

Handelsbanken's Interim Report

JANUARY – MARCH 2021

January – March 2021

- compared with January – March 2020

- Operating profit increased by 9% to SEK 5,612m (5,142). Adjusted for foreign exchange effects and the year's provision for Oktogonen, operating profit increased by 15%.
- Return on equity increased to 10.6% (10.3).
- Earnings per share increased to SEK 2.21 (1.99).
- The common equity tier 1 ratio increased to 20.2% (17.6).
- The credit loss ratio was 0.01% (0.08).
- Income increased by 1% to SEK 11,292m (11,178). Adjusted for foreign exchange effects, income increased by 3%.
- Continued large inflows to the Bank's mutual funds. Net inflows amounted to SEK 25bn (-6) during the period. The managed fund volume increased by 46% to SEK 848bn (582).
- Of the total net flows in the Swedish mutual fund market, 40% was to Handelsbanken's funds.
- The underlying increase in expenses, adjusted for Oktogonen and foreign exchange effects, was SEK 115m, or 2%, with the entire increase and more being attributable to increased development costs. Including Oktogonen and foreign exchange effects, expenses grew by 3% to SEK -5,683m (-5,506).
- The C/I ratio was 50.3% (49.3).

Q1 2021

- compared with Q4 2020

- Credit quality remains very good and credit losses consisted of net recoveries of SEK +8m (-97). Expected credit losses in Stage 3 totalled SEK -24m (-145).
- The cost-cutting programme is proceeding according to plan, and thus far, measures corresponding to SEK 1bn have been decided on/initiated since Q3 2020, with achieved positive effects on profit of SEK 200m.
- Operating profit decreased by 2% to SEK 5,612m (5,712).
- Return on equity was 10.6% (10.9).
- Earnings per share amounted to SEK 2.21 (2.21).
- Income decreased by 1% to SEK 11,292m (11,431).
- Expenses increased by 1% to SEK -5,683m (-5,616).
- The C/I ratio was 50.3% (49.1).
- The Bank presented measurable sustainability goals for its core business, including one specific climate goal: Net zero emissions of greenhouse gases as soon as possible, and by 2040 at the latest.
- An additional sustainability goal is that the Bank aims to reduce the wealth gap that exists today between men and women. To this end, the Bank's ambition is to create better conditions for women to achieve higher returns on their savings.

SEK m	Q1 2021	Q4 2020	Change %	Change after adjustment of items affecting comparability*		Jan-Mar 2021	Jan-Mar 2020	Change %	Change after adjustment of items affecting comparability*	
				SEK m	%				SEK m	%
Net interest income	7,818	7,861	-1%	-78	-1%	7,818	8,230	-5%	-227	-3%
Net fee and commission income	2,963	2,884	3%	78	3%	2,963	2,700	10%	304	11%
Other income	511	686	-26%	-177	-26%	511	248	106%	272	110%
Total income	11,292	11,431	-1%	-177	-2%	11,292	11,178	1%	349	3%
Staff costs, excl. Oktogonen	-3,435	-3,457	-1%	35	-1%	-3,435	-3,478	-1%	-47	1%
Oktogonen	-213	-213	0%			-213	0			
Other expenses	-2,035	-1,946	5%	-83	4%	-2,035	-2,028	0%	-68	3%
Total expenses	-5,683	-5,616	1%	-48	1%	-5,683	-5,506	3%	-115	2%
of which development costs	-708	-642	10%			-708	-513	38%		
Total expenses, excl. Oktogonen, exchange effects and development costs	-4,743	-4,761	0%	18	0%	-4,913	-4,993	-2%	80	-2%
Credit losses	8	-97		107	-110%	8	-538			
Operating profit	5,612	5,712	-2%	-117	-2%	5,612	5,142	9%	756	15%

* Adjusted for exchange effects and, if applicable, non-recurring and special items.

As in the fourth quarter of 2020, a provision of SEK -213m was made for the Oktogonen profit-sharing scheme in the first quarter.

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For definitions and calculation of alternative performance measures, together with specifications of special and non-recurring items, please see the Fact Book which is available at handelsbanken.com/ir.

Group – Overview

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Summary income statement									
Net interest income	7,818	7,861	-1%	8,230	-5%	7,818	8,230	-5%	31,606
Net fee and commission income	2,963	2,884	3%	2,700	10%	2,963	2,700	10%	10,786
Net gains/losses on financial transactions	397	540	-26%	130	205%	397	130	205%	1,437
Risk result - insurance	69	79	-13%	41	68%	69	41	68%	195
Other dividend income	1	36	-97%	1	0%	1	1	0%	53
Share of profit of associates	18	-17		34	-47%	18	34	-47%	18
Other income	26	48	-46%	42	-38%	26	42	-38%	153
Total income	11,292	11,431	-1%	11,178	1%	11,292	11,178	1%	44,248
Staff costs	-3,648	-3,670	-1%	-3,478	5%	-3,648	-3,478	5%	-15,343
Other expenses	-1,563	-1,387	13%	-1,587	-2%	-1,563	-1,587	-2%	-6,085
Depreciation, amortisation and impairment of property, equipment and intangible assets	-472	-559	-16%	-441	7%	-472	-441	7%	-1,906
Total expenses	-5,683	-5,616	1%	-5,506	3%	-5,683	-5,506	3%	-23,334
Profit before credit losses	5,609	5,815	-4%	5,672	-1%	5,609	5,672	-1%	20,914
Net credit losses	8	-97		-538		8	-538		-781
Gains/losses on disposal of property, equipment and intangible assets	-5	-6	17%	8		-5	8		2
Operating profit	5,612	5,712	-2%	5,142	9%	5,612	5,142	9%	20,135
Taxes	-1,231	-1,342	-8%	-1,205	2%	-1,231	-1,205	2%	-4,547
Profit for the period	4,381	4,370	0%	3,937	11%	4,381	3,937	11%	15,588
Summary balance sheet									
Loans to the public	2,321,695	2,269,612	2%	2,325,993	0%	2,321,695	2,325,993	0%	2,269,612
<i>of which mortgage loans</i>	1,465,579	1,439,328	2%	1,382,985	6%	1,465,579	1,382,985	6%	1,439,328
<i>of which other loans</i>	856,116	830,284	3%	943,008	-9%	856,116	943,008	-9%	830,284
Deposits and borrowing from the public	1,474,862	1,229,763	20%	1,382,929	7%	1,474,862	1,382,929	7%	1,229,763
<i>of which households</i>	580,474	560,888	3%	548,064	6%	580,474	548,064	6%	560,888
Total equity	174,754	171,473	2%	161,455	8%	174,754	161,455	8%	171,473
Total assets	3,491,631	3,135,288	11%	3,596,481	-3%	3,491,631	3,596,481	-3%	3,135,288
Summary of key figures									
Return on equity	10.6%	10.9%		10.3%		10.6%	10.3%		10.0%
C/I ratio	50.3%	49.1%		49.3%		50.3%	49.3%		52.7%
Earnings per share, SEK	2.21	2.21		1.99		2.21	1.99		7.87
- after dilution	2.21	2.21		1.99		2.21	1.99		7.87
Common equity tier 1 ratio, CRR	20.2%	20.3%		17.6%		20.2%	17.6%		20.3%
Total capital ratio, CRR	24.3%	24.3%		22.4%		24.3%	22.4%		24.3%

Group performance

JANUARY – MARCH 2021 COMPARED WITH JANUARY – MARCH 2020

Operating profit increased by 9% to SEK 5,612m (5,142). The appreciation of the Swedish krona had a negative impact of SEK -73m on operating profit.

Income increased by 1% to SEK 11,292m (11,178). Foreign exchange effects had a SEK -235m impact on income. Adjusted for these, income grew by 3%.

Expenses rose by 3% to SEK -5,683m (-5,506). A provision of SEK -213m (-) was made for the Oktogonen profit-sharing scheme in the first quarter. Foreign exchange effects reduced expenses by SEK 151m. The underlying increase in expenses was 2%.

The cost-cutting programme is proceeding according to plan, and thus far, measures corresponding to SEK 1bn have been decided on/initiated since Q3 2020. These measures have so far manifested in achieved positive effects on profit of SEK 200m.

The C/I ratio was 50.3% (49.3). Return on equity was 10.6% (10.3) and earnings rose to SEK 2.21 (1.99).

The common equity tier 1 ratio rose to 20.2% (17.6).

Non-recurring items and special items in operating profit

SEK m	Jan-Mar 2021	Jan-Mar 2020	
Special items			
Oktogonen profit-sharing scheme	-213	-	
Total special items	-213	-	

Income

SEK m	Jan-Mar 2021	Jan-Mar 2020	Change
Net interest income	7,818	8,230	-5%
<i>of which government fees</i>	-345	-333	4%
Net fee and commission income	2,963	2,700	10%
Net gains/losses on financial trans.	397	130	205%
Other	114	118	-3%
Total income	11,292	11,178	1%

Income increased by 1% to SEK 11,292m (11,178). The appreciation of the Swedish krona had a negative effect of SEK -235m on income. Adjusted for foreign exchange effects, income increased by 3%.

Net interest income went down by 5%, or SEK -412m, to SEK 7,818m (8,230). The appreciation of the Swedish krona accounted for SEK -185m of the decrease. The day effect, arising because the period of comparison took place during a leap year, was SEK -30m. An increase in business volumes in the home markets made a positive contribution of SEK 185m, while the net effect of margins and funding costs was negative, amounting to SEK -328m, mainly due to lower deposit margins. Government fees increased slightly to a total of SEK -345m (-333).

Net fee and commission income climbed by 10% to SEK 2,963m (2,700). Foreign exchange effects had a negative impact of SEK -41m. Fund management, custody account management and other asset management commissions increased by 24%, or SEK 312m, to SEK 1,631m (1,319). Brokerage income was SEK 174m (188), which was 7% lower than then very strong first quarter of the previous year. However, advisory commissions increased by 24% to SEK 68m (55). Lending and deposit commissions fell by 5% to SEK 328m (345). Net payment commissions went down by 14% to SEK 384m (444), of which net card commissions decreased by 10% to SEK 238m (264).

Net gains/losses on financial transactions increased by SEK 267m to SEK 397m (130). Of the improvement to this figure, a total of SEK 147m was attributable to a lower provision for a deferred capital contribution in Handelsbanken Liv's traditional insurance operations, of SEK -5m (-152). The period of comparison was also adversely affected by the outbreak of the Covid-19 pandemic, with CVA and DVA having a negative impact of SEK -262m on profit during the period of comparison.

Other income amounted to SEK 114m (118).

Expenses

SEK m	Jan-Mar 2021	Jan-Mar 2020	Change
Staff costs	-3,648	-3,478	5%
<i>of which Oktogonen</i>	-213	-	
Other expenses	-1,563	-1,587	-2%
Depreciation and amortisation	-472	-441	7%
Total expenses	-5,683	-5,506	3%
Change after adjustment of foreign exchange effects and special items			2.1%

Development costs

SEK m	Jan-Mar 2021	Jan-Mar 2020	Change
Development spend	-724	-693	4%
<i>of which staff costs</i>	-378	-347	9%
<i>of which other costs</i>	-346	-346	0%
Capitalised costs	181	284	-36%
Development spend after capitalised costs	-543	-409	33%
Amortisation and impairment	-165	-104	59%
Development costs	-708	-513	38%

Total expenses rose by 3% to SEK -5,683m (-5,506). The appreciation of the Swedish krona reduced expenses by SEK 151m. A provision of SEK -213m (-) was made for the Oktogonen profit-sharing scheme in the first quarter. The underlying increase in expenses, adjusted for foreign exchange effects and Oktogonen, was SEK 115m or 2%. Increased development costs accounted for the entire increase and more.

During the first quarter, an amount of SEK 567m was withdrawn from the total restructuring reserves

recognised by the Bank during 2019 and 2020 (total of SEK 1 038m withdrawn).

Development costs, including amortisation, rose by 38% to SEK -708m (-513). Total expenses for the Bank's development increased by 4% to SEK -724m (-693). During the period, a smaller portion of the development costs were capitalised on the Bank's balance sheet and, instead, have been recognised as expenses directly in the income statement. Capitalised costs decreased to SEK 181m (284). The capitalisation rate can vary between quarters, due to the nature of the projects to which the development relates.

Staff costs rose by 5% to SEK -3,648m (-3,478). Foreign exchange effects had a SEK 90m positive impact. The underlying increase in staff costs, adjusted for the provision for Oktogonen and foreign exchange effects, was 1%, which was primarily due to annual salary adjustments. Pension costs were SEK -494m (-483). Staff costs relating to the Bank's IT development totalled SEK -378m (-347). The average number of employees fell to 12,396 (12,514).

Other expenses, including depreciation and amortisation, were essentially unchanged at SEK -2,035m (-2,028). Foreign exchange effects reduced other expenses by SEK 61m. Depreciation and amortisation rose to SEK -472m (-441). Amortisation linked to development was SEK -165m (-104).

Credit losses

SEK m	Jan-Mar 2021	Jan-Mar 2020	Change
Net credit losses	8	-538	546
<i>of which additional provision requirements</i>	-39	-440	
Credit loss ratio as % of loans to the public	0.01	0.08	

Credit losses consisted of net reversals and amounted to SEK 8m (-538). The credit loss ratio was 0.01% of loans to the public (0.08).

Taxes

The effective tax rate was 21.9% (23.4). As of 1 January 2021, the corporate tax rate in Sweden is 20.6%, a reduction from 21.4%. 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.

Q1 2021 COMPARED WITH Q4 2020

Operating profit went down by 2% to SEK 5,612m (5,712). Foreign exchange effects were marginal and had a positive impact of SEK 17m.

Income decreased by 1% to SEK 11,292m (11,431). The depreciation of the Swedish krona had a positive impact on income of SEK 38m.

Expenses rose by 1% to SEK -5,683m (-5,616). Foreign exchange effects had a negative impact of SEK -19m on expenses. The C/I ratio was 50.3% (49.1).

Return on equity was 10.6% (10.9). Profit after tax for the period was mainly unchanged at SEK 4,381m (4,370). Earnings per share amounted to SEK 2.21 (2.21).

Non-recurring items and special items in operating profit

SEK m	Q1 2021	Q4 2020	Change
Special items			
Oktogonen profit-sharing scheme	-213	-213	
Total special items	-213	-213	0%

Income

SEK m	Q1 2021	Q4 2020	Change
Net interest income	7,818	7,861	-1%
<i>of which government fees</i>	-345	-336	3%
Net fee and commission income	2,963	2,884	3%
Net gains/losses on financial trans.	397	540	-26%
Other	114	146	-22%
Total income	11,292	11,431	-1%

Net interest income went down by SEK -43m to SEK 7,818m (7,861). The depreciation of the Swedish krona had a positive impact of SEK 35m. The negative effect of the first quarter having two fewer calendar days was SEK -62m. An increase in business volumes in the home markets made a positive contribution of SEK 42m, while the net effect of margins and funding costs was negative, amounting to SEK -9m. The liquidity portfolio accounted for SEK -4m of the decrease in net interest income. Government fees were SEK 9m higher and amounted to SEK -345m (-336).

Net fee and commission income increased by 3% to SEK 2,963m (2,884), the highest ever quarterly level. Fund commissions continued to grow, increasing by SEK 142m, or 12%, to SEK 1,361m (1,219). Brokerage income increased by 3% to SEK 174m (169). Net payment commissions were SEK 384m (418), with net card commissions totalling SEK 238m (250). Advisory commissions decreased to SEK 68m (88). Lending and deposit commissions were SEK 328m (341).

Net gains/losses on financial transactions totalled SEK 397m (540). Customer-driven trade continued to perform well. Profit during the previous quarter was affected by positive value effects on derivatives linked to the Bank's funding. The effects of CVA and DVA had an impact of SEK 62m (92) on profit.

Other income totalled SEK 114m (146), with the downturn due to lower dividend income, which amounted to SEK 1m (36).

Expenses

SEK m	Q1 2021	Q4 2020	Change
Staff costs	-3,648	-3,670	-1%
<i>of which Oktogonen</i>	-213	-213	0%
Other expenses	-1,563	-1,387	13%
Depreciation and amortisation	-472	-559	-16%
Total expenses	-5,683	-5,616	1%

Development costs

SEK m	Q1 2021	Q4 2020	Change
Development spend	-724	-681	6%
<i>of which staff costs</i>	-378	-355	6%
<i>of which other costs</i>	-346	-326	6%
Capitalised costs	181	189	-4%
Development spend after capitalised costs	-543	-492	10%
Amortisation and impairment	-165	-150	10%
Development costs	-708	-642	10%

Total expenses rose by 1% to SEK -5,683m (-5,616) entirely due to increased development costs. Foreign exchange effects were relatively minor during the quarter and had a negative effect of SEK -19m.

Development costs, including amortisation, rose by 10% to SEK -708m (-642). Total expenses for the Bank's development amounted to SEK -724m (-681). Capitalised costs decreased to SEK 181m (189).

During autumn, the Bank decided to temporarily increase IT investments during the period 2021-2022 by a total of SEK 1bn, of which SEK -79m was recorded during Q1 (-13).

Staff costs were down by 1% to SEK -3,648m (-3,670), which includes a provision of SEK -213m (-213) for the Oktogonen profit-sharing scheme. The depreciation of the Swedish krona increased staff costs by SEK -13m. The average number of employees fell to 12,396 (12,488).

Other expenses rose by 13% to SEK -1,563m (-1,387), while depreciation, amortisation and impairment fell by 16% to SEK -472m (-559). Both of these changed figures should be seen in the light of the fact that, during the fourth quarter, SEK 100m was transferred from other expenses (rental costs for premises) to depreciation (right-of-use assets), related to the restructuring reserve recorded in Q3 2020. Other expenses including depreciation and amortisation increased by 5% to SEK -2,035m (-1,946). Foreign exchange effects increased other expenses by SEK -6m. Other expenses attributable to the Bank's development amounted to SEK -346m (-326).

Credit losses

SEK m	Q1 2021	Q4 2020	Change
Net credit losses	8	-97	105
<i>of which additional provision requirements</i>	-39	3	-42
Credit loss ratio as % of loans to the public	0.01	0.03	

Credit losses consisted of net reversals and amounted to SEK 8m (-97). This amount includes expert-based calculations that take into account the effects of Covid-19, and entail an additional provision requirement of SEK -39m. The credit loss ratio was 0.01% (0.03).

Taxes

The effective tax rate was 21.9% (23.5). As of 1 January 2021, the corporate tax rate in Sweden is 20.6%, a reduction from 21.4%. 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

January – March 2021 compared with January – March 2020

The average volume of loans to the public decreased slightly to SEK 2,301bn (2,309), although the entirety of this decrease was due to foreign exchange effects and, adjusted for these, the average volume of loans increased by 1.5%. Household lending increased by just over 2% to SEK 1,250bn (1,222), while corporate lending fell by 3% to SEK 1,051bn (1,087). Of the SEK 36bn decrease to corporate lending, SEK 7bn was due to the ongoing winding down of the operations outside the home markets.

Average volumes of deposits and borrowing rose by 12% to SEK 1,409bn (1,256). The appreciation of the Swedish krona had a SEK 36bn negative effect on the volume and, adjusted for foreign exchange effects, the average volume of deposits and borrowing from the public grew by 15%. The average volume of household deposits went up by 6% to SEK 564bn (530), while corporate deposits increased by 16% to SEK 845bn (726).

