Annual and Sustainability Report

2020

Handelsbanken

This is **Handelsbanken**

Handelsbanken was founded in 1871. As the Bank now approaches its 150th anniversary, we are one of the world's strongest banks. The Bank applies a decentralised way of working, with a strong local presence and an ambitious approach to sustainability.

Our idea of how we should run our Bank is based on trust and respect for individuals, both customers and employees. We build long-term, deep customer relationships and our primary driver of growth is recommendations from satisfied customers. We have six home markets – Sweden, the UK, Norway, Denmark, Finland and the Netherlands.

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

The year in brief

Operating profit, adjusted for foreign exchange movements and items affecting comparability, increased by 1 per cent. Including these effects, profit decreased to SEK 20,135 million (21,796).

Return on equity, adjusted for items affecting comparability and foreign exchange movements, was 11.0 per cent (11.9); including these items, it was 10.0 per cent (11.9).

Earnings per share decreased to SEK 7.87 (8.65).

The common equity tier 1 ratio increased to 20.3 per cent (18.5).

The credit loss ratio was 0.03 per cent (0.04).

Income, adjusted for foreign exchange movements and items affecting comparability, increased by 1 per cent. Including foreign exchange movements, income decreased by 1 per cent to SEK 44,248 million (44,564).

The total net inflow to the Bank's mutual funds increased by 37 per cent to SEK 41 billion (30).

Handelsbanken's market share of the total net inflows to the mutual fund market in Sweden was 46 per cent.

The underlying cost increase, adjusted for foreign exchange movements and items affecting comparability, was 1 per cent. Including these effects, expenses increased to SEK -23,334 million (-21,743).

Adjusted for foreign exchange movements and items affecting comparability, the C/I ratio was 48.8 per cent (48.3). Including these items, the C/I ratio was 52.7 per cent (48.8).

Customer satisfaction

In all six home markets, Handelsbanken's customers are more satisfied than the average*

All of Handelsbanken's business operations are centred on the customer. Customers' demands and behaviour govern the development of meeting places, products and services. The results are indisputable. For a long time, Handelsbanken's private and corporate customers have been more satisfied than the sector average in all our home markets.

In the development of our digital meeting places, the goal is to build equally strong customer relationships digitally as we do at our branches. Every customer should receive the right offering at the right time – regardless of where they meet us.

Sustainable business

Handelsbanken is ranked as the most sustainable bank among peer competitors**

Within its credit operations, the Bank has clear guidelines regarding human rights, working conditions, and environmental and climate-related concerns. The Bank's green loans grew by 116 per cent compared with the previous year.

In our assignment to manage customers' savings, Handelsbanken unites the ambition to generate good returns with efforts to create a sustainable future. Handelsbanken Fonder has received numerous awards and honours for its sustainability work.

A safe bank

Handelsbanken was named the world's safest bank in 2020***

Despite the pandemic, credit losses have remained very low in 2020, and capital adequacy has been good. No other privately owned bank anywhere in the world has a higher credit rating than Handelsbanken, whether from Fitch, Moody's or Standard & Poor's.

In 2020, Global Finance named Handelsbanken – along with six other banks – the world's safest bank.

* According to EPSI Rating/SKI (Swedish Quality Index).
** Weighted average of rankings from ISS ESG, MSCI ESG Research, S&P Global SAM Corporate Sustainability Assessment, Sustainalytics.
*** By Global Finance, together with six other banks globally.

Brief information

Handelsbanken's Annual General Meeting 2021

Handelsbanken's annual general meeting for 2021 will be held on Wednesday, 24 March 2021.

Shareholders wishing to attend the AGM must be entered in the register of shareholders kept by Euroclear Sweden AB, by Tuesday, 16 March 2021 at the latest, and have registered to attend the meeting by no later than 23 March 2021.

To be entitled to take part in the meeting, shareholders whose shares are nominee-registered must also request a temporary entry in the register of shareholders kept by Euroclear. The shareholder must inform the nominee of this well before Thursday, 18 March 2021, by which date this entry must have been effected.

Dividend

The Board proposes that the record day for the dividend be 26 March 2021, which means that the Handelsbanken share will be traded ex-dividend on 25 March 2021. Assuming that the meeting resolves to accept the proposal, the dividend is then expected to be disbursed by Euroclear on 31 March 2021.

Financial overview 2021

3 February	Highlights of Handelsbanken's Annual Report 2020
24 March	Annual general meeting
21 April	Interim report January–March 2021
16 July	Interim report January–June 2021
20 October	Interim report January–September 2021

Financial information

The following reports can be downloaded or ordered from handelsbanken.com:

- annual reports and sustainability reports
- interim reports
- risk and capital management reports
- corporate governance reports
- remuneration report
- fact books

Distribution

The Annual and Sustainability Report can be ordered from Investor Relations, phone +46 (0)8 701 10 00 or at handelsbanken.com/ir.

Handelsbanken's Sustainability Report 2020

Handelsbanken's Annual and Sustainability Report 2020 contains Handelsbanken's statutory sustainability reporting, found on pages 38 to 65. Together with Handelsbanken's Sustainability Fact Book 2020, this reporting comprises Handelsbanken's complete sustainability reporting for 2020. This is Handelsbanken's eleventh Sustainability Report and has been prepared in accordance with the 'Core' level of the Global Reporting Initiative (GRI) Standards. The Sustainability Report has been examined by the Bank's external auditors, whose report is reproduced on page 22 of the Sustainability Fact Book. Handelsbanken reports each year on the Group's sustainability work and the results thereof in the Sustainability Report, which covers the entire Group, unless otherwise stated. The Sustainability Report constitutes Handelsbanken's Communication on Progress Report to the UN Global Compact.

The statutory sustainability reporting describes how Handelsbanken works with the most pertinent sustainability issues and includes disclosures on sustainability governance, activities and results in 2020. The Sustainability Fact Book 2020 includes materiality analyses, detailed breakdowns of results, GRI indexes and Handelsbanken's reporting under the Principles for Responsible Banking (PRB). The Sustainability Fact Book is available from handelsbanken.com/en/sustainability.

THE GLOBAL COMPACT
WE SUPPORT

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Registered office: Stockholm
handelsbanken.com

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The formal annual report which has been examined by the auditors comprises pages 6–37 and 66–249 and has the sections marked with the following colours ■ ■ ■ ■

The statutory sustainability report comprises pages 38–65 and has the section marked with the following colour ■

Customer-driven change

2020 was a strange year – a time when we were constrained by guidance and restrictions, where the fundamental message was to avoid meeting other people as far as possible. The pandemic transformed personal meetings into infrequent, not entirely risk-free, events.

Society adapted quickly. We were forced to break old habits, change our routines and test new ways of working. At Handelsbanken, those who could worked from home. For various reasons, others had to go in to the office – particularly those colleagues who keep our branches open.

It seems that the pandemic and consequently the restrictions we must observe, will continue well into this year. I believe that this is doable and necessary, though not always ideal. In some situations, a computer screen feels a bit too flat – and I'm still convinced that there will always be meetings that go better when people get together face to face in the same room.

> "All the changes we make always keep pace with our customers. This approach is a cornerstone of Handelsbanken."

That doesn't alter the fact that to an ever increasing extent – regardless of the pandemic – people do things digitally or over the phone. This is a continuing trend. In the past year, Handelsbanken has also continued to develop its digital offering at a considerably faster pace. We are on the right track. Last year, our Swedish website was ranked by independent experts as by far the best of the major banks – and year after year, our customers give us higher ratings than those of competitors in SKI surveys of banks' digital solutions and meeting places.

And yet, the restrictions of the pandemic have shown that even if customers can do things digitally, it is not necessarily what they want to do. This applies to everything from everyday transactions to investment decisions or other major life decisions.

Customers are quite happy to manage their day-to-day finances on the app, and to rebalance their mutual funds or the disbursement rate of their future pension with a few clicks. But there are times when the customer wants to take the time and sit down with someone who knows them well and can help them make a decision then and there.

For example, preparing for a generation shift in a family company can be done online. But many of our customers still prefer to do this together with their account manager at the local branch, someone who has kept track of the customer's company for a long time, knows the customer's finances and also knows the local market.

In recent years, this distinction has become even clearer. In places where the local market mainly consists of private individuals with mortgage loans and stable savings, the demand for face-to-face meetings is practically non-existent. Customers manage almost all these transactions themselves – or we help them over the phone.

At the same time, in markets with corporate customers and in places where there is a strong demand for private banking advisory services, pressure on our branches has instead increased. Here customers still want to meet our account managers in person and relatively frequently.

Year after year, independent surveys designate us the best bank for Private Banking, and the same is true of the corporate side. Among corporate customers, we have always come out on top of the rankings in all of our home markets, ever since the surveys started.

In Sweden, we remain the largest corporate bank – no other bank has more money lent out to Swedish companies than Handelsbanken. I don't believe that this is down to chance – on the contrary, these successes are founded on long-term, deliberate efforts to genuinely understand and meet all customers in the way they want.

This is the backdrop to the extensive service and organisational changes set in motion by the Bank last year: they are driven by the gradual evolution of our customers' demand.

In places where our customers no longer choose or need to visit the branch, the branch will close. But advisory services will still be available, 24 hours a day, seven days a week, over the phone. On the other hand, we are reinforcing branches where customers ask for personal meetings with our branch colleagues who know them personally, who have local market knowledge and a mandate to make decisions.

We are doing the same thing with our products, offerings and services: focusing on what the customer wants and gradually taking away what they don't use.

I have often been asked why Handelsbanken didn't make this change before – and my answer is that we did: we are changing all the time. It's just that at present the changes are more extensive and across the board. But all the changes we make always keep pace with our customers.

This approach is a cornerstone of Handelsbanken.

An example is cash. About ten years ago, several market players concluded that cash was no longer needed: it was expensive to handle and there were profitable alternatives such as credit cards. These were correct conclusions, but there was a catch: customers still wanted to use cash. So we kept our cash handling, everywhere. But in the past couple of years, customer demand has declined so we are also starting to cut back on cash handling. And we are doing this in step with our customers.

> "Handelsbanken is a bank which customers can always rely on, regardless of the business cycle or other external circumstances."

I believe that this approach is one significant part of the reason why, according to the independent SKI surveys, Handelsbanken has long had more satisfied customers than the average of the sector in all our home markets.

Allowing customers to decide the pace of change is, of course, not always the most profitable solution seen through a short-term, product-specific lens. But over time a bank with more satisfied customers will also be more profitable. It may sound obvious – but it is also backed up by extensive research in this area.

Customer-driven change should, however, be tempered with business responsibility. This is why we are removing products where we are not sufficiently competitive, where they don't come up to the mark or where we consider the risk to be too high. In so doing, we are also freeing up resources so that we can develop and constantly improve our offering and products in the areas where we are currently market leaders, or have the potential to become so.

But one thing we will never change is our view of risk. Over time, a conservative approach has led to us having considerably lower credit losses than the rest of the sector. Our approach and our ability to manage credit risk is internationally recognised – by the large credit rating agencies, for example. No privately owned commercial bank in the world has a better overall rating than Handelsbanken. Together with a handful of other banks, Global Finance ranks us as the safest commercial bank in the world.

Financial strength and stability over time is also a major contribution to customer satisfaction. Handelsbanken is a bank which customers can always rely on, regardless of the the economic conditions or other external circumstances. And that is also the case now – during the (to say the least) strange situation of the past year, we have, as always, been able to do all the business we have wanted to do.

> “In 2020, for the second year running, Handelsbanken was named Sweden’s most sustainable bank, proof that we take this matter seriously.”

This is reflected in our performance for the year. Bearing in mind these results were achieved at a time when the Bank was undergoing a major process of change on the business side, I believe there is reason to be optimistic about the future.

However, there remains uncertainty about the pandemic and its effects. Nobody really knows when and how it will end, but I share the view that the world will hopefully slowly start to open up as the year goes on.

There is one figure that worries me, however, and that is 1.25°C. This is not a measure of the Bank’s financial performance – but it has an impact on us, and also the rest of the world. It relates to the average temperature, which in the past year was 1.25°C above the pre-industrial level, meaning that we are approaching the limit of 1.5°C where climate change is expected to start having extremely serious consequences. According to the EU’s observation service, Copernicus, the year 2020 was in shared first place with 2016 as the warmest year since measurements began.

In 2020, for the second year running, Handelsbanken was named Sweden’s most sustainable bank, proof that we take this matter seriously. But this work must continue and be part of everything we do at the Bank. This is why we are now establishing ambitious sustainability goals in our core business – financing, investments and advisory services.

Among other measures, we routinely identify the environmental consequences of our business operations. Handelsbanken also endorses the Principles for Responsible Banking (PRB) and continues to support other international initiatives for sustainable business: the 2030 Agenda for Sustainable Development and the Sustainable Development Goals, the UN Global Compact and the Principles for Responsible Investment (PRI) to mention just a few.

For the second year running, our life insurance company and Swedish asset management operations reported in line with the TCFD recommendations. In the years ahead, I look forward to broadening the methodology to include other parts of the Bank’s operations, reporting in accordance with with international frameworks and emerging, new standards such as the EU taxonomy directive.

Handelsbanken has just started its 150th year of operations. Since the start, we have built our bank based on the conviction that people naturally want and are able to do good things well. This is also why we have a decentralised way of working where employees get to make independent, sensible decisions and take responsibility.

And that is just what everyone in the Bank has done in 2020 – neither a pandemic nor a process of change has prevented our employees from doing a fantastic job during the year. My warmest thanks for all your fine efforts.

Finally, I would also like to thank our customers and shareholders for your trust. Our aim is unchanged – we will do everything we can to live up to this trust and to your expectations of us in the coming years.

Stockholm, February 2021
Carina Åkerström, President and Group Chief Executive

Administration report

CONTENTS

Concept

Through a decentralised way of working, stable finances, accountability on sustainability issues and a low risk tolerance, Handelsbanken builds long-term customer relationships. We meet customers across networks of local branches and in personally customised digital meeting places. Handelsbanken has well-defined business operations, which are continuously being developed to meet the expectations, needs and wants of the Bank's customers.

Goal

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

Handelsbanken's profitability goal is intended to offer shareholders long-term, high growth in value, with increasing earnings per share over a business cycle.

With long-term, stable development, the Bank can provide support to its customers whatever the prevailing business environment. High profitability and sustainable business operations are critical factors in attracting shareholders to invest in the Bank. In addition, these go hand in hand with low funding costs, positive growth and the Bank being seen as an attractive employer.

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

Goals and goal achievement

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

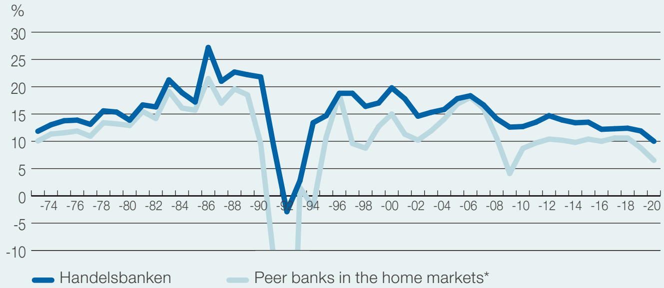
CORPORATE GOAL

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

Goal achievement

Handelsbanken's return on equity was 10.0 per cent (11.9). In the income statement for 2020, there are no items considered to affect the comparison of profitability with other banks (the period of comparison has been adjusted to take into account the reversal, undertaken in 2019, of the preliminary provision made in 2018 for the Oktogonen profit-sharing scheme, amounting to SEK 829 million). Adjusted for this, return on equity was 10.0 per cent (11.4). The corresponding figure for a weighted average of all peer banks in the home markets is estimated at approximately 6.5 per cent (8.8).

Return on equity 1973–2020



* Only Swedish banks are included for the period up to and including 2002, and only Nordic banks for the period 2003–2012.

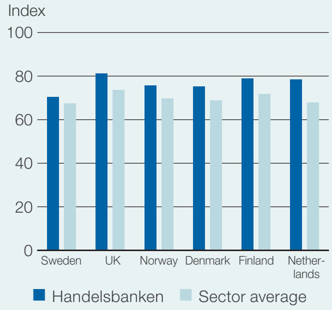
THE MOST SATISFIED CUSTOMERS

One method through which the Bank will achieve its corporate goal is to have more satisfied customers than its competitors. Quality and service must therefore meet customer expectations, at a minimum, and preferably exceed them.

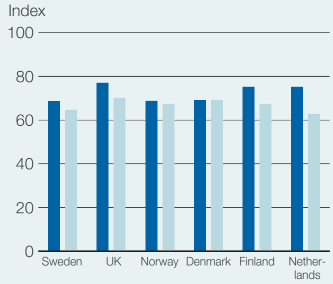
Outcome

Handelsbanken's private and corporate customers are more satisfied than the sector average in all six home markets. The Bank has thus maintained its strong, stable position in terms of customer satisfaction. Satisfied customers are proof that Handelsbanken's way of working is effective.

Customer satisfaction, private customers 2020



Customer satisfaction, corporate customers 2020



Source: SKI/EPSI 2020

COST-EFFECTIVENESS

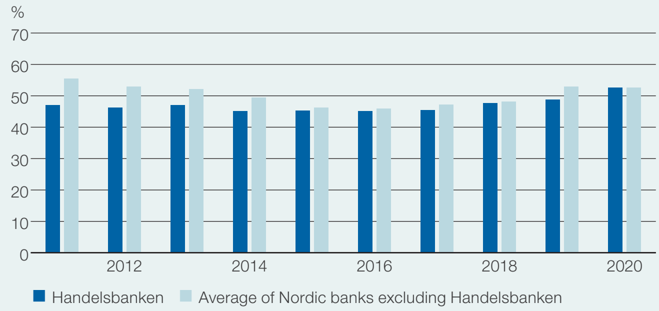
The corporate goal will also be achieved through higher cost efficiency than peer competitors.

Outcome

Handelsbanken's expenses relative to income were 52.7 per cent (48.8). The equivalent key figure for an average of other major Nordic banks was 52.7 per cent (53.0).

During the year, Handelsbanken's expenses were burdened with a restructuring provision of SEK -1,470 million (-930). Adjusted for this, the C/I ratio was 49.4 per cent (46.7).

Costs/income, excluding credit losses, 2011–2020



CREDIT QUALITY

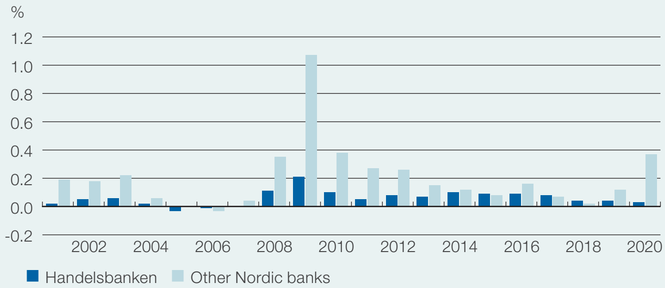
Handelsbanken has a low risk tolerance. This means that the quality of credits must never be neglected in favour of achieving higher volume or a higher margin.

Outcome

Credit losses were SEK -781 million (-1,045). This amount includes expert-based calculations to take account of the effect of Covid-19, which resulted in an additional provision requirement of SEK -564m. Credit losses as a proportion of lending were 0.03 per cent (0.04).

For the past ten years – that is, since 2011 – the Bank's average credit loss ratio has been 0.07 per cent. This can be compared with the average for the other major Nordic banks during the same period: 0.15 per cent.

Credit losses as a percentage of lending 2001–2020



RATING

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

Outcome

No other privately owned bank anywhere in the world has a higher rating than Handelsbanken, looking at bank ratings from Fitch, Moody's and Standard & Poor's. During the year, Handelsbanken's long-term and short-term senior ratings with the rating agencies which monitor the Bank were unchanged.

Nordic bank ratings

	Moody's			Standard & Poor's		Fitch	
31 December 2020	Financial strength (BCA)*	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Handelsbanken	a2	Aa2	P-1	AA-	A-1+	AA	F1+
Nordea	a3	Aa3	P-1	AA-	A-1+	AA-	F1+
Swedbank	baa1	Aa3	P-1	A+	A-1	A+	F1
SEB	a3	Aa2	P-1	A+	A-1	AA-	F1+
DNB	a3	Aa2	P-1	AA-	A-1+		
Danske Bank	baa2	A2	P-1	A	A-1	A	F1

* Baseline Credit Assessments (BCA) are an indicator of *the issuers' standalone intrinsic strength*.

Source: SNL.

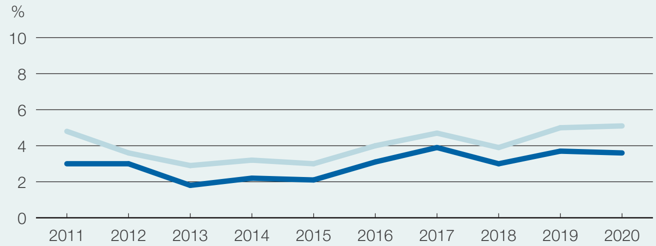
A LONG-TERM PERSPECTIVE

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

Outcome

External staff turnover for the six home markets was 4.5 per cent (4.9), and 3.6 per cent (3.7) for Sweden. For the Group, it was 5.1 per cent (5.0).

External staff turnover 2011–2020*



* Staff turnover refers to the proportion of employees who have left the Bank (excluding retirements and deaths) in relation to the average number of employees.

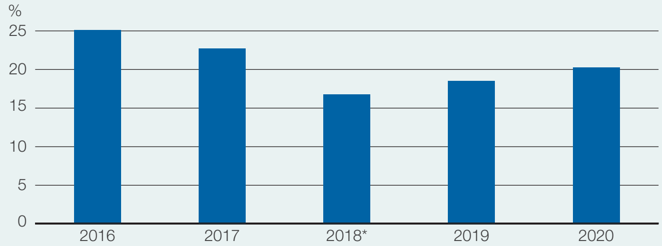
CAPITAL

The Bank's capital goal is that its common equity tier 1 ratio should, under normal circumstances, exceed the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority by 1–3 percentage points. Additionally, the Bank must fulfil any other capital requirements set by the regulators.

Outcome

At the end of the year, the common equity tier 1 ratio was 20.3 per cent (18.5). In the Bank's assessment, the Supervisory Authority's expected common equity tier 1 capital requirement at the end of the fourth quarter was 13.8 per cent.

Common equity tier 1 ratio, 2016–2020



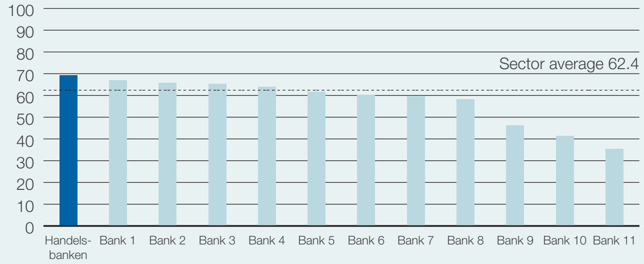
*The common equity tier 1 ratio was affected when the Swedish Financial Supervisory Authority moved the risk weight floor for mortgage loans in Sweden to Pillar 1, at 31 December 2018.

OVERALL SUSTAINABILITY GOAL

Handelsbanken's goal is to be, and to be recognised as, the most sustainable player among peer competitors from the year 2021 onwards. The assessment is made on the basis of a weighted average of sustainability ratings for peer competitors in our home markets from four global sustainability surveys*, with the ratings from all four of these surveys converted to a scale of 1–100, and based on customer surveys from Swedish Quality Index and others.

Furthermore, in accordance with its obligations under the UN's Principles for Responsible Banking (PRB), Handelsbanken has established sustainability goals in three areas: investment, financing and advisory services (see page 63) and a goal for net zero greenhouse gas emissions from Handelabanken's operations, including relevant parts of the lending and investment portfolio (see page 62).

Weighted average of sustainability surveys



*ISS ESG, MSCI ESG Research, S&P Global SAM Corporate Sustainability Assessment and Sustainalytics.

Our concept and working methods

Handelsbanken was founded nearly 150 years ago. Today, we are one of the world's strongest banks. Our business is founded on strong local presence, sustainable social responsibility in the communities in which we operate, and trust in the individual – both customers and employees. In each customer meeting, whether at a branch or a digital meeting place, we strive to provide tailored advice and to offer relevant products and services. Customer meetings are also where we lay the foundations for the development of the Bank's business in line with customers' demands and desires. At Handelsbanken, the customer is always at the centre.

OUR GOAL AND OUR METHODS

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

The goal permeates the entirety of Handelsbanken's corporate culture. Our decentralised way of working and strong local presence, combined with quality digital services and sustainable social responsibility, form the basis for the high levels of customer satisfaction and long-term customer relationships enjoyed by the Bank.

“Whichever way a customer contacts us, our aim with a meeting is always to understand the purpose and the individual's needs.”

THE CUSTOMER AT THE CENTRE

There are numerous ways that our customers meet Handelsbanken. They visit a branch for advice, check their account balance on the app, or pay a bill using Online Banking. They get help in a phone call with customer service, see an expert from the Bank being interviewed on TV, or click on the Bank's social media posts.

Whichever way a customer contacts us, our aim with a meeting is always to understand the purpose and the individual's needs. For us, the customer is never just a birth date or an account number. We see the person behind the data, regardless of whether it is a private or corporate customer.

This means that we meet the customer with expertise at the ready and a high level of service at the branches, but also via customer service, Online Banking and on the app, at all hours of the day. The customer should feel at home with the Bank, whichever meeting place they choose. We are available, we are easy to deal with, and we show that we care.

EACH CUSTOMER HAS A BRANCH

For every customer at Handelsbanken, a branch assumes the ultimate responsibility for ensuring their satisfaction with the Bank over time. For us, it is self-evident that the branches should have a wide-ranging mandate to act independently. Nobody can improve on the decisions made by the employees at branches – those who know the customer and understand the traits of the local area.

Customer account managers at the branches therefore play a crucial role in developing customer relationships and making decisions that affect customers. Many of our corporate customers attach real value to the fact that they can meet both a specialist and a decision-maker when they visit or call their branch. Our decentralised way of working means that decisions can be made rapidly, based on a sound knowledge of the customer and the local market – without having to wait for approval from a central unit.

Customers that may not usually need to visit a branch may nonetheless sometimes prefer to sit down and seek advice on a major life event – everything from buying their first house to planning their pension.

Handelsbanken has long had both more satisfied customers than the sector average in all our home markets, and low credit losses. This does not happen by chance. The ability to assess credit risk and to understand a customer's needs come about as the result of the approach to customers and employees that is a cornerstone of our decentralised way of working.

DIGITAL MEETING PLACES

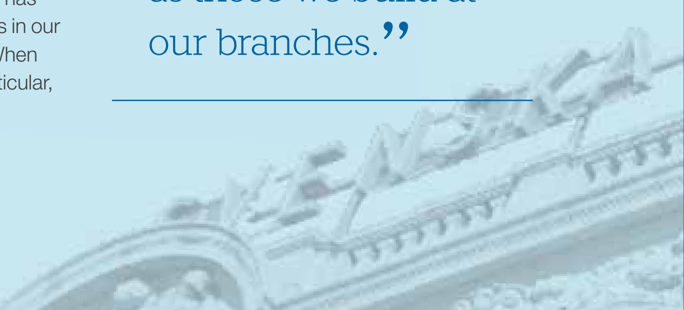
Technological and digital developments have been exceptional over the last 20 years. This trend affects all aspects of society, and has been the driver behind a raft of changes in our customers' needs and expectations. When considering customer meetings, in particular, we have a record of continuously developing and updating our services, and our app, online banking services and telephone banking have long been well appreciated by our customers.

For Handelsbanken, digitalisation offers huge opportunities to reach more customers with value-creating advice and services adapted to the customer's specific needs. Our digital meeting places must be simple to use and focus on the customer.

Customer-centric and increasingly personalised digital services have simplified the everyday tasks that customers carry out. New technology will continue to improve our accessibility to our customers, and will give employees at branches and customer service both enhanced support and more time to assist with more complex matters. Our customers must feel confident in the security of our digital meeting places, while also experiencing them as highly accessible, for which reason we apply the highest standards of security, ethics and confidentiality in all processing of customer information.

Our customers do not want to go fully digital or fully branch-based – they want the choice of when and how they meet us. For them, the personalised approach is at the core of what they want from the customer experience. Our ambition is therefore to foster relationships in digital meeting places that are equally personal and long term as those we build at our branches.

“Our ambition is to foster relationships in digital meeting places that are equally personal and long term as those we build at our branches.”



SUSTAINABLE VALUE CREATION

More and more people want to contribute to creating a more sustainable world by making informed consumer choices, through their own green investments in the home and their vehicles, or by saving in mutual funds that contribute to making society a better place. More and more companies seek funding for producing new, more sustainable products and production methods, and to make investments in energy-efficient premises and property.

Climate change is one of the main challenges for our society. For Handelsbanken, it means that we will accept our responsibilities by working systematically and methodically to review our own direct environmental impact. We have made fantastic strides, with energy consumption consistently decreasing and reduced business travel. This trend is set to continue at an ever increasing pace.

Our greatest opportunities to influence and assist sustainable development are, however, in our business operations – when we finance our customers' projects and businesses and are entrusted to manage customers' assets.

One concrete example of this is Handelsbanken Fonder, and how it works to select and exclude investments in our funds on the basis of environmental considerations. This does not mean that we make any compromises on the generation of returns. Quite the opposite – sustainable investments have proven to be financially successful in recent years. The same logic applies to our credit-granting operations. With our generally low tolerance of risk, it makes perfect sense for us to consider sustainability in our credit assessments.

We make no claims to be able to solve the global sustainability crisis. No single person, company or nation could. But we have an ambition – and a responsibility – to lead the way, and to further accelerate our sustainability work. Consequently, sustainability will always be integrated into our way of thinking and making decisions. Not just because it's the right thing to do, but also because it is commercially sound. Handelsbanken's clear focus on sustainability makes us more sustainable in the long term, as well as stronger and more attractive in times of crisis; as an investment, as a supplier of products and services, and as an employer.

HANDELSBANKEN WILL ALWAYS BE HANDELSBANKEN

Handelsbanken's model has been put through some testing times over the years. In every crisis since the liberalisation of the capital markets in the 1980s, Handelsbanken has recorded substantially smaller credit losses than other banks. In measurement after measurement, customers express a deep appreciation for Handelsbanken's staff and products. During this time, with very few exceptions, the Bank has kept costs low, had good profitability and a good capital situation.

And the model works. But it is not – and never has been – static. Our business has to evolve constantly, in order to meet raised expectations and new demands from customers. By doing so, Handelsbanken can continue to create growth with a high level of efficiency – and generate good profitability and sizeable returns for shareholders.

> "Our business has to evolve constantly, in order to meet raised expectations and new demands from customers."

Financial overview 2020

- Operating profit, adjusted for foreign exchange movements and items affecting comparability, increased by 1 per cent. Including these effects, profit decreased to SEK 20,135 million (21,796).
- Return on equity, adjusted for items affecting comparability and foreign exchange movements, was 11.0 per cent (11.9); including these items, it was 10.0 per cent (11.9).
- Earnings per share decreased to SEK 7.87 (8.65).
- The common equity tier 1 ratio increased to 20.3 per cent (18.5).
- The credit loss ratio was 0.03 per cent (0.04).
- Income, adjusted for foreign exchange movements and items affecting comparability, increased by 1 per cent. Including foreign exchange movements, income decreased by 1 per cent to SEK 44,248 million (44,564).
- The total net inflow to the Bank's mutual funds increased by 37 per cent to SEK 41 billion (30).
- Handelsbanken's market share of the total net inflows to the mutual fund market in Sweden was 46 per cent
- The underlying cost increase, adjusted for foreign exchange movements and items affecting comparability, was 1 per cent. Including these effects, expenses increased to SEK -23,334 million (-21,743).
- Adjusted for foreign exchange movements and items affecting comparability, the C/I ratio was 48.8 per cent (48.3). Including these items, the C/I ratio was 52.7 per cent (48.8).

Review of operations

Despite the substantial economic downturn during the year, Handelsbanken maintained stable earnings. Operating profit, adjusted for items affecting comparability and foreign exchange movements, increased by 1 per cent.

The Bank presented numerous measures implemented during the year in response to the earlier review of its business operations. As a consequence of this work, profit in Q3 was impacted by a provision for a restructuring reserve of SEK -1,470 million. The appreciation of the Swedish krona had a negative effect of SEK -321 million on operating profit. A provision of SEK -213 million was made for the Oktogonen profit-sharing scheme in the fourth quarter. Including these items, operating profit decreased by 8 per cent to SEK 20,135 million (21,796).

Income, adjusted for items affecting comparability, increased by 1 per cent.

The underlying cost increase, adjusted for foreign exchange movements and items affecting comparability, fell to just over 1 per cent (5).

Return on equity decreased to 10.0 per cent (11.9). Adjusted for foreign exchange movements and items affecting comparability, return on equity was 11.0 per cent (11.9). The period's profit after tax fell by 8 per cent to SEK 15,588 million (16,925) and earnings per share declined to SEK 7.87 (8.65). The C/I ratio rose to 52.7 per cent (48.8); adjusted for foreign exchange effects and items affecting comparability, the C/I ratio was 48.8 per cent (48.3).

The common equity tier 1 ratio rose to 20.3 per cent (18.5).

NON-RECURRING ITEMS AND SPECIAL ITEMS IN THE OPERATING PROFIT

SEK m	Full year 2020	Full year 2019
Non-recurring items		
Restructuring costs	-1,470	-930
Impairment of discontinued IT systems	-38	-29
Dividend from VISA Sweden	-	55
Total non-recurring items	**-1,508**	**-904**
Special items		
The profit-sharing scheme Oktogonen		
Provision/reversal previous year	-	829
Provision current year	-213	-
Total special items	**-213**	**829**
Total	**-1,721**	**-75**

INCOME

SEK m	Full year 2020	Full year 2019	Change
Net interest income	31,606	32,135	-2%
of which government fees	*-1,424*	*-2,165*	*-34%*
Net fee and commission income	10,786	10,697	1%
Net gains/losses on financial transactions	1,437	1,299	11%
Other	419	433	-3%
Total income	**44,248**	**44,564**	**-1%**

Income decreased by 1 per cent to SEK 44,248 million (44,564). The appreciation of the Swedish krona had a negative effect of SEK -617 million on income. Adjusted for foreign exchange effects, income grew by 1 per cent.

Net interest income went down by 2 per cent, or SEK 529 million, to SEK 31,606 million (32,135). The decrease was almost entirely due to the appreciation of the Swedish krona, which had a negative effect of SEK -512 million on net interest income. The special situation in the spring, caused by Covid-19, gave rise to effects that had negative impacts on both margins and funding costs, although higher deposit and lending volumes had a positive effect. Higher business volumes made a total contribution of SEK 1,127 million. The discontinuation of operations within Handelsbanken International had a negative effect of around SEK 90 million on volume. The net effect of changes to margins and funding costs was a reduction of net interest income amounting to SEK -1,585 million, of which SEK -286 million was attributable to Sweden and the remainder to the home markets outside Sweden. Lower government fees had a positive impact of SEK 741 million on net interest income, which is explained by a SEK 810 million reduction in the fee to the Swedish-Resolution Fund, amounting to SEK -1,046 million (-1,856). As of 1 January 2020, the fee amounts to 0.05 per cent of the basis of calculation (0.09). Starting in 2020, the Bank's UK operations are no longer considered in the basis of calculation, as these have been undertaken in the form of a subsidiary since late 2018. Including fees for various deposit guarantees, government fees amounted to a total of SEK -1,424 million (-2,165).

Net fee and commission income climbed by 1 per cent to SEK 10,786 million (10,697). Foreign exchange effects had a negative impact of SEK -82 million. Fund management, custody account management and other asset management commissions increased by 7 per cent, or SEK 375 million, to SEK 5,411 million (5,036). Brokerage income increased by 5 per cent to SEK 656 million (625), while advisory income decreased by 6 per cent to SEK 240 million (255). Lending and deposit commissions fell by 3 per cent to SEK 1,353 million (1,401). Net payment commissions went down by 17 per cent to SEK 1,688 million (2,024), of which net card commissions decreased by 22 per cent to SEK 1,026 million (1,310).

Net gains/losses on financial transactions increased by 11 per cent to SEK 1,437 million (1,299). The net figure was impacted by a provision for a deferred capital contribution of SEK -118 million (-51) in Handelsbanken Liv's traditional insurance operations. From the first quarter, changes in CVA and DVA attributable to the valuation of counterparty risks in the Bank's derivative exposures are recognised on an ongoing basis as a part of the derivative's fair value on the balance sheet and income statement. The substantial increase in credit spreads in the market during the spring contributed significantly to CVA and DVA having a SEK -64 million impact on profit.

Other income amounted to SEK 419 million (433). The decline was attributable to the dividend of SEK 55 million that was received from VISA Sweden during the period of comparison. Risk result – insurance rose by SEK 50 million to SEK 195 million (145).

EXPENSES

SEK m	Full year 2020	Full year 2019	Change
Staff costs	-15,343	-13,549	13%
of which restructuring costs	*-1,310*	*-759*	*73%*
of which Oktogonen	*-213*	*829*	
Other expenses	-6,085	-6,524	-7%
of which restructuring costs	*-60*	*-171*	*-65%*
of which rental costs	*-182*	*-192*	
Depreciation, amortisation and impairment	-1,906	-1,670	14%
of which right-of-use assets	*-862*	*-725*	
of which restructuring costs	*-100*	*-*	
Total expenses	**-23,334**	**-21,743**	**7%**
Change after adjustment for currency and special items and non-recurring items			**1.3%**

DEVELOPMENT COSTS

SEK m	Full year 2020	Full year 2019	Change
Development spend	-2,611	-2,730	-4%
of which staff costs	*-1,306*	*-1,281*	*2%*
of which other costs	*-1,305*	*-1,449*	*-10%*
Capitalised costs	845	1,120	-25%
Development spend after capitalised costs	**-1,766**	**-1,610**	**10%**
Depreciation, amortisation and impairment	-530	-449	18%
Development costs	**-2,296**	**-2,059**	**12%**

Total expenses rose by 7 per cent to SEK -23,334 million (-21,743). The appreciation of the Swedish krona reduced expenses by SEK 289 million. The underlying increase in expenses, adjusted for foreign exchange effects, non-recurring items and special items, was 1.3 per cent.

A provision of SEK -213 million was made for the Oktogonen profit-sharing scheme in the fourth quarter. In the third quarter, expenses were impacted by a provision for a restructuring reserve of SEK -1,470 million. During the first half of the previous year, the preliminary provision for the Oktogonen profit-sharing scheme made in 2018, amounting to SEK 829 million, was reversed.

Development costs, including amortisation, rose by 12 per cent to SEK -2,296 million (-2,059). Total expenses for the Bank's development amounted to SEK -2,611 million (-2,730). Capitalised costs decreased to SEK 845 million (1,120).

The expenses incurred by the Bank for its work to prevent financial crime increased to SEK -1,220 million (-1,155), a figure which refers to the expenses incurred at central units and regional head offices, but which does not include expenses relating to the work conducted at the local branches.

Staff costs increased to SEK -15,343 million (-13,549); in Q4, they were impacted by a SEK -213 million provision for the Oktogonen profit-sharing scheme, while in Q3, they were impacted by a provision for a restructuring reserve of SEK -1,310 million. Expenses during the period of comparison were positively affected by the Oktogonen profit-sharing scheme in the amount of SEK 829 million. Foreign exchange effects reduced staff costs by SEK 170 million. The underlying increase in staff costs, adjusted for the items stated above, was 3 per cent, which was primarily due to annual salary adjustments. Pension costs were SEK -1,908 million (-1,939). Staff costs relating to the Bank's IT development totalled SEK -1,306 million (-1,281). The average number of employees grew slightly to 12,563 (12,548). The number of employees at year-end was lower, however, amounting to 12,474 (12,551).

Other expenses decreased by 7 per cent to SEK -6,085 million (-6,524), and were impacted during the third quarter by a provision for a restructuring reserve of SEK -60 million. Foreign exchange effects reduced other expenses by SEK 110m. Other costs attributable to the Bank's development amounted to SEK -1,305 million (-1,449).

Depreciation and amortisation rose to SEK -1,906 million (-1,670). The depreciation and impairment of right-of-use assets for rented premises amounted to SEK -862 million (-725), and this amount was also negatively affected by a restructuring reserve of SEK -100m. Amortisation linked to development was SEK -530 million (-449).

CREDIT LOSSES

SEK m	Full year 2020	Full year 2019	Change
Net credit losses	-781	-1,045	264
of which future provision requirements	*-564*	-	
Credit loss ratio as % of loans	0.03	0.04	

Credit losses decreased to SEK -781 million (-1,045). This amount includes expert-based calculations that take into account the effects of Covid-19, and entail an additional provision requirement of SEK -564 million. The credit loss ratio was 0.03 per cent (0.04).

Taxes

The effective tax rate was 22.6 per cent (22.3). Since 2019, the corporate tax rate in Sweden has been 21.4 per cent. As of 1 January 2021, the rate is 20.6 per cent. The fact that interest expenses on subordinated loans are not tax-deductible had an impact of 1.3 percentage points on the tax rate, compared with the corporate tax rate.

BUSINESS DEVELOPMENT

As in previous years, EPSI Rating and Swedish Quality Index (SKI) found that Handelsbanken's customers – both private and corporate – are more satisfied than the average for the banking sector, in all the Bank's home markets.

Business volumes continued to grow. The average volume of lending rose by SEK 22 billion, while deposits and borrowing increased by SEK 159 billion.

The average volume of loans to the public grew by 1 per cent to SEK 2,306 billion (2,284). The appreciation of the Swedish krona had a SEK 35 billion negative effect on the volume and, adjusted for foreign exchange effects, the average volume of loans to the public grew by just over 2 per cent. Household lending increased by 3 per cent to SEK 1,227 billion (1,194), and corporate lending fell by 1 per cent to SEK 1,079 billion (1,090). A large part of the decrease is due to the ongoing streamlining of the operations outside the home markets.

Average volumes of deposits and borrowing rose by 14 per cent to SEK 1,302 billion (1,143). The appreciation of the Swedish krona had a SEK 15 billion negative effect on the volume and, adjusted for foreign exchange effects, the average volume of deposits and borrowing from the public grew by 15 per cent. The average volume of household deposits went up by 8 per cent to SEK 549 billion (509), while corporate deposits increased by 19 per cent to SEK 753 billion (634).

Total assets under management in the Group increased during the year by 10 per cent to SEK 846 billion (767), of which SEK 769 billion (675) was invested in the Bank's mutual funds. The net inflow to the Bank's mutual funds was SEK 40.8 billion (29.7), of which SEK 5.9 billion (1.0) came from the home markets outside Sweden.

THE BANK'S NEW STRATEGIC DIRECTION

During the autumn, the Bank presented the new strategic direction it has implemented, aiming to create an even better customer offering while also improving efficiency. Resources and specialist expertise will be made more widely available to the branches, at the same time as the branch network is concentrated to fewer locations.

Throughout 2021 and 2022, the Bank will also be investing an additional total of SEK 1 billion into digital development, over and above current development investments. The initiative is expected to result in further improvements to the customer experience and will allow the Bank to better meet customers' expectations with regard to advisory services and offerings via digital meeting places. These efforts will also provide the branches with more effective tools in their work to facilitate continued profitable business growth.

The new strategic direction applies to all home markets. In Sweden and the UK, the previous regional bank systems are being replaced with a more customer-centric organisation, which will not only ensure the availability of specialist expertise closer to the customer, but also result in a more robustly decentralised decision-making process and improved efficiency. In Sweden, all county heads have been appointed, and the work to build the new telephone bank, with an extended mandate, is ongoing. In tandem with this, the Bank's product areas, control functions and central staff functions are being re-organised to crystallise their responsibilities as regards supporting the branches and business operations in all home markets. This will put an end to identical functions working parallel to each other, thus enhancing efficiency.

The operative model that the Bank has now decided on is expected to lead to the Bank achieving a sustainable annual cost level of SEK 20 billion by year-end 2022 at the latest (before any allocations to the Oktogonen profit-sharing system and at average exchange rates as of Q3 2020).

The Bank expects that during 2021 the cost effects of these measures will largely be offset by the temporary increase in IT investments. However, in 2022, as described above, the overall cost level for the Group is expected to decrease, reaching the target level by the end of the year, at the latest.

FUNDING AND LIQUIDITY

Bond issues during the year amounted to SEK 168 billion (177), of which SEK 118 billion (144) was covered bonds, SEK 41 billion (28) was senior bonds and SEK 9 billion was perpetual subordinated loans (5).

The funding markets have, at times, been characterised by significant uncertainty during the year, due to the ongoing pandemic. In spite of this, the Bank has been active in most funding markets during the year and has attracted many investors. All issues in the international markets were well oversubscribed.

The Bank has large volumes of liquid funds, mortgage loans and other assets that are not encumbered and therefore represent protection for the Bank's senior lenders. The ratio of non-encumbered assets to all unsecured market funding amounted to 269 per cent at the end of the year (258 at the end of Q3 2020).

At the end of the fourth quarter, cash funds and liquid assets deposited with central banks amounted to SEK 418 billion (compared with SEK 591 billion at the end of Q3 and SEK 346 billion at year-end 2019). The volume of liquid bonds and other liquid assets totalled SEK 145 billion (127 at the end of Q3 2020).

At the end of the period, the Group's liquidity coverage ratio, (LCR), calculated according to the European Commission's delegated regulation, was 150 per cent (149 at the end of Q3 2020). At the end of the period, the net stable funding ratio (NSFR) according to CRR2 was 117 per cent (117 at the end of Q3 2020).

CAPITAL

The Bank's capital goal is that its common equity tier 1 ratio should, under normal circumstances, exceed the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority by 1–3 percentage points.

At the end of the year, the common equity tier 1 ratio was 20.3 per cent. In the Bank's assessment, the Swedish Financial Supervisory Authority's expected common equity tier 1 capital requirement at the end of Q4 was 13.8 per cent (SEK 99.5 billion), of which 2.7 percentage points (SEK 19.6 billion) comprise the common equity tier 1 capital requirement in Pillar 2. The expected common equity tier 1 capital requirement includes the majority of the effects deriving from the adaptation of capital requirements for Swedish banks to the EU's banking package and CRDV. Pillar 2 also includes, from the fourth quarter, a risk weight floor of SEK 3.2 billion for lending with collateral in commercial property, corresponding to 0.4 percentage points of the common equity tier 1 capital requirement.

At the end of the fourth quarter, the total capital ratio was 24.3 per cent. The Bank's assessment is that the Swedish Financial Supervisory Authority's expected total capital requirement amounted to 18.3 per cent (SEK 131.7 billion) on the same date, of which 3.7 percentage points (SEK 26.6 billion) comprises the total capital requirement in Pillar 2.

The Bank's capitalisation was thus above the target range. Given the current situation, the Bank does not deem that this requires rectification at the present time.

Capital for consolidated situation 31 December 2020 compared with 31 December 2019

SEK m	31 Dec 2020	31 Dec 2019	Change
Common equity tier 1 ratio, CRR	20.3%	18.5%	1.8
Total capital ratio, CRR	24.3%	23.2%	1.1
Risk exposure amount, CRR	721,403	716,462	1%
Common equity tier 1 capital	146,160	132,731	10%
Total own funds	175,245	166,060	6%

Own funds were SEK 175 billion (166), and the Bank's total capital ratio amounted to 24.3 per cent (23.2). The common equity tier 1 capital was SEK 146 billion (133), while the common equity tier 1 ratio was 20.3 per cent (18.5).

Earnings during the last 12-month period raised the common equity tier 1 capital ratio by 2.0 percentage points. A deduction for the proposed dividend, equivalent to 25 per cent of the sum total profit in 2019 and 2020, had a negative impact of 1.1 percentage points. The return to own funds of the previously deducted dividend proposed on the basis of profit in 2019 had a positive contribution of 1.5 percentage points. The SME reduction had a positive impact of 0.5 percentage points. Higher exposure volumes reduced the common equity tier 1 ratio by 0.7 percentage points, and the net effect of customer and volume migration was -0.1 percentage points. Foreign exchange effects contributed -0.1 percentage points and the effects of net pensions were -0.1 percentage points. The transition from IRB to a standardised basis for calculating the capital requirement for credit risk in the UK at Group level reduced the common equity tier 1 ratio by 1.4 percentage points. The ultimate effect of the transition was thus lower than previously anticipated. Other effects increased the common equity tier 1 ratio by 1.2 percentage points.

Economic capital and available financial resources

The Bank's internal assessment of its need for capital is based on the Bank's capital requirement, stress tests, and the Bank's model for economic capital (EC). This is measured in relation to the Bank's available financial resources (AFR). The Board stipulates that the AFR/EC ratio for the Group must exceed 120 per cent. At the end of Q4, Group EC totalled SEK 57.2 billion (57.8), while AFR was SEK 184.9 billion (184.0). Thus, the ratio between AFR and EC was 324 per cent (318). For the consolidated situation, EC totalled SEK 28.5 billion (28.8), and AFR was SEK 180.0 billion (179.5).

Rating

During the quarter, Handelsbanken's long-term and short-term senior ratings with the rating agencies which monitor the Bank were unchanged (see the following table). As for most other Nordic banks, prospects for Fitch rating are negative – due to the ongoing pandemic. The outlook for ratings from other agencies is stable.

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

HANDELSBANKEN'S AGM ON 24 MARCH

The Board proposes that the AGM resolve on a dividend of SEK 4.10 per share. The Swedish Financial Supervisory Authority's memorandum in December 2020 allows for a maximum dividend level from the combined net profit in 2019 and 2020 of 25 per cent (the annual general meeting in 2020 resolved that no dividends would be paid on profit in 2019). Total net profit for the period 2019–2020 was SEK 32.5 billion, of which 25 per cent corresponds to SEK 8.1 billion, or SEK 4.10 per share. 40 per cent of net profit for 2020 corresponds to SEK 3.15 per share. SEK 0.95 per share of the proposed dividend is attributable to earlier retained earnings.

The Board proposes that the record day for the dividend be 26 March 2021, which means that the Handelsbanken share will be traded ex-dividend on 25 March 2021, and that the dividend is then expected to be disbursed by Euroclear on 31 March 2021. The Board is also proposing that the existing repurchase programme of a maximum of 120 million shares be extended for a further year. In addition, the Board proposes that the annual general meeting authorise the Board to be able to issue convertible debt instruments in the form of AT1 bonds, in order to adapt the Bank's capital structure to capital requirements prevailing at any time.

Five-year overview, Group

Consolidated income statement SEK m	2020	2019	2018	2017	2016
Net interest income	31,606	32,135	31,286	29,766	27,943
Net fee and commission income	10,786	10,697	10,247	9,718	9,156
Net gains/losses on financial transactions	1,437	1,299	908	1,271	3,066
Risk result – insurance	195	145	106	142	142
Other dividend income	53	113	218	591	228
Share of profit of associates and joint ventures	18	32	0	14	25
Other income	153	143	1,005	172	203
Total income	**44,248**	**44,564**	**43,770**	**41,674**	**40,763**
Staff costs	-15,343	-13,549	-13,465	-12,472	-12,542
Other expenses	-6,085	-6,524	-6,712	-5,889	-5,401
Depreciation, amortisation and impairment of property, equipment and intangible assets	-1,906	-1,670	-713	-619	-495
Total expenses	**-23,334**	**-21,743**	**-20,890**	**-18,980**	**-18,438**
Profit before credit losses	**20,914**	**22,821**	**22,880**	**22,694**	**22,325**
Net credit losses	-781	-1,045	-881	-1,683	-1,724
Gains/losses on disposal of property, equipment and intangible assets	2	20	14	14	32
Operating profit	**20,135**	**21,796**	**22,013**	**21,025**	**20,633**
Taxes	-4,547	-4,871	-4,656	-4,923	-4,401
Profit for the year from continuing operations	**15,588**	**16,925**	**17,357**	**16,102**	**16,232**
Profit for the year pertaining to discontinued operations, after tax		-	-	-	13
Profit for the year	**15,588**	**16,925**	**17,357**	**16,102**	**16,245**
attributable to					
Shareholders in Svenska Handelsbanken AB	15,585	16,922	17,354	16,099	16,244
Non-controlling interest	3	3	3	3	1
Earnings per share, continuing operations, SEK	7.87	8.65	8.93	8.28	8.42
after dilution	7.87	8.58	8.84	8.20	8.30
Earnings per share, discontinued operations, SEK	-	-	-	-	0.01
after dilution	-	-	-	-	0.01
Earnings per share, total operations, SEK	7.87	8.65	8.93	8.28	8.43
after dilution	7.87	8.58	8.84	8.20	8.31

A five-year overview for the parent company is shown on page 209–210.

Consolidated statement of comprehensive income SEK m	2020	2019	2018	2017	2016
Profit for the year	15,588	16,925	17,357	16,102	16,245
Other comprehensive income					
Items that will not be reclassified to the income statement					
Defined benefit pension plans	1,523	4,262	-4,405	3,919	3,993
Equity instruments measured at fair value through other comprehensive income	-583	372	-188		
Tax on items that will not be reclassified to the income statement	-256	-931	978	-864	-876
of which defined benefit pension plans	*-267*	*-910*	*977*	*-864*	*-876*
of which equity instruments measured at fair value through other comprehensive income	*11*	*-21*	*1*		
Total items that will not be reclassified to the income statement	**684**	**3,703**	**-3,615**	**3,055**	**3,117**
Items that may subsequently be reclassified to the income statement					
Cash flow hedges	-1,124	3,741	768	-2,350	-3,145
Debt instruments measured at fair value through other comprehensive income	7	7	-12		
Available-for-sale instruments (IAS 39)				-470	-1,160
Translation difference for the year	-4,269	1,072	-188	-2,241	1,183
of which hedges of net investments in foreign operations	*848*	*-1,509*	*-850*	*-1,509*	*-142*
Tax on items that may subsequently be reclassified to the income statement	93	-480	38	844	833
of which cash flow hedges	*274*	*-801*	*-159*	*517*	*692*
of which debt instruments measured at fair value through other comprehensive income	*-1*	*-2*	*3*		
of which available-for-sale instruments (IAS 39)				*-5*	*110*
of which hedges of net investments in foreign operations	*-180*	*323*	*194*	*332*	*31*
Total items that may subsequently be reclassified to the income statement	**-5,293**	**4,340**	**606**	**-4,217**	**-2,289**
Total other comprehensive income	**-4,609**	**8,043**	**-3,009**	**-1,162**	**828**
Total comprehensive income for the year	**10,979**	**24,968**	**14,348**	**14,940**	**17,073**
attributable to					
Shareholders in Svenska Handelsbanken AB	10,976	24,965	14,345	14,940	17,072
Non-controlling interest	3	3	3	0	1

Consolidated balance sheet SEK m	2020	2019	2018	2017	2016
Assets					
Cash and central banks	418,968	347,505	350,774	265,234	224,889
Loans to the public	2,269,612	2,292,603	2,189,092	2,065,761	1,963,622
Loans to other credit institutions	21,920	17,939	22,137	20,250	31,347
Interest-bearing securities	143,699	146,027	172,989	178,607	161,114
Other assets	281,089	265,593	243,182	237,125	246,608
Total assets	**3,135,288**	**3,069,667**	**2,978,174**	**2,766,977**	**2,627,580**
Liabilities and equity					
Deposits and borrowing from the public	1,229,763	1,117,825	1,008,487	941,967	829,336
Due to credit institutions	124,723	147,989	194,082	174,820	178,781
Issued securities	1,310,737	1,384,961	1,394,647	1,276,595	1,261,765
Subordinated liabilities	41,082	35,546	51,085	32,896	33,400
Other liabilities	257,510	223,514	187,612	199,095	187,917
Equity	171,473	159,832	142,261	141,604	136,381
Total liabilities and equity	**3,135,288**	**3,069,667**	**2,978,174**	**2,766,977**	**2,627,580**

Key figures per year

Key figures for the Handelsbanken Group	2020	2019	2018	2017	2016
Profit before credit losses, continuing operations, SEK m	20,914	22,821	22,880	22,694	22,325
Net credit losses, SEK m	-781	-1,045	-881	-1,683	-1,724
Operating profit, continuing operations, SEK m	20,135	21,796	22,013	21,025	20,633
Profit for the year, continuing operations, SEK m	15,588	16,925	17,357	16,102	16,232
Profit for the year, discontinued operations, SEK m	-	-	-	-	13
Profit for the year, total operations, SEK m	15,588	16,925	17,357	16,102	16,245
Total assets, SEK m	3,135,288	3,069,667	2,978,174	2,766,977	2,627,580
Equity, SEK m	171,473	159,832	142,261	141,604	136,381
Return on equity, total operations, %	10.0	11.9	12.8	12.3	13.1
Return on equity, continuing operations, %	10.0	11.9	12.8	12.3	13.1
Return on capital employed, %	0.47	0.55	0.58	0.56	0.58
Cost/income ratio, continuing operations, %	52.7	48.8	47.7	45.5	45.2
Cost/income ratio, continuing operations, incl. credit losses, %	54.5	51.1	49.7	49.6	49.5
Credit loss ratio, %	0.03	0.04	0.04		
Credit loss ratio (IAS 39), %				0.08	0.09
Impaired loans reserve ratio, %				64.9	59.9
Proportion of impaired loans, %				0.13	0.16
Earnings per share, SEK	7.87	8.65	8.93	8.28	8.43
after dilution	7.87	8.58	8.84	8.20	8.31
Ordinary dividend per share, SEK	4.10[1]	-	5.50	5.50	5.00
Total dividend per share, SEK	4.10[1]	-	5.50	7.50	5.00
Adjusted equity per share, SEK	84.90	78.60	72.90	72.90	69.28
No. of shares as at 31 December, millions	1,980.0	1,980.0	1,944.2	1,944.2	1,944.2
of which outstanding	1,980.0	1,980.0	1,944.2	1,944.2	1,944.2
Average number of outstanding shares, millions	1,980.0	1,956.8	1,944.2	1,944.2	1,927.1
after dilution	1,980.0	1,976.9	1,974.5	1,974.3	1,972.7
Common equity tier 1 ratio, % according to CRR	20.3	18.5	16.8	22.7	25.1
Tier 1 ratio, % according to CRR	21.9	20.7	18.6	25.0	27.9
Total capital ratio, % according to CRR	24.3	23.2	21.0	28.3	31.4
Average number of employees	12,563	12,548	12,307	11,832	11,759
No. of branches in Sweden	376	383	390	420	435
No. of branches in the UK	204	207	208	208	207
No. of branches in Norway	45	47	49	49	50
No. of branches in Denmark	43	56	56	57	57
No. of branches in Finland	27	36	36	45	45
No. of branches in the Netherlands	29	29	29	28	25
No. of branches in other countries	8	11	11	12	13

For definitions of alternative key figures, see page 266 and, for the calculation of these key figures, see the Fact Book which is available at handelsbanken.com/ir.

[1] Dividend as recommended by the Board.

Quarterly performance

Quarterly performance for the Handelsbanken Group SEK m	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Interest income	9,980	10,191	11,668	13,669	13,366
Interest expenses	-2,119	-2,298	-4,046	-5,439	-5,276
Net interest income	**7,861**	**7,893**	**7,622**	**8,230**	**8,090**
Fee and commission income	3,340	3,135	2,948	3,198	3,304
Fee and commission expenses	-456	-463	-418	-498	-538
Net fee and commission income	**2,884**	**2,672**	**2,530**	**2,700**	**2,766**
Net gains/losses on financial transactions	540	358	409	130	413
Risk result – insurance	79	52	23	41	48
Other dividend income	36	1	15	1	20
Share of profit of associates and joint ventures	-17	14	-13	34	1
Other income	48	24	39	42	38
Total income	**11,431**	**11,014**	**10,625**	**11,178**	**11,376**
Staff costs	-3,670	-4,731	-3,464	-3,478	-3,405
Other expenses	-1,387	-1,543	-1,568	-1,587	-1,729
Depreciation, amortisation and impairment of property, equipment and intangible assets	-559	-464	-442	-441	-420
Total expenses	**-5,616**	**-6,738**	**-5,474**	**-5,506**	**-5,554**
Profit before credit losses	**5,815**	**4,276**	**5,151**	**5,672**	**5,822**
Net credit losses	-97	-49	-97	-538	-130
Gains/losses on disposal of property, equipment and intangible assets	-6	0	0	8	3
Operating profit	**5,712**	**4,227**	**5,054**	**5,142**	**5,695**
Taxes	-1,342	-905	-1,095	-1,205	-1,314
Profit for the period	**4,370**	**3,322**	**3,959**	**3,937**	**4,381**
attributable to					
Shareholders in Svenska Handelsbanken AB	4,369	3,321	3,958	3,937	4,380
Non-controlling interest	1	1	1	0	1
Earnings per share, SEK	2.21	1.68	2.00	1.99	2.21
after dilution	2.21	1.68	2.00	1.99	2.21

Segment reporting

Segment reporting 2020	Home markets									
SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	18,166	5,683	3,481	1,612	1,403	908	355	-2		31,606
Net fee and commission income	7,143	713	504	624	683	125	1,003	-9		10,786
Net gains/losses on financial transactions	461	176	57	123	-24	25	1,037	-418		1,437
Risk result – insurance							195			195
Share of profit of associates and joint ventures								18		18
Other income	33	1	32	8	10	2	23	97		206
Total income	**25,803**	**6,573**	**4,074**	**2,367**	**2,072**	**1,060**	**2,613**	**-314**		**44,248**
Staff costs	-3,657	-2,465	-822	-790	-448	-395	-1,927	-4,699	-140	-15,343
Other expenses	-877	-864	-203	-144	-212	-146	-750	-2,889		-6,085
Internal purchased and sold services	-4,662	-761	-509	-459	-519	-143	341	6,712		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-321	-267	-88	-49	-66	-56	-123	-936		-1,906
Total expenses	**-9,517**	**-4,357**	**-1,622**	**-1,442**	**-1,245**	**-740**	**-2,459**	**-1,812**	**-140**	**-23,334**
Profit before credit losses	**16,286**	**2,216**	**2,452**	**925**	**827**	**320**	**154**	**-2,126**	**-140**	**20,914**
Net credit losses	-177	-119	-270	-32	-193	-4	11	3		-781
Gains/losses on disposal of property, equipment and intangible assets	8	-7	7	2	-1	-	-3	-4		2
Operating profit	**16,117**	**2,090**	**2,189**	**895**	**633**	**316**	**162**	**-2,127**	**-140**	**20,135**
Profit allocation	332	49	40	12	27	5	-465			
Operating profit after profit allocation	**16,449**	**2,139**	**2,229**	**907**	**660**	**321**	**-303**	**-2,127**	**-140**	**20,135**
Internal income	93	-1,193	-2,420	-210	-192	-387	-1,565	5,874		
C/I ratio, %	36.4	65.8	39.4	60.6	59.3	69.5	114.5			52.7
Credit loss ratio, %	0.01	0.04	0.10	0.01	0.11	0.01	-0.01	-4.23		0.03
Assets	2,060,831	428,208	269,129	124,276	236,555	81,723	335,443	2,350,662	-2,751,539	3,135,288
Liabilities	1,964,418	408,902	249,143	117,013	228,827	79,111	329,600	2,350,662	-2,763,861	2,963,815
Allocated capital	96,413	19,306	19,986	7,263	7,728	2,612	5,843		12,322	171,473
Return on allocated capital, %	14.0	8.9	8.8	9.8	6.7	10.0	-3.9			10.0
The year's investments in non-financial non-current assets	242	119	6	2	133	7	181	746	0	1,436
The year's investments in associates and joint ventures								96		96
Average number of employees	3,947	2,462	709	589	506	329	1,122	2,899		12,563

Applied principles for segment reporting and a description of the items shown in the Other and Adjustments and eliminations columns are explained further in note G43.

Segment reporting 2019

	Home markets									
SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	17,505	6,029	3,957	1,666	1,386	800	437	355		32,135
Net fee and commission income	6,739	777	546	600	754	151	1,135	-5		10,697
Net gains/losses on financial transactions	486	222	63	98	46	37	1,045	-698		1,299
Risk result – insurance							145			145
Share of profit of associates								32		32
Other income	52	1	9	8	17	-2	16	155		256
Total income	**24,782**	**7,029**	**4,575**	**2,372**	**2,203**	**986**	**2,778**	**-161**		**44,564**
Staff costs	-3,576	-2,384	-884	-768	-446	-400	-2,020	-2,837	-234	-13,549
Other expenses	-915	-962	-190	-140	-193	-86	-775	-3,263		-6,524
Internal purchased and sold services	-4,436	-758	-493	-427	-441	-142	150	6,547		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-297	-246	-94	-49	-70	-55	-118	-741		-1,670
Total expenses	**-9,224**	**-4,350**	**-1,661**	**-1,384**	**-1,150**	**-683**	**-2,763**	**-294**	**-234**	**-21,743**
Profit before credit losses	**15,558**	**2,679**	**2,914**	**988**	**1,053**	**303**	**15**	**-455**	**-234**	**22,821**
Net credit losses	-1,069	10	-99	3	103	-3	9	1		-1,045
Gains/losses on disposal of property, equipment and intangible assets	6	1	6	6	-1	0	0	2		20
Operating profit	**14,495**	**2,690**	**2,821**	**997**	**1,155**	**300**	**24**	**-452**	**-234**	**21,796**
Profit allocation	317	42	43	12	35	2	-451			
Operating profit after profit allocation	**14,812**	**2,732**	**2,864**	**1,009**	**1,190**	**302**	**-427**	**-452**	**-234**	**21,796**
Internal income	134	-1,549	-3,596	-240	-185	-366	-2,515	8,317		
C/I ratio, %	36.8	61.5	36.0	58.1	51.4	69.1	118.7			48.8
Credit loss ratio, %	0.08	-0.01	0.02	-0.01	-0.09	0.01	-0.02	-0.17		0.04
Assets	1,921,625	444,290	285,043	131,170	212,525	71,342	314,164	2,257,922	-2,568,414	3,069,667
Liabilities	1,835,946	426,997	264,762	124,060	205,044	69,144	307,972	2,257,922	-2,582,012	2,909,835
Allocated capital	85,679	17,293	20,281	7,110	7,481	2,198	6,192		13,598	159,832
Return on allocated capital, %	13.8	13.3	12.0	12.0	13.3	11.8	-6.4			11.9
The year's investments in non-financial non-current assets	199	208	48	1	81	6	234	901		1,678
The year's investments in associates								-		-
Average number of employees	4,027	2,361	699	600	506	317	1,223	2,815		12,548

During the first quarter of 2020, a reorganisation was carried out entailing that product ownership and business support operations for financial instruments, currencies and products in the fund management group were transferred from Group Products and Services to Handelsbanken Capital Markets. The remaining operations in Group Products and Services were simultaneously transferred from other operations to the Handelsbanken Sweden segment. During the first quarter of 2020, the decision was also made that the mutual fund and insurance commission received by the branch operations from Capital Markets, which were previously recognised at a net amount in the segment reporting in the item Profit allocation, are to be reported gross in the items Net fee and commission income and Internal purchased and sold services. The comparative figures presented in the table have therefore been recalculated.

Handelsbanken Sweden

Handelsbanken Sweden comprises branch operations in five regional banks, as well as the operations of Ecster and Stadshypotek in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offered banking services at 376 branches throughout Sweden.

Quarterly performance Handelsbanken Sweden

SEK m	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Total 2020	Total 2019	Change, %
Net interest income	4,527	4,555	4,480	4,604	18,166	17,505	4
Net fee and commission income	1,946	1,805	1,670	1,722	7,143	6,739	6
Net gains/losses on financial transactions	122	130	87	122	461	486	-5
Other income	12	5	6	10	33	52	-37
Total income	**6,607**	**6,495**	**6,243**	**6,458**	**25,803**	**24,782**	**4**
Staff costs	-907	-910	-906	-934	-3,657	-3,576	2
Other expenses	-226	-208	-213	-230	-877	-915	-4
Internal purchased and sold services	-1,187	-1,100	-1,221	-1,154	-4,662	-4,436	5
Depreciation, amortisation and impairment of property, equipment and intangible assets	-91	-77	-76	-77	-321	-297	8
Total expenses	**-2,411**	**-2,295**	**-2,416**	**-2,395**	**-9,517**	**-9,224**	**3**
Profit before credit losses	**4,196**	**4,200**	**3,827**	**4,063**	**16,286**	**15,558**	**5**
Net credit losses	-45	123	-6	-249	-177	-1,069	-83
Gains/losses on disposal of property, equipment and intangible assets	3	2	1	2	8	6	33
Operating profit	**4,154**	**4,325**	**3,822**	**3,816**	**16,117**	**14,495**	**11**
Profit allocation	85	70	84	93	332	317	5
Operating profit after profit allocation	**4,239**	**4,395**	**3,906**	**3,909**	**16,449**	**14,812**	**11**
Internal income	-13	-13	-43	162	93	134	-31
C/I ratio, %	36.0	35.0	38.2	36.6	36.4	36.8	
Credit loss ratio, %	0.02	-0.04	0.00	0.05	0.01	0.08	
Assets	2,060,831	2,047,752	2,038,474	1,995,104	2,060,831	1,921,625	7
Liabilities	1,964,418	1,954,941	1,946,588	1,906,748	1,964,418	1,835,946	7
Allocated capital	96,413	92,811	91,886	88,356	96,413	85,679	13
Return on allocated capital, %	13.8	14.9	13.4	13.9	14.0	13.8	
Average number of employees	3,853	4,058	3,944	3,934	3,947	4,027	-2
Number of branches	376	376	381	382	376	383	-2

Business volumes, Sweden

Average volumes, SEK bn	2020	2019	Change, %
Loans to the public[1]	**1,429**	**1,387**	**3**
of which households	*892*	*859*	*4*
of which mortgage loans	*851*	*814*	*5*
of which companies	*537*	*528*	*2*
of which mortgage loans	*354*	*329*	*8*
Deposits from the public	**715**	**647**	**11**
of which households	*406*	*375*	*8*
of which companies	*309*	*272*	*14*

[1] Excluding loans to the National Debt Office.

FINANCIAL PERFORMANCE

Operating profit was up 11 per cent to SEK 16,117 million (14,495), with one factor being lower credit losses. Profit before credit losses grew by 5 per cent. Return on allocated capital improved to 14.0 per cent (13.8). The C/I ratio was 36.4 per cent (36.8).

Net interest income rose by 4 per cent, or SEK 661 million, to SEK 18,166 million (17,505). Higher lending volumes increased net interest income by SEK 504 million, while higher deposit volumes contributed SEK 170 million. Government fees went down by SEK 310 million to SEK -791 million (-1,101), a decrease which was mainly due to the lower fee to the Resolution Fund. The rest of the change in net interest income is mainly due to the negative contribution from the net amount of changed margins and funding costs, amounting to SEK -286 million. The negative effect mainly arose during the second quarter, when turbulence in the market adversely affected funding costs and margins.

Net fee and commission income grew by 6 per cent, or SEK 404 million, to SEK 7,143 million (6,739), where mutual fund commissions increased by SEK 312 million to SEK 3,353 million (3,041). Commission income from custody accounts and other asset management rose by SEK 80 million. Insurance commissions went up by SEK 13 million. Payment commissions went down by SEK -193 million, mainly due to a downturn in card business.

Total expenses rose by 3 per cent to SEK -9,517 million (-9,224). Staff costs grew by 2 per cent, mainly due to contractual pay rises, and amounted to SEK -3,657 million (-3,576). The average number of employees fell by 2 per cent to 3,947 (4,027).

Credit losses decreased to SEK -177 million (-1,069). This amount includes a calculation of additional provision requirements arising due to the prevailing circumstances, at an amount of SEK -361 million. The credit loss ratio was 0.01 per cent (0.08).

BUSINESS DEVELOPMENT

As in previous years, Swedish Quality Index (SKI), in its major survey, found that Handelsbanken has the most satisfied customers among major banks. Among private customers, Handelsbanken received the score of 70, which can be compared with the scores of the other major banks, which were in the 60-67 range. Among corporate customers, Handelsbanken received the score of 69, which can be compared with the scores of the other major banks, which were in the 57-64 range. The Bank was honoured with several awards during the year, including Best Nordic Private Banking Bank by Prospera KantarSifo, and received the highest ranking in the category Sweden's Small Business Bank by Finansbarometern.

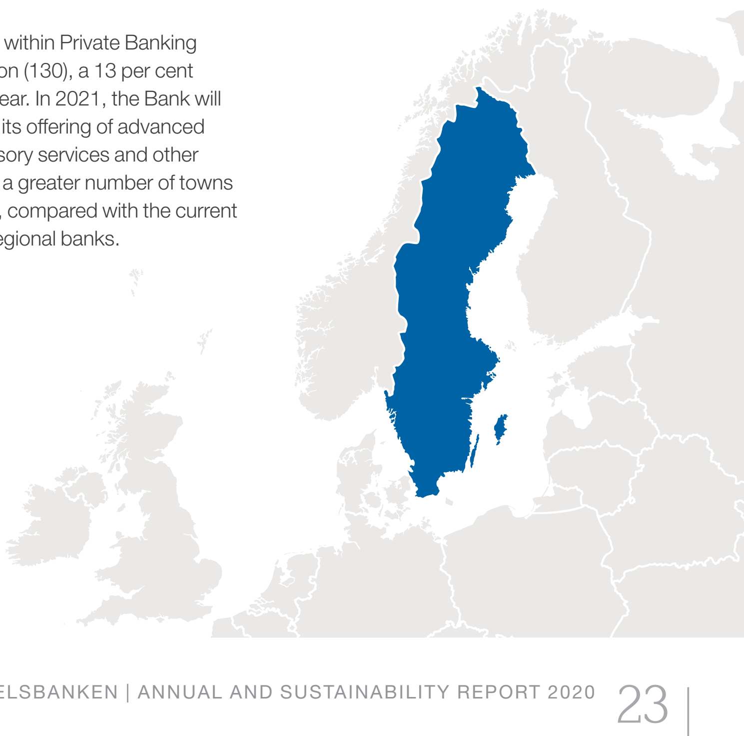
During the autumn, the Bank presented the new strategic direction it has implemented, aiming to create an even better customer offering while also improving efficiency. Resources and specialist expertise will be made more widely available to the branches, at the same time as the branch network is concentrated to fewer locations. Heads were appointed for the 24 county units that replace the five regional banks. A new customer service function, with improved availability and an extended mandate, is under construction.

Business volumes within Private Banking totalled SEK 147 billion (130), a 13 per cent increase during the year. In 2021, the Bank will substantially expand its offering of advanced Private Banking advisory services and other specialist services to a greater number of towns and cities in Sweden, compared with the current structure in the five regional banks.

In the light of Covid-19, private customers in Sweden have been able to apply for a temporary exemption from mortgage repayments. As of 31 December, around 38,000 of the Bank's customers in Sweden had been granted such an exemption (30 September: 37,000).

The average volume of mortgage loans to private individuals rose by 5 per cent to SEK 851 billion (814) in the period, while household deposits grew by 8 per cent to SEK 406 billion (375). The average volume of corporate lending grew by 2 per cent to SEK 537 billion (528). At the same time, corporate deposits increased by 14 per cent to SEK 309 billion (272).

New savings in the Bank's mutual funds in Sweden during the year totalled SEK 34.9 billion, corresponding to a market share of 46 per cent (21). In terms of total fund wealth, Handelsbanken is the second largest player on the Swedish mutual funds market, with a share that grew during the year to 11.9 per cent (11.2).



Handelsbanken UK

Handelsbanken UK comprises branch operations in five regional banks and the asset management company Handelsbanken Wealth & Asset Management. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offer banking services at 204 branches and meeting places throughout the UK.

Quarterly performance Handelsbanken UK

SEK m	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Total 2020	Total 2019	Change, %
Net interest income	1,345	1,342	1,443	1,553	5,683	6,029	-6
Net fee and commission income	163	180	174	196	713	777	-8
Net gains/losses on financial transactions	48	39	36	53	176	222	-21
Other income	0	1	0	0	1	1	0
Total income	**1,556**	**1,562**	**1,653**	**1,802**	**6,573**	**7,029**	**-6**
Staff costs	-625	-586	-613	-641	-2,465	-2,384	3
Other expenses	-208	-172	-231	-253	-864	-962	-10
Internal purchased and sold services	-188	-175	-209	-189	-761	-758	0
Depreciation, amortisation and impairment of property, equipment and intangible assets	-70	-57	-79	-61	-267	-246	9
Total expenses	**-1,091**	**-990**	**-1,132**	**-1,144**	**-4,357**	**-4,350**	**0**
Profit before credit losses	**465**	**572**	**521**	**658**	**2,216**	**2,679**	**-17**
Net credit losses	-16	1	-54	-50	-119	10	
Gains/losses on disposal of property, equipment and intangible assets	-3	-2	-3	1	-7	1	
Operating profit	**446**	**571**	**464**	**609**	**2,090**	**2,690**	**-22**
Profit allocation	11	12	12	14	49	42	17
Operating profit after profit allocation	**457**	**583**	**476**	**623**	**2,139**	**2,732**	**-22**
Internal income	-238	-269	-354	-332	-1,193	-1,549	23
C/I ratio, %	69.6	62.9	68.0	63.0	65.8	61.5	
Credit loss ratio, %	0.03	-0.01	0.07	0.07	0.04	-0.01	
Assets	428,208	440,522	431,037	457,136	428,208	444,290	-4
Liabilities	408,902	421,236	412,055	438,981	408,902	426,997	-4
Allocated capital	19,306	19,286	18,982	18,155	19,306	17,293	12
Return on allocated capital, %	7.5	9.5	7.9	10.8	8.9	13.3	
Average number of employees	2,499	2,464	2,445	2,442	2,462	2,361	4
Number of branches	204	207	207	207	204	207	-1

Business volumes, UK

Average volumes, GBP m	2020	2019	Change, %
Loans to the public	**21,656**	**21,380**	**1**
of which households	*6,873*	*6,674*	*3*
of which companies	*14,783*	*14,706*	*1*
Deposits from the public	**17,609**	**15,264**	**15**
of which households	*5,144*	*4,787*	*7*
of which companies	*12,465*	*10,477*	*19*

FINANCIAL PERFORMANCE

Operating profit went down by 22 per cent, or SEK 600 million, to SEK 2,090 million (2,690), owing to lower income and higher credit losses. Foreign exchange effects were negative and amounted to SEK -65 million. Return on allocated capital was 8.9 per cent (13.3). The C/I ratio rose to 65.8 per cent (61.5).

Income decreased by 6 per cent to SEK 6,573 million (7,029). Foreign exchange effects totalled SEK -157 million. Income fell by 4 per cent when expressed in local currency terms.

Net interest income went down by 6 per cent, or SEK -346 million, to SEK 5,683 million (6,029). Foreign exchange effects had a negative impact of SEK -135 million on net interest income. Higher business volumes made a positive contribution of SEK 175 million. The net amount of changed margins and funding costs reduced net interest income by SEK -568 million, which can be mainly explained by the substantial cut to the key rate made by the Bank of England during the spring. From the year 2020, fees to the Swedish Resolution Fund no longer negatively affect profit in the UK, and nor did any government fees burden net interest income (-163).

Net fee and commission income declined by 8 per cent to SEK 713 million (777). Foreign exchange effects totalled SEK -17 million. Net fee and commission income fell by 6 per cent when expressed in local currency terms. Fee and commission income from fund and asset management operations amounted to SEK 303 million (305). The volume of assets under management in Handelsbanken Wealth & Asset Management at the end of the period totalled GBP 4.0 billion (4.0).

Expenses were largely unchanged at SEK -4,357 million (-4,350). In local currency, expenses increased by 2 per cent.

Staff costs grew by 3 per cent, or SEK 81 million, to SEK -2,465 million (-2,384), due to an increase in the number of employees. The average number of employees grew by 4 per cent to 2,462 (2,361). The increase was primarily related to head office functions, where the continued reinforcement of the preventive work against financial crime was the function which saw the largest growth, and the Bank's own staff have increasingly replaced consultants. Expressed in local currency, staff costs rose by 6 per cent. Other expenses decreased by SEK 98 million to SEK -864 million (-962).

Credit losses totalled SEK -119 million (10). This amount includes a calculation of additional provision requirements arising due to the prevailing circumstances, at an amount of SEK -48 million. The credit loss ratio was 0.04 per cent (-0.01).

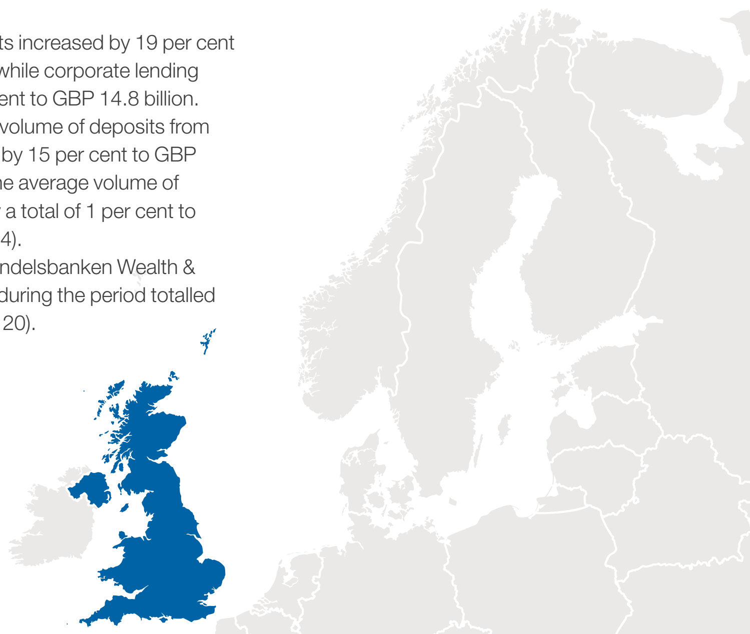
BUSINESS DEVELOPMENT

EPSI's annual customer satisfaction survey showed that Handelsbanken again had the most satisfied customers among banks in the UK. Private customers gave the Bank an index score of 81, as compared with the sector average of 74. On the corporate side, the index score was 77, as compared with the sector average of 70. The Bank maintained its leading position in the biannual corporate customer surveys undertaken by the CMA, the UK competition authority – a position the Bank has held ever since such surveys started in 2018.

In the light of Covid-19, private customers have been able to apply for a temporary exemption from mortgage repayments. At the end of the year, fewer than 100 customers had been granted an exemption (approximately 400 at the end of Q3).

Corporate deposits increased by 19 per cent to GBP 12.5 billion, while corporate lending increased by 1 per cent to GBP 14.8 billion. Overall, the average volume of deposits from the public increased by 15 per cent to GBP 17.6 billion (15.3). The average volume of lending increased by a total of 1 per cent to GBP 21.7 billion (21.4).

The net flow in Handelsbanken Wealth & Asset Management during the period totalled GBP -183 million (+120).



Handelsbanken Norway

Handelsbanken Norway consists of the branch operations in Norway, which are organised as a regional bank, as well as Stadshypotek's operations in Norway. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers banking services at 45 branches throughout Norway.

Quarterly performance Handelsbanken Norway

SEK m	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Total 2020	Total 2019	Change, %
Net interest income	867	872	771	971	3,481	3,957	-12
Net fee and commission income	131	129	113	131	504	546	-8
Net gains/losses on financial transactions	21	12	9	15	57	63	-10
Other income	29	0	1	2	32	9	256
Total income	**1,048**	**1,013**	**894**	**1,119**	**4,074**	**4,575**	**-11**
Staff costs	-201	-204	-198	-219	-822	-884	-7
Other expenses	-46	-43	-47	-67	-203	-190	7
Internal purchased and sold services	-127	-130	-131	-121	-509	-493	3
Depreciation, amortisation and impairment of property, equipment and intangible assets	-21	-20	-19	-28	-88	-94	-6
Total expenses	**-395**	**-397**	**-395**	**-435**	**-1,622**	**-1,661**	**-2**
Profit before credit losses	**653**	**616**	**499**	**684**	**2,452**	**2,914**	**-16**
Net credit losses	-37	-43	-120	-70	-270	-99	173
Gains/losses on disposal of property, equipment and intangible assets	1	1	2	3	7	6	17
Operating profit	**617**	**574**	**381**	**617**	**2,189**	**2,821**	**-22**
Profit allocation	11	8	10	11	40	43	-7
Operating profit after profit allocation	**628**	**582**	**391**	**628**	**2,229**	**2,864**	**-22**
Internal income	-175	-417	-759	-1,069	-2,420	-3,596	33
C/I ratio, %	37.3	38.9	43.7	38.5	39.4	36.0	
Credit loss ratio, %	0.15	0.04	0.12	0.08	0.10	0.02	
Assets	269,129	265,026	269,377	260,271	269,129	285,043	-6
Liabilities	249,143	244,125	251,379	239,386	249,143	264,762	-6
Allocated capital	19,986	20,901	17,998	20,885	19,986	20,281	-1
Return on allocated capital, %	9.9	8.8	6.8	9.5	8.8	12.0	
Average number of employees	715	722	700	698	709	699	1
Number of branches	45	45	45	45	45	47	-4

Business volumes, Norway

Average volumes, NOK bn	2020	2019	Change, %
Loans to the public	**270.3**	**261.2**	**3**
of which households	*101.7*	*96.2*	*6*
of which companies	*168.6*	*165.0*	*2*
Deposits from the public	**85.6**	**69.1**	**24**
of which households	*24.7*	*21.6*	*14*
of which companies	*60.9*	*47.5*	*28*

FINANCIAL PERFORMANCE

Operating profit went down by 22 per cent to SEK 2,189 million (2,821), due to lower income and higher credit losses. The depreciation of the Norwegian krone had a negative effect of SEK -236 million on operating profit. Expressed in local currency, the decline was 15 per cent. Return on allocated capital went down to 8.8 per cent (12.0). The C/I ratio rose to 39.4 per cent (36.0).

Income decreased by 11 per cent to SEK 4,074 million (4,575). Foreign exchange effects amounted to SEK -376 million, and expressed in local currency, income fell by 2 per cent.

Net interest income went down by SEK 476 million, or 12 per cent, to SEK 3,481 million (3,957). Foreign exchange effects had a negative impact of SEK -318 million on net interest income, and expressed in local currency, net interest income decreased by 3 per cent. Higher business volumes had a positive impact of SEK 141 million. The net amount of changed margins and funding costs reduced net interest income by SEK -412 million, mainly due to the substantial cut to the key rate implemented by Norges Bank in the spring. Fees for the Swedish Resolution Fund decreased by SEK 54 million and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -161 million (-209).

Net fee and commission income decreased by 8 per cent to SEK 504 million (546), with foreign exchange effects having a negative effect of SEK -51 million.

Expressed in local currency, net fee and commission income grew by 1 per cent. Savings-related business exhibited positive development, while payments-related commissions showed a negative trend.

Net gains/losses on financial transactions totalled SEK 57 million (63).

Expenses decreased by 2 per cent to SEK -1,622 million (-1,661). The foreign exchange effect was SEK 132 million. In local currency, the increase in expenses was 7 per cent; this was primarily attributable to financial crime prevention work.

Staff costs fell by 7 per cent to SEK -822 million (-884). Foreign exchange effects reduced staff costs by SEK 74 million. Expressed in local currency, staff costs grew by 2 per cent, which was mainly attributable to contractual pay rises. The average number of employees increased by 1 per cent to 709 (699).

Credit losses totalled SEK -270 million (-99). This amount includes a calculation of additional provision requirements arising due to the prevailing circumstances, at an amount of SEK -86 million. The credit loss ratio was 0.10 per cent (0.02).

BUSINESS DEVELOPMENT

According to the annual EPSI customer satisfaction survey, Handelsbanken again had more satisfied customers than the average for banks in Norway. Private customers gave Handelsbanken an index score of 76, as compared with the sector average of 70. Corporate customers gave the Bank an index score of 69, as compared with the sector average of 68. The Bank also maintained its top position in Prospera's Private Banking survey.

In the light of Covid-19, private customers have been able to apply for a temporary exemption from mortgage repayments. As of 31 December, around 1,000 of the Bank's customers in Norway had been granted such an exemption (30 September: 2,000).

The average volume of household deposits increased by 14 per cent, while lending to households grew by 6 per cent. In the corporate segment, too, deposits grew more than lending, by 28 per cent and 2 per cent respectively. Overall, the average volume of deposits and borrowing from the public increased by 24 per cent to NOK 85.6 billion (69.1). The average volume of lending increased by a total of 3 per cent to NOK 270.3 billion (261.2).

New savings in the Bank's mutual funds in Norway during the year totalled SEK 3.4 billion (0.7).

Handelsbanken Denmark

Handelsbanken Denmark consists of the branch operations in Denmark, which are organised as a regional bank, as well as Stadshypotek's operations in Denmark. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers banking services at 43 branches throughout Denmark.

Quarterly performance Handelsbanken Denmark

SEK m	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Total 2020	Total 2019	Change, %
Net interest income	390	410	403	409	1,612	1,666	-3
Net fee and commission income	163	143	141	177	624	600	4
Net gains/losses on financial transactions	39	25	30	29	123	98	26
Other income	3	1	2	2	8	8	0
Total income	**595**	**579**	**576**	**617**	**2,367**	**2,372**	**0**
Staff costs	-208	-196	-192	-194	-790	-768	3
Other expenses	-47	-34	-28	-35	-144	-140	3
Internal purchased and sold services	-119	-115	-114	-111	-459	-427	7
Depreciation, amortisation and impairment of property, equipment and intangible assets	-12	-12	-13	-12	-49	-49	0
Total expenses	**-386**	**-357**	**-347**	**-352**	**-1,442**	**-1,384**	**4**
Profit before credit losses	**209**	**222**	**229**	**265**	**925**	**988**	**-6**
Net credit losses	23	3	10	-68	-32	3	
Gains/losses on disposal of property, equipment and intangible assets	0	0	-	2	2	6	-67
Operating profit	**232**	**225**	**239**	**199**	**895**	**997**	**-10**
Profit allocation	4	4	2	2	12	12	0
Operating profit after profit allocation	**236**	**229**	**241**	**201**	**907**	**1,009**	**-10**
Internal income	30	-67	-90	-83	-210	-240	13
C/I ratio, %	64.4	61.2	60.0	56.9	60.6	58.1	
Credit loss ratio, %	-0.08	-0.01	-0.09	0.22	0.01	-0.01	
Assets	124,276	129,443	130,485	135,724	124,276	131,170	-5
Liabilities	117,013	122,305	122,874	128,600	117,013	124,060	-6
Allocated capital	7,263	7,138	7,611	7,124	7,263	7,110	2
Return on allocated capital, %	10.2	10.1	10.0	8.9	9.8	12.0	
Average number of employees	589	593	590	584	589	600	-2
Number of branches	43	55	55	55	43	56	-23

Business volumes, Denmark

Average volumes, DKK bn	2020	2019	Change, %
Loans to the public	**76.0**	**77.8**	**-2**
of which households	*47.1*	*47.6*	*-1*
of which companies	*28.9*	*30.2*	*-4*
Deposits from the public	**39.7**	**35.6**	**12**
of which households	*17.3*	*15.5*	*12*
of which companies	*22.4*	*20.1*	*11*

FINANCIAL PERFORMANCE

Operating profit went down by 10 per cent, or SEK 102 million, to SEK 895 million (997), mainly due to higher expenses. Foreign exchange effects were negative and amounted to SEK -9 million. Return on allocated capital was 9.8 per cent (12.0). The C/I ratio was 60.6 per cent (58.1).

Net interest income decreased by 3 per cent to SEK 1,612 million (1,666). Foreign exchange effects totalled SEK -13 million. Changed business volumes had a SEK -33 million negative impact on net interest income, and the net amount of changed margins and funding costs reduced net interest income by SEK -22 million. The fee for the Swedish Resolution Fund was SEK 17 million lower than the previous year and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -72 million (-84).

Net fee and commission income rose by 4 per cent to SEK 624 million (600). The increase was attributable to high levels of activity in the savings area, which offset weaker commissions from payments.

Net gains/losses on financial transactions totalled SEK 123 million (98).

Expenses rose by 4 per cent to SEK -1,442 million (-1,384). The foreign exchange effect was marginal. Staff costs rose by 3 per cent to SEK -790 million (-768). The average number of employees fell by 2 per cent to 589 (600).

Credit losses totalled SEK -32 million (3). This amount includes a calculation of additional provision requirements arising due to the prevailing Covid-19 pandemic, at an amount of SEK -54 million. The credit loss ratio was 0.01 per cent (-0.01).

BUSINESS DEVELOPMENT

According to the annual EPSI customer satisfaction survey, Handelsbanken again had more satisfied customers than the average for banks in Denmark, although on the corporate side, the gap in favour of Handelsbanken was only marginal. Private customers gave Handelsbanken an index score of 75, as compared with the sector average of 69. Corporate customers gave the Bank an index score of 69, as compared with the sector average of 69.

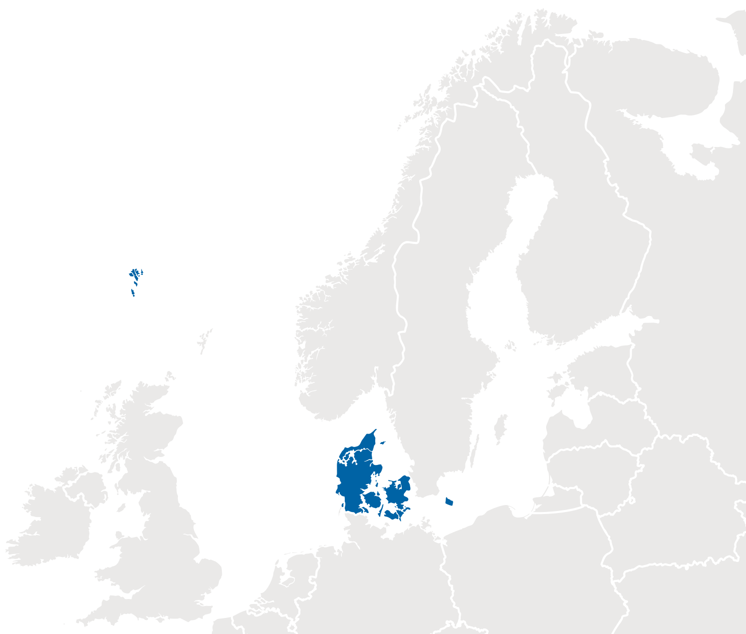
The Bank has maintained a high rate of activity in the savings and advisory area during the year. The number of Private Banking customers increased by 8 per cent, for example, and the Bank was named the best bank in this area by the Økonomisk Ugebrev newsletter.

Green property loans for corporate customers were introduced during the year.

Customers affected financially by Covid-19 have been able to apply for a temporary exemption from loan repayments. As of the end of the year, a very small number of the Bank's customers in Denmark had been granted such an exemption, which was the same situation as at the end of Q3.

The average volume of deposits from corporates and households grew by 11 per cent and 12 per cent, respectively. Overall, deposits increased by 12 per cent to DKK 39.7 billion (35.6). Lending to corporates went down by 4 per cent, while lending to households decreased by 1 per cent. Overall, lending fell by 2 per cent to DKK 76.0 billion (77.8).

New savings in the Bank's mutual funds in Denmark totalled SEK 1.3 billion (-0.2).



Handelsbanken Finland

Handelsbanken Finland consists of the branch operations in Finland, which are organised as a regional bank, as well as Stadshypotek's operations in Finland. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional bank offers banking services at 27 branches throughout Finland.

Quarterly performance Handelsbanken Finland

SEK m	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Total 2020	Total 2019	Change, %
Net interest income	356	350	346	351	1,403	1,386	1
Net fee and commission income	165	173	162	183	683	754	-9
Net gains/losses on financial transactions	-60	10	13	13	-24	46	
Other income	2	2	2	4	10	17	-41
Total income	**463**	**535**	**523**	**551**	**2,072**	**2,203**	**-6**
Staff costs	-108	-113	-114	-113	-448	-446	0
Other expenses	-63	-44	-53	-52	-212	-193	10
Internal purchased and sold services	-140	-122	-139	-118	-519	-441	18
Depreciation, amortisation and impairment of property, equipment and intangible assets	-14	-16	-19	-17	-66	-70	-6
Total expenses	**-325**	**-295**	**-325**	**-300**	**-1,245**	**-1,150**	**8**
Profit before credit losses	**138**	**240**	**198**	**251**	**827**	**1,053**	**-21**
Net credit losses	-27	-136	72	-102	-193	103	
Gains/losses on disposal of property, equipment and intangible assets	-1	-	-	0	-1	-1	
Operating profit	**110**	**104**	**270**	**149**	**633**	**1,155**	**-45**
Profit allocation	6	6	7	8	27	35	-23
Operating profit after profit allocation	**116**	**110**	**277**	**157**	**660**	**1,190**	**-45**
Internal income	39	-77	-85	-69	-192	-185	-4
C/I ratio, %	69.3	54.5	61.3	53.7	59.3	51.4	
Credit loss ratio, %	0.00	0.34	-0.22	0.30	0.11	-0.09	
Assets	236,555	244,023	236,531	237,327	236,555	212,525	11
Liabilities	228,827	236,634	228,084	229,693	228,827	205,044	12
Allocated capital	7,728	7,389	8,447	7,634	7,728	7,481	3
Return on allocated capital, %	4.8	4.7	10.3	6.4	6.7	13.3	
Average number of employees	508	518	500	497	506	506	0
Number of branches	27	29	32	32	27	36	-25

Business volumes, Finland

Average volumes, EUR m	2020	2019	Change, %
Loans to the public	**14,171**	**13,872**	**2**
of which households	*4,330*	*4,334*	*0*
of which companies	*9,841*	*9,538*	*3*
Deposits from the public	**5,383**	**4,610**	**17**
of which households	*1,872*	*1,707*	*10*
of which companies	*3,511*	*2,903*	*21*

FINANCIAL PERFORMANCE

Operating profit went down by 45 per cent to SEK 633 million (1,155), mainly due to increased expenses and higher provisions for credit losses. Foreign exchange effects on operating profit amounted to SEK -12 million.

Return on allocated capital was 6.7 per cent (13.3). The C/I ratio was 59.3 per cent (51.4).

Income decreased by 6 per cent to SEK 2,072 million (2,203), and foreign exchange effects amounted to SEK -21 million.

Net interest income increased by 1 per cent to SEK 1,403 million (1,386). Foreign exchange effects totalled SEK -14 million. In local currency terms, net interest income increased by 2 per cent. Higher business volumes had a SEK 42 million positive impact on net interest income. The net amount of changed margins and funding costs reduced net interest income by SEK -52 million. The fee for the Swedish Resolution Fund was SEK 27 million lower than during the period of comparison and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -83 million (-107).

Net fee and commission income declined by 9 per cent to SEK 683 million (754), primarily due to lower commissions from securities trading and payments-related commissions. Foreign exchange effects totalled SEK -7 million.

Total expenses increased by 8 per cent, or SEK 95 million, to SEK -1,245 million (-1,150). Foreign exchange effects totalled SEK 10 million, and expressed in local currency terms, expenses grew by 9 per cent. The ongoing replacement of the core banking system was a significant factor behind the rise in expenses.

Staff costs were unchanged at SEK -448 million (-446). Other expenses rose by 10 per cent to SEK -212 million (-193). The average number of employees was 506 (506).

Credit losses totalled SEK -193 million (103). This amount includes a calculation of additional provision requirements arising due to the prevailing circumstances, at an amount of SEK -14 million. The credit loss ratio was 0.11 per cent (-0.09).

BUSINESS DEVELOPMENT

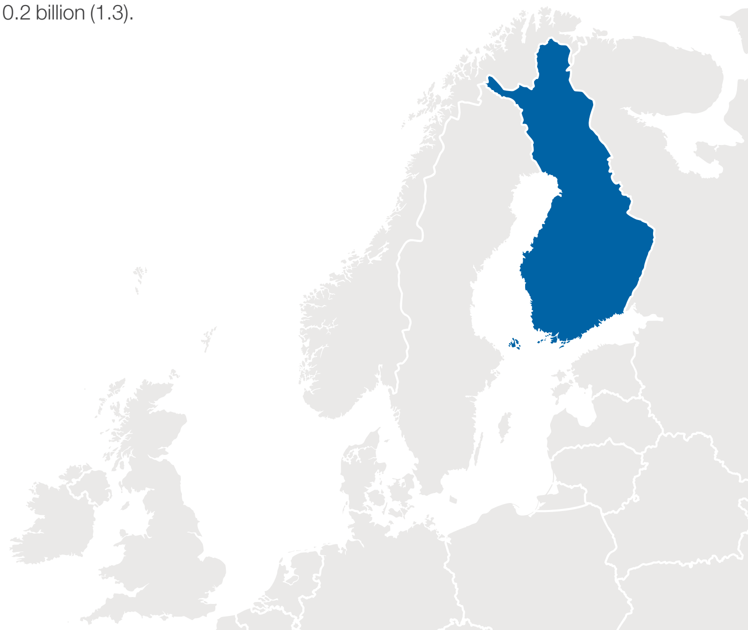
According to the annual EPSI customer satisfaction survey, Handelsbanken again had more satisfied customers than the average for banks in Finland. Private customers gave Handelsbanken an index score of 79, as compared with the sector average of 72. Corporate customers gave the Bank an index score of 75, as compared with the sector average of 68.

The digital tools and processes for supporting advisory operations have undergone continuous development, and the renewal of the core banking system is proceeding as planned.

In the light of Covid-19, private customers have been able to apply for a temporary exemption from mortgage repayments. As of 31 December, around 1,200 of the Bank's customers in Finland had been granted such an exemption (30 September: 1,000).

The average volume of household deposits rose by 10 per cent, while household lending was unchanged. Deposits from corporates rose by 21 per cent, while lending to corporates grew by 3 per cent. Overall, the average volume of lending to the public rose by 2 per cent to EUR 14.2 billion (13.9), while deposits from the public grew by 17 per cent to EUR 5.4 billion (4.6).

New savings in the Bank's mutual funds in Finland totalled SEK 0.2 billion (1.3).



Handelsbanken the Netherlands

Handelsbanken the Netherlands consists of the branch operations in the Netherlands, which are organised as a regional bank, as well as asset management operations in Optimix Vermogensbeheer. The regional bank offers banking services at 29 branches throughout the Netherlands.

Quarterly performance Handelsbanken the Netherlands SEK m	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Total 2020**	**Total 2019**	**Change, %**
Net interest income	233	227	225	223	908	800	14
Net fee and commission income	34	30	30	31	125	151	-17
Net gains/losses on financial transactions	8	5	5	7	25	37	-32
Other income	0	1	0	1	2	-2	
Total income	**275**	**263**	**260**	**262**	**1,060**	**986**	**8**
Staff costs	-98	-96	-99	-102	-395	-400	-1
Other expenses	-42	-33	-40	-31	-146	-86	70
Internal purchased and sold services	-37	-34	-37	-35	-143	-142	1
Depreciation, amortisation and impairment of property, equipment and intangible assets	-12	-15	-14	-15	-56	-55	2
Total expenses	**-189**	**-178**	**-190**	**-183**	**-740**	**-683**	**8**
Profit before credit losses	**86**	**85**	**70**	**79**	**320**	**303**	**6**
Net credit losses	-2	0	-1	-1	-4	-3	33
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	0	
Operating profit	**84**	**85**	**69**	**78**	**316**	**300**	**5**
Profit allocation	1	1	2	1	5	2	150
Operating profit after profit allocation	**85**	**86**	**71**	**79**	**321**	**302**	**6**
Internal income	-65	-106	-111	-105	-387	-366	-6
C/I ratio, %	68.5	67.4	72.5	69.6	69.5	69.1	
Credit loss ratio, %	0.01	0.00	0.01	0.01	0.01	0.01	
Assets	81,723	78,705	79,279	77,894	81,723	71,342	15
Liabilities	79,111	76,259	76,637	75,527	79,111	69,144	14
Allocated capital	2,612	2,446	2,642	2,367	2,612	2,198	19
Return on allocated capital, %	10.2	11.1	8.5	10.4	10.0	11.8	
Average number of employees	334	334	328	318	329	317	4
Number of branches	29	29	29	29	29	29	0

Business volumes, The Netherlands **Average volumes,** EUR m	**2020**	**2019**	**Change, %**
Loans to the public	**5,791**	**5,023**	**15**
of which households	*3,387*	*2,916*	*16*
of which companies	*2,404*	*2,107*	*14*
Deposits from the public	**1,627**	**1,347**	**21**
of which households	*261*	*197*	*32*
of which companies	*1,366*	*1,150*	*19*

FINANCIAL PERFORMANCE

Operating profit improved by 5 per cent to SEK 316 million (300). The effect of foreign exchange movements on operating profit was SEK -3 million. Return on allocated capital was 10.0 per cent (11.8), and the C/I ratio was 69.5 per cent (69.1).

Net interest income increased by 14 per cent to SEK 908 million (800). Foreign exchange effects amounted to SEK -8 million, and in local currency terms, net interest income rose by 15 per cent. Higher business volumes had a SEK 129 million positive impact on net interest income. The net amount of changed margins and funding costs reduced net interest income by SEK -18 million. The fee for the Swedish Resolution Fund was SEK 7 million lower than during the period of comparison and, together with the deposit guarantees, government fees burdened net interest income in the amount of SEK -28 million (-34).

Net fee and commission income went down by 17 per cent to SEK 125 million (151), due to the weak development of savings-related commissions. Assets under management at Optimix totalled EUR 1.7 billion (1.6) at the end of the period, including the company's own mutual funds.

Expenses rose by 8 per cent to SEK -740 million (-683). The increase in expenses was mainly attributable to measures linked to financial crime prevention. The average number of employees grew by 4 per cent to 329 (317).

Credit losses totalled SEK -4 million (-3). This amount includes a calculation of additional provision requirements arising due to the prevailing circumstances, at an amount of SEK -1 million. The credit loss ratio was 0.01 per cent (0.01).

BUSINESS DEVELOPMENT

According to the annual EPSI customer satisfaction survey, Handelsbanken again had more satisfied customers than the average for banks in the Netherlands. Private customers gave Handelsbanken an index score of 78, as compared with the sector average of 68. Corporate customers gave the Bank an index score of 75, as compared with the sector average of 63.

In the light of Covid-19, private customers have been able to apply for a temporary exemption from mortgage repayments. As of 31 December, a very small number of the Bank's customers in the Netherlands had been granted such an exemption, which was the same situation as at the end of Q3.

The average volume of household deposits rose by 32 per cent, while household lending grew by 16 per cent. The average volume of corporate deposits rose by 19 per cent, while corporate lending grew by 14 per cent. Overall, the average volume of deposits and borrowing from the public increased by 21 per cent to EUR 1.6 billion (1.3), while total loans to the public grew by 15 per cent to EUR 5.8 billion (5.0).

Handelsbanken Capital Markets

Handelsbanken Capital Markets consists of four business areas: Markets, Asset Management, Pension & Life, and International.

All commissions from the asset management and insurance operations are reported directly in the respective home market, and are thus not included in the income statement below.

Quarterly performance **Handelsbanken Capital Markets** SEK m	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Total 2020**	**Total 2019**	**Change, %**
Net interest income	76	83	89	107	355	437	-19
Net fee and commission income	289	213	240	261	1,003	1,135	-12
Net gains/losses on financial transactions	266	288	341	142	1,037	1,045	-1
Risk result – insurance	79	52	23	41	195	145	34
Other income	3	5	7	8	23	16	44
Total income	**713**	**641**	**700**	**559**	**2,613**	**2,778**	**-6**
Staff costs	-461	-470	-488	-508	-1,927	-2,020	-5
Other expenses	-142	-207	-209	-192	-750	-775	-3
Internal purchased and sold services	98	103	92	48	341	150	127
Depreciation, amortisation and impairment of property, equipment and intangible assets	-51	-25	-23	-24	-123	-118	4
Total expenses	**-556**	**-599**	**-628**	**-676**	**-2,459**	**-2,763**	**-11**
Profit before credit losses	**157**	**42**	**72**	**-117**	**154**	**15**	
Net credit losses	6	4	1	0	11	9	22
Gains/losses on disposal of property, equipment and intangible assets	-2	-1	0	0	-3	0	
Operating profit	**161**	**45**	**73**	**-117**	**162**	**24**	
Profit allocation	-118	-101	-117	-129	-465	-451	3
Operating profit after profit allocation	**43**	**-56**	**-44**	**-246**	**-303**	**-427**	**-29**
Internal income	-235	-422	-467	-441	-1,565	-2,515	38
C/I ratio, %	93.4	110.9	107.7	157.2	114.5	118.7	
Credit loss ratio, %	-0.03	-0.03	0.02	-0.02	-0.01	-0.02	
Assets	335,443	351,108	349,049	367,781	335,443	314,164	7
Liabilities	329,600	345,297	342,212	361,968	329,600	307,972	7
Allocated capital	5,843	5,811	6,837	5,813	5,843	6,192	-6
Return on allocated capital, %	2.9	-3.0	-2.0	-13.3	-3.9	-6.4	
Average number of employees	1,057	1,115	1,143	1,175	1,122	1,223	-8

Assets under management SEK bn	**2020**	**2019**
Mutual funds, excl. PPM and unit-linked insurance[1]	555	494
PPM	60	44
Unit-linked insurance	156	139
of which external funds	*-2*	*-2*
Total mutual funds	**769**	**675**
Structured products	5	7
Portfolio bond insurance	37	30
of which in Handelsbanken mutual funds and structured products	*-17*	*-13*
Traditional insurance	7	7
of which in Handelsbanken mutual funds and structured products	*-6*	*-7*
Discretionary and Institutional assets, excl. insurance[1]	278	248
of which in Handelsbanken mutual funds and structured products	*-227*	*-180*
Total assets under management, excl. securities in custody	**846**	**767**
Securities in custody accounts, excl. mutual funds	632	417
Securities in custody accounts, excl. mutual funds, for foundations associated with Handelsbanken	47	50

[1] As of Q1 2020, the entirety of the assets under management at Handelsbanken Wealth & Asset Management is included on the Mutual funds, excl. PPM and unit-linked insurance row. This volume was previously recognised on the Discretionary and Institutional assets row. In order to facilitate comparison, the comparative figures have been adjusted.

FINANCIAL PERFORMANCE

Operating profit rose to SEK 162 million (24), which was mainly attributable to lower expenses. Income decreased by 6 per cent to SEK 2,613 million (2,778). Expenses fell by 11 per cent to SEK -2,459 million (-2,763).

Net fee and commission income went down by 12 per cent to SEK 1,003 million (1,135), primarily due to lower advisory commissions, as well as lower guarantee and payment commissions in the wake of the ongoing discontinuation of business in certain countries within Handelsbanken International.

Net gains/losses on financial transactions decreased marginally to SEK 1,037 million (1,045), despite an increase in the realised capital contribution of SEK -67 million between the years in Handelsbanken Liv's traditional insurance operations.

Staff costs fell by 5 per cent to SEK -1,927 million (-2,020), due to a fall in the number of employees. The average number of employees decreased by 8 per cent to 1,122 (1,223).

Other expenses fell by 3 per cent to SEK -750 million (-775).

Credit losses consisted of marginal net recoveries, and totalled SEK 11 million (9). The credit loss ratio was -0.01 per cent (-0.02).

BUSINESS DEVELOPMENT

The covid-19 pandemic

As Capital Markets still has a broad geographical presence in Asia, many local continuity plans were put into action as early as the turn of the previous year. Employees were divided up at an early stage into two or more geographical locations. When the pandemic reached Europe, similar actions were taken at an early stage in the home markets. All operations within Capital Markets have continued without any major disruptions during the year. The Bank has thus been able to continue fulfil customers' needs, in spite of a market situation which has been very challenging at times.

Markets

Handelsbanken Markets offers products and services linked to risk management, securities, derivatives, research, debt capital markets and corporate finance.

Markets has continued to perform well. High volatility and uncertainty in the financial markets during parts of the year increased customers' need to manage their risks.

The equities and foreign exchange business has developed strongly, while the fixed income business has been in line with the previous year. The change of conditions in the market affected Corporate Finance's operations negatively, above all during the first half of the year, while the Bank's business volumes in the market for capital market funding are higher compared to the previous year. A total of 146 bond issues were arranged during the year, at a value of more than EUR 17 billion. The Bank has seen that interest in sustainable funding remains high, and the arranged green bond volume has almost doubled since the previous year.

Asset management

Asset Management offers a full range of products and services linked to asset management, as well as co-ordinating the Bank's offering in the savings area.

In Sweden, net savings in Handelsbanken's mutual funds during the year amounted to SEK 34.9 billion (27.3). The Bank was thus largest in new savings among all fund market players in Sweden in 2020.

Total net savings in the Group's funds amounted to SEK 40.8 billion (29.7). The total fund volume, including exchange-traded funds, increased during the period by 14 per cent to SEK 769 billion (675). Total assets under management in the Group increased during the year by 10 per cent to SEK 846 billion (767).

All of the Bank's mutual funds have been open for deposits and withdrawals during the year. Morningstar, a mutual fund research company, ranked Handelsbanken Fonder highest of the Nordic banks when it evaluated the 30 largest fund managers on the Swedish market.

During the year, work on introducing enhanced sustainability requirements in the Bank's mutual funds has continued, to the extent that 88 per cent of the total mutual fund volume at the end of the quarter was managed according to the enhanced sustainability requirements. A further four mutual funds have been given the Nordic Swan Ecolabel, illustrating their high sustainability standards. The prize-winning, sustainability-focused fund Handelsbanken Hållbar Energi attracted SEK 20.8 billion alone in net savings during the year. This can be seen as both a clear sign of demand for specifically sustainability-focused investments and of Handelsbanken Fonder's strong position in the area. According to Kantar SIFO Prospera, Handelsbanken is ranked as the number one "External Asset Manager" among the 139 largest Swedish institutions.

Handelsbanken remained the largest player in Nordic ETFs.

Pension & Life

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

Profit in the Pension & Life business area increased by 1 per cent to SEK 1,230 million (1,219). The improvement was due to increased fee and commission income, combined with a higher risk result.

The total premium volume increased by 3 per cent, and occupational pensions increased by 4 per cent. New fund management and custody accounts decreased by 1 per cent compared with the previous year and amounted to SEK 4,416 million (4,459).

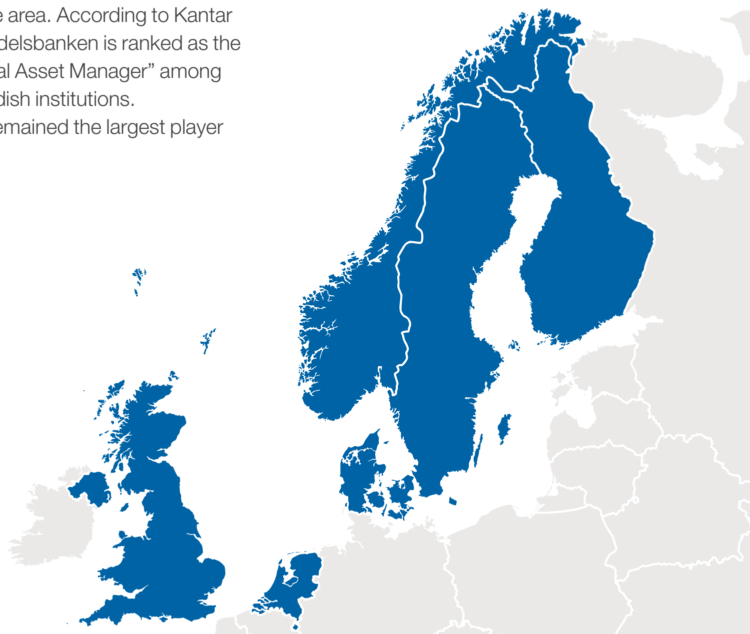
Assets under management at Handelsbanken Liv increased by SEK 24 billion, or 14 per cent, compared with the previous year-end figure, to SEK 200 billion (176).

International

Handelsbanken International encompasses the Bank's branches outside its home markets, as well as the units for Financial Institutions (global banking collaborations) and Transaction Banking.

As previously announced, International will be concentrating its geographical operations outside the home markets to the branches in Luxembourg and the USA. The Luxembourg branch will also be the base for the business operations in France and Spain. This consolidation work is ongoing, although the pandemic has slowed progress. The international branches in the Baltic States were wound up during the year.

The average volume of deposits in Handelsbanken International increased by 2 per cent during the year and amounted to SEK 64.3 billion (62.8). Lending decreased by 34 per cent to SEK 19.4 billion (29.6).



The Handelsbanken share and shareholders

Handelsbanken's share was first traded on the Stockholm stock exchange in 1871, making it the oldest listed share on the exchange

There are two classes of Handelsbanken's share: class A and class B. Class A shares are by far the most common and represent more than 98 per cent of all shares, both in terms of the number of shares and the turnover. Class A shares each carry one vote, while class B shares have one-tenth of a vote. Each share represents SEK 1.55 of the share capital. At year-end, there were a total of 1,980,028,494 shares (1,980,028,494). The share capital was SEK 3,069 million (3,069).

STOCK EXCHANGE TRADING

Handelsbanken's shares are traded on several different marketplaces. Turnover is largest on Nasdaq Stockholm, but for the past couple of years, the shares have also been traded on other exchanges. In 2020, an average of 5.2 million class A shares in Handelsbanken (4.0) shares were traded each day on Nasdaq Stockholm. The Handelsbanken share is in the group of the most traded shares on the Stockholm stock exchange. Handelsbanken's share was first traded on the Stockholm stock exchange in 1871, making it the oldest listed share on the exchange. For many years, the share has been included in numerous sustainability indexes.

DIVIDEND

Where dividends are concerned, Handelsbanken's policy is that the dividend level must not lead to the capital ratios falling below a level of one percentage point above the requirements communicated by the Swedish Financial Supervisory Authority.

In the Year-End Report for 2019 (Highlights of Handelsbanken's Annual Report 2019), the Board proposed an ordinary dividend of SEK 5.50 per share. Following the outbreak of the Covid-19 pandemic, the Board announced in March its proposal that the dividend decision be postponed, and therefore considered calling an extraordinary general meeting of shareholders later during the autumn. Given the continued uncertainty surrounding the still-ongoing pandemic, the Board resolved in mid-September not to call an extraordinary general meeting of shareholders during the 2020 calendar year.

The Board is proposing that the 2021 AGM resolve on a dividend of SEK 4.10 per share. The complete proposal on share dividends is presented on page 201.

CREATING SHAREHOLDER VALUE

In the past five-year period, Handelsbanken has paid SEK 46 billion in dividends, while market capitalisation has fallen by SEK 51 billion.

SHARE PRICE PERFORMANCE

As at 31 December 2020, Handelsbanken's market capitalisation was SEK 164 billion (200). The Swedish stock market (OMX Stockholm 30 index) grew by 6 per cent during the year. The Stockholm stock exchange's bank index fell by 6 per cent. Handelsbanken's class A shares closed at SEK 82.60, a decline of 18 per cent.

Handelsbanken's shares	2020	2019	2018	2017	2016
Earnings per share, SEK	7.87	8.65	8.93	8.28	8.43
after dilution	7.87	8.58	8.84	8.20	8.31
Ordinary dividend per share, SEK	4.10[1]	-	5.50	5.50	5.00
Total dividend per share, SEK	4.10[1]	-	5.50	7.50	5.00
Dividend growth, ordinary dividend, %	-	0	0	10	11
Price of class A share, 31 December, SEK	82.60	100.90	98.30	112.20	126.60
Price of class B share, 31 December, SEK	92.20	103.40	101.20	113.00	123.40
Highest share price during year, SEK	112.30	106.75	118.30	135.70	134.60
Lowest share price during year, SEK	72.12	82.66	95.28	109.10	92.00
Share price performance, %	-18	3	-12	-11	12
Total return, %	-18	8	-6	-7	17
Dividend yield, %	5.0[1]	-	5.6	4.9	3.9
Adjusted equity per share, SEK	84.90	78.60	72.90	72.90	69.28
Stock exchange price/equity, %	97	128	135	154	183
Average daily turnover on Nasdaq OMX (no. of shares)					
Class A	5,225,498	4,039,413	3,950,419	3,320,334	3,856,880
Class B	120,754	51,217	45,415	41,655	37,222
P/E ratio	10.5	11.7	11.0	13.5	15.0
Market capitalisation, SEK bn	164	200	191	218	246
No. of converted shares from the convertible subordinated loan issued in 2008, millions	0.0	0.0	0.0	0.0	0.0
No. of converted shares from the convertible subordinated loan issued in 2011, millions					37.1
No. of converted shares from the convertible subordinated loan issued in 2014, millions	0.0	35.8			
No. of shares as at 31 December, millions	1,980.0	1,980.0	1,944.2	1,944.2	1,944.2
Holding of repurchased own shares, millions	-	-	-	-	-
Holding of own shares in trading book, millions	-	-	-	-	-
Number of outstanding shares as at 31 December, millions	1,980.0	1,980.0	1,944.2	1,944.2	1,944.2
Dilution effect, end of period, millions	0.0	0.0	32.7	30.3	30.1
Number of outstanding shares after dilution, millions	1,980.0	1,980.0	1,976.9	1,974.5	1,974.3
Average number of outstanding shares, millions	1,980.0	1,956.8	1,944.2	1,944.2	1,927.1
after dilution	1,980.0	1,976.9	1,974.5	1,974.3	1,972.7

[1] Dividend as recommended by the Board.

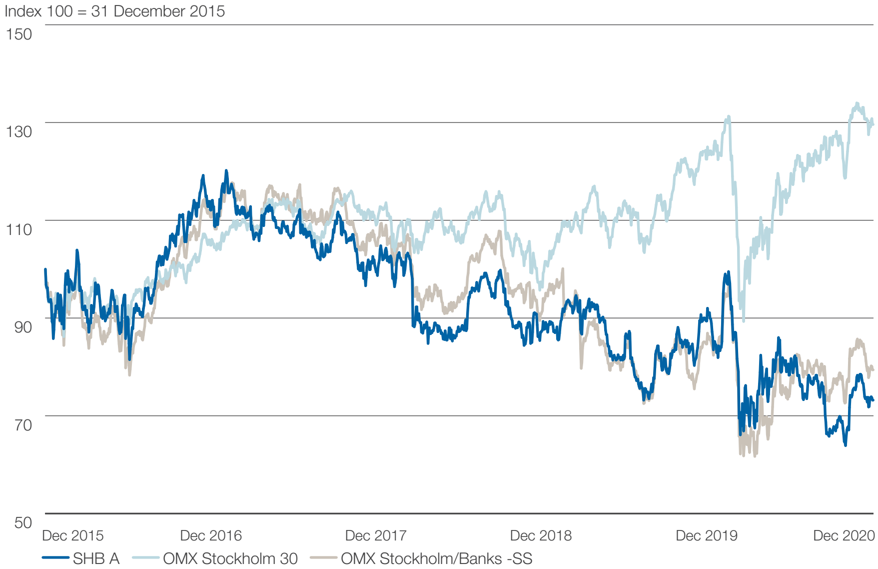
REPURCHASE OF SHARES

At the AGM in March 2020, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2021. This mandate was not used in 2020.

OWNERSHIP STRUCTURE

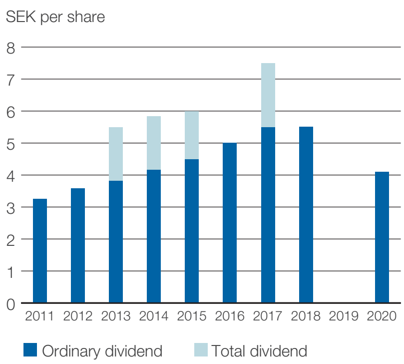
In recent years, the proportion of non-Swedish shareholders has increased, from 30 per cent at the end of 2008, to 44 per cent (48) at year-end. Handelsbanken has more than 140,000 shareholders. Just over two thirds of these owned fewer than 1,001 shares. Almost two per cent of the shareholders owned more than 20,001 shares each, and together they held 90 per cent of the share capital. Two shareholders own more than 10 per cent of the shares: Industrivärden and the Oktogonen Foundation.

Five-year share price performance



The largest Swedish shareholders 31 December 2020	Number of shares	% of votes	% of capital
Industrivärden	212,200,000	10.9	10.7
Oktogonen Foundation	201,225,141	10.3	10.2
Lundberg-gruppen	79,835,000	4.1	4.0
Handelsbanken funds	44,368,486	2.3	2.2
Swedbank Robur funds	33,570,058	1.7	1.7
Alecta	23,044,000	1.2	1.2
1st National Swedish Pension Fund	18,669,929	1.0	0.9
AMF Försäkring and funds	15,706,042	0.8	0.8
Folksam	15,403,549	0.8	0.8
3rd National Swedish Pension Fund	13,999,389	0.7	0.7
SPP funds	13,954,520	0.7	0.7
Didner & Gerge funds	13,269,057	0.7	0.7
The J. Wallander & T. Hedelius Foundation, The T. Browaldh Foundation	13,000,000	0.7	0.7
AFA Försäkring	12,640,389	0.6	0.6
Skandia	12,428,730	0.6	0.6

Share dividends in the past 10 years



2020 according to Board proposal. A 3:1 stock split was carried out in May 2015. Historical dividends have been adjusted for this.

Shareholdings per shareholder 31 December 2020		Shareholdings				
Number of shares		Shareholders Number	Number of Class A shares	Number of Class B shares	% of share capital	% of votes
1–500	shares	78,015	9,154,090	3,392,554	0.6	0.5
501–1,000	shares	20,243	12,497,992	3,221,611	0.8	0.6
1,001–5,000	shares	31,909	65,109,424	10,017,353	3.8	3.4
5,001–20,000	shares	9,503	80,725,467	8,092,114	4.5	4.2
20,001–	shares	2,334	1,777,290,192	10,527,697	90.3	91.3
Total		**142,004**	**1,944,777,165**	**35,251,329**	**100.0**	**100.0**

Shares divided into share classes 31 December 2020 Share class	Number	% of capital	% of votes	Average prices/ repurchased amount	Share capital
Class A	1,944,777,165	98.22	99.82		3,014,404,606
Class B	35,251,329	1.78	0.18		54,639,560
Total	**1,980,028,494**	**100.00**	**100.00**		**3,069,044,166**

Sustainability Report

This is Handelsbanken's statutory Sustainability Report for 2020. Unless otherwise stated, the report provides information about the entire Group. Any restrictions in the reporting are clearly stated. The statutory sustainability report focuses on Handelsbanken's most material sustainability topics and the sustainability information stipulated in the Swedish Annual Accounts Act.

CONTENTS

Sustainability at Handelsbanken

The Bank's business opportunities and successes depend on customers, employees, the general public, investors and public authorities having confidence in the Bank. A condition for this confidence is that the Bank's operations are subject to high ethical standards and responsible actions.

A SUSTAINABLE BUSINESS MODEL

Sustainability is completely integrated into Handelsbanken's corporate culture and working methods, permeating the Group's operations in all markets. As a bank, we aim to contribute to sustainable development, chiefly through our business operations, and through our products and services.

How we contribute

Long-term business relations, a local presence, financial stability and low risk-taking are cornerstones of Handelsbanken's corporate and business culture. Consequently, sustainability has long been a natural part of Handelsbanken's business operations.

A well-run bank that acts sustainably and responsibly has a major, positive impact on the economy in general. This applies to direct economic effects, such as paying corporate tax, as well as indirect effects. For example, through our lending to companies in our six home markets, Handelsbanken is involved in financing growth and increased employment. Handelsbanken is the largest player in terms of lending to companies in Sweden. By enabling households to finance home purchases, the Bank helps them move to locations with better employment prospects, for example. The Handelsbanken Group finances more than a fifth of households' mortgage loans in Sweden.

Thanks to our strict approach to risk, over time we have successfully kept credit losses at a low level. Our financial strength and stability help us to avoid becoming a burden on society. Instead, we can positively contribute by being financially stable and a responsible taxpayer.

Banking operations in themselves have a relatively small direct impact on the environment and climate. Nonetheless, striving to constantly reduce our own impact is important – for both our employees and our customers. Reducing paper consumption and cutting back on travel by air and car, instead focusing on solutions for remote meetings, are good ways to reduce our negative impact. Digital solutions also help us and our customers to reduce our climate footprint.

Handelsbanken's greatest opportunities to assist and influence sustainable development lie in our business operations – when we finance our customers' projects and businesses and are entrusted to manage customers' assets. This is why we work actively with advisory services to support and speed up our customers' sustainable development through dialogue and advice, within the framework of financing, in discussions regarding savings and in building relationships with our customers.

A decentralised approach

Our decentralised business model focuses on the customer in everything we do. This is why we are always close to our customers and the communities we serve. At Handelsbanken, we focus on personal meetings, regardless of whether the customer opts to meet us online, on the phone or at one of our local branches. Our role as a responsible employer is based on our fundamental belief in the willingness and ability of individuals to make the right decisions. Managers and employees are together responsible for seeing the opportunities in one another's differences and treating each other with respect. Gender equality, diversity and an inclusive corporate culture are therefore part of Handelsbanken's core values.

GRI reporting

More detailed reporting of our sustainability work and performance in the form of a materiality analysis, stakeholder dialogues and a large number of KPIs are presented in the Handelsbanken Sustainability Fact Book, including a GRI Index, at handelsbanken.com/sustainability. These reports have been prepared in accordance with the GRI Standards: Core option, and together with the Annual Report and Sustainability Report they represent the Group's Communication on Progress for the UN Global Compact.

A sustainable business model

SUMMARY OF CORPORATE GOVERNANCE

Corporate governance concerns how rights and obligations are allocated among the various bodies of the Bank, in accordance with prevailing laws and regulations. Corporate governance also encompasses the systems for decision-making, and the structure through which shareholders control the Bank, directly and indirectly.

PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken's shareholders exercise corporate governance principally by electing the Board. The Board appoints and gives instructions to the CEO. The following are fundamental to corporate governance at Handelsbanken: the Articles of Association and documents adopted by the Board, for example, the Board's rules of procedure, instructions to the CEO and the Chief Audit Officer, credit instructions and policy documents regarding the Bank's operations, as well as the instructions and guidelines issued by the CEO. These documents are revised every year, and whenever deemed 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.

RECRUITMENT AND DIVERSITY-RELATED WORK BY THE BOARD

In its work, the nomination committee takes into account matters relating to diversity on the Board, including gender distribution. Handelsbanken's Board has adopted a policy to promote diversity on the Board. The policy stipulates 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 37.5 per cent of the elected members, and the proportion who are nationals of a country other than the one where Handelsbanken is domiciled is 12.5 per cent. In compiling its proposal for the AGM, the nomination committee also considers the evaluation of the Board carried out by the Chairman of the Board.

Composition of the Board after election at the AGM

	2020	2019	2018	2017	2016
Total number of Board members*	8	11	11	11	11
of which men	*5*	*6*	*7*	*6*	*6*
of which women	*3*	*5*	*4*	*5*	*5*
Nationality other than Swedish	1	4	4	4	5

* Nine Board members were elected at the AGM but since October 2020, the Board comprises eight members elected at the AGM.

INTERNAL CONTROL

Responsibility for internal control has been delegated from the CEO to managers who report directly to the CEO and who are in charge of internal control within their respective units. In turn, these managers have delegated-responsibility for internal control to managers who report to them. This responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Thus, the responsibility for internal control and compliance is an integral part of managers' responsibility at all levels in the Bank.

Group Compliance is an independent unit with the functional responsibility for compliance matters in the Group. The compliance function identifies, measures, analyses and reports on compliance within the Group. This also includes checking and assessing the suitability and effectiveness of the procedures in place and actions taken to minimise the risk of non-compliance with applicable rules.

Another important task is to provide support and advice, especially when introducing new or changed regulations, or changes to the Group's products, services, markets, processes, IT systems, operations and organisation. Group Compliance also monitors the risk level relative to the risk tolerance defined by the Central Board, and is responsible for the Group's public authority contacts related to supervisory cases.

The Bank's policy on ethical standards describes how employees who suspect internal fraud or other irregularities should act. To supplement the paths for reporting provided by the Compliance and Group Audit functions, Handelsbanken also has an established whistle-blower system supplied by an external provider, where reports can be submitted anonymously.

Selection of policy documents established by the Board:

- Credit policy
- Policy for operational risk
- Capital policy
- Financial policy
- Information policy
- Policy for sustainability
- Policy for ethical standards
- Policy against corruption
- Policy for management of conflicts of interest
- Policy for remuneration
- Policy for suitability assessment
- Policy for risk control
- Policy for compliance
- Policy on measures against financial crime
- Policy for complaints management

A summary of these policies can be found in the Bank's Corporate Governance Report and at handelsbanken.com.

Selection of guidelines established by the Bank's Group Chief Executive:

- Guidelines regarding the environment and climate change
- Guidelines regarding human rights and working conditions
- Guidelines regarding business relations with the armaments and defence industry
- Guidelines regarding business relations in forestry and farming
- Guidelines regarding the tobacco industry
- Guidelines for managing taxes

A selection of policy documents that the boards of Handelsbanken's subsidiaries have decided on:

- Policy for shareholder engagement and responsible investment at Handelsbanken Fonder
- Policy for responsible investment at Handelsbanken Liv
- Policy for sustainability at Handelsbanken Liv
- Policy for sustainability at Stadshypotek
- Policy against corruption at Stadshypotek

Selection of guidelines in the HR area:

- Guidelines on alcohol, drugs and gambling
- Guidelines for the prevention of victimisation and harassment
- Guidelines on bribery and improper influence
- Guidelines on gender equality, diversity and inclusion

More information

More information about Handelsbanken's corporate governance is available at handelsbanken.com. The site includes the following information:

- previous corporate governance reports from 2006 onwards
- Articles of Association
- Information about the nomination committee
- Minutes from shareholders' meetings from 2010 onwards.

SUSTAINABILITY ORGANISATION

Handelsbanken's sustainability work is decentralised and carried out wherever the Bank's business and operational decisions are made. The work is co-ordinated by a Group-wide specialist function led by Handelsbanken's Head of Sustainability, who reports to the Bank's Group Communications and Sustainability Officer. This person is a member of the Bank's executive management and as such has the overall responsibility for sustainability. From February 2021 the sustainability unit is a new group function, with the Head of Sustainability reporting directly to the Group Chief Executive. The Bank also has a Sustainability Committee, formed in 2010. The Committee is chaired by Handelsbanken's Head of Sustainability. The Committee consists of representatives from various operating areas throughout the Group and has met regularly during the year, a total of four times.

A sub-committee operates under the Sustainability Committee to work on ethical and tax-related matters. The Head of Group Tax chairs this sub-committee, and representatives come from different business areas and central departments within the Group. The sub-committee is tasked with discussing and providing opinions on tax-related matters from a sustainability perspective, with regard to customers and suppliers and to the Group's own tax management.

Sustainability specialists and representatives from various parts of the Group are also active in the Green Finance Committee (GFC), which is responsible for determining technical criteria for green loans and for approving assets for inclusion in Handelsbanken's portfolio of green assets. In its assessment, the Committee considers areas such as life-cycle analysis, positive effects on the climate, powers of resistance and scientific targets.

On 1 April 2020, the funds previously managed by Xact Kapitalförvaltning were incorporated in Handelsbanken Fonder AB. In this new structure, the chief executive of Handelsbanken Fonder is responsible for sustainability-related policies and strategies. The fund management company's sustainability work is led by the Head of Sustainability at Handelsbanken Asset Management, as of 1 January 2021 Savings & Pension, who is responsible for co-ordination and development of policies and strategies related to sustainability.

HANDELSBANKEN AND THE SUSTAINABLE DEVELOPMENT GOALS

Handelsbanken's Sustainability Committee has analysed the 17 Sustainable Development Goals and their 169 targets to determine the focus of our operations, and how we can integrate them in the operations within the framework of the Bank's material topics. The analysis was based on the degree of influence, both indirect and direct, identified risks and opportunities, and the Bank's most material sustainability topics. Consequently, in the next few years we will focus on the following six goals:

- Gender equality
- Decent work and economic growth
- Industry, innovation and infrastructure
- Sustainable cities and communities
- Climate action
- Peace, justice and strong institutions.

For all goals selected, Handelsbanken is able to contribute through its own operations and through business relations. The importance of gender equality, decent work conditions and children's rights are a natural part of our own operations. We are eager to help accelerate their progress in the communities we serve and the companies we do business with.

With significant lending to the property sector, we have particular responsibility in terms of sustainable cities. In corporate lending we want to contribute by reducing our indirect impact on the climate and by financing companies leading the way in the transition to a more sustainable economy. The goal of peace, justice and strong institutions includes the goal of substantially reducing illicit financial flows and significantly reducing all forms of corruption and bribery, an area where banks play a crucial role.

STAKEHOLDER DIALOGUE

To be a responsible bank, we must listen closely to our stakeholders' expectations and be receptive to their opinions about our sustainability activities. We actively engage in systematic dialogue with our stakeholders, to ensure that we get our priorities right. Since June 2019, we have asked our customers about their sustainability preferences in investment advisory sessions. We document their attitude to sustainability in the areas of the environment, social questions and corporate governance. Statistics show that 74 per cent of customers consider sustainability to be either quite important or very important. In 2020, qualitative interviews regarding sustainability were held with both customers and employees as part of product development within private business and the card offering. The SKI customer satisfaction surveys for the year were also expanded with questions concerning sustainability. In industry surveys conducted during autumn 2020, SKI notes that the results have been affected by the ongoing pandemic. Particularly on the corporate side, it is noted that the sustainability aspects of a company's operations become less important when the company is forced to focus on its results and survival.

There have also been several dialogues with corporate customers about pending regulations such as the proposal of the new EU taxonomy. Through active participation in the Swedish Bankers' Association and extensive customer dialogues, the Bank has participated in the general debate concerning the taxonomy proposal.

OUR STAKEHOLDERS

Many private individuals, organisations and companies are affected by how Handelsbanken acts in various matters. Business relations with customers, how we act as an employer, conversations with our shareholders, and all the meetings with various associations and organisations are examples of stakeholder dialogues. They are affected by and affect how we conduct our operations. For us, corporate social responsibility means living up to the reasonable expectations of these stakeholders and acting so as to maintain their trust in the Bank.

Handelsbanken's principal stakeholders are customers, employees, owners and investors, union organisations, and the community at large, including special interest organisations, public authorities and legislators. The Bank's main stakeholder groups have been identified, based on the fact that Handelsbanken's operations materially affect them, or are materially affected by them. Handelsbanken also maintains a continuous dialogue with other stakeholder groups, such as equity research analysts, trade associations, sustainability analysts, non-profit organisations, international organisations, municipalities and county councils, suppliers, press and media, students, schools and universities.

Stakeholder model

All stakeholders have expectations of Handelsbanken. They all wish the Bank to be stable and responsive to their expectations. How well the Bank manages to live up to these expectations has an impact on the continued success of Handelsbanken.

Ongoing dialogue with our stakeholders
Through active dialogue, Handelsbanken can better understand the expectations, opinions and demands that stakeholders have on us and on the way we conduct our operations. This helps us to make well-founded decisions and to better prioritise our sustainability efforts in the markets where we operate.

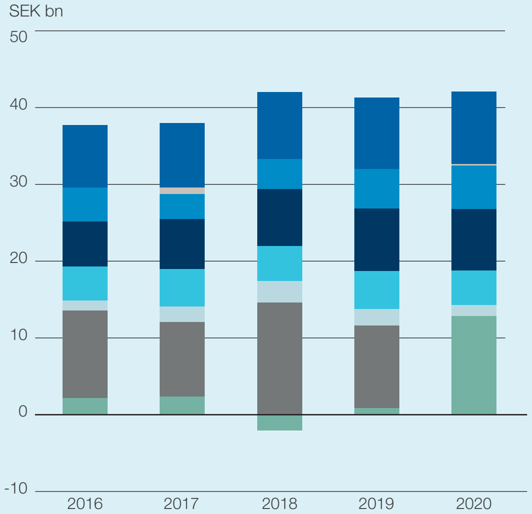
MATERIALITY ANALYSIS
The purpose of our materiality analysis is to identify the sustainability topics where Handelsbanken's operations have the greatest impact on external parties, based on an economic, environmental or social stakeholder perspective. Applying the materiality analysis, we define the most important sustainability topics that we must prioritise, report on and communicate about.

The identified material sustainability topics were grouped into the following seven areas:
- the Bank and its customers
- the Bank's role in the community
- responsible financing
- responsible investment
- the Bank as an employer
- the Bank's business culture
- the Bank as an investment.

The results of the materiality analysis showed that the Bank's most important sustainability topics are clearly linked to our business in the form of credits, investments, products and advisory services. Other key sustainability topics are strongly associated with how we should continue to run our business in a sustainable and responsible manner with our customers' continuing firm confidence. This means that we continue to work on privacy and confidentiality, to prevent financial crime, to strive for openness and transparency and for the Bank to be financially sustainable by continuing to run our business in a responsible manner, with stability and profitability in focus.

The outcome of the materiality analysis is presented on pages 4–5 of Handelsbanken's Sustainability Fact Book. These pages also include a description of the significance of these topics to Handelsbanken and the risks they are associated with.

Distribution of economic value



	2020 SEK bn
Salaries	9.4
Allocation to profit-sharing scheme	0.2
Social security costs	5.7
Suppliers	8.0
Tax expenses	4.5
Fees resolution fund, etc.	1.4
Dividend	-
Reinvested economic value	12.9

The preliminary allocation to the Oktogonen profit-sharing scheme made in 2018 and reversed in the first quarter of 2019, is not shown in the above diagram.

Economic value creation
By being cautious in our approach to running a bank, we can support our customers in all financial situations. By sharing our knowledge, we can help improve our customers' financial abilities. When we meet our undertakings we can make a positive difference in the communities we serve. The Bank's decentralised ways of working, with trust and respect for individuals, permeates our whole corporate culture. This applies regardless of where we conduct operations. Our staff have great responsibility and authority to make decisions in all kinds of matters that concern our customers.

It is also vital that a bank makes a profit. Not only does the profit generate tax revenue for the community and a return for shareholders, the remaing part can be reinvested in the operations. In this way, economic value can be created and we can grow and meet customers' future needs, such as for loans. In the same way as a manufacturing company must have sustainability in focus when processing its raw materials, a bank must have a sustainability perspective when working with money – in other words when we invest our customers' savings capital and when we work with financing.

SUSTAINABILITY RISK

Put simply, sustainability risk refers to the risk that Handelsbanken does not operate in accordance with the policies, guidelines, commitments and ambitions that form the basis for our general sustainability work. This could ultimately result in financial consequences for the Bank, as well as proving harmful to our reputation. It is a matter of how we, as a bank, act in relation to and manage topics within the areas we have identified, where we have the greatest chance to contribute to more sustainable development. A few examples: responsible financing and granting of credit, responsible investment, preventing financial crime, being a responsible employer, responsible purchasing, local presence, financial stability and profitability. This risk also entails the management of risks related to the Bank's different roles – as a lender, asset manager, service provider, purchaser or employer.

Sustainability risks span many areas, such as human rights, working conditions, the environment, climate, financial crime, and information and IT security. The identification, management and prevention of sustainability risk is important from both a financial and a legal perspective, as are our actions as a community stakeholder. These also play a critical role in the confidence we instil in the public, as well as our relationships with customers, employees, owners and investors. Handelsbanken's view is that responsible actions are thus essential to long-term value creation.

Handelsbanken's activities for managing sustainability risk follow our decentralised model and are aligned with the Bank's generally low risk tolerance. The Bank's business operations bear the responsibility for identifying sustainability risks and managing these. This is done within a framework of established processes for risk management.

Risk area	Risk description	Potential risk impact on Handelsbanken	Actions to minimise the risk	Leading conventions and guidelines
Climate	Climate-related risks are diverse, complex and often hard to measure. These risks can be split into physical risks and transition risks. Assets which, from a longer-term perspective, are deemed to be highly exposed to climate-related risks and risk losing their entire value are often referred to as 'stranded assets'. Physical climate risks arise as a consequence of global warming brought about by increased greenhouse gas emissions. This results in increased occurrences of extreme weather events, as well as rising sea levels, coastal erosion and similar consequences. These may, in turn, have a large impact on, including damage to, assets we have financed, or may affect companies we invest in. Transition risks are risks that arise through changes to legislation, changes in the demand for products and services, changed customer behaviour or other structural shifts which take place as part of society's attempts to transition to a climate-neutral economy, as a means of combating global warming.	The risk is primarily linked to increased credit losses and capital costs due to a deterioration of customers' financial positions. Weakened return on the Bank's investments. The risk of impaired reputation and decreased customer satisfaction.	Develop and improve our capacity to identify, measure, manage and report risks associated with both physical climate-related risks and transition risks in the investment and credit processes, as well as our process for risk control and reporting. This involves develop our existing procedures and processes in relevant areas, with the aim of more effectively being able to identify, value and also stress test assets exposed to climate-related risks. Periodic screening of companies we invest in, checklists in the credit assessment process, support with the help of sector-specific sustainability risks established by external experts, documentation requirements, systems support. Policy documents and instructions for responsible investment and responsible credits. Reporting in line with the TCFD recommendations.	Task Force on Climate-related Financial Disclosures (TCFD). The UN Environment Programme Finance Initiative (UNEP FI). Equator Principles. The UN Principles for Responsible Investment (PRI). The UN Principles for Responsible Banking (PRB).
Environment	Environmental risks are linked to both our own operations and the suppliers we use, but also to the companies we invest in and grant credit to. The risks may be associated with direct environmental incidents, pollution or other negative environmental impacts. However, they may also be indirect, such as business relations with companies engaging in operations that are not aligned with the transition to an environmentally sustainable economy, or which do not give sufficient attention to environmental issues in their operations.	Increased credit losses due to a deterioration of customers' financial positions. Weakened return on the Bank's investments. The risk of impaired reputation and decreased customer satisfaction.	Supplier Code of Conduct. Periodic screening of companies we invest in. Checklists in the credit assessment process, support with the help of sector-specific sustainability risks established by external experts, documentation requirements, systems support. Policy documents and instructions for responsible investment and responsible credits.	The UN Environment Programme Finance Initiative (UNEP FI). Equator Principles. The UN Principles for Responsible Investment (PRI). The UN Principles for Responsible Banking (PRB).
Human rights, social conditions and working conditions	The risk of abusing human rights is greatest in the role the Bank has as a lender and when we invest in companies, although the risk is also present in our own operations. Risks related to social conditions chiefly concern working conditions, that is health and safety, harassment and victimisation, as well as union rights, reasonable wages and rights to all employee benefits as regulated by law. In our own operations, the risk is mainly linked to the Bank as an employer and the Bank's business culture, as well as relationships with suppliers.	Reputational damage and weaker financial position.	Mandatory training for employees, the Supplier Code of Conduct, supplier audits, the revision and strengthening of related processes connected with the Group's operations and its range of products and services. Periodic screening of companies we invest in, checklists in the credit assessment process, support with the help of sector-specific sustainability risks established by external experts, documentation requirements, systems support. Policy documents for responsible investment and responsible credits.	The UN Universal Declaration of Human Rights. The International Labour Organisation's core conventions. The UN Convention on the Rights of the Child. The UN Guiding Principles on Business and Human Rights. Children's Rights and Business Principles. The UN Global Compact. UK Modern Slavery Act.
Financial crime	These risks are chiefly associated with customers' use of the Bank's products and services for criminal activity. This refers primarily to money laundering, corruption, terrorist financing, various types of fraud, tax crime and other serious financial crime.	Legal consequences, resulting in substantial fines or other sanctions, or claims for damages. Reputational damage and weaker financial position.	Mandatory training to raise employees' awareness, constant revision and strengthening of related processes. Customer due diligence, including customer committees and transaction monitoring.	EU legislation for anti-money laundering and customer due diligence.
Information security and IT security	Risks linked to deficiencies in the management of personal information and company information with respect to availability, accuracy, confidentiality and/or traceability.	Weakened confidence, financial consequences arising from fines or other sanctions, or claims for damages.	Administrative systems, such as rules and instructions, as well as technical security solutions. Continuous follow-up of events which occur both within and outside our operations, for example. through collaboration in international forums. Employee training and informing customers, in order to increase awareness of the threats and risks related to information security.	ISO 27001 International Standard. Standard of Good Practice produced by Information Security Forum (ISF).

KEY FIGURES FOR SUSTAINABILITY

Based on the materiality analysis for defining Handelsbanken's most significant sustainability topics, a number of relevant key figures have been compiled. The key figures are organised in the same way as the Bank's material sustainability topics and are grouped in seven sub-areas.

Key figures for sustainability

The Bank and its customers	2020	2019	2018	2017	2016
Customer satisfaction, private customers, SKI/EPSI index					
Sweden	70.4	71.5	72.3	68.9	67.6
UK	81.2	84.6	83.9	85.2	83.5
Norway	75.7	77.2	78.1	77.5	74.2
Denmark	75.2	75.7	77.8	76.8	77.7
Finland	79.0	81.2	80.1	79.6	80.1
The Netherlands	78.4	77.7	78.0	78.0	74.1
Customer satisfaction, corporate customers, SKI/EPSI index					
Sweden	68.7	66.5	67.7	67.5	69.4
UK	77.0	83.1	82.6	83.8	81.6
Norway	68.8	72.9	71.5	72.5	69.9
Denmark	69.1	71.9	71.8	72.3	75.7
Finland	75.3	80.0	79.1	78.7	77.5
The Netherlands	75.3	75.3	73.5	72.4	71.9

The Bank's role in the community	2020	2019	2018	2017	2016
Number of branches and meeting places	732	769	779	807	819
Number of local collaborations and activities	>300	>800	>600	>400	>400
Only local bank, home markets	69	68	63	66	59
Total taxes and government fees, SEK bn	10	12	11	10	8
Government bank support received	-	-	-	-	-
Credit losses as a percentage of lending	0.03	0.04	0.04	0.08	0.09
Total emissions of greenhouse gases, CO_2e tonnes	6,060	8,700	9,628	9,878	9,432
of which Scope 1 – direct emissions	*24*	*27*	*41*	*86*	*51*
of which Scope 2 – indirect emissions	*4,690*	*4,946*	*5,488*	*5,562*	*5,416*
of which Scope 3 – other indirect emissions	*1,346*	*3,727*	*4,099*	*4,230*	*3,965*

Responsible investment	2020	2019	2018	2017	2016
Proportion of assets under management in funds which exclude controversial operations, SEK bn	678	576	311	221	166
Proportion of assets under management in funds which exclude fossil fuels, SEK bn	678	576	311	221	166
Proportion of assets under management in funds [1] with:					
negative screening regarding controversial sectors, %	88	85	42	32	29
negative screening regarding fossil fuels, %	88	85	42	32	29
negative screening regarding companies that violate international standards and conventions, %	88	85	42	32	29
Fund assets under management in companies:					
with positive screening regarding sustainability aspects (ESG), SEK bn	35.9	3.9	3.0	2.4	0.7
with screening regarding environmental aspects, SEK bn	3.8	0.3	-	-	-
Fund assets under management in green, sustainable and social bonds, SEK bn	32.0	22.2	-	-	-
Fund assets under management in impact investing, SEK bn [2]	7.2	4.4	1.8	-	-
Proportion of fund assets under management evaluated according to PRI, % [3]	100	100	100	100	100
Total number of dialogues for engagement	566	563	507	251	140
Number of funds with a quantified carbon footprint and official comparative figure	58	72	31	34	26

Responsible financing	2020	2019	2018	2017	2016
Green bonds – volume arranged, SEK bn	32.4	16.3	20.0	8.3	5.2
Green loans outstanding volume, SEK bn	16.0	7.4	1.8	0.3	-
Eligible green assets, SEK bn	14.1	12.1	10.1	-	-
Equator Principles					
Project financing, number of loans					
Category A	0	0	0	0	0
Category B	1	1	1	0	0
Category C	0	0	0	0	0
Project-related corporate loans, number of loans					
Category A	0	0	0	0	0
Category B	0	0	0	0	0
Category C	0	0	0	0	0
Total number of financed vehicles[4]	19,468	20,467	21,557	-	-
Total emissions all vehicles (tonnes CO_2e)	30,609	34,464	37,463	-	-
Average emissions all vehicles CO_2 (g/km)	128.2	137.3	141.7	-	-
Average emissions vehicles reg. <3 yrs CO_2 (g/km)	120.4	130.4	141.3	-	-
Average emissions, company cars at Handelsbanken CO_2 (g/km)	61.3	91.1	112.2	-	-

[1] The proportion of total fund volume refers to volumes after eliminations on consolidation. For 2017 and preceding years, volumes at Handelsbanken Wealth & Asset Management are not included.

[2] Investments that generate measurable, positive impacts on society, combined with a financial return.

[3] Requirement that fund managers, internal and external, have signed the Principles for Responsible Investment (PRI).

[4] Refers to Sweden.

Key figures for sustainability, cont.

The Bank as an employer	2020	2019	2018	2017	2016
Average number of employees	12,563	12,548	12,307	11,832	11,759
Gender breakdown, percentage women/men					
All employees	50/50	50/50	49/51	49/51	50/50
Branch managers	32/68	32/68	30/70	31/69	32/68
Managers	41/59	40/60	39/61	40/60	40/60
Executive management [1]	13/87	14/86	34/66	32/68	29/71
Percentage of managers recruited internally, Group	96	92	96	92	93
Percentage of managers recruited internally, Sweden	98	97	99	97	99
Number of internally advertised managerial positions	223	390	-	-	-
Number of applicants women/men, % [2]	44/55	43/56	-	-	-
Number of recruited women/men, % [2]	43/55	48/52	-	-	-
Staff turnover, Group %	5.1	5.0	3.9	4.7	4.0
Sickness absence rate, %					
Sweden	3.0	3.0	3.1	3.0	3.2
UK	1.0	1.5	0.9	1.0	1.0
Norway	3.5	4.2	3.8	3.0	3.1
Denmark	1.6	2.3	1.2	1.0	1.3
Finland	1.4	2.0	2.0	1.8	1.9
The Netherlands	2.3	2.3	2.7	2.8	2.9
Number of cases reported to national equality ombudsman or a corresponding official body (against the Bank in its capacity as employer)	1	0	0	1	0
Percentage of staff covered by a work environment survey, % [3]	100	100	100	100	100
Number of employees who carried out a work environment survey	9,994	10,364	10,181	7,388	5,929
Total outcome (scale 1–4)	3.4	3.4	3.4	3.4	3.4
for Trust	3.4	3.3	3.4	3.3	3.3
for Respect	3.5	3.5	3.5	3.5	3.5
for Balance	3.2	3.2	3.2	3.2	3.2
for Communication	3.4	3.4	3.5	3.4	3.4
for Security	3.7	3.7	3.7	3.6	3.6
for Physical work environment	3.2	3.1	3.1	3.1	3.1
for Competence	3.5	3.5	3.5	3.5	3.4
for Pride	3.5	3.4	3.5	3.5	3.5
Staff covered by a periodic performance evaluation, %	100	100	100	100	100
Average salary, women compared to men, all employees, %					
Sweden	81	82	79	78	76
UK	69	68	67	61	63
Norway	83	82	81	82	81
Denmark	75	71	73	74	71
Finland	73	74	74	72	70
The Netherlands	75	73	77	76	79
Average salary, women compared to men, managers, %					
Sweden	79	82	76	74	72
UK	83	79	87	86	81
Norway	88	87	87	90	89
Denmark	76	73	74	74	70
Finland	80	86	87	84	91
The Netherlands	96	92	95	90	92
Average salary, women compared to men, branch managers, %					
Sweden	92	93	91	89	89
UK	80	81	82	82	80
Norway	90	89	91	91	90
Denmark	89	83	81	81	77
Finland	94	107	115	101	100
The Netherlands	92	91	87	87	81

[1] For 2016–2018, the figures refer to Senior Management.
[2] Based on the applicant's gender identity – female, male, other or prefers not to state this.
[3] Information regarding the work environment surveys for 2016 refers to Sweden.

Key figures for sustainability, cont.

The Bank's business culture	2020	2019	2018	2017	2016
Proportion of major suppliers (purchased volume in %) that have signed the Bank's code of conduct, or whose code the Bank has approved [1]	77	76	75	73	73
Percentage of employees who have completed training in anti-corruption, and prevention of money laundering and terrorist financing, % [2]					
Sweden	92	97	91	-	-
UK	98	98	96	-	-
Norway	91	94	93	-	-
Denmark	99	97	97	-	-
Finland	92	95	89	-	-
The Netherlands	97	98	80	-	-
Other countries	92	98	90	-	-
Total business travel, million kilometres	8.2	29.6	32.3	31.9	27.7
Business travel per employee, kilometres	664	2,424	2,703	2,782	2,437
Number of video conferences	552,498	218,095	129,616	41,260	21,382

The Bank as an investment	2020	2019	2018	2017	2016
Handelsbanken's green bond, volume, EUR m	1,000	500	500	-	-
Return on equity, %	10.0	11.9	12.8	12.3	13.1
Economic value creation (in accordance with GRI), SEK bn	42.1	41.3	40.1	38.0	37.7
Sustainability analysts' assessments of Handelsbanken					
SAM – new method [3]	74	74	77	77	-
Robecosam – old method	-	-	-	80	82
IMUG	positive (B) [4] positive (B) [5]	positive (B) [4] positive (B) [5]	neutral CCC [4] neutral CC [5]	neutral CCC [4] neutral CC [5]	neutral CC [4] neutral CC [5]
Sustainalytics – new scale	16.4				
Sustainalytics – old scale	-	78	77	74	71
ISS-oekom	C (Prime)	C (Prime)	C (Prime)	C- (not Prime)	C- (not Prime)
MSCI ESG rating	AA	AA	A	A	A

[1] Purchased volume over SEK 5 million.
[2] Percentage of employees assigned to the training programme.
[3] The method was revised for 2018. The 2017 results are those recalculated by RobecoSAM using the new method.
[4] Non-covered bonds.
[5] Covered bonds.

THE BANK AND ITS CUSTOMERS

CUSTOMER SATISFACTION

Handelsbanken strives to build a trusting, long-term relationship with every customer.

All important business decisions should be made as close to the customer as possible. This contributes to better meetings with customers, better decisions and more satisfied customers. In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. If we gain the trust of our customers, Handelsbanken becomes their natural choice.

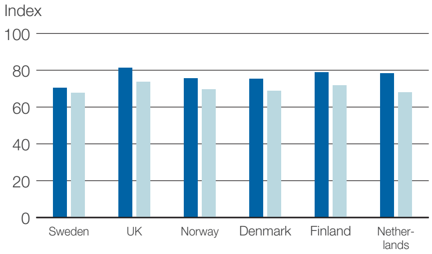
Satisfied customers in all our home markets

Handelsbanken considers customer satisfaction as essential and follows up customer satisfaction through its own surveys as well as public ones. Every year, EPSI Rating, which includes the SKI Swedish Quality Index, carries out independent surveys of customer satisfaction in the Nordic region and the rest of Europe.

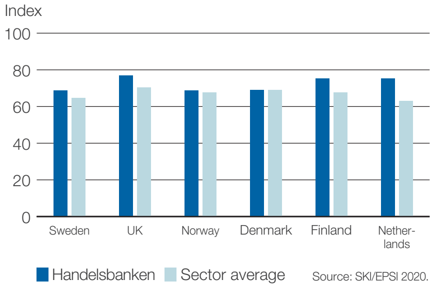
In a digitalised world, the ability to achieve a feeling of closeness is increasingly important, and human relationships play a critical role in customer satisfaction at Handelsbanken. Surveys show that the Bank's digital services continue to be highly rated and that our customers feel they have a personal contact with the Bank.

This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all six of the Bank's home markets.

Customer satisfaction, private customers 2020



Customer satisfaction, corporate customers 2020



Source: SKI/EPSI 2020.

Managing customer complaints

For Handelsbanken, it is important that customers who lodge complaints are satisfied with how their complaints are managed. We attach great importance to handling comments and complaints in a manner that inspires trust. Customer complaints must be dealt with correctly, carefully and as efficiently as possible. First, the complaint is managed by the local branch which is responsible for the customer. If the customer wishes to pursue the matter, all regional banks in each home market have a designated complaints officer. Customers who are dissatisfied with the Bank's decision and wish to appeal are referred to the National Board for Consumer Disputes in Sweden or, if necessary, the corresponding body in other home markets, and Handelsbanken undertakes to participate in their processing of the dispute. There are also complaints officers at the Group level who regularly report to executive management and product owners regarding complaints received and indications of underlying needs for improvement. Information about how the Bank manages complaints is available on the Bank's websites.

Accessibility

In our digital meeting places, good service means that the Bank strives to provide all customers – even those with a disability or language difficulty, for example – with the same opportunities to access information and services. Accessible information is easy to read, hear, see and understand whether provided in print, by telephone, online or in videos or meetings. Accessibility is a cornerstone in all our development work. A concrete example of this is the ongoing work in Finland to adapt our services to the Finnish accessibility requirements in the law on provision of digital services. Our work is based on internationally recognised standards, as well as our own guidelines. Our membership in the International Association of Accessibility Professionals (IAAP) enables us to expand our knowledge and create even better conditions for everyone who visits our digital meeting places. We also see that this membership provides opportunities to share our own experience with work for increased accessibility.

Financial advisory services

For financial advisory services in conjunction with granting credit, investments and in insurance mediation, the Bank always considers the customer's overall situation and financial circumstances. Based on this, we can provide guidance on financing, payments or investments adapted to each customer's requirements. We focus on the customer's needs – not individual products or services.

When providing investment advice, we adapt the proposal to the customer's goals, interests, savings horizon and attitude to risk. We consider it essential for the customer to understand the risk associated with each type of financial instrument and also to have the knowledge and experience needed to invest in the product or service selected. The information the Bank provides to customers must be clear, factual and easy to understand, and the terms and conditions for the Bank's services must be clear and not changed arbitrarily. We also discuss customer sustainability preferences, and inform the customer about Handelsbanken's sustainability work and the products with specific sustainability criteria that we offer.

The regulations for financial advisory services and insurance mediation require that all employees who provide customers with advice concerning investments and insurance have relevant, up-to-date skills. Handelsbanken has broad expertise in investment advisory services and complies with the regulatory requirements from the EU and local supervisory authorities in all six of the Bank's home markets. Handelsbanken has more than 4,300 employees permitted to provide investment advice. All are licensed to provide advisory services concerning financial instruments, and they update their knowledge every year through mandatory professional training.

Development of the product offering

One of the Bank's main contributions to sustainable development is embodied in the financial products the Bank offers. Thus, it is vital to take sustainability into account when approving new and amended products. The process for approving new and amended products and services is based on the Bank's policy for products and services and adheres to a checklist describing the product's characteristics, risks and other relevant information. The process is also intended to ensure the Bank's sustainability topics are taken into account.

PRIVACY AND CONFIDENTIALITY – INFORMATION SECURITY AND IT SECURITY

Work with the Bank's information security and IT security involves protecting customers' information and transactions and also the Bank's IT environment. Information security covers administrative systems, such as rules and instructions, as well as technical security solutions.

It is important that the Bank proactively manages IT security to meet possible threats, and that procedures are in place for managing changes in the IT environment so that no breaches occur. Deficient processing or the unintentional release of information can bring serious consequences, for example, weakened confidence in the Bank or financial losses.

The Group Chief Executive establishes guidelines for information security at Handelsbanken. All employees of the Bank are responsible for compliance with the rules for protection of information, and all managers are responsible for compliance with the rules in their own area of responsibility. Information security work is pursued in accordance with the ISO 27001 international standard. Handelsbanken's organisation for information security, as well as four essential processes within IT production, have been certified according to ISO 27001 since 2019.

The Bank's information security and IT security work, as well as its management of sensitive information, is also governed by international and national legislation.

In 2020, 18 incidents (22) relating to customer privacy or poor management of customer data were reported. None of the reports was received via government authorities. A total of 16 were complaints received from customers which were found to be substantiated by the Head of Security, while two were identified internally. All cases have been managed with the parties affected. This data does not include cases under the General Data Protection Regulation (GDPR), introduced in May 2018.

The Bank's information security regulations are based on the Standard of Good Practice developed by Information Security Forum (ISF), an organisation which counts most of the largest companies in the world as members. Our information and IT security efforts are pursued systematically, and we apply a process where risk analysis plays a central role. The risk analyses employ the ISF's Information Risk Analysis Methodology (IRAM2).

The conditions for IT security are constantly changing. Thus, Handelsbanken needs to continuously evaluate and take a stand on new potential threats in this area. Continuously following up events which occur both within and outside our operations makes it easier to take the right action at the right time. To this end, the Bank participates and collaborates in international forums. For several years, Handelsbanken has been a 'listed team' in the Trusted Introducer community (a European network for IT security) and a full member of the Forum of Incident Response and Security Teams (FIRST). Handelsbanken also participates in the Swedish Bankers' Association's security committee and FIDI Finans, a forum for sharing information between the government, the business community and other relevant organisations in Sweden regarding information security in the financial sector. The forum is led by the Swedish Civil Contingencies Agency (MSB).

The Covid-19 pandemic has changed the conditions due to a considerably increased requirement for the Bank's employees to work remotely. In a security perspective, capacity was expanded in existing, well-tested technical infrastructure to make remote work possible so there was no increased risk exposure by rushing out new technical solutions. Existing security instructions for remote working were supplemented with special instructions, operations activated continuity plans at an early stage where functions requiring physical presence were split into different work teams. The central crisis team was activated in February and continues to be active at the time of writing. IT changes, including security updates, have worked as normal to secure technical environments and to prevent a technical debt in the future. Security monitoring has functioned as normal to detect and act in the case of cyber attacks.

In June 2020, the central crisis committee performed a risk analysis of the pandemic situation based on various scenarios. No risks requiring urgent action were identified, and the risks are continuously monitored. If a risk escalates, it is included in the normal management of operational risk.

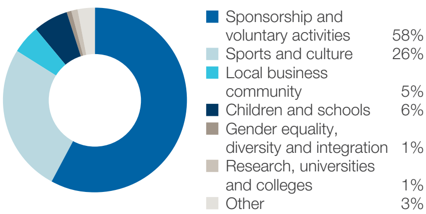
THE BANK'S ROLE IN THE COMMUNITY

Thanks to the Bank's decentralised working methods, we have a strong local presence. We consider it essential to contribute in various ways to the local communities where we operate.

Handelsbanken in the local community

Concrete examples of our sustainability efforts are branches' involvement in various initiatives and activities carried out by local associations and charities. This often involves contributing our financial knowledge in school and university courses – an excellent way to get students to look at their personal finances and translate theory into practice. The branches also help young business owners, offer to act as mentors and support various sports clubs and associations. Many branches get involved in local activities and other initiatives. In 2020, our branches reported a total of 302 branch-driven initiatives and activities, which is considerably fewer than in 2019. This is partly due to the branches' focus on supporting their customers and the community during the Covid-19 pandemic, but also because the reporting process was changed and created uncertainty. We believe that the figure is too low and does not entirely reflect the actual situation. This highlights the need for further clarity in our reporting processes regarding local initiatives.

Local initiatives and activities



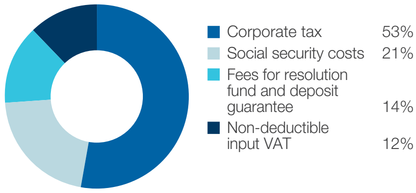
Non-political affiliation

Handelsbanken is not allied to any political parties. The Bank does not provide any financial support to any political party, nor does it make any other type of political donation.

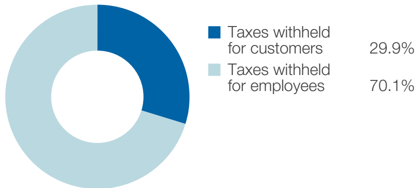
Taxes and distributed economic value

Handelsbanken wishes to provide transparent financial reporting about distribution of the economic value generated by its operations. Handelsbanken pays and reports taxes based on international and local laws and regulations in the countries where it operates. Handelsbanken complies with the OECD Transfer Pricing Guidelines, meaning that the Group's earnings are taxed where value is created. The Bank also prepares a country-by-country report showing the Group's earnings and tax in the countries where its operations are run. The Bank's operations in Luxembourg, Hong Kong and Singapore are not subject to local tax regimes that allow for lower tax rates. The Bank's international branches in Luxembourg, Hong Kong and Singapore conduct real operations with profits from local business operations for which the Bank is taxed locally in accordance with the normal local tax regulations.

Corporate tax and charges 2020, SEK 10,401m



Taxes withheld for customers and employees 2020, SEK 5,546m



MODERN SLAVERY AND HUMAN TRAFFICKING

Handelsbanken does not accept any form of child labour, slave labour or human trafficking. It works to prevent the occurrence of these in the Group's supply chain and in other companies with which Handelsbanken has business relations. The UK Modern Slavery Act 2015 requires that certain organisations annually state the actions that they have taken to ensure that modern slavery and human trafficking do not occur in their supply chains or in their operations. Internal instructions and procedures are in place so that employees know what to do if they are faced with or suspect a case of modern slavery or human trafficking.

More information and a statement on the Modern Slavery Act 2015 may be found at handelsbanken.co.uk.

ECONOMIC RESEARCH AND EDUCATION

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research, mainly through allocations to two independent research foundations: Tore Browaldhs stiftelse and Jan Wallanders och Tom Hedelius stiftelse.

Together, these foundations are one of the most important sources of funding for economic research in Sweden. In 2020, 186 grants (208) were awarded for a total of SEK 215 million (215).

At the end of 2020, the foundations' combined capital was SEK 9,121 million (8,268).

Handelsbanken has also funded a professorial chair in accounting at the Stockholm School of Economics and provided financial support to the Swedish House of Finance (SHoF).

DIRECT ENVIRONMENTAL AND CLIMATE IMPACT

In accordance with the Paris Agreement, emissions linked to our own operations must be reduced over time. Systematic environmental work is continually done at Handelsbanken to steadily reduce the environmental impact of operations. This is monitored using an array of key figures that show how the work is progressing.

Handelsbanken's goal is to actively work to minimise its direct environmental impact by constantly developing its environmental activities. We are working to achieve this by boosting resource efficiency and recycling, for example, and by taking environmental impact into account in our purchasing and business travel. One concrete example of this work is the Bank's company car guidelines, stipulating that company cars that are neither electrically powered nor plug-in hybrids may only be selected in exceptional cases.

Energy and carbon dioxide

The Bank's direct impact derives mainly from energy consumption, business travel and transport as well as use of resources such as paper.

We are working to minimise the carbon dioxide emissions generated by our operations. In 2020, carbon dioxide emissions from Handelsbanken's operations totalled 6,060 tonnes. Since 2013, the Bank has reduced its emissions by 63 per cent.

The Bank's electricity consumption decreased by 6 per cent in 2020 compared with the previous year. The proportion of renewable electricity is 100 per cent for all home markets.

Environmental work during the year

Throughout the Bank, changes are constantly being made which, overall, are reducing environmental and climate impact.

Examples of actions carried out in 2020:

- Covid-19 has had an impact in several ways. For example, business travel has gone down by 72 per cent and paper consumption by 18 per cent. The number of video meetings has increased by 153 per cent.
- Branches and central departments use an environmental checklist, which consists of concrete actions for reducing environmental impact. In the UK, as many as 44 per cent meet all the requirements on the list. Increased recycling and reduced paper consumption are two areas which will have increased focus.
- Increased efficiency in the Bank's computer rooms has reduced the need for premises by 1,000 square metres.
- Emissions from vehicles financed by the Bank have been calculated. For Sweden, carbon dioxide emissions were 30,609 tonnes.
- In 2020, major steps have been taken to reduce paper consumption. For example, more agreements can now be signed digitally, fewer mailings are sent related to changes to mortgage loans and statements of commitments and corporate mandates are now entirely paper-free services. Since 2013, the number of paper communications to customers has gone down by 36 per cent.

Climate compensation

Handelsbanken works constantly to minimise the emissions generated by our operations. Since some measures take time to implement and the effects are not always easy to verify, the Bank also compensates for the reported carbon dioxide emissions generated by its operations.

The Bank purchases carbon offsets through projects with verified climate benefits which have been registered with the UN Clean Development Mechanism (CDM). The projects are certified based on the Gold Standard, a certification endorsed by more than 80 non-governmental organisations (NGOs) that ensures the projects contribute to long-term sustainable development. The Bank strives to select projects with high additionality, which means that the projects would not have been implemented without financing by means of climate compensation.

Through our customers' leasing, Handelsbanken indirectly owns many different vehicles. The emissions from these have not yet been included in our total reported emissions. Handelsbanken Finland is nonetheless leading by example, and has chosen to compensate for the emissions generated by the Finnish leasing fleet. The emissions have been calculated using Finnish emissions statistics and compensation is made in the same projects as for the rest of the Bank.

SERVICES FOR THE PUBLIC GOOD

Digital developments are increasing rapidly as part of a continuous process. We believe digitalisation can take us much closer to our customers. It means that everything we do is for the benefit of our customers. Customer behaviour has changed and we must meet their needs. We are moving into a new phase, where relationships do not solely depend on physical meetings, but can also be created, strengthened and nurtured in our digital channels. A higher degree of digitalisation has resulted in us spending more time on what we do best – building value-creating relationships with our customers.

Digital solutions

Our goal is to build just as good relationships digitally as at our branches. In our development of customer meetings, regardless of where the customer meets us, we want to ensure that the customer receives the right offer at the right time, and in the right place. Personal contact along with offerings, service and care as it suits our customers – both locally and digitally. Every year, we invest many billions of Swedish kronor in developing our business, and now we are raising our ambitions to improve the digital customer experience.

Examples during the year which have made our offering more complete:

- Increased opportunities for personal contact and advisory services to simplify daily life for our customers and employees.
- Improved personal advisory services in digital channels with secure communication via the mobile app.
- Safe, digital self-service for security solutions so that customers do not need to visit a branch for basic banking.
- Enhanced opportunities for personal service 24/7, with simpler identification.
- New tools for our employees, facilitating remote co-operation and meetings.

When developing our offering, an increased focus on life events helps our customers when making important strategic choices – at the right time. It also helps us to provide tailored offerings, wherever and whenever our customers need them.

Concepts that support customers' needs in various life situations are constantly under development – continuously and methodically, in accordance with Handelsbanken's design process – together with our customers and employees. Insights and feedback directly from end users help us to optimise our offering, but also provide inspiration for new solutions and offerings.

During the pandemic, digital identification in a safe, secure manner has been a top priority, not only as a key to the Bank but also to the wider community. At the same time, the ability to collaborate regarding fundamental infrastructure is important for digitalisation in society. The ongoing work on the P27 Nordic payments infrastructure collaboration is a further example of how Nordic banks are continuing this journey. Being close to the customer, even in times of distancing, has been and continues to be our top focus in addressing the Covid-19 crisis.

Covid-19 has resulted in fewer in-person meetings out of consideration for our customers' and employees' health. But we have not compromised on our focus on availability and being close to the customer in new ways and with new digital services. We are seeing a major increase in contact by phone and digital channels such as Skype and email. At the same time, in-person meetings are still important for many customers. Overall, the total number of personal contacts at Group level is at least the same as before, although the contact takes place in different ways. We have been available for advisory services and support, both at branches and in the channels selected by our customers. We have had customer events via Skype-developed automated services to facilitate for both customers and branches, and contacted customers proactively to check whether their requirements have changed due to the crisis.

In both Sweden and Finland, customers can book advisory meetings online and all our home markets offer digital meetings via Skype, Teams, Webex, Google Meet or other channels, including at local branches. A new application process was rapidly launched to make it easier for private customers in the UK to access online banking.

In several of our markets, customers experiencing financial strain due to the Covid-19 crisis were able to apply for a temporary exemption from repayments for new and existing mortgage loans. To facilitate the process for both customers and branches in Sweden, an application page in the logged-on environment was developed so quickly that it could be launched on the same day as the new regulations formally came into force.

In 2020, Handelsbanken enabled corporate customers in Sweden to sign agreements digitally. Several services such as Swish Corporate can be signed digitally via business services in online banking. Apple Pay has been launched in Sweden, Norway and Denmark.

To broaden our offering and include pensions, a new tool was developed in Sweden in 2020 – the Pension Guide in the mobile app. Here the customer can easily and efficiently calculate how much they need to save to achieve the desired level for their future pension, while the need for private pension savings is also highlighted.

Finding a balance between the automation and simplification of things in life that just need to work, while helping our customers, with empathy and care, to achieve what matters most to them. This is our aim.

Cash services

Handelsbanken is a part owner of Bankomat AB, a leading operator within cash handling in Sweden. Bankomat AB invests in ATMs – both freestanding and at cash centres – throughout Sweden. In addition to Bankomat's ATMs in 569 locations, our customers can also withdraw cash from other ATMs that accept MasterCard and Visa.

In addition to withdrawals, private customers can make deposits at Bankomat ATMs in 206 locations. In 2021, a new law will come into force in Sweden relating to provision of cash services. We are working with the Bankomat company and other banks affected by the legal obligation to provide service points which must then be maintained in accordance with the legislation. The service points must be distributed over Sweden and allow private individuals to withdraw cash and businesses to deposit daily takings.

Cash services are offered at 51 of our 376 branches in Sweden. Our customers can also order banknotes online, by phone or at branches. The banknotes may be picked up at Postnord service points throughout Sweden. Most of Handelsbanken's card customers can also withdraw cash at almost 1,261 ICA shops around Sweden, with no purchase required.

To increase availability and offer cash handling around the clock to our customers in Denmark and Finland, we collaborate with external parties so that customers can access more ATMs for cash withdrawals and deposits.

RESPONSIBLE FINANCING

For us, sustainability means acting responsibly and with a long-term perspective in areas where the Bank can make a difference. One of our greatest opportunities to make a difference is through responsible financing and lending. The Bank also has clear guidelines for business relations, including human rights, working conditions and environmental and climate considerations.

SUSTAINABLE FINANCING

Green and other thematic bonds

The market for green and thematic bonds was severely affected by Covid-19 in the first half of 2020. Green bonds became less common, while activity increased for social bonds with the purpose of funding measures and costs related to Covid-19. After the summer period, a strong recovery started in both green and other thematic bond financing. For the whole of 2020, the green loan volume issued by Nordic bond issuers was just over SEK 223.6 billion, corresponding to a decrease of 7.6 per cent. This was a very strong outcome considering how low activity was during the first half of the year.

Handelsbanken takes an active role in advisory services for green bonds, and has been involved in developing many of the green financing frameworks for Nordic issuers. Recent developments include adaptation to the EU's proposal for common definitions of green activities, known as a taxonomy. The Bank puts great emphasis on analysing and guiding our customers regarding these proposals. We also work to create a discussion on these topics in our marketing and communication with customers.

Green lending products

At Handelsbanken, we offer two types of green lending products. Green loans refer to loans to legal persons for financing buildings that meet certain environmental criteria as well as loans to renewable energy and sustainable forestry, while green mortgages refer to loans to homes such as villas, townhouses and apartments that meet certain environmental criteria.

Green loans

Since 2017, Handelsbanken has offered green loans for projects and investments that promote a more sustainable society. Examples include financing renewable energy, waste management, sustainable forest management, green transport and energy-efficient, environmentally smart buildings. These areas are crucial parts of a transition in line with the Paris Agreement, where a renewable energy system and reduced climate impact from the construction and property sector will be vital. To ensure that the environment and climate are taken into consideration when a green loan is used for financing, we have developed technical criteria that must be satisfied by all green loan products. We offer green bank loans in Handelsbanken and Stadshypotek and green committed loan offers, these being a natural part of green financing in the capital markets and for project finance. Interest in green, sustainable financing continues to increase and green loans amounted to SEK 16 billion (7.4) in 2020.

Green mortgages

At the end of 2019, green mortgage loans were launched for private customers in Sweden whose buildings fulfil the requirement for energy class A or B, or which have the Nordic Swan Ecolabel, or the Sweden Green Building Council's environmental certification at gold or silver level. At year-end, 2,388 green mortgage loans had been granted, for a total amount of SEK 5.37 billion (0.6).

Sustainability-linked loans

For customers who do not require green financing for a specific project or investment but who have clear, ambitious sustainability efforts, Handelsbanken can offer sustainability-linked loans providing the customer with an incentive to improve within predetermined sustainability targets. These targets may either be an ESG rating, externally quantifiable targets such as Science-Based Targets, or company-specific targets such as carbon dioxide reduction, energy efficiency, recycling rate or sustainable purchases. Demand for sustainability-linked loans was high during the year and many large companies choose this structure for their credit facilities, particularly for multibank credits, but also for bilateral credits.

Common features of green loans and sustainability-linked loans are that they focus on customers' sustainability work going forward. Green and sustainability-linked loans also give customers the opportunity to communicate regarding their sustainability work and may lower the company's financial costs.

In view of the positive development we saw during the year and the large demand from our customers, we plan to launch more loan products with sustainable feature for both private and corporate customers.

Sustainable construction loans

As part of the sound construction loans project, together with six other Swedish banks, Handelsbanken has signed an agreement regarding lending guidelines for new production and renovation. The purpose is to counteract and reduce the risk of loans contributing to financial crime in the construction sector. Using the guidelines, the Bank will perform an in-depth analysis of the sustainability risks when financing construction projects in Sweden. The aim is to increase control of the labour used in all parts of the supplier chain. Through its participation in the project, the Bank wants to make a difference in its own operations and contribute to a more sustainable construction sector.

RESPONSIBLE LENDING

Lending to households and companies makes up a substantial part of Handelsbanken's operations. The Bank considers it paramount that lending is based on an assessment of the individual customer's repayment capacity, so the Bank does not grant credit to customers who cannot repay their loans. Weak repayment capacity can never be justified by arguments that the customer is prepared to pay a high interest rate or can offer the Bank satisfactory collateral. Our approach protects the individual customer from running into financial difficulties due to excessive debt. This benefits the Bank, the customer and society at large.

The business evaluation is an effective method for branches to identify and assess risks. It also provides a foundation and documentation for other areas in the Bank when evaluating credit risk, and in monitoring that branches factor sustainability criteria into credit risk assessments.

Sustainability is a vital aspect of the Bank's credit policy. The policy states that the Bank's lending must be responsible and meet high ethical standards. Handelsbanken respects human rights, fundamental principles of working conditions and environmental and climate considerations, and supports anti-corruption measures regardless of where in the world the Bank operates.

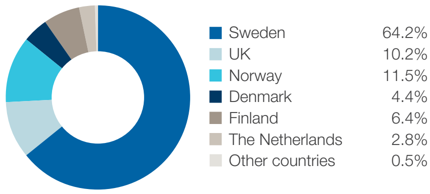
The Bank supports international initiatives and guidelines with a shared aim to encourage and facilitate corporate sustainability. In our lending, we must therefore assess and evaluate each customer's stance on these principles and guidelines. As a result, the Bank can decline credit to companies that do not apply these guidelines.

EXPOSURE TO CLIMATE-RELATED RISKS

In late 2017, Handelsbanken screened the Bank's lending to energy production, showing that this represents only about 1 per cent of total loans to the public. Of this lending, about 12 per cent was for fossil fuel-based production, about 7 per cent for nuclear power, and some 81 per cent for energy produced from renewable sources. A similar screening was undertaken at the end of the third quarter of 2019. These results showed an even lower proportion of lending for energy production for this period.

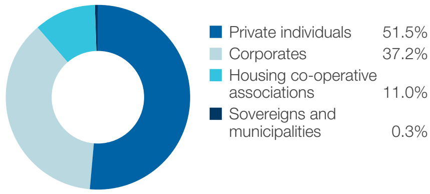
Loans to the public, 31 December 2020	SEK bn	Proportion of total lending, %
Private individuals	1,169	51.5
of which mortgage loans	*976*	*43.0*
Housing co-operative associations	250	11.0
Property management	635	28.0
Manufacturing	26	1.2
Retail	20	0.9
Hotel and restaurant	10	0.4
Sea transport	5	0.2
Other transport and communication	10	0.4
Construction	18	0.8
Electricity, gas and water	14	0.6
Agriculture, hunting and forestry	22	1.0
Other services	16	0.7
Holding, investment and insurance companies	49	2.2
Other corporate lending	19	0.8
Sovereigns and municipalities	7	0.3
Total loans to the public	**2,270**	**100.0**

Loans to the public 2020 – Geographic breakdown



Total: SEK 2,270 billion

Loans to the public 2020 – Sector breakdown

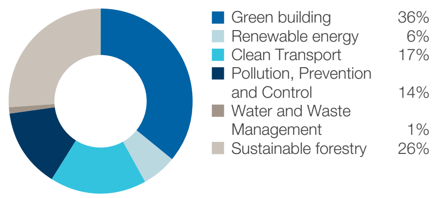


Total: SEK 2,270 billion

Green registry

Handelsbanken has built up a green registry, consisting of credits that finance green projects and that comply with the requirements and criteria stipulated in Handelsbanken's green bond framework. At the time of issue in summer 2018, the assets in the green registry totalled SEK 10 billion. At the end of 2020, the volume had increased to SEK 14.1 billion.

Breakdown of credits in green registry



RESPONSIBLE INVESTMENT

Handelsbanken has a major responsibility in its duty to manage customers' savings. We aim to generate a healthy return on savings capital while striving to contribute to a sustainable future. This is why Handelsbanken works in its asset and pension management to promote financially, environmentally and socially sustainable development in the companies the Bank invests in on behalf of customers.

HANDELSBANKEN FONDER

Our fund management is grounded in environmental, social and corporate governance considerations in our investment processes, research and investment decisions. This is done in accordance with our undertaking to apply the UN Principles for Responsible Investment (PRI). We pay particular consideration to international norms and conventions in line with the four main areas of the UN Global Compact initiative we have undertaken to follow: human rights, labour laws, the environment and anti-corruption.

Vision and goal

Our vision is to create financial returns at the same time as we promote a sustainable future. We believe we can have both a healthy planet and financial prosperity. To achieve this we must strive towards a carbon-neutral economy, but we must also understand how the changing climate will affect our investments.

Our goal is to create returns for our customers. We are also convinced that sustainability is essential for creating returns. By investing in a sustainable manner and influencing companies to act more sustainably, we can deliver in line with our vision.

Policy for shareholder engagement and responsible investment

Handelsbanken Fonder's sustainability work is guided by our Policy for shareholder engagement and responsible investment. The policy describes the starting point for integration of sustainability, our undertakings in terms of Global Compact, PRI and international norms and conventions. It also describes the methods for sustainability applied in the asset management and principles of our corporate governance.

Climate strategies

Climate change has been a strategic area of focus at Handelsbanken Fonder for many years. We have excluded investments in coal-based companies since 2015, and have had a restrictive approach to the entire fossil-fuel industry for many years. In 2018, in our Policy for shareholder engagement and responsible investment, we undertook to expand our exclusion strategy regarding fossil fuels to cover the majority of our funds.

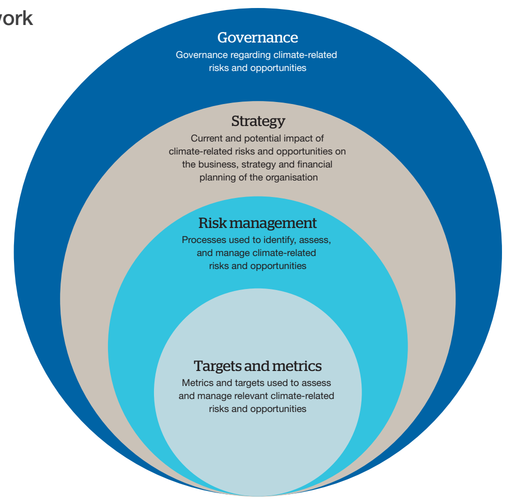
We have divided our strategy into three areas:

- Reduce greenhouse gas emissions in our portfolios
- Invest in solutions
- Actively influence the companies we invest in.

Climate-related financial disclosures

Handelsbanken Asset Management publishes a climate report every year in accordance with the Task Force on Climate-related Financial

The TCFD framework



Disclosures (TCFD), which shows how transition scenarios could affect the Bank's investments in its fund management.

The UN Principles for Responsible Investment (PRI), which the Bank signed back in 2009, contain far-reaching requirements for sustainability reporting. As of 2020, PRI also contains requirements for climate reporting in line with the TCFD recommendations.

The climate report describes how the organisation takes into consideration climate change in the areas of governance, strategy, risk management, targets and metrics. The complete climate report is available at handelsbankenfonder.se.

In 2020, we developed our climate strategy in the following ways:

- Offered a climate course to almost 100 employees in various functions to build knowledge at asset management.
- Fully integrated follow-up of climate risks in the Sustainability Risk Forum which as of this year also includes passively managed funds and allocation funds.
- Discussions with companies with major negative climate impact have continued.
- Within the investor network, Institutional Investors Group on Climate Change (IIGCC), we are participating in developing a new framework called PAII Net Zero Investment Framework for how investors can contribute to positive change in society, in line with the Paris Agreement. This framework will help to harmonise how investors act and communicate in relation to the Paris Agreement.

Sustainability organisation

The chief executive of Handelsbanken Fonder is responsible for sustainability-related policies and strategies. The business area heads of active, passive and allocation management are responsible for integrating sustainability into their respective business areas, in line with policies and strategies.

The overall sustainability work is led by the Head of Sustainability at Handelsbanken Asset Management (as of 1 January 2021 Savings & Pension), who co-ordinates the work and supports development of policies and strategies related to sustainability.

The fund management company has the following committees which prepare various matters for decision by the chief executive:

- Credit committee
- Corporate governance committee
- Sustainability committee

The Risk Forum and Sustainability Risk Forum are convened by the risk control function with the purpose of analysing and evaluating the risks and performance of the funds. As of this year, as well as active management, the Sustainability Risk Forum includes passive management and allocation management. Read more at handelsbankenfonder.se (in Swedish only)

INVESTMENT PROCESSES

Integrating sustainability

Criteria related to the environment, social issues and corporate governance (ESG) are integrated with financial criteria to produce better background documentation for decisions in the investment process. The following three methods are common starting points for this work.

Exclusion

We have a long-term investment horizon and exclude investments in companies with business models that are not sustainable in the long term and risk counteracting the aims of the 2030 Agenda and its SDGs. We therefore exclude:

- Certain products and services with a major risk of negative impact on their environment, society and various stakeholders.
- Investments that are incompatible with our role as a responsible investor, in other words, our long-term perspective and our aim to invest in sustainable development and the future.
- Certain products and services that involve increased sustainability risks in the companies' value chains. We exclude companies where we assess that the risks cannot be managed by means of engagement dialogues.

Out of Handelsbanken Fonder's total range of 104 funds, we offer 84 that exclude controversial operations and fossil fuels. At year-end, total assets managed in these funds were SEK 678 billion, corresponding to 95.6 per cent of the fund volume.

How we exclude*

Exclusion of controversial operations

Our funds exclude companies that derive more than five per cent of sales from controversial sectors such as alcohol, tobacco, cannabis, commercial gambling, weapons and military equipment, and pornography. Exceptions have applied for some of our funds intended for the Norwegian market and certain ETFs. Work is ongoing to include the Norwegian funds in the above-mentioned requirements.

The funds exclude companies which violate international norms and conventions in areas such as human rights, labour law, the environment and anti-corruption.

Exclusion of fossil fuels

Our funds exclude companies that derive more than five per cent of sales from fossil fuels (oil, gas and coal). Exceptions apply for some funds intended for the Norwegian market and certain ETFs. These funds have a limit for investment in coal, however. This is five per cent for extraction of coal combustion products and 30 per cent for coal power. Work is in progress to see how these funds can be adapted in the future so they fulfil the same requirements as for our other funds. An exemption from the principle of excluding fossil fuels is possible for a temporary period if the company fulfils our criteria for qualification as a company in transition. This applies to all our actively managed funds including actively managed allocation funds.

Limits for exclusion

For our actively managed funds, the requirements in the table below apply when we exclude companies and sectors. Our actively managed allocation funds have corresponding requirements for the funds they invest in, both our own funds and those from external fund managers.

For our passively managed funds, the index funds track indexes that are adapted to our requirements.

Sectors	Max. turnover production	Max. turnover distribution
Prohibited weapons[1]	0%	0%
Nuclear weapons	0%	0%
Weapons and military equipment	5%	5%
Alcohol	5%	5%
Tobacco	0%	5%
Cannabis	5%	5%
Pornography	0%	5%
Commercial gambling	5%	5%
Fossil fuels – extraction	5%	5%
Fossil fuels – power generation	5%[2]	5%[2]
Oil sands	0%	-

[1] Cluster bombs, anti-personnel mines, chemical and biological weapons.
[2] For our actively managed funds, including our actively managed allocation funds, the principle of excluding fossil fuels can be waived for a temporary period if the company fulfils our criteria for qualification as a company in transition.

Justification for exclusion requirements

In many industries, it is difficult to ensure zero tolerance in all parts of the chain, and a limit of five per cent thus applies. Exclusion therefore means that a maximum of five per cent of turnover in the company where the investment is made is permitted to comprise the activities in question. The limit of five per cent also corresponds to the limit set by the Ethical Committee for Fund Marketing for a fund to be marketed as "free of" specific operations. It may also be difficult to establish the exact turnover related to a specific sector, which means that the external ESG analysis we rely on is permitted to estimate the turnover level. This may lead to the level being either under-estimated or over-estimated compared to the actual situation. The method of using exclusion criteria means that the percentage limits for turnover level are strictly applied and consideration cannot be taken of positive sustainability work or actual risks in the company.

Fossil fuels (oil, gas and coal)

We exclude investments in these sectors since they account for a high proportion of global carbon dioxide emissions. To counteract the effects of climate change, fossil fuels must be phased out and replaced by environmentally friendly sources of energy. By excluding companies with

* According to the Swedish Investment Fund Association's definition of exclusion, no more than five per cent of turnover in the company where the investment is made may derive from operations related to such products or services.

fossil-fuel operations, we limit the negative climate impact of our investments and thus do not negatively impact Goal 13, Climate action.

Tobacco
We exclude investments in tobacco since there are increased sustainability risks in the whole value chain and this sector causes major health problems. By excluding investments in this sector, we avoid negative impact on Goal 3, Good health and well-being and Goal 8, Decent work and economic growth.

Alcohol
We exclude investments in alcohol since alcohol consumption risks having negative health effects at the individual level and increased use of resources for society as a result of misuse. By excluding companies in this sector, we limit the negative impact of our investments on Goal 3, Good health and well-being.

Cannabis
We exclude investments in cannabis since use of cannabis risks having negative health effects at the individual level and increased use of resources for society as a result of misuse. By excluding companies in this sector, we limit the negative impact of our investments on Goal 3, Good health and well-being.

Commercial gambling
We exclude investments in commercial gambling since the risk of gambling addiction implies negative health effects at the individual level and increased use of resources for society as a result of misuse. By excluding companies in this sector, we limit the negative impact of our investments on Goal 3, Good health and well-being.

Weapons and military equipment
We exclude investments in weapons and military equipment since these industries have links to conflicts and wars around the world, causing major suffering which often affects the poorest people. By not investing in these sectors, we avoid negative impact on Goal 16, Peace, justice and strong institutions.

Pornography
We exclude investments in this sector since it involves increased risk of abuse and humiliation, particularly of women. Companies that produce pornography are totally excluded. We also exclude companies where more than five per cent of turnover derives from distribution of pornography via channels such as the media, hotels and telecommunications. By not investing in this sector, we avoid negative impact on Goal 5, Gender equality, Goal 3, Good health and well-being, and Goal 8, Decent work and economic growth.

Follow-up and control
The fund management company's risk control function monitors on a daily basis that the funds follow the provisions regarding exclusion of companies. This control applies to sectors that we exclude and where we consider there is a risk that they counteract sustainable development. We also check that the companies we invest in do not violate international norms and conventions.

Inclusion

Active equity and fixed income management – selecting companies
We actively seek companies with sustainable operations or whose products and services promote sustainable development. In our active management, company research is vital. Each company is carefully analysed based on relevant questions regarding its strategy, financial and non-financial results and risks, capital structure, social and environmental impact and corporate governance. The analysis is based on information from the companies, external sources and our own research.

The company analysis helps to identify risks in companies' business models and to find the companies that run their operations in line with – or promote – sustainable development in accordance with the 2030 Agenda for Sustainable Development and the goals in the Paris Agreement.

Companies that offer solutions
When capital is allocated to solutions to the climate crisis, companies that promote a more sustainable future are favoured. Many of our funds therefore choose to invest in companies whose products and services provide solutions to the global climate and sustainability challenges. Examples are companies with operations in green transport, water and waste treatment, renewable energy and other technology.

Companies in transition
We want to be involved in speeding up the transition to a more climate-neutral society. One way to do this is to invest in companies that are in the process of transitioning their operations to become more sustainable, known as companies in transition. An example is a company making the transition from fossil fuel energy production to renewable. An exemption from the principle of excluding fossil fuels is therefore possible for a temporary period if the company fulfils our criteria for qualification as a company in transition. This applies to all our actively managed funds including actively managed allocation funds. The requirements apply to companies in power generation, transmission and distribution of electricity.

Our requirements of companies in transition
- The company's plans for developing its operations are clearly defined, with the objective of reducing its carbon dioxide emissions in line with the Paris Agreement.
- The company's current operations must not consist primarily of fossil fuel energy.
- The company's current pace of investment supports the transition to reducing carbon emissions in line with the Paris Agreement.

At the end of the year, the sustainability committee had approved 14 companies in transition, in line with the above-mentioned requirements.

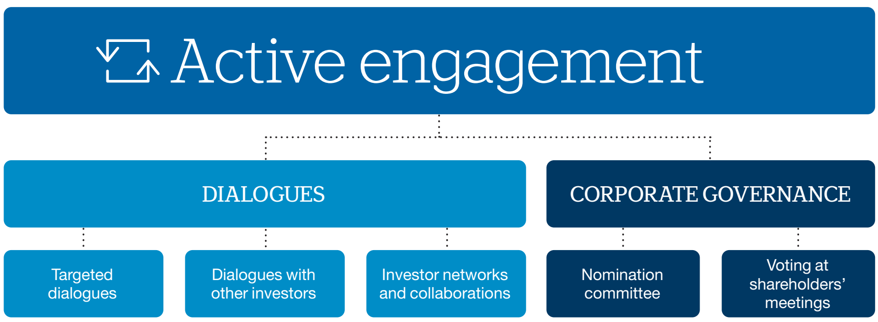
Passive management – selecting indexes
Index management is a rules-based type of fund management where the sustainability approach of each fund is integrated into the funds' index methodology and strategy. It is therefore absolutely vital that we select indexes and strategies that reflect our sustainability requirements.

We offer index funds that include companies based on their sustainability work. This selection is based on an evaluation of the companies' sustainability performance. Companies that successfully manage sustainability-related risks and opportunities are favoured. Indexes are produced in collaboration between an index supplier and a supplier of sustainability analyses.

We also work actively to encourage an increase in the number of indexes with sustainability criteria. One example is Solactive ISS ESG Screened Index Series, a series of global and Swedish indexes, which Handelsbanken Fonder was involved in developing and was the first to invest in.

Mutual fund portfolios – inclusion of funds
Allocation management offers actively managed fund-of-funds. This means that investments are made in other funds rather than in individual companies. The investment selection is based on comprehensive analysis of our own funds and those from external fund managers, where sustainability is an integral component. Fund investments are selected and followed up in a process that takes into account sustainability

Active engagement



criteria at the mutual fund and fund management company levels.

The evaluation of a fund management company includes its organisational structure, sustainability, management team and investment process. Demands are made on systematic sustainability work. The fund management company's sustainability ambitions for the future are assessed. No distinction is made between our own funds and those managed by external fund managers. The funds included in actively managed fund-of-funds can also include companies in transition.

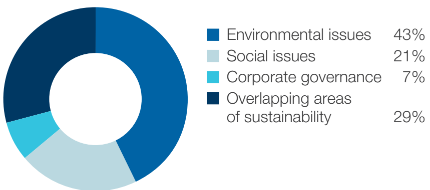
Active engagement

As a major investor we have a responsibility and an opportunity to influence companies to act responsibly, and also to act so that the asset management sector develops its sustainability work. We do this by means of dialogue and corporate governance and by participating in investor networks.

Dialogues

Dialogue is an important method for influencing companies. This includes both proactive dialogue aimed at influencing companies to improve their sustainability activities as well as reactive dialogues with companies which we have identified as not compliant with the international norms and conventions that we respect. We pursue the engagement process ourselves in direct contact with companies, as well as in dialogues together with other investors, often in international collaborations for corporate dialogues such as Climate Action 100+ and PRI.

Breakdown of dialogues



Targeted dialogues

Targeted dialogues are dialogues held directly by the fund managers with the companies. They cover a variety of sustainability topics, such as demands for a greater degree of transparency and reporting sustainability work. More specific issues relating to environmental impact and human rights, as well as labour laws, may also be covered. As active managers, we maintain regular contact with the companies we invest in, meet company management and visit the operations. In 2020, we held our own targeted dialogues with 39 companies.

Dialogues together with other investors

Working with other investors, we engage companies through joint dialogues. Co-operation means strength and sends a clear signal to the companies that we expect these issues to be taken seriously. The impetus for these dialogues is often suspected or confirmed violations of international norms and conventions. They focus on the UN Global Compact's core areas: human rights, labour law, the environment and anti-corruption. We also support dialogues within the framework of international collaboration and sector initiatives such as PRI, Climate Action 100+ and FAIRR. These dialogues often focus on specific topics, such as palm oil or the climate. In 2020, we participated in 527 such dialogues.

Investor networks

We actively participate in investor networks to help promote the asset management sector's development of its sustainability work. Participation in networks is also important for our learning and development in this field. Below are examples of the networks we participate in.

SISD

Swedish Investors for Sustainable Development is a platform for learning and exchange of best practices and experience within the 2030 Agenda. The platform targets long-term investors and players in the financial sector in Sweden. The aim is to explore, from various angles and perspectives, the role of long-term investors and provide ideas and inspiration for the way forward. In 2020, Handelsbanken was involved in the SDG5 – Gender equality working group, in which we continued to address how investors can increase gender equality in the companies they invest in.

Sustainable Value Creation

Since 2009, Handelsbanken Asset Management has collaborated with the largest Swedish investors on the Sustainable Value Creation project. Its aim is to highlight the importance of Swedish listed companies working with sustainability topics in a structured manner. To encourage, support and follow up on the companies' sustainability efforts, the project organises seminars and round-table discussions. In 2020, we participated in the network's work on urging listed companies to make climate reports in line with the TCFD recommendations.

Corporate governance

Active and responsible governance in the companies we hold in our mutual funds is an important part of our duty as an asset manager. Our role as shareholder means that we can influence the operations of a company. In addition to dialogues, this mainly takes the form of voting at shareholders' meetings, as well as representation on nomination committees. The goal is that the companies achieve optimum value performance in the long term, benefitting our fund savers. Our work is guided by our Policy for shareholder engagement and responsible investment and our guidelines relating to nomination committee work. We act in accordance with the relevant sector regulations from the Swedish Investment Fund Association, the Swedish Code for Mutual Fund Companies, and the guidelines for investment fund managers as shareholders. We exercise active corporate governance for both actively managed funds and passively managed index funds.

Examples of important questions in our work as shareholders:

- transparency and good disclosure practices
- expertise and composition of board members
- fees and remuneration to board members
- corporate remuneration systems and incentive programmes
- sustainability work and vision.

Nomination committee work

The most direct impact we have as owners is by serving on nomination committees. For companies in which our mutual funds are a major shareholder, we are often asked to sit on the nomination committee. We accept such requests when the nomination committee work allows us to influence the composition of the board. Our guidelines for nomination committee work are sent to all companies that offer us a seat on their committee. The guidelines describe our focus, namely:

- expertise and composition of board
- the importance of sustainability expertise
- diversity and gender equality on boards.

Ahead of annual general meetings in 2020, Handelsbanken Fonder participated in the work of 41 nomination committees. The proportion of women on the boards proposed by these committees increased from an average of 35 per cent 2019 to 36.6 per cent in 2020. We continue to have major focus on achieving more gender-balanced boards in our work with nomination committees in 2021. With larger holdings in Swedish companies after Handelsbanken Fonder took over Xact Kapitalförvaltning's funds, we are qualified to serve on nearly 50 nomination committees in 2021. Handelsbanken Fonder appointed women to 71 per cent of the nomination committees we served on in 2020. We believe that this gives us a sound footing to increase the momentum towards achieving gender-equal boards, but we remain humble, considering the size of the task.

Corporate governance	2020	2019	2018	2017
Nomination committees	41	34	36	33
Number of nomination committee places to which we have appointed women	71%	65%	63%	50%
Shareholders' meetings*	647	813	382	130
Of which Swedish companies	238	224	158	80
Of which non-Swedish companies	409	589	224	50

* On 1 April 2020, the funds previously managed by Xact Kapitalförvaltning were transferred to Handelsbanken Fonder AB.

The totals for 2017 and 2018 include Luxembourg. The fund management operations in Luxembourg were discontinued in December 2018. For a summary of our voting activity, see the report at handelsbankenfonder.se (in Swedish only).

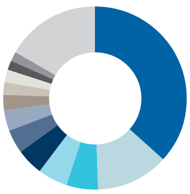
Shareholders' meetings

Our funds invest globally in a large number of companies spread over many markets. Shareholders' meetings are one of our most useful means of influencing the majority of companies in which our funds invest. In 2020, we voted at 647 ordinary and extraordinary shareholders' meetings in 47 countries in several geographical markets. Votes were cast either in person at the meetings or through proxies via electronic voting. We also voted in favour of several shareholder proposals on sustainability, related, for example, to the environment and climate, and social reporting.

Our corporate governance work focuses on holdings in companies where we are major shareholders or which show deficiencies in their governance or sustainability work.

- In general, we support shareholder motions that aim to promote corporate sustainability and strive for greater transparency in recording and reporting the company's climate impact, work on human rights and labour law.
- The fund management company normally votes at shareholders' meetings for companies where its holdings exceed 0.5 per cent, companies that are a material holding in any of our funds or if particularly important items are raised.
- We use proxy voting, which enables us to reach more companies and markets and thus influence companies' development to a greater extent.

Voting at shareholders' meetings



Other questions relating to corporate governance

Incentive programmes

It is increasingly common that companies wish to set up equity-related incentive programmes for senior management. In general, we are positive to management having the same incentives as other shareholders. But it is important that the programmes are transparent, both in terms of goal fulfilment and remuneration levels. We see that there is a major need to make demands together with other institutional owners regarding the transparency in designing these programmes.

Together with Institutionella Ägares Förening – IÄF (Institutional Owners Association for Regulatory Issues in the Stock Market), Handelsbanken Fonder has prepared a document with guidelines for how these programmes should be presented. The demands include clear-cut goals, a transparent structure and outcomes, and other existing programmes and remuneration. We receive many enquiries from companies about these programmes before they are presented at the shareholders' meeting, and have detailed discussions about them. The fund management company has a dedicated person who analyses the proposed incentive programme and, if necessary, has a dialogue with the company. Before the 2020 meetings, we had 19 dialogues on this subject. In addition, we analysed around 50 other programmes before voting.

Disputes and settlements

Companies that the fund management company has invested in sometimes breach the regulations in some way. Examples of this are violation of the marketplace rules, breach of competition regulations, or corruption. Such violations may result in legal proceedings being brought against the company, often as a class action. These processes are most often resolved through a settlement, with the company being compelled to compensate shareholders for losses incurred. Settlements may also include demands for changes to the company's governance structure in the form of changes to the board of directors, or requirements for new or amended internal rules or controls.

In order for Handelsbanken Fonder to safeguard the rights of the funds in conjunction with class actions and similar processes, we engage two external law firms to monitor the companies' actions and future processes. In 2020, our funds received USD 879,456 in class actions in the US. This amount came from 13 different settlements and accrued to 9 of our funds.

Reporting of class actions

Year	Total compensation in USD	Number of settlements
2017	48,559	2
2018	18,717	4
2019	3,760,000	8
2020	879,456	13

In 2020, Handelsbanken Fonder and three US pension funds were appointed lead plaintiff in a class action against the US bank, Wells Fargo. In the process, it is claimed that Wells Fargo has over a long period of time assured the market that they have rectified the deficiencies in their internal governance and control where they received sanctions from the US supervisory authorities and the authorities have demanded extensive measures to be taken. But Wells Fargo has nowhere near fulfilled the demands made by the supervisory authorities. When this situation became publicly known, the share price was significantly impacted in a negative direction. Two of the fund management company's index funds have suffered damage. A decision in the process is expected in 2021 at the earliest.

Work with small, newly listed companies

Through our small cap funds, we often become large owners in relatively small companies, particularly in Sweden. We participate in new listings and invest in companies recently launched on the stock exchange. These companies often have a lower level of expertise within corporate governance and we can make a difference here. By means of a dialogue with these companies, we can, for example, help them set up a nomination committee to find candidates for the board.

Human rights

Respect for human rights is essential to long-term value creation at Handelsbanken. Handelsbanken supports international initiatives regarding human rights and working conditions, where the following principles and conventions can be mentioned: the UN Guiding Principles on Business and Human Rights, and the UN Universal Declaration of Human Rights. The periodic screening of all mutual fund holdings includes human rights. Handling of incidents concerning human rights affects the companies included as well as those excluded. They also give rise to engagement through dialogue or influence voting at shareholders' meetings.

SELECTION OF EVENTS IN 2020

Handelsbanken SDG Solutions

The fund management company has developed an analysis model called Handelsbanken SDG (Sustainable Development Goals) Solutions. Based on the 2030 Agenda for Sustainable Development, the model uses artificial intelligence (AI) to analyse each company's products, services and the markets where the company operates. The model is based on text analysis of annual reports. The material is structured digitally to enable electronic reading and analysis. The results show how much of the revenue comes from solutions related to the relevant target. These are then added together and provide a result for the whole fund.

Nordic Swan Ecolabelled mutual funds

In September, four more of our funds received the Nordic Swan Ecolabel. This is an external confirmation of the sustainability aims and efforts that permeate all of our fund management.

The Nordic Swan Ecolabel is the official ecolabel in the Nordic countries intended to guide consumers to make good environmental choices. An ecolabelled mutual fund means that 25 mandatory requirements regarding inclusion, exclusion, engagement and transparency must be fulfilled. The mutual funds must exclude sectors where there is a high risk of negative impact on our environment, for example through fossil fuels, tobacco or controversial weapons. Nordic Swan ecolabelling also means that the fund manager uses the capital and holdings to influence companies to move in a more sustainable direction. We currently offer eight Nordic Swan Ecolabelled funds. Read more at svanen.se/en/funds/save-in-funds.

Investments

Impact investing

Impact investing is an investment strategy that combines returns with social benefits. We have heavily invested in this area in the portfolios for which we are responsible, both funds and discretionary management. Examples are financial inclusion and microfinance that can help reduce global poverty and increase access to financial services. Blue Orchard is a leading asset manager in impact investing. We have invested in two of their funds, including a target investment in microfinance. This fund's investments provide an opportunity for microfinance institutions to lend money to individuals, particularly in developing countries. Our evaluation process found that they have sound fund management, where customers have good potential for returns with a sound risk-return balance. Through Blue Orchard's two funds, Handelsbanken Fonder has invested significant amounts in impact investing in the past few years.

Investments in first government green bond

Handelsbanken Fonder invested SEK 319 million in the Swedish government's first green bond. The money raised through the bond will be linked to budget expenditure to help Sweden achieve its environment and climate goals. Most of the first part of the loan will finance transport with particular focus on maintenance and operation of electrified railways. The green framework will enable investments within a broad range of environment and climate solutions. What distinguishes this green government bond from other government bonds is that investors are able to monitor which government expenditure is linked to the bond, and the environment and climate impact the funding will contribute to.

Investment in Covid-19 bond

Handelsbanken Fonder has invested SEK 220 million in the Covid-19 Response Bond issued by the Nordic Investment Bank (NIB) with the purpose of supporting business, society and healthcare in the efforts to mitigate the effects of the pandemic.

EU action plan on sustainable finance

The action plan introduces significant legislation in the next few years that will impact on Handelsbanken Fonder in its capacity as an asset manager. The first of these is ESG Disclosure* which is applicable as of 10 March 2021. The purpose of this regulation is to enhance consumer protection by means of improved information, thus increasing consumers' ability to compare financial products and make well-founded investment decisions. The regulation introduces disclosure requirements at company and product level with relation to integration of sustainability risks in the investment and advisory process. Sustainability-related disclosures must be provided on the website, in pre-contractual information and in periodic reporting. The requirements to disclose how the company integrates sustainability risks affect it in both organisational and operational terms, which requires both an oversight and adjustments of, among other things, the Policy for shareholder engagement and responsible investment.

HANDELSBANKEN LIV

Sustainability and responsible investment

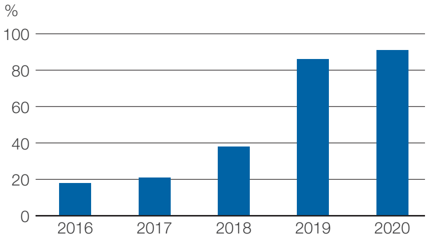
Handelsbanken Liv has a sustainability policy to provide guidance for its sustainability work and a policy for responsible investment based on the UN Global Compact and the UN's Principles for Responsible Investment (PRI). Sustainability in the insurance field includes offering sustainable insurance products in savings, pensions and security, and ensuring that sustainability is integrated in the investments offered to customers.

Development of the range of funds continued in 2020 to meet stricter sustainability requirements. At the end of 2020, the majority of funds – 91(86) per cent – excluded fossil fuels. Funds that do not meet Handelsbanken Liv's sustainability criteria are excluded and new funds with a sustainability approach are included, thus boosting the sustainability focus of our offering.

For example, a number of alternative funds which invest in sustainable development were added to the range in 2020. The amount of green bonds in traditionally managed insurance was around SEK 1.1 (0.9) billion at year-end.

Both equity funds and fixed income funds in the portfolio focus on holdings that exclude controversial sectors such as fossil fuels.

Proportion of unit-linked insurance funds that exclude* fossil fuels.



* According to the Swedish Investment Fund Association's definition of exclusion, no more than five per cent of turnover in the company where the investment is made may derive from operations related to such products or services.

Climate-related financial disclosures

This year, Handelsbanken Liv again published a climate report in accordance with the TCFD recommendations. The effects of global warming will impact the world economy to an ever greater extent and will have consequences for companies in many sectors, including financial services. If the goals in the Paris Agreement are to be met, capital must be redirected towards investments that support sustainable development. As a major provider of financial services, Handelsbanken Liv has a role to play in the realisation of the Paris Agreement and the transition to a sustainable economy. The purpose of the climate report is to inform stakeholders about our climate change efforts, our exposure to climate-related risks and opportunities, and our future work. The report describes the ongoing efforts to systematically integrate sustainability and climate aspects in the governance, strategy, risk management and metrics and targets of the insurance operations' investment portfolios. Handelsbanken Liv intends to be part of the solution and collaborates in sector-wide initiatives to identify methods and tools that will contribute to aligning its investments with the climate goals of the Paris Agreement.

Awards

High sustainability rating for Handelsbanken Fonder

Handelsbanken received a high rating in Söderberg & Partner's latest report on fund management companies' sustainability work. The funds in the report are rated according to a traffic light model where a green light is given to the funds that are best in terms of sustainability. 84 per cent of the Bank's funds received a green light, showing that Handelsbanken Fonder actively includes and takes account of sustainability in its management, and works to influence companies in a more sustainable direction.

The report shows that of all the fund management companies analysed, Handelsbanken Fonder has the highest proportion of funds with a green rating.

Sustainable player of the year – Sustainable investment

In March 2020, Handelsbanken Fonder was named sustainable player of the year for 2019 by Söderberg & Partners.

Söderberg & Partners' citation:

Handelsbanken has made a sustainability journey from incident-based impact work to proactive work. In addition to having a dedicated sustainability team, they have also made sustainability analysis part of their asset management, thus lifting the sustainability level in all funds offered to savers.

Sustainable fund performance of the year

Handelsbanken Hållbar Energi (Sustainable Energy) was awarded first place in the Sustainable Management Strategy category in Länsförsäkringar's competition Sustainable Fund Performance of the year. This was the first time the competition was arranged. It is targeted at the fund management companies and funds that Länsförsäkringar offers to its customers.

The jury's citation for the nomination:

Handelsbanken Hållbar Energi was nominated for the instructive, simple way it shows the climate benefit of the fund's investments and its contribution to the UN global goals.

* (EU) 2019/2088 Regulation on sustainability related disclosures in the financial services sector.

Selection and evaluation of funds
Handelsbanken Liv offers mutual funds in unit-linked insurance, evaluated on the basis of sustainability criteria at both fund level and fund management company level. This means that we include funds in our range that take account of financial, social and environmental sustainability in their asset management.

Process for fund evaluation
Each fund management company is evaluated using qualitative analysis, covering areas such as organisation, asset management team and investment methodology. To qualify for selection, a fund management company or a fund must also meet a number of quantitative financial criteria and sustainability criteria.

Fundamental sustainability criteria
Handelsbanken Liv includes fund management companies that integrate sustainability in their asset management according to the following criteria:

- Support the UN Principles for Responsible Investment (PRI).
- Have adopted policies and/or principles for systematic sustainability work.
- Exclude investments in companies that are involved in manufacture or distribution of prohibited arms and nuclear weapons.

Stricter criteria with focus on the environment and climate
Implementation of the stricter fund selection criteria for fossil fuels started in 2020. This aims to ensure that the assets under management focus on investments that contribute to a carbon-neutral society. The implementation has a fixed adaptation time period. Handelsbanken Liv will thus include fund management companies and funds that:

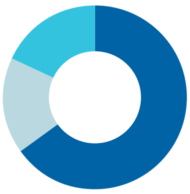
- Take account of environmental and climate change in their operations and actively pursue a transition in line with the Paris Agreement.
- Systematically work on reducing their negative environmental impact and achieving transparent reporting.
- Exclude investments in companies with extensive operations in production and/or distribution linked to extraction of fossil fuels. The principle of excluding fossil fuels can be removed for companies that are involved in power generation and are in the process of transitioning their operations from energy production based on fossil fuels to renewable sources.

Handelsbanken Liv already avoids investing in companies with significant operations within mining of coal for combustion, or in power companies that use coal for combustion as a major source of energy. We also ask the companies to report the carbon footprint of the funds and to draw up sustainability profiles.

Sustainability-related regulations
Several new sustainability regulations come into effect in 2021. The impact on operations was analysed during the year and work is in progress to meet the new disclosure requirements in policies, product information, on the website and in reports. New sustainability criteria have also been adopted for the range of funds to ensure that sustainability risks and negative consequences for sustainable development are integrated in the investment process for the insurance offering. The work will continue in the years ahead.

Increased interest from pension savers
More and more people are seeking to make sustainable, conscious choices for their pension savings. The year's SKI survey for the insurance sector, and also the Bank's own surveys, show that pension customers have increased expectations regarding sustainability. The environment and climate is the most important sustainability question for surveyed customers in the 35–50 age group. The survey also shows that three of ten people wanted to review their pension savings with regard to sustainability.

Most important sustainability question for pension savers in 35–50 age group



Environment and climate	65%
Working conditions	17%
Other	18%

SELECTION OF EVENTS IN 2020

Leader within occupational pensions
Handelsbanken Liv has the highest satisfaction level among occupational pension customers of all the major banks. This is shown by the results of the 2020 SKI survey for the insurance sector.

Sustainability goals for Handelsbanken Liv
Since 2016, Handelsbanken Liv has reported the proportion of funds with specific sustainability criteria in its unit-linked range, and the volume of green bonds in the traditionally managed portfolios. Since 2018, the carbon footprint for traditional management and unit-linked insurance in Sweden has been added to this.

In 2020, sustainability goals and key performance figures were developed to clarify the direction, pace and transition by 2025. The areas covered are: climate and environment, gender equality and diversity, and business ethics and engagement. The life insurance company's external reporting will include annual reports on its progress. The board and management of Handelsbanken Liv will also regularly monitor goals and figures. For more details, see handelsbanken.se/liv.

Improved sustainability rating
In the Responsible Ownership survey by Max Matthiessen, Handelsbanken Liv was ranked highest of the major banks in unit-linked insurance. This annual survey rates Swedish pension companies' sustainability work in unit-linked insurance and traditionally managed insurance. The rated areas are the fund selection process, range of funds and information and guidance online.

Social responsibility during the pandemic
The effects of the coronavirus have financial consequences for many households. Many companies are also affected. Handelsbanken Liv has therefore implemented temporary rules regarding savings premiums in occupational pensions. The insured party retains their insurance protection as usual during this period. The policy automatically returns to the normal premium after the end of the period.

Easy-to-understand information regarding sustainable pensions
In 2020, improvements were made to online services so that our customers can more easily receive information about sustainability. A new website was designed for Handelsbanken Liv to gather sustainability information related to the insurance company.

HANDELSBANKEN WEALTH & ASSET MANAGEMENT

Handelsbanken Wealth & Asset Management, a subsidiary of Handelsbanken plc, has seen strong growth in its four multi asset sustainable funds in the past year. The funds were launched in 2019 and are designed to cater for various customer risk appetites. The funds have been particularly attractive to customers who want to use their money to make a positive difference, while seeking a return that is higher than the inflation rate. The funds aim to incentivise better environmental, social and governance behaviour from companies and authorities, and to find solutions to problems in line with the UN Sustainable Development Goals. Since they were launched in 2019, the sustainable funds have grown to comprise GBP 208 million in managed assets, or 6.7 per cent of Handelsbanken Wealth & Asset Management's fund capital. Consumers continue to seek sustainable alternatives in all areas, and we therefore expect continued growth for our sustainable funds and the assets managed in these funds.

OPTIMIX

Handelsbanken conducts asset management in the Netherlands via its subsidiary, Optimix. In the Netherlands and among our customers we see continuing interest in and awareness of sustainable investments. Products are therefore offered where Optimix's active allocation is combined with sustainable investment products. Two themed equity baskets are at the heart of the portfolio. The baskets contain companies selected on the basis of their contributions to the UN SDGs with a focus on goals 6, 7, 9, 11, 12 and 13. The equity investments are supplemented with sustainable equity funds and green and social bonds.

THE BANK AS AN EMPLOYER

Handelsbanken's values and strong corporate culture are vital to our success. Our concept of how to run a successful bank is based on trust and respect for the individual – both customers and employees. The Bank's decentralised way of working creates commitment and opportunities for every employee to make an impact on the Bank's operations.

STAFF TURNOVER

External staff turnover for the six home markets, was 4.5 per cent (4.9), and 3.6 per cent (3.7) for Sweden. For the Group, it was 5.1 per cent (5.0). As always at Handelsbanken, all staff redundancies are managed with respect and care for the employees and in close collaboration with our union organisations. If employment ceases for any reason other than retirement, the Bank can offer outplacement through external partners.

CONTINUOUS DEVELOPMENT

Handelsbanken has an established structure for developing staff and our operations, with the customer and their business as the starting point. One aspect of this is that all employees take part in their unit's business planning process. Employees must have the necessary skills to help our customers in the best way possible, provide advice based on customers' needs, and comply with the current policies and regulations. Each year, an individual competency mapping is performed to identify any need for professional development, based on current duties.

In 2020, a number of mandatory training programmes were held for all employees in the Group:

- Financial crime, preventative measures against money laundering, terrorist financing and related crime such as tax evasion and fraud
- The Data Protection Regulation
- Physical security and cybersecurity
- Sustainability at Handelsbanken.

HEALTH AND WORK ENVIRONMENT

Handelsbanken keeps a steady focus on issues concerning employees' health and work environment. Our overall goal for health and the work environment is that employees should feel good, develop and perform at optimal capacity. There is a Group-wide process for systematic work environment efforts at the Bank. This is based on a number of health factors with the Bank's values as their starting point.

In Sweden, there is a work environment agreement between Handelsbanken and Finansförbundet (Financial Sector Union of Sweden), regulating areas such as security, the allocation of roles and responsibilities, and the work environment organisation. This agreement covers all employees in Sweden. At the central level, there is a joint work environment and security committee, with representatives from the Bank, Finansförbundet and Saco, the Swedish Confederation of Professional Associations. The committee comprises eleven members, five from the employer and six from the union bodies, and convenes four times a year. Their task is to support, develop and monitor how work environment efforts and security matters are managed in Sweden. At the local level, there are joint work environment committees comprising members representing both the Bank and Finansförbundet. This meets four times a year. The committee's task is to ensure that the local work environment efforts are performed in accordance with the Bank's process. This task includes ensuring that work environment representatives and managers have the appropriate expertise concerning the work environment.

Together with their employees and trade union representative or employee representative, each manager is responsible for performing regular work environment surveys, based on our health factors. Starting with a joint discussion on the results of the survey and risk assessment, an annual activity plan is formulated to improve and maintain a positive, respectful and inclusive work environment. The activities are integrated in the business plan and are followed up continually. An ongoing dialogue between managers and their employees makes it possible to detect early signs of poor health and to ensure the work situation is sustainable in the long run.

Every country regularly monitors its systematic work environment efforts in a joint health and safety forum comprising employer and employee representatives. Examples of topics followed up are the result of work environment surveys at aggregated level, sickness absence and reported workplace incidents. In Denmark, Finland and Norway, work environment agreements regulate security matters, allocation of roles and responsibilities, and the work environment organisation.

Procedures and guidelines are available for addressing and providing support in the event of poor health, sickness or crisis situations. If additional expertise is needed, the Bank has special agreements with external service providers.

The sickness absence rate for staff in the Bank's six home markets was 2.5 per cent (2.7). For staff in Sweden, the rate was 3.0 per cent (3.0). In 2020, 16 (22) cases of harassment were investigated.

Covid-19

Handelsbanken has taken extensive measures as a result of the Covid-19 pandemic. Since the pandemic started, central and local crisis teams have been activated and have held regular meetings. Continuity plans have been updated with a focus on critical functions, plans for employee absence and reduced spread of infection. Work groups were split into various teams at an early stage with certain critical functions working in different physical locations.

The Bank has accelerated development of technical solutions for digital meetings and remote work and has made major efforts at workplaces to promote health and minimise spread of infection. For example, at customer meeting points, branches have put up partitions, posters and floor markings to promote physical distancing. Hand sanitizer is also provided. Throughout the Bank, employees have worked remotely whenever possible.

All employees have received regular information and advice about preventative measures. Health-promoting initiatives such as inspirational videos about ergonomics and mental and physical recovery have been launched on the Bank's intranet. Managers have been offered targeted digital proficiency development in collaboration with external companies, including remote leadership and coping with anxiety.

A Group-wide health challenge based on the Bank's culture and values with a focus on respect, balance, healthy choices and sustainability was initiated in autumn 2020, with over 4,400 employees participating. The purpose is to provide inspiration for activities that promote good health, a sense of community among colleagues and new habits that also contribute to a more sustainable environment.

The Bank has offered Covid-19 antibody tests to create a feeling of safety and to show that it cares about its employees. This will also contribute to an understanding of how infection spreads in the community and also make it easier to plan operations.

GENDER EQUALITY AND DIVERSITY

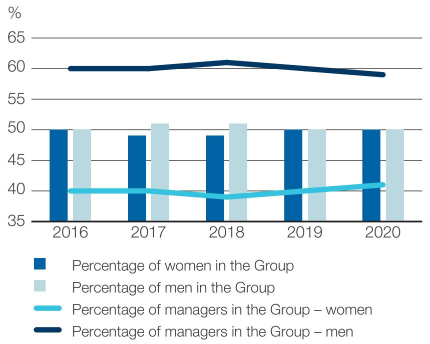
The promotion of gender equality and diversity is part of our core values and must be a natural and integral part of our daily work. Diversity is one of the key factors in creating profitability and being an attractive employer. The Bank must reflect the diversity of the operations in which we work. We aim to have an inclusive work environment, where we respect and appreciate our different backgrounds, competencies and experiences. We endeavour to achieve and maintain a balanced gender representation in various roles and parts of the Bank.

To clarify our stance, the Group-wide Diversity Council forum has produced a framework for gender equality, diversity and inclusion which was published on the Bank's website during the year.

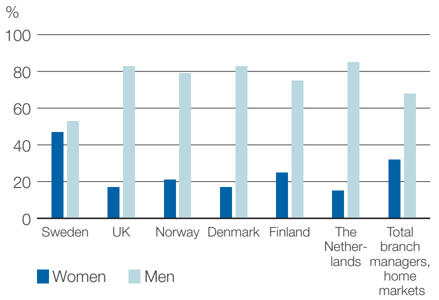
At year-end, 41 per cent (40) of managers in the Group were women; the corresponding figure for Sweden was 48 per cent (48). Of the total number of employees in the Group, 50 per cent (50) were women; the corresponding figure for Sweden was 52 per cent (52). All managers at Handelsbanken have personnel responsibility.

A few years ago, the Bank signed the Women in Finance Charter in the UK, an initiative from HM Treasury, entailing a commitment to work towards a more gender-balanced financial sector. By 2026, Handelsbanken UK aims for 40 per cent of managers to be women. In 2020, the proportion of women managers in the UK was 26 per cent (26).

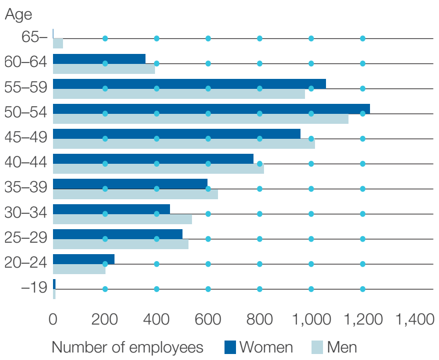
Gender breakdown – Group



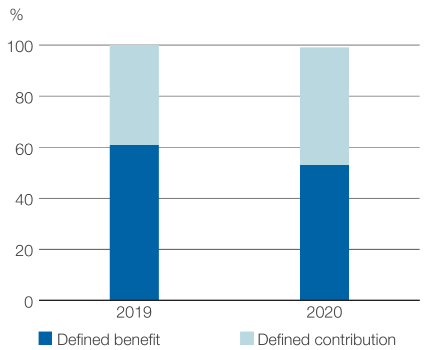
Gender breakdown – branch managers 2020



Age and gender breakdown 2020



Proportion of employees in Handelsbanken's home markets who are covered by a retirement pension plan[1]



[1] Retirement pension plan refers here to both (statutory) national retirement pensions and occupational pension plans under local laws and regulations.

REMUNERATION AND BENEFITS

Handelsbanken aims to be an attractive employer and offers competitive terms of employment for all employees – temporary as well as permanent. In addition to the benefits stipulated by law, regulations, collective bargaining agreements and other local agreements, we offer benefits that promote our view of long-term employment, gender equality and participation in Handelsbanken's results.

An attractive employer

Handelsbanken aims to meets its employees' needs during various phases of their life in a flexible way. Collective bargaining agreements are the foundation of the workplace benefits the Bank offers to both temporary and permanent employees. At Handelsbanken, we have individual salaries which are set in the salary dialogue review between manager and employee conducted every year. Conditions and benefits differ within the Group and are adapted to the markets where the Bank operates and to the collective agreements which are in place.

Employees' total remuneration should help to develop the Handelsbanken Group's competitiveness and profitability by attracting, retaining and developing skilled staff, and ensuring the Bank's management succession. This is stated in the Bank's remuneration policy, determined by the Bank's Board. The Board is responsible for the policy being applied and takes decisions to follow up on it. Once a year, the Bank's remuneration committee must make an assessment of the policy and the remuneration system and report it to the Board.

Benefits and pensions

Handelsbanken offers various types of competitive benefits, for both permanent and temporary employees of the Group; these differ between the countries. In 2020, the proportion of permanent employees was 94 per cent (94).

Handelsbanken aims to make it easier for all employees to combine employment with parenthood. The Bank subsidises home and family services for employees in Sweden who have children under the age of 12. In addition to current social insurance regulations for parental leave, in most of its home markets Handelsbanken provides remuneration in accordance with local regulations. This means that parents receive between 80 and 100 per cent of their salaries over a limited period. Employees who take parental leave have the same right to salary dialogue reviews as other staff.

In the Bank's home markets, employees are offered credits on special terms. These credits are mainly granted for financing residential property. The terms and conditions differ between countries depending on local circumstances, and in several countries they are a taxable benefit.

Our employees' health and their work environment are vital to ensuring that they feel good, develop and perform at optimal capacity. The Bank encourages this by granting subsidies for various leisure activities.

Other forms of benefits offered include insurance and company cars.

Pensions are part of the total remuneration to employees of Handelsbanken. The pension terms in the countries where the Bank conducts its operations must be competitive and adapted to legislation and regulations, in accordance with the conditions prevailing in each country.

An occupational pension plan can include a retirement pension, disability pension and surviving family member protection. Employees can be offered pension solutions that are defined benefit, defined contribution or a combination of the two.

Equal pay

The Bank works actively and systematically to ensure equal pay and to rectify unwarranted pay differentials between women and men throughout the Bank. In Sweden, this work has been performed for several years in co-operation with the union organisations. Each year, salaries are mapped by the Bank to act on any differentials that have arisen.

Oktogonen – the Bank's profit-sharing scheme

Our goal is to have better profitability than the average of peer competitors in our home markets. Oktogonen is Handelsbanken's system for collective profit-sharing, based on a common corporate goal where all employees contribute to the success of the Bank.

Allocations to the profit-sharing scheme are subject to Handelsbanken achieving its corporate goal. An allocation is made following the Board's overall assessment of the Bank's performance.

In 2020, Oktogonen was adapted and modernised in line with European and national regulatons for compensation. For employees, the new payment model means that disbursements will be made directly to the individual employee either in cash, to a pension savings programme, a savings plan or a combination of the three.

RELATIONSHIPS WITH UNIONS

Handelsbanken's traditionally good relationships and cooperation with unions are a valuable component of the Bank's culture. The Bank promotes the right of all employees to join a trade union or employee organisation. There is an ongoing, close dialogue between union representatives and managers concerning changes to the operations – such as organisational changes, new products or the appointment of new managers.

All employees in Denmark, Finland, Luxembourg, Norway, Sweden and Germany, comprising 75 per cent (76) of the Bank's employees, are covered by collective bargaining agreements. In these countries, employees who are not members of a union are also covered by the terms of the collective agreement. In addition to collective agreements, there are other types of agreements with local employees' organisations, such as works councils in the UK and the Netherlands.

In Sweden, Handelsbanken's part ownership of BAO, the Employers' Association of the Swedish Banking Institutions means that the Bank is bound by collective agreements with Finansförbundet (Financial Sector Union of Sweden), with Akavia/Sveriges Ingenjörer (Swedish Union of Graduate Engineers) as well as various associations in Saco, the Swedish Confederation of Professional Associations, affiliated with PTK (the council for negotiation and cooperation). The collective agreements regulate conditions such as employment conditions, notice period and pensions. BAO also has collective agreements with the Swedish Hotel and Restaurant Workers' Union and the Swedish Building Maintenance Workers' Union. The Bank has also reached local agreements with Finansförbundet and Saco regarding the forms of influence and co-determination.

In addition to matters dealt with in a dialogue with the union organisations at national level in each country, Handelsbanken's European Works Council (EWC) serves as a forum for joint, cross-border questions. The EWC consists of representatives from executive management and employee representatives from eight countries: Denmark, Finland, Germany, Luxembourg, the Netherlands, Norway, Sweden and the UK.

THE BANK'S BUSINESS CULTURE

Handelsbanken upholds good business ethics and works systematically to take into account new requirements and expectations, as well as to integrate new regulations in daily operations.

Handelsbanken has a number of policies that describe the Bank's common view on, and approach to, a variety of issues. The Bank's website also has the full texts of the policy for sustainability, policy for ethical standards, policy for management of conflicts of interest and policy against corruption as well as summaries of other policies in the Handelsbanken Group. In addition, a selection of guidelines adopted by Handelsbanken's Group Chief Executive is available on the Bank's website.

COMPLIANCE AND CONFIRMED INCIDENTS

Banking operations are regulated and governed by extensive laws and regulations. If a bank does not comply with these, the responsible supervisory authority can decide on administrative fines and, in the worst case, revoke the banking licence. Administrative fines may be imposed on banks for breaches such as corruption, faulty product or service information or labelling, or non-compliance with laws or regulations in the social or economic spheres. In 2020, 0 (0) confirmed incidents occurred.

POLICY FOR ETHICAL STANDARDS

The policy for ethical standards is reviewed at least once a year by the Board. The review begins with any changes made in the relevant legislation but also covers changes in external expectations, the Bank's experience from ongoing internal work, and observations from the Bank's comprehensive internal control.

POLICY FOR SUSTAINABILITY

In 2016, Handelsbanken's Board adopted a policy for sustainability that sets the direction for the Bank's work and clearly sets out the Bank's view of sustainability. The policy applies throughout the Handelsbanken Group and encompasses all activities in relation to customers, suppliers and other business partners.

GUIDELINES FOR MANAGING TAXES

In addition to its policy for sustainability, which includes a section on taxes that serves as a starting point for the Bank's work with tax-related matters, Handelsbanken has guidelines for managing taxes. A summary of these guidelines is available on the Bank's website, together with the Group's policies for sustainability and ethical standards.

The Bank's management of taxes must follow laws and regulations and their objectives, and be transparent and sustainable. High ethical standards must always be observed.

Handelsbanken disassociates itself from tax evasion and must not carry out or participate in transactions or provide products or services that may be called into question in the light of prevailing tax regulations or their intention. In practice, this covers the following areas.

The Bank's own tax management

Internal and external transactions carried out by Handelsbanken within the framework of the Bank's own operations must always have a business purpose. The Bank must not carry out a transaction if the primary objective, or one of the primary objectives, is to obtain tax advantages in conflict with the intent of the tax regulations.

Products and services

The Bank must not provide products or services where the primary objective, or one of the primary objectives, is to obtain tax advantages in conflict with the intent of the tax regulations.

Customers

The Bank must not, through granting credits or by other means, carry out or participate in transactions with customers that constitute a step in tax evasion. A fundamental rule is that the Bank must not carry out or participate in transactions on behalf of customers if the transaction does not have a business purpose. In addition, Handelsbanken must not carry out or participate in artificial transactions, where the primary objective, or one of the primary objectives, is to obtain tax advantages in conflict with the intent of the tax regulations. If there is doubt, the Bank must refrain from participating.

Suppliers and business partners

Handelsbanken encourages its suppliers and business partners to adhere to the same tax principles as the Bank in terms of compliance, transparency, ethical standards and sustainability.

Investments

Within asset management, Handelsbanken actively works to influence companies to adhere to the same tax principles as the Bank in terms of compliance, transparency, ethical standards and sustainability. This means that companies' management of taxes constitutes a key element of the sustainability analysis that serves as the basis for asset management's investment decisions. In its current investments, asset management continuously monitors the companies' management of taxes and, depending on the situation, asset management may opt to exert influence through dialogue or divestment decisions.

CONDUCT OF EMPLOYEES

The following are extracts from codes of conduct included in policies and guidelines and refer to human resources.

Handelsbanken's employees

- must not be in a position where they may be suspected of taking improper advantage of knowledge about the financial markets which they obtain in the course of their work
- must be familiar with legislation concerning trading in financial instruments and observe the Bank's rules for employees' private securities and currency transactions
- must, in their work at the Bank and in their private affairs, refrain from business transactions that violate the Bank's rules or current legislation
- must refrain from transactions or other commitments that could seriously jeopardise their personal financial position
- are not permitted to process transactions in which they, or persons closely associated with them, have a personal interest – this also applies to companies in which employees, or persons closely associated with them, are involved
- must notify compliance or Group Audit if they suspect irregularities at the Bank. Handelsbanken's separate whistleblowing system provided by an external supplier may be used as well as these reporting channels
- must notify the Bank of assignments outside the Bank and obtain approval – this also applies to secondary occupations and certain posts in clubs, societies and the like.

PREVENTING FINANCIAL CRIME

Handelsbanken regards the prevention of financial crime as a fundamental principle for secure, sound banking operations. Work to prevent all types of financial crime has very high priority at the Bank. Important starting points for the work are the Bank's low tolerance of risk, and external regulations. Handelsbanken has undertaken to comply with the applicable laws and regulations regarding money laundering, terrorist financing, sanctions and corruption in the countries where we operate in order to prevent the Bank's infrastructure being used for illegal activities. The Bank has an open, active dialogue with the authorities that supervise our operations and regularly monitor our work on preventing and counteracting financial crime.

Our established policies and measures against financial crime and corruption comprise the Bank's framework for conducting this work. These are updated annually. The Bank also has a policy for ethical standards which sets out how the Bank ensures that employees are not accessories to financial crime. This work demands expertise and awareness. Our employees must annually complete mandatory courses on money laundering, terrorist financing, sanctions, corruption and predicate offences to money laundering such as fraud and tax evasion.

The work of preventing and counteracting financial crime is risk-based. It starts with a general risk assessment of customers, products, services, distribution channels and geographic risk factors in order to identify, analyse and manage the risks that the Bank faces. The Bank's decentralised organisation and strong local presence in the community create good opportunities to build close, long-term customer relationships. Our customer relations are mainly initiated at one of our branches, which means that our staff get to know their customers and can understand their business and requirements. The Bank needs to know how customers use the Bank's products and services and through which channels, in order to understand customer needs and behaviour, as well as to address measures to counteract financial crime. Know Your Customer (KYC) diligence is therefore fundamental and an important part of this work. Business relations are regularly monitored in order to detect suspicious transactions and behaviour. If suspected cases of financial crime are identified in the monitoring, they must be reported to the relevant authority. If there is strong suspicion of money laundering or fraud, we close the customer relationship, or implement product restrictions in order to prevent continued use of our channels and products.

To bolster Handelsbanken's work in this area, the Bank will continue to invest in expertise and new technology.

Money laundering is a huge problem for society, and more collaboration and exchange of information is needed to prevent it. Together with leading banks in Sweden, Handelsbanken has initiated collaboration with the police for exchange of information (SAMLIT). Through this, the Bank obtains valuable information about customers that the police suspect of belonging to criminal networks.

CONFLICTS OF INTEREST, CORRUPTION, BRIBERY AND IMPROPER INFLUENCE

Handelsbanken has established procedures for managing conflicts of interest with the aim of preventing negative impact on customers' interests. The Bank's policy for management of conflicts of interest provides further guidance for the Bank's work in this area, for example, by listing areas where conflicts of interest could arise in our operations. The policy includes details on the procedure for identifying and managing conflicts of interest. For example, potential conflicts of interest, as well as how they have been managed, must be reported each year by units deemed to have a greater probability of conflicts of interest.

Handelsbanken's success depends on the trust of our customers and society at large. This confidence is based on us acting according to high ethical standards and taking responsibility for long-term sustainable development. We aim to work proactively to prevent all types of criminal activity, such as corruption and other financial crime. The Bank's employees must never be involved in activities that could involve bribery or corruption.

We have an established anti-corruption policy that is updated annually. In addition to complying with this policy, all employees must also comply with the Bank's rules regarding bribery and other improper influence. Employees must also follow the Code of Business Conduct in their daily work. This Code, issued by the Swedish Anti-Corruption Institute, is formally called the Code to Prevent Corruption in Business.

All unit heads must annually review with their employees the regulations applying to bribery and improper influence. The regulations must be followed in all contexts, such as gifts, corporate hospitality and other events. The corruption risks to which the Bank is exposed are regularly analysed. The risk of corruption is assessed to be higher than normal when customers operate in countries or sectors where corruption occurs more often, and when products and services such as cross-border payments are used by these customers. In addition, at least once a year every unit must perform a self-assessment of operational risk which includes the area of corruption. Our employees must annually complete mandatory courses on matters relating to corruption and other financial crime. Handelsbanken's Central Board and the boards of the Bank's subsidiaries have also received training.

SUPPLIERS

The Group's purchases can largely be categorised as property and premises, external IT costs, communications, travel and marketing, purchased services, procurement of materials or other expenses. External IT costs and communications are purchased centrally, chiefly from suppliers with international operations. Other categories are usually purchased mainly from local suppliers. We work to co-ordinate the Bank's purchases over national borders, taking into account cost effects, quality and environmental impact.

The Bank holds regular dialogues with suppliers where sustainability is a key factor. For example, we investigate whether the supplier has collective agreements, and policies regarding the work environment, anti-corruption and environmental impact. In 2016, Handelsbanken implemented a code of conduct for major suppliers in Sweden, which is now also implemented on other home markets. The code defines the expectations we have of our suppliers and their subcontractors. Most of the expectations are based on internationally accepted standards, with the UN Global Compact as the starting point. This means that the Bank expects its suppliers to comply with the code of conduct or corresponding standards. The Bank requires that suppliers eliminate and combat all forms of human trafficking, modern slavery and compulsory labour, that they are in no way involved in any form of child labour, and that they do not violate human rights. Results have been promising, and many of the Bank's major suppliers have signed the code. In the Swedish operations, we have also run a project in which suppliers in sectors at particularly high risk must sign the Bank's code of conduct. We see a positive link between the code and our relationships with suppliers as well as its direct impact on our sustainability activities.

We are also implementing a new tool for monitoring major suppliers' key performance indicators (KPIs). If negative changes to either financial or sustainability KPIs are detected, the agreement owner is notified with details of the supplier concerned and the nature of the change.

Handelsbanken's Supplier Code of Conduct is available at handelsbanken.com/sustainability.

PRINCIPLES WHEN GRANTING CREDIT

Sustainability aspects are a vital part of the Bank's credit policy. The policy states that the Bank's lending must be responsible and meet high ethical standards. When granting credit, Handelsbanken must assess and evaluate the customer's approach to the principles and agreements supported by the Bank. As a result, Handelsbanken can ultimately decline to grant credit to companies that do not apply these principles.

THE BANK AS AN INVESTMENT

PUBLIC LIMITED COMPANY

Handelsbanken is a Swedish public limited company, which means that the public can invest in the Bank by buying and selling shares on the open market. Handelsbanken's shares are traded on several different marketplaces. Turnover is largest on Nasdaq Stockholm (the Stockholm stock exchange), but for several years, the shares have also been traded on other stock exchanges. Handelsbanken has over 140,000 shareholders.

HANDELSBANKEN'S SHARE – A SUSTAINABLE INVESTMENT

Research analysts who specialise in sustainability often draw attention to Handelsbanken as a sound investment. The share is included in the following sustainability indexes: Ethibel Sustainability Index, FTSE4Good, OMX GES Sustainability, SIX Sweden ESG Selection Index and ECPI Global Developed ESG Best in Class Equity.

As in previous years, Handelsbanken participated in a survey of sustainable companies conducted by the research company SAM, which is part of S&P Global. Handelsbanken was included in the Sustainability Yearbook 2021 as a 'Sustainability Yearbook Member', which means that Handelsbanken scored in the top 15 per cent of all banks in the world in terms of sustainability.

Around 30 investment banks have research analysts who regularly monitor Handelsbanken and its share. In 2020, Handelsbanken was also in contact with sustainability analysts from around ten independent research firms.

GREEN BONDS

By issuing green bonds, Handelsbanken has yet another tool for promoting the long-term development of sustainable solutions by financing green projects.

Handelsbanken has issued two green bonds, in 2018 and 2020. The first bond was issued in June 2018: a five-year green senior bond for EUR 500 million. The second bond was issued in November 2020 and was for EUR 500 million with a seven-year maturity. Both were possible as a result of the Green Bond Framework established by the Bank. The Framework received a rating of 'Dark Green Shade' – the highest possible – from Cicero, the Center for International Climate Research, an independent body. The two issues attracted a great deal of interest from the market and were heavily over-subscribed.

The capital raised through the issue of Handelsbanken's green bond is used for lending to clearly definable investments that lead to low carbon dioxide emissions and a climate-sustainable future. Examples of this are clean transport, sustainable forest management, green buildings, renewable energy and sustainable water management. In June 2020, for the second time, the Bank reported the environmental impact of its green bond by publishing a Green Bond Impact Report, which also contains examples of how the approved green assets comply with the criteria in the framework.

At the time of issue in summer 2018, the assets in the green registry totalled SEK 10 billion. At the end of 2020, the volume had increased to SEK 14.1 billion.

Sustainibility Indexes

	ECPI	Ethibel Sustainability Index	FTSE4Good	OMX GES Sustainability	SIX Sweden ESG Selection Index	STOXX Global ESG Leaders
Compiled by	ECPI	Forum Ethibel	FTSE	Nasdaq OMX/GES	SIX Finance Information	STOXX

TCFD – TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Climate change is one of the greatest challenges of our times, and global emissions of greenhouse gases must be reduced in order to slow this down. For this to be possible, a major transition is required in terms of global consumption and production patterns, transport and energy production. This transition process is already under way and will probably accelerate, with consequences for the global economy and for companies in many sectors, including financial services. Climate change means that companies and whole sectors are exposed to new types of risks – climate-related risks – but the transition to a low-carbon economy also leads to business opportunities. Increased transparency, with more information on how companies address and manage these risks and opportunities, will thus become increasingly important for long-term and sustainable financial decision-making. Alongside traditional financial disclosures, this information is needed to assess a company's value and position in the market. Supervisory authorities and legislators are also emphasising the importance of companies adding information on climate-related risks to their reporting. They include climate risks in their supervision of banks and financial institutions. Reporting and supervision of climate risks may be done in accordance with the global recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD recommendations are a global standard for reporting climate-related information.

The recommendations are based on four core elements:

Governance	Description of how climate-related matters are managed by the company's board and management.
Strategy	Description of the company's strategy for climate change and the transition to a low-carbon society, as well as the risks and opportunities identified, including scenario analyses.
Risk management	Description of processes used to identify, assess and manage climate-related risks and business opportunities.
Metrics and targets	Reporting of relevant metrics and targets.

Handelsbanken endorses the TCFD recommendations. As the first stage of the work on the recommendations, in 2017, an analysis was made of the Bank's credit portfolio relating to lending for energy production, particularly its exposure to various types of power production. In 2018, Handelsbanken's asset management and Handelsbanken Liv published their first climate reports in line with the recommendations, including forward-looking climate analyses. These were followed up with new reports for 2019, which included the stress tests developed by the 2°Degrees Investing Initiative and the Bank of England. Read more on page 51 under Responsible investment.

In the area of credits, the Bank has focused on building up processes and procedures for improving its ability to measure and report exposure to climate-related risks. This work is a continuation of the mapping and competency-increasing measures carried out in previous years. It is done on a cross-functional basis and includes Independent Risk Control, Group Credits, and the Group sustainability function. The work is supported by external experts on climate change and scenario analysis and focuses on the Bank's property exposure. A first report is expected to be published in 2021.

GOAL FOR CLIMATE-NEUTRALITY

Handelsbanken's goal is to have net zero* emissions of greenhouse gases as soon as possible and by 2040 at the latest. This includes lending, leasing, and investments as well as the Bank's

* Net zero emissions of greenhouse gases into the atmosphere means that emissions that do occur must be absorbed by the ecological cycle or using technical solutions, so that they do not add to global warming.

own operations such as energy consumption and business travel. Individual home markets and business areas can set earlier goal dates. EU's goal is to have net zero emissions by 2050, while Handelsbanken's goal is 2040 since we are convinced that a rapid, organised transition with the aim of limiting global warming to close to 1.5°C is best for our customers, for the communities we serve and thus also for Handelsbanken.

A clear strategy for how this goal is to be achieved, including sub-goals for 2025 and 2030, will be developed in the next few years. We will adopt scientifically based goals according to the Science Based Targets Initiative, or other generally accepted methodology for validation of the Paris Agreement goals. Our scenario analyses aim to align with the 1.5°C scenarios. Emissions will be measured and reported in line with established principles such as the Global Carbon Accounting Standard. Handelsbanken will develop products and services in order to achieve the goals together with our customers. Goals, sub-goals and strategies must be regularly reviewed and adapted so that they are in line with scientific developments and IPCC reports. Since 2017, Handelsbanken has had net neutral climate emissions from its own operations, and compensates for the carbon dioxide emissions it cannot avoid, We work continuously to reduce these emissions and since 2013, we have reduced them by 62 per cent.

THE EU ACTION PLAN FOR FINANCING SUSTAINABLE GROWTH

Major investments are required by society in order to achieve the 17 SDGs and the Paris Agreement. To speed up this progress, the EU has issued a ten-point action plan for financing sustainable growth. The main goals in the action plan are to redirect capital flows towards a more sustainable economy, integrate sustainability in risk management, and promote transparency and a long-term approach on the financial markets and the economy as a whole.

Handelsbanken supports the EU's action plan for financing sustainable growth and works actively to include the various parts of the plan in its business and operations. The work is being co-ordinated by a Group-wide steering committee with representatives from business areas and home markets. Our work currently focuses on increased transparency about how sustainability is integrated in investment decisions and investment advice (Disclosure Regulation) and the joint EU classification of environmentally sustainable and climate-neutral activities (Taxonomy Regulation). Handelsbanken sees the opportunities offered by both increased transparency and uniform classification of sustainable activities in enabling customers to make conscious choices.

PRINCIPLES FOR RESPONSIBLE BANKING (PRB)

In September 2019, Handelsbanken signed the UN Principles for Responsible Banking, undertaking to comply with the six principles that comprise the framework for the initiative, within four years.

1. Alignment with the Paris Agreement, the UN Sustainable Development Goals, as well as national and regional frameworks
2. Impact analysis and setting measurable targets
3. Customer collaboration
4. Stakeholder dialogue
5. Governance and corporate culture
6. Transparency and accountability

Handelsbanken's business model creates the right conditions for being able to apply the principles. Long-term business relations, a local presence, financial stability and low risk-taking lead to responsible banking operations where, by developing and offering our customers sustainable products within our core operations: financing, investment and advisory services, we can work to maximise our positive impact, minimise our negative impact and in so doing promote a more sustainable society. The Bank is formulating goals within financing, investment and advisory services.

HANDELSBANKEN'S GOALS

- Responsible financing – 20 per cent of the Bank's lending must be green by 2025 or contain conditions that contribute to a sustainable, measurable transition by the borrower.
- Responsible investment – Paris-aligned investment portfolios and maximise how the investments contribute to the Sustainable Development Goals.
- Advisory services – by 2023 at the latest, through development of tools for advisory services and training, create quantifiable conditions for higher return on women's savings and reducing the wealth gap between men and women.

IMPACT – RESPONSIBLE FINANCING

For several years the Bank has offered green, sustainability-linked loan financing and advisory services in green market financing to a number of sectors. The main sectors affected by green loan financing are construction and property, although product development in green financing has also included assets within forestry and renewable energy. See also pages 50–51.

Customer groups and sectors

Of the Bank's total lending at 31 December 2020, 82 per cent is financing of the property sector. Customers are private individuals, housing co-operative associations, small- and medium-sized companies and large property companies.

In its report, "2019 Global Status Report for Buildings and Construction, Towards a zero-emissions, efficient and resilient buildings and construction sector", the International Energy Agency wrote that the buildings and construction sector represented 36 per cent of final energy use and 39 per cent of energy and process-related carbon dioxide emissions in 2018. The report states that reduced emissions are crucial in order to achieve the undertakings in the Paris Agreement, and the Sustainable Development Goals. It is also completely in line with the Sustainable Development Goals which the Bank has selected as special focus areas for the next few years, see page 41 and the Bank's goals relating to net zero emissions.

Several international organisations have stated that financing is a decisive factor in the development towards a sustainable society. The UNCTAD World Investment Report 2014 "Investing in the SDGs: an Action Plan" states that at a global level, investments of between USD 5 and 7 trillion are needed between 2015 and 2030 in order to achieve the Sustainable Development Goals.

In its impact analysis, the Bank has established that:

- our opportunities for increased positive impact and decreased negative impact in terms of the environment and climate are mainly within the construction and property sector.
- the Bank's various customers groups are well represented in this sector and there are therefore good opportunities to support customers in their sustainability work and together with customers push development towards achieving the Paris Agreement, the Sustainable Development Goals and national and local regulations in the Bank's home markets.
- responsible financing is a crucial factor for sustainable development in society.

In the impact analysis we have also investigated the Bank's lending to energy production which is a major source of emissions. Lending to energy production and to an even greater extent, fossil-based energy production is very small, see also page 51.

The work with an in-depth impact analysis and development and application of relevant methodology will continue in 2021, and will be mainly co-ordinated with the mapping of climate risks to be carried out in conjunction with reporting in accordance with the TCFD recommendations, see page 56.

In all six of Handelsbanken's home markets, Sweden – the UK, Norway, Denmark, Finland and the Netherlands – the majority of lending is property-related, meaning that the impact analysis is relevant for the whole bank. Adaptation to national and local regulations are of major importance in product development and customer collaboration. This is also completely in line with Handelsbanken's focus on decentralisation, a local presence and regional conditions, For example, governments in the various home markets have set different dates for when the countries are to be climate-neutral, and this will have an impact on each market's implementation of the goal.

GOAL – RESPONSIBLE FINANCING

Handelsbanken's intention is to be able to support all customer groups in their sustainable development, meaning that we must be able to offer sustainable, competitive financing products. We will establish ambitious development plans for new products, particularly in the construction and property sectors in each home market, based on local conditions in terms of customers and regulations. International regulations such as the EU's green taxonomy will also be of great importance in classification of green assets. The taxonomy is being developed and will affect our work with green and sustainable financing products. Customers in other sectors will also be able to access corresponding financing products. This target is in line with Goal 9, Industry, Innovation and Infrastructure, Goal 11, Sustainable Cities and Communities and Goal 13, Climate Action.

Product development and collaborations

Extensive work regarding product development will be carried out in the next few years. The work will be done in close collaboration with customers and other stakeholders. In the next two years, special emphasis will be given to advice to small- and medium-sized companies and products which are particularly appropriate for them as, in general, they have had poorer access to green and sustainable products in the financing market. Sustainable products will comprise financing on terms that assume a sustainable transition of the company's operations. The intention is for the customer to have feedback and advice in order to fulfil fundamental requirements regarding the company's transition work. Relevant parts in the described process are:

- forming internal work groups for product development in each home market
- inviting customers and stakeholders to feedback and benchmarking for product relevance
- development of advisory tools mainly for SMEs
- training the Bank's branch staff regarding products and advisory services
- engaging various stakeholder groups such as trade associations
- developing collaborations with the academic community regarding impact analysis, technical data for product development and training staff.

The process will be adapted to the respective home market.

IMPACT – RESPONSIBLE INVESTMENT

Our view of the role of investor, and that of the world around us, has developed in pace with development of knowledge and methods relating to sustainability. The view and requirements regarding companies' responsibility have increased and there is a clear expectation that companies must deliver long-term value to all stakeholders, not just shareholders. This also applies to us in our role of asset manager.

At Handelsbanken Fonder, we are convinced that investments in sustainable business models that work within the limits of the planet are a condition for generating financial value for our customers. By investing in a sustainable manner and influencing companies to act more sustainably, we can deliver in line with our vision: to create financial returns and promote sustainable development. In this way we can offer customers – by means of their savings capital – the opportunity to support sustainable development.

Sustainability is a core ingredient in Handelsbanken Fonder's work and this is why we integrate environmental, social and governance topics, (usually called ESG) in our investment process, in the analysis and in our investment decisions. The approach varies depending on the asset class and asset management orientation.

Handelsbanken Fonder excludes investments in companies whose operations are in breach of our policy for responsible investment, companies with coal operations and prohibited weapons and nuclear weapons, in accordance with international law. The majority of our funds also apply enhanced exclusion requirements relating to controversial sectors that risk preventing sustainable development. The fund management company also excludes companies confirmed to be in breach of international norms and conventions.

We also strive to invest in companies that run their operations in line with – or promote – sustainable development in accordance with the 2030 Agenda for Sustainable Development and the goals in the Paris Agreement. The fund management company's asset managers actively seek to invest in companies with sustainable operations or whose products and services promote sustainable development. They actively seek out companies that contribute to the transition to an economy with low carbon dioxide emissions in line with the goals in the Paris Agreement.

As a major investor we have a responsibility and an opportunity to influence companies to act responsibly and run their operations in a sustainable way, and also to act so that the asset management sector develops its sustainability work. We do this by means of company dialogues, governance work and investor networks.

GOAL – RESPONSIBLE INVESTMENT

As part of the work to clarify our vision, in 2020, we developed and decided on sustainability goals for asset management in two areas. The goals lead to increased transparency and reinforce our focus. An important foundation for our work is development in several international frameworks and initiatives which we have closely followed, including the IIGCC's Paris Aligned Investment Initiative, Net Zero Asset Alliance and Science-based Targets for financial institutions. The two target areas are:

- Paris-aligned investment portfolios
- Maximise our contribution to the Sustainable Development Goals

Our goals comprise Handelsbanken Fonder AB's actively and passively managed funds, and fund-of-funds. How these funds develop relative to the goals and metrics will be followed up on a regular basis and will be reported at least annually.

Paris-aligned investment portfolios

Research shows that the effects of climate change mean that achieving global net zero emissions is urgent. As investors, we must do everything we can for the transition to take place in a fair way and for the world to achieve the goals in the Paris Agreement.

The goal is for our portfolios to have net zero emissions by 2040 at the latest. By November 2021 at the latest, we have undertaken to set a goal regarding a decrease in emission intensity up to 2030, and to set a target regarding a goal for the proportion of our managed assets that will be exposed to climate solutions by 2030 at the latest.

To clarify our climate ambitions, in 2020, we also pledged a goal regarding net zero emissions, by joining the global Net Zero Asset Manager initiative. Together with asset managers representing assets under management of SEK 76,000 billion, we undertake to support the goal of zero emissions of greenhouse gases in 2050 or earlier, in line with the efforts to limit global warming by 1.5° C. We also undertake to support investments in line net zero emissions up to 2050 or earlier.

Maximise our contribution to the 2030 Agenda for Sustainable Development

There are enormous financing requirements in order to achieve the 2030 Agenda for Sustainable Development and the Sustainable Development Goals.

Our aim is for sustainability to be the focus of all sectors and we want to encourage commercial solutions that make a profit. By investing in companies that offer solutions to global sustainability challenges, we can be involved in contributing private capital and delivering returns to our customers and future generations. As a major investor, we play an important role in channelling capital to investments that contribute to solutions to global challenges. We have a long-term, proactive perspective where the 2030 Agenda for Sustainable Development is the clear guide for our asset management. By actively exercising our role as an owner and through regular dialogues with the companies we invest in and persuading them to act more responsibly, together we can make an even better contribution to the Sustainable Development Goals.

The objective is to maximise our contribution to the 2030 Agenda for Sustainable Development. We have undertaken to set a goal in 2021 regarding an increase in sustainable investments as a portion of our managed assets up to 2025. We have also undertaken to set a goal in 2021 regarding an increase in successful dialogues and impact work up to 2025.

IMPACT – ADVISORY SERVICES

Customers and savings

Statistics from Eurostat 2018 – “Gender pay gap in unadjusted form % of average gross hourly earnings of men” shows that the pay gap between men and women in Handelsbanken’s home markets was between 12 per cent (Sweden) and 20 per cent (UK). Not only does this lead to lower pensions for women in the respective pension system but also poorer individual savings ability in order to improve their future pension. Lower salaries and lower savings affect women’s general opportunities for independence at various stages of life, for example, in the case of divorce or their partner’s death.

In Sweden, 50 per cent of Handelsbanken’s private customers are women. The corresponding figure in the other home markets is between 50 per cent (Denmark and Finland) and 42 per cent (the Netherlands). Internal compilations from the Swedish market show that men have higher return on their savings than women since they choose types of savings with higher risk. Surveys have also been made indicating that the advisor’s attitude to the customer may affect the choice of savings*. The above impact analysis shows that

- the Bank has a considerable number of female customers
- women have poorer opportunities than men in terms of savings and have lower return on their savings, which results in a poorer financial situation at different stages of their life
- it is reasonable to assume that the same conditions apply in all home markets.

GOAL – ADVISORY SERVICES

Development and collaborations

When advising women, the Bank’s intention is to increase focus on short-term and long-term outcomes for financial decisions made at different stages of life and how this information is given, with the purpose of reducing the gap in returns between women’s and men’s investments. The advice must include savings and investment decisions such as property purchases, but also more unforeseen events such as divorce and death. The advisor’s role will also be highlighted to avoid the advice being characterised by preconceived ideas regarding risk appetite, willingness to save and knowledge of private finances, This objective is in line with Goal 5, Gender Equality.

The process will be designed for the specific requirements in each home market including:

- internal investigation of impact factors
- development of tools for advisory services
- training advisors
- inviting customers and stakeholder groups to provide feedback regarding the advice strategy
- verifying tools and training from the academic community and other external expertise.

GOVERNANCE AND TRANSPARENCY

Handelsbanken will report to the management and the Board on a regular basis regarding progress of the processes for adapting the Bank’s operations to the principles and fulfilment of the goals. Most of the Bank’s employees will be affected to some extent by the Bank’s undertakings and the descriptions of the above goals state how the adaptation will progress to enable implementation and goal fulfilment.

The process regarding implementation of the principle will be reported externally on an annual basis and will be included in the Bank’s sustainability reporting.

The Bank’s Self-Assessment Template is included in Handelsbanken’s Sustainability Fact Book 2020 at handelsbanken.com/sustainability.

* One example is “Millionaire investors: financial advisors, attribution theory and gender differences” dated 21 February 2018, by Ylva Baeckström, Jo Silvester & Rachel A. J. Pownall, which comprises a survey from the UK.

Corporate Governance Report

Handelsbanken is a Swedish public limited company whose shares are listed on Nasdaq Stockholm. Here the Board submits its Corporate Governance Report for 2020. Handelsbanken applies the Swedish Corporate Governance Code with no deviations.

CONTENTS

Corporate governance at Handelsbanken

Corporate governance concerns how rights and obligations are allocated among the various bodies of the Bank, in accordance with prevailing laws and regulations. Corporate governance also encompasses the systems for decision-making, and the structure through which shareholders control the Bank, directly and indirectly. Handelsbanken's shareholders exercise corporate governance principally by electing the Board. The Board appoints and gives instructions to the CEO.

The following are fundamental to corporate governance at Handelsbanken: on the one hand the Articles of Association and documents adopted by the Board, for example the Board's rules of procedure, instructions to the CEO and the Chief Audit Officer, credit instructions and policy documents regarding the Bank's operations (see also pages 75–76), and, on the other hand, the instructions and guidelines issued by the CEO. These documents are revised every year, and whenever deemed 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.

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 103–142, in the Bank's Pillar 3 report, and also briefly in this Corporate Governance Report.

THE BANK'S CULTURE AND LONG-TERM GOAL

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

Handelsbanken has a decentralised work method and a strong local presence thanks to branch networks in all home markets and a long-term approach to customer relations. The Bank's decentralised working model involves profound trust in employees' willingness and ability to take responsibility. This working model has been consistently applied for decades and has resulted in the Bank's strong corporate culture.

The Oktogonen profit-sharing scheme sharpens the employees' focus on profitability, and is thus a method of reinforcing a corporate culture that is characterised by cost-awareness and prudence. Provisions for the Oktogonen scheme are based on profitability metrics linked to Handelsbanken's corporate goals being met and the Board's overall assessment regarding the Bank's performance.

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

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

APPLICATION OF THE SWEDISH CORPORATE GOVERNANCE CODE

Handelsbanken applies the Swedish Corporate Governance Code with no deviations. The code is available on the Swedish Corporate Governance Board's website, bolagsstyrning.se.

REGULATIONS

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 extensive.

The most pertinent of these include:

- The Swedish Companies Act
- The Swedish Banking and Financing Business Act
- The Swedish Securities Market Act
- Regulation (EU) No 575/2013 of the European Parliament and of the Council
- The Swedish Credit Institutions and Securities Companies (Special Supervision) Act
- The Swedish Money Laundering and Terrorist Financing (Prevention) Act
- Extensive regulation of mutual fund and insurance operations.

The Swedish Financial Supervisory Authority's regulations include directives and general recommendations on governance, risk management and control in credit institutions and directives regarding securities business.

A list of more central 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 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. The supervisory work is co-ordinated in a supervisory group for Handelsbanken, led by the Swedish Financial Supervisory Authority. Equivalent authorities in other countries exercise limited supervision over the branches' operations, but have full supervision over the Bank's subsidiaries outside Sweden.

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 and internal control.

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 licences and other detailed regulations.

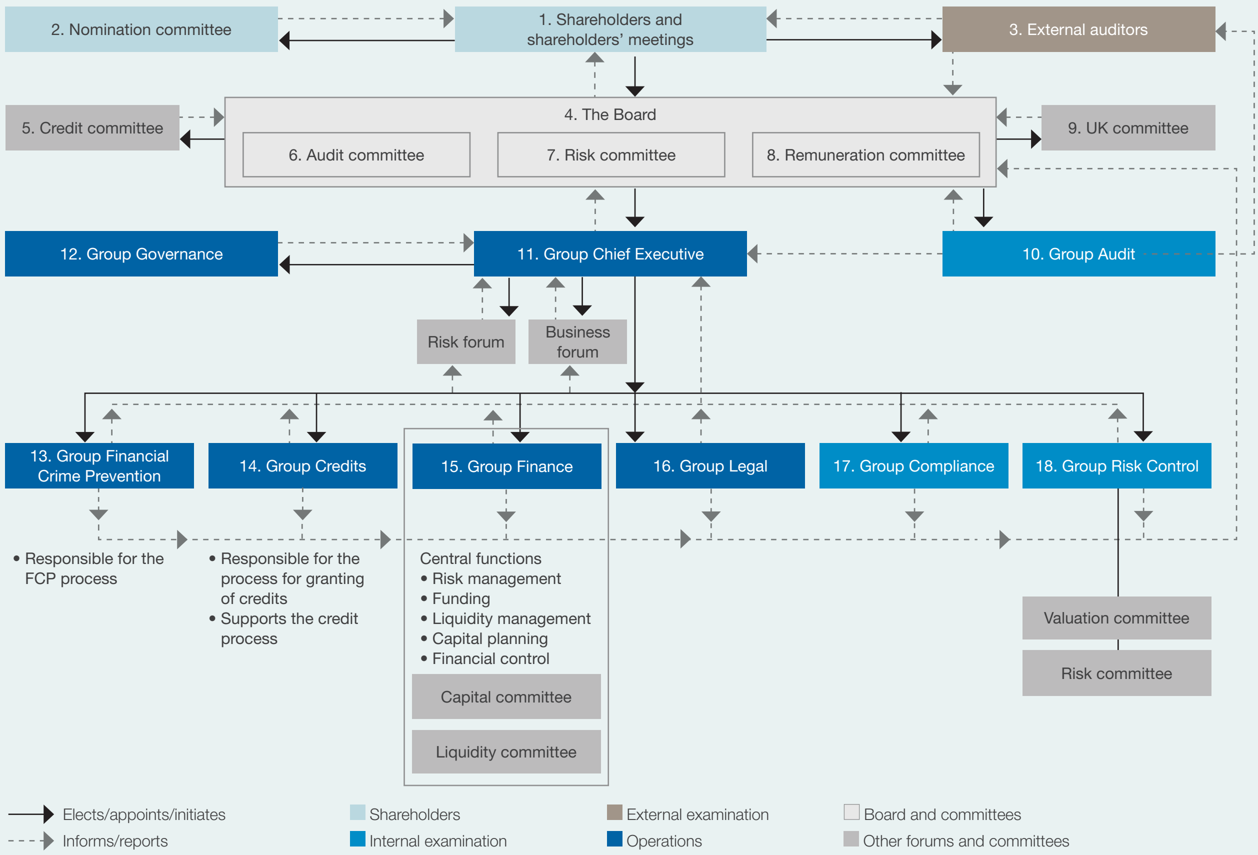
More information

More information about Handelsbanken's corporate governance is available at handelsbanken.com. The site includes the following information:

- previous corporate governance reports from 2006 onwards
- Articles of Association
- Information about the nomination committee
- Minutes from shareholders' meetings from 2010 onwards.

Corporate governance structure

Corporate governance at Handelsbanken – an overview



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 day-to-day operations. The Board (referred to within Handelsbanken as the Central Board) organises within itself various committees. In the work of governing the Bank, the CEO is supported by the Heads of Group Finance, Group Credits, Group IT, Group HR, Capital Markets, Group Communication and Sustainability, and Group Legal, referred to collectively as Executive Management. There are also a number of control functions at the Bank. In addition, the shareholders exercise control through auditors appointed by the AGM.

1. SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders exercise their right to decide on matters concerning Handelsbanken at shareholders' meetings, which are the Bank's highest decision-making body. Every year, an annual general meeting is held, which among other things appoints the Board, the Chairman of the Board and auditors.

2. NOMINATION COMMITTEE

The nomination committee's task is to prepare and submit proposals to the AGM regarding the appointment of the Chairman and other members of the Board and fees to the Chairman and other members of the Board. The committee also proposes the appointment of the auditors, and their fees. The AGM decides how the nomination committee will be appointed.

3. EXTERNAL AUDITORS

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

4. THE BOARD

The Board (Central 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 in such a way 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 is to be executed, and establishes a work procedure for the Board and also instructions for the CEO.

These central policy documents state how responsibility and authority are allocated among the Board as a whole and the committees, and also between the Chairman of the Board and the CEO. The Board appoints the CEO, deputy CEOs and the Heads of Group Risk Control, Group Compliance and Group Audit, and stipulates the employment terms for these persons. The Chairman is responsible for evaluating the Board's work and informs the nomination committee of the results of this evaluation.

5. CREDIT COMMITTEE

The Board has set up a credit committee which decides on credit cases where the amount exceeds the decision limit that the Central Board has delegated to another unit. However, cases of special importance and credits to Board members and certain persons in managerial positions are decided upon by the Board as a whole. A representative from the unit within the Bank to which the credit case applies presents the case to the credit committee.

6. AUDIT COMMITTEE

The Board's audit committee monitors the Bank's financial reporting by examining important accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control, internal audit and risk management with regard to financial reporting, as well as the external auditors' impartiality and independence. It evaluates the audit work and assists the nomination committee in appointing auditors. The committee also receives reports from the Bank's internal and external auditors.

7. RISK COMMITTEE

The Board's risk committee monitors risk control and risk management in the Handelsbanken Group. The committee prepares decisions regarding the Bank's risk strategy, risk tolerance, etc., and examines reports from Group Compliance and Group Risk Control.

8. REMUNERATION COMMITTEE

The Board's remuneration committee evaluates the employment conditions for the Bank's executive officers in the light of prevailing market terms. The committee's tasks include preparing the Board's proposals to the AGM concerning guidelines for remuneration to executive officers, monitoring and evaluating the application of these guidelines, and preparing the Board's decisions on remuneration and other terms of employment for executive officers, as well as for the Chief Audit Officer. The committee also makes an assessment of Handelsbanken's remuneration policy and remuneration system.

9. UK COMMITTEE

The Board has established a committee to facilitate structured, continuous follow-up of the operations in Handelsbanken plc. Members of the Central Board and selected members of executive management may participate in this committee.

10. GROUP AUDIT

Group Audit (internal audit) performs an independent, impartial audit of the operations and financial reporting of the Group. A key task for Group Audit is to assess and verify processes for risk management, internal control and corporate governance. The Chief Audit Officer 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.

11. 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.

12. GROUP GOVERNANCE

Group 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 internal guidelines and instructions from the CEO, with the aim of stipulating overall responsibilities and authorities internally at the Bank.

13. GROUP FINANCIAL CRIME PREVENTION

Group Financial Crime Prevention is responsible for formulating and maintaining the Bank's working process for its efforts to prevent the Bank being exposed to financial crime, particularly money laundering, terrorist financing, fraud, tax offences and corruption, as well as for compliance with international sanctions regulations. The head of the department, Handelsbanken's Chief Financial Crime Prevention Officer, reports to the CEO. Group Financial Crime Prevention has the functional responsibility for all of the Bank's work to counteract financial crime.

14. GROUP CREDITS

Group Credits is responsible for formulating and maintaining the Bank's credit process, and for preparing every major credit case that the Board's credit committee or the Board as a whole decides on. The head of the department, Handelsbanken's Chief Credit Officer, reports to the CEO and is a member of the credit committee established by the Board. The Chief Credit Officer also reports to the Board about losses and risks in the credit portfolio.

15. GROUP FINANCE

Group Finance is responsible for control systems, reporting, bookkeeping, accounting and taxes. It is also responsible for the Group's liquidity, funding, and capital and for the Group's overall risk management regarding financial risk, liquidity risk, and insurance risk. For a detailed description of this risk management, see note G2 on pages 103-142. The Head of Group Finance, Handelsbanken's CFO, reports to the CEO and also regularly reports on behalf of the CEO to the Board's audit committee and risk committee and, regarding market risks, liquidity, funding and capital, to the Board as a whole.

16. GROUP LEGAL

Group Legal is responsible for legal matters within the Group and provides other units with legal advisory services. The department provides secretarial services to the Bank's Board.

17. GROUP COMPLIANCE

The primary responsibilities of the Compliance function are to work actively to ensure a high level of compliance within the Group and to ensure that Handelsbanken's low risk tolerance regarding non-compliance is fulfilled. The Compliance function also manages public authority contacts related to supervisory cases. The function provides advice and support about compliance to the employees, CEO and Board of the Group, and continually informs the units concerned about the risks which may arise in the operations due to inadequate compliance.

The function informs and trains employees affected by new or changed rules. The Compliance function also identifies the risks that the Group will not meet its obligations under regulations, laws and other rules for operations that are subject to a licence. It also checks and monitors that these risks are being managed by the units concerned, and also submits reports in accordance with established procedures.

The Group has a compliance manager who reports directly to the CEO and who leads the Compliance function in the Group, and is also ultimately responsible for reporting on regulatory compliance. The Compliance function is independent and organisationally separated from the functions and areas to be monitored and controlled. The Head of Group Compliance reports regularly to the CEO, the risk committee and the Board on matters regarding compliance.

18. GROUP RISK CONTROL

Group Risk Control is responsible for monitoring and reporting all the Group's material risks at an aggregate level. This responsibility comprises credit and market risks (interest rate, exchange rate, equity price and commodity price risk), operational risk, liquidity risks and insurance risks, as well as risks associated with the Group's remuneration system. Group Risk Control reports continually to the CEO and on a regular basis to the risk committee, the remuneration committee and the Board. Group Risk Control reports directly to the CEO, acts independently, and is separate from the operations under review. Group Risk Control has function responsibility for all risk control in the Group.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholder rights

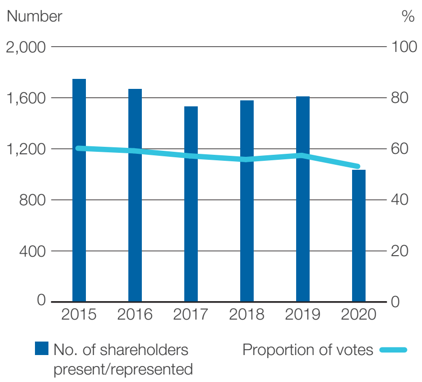
At the end of 2020, Handelsbanken had over 140,000 shareholders. They have the right to decide on matters related to the company at the AGM or extraordinary meetings of shareholders. Handelsbanken has two classes of shares: class A and class B. Class A shares are by far the most common and represented more than 99.8 per cent of all outstanding shares at the end of 2020. Each class A share entitles the holder to one vote, while each class B share entitles the holder to one-tenth of a vote. 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. Class A shares and class B shares entitle holders to the same proportion of the profit.

Shareholders who wish to have a matter considered by the AGM must submit a written request to the Board, in time for the matter to be included in the notice of the meeting. The Bank's website, handelsbanken.com, contains information as to when this request must have reached the Board.

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

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

Attendance at AGMs 2015–2020



The shareholders at a shareholders' meeting can also make decisions on the Bank's Articles of Association. The Articles of Association constitute the fundamental governing document for the Bank. They specify which operations the Bank is to conduct, the limits on the amount of share capital, the right of shareholders to participate at shareholders' meetings and the items to be presented at the AGM. The Articles of Association state that the number of board members must be at least eight and at most 15. They are elected for one year at a time. Handelsbanken's Articles of Association contain no stipulation regarding the appointment and discharging of board members nor concerning amendments to the Articles of Association.

Information in preparation for meetings is published at handelsbanken.com. Minutes of previous meetings are also available in both Swedish and English.

Major shareholders

At the end of 2020, the holdings of two shareholders represented more than ten per cent of the votes: the Oktogonen Foundation, with 10.3 per cent, and AB Industrivärden, with 10.9 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 37.

Annual General Meeting 2020

The annual general meeting took place on 25 March 2020.

Just over 1,000 shareholders were represented at the meeting. They represented almost 52 per cent of all votes in the Bank. Due to the prevailing circumstances related to Covid-19, just two members of the Board were present. Also participating were Helena Stjernholm, nomination committee chair, as well as Jesper Nilsson of Ernst & Young AB and Johan Rippe of PricewaterhouseCoopers AB, the auditors-in-charge from the auditing companies elected by the AGM. The chairman of the meeting was lawyer Sven Unger.

The decisions made by the shareholders at the meeting included:

- No dividend, entailing that the entire amount at the disposal of the meeting according to the balance sheet was carried forward to 2020.
- Authorisation for the Board to decide on acquisition of not more than 120 million shares in the Bank, as well as divestment of shares.
- The Board is to consist of nine members, excluding deputy members*.
- The re-election of seven Board members and the election of two new Board members, Arja Taaveniku and Ulf Riese, for the period until the conclusion of the next AGM.
- The election of Pär Boman as Chairman of the Board.
- Fees to be paid to the Board members: SEK 3,400,000 to the Chairman of the Board, SEK 970,000 to the Deputy Chair, and SEK 690,000 to the other Board members. Fees to be paid for committee work to each member of the respective committee: SEK 400,000 for the credit committee, SEK 140,000 for the remuneration committee, SEK 400,000 for the risk committee and SEK 400,000 for the audit committee. It was decided that the fee to the chairperson of the risk committee would be SEK 450,000, and that the fee to the chairperson of the audit committee would be SEK 500,000. Board members who are employees of Handelsbanken shall not receive a fee.
- The AGM appointed Ernst & Young AB (re-election) and PricewaterhouseCoopers AB (re-election) to serve as auditors until the end of the AGM to be held in 2021.

* In order to prevent a conflict of interest, Lise Kaae chose to resign from the Board in October 2020, after which the Board has been comprised of eight members.

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, which are presented on page 77 under 'Remuneration principles at Handelsbanken'.

Auditors

Jesper Nilsson has been an authorised public accountant since 2007. He is auditor-in-charge for Ernst & Young AB at Handelsbanken and chairs Handelsbanken's auditing team. Mr Nilsson is also an auditor for Intrum, Creades, and Alecta. Jesper Nilsson was born in 1964.

Johan Rippe has been an authorised public accountant since 1999 and is auditor-in-charge for PricewaterhouseCoopers AB at Handelsbanken. Mr Rippe is also an auditor for Stena, Getinge and SKF, as well as a board member for PwC's Swedish operations. Mr Rippe was born in 1968.

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 instructions will apply until they are amended by a future AGM. The instructions state 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 on 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 will appoint one representative each to sit on the nomination committee, together with the Chairman. The 2021 nomination committee comprises:

Representative	Shareholders	Voting power as a %, 31 August 2020
Helena Stjernholm, Chair	Industrivärden	10.6
Maria Sjöstedt	Oktogonen Foundation	10.3
Mats Guldbrand	Lundberg ownership group	3.8
Carina Silberg	Alecta	1.2
Pär Boman, Board Chairman		

Information on the composition of the nomination committee has been available at handelsbanken.com since 18 September 2020.

The nomination committee's task in preparation for the AGM on 24 March 2021 is to submit 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 members of the Board, and remuneration for committee work. In addition, the Handelsbanken Board has decided that proposals regarding the election of and fees to auditors be made by the nomination committee.

Recruitment and diversity-related work

In its work, the nomination committee takes into account matters relating to diversity on the Board, including gender distribution. Handelsbanken's Board has adopted a policy to promote diversity on the Board. The policy stipulates 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 37.5 per cent of the elected members, and the proportion who are nationals of a country other than the one where Handelsbanken is domiciled is 12.5 per cent. In compiling its proposal for the AGM, the nomination committee also considers the evaluation of the Board carried out by the Chairman of the Board.

THE BOARD

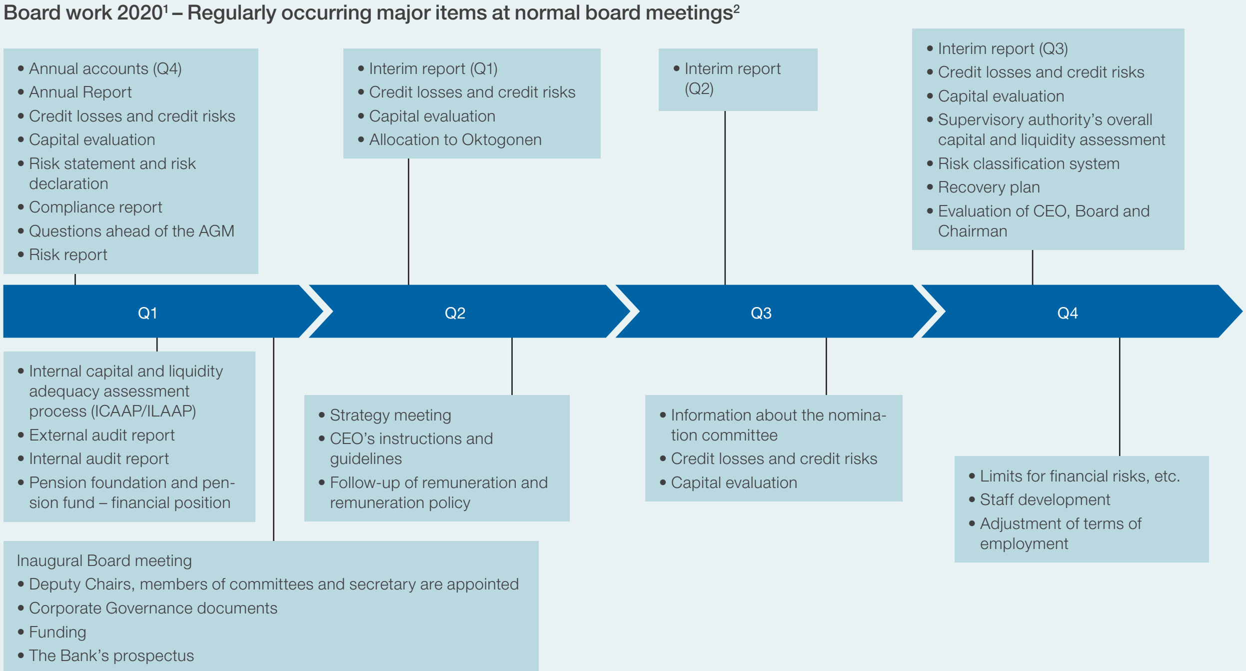
After the shareholders at the 2020 AGM had appointed Pär Boman to be Chairman of the Board, Fredrik Lundberg was appointed as Deputy Chair at the first Board meeting immediately after the AGM. At the same time, the Board appointed members of the credit committee, audit committee, risk committee and remuneration committee. Information about the Board is shown on pages 80–82.

Composition of the Board

During the period from the AGM until October 2020, the Board was composed of nine elected members, and thereafter of eight members. When the Board is to be elected, the nomination committee proposes members. Starting from the date of the 2020 AGM, the Board will also include two members and two deputy members who are employee representatives, in accordance with applicable legislation.

The Board members have broad and extensive experience from the business community. Several are, or have been, chief executives of major companies, and most of them are also board members of major companies. See also pages 80–82. Several members have worked on the Bank's Board for a long time and are very familiar with the Bank's operations. The nomination committee's proposals at previous AGMs, including their reasons, are available at handelsbanken.com.

Board work 2020[1] – Regularly occurring major items at normal board meetings[2]



[1] The committees' meetings are not presented in the chart.

[2] Utilisation of market risk limits, liquidity, funding and the business situation are regularly dealt with at the meetings.

Independence of Board members

The Swedish Corporate Governance Code stipulates that the majority of Board members elected by the AGM must be independent of the Bank and the Bank's management, and that at least two of the independent Board members must also be independent of those of the company's shareholders that control ten per cent or more of the shares and votes in the Bank. The composition of the Board fulfils the Code's requirements for independence.

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 Group Audit are expressed in the Board's rules of procedure, as well as in its instructions to the CEO and to the Chief Audit Officer.

Chairman of the Board

The Board's rules of procedure state that the Chairman shall ensure that the Board carries out its work efficiently and that it fulfils its duties. This involves organising and managing the Board's work and creating the best possible conditions for this work. The Chairman must also ensure that the Board members continually update and expand their knowledge of the Bank's operations, and that new members receive appropriate introduction and training. The Chairman must be available to the CEO as an advisor and discussion partner, but must also prepare the Board's evaluation of the CEO's work.

The Chairman's duties include being chairman of the credit committee, remuneration committee and UK committee, as well as being a member of the audit and risk committees. The Chairman is responsible for ensuring that the Board's work is evaluated annually. The 2020 Board evaluation was performed by means of a survey and through discussions between the Chairman and each member. The Chairman informed the Board of the outcome of the evaluation and led a Board discussion on this. He also informed the nomination committee about the Board evaluation. The Chairman is responsible for maintaining contact with the major shareholders concerning ownership matters.

There is no other regular division of work for the Board except as concerns the committees.

The Board's work in 2020

During the year, the Board had 13 meetings, including an extended strategy meeting.

The figure on page 71 gives an overview of the Board's work in 2020, including regularly occurring major items at ordinary Board meetings. In addition, matters discussed at remuneration, risk and audit committee meetings are reported at the next Board meeting.

Committee work

Credit committee

The credit committee consisted of seven members: the Chairman of the Board (Pär Boman, who also chairs the credit committee), the Deputy Chair (Fredrik Lundberg), the chair of the audit committee (Jon Fredrik Baksaas), the CEO (Carina Åkerström), the Chief Credit Officer (Per Beckman), and two Board members appointed by the Board (Hans Biörck and Ulf Riese).

The credit committee normally holds one meeting every month to take decisions on credit cases that exceed a set limit and that are not decided on by the whole Board due to the importance of these cases or legal requirements. The heads of the regional banks and Handelsbanken International presented cases to the credit committee from their own units in 2020 and participated when other cases were presented, with the objective of providing them with a good picture of the Board's approach to risk. Credit cases that are decided upon by the whole Board are presented by the Chief Credit Officer. If a delay in the credit decision would inconvenience the Bank or the borrower, the credit instructions allow the CEO and the Chief Credit Officer to decide on credit cases during the interval between credit committee meetings.

In 2020, the credit committee had 11 meetings.

Audit committee

The audit committee comprised the Chairman of the Board (Pär Boman) and three Board members appointed by the Board (Jon Fredrik Baksaas, Lise Kaae (until 30 September 2020) and Ulf Riese). The latter members are independent of major shareholders, and of the Bank and its management, with the exception of Ulf Riese who is a former employee. Jon Fredrik Baksaas was appointed to chair the committee.

In 2020, the audit committee had six meetings.

Risk committee

The risk committee comprised the Chairman of the Board (Pär Boman) and four Board members appointed by the Board (Jon Fredrik Baksaas, Kerstin Hessius, Lise Kaae (until September 2020) and Ulf Riese). The latter members are independent of major shareholders, and of the Bank and its management, with the exception of Ulf Riese who is a former employee. Kerstin Hessius was appointed to chair the committee.

In 2020, the risk committee had seven meetings.

Remuneration committee

The remuneration committee comprised the Chairman of the Board (Pär Boman, who also chairs the committee) and two Board members appointed by the Board (Jon Fredrik Baksaas and Hans Biörck), who are independent of the Bank, its management, and major shareholders.

In 2020, the remuneration committee had seven meetings.

UK committee

The UK committee was inaugurated in December 2020 and consisted of the Chairman of the Board, (Pär Boman), the CEO (Carina Åkerström), the Head of Group Finance (Carl Cederschiöld) and a member appointed by the Board (Ulf Riese).

In 2020, the UK committee had one meeting.

Summary of Board committees

Committee	Members	Duties	Other focus areas in 2020
Audit committee	Jon Fredrik Baksaas (Chair) Pär Boman Ulf Riese Lise Kaae (until 30 September 2020)	The work of the audit committee includes the following: • monitoring the financial reporting, as well as the effectiveness of the Bank's internal control, internal audit and risk management systems in relation to financial reporting • providing recommendations and proposals concerning the financial reporting • preparing the Board's decision regarding an audit plan for the work of Group Audit and taking into account reports from Group Audit • having regular contact with the external auditors. These auditors report to the committee on significant matters that have emerged from the statutory audit • keeping up to date with the audit of the annual report and consolidated accounts and the Swedish Supervisory Board of Public Accountants' quality control • assisting the nomination committee in the matter of proposing auditors and thereafter submitting a recommendation regarding the election of auditors • informing the Board of the results of the audit and of the manner in which the audit has contributed to the reliability of the financial reports • monitoring and verifying the external auditors' impartiality and independence, with a particular focus on whether the auditors provide any services other than auditing to the company. All interim reports and year-end reports are reviewed by the audit committee. Items are presented by the CEO, the CFO, the Chief Audit Officer and the persons with main responsibility from the audit companies appointed by the AGM. The members of the committee can also ask questions of the Chief Audit Officer and external auditors when members of Bank management are not present. **The Board's report on internal control regarding financial reporting can be found on page 79.**	During the year, the audit committee has engaged in its usual work relating to financial reporting, auditing, etc. In this context, the committee has also had reason to discuss the Covid-19 pandemic and its effects on the Bank's operations.
Risk committee	Kerstin Hessius (Chair) Pär Boman Jon Fredrik Baksaas Ulf Riese Lise Kaae (until 30 September 2020)	The work of the risk committee includes the following: • processing reports from the Heads of Group Risk Control and Group Compliance • preparing the Board's decisions regarding the establishment of the internal capital adequacy and liquidity assessment • processing the validation and evaluation of the internal risk classification system • preparing the Board's decisions regarding risk tolerance and risk strategy • processing the evaluation of the risk calculation methods used for limiting financial risks, calculating capital requirements and calculating economic capital • preparing the Board's decisions regarding the establishment of Handelsbanken's recovery≈plan. The Head of Group Risk Control, who is also the Bank's CRO, and the Chief Compliance Officer present their reports to the risk committee in person. The members of the committee can also ask questions of the CRO and Head of Group Compliance when members of Bank management are not present. The Bank's CEO, CFO, Chief Credit Officer and Chief Legal Officer also attend meetings of the risk committee. **The framework for control is described on page 74.**	During the year, the risk committee has regularly addressed matters relating to risk tolerance, including credit risk, counterparty risk and liquidity risk. In addition, the committee has discussed risk and compliance issues tied to, among other things, IT security and anti-money laundering work. The committee has also discussed the effects of the Covid-19 pandemic.
Remuneration committee	Pär Boman (Chair) Jon Fredrik Baksaas Hans Biörck	The tasks of the remuneration committee include making an independent assessment of Handelsbanken's remuneration policy and remuneration system. In addition, the remuneration committee prepares matters regarding remuneration to be decided on by the Board and the AGM. After the shareholders at the AGM have decided on guidelines for the terms and conditions of remuneration to executive officers, the Board decides on remuneration to these officers and the heads of the control functions: Group Audit, Group Risk Control and Group Compliance. Each year, the remuneration committee evaluates Handelsbanken's guidelines as well as its remuneration structures and levels in accordance with the Swedish Corporate Governance Code. A statement from the committee in this regard is published on handelsbanken.com prior to the AGM. **The Board's remuneration report is available at handelsbanken.com.**	The remuneration committee has engaged in its usual work concerning matters relating to remuneration. In addition, the committee has addressed several cases involving the appointment of senior managers. The committee has also prepared proposals for changed rules in relation to the Oktogonen system.
UK committee	Pär Boman (Chair) Carina Åkerström Carl Cederschiöld Ulf Riese	Every quarter, the committee for UK operations receives information about the performance and position of the UK operations, and every year, information about the business plan for the UK operations etc.	The UK committee was established in December 2020.

THE BANK'S MANAGEMENT

Group Chief Executive

Carina Åkerström has been President and Group Chief Executive since March 2019. She was born in 1962, is a Bachelor of Laws, and has worked at Handelsbanken since 1986. In 2008, Carina Åkerström became a member of the executive management as Deputy CEO and Head of Regional Bank Eastern Sweden. In 2010, she was appointed Head of Regional Bank Stockholm. Carina Åkerström was appointed Deputy Group Chief Executive in 2016, while retaining her position as Head of Regional Bank Stockholm. With the exception of her positions as Deputy Chair of the Swedish Bankers' Association and board member in World Childhood Foundation, Carina Åkerström has no significant assignments outside Handelsbanken. Her shareholdings in the Bank and those of close relatives are 18,000 shares, as well as 32,856 shares held indirectly via the Oktogonen profit-sharing scheme. Neither the CEO nor her close relatives has any material shareholdings or other ownership interests in companies with which the Bank has significant business relations.

Executive management

In addition to the Group Chief Executive, Handelsbanken's executive management includes the CFO and the Heads of Group IT, Group Credits, Group Legal, Group HR, Group Communication and Sustainability, and Capital Markets. The Heads of Handelsbanken Digital and the Swedish branch operations are co-opted to executive management. Executive management is a forum for addressing Group-wide issues and other matters of significance from a Group perspective. Before decisions are made on such matters, these are, as a general rule, discussed by executive management.

Decision-making process

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.

Risk forum

Within Handelsbanken there is the risk forum for follow-up of risk management within several areas and for in-depth discussions regarding the Bank's overall risk situation prior to Board meetings. In addition to the CEO, the risk forum includes the CFO and the Heads of Group Risk Control, Group Compliance, Group Governance and Group Legal.

Operational structure

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

Branch operations

In 2020, the decision was made to organise the branch operations in Sweden by county, co-ordinated in a country organisation. Branch operations in other home markets are geographically organised into regional banks: five in the UK, and one each in Denmark, Finland, the Netherlands and Norway. Each regional bank is led by a head. The regional banks in the UK are co-ordinated under the Head of Handelsbanken UK. Since December 2018, the operations in the UK are organised as a subsidiary, Handelsbanken plc.

In Denmark, Finland, Norway, and the Netherlands, the head of the regional bank is also the general manager. These heads, as well as the Head of UK operations and the general managers for the international operations outside the home markets, are responsible to the public authorities in their respective countries for all operations that the Bank and its subsidiaries pursue in those countries.

FRAMEWORK FOR CONTROL

Internal control for operations

Responsibility for internal control has been delegated from the CEO to managers who report directly to the CEO and who are in charge of internal control within their respective units. In turn, these managers have delegated responsibility for internal control to managers who report to them. This responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Thus, the responsibility for internal control and compliance is an integral part of managers' responsibility at all levels in the Bank.

Group Compliance

Compliance is the responsibility of all employees in the Group. Measures to ensure that compliance is observed are also part of internal control. The responsibility for ensuring compliance rests therefore with function managers, product managers and also managers and employees of Handelsbanken. The compliance function identifies, measures, analyses and reports on compliance within the Group. This also includes checking and assessing the suitability and effectiveness of the procedures in place and actions taken to minimise the risk of non-compliance with applicable rules. Another important duty is to provide support and advice, especially in conjunction with the introduction of new or changed regulations, or changes to the Group's products, services, markets, processes, IT systems and organisation. Group Compliance also monitors the risk level relative to the risk tolerance defined by the Central Board, and is responsible for the Group's public authority contacts related to supervisory cases.

Group Compliance is an independent unit with the functional responsibility for compliance matters in the Group.

The Chief Compliance Officer is appointed by the Central Board and reports directly to the CEO on compliance in the Group each quarter. Every quarter, the Chief Compliance Officer reports on compliance in the Group directly to the Board's risk committee and to the Board as a whole. In addition, material observations are reported regularly to the CEO.

Group 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.

Group Risk Control identifies, measures, analyses and reports all the Group's material risks. This includes monitoring and checking the Group's risk management and assessing that Handelsbanken's risk management framework is fit-for-purpose and efficient. Group Risk Control also checks that the risks and risk management comply with the Bank's risk strategy, and fall within the risk tolerance thresholds established by the Board. Group Risk Control is an independent unit with function responsibility for risk control in the Group, including subsidiaries.

The Head of Group Risk Control is appointed by the Central Board and reports directly to the CEO. The Head of Group Risk Control reports regularly to the Board's risk committee and remuneration committee, and quarterly to the Board as a whole.

A more detailed description of the Bank's risk management and control is contained in note G2 on pages 103–142, and also in the Bank's Pillar 3 Report.

Group Audit

Group Audit, which is the Board's controlling body, comprises some 100 employees. The Chief Audit Officer is appointed by and reports to the Board.

Group Audit is tasked with performing an independent, impartial audit of the operations and financial reporting of the 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. Group Audit's conclusions, the actions to be taken and their status, are reported regularly to the audit committee and every year to the Board as a whole. The Chief Audit Officer is also part of the recipient group for Handelsbanken's separate system for whistleblowing.

Group 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 Group Audit.

POLICY DOCUMENTS

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

Credit policy

The credit policy describes the Bank's risk tolerance and risk strategy, and applies to the entire Group. Handelsbanken has a low tolerance of credit risks and strives to maintain its historically low level of credit losses compared to other banks.

Policy for risk control

Handelsbanken must have a risk control function that is independent of the functions that are to be monitored. Risk control must be enforced regarding all material risks in Handelsbanken, with the exception of compliance risks, which are within the purview of Group Compliance. The risk control function must verify that all material risks to which the Group is exposed, or may be exposed in the future, are identified and managed by the relevant functions, and must also supervise and monitor the Group's risk management. In addition, the function must identify risks arising as a result of deficiencies in the Group's risk management. The risk control function must also verify that every business unit monitors all its material risks in an efficient manner. Central risk control, called Group Risk Control, reports to the CEO. Risk Control is independent and organisationally separated from the functions and areas to be monitored and controlled.

Policy for operational risk

Handelsbanken has a low tolerance of operational risks and, as far as possible, must endeavour to prevent these risks and to reduce the losses in this area. Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The responsibility for operational risk is an integral part of managerial responsibility throughout the Group.

Capital policy

The purpose of the capital policy is to ensure that the Group's supply of capital is satisfactory. The Group must at all times be well capitalised in relation to risk, and fulfil the goals established by the Board and the capital adequacy requirements established by supervisory authorities, even in situations of financial stress (see the section on risk in note G2 on pages 103–142). Handelsbanken's capital situation must also justify a continued high rating from the most important rating agencies.

Financial policy

Through this policy, the Board establishes the framework for financial operations in Handelsbanken. This includes the general establishment of measurement methods for financial risks. 'Financial risks' here refers to market risks and liquidity risks. Market risks are in turn divided into interest rate risks, equity price risks, foreign exchange risks and commodity price risks.

Financial risks shall only occur as a natural step in customer business, in connection with Handelsbanken's funding and liquidity management, and in its role as a market maker. The purpose of the Group's funding and liquidity management is to ensure that Handelsbanken is able to meet its payment commitments in the short and long term. The Group's funding must be well diversified in terms of markets, currencies and maturities. Handelsbanken must have an adequate liquidity reserve to be able to continue its operations for predetermined periods of time, without new funding in the financial markets. This requirement must also be fulfilled in times of financial strain.

Information policy

Handelsbanken'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 will contribute to strengthening Handelsbanken's brand and the trust of its customers, the capital markets and society in general. Information provided to the capital market must be correct, relevant, clear, reliable and in compliance with stock market regulations in all other respects. Information is to be made public as soon as possible and simultaneously to the stock market, investors, analysts, news services and other media. At press conferences and the like, the media and analysts should normally participate at the same time.

Policy for sustainability

Handelsbanken aims to integrate financial, social and environmental sustainability into all its operations. Handelsbanken must safeguard human rights and employees' rights, and not be complicit in breaches of these. Gender equality, diversity and an inclusive corporate culture should be a fundamental part of Handelsbanken's values. Handelsbanken must, through financial and environmental sustainable operations, endeavour to minimise the negative effect on the environment and climate. Nor shall Handelsbanken accept corruption, money laundering or terrorist financing, and conflicts of interest must be managed.

The policy is available at handelsbanken.com.

Policy for ethical standards

Employees of Handelsbanken must conduct themselves in a manner that upholds confidence in Handelsbanken. All operations in the Group must be characterised by high ethical standards. Financial advice must be based on the customer's requirements. In case of doubt as to what is ethically acceptable, the matter must be discussed with the employee's immediate superior. There must be no discrimination on grounds such as gender or religion. The policy on ethical standards also describes how employees who suspect internal fraud or other irregularities should act. As a supplement to the paths for reporting provided by the Compliance and Group Audit functions, Handelsbanken also has an established whistleblower system, through which reports may be submitted anonymously.

The policy is available at handelsbanken.com.

Policy for management of conflicts of interest

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

The policy is available at handelsbanken.com.

Policy against corruption

The Bank's policy against corruption establishes the importance of preventing and never accepting corruption, and of always taking action where there is suspicion of corruption.

Employees of the Group must carry out their responsibilities in all their activities at the Group and their external assignments in a manner that upholds confidence in Handelsbanken. They must not, therefore, participate in actions that may involve bribery or any other improper influence.

The policy is available at handelsbanken.com.

Policy for remuneration

Handelsbanken takes a long-term view of its staff's employment. Remuneration must be on market terms, enabling Handelsbanken to attract, retain and develop skilled staff, and ensuring good management succession, thus contributing to the achievement of the Handelsbanken Group's corporate goal.

Handelsbanken has a low risk tolerance in general. This is reflected in the company's view of remuneration. Handelsbanken considers that fixed remuneration contributes to healthy operations. This is therefore the main principle. Fixed remuneration is comprised primarily of a basic salary, customary employee benefits and pension.

Provisions for the Oktogonen collective profit-sharing scheme are classified as variable remuneration. Provisions are based on profitability metrics linked to Handelsbanken's corporate goals being met and the Board's overall assessment regarding the Bank's performance.

Performance-based variable remuneration must be applied with great caution and is not offered to employees who, in their professional roles, can have a material impact on the Bank's risk profile.

Remuneration at Handelsbanken is generally established locally in accordance with the Bank's decentralised method of operating and is based on salary-setting factors that are established in advance.

In certain countries, Handelsbanken is party to collective agreements on general terms and conditions of employment and conditions for pensions. This policy does not affect rights and obligations under collective agreements; nor does it affect obligations under applicable contract law or labour law.

Group HR is responsible for verifying that remuneration in Handelsbanken is compliant with internal and external rules. The independent control functions monitor and analyse the remuneration system, and report material risks and flaws to the Board's remuneration and risk committees.

A more detailed description of Handelsbanken's remuneration principles is shown on page 77 and details about remuneration are shown in note G8 on pages 146–147.

Policy for suitability assessment

Group HR performs suitability assessments in conjunction with the election of board members, the Group Chief Executive, board members at the Bank's subsidiaries and the Chief Audit Officert, and ahead of decisions on appointments of officers who report directly to the Group Chief Executive and the Head of Group Audit.

Policy for Group Audit

Group Audit is to evaluate the efficiency and appropriateness of the Group's processes for risk management, internal governance and control. The Audit function must impartially and independently examine the Group's operations, accounts and governance process, ensure that material risks are identified and managed in a satisfactory manner, and ensure that material financial information is reliable, correct and delivered on time. Group Audit reports directly to the Board; it provides reports for the Board and its audit committee, as well as for the CEO.

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 stability of the parent company or a subsidiary, or the protection of customers' assets.

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

Engaging the Bank's elected auditors for services other than auditing is to be avoided when this can be done without inconvenience. A decision on this must be made by the Chief Audit Officer or, in the case of more extensive assignments, by the Board's audit committee. This policy is adopted by the Board's audit committee on behalf of the Board.

Policy for compliance

Compliance refers to the observance of regulations, laws, directives and recommendations from public authorities, internal rules, as well as generally accepted business practices or standards relating to all operations subject to a licence undertaken within the Handelsbanken Group. Handelsbanken has a low tolerance of compliance risks and, as far as possible, must prevent these risks. The responsibilities of the Compliance function are to work actively to ensure a high level of compliance and to ensure that Handelsbanken's low tolerance of compliance risks is adhered to. This involves providing advice and support, as well as exercising monitoring and control of compliance within the Group. The Head of Group Compliance reports directly to the CEO and provides reports for the CEO, as well as for the Board and its risk committee. The Compliance function is independent and organisationally separated from the functions and areas to be monitored and controlled.

Policy for complaints management

Complaints must be taken very seriously and regarded as an opportunity to correct a mistake or misunderstanding. The customer in question must be treated with respect and understanding, regardless of the size of their commitment with the Group. The aim of Handelsbanken's complaints management is that the person making the complaint must be very satisfied with the Bank's handling of it.

Policy for employees' transactions in financial instruments in the Handelsbanken Group

This policy serves as guidance for transactions in financial instruments executed by employees and contractors (other than Board members) in the Handelsbanken Group. The policy applies regardless of whether the transactions are undertaken for the individual's own account or that of a closely related person, a customer or the Bank. The policy is to be applied by all companies and units in the Group, with revisions and additions as necessary due to laws or other regulations and established market practice.

The basic rules are that employees and contractors in the Handelsbanken Group may not execute transactions in financial instruments, nor cause any other person, through advice or request, to execute such transactions, that involve insider trading or market manipulation. Employees and contractors with access to insider information may not disclose such information.

Accounting policy

The accounting policy applies to Handelsbanken's accounting function. The consolidated accounts are prepared in accordance with IFRS, as adopted by the EU, plus additional standards in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority. The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority. International units must prepare accounts in accordance not only with the Group's rules, but also with the regulations that apply in the country where they are required to maintain accounting records.

Policy for products and services

The Handelsbanken Group's range of products must maintain a high level of quality. This means that the products' function, and their associated costs and risks, must meet customers' needs, characteristics and goals, as well as being presented in such a way that customers are able to make well-founded decisions. A decision-making procedure must be in place for the approval of new and materially changed products. Before a product is rolled out, it must be subject to product testing, and no new or materially changed product may be rolled out until the resources are in place to manage the risks associated with the product. The products must have established target markets and the strategy for distribution of products must be appropriate in relation to the target market. Products distributed must be distributed to the predetermined target market. Procedures must exist for monitoring the product, to ensure that it remains suitable for the established target market.

Policy on measures against financial crime

The policy on measures against financial crime is partly based on Swedish laws and regulations concerning money laundering, terrorist financing, breaches of international sanctions, applicable non-Swedish rules (including UK regulations against tax evasion) and fraud, and it must be applied throughout the Handelsbanken Group. Handelsbanken must not participate in transactions of which the employees do not understand the implications, or which may be suspected of being linked to criminal activities. The Group's work method is based on having a good knowledge of its customers, and an understanding of its customers' business operations, as well as the purpose and nature of the business relationship. Customer due diligence must be performed and maintained for as long as the customer relationship exists. Handelsbanken must monitor and comply with decisions and sanctions pursuant to the Swedish Act on Certain International Sanctions.

The policy is available at handelsbanken.com.

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 holds the opinion that fixed remuneration contributes to healthy operations. This is, therefore, the main principle. The Bank´s executive officers and employees who make decisions on credits or limits, or who work at the Bank's control functions, are paid fixed remuneration together with the possibility of participating in the Oktogonen collective profit-sharing scheme. This also applies to employees who are assessed as having a material impact on the Bank's risk profile, called 'risk-takers' in the Bank.

At Handelsbanken, the Board decides on the remuneration policy. The main principle of the remuneration policy is that remuneration is paid in the form of fixed remuneration. However, the policy allows for variable remuneration to be paid. The Board decides on the total amount.

A detailed description of fixed and variable remuneration at Handelsbanken is given here. Other information concerning remuneration paid by the Bank in accordance with the current regulations is presented in note G8 on pages 145–149, in the Bank's remuneration report and is also presented on the Bank's website. This note also provides information about amounts for salaries, pensions and other benefits, and loans to executive officers.

Fixed remuneration

The Bank takes a long-term view of its staff's employment. Remuneration for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and pension. At Handelsbanken, salary-setting takes place at local level.

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

Salaries are based on factors known in advance: the nature and level of difficulty of the work, competency and skills, work performance and results achieved, leadership, and being a cultural ambassador for the Bank.

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 management succession planning. Good profitability and productivity performance at the Bank create the necessary conditions for salary growth for the Bank's employees.

Variable remuneration

The Oktogonen profit-sharing system covers all employees in the Handelsbanken Group. The provision is classified as variable remuneration and is based on profitability metrics linked to Handelsbanken's corporate goals being met and the Board's overall assessment regarding the Bank's performance. Disbursements are mainly made in cash to the employees, or alternatively to a pension plan, savings plan or a combination of the two.

Performance-based variable remuneration is applied with great caution and to a very limited extent. It is only offered to employees in the Capital Markets business area and in mutual fund and asset management operations. In these operations, performance-based variable remuneration may only be paid to employees at units whose profits derive from commissions or intermediary transactions that take place without the Bank being subject to credit risk, market risk or liquidity risk. Just over one per cent of the Group's employees are eligible to receive performance-based variable remuneration. The total amount reserved for performance-based variable remuneration to employees in the Handelsbanken Group must not exceed 0.4 per cent of the Bank's common equity tier 1 capital during any given year. For 2020, a total of SEK 55 million was allocated for performance-based variable remuneration, corresponding to approximately 0.6 per cent of total salaries and approximately 0.04 per cent of the Bank's common equity tier 1 capital. Handelsbanken complies with the Swedish Financial Supervisory Authority's regulations governing remuneration policies in credit institutions, investment firms and fund management companies, which include provisions for formulating and adopting remuneration policies. The heads of the areas concerned, as well as the CRO and Chief Compliance Officer, take part in the remuneration committee's preparation and assessment of the Board's remuneration policy and the Bank's remuneration system.

Performance-based variable remuneration is based on Handelsbanken's factors for setting salaries and it must be designed so that it does not encourage unhealthy risk-taking. The financial result on which the performance-based variable remuneration is based is adjusted for risk and charged with the actual cost of the capital and liquidity required by the operations. Normally, performance-based variable remuneration is only paid in cash. In subsidiaries which run mutual fund operations and in Handelsbanken Wealth & Asset Management Ltd (formerly Heartwood Wealth Management Ltd), the performance-based variable remuneration is entirely or partially paid out as mutual fund units.

The main rule for performance-based variable remuneration is that at least 40 per cent is to be deferred for at least four years. For particularly large amounts of performance-based variable remuneration, 60 per cent is deferred. 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. 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. No employee may receive performance-based variable remuneration of more than 100 per cent of his/her fixed remuneration.

Remuneration to executive officers

The shareholders at the AGM decide on guidelines for remuneration to the Group Chief Executive, Deputy CEOs and other executive officers.

The Board decides on remuneration to the officers who are subject to the AGM's remuneration guidelines, a total of 10 individuals (as at 31 December 2020). The Board also decides on remuneration to the Chief Audit Officer, among others.

Executive officers in Handelsbanken are Board members, members of executive management, Deputy CEOs and the Heads of Group Risk Control and Group Compliance. These persons comprise executive officers according to the definition in the Swedish Companies Act. Further information about executive officers is shown on pages 146–147. The Swedish Financial Supervisory Authority's regulation FFFS 2011:1 states that 'senior management' includes members of executive management, Deputy CEOs and the Heads of Group Risk Control and Group Compliance.

The guidelines adopted by the annual general meeting on 25 March 2020 are presented below.

Guidelines for remuneration to executive officers within Svenska Handelsbanken AB (publ)

These guidelines apply to remuneration to the Group Chief Executive, members of the Executive management, Deputy CEO and the Heads of Group Risk Control and Group Compliance (below "executive officers").

The guidelines are applied to new agreements and do not affect remuneration previously decided for executive officers. The guidelines do not apply to remuneration decided by the annual general meeting.

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

Handelsbanken's business strategy is presented in its entirety in the Annual Report.

In order to ensure that it contributes to the Bank's goals, remuneration must reflect a long-term approach to employment at the Bank, and must be in line with the Bank's low risk tolerance in general.

Principles for remuneration to employees at Handelsbanken

Handelsbanken's principles for remuneration to employees are long established. In the remuneration policy for the Handelsbanken Group, the Board has stipulated that the Bank's remuneration system is to be aligned with the Bank's corporate goal and corporate culture, which are founded on sound, sustainable operations.

The remuneration policy also establishes that fixed remuneration is appropriate for sound, sustainable operations, and is therefore applied as a general rule. Variable remuneration is applied only with substantial caution. Remuneration for work performed is set individually, and is paid in the form of a fixed salary, customary salary benefits and pension. The Bank can provide housing. Salaries are based on predetermined salary-setting factors presented in the remuneration policy.

Considering the above approach, the total remuneration to an employee must be on market terms, enabling Handelsbanken to attract, retain and develop skilled staff, and ensuring good management succession.

Remuneration to executive officers

In preparing the Board's proposal for these guidelines, Handelsbanken's remuneration policy and the aforementioned principles for remuneration to employees have been taken into account, in order to ensure the consideration of the Bank's long-term interests and sustainability.

- The total remuneration is to be on market terms.
- Remuneration is paid in the form of a fixed salary, pension provision and customary benefits. The Bank can provide housing.
- The executive officers are covered, on the same terms as all other employees of the Bank, by the Oktogonen profit-sharing system.
- The retirement age is normally 65. Pension benefits are defined contribution and may amount to a maximum of 35 per cent of salary, and may be payable in addition to pension plans under collective agreements.
- The period of notice on the part of an executive officer is six months, and on the part of Handelsbanken a maximum of 12 months. If the Bank terminates the employment contract later than five years after the person becomes one of the Bank's executive officers, the period of notice is a maximum of 24 months. No severance pay is payable. Other time periods may apply due to collective agreements or labour legislation.

With regard to employment practices to which non-Swedish rules apply, the appropriate changes are made to pension benefits and other benefits to ensure compliance with mandatory rules or established local practice, whereby the overarching purposes of these guidelines are met wherever possible.

Decision-making process

The Board has established a remuneration committee. The committee is tasked with preparing the Board's decisions on proposed guidelines for remuneration to executive officers. The Board shall formulate a proposal for new guidelines whenever significant changes are necessitated, although at least every four years, and shall present the proposal to be resolved on by the annual general meeting. The guidelines remain applicable until such time as new guidelines are adopted by the annual general meeting. The remuneration committee shall also monitor and evaluate the application of the guidelines for remuneration to executive officers, as well as the current remuneration structures and remuneration levels at the Bank. The members of the remuneration committee are independent of the Bank and its management. The Group Chief Executive also attends the committee's meetings, although not when discussions and decisions on remuneration-related matters affecting the Group Chief Executive herself take place.

Each financial year, the Board prepares a report of paid and accrued remuneration to which the guidelines apply.

Deviation from the guidelines

The Board may resolve to temporarily deviate from the guidelines, in part or in full, if there are special reasons to do so in an individual case, and if a deviation is necessary to safeguard the Bank's long-term interests. As stated above, the remuneration committee's duties include preparing the Board's decisions relating to remuneration, meaning that decisions on deviations from the guidelines are also prepared.

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), and covers the following components: control environment, risk assessment, control activities, information and communication, and follow-up. 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

To ensure reliable financial reporting, Handelsbanken's internal control process for financial reporting is based on the control environment. The control environment is fundamental to other components of the process and has been described earlier in the corporate governance report: organisational structure, division of responsibilities, guidelines and policy documents. An important aspect of the control environment is that decision-making channels, powers of authority and responsibilities are clearly defined and communicated, and that policy documents and guidelines established by the Board and Group Chief Executive provide clear guidance and are complied with.

Risk assessment

Risk assessment aims to identify, manage and follow up risks with the potential to affect the financial reporting. Group Finance is responsible for performing a risk assessment at Group level, in order to identify units for which the need for internal control is assessed as of material significance to minimise the risk of material error in the financial reporting. Units that Group Finance deems must be covered by the process are required to draw up general documentation of their processes for internal control regarding financial reporting. This general documentation must describe the processes that generate the unit's most significant balance sheet and profit and loss items, risks, procedures for preparing the accounts, and identified control activities. The identified control activities are carried out each quarter to ensure that the financial reporting is correct, in all material respects.

The annual self-evaluations carried out at regional banks, subsidiaries, central departments and international units are an essential part of the Bank's total risk assessment. Risks in the financial reporting are part of this total analysis. Other aspects of Handelsbanken's risk management are detailed in note G2 on pages 103–142 and in the Bank's Pillar 3 report.

Control activities

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

Group Finance bears the overall responsibility for the financial reporting, the consolidated accounts and consolidated financial reports, and for financial and administrative control systems. The unit's responsibilities also include the Group's liquidity, the internal bank, own funds, tax analysis and Group-wide reporting to public authorities.

Group Finance has the overall responsibility for ensuring that a fit-for-purpose process is in place for reporting on internal control regarding the financial reporting. For the units that Group Finance has deemed must be covered by the process for internal control regarding financial reporting, control activities are identified which are aimed at preventing, detecting and correcting errors and deviations in the financial reporting. Group Finance has established a number of financial control activities linked to the general ledger and the process of preparing the accounts, which all finance departments at regional banks, subsidiaries, central departments and international units are required to carry out in conjunction with every quarterly closing of accounts. These include, for example, the reconciliation and verification of reported amounts, and analyses of income statements and balance sheets. In addition to financial control activities, units selected by Group Finance are responsible for identifying and evaluating control activities within business process and systems that have a substantial impact on the income statement and balance sheet, with the aim of minimising the risk of material error in the financial reporting. Heads of accounting and control at the respective units are responsible for ensuring that the control activities in the financial reporting for their unit 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 to Group Finance that the control activities have been carried out, and that their balance sheets and income statements are correct. Based on Group Finance's follow-up of the units' reports, the Head of Group Finance (i.e. the CFO) reports the status of the internal control of financial reporting to the audit committee at each quarterly closing of accounts.

The CRO is responsible for setting up and maintaining a valuation committee. The committee's role is to support risk control, Group Finance and the local risk and treasury functions in the decision-making processes for valuation and reporting matters. The committee deals with the valuation of financial assets and liabilities, including derivatives at fair value and also financial guarantees. The valuations refer to 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.

Information and communication

The Bank has information and communication paths with the aim of achieving completeness and correctness in its financial reports. Group Finance must ensure that the staff concerned are aware of and have access to instructions of significance to the financial reporting. The Group's general accounting instructions and special procedures for producing financial reports, and the process for internal control regarding financial reporting, are communicated to the staff concerned via the Group's intranet. The system used for financial reporting encompasses the entire Group.

Follow-up

The policy established by the Board for Group Compliance states that it must monitor and verify compliance within the Group. Accounting and financial control departments at regional banks, subsidiaries, central departments and international units also monitor and verify compliance with applicable rules in the form of internal policies, instructions and other policy documents which affect the financial reporting.

The policy established by the Board for internal audit states that it must examine internal governance and control, and must evaluate the reliability of the Group's financial reporting. Group Audit is described in more detail on page 69 and on pages 74–75.

The policy established by the Board for Risk Control states that it must identify, check and report risks of errors in the Bank's assumptions and assessments that form the basis of the Bank's financial reporting.

As part of the quality control work for financial reporting, the Board has set up an audit committee. Among other responsibilities, the committee processes crucial accounting matters and the financial reports produced by the Bank. The committee also supervises the effectiveness of the internal control, internal audit and risk management systems for internal control regarding financial reporting. The audit committee is described in more detail on page 69.

The Group's information and communication paths are monitored continually to ensure that they are fit-for-purpose for the financial reporting.

Board

Elected by the annual general meeting




Name	Pär Boman Chairman	Fredrik Lundberg Deputy Chairman	Jon Fredrik Baksaas Board Member	Hans Biörck Board Member
Year elected	2006	2002	2003	2018
Year of birth	1961	1951	1954	1951
Nationality	Swedish	Swedish	Norwegian	Swedish
Position and significant board assignments	Chairman of Svenska Cellulosa AB SCA and Essity AB • Deputy Chairman of AB Industrivärden • Board Member Skanska AB.	President and CEO of L E Lundberg-företagen AB • Chairman of Holmen AB, Hufvudstaden AB, AB Industri-värden • Board Member L E Lundberg-företagen AB, Skanska AB.	Chairman DNV and Statnett SF • Board member Telefonaktiebolaget LM Ericsson.	Chairman of Skanska AB and Trelleborg AB.
Background	2006–2015 President and CEO of Handelsbanken.	CEO of L E Lundbergföretagen AB since 1981 • Active at Lundbergs since 1977.	2008–2016 GSM Association member, Chairman 2013–2016 • 2002–2015 Telenor Group, President and CEO • 1989–2002 Telenor Group, various positions within finance, financial control and management • 1988–1989 Aker AS • 1985–1988 Stolt Nielsen Seaway AS • 1979–1985 Det Norske Veritas, Norway and Japan.	2001–2011 Skanska, Deputy CEO and CFO • 1998–2001 Autoliv, CFO • 1997–1998 Self-employed • 1977–1997 Various positions in Esselte.
Education	Engineer and Business/Economics degree.	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Economics/Business Administration and PED from IMD.	Graduate in Economics/Business Administration.
Remuneration 2020[1]	SEK 4,740,000	SEK 1,370,000	SEK 2,130,000	SEK 1,230,000
Credit committee Participation	Chairman 11/11	10/11	11/11	10/11
Audit committee Participation	6/6	-	Chairman 6/6	-
Remuneration committee Participation	Chairman 7/7	-	5/7	5/7
Risk committee Participation	7/7	-	7/7	-
Board meetings Participation	Chairman 13/13	13/13	13/13	11/13
Own shareholdings and those of immediate family	143,589, of which 28,589 in indirect holdings[3].	74,775,000	3,800	5,000
Dependent/ independent	Independent of the Bank and its management. Not independent of major shareholders (Deputy Chairman of AB Industrivärden).	Independent of the Bank and its management. Not independent of major share-holders (Chairman of AB Industri-värden).	Independent of the Bank, its manage-ment and major shareholders.	Independent of the Bank, its manage-ment and major shareholders.
Number of assignments[4] **Actual number of assignments**[5]	5[6] 14	4[6] 9	4 5	3 5

[1] Remuneration decided by the AGM. Total remuneration to the Board in 2020 was SEK 13,955,411.
[2] Member of the Board/committee from 25 March 2020.
[3] Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing scheme.
[4] Number of assignments based on Chap. 10, Section 8b of the Swedish Banking and Financing Business Act (2004:297), by which assignments in the same group or in companies in which the Bank has a qualifying holding may be counted as a single assignment. Assignments in organisations that are primarily non-commercial, including certain foundations and not-for-profit associations, are not included.
[5] Number of assignments disregarding the basis of calculation stated in footnote 4.
[6] Has permission from the Swedish Financial Supervisory Authority to hold an additional assignment as board member under Chap. 10, Section 8b, third paragraph of the Swedish Banking and Financing Business Act (2004:297).
[7] Considered independent of the Bank and its management from 1 April 2021.

			
Kerstin Hessius **Board Member**	**Ulf Riese** **Board Member**	**Arja Taaveniku** **Board Member**	**Carina Åkerström** **Board Member**
2016	2020	2020	2019
1958	1959	1968	1962
Swedish	Swedish	Swedish	Swedish
CEO of AP3 Third National Swedish Pension Fund • Board member Vasakronan AB, Hemsö Fastighets AB and Trenum AB.	-	Chairman of Svenska Handelsfastigheter AB • Board member Mekonomen AB and Nobia AB.	President and Group Chief Executive of Handelsbanken • Deputy Chair of the Swedish Bankers' Association • Board member World Childhood Foundation.
2001–2004 Stockholm Stock Exchange, CEO • 1999–2000 Sveriges Riksbank, Deputy Governor of the central bank • 1998 Danske Bank, Chief Executive, Asset Management • 1990–1997 ABN Amro Bank/ Alfred Berg • 1989–1990 Finanstidningen • 1986–1989 Swedish National Debt Office • 1985–1986 Sveriges Riksbank (central bank) • 1984–1985 Swedish Agency for Public Management.	Various positions at Handelsbanken • 2016–2018 Senior Advisor • 2007–2016 CFO • 2004–2007 Head of Handelsbanken Asset Management • 2004 Executive Vice President Handelsbanken • Employed by Handelsbanken since 1983.	2015–2019 Chief Offer and Supply Chain Officer, Kingfisher plc, CEO of subsidiary of Kingfisher plc • 2012–2015 President and Group Chief Executive, Ikano Group • 2005–2012 Global Business Area Director, IKEA Group • 1989–2005 Various positions within the IKEA Group.	2016–2019 Deputy CEO, Deputy Group Chief Executive of Handelsbanken • 2010–2019 Deputy CEO, Head of Regional Bank Stockholm • 2008–2010 Deputy CEO, Head of Regional Bank Eastern Sweden • Employed by Handelsbanken since 1986.
Graduate in Economics/Business Administration.	Graduate in Economics/Business Administration.	Graduate in Economics/Business Administration.	Bachelor of Laws.
SEK 1,140,000	SEK 1,890,000	SEK 690,000	SEK 0
-	8/11 [2]	-	11/11
-	3/6 [2]	-	-
-	-	-	-
Chairman 7/7	4/7 [2]	-	-
13/13	8/13 [2]	9/13 [2]	13/13
8,700	180,000	0	50,856, of which 32,856 in indirect holdings [3].
Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (former employee).[7] Independent of major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (CEO). Independent of major shareholders.
4 8	1 1	5 [6] 5	1 3

Board, cont.

Employee representatives




Name	Anna Hjelmberg Employee representative	Lena Renström Employee representative	Stefan Henricson Employee representative, Deputy member	Charlotte Uriz Employee representative, Deputy member
Year elected	2020	2020	2020	2020
Year of birth	1969	1965	1970	1972
Nationality	Swedish	Swedish	Swedish	Swedish
Position and significant board assignments	Chair of Financial Sector Union of Sweden's Handelsbanken union club	Chair of Financial Sector Union of Sweden's Regional Bank Stockholm union club	Chair of Financial Sector Union of Sweden Regional Bank Western Sweden union club	Chair of Akademikerföreningen (Association for graduate professionals) at Handelsbanken
Background	Officer and various union roles, Handelsbanken Liv	Advisory services in Handelsbanken's branch operations	Managerial and advisory services at branches and regional head offices at Handelsbanken	Specialist, business and operations developer at Cash Management, Digital meeting places and Trading
Education	Economics Programme at upper secondary school.	Graduate in Economics/Business Administration.	Economics Programme at upper secondary school.	BA
Remuneration 2020[1]	SEK 0	SEK 0	SEK 0	SEK 0
Credit committee Participation	-	-	-	-
Audit committee Participation	-	-	-	-
Remuneration committee Participation	-	-	-	-
Risk committee Participation	-	-	-	-
Board meetings Participation	9/13[2]	8/13[2]	9/13[2]	9/13[2]
Own shareholdings and those of immediate family	24,427, of which 24,427 in indirect holdings[3].	30,071, of which 30,071 in indirect holdings[3].	31,075, of which 31,075 in indirect holdings[3].	13,691, of which 13,691 in indirect holdings[3].
Dependent/ independent	Not independent of the Bank and its management (employee). Independent of major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.
Number of assignments[4] Actual number of assignments[5]	1 5	1 2	1 5	1 2

[1] Remuneration decided by the AGM. Total remuneration to the Board in 2020 was SEK 13,955,411.
[2] Member of the Board/committee from 25 March 2020.
[3] Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing scheme.
[4] Number of assignments based on Chap. 10, Section 8b of the Swedish Banking and Financing Business Act (2004:297), by which assignments in the same group or in companies in which the Bank has a qualifying holding may be counted as a single assignment. Assignments in organisations that are primarily non-commercial, including certain foundations and not-for-profit associations, are not included.
[5] Number of assignments disregarding the basis of calculation stated in footnote 4.

Executive management

Executive management [1]

Name	Position	Year of birth	Employed	Shareholdings
Per Beckman	Chief Credit Officer, Group Credits	1962	1993	Shareholdings[2] 16,161 of which 16,161 in indirect holdings[3]
Carl Cederschiöld	Chief Financial Officer, Group Finance	1973	1998	Shareholdings[2] 20,763 of which 14,363 in indirect holdings[3]
Magnus Ericson	Chief Human Resources Officer, Group HR	1968	1988	Shareholdings[2] 29,731 of which 27,731 in indirect holdings[3]
Mattias Forsberg	CIO, Group IT	1972	2020	Shareholderings[2] 0
Michael Green[4]	Head, Swedish Branch Operations	1966	1994	Shareholdings[2] 91,156 of which 21,156 in indirect holdings[3]
Jan Larsson	Head, Group Communication and Sustainability	1967	2020	Shareholdings[2] 1,750
Dan Lindwall	Head of Capital Markets	1965	2000	Shareholdings[2] 14,712 of which 14,712 in indirect holdings[3]
Katarina Ljungqvist[4]	Head, Handelsbanken Digital	1965	1989	Shareholdings[2] 44,368 of which 32,508 in indirect holdings[3]
Martin Wasteson	Chief Legal Officer, Group Legal	1971	2012	Shareholdings[2] 2,639 of which 2,639 in indirect holdings[3]
Carina Åkerström	President and Group Chief Executive	1962	1986	Shareholdings[2] 50,856 of which 32,856 in indirect holdings[3]

[1] Maria Hedin, Chief Risk Officer, and Martin Noréus, Chief Compliance Officer, have been members of the executive management since 3 February 2021.
[2] Direct holdings of shares refer to own holdings or those of closely related persons.
[3] Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing scheme.
[4] Co-opted to executive management.

Financial reports Group

CONTENTS

Income statement, Group

Group SEK m		2020	2019
Interest income	*Note G3*	45,508	54,395
of which interest income according to effective interest method and interest on derivatives in hedge accounting		*42,164*	*47,326*
Interest expenses	*Note G3*	-13,902	-22,260
Net interest income		**31,606**	**32,135**
Fee and commission income	*Note G4*	12,621	12,762
Fee and commission expenses	*Note G4*	-1,835	-2,065
Net fee and commission income		**10,786**	**10,697**
Net gains/losses on financial transactions	*Note G5*	1,437	1,299
Risk result – insurance	*Note G6*	195	145
Other dividend income		53	113
Share of profit of associates and joint ventures	*Note G18*	18	32
Other income	*Note G7*	153	143
Total income		**44,248**	**44,564**
Staff costs	*Note G8*	-15,343	-13,549
Other expenses	*Note G9*	-6,085	-6,524
Depreciation, amortisation and impairment of property, equipment and intangible assets	*Note G23, G24*	-1,906	-1,670
Total expenses		**-23,334**	**-21,743**
Profit before credit losses		**20,914**	**22,821**
Net credit losses	*Note G10*	-781	-1,045
Gains/losses on disposal of property, equipment and intangible assets	*Note G11*	2	20
Operating profit		**20,135**	**21,796**
Taxes	*Note G33*	-4,547	-4,871
Profit for the year		**15,588**	**16,925**
attributable to			
Shareholders in Svenska Handelsbanken AB		15,585	16,922
Non-controlling interest		3	3
Earnings per share, SEK	*Note G12*	7.87	8.65
after dilution	*Note G12*	7.87	8.58

Statement of comprehensive income, Group

Group SEK m	2020	2019
Profit for the year	15,588	16,925
Other comprehensive income		
Items that will not be reclassified to the income statement		
Defined benefit pension plans	1,523	4,262
Equity instruments measured at fair value through other comprehensive income	-583	372
Tax on items that will not be reclassified to the income statement	-256	-931
of which defined benefit pension plans	*-267*	*-910*
of which equity instruments measured at fair value through other comprehensive income	*11*	*-21*
Total items that will not be reclassified to the income statement	**684**	**3,703**
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	-1,124	3,741
Debt instruments measured at fair value through other comprehensive income	7	7
Translation difference for the year	-4,269	1,072
of which hedges of net investments in foreign operations	*848*	*-1,509*
Tax on items that may subsequently be reclassified to the income statement	93	-480
of which cash flow hedges	*274*	*-801*
of which debt instruments measured at fair value through other comprehensive income	*-1*	*-2*
of which hedges of net investments in foreign operations	*-180*	*323*
Total items that may subsequently be reclassified to the income statement	**-5,293**	**4,340**
Total other comprehensive income	**-4,609**	**8,043**
Total comprehensive income for the year	**10,979**	**24,968**
attributable to		
Shareholders in Svenska Handelsbanken AB	10,976	24,965
Non-controlling interest	3	3

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

In 2020, other comprehensive income totalled SEK -4,609m (8,043) after tax. In individual periods, the results of all items within other comprehensive income may fluctuate due to changes in the discount rate, exchange rates and inflation.

During the period January to December, other comprehensive income was positively affected by SEK 1,256m (3,352) after tax, related to defined benefit pension plans. The value of the plan assets has increased to a greater extent than the pension obligations. This is in spite of the fact that the discount rate for the Swedish pension obligations has decreased to 1.5% from 1.7% since year-end 2019.

Most of the Group's long-term funding is hedged using derivatives, where all cash flows are matched until maturity. Cash flow hedging manages the risk of variations in the cash flows related to changes in variable interest rates and currencies on lending and funding. The underlying funding and the asset which is being funded are valued at amortised cost, while the derivatives which are hedging these items are valued at market value. The impact on profit/loss of the market valuation is reported under Cash flow hedges. In 2020, the value changes on hedge derivatives in cash flow hedges were SEK -850m (2,940) after tax. The value changes derived partly from exchange rate movements, but above all from changes in the discount rates of the respective currency. During the year, SEK 0m (-9) has been reclassified to the income statement as a result of ineffectiveness.

Unrealised changes in the value of equity instruments and debt instruments classified at fair value via other comprehensive income had impacts of SEK -572m (351) and SEK 6m (5) after tax, respectively.

Unrealised foreign exchange effects related to the restatement of foreign branches and subsidiaries to the Group's presentation currency and the effect of hedging of net investments in foreign operations affected other comprehensive income by SEK -4,448m (1,395) after tax during the year.

Balance sheet, Group

Group SEK m		2020	2019
ASSETS			
Cash and balances with central banks		397,642	327,958
Other loans to central banks	*Note G13*	21,326	19,547
Interest-bearing securities eligible as collateral with central banks	*Note G16*	99,133	103,387
Loans to other credit institutions	*Note G14*	21,920	17,939
Loans to the public	*Note G15*	2,269,612	2,292,603
Value change of interest-hedged item in portfolio hedge		25	25
Bonds and other interest-bearing securities	*Note G16*	44,566	42,640
Shares	*Note G17*	21,045	21,390
Investments in associates and joint ventures	*Note G18*	386	285
Assets where the customer bears the value change risk	*Note G19*	197,212	174,988
Derivative instruments	*Note G20*	30,614	41,545
Reinsurance assets		11	11
Intangible assets	*Note G23*	11,330	11,185
Property and equipment	*Note G24*	6,232	6,645
Current tax assets		988	53
Deferred tax assets	*Note G33*	1,218	693
Pension assets	*Note G8*	2,005	654
Assets held for sale		1,657	1
Other assets	*Note G25*	6,113	6,167
Prepaid expenses and accrued income	*Note G26*	2,253	1,951
Total assets	*Note G38*	**3,135,288**	**3,069,667**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note G27*	124,723	147,989
Deposits and borrowing from the public	*Note G28*	1,229,763	1,117,825
Liabilities where the customer bears the value change risk	*Note G29*	197,212	174,988
Issued securities	*Note G30*	1,310,737	1,384,961
Derivative instruments	*Note G20*	32,819	20,642
Short positions	*Note G31*	1,682	1,856
Insurance liabilities	*Note G32*	557	578
Current tax liabilities		25	1,284
Deferred tax liabilities	*Note G33*	5,353	5,634
Provisions	*Note G34*	2,302	1,141
Other liabilities	*Note G35*	13,928	14,038
Accrued expenses and deferred income	*Note G36*	3,632	3,353
Subordinated liabilities	*Note G37*	41,082	35,546
Total liabilities	*Note G38*	**2,963,815**	**2,909,835**
Non-controlling interest		9	8
Share capital		3,069	3,069
Share premium reserve		8,758	8,758
Provisions		8,532	13,141
Retained earnings		135,520	117,934
Profit for the year (attributable to shareholders of Svenska Handelsbanken AB)		15,585	16,922
Total equity		**171,473**	**159,832**
Total liabilities and equity		**3,135,288**	**3,069,667**

Statement of changes in equity, Group

Group 2020 SEK m	Share capital	Share premium reserve	Defined benefit pension plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl. profit for the year	Non-controlling interest	Total
Opening equity 2020	**3,069**	**8,758**	**4,635**	**4,203**	**660**	**3,643**	**134,856**	**8**	**159,832**
Profit for the year							15,585	3	15,588
Other comprehensive income			1,256	-850	-566	-4,449		0	-4,609
of which reclassification within equity					*-684*	*20*			*-664*
Total comprehensive income for the year			**1,256**	**-850**	**-566**	**-4,449**	**15,585**	**3**	**10,979**
Reclassified to retained earnings							664		664
Dividend									-
Effects of convertible subordinated loans	-	-							-
Change in non-controlling interest								-2	-2
Closing equity 2020	**3,069**	**8,758**	**5,891**	**3,353**	**94**	**-806**	**151,105**	**9**	**171,473**

Group 2019 SEK m	Share capital	Share premium reserve	Defined benefit pension plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl. profit for the year	Non-controlling interest	Total
Opening equity 2019	**3,013**	**5,629**	**1,283**	**1,263**	**304**	**2,248**	**128,509**	**12**	**142,261**
Profit for the year							16,922	3	16,925
Other comprehensive income			3,352	2,940	356	1,395		0	8,043
of which reclassification within equity					*15*	*-133*			*-118*
Total comprehensive income for the year			**3,352**	**2,940**	**356**	**1,395**	**16,922**	**3**	**24,968**
Reclassified to retained earnings							118		118
Dividend							-10,693		-10,693
Effects of convertible subordinated loans	56	3,129							3,185
Change in non-controlling interest								-7	-7
Closing equity 2019	**3,069**	**8,758**	**4,635**	**4,203**	**660**	**3,643**	**134,856**	**8**	**159,832**

The translation reserve includes conversion effects relating to the balance sheets and income statements of the Group´s international branches. Accumulated conversion effects are reported for taxation when an international branch is closed down or divested. The tax regulations for the taxation of conversion effects are highly complex, and therefore subject to different interpretations. Therefore, it cannot be ruled out that conversion effects may need to be reported for taxation at an earlier stage than when a divestment/closedown takes place.

During the period January to December 2020, convertibles for a nominal value of SEK -m (3,185) relating to subordinated convertible bonds were converted into - class A shares (35,853,334). At the end of the financial year, the number of Handelsbanken shares in the trading book was 0 (0).

Specification of changes in equity

Change in hedge reserve SEK m	**2020**	**2019**
Hedge reserve at beginning of year	4,203	1,263
Cash flow hedges		
Effective part of change in fair value		
Interest rate risk	-652	3,146
Foreign exchange risk	-223	617
Unrealised value changes		
Reclassified to the income statement[1]	-249	-22
Tax	274	-801
Hedge reserve at end of year	**3,353**	**4,203**

Change in fair value reserve SEK m	**2020**	**2019**
Fair value reserve at beginning of year	**660**	**304**
Unrealised value change – equity instruments	-572	351
Realised value change – equity instruments	684	-15
Unrealised value change – debt instruments	5	4
Change in reserve expected credit losses – debt instruments	1	1
Reclassified to retained earnings – equity instruments[2]	-684	15
Reclassified to the income statement – debt instruments[3]	-	0
Fair value reserve at end of year	**94**	**660**

Change in translation reserve SEK m	**2020**	**2019**
Translation reserve at beginning of year	3,643	2,248
Change in translation difference pertaining to branches	-2,292	76
Change in translation difference pertaining to subsidiaries	-2,183	1,450
Reclassified to the income statement[4]	6	2
Reclassified to retained earnings[5]	20	-133
Translation reserve at end of year	**-806**	**3,643**

[1] Tax reclassified to the income statement pertaining to this item SEK 53m (5).
[2] Tax reclassified to retained earnings pertaining to this item SEK 43m (-).
[3] Tax reclassified to the income statement pertaining to this item SEK -m (0).
[4] Tax reclassified to the income statement pertaining to this item SEK -1m (0).
[5] Tax reclassified to retained earnings pertaining to this item SEK -9m (28).

Cash flow statement, Group

Group SEK m	2020	2019
OPERATING ACTIVITIES		
Operating profit, total operations	20,135	21,796
of which paid-in interest	*46,345*	*54,358*
of which paid-out interest	*-15,717*	*-23,964*
of which paid-in dividends	*76*	*249*
Adjustment for non-cash items in profit/loss		
Credit losses	929	1,297
Unrealised value changes	-797	-130
Depreciation, amortisation and impairment	1,906	1,670
Paid income tax	-7,711	-5,325
Changes in the assets and liabilities of operating activities		
Other loans to central banks	-1,778	14,010
Loans to other credit institutions	-3,980	4,198
Loans to the public	22,071	-104,758
Interest-bearing securities and shares	1,611	19,916
Due to credit institutions	-23,266	-46,093
Deposits and borrowing from the public	111,938	109,338
Issued securities	-74,224	-9,686
Derivative instruments, net positions	23,394	20,137
Short positions	-197	-4,439
Claims and liabilities on investment banking settlements	875	7,380
Other	16,354	-6,933
Cash flow from operating activities	**87,260**	**22,378**
INVESTING ACTIVITIES		
Acquisitions of and contributions to associates	-61	-134
Sales of shares	1,693	39
Acquisitions of property and equipment	-709	-1,094
Disposals of property and equipment	328	562
Acquisitions of intangible assets	-1,031	-1,120
Cash flow from investing activities	**220**	**-1,747**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-2	-17,730
Issued subordinated loans	8,176	4,670
Dividend paid	-	-10,693
Cash flow from financing activities	**8,174**	**-23,753**
of which changes in foreign exchange rates	*-819*	*669*
Cash flow for the year	**95,654**	**-3,122**
Liquid funds at beginning of year	327,958	317,217
Cash flow from operating activities	87,260	22,378
Cash flow from investing activities	220	-1,747
Cash flow from financing activities	8,174	-23,753
Exchange difference on liquid funds	-25,970	13,863
Liquid funds at end of year	**397,642**	**327,958**

The cash flow statement has been prepared in accordance with the indirect method, which means that operating profit has been adjusted for transactions that did not entail paid-in or paid-out cash such as depreciation/amortisation and credit losses.

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

Notes, Group

G1 Accounting policies and other bases for preparing the financial reports

CONTENTS

1. STATEMENT OF COMPLIANCE

Basis of accounting

The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) and interpretations of these standards as adopted by the EU. In addition, the accounting policies also adhere to the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority in FFFS 2008:25, Annual Reports in Credit Institutions and Securities Companies. RFR 1 Supplementary Accounting Rules for Groups, and statements from the Swedish Financial Reporting Board, are also applied in the consolidated accounts.

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

Issuing and adoption of annual report

The annual report and consolidated accounts were approved for issue by the Board on 2 February 2021 and will be presented for adoption by the AGM on 24 March 2021.

2. CHANGED ACCOUNTING POLICIES

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform Phase 1

Amendments have been made which introduce temporary exemptions from applying certain specific hedge accounting requirements for all hedging relationships directly affected by the Interest Rate Benchmark Reform. The amendments are applicable for financial years beginning on or after 1 January 2020, although early adoption is permitted. The Bank early adopted the amendments in the annual report for 2019. For further information, refer to section 11. Hedge accounting, Interest Rate Benchmark Reform.

Other changes in IFRS

Other changes applying from 1 January 2020 relate to references to the IFRS Conceptual Framework, the definition of a business in IFRS 3 Business Combinations, the definition of material in IAS 1 Presentation of Financial Statements and in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and Covid-19-Related Rent Concessions in IFRS 16 Leases. None of these changes has had a material impact on the Bank's financial reports. The Bank has not been granted any rent concessions and has thus not applied the amendments to IFRS 16.

In other respects, the accounting policies and calculation methods applied by the Group during the financial year are consistent with the policies applied in the 2019 annual report.

3. CHANGES IN IFRS WHICH ARE YET TO BE APPLIED

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leasing – Interest Rate Benchmark Reform Phase 2

Amendments have been made to IFRS 9, entailing that modifications of financial assets and financial liabilities, implemented as a direct consequence of the Interest Rate Benchmark Reform, are recognised as a change in the effective interest. Gains or losses arising due to the modification are thus not recognised. For the exemption to be applicable, a modification must have been directly necessitated by the Interest Rate Benchmark Reform, and the new basis for determining the cash flows must be economically equivalent to the previous basis. In addition, the amendments to IFRS 9 and IAS 39 allow for certain exemptions from hedge accounting requirements when existing reference rates in hedging relationships are replaced with alternative reference rates. The amendments are therefore assessed as facilitating the transition to new reference rates without significant profit/loss effects, and thus without a material impact on Handelsbanken's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements.

The amendments have been approved by the EU and are effective from 1 January 2021, with early adoption permitted. The Bank has chosen not to early adopt the amendments. The amendments are applied retrospectively. Earlier periods are not required to be recalculated.

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts, replacing IFRS 4 Insurance Contracts, has been published by the IASB. Assuming that IFRS 17 is adopted by the EU, this standard is to be applied as of the 2023 financial year. IFRS 17 entails a change in how insurance contracts are recognised, presented and valued. It will also entail extended disclosure requirements.

In order to reduce discrepancies in the recognition of insurance contracts, IFRS 17 introduces uniform valuation principles based on three measurement approaches: the building block approach, the premium allocation approach, and the variable fee approach. IFRS 17 prescribes the building block approach for the valuation of insurance contracts, whereby the insurance commitment is valued on the basis of expected present values of future cash flows, with consideration given to a risk margin and a profit margin. The two other valuation approaches can be applied under specific circumstances. The choice of approach depends on the terms of the contract (long-term, short-term or profit-yielding). The Bank has initiated a project for the implementation of IFRS 17 and is currently analysing the financial effects of the new standard on the Group's accounts.

4. BASIS OF CONSOLIDATION AND PRESENTATION

Subsidiaries

All companies directly or indirectly controlled by Handelsbanken (subsidiaries) have been fully consolidated. The Bank is deemed to have direct control of a company when it is exposed to, or is entitled to, variable returns from its holdings in the company and can affect the return by means of its influence over the company. As a rule, control exists if Handelsbanken owns more than 50 per cent of the voting power at shareholders' meetings or the equivalent.

Subsidiaries are consolidated according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction where the Group acquires the company's identifiable assets and assumes its liabilities and obligations. In the case of business combinations, an acquisition balance sheet is prepared, where identifiable assets and liabilities are valued at fair value at the acquisition date. The cost of the business combination comprises the fair value of all assets, liabilities and issued equity instruments provided as payment for the net

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assets in the subsidiary. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisition balance sheet is recognised as goodwill in the Group's balance sheet. Acquisition-related expenses are recognised when they arise. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date until the date on which control ceases. Intra-group transactions and balances are eliminated when preparing the Group's financial reports.

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

Where the accounting policies applied for an individual subsidiary do not correspond to the policies applied in the Group, an adjustment is made to the consolidated accounts when consolidating the subsidiary.

Structured entities

A structured entity is a company formed to achieve a limited and well-defined purpose, where the voting rights are not the definitive factor in determining whether control exists. Handelsbanken's holdings in structured entities are restricted to holdings in mutual funds.

Funds for which the Bank is asset manager and in which the Bank owns more than 50 per cent of the shares are consolidated. The Bank's holding in the fund is recognised at fair value in the balance sheet item Shares. The remainder of the fair value of the fund is consolidated and recognised under the items Assets and Liabilities where the customer bears the value change risk on the balance sheet. Ownership of between 20 and 50 per cent is consolidated in certain cases if the circumstances indicate that the Bank has a controlling interest, for example if the fund has a broad management mandate and generates a high proportion of variable return.

Holdings arising from unit-linked insurance contracts are not considered to expose the Group to variable return. These holdings are excluded from the assessment of whether a controlling interest over the fund exists. Holdings in funds arising from unit-linked insurance contracts are recognised as Assets where the customer bears the value change risk, while the corresponding liabilities for the unit-linked insurance contracts are recognised as Liabilities where the customer bears the value change risk.

Information on holdings in non-consolidated structured entities is provided in note G46.

Associates and joint ventures

Companies in which Handelsbanken has a significant influence are reported as associates. A significant influence entails the right to participate in decisions concerning the company's financial and operating strategies but does not give control over these. As a rule, a significant influence exists when the share of voting power in the company is at least 20 per cent and at most 50 per cent, or when contractual terms enable the Bank to exercise a significant influence. In a joint venture, the Bank exercises a joint controlling interest with one or more other parties. Associates and joint ventures are reported in the consolidated accounts in accordance with the equity method. This means that the holding is initially reported at cost. The carrying amount is increased or decreased to recognise the Group's share of the associate's or the joint venture's profits or losses after the date of acquisition. Any dividends from associates and joint ventures are deducted from the carrying amount of the holding. Shares of the profit of associates and joint ventures are reported as Share of profit of associates and joint ventures on a separate row in the Group's income statement.

Assets held for sale and accounting of discontinued operations

Non-current assets or a group of assets (disposal group) are classified as held for sale when the carrying amount will be mainly recovered through a sale and when a sale is highly probable. If an asset is classified as held for sale, special valuation principles are applied. These principles essentially mean that, with the exception of items such as financial assets and liabilities (see point 8), assets held for sale and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. Thus, property, plant and equipment or intangible assets held for sale are not depreciated or amortised. Any impairment losses and subsequent revaluations are recognised directly in the income statement. However, a gain is not reported to the extent that it exceeds previously recognised accumulated impairment. Assets and liabilities held for sale are reported as a separate item on the Group's balance sheet until the time of sale.

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

5. SEGMENT REPORTING

The segment reporting presents income/expenses and assets/liabilities broken down by business segments. A business segment is a part of the Group that runs operations which generate external or internal income and expenses and of which the profit/loss is regularly assessed and followed up by executive management as part of corporate governance. The principles for segment reporting are described further in note G43.

6. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

Translation of transactions in a currency other than the functional currency

Transactions in a currency other than the functional currency – foreign currency – are initially translated into the functional currency at the rate prevailing on the transaction date. Monetary items in foreign currencies and non-monetary items in foreign currencies that are measured at fair value are converted at the balance sheet date using the prevailing closing rate. Gains and losses arising from the currency translation of monetary items and non-monetary items measured at fair value are recognised in the income statement as foreign exchange effects under Net gains/losses on financial transactions. Translation differences that have arisen from non-monetary items classified as measured at fair value through other comprehensive income are recognised as a component of Other comprehensive income and are accumulated in equity. Exchange differences arising when translating monetary items comprising part of a net investment in a foreign operation are recognised in the same way.

Translation of foreign operations to the Group's presentation currency

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

7. RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET

Purchases and sales of equities and money market and capital market instruments on the spot market are recognised on the trade date,

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which is the date on which an agreement is entered into. The same applies to derivatives. Other financial assets and liabilities are normally recognised on the settlement date.

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

The policies for recognising financial instruments on the balance sheet are of special importance when accounting for repurchase transactions, securities loans and leases (see the separate sections concerning these).

8. FINANCIAL INSTRUMENTS

Measurement categories

All financial assets, in compliance with IFRS 9, are allocated to one of the following measurement categories:

1. amortised cost
2. fair value through other comprehensive income
3. fair value through profit or loss

a. mandatory
b. fair value option

The starting point for the classification of financial assets into the respective measurement categories is the company's business model for managing the financial instruments, as well as whether the instruments' contractual cash flows only constitute solely payments of principal and interest.

Financial liabilities are classified as follows:

1. amortised cost
2. fair value through profit or loss

a. mandatory
b. fair value option

As a general rule, financial liabilities are recognised at amortised cost. The exceptions are financial liabilities which are required to be measured at fair value through profit or loss, such as derivatives, and liabilities which, upon initial recognition, are irrevocably identified as being measured at fair value (fair value option).

Financial assets and liabilities recognised on the same row on the balance sheet may be classified in different measurement categories, see note G38.

Upon initial recognition, all financial assets and liabilities are designated at fair value. For assets and liabilities at fair value through profit or loss, the transaction costs are recognised in the income statement on the acquisition date. For other financial instruments, the transaction costs are included in the acquisition cost.

Assessment of the business model

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

Assessment of whether contractual cash flows constitute solely payments of principal and interest

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

To assess whether the financial asset's contractual cash flows constitute solely payments of principal and interest, the contractual terms of the financial asset are reviewed. If there are contractual terms that could change the timing or amounts of the contractual cash flows, modify the consideration for the time value of money, cause leverage or entail extra costs for prepayment and extension, then the cash flows are assessed as not constituting solely payments of principal and interest.

Amortised cost

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

- The objective of the business model is to collect contractual cash flows.
- The contractual cash flows constitute solely payments of principal and interest.

Financial assets recognised in the measurement category amortised cost consist of loans and holdings of interest-bearing securities that fulfil the above conditions. These assets are subject to impairment testing. Financial liabilities recognised in the measurement category amortised cost consist primarily of liabilities due to credit institutions, deposits and borrowing from the public, and issued securities.

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

Interest and credit losses relating to financial instruments measured at amortised cost are recognised in the income statement under Net interest income and Credit losses, respectively. Early repayment charges for loans redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own issued securities, are recognised in the income statement under Net gains/losses on financial transactions. Foreign exchange effects are also recognised under Net gains/losses on financial transactions.

Fair value through other comprehensive income

A financial asset is to be measured at fair value through other comprehensive income if both of the following conditions are met:

- The objective of the business model is both to collect contractual cash flows and to sell the asset.
- The contractual cash flows constitute solely payments of principal and interest.

Holdings of interest-bearing securities in the Bank's liquidity portfolio which satisfy the above conditions are recognised in the fair value through other comprehensive income measurement category. These assets are subject to impairment testing. Interest income is recognised under Net interest income, while foreign exchange effects and credit losses are recognised under Net gains/losses on financial transactions. Unrealised changes in value are recognised in other comprehensive income and reclassified to the income statement, under the item Net gains/losses on financial transactions, in conjunction with a sale.

Upon initial recognition, equity instruments that are not held for trading may be irrevocably classified as measured at fair value through other comprehensive income. Subsequent changes in value, both realised and unrealised and including exchange gains/losses, are thus recognised in other comprehensive income. Realised changes in value are reclassified to retained earnings, i.e. reclassified within equity, and not to the income statement. Only dividend income from these holdings is recognised in the income statement. This valuation principle is applied for certain shareholdings in companies which engage in activities to support the Bank. For example, these may refer to participating interests in clearing organisations, or infrastructure collaborations on the Bank's home markets. These shareholdings are long-term and remain largely unchanged from year to year.

Fair value through profit or loss, mandatory

If a financial asset does not meet the conditions for measurement at amortised cost or for measurement at fair value through other comprehensive income, measurement at fair value through profit or loss is mandatory.

Financial assets and liabilities held for trading are always classified as measured at fair value through profit or loss, as are financial assets managed and evaluated on a fair value basis.

The measurement category 'fair value through profit or loss, mandatory' mainly consists of listed shares, units in mutual funds, interest-bearing securities and derivatives. Interest, dividends, foreign exchange effects, and realised and

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unrealised changes in value related to these instruments are recognised in the income statement under Net gains/losses on financial transactions. For the recognition of derivatives through hedge accounting, see section 11.

Fair value through profit or loss, fair value option

There is an option, at initial recognition, to irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring the asset.

There is a corresponding option to irrevocably designate, at initial recognition, a financial liability as measured at fair value through profit or loss if either of the following conditions is met:

- It eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring the liability.
- A group of financial liabilities or a group of both financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about these instruments is provided internally to the Bank's management on that basis.

This valuation principle has been applied to avoid inconsistencies when measuring assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis, such as liabilities resulting from unit-linked insurance contracts and certain holdings in the liquidity portfolio which are hedged with economic hedges.

Unrealised and realised changes in the fair value of financial instruments that are measured at fair value through profit or loss via the fair value option are recognised under Net gains/losses on financial transactions. Interest attributable to these instruments is recognised under Net interest income.

Reclassifications of financial instruments

As a general rule, financial assets are not reclassified after initial recognition. Reclassification is permitted in the rare case that the Bank changes the business model it applies for the management of a portfolio of financial assets. The reclassification of financial liabilities is not permitted after initial recognition.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument (loans and interest-bearing securities), for example, a credit guarantee. The fair value of an issued guarantee is the same as the premium received when it was issued. Upon initial recognition, the premium received for the guarantee is recognised as a liability under Accrued expenses and deferred income on the balance sheet. The guarantee is subsequently measured at the higher of the amortised premium or the provision for the expected loss. Premiums for issued financial guarantees are amortised under Net fee and commission income over the validity period of the guarantee. In addition, the total guaranteed amount relating to guarantees issued is reported off-balance as a contingent liability, see note G41.

Premiums for purchased financial guarantees are accrued and recognised as decreased interest income under Net interest income if the interest on the debt instrument to which the guarantee refers is recognised there.

Loan commitments are reported off-balance until the settlement date of the loan, see note G41. Fees received for loan commitments are accrued under net fee and commission income over the maturity of the commitment unless it is highly probable that the commitment will be fulfilled. In such cases, received fees are included in the effective interest of the loan.

Financial guarantees and irrevocable loan commitments are subject to impairment testing.

Compound financial instruments

A compound financial instrument consists of an embedded derivative and a non-derivative host contract. Some of the compound instrument's cash flows vary in a way similar to the cash flows of a stand-alone derivative.

If the host contract in a compound financial instrument is a financial liability, an embedded derivative must be separated from the host contract and recognised as a derivative if all of the following terms are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The compound financial instrument is not measured at fair value through profit or loss. Consequently, derivatives embedded in financial liabilities measured at fair value through profit or loss are not recognised separately.

Such separate recognition is applied, for example, to issues of equity-linked bonds and other structured products.

Separate recognition is not applied to compound financial instruments when the host contract is a financial asset. Financial assets with embedded derivatives are regarded as a whole when assessing whether their contractual cash flows constitute solely payments of principal and interest.

The inherent value of the option to convert in issued convertible debt instruments is recognised separately in equity. The value of the equity component is determined at the time of issue as the difference between the fair value of the convertible debt instrument in its entirety reduced by the fair value of the liability component. The carrying amount of the equity component is not adjusted during the life of the convertible debt instrument. The liability component is recognised at fair value on the balance sheet at the time of issue. After initial recognition, the liability component is recognised at amortised cost based on the original effective interest rate.

Repurchase agreements and reverse repurchase agreements

Repurchase agreements, or repo transactions, refer to agreements where the parties simultaneously agree on the sale of specific securities and the repurchase of these securities at a pre-determined price. Securities sold in a repo transaction (repurchase agreement) remain on the balance sheet during the life of the transaction, as the Group is exposed to the value change risk applying to the security during this period. The sold instrument is also reported off-balance as a pledged asset. Depending on the counterparty, payment received is recognised under Due to credit institutions or as Deposits and borrowing from the public. Securities bought in a repo transaction (reverse repurchase agreement) are accounted for in the corresponding way, i.e. they are not recognised on the balance sheet during the life of the transaction. Depending on the counterparty, the payment made is recognised under Other loans to central banks, Loans to other credit institutions or Loans to the public. Collateral received which is sold on under repurchase agreements is recognised off-balance as a commitment.

Agreements for borrowing and lending of securities

Lent securities remain on the balance sheet, as the Group is still exposed to the value change risk applying to the security, as well as being reported off-balance as pledged assets. Borrowed securities are not recognised on the balance sheet unless they are sold (known as shortselling). If they are sold, a value corresponding to the sold instrument's fair value is recognised as a liability. Borrowed securities which are lent to a third party are recognised off-balance as commitments.

Derivative instruments

All derivatives are recognised on the balance sheet at fair value. Derivatives with positive fair values are recognised on the assets side under Derivative instruments. Derivatives with negative fair values are recognised on the liabilities side under Derivative instruments. Realised and unrealised gains and losses on derivatives are recognised in the income statement under Net gains/losses on financial transactions. For the recognition of derivatives through hedge accounting, see section 11.

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Offset of financial assets and liabilities
Financial assets and liabilities are offset on the balance sheet if the Bank has a contractual right to offset, in its operating activities and in the event of bankruptcy, and if the intention is to settle the items on a net basis or to simultaneously liquidate the asset and settle the liability. Further information about set-off of financial assets and liabilities is provided in note G22.

9. PRINCIPLES FOR FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Shares
Shares listed on an active market are valued at market price. When valuing shares and participations in level 3, the choice of model is determined by what is deemed appropriate for the individual instrument. Holdings of shares in level 3 mainly consist of shares in companies which engage in activities to support the Bank. In all material respects, shares in level 3 are classified at fair value through other comprehensive income. In general, such holdings are valued at the Bank's share of the company's net asset value. For shares in level 3 for which the company agreement regulates the price at which the shares can be divested, the holdings are valued at the predetermined divestment price.

When valuing level 3 units in private equity funds, valuation principles adopted by the European Venture Capital & Private Equity Association (EVCA) are used. In these models, the market value of the investments is derived from a relative valuation of comparable listed companies in the same sector. Adjustments are made for profit/loss items that prevent comparison between the investment and the compared company, and the value of the investment is then determined on the basis of profit multiples such as P/E and EV/EBITA. Changes in value and capital gains on holdings in private equity funds which comprise part of the investment assets in the insurance operations are not reported directly in the income statement but are included in the basis for calculating the yield split in the insurance operations. See section 13.

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

When performing model valuation for derivatives, in some cases there are differences between the transaction price and the value measured by a valuation model upon initial recognition. Such differences occur when the applied valuation model does not fully incorporate all the components that affect the value of the derivative. Unrealised results due to positive differences between the transaction price and the value measured by a valuation model (known as day 1 gains/losses) are comprised of the Bank's profit margin and compensation to cover, for example, the cost of capital and administrative expenses. Unrealised positive day 1 gains/losses are not recognised in profit/loss upon initial recognition, but are amortised over the life of the derivative.

Up until the 2019 financial year, the Bank applied a method entailing that an ongoing independent valuation was made of the total credit risk component, both counterparty risk (Credit Valuation Adjustment, CVA) and own credit risk (Debit Valuation Adjustment, DVA), in outstanding model-valued derivatives. Changes in fair value due to changed credit risk were recognised in profit/loss to the extent that the overall effect exceeded non-recognised day 1 gains/losses. As of 2020, a new method has been implemented, entailing that the Bank recognises changes in CVA and DVA on an ongoing basis at transaction level as a part of the fair value of the derivatives in the income statement and balance sheet. In conjunction with this, a revised assessment of the CVA calculation model was made, and this was changed from a model using solely historical PD values to a model using market-implied PD values. These changes affect the reporting prospectively. The initial effect of the transition to a new model for the calculation of CVA and DVA as of 1 January 2020 was SEK -134m, which impacted profit/loss in the first quarter. The negative impact on profit was partially compensated for by the reversal of the portion of non-recognised day 1 gains/losses attributable to CVA, amounting to SEK 87m. The remaining components of non-recognised day 1 gains/losses, following the implementation of the ongoing reporting method for CVA and DVA, are, as explained above, amortised over the life of the derivative.

Assets and liabilities where the customer bears the value change risk
Assets where the customer bears the value change risk mainly comprise shares in unit-linked insurance contracts. These shares are valued using the fund's current market value (NAV). Each asset corresponds to a liability where the customer bears the value change risk. The valuation of these liabilities reflects the valuation of the assets. Since the policyholders/shareholders have prior rights to the assets, there is no motive to adjust the valuation for credit risk. Assets and liabilities where the customer bears the value change risk have essentially been classified at fair value through profit or loss.

10. CREDIT LOSSES

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

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tested for impairment are divided into the following three stages, depending on the degree of credit impairment:

- Stage 1 comprises financial assets with no significant increase in credit risk since initial recognition.
- Stage 2 comprises financial assets with a significant increase in credit risk since initial recognition, but for which there is no objective evidence that the claim is credit-impaired at the time of reporting.
- Stage 3 comprises financial assets for which objective circumstances have been identified indicating that the claim is credit-impaired. For a definition of credit-impaired assets, refer to the heading Default/Credit-impaired asset below.

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

For agreements in Stage 1 and Stage 2, there is a Group-wide, central process using model-based calculation. The process begins for all agreements with an assessment of whether there has been a significant increase in the credit risk since initial recognition (start date of the agreement). For a detailed description of significant increases in credit risk, see the 'Credit risks' section of note G2. The provisions in the different impairment stages are calculated on an individual basis. Manual calculation is used for agreements in Stage 3, with the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3. In conjunction with each reporting date, an assessment is made at agreement level as to whether an agreement will be subject to a model-based calculation or a manual calculation.

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

Model-based calculation

The calculation of the expected credit losses takes into consideration at least three macroeconomic scenarios (one neutral, one positive and one negative scenario) with relevant macroeconomic risk factors, such as unemployment, key/central bank rates, GDP, inflation and property prices, by country. The various scenarios are used to adjust the risk parameters. Every macroeconomic scenario is assigned a probability, and the expected credit losses are obtained as a probability-weighted average of the expected credit losses for each scenario.

For additional information on the models used to calculate expected credit losses for agreements in Stage 1 and Stage 2 (and for a small portfolio of homogeneous claims in Stage 3), and for an explanation of concepts such as PD, EAD and LGD, expected maturity, significant increase in credit risk and macroeconomic information, see the 'Credit risks' section in note G2. For sensitivity analyses for expected credit losses, see note G10.

Manual calculation

Assets in Stage 3 are tested for impairment on an individual basis using a manual calculation (with the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3). This testing is carried out on a regular basis and in conjunction with every reporting date by the local branch with business responsibility (unit with customer and credit responsibility) and is decided by the regional and central credit departments.

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

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

Expert-based calculation

Expert-based calculation is carried out for credit losses, in order to incorporate the estimated impact of factors not deemed to have been considered in the model (Stage 1, Stage 2 and a small portfolio of homogeneous claims in Stage 3), or which have not been considered in manual calculations (Stage 3). The model-based calculations are constructed with the ambition of making as accurate estimations as possible of the individual contributions to the overall provision requirement. However, it is very difficult to incorporate all of the particular characteristics that define an individual agreement into a general model. For this reason, a manual analysis is carried out of the agreements which give the largest contributions to the overall provision requirement. The manual analysis aims to apply expert knowledge about the individual credits to an assessment of whether the model-based or manual calculations need to be replaced with an expert-based calculation. An expert-based calculation may entail either a higher or lower provision requirement than the original calculation.

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

Recognition and presentation of credit losses

- Financial assets measured at amortised cost are recognised on the balance sheet at their net amount, after the deduction of expected credit losses.
- Off-balance sheet items (financial guarantees and irrevocable loan commitments) are recognised at their nominal amounts. Provisions for expected credit losses on these instruments are recognised as a provision on the balance sheet.
- Financial assets at fair value through other comprehensive income are recognised at fair value on the balance sheet. Provisions for expected credit losses on these instruments are recognised in the fair value reserve in equity and do not, therefore, reduce the carrying amount of the instrument.
- For financial assets measured at amortised cost and off-balance sheet items, the period's credit losses (expected and actual) are recognised in the income statement under the item Credit losses. The item Credit losses consists of the period's provisions for expected credit losses, less reversals of previous provisions, as well as write-offs and recoveries during the period.
- For financial assets measured at fair value through other comprehensive income, the credit losses for the period (expected and actual) are recognised in the income statement under the item Net gains/losses on financial transactions.
- Write-offs consist of actual credit losses, less reversals of previous provisions for expected credit losses in Stage 3 and may refer to either the entirety or parts of a financial asset. Write-offs are recorded when there is deemed to be no realistic possibility of repayment. Following a write-off, the claim on the borrower and any

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guarantor normally remains and is thereafter, as a rule, subject to enforcement activities. Enforcement activities are not pursued in certain situations, such as when a trustee in bankruptcy has submitted their final accounts of the distribution of assets in conjunction with the bankruptcy, when a scheme of arrangement has been accepted or when a claim has been conceded in its entirety. Claims for which a concession is granted in conjunction with a restructuring of financial assets are always recognised as actual credit losses.
- Payments to the Bank in relation to written-off financial assets are recognised in income as recoveries.

Further information on credit losses is provided in note G10.

Default/Credit-impaired asset
The Bank's definition of default is identical to the definition applied in the Capital Requirements Regulation (CRR), entailing either that the counterparty is over 90 days overdue with a payment or that an assessment has been made that the counterparty will be unable to fulfil its contractual payment obligations. Such an assessment implies that it is deemed to be more likely that the borrower will be unable to pay than that they will be able to pay. The assessment is founded on all available information about the borrower's repayment capacity. Consideration is given to indicators of insolvency such as insufficient liquidity, late and cancelled payments, records of non-payment or other signs of impaired repayment capacity. Other signals may include the borrower entering into bankruptcy or the granting of a substantial concession entailing a decrease in the value of the Bank's claim on the borrower.

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

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

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

In Stage 3, interest income is recognised net, that is, taking into account impairment. Interest rate effects arising due to discounting effects, attributable to the decrease of the period until the expected payment, result in a reversal of previously provisioned amounts and are recognised as interest income in accordance with the effective interest method.

Valuation of repossessed property and equipment to protect claims
Upon initial recognition, repossessed property and equipment is recognised at fair value on the balance sheet. Repossessed property and equipment (including repossessed lease assets) which is expected to be divested in the near future is valued at the lower of the carrying amount and fair value less costs to sell. Repossessed property which is not expected to be divested in the near future is reported as investment properties at fair value through profit or loss. Unlisted shareholdings taken over to protect claims are normally recognised at fair value through profit or loss.

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

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

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

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

11. HEDGE ACCOUNTING
Handelsbanken has elected to continue to apply the hedge accounting rules in IAS 39, in accordance with the transitional rules in IFRS 9. The Group applies different methods for hedge accounting, depending on the purpose of the hedge. Derivatives – mainly interest rate swaps and cross-currency interest rate swaps – are used as hedging instruments. In addition, when hedging foreign exchange risks related to net investments in foreign operations, liabilities in the functional currency of the respective foreign operation are used as a hedging instrument. As part of the Group's hedging strategies, the value changes of a hedging instrument are sometimes divided into separate components and included in more than one hedge relationship. Therefore, one and the same hedging instrument can hedge different risks. Division of hedging instruments is only done if the hedged risks can clearly be identified, the efficiency can be reliably measured, and the total value change of the hedging instrument is included in any hedge relationship.

Cash flow hedges are applied to manage exposures to variations in cash flows relating to changes in the floating interest rates on lending and funding. The expected maturity for this type of lending and funding is normally much longer than the interest rate adjustment period, which is very short. Cash flow hedging is also used to hedge foreign exchange risk in future cash flows deriving from lending and funding. Foreign exchange risks deriving from intragroup monetary items can also be subject to this type of hedging, if they give rise to currency exposures which are not fully eliminated on consolidation. Derivatives which are hedging instruments in cash flow hedges are measured at fair value. If the derivative's value change is effective – that is, it corresponds to future cash flows related to the hedged item – it is recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of the derivative's value change are recognised in the income statement under Net gains/losses on financial transactions. When a cash flow hedge is terminated early, the cumulative gain or loss on the hedging instrument previously recognised in other comprehensive income is amortised under Net gains/losses on financial transactions during the period in which the hedged cash flows are expected to occur. If cash flow hedges are terminated early and the hedged cash flows are no longer expected to occur, the accumulated value change is reclassified in the hedge reserve to Net gains/losses on financial transactions.

Fair value hedges are used to protect the Group against undesirable impact on profit/loss due to exposure to changes in market prices. Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. Hedged risks in hedging packages at fair value comprise the interest rate and foreign exchange risk on lending and borrowing at fixed interest rates and also lending with interest rate caps. The

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hedging instruments in these hedging relationships consist of interest rate swaps, cross-currency interest rate swaps and interest rate options. In the case of fair value hedges, the hedge instrument and hedged risk are both recognised at fair value. Changes in value are recognised directly in the income statement under Net gains/losses on financial transactions. When portfolio hedging is applied, the value of the hedged item is reported as a separate line item in the balance sheet in conjunction with Loans to the public. When fair value hedges are terminated early, the accrued value change on the hedged item is amortised under Net gains/losses on financial transactions during the remaining time to maturity. When a fair value hedge is terminated early, and the hedged item no longer exists, the value change generated is reversed directly under Net gains/losses on financial transactions. Accumulated changes in the value of portfolio hedges which have been terminated early are reported on the balance sheet under Other assets.

Hedging of net investments in foreign units is applied to protect the Group from exchange differences due to operations abroad. Cross-currency interest rate swaps and loans in foreign currencies are used as hedging instruments. The hedged item in these hedges is made up of net investments in the form of direct investments, as well as claims on foreign operations that are not expected to be settled in the foreseeable future. Loans in foreign currency that hedge net investments in foreign operations are recognised in the Group at the exchange rate on the balance sheet date. The effective part of the exchange differences for such loans is recognised as a component of Other comprehensive income and in the translation reserve in equity. The effective part of changes in value in cross-currency interest rate swaps that hedge foreign exchange risk in claims on foreign operations is recognised in the same manner. The ineffective components of hedges of net investments in foreign operations are recognised in the income statement under Net gains/losses on financial transactions.

Interest Rate Benchmark Reform

There are temporary exemptions from applying certain specific hedge accounting requirements for all hedging relationships directly affected by the Interest Rate Benchmark Reform. The purpose of the temporary exemptions is to prevent the break-up of otherwise effective hedging relationships solely due to the uncertainty brought about by the Interest Rate Benchmark Reform. A direct impact on the hedging relationship exists only if this causes uncertainty about the benchmark rate relating to the hedged risk and/or dates or amounts regarding cash flows from the hedged item or hedging instrument that are based on the benchmark rate. The uncertainty about the benchmark rate will persist until such time as a decision has been made about which rate will be the alternative interest rate, as well as about if and when the reform will be implemented, including a specification of the effects on individual contracts. For more information, see note G21 Hedge accounting, Interest Rate Benchmark Reform.

12. LEASES

The Bank as lessor

A lessor must classify all leases as either finance leases or operating leases. A finance lease substantially transfers all the risks and rewards incidental to legal ownership of the leased asset from the lessor to the lessee. Other leases are classified as operating leases. All leases where the Group is the lessor have been defined as finance leases. Lease agreements of this kind are accounted for as loans on the balance sheet, initially for an amount corresponding to the net investment. Lease fees received are recognised on a continual basis as interest income or repayments.

Net investments in finance leases are subject to impairment testing in accordance with IFRS 9, in the same way as financial assets measured at amortised cost.

The Bank as lessee

At the commencement of a lease agreement, the lessee recognises a lease liability and right-of-use asset. The lease liability is initially recognised at the present value of future lease fees, discounted by the Bank's incremental borrowing rate. Lease fees included in the valuation of the lease liability are primarily comprised of fixed fees and variable index-linked charges. The right-of-use asset is initially recognised at cost, which corresponds to the original valuation of the lease liability, prepaid lease fees, any initial direct expenditure, and an estimation of future restoration costs. Restoration costs are only included in the cost of acquisition when these are an obligation under the terms of the lease.

In subsequent valuations of the lease liability, the carrying amount increases due to interest and decreases in accordance with lease payments made. In addition, the lease liability may increase or decrease in conjunction with reassessments of or amendments to the lease agreement. In subsequent valuations of the right-of-use asset, the asset is measured at cost less accumulated depreciation and any impairment, taking into account any revaluations of the lease liability. The right-of-use asset is depreciated over the term of the lease. Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. See the section on impairment testing under point 15.

The right-of-use assets are included in the Property and equipment balance sheet item, while the lease liability is included in the Other liabilities balance sheet item.

Lease agreements with a term of less than 12 months, or for which the underlying asset is of a low value, are recognised as an expense on a straight-line basis over the term of the lease, and are thus not included in lease liabilities and right-of-use assets.

13. INSURANCE OPERATIONS

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

Classification and unbundling of insurance contracts

Contracts that include significant insurance risk are classified in the consolidated accounts as insurance contracts. 'Insurance risk' refers to risk other than financial risk that is transferred from the contract's owner to the issuer. Contracts that do not transfer significant insurance risk are classified in their entirety as investment contracts. Generally, this means that insurance policies with repayment cover are classified as investment contracts and other contracts are classified as insurance contracts. Insurance contracts consisting of both insurance components and savings (financial components) are unbundled and recognised separately in accordance with the principles described below.

Accounting for insurance components in insurance contracts

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

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

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Accounting for investment contracts and financial components of insurance contracts
Incoming and outgoing payments referring to customers' savings capital originating in investment contracts and financial components of insurance contracts are recognised directly on the balance sheet as deposits and withdrawals.

The financial components of traditional life insurance policies that are separated from the insurance contract are recognised on the balance sheet as borrowing from the public. These liabilities are valued at the higher of the guaranteed amount and the current value of the insurance contract. The guaranteed amount earns interest at the guarantee rate of interest and corresponds to the amortised cost of the insurance contract. The current value of the insurance contract is equal to the value of the assets managed on behalf of the policyholders, and earns interest with a return that is based on the total return for the assets with a deduction for any yield split. The yield split implies that the insurer is allocated a contracted part of the total return if this return exceeds the guaranteed return during the calendar year. The calculation is performed annually and is accumulated for each individual insurance contract. This means that the conditional bonus is reduced in those cases where the yield in an individual year is less than the guaranteed interest rate and vice versa. The share that accrues to the Group under the yield split model is reported as Fee and commission income. If the yield is less than the guaranteed yield per contract, the difference is recognised in the income statement under Net gains/losses on financial transactions.

Assets and liabilities arising from unit-linked insurance contracts are recognised at fair value on the balance sheet under the items Assets/Liabilities where the customer bears the value change risk, respectively.

Premium fees, asset fees and administrative charges for investment contracts and insurance contracts are recognised in the income statement under Fee and commission income. Acquisition costs are recognised directly in the income statement.

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

14. INTANGIBLE ASSETS

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

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

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

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

Since it is not possible to differentiate between cash flows arising from goodwill and cash flows arising from other assets, impairment testing of goodwill takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is followed up at business segment level. Material assessments and assumptions in the impairment testing of goodwill are described in note G23. Previously recognised impairment losses on goodwill are not reversed.

Intangible assets with a finite useful life
Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. Currently this means that customer contracts are amortised over 20 years and that internally developed software is normally amortised over five years. In certain infrastructure projects, the useful life is assessed to be more than five years. For these types of investment, the amortisation period is up to 15 years. Brand names which are subject to amortisation are amortised over five years. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed. Intangible assets with a finite useful life are reviewed for impairment when there is an indication that the asset may be impaired. The impairment test is performed according to the same principles as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

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

Depreciation is based on the estimated useful lives of the assets. A linear depreciation plan is usually applied. The estimated useful lives are reviewed annually. The tangible assets that consist of components with different estimated useful lives are sub-divided into different categories with separate depreciation plans. Such depreciation of components is normally only applied for real property. Only components of the property whose acquisition costs are substantial in relation to the total acquisition cost are separately depreciated. The remaining parts of the real property (building structure) are depreciated as a whole over their expected useful life. Currently, the useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years and for permanent equipment, service facilities etc. in buildings 10 years. Personal computers and other IT equipment are usually depreciated over three years and investments in bank vaults and similar investments in premises over 10 years. Other equipment is normally depreciated over five years.

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

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

G1 Cont.

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

Provisions are reported for restructuring. Restructuring refers to major organisational changes, for example when employees receive termination benefits relating to early termination of employment, or branches are closed. In order for a provision to be reported, a restructuring plan must have been established and communicated so that a valid expectation has been created in those affected, that the enterprise will carry out the restructuring. A restructuring provision only includes the direct expenditures arising from the restructuring and which are not related to the future operations.

17. EQUITY

Equity comprises the components described here.

Share premium reserve

The share premium reserve comprises the options component of issued convertible debt instruments and the amount that in the issue of shares and conversion of convertible debt instruments exceeds the quotient value of the shares issued.

Hedge reserve

Unrealised changes in the value of derivative instruments which comprise hedge instruments in cash flow hedges are reported in the hedge reserve.

Fair value reserve

Unrealised changes in the value of financial assets classified as measured at fair value through other comprehensive income are recognised in the fair value reserve. Furthermore, the fair value reserve includes provisions for expected credit losses on debt instruments classified as measured at fair value through other comprehensive income. Realised changes in the value of these debt instruments are reclassified from the fair value reserve to the income statement. Realised changes in the value of equity instruments classified as measured at fair value through other comprehensive income are reclassified from the fair value reserve to retained earnings.

Translation reserve

The translation reserve comprises unrealised foreign exchange effects arising due to translation of foreign units to the presentation currency of the consolidated accounts. In addition, effective parts of hedges of net investments in foreign operations are recognised in the translation reserve.

Defined benefit pension plans

The item Defined benefit pension plans is comprised of actuarial gains and losses on the pension obligation, as well as the return on plan assets that exceeds or falls below the return based on the discount rate.

Retained earnings including profit for the year

Retained earnings comprise the profits generated from the current and previous financial years. Dividends and repurchases of own shares are reported as deductions from retained earnings.

Realised gains/losses which are attributable to equity instruments classified as measured at fair value through other comprehensive income are reclassified from the fair value reserve to retained earnings.

Non-controlling interest

Non-controlling interest consists of the portion of the Group's net assets that is not directly or indirectly owned by holders of the parent company's ordinary shares. Non-controlling interest is recorded as a separate component of equity.

Accounting for own shares

Repurchased own shares are not recognised as assets but are offset against retained earnings in equity.

18. INCOME

Net interest income

Interest income and interest expenses are recognised as Net interest income in the income statement, with the exception of interest flows deriving from financial instruments mandatorily measured at fair value through profit or loss, which are recognised under Net gains/losses on financial transactions, where the overall activity in the trading book is recognised.

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

Net interest income also includes interest from derivative instruments recognised through hedge accounting and interest from derivatives in economic hedges, as these hedge items for which the interest flows are recognised under Net interest income.

In addition to interest income and interest expenses, net interest income includes fees for state guarantees, such as deposit guarantees and the resolution fee.

Revenue from contracts with customers

The standard for Revenue from contracts with customers, IFRS 15, is applied for different types of services which are mainly recognised under Fee and commission income in the income statement. IFRS 15 is also applicable to certain services included in the item Other income. However, Other income does not, in all material respects, refer to income from contracts with customers.

The income is recognised at the point in time at which the performance obligation is satisfied, which corresponds to the transfer of control over the service to the customer. The total income is divided between each service and recognition in income depends on whether the services are fulfilled at a specific point in time, or over time.

The following principles apply to when income is recognised:

- Income earned gradually as the services are performed, such as management fees in asset management, is recognised at the rate these services are delivered, i.e. on a straight-line basis over time. This is due to the fact that the customer receives and consumes the service simultaneously, meaning that the Bank's obligation is fulfilled in line with the rendering of the service.
- Income attributable to a specific service or action is recognised when the service has been performed, i.e. at a specific point in time. Examples of such income are brokerage and payment commissions.

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

Payments are made on a regular basis as the services are performed and advance payments refer to a maximum of 12 months into the future. Accrued income is recognised for services which have been performed but have not yet been paid for. Deferred income is recognised for payments received for services which have not yet been performed. Income from contracts with customers constitutes an immaterial proportion of the items Accrued income and Deferred income. Additional expenditure required to obtain a contract with a customer is not recognised as an asset (prepaid expense), and is instead recognised as an expense during the accounting period in which it arises.

Net fee and commission income

Income and expense for various kinds of services are recognised in the income statement under the items Fee and commission income and Fee and commission expense, respectively. This means that brokerage income and various types of management fees are recognised as commissions. Other forms of income recognised

G1 Cont.

as commissions are payment commissions and card fees, premiums for financial guarantees issued, and commissions from insurance operations. Guarantee commissions that are comparable to interest and fees that constitute integrated components of financial instruments and therefore are included when calculating the effective interest are recognised under Net interest income and not commissions. Fee and commission expense is transaction-based and directly related to transactions for which the income is recognised as Fee and commission income.

Other income

The item Other income is primarily comprised of rental income and capital gains/losses arising from the divestment of participating interests in subsidiaries, associates and joint ventures. Other income therefore does not, in all material respects, refer to income from contracts with customers.

Net gains/losses on financial transactions

Net gains/losses on financial transactions includes all items with an impact on profit or loss that arise when measuring financial assets and liabilities at fair value through profit or loss, and when financial assets and liabilities are realised (with the exception of equity instruments classified as measured at fair value through other comprehensive income).

- Gains/losses on financial instruments at amortised cost consist of realised gains and losses on financial assets and liabilities classified as measured at amortised cost, such as early repayment charges for loans redeemed ahead of time, and capital gains/ losses generated from repurchases of the Bank's own issued securities.
- Gains/losses on financial instruments at fair value through other comprehensive income consist of realised gains and losses on interest-bearing securities classified as measured at fair value through other comprehensive income. Realised gains and losses are reclassified from other comprehensive income to Net gains/ losses on financial transactions in conjunction with a divestment/sale. The item also includes credit losses (expected and actual) on these assets.
- Gains/losses on financial instruments measured at fair value through profit or loss, fair value option, consist of unrealised and realised changes in the value of financial assets and liabilities that upon initial recognition were identified as measured at fair value through profit or loss.
- Gains/losses on financial instruments measured at fair value through profit or loss, mandatory, consist of unrealised and realised changes in value, dividend income and interest (with the exception of interest deriving from derivatives used to hedge items for which the interest flow is recognised in net interest income) on financial assets and liabilities held for trading, or which are managed and evaluated on the basis of fair value.
- Fair value hedges consist of unrealised and realised changes in the value of hedging instruments, and the hedged risk component in financial assets and liabilities which constitute hedged items in fair value hedges. Ineffective portion of cash flow hedges consists of changes in the value of hedging instruments which do not correspond to future cash flows attributable to the hedged item.
- Gains/losses on the financial component in an insurance contract consist of the gain or loss arising if the return is less than the guaranteed interest.

Dividend

Dividends on shares measured at fair value through other comprehensive income are recognised in the income statement under the item Other dividend income. Dividends on shares measured at fair value through profit or loss are recognised in the income statement under the item Net gains/losses on financial transactions. Dividends on shares in associates and joint ventures are not included in the Dividends item in the income statement. The recognition of Share of profit of associates and joint ventures is described in section 4.

19. EMPLOYEE BENEFITS

Staff costs

Staff costs consist of salaries, pension costs and other forms of direct staff costs including social security costs, special payroll tax on pension costs and other forms of payroll overheads. Any remuneration in connection with terminated employment is recognised as a liability when the agreement is reached and amortised over the remaining employment period.

Accounting for pensions

Post-employment benefits consist of defined contribution plans (defined premiums) and defined benefit plans. Benefit plans under which the Group pays fixed contributions into a separate legal entity, and subsequently has no legal or constructive obligations, are accounted for as defined contribution plans. The value change risk until the funds are paid out is borne by the employee. Premiums paid for defined contribution plans are recognised in the income statement as staff costs as they arise, by means of the employee rendering services to the company and the fees for these services falling due for payment.

Other post-employment benefit plans are accounted for as defined benefit plans. For defined benefit pension plans, the pension payable is based on the salary and period of employment, implying that the employer bears all the material risks for fulfilling the pension obligation. For defined benefit plans, the present value of the pension commitment is recognised as a pension obligation. For the majority of defined benefit plans, the Group has kept plan assets, for the purpose of covering the obligation, separately in pension foundations and a pension fund. For defined benefit plans, the pension obligations minus the fair value of the plan assets are reported as a net liability on the balance sheet. Actual gains and losses on the pension obligation arising when the actual outcome deviates from assumptions are recognised in other comprehensive income, as is the difference between actual return and estimated interest income on the plan assets.

The pension cost for defined benefit plans is recognised in the income statement as a staff cost and is comprised of the following items:

- Cost of accrued pension rights for the year, referring to the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.
- Interest expenses on the pension obligation arising due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current corporate bond rate (the rate at the start of the year) for maturities corresponding to the period remaining until the pension liability is due to be disbursed.
- Estimated interest income (yield) on the plan assets, for which the same interest rate is applied as when establishing the year's interest expenses on pension obligations.
- The estimated cost of special payroll tax, which is accrued using the same principles as for the underlying pension cost.

Calculation of costs and obligations resulting from the Group's defined benefit plans depends on several assessments and assumptions which may have a considerable impact on the amounts reported. A more detailed description of these assumptions and assessments is provided in section 21 and in note G8.

20. TAXES

The tax expense for the period consists of current tax and deferred tax. Current tax refers to taxes relating to the period's, or previous periods', taxable result. Deferred tax is tax referring to temporary differences between the carrying amount of an asset or liability and its taxable value. Deferred taxes are valued at the tax rate which is deemed to be applicable when the item is realised. Deferred tax claims related to deductible temporary differences and loss carry forwards are only recognised if it is probable that they will be utilised. Deferred tax liabilities are carried at nominal value. Tax is recognised in the income statement, either in Other comprehensive income or directly in equity depending on where the underlying transaction is reported.

G1 Cont.

21. ESTIMATES AND MATERIAL ASSESSMENTS

In certain cases, the application of the Group's accounting policies means that assessments must be made that have a material impact on amounts reported. The amounts reported are also affected, in a number of cases, by estimates and assumptions about the future. Such assumptions always imply a risk for adjustment of the reported value of assets and liabilities. The assessments and assumptions applied always reflect the management's best and fairest assessments and are continually subject to examination and validation.

The assessments and assumptions that have had a material impact on the financial reports are described below.

Estimates and material assessments concerning the following areas are provided in specific notes:

- financial instruments measured at fair value, see note G39, Fair value measurement of financial instruments
- impairment testing of goodwill, see note G23, Intangible assets
- claims in civil suits, see note G34, Provisions.

When preparing the Annual Report, certain critical assessments have been made due to uncertainty surrounding the matter of the potential effects of Covid-19 on the reporting. Areas specifically taken into account have been impairment testing for goodwill, loans to the public and loans to credit institutions. No other areas are assessed as being affected by Covid-19. None of the effects of Covid-19 have been assessed as having an impact on the Bank's status as a going concern. For more information on the above areas, see notes G2, G10 and G23.

Actuarial calculation of defined benefit pension plans

Calculation of the Group's expense and obligations for defined benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of defined benefit obligations for employees in Sweden is based on DUS14, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by Insurance Sweden. The assumptions on future salary increases and inflation are based on the anticipated long-term trend.

The discount rate is based on a number of first-class corporate bonds with varying maturities. For corporate bonds with maturities corresponding to the estimate average maturity of the pension obligation, this being 20 years, the discount rate is determined of the basis of market interest rates. Due to the fact that there are too few issuers of first-class corporate bonds with a maturity corresponding to that of the pension obligation, the Bank uses first-class corporate bonds with a shorter maturity as a supplementary basis to determine the discount rate. For these, the discount rate is determined on the basis of a yield curve. The yield curve is constructed as a spread over the Swedish swap curve. The spread, which is based on corporate bonds, excluding own issues, is applied to the swap curve. In this way, a yield curve is modelled and a 20-year yield can be derived from this.

Note G8 provides a sensitivity analysis of the Group's defined benefit obligation for all major actuarial assumptions. This shows how the obligation would have been affected by reasonably feasible changes in these assumptions.

Credit losses

The calculation of expected credit losses involves a number of assumptions and assessments. The valuation of expected credit losses is inherently associated with a certain degree of uncertainty. Areas involving a high degree of assumptions and assessments are described below under the respective headings.

Future-oriented information in macroeconomic scenarios

Handelsbanken continuously monitors macroeconomic developments, with a particular focus on the home markets. Through this monitoring, the Bank develops the macroeconomic scenarios which form the basis for the future-oriented information used in the model-based calculation of expected credit losses. The capacity of the Bank's customers to fulfil their contractual payments varies in line with macroeconomic developments. Consequently, future macroeconomic developments have an impact on the Bank's view of the provision needed to cover expected losses. The calculation of the provision requirement for expected credit losses is based on the neutral scenario proposed by the Bank's macroeconomic research unit. As the losses may be more highly affected by a future deterioration of economic trends than by the equivalent improvement, the Bank uses at least two alternative scenarios to take into account the non-linear aspects of expected credit losses. These alternative scenarios represent conceivable developments, one significantly worse and one significantly better than the neutral scenario. The most significant macroeconomic risk factors have been selected on the basis of the Bank's loss history over the past decade, supplemented with experience-based assessments. These macroeconomic risk factors are then used as macroeconomic risk factors in the Bank's quantitative statistical models for forecasting migrations, defaults, loss rates and exposures. The macroeconomic risk factors include unemployment, key/central bank rates, GDP, inflation and property prices. The Bank's business model, to offer credit to customers with a high repayment capacity, means that the connection between the macroeconomic developments and the provision requirement is not always especially pronounced. For a detailed description of macroeconomic information, see the 'Credit risks' section of note G2 and for a sensitivity analysis, see note G10.

Significant increase in credit risk

The Bank makes an assessment at agreement level at the end of each reporting period as to whether there has been a significant increase in credit risk since initial recognition. For a detailed description of significant increases in credit risk, see the 'Credit risks' section of note G2.

Model-based calculation

The quantitative models which form the basis for the calculation of expected credit losses for agreements in Stage 1 and Stage 2 make use of several assumptions and assessments. One key assumption is that the quantifiable relationships between macroeconomic risk factors and risk parameters in historical data are representative of future events. The quantitative models applied are based on a history of approximately 10 years, although this history varies by product and region due to inconsistency in the availability of historical outcomes. The quantitative models have been constructed with the help of econometric models, applying the assumption that the observations are independently conditioned by the risk factors. This means that the risk parameters can be predicted without distortion. Furthermore, a selection of the most significant macroeconomic risk factors is made on the basis of the macroeconomic risk factors' ability to demonstrate to individual risk parameters. The selection of the macroeconomic risk factors and specification of the model are based on achieving a balance between simplicity, demonstrative ability and stability.

Manual and expert-based calculation

As a rule, manual calculation is used for agreements in Stage 3, with the exception of a small portfolio of homogeneous claims in Stage 3. Expert-based calculation is carried out for model outcomes on agreements in Stage 1 and Stage 2, in order to incorporate the estimated impact of factors not deemed to have been considered in the model, as well as for manually assessed agreements in Stage 3. For more detailed descriptions of manual and expert-based calculation, see point 10 under the headings 'Manual calculation' and 'Expert-based calculation'.

G2 Risk and capital management

The numbering of certain tables and figures in this Note is consistent with the numbering used in Handelsbanken's publication "Risk and Capital – Information according to Pillar 3".

Handelsbanken works on the basis of a well-tested business model which has been unchanged for almost 50 years. The Bank has a decentralised way of working and a strong local presence through nationwide branch networks. The Bank attaches great importance to availability and long-term customer relationships, has low tolerance of risk and has grown geographically by applying its business model to selected markets. Handelsbanken's business model focuses on taking credit risks in the branch operations and works to minimise other risks.

For the past few decades, Handelsbanken's credit loss ratio has been significantly lower than the average of other Nordic banks. The Bank's goal is always that no credit will lead to a loss. This approach governs how the branches grant credit and work with their credit portfolios.

By maintaining large liquidity reserves and by matching cash flows, the Bank has worked for a long time to safeguard its low liquidity risk. This is also a natural consequence of the Bank's low risk tolerance.

Market risks at Handelsbanken are also very low.

RISK TOLERANCE

Handelsbanken has a low risk tolerance. The Bank focuses on long-term relationships with customers with a good repayment capacity and strong financial position. The quality requirement must never be neglected in favour of higher credit volumes, higher prices or market share.

Credit risks arise as an inherent part of lending operations. There is low tolerance of market risk and liquidity risk. Market risks only occur as part of customer business, in connection with the Bank's funding and liquidity management, and in its role as a market maker. Market risks also arise in the pension system.

The Bank's low tolerance of market risk has resulted in a comparatively low proportion of the Bank's earnings coming from net gains/losses on financial transactions. All funding and liquidity management is centralised to Group Treasury. Liquidity risk is limited by means of requirements on matching cash flows and satisfactory liquidity reserves of high quality.

Tolerance is also low for operational risk and compliance risks. As far as possible, the Bank endeavours to prevent these risks and to reduce the losses in this area. Losses must remain low.

RISK STRATEGY

The Bank's operations entail a variety of risks that are systematically identified, measured, managed and reported in all parts of the Group. Handelsbanken's restrictive approach to risk means that the Bank deliberately avoids high-risk transactions, even if the expected financial reward may be high at that time.

This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group. The risk culture is an integral part of the Bank's work and is deeply rooted among the Bank's employees. The Bank is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for its business and for risk management. As a consequence, there are strong incentives for high risk awareness and for prudence in business operations. However, the decentralised business model is combined with strong centralised controls. The low risk tolerance is also reflected in the view of remuneration. The main principle is that remuneration must be fixed since this contributes to the long-term perspective which is a central feature of Handelsbanken's business model. Employees whose professional activities have a material impact on the Bank's risk profile are not permitted to receive performance-based variable remuneration. Since the beginning of the 1970s, the employees have also been one of the largest owners of the Bank via the Oktogonen Foundation, which also contributes to a high level of risk awareness and a long-term approach.

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

This restrictive approach to risk means that the Bank is a stable and long-term business partner for its customers, regardless of the business cycle or market situation. It contributes both to good risk management and to sustaining a high service level even when operations and the markets where the Bank operates are subject to strain. The same principles for the Bank's approach to risks apply in all countries where the Bank operates and they are guiding principles in the Bank's continued international expansion.

RESILIENT RISK MANAGEMENT

Handelsbanken has a strong capital and liquidity situation. The Bank maintains continuous access to the financial markets via its short-term and long-term funding programmes. The Bank has a large and high-quality liquidity reserve, which provides a high degree of resistance to possible disruptions in the financial markets. Group Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and consists mainly of balances with central banks, government bonds and covered bonds. In addition, there is a comprehensive unutilised issue amount for covered bonds at Stadshypotek. Liquidity reserves are kept in all currencies that are important to the Bank. The total liquidity reserve covers the Bank's liquidity requirements for more than three years in a stressed scenario, entirely without access to new market funding. Operations can also be maintained for a considerable period of time even in an extreme situation when the foreign exchange markets are closed.

The Bank's capital situation remains strong. Good earnings and low credit losses during the year have contributed to this.

Handelsbanken's low tolerance of risk, good capitalisation and strong liquidity situation made the Bank well prepared and able to manage the risks arising during the first quarter as a result of the Covid-19 crisis. The liquidity situation was good during the crisis although increased utilisation of committed loan offers and a general credit demand led to a net utilisation of liquidity. Since the second quarter, the situation has returned to normal with good reserves to be

Figure AR 1 Credit losses as a percentage of lending 2001–2020

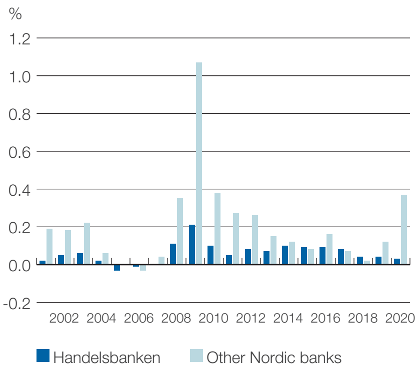
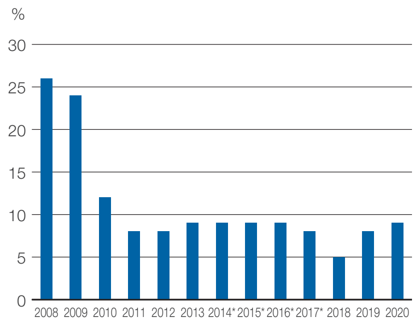


Figure AR 2 Net gains/losses on financial transactions as a proportion of profit 2008–2020



Source: Annual reports
* Excluding non-recurring items.

Figure AR:3 Risks at Handelsbanken

	Description
Credit risk	Credit risk is defined as the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.
Market risk	Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risk, equity price risk, foreign exchange risk and commodity price risk.
Liquidity risk	Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.
Operational risk	Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk.
Compliance risk	Compliance risk refers to risks associated with inadequate regulatory compliance. Compliance, in this case, means the observance of regulations, laws, directives and recommendations from public authorities, internal rules, as well as generally accepted business practices or standards relating to all operations that are subject to a licence.
Remuneration risk	Remuneration risk is the risk of loss or other damage arising due to the remuneration system.
Insurance risk	Insurance risk is the risk in the outcome of an insurance that depends on the insured party's longevity or health.

able to manage difficult market conditions. Credit losses were very low during the year and have not affected the capital or liquidity situation. As a consequence of the Covid-19 crisis, the Bank performs special stress tests and carefully monitors various indicators to follow up the market situation in order to be able to act at an early stage if the situation deteriorates again.

RISK ORGANISATION

Handelsbanken's Board has overall responsibility for the Bank's risk management and establishes internal regulations for this. The Board establishes policy documents and the CEO establishes guidelines describing how various risks should be managed and reported. For a description of the risk management framework, please refer to Handelsbanken's Corporate Governance Report on pages 66–83.

The Board has established a credit committee (composed of the CEO and the Chief Credit Officer, together with several Board members) and a UK committee (composed of the Chairman of the Board, the CEO and selected members of executive management) to facilitate structured, continuous follow-up of the operations in Handelsbanken plc.

The Board has also established several other committees which inter-alia prepare matters to be decided by the Board. These committees are as follows: risk committee, audit committee and remuneration committee. The members of the risk committee, audit committee and remuneration committee are comprised entirely of Board members. The risk forum is an internal forum acting in an advisory capacity to the CEO. For a description of the work of the committees and risk forum, see Handelsbanken's Corporate Governance Report on pages 66–83. The Bank also has the following committees acting in an advisory capacity to the CEO: risk committee, liquidity committee, capital committee and valuation committee.

REPORTING AND MONITORING OF THE RISK AND CAPITAL SITUATION

In 2020, the CRO reported the Group's risks to the CEO and risk committee at least quarterly, and to the Board annually. The report has also been presented to the risk forum. The Group risk reports include the CRO's assessment of the Group's material risks and an assessment of whether there are significant deficiencies in the operation to report and address. Where applicable, the report also includes proposed actions and a follow-up of previously reported risks and deficiencies. The Group risk reports include forward-looking risk assessments and must make possible an assessment of whether Handelsbanken is fulfilling the risk strategy and the risk tolerance decided by the Board. The Group risk report is formulated in accordance with the Board's Policy for risk control.

The risk committee, chaired by the Bank's CRO, acts in an advisory capacity to the CEO and CFO and met on eleven occasions in 2020. At meetings of the risk committee, the committee performs an in-depth follow-up of the Group's current risk situation, potential risks and actions for credit risks, financial risks, operational risk and risks in the insurance operations. Other types of risk are commented on where necessary. Indicators for the recovery plan are monitored and any actions, including an assessment of their necessity, are discussed. In addition, limit utilisation for financial risks is subject to follow-up for the Group as a whole. The capital situation, utilisation of market risk limits and the liquidity situation are reported to the Board at each regular Board meeting.

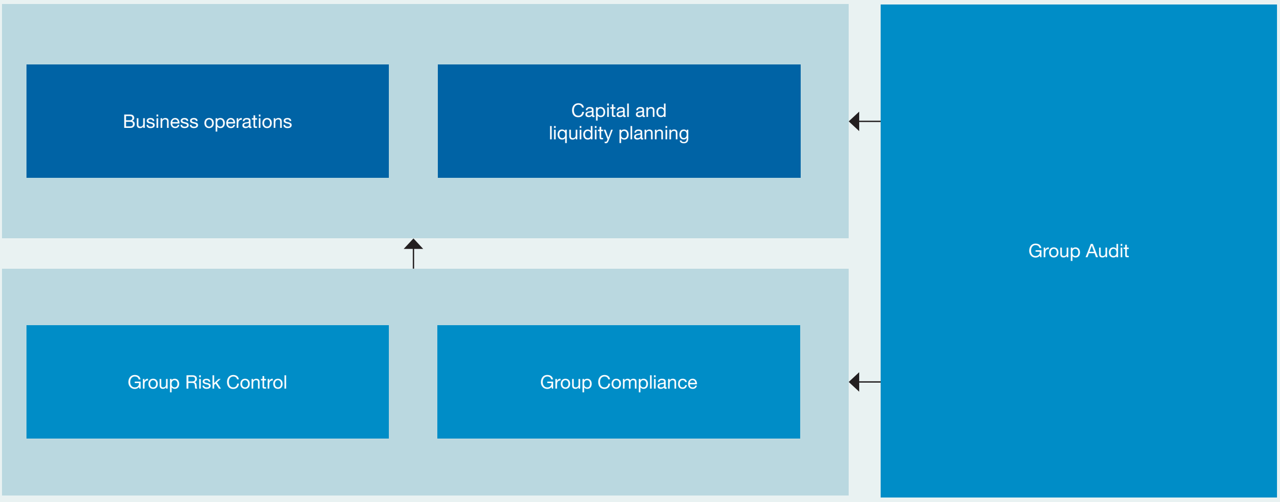
The credit risk situation, including counterparty risk, is reported periodically to the Bank's Board and to the boards of the subsidiaries. This includes volume growth, risk-reported credits and information from the Bank's credit risk models. The boards of the regional banks monitor the credit situation on an ongoing basis. Each branch compiles a quarterly risk report, where it reviews all its credit exposures where the borrower's repayment capacity is impaired and the Bank's collateral is insufficient, or there is a risk that it will be insufficient. Moreover, Group Risk Control reports on the development of credit risk at the Bank to the CEO, CFO, Chief Credit Officer and Heads of Credit in the Group on a monthly basis.

Limit utilisation for market risks and liquidity risks is compiled and checked on a daily basis by Group Risk Control. Exceeded limits are immediately reported to the person who makes the decision about the limits. The liquidity risk is summarised by Group Risk Control and reported daily to the CFO, weekly to the CEO and to the Board at every regular Board meeting. The liquidity committee, chaired by the Head of Group Treasury, acts in an advisory capacity to the CEO and CFO and meets before each regular Board meeting and on other occasions when necessary. At this committee meeting, reports are presented on the current liquidity situation, on results of stress tests, scenario analysis, and other information which is relevant for the assessment of the Group's liquidity situation.

Operational risks and incidents which have occurred are reported continuously by branches and units throughout the Handelsbanken Group to Risk Control, where they are subsequently monitored. In turn, Group Risk Control reports operational risk and incidents which have occurred to the risk committee and the Board's risk committee. Risks in the remuneration system are evaluated on an annual basis and reported to the Board's remuneration committee and risk committee. Operational risk reporting includes information regarding significant events, major losses, important proactive measures and an aggregated risk assessment at Group level. In addition, Group Risk Control monitors that the actions which have been decided are implemented. In 2020, the Chief Compliance Officer reported compliance risks at least quarterly to the CEO, semi-annually to the Board's risk committee and annually to the Board. The report has also been presented to the risk forum.

The Bank's capital requirement is reported weekly to the CFO and the CEO and at least quarterly to the Board. In cases where various thresholds are exceeded, or if the Head of Group Capital Management or the CFO deems it appropriate for some other reason, proposals for appropriate measures are presented to the CEO. The capital situation in a medium- and long-term perspective is summarised quarterly by the capital committee. Group Capital Management performs a complete update of the capital forecast on a quarterly basis, or when there are significant changes in conditions.

Figure AR:4 Handelsbanken's risk management and risk control



Business operations
The Bank is characterised by a clear allocation of responsibilities, where each part of the business operations bears full responsibility for its own business activities and its management of all risks. Those who know the customer and market conditions best are in the best position to assess the risk and can also act at an early stage if problems arise. Each branch and each profit centre is responsible for dealing with any problems that arise. This creates strong incentives for high risk awareness and for prudence in the business operations.

However, the decentralised credit decisions are conditional on a joint credit process, for which Group Credits is responsible. Group Credits prepares the credit limits which the Board or the credit committee set up by the Board decide on. Group Credits also ensures that credit assessments are consistent throughout the Group and that loans are granted in accordance with the credit policy decided by the Board.

Financial risks in the Bank's business operations mainly arise at Group Treasury, Handelsbanken Capital Markets, and Handelsbanken Liv, and are managed there. Handelsbanken has a highly decentralised business model, but all funding and liquidity risk management in the Group is centralised in Group Treasury. The market risks that arise to meet customers' demand for financial instruments with exposure to the fixed income, foreign exchange, equity or commodity markets are managed in Handelsbanken Capital Markets. Operational risk occurs in all of the Bank's operations, and the responsibility for managing operational risk is an integral part of managerial responsibility at all levels in Handelsbanken. The management of market risks, the management of the Bank's operational risk, and funding and liquidity management are all governed by policies established by the Board.

Stress tests – capital and liquidity planning
If Handelsbanken were to suffer serious losses, it holds capital and a liquidity reserve to ensure its survival during normal times and also after extreme events. Capital planning is based on an assessment of the capital situation in terms of the legal capital requirement, combined with calculation of economic capital and stress tests. Liquidity planning ensures that the Group can always meet its payment commitments when they fall due, even in situations of financial stress when funding is not possible in the financial markets. Stress tests and scenario analyses identify the measures that need to be prepared or implemented to ensure a satisfactory liquidity situation and capitalisation at any given time, and which measures are needed to restore the Group's capital and liquidity in a recovery situation following a serious crisis.

Group Risk Control and Group Compliance
The risk control function at Handelsbanken is independent of the functions that are to be monitored. The risk control function verifies that all material risks to which the Group is exposed, or may be exposed in the future, are identified and managed by the relevant functions. Risk Control monitors and verifies the Group's risk management. It ensures that relevant internal rules, processes and procedures concerning risk management are followed, while also ensuring that the risks fall within the risk tolerance established by the Central Board, and that management has reliable information to use as a basis for managing risks in critical situations. Its responsibilities also include monitoring the limits for market, liquidity and counterparty risks, and operational risk, and evaluating breaches of these limits and credit limits. The risk control function must also evaluate the risk analysis performed in the operations for new and materially changed products and services, markets, processes and IT systems, and in conjunction with significant changes to the operations or organisation.

As business decisions become more decentralised, the need for monitoring of the risk and capital situation increases. Risk control is therefore a natural and vital component of the Bank's business model. Group Risk Control Group Risk Control is responsible for continuously reporting the current risk situation in the Group to the Bank's management and Board and for ensuring that risks are measured in a fit-for-purpose and consistant manner across the Group.

Compliance risks and risks related to procedures and guidelines for preventing money laundering and terrorist financing are monitored by Group Compliance. Compliance is independent of the business operations and organisationally separate from the functions and areas which are subject to control. Compliance works actively to ensure a high level of compliance and to ensure that Handelsbanken's low tolerance of compliance risks is adhered to. Compliance identifies, monitors and scrutinises risks and deficiencies related to regulatory compliance, and also provides recommendations, advice and support to the Bank's staff, management and units in matters concerning compliance, as well as reporting to the management and Board on compliance issues.

THE BOARD'S RISK DECLARATION AND RISK STATEMENT

The Board has decided on the following risk declaration and risk statement:

Risk declaration

Handelsbanken has satisfactory arrangements for risk management which are fit for purpose in relation to the Bank's business goal, overall risk profile and the risk strategy which the Board has decided for the operations.

Risk statement

Handelsbanken's business goal is to have better profitability than the average of peer competitors in our home markets. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors. Handelsbanken is a bank with a strong local presence and a decentralised way of working.

The Bank's overall risk profile is that risks are to be kept low. The Group must also be well capitalised at all times in relation to the risks, fulfil all requirements imposed by resolution authorities, and hold liquid assets so that it can meet its payment commitments, including in situations of financial stress in the short and long term. The risk strategy and Bank's overall risk profile support Handelsbanken's aim to have a business model that is independent of changes in the business cycle.

The Bank has, and will maintain, a low level of credit risk. This is achieved by such measures as its strong local presence and close customer relations. The quality of credits must never be neglected in favour of achieving higher volume or a higher margin. The Bank is selective when choosing customers with the requirement that borrowers have a good repayment capacity. As a consequence of this, the credit portfolio has a clear concentration on risk classes where the probability of loss is low. This consistent approach is reflected in the Bank's low credit losses over time. This consistent approach is reflected in the Bank's low credit losses over time. In 2020, credit losses were 0.03 per cent (0.04) of lending.

To ensure that the Bank is well capitalised in relation to the risks and has a good liquidity situation, the Board stipulates the Bank's risk tolerance for capitalisation and liquidity. When the risk tolerance for capitalisation is decided, the capital measure is set partly in relation to the statutory requirements and partly in relation to Handelsbanken's assessed capital requirement based on the Bank's model for Economic Capital (EC), which encompasses all of the Group's risks in one single metric. The risk tolerance for the Bank's liquidity risk is decided on the one hand through requirements that the Bank under stressed circumstances must have a sufficiently large liquidity reserve in the form of liquid assets and assets which can be pledged, and also liquidity-creating measures to be able to continue its operations during determined time periods, and on the other hand through requirements regarding the accumulated net amount of incoming and outgoing cash flows in different time intervals.

The Board has established that the common equity tier 1 ratio under normal circumstances must amount to between 1 and 3 percentage points above the total common equity tier 1 capital requirement communicated by the Swedish Financial Supervisory Authority (the Bank's assessment of the common equity tier 1 capital requirement at year-end 2020 was 13.8 per cent, given that the Supervisory Authority's guidance of 1 per cent within the framework or Pillar 2 is taken into account), and that the ratio between AFR (Available Financial Resources) and EC must exceed 120 per cent. At the end of 2020, the common equity tier 1 ratio was 20.3 per cent (18.5) and the AFR/EC ratio was 324 per cent (314). The Board has stipulated the goal that the Bank must have accumulated positive net cash flows over a period of at least one year, taking into account the liquidity reserve, and with the assumption that 10 per cent of the non-fixed-term deposits from households and companies disappear during the first month. With Handelsbanken's total liquidity reserve and liquidity-creating measures, the liquidity requirement would be covered for over three years during such stressed conditions. The Bank's risk profile is in accordance with the risk strategy established by the Board.

CREDIT RISK

Credit risk is defined as the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.

CREDIT RISK STRATEGY

At Handelsbanken, the credit process is based on a conviction that a decentralised organisation with local presence ensures high quality in credit decisions. The Bank is a relationship bank whose branches maintain regular contact with the customer. This gives the branch an in-depth knowledge of each individual customer and a continually updated picture of the customer's financial situation.

Rather than being a mass market bank, Handelsbanken is selective in its choice of customers, which means it seeks customers with a high creditworthiness. The quality requirement is never neglected in favour of higher credit volumes or to achieve higher returns. The Bank also avoids participating in financing that involves complex customer constellations or complex, opaque transactions.

When Handelsbanken assesses the credit risk of a specific customer, the assessment must start with the borrower's repayment capacity. According to the Bank's credit policy, weak repayment capacity can never be accepted on the grounds that good collateral has been offered to the Bank. Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his or her obligations. Credits must therefore normally be adequately secured.

The local branch's close contact with its customers also enables the branch to quickly identify any problems and take action. In many cases, this means that the Bank can take action more rapidly than would have been possible with a more centralised management of problem loans. The branch also has full financial responsibility for granting credits. Therefore, it addresses problems that arise when a customer has repayment difficulties and also bears any credit losses. If necessary, the local branch obtains support from the regional head office and central departments. The Bank's makes sure that all employees whose work involves transactions linked to credit risk acquire a solid and well-founded approach to this type of risk. This approach forms an important part of the Bank's culture. The work method and approach described are important reasons for the Bank reporting very low credit losses over a long period.

CREDIT ORGANISATION

In Handelsbanken's decentralised organisation, each branch responsible for customers has total credit responsibility. Customer and credit responsibility lies with the branch manager or with the employees appointed by the manager of the local branch.

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

For regional bank boards, the Board's credit committee and the Board, the credit decision refers to the total amount of the credit limit with possible headroom for unsecured credits. For borrowers whose total loans exceed SEK 5 million, the credit decision is made in the form of a credit limit. In the case of loans to private individuals against collateral in the residential property, a limit requirement comes into play for amounts exceeding SEK 12 million. For loans to housing co-operative associations against collateral in the residential property, a limit is required for amounts exceeding SEK 12 million.

Credit limits granted are usually valid for a period of one year, although certain circumstances allow for credit limits for housing co-operative associations to apply for up to a maximum of three years. When extending a credit limit, the decision procedure required is the same as for a new credit limit.

Branch managers and most branch staff have personal decision limits allowing them to decide on credits to the customers they manage. The maximum decision levels for the above have been raised during the year.

For decisions on larger credit limits, there are regional and central decision levels. Each additional level of decision adds credit expertise. Each decision level has the right to reject credit limits both within their own decision level and also credit limits which would otherwise have been decided at a higher level. All persons throughout the decision process who are responsible for granting credits, regardless of level, must be in agreement in order to positively decide on a credit limit. If there is the slightest doubt among any of these persons, the credit application is rejected. The largest credits have been reviewed by Group Credits and decided by the Board or the credit committee set up by the Board. However, no credit application may be processed in the Bank without the recommendation of the branch manager who is responsible for the credit, with the exception of credit decisions made via automatic modelling. Automatic models used in such decisions require the approval of the CEO.

The decision procedure for credits and credit limits is illustrated in Figure AR:5 Credit process and decision levels at Handelsbanken. The figure also shows the percentage of credit limit decisions and amounts at the various decision levels.

In Handelsbanken's decentralised organisation, where a large proportion of the credit and credit limit decisions are made by individual branches, a well-functioning review process is crucial for ensuring high-quality decision-making. The branch manager examines the quality of the staff's decisions and the regional credit departments examine the quality of decisions made by branch managers.

The purpose of the quality review is to ensure that the Bank's credit policy and internal instructions are complied with, that credit quality is maintained, and that credit and credit limit decisions show that there is good credit judgement and a sound business approach. A corresponding quality review is also performed for credit limit decisions made at higher levels in the Bank. Credit limits granted by regional credit committees and regional bank boards are examined by Group Credits, which also prepares and examines credit limits decided by the Board or the credit committee set up by the Board.

Ecster

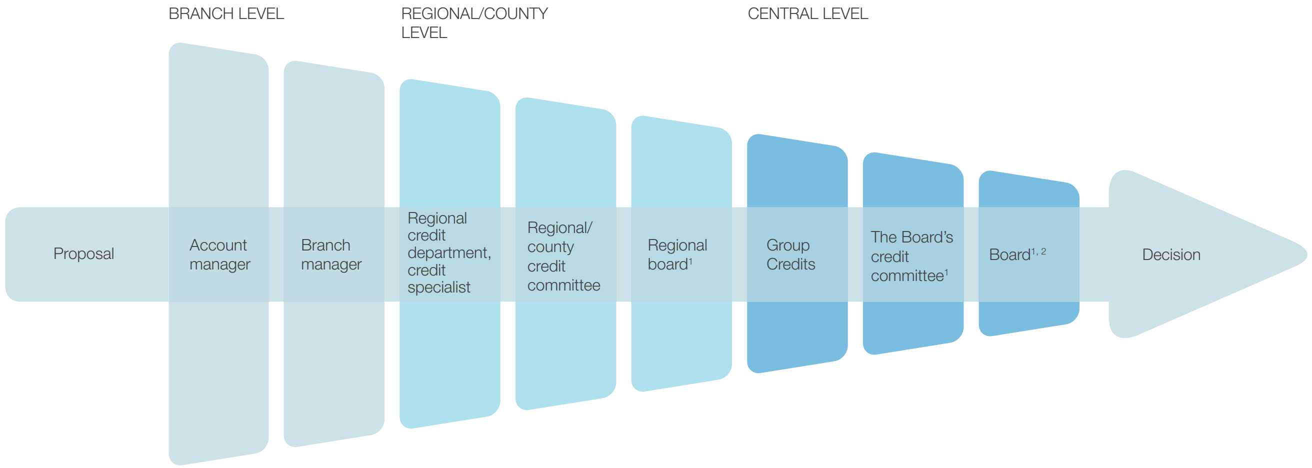
The subsidiary, Ecster AB, offers payment solutions to selected vendors located throughout Sweden. The nature of this type of financing requires that quick and correct credit decisions can be provided year-round, all hours of the day, meaning that the majority of the decisions are made via automatic models. Decisions which cannot be processed using these models are made manually, whereby the employees involved abide by individually determined credit limits. Decisions on larger credit limits are made by Ecster's credit committee or by its Board. For proposals regarding larger commitments when the customer is an existing Handelsbanken customer, the decision is made by the customer's branch or the relevant unit at the Bank.

CREDIT PORTFOLIO

The Bank's credit portfolio is presented in this section based on the categorisation of balance sheet items. The section on Capital requirements for credit risks presents the credit portfolio based on CRR.

Based on the consolidated balance sheet, credits are categorised as loans to the public or

Figure AR:5 Credit process and decision levels at Handelsbanken



Breakdown of limit decisions[3]

	Branch level	Regional/county level	Central level
Proportion of number of limits	57%	41%	2%
Proportion of limit amount	8%	36%	56%

[1] The decision refers to the total amount of the credit limit with possible headroom for unsecured credits.
[2] Decides only if the case is assessed to be of special or general interest and decides on credits to Board members and certain executive officers.
[3] Excluding sovereign and bank limits decided at central level.

Table AR:6 Credit exposures, geographical breakdown

Credit exposures, geographical breakdown 2020 SEK m		Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items									
Cash and balances with central banks		84,525	100,280	18,026	217	114,600	11,035	68,959	397,642
Other loans to central banks	*Note G13*	-	1,094	2,862	17,370	-	-	-	21,326
Loans to other credit institutions	*Note G14*	19,165	391	451	52	64	155	1,642	21,920
Loans to the public	*Note G15*	1,458,989	232,246	260,374	100,634	141,639	63,905	11,825	2,269,612
Interest-bearing securities eligible as collateral with central banks	*Note G16*	98,353	-	-	18	-	-	762	99,133
Bonds and other interest-bearing securities	*Note G16*	44,550	-	-	16	-	-	-	44,566
Derivative instruments[1]	*Note G20*	30,475	-	-	27	-	-	112	30,614
Total		**1,736,057**	**334,011**	**281,713**	**118,334**	**256,303**	**75,095**	**83,300**	**2,884,813**
Off-balance sheet items									
Contingent liabilities	*Note G41*	331,443	47,296	57,851	31,340	35,546	7,503	32,340	543,319
of which guarantee commitments		*35,882*	*6,424*	*5,023*	*7,311*	*4,925*	*121*	*20,209*	*79,895*
of which obligations		*295,561*	*40,872*	*52,828*	*24,029*	*30,621*	*7,382*	*12,131*	*463,424*
Total		**331,443**	**47,296**	**57,851**	**31,340**	**35,546**	**7,503**	**32,340**	**543,319**
Total on and off-balance sheet items		**2,067,500**	**381,307**	**339,564**	**149,674**	**291,849**	**82,598**	**115,640**	**3,428,132**

Credit exposures, geographical breakdown 2019 SEK m		Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items									
Cash and balances with central banks		46,551	85,069	22,097	270	106,105	7,996	59,870	327,958
Other loans to central banks	*Note G13*	183	1,000	2,881	15,483	-	-	-	19,547
Loans to other credit institutions	*Note G14*	12,849	368	139	24	68	139	4,352	17,939
Loans to the public	*Note G15*	1,412,328	262,623	283,003	109,060	146,710	56,975	21,904	2,292,603
Interest-bearing securities eligible as collateral with central banks	*Note G16*	102,363	-	-	18	-	-	1,006	103,387
Bonds and other interest-bearing securities	*Note G16*	42,628	-	-	12	-	-	-	42,640
Derivative instruments[1]	*Note G20*	41,481	-	-	26	-	-	38	41,545
Total		**1,658,383**	**349,060**	**308,120**	**124,893**	**252,883**	**65,110**	**87,170**	**2,845,619**
Off-balance sheet items									
Contingent liabilities	*Note G41*	292,239	52,027	65,670	31,778	38,090	7,766	47,283	534,853
of which guarantee commitments		*37,438*	*7,424*	*6,370*	*8,541*	*7,679*	*195*	*27,539*	*95,186*
of which obligations		*254,801*	*44,603*	*59,300*	*23,237*	*30,411*	*7,571*	*19,744*	*439,667*
Total		**292,239**	**52,027**	**65,670**	**31,778**	**38,090**	**7,766**	**47,283**	**534,853**
Total on and off-balance sheet items		**1,950,622**	**401,087**	**373,790**	**156,671**	**290,973**	**72,876**	**134,453**	**3,380,472**

Geographical breakdown refers to the country in which the exposures are reported.
[1] Refers to the sum total of positive market values. If legally enforceable master netting agreements are included, the exposure amounts to SEK 15,768m (29,522).

Table AR:7 Loans to the public subject to impairment testing, geographical breakdown

Loans to the public Geographical breakdown 2020 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Sweden	1,427,814	30,336	2,327	-182	-357	-949	1,458,989
UK	213,758	17,977	908	-59	-191	-147	232,246
Norway	245,560	13,933	1,371	-39	-116	-335	260,374
Denmark	93,530	6,953	523	-46	-75	-251	100,634
Finland	133,982	6,536	1,781	-49	-91	-520	141,639
The Netherlands	63,353	563	-	-8	-3	-	63,905
Other countries	11,686	86	92	-2	-1	-36	11,825
Total	**2,189,683**	**76,384**	**7,002**	**-385**	**-834**	**-2,238**	**2,269,612**

Loans to the public Geographical breakdown 2019 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Sweden	1,388,088	22,960	3,620	-131	-169	-2,040	1,412,328
UK	252,905	9,094	949	-78	-75	-172	262,623
Norway	272,812	9,264	1,625	-48	-51	-599	283,003
Denmark	105,365	3,123	986	-42	-43	-329	109,060
Finland	139,721	6,160	1,447	-51	-99	-468	146,710
The Netherlands	56,717	266	-	-7	-1	-	56,975
Other countries	21,063	802	204	-3	-3	-159	21,904
Total	**2,236,671**	**51,669**	**8,831**	**-360**	**-441**	**-3,767**	**2,292,603**

loans to credit institutions, while off-balance sheet items are broken down by product type. 'Exposure' refers to the sum of items on and off the balance sheet. Loans to the public is the dominant item. See Table AR:6 Credit exposures, geographical breakdown.

Handelsbanken strives to maintain its historically low level of credit losses compared to other banks, thus contributing to the Bank's profitability target and retaining its sound financial position. In granting credits, the Bank never strives toward goals such as a predetermined volume or market share in particular sectors, and is instead selective when choosing its customers, adopting the mindset that credit customers must be of high quality. The demands on quality must never be neglected in favour of achieving a high credit volume. This is clearly stated in the Bank's credit policy, endorsed each year by the Board.

2020 has been dominated by the global Covid-19 pandemic. The Bank noted a temporary increase in demand for corporate financing during the first quarter of the year. At the European level, regulations aimed at managing the financial strain resulting from Covid-19 have been introduced.

Handelsbanken regularly evaluates the quality of the credit portfolio in order to identify and limit impairment requirements. The Covid-19 pandemic has not, in itself, altered the Bank's approach to credit risks. For more information about how the Bank has managed the effects of Covid-19, refer to the publication "Risk and Capital – Information according to Pillar 3 (Credit risk – Introduction)" and its descriptions of exemptions from loan repayments and government guarantees, as well as to notes G1, G2 and G10 concerning actions in accordance with IFRS 9.

Collateral

The Bank's credit policy states that credits must normally have satisfactory collateral. A weak repayment capacity can never be accepted on

Table AR:8 Loans to the public subject to impairment testing, broken down by sector and industry

Loans to the public Breakdown by sector 2020 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Private individuals	1,149,125	18,737	2,236	-155	-169	-756	1,169,018
of which mortgage loans	*962,972*	*12,734*	*601*	*-37*	*-28*	*-56*	*976,186*
of which other loans with property mortgages	*145,738*	*4,330*	*591*	*-13*	*-19*	*-139*	*150,488*
of which other loans, private individuals	*40,415*	*1,673*	*1,044*	*-105*	*-122*	*-561*	*42,344*
Housing co-operative associations	248,889	1,405	98	-6	-3	-43	250,340
of which mortgage loans	*225,561*	*678*	*18*	*-4*	*-1*	*-7*	*226,245*
Property management	600,483	33,375	1,674	-96	-267	-328	634,841
Manufacturing	22,332	3,747	174	-16	-21	-107	26,109
Retail	17,894	2,206	379	-17	-59	-96	20,307
Hotel and restaurant	4,584	5,804	37	-10	-145	-9	10,261
Passenger and goods transport by sea	2,394	2,077	1,162	-1	-6	-288	5,338
Other transport and communication	9,025	601	102	-9	-24	-80	9,615
Construction	15,655	1,977	166	-19	-41	-86	17,652
Electricity, gas and water	12,946	754	3	-3	-10	-1	13,689
Agriculture, hunting and forestry	20,223	1,312	61	-12	-20	-42	21,522
Other services	14,616	1,491	318	-18	-43	-211	16,153
Holding, investment, insurance companies, mutual funds, etc.	46,772	2,011	155	-16	-14	-108	48,800
Sovereigns and municipalities	7,086	91	-	0	-1	-	7,176
of which the Swedish National Debt Office	*474*	-	-	-	-	-	*474*
Other corporate lending	17,659	796	437	-7	-11	-83	18,791
Total	**2,189,683**	**76,384**	**7,002**	**-385**	**-834**	**-2,238**	**2,269,612**

Loans to the public Breakdown by sector 2019 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Private individuals	1,130,885	19,804	2,301	-133	-119	-759	1,151,979
of which mortgage loans	*924,628*	*13,901*	*666*	*-40*	*-34*	*-49*	*939,072*
of which other loans with property mortgages	*160,282*	*4,159*	*575*	*-14*	*-17*	*-155*	*164,830*
of which other loans, private individuals	*45,975*	*1,744*	*1,060*	*-79*	*-68*	*-555*	*48,077*
Housing co-operative associations	243,357	1,825	102	-7	-4	-12	245,261
of which mortgage loans	*210,053*	*709*	*35*	*-4*	*0*	*-10*	*210,783*
Property management	630,825	14,738	1,746	-104	-115	-336	646,754
Manufacturing	25,801	3,368	1,292	-11	-36	-1,215	29,199
Retail	26,354	2,228	171	-15	-26	-115	28,597
Hotel and restaurant	8,425	418	20	-8	-7	-7	8,841
Passenger and goods transport by sea	5,220	56	1,616	-1	-3	-496	6,392
Other transport and communication	9,893	739	96	-5	-10	-79	10,634
Construction	17,307	1,798	262	-14	-19	-213	19,121
Electricity, gas and water	17,148	2,300	8	-3	-10	-8	19,435
Agriculture, hunting and forestry	17,679	1,491	91	-8	-14	-36	19,203
Other services	18,943	1,217	349	-14	-23	-148	20,324
Holding, investment, insurance companies, mutual funds, etc.	57,044	1,051	145	-16	-13	-111	58,100
Sovereigns and municipalities	9,773	164	-	-1	0	-	9,936
of which the Swedish National Debt Office	-	-	-	-	-	-	-
Other corporate lending	18,017	472	632	-20	-42	-232	18,827
Total	**2,236,671**	**51,669**	**8,831**	**-360**	**-441**	**-3,767**	**2,292,603**

the grounds that good collateral has been offered to the Bank. Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his or her obligations.

The Bank's measures to limit its credit risk include the acceptance of collateral from customers. The primary means of reducing credit risk in the Bank is the pledging of immovable property, such as residential properties and other real estate, floating charges on assets, guarantees (including guarantor commitments) and the use of netting agreements (see the section on Counterparty risks for more information).

The basic principle applied in property finance is that credits must be covered by collateral in the form of properties. For exposures with properties as collateral, a loan-to-value (LTV) ratio is calculated by dividing the credit exposure by the market value of the collateral. The Bank follows internal recommendations and external regulations which limit the maximum amount of a loan for which the collateral is property. For more information on the loan-to-value ratio, refer to the "Risk and Capital – Information according to Pillar 3" report, under the heading Credit risk – Loan-to-value ratio for property lending.

The value of collateral is reviewed on an annual basis, and is based on the estimated market value. If the market value is deemed to have declined and the value of the collateral has therefore diminished, reviews are carried out

Table AR:9 Loans to the public subject to impairment testing, geographical breakdown by sector

Loans to the public **Geographical breakdown by sector 2020** SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Private individuals	870,056	71,836	99,217	61,620	41,037	18,550	6,702	1,169,018
of which mortgage loans	*836,966*	-	*72,781*	*47,767*	*18,672*	-	-	*976,186*
of which other loans with property mortgages	*6,015*	*68,506*	*24,691*	*10,004*	*17,436*	*17,833*	*6,003*	*150,488*
of which other loans, private individuals	*27,075*	*3,330*	*1,745*	*3,849*	*4,929*	*717*	*699*	*42,344*
Housing co-operative associations	191,168	-	21,800	872	36,500	-	-	250,340
of which mortgage loans	*184,697*	-	*21,235*	-	*20,313*	-	-	*226,245*
Property management	269,765	138,246	113,522	23,290	44,530	43,230	2,258	634,841
Manufacturing	9,856	1,838	3,038	6,543	1,694	1,008	2,132	26,109
Retail	12,414	3,009	3,196	860	776	33	19	20,307
Hotel and restaurant	3,627	3,750	1,043	1,795	40	6	-	10,261
Passenger and goods transport by sea	1,572	20	1,965	3	1,778	-	0	5,338
Other transport and communication	4,938	1,234	1,530	211	1,090	611	1	9,615
Construction	7,250	2,403	6,622	547	812	18	0	17,652
Electricity, gas and water	5,791	278	3,132	51	4,337	100	0	13,689
Agriculture, hunting and forestry	19,405	1,374	271	305	148	8	11	21,522
Other services	7,256	4,614	2,752	637	819	62	13	16,153
Holding, investment, insurance companies, mutual funds etc.	37,887	2,463	1,293	3,236	3,199	246	476	48,800
Sovereigns and municipalities	2,302	-	289	7	4,578	-	-	7,176
of which the Swedish National Debt Office	*474*							*474*
Other corporate lending	15,702	1,181	704	657	301	33	213	18,791
Net loans to the public	**1,458,989**	**232,246**	**260,374**	**100,634**	**141,639**	**63,905**	**11,825**	**2,269,612**
of which total provsions for expected credit losses (Stage 1-3)	*-1,488*	*-397*	*-490*	*-372*	*-660*	*-11*	*-39*	*-3,457*
Total loans to the public	**1,460,477**	**232,643**	**260,864**	**101,006**	**142,299**	**63,916**	**11,864**	**2,273,069**

Loans to the public **Geographical breakdown by sector 2019** SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Private individuals	834,052	82,036	105,047	64,429	42,514	16,819	7,082	1,151,979
of which mortgage loans	*798,418*	-	*72,503*	*48,254*	*19,897*	-	-	*939,072*
of which other loans with property mortgages	*6,423*	*77,089*	*30,504*	*11,186*	*17,275*	*16,191*	*6,162*	*164,830*
of which other loans, private individuals	*29,211*	*4,947*	*2,040*	*4,989*	*5,342*	*628*	*920*	*48,077*
Housing co-operative associations	188,182	-	23,057	965	33,057	-	-	245,261
of which mortgage loans	*174,378*	-	*22,003*	-	*14,402*	-	-	*210,783*
Property management	258,326	153,096	125,524	22,978	44,707	37,706	4,417	646,754
Manufacturing	11,730	2,757	3,065	4,925	2,175	0	4,547	29,199
Retail	14,222	4,040	4,987	2,734	1,008	41	1,565	28,597
Hotel and restaurant	2,501	4,083	269	1,931	50	7	-	8,841
Passenger and goods transport by sea	2,464	69	1,607	346	1,906	-	-	6,392
Other transport and communication	5,897	944	740	1,632	1,396	22	3	10,634
Construction	7,522	3,193	6,870	530	987	19	-	19,121
Electricity, gas and water	6,483	378	4,719	60	6,550	105	1,140	19,435
Agriculture, hunting and forestry	16,274	1,998	308	399	181	31	12	19,203
Other services	7,640	5,829	3,420	1,104	1,384	738	209	20,324
Holding, investment, insurance companies, mutual funds etc.	40,533	2,632	1,921	6,227	3,356	1,392	2,039	58,100
Sovereigns and municipalities	2,589	-	328	2	7,017	-	-	9,936
of which the Swedish National Debt Office	-							-
Other corporate lending	13,913	1,568	1,141	798	422	95	890	18,827
Net loans to the public	**1,412,328**	**262,623**	**283,003**	**109,060**	**146,710**	**56,975**	**21,904**	**2,292,603**
of which total provsions for expected credit losses (Stage 1-3)	*-2,340*	*-325*	*-698*	*-414*	*-618*	*-8*	*-165*	*-4,568*
Total loans to the public	**1,414,668**	**262,948**	**283,701**	**109,474**	**147,328**	**56,983**	**22,069**	**2,297,171**

more often. The Bank's instructions regarding collateral have not required any changes as a result of the introduction of IFRS 9. Since collateral is not generally utilised until a borrower faces serious repayment difficulties, the valuation of collateral focuses on the expected value in the case of a sale in unfavourable circumstances in connection with insolvency.

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

In special circumstances, the Bank may buy credit derivatives or financial guarantees to hedge the credit risk in claims, but this is not part of the Bank's normal lending process.

A minor part of loans to credit institutions consists of reverse repos. A reverse repo is a repurchase transaction in which the Bank buys interest-bearing securities or equities with a special agreement that the security will be resold to the seller at a specific price on a specific date. Handelsbanken regards reverse repos as secured lending.

Only collateral used in the calculation of the capital requirement for credit risk is specified in the tables below.

Table AR:10 Credit exposures, breakdown by type of collateral

Credit exposures, breakdown by type of collateral 2020 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured	Total
Balance sheet items										
Cash and balances with central banks				397,642						397,642
Other loans to central banks	*Note G13*			21,326						21,326
Loans to other credit institutions	*Note G14*	-	-	365	978	-	-	-	20,577	21,920
Loans to the public	*Note G15*	1,681,764	347,413	49,766	7,475	13,270	24,383	11,123	134,418	2,269,612
Interest-bearing securities eligible as collateral with central banks	*Note G16*			99,133						99,133
Bonds and other interest-bearing securities	*Note G16*	-	-	2,563	-	-	-	-	42,003	44,566
Derivative instruments	*Note G20*	972	1,688	2,047	81	15,013	-	-	10,813	30,614
Total		**1,682,736**	**349,101**	**572,842**	**8,534**	**28,283**	**24,383**	**11,123**	**207,811**	**2,884,813**
Off-balance sheet items										
Contingent liabilities	*Note G41*	89,874	51,353	34,779	6,024	10,134	455	11,224	339,476	543,319
of which guarantee commitments		*4,482*	*1,528*	*1,883*	*2,860*	*1,201*	-	*1,024*	*66,917*	*79,895*
of which obligations		*85,392*	*49,825*	*32,896*	*3,164*	*8,933*	*455*	*10,200*	*272,559*	*463,424*
Total		**89,874**	**51,353**	**34,779**	**6,024**	**10,134**	**455**	**11,224**	**339,476**	**543,319**
Total on and off-balance sheet items		**1,772,610**	**400,454**	**607,621**	**14,558**	**38,417**	**24,838**	**22,347**	**547,287**	**3,428,132**

Credit exposures Breakdown by type of collateral 2019 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured	Total
Balance sheet items										
Cash and balances with central banks				327,958						327,958
Other loans to central banks	*Note G13*			19,547						19,547
Loans to other credit institutions	*Note G14*	-	-	2,969	-	-	-	-	14,970	17,939
Loans to the public	*Note G15*	1,637,016	362,351	57,209	13,112	11,442	24,889	26,127	160,457	2,292,603
Interest-bearing securities eligible as collateral with central banks	*Note G16*			103,387						103,387
Bonds and other interest-bearing securities	*Note G16*			2,982					39,658	42,640
Derivative instruments	*Note G20*	463	875	1,739	60	29,993	-	184	8,231	41,545
Total		**1,637,479**	**363,226**	**515,791**	**13,172**	**41,435**	**24,889**	**26,311**	**223,316**	**2,845,619**
Off-balance sheet items										
Contingent liabilities	*Note G41*	64,146	41,183	26,675	3,714	4,769	515	22,063	371,788	534,853
of which guarantee commitments		*1,740*	*2,191*	*1,537*	*1,685*	*1,013*	-	*2,959*	*84,061*	*95,186*
of which obligations		*62,406*	*38,992*	*25,138*	*2,029*	*3,756*	*515*	*19,104*	*287,727*	*439,667*
Total		**64,146**	**41,183**	**26,675**	**3,714**	**4,769**	**515**	**22,063**	**371,788**	**534,853**
Total on and off-balance sheet items		**1,701,625**	**404,409**	**542,466**	**16,886**	**46,204**	**25,404**	**48,374**	**595,104**	**3,380,472**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

Table AR:11 On and off-balance sheet items subject to impairment testing, breakdown by type of collateral

On and off-balance sheet items subject to impairment testing, breakdown by type of collateral 2020

		2020					
		Gross			Provisions		
SEK m		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items							
Cash and balances with central banks		**397,642**	**-**	**-**	**0**	**-**	**-**
Sovereigns, municipalities and county councils[2]		397,642	-	-	0	-	-
Other loans to central banks	*Note G13*	**21,326**	**-**	**-**	**-**	**-**	**-**
Sovereigns, municipalities and county councils[2]		21,326	-	-	-	-	-
Loans to other credit institutions	*Note G14*	**21,911**	**17**	**-**	**-2**	**-6**	**-**
Sovereigns, municipalities and county councils[2]		362	3	-	-	-	-
Guarantees as for own debt[3]		978	-	-	-	-	-
Unsecured		20,571	14	-	-2	-6	-
Loans to the public	*Note G15*	**2,189,683**	**76,384**	**7,002**	**-385**	**-834**	**-2,238**
Residential property[1]		1,654,107	26,285	1,985	-109	-128	-376
Other property		312,690	34,317	1,214	-81	-369	-358
Sovereigns, municipalities and county councils[2]		48,392	1,062	317	-2	-3	-
Guarantees as for own debt[3]		7,237	239	8	-3	-6	-
Financial collateral		12,803	471	2	-3	-3	-
Collateral in assets		22,644	1,815	45	-37	-66	-18
Other collateral		9,333	1,740	449	-21	-77	-301
Unsecured		122,477	10,455	2,982	-129	-182	-1,185
Interest-bearing securities eligible as collateral with central banks	*Note G16*	**1,181**	**-**	**-**	**0**	**-**	**-**
Bonds and other interest-bearing securities	*Note G16*	**7,964**	**-**	**-**	**-2**	**-**	**-**
Total		**2,639,707**	**76,401**	**7,002**	**-389**	**-840**	**-2,238**
Off-balance sheet items							
Contingent liabilities	*Note G35, G41*	**391,266**	**10,743**	**433**	**-90**	**-157**	**-119**
of which guarantee commitments		*77,829*	*1,910*	*156*	*-8*	*-16*	*-70*
Residential property[1]		4,387	87	9	-5	-2	-3
Other property		1,380	136	12	-	-1	-5
Sovereigns, municipalities and county councils[2]		1,762	101	20	-	-2	-
Guarantees as for own debt[3]		2,780	78	1	-	-1	-
Financial collateral		1,088	107	6	-	-1	-
Collateral in assets		-	-	-	-	-	-
Other collateral		819	179	26	-	-2	-14
Unsecured		65,613	1,222	82	-3	-7	-48
of which obligations		*313,437*	*8,833*	*277*	*-82*	*-141*	*-49*
Residential property[1]		85,050	335	7	-5	-2	-
Other property		48,196	1,515	113	-5	-18	-4
Sovereigns, municipalities and county councils[2]		32,753	144	-	-	-1	-
Guarantees as for own debt[3]		2,874	290	-	-1	-6	-
Financial collateral		8,858	75	-	-1	-1	-
Collateral in assets		445	10	-	-1	-	-
Other collateral		8,879	1,289	32	-11	-44	-8
Unsecured		126,382	5,175	125	-58	-69	-37
Total		**391,266**	**10,743**	**433**	**-90**	**-157**	**-119**
Total on and off-balance sheet items		**3,030,973**	**87,144**	**7,435**	**-479**	**-997**	**-2,357**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

On and off-balance sheet items subject to impairment testing, breakdown by type of collateral 2019

		2019					
		Gross			Provisions		
SEK m		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items							
Cash and balances with central banks		**327,958**	**-**	**-**	**0**	**-**	**-**
Sovereigns, municipalities and county councils[2]		327,958	-	-	0	-	-
Other loans to central banks	*Note G13*	**19,547**	**-**	**-**	**-**	**-**	**-**
Sovereigns, municipalities and county councils[2]		19,547	-	-	-	-	-
Loans to other credit institutions	*Note G14*	**17,750**	**193**	**-**	**-1**	**-3**	**-**
Sovereigns, municipalities and county councils[2]		2,900	71	-	-1	-1	-
Financial collateral		-	-	-	-	-	-
Unsecured		14,850	122	-	0	-2	-
Loans to the public	*Note G15*	**2,236,671**	**51,669**	**8,831**	**-360**	**-441**	**-3,767**
Residential property[1]		1,607,259	28,552	1,774	-110	-129	-330
Other property		350,198	11,567	1,168	-93	-101	-388
Sovereigns, municipalities and county councils[2]		55,917	1,014	283	-2	-3	-
Guarantees as for own debt[3]		12,839	199	80	-3	-3	-
Financial collateral		11,228	215	4	-3	-2	-
Collateral in assets		23,514	1,403	40	-21	-28	-19
Other collateral		22,823	2,476	1,882	-17	-54	-983
Unsecured		152,893	6,243	3,600	-111	-121	-2,047
Interest-bearing securities eligible as collateral with central banks	*Note G16*	**1,427**	**-**	**-**	**0**	**-**	**-**
Bonds and other interest-bearing securities	*Note G16*	**4,953**	**-**	**-**	**-2**	**-**	**-**
Total		**2,608,306**	**51,862**	**8,831**	**-363**	**-444**	**-3,767**
Off-balance sheet items							
Contingent liabilities	*Note G35, G41*	**400,479**	**7,985**	**712**	**-69**	**-66**	**-106**
of which guarantee commitments		*92,097*	*2,593*	*496*	*-7*	*-13*	*-71*
Residential property[1]		1,675	62	4	-2	-1	-
Other property		2,114	68	8	-	-1	-
Sovereigns, municipalities and county councils[2]		1,396	121	20	-	-3	-
Guarantees as for own debt[3]		1,669	10	5	-	-	-
Financial collateral		933	77	3	-	-	-
Collateral in assets		-	-	-	-	-	-
Other collateral		2,342	253	364	-1	-2	-55
Unsecured		81,968	2,002	92	-4	-6	-16
of which obligations		*308,382*	*5,392*	*216*	*-62*	*-53*	*-35*
Residential property[1]		61,870	502	34	-5	-2	-5
Other property		38,484	494	14	-4	-5	-
Sovereigns, municipalities and county councils[2]		25,029	106	4	-	-	-
Guarantees as for own debt[3]		1,853	174	3	-1	-1	-
Financial collateral		3,712	40	4	-	-	-
Collateral in assets		501	14	-	-	-	-
Other collateral		17,917	1,087	100	-7	-16	-23
Unsecured		159,016	2,975	57	-45	-29	-7
Total		**400,479**	**7,985**	**712**	**-69**	**-66**	**-106**
Total on and off-balance sheet items		**3,008,785**	**59,847**	**9,543**	**-432**	**-510**	**-3,873**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

Credit risk concentrations

Handelsbanken's branches focus strongly on establishing long-term relationships with customers of sound creditworthiness. If a branch identifies a good customer, it should be able to do business with this customer, irrespective of whether the Bank as a whole has a major exposure to the business sector that the customer represents. As a consequence, the Bank has relatively large concentrations in some individual sectors. However, the Bank monitors the performance and quality of the credit portfolio and calculates concentrations for various business sectors and geographic areas. The Bank also measures and monitors exposures to major individual counterparties. Special limits are applied to restrict the maximum credit exposure to individual counterparties, to augment the credit risk assessment. If the credit portfolio has a concentration in a particular sector or counterparty that can be assumed to increase risk, this concentration is monitored. Concentration risks are identified in the Bank's calculation of economic capital for credit risks and in the stress tests conducted in the internal capital adequacy assessment. The Swedish Financial Supervisory Authority also calculates a separate capital adequacy requirement under Pillar 2 for concentration risks in the credit portfolio. This ensures that Handelsbanken has sufficient capital, also taking into account concentration risks. If the concentration risks are judged to be excessive, the Bank has the opportunity and capacity to reduce them using various risk mitigation measures.

In addition to mortgage loans and lending to housing co-operative associations, Handelsbanken has significant lending to property management of SEK 635 billion (647). Here, 'property management' refers to all companies classified as 'property companies' for risk assessment purposes. It is common for groups operating in other industries to have subsidiaries managing the properties in which the group conducts business, and such property companies are also considered here to belong to property management. However, the underlying credit risk in such cases is not solely property-related, because the counterparty's repayment capacity is determined by business operations other than property management. Also, private individuals with substantial property holdings are classified as property companies for risk-assessment purposes.

A very large part of property lending consists of property mortgages with low loan-to-value

Table AR:12 Loans to the public subject to impairment testing, Property management

Loans to the public **Property management 2020** SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Loans in Sweden							
State-owned property companies	7,895	14	-	0	0	-	7,909
Municipally owned property companies	7,635	-	-	0	-	-	7,635
Residential property companies	124,320	1,274	57	-5	-8	-47	125,591
of which mortgage loans	*113,335*	*1,107*	*12*	*-4*	*-6*	*-6*	*114,438*
Other property management	118,593	10,026	218	-20	-101	-86	128,630
of which mortgage loans	*63,899*	*1,920*	*29*	*-3*	*-12*	*-10*	*65,823*
Total	**258,443**	**11,314**	**275**	**-25**	**-109**	**-133**	**269,765**
Loans outside Sweden							
UK	127,793	10,051	622	-37	-76	-107	138,246
Norway	105,806	7,731	61	-16	-56	-4	113,522
Denmark	21,133	2087	125	-7	-14	-34	23,290
Finland	42,328	1,684	577	-3	-9	-47	44,530
The Netherlands	42,742	498	-	-8	-2	-	43,230
Other countries	2,238	10	14	0	-1	-3	2,258
Total	**342,040**	**22,061**	**1,399**	**-71**	**-158**	**-195**	**365,076**
Total property management within loans to the public	**600,483**	**33,375**	**1,674**	**-96**	**-267**	**-328**	**634,841**

Loans to the public **Property management 2019** SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Loans in Sweden							
State-owned property companies	6,304	35	-	0	0	-	6,339
Municipally owned property companies	7,291	-	-	0	-	-	7,291
Residential property companies	118,042	1,456	69	-5	-5	-50	119,507
of which mortgage loans	*105,249*	*1,236*	*10*	*-3*	*-4*	*-4*	*106,484*
Other property management	122,326	2,791	168	-10	-13	-73	125,189
of which mortgage loans	*60,237*	*1,407*	*15*	*-3*	*-5*	*-2*	*61,649*
Total	**253,963**	**4,282**	**237**	**-15**	**-18**	**-123**	**258,326**
Loans outside Sweden							
UK	146,345	6,241	720	-45	-54	-111	153,096
Norway	123,541	1,994	67	-28	-16	-34	125,524
Denmark	22,242	635	151	-5	-11	-34	22,978
Finland	42,854	1,346	555	-3	-14	-31	44,707
The Netherlands	37,485	229	-	-7	-1	-	37,706
Other countries	4,395	11	16	-1	-1	-3	4,417
Total	**376,862**	**10,456**	**1,509**	**-89**	**-97**	**-213**	**388,428**
Total property management within loans to the public	**630,825**	**14,738**	**1,746**	**-104**	**-115**	**-336**	**646,754**

ratios, which reduces the Bank's credit loss risk. In addition, a large proportion of property lending is to government-owned property companies, municipal housing companies and other housing-related operations where the borrowers consistently have strong, stable cash flows and thus very high creditworthiness. Thus a large part of lending to the property sector is to companies with a very low probability of encountering financial difficulties. The Bank's exposure to the property sector is specified in the tables below.

The proportion of exposures to property counterparties with a poorer rating than the Bank's risk class 5 (normal risk) is very low. 99 per cent (99) of total property lending in Sweden is in risk class 5 or better. The corresponding figures for property lending in the UK are 98 per cent (98), Norway 99 per cent (98), Denmark 98 per cent (97), and Finland 98 per cent (97). The capital requirement for the Netherlands is calculated using the standardised approach with prescribed risk weights – meaning that the risk classes are irrelevant to the calculation of the capital requirement. For counterparties in poorer risk classes than normal, the majority are in risk classes 6 and 7 with only low volumes in the higher risk classes 8 and 9. For information about Handelsbanken's risk ratings, see the section titled Calculation of capital requirements for credit risks in note G2.

In the past few years, Handelsbanken's lending to property companies has grown thanks in part to the Bank's substantial credit growth in the UK as a result of an expansion of the branch network. A large part of the growth has been in property-related credits. In the UK, Handelsbanken has the same strict requirements on repayment capacity, LTVs and collateral quality as in its other home markets.

Table AR:13 Loans to the public, Property management, type of collateral and country (Gross)

Loans to the public, Property management, type of collateral and country SEK m	2020					2019				
	Loans	Sovereign and municipality[1]	Residential property	Commercial property and other collateral	Unsecured	Loans	Sovereign and municipality[1]	Residential property	Commercial property and other collateral	Unsecured
Sweden	270,032	16,324	146,083	101,866	5,759	258,482	14,552	134,987	98,139	10,804
UK	138,466	9	71,953	66,197	307	153,306	-	77,694	72,762	2,850
Norway	113,598	23	20,557	85,723	7,295	125,602	-	21,312	97,021	7,269
Denmark	23,345	-	14,135	8,857	353	23,028	-	12,179	10,146	703
Finland	44,589	23,110	7,368	13,573	538	44,755	22,734	7,371	13,972	678
The Netherlands	43,240	-	27,959	14,212	1,069	37,714	-	24,283	13,079	352
Other countries	2,262	447	708	506	601	4,422	474	779	2,105	1,064
Total	**635,532**	**39,913**	**288,763**	**290,934**	**15,922**	**647,309**	**37,760**	**278,605**	**307,224**	**23,720**

[1] Companies owned by government and municipality/property lending guaranteed by government and municipality.

Table AR:14 Loans to the public, Property management, risk class and country

Loans to the public, Property management, risk class and country 2020
SEK m

Risk class	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total	%
1	15,390	327	772	12	12,562	-	-	29,063	4.57
2	79,954	18,556	19,972	1,259	7,775	-	3	127,519	20.06
3	113,753	52,180	57,077	8,634	10,505	-	-	242,149	38.10
4	36,228	49,852	25,928	11,030	9,731	-	-	132,769	20.89
5	20,985	14,351	8,395	1,835	2,701	-	-	48,267	7.60
6	1,451	1,899	1,157	138	257	-	-	4,902	0.77
7	473	279	164	283	100	-	-	1,299	0.20
8	215	16	23	1	33	-	-	288	0.05
9	185	-	42	25	105	-	-	357	0.06
Defaults	274	622	60	125	577	-	-	1,658	0.26
Standardised approach[1]	1,124	384	8	3	243	43,240	2,259	47,261	7.44
Total	**270,032**	**138,466**	**113,598**	**23,345**	**44,589**	**43,240**	**2,262**	**635,532**	**100**

Loans to the public, Property management, risk class and country 2019
SEK m

Risk class	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total	%
1	17,027	427	905	6	12,637	-	-	31,002	4.79
2	71,671	22,748	23,950	1,625	8,902	-	5	128,901	19.91
3	111,256	68,186	66,041	12,678	11,392	-	-	269,553	41.64
4	41,979	51,783	26,798	6,060	8,660	105	-	135,385	20.92
5	14,144	7,729	5,016	2,063	1,828	-	-	30,780	4.76
6	1,327	1,137	2,275	171	203	-	-	5,113	0.79
7	470	395	411	226	285	-	-	1,787	0.28
8	210	82	39	21	13	-	-	365	0.06
9	152	1	98	24	48	-	-	323	0.05
Defaults	237	720	67	151	555	-	-	1,730	0.27
Standardised approach[1]	9	98	2	3	232	37,609	4,417	42,370	6.55
Total	**258,482**	**153,306**	**125,602**	**23,028**	**44,755**	**37,714**	**4,422**	**647,309**	**100**

Table AR:15 Loans to the public, Property management, risk class and collateral

Loans to the public, Property management, risk class and collateral 2020
SEK m

	Loans	Collateral				
Risk class		Residential property	Commercial property	Sovereign and municipality[1]	Other collateral	Unsecured
1	29,063	9,555	3,262	15,283	251	712
2	127,519	62,540	46,543	12,800	1,320	4,316
3	242,149	111,830	121,069	4,151	629	4,470
4	132,769	57,887	65,805	5,736	472	2,869
5	48,267	15,040	30,685	1,021	442	1,079
6	4,902	1,741	2,887	164	30	80
7	1,299	486	758	-	8	47
8	288	57	226	-	1	4
9	357	94	228	4	6	25
Defaults	1,658	567	597	305	19	170
Standardised approach[1]	47,261	28,966	15,221	449	475	2,150
Total	**635,532**	**288,763**	**287,281**	**39,913**	**3,653**	**15,922**

Loans to the public, Property management, risk class and collateral 2019
SEK m

	Loans	Collateral				
Risk class		Residential property	Commercial property	Sovereign and municipality[1]	Other collateral	Unsecured
1	31,002	11,172	3,732	14,370	721	1,007
2	128,901	58,833	50,828	12,132	1,076	6,032
3	269,553	110,344	146,562	4,521	1,421	6,705
4	135,385	57,961	66,614	4,927	730	5,153
5	30,780	12,488	14,146	1,037	463	2,646
6	5,113	1,554	3,390	7	30	132
7	1,787	617	1,026	11	39	94
8	365	119	229	-	0	17
9	323	125	115	4	7	72
Defaults	1,730	277	663	276	19	495
Standardised approach[1]	42,370	25,115	14,926	475	487	1,367
Total	**647,309**	**278,605**	**302,231**	**37,760**	**4,993**	**23,720**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

CALCULATION OF CAPITAL REQUIREMENTS FOR CREDIT RISKS

Risk rating system

The capital requirement for credit risk is calculated according to the standardised approach and the IRB approach in accordance with regulation (EU) No 575/2013 (CRR). The standardised approach entails that the risk weights in the calculation of capital requirements are predetermined, while the IRB approach means that the institution estimates the risk parameters which are used in the determination of risk weights for the calculation of capital requirements. There are two different IRB approaches: the IRB approach without own estimates of LGD and CCF, whereby CCF is used in the calculation of exposure amounts for unutilised overdraft facilities, committed loan offers, guarantees and other off-balance sheet commitments (the foundation approach), and the IRB approach with own estimates of LGD and CCF (the advanced approach).

When performing a credit assessment of a customer, the customer is assigned a rating, which is linked to the rating grades in the IRB approach. The two dimensions of the rating are risk of financial strain (A) and the counterparty's financial powers of resistance in the case of such strain (B), on a five-point scale from very low risk to very high risk.

The rating is converted to an internal risk class for the application of the IRB approach (A+B-1) for corporates and exposures to institutions, as well as for exposures to sovereigns, central banks, government agencies and municipalities (sovereign exposures).

The rating for retail exposures is not converted directly into a risk class as for corporate exposures; instead, the different exposures are sorted into a number of smaller groups on the basis of certain factors. Such factors include the type of credit, the counter-party's debt-servicing record and whether there are one or more borrowers. An average default rate is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the ten risk classes. Different models are used for exposures to private individuals and SMEs (that are also classified as retail exposures), but the principle is the same. The risk classes applied in the IRB approach are thus distributed over a scale of 1 to 10.

A clear majority of the Bank's exposures are in risk classes 1–4, which means that the average risk level in the credit portfolio is significantly lower than the level which is assessed as normal risk. Risk class 5 corresponds to normal risk and risk class 10 is for counterparties in default.

Handelsbanken's internal risk rating system (the IRB approach) comprises a number of different systems, methods, processes and procedures to support the Bank's classification and quantification of credit risk.

The IRB approach is used to measure the credit risk in operations reliably and consistently.

Exposure classes

The number of exposure classes depends on the method used to calculate the credit risk. Exposures to be calculated according to the standardised approach can be allocated to 17 different exposure classes, while there are seven exposure classes in the IRB approach.

The Bank uses different models for calculating credit risk, depending on the type of exposure. The overall division into exposure classes in the IRB approach comprises sovereign, institutional, corporate, retail and equity exposures, as well as positions in securitisations. In addition there are also non-credit-obligation assets, which do not require any performance by the counterparty, such as property, plant and equipment.

Exposures to states, central banks, government agencies and municipalities are classed as sovereign exposures. Exposures to institutions refer to exposures to counterparties defined as banks and other credit institutions, and certain investment firms.

Retail exposures include both exposures to private individuals and to SMEs, where the total exposure within the Group does not exceed SEK 5 million (excluding mortgage loans). Retail exposures are divided into two sub-groups: property loans and other retail exposures.

Corporate exposures refer to exposures to non-financial companies, consisting of legal entities with a total exposure within the Group in excess of SEK 5 million or where the company's turnover is more than SEK 50 million, and SMEs with a total exposure within the Group in excess of SEK 5 million. Apart from ordinary non-financial companies, the exposure class includes insurance companies, housing co-operative associations and exposure in the form of "specialised lending".

Equity exposures refer to the Bank's holdings of shares that are not in the trading book.

For division into exposure classes according to the standardised approach, the Bank's volumes are put into the following exposure classes: multilateral development banks, international organisations, institutions, corporations, retail, exposures with collateral in property, exposures in default, other items and equities.

Risk rating methods

In order to quantify the Bank's credit risks, calculations are made of 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). Default is defined as when the counterparty is either more than 90 days late in making a payment, or when an assessment has been made that the counterparty will not be able to pay as contractually agreed. The PD value is expressed as a percentage where, for example, a PD value of 0.5 per cent means that one borrower of 200 with the same PD value is expected to default within one year.

Corporate exposures are divided into four

Table AR:16 Credit exposures by risk class

Credit exposures by risk class 2020 SEK m	Balance sheet items						Off-balance sheet items		
Risk class	Loans to the public	Loans to other credit institutions	Cash and balances with central banks	Other loans to central banks	Derivative instruments	Interest-bearing securities	Contingent liabilities	Obligations	Total
1	479,918	5,068	396,840	21,326	3,295	106,022	7,041	53,056	1,072,566
2	590,700	13,404	762	-	8,747	21,528	28,595	136,432	800,168
3	587,579	465	40	-	4,272	15,173	18,215	129,448	755,192
4	285,396	38	-	-	2,686	-	16,349	60,683	365,152
5	103,797	37	-	-	414	-	5,383	35,281	144,912
6	24,293	7	-	-	234	-	752	8,371	33,657
7	22,536	1	-	-	20	-	130	5,076	27,763
8	2,090	-	-	-	4	-	77	4,190	6,361
9	9,525	-	-	-	-	-	69	2,674	12,268
Defaults	3,914	-	-	-	-	-	73	333	4,320
Standardised approach[1]	159,864	2,900	-	-	10,942	976	3,211	27,880	205,773
Total	**2,269,612**	**21,920**	**397,642**	**21,326**	**30,614**	**143,699**	**79,895**	**463,424**	**3,428,132**

Credit exposures by risk class 2019 SEK m	Balance sheet items						Off-balance sheet items		
Risk class	Loans to the public	Loans to other credit institutions	Cash and balances with central banks	Other loans to central banks	Derivative instruments	Interest-bearing securities	Contingent liabilities	Obligations	Total
1	434,204	4,185	326,508	19,547	12,158	120,838	7,575	52,519	977,534
2	611,021	10,263	1,425	-	3,324	9,269	33,800	130,358	799,460
3	632,816	1,517	25	-	13,119	15,917	32,573	137,934	833,901
4	303,308	30	-	-	2,553	-	6,551	51,025	363,467
5	92,125	120	-	-	253	0	7,628	31,202	131,328
6	19,862	7	-	-	98	-	741	4,582	25,290
7	25,571	5	-	-	23	-	217	3,810	29,626
8	2,551	-	-	-	4	-	163	3,125	5,843
9	10,633	-	-	-	-	-	98	2,004	12,735
Defaults	4,486	-	-	-	4	-	410	153	5,053
Standardised approach[1]	156,026	1,812	-	-	10,009	3	5,430	22,955	196,235
Total	**2,292,603**	**17,939**	**327,958**	**19,547**	**41,545**	**146,027**	**95,186**	**439,667**	**3,380,472**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

counterparty types and sovereign exposures into two counterparty types based on the business evaluation template used for the counterparty. PD is calculated individually for each risk class and counterparty type. For exposures that are subject to a capital requirement according to the IRB approach without own estimates of LGD and CCF, prescribed values are applied for LGD. The prescribed value that may be used is determined by the collateral provided for each exposure.

For retail exposures as well, an average default rate is calculated for each of the risk classes. Different models are used for exposures to private individuals and SMEs (that are also classified as retail exposures), but the principle is the same.

For retail exposures and for corporate exposures such as medium-sized companies, property companies and housing co-operative associations, the LGD is determined using the Bank's own loss history. For exposures to large corporates that are subject to a capital requirement using the IRB approach with own estimates of LGD and CCF, the LGD is determined on the basis of internal losses and external observations. For retail exposures secured by property in Sweden and for property exposures to medium-sized companies, property companies and housing co-operative associations (corporate), different LGD values are applied depending on the loan-to-value ratio of the collateral. For other exposures, the LGD value is determined by factors that may depend on the existence and valuation of collateral, the product type and similar factors.

For each exposure class, the PD is calculated for each of the risk classes that refer to non-defaulted counterparties or agreements. PD is based on calculations of the historical percentage of defaults for different types of exposures. The average default rate is then adjusted by various margins of conservatism.

When establishing LGD, the risk measure must reflect the loss rates during economically unfavourable circumstances, known as downturn LGD. For collateral in property, the downturn LGD is based on observed loss rates from the property crisis in the early 1990s. For other collateral relating to retail exposures, observed LGD is adjusted for downturns by a factor which depends on the PD and type of product. For corporate exposures in the IRB approach with own estimates of LGD and CCF, the LGD is adjusted for downturns so that the Bank's observed losses in the crisis years of 1991–1996 are taken into account. For exposures with collateral in property, the LGD is, in many cases, estimated on the basis of the property's loan-to-value ratio. Given that the value of properties, and thereby also the loan-to-value ratio, usually varies in line with the business cycle, this means that the capital requirement will also demonstrate a certain correlation with the business cycle.

When the exposure amount (EAD) is to be calculated, certain adjustments are made to the carrying amount. Examples of this are committed loan offers or revolving credits, where the Bank agrees with the customer that the customer may borrow up to a certain amount in the future. This type of commitment constitutes a credit risk that must also be covered by adequate capital. Normally, this means that the credit granted is adjusted using a certain credit conversion factor (CCF) for the part of the credit that is unutilised at the time of reporting. For certain product categories for corporate exposures and exposures to institutions, the credit conversion factors are determined by the regulatory code, while for retail exposures and certain product categories for large corporates, medium-sized companies, property companies and housing co-operative associations, the Bank uses its own calculated conversion factors. Here, it is the product referred to that mainly governs the conversion factor, but the utilisation level may also be of relevance.

In addition to the capital adequacy calculation, the risk parameters (PD, EAD, LGD) are used to calculate the cost of capital in each individual transaction and to calculate economic capital (EC).

Table AR:17 Balance sheet items subject to impairment testing, breakdown by risk class

Balance sheet items subject to impairment testing under IFRS 9 Breakdown by risk class 2020 SEK m	Gross			Provisions		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Risk class						
1	841,863	2,045	-	-5	-3	-
2	630,307	3,783	-	-24	-6	-
3	607,480	4,462	-	-46	-10	-
4	278,936	9,312	-	-97	-30	-
5	74,216	30,500	-	-99	-243	-
6	14,688	10,059	-	-33	-181	-
7	17,129	5,562	-	-10	-124	-
8	624	1,528	-	-3	-55	-
9	4,367	5,285	-	-21	-106	-
Defaults	-	-	5,993	-	-	-2,079
Standardised approach[1]	170,097	3,865	1,009	-51	-82	-159
Total	**2,639,707**	**76,401**	**7,002**	**-389**	**-840**	**-2,238**

Balance sheet items subject to impairment testing under IFRS 9 Breakdown by risk class 2019 SEK m	Gross			Provisions		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Risk class						
1	733,064	2,079	-	-4	-2	-
2	634,644	5,689	-	-22	-9	-
3	660,270	7,179	-	-43	-12	-
4	298,762	7,754	-	-99	-26	-
5	70,960	9,244	-	-106	-82	-
6	17,555	2,494	-	-39	-44	-
7	18,177	7,573	-	-20	-131	-
8	722	1,882	-	-1	-47	-
9	5,038	5,689	-	-14	-80	-
Defaults	-	-	8,173	-	-	-3,687
Standardised approach[1]	169,114	2,279	658	-15	-11	-80
Total	**2,608,306**	**51,862**	**8,831**	**-363**	**-444**	**-3,767**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

Table AR:18 Loans to the public subject to impairment testing, breakdown by risk class

Loans to the public subject to impairment testing under IFRS 9 Breakdown by risk class 2020 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	477,881	2,045	-	-5	-3	-
2	586,946	3,782	-	-22	-6	-
3	583,172	4,462	-	-45	-10	-
4	276,211	9,312	-	-97	-30	-
5	73,634	30,500	-	-99	-238	-
6	14,448	10,059	-	-33	-181	-
7	17,109	5,561	-	-10	-124	-
8	620	1,528	-	-3	-55	-
9	4,367	5,285	-	-21	-106	-
Defaults	-	-	5,993	-	-	-2,079
Standardised approach[1]	155,295	3,850	1,009	-50	-81	-159
Total	**2,189,683**	**76,384**	**7,002**	**-385**	**-834**	**-2,238**

Loans to the public subject to impairment testing under IFRS 9 Breakdown by risk class 2019 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	432,131	2,079	-	-4	-2	-
2	605,363	5,687	-	-20	-9	-
3	625,691	7,179	-	-42	-12	-
4	295,679	7,754	-	-99	-26	-
5	83,070	9,244	-	-107	-82	-
6	17,451	2,494	-	-39	-44	-
7	18,154	7,568	-	-20	-131	-
8	717	1,882	-	-1	-47	-
9	5,038	5,689	-	-14	-80	-
Defaults	-	-	8,173	-	-	-3,687
Standardised approach[1]	153,377	2,093	658	-14	-8	-80
Total	**2,236,671**	**51,669**	**8,831**	**-360**	**-441**	**-3,767**

Table AR:19 Off-balance sheet items subject to impairment testing, breakdown by risk class

Off-balance sheet items subject to impairment testing under IFRS 9 Breakdown by risk class 2020 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	43,265	170	-	-1	0	-
2	115,428	675	-	-6	-2	-
3	102,844	719	-	-8	-1	-
4	54,880	1,035	-	-17	-2	-
5	25,923	4,826	-	-23	-45	-
6	7,601	1,501	-	-6	-24	-
7	4,569	609	-	-3	-19	-
8	3,886	350	-	-1	-17	-
9	2,437	278	-	-2	-19	-
Defaults	-	-	402	-	-	-117
Standardised approach[1]	30,432	580	31	-23	-28	-2
Total	**391,266**	**10,743**	**433**	**-90**	**-157**	**-119**

Off-balance sheet items subject to impairment testing under IFRS 9 Breakdown by risk class 2019 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	39,710	384	-	-2	-1	-
2	133,002	662	-	-5	-1	-
3	121,064	1,310	-	-9	-1	-
4	36,561	1,033	-	-14	-3	-
5	29,770	1,831	-	-24	-11	-
6	4,923	412	-	-6	-6	-
7	3,113	927	-	-5	-17	-
8	2,670	628	-	0	-10	-
9	1,814	296	-	-1	-7	-
Defaults	-	-	669	-	-	-106
Standardised approach[1]	27,852	502	43	-3	-9	0
Total	**400,479**	**7,985**	**712**	**-69**	**-66**	**-106**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

Comparisons with external ratings

The Bank's risk classes are not directly comparable with the ratings applied by external credit rating agencies. The agencies' ratings do not correspond to a direct classification of the probability of the counterparty defaulting, as the Bank's rating model does. In addition, the rating agencies vary in the extent to which they factor in the seriousness of the losses that default can lead to. The time horizon for which creditworthiness is assessed is not always the same for the Bank as it is for the credit rating agencies. The Bank's risk classes do not state a uniform scale, whereby a certain risk class always corresponds to a certain probability of default. Furthermore, different PD scales are applied to different parts of the credit portfolio and the PD value changes over time.

Overall, it is impossible to unambiguously and consistently translate the internal risk classes into an external rating. However, by analysing the historical default rate in Handelsbanken's risk classes in relation to the default rate in the external rating classes according to the Moody's rating agency, a fair table of comparison can be obtained.

Quality assurance of the credit risk model

The Bank performs a detailed annual review of its rating systems. The review checks that the internal ratings on which the Bank's risk ratings are based are applied in a consistent, correct and fit-for-purpose manner (evaluation) and also that the models used measure risk in a satisfactory manner (validation). For a more detailed description, refer to the "Risk and Capital – Information according to Pillar 3" report, under the heading Credit risk – Quality assurance of the rating system.

CALCULATION OF EXPECTED CREDIT LOSSES

The impairment rules presented in IFRS 9 apply to financial assets at amortised cost, financial assets at fair value through other comprehensive income, as well as financial guarantees and irrevocable commitments. This section provides descriptions of the processes and methods applied in Handelsbanken's model-based calculations of provisions for expected credit losses (ECL).

Estimations of expected credit losses are made at agreement level, whereby the characteristics of the agreement and the counterparty govern the classification and quantification of the provision requirement. The estimation is made using either a model-based or manual calculation, with the choice of method mainly dependent on whether the agreement is deemed to be credit-impaired.

For information pertaining to the recognition and measurement of expected credit losses and for definitions, refer to note G1, section 10, Credit losses.

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

Handelsbanken's Group-wide, central process for model-based calculations of expected credit losses incorporates a number of different processes and methods which support the quantification of the provision requirement in Stage 1 and Stage 2.

The model-based calculations factor in historical, current and forward-looking data. Historical data forms the basis for the construction of the model and parameters applied, current data comprises the prevailing balances on the reporting date (as included in the calculation requirements) and forward-looking data refers to the macroeconomic scenarios used to calculate future risk parameters and exposures.

The models use the same historical risk data as the IRB models, meaning that the accounting of provisions and calculations of capital requirements are based on the same basic loss history. Similar to how the risk rating system affects capital adequacy calculations, the internal rating (from which the risk rating derives) is a significant part of the models for calculating expected credit losses. The calculations are primarily affected by the risk parameters known as 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). The expected credit loss in a future period is obtained by multiplying the present value of the EAD by the PD and by the LGD. In contrast to the calculation of credit losses in the Capital Requirements Regulation, which also uses the risk parameters PD, EAD and LGD, the estimation of expected credit losses pursuant to IFRS 9 is based on current forward-looking assessments. As the regulations have different purposes, the calculation models differ in terms of how the risk parameters are set and in how they are constructed. The main differences between IFRS 9 and the IRB approach are presented in table AR:20 Differences between IFRS 9 and the IRB approach.

Macroeconomic information

The calculations regarding model-based assessments of significant increases in credit risk and expected credit losses are undertaken with the application of models for the respective risk parameters (PD, EAD and LGD). In order to ensure that the calculations take into account non-linear aspects, three forward-looking macroeconomic scenarios are used in the models (one neutral, one negative and one positive). Each scenario includes significant macroeconomic risk factors, such as unemployment, GDP, property prices, key/central bank rates and inflation, by country. The significant macroeconomic risk factors have been identified from an assessment of the Bank's historical data and the relation to the risk parameters is estimated using the same historical material. The various scenarios are used to adjust the risk parameters in question. Each macroeconomic scenario represents a probability determined by the Bank. These probabilities are currently set at 70 (60) per cent for the neutral scenario, 15 (15) per cent for the positive scenario and 15 (25) per cent for the negative scenario. Expected credit losses are recognised as a probability-weighted average of the expected credit losses for the respective scenarios.

All of the macroeconomic scenarios have been produced by the Bank's economic research unit, which is responsible for all economic analysis delivered by Handelsbanken, whether for internal or external use. These macroeconomic scenarios comprise region-specific, 30-year forecasts for Sweden, Norway, Finland, Denmark, the UK, the eurozone and the US, together with a global forecast. A change in the macroeconomic scenarios, or in the probability weights applied, affects both the assessment of significant increases in credit risk and the estimated expected credit losses. The scenarios are updated on a quarterly basis by the Bank's economic research unit and are presented for approval to the relevant decision-makers before being applied in the ECL calculations.

Portfolio segmenting

Statistical models are used in the model-based assessment. These have been developed for different segments in the portfolio, with each segment being comprised of similar risk exposures, and the risk parameters can be estimated on the basis of a common set of risk factors. For retail exposures, the portfolio segmenting is based on product type and, for other exposures, it is based on counterparty type. The segments have been identified on the basis of statistical analysis and expert assessment. For retail exposures, the portfolio has the following nine segments: exposures with residential property as collateral for private individuals, revolving credits including credit card exposures for private individuals, and for SMEs, other exposures for private individuals, and for SMEs, card credits for retail financial services for private individuals, and for SMEs, and hire purchase for retail financial services for private individuals, and for SMEs. Other exposures are split into the following six segments: property companies, housing co-operative associations, other large non-financial companies, other non-financial companies, financial companies and banks, and sovereigns.

Within the respective portfolio segments, the agreements are further categorised into different states, based on risk factors such as internal rating, payment history, country affiliation, collateral type and loan-to-value ratio. These states have been determined on the basis of statistical analysis of historical outcomes. For every state, statistical models are used for migrations between states in order to calculate the forward-looking probabilities for the risk parameters PD, LGD and EAD. One important risk factor for the states is the counterparty's internal rating, which is set in conjunction with the credit decision and which is updated at least annually, or whenever there are indications that the counterparty's repayment capacity has changed. There are states for 'not in default', 'in default' and 'early repayment' exposures. Retail exposures are divided into nine different states and other exposures into twelve states.

Significant increase in credit risk

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

The quantitative indicator which is primarily used to assess the change in credit risk is the relative change, between the instrument's initial recognition and up to the most recent reporting date, in the probability of default (PD) during the agreement's remaining lifetime. In cases where an unreasonable expense or exertion was required to establish the PD in conjunction with the initial recognition of an instrument, changes in the counterparty's or the agreement's internal rating or risk rating since initial recognition have been used to assess the significant change in the credit risk. For agreements recognised initially on or after 1 January 2018, the forecasts regarding the risk of default are based on three scenarios. For agreements recognised before 1 January 2018, the same criteria are applied but using a scenario based on the Bank's most recently published economic analysis at the time of initial recognition.

The primary criterion when assessing whether an agreement is deemed to have incurred a significant increase in credit risk and is thus transferred to Stage 2 is, as defined by Handelsbanken, that the estimated remaining probability of default (PD) on the reporting date is greater than a multiple of 2.5 times the corresponding probability of default upon initial recognition. The threshold level of 2.5 is based on statistical analysis of the Bank's historical data and compares the increase in the remaining risk that the counterparty will default with the corresponding estimated risk upon the initial recognition of the agreement. In addition, there are other qualitative factors which the Bank has assessed as entailing a significant increase in credit risk, such as the agreement having payments that are more than 30 days overdue, or that counterparty having been granted concessions as the result of a deteriorated credit rating.

If a significant increase in credit risk has arisen since initial recognition, a provision is recognised which corresponds to the expected credit losses for the entirety of the remaining lifetime and the financial instrument is transferred to Stage 2. The model is symmetrical, meaning that, if the financial instrument's credit risk decreases and there is therefore no longer a significant increase in credit risk since initial recognition, the financial asset is transferred back to Stage 1.

Models for risk parameters and expected lifetime

The risk parameters PD, LGD and EAD are calculated for every agreement and future point in time, based on statistical models. These models are, as far as possible, founded on the relationships between the significant risk factors and relevant risk outcomes identifiable in the Bank's own loss history. The majority of risk parameters which are quantified are based on approximately ten years of internal data. In cases where the Bank lacks sufficient information due to, for example, too few defaults, the data is complemented with external information. The historical outcomes are analysed with regard to the covariation in agreement-specific, counterparty-specific and region-specific risk factors, such as product type, internal rating, length of customer relationship, collateral type, loan-to-value ratio, unemployment and GDP growth. The risk factors identified as significant for a specific risk parameter are included in the model and the historical correlation is quantified.

Probability of default (PD)

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

Exposure at default (EAD)

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

Expected lifetime

An instrument's expected lifetime is relevant to both the assessment of significant increase in credit risk, which takes into account changes in PD during the expected remaining lifetime, and the measurement of expected credit losses for the asset's expected remaining lifetime. The expected lifetime is considered when calculating the remaining PD, by weighing the forecast annual PD values during the agreement's contractual duration against the probability that the agreement will not be subject to early repayment before defaulting.

The probability of the agreement being subject to early repayment is based on statistical analysis and on the Bank's internal history for approximately the past ten years, and is included as a component of the model for EAD. Potential risk factors in the form of agreement, counterparty and macroeconomic risk factors have been assessed in the analysis. The risk factors identified as significant are included in the model. In several cases, no significant risk factors for early repayment are identified other than counterparty type and rating. These risk factors are, however, affected by forward-looking macroeconomic scenarios, which means that early repayment is indirectly dependent on forward-looking macroeconomic scenarios.

For revolving credits with no maturity date, such as credit cards, and mortgage loans with interest-rate fixing periods of a maximum of three months, a 30-year maturity from the reporting date is applied, meaning that the expected lifetime is, in practice, defined by the behaviour-based statistical model.

Loss given default (LGD)

LGD reflects the financial loss which the Bank expects to incur in the event of default. The most important risk factors when calculating LGD are the value and type of collateral, and

Table AR:20 Differences between IFRS 9 and the IRB approach

Risk parameter	IRB	IFRS 9
PD, probability of default	Average risk of default within 12 months over one business cycle, including statistical margins of conservatism and regulatory floors. The definition of default as presented in the Capital Requirements Regulation is applied at agreement level for retail exposures and at counterparty level for other exposures.	Business cycle-dependent ("point-in-time") risk of default within 12 months. "Lifetime PD" refers to the risk of default during the agreement's expected remaining lifetime. The definition of default as presented in the Capital Requirements Regulation is applied at agreement level for retail exposures and at counterparty level for other exposures.
LGD, loss given default	The maximum value of expected loss rate on exposure at default within 12 months in the long term and in conjunction with an economic downturn, including statistical margins of conservatism and regulatory floors. The quantification of loss for corporate exposures is based on recoveries within 12 months and remaining reserves (24 months for retail exposures)	Business cycle-dependent expected loss rate on exposure at default. LGD is adjusted on the basis of forward-looking macroeconomic scenarios.
EAD, exposure at default	The maximum value of expected exposure at default within 12 months in the long term and in conjunction with an economic downturn, including statistical margins of conservatism and regulatory floors.	Business cycle-dependent expected exposure at default within 12 months. EAD is adjusted on the basis of contractual terms and conditions, and forward-looking macroeconomic scenarios.
Lifetime	The agreement's contractual maturity, with consideration given to the customer's option to extend	The expected lifetime. The agreement's contractual maturity, with consideration given to the probability of early repayment.
Forecast horizon	12 months	Up to 12 months or the remaining lifetime (depending on whether Stage 1 or Stage 2-3).
Discounting	Forecast losses are not discounted to the reporting date. When quantifying the recovery rate, observed recoveries are discounted to the date of default using the average cost of capital.	Forecast losses are discounted to the reporting date using the agreement's effective interest rate on the initial reporting date. When quantifying the recovery rate, observed recoveries are discounted to the date of default using the average cost of capital.
Significant increase in credit risk	N/A	Based on the relationship between the current remaining risk of default on the reporting date and the expected current remaining risk of default calculated on the initial reporting date.
Forward-looking scenarios	N/A	The calculations of forward-looking risk parameters (PD, LGD, EAD) use a regional base scenario (neutral macroeconomic scenario) and two alternative regional macroeconomic scenarios (one positive and one negative).
Initial reporting date	N/A	Initial reporting date for the agreement identity.

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

Differences between IFRS 9 and the IRB approach

Handelsbanken's IFRS 9 models are based on the same historical data and the same overall model-based approach as the Bank's IRB models, which use the risk parameters PD, LGD and EAD. As the regulations have different purposes, the calculation models differ in terms of how the risk parameters are set and in how they are constructed and, in certain cases, new models have been implemented to fulfil the requirements of IFRS 9. The main differences between IFRS 9 and the IRB approach are presented in the table above.

Validation of IFRS 9 models and model-based calculations

The models and the risk parameters used in these are validated on an annual basis, and ensure that the model-based calculations demonstrate a good forecasting accuracy and identify unexpected deviations between forecasts and the most recent outcomes. Validation takes place at several aggregation levels and encompasses all significant risk parameters, as well as the weighted estimated expected credit losses at the individual and aggregate levels. The validation is reported to the Chief Credit Officer, the CRO and the CFO.

The principles for the evaluation and validation of the models are determined by Group Risk Control, and the validation is carried out or reviewed by a party independent of the model development process. The observations made in the 2020 validation related to the methodology applied, and it is not deemed that these will result in any material effects on the calculated reserves that have not already been taken into account. The observations will be addressed as part of the development activities during 2021.

MANUAL CALCULATIONS FOR AGREEMENTS IN STAGE 3

Assets in Stage 3 are tested for impairment at the individual level using a manual calculation (with the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3). This testing is carried out on a regular basis and in conjunction with every reporting date by the local branch with business responsibility (unit with customer and credit responsibility) and is decided by the regional credit committee or Group Credits.

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

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

GOVERNANCE AND INTERNAL CONTROL

For calculating the expected credit losses on agreements in Stage 1 and Stage 2, Handelsbanken has a Group-wide, central process using internally developed statistical models (model-based calculation). Manual calculation is used for agreements in Stage 3. The description below primarily refers to the model-calculated provisions for expected credit losses. This process is covered by a number of internal controls, which are described below. The various stages of the process also entail different approvals/adoptions, creating a governance structure, which is also described below.

Verification of input data in reports

On each reporting date, the information which constitutes the basis for the calculations of expected credit losses is checked for correctness and completeness. This is carried out in the form of automatic reconciliation of loaded data from delivery sources. Furthermore, a reasonability assessment is undertaken, whereby system balances are compared with the balances recorded on the previous reporting date. The balances which are ultimately used are then reconciled against the volumes recorded in the general ledger.

Models

Before a new quantitative model is included in the overall model system, it is subject to validation and must be approved for use by the Chief Credit Officer. On the reporting date, only this model system can be used for calculations, meaning that only approved models are usable.

The quantitative models which form the basis for the calculations of expected credit losses involve several assumptions and assessments. Examples include the assumption that the quantifiable aspects of relationships between macroeconomic risk factors and risk parameters in historical data are representative for future events, and the assumption that an agreement's expected lifetime can be based on historical behavioural data. Furthermore, a selection of the most significant macroeconomic risk factors is made on the basis of the macroeconomic risk factors' ability to demonstrate to individual risk parameters. The selection of the macroeconomic risk factors and specification of the model are based on achieving a balance between simplicity, explanatory power and stability. All assumptions and discretionary decisions are presented to the Chief Credit Officer for approval.

Any expert-assessed calculations in model-calculated agreements in Stage 1 and Stage 2 or in manually calculated agreements in Stage 3 require the approval of the Chief Credit Officer before they are applied.

Macroeconomic scenarios

The macroeconomic scenarios have been produced by the Bank's economic research unit, based on instructions issued by the Chief Credit Officer. These instructions specify the desired macroeconomic risk factors, geographical areas to be included, and the number of scenarios and probability-weighting between them.

Before every reporting date, the current macroeconomic scenarios are presented to the Chief Credit Officer and the CFO, who approve the scenarios for use in the reporting process. The approved macroeconomic scenarios are then automatically loaded into the reporting flow.

Size of the provisions

The total estimated provisions in Stage 1 and Stage 2 require the approval of the Chief Credit Officer and the CFO. Estimated provisions in Stage 3 are proposed by the Bank branch with business responsibility (unit with customer and credit responsibility) and are approved by either the regional credit committee or a central unit, depending on the size of the provision. Credit provisions in Stage 3 which are approved at regional level are reviewed/quality controlled by a central unit. In addition, Group Risk Control submits an independent review on every reporting date of a selection of the credit provisions in Stage 3 which are approved centrally.

The role of the control functions

Group Risk Control determines the validation principles and ensures that models are validated. An independent review is conducted on every reporting date of a selection of the credit provisions in Stage 3 which are approved centrally. Group Risk Control is described in more detail on page 69. Group Audit reviews the estimations of expected credit losses as part of its assignment to independently examine internal governance and control, and to evaluate the reliability of the Group's financial reporting. Group Audit is described in more detail on page 69.

COUNTERPARTY RISK

Counterparty risk arises when the Bank has entered into derivative contracts or contracts with a counterparty regarding loans of securities. In addition to derivatives, the capital adequacy regulations therefore treat both repurchase transactions and equity loans as counterparty risks.

In calculating both the capital requirement and economic capital (EC), counterparty exposures are taken into account based on the exposure amounts stipulated by the capital adequacy regulations. Handelsbanken applies the mark to market method to calculate exposure amounts on derivative contracts for capital adequacy purposes. The current remuneration amount for all contracts with a positive value is ascertained by assigning the current market values to the contracts. In order to estimate the potential future credit exposure, the contracts' nominal amounts are multiplied by the percentages designated in the regulatory framework, which vary depending on the type of derivative and the lifetime of the exposure.

Counterparty risk is regarded as a credit risk where the market value of the contract determines the size of the exposure. If the contract has a positive value, the default of the counterparty means a potential loss for the Bank.

Reduction of counterparty risk

Counterparty risk arises from the trade date until the date of delivery, whereby the Bank could be charged a termination fee if the counterparty is unable to meet its commitments. This risk exists in all derivative transactions and in securities transactions where the Bank has not secured payment in advance.

The size of counterparty exposures is restricted by setting credit limits in the regular credit process. The size of the exposures may vary substantially due to fluctuations in the price of the underlying asset. In order to take account of the risk that the exposure may increase, supplements are added to the value of the exposure when setting credit limits. These add-ons are calculated using standard amounts that depend on the type of contract and the time to maturity. The exposures are calculated and followed up daily.

The counterparty risk in derivatives is reduced through close-out netting agreements, which involve setting off positive values against negative values in all derivative transactions with the same counterparty. Netting agreements are supplemented with agreements for issuing collateral for the net exposure (Credit Support Annex, CSA), which further reduce the credit risk. The collateral for these transactions is mainly cash, but government securities are also used. Due to the high proportion of cash, the concentration risks in the collateral are limited.

The majority of Handelsbanken's agreements include close-out netting, and the agreements with the largest exposures also include CSAs.

Derivatives which are cleared via central counterparties also give rise to capital requirements. Central counterparties are clearing houses which act as the counterparty for both the buyer and seller in various transactions, and thus take over the responsibility for fulfilling the parties' obligations. All parties which use a central counterparty must provide collateral for all transactions. In most cases the risk weight for centrally cleared derivatives is considerably lower than for other types of derivatives.

Table 3.24 (Pillar 3) Counterparty risk, breakdown by exposure classes, exposure amounts and risk-weighted exposure amounts, IRB approach

The exposure amount consists of derivatives, repos and equity loans.

Counterparty risk, breakdown by exposure classes, exposure amounts and risk-weighted exposure amounts, IRB approach	2020		2019	
SEK m	Exposure amount[1]	Risk-weighted exposure amount	Exposure amount	Risk-weighted exposure amount
Exposure classes, IRB approach				
Exposures to institutions	21,275	5,404	41,109	8,516
Corporate exposures	10,727	3,183	8,509	2,604
Sovereign exposures	4,306	72	3,918	76
Total IRB approach	**36,308**	**8,659**	**53,536**	**11,196**

Table 3.25 (Pillar 3) Counterparty risk, breakdown by exposure classes, exposure amounts and risk-weighted exposure amounts, standardised approach

The exposure value consists of derivatives, repos and equity loans.

Counterparty risk, breakdown by exposure classes, exposure values and risk-weighted exposure amounts, standardised approach	2020		2019	
SEK m	Exposure amount[1]	Risk-weighted exposure amount	Exposure amount	Risk-weighted exposure amount
Exposure classes, standardised approach				
Exposures to institutions	6,444	172	7,169	144
of which cleared via central counterparties	6,210	124	7,165	143
Other exposures	*63*	*21*	*299*	*19*
Total standardised approach	**6,507**	**193**	**7,468**	**163**
Total IRB and standardised approach	**42,815**	**8,852**	**61,004**	**11,359**

Table 3.26 (Pillar 3) Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure

Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure SEK m	2020	2019
Positive gross market value for derivative contracts	55,958	66,877
Netting gains	-32,860	-29,673
Current set-off exposure	23,098	37,204
Collateral[1]	-14,833	-30,022
Net credit exposure for derivatives	8,265	7,182

[1] Includes collateral offset against market values on the balance sheet.

Table 3.27 (Pillar 3) Counterparty risks in derivative contracts including potential future exposure

Counterparty risks in derivative contracts including potential future exposure 2020 SEK m	Current set-off exposure	Potential future exposure	Exposure amount	Risk-weighted exposure amount	Capital requirements
Sovereign exposures	1,460	619	2,079	72	6
Exposures to institutions	10,283	14,596	24,879	5,243	419
Corporate exposures	7,444	4,649	12,093	3,192	255
Others	2	12	14	9	1
Total	**19,189**	**19,876**	**39,065**	**8,516**	**681**
of which operations in the trading book	*10,493*	*8,712*	*19,204*	*4,157*	*333*

Counterparty risks in derivative contracts including potential future exposure 2019 SEK m	Current set-off exposure	Potential future exposure	Exposure amount	Risk-weighted exposure amount	Capital requirements
Sovereign exposures	1,433	577	2,010	76	6
Exposures to institutions	24,023	21,870	45,893	8,419	674
Corporate exposures	5,103	4,634	9,737	2,604	208
Others	7	15	22	15	1
Total	**30,566**	**27,096**	**57,662**	**11,114**	**889**
of which operations in the trading book	*7,557*	*10,459*	*18,016*	*3,960*	*317*

MARKET RISK

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

In Handelsbanken's operations, market risks arise when the Bank's customers request services for which the Bank must have flexible funding. The Bank can also obtain funding on other markets than those where it has its lending so that it can diversify its sources of funding. The funding can also have different interest-fixing periods than the assets which are to be funded. Market risks can also arise in Group Treasury's liquidity portfolio, which can be converted into liquidity at short notice in conjunction with possible disruptions in the markets where the Bank conducts its operations. The portfolio secures the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve.

Market risks also arise to meet customers' demand for financial instruments with exposure to the fixed income, foreign exchange, equity or commodity markets. As a consequence, it may be necessary for the Bank to hold certain positions. This situation arises for example when the Bank has undertaken to quote prices in its role as a market maker.

Market risks in the Bank's business operations arise – and thus are managed – mainly at Group Treasury and Handelsbanken Capital Markets, although they also exist at Handelsbanken Liv. The market risks at Handelsbanken Liv are described in a separate section. Consequently, the information on market risks given in this section refers to risks excluding Handelsbanken Liv.

MARKET RISK STRATEGY

Handelsbanken has a restrictive view of market risks. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. Market risks must be limited by matching cash flows and interest-fixing periods, hedging open positions and taking other actions to limit risk.

Market risks at Handelsbanken are thus very low. One result of the low market risks is that a small fraction of the Bank's earnings comes from net gains/losses on financial transactions.

ORGANISATIONAL STRUCTURE

The Bank's limit system restricts the size of the exposure to market risks. Measurement methods and limits are established by the Board. The CFO has the functional responsibility for liquidity and funding, while the Head of Group Treasury, who reports to the CFO, is responsible for the Group's liquidity and funding. This responsibility includes managing the Group's liquidity, foreign exchange and interest rate risks in its banking operations. The limits for interest rate, foreign exchange and liquidity risk are allocated by the CEO and CFO to the Head of Group Treasury, who in turn allocates these to the business- operating units. Limits for equity price risk and commodity price risk are allocated directly to Capital Markets by the CFO.

The CEO and the CFO also decide on supplementary risk measures, intraday limits and detailed guidelines. The supplementary limit measures aim to reduce the Bank's sensitivity to volatility changes in the financial markets, and to limit the risks of specific holdings and the liquidity risk per currency. These measures also limit the risks from a maturity perspective. The CFO, CEO and Board continually receive reports on the market risks and utilisation of the limits.

MARKET RISK AT HANDELSBANKEN

Market risks are measured using several different methods. The sensitivity measures used show which changes in value would occur in the event of predefined changes in prices and volatilities. Position-related risk measures and probability-based Value at Risk models (VaR) are also used.

VaR

Value at Risk (VaR) is calculated for the portfolios at Handelsbanken Capital Markets and Group Treasury which are classified as trading book. VaR is a probability-based measure and expresses the losses in Swedish kronor that may arise in risk positions due to movements in the underlying markets over a specified holding period and for a given confidence level. VaR is calculated using historical simulation and is determined for individual risk factors, classes of risk and at portfolio level with a 99 per cent confidence level and a one-day holding period. This means that the Bank would be expected to make a loss exceeding the VaR outcome on one out of every 100 trading days. The model means that different risk classes can be handled in a uniform way so that they can be compared and aggregated into a total market risk. The overall risk in the portfolios which are classified as trading book was SEK 14 million (8) at the year-end. VaR is reported on a regular basis to the CFO, the CEO and the Board. The VaR model uses historical, observed outcomes and does not thus cover all potential outcomes, nor does it always cover the risk of extreme, rapid market movements. The calculations are therefore supplemented with stress tests where the portfolios are tested against scenarios based on all events in the financial markets since 1994. The results of these stress tests are also reported to the CFO, CEO and the Board's Risk Committee on a regular basis.

Figure AR:21 Decision levels for market and liquidity risks

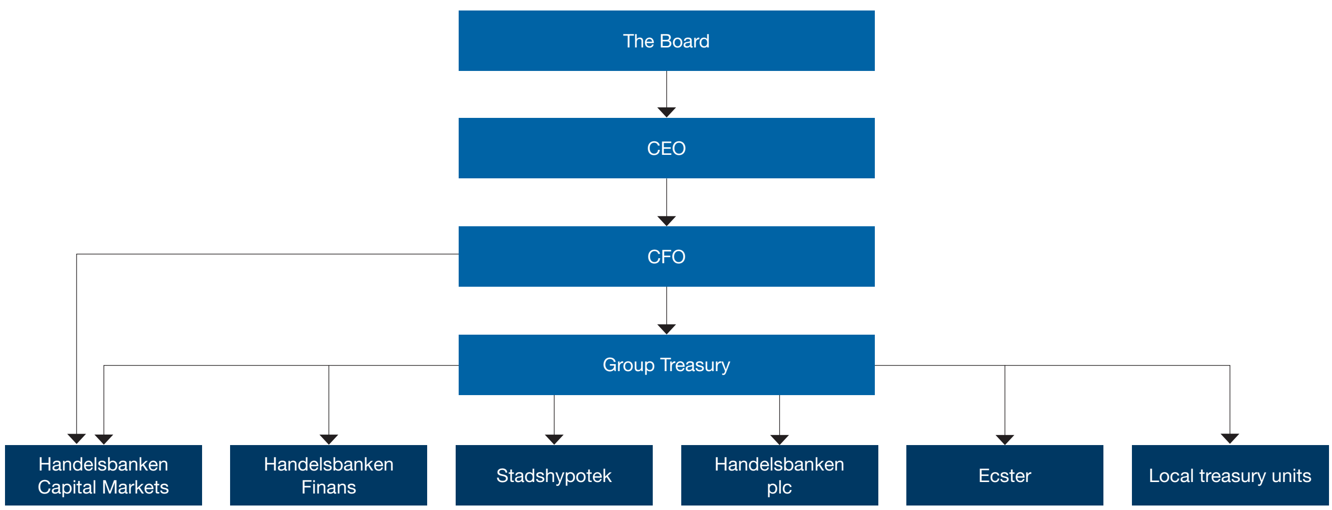


Table AR:22 VaR for trading book – Handelsbanken Capital Markets and Group Treasury[1]

VaR for trading book – Handelsbanken Capital Markets and Group Treasury[1]

	Total		Equities		Fixed income		Currency		Commodities	
SEK m	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Average	15	9	1	1	17	10	3	2	1	1
Maximum	30	16	3	3	31	15	8	5	3	3
Minimum	5	6	0	0	5	6	1	1	0	0
Year-end	14	8	1	1	21	8	2	2	1	1

[1] Portfolios classified as trading book are subject to special instructions and guidelines.

Table AR:23 Worst outcome in stress test for trading book – Handelsbanken Capital Markets and Group Treasury

Worst outcome in stress test for trading book – Handelsbanken Capital Markets and Group Treasury SEK m	2020	2019
Average	85	83
Maximum	264	244
Minimum	28	31
Year-end	69	56

Interest rate risk

Interest rate risk mainly arises at Handelsbanken Capital Markets, Group Treasury and in the lending operations. Interest rate risk is measured in several ways at the Bank. General interest rate risk is measured daily, and limits are set as the absolute sum of the least favourable changes in fair value per currency in the case of substantial instantaneous upward or downward parallel shifts of one percentage point for all interest rates. At year-end, the Bank's total general interest rate risk was SEK 1,423 million (1,060). Interest rate adjustment periods for deposits that lack a contractual maturity are established using an internal method. The basic assumption for such deposits is the shortest possible interest-fixing period, and adjustments are made only for the part that can be regarded as stable and insensitive to interest-rate movements based on historical observations. The risk measure includes interest-bearing items measured at market value as well as items not measured at market value and is therefore not appropriate when assessing the impact on amounts recognised on the balance sheet and income statement.

Specific interest rate risk is measured and limits set using sensitivity to changes in credit spreads, that is, the difference between the interest on the current holding and the yield on a government bond with the same maturity. This risk mainly arises at Handelsbanken Capital Markets and in Group Treasury's liquidity portfolio.

The risk is measured and limits set on the basis of different rating classes and is calculated as the least favourable change in market value in the case of an upward or downward shift of one basis point in all credit spreads. This is performed for each individual counterparty and the outcomes are summed as an absolute total. The total specific interest rate risk at year-end was SEK 7 million (6).

Interest rate risk in the trading book

The trading book at Handelsbanken comprises Capital Markets' and Group Treasury's portfolios that are classified as trading book. The general interest rate risk in the trading book was SEK 35 million (61) and the specific interest rate risk was SEK 4 million (4). Yield curve twist risks, which show changes in the risks in the case of hypothetical changes in various yield curves, are measured and followed up on a regular basis. The non-linear interest rate risk, for example, part of the risk in interest rate options, is measured and a limit set with pre-defined stress scenarios expressed in matrices. This means that the risk is measured as changes in underlying market interest rates and volatilities. VaR and other risk measures are also used for the trading book, supplemented by various stress scenarios.

Interest rate risk in the non-trading book

In the lending operations, interest rate risk arises as a result of the lending partly having different interest-fixing periods than the funding. Interest rate risk is mainly managed by means of interest rate swaps. In general, interest rate risk exposure is in markets which are characterised by good liquidity. The general interest rate risk in the non-trading book was SEK 1,415 million (1,066) and the specific interest rate risk was SEK 3 million (2).

To estimate the effect of interest rate changes on the income statement, the net interest income effect is also measured. The net interest income effect when interest rates change is measured as the change in net interest income over a twelve-month period in the case of a general increase of market rates by one percentage point. This effect reflects the differences in interest-rate fixing periods and volume composition between assets, liabilities and derivatives outside the trading book, assuming that the size of the balance sheet is constant. In this calculation, interest rate adjustment periods for deposits that lack a contractual maturity are established using an internal method. This model is based on historical observations and only adjusting the portion that is stable and insensitive to interest-rate movements. The net interest income effect at year-end was SEK 1,091 million (267).

Table AR:24 General interest rate risk in the non-trading book

General interest rate risk in the non-trading book (change in fair value as the worst outcome in the case of a one percentage point parallel shift of all interest rates) SEK m	2020	2019
SEK	275	18
DKK	264	292
EUR	163	320
NOK	223	200
USD	95	9
GBP	388	219
Other currencies	6	8
Total	**1,415**	**1,066**

Table AR:25 Interest rate adjustment periods for assets and liabilities

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2020. Non-interest-bearing assets and liabilities have been excluded.

Interest rate adjustment periods for assets and liabilities 2020 SEK m	Up to 3 mths	3-6 mths	6-12 mths	1-5 yrs	Over 5 yrs	Total
Assets						
Loans	1,384,882	101,958	152,272	578,046	52,454	2,269,612
Banks and other financial institutions	433,655	3,433	1,657	1,746	396	440,887
Bonds, etc.	76,680	3,668	3,332	50,336	8,660	142,676
Total assets	**1,895,217**	**109,059**	**157,261**	**630,128**	**61,510**	**2,853,175**
Liabilities						
Deposits	1,209,850	11,424	5,116	1,238	2,135	1,229,763
Banks and other financial institutions	117,153	1,816	1,041	3,704	987	124,701
Issued securities	217,203	161,720	270,976	579,398	122,523	1,351,820
Other liabilities	-	-	-	-	-	-
Total liabilities	**1,544,206**	**174,960**	**277,133**	**584,340**	**125,645**	**2,706,284**
Off-balance sheet items	-36,803	5,523	1,089	-43,094	53,489	-19,796
Difference between assets and liabilities including off-balance sheet items	314,208	-60,378	-118,783	2,694	-10,646	127,095

Interest rate adjustment periods for assets and liabilities 2019 SEK m	Up to 3 mths	3-6 mths	6-12 mths	1-5 yrs	Over 5 yrs	Total
Assets						
Loans	1,498,765	99,266	122,178	524,187	48,207	2,292,603
Banks and other financial institutions	334,350	3,616	5,543	1,354	1,035	345,898
Bonds, etc.	74,324	9,800	5,461	44,828	10,466	144,879
Total assets	**1,907,439**	**112,682**	**133,182**	**570,369**	**59,708**	**2,783,380**
Liabilities						
Deposits	1,044,190	34,617	30,713	6,207	2,100	1,117,827
Banks and other financial institutions	116,525	8,458	8,498	9,419	5,089	147,989
Issued securities	445,435	195,046	117,596	593,385	69,045	1,420,507
Other liabilities	-	-	-	-	-	-
Total liabilities	**1,606,150**	**238,121**	**156,807**	**609,011**	**76,234**	**2,686,323**
Off-balance sheet items	-123,510	-40,396	38,602	96,982	-15,227	-43,549
Difference between assets and liabilities including off-balance sheet items	177,779	-165,835	14,977	58,340	-31,753	53,508

Equity price risk

The Bank's equity price risk mainly arises at Handelsbanken Capital Markets through customer trading and in the Bank's own equity portfolio.

The risk is measured as the market value change in the Bank's total equity positions in the case of an instantaneous change in equity prices of +/-10 per cent and in volatilities of +/-25 per cent. At year-end, the Bank's worst case outcome for this risk was SEK 65 million (221). The largest exposure in equities comes from the UK market.

Equity price risk in the trading book

The equity price risk at Handelsbanken Capital Markets arises in customer-driven, equity-related transactions. Handelsbanken Capital Markets is a market maker for structured products, which gives rise to equity price risk, both linear and non-linear. The non-linear equity price risk arises via options mainly included in the structured products.

The Bank limits and measures the equity price risk at Handelsbanken Capital Markets using matrices. The advantage of this method is that it effectively identifies equity price risk including the non-linear risk. VaR is used, together with other risk measures and stress scenarios, as a complement when measuring the equity price risk. At the year-end, the Bank's VaR for equity price risk in the trading book was SEK 1 million (1).

Equity price risk outside the trading book

The Group's holdings of equities outside the trading book include level 3 shares, mainly consisting of various types of jointly owned operations related to the Bank's core business. The holdings are classified as measured at fair value through other comprehensive income and are measured at fair value on the balance sheet. In general, such holdings are valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. The equity price risk is very small.

Table AR:26 Equity price risk

Equity price risk SEK m	Change in volatility					
	2020			2019		
Change in equity price	-25%	0%	25%	-25%	0%	25%
10%	74	73	72	228	229	229
-10%	-65	-64	-63	-221	-219	-217

Table AR:27 Equity exposures outside the trading book

Equity exposures outside the trading book under IFRS 9 SEK m	2020	2019
Holdings classified as measured at fair value through other comprehensive income	800	2,303
of which Levels 1 and 2	*286*	*1,051*
of which Level 3	*514*	*1,252*
Holdings classified as measured at fair value through other comprehensive income	800	2,303
of which business-related	*645*	*1,995*
of which other holdings	*155*	*308*
Fair value reserve at beginning of year	712	361
Unrealised market value change during the year for retained and new holdings	155	336
Realised due to sales and settlements during the period	-727	15
Fair value reserve at year-end	140	712
Included in tier 2 capital	0	0

Foreign exchange risk

Handelsbanken has home markets outside Sweden and also operations in a number of other countries. Consequently, foreign exchange exposure of a structural nature arises, because the Group's accounts are presented in Swedish kronor. This structural risk is managed by considering the trade-off between the respective impacts of foreign exchange movements on either capital ratios or equity. The Board has established the maximum impact on equity which the structural foreign exchange position is permitted to give rise to in the hedging of the capital ratios. The foreign exchange movements that affect the Bank's equity are shown in the table on page 88 of the Annual Report: Statement of changes in equity, Group.

The Bank's direct foreign exchange exposure arises as a consequence of customer-driven, intra-day trading in the international foreign exchange markets. This trading is conducted at Handelsbanken Capital Markets. The Board, the CEO and the CFO have set VaR limits for this foreign exchange risk.

Some foreign exchange exposure also arises in the normal banking operations as part of managing customer payment flows and in funding operations at Group Treasury. The Board, CEO and CFO have set position limits for these risks. At year-end, the aggregate net position amounted to SEK 393 million (632), not including the structural currency position.

This foreign exchange risk does not depend on trends for an individual currency or group of currencies, because the positions are very short and arise in management of customer-driven flows. The total foreign exchange risk in the trading book and the non-trading book was SEK 22 million (56), measured as the impact on the Bank of an instantaneous five per cent change in the Swedish krona.

Table AR:28 Exchange rate sensitivity

Exchange rate sensitivity (worst outcome +/-5% change in SEK against the respective currency) SEK m	2020	2019
EUR	44	98
NOK	7	17
DKK	4	5
USD	4	5
GBP	4	9
Other currencies	8	8

Commodity risk

Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Exposure in commodity-related instruments only occurs as a result of customer-driven trading in the international commodity markets. Commodity price risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At year-end, the commodity price risk was SEK 2 million (5), measured as the maximum loss on price changes up to 20 per cent in underlying commodities and changes in volatility up to 35 per cent. At the year-end, the Bank's VaR for commodity price risk was SEK 1 million (1).

Other market risks

Market risk also arises in the Bank's pension system (pension risk). The risk comprises the risk of changes in the value of the pension assets securing the Bank's pension obligations, together with changes in discount rates.

Fair value measurement

The risk control function checks that the Group's financial instruments are valued correctly. This includes responsibility for checking the market data upon which the valuation is based and for ensuring that this check is independent of the risk-taking parties. Sources of market data are independent of the business operations. When market data has been obtained from the business operations, documented controls are performed against external sources and to assess whether the data is reasonable. Market prices and market data for models must be verified at least once a month but are also essentially verified daily. Valuation models are validated by the risk control function which is independent of the developer of the model. The Valuation Committee, whose purpose is to co-ordinate valuation matters in the Handelsbanken Group, fulfils an important function in ensuring that each valuation is correct and adheres to current market practices.

The valuation of financial instruments measured at fair value is performed in accordance with IFRS 13. Refer to note G39 for more information about the assets and liabilities measured at fair value and for additional information on the Bank's valuation process.

Prudent valuation

In accordance with Article 105 of the CRR, the Bank must calculate additional valuation adjustments for the purpose of statutory adjustments of own funds. Article 34 expands the scope of application from including only trading book positions to encompass all positions measured at fair value. The requirements and methods for these additional valuation adjustments have since been clarified in the European Commission's Delegated Regulation (EU) 2016/101, with regard to the technical standards under Article 105 (14). Handelsbanken uses the primary method defined in the technical standard to calculate additional valuation adjustments for all positions measured at fair value.

FUNDING AND LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.

FUNDING STRATEGY

Handelsbanken has a low tolerance of liquidity risks and works actively to minimise them, both at aggregate level and in each individual currency. The aim is to have good access to liquidity, a low level of variation in results and a considerable capacity to meet customers' funding needs, even in difficult times. This is achieved by maintaining a good matching of incoming and outgoing cash flows over time in all currencies essential to the Bank and by maintaining large liquidity reserves of good quality. The Bank thus minimises the economic risks in funding and can thereby maintain stable and long-term financing of the business-operating units.

Furthermore, the Bank aims for breadth in its funding programmes and their use. This ensures that the Bank can keep its core business intact for a long period of time, even if there is extensive disruption in the financial markets.

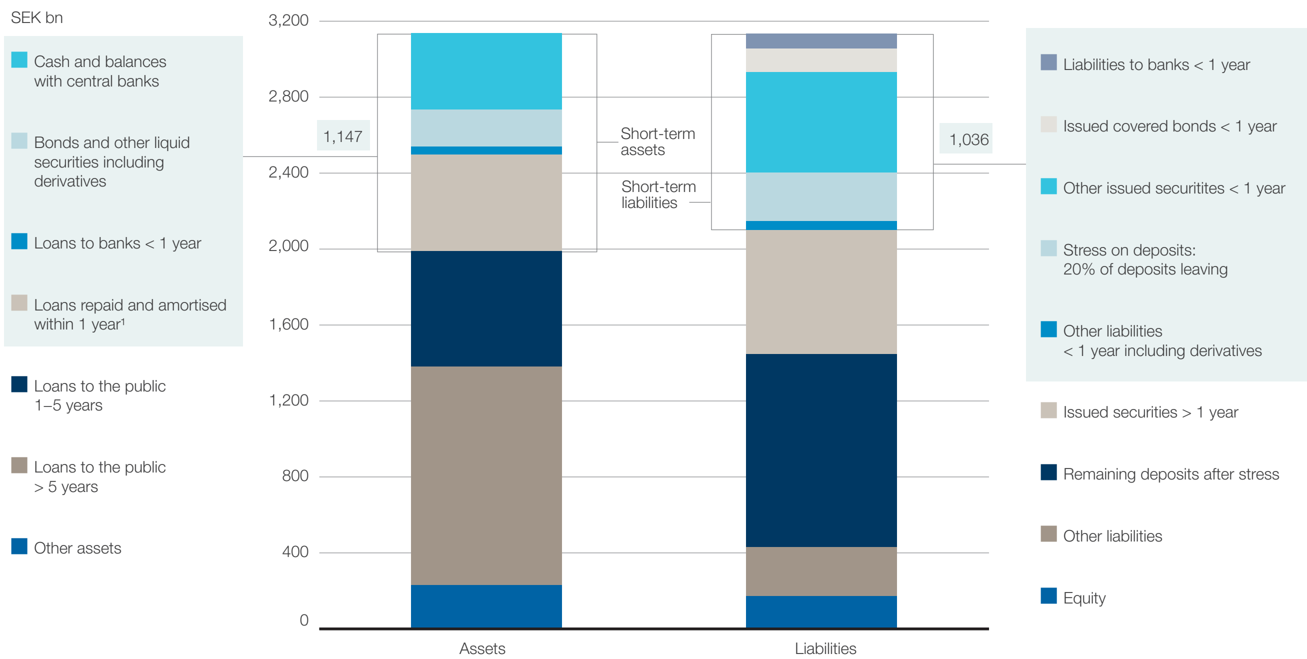
The result of this work is a well-matched balance sheet, where illiquid assets are financed using stable funding. The illiquid assets comprise credits to households and companies; these credits constitute the Bank's core business. The long-term stable funding of these assets consists of covered bonds issued by Stadshypotek, senior bonds issued by Handelsbanken, deposits from households and a certain amount of deposits from companies, subordinated liabilities and equity. Part of the core operations is comprised of short-term lending to households and companies and on the liabilities side, some of the deposits for these customers are shorter term.

A balance sheet is a snapshot of assets and liabilities. To ensure that the Bank's obligations to customers and investors are fulfilled, it is important to adopt a future-oriented perspective in funding and liquidity risk management. The balance sheet is therefore structured in such a way that the real economy participants in the form of companies and households and their needs for credit can be supported even during lengthy periods of stress in the financial markets. This is ensured by letting short-term assets cover short-term liabilities by a good margin. Figure AR:29 describes the balance sheet in a stressed scenario where 20 per cent of deposits are assumed to disappear within one year and all access to new market funding disappears. Despite the stress, short-term assets are estimated to exceed short term liabilities by a considerable amount at year-end. A long-term crisis could result in a reduced balance sheet with retained core business, whereby the volume of short-term assets is gradually used to pay back maturing short-term liabilities. In the event of a more serious crisis, measures have been prepared to create liquidity which will provide more support to the business operations.

The market has great confidence in Handelsbanken, and its assessment is that Handelsbanken has a low credit risk. One illustration of this is that the cost of insuring a credit risk on the Bank, referred to as the CDS spread, remains one of the lowest among European banks, and Handelsbanken has the lowest funding costs of peer banks. Handelsbanken has a continued high rating with the external rating agencies and is one of the most highly rated Banks globally among all peer banks.

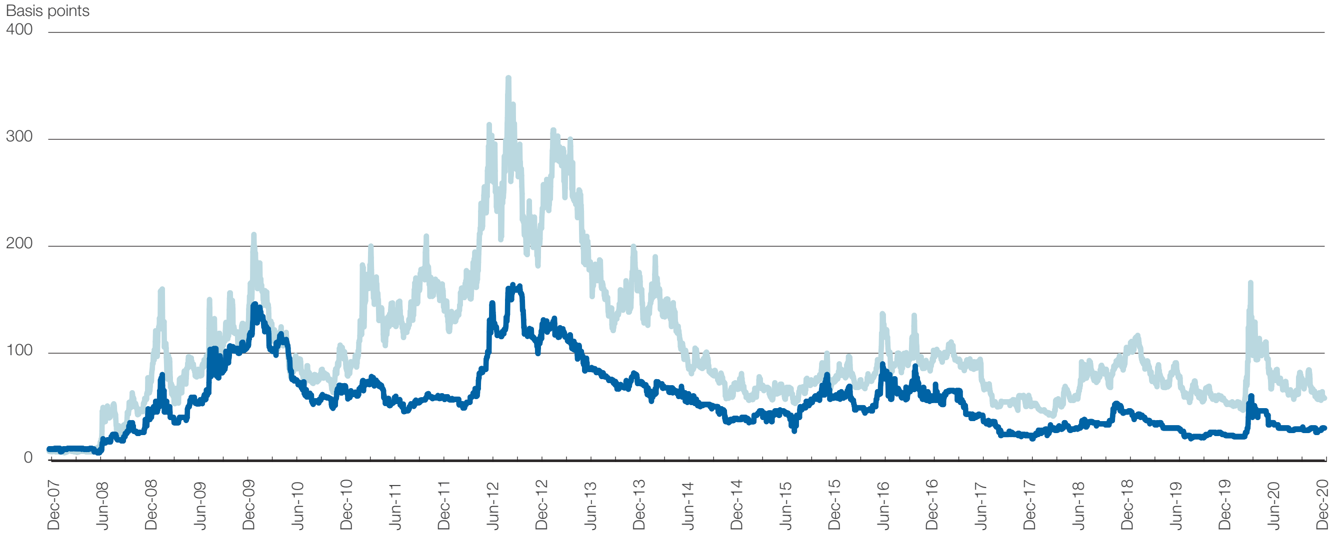
Good diversification between different types of funding sources in various markets, currencies and forms of funding instruments is a key component of the funding strategy. This reduces the significance of individual markets or sources of funding. Handelsbanken's long-term international funding is geographically well diversified, and the Bank has issued significant volumes of bonds in, among others, the US dollar, Euro, Pound Sterling, Australian dollar and Japanese yen. The most important sources of funding are deposits from households and companies as well as covered and senior bonds. The short-term funding mainly comprises deposits from financial companies and institutions as well as issues of commercial papers and certificates of deposit. Group Treasury has a number of different funding programmes for market funding at its disposal. Bonds, certificates and commercial papers are issued under these programmes in the Bank's, Stadshypotek's and Handelsbanken plc's names. The funding programmes ensure well-diversified access to funding in terms of different currencies, the number of investors, debt types and geographic breakdown.

Figure AR:29 Composition of the balance sheet from a maturity perspective



[1] Scheduled amortisations, contractual maturities and estimated additional loan repayments.

Figure AR:30 Handelsbanken's 5-year CDS spread compared with ITRAXX Financials
ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European banking and insurance sector.



Source: Ecowin, Bloomberg

ORGANISATIONAL STRUCTURE

Handelsbanken has a decentralised business model, but all funding and liquidity risk management in the Group is centralised in Group Treasury. Funding and liquidity management is governed by policies established by the Board, which also decides on limits. Guidelines from the CEO and instructions from the CFO make these policies concrete. The instructions establish parameters such as limits, the composition of the funding, and benchmarks in the case of disruptions in the funding markets. Furthermore, all liquidity risk limits are channelled to the operations via Group Treasury.

Group Treasury is also responsible for the Bank's liquidity reserve, including the pledged assets that must be kept in different payment and clearing systems, and monitors liquidity flows during the day to ensure that the Bank has sufficient collateral in its payment systems at any given time to meet the Bank's payment obligations. The Bank's liquidity monitoring takes place locally, near the transactions, and is supplemented by central management of collateral and the liquidity reserve for the whole Group.

The size of collateral in the clearing systems is determined on the basis of what the Bank deems is required to fulfil its obligations, both in normal circumstances and in stressed situations. If these circumstances change, the size of collateral and liquidity is adjusted, and in times of crisis, collateral can also be redistributed and the liquidity reserve can be activated. The Bank secures liquidity in its nostro accounts for expected payment and settlement undertakings through active liquidity planning and monitoring in all currencies.

MARKET FUNDING – COMPOSITION

During the year, Handelsbanken issued a total of SEK 355 billion (376) in long-term market funding (securities with an original maturity longer than one year) in currencies that are important to the Bank. An important component of the long-term market funding is issues of covered bonds. The breakdown by currency of the outstanding stock is presented in Figure AR:32. Short-term funding is mainly raised by issuing certificates of deposit and commercial papers under the various loan programmes, primarily in Europe and the US. These loan programmes are supplemented by fixed-term deposits from large corporates, both financial and non-financial. In connection with the funding operations, the Bank continued to meet investors to the same extent as previously, updated its funding programmes and also in other respects maintained the conditions for bond funding in all relevant funding markets worldwide. This has enabled funding operations to be maintained, despite the occasionally extremely challenging circumstances in the financial markets during the year.

Figure AR:31 Maturity profile of long-term market funding
Refers to issued securities as at 31 December 2020 with an original maturity exceeding one year.

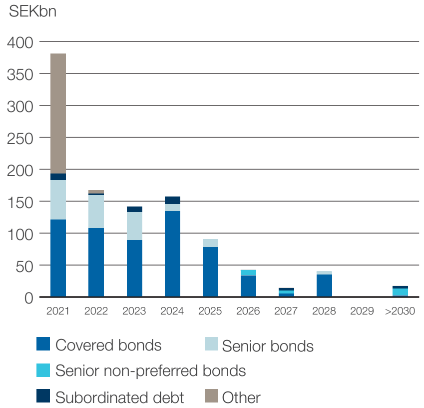


Figure AR:32 Market funding of covered bonds by currency 2020
Refers to the currency breakdown as at 31 December 2020 for issued covered bonds. Amounts in parentheses in SEK billion.

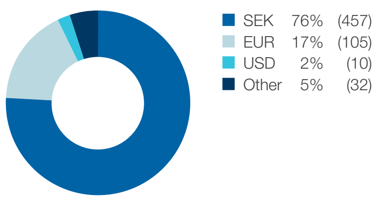


Figure AR:33 Short-term market funding by currency 2020
Refers to the currency breakdown as at 31 December 2020 for issued securities with original time to maturity of less than one year. Amounts in parentheses in SEK billion.

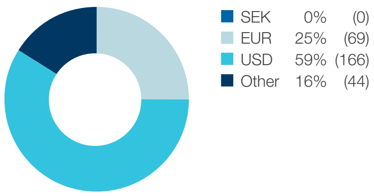


Figure AR:34 Long-term market funding by currency 2020
Refers to the currency breakdown as at 31 December 2020 for issued securities with original time to maturity of more than one year. Amounts in parentheses in SEK billion.

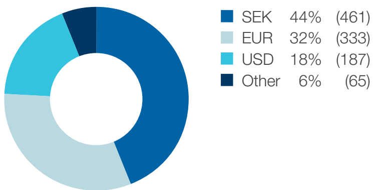
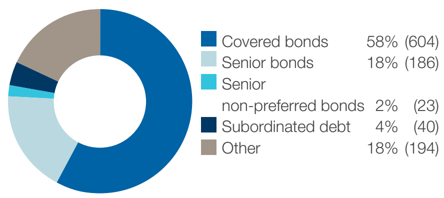


Figure AR:35 Long-term market funding by instrument 2020
Refers to breakdown by instrument as at 31 December 2020 for issued securities with original time to maturity of more than one year. Amounts in parentheses in SEK billion.



ENCUMBERED ASSETS AND COVER POOLS

Another important part of Handelsbanken's liquidity management consists of retaining significant volumes of unutilised collateral that can be used in the event of disruptions in the financial markets. One prerequisite for being able to pledge additional collateral is for the Bank to have unutilised collateral at its disposal from the outset. The Bank therefore retains substantial volumes of non-encumbered assets that could be used as collateral in the issue of covered bonds and liquid securities with very high credit ratings.

The Bank is restrictive about entering into agreements with other parties than credit institutions, such as CSA agreements that stipulate that the Bank, according to certain criteria, may be forced to provide collateral to a counterparty. Cash collateral pledged under CSA agreements for outstanding derivatives totalled SEK 17,049 million (7,172). For more information about the Bank's encumbered assets, see the Pledged assets table in Handelsbanken's Fact Book. In addition to securing the Bank's liquidity, this restrictive approach contributes to limiting the extent to which the Bank's senior lenders have lower priority than lenders who invest in covered bonds, known as subordination.

To assess the degree of subordination between investors of unsecured funding and secured funding, the volume and credit quality of the non-encumbered assets are the relevant factors. Handelsbanken's restrictive approach to risk-taking means that the non-encumbered assets are of high quality. Since Handelsbanken wishes to have a balanced utilisation of covered and senior bonds, there is a large volume of mortgage loans which are not encumbered. Other non-encumbered loans also have a low risk measured, for example, in terms of the Bank's internal rating.

Table AR:36 shows that the volume of non-encumbered assets for Handelsbanken is 269 per cent (238) of the outstanding volume of unsecured funding.

The majority of the encumbered assets consist of Stadshypotek's cover pools, which comprise mortgage loans provided as collateral for outstanding covered bonds. The Bank also has voluntary OC (over-collateralisation – extra assets in addition to those which are needed to cover the issued bonds, and in addition to the two per cent statutory requirement) of eight per cent which is included in the pool. These extra assets are in the pool in case the value of the mortgage loans were to fall to a level such that further assets are needed to match the volume of outstanding bonds.

When assessing the risk that it will be necessary to add further assets, the loan to value (LTV) of the mortgage loans in the cover pool is of fundamental importance. The lower the LTV, the lower the risk that more mortgage loans are required in the pool if prices fall in the property market. Handelsbanken's average voume-weighted LTV – LTV Max – was 52.4 per cent (54.8) in the Swedish pool, 53.4 per cent (55.7) in the Norwegian pool, and 49.5 per cent (49.2) in the Finnish pool. This shows that the Bank can withstand substantial drops in prices of underlying property assets before further mortgage loans have to be added to the pools. The conditions are also in place for a Danish pool, but this asset pool has not yet been used for issues.

The assets which the Bank has chosen to keep outside the cover pools are shown in table AR:36 and can be used for issues of covered bonds if necessary.

Table AR:36 Non-encumbered/non-pledged assets

Non-encumbered/non-pledged assets	2020		2019	
SEK bn	(NEA)[1]	Accumulated share of non-encumbered funding, %[2]	(NEA)[1]	Accumulated share of non-encumbered funding, %[2]
Cash and balances with central banks	**418**	**51**	**337**	**37**
Liquid bonds in liquidity portfolio[3]	**145**	**69**	**157**	**55**
Loans to households including derivatives	**558**		**553**	
of which mortgage loans	*390*	*117*	*351*	*94*
of which loans secured by collateral in property	*4*	*118*	*5*	*94*
of which other household lending	*164*	*138*	*197*	*116*
Loans to companies including derivatives	**1,040**		**1,079**	
of which mortgage loans	*375*	*184*	*350*	*155*
of which loans to housing co-operative associations excl. mortgage loans	*57*	*191*	*65*	*162*
of which loans to property companies excl. mortgage loans				
- risk class 1–3	*261*	*223*	*299*	*195*
- risk class 4–5	*152*	*242*	*134*	*210*
- of which risk class > 5	*7*	*243*	*8*	*211*
of which other corporate lending				
- risk class 1–3	*108*	*256*	*142*	*227*
- risk class 4–5	*66*	*264*	*70*	*235*
- risk class > 5	*14*	*266*	*11*	*236*
Loans to credit institutions including derivatives	**11**		**16**	
- risk class 1–3	*10*	*267*	*15*	*238*
- risk class > 3	*1*	*267*	*1*	*238*
Other lending	**17**	**269**	**0**	**238**
Other assets	**0**	**269**	**0**	**238**
Total	2,189	269	2,142	238

[1] NEA: Non-encumbered assets.
[2] Issued short and long non-secured funding and due to credit institutions.
[3] Relates to eligible as collateral in central banks.

Table AR:37 Cover pool data

Cover pool data	Sweden		Norway		Finland	
SEK m	2020	2019	2020	2019	2020	2019
Stadshypotek total lending, public	1,239,819	1,174,773	97,359	97,201	53,749	51,963
Available assets for cover pool	1,148,999	1,073,220	91,675	93,893	50,629	48,816
Utilised assets in cover pool	606,455	623,660	37,822	27,952	17,673	18,400
Substitute assets, cash on a blocked account	5,000	5,000	-	-	-	-
Maximum LTV %, weighted average ASCB definition[1]	52.43	54.80	53.42	55.68	49.52	49.18
LTV, breakdown						
0–10%	23.1	21.9	24.3	21.2	27.6	27.7
10–20%	20.6	19.7	20.2	20.5	23.6	23.5
20–30%	17.8	17.3	16.2	16.9	19.8	19.9
30–40%	14.7	14.6	13.8	14.1	12.7	13,0
40–50%	11.1	11.6	11.2	11.7	8.4	8.3
50–60%	7.4	8.2	8.3	8.7	5.0	4.9
60–70%	4.3	5.1	5.0	5.5	2.3	2.1
70–75%	1.2	1.6	1.1	1.4	0.6	0.6
Loan amount, weighted average, SEK	680,300	664,000	3,990,523	4,109,415	1,116,604	1,101,925
Loan term, weighted average, no. of months[2]	69	66	26	26	61	59
Interest rate adjustment periods, breakdown						
Floating rate, %	39.7	46.1	97.7	99.5	100.0	100.0
Fixed rate, %	60.3	53.9	2.3	0.5	0.0	0.0

[1] Association of Swedish Covered Bond issuers.
[2] Calculated from the date on which the loan is granted.

LIQUIDITY RISK

The Bank handles a large number of incoming and outgoing cash flows as part of its operations. In order to limit risk in liquidity management, the Bank has a robust risk tolerance framework including both limits and qualitative targets for liquidity risk. Group Risk Control is responsible for measuring risks and reports risk utilisation daily to the CFO, weekly to the CEO, and on a regular basis to the Board.

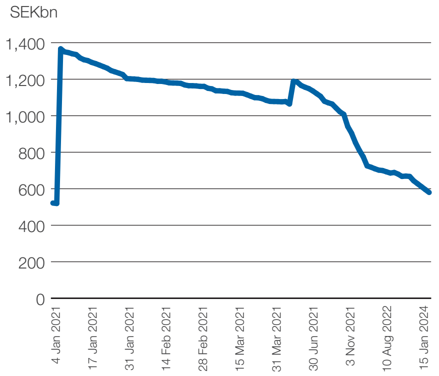
Liquidity planning is based on an analysis of cash flows for the respective currency. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where the liquidity is low. The funding strategy is that illiquid assets are financed with stable, long-term funding, and that a positive cash flow and positive cash position must be maintained – even in stressed conditions. This kind of gap analysis is supplemented by scenarios, in which the effect on liquidity is stressed and analysed using various assumptions.

The governance of the Bank's liquidity situation is based on these stress tests, which are performed at an aggregate level and also individually for the currencies that are essential to the Bank. The stress tests ensure that the Bank has sufficient liquidity in various stressed scenarios and assuming various liquidity-creating actions are taken, which reflect the Bank's recovery plan. The stress tests are carried out with the application of both market-wide and idiosyncratic stress, on a regular basis and an ad hoc basis. These are also supplemented with scenario analyses which consider substantial falls in housing prices. Resistance to more long-term disruptions in the market is measured on a daily basis through stress testing of cash flows based on certain assumptions. In these long-term stress tests, it is assumed that the Bank does not have access to market funding, at the same time as a certain proportion of non-fixed-term deposits from households and companies disappears gradually in the first month. It is further assumed that the Bank will continue to conduct its core activities, i.e. that fixed-term deposits from and loans to households and companies will be renewed at maturity and that issued commitments and credit facilities will be partly utilised by customers. The Bank also takes into account that balances with central banks and banks will be utilised and that Group Treasury's securities can immediately supply liquidity if provided as collateral, primarily in the market and as a last resort in central banks.

In addition, the Bank can create liquidity through utilising the unutilised issue amount for covered bonds and by implementing other liquidity-creating measures to gradually provide the Bank with liquidity. The volume and quality of unutilised collateral must be sufficient to offer the Bank the liquidity it needs in times of crisis. With these conditions, the Bank will be liquid for more than three years. Thus, the Bank also has major powers of resistance to serious, long-term stress.

A condition for the Bank to be able to maintain such substantial resistance to disruptions in the financial markets as stated above is that the balance sheet is well balanced. Figure AR:29 Composition of the balance sheet from a maturity perspective shows that the volume of current assets significantly exceeds the volume of current liabilities in a stressed

Figure AR:38 Stress test of liquidity, including liquidity-creating measures – accumulated liquidity position



scenario where 20 per cent of the deposits are assumed to disappear within one year. Consistently steering the Bank towards positive future net cash flows, instead of point-in-time ratios, also secures this over time.

Table AR:40 Maturity analysis for financial assets and liabilities shows cash flows for the contracted payment commitments, including interest flows, due for payment at the latest within the stated time intervals. The table shows holdings of bonds and other interest-bearing securities in the time intervals in which they can be converted to liquidity if they are pledged as collateral or sold. Assets, liabilities and interest flows are also shown that mature in the time intervals corresponding to the contractual maturity dates. Interest flows for lending in the mortgage operations are matched in time with the liabilities that funded the lending. Financial guarantees, committed loan offers and unutilised overdraft facilities are reported in their entirety in a time interval of up to 30 days. The total outstanding amount of these commitments does not necessarily represent future funding requirements. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid or received, such as currency swaps.

The liquidity coverage ratio (LCR) has been a binding requirement for banks in the EU since the European Commission introduced its Delegated Regulation. The figure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The requirement applies to LCR at aggregate level and the ratio must be at least 100 per cent. The Swedish Financial Supervisory Authority also stipulates LCR in individual currencies within the framework of the supervisory review and evaluation process in Pillar 2. At year-end, the Group's aggregated LCR was 150 per cent (147), which shows that the Bank has large resistance to short-term disruptions on the funding markets.

The minimum requirement for the net stable funding ratio (NSFR) – the structural liquidity measure that is the ratio between available stable funding and the stable funding required – will be introduced in the EU in June 2021. At year-end 2020, NSFR was 117 per cent according to CRR2 (113) at Group level.

PRICING OF LIQUIDITY RISK

An important part of liquidity risk management is that deposits and lending are priced internally, taking into account the liquidity risks that they give rise to. For example, when the Bank grants a loan with a long maturity, this creates the need to obtain additional long-term funding – which is normally more expensive than short-term funding. This is because investors who purchase the Bank's long-term bonds normally demand higher compensation for the maturity. This is taken into account in the Bank's internal pricing by ensuring that the price which internal units in the Bank have to pay for the loans they obtain from Group Treasury varies according to factors such as the maturity period. No liquidity risks can be taken locally. The internal pricing is important in order to create the right incentive and to avoid unsound risk-taking. The Bank has worked with maturity-based internal interest rates for a long time. They ensure that the price at contract level takes into account the liquidity risk that the agreement has given rise to.

Table AR:39 Liquidity coverage ratio (LCR) – subcomponents

Liquidity coverage ratio (LCR) – subcomponents SEK m	31 Dec 2020	31 Dec 2019
High quality liquidity assets	**559,278**	**484,489**
Cash outflows	**413,024**	**379,970**
Retail deposits and deposits from small business customers	61,299	58,136
Unsecured wholesale funding	273,375	264,686
Secured wholesale funding	5,245	3,568
Other cash outflows	73,105	53,580
Cash inflows	**41,027**	**49,911**
Inflows from fully performing exposures	27,536	26,619
Other cash inflows	13,491	23,292
Liquidity coverage ratio (LCR), %	**150**	**147**

The subcomponents are defined as stated in Commission Delegated Regulation (EU) 2015/61.

Table AR:40 Maturity analysis for financial assets and liabilities

For deposit volumes, the column “Unspecified maturity” refers to deposits payable on demand. The table contains interest flows, which means that the balance sheet items are not reconcilable with the Group’s balance sheet. Maturity tables without interest flows, including maturity tables in foreign currencies, can be found in the Fact Book at handelsbanken.com/ir.

Maturity analysis for financial assets and liabilities 2020 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	397,660	-	-	-	-	-	-	397,660
Interest-bearing securities eligible as collateral with central banks[1]	99,133	-	-	-	-	-	-	99,133
Bonds and other interest-bearing securities[2]	44,566	-	-	-	-	-	-	44,566
Loans to credit institutions	38,713	1,380	538	312	944	2,474	-	44,361
of which reverse repos	*523*	-	-	-	-	-	-	*523*
Loans to the public	66,169	260,975	202,186	222,073	424,043	1,167,829	-	2,343,275
of which reverse repos	*11,626*	-	-	-	-	-	-	*11,626*
Other	24,319	-	-	-	-	-	259,686	284,005
of which shares and participating interests	*21,045*	-	-	-	-	-	-	*21,045*
of which claims on investment banking settlements	*3,274*	-	-	-	-	-	-	*3,274*
Total assets	**670,560**	**262,355**	**202,724**	**222,385**	**424,987**	**1,170,303**	**259,686**	**3,213,000**
Due to credit institutions	40,506	44,451	4,606	2,504	338	1,169	31,683	125,257
of which repos	-	-	-	-	-	-	-	-
of which deposits from central banks	*17,334*	*23,110*	-	-	-	-	*314*	*40,758*
Deposits and borrowing from the public	18,033	24,782	3,292	512	370	6,478	1,175,828	1,229,295
of which repos	-	-	-	-	-	-	-	-
Issued securities[3]	65,211	308,234	292,213	177,502	390,714	108,727	-	1,342,601
of which covered bonds	*4,422*	*52,689*	*75,622*	*118,283*	*317,032*	*78,624*	-	*646,672*
of which certificates and other securities with original maturity of less than one year	*53,895*	*215,445*	*190,593*	-	-	-	-	*459,933*
of which senior bonds and other securities with original maturity of more than one year	*6,894*	*40,100*	*25,998*	*59,219*	*73,682*	*30,103*	-	*235,996*
Subordinated liabilities	-	9,937	-	2,935	19,014	8,281	-	40,167
Other	5,700	363	367	694	1,644	1,151	424,642	434,561
of which short positions	*1,687*	-	-	-	-	-	-	*1,687*
of which liabilities on investment banking settlements	*4,001*	-	-	-	-	-	-	*4,001*
Total liabilities	**129,450**	**387,767**	**300,478**	**184,147**	**412,080**	**125,806**	**1,632,153**	**3,171,881**
Off-balance sheet items								
Financial guarantees and unutilised committed loan offers	463,424							

Derivatives 2020 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	203,291	407,858	107,490	71,824	148,247	75,337	1,014,047
Total derivatives outflow	206,606	413,822	104,701	71,671	145,949	76,657	1,019,406
Net	**-3,315**	**-5,964**	**2,789**	**153**	**2,298**	**-1,320**	**-5,359**

Maturity analysis for financial assets and liabilities 2019 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	347,438	-	-	-	-	-	-	347,438
Interest-bearing securities eligible as collateral with central banks[1]	103,387	-	-	-	-	-	-	103,387
Bonds and other interest-bearing securities[2]	42,639	-	-	-	-	-	-	42,639
Loans to credit institutions	11,403	1,777	289	935	2,097	3,261	-	19,762
of which reverse repos	-	-	-	-	-	-	-	-
Loans to the public	59,185	284,961	204,305	226,877	456,662	1,145,149	-	2,377,139
of which reverse repos	*10,438*	-	-	-	-	-	-	*10,438*
Other	24,442	-	-	-	-	-	244,868	269,310
of which shares and participating interests	*21,390*	-	-	-	-	-	-	*21,390*
of which claims on investment banking settlements	*3,052*	-	-	-	-	-	-	*3,052*
Total assets	**588,494**	**286,738**	**204,594**	**227,812**	**458,759**	**1,148,410**	**244,868**	**3,159,675**
Due to credit institutions	87,261	26,344	4,984	3,426	547	1,283	24,931	148,776
of which repos	-	-	-	-	-	-	-	-
of which deposits from central banks	*40,025*	*12,795*	-	-	-	-	*26*	*52,846*
Deposits and borrowing from the public	2,139	27,824	4,098	504	340	6,576	1,075,844	1,117,325
of which repos	-	-	-	-	-	-	-	-
Issued securities[3]	53,199	366,519	244,008	247,550	443,595	74,562	-	1,429,433
of which covered bonds	*85*	*63,942*	*26,761*	*172,344*	*333,168*	*58,595*	-	*654,895*
of which certificates and other securities with original maturity of less than one year	*48,203*	*275,095*	*117,376*	-	-	-	-	*440,674*
of which senior bonds and other securities with original maturity of more than one year	*4,911*	*27,482*	*99,871*	*75,206*	*110,427*	*15,967*	-	*333,864*
Subordinated liabilities	-	1,125	29	12,623	24,631	-	-	38,408
Other	4,783	381	383	716	1,692	1,304	381,156	390,415
of which short positions	*1,865*	-	-	-	-	-	-	*1,865*
of which liabilities on investment banking settlements	*2,904*	-	-	-	-	-	-	*2,904*
Total liabilities	**147,382**	**422,193**	**253,502**	**264,819**	**470,805**	**83,725**	**1,481,931**	**3,124,357**
Off-balance sheet items								
Financial guarantees and unutilised committed loan offers	439,667							

Derivatives 2019 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	210,350	458,282	124,620	131,515	205,915	70,538	1,201,220
Total derivatives outflow	212,716	459,576	117,496	121,935	196,116	69,638	1,177,477
Net	**-2,366**	**-1,294**	**7,124**	**9,580**	**9,799**	**900**	**23,743**

1 SEK 75,526m (83,175) of the amount (excl. interest) has a time to maturity of less than one year.
2 SEK 7,184m (16,653) of the amount (excl. interest) has a time to maturity of less than one year.
3 SEK 652,957m (644,231) of the amount (excl. interest) has a time to maturity of less than one year.

LIQUIDITY RESERVE

To ensure sufficient liquidity to support its core operations in stressed financial conditions, the Bank holds large liquidity reserves in all currencies of relevance to the Bank. The liquidity reserve which is independent of funding and foreign exchange markets can provide liquidity to the Bank at any time – some parts immediately and other parts gradually over a period of time.

The liquidity reserve comprises several different parts. Cash, balances and other lending to central banks are components which can provide the Bank with immediate liquidity. The reserve also comprises liquid securities such as government bonds, covered bonds and other securities of very high credit quality which are liquid and eligible as collateral with central banks. These can also provide the Bank with immediate liquidity. The remainder of the liquidity reserve comprises an unutilised issue amount for covered bonds and other liquidity-creating measures.

Table AR:41 Holdings with central banks and securities holdings in the liquidity reserve, market value

Holdings with central banks, and securities holdings in the liquidity reserve, market value 2020 SEK m	SEK	EUR	USD	Other	Total
Level 1 assets	**208,731**	**131,749**	**67,923**	**149,683**	**558,086**
Cash and balances with central banks	84,525	128,225	65,479	139,660	417,889
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	93,585	2,935	2,444	1,400	100,364
Securities issued by municipalites and PSEs	645	-	-	-	645
Extremely high quality covered bonds	29,976	589	-	8,623	39,188
Level 2 assets	**1,066**	**654**	**1,978**	**952**	**4,650**
Level 2A assets	*1,064*	*605*	*1,978*	*952*	*4,599*
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	881	881
High quality covered bonds	1,064	605	1,978	71	3,718
Corporate debt securities (lowest rating AA-)	-	-	-	-	-
Level 2B assets	*2*	*49*	-	-	*51*
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	2	49	-	-	51
Shares (major stock index)	-	-	-	-	-
Total liquid assets	**209,797**	**132,403**	**69,901**	**150,635**	**562,736**

Holdings with central banks, and securities holdings in the liquidity reserve, market value 2019 SEK m	SEK	EUR	USD	Other	Total
Level 1 assets	**167,449**	**121,485**	**59,355**	**131,947**	**480,236**
Cash and balances with central banks	46,552	114,519	57,959	127,176	346,206
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	90,042	6,338	1,396	2	97,778
Securities issued by municipalites and PSEs	1,012	-	-	-	1,012
Extremely high quality covered bonds	29,843	628	-	4,769	35,240
Level 2 assets	**1,190**	**1,150**	**3,801**	**1,775**	**7,916**
Level 2A assets	*1,190*	*1,125*	*3,801*	*1,775*	*7,891*
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	1,739	1,739
High quality covered bonds	1,190	1,125	3,801	36	6,152
Corporate debt securities (lowest rating AA-)	-	-	-	-	-
Level 2B assets	-	*25*	-	-	*25*
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	-	25	-	-	25
Shares (major stock index)	-	-	-	-	-
Total liquid assets	**168,639**	**122,635**	**63,156**	**133,722**	**488,152**

OPERATIONAL RISK

Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk.

The Board has determined the Handelsbanken Group's tolerance of operational risk. Handelsbanken has a low tolerance for operational risk, although operational risk is an inevitable component of all operations at the Bank. As far as possible, Handelsbanken must endeavour to prevent these risks and to reduce the losses in this area. An operational risk that could lead to a material deterioration of the Group's profit in the event of an incident must be reduced to a lower risk level. Risk reduction measures must be taken so that the consequences and/or probability are made acceptable. Losses resulting from an operational risk event can be covered by insurance or other solutions.

Operational risk must be managed so that the Group's operational losses remain low. The CEO has established limits and threshold levels for operational risk. A plan for risk mitigation techniques must be in place for risks exceeding limits. This plan must also be effective and must proceed according to a predetermined time schedule.

Handelsbanken's operational losses, which comprise expected and recognised operational losses and any recoveries, totalled SEK 89 million (47) in 2020. It is not unusual that the amount referring to operational losses is adjusted over time due to recoveries, or that additional losses are added which are related to a previously reported incident. This may affect the comparative figures for previously reported losses.

ORGANISATIONAL STRUCTURE

The responsibility for identifying, assessing and managing operational risk is an integral part of managerial responsibility at all levels in the Handelsbanken Group. The Bank's decentralised way of working and cost-consciousness promote good management of operational risk, which leads to vigilance against potential loss risks in daily procedures and events.

Operational risk is managed in the business operations, and this management is controlled by Risk Control. Specially appointed local co-ordinators (local OpRisk co-ordinators) for operational risk are in place at regional banks, main departments, subsidiaries and units outside the Bank's home markets to assist managers in their management of operational risk. They are responsible for ensuring that existing methods and procedures for managing operational risk are used in the business operations, managing required actions related to reported incidents, supporting the business operations, and following up any actions decided regarding operational risk.

Group Risk Control has the overall responsibility for the methods and procedures used to manage operational risk. This responsibility also includes periodically assessing methods and procedures as well as their use in the operations. Group Risk Control ensures that regional banks, main departments, subsidiaries and units outside the Bank's home markets identify, assess, report and manage operational risk, and perform follow-up to ensure that the action decided upon is being taken. Group Risk Control is also responsible for ensuring that risks are evaluated before decisions are made concerning new or materially changed products, services, markets, processes or IT systems or in the case of major changes in the Group's operations or organisational structure. In addition, Group Risk Control is responsible for identifying, measuring, analysing, and reporting at the Group level all material operational risks and their development to management and the Board. The risk reports presented to management and the Board also contain information about material incidents and risk mitigation measures.

METHODS FOR IDENTIFYING, ASSESSING AND MANAGING OPERATIONAL RISK

To support the continuous identification, assessment and management of operational risk, the Bank has a reporting and case management system for incidents, a method and procedure for self-assessment of operational risk and established risk indicators.

Incident reporting

The regular collection of risk facts in the form of incident reporting takes place at branches and departments throughout the Group in accordance with the CEO's guidelines and supplementary instructions. All employees throughout the Group must collect facts about incidents which have affected their unit and which result in a loss in excess of SEK 25,000. Risk facts concerning incidents where the losses are zero or are less than SEK 25,000 but demonstrate material operational risk that could have a material negative impact on a unit's profit must also be collected and reported. To further promote the unit's proactive work with risk, all employees are encouraged to also collect facts about incidents which give rise to minor losses, or no loss at all.

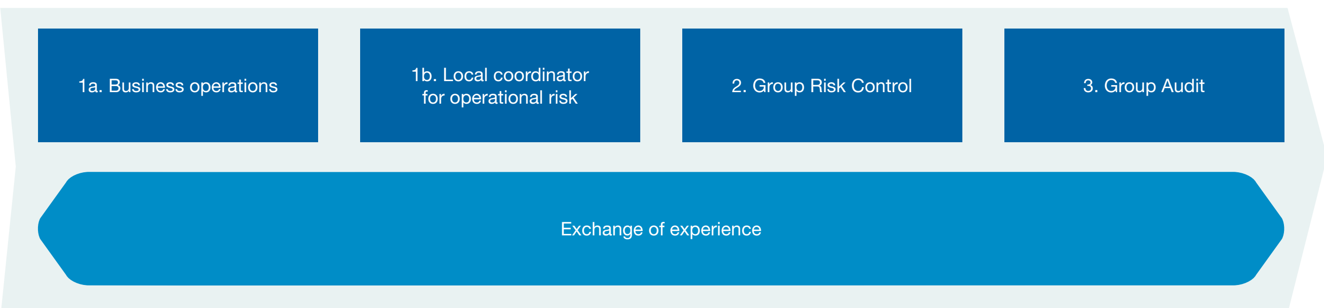
Incidents reported are reviewed and categorised on a regular basis by the local OpRisk co-ordinator. The Bank categorises operational risk according to seven types of events:

- execution, delivery and process management
- business disruptions and system failures
- clients, products and business practices
- external crime
- damage to physical assets
- employment practices and workplace safety
- internal fraud.

Self-assessment OPRA Risk Analysis

OPRA Risk Analysis is a method and self-assessment procedure to document and assess operational risks which may have an impact on the Bank. It is carried out at least once a year at all units. The respective head of the unit is responsible for this being performed. The local OpRisk Co-ordinator provides support for the planning and implementation. The participants must be people with broad experience of the unit's operations. Their combined competency should cover all the areas of responsibility that have been identified for the analysis. The aim is to assess the consequence and probability of an event. The assessment of the impact includes both financial losses and reputation

Figure AR:42 Three lines of defence



risk. Information that is important as the basis of OPRA Risk Analysis includes facts and statistics from previously reported incidents, audit reports, compliance reports, public events in the business environment, and OPRA Risk Analyses from other units and essential processes of relevance. A self-assessment entailing that the risk is deemed to be over an acceptable level results in an action plan stating the risks to be reduced, how this will be done, who is responsible and time limits for when measures are to be taken. The action plan is a working document that is regularly followed up during the year by the business operations with the support of the local OpRisk co-ordinator. Risk Control is informed about the completed OPRA Risk Analysis, including the action plan, and it evaluates the procedure. Risk Control provides regular support to the local OpRisk co-ordinator's planning, implementation and follow-up of the OPRA Risk Analysis.

Key risk indicators

Risk indicators are monitored in order to warn of heightened operational risk. If a threshold for a risk indicator is exceeded, a risk assessment must be carried out to serve as a basis for assessing any risk management measures to be taken.

ORX

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

IT OPERATIONS IN THE HANDELSBANKEN GROUP

The Bank's operations are dependent on the availability and security of its IT services. The technological development and digitalisation of banking services mean that this area is increasing in significance. The CEO establishes guidelines relating to the overall goal and strategy of IT operations in the Handelsbanken Group. Operational risk in this area is managed according to the same procedures as in other parts of the Bank, with the addition of special procedures for managing specific types of risk within the area. These include:

- Monitoring IT systems in production
- Management of IT incidents
- Management of new or changed IT systems
- Management of cyber risk
- Implementation of security tests
- Implementation of risk analyses of IT systems
- Reviewing outsourcing agreements and other supplier arrangements
- Continuity management of IT systems.

INFORMATION SECURITY AND IT SECURITY

Security work at Handelsbanken aims to protect the life, health and integrity of employees and customers, and to protect the good name and reputation of the customers and the Group. In its operations, a bank continuously processes sensitive information about customers and customer relationships. Handelsbanken's information and IT security efforts are based on availability, accuracy, confidentiality and traceability. Information and business systems must be available based on the business requirements of the operations. The CEO establishes guidelines for information security at Handelsbanken. All employees of the Bank are responsible for compliance with the rules for protection of information, and all managers are responsible for compliance with the rules in their own area of responsibility. The Bank has effective security work that heads off possible threats, and there are procedures for managing changes in the IT environment so that no deficiencies occur. In the case of deficient processing, or if information were to be released by mistake, the consequences could be serious, including weakened confidence in the Bank or financial losses. Within the framework of the systematic security work, structured development is under way to increase the level of awareness among employees and customers concerning the threats and risks in information security, through presentations, training programmes and information initiatives.

The Bank's information security and IT security is intended to protect customers' information and transactions and also the Bank's IT environment. Information security covers administrative solutions, such as rules and instructions, as well as technical security solutions.

Information security work is pursued in accordance with the ISO 27001 international standard. Handelsbanken's organisation for information security, as well as four essential processes within IT production, are certified according to ISO 27001.

The Bank's information security regulations are also based on the Standard of Good Practice developed by Information Security Forum (ISF), an organisation which counts most of the largest companies in the world as members. The work with information and IT security is pursued systematically, and the Bank applies a process where risk analysis plays a central role. The risk analyses employ the ISF's Information Risk Analysis Methodology (IRAM2).

The Covid-19 pandemic caused a considerably increased requirement for the Bank's employees to work remotely. Capacity was increased in existing and proven technological infrastructure to satisfy this requirement. The various parts of the business activated their continuity plans at an early stage, and functions which requires a physical presence were divided up into different teams. The Central Crisis Team has been activated in February and remains so. IT changes, including security updates, have continued as normal.

PHYSICAL SAFETY

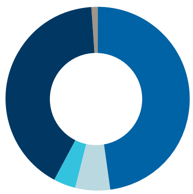
The Handelsbanken Group's physical safety measures include fire safety equipment and procedures, processes and procedures concerning threats to employees and employee protection, travel safety, perimeter protection, the Bank's liability and property insurance cover, as well as external environment monitoring and instructions.

Instructions within the Group for managing risks related to physical safety require, among other things, that a security review be carried out at least annually, and is followed up via the annual work environment survey.

FINANCIAL CRIME

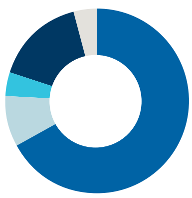
The Bank's aim is to constantly work, in an effective, fit-for-purpose manner, to minimise the risk of the Bank, or the Bank's products or services, being exploited in some kind of financial crime. Financial crime includes money laundering, terrorist financing, tax evasion, corruption, fraud and breaches of international sanctions. Handelsbanken has a Group-wide department dedicated to preventing financial crime. The department is headed up by the Bank's specially designated officer. Essential

Figure AR:43 Breakdown of losses over SEK 25,000 by number, 2016–2020



Execution, delivery and process mgmt	48%
Business disruption and system failure	6%
Clients, products and business practices	4%
External crime	41%
Damage to physical assets	1%
Employment practices and workplace safety	0%
Internal fraud	0%

Figure AR:44 Breakdown of loss amounts over SEK 25,000, 2016–2020



Execution, delivery and process mgmt	67%
Business disruption and system failure	9%
Clients, products and business practices	4%
External crime	16%
Damage to physical assets	0%
Employment practices and workplace safety	0%
Internal fraud	4%

starting points for the Bank's efforts to combat financial crime are the Bank's low tolerance of risk and the body of external regulations on money laundering and terrorist financing.

CHANGE MANAGEMENT

The management of changes covers new or materially changed products, services, markets, processes or IT systems, or when there are major changes in the Group's operations or organisational structure. The activities and actors involved in the respective processes are described in the Bank's instructions and approval processes for change management, which also describe how and when to involve the control functions. The processes also include requirements that risk analyses be carried out and that these consider, for example, areas such as financial crime, sustainability, information security and data quality. Decisions related to changes must also be documented.

ESSENTIAL PROCESSES

Essential processes refer to processes which are of material importance for providing support to the Bank's critical business operations. The Bank's essential processes are reviewed for relevance each year and in conjunction with significant changes, and are updated where necessary, as well as being subject to a risk assessment. The identification of essential processes is fundamental to the scope of the Bank's continuity planning, i.e. which parts of the operations are to be prioritised in the event of disruptions or stoppages.

CONTINUITY PLANNING AND CRISIS MANAGEMENT

The purpose of the Bank's continuity planning and crisis management is to ensure that the Bank is well prepared to continue its business operations in the event of a crisis situation. This means that preparatory measures must be taken to mitigate the effects of a serious disruption on the business operations, such that these can continue at an acceptable level for the duration of the disruption. The CEO's guidelines for continuity planning and crisis management and supplementary instructions state that consequence analyses are to be performed each year, in order to ascertain which operations and IT systems are of such critical importance that they require continuity plans.

The continuity plans include planning the maintenance of operations during the disruption and recovery to normal operations. For essential processes, the plans must include the longest permitted duration of a stoppage. There is a Central Crisis Team for the entire Group. In addition, the CEO has specified that certain units require a designated crisis function. Work in the crisis functions is to be undertaken according to special crisis manuals.

Continuity plans and crisis manuals must be revised on an annual basis at a minimum. The plans must be tested each year, at the least, and crisis drills are carried out by the units required to have crisis functions. The work is evaluated annually and reported to the Central Board, which is also informed of the Bank's strategy for continuity management.

Handelsbanken also participates in the voluntary work organised by FSPOS (Finansiella Sektorns Privat-Offentliga Samverkan, the Swedish financial sector's private-public partnership organisation) to strengthen the sector's capacity to manage disruptions and stoppages. The Bank thus also took part in the sector exercise organised by FSPOS for 2020, whose overall aim was to assess the sector's capacity to continue operating in a state of high preparedness.

SUPPLIER ARRANGEMENTS

The Bank has a designated process for managing supplier arrangements, including outsourcing agreements, within the Group. As the starting point, the Bank applies a risk-based working method, taking into account the Bank's low risk tolerance, in assessments prior to decisions on supplier arrangements and their administration. The CEO has issued guidelines that set out the conditions and requirements for outsourcing agreements concerning operations of material significance. The guidelines apply throughout the Handelsbanken Group and also cover the subsidiaries in the Group.

REPUTATION RISK, CONDUCT RISK AND TRAINING

Reputation risk is the risk of losses due to a deterioration of confidence in the Bank. This may occur for reasons such as deficiencies in ethical standards, inappropriate actions, poor information or badly planned development of new or changed products. Handelsbanken manages and minimises reputation risk in its operations through pro-active business intelligence and accompanying, relevant corrective action when needed, and by conducting operations to a high ethical standard. In 2020, six training programmes were mandatory for all employees in the Group: Financial crime, GDPR, Sustainability at Handelsbanken, Market abuse, Security training – Cyber security, and Security training – Physical security.

Handelsbanken's low risk tolerance is also reflected in its approach to employee benefits. The Bank regards fixed remuneration as contributing to sound operations, so this is applied as a fundamental rule.

SUSTAINABILITY RISK

Sustainability risk can arise in any of the Bank's different roles – as a lender, asset manager, service provider, purchaser or employer. Sustainability risks span over many areas, such as human rights, working conditions, the environment, climate, financial crime, and information and IT security. The identification, management and prevention of sustainability risk is important from both a financial and legal perspective, but also for the Bank's reputation.

Handelsbanken's activities for managing sustainability risk follow our decentralised model and are aligned with the Bank's generally low risk tolerance. The Bank's business operations bear the responsibility for identifying sustainability risks and managing these. This is done within a framework of established processes for risk management.

Much of the work involved in reporting and supervising climate risks is based on the Task Force on Climate-related Financial Disclosures (TCFD recommendations), which are a global standard for reporting climate-related information. Handelsbanken endorses the TCFD recommendations. Since 2018, Handelsbanken Asset Management and Handelsbanken Liv have published climate reports in line with the recommendations, including forward-looking climate analyses.

In the area of credits, work has focused on building processes and procedures for improving the Bank's ability to identify, manage, measure and report exposure to climate-related risks. This work is a continuation of the mapping and competency-enhancing measures carried out in previous years. The work is cross-functional, and includes Group Risk Control, Group Credits, Group Finance and Group Sustainability. The work is supported by external experts on climate change and focuses on the Bank's property exposure.

COMPLIANCE RISK

Compliance risk refers to risks associated with inadequate regulatory compliance.

The Handelsbanken Group has high ambitions regarding good administrative order, ethical standards and compliance with laws and regulations. In its Policy for Compliance, Handelsbanken's Board has established that "the Bank has a low tolerance of compliance risks and, as far as possible, it must endeavour to prevent these risks."

Compliance refers to the observance of regulations, laws, directives and recommendations from public authorities, internal rules, as well as generally accepted business practices or standards relating to all operations subject to a licence. Inadequate compliance may lead to increased operational risk, the risk of sanctions or other interventions, financial losses or reduced confidence in the Group's operations. Compliance efforts aim to protect the Bank from compliance risks through advice and support, to identify compliance risks and to recommend actions to mitigate them.

The broad outline for how supervisory authorities expect compliance functions to be set up and how an institution should approach compliance matters is established in the Swedish Financial Supervisory Authority's Regulations and General Guidelines regarding governance, risk management and control at credit institutions (FFFS 2014:1), the European Banking Authority's Guidelines on internal governance, and the European Securities and Markets Authority's Guidelines on certain aspects of the MiFID II compliance function requirements. The Basel Committee's 'Compliance and the compliance function in banks' framework also provides guidelines for how a bank's compliance function should be structured. Handelsbanken has implemented this work method through its policies, guidelines and instructions.

ORGANISATIONAL STRUCTURE

The Compliance function is organised into both Group Compliance and local compliance units in subsidiaries and other legal entities. All compliance units must be independent of the business operations and organisationally separate from the functions and areas which are subject to control. Employees in compliance units must not perform any operational tasks which are part of the business operation they are responsible for monitoring.

RESPONSIBILITY

Compliance is the responsibility of all managers and employees in the Group, with measures to underpin compliance being integrated in internal control activities. The responsibilities of the Compliance function are to work actively to ensure a high level of compliance and to ensure that Handelsbanken's low tolerance of compliance risks is adhered to. The Compliance function is tasked with the identification, monitoring and scrutiny of risks and deficiencies related to regulatory compliance, and also the provision of recommendations, advice and support to the Bank's staff, management and units in matters concerning compliance, as well as reporting to the management and Board on compliance issues. The Chief Compliance Officer has the ultimate responsibility for the Compliance function and reporting of compliance in the Group.

RISK-BASED COMPLIANCE WORK

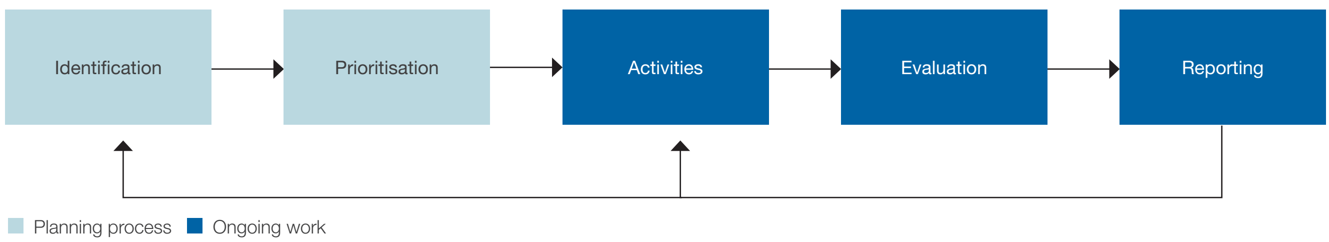
The foundation for the compliance work is a risk-based prioritisation of the Group's most significant risk areas. These risk areas constitute the starting point for all compliance activities such as support and advice, training and controls. If risks are identified, they are evaluated and reported using a four-level assessment scale: 'minor', 'moderate', 'major' and 'critical'. In 2020, the Chief Compliance Officer reported on significant risk areas judged to have a 'major' or 'critical' risk, at least every quarter to the CEO, every six months to the Board's risk committee, and every year to the Board. The report has also been presented to the Risk Forum. The reporting also contain an assessment of the actions that the operations have taken to manage the risks identified.

COMPLIANCE RISKS

In 2020, a few compliance risks were reported as significant at Group level – that is, major or critical risks – and were all subject to action to reduce them to an acceptable level. Similar to last year, the significant compliance risks at Group level were mainly associated with the rules concerning measures against money laundering and terrorist financing.

Programmes of measures initiated previously have continued during the year and have contributed to positive development. However, continued work is still needed to ensure good management of the risks and compliance in this area. When necessary, interim solutions have been implemented to ensure compliance, parallel to the continuation of work to secure an effective, long-term solution. Other important focus areas during the year have been the further strengthening of compliance related to the General Data Protection Regulation and remuneration from third parties.

Figure AR:45 The compliance process



RISK IN THE REMUNERATION SYSTEM

Remuneration risk is the risk of loss or other damage arising due to the remuneration system.

THE REMUNERATION SYSTEM

At Handelsbanken, remuneration is established individually when an employee takes up a new position and in local salary reviews. Remuneration takes into account the collective agreements that are binding upon Handelsbanken or corresponding local standardised contracts or agreements. It is based on the Bank's model for setting salaries and the salary-setting factors it specifies: the nature and level of difficulty of the work, competency and skills, work performance and results achieved, leadership, the market, and being a cultural ambassador for the Bank. These principles have been applied for many years. They mean that managers at all levels participate regularly in salary processes, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

To ensure that Handelsbanken has a well-designed remuneration system, risks in the remuneration system are managed as a separate risk class, with the risk management following the same allocation of responsibilities as other types of risk. Handelsbanken has low tolerance of remuneration risks and actively strives to keep them at a low level. Performance-based variable remuneration must be applied with great caution and is not offered to employees who, in their professional roles, can have a material impact on the Bank's risk profile.

In 2020, SEK 55 million (48) was earned as performance-based variable remuneration.

ORGANISATIONAL STRUCTURE AND RESPONSIBILITY

The principles for the Bank's remuneration system are stipulated in the remuneration policy decided on by the Board. More detailed guidelines and implementation directives are decided by the CEO. Group Compliance reviews these policy documents to ensure observance of the regulations applying in this area. The responsibility for identifying and managing remuneration risks rests with every responsible manager in the operations. Group Risk Control ensures that the remuneration system and its application are evaluated every year from a risk perspective. This evaluation must also include an analysis of the impact of the remuneration system on the Bank's risk, capital and liquidity situation.

RISKS IN THE REMUNERATION SYSTEM

Handelsbanken's remuneration policy and remuneration system are deemed to generate low risks, align with the Bank's low tolerance of risks and support the Bank's long-term interests. The remuneration system has a low impact on the Bank's financial risk, capital and liquidity situation. The total amount reserved for performance-based variable remuneration to employees in the Handelsbanken Group must not exceed 0.4 per cent of the Handelsbanken Group's common equity tier 1 capital during any given year. The data for the calculation of performance-based variable remuneration is risk-adjusted based on an assessment of present and future risks. There are rules about deferring the disbursement of variable remuneration and for completely or partly reducing the allocated deferred variable remuneration.

For more detailed information and statistics about the Bank's remuneration system, see the Corporate Governance Report and note G8 in the Annual Report.

Table AR:46 Performance-based variable remuneration

Performance-based variable remuneration	2020	2019
Earned performance-based variable remuneration[1], SEK m	55	48
Salaries and fees, SEK m	9,378	9,291
No. of persons able to earn performance-based variable remuneration[2]	163	164
Average number of employees	12,563	12,548
Earned performance-based variable remuneration, as a proportion of total salaries and fees, %	0.6	0.5
Earned performance-based variable remuneration, as a proportion of common equity tier 1 capital, %	0.04	0.04
No. of persons able to earn performance-based variable remuneration as a proportion of average number of employees, %	1.3	1.3

[1] The amounts are excluding social security costs. The amounts are determined after the Annual Report is published.
[2] The number of persons who are allocated performance-based variable remuneration is determined after the Annual Report is published. Of the 164 persons who were able to earn variable remuneration in 2019, 127 received an allocation.

RISK IN THE INSURANCE OPERATIONS

The risks in the insurance business mainly comprise market risks and insurance risks.

BUSINESS OPERATIONS AND RISKS IN THE INSURANCE OPERATIONS

Handelsbanken Liv conducts life insurance operations with traditional management, unit-linked insurance, portfolio bond insurance and risk insurance operations. Traditionally managed insurance is closed for new sales. The risk profile is measured using the standard formula prescribed by Solvency 2. Market risks and insurance risks dominate the risk profile.

MARKET RISK

Market risk refers to the combined risk that changes in risk factors in financial markets – such as changes in interest rates, property prices, equity prices, or exchange rates – will result in changes in the value of the company's investment assets and/or its commitments. Market risk arises in traditional management related to guarantee products and indirectly from savings products, unit-linked insurance and portfolio bond insurance, where the policy holders themselves bear the risk but the company's earnings depend on the assets under management in the products.

Interest rate risk also arises in the insurance liabilities, in that the technical insurance provisions are discounted using a risk-free interest rate.

Handelsbanken Liv has a low risk tolerance. Through the company's investment guidelines and risk policy, the Board of Handelsbanken Liv gives overall instructions on how the assets are to be managed, given the undertakings to the policy holders and the statutory requirements, how governance and control of the investments will be implemented, and how the total risk level in the company's combined assets and undertakings will be managed. Assets are only invested in a prudent manner in assets and instruments whose risks can be identified, measured, analysed, and reported.

LIQUIDITY RISK

Liquidity risk is the risk that a company will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses. Liquidity risks are managed by daily monitoring of future disbursements and by investing a significant portion of the company's investment assets in listed securities with very good liquidity.

INSURANCE RISK

Insurance risk consists primarily of life and disability insurance risks and can be divided into the following categories:

Risk category

Mortality risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, mortality. Increased mortality leads to an increase in the value of the insurance commitments.

Longevity risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, mortality. Decreased mortality leads to an increase in the value of the insurance commitments.

Disability and morbidity risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, illness and recovery.

Lapse risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of, or in the volatility of, lapses, terminations, renewals and surrender.

Operating expense risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, operating expenses for insurance contracts.

Revision risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in the revision rates for periodic disbursements, due to changes in regulatory requirements, the legal environment or the health status of the contracts' beneficiaries.

Catastrophe risk

The risk of loss, or of adverse change in the value of insurance commitments, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events.

The Handelsbanken Liv Group is also exposed to risks connected with accident insurance. However, these are not judged to be material compared to other risks. Most of Handelsbanken Liv's policies are taken out by small companies and private individuals. There is no risk concentration, other than that most of the policies are taken out in Sweden.

The insurance operations report their market and insurance risks as well as operational risk to the insurance company's Board and Chief Executive, to the Bank's Group Risk Control and to the Bank's Risk Committee, which acts in an advisory capacity to the Bank's CEO and CFO.

More information about Handelsbanken Liv's corporate governance system and risk management is included in Handelsbanken Liv's publication, Gemensam rapport om solvens och finansiell ställning (in Swedish only), available at handelsbanken.com.

ECONOMIC CAPITAL

Handelsbanken's model for calculating economic capital identifies in one measurement the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

Group Risk Control is responsible for comprehensive monitoring of the Group's various risks. The Bank's model for economic capital (EC) is an instrument in this monitoring. It is also part of the Bank's assessment of the internal capital requirement which is reported quarterly to the Board. This assessment is intended to ensure that the Group has sufficient capital at all times in relation to all risks in the Group. The Group perspective means that economic capital also includes risks in the insurance operations and risks in the Bank's pension obligations.

Economic capital is calculated with a time horizon of one year and a confidence level that reflects an acceptable level of risk and desired rating. The Board has determined that the calculation of economic capital must be made with a 99.97 per cent confidence level, which captures an event which is extremely unfavourable for the Bank. EC is the difference between the outcome in an average year – with positive results and good growth in the value of the Bank's assets – and the outcome at a 99.97 per cent confidence level.

Diversification effects between the different risk classes are taken into account when calculating EC. Since the risks are partly independent of each other, the capital requirement for all risks is lower than the sum of the economic capital for each individual risk.

The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR is Handelsbanken's equity with the addition of other financial values on and off the balance sheet, available to cover losses with a one-year time horizon.

In risk and capital management, the Group applies a shareholder perspective. The economic capital model provides an overall view of the Group which makes it possible to optimise the risk and capital situation from the shareholder's perspective. The outcome of the calculations plays an important role when new transactions or structural changes are considered.

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

Market risks comprise the risk in the assets classified as the trading book, the interest rate risk in the non-trading book, market risks in the insurance operations, and the risk in shareholdings in the non-trading book.

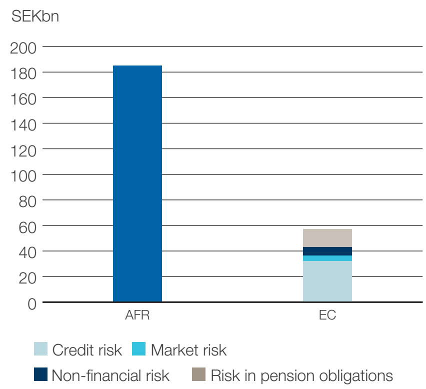
The risk in the pension obligations mainly consists of the risk of a decrease in the assets that exist for securing the Bank's pension obligations, and the fact that the values of these obligations are sensitive to interest rates. Most of the pension obligations are in Sweden and are secured there in a pension foundation and an occupational pension fund.

The non-financial risks are operational risk, business risk, property risk and insurance risk. Business risk is related to unexpected changes in financial performance in each business area. For example, these may arise due to demand or competition changing unexpectedly, thus resulting in lower volumes and squeezed margins. Property risk captures the risk of a fall in the value of the properties which the Bank owns.

At year-end, EC was SEK 57.2 billion (57.2), of which credit risks accounted for the main part of the total risk. The Board stipulates that the AFR/EC ratio should be at least 120 per cent. The ratio was 324 per cent (314) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

The risk and capital situation reported is a snapshot picture, even though the risk calculations include margins of conservatism for business cycle fluctuations. To perform a final assessment of the Group's capital adequacy requirements, consideration must also be given to the stress and scenario analysis carried out as part of the Bank's capital planning.

Figure 6.1 (Pillar 3) Total of AFR and EC including diversification 2020



CAPITAL PLANNING

Handelsbanken's capital planning aims to ensure that the Group has the right amount of financial resources available at all times.

The capital requirement is a function of the Group's risks, expected development, the regulations and target ratios, Handelsbanken's model for economic capital (EC) and stress tests. The Bank's capital requirement is reported weekly to the CFO and the CEO and at least quarterly to the Board.

As part of proactive capital planning, there is a contingency and action plan with specific measures that can be taken if the Bank needs to improve its capital position. The purpose of the contingency and action planning is to ensure that there is a warning system that identifies potential threats at an early stage and that the Group is prepared to take rapid action, if necessary.

At least annually, a long-term capital plan is drawn up, which is designed to give a comprehensive overview of the Group's current capital situation, a forecast of expected capital performance, and the outcome in various scenarios. These scenarios are designed to substantially differ from expected events and thus harmonise with the Group's low risk tolerance. The capital plan also contains proposals for how to maintain the capital situation at a satisfactory level in a strongly negative business environment, from both a regulatory and shareholder perspective.

The capital planning is divided into short-term and mid- to long-term forecasting. The part of capital planning that comprises short-term forecasts up to two years ahead principally focuses on assessing existing performance and the development of the capital requirement. This forecasting is necessary to enable continual adaptation of the size and composition of own funds.

Capital planning is performed through ongoing analysis of changes in volume, risk and performance, and by monitoring events that may affect the capital requirements and capital level. Short-term forecasting includes all sub-components that make up the Group's own funds and, in addition to the regulatory minimum requirements and buffers, the capital requirement includes a Pillar 2 requirement, the leverage ratio requirement and the minimum requirement for own funds and eligible liabilities (MREL). The forecasting work also includes conducting various sensitivity analyses, with a short-term perspective, of the expected change in the capital adequacy requirement and own funds. The Bank can thus be prepared to alter the size and composition of its own funds if required – for example, through market operations.

The result of the short-term analysis forms the basis of any capital operations performed and is reported weekly to the CFO and the CEO and, if necessary, to the Board. The analysis is based on a cautious basic scenario, with decision points in the near future for how existing earnings capacity can cope with various changes in volume, as well as the effects which arise from potential capital operations.

The part of capital planning that comprises mid- to long-term forecasts aims to ensure compliance with statutory capital adequacy requirements and that the Group's available financial resources (AFR) at all times cover by a good margin all risks calculated according to the EC model.

The long-term forecast also includes an assessment of the trend for the Bank's overall capital over the period: the minimum requirements, the combined buffer requirements, the Pillar 2 requirement, the leverage ratio requirement and the MREL requirement. The objective is to forecast the expected performance and judge whether the Bank's resistance is satisfactory in various scenarios. The planning horizon is at least five years and takes account of the Group's overall business performance trend.

A basic scenario forms the foundation of the long-term capital forecast. This scenario is obtained from expected performance in the next five years regarding profit, volume growth, financial assumptions such as credit losses, and performance of the equity, property and fixed income markets. The basic scenario is then compared to the outcomes in a number of business cycle and crisis scenarios. The stress scenarios have been established following analysis of the historical links between the impacts of different macroeconomic variables on the financial markets and have been selected by using the scenarios expected to have the most severe impact on Handelsbanken.

At the end of 2020, the common equity tier 1 ratio was 20.3 per cent (18.5). The ratio between AFR and EC was 324 per cent (314) at the same date. Thus, AFR exceeds the assessed internal capital requirement (EC) by a very good margin.

The Bank's strong position is further emphasised by the result of the various forward-looking stress scenarios which are carried out, showing that Handelsbanken's long-term capital situation is very stable from both a financial and regulatory perspective.

Capital planning also monitors regulatory developments and assesses the impact and needs arising due to additional new requirements.

THE GROUP'S REGULATORY CAPITAL TARGETS

The Board continuously sets the targets for the Bank's capitalisation. A cornerstone of the internal capital requirement assessment of the regulatory capital situation is stress and scenario analysis of the Bank's situation, both long-term and short-term. The scenarios used are principally based on the Bank's internal risk tolerance and the direct requirements resulting from the regulations and other requirements from public authorities. In addition to the internal assessment of the capital requirement, the Swedish Financial Supervisory Authority has communicated that the target figures of Swedish banks must not be lower than the total assessed capital requirement calculated by the Supervisory Authority, regardless of the banks' internal calculations. The capital requirement will mainly comprise a minimum requirement following the introduction of the Swedish Financial Supervisory Authority's application when the new law becomes effective in 2021. The Bank has taken this into account when setting the target figures for the regulatory capitalisation.

The Board has decided that the common equity tier 1 ratio, which is the most relevant measure for the governance of the Bank under the current regulatory framework, under normal circumstances must be between 1 and 3 percentage points above the total common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. The other capital tiers (the tier 1 ratio and the total capital ratio) must be at least 1 percentage point above the total capital assessment communicated to the Bank by the Supervisory Authority for the respective capital tiers. In addition, the Bank must fulfil all other capital requirements imposed by public authorities. Moreover, the Board has decided that "the dividend level must not lead to the capital ratios falling below a level of one percentage point above the requirements communicated by the Swedish Financial Supervisory Authority".

In the Bank's assessment, the Supervisory Authority's common equity tier 1 capital requirement at the end of the fourth quarter was 13.8 per cent.

G3 Net interest income

SEK m	2020	2019
Interest income		
Loans to credit institutions and central banks	517	3,160
Loans to the public	41,754	44,445
Interest-bearing securities eligible as collateral with central banks	291	333
Bonds and other interest-bearing securities	380	520
Derivative instruments	1,172	4,084
Other interest income	1,282	1,341
Total	**45,396**	**53,883**
Interest income reported in net gains/losses on financial transactions	-112	-512
Total interest income	**45,508**	**54,395**
of which interest income according to effective interest method and interest on derivatives in hedge accounting	*42,164*	*47,326*
Interest expenses		
Due to credit institutions and central banks	-576	-871
Deposits and borrowing from the public	-1,332	-2,157
Issued securities	-11,786	-20,022
Derivative instruments	2,690	4,440
Subordinated liabilities	-1,186	-1,282
Government fees	-1,424	-2,165
Other interest expenses	-204	-201
Total	**-13,818**	**-22,258**
Interest expenses reported in net gains/losses on financial transactions	84	2
Total interest expenses	**-13,902**	**-22,260**
of which interest expenses according to the effective interest method and interest on derivatives in hedge accounting	*-11,609*	*-18,910*
Net interest income	**31,606**	**32,135**

The derivative instrument rows include net interest income related to hedged assets and liabilities. These may have both a positive and a negative impact on interest income and interest expenses.

G4 Net fee and commission income

SEK m	2020	2019
Brokerage and other securities commissions	656	625
Mutual funds	4,432	3,885
Custody and other asset management fees	979	1,151
Advisory services	240	255
Insurance	779	757
Payments	3,182	3,757
Loans and deposits	1,353	1,401
Guarantees	352	399
Other	648	532
Total fee and commission income	**12,621**	**12,762**
Securities	-258	-240
Payments	-1,494	-1,733
Other	-83	-92
Total fee and commission expenses	**-1,835**	**-2,065**
Net fee and commission income	**10,786**	**10,697**

Fee and commission income by segment 2020	Home markets									
SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Brokerage and other securities commissions	231	8	18	54	19	13	314	12	-13	656
Mutual funds	3,353	267	151	106	160	48	413	0	-66	4,432
Custody and other asset management fees	498	36	69	161	31	60	125	-	-1	979
Advisory services	0	38	1	13	-	-	189	-	-1	240
Insurance	837	-	36	25	62	-	-159	1	-23	779
Payments	2,185	262	229	168	324	2	27	-12	-3	3,182
Loans and deposits	737	143	79	69	253	19	50	4	-1	1,353
Guarantees	126	19	43	65	24	1	74	-	0	352
Other	532	4	3	80	13	1	256	0	-241	648
Total fee and commission income	**8,499**	**777**	**629**	**741**	**886**	**144**	**1,289**	**5**	**-349**	**12,621**

G4 Cont.

Fee and commission income by segment 2019	Home markets									
SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Brokerage and other securities commissions	197	4	13	37	32	25	309	20	-12	625
Mutual funds	3,041	-	146	109	156	58	464	-	-89	3,885
Custody and other asset management fees	418	305	67	143	28	63	128	1	-2	1,151
Advisory services	0	40	1	12	-	-	207	-5	-	255
Insurance	824	-	38	24	60	-	-166	1	-24	757
Payments	2,555	299	282	213	357	3	60	-12	0	3,757
Loans and deposits	700	166	88	65	296	19	56	13	-2	1,401
Guarantees	126	24	52	63	28	1	104	0	1	399
Other	421	5	2	71	16	0	257	1	-241	532
Total fee and commission income	**8,282**	**843**	**689**	**737**	**973**	**169**	**1,419**	**19**	**-369**	**12,762**

Fee and commission income refers to income from contracts with customers. Income from Brokerage and other securities commissions, Advisory services, Payments and Loans and deposits is generally recognised in conjunction with the rendering of the service, i.e. at a specific point in time. Payments also includes the issuing and acquisition of cards. Income from Mutual funds, Custody and other asset management fees, Insurance and Guarantees is generally recognised as the services are rendered, i.e. on a straight-line basis over time. During the first quarter of 2020, the decision was made that the mutual fund and insurance commission received by the branch operations from Capital Markets, which were previously recognised at a net amount in the segment reporting in the item Profit allocation, are to be reported gross in the items Net fee and commission income and Internal purchased and sold services. The comparative figures presented in the table have therefore been recalculated.

G5 Net gains/losses on financial transactions

SEK m	2020	2019
Amortised cost	182	209
of which loans	*309*	*323*
of which interest-bearing securities	*0*	*0*
of which issued securities	*-127*	*-114*
Fair value through other comprehensive income	-1	-1
of which expected credit losses	*-1*	*-1*
Fair value through profit or loss, fair value option	304	646
of which interest-bearing securities	*304*	*646*
Fair value through profit or loss, mandatory including foreign exchange effects	1,021	553
Hedge accounting	49	-58
of which net gains/losses on fair value hedges	*49*	*-49*
of which cash flow hedge ineffectiveness	*0*	*-9*
Result from financial components in insurance contract	-118	-50
Total	**1,437**	**1,299**

The accumulated value change due to changes in credit risk from initial recognition from financial assets which are classified at fair value through profit or loss, fair value option, amounted to SEK 257m (23).

G6 Risk result – insurance

SEK m	2020	2019
Premiums written	501	506
Insurance claims paid	-365	-351
Change in provisions for unsettled claims	9	-7
Other	50	-3
Total	**195**	**145**

G7 Other income

SEK m	2020	2019
Rental income	37	39
Other operating income	116	104
Total	**153**	**143**

G8 Staff costs

SEK m	2020	2019
Salaries and fees	-9,378	-9,291
Social security costs	-2,167	-2,178
Pension costs[1]	-1,909	-1,939
Provision for the profit-sharing scheme	-213	829
Other staff costs	-1,676	-970
Total	**-15,343**	**-13,549**

[1] The components in the reported pension costs are shown in the Pension costs table.

Salaries and fees SEK m	2020	2019
Executive officers[2]	-129	-144
Others	-9,249	-9,147
Total	**-9,378**	**-9,291**

[2] Executive officers and Board members in the parent company and CEOs, Deputy CEOs and Board members in subsidiaries (on average 54 people).

Gender distribution	2020		2019	
%	Men	Women	Men	Women
Executive officers excluding Boards	69	31	70	30
of which in parent company	*80*	*20*	*67*	*33*
of which in subsidiaries	*63*	*37*	*71*	*29*
Boards	66	34	68	32
of which in parent company	*50*	*50*	*55*	*45*
of which in subsidiaries	*68*	*32*	*70*	*30*

Average number of employees	2020	Men	Women	2019	Men	Women
Sweden	7,320	3,498	3,822	7,394	3,532	3,862
UK	2,574	1,445	1,129	2,442	1,371	1,071
Norway	788	418	370	777	412	365
Denmark	644	331	313	651	334	317
Finland	621	275	346	617	273	344
The Netherlands	352	229	123	336	225	111
USA	59	38	21	62	41	21
China	58	23	35	80	30	50
Luxembourg	45	24	21	46	26	20
Singapore	23	7	16	30	11	19
Germany	34	17	17	38	19	19
Poland	24	9	15	33	11	22
Other countries	21	6	15	42	14	28
Total	**12,563**	**6,320**	**6,243**	**12,548**	**6,299**	**6,249**

Remuneration[3] exceeding EUR 1 million No. of persons	2020	2019
Range EUR 1.0–1.5m	2	5
Range EUR 1.5–2.0m	1	-
Range EUR 2.0–2.5m	-	2
Range EUR exceeding 2.5m	-	-
Total	**3**	**7**

[3] Including earned pension and other salary benefits.

G8 Cont.

Remuneration[1] to risk-takers[2], business segments	2020		2019	
SEK m	Remuneration	No. of persons	Remuneration	No. of persons
Handelsbanken Sweden	545	436	510	437
Handelsbanken UK	425	274	459	290
Handelsbanken Norway	104	58	131	62
Handelsbanken Denmark	108	66	114	73
Handelsbanken Finland	63	43	74	50
Handelsbanken the Netherlands	74	48	78	49
Handelsbanken Capital Markets	196	53	153	36
Other	327	142	400	166
Total	**1,842**	**1,120**	**1,919**	**1,163**

Remuneration[1] to risk-takers[2]	2020		2019	
	Executive management[3]	Other risk-takers	Executive management[3]	Other risk-takers
Earned fixed remuneration, SEK m	78	1,764	74	1,845
Earned performance-based variable remuneration, SEK m	-	-	-	-
Total	**78**	**1,764**	**74**	**1,845**
No. of persons with fixed remuneration only	12	1,108	12	1,151
No. of persons who may receive both fixed and performance-based variable remuneration	-	-	-	-
Total number of persons	**12**	**1,108**	**12**	**1,151**
Guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-
Contracted guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-

[1] Earned remuneration, including pensions and other salary benefits, has been recognised as an expense in its entirety. Performance-based variable remuneration is allocated at an individual level during the financial year after it is earned and is disbursed or deferred in accordance with the Bank's policy for variable remuneration. No employees identified as risk-takers as a result of their duties, earned performance-based variable remuneration in either 2020 or 2019. In 2020, one employee who has been identified as a risk-taker due to the level of their remuneration, was allocated performance-based variable remuneration in an amount of SEK 1m. In 2020, deferred, performance-based, variable remuneration earned before 2017 was disbursed to risk-takers as a result of their duties in an amount of SEK 2m (6). All deferred remuneration to these risk-takers has thus been disbursed. For risk-takers identified as a result of the level of their remuneration, outgoing deferred remuneration amounts to SEK 0.5m (-). The right of disposal of the deferred remuneration transfers to the employee at the time of disbursement. All performance-based variable remuneration is paid in cash or in financial instruments. The amounts are excluding social security costs.
During the year, SEK 15m (40) in termination benefits was paid to 12 (15) risk-takers. Total contracted termination benefits during the year amount to SEK 45m (47), with the highest individual amount being SEK 7.8m (9.5). No guaranteed variable remuneration is paid.

[2] Employees whose duties can have a material impact on the Bank's risk profile pursuant to the Commission Delegated Regulation (EU) 604/2014). There may be risk-takers or other specially regulated employees with variable remuneration in subsidiaries whose remuneration policy is subject to other EU regulations or other regulations published by the Swedish Financial Supervisory Authority.

[3] The Swedish Financial Supervisory Authority uses the term 'Senior Management' in its regulations FFFS 2011:1. At Handelsbanken, this corresponds to the Bank's executive officers.

EMPLOYEE BENEFITS

Information about remuneration principles for all employees in the Handelsbanken Group is provided in more detail in the Corporate Governance Report on page 77.

Pursuant to the Swedish Financial Supervisory Authority's directive FFFS 2011:1 and the European Commission Delegated Regulations (EU) 575/2013 and (EU) 604/2014, banks must identify employees whose professional activities have a material impact on the bank's risk profile. Handelsbanken has identified 1,120 (1,163) employees who engage in such activities and has designated them as 'risk-takers'. The tables below present the Handelsbanken Group's remuneration to these risk-takers pursuant to the disclosure requirements in the aforementioned regulations. In 2020, the Handelsbanken Group had no employees whose duties have a material impact on the Bank's risk profile, who earned performance-based variable remuneration.

For the financial year 2020, Handelsbanken has made a provision of SEK 213 million for the Oktogonen profit-sharing scheme. In 2018, a provision of SEK 859 million was made which the Board decided to reverse in March 2019, on the basis of an overall assessment of the Bank's performance. The reversed provision was reported in Q1 2019.

REMUNERATION TO EXECUTIVE OFFICERS

Executive officers in Handelsbanken are Board members, members of executive management, Deputy CEOs and the Heads of Group Risk Control and Group Compliance. Refer also to pages 80–83 of the Corporate Governance Report. The remuneration to executive officers of the parent company is in accordance with the guidelines for remuneration established by the 2020 annual general meeting. See also page 77.

Information regarding remuneration to, pension obligations for, credits to and deposits from executive officers of Handelsbanken is provided on these pages. This also applies to the subsidiaries' CEOs, Deputy CEOs and Board members.

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

Board members who are not employees of the Bank or any of the Bank's subsidiaries have only received a fee according to the decision of the AGM.

Board members who are employees of the Bank or the Bank's subsidiaries receive remuneration and pension benefits by virtue of their employment. No further remuneration or pension benefits are paid for serving on the Board. Information regarding fees to board members in the parent company is shown on pages 80–83 of the Corporate Governance Report.

The pension cost stated by the Bank in the remuneration information for executive officers below consists of the service cost relating to defined benefit pensions according to IAS 19, the agreed premiums for defined contribution pensions, and any pension premiums that have been converted from salary.

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

G8 Cont.

Remuneration to the Group Chief Executive, Deputy CEOs and executive management and the Heads of control functions

	Fixed remuneration				Variable remuneration		Pension		Total remuneration		Proportion fixed remuneration/total remuneration	
	Basic salary		Benefits									
SEK m	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Group Chief Executive												
Carina Åkerström[1, 5]	12.5	9.1	0.4	0.2	-	-	4.4	3.2	17.3	12.5	100%	100%
Anders Bouvin[2, 6]	-	3.4	-	0.2	-	-	-	1.2	-	4.8	-	100%
Deputy CEO												
Carina Åkerström[2]	-	1.4	-	0.1	-	-	-	0.9	-	2.4	-	100%
Per Beckman[7]	6.1	5.9	0.3	0.3	-	-	4.1	3.8	10.5	10.0	100%	100%
Dag Tjernsmo[7, 11]	4.0	4.5	0.3	0.3	-	-	3.2	3.1	7.5	7.9	100%	100%
Nina Arkilahti[3, 8]	0.6	5.6	0.0	0.2	-	-	0.2	2.3	0.8	8.1	100%	100%
Lars Moesgaard[8, 11]	4.3	4.4	0.3	0.3	-	-	1.7	1.6	6.3	6.3	100%	100%
Mikael Sørensen[4, 9, 11]	9.4	9.6	1.7	2.6	-	-	-	-	11.1	12.2	100%	100%
Katarina Ljungqvist[10]	-	1.4	-	0.1	-	-	-	0.7	-	2.2	-	100%
Other members of executive management and control functions[12]	30.9	31.2	1.4	2.0	-	-	7.3	8.9	39.6	42.1	100%	100%
Average number of persons; Group CEO, Deputy CEOs, executive management and control functions	12	12										
Number of persons as at December; Group CEO, Deputy CEOs, executive management and control functions	10	12										

The pension cost refers to pension earned under defined benefit pension plans in accordance with IAS 19, or alternatively paid premiums for defined contribution pension plans. An accrued defined benefit pension is vested and secured in the Bank's pension foundation or assured in the Bank's pension fund. If service ceases before retirement age, the person receives a paid-up policy for the defined benefit and/or defined contribution pension earned.

1 Since AGM 2019.
2 Until AGM 2019.
3 Stepped down as Deputy CEO on 29 January 2020.
4 Remuneration from Handelsbanken Plc
5 Defined contribution pension of 35% of salary since becoming Group Chief Executive. The retirement age is 65. Previously earned defined benefit pension is placed in a paid-up policy.
6 Defined contribution pension of 35% of salary. Defined benefit pension is being disbursed.
7 Defined benefit pension of 65% of salary upon retirement and a pension contribution of 2% of salary. The retirement age is 60 and the defined benefit retirement pension is earned successively during the period of employment; it is fully earned for these persons by the time they reach the age of retirement.
8 Defined contribution pension of 35% of salary. The retirement age is 65.
9 No pension earned.
10 Stepped down as Deputy CEO on 16 April 2019.
11 Stepped down as Deputy CEO on 15 December 2020.
12 Other executive officers employed by the Bank receive a defined benefit or defined contribution pension according to the BTP pension plan, in combination with a defined contribution plan amounting to a maximum of 35% of salary. The retirement age is 65, and the defined benefit pension is fully earned for these persons by the time they reach the age of retirement. The amount for basic salary and pension is stated before any salary sacrifice. Among other members of executive management and control functions, three employees have converted SEK 0.9m from salary to pension.

Remuneration in subsidiaries

Fees paid to the 19 (17) board members of subsidiaries who are not employees of the Bank or its subsidiaries are SEK 6.6 million (5.4).

In 2020, the CEOs and Deputy CEOs in the subsidiaries, 15 (16) individuals, received fixed salaries after conversion to pension amounting to SEK 50.9 million (57.9). Other salary benefits were SEK 3.8 million (4.5) and the Bank's pension cost was SEK 9.7 million (10.9). Before conversion to pension, the pension cost was SEK 9.3 million (10.6), corresponding to 18.2 per cent of the salary (18.2).

Remuneration is not paid to CEOs and Deputy CEOs in subsidiaries who have other main work tasks at Handelsbanken.

PENSION OBLIGATIONS TO EXECUTIVE OFFICERS

As at 31 December 2020, the pension obligation* for the CEO Carina Åkerström, earned before she took up the position of CEO and now placed in a paid-up policy, was SEK 101.4 million (94.2). As at 31 December 2020, the pension obligation for the Deputy CEO Per Beckman was SEK 122 million (113.9), and for the other executive officers in the parent company – 8 individuals (10) – pension obligations were SEK 70.2 million (181.5).

Pension obligations in the Handelsbanken Group for all current and former executive officers were SEK 3,062 million (3,129) as at 31 December 2020, of which pension obligations for all current and former executive officers in the parent company were SEK 2,882 million (2,936) as of the same date. The number of people covered by these obligations in the Group is 85 (84), of whom 68 (63) are pensioners. The corresponding number for the parent company is 71 (69), of whom 61 (57) are pensioners.

CREDITS TO AND DEPOSITS FROM EXECUTIVE OFFICERS

As at 31 December 2020, credits to executive officers were SEK 1.4 million (9.3) in the parent company and SEK 90.1 million (95.3) in the subsidiaries. Deposits in the parent company from these persons totalled SEK 433.1 million (702.3). In 2020, the Bank's interest income from these persons for credits totalled SEK 0.1 million (0.3) in the parent company and SEK 1.2 million (1.2) in the subsidiaries. Interest paid to these persons for deposits in the parent company was SEK 1.6 million (2.1).

As at 31 December 2020, credits to executive officers in the subsidiaries in the Handelsbanken Group were SEK 123.2 million (100.1).

Credit and deposit terms for executive officers employed in the Handelsbanken Group are in line with the principles applicable for all other employees of the Handelsbanken Group. All credits are subject to a credit assessment.

* Pension obligations are amounts which, in accordance with IAS 19, the Bank reserves for payment of future defined benefit pensions. The size of the amounts depends on financial and demographic assumptions which may change from year to year.

G8 Cont.

PENSIONS

Net pension obligations SEK m	2020	2019
Pension obligations	37,761	35,724
Fair value of plan assets	39,766	36,378
Net pensions	**2,005**	**654**

In addition to the defined benefit obligation and plan assets in the above table, provisions have been made in the years 1989-2004 to Svenska Handelsbankens Pensionsstiftelse (pension foundation) for a special supplementary pension (SKP). This includes plan assets whose market value amounts to SEK 9,692m (10,072). SKP entails a commitment by the Bank amounting to the same amount as the plan assets.

A part of this commitment, SEK 7,276m (7,631), is conditional.

In conjunction with the termination of the operations in Germany, all defined benefit pension earned up until 30 November 2020, amounting to SEK 61m, has been transferred to BVV (Branchenversorgungswerk der Banken und Finanzdienstleistungsinstitute).

Pension costs SEK m	2020	2019
Service cost	-982	-885
Past service cost	0	-
Interest on pension obligations	-614	-664
Interest on plan assets	626	596
Gains and losses from settlements and curtailments[1]	48	-
Social security costs, defined benefit plans	0	0
Pension costs, defined benefit plans	**-922**	**-954**
Pension costs, defined contribution plans	-796	-831
Social security costs, defined contribution plans	-191	-154
Total pension costs	**-1,909**	**-1,939**

[1] The transfer of the German defined benefit scheme in 2020 had a positive effect on pension costs of SEK 48m as at 31 December 2020.

Pension obligations SEK m	2020	2019
Opening balance	35,724	31,969
Service cost	982	885
Past service cost	0	-
Interest on pension obligations	614	664
Paid benefits	-1,006	-965
Gains and losses from settlements and curtailments	-56	-
Actuarial gains (-)/losses (+)	1,810	2,980
Foreign exchange effect	-307	191
Closing balance	**37,761**	**35,724**

Plan assets SEK m	2020	2019
Opening balance	36,378	28,743
Past service cost	-	-
Interest on plan assets	626	596
Funds contributed by the employer	625	535
Compensation to employer	-545	-498
Gains and losses from settlements and curtailments	-8	-
Funds paid directly to employees	-417	-424
Actuarial gains (+)/losses (-)	3,376	7,248
Foreign exchange effect	-269	178
Closing balance	**39,766**	**36,378**

Return on plan assets SEK m	2020	2019
Interest on plan assets	626	596
Actuarial gains (+)/losses (-)	3,376	7,248
Actual return	**4,002**	**7,844**

Allocation of plan assets SEK m	2020	2019
Shares and fund shares on an active market[2]	32,484	32,968
Shares not listed on an active market	711	513
Interest-bearing securities listed on an active market	5,219	2,049
Interest-bearing securities not listed on an active market	-	-
Other plan assets	1,352	848
Total	**39,766**	**36,378**

[2] The fund shares are mainly invested in fixed income funds and amount to SEK 10,172m (8,798).

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK 101m (118) on the balance sheet date 31 December 2020. Bonds issued by Svenska Handelsbanken AB (publ) are included with a market value of SEK -m (-). Other plan assets include a liability for compensation that has not yet been paid out from the pension foundation.

G8 Cont.

Actuarial gains (-)/losses (+), pension obligations SEK m	2020	2019
Changes in demographic assumptions	-100	312
Changes in financial assumptions	1,735	2,256
Experience-based adjustments	175	412
Total	**1,810**	**2,980**

Future cash flows SEK m	Outcome 2020	Forecast 2021
Paid benefits	-1,006	-924
Funds contributed by the employer	625	560

Defined benefit pensions are mainly paid to employees in Sweden. Of the total net pension obligation, the Swedish plan accounts for SEK 34,662m (32,478) and the UK plan (closed for new earnings) for SEK 3,036m (3,113). In addition, smaller scale defined benefit plans remain in Norway and Germany. Considering their respective sizes, these are considered insignificant and are therefore not reported in further detail.

Of the total plan assets, the Swedish plan assets are 36,968m (33,728), while an amount of SEK 2,799m (2,642) is attributable to the closed plan in the UK.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts. As of 1 March 2020, all new employees and employees younger than 25 years of age accrue pension in a defined contribution plan. Persons employed before 1 March 2020 are not affected and remain covered by the defined benefit pension plan.

The pension plans are funded externally, meaning plan assets are held by pensions funds, trusts or similar legal entities. The trusts' (or equivalent) activities are regulated by national laws and practices, as is the relationship between the Group and the trust (or equivalent) managing the plan assets and the framework for how the plan assets may be invested. In Sweden, the Act on the Safeguarding of Pension Commitments and Mutual Benefit Societies Act are mainly applied. In the UK, the standard UK pensions and tax law is applied.

Significant assumptions	Sweden		UK	
	2020	2019	2020	2019
Discount rate, %	1.50	1.70	1.30	2.00
Expected salary increase, %	3.5	3.5	N/A	N/A
Pension indexing, %	2.0	2.0	3.0	3.0
Income base amount, %	3.0	3.0	N/A	N/A
Inflation, %	2.0	2.0	3.1	3.2
Staff turnover, %	4.0	3.5	N/A	N/A
Remaining life expectancy at retirement age, years	23.1	23.1	24.0	24.1
Average duration (Macaulay), years	18.7	18.8	20.0	20.0

Sensitivity analysis		Effects on the defined benefit obligation			
		Increased defined benefit obligation, SEK m		Decreased defined benefit obligation, SEK m	
	Changes in assumptions	2020	2019	2020	2019
Discount rate, %	0.5	3,959	3,823	-3,454	-3,317
Expected salary increase, %	1.0	1,477	1,613	-2,349	-2,441
Pension indexing, %	0.5	2,220	2,158	-2,052	-1,993
Remaining life expectancy at retirement age, years	1.0	1,474	1,432	-1,456	-1,303

The above sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The method is described in the accounting policies (see note G1, section 19). Compared with the 2019 Annual Report there have been no changes in the methods used when preparing the sensitivity analyses.

Through its defined benefit pension plans, the Bank is exposed to a number of risks. The most significant of these are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. The pension plans hold a significant proportion of equities which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. The Bank believes that due to the long-term nature of the plan liabilities, a high proportion of shares is an appropriate element of the Bank's long-term strategy to manage the plans efficiently.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk: The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. Valuation of the plan assets is not directly affected by inflation in a material way, meaning that an increase in inflation will probably increase the deficit in the pension plans.

Life expectancy: The pension schemes are to provide benefits during the life of the members, so increases in life expectancy will result in an increase in the pension obligation.

Asset-Liability matching (ALM): The composition of the plan assets is matched to the pension liabilities composition and expected development. The overall goal is to generate a return over the medium and long term, that at least corresponds to the development of the pension liability. The majority of the plan assets are invested in equities, but investments are also made in fixed income instruments and cash. A high proportion of shares is deemed appropriate in order to manage the plans effectively.

Funding arrangements: Minimum funding requirements differ between plans but where such requirements are based on collective agreements or internal policies, the funding requirement is generally that the pension obligations measured according to local requirements shall be covered in full. Funding levels are monitored regularly. The Bank considers that the current contribution rate is appropriate.

G9 Other expenses

SEK m	2020	2019
Property and premises	-626	-656
External IT costs	-2,199	-2,288
Communication	-314	-334
Travel and marketing	-157	-299
Purchased services	-1,924	-2,001
Supplies	-172	-186
Other administrative expenses	-693	-760
Total	**-6,085**	**-6,524**

Remuneration to auditors and audit companies	**Ernst & Young AB**		**Pricewaterhouse Coopers AB**	
SEK m	2020	2019	2020	2019
Audit assignment	-26	-28	-4	-4
Audit operations outside the audit assignment	-2	-2	-	-
Tax advice	0	-	-	-
Other services	0	-	-	-

Internal audit costs were SEK 166 mkr (165) during the year.

G10 Credit losses

SEK m	2020	2019
Expected credit losses on balance sheet items		
The year's provision Stage 3	-829	-1,585
Reversed Stage 3 provision from previous years	581	386
Total expected credit losses in Stage 3	**-248**	**-1,199**
The year's net provision Stage 2	-430	129
The year's net provision Stage 1	-35	-48
Total expected credit losses in Stage 1 and Stage 2	**-465**	**81**
Total expected credit losses on balance sheet items	**-713**	**-1,118**
Expected credit losses on off-balance sheet items		
The year's net provision Stage 3	-20	-107
The year's net provision Stage 2	-95	-1
The year's net provision Stage 1	-24	9
Total expected credit losses on off-balance sheet items	**-139**	**-99**
Write-offs		
Actual credit losses for the year[1]	-1,834	-501
Utilised share of previous provisions in Stage 3	1,757	421
Total write-offs	**-77**	**-80**
Recoveries	148	252
Net credit losses	**-781**	**-1,045**
of which loans to the public	*-638*	*-950*

[1] Of the year's actual credit losses, SEK 283m (159) is subject to enforcement activities.

G10 Cont.

COVID-19 EFFECT CREDIT LOSSES

SEK m	2020	2019
1) Expected credit losses in Stage 3 on and off the balance sheet	**-268**	**-1,306**
Change in the model-based provision in Stage 1 and Stage 2:		
Updating of macroeconomic scenarios and risk factors	-5	
Transfer of exposures in exposed industries from Stage 1 to Stage 2[1]	-41	
Change in risk of default in included portfolio (net rating changes)	-153	
Effect of changed exposure (existing, new and terminated exposures)	114	
Other in Stage 1 and Stage 2	65	
Model-based credit losses in Stage 1 and Stage 2	**-20**	
Expert-based provision for Covid-19 (stressed ECL 12 months, in Stage 1 and Stage 2)		
Provision for stress of exposed industries according to assumptions	-663	
Reduction, based on 80% probability of stress, 90% in the UK and 100% for hotels	99	
Expert-based credit losses Stage 1 and Stage 2	**-564**	**-**
2) Expected credit losses in Stage 1 and Stage 2 on and off the balance sheet	**-584**	**89**
3) Write-offs	**-77**	**-80**
4) Recoveries	**148**	**252**
Net credit losses (1+2+3+4)	**-781**	**-1,045**

* Expert-based assessment of significant increase in credit risk.

The provision requirement in 2020 has increased due to updated values relating to forward-looking macroeconomic risk factors. The provision requirement has also increased due to negative rating migrations but this is mitigated to some extent by reduced exposures. The provision requirement has also increased during the year as a result of an expert-based Covid-19 pandemic effect.

The macroeconomic scenarios were regularly updated during the year based on the current market conditions. The update has been done in view of the revised probability weighting of 15%/70%/15% (25%/60%/15%) for a negative/neutral/positive scenario. The selected macro-economic risk factors were unchanged during the year.

In order to incorporate the estimated impact of the Covid-19 pandemic from factors not deemed to have been considered in the model, an expert-based calculation has been made at aggregate level to adjust the model-based calculations for selected sub-portfolios. A stressed scenario for these sub-portfolios has been compared to the model-based calculations as at 31 December 2020, with the difference constituting the expert-based calculation. Thereafter, the Bank has assessed the probability that the outcome of the expert-based calculation will occur, and has settled on an additional provision requirement of SEK 564 million (-). The stressed sub-portfolios comprise all private customers (excluding mortgage loans) and companies deemed to belong to sectors that are particularly affected by the Covid-19 pandemic. The affected sectors are mainly construction, retail trade and hotels and restaurants. Specific counterparties in the identified sectors have been excluded, based on an expert assessment, as the provision requirement is deemed to have been considered in the model-based calculation. For both companies and private individuals, the probability of default (PD) has been stressed for the next 12 months. For private individuals, the increased probability of unemployment has been observed in the calculated provision.

In addition to the above stress, an expert-based assessment has been added for companies in the sectors which are particularly affected by the Covid-19 pandemic and have a higher than normal credit risk. These companies are deemed to have a significant increase in credit risk solely due to their sector and rating and are placed in Stage 2, regardless of the size of the change in the modelled credit risk since the credit was granted. This expert-based assessment leads to an increased provision requirement of SEK 41 million (-), due to the transfer from Stage 1 to Stage 2.

In 2020, no temporary exemptions from loan repayments offered as a response to the Covid-19 pandemic were a single quantitative factor leading to a transfer from Stage 1 to Stage 2.

The process for the impairment testing of agreements in Stage 3 has not changed due to the Covid-19 pandemic, but remains as before with the customary procedure for individual assessment.

G10 Cont.

Balance sheet and off-balance sheet items that are subject to impairment testing 2020

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	397,642	-	-	0	-	-
Other loans to central banks	21,326	-	-	-	-	-
Interest-bearing securities eligible as collateral with central banks	1,181	-	-	0	-	-
Loans to other credit institutions	21,911	17	-	-2	-6	-
Loans to the public	2,189,683	76,384	7,002	-385	-834	-2,238
Bonds and other interest-bearing securities	7,964	-	-	-2	-	-
Total	**2,639,707**	**76,401**	**7,002**	**-389**	**-840**	**-2,238**
Off-balance sheet items						
Contingent liabilities	391,266	10,743	433	-90	-157	-119
of which guarantee commitments	*77,829*	*1,910*	*156*	*-8*	*-16*	*-70*
of which obligations	*313,437*	*8,833*	*277*	*-82*	*-141*	*-49*
Total	**391,266**	**10,743**	**433**	**-90**	**-157**	**-119**

Balance sheet and off-balance sheet items that are subject to impairment testing 2019

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	327,958	-	-	0	-	-
Other loans to central banks	19,547	-	-	0	-	-
Interest-bearing securities eligible as collateral with central banks	1,427	-	-	0	-	-
Loans to other credit institutions	17,750	193	-	-1	-3	-
Loans to the public	2,236,671	51,669	8,831	-360	-441	-3,767
Bonds and other interest-bearing securities	4,953	-	-	-2	-	-
Total	**2,608,306**	**51,862**	**8,831**	**-363**	**-444**	**-3,767**
Off-balance sheet items						
Contingent liabilities	400,479	7,985	712	-69	-66	-106
of which guarantee commitments	*92,097*	*2,593*	*496*	*-7*	*-13*	*-71*
of which obligations	*308,382*	*5,392*	*216*	*-62*	*-53*	*-35*
Total	**400,479**	**7,985**	**712**	**-69**	**-66**	**-106**

[1] Gross volume in Stage 3 for which no provision has been made, due to collateral received, amounts to SEK 2,097m (2,125).

Key figures, credit losses **Loans to the public**	**2020**	**2019**
Credit loss ratio, acc., %	0.03	0.04
Total reserve ratio, %	0.15	0.20
Reserve ratio Stage 1, %	0.02	0.02
Reserve ratio Stage 2, %	1.09	0.85
Reserve ratio Stage 3, %	31.97	42.65
Proportion of loans in Stage 3, %	0.21	0.22

G10 Cont.

CHANGE ANALYSIS

Change in provision for expected credit losses, balance sheet items that are subject to impairment testing

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-363	-444	-3,767	-4,574	-316	-560	-2,937	-3,813
Derecognised assets	68	106	156	330	35	107	81	223
Write-offs	0	2	1,755	1,757	1	1	419	421
Remeasurements due to changes in credit risk	-235	-123	-71	-429	-197	-134	63	-268
Changes due to update in the methodology for estimation	-	-	-	-	-4	-5	-	-9
Foreign exchange effect, etc.	19	21	76	116	-11	-9	-47	-67
Purchased or originated assets	-81	-78	-20	-179	-46	-17	-16	-79
Transfer to Stage 1	-16	28	3	15	-26	52	1	27
Transfer to Stage 2	109	-501	9	-383	93	-225	20	-112
Transfer to Stage 3	110	149	-379	-120	108	346	-1,351	-897
Provision at end of year	**-389**	**-840**	**-2,238**	**-3,467**	**-363**	**-444**	**-3,767**	**-4,574**

Change in provision for expected credit losses, loans to the public

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-360	-441	-3,767	-4,568	-312	-552	-2,937	-3,801
Derecognised assets	68	104	156	328	33	101	81	215
Write-offs	0	2	1,755	1,757	1	1	419	421
Remeasurements due to changes in credit risk	-235	-125	-71	-431	-196	-134	63	-267
Changes due to update in the methodology for estimation	-	-	-	-	-4	-5	-	-9
Foreign exchange effect, etc.	19	21	76	116	-11	-9	-47	-67
Purchased or originated assets	-80	-77	-20	-177	-46	-16	-16	-78
Transfer to Stage 1	-16	28	3	15	-26	52	1	27
Transfer to Stage 2	109	-495	9	-377	93	-225	20	-112
Transfer to Stage 3	110	149	-379	-120	108	346	-1,351	-897
Provision at end of year	**-385**	**-834**	**-2,238**	**-3,457**	**-360**	**-441**	**-3,767**	**-4,568**

Change in provision for expected credit losses, off-balance sheet items that are subject to impairment testing

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-69	-66	-106	-241	-78	-64	-	-142
Derecognised assets	22	17	-	39	19	13	-	32
Write-offs	0	0	-	0	0	0	-	0
Remeasurements due to changes in credit risk	-26	-23	-13	-62	-10	1	-106	-115
Changes due to update in the methodology for estimation	-	-	-	-	2	2	-	4
Foreign exchange effect, etc.	2	3	-	5	-1	-1	-	-2
Purchased or originated assets	-31	-25	-	-56	-13	-9	-	-22
Transfer to Stage 1	-3	5	-	2	-4	11	-	7
Transfer to Stage 2	12	-74	-	-62	11	-31	-	-20
Transfer to Stage 3	3	6	-	9	5	12	-	17
Provision at end of year	**-90**	**-157**	**-119**	**-366**	**-69**	**-66**	**-106**	**-241**

The change analysis shows the net effect on the provision for the Stage in question for each explanatory item during the period. The effect of derecognitions and write-offs is calculated on the opening balance. The effect of revaluations due to changes in the methodology for estimation and foreign exchange effects, etc., is calculated before any transfer of the net amount between Stages. Purchased or originated assets and amounts transferred between Stages are recognised after the effects of other explanatory items are taken into account. The transfer rows present the effect on the provision for the stated Stage.

G10 Cont.

Change in gross volume, balance sheet items that are subject to impairment testing

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	2,608,306	51,862	8,831	2,668,999	2,506,117	58,576	7,731	2,572,424
Derecognised assets	-204,174	-8,898	-840	-213,912	-191,016	-9,667	-585	-201,268
Write-offs	-14	-12	-1,808	-1,834	-11	-8	-482	-501
Remeasurements due to changes in credit risk	161,261	-3,211	-803	157,247	18,585	-1,486	-952	16,147
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-100,082	-2,595	-271	-102,948	44,575	1,454	144	46,173
Purchased or originated assets	211,329	3,965	264	215,558	232,296	3,641	87	236,024
Transfer to Stage 1	31,460	-31,425	-35	-	44,887	-44,847	-40	-
Transfer to Stage 2	-67,551	67,945	-394	-	-46,439	46,646	-207	-
Transfer to Stage 3	-828	-1,230	2,058	-	-688	-2,447	3,135	-
Volume at end of year	**2,639,707**	**76,401**	**7,002**	**2,723,110**	**2,608,306**	**51,862**	**8,831**	**2,668,999**

Change in gross volume, loans to the public

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	2,236,671	51,669	8,831	2,297,171	2,126,983	58,179	7,731	2,192,893
Derecognised assets	-164,212	-8,745	-831	-173,788	-168,657	-9,427	-585	-178,669
Write-offs	-14	-12	-1,808	-1,834	-11	-8	-482	-501
Remeasurements due to changes in credit risk	5,561	-1,523	-812	3,226	36,579	-1,422	-944	34,213
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-56,060	-2,595	-271	-58,926	28,652	1,454	144	30,250
Purchased or originated assets	202,994	3,962	264	207,220	215,317	3,581	87	218,985
Transfer to Stage 1	31,460	-31,425	-35	-	44,885	-44,845	-40	-
Transfer to Stage 2	-65,889	66,283	-394	-	-46,389	46,596	-207	-
Transfer to Stage 3	-828	-1,230	2,058	-	-688	-2,439	3,127	-
Volume at end of year	**2,189,683**	**76,384**	**7,002**	**2,273,069**	**2,236,671**	**51,669**	**8,831**	**2,297,171**

Change in gross volume, off-balance sheet items that are subject to impairment testing

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	400,479	7,985	712	409,176	420,024	7,619	411	428,054
Derecognised assets	-36,733	-1,511	-56	-38,300	-37,132	-1,513	-15	-38,660
Write-offs	-	-	0	0	-	-	0	0
Remeasurements due to changes in credit risk	4,468	1,374	-324	5,518	-23,720	1,516	146	-22,058
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-8,487	-293	-5	-8,785	5,405	210	14	5,629
Purchased or originated assets	34,353	463	17	34,833	35,114	1,094	3	36,211
Transfer to Stage 1	7,409	-7,405	-4	-	6,528	-6,523	-5	-
Transfer to Stage 2	-10,197	10,202	-5	-	-5,690	5,705	-15	-
Transfer to Stage 3	-26	-72	98	-	-50	-123	173	-
Volume at end of year	**391,266**	**10,743**	**433**	**402,442**	**400,479**	**7,985**	**712**	**409,176**

Like the analysis for provisions, the change analysis for gross volumes shows the effect of selected explanatory items on the volumes for a stated Stage. The items showing transfers between Stages, and 'Purchased or originated assets', present the amounts in the stated Stage at the end of the period. Other items present the effect in the Stage applying at the start of the period.

G10 Cont.

SENSITIVITY ANALYSIS

Sensitivity analysis, macroeconomic scenarios

The calculation of expected credit losses pursuant to IFRS 9 applies forward-looking information in the form of macroeconomic scenarios. The expected credit loss is a probability-weighted average of the estimated forecasts over three scenarios. The forecast in the neutral scenario is assigned a weighting of 70% (60), while an upturn in the economy is assigned a weighting of 15% (15) and a downturn in the economy a weighting of 15% (25). The following table presents the minimum, maximum and average annual forecasts for some of the central macroeconomic risk factors by home market and scenario for the next five years. These have formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2020 and 31 December 2019, respectively.

	Minimum						Average						Maximum					
	Downturn		Base case		Upturn		Downturn		Base case		Upturn		Downturn		Base case		Upturn	
Macroeconomic risk factors	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
GDP growth																		
Sweden	-1.70	-1.49	2.00	0.81	1.70	1.70	1.74	1.84	2.51	1.96	3.14	2.08	3.20	2.70	3.90	2.20	4.90	2.84
UK	-1.29	-0.90	1.58	1.00	1.28	1.20	1.52	1.50	2.19	1.61	2.81	1.71	3.08	1.90	2.80	1.77	4.99	2.60
Norway	-0.05	-0.04	1.60	1.24	1.30	1.20	1.40	1.57	2.11	1.67	2.74	1.78	2.20	1.85	3.64	1.84	6.04	3.64
Denmark	-1.65	-0.66	1.48	1.09	1.18	1.10	1.16	1.39	1.89	1.49	2.52	1.59	2.16	1.81	2.75	1.81	4.63	3.04
Finland	-1.27	-1.67	1.55	0.73	1.25	1.10	1.05	1.50	1.78	1.62	2.39	1.73	2.06	1.95	2.52	1.88	4.82	2.63
The Netherlands and the rest of Europe	0.66	-1.17	1.30	0.93	1.00	1.00	1.43	1.16	2.15	1.28	2.77	1.39	1.90	1.70	4.40	1.40	6.79	2.63
USA	0.05	0.54	2.00	1.25	1.70	1.94	1.88	1.95	2.56	1.98	3.19	2.02	2.60	2.50	3.77	2.30	6.17	2.30
Other countries	1.89	2.40	3.50	2.90	3.20	3.00	3.45	3.07	3.82	3.10	4.33	3.12	4.01	3.50	5.10	3.50	7.19	3.50
Unemployment rate																		
Sweden	9.10	6.60	6.90	6.60	6.55	6.30	9.84	6.90	7.64	6.75	6.90	6.65	10.81	8.35	8.90	7.24	7.71	6.70
UK	6.60	4.80	4.35	4.10	4.25	3.50	7.61	5.18	5.21	5.04	4.58	4.90	8.60	5.80	6.50	5.20	5.32	5.20
Norway	4.10	3.50	2.75	3.40	2.60	2.80	4.66	3.61	2.95	3.50	2.69	3.39	5.46	4.40	3.30	3.60	2.80	3.50
Denmark	7.70	5.50	5.50	5.18	5.20	4.68	8.18	5.67	5.96	5.50	5.40	5.40	8.68	7.00	6.60	5.60	5.50	5.50
Finland	8.70	6.90	6.70	6.48	6.50	5.80	9.58	7.05	7.39	6.88	6.68	6.74	10.35	8.20	8.23	6.90	7.25	6.90
The Netherlands and the rest of Europe	10.00	7.80	8.00	7.80	7.90	6.90	11.04	8.05	8.79	7.83	8.15	7.70	11.85	9.50	9.31	8.10	8.54	7.80
USA	6.80	4.24	4.30	4.04	3.70	3.74	7.70	4.53	5.17	4.48	4.14	4.42	8.80	4.90	6.28	4.50	5.00	4.50
Other countries	7.60	6.00	6.00	6.00	5.80	5.85	9.58	6.03	7.10	6.01	6.46	5.99	12.02	6.40	8.50	6.10	7.22	6.00
Policy interest rate																		
Sweden	0.00	-0.50	0.00	0.00	0.00	0.50	0.00	2.14	0.15	2.34	0.32	2.45	0.00	3.30	0.50	3.30	0.70	3.30
UK	0.10	0.25	0.10	0.75	0.10	1.35	0.10	2.40	0.21	2.59	0.38	2.71	0.10	3.30	0.50	3.30	0.70	3.30
Norway	0.00	0.25	0.00	1.50	0.00	2.00	0.00	2.08	0.40	2.29	0.57	2.38	0.00	3.10	0.75	3.10	0.95	3.10
Denmark	0.05	-0.05	0.05	0.05	0.05	0.25	0.05	1.70	0.09	1.91	0.26	1.99	0.05	3.12	0.25	3.12	0.45	3.12
Finland	0.00	-0.10	0.00	0.00	0.00	0.25	0.00	1.69	0.05	1.91	0.22	1.99	0.00	3.12	0.25	3.12	0.45	3.12
The Netherlands and the rest of Europe	0.00	-0.10	0.00	0.00	0.00	0.25	0.00	1.69	0.05	1.91	0.22	1.99	0.00	3.12	0.25	3.12	0.45	3.12
USA	0.13	0.88	0.13	1.38	0.13	1.63	0.13	2.64	0.28	2.70	0.45	2.73	0.13	3.30	0.63	3.30	0.83	3.30
Other countries	1.80	2.60	1.80	2.80	1.80	2.95	2.02	3.54	2.22	3.57	2.39	3.60	2.25	4.10	3.00	4.10	3.20	4.10
Commercial property price growth																		
Sweden	-22.93	-7.65	-1.36	-7.77	1.81	-11.16	-5.15	-1.53	1.37	-1.42	4.44	-1.17	5.78	6.92	3.57	11.48	5.76	22.99
UK	-14.82	-4.93	-2.50	-3.83	2.08	-4.09	-1.42	-0.09	1.49	0.03	4.09	0.19	6.70	5.48	5.70	7.42	5.70	17.04
Norway	-21.07	-5.77	-2.53	-5.03	0.94	-7.44	-3.11	-1.54	1.46	-1.45	3.01	-1.31	8.01	3.06	4.41	5.20	4.66	9.47
Denmark	-17.98	-8.94	-2.45	-8.49	0.60	-10.81	-4.44	-2.11	0.60	-1.97	2.19	-1.81	4.39	3.42	3.02	7.07	3.38	12.50
Finland	-21.25	-8.25	-2.25	-7.24	3.11	-9.98	-3.49	-1.08	1.98	-0.92	3.91	-0.72	7.20	7.07	5.14	8.74	4.81	17.77
The Netherlands and the rest of Europe	-21.27	-6.29	-4.37	-5.72	0.62	-5.46	-4.44	0.03	0.65	0.27	2.61	0.75	5.41	2.02	3.59	4.70	4.23	12.48
USA	2.00	1.25	0.20	-4.97	2.00	1.25	2.56	1.98	0.58	0.75	2.56	1.98	3.77	2.30	1.59	2.58	3.77	2.30
Other countries	0.66	-1.17	1.30	0.93	1.00	1.00	1.43	1.16	2.15	1.28	2.77	1.39	1.90	1.70	4.40	1.40	6.79	2.63
Residential property price growth																		
Sweden	-4.91	-0.74	1.35	0.03	1.22	-0.37	0.30	1.79	2.47	1.96	3.40	2.14	5.11	6.55	4.19	5.28	6.30	7.76
UK	-9.88	-4.30	-2.48	1.41	0.15	1.55	-3.17	1.98	-0.91	2.34	1.08	2.79	0.42	4.94	0.80	3.95	2.10	8.40
Norway	-4.98	-0.40	2.05	1.86	3.02	0.43	2.42	2.85	3.67	2.96	4.63	3.09	5.97	4.80	4.46	5.62	9.28	9.31
Denmark	-7.45	-2.77	0.40	1.75	0.41	1.45	-0.26	2.88	1.27	3.02	2.66	3.17	3.95	4.72	2.22	3.90	6.06	6.23
Finland	-0.54	0.92	1.53	1.51	1.88	1.57	1.08	1.59	1.78	1.71	2.28	1.81	1.95	1.77	1.92	1.89	2.92	2.46
The Netherlands and the rest of Europe	-4.42	-1.70	2.00	1.80	1.70	1.70	1.29	2.14	2.52	2.36	2.86	2.43	3.56	2.50	3.56	2.50	6.35	3.20
USA	-4.42	-1.70	2.00	1.80	1.70	1.70	1.29	2.14	2.52	2.36	2.86	2.43	3.56	2.50	3.56	2.50	6.35	3.20
Other countries	-4.42	-1.70	2.00	1.80	1.70	1.70	1.29	2.14	2.52	2.36	2.86	2.43	3.56	2.50	3.56	2.50	6.35	3.20

The table below shows the percentage increase/decrease in the provision for expected credit losses in Stage 1 and Stage 2, as at 31 December, which arises when a probability of 100% is assigned to the negative and positive scenarios, respectively.

	2020		2019	
%	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario
Sweden	13.65	-7.55	6.37	-6.20
UK	11.08	-6.97	5.32	-6.05
Norway	11.78	-6.08	4.05	-4.14
Denmark	12.15	-6.82	5.07	-5.10
Finland	2.33	-1.12	1.40	-1.19
The Netherlands	2.75	-1.54	1.28	-1.27
USA	41.52	-24.50	6.60	-7.54
Other countries	14.29	-7.16	7.11	-6.94

G10 Cont.

Sensitivity analysis, significant increase in credit risk

The table below shows how the provision in Stage 1 and Stage 2 as at 31 December is affected if the threshold value applied for the ratio between residual credit risk calculated on the reporting date and on initial recognition were to be set 0.5 units lower and higher, respectively, than the applied threshold value of 2.5. A reduction of 0.5 to the threshold value would increase the number of loans transferred from Stage 1 to Stage 2 and would also entail an increase in the provision for expected credit losses. An increase of 0.5 to the threshold value would have the opposite effect. The Bank uses both quantitative and qualitative indicators to assess significant increases in credit risk. Further information is provided in note G2 under the heading "Credit risk".

Change in the total provision in Stage 1 and Stage 2, % **Threshold value**	**2020**	**2019**
2	2.77%	2.97
2.5	0.00%	0.00
3	-1.77%	-1.96

CREDIT EXPOSURE THAT IS SUBJECT TO IMPAIRMENT TESTING, BY PD RANGE

Balance sheet items by PD range	**2020**			**2019**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	2,299,717	17,628	-	2,220,408	11,885	-
0.15 to <0.25	222,255	5,703	-	256,109	4,862	-
0.25 to <0.50	54,813	10,076	-	60,292	3,241	-
0.50 to <0.75	23,011	3,594	-	24,544	2,701	-
0.75 to <2.50	28,433	20,148	-	33,614	8,103	-
2.50 to <10.00	10,908	16,299	-	12,539	18,099	-
10.00 to <100	570	2,953	-	800	2,971	-
100 (default)	-	-	7,002	-	-	8,831
Total	**2,639,707**	**76,401**	**7,002**	**2,608,306**	**51,862**	**8,831**

Loans to the public by PD range	**2020**			**2019**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	1,907,655	17,624	-	1,904,041	11,841	-
0.15 to <0.25	184,364	5,702	-	219,618	4,844	-
0.25 to <0.50	45,469	10,074	-	51,702	3,229	-
0.50 to <0.75	19,088	3,593	-	21,047	2,691	-
0.75 to <2.50	23,586	20,144	-	28,825	8,073	-
2.50 to <10.00	9,048	16,295	-	10,752	18,031	-
10.00 to <100	473	2,952	-	686	2,960	-
100 (default)	-	-	7,002	-	-	8,831
Total	**2,189,683**	**76,384**	**7,002**	**2,236,671**	**51,669**	**8,831**

Off-balance sheet items by PD range	**2020**			**2019**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	330,056	2,903	-	335,516	2,705	-
0.15 to <0.25	20,485	989	-	24,068	1,336	-
0.25 to <0.50	17,502	1,719	-	20,448	587	-
0.50 to <0.75	5,979	932	-	6,788	554	-
0.75 to <2.50	15,250	2,464	-	11,643	880	-
2.50 to <10.00	1,832	1,326	-	1,810	1,532	-
10.00 to <100	162	410	-	206	391	-
100 (default)	-	-	433	-	-	712
Total	**391,266**	**10,743**	**433**	**400,479**	**7,985**	**712**

[1] Refers to 12-month PD value as at the reporting date.

Assets repossessed for protection of claims SEK m	**2020**	**2019**
Property	2	11
Movable property	2	1
Shares	0	0
Carrying amount	**4**	**12**

Movable property mainly consists of repossessed leased assets. The valuation principles for assets and liabilities repossessed for protection of claims are described in note G1.

G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2020	2019
Equipment	-2	8
Property	4	12
Total	**2**	**20**

G12 Earnings per share

	2020	2019
Profit for the year, SEK m	15,588	16,925
of which interest expenses on convertible subordinated loan after tax	*0*	*-41*
Average number of shares converted during the year, millions	-	12.6
Average holdings of own shares in trading book, millions	-	-
Average number of outstanding shares, millions	1,980.0	1,956.8
Average dilution effect, number of shares, millions	0.0	20.1
Average number of outstanding shares after dilution, millions	1,980.0	1,976.9
Earnings per share, SEK	**7.87**	**8.65**
after dilution	7.87	8.58

Earnings per share after dilution is measured by taking the effects of conversion of outstanding convertible shares into account. The implication of this is that the number of potential converted shares is added to the average number of outstanding shares and that profit for the year is adjusted for the year's interest expense on outstanding convertible subordinated loans after tax.

G13 Other loans to central banks

SEK m	2020	2019
Other loans to central banks in Swedish kronor	-	13
Other loans to central banks in foreign currency	21,326	19,534
Total	**21,326**	**19,547**
Provision for expected credit losses	-	-
Total other loans to central banks	**21,326**	**19,547**
of which accrued interest income	*0*	*-5*
of which reverse repos	-	-

Average volumes SEK m	2020	2019
Other loans to central banks in Swedish kronor	27,226	36,071
Other loans to central banks in foreign currency	21,838	12,006
Total	**49,064**	**48,077**
of which reverse repos	-	-

G14 Loans to other credit institutions

SEK m	2020	2019
Loans in Swedish kronor		
Banks	1,489	2,245
Other credit institutions	595	18
Total	**2,084**	**2,263**
Loans in foreign currency		
Banks	16,305	11,279
Other credit institutions	3,539	4,401
Total	**19,844**	**15,680**
Provision for expected credit losses	-8	-4
Total loans to other credit institutions	**21,920**	**17,939**
of which accrued interest income	*20*	*47*
of which reverse repos	*523*	-

Average volumes SEK m	2020	2019
Loans to other credit institutions in Swedish kronor	3,963	4,753
Loans to other credit institutions in foreign currency	40,137	40,016
Total	**44,100**	**44,769**
of which reverse repos	*3,649*	*6,892*

G15 Loans to the public

SEK m	2020	2019
Loans in Swedish kronor		
Households	912,706	873,595
Companies	506,969	500,877
National Debt Office	474	-
Total	**1,420,149**	**1,374,472**
Loans in foreign currency		
Households	325,854	344,861
Companies	527,066	577,838
National Debt Office	-	-
Total	**852,920**	**922,699**
Provision for expected credit losses	-3,457	-4,568
Total loans to the public	**2,269,612**	**2,292,603**
of which accrued interest income	*2,635*	*3,302*
of which reverse repos	*11,627*	*10,441*
of which subordinated	-	-

Average volumes, excl. National Debt Office SEK m	2020	2019
Loans to the public in Swedish kronor	1,419,122	1,376,234
Loans to the public in foreign currency	886,921	907,845
Total	**2,306,043**	**2,284,079**
of which reverse repos	*18,349*	*16,205*

G16 Interest-bearing securities

	2020			2019		
SEK m	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Interest-bearing securities eligible as collateral with central banks	99,133	99,133	97,169	103,387	103,387	101,154
of which accrued interest income	*195*			*217*		
Bonds and other interest-bearing securities	44,566	44,566	41,498	42,640	42,640	39,818
of which accrued interest income	*185*			*212*		
Total	**143,699**	**143,699**	**138,667**	**146,027**	**146,027**	**140,972**
of which subordinated	*4*	*4*		*15*	*15*	

Interest-bearing securities broken down by issuer	2020			2019		
SEK m	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Government	99,133	99,133	97,169	103,387	103,387	101,154
Credit institutions	9,091	9,091	8,656	10,529	10,529	9,911
Mortgage institutions	29,347	29,347	26,962	25,814	25,814	23,714
Other	6,128	6,128	5,880	6,297	6,297	6,193
Total	**143,699**	**143,699**	**138,667**	**146,027**	**146,027**	**140,972**

Interest-bearing securities that are subject to impairment testing SEK m	2020	2019
Interest-bearing securities eligible as collateral with central banks		
Fair value through other comprehensive income	401	403
Amortised cost	780	1,024
Total gross volumes	**1,181**	**1,427**
Provision for expected credit losses on instruments measured at amortised cost	0	0
Total carrying amount	**1,181**	**1,427**
Provision for expected credit losses recognised in the fair value reserve in equity	0	0
Bonds and other interest-bearing securities		
Fair value through other comprehensive income	7,964	4,953
Total carrying amount	**7,964**	**4,953**
Provision for expected credit losses recognised in the fair value reserve in equity	-2	-2

Average volumes SEK m	2020	2019
Interest-bearing securities	167,535	222,609
Interest-bearing securities, insurance operations	-	4,924
Total	**167,535**	**227,533**

G17 Shares

SEK m	2020	2019
Fair value through profit or loss, mandatory	20,245	19,087
Fair value through other comprehensive income	800	2,303
Total shares	**21,045**	**21,390**

Holdings at fair value through other comprehensive income SEK m	2020	2019
BEC	295	489
Visa Inc	155	308
Other holdings	350	363
Euroclear plc	-	431
Enento Group Oyj	-	712
Total	**800**	**2,303**

Handelsbanken classifies the shareholdings above as measured at fair value through other comprehensive income, as these holdings are not held for trading. During the year Handelsbanken received dividends only on shares still held at the end of the reporting period. These dividends total SEK 53m (110) and are recognised in the income statement under Other dividend income. During the year, the Bank divested holdings for a total of SEK 1,688m (39) in Let-P Holdings A/S, Euroclear, BEC, V/P AS, Kreditandelslag, Vaerdipapircentralen, Enento Group Oy, Visa Inc and a housing co-operative association. The primary reason for the divestments was reallocations, together with adjustments to the shares in relation to the participating interests.

For information about realised and unrealised gains/losses on equity instruments measured at fair value through other comprehensive income, refer to the Statement of changes in equity for the Group.

G18 Investments in associates and joint ventures

There are no individually significant investments in associates or joint ventures held by Handelsbanken. There are certain entities that are considered strategic to the banking operations of the Group through their provision of, for example, payment services. All investments are unlisted.

Investments in associates and joint ventures SEK m	**2020**	**2019**
Carrying amount at beginning of year	285	259
Share of profit for the year	18	32
Tax	-13	-6
Shareholders' contribution	12	0
Acquisitions	84	
Carrying amount at end of year	**386**	**285**

Income from associates and joint ventures SEK m	**2020**	**2019**
Profit for the year	18	32
Other comprehensive income	-	0
Total comprehensive income for the year	**18**	**32**

					Carrying amount, SEK m	
Associates	**Corporate identity number**	**Domicile**	**Number of shares**	**Voting power,** %	**2020**	**2019**
Bankomat AB	556817-9716	Stockholm	150	20.00	77	81
BGC Holding AB	556607-0933	Stockholm	25,382	25.38	197	173
Dyson Group plc	00163096	Sheffield	74,333,672	24.01	22	0
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12,735	28.30	22	12
Getswish AB	556913-7382	Stockholm	10,000	20.00	16	19
USE Intressenter AB	559161-9464	Stockholm	2,448	24.48	0	0
Total					**334**	**285**

					Carrying amount, SEK m	
Joint ventures	**Corporate identity number**	**Domicile**	**Number of shares**	**Voting power,** %	**2020**	**2019**
P27 Nordic Payment Platform AB	559198-9610	Stockholm	10,000	16.67	39	
Invidem AB	559210-0779	Stockholm	10,000	16.67	13	
Total					**52**	

G19 Assets where the customer bears the value change risk

SEK m	**2020**	**2019**
Unit-linked and portfolio bond insurance assets	191,035	169,601
Other fund assets	6,177	5,387
Total	**197,212**	**174,988**

G20 Derivative instruments

SEK m	Nominal amount/maturity Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	Nominal amount 2020	Nominal amount 2019	Positive market values 2020	Positive market values 2019	Negative market values 2020	Negative market values 2019
Derivatives held for trading									
Interest rate-related contracts									
Options	8,831	13,766	2,053	24,650	28,627	9	16	14	68
FRA/futures	300,439	18,000	-	318,439	893,595	52	211	40	172
Swaps	329,317	1,000,616	301,029	1,630,962	1,786,372	20,504	19,366	21,365	20,869
Currency-related contracts									
Options	24,677	18	34	24,729	25,685	118	136	195	212
Futures	64,644	4,785	258	69,687	63,863	920	863	1,344	480
Swaps	493,904	51,226	14,565	559,695	703,958	5,892	4,529	17,548	11,869
Equity-related contracts									
Options	3,492	1,610	92	5,194	9,585	255	545	136	425
Futures	855	-	-	855	1,814	15	0	16	13
Swaps	12,285	3,844	21	16,150	14,755	137	138	1,569	1,157
Commodity-related contracts									
Options	325	308	38	671	1,022	22	35	60	103
Futures	2,962	692	-	3,654	12,951	390	430	312	494
Credit-related contracts									
Swaps	631	5,618	252	6,501	8,035	229	465	158	289
Total	**1,242,362**	**1,100,483**	**318,342**	**2,661,187**	**3,550,262**	**28,543**	**26,734**	**42,757**	**36,151**
Derivatives for fair value hedges									
Interest rate-related contracts									
Options	1,745	1,061	-	2,806	4,641	-	3	-	-
Swaps	31,706	205,969	66,410	304,085	149,642	3,106	1,958	630	587
Currency-related contracts									
Swaps	-	534	843	1,377	1,499	101	166	-	-
Total	**33,451**	**207,564**	**67,253**	**308,268**	**155,782**	**3,207**	**2,127**	**630**	**587**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	124,120	264,897	43,744	432,761	532,453	11,677	13,104	2,727	1,974
Currency-related contracts									
Swaps	103,512	137,488	40,914	281,914	311,176	12,531	24,912	7,751	1,163
Total	**227,632**	**402,385**	**84,658**	**714,675**	**843,629**	**24,208**	**38,016**	**10,478**	**3,137**
Total derivative instruments	**1,503,445**	**1,710,432**	**470,253**	**3,684,130**	**4,549,673**	**55,958**	**66,877**	**53,865**	**39,875**
of which exchange-traded derivatives				*108,653*	*440,829*	*332*	*347*	*756*	*1,223*
of which OTC derivatives settled by CCP				*2,245,982*	*2,472,024*	*22,987*	*22,588*	*18,717*	*16,293*
of which OTC derivatives not settled by CCP				*1,329,495*	*1,636,819*	*32,639*	*43,942*	*34,392*	*22,359*
Amounts offset				-2,110,391	-2,147,269	-25,344	-25,332	-21,046	-19,233
Net amount				**1,573,739**	**2,402,404**	**30,614**	**41,545**	**32,819**	**20,642**
Currency breakdown of market values									
SEK						41,263	-31,749	301,858	257,947
USD						-70,582	39,098	-381,894	-348,281
EUR						129,283	204,475	-94,785	-14,922
Others						-44,006	-144,947	228,686	145,131
Total						**55,958**	**66,877**	**53,865**	**39,875**

Derivative contracts are presented gross in the note. Amounts offset consist of the offset market value and the associated nominal amounts of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis on the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 gains/losses) over the life of the derivative. Such not yet recognised day 1 gains amounted to SEK 538m (630) at year-end.

G21 Hedge accounting

The Group's overall objective for its risk management and hedge accounting is to protect itself against the risk of variations in future cash flows and fair values attributable to lending and borrowing arising from changes in interest rates and exchange rates. In order to achieve this objective, the Group makes use of derivatives. Hedge accounting is applied to ensure that the Group's risk management strategy is reflected in the financial reports. For information about the Group's management of market risk, refer to note G2. The hedging strategies and various types of hedge accounting applied by the Group are described below, divided into risk categories. For a description of the accounting policies for hedge accounting, see note G1.

CASH FLOW HEDGES

Interest rate risk in variable-rate lending and borrowing

The purpose of this hedging strategy is to minimise the uncertainty associated with future incoming and outgoing payments of interest arising due to changes in variable interest rates, and instead to receive and pay amounts according to fixed interest rates which are known when entering into the hedge. The hedged item consists of highly probable future incoming and outgoing payments relating to variable-rate lending to the public and to issued floating-rate securities. The hedged risk is defined as a floating reference rate in the respective currency, which comprises an observable component of the interest. The hedging instruments consist of interest rate swaps, in which a fixed interest rate is received and a variable interest rate is paid, or a fixed interest rate is paid and a variable interest rate is received.

Foreign exchange risk in funding

The hedging strategy aims to minimise the uncertainty associated with future payments of interest arising due to changes in exchange rates, and instead to pay interest in the functional currency, at a rate which is known when entering into the hedge. The hedged item consists of highly probable future interest payment and repayments of nominal amounts attributable to issued securities in a currency other than the functional currency. The hedged risk is comprised of the risk of changes in these future payments arising due to fluctuations in the exchange rate between the funding currency and the functional currency. The hedging instruments consist of currency-related derivatives.

Foreign exchange risk in internal loans to or from foreign operations

The intention of this hedging strategy is to minimise the risk of volatility linked to fluctuations in exchange rates on internal loans to or from foreign operations. The hedged item consists of the nominal amount of an internal loan between the Group's treasury department and a foreign operation, issued in the functional currency of the foreign operation. The hedged risk consists of the value change risk in an internal loan, to or from a foreign operation, due to differences in the exchange rate between the currency of the internal loan and the parent company's functional currency, the Swedish krona. The hedging instruments consist of currency-related derivatives.

Measuring effectiveness

The effectiveness of a hedge relationship is tested at the initiation of the relationship and thereafter on a quarterly basis. The effectiveness of hedges is tested from both a prospective and retrospective standpoint. Prospectively by shifting yield curves and discount curves. Retrospectively, in the event that the conditions for the hedged risk and the hedging instrument are not fully consistent, through regression analysis. 'Fully consistent' in this context implies that the cash flows and discounting factors are identical at all times. When effectiveness is measured, the hedged risk is represented by a perfectly effective hypothetical derivative (PEH), which matches the critical conditions of the hedged item. The fair value of the hypothetical derivative (PEH) is zero at the start date of the hedge relationship. Measuring effectiveness entails a comparison of the change in fair value of the hypothetical derivative (PEH) with the change in fair value of the actual derivative.

Criteria applied in measuring effectiveness

In order to qualify for hedge accounting, the ratio between the change in fair value of the hedged risk in the hedged item, represented by the hypothetical derivative (PEH), and the actual derivative must be within the 80-125 per cent interval. In the cases where this is checked through regression analysis, the following criteria must be fulfilled in order to establish an effective hedge relationship:

- The gradient of the curve must be within the interval $0.8 < b < 1.25$.
- R^2 must be >0.96.

Hedging instruments in cash flow hedges	2020			2019		
SEK m	Up to 1 yr	1-5 yrs	Over 5 yrs	Up to 1 yr	1-5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	13,181	70,910	16,070	13,649	73,337	17,886
Average fixed interest %	0.48	0.48	0.73	0.91	0.56	0.90
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	110,939	193,987	27,674	78,737	309,248	39,596
Average fixed interest %	2.28	1.62	1.40	2.50	1.94	1.15
Foreign exchange risk						
Foreign exchange derivatives, EUR/SEK						
Nominal amount	24,147	52,180	13,880	9,620	67,575	24,513
Average exchange rate EUR/SEK	1.0825	0.7212	0.9693	0.1130	0.1040	0.0960
Foreign exchange derivatives, EUR/NOK						
Nominal amount	4,344	29,590	17,590	4,741	36,400	-
Average exchange rate EUR/NOK	0.1310	0.1110	0.3905	0.1200	0.1200	-
Foreign exchange derivatives, GBP/SEK						
Nominal amount	-	7,195	-	-	7,562	-
Average exchange rate GBP/SEK	-	1.0079	-	-	0.0900	-
Foreign exchange derivatives, USD/GBP						
Nominal amount	11,011	6,289	831	11,599	19,410	932
Average exchange rate USD/GBP	1.3860	1.2930	1.3150	1.4300	1.3600	1.3200
Foreign exchange derivatives, USD/NOK						
Nominal amount	40,197	12,901	-	19,402	25,572	337
Average exchange rate USD/NOK	0.1170	0.1260	-	0.1300	0.1300	0.1300
Foreign exchange derivatives, USD/SEK						
Nominal amount	9,206	12,805	8,613	13,164	23,524	-
Average exchange rate USD/SEK	0.1166	0.5162	0.1105	0.1300	0.1100	-
Foreign exchange derivatives, AUD/USD						
Nominal amount	3,034	5,492	-	-	9,301	-
Average exchange rate AUD/USD	1.3930	1.3770	-	-	1.3800	-
Foreign exchange derivatives, other currency pairs						
Nominal amount	11,573	11,036	-	13,351	21,969	2,204
Total	**227,632**	**402,385**	**84,658**	**164,263**	**593,898**	**85,468**

G21 Cont.

Ineffectiveness

Ineffectiveness is measured through a comparison of the change in the fair value of the hedged risk in the hedged item, represented by the hypothetical derivative (PEH), with the change in fair value of the actual derivative. The hedge is deemed ineffective if the change in fair value of the derivative exceeds the change in value of the hypothetical derivative (PEH) in absolute terms.

The main explanations for ineffectiveness in these hedge relationships are differences in market interest rates and exchange rates between the start date of the hedge relationship and the transaction date for the derivative. Ineffectiveness is also explained by changes in fair value attributable to certain interest components in the derivative which are not included in the hedged risk.

Hedging instruments and ineffectiveness in cash flow hedges 2020

SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments: Assets	Carrying amount hedging instruments: Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	100,161	1	2,727	-1,031	-1,031	-	-
Interest rate swaps, variable interest paid and fixed interest received	332,600	11,676	-	380	379	1	211
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/SEK	90,207	3,327	1,700	-83	-83	-	-
Foreign exchange derivatives, EUR/DKK	3,516	-	9	-33	-33	-	-
Foreign exchange derivatives, EUR/GBP	9,628	1,123	-	81	81	-	-
Foreign exchange derivatives, EUR/NOK	51,524	5,559	259	234	231	3	-
Foreign exchange derivatives, GBP/SEK	7,195	40	-	-4	-4	-	-
Foreign exchange derivatives, USD/GBP	18,131	271	448	-60	-57	-3	-
Foreign exchange derivatives, USD/NOK	53,098	1,142	1,903	-52	-52	-	-
Foreign exchange derivatives, USD/SEK	30,624	-	2,704	-364	-364	-	-
Foreign exchange derivatives, AUD/USD	8,526	621	-	45	45	-	-5
Foreign exchange derivatives, other currency pairs	9,465	448	728	12	13	-1	43
Total	**714,675**	**24,208**	**10,478**	**-875**	**-875**	**0**	**249**

Hedging instruments and ineffectiveness in cash flow hedges 2019

SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments: Assets	Carrying amount hedging instruments: Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	104,872	131	1,813	-861	-864	3	-
Interest rate swaps, variable interest paid and fixed interest received	427,581	12,973	161	4,006	4,010	-4	17
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/SEK	101,708	7,556	424	-42	-42	-	-
Foreign exchange derivatives, EUR/DKK	3,653	4	-	16	16	-	-
Foreign exchange derivatives, EUR/GBP	12,915	735	122	147	147	-	-
Foreign exchange derivatives, EUR/NOK	41,141	4,309	-	60	57	3	-
Foreign exchange derivatives, GBP/SEK	7,562	782	-	17	17	-	-
Foreign exchange derivatives, USD/GBP	31,941	1,715	169	-79	-74	-5	-
Foreign exchange derivatives, USD/NOK	45,311	4,682	-	0	0	-	-
Foreign exchange derivatives, USD/SEK	36,688	3,383	-	-39	-39	-	-
Foreign exchange derivatives, AUD/USD	9,301	22	265	77	77	-	-2
Foreign exchange derivatives, other currency pairs	20,956	1,724	183	452	458	-6	7
Total	**843,629**	**38,016**	**3,137**	**3,754**	**3,763**	**-9**	**22**

[1] When analysing for the purposes of hedge accounting, the conversion to the parent company's functional currency, SEK, is taken into account by imputing nominal derivative legs in the hedging relationships. The imputed derivative legs are not included in the nominal volumes presented in the tables above.

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet.Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions. Reclassified to the income statement is included under Net gains/losses on financial transactions and refers to cash flow hedges terminated before their maturity date.

Hedged items in cash flow hedges

SEK m	2020: Change in value used to calculate ineffectiveness	2020: Hedge reserve	2020: Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied	2019: Change in value used to calculate ineffectiveness	2019: Hedge reserve	2019: Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk						
Issued variable-interest securities	1,031	-2,576	-	864	-1,544	-
Variable-interest loans to the public	-379	7,946	1,327	-4,010	7,769	1,492
Foreign exchange risk						
Securities issued in EUR and internal loans in DKK, GBP and NOK	-87	-779	-	-294	-867	-
Securities issued in USD and internal loans in DKK, EUR, GBP and NOK	499	-427	86	62	82	121
Issued securities and internal loans in other currencies	-189	59	17	-385	-93	19
Total	**875**	**4,223**	**1,430**	**-3,763**	**5,347**	**1,632**

G21 Cont.

FAIR VALUE HEDGES

Interest rate risk in fixed-rate lending and borrowing

The purpose of this hedging strategy is to minimise the risk of changes in the fair values of fixed-interest lending and borrowing arising from changes in market interest rates. The hedged risk is defined as the reference rate in the respective currency, which comprises an observable component of the interest. The hedged items are comprised of fixed-interest loans to the public and issued fixed-interest securities. The hedging instruments consist of interest rate swaps, in which a fixed interest rate is paid and a variable interest rate is received, or a fixed interest rate is received and a variable interest rate is paid.

Measuring effectiveness

The effectiveness of the hedges is measured through a comparison of the change in the fair value of the hedged risk in lending and borrowing with the change in fair value of the interest rate swaps. The effectiveness is measured from both a prospective and retrospective standpoint. Prospectively by shifting yield curves and discount curves and retrospectively through regression analysis. The effectiveness of a hedge relationship is tested at the initiation of the relationship and thereafter on a quarterly basis. The criteria which must be fulfilled to qualify for hedge accounting are consistent with those described above in the section about cash flow hedges.

Ineffectiveness

Ineffectiveness is measured through a comparison of the change in the fair value of the interest rate swap with the change in fair value of the hedged risk in lending and borrowing from the hedge relationship's start date to the end of the period.

The main explanation for ineffectiveness in these hedge relationships is changes in fair value arising from the variable interest in the interest rate swap, which is not matched by a change in value in the hedged risk in the lending or borrowing.

PORTFOLIO HEDGING OF FAIR VALUE, WITH REGARD TO INTEREST RATE RISK

Interest rate risk in fixed-rate lending portfolios

This hedging strategy aims to minimise the risk of changes in the fair values of fixed-interest lending portfolios arising from changes in market interest rates. The hedged risk is defined as changes in the fair value of a portion of a lending portfolio with fixed interest, with regard to changes in a reference rate in each currency. The hedged item consists of an amount in a foreign currency determined on the basis of a fixed-rate lending portfolio. The lending portfolio is divided into interest rate fixing periods. The hedged amount is established on the basis of the interest rate risk the Bank wishes to hedge in the selected interest rate fixing periods. The hedging instruments consist of interest rate swaps, in which a variable interest rate is received and a fixed interest rate is paid. One or more hedging instruments are defined for each interest rate fixing period.

A description of the measuring of effectiveness and ineffectiveness is provided in the Fair value hedges section above.

Interest rate risk in variable-rate lending portfolios with a rate cap

The purpose of this hedging strategy is to minimise the risk of changes in the fair values of lending portfolios with a three-month interest-fixing period, where the borrower has a rate cap. The hedged risk is defined as the reference rate in the agreed rate cap. The hedging instruments consist of interest rate options (caps).

The nominal lending volume hedged for a certain period is determined on a quarterly basis. Effectiveness is calculated by comparing the change in the fair value of the rate cap during the period with the change in fair value of the interest rate options (caps). The ratio must be within the 80-125 per cent interval for the hedge to qualify for hedge accounting.

The main explanations for ineffectiveness in these hedge relationships are deviations in the maturity and interest rate between interest rate caps in lending and interest rate options (caps), because the volume for each cap is determined for a portfolio of loans with interest rate caps and not for each individual loan.

Hedging instruments in fair value hedges	2020			2019		
SEK m	Up to 1 yr	1-5 yrs	Over 5 yrs	Up to 1 yr	1-5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	31,706	148,863	1,698	26,321	71,963	2,412
Average fixed interest %	0.06	0.03	0.28	0.00	0.07	0.53
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	-	53,834	60,040	-	24,025	24,921
Average fixed interest %	-	0.97	1.03	-	1.60	0.79
Cross-currency interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	-	534	843	-	580	919
Average fixed interest %	-	3.26	3.69	-	3.26	3.69

Hedging instruments and ineffectiveness in fair value hedges 2020 SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments: Assets	Carrying amount hedging instruments: Liabilities	Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	182,267	72	442	-222	-7
Interest rate swaps, variable interest paid and fixed interest received	113,874	3,030	169	1,143	56
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,377	101	-	100	0
Total	**297,518**	**3,203**	**611**	**1,021**	**49**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	7,944	4	19	-13	0
Interest rate options (cap)	2,806	0	-	13	0
Total	**10,750**	**4**	**19**	**0**	**0**

G21 Cont.

Hedging instruments and ineffectiveness in fair value hedges 2019 SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	100,696	219	355	82	5
Interest rate swaps, variable interest paid and fixed interest received	48,946	1,739	232	-227	-51
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,499	166	-	-16	-3
Total	**151,141**	**2,124**	**587**	**-161**	**-49**
Portfolio fair value hedges					
Interest rate risk					
Interest rate options (cap)	4,641	3	-	8	0
Total	**4,641**	**3**	**-**	**8**	**0**

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet. Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions.

Hedged items in fair value hedges 2020 SEK m	Carrying amount hedged item Assets	Liabilities	Accumulated fair value adjustment included in the carrying amount of the hedged item Assets	Liabilities	Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
Interest rate risk						
Fixed-interest loans to the public	188,468		329		215	-
Issued fixed-interest securities and subordinated liabilities		119,410		1,110	-1,187	-
Total	**188,468**	**119,410**	**329**	**1,110**	**-972**	**-**
Portfolio fair value hedges						
Interest rate risk						
Fixed-interest loans to the public	13				13	-
Interest rate cap on variable rate lending	12				-13	-
Total	**25**				**0**	

Hedged items in fair value hedges 2019 SEK m	Carrying amount hedged item Assets	Liabilities	Accumulated fair value adjustment included in the carrying amount of the hedged item Assets	Liabilities	Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
Interest rate risk						
Fixed-interest loans to the public	101,432		114		-77	-
Issued fixed-interest securities and subordinated liabilities		50,545		-189	189	-
Total	**101,432**	**50,545**	**114**	**-189**	**112**	
Portfolio fair value hedges						
Interest rate risk						
Interest rate cap on variable rate lending	25				-8	
Total	**25**				**-8**	**-**

HEDGING OF FOREIGN EXCHANGE RISK IN NET INVESTMENTS IN FOREIGN OPERATIONS

The purpose of the hedging strategy is to reduce foreign exchange exposure in a net investment in a foreign operation. The hedged item constitutes the nominal amount of a long-term, internal loan between the Group's treasury department and a foreign operation, issued in the functional currency of the foreign operation. Qualification as a part of an investment in a foreign operation requires that a repayment of the internal loan is neither planned nor probable in the foreseeable future. The hedged risk is comprised of the value change risk on a net investment in a foreign operation, arising due to changes in the exchange rate between the foreign operation's functional currency and the parent company's functional currency, the Swedish krona. The hedging instruments consist of currency-related derivatives. All hedge relationships in this category are older in nature, and the Bank enters into no new hedging relationships in this hedging strategy, for which reason no information in table form is provided for this hedging strategy.

Measuring effectiveness

When the effectiveness of the hedging of a net investment in a foreign operation is measured, the equivalent procedures are applied as for measuring the efficiency of cash flow hedges, which are described above in the section about cash flow hedges.

Ineffectiveness

Ineffectiveness is calculated in the same manner as for cash flow hedges, which is described above in the section about cash flow hedges.

The main explanation for ineffectiveness in these hedge relationships are differences in exchange rates between the start date of the hedge relationship and the transaction date for the derivative.

For a specification of changes in the hedge reserve and the translation reserve, refer to the statement of changes in equity for the Group.

INTEREST RATE BENCHMARK REFORM

Amendments to IAS 39 Financial Instruments: Recognition and Measurement

Amendments have been made which introduce temporary exemptions from applying certain specific hedge accounting requirements for hedging relationships directly affected by the Interest Rate Benchmark Reform. The purpose of the temporary exemptions is to prevent the break-up of hedging relationships solely due to the uncertainty brought about by the Interest Rate Benchmark Reform. See note G1, point 2.

G21 Cont.

Adaptations to the Interest Rate Benchmark Reform

A large amount of work is being carried out internationally to develop alternative reference interest rates, consisting of "Nearly Risk-free Rates" (RFRs). Within the EU, interbank interest rates are in the process of being adapted to fulfil the requirements of the Benchmark Regulation ((EU) 2016/1011), concurrently with the work to develop alternative RFRs.

Extensive adaptation work is currently under way at the Bank preparing for a potential transition to RFRs, including central adaptations to IT systems for derivatives and IBOR loans, and local adaptations to IT systems for loan products in the respective countries. The central project also involves the updating of agreements, e.g. ISDA and framework agreements, and the preparation of plans for communication with customers and counterparties. In addition, the work also involves assessing the impact on accounting, the measurement of financial instruments and risk measurements which would be caused by a transition to RFRs.

Assessment of hedging relationships affected by the Interest Rate Benchmark Reform

The interbank interest rates deemed to be of significance to the Bank are those in the home markets and USD, comprising Stibor, Euribor, GBP Libor, Nibor, Cibor and USD Libor.

The Prudential Regulation Authority (PRA) in the UK has announced that it will not compel any bank to contribute to the establishment of GBP Libor after 2021. GBP Libor will be replaced with SONIA (Reformed Sterling Overnight Index Average). The transitional period for the implementation ends on 31 December 2021. The same applies to USD Libor, which will be replaced with SOFR (Secured Overnight Financing Rate), but with an expected transitional period for implementation until 30 June 2022. The Bank's assessment is thus that GBP Libor and USD Libor are not expected to remain in place as reference rates after 31 December 2021 and 30 June 2022 respectively. There is therefore uncertainty brought about by the Benchmark Reform regarding hedging relationships maturing after 31 December 2021 and 30 June 2022 respectively, in which GBP Libor or USD Libor has a direct impact on the hedged item or hedging instrument.

A reformed Euribor has been developed and approved as a reference rate in accordance with the Benchmark Regulation. The ESTER (Euro Short Term Rate) has been confirmed as RFR in euro, and is published from 2 October 2019. Up until 2021, ESTER will be published parallel to the current 1-day interbank interest rate, EONIA. From the perspective that a reformed Euribor has been approved, and will continue to be published going forward, the Bank's assessment is that Euribor will remain as a reference rate and there is no uncertainty caused by the Benchmark reform in terms of its effects on existing hedging relationships in which Euribor has a direct impact on the hedged item or hedging instrument.

There has been no announcement that Stibor will cease as a reference rate. The Riksbank has drawn up an RFR in SEK during 2020. The Riksbank will initiate a test period in January 2021 during which a preliminary interest rate will be published, and thereafter begin to publish the official reference rate. No public authority has expressly stated a requirement, or even a desire, that Stibor should cease as a reference rate. Consequently, there is currently no plan to discontinue with Stibor, nor has any demand been tabled that this should be the case. However, Stibor must fulfil the requirements imposed by the Benchmark Regulation, and must be approved by the Swedish Financial Supervisory Authority. The application for approval must be submitted before the end of 2021, as Stibor is classified as a critical reference rate under the Benchmark Regulation. A project is under way within the Swedish Financial Benchmark Facility to prepare an application for the approval of Stibor according to the Benchmark Regulation, which will be submitted to the Swedish Financial Supervisory Authority. The Bank's assessment, at present, is that Stibor will be approved according to the Benchmark Regulation and will remain as a reference rate. On this basis, the Bank's assessment is that there is no uncertainty caused by the Benchmark reform in terms of its effects on existing hedging relationships in which Stibor has a direct impact on the hedged item or hedging instrument.

The other Nordic interbank rates, Nibor in Norway and Cibor in Denmark, have been approved according to the Benchmark Regulation by the Norwegian and Danish supervisory authorities, respectively. The Bank's assessment is that Nibor and Cibor will remain as reference rates. On this basis, the Bank's assessment is that there is no uncertainty caused by the Benchmark reform in terms of its effects on existing hedging relationships in which Nibor and Cibor, respectively, have a direct impact on the hedged item or hedging instrument.

In line with the assessment above, the hedged risk, which is directly affected by the uncertainty caused by the Benchmark Reform, consists of the variable reference rate in lending and funding in GBP and USD, respectively. Moreover, the cash flows attributable to lending and funding, as well as derivative instruments, based on GBP Libor and USD Libor, respectively, are also affected. The uncertainty caused by the Benchmark Reform will no longer be a factor for the hedged items and hedging instruments when the new rate has been established and stipulated in the individual contracts.

Hedging instruments included in hedging relationships affected by uncertainty brought about by the Interest Rate Benchmark Reform 2020

SEK m	Nominal amount
Interest rate swaps GBP	49,262
Interest rate swaps USD	86,524
Cross-currency interest rate swaps AUD/USD	8,526
Cross-currency interest rate swaps EUR/GBP	9,628
Cross-currency interest rate swaps GBP/SEK	7,195
Cross-currency interest rate swaps JPY/GBP	319
Cross-currency interest rate swaps USD/DKK	2,393
Cross-currency interest rate swaps USD/EUR	5,129
Cross-currency interest rate swaps USD/GBP	18,131
Cross-currency interest rate swaps USD/NOK	53,099
Cross-currency interest rate swaps USD/SEK	30,624
Total	**270,830**

G22 Offsetting of financial instruments

2020 SEK m	Derivatives	Repurchase agreement and lending of securities	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	55,958	14,692	70,650
Amounts offset	-25,344	-2,014	-27,358
Carrying amount on the balance sheet	**30,614**	**12,678**	**43,292**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets received as collateral	-7,503	-12,669	-20,172
Total amounts not offset on the balance sheet	**-22,349**	**-12,669**	**-35,018**
Net amount	**8,265**	**-**	**8,274**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	53,865	2,014	55,879
Amounts offset	-21,046	-2,014	-23,060
Carrying amount on the balance sheet	**32,819**	**-**	**32,819**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets pledged as collateral	-13,310	-	-13,310
Total amounts not offset on the balance sheet	**-28,156**	**-**	**-28,156**
Net amount	**4,663**	**-**	**4,663**

2019 SEK m	Derivatives	Repurchase agreement and lending of securities	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	66,877	18,436	85,313
Amounts offset	-25,332	-5,816	-31,148
Carrying amount on the balance sheet	**41,545**	**12,620**	**54,165**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-12,023	-	-12,023
Financial assets received as collateral	-22,340	-12,620	-34,960
Total amounts not offset on the balance sheet	**-34,363**	**-12,620**	**-46,983**
Net amount	**7,182**	**-**	**7,182**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	39,875	5,816	45,691
Amounts offset	-19,233	-5,816	-25,049
Carrying amount on the balance sheet	**20,642**	**-**	**20,642**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-12,023	-	-12,023
Financial assets pledged as collateral	-5,179	-	-5,179
Total amounts not offset on the balance sheet	**-17,202**	**-**	**-17,202**
Net amount	**3,440**	**-**	**3,440**

Derivative instruments are offset on the balance sheet when this reflects the Bank's anticipated cash flows in the settlement of two or more agreements. Repurchase agreements and reverse repurchase agreements with central counterparty clearing houses are offset on the balance sheet when this reflects the Bank's anticipated cash flows in the settlement of two or more agreements. This occurs when the Bank has both a contractual right and an intention to settle the agreed cash flows with a net amount. The amount set off for derivative assets includes offset cash collateral of SEK 7,330 million (7,682) derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities includes set-off cash collateral of SEK 3,032 million (1,583) derived from the balance sheet item Loans to the public.

The remaining counterparty risk in derivatives is reduced through netting agreements, i.e. netting positive values against negative values in all derivative transactions with the same counterparty in a bankruptcy situation. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure. The collateral used is mainly cash, but government securities are also used. Collateral for repurchase agreements and borrowing and lending of securities is normally in the form of cash or other securities.

G23 Intangible assets

2020 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Other	Total 2020
Cost of acquisition at beginning of year	7,007	199	847	4,854	0	12,907
Cost of acquisition of additional intangible assets				867	164	1,031
Disposals and retirements				-135		-135
Foreign exchange effect	-185	-11	-46	-56		-298
Cost of acquisition at end of year	**6,822**	**188**	**801**	**5,530**	**164**	**13,505**
Accumulated amortisation and impairment at beginning of year	-	-151	-251	-1,320	0	-1,722
Disposals and retirements	-	-		135		135
Amortisation for the year		-27	-42	-447	-33	-549
Impairment for the year	-	-	-	-82		-82
Foreign exchange effect	-	10	16	17		43
Accumulated amortisation and impairment at end of year	**-**	**-168**	**-277**	**-1,697**	**-33**	**-2,175**
Carrying amount	**6,822**	**20**	**524**	**3,833**	**131**	**11,330**

In 2020, development costs amounting to SEK 1,766m (1,610) have been recognised as expenses.

2019 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Total 2019
Cost of acquisition at beginning of year	6,922	192	818	3,765	11,697
Cost of acquisition of additional intangible assets				1,120	1,120
Disposals and retirements				-55	-55
Foreign exchange effect	85	7	29	24	145
Cost of acquisition at end of year	**7,007**	**199**	**847**	**4,854**	**12,907**
Accumulated amortisation and impairment at beginning of year	-	-119	-201	-922	-1,242
Disposals and retirements	-			55	55
Amortisation for the year	-	-27	-42	-380	-449
Impairment for the year	-			-69	-69
Foreign exchange effect	-	-5	-8	-4	-17
Accumulated amortisation and impairment at end of year	**-**	**-151**	**-251**	**-1,320**	**-1,722**
Carrying amount	**7,007**	**48**	**596**	**3,534**	**11,185**

	Goodwill		Intangible assets with an indefinite useful life	
SEK m	2020	2019	2020	2019
Handelsbanken Sweden	3,331	3,331	-	-
Handelsbanken UK	159	175	-	-
Handelsbanken Finland	17	18	-	-
Handelsbanken Denmark	2,515	2,608	-	-
Handelsbanken Norway	630	699	-	-
Handelsbanken the Netherlands	160	166	-	-
Handelsbanken Capital Markets	10	10	3	3
Total	**6,822**	**7,007**	**3**	**3**

Impairment testing of goodwill and intangible assets with an indefinite useful life

Recognised goodwill mainly derives from traditional banking operations in Handelsbanken's home markets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually in connection with the closing of the annual accounts. When performing impairment testing, the value in use of the units to which goodwill has been allocated is calculated by discounting estimated future cash flows and the terminal value. In the table, goodwill has been allocated among the business segments.

For the first five years, estimated future cash flows are based on forecasts of risk-weighted volumes, income, expenses and credit losses. The forecasts are mainly based on an internal assessment of the future income and cost development, economic climate, expected interest rates and the expected impact of future regulations. After the first five-year period, a forecast is made based on the assumption of a long-term growth rate. The estimated cash flows are based on historical real GDP growth as well as the Riksbank's long-term inflation target. The year's impairment test is based on an assumption of a long-term growth rate of 2 per cent (2). The total forecast period is 20 years. The terminal value used is the forecast value of the net assets of the tested unit. Estimated cash flows have been discounted at a rate based on a risk-free interest rate and a risk adjustment corresponding to the market's average return requirement. In the annual impairment test, the discount rate was 6.9 per cent (5.2) after tax. The corresponding rate before tax was 8.4 per cent (7.7).

The difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill was deemed to be satisfactory. The calculated value in use of goodwill is sensitive to a number of different variables, which are significant for expected cash flows and the discount rate. The variables that are of greatest significance to the calculation are the assumptions for interest rates, the business cycle, future margins and cost-effectiveness. No reasonably possible change in important assumptions would affect the reported value of goodwill.

A two-percentage point increase of the discount rate, or a two-percentage point reduction of the future growth rate are deemed reasonable potential changes in the most important assumptions due to Covid-19. Such changes would not result in any impairment requirement.

G24 Property and equipment

Property and equipment SEK m	2020	2019
Equipment	869	1,015
Property	5,361	5,619
Property repossessed for protection of claims	2	11
Total	**6,232**	**6,645**

Property repossessed for protection of claims contains movable property which is regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims, see note G1. The fair value of properties which are regularly measured at fair value is SEK 2m (11). Unrealised value changes on these properties had an impact of SEK 0m (0) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent, authorised valuer for valuing commercial and office buildings and industrial properties. Valuations which are only based on market observations SEK 2m (8) are classified as level 2 in the valuation hierarchy described in note G1. Valuations where own assumptions are used to a material extent SEK 0m (2) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK 0m (0). The year's sale of properties which are regularly measured at fair value amounts to SEK 10m (47) of which SEK 2m (2) was classified as level 3 before the sale. The value of new properties added during the year is SEK 2m (2), with SEK 0m (2) of this classified as level 3.

Equipment SEK m	2020	2019
Cost of acquisition at beginning of year	2,234	2,242
Cost of additional acquisition for the year	298	495
Disposals and retirements	-325	-548
Foreign exchange effect	-66	45
Cost of acquisition at end of year	**2,141**	**2,234**
Accumulated depreciation and impairment at beginning of year	-1,285	-1,419
Depreciation for the year according to plan	-373	-385
Disposals and retirements	304	536
Foreign exchange effect	29	-17
Accumulated depreciation and impairment at end of year	**-1,325**	**-1,285**
Carrying amount	**816**	**949**
Carrying amount, right-of-use assets	**53**	**66**
Total carrying amount	**869**	**1,015**

Property SEK m	2020	2019
Cost of acquisition at beginning of year	2,415	2,360
New construction and conversion	107	63
Disposals and retirements	-4	-12
Foreign exchange effect	-9	4
Cost of acquisition at end of year	**2,509**	**2,415**
Accumulated depreciation and impairment at beginning of year	-1,046	-1,007
Depreciation for the year according to plan	-41	-40
Disposals and retirements	1	2
Foreign exchange effect	2	-1
Accumulated depreciation and impairment at end of year	**-1,084**	**-1,046**
Carrying amount	**1,425**	**1,369**
Carrying amount, right-of-use assets	**3,936**	**4,250**
Total carrying amount	**5,361**	**5,619**

G25 Other assets

SEK m	2020	2019
Claims on investment banking settlements	3,273	3,050
Other	2,840	3,117
Total	**6,113**	**6,167**

G26 Prepaid expenses and accrued income

SEK m	2020	2019
Accrued income	1,460	1,333
Prepaid expenses	793	618
Total	**2,253**	**1,951**

G27 Due to credit institutions

SEK m	2020	2019
Due in Swedish kronor		
Banks	36,933	28,251
Other credit institutions	11,265	9,759
Total	**48,198**	**38,010**
Due in foreign currency		
Banks	75,952	109,827
Other credit institutions	573	152
Total	**76,525**	**109,979**
Total due to credit institutions	**124,723**	**147,989**
of which accrued interest expenses	*2*	*-73*

Average volumes SEK m	2020	2019
Due to credit institutions in Swedish kronor	52,783	52,775
Due to credit institutions in foreign currency	172,661	152,056
Total	**225,444**	**204,831**
of which repos	*650*	*369*

G28 Deposits and borrowing from the public

Deposits from the public SEK m	2020	2019
Deposits in Swedish kronor		
Households	410,578	376,314
Companies	297,529	250,866
National Debt Office	1	-
Total	**708,108**	**627,180**
Deposits in foreign currency		
Households	138,567	142,227
Companies	341,362	306,425
National Debt Office	-	-
Total	**479,929**	**448,652**
Total deposits from the public	**1,188,037**	**1,075,832**

Borrowing from the public SEK m	2020	2019
Borrowing in Swedish kronor	24,677	22,290
Borrowing in foreign currency	17,049	19,703
Total borrowing from the public	**41,726**	**41,993**
Total deposits and borrowing from the public	**1,229,763**	**1,117,825**
of which accrued interest expenses	*497*	*521*
of which within insurance operations	*6,863*	*7,224*

Average volumes SEK m	2020	2019
Deposits from the public		
Deposits from the public in Swedish kronor	675,329	612,267
Deposits from the public in foreign currency	488,470	439,816
Total	**1,163,799**	**1,052,083**
Borrowing from the public		
Borrowing in Swedish kronor	31,257	33,212
Borrowing in Swedish kronor, insurance operations	7,038	7,389
Borrowing in foreign currency	99,934	50,117
Total	**138,229**	**90,718**
of which repos	*6,425*	*10,976*

G29 Liabilities where the customer bears the value change risk

SEK m	2020	2019
Unit-linked and portfolio bond insurance liabilities	191,035	169,601
Other fund liabilities	6,177	5,387
Total	**197,212**	**174,988**

G30 Issued securities

SEK m	2020 Carrying amount	2020 Nominal amount	2019 Carrying amount	2019 Nominal amount
Commercial paper				
Commercial paper in Swedish kronor	391	423	2,286	2,254
of which amortised cost			*1,480*	*1,480*
of which fair value through profit or loss	*391*	*423*	*806*	*774*
Commercial paper in foreign currency	474,804	506,892	499,192	499,283
of which amortised cost	*472,980*	*505,798*	*496,745*	*496,889*
of which fair value through profit or loss	*1,824*	*1,094*	*2,447*	*2,394*
Total	**475,195**	**507,315**	**501,478**	**501,537**
Bonds				
Bonds in Swedish kronor	478,412	461,154	467,527	445,862
of which amortised cost	*478,412*	*461,154*	*467,527*	*445,862*
of which included in fair value hedges	*22,985*	*21,850*	*1,099*	*1,000*
Bonds in foreign currency	357,130	355,947	415,956	415,336
of which amortised cost	*357,130*	*355,947*	*415,956*	*415,336*
of which included in fair value hedges	*92,645*	*90,578*	*42,824*	*43,276*
Total	**835,542**	**817,101**	**883,483**	**861,198**
Total issued securities	**1,310,737**	**1,324,416**	**1,384,961**	**1,362,735**
of which accrued interest expenses	*4,396*		*6,268*	

SEK m	2020	2019
Issued securities at beginning of year	1,384,961	1,394,647
Issued	944,015	1,025,300
Repurchased	-72,852	-35,146
Matured	-880,712	-1,014,860
Foreign exchange effect, etc.	-64,675	15,020
Issued securities at end of year	**1,310,737**	**1,384,961**

Average volumes SEK m	2020	2019
Swedish kronor	494,056	481,504
Foreign currency	908,636	955,401
Total	**1,402,692**	**1,436,905**

G31 Short positions

SEK m	2020	2019
Short positions at fair value		
Shares	658	708
Interest-bearing securities	1,024	1,148
Total	**1,682**	**1,856**
of which accrued interest expenses	*5*	*9*

Average volumes SEK m	2020	2019
Swedish kronor	10,977	13,129
Foreign currency	97	520
Total	**11,074**	**13,649**

G32 Insurance liabilities

SEK m	2020	2019
Liability for sickness annuities	151	154
Liability for life annuities	224	231
Liability for other unsettled claims	130	140
Liability for prepaid premiums	52	53
Total	**557**	**578**

G33 Taxes

Deferred tax assets SEK m	2020	2019
Hedging instruments	563	327
Intangible assets	-	1
Property and equipment	14	19
Pensions	221	202
Other	420	144
Total	**1,218**	**693**

Deferred tax liabilities SEK m	2020	2019
Loans to the public[1]	3,212	3,745
Hedging instruments	1,528	1,386
Intangible assets	70	159
Property and equipment	111	115
Pensions	367	105
Other	65	124
Total	**5,353**	**5,634**
Net deferred tax liabilities	**4,135**	**4,941**

Change in deferred taxes 2020 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Foreign exchange effect	Closing balance
Loans to the public[1]	3,745	-533	-	-	3,212
Hedging instruments	1,059	-	-94	-	965
Intangible assets	158	-88	-	-	70
Property and equipment	96	1	-	-	97
Pensions	-97	-33	267	9	146
Other	-20	-329	-	-6	-355
Total	**4,941**	**-982**	**173**	**3**	**4,135**

Change in deferred taxes 2019 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Foreign exchange effect	Closing balance
Loans to the public[1]	4,792	-1,047	-	-	3,745
Hedging instruments	581	-	478	-	1,059
Intangible assets	164	-7	-	1	158
Property and equipment	99	-3	-	-	96
Pensions	-930	-78	910	1	-97
Other	36	-56	-	-	-20
Total	**4,742**	**-1,191**	**1,388**	**2**	**4,941**

Tax expenses recognised in the income statement SEK m	2020	2019
Current tax		
Tax expense for the year	-5,514	-6,074
Adjustment of tax relating to prior years	-15	12
Deferred tax		
Changes in temporary differences	1,060	1,191
Changes due to change in tax rate	-78	-
Total	**-4,547**	**-4,871**
Tax at 21.4% (21.4) of the year's profit before tax	**-4,309**	**-4,664**
Difference	**-238**	**-207**
The difference is explained by the following items		
Various non-deductible expenses	-21	-34
Non-deductible interest on subordinated loans	-254	-263
Different tax rate in insurance operations	184	173
Non-taxable capital gains and dividends	10	23
Deviating tax rates in other countries	-102	-132
Remeasurement of deferred taxes due to change in tax rate	-78	-
Other	23	26
Total	**-238**	**-207**

[1] Of which lease assets SEK 3,212m (3,745).

G34 Provisions

Provisions 2020 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**241**	**864**	**36**	**1,141**
Provisions during the year		1,370	112	1,482
Utilised		-405	-13	-418
Reversed			-28	-28
Change in expected credit losses, net	125			125
Provisions at end of year	**366**	**1,829**	**107**	**2,302**

Provisions 2019 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**142**	**-**	**80**	**222**
Provisions during the year		930	15	945
Utilised		-66	-42	-108
Reversed			-17	-17
Change in expected credit losses, net	99			99
Provisions at end of year	**241**	**864**	**36**	**1,141**

[1] For more information, refer to notes G10 and G41.
[2] In 2020, a further restructuring provision was made, mainly for costs related to the work of restructuring the Swedish branch operations and further increasing the efficiency of the Bank. The corresponding provision made in 2019 was primarily intended to cover the costs attributable to the closure of branches outside the home markets, discontinuation of certain product areas, and dealing with surpluses of staff, primarily at central units. The majority of the provision amount is expected to be settled by the end of 2022. As for any other provision there is an uncertainty around timing and amount, which is expected to decrease as the plan is executed.
[3] The amounts allocated for future settlement of the claims on the Bank are presented under Other provisions.

G35 Other liabilities

SEK m	2020	2019
Liabilities on investment banking settlements	4,001	2,904
Lease liability	4,008	4,240
Other	5,919	6,894
Total	**13,928**	**14,038**

G36 Accrued expenses and deferred income

SEK m	2020	2019
Accrued expenses	2,179	1,670
Deferred income	1,453	1,683
Total	**3,632**	**3,353**

G37 Subordinated liabilities

SEK m	2020	2019
Subordinated loans in Swedish kronor	3,002	3,003
Subordinated loans in foreign currency	38,080	32,543
Total	**41,082**	**35,546**
of which accrued interest expenses	*915*	*932*

Average volumes SEK m	2020	2019
Subordinated loans in Swedish kronor	3,009	5,625
Subordinated loans in foreign currency	34,062	32,400
Total	**37,071**	**38,025**

Specification, subordinated loans Issuance/Maturity	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
In Swedish kronor				
2017/fixed-term	SEK	1,700	0.980%	1,701
2017/fixed-term	SEK	1,300	1.410%	1,301
Total				**3,002**
In foreign currency				
2015/perpetual	USD	1,200	5.250%	10,237
2018/fixed-term	EUR	750	1.630%	7,617
2018/fixed-term	EUR	750	1.250%	7,597
2019/perpetual	USD	500	6.250%	4,579
2020/perpetual	USD	500	4.380%	4,058
2020/perpetual	USD	500	4.750%	3,992
Total				**38,080**
Total subordinated liabilities				**41,082**

For information regarding the subordinated loans, see the Pillar 3 report.

SEK m	2020	2019
Subordinated loans at beginning of year	35,546	51,085
Issued	8,916	4,654
Repurchased	-2	-3,179
Matured	-	-17,674
Foreign exchange effect, etc.	-3,378	660
Subordinated loans at end of year	**41,082**	**35,546**

G38 Classification of financial assets and liabilities

2020	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					397,642	397,642	397,642
Other loans to central banks					21,326	21,326	21,326
Interest-bearing securities eligible as collateral with central banks	3,928	94,024		401	780	99,133	99,133
Loans to other credit institutions					21,920	21,920	21,918
Loans to the public					2,269,612	2,269,612	2,281,897
Value change of interest-hedged item in portfolio hedge					25	25	
Bonds and other interest-bearing securities	9,962	26,640		7,964		44,566	44,566
Shares	20,245			800		21,045	21,045
Assets where the customer bears the value change risk	197,152				60	197,212	197,212
Derivative instruments	16,834		13,780			30,614	30,614
Other assets	30				6,083	6,113	6,113
Total	**248,151**	**120,664**	**13,780**	**9,165**	**2,717,448**	**3,109,208**	**3,121,466**
Investments in associates and joint ventures						386	
Non-financial assets						25,694	
Total assets						**3,135,288**	
Liabilities							
Due to credit institutions					124,723	124,723	125,220
Deposits and borrowing from the public					1,229,763	1,229,763	1,229,741
Liabilities where the customer bears the value change risk		197,152			60	197,212	197,212
Issued securities	2,215				1,308,522	1,310,737	1,326,970
Derivative instruments	23,851		8,968			32,819	32,819
Short positions	1,682					1,682	1,682
Other liabilities	38				13,890	13,928	13,928
Subordinated liabilities					41,082	41,082	42,675
Total	**27,786**	**197,152**	**8,968**		**2,718,040**	**2,951,946**	**2,970,247**
Non-financial liabilities						11,869	
Total liabilities						**2,963,815**	

2019	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					327,958	327,958	327,958
Other loans to central banks					19,547	19,547	19,547
Interest-bearing securities eligible as collateral with central banks	3,001	98,959		403	1,024	103,387	103,387
Loans to other credit institutions					17,939	17,939	17,940
Loans to the public					2,292,603	2,292,603	2,301,479
Value change of interest-hedged item in portfolio hedge					25	25	
Bonds and other interest-bearing securities	8,642	29,045		4,953		42,640	42,640
Shares	19,087			2,303		21,390	21,390
Assets where the customer bears the value change risk	174,926				62	174,988	174,988
Derivative instruments	8,882		32,663			41,545	41,545
Other assets	10				6,157	6,167	6,167
Total	**214,548**	**128,004**	**32,663**	**7,659**	**2,665,315**	**3,048,189**	**3,057,041**
Investments in associates						285	
Non-financial assets						21,193	
Total assets						**3,069,667**	
Liabilities							
Due to credit institutions					147,989	147,989	148,322
Deposits and borrowing from the public					1,117,825	1,117,825	1,117,732
Liabilities where the customer bears the value change risk		174,926			62	174,988	174,988
Issued securities	3,253				1,381,708	1,384,961	1,395,070
Derivative instruments	18,985		1,657			20,642	20,642
Short positions	1,856					1,856	1,856
Other liabilities	11				14,027	14,038	14,038
Subordinated liabilities					35,546	35,546	35,825
Total	**24,105**	**174,926**	**1,657**		**2,697,157**	**2,897,845**	**2,908,473**
Non-financial liabilities						11,990	
Total liabilities						**2,909,835**	

G39 Fair value measurement of financial instruments

Financial instruments at fair value 2020

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	3,088	840	-	3,928
Fair value through profit or loss, fair value option	94,024	-	-	94,024
Fair value through other comprehensive income	401	-	-	401
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	8,200	1,762	-	9,962
Fair value through profit or loss, fair value option	26,640	-	-	26,640
Fair value through other comprehensive income	3,091	4,873	-	7,964
Shares				
Fair value through profit or loss, mandatory	19,792	417	36	20,245
Fair value through other comprehensive income	100	186	514	800
Assets where the customer bears the value change risk	196,244	434	474	197,152
Derivative instruments	267	30,267	80	30,614
Total	**351,847**	**38,779**	**1,104**	**391,730**
Liabilities				
Liabilities where the customer bears the value change risk	196,244	434	474	197,152
Issued securities	-	2,215	-	2,215
Derivative instruments	255	32,484	80	32,819
Short positions	1,488	194	-	1,682
Total	**197,987**	**35,327**	**554**	**233,868**

Financial instruments at fair value 2019

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	1,452	1,549	-	3,001
Fair value through profit or loss, fair value option	98,959	-	-	98,959
Fair value through other comprehensive income	403	-	-	403
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	4,636	4,006	-	8,642
Fair value through profit or loss, fair value option	29,045	-	-	29,045
Fair value through other comprehensive income	4,740	213	-	4,953
Shares				
Fair value through profit or loss, mandatory	17,705	1,326	56	19,087
Fair value through other comprehensive income	711	340	1,252	2,303
Assets where the customer bears the value change risk	173,609	824	493	174,926
Derivative instruments	402	41,074	69	41,545
Total	**331,662**	**49,332**	**1,870**	**382,864**
Liabilities				
Liabilities where the customer bears the value change risk	173,609	824	493	174,926
Issued securities	-	3,253	-	3,253
Derivative instruments	489	20,083	70	20,642
Short positions	1,708	148	-	1,856
Total	**175,806**	**24,308**	**563**	**200,677**

G39 Cont.

Valuation hierarchy

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the degree of transparency regarding market data used in the valuation. The categorisation is shown as levels 1–3 in the tables. Financial instruments which are valued at a direct and liquid market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed shares and short-term positions in corresponding assets. Level 1 also includes the majority of shares in mutual funds and other assets which are related to unit-linked insurance contracts and similar agreements and the corresponding liabilities. Financial instruments which are valued using valuation models which substantially are based on market data are categorised as level 2. Level 2 mainly includes interest-bearing securities and interest- and currency-related derivatives. Financial instruments whose value to a material extent are affected by input data that cannot be verified using external market information are categorised as level 3. Level 3 includes unlisted shares, certain holdings of private equity funds and certain derivatives.

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2019), the instrument has been moved between the levels in the table. During the financial year, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, derivatives worth SEK 26 million were moved from level 1 to level 2. Interest-bearing securities worth SEK 1,139 million were moved from level 2 to level 1. On the liabilities side, derivatives worth SEK 39 million were moved from level 1 to level 2. There were no transfer from level 2 to level 1 on the liabilities side. No transfers took place between the levels during the 2020 financial year solely due to Covid-19. The decrease in level 3 is mainly due to the Bank's sale of its shares in Euroclear. Changes in level 3 holdings during the year are shown in a separate table below.

The holdings in level 3 mainly comprise unlisted shares. The Group's holdings of unlisted shares are mainly comprised of participating interests in companies which provide supporting operations to the Bank. For example, these may be participating interests in clearing organisations and infrastructure collaboration on Handelsbanken's home markets. Such holdings are generally valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. In all material respects, unlisted shares are classified at fair value through other comprehensive income. Value changes for these holdings are thus reported in Other comprehensive income.

Certain holdings of private equity funds are categorised as belonging to level 3. These are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, such as P/E ratios. Most of these holdings represent investment assets in the Group's insurance operations. Value changes in the investment assets are included in the basis for calculating the yield split in the insurance operations and are therefore not reported directly in the income statement.

The derivatives component in some of the Bank's issued structured bonds and the related hedging derivatives were categorised as belonging to level 3. For these derivatives, internal assumptions have a material impact on calculation of the fair value. Hedging derivatives in level 3 are traded under CSA agreements where the market values are checked and verified with the Bank's counterparties on a daily basis.

The year's realised value changes on financial instruments in level 3 reported in the income statement is SEK 8 million (30). This entire amount is included for calculation of the yield split in the insurance operations.

Change in holdings in financial instruments in level 3 2020 SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**1,308**	**69**	**-70**	**493**	**-493**
Acquisitions	6	9	-13	-	-
Repurchases/sales	-704	-	5	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	-22	-16	16	-19	19
Unrealised value change in other comprehensive income	-38	-	-	-	-
Changes in the methodology	-	-	-	-	-
Transfer from level 1 or 2	-	17	-17	-	-
Transfer to level 1 or 2	-	1	-1	-	-
Carrying amount at end of year	**550**	**80**	**-80**	**474**	**-474**

Change in holdings in financial instruments in level 3 2019 SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**1,135**	**-176**	**176**	**484**	**-484**
Acquisitions	74	-	1	-	-
Repurchases/sales	-33	2	-	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	-17	-13	10	9	-9
Unrealised value change in other comprehensive income	149	-	-	-	-
Changes in the methodology	-	352	-352	-	-
Transfer from level 1 or 2	-	4	-4	-	-
Transfer to level 1 or 2	-	-100	99	-	-
Carrying amount at end of year	**1,308**	**69**	**-70**	**493**	**-493**

G39 Cont.

Differences between the transaction price and the value measured by a valuation model

As stated in the accounting policies in note G1, when applying a model to value derivatives, material positive differences between the valuation at initial recognition and the transaction price (known as day 1 gains/losses) are amortised over the life of the derivative. Unrealised results due to positive differences between the transaction price and the value measured by a valuation model (known as day 1 gains/losses) are comprised of the Bank's profit margin and compensation to cover, for example, the cost of capital and administrative expenses. As a consequence of the application of this principle, SEK 171 million (154) has been recognised in Net gains/losses on financial transactions during the year, of which SEK 87 million was attributable to the reversal of non-recognised day 1 gains/losses in conjunction with the transition to a new method for reporting CVA (see note G1, Accounting policies). At the end of the year, non-recognised day 1 gains/losses amounted to SEK 538 million (630). At year-end 2019, non-recognised day 1 gains/losses included a component attributable to CVA, which was reversed during the first quarter in conjunction with the transition to a new method for reporting CVA, as explained above.

Principles for information about the fair values of financial instruments which are measured at amortised cost

Information about the fair values of financial instruments which are measured at amortised cost is given in note G38 and in the table below. These instruments essentially comprise lending, deposits and borrowing. For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

The valuation of fixed-rate lending is based on the current market rate with an adjustment for assumed credit and liquidity risk premiums on market terms. The premium is assumed to be the same as the average margin for new lending at the time of the measurement. Interest-bearing securities have been valued at the current market price where this has been available. Funding and interest-bearing securities for which market price information has not been available have been valued using a valuation model based on market data in the form of prices or interest for similar instruments.

In the table, the valuation used for the information about the fair value of financial instruments measured at amortised cost is categorised in the valuation hierarchy described above. Means of payment and deposits are considered to be equivalent to cash and have been categorised as level 1. Level 1 also contains interest-bearing securities (assets and liabilities) for which there is a current market price. Lending where the assumption about credit and liquidity premiums has materially affected the information about fair value has been categorised as level 3. Other instruments are categorised as level 2.

Fair value of financial instruments at amortised cost 2020

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	397,642	-	-	397,642
Other loans to central banks	21,326	-	-	21,326
Interest-bearing securities eligible as collateral with central banks	727	53	-	780
Loans to other credit institutions	13,259	8,071	588	21,918
Loans to the public	4,254	2,045	2,275,598	2,281,897
Assets where the customer bears the value change risk	-	60	-	60
Total	**437,208**	**10,229**	**2,276,186**	**2,723,623**
Liabilities				
Due to credit institutions	38,870	86,350	-	125,220
Deposits and borrowing from the public	1,202,742	26,999	-	1,229,741
Liabilities where the customer bears the value change risk	-	60	-	60
Issued securities	737,828	586,927	-	1,324,755
Subordinated liabilities	-	42,675	-	42,675
Total	**1,979,440**	**743,011**	**-**	**2,722,451**

Fair value of financial instruments at amortised cost 2019

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	327,958	-	-	327,958
Other loans to central banks	19,359	188	-	19,547
Interest-bearing securities eligible as collateral with central banks	549	475	-	1,024
Loans to other credit institutions	5,643	12,239	58	17,940
Loans to the public	4,871	121,759	2,174,849	2,301,479
Assets where the customer bears the value change risk	-	62	-	62
Total	**358,380**	**134,723**	**2,174,907**	**2,668,010**
Liabilities				
Due to credit institutions	47,519	100,803	-	148,322
Deposits and borrowing from the public	1,087,501	30,231	-	1,117,732
Liabilities where the customer bears the value change risk	-	62	-	62
Issued securities	840,701	551,116	-	1,391,817
Subordinated liabilities	-	35,825	-	35,825
Total	**1,975,721**	**718,037**	**-**	**2,693,758**

G40 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	**2020**	**2019**
Cash	28,157	18,399
Government instruments and bonds	2,398	7,526
Loans to the public	661,950	670,012
Shares	6,680	7,006
Assets where the customer bears the value change risk	193,198	169,675
Other	5,524	5,839
Total	**897,907**	**878,457**
of which pledged assets that may be freely withdrawn by the Bank	*28*	*38*

Other pledged assets SEK m	**2020**	**2019**
Cash	1,298	1,223
Government instruments and bonds	40,844	41,761
Loans to the public	-	-
Shares	6,285	6,760
Other	3	-
Total	**48,430**	**49,744**
of which pledged assets that may be freely withdrawn by the Bank	*37,504*	*39,110*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Pledged assets
Pledged assets are recognised as assets on the balance sheet. Assets pledged in the form of interest-bearing securities mainly comprise securities pledged as collateral to central banks and other credit institutions, for payment systems, securities trading and clearing and also securities sold under binding repurchase agreements (repos). Assets pledged in the form of equities mainly comprise lent equities and equities in the insurance operations.

Loans to the public pledged as security mainly comprise collateral registered for the benefit of holders of covered bonds issued by Stadshypotek. The collateral mainly comprises loans granted against mortgages in single-family homes, second homes, multi-family dwellings or housing co-operative apartments with a loan-to-value ratio within 75 per cent of the market value. In the event of the company's insolvency, pursuant to the Covered Bonds Act and the Right of Priority Act, the holders of the covered bonds have prior rights to the pledged assets. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must be kept separate from the bankruptcy estate's other assets and liabilities. The holders of the bonds will then continue to receive contractual payments under the terms of the bond until maturity.

Assets where the customer bears the value change risk mainly comprise units in unit-linked insurance contracts in Handelsbanken Liv where the policyholders have priority rights.

Collateral received
Collateral received is not recognised on the balance sheet. For reverse repurchase agreements and equity loans, securities are received that can be sold or repledged to a third party. The fair value of received securities under reverse repurchase agreements and agreements on equity loans was SEK 23,451 million (28,530) at the end of the financial year, where collateral worth SEK 8,400 million (8,761) had been sold or repledged to a third party. Information about received pledges for lending and other received collateral is shown in note G2.

Transferred financial assets recognised on the balance sheet
Transferred financial assets are recognised as assets on the balance sheet but, for these, the rights to future cash flows are directly or indirectly transferred to an external counterparty. Most of the transferred financial assets recognised on the balance sheet comprise interest-bearing securities which have been sold under binding repurchase agreements and lent equities. Normally the terms for the binding repurchases and equity loans are stipulated in framework agreements between the Bank and the respective counterparty.

Binding repurchase agreements imply selling securities with an undertaking to repurchase them at a fixed price at a pre-determined time in the future. The seller of the securities thus continues to be exposed to the risk of value changes during the life of the agreement. Securities sold under repurchase agreements remain at market value in the balance sheet throughout the life of the agreement. The purchase price received is reported as a liability to the counterparty. According to the standard terms of a repurchase agreement, the right of ownership of the sold securities is transferred in its entirety from the seller to the buyer. This means that the buyer has the right to sell on, repledge or otherwise dispose of the purchased securities.

According to the standard agreements for equity loans, the exposure to the value change in the lent equity remains with the lender. Lent equities thus remain on the balance sheet throughout the life of the loan. Collateral for lent securities is normally in the form of cash or other securities. Cash collateral received is recognised as a liability on the balance sheet. In the same way as for repurchase agreements, the standard agreement used for equity loans means that during the life of the loan, the borrower has the right to sell on, repledge or otherwise dispose of the borrowed securities.

Government instruments, bonds and equities provided as collateral for securities trading, clearing, etc. where the title to the instrument has been transferred to the counterparty are reported as other transferred financial assets. Transferred financial assets also include certain assets where the customer bears the value change risk. These assets comprise portfolios of financial instruments where the Bank has the formal right of ownership but where the risks related to the assets and also the right to future cash flows have been transferred to a third party. The valuation of these assets reflects the valuation of the corresponding liability item.

G40 Cont.

Transferred financial assets reported on the balance sheet	2020		2019	
SEK m	Carrying value	Carrying amount associated liability	Carrying value	Carrying amount associated liability
Shares, securities lending	6,526	306[1]	7,051	342[1]
Shares, other	-	-	-	-
Government instruments and bonds, repurchase agreements	386	-	5,811	-
Government instruments and bonds, other	1,108	-	549	-
Assets where the customer bears the value change risk	538	538	561	561
Total	**8,558**	**844**	**13,972**	**903**

[1] Received cash collateral.

G41 Contingent liabilities

SEK m	2020	2019
Contingent liabilities		
Guarantees, credits	9,802	11,936
Guarantees, other	67,156	77,089
Irrevocable letters of credit	2,299	4,301
Other	638	1,860
Total	**79,895**	**95,186**
of which subject to impairment testing	*79,895*	*95,186*
Obligations		
Loan commitments	331,230	303,491
Unutilised part of granted overdraft facilities	118,066	120,947
Other	14,128	15,229
Total	**463,424**	**439,667**
of which subject to impairment testing	322,547	313,990
Total contingent liabilities	**543,319**	**534,853**
Provision for expected credit losses reported as provisions, see note G34	366	241

Contingent liabilities
Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims
Companies within the Group are subjects of claims in a number of civil actions which are being pursued in general courts of law. The assessment is that the actions will essentially be settled in the Bank's favour. The assessment is that the amounts in dispute would not have a material effect on the Group's financial position or profit/loss.

G42 Leasing

HANDELSBANKEN AS LESSOR

Finance lease SEK m	2020	2019
Finance income from net investments	287	468
Variable lease fees	165	124
Total	**452**	**592**

Distribution of undiscounted lease receivables by maturity and net investment SEK m	2020	2019
Up to 1 yr	3,462	3,889
1 yr to 2 yrs	5,202	5,107
2 yrs to 3 yrs	4,606	6,119
3 yrs to 4 yrs	3,731	3,874
4 yrs to 5 yrs	2,521	4,074
Over 5 yrs	3,088	5,018
Total undiscounted lease receivables	**22,610**	**28,081**
Unearned finance income	-330	-466
Net investment	**22,280**	**27,615**

All leases where the Group is the lessor have been defined as finance leases. Lease agreements of this kind are accounted for as loans on the balance sheet, initially for an amount corresponding to the net investment. The change since the previous year is chiefly due to a decrease in leasing volumes (SEK -5bn), attributable to winding down operations. Lease assets mainly consist of vehicles and machines. All leases have guaranteed residual values. At year-end, the Group had three lease exposures each with an individual carrying amount exceeding SEK 1bn.

G42 Cont.

HANDELSBANKEN AS LESSEE

Income statement items SEK m	2020	2019
Interest expenses for lease liabilities	-73	-75
Total[1]	**-73**	**-75**
Depreciation and impairment of right-of-use assets		
Property	-844	-708
Equipment	-18	-17
Total[2]	**-862**	**-725**
Expenses for short-term leases	-39	-49
Expenses for leases in which the underlying asset is of low value	-15	-17
Variable lease fees that are not included in the calculation of lease liabilities	-102	-98
Total[3]	**-156**	**-163**

Balance sheet items SEK m	2020	2019
Right-of-use assets[4]		
Property	3,936	4,250
Equipment	53	66
Total	**3,989**	**4,316**
New right-of-use assets[5]	321	524
Lease liabilities[6]	4,008	4,240
Total cash outflows for leases	-946	-917

[1] Included in income statement item Interest expenses.
[2] Included in income statement item Depreciation, amortisation and impairment of property, equipment and intangible assets, of which SEK -107m (-) is an impairment loss.
[3] Included in income statement item Other expenses.
[4] Right-of-use assets are included in the Property and equipment balance sheet item.
[5] New lease agreements during the year included in right-of-use assets.
[6] Lease liabilities are included in the Other liabilities balance sheet item.

Time to maturity regarding lease liabilities SEK m	2020	2019
Up to 6 mths	375	395
6 mths to 1 yr	366	384
1 yr to 2 yrs	694	716
2 yrs to 5 yrs	1,644	1,692
Over 5 yrs	1,151	1,304
Total	**4,230**	**4,491**

The Bank's lease agreements primarily consist of contracts for the rental of premises. Excepting such contracts, other lease agreements refer mainly to multi-function printers, personal computers and various other office equipment.

The majority of contracts for the rental of premises have a term of three to ten years. Some of the Bank's contracts for the rental of premises include an option to extend the term of the agreement, entailing that the contract is extended for a specific period of time if it is not terminated by a specific point in time. There are also contracts for the rental of premises which include an option for the Bank to terminate the agreement before expiry. When determining the lease term, the options of extending the term or terminating the agreement before expiry are only included when it is highly probable that these options will be exercised.

The Bank has entered into lease agreements with maturities of under 12 months, and lease agreements in which the underlying asset is of low value, which are recognised as expenses in accordance with the exemption in IFRS 16 Leases, and thus are not included in lease liabilities or right-of-use assets.

G43 Segment reporting

Segment reporting 2020	Home markets									
SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	18,166	5,683	3,481	1,612	1,403	908	355	-2		31,606
Net fee and commission income	7,143	713	504	624	683	125	1,003	-9		10,786
Net gains/losses on financial transactions	461	176	57	123	-24	25	1,037	-418		1,437
Risk result – insurance							195			195
Share of profit of associates and joint ventures								18		18
Other income	33	1	32	8	10	2	23	97		206
Total income	**25,803**	**6,573**	**4,074**	**2,367**	**2,072**	**1,060**	**2,613**	**-314**		**44,248**
Staff costs	-3,657	-2,465	-822	-790	-448	-395	-1,927	-4,699	-140	-15,343
Other expenses	-877	-864	-203	-144	-212	-146	-750	-2,889		-6,085
Internal purchased and sold services	-4,662	-761	-509	-459	-519	-143	341	6,712		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-321	-267	-88	-49	-66	-56	-123	-936		-1,906
Total expenses	**-9,517**	**-4,357**	**-1,622**	**-1,442**	**-1,245**	**-740**	**-2,459**	**-1,812**	**-140**	**-23,334**
Profit before credit losses	**16,286**	**2,216**	**2,452**	**925**	**827**	**320**	**154**	**-2,126**	**-140**	**20,914**
Net credit losses	-177	-119	-270	-32	-193	-4	11	3		-781
Gains/losses on disposal of property, equipment and intangible assets	8	-7	7	2	-1	0	-3	-4		2
Operating profit	**16,117**	**2,090**	**2,189**	**895**	**633**	**316**	**162**	**-2,127**	**-140**	**20,135**
Profit allocation	332	49	40	12	27	5	-465			
Operating profit after profit allocation	**16,449**	**2,139**	**2,229**	**907**	**660**	**321**	**-303**	**-2,127**	**-140**	**20,135**
Internal income[1]	93	-1,193	-2,420	-210	-192	-387	-1,565	5,874		
C/I ratio, %	36.4	65.8	39.4	60.6	59.3	69.5	114.5			52.7
Credit loss ratio, %	0.01	0.04	0.10	0.01	0.11	0.01	-0.01	-4.23		0.03
Assets	2,060,831	428,208	269,129	124,276	236,555	81,723	335,443	2,350,662	-2,751,539	3,135,288
Liabilities	1,964,418	408,902	249,143	117,013	228,827	79,111	329,600	2,350,662	-2,763,861	2,963,815
Allocated capital	96,413	19,306	19,986	7,263	7,728	2,612	5,843		12,322	171,473
Return on allocated capital, %	14.0	8.9	8.8	9.8	6.7	10.0	-3.9			10.0
The year's investments in non-financial non-current assets	242	119	6	2	133	7	181	746	0	1,436
The year's investments in associates and joint ventures								96		96
Average number of employees	3,947	2,462	709	589	506	329	1,122	2,899		12,563

[1] Internal income which is included in total income comprises income from transactions with other operating segments and Other. Since interest income and interest expense are reported net as income, this means that internal income includes the net amount of the internal funding cost among segments and Other.

The business segments are recognised in accordance with IFRS 8 Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance. Handelsbanken's operations are presented in the following segments: Sweden, the UK, Norway, Denmark, Finland, the Netherlands and Capital Markets. Handelsbanken's branch operations, which provide universal banking services, were divided into 14 regional banks in 2020. Five of these are Swedish, and nine are located outside Sweden. Each regional bank is led by a head of regional bank, and is monitored as an independent profit centre. The Capital Markets segment is Handelsbanken's investment bank, including securities trading and investment advisory services. Its operations also include asset management, insurance operations and the Bank's international operations outside its home markets.

Profit/loss for the segments is reported before and after internal profit allocation. Internal profit allocation means that the unit which is responsible for the customer is allocated all the profits deriving from its customers' transactions with the Bank, regardless of the segment where the transaction was performed. Furthermore, income and expenses for services performed internally are reported net in the line item Internal purchased and sold services. Transactions among the segments are reported primarily according to the cost price principle. The Other and Adjustments and eliminations columns show items which do not belong to a specific segment or which are eliminated at Group level. Other includes Treasury and central departments, as well as transactions attributable to the provision for the Oktogonen profit-sharing scheme. The Adjustments and eliminations column includes adjustments for staff costs. Adjustments for staff costs contain the difference between the Group's pension costs calculated in accordance with IAS 19, Employee Benefits, and locally calculated pension costs.

Internal income mainly consists of internal interest and commissions. The segment income statements also include internal items in the form of payment for internal services rendered. Internal debiting is primarily according to the

G43 Cont.

Segment reporting 2019	Home markets									
SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	17,505	6,029	3,957	1,666	1,386	800	437	355		32,135
Net fee and commission income	6,739	777	546	600	754	151	1,135	-5		10,697
Net gains/losses on financial transactions	486	222	63	98	46	37	1,045	-698		1,299
Risk result – insurance							145			145
Share of profit of associates								32		32
Other income	52	1	9	8	17	-2	16	155		256
Total income	**24,782**	**7,029**	**4,575**	**2,372**	**2,203**	**986**	**2,778**	**-161**		**44,564**
Staff costs	-3,576	-2,384	-884	-768	-446	-400	-2,020	-2,837	-234	-13,549
Other expenses	-915	-962	-190	-140	-193	-86	-775	-3,263		-6,524
Internal purchased and sold services	-4,436	-758	-493	-427	-441	-142	150	6,547		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-297	-246	-94	-49	-70	-55	-118	-741		-1,670
Total expenses	**-9,224**	**-4,350**	**-1,661**	**-1,384**	**-1,150**	**-683**	**-2,763**	**-294**	**-234**	**-21,743**
Profit before credit losses	**15,558**	**2,679**	**2,914**	**988**	**1,053**	**303**	**15**	**-455**	**-234**	**22,821**
Net credit losses	-1,069	10	-99	3	103	-3	9	1		-1,045
Gains/losses on disposal of property, equipment and intangible assets	6	1	6	6	-1	0	0	2		20
Operating profit	**14,495**	**2,690**	**2,821**	**997**	**1,155**	**300**	**24**	**-452**	**-234**	**21,796**
Profit allocation	317	42	43	12	35	2	-451			
Operating profit after profit allocation	**14,812**	**2,732**	**2,864**	**1,009**	**1,190**	**302**	**-427**	**-452**	**-234**	**21,796**
Internal income[1]	134	-1,549	-3,596	-240	-185	-366	-2,515	8,317		
C/I ratio, %	36.8	61.5	36.0	58.1	51.4	69.1	118.7			48.8
Credit loss ratio, %	0.08	-0.01	0.02	-0.01	-0.09	0.01	-0.02	-0.17		0.04
Assets	1,921,625	444,290	285,043	131,170	212,525	71,342	314,164	2,257,922	-2,568,414	3,069,667
Liabilities	1,835,946	426,997	264,762	124,060	205,044	69,144	307,972	2,257,922	-2,582,012	2,909,835
Allocated capital	85,679	17,293	20,281	7,110	7,481	2,198	6,192		13,598	159,832
Return on allocated capital, %	13.8	13.3	12.0	12.0	13.3	11.8	-6.4			11.9
The year's investments in non-financial non-current assets	199	208	48	1	81	6	234	901		1,678
The year's investments in associates								-		-
Average number of employees	4,027	2,361	699	600	506	317	1,223	2,815		12,548

[1] During the first quarter of 2020, a reorganisation was carried out entailing that product ownership and business support operations for financial instruments, currencies and products in the fund management group were transferred from Group Products and Services to Handelsbanken Capital Markets. The remaining operations in Group Products and Services were simultaneously transferred from other operations to the Handelsbanken Sweden segment. During the first quarter of 2020, the decision was also made that the mutual fund and insurance commission received by the branch operations from Capital Markets, which were previously recognised at a net amount in the segment reporting in the item Profit allocation, are to be reported gross in the items Net fee and commission income and Internal purchased and sold services. The comparative figures presented in the table have therefore been recalculated.

cost price principle. In branch operations, assets consist mainly of loans to the public and liabilities of deposits from the public and also internal borrowing. In the Capital Markets segment, assets mainly consist of securities that are managed within the asset management and insurance operations. The assets in the Other column are mainly internal lending to the various segments, while the liabilities are mainly external borrowings. The allocated capital for the segments is the same as the capital allocation according to the internal financial control model.

Income per product area SEK m	2020	2019
Household deposits and lending	15,944	15,725
Corporate deposits and lending	17,394	17,784
Payments, net	1,688	2,025
Asset management	5,411	5,036
Pension & insurance	858	854
Investment bank services	1,679	1,201
Other	1,274	1,939
Total	**44,248**	**44,564**

G44 Geographical information

Geographical information 2020 SEK m	Income	Operating profit	Tax	Assets
Sweden	27,858	14,522	-3,747	2,685,867
UK	6,318	1,926	-487	352,299
Norway	3,844	1,991	-470	314,086
Denmark	2,310	695	-165	139,552
Finland	2,173	748	-178	268,118
The Netherlands	1,088	309	-75	76,657
USA	206	66	-2	219,199
Luxembourg	184	80	-8	38,252
China	107	11	0	1,443
Germany	85	-136	4	8,869
France	61	30	-4	3,859
Singapore	9	-14	0	774
Poland	4	-76	-2	523
Estonia	0	-13	-	-
Latvia	1	-2	-	-
Lithuania	0	-2	-	-
Eliminations	-	-	587	-974,210
Group	**44,248**	**20,135**	**-4,547**	**3,135,288**

Income, operating profit and assets presented in the geographical information are composed of internal and external income, expenses and assets in the respective country. The geographical distribution of income and expenses is based on the country where the business transaction has been carried out, and is not comparable with the reported segment information. Tax includes current and deferred taxes. Additional geographical information is provided in note P16 concerning the domicile of subsidiaries and associates and in note G8 concerning average number of employees per country.

Geographical information 2019 SEK m	Income	Operating profit	Tax	Assets
Sweden	26,621	13,886	-4,078	2,612,909
UK	7,185	3,074	-830	360,677
Norway	4,336	2,646	-615	316,359
Denmark	2,312	849	-165	143,762
Finland	2,214	1,143	-201	262,504
The Netherlands	1,022	326	-74	66,371
USA	288	43	-20	340,105
Luxembourg	192	80	-20	43,596
China	123	-84	-11	5,300
Germany	100	-15	-10	14,011
France	64	31	-5	4,002
Singapore	49	-85	3	6,444
Poland	40	-57	-	1,118
Estonia	12	-14	-	215
Latvia	4	-13	-	482
Lithuania	2	-14	-	45
Eliminations	-	-	1,155	-1,108,233
Group	**44,564**	**21,796**	**-4,871**	**3,069,667**

G45 Assets and liabilities by currency

2020 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	84,525	128,206	18,025	212	100,280	65,480	914	397,642
Other loans to central banks	-	-	2,862	17,371	1,093	-	-	21,326
Loans to other credit institutions	2,083	10,886	1,280	294	1,394	4,534	1,449	21,920
Loans to the public	1,418,660	239,227	259,469	97,781	236,368	15,441	2,666	2,269,612
of which companies	506,541	151,899	161,117	34,499	161,817	15,273	1,125	1,032,271
of which households	*912,119*	*87,328*	*98,352*	*63,282*	*74,551*	*168*	*1,541*	*1,237,341*
Interest-bearing securities eligible as collateral with central banks	89,688	5,457	839	19	-	2,368	762	99,133
Bonds and other interest-bearing securities	33,813	1,420	7,285	16	0	2,032	-	44,566
Other items not broken down by currency	281,089							281,089
Total assets	**1,909,858**	**385,196**	**289,760**	**115,693**	**339,135**	**89,855**	**5,791**	**3,135,288**
Liabilities								
Due to credit institutions	48,198	36,846	20,498	229	5,087	13,396	469	124,723
Deposits and borrowing from the public	732,785	132,828	83,757	47,247	208,449	22,651	2,046	1,229,763
of which companies	*310,737*	*106,377*	*58,415*	*24,285*	*149,183*	*18,513*	*1,365*	*668,875*
of which households	*422,048*	*26,451*	*25,342*	*22,962*	*59,266*	*4,138*	*681*	*560,888*
Issued securities	478,803	390,814	24,709	104	68,531	331,087	16,689	1,310,737
Subordinated liabilities	3,002	15,213	-	-	0	22,867	-	41,082
Other items not broken down by currency, incl. equity	428,983							428,983
Total liabilities and equity	**1,691,771**	**575,701**	**128,964**	**47,580**	**282,067**	**390,001**	**19,204**	**3,135,288**
Other assets and liabilities broken down by currency, net		190,618	-160,732	-68,039	-56,983	300,144	13,444	
Net foreign currency position		113	64	74	85	-2	31	365

Note G2 describes the Bank's view of foreign exchange risk.

2019 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	46,552	114,477	22,096	291	85,069	58,039	1,434	327,958
Other loans to central banks	13	182	2,868	15,484	1,000	-	0	19,547
Loans to other credit institutions	2,260	5,569	440	366	1,046	7,028	1,230	17,939
Loans to the public	1,372,132	243,507	280,110	104,095	267,214	20,803	4,742	2,292,603
of which companies	*499,072*	*157,535*	*176,218*	*38,050*	*181,116*	*20,588*	*2,832*	*1,075,411*
of which households	*873,060*	*85,972*	*103,892*	*66,045*	*86,098*	*215*	*1,910*	*1,217,192*
Interest-bearing securities eligible as collateral with central banks	91,603	8,256	1,144	20	-	1,358	1,006	103,387
Bonds and other interest-bearing securities	32,612	2,032	4,112	12	0	3,872	-	42,640
Other items not broken down by currency	265,593							265,593
Total assets	**1,810,765**	**374,023**	**310,770**	**120,268**	**354,329**	**91,100**	**8,412**	**3,069,667**
Liabilities								
Due to credit institutions	38,010	89,030	5,384	4,119	2,527	8,428	491	147,989
Deposits and borrowing from the public	649,470	121,251	74,402	50,035	196,003	21,310	5,354	1,117,825
of which companies	*260,874*	*96,867*	*50,526*	*27,568*	*128,848*	*17,161*	*4,781*	*586,625*
of which households	*388,596*	*24,384*	*23,876*	*22,467*	*67,155*	*4,149*	*573*	*531,200*
Issued securities	469,814	345,368	25,878	100	68,584	451,930	23,287	1,384,961
Subordinated liabilities	3,003	15,829	-	-	19	16,697	-2	35,546
Other items not broken down by currency, incl. equity	383,346							383,346
Total liabilities and equity	**1,543,643**	**571,478**	**105,664**	**54,254**	**267,133**	**498,365**	**29,130**	**3,069,667**
Other assets and liabilities broken down by currency, net		197,540	-204,941	-65,918	-87,015	407,292	20,776	
Net foreign currency position		85	165	96	181	27	58	612

G46 Interests in unconsolidated structured entities

SEK m	Fund holdings 2020	Fund holdings 2019
Assets		
Shares	6,543	6,825
Assets where the customer bears the value change risk	177,754	155,912
Total interests in structured unconsolidated entities	**184,297**	**162,737**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are regulated by means of contractual arrangements. Handelsbanken's interests in unconsolidated structured entities are limited and consist of fund holdings. Funds are owned primarily through unit-linked insurance contracts at Handelsbanken Liv and similar contracts in other countries. Investments in funds through unit-linked insurance contracts are never consolidated, see note G1, so these are unconsolidated structured entities. Handelsbanken also owns some fund holdings in its role as market maker. Where these holdings are not consolidated, they are interests in unconsolidated entities. The maximum exposure to loss on all interests in unconsolidated structured entities is the current carrying amount of the interest. The total assets for these entities are not considered meaningful for the purpose of understanding the related risks and so have not been presented.

G47 Related-party disclosures

Claims on and liabilities to related parties SEK m	Associates 2020	Associates 2019	Other related parties 2020	Other related parties 2019
Loans to the public	493	591	-	-
Other assets	32	-	560	6
Total	**525**	**591**	**560**	**6**
Deposits and borrowing from the public	116	72	853	724
Subordinated liabilities	-	-	-	-
Other liabilities	-	-	-	11
Total	**116**	**72**	**853**	**735**

Related parties – income and expenses SEK m	Associates 2020	Associates 2019	Other related parties 2020	Other related parties 2019
Interest income	9	7	-	0
Interest expenses	0	0	-	-16
Fee and commission income	-	0	-	-
Fee and commission expenses	-216	-65	-	-37
Net gains/losses on financial items at fair value	0	0	-	-
Other income	0	0	19	18
Other expenses	-55	0	-80	-67
Total	**-262**	**-58**	**-61**	**-102**

A list of associates and information about shareholder contributions to associates is presented in note G18. The associates' operations comprise various types of services related to the financial markets. The following companies comprise the group of other related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Försäkringsförening (pension fund). These companies use Svenska Handelsbanken AB for normal banking and accounting services.

The parent company's Swedish subsidiaries have paid pension premiums relating to defined benefit pensions in an amount of SEK 79m (67) to the pension fund. The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 7,704m (7,461). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 545m (498) regarding pension costs, SEK - m (-) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 43m (29) for measures to benefit the employees.

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.

G48 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

G49 Capital adequacy

The numbering of certain tables and figures in this Note is consistent with the numbering used in Handelsbanken's publication "Risk and Capital – Information according to Pillar 3".

CAPITAL POLICY

The Bank aims to maintain a robust capital level which meets the risk entailed in the Group's operations and which exceeds the minimum requirements prescribed by legislation. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

CAPITAL REQUIREMENTS REGULATIONS

According to the capital adequacy regulations, Regulation (EU) No 575/2013 EU (CRR) and directive 2013/36/EU (CRD IV), the Bank must have common equity tier 1 capital, tier 1 capital and total own funds which at least correspond to the individual requirements relative to the total risk-weighted exposure amount for credit risk, market risk and operational risk. In addition to holding capital in accordance with the minimum requirement, the Bank must also hold common equity tier 1 capital to comply with the combined buffer requirement which, in Sweden, comprises the sum of a capital conservation buffer, a countercyclical buffer, a systemic risk buffer and a buffer for other systemically important institutions. The Bank has a minimum capital requirement under Pillar 2. The Pillar 2 requirement is an individual requirement determined by the Swedish Financial Supervisory Authority which is intended to cover risks which are underestimated or not covered by the regulation's minimum requirement and combined buffer requirements. In future supervisory processes, the Bank will also receive guidance in Pillar 2 from the Swedish Financial Supervisory Authority, i.e. the authority's view of Bank's minimum buffer requirement relative to the established capital requirement. The Bank must also perform an internal capital assessment. Handelsbanken's capital policy states the guidelines for the internal capital assessment. The Bank must also comply with a capital requirement at the financial conglomerate level in accordance with the Financial Conglomerates (Special Supervision) Act (2006:531). Since 1 February 2016, the resolution authority, which in Sweden is the National Debt Office, must set a minimum requirement for own funds and eligible liabilities (MREL) for the Bank. In 2020, the Bank met all the statutory minimum and buffer levels by a comfortable margin. More detailed information about the Bank's own funds and capital requirement is available in note G2, Risk and capital management, and in Handelsbanken's publication titled Risk and Capital – Information according to Pillar 3 (see handelsbanken.com/ir). This publication also provides a complete description of the terms and conditions applying to all of Handelsbanken's own funds instruments.

DESCRIPTION OF CONSOLIDATED SITUATION

The regulatory consolidation (consolidated situation) consists of the parent company, subsidiaries and associates that are also included in the consolidated Group accounts, as shown in table 2.10, Companies included in consolidated situation. The companies that are included in the consolidated accounts but are excluded from the consolidated situation are also shown in table 2.10, Companies included in consolidated situation. Just as in the consolidated accounts, associates are consolidated using the equity method in the regulatory consolidated situation. Subsidiaries are further consolidated according to the acquisition method. All subsidiaries which are subject to the regulations are included in the consolidated situation. Handelsbanken has no subsidiaries where the actual own funds are less than the prescribed own funds.

DESCRIPTION OF OWN FUNDS FOR CONSOLIDATED SITUATION

Own funds consist of tier 1 capital and tier 2 capital. The tier 1 capital is divided into common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital consists mainly of share capital, retained earnings and other reserves in the companies that are included in the consolidation. Remaining tier 1 capital consists of additional tier 1 instruments. The tier 2 capital mainly consists of subordinated loans. Certain deductions are subsequently made from own funds. The deductions are made mainly from the common equity tier 1 capital. For the Bank's risk management, it is important that in risk terms, both the Group and the regulatory consolidation can be viewed as one unit. To enable efficient risk management in the Group, capital may need to be re-allocated among the various companies in the Group. In general, Handelsbanken is able to re-allocate capital among the Group companies, to the extent that is permitted by legislation, for example, capital adequacy requirements and restrictions in corporate law. The Bank sees no other material or legal obstacles to a rapid transfer of funds from own funds, or repayment of liabilities between the parent company and its subsidiaries.

Tier 1 capital

Tier 1 capital consists of common equity tier 1 capital and additional tier 1 capital.

Common equity tier 1 (CET1) capital

Common equity tier 1 capital consists chiefly of share capital, retained earnings and other reserves in the companies that are included in the regulatory consolidation. Since the Group's insurance companies are not part of the consolidation, shown in the table on page 191, retained earnings in these companies are not included in the common equity tier 1 capital. The items to be excluded from the common equity tier 1 capital are mainly goodwill and other intangible assets, and also capital contributions to the insurance companies in the Group or certain deferred tax assets which exceed 10 per cent of the common equity tier 1 capital. The total of capital contributions and deferred tax assets must not exceed 15 per cent of the common equity tier 1 capital. Since neither the capital contributions to the insurance companies in the Group nor the deferred tax assets exceed the threshold value, these do not reduce the common equity tier 1 capital. Neutrality adjustments are made for the effect of cash flow hedges on equity. A price adjustment must also be calculated and when necessary, be made for a cautious valuation of instruments at fair value. Institutions with permission to use internal ratings-based models must make a deduction for the difference between expected credit losses according to the IRB approach and the provisions made for probable credit losses if the expected credit losses exceed the provisions made. A deduction must also be made for the net value of recognised surplus values in pension assets. However, the deduction may be reduced by an amount corresponding to the Bank's right to reimbursement for pension costs from Handelsbanken's pension foundation. In addition, a deduction is made for permission to hold own shares in its capacity as market maker. The deduction must correspond to the highest market value covered by the permission. Finally, a deduction is made for investments in securitisation, and an adjustment is made for the effect of changes in own credit risk in derivative instruments.

Additional tier 1 capital

Additional tier 1 capital consists of instruments which fulfil the requirements for additional tier 1 capital. This capital must be perpetual and must be redeemable after five years at the earliest, but only after permission is granted by the supervisory authority. It must be possible to write down the nominal value or convert it to shares to create common equity tier 1 capital at a pre-defined level for the common equity tier 1 capital and it must be possible to unconditionally suspend interest payments.

The Bank's total additional tier 1 capital amounts to SEK 12.2 billion. Of this amount, additional tier 1 capital for SEK 8.1 billion was issued in 2020 and SEK 4.1 billion was issued in 2019, which fulfils the requirements of CRR. If there are no distributable funds, coupon payments must be suspended for additional tier 1 capital.

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Tier 2 capital
The tier 2 capital consists of subordinated loans with a maturity of at least five years. Deductions are made for subordinated loan contributions to the insurance companies within the Group.

CAPITAL REQUIREMENTS

Credit risk
The capital requirements for credit risk are calculated according to the standardised approach and the IRB approach according to CRR. There are two different IRB approaches: the IRB approach without own estimates of LGD and CCF (the foundation approach), and the IRB approach with own estimates of LGD and CCF (the advanced approach).

In the IRB approach without own estimates of LGD and CCF, the Bank uses its own method to determine the probability of the customer defaulting within one year (PD), while the other parameters are set out in CRR. In the IRB approach with own estimates of LGD and CCF, the Bank uses its own methods to calculate the loss given default (LGD) and the credit conversion factor (CCF). A definition of the credit conversion factor (CCF) is provided in Handelsbanken's Fact Book.

Handelsbanken uses the IRB approach without own estimates of LGD and CCF for exposures to institutions and for certain product and collateral types for corporate exposures in the whole of the regional banking operations and in the following subsidiaries: Stadshypotek AB, Handelsbanken Finans AB, Ecster AB and Rahoitus Oy.

The IRB approach with own estimates of LGD and CCF is applied to most exposures to large corporates, medium-sized companies, property companies and housing co-operative associations in the regional banks (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, for retail exposures in Sweden, Norway, Denmark and Finland, and in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB, Ecster AB and Rahoitus Oy.

For Handelsbanken's subsidiary, Handelsbanken plc, the capital requirements for retail exposures are determined according to the standardised approach, while the capital requirements for corporate exposures at the consolidated level are determined according to the IRB approach, and the local capital requirement is determined according to the standardised approach. From 1 January 2021 onwards, the Swedish Financial Supervisory Authority has determined that the credit risk for all exposures at Handelsbanken plc will be calculated according to the standardised method.

At year-end, the IRB approach was applied to 86 per cent (86) of the total risk-weighted exposure amount for credit risk. For the remaining credit risk exposures, the capital requirements are calculated using the standardised approach. Figures reported in this section refer to the minimum capital requirements under Pillar 1 and buffers of the capital adequacy regulations, CRR and CRD IV.

The total average risk weight for exposures approved for the IRB approach decreased during the year to 11.7 per cent (13.7). The decrease is mainly a result of the breakdown of the portfolio, in that exposure classes with somewhat lower risk weights: sovereigns, housing co-operative associations and households, have risen proportionally slightly more than those with higher risk weights. The total average risk weight, including the risk weight floor, for Swedish mortgage loans under Pillar 1 is 18.4 per cent (20.0).

Credit quality is good. Of Handelsbanken's corporate exposures, 98 per cent (98) were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's ten-point risk rating scale.

In 2017, Handelsbanken received permission to use new PD models for companies in the IRB approach. The models are based on historical default frequency, by both risk class and portfolio. The estimates for each portfolio are based on the Bank's internal data and data from other sources, such as external credit rating agencies, and the duration of a business cycle in which one of five years is a downturn year and in which the Swedish banking crisis of the 1990s is taken into account, as required by the Swedish Financial Supervisory Authority. Significant margins of conservatism are added, and the PD for the portfolios are not expected to vary year on year. The estimates by risk class are based on the Bank's internal default data and a model that determines the relationship of probability of default between different risk classes. The margins are then added up so that each portfolio's aggregate PD corresponds to the estimated portfolio PD. This means that the PD for each risk class may vary over time even if the portfolio PD does not, as counterparties may move between risk classes over time.

The capital requirements for equity exposures in the IRB approach are calculated according to a simplified risk weight method.

Further information about changes during the year is provided in the Bank's interim reports for 2020 and the publication 'Risk and Capital – Information according to Pillar 3'.

Market risks
The capital requirement for market risk is calculated for the Bank's consolidated situation. The capital requirements for interest rate risk and equity price risk are, however, only calculated for positions in the trading book. When calculating the capital requirement for market risk, the standardised approach is applied.

Capital requirement for operational risk
Handelsbanken uses the standardised approach to calculate the capital requirement for operational risk. According to the standardised approach, the capital requirement is calculated by multiplying a factor specified in the regulations by the average operating income during the last three years of operation. Different factors are applied in different business segments.

The total capital requirement for operational risks for the consolidated situation was SEK 5,489 million (5,282) at the end of 2020.

CAPITAL ADEQUACY FOR THE FINANCIAL CONGLOMERATE

Institutions and insurance companies which are part of a financial conglomerate must have own funds which are adequate in relation to the capital requirement for the financial conglomerate. Own funds and the capital requirement for the financial conglomerate have been calculated according to the deduction and aggregation method (method 2, Annex I, Directive 2002/87/EC). The financial conglomerate's total own funds exceed the financial conglomerate's capital requirement.

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

The Bank Recovery and Resolution Directive (2014/59/EU, BRRD), was implemented in Swedish law through the Resolution Act (2015:1016). These regulations state ways to manage bank crises, and enable authorities, within a set framework, to assume control of, restructure and sell either all or parts of a bank, without liquidating the bank or entering it into bankruptcy. In addition to these crisis management measures, the regulations offer the opportunity to write down certain debt instruments to recapitalise a crisis-hit bank.

One aspect of these regulations was the introduction of a minimum requirement for such liabilities eligible for impairment (MREL) from 1 January 2018. The minimum requirement is set in the Bank's resolution plan, drawn up by the Swedish National Debt Office and the Swedish Financial Supervisory Authority. The Bank's 2021 MREL amounts to 5.7 per cent (5.8) of total liabilities and own funds at consolidated level. The requirement is comprised of a loss absorption amount and a recapitalisation amount.

The Swedish National Debt Office also applies the liabilities proportion principle, meaning that MREL must partially be fulfilled solely with eligible, qualified liabilities (as opposed to own funds). To meet this requirement, a new type of debt instrument was introduced in Swedish legislation in December 2018. This type is subordinate to current senior debt instruments, but ranks more highly than own funds instruments as part of a resolution procedure. Handelsbanken has issued this type of subordinated debt instrument in 2019 and 2020. The regulations have been adapted to align with new EU directives in 2020, as well as being affected by adjustments brought about by the pandemic. Handelsbanken is monitoring developments.

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Table 2.10 (Pillar 3) Companies included in consolidated situation

Companies included in consolidated situation	Ownership share[2], %	Corporate identity number	Domicile
Handelsbanken AB (publ)[1]		502007-7862	Stockholm
SUBSIDIARIES			
Handelsbanken Finans AB[1]	100	556053-0841	Stockholm
Stadshypotek AB[1]	100	556459-6715	Stockholm
Svenska Intecknings Garanti AB Sigab (inactive)	100	556432-7285	Stockholm
Handelsbanken Fondbolagsförvaltning AB	100	556070-0683	Stockholm
Handelsbanken Fonder AB	100	556418-8851	Stockholm
Handelsinvest Investeringsforvaltning A/S	100	12930879	Copenhagen
Xact Kapitalförvaltning AB	100	556997-8140	Stockholm
AB Handel och Industri	100	556013-5336	Stockholm
Ecster AB	100	556993-2311	Stockholm
Handelsbanken plc[1]	100	11305395	London
Handelsbanken Wealth & Asset Management	100	04132340	London
Heartwood Nominees Limited (inactive)	100	2299877	London
Heartwood Second Nominees Limited (inactive)	100	3193458	London
Heartwood ACD Limited (inactive)	100	4332528	London
Svenska Property Nominees Limited (inactive)	100	2308524	London
Optimix Vermogensbeheer N.V.	100	33194359	Amsterdam
Add Value Fund Management B.V.	80	19196768	Amsterdam
Optimix Beheer en Belegging B.V. (inactive)	100	33186584	Amsterdam
Other subsidiaries			
Ejendomsselskabet af 1. maj 2009 A/S[1]	100	59173812	Hillerød
Forva AS	100	945812141	Oslo
Handelsbanken Markets Securities, Inc[1]	100	11-3257438	New York
Handelsbanken Rahoitus Oy	100	0112308-8	Helsinki
Lokalbolig A/S	72	78488018	Hillerød
Rådstuplass 4 AS	100	910508423	Bergen
Blå stugan i Stockholm	100	556993-9357	Stockholm
Bidtruster AB	100	556993-9084	Stockholm
Subsidary of Handelsbanken Liv Försäkrings AB			
Handelsbanken Fastigheter AB	100	556873-0021	Stockholm
ASSOCIATES			
Bankomat AB	20	556817-9716	Stockholm
BGC Holding AB	25.38	556607-0933	Stockholm
Bankgirocentralen BGC AB[2]	100	556047-3521	Stockholm
Torig AB	100	556564-5404	Stockholm
Finansiell ID-teknik BID AB	28.3	556630-4928	Stockholm
USE Intressenter AB	24.48	559161-9464	Stockholm
Getswish AB	20	556913-7382	Stockholm
JOINT VENTURES			
P27 Nordic Payments Platform AB	16.7	559198-9610	Stockholm
Invidem AB	16.7	559210-0779	Stockholm

[1] Credit institution.
[2] Refers to ownership shares in subsidiaries and associates.

Companies not included in consolidated situation	Ownership share[2], %	Corporate identity number	Domicile
Handelsbanken Liv Försäkring AB (Group excl.	100	516401-8284	Stockholm
Svenska Re S.A.	100	RCS Lux B-32053	Luxembourg
Handelsbanken Skadeförsäkrings AB	100	516401-6767	Stockholm
SHB Liv Försäkringsaktiebolag	100	2478149-7	Helsinki
Svenska RKA International Insurance Services AB (inactive)	100	556324-2964	Stockholm
Dyson Group plc	27	00163096	Sheffield
Dyson Industries Ltd	100	1187031	Sheffield
Beepart Ltd	100	177682	Sheffield
Pickford Holland & Company Ltd	100	128414	Sheffield
Millennium Materials Inc	100	-	Knoxville
Dyson US holdings Inc	100	-	Wilmington
EFN Ekonomikanalen AB	100	556930-1608	Stockholm

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Table 2.1 (Pillar 3) Balance sheet

Balance sheet	2020		2019	
SEK m	Consolidated situation	Group	Consolidated situation	Group
ASSETS				
Cash and balances with central banks	397,642	397,642	327,958	327,958
Other loans to central banks	21,326	21,326	19,547	19,547
Interest-bearing securities eligible as collateral with central banks	99,133	99,133	103,387	103,387
Loans to other credit institutions	21,915	21,920	17,934	17,939
Loans to the public	2,270,744	2,269,612	2,293,735	2,292,603
Value change of interest-hedged item in portfolio hedge	25	25	25	25
Bonds and other interest-bearing securities	44,566	44,566	42,640	42,640
of which interest-bearing instruments classified as available for sale (carrying amount)	*7,964*	*7,964*	*4,953*	*4,953*
of which interest-bearing instruments classified as available for sale, accumulated value change	*-67*	*-67*	*-73*	*-73*
Shares	14,322	21,045	14,340	21,390
of which shares classified as available for sale (carrying amount)	*700*	*700*	*2,303*	*2,303*
of which shares classified as available for sale, accumulated value change	*156*	*156*	*739*	*739*
Investments in associates	6,639	386	6,560	285
Assets where the customer bears the value change risk	7,504	197,212	6,514	174,988
Derivative instruments	30,614	30,614	41,545	41,545
of which cash flow hedges	*3,353*	*3,353*	*4,203*	*4,203*
Reinsurance assets	-	11	-	11
Intangible assets	11,149	11,330	11,051	11,185
Property and equipment	6,231	6,232	6,644	6,645
Current tax assets	984	988	50	53
Deferred tax assets	1,218	1,218	693	693
of which related to cash flow hedges	-	-	-	-
of which related to interest-bearing instruments classified as available for sale	*19*	*19*	*20*	*20*
Pension assets	2,055	2,005	700	654
Assets held for sale	1,657	1,657	1	1
Other assets	5,915	6,113	5,917	6,167
Prepaid expenses and accrued income	2,222	2,253	1,925	1,951
Total assets	**2,945,861**	**3,135,288**	**2,901,166**	**3,069,667**
LIABILITIES AND EQUITY				
Due to credit institutions	124,635	124,723	147,934	147,989
Deposits and borrowing from the public	1,230,589	1,229,763	1,117,260	1,117,825
Liabilities where the customer bears the value change risk	7,504	197,212	6,514	174,988
Issued securities	1,310,737	1,310,737	1,384,961	1,384,961
Derivative instruments	32,819	32,819	20,642	20,642
of which cash flow hedges	-	-	-	-
Short positions	1,682	1,682	1,856	1,856
Insurance liabilities	-	557		578
Current tax liabilities	0	25	1,264	1,284
Deferred tax liabilities	5,315	5,353	5,594	5,634
of which related to cash flow hedges	*870*	*870*	*1,144*	*1,144*
of which related to interest-bearing instruments classified as available for sale	*16*	*16*	*27*	*27*
Provisions	2,294	2,302	1,132	1,141
Pension obligations	0	0	0	0
Liabilities related to assets held for sale	-	-	-	-
Other liabilities	13,573	13,928	13,714	14,038
Accrued expenses and deferred income	3,524	3,632	3,271	3,353
Subordinated liabilities	41,082	41,082	35,546	35,546
of which tier 1 capital loans	*21,980*	*21,980*	*15,819*	*15,819*
of which loans with remaining time to maturity >5 yrs	*18,032*	*18,032*	*18,639*	*18,639*
of which loans with remaining time to maturity <5 yrs	-	-	-	-
of which other loans	-	-	*2*	*2*
Total liabilities	**2,773,754**	**2,963,815**	**2,739,688**	**2,909,835**
Minority interest	9	9	8	8
Share capital	3,069	3,069	3,069	3,069
Holdings of own shares	*0*	*0*	*0*	*0*
Share premium reserve	8,758	8,758	8,758	8,758
of which equity from compound financial instruments	-	-	*0*	*0*
Other reserves	8,562	8,532	13,130	13,141
Retained earnings	137,177	135,520	119,799	117,934
Profit for the year (attributable to shareholders of Svenska Handelsbanken AB)	14,532	15,585	16,714	16,922
Total equity	**172,107**	**171,473**	**161,478**	**159,832**
Total liabilities and equity	**2,945,861**	**3,135,288**	**2,901,166**	**3,069,667**

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Table 2.2 (Pillar 3) Own funds

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013. Excluded rows are deemed not relevant for Handelsbanken at present.

Transitional own funds		2020		2019	
	SEK m	Amount at disclosure date	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Regulation (EU) No 575/2013 article reference
	Common equity tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	11,827		11,827	26 (1), 27, 28, 29, EBA list 26 (3)
	Of which: share capital	*11,827*		*11,827*	*EBA list 26 (3)*
	Of which: convertible securities				*EBA list 26 (3)*
2	Retained earnings	137,177		119,799	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	8,562		13,130	26.1
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	6,414		5,824	26.2
6	**Common equity tier 1 (CET1) capital before regulatory adjustments**	**163,980**		**150,580**	
	Common equity tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-399		-399	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-11,217		-11,119	36 (1) (b), 37
11	Fair value reserves related to gains or losses on cash flow hedges	-3,353		-4,203	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-779		-1,581	36 (1) (d), 40, 159
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	9		-	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)	-1,615		-	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-466		-527	36 (1) (f), 42
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-		-20	36 (1) (k)
20c	*Of which: securitisation positions (negative amount)*	-		*-20*	*36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258*
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-		-	36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)	-		-	48.1
23	*Of which: direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities*	-		-	*36 (1) (i), 48 (1) (b)*
25	*Of which: deferred tax assets arising from temporary differences*	-		-	*36 (1) (c), 38, 48 (1) (a)*
25a	Losses for the current financial year (negative amount)	-		-	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-		-	36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-		-	36 (1) (j)
28	**Total regulatory adjustments to common equity tier 1 (CET1) capital**	**-17,820**		**-17,849**	
29	**Common equity tier 1 (CET1) capital**	**146,160**		**132,731**	

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Transitional own funds		2020		2019	
SEK m		Amount at disclosure date	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Regulation (EU) No 575/2013 article reference
	Additional tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	21,980		15,819	51, 52
32	*Of which: classified as liabilities under applicable accounting standards*	*21,980*		*15,819*	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-		-	486.3
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**21,980**		**15,819**	
	Additional tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-9,808		-	52 (1) (b), 56 (a), 57
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	56 (d), 59, 79
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-		-	56 (e)
43	**Total regulatory adjustments to additional tier 1 (AT1) capital**	**-9,808**		**-**	
44	**Additional tier 1 (AT1) capital**	**12,172**		**15,819**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**158,332**		**148,550**	
	Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	18,032		18,639	62, 63
50	Credit risk adjustments	10		-	62 c and d
51	**Tier 2 (T2) capital before regulatory adjustments**	**18,042**		**18,639**	
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-		-	63 (b) (i), 66 (a), 67
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1,129		-1,129	66 (d), 69, 79
57	**Total regulatory adjustments to tier 2 (T2) capital**	**-1,129**		**-1,129**	
58	**Tier 2 capital**	**16,913**		**17,510**	
59	**Total capital (TC = T1 + T2)**	**175,245**		**166,060**	
60	**Total risk-weighted assets**	**721,403**		**716,462**	
	Capital ratios and buffers				
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	20.3		18.5	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	21.9		20.7	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	24.3		23.2	92 (2) (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of total risk exposure amount)	6.6		7.4	CRD 128, 129, 130
65	*Of which: capital conservation buffer requirement*	*2.5*		*2.5*	
66	*Of which: countercyclical buffer requirement*	*0.1*		*1.9*	
67	*Of which: systemic risk buffer requirement*	*3.0*		*3.0*	
67a	*Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*1.0*		*0.0*	*CRD 131*
68	Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	15.8		14.0	CRD 128
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0		0	36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		-	36 (1) (i), 45, 48
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0		-2	36 (1) (c), 38, 48

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Transitional own funds		2020		2019	
SEK m		Amount at disclosure date	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Regulation (EU) No 575/2013 article reference
	Applicable caps on the inclusion of provisions tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		-	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,629		1,084	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-		-	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	3,074		3,308	62
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-		-	484 (3), 486 (2) and (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		-	484 (3), 486 (2) and (5)
82	Current cap on AT1 instruments subject to phase out arrangements	-		-	484 (4), 486 (3) and (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		-	484 (4), 486 (3) and (5)
84	Current cap on T2 instruments subject to phase out arrangements	-		-	484 (5), 486 (4) and (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		-	484 (5), 486 (4) and (5)

Table 2:12 (Pillar 3) Capital adequacy financial conglomerate
The table illustrates the relationship between capital and capital requirements for the financial conglomerate. The surplus has increased compared to the previous year.

Capital adequacy financial conglomerate SEK m	2020	2019
Own funds after reduction and adjustments	188,214	174,186
Capital requirements	143,133	153,484
Surplus	**45,081**	**20,702**

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Table 2.11 (Pillar 3) EU OV1 – Overview of RWAs

The table shows risk-weighted exposure amounts (RWA) for credit risk, counterparty risk, market risk and operational risk the end of 2020 and the previous year. The amounts stated for credit risk are calculated for exposures processed according to the standardised approach, the foundation IRB approach and the advanced IRB approach. The amounts stated for market risk and operational risk are calculated for exposures processed according to the standardised approach. The RWA for credit risk has increased compared to the previous year. The RWA for counterparty risk has decreased compared to the previous year. The RWA for market risk has decreased compared to the previous year. The RWA for operational risk has increased compared to the previous year.

EU OV1 – Overview of risk-weighted exposure amounts		RWAs		Minimum capital requirements
SEK m		2020	2019	2020
	1 Credit risk (excluding CCR)	587,301	626,682	46,985
Article 438(c)(d)	2 Of which standardised approach	83,735	86,573	6,699
Article 438(c)(d)	3 Of which the foundation IRB (FIRB) approach[1]	45,315	53,846	3,626
Article 438(c)(d)	4 Of which the advanced IRB (AIRB) approach[2]	455,296	475,964	36,424
Article 438(d)	5 Of which equity IRB under the simple risk-weighted approach or the IMA	2,955	10,299	236
Article 107 Article 438(c)(d)	6 CCR	8,843	11,371	707
Article 438(c)(d)	7 Of which mark to market	8,838	11,359	707
Article 438(c)(d)	8 Of which original exposure			
	9 Of which standardised approach			
	10 Of which internal model method (IMM)			
Article 438(c)(d)	11 Of which risk exposure amount for contributions to the default fund of a CCP	5	12	0
Article 438(c)(d)	12 CVA	2,707	4,114	216
Article 438 e	13 Settlement risk	0	9	0
Article 449(o)(i)	14 Securitisation exposures in the non-trading book (after the cap)	49	-	4
	15 Of which internal assessment approach (IAA)	49	-	4
	16 Of which IRB supervisory formula approach (SFA)			
	17 Of which internal assessment approach (IAA)			
	18 Of which standardised approach			
Article 438 e	19 Market risk	7,513	8,263	601
	20 Of which standardised approach	7,513	8,263	601
	21 Of which IMA			
Article 438 e	22 Large exposures			
Article 438(f)	23 Operational risk	68,616	66,023	5,489
	24 Of which basic indicator approach			
	25 Of which standardised approach	68,616	66,023	5,489
	26 Of which advanced measurement approach			
Article 437(2), Article 48 and Article 60	27 Amounts below the thresholds for deduction (subject to 250% risk weight)			
Article 500	28 Floor adjustment			
Article 3	29 Additional risk exposure amount[3]	46,374	-	3,710
	30 Total	**721,403**	**716,462**	**57,712**

[1] Non-credit-obligation assets are reported under the foundation IRB approach.
[2] The risk weight floor for Swedish mortgage loans is reported under the advanced IRB approach.
[3] As of Q1 2021, the Bank's exposures in the UK at Group level will be reported according to the standardised approach. At present, these exposures are mainly calculaled in the IRB approach. The Bank has calculated the additional risk exposure amount which will arises in the Group's reporting as a result of this change. In the reporting as at 31 December 2020, this amount has been reserved as an additional risk exposure amount in accordance with CRR Article 3.

Table 4.1 (Pillar 3) EU MR1 – Market risk under the standardised approach

The following table shows capital requirements and REA for market risk according to the standardised approach (CRR) at year-end 2020.

EU MR1 – Market risk under the standardised approach	2020		2019	
	a	b	a	b
SEK m	REA	Capital requirements	REA	Capital requirements
Outright products				
Interest rate risk	7,448	596	8,130	651
of which general risk	*6,135*	*491*	*6,923*	*554*
of which specific risk	*1,313*	*105*	*1,207*	*97*
Equity price risk	26	2	43	3
of which general risk	*9*	*1*	*12*	*1*
of which specific risk	*17*	*1*	*30*	*2*
of which CIUs	*0*	*0*	*1*	*0*
Foreign exchange risk	-	-	-	-
Commodity risk	15	1	54	4
Options				
Scenario approach	24	2	36	3
of which interest rate risk	*1*	*0*	*3*	*0*
of which equity risk	*23*	*2*	*33*	*3*
of which foreign exchange risk	-	-	-	-
of which commodity risk	-	-	-	-
Securitisation (specific risk)	-	-	-	-
Settlement risk	0	0	9	1
Total	**7,513**	**601**	**8,272**	**662**

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Table AR:47 Minimum requirement for eligible liabilites (MREL)

MREL requirement of total liabilities and own funds (SFS 2015:1016). The minimum requirement of eligible liabilities and own funds is concluded in the Bank's resolution plan according to the resolution authority, SNDO, in consultation with the SFSA. Total liabilities and own funds and MREL requirement are based on third quarter numbers.

SEK m	2020	2019
MREL requirement	179,066	184,086
Eligible liabilities and own funds	332,573	350,820
Total liabilities and own funds	3,110,867	2,986,085

%	2020	2019
MREL requirement as a percentage of total liabilities and own funds	5.8	6.2
Eligible liabilities and own funds as a percentage of total liabilities and own funds	10.4	11.7

Table 3.14 (Pillar 3) Credit risk exposures approved for IRB approach

Credit risk exposures approved for IRB approach	Exposure amount		Of which off-balance sheet		Risk-weighted exposure amount		Capital requirements		Average risk weight, %	
SEK m	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sovereign exposures	**490,718**	**426,414**	**14,002**	**10,983**	**7,214**	**7,098**	**577**	**568**	**1.5**	**1.7**
Corporate exposures	**854,312**	**909,304**	111,944	121,194	**211,791**	**246,710**	**16,943**	**19,737**	**24.8**	**27.1**
Corporate lending	843,585	900,795	111,944	121,194	208,608	244,106	16,689	19,529	24.7	27.1
of which other lending, IRB approach without own estimates of LGD and CCF	*93,833*	*110,550*	*57,203*	*64,725*	*26,186*	*33,651*	*2,094*	*2,693*	*27.9*	*30.4*
of which other lending, IRB approach with own estimates of LGD and CCF	*749,752*	*790,245*	*54,741*	*56,469*	*182,422*	*210,455*	*14,594*	*16,836*	*24.3*	*26.6*
of which large corporates	*125,572*	*140,751*	*33,017*	*32,185*	*48,644*	*51,641*	*3,892*	*4,131*	*38.7*	*36.7*
of which medium-sized companies	*84,512*	*91,926*	*8,206*	*9,533*	*27,212*	*37,399*	*2,177*	*2,992*	*32.2*	*40.7*
of which property companies	*539,668*	*557,568*	*13,518*	*14,751*	*106,566*	*121,415*	*8,525*	*9,713*	*19.7*	*21.8*
Counterparty risk	10,727	8,509	-	-	3,183	2,604	255	208	29.7	30.6
Housing co-operative associations	**245,789**	**235,554**	**2,494**	**2,796**	**7,997**	**9,806**	**641**	**783**	**3.3**	**4.2**
Retail exposures	**1,154,770**	**1,119,800**	**71,160**	**58,312**	**78,540**	**82,406**	**6,283**	**6,593**	**6.8**	**7.4**
Private individuals	1,132,800	1,095,928	64,940	52,195	71,797	74,659	5,744	5,973	6.3	6.8
of which property loans	*1,091,524*	*1,046,593*	*52,045*	*36,074*	*63,586*	*63,871*	*5,087*	*5,110*	*5.8*	*6.1*
of which other	*41,276*	*49,335*	*12,895*	*16,121*	*8,211*	*10,788*	*657*	*863*	*19.9*	*21.9*
Small companies	21,970	23,872	6,220	6,117	6,743	7,747	539	620	30.7	32.5
of which property loans	*10,918*	*11,892*	*991*	*1,010*	*3,644*	*4,268*	*292*	*341*	*33.4*	*35.9*
of which other	*11,052*	*11,980*	*5,229*	*5,197*	*3,099*	*3,479*	*247*	*279*	*28.0*	*29.0*
Exposures to institutions	**38,453**	**57,663**	**5,857**	**6,316**	**10,683**	**14,436**	**855**	**1,155**	**28.0**	**25.0**
Lending to institutions	17,178	16,554	5,857	6,316	5,279	5,920	422	474	30.7	35.8
Counterparty risk	21,275	41,109	-	-	5,404	8,516	433	681	25.4	20.7
Equity exposures	**799**	**3,028**	**-**	**-**	**2,955**	**10,299**	**236**	**824**	**370.0**	**340.2**
of which listed equities	*-*	*1,129*	*-*	*-*	*-*	*3,274*	*-*	*262*	*-*	*290.0*
of which other equities	*799*	*1,899*	*-*	*-*	*2,955*	*7,025*	*236*	*562*	*370.0*	*370.0*
Non-credit-obligation asset exposures	**6,417**	**6,946**	**-**	**-**	**6,417**	**6,946**	**513**	**556**	**100.0**	**100.0**
Securitisation positions	**16**	**-**	**-**	**-**	**49**	**-**	**4**	**-**	**312.3**	**-**
of which traditional securitisation	*16*	*-*	*-*	*-*	*49*	*-*	*4*	*-*	*312.3*	*-*
of which synthetic securitisation	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Total IRB approach	**2,791,274**	**2,758,709**	**205,457**	**199,601**	**325,646**	**377,702**	**26,052**	**30,216**	**11.7**	**13.7**
Risk weight floor, Swedish mortgage loans[1]					**186,614**	**173,604**	**14,929**	**13,888**		
Total IRB approach with impact of risk weight floor, Swedish mortgage loans	**2,791,274**	**2,758,709**	**205,457**	**199,601**	**512,260**	**551,306**	**40,981**	**44,104**	**18.4**	**20.0**

[1] The exposure amount which is affected by the rules for risk weight floor, Swedish mortgage loans is SEK 889,285m at 31 December 2020.

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Table 3.15 (Pillar 3) Credit risk exposures according to standardised approach[1]

Credit risk exposures according to standardised approach[1]	Exposure amount		Of which off-balance sheet		Risk-weighted exposure amount		Capital requirements		Average risk weight, %	
SEK m	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sovereign and central banks	1,827	353	49	79	0	7	0	1	0	1.9
Municipalities	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	956	274	0	2	0	0	0	0	0	0
International organisations	-	-	-	-	-	-	-	-	-	-
Institutions	9,561	9,639	169	407	902	762	72	61	9.0	7.9
Companies	7,339	8,495	1,749	2,326	6,929	8,408	554	673	94.4	99
Households	9,885	10,226	2,434	2,898	7,250	7,460	580	597	73.0	72.9
Property mortgages	138,617	141,499	2,745	2,064	48,405	50,655	3,872	4,052	35.0	35.8
Past due items	857	598	5	21	973	725	78	58	113.6	121.2
High risk items	28	26	-	-	41	39	3	3	150.0	150
Mutual funds	-	151	-	-	-	151	-	12	-	100
Shares	6,541	6,254	-	-	15,923	15,636	1,274	1,251	243.4	250.0
of which listed equities	-	-	-	-	-	-	-	-	-	-
of which other equities	*6,541*	*6,254*	-	-	*15,923*	*15,636*	*1,274*	*1,251*	*243.4*	*250.0*
Other items	6,278	3,244	37	17	3,510	2,905	282	232	56.0	89.6
Total standardised approach	**181,889**	**180,759**	**7,188**	**7,814**	**83,933**	**86,748**	**6,715**	**6,940**	**46.1**	**48.0**

[1] Details of capital requirements for exposure classes where there are exposures.

Table 2.13 (Pillar 3) LRCom: Leverage ratio common disclosure

The table shows the leverage ratio for the current and previous period. The exposures are specified for the categories balance sheet, derivative, securities funding and off-balance sheet exposures. The table shows the leverage ratio is calculated as tier 1 capital divided by total exposures. The leverage ratio has increased compared to the previous year.

	LRCom: Leverage ratio common disclosure SEK m	2020	2019
	On-balance sheet exposures (excluding derivatives and securities financing transactions)		
1	Balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,901,031	2,843,612
2	(Asset amounts deducted in determining Tier 1 capital)	-17,819	-17,849
3	**Total on balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**2,883,212**	**2,825,763**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	8,755	6,667
5	Add-on amounts for potential future exposure associated with all derivatives transactions (mark-to-market method)	19,876	27,096
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-19,875	-8,466
8	(Exempted CCP leg of client-cleared trade exposures)		
9	Adjusted effective notional amount of written credit derivatives	4,304	5,621
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-35	-116
11	**Total derivatives exposures (sum of lines 4 to 10)**	**13,024**	**30,802**
	Securities financing transaction exposures		
12	Gross securities financing transaction assets (with no recognition of netting), after adjusting for sales accounting transactions	14,216	16,010
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for securities financing transaction assets	3,750	3,342
EU-14a	Derogation for securities financing transactions: Counterparty credit risk exposure in accordance with Article 429b(4) and 222 of Regulation (EU) No 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**17,966**	**19,352**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	534,285	522,450
18	(Adjustments for conversion to credit equivalent amounts)	-397,111	-338,171
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**137,174**	**184,279**
	Exempted exposures in accordance with Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-	-
	Capital and total exposures		
20	Tier 1 capital	158,332	148,550
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	3,051,376	3,060,195
	Leverage ratio		
22	Leverage ratio	5.19%	4.85%
	Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	0

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Table 2.14 (Pillar 3) LRSum: Summary reconciliation of accounting assets and leverage ratio exposures
The table specifies accounting assets and leverage ratio exposures at the end of 2020 and the previous year.
The total exposure amount for the leverage ratio has decreased compared to the previous year.

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures SEK m		2020	2019
1	Total assets as per published financial statements	3,135,288	3,069,667
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-189,427	-168,500
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-	-
4	Adjustments for derivative financial instruments	-17,590	-10,743
5	Adjustments for securities financing transactions (SFTs)	3,750	3,342
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	137,174	184,279
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with of Regulation (EU) No 575/2013) Article 429(7)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-	-
7	Other adjustments	-17,819	-17,850
8	**Total leverage ratio exposure**	**3,051,376**	**3,060,195**

Table 2.15 (Pillar 3) LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
The table specifies accounting assets and leverage ratio exposures. The total exposure amount for the leverage ratio has increased compared to the previous year.

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) SEK m		2020	2019
EU-1	Total on balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2,877,552	2,833,306
EU-2	Trading book exposures	155,116	160,009
EU-3	Non-trading book exposures, of which:	2,722,436	2,673,297
EU-4	Covered bonds	7,038	4,952
EU-5	Exposures treated as sovereigns	475,107	411,782
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0	0
EU-7	Institutions	7,227	7,346
EU-8	Secured by mortgages of immovable properties	2,004,442	1,984,322
EU-9	Retail exposures	47,450	52,512
EU-10	Companies	155,006	186,732
EU-11	Exposures in default	4,366	4,703
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	21,802	20,948

Parent company

Administration report Parent company

Performance in the parent company

The parent company's accounts cover parts of the operations that, in organisational terms, are included in branch operations within and outside Sweden, Capital Markets, and central departments and staff functions. Although most of Handelsbanken's business comes from the local branches and is co-ordinated by them, in legal terms a sizeable part of business volumes are outside the parent company in wholly owned subsidiaries – particularly in the Stadshypotek AB mortgage institution and Handelsbanken plc. Thus, the performance of the parent company is not equivalent to the performance of business operations in the Group as a whole.

The parent company's operating profit decreased by 8 per cent to SEK 18,758 million (20,325), chiefly owing to increased staff costs and lower dividends. Staff costs increased by 15 per cent because the provision to the restructuring reserve in Q3 2020 was larger than that of Q3 2019. The provision for the Oktogonen profit-sharing scheme for 2018 was also reversed in Q1 2019 which had a positive effect on staff costs. Dividends have been received amounting to SEK 15,937 million (17,338). Profit for the year decreased by 3 per cent to SEK 15,226 million (15,648). Net interest income increased by 0 per cent to SEK 13,071 million (13,039) and net fee and commission income decreased by 5 per cent to SEK 5,692 million (6,011). Since year-end 2019, the parent company's equity has increased to SEK 142,839 million (130,935). For the parent company's five-year overview, see pages 209–210.

Risk management

Handelsbanken has a low risk tolerance that is maintained through a strong risk culture which is sustainable in the long term and applies to all areas of the Group. For a detailed description of the Bank's exposure to risks, and the management of these, see note G2.

Principles for remuneration to executive officers

Handelsbanken's principles for remuneration to executive officers are set out in note G8 and in the Remuneration to executive officers section of the Corporate Governance Report, see page 77.

Recommended appropriation of profits

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 133,814 million are at the disposal of the annual general meeting.

The Board recommends that the profit be appropriated as follows:	
Dividend per share paid to the shareholders SEK 4.10 (SEK - for 2019)	8,118
Balance carried forward to the next year	125,696
Total allocated	**133,814**

The Board's assessment is that the amount of the proposed dividend, totalling SEK 8,118 million, is justifiable in view of the nature of operations, their scope, consolidation requirement, risk-taking, liquidity, and the general situation in both the Bank and the rest of the Group.

Unrealised changes in assets and liabilities at fair value have had a net impact on equity of SEK -1,658 million.

The total capitalisation of the parent company and the consolidated situation at year-end, minus the proposed dividend based on completed conversions and other material changes since the year-end, exceeded the statutory minimum requirement pursuant to EU Regulation 575/2013 and Directive 2013/36/EU and other relevant requirements established for the Bank by public authorities.

The Handelsbanken share

Shares divided into share classes
31 December 2020

Share class	Number	% of capital	% of votes
Class A	1,944,777,165	98.22	99.82
Class B	35,251,329	1.78	0.18
Total	**1,980,028,494**	**100.00**	**100.00**

Two shareholders own more than 10 per cent of the shares: AB Industrivärden and the Oktogonen Foundation. Detailed information on the Bank's largest Swedish shareholders can be found on pages 36–37.

Handelsbanken's Articles of Association state that at the Annual General Meeting (AGM), no shareholder is allowed to exercise voting rights representing more than 10 per cent of the total number of votes in the Bank. For more information regarding shareholders' rights, see page 70.

At the AGM in March 2020, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2021. This mandate was not used in 2020. More detailed information on this can be found on pages 36–37.

Other

Handelsbanken works continually with measures to minimise the Bank's direct and indirect impact on the environment. For more information regarding the Bank's environmental activities, see page 38.

Handelsbanken strives for its decentralised working method and belief in the individual to be integral to its operations. For a more detailed description of the Bank as an employer, please refer to the information beginning on page 58.

Financial reports Parent company

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Income statement, Parent company

SEK m		2020	2019
Interest income	*Note P3*	20,350	28,701
Leasing income	*Note P3*	1,963	1,488
Interest expenses	*Note P3*	-9,242	-17,150
Dividends received	*Note P4*	15,937	17,338
Fee and commission income	*Note P5*	7,485	8,028
Fee and commission expenses	*Note P5*	-1,793	-2,017
Net gains/losses on financial transactions	*Note P6*	1,869	618
Other operating income	*Note P7*	2,790	2,638
Total operating income		**39,359**	**39,644**
General administrative expenses			
Staff costs	*Note P8*	-11,689	-10,148
Other administrative expenses	*Note P9*	-5,684	-5,808
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	*Note P20, P21*	-2,672	-2,156
Total expenses before credit losses		**-20,045**	**-18,112**
Profit before credit losses		**19,314**	**21,532**
Net credit losses	*Note P10*	-477	-1,059
Impairment loss on financial fixed assets		-79	-148
Operating profit		**18,758**	**20,325**
Appropriations	*Note P11*	743	-380
Profit before taxes		**19,501**	**19,945**
Taxes	*Note P28*	-4,275	-4,297
Profit for the year		**15,226**	**15,648**

Statement of comprehensive income, Parent company

SEK m	2020	2019
Profit for the year	15,226	15,648
Other comprehensive income		
Items that will not be reclassified to the income statement		
Equity instruments measured at fair value through other comprehensive income	-583	372
Tax on items that will not be reclassified to the income statement	11	-21
of which equity instruments measured at fair value through other comprehensive income	*11*	*-21*
Total items that will not be reclassified to the income statement	**-572**	**351**
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	-1,677	1,751
Debt instruments measured at fair value through other comprehensive income	7	7
Translation difference for the year	-2,184	-259
of which hedges of net assets in foreign operations	*-256*	*-826*
Tax on items that may subsequently be reclassified to the income statement	420	-200
of which cash flow hedges	*365*	*-375*
of which debt instruments measured at fair value through other comprehensive income	*-1*	*-2*
of which hedges of net assets in foreign operations	*56*	*177*
Total items that may subsequently be reclassified to the income statement	**-3,434**	**1,299**
Total other comprehensive income	**-4,006**	**1,650**
Total comprehensive income for the year	**11,220**	**17,298**

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

Balance sheet, Parent company

SEK m		2020	2019
ASSETS			
Cash and balances with central banks		297,362	242,889
Interest-bearing securities eligible as collateral with central banks	*Note P14*	99,115	103,370
Loans to credit institutions	*Note P12*	953,650	890,557
Loans to the public	*Note P13*	566,145	620,175
Value change of interest-hedged item in portfolio hedge		13	
Bonds and other interest-bearing securities	*Note P14*	46,533	53,096
Shares	*Note P15*	14,313	14,335
Shares in subsidiaries and investments in associates and joint ventures	*Note P16*	73,057	72,138
Assets where the customer bears the value change risk		7,405	6,443
Derivative instruments	*Note P17*	33,031	41,840
Intangible assets	*Note P20*	3,459	3,190
Property, equipment and lease assets	*Note P21*	7,381	8,145
Current tax assets		154	-
Deferred tax assets	*Note P28*	1,173	653
Other assets	*Note P22*	20,775	21,522
Prepaid expenses and accrued income	*Note P23*	1,297	1,152
Total assets	*Note P34*	**2,124,863**	**2,079,505**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note P24*	193,054	208,697
Deposits and borrowing from the public	*Note P25*	1,021,130	918,146
Liabilities where the customer bears the value change risk		7,405	6,443
Issued securities, etc.	*Note P26*	657,520	724,640
Derivative instruments	*Note P17*	44,774	38,669
Short positions	*Note P27*	1,682	1,856
Current tax liabilities		-	202
Deferred tax liabilities	*Note P28*	777	956
Provisions	*Note P29*	2,276	1,100
Other liabilities	*Note P30*	9,125	8,790
Accrued expenses and deferred income	*Note P31*	2,266	1,847
Subordinated liabilities	*Note P32*	41,082	35,546
Total liabilities	*Note P34*	**1,981,091**	**1,946,892**
Untaxed reserves	*Note P33*	**933**	**1,678**
Share capital		3,069	3,069
Share premium reserve		8,758	8,758
Other funds		6,706	10,472
Retained earnings		109,080	92,988
Profit for the year		15,226	15,648
Total equity		**142,839**	**130,935**
Total liabilities and equity		**2,124,863**	**2,079,505**

Statement of changes in equity, Parent company

SEK m	Restricted equity			Non-restricted equity					
	Share capital	Statutory reserve	Fund for internally developed software	Share premium reserve	Hedge reserve[1]	Fair value reserve[1]	Translation reserve[1]	Retained earnings incl. profit for the year	Total
Opening equity 2020	**3,069**	**2,682**	**3,034**	**8,758**	**1,940**	**660**	**2,156**	**108,636**	**130,935**
Profit for the year								15,226	15,226
Other comprehensive income					-1,312	-566	-2,128		-4,006
of which reclassification within equity						*-684*			*-684*
Total comprehensive income for the year					**-1,312**	**-566**	**-2,128**	**15,226**	**11,220**
Reclassified to retained earnings								684	684
Dividend								-	-
Group contributions provided								-	-
Tax effect on Group contributions								-	-
Effects of convertible subordinated loans	-			-					-
Fund for internally developed software			240					-240	
Closing equity 2020	**3,069**	**2,682**	**3,274**	**8,758**	**628**	**94**	**28**	**124,306**	**142,839**

SEK m	Restricted equity			Non-restricted equity					
	Share capital	Statutory reserve	Fund for internally developed software	Share premium reserve	Hedge reserve[1]	Fair value reserve[1]	Translation reserve[1]	Retained earnings incl. profit for the year	Total
Opening equity 2019	**3,013**	**2,682**	**2,497**	**5,629**	**564**	**304**	**2,238**	**104,135**	**121,062**
Profit for the year								15,648	15,648
Other comprehensive income					1,376	356	-82		1,650
of which reclassification within equity						*15*	*-99*		*-84*
Total comprehensive income for the year					**1,376**	**356**	**-82**	**15,648**	**17,298**
Reclassified to retained earnings								84	84
Dividend								-10,693	-10,693
Group contributions provided								-1	-1
Tax effect on Group contributions								0	0
Effects of convertible subordinated loans	56			3,129					3,185
Fund for internally developed software			537					-537	
Closing equity 2019	**3,069**	**2,682**	**3,034**	**8,758**	**1,940**	**660**	**2,156**	**108,636**	**130,935**

[1] Included in fair value fund.

The translation reserve includes conversion effects relating to the balance sheets and income statements of the Group´s international branches. Accumulated conversion effects are reported for taxation when an international branch is closed down or divested. The tax regulations for the taxation of conversion effects are highly complex, and therefore subject to different interpretations. Therefore, it cannot be ruled out that conversion effects may need to be reported for taxation at an earlier stage than when a divestment/closedown takes place.

During the period January to December 2020, convertibles for a nominal value of SEK - m (3,185) relating to subordinated convertible bonds were converted into - class A shares (35,853,334). At the end of the financial year, the number of Handelsbanken shares in the trading book was 0 (0).

Specification of changes in equity

Change in hedge reserve SEK m	**2020**	**2019**
Hedge reserve at beginning of year	1,940	564
Cash flow hedges		
Effective part of change in fair value		
Interest rate risk	-1,402	1,109
Foreign exchange risk	-141	654
Unrealised value changes		
Reclassified to the income statement[1]	-134	-12
Tax	365	-375
Hedge reserve at end of year	**628**	**1,940**

Change in fair value reserve SEK m	**2020**	**2019**
Fair value reserve at beginning of year	**660**	**304**
Unrealised value change – equity instruments	-572	351
Realised value change – equity instruments	684	-15
Unrealised value change – debt instruments	5	4
Change in reserve expected credit losses – debt instruments	1	1
Reclassified to retained earnings – equity instruments[2]	-684	15
Reclassified to the income statement – debt instruments[3]	-	-
Fair value reserve at end of year	**94**	**660**

Change in translation reserve SEK m	**2020**	**2019**
Translation reserve at beginning of year	2,156	2,238
Change in translation difference	-2,129	15
Reclassified to the income statement[4]	1	2
Reclassified to retained earnings[5]	-	-99
Translation reserve at end of year	**28**	**2,156**

[1] Tax reclassified to the income statement pertaining to this item SEK 29m (3).
[2] Tax reclassified to retained earnings pertaining to this item SEK 43m (-).
[3] Tax reclassified to the income statement pertaining to this item SEK -m (0).
[4] Tax reclassified to the income statement pertaining to this item SEK 0m (0).
[5] Tax reclassified to retained earnings pertaining to this item SEK -m (21).

Cash flow statement, Parent company

SEK m	2020	2019
OPERATING ACTIVITIES		
Operating profit	18,757	20,325
of which paid-in interest	*21,017*	*28,760*
of which paid-out interest	*-9,909*	*-18,524*
of which paid-in dividends	*15,937*	*17,338*
Adjustment for non-cash items in profit/loss		
Credit losses	553	1,204
Unrealised value changes	-645	-59
Depreciation, amortisation and impairment	2,746	2,297
Group contribution to be received	-15,135	-15,992
Paid income tax	-4,910	-3,702
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-63,093	-49,473
Loans to the public	53,465	-9,636
Interest-bearing securities and shares	9,595	12,716
Due to credit institutions	-14,309	-52,988
Deposits and borrowing from the public	101,650	78,261
Issued securities	-67,120	8,110
Derivative instruments, net positions	15,201	20,070
Short positions	-197	-4,439
Claims and liabilities on investment banking settlements	871	7,396
Other	11,261	-4,062
Cash flow from operating activities	**48,690**	**10,028**
INVESTING ACTIVITIES		
Acquisitions of and contributions to associates	-984	-134
Sales of shares	1,688	39
Acquisitions of property and equipment	-4,577	-6,833
Disposals of property and equipment	3,030	2,460
Acquisitions of intangible assets	-852	-894
Disposals of intangible assets	-	-
Cash flow from investing activities	**-1,695**	**-5,362**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-2	-17,730
Issued subordinated loans	8,176	4,670
Dividend paid	-	-10,693
Dividends from Group companies	15,992	10,104
Cash flow from financing activities	**24,166**	**-13,649**
of which changes in foreign exchange rates	*-819*	*635*
Cash flow for the year	**71,161**	**-8,983**
Liquid funds at beginning of year	242,889	243,824
Cash flow from operating activities	48,690	10,028
Cash flow from investing activities	-1,695	-5,362
Cash flow from financing activities	24,166	-13,649
Exchange difference on liquid funds	-16,688	8,048
Liquid funds at end of year	**297,362**	**242,889**

The cash flow statement has been prepared in accordance with the indirect method, which means that operating profit has been adjusted for transactions that did not entail paid-in or paid-out cash such as depreciation/amortisation and credit losses.

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

Five-year overview, Parent company

Income statement SEK m	**2020**	**2019**	**2018**	**2017**	**2016**
Net interest income	13,071	13,039	17,234	16,326	15,011
Dividends received	15,937	17,338	11,023	13,705	17,045
Net fee and commission income	5,692	6,011	6,218	6,592	6,509
Net gains/losses on financial transactions	1,869	618	1,020	1,339	3,076
Other operating income	2,790	2,638	2,805	1,690	1,647
Total operating income	**39,359**	**39,644**	**38,300**	**39,652**	**43,288**
General administrative expenses					
Staff costs	-11,689	-10,148	-12,255	-10,938	-10,427
Other administrative expenses	-5,684	-5,808	-6,332	-5,702	-5,224
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	-2,672	-2,156	-1,350	-1,094	-591
Total expenses before credit losses	**-20,045**	**-18,112**	**-19,937**	**-17,734**	**-16,242**
Profit before credit losses	**19,314**	**21,532**	**18,363**	**21,918**	**27,046**
Net credit losses	-477	-1,059	-835	-1,685	-1,730
Impairment loss on financial fixed assets	-79	-148	-	-	-20
Operating profit	**18,758**	**20,325**	**17,528**	**20,233**	**25,296**
Appropriations	743	-380	332	115	-193
Profit before tax	**19,501**	**19,945**	**17,860**	**20,348**	**25,103**
Taxes	-4,275	-4,297	-4,005	-4,662	-4,503
Profit for the year	**15,226**	**15,648**	**13,855**	**15,686**	**20,600**
Dividend for the year	8,118[1]	-	10,693	14,581	9,721

[1] As proposed by the Board.

Statement of comprehensive income SEK m	**2020**	**2019**	**2018**	**2017**	**2016**
Profit for the year	15,226	15,648	13,855	15,686	20,600
Other comprehensive income					
Items that will not be reclassified to the income statement					
Equity instruments measured at fair value through other comprehensive income	-583	372	-188		
Tax on items that will not be reclassified to the income statement	11	-21	1		
of which equity instruments measured at fair value through other comprehensive income	*11*	*-21*	*1*		
Total items that will not be reclassified to the income statement	**-572**	**351**	**-187**		
Items that may subsequently be reclassified to the income statement					
Cash flow hedges	-1,677	1,751	829	41	-1,882
Debt instruments measured at fair value through other comprehensive income	7	7	-12		
Available-for-sale instruments (IAS 39)				-470	-1,152
Translation difference for the year	-2,184	-259	41	-2,261	387
of which hedges of net assets in foreign operations	*-256*	*-826*	*-848*	*-1,476*	*-65*
Tax on items that may subsequently be reclassified to the income statement	420	-200	19	311	538
of which cash flow hedges	*365*	*-375*	*-178*	*-9*	*414*
of which debt instruments measured at fair value through other comprehensive income	*-1*	*-2*	*3*		
of which available-for-sale instruments (IAS 39)				*-5*	*110*
of which hedges of net assets in foreign operations	*56*	*177*	*194*	*325*	*14*
Total items that may subsequently be reclassified to the income statement	**-3,434**	**1,299**	**877**	**-2,379**	**-2,109**
Total other comprehensive income	**-4,006**	**1,650**	**690**	**-2,379**	**-2,109**
Total comprehensive income for the year	**11,220**	**17,298**	**14,545**	**13,307**	**18,491**

Five-year overview, Parent company, cont.

Balance sheet SEK m	2020	2019	2018	2017	2016
Assets					
Loans to the public	566,145	620,175	611,699	795,691	763,567
Loans to credit institutions	953,650	890,557	841,085	664,018	593,125
Interest-bearing securities	145,648	156,466	169,911	172,107	154,547
Other assets	459,420	412,307	431,004	381,060	383,465
Total assets	**2,124,863**	**2,079,505**	**2,053,699**	**2,012,876**	**1,894,704**
Liabilities and equity					
Deposits and borrowing from the public	1,021,130	918,146	839,835	941,401	827,753
Due to credit institutions	193,054	208,697	261,735	193,822	189,176
Issued securities	657,520	724,640	716,531	654,637	648,977
Subordinated liabilities	41,082	35,546	51,085	32,896	33,400
Other liabilities	68,305	59,863	62,565	69,237	77,963
Untaxed reserves	933	1,678	886	683	793
Equity	142,839	130,935	121,062	120,200	116,642
Total liabilities and equity	**2,124,863**	**2,079,505**	**2,053,699**	**2,012,876**	**1,894,704**

Key figures	2020	2019	2018	2017	2016
Impaired loans reserve ratio, %				65.7	60.1
Proportion of impaired loans, %				0.18	0.23
Common equity tier 1 ratio, % according to CRR	31.7	20.2	18.7	21.4	23.4
Tier 1 ratio, % according to CRR	34.6	23.0	21.0	23.9	26.3
Total capital ratio, % according to CRR	38.8	26.2	24.1	27.5	30.0
Return on capital employed, %	0.65	0.74	0.63	0.74	0.99

For definitions of alternative key figures, see page 266 and, for the calculation of these key figures, see the Fact Book which is available at handelsbanken.com/ir.

Notes, Parent company

P1 Accounting policies

Statement of compliance
The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25, on annual reports in credit institutions and securities companies. The parent company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements. In accordance with the Financial Supervisory Authority's general advice, the parent company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the link between accounting and taxation.

The relationship between the parent company's and the Group's accounting policies
The parent company's accounting policies correspond largely to those of the Group. The following reports only on the areas where the parent company's policies differ from those of the Group. In all other respects, reference is made to the accounting policies in note G1.

Presentation
The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation models used by the Group:

- Claims on central banks that are immediately available upon demand are reported as Loans to credit institutions in the parent company's balance sheet. These are reported under Other loans to central banks in the Group.
- Broker and stock exchange costs are reported in the parent company as commission expenses.
- Dividends received are reported on a separate line in the parent company's income statement.
- The gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income or expenses.
- Untaxed reserves are reported as a separate balance sheet item in the parent company. These are split into an equity share and a tax liability in the Group.

Assets and liabilities in foreign currencies
Loans in the parent company which are hedging net investments in foreign operations are measured at the historical rate of exchange.

Assets held for sale and discontinued operations
Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Assets held for sale are also not presented separately on the balance sheet.

Shares in subsidiaries and investments in associates and joint ventures
Shares in subsidiaries and investments in associates and joint ventures are measured at cost. All holdings are tested on each balance sheet date in order to assess whether they require impairment. If a value has decreased, impairment is recognised to adjust the value to the consolidated value. Any impairment costs are classified as Impairment loss on financial assets in the income statement. Dividends on shares in subsidiaries and associates and joint ventures are recognised as income in profit or loss under Dividends received.

Financial guarantees
Financial guarantees, in the form of guarantee commitments on behalf of subsidiaries and associates and joint ventures, are recognised in the parent company as a provision on the balance sheet, where the parent company has an existing commitment and payment will probably be required to settle this commitment.

Intangible assets
In the parent company, acquisition assets and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. According to experience, the customer relations that the acquisitions have led to are very long, and consequently the useful life of goodwill on acquisitions. The amortisation period has been set at 20 years.

Leases
The Bank as lessor
The parent company recognises finance leases as operating leases. Accordingly, the assets are reported as lease assets with depreciation recognised within Depreciation, amortisation and impairment of property, equipment and intangible assets in the income statement. Rental income is recognised as a lease fee in Net interest income in the income statement.

Lease assets mainly consist of vehicles and machines. Lease assets are depreciated during the term of the lease agreement according to the annuity method.

The Bank as lessee
The parent company recognises lease fees as expenses on a straight-line basis over the term of the lease.

Dividends
The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associates and joint ventures, and Group contributions received. Anticipated dividends are recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

Accounting for pensions
The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established and that the calculation of the future commitment does not take into account assumptions of future salary increases. The recognised net cost of pensions is calculated as the sum total of disbursed pensions, pension premiums and an allocation to the pension foundation, with a deduction for any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

Taxes
In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise one component consisting of deferred tax liabilities and one component consisting of equity.

P2 Risk and capital management

The Handelsbanken Group's risk management is described in note G2. Specific information about the parent company's risks is presented below. For definitions, see pages 250–252.

Credit exposures **Geographical breakdown 2020** SEK m		Sweden	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items								
Cash and balances with central banks		84,525	18,026	217	114,600	11,035	68,959	297,362
Loans to credit institutions	*Note P12*	883,811	3,330	23,679	40,780	225	1,825	953,650
Loans to the public	*Note P13*	193,657	163,015	52,232	81,511	63,905	11,825	566,145
Interest-bearing securities eligible as collateral with central banks	*Note P14*	98,353	-	-	-	-	762	99,115
Bonds and other interest-bearing securities	*Note P14*	46,533	-	-	-	-	-	46,533
Derivative instruments[1]	*Note P17*	32,907	-	12	-	-	112	33,031
Total		**1,339,786**	**184,371**	**76,140**	**236,891**	**75,165**	**83,483**	**1,995,836**
Off-balance sheet items								
Contingent liabilities	*Note P37*	388,950	58,529	33,013	39,374	7,503	32,340	559,709
of which guarantee commitments		*53,417*	*5,702*	*8,984*	*11,041*	*121*	*20,209*	*99,474*
of which obligations		*335,533*	*52,827*	*24,029*	*28,333*	*7,382*	*12,131*	*460,235*
Total		**388,950**	**58,529**	**33,013**	**39,374**	**7,503**	**32,340**	**559,709**
Total on and off-balance sheet items		**1,728,736**	**242,900**	**109,153**	**276,265**	**82,668**	**115,823**	**2,555,545**

Credit exposures **Geographical breakdown 2019** **SEK m**		Sweden	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items								
Cash and balances with central banks		46,551	22,097	270	106,105	7,996	59,870	242,889
Loans to credit institutions	*Note P12*	820,107	9,588	19,175	37,221	89	4,377	890,557
Loans to the public	*Note P13*	210,745	185,803	60,055	84,693	56,975	21,904	620,175
Interest-bearing securities eligible as collateral with central banks	*Note P14*	102,364	-	-	-	-	1,006	103,370
Bonds and other interest-bearing securities	*Note P14*	53,096	-	-	-	-	-	53,096
Derivative instruments[1]	*Note P17*	41,807	-	7	-	-	26	41,840
Total		**1,274,670**	**217,488**	**79,507**	**228,019**	**65,060**	**87,183**	**1,951,927**
Off-balance sheet items								
Contingent liabilities	*Note P37*	372,096	66,221	33,826	43,017	7,765	47,280	570,205
of which guarantee commitments		*54,307*	*6,920*	*10,588*	*15,518*	*195*	*27,537*	*115,065*
of which obligations		*317,789*	*59,301*	*23,238*	*27,499*	*7,570*	*19,743*	*455,140*
Total		**372,096**	**66,221**	**33,826**	**43,017**	**7,765**	**47,280**	**570,205**
Total on and off-balance sheet items		**1,646,766**	**283,709**	**113,333**	**271,036**	**72,825**	**134,463**	**2,522,132**

Geographical breakdown refers to the country in which the exposures are reported.
[1] Refers to the sum total of positive market values. If legally enforceable master netting agreements are included, exposure amounts to SEK 29,817m (46,505).

Loans to the public **Breakdown by sector 2020** SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Private individuals	106,333	3,025	879	-28	-31	-482	109,696
Housing co-operative associations	23,329	727	79	-2	-2	-35	24,096
Property management	267,249	20,050	996	-48	-183	-204	287,860
Manufacturing	19,235	3,339	173	-13	-18	-106	22,610
Retail	13,969	1,565	364	-13	-50	-92	15,743
Hotel and restaurant	3,520	2,206	8	-15	-62	-4	5,653
Passenger and goods transport by sea	1,675	2,064	1,162	-1	-6	-288	4,606
Other transport and communication	5,333	456	101	-6	-18	-79	5,787
Construction	11,697	1,430	137	-14	-31	-83	13,136
Electricity, gas and water	7,676	737	3	-2	-9	-1	8,404
Agriculture, hunting and forestry	5,307	346	52	-5	-11	-41	5,648
Other services	7,334	577	309	-10	-27	-209	7,974
Holding, investment, insurance companies, mutual funds, etc.	33,880	1,696	151	-12	-10	-105	35,600
Sovereigns and municipalities	1,594	16	-	0	-1	-	1,609
Other corporate lending	17,319	142	337	-3	-5	-67	17,723
Total	**525,450**	**38,376**	**4,751**	**-172**	**-464**	**-1,796**	**566,145**

P2 Cont.

Loans to the public Breakdown by sector 2019 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Private individuals	115,165	3,663	1,023	-23	-27	-498	119,303
Housing co-operative associations	33,325	1,116	68	-4	-4	-2	34,499
Property management	292,213	5,515	977	-69	-87	-203	298,346
Manufacturing	21,172	3,142	1,287	-10	-33	-1,214	24,344
Retail	20,542	1,921	158	-11	-22	-110	22,478
Hotel and restaurant	3,898	103	15	-2	-2	-7	4,005
Passenger and goods transport by sea	4,427	49	1,616	-1	-3	-496	5,592
Other transport and communication	6,034	579	93	-3	-8	-78	6,617
Construction	12,489	1,030	250	-11	-15	-209	13,534
Electricity, gas and water	9,779	2,142	8	-2	-8	-8	11,911
Agriculture, hunting and forestry	4,939	335	73	-3	-7	-34	5,303
Other services	10,204	745	234	-7	-18	-129	11,029
Holding, investment, insurance companies, mutual funds, etc.	43,470	883	138	-11	-11	-106	44,363
Sovereigns and municipalities	1,161	2	-	0	0	-	1,163
Other corporate lending	17,258	143	522	-2	-2	-231	17,688
Total	**596,076**	**21,368**	**6,462**	**-159**	**-247**	**-3,325**	**620,175**

Credit exposures, breakdown by type of collateral 2020 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured[4]	Total
Balance sheet items										
Cash and balances with central banks				297,362						297,362
Loans to credit institutions	*Note P12*	-	-	51,860	978	39,685	-	-	861,127	953,650
Loans to the public	*Note P13*	180,123	204,290	23,974	7,426	12,432	5,364	10,258	122,278	566,145
Interest-bearing securities eligible as collateral with central banks	*Note P14*			99,115						99,115
Bonds and other interest-bearing securities	*Note P14*	-	-	2,563	-	-	-	-	43,970	46,533
Derivative instruments	*Note P17*	972	1,688	2,047	81	15,013	-	-	13,230	33,031
Total		**181,095**	**205,978**	**476,921**	**8,485**	**67,130**	**5,364**	**10,258**	**1,040,605**	**1,995,836**
Off-balance sheet items										
Contingent liabilities	*Note P37*	83,062	42,372	44,050	5,986	10,104	3,026	9,754	361,355	559,709
of which guarantee commitments		*6,207*	*1,712*	*12,239*	*2,864*	*1,255*	*2,906*	*1,034*	*71,257*	*99,474*
of which obligations		*76,855*	*40,660*	*31,811*	*3,122*	*8,849*	*120*	*8,720*	*290,098*	*460,235*
Total		**83,062**	**42,372**	**44,050**	**5,986**	**10,104**	**3,026**	**9,754**	**361,355**	**559,709**
Total on and off-balance sheet items		**264,157**	**248,350**	**520,971**	**14,471**	**77,234**	**8,390**	**20,012**	**1,401,960**	**2,555,545**

Credit exposures, breakdown by type of collateral 2019 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured[4]	Total
Balance sheet items										
Cash and balances with central banks				242,889						242,889
Loans to credit institutions	*Note P12*	-	-	2,969	45	-	-	-	887,543	890,557
Loans to the public	*Note P13*	186,011	213,300	23,547	13,051	10,614	5,537	23,125	144,990	620,175
Interest-bearing securities eligible as collateral with central banks	*Note P14*			103,370						103,370
Bonds and other interest-bearing securities	*Note P14*			2,982					50,114	53,096
Derivative instruments	*Note P17*	463	875	1,739	60	29,993	0	184	8,526	41,840
Total		**186,474**	**214,175**	**377,496**	**13,156**	**40,607**	**5,537**	**23,309**	**1,091,173**	**1,951,927**
Off-balance sheet items										
Contingent liabilities	*Note P37*	56,661	33,796	39,213	3,678	4,703	1,209	20,315	410,630	570,205
of which guarantee commitments		*3,510*	*2,403*	*15,266*	*1,692*	*1,033*	*1,024*	*2,986*	*87,151*	*115,065*
of which obligations		*53,151*	*31,393*	*23,947*	*1,986*	*3,670*	*185*	*17,329*	*323,479*	*455,140*
Total		**56,661**	**33,796**	**39,213**	**3,678**	**4,703**	**1,209**	**20,315**	**410,630**	**570,205**
Total on and off-balance sheet items		**243,135**	**247,971**	**416,709**	**16,834**	**45,310**	**6,746**	**43,624**	**1,501,803**	**2,522,132**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.
[4] This column includes the parent company's internal lending and commitments to the Group's subsidiaries. For balance sheet items, this internal lending amounts to SEK 913,321m, and for off-balance sheet items it amounts to SEK 54,244m.

Market risks

Market risks SEK m	2020	2019
Interest rate risk	1,242	1,098
Foreign exchange risk[1]	22	56
Equity price risk	65	221
Commodity risk	2	5

[1] Worst outcome in the case of +/- 5% change in SEK.

P2 Cont.

Liquidity risk

Maturity analysis for financial assets and liabilities 2020 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	297,384	-	-	-	-	-	-	297,384
Interest-bearing securities eligible as collateral with central banks[1]	99,115	-	-	-	-	-	-	99,115
Bonds and other interest-bearing securities[2]	46,533	-	-	-	-	-	-	46,533
Loans to credit institutions	67,827	150,334	109,066	153,276	198,555	287,836	-	966,894
of which reverse repos	*2,776*	-	-	-	-	-	-	*2,776*
Loans to the public	53,542	108,156	84,934	74,517	130,785	133,380	-	585,314
of which reverse repos	*11,626*	-	-	-	-	-	-	*11,626*
Other	17,551	-	-	-	-	-	145,639	163,190
of which shares and participating interests	*14,313*	-	-	-	-	-	-	*14,313*
of which claims on investment banking settlements	*3,238*	-	-	-	-	-	-	*3,238*
Total assets	**581,952**	**258,490**	**194,000**	**227,793**	**329,340**	**421,216**	**145,639**	**2,158,430**
Due to credit institutions	96,859	43,238	4,549	568	420	1,205	46,779	193,618
of which repos	-	-	-	-	-	-	-	-
of which deposits from central banks	*17,334*	*23,110*	-	-	-	-	*314*	*40,758*
Deposits and borrowing from the public	15,076	9,861	1,977	3,655	360	38	989,695	1,020,662
of which repos	-	-	-	-	-	-	-	-
Issued securities[3]	49,558	235,277	216,590	59,219	73,682	30,103	-	664,429
of which covered bonds	-	-	-	-	-	-	-	-
of which certificates and other securities with original maturity of less than one year	*42,664*	*195,176*	*190,592*	-	-	-	-	*428,432*
of which senior bonds and other securities with original maturity of more than one year	*6,894*	*40,101*	*25,998*	*59,219*	*73,682*	*30,103*	-	*235,997*
Subordinated liabilities	-	9,937	-	2,935	19,014	8,281	-	40,167
Other	5,654	-	-	-	-	-	208,665	214,319
of which short positions	*1,687*	-	-	-	-	-	-	*1,687*
of which liabilities on investment banking settlements	*3,967*	-	-	-	-	-	-	*3,967*
Total liabilities	**167,147**	**298,313**	**223,116**	**66,377**	**93,476**	**39,627**	**1,245,139**	**2,133,195**
Off-balance sheet items								
Financial guarantees and unutilised committed loan offers	460,235							

Derivatives 2020 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs		Total
Total derivatives inflow	203,343	419,683	119,243	92,612	186,031	100,891		1,121,803
Total derivatives outflow	206,625	427,457	118,845	93,932	185,640	101,596		1,134,095
Net	**-3,282**	**-7,774**	**398**	**-1,320**	**391**	**-705**		**-12,292**

Maturity analysis for financial assets and liabilities 2019 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	242,844	-	-	-	-	-	-	242,844
Interest-bearing securities eligible as collateral with central banks[1]	103,370	-	-	-	-	-	-	103,370
Bonds and other interest-bearing securities[2]	53,095	-	-	-	-	-	-	53,095
Loans to credit institutions	93,282	87,882	82,087	164,154	195,014	289,158	-	911,577
of which reverse repos	*211*	-	-	-	-	-	-	*211*
Loans to the public	44,767	124,985	92,110	83,439	157,207	140,807	-	643,315
of which reverse repos	*10,438*	-	-	-	-	-	-	*10,438*
Other	17,318	-	-	-	-	-	153,742	171,060
of which shares and participating interests	*14,335*	-	-	-	-	-	-	*14,335*
of which claims on investment banking settlements	*2,983*	-	-	-	-	-	-	*2,983*
Total assets	**554,676**	**212,867**	**174,197**	**247,593**	**352,221**	**429,965**	**153,742**	**2,125,261**
Due to credit institutions	121,452	26,407	5,239	304	854	1,328	54,029	209,613
of which repos	-	-	-	-	-	-	-	-
of which deposits from central banks	*40,025*	*12,795*	-	-	-	-	*26*	*52,846*
Deposits and borrowing from the public	16,651	11,350	2,685	3,382	342	51	883,197	917,658
of which repos	-	-	-	-	-	-	-	-
Issued securities[3]	49,583	272,285	214,779	75,202	110,421	15,966	-	738,236
of which covered bonds	-	-	-	-	-	-	-	-
of which certificates and other securities with original maturity of less than one year	*44,672*	*245,855*	*114,912*	-	-	-	-	*405,439*
of which senior bonds and other securities with original maturity of more than one year	*4,911*	*26,430*	*99,867*	*75,202*	*110,421*	*15,966*	-	*332,797*
Subordinated liabilities	-	1,125	29	12,623	24,631	-	-	38,408
Other	4,705	-	-	-	-	-	190,412	195,117
of which short positions	*1,865*	-	-	-	-	-	-	*1,865*
of which liabilities on investment banking settlements	*2,840*	-	-	-	-	-	-	*2,840*
Total liabilities	**192,391**	**311,167**	**222,732**	**91,511**	**136,248**	**17,345**	**1,127,638**	**2,099,032**
Off-balance sheet items								
Financial guarantees and unutilised committed loan offers	455,140							

Derivatives 2019 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs		Total
Total derivatives inflow	210,539	467,477	134,089	155,969	255,219	96,562		1,319,855
Total derivatives outflow	212,872	470,500	129,877	151,188	251,681	96,252		1,312,370
Net	**-2,333**	**-3,023**	**4,212**	**4,781**	**3,538**	**310**		**7,485**

[1] SEK 75,526m (83,175) of the amount (excl. interest) has a time to maturity of less than one year.
[2] SEK 7,184m (16,653) of the amount (excl. interest) has a time to maturity of less than one year.
[3] SEK 498,032m (528,690) of the amount (excl. interest) has a time to maturity of less than one year.
For deposit volumes, the column “Unspecified maturity” refers to deposits payable on demand.
The table contains interest flows, which means that the balance sheet items are not reconcilable with the parent company’s balance sheet.

P3 Net interest income

SEK m	2020	2019
Interest income		
Loans to credit institutions and central banks	5,368	8,193
Loans to the public	12 ,215	14,230
Interest-bearing securities eligible as collateral with central banks	291	333
Bonds and other interest-bearing securities	381	519
Derivative instruments	1 ,172	4,083
Other interest income	811	832
Total	**20,238**	**28,190**
Interest income reported in net gains/losses on financial transactions	-112	-511
Total interest income	**20,350**	**28,701**
of which interest income according to effective interest method and interest on derivatives in hedge accounting	*17,293*	*22,027*
Leasing income	**1,963**	**1,488**
Interest expenses		
Due to credit institutions and central banks	-681	-1,161
Deposits and borrowing from the public	-757	-1,413
Issued securities	-7,239	-14,370
Derivative instruments	1,813	2,776
Subordinated liabilities	-1,185	-1,282
Government fees	-762	-1,348
Other interest expenses	-347	-351
Total	**-9,158**	**-17,149**
Interest expenses reported in net gains/losses on financial transactions	84	1
Total interest expenses	**-9,242**	**-17,150**
of which interest expenses according to the effective interest method and interest on derivatives in hedge accounting	*-7,610*	*-14,617*
Net interest income	**13,071**	**13,039**
Depreciation according to plan for finance leases[1]	-1,795	-1,348
Total net interest income including depreciation according to plan for finance leases	11,276	11,691

[1] Recognised in the item Depreciation, amortisation and impairment of property, equipment and intangible assets.
The derivative instrument rows include net interest income related to hedged assets and liabilities. These may have both a positive and a negative impact on interest income and interest expenses.

P4 Dividends received

SEK m	2020	2019
Dividends on shares	76	246
Dividends from associates	-	3
Dividends from Group companies[1]	726	1,097
Group contributions received	15,135	15,992
Total	**15,937**	**17,338**

[1] Of which SEK 540m (327) refers to dividends on Tier 1 capital loans which Stadshypotek has classified as equity instruments.

P5 Net fee and commission income

SEK m	2020	2019
Brokerage and other securities commissions	645	604
Mutual funds	926	1,186
Custody and other asset management fees	888	790
Advisory services	184	207
Payments	2,915	3,424
Loans and deposits	905	870
Guarantees	335	377
Other	687	570
Total fee and commission income	**7,485**	**8,028**
Securities	-265	-251
Payments	-1,464	-1,695
Other	-64	-71
Total fee and commission expenses	**-1,793**	**-2,017**
Net fee and commission income	**5,692**	**6,011**

Fee and commission income refers to income from contracts with customers. Income from Brokerage and other securities commissions, Advisory services, Payments and Loans and deposits is generally recognised in conjunction with the rendering of the service, i.e. at a specific point in time. Payments also includes the issuing and acquisition of cards. Income from Mutual funds, Custody and other asset management fees, Insurance and Guarantees is generally recognised as the services are rendered, i.e. on a straight-line basis over time.

P6 Net gains/losses on financial transactions

SEK m	2020	2019
Amortised cost	106	89
of which loans	*106*	*73*
of which interest-bearing securities	*0*	*0*
of which issued securities	*0*	*16*
Fair value through other comprehensive income	-1	-1
of which expected credit losses	*-1*	*-1*
Fair value through profit or loss, fair value option	304	646
of which interest-bearing securities	*304*	*646*
Fair value through profit or loss, mandatory including foreign exchange effects	1,427	-71
Hedge accounting	33	-45
of which net gains/losses on fair value hedges	*34*	*-37*
of which cash flow hedge ineffectiveness	*-1*	*-8*
Total	**1,869**	**618**

P7 Other operating income

SEK m	2020	2019
Rental income	26	27
Other operating income[1]	2,764	2,611
Total	**2,790**	**2,638**

[1] This item includes reimbursement for services sold by the parent company to subsidiaries.

P8 Staff costs

SEK m	2020	2019
Salaries and fees	-6,963	-7,015
Social security costs	-1,809	-1,816
Pension costs[1]	-1,235	-1,202
Provision for the profit-sharing scheme	-213	644
Other staff costs	-1,469	-759
Total	**-11,689**	**-10,148**

[1] Information about pension costs is presented in note P38.

Salaries and fees SEK m	2020	2019
Executive officers[2], 20 persons (20)	-72	-81
Others	-6,891	-6,934
Total	**-6,963**	**-7,015**

[2] Executive officers including Board members.

Gender distribution	2020		2019	
%	Men	Women	Men	Women
Board	50	50	55	45
Executive officers excluding Board members	80	20	67	33

Average number of employees	2020	Men	Women	2019	Men	Women
Sweden	6,903	3,289	3,614	6,971	3,315	3,656
UK	0	0	0	0	0	0
Norway	779	414	365	768	408	360
Denmark	639	327	312	646	330	316
Finland	557	245	312	557	244	313
The Netherlands	315	198	117	293	188	105
USA	53	34	19	56	37	19
China	59	23	36	80	30	50
Luxembourg	45	24	21	46	26	20
Singapore	23	7	16	30	11	19
Germany	34	17	17	38	19	19
Poland	24	9	15	33	11	22
Other countries	21	5	16	42	14	28
Total	**9,452**	**4,592**	**4,860**	**9,560**	**4,633**	**4,927**

Note G8 provides information about the principles for remuneration to executive officers in the parent company.

P9 Other administrative expenses

SEK m	2020	2019
Property and premises	-1,240	-1,241
External IT costs	-2,086	-2,108
Communication	-235	-248
Travel and marketing	-110	-214
Purchased services	-1,202	-1,200
Supplies	-142	-157
Other administrative expenses	-669	-640
Total	**-5,684**	**-5,808**
of which expenses for operating leases		
Lease fee	*-562*	*-525*
Variable fee	*-97*	*-112*
Total	**-659**	**-637**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment.
Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes.

Contracted irrevocable future operating lease charges distributed by maturity SEK m	2020	2019
Within 1 yr	-970	-964
Between 1 and 5 yrs	-3,270	-3,070
Over 5 yrs	-3,375	-3,348
Total	**-7,615**	**-7,382**

Remuneration to auditors and audit companies	Ernst & Young AB		PricewaterhouseCoopers AB	
SEK m	2020	2019	2020	2019
Audit assignment	-8	-10	-4	-4
Audit operations outside the audit assignment	-	-1	-	-
Tax advice	0	-	-	-
Other services	0	-	-	-

P10 Credit losses

SEK m	2020	2019
Expected credit losses on balance sheet items		
The year's provision Stage 3	-699	-1,475
Reversed Stage 3 provision from previous years	526	334
Total expected credit losses in Stage 3	**-173**	**-1,141**
The year's net provision Stage 2	-237	90
The year's net provision Stage 1	-23	-7
Total expected credit losses in Stage 1 and Stage 2	**-260**	**83**
Total expected credit losses on balance sheet items	**-433**	**-1,058**
Expected credit losses on off-balance sheet items		
The year's net provision Stage 3	-20	-107
The year's net provision Stage 2	-62	-7
The year's net provision Stage 1	-15	-2
Total expected credit losses on off-balance sheet items	**-97**	**-116**
Write-offs		
Actual credit losses for the year[1]	-1,648	-353
Utilised share of previous provisions in Stage 3	1,622	323
Total write-offs	**-26**	**-30**
Recoveries	79	145
Net credit losses	**-477**	**-1,059**
of which loans to the public	*-378*	*-943*

[1] Of the year's actual credit losses, SEK 223m (107) is subject to enforcement activities.

P10 Cont.

Balance sheet and off-balance sheet items that are subject to impairment testing 2020

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	297,362	-	-	0	-	-
Interest-bearing securities eligible as collateral with central banks	1,163	-	-	-	-	-
Loans to credit institutions	953,640	17	-	-1	-6	-
Loans to the public	525,450	38,376	4,751	-172	-464	-1,796
Bonds and other interest-bearing securities	7,964	-	-	-2	-	-
Total	**1,785,579**	**38,393**	**4,751**	**-175**	**-470**	**-1,796**
Off-balance sheet items						
Contingent liabilities	409,604	8,890	440	-51	-110	-119
of which guarantee commitments	*97,320*	*1,970*	*184*	*-10*	*-17*	*-70*
of which obligations	*312,284*	*6,920*	*256*	*-41*	*-93*	*-49*
Total	**409,604**	**8,890**	**440**	**-51**	**-110**	**-119**

Balance sheet and off-balance sheet items that are subject to impairment testing 2019

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	242,889	-	-	0	-	-
Interest-bearing securities eligible as collateral with central banks	1,410	-	-	0	-	-
Loans to credit institutions	890,368	193	-	-1	-3	-
Loans to the public	596,076	21,368	6,462	-159	-247	-3,325
Bonds and other interest-bearing securities	4,953	-	-	-2	-	-
Total	**1,735,696**	**21,561**	**6,462**	**-162**	**-250**	**-3,325**
Off-balance sheet items						
Contingent liabilities	435,921	7,921	685	-38	-50	-106
of which guarantee commitments	*111,518*	*3,020*	*527*	*-7*	*-13*	*-71*
of which obligations	*324,403*	*4,901*	*158*	*-31*	*-37*	*-35*
Total	**435,921**	**7,921**	**685**	**-38**	**-50**	**-106**

[1] Gross volume in Stage 3 for which no provision has been made, due to collateral received, amounts to SEK 1,173m (1,237).

Key figures, credit losses **Loans to the public**	**2020**	**2019**
Credit loss ratio, acc., %	0.06	0.15
Total reserve ratio, %	0.43	0.60
Reserve ratio Stage 1, %	0.03	0.03
Reserve ratio Stage 2, %	1.21	1.16
Reserve ratio Stage 3, %	37.80	51.45
Proportion of loans in Stage 3, %	0.52	0.50

P10 Cont.

CHANGE ANALYSIS

Change in provision for expected credit losses, balance sheet items that are subject to impairment testing

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-162	-250	-3,325	-3,737	-153	-339	-2,472	-2,964
Derecognised assets	20	48	95	163	20	41	75	136
Write-offs	0	1	1,621	1,622	0	1	322	323
Remeasurements due to changes in credit risk	-115	-99	53	-161	-62	-167	42	-187
Changes due to update in the methodology for estimation	-	-	-	-	0	0	-	0
Foreign exchange effect, etc.	8	12	61	81	-2	-4	-35	-41
Purchased or originated assets	-21	-8	-7	-36	-19	-7	-3	-29
Transfer to Stage 1	-8	11	3	6	-13	24	1	12
Transfer to Stage 2	46	-283	3	-234	38	-101	13	-50
Transfer to Stage 3	57	98	-300	-145	29	302	-1,268	-937
Provision at end of year	**-175**	**-470**	**-1,796**	**-2,441**	**-162**	**-250**	**-3,325**	**-3,737**

Change in provision for expected credit losses, loans to the public

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-159	-247	-3,325	-3,731	-149	-331	-2,472	-2,952
Derecognised assets	19	46	95	160	19	35	75	129
Write-offs	0	1	1,621	1,622	0	1	322	323
Remeasurements due to changes in credit risk	-114	-100	53	-161	-62	-166	42	-186
Changes due to update in the methodology for estimation	-	-	-	-	0	0	-	0
Foreign exchange effect, etc.	8	12	61	81	-2	-4	-35	-41
Purchased or originated assets	-20	-8	-7	-35	-19	-7	-3	-29
Transfer to Stage 1	-8	11	3	6	-13	24	1	12
Transfer to Stage 2	45	-277	3	-229	38	-100	13	-49
Transfer to Stage 3	57	98	-300	-145	29	301	-1,268	-938
Provision at end of year	**-172**	**-464**	**-1,796**	**-2,432**	**-159**	**-247**	**-3,325**	**-3,731**

Change in provision for expected credit losses, off-balance sheet items that are subject to impairment testing

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-38	-50	-106	-194	-36	-43	-	-79
Derecognised assets	4	7	-	11	5	7	-	12
Write-offs	0	0	-	0	0	0	-	0
Remeasurements due to changes in credit risk	-18	-24	-13	-55	-6	-1	-106	-113
Changes due to update in the methodology for estimation	-	-	-	-	0	0	-	0
Foreign exchange effect, etc.	1	2	-	3	0	0	-	0
Purchased or originated assets	-7	-1	-	-8	-7	-8	-	-15
Transfer to Stage 1	-2	3	-	1	-2	5	-	3
Transfer to Stage 2	7	-53	-	-46	7	-21	-	-14
Transfer to Stage 3	2	6	-	8	1	11	-	12
Provision at end of year	**-51**	**-110**	**-119**	**-280**	**-38**	**-50**	**-106**	**-194**

The change analysis shows the net effect on the provision for the Stage in question for each explanatory item during the period. The effect of derecognitions and write-offs is calculated on the opening balance. The effect of revaluations due to changes in the methodology for estimation and foreign exchange effects, etc., is calculated before any transfer of the net amount between Stages. Purchased or originated assets and amounts transferred between Stages are recognised after the effects of other explanatory items are taken into account. The transfer rows present the effect on the provision for the stated Stage.

P10 Cont.

Change in gross volume, balance sheet items that are subject to impairment testing

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	1,735,696	21,561	6,462	1,763,719	1,672,342	28,353	5,443	1,706,138
Derecognised assets	-108,135	-4,592	-282	-113,009	-101,993	-5,894	-272	-108,159
Write-offs	-3	-7	-1,636	-1,646	-7	-6	-334	-347
Remeasurements due to changes in credit risk	169,943	-886	-651	168,406	61,480	-2,513	-608	58,359
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-55,998	-1,214	-198	-57,410	17,888	531	79	18,498
Purchased or originated assets	66,245	2,395	23	68,663	87,237	1,973	20	89,230
Transfer to Stage 1	10,469	-10,455	-14	-	15,479	-15,455	-24	-
Transfer to Stage 2	-32,222	32,283	-61	-	-16,519	16,622	-103	-
Transfer to Stage 3	-416	-692	1,108	-	-211	-2,050	2,261	-
Volume at end of year	**1,785,579**	**38,393**	**4,751**	**1,828,723**	**1,735,696**	**21,561**	**6,462**	**1,763,719**

Change in gross volume, loans to the public

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	596,076	21,368	6,462	623,906	581,252	27,956	5,443	614,651
Derecognised assets	-68,578	-4,442	-274	-73,294	-80,023	-5,656	-272	-85,951
Write-offs	-3	-7	-1,636	-1,646	-7	-6	-334	-347
Remeasurements due to changes in credit risk	-19,898	805	-658	-19,751	17,501	-2,448	-599	14,454
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-22,344	-1,215	-198	-23,757	8,078	531	79	8,688
Purchased or originated assets	60,704	2,392	23	63,119	70,478	1,913	20	72,411
Transfer to Stage 1	10,469	-10,455	-14	-	15,477	-15,453	-24	-
Transfer to Stage 2	-30,560	30,621	-61	-	-16,469	16,573	-104	-
Transfer to Stage 3	-416	-691	1,107	-	-211	-2,042	2,253	-
Volume at end of year	**525,450**	**38,376**	**4,751**	**568,577**	**596,076**	**21,368**	**6,462**	**623,906**

Change in gross volume, off-balance sheet items that are subject to impairment testing

	2020				2019			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	435,921	7,921	685	444,527	463,128	7,304	425	470,857
Derecognised assets	-26,575	-1,346	-25	-27,946	-25,408	-1,257	-9	-26,674
Write-offs	0	0	-2	-2	0	0	-6	-6
Remeasurements due to changes in credit risk	-17,412	1,215	-298	-16,495	-33,812	1,774	131	-31,907
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-5,344	-220	-5	-5,569	2,893	166	12	3,071
Purchased or originated assets	24,185	233	1	24,419	28,172	1,014	0	29,186
Transfer to Stage 1	6,885	-6,882	-3	-	6,127	-6,126	-1	-
Transfer to Stage 2	-8,034	8,039	-5	-	-5,152	5,164	-12	-
Transfer to Stage 3	-22	-70	92	-	-27	-118	145	-
Volume at end of year	**409,604**	**8,890**	**440**	**418,934**	**435,921**	**7,921**	**685**	**444,527**

Like the analysis for provisions, the change analysis for gross volumes shows the effect of selected explanatory items on the volumes for a stated Stage. The items showing transfers between Stages, and ‘Purchased or originated assets’, present the amounts in the stated Stage at the end of the period. Other items present the effect in the Stage applying at the start of the period.

P10 Cont.

SENSITIVITY ANALYSIS

Sensitivity analysis, macroeconomic scenarios

The calculation of expected credit losses pursuant to IFRS 9 applies forward-looking information in the form of macroeconomic scenarios. The expected credit loss is a probability-weighted average of the estimated forecasts over three scenarios. The forecast in the neutral scenario is assigned a weighting of 70% (60), while an upturn in the economy is assigned a weighting of 15% (15) and a downturn in the economy a weighting of 15% (25). The following table presents the minimum, maximum and average annual forecasts for some of the central macroeconomic risk factors by home market and scenario for the next five years. These have formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2020 and 31 December 2019, respectively.

	Minimum						Average						Maximum					
	Downturn		Base case		Upturn		Downturn		Base case		Upturn		Downturn		Base case		Upturn	
Macroeconomic risk factors	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
GDP growth																		
Sweden	-1.70	-1.49	2.00	0.81	1.70	1.70	1.74	1.84	2.51	1.96	3.14	2.08	3.20	2.70	3.90	2.20	4.90	2.84
Norway	-0.05	-0.04	1.60	1.24	1.30	1.20	1.40	1.57	2.11	1.67	2.74	1.78	2.20	1.85	3.64	1.84	6.04	3.64
Denmark	-1.65	-0.66	1.48	1.09	1.18	1.10	1.16	1.39	1.89	1.49	2.52	1.59	2.16	1.81	2.75	1.81	4.63	3.04
Finland	-1.27	-1.67	1.55	0.73	1.25	1.10	1.05	1.50	1.78	1.62	2.39	1.73	2.06	1.95	2.52	1.88	4.82	2.63
The Netherlands and the rest of Europe	0.66	-1.17	1.30	0.93	1.00	1.00	1.43	1.16	2.15	1.28	2.77	1.39	1.90	1.70	4.40	1.40	6.79	2.63
USA	0.05	0.54	2.00	1.25	1.70	1.94	1.88	1.95	2.56	1.98	3.19	2.02	2.60	2.50	3.77	2.30	6.17	2.30
Other countries	1.89	2.40	3.50	2.90	3.20	3.00	3.45	3.07	3.82	3.10	4.33	3.12	4.01	3.50	5.10	3.50	7.19	3.50
Unemployment rate																		
Sweden	9.10	6.60	6.90	6.60	6.55	6.30	9.84	6.90	7.64	6.75	6.90	6.65	10.81	8.35	8.90	7.24	7.71	6.70
Norway	4.10	3.50	2.75	3.40	2.60	2.80	4.66	3.61	2.95	3.50	2.69	3.39	5.46	4.40	3.30	3.60	2.80	3.50
Denmark	7.70	5.50	5.50	5.18	5.20	4.68	8.18	5.67	5.96	5.50	5.40	5.40	8.68	7.00	6.60	5.60	5.50	5.50
Finland	8.70	6.90	6.70	6.48	6.50	5.80	9.58	7.05	7.39	6.88	6.68	6.74	10.35	8.20	8.23	6.90	7.25	6.90
The Netherlands and the rest of Europe	10.00	7.80	8.00	7.80	7.90	6.90	11.04	8.05	8.79	7.83	8.15	7.70	11.85	9.50	9.31	8.10	8.54	7.80
USA	6.80	4.24	4.30	4.04	3.70	3.74	7.70	4.53	5.17	4.48	4.14	4.42	8.80	4.90	6.28	4.50	5.00	4.50
Other countries	7.60	6.00	6.00	6.00	5.80	5.85	9.58	6.03	7.10	6.01	6.46	5.99	12.02	6.40	8.50	6.10	7.22	6.00
Policy interest rate																		
Sweden	0.00	-0.50	0.00	0.00	0.00	0.50	0.00	2.14	0.15	2.34	0.32	2.45	0.00	3.30	0.50	3.30	0.70	3.30
Norway	0.00	0.25	0.00	1.50	0.00	2.00	0.00	2.08	0.40	2.29	0.57	2.38	0.00	3.10	0.75	3.10	0.95	3.10
Denmark	0.05	-0.05	0.05	0.05	0.05	0.25	0.05	1.70	0.09	1.91	0.26	1.99	0.05	3.12	0.25	3.12	0.45	3.12
Finland	0.00	-0.10	0.00	0.00	0.00	0.25	0.00	1.69	0.05	1.91	0.22	1.99	0.00	3.12	0.25	3.12	0.45	3.12
The Netherlands and the rest of Europe	0.00	-0.10	0.00	0.00	0.00	0.25	0.00	1.69	0.05	1.91	0.22	1.99	0.00	3.12	0.25	3.12	0.45	3.12
USA	0.13	0.88	0.13	1.38	0.13	1.63	0.13	2.64	0.28	2.70	0.45	2.73	0.13	3.30	0.63	3.30	0.83	3.30
Other countries	1.80	2.60	1.80	2.80	1.80	2.95	2.02	3.54	2.22	3.57	2.39	3.60	2.25	4.10	3.00	4.10	3.20	4.10
Commercial property price growth																		
Sweden	-22.93	-7.65	-1.36	-7.77	1.81	-11.16	-5.15	-1.53	1.37	-1.42	4.44	-1.17	5.78	6.92	3.57	11.48	5.76	22.99
Norway	-21.07	-5.77	-2.53	-5.03	0.94	-7.44	-3.11	-1.54	1.46	-1.45	3.01	-1.31	8.01	3.06	4.41	5.20	4.66	9.47
Denmark	-17.98	-8.94	-2.45	-8.49	0.60	-10.81	-4.44	-2.11	0.60	-1.97	2.19	-1.81	4.39	3.42	3.02	7.07	3.38	12.50
Finland	-21.25	-8.25	-2.25	-7.24	3.11	-9.98	-3.49	-1.08	1.98	-0.92	3.91	-0.72	7.20	7.07	5.14	8.74	4.81	17.77
The Netherlands and the rest of Europe	-21.27	-6.29	-4.37	-5.72	0.62	-5.46	-4.44	0.03	0.65	0.27	2.61	0.75	5.41	2.02	3.59	4.70	4.23	12.48
USA	2.00	1.25	0.20	-4.97	2.00	1.25	2.56	1.98	0.58	0.75	2.56	1.98	3.77	2.30	1.59	2.58	3.77	2.30
Other countries	0.66	-1.17	1.30	0.93	1.00	1.00	1.43	1.16	2.15	1.28	2.77	1.39	1.90	1.70	4.40	1.40	6.79	2.63
Residential property price growth																		
Sweden	-4.91	-0.74	1.35	0.03	1.22	-0.37	0.30	1.79	2.47	1.96	3.40	2.14	5.11	6.55	4.19	5.28	6.30	7.76
Norway	-4.98	-0.40	2.05	1.86	3.02	0.43	2.42	2.85	3.67	2.96	4.63	3.09	5.97	4.80	4.46	5.62	9.28	9.31
Denmark	-7.45	-2.77	0.40	1.75	0.41	1.45	-0.26	2.88	1.27	3.02	2.66	3.17	3.95	4.72	2.22	3.90	6.06	6.23
Finland	-0.54	0.92	1.53	1.51	1.88	1.57	1.08	1.59	1.78	1.71	2.28	1.81	1.95	1.77	1.92	1.89	2.92	2.46
The Netherlands and the rest of Europe	-4.42	-1.70	2.00	1.80	1.70	1.70	1.29	2.14	2.52	2.36	2.86	2.43	3.56	2.50	3.56	2.50	6.35	3.20
USA	-4.42	-1.70	2.00	1.80	1.70	1.70	1.29	2.14	2.52	2.36	2.86	2.43	3.56	2.50	3.56	2.50	6.35	3.20
Other countries	-4.42	-1.70	2.00	1.80	1.70	1.70	1.29	2.14	2.52	2.36	2.86	2.43	3.56	2.50	3.56	2.50	6.35	3.20

The table below shows the percentage increase/decrease in the provision for expected credit losses in Stage 1 and Stage 2, as at 31 December, which arises when a probability of 100% is assigned to the negative and positive scenarios, respectively.

	2020		2019	
%	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario
Sweden	15.50	-8.97	8.26	-8.20
Norway	11.61	-6.32	4.20	-4.42
Denmark	11.07	-6.35	4.60	-4.78
Finland	10.75	-6.07	5.95	-5.78
The Netherlands	2.75	-1.54	1.28	-1.27
USA	41.52	-24.50	6.60	-7.54
Other countries	14.29	-7.16	7.11	-6.94

P10 Cont.

Sensitivity analysis, significant increase in credit risk

The table below shows how the provision in Stage 1 and Stage 2 as at 31 December is affected if the threshold value applied for the ratio between residual credit risk calculated on the reporting date and on initial recognition were to be set 0.5 units lower and higher, respectively, than the applied threshold value of 2.5. A reduction of 0.5 to the threshold value would increase the number of loans transferred from Stage 1 to Stage 2 and would also entail an increase in the provision for expected credit losses. An increase of 0.5 to the threshold value would have the opposite effect. The Bank uses both quantitative and qualitative indicators to assess significant increases in credit risk. Further information is provided in note G2 under the heading "Credit risk".

Change in the total provision in Stage 1 and Stage 2, % **Threshold value**	**2020**	**2019**
2	3.80%	3.09
2.5	0.00%	0.00
3	-2.23%	-2.97

CREDIT EXPOSURE THAT IS SUBJECT TO IMPAIRMENT TESTING, BY PD RANGE

Balance sheet items by PD range	**2020**			**2019**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	1,607,252	12,169	-	1,513,033	6,227	-
0.15 to <0.25	77,581	2,086	-	97,650	1,022	-
0.25 to <0.50	49,972	6,938	-	59,019	1,487	-
0.50 to <0.75	19,043	2,258	-	21,998	1,859	-
0.75 to <2.50	27,016	9,072	-	34,696	3,810	-
2.50 to <10.00	4,380	4,597	-	8,763	5,669	-
10.00 to <100	335	1,273	-	537	1,487	-
100 (default)	-	-	4,751	-	-	6,462
Total	**1,785,579**	**38,393**	**4,751**	**1,735,696**	**21,561**	**6,462**

Loans to the public by PD range	**2020**			**2019**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	472,973	12,165	-	519,609	6,079	-
0.15 to <0.25	22,830	2,085	-	33,535	1,013	-
0.25 to <0.50	14,705	6,935	-	20,268	1,474	-
0.50 to <0.75	5,604	2,257	-	7,555	1,842	-
0.75 to <2.50	7,950	9,068	-	11,915	3,776	-
2.50 to <10.00	1,289	4,594	-	3,010	5,710	-
10.00 to <100	99	1,272	-	184	1,474	-
100 (default)	-	-	4,751	-	-	6,462
Total	**525,450**	**38,376**	**4,751**	**596,076**	**21,368**	**6,462**

Off-balance sheet items by PD range	**2020**			**2019**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	352,268	2,890	-	372,960	2,728	-
0.15 to <0.25	20,207	841	-	24,789	1,350	-
0.25 to <0.50	15,068	1,531	-	19,580	528	-
0.50 to <0.75	5,586	781	-	6,152	557	-
0.75 to <2.50	15,434	1,358	-	11,317	851	-
2.50 to <10.00	1,017	1,154	-	1,078	1,555	-
10.00 to <100	24	335	-	45	352	-
100 (default)	-	-	440	-	-	685
Total	**409,604**	**8,890**	**440**	**435,921**	**7,921**	**685**

[1] Refers to 12-month PD value as at the reporting date.

Assets repossessed for protection of claims SEK m	**2020**	**2019**
Property	-	3
Movable property	2	1
Shares	0	0
Carrying amount	**2**	**4**

P11 Appropriations

SEK m	2020	2019
Change in accelerated depreciation, machinery, equipment and lease assets	650	-500
Change in accelerated amortisation, goodwill on the acquisition of net assets	93	120
Total	**743**	**-380**

P12 Loans to credit institutions

SEK m	2020	2019
Loans in Swedish kronor		
Banks	1,490	2,259
Other credit institutions[1]	649,050	571,995
Total	**650,540**	**574,254**
Loans in foreign currency		
Banks	35,926	29,250
Other credit institutions	267,191	287,057
Total	**303,117**	**316,307**
Provision for expected credit losses	-7	-4
Total loans to credit institutions	**953,650**	**890,557**
of which accrued interest income	*869*	*1,047*
of which reverse repos	*2,776*	*211*
of which subordinated	*28,394*	*29,078*

Average volumes SEK m	2020	2019
Loans to credit institutions in Swedish kronor	630,019	579,403
Loans to credit institutions in foreign currency	339,627	332,246
Total	**969,646**	**911,649**
of which reverse repos	*10,486*	*7,048*

[1] Of which SEK 21,812m (21,335) refers to Tier 1 capital loans which Stadshypotek has classified as equity instruments.

P13 Loans to the public

SEK m	2020	2019
Loans in Swedish kronor		
Households	28,799	31,380
Companies	132,242	150,255
National Debt Office	474	-
Total	**161,515**	**181,635**
Loans in foreign currency		
Households	108,223	113,975
Companies	298,838	328,296
National Debt Office	-	-
Total	**407,061**	**442,271**
Provision for expected credit losses	-2,431	-3,731
Total loans to the public	**566,145**	**620,175**
of which accrued interest income	*760*	*1,119*
of which reverse repos	*11,627*	*10,441*
of which subordinated	*1,132*	*1,132*

Average volumes, excl. National Debt Office SEK m	2020	2019
Loans to the public in Swedish kronor	188,619	203,571
Loans to the public in foreign currency	423,692	444,497
Total	**612,311**	**648,068**
of which reverse repos	*18,349*	*16,205*

P14 Interest-bearing securities

	2020			2019		
SEK m	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Interest-bearing securities eligible as collateral with central banks	99,115	99,115	97,152	103,370	103,370	101,137
of which accrued interest income	*195*			*217*		
Bonds and other interest-bearing securities	46,533	46,533	43,351	53,096	53,096	50,698
of which accrued interest income	*185*			*212*		
Total	**145,648**	**145,648**	**140,503**	**156,466**	**156,466**	**151,835**
of which subordinated	*4*	*4*		*15*	*15*	

Interest-bearing securities broken down by issuer	2020			2019		
SEK m	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Government	99,115	99,115	97,152	103,370	103,370	101,137
Credit institutions	9,091	9,091	8,656	10,529	10,529	9,911
Mortgage institutions	31,317	31,317	28,819	36,273	36,273	34,597
Other	6,125	6,125	5,876	6,294	6,294	6,190
Total	**145,648**	**145,648**	**140,503**	**156,466**	**156,466**	**151,835**

Interest-bearing securities that are subject to impairment testing SEK m	2020	2019
Interest-bearing securities eligible as collateral with central banks		
Fair value through other comprehensive income	401	403
Amortised cost	762	1,007
Total gross volumes	**1,163**	**1,410**
Provision for expected credit losses on instruments measured at amortised cost	0	0
Total carrying amount	**1,163**	**1,410**
Provision for expected credit losses recognised in the fair value reserve in equity	0	0
Bonds and other interest-bearing securities		
Fair value through other comprehensive income	7,964	4,953
Total carrying amount	**7,964**	**4,953**
Provision for expected credit losses recognised in the fair value reserve in equity	-2	-2

Average volumes SEK m	2020	2019
Interest-bearing securities	167,504	222,592

P15 Shares

SEK m	2020	2019
Fair value through profit or loss, mandatory	13,614	12,032
Fair value through other comprehensive income	699	2,303
Total shares	**14,313**	**14,335**

Holdings at fair value through other comprehensive income SEK m	2020	2019
BEC	295	489
Visa Inc	155	308
Other holdings	249	363
Euroclear plc	-	431
Enento Group Oyj	-	712
Total	**699**	**2,303**

Handelsbanken classifies the shareholdings above as measured at fair value through other comprehensive income, as these holdings are not held for trading. During the year Handelsbanken received dividends only on shares still held at the end of the reporting period. These dividends total SEK 53m (110) and are recognised in the income statement under Other dividend income. During the year, the Bank divested holdings for a total of SEK 1,688m (39) in Let-P Holdings A/S, Euroclear, BEC, V/P AS, Kreditandelslag, Vaerdipapircentralen, Enento Group Oy, Visa Inc and a housing co-operative association. The primary reason for the divestments was reallocations, together with adjustments to the shares in relation to the participating interests.

For information about realised and unrealised gains/losses on equity instruments measured at fair value through other comprehensive income, refer to the Statement of changes in equity for the Group.

P16 Shares in subsidiaries and investments in associates and joint ventures

Shares in subsidiaries and investments in associates and joint ventures SEK m	2020	2019
Subsidiaries, unlisted	72,749	71,925
Associates, unlisted	213	213
Joint ventures, unlisted	95	
Total	**73,057**	**72,138**

Subsidiaries	Corporate identity number	Domicile	Number of shares	Ownership share, %	Carrying amount, SEK m 2020	Carrying amount, SEK m 2019
Handelsbanken Finans AB[1]	556053-0841	Stockholm	1,550,000	100	11,672	11,672
Stadshypotek AB[1]	556459-6715	Stockholm	162,000	100	26,870	26,870
Handelsbanken Fondbolagsförvaltning AB	556070-0683	Stockholm	10,000	100	1	1
Handelsbanken Fonder AB	556418-8851	Stockholm		100		
Handelsinvest Investeringsforvaltning A/S	12930879	Copenhagen		100		
Xact Kapitalförvaltning AB	556997-8140	Stockholm		100		
Handelsbanken Liv Försäkrings AB	516401-8284	Stockholm	100,000	100	6,189	6,189
SHB Liv Försäkringsaktiebolag	2478149-7	Helsinki		100		
Handelsbanken Fastigheter AB	556873-0021	Stockholm		100		
Ecster AB	556993-2311	Stockholm	50,000	100	1,750	850
Handelsbanken plc[1]	11305395	London	5,050,401	100	24,087	24,087
Handelsbanken Wealth & Asset Management Limited	04132340	London	1,319,206	100		
Optimix Vermogensbeheer N.V.	33194359	Amsterdam	10,209	100	642	668
Add Value Fund Management BV	19196768	Amsterdam		80		
Other subsidiaries						
EFN Ekonomikanalen AB	556930-1608	Stockholm	100	100	0	0
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød	2,700,000	100	128	200
Forva AS	945812141	Oslo	4,000,000	100	1	1
AB Handel och Industri	556013-5336	Stockholm	100,000	100	12	14
Handelsbanken Markets Securities, Inc.[1]	11-3257438	New York	1,000	100	30	30
Handelsbanken Rahoitus Oy	0112308-8	Helsinki	37,026,871	100	1,276	1,276
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1,500	100	31	31
Lokalbolig A/S	78488018	Hillerød	540,000	72	1	1
Rådstuplass 4 AS	910508423	Bergen	40,000	100	0	0
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	20,000	100	35	35
Blå stugan i Stockholm AB	556993-9357	Stockholm	50	100	24	0
Total					**72,749**	**71,925**

The list of Group companies contains directly owned subsidiaries and large subsidiaries of these companies.
[1] Credit institution.

Associates	Corporate identity number	Domicile	Number of shares	Ownership share, %	Carrying amount, SEK m 2020	Carrying amount, SEK m 2019
Bankomat AB	556817-9716	Stockholm	150	20.00	67	67
BGC Holding AB	556607-0933	Stockholm	25,382	25.38	80	80
Dyson Group plc	00163096	Sheffield	74,333,672	27.00	21	21
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12,735	28.30	24	24
Getswish AB	556913-7382	Stockholm	10,000	20.00	21	21
USE Intressenter AB	559161-9464	Stockholm	2,448	24.48	0	0
Total					**213**	**213**

Joint ventures	Corporate identity number	Domicile	Number of shares	Voting power, %	Carrying amount, SEK m 2020	Carrying amount, SEK m 2019
P27 Nordic Payment Platform AB	559198-9610	Stockholm	10,000	16.67	63	
Invidem AB	559210-0779	Stockholm	10,000	16.67	32	
Total					**95**	

P17 Derivative instruments

	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
SEK m	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2020	2019	2020	2019	2020	2019
Derivatives held for trading									
Interest rate-related contracts									
Options	12,332	15,889	2,053	30,274	37,986	9	19	16	71
FRA/futures	300,439	18,000	-	318,439	896,242	52	211	38	170
Swaps	442,524	1,302,129	411,514	2,156,167	2,294,026	29,544	28,228	30,403	29,733
Currency-related contracts									
Options	24,677	18	34	24,729	25,685	118	136	195	212
Futures	64,644	4,785	258	69,687	63,863	920	863	1,344	480
Swaps	542,198	165,952	62,634	770,784	937,406	11,226	13,986	22,882	21,327
Equity-related contracts									
Options	3,492	1,610	92	5,194	9,585	255	545	136	425
Futures	855	-	-	855	1,814	15	-	16	13
Swaps	12,285	3,844	21	16,150	14,755	137	138	1,569	1,157
Commodity-related contracts									
Options	325	308	38	671	1,022	22	35	60	103
Futures	2,962	692	-	3,654	12,951	389	430	312	494
Credit-related contracts									
Swaps	631	5,617	252	6,500	8,035	229	465	158	289
Total	**1,407,364**	**1,518,844**	**476,896**	**3,403,104**	**4,303,370**	**42,916**	**45,056**	**57,129**	**54,474**
Derivatives for fair value hedges									
Interest rate-related contracts									
Swaps	31,706	187,349	38,023	257,078	131,914	1,704	1,233	607	587
Currency-related contracts									
Swaps	0	534	843	1,377	1,499	101	166	-	
Total	**31,706**	**187,883**	**38,866**	**258,455**	**133,413**	**1,805**	**1,399**	**607**	**587**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	68,516	131,762	16,888	217,166	296,355	4,234	5,083	2,556	1,857
Currency-related contracts									
Swaps	79,365	80,125	16,879	176,369	194,451	9,420	15,634	5,528	985
Total	**147,881**	**211,887**	**33,767**	**393,535**	**490,806**	**13,654**	**20,717**	**8,084**	**2,842**
Total derivative instruments	**1,586,951**	**1,918,614**	**549,529**	**4,055,094**	**4,927,589**	**58,375**	**67,172**	**65,820**	**57,903**
of which exchange-traded derivatives				*108,653*	*440,829*	*332*	*347*	*756*	*1,223*
of which OTC derivatives settled by CCP				*2,245,982*	*2,472,024*	*22,987*	*22,588*	*18,717*	*16,293*
of which OTC derivatives not settled by CCP				*1,700,459*	*2,014,736*	*35,056*	*44,237*	*46,347*	*40,385*
Amounts offset				-2,110,391	-2,147,269	-25,344	-25,332	-21,046	-19,233
Net amount				**1,944,703**	**2,780,320**	**33,031**	**41,840**	**44,774**	**38,670**
Currency breakdown of market values									
SEK				-		77,516	-18,191	247,879	164,129
USD						-80,871	39,129	-381,625	-326,930
EUR						95,348	191,180	-36,368	67,564
Others						-33,618	-144,946	235,934	153,140
Total						**58,375**	**67,172**	**65,820**	**57,903**

Derivative contracts are presented gross in the note. Amounts offset consist of the offset market value and the associated nominal amounts of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis on the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 gains/losses) over the life of the derivative. Such not yet recognised day 1 gains amounted to SEK 538m (630) at year-end.

P18 Hedge accounting

Hedging instruments in cash flow hedges	2020			2019		
SEK m	Up to 1 yr	1-5 yrs	Over 5 yrs	Up to 1 yr	1-5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	13,181	50,160	16,070	12,687	63,337	17,136
Average fixed interest %	0.48	0.58	0.73	0.72	0.62	0.87
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	55,335	81,602	818	53,893	147,974	1,328
Average fixed interest %	3.53	1.66	3.98	2.63	2.45	3.02
Foreign exchange risk						
Foreign exchange derivatives, EUR/NOK						
Nominal amount	4,344	29,590	7,435	4,741	36,400	-
Average exchange rate EUR/NOK	0.1310	0.1110	0.0970	0.1200	0.1200	-
Foreign exchange derivatives, USD/GBP						
Nominal amount	11,011	6,289	831	11,599	19,410	932
Average exchange rate USD/GBP	1.3860	1.2930	1.3150	1.4300	1.3600	1.3200
Foreign exchange derivatives, USD/NOK						
Nominal amount	40,197	12,901	-	19,402	25,572	337
Average exchange rate USD/NOK	0.1170	0.1260	-	0.1300	0.1300	0.1300
Foreign exchange derivatives, USD/SEK						
Nominal amount	9,206	2,153	8,613	4,167	12,145	-
Average exchange rate USD/SEK	0.1170	0.1105	0.1105	0.1400	0.1200	-
Foreign exchange derivatives, AUD/USD						
Nominal amount	3,034	5,492	-	-	9,300	-
Average exchange rate AUD/USD	1.3930	1.3770	-	-	1.3800	-
Foreign exchange derivatives, other currency pairs						
Nominal amount	11,573	23,700	-	13,351	34,891	2,204
Total	**147,881**	**211,887**	**33,767**	**119,840**	**349,029**	**21,937**

Hedging instruments and ineffectiveness in cash flow hedges 2020		Carrying amount hedging instruments					
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	79,411	1	2,556	-941	-941	-	-
Interest rate swaps, variable interest paid and fixed interest received	137,755	4,233	-	-461	-461	-	96
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/DKK	3,516	-	9	-33	-33	-	-
Foreign exchange derivatives, EUR/GBP	9,628	1,123	-	81	81	-	-
Foreign exchange derivatives, EUR/NOK	41,369	5,559	16	240	237	3	-
Foreign exchange derivatives, EUR/SEK	12,664	256	586	-26	-26	-	-
Foreign exchange derivatives, USD/GBP	18,131	271	448	-60	-57	-3	-
Foreign exchange derivatives, USD/NOK	53,098	1,142	1,903	-52	-52	0	-
Foreign exchange derivatives, USD/SEK	19,972	-	1,838	-349	-349	0	-
Foreign exchange derivatives, AUD/USD	8,526	621	-	45	45	-	-5
Foreign exchange derivatives, other currency pairs	9,465	448	728	12	13	-1	43
Total	**393,535**	**13,654**	**8,084**	**-1,544**	**-1,543**	**-1**	**134**

Hedging instruments and ineffectiveness in cash flow hedges 2019		Carrying amount hedging instruments					
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	93,160	118	1,727	-810	-810	-	-
Interest rate swaps, variable interest paid and fixed interest received	203,195	4,965	130	1,919	1,919	-	8
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/DKK	3,653	4	-	15	15	-	-
Foreign exchange derivatives, EUR/GBP	12,915	735	122	147	147	-	-
Foreign exchange derivatives, EUR/NOK	41,141	4,309	-	60	57	3	-
Foreign exchange derivatives, EUR/SEK	12,922	458	246	5	5	-	-
Foreign exchange derivatives, USD/GBP	31,941	1,715	169	-79	-74	-5	-
Foreign exchange derivatives, USD/NOK	45,311	4,682	-	0	0	-	-
Foreign exchange derivatives, USD/SEK	16,312	1,985	-	-30	-30	-	-
Foreign exchange derivatives, AUD/USD	9,300	22	265	78	78	-	-2
Foreign exchange derivatives, other currency pairs	20,956	1,724	183	450	456	-6	6
Total	**490,806**	**20,717**	**2,842**	**1,755**	**1,763**	**-8**	**12**

[1] When analysing for the purposes of hedge accounting, the conversion to the parent company's functional currency, SEK, is taken into account by imputing nominal derivative legs in the hedging relationships. The imputed derivative legs are not included in the nominal volumes presented in the tables above.

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet. Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions.

Reclassified to the income statement is included under Net gains/losses on financial transactions and refers to cash flow hedges terminated before their maturity date.

P18 Cont.

Hedged items in cash flow hedges	2020			2019		
SEK m	Change in value used to calculate ineffectiveness	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied	Change in value used to calculate ineffectiveness	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk						
Issued variable-interest securities	941	-2,435	-	810	-1,493	-
Variable-interest loans to the public	461	3,799	543	-1,919	4,355	639
Foreign exchange risk						
Securities issued in EUR and internal loans in DKK, GBP and NOK	-150	-234	-	-340	-384	-
Securities issued in USD and internal loans in DKK, EUR, GBP and NOK	485	-416	86	54	68	121
Securities issued in AUD	-46	128	2	-78	77	-4
Securities issued and internal loans in other currencies	-148	-51	15	-290	-155	23
Total	**1,543**	**791**	**646**	**-1,763**	**2,468**	**779**

Hedging instruments in fair value hedges	2020			2019		
SEK m	Up to 1 yr	1-5 yrs	Over 5 yrs	Up to 1 yr	1-5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	31,706	148,864	1,698	26,321	71,963	2,412
Average fixed interest %	0.06	0.03	0.28	0.00	0.07	0.53
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	-	35,214	31,652	-	18,797	12,421
Average fixed interest %	-	1.31	1.67	-	1.94	0.93
Cross-currency interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	-	533	843	-	580	919
Average fixed interest %	-	3.26	3.69	-	3.26	3.69
Total	**31,706**	**184,611**	**34,193**	**26,321**	**91,340**	**15,752**

Hedging instruments and ineffectiveness in fair value hedges 2020		Carrying amount hedging instruments			
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	182,268	72	442	-222	-8
Interest rate swaps, variable interest paid and fixed interest received	66,866	1,628	146	773	42
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,376	101	-	100	0
Total	**250,510**	**1,801**	**588**	**651**	**34**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	**7,945**	**4**	**19**	**-13**	**0**
Total	**7,945**	**4**	**19**	**-13**	**0**

Hedging instruments and ineffectiveness in fair value hedges 2019		Carrying amount hedging instruments			
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	100,696	219	355	82	5
Interest rate swaps, variable interest paid and fixed interest received	31,218	1,014	232	-63	-39
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,499	166	-	-17	-3
Total	**133,413**	**1,399**	**587**	**2**	**-37**

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet.
Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions.

Hedged items in fair value hedges 2020	Carrying amount hedged item		Accumulated fair value adjustment included in the carrying amount of the hedged item			
SEK m	Assets	Liabilities	Assets	Liabilities	Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
Interest rate risk						
Fixed-interest loans to the public	188,468		329		215	-
Issued fixed-interest securities and subordinated liabilities		69,716		794	-832	-
Total	**188,468**	**69,716**	**329**	**794**	**-617**	**-**
Portfolio fair value hedges						
Interest rate risk						
Fixed-interest loans to the public	**13**				**13**	**-**
Total	**13**	**-**	**-**	**-**	**13**	**-**

Hedged items in fair value hedges 2019 SEK m	Carrying amount hedged item Assets	 Liabilities	Accumulated fair value adjustment included in the carrying amount of the hedged item Assets	 Liabilities	Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
Interest rate risk						
Fixed-interest loans to the public	101,432		114		-77	-
Issued fixed-interest securities and subordinated liabilities		32,950		-38	38	-
Total	**101,432**	**32,950**	**114**	**-38**	**-39**	**-**

P19 Offsetting of financial instruments

2020 SEK m	Derivatives	Repurchase agreements and securities lending	Total
Financial fixed assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	58,375	16,946	75,321
Amounts offset	-25,344	-2,014	-27,358
Carrying amount on the balance sheet	**33,031**	**14,932**	**47,963**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets received as collateral	-7,503	-14,923	-22,426
Total amounts not offset on the balance sheet	**-22,349**	**-14,923**	**-37,272**
Net amount	**10,682**	**9**	**10,691**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	65,820	2,014	67,834
Amounts offset	-21,046	-2,014	-23,060
Carrying amount on the balance sheet	**44,774**	**-**	**44,774**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets pledged as collateral	-13,310	-	-13,310
Total amounts not offset on the balance sheet	**-28,156**	**-**	**-28,156**
Net amount	**16,618**	**-**	**16,618**

2019 SEK m	Derivatives	Repurchase agreements and securities lending	Total
Financial fixed assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	67,172	18,648	85,820
Amounts offset	-25,332	-5,816	-31,148
Carrying amount on the balance sheet	**41,840**	**12,832**	**54,672**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-12,023	-	-12,023
Financial assets received as collateral	-22,340	-12,832	-35,172
Total amounts not offset on the balance sheet	**-34,363**	**-12,832**	**-47,195**
Net amount	**7,477**	**-**	**7,477**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	57,902	5,816	63,718
Amounts offset	-19,233	-5,816	-25,049
Carrying amount on the balance sheet	**38,669**	**-**	**38,669**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-12,023	-	-12,023
Financial assets pledged as collateral	-5,179	-	-5,179
Total amounts not offset on the balance sheet	**-17,202**	**-**	**-17,202**
Net amount	**21,467**	**-**	**21,467**

P20 Intangible assets

2020 SEK m	Acquisition assets	Internally developed software	Other	Total 2020
Cost of acquisition at beginning of year	2,434	4,132	0	6,566
Cost of acquisition of additional intangible assets	-	689	164	853
Disposals and retirements	-	-120		-120
Foreign exchange effect	-120	-15		-135
Cost of acquisition at end of year	**2,314**	**4,686**	**164**	**7,164**
Accumulated amortisation and impairment at beginning of year	-2,277	-1,099	0	-3,376
Disposals and retirements	-	120		120
Amortisation for the year according to plan	-100	-383	-33	-516
Impairment for the year	-	-55		-55
Foreign exchange effect	118	4		122
Accumulated amortisation and impairment at end of year	**-2,259**	**-1,413**	**-33**	**-3,705**
Carrying amount	**55**	**3,273**	**131**	**3,459**

In 2020, development costs amounting to SEK 1,319 m (1,395) have been recognised as expenses.

2019 SEK m	Acquisition assets	Internally developed software	Total 2019
Cost of acquisition at beginning of year	2,383	3,239	5,622
Cost of acquisition of additional intangible assets	-	894	894
Disposals and retirements	-	-3	-3
Foreign exchange effect	51	2	53
Cost of acquisition at end of year	**2,434**	**4,132**	**6,566**
Accumulated amortisation and impairment at beginning of year	-2,108	-742	-2,850
Disposals and retirements	-	3	3
Amortisation for the year according to plan	-126	-329	-455
Impairment for the year	-	-30	-30
Foreign exchange effect	-43	-1	-44
Accumulated amortisation and impairment at end of year	**-2,277**	**-1,099**	**-3,376**
Carrying amount	**157**	**3,033**	**3,190**

P21 Property, equipment and lease assets

Property, equipment and lease assets SEK m	2020	2019
Equipment	552	624
Property	126	133
Lease assets	6,701	7,385
Property repossessed for protection of claims	2	3
Total	**7,381**	**8,145**

Property repossessed for protection of claims contains movable property which is regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims, see note G1. The fair value of properties which are regularly measured at fair value is SEK 0m (3). Unrealised value changes on these properties had an impact of SEK 0m (0) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations SEK 0m (0) are classified as level 2 in the valuation hierarchy described in note G1. Valuations where own assumptions are used to a material extent SEK 0m (2) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK 0m (0). The year's sale of properties which are regularly measured at fair value amounts to SEK 2m (47) of which SEK 2m (2) was classified as level 3 before the sale. The value of new properties added during the year is SEK 0m (2), with SEK 0m (2) of this classified as level 3.

Equipment SEK m	2020	2019
Cost of acquisition at beginning of year	1,527	1,617
Cost of additional acquisition for the year	252	373
Changes due to business combination during the year	-	22
Disposals and retirements	-296	-484
Foreign exchange effect	-2	-1
Cost of acquisition at end of year	**1,481**	**1,527**
Accumulated depreciation and impairment at beginning of year	-903	-1,072
Accumulated depreciation due to business combinations during the year	-	-5
Depreciation for the year according to plan	-298	-316
Disposals and retirements	280	483
Foreign exchange effect	-8	7
Accumulated depreciation and impairment at end of year	**-929**	**-903**
Carrying amount	**552**	**624**

P21 Cont.

Property SEK m	2020	2019
Cost of acquisition at beginning of year	238	238
New construction and conversion	1	0
Cost of acquisition at end of year	**239**	**238**
Accumulated depreciation and impairment at beginning of year	-105	-98
Depreciation for the year according to plan	-8	-7
Accumulated depreciation and impairment at end of year	**-113**	**-105**
Carrying amount	**126**	**133**

Lease assets SEK m	2020	2019
Cost of acquisition at beginning of year	12,370	8,383
Acquired through business combination during the year	-	3,971
Cost of additional acquisition for the year	2,265	1,907
Disposals and retirements	-2,734	-1,976
Foreign exchange effect	-295	85
Cost of acquisition at end of year	**11,606**	**12,370**
Accumulated depreciation and impairment at beginning of year	-4,985	-3,679
Accumulated depreciation due to business combination during the year	-	-1,337
Depreciation for the year according to plan	-1,792	-1,350
Impairment for the year	-26	-16
Disposals and retirements	1,779	1,436
Foreign exchange effect	119	-39
Accumulated depreciation and impairment at end of year	**-4,905**	**-4,985**
Carrying amount	**6,701**	**7,385**

Distribution of future lease payments by maturity SEK m	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	Total
2020				
Distribution of future lease payments	1,423	4,980	548	**6,951**
2019				
Distribution of future lease payments	1,513	5,471	616	**7,600**

Lease assets mainly consist of vehicles and machines. Lease assets are depreciated during the term of the lease agreement according to the annuity method. Lease fees recognised as income during the financial year amount to SEK 168m (141), of which the variable part of the lease income is SEK 150m (73).

P22 Other assets

SEK m	2020	2019
Claims on investment banking settlements	3,238	2,983
Other	17,537	18,539
Total	**20,775**	**21,522**

P23 Prepaid expenses and accrued income

SEK m	2020	2019
Accrued income	514	437
Prepaid expenses	783	715
Total	**1,297**	**1,152**

P24 Due to credit institutions

SEK m	2020	2019
Due in Swedish kronor		
Banks	36,929	28,251
Other credit institutions	28,644	32,005
Total	**65,573**	**60,256**
Due in foreign currency		
Banks	76,198	108,954
Other credit institutions	51,283	39,487
Total	**127,481**	**148,441**
Total due to credit institutions	**193,054**	**208,697**
of which accrued interest expenses	*-4*	*-68*

Average volumes SEK m	2020	2019
Due to credit institutions in Swedish kronor	70,633	71,299
Due to credit institutions in foreign currency	218,297	187,932
Total	**288,930**	**259,231**
of which repos	*650*	*84*

P25 Deposits and borrowing from the public

Deposits from the public SEK m	2020	2019
Deposits in Swedish kronor		
Households	410,527	376,202
Companies	306,855	258,687
National Debt Office	1	-
Total	**717,383**	**634,889**
Deposits in foreign currency		
Households	78,842	75,928
Companies	194,911	181,306
National Debt Office	-	-
Total	**273,753**	**257,234**
Total deposits from the public	**991,136**	**892,123**

Borrowing from the public SEK m	2020	2019
Borrowing in Swedish kronor	17,814	15,066
Borrowing in foreign currency	12,180	10,957
Total borrowing from the public	**29,994**	**26,023**
Total deposits and borrowing from the public	**1,021,130**	**918,146**
of which accrued interest expenses	*492*	*498*

Average volumes SEK m	2020	2019
Deposits from the public		
Deposits from the public in Swedish kronor	683,465	619,620
Deposits from the public in foreign currency	287,841	263,585
Total	**971,306**	**883,205**
Borrowing from the public		
Borrowing from the public in Swedish kronor	31,257	33,072
Borrowing from the public in foreign currency	93,149	42,309
Total	**124,406**	**75,381**
of which repos	*6,425*	*10,976*

P26 Issued securities

SEK m	2020 Carrying amount	2020 Nominal amount	2019 Carrying amount	2019 Nominal amount
Commercial paper				
Commercial paper in Swedish kronor	391	423	2,286	2,254
of which amortised cost			*1,480*	*1,480*
of which fair value through profit or loss	*391*	*423*	*806*	*774*
Commercial paper in foreign currency	441,687	440,659	462,968	463,059
of which amortised cost	*439,863*	*438,565*	*460,521*	*460,666*
of which fair value through profit or loss	*1,824*	*1,094*	*2,447*	*2,393*
Total	**442,078**	**441,082**	**465,254**	**465,313**
Bonds				
Bonds in Swedish kronor	5,217	5,543	7,074	6,939
of which amortised cost	*5,217*	*5,543*	*7,074*	*6,939*
Bonds in foreign currency	210,225	209,242	252,312	251,701
of which amortised cost	*210,225*	*209,242*	*252,312*	*251,701*
of which included in fair value hedges	*65,034*	*64,470*	*26,329*	*26,549*
Total	**215,442**	**214,785**	**259,386**	**258,640**
Total issued securities	**657,520**	**655,867**	**724,640**	**723,953**
of which accrued interest expenses	*1,061*		*1,790*	

SEK m	2020	2019
Issued securities at beginning of year	724,640	716,531
Issued	777,275	768,077
Repurchased	-2,666	-5,666
Matured	-790,402	-768,391
Foreign exchange effect, etc.	-51,327	14,089
Issued securities at end of year	**657,520**	**724,640**

Average volumes SEK m	2020	2019
Swedish kronor	7,540	11,797
Foreign currency	714,136	731,930
Total	**721,676**	**743,727**

P27 Short positions

SEK m	2020	2019
Short positions at fair value		
Shares	658	708
Interest-bearing securities	1,024	1,148
Total	**1,682**	**1,856**
of which accrued interest expenses	*5*	*9*

Average volumes SEK m	2020	2019
Swedish kronor	10,977	13,129
Foreign currency	97	520
Total	**11,074**	**13,649**

P28 Taxes

Deferred tax assets SEK m	2020	2019
Hedging instruments	563	321
Other	610	332
Total	**1,173**	**653**

P28 Cont.

Deferred tax liabilities SEK m	2020	2019
Property and equipment	22	22
Hedging instruments	755	934
Total	**777**	**956**
Net deferred tax assets/liabilities	**-396**	**303**

Change in deferred taxes 2020 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	22	0	-	22
Hedging instruments	613	-	-421	192
Other	-332	-278	-	-610
Total	**303**	**-278**	**-421**	**-396**

Change in deferred taxes 2019 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	17	5	-	22
Hedging instruments	415	-	198	613
Other	-189	-143	-	-332
Total	**243**	**-138**	**198**	**303**

Tax expenses recognised in the income statement SEK m	2020	2019
Current tax		
Tax expense for the year	-4,536	-4,479
Adjustment of tax relating to prior years	-17	44
Deferred tax		
Changes in temporary differences	278	138
Total	**-4,275**	**-4,297**
Tax at 21.4% (21.4) of profits before tax	**-4,173**	**-4,268**
Difference	**-102**	**-29**
The difference is explained by the following items		
Various non-deductible expenses	-37	-61
Non-deductible interest on subordinated loans	-254	-263
Non-taxable capital gains and dividends	166	258
Remeasurement of deferred taxes due to change in tax rate	-7	-
Other	30	37
Total	**-102**	**-29**

P29 Provisions

Provisions 2020 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**194**	**864**	**42**	**1,100**
Provisions during the year		1,470	68	1,538
Utilised		-405	-8	-413
Reversed			-35	-35
Change in expected credit losses, net	86			86
Provisions at end of year	**280**	**1,929**	**67**	**2,276**

Provisions 2019 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**79**	**-**	**30**	**109**
Provisions during the year		930	22	952
Utilised		-66	-4	-70
Reversed			-6	-6
Change in expected credit losses, net	115			115
Provisions at end of year	**194**	**864**	**42**	**1,100**

[1] For more information, see notes P10 and P37.
[2] In 2020, a further restructuring provision was made, mainly for costs related to the work of restructuring the Swedish branch operations and further increasing the efficiency of the Bank. The corresponding provision made in 2019 was primarily intended to cover the costs attributable to the closure of branches outside the home markets, discontinuation of certain product areas, and dealing with surpluses of staff, primarily at central units. The majority of the provision amount is expected to be settled by the end of 2022. As for any other provision there is an uncertainty around timing and amount, which is expected to decrease as the plan is executed.
[3] The amounts allocated for future settlement of the claims on the Bank are presented under Other provisions.

P30 Other liabilities

SEK m	2020	2019
Liabilities on investment banking settlements	3,967	2,840
Other	5,158	5,950
Total	**9,125**	**8,790**

P31 Accrued expenses and deferred income

SEK m	2020	2019
Accrued expenses	1,603	1,118
Deferred income	663	729
Total	**2,266**	**1,847**

P32 Subordinated liabilities

SEK m	2020	2019
Subordinated loans in Swedish kronor	3,002	3,003
Subordinated loans in foreign currency	38,080	32,543
Total	**41,082**	**35,546**
of which accrued interest expenses	*915*	*932*

Average volumes SEK m	2020	2019
Subordinated loans in Swedish kronor	3,009	5,625
Subordinated loans in foreign currency	34,062	32,400
Total	**37,071**	**38,025**

Specification, subordinated loans **Issuance/Maturity**	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
In Swedish kronor				
2017/fixed-term	SEK	1,700	0.980%	1,701
2017/fixed-term	SEK	1,300	1.410%	1,301
Total				**3,002**
In foreign currency				
2015/perpetual	USD	1,200	5.250%	10,237
2018/fixed-term	EUR	750	1.630%	7,617
2018/fixed-term	EUR	750	1.250%	7,597
2019/perpetual	USD	500	6.250%	4,579
2020/perpetual	USD	500	4.380%	4,058
2020/perpetual	USD	500	4.750%	3,992
Total				**38,080**
Total subordinated liabilities				**41,082**

For information regarding the subordinated loans, see the Pillar 3 report.

SEK m	2020	2019
Subordinated loans at beginning of year	35,546	51,085
Issued	8,916	4,654
Repurchased	-2	-3,179
Matured	-	-17,674
Foreign exchange effect, etc.	-3,378	660
Subordinated loans at end of year	**41,082**	**35,546**

P33 Untaxed reserves

SEK m	2020	2019
Accumulated accelerated depreciation, machinery, equipment and lease assets	882	1,532
Accumulated accelerated amortisation, goodwill on the acquisition of net assets	51	146
Total	**933**	**1,678**

P34 Classification of financial assets and liabilities

2020	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					297,362	297,362	297,362
Interest-bearing securities eligible as collateral with central banks	3,928	94,024		401	762	99,115	99,115
Loans to credit institutions	21,812				931,838	953,650	959,434
Loans to the public					566,145	566,145	569,895
Value change of interest-hedged item in portfolio hedge					13	13	
Bonds and other interest-bearing securities	11,929	26,640		7,964		46,533	46,533
Shares	13,614			699		14,313	14,313
Assets where the customer bears the value change risk	7,345				60	7,405	7,405
Derivative instruments	22,332		10,699			33,031	33,031
Other assets	30				20,745	20,775	20,775
Total	**80,990**	**120,664**	**10,699**	**9,064**	**1,816,925**	**2,038,342**	**2,047,863**
Shares in subsidiaries and investments in associates and joint ventures						73,057	
Non-financial assets						13,464	
Total assets						**2,124,863**	
Liabilities							
Due to credit institutions					193,054	193,054	193,552
Deposits and borrowing from the public					1,021,130	1,021,130	1,021,118
Liabilities where the customer bears the value change risk		7,345			60	7,405	7,405
Issued securities	2,215				655,305	657,520	664,277
Derivative instruments	38,074		6,700			44,774	44,774
Short positions	1,682					1,682	1,682
Other liabilities	38				9,087	9,125	9,125
Subordinated liabilities					41,082	41,082	42,674
Total	**42,009**	**7,345**	**6,700**		**1,919,718**	**1,975,772**	**1,984,607**
Non-financial liabilities						5,319	
Total liabilities						**1,981,091**	

2019	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					242,889	242,889	242,889
Interest-bearing securities eligible as collateral with central banks	3,001	98,959		403	1,007	103,370	103,370
Loans to credit institutions	21,335				869,222	890,557	895,178
Loans to the public					620,175	620,175	623,065
Bonds and other interest-bearing securities	19,099	29,044		4,953		53,096	53,096
Shares	12,032			2,303		14,335	14,335
Assets where the customer bears the value change risk	6,381				62	6,443	6,443
Derivative instruments	22,105		19,735			41,840	41,840
Other assets	10				21,512	21,522	21,522
Total	**83,963**	**128,003**	**19,735**	**7,659**	**1,754,867**	**1,994,227**	**2,001,738**
Shares in subsidiaries and investments in associates						72,138	
Non-financial assets						13,140	
Total assets						**2,079,505**	
Liabilities							
Due to credit institutions					208,697	208,697	209,030
Deposits and borrowing from the public					918,146	918,146	918,069
Liabilities where the customer bears the value change risk		6,381			62	6,443	6,443
Issued securities	3,253				721,387	724,640	731,197
Derivative instruments	36,869		1,800			38,669	38,669
Short positions	1,856					1,856	1,856
Other liabilities	11				8,779	8,790	8,790
Subordinated liabilities					35,546	35,546	35,825
Total	**41,989**	**6,381**	**1,800**		**1,892,617**	**1,942,787**	**1,949,879**
Non-financial liabilities						4,105	
Total liabilities						**1,946,892**	

P35 Fair value measurement of financial instruments

Financial instruments at fair value 2020 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	3,088	840	-	3,928
Fair value through profit or loss, fair value option	94,024	-	-	94,024
Fair value through other comprehensive income	401	-	-	401
Loans to credit institutions	-	21,812	-	21,812
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	10,167	1,762	-	11,929
Fair value through profit or loss, fair value option	26,640	-	-	26,640
Fair value through other comprehensive income	3,090	4,874	-	7,964
Shares				
Fair value through profit or loss, mandatory	13,196	417	-	13,613
Fair value through other comprehensive income	-	186	514	700
Assets where the customer bears the value change risk	6,871	-	474	7,345
Derivative instruments	267	32,684	80	33,031
Total	**157,745**	**62,574**	**1,068**	**221,387**
Liabilities				
Liabilities where the customer bears the value change risk	6,871	-	474	7,345
Issued securities	-	2,215	-	2,215
Derivative instruments	253	44,441	80	44,774
Short positions	1,488	194	-	1,682
Total	**8,612**	**46,850**	**554**	**56,016**

Financial instruments at fair value 2019 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	1,452	1,549	-	3,001
Fair value through profit or loss, fair value option	98,959	-	-	98,959
Fair value through other comprehensive income	403	-	-	403
Loans to credit institutions	-	21,335	-	21,335
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	15,093	4,006	-	19,099
Fair value through profit or loss, fair value option	29,044	-	-	29,044
Fair value through other comprehensive income	4,740	213	-	4,953
Shares				
Fair value through profit or loss, mandatory	10,706	1,326	-	12,032
Fair value through other comprehensive income	711	340	1,252	2,303
Assets where the customer bears the value change risk	5,888	-	493	6,381
Derivative instruments	402	41,369	69	41,840
Total	**167,399**	**70,137**	**1,814**	**239,350**
Liabilities				
Liabilities where the customer bears the value change risk	5,888	-	493	6,381
Issued securities	-	3,253	-	3,253
Derivative instruments	489	38,110	70	38,669
Short positions	1,708	148	-	1,856
Total	**8,085**	**41,511**	**563**	**50,159**

The principles applied are described in note G39.

P35 Cont.

Change in holdings in financial instruments in level 3 2020 SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**1,252**	**69**	**-70**	**493**	**-493**
Acquisitions	6	9	-13	-	-
Repurchases/sales	-698	-	5	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	-8	-16	16	-	-
Unrealised value change in other comprehensive income	-38	-	-	-19	19
Changes in the methodology	-	-	-	-	-
Transfer from level 1 or 2	-	17	-17	-	-
Transfer to level 1 or 2	-	1	-1	-	-
Carrying amount at end of year	**514**	**80**	**-80**	**474**	**-474**

Change in holdings in financial instruments in level 3 2019 SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**1,057**	**-176**	**176**	**484**	**-484**
Acquisitions	74	-	-	-	-
Repurchases/sales	-28	2	-	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	-	-13	10	-	-
Unrealised value change in other comprehensive income	149	-	-	9	-9
Changes in the methodology	-	352	-352	-	-
Transfer from level 1 or 2	-	4	-4	-	-
Transfer to level 1 or 2	-	-100	100	-	-
Carrying amount at end of year	**1,252**	**69**	**-70**	**493**	**-493**

Fair value of financial instruments at amortised cost 2020 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	297,362	-	-	297,362
Interest-bearing securities eligible as collateral with central banks	709	53	-	762
Loans to credit institutions	33,508	903,591	523	937,622
Loans to the public	4,254	1,667	563,974	569,895
Assets where the customer bears the value change risk	-	60	-	60
Total	**335,833**	**905,371**	**564,497**	**1,805,701**
Liabilities				
Due to credit institutions	47,239	146,313	-	193,552
Deposits and borrowing from the public	998,466	22,652	-	1,021,118
Liabilities where the customer bears the value change risk	-	60	-	60
Issued securities	129,949	532,113	-	662,062
Subordinated liabilities	-	42,674	-	42,674
Total	**1,175,654**	**743,812**	**-**	**1,919,466**

Fair value of financial instruments at amortised cost 2019 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	242,889	-	-	242,889
Interest-bearing securities eligible as collateral with central banks	550	457	-	1,007
Loans to credit institutions	24,032	849,811	-	873,843
Loans to the public	2,475	15,086	605,504	623,065
Assets where the customer bears the value change risk	-	62	-	62
Total	**269,946**	**865,416**	**605,504**	**1,740,866**
Liabilities				
Due to credit institutions	51,041	157,989	-	209,030
Deposits and borrowing from the public	895,063	23,006	-	918,069
Liabilities where the customer bears the value change risk	-	62	-	62
Issued securities	246,814	481,130	-	727,944
Subordinated liabilities	-	35,825	-	35,825
Total	**1,192,918**	**698,012**	**-**	**1,890,930**

P36 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	**2020**	**2019**
Cash	19,121	9,640
Government instruments and bonds	2,398	7,526
Loans to the public	-	-
Shares	297	292
Other	614	536
Total	**22,430**	**17,994**
of which pledged assets that may be freely withdrawn by the Bank	*28*	*38*

Other pledged assets SEK m	**2020**	**2019**
Cash	204	224
Government instruments and bonds	40,844	41,761
Loans to the public	-	-
Shares	6,285	6,760
Other	213	192
Total	**47,546**	**48,937**
of which pledged assets that may be freely withdrawn by the Bank	*37,504*	*39,110*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Collateral received
As a component in reverse repurchase agreements and securities loans, the Group has received assets that can be sold or repledged to a third party. The fair value of received assets of this type was SEK 25,704m (28,741) at the end of the financial year, where assets worth SEK 10,653m (8,761) had been sold or repledged to a third party.

Transferred financial assets reported on the balance sheet	**2020**		**2019**	
SEK m	**Carrying amount**	**Carrying amount associated liability**	**Carrying amount**	**Carrying amount associated liability**
Shares, securities lending	6,526	306[1]	7,051	342[1]
Shares, other	-	-	-	-
Government instruments and bonds, repurchase agreements	386	-	5,811	-
Government instruments and bonds, other	1,108	-	549	-
Assets where the customer bears the value change risk	538	538	561	561
Total	**8,558**	**844**	**13,972**	**903**

[1] Received cash collateral.

P37 Contingent liabilities

SEK m	**2020**	**2019**
Contingent liabilities		
Guarantees, credits	24,096	28,293
Guarantees, other	73,084	82,482
Irrevocable letters of credit	2,294	4,269
Other	-	21
Total	**99,474**	**115,065**
of which subject to impairment testing	*99,474*	*115,065*
Obligations		
Loan commitments	299,910	267,501
Unutilised part of granted overdraft facilities	111,887	116,715
Other[1]	48,438	70,924
Total	**460,235**	**455,140**
of which subject to impairment testing	*319,460*	*329,462*
Total contingent liabilities	**559,709**	**570,205**
Provision for expected credit losses reported as provisions, see note P29	280	194

[1] "Other" includes internal liquidity guarantees to subsidiaries amounting to SEK 34,896m (56,194).

Contingent liabilities
Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims
Handelsbanken is the subject of claims in a number of civil actions which are being pursued in general courts of law. The assessment is that the actions will essentially be settled in the Bank's favour. The assessment is that the amounts in dispute would not have a material effect on the Bank's financial position or profit/loss.

P38 Pension obligations

SEK m	2020	2019
Fair value of plan assets	33,554	31,212
Pension obligations	34,899	32,799
Net pensions[1]	**-1,345**	**-1,587**

Pension obligations are calculated in accordance with the Swedish Financial Supervisory Authority's regulations, which for the Swedish obligation means in accordance with the Act on Safeguarding Pension Obligations and for foreign obligations in accordance with their corresponding local regulation. Plan assets are held by Svenska Handelsbankens Pensionsstiftelse, Pensionskassan SHB, Försäkringsförening, and similar legal entities regarding foreign commitments. As neither the assets of Pensionskassan nor the actuarial provisions can be allocated to employers with insurance with Pensionskassan, these are not included in the above table. The pension obligations are SEK 7,704m (7,461) in the Bank's pension fund (Pensionskassan SHB, Försäkringsförening) and the market value of the assets is SEK 15,600m (15,015). The surplus value in Pensionskassan SHB, Försäkringsförening is thus SEK 7,896m (7,554).

SEK 9,692m (10,072) of the fair value of the plan assets in Svenska Handelsbankens Pensionsstiftelse consists of the provisions made in the years 1989-2004 to a special supplementary pension (SKP). The obligations include a commitment regarding SKP of the same amount as the fair value of the plan assets.

Part of the commitment, SEK 7,276m (7,631), is conditional.

[1] Given that the surplus in Pensionskassan SHB, Försäkringsförening can be used to cover the parent company's pension obligations, and that part of the commitment is conditional, a deficit is not recorded as a liability in the balance sheet for 2020.

Pension costs SEK m	2020	2019
Pensions paid	-1,068	-1,022
Pension premiums[2]	-469	-512
Social security costs	-169	-154
Compensation from pension foundation	545	498
Provisions to pension foundation	-73	-13
Total pension costs	**-1,234**	**-1,202**

The expected pensions to be paid next year for defined benefit pension plans amount to SEK 1,040m. The costs for pension premiums include premiums to the BTPK plan (defined contribution pension) of SEK 95m (94).

Plan assets SEK m	2020	2019
Opening balance	31,212	26,868
Return	2,814	4,830
Provisions to pension foundation	73	13
Compensation from pension foundation	-545	-498
Closing balance	**33,554**	**31,212**
Percentage return on plan assets	9%	18%

Pension obligations SEK m	2020	2019
Opening balance	32,799	31,712
Technical fee	989	787
Interest	213	223
Indexation	326	494
Early retirement	154	128
Pensions paid	-1,068	-1,022
Changed assumptions[3]	1,448	420
Value change conditional obligation	114	181
Effect of change of plan[2]	-8	-
Portfolio transfer	-	-
Other change in capital value	-68	-124
Closing balance	**34,899**	**32,799**

[2] The transfer of the German defined benefit plan in 2020 means that the pension obligation in Germany decreased by SEK 8m as at 31 December 2020, and has a positive effect on the pension cost of SEK 14m. For more information, see note G8.
[3] Mainly refers to the effect of changed discount rate in accordance with the Swedish Financial Supervisory Authority's directives.

Allocation of plan assets SEK m	2020	2019
Shares and fund shares[4]	31,039	28,924
Interest-bearing securities	2,016	1,909
Other plan assets[5]	499	379
Total	**33,554**	**31,212**

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts. The value of the pension obligations is calculated annually on the balance sheet date, on actuarial grounds. As of 1 March 2020, all new employees and employees younger than 25 years of age accrue pension in a defined contribution plan. Persons employed before 1 March 2020 are not affected and remain covered by the defined benefit pension plan.

In Sweden, the most important calculation assumptions are mortality and the discount rate. The mortality and discount rate assumptions follow the assumptions in the Act on Safeguarding Pension Obligations. The discount rate is 0.0% (0.4%) after tax and assumptions for overhead costs.

The pension obligations in the foreign branches are calculated in accordance with local accounting requirements.

[4] The fund shares are mainly invested in fixed income funds and amount to SEK 14,619m (13,921).
[5] Other plan assets include a liability for compensation that has not yet been paid out from the pension foundation.

P39 Assets and liabilities by currency

2020 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	84,525	128,206	18,025	212	0	65,480	914	297,362
Loans to credit institutions	650,539	55,109	71,127	67,369	103,644	4,479	1,383	953,650
Loans to the public	160,420	172,429	160,731	49,041	6,518	14,473	2,533	566,145
of which companies	*130,748*	*106,470*	*135,476*	*34,160*	*6,457*	*14,308*	*1,011*	*428,630*
of which households	*29,672*	*65,959*	*25,255*	*14,881*	*61*	*165*	*1,522*	*137,515*
Interest-bearing securities eligible as collateral with central banks	89,688	5,457	839	1	-	2,368	762	99,115
Bonds and other interest-bearing securities	35,796	1,420	7,285	-	0	2,032	-	46,533
Other items not broken down by currency	162,058							162,058
Total assets	**1,183,026**	**362,621**	**258,007**	**116,623**	**110,162**	**88,832**	**5,592**	**2,124,863**
Liabilities								
Due to credit institutions	65,573	42,256	26,461	2,619	39,574	16,101	470	193,054
Deposits and borrowing from the public	735,197	128,970	83,919	47,218	4,967	18,987	1,872	1,021,130
of which companies	*315,675*	*103,484*	*58,601*	*24,296*	*3,296*	*15,881*	*1,260*	*522,493*
of which households	*419,522*	*25,486*	*25,318*	*22,922*	*1,671*	*3,106*	*612*	*498,637*
Issued securities	5,608	285,743	368	104	28,193	320,815	16,689	657,520
Subordinated liabilities	3,002	15,213	-	-	0	22,867	-	41,082
Other items not broken down by currency, incl. equity	212,077							212,077
Total liabilities and equity	**1,021,457**	**472,182**	**110,748**	**49,941**	**72,734**	**378,770**	**19,031**	**2,124,863**
Other assets and liabilities broken down by currency, net		109,673	-147,195	-66,608	-37,333	289,927	13,466	
Net foreign currency position		112	64	74	95	-11	27	361

Note G2 describes the Bank's view of foreign exchange risk.

2019 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	46,552	114,477	22,096	291	0	58,039	1,434	242,889
Loans to credit institutions	574,251	47,731	74,116	66,964	119,238	6,983	1,274	890,557
Loans to the public	179,594	172,820	181,266	54,719	7,455	19,732	4,589	620,175
of which companies	*147,362*	*109,793*	*150,209*	*37,678*	*7,180*	*19,555*	*2,699*	*474,476*
of which households	*32,232*	*63,027*	*31,057*	*17,041*	*275*	*177*	*1,890*	*145,699*
Interest-bearing securities eligible as collateral with central banks	91,604	8,256	1,144	2	-	1,358	1,006	103,370
Bonds and other interest-bearing securities	43,080	2,032	4,112	-	0	3,872	-	53,096
Other items not broken down by currency	169,418							169,418
Total assets	**1,104,499**	**345,316**	**282,734**	**121,976**	**126,693**	**89,984**	**8,303**	**2,079,505**
Liabilities								
Due to credit institutions	60,256	93,137	6,000	7,388	29,890	11,444	582	208,697
Deposits and borrowing from the public	649,955	116,248	74,576	50,187	4,768	17,221	5,191	918,146
of which companies	*264,122*	*92,631*	*50,705*	*27,763*	*2,328*	*13,808*	*4,650*	*456,007*
of which households	*385,833*	*23,617*	*23,871*	*22,424*	*2,440*	*3,413*	*541*	*462,139*
Issued securities	9,360	236,261	403	100	24,395	430,834	23,287	724,640
Subordinated liabilities	3,003	15,829	-	-	-	16,716	-2	35,546
Other items not broken down by currency, incl. equity	192,476							192,476
Total liabilities and equity	**915,050**	**461,475**	**80,979**	**57,675**	**59,053**	**476,215**	**29,058**	**2,079,505**
Other assets and liabilities broken down by currency, net		116,238	-201,588	-64,205	-67,453	386,252	20,807	
Net foreign currency position		79	167	96	187	21	52	602

P40 Related-party disclosures

Claims on and liabilities to related parties	Subsidiaries		Associates		Other related parties	
SEK m	2020	2019	2020	2019	2020	2019
Loans to credit institutions	911,996	854,999	-	-	-	-
Loans to the public	1,132	1,132	493	591	-	-
Derivatives	2,417	295	-	-	-	-
Other assets	15,194	16,154	32	0	560	6
Total	**930,739**	**872,580**	**525**	**591**	**560**	**6**
Due to credit institutions	71,570	65,577	-	-	-	-
Deposits and borrowing from the public	10,236	9,080	115	66	853	724
Derivatives	11,956	18,028	-	0	-	-
Subordinated liabilities	-	0	-	0	-	0
Other liabilities	101	42	-	0	-	11
Total	**93,863**	**92,727**	**115**	**66**	**853**	**735**
Contingent liabilities	18,968	21,911	-	-	7,704	7,461
Derivatives, nominal amount	367,382	368,435	-	-	-	-

Related parties – income and expenses	Subsidiaries		Associates		Other related parties	
SEK m	2020	2019	2020	2019	2020	2019
Interest income	5,092	5,771	9	7	-	0
Interest expenses	-364	-540	0	0	-	-16
Fee and commission income	0	0	0	0	-	-
Fee and commission expenses	0	0	-205	-55	-	0
Net gains/losses on financial items at fair value	0	0	0	0	-	-
Other income	2,648	2,521	0	0	19	18
Other expenses	-385	-376	-55	0	-	-
Total	**6,990**	**7,376**	**-250**	**-48**	**19**	**2**

Note P16 contains a specification of subsidiaries and associates. The associates' operations comprise various types of services related to the financial markets. The following companies comprise the group of other related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Försäkringsförening (pension fund). These companies use Svenska Handelsbanken AB for normal banking and accounting services. Disclosures concerning shareholders' contributions to Group and associates are provided in note P16.

The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 7,704m (7,461). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 545m (498) regarding pension costs, SEK - m (-) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 43m (29) for measures to benefit the employees.

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.

P41 Recommended appropriation of profits

The Board proposes a dividend of SEK 4.10 per share (SEK - for 2019). The Board's recommended appropriation of profits is shown on page 201.

P42 Share information

31 December 2020 Share class	Number	% of capital	% of votes	Share capital	Quota value
Class A	1,944,777,165	98.22	99.82	3,014,404,606	1.55
Class B	35,251,329	1.78	0.18	54,639,560	1.55
	1,980,028,494	**100.00**	**100.00**	**3,069,044,166**	

P43 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

P44 Capital adequacy

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 1423/2013. Excluded rows are deemed not relevant for Handelsbanken at present.

Transitional own funds		2020		2019	
SEK m		Amount at disclosure date	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Regulation (EU) No 575/2013 article reference
	Common equity tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	11,827		11,827	26 (1), 27, 28, 29, EBA list 26 (3)
	Of which: share capital	*11,827*		*11,827*	*EBA list 26 (3)*
	Of which: convertible securities				*EBA list 26 (3)*
2	Retained earnings	115,034		98,702	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	752		4,758	26.1
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	7,108		4,758	26.2
6	**Common equity tier 1 (CET1) capital before regulatory adjustments**	**134,721**		**120,045**	
	Common equity tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-239		-131	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-3,408		-3,044	36 (1) (b), 37
11	Fair value reserves related to gains or losses on cash flow hedges	-628		-1,940	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-445		-2,060	36 (1) (d), 40, 159
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	9		-	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)			-	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-466		-527	36 (1) (f), 42
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-		-20	36 (1) (k)
20c	*Of which: securitisation positions (negative amount)*	-		*-20*	*36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258*
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-		-	36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)	-		-	48.1
23	*Of which: direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities*	-		-	*36 (1) (i), 48 (1) (b)*
25	*Of which: deferred tax assets arising from temporary differences*	-		-	*36 (1) (c), 38, 48 (1) (a)*
25a	Losses for the current financial year (negative amount)	-		-	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-		-	36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-		-	36 (1) (j)
28	**Total regulatory adjustments to common equity tier 1 (CET1)**	**-5,177**		**-7,722**	
29	**Common equity tier 1 (CET1) capital**	**129,544**		**112,323**	

P44 Cont.

Transitional own funds		2020		2019	
SEK m		Amount at disclosure date	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Regulation (EU) No 575/2013 article reference
	Additional tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	21,980		15,819	51, 52
32	*Of which: classified as liabilities under applicable accounting standards*	*21,980*		*15,819*	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1			-	486.3
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**21,980**		**15,819**	
	Additional tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-9,808		-	52 (1) (b), 56 (a), 57
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-		-	56 (d), 59, 79
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-		-	56 (e)
43	**Total regulatory adjustments to Additional tier 1 (AT1) capital**	**-9,808**		**-**	
44	**Additional tier 1 (AT1) capital**	**12,172**		**15,819**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**141,716**		**128,142**	
	Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	18,032		18,639	62, 63
50	Credit risk adjustments	16		-	62 c and d
51	**Tier 2 (T2) capital before regulatory adjustments**	**18,048**		**18,639**	
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-		-	63 (b) (i), 66 (a), 67
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1,129		-1,129	66 (d), 69, 79
57	**Total regulatory adjustments to tier 2 (T2) capital**	**-1,129**		**-1,129**	
58	**Tier 2 (T2) capital**	**16,919**		**17,510**	
59	**Total capital (TC = T1 + T2)**	**158,635**		**145,652**	
60	**Total risk-weighted assets**	**409,265**		**556,251**	
	Capital ratios and buffers				
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	31.7		20.2	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount)	34.6		23.0	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount)	38.8		26.2	92 (2) (c)
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of total risk exposure amount)	2.6		4.5	CRD 128, 129, 130
65	*Of which: capital conservation buffer requirement*	*2.5*		*2.5*	
66	*Of which: countercyclical buffer requirement*	*0.1*		*2.0*	
67	*Of which: systemic risk buffer requirement*	*0.0*		*0.0*	
67a	*Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*0.0*		*0.0*	*CRD 131*
68	Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	27.2		15.7	CRD 128
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0		0	36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-		-	36 (1) (i), 45, 48
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0		0	36 (1) (c), 38, 48

P44 Cont.

Transitional own funds	2020		2019	
SEK m	Amount at disclosure date	Regulation (EU) No 575/2013 article reference	Amount at disclosure date	Regulation (EU) No 575/2013 article reference
Applicable caps on the inclusion of provisions tier 2				
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		-	62
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	2,025		1,504	62
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-		-	62
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	1,138		2,226	62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
80 Current cap on CET1 instruments subject to phase out arrangements	-		-	484 (3), 486 (2) and (5)
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		-	484 (3), 486 (2) and (5)
82 Current cap on AT1 instruments subject to phase out arrangements	-		-	484 (4), 486 (3) and (5)
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		-	484 (4), 486 (3) and (5)
84 Current cap on T2 instruments subject to phase out arrangements	-		-	484 (5), 486 (4) and (5)
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		-	484 (5), 486 (4) and (5)

P44 Cont.

EU OV1 – Overview of risk-weighted exposure amounts

SEK m			RWAs 2020	RWAs 2019	Minimum capital requirements 2020
	1	Credit risk (excluding CCR)	342,718	480,052	27,417
Article 438(c)(d)	2	Of which standardised approach	161,799	120,172	12,944
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach[1]	33,859	41,395	2,708
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach[2]	144,149	161,468	11,532
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	2,911	157,017	233
Article 107 Article 438(c)(d)	6	CCR	8,843	11,371	707
Article 438(c)(d)	7	Of which mark to market	8,838	11,359	707
Article 438(c)(d)	8	Of which original exposure			
	9	Of which standardised approach			
	10	Of which internal model method (IMM)			
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	5	12	0
Article 438(c)(d)	12	CVA	2,707	4,114	217
Article 438 e	13	Settlement risk	0	9	0
Article 449(o)(i)	14	Securitisation exposures in the non-trading book (after the cap)	49	-	4
	15	Of which internal assessment approach (IAA)	49		4
	16	Of which IRB supervisory formula approach (SFA)			
	17	Of which internal assessment approach (IAA)			
	18	Of which standardised approach			
Article 438 e	19	Market risk	13,314	17,575	1065
	20	Of which standardised approach	13,314	17,575	1065
	21	Of which IMA			
Article 438 e	22	Large exposures			
Article 438(f)	23	Operational risk	41,634	43,130	3,331
	24	Of which basic indicator approach			
	25	Of which standardised approach	41,634	43,130	3,331
	26	Of which advanced measurement approach			
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)			
Article 500	28	Floor adjustment			
	29	**Total**	**409,265**	**556,251**	**32,741**

[1] Non-credit-obligation assets are reported under the foundation IRB approach.
[2] The risk weight floor for Swedish mortgage loans is reported under the advanced IRB approach.

EU MR1 – Market risk under the standardised approach

	2020		2019	
	a	b	a	b
SEK m	REA	Capital requirements	REA	Capital requirements
Outright products				
Interest rate risk	7,448	596	8,130	651
of which general risk	*6,135*	*491*	*6,923*	*554*
of which specific risk	*1,313*	*105*	*1,207*	*97*
Equity price risk	26	2	43	3
of which general risk	*9*	*1*	*12*	*1*
of which specific risk	*17*	*1*	*30*	*2*
of which CIUs	*0*	*0*	*1*	*0*
Foreign exchange risk	5,688	455	9,312	745
Commodity risk	15	1	54	4
Options				
Scenario approach	137	11	36	3
of which interest rate risk	*1*	*0*	*3*	*0*
of which equity risk	*23*	*2*	*33*	*3*
of which foreign exchange risk	*113*	*9*	-	-
of which commodity risk	-	-	-	-
Securitisation (specific risk)	-	-	-	-
Settlement risk	0	0	9	1
Total	**13,314**	**1,065**	**17,584**	**1,407**

P44 Cont.

Credit risk exposures approved for IRB approach	Exposure amount		Risk-weighted exposure amount		Capital requirements		Average risk weight, %	
SEK m	2020	2019	2020	2019	2020	2019	2020	2019
Sovereign exposures	**372,232**	**320,165**	**5,067**	**4,882**	**405**	**391**	**1.4**	**1.5**
Corporate exposures	**469,731**	**521,798**	**132,895**	**157,478**	**10,632**	**12,598**	**28.3**	**30.2**
Corporate lending	459,004	513,289	129,712	154,874	10,377	12,390	28.3	30.2
of which other lending, IRB approach without own estimates of LGD and CCF	*86,835*	*102,649*	*22,767*	*29,766*	*1,821*	*2,381*	*26.2*	*29.0*
of which other lending, IRB approach with own estimates of LGD and CCF	*372,169*	*410,640*	*106,945*	*125,108*	*8,556*	*10,009*	*28.7*	*30.5*
of which large corporates	*116,650*	*129,196*	*44,014*	*46,500*	*3,521*	*3,720*	*37.7*	*36.0*
of which medium-sized companies	*44,474*	*53,879*	*16,884*	*25,885*	*1,351*	*2,071*	*38.0*	*48.0*
of which property companies	*211,045*	*227,565*	*46,045*	*52,723*	*3,684*	*4,218*	*21.8*	*23.2*
Counterparty risk	10,727	8,509	3,183	2,604	255	208	29.7	30.6
Housing co-operative associations	**20,478**	**25,690**	**1,943**	**3,412**	**155**	**273**	**9.5**	**13.3**
Retail exposures	**160,828**	**159,205**	**26,398**	**27,275**	**2,112**	**2,182**	**16.4**	**17.1**
Private individuals	144,987	141,799	20,555	20,489	1,644	1,639	14.2	14.4
of which property loans	*117,611*	*110,561*	*15,083*	*15,653*	*1,207*	*1,252*	*12.8*	*14.2*
of which other	*27,376*	*31,238*	*5,472*	*4,837*	*437*	*387*	*20.0*	*15.5*
Small companies	15,841	17,406	5,843	6,786	468	543	36.9	39.0
Exposures to institutions	**38,121**	**57,336**	**10,532**	**14,279**	**843**	**1,142**	**27.6**	**24.9**
Lending to institutions	16,846	16,227	5,128	5,763	410	461	30.4	35.5
Counterparty risk	21,275	41,109	5,404	8,516	433	681	25.4	20.7
Equity exposures	**787**	**42,591**	**2,911**	**157,017**	**233**	**12,561**	**370.0**	**368.7**
of which listed equities	*-*	*712*	*0*	*2,064*	*-*	*165*	*-*	*290.0*
of which other equities	*787*	*41,879*	*2,911*	*154,953*	*233*	*12,396*	*370.0*	*370.0*
Non-credit-obligation asset exposures	**680**	**760**	**680**	**760**	**54**	**61**	**100.0**	**100.0**
Securitisation positions	**16**	**-**	**49**	**-**	**4**	**-**	**312.3**	**-**
of which traditional securitisation	*16*	-	*49*	-	*4*	-	*312.3*	-
of which synthetic securitisation	-	-	-	-	-	-	-	-
Total IRB approach	**1,062,873**	**1,127,545**	**180,475**	**365,102**	**14,438**	**29,208**	**17.0**	**32.4**
Risk weight floor, Swedish mortgage loans[1]			**9139**	**5,975**	**731**	**478**		
Total IRB approach with impact of risk weight floor, Swedish mortgage loans	**1,062,873**	**1,127,545**	**189,614**	**371,077**	**15,169**	**29,686**	**17.8**	**32.9**

[1] The exposure amount which is affected by the rules for risk weight floor, Swedish mortgage loans is SEK 51,651m at 31 December 2020.

Credit risk exposures according to standardised approach[1]	Exposure amount		Risk-weighted exposure amount		Capital requirements		Average risk weight, %	
SEK m	2020	2019	2020	2019	2020	2019	2020	2019
Sovereign and central banks	1,805	318	0	0	0	0	0	0
Municipalities	-	-	-	-	-	-	-	-
Multilateral development banks	956	274	0	0	0	0	0	0
International organisations	-	-	-	-	-	-	-	-
Institutions	876,654	827,920	12,920	17,049	1,034	1,364	1.5	2.1
Companies	6,164	6,562	5,762	6,475	461	518	93.5	98.7
Households	3,595	4,782	2,631	3,518	211	281	73.2	73.6
Property mortgages	68,820	63,134	24,018	23,254	1,921	1,860	34.9	36.8
Past due items	290	276	315	296	25	24	108.6	107.4
High risk items	8	9	13	13	1	1	150.0	150.0
Shares	99,253	58,477	108,634	67,858	8,691	5,429	109.5	116.0
of which listed equities	-	-	-	-	-	-	-	-
of which other equities	*99,253*	*58,477*	*108,634*	*67,858*	*8,691*	*5,429*	*109.5*	*116.0*
Other items	7,520	2,212	7,703	1,882	616	151	102.4	85.1
Total standardised approach	**1,065,065**	**963,964**	**161,996**	**120,346**	**12,960**	**9,628**	**15.2**	**12.5**

[1] Details of capital requirements for exposure classes where there are exposures.

P44 Cont.

Minimum requirement for eligible liabilites (MREL)

MREL requirement of total liabilities and own funds (SFS 2015:1016). The minimum requirement of eligible liabilities and own funds is concluded in the Bank's resolution plan according to the resolution authority, SNDO, in consultation with the SFSA. Total liabilities and own funds and MREL requirement are based on third quarter numbers.

SEK m	2020	2019
MREL requirement	138,170	105,233
Eligible liabilities and own funds	305,963	330,412
Total liabilities and own funds	2,280,252	2,170,329

%	2020	2019
MREL requirement as a percentage of total liabilities and own funds	6.1	4.8
Eligible liabilities and own funds as a percentage of total liabilities and own funds	13.4	15.2

LRCom: Leverage ratio common disclosure SEK m	2020	2019
On-balance sheet exposures (excluding derivatives and securities financing transactions)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets)	2,077,616	2,022,617
Asset amounts deducted in determining Tier 1 capital	-5,177	-7,723
Total on-balance sheet exposures (excluding derivatives, securities financing transactions and fiduciary assets)	**2,072,439**	**2,014,894**
Derivative exposures		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	8,763	6,678
Add-on amounts for potential future exposure associated with all derivatives transactions (mark-to-market method)	22,590	29,977
Exposure determined under original exposure method	-	-
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
Deductions of receivables assets for cash variation margin provided in derivatives transactions	-19,876	-8,466
Exempted central counterparty leg of client-cleared trade exposures		
Adjusted effective notional amount of written credit derivatives	4,304	5,621
Adjusted effective notional offsets and add-on deductions for written credit derivatives	-35	-116
Total derivative exposures	**15,746**	**33,694**
Securities financing transaction exposures		
Gross securities financing transaction assets (with no recognition of netting), after adjusting for sales accounting transactions	14,216	16,010
Netted amounts of cash payables and cash receivables of gross securities financing transaction assets	-	
Counterparty credit risk exposure for securities financing transaction assets	3,750	3,553
Derogation for securities financing transactions: Counterparty credit risk exposure in accordance with Article 429b(4) and 222 of Regulation (EU) No 575/2013	-	-
Agent transaction exposures	-	-
Exempted central counterparty leg of client-cleared securities financing transaction exposures	-	-
Total securities financing transaction exposures	**17,966**	**19,563**
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	508,357	495,337
Adjustments for conversion to credit equivalent amounts	-357,705	-306,790
Other off-balance sheet exposures	**150,653**	**188,547**
Exempted exposures		
Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	-807,002	-736,853
Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	-	-
Capital and total exposures		
Tier 1 capital	141,716	128,142
Total leverage ratio exposures	1,449,801	1,519,846
Leverage ratio		
Leverage ratio	9.77%	8.43%
Choice on transitional arrangements and amount of derecognised fiduciary items		
Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	0	

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures SEK m	2020	2019
Total assets as per published financial statements	2,124,863	2,079,505
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013	-	
Adjustments for derivative financial instruments	-17,286	-8,146
Adjustments for securities financing transactions (SFTs)	3,750	3,553
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	150,653	188,547
Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	-807,002	-736,852
Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	-	-
Other adjustments	-5,177	-6,761
Total leverage ratio exposure	**1,449,801**	**1,519,846**

Signatures of the Board and Group Chief Executive

We hereby declare that the consolidated accounts were prepared in accordance with international financial reporting standards as referred to in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, that the parent company's annual accounts were prepared in accordance with sound accounting practices for stock market companies, that the annual accounts and consolidated accounts give a fair presentation of the Group's and the parent company's financial position and performance, and that the statutory administration report provides a fair view of the parent company's and Group's operations, financial position and performance and describes material risks and uncertainties to which the parent company and other companies in the Group are exposed.

STOCKHOLM, 2 FEBRUARY 2021

Pär Boman
Chairman of the Board

Fredrik Lundberg
Vice Chairman

Jon Fredrik Baksaas
Board Member

Hans Biörck
Board Member

Kerstin Hessius
Board Member

Anna Hjelmberg
Board Member

Lena Renström
Board Member

Ulf Riese
Board Member

Arja Taaveniku
Board Member

Carina Åkerström
President and Group Chief Executive

Auditor's report

To the general meeting of the shareholders of Svenska Handelsbanken AB (publ), corporate identity number 502007-7862

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Svenska Handelsbanken AB (publ) for the year 2020 with the exception of the sustainability report on pages 38-65. The annual accounts and consolidated accounts of the company are included on pages 6–249 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of December 31, 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of December 31, 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Provision for expected credit losses

Detailed information and description of the area is presented in the annual accounts and consolidated accounts. Credit risk exposure and how it is handled is described in note G2 on page 106. The Group's reported expected credit losses are specified in note G10. Information concerning the parent company is presented in note P2 and P10. Regarding the area relevant accounting policies for the group, these can be found in note G1, section 10 on page 95. Note P1 shows that the accounting principles of the parent company concerning credit granting and provision for expected credit loss corresponds with the accounting principles of the group.

Description of audit matter

As of 31 December, 2020 lending to the public amounts to 2 269 612 (566 145) SEK m for the group (parent) which amount to 72 (27) % of total assets. The total credit risk exposure, including off-balance commitments, amounts to 3 125 552 (2 247 657) SEK m.

Provision for expected credit losses on lending to the public amounts to 3 457 (2 432) SEK m for which 1 219 (636) SEK m is based on model based calculations (Stages 1 and 2) and 2 238 (1 796) SEK m is based on manual calculations (Stage 3). The Bank performs adjustments on the model-based calculations in Stages 1 and 2 to take into consideration factors which is not accounted for in the model.

Expected credit losses shall be measured in a way that reflects an unbiased and probably weighted amount that is determined by evaluating a range of possible outcomes and is based on past events, current conditions and forecasts of economic conditions. To make the provision the Bank is required to make estimates and assumptions regarding for example criteria to identify a significant increase in credit risk and methods to calculate expected credit losses. Due to the complexity of the calculation and that it requires the Bank to make estimates and assumptions provisioning for expected credit losses is considered a key audit matter.

How this matter has been considered in the audit

We have assessed whether the Bank's assessment of probability of default, loss given default, exposure at default and expected credit loss as well as significant increase in credit risk is in accordance with IFRS 9.

We have tested the design and efficiency of key controls in both the credit process and credit decisions, credit review, rating classification as well as identifying and determining credits to be in default. We have also tested controls relating to input to model data and the general IT-controls including the handling of authorization regarding these systems. Our assessment is that we can rely on controls when performing in our audit.

Furthermore, we have on a sample basis challenged the Bank's initial and current credit rating. We have tested that data used from supporting systems used in the model is complete and accurate. We have reviewed and assessed the model including the assumptions and parameters as well as assessed the outcome of the model validations which has been performed and reviewed the reasonableness of the macroeconomic data used. We have reviewed the reasonableness in the manual adjustments, including the expert-based provision for Covid-19, performed by the Bank. In our audit we have used our internal model specialists to support us when performing the audit procedures.

We have also assessed the disclosures in the financial statements regarding credit risk are appropriate.

Fair value measurement of financial instrument with no market prices available
Detailed information and description of the key audit matter is provided in the annual accounts and consolidated accounts. Financial instruments measured at fair value are described in note G39 for the group and P35 for the parent company. Relevant accounting principles for the group are described in note G1, section 9 on page 95. Note P1 shows that the parent company's accounting principles for financial instruments measured at fair value is consistent with the group's accounting principles.

Description of audit matter	*How this matter has been considered in the audit*
The Bank has financial instruments where market price is missing, thus fair value is determined using valuation models based on market data. These financial instruments are categorized as level 2 under IFRS fair value valuation hierarchy. Also, Svenska Handelsbanken has, to some extent, financial instruments whose valuation to fair value is determined using valuation models for which the value is affected by the input data that cannot be verified by external market data. These financial instruments are categorized as level 3 under IFRS fair value valuation hierarchy. The group (parent company) has financial assets and financial liabilities in level 2 of 38 779 (62 574 SEK m and 35 327 (46 850) SEK m respectively. Financial assets and liabilities in level 3 amounts to 1 104 (1 068) SEK m and 554 (554) SEK m respectively. The main part of the financial instruments in level 2 is made out of derivative contracts, among them interest rate swaps and various types of linear currency derivatives, and business bonds. Corporate bonds and derivative contracts in level 2 are valued by valuation models based on market rates and other market prices. Financial instruments in level 3 primarily consist of unlisted shares in joint ventures, investments in the insurance business as well as certain derivative contracts valued by non-observable data. Due to the complexity when calculating and as it requires the Bank to make assessments valuation of financial instruments with no market prices are deemed to be a key audit matter.	We have assessed whether the Banks method for valuating financial instruments with no market prices available including the classification in the valuation hierarchy is in accordance with IFRS 13. We have tested the key controls in the valuation process, including the bank's assessment and approving of assumptions and methods used in model-based calculation, control of data quality as well as handling of change regarding internal valuation models. We have also tested the general IT-controls including the handling of authorization regarding these systems. Our assessment is that these key controls are designed, implemented and operative effective and hence we have determined that we can rely on these key controls in our audit. Further, we have evaluated the methods and assumptions made when valuating financial instruments with no market prices available. We have compared the valuation models with valuation guidelines and appropriate industry practice. We have compared assumptions and price sources and examined any significant deviations. We have also checked the accuracy of the estimations by conducted sample tests and performed our own independent valuations. We have engaged our internal valuation specialists to support us when performing our audit procedures. We have also assessed the disclosures in the financial statements regarding valuation of financial instruments to fair value are appropriate.

Other information than annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–5, 38–65 and 255–268. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or mistake.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or mistake, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or mistake and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

Report on the annual accounts and consolidated accounts, cont.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Svenska Handelsbanken AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 38–65, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Jakobsbergsgatan 24, 111 44 Stockholm, was appointed auditor of Svenska Handelsbanken AB by the general meeting of the shareholders on the March 25, 2020 and has been the company's auditor since April 28, 1998.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockhom, was appointed auditor of Svenska Handelsbanken AB by the general meeting of the shareholders on March 25, 2020 and has been the company's auditor since March 29, 2017.

Stockholm February 11, 2021

Ernst & Young AB

PricewaterhouseCoopers AB

Jesper Nilsson
Authorised Public Accountant

Johan Rippe
Authorised Public Accountant

Auditor's Limited Assurance Report on Svenska Handelsbanken AB (publ)'s Sustainability Report. This is the translation of the auditor's report in Swedish.

To Svenska Handelsbanken AB (publ), corporate identity number 502007-7862

INTRODUCTION

We have been engaged by the Board of Directors of Svenska Handelsbanken AB (publ) (Handelsbanken) to undertake a limited assurance engagement of Handelsbanken's Sustainability Report for the year 2020, on pages 38–65 of Handelsbanken's annual report, and the separate Sustainability Fact Book for the year 2020, published on Handelsbanken's website (www.handelsbanken.se). We refer to these publications collectively as the "Sustainability Report".

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, which are explained on page 19 of the separate Sustainability Fact Book, and which comprise the parts of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting policies and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or mistake.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information, with the application of RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Svenska Handelsbanken AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Consequently, the procedures performed as part of a limited review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures performed in the limited assurance engagement are based on the criteria defined by the Board of Directors and the Executive Management, as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

CONCLUSIONS

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 11 February 2021

Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

Marianne Förander
Expert Member of FAR

Contact details

CONTENTS

Contact details

Website: handelsbanken.com unless otherwise stated.

CENTRAL HEAD OFFICE

Carina Åkerström, Group Chief Executive
Mikael Hallåker, Central Head Office
Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00
handelsbanken.com
Corporate identity no.: 502007-7862

GROUP GOVERNANCE

Helena Öström Nimander, Head

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00

HANDELSBANKEN'S BOARD

Martin Wasteson, Company Secretary
Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00

CUSTOMER-RESPONSIBLE UNITS

SWEDISH BRANCH OPERATIONS

Michael Green, Head

Arsenalsgatan 9
SE-106 70 Stockholm
+46 (0)8-701 10 00

HANDELSBANKEN DIGITAL

Katarina Ljungqvist, Head

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00

DENMARK

Lars Moesgaard, Head

Havneholmen 29
DK-1561 Copenhagen V, Denmark
+45 (0)46 79 12 00
handelsbanken.dk

FINLAND

Hanne Katrama, Head

Itämerenkatu 11–13
FI-00180 Helsinki, Finland
+358 (0)10 444 11
handelsbanken.fi

THE NETHERLANDS

Roland van Pooij, Head

Kantoorgebouw Vesta
Herikerbergweg 181
NL-1101 CN Amsterdam, The Netherlands
+31 (0)204 127 600
handelsbanken.nl

NORWAY

Dag Tjernsmo, Head

Tjuvholmen Allé 11
Postboks 1342 Vika
NO-0113 Oslo, Norway
+47 (0)22 39 70 00
handelsbanken.no

HEAD OFFICE UK

Mikael Sørensen, Head

3 Thomas More Square
London E1W 1WY, UK
+44 (0)20 757 880 00
handelsbanken.co.uk

NORTH WEST UK

Chris Teasdale, Acting Head

101 Barbirolli Square
Manchester M2 3BG, UK
+44 (0)16 160 202 00
handelsbanken.co.uk

NORTHERN UK

Suzanne Minifie, Head

No. 1 Whitehall Riverside, 4th floor
Leeds LS1 4BN, UK
+44 (0)11 338 601 00
handelsbanken.co.uk

CENTRAL UK

Suzanne Minifie, Acting Head

Two Colmore Square
38 Colmore Circus, 3rd floor
Queensway
Birmingham B4 6BN, UK
+44 (0)12 166 525 00
handelsbanken.co.uk

SOUTH WEST UK

Chris Teasdale, Head

1100 Parkway North
Stoke Gifford
Bristol BS34 8YU, UK
+44 (0)11 793 110 08
handelsbanken.co.uk

SOUTHERN UK

John Hodson, Head

3 Thomas More Square
London E1W 1WY, UK
+44 (0)20 757 880 00
handelsbanken.co.uk

PRODUCT AREAS AT CENTRAL HEAD OFFICE

PAYMENTS

Anna Possne, Head

Valhallavägen 195
SE-115 53 Stockholm
+46 (0)8-701 10 00

SAVINGS & PENSIONS

Daniel Andersson, Head

Blasieholmstorg 12
SE-106 70 Stockholm
+46 (0)8-701 10 00

HANDELSBANKEN INTERNATIONAL

Richard Johnson, Head

Blasieholmstorg 11
SE-106 70 Stockholm
+46 (0)8-701 10 00

INVESTMENT BANK

Pål Bergström, Head
Christina Nyman, Head of Economic Research

Blasieholmstorg 11
SE-106 70 Stockholm
+46 (0)8-701 10 00

FINANCING

Göran Stille, Head

Torsgatan 12
SE-106 35 Stockholm
+46 (0)8-701 54 00

FUNCTION AREAS AT CENTRAL HEAD OFFICE

GROUP COMMUNICATIONS & SUSTAINABILITY

Jan Larsson, Head

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00

GROUP CREDITS

Per Beckman, Head

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00

GROUP FINANCE

Carl Cederschiöld, CFO

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00

GROUP FINANCIAL CRIME PREVENTION
Hannu Saari, Head

Valhallavägen 195
SE-115 53 Stockholm
+46 (0)8-701 10 00

GROUP HR
Magnus Ericson, Head

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00

GROUP IT
Mattias Forsberg, CIO

Torsgatan 14
SE-106 35 Stockholm
+46 (0)8-701 10 00

GROUP IT OPERATIONS & DEVELOPMENT
Juha Rantamaa, Head

Torsgatan 14
SE-106 70 Stockholm
+46 (0)8-701 10 00

GROUP LEGAL
Martin Wasteson, Head

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00

CONTROL FUNCTIONS AT CENTRAL HEAD OFFICE

GROUP COMPLIANCE
Martin Noréus, Head

Blasieholmstorg 12
SE-106 70 Stockholm
+46 (0)8-701 10 00

GROUP RISK CONTROL
Maria Hedin, CRO

Kungsträdgårdsgatan 2
SE-106 70 Stockholm
+46 (0)8-701 10 00

GROUP AUDIT
Mårten Bjurman, Head

Blasieholmstorg 12
SE-106 70 Stockholm
+46 (0)8-701 10 00

SUBSIDIARIES

ECSTER AB
Sanna K. Augustsson, Head

Valhallavägen 195
SE-115 53 Stockholm
+46 (0)8-701 46 67
Corporate identity no.: 556993-2311

EFN
Madeleine Bolander, Head

Blasieholmstorg 12
SE-106 70 Stockholm
+46 (0)8-701 10 00
efn.se
Corporate identity no.: 556930-1608

HANDELSBANKEN FINANS
Magnus Sternbrink, Head

Valhallavägen 195
SE-115 53 Stockholm
+46 (0)8-701 10 00
Corporate identity no.: 556053-0841

HANDELSBANKEN FONDER
Magdalena Wahlqvist Alveskog, Head

Blasieholmstorg 12
SE-106 70 Stockholm
+46 (0)8-701 10 00
Corporate identity no.: 556418-8851

HANDELSBANKEN LIV
Louise Sander, Head

Blasieholmstorg 12
Box 1325
SE-111 83 Stockholm
+46 (0)8-701 71 00
Corporate identity no.: 516401-8284

HANDELSBANKEN PLC
Mikael Sørensen, Head

3 Thomas More Square
London E1W 1WY, UK
+44 (0)20 757 880 00
handelsbanken.co.uk

OPTIMIX
Ton Schoemaker, Head
Jaap Westerling, Head

Johannes Vermeerstraat 14
1071 DR Amsterdam, The Netherlands
+31 (0)20 570 30 30
Corporate identity no.: 33194359

STADSHYPOTEK
David Haqvinsson, Head

Torsgatan 12
SE-106 35 Stockholm
+46 (0)8-701 54 00
Corporate identity no.: 556459-6715

Branches and branch managers

This information applies as at 31 December 2020.

HANDELSBANKEN NORTHERN SWEDEN

Board

Bob Persson Frösön, Chairman
Richard Bergfors Stockholm
Peter Hansi Umeå, Acting
Annika Högström Luleå
Ulf Larsson Sundsvall
Markus Skog Olsson Umeå
Agneta Marell Umeå
Sofie Jakobsson Umeå, (E)*

Head

Peter Hansi Umeå, Acting

Branch/branch manager

Arvidsjaur **Therese Scott**
Bjurholm **Lisa Königsson**
Boden **Ellinor Lundström**
Bredbyn **Kari Pessa**
Bräcke **Per Stålhandske**
Burträsk **Ulrika Magnusson Söderlund**, Acting
Byske **Ulrika Magnusson Söderlund**
Delsbo **Thony Nylund**, Acting
Dorotea **Sabitha Rolandsson**
Gällivare **Marcus Lagerqvist**
Hammarstrand **Linda Nordvall**
Haparanda **Maria Mörk**
Hede **Mattias Sundt**
Holmsund **Henrik Lundström**, Acting
Hudiksvall **Thony Nylund**
Husum **Anton Olofsson**, Acting
Härnösand **Åsa Starfelt Nilsson**
Jokkmokk **Marcus Lagerqvist**
Järpen **Jenny Strand**
Järvsö **Mikael Stridh**
Kalix **Maria Mörk**
Kiruna **Maria Grym**, Acting
Kramfors **Thomas Kassman**
Krokom **Henrik Lindqvist**
Kvissleby **Niclas Södergren**
Liden **Erik Martinsson**
Lit **Henrik Lindqvist**
Ljusdal **Mikael Stridh**
Luleå
  Gammelstad **Katarina Rutberg**
  Storgatan **Jimmy Vikström**
Lycksele **Fredrik Karlsson**
Matfors **Per Pettersson**
Nordanstig **Rose-Marie Hildingsson**
Nordingrå **Thomas Kassman**
Nordmaling **Anton Olofsson**, Acting
Norsjö **Marina Lundberg**
Pajala **Niklas Ylipää**, Acting
Piteå **Stefan Uddström**
Ramsele **Sofia Bodin**
Robertsfors **Anders Sundström**, Acting
Råneå **Katarina Rutberg**
Skellefteå **Ulrika Magnusson Söderlund**
Skönsberg **Per Pettersson**
Sollefteå **Sofia Bodin**
Storuman **Fredrik Karlsson**
Strömsund **Sabitha Rolandsson**
Sundsvall **Åsa Willén**
Sveg **Jörgen Andersson**
Svenstavik **Pär Jacobsson**, Acting
Sävar **Anders Sundström**
Timrå **Erik Martinsson**
Ullånger **Thomas Kassman**
Umeå
  City **Anders Sundström**
  Teg **Henrik Lundström**, Acting
  Västra **Henrik Lundström**
Vilhelmina **Thomas Rönnberg**
Vindeln **Lisa Königsson**
Vännäs **Lisa Königsson**
Ånge **Per Stålhandske**
Åre **Jenny Strand**
Åsele **Thomas Rönnberg**
Älvsbyn **Annika Nilsson**
Örnsköldsvik **Kari Pessa**
Östersund **Mårten Areskoug**
Övertorneå **Niklas Ylipää**, Acting

Meeting places

Arvidsjaur
  Sorsele **Therese Scott**
Norsjö
  Malå **Marina Lundberg**

HANDELSBANKEN CENTRAL SWEDEN

Board

Ulf Bergkvist Insjön, Chair
Torsten Engwall Gävle
Peter Larson Gävle
Monica Oldenstedt Västerås
Arne Skoglund Uppsala
Morgan Särnblad Orsa, (E)*
Pontus Åhlund Gävle

Head

Pontus Åhlund Gävle

Branch/branch manager

Alfta **Nathalie Söderberg Pettersson**
Arboga **Larry Andersson**
Avesta **Andreas Borgefors**
Bergby **Anna Ternstedt**
Bollnäs **Anna Ekström**
Borlänge **Henrik Bergenström**
Bålsta **Susanne Lund**
Edsbyn **Annika Wikström**
Enköping **Lars Olsson**
Eskilstuna **Johan Gustavsson**
Fagersta **Cecilia Robertsson**
Falun **Henrik Ragnarsson**
Fjugesta **Anders Hedvall**
Flen **Robert Dalhammer**
Frövi **Mikael Jansson**
Gagnef **Anders Rehn**
Grängesberg **Andreas Byrén**
Gävle City **Svante Larsson**
Hallsberg **Mats Kagerup**
Hallstavik **Catarina Lyshag**
Hedemora **Jonas Lund**
Hedesunda **Erik Mattsson**
Insjön **Jenny Åkerström**
Katrineholm **Robert Dalhammer**
Kilafors **Pernilla Flink Westh**
Knivsta **Agneta Sturesson**
Kolbäck **Niklas Johansson**
Kopparberg **Lena Ragnarsson Vöks**
Kumla **Michael Johnsson**
Kungsör **Marco Crantz**
Köping **Anette Holmsten**
Leksand **Anders Ekström**
Lima **Camilla Enqvist**
Lindesberg **Maria Ekdahl**
Ludvika **Andreas Abraham**
Malung **Fredrik Hallkvist**
Mora **Jürgen Smolle**
Norberg **Håkan Bjurling**
Norrtälje **Mats Sagström**
Ockelbo **Johan Björk**
Orsa **Ida Arnberg**
Rimbo **Helena Kolström**
Rättvik **Magnus Johansson**
Sala-Heby **Helen Emnerud Wilhelmsson**
Sandviken **Fredrik Nordkvist**
Sigtuna **Jonas Wåhlstedt**
Skinnskatteberg **Ramona Lyman**
Skultuna **Mats Söderlund**
Skutskär **Magnus Sjökvist**
Skärplinge **Susanne Kontturi**
Stora Tuna **Susanne Jansson**
Storvik **Marcus Lundqvist**
Strängnäs **Katharina Schramm Hellmark**
Säter **Patrik Nylén**
Söderhamn **Thomas Frykberg**
Tierp **Johan Björk**
Torsåker **Pernilla Strömberg**
Uppsala
  Boländerna **Magnus Ternstedt**
  City **Micael Lindström**
  Luthagen **Ann-Sofie Sivander**
  Rosendal **Kristina Carlsson**
Vansbro **Fredrik Hallqvist**
Västerås
  City **Peter Bergqvist**
  Emausgatan **Mats Söderlund**
  Köpingsvägen **Mats Söderlund**
  Östermälarstrand **Marie Strandberg**
Örebro
  Drottningparken **Anders Forsgren**
  Ekersgatan **Kristina Dahl**
  Stortorget **Kenneth Vallin**
Österbybruk **Thomas Nordgren**
Östervåla **Sofie de Jounge**
Östhammar **Anna Lydell Bjälmén**

Meeting places

Hallsberg
  Askersund **Mats Kagerup**
Knivsta
  Alsike **Agneta Sturesson**
Lindesberg
  Nora **Maria Ekdahl**
Lima
  Sälen **Camilla Enqvist**
Mora
  Älvdalen **Jürgen Smolle**
Sala-Heby
  Heby **Helen Emnerud Wilhelmsson**
Strängnäs
  Mariefred **Katharina Schramm Hellmark**

(E)*= employee representative

HANDELSBANKEN STOCKHOLM

Board
Ulf Lundahl Lidingö, Chair
Johnny Alvarsson Hägersten
Ingalill Berglund Solna
Katarina Martinson Stockholm
Lena Renström Stockholm, (E)*
Johanna Lundberg Stockholm, Acting

Head
Johanna Lundberg Stockholm, Acting

Branch/branch manager
Alviks Torg **Malin Meijer**
Arbetargatan **Ulrika Staffas Nordqvist**
Brommaplan **Charlotta Hallqvist Lindström**
Dalarö **Anna Brannefalk**
Djursholm **Fredrik Enander**
Ekerö **Patrik Lönnstad**
Farsta **Susann Svallfors**
Gamla Stan **Linda Unger**
Globen **Lena Stenmark**
Gnesta **Asta Beyerl**
Gustav Adolfs Torg **Anders Lindegren**
Gärdet **David Forner,** Acting
Götgatsbacken **Anna Andersson**
Hammarby **Sara Hellström**
Haninge **Maria Sjöstedt**
Hemse **Helena Leoj**
Hornsberg **Marika Hedblom**
Hornsgatan **Tommie Jonsson**
Huddinge **Helene Ferlin**
Humlegården **AnneMarie Dahlstedt**
Hägersten **Sofia Eldebrink**
Hässelby Gård **Sofie Ehrström**
Högalid **Mårten Larsson**
Jakobsberg **Tobias Grundell**
Järna **Anna Zickert Söderström**
Karlaplan **Cecilia Carlberg**
Karlavägen **Eric Markne Lartén**
Kista **Hans Lundin**
Kungsholmstorg **Anders Friman**
Kungsträdgården **Johan Palm**
Kungsängen **Karin Morin,** Acting
Kärrtorp **Jessica Nirvin**
Lidingö, **Mikael Gustafson**
Marieberg **Lotta Adestam**
Marievik **Nahir Oussi**
Märsta **Johanna Estman Larsson**
Mörby Centrum **Daniel Spangenberg**
Nacka Forum **Anki Lenksjö**
Norrmalmstorg **Maria Wedholm**
Nyköping **Jens Fransson**
Nynäshamn **Martin Nordfeldt**
Näsby Park **Cecilia Sonntag**
Odengatan **Catarina Thunstedt**
Odenplan **Tommie Jonsson**
Renstiernas Gata **Ana Maria Ruiz**
S:t Eriksplan **Jesper Ringblom**
Salem **Malin Cederlund**
Saltsjö-Boo **Johanna Lagerbäck**
Skanstull **Camilla Esgård Sandgren**
Skärholmen **Marcus Axelsson**
Slite **Helena Leoj**
Sollentuna **Fredrik Andersson**
Solna
- Arenastaden **Lisa Spangenberg**
- Frösunda **Richard Sköllersten**
- Solna Centrum **Mats Liebgott**
- Solna Strand **Richard Sköllersten,** Acting

Spånga **Agneta Gustafsson**
Stockholm Sergel **Maria Hellberg**
Storgatan **Tommie Jonsson**
Strandvägen **Carl-Magnus Gustafsson**
Stureplan **Peter Sturesson**
Stuvsta **Kristin Elofsson**
Sundbyberg **Jan Larsson**
Sveavägen **Anna Karlsson**
Södertälje **Niclas Landbergsson**
Tessinparken **Lars Eberson**
Torsgatan **Caroline Nilsson**
Trosa **Jens Fransson**
Trångsund **Mattias Lindmark**
Tullinge **Kristina Jansenberger**
Tyresö **Kjell Andersson**
Täby Centrum **Johan Grahn**
Upplands Väsby **Carl-Fredrik Boija**
Vallentuna **Stina Andersen**
Vanadisplan **Stina Marklund**
Vasagatan **Christer Örtegren**
Vaxholm **Jennie Widlund**
Visby
- Adelsgatan **Linda Ewald**
- Öster **Carl Oscar Sjöström**

Vällingby **Eric Nolerstedt**
Värmdö **Åsa Wenngren**
Västerhaninge **Mats Nordling**
Åkersberga **Per Karlsson**
Årsta **Linda Norman Monteil**
Älvsjö **Jesper Hellström**
Östermalmstorg **Jan Larsson**
Östra Station **Forrest Humphries**

Meeting places
Gärdet
- Norra Djurgårdsstaden **David Forner,** Acting

Hemse
- Klintehamn **Helena Leoj**

Slite
- Fårösund **Helena Leoj**

HANDELSBANKEN WESTERN SWEDEN

Board
Claes Larsson Gothenburg, Chair
Peter Claesson Kullavik
Camilla Hansson Alingsås, (E)*
Carin Kindbom Västra Frölunda
Håkan Larsson Gothenburg
Mikael Romert Gothenburg
Vilhelm Schottenius Varberg
M Johan Widerberg Gothenburg
Kina Wileke Gothenburg

Head
Mikael Romert Gothenburg

Branch/branch manager
Ale **Maj Rudell**
Alingsås **Jonas Sandberg**
Arvika **Peter Johansson**
Bollebygd **Anders Roos**
Borås
- Borås City **Joakim Antonsson**
- Viared **Joakim Antonsson**

Falkenberg **Kristian Gårdenfelt**
Falköping **Andreas Blick**
Filipstad **Lenita Engström**
Gislaved **Per Risberg**
Gothenburg
- Almedal **Anna-Lena Ranhög**
- Avenyn **Veronica Wallin Johansson**
- City **Martin Henriksson**
- Eriksberg **Christian Pennert**
- Frölunda **Patrik Niklasson**
- Första Långgatan **Anders Olausson**
- Gårda **Marie Erlandson**
- Lilla Bommen **Anna Fägersten**
- Lindholmen **Jonas Almhöjd**
- Sisjön **Christian Sjöberg**
- Torslanda **Johan Zachrisson**
- Volvo **Fredrik Torwald,** Acting
- Örgryte **Linda Hellsten**
- Övre Husargatan **Helena Johansson**

Halmstad **Magnus Landbring**
Herrljunga **Frida Ålebring**
Hjo **Niklas Standar**
Huskvarna **Cecilia Antonsson**
Jönköping **Jens Claesson**
Karlskoga **Kristin Pettersson**
Karlstad **Fredrik Ekenberg**
Kristinehamn **Torbjörn Läth**
Kungsbacka **Anders Blomqvist**
Kungälv **Gustav Olsson,** Acting
Laholm **Magnus Wetterberg,** Acting
Landvetter **Anna Lundgren**
Lerum **Annika Eriksson**
Lidköping **Magnus Kvarnmarker**
Lilla Edet **Ekaterina Gorbounova**
Ljungby **Maria Larsson**
Markaryd **Maria Larsson**
Mariestad **Katarina Lindholm**
Mölndal **Johan Martinsson**
Mölnlycke **Lena Uhrlander**
Partille **Sara Larsson**
Skara **Anna-Lena Andersson**
Skövde **Niklas Standar**
Stenungsund **Maria Lager**
Strömstad **Johan Rosengren**
Sunne **Dennis Göransson**
Svenljunga **Therese Ekelund**
Säffle **Cajsa Moberg**
Tidaholm **Andreas Blick**
Torsby **Anna Bengtsson**
Tranemo **Therese Ekelund**
Trollhättan **Ingela Karlsson**
Uddevalla **Marie Kaptein**
Ulricehamn **Martin Ekman**
Vaggeryd **Peter Fråhn**
Vara **Hanna Carlsson**
Varberg **Alexander Turesson**
Vårgårda **David Wiklund**
Vänersborg **Magdalena Gunnarsson**
Värnamo **Jonas Flink**
Åmål **Martin Olsson**
Årjäng **Peter Johansson**
Älvsborg **Allison Åsblom**

(E)*= employee representative

HANDELSBANKEN SOUTH EAST SWEDEN

Board
Charlotta Falvin Genarp, Chair
Santhe Dahl Växjö
Anders Fagerdahl Malmö
Pia Håkansson Ystad, (E)*
Bengt Kjell Helsingborg
Johan Mattsson Tomelilla
Anders Ohlner Malmö
Sten Peterson Katrineholm
Mikael Roos Malmö

Head
Anders Fagerdahl Malmö

Branch/branch manager
Alvesta **Patrick Carlsson**
Borensberg **Henrik Thörnblad**
Borgholm **Thomas Svensson**
Båstad **Lars-Olof Ottosson**
Eksjö **Anna Gyllenhammar**
Emmaboda **Kati Gidlöf**, Acting
Eslöv **David Möller**
Finspång **Håkan Samuelsson**
Färjestaden **Christin Abrahamsson**
Helsingborg **Erik de la Motte**
Hultsfred **Marie-Louise Mobelius**
Hässleholm **Marie Lärka Stjernström**, Acting
Höganäs **Gunilla Voss**
Höllviken **Cecilia Wahlberg**
Höör **David Möller**
Kalmar **Johan Lorentzon**
Karlshamn **Maria Önell**
Karlskrona **Peter Andersson**
Klippan **Alexandra Paulsson**
Kristianstad **Rebecca Thörnqvist**
Kävlinge **Johan Lundquist**
Lammhult **Maj-Lis Pettersson**
Landskrona **Per-Ove Kamlund**
Linköping
  City **Petri Rask**
  Tornby **Anders Spång**
Lomma **Erik Hultgren**
Lund
  City **Roger Håkansson**
  Ideon **Isabel Almqvist**
Malmö
  City **Erik Bredberg**
  Fosie **Anders Persson**
  Fridhem **Göran Camitz**
  Hyllie **Anders Persson**
  Limhamn **Cecilia Leijgård**
  Stortorget **Pernilla Hanserup**
  Öster **Magnus Björk**
Mjölby **Eleonor Nilsson**
Motala **Henrik Thörnblad**
Mönsterås **Jonas Petersson**
Norrköping
  Drottninggatan **Cicki Törnell**
  Fjärilsgatan **Marika Ronnerheim**
Nybro **Kati Gidlöf,** Acting
Nässjö **Malin Häggström**
Osby **Marie Lärka Stjernström**, Acting
Oskarshamn **Jonas Petersson**
Ronneby **Annelie Johansson**
Simrishamn **Pontus Hansson Cederberg**
Sjöbo **Thomas Hansson**
Skanör **Maria Hägerström**
Staffanstorp **Mårten Edlund**
Svedala **Cecilia Pilo**
Sävsjö **Jörgen Asp**
Söderköping **Caroline Bragner**
Sölvesborg **Kristina Helander**
Tingsryd **Malin Nilsson**
Tomelilla **Mia Kristell**
Torsås **Johan Lorentzon**
Tranås **Fredrik Lundgren**
Trelleborg **Katerina Bosevska**
Vadstena **Henrik Thörnblad**
Veberöd **Hans-Åke Mårtensson**
Vellinge **Cecilia Wahlberg**
Vetlanda **Jörgen Asp**
Vimmerby **Marie-Louise Mobelius**
Virserum **Malin Zeilon**
Vollsjö **Thomas Hansson**
Västervik **Thomas Rörstrand**
Växjö **Maj-Lis Pettersson**
Ystad **Mia Kristell**
Åhus **Matz Nilsson**
Åseda **Malin Zeilon**
Åtvidaberg **Petri Rask**
Älmhult **Fredrik Roghner**
Ängelholm **Irene Andersson**

HANDELSBANKEN NORTH WEST UK

The operations are part of Handelsbanken plc.

Head
Chris Teasdale Manchester, Acting

Branch/branch manager
Aberdeen **Neil Clark**
Altrincham **John Burke**
Blackburn **Philip Skupski**
Bolton **Sean Greenhalgh**
Bury **Rachel Farnan**
Carlisle **Jason Smith**
Center Scotland **Jim Donnelly**
Chester **David Barker**
Dundee **Ben Honeyman**
Edinburgh
  Charlotte Square **Lesley Dunlop**
  East **Craig Ramsey**
  West End **Iain Henderson**
Glasgow
  Finnieston **Gillian Baxter**
  City **David Waddell**
Heswall **Liz Cotton**
Inverness **Brian Robson**
Kendal **Mike Fell**
Lancaster **Helen McClure**
Liverpool
  Duke Street **Stephen Jones**
  Exchange Station **Alexia Hayes**
Lytham **Kevin Sanderson**
Manchester
  Barbirolli **Philip Basten**
  Spinningfields **Adam Short**
  Trafford **Phil Basten**
  Trinity Way **Anthony Flynn**
Preston **Keith Lowe**
Southport **Andrew Pearson**
Stockport **Elliott Morley**
Warrington **James Barron**
Wigan **Cath Joynt**
Wilmslow **Sarah Hunter**

(E)*= employee representative

HANDELSBANKEN NORTHERN UK

The operations are part of Handelsbanken plc.

Head

Suzanne Minifie Leeds

Branch/branch manager

Barnsley **Peter Gray**
Beverley **Neil Harrison**
Bradford **David Brady**
Castleford **Paul Drysdale**
Chesterfield **Phil Walker**
Darlington **Sarah Martinson**
Doncaster **Sarah Smith**
Durham **David Allenson**
Gateshead **Brian Foreman**
Grimsby **Di Jones**
Halifax **David Brady**
Harrogate **James Cornell**
Hexham **David Wilson**
Huddersfield **Ian Noke**
Hull
- Hesslewood **Tim Kitching**
- Marina Court **James Gray**

Ilkley **Andrew Shakeshaft**
Leeds
- The Embankment **Michael Harvey**
- Lawnswood **Andrew Lowther**
- Wellington Street **Andrew Cook**

Middlesbrough **Thomas Ramshaw**
Morpeth **David Elliot**
Newcastle upon Tyne **Brian Foreman**
Northallerton **David Thompson**
Rotherham **Claire Ibbotson**
Scarborough **Steve Halliday**
Sheffield
- Barker's Pool **Stephen Tweedle**
- St Paul's **Oliver Dean**

Stockton-on-Tees **John Martinson**
Sunderland **Jonathan Leanord**
Tynemouth **Nicola Boardman**
Wakefield **Paul Drysdale**
Wetherby **Andrew Shakeshaft**
York **Christopher Ibbotson**

Meeting places

Scunthorpe **Sarah Smith**

HANDELSBANKEN CENTRAL UK

The operations are part of Handelsbanken plc.

Head

Suzanne Minifie Birmingham, Acting

Branch/branch manager

Banbury **Paul Graham**
Bedford **Chris Spurgeon**
Birmingham
- Newhall St **David Hastings**
- Temple Row **Stephen Breen**

Bromsgrove **Oliver Longmore**
Burton-on-Trent **Paul Thacker**
Bury St Edmunds **Martin Fish**
Cambridge
- Milton Road **Paul Smith**
- Hills Road **David Rundle**

Colwyn Bay **Gareth Jones**
Coventry **Brett Salisbury**
Crewe **Sharon Wooliscroft**
Derby **Ian Morris**
Edgbaston **Michael Alldread**
Hitchin **Graham Pigott**
Ipswich **Andrew Pike**
Leamington Spa **Dani Coe**
Leicester **John Clay**
Lincoln **Darryn Evans**
Loughborough **Emma Donson**
Luton **Philip Bidwell**
Mansfield **Darryn Evans**
Milton Keynes **Lisa Robey**
Northampton **Mark Charteress**
Norwich **James Braithwaite**
Nottingham
- Ropewalk **Larick Walker**
- West Bridgford **Ian Davys**

Peterborough **David Clayton-Fish**
Rugby **Brett Salisbury**
Shrewsbury **Lindsay Pearson**
Solihull **Martin Randall**
Stafford **Helen Yates**
Stourbridge **Adam Pearson**
Stratford-upon-Avon **Richard Blount**
Stoke-on-Trent **Steve Cox**
Tamworth **Andrew Mair**
Walsall **Stephen Ellis**
Wolverhampton **Stephen Ellis**
Worcester **Andrew Smith**
Wrexham **Louise Harper**

HANDELSBANKEN SOUTH WEST UK

The operations are part of Handelsbanken plc.

Head

Chris Teasdale Bristol

Branch/branch manager

Abingdon **David Cook**
Ascot **Richard Payton**
Aylesbury **David Cook**
Barnstaple **Barry Lessiter**
Basingstoke **Geoff Dann**
Bath **Simon Cropper**
Bodmin **Leon Sargeant**
Bournemouth **Mark Robertson**
Bridgend **Illtyd Francis**
Bristol
  Bristol Aztec West **Steve Carter**
  Clifton **Neil Humphreys**
  Queen Square **Martin Bidgood**
Cardiff **Chris Price**
Cheltenham **Roger Bell**
Chichester **Brett Charles**
Chippenham **Shaun Bradshaw**
Cirencester **Kerry Martin**
Dorchester **Alex Newey**
Exeter **Jim Durrant**
Farnham **Kevin Heppell**
Frimley **Kenny McColl**
Gloucester **Emma Gray**
Guildford **Richard James**
Henley-on-Thames **Brian Palmer**
Hereford **David Cleaves**
High Wycombe **Niicholas Oliver**
Newbury **Geoff Dann**
Newport **Craig Wyer**
Oxford
  West Way **Graham Beith**
  Parkway **Bob Wood**
Petersfield **Jonathan Hughes**
Plymouth **Darren Edwards**
Poole **Natalie Phillips**
Portishead **Steve Carter**
Portsmouth **Jonathan Hughes**
Reading **Jack Miller**
Salisbury **Graham Renshaw**
Southampton **Phil Dedman**
Swansea **Martin Griffiths**
Swindon **Jon Hemming**
Taunton **Peter Kirby**
Truro **Elizabeth Stansfield**
Wells **Martin Williams**
Winchester **John Gornall**
Windsor **Faisal Khan**
Yeovil **Katie Loder**

HANDELSBANKEN SOUTHERN UK

The operations are part of Handelsbanken plc.

Head

John Hodson London

Branch/branch manager

Ashford **Andy Davies**
Bishop's Stortford **Stephen Hills**
Brighton **Simon Nicholson**
Bromley **Chris Pye**
Canterbury **Andy Davies**
Chatham **Gavin Coleman**
Chelmsford **Mark Earlam,** Acting
Colchester **Russell Felstead**
Crawley **Simon Briggs**
Croydon **Mike O'Neill**
Dartford **Trevor Adams**
Ealing **Chris Ttouli**
Eastbourne **Neil Hooper**
Enfield **Adrian Bennett**
Epsom **Phil Hunt**
Harrow **Anthony Fogden**
Haywards Heath **David Barden**
Hertford **Debbie Chilton**
Hove **Niky Hunt**
Islington **Raakesh Teeluck**
Kingston **Mark Lobo**
London
  Blackheath **Raff Gallo**
  Chelsea **Steven MacDonald**
  Chiswick **Dermot Jordan**
  Clapham **Jason May**
  Finchley **Steve Smith**
  Hampstead **Matthew Ireland,** Acting
  Holborn **Jonathan Croney**
  Kensington **Steven MacDonald**
  Large Corporate branch **Paul Highmore,** Acting
  Liverpool Street **Ross Simmons,** Acting
  London Bridge **Mark Lilliott**
  Marylebone **Andrew Rowlands**
  Mayfair **Andrew Rowlands,** Acting
  Moorgate **Ross Simmons**
  Queen's Park **Gihan Hatab**
  Stratford **Kirti Mistry**
  West End **Roy Budgett**
Maidstone **Jeremy Brett**
Redhill **Clive Martin**
Richmond **Paul Cooledge**
Romford **Andy Walker**
Sevenoaks **Daniel Batchelor**
Southend-on-Sea **Phil Clark**
Staines-upon-Thames **Carol Albert**
St Albans **Bill Whittemore**
Tunbridge Wells **Nick Green**
Watford **Andrew Samarasinghe**
Weybridge **Geoff Harrison**
Wimbledon **Carol Albert,** Acting

Meeting places

London
  Belgravia **Steven MacDonald**
London Blackheath
  Canary Wharf **Raff Gallo**

HANDELSBANKEN NORWAY

The operations are part of Svenska Handelsbanken, Oslo branch.

Board

Bjørn Flatgård Kolbotn, Chair
Linda Bernander Silseth Nesøya
Christer Enersen Slemmestad, (E)*
Ivar Rusdal Egersund
Dag Tangevald-Jensen Oslo
Dag Tjernsmo Oslo

Head

Dag Tjernsmo Oslo

Branch/branch manager

- Arendal **Vidar Akselsen**
- Asker **Kirsti Jensås**
- Bergen
  - Fyllingsdalen **Gottlieb Gullaksen**
  - Sentrum **Geir Flaa**
  - Vest **Tore Svein Nese**
  - Syd **Jarle Hundven**
  - Åsane **Bjørn Tore Riise**
- Bodø **Tore Halvorsen**
- Drammen **Hege Kristiansen**
- Fredrikstad **Tove Anita R Torp**
- Halden **Thor Brattested,** Acting
- Hamar **Lars Erik Jevanord**
- Haugesund **Ole Henry Slette**
- Jessheim **Inger Kyhen**
- Kolbotn **Hanne Bjørnå Berntsen**
- Kongsberg **Håvard Røed Langerud**
- Kristiansand **Kjell Rege**
- Larvik **Bodil Hansen**
- Lillehammer **Thomas Næstad Moe**
- Lillestrøm **Paal Tollefsen**
- Lysaker **Glenn Steinbø**
- Mo i Rana **Svenn Harald Johannesen**
- Molde **Mette Skauge**
- Moss **Ole Petter Garberg**
- Oslo
  - Grev Wedels plass **Thomas B. Tresselt**
  - Large Corporates **Harald Søreide**
  - Majorstuen **Jannike Johansen**
  - Nydalen **Marius Bretteville**
  - Olav Vs gate **Eirik Arnesen**
  - Bryn **Ole Hellevik**
  - Skøyen **Thomas Stousland**
  - Økern **Jon Are Skarholt**
- Sandefjord **Hans Jørgen Ormar**
- Sandnes **Sindre Bergsagel**
- Sandvika **Cecilie Tvedt**
- Sarpsborg **Tormod Sørum**
- Ski **Geir Anders Sundnes**
- Skien **Mårten Jacobsson**
- Stavanger
  - Sentrum **Rolf Inge Knudsen**
  - Straen **Ole Henry Slette**
- Tromsø **Raymond Brendeløkken**
- Trondheim
  - Leangen **Ole-Martin Smedseng**
  - Søndregate **Ola Grøtte**
- Tønsberg **Per Skustad**
- Ålesund **Arild Gjørvad**

HANDELSBANKEN DENMARK

The operations are part of Svenska Handelsbanken, Copenhagen branch.

Board

John Vestergaard Ikast, Chair
Lars Moesgaard Hellerup
Helle Rank Aalborg, (E)*
Sanne Weidner Aarhus
Lise Westphal Copenhagen
Carsten Gørtz Petersen
Højbjerg (Aarhus)

Head

Lars Moesgaard Hellerup

Branch/branch manager

- Aalborg
  - City **Ole Dahl Nielsen**
  - Syd **Kristian Mark Pedersen**
- Aarhus
  - Aarhus City **Morten Andersen**
  - Aarhus Nord **Lars Graugaard**
  - Aarhus Syd **Jacob Balling**
- Allerød **Jens Karlsson**
- Amager **Michael Bang Pedersen**
- Aulum **Gerda Kviesgaard**
- Ballerup **Flemming Rumler**
- Brande **Henrik Overgaard**
- Charlottenlund **Michael Petersen**
- Copenhagen
  - City **Gorm Ejmefors-Bjørkmann**
  - Large Corporates **Knud Jacobsen**
  - Vest **Jan Arup**
  - Østerbro **Martin Wibskov**
- Egedal **Ida Riisberg Mikkelsen**
- Esbjerg **Jan Plantener**
- Frederiksberg **Jan Rasmussen**
- Frederikssund **Michael Tøgersen**
- Furesø **Jeanett Schultz Brix**
- Give **Kathrine Vesterager Andersen**
- Helsinge **Mimi Boed**
- Helsingør **Michael Hartoft**
- Herlev **Morten Rotvit**
- Herning
  - City **Arnth Stougaard**
  - Fredhøj **Bruno Hansen**
- Hillerød **Alan Nielsen**
- Holstebro **Helle Bjerre**
- Horsens **Martin Skovgaard Larsen**
- Hørsholm **Allan Kandrup**
- Ikast **Kenneth Kristiansen**
- Kgs. Lyngby **Preben Bjerrekær**
- Kibæk **Lars Christian Hansen**
- Kolding-Lillebælt **Martin Lyager Jørgensen**
- Køge **Kasper Bæk**
- Odense **Klaus Rydal**
- Roskilde **Steen Hansen**
- Silkeborg **Stefan Brochmann**
- Slagelse **Mette Lund Raagart**
- Struer **Poul Bakkegaard**
- Sunds **Vibeke Hestbek**
- Vejle **Lars Hoffmann**
- Viborg **Henrik Toft Mathiasen**

(E)*= employee representative

HANDELSBANKEN FINLAND

The operations are part of Svenska Handelsbanken, Helsinki branch.

Board

Tapio Hakakari Hyvinkää, Chair
Hanne Katrama Helsinki
Esa Korvenmaa Helsinki
Mikko Pelkonen Espoo
Pirjo Repo Helsinki
Leena Saarinen Helsinki
Pekka Vasankari Vantaa, (E)*

Head

Hanne Katrama Helsinki

Branch/branch manager

Espoo
- Matinkylä **Juha-Lassi Laisi**
- Tapiola **Harri Tuohimaa**

Helsinki
- Aleksi **Risto Vihula**
- Herttoniemi **Jussi Hannukainen**
- Kamppi **Sami Hoffrén**
- Large Corporates **Riitta Hallila**
- Munkkiniemi **Jarkko Pöysti**
- Pasila **Risto Mäkeläinen**
- Ruoholahti **Outi Vesanto**

Hyvinkää **Henri Uronen**
Hämeenlinna **Jenniina Termonen**
Jyväskylä **Jesse Järvinen**
Keski-Uusimaa **Ilkka Arenius**
Kuopio **Ilari Tyrkkö,** Acting
Kymenlaakso **Joonas Heinonen**
Lahti **Jaana Repo-Kemppinen**
Mikkeli **Jussi Myllymäki**
Oulu **Jari Itkonen**
Pietarsaari **Jörgen Blomqvist**
Porvoo **Risto Vihula,** Acting
Satakunta **Lauri Leinonen**
Seinäjoki **Jaana Meritähti**
Tampere **Ilari Tyrkkö**
Turku **Teemu Alanko**

Vantaa
- Aviapolis **Mari Govenius**
- Tikkurila **Pauli Ranta**

Vaasa **Frej Björses**

Meeting places

Kymenlaakso
- Kouvola **Joonas Heinonen**

HANDELSBANKEN THE NETHERLANDS

The operations are part of Svenska Handelsbanken AB, The Netherlands branch.

Board

Göran Stille Stockholm, Chair
Per Jansson Stockholm
Roland van Pooij Driebruggen

Head

Roland van Pooij Driebruggen

Branch/branch manager

Alkmaar **Ronald Smit**
Alphen aan den Rijn **Rens Ramakers**
Amersfoort **Jeroen Ammerdorffer**
Amstelveen **Sebastiaan van den Berkmortel**

Amsterdam
- Amstel **Lars Vissers**
- Centrum **Jasper Klok**
- Zuid **Daniël van Til**

Apeldoorn **Jeroen Altena**
Arnhem **Patricia Schwalbach**
Bergen op Zoom **Jeroen Wiertz**
Breda **Edwin Boonk**
Den Haag **Marc de Brey**
Drenthe **Norbert van de Lande**
Eindhoven **Pieter van de Koolwijk**
Groningen **Erwin van der Steur**
Haarlem **Nicole Broersma**
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Laren **Sharon Peeters**
Leeuwarden **Tammo Oosterhof**
Maastricht **Tim Neu**
Rijnmond Zuid **Wim Tieleman**
Roermond **Luc Geisen**
Rotterdam **Riewing van Eerden**
Schiphol **Caroline Mesters**
's-Hertogenbosch **Nicole van Rijmenam**
Tilburg **Erik de Beer**
Twente **Martijn Peters**
Utrecht **Robert van der Kolk**
Zwolle **Peter Hulsbergen**

(E)*= employee representative

OUTSIDE THE NORDIC COUNTRIES, THE UK AND THE NETHERLANDS

Operations are conducted in Svenska Handelsbanken with branches in each country.

France
General Manager **Peggy Paul**
Nice **Anna Jansson-Clauzier**

China
General Manager **Mikael Westerback**
Hong Kong **Bernard Siu**
Shanghai **Mikael Westerback**

Luxembourg
General Manager **Peggy Paul**

Poland
General Manager **Marzena Zahlin**

Singapore
General Manager **Charlotta Petersen**

Germany
General Manager **Annika Brunnéd**

USA
General Manager **Martin Blåvarg**

REPRESENTATIVE OFFICES

Marbella
Representative **Vibeke Toustrup Bonne**

BOARDS OF SUBSIDIARIES

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Åsa Holtman Öhman Stockholm, (E)*
Benny Johansson Stockholm
Agneta Lilja Drottningholm

Chief Executive Ecster
Sanna K Augustsson

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Anders Fagerdahl Malmö
Ulf Köping-Höggård Lidingö
Mikaela Strand Enskede

Chief Executive EFN
Madeleine Bolander

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Erik de la Motte Helsingborg

Chief Executive Handelsbanken Finans
Magnus Sternbrink

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Maria Lönnqvist Bromma, (E)*
Lars Seiz Antibes, France
Göran Stille Stockholm

Chief Executive Handelsbanken Fonder
Magdalena Wahlqvist Alveskog

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Dan Lindwall Stockholm

Chief Executive Handelsbanken Liv
Louise Sander

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Tanya Castell Invernessshire
John Ellacott West Yorkshire
Maureen Laurie East Sussex
Agneta Lilja Drottningholm
Mikael Sørensen London

Chief Executive Handelsbanken plc
Mikael Sørensen

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Board
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Gert van Wakeren Soest
Pär Sjögemark Bromma

STADSHYPOTEK**
Board
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Michael Bertorp Stockholm
Mikael Hallåker Sundbyberg
Helena Håkansson Färjestaden, (E)*
Jörgen Nilsson Nacka
Helena Öström Nimander Enebyberg

Chief Executive Stadshypotek
David Haqvinsson

(E)*= employee representative
** For the complete name of the company, see note P16.

Definitions and explanations

ALTERNATIVE PERFORMANCE MEASURES

The Bank's financial reports contain alternative performance measures which Handelsbanken considers to provide valuable information to the reader, since they are used by Senior Management for internal financial control and follow-up of performance and also for comparison between reporting periods.

Alternative Performance Measures (APMs) are financial measures of performance, financial position or cash flow that are neither defined in IFRS nor the capital requirement regulations. These need not be comparable with similar key figures (performance measures) presented by other companies. Calculations of certain performance measures are reported in the Fact Book which is available at handelsbanken.com/ir.

ADJUSTED EQUITY PER SHARE

Equity at the end of the year reduced by the equity effect of cash flow hedges and the minority share of equity. Adjusted equity is then divided by the number of ordinary shares at the year-end reduced by buybacks. Where applicable, the dilution effect is taken into account.

C/I RATIO

Total expenses in relation to total income. In segment reporting, profit allocation is included in total income.

CREDIT LOSS RATIO

Credit losses on loans to the public in relation to loans to the public at the beginning of the year.

EARNINGS PER SHARE

The profit for the year attributable to holders of ordinary shares divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

ECONOMIC CAPITAL

Economic capital is a model for calculating economic capital which, in one measurement, identifies the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

INTEREST RATE MARGIN

Net interest income for the period calculated for the full year, in relation to average total assets.

P/E RATIO

The share price at year-end divided by earnings per share.

PROPORTION OF LOANS IN STAGE 3

Net loans to the public in Stage 3 in relation to gross loans to the public.

RESERVE RATIO STAGE 1

Provisions in Stage 1 for loans to the public in relation to gross loans to the public in Stage 1.

RESERVE RATIO STAGE 2

Provisions in Stage 2 for loans to the public in relation to gross loans to the public in Stage 2.

RESERVE RATIO STAGE 3

Provisions in Stage 3 for loans to the public in relation to gross loans to the public in Stage 3.

RETURN ON ALLOCATED CAPITAL

The segment's operating profit after profit allocation, calculated using a tax rate of 22 per cent, in relation to the average capital allocated quarterly during the year.

RETURN ON EQUITY

The year's profit in relation to average equity. Average equity for the last four quarters is adjusted for value changes on financial assets classified as available for sale, derivatives in cash flow hedges, revaluation effects from defined benefit pension plans and a weighted average of new share issues, dividends, and repurchases of own shares.

RETURN ON TOTAL ASSETS

The year's profit in relation to the average of total assets for the past five quarters.

TOTAL RESERVE RATIO

Total provisions for loans to the public in relation to gross loans to the public.

TOTAL RETURN

The total of the year's change in share price and paid dividend per share divided by the share price at the end of the previous year.

KEY FIGURES DEFINED IN THE CAPITAL REQUIREMENTS REGULATION

ADDITIONAL TIER 1 CAPITAL
Additional tier 1 capital comprises perpetual subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in the tier 1 capital.

CAPITAL REQUIREMENTS
The statutory capital requirement means that an institution which is subject to CRR must have a common equity tier 1 ratio of at least 4.5 per cent, a tier 1 ratio of at least 6 per cent and a total capital ratio of at least 8 per cent. This means that own funds for the respective ratio must be at least the stated percentage of the risk exposure amount. For definitions of the respective own funds amounts, see Common equity tier 1 capital, Tier 1 capital and Total capital. In addition to the general requirements, the supervisory authority may add institution specific requirements in accordance with Pillar 2 of the regulations.

COMMON EQUITY TIER 1 CAPITAL
Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. Deductions are made for dividends generated, goodwill and other intangible assets etc. and also for the difference between an expected loss and provisions made for probable credit losses.

COMMON EQUITY TIER 1 RATIO
Common equity tier 1 capital in relation to total risk exposure amount.

COMMON EQUITY TIER 1 RATIO AVAILABLE FOR USE AS A BUFFER
The common equity tier 1 ratio after a deduction for the part of common equity tier 1 capital required to comply with all formal capital requirements.

CREDIT CONVERSION FACTOR (CCF)
The factor that is used when calculating the exposure amount for unutilised overdraft facilities, committed loan offers, guarantees and other off-balance sheet commitments.

CREDIT VALUATION ADJUSTMENT RISK (CVA)
Credit valuation adjustment risk (CVA) measures the risk that the market value of a derivative will decrease as a result of the creditworthiness of the counterparty weakening. The credit valuation adjustment is a component in the regulations for valuation of derivatives. The adjustment in the value is based on the counterparty's creditworthiness. An exposure to a counterparty with weaker creditworthiness must have a lower carrying amount than the equivalent exposure to a counterparty with better creditworthiness. In this context, credit risk means that if a given counterparty's creditworthiness weakens, the balance sheet values of all derivative transactions with this counterparty with a positive market value decrease – and thus the Bank's equity decreases. To factor in this risk in the capital adequacy, the credit valuation adjustment risk has been introduced as part of the capital adequacy regulations.

EXPOSURE AMOUNT
The exposure amount (exposure at default) is the amount which is subject to capital adequacy requirements. It is calculated inclusive of interest and fees. Amounts for off-balance sheet items are recalculated with the credit conversion factor (CCF). For derivatives, the exposure amount is calculated as positive MTM (mark-to-market) plus value change risk, i.e. the nominal amount multiplied by the upward adjustment factor.

EXPOSURE VALUE
Exposure value is the same as exposure amount. The exposure value concept is used in the standardised approach for credit risk.

LEVERAGE RATIO
Tier 1 capital in relation to total assets, including certain off-balance sheet items recalculated with conversion factors defined in the standardised approach and regulatory adjustments from own funds.

LIQUIDITY COVERAGE RATIO (LCR)
High-quality liquid assets in relation to an estimated net outflow of liquidity over a period of 30 days.

OWN FUNDS/TOTAL ASSETS
Own funds are the sum of tier 1 and tier 2 capital.

PILLAR 2 GUIDANCE
According to the Pillar 2 framework, the regulatory authority may inform the bank of the assessed appropriate level of capital to be held in excess of the minimum- and buffer requirements to cover risks and future financial stress.

PILLAR 2 REQUIREMENT
The requirement consists of an additional minimum requirement based on a formal decision from the regulatory authorities within the Pillar 2 framework and concerns risks that a bank is or could be exposed to that are not covered by the general minimum requirements

RISK EXPOSURE AMOUNT
The capital requirement in accordance with CRR, multiplied by 12.5. The risk exposure amount is used in conjunction with market risk and operational risk.

RISK WEIGHT
A measure to describe the level of risk an exposure is expected to have according to the capital adequacy regulations.

RISK-WEIGHTED EXPOSURE AMOUNT
Exposure amount multiplied by risk weight. Risk-weighted exposure amount is used in conjunction with credit risk and counterparty risk.

TIER 1 CAPITAL
Common equity tier 1 capital including additional tier 1 capital.

TIER 1 RATIO
Tier 1 capital in relation to total risk exposure amount.

TIER 2 CAPITAL
Tier 2 capital is a sub-component of own funds and mainly comprises subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in tier 2 capital.

TOTAL CAPITAL RATIO
Total capital in relation to total risk exposure amount.

TOTAL RISK-WEIGHTED EXPOSURE AMOUNT
Total risk exposure amount is the sum of risk exposure amount and risk-weighted exposure amount.

EXPLANATIONS

BENCHMARK EFFECT
The benchmark effect refers to differences between the interest-fixing periods of lending and funding that result when Stadshypotek's issues mature at nine-month intervals while new lending to customers occurs daily. The effect varies from quarter to quarter but approaches zero over the long term.

CRR
CRR is the EU capital requirements regulation for credit institutions and investment firms: Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

ELIGIBLE LIABILITIES AND OWN FUNDS
The sum total of qualified senior liabilities eligible for impairment according to the Swedish Resolution Act (SFS 2015:1016), as well as own funds.

ITRAXX
ITRAXX Financials is an index of CDS spreads (credit default swaps) for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

MREL REQUIREMENT
Minimum requirement for own funds and eligible liabilities. The requirement is determined annually by the Swedish National Debt Office, the resolution authority, in accordance with the Swedish Resolution Act (SFS 2015:1016).

NON-RECURRING ITEMS
Non-recurring items are items which Handelsbanken deems to be of a one-off nature. These are specified in Handelsbanken's Fact Book, which is available at handelsbanken.com/ir.

OTC DERIVATIVES
Over-the-counter derivatives are uncleared tailor-made derivatives.

PREMIUMS WRITTEN
A concept used within the Bank's insurance operations denoting mainly the total of insurance premiums paid in during the year.

RISK RESULT
A concept used in the Bank's insurance operations. The year's risk result is the difference between the fees the company charges to cover the insurance risks (mortality, life expectancy, disability and accident) and the actual cost of the insurance events.

SOCIAL SECURITY COSTS
Fees for financing social security systems. This comprises employers' contributions and special payroll tax in Sweden and equivalent taxes and charges elsewhere.

SOLVENCY RATIO
A concept used in insurance operations. The solvency ratio equals own funds divided by the solvency capital requirement and is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company.

SPECIAL ITEMS
Special items are items which tend to vary between financial reporting periods, such as provisions to the Oktogonen profit-sharing scheme, and which Handelsbanken has specified in detail to facilitate comparison of financial performance.

TOTAL LIABILITIES AND OWN FUNDS
The sum total of the Bank's total liabilities and own funds

YIELD SPLIT
When the total yield exceeds the guaranteed return for insurance with a guaranteed return, the insurance company will receive 10 per cent of the total yield as its share in the yield split.

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handelsbanken.com | +46 (0)8 701 10 00 | SE-106 70 Stockholm, Sweden