

Corporate Governance Report

Extract from Handelsbanken's Annual Report

2014

SVENSKA
HANDELSBANKEN



Corporate Governance Report

Handelsbanken is a Swedish public limited company, whose shares are listed on Nasdaq OMX Stockholm. The shareholders ultimately make the decisions about Handelsbanken's governance. Here the Board submits its Corporate Governance Report for 2014. Handelsbanken applies the Swedish Code of Corporate Governance.

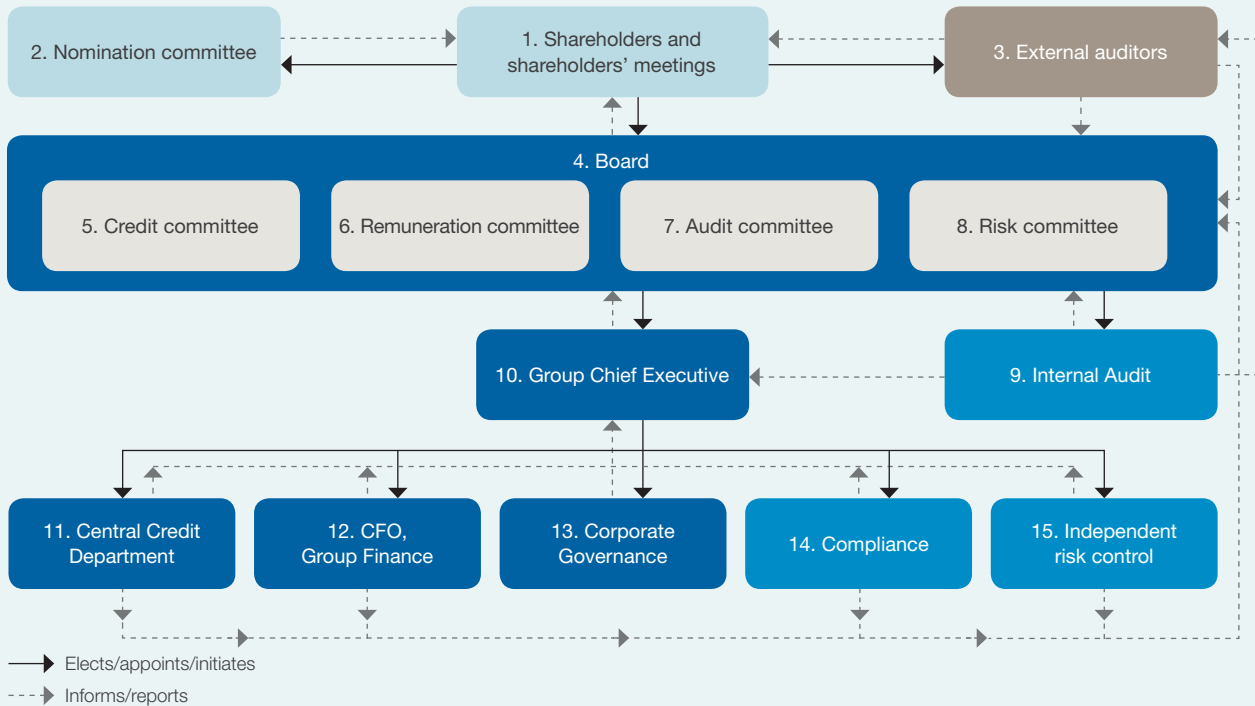
This Corporate Governance report is an extract from Handelsbanken's statutory annual report. The report has been audited by the Bank's external auditors and this audit is reported in the Auditor's Report.

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Corporate Governance structure

Corporate Governance at Handelsbanken – an overview



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

1. SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

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

2. NOMINATION COMMITTEE

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

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

3. EXTERNAL AUDITORS

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

4. THE BOARD

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

behalf of its shareholders. The Board is to continuously assess the Bank's financial situation and ensure that the Bank is organised such that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily controlled. The Board establishes policies and instructions on how this should be executed, and establishes a work procedure for the Board and also instructions for the CEO.

These central policy documents state how responsibility and authority are distributed among the Board as a whole and the committees, and also between the Chairman of the Board and the CEO. The Board appoints the CEO, Executive Vice Presidents and the Head of Internal Audit and stipulates the employment terms for inter alia these persons. The Board also decides the employment terms for the Heads of Compliance and Risk Control. The Chairman is responsible for evaluating the Board's work and informs the nomination committee of the results of the evaluation.

Read more

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

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

5. CREDIT COMMITTEE

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

6. REMUNERATION COMMITTEE

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

7. AUDIT COMMITTEE

The Board's audit committee monitors the Bank's financial reporting by examining crucial accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control and internal audit, as well as the external auditors' impartiality and independence. It evaluates the audit work and assists the nomination committee in appointing auditors. The audit committee comprises the Chairman of the Board and two other members appointed by the Board. One of these two members is the committee's chairman.

8. RISK COMMITTEE

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

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

9. INTERNAL AUDIT

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

10. PRESIDENT AND GROUP CHIEF EXECUTIVE (CEO)

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

11. CENTRAL CREDIT DEPARTMENT

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

12. CFO, GROUP FINANCE

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

13. CORPORATE GOVERNANCE

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

14. COMPLIANCE

The Compliance function is responsible for ensuring that laws, regulations and internal rules, as well as accepted business practices or norms, are complied with in the operations conducted by the Handelsbanken Group. The function must act as a support to business operations and follow up the application of the applicable regulations, check internal regulations and inform the units concerned about risks that may arise in the operations as a result of inadequate compliance, assist in identifying and assessing such risks and assist in drafting internal regulations. Compliance officers have been appointed for all business areas, regional banks and central units, as well as for all countries where the Bank operates. The Central Compliance unit has functional responsibility for compliance. The Head of Central Compliance reports regularly to the CEO, the risk committee and the remuneration committee in matters regarding compliance.

15. INDEPENDENT RISK CONTROL

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

CORPORATE GOVERNANCE AT HANDELSBANKEN

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

The Bank's culture and long-term goal

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

Handelsbanken is a full-service bank with a decentralised working method, a strong local presence due to nationwide branch networks and a long-term approach to customer relations. The Bank's decentralised working model involves strong trust in employees' willingness and ability to take responsibility. This working model has been consistently applied for many decades and has resulted in the Bank's very strong corporate culture. A central part of governance of Handelsbanken comprises managing the risks that arise in operations. Risk management is described in detail in a separate risk section in the Annual Report, note G2 on pages 81–105, and also briefly in this Corporate Governance Report.

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

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

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

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

Application of the Swedish Code of Corporate Governance

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

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

General information about corporate governance in banks

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

The regulations for banking operations are

very extensive, and are not described in detail in this report. A list of the key regulations is available on the Swedish Financial Supervisory Authority's website. Handelsbanken's main principle is that operations outside Sweden are subject both to Swedish regulations and to the host country's regulations, if these are stricter or require deviations from Swedish rules.

The Swedish Financial Supervisory Authority extensively supervises the Bank's operations in Sweden and in all countries where the Bank runs branches, in other words, when the foreign operation is part of the Swedish legal entity Svenska Handelsbanken AB. Equivalent authorities in other countries exercise limited supervision over the branches' operations, but have full supervision over the Bank's subsidiaries outside Sweden. The supervisory authorities in the Nordic countries, the UK and Germany are co-ordinated in a supervisory group for Handelsbanken, led by the Swedish Financial Supervisory Authority.

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

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

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Rights of shareholders

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

Shareholders who wish to have a matter considered by the AGM must submit a written

request to the Board sufficiently far in advance so that the matter can be included in the notice of the meeting. The Bank's website contains information as to when this request must have reached the Board.

At the AGM, the Bank's shareholders make various decisions of major importance to the Bank's governance. Shareholders' decisions include:

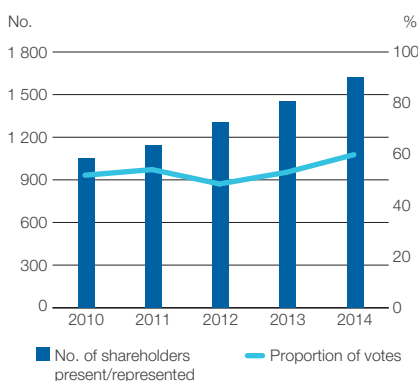
- how many members should be on the Board of the Bank, who these members should be, and who should be the Bank's auditors
- determining fees to Board members and auditors
- adopting the income statement and balance sheet
- appropriation of profits
- whether to discharge the Board and the CEO from liability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

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

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

Information in preparation for meetings is published at handelsbanken.se/ireng. Minutes of previous meetings are also available there in English.

Attendance at AGMs 2010–2014



Major shareholders

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

Annual general meeting 2014

The annual general meeting took place on 26 March 2014.

Over 1,620 shareholders were represented at the meeting. They represented 58.63 per cent of all votes in the Bank. The whole Board was present at the AGM. Also participating were the chairman of the nomination committee Anders Nyberg, as well as Stefan Holmström and Erik Åström, principal auditors from the auditing companies elected by the AGM. The chairman of the meeting was Sven Unger, a lawyer.

The decisions made by the shareholders at the meeting included:

- a dividend of SEK 16.50 per share, of which SEK 11.50 comprised the ordinary dividend
- authorisation for the Board to resolve on acquisition of not more than 40 million shares in the Bank, as well as divestment of shares
- the Board is to consist of ten members
- the re-election of all Board members for the period until the end of the next AGM, with the exception of Lone Fønss Schröder, who had declined re-election
- election of Anders Nyrén as Chairman of the Board
- fees to be paid to the Board members as follows: SEK 3,150,000 to the Chairman of the Board, SEK 900,000 to each of the Vice Chairmen and SEK 625,000 to the other Board members, as well as remuneration for committee work
- the issue on market terms of a convertible bond to employees.

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

- the aggregated total remuneration shall be on market terms
- remuneration is paid only in the form of a fixed salary, pension provision and customary benefits
- by special decision of the Board, the Bank can provide housing
- variable remuneration benefits, such as bonuses or commission on profits, are not paid

- the executive officers are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank
- the retirement age is normally 65. Retirement benefits are defined benefit or defined contribution, or a combination of the two
- the period of notice on the part of a senior manager is six months and on the part of Handelsbanken, a maximum of twelve months. If the Bank terminates the contract later than five years after the person's appointment as one of the Bank's executive officers, the maximum period of notice is 24 months. No severance payment is made in excess of these amounts
- the Board shall have the right to deviate from the established guidelines if there are special reasons in an individual case.

The guidelines do not affect remuneration previously decided for executive officers. The senior management positions to which the guidelines apply are the CEO and Executive Vice Presidents.

Auditors

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

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

NOMINATION COMMITTEE

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

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

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

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

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

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

Recruitment and diversity-related work

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

THE BOARD

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

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

Composition of the Board

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

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

Independence of Board members

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

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

Regulations governing the Board's work

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

Chairman of the Board

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

The Board's work in 2014

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

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

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

Committee work

Credit committee

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

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

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

In 2014, the credit committee had 13 meetings.

Audit committee

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

The work of the audit committee includes the following:

- monitoring the financial reporting and effectiveness of the Bank's internal control and internal audit
- establishing an audit plan for the work of Internal Audit
- regular contact with the external auditors. These auditors report to the committee on significant matters that have emerged from the statutory audit, especially regarding shortcomings in the internal control of the financial reporting
- considering reports from Internal Audit.

The committee generally meets five times a year, normally in connection with quarterly and annual reports. Items are presented by the CEO, the

CFO, the Head of the Central Audit Department and the persons with main responsibility from the audit companies appointed by the AGM.

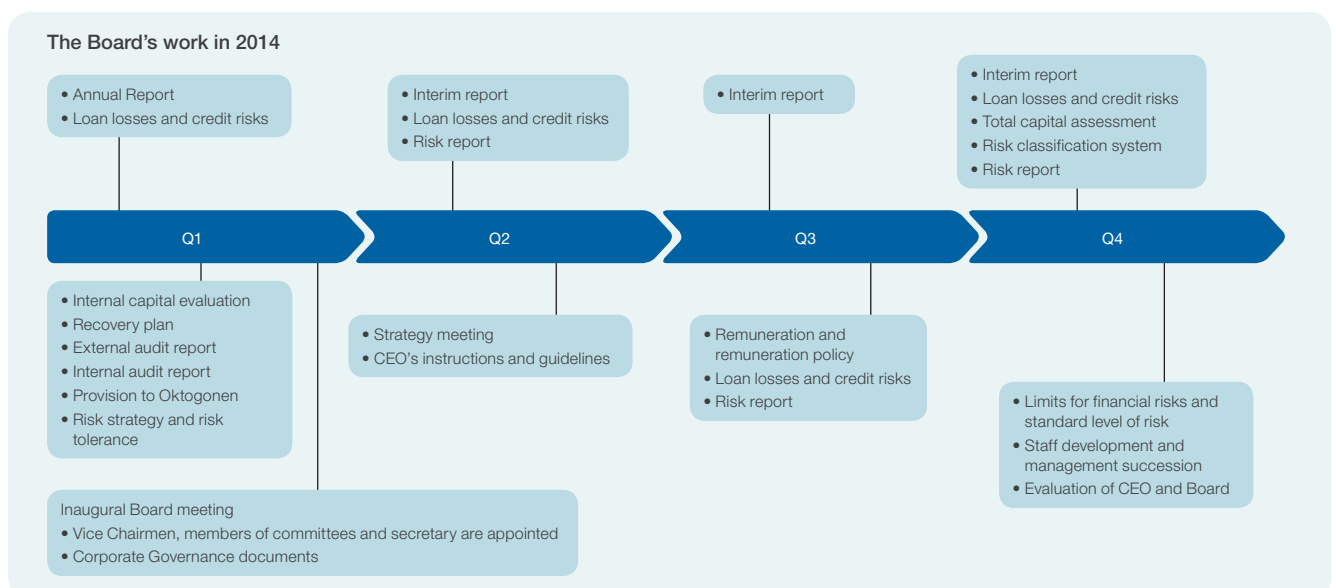
In 2014, the audit committee had five meetings.

Risk committee

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

The work of the risk committee includes the following:

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



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

Remuneration committee

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

One of the tasks of the remuneration committee is to prepare matters regarding remuneration to be decided on by the Board and the AGM. After the shareholders at the AGM have decided on guidelines for the terms and conditions of remuneration to the CEO and executive officers, the Board decides in accordance with the regulations of the Swedish Financial Supervisory Authority on remuneration to executive management and the heads of the control functions: Internal Audit, Independent Risk Control and Compliance.

In 2014, the remuneration committee had nine meetings.

THE BANK'S MANAGEMENT

Group Chief Executive

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

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

Senior Management and management structure

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

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

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

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

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

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

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

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

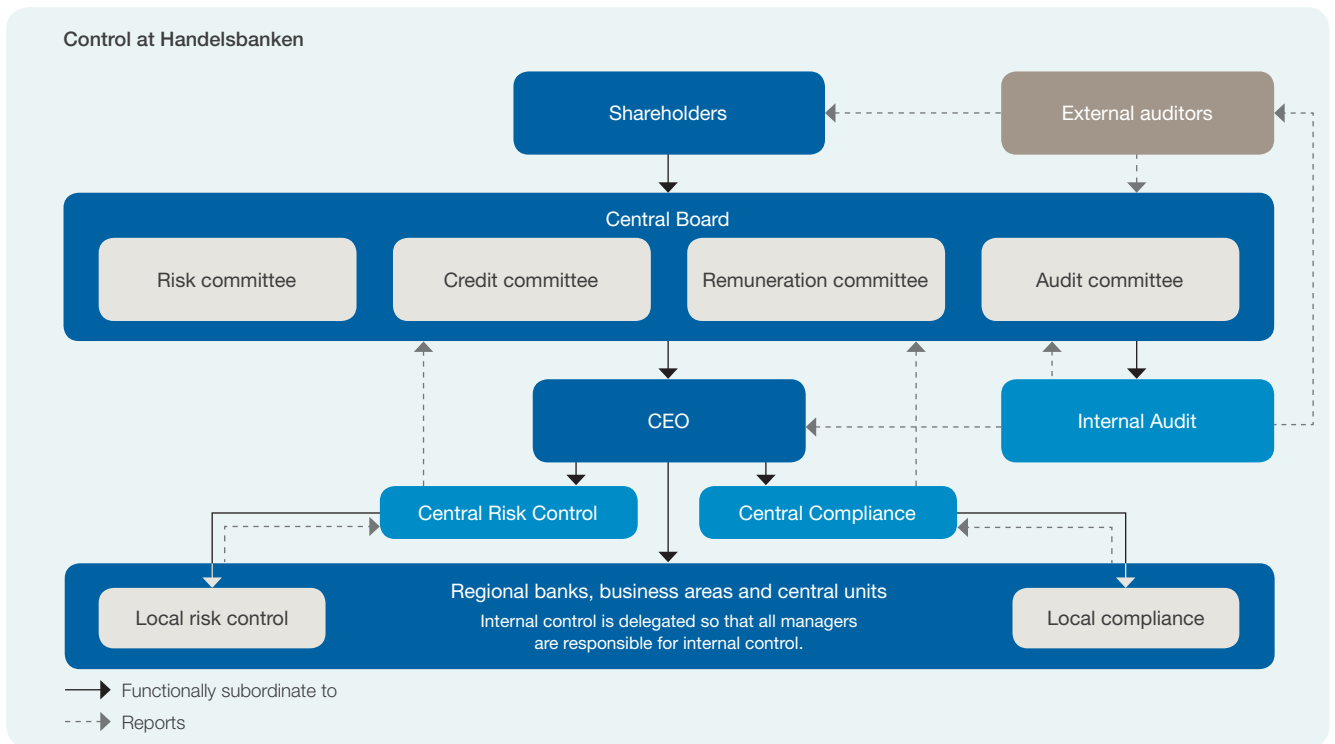
As of the end of 2014, the group of employees who according to the Swedish Companies Act are designated executive officers include the members of the Corporate Committee together with certain heads of business areas and the heads of Handelsbanken's home markets. At Handelsbanken, these persons are designated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

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

FRAMEWORK FOR CONTROL

Internal control for operations

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



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

Internal Audit

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

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

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

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

Compliance

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

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

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

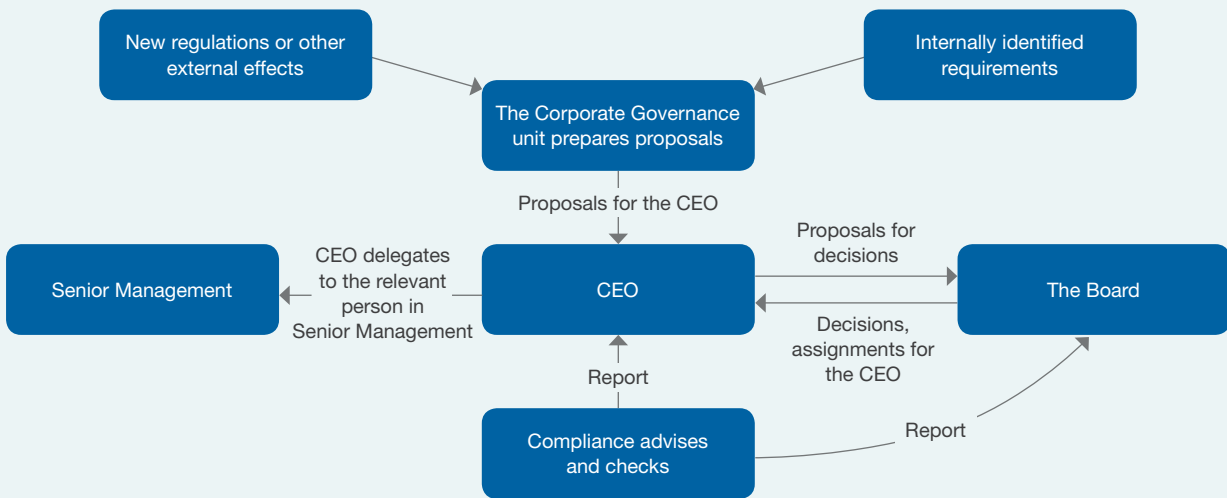
Independent risk control

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

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

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

Production and follow-up of corporate governance documents



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

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

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

POLICY DOCUMENTS

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

Credit policy

Credits may only be granted if there are good grounds for expecting the borrower to meet his/her commitments. Credits must normally have collateral. The Bank strives to maintain its historically low level of loan losses compared to other banks, thus contributing to the Bank’s profitability target and retaining its sound financial position.

Policy for independent risk control

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

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

Policy for operational risks

The Bank’s tolerance of operational risks is very low. Operational risks must be managed so that the Group’s operational losses remain small, both in comparison with previous losses incurred, and with other banks’ losses. The responsibility for operational risks is an integral part of managerial responsibility throughout the Group.

Capital policy

The purpose of the capital policy is to ensure that the Group’s supply of capital is secured. The Group must at all times be well capitalised in relation to risk, and fulfil the goals established by the Board and the capital adequacy requirements established by supervisory authorities, even in situations of financial stress (see the section on risk in note G2 on pages 81–105). The Bank’s capital situation must also justify a continued high rating from the most important rating agencies.

Financial policy

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

Policy for financial risks

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

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

Information policy

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

Ethical guidelines

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

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

The Bank's ethical guidelines are publicly available at handelsbanken.se/csreng.

Policy for conflicts of interest and measures against bribery and improper influence

Conflicts of interest are a natural part of a business operation, which means that these types of conflicts may arise within the Bank's operations. It is the responsibility of all heads of units within the Bank to continuously identify possible conflicts of interest. If a conflict of interest is identified, the head of the unit responsible must first ensure that the customer's interests are not adversely affected. If this is not possible, the customer must be informed of the conflict of interest.

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

Policy for remuneration and suitability assessment

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

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

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

Pension policy

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

Policy for internal audit operations

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

Policy for managing and reporting events of material importance

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

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

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

Policy for compliance

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

Policy for handling customer complaints

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

Policy for employees' private securities and currency transactions

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

Accounting policy

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

Policy on measures against money laundering and financing of terrorism

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

PRINCIPLES FOR REMUNERATION AT HANDELSBANKEN

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

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

Below is an overall presentation of the Bank's fundamental principles for fixed and variable remuneration. Other information concerning remuneration paid by the Bank in accordance with the current regulations is presented in note G8 on pages 108–111. This note also provides information about amounts for salaries, pensions and other benefits, and loans to Executive Directors.

Fundamental remuneration principles

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

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

The Bank takes a long-term view of its staff's employment. Remuneration for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and a pension provision. At Handelsbanken, salary-setting takes place at local level. The main principle is that salaries are set locally in salary reviews between the employee and his/her line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in the salary process, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

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

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

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

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

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

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

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

Executive Directors receive an allocation in Handelsbanken's profit-sharing scheme *Oktagonen* on the same conditions as all other employees of the Bank and are also entitled to convert salary to pension on the same conditions as other employees. Note G8 on pages 108–111 provides further information about remuneration to executive officers. External fees such as fees for serving on the boards of other companies on behalf of the Bank must be paid in to the Bank.

Ahead of the 2015 AGM, guidelines will be proposed for remuneration and other terms of employment for executive officers of Handelsbanken that are essentially unchanged.

Variable remuneration

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

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

Variable remuneration occurs to a very limited extent, and only within Handelsbanken Capital Markets and the British subsidiary, Heartwood. Nor is variable remuneration paid to the Bank's management or to any employee who makes decisions on credits or limits. Employees who, alone or together with others, are entitled to decide on credit risk, market risk, liquidity risk, commodity risk, currency risk or interest rate risk limits, as well as employees who, by deciding on credits or product terms and conditions, can affect the Bank's risk profile, can have only fixed remuneration.

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

Only employees within units whose profits derive from commissions or intermediary transactions that take place without the Bank being subject to risk, are entitled to receive variable remuneration. Variable remuneration is only paid in cash, and the disbursement of at least 40 per cent of variable remuneration of SEK 100,000 or more must be deferred by at least three years. For variable remuneration where the employee's variable remuneration exceeds the remuneration of any member of Senior Management, 60 per cent is deferred for four years. Deferred variable remuneration can be removed or reduced if losses, increased risks or increased expenses arise during the deferment period or if payment is deemed to be unjustifiable in view of the Bank's financial situation. Payment and the right of ownership to the variable remuneration do not accrue to the person with the entitlement until after the end of the deferment period. No employee may receive variable remuneration of more than 100 per cent of his/her fixed remuneration. Variable remuneration for 2014 was less than two per cent of the Group's total salary costs and fees.

The Board's report on internal control regarding financial reporting

The presentation of Handelsbanken's internal control process for financial reporting is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The process was designed to ensure compliance with the Bank's principles for financial reporting and internal control, and to ensure that the financial reporting has been prepared pursuant to the law, applicable accounting standards, and other requirements related to listed companies.

Control environment

The control environment described above in this Corporate Governance Report is fundamental to Handelsbanken's internal control of financial reporting: organisational structure, division of responsibilities, guidelines and steering documents.

Risk assessment is another part of the internal control process and comprises identification and management of the risks that may affect financial reporting, as well as the control activities aimed at preventing, detecting and correcting errors and deviations.

Risk assessment

The annual self-evaluations carried out at regional banks, subsidiaries and central departments are an essential part of the Bank's risk assessment. Risks related to financial reporting are part of this total analysis.

In a self-evaluation, the events that constitute potential risks to the operation are evaluated and then the probability and consequences of each risk are estimated. Particular focus is placed on the risk of fraud and the risk of loss or embezzlement of assets. A plan of action is then drawn up, based on the self-evaluation. Other aspects of Handelsbanken's risk management are detailed in note G2 on pages 81–105.

Control activities

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

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

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

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

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

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

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

Information and communication

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

Follow-up

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

Board members



| Name | Anders Nyrén, Chairman | Fredrik Lundberg, Vice Chairman | Sverker Martin-Löf, Vice Chairman | Jon Fredrik Baksaas, Board Member | Pär Boman, Board Member |
|--|---|--|--|--|---|
| Position | President and CEO of AB Industrivärden | President and CEO of L E Lundbergföretagen AB | Director | President and CEO of Telenor ASA | President and CEO of Handelsbanken |
| Education | Graduate in Business Administration and MBA, PhD (Econ) h.c. | Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c. | Lic. Tech, PhD (h.c.) | Graduate in Business Administration and MBA | Engineering and Business/Economics degree |
| Year elected | 2001 | 2002 | 2002 | 2003 | 2006 |
| Year of birth | 1954 | 1951 | 1943 | 1954 | 1961 |
| Nationality | Swedish | Swedish | Swedish | Norwegian | Swedish |
| Other assignments | Chairman of Sandvik AB • Board member Stockholm School of Economics and Stockholm School of Economics Association, AB Industrivärden, Svenska Cellulosa AB SCA, AB Volvo • Vice Preses IVA. | Chairman of Holmen AB, Hufvudstaden AB, Indutrade AB • Board member L E Lundbergföretagen AB, AB Industrivärden, Skanska AB. | Chairman of AB Industrivärden, Svenska Cellulosa AB SCA, SSAB AB • Vice Chairman Telefonaktiebolaget L M Ericsson • Board member Skanska AB. | Chairman GSM Association • Board Member of Doorstep AS • Member of Det Norske Veritas (council). | Board member AB Industrivärden, Svenska Cellulosa AB SCA. |
| Background | 1997–2001 Deputy CEO, CFO, Skanska • 1996–1997 Dir Markets and Corporate Finance Nordbanken • 1992–1996 Deputy CEO, CFO Securum • 1987–1992 CEO OM International AB • 1986–1987 CEO STC Venture AB • 1982–1987 Deputy CEO, CFO, STC • 1979–1982 Director AB Wilhelm Becker. | Active at Lundbergs since 1977 • CEO L E Lundbergföretagen AB since 1981. | 1977–2002 Active at Svenska Cellulosa AB SCA in various management positions. | 1994–2002 CFO, EVP, Senior EVP Telenor ASA • 1997–1998 Managing Director Telenor Bedrift AS • 1989–1994 CFO, CEO TBK AS • 1988–1989 Chief Finance Director Aker AS • 1985–1988 Chief Finance Director Stolt Nielsen Seaway AS, Oslo and Haugesund • 1979–1985 System consultant, Controller, Contract Co-ordinator Det Norske Veritas. | 2002–2005 EVP, Head of Handelsbanken Markets • 1998–2002 EVP, Head of Regional Bank Denmark, Handelsbanken • Employed at Handelsbanken since 1991. |
| Remuneration 2014¹ | SEK 3,937,500 | SEK 1,218,750 | SEK 1,418,750 | SEK 618,750 | SEK 0 |
| Credit committee Attendance | Chairman 12/13 | 13/13 | 13/13 | – | 13/13 |
| Audit committee Attendance | 5/5 | – | Chairman 5/5 | – | – |
| Remuneration committee Attendance | Chairman 9/9 | – | – | – | – |
| Risk committee Attendance | Chairman 3/3 | – | – | – | – |
| Board meetings Attendance | Chairman 10/10 | 10/10 | 10/10 | 9/10 | 10/10 |
| Own shareholdings and those of immediate family | 2,000 | 2,525,000 and 12,500,000 via L E Lundbergföretagen AB | 4,000 | 0 | 12,335, of which 6,335 in indirect holdings ² . Staff convertible at nominal amount: 2011: SEK 8,318,142 2014: SEK 9,793,942 |
| Dependent/independent | Not independent (President and CEO of AB Industrivärden). | Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden). | Independent of the Bank and its management. Not independent of major shareholders (Board member AB Industrivärden). | Independent of the Bank, its management and major shareholders. | Not independent (President and CEO). |

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

² Member of remuneration committee from March 2014.

³ Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing foundation.



| Name | Tommy Bylund, Board Member | Jan Johansson, Board Member | Ole Johansson, Board Member | Bente Rathe, Board Member | Charlotte Skog, Board Member |
|--|--|--|--|---|--|
| Position | Senior Vice President | President and CEO of Svenska Cellulosa AB SCA | Director | Director | Bank employee |
| Education | Upper Secondary School | Bachelor of Laws | Diploma in Economics and Business Administration | Graduate in Business Administration and MBA | Economics Programme Upper Secondary School |
| Year elected | 2000 | 2009 | 2012 | 2004 | 2012 |
| Year of birth | 1959 | 1954 | 1951 | 1954 | 1964 |
| Nationality | Swedish | Swedish | Finnish | Norwegian | Swedish |
| Other assignments | Chairman of the Oktogonen Foundation • Board member of Ljusdal Municipality's business policy foundation, Närjus. | Board member SSAB AB, Svenska Cellulosa AB SCA. | Chairman of EQ Oyj Abp, Aker Arctic Technology Inc • Vice Chair of Hartwall Capital Oy Ab. | Chair of Ecohz AS and Cenium AS (both companies are subsidiaries of Home Invest AS) • Board member Polaris Media ASA, Home Invest AS and its subsidiary Nordic Choice Hospitality Group AS, Aker Kvaerner Holding AS. | Board member Financial Sector Union of Sweden, Oktogonen Foundation • Deputy board member Finansiell Sverige AB. |
| Background | Employed at Handelsbanken since 1980 • Branch manager at Handelsbanken since 1992. | 2001–2007 President and CEO Boliden AB • 2001 Head of network operations Telia AB • 1994–2001 Deputy CEO Vattenfall • 1990–1994 Head of Division at Svenska Shell • 1985–1990 Corporate lawyer at Shell • 1984–1985 Trainee lawyer • 1981–1983 District court clerk. | 1975–2011 various positions within Wärtsilä (Metra) Group except for a period at Valmet 1979–1981 • CEO 2000–2011. | 1999–2002 Deputy CEO Gjensidige NOR (CEO of life insurance company, Chair of Mutual Fund and Asset Management Company) • 1996–1999 CEO Gjensidige Bank AS • 1993–1996 CEO Elcon Finans AS • 1991–1993 Deputy CEO Forenede Forsikring • 1989–1991 CFO Forenede Forsikring • 1977–1989 Head of Credits and CFO E.A. Smith AS. | Employed at Handelsbanken since 1989. |
| Remuneration 2014¹ | SEK 0 | SEK 743,750 | SEK 1,243,750 | SEK 1,256,250 | SEK 0 |
| Credit committee Attendance | 13/13 | Deputy member | 13/13 | 13/13 | Deputy member 2/13 |
| Audit committee Attendance | – | – | 3/5 ² | – | – |
| Remuneration committee Attendance | – | 9/9 | – | 9/9 | – |
| Risk committee Attendance | – | – | 3/3 | 3/3 | – |
| Board meetings Attendance | 10/10 | 10/10 | 10/10 | 10/10 | 10/10 |
| Own shareholdings and those of immediate family | 19,492, of which 19,492 in indirect holdings ³ . Staff convertible at nominal amount: 2011: SEK 1,131,799 2014: SEK 1,188,742 | 5,000 | 12,165 | 1,330 | 6,781, of which 6,781 in indirect holdings ³ . Staff convertible at nominal amount: 2011: SEK 242,722 2014: SEK 251,744 |
| Dependent/independent | Not independent (employee). | Not independent of the Bank and its management (Handelsbanken's CEO is a member of the board of SCA). Independent of major shareholders. | Independent of the Bank, its management and major shareholders. | Independent of the Bank, its management and major shareholders. | Not independent (employee). |

Senior Management

and Audit and Whistleblowing Function

Group Functions Executives

Per Beckman^{1,2}

Credits • Year of birth 1962 • Employed 1993 • Shareholdings 3,265, of which 3,265 in indirect holdings* • Convertibles³: 2011: SEK 5,545,428, 2014: SEK 5,617,510

Yonnie Bergqvist¹

Central Head Office • Year of birth 1961 • Employed 1979 • Shareholdings 18,484, of which 18,347 in indirect holdings* • Convertibles³: 2011: SEK 5,000,000, 2014: SEK 5,617,510

Katarina Berner Frösödal^{1,2}

HR and Sustainability • Year of birth 1956 • Employed 1979 • Shareholdings 21,027, of which 21,027 in indirect holdings* • Convertibles³: 2011: SEK 5,545,428, 2014: SEK 5,617,510

Pär Boman^{1,2}

President and Group Chief Executive • Year of birth 1961 • Employed 1991 • Shareholdings 12,335, of which 6,335 in indirect holdings* • Convertibles³: 2011: SEK 8,318,142, 2014: SEK 9,793,942

Michael Green¹

Capital Markets • Year of birth 1966 • Employed 1994 • Shareholdings 4,392, of which 4,392 in indirect holdings* • Convertibles³: 2011: SEK 5,545,428, 2014: SEK 5,617,510

Maria Hedin^{1,2}

CRO • Year of birth 1964 • Employed 2010 • Shareholdings 847, of which 765 in indirect holdings* • Convertibles³: 2011: SEK 155,454, 2014: SEK 5,176,431

Jan Häggström

Economic Research • Year of birth 1949 • Employed 1988 • Shareholdings 7,852, of which 7,852 in indirect holdings* • Convertibles³: 2011: SEK 3,763,599, 2014: SEK 5,617,510

Anders H Johansson^{1,2}

IT • Year of birth 1955 • Employed 1999 • Shareholdings 2,753, of which 2,753 in indirect holdings* • Convertibles³: 2011: SEK 5,545,428, 2014: SEK 5,617,510

Ulf Köping-Höggård

Legal • Year of birth 1949 • Employed 1990 • Shareholdings 6,750, of which 6,750 in indirect holdings* • Convertibles³: 2011: SEK 3,763,599, 2014: SEK 5,000,000

Johan Lagerström^{1,2}

Communications • Year of birth 1961 • Employed 2002 • Shareholdings 2,566, of which 2,170 in indirect holdings* • Convertibles³: 2011: SEK 3,763,599, 2014: SEK 5,617,510

Agneta Lilja^{1,2}

Infrastructure • Year of birth 1961 • Employed 1985 • Shareholdings 12,126, of which 12,126 in indirect holdings* • Convertibles³: 2011: SEK 3,763,599, 2014: 5,617,510

Olof Lindstrand

Central Head Office • Year of birth 1949 • Employed 1985 • Shareholdings 1,071, of which 1,071 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 1,188,742

Claes Norlén^{1,2}

Central Head Office • Year of birth 1955 • Employed 1978 • Shareholdings 24,710, of which 24,129 in indirect holdings* • Convertibles³: 2011: SEK 4,654,514, 2014: SEK 5,441,079

Anders Ohlner¹

Central Head Office • Year of birth 1955 • Employed 1985 • Shareholdings 10,875, of which 10,375 in indirect holdings* • Convertibles³: 2011: SEK 3,763,599, 2014: SEK 5,617,510

Ulf Riese^{1,2}

CFO • Year of birth 1959 • Employed 1983 • Shareholdings 46,074, of which 15,336 in indirect holdings* • Convertibles³: 2011: SEK 5,545,428, 2014: SEK 5,617,510

Håkan Sandberg^{1,2}

Central Head Office • Year of birth 1948 • Employed 1969 • Shareholdings 5,552, of which 462 in indirect holdings* • Convertibles³: 2011: SEK 4,654,514, 2014: SEK 5,617,510

Klas Tollstadius

Company Secretary and Corporate Governance • Year of birth 1954 • Employed 1991 • Shareholdings 6,366, of which 6,366 in indirect holdings* • Convertibles³: 2011: SEK 3,327,257, 2014: SEK 5,617,510

Compliance

Luciana Pacor Hygrell

Compliance • Year of birth 1954 • Employed 1979 • Shareholdings 20,200, of which 20,197 in indirect holdings* • Convertibles³: 2011: SEK 750,000, 2014: SEK 5,441,079

Independent of Senior Management – Audit and Whistleblowing Function

Tord Joneröt

Audit • Year of birth 1958 • Employed 1990 • Shareholdings 6,664, of which 6,664 in indirect holdings* • Convertibles³: 2011: SEK 4,654,514, 2014: SEK 5,617,510

Group Business Executives

Jan Amethier¹

Merchant Banking International • Year of birth 1961 • Employed 2010 • Shareholdings 765, of which 765 in indirect holdings* • Convertibles³: 2011: SEK 777,271, 2014: SEK 1,012,310

Nina Arkilahti¹

Finland • Year of birth 1967 • Employed 1995 • Shareholdings 5,667, of which 3,268 in indirect holdings* • Convertibles³: 2011: SEK 4,000,000, 2014: SEK 5,617,510

Anders Bouvin¹

UK • Year of birth 1958 • Employed 1985 • Shareholdings 12,369, of which 12,369 in indirect holdings* • Convertibles³: 2011: SEK 5,545,428, 2014: SEK 5,617,510

Michael Broom

South West Great Britain • Year of birth 1959 • Employed 2009 • Shareholdings 168, of which 168 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 5,769,602

Per Elcar¹

Markets & Asset Management • Year of birth 1962 • Employed 2002 • Shareholdings 2,052, of which 2,052 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 1,188,742

Magnus Ericson

Northern Sweden • Year of birth 1968 • Employed 1988 • Shareholdings 5,975, of which 5,875 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 1,188,742

John Hodson

Southern Great Britain • Year of birth 1961 • Employed 2007 • Shareholdings 354, of which 354 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 1,340,957

Katarina Ljungqvist

Western Sweden • Year of birth 1965 • Employed 1989 • Shareholdings 6,953, of which 6,953 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 5,617,510

Simon Lodge

North East Great Britain • Year of birth 1958 • Employed 2004 • Shareholdings 806, of which 806 in indirect holdings* • Convertibles³: 2011: SEK 4,654,514, 2014: SEK 5,769,602

Nick Lowe

Central Great Britain • Year of birth 1966 • Employed 2007 • Shareholdings 336, of which 336 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 5,152,092

Lars Moesgaard¹

Denmark • Year of birth 1968 • Employed 1988 • Shareholdings 2,109, of which 1,628 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 1,188,742

Stefan Nilsson

Eastern Sweden • Year of birth 1957 • Employed 1980 • Shareholdings 19,454, of which 19,454 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 5,617,510

John Parker

Northern Great Britain • Year of birth 1955 • Employed 2006 • Shareholdings 469, of which 469 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 5,769,607

Louise Sander

Pension & Life • Year of birth 1969 • Employed 2013 • Shareholdings 112, of which 62 in indirect holdings* • Convertibles³: 2011: –, 2014: SEK 1,188,742

Göran Stille

Southern Sweden • Year of birth 1966 • Employed 1987 • Shareholdings 3,162, of which 3,162 in indirect holdings* • Convertibles³: 2011: SEK 4,654,514, 2014: SEK 5,617,510

Ulrica Stolt Kirkegaard

Stadshypotek • Year of birth 1968 • Employed 1994 • Shareholdings 3,993, of which 3,993 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 5,000,000

Mikael Sørensen¹

Netherlands • Year of birth 1966 • Employed 1994 • Shareholdings 1,751, of which 1,751 in indirect holdings* • Convertibles³: 2011: SEK 1,131,799, 2014: SEK 5,617,510

Dag Tjernsmo¹

Norway • Year of birth 1962 • Employed 1988 • Shareholdings 4,032, of which 4,032 in indirect holdings* • Convertibles³: 2011: SEK 4,000,000, 2014: SEK 5,441,079

Frank Vang-Jensen¹

Sweden • Year of birth 1967 • Employed 1998 • Shareholdings 1,780, of which 1,780 in indirect holdings* • Convertibles³: 2011: SEK 4,000,000, 2014: SEK 5,000,000

Åsa Willén

Forestry & Farming • Year of birth 1971 • Employed 2009 • Shareholdings 1,169, of which 1,169 in indirect holdings* • Convertibles³: 2011: SEK 242,722, 2014: SEK 5,176,431

Pontus Åhlund

Central Sweden • Year of birth 1963 • Employed 1983 • Shareholdings 11,243, of which 10,243 in indirect holdings* • Convertibles³: 2011: SEK 3,763,599, 2014: SEK 5,617,510

Carina Åkerström

Stockholm Sweden • Year of birth 1962 • Employed 1986 • Shareholdings 7,031, of which 7,031 in indirect holdings* • Convertibles³: 2011: SEK 5,545,428, 2014: SEK 5,617,510

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

² **Corporate Committee:** Individuals who prepare cases to be presented to the Board.

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

³ See note G38.

Auditor's report

To the annual meeting of the shareholders of Svenska Handelsbanken AB (publ)
Corporate identity number 502007-7862

REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

We have audited the annual accounts and the consolidated accounts of Svenska Handelsbanken AB (publ) for the year 2014, included in the printed version of this document on pages 7–191.

Responsibilities of the Board of Directors and the Chief Executive for the annual accounts and the consolidated accounts

The Board of Directors and the Chief Executive are responsible for the preparation and fair presentation of the annual accounts in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and for the fair presentation of the consolidated accounts in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Chief Executive determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and the consolidated accounts are free from material misstatements. During the year, the Bank's internal audit department has continuously examined the internal controls and accounts. We have received the reports that have been prepared.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Chief Executive, as well as evaluating the overall presentation of the annual accounts and the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. A Corporate Governance Report has been prepared. The Board of Directors' report and the Corporate Governance Report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Chief Executive of Svenska Handelsbanken AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the Chief Executive

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Chief Executive are responsible for administration under the Companies Act and the Banking and Financing Business Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Chief Executive is liable to the company. We also examined whether any member of the Board of Directors or the Chief Executive has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Securities Companies, or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the Chief Executive be discharged from liability for the financial year.

Stockholm, 12 February 2015

KPMG AB
Stefan Holmström
Authorised Public Accountant

Ernst & Young AB
Erik Åström
Authorised Public Accountant