The total volume of assets under management in the Group at the end of the period amounted to SEK 933bn (663), an increase of 41%. Of the assets under management, SEK 848bn (582) was invested in the Bank's funds, an increase of 46%. Net inflows accounted for SEK 72bn of the SEK 266bn increase in fund volume, while value appreciation accounted for SEK 194bn. The net inflow to the Bank's mutual funds in the first quarter was SEK 24.5bn (-6.4), of which SEK 9.6bn (0.0) came from the home markets outside Sweden.

Q1 2021 compared with Q4 2020

The average volume of loans to the public grew by 1%, or SEK 16bn, during the quarter, to SEK 2,301bn (2,285). The depreciation of the Swedish krona had a positive impact of SEK 9bn on the average volume, and

adjusted for foreign exchange effects, the volume was virtually unchanged. Household lending increased by SEK 14bn to SEK 1,250bn (1,236), while corporate lending grew marginally to SEK 1,051bn (1,049).

The total average volume of deposits and borrowing rose by 7%, or SEK 90bn, to SEK 1,409bn (1,319). The depreciation of the Swedish krona had a positive impact of SEK 3bn on the average volume. Household deposits went up by SEK 4bn and the average volume of corporate deposits increased by SEK 86bn.

Total assets under management in the Group increased during the first three months of the year by 10% to SEK 933bn (846), of which SEK 848bn (769) was invested in the Bank's mutual funds. The net inflow to the Bank's mutual funds during the quarter was SEK 24.5bn (22.9), of which SEK 9.6bn (3.6) came from the home markets outside Sweden.

NEW SUSTAINABILITY GOALS

During the first quarter, the Bank presented a clear strategy for its continued sustainability work. Handelsbanken launched concrete, measurable sustainability goals for the Bank's core operations: financing, investment and advisory services.

Handelsbanken's goal is net zero emissions of greenhouse gases as soon as possible, and by 2040 at the latest. Other than the emissions generated by the Bank itself from, for example, energy consumption and business travel, this also includes lending, leasing and investment operations.

By the year 2025, 20% of the Bank's lending will be 'green', or will have terms and conditions that contribute to a sustainable, measurable transition by the borrower.

Handelsbanken Fonder will work with Paris-aligned investment portfolios and maximise the funds' contributions to the Sustainable Development Goals. The goal is to achieve net zero emissions from the fund portfolios by 2040 at the latest.

By 2023, the Bank's ambition is to create better conditions, through business development and training, for women to achieve higher returns on their savings. In doing so, the Bank aims to reduce the wealth gap that exists today between men and women.

CUSTOMER-DRIVEN CHANGE

During autumn 2020, the Bank presented the new strategic direction it has implemented, aiming to create an even better customer offering while also improving efficiency. The implementation of this new organisation was initiated in the winter. Resources and specialist expertise are being made more widely available to the branches, at the same time as the branch network is concentrated to fewer locations.

The new strategic direction applies to all home markets. In Sweden, the five regional banks were replaced during the first quarter with a new, more customer-centric organisation, in which the branches are instead divided into

24 county units under a shared country organisation. In addition to enhancing the availability of specialist expertise closer to the customer, this has also strengthened the decentralised decision-making process and improved efficiency. A new customer service function, with improved availability and an extended mandate, is under construction.

The decision has also been made to merge offices in the Bank's UK operations, and to replace the five regional banks with the division of the branches into 14 districts. These changes will entail a reduction in the number of employees. In order to develop the digital customer offering, a new unit will be formed with a focus on digital customer meetings, which will also provide proactive support to the branches in terms of their customer relationships. In tandem with this, the Bank's product areas, control functions and central staff functions have now been re-organised to crystallise their responsibilities as regards supporting the branches and business operations in all home markets, further improving efficiency.

All in all, these initiatives entail the development of the branch operations to have even more decentralised specialist expertise and decision-making power close to the customer, at the same time as allowing the Bank to make meaningful efficiency improvements within central administrative functions.

During the quarter, the Bank has accelerated the pace of its IT development, in line with the announcements made in autumn 2020. 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.

FUNDING AND LIQUIDITY

Bond issues during the quarter amounted to SEK 35bn (50), of which SEK 31bn (39) was covered bonds and SEK 4bn (11) was senior bonds.

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 275% at the end of the quarter (269 at year-end 2020).

At the end of the first quarter, cash funds and liquid assets deposited with central banks amounted to SEK 685bn (compared with SEK 418bn at year-end 2020). The increase is primarily related to increased deposits with the US central bank. These funds have, in turn, accrued to the Bank thanks to the Bank's high credit rating and the demand for secure investments. The increased deposits with the US central bank have not negatively impacted net interest income during the quarter. The volume of liquid bonds and other liquid assets totalled SEK 134bn (145 at year-end 2020).

At the end of the period, the Group's liquidity coverage ratio, (LCR), calculated according to the European Commission's delegated regulation, was 148% (150 at year-end 2020). At the end of the period, the net stable funding ratio (NSFR) according to CRR2 was 116% (117 at year-end 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 quarter, the common equity tier 1 ratio was 20.2%. In the Bank's assessment, the Swedish Financial Supervisory Authority's expected common equity tier 1 capital requirement at the end of the quarter was 13.9% (SEK 104bn), of which 2.9 percentage points (SEK 21.4bn) comprises 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.

At the end of the first quarter, the total capital ratio was 24.3%. The Bank's assessment is that the Swedish Financial Supervisory Authority's expected total capital requirement amounted to 18.5% (SEK 138bn) on the same date, of which 3.9 percentage points (SEK 29bn) 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 March 2021 compared with 31 March 2020

SEK m	31 Mar 2021	31 Mar 2020	Change
Common equity tier 1 ratio, CRR	20.2%	17.6%	2.6
Total capital ratio, CRR	24.3%	22.4%	1.9
Risk exposure amount, CRR	747,273	740,993	1%
Common equity tier 1 capital	151,151	130,440	16%
Total own funds	181,385	165,743	9%

Own funds were SEK 181bn (166), and the Bank's total capital ratio amounted to 24.3% (22.4). The common equity tier 1 capital was SEK 151bn (130), while the common equity tier 1 ratio was 20.2% (17.6). Earnings during the last 12-month period raised the common equity tier 1 capital ratio by 0.9 percentage points, after a deduction for the dividend generated. 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 effects of net pensions had a positive impact of 0.5 percentage points. Higher exposure volumes reduced the common equity tier 1 ratio by 0.6 percentage points, and the net effect of customer and volume migration

was positive in the amount of 0.1 percentage point. The SME reduction had a positive impact of 0.5 percentage points. Foreign exchange effects were neutral. 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. Other effects increased the common equity tier 1 ratio by 1.1 percentage point.

Capital for consolidated situation 31 March 2021 compared with 31 December 20

SEK m	31 Mar 2021	31 Dec 2020	Change
Common equity tier 1 ratio, CRR	20.2%	20.3%	-0.1
Total capital ratio, CRR	24.3%	24.3%	0.0
Risk exposure amount, CRR	747,273	721,403	4%
Common equity tier 1 capital	151,151	146,160	3%
Total own funds	181,385	175,245	4%

Own funds amounted to SEK 181bn (175) and the total capital ratio was 24.3% (24.3). The common equity tier 1 capital was SEK 151bn (146), while the common equity tier 1 ratio was 20.2% (20.3). Profit for the period contributed 0.4 percentage points, after a deduction for the dividend payout ratio of 40%.

The discount rate for Swedish pension obligations, based on a basket of bonds, was 2.0% (1.5). Overall, the pension system had a neutral effect on capital ratios, as the size of the net assets led to neither the crediting nor risk-weighting of the capital.

Changed exposure volumes reduced the common equity tier 1 ratio by 0.1 percentage point. The net effect of customer and volume migration was neutral, as were foreign exchange effects. Other effects had a negative effect of 0.4 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%. At the end of Q1, Group EC totalled SEK 62.3bn (57.2), while AFR was SEK 201.3bn (184.9). Thus, the ratio between AFR and EC was 323% (324). For the consolidated situation, EC totalled SEK 31.4bn (28.5), and AFR was SEK 196.0bn (180.0).

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 is the case for the majority of Nordic banks, the outlook for the rating from Fitch is negative. The outlook for ratings from other agencies is stable.

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

HANDELSBANKEN'S AGM

The Bank's annual general meeting held on 24 March 2021 resolved to approve the Board's proposed dividend of SEK 4.10 per share.

Handelsbanken Group – Business segments

January - March 2021	Home markets									Group Jan-Mar 2021
	Sweden	UK	Norway	Denmark	Finland	The Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	4,496	1,335	891	385	339	242	68	62		7,818
Net fee and commission income	1,981	180	153	186	177	32	258	-4		2,963
Net gains/losses on financial transactions	88	44	9	32	19	6	324	-125		397
Risk result - insurance							69			69
Share of profit of associates								18		18
Other income	7	0	1	2	2	0	5	10		27
Total income	6,572	1,559	1,054	605	537	280	724	-39		11,292
Staff costs	-841	-602	-213	-187	-109	-97	-531	-1,040	-28	-3,648
Other expenses	-181	-238	-41	-35	-80	-21	-188	-779		-1,563
Internal purchased and sold services	-1,366	-215	-124	-125	-142	-38	208	1,802		
impairments of property, equipment and intangible assets	-112	-63	-20	-12	-15	-13	-62	-175		-472
Total expenses	-2,500	-1,118	-398	-359	-346	-169	-573	-192	-28	-5,683
Profit before credit losses	4,072	441	656	246	191	111	151	-231	-28	5,609
Net credit losses	-37	33	14	5	-12	1	4	0		8
Gains/losses on disposal of property, equipment and intangible assets	1	-1	2	0	-	-	-7	0		-5
Operating profit	4,036	473	672	251	179	112	148	-231	-28	5,612
Profit allocation	96	11	18	3	7	0	-135			
Operating profit after profit allocation	4,132	484	690	254	186	112	13	-231	-28	5,612
Internal income*	-318	-228	-411	-47	-53	-108	-109	1,274		

January - March 2020	Home markets									Group Jan-Mar 2020
	Sweden	UK	Norway	Denmark	Finland	The Nether- lands	Capital Markets	Other	Adj. & elim.	
SEK m										
Net interest income	4,604	1,553	971	409	351	223	107	12		8,230
Net fee and commission income	1,720	196	131	177	183	31	262			2,700
Net gains/losses on financial transactions	122	53	15	29	13	7	142	-251		130
Risk result - insurance							41			41
Share of profit of associates								34		34
Other income	10	0	2	2	4	1	8	16		43
Total income	6,456	1,802	1,119	617	551	262	560	-189		11,178
Staff costs	-839	-641	-219	-194	-113	-102	-578	-753	-39	-3,478
Other expenses	-217	-253	-67	-35	-52	-31	-203	-729		-1,587
Internal purchased and sold services	-1,245	-189	-121	-111	-118	-35	113	1,706		
impairments of property, equipment and intangible assets	-77	-61	-28	-12	-17	-15	-24	-207		-441
Total expenses	-2,378	-1,144	-435	-352	-300	-183	-692	17	-39	-5,506
Profit before credit losses	4,078	658	684	265	251	79	-132	-172	-39	5,672
Net credit losses	-249	-50	-70	-68	-102	-1	0	2		-538
Gains/losses on disposal of property, equipment and intangible assets	2	1	3	2	0	-	0	0		8
Operating profit	3,831	609	617	199	149	78	-132	-170	-39	5,142
Profit allocation	93	14	11	2	8	1	-129			
Operating profit after profit allocation	3,924	623	628	201	157	79	-261	-170	-39	5,142
Internal income*	161	-332	-1,069	-83	-69	-105	-441	1,938		

In Sweden, the five regional banks were replaced during the first quarter with a new, more customer centric organisation, in which the branches are instead divided into 24 county units under a shared country organisation.

In conjunction with this restructuring, many members of staff who previously worked at the five regional head offices were organisationally re-assigned to other areas of the Bank, chiefly Capital Markets, the central functions for finance, legal affairs and HR, and the unit for financial crime prevention.

The comparative figures in the table have therefore been recalculated.

The business segments consist of Handelsbanken Sweden, Handelsbanken UK, Handelsbanken Norway, Handelsbanken Denmark, Handelsbanken Finland, Handelsbanken the Netherlands and Handelsbanken Capital Markets. The income statements by segment include internal items such as internal interest, commissions and payment for internal services rendered, primarily according to the cost price principle. The part of Handelsbanken Capital Markets' operating profit that does not involve risk-taking is allocated to branches with customer responsibility.

Handelsbanken Sweden

Handelsbanken Sweden comprises the branch operations, 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. Banking services are offered at 343 branches throughout Sweden.

INCOME STATEMENT

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Net interest income	4,496	4,527	-1%	4,604	-2%	4,496	4,604	-2%	18,166
Net fee and commission income	1,981	1,937	2%	1,720	15%	1,981	1,720	15%	7,112
Net gains/losses on financial transactions	88	121	-27%	122	-28%	88	122	-28%	458
Other income	7	12	-42%	10	-30%	7	10	-30%	33
Total income	6,572	6,597	0%	6,456	2%	6,572	6,456	2%	25,769
Staff costs	-841	-814	3%	-839	0%	-841	-839	0%	-3,284
Other expenses	-181	-212	-15%	-217	-17%	-181	-217	-17%	-827
Internal purchased and sold services	-1,366	-1,282	7%	-1,245	10%	-1,366	-1,245	10%	-5,017
Depreciation, amortisation and impairments of property, equipment and intangible assets	-112	-91	23%	-77	45%	-112	-77	45%	-321
Total expenses	-2,500	-2,399	4%	-2,378	5%	-2,500	-2,378	5%	-9,449
Profit before credit losses	4,072	4,198	-3%	4,078	0%	4,072	4,078	0%	16,320
Net credit losses	-37	-45	-18%	-249	-85%	-37	-249	-85%	-177
Gains/losses on disposal of property, equipment and intangible assets	1	3	-67%	2	-50%	1	2	-50%	8
Operating profit	4,036	4,156	-3%	3,831	5%	4,036	3,831	5%	16,151
Profit allocation	96	85	13%	93	3%	96	93	3%	333
Operating profit after profit allocation	4,132	4,241	-3%	3,924	5%	4,132	3,924	5%	16,484
Internal income	-318	-15		161		-318	161		88
Cost/income ratio, %	37.5	35.9		36.3		37.5	36.3		36.2
Credit loss ratio, %	0.02	0.02		0.05		0.02	0.05		0.01
Allocated capital	96,212	96,413	0%	88,356	9%	96,212	88,356	9%	96,413
Return on allocated capital, %	13.6	13.8		14.0		13.6	14.0		14.0
Average number of employees	3,503	3,582	-2%	3,658	-4%	3,503	3,658	-4%	3,672
Number of branches	343	376	-9%	382	-10%	343	382	-10%	376

BUSINESS VOLUMES

Average volumes, SEK bn	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Loans to the public*									
Household	917	907	1%	878	4%	917	878	4%	892
of which mortgage loans	878	867	1%	836	5%	878	836	5%	851
Companies	530	531	0%	527	1%	530	527	1%	537
of which mortgage loans	367	363	1%	343	7%	367	343	7%	354
Total	1,447	1,438	1%	1,405	3%	1,447	1,405	3%	1,429
Deposits and borrowing from the public									
Household	420	419	0%	386	9%	420	386	9%	406
Companies	334	325	3%	287	16%	334	287	16%	309
Total	754	744	1%	673	12%	754	673	12%	715

* Excluding loans to the National Debt Office.

JANUARY – MARCH 2021 COMPARED WITH JANUARY – MARCH 2020

Operating profit increased by 5% to SEK 4,036m (3,831), due to lower credit losses. Profit before credit losses was essentially unchanged. Return on allocated capital was 13.6% (14.0). The C/I ratio was 37.5% (36.3).

Net interest income went down by 2%, or SEK 108m, to SEK 4,496m (4,604). Government fees went up by SEK 22m and amounted to SEK -199m (-177), an increase which is due to the higher fees to the Resolution Fund and the deposit guarantee scheme. Higher lending volumes increased net interest income by SEK 115m, while higher deposit volumes contributed SEK 35m. 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 -234m.

Net fee and commission income grew by 15%, or SEK 261m, to SEK 1,981m (1,720), where mutual fund commissions increased by SEK 262m to SEK 1,062m (800). Commission income from custody accounts and other asset management rose by SEK 39m. Insurance commissions went down by SEK 20m. Payment commissions went down by SEK -104m, mainly due to a downturn in card business.

Total expenses rose by 5% to SEK -2,500m (-2,378). Staff costs, including the annual salary reviews, were unchanged at SEK -841m (-839). The average number of employees fell by 4% to 3,503 (3,658).

Credit losses decreased to SEK -37m (-249). The credit loss ratio was 0.02% (0.05).

Q1 2021 COMPARED WITH Q4 2020

Operating profit decreased by 3% to SEK 4,036m (4,156), due to higher expenses. Return on allocated capital was 13.6% (13.8). The C/I ratio was 37.5% (35.9).

Net interest income went down by 1%, or SEK -31m, to SEK 4,496m (4,527). The day effect was negative and amounted to SEK -16m. Higher deposit volumes increased net interest income by SEK 6m, while higher lending volumes contributed SEK 19m. The gross margin on mortgage loans was marginally lower at 1.04 (1.05). The net amount of changed customer interest rates and funding costs had a SEK -18m impact on net interest income. Government fees increased by SEK 18m to SEK -199m (-181).

Net fee and commission income increased by 2% to SEK 1,981m (1,937), mainly due to higher commissions from the mutual fund business.

Expenses rose by 4% to SEK -2,500m (-2,399). Staff costs rose by 3% to SEK -841m (-814). The average

number of employees fell by 2% to 3,503 (3,582). Other external expenses went down by 15% to SEK -181m (-212), mainly due to normal seasonal variation.

Credit losses were SEK -37m (-45), and the credit loss ratio was 0.02% (0.02).

BUSINESS DEVELOPMENT

During autumn 2020, 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. A new customer service function, with improved availability and an extended mandate, is under construction. At the start of the year, the five regional banks were replaced with a new, more customer-centric organisation, in which the branches are instead divided into 24 county units under a shared country organisation. During the quarter, 33 branches were merged with others nearby.

Business volumes within Private Banking totalled SEK 162bn (114), a 42% increase since the end of Q1 2020. 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 previous structure in the five regional banks.

January – March 2021 compared with January – March 2020

The average volume of mortgage loans to private individuals rose by 5% to SEK 878bn (836) in the period, while household deposits grew by 9% to SEK 420bn (386). The average volume of corporate lending grew by 1% to SEK 530bn (527). At the same time, corporate deposits increased by 16% to SEK 334bn (287).

New savings in the Bank's mutual funds in Sweden during the period totalled SEK 14.9bn, corresponding to a market share of 40%. In terms of total fund wealth, Handelsbanken is the second largest player on the Swedish mutual funds market, with a share that grew to 12.0% (11.4).

Q1 2021 compared with Q4 2020

The average volume of mortgage loans to private individuals rose by 1% to SEK 878bn (867), while household deposits were unchanged at SEK 420bn (419). The average volume of corporate lending was unchanged at SEK 530bn (531), while corporate deposits increased by 3% to SEK 334bn (325).

New savings in the Bank's mutual funds in Sweden totalled SEK 14.9bn (19.3).

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 202 branches and meeting places throughout the UK.

INCOME STATEMENT

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Net interest income	1,335	1,345	-1%	1,553	-14%	1,335	1,553	-14%	5,683
Net fee and commission income	180	163	10%	196	-8%	180	196	-8%	713
Net gains/losses on financial transactions	44	48	-8%	53	-17%	44	53	-17%	176
Other income	0	0	0%	0	0%	0	0	0%	1
Total income	1,559	1,556	0%	1,802	-13%	1,559	1,802	-13%	6,573
Staff costs	-602	-625	-4%	-641	-6%	-602	-641	-6%	-2,465
Other expenses	-238	-208	14%	-253	-6%	-238	-253	-6%	-864
Internal purchased and sold services	-215	-188	14%	-189	14%	-215	-189	14%	-761
Depreciation, amortisation and impairments of property, equipment and intangible assets	-63	-70	-10%	-61	3%	-63	-61	3%	-267
Total expenses	-1,118	-1,091	2%	-1,144	-2%	-1,118	-1,144	-2%	-4,357
Profit before credit losses	441	465	-5%	658	-33%	441	658	-33%	2,216
Net credit losses	33	-16		-50		33	-50		-119
Gains/losses on disposal of property, equipment and intangible assets	-1	-3	-67%	1		-1	1		-7
Operating profit	473	446	6%	609	-22%	473	609	-22%	2,090
Profit allocation	11	11	0%	14	-21%	11	14	-21%	49
Operating profit after profit allocation	484	457	6%	623	-22%	484	623	-22%	2,139
Internal income	-228	-238	4%	-332	31%	-228	-332	31%	-1,193
Cost/income ratio, %	71.2	69.6		63.0		71.2	63.0		65.8
Credit loss ratio, %	-0.05	0.03		0.07		-0.05	0.07		0.04
Allocated capital	20,288	19,306	5%	18,155	12%	20,288	18,155	12%	19,306
Return on allocated capital, %	7.6	7.5		10.8		7.6	10.8		8.9
Average number of employees	2,505	2,499	0%	2,442	3%	2,505	2,442	3%	2,462
Number of branches	202	204	-1%	207	-2%	202	207	-2%	204

BUSINESS VOLUMES

Average volumes, GBP m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Loans to the public									
Household	6,686	6,752	-1%	7,020	-5%	6,686	7,020	-5%	6,873
Companies	14,325	14,480	-1%	14,688	-2%	14,325	14,688	-2%	14,783
Total	21,011	21,232	-1%	21,708	-3%	21,011	21,708	-3%	21,656
Deposits and borrowing from the public									
Household	5,415	5,217	4%	5,218	4%	5,415	5,218	4%	5,144
Companies	13,741	13,482	2%	11,263	22%	13,741	11,263	22%	12,465
Total	19,156	18,699	2%	16,481	16%	19,156	16,481	16%	17,609

JANUARY – MARCH 2021 COMPARED WITH JANUARY – MARCH 2020

Operating profit went down by 22%, or SEK 136m, to SEK 473m (609), owing to lower income. Foreign exchange effects were negative and amounted to SEK -38m. Expressed in local currency, operating profit declined by 17%. Return on allocated capital was 7.6% (10.8). The C/I ratio rose to 71.2% (63.0).

Income decreased by 13% to SEK 1,559m (1,802). Foreign exchange effects totalled SEK -111m. Income fell by 8% when expressed in local currency terms.

Net interest income went down by 14%, or SEK -218m, to SEK 1,335m (1,553). Foreign exchange effects had a negative impact of SEK -96m on net interest income. No government fees burdened net interest income (-). Lower business volumes had a negative impact of SEK -19m. The net amount of changed margins and funding costs reduced net interest income by SEK -88m, chiefly due to interest rate cuts undertaken by the central bank in 2020.

Net fee and commission income declined by 8% to SEK 180m (196). Foreign exchange effects totalled SEK -12m. Net fee and commission income fell by 3% when expressed in local currency terms. Fee and commission income from fund and asset management operations amounted to SEK 81m (79). The volume of assets under management in Handelsbanken Wealth & Asset Management at the end of the period totalled GBP 4.1bn (3.4).

Expenses decreased by 2% to SEK -1,118m (-1,144). Expressed in local currency, expenses were up by 4%.

Staff costs fell by 6%, or SEK 39m, to SEK -602m (-641). In local currency terms, staff costs were unchanged. The average number of employees grew by 3% to 2,505 (2,442). 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. Other expenses decreased by 6% to SEK -238m (-253). In local currency terms, this figure was unchanged.

Credit losses consisted of net recoveries of SEK 33m (-50). The credit loss ratio was -0.05% (0.07).

Q1 2021 COMPARED WITH Q4 2020

Operating profit rose by 6% to SEK 473m (446), which was attributable to lower credit losses. Foreign exchange effects were positive and, in local currency terms, operating profit increased by 3%. Return on allocated capital was 7.6% (7.5).

Income was largely unchanged at SEK 1,559m (1,556). Foreign exchange effects increased income by SEK 29m. Income fell by 2% when expressed in local currency terms.

Net interest income decreased marginally to SEK 1,335m (1,345). The day effect was negative and

amounted to SEK -26m. Foreign exchange effects had a positive impact of SEK 25m on net interest income. In local currency terms, net interest income decreased by 3%. Lower business volumes had a negative impact of SEK -6m. The net effect of changes to margins and funding costs was a marginal reduction of net interest income. No government fees burdened net interest income (-).

Net fee and commission income increased by 10% to SEK 180m (163). Foreign exchange effects were marginally positive. The higher net fee and commission income was primarily attributable to higher commission income from fund management, lending and deposits.

Expenses rose by 2% to SEK -1,118m (-1,091). Foreign exchange effects were negative and amounted to SEK -21m. In local currency terms, expenses increased by 1%. Staff costs fell by 4% to SEK -602m (-625). The period of comparison was burdened with an increased holiday pay liability. The average number of employees was 2,505 (2,499).

Credit losses consisted of net recoveries and amounted to SEK 33m (-16). The credit loss ratio was -0.05% (0.03).

BUSINESS DEVELOPMENT

As part of the overall review of Handelsbanken Group's operations in autumn 2020, focused on making adaptations in order to strengthen the Bank's decentralised model, improve availability and enhance digital offerings, the decision was made in January to also make adjustments to the Bank's UK operations. These adjustments are now under way with the expected outcome that the number of branches will decrease. The current division into five regional banks will be replaced with a division of the branches into 14 districts, for which the respective heads were appointed during the quarter. These changes will entail a reduction in the number of employees. With a view to enhancing the overall customer experience, a new digital unit will be formed to help provide customers with greater choice and flexibility when it comes to how they interact with the Bank, whilst supporting branches in delivering the best possible service to their customers. All in all, these measures are expected to result in improvements to the customer offering, while also resulting in a lower level of costs in the UK during 2022. The measures are part of the Bank's goal to achieve an underlying annual cost level of SEK 20bn by the end of 2022.

January – March 2021 compared with January – March 2020

Corporate deposits grew by 22% and corporate lending fell by 2%. Household deposits grew by 4%, while household lending fell by 5%. Overall, the average volume of deposits and borrowing from the public increased by 16% to GBP 19.2bn (16.5). The average

volume of lending decreased by a total of 3% to GBP 21.0bn (21.7).

The net inflow to Handelsbanken Wealth & Asset Management during the period totalled GBP 96m (-16).

Q1 2021 compared with Q4 2020

The average volume of household deposits increased by 4%, while household lending decreased by 1%.

Corporate deposits grew by 2%, while corporate lending decreased by 1%. Overall, the average volume of deposits and borrowing from the public increased by 2% to GBP 19.2bn (18.7). The average volume of lending decreased by a total of 1% to GBP 21.0bn (21.2). The net inflow to Handelsbanken Wealth & Asset Management during the quarter totalled GBP 96m (-58).

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.

INCOME STATEMENT

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Net interest income	891	867	3%	971	-8%	891	971	-8%	3,481
Net fee and commission income	153	131	17%	131	17%	153	131	17%	504
Net gains/losses on financial transactions	9	21	-57%	15	-40%	9	15	-40%	57
Other income	1	29	-97%	2	-50%	1	2	-50%	32
Total income	1,054	1,048	1%	1,119	-6%	1,054	1,119	-6%	4,074
Staff costs	-213	-201	6%	-219	-3%	-213	-219	-3%	-822
Other expenses	-41	-46	-11%	-67	-39%	-41	-67	-39%	-203
Internal purchased and sold services	-124	-127	-2%	-121	2%	-124	-121	2%	-509
Depreciation, amortisation and impairments of property, equipment and intangible assets	-20	-21	-5%	-28	-29%	-20	-28	-29%	-88
Total expenses	-398	-395	1%	-435	-9%	-398	-435	-9%	-1,622
Profit before credit losses	656	653	0%	684	-4%	656	684	-4%	2,452
Net credit losses	14	-37		-70		14	-70		-270
Gains/losses on disposal of property, equipment and intangible assets	2	1	100%	3	-33%	2	3	-33%	7
Operating profit	672	617	9%	617	9%	672	617	9%	2,189
Profit allocation	18	11	64%	11	64%	18	11	64%	40
Operating profit after profit allocation	690	628	10%	628	10%	690	628	10%	2,229
Internal income	-411	-175	-135%	-1,069	62%	-411	-1,069	62%	-2,420
Cost/income ratio, %	37.1	37.3		38.5		37.1	38.5		39.4
Credit loss ratio, %	-0.02	0.15		0.08		-0.02	0.08		0.10
Allocated capital	18,918	19,986	-5%	20,885	-9%	18,918	20,885	-9%	19,986
Return on allocated capital, %	11.6	9.9		9.5		11.6	9.5		8.8
Average number of employees	723	715	1%	698	4%	723	698	4%	709
Number of branches	45	45	0%	45	0%	45	45	0%	45

BUSINESS VOLUMES

Average volumes, NOK bn	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Loans to the public									
Household	104.6	103.8	1%	99.9	5%	104.6	99.9	5%	101.7
Companies	168.9	167.4	1%	167.8	1%	168.9	167.8	1%	168.6
Total	273.5	271.2	1%	267.7	2%	273.5	267.7	2%	270.3
Deposits and borrowing from the public									
Household	26.4	25.8	2%	22.7	16%	26.4	22.7	16%	24.7
Companies	64.2	61.0	5%	52.3	23%	64.2	52.3	23%	60.9
Total	90.6	86.8	4%	75.0	21%	90.6	75.0	21%	85.6

JANUARY – MARCH 2021 COMPARED WITH JANUARY – MARCH 2020

Operating profit increased by 9% to SEK 672m (617), due to lower credit losses. The depreciation of the Norwegian krone had a negative effect of SEK -20m on operating profit. Expressed in local currency, the increase to operating profit was 13%. Return on allocated capital increased to 11.6% (9.5). The C/I ratio decreased to 37.1% (38.5).

Income decreased by 6% to SEK 1,054m (1,119). Foreign exchange effects amounted to SEK -35m, and expressed in local currency, income fell by 3%.

Net interest income went down by 8% to SEK 891m (971). Foreign exchange effects had a negative impact of SEK -30m on net interest income, and expressed in local currency, net interest income decreased by 5%. Higher business volumes had a positive impact of SEK 22m. The net amount of changed margins and funding costs reduced net interest income by SEK -62m, mainly due to the substantial falls to market rates in spring 2020. Government fees burdened net interest income by SEK -38m (-40).

Net fee and commission income increased by 17% to SEK 153m (131), with foreign exchange movements having a negative effect of SEK -5m. Expressed in local currency, net fee and commission income increased by 21%. Savings-related business, above all fund commission income, exhibited positive development, while payments-related commissions showed a negative trend.

Net gains/losses on financial transactions totalled SEK 9m (15).

Expenses decreased by 9% to SEK -398m (-435). Foreign exchange effects were SEK 13m. In local currency terms, expenses decreased by 6%.

Staff costs fell by 3% to SEK -213m (-219). Foreign exchange effects were positive and, in local currency terms, staff costs were unchanged. The average number of employees increased by 4% to 723 (698). Other expenses fell by 39%, which was mainly attributable to lower costs for work to prevent financial crime.

Credit losses consisted of net recoveries of SEK 14m (-70). The credit loss ratio was -0.02% (0.08).

Q1 2021 COMPARED WITH Q4 2020

Operating profit was up 9% to SEK 672m (617), mainly due to lower credit losses. Foreign exchange effects amounted to SEK 15m, and in local currency terms, operating profit rose by 6%.

Net interest income increased by 3% to SEK 891m (867). The day effect was negative and amounted to SEK -18m. Foreign exchange effects amounted to SEK 22m, and in local currency terms, net interest income went down by 1%. Higher business volumes made a positive contribution of SEK 7m. The net amount of changed margins and funding costs increased net

interest income by SEK 2m. Government fees burdened net interest income by SEK -38m (-39).

Net fee and commission income rose by 17% to SEK 153m (131), which is mainly attributable to all types of commissions other than payments. Expressed in local currency, net fee and commission income increased by 13%.

Net gains/losses on financial transactions totalled SEK 9m (21).

Expenses were largely unchanged at SEK -398m (-395). Foreign exchange effects were SEK -12m and, in local currency terms, expenses decreased by 3%, which is mainly linked to lower costs for work to prevent financial crime.

Staff costs rose by 6% to SEK -213m (-201). Expressed in local currency, staff costs rose by 2%. The average number of employees was 723 (715).

Credit losses consisted of net recoveries of SEK 14m (-37), and the credit loss ratio was -0.02% (0.15).

BUSINESS DEVELOPMENT

There is a high level of activity in the Norwegian housing market. The significant demand for advisory meetings in 2020 has continued in the early parts of 2021, and activity is also high within asset management.

January – March 2021 compared with January – March 2020

The average volume of household deposits increased by 16%, while household lending grew by 5%. In the corporate segment, too, deposits grew more than lending, by 23% and 1% respectively. Overall, the average volume of deposits and borrowing from the public increased by 21% to NOK 90.6bn (75.0). The average volume of lending increased by a total of 2% to NOK 273.5bn (267.7).

New savings in the Bank's mutual funds in Norway during the period totalled SEK 1.8bn (-1.4).

Q1 2021 compared with Q4 2020

The average volume of household deposits increased by 2%, while household lending grew by 1%. The average volume of corporate deposits grew by 5% and corporate lending grew by 1%. Overall, the average volume of deposits and borrowing from the public increased by 4% to NOK 90.6bn (86.8). The average volume of lending increased by a total of 1% to NOK 273.5bn (271.2).

New savings in the Bank's mutual funds in Norway during the quarter totalled SEK 1.8bn (2.1).

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.

INCOME STATEMENT

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Net interest income	385	390	-1%	409	-6%	385	409	-6%	1,612
Net fee and commission income	186	163	14%	177	5%	186	177	5%	624
Net gains/losses on financial transactions	32	39	-18%	29	10%	32	29	10%	123
Other income	2	3	-33%	2	0%	2	2	0%	8
Total income	605	595	2%	617	-2%	605	617	-2%	2,367
Staff costs	-187	-208	-10%	-194	-4%	-187	-194	-4%	-790
Other expenses	-35	-47	-26%	-35	0%	-35	-35	0%	-144
Internal purchased and sold services	-125	-119	5%	-111	13%	-125	-111	13%	-459
Depreciation, amortisation and impairments of property, equipment and intangible assets	-12	-12	0%	-12	0%	-12	-12	0%	-49
Total expenses	-359	-386	-7%	-352	2%	-359	-352	2%	-1,442
Profit before credit losses	246	209	18%	265	-7%	246	265	-7%	925
Net credit losses	5	23	-78%	-68		5	-68		-32
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	2	-100%	0	2	-100%	2
Operating profit	251	232	8%	199	26%	251	199	26%	895
Profit allocation	3	4	-25%	2	50%	3	2	50%	12
Operating profit after profit allocation	254	236	8%	201	26%	254	201	26%	907
Internal income	-47	30		-83	43%	-47	-83	43%	-210
Cost/income ratio, %	59.0	64.4		56.9		59.0	56.9		60.6
Credit loss ratio, %	-0.02	-0.08		0.22		-0.02	0.22		0.01
Allocated capital	7,015	7,263	-3%	7,124	-2%	7,015	7,124	-2%	7,263
Return on allocated capital, %	11.5	10.2		8.9		11.5	8.9		9.8
Average number of employees	591	589	0%	584	1%	591	584	1%	589
Number of branches	43	43	0%	55	-22%	43	55	-22%	43

BUSINESS VOLUMES

Average volumes, DKK bn	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Loans to the public									
Household	46.8	46.9	0%	47.1	-1%	46.8	47.1	-1%	47.1
Companies	28.0	26.9	4%	30.0	-7%	28.0	30.0	-7%	28.9
Total	74.8	73.8	1%	77.1	-3%	74.8	77.1	-3%	76.0
Deposits and borrowing from the public									
Household	16.9	17.8	-5%	16.4	3%	16.9	16.4	3%	17.3
Companies	24.0	22.6	6%	21.5	12%	24.0	21.5	12%	22.4
Total	40.9	40.4	1%	37.9	8%	40.9	37.9	8%	39.7

JANUARY – MARCH 2021 COMPARED WITH JANUARY – MARCH 2020

Operating profit went up by 26%, or SEK 52m, to SEK 251m (199), mainly due to lower credit losses. Foreign exchange effects were negative and amounted to SEK -11m. Return on allocated capital was 11.5% (8.9). The C/I ratio was 59.0% (56.9).

Net interest income decreased by 6% to SEK 385m (409). Foreign exchange effects amounted to SEK -20m, and in local currency terms, net interest income went down by 1%. Changed business volumes had a SEK -11m negative impact on net interest income, and the net amount of changed margins and funding costs increased net interest income by SEK 12m. Government fees burdened net interest income by SEK -16m (-17).

Net fee and commission income rose by 5% to SEK 186m (177). Foreign exchange effects were negative at SEK -8m, and expressed in local currency, net fee and commission income grew by 10%. The increase was thanks to high levels of activity in all areas except payments.

Net gains/losses on financial transactions totalled SEK 32m (29).

Expenses rose by 2% to SEK -359m (-352). Foreign exchange effects totalled SEK 15m, and expressed in local currency terms, expenses grew by 6%. Staff costs fell by 4% to SEK -187m (-194). Expressed in local currency, staff costs rose by 1%. The average number of employees grew by 1% to 591 (584).

Credit losses consisted of net recoveries of SEK 5m (-68). The credit loss ratio was -0.02% (0.22).

Q1 2021 COMPARED WITH Q4 2020

Operating profit went up by 8% to SEK 251m (232), due to higher income, lower expenses and lower credit losses. Foreign exchange effects were negative, by SEK -2m. Expressed in local currency, operating profit increased by 10%.

Net interest income went down by 1% to SEK 385m (390). The day effect was negative and amounted to SEK -7m. Foreign exchange effects were SEK -4m, and expressed in local currency, net interest income was unchanged. Changed business volumes had a SEK 2m positive impact on net interest income. The net amount of changed margins and funding costs had a SEK 5m

positive impact on net interest income. Government fees burdened net interest income by SEK -16m (-18).

Net fee and commission income rose by 14% to SEK 186m (163), mainly from savings-related commissions.

Net gains/losses on financial transactions totalled SEK 32m (39).

Expenses decreased by 7% to SEK -359m (-386). Foreign exchange effects totalled SEK 5m. In local currency terms, expenses decreased by 6%, primarily due to normal seasonal variation.

Staff costs totalled SEK -187m (-208). The average number of employees was 591 (589).

Credit losses consisted of net recoveries of SEK 5m (23), which resulted in a credit loss ratio of -0.02% (-0.08).

BUSINESS DEVELOPMENT

There is a high level of activity in the Danish housing market. Moreover, there are high levels of activity in the savings-related business, where the number of Private Banking customers, for example, has increased by 4% during the quarter. For the third time, Handelinvest – an investment association which is a related party to Handelsbanken – was named “Best equity house” by Morningstar.

January – March 2021 compared with January – March 2020

The average volume of deposits from corporates and households grew by 12% and 3%, respectively. Overall, deposits increased by 8% to DKK 40.9bn (37.9). Lending to corporates went down by 7%, while lending to households decreased by 1%. Overall, lending fell by 3% to DKK 74.8bn (77.1).

New savings in the Bank’s mutual funds in Denmark totalled SEK 5.1bn (-0.4).

Q1 2021 compared with Q4 2020

The average volume of corporate deposits grew by 6%, while household deposits fell by 5%. Overall, deposits increased by 1% to DKK 40.9bn (40.4). The average volume of corporate lending increased by 4%, while household lending was unchanged. Overall, lending increased by 1% to DKK 74.8bn (73.8).

New savings in the Bank’s mutual funds in Denmark totalled SEK 5.1bn (0.9).

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.

INCOME STATEMENT

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Net interest income	339	356	-5%	351	-3%	339	351	-3%	1,403
Net fee and commission income	177	165	7%	183	-3%	177	183	-3%	683
Net gains/losses on financial transactions	19	-60		13	46%	19	13	46%	-24
Other income	2	2	0%	4	-50%	2	4	-50%	10
Total income	537	463	16%	551	-3%	537	551	-3%	2,072
Staff costs	-109	-108	1%	-113	-4%	-109	-113	-4%	-448
Other expenses	-80	-63	27%	-52	54%	-80	-52	54%	-212
Internal purchased and sold services	-142	-140	1%	-118	20%	-142	-118	20%	-519
Depreciation, amortisation and impairments of property, equipment and intangible assets	-15	-14	7%	-17	-12%	-15	-17	-12%	-66
Total expenses	-346	-325	6%	-300	15%	-346	-300	15%	-1,245
Profit before credit losses	191	138	38%	251	-24%	191	251	-24%	827
Net credit losses	-12	-27	-56%	-102	-88%	-12	-102	-88%	-193
Gains/losses on disposal of property, equipment and intangible assets	-	-1		0		-	0		-1
Operating profit	179	110	63%	149	20%	179	149	20%	633
Profit allocation	7	6	17%	8	-13%	7	8	-13%	27
Operating profit after profit allocation	186	116	60%	157	18%	186	157	18%	660
Internal income	-53	39		-69	23%	-53	-69	23%	-192
Cost/income ratio, %	63.6	69.3		53.7		63.6	53.7		59.3
Credit loss ratio, %	0.15	0.00		0.30		0.15	0.30		0.11
Allocated capital	7,347	7,728	-5%	7,634	-4%	7,347	7,634	-4%	7,728
Return on allocated capital, %	8.0	4.8		6.4		8.0	6.4		6.7
Average number of employees	513	508	1%	497	3%	513	497	3%	506
Number of branches	27	27	0%	32	-16%	27	32	-16%	27

BUSINESS VOLUMES

Average volumes, EUR m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Loans to the public									
Household	4,352	4,352	0%	4,343	0%	4,352	4,343	0%	4,330
Companies	9,774	9,843	-1%	9,670	1%	9,774	9,670	1%	9,841
Total	14,126	14,195	0%	14,013	1%	14,126	14,013	1%	14,171
Deposits and borrowing from the public									
Household	1,878	1,909	-2%	1,759	7%	1,878	1,759	7%	1,872
Companies	3,571	3,589	-1%	3,159	13%	3,571	3,159	13%	3,511
Total	5,449	5,498	-1%	4,918	11%	5,449	4,918	11%	5,383

JANUARY – MARCH 2021 COMPARED WITH JANUARY – MARCH 2020

Operating profit was up 20% to SEK 179m (149), mainly due to lower credit losses. Foreign exchange effects on operating profit amounted to SEK -11m, and in local currency terms, operating profit increased by 27%.

Return on allocated capital was 8.0% (6.4). The C/I ratio was 63.6% (53.7).

Income decreased by 3% to SEK 537m (551), and foreign exchange effects amounted to SEK -29m. Expressed in local currency, income growth was 3%.

Net interest income went down by 3% to SEK 339m (351). Foreign exchange effects totalled SEK -19m. In local currency terms, net interest income increased by 2%. Higher business volumes had a SEK 9m positive impact on net interest income. The net amount of changed margins and funding costs increased net interest income marginally. Government fees burdened net interest income by SEK -19m (-21).

Net fee and commission income declined by 3% to SEK 177m (183), with an increase in savings-related commissions being offset by a negative development in payment commissions. Foreign exchange effects amounted to SEK -9m, and in local currency terms, net fee and commission income rose by 2%.

Total expenses increased by 15%, or SEK 46m, to SEK -346m (-300). Foreign exchange effects totalled SEK 15m, and expressed in local currency terms, expenses grew by 21%. The ongoing replacement of the core banking system was a significant factor behind the rise in expenses.

Staff costs fell by 4% to SEK -109m (-113). Expressed in local currency, staff costs rose by 2%. The average number of employees increased by 3% to 513 (497). Other expenses rose by 54% to SEK -80m (-52).

Credit losses totalled SEK -12m (-102). The credit loss ratio was 0.15% (0.30).

Q1 2021 COMPARED WITH Q4 2020

Operating profit rose by 63% to SEK 179m (110), which was mainly attributable to higher income. The effect of foreign exchange movements on operating profit was marginal.

Net interest income decreased by 5% to SEK 339m (356). The day effect was negative and amounted to SEK -5m. Foreign exchange effects amounted to SEK -4m, and in local currency terms, net interest income went down by 3%. Higher business volumes had a

marginally positive impact on net interest income. The net amount of changed margins and funding costs reduced net interest income by SEK 1m. Government fees burdened net interest income by SEK -19m (-20).

Net fee and commission income went up by 7% to SEK 177m (165), attributable to higher savings-related commissions, which were, in turn, offset by lower payment commissions. Foreign exchange effects were negative, and expressed in local currency, net fee and commission income grew by 9%.

Net gains/losses on financial transactions totalled SEK 19m (-60). The comparison quarter involved a revaluation of a leasing portfolio.

Expenses grew by 6% to SEK -346m (-325); the foreign exchange impact was positive, and in local currency, expenses increased by 9%.

Staff costs totalled SEK -109m (-108). The average number of employees was 513 (508).

Credit losses were SEK -12m (-27), and the credit loss ratio was 0.15% (0.00).

BUSINESS DEVELOPMENT

Activity within the savings business was high among both new and existing customers, particularly within the Private Banking segment. The demand for advanced advisory meetings remains high.

January – March 2021 compared with January – March 2020

The average volume of household deposits rose by 7%, while household lending was unchanged. Corporate deposits rose by 13%, while corporate lending grew by 1%. Overall, the average volume of lending to the public rose by 1% to EUR 14.1bn (14.0), while deposits from the public grew by 11% to EUR 5.5bn (4.9).

New savings in the Bank's mutual funds in Finland totalled SEK 0.5bn (0.4).

Q1 2021 compared with Q4 2020

The average volume of household deposits fell by 2%, while household lending was unchanged. Corporate deposits went down by 1% while corporate lending went down by 1%. Overall, the average volume of deposits and borrowing from the public decreased by 1% to EUR 5.5bn (5.5), while total lending was essentially unchanged at EUR 14.1bn (14.2).

New savings in the Bank's mutual funds in Finland totalled SEK 0.5bn (0.2).

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.

INCOME STATEMENT

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Net interest income	242	233	4%	223	9%	242	223	9%	908
Net fee and commission income	32	34	-6%	31	3%	32	31	3%	125
Net gains/losses on financial transactions	6	8	-25%	7	-14%	6	7	-14%	25
Other income	0	0	0%	1	-100%	0	1	-100%	2
Total income	280	275	2%	262	7%	280	262	7%	1,060
Staff costs	-97	-98	-1%	-102	-5%	-97	-102	-5%	-395
Other expenses	-21	-42	-50%	-31	-32%	-21	-31	-32%	-146
Internal purchased and sold services	-38	-37	3%	-35	9%	-38	-35	9%	-143
Depreciation, amortisation and impairments of property, equipment and intangible assets	-13	-12	8%	-15	-13%	-13	-15	-13%	-56
Total expenses	-169	-189	-11%	-183	-8%	-169	-183	-8%	-740
Profit before credit losses	111	86	29%	79	41%	111	79	41%	320
Net credit losses	1	-2		-1		1	-1		-4
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	-		-
Operating profit	112	84	33%	78	44%	112	78	44%	316
Profit allocation	0	1	-100%	1	-100%	0	1	-100%	5
Operating profit after profit allocation	112	85	32%	79	42%	112	79	42%	321
Internal income	-108	-65	-66%	-105	-3%	-108	-105	-3%	-387
Cost/income ratio, %	60.4	68.5		69.6		60.4	69.6		69.5
Credit loss ratio, %	-0.01	0.01		0.01		-0.01	0.01		0.01
Allocated capital	2,642	2,612	1%	2,367	12%	2,642	2,367	12%	2,612
Return on allocated capital, %	13.5	10.2		10.4		13.5	10.4		10.0
Average number of employees	336	334	1%	318	6%	336	318	6%	329
Number of branches	29	29	0%	29	0%	29	29	0%	29

BUSINESS VOLUMES

Average volumes, EUR m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Loans to the public									
Household	3,673	3,535	4%	3,224	14%	3,673	3,224	14%	3,387
Companies	2,740	2,502	10%	2,276	20%	2,740	2,276	20%	2,404
Total	6,413	6,037	6%	5,500	17%	6,413	5,500	17%	5,791
Deposits and borrowing from the public									
Household	358	321	12%	208	72%	358	208	72%	261
Companies	2,047	1,424	44%	1,354	51%	2,047	1,354	51%	1,366
Total	2,405	1,745	38%	1,562	54%	2,405	1,562	54%	1,627

JANUARY – MARCH 2021 COMPARED WITH JANUARY – MARCH 2020

Operating profit improved by 44% to SEK 112m (78). The effect of foreign exchange movements on operating profit was SEK -5m. Return on allocated capital was 13.5% (10.4), and the C/I ratio was 60.4% (69.6).

Net interest income increased by 9% to SEK 242m (223). Foreign exchange effects amounted to SEK -12m, and in local currency terms, net interest income rose by 14%. Larger business volumes had a SEK 35m positive impact on net interest income. The net amount of changed margins and funding costs reduced net interest income by SEK -4m. Government fees burdened net interest income by SEK -6m (-7).

Net fee and commission income went up by 3% to SEK 32m (31). Foreign exchange effects were negative, and expressed in local currency, net fee and commission income grew by 10%. Commission income from fund and asset management operations amounted to SEK 28m (26).

Expenses decreased by 8% to SEK -169m (-183). In local currency terms, expenses decreased by 2%, which is mainly linked to lower costs for work to prevent financial crime. The average number of employees grew by 6% to 336 (318).

Credit losses consisted of net recoveries of SEK 1m (-1). The credit loss ratio was -0.01% (0.01).

Q1 2021 COMPARED WITH Q4 2020

Operating profit increased by 33% to SEK 112m (84). Expressed in local currency, operating profit increased by 35%. Income increased by 2% to SEK 280m (275). Foreign exchange effects amounted to SEK -3m, and in local currency terms, income rose by 3%.

Net interest income grew by 4% to SEK 242m (233). The day effect was marginal. In local currency terms, net interest income increased by 5%. Larger business volumes had a SEK 13m positive impact on net interest income. The net effect of changes to margins and funding costs was a marginal reduction of net interest income. Government fees burdened net interest income by SEK -6m (-7).

Net fee and commission income decreased by 6% to SEK 32m (34). In local currency terms, the corresponding development was -3%.

Expenses decreased by 11% to SEK -169m (-189). Foreign exchange effects totalled SEK 2m, and expressed in local currency terms, expenses fell by 9%.

Staff costs were largely unchanged and the average number of employees was 336 (334).

Other expenses fell by 50% to SEK -21m (-42), which was attributable to the aforementioned lower costs for work to prevent financial crime.

Credit losses consisted of net recoveries of SEK 1m (-2). The credit loss ratio was -0.01% (0.01).

BUSINESS DEVELOPMENT

January – March 2021 compared with January – March 2020

The average volume of household deposits rose by 72%, while household lending grew by 14%. The average volume of corporate deposits rose by 51%, while corporate lending grew by 20%. Overall, the average volume of deposits and borrowing from the public increased by 54% to EUR 2.4bn (1.6), while total loans to the public grew by 17% to EUR 6.4bn (5.5).

Assets under management at Optimix totalled EUR 1.8bn (1.4) at the end of the period, including the company's own mutual funds.

Q1 2021 compared with Q4 2020

The average volume of household deposits increased by 12%, while household lending grew by 4%. The average volume of corporate deposits rose by 44%, while corporate lending grew by 10%. Overall, the average volume of deposits and borrowing from the public increased by 38% to EUR 2.4bn (1.7), while total loans to the public grew by 6% to EUR 6.4bn (6.0).

Handelsbanken Capital Markets

Handelsbanken Capital Markets consists of the three business areas: Markets, Savings & Pension and International.

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

Savings & Pension offers a full range of products and services linked to asset management, as well as pension solutions and other insurance solutions for both private and corporate customers.

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

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.

INCOME STATEMENT

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Net interest income	68	76	-11%	107	-36%	68	107	-36%	355
Net fee and commission income	258	298	-13%	262	-2%	258	262	-2%	1,032
Net gains/losses on financial transactions	324	267	21%	142	128%	324	142	128%	1,039
Risk result - insurance	69	79	-13%	41	68%	69	41	68%	195
Other income	5	3	67%	8	-38%	5	8	-38%	23
Total income	724	723	0%	560	29%	724	560	29%	2,644
Staff costs	-531	-530	0%	-578	-8%	-531	-578	-8%	-2,203
Other expenses	-188	-155	21%	-203	-7%	-188	-203	-7%	-791
Internal purchased and sold services	208	175	19%	113	84%	208	113	84%	603
Depreciation, amortisation and impairments of property, equipment and intangible assets	-62	-51	22%	-24	158%	-62	-24	158%	-123
Total expenses	-573	-561	2%	-692	-17%	-573	-692	-17%	-2,514
Profit before credit losses	151	162	-7%	-132		151	-132		130
Net credit losses	4	6	-33%	0		4	0		11
Gains/losses on disposal of property, equipment and intangible assets	-7	-2		0		-7	0		-3
Operating profit	148	166	-11%	-132		148	-132		138
Profit allocation	-135	-118	14%	-129	5%	-135	-129	5%	-466
Operating profit after profit allocation	13	48	-73%	-261		13	-261		-328
Internal income	-109	-234	53%	-441	75%	-109	-441	75%	-1,563
Cost/income ratio, %	97.3	92.7		160.6		97.3	160.6		115.4
Credit loss ratio, %	-0.04	-0.03		-0.02		-0.04	-0.02		-0.01
Allocated capital	5,082	5,843	-13%	5,813	-13%	5,082	5,813	-13%	5,843
Return on allocated capital, %	0.8	2.6		-14.1		0.8	-14.1		-4.2
Average number of employees	1,201	1,252	-4%	1,367	-12%	1,201	1,367	-12%	1,317

GROUP INCOME FROM HANDELSBANKEN CAPITAL MARKETS' PRODUCTS

January - March 2021 SEK m	Capital Markets	Branch operations	Other	Total income from Capital Market's products	Change compared to same period last year
Net interest income	68			68	-36%
Commission income	320	1,878	-20	2,178	18%
<i>of which brokerage income</i>	75	102	-3	174	-7%
<i>of which mutual funds and custody</i>	94	1,549	-12	1,631	24%
<i>of which insurance</i>	-7	227	-5	215	11%
Net fee and commission income	258	1,858	-3	2,113	19%
Net result of financial trans.	324	95	1	420	70%
Risk result - insurance	69			69	68%
Other income	5			5	-38%
Total income	724	1,953	-2	2,675	23%

For Capital Markets, all fee and commission income received by the segment during the period is recognised. For Branch operations and Other, fee and commission income related to Capital Markets' products is recognised.

For more financial information about the different business areas within Handelsbanken Capital Markets, please see the Fact Book that is available at handelsbanken.com/ir.

JANUARY – MARCH 2021 COMPARED WITH JANUARY – MARCH 2020

Operating profit increased to SEK 148m (-132), due to increased income and decreased expenses. Income increased by 29% to SEK 724m (560). Expenses decreased by 17% to SEK -573m (-692).

Net fee and commission income declined by 2% to SEK 258m (262), which was primarily due to the restructuring of the custody business, as well as lower guarantee and payment commissions in the wake of the ongoing winding up of units in certain countries within Handelsbanken International.

Net gains/losses on financial transactions increased to SEK 324m (142), which was largely due to the comparison quarter's provision for a deferred capital contribution in Handelsbanken Liv's traditional insurance operations.

Staff costs fell by 8% to SEK -531m (-578), due to a decrease in the number of employees. The average number of employees decreased by 12% to 1,201 (1,367).

Other expenses fell by 7% to SEK -188m (-203).

Credit losses consisted of net recoveries, and totalled SEK 4m (0). The credit loss ratio was -0.04% (-0.02).

Q1 2021 COMPARED WITH Q4 2020

Operating profit went down by 11% to SEK 148m (166), primarily due to unchanged income and an increased level of expenses.

Total income was unchanged at SEK 724m (723).

Net fee and commission income went down by 13% to SEK 258m (298), due to lower advisory commissions and the restructuring of the Custody operations.

Net gains/losses on financial transactions increased by 21% to SEK 324m (267).

Total expenses rose by 2% to SEK -573m (-561). Staff costs were unchanged at SEK -531m (-530). The average number of employees decreased by 4% to 1,201 (1,252). Other expenses were SEK -188m (-155), while services bought and sold internally totalled SEK 208m (175).

Credit losses consisted of net reversals of SEK 4m (6) and the credit loss ratio was -0.04% (-0.03).

BUSINESS DEVELOPMENT

Markets

Handelsbanken Markets has continued to perform well. The fixed income business has developed more strongly, while the equities and foreign exchange business has declined slightly. The varying market conditions have normalised after the turbulence in early 2020. Developments in Corporate Finance have been positive. A total of 37 bond issues were arranged during the first quarter, at a value of just over EUR 3.2bn (4.0). Green bonds at a volume of just over EUR 0.64bn were

arranged during the quarter, comprising 20% of the total issued volume. The corresponding proportion during the first quarter of the previous year was just over 8%.

There remained a high level of interest in green and sustainable financing, and in the establishment of green frameworks among customer companies.

Asset management

In Sweden, net savings in Handelsbanken's mutual funds during the first quarter amounted to SEK 14.9bn (-6.4). The Bank was thus largest in new savings among all fund market players in Sweden in the first quarter of 2021.

Total net savings in the Group's funds amounted to SEK 24.4bn (-6.4). The total fund volume, including exchange-traded funds, increased during the period by 10% to SEK 848bn (769). Total assets under management in the Group increased during the year by 10% to SEK 933bn (846).

During the year, work on introducing enhanced sustainability requirements in the Bank's mutual funds has continued, to the extent that 87% of the total mutual fund volume at the end of the quarter was managed according to the enhanced sustainability requirements. The prize-winning, sustainability-focused fund Handelsbanken Hållbar Energi alone attracted an additional SEK 6.1bn in net savings during the first quarter of 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.

In January this year, Handelsbanken Fonder signed up to the Net Zero Asset Managers Initiative, a commitment to work towards the goal of zero greenhouse gas emissions by 2050 or earlier. In February, Handelsbanken Fonder was named Fund Management Company of the Year 2020 by the Privata Affärer financial magazine, as well as receiving three additional distinctions.

Handelsbanken remained the largest player in Nordic ETFs.

Pension & Life

Profit within Pension & Life increased by 153% to SEK 412m (163). The improvement was due to improved performance in the traditional insurance operations, as well as increased fee and commission income, combined with a higher risk result.

The total premium volume increased by 13%, and occupational pensions also increased by 5%. New fund management and custody accounts in Sweden increased by 41% compared with the previous year and amounted to SEK 2,162m (1,538).

Assets under management at Handelsbanken Liv increased by SEK 19bn, or 10%, compared with the year-end figure, to SEK 219bn (200).

International

The consolidation work within Handelsbanken International is continuing, and has only been marginally delayed by the pandemic.

The average volume of deposits in Handelsbanken International decreased by 14% during the year and amounted to SEK 51.2bn (59.6). Lending decreased by 48% to SEK 11.5bn (22.2).

Other units not reported in the business segments

Below is an account of income and expenses attributable to units not reported in the business segments. The largest of these is the Group's IT department, but this also includes treasury, audit, risk control, compliance, and the unit for financial crime prevention, as well as the central staff functions for accounting, communications, legal affairs, credit, and HR matters. Provisions for the profit-sharing scheme, Oktogonen, capital gains/losses, dividends, and other income and expenses that are not attributable to any of the segments are also reported here.

INCOME STATEMENT

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Net interest income	62	67	-7%	12	417%	62	12	417%	-2
Net fee and commission income	-4	-7	43%	-		-4	-		-7
Net gains/losses on financial transactions	-125	96		-251	50%	-125	-251	50%	-417
Share of profit of associates	18	-17		34	-47%	18	34	-47%	18
Other income	10	35	-71%	16	-38%	10	16	-38%	97
Total income	-39	174		-189	79%	-39	-189	79%	-311
Staff costs	-1,040	-1,079	-4%	-753	38%	-1,040	-753	38%	-4,796
Other expenses	-779	-614	27%	-729	7%	-779	-729	7%	-2,898
Internal purchased and sold services	1,802	1,718	5%	1,706	6%	1,802	1,706	6%	6,805
Depreciation, amortisation and impairments of property, equipment and intangible assets	-175	-288	-39%	-207	-15%	-175	-207	-15%	-936
Total expenses	-192	-263	-27%	17		-192	17		-1,825
Profit before credit losses	-231	-89	-160%	-172	-34%	-231	-172	-34%	-2,136
Net credit losses	0	1	-100%	2	-100%	0	2	-100%	3
Gains/losses on disposal of property, equipment and intangible assets	0	-4		0	0%	0	0		-4
Operating profit	-231	-92	-151%	-170	-36%	-231	-170	-36%	-2,137
Profit allocation									
Operating profit after profit allocation	-231	-92	-151%	-170	-36%	-231	-170	-36%	-2,137
Internal income	1,274	658	94%	1,938	-34%	1,274	1,938	-34%	5,877
Average number of employees	3,024	3,009	0%	2,950	3%	3,024	2,950	3%	2,979

JANUARY – MARCH 2021 COMPARED WITH JANUARY – MARCH 2020

Operating profit in other units not reported in the business segments amounted to SEK -231m (-170).

A preliminary provision of SEK -213m (-) was made for the Oktogonen profit-sharing scheme during the period.

Net gains/losses on financial transactions totalled SEK -125m (-251). The period of comparison featured significantly widened credit spreads in the market, which explained the negative impact on profit.

The average number of employees grew by 3% to 3,024 (2,950). The number of employees at the IT department totalled 1,973 (1,907).

Q1 2021 COMPARED WITH Q4 2020

Operating profit was SEK -231m (-92). A preliminary provision of SEK -213m (-213) was made for the Oktogonen profit-sharing scheme during the quarter.

The average number of employees totalled 3,024 (3,009); within this figure, the number of employees at the IT department was 1,973 (1,949).

KEY FIGURES – GROUP

	Q1 2021	Q4 2020	Q1 2020	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Return on equity	10.6%	10.9%	10.3%	10.6%	10.3%	10.0%
C/I ratio	50.3%	49.1%	49.3%	50.3%	49.3%	52.7%
C/I ratio, incl. credit losses	50.3%	50.0%	54.1%	50.3%	54.1%	54.5%
Earnings per share, SEK - after dilution	2.21 2.21	2.21 2.21	1.99 1.99	2.21 2.21	1.99 1.99	7.87 7.87
Ordinary dividend, SEK						4.10
Adjusted equity per share, SEK	86.78	84.90	78.46	86.78	78.46	84.90
Common equity tier 1 ratio, CRR	20.2%	20.3%	17.6%	20.2%	17.6%	20.3%
Total capital ratio, CRR	24.3%	24.3%	22.4%	24.3%	22.4%	24.3%
Average number of employees	12,396	12,488	12,514	12,396	12,514	12,563
Number of branches, Sweden	343	376	382	343	382	376
Number of branches outside Sweden	354	356	379	354	379	356

In addition to financial definitions according to IFRS, alternative performance measures are used to describe the performance of the underlying operations and to increase comparability between periods. For definitions and calculation of these performance measures, please see the Fact Book which is available at handelsbanken.com/ir.

THE HANDELSBANKEN SHARE

	Q1 2021	Q4 2020	Q1 2020	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Number of converted shares	-	-	-	-	-	-
Number of repurchased shares	-	-	-	-	-	-
Holding of own shares in trading book, end of period	-	-	-	-	-	-
Number of outstanding shares after repurchases and deduction for trading book, end of period	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494
Number of outstanding shares after dilution, end of period	1,980,028,494	1,980,028,494	1,980,048,771	1,980,028,494	1,980,048,771	1,980,028,494
Average number of shares converted during the period	-	-	-	-	-	-
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-	-
Average number of outstanding shares	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494	1,980,028,494
- after dilution	1,980,028,494	1,980,051,427	1,980,045,524	1,980,028,494	1,980,045,524	1,980,045,524
Share price SHB class A, end of period, SEK	94.86	82.60	83.14	94.86	83.14	82.60
Share price SHB class B, end of period, SEK	106.80	92.20	90.10	106.80	90.10	92.20
Market capitalisation, end of period, SEK bn	188	164	165	188	165	164

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Interest income		9,592	9,980	-4%	13,669	-30%	9,592	13,669	-30%	45,508
<i>of which interest income according to the effective interest method and interest on derivatives in hedge accounting</i>		9,217	9,586	-4%	12,122	-24%	9,217	12,122	-24%	42,164
Interest expense		-1,774	-2,119	-16%	-5,439	-67%	-1,774	-5,439	-67%	-13,902
Net interest income	Note 2	7,818	7,861	-1%	8,230	-5%	7,818	8,230	-5%	31,606
Net fee and commission income	Note 3	2,963	2,884	3%	2,700	10%	2,963	2,700	10%	10,786
Net gains/losses on financial transactions	Note 4	397	540	-26%	130	205%	397	130	205%	1,437
Risk result - insurance		69	79	-13%	41	68%	69	41	68%	195
Other dividend income		1	36	-97%	1	0%	1	1	0%	53
Share of profit of associates		18	-17		34	-47%	18	34	-47%	18
Other income		26	48	-46%	42	-38%	26	42	-38%	153
Total income		11,292	11,431	-1%	11,178	1%	11,292	11,178	1%	44,248
Staff costs		-3,648	-3,670	-1%	-3,478	5%	-3,648	-3,478	5%	-15,343
Other expenses	Note 5	-1,563	-1,387	13%	-1,587	-2%	-1,563	-1,587	-2%	-6,085
Depreciation, amortisation and impairment of property, equipment and intangible assets		-472	-559	-16%	-441	7%	-472	-441	7%	-1,906
Total expenses		-5,683	-5,616	1%	-5,506	3%	-5,683	-5,506	3%	-23,334
Profit before credit losses		5,609	5,815	-4%	5,672	-1%	5,609	5,672	-1%	20,914
Net credit losses	Note 6	8	-97		-538		8	-538		-781
Gains/losses on disposal of property, equipment and intangible assets		-5	-6	17%	8		-5	8		2
Operating profit		5,612	5,712	-2%	5,142	9%	5,612	5,142	9%	20,135
Taxes		-1,231	-1,342	-8%	-1,205	2%	-1,231	-1,205	2%	-4,547
Profit for the period		4,381	4,370	0%	3,937	11%	4,381	3,937	11%	15,588
Attributable to										
Shareholders in Svenska Handelsbanken AB		4,380	4,369	0%	3,937	11%	4,380	3,937	11%	15,585
Non controlling interest		1	1		0		1	0		3

EARNINGS PER SHARE – GROUP

	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,380	4,369	0%	3,937	11%	4,380	3,937	11%	15,585
- of which interest expense on convertible subordinated loan after tax	-	-		-		-	-		-
Average number of outstanding shares, million	1,980.0	1,980.0		1,980.0		1,980.0	1,980.0		1,980.0
Average number of outstanding shares after dilution, million	1,980.0	1,980.1		1,980.0		1,980.0	1,980.0		1,980.0
Earnings per share, SEK	2.21	2.21	0%	1.99	11%	2.21	1.99	11%	7.87
- after dilution	2.21	2.21	0%	1.99	11%	2.21	1.99	11%	7.87

Earnings per share after dilution are calculated by taking into account the effects of a conversion of outstanding convertible debt instruments. This means that the average number of shares is adjusted by potential shares and that the period's earnings are adjusted by the period's interest expense on the outstanding convertible debt instruments after tax.

STATEMENT OF COMPREHENSIVE INCOME – GROUP

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Profit for the period	4,381	4,370	0%	3,937	11%	4,381	3,937	11%	15,588
Other comprehensive income									
Items that will not be reclassified to the income statement									
Defined benefit pension plans	5,528	3,754	47%	-5,375		5,528	-5,375		1,523
Instruments measured at fair value through other comprehensive income - equity instruments	34	-838		-106		34	-106		-583
Tax on items that will not be reclassified to income statement	-1,137	-695	-64%	1,155		-1,137	1,155		-256
<i>of which defined benefit pension plans</i>	-1,136	-740	-54%	1,149		-1,136	1,149		-267
<i>of which equity instruments measured at fair value through other comprehensive income</i>	-1	45		6		-1	6		11
Total items that will not be reclassified to the income statement	4,425	2,221	99%	-4,326		4,425	-4,326		684
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	-545	-1,607	66%	2,408		-545	2,408		-1,124
Instruments measured at fair value through other comprehensive income - debt instruments	17	6		-15		17	-15		7
Translation differences for the period	2,812	-1,959		11		2,812	11		-4,269
<i>of which hedging net investment in foreign operations</i>	-867	537		-562	-54%	-867	-562	-54%	848
Tax on items that may subsequently be reclassified to the income statement	290	263	10%	-392		290	-392		93
<i>of which cash flow hedges</i>	112	377	-70%	-515		112	-515		274
<i>of which debt instruments measured at fair value through other comprehensive income</i>	-3	-1		3		-3	3		-1
<i>of which hedging net investment in foreign operations</i>	181	-113		120	51%	181	120	51%	-180
Total items that may subsequently be reclassified to the income statement	2,574	-3,297		2,012	28%	2,574	2,012	28%	-5,293
Total other comprehensive income for the period	6,999	-1,076		-2,314		6,999	-2,314		-4,609
Total comprehensive income for the period	11,380	3,294	245%	1,623		11,380	1,623		10,979
Attributable to									
Shareholders in Svenska Handelsbanken AB	11,379	3,292	246%	1,622		11,379	1,622		10,976
Non-controlling interest	1	2	-50%	1	0%	1	1	0%	3

QUARTERLY PERFORMANCE – GROUP

SEK m	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Interest income	9,592	9,980	10,191	11,668	13,669
Interest expense	-1,774	-2,119	-2,298	-4,046	-5,439
Net interest income	7,818	7,861	7,893	7,622	8,230
Net fee and commission income	2,963	2,884	2,672	2,530	2,700
Net gains/losses on financial transactions	397	540	358	409	130
Risk result - insurance	69	79	52	23	41
Other dividend income	1	36	1	15	1
Share of profit of associates	18	-17	14	-13	34
Other income	26	48	24	39	42
Total income	11,292	11,431	11,014	10,625	11,178
Staff costs	-3,648	-3,670	-4,731	-3,464	-3,478
Other expenses	-1,563	-1,387	-1,543	-1,568	-1,587
Depreciation, amortisation and impairment of property, equipment and intangible assets	-472	-559	-464	-442	-441
Total expenses	-5,683	-5,616	-6,738	-5,474	-5,506
Profit before credit losses	5,609	5,815	4,276	5,151	5,672
Net credit losses	8	-97	-49	-97	-538
Gains/losses on disposal of property, equipment and intangible assets	-5	-6	0	0	8
Operating profit	5,612	5,712	4,227	5,054	5,142
Taxes	-1,231	-1,342	-905	-1,095	-1,205
Profit for the period	4,381	4,370	3,322	3,959	3,937
Earnings per share, SEK	2.21	2.21	1.68	2.00	1.99
- after dilution	2.21	2.21	1.68	2.00	1.99

BALANCE SHEET – GROUP

SEK m		31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Assets						
Cash and balances with central banks		684,396	397,642	557,689	626,876	623,421
Other loans to central banks	Note 7	1,459	21,326	34,508	82,900	50,316
Interest-bearing securities eligible as collateral with central banks		83,447	99,133	84,402	172,234	210,846
Loans to other credit institutions	Note 7	43,378	21,920	26,748	30,579	30,484
Loans to the public	Note 7	2,321,695	2,269,612	2,290,611	2,302,177	2,325,993
Value change of interest-hedged item in portfolio hedge		-306	25	15	18	21
Bonds and other interest-bearing securities		41,101	44,566	44,449	46,477	54,170
Shares		21,899	21,045	20,084	16,751	17,253
Investments in associates		422	386	392	381	310
Assets where the customer bears the value change risk		216,766	197,212	186,490	169,873	150,471
Derivative instruments	Note 9,10	30,631	30,614	49,574	53,747	93,528
Reinsurance assets		11	11	11	11	11
Intangible assets	Note 11	11,489	11,330	11,488	11,463	11,607
Property and equipment		6,208	6,232	6,379	6,402	6,508
Current tax assets		1,782	988	2,833	2,139	1,460
Deferred tax assets		1,048	1,218	1,688	1,715	2,152
Net pension assets		7,587	2,005	-	-	-
Assets held for sale		1,699	1,657	-	-	-
Other assets		13,838	6,113	18,133	6,674	15,663
Prepaid expenses and accrued income		3,081	2,253	2,369	2,770	2,267
Total assets		3,491,631	3,135,288	3,337,863	3,533,187	3,596,481
Liabilities and equity						
Due to credit institutions	Note 12	157,321	124,723	198,906	254,734	245,904
Deposits and borrowing from the public	Note 12	1,474,862	1,229,763	1,317,718	1,375,922	1,382,929
Liabilities where the customer bears the value change risk		216,766	197,212	186,490	169,873	150,471
Issued securities	Note 13	1,373,500	1,310,737	1,369,174	1,412,499	1,479,122
Derivative instruments	Note 9,10	17,633	32,819	16,429	16,433	18,720
Short positions		9,011	1,682	7,332	5,958	5,451
Insurance liabilities		573	557	534	556	562
Current tax liabilities		223	25	1,462	895	749
Deferred tax liabilities		6,051	5,353	5,940	6,166	6,524
Provisions		1,668	2,302	2,603	1,155	1,196
Net pension liabilities		-	-	1,425	3,432	4,697
Other liabilities		22,418	13,928	14,683	83,297	97,146
Accrued expenses and deferred income		5,784	3,632	3,667	3,724	4,732
Subordinated liabilities		31,067	41,082	44,005	35,328	36,823
Total liabilities		3,316,877	2,963,815	3,170,368	3,369,972	3,435,026
Non-controlling interest		11	9	9	8	9
Share capital		3,069	3,069	3,069	3,069	3,069
Share premium		8,758	8,758	8,758	8,758	8,758
Reserves		15,531	8,532	9,607	8,618	10,826
Retained earnings		143,005	135,520	134,836	134,867	134,856
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		4,380	15,585	11,216	7,895	3,937
Total equity		174,754	171,473	167,495	163,215	161,455
Total liabilities and equity		3,491,631	3,135,288	3,337,863	3,533,187	3,596,481

STATEMENT OF CHANGES IN EQUITY – GROUP

January – March 2021 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Non-controlling interest	Total
Opening equity 2021	3,069	8,758	5,891	3,353	94	-806	151,105	9	171,473
Profit for the period							4,380	1	4,381
Other comprehensive income			4,392	-433	47	2,993		0	6,999
<i>of which reclassified within equity</i>					0	-18			-18
Total comprehensive income for the period			4,392	-433	47	2,993	4,380	1	11,380
Reclassified to retained earnings							18		18
Dividend							-8,118		-8,118
Change in non-controlling interest								1	1
Closing equity	3,069	8,758	10,283	2,920	141	2,187	147,385	11	174,754

January – December 2020 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Non-controlling interest	Total
Opening equity 2019	3,069	8,758	4,635	4,203	660	3,643	134,856	8	159,832
Profit for the period							15,585	3	15,588
Other comprehensive income			1,256	-850	-566	-4,449		0	-4,609
<i>of which reclassified within equity</i>					-684	20			-664
Total comprehensive income for the period			1,256	-850	-566	-4,449	15,585	3	10,979
Reclassified to retained earnings							664		664
Change in non-controlling interest								-2	-2
Closing equity	3,069	8,758	5,891	3,353	94	-806	151,105	9	171,473

January – March 2020 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Non-controlling interest	Total
Opening equity 2019	3,069	8,758	4,635	4,203	660	3,643	134,856	8	159,832
Profit for the period							3,937	0	3,937
Other comprehensive income			-4,226	1,893	-112	130		1	-2,314
<i>of which reclassified within equity</i>									-
Total comprehensive income for the period			-4,226	1,893	-112	130	3,937	1	1,623
Closing equity	3,069	8,758	409	6,096	548	3,773	138,793	9	161,455

The translation reserve includes conversion effects relating to the balance sheets and income statements of the Group's international branches and subsidiaries. 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.

CONDENSED STATEMENT OF CASH FLOWS – GROUP

SEK m	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Operating profit, total operations	5,612	5,142	20,135
Adjustment for non-cash items in profit/loss	-100	683	2,038
Paid income tax	-1,784	-2,959	-7,711
Changes in the assets and liabilities of operating activities	277,298	272,021	72,798
Cash flow from operating activities	281,026	274,887	87,260
Change in shares	-25	-37	1,632
Change in property and equipment	-56	-103	-381
Change in intangible assets	-187	-445	-1,031
Cash flow from investing activities	-268	-585	220
Repayment of subordinated loans	-9,811	-	-2
Issued subordinated loans	-	-	8,176
Dividend paid	-8,118	-	-
Cash flow from financing activities	-17,929	-	8,174
Liquid funds at beginning of the period	397,642	327,958	327,958
Cash flow for the period	262,829	274,302	95,654
Exchange rate difference on liquid funds	23,925	21,161	-25,970
Liquid funds at end of the period*	684,396	623,421	397,642

* Liquid funds are defined as Cash and balances with central banks.

NOTES

Note 1 Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) and interpretations of these standards as adopted by the EU. The accounting policies also follow the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25 Annual reports in credit institutions and securities companies. RFR 1 Supplementary Accounting Rules for Groups, and statements from the Swedish Financial Reporting Board, are also applied in the consolidated accounts.

The interim report for the parent company has been 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, FFFS 2008:25 Annual reports in credit institutions and securities companies. The parent company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements.

Changed accounting policies

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases – Interest Rate Benchmark Reform Phase 2

Amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments. Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases, relating to the Interest Rate Benchmark Reform Phase 2, entered into force on 1 January 2021. For information on the implementation of the benchmark reform at the Bank, please refer to note G21 of the Annual Report and Sustainability Report for 2020. The amendments to IFRS 9 entail that modifications of financial assets and financial liabilities, implemented as a direct consequence of the benchmark reform, are recognised as a change to the effective interest rate. Modification gains/losses are thus not recognised. For the exemption to be applicable, an amendment must be necessary as a direct consequence of the benchmark reform, and the new basis for determining cash flows must be economically equivalent to the former basis. In addition, the amendments in IFRS 9 and IAS 39 allow for exemptions from certain requirements for hedge accounting when existing reference rates in hedging relationships are replaced with alternative reference rates.

The amendments are thus deemed to facilitate the transition to new reference rates without significant effects on profit, 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 comparative figures for previous periods have not been recalculated and opening retained earnings have not been impacted by any initial effect in conjunction with the application of the amendments.

In other respects, the interim report of the Group and the parent company has been prepared in accordance with the same accounting policies and calculation methods that were applied in the Annual Report and Sustainability Report for 2020.

Future regulatory changes

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts has been published by the IASB and replaces IFRS 4 Insurance Contracts. 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 a project for the implementation of IFRS 17 and is currently analysing the financial effects of the new standard on the Group's accounts.

Other changes in IFRS

None of the other changes in the accounting regulations issued for application are assessed to have a material impact on Handelsbanken's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements.

Note 2 Net interest income

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Interest income									
Loans to credit institutions and central banks	-82	-103	20%	766		-82	766		517
Loans to the public	9,480	9,587	-1%	11,370	-17%	9,480	11,370	-17%	41,754
Interest-bearing securities eligible as collateral with central banks	64	54	19%	69	-7%	64	69	-7%	291
Bonds and other interest-bearing securities	64	69	-7%	128	-50%	64	128	-50%	380
Derivative instruments	-316	27		882		-316	882		1,172
Other interest income	348	342	2%	316	10%	348	316	10%	1,282
Total	9,558	9,976	-4%	13,531	-29%	9,558	13,531	-29%	45,396
Interest income reported in Net gains/losses on financial transactions	-34	-4		-138	75%	-34	-138	75%	-112
Total interest income	9,592	9,980	-4%	13,669	-30%	9,592	13,669	-30%	45,508
<i>of which interest income according to the effective interest method and interest on derivatives in hedge accounting</i>	9,217	9,586	-4%	12,122	-24%	9,217	12,122	-24%	42,164
Interest expense									
Due to credit institutions and central banks	-49	-28	75%	-258	-81%	-49	-258	-81%	-576
Deposits and borrowing from the public	-62	-99	-37%	-790	-92%	-62	-790	-92%	-1,332
Issued securities	-1,915	-1,791	7%	-4,497	-57%	-1,915	-4,497	-57%	-11,786
Derivative instruments	989	504	96%	827	20%	989	827	20%	2,690
Subordinated liabilities	-356	-294	21%	-334	7%	-356	-334	7%	-1,186
Government fees	-345	-336	3%	-333	4%	-345	-333	4%	-1,424
Other interest expenses	-36	-36	0%	-60	-40%	-36	-60	-40%	-204
Total	-1,774	-2,080	-15%	-5,445	-67%	-1,774	-5,445	-67%	-13,818
Interest expense reported in Net gains/losses on financial transactions	0	39	-100%	-6		0	-6		84
Total interest expense	-1,774	-2,119	-16%	-5,439	-67%	-1,774	-5,439	-67%	-13,902
<i>of which interest expense according to the effective interest method and interest on derivatives in hedge accounting</i>	-1,354	-1,712	-21%	-4,733	-71%	-1,354	-4,733	-71%	-11,609
Net interest income	7,818	7,861	-1%	8,230	-5%	7,818	8,230	-5%	31,606

Included on the Derivative instruments rows is net interest income which relates to assets and liabilities that are hedged. These can have either a positive or a negative impact on interest income and interest expenses.

Note 3 Net fee and commission income

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Brokerage and other securities commissions	174	169	3%	188	-7%	174	188	-7%	656
Mutual funds	1,361	1,219	12%	1,097	24%	1,361	1,097	24%	4,432
Custody and other asset management fees	270	275	-2%	222	22%	270	222	22%	979
Advisory services	68	88	-23%	55	24%	68	55	24%	240
Insurance	215	206	4%	194	11%	215	194	11%	779
Payments	710	791	-10%	859	-17%	710	859	-17%	3,182
Loans and deposits	328	341	-4%	345	-5%	328	345	-5%	1,353
Guarantees	76	83	-8%	90	-16%	76	90	-16%	352
Other	166	168	-1%	148	12%	166	148	12%	648
Total fee and commission income	3,368	3,340	1%	3,198	5%	3,368	3,198	5%	12,621
Securities	-58	-61	-5%	-64	-9%	-58	-64	-9%	-258
Payments	-326	-373	-13%	-415	-21%	-326	-415	-21%	-1,494
Other	-21	-22	-5%	-19	11%	-21	-19	11%	-83
Total fee and commission expenses	-405	-456	-11%	-498	-19%	-405	-498	-19%	-1,835
Net fee and commission income	2,963	2,884	3%	2,700	10%	2,963	2,700	10%	10,786

Net fee and commission income per segment

January - March 2021											
SEK m	Home markets						The Nether- lands	Capital Markets	Other	Adj. & elim.	Group Jan-Mar 2021
	Sweden	UK	Norway	Denmark	Finland						
Brokerage and other securities commissions	69	1	5	19	5	3	75	0	-3	174	
Mutual funds	1,062	72	58	35	50	12	82		-10	1,361	
Custody and other asset management fees	152	9	22	49	12	16	12	0	-2	270	
Advisory services		11	1	4			54		-2	68	
Insurance	193		10	6	18		-7	0	-5	215	
Payments	483	63	54	37	72	1	4	-3	-1	710	
Loans and deposits	182	32	21	17	57	5	12	2	0	328	
Guarantees	25	4	10	17	5	0	15		0	76	
Other	123	1	2	27	4	0	73	1	-65	166	
Total fee and commission income	2,289	193	183	211	223	37	320	0	-88	3,368	
Total fee and commission expenses	-308	-13	-30	-25	-46	-5	-62	-4	88	-405	
Net fee and commission income	1,981	180	153	186	177	32	258	-4	0	2,963	
<i>of Net card commissions</i>	<i>206</i>	<i>7</i>	<i>15</i>	<i>11</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>-3</i>		<i>238</i>	

January - March 2020											
SEK m	Home markets						The Nether- lands	Capital Markets	Other	Adj. & elim.	Group Jan-Mar 2020
	Sweden	UK	Norway	Denmark	Finland						
Brokerage and other securities commissions	69	3	4	17	7	6	81	4	-3	188	
Mutual funds	800	79	35	27	40	11	126		-21	1,097	
Custody and other asset management fees	113		18	42	8	15	26		0	222	
Advisory services	0	10	1	3			41		0	55	
Insurance	213		8	9	15		-45	0	-6	194	
Payments	587	70	64	48	82	1	11	-3	-1	859	
Loans and deposits	172	45	19	17	71	5	15	1	0	345	
Guarantees	31	5	12	15	7	0	20	0	0	90	
Other	108	1	2	24	4	0	62	2	-55	148	
Total fee and commission income	2,093	213	163	202	234	38	337	4	-86	3,198	
Total fee and commission expenses	-373	-17	-32	-25	-51	-7	-75	-4	86	-498	
Net fee and commission income	1,720	196	131	177	183	31	262	0	0	2,700	
<i>of Net card commissions</i>	<i>217</i>	<i>6</i>	<i>21</i>	<i>19</i>	<i>4</i>	<i>0</i>	<i>0</i>	<i>-3</i>		<i>264</i>	

Note 4 Net gains/losses on financial transactions

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Amortised cost	55	8		55	0%	55	55	0%	182
<i>of which loans</i>	90	48	88%	83	8%	90	83	8%	309
<i>of which interest-bearing securities</i>	0	0		0	0%	0	0	0%	0
<i>of which issued securities</i>	-35	-40	13%	-28	-25%	-35	-28	-25%	-127
Fair value through other comprehensive income	0	-1		0	0%	0	0	0%	-1
<i>of which expected credit losses</i>	0	-1		0	0%	0	0	0%	-1
Fair value through profit or loss, fair value option	-436	-125	-249%	299		-436	299		304
<i>of which interest-bearing securities</i>	-436	-125	-249%	299		-436	299		
Fair value through profit or loss, mandatory including FX effects	808	690	17%	-106		808	-106		1,021
Hedge accounting	-25	-10	-150%	34		-25	34		49
<i>of which net gains/losses on fair value hedges</i>	-25	-11	-127%	34		-25	34		49
<i>of which cash flow hedge ineffectiveness</i>	0	1	-100%	0	0%	0	0	0%	0
Result from financial components in insurance contract	-5	-22	77%	-152	97%	-5	-152	97%	-118
Net gains/losses on financial transactions	397	540	-26%	130	205%	397	130	205%	1,437

Note 5 Other expenses

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Property and premises	-156	-152	3%	-169	-8%	-156	-169	-8%	-626
External IT costs	-626	-579	8%	-551	14%	-626	-551	14%	-2,199
Communication	-76	-76	0%	-85	-11%	-76	-85	-11%	-314
Travel and marketing	-27	-37	-27%	-65	-58%	-27	-65	-58%	-157
Purchased services	-480	-486	-1%	-515	-7%	-480	-515	-7%	-1,924
Supplies	-39	-38	3%	-42	-7%	-39	-42	-7%	-172
Other administrative expenses	-159	-19		-160	-1%	-159	-160	-1%	-693
Other expenses	-1,563	-1,387	13%	-1,587	-2%	-1,563	-1,587	-2%	-6,085

Note 6 Credit losses

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Expected credit losses on balance sheet items									
The period's provision Stage 3	-118	-261	-55%	-210	-44%	-118	-210	-44%	-829
Reversal of Stage 3 provisions previous years	43	70	-39%	155	-72%	43	155	-72%	581
Total expected credit losses Stage 3	-75	-191	-61%	-55	36%	-75	-55	36%	-248
The period's net provision Stage 2	-44	9		-230	-81%	-44	-230	-81%	-430
The period's net provision Stage 1	16	11	45%	-170		16	-170		-35
Total expected credit losses in Stage 1 and Stage 2	-28	20		-400	-93%	-28	-400	-93%	-465
Total expected credit losses on balance sheet items	-103	-171	-40%	-455	-77%	-103	-455	-77%	-713
Expected credit losses on off-balance sheet items									
The period's net provision Stage 3	51	46	11%	-29		51	-29		-20
The period's net provision Stage 2	33	17	94%	-30		33	-30		-95
The period's net provision Stage 1	8	-2		-32		8	-32		-24
Total expected credit losses on off-balance sheet items	92	61	51%	-91		92	-91		-139
Write-offs									
Actual credit losses for the period	-177	-545	-68%	-258	-31%	-177	-258	-31%	-1,834
Utilised share of previous provision Stage 3	155	522	-70%	245	-37%	155	245	-37%	1,757
Total write-offs	-22	-23	-4%	-13	69%	-22	-13	69%	-77
Recoveries									
	41	36	14%	21	95%	41	21	95%	148
Net credit losses	8	-97		-538		8	-538		-781
<i>of which loans to the public</i>	-83	-154	-46%	-446	-81%	-83	-446	-81%	-638

SEK m	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
1) Expected credit losses Stage 3 on and off balance sheet	-24	-145	-28	-11	-84
Change in model-based provision Stage 1 and Stage 2:					
Update of macroeconomic scenarios and risk factors	34	10	40	-203	
Transfer of exposures in exposed sectors from Stage 1 to Stage 2*	1	3	-7	-37	
Change in probability of default in portfolio at beginning of quarter (net rating changes)	-70	-35	-6	-70	
Effects of changes in exposures (existing, new and terminated exposures)	18	38	44	154	
Other in Stage 1 and Stage 2	69	16	25	30	
Model-based credit losses in Stage 1 and Stage 2	52	32	96	-126	-22
Expert-based provision for Covid-19 (stress of ECL 12 months, in Stage and Stage 2):					
Provision for stress in exposed sectors according to assumptions	-678	-663	-564	-562	-734
Exclusion of mortgages				65	
Exclusion of previously included counterparties				46	
Extended list of identified exposed sectors (retail property)				-48	
Provision for stress of Group exposures towards SME corporates (excl. properties)				-25	
Extended stress of the group exposure of Hotel corp.	-27		-100		
Reduction, based on 60% probability for stress					294
Reduction, based on 80% probability for stress				105	
Reduction, based on 80% probability for stress, 90% in UK and 100% for hotel	102	99	97		
Expert-based calculation of provision	-603	-564	-567	-419	-440
Expert-based credit losses in Stage 1 and Stage 2 (change in provision versus previous quarter)	-39	3	-148	21	-440
2) Expected credit losses in Stage 1 and Stage 2 on and off balance sheet	13	35	-52	-105	-462
3) Write-offs	-22	-23	-19	-22	-13
4) Recoveries	41	36	50	41	21
Net credit losses (1+2+3+4)	8	-97	-49	-97	-538

* expert-based assessment of significant increase in credit risk

The provision requirement has increased during the first quarter as a result of negative rating migrations and an expert assessment of the effects of the Covid-19 pandemic. However, this has been counterbalanced by a decreased provision requirement arising from updated values for the forward-looking macroeconomic risk factors, with GDP increasing, unemployment decreasing, and the future value of collateral increasing compared with the Q4 forecast. The macroeconomic risk factors for the UK are those that have seen the most improvement.

The macroeconomic scenarios were updated prior to the first quarter based on the prevailing market conditions. Both the probability weighting of 15%/70%/15% for a negative/neutral/positive scenario and the selection of macroeconomic risk factors are unchanged since year-end.

In order to incorporate the estimated impact of the Covid-19 pandemic from factors not covered by the model, an expert-based calculation has been carried out at aggregate level to adjust the model-based calculations for selected sub-portfolios. A stressed scenario for these sub-portfolios has been compared with the model-based calculation as at 31 March 2021, with the difference constituting the expert-based calculation. Thereafter, the Bank has assessed the probability that the outcome of the expert-based calculation will arise, and arrived at an additional provision requirement of SEK 603m (564), an increase of SEK 39m. The stressed sub-portfolios include all private customers (excluding mortgages) and corporate customers assessed as belonging to a sector that is especially exposed to the effects of the Covid-19

pandemic. The exposed sectors are primarily comprised of construction businesses, retail, and hotel and restaurant businesses. The stress for hotel operations was increased by SEK 27m during the first quarter. 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, probability of default (PD) is the risk parameter that has been stressed for the coming 12 months.

In addition to the stress above, an expert-based assessment has been made 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. The expert-based assessment results in a reduced provision requirement of SEK 1m (3), due to transfers between Stage 1 and Stage 2.

During Q1 2021, no temporary exemptions from loan repayments offered as a response to the Covid-19 pandemic have qualified as a single quantitative factor for 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.

Loans to the public – Key figures

	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Credit loss ratio %, acc	0.01	0.03	0.03	0.04	0.08
Total credit loss reserve ratio, %	0.15	0.15	0.17	0.20	0.20
Credit loss reserve ratio Stage 1, %	0.02	0.02	0.02	0.02	0.02
Credit loss reserve ratio Stage 2, %	1.20	1.09	1.06	0.95	1.13
Credit loss reserve ratio Stage 3, %	29.99	31.97	32.05	39.02	41.62
Proportion of loans Stage 3, %	0.22	0.21	0.23	0.23	0.21

For definitions, please see the Fact Book which is available at handelsbanken.com/ir.

Note 7 Loans

Loans and interest-bearing securities that are subject to impairment testing, net

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Cash and balances with central banks	684,396	397,642	557,689	626,876	623,421
Other loans to central banks	1,459	21,326	34,508	82,900	50,316
Interest-bearing securities eligible as collateral with central banks	418	1,181	1,904	1,623	2,513
Loans to other credit institutions	43,378	21,920	26,748	30,579	30,484
<i>of which reverse repos</i>	19,728	523	2,492	2,397	444
Loans to the public	2,321,695	2,269,612	2,290,611	2,302,177	2,325,993
<i>of which reverse repos</i>	13,073	11,626	14,879	16,640	16,444
Bonds and interest-bearing securities	9,584	7,964	4,804	3,756	4,950
Total	3,060,930	2,719,645	2,916,264	3,047,911	3,037,677

Loans and interest-bearing securities that are subject to impairment testing, divided into stages

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Volume, gross	3,064,428	2,723,110	2,920,063	3,052,582	3,042,457
<i>of which Stage 1</i>	2,981,585	2,639,707	2,830,893	2,958,997	2,974,542
<i>of which Stage 2</i>	75,478	76,401	81,275	84,766	59,338
<i>of which Stage 3</i>	7,365	7,002	7,895	8,819	8,577
Provisions	-3,501	-3,467	-3,801	-4,672	-4,781
<i>of which Stage 1</i>	-383	-389	-407	-422	-541
<i>of which Stage 2</i>	-909	-840	-863	-809	-671
<i>of which Stage 3</i>	-2,209	-2,238	-2,531	-3,441	-3,569

Loans to the public that are subject to impairment testing, divided into stages

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Loans to the public, gross	2,325,187	2,273,069	2,294,406	2,306,846	2,330,769
<i>of which Stage 1</i>	2,242,371	2,189,683	2,205,263	2,213,338	2,262,954
<i>of which Stage 2</i>	75,451	76,384	81,248	84,689	59,238
<i>of which Stage 3</i>	7,365	7,002	7,895	8,819	8,577
Provisions	-3,492	-3,457	-3,795	-4,669	-4,776
<i>of which Stage 1</i>	-378	-385	-404	-420	-538
<i>of which Stage 2</i>	-905	-834	-860	-808	-669
<i>of which Stage 3</i>	-2,209	-2,238	-2,531	-3,441	-3,569

Change in the provision for expected credit losses – Loans and interest-bearing securities

31 March 2021				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-389	-840	-2,238	-3,467
Derecognised assets	11	20	48	79
Write-offs	0	0	155	155
Remeasurements due to changes in credit risk	-9	-73	-72	-154
Changes due to update in the methodology for estimation	-	-	-	-
Foreign exchange effect, etc	-9	-28	-49	-86
Purchased or originated assets	-21	-2	-4	-27
Transfer to Stage 1	-17	26	2	11
Transfer to Stage 2	30	-102	6	-66
Transfer to Stage 3	21	90	-57	54
Provision at end of period	-383	-909	-2,209	-3,501

31 December 2020				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-363	-444	-3,767	-4,574
Derecognised assets	68	106	156	330
Write-offs	-	2	1,755	1,757
Remeasurements due to changes in credit risk	-235	-123	-71	-429
Changes due to update in the methodology for estimation	-	-	-	0
Foreign exchange effect, etc	19	21	76	116
Purchased or originated assets	-81	-78	-20	-179
Transfer to Stage 1	-16	28	3	15
Transfer to Stage 2	109	-501	9	-383
Transfer to Stage 3	110	149	-379	-120
Provision at end of period	-389	-840	-2,238	-3,467

Change in the provision for expected credit losses – Loans to the public

31 March 2021				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-385	-834	-2,238	-3,457
Derecognised assets	11	20	48	79
Write-offs	0	0	155	155
Remeasurements due to changes in credit risk	-8	-75	-72	-155
Changes due to update in the methodology for estimation	-	-	-	-
Foreign exchange effect, etc	-9	-28	-49	-86
Purchased or originated assets	-21	-2	-4	-27
Transfer to Stage 1	-17	26	2	11
Transfer to Stage 2	30	-102	6	-66
Transfer to Stage 3	21	90	-57	54
Provision at end of period	-378	-905	-2,209	-3,492

31 December 2020				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-360	-441	-3,767	-4,568
Derecognised assets	68	104	156	328
Write-offs	-	2	1,755	1,757
Remeasurements due to changes in credit risk	-235	-125	-71	-431
Changes due to update in the methodology for estimation	-	-	-	0
Foreign exchange effect, etc	19	21	76	116
Purchased or originated assets	-80	-77	-20	-177
Transfer to Stage 1	-16	28	3	15
Transfer to Stage 2	109	-495	9	-377
Transfer to Stage 3	110	149	-379	-120
Provision at end of period	-385	-834	-2,238	-3,457

The change analysis shows the net effect on the provision for the stage in question for each explanatory item during the period. The impact of reversals and write-offs is calculated on the opening balance. The effect of revaluations arising as a result of changes due to updates in the methodology for estimation, foreign exchange effects, etc., is calculated before any transfer of net amounts 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.

Loans to the public – by sector

31 March 2021	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
SEK m							
Private individuals	1,175,546	17,964	2,245	-158	-160	-730	1,194,707
<i>of which mortgage loans</i>	980,440	12,163	521	-34	-27	-58	993,005
<i>of which other loans with property mortgages</i>	152,414	4,244	714	-13	-18	-138	157,203
<i>of which other loans to private individuals</i>	42,692	1,557	1,010	-111	-115	-534	44,499
Housing co-operative associations	255,163	1,447	88	-8	-6	-44	256,640
<i>of which mortgage loans</i>	233,090	703	11	-4	-1	-7	233,792
Property management	620,350	33,773	1,943	-88	-245	-272	655,461
Manufacturing	22,539	3,775	166	-13	-22	-104	26,341
Retail	18,559	2,041	373	-16	-62	-91	20,804
Hotel and restaurant	4,758	6,236	43	-6	-231	-8	10,792
Passenger and goods transport by sea	2,530	1,772	1,238	-1	-9	-312	5,218
Other transport and communication	9,249	506	90	-8	-22	-77	9,738
Construction	17,760	1,496	163	-19	-40	-89	19,271
Electricity, gas and water	13,516	716	3	-3	-8	-3	14,221
Agriculture, hunting and forestry	21,156	1,231	60	-12	-19	-40	22,376
Other services	15,271	1,613	289	-17	-37	-212	16,907
Holding, investment and insurance companies, funds etc.	43,359	2,009	158	-13	-11	-125	45,377
Government and municipalities	6,273	186	-	0	-1	-	6,458
<i>of which Swedish national debt office</i>	-	-	-	-	-	-	-
Other corporate lending	16,342	686	506	-16	-32	-102	17,384
Total	2,242,371	75,451	7,365	-378	-905	-2,209	2,321,695

31 December 2020	Gross			Provisions			Net
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
SEK m							
Private individuals	1,149,125	18,737	2,236	-155	-169	-756	1,169,018
<i>of which mortgage loans</i>	962,972	12,734	601	-37	-28	-56	976,186
<i>of which other loans with property mortgages</i>	145,738	4,330	591	-13	-19	-139	150,488
<i>of which other loans to private individuals</i>	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
<i>of which mortgage loans</i>	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 and insurance companies, funds etc.	46,772	2,011	155	-16	-14	-108	48,800
Government and municipalities	7,086	91	-	0	-1	-	7,176
<i>of which Swedish national debt office</i>	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

Specification of Loans to the public – Property management

31 March 2021	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans in Sweden							
State-owned property companies	7,893	14	-	0	-	-	7,907
Municipal-owned property companies	7,541	-	-	0	-	-	7,541
Residential property companies	124,014	1,403	55	-4	-7	-31	125,430
<i>of which mortgage loans</i>	113,062	1,291	15	-4	-6	-8	114,350
Other property management	114,977	10,983	210	-12	-75	-85	125,998
<i>of which mortgage loans</i>	64,325	2,036	26	-4	-8	-8	66,367
Total loans in Sweden	254,425	12,400	265	-16	-82	-116	266,876
Loans outside Sweden							
UK	139,031	9,996	858	-34	-81	-84	149,686
Norway	115,033	6,578	72	-18	-48	-3	121,614
Denmark	23,473	652	115	-7	-12	-32	24,189
Finland	41,435	3,817	621	-5	-20	-37	45,811
The Netherlands	44,977	316	-	-8	-2	-	45,283
Other countries	1,976	14	12	0	0	0	2,002
Total loans outside Sweden	365,925	21,373	1,678	-72	-163	-156	388,585
Total loans - Property management	620,350	33,773	1,943	-88	-245	-272	655,461

31 December 2020	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans in Sweden							
State-owned property companies	7,895	14	-	0	-	-	7,909
Municipal-owned property companies	7,635	-	-	0	-	-	7,635
Residential property companies	124,320	1,274	57	-5	-8	-47	125,591
<i>of which mortgage loans</i>	113,335	1,107	12	-4	-6	-6	114,438
Other property management	118,593	10,026	218	-20	-101	-86	128,630
<i>of which mortgage loans</i>	63,899	1,920	29	-3	-12	-10	65,823
Total loans in Sweden	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	2,087	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 loans outside Sweden	342,040	22,061	1,399	-71	-158	-195	365,076
Total loans - Property management	600,483	33,375	1,674	-96	-267	-328	634,841

Specification of Loans to the public – Property management: Type of collateral & country, home markets

31 March 2021							
SEK m, gross	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Total
Government guarantees	2,406	-	24	-	23,925	-	26,355
Residential	146,186	84,333	19,945	11,503	7,158	30,038	299,163
Office, retail, hotel	68,607	48,379	86,321	4,521	8,349	3,521	219,698
Other real estate	12,711	-	106	3,315	1,131	10,930	28,193
Industry, logistics	17,299	12,300	2,252	710	3,857	193	36,611
Agriculture, forestry	1,769	781	46	91	1	-	2,688
Other collateral	8,557	505	1,753	3,336	633	417	15,201
Unsecured	9,555	3,149	10,482	725	600	194	24,705
Undeveloped	-	438	754	39	219	-	1,450
Total	267,090	149,885	121,683	24,240	45,873	45,293	654,064

31 December 2020							
SEK m, gross	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Total
Government guarantees	2,371	-	23	-	23,104	-	25,498
Residential	146,484	70,192	18,618	11,822	7,128	27,940	282,184
Office, retail, hotel	68,409	49,941	79,779	4,447	8,292	3,165	214,033
Other real estate	14,960	248	682	3,094	1,083	10,390	30,457
Industry, logistics	17,309	12,380	2,063	702	3,684	181	36,319
Agriculture, forestry	1,730	889	44	100	1	-	2,764
Other collateral	8,681	1,572	674	2,433	549	459	14,368
Unsecured	10,088	2,438	11,231	731	561	1,105	26,154
Undeveloped	-	806	484	16	187	-	1,493
Total	270,032	138,466	113,598	23,345	44,589	43,240	633,270

Loans to the public – Property management: Commercial properties LTV per country, home markets

31 March 2021							
LTV, %	Sweden	UK	Norway	Denmark	Finland	The Netherlands	All
0-40	81.8	86.3	77.7	70.7	78.6	83.2	81.5
41-60	16.5	13.1	19.0	23.0	15.7	16.0	16.5
61-75	1.3	0.5	2.2	4.7	2.4	0.5	1.4
>75	0.4	0.1	1.0	1.5	3.4	0.3	0.7
Average LTV	47	45	52	56	49	48	49

31 December 2020							
LTV, %	Sweden	UK	Norway	Denmark	Finland	The Netherlands	All
0-40	81.2	86.0	76.1	70.4	78.3	82.6	80.6
41-60	16.7	13.4	20.4	23.7	15.8	16.3	17.1
61-75	1.4	0.5	2.3	4.4	2.5	0.8	1.5
>75	0.7	0.2	1.2	1.6	3.5	0.3	0.8
Average LTV	48	45	54	56	50	49	49

Loan to value (LTV) shows lending in relation to the market value of the collateral.

Loans to the public – Property management: Residential properties LTV per country, home markets

31 March 2021							
LTV, %	Sweden	UK	Norway	Denmark	Finland	The Netherlands	All
0-40	79.8	82.9	73.1	64.6	55.6	74.9	77.7
41-60	17.2	16.5	22.0	25.1	20.9	22.6	18.2
61-75	2.7	0.4	3.2	7.8	10.0	1.8	2.8
>75	0.3	0.1	1.7	2.5	13.5	0.7	1.3
Average LTV	49	48	57	63	81	55	52

31 December 2020							
LTV, %	Sweden	UK	Norway	Denmark	Finland	The Netherlands	All
0-40	79.5	83.0	73.2	64.4	56.2	76.5	77.7
41-60	17.4	16.5	22.2	24.4	20.6	21.2	18.3
61-75	2.8	0.4	2.9	8.7	10.0	1.5	2.8
>75	0.3	0.2	1.7	2.5	13.2	0.8	1.2
Average LTV	49	48	57	63	80	54	52

Loan to value (LTV) shows lending in relation to the market value of the collateral.

Note 8 Credit risk exposure

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Cash and balances with central banks	684,396	397,642	557,689	626,876	623,421
Other loans to central banks	1,459	21,326	34,508	82,900	50,316
Interest-bearing securities eligible as collateral with central banks	83,447	99,133	84,402	172,234	210,846
Loans to other credit institutions	43,378	21,920	26,748	30,579	30,484
<i>of which reverse repos</i>	19,728	523	2,492	2,397	444
Loans to the public	2,321,695	2,269,612	2,290,611	2,302,177	2,325,993
<i>of which reverse repos</i>	13,073	11,626	14,879	16,640	16,444
Bonds and other interest-bearing securities	41,101	44,566	44,449	46,477	54,170
Derivative instruments*	30,631	30,614	49,574	53,747	93,528
Contingent liabilities	82,667	79,895	87,449	92,110	98,275
Commitments	484,966	463,424	477,348	464,078	435,579
Total	3,773,740	3,428,132	3,652,778	3,871,178	3,922,612

* Refers to the total of positive market values.

Note 9 Derivatives

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Positive market values					
Trading	30,031	28,543	35,818	35,989	57,989
Fair value hedges	2,768	3,207	3,318	3,242	2,857
Cash flow hedges	20,421	24,208	39,588	46,340	62,730
Amounts offset	-22,589	-25,344	-29,150	-31,824	-30,048
Total	30,631	30,614	49,574	53,747	93,528
Negative market values					
Trading	26,619	42,757	36,734	38,763	38,126
Fair value hedges	1,279	630	658	636	597
Cash flow hedges	8,209	10,478	4,086	3,994	4,307
Amounts offset	-18,474	-21,046	-25,049	-26,960	-24,310
Total	17,633	32,819	16,429	16,433	18,720
Nominal value					
Trading	2,739,181	2,661,187	2,958,488	3,140,068	3,343,387
Fair value hedges	350,385	308,268	236,976	206,623	168,170
Cash flow hedges	669,434	714,675	765,670	803,371	863,023
Amounts offset	-2,213,093	-2,110,391	-2,045,784	-1,856,014	-2,169,038
Total	1,545,907	1,573,739	1,915,350	2,294,048	2,205,542

In this note, derivative contracts are presented on a gross basis. Amounts offset on the balance sheet consist of the offset market value of contracts for which there is a 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.

Note 10 Offsetting of financial instruments

31 March 2021 SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	53,220	36,160	89,380
Amounts offset	-22,589	-2,886	-25,475
Carrying amount on the balance sheet	30,631	33,274	63,905
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-12,024	-	-12,024
Financial assets received as collateral	-12,115	-33,244	-45,359
Total amounts not offset on the balance sheet	-24,139	-33,244	-57,383
Net amount	6,492	30	6,522
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	36,107	13,903	50,010
Amounts offset	-18,474	-2,886	-21,360
Carrying amount on the balance sheet	17,633	11,017	28,650
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-12,024	-	-12,024
Financial assets pledged as collateral	-2,562	-11,016	-13,578
Total amounts not offset on the balance sheet	-14,586	-11,016	-25,602
Net amount	3,047	1	3,048

31 December 2020 SEK m	Derivatives	Repurchase agreements, securities borrowing and similar agreements	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	9	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

Derivative instruments are offset on the balance sheet when the settlement of two or more derivatives reflects the Bank's anticipated cash flows. 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 intention to settle the agreed cash flows with a net amount. The remaining counterparty risk in derivatives is reduced through netting agreements if payments are suspended, i.e. netting positive values against negative values in all derivative transactions with the same counterparty in a bankruptcy situation. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure. The collateral used is mainly cash, but government securities are also used. Collateral for repurchase agreements and borrowing and lending of securities is normally in the form of cash or other securities.

The amount offset for derivative assets includes offset cash collateral of SEK 5,366m (7,330) derived from the balance sheet item Deposits and borrowing from the public. The amount offset for derivative liabilities includes offset cash collateral of SEK 1,251m (3,032), derived from the balance sheet item Loans to the public.

Note 11 Goodwill and other intangible assets

SEK m	Goodwill			Other intangible assets			Total		
	Jan-Mar 2021	Jan-Mar 2020	Full year 2020	Jan-Mar 2021	Jan-Mar 2020	Full year 2020	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Opening residual value	6,822	7,007	7,007	4,508	4,178	4,178	11,330	11,185	11,185
Additional during the period	-	-	-	186	445	1,031	186	445	1,031
The period's amortisation	-	-	-	-165	-130	-548	-165	-130	-548
The period's impairments	-	-	-	-25	-7	-82	-25	-7	-82
Foreign exchange effect	113	75	-185	50	39	-71	163	114	-256
Closing residual value	6,935	7,082	6,822	4,554	4,525	4,508	11,489	11,607	11,330

Note 12 Due to credit institutions, deposits and borrowing from the public

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Due to credit institutions	157,321	124,723	198,906	254,734	245,904
<i>of which repos</i>	326	-	2,157	753	-
Deposits and borrowing from the public	1,474,862	1,229,763	1,317,718	1,375,922	1,382,929
<i>of which repos</i>	10,691	-	265	-	-

Note 13 Issued securities

SEK m	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Issued securities at beginning of year	1,310,737	1,384,961	1,384,961
Issued	253,275	245,127	944,015
Repurchased	-21,769	-13,258	-72,852
Matured	-206,811	-184,618	-880,712
Foreign exchange effect etc.	38,068	46,910	-64,675
Issued securities at end of period	1,373,500	1,479,122	1,310,737

Note 14 Pledged assets, contingent liabilities and commitments

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Assets pledged for own debt	894,646	897,907	905,889	891,274	881,876
Other pledged assets	48,447	48,430	60,772	58,812	56,673
Contingent liabilities	82,667	79,895	87,449	92,110	98,275
Commitments	484,966	463,424	477,348	464,078	435,579

Note 15 Classification of financial assets and liabilities

31 March 2021	Fair value through profit or loss				Amortised cost	Total carrying amount	Fair value
	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income			
SEK m							
Assets							
Cash and balances with central banks					684,396	684,396	684,396
Other loans to central banks					1,459	1,459	1,459
Interest-bearing securities eligible as collateral with central banks	4,717	78,312		400	18	83,447	83,447
Loans to other credit institutions					43,378	43,378	43,432
Loans to the public					2,321,695	2,321,695	2,331,240
Value change of interest-hedged item in portfolio hedge					-306	-306	
Bonds and other interest-bearing securities	12,816	18,701		9,584		41,101	41,101
Shares	21,048			851		21,899	21,899
Assets where the customer bears the value change risk	216,706				60	216,766	216,766
Derivative instruments	19,278		11,353			30,631	30,631
Other assets	10				13,828	13,838	13,838
Total	274,575	97,013	11,353	10,835	3,064,528	3,458,304	3,468,209
Investments in associates						422	
Non-financial assets						32,905	
Total assets						3,491,631	
Liabilities							
Due to credit institutions					157,321	157,321	158,236
Deposits and borrowing from the public					1,474,862	1,474,862	1,474,820
Liabilities where the customer bears the value change risk		216,706			60	216,766	216,766
Issued securities	2,215				1,371,285	1,373,500	1,387,741
Derivative instruments	9,797		7,836			17,633	17,633
Short positions	9,011					9,011	9,011
Other liabilities	24				22,394	22,418	22,418
Subordinated liabilities					31,067	31,067	33,052
Total	21,047	216,706	7,836		3,056,989	3,302,578	3,319,677
Non-financial liabilities						14,299	
Total liabilities						3,316,877	

31 December 2020		Fair value through profit or loss			Amortised cost	Total carrying amount	Fair value
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income			
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						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	

Note 16 Fair value measurement of financial instruments

31 March 2021 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	81,719	1,710	-	83,429
Bonds and other interest-bearing securities	28,113	12,988	-	41,101
Shares	20,449	854	596	21,899
Assets where the customer bears the value change risk	215,744	479	483	216,706
Derivative instruments	59	30,542	30	30,631
Total	346,084	46,573	1,109	393,766
Liabilities				
Liabilities where the customer bears the value change risk	215,744	479	483	216,706
Issued securities	-	2,215	-	2,215
Derivative instruments	101	17,501	31	17,633
Short positions	8,109	902	-	9,011
Total	223,954	21,097	514	245,565
31 December 2020 SEK m				
	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	97,513	840	-	98,353
Bonds and other interest-bearing securities	37,931	6,635	-	44,566
Shares	19,892	603	550	21,045
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

Valuation process

The risk control function checks that the Group's financial instruments are correctly valued. As far as is possible, the valuations are based on external data.

For financial instruments traded on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, execution venue, reliable news service or equivalent, and where the price information received can be verified by means of regularly occurring transactions. The current market price 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.

For financial instruments where there is no reliable information about market prices, fair value is established using valuation models. These models can, for example, be based on price comparisons, present value calculations or option valuation theory depending on the nature of the instrument.

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 is 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 2020), the instrument has been moved between the levels in the table.

During January – March 2021, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, interest-bearing securities worth SEK 2,870m and interest-bearing securities eligible as collateral with central banks worth SEK 12m were transferred from level 1 to level 2. Interest-bearing securities worth SEK 565m and interest-bearing securities eligible as collateral with central banks worth SEK 20m were transferred from level 2 to level 1. On the liabilities side, short positions worth SEK 209m were transferred from level 1 to level 2. No transfers from level 2 to level 1 have taken place on the liabilities side. No transfers between levels took place during the period January – March 2021 due solely to the Covid-19 situation. 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 in 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 are also 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.

Differences between the transaction price and the value measured by a valuation model

The models use input data in the form of market prices and other variables that are deemed to affect pricing. The models and input data which form the basis of the valuations are regularly validated to ensure that they are consistent with market practice and established financial theory. In cases where there are positive differences between the value calculated with the help of a valuation model at initial recognition and the transaction price (day 1 gains/losses), the difference is accrued over the life of the financial instrument. Such differences occur when the applied valuation model does not fully capture all the components which affect the value of the instrument. Day 1 gains/losses are comprised of the Bank's profit margin and remuneration for, for example, capital costs and administrative costs. During the period January – March 2021, an accrual effect of SEK 57m (97) was recognised under Net gains/losses on financial transactions. Of the accrual effect during the corresponding period of the previous year, SEK 87m was attributable to the initial reversal of non-recognised day 1 gains/losses in conjunction with the transition to a new method for reporting CVA. At the end of the period, non-recognised day 1 gains/losses totalled SEK 537m; at year-end 2020, the corresponding figure was SEK 538m.

Change in holdings in level 3

January - March 2021 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	550	80	-80	474	-474
Acquisitions	4	1	-9	-	-
Repurchases/sales	-	6	-	-	-
Matured during the period	-	-	-	-	-
Unrealised value change in income statement	1	-80	82	9	-9
Unrealised value change in other comprehensive income	41	-	-	-	-
Transfer from level 1 or 2	-	1	-1	-	-
Transfer to level 1 or 2	-	22	-23	-	-
Carrying amount at end of period	596	30	-31	483	-483

January - December 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 during the period	-	-	-	-	-
Unrealised value change in income statement	-22	-16	16	-19	19
Unrealised value change in other comprehensive income	-38	-	-	-	-
Transfer from level 1 or 2	-	17	-17	-	-
Transfer to level 1 or 2	-	1	-1	-	-
Carrying amount at end of period	550	80	-80	474	-474

Note 17 Assets and liabilities by currency

31 March 2021								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	150,006	118,600	4,482	19,252	103,902	286,823	1,331	684,396
Other loans to central banks	-	-	-	275	1,184	-	-	1,459
Loans to other credit institutions	2,007	7,287	20,109	181	1,321	11,157	1,316	43,378
Loans to the public	1,426,676	238,021	283,681	100,707	254,270	15,599	2,741	2,321,695
<i>of which corporates</i>	503,085	147,860	177,508	36,351	174,359	15,415	1,211	1,055,789
<i>of which households</i>	923,591	90,161	106,173	64,356	79,911	184	1,530	1,265,906
Interest-bearing securities eligible as collateral with central banks	73,257	5,523	1,678	19	-	2,970	-	83,447
Bonds and other interest-bearing securities	28,036	1,315	9,578	17	0	2,155	-	41,101
Other items not broken down by currency	316,155							316,155
Total assets	1,996,137	370,746	319,528	120,451	360,677	318,704	5,388	3,491,631
Liabilities								
Due to credit institutions	41,889	30,583	28,424	36	5,826	50,110	453	157,321
Deposits and borrowing from the public	772,766	141,275	90,940	47,509	225,837	193,745	2,790	1,474,862
<i>of which corporates</i>	343,448	112,861	63,366	23,982	159,092	189,610	2,028	894,387
<i>of which households</i>	429,318	28,414	27,574	23,527	66,745	4,135	762	580,475
Issued securities	464,383	389,325	30,340	12	72,959	398,343	18,138	1,373,500
Subordinated liabilities	3,007	15,353	-	-	0	12,707	-	31,067
Other items not broken down by currency, incl. equity	454,881							454,881
Total liabilities and equity	1,736,926	576,536	149,704	47,557	304,622	654,905	21,381	3,491,631
Other assets and liabilities broken down by currency (net)		206,017	-169,743	-72,850	-56,021	336,206	16,052	
Net foreign currency position		227	81	44	34	5	59	450

31 December 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
<i>of which corporates</i>	506,541	151,899	161,117	34,499	161,817	15,273	1,125	1,032,271
<i>of which households</i>	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
<i>of which corporates</i>	310,737	106,377	58,415	24,285	149,183	18,513	1,365	668,875
<i>of which households</i>	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 18 Own funds and capital requirements in the consolidated situation

The requirements for the calculation of own funds and capital requirements are regulated in Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU, which comprise the EU's implementation of the international Basel III regulations. All references to CRR in this report refer to these regulations in their entirety, regardless of legislative form (regulation, directive, executive decree or national implementation). Figures reported in this section refer to the minimum capital requirements under Pillar 1 and meet the requirements for publication of information relating to capital adequacy in CRR Part Eight, as well as in the Swedish Financial Supervisory Authority's regulation FFFS 2014:12. Information regarding the total capital requirement and common equity tier 1 capital requirements in Pillar 2 is provided in the Group performance section.

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.

	Amount at disclosure date SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	Regulation (EU) No 575/2013 art. ref.
Common equity tier 1 (CET1) capital: Instruments and reserves							
1	Capital instruments and the related share premium accounts <i>of which: share capital</i>	11,827	11,827	11,827	11,827	11,827	26.1, 27, 28, 29 EBA list 26.3
2	Retained earnings	143,607	137,177	125,602	125,634	125,623	26.1 c
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	15,527	8,562	9,628	8,641	10,816	26.1
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	2,422	6,414	6,288	4,506	2,283	26.2
6	Common equity tier 1 (CET1) capital before regulatory adjustments	173,383	163,980	153,345	150,608	150,549	0
Common equity tier 1 (CET1) capital: regulatory adjustments							
7	Additional value adjustments (negative amount)	-469	-399	-566	-563	-693	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-11,368	-11,217	-11,391	-11,375	-11,534	36.1 b, 37
11	Fair value reserves related to gains or losses on cash flow hedges	-2,920	-3,353	-4,583	-5,269	-6,096	33.1 a
12	Negative amounts resulting from the calculation of expected loss amounts	-885	-779	-903	-1,010	-1,319	36.1 d, 40, 159
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	1	9	10	0	-11	33.1 b
15	Defined benefit pension fund assets (negative amount)	-6,052	-1,615	-	-	-	36.1 e, 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-539	-466	-447	-473	-456	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, 49.1-49.3, 79
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	-	-	-	36 (1) (k)
20c	<i>of which: securitisation positions (negative amount)</i>	-	-	-	-	-	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	<i>of which: direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities</i>	-	-	-	-	-	36.1 i, 48.1 b
25	<i>of which: deferred tax assets arising from temporary differences</i>	-	-	-	-	-	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 i
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	-22,232	-17,820	-17,880	-18,690	-20,109	
29	Common equity tier 1 (CET1) capital	151,151	146,160	135,465	131,918	130,440	

Own funds, cont.

	Amount at disclosure date SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	Regulation (EU) No 575/2013 art. ref.
Additional tier 1 (AT1) capital: instruments							
30	Capital instruments and the related share premium accounts <i>of which: classified as liabilities under applicable accounting standards</i>	12,997	21,980	15,290	15,844	16,995	51, 52
32		12,997	21,980	15,290	15,844	16,995	
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	12,997	21,980	15,290	15,844	16,995	
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	12,997	12,172	15,290	15,844	16,995	
45	Tier 1 capital (T1 = CET1 + AT1)	164,148	158,332	150,755	147,762	147,435	
Tier 2 (T2) capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	18,335	18,032	18,783	18,695	19,437	62, 63
50	Credit risk adjustments	31	10	-	-	-	62 c och d
51	Tier 2 (T2) capital before regulatory adjustments	18,366	18,042	18,783	18,695	19,437	
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	-1,129	-1,129	-1,129	66d, 69, 79
57	Total regulatory adjustments to tier 2 (T2) capital	-1,129	-1,129	-1,129	-1,129	-1,129	
58	Tier 2 (T2) capital	17,237	16,913	17,654	17,566	18,308	
59	Total capital (TC = T1 + T2)	181,385	175,245	168,409	165,328	165,743	
60	Total risk-weighted assets	747,273	721,403	697,074	704,880	740,993	
Capital ratios and buffers							
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	20.2	20.3	19.4	18.7	17.6	92.2 a
62	Tier 1 capital (as a percentage of total risk exposure amount)	22.0	21.9	21.6	21.0	19.9	92.2 b
63	Total capital (as a percentage of total risk exposure amount)	24.3	24.3	24.2	23.5	22.4	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	6.6	5.6	5.6	5.6	CRD 128, 129, 130, 131, 133
65	<i>of which: capital conservation buffer requirement</i>	2.5	2.5	2.5	2.5	2.5	
66	<i>of which: countercyclical buffer requirement</i>	0.1	0.1	0.1	0.1	0.1	
67	<i>of which: systemic risk buffer requirement</i>	3.0	3.0	3.0	3.0	3.0	
67a	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	1.0	1.0	-	-	-	
68	Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	15.7	15.8	14.9	14.2	13.1	CRD 128

Own funds, cont.

Amount at disclosure date SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	Regulation (EU) No 575/2013 art. ref.
Amounts below the thresholds for deduction (before risk weighting)						
72	0	0	1	0	0	36.1 h, 46, 45, 56 c, 59, 60, 66 c, 69, 70
73	-	-	-	-	-	36.1 i, 45, 48
75	0	0	0	0	-1	36.1 c, 38, 48
Applicable caps on the inclusion of provisions tier 2 capital						
76	-	-	-	-	-	62
77	2,376	1,629	1,066	1,040	1,128	62
78	-	-	-	-	-	62
79	2,869	3,074	3,189	3,236	3,408	62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)						
80	-	-	-	-	-	484.3, 486.2, 486.5
81	-	-	-	-	-	484.3, 486.2, 486.5
82	-	-	-	-	-	484.4, 486.3, 486.5
83	-	-	-	-	-	484.4, 486.3, 486.5
84	-	-	-	-	-	484.5, 486.4, 486.5
85	-	-	-	-	-	484.5, 486.4, 486.5

Capital requirements

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Credit risk according to standardised approach	15,204	6,715	6,823	6,657	7,222
Credit risk according to IRB approach	23,025	26,052	27,909	28,749	31,367
Risk weight floor Swedish mortgage loans	15,228	14,929	14,610	14,392	14,079
Market risks	532	601	612	730	736
Credit valuation adjustment risk (CVA)	219	216	323	373	386
Operational risk	5,573	5,489	5,489	5,489	5,489
Additional capital requirement due to Article 3 CRR*		3,710			
Combined buffer requirement	49,190	47,463	38,926	39,380	41,395
Total capital requirement	108,971	105,175	94,692	95,770	100,674

* As of Q1 2021, the Bank's exposures in the UK at Group level are reported according to the standardised approach. These exposures were previously mainly calculated according to the IRB approach. In the reporting as at 31 December 2020, the additional risk exposure amount arising as a result of the change has been reserved as an additional risk exposure amount in accordance with CRR Article 3.

Risk exposure amount

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Credit risk according to standardised approach	190,048	83,933	85,284	83,216	90,273
Credit risk according to IRB approach	287,816	325,646	348,862	359,358	392,088
Risk weight floor Swedish mortgage loans	190,352	186,614	182,622	179,901	175,987
Market risk	6,649	7,513	7,654	9,122	9,203
Credit valuation adjustment risk (CVA)	2,740	2,707	4,036	4,667	4,826
Operational risk	69,668	68,616	68,616	68,616	68,616
Additional risk exposure amount due to Article 3 CRR*		46,374			
Total risk exposure amount	747,273	721,403	697,074	704,880	740,993

* As of Q1 2021, the Bank's exposures in the UK at Group level is reported according to the standardised approach. These exposures were before Q1 2021 mainly calculated in the IRB approach. The additional risk exposure amount as a result of this change has, in the reporting as at 31 December 2020, been reserved as an additional risk exposure amount in accordance with CRR Article 3.

Capital requirement credit risks, standardised approach*

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
Sovereign and central banks	106,309	1,827	0	0	0	0	0.0	0.0
Municipalities	-	-	-	-	-	-	-	-
Multilateral development banks	1,933	956	0	0	0	0	0.0	0.0
International organisations	-	-	-	-	-	-	-	-
Institutions	11,504	9,561	1,162	902	93	72	10.1	9.4
Corporates	15,188	7,339	14,182	6,929	1,135	554	93.4	94.4
Households	10,159	9,885	7,456	7,250	596	580	73.4	73.3
Collateral in real estate	311,339	138,617	138,644	48,405	11,092	3,872	44.5	34.9
Past due items	1,796	857	2,211	973	177	78	123.1	113.6
High risk items	1,292	28	1,937	41	155	3	150.0	150.0
Collective investment undertakings	-	-	-	-	-	-	-	-
Equities	6,574	6,541	15,955	15,923	1,276	1,274	242.7	243.4
Other items	16,512	6,278	8,501	3,510	680	282	51.5	55.9
Total	482,606	181,889	190,048	83,933	15,204	6,715	39.4	46.1

* Information about capital requirements for the exposure classes where there are exposures.

Credit risks IRB approach

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	31 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec	31 Mar	31 Dec
	2021	2020	2021	2020	2021	2020	2021	2020
Sovereign and central banks	654,440	490,718	8,772	7,214	702	577	1.3	1.5
Corporate	725,934	854,312	171,893	211,791	13,751	16,943	23.7	24.8
Corporate lending	716,444	843,585	169,471	208,608	13,557	16,688	23.7	24.7
<i>of which other loans foundation approach *</i>	88,204	93,833	22,489	26,186	1,798	2,094	25.5	27.9
<i>of which other loans advanced approach *</i>	628,240	749,752	146,982	182,422	11,759	14,594	23.4	24.3
<i>of which large companies</i>	135,341	125,572	49,705	48,644	3,976	3,892	36.7	38.7
<i>of which medium-sized companies</i>	70,557	84,512	22,465	27,212	1,797	2,177	31.8	32.2
<i>of which property companies</i>	422,342	539,668	74,812	106,566	5,986	8,525	17.7	19.7
Counterparty risk	9,490	10,727	2,422	3,183	194	255	25.5	29.7
Housing co-operative associations	253,689	245,789	7,744	7,997	618	641	3.1	3.3
Retail	1,180,103	1,154,770	79,608	78,540	6,369	6,283	6.7	6.8
Private individuals	1,158,424	1,132,800	72,955	71,797	5,836	5,744	6.3	6.3
<i>of which property loans</i>	1,116,239	1,091,524	63,900	63,586	5,112	5,087	5.7	5.8
<i>of which other loans</i>	42,185	41,276	9,055	8,211	724	657	21.5	19.9
Small companies	21,679	21,970	6,653	6,743	533	539	30.7	30.7
<i>of which property loans</i>	10,781	10,918	3,619	3,644	290	292	33.6	33.4
<i>of which other loans</i>	10,898	11,052	3,034	3,099	243	247	27.8	28.0
Institutions	39,321	38,453	10,435	10,683	835	855	26.5	27.8
Lending to institutions	15,666	17,178	4,479	5,279	358	422	28.6	30.7
Counterparty risk	23,655	21,275	5,956	5,404	476	433	25.2	25.4
Equity exposures	853	799	3,156	2,955	253	236	370.0	370.0
<i>of which listed shares</i>	-	-	-	-	-	-	-	-
<i>of which other shares</i>	853	799	3,156	2,955	253	236	370.0	370.0
Non credit-obligation assets	6,208	6,417	6,208	6,417	497	513	100.0	100.0
Securitisation positions	-	16	-	49	-	4	-	312.3
<i>of which Traditional securitisation</i>	-	16	-	49	-	4	-	312.3
<i>of which Synthetic securitisation</i>	-	-	-	-	-	-	-	-
Total IRB approach	2,860,548	2,791,274	287,816	325,646	23,025	26,052	10.1	11.7
Risk weight floor, Swedish mortgage loans**			190,352	186,614	15,228	14,929		
Total IRB approach with impact of risk weight floor, Swedish mortgage loans	2,860,548	2,791,274	478,168	512,260	38,253	40,981	16.7	18.4

* The foundation approach refers to the IRB approach without own estimates of LGD and CCF. The advanced approach refers to the IRB approach with own estimates of LGD and CCF.

** The exposure amount which is affected by the rules for risk weight floor, Swedish mortgage loans was SEK 902,791m at 31 March 2021.

The capital requirement for credit risk is calculated according to the standardised approach and the IRB approach in accordance with CRR. There are two different IRB approaches: the IRB approach without own estimates of LGD and CCF, and the IRB approach with own estimates of LGD and CCF.

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 rules. 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 exposure amount.

Handelsbanken uses the IRB approach without own estimates of LGD and CCF for exposures to sovereigns and institutions, 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. As of Q1 2021, the Bank's exposures in the UK at Group level are reported according to the standardised approach.

The IRB approach with own estimates of LGD and CCF is applied to the majority of exposures to large corporates, medium-sized companies, property companies and housing co-operative associations in branch operations (excluding the Netherlands), Handelsbanken Capital Markets, Stadshypotek AB and Handelsbanken Finans AB, Ecster AB, and retail exposures in Sweden, Norway, Finland and Denmark, as well as in the

subsidiaries Stadshypotek AB, Handelsbanken Finans AB, Ecster AB, and Rahoitus Oy.

At the end of the quarter, the IRB approach was applied to 71% of the total risk-weighted exposure amount for credit risk, including the effect of the risk weight floor on Swedish mortgage loans. For the remaining credit risk exposures, the capital requirements are calculated using the standardised approach.

The total average risk weight for exposures approved for the IRB approach went down during the quarter, partly due to the transfer of the Bank's exposures in the UK to the standardised approach, and amounted to 10.1% (11.7 at 31 December 2020). Adjusted for the move of the risk weight floor for Swedish mortgage loans from Pillar 2 to Pillar 1, the total average risk weight is 16.7% (18.4).

Credit quality is good. Of Handelsbanken's corporate exposures, 98% were to customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between 1 and 5 on the Bank's nine-point risk rating scale. The IRB approach is based on historical losses from both the financial crisis of recent years and the Swedish banking crisis in the early 1990s. These risk weights reflect the fact that Handelsbