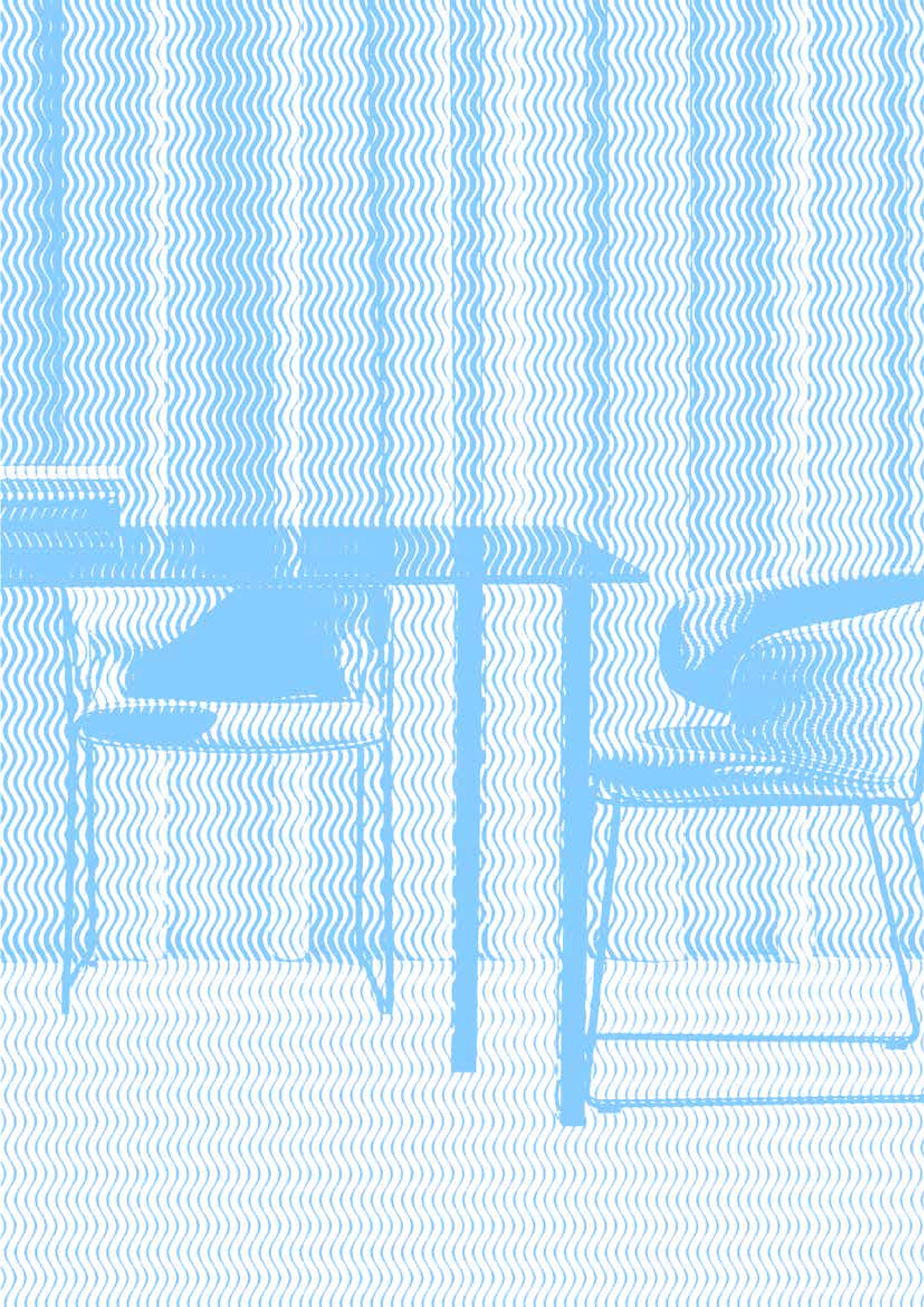
For an indication of likely developments in the business and information regarding significant events since the end of the financial year, please see information within this Directors' report and note 28.

## INDEPENDENT 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 12 March 2025



# 3.0

# Risk and capital management

# 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.

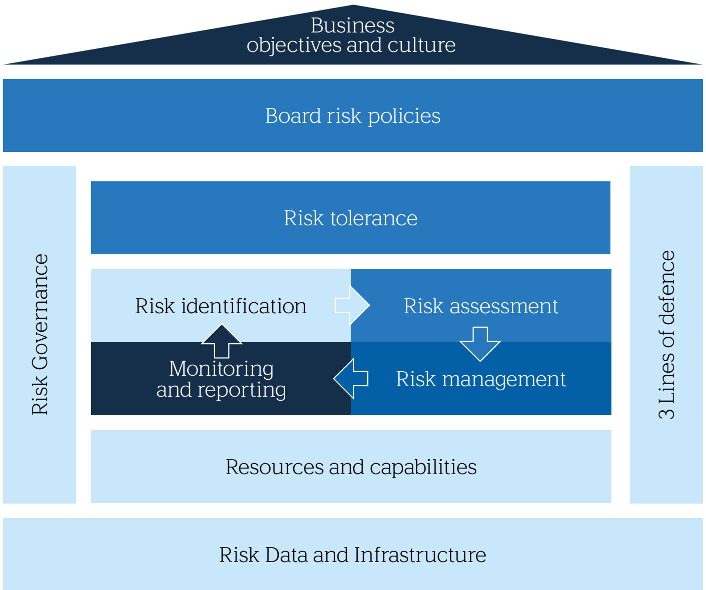
## RISK CULTURE

Handelsbanken plc has a strong risk-management culture. Effective risk-management is central to the Bank's approach to business. The low tolerance of risk is embedded in the corporate culture, through empowerment, good administrative order and suitable risk management frameworks (RMF). 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, having the capability and support to escalate actual or potential risk issues, and having a role-appropriate level of awareness of the risk-management approached outlined in 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 the framework, aiming for excellent risk management supported by an effective risk framework. Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited takes a similar approach to its 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 Asset and Liability Committee, and the Management Risk and Compliance Committee, which 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 are responsible for ensuring risks are managed effectively. The Board has delegated the oversight of risks and risk-management to the Executive Committee. There are a number of other committees which support the Executive Committee incl. the Financial Crime Prevention 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 (including the Responsible Investment sub 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.

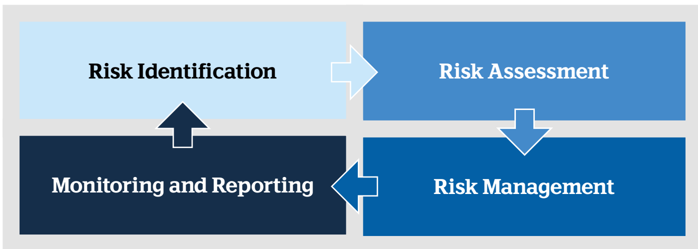
## THREE LINES OF DEFENCE

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.
- Emerging risks should include those whose impact and probability are difficult to assess and quantify at present, but with a reasonable probability of affecting the company over a longer time horizon, typically greater than one year. 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 (including those in the technology and digital space), as well as monitoring of internal factors such as changing portfolio, business model and product offerings. Emerging risk differs from the regulatory horizon scanning as the latter is primarily focused on upcoming regulatory changes.

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 to review, challenge and provide oversight over the risk identification processes, and for coordinating the top-down Bank-wide risk identification processes, as well as the coordination and aggregation of the top-down emerging risk assessments.

## 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 – either crystalised or emerging – 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 is performed across the first and second line and 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.

- First line performs 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 assesses and escalates 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 are 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.

# 3.0

## 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
- Market risk
- Compliance risks including;
  - Financial crime risk
  - Regulatory compliance
  - Conduct risk
- Operational risks including;
  - Information technology and information security risk
  - Change management risk
  - Third-party management risk
- Sustainability risk, including climate change risk
- Model Risk
- Group 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 macroeconomic outlook for the UK has become more uncertain, with inflation proving more persistent than expected and growth risks on the downside.

Developments since the Budget would suggest that the UK government is set to miss its fiscal targets unless further measures in tax spending and borrowing are undertaken, further fiscal consolidation measures are almost certain to be required in the short to medium term, even if the economy recovers more rapidly than we anticipate which would allow today's plans to again become realistic. This presents a potential downside risk to growth.

The UK economy is currently expected to record weak growth in 2025, the Bank of England expects the GDP to expand by 1.5% over the four quarters to Q1 2026. The Bank of England forecast does not take into account any explicit impact from higher trade policy uncertainty following the recently announced US tariffs on imports. CPI inflation is expected to increase to around 3.7% by the third quarter of 2025 reflecting recent developments in global energy costs and regulated prices, revealing more clearly the continuing persistence of wage dominated service sector domestic inflationary pressures.

The Bank of England is expected to retain a cautious approach to the pace at which interest rates will be cut throughout 2025, owing to inflationary pressures and increased market uncertainty.

The UK's latest composite PMI readings fell to 48.3 in January 2025. The start of 2025 saw UK manufacturing production, new orders and employment continue to contract, as companies faced weak market conditions at home and abroad. Cost burdens also swung higher, with input price inflation rising to a two-year high. The housing market is unlikely to see much real growth in the coming year. Interest rates are not falling as rapidly as anticipated in mid-2024, and consumers have been hit by tax rises, while legislation is challenging the buy-to-let sector.

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 customer's 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, Retail SME, corporate, and property.

Handelsbanken plc's business model focuses on taking credit risks in the branch operations. The objective is to minimise 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 there is a deliberate strategy to a concentration of customers and exposure in better credit risk classes.

It is important to the Bank that granting credit facilities is based on an assessment of each customer's repayment capacity. However, the Bank operates a number of well-established centralised 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.
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 branch based 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 meet the qualitative standards set out 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 recent economy strain, including the COVID-19 pandemic, the Russian-Ukrainian conflict and period of elevated inflation and interest rate pressure. The significant majority of financial support that the Bank provided in the form of payment concessions and forbearance during these periods of increased financial strain have been 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 uncertain macroeconomic environment. The portfolio has proven to be resilient and remains strong, with the significant majority of customers continuing to be assessed as having a stronger than normal repayment capacity.

The Bank is prepared to support our customers through their lifecycle with the Bank, including as they face potential changes to their repayment capacity 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, which is possible because our account managers, who on average, manage 80 retail customers.

A significant proportion of the Bank's loan portfolio (59%) is provided to property management customers, secured on income-producing real estate. 25% 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 16% of the portfolio is provided to non-property management corporate customers. Overall, in excess of 87% 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 13% 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. This is typically in the form of 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 loan-to-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, undertaken by credit experts in branches who are supported by professionally qualified subject matter experts.

The portfolio remains very well secured with modest LTVs. Weighted average LTV for property management customers secured on investment property collateral is 46% and the weighted average LTV for private individuals secured on residential properties which form collateral for a regulated mortgage contract is 53.8%.

See note 10 for more details on the LTV distribution. It is based on the most up-to-date, un-indexed professional valuations on charged collateral, by customer classification as at 31 December 2024:

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(g) 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 2024. 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.

Throughout 2024 the bank reduced and ultimately removed the PMA relating to increased refinancing risks for regulated mortgage customers with maturing fixed rates. The Bank's expert assessment is that these potential refinancing risks have now been absorbed within the forward- looking rating assessment which is captured within model calculations. However, the Bank has maintained its management overlay relating to geopolitical risks, however it is now only applied to corporates involved in the construction sector.

We have recorded an IFRS 9 balance sheet provision of £19.7 million in the year to 31 December 2024, a decrease of £11.9 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 rating assessment, and the levels of arrears in the portfolio which impacts staging criteria and calculation of the provisions over time.

Arrears levels as at 31 December 2024 total £90 million and arrears volumes have decreased by £27 million when compared with the year prior. Current arrears volumes represent 0.5% of exposure at default. £71 million relates to customers considered in financial difficulty.

*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 (g) 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 expected credit loss provisions including PMAs have decreased from £28.4 million to £14.8 million, down by £13.6 million, when compared to 31 December 2023. The decrease in modelled provisions is driven by a more positive macroeconomic outlook due to the forecasted reduction in interest rates. 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.

*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 and continues to be supported with mandatory annual training. As of 31 December 2024, active forbearance totalled £96.9 million, an increase of £18.9 million from that at 31 December 2023. 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 repayment 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 up to 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 2024, there were 271 defaults across the portfolio, totalling £212 million, based on exposure at default. £112 million of this EAD was derived from secured Property Management exposure. Every customer in default undergoes a quarterly impairment test and the low levels of provisions is a reflection of the low LTV profile of those customers.

The Bank has continued to monitor a relatively small population of high-risk 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 2024, our EAD to these higher risk customers totalled £1.067bn (vs £988 million at the end of 2023). £775 million or 73% 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 ensure well-diversified access to funding in terms of different currencies, the number of investors, debt types and geographic breakdown. Handelsbanken Group also has a large and high-quality liquidity reserve, which provides a good degree of resistance to possible disruptions in the financial markets. Group Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and primarily consists of balances with central banks, government bonds and covered bonds. Liquidity reserves are kept in all currencies that are important to the Bank.

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 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 2024, the Bank's balance sheet funding includes £20.9 billion (2023: £20.4 billion) of deposits from individual and corporate customers. This is supplemented by £5.0 billion (2023: £6.9 billion) of predominantly long-term funding from Svenska Handelsbanken. This funding includes £300 million of subordinated Tier 2 debt and £200 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 (2023: £2.1 billion) funding short-term assets only. The majority of all sources of funding are denominated in sterling.

Balances in the BoE Reserve Account totalled £9.1 billion (2023: £8.9 billion) as of 31 December 2024. The Bank's asset encumbrance is limited to cash ratio deposits held at the BoE only.

The Bank reports an LCR, 180% (2023: 147%) as of 31 December 2024, 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 | 2024 | 2023 |
|---|---|---|
| Liquidity coverage ratio (LCR)% | 180% | 147% |

| UK Group | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|
| High quality liquid assets (HQLA) | 9,038,079 | 8,825,548 |
| **Cash outflows** | **6,240,775** | **7,240,571** |
| *Of which, deposits from the public and small and medium companies* | *843,029* | *801,764* |
| *Of which, unsecured capital market financing and large corporate deposits* | *5,047,773* | *6,043,771* |
| *Of which, other cash outflows* | *349,973* | *395,036* |
| **Cash inflows** | **1,215,894** | **1,246,743** |

*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.

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.

## 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, 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 balance sheet consisting of banking products with primarily sterling denominated activity. The bank does not engage in proprietary trading in either a trading or banking book. Essentially, market risks in the banking operations are only taken as part of meeting customers' lending, investment and risk management needs.

The Capital Markets department of the Bank operates 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 limited to interest rate and currency exchange rate risks. Interest rate risk is driven by the banking activity (lending and borrowing money, holding and issuing securities and gathering deposits) aimed to generate earnings from a cash-flow. The exposure to currency is limited, as more than 97% of the Bank's assets and liabilities are denominated in GBP.

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. 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.

*Interest Rate Risk*
Interest rate risk in the banking book refers to the current or prospective risk to capital and earnings arising from adverse movements in interest rates that affect banking book positions. It arises as part of meeting customers' lending, investment and risk management needs.

The Bank recognises the following interest rate risk types:
- Repricing / gap risk: The risk that assets and liabilities reprice at different times;
- Basis risk: The risk from relative changes in interest rates for financial instruments that have similar tenors but are priced using different benchmarks; and
- Option risk: The risk from embedded options in products that allow counterparties to alter the level and timing of cash flows.

Interest rate 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. Interest rate risk is managed within tight limits by UK Group Treasury, primarily by "economic value of equity" and net interest income sensitivity measures that is independently reported by Risk Control.

Interest rate risk is closely monitored through Board risk tolerance measures, management limits and management information.

## COMPLIANCE RISK

Compliance risk is defined by the Bank as the risk of sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with laws, regulations, rules, code of conduct or guidance applicable to its operations that are subject to authorisation and its regulatory permissions.

Compliance Risk comprises three supporting risks: Regulatory Compliance, Conduct and Financial Crime

- Regulatory Compliance risk is defined by the Bank as the risk that non-compliance with our regulatory obligations may lead to poor customer outcomes, regulatory action or reputational harm.
- Conduct Risk is defined by the Bank as the risk that the behaviours of the Bank, its staff and/or agents whether intentional or unintentional may result in poor customer outcomes, threaten market integrity and/or effective competition.
- Financial crime risk is defined by the Bank as the risk that the Bank may be used for, or to facilitate, money laundering, terrorist financing, fraud, tax evasion and/or Bribery and corruption, or the risk of the Bank or its members of staff breaching financial sanctions.

The Bank regards compliance with regulatory requirements as a fundamental principle for secure and sound banking operations, which in turn enables the Bank to grow in a compliant manner, deliver good customer outcomes and continue to foster long-lasting relationships with our customers.

## 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:

**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 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.

**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 IT Modernisation, 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 established, which is the overarching framework beneath which the UK Group's change control processes operate, and the details are documented in the Change Management Handbook.

Change management risks are reported through the Bank's governance process, 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.

Svenska Handelsbanken 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.

*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 assessment and analysis of operational risk events, and the assessment of controls and is undertaken in line with the three lines of defence approach as defined in the RMF. Operational risk reporting is an essential component of the framework providing the Compliance and 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 and technology), and regulatory programmes;
- 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;
- 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.

## SUSTAINABILITY RISK

The climate change risk management is described in the Non-Financial and Sustainability Information report on pages 26-27.

The Bank's approach to Environmental, Social and Governance Risk (ESG) is described in the Non-Financial and Sustainability Information report on pages 17-19.

## GROUP RISK

Group risk is the risk of loss or negative impact on the Bank from its relationships (financial or non-financial) with other entities in the same Group, or by risk which may affect the financial position of the Handelsbanken Group, including reputational contagion.

Handelsbanken plc's sources of group risk are therefore its relationship with. Handelsbanken plc operates on a standalone basis as a PRA-regulated UK bank. Nonetheless, Handelsbanken plc continues to draw significant strength from its relationships with the broader Handelsbanken Group.

## MODEL RISK

*Overview*
Model risk is classified as a Level 1 cross-cutting risk within the Bank's Risk Taxonomy, reflecting its importance as a key area of focus in the Bank's overall risk management framework. Model risk is defined as "the risk of adverse financial impact or unintended business outcomes arising from the design, implementation, or use of models." This definition underscores the potential for significant consequences if models are not appropriately developed, implemented, or monitored.

The Bank maintains a low tolerance for model risk, recognizing the critical role that models play in decision-making and compliance with regulatory requirements. The Bank's approach emphasises robust governance, strong control environments, and effective model risk management practices to minimise exposure to model risk. This is achieved through rigorous validations, ongoing performance monitoring, and adherence to the Bank's policies and frameworks.

*Governance*
The Model Oversight Committee serves as the central governance body for model risk management, providing oversight and challenge to the validation and management of models. The output of this is reported to the Management Risk and Compliance Committee. Matters of significance arising at the Model Oversight Committee meetings will be reported by the Chair to the Management Risk and Compliance Committee and escalated to the Board Risk and Compliance Committee if appropriate.

For models which require regulatory notification, the Board and Senior Management are responsible for ensuring the Bank documents the design of the model, monitors model performance and remediates related issues. These models will follow the same governance process described above, although a more rigorous review and challenge and reporting may be required where appropriate. The Asset and Liability Committee will be informed of model approvals or changes that materially impact the financial and capital risk monitoring or management.

## 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 Bank continues to monitor the estimated impact of the PRA's 'near-final rules' implementing the 'Basel 3.1' standards, and the Bank plans to be ready to implement them in advance of the PRA's deadline.

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 2024, the TCR for the Bank is set at 10.59%.

## 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 2024, the Bank applies the UK CCyB rate of 2% of RWAs.

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. The Bank's MREL requirements are 21.2% 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 2024, the UK Group has £200 million of unsecured senior non-preferred debt. With this £200 million of MREL-compliant debt and £2,389 billion of capital resources, the UK Group has a total capital and MREL ratio of 22.3% of RWA, as of 31 December 2024. This ratio is actively managed to maintain the Bank's adherence.

## 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 Asset and Liability 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 2024, the UK Group's consolidated CET1 ratio and T1 ratio were 18.0%. Handelsbanken plc's individual CET1 ratio and T1 ratio were 18.3%.

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 | 2024 £'m | 2023 £'m |
|---|---|---|
| **Common equity tier 1** | | |
| Paid up capital | **5** | 5 |
| Share premium | **2,071** | 2,071 |
| Retained earnings | **189** | 398 |
| Current year P&L | **359** | 416 |
| Goodwill and other intangible assets | **(50)** | (51) |
| Adjustment to retained earnings for forseeable dividends | **(485)** | (625) |
| **Common equity tier 1 capital** | **2,089** | **2,214** |
| Additional tier 1 instruments | **-** | - |
| **Total tier 1 capital** | **2,089** | **2,214** |
| Tier 2 | **300** | 400 |
| **Total capital resources** | **2,389** | **2,614** |

In June 2024, the Bank called £400 million subordinated Tier 2 and replaced it with £300 million callable subordinated Tier 2, issued to its parent, Svenska Handelsbanken.

The recommended dividend of £485 million reduces the CET1 ratio from 22.2% (pre-dividend) to 18%.

## 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 2024, the Bank's RWAs are £11,605 million (£11,066 million at 31 December 2023), predominately reflecting higher operational risk RWAs and corporate lending in 2024.

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 2024 £'m | RWAs 2023 £'m |
|---|---|---|
| **Credit risk according to standardised approach** | **10,184** | 9,940 |
| **Operational risk according to BIA** | **1,421** | 1,126 |
| **Market risks** | **-** | - |
| **Total RWAs** | **11,605** | 11,066 |

| UK Group £'m | 2024 Value of exposures at year end | 2024 Average value of exposures over the year | 2023 Value of exposures at year end | 2023 Average value of exposures over the year |
|---|---|---|---|---|
| Central Governments or Central Banks | 9,185 | 9,009 | 9,066 | 8,286 |
| Institutions | 3,607 | 4,484 | 5,279 | 6,113 |
| Corporates | 3,105 | 2,908 | 2,605 | 2,620 |
| Retail | 340 | 337 | 329 | 353 |
| Secured by mortgages on immovable property | 18,066 | 18,136 | 18,374 | 18,934 |
| *- of which, secured by mortgages on residential property* | *11,180* | *11,391* | *11,822* | *12,293* |
| Exposures in default* | 212 | 209 | 167 | 137 |
| Items associated with particularly high risk* | 111 | 111 | 111 | 113 |
| Other items | 190 | 122 | 91 | 96 |
| **Total** | **34,816** | **35,316** | **36,022** | **36,652** |

*** Sourced from Common Reporting Framework**

### Capital adequacy ratios

The Bank's capital adequacy ratios are as follows:

| UK Group | 2024 | 2023 |
|---|---|---|
| Common equity tier 1 capital ratio | 18.0% | 20.0% |
| Tier 1 capital ratio | 18.0% | 20.0% |
| Total capital ratio | 20.6% | 23.6% |

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:

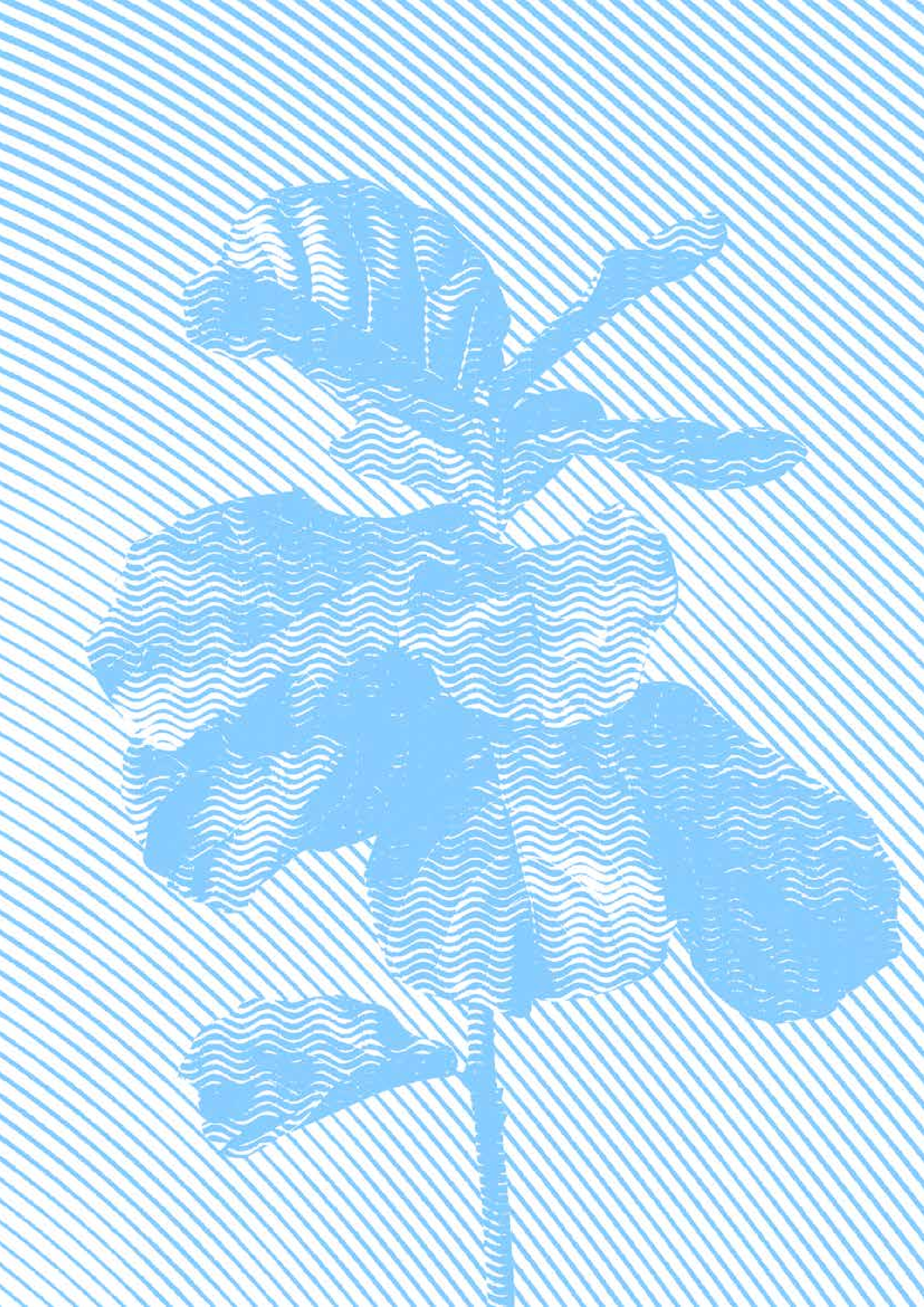
| UK Group | 2024 £'m | 2023 £'m |
|---|---|---|
| Tier 1 capital | 2,089 | 2,214 |
| Exposure measure | 22,473 | 24,356 |
| *Of which, on-balance sheet* | *30,901* | *32,566* |
| *Of which, (-) asset deduction* | *(50)* | *(51)* |
| *Of which, (-) central bank claims* | *(9,085)* | *(8,879)* |
| *Of which, off-balance sheet* | *706* | *720* |
| Leverage ratio | 9.3% | 9.1% |

## 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 2024 | Long-term | Short-term |
|---|---|---|
| Standard & Poor's | AA- | A-1+ |
| Fitch | AA (S) | F1+ |

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



# 4.0

# Independent auditors' report to the members of Handelsbanken plc

# 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 (also referred to as the 'UK Group') financial statements and parent company (also referred to as the 'bank') financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2024 and of the group's and parent company's profit and the group's and parent 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 bank balance sheets as at 31 December 2024; the consolidated and bank profit or loss and comprehensive income, the consolidated and bank statements of changes in equity, and the consolidated and bank cash flow statements for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 (bank), we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

## Our audit approach

**Context**
The group comprises of Handelsbanken plc (the parent company, or bank), Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited.

**Overview**
Audit scope

- We performed a full scope audit of the consolidated and the bank financial statements. 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 as well as the nature, timing and extent of audit procedures were determined based on 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 parent company)

**Materiality**

- Overall group materiality: £26.2m (2023: £28.7m) based on 1% of net assets.
- Overall parent company materiality: £24.9m (2023: £27.3m) based on 1% of net assets, capped at 95% of group materiality.
- Performance materiality: £19.7m (2023: £21.6m) (group) and £18.7m (2023: £20.5m) (parent 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.

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 company)**<br><br>*The relevant references in the Annual report:*<br>*Note 1(g): Credit losses*<br>*Note 1(q): Material accounting judgements, estimates and assumptions - ECL provision calculations*<br>*Note 2 & 2.2: Risk management – subsection Credit risk*<br>*Note 10: Credit losses*<br><br>ECL provision recognised on the loans to the public stood at £17.9m (2023: £28.8m) as at the balance sheet date. Determining ECL involves management judgement and is subject to estimation uncertainty.<br><br>Under IFRS 9, impairment losses are recognised on an expected credit loss 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' (SICR). 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).<br>Management has incorporated an evaluation of climate risk impact on the ECL and determined the resulting effect to be immaterial.<br>We focused our work on the areas that we considered to be the most judgemental, being:<br>▪ The appropriateness of the methodology used to determine whether SICR has occurred, given management's approach is bespoke in nature.<br>▪ Measurement of Stage 3 loans, including valuation of collateral and consideration of alternative possible scenarios.<br><br>We also considered the completeness of PMAs applied, given the reduction in these during the period. | ▪ We understood and critically assessed the appropriateness of the impairment policy, including the definitions of default and credit rating methodology that drives SICR.<br>▪ We involved credit risk modelling specialists to review the Credit rating and ECL model methodology.<br>▪ We evaluated the design effectiveness and implementation of key controls over the ECL process.<br>▪ We evaluated the methodology for determining the SICR criteria and assessed its appropriateness.<br>▪ We independently tested the staging of loans classified as Stage 1 and 2. This was done on a sample basis considering both qualitative and quantitative factors specifically considering whether the credit assessments are sufficiently dynamic and forward looking. We also assessed the consideration of climate risk for the sample selected.<br>▪ We identified and tested the completeness and accuracy of critical data inputs, sourced from underlying systems, that are applied in the modelled calculation of ECL. We involved credit risk modelling specialists to support the audit team in the performance of these audit procedures.<br>▪ For a risk-based 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.<br>▪ 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 benchmarking to industry peers;<br>▪ 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.<br>▪ We evaluated and tested the disclosures in the financial statements.<br><br>Overall, based on the procedures performed and the evidence obtained, we found management's determination of the 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 parent company, the accounting processes and controls, and the industry in which they operate.

The bank 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 audit considered three components, being the bank, Handelsbanken Wealth & Asset Management Limited and Handelsbanken ACD Limited. The bank is the only significant component in the scope of our audit of the consolidated financial statements, and the materiality allocated for these purposes was £24.9m (2023:£27.3m), less than our overall group materiality.

We evaluated the need for testing relating to other components deemed as inconsequential, and determined that no further testing was required.

There are certain 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 perform specific audit procedures on these centralised activities, including Information Technology General Controls and automated business controls operated in Sweden and ECL modelled provisions on stage 1 and 2 loans.

We interacted regularly with PwC Sweden throughout the course of the audit. This included reviewing their audit risk assessment, audit approach and selected work papers, and evaluating the work performed and the conclusions reached. We also visited Sweden to meet with management and PwC Sweden as part of our oversight procedures. We are satisfied 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 parent 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 parent company's financial statements.

**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 - parent company |
|---|---|---|
| *Overall materiality* | £26.2m (2023: £28.7m). | £24.9m (2023: £27.3m). |
| *How we determined it* | 1% of net assets | 1% of net assets, capped at 95% of group materiality |
| *Rationale for benchmark applied* | Net assets is a key measure used by management, the parent shareholder and other wider stakeholders and is a generally accepted benchmark for wholly owned banking subsidiaries of large groups. | The materiality approach for the parent company follows the group approach except for restricting materiality to 95% of the 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 £19.7m (2023: £21.6m) for the group financial statements and £18.7m (2023: £20.5m) for the parent 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 £1.3m (group audit) (2023: £1.4m) and £1.3m (parent company audit) (2023: £1.3m) 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 parent company's ability to continue to adopt the going concern basis of accounting included:

- reviewing and challenging key assumptions used by directors in their assessment of going concern of the group and bank;
- reviewing the financial forecasts including 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 bank's deposit base, and associated levels of FSCS protection coverage;
- assessing the intra-group arrangements with respect to financing and operational support on which the group and bank depend, and the continued availability of these;
- reviewing key legal and regulatory correspondence, and performing 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 the going concern of the group and bank; and
- reviewing and 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 parent 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 parent 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 2024 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 parent 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 parent 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 parent 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 breaches of the rules and regulations set by 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. Audit procedures performed by the engagement team included:
- Making 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 the regulators, and making enquiries of key 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;
- critically assessing significant accounting estimates for any management 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 parent 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 parent 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 parent 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 3 years, covering the years ended 31 December 2022 to 31 December 2024.

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 March 2025

# 5.0

# Consolidated financial statements

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

| UK Group | Note | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| Interest income calculated using the effective interest method | | 1,866,849 | 1,802,094 |
| Interest expense | | (1,005,107) | (875,598) |
| **Net interest income** | 3 | **861,742** | **926,496** |
| Fee and commission income | | 71,197 | 71,497 |
| Fee and commission expense | | (3,074) | (3,624) |
| **Net fee and commission income** | 4 | **68,123** | **67,873** |
| Net gains on financial transactions and other income | 5 | 12,311 | 11,987 |
| **Total income** | | **942,176** | **1,006,356** |
| Personnel costs | 6 | (296,153) | (262,399) |
| Depreciation, amortisation and impairment | 15,16,25 | (28,159) | (25,183) |
| Other operating expenses | 7 | (129,993) | (140,157) |
| **Total expenses** | | **(454,305)** | **(427,739)** |
| **Profit before credit gains / (losses) and net losses from disposal** | | **487,871** | **578,617** |
| Net credit gains/(losses) | 10 | 10,164 | (3,788) |
| Net losses on disposal of property, equipment and intangible assets | | (13) | (65) |
| **Profit before tax** | | **498,022** | **574,764** |
| Taxes | 11 | (138,732) | (159,024) |
| **Profit for the year** | | **359,290** | **415,740** |
| Other comprehensive income, net of tax | | - | - |
| **Total comprehensive income for the year** | | **359,290** | **415,740** |

There is no other comprehensive income for the year ended 31 December 2024.
The results for the year were derived wholly from Handelsbanken UK Group's continuing operations.

The notes on pages 88 - 132 form part of these financial statements.

# 5.2

# Consolidated balance sheet
## UK Group

| UK Group | Note | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | 12 | **9,084,816** | 8,878,735 |
| Other loans to central banks | 13 | **-** | 88,371 |
| Loans to other credit institutions | 14 | **3,562,720** | 5,230,310 |
| Loans to the public | 2 | **17,826,369** | 18,023,996 |
| Intangible assets | 15 | **50,057** | 51,005 |
| Property and equipment | 16 | **21,635** | 19,892 |
| Right-of-use assets | 25 | **50,509** | 50,720 |
| Current tax assets | | **2,431** | 396 |
| Deferred tax assets | 11 | **1,071** | 2,098 |
| Prepaid expenses and accrued income | | **18,641** | 16,385 |
| Other assets | 17 | **95,608** | 6,033 |
| **Total assets** | | **30,713,857** | 32,367,941 |
| | | | |
| **LIABILITIES** | | | |
| Due to credit institutions | 14 | **4,979,153** | 6,886,954 |
| Deposits from the public | 18 | **20,880,491** | 20,359,402 |
| Issued securities | 19 | **2,136,439** | 2,134,871 |
| Current tax liabilities | | **-** | 108 |
| Deferred tax liabilities | 11 | **2,179** | 2,730 |
| Provisions | 20 | **14,350** | 16,731 |
| Lease liabilities | | **52,397** | 51,290 |
| Accrued expenses and deferred income | | **9,686** | 11,300 |
| Other liabilities | 21 | **15,528** | 14,870 |
| **Total liabilities** | | **28,090,223** | 29,478,256 |
| | | | |
| **EQUITY** | | | |
| Share capital | 22 | **5,050** | 5,050 |
| Share premium | 22 | **2,070,619** | 2,070,619 |
| Retained earnings | | **547,965** | 814,016 |
| **Total equity** | | **2,623,634** | 2,889,685 |
| | | | |
| **Total liabilities and equity** | | **30,713,857** | 32,367,941 |

These financial statements were approved by the Board of directors and authorised for issue on 12 March 2025.
The notes on pages 88 - 132 form part of these financial statements.

**Martin Björnberg**
Director
Date 12 March 2025

# Consolidated statement of changes in equity UK Group

| UK Group 2024 | Note | Share capital | Share premium | Retained earnings for the year | Total |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| **At 1 January 2024** | **22** | **5,050** | **2,070,619** | **814,016** | **2,889,685** |
| **Dividend Paid** | **23** | **-** | **-** | **(625,341)** | **(625,341)** |
| Profit for the year | | - | - | 359,290 | 359,290 |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income** | | - | - | **359,290** | **359,290** |
| **At 31 December 2024** | | **5,050** | **2,070,619** | **547,965** | **2,623,634** |

| UK Group 2023 | Note | Share capital | Share premium | Retained earnings 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)** |
| Profit for the year | | - | - | 415,740 | 415,740 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income | | - | - | 415,740 | **415,740** |
| **At 31 December 2023** | | **5,050** | **2,070,619** | **814,016** | **2,889,685** |

# 5.4

# Consolidated cash flow statement
## UK Group

| | Note | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before tax | | 498,022 | 574,764 |
| *of which paid in interest* | | *1,919,799* | *1,737,308* |
| *of which paid out interest* | | *(1,011,246)* | *(839,811)* |
| **Adjustment for non-cash items in profit:** | | | |
| Net (gains) / credit losses | 10 | (10,164) | 3,788 |
| Gains on financial transactions | | - | (876) |
| Net losses on disposal of property, equipment and intangible assets | | 13 | 65 |
| Depreciation, amortisation and impairment | 15,16 & 25 | 28,159 | 25,129 |
| Lease liability interest expense | 25 | 1,734 | 1,535 |
| Acquisition of right of use asset | 25 | (8,854) | (8,866) |
| Provisions | 20 | (2,381) | (6,112) |
| **Changes in the assets and liabilities of operating activities:** | | | |
| Other loans to central banks | 13 | 88,371 | 11,529 |
| Loans to other credit institutions | | 1,634,611 | 289,812 |
| Loans to the public | | 207,791 | 1,000,930 |
| Due to credit institutions | 14 | (1,907,801) | (352,481) |
| Deposits from the public | 18 | 521,089 | (127,216) |
| Issued securities | 19 | 1,568 | (55,354) |
| Lease liabilities | | 9,469 | 7,327 |
| Income tax payment | | (140,399) | (161,747) |
| Other assets | 17 | (89,575) | 25,690 |
| Prepaid expenses and accrued income | | (2,256) | (2,198) |
| Other liabilities | 21 | 658 | (1,424) |
| Accrued expenses and deferred income | | (1,614) | 1,097 |
| Accrued interest | | 7,868 | (9,752) |
| **Cash inflow from operating activities** | | **836,309** | **1,215,640** |
| **INVESTING ACTIVITIES** | | | |
| Acquisitions of property and equipment | 16 | (7,728) | (7,000) |
| Disposal of property and equipment | | 277 | 166 |
| Internally developed Intangible assets | 15 | (10,663) | (11,138) |
| **Cash outflow from investing activities** | | **(18,114)** | **(17,972)** |
| **FINANCING ACTIVITIES** | | | |
| Dividends paid to company's shareholders | 23 | (625,341) | (265,516) |
| Payments made for lease liabilities | 25 | (11,884) | (12,424) |
| **Cash outflow from financing activities** | | **(637,225)** | **(277,940)** |
| **Cash inflow for the year** | | **180,970** | **919,728** |
| Cash balance at beginning of year | 12 | 8,916,214 | 7,996,622 |
| Net foreign exchange differences | | 6 | (136) |
| **Cash balance at end of year** | 12 | **9,097,190** | **8,916,214** |

# 6.0

# Notes to the consolidated financial statements

# Notes to the financial statements
# UK Group

## Note 1.

**BASIS FOR PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION**

**(a) Statement of compliance**

The parent company, Handelsbanken plc (Bank), 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 5. The UK Group (Handelsbanken plc and its subsidiaries) 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 accounting policies have been applied consistently, other than where new policies have been adopted. 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.

***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 (see note 14 for current funding balance). 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 2026.

**(b) Changes in Accounting Policies**

***New and amended standards and interpretations***

Whilst there are no new accounting standards that are effective from 1 January 2024, the following amendments to accounting standards are effective from 1 January 2024:

- Amendments to IAS 1: Non-current Liabilities with Covenants
- Amendment to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IFRS 16 Leases: Lease liability in a Sale and Leaseback
- Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The following accounting amendment is applicable from 1 January 2025:

- Amendments to IAS 21: Lack of Exchangeability

The effect of amendments to accounting standards effective from 1 January 2024 on our financial statements is immaterial.

None of the new amended standards and interpretations have been early adopted.

***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.

***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.

**(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.

Note 1. cont.

***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 including Sustainability-linked loans (SLLs) 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.

***Cash***
Cash balances as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less. It excludes any accrued interest income and provisions for expected credit losses.

**(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.

Note 1. cont.

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.

***Signifcant increase in credit risk***

A signifcant 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.

**Note 1.** cont.

*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

Note 1. cont.

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 20-32 into judgements associated with recognition, measurement, presentation and disclosure, where so permitted by UK adopted International Accounting Standards. At 31 December 2024, 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 deteriorated 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 immaterial particularly when considering discounting of any future dated impacts. On this basis, no post-core model adjustment was recognised.

Note 1. cont.

**(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.

Note 1. cont.

**(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 customer lists | 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.

***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.

***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.  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 or at least at each financial year-end. 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:

Note 1. cont.

***Share capital***
The share capital comprises the total value of the shares issued by the entity.

***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

Note 1. cont.

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. Any provisional UK Oktogonen allocation is accrued at year-end but is then subject to UK Board approval. Once the finalised amount is approved, the share-based payment vests immediately and the year-end accrual is adjusted accordingly. 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) Critical accounting judgements, and significant estimates**

In certain cases, the application of the UK Group's accounting policies means that judgements 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 judgements and assumptions have had a material impact on the financial statements. No single material accounting judgement is deemed to be critical.

Information about significant accounting 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(q))
- 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)
- 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)

**(q) Material accounting judgements, estimates and assumptions - ECL provision calculations**

***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

Note 1. cont.

(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 decreased during 2024. This is partly due to positive change in the forward-looking macroeconomic risk factors, whereby GDP has increased, while interest rates have decreased 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% (2023: 60%), while an upturn in the economy is assigned a weighting of 5% (2023: 5%) , a downturn in the economy is assigned a weighting of 20% (2023: 20%) and the severe downturn in the economy scenario is assigned a weighting of 15% (2023: 15%).

The following table presents the Macro scenario forecasts for 2024 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 2024.

| UK Group & Bank 2024 Macro factors | Severe downturn % | | | Downturn % | | | Base % | | | Upturn % | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | 2026 | 2027 | 2025 | 2026 | 2027 | 2025 | 2026 | 2027 | 2025 | 2026 | 2027 |
| GDP Growth | -6.08 | -2.47 | 2.70 | -3.58 | -0.47 | 2.35 | 1.42 | 1.53 | 1.70 | 3.02 | 2.33 | 1.50 |
| Unemployment rate | 6.75 | 8.63 | 8.50 | 6.45 | 7.03 | 7.50 | 4.75 | 4.63 | 4.50 | 4.05 | 3.63 | 3.80 |
| Policy Interest rate | 0.50 | 0.50 | 0.50 | 6.00 | 6.00 | 4.75 | 3.75 | 3.75 | 3.25 | 3.00 | 2.75 | 2.25 |
| Consumer Pricing Index | 1.47 | 1.63 | 1.90 | 5.37 | 5.13 | 3.20 | 2.80 | 2.63 | 2.20 | 1.99 | 1.93 | 1.60 |
| Commercial property price growth | -15.91 | -8.15 | 6.05 | -11.89 | -8.46 | 0.74 | -1.02 | -1.44 | 0.76 | 4.48 | 7.96 | 1.82 |
| Residential property price growth | -8.07 | -8.41 | -1.77 | -4.90 | -4.59 | -1.41 | 0.30 | 1.02 | 1.61 | 4.48 | 5.29 | 5.28 |

| 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 |

Note 1. cont.

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.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| % | 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 |
| | 32.43 | -30.87 | 3.37 | -7.81 |
| **Severe Downturn** | 37.19 | | 10.20 | |

***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 2024, provisions include PMAs amounting to total £2.5 million (2023: £16.5 million). The level of PMAs is lower this year due to release of post model adjustments after new enhanced models were in use and decreased refinancing risks for customers with maturing fixed rates. The remaining PMA as of 31 December 2024 is related to stress applied on construction sector which the Bank considers is most under strain and potential future risk.

# Note 2.

## RISK MANAGEMENT

The UK Group's risk management is described in the risk and capital management report on pages 58-72. Qualitative information about the Bank's approach to, and management of risk is contained within this section and supports the specific information about the Bank's risks that are presented below. None of the financial data contained within the risk and capital management report is audited.

## GENERAL RISK EXPOSURE

### *Loans to the public subject to impairment testing under IFRS 9, broken down by sector and industry*

| UK Group and Bank 2024 £'000 | Gross | | | Provisions | | | Loans after deduction of provisions |
|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 | |
| **Private individuals** | 4,704,843 | 212,599 | 80,833 | (248) | (195) | (1,187) | 4,996,645 |
| *of which other loans with property mortgages* | *4,530,145* | *204,116* | *74,447* | *(206)* | *(169)* | *(979)* | *4,807,354* |
| *of which other loans, private individuals* | *174,698* | *8,483* | *6,386* | *(42)* | *(26)* | *(208)* | *189,291* |
| **Property management** | 10,610,288 | 587,278 | 113,240 | (5,166) | (4,206) | (261) | 11,301,173 |
| **Other** | 1,390,751 | 126,155 | 18,324 | (1,031) | (2,202) | (3,446) | 1,528,551 |
| **Total** | 16,705,882 | 926,032 | 212,397 | (6,445) | (6,603) | (4,894) | 17,826,369 |

| 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 |

### *Credit risk exposures, breakdown by type of collateral*

| UK Group 2024 £'000 | Residential property | Other property | Sovereigns, municipalities [1] | Financial collateral | Collateral in assets | Unsecured | Total |
|---|---|---|---|---|---|---|---|
| Cash and balances with central banks | - | - | 9,084,816 | - | - | - | 9,084,816 |
| Loans to other credit institutions | - | - | - | 72,476 | - | 3,490,244 | 3,562,720 |
| Loans to the public | 10,948,620 | 6,066,280 | 4,989 | 13,422 | 184,096 | 608,962 | 17,826,369 |
| **Total** | 10,948,620 | 6,066,280 | 9,089,805 | 85,898 | 184,096 | 4,099,206 | 30,473,905 |
| | | | | | | | |
| Off-balance sheet items | 587,690 | 811,897 | 96,707 | 3,633 | - | 2,608,423 | 4,108,350 |
| *of which guarantee commitments* | *18,517* | *11,343* | *40* | *1,304* | *-* | *512,876* | *544,080* |
| *of which obligations* | *569,173* | *800,554* | *96,667* | *2,329* | *-* | *2,095,547* | *3,564,270* |
| **Total** | 587,690 | 811,897 | 96,707 | 3,633 | - | 2,608,423 | 4,108,350 |
| | | | | | | | |
| **Total on and off-balance sheet items** | 11,536,310 | 6,878,177 | 9,186,512 | 89,531 | 184,096 | 6,707,629 | 34,582,255 |

1. Refers to direct sovereign exposures and government guarantees

Note 2. cont.

### *Credit risk exposures, breakdown by type of collateral (cont.)*

| 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 | 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

## 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 2024 £'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 | 9,084,816 | - | - | - | - | - | - | 9,084,816 |
| To credit institutions | 935,609 | 1,157,007 | 670,222 | 619,829 | 136,060 | 43,993 | - | 3,562,720 |
| Loans to public | 661,354 | 1,626,017 | 1,487,655 | 3,757,513 | 7,636,945 | 2,656,885 | - | 17,826,369 |
| Other | - | - | - | - | - | - | 95,608 | 95,608 |
| Total | 10,681,779 | 2,783,024 | 2,157,877 | 4,377,342 | 7,773,005 | 2,700,878 | 95,608 | 30,569,513 |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| To credit institutions | 603,614 | 434,563 | 429,014 | 1,110,554 | 1,563,246 | 838,162 | - | 4,979,153 |
| Deposits from public | 17,129,311 | 3,317,998 | 224,172 | 24,704 | 1,965 | 182,341 | - | 20,880,491 |
| Issued securities | 234,031 | 1,640,322 | 262,086 | - | - | - | - | 2,136,439 |
| *Of which CD's less than one year* | *234,031* | *1,640,322* | *262,086* | *-* | *-* | *-* | *-* | *2,136,439* |
| Other | - | - | - | - | - | - | 15,528 | 15,528 |
| Total | 17,966,956 | 5,392,883 | 915,272 | 1,135,258 | 1,565,211 | 1,020,503 | 15,528 | 28,011,611 |
| | | | | | | | | |
| **Off-balance sheet items** | | | | | | | | |
| Unutilised guarantees and loan commitments | 4,068,865 | - | - | - | - | - | - | 4,068,865 |

## Note 2. cont.

### *Contractual maturity analysis (cont.)*

| 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 | - | - | - | - | - | - | 6,033 | **6,033** |
| Total | **10,829,832** | **3,613,272** | **2,778,105** | **3,843,041** | **8,634,731** | **2,522,431** | **6,033** | **32,227,445** |
| | | | | | | | | |
| **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 | - | - | - | - | - | - | 14,870 | **14,870** |
| Total | **18,694,760** | **5,359,042** | **879,642** | **971,003** | **2,306,498** | **767,817** | **417,335** | **29,396,097** |
| | | | | | | | | |
| **Off-balance sheet items** | | | | | | | | |
| Unutilised guarantees and loan commitments | **3,726,683** | - | - | - | - | - | - | **3,726,683** |

### *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 2024 £'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 | 608,331 | 453,607 | 454,001 | 1,174,310 | 1,795,473 | 1,021,709 | - | **5,507,431** |
| Deposits from public | 17,128,973 | 3,344,096 | 230,577 | 26,250 | 2,139 | 182,324 | - | **20,914,359** |
| Issued securities | 246,273 | 1,653,284 | 273,704 | - | - | - | - | **2,173,261** |
| *Of which CD's less than one year* | *246,273* | *1,653,284* | *273,704* | *-* | *-* | *-* | *-* | *2,173,261* |
| Other | - | - | - | - | - | - | 15,528 | **15,528** |
| **Total** | **17,983,577** | **5,450,987** | **958,282** | **1,200,560** | **1,797,612** | **1,204,033** | **15,528** | **28,610,579** |

| 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 | 1,833,313 | 440,396 | 515,124 | 1,001,991 | 2,606,830 | 609,678 | 402,465 | **7,409,797** |
| Deposits from public | 16,515,777 | 3,229,443 | 367,248 | 40,434 | 1,047 | 247,438 | - | **20,401,387** |
| Issued securities | 370,207 | 1,729,611 | 35,053 | - | - | - | - | **2,134,871** |
| *Of which CDs less than one year* | *370,207* | *11,729,611* | *35,053* | *-* | *-* | *-* | *-* | *2,134,871* |
| Other | - | - | - | - | - | - | 15,528 | **15,528** |
| **Total** | **18,719,297** | **5,399,450** | **917,425** | **1,042,425** | **2,607,877** | **857,116** | **417,993** | **29,961,583** |

Note 2. cont.

## MARKET RISK

***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. The measure also incorporates the effect of behavioural assumptions as to how and when individual products would reprice in response to changing rates.

During 2024 the measure was enhanced to more accurately reflect when customer asset and liabilities would reprice after a rate change and to take customer rate floors into account.

For year-end 2024, the net interest income sensitivity to an immediate rise in interest rates of all maturities by 2%, was an increase of £68.0m. The net interest income sensitivity to an immediate fall in interest rates by 2% was a reduction of £82.6m.

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 | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Loans to the public | 1,150,271 | 1,116,726 |
| Loans to credit institutions and central banks | 465,923 | 383,005 |
| Loans to other group undertakings | 242,326 | 292,440 |
| Other interest income | 8,329 | 9,923 |
| **Total interest income calculated using the effective interest method** | **1,866,849** | **1,802,094** |
| | | |
| Deposits and borrowing from the public | (655,461) | (510,759) |
| Due to other group undertakings | (228,687) | (259,618) |
| Issued securities | (118,672) | (103,131) |
| Lease liability | (1,734) | (1,535) |
| Other interest expense | (553) | (555) |
| **Total interest expense** | **(1,005,107)** | **(875,598)** |
| **Net interest income** | **861,742** | **926,496** |

# Note 4.

## NET FEE AND COMMISSION INCOME

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Fund management commission | 25,556 | 25,481 |
| Payments | 24,543 | 24,714 |
| Loans and deposits | 11,143 | 10,800 |
| Advisory fees | 3,698 | 3,777 |
| Asset management commssion | 2,298 | 2,254 |
| Intercompany commission | 1,333 | 1,859 |
| Guarantees | 1,069 | 1,022 |
| Other | 1,557 | 1,590 |
| **Total fee and commission income** | **71,197** | **71,497** |
| | | |
| Payments | (2,968) | (3,526) |
| Intercompany commission | (105) | (95) |
| Other | (1) | (3) |
| **Total fee and commission expense** | **(3,074)** | **(3,624)** |
| | | |
| **Net fee and commission income** | **68,123** | **67,873** |

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 (2023: £33 million) revenue from contracts with customers recognised in the Handelsbanken Wealth & Asset Management Limited entity.

# Note 5.

## NET GAINS ON FINANCIAL TRANSACTIONS AND OTHER INCOME

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Foreign exchange spot instruments | 11,303 | 11,119 |
| Other | 1,008 | 868 |
| **Total** | **12,311** | **11,987** |

The Other line mainly includes the research & development expenditure credit ("RDEC") related income recognised in the year.

# 6.0

## Note 6.

### PERSONNEL COSTS

The average number of persons employed (including directors) during the year was:

| Average number of employees<br>UK Group | 2024 | 2023 |
|---|---|---|
| Head office and support | 1,302 | 1,648 |
| Branch operations | 1,695 | 1,201 |
| Wealth management | 188 | 166 |
| Total | 3,185 | 3,015 |

Personnel costs for the above persons were:

| UK Group | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|
| Wages and salaries | 218,294 | 194,355 |
| Pension costs | 32,672 | 28,817 |
| Social security costs | 27,739 | 24,414 |
| Staff benefits and other | 12,817 | 12,216 |
| Share-based payment arrangement | 4,499 | 2,364 |
| Variable pay | 132 | 233 |
| Total | 296,153 | 262,399 |

For further detail on the Share-based payment arrangement, please see note 9.

## Note 7.

### OTHER OPERATING EXPENSES

| UK Group | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|
| Professional and legal fees | 22,240 | 30,909 |
| Intercompany recharges | 41,972 | 46,165 |
| Rent and premises costs | 18,260 | 17,586 |
| IT and communication costs | 15,192 | 15,080 |
| Unrecoverable VAT on intercompany invoices | 8,373 | 5,198 |
| Travel, marketing, membership & supplies | 11,760 | 12,475 |
| Consultancy fees | 6,885 | 7,565 |
| Restructuring cost | 712 | (473) |
| Auditors' remuneration | 1,498 | 1,533 |
| Other operating expenses | 3,101 | 4,119 |
| **Total operating expenses** | **129,993** | **140,157** |

Note 7. cont.

## OTHER OPERATING EXPENSES (CONT.)

Restructuring costs are negative in 2023 primarily due to release of provisions. Restructuring costs comprise amounts provided for onerous contracts, professional and legal fees provided.

For further details on intercompany recharges, please see note 28.

### *Auditors' remuneration*

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Fees payable to the company's auditor for the audit of the group accounts * | | |
| Handelsbanken plc | 1,098 | 1,136 |
| Handelsbanken Wealth & Asset Management Limited | 90 | 90 |
| Handelsbanken ACD Limited | 35 | 35 |
| | | |
| Fees payable to the company's auditor for other services: | | |
| Audit related assurance services | | |
| Handelsbanken plc CASS | 35 | 32 |
| Handelsbanken Wealth & Asset Management Limited CASS | 130 | 130 |
| Handelsbanken ACD Limited CASS | 110 | 110 |
| **Total audit and non-audit fees** | **1,498** | **1,533** |

* Audit fees payable for the audit of the group accounts includes nil (2023: £80,000) relating to previous year.

# Note 8.

## DIRECTORS' REMUNERATION

Directors' remuneration for the year, including non-executive directors (NEDs)

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Short-term employment benefits | 2,847 | 2,368 |
| Post employment benefits | 29 | 1 |
| Share-based payment | 3 | 4 |
| **Total remuneration** | **2,879** | **2,373** |

Total contributions to the Handelsbanken DC pension scheme made by the Bank on behalf of the directors in 2024 was nil (2023: 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 2024, one (2023: one) director was remunerated via Svenska Handelsbanken, all other directors were remunerated via the UK Group.

Note 8. cont.

### DIRECTORS' REMUNERATION (CONT.)

The amounts in respect of the highest paid director were as follows:

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Director's emoluments and fees | 1,168 | 1,084 |

## 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 2023 performance year this was disbursed via the SIP during 2024.

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 2024 to the UK Group's personnel are shown in the table below.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| UK Group | Number of shares | Average cost of shares £ | Number of shares | Average cost of shares £ |
| Annual free share awards | 531,263 | 7.62 | 891,271 | 6.68 |

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **Expenses arising from share based payment transactions** | **4,500** | **2,363** |
| *2022 Oktogonen allocation* | *-* | *1,004* |
| *2023 Oktogonen allocation* | *2,893* | *1,359* |
| *2024 Oktogonen allocation* | *1,607* | *-* |
| **Share-based payment liability** | **91** | **374** |
| **Oktogonen allocation provision** | **1,607** | **1,359** |

# 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** | **2024 £'000** | **2023 £'000** |
|---|---|---|
| Expected credit (losses)/ gains on balance sheet items | | |
| Stage 3 provision | (4,369) | (1,090) |
| Reversal of Stage 3 provision | 489 | 1,569 |
| **Costs related to provision Stage 3** | - | - |
| **Total expected credit (losses) / gains in Stage 3** | **(3,880)** | **479** |
| | | |
| The year's net reversal / (provision) Stage 1 | 3,994 | (923) |
| The year's net reversal / (provision) Stage 2 | 8,631 | (3,802) |
| **Total expected credit gains / (losses) in Stage 1 and Stage 2** | **12,625** | **(4,725)** |
| | | |
| Total expected credit gains / (losses) on balance sheet items | 8,745 | (4,246) |
| Expected credit gains on off-balance-sheet items | | |
| The year's net provision Stage 3 | - | - |
| The year's net reversal Stage 2 | 710 | 104 |
| The year's net reversal Stage 1 | 258 | 374 |
| **Total expected credit gains on off-balance-sheet items** | **968** | **478** |
| | | |
| **Write-offs** | | |
| Actual credit losses for the year[1] | (2,101) | (239) |
| Utilised share of previous provisions in Stage 3 | 2,000 | 199 |
| **Total write-offs** | **(101)** | **(40)** |
| | | |
| Recoveries | 552 | 20 |
| **Net credit gains/(losses)** | 10,164 | (3,788) |
| *of which loans to the public* | *9,172* | *(4,289)* |

1. Of the year's actual credit losses, no amount is subject to enforcement activities (2023: nil)

Note 10. cont.

*Balance sheet and off-balance sheet items that are subject to impairment testing*

| 2024<br>UK Group<br>£'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 | 9,084,816 | - | - | - | - | - |
| Loans to other credit institutions | 3,562,727 | - | - | (7) | - | - |
| Loans to the public | 16,705,882 | 926,032 | 212,397 | (6,445) | (6,603) | (4,894) |
| **Total** | **29,353,425** | **926,032** | **212,397** | **(6,452)** | **(6,603)** | **(4,894)** |
| **Off-balance sheet items** | | | | | | |
| Total off-balance sheet | 1,798,797 | 52,330 | 3,934 | (490) | (1,228) | - |
| *of which contingent liabilities and guarantees (Note 24)* | *537,230* | *5,842* | *1,008* | *(145)* | *(349)* | *-* |
| *of which commitments* | *1,261,567* | *46,488* | *2,926* | *(345)* | *(879)* | *-* |
| **Total** | **31,152,222** | **978,362** | **216,331** | **(6,942)** | **(7,831)** | **(4,894)** |

| 2023<br>UK Group<br>£'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 and guarantees (Note 24)* | *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)** |

## Key figures, credit losses
### *Loans to the public*

| UK Group and Bank | 2024 | 2023 |
|---|---|---|
| Credit loss ratio, % of loans to the public[1] | -0.05% | 0.02% |
| Total credit loss reserve ratio, % | 0.10% | 0.16% |
| Credit loss reserve ratio Stage 1, % | 0.04% | 0.06% |
| Credit loss reserve ratio Stage 2, % | 0.71% | 0.89% |
| Credit loss reserve ratio Stage 3, % | 2.30% | 1.89% |
| Proportion of loans in Stage 3, % | 1.16% | 0.91% |

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.

Note 10. cont.

## 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*

| | Exposure | | | | Provision | | | |
|---|---|---|---|---|---|---|---|---|
| **2024 UK Group and Bank £'000** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Balance at 1 January 2024 | 4,984,047 | 229,796 | 62,284 | 5,276,127 | (3,321) | (2,084) | (401) | **(5,806)** |
| Derecognised assets | (453,158) | (30,402) | (13,510) | (497,070) | 254 | 224 | 159 | **637** |
| Write-offs | - | - | (230) | (230) | - | - | 192 | **192** |
| Remeasurements due to changes in credit risk | - | - | - | - | 2,491 | 1,405 | (1,188) | **2,708** |
| Repayments, additional drawdowns and accrued interest | (237,462) | (8,102) | 2,477 | (243,087) | - | - | - | **-** |
| Originated assets | 469,156 | 7,465 | 558 | 477,179 | (27) | (12) | (11) | **(50)** |
| Transfer to Stage 1 | 82,519 | (79,975) | (2,544) | - | (9) | 19 | - | **10** |
| Transfer to Stage 2 | (120,895) | 123,766 | (913) | 1,958 | 64 | (166) | - | **(102)** |
| Transfer to Stage 3 | (16,699) | (17,059) | 31,800 | (1,958) | 263 | 290 | (53) | **500** |
| **Balance at 31 December 2024** | **4,707,508** | **225,489** | **79,922** | **5,012,919** | **(285)** | **(324)** | **(1,302)** | **(1,911)** |

*Change in exposures and provisions in Loans to the public - Retail, 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 | 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 | - | - | - | - | (292) | 2,361 | 497 | **2,566** |
| Repayments, additional drawdowns and accrued interest | (398,093) | 75,455 | (3,993) | (326,631) | - | - | - | **-** |
| 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.

### *Loans to public – Corporate*

*Change in exposures and provisions in Loans to the public - Corporate, that are subject to impairment testing*

| 2024<br>UK Group and Bank<br>£'000 | Exposure<br>Stage 1 | Stage 2 | Stage 3 | Total | Provision<br>Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2024 | 11,192,901 | 1,479,006 | 104,739 | 12,776,646 | (7,070) | (13,150) | (2,751) | **(22,971)** |
| Derecognised assets | (663,296) | (165,199) | (35,927) | (864,422) | 483 | 1,807 | - | **2,290** |
| Write-offs | - | - | (1,870) | (1,870) | - | - | 1,808 | **1,808** |
| Remeasurements due to changes in credit risk | - | - | - | - | (2,275) | (1,522) | 228 | **(3,569)** |
| Repayments, additional drawdowns and accrued interest | 41,428 | (208,615) | (3,916) | (171,103) | - | - | - | **-** |
| Originated assets | 1,068,453 | 23,687 | - | 1,092,140 | (437) | (287) | - | **(724)** |
| Transfer to Stage 1 | 954,167 | (946,875) | (7,292) | - | (1,119) | 2,437 | - | **1,318** |
| Transfer to Stage 2 | (572,648) | 583,909 | (3,111) | 8,150 | 1,219 | (3,474) | - | **(2,255)** |
| Transfer to Stage 3 | (22,631) | (65,370) | 79,852 | (8,149) | 3,039 | 7,910 | (2,877) | **8,072** |
| **Balance at 31 December 2024** | **11,998,374** | **700,543** | **132,475** | **12,831,392** | **(6,160)** | **(6,279)** | **(3,592)** | **(16,031)** |

*Change in exposures and provisions in Loans to the public - Corporate, that are subject to impairment testing*

| 2023<br>UK Group and Bank<br>£'000 | Exposure<br>Stage 1 | Stage 2 | Stage 3 | Total | Provision<br>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 | - | - | - | - | (9,090) | (3,425) | 138 | (12,377) |
| Repayments, additional drawdowns and accrued interest | (266,580) | 11,794 | 1,957 | (252,829) | - | - | - | - |
| Originated assets | 594,459 | 33,552 | - | 628,011 | (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) |

### *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*

| 2024<br>UK Group and Bank<br>£'000 | Exposure<br>Stage 1* | Stage 2 | Stage 3 | Total | Provision<br>Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2024 | 1,783,142 | 74,858 | 3,148 | 1,861,148 | (747) | (1,939) | - | (2,686) |
| Derecognised assets | (94,091) | (17,611) | (173) | (111,875) | 48 | 212 | - | 260 |
| Remeasurements due to changes in credit risk | - | - | - | - | 252 | 881 | - | 1,133 |
| Repayments, additional drawdowns and accrued interest | (123,310) | (3,150) | (317) | (126,777) | - | - | - | - |
| Originated assets | 229,096 | 3,468 | - | 232,564 | (89) | (131) | - | (220) |
| Transfer to Stage 1 | 34,792 | (34,605) | (186) | 1 | (37) | 93 | - | 56 |
| Transfer to Stage 2 | (30,347) | 30,850 | (215) | 288 | 42 | (504) | - | (462) |
| Transfer to Stage 3 | (485) | (1,480) | 1,677 | (288) | 41 | 160 | - | 201 |
| Balance at 31 December 2024 | 1,798,797 | 52,330 | 3,934 | 1,855,061 | (490) | (1,228) | - | (1,718) |

**Note 10.** cont.

***Off-balance sheet items that are subject to impairment testing (Cont.)***

*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 | - | - | - | - | 314 | 251 | - | 565 |
| Repayments, additional drawdowns and accrued interest | 146,050 | 31,786 | (584) | 177,252 | - | - | - | - |
| 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 | 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) |

*For the Bank, Stage 1 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.

When performing a credit assessment of a customer, the customer is assigned a rating. This rating, together with other risk rating criteria, determines how exposures are assessed into risk classes. For corporate customers, the Bank determines rating using a methodology, which is split into:

- The risk of financial strain (RFS): risk of the company's earnings and regular cash flow decreasing to such a degree that they become insufficient for the company to meet its financial commitments to the Bank.
- The financial powers of resistance (FPR): refers to the company's ability, in a situation of financial strain, of obtaining cash funds to compensate for a shortage in its regular cash flow.

For each element of the rating an assessment is allocated to a rating from 1 to 5, where 1 is the best rating (lowest risk) and 5 is the worst rating (highest risk). The rating process is designed to ensure that internal ratings are as consistent as possible between branches for borrowers that have similar risk levels. The rating is converted to an internal risk class (RFS+FPR-1).

The rating assessment for Retail customers looks at a borrower's financial information to produce a consistent indicative rating, which is then supplemented with expert judgement. The assessment of Private Individuals is as follows. The Indicative Rating is based on the following:

- Risk of Financial Strain (RFS) - this refers to the risk of the borrower's earnings and regular cash flow decreasing to such a degree that they become insufficient for the borrower to meet their financial commitments. Consideration of the borrower's income, expenditure, dependents, surplus and both internal and external debt servicing commitments are considered.
- Financial Powers of Resistance (FPR) – determines how any potential financial strain could be managed by the customer by requiring a detailed understanding of the customer's assets and liabilities.

Once all required data has been captured a two-digit indicative rating (RFS/FPR) is produced. Each component of the indicative rating is allocated between 1 to 5, where 1 is the best rating (lowest risk) and 5 is the worst rating (highest risk). Known facts and forward-looking information using expert judgement, are then considered to produce the final rating.  Once the ratings for RFS and FPR are finalised an overall risk class is expressed for the credit in the same way as for corporate customers. An average default rate is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the ten risk classes.

Note 10. cont.

***Balance sheet items, by Risk Class***
***Loans to the public - Retail***

| 2024<br>UK Group and Bank<br>£'000 | Gross Volume<br>Stage 1 | Stage 2 | Stage 3 | Total Gross | ECL<br>Stage 1 | Stage 2 | Stage 3 | Total ECL | Total |
|---|---|---|---|---|---|---|---|---|---|
| Risk Class 1 | 217,407 | - | - | 217,407 | (1) | - | - | (1) | 217,406 |
| Risk Class 2 | 542,827 | 56 | - | 542,883 | (2) | - | - | (2) | 542,881 |
| Risk Class 3 | 1,536,378 | 12,937 | - | 1,549,315 | (18) | (2) | - | (20) | 1,549,295 |
| Risk Class 4 | 1,605,319 | 85,951 | - | 1,691,270 | (147) | (58) | - | (205) | 1,691,065 |
| Risk Class 5 | 803,967 | 44,449 | - | 848,416 | (108) | (66) | - | (174) | 848,242 |
| Risk Class 6 | 1,095 | 53,959 | - | 55,054 | (9) | (115) | - | (124) | 54,930 |
| Risk Class 7 | - | 23,337 | - | 23,337 | - | (69) | - | (69) | 23,268 |
| Risk Class 8 | - | 4,477 | - | 4,477 | - | (12) | - | (12) | 4,465 |
| Risk Class 9 | - | 323 | - | 323 | - | (2) | - | (2) | 321 |
| Default | - | - | 79,922 | 79,922 | - | - | (1,302) | (1,302) | 78,620 |
| Unauthorised Overdraft | - | - | - | - | - | - | - | - | - |
| Other | 515 | - | - | 515 | - | - | - | - | 515 |
| **Total** | **4,707,508** | **225,489** | **79,922** | **5,012,919** | **(285)** | **(324)** | **(1,302)** | **(1,911)** | **5,011,008** |

| 2023<br>UK Group and Bank<br>£'000 | Gross Volume<br>Stage 1 | Stage 2 | Stage 3 | Total Gross | ECL<br>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** |

Note 10. cont.

***Balance sheet items, by Risk Class (Cont.)***
***Loans to public – Corporate***

| 2024 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 | 56,097 | - | - | 56,097 | - | - | - | - | 56,097 |
| Risk Class 2 | 1,583,375 | 1,036 | - | 1,584,411 | (35) | (1) | - | (36) | 1,584,375 |
| Risk Class 3 | 3,251,233 | 38,220 | - | 3,289,453 | (219) | (13) | - | (232) | 3,289,221 |
| Risk Class 4 | 4,770,644 | 124,335 | - | 4,894,979 | (1,697) | (229) | - | (1,926) | 4,893,053 |
| Risk Class 5 | 2,227,545 | 375,027 | - | 2,602,572 | (3,638) | (2,517) | - | (6,155) | 2,596,417 |
| Risk Class 6 | 106,176 | 113,041 | - | 219,217 | (570) | (2,147) | - | (2,717) | 216,500 |
| Risk Class 7 | - | 45,438 | - | 45,438 | - | (1,297) | - | (1,297) | 44,141 |
| Risk Class 8 | - | 3,446 | - | 3,446 | - | (75) | - | (75) | 3,371 |
| Risk Class 9 | - | - | - | - | - | - | - | - | - |
| Default | - | - | 132,475 | 132,475 | - | - | (3,592) | (3,592) | 128,883 |
| Unauthorised Overdraft | - | - | - | - | - | - | - | - | - |
| Other | 3,304 | - | - | 3,304 | (1) | - | - | (1) | 3,303 |
| **Total** | **11,998,374** | **700,543** | **132,475** | **12,831,392** | **(6,160)** | **(6,279)** | **(3,592)** | **(16,031)** | **12,815,361** |

| 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 | 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.

### *Balance sheet items, by Risk Class (Cont.)*
### *Off-balance sheet items*

| 2024<br>UK Group and Bank<br>£'000 | Gross Volume<br>Stage 1 | Stage 2 | Stage 3 | Total Gross | ECL<br>Stage 1 | Stage 2 | Stage 3 | Total ECL | Total |
|---|---|---|---|---|---|---|---|---|---|
| Risk Class 1 | 148,127 | 15 | - | 148,142 | - | - | - | - | 148,142 |
| Risk Class 2 | 298,684 | 119 | - | 298,803 | (4) | - | - | (4) | 298,799 |
| Risk Class 3 | 475,086 | 6,105 | - | 481,191 | (43) | (1) | - | (44) | 481,147 |
| Risk Class 4 | 585,821 | 7,458 | - | 593,279 | (244) | (14) | - | (258) | 593,021 |
| Risk Class 5 | 239,704 | 29,721 | - | 269,425 | (182) | (789) | - | (971) | 268,454 |
| Risk Class 6 | 7,673 | 8,163 | - | 15,836 | (16) | (384) | - | (400) | 15,436 |
| Risk Class 7 | 245 | 667 | - | 912 | - | (37) | - | (37) | 875 |
| Risk Class 8 | - | 73 | - | 73 | - | (3) | - | (3) | 70 |
| Risk Class 9 | - | 9 | - | 9 | - | - | - | - | 9 |
| Default | - | - | 3,934 | 3,934 | - | - | - | - | 3,934 |
| Unauthorised Overdraft | - | - | - | - | - | - | - | - | - |
| Other | 43,457 | - | - | 43,457 | (1) | - | - | (1) | 43,456 |
| **Total** | **1,798,797** | **52,330** | **3,934** | **1,855,061** | **(490)** | **(1,228)** | **-** | **(1,718)** | **1,853,343** |

| 2023<br>UK Group and Bank<br>£'000 | Gross Volume<br>Stage 1 | Stage 2 | Stage 3 | Total Gross | ECL<br>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** |

### *Loans to the public by LTV*
### *Retail*

| 2024<br>UK Group and Bank<br>£'000 | Gross<br>Stage 1 | Stage 2 | Stage 3 | Total Gross | ECL<br>Stage 1 | Stage 2 | Stage 3 | Total ECL | Total |
|---|---|---|---|---|---|---|---|---|---|
| LTV<50% | 1,855,966 | 92,929 | 26,038 | 1,974,933 | (63) | (136) | (329) | (528) | 1,974,405 |
| 50%<=LTV<60% | 932,125 | 47,889 | 17,453 | 997,467 | (53) | (71) | - | (124) | 997,343 |
| 60%<=LTV<70% | 943,314 | 48,541 | 15,836 | 1,007,691 | (64) | (60) | (412) | (536) | 1,007,155 |
| 70%<=LTV<75% | 471,260 | 17,209 | 6,359 | 494,828 | (34) | (18) | (15) | (67) | 494,761 |
| 75%<=LTV<80% | 261,665 | 11,245 | 1,518 | 274,428 | (27) | (22) | - | (49) | 274,379 |
| 80%<=LTV<90% | 125,575 | 2,157 | 6,050 | 133,782 | (10) | (2) | - | (12) | 133,770 |
| 90%<=LTV<100% | 29,179 | 1,755 | 4,192 | 35,126 | (2) | (2) | (10) | (14) | 35,112 |
| 100<=LTV | 8,578 | 2,435 | 824 | 11,837 | (18) | (8) | (365) | (391) | 11,446 |
| Unsecured | 79,846 | 1,329 | 1,652 | 82,827 | (14) | (5) | (171) | (190) | 82,637 |
| **Total** | **4,707,508** | **225,489** | **79,922** | **5,012,919** | **(285)** | **(324)** | **(1,302)** | **(1,911)** | **5,011,008** |

Note 10. cont.

### *Loans to the public by LTV Retail (cont.)*

| 2023 UK Group and Bank £'000 | Gross Stage 1 | Gross Stage 2 | Gross Stage 3 | Total Gross | ECL Stage 1 | ECL Stage 2 | ECL 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** |

### *Corporate*

| 2024 UK Group and Bank £'000 | Gross Stage 1 | Gross Stage 2 | Gross Stage 3 | Total Gross | ECL Stage 1 | ECL Stage 2 | ECL Stage 3 | Total ECL | Total |
|---|---|---|---|---|---|---|---|---|---|
| LTV<50% | 8,014,873 | 446,291 | 60,889 | 8,522,053 | (3,318) | (2,333) | - | (5,651) | 8,516,402 |
| 50%<=LTV<60% | 2,664,005 | 156,812 | 45,946 | 2,866,763 | (1,924) | (2,273) | - | (4,197) | 2,862,566 |
| 60%<=LTV<70% | 299,847 | 16,370 | 16,130 | 332,347 | (205) | (339) | (172) | (716) | 331,631 |
| 70%<=LTV<75% | 38,030 | 152 | 298 | 38,480 | (60) | (2) | - | (62) | 38,418 |
| 75%<=LTV<80% | 46,207 | 11,199 | 1,760 | 59,166 | (41) | (638) | - | (679) | 58,487 |
| 80%<=LTV<90% | 40,544 | 44,097 | 5,145 | 89,786 | (55) | (311) | (2,943) | (3,309) | 86,477 |
| 90%<=LTV<100% | 14,930 | - | 983 | 15,913 | (10) | - | (36) | (46) | 15,867 |
| 100<=LTV | 151,452 | 2,587 | 213 | 154,252 | (112) | (18) | - | (130) | 154,122 |
| Unsecured* | 728,486 | 23,035 | 1,111 | 752,632 | (435) | (365) | (441) | (1,241) | 751,391 |
| **Total** | **11,998,374** | **700,543** | **132,475** | **12,831,392** | **(6,160)** | **(6,279)** | **(3,592)** | **(16,031)** | **12,815,361** |

*Included within the unsecured line is £204m that relates to Asset Financing, which cannot readily be allocated in LIV.

| 2023 UK Group and Bank £'000 | Gross Stage 1 | Gross Stage 2 | Gross Stage 3 | Total Gross | ECL Stage 1 | ECL Stage 2 | ECL 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 11.

### TAXES

***Income tax expense for the year***

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **Current tax:** | | |
| Current year current tax | 137,594 | 156,571 |
| Adjustments in respect of previous years | 663 | 972 |
| **Total current tax charge** | **138,257** | **157,543** |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences | (100) | 412 |
| Adjustments in respect of previous years | 581 | 913 |
| Rate change | (6) | 156 |
| **Total deferred tax charge** | **475** | **1,481** |
| **Tax charge on profit** | **138,732** | **159,024** |

The tax assessed for the year is higher (2023: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

***Tax reconciliation***

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Profit before taxation | 498,022 | 574,764 |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 25% (2023: 23.5%) | 124,506 | 135,070 |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | 767 | 859 |
| Banking surcharge | 12,221 | 21,054 |
| Adjustment to tax charge in respect of prior years - current tax | 663 | 972 |
| Impact of bank surcharge on deferred tax | (6) | 104 |
| Adjustment to tax charge in respect of prior year - deferred tax | 581 | 913 |
| Remeasurement of deferred tax due to rate changes | - | 52 |
| **Total tax charge** | **138,732** | **159,024** |

Finance Act 2021 increased main rate of corporation tax from 19% to 25% on 1 April 2023. Finance Act 2022 increased the banking surcharge allowance from £25m to £100m and reduced the banking surcharge rate from 8% to 3% from 1 April 2023. The banking surcharge, which imposes additional tax at the set rate on banks taxable profits in excess of the allowance, was £12.2m (2023: £21.0m) for the period ended 31 December 2024.

**Note 11.** cont.

### Deferred Tax

All deferred tax assets and liabilities have been recognised at 28% by Handelsbanken PLC (corporation tax of 25% and bank surcharge of 3%) and at 25% by its UK subsidiaries (non-banking entities). The deferred tax liability of £2.2 million (2023: £2.7 million), arose in respect of an asset (customer list) recognised by Svenska Handelsbanken on acquisition of Handelsbanken Wealth & Asset Management, and has been calculated using the headline corporation tax rate of 25%.

### Pillar Two

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.

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%.

Although the entities that make up the Handelsbanken UK sub-group are in scope of the enacted legislation, they did not have any subsidiaries, permanent establishments, or operations in other jurisdictions during the year ended 31 December 2024. The UK sub-group had an ETR of 27.8%. Consequently, the MTT / DTT did not apply, and no liabilities have arisen.

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 | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Short term temporary differences | 660 | 1,418 |
| Fixed asset temporary differences | 411 | 680 |
| **Deferred tax assets** | **1,071** | **2,098** |
| | | |
| Intangible asset temporary differences | (2,179) | (2,730) |
| **Deferred tax liabilities** | **(2,179)** | **(2,730)** |

### *Deferred tax movement*

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Deferred tax (liability)/asset as at 1 Jan | (632) | 849 |
| Income statement (charge)/credit: | | |
| Fixed asset temporary differences | (16) | 79 |
| Holiday accrual | - | 117 |
| Unutilised losses carried forward | (197) | 192 |
| Intangible asset temporary differences | 259 | 290 |
| Short term temporary differences | 53 | (1,090) |
| Prior year adjustment | (581) | (913) |
| Rate change | 6 | (156) |
| **Deferred tax liabilities as at 31 Dec** | **(1,108)** | **(632)** |
| Made up of: | | |
| **Deferred tax asset** | **1,071** | **2,098** |
| **Deferred tax liability** | **(2,179)** | **(2,730)** |

# 6.0

## 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.

*Reconciliation of cash and balances on Balance sheet and Cash flow*

| UK Group | | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| Cash and balances with central banks (Balance sheet) | | 9,084,816 | 8,878,735 |
| Due from other banks | 14 | 26,893 | 59,824 |
| Add provision for expected credit losses reported as provisions | 14 | 7 | 55 |
| Less accrued interest | | (14,526) | (22,400) |
| **Cash balance at the end of the year (cash flow)** | | **9,097,190** | **8,916,214** |

## Note 13.

### OTHER LOANS TO CENTRAL BANKS

| UK Group and Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Cash held at central banks | - | 88,371 |

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. The Cash Ratio Deposit has now been replaced with Bank of England levy so the balance on this account is Nil.

## Note 14.

### DUE (TO) / FROM OTHER CREDIT INSTITUTIONS

| UK Group | 2024 £'000 | 20223 £'000 |
|---|---|---|
| Due from other banks | 26,900 | 59,879 |
| Intercompany lending | 3,535,827 | 5,170,486 |
| **Total** | **3,562,727** | **5,230,365** |
| | | |
| Provision for expected credit loss | (7) | (55) |
| **Total asset** | **3,562,720** | **5,230,310** |
| *of which accrued interest income* | *22,733* | *51,465* |
| | | |
| **Loans from other credit institutions** | | |
| Due to other banks | 3,683 | 21,205 |
| Intercompany borrowing | 4,975,470 | 6,865,749 |
| **Total liability** | **4,979,153** | **6,886,954** |
| *of which accrued interest expense* | *10,110* | *12,136* |

# Note 15.

## INTANGIBLE ASSETS

| 2024<br>UK Group | Acquisition customer lists £'000 | Purchased software and licences £'000 | Internally developed software £'000 | Goodwill £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2024 | 20,709 | 1,960 | 41,958 | 14,293 | **78,920** |
| Additions | - | - | 10,663 | - | **10,663** |
| Disposals | - | - | - | - | **-** |
| **At 31 December 2024** | **20,709** | **1,960** | **52,621** | **14,293** | **89,583** |
| **Accumulated amortisation and impairment** | | | | | |
| At 1 January 2024 | (10,958) | (1,960) | (14,997) | - | **(27,915)** |
| Amortisation | (1,036) | - | (10,354) | - | **(11,390)** |
| Change in Impairment | - | - | (221) | - | **(221)** |
| Disposals | - | - | - | - | **-** |
| **At 31 December 2024** | **(11,994)** | **(1,960)** | **(25,572)** | **-** | **(39,526)** |
| Balance at 31 December 2023 | 9,751 | - | 26,961 | 14,293 | 51,005 |
| **Balance at 31 December 2024** | **8,715** | **-** | **27,049** | **14,293** | **50,057** |

| 2023<br>UK Group | 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 31 December 2022 | 10,787 | 300 | 22,464 | 14,293 | 47,844 |
| **Balance at 31 December 2023** | **9,751** | **-** | **26,961** | **14,293** | **51,005** |

**Note 15.** cont.

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 2024.

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 2024 there was £4.3 million (2023: £5.0 million) of capitalised work in progress included within intangible assets that is currently not being amortised. Internally developed software costs have been impaired during were 2024 £0.2million (2023: £nil). 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.

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 £15 million (2023: £18 million).

Goodwill has an indefinite useful life and therefore is 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. This involves determining both the value in use and fair value less costs of disposal ('FVLCD'). Historically, when performing impairment testing, the value in use of the cash generating unit to which goodwill has been allocated to is calculated by discounting estimated future cash flows. Management utilised FVLCD assessment for the 2024 valuation technique, as opposed to estimated future cash flows which are based on financial forecasts utilising historical trends. This is due to current year losses primarily driven by one-off significant costs associated with future growth and governance projects. Management worked with a third party accounting and advisory firm to determine the FVLCD assessment, where Fair Value is determined in accordance with IFRS 13 Fair Value Measurement and costs of disposal are the direct costs only (not existing costs or overheads) as defined in IAS 36.28. The FVLCD is based on a market approach, applying multiples derived from comparable quoted companies and recent comparable transactions. To conclude on a FVLCD range, Price to AUM ('P/AUM'), Price/ Earnings ('PE') and Enterprise Value to Revenue ('EV/ Revenue'), which are commonly used metrics for valuing wealth management businesses, were used. In considering the appropriate applicable multiples, the financial metrics of the business were compared to comparable companies and the lower end minimum, and first quartile multiple were utilised. Any reasonably possible change in the key assumptions made in the FVLCD calculation would not have a material impact on the valuation. After calculating the Equity Value (including surplus cash of the business), we can determine the difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill. This was deemed to be satisfactory with no impairment required.

The methodology selected to determine the fair value of goodwill is categorised as level 3 valuation under IFRS 13. This is because the inputs into the calculation are not based on observable market data of the specific goodwill in use.

# Note 16.

## PROPERTY AND EQUIPMENT

| UK Group 2024 | Branch fit out £'000 | Fixtures, fittings and equipment £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2024 | 35,026 | 9,634 | 14,862 | 59,522 |
| Additions | 5,158 | 975 | 1,595 | 7,728 |
| Disposals | (1,595) | (527) | (812) | (2,934) |
| **At 31 December 2024** | **38,589** | **10,082** | **15,645** | **64,316** |
| | | | | |
| **Accumulated Depreciation and impairment** | | | | |
| At 1 January 2024 | (19,968) | (7,928) | (11,734) | (39,630) |
| Charge | (3,107) | (710) | (1,910) | (5,727) |
| Change in Impairment | 32 | - | - | 32 |
| Disposals | 1,306 | 526 | 812 | 2,644 |
| **At 31 December 2024** | **(21,737)** | **(8,112)** | **(12,832)** | **(42,681)** |
| | | | | |
| Balance at 31 December 2023 | 15,058 | 1,706 | 3,128 | 19,892 |
| **Balance at 31 December 2024** | **16,852** | **1,970** | **2,813** | **21,635** |

| 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 31 December 2022 | 14,165 | 1,420 | 2,850 | 18,435 |
| **Balance at 31 December 2023** | **15,058** | **1,706** | **3,128** | **19,892** |

# Note 17.

## OTHER ASSETS

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Sundry debtors | 3,805 | 2,209 |
| Unsettled Certificate of Deposit | 88,910 | - |
| Other intercompany assets | 113 | 155 |
| Trade debtors | 2,780 | 3,669 |
| **Total** | **95,608** | **6,033** |

## Note 18.

### DEPOSITS FROM THE PUBLIC

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Corporate | 15,185,610 | 15,009,080 |
| Private | 5,694,881 | 5,350,322 |
| **Total** | **20,880,491** | **20,359,402** |
| *of which accrued interest expenses* | *41,284* | *41,632* |

## 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 and Bank £'000 | 2024 | | 2023 | |
|---|---|---|---|---|
| | Carrying | Nominal | Carrying | Nominal |
| Issued securities at beginning of year* | 2,099,883 | 2,118,500 | 2,175,375 | 2,185,550 |
| Issued | 4,630,089 | 4,668,150 | 5,125,131 | 5,161,750 |
| Matured | (4,623,859) | (4,667,150) | (5,200,623) | (5,228,800) |
| **Balance at 31 December** | **2,106,113** | **2,119,500** | **2,099,883** | **2,118,500** |
| Accrued interest expenses | 30,326 | - | 34,988 | - |
| **Issued securities at end of period** | **2,136,439** | **2,119,500** | **2,134,871** | **2,118,500** |

* The opening nominal values have been restated to reflect the nominal values of zero coupon CDs issued

## Note 20.

### PROVISIONS

| UK Group £'000 | Provisions for off-balance sheet items | Restructuring provision | Other provisions | 2024 Total | 2023 Total |
|---|---|---|---|---|---|
| Provision at beginning of year | 2,686 | 655 | 13,390 | 16,731 | 22,843 |
| Additional provision | - | - | 2,728 | 2,728 | 3,174 |
| Reduction in provision | - | (516) | (3,625) | (4,141) | (8,808) |
| Change in expected credit losses | (968) | - | - | (968) | (478) |
| **Provision at end of year** | **1,718** | **139** | **12,493** | **14,350** | **16,731** |

The provision for off-balance sheet items relates to expected credit losses. See note 10.

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 | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Sundry creditors and other liabilities | 11,218 | 10,737 |
| VAT | 1,084 | 1,403 |
| Trade creditors | 3,223 | 2,647 |
| Other intercompany liabilities | 3 | 83 |
| **Total** | **15,528** | **14,870** |

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 1 January 2023 | 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** |
| Shares issued during year | - | - | - | - |
| **At 31 December 2024** | **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

| | 2024 | | 2023 | |
|---|---|---|---|---|
| UK Group and Bank | Per Share (£) | Total £'000 | Per Share (£) | Total £'000 |
| **Dividends paid on ordinary shares** | 123.82 | 625,341 | 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 £95.97 per fully paid ordinary share (2023: £123.82). | 95.97 | 484,687 | 123.82 | 625,341 |

On 12 March 2025, the Directors recommended a dividend for 2024 of £95.97 per ordinary share. The total dividend will be paid, subject to approval at the AGM, on 19 March 2025. For further information refer to the Directors' Report and Subsequent Events, note 29.

# 6.0

## Note 24.

### COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES

| UK Group | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|
| **Contingent liabilities and Guarantees** | | |
| Credit guarantees | 366,900 | 372,426 |
| Other guarantees | 152,407 | 127,274 |
| *Of which, intercompany* | *38,128* | *16,709* |
| *Of which, other* | *114,279* | *110,565* |
| Irrevocable letters of credit | 24,773 | 52,050 |
| *Of which, intercompany* | *4,900* | *32,033* |
| *Of which, other* | *19,873* | *20,017* |
| Other | 888 | 61 |
| **Total contingent liabilities and guarantees** | **544,968** | **551,811** |
| *Of which subject to impairment testing according to IFRS 9* | *544,080* | *551,750* |
| | | |
| **Commitments** | | |
| Loan commitments | 2,995,634 | 2,640,604 |
| Unutilised part of granted overdraft facilities | 529,151 | 500,737 |
| Other | 39,485 | 33,592 |
| **Total commitments** | **3,564,270** | **3,174,933** |
| *Of which subject to impairment testing according to IFRS 9* | *1,310,981* | *1,309,398* |
| *Provision for expected credit losses reported as provisions, see Note 20* | *1,718* | *2,686* |

Contingent liabilities and guarantees 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 and guarantees 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 LEASEE

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 2023** | **51,454** |
| Additions | 8,866 |
| Depreciation | (11,311) |
| Reversal of Impairment | (529) |
| Right-of-use remeasurements | 2,240 |
| **Balance at 31 December 2023 and 1 January 2024** | **50,720** |
| Additions | 8,854 |
| Depreciation | (10,479) |
| Reversal of Impairment | (374) |
| Right-of-use remeasurements | 1,788 |
| **Balance at 31 December 2024** | **50,509** |

### *Lease liabilities*
### *Maturity analysis, contractual undiscounted cash flows*

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Less than one year | 11,338 | 11,152 |
| More than one year, less than 2 years | 10,752 | 9,391 |
| More than two years, less than 5 years | 23,841 | 23,629 |
| More than 5 years | 15,030 | 12,922 |
| **Total undiscounted lease liabilities** | **60,961** | **57,094** |

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.

Note 25. cont.

### *Amounts recognised in income statement*

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Depreciation expenses | 10,479 | 11,311 |
| Variable lease expenses | 4,879 | 5,122 |
| Lease liability, interest expenses | 1,734 | 1,535 |
| Short-term, low-value lease expenses | 1,019 | 934 |

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.

The value of these variable, short-term and low-value leases and interest expenses recognised in the income statement amounted to £7.6 million (2023: £7.6 million).

### *Amounts recognised in cash flow statement*

| UK Group | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Total cash outflow for leases | 11,884 | 12,424 |
| Adjustment for non-cash items in profit: | | |
| Lease liability interest expense | 1,734 | 1,535 |
| Acquisition of right of use asset | (8,854) | (8,866) |

# 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.

| 2024 UK Group £'000 | Amortised cost | Total carrying amount | Fair value |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 9,084,816 | 9,084,816 | 9,083,661 |
| Loans to other credit institutions | 3,562,720 | 3,562,720 | 3,565,135 |
| Loans to the public | 17,826,369 | 17,826,369 | 17,669,418 |
| Other assets | 95,608 | 95,608 | 95,608 |
| **Total** | **30,569,513** | **30,569,513** | **30,413,822** |
| Goodwill and Intangible assets | | 50,057 | |
| Other non-financial assets | | 94,287 | |
| **Total assets** | | **30,713,857** | |
| | | | |
| **Liabilities** | | | |
| Due to credit institutions | 4,979,153 | 4,979,153 | 5,145,827 |
| Deposits from the public | 20,880,491 | 20,880,491 | 20,873,882 |
| Issued securities | 2,136,439 | 2,136,439 | 2,147,821 |
| Other liabilities | 15,528 | 15,528 | 15,528 |
| **Total** | **28,011,611** | **28,011,611** | **28,183,058** |
| Non-financial liabilities | | 78,612 | |
| **Total liabilities** | | **28,090,223** | |

**Note 26.** cont.

| 2023<br>UK Group<br>£'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** | |

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 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*

| 2024<br>UK Group<br>£'000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | 9,083,661 | - | - | 9,083,661 |
| Loans to other credit institutions | - | 3,565,135 | - | 3,565,135 |
| Loans to the public | - | - | 17,669,418 | 17,669,418 |
| **Total financial assets** | **9,083,661** | **3,565,135** | **17,669,418** | **30,318,214** |
| | | | | |
| **Liabilities** | | | | |
| Due to credit institutions | - | 5,145,827 | - | 5,145,827 |
| Deposits from the public | - | 20,873,882 | - | 20,873,882 |
| Issued securities | - | 2,147,821 | - | 2,147,821 |
| **Total financial liabilities** | **-** | **28,167,530** | **-** | **28,167,530** |

| 2023<br>UK Group<br>£'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** |

# 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 changed its definition of key management personnel in 2024 to include members of the Executive Committee that hold a Senior Management Function (SMF) as well as members of Handelsbanken plc's Board of Directors.

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 key management personnel of the UK Group

The following table provides the total amount of transactions, which Handelsbanken Group has entered into with key management personnel:

| UK Group 2024<br>£'000 | Balances at<br>31 December 2024 | Interest expense |
|---|---|---|
| Residential mortgages | 2,819 | 73 |
| Loans (Excl Mortgages) | 200 | 2 |
| Deposits | 2,282 | 31 |
| Other | 9,558 | 3 |

| UK Group 2023<br>£'000 | Balances at<br>31 December 2023 | Interest expense |
|---|---|---|
| Residential mortgages | 2,606 | 65 |
| Loans (Excl Mortgages) | 158 | 1 |
| Deposits | 1,529 | 9 |
| Other | 5,556 | 24 |

Other comprises mostly of investments and related fees. 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.

### *KMP remuneration*

| UK Group and Bank | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|
| Short-term employment benefits | 5,389 | 2,368 |
| Post employment benefits | 263 | 1 |
| Share-based payment | 15 | 4 |
| **Total remuneration** | **5,667** | **2,373** |

Note 28. cont.

### Transactions with other related parties

In addition to transactions with key management personnel, Handelsbanken plc enters into transactions with entities that are related to 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 2024, 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 | 2024 Parent | 2023 Parent |
|---|---|---|---|
| Intercompany interest income | Note 3 | 242,326 | 292,440 |
| Intercompany interest expense | Note 3 | (228,687) | (259,618) |
| **Net intercompany interest income** | | **13,639** | **32,822** |
| Intercompany commission income | Note 4 | 1,333 | 1,859 |
| Intercompany commission expense | Note 4 | (105) | (95) |
| **Net intercompany commission income** | | **1,228** | **1,764** |
| Other intercompany income | | 618 | 634 |
| Other intercompany expense | | (42,589) | (46,799) |
| **Total other intercompany expense** | **Note 7** | **(41,971)** | **(46,165)** |
| **Total** | | **(27,104)** | **(11,579)** |

### Amounts with Parent company, as at 31 December 2024 and 31 December 2023 were as follows:

| UK Group £'000 | Note | 2024 Parent | 2023 Parent |
|---|---|---|---|
| **Included within assets** | | | |
| Intercompany lending* | Note 14 | 3,535,827 | 5,170,486 |
| Other intercompany assets | | 149 | 155 |
| **Total** | | **3,535,976** | **5,170,641** |
| **Included within liabilities** | | | |
| Intercompany borrowings | Note 14 | 4,975,470 | 6,865,749 |
| *Of which deposits* | | *4,369,481* | *6,287,881* |
| *Of which subordinated loans* | | *300,692* | *402,465* |
| *Of which senior non preferred debt* | | *200,479* | *50,160* |
| *Of which other* | | *104,818* | *125,243* |
| Other intercompany liabilities | | 1,506 | 84 |
| **Total** | | **4,976,976** | **6,865,833** |
| *Of which, accrued interest* | *Note 14* | *32,843* | *63,601* |

* 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 2024 (2023: nil).

# Note 29.

## SUBSEQUENT EVENTS

The UK Group has reviewed events from 31 December 2024 up until the authorisation of the financial statements for issue.

On 12 March 2025, the Directors recommended a dividend for 2024 of £95.97 per ordinary share. The total dividend will be paid, subject to approval at the AGM, on 19 March 2025. As the dividend was recommended after 31 December 2024, it is classified as a non-adjusting event and is therefore not recognised in the financial statements for the year ended 31 December 2024.

On 14th January 2025, the Bank announced to its employees that there would be organisational business changes in head office functions in 2025. The implementation of the changes will be gradual throughout 2025 and will, if implemented as proposed and subject to employee consultation, will result in reductions in our workforce in head office. This change to the organisation is a non-adjusting post balance sheet event. The estimated employee cost is approximately £6.6 million.

The Bank entered into a significant new lease in February 2025 such that its head office operations and Handelsbanken Wealth & Asset Management Limited will move to a new premises in summer 2025. As the lease was executed after 31 December 2024 it is a non-adjusting post balance sheet event.

There have been no other significant events between 31 December 2024 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.

## IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The UK Group, including Handelsbanken plc is a wholly owned subsidiary of Svenska Handelsbanken, incorporated in Sweden, which is both the immediate parent undertaking and 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.

# 7.0

# Handelsbanken plc
## Financial statements for the year ended 31 December 2024

COMPANY NUMBER: 11305395

# Statement of profit or loss and comprehensive income Bank

| Bank | Note | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| Interest income calculated using the effective interest method | | 1,866,799 | 1,802,068 |
| Interest expense | | (1,006,380) | (875,529) |
| **Net interest income** | 3.2 | **860,419** | **926,539** |
| Fee and commission income | | 38,389 | 38,730 |
| Fee and commission expense | | (3,071) | (3,621) |
| **Net fee and commission income** | 4.2 | **35,318** | **35,109** |
| Net gains on financial transactions and other income | 5.2 | 12,291 | 11,975 |
| **Total income** | | **908,028** | **973,623** |
| Personnel costs | 6.2 | (271,864) | (241,636) |
| Depreciation, amortisation and impairment | 13.2,14.2,15.2 & 21.2 | (25,847) | (22,553) |
| Other operating expenses | 7.2 | (116,186) | (129,095) |
| **Total expenses** | | **(413,897)** | **(393,284)** |
| **Profit before credit gains / (losses) and net losses from disposal** | | **494,131** | **580,339** |
| Net credit gains/(losses) | 10 | (10,164) | (3,788) |
| Net losses on disposal of property, equipment and intangible assets | | (13) | 65 |
| **Profit before tax** | | **504,282** | **576,486** |
| Taxes | 10.2 | (140,540) | (159,454) |
| **Profit for the year** | | **363,742** | **417,032** |
| Other comprehensive income, net of tax | | – | – |
| **Total comprehensive income for the year** | | **363,742** | **417,032** |

There is no other comprehensive income for the year ended 31 December 2024.
The results for the year were derived wholly from Handelsbanken plc's continuing operations.
The notes on pages 139-159 form part of these financial statements.

# 7.2

# Balance sheet
## Bank

| Bank | Note | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | 11.2 | 9,084,816 | 8,878,735 |
| Other loans to central banks | 13 | - | 88,371 |
| Loans to other credit institutions | 12.2 | 3,559,552 | 5,227,990 |
| Loans to the public | 2 | 17,826,369 | 18,023,996 |
| Investments in subsidiaries | 13.2 | 44,119 | 44,119 |
| Intangible assets | 14.2 | 27,049 | 26,961 |
| Property and equipment | 15.2 | 21,360 | 19,423 |
| Right-of-use assets | 21.2 | 47,085 | 48,154 |
| Current tax assets | | 2,431 | - |
| Deferred tax assets | 10.2 | 643 | 1,460 |
| Prepaid expenses and accrued income | | 14,005 | 11,830 |
| Other assets | 16.2 | 96,975 | 6,899 |
| **Total assets** | | 30,724,404 | 32,377,938 |
| | | | |
| **LIABILITIES** | | | |
| Due to credit institutions | 12.2 | 4,979,153 | 6,886,954 |
| Deposits from the public | 17.2 | 20,895,713 | 20,377,717 |
| Issued securities | 19 | 2,136,439 | 2,134,871 |
| Current tax liabilities | | - | 108 |
| Provisions | 18.2 | 13,733 | 16,394 |
| Lease liabilities | | 49,336 | 49,049 |
| Accrued expenses and deferred income | | 7,519 | 9,163 |
| Other liabilities | 19.2 | 15,365 | 14,937 |
| **Total liabilities** | | 28,097,258 | 29,489,193 |
| | | | |
| **EQUITY** | | | |
| Share capital | 22 | 5,050 | 5,050 |
| Share premium | 22 | 2,070,619 | 2,070,619 |
| Retained earnings | | 551,477 | 813,076 |
| **Total equity** | | 2,627,146 | 2,888,745 |
| | | | |
| **Total liabilities and equity** | | 30,724,404 | 32,377,938 |

These financial statements were approved by the Board of directors and authorised for issue on 12 March 2025.
The notes on pages 139-159 form part of these financial statements.

**Martin Björnberg**
Director
Date 12 March 2025

# Statement of changes in equity
## Bank

| Bank<br>2024 | Note | Share capital<br>£'000 | Share premium<br>£'000 | Retained earnings for the year<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|---|
| **At 1 January 2024** | **22** | **5,050** | **2,070,619** | **813,076** | **2,888,745** |
| **Dividend Paid** | **23** | - | - | **(625,341)** | **(625,341)** |
| Profit for the year | | - | - | 363,742 | 363,742 |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income** | | - | - | **363,742** | **363,742** |
| **At 31 December 2024** | | **5,050** | **2,070,619** | **551,477** | **2,627,146** |

| Bank<br>2023 | Note | Share capital<br>£'000 | Share premium<br>£'000 | Retained earnings for the year<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|---|
| At 1 January 2023 | 22 | 5,050 | 2,070,619 | 661,560 | **2,737,229** |
| Dividend Paid | 23 | - | - | (265,516) | **(265,516)** |
| Profit for the year | | - | - | 417,032 | **417,032** |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income | | - | - | 417,032 | **417,032** |
| **At 31 December 2023** | | **5,050** | **2,070,619** | **813,076** | **2,888,745** |

# 7.4

# Cash flow statement
## Bank

| | Note | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before tax | | 504,282 | 576,486 |
| *of which paid in interest* | | *1,919,749* | *1,737,283* |
| *of which paid out interest* | | *(1,012,519)* | *(839,742)* |
| **Adjustment for non-cash items in profit:** | | | |
| Net (gains) / credit losses | 10 | (10,164) | 3,788 |
| Gains on financial transactions | | - | (876) |
| Net losses on disposal of property, equipment and intangible assets | | 13 | 65 |
| Depreciation, amortisation and impairment | 13.2, 14.2,15.2 & 21.2 | 25,847 | 22,499 |
| Lease liability interest expense | 21.2 | 1,629 | 1,467 |
| Acquisition of right of use asset | | (7,244) | (8,866) |
| Provisions | 18.2 | (2,661) | (5,879) |
| | | | |
| **Changes in the assets and liabilities of operating activities:** | | | |
| Other loans to central banks | 13 | 88,371 | 11,529 |
| Loans to other credit institutions | | 1,634,610 | 289,813 |
| Loans to the public | | 207,791 | 1,000,930 |
| Due to credit institutions | 12.2 | (1,907,801) | (352,480) |
| Deposits from the public | 17.2 | 517,996 | (129,014) |
| Issued securities | 19 | 1,568 | (55,354) |
| Lease liabilities | | 8,132 | 7,329 |
| Income tax (payment) | | (142,262) | (161,477) |
| Other assets | 16.2 | (90,076) | 25,325 |
| Prepaid expenses and accrued income | | (2,175) | (2,043) |
| Other liabilities | 19.2 | 428 | (1,265) |
| Accrued expenses and deferred income | | (1,644) | 893 |
| Accrued interest | | 7,868 | (9,756) |
| **Cash inflow from operating activities** | | **834,508** | **1,213,114** |
| | | | |
| **INVESTING ACTIVITIES** | | | |
| Acquisitions of property and equipment | 15.2 | (7,670) | (6,884) |
| Disposal of property and equipment | | 277 | 166 |
| Internally Developed Intangible assets | 14.2 | (10,663) | (11,138) |
| **Cash outflow from investing activities** | | **(18,056)** | **(17,856)** |
| | | | |
| **FINANCING ACTIVITIES** | | | |
| Dividends paid to company's shareholders | 23 | (625,341) | (265,516) |
| Payments made for lease liabilities | 21.2 | (10,990) | (11,077) |
| **Cash outflow from financing activities** | | **(636,331)** | **(276,593)** |
| | | | |
| **Cash inflow for the year** | | **180,121** | **918,665** |
| | | | |
| Cash balance at beginning of year | 11.2 | 8,913,895 | 7,995,365 |
| Net foreign exchange differences | | 6 | (135) |
| **Cash balance at end of year** | **11.2** | **9,094,022** | **8,913,895** |

# Notes to the financial statements Bank

## 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 5. 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 accounting policies have been applied consistently, other than where new policies have been adopted.

The financial statements are presented in GBP rounded to the nearest thousand '£'000', which is also the Bank's functional currency.

***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.

***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 2026.

**(b) Changes in Accounting Policies**

***New and amended standards and interpretations***

Whilst there are no new accounting standards that are effective from 1 January 2024, the following amendments to accounting standards are effective from 1 January 2024:

- Amendments to IAS 1: Non-current Liabilities with Covenants
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Amendments to IFRS 16 Leases: Lease liability in a Sale and Leaseback
- Amendments to IAS 12:  International Tax Reform – Pillar Two Model Rules
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

Note 1.2. cont.

The following accounting amendment is applicable from 1 January 2025:
- Amendments to IAS 21: Lack of Exchangeability

The effect of amendments to accounting standards effective from 1 January 2024 on our financial statements is immaterial.

None of the new and amended standards and interpretations have been early adopted.

***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 Bank.

**(c) 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 2024 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<br>2024<br>£'000 | Residential property | Other property | Sovereigns, municipalities[1] | Financial collateral | Collateral in assets | Unsecured | Total |
|---|---|---|---|---|---|---|---|
| Cash and balances with central banks | - | - | 9,084,816 | - | - | - | 9,084,816 |
| Loans to other credit institutions | - | - | - | 72,476 | - | 3,487,076 | 3,559,552 |
| Loans to the public | 10,948,620 | 6,066,280 | 4,989 | 13,422 | 184,096 | 608,962 | 17,826,369 |
| **Total** | **10,948,620** | **6,066,280** | **9,089,805** | **85,898** | **184,096** | **4,096,038** | **30,470,737** |
| Off-balance sheet items | 587,690 | 811,897 | 96,707 | 3,633 | - | 2,611,423 | 4,111,350 |
| *of which guarantee commitments* | *18,517* | *11,343* | *40* | *1,304* | *-* | *515,876* | *547,080* |
| *of which obligations* | *569,173* | *800,554* | *96,667* | *2,329* | *-* | *2,095,547* | *3,564,270* |
| **Total** | **587,690** | **811,897** | **96,707** | **3,633** | **-** | **2,611,423** | **4,111,350** |
| **Total on and off-balance sheet items** | **11,536,310** | **6,878,177** | **9,186,512** | **89,531** | **184,096** | **6,707,461** | **34,582,087** |

1. Refers to direct sovereign exposures and government guarantees.

| Bank<br>2023<br>£'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.

# 7.5

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 2024 £'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 | 9,084,816 | - | - | - | - | - | - | **9,084,816** |
| To credit institutions | 932,441 | 1,157,007 | 670,222 | 619,829 | 136,060 | 43,993 | - | **3,559,552** |
| Loans to public | 661,354 | 1,626,017 | 1,487,655 | 3,757,513 | 7,636,945 | 2,656,885 | - | **17,826,369** |
| Other | - | - | - | - | - | - | 96,975 | **96,975** |
| **Total** | **10,678,611** | **2,783,024** | **2,157,877** | **4,377,342** | **7,773,005** | **2,700,878** | **96,975** | **30,567,712** |
| **Liabilities** | | | | | | | | |
| To credit institutions | 603,614 | 434,563 | 429,014 | 1,110,554 | 1,563,246 | 838,162 | | **4,979,153** |
| Deposits from public | 17,144,533 | 3,317,998 | 224,172 | 24,704 | 1,965 | 182,341 | - | **20,895,713** |
| Issued securities | 234,031 | 1,640,322 | 262,086 | - | - | - | - | **2,136,439** |
| *Of which CD's less than one year* | *234,031* | *1,640,322* | *262,086* | *-* | *-* | *-* | *-* | *2,136,439* |
| Other | - | - | - | - | - | - | 15,365 | **15,365** |
| **Total** | **17,982,178** | **5,392,883** | **915,272** | **1,135,258** | **1,565,211** | **1,020,503** | **15,365** | **28,026,670** |
| **Off-balance sheet items** | | | | | | | | |
| **Unutilised guarantees and loan commitments** | 4,068,865 | - | - | - | - | - | - | 4,068,865 |

| 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 | - | - | - | - | - | - | 6,899 | **6,899** |
| **Total** | **10,827,512** | **3,613,272** | **2,778,105** | **3,843,041** | **8,634,731** | **2,522,431** | **6,899** | **32,225,991** |
| **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 | - | - | - | - | - | - | 14,937 | **14,937** |
| **Total** | **18,713,075** | **5,359,042** | **879,642** | **971,003** | **2,306,498** | **767,817** | **417,402** | **29,414,479** |
| **Off-balance sheet items** | | | | | | | | |
| **Unutilised guarantees and loan commitments** | 3,726,683 | - | - | - | - | - | - | 3,726,683 |

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 2024 £'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 | 608,331 | 453,607 | 454,001 | 1,174,310 | 1,795,473 | 1,021,709 | - | **5,507,431** |
| Deposits from public | 17,144,194 | 3,344,096 | 230,577 | 26,250 | 2,139 | 182,324 | - | **20,929,580** |
| Issued securities | 246,273 | 1,653,284 | 273,704 | - | - | - | - | **2,173,261** |
| *Of which CD's less than one year* | *246,273* | *1,653,284* | *273,704* | - | - | - | - | *2,173,261* |
| Other | - | - | - | - | - | - | 15,365 | **15,365** |
| **Total** | **17,998,798** | **5,450,987** | **958,282** | **1,200,560** | **1,797,612** | **1,204,033** | **15,365** | **28,625,637** |

| 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 | 1,833,313 | 440,396 | 515,124 | 1,001,991 | 2,606,830 | 609,678 | 402,465 | **7,409,797** |
| 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 | - | - | - | - | - | - | 14,937 | **14,937** |
| **Total** | **18,737,816** | **5,421,464** | **919,321** | **1,042,425** | **2,607,877** | **857,116** | **417,402** | **30,003,421** |

# Note 3.2

## NET INTEREST INCOME

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Loans to the public | 1,150,271 | 1,116,726 |
| Loans to credit institutions and central banks | 465,873 | 382,980 |
| Loans to other group undertakings | 242,326 | 292,440 |
| Other interest income | 8,329 | 9,922 |
| **Total interest income calculated using the effective interest method** | **1,866,799** | **1,802,068** |
| | | |
| Deposits and borrowing from the public | (655,461) | (510,759) |
| Due to other group undertakings | (230,065) | (259,618) |
| Issued securities | (118,672) | (103,131) |
| Lease liability | (1,629) | (1,467) |
| Other interest expense | (553) | (554) |
| **Total interest expense** | **(1,006,380)** | **(875,529)** |
| **Net interest income** | **860,419** | **926,539** |

## Note 4.2

### NET FEE AND COMMISSION INCOME

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Payments | 24,543 | 24,714 |
| Loans and deposits | 11,143 | 10,800 |
| Intercompany commission | 1,333 | 1,859 |
| Guarantees | 1,069 | 1,022 |
| Other | 301 | 335 |
| **Total fee and commission income** | **38,389** | **38,730** |
| | | |
| Payments | (2,968) | (3,526) |
| Intercompany commission | (102) | (92) |
| Other | (1) | (3) |
| **Total fee and commission expense** | **(3,071)** | **(3,621)** |
| | | |
| **Net fee and commission income** | **35,318** | **35,109** |

## Note 5.2

### NET GAINS ON FINANCIAL TRANSACTIONS AND OTHER INCOME

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Foreign exchange spot instruments | 11,303 | 11,119 |
| Other income | 988 | 856 |
| **Total** | **12,291** | **11,975** |

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 | 2024 | 2023 |
|---|---|---|
| Head office and support | 1,302 | 1,648 |
| Branch operations | 1,695 | 1,201 |
| **Total** | **2,997** | **2,849** |

Personnel costs for the above persons were:

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Wages and salaries | 199,868 | 178,786 |
| Pension costs | 30,276 | 26,742 |
| Social security costs | 25,474 | 22,474 |
| Staff benefits and other | 11,980 | 11,375 |
| Share-based payment arrangement | 4,266 | 2,259 |
| **Total** | **271,864** | **241,636** |

# Note 7.2

## OTHER OPERATING EXPENSES

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Professional and legal fees | 18,448 | 28,666 |
| Intercompany recharges | 38,532 | 42,926 |
| Rent and premises costs | 17,287 | 16,806 |
| IT and communication costs | 14,093 | 13,965 |
| Unrecoverable VAT on intercompany invoices | 8,373 | 5,198 |
| Travel, marketing, membership & supplies | 9,879 | 10,652 |
| Consultancy fees | 6,451 | 7,554 |
| Restructuring cost | 712 | (473) |
| Auditors' remuneration | 1,098 | 1,133 |
| Other operating expenses | 1,313 | 2,668 |
| **Total operating expenses** | **116,186** | **129,095** |

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.
For further details on intercompany recharges, please see note 24.2.

Note 7.2. cont.

***Auditors' remuneration***

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Fees payable to the company's auditor for the audit of the company accounts * | 1,063 | 1,101 |
| Fees payable to the company's auditor for other services: | | |
| Audit related assurance services | 35 | 32 |
| **Total audit and non-audit fees** | **1,098** | **1,133** |

* Audit fees payable for the audit of the bank accounts includes nil (2023: £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 2023 performance year this was disbursed via the SIP during 2024.

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 2024 to the Bank's personnel are shown in the table below.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| Bank | No. of shares | Average cost of shares £ | No. of shares | Average cost of shares £ |
| Annual free share awards | 501,639 | 7.62 | 841,288 | 6.68 |

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Expenses arising from share based payment transactions | 4,266 | 2,259 |
| *2022 Oktogonen allocation* | *-* | *981* |
| *2023 Oktogonen allocation* | *2,747* | *1,278* |
| *2024 Oktogonen allocation* | *1,519* | *-* |
| Share-based payment liability | 91 | 374 |
| Oktogonen allocation provision | 1,519 | 1,278 |

# Note 9.2

## CREDIT LOSSES

### *Balance sheet and off-balance sheet items that are subject to impairment testing*

| 2024<br>Bank<br>£'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 | 9,084,816 | - | - | - | - | - |
| Loans to other credit institutions | 3,559,559 | - | - | (7) | - | - |
| Loans to the public | 16,705,882 | 926,032 | 212,397 | (6,445) | (6,603) | (4,894) |
| **Total** | **29,350,257** | **926,032** | **212,397** | **(6,452)** | **(6,603)** | **(4,894)** |
| **Off-balance sheet items** | | | | | | |
| Total off-balance sheet | 1,801,797 | 52,330 | 3,934 | (490) | (1,228) | - |
| *of which contingent liabilities and guarantees (Note 20.2)* | *540,230* | *5,842* | *1,008* | *(145)* | *(349)* | *-* |
| *of which commitments* | *1,261,567* | *46,488* | *2,926* | *(345)* | *(879)* | *-* |
| **Total** | **31,152,054** | **978,362** | **216,331** | **(6,942)** | **(7,831)** | **(4,894)** |

| 2023<br>Bank<br>£'000 | Gross amount | | | Provisions | | |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| **Balance sheet items** | 8,878,735 | - | - | - | - | - |
| Cash and balances with 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 and guarantees (Note 20.2)* | *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 10.2

### TAXES

***Income tax expense for the year***

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **Current tax:** | | |
| Current year current tax | 139,060 | 156,571 |
| Adjustments in respect of previous years | 662 | 963 |
| **Total current tax charge** | **139,722** | **157,534** |
| | | |
| **Deferred tax:** | | |
| Origination and reversal of temporary differences | (53) | 810 |
| Adjustments in respect of previous years | 877 | 954 |
| Rate change | (6) | 156 |
| **Total deferred tax charge** | **818** | **1,920** |
| **Tax charge on profit** | **140,540** | **159,454** |

The tax assessed for the year is higher (2023: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

***Tax reconciliation***

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Profit before taxation | 504,282 | 576,486 |
| | | |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 25% (2023: 23.5%) | 126,071 | 135,474 |
| | | |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | 716 | 853 |
| Banking surcharge | 12,221 | 21,054 |
| Adjustments to tax charge in respect of prior years - current tax | 662 | 963 |
| Impact of bank surcharge on deferred tax | (7) | 104 |
| Adjustments to tax charge in respect of prior years - deferred tax | 877 | 954 |
| Remeasurement of deferred tax due to rate changes | - | 52 |
| **Total tax charge** | **140,540** | **159,454** |

Finance Act 2021 increased the main rate of corporation tax from 19% to 25% on 1 April 2023. Finance Act 2022 increased the banking surcharge allowance from £25m to £100m and reduced the banking surcharge rate from 8% to 3% from 1 April 2023. The banking surcharge, which imposes additional tax at the set rate on banks taxable profits in excess of the allowance, was £12.2m (2023: £21.0m) for the period ended 31 December 2024.

**Deferred Tax**
All deferred tax assets and liabilities have been recognised at 28% by Handelsbanken PLC (corporation tax of 25% and bank surcharge of 3%).

**Pillar Two**
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.

Note 10.2. cont.

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%.

Although the entities that make up the Handelsbanken UK sub-group are in scope of the enacted legislation, they did not have any subsidiaries, permanent establishments, or operations in other jurisdictions during the year ended 31 December 2024. The UK sub-group had an ETR of 27.8%. Consequently, the MTT / DTT did not apply, and no liabilities have arisen.

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 | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Holiday accrual | - | 623 |
| Short term temporary differences | 426 | 358 |
| Fixed asset temporary differences | 217 | 479 |
| **Deferred tax assets** | **643** | **1,460** |

### *Deferred tax movement*

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Deferred tax asset at beginning of year | 1,460 | 3,380 |
| Fixed asset temporary differences | (7) | 86 |
| Holiday accrual | - | 117 |
| Short term temporary differences | 61 | (1,013) |
| Prior year adjustment | (877) | (954) |
| Movement in tax rate | 6 | (156) |
| **Deferred tax asset at end of year** | **643** | **1,460** |

# Note 11.2

## CASH AND BALANCES WITH CENTRAL BANKS

### *Reconciliation of cash and balances on Balance sheet and Cash flow*

| Bank | | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| Cash and balances with central banks (Balance sheet) | | 9,084,816 | 8,878,735 |
| Due from other banks | 12.2 | 23,725 | 57,505 |
| Add provision for expected credit losses reported as provisions | 12.2 | 7 | 55 |
| Less accrued interest | | (14,526) | (22,400) |
| **Cash balance at the end of the year (cash flow)** | | **9,094,022** | **8,913,895** |

## Note 12.2

### DUE (TO) / FROM OTHER CREDIT INSTITUTIONS

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Due from other banks | 23,732 | 57,559 |
| Intercompany lending | 3,535,827 | 5,170,486 |
| **Total** | **3,559,559** | **5,228,045** |
| | | |
| Provision for expected credit loss | (7) | (55) |
| **Total asset** | **3,559,552** | **5,227,990** |
| *of which accrued interest income* | *22,733* | *51,465* |
| | | |
| **Loans from other credit institutions** | | |
| Due to other banks | 3,683 | 21,205 |
| Intercompany borrowing | 4,975,470 | 6,865,749 |
| **Total liability** | **4,979,153** | **6,886,954** |
| *of which accrued interest expense* | *10,110* | *12,136* |

## Note 13.2

### INVESTMENTS IN SUBSIDIARIES

| Bank | Total £'000 |
|---|---|
| **Cost** | |
| At 1 January 2023 and 1 January 2024 | 44,119 |
| **Impairment** | |
| At 31 December 2023 and 31 December 2024 | - |
| **Balance** | |
| At 31 December 2023 and 31 December 2024 | 44,119 |

Investments in subsidiaries held by the Bank during 2024 have been regularly reviewed for impairment indicators. The Bank's investment in subsidiaries is Handelsbanken Wealth & Asset Management Limited. Due to losses made by Handelsbanken Wealth & Asset Management Limited, it was tested for impairment in connection with the closing of the annual accounts. This involves determining both the value in use and fair value less costs of disposal ('FVLCD'). Historically, when performing impairment reviews/testing, the value in use of the cash generating unit to which investment in subsidiary has been allocated to is calculated by discounting estimated future cash flows. Management utilised FVLCD assessment for the 2024 valuation technique, as opposed to estimated future cash flows which are based on financial forecasts utilising historical trends. This is due to current year losses primarily driven by one-off significant costs associated with future growth and governance projects. Management worked with a third party accounting and advisory firm to determine the FVLCD assessment, where Fair Value is determined in accordance with IFRS 13 Fair Value Measurement and costs of disposal are the direct costs only (not existing costs or overheads) as defined in IAS 36.28. The FVLCD is based on a market approach, applying multiples derived from comparable quoted companies and recent comparable transactions. To conclude on a FVLCD range, Price to AUM ('P/AUM'), Price/ Earnings ('PE') and Enterprise Value to Revenue ('EV/Revenue'), which are commonly used metrics for valuing wealth management businesses, were used. In considering the appropriate applicable multiples, the financial metrics of the business were compared to comparable companies and the lower end minimum, and first quartile multiple were utilised. Any reasonably possible change in the key assumptions made in the FVLCD calculation would not have a material impact on the valuation. After calculating the Equity Value (including surplus cash of the business), we can determine the difference between the recoverable amounts and the carrying amounts in the annual impairment test of investment in subsidiary. This was deemed to be satisfactory with no impairment required.

### Note 13.2. cont.

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 | 1 Kingsway, London, 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 2024 | Internally developed software £'000 |
|---|---|
| **Cost** | |
| At 1 January 2024 | 41,958 |
| Additions | 10,663 |
| Disposals | - |
| **At 31 December 2024** | **52,621** |
| **Accumulated amortisation and impairment** | |
| At 1 January 2024 | (14,997) |
| Amortisation | (10,354) |
| Change in Impairment | (221) |
| Disposals | - |
| **At 31 December 2024** | **(25,572)** |
| At 31 December 2023 | 26,961 |
| **At 31 December 2024** | **27,049** |

| 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 31 December 2022 | 22,464 |
| **At 31 December 2023** | **26,961** |

Research and development costs incurred and recognised in the income statement and not capitalised amount to £15 million (2023: £17 million), these costs relate entirely to internally developed software.

## Note 15.2

### PROPERTY AND EQUIPMENT

| Bank<br>2024 | Branch fit out<br>£'000 | Fixtures, fittings and equipment<br>£'000 | Computer equipment<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2024 | 35,026 | 7,005 | 12,252 | 54,283 |
| Additions | 5,158 | 974 | 1,538 | 7,670 |
| Disposals | (1,595) | (527) | (812) | (2,934) |
| **At 31 December 2024** | **38,589** | **7,452** | **12,978** | **59,019** |
| **Accumulated depreciation and impairment** | | | | |
| At 1 January 2024 | (19,968) | (5,629) | (9,263) | (34,860) |
| Charge | (3,107) | (545) | (1,823) | (5,475) |
| Change in Impairment | 32 | - | - | 32 |
| Disposals | 1,306 | 526 | 812 | 2,644 |
| **At 31 December 2024** | **(21,737)** | **(5,648)** | **(10,274)** | **(37,659)** |
| Balance at 31 December 2023 | 15,058 | 1,376 | 2,989 | 19,423 |
| **Balance at 31 December 2024** | **16,852** | **1,804** | **2,704** | **21,360** |

| Bank<br>2023 | Branch fit out<br>£'000 | Fixtures, fittings and equipment<br>£'000 | Computer equipment<br>£'000 | Total<br>£'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 31 December 2022 | 14,165 | 954 | 2,715 | 17,834 |
| **Balance at 31 December 2023** | **15,058** | **1,376** | **2,989** | **19,423** |

## Note 16.2

### OTHER ASSETS

| Bank | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|
| Sundry debtors | 2,947 | 3,312 |
| Unsettled Certificate of Deposit | 88,910 | - |
| Other intercompany assets | 149 | 155 |
| Trade debtors | 4,969 | 3,432 |
| **Total** | **96,975** | **6,899** |

# Note 17.2

## DEPOSITS FROM THE PUBLIC

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Corporate | 15,185,610 | 15,009,080 |
| Private | 5,694,882 | 5,350,322 |
| Intercompany borrowing | 15,221 | 18,315 |
| **Total** | **20,895,713** | **20,377,717** |
| *of which accrued interest expenses* | *41,284* | *41,632* |

# Note 18.2

## PROVISIONS

| Bank £'000 | Provisions for off-balance sheet items | Restructuring provision | Other provisions | 2024 Total | 2023 Total |
|---|---|---|---|---|---|
| Provision at beginning of year | 2,686 | 655 | 13,053 | 16,394 | 22,272 |
| Additional provision | - | - | 2,367 | 2,367 | 3,092 |
| Reduction in provision | - | (516) | (3,544) | (4,060) | (8,492) |
| Change in expected credit losses | (968) | - | - | (968) | (478) |
| **Provision at end of year** | **1,718** | **139** | **11,876** | **13,733** | **16,394** |

# Note 19.2

## OTHER LIABILITIES

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Sundry creditors and other liabilities | 11,396 | 10,888 |
| VAT | 1,084 | 1,403 |
| Trade creditors | 2,882 | 2,563 |
| Other intercompany liabilities | 3 | 83 |
| **Total** | **15,365** | **14,937** |

# 7.5

## Note 20.2

### COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES

***Commitments include loans and overdraft commitments provided to customers.***

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **Contingent liabilities and Guarantees** | | |
| Credit guarantees | 366,900 | 372,426 |
| Other guarantees | 155,407 | 130,274 |
| *Of which, intercompany* | *41,128* | *19,709* |
| *Of which, other* | *114,279* | *110,565* |
| Irrevocable letters of credit | 24,773 | 52,050 |
| *Of which, intercompany* | *4,900* | *32,033* |
| *Of which, other* | *19,873* | *20,017* |
| Other | 888 | 61 |
| **Total contingent liabilities and guarantees** | **547,968** | **554,811** |
| *of which subject to impairment testing according to IFRS 9* | *547,080* | *554,750* |
| **Commitments** | | |
| Loan commitments | 2,995,634 | 2,640,604 |
| Unutilised part of granted overdraft facilities | 529,151 | 500,737 |
| Other | 39,485 | 33,592 |
| **Total commitments** | **3,564,270** | **3,174,933** |
| *of which subject to impairment testing according to IFRS 9* | *1,310,981* | *1,309,398* |
| *Provision for expected credit losses reported as provisions, see Note 18.2* | *1,718* | *2,686* |

Contingent liabilities and guarantees 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 and guarantees 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 2023** | **47,842** |
| Additions | 8,866 |
| Depreciation | (10,265) |
| Reversal of Impairment | (529) |
| Right-of-use remeasurements | 2,240 |
| **Balance at 31 December 2023 and 1 January 2024** | **48,154** |
| Additions | 7,244 |
| Depreciation | (9,455) |
| Reversal of Impairment | (374) |
| Right-of-use remeasurements | 1,516 |
| **Balance at 31 December 2024** | **47,085** |

#### *Lease liabilities*
#### *Maturity analysis, contractual undiscounted cash flows*

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Less than one year | 10,257 | 10,200 |
| More than one year, less than 2 years | 9,682 | 8,497 |
| More than two years, less than 5 years | 23,278 | 22,878 |
| More than 5 years | 13,966 | 12,922 |
| **Total undiscounted lease liabilities** | **57,183** | **54,497** |

#### *Amounts recognised in income statement*

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Depreciation expenses | 9,455 | 10,265 |
| Variable lease expenses | 4,879 | 5,122 |
| Lease liability, interest expenses | 1,629 | 1,467 |
| Short-term, low-value lease expenses | 1,285 | 1,329 |

#### *Amounts recognised in cash flow statement*

| Bank | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Total cash outflow for leases | 10,990 | 11,077 |
| Adjustment for non-cash items in profit: | | |
| Lease liability interest expense | 1,629 | 1,467 |
| Acquisition of right of use asset | (7,244) | (8,866) |

# 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.

| 2024<br>Bank<br>£'000 | Amortised cost | Total carrying amount | Fair value |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central banks | 9,084,816 | 9,084,816 | 9,083,661 |
| Loans to other credit institutions | 3,559,552 | 3,559,552 | 3,561,967 |
| Loans to the public | 17,826,369 | 17,826,369 | 17,669,418 |
| Other assets | 96,975 | 96,975 | 96,975 |
| **Total** | **30,567,712** | **30,567,712** | **30,412,021** |
| Investments in subsidiary | | 44,119 | |
| Other non-financial assets | | 112,573 | |
| **Total assets** | | **30,724,404** | |
| | | | |
| **Liabilities** | | | |
| Due to credit institutions | 4,979,153 | 4,979,153 | 5,145,827 |
| Deposits from the public | 20,895,713 | 20,895,713 | 20,889,104 |
| Issued securities | 2,136,439 | 2,136,439 | 2,147,821 |
| Other liabilities | 15,365 | 15,365 | 15,365 |
| **Total** | **28,026,670** | **28,026,670** | **28,198,117** |
| Non-financial liabilities | | 70,588 | |
| **Total liabilities** | | **28,097,258** | |

| 2023<br>Bank<br>£'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** | |

# Note 23.2

## FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### *Fair value of financial instruments at amortised cost*

| 2024<br>Bank<br>£'000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with central banks | 9,083,661 | - | - | 9,083,661 |
| Loans to other credit institutions | - | 3,561,967 | - | 3,561,967 |
| Loans to the public | - | - | 17,669,418 | 17,669,418 |
| **Total financial assets** | **9,083,661** | **3,561,967** | **17,669,418** | **30,315,046** |
| **Liabilities** | | | | |
| Due to credit institutions | - | 5,145,827 | - | 5,145,827 |
| Deposits from the public | - | 20,889,104 | - | 20,889,104 |
| Issued securities | - | 2,147,821 | - | 2,147,821 |
| **Total financial liabilities** | **-** | **28,182,752** | **-** | **28,182,752** |

| 2023<br>Bank<br>£'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 | - | 5,264,496 | - | 5,264,496 |
| Loans to the public | - | - | 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** |

## 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 changed its definition of key management personnel in 2024 to include members of the Executive Committee that hold a Senior Management Function (SMF) as well as members of Handelsbanken plc's Board of Directors.

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.

A list of the subsidiaries of the Bank can be found in note 13.2 to the financial statements.

**Transactions with key management personnel of the Bank**

The following table provides the total amount of transactions, which the Bank has entered into with key management personnel for the year ended 31 December 2024:

| Bank<br>2024<br>£'000 | Balances at<br>31 December 2024 | Interest expense |
|---|---|---|
| Residential mortgages | 2,699 | 68 |
| Loans (Excl Mortgages) | 200 | 2 |
| Deposits | 2,016 | 30 |
| Other | 7,925 | 3 |

| Bank<br>2023<br>£'000 | Balances at<br>31 December 2023 | Interest expense |
|---|---|---|
| Residential mortgages | 2,375 | 60 |
| Loans (Excl Mortgages) | 158 | 1 |
| Deposits | 1,201 | 7 |
| Other | 2,189 | - |

Other comprises mostly of investments and related fees. 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.

Note 24.2. cont.

### Transactions with other related parties

In addition to transactions with key management personnel, the Bank enters into transactions with entities that are related to 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 2024, the Bank 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.

| Bank £'000 | Note | 2024 Parent | 2024 Wholly-owned subsidiary | 2023 Parent | 2023 Wholly-owned subsidiary |
|---|---|---|---|---|---|
| Intercompany interest income | Note 3.2 | 242,326 | - | 292,440 | - |
| Intercompany interest expense | Note 3.2 | (228,687) | (1,378) | (259,618) | - |
| **Net intercompany interest income / (expense)** | | **13,639** | **(1,378)** | **32,822** | **-** |
| Intercompany commission income | Note 4.2 | 1,333 | - | 1,859 | - |
| Intercompany commission expense | Note 4.2 | (102) | - | (92) | - |
| **Net intercompany commission income** | | **1,231** | **-** | **1,767** | **-** |
| Other intercompany income | | 344 | 3,080 | 370 | 2,777 |
| Other intercompany expense | | (41,952) | (4) | (46,069) | (4) |
| **Total other intercompany (expense)/ income** | **Note 7.2** | **(41,608)** | **3,076** | **(45,699)** | **2,773** |
| **Total** | | **(26,738)** | **1,698** | **(11,110)** | **2,773** |

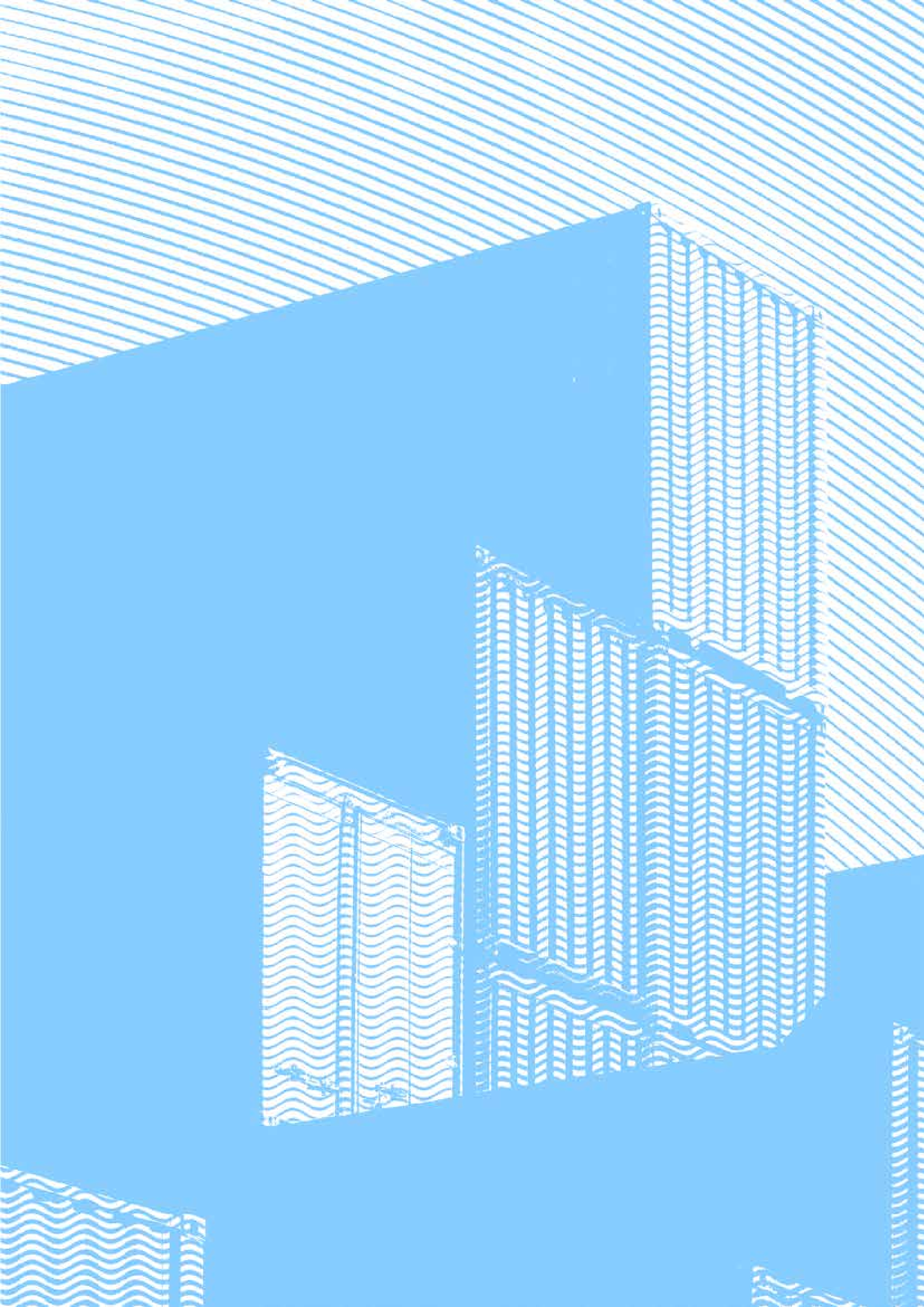
***Amounts with Parent company, and other intercompany parties as at 31 December 2024 were as follows:***

| Bank | Note | 2024 Parent | 2024 Wholly-owned subsidiary | 2023 Parent | 2023 Wholly-owned subsidiary |
|---|---|---|---|---|---|
| **Included within assets** | | | | | |
| Intercompany lending* | Note 12.2 | 3,535,827 | - | 5,170,486 | - |
| Other intercompany assets | | 149 | - | 155 | - |
| **Total** | | **3,535,976** | **-** | **5,170,641** | **-** |
| **Included within liabilities** | | | | | |
| Intercompany borrowings | Note 12.2 | 4,975,470 | 15,221 | 6,865,749 | 18,315 |
| *Of which deposits* | | *4,369,481* | *-* | *6,287,881* | *-* |
| *Of which subordinated loans* | | *300,692* | *-* | *402,465* | *-* |
| *Of which senior non preferred debt* | | *200,479* | *-* | *50,160* | *-* |
| *Of which other* | | *104,818* | *15,221* | *125,243* | *18,315* |
| Other intercompany liabilities | | 1,506 | - | 84 | - |
| **Total** | | **4,976,976** | **15,221** | **6,865,833** | **18,315** |
| *Of which, accrued interest* | *Note 12.2* | *32,843* | | *63,601* | |

* Subject to impairment testing

During the year Handelsbanken Wealth & Asset Management made a group relief surrender to the Bank of its losses worth £1.5m. These losses were surrendered for full payment which was also made in October 2024. As a result of the final year end results there is an amount of £35k included within Other intercompany assets for the Bank in relation to group relief overpaid.

We have considered the impairment of intercompany balances and assessed with specific regard to the current economic environment that no impairment is required in 2024 (2023: nil).



# 8.0

# Glossary

## A

| | |
|---|---|
| **Assets Under Management & Administration (AUMA)** | The total value of the assets that a financial institution oversees and administers on behalf of clients. Consists of both assets which are actively managed and those that are administratively overseen. |

## B

| | |
|---|---|
| **Basic Indicator Approach (BIA)** | A simple approach for calculating the capital charge for operational risk under the Basel II Accord which uses the bank's average annual total gross income over the last three years as a risk indicator for the bank's operational risk exposure. |

## C

| | |
|---|---|
| **Capital Conservation Buffer (CCB)** | A capital buffer designed to ensure banks build up capital buffers outside periods of stress that can be drawn down as losses are incurred. |
| **Common equity tier 1 capital ratio (CET 1)** | A measurement of a bank's core equity capital compared with its total risk-weighted assets. |
| **Cost/income ratio** | Total expenses in relation to total income. |
| **Countercyclical Capital Buffer (CCyB)** | A time-varying buffer requiring 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. |
| **Credit loss ratio** | Losses on loans to the public in relation to loans to the public at the beginning of the year. |
| **Customer Connect** | A value-add, proactive advisory service available to all Handelsbanken plc customers 24/7 and 365 days a year. |

## D

| | |
|---|---|
| **Debt Capital Markets (DCM)** | A market in which companies and governments raise funds through the trade of debt securities, including corporate bonds and government bonds. |
| **Domestic top-up tax (DTT)** | A top-up tax, separate to the Multinational Top-up Tax (MTT), that is charged on qualifying UK entities of multination groups where the aggregate effective tax rate is below 15%. This is charged in lieu of the MTT being charged on an overseas parent company. |

## E

| | |
|---|---|
| **Earnings per share** | The profit for the year attributable to shareholders divided by the average number of outstanding shares. |
| **Exposure at default (EAD)** | EAD is the total value a bank is exposed to when a loan defaults. |
| **Expected credit losses (ECL)** | Expected credit losses are probability-weighted estimate of credit losses. |
| **Energy Performance Certificate (EPC)** | A rating scheme in the UK to sets out the energy efficiency of a property. Produced by an accredited domestic energy assessor, an EPC provides an indication of how much it will cost to heat (both water and space) and light a property. |

## F

| | |
|---|---|
| **Financial Conduct Authority (FCA)** | The Financial Conduct Authority regulates the conduct of financial firms. |
| **Forbearance** | Granting a concession for a customer experiencing or about to experience, financial difficulty in meeting prevailing contractual payments. |
| **FPC** | Financial Policy Committee. |

# 8.0

| | |
|---|---|
| **G** | |
| **Greenhouse Gases (GHG)** | GHG are atmospheric gases that trap heat or longwave radiation in the atmosphere, increasing the temperature of the Earth's surface. There are seven gases considered as part of the GHG Corporate Protocol Standard. |
| **H** | |
| **High-Quality Liquid Assets (HQLA)** | Assets which can be converted into cash easily and immediately, with little or no loss of value, including under the stress scenario. |
| **I** | |
| **Internal capital adequacy assessment process (ICAAP)** | The procedure by which a bank finds, quantifies, gathers, and keeps track of material risk in order to create a risk profile that serves as the foundation for capital allocation. |
| **Internal liquidity adequacy assessment process (ILAAP)** | A framework designed to assess the internal liquidity risk management practices of financial institutions. It provides a comprehensive and robust approach to measuring, monitoring and reporting of a bank's liquidity position and risks. |
| **Internal ratings-based approach (IRB) approach** | A method of calculating credit risk capital requirements using internal, rather than supervisory, estimates of risk parameters. |
| **L** | |
| **Leverage ratio** | Tier 1 capital in relation to total assets. |
| **Liquidity coverage ratio (LCR)** | High-quality liquid assets in relation to an estimated net outflow of liquidity over a period of 30 days. |
| **Loan to deposit ratio** | Ratio between total loans and total deposits. |
| **Loan to-value (LTV) ratio** | The ratio between the amount of the loan as a percentage of the value of security (such as property). It tells the lender if potential losses due to non-payment may be recouped by selling the asset. |
| **Loss given default (LGD)** | The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of a counterparty. |
| **Lifetime ECL** | The expected credit losses that result from all possible default events over the expected life of a financial instrument. |
| **M** | |
| **Minimum requirement for own funds and eligible liabilities (MREL)** | The Minimum Requirement for Own Funds and Eligible Liabilities (MREL) is a regulatory standard set by resolution authorities to ensure that banks maintain sufficient eligible instruments to support the implementation of their preferred resolution strategies. The MREL requirements for banks are often expressed as a percentage of their RWAs. |
| **Multinational top-up tax (MTT)** | A top-up tax that is charged on parent companies of multination groups where they do not meet the minimum effective tax rate for each of the territories in which they operate in. |
| **N** | |
| **Net stable funding ratio (NSFR)** | The ratio of the amount of available stable funding relative to the amount of required stable funding. It is a regulatory standard designed to ensure that banks maintain a stable funding profile in relation to their assets and off-balance sheet activities. |
| **Net zero** | A UK-wide ambition to achieve an overall balance between GHG emissions produced and taken out of the atmosphere, keeping global temperature increases to below 1.5°C. HB plc signed up to net zero in 2021, committed to playing our part in supporting the transition to a net zero economy. |

## O

| | |
|---|---|
| **Oktogonen** | Oktogonen is Handelsbanken's scheme for collective profit-sharing, based on a common corporate goal where all employees contribute to the success of the Bank. All eligible employees receive the same allocation (adjusted for time spent in the business and part-timers). |

## P

| | |
|---|---|
| **Partnership for Carbon Accounting Financials (PCAF)** | PCAF is a global partnership of financial institutions to measure and disclose the greenhouse gas (GHG) emissions associated with loans and investments. HB plc follows PCAF's Global Greenhouse Gas Accounting and Reporting Standard to calculate scope 3 carbon emissions. |
| **Physical climate-related risks** | Physical climate-related risks arise as consequence of global warming brought about by increased greenhouse gas emissions. This results in increased occurrences of extreme weather events, as well as rising sea levels, coastal erosion and similar consequences. |
| **Prudential Regulation Authority (PRA)** | The Prudential Regulation Authority in the UK is responsible for prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. |
| **Probability of default (PD)** | An estimate of the probability that a borrower will default on their credit obligations over a fixed time period. |

## R

| | |
|---|---|
| **Return on assets** | Profit after tax as a percentage of total assets. |
| **Return on Equity (ROE)** | A measure of a company's financial performance which is calculated by dividing profit after tax by average shareholders' equity. |
| **Risk Control Self-Assessment (RCSA)** | A crucial process for identifying and assessing the key operational risks faced by an organization and the effectiveness of controls that address those risks. |
| **Risk Early Warning Indicators (EWIs)** | A system designed to detect and monitor potential risks at an early stage. The purpose is to identify, assess and address risks before they escalate. |

## S

| | |
|---|---|
| **Science Based Targets initiative (SBTi)** | A corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis. |
| **Scope 1 emissions** | Greenhouse gas emissions generated directly from a company's emissions owned or controlled sources. |
| **Scope 2 emissions** | Greenhouse gas emissions generated indirectly from a company's purchased sources. |
| **Scope 3 downstream emissions (categories 9-15** | Indirect downstream emissions that occur in an organisation's value chain are not owned or controlled by the company. Downstream (GHG Protocol categories 9-15) emissions covering emissions resulting from the good and services provided by the organisation. The categories are: 9. Downstream transportation and distribution; 10. Processing of sold products; 11. Use of sold products; 12. End-of-life treatment of sold products; 13. Downstream leased assets; 14. Franchises; 15. Investments. |
| **Scope 3 upstream emissions (categories 1-8)** | Indirect upstream emissions that occur in an organisation's value chain are not owned or controlled by the company. Upstream emissions (GHG Protocol categories 1-8) cover emissions which result from the organisation's supply chain. The categories are: 1. Purchased goods and services; 2. Capital goods; 3. Fuel- and energy-related activities not included in scope 1 and 2; 4. Upstream transportation and distribution; 5. Waste generated in Operations; 6. Business travel; 7. Employee commuting; 8. Upstream lease assets. |
| **Sustainability-linked loans (SLL)** | Loans linked to the borrower's sustainability performance measured against Environmental and/or Social and Governance criteria (ESG). The sustainability performance is thereby linked to the underlying margin of the loan, in relation to pre-agreed sustainability performance targets. |

# 8.0

| T | |
|---|---|
| **Task Force on climate-related financial disclosures (TCFD)** | An international task force formed to develop a set of recommended climate-related disclosures that companies and financial institutions can use to better inform investors, shareholders and the public of their climate-related financial risks. |
| **Total Capital Requirement (TCR)** | Total Capital Requirement. |
| **Transition Plan Taskforce (TPT)** | An initiative launched by HM Treasury in April 2022 to help private sector companies develop, disclose, and deliver 'gold standard' climate transition plans. |
| **Transition risks** | Transition risks are risks that arise through changes to legislation, changes in the demand for products and services, changed customer behaviour or other structural shifts which take place as part of society's attempts to transition to a climate-neutral economy. |

Handelsbanken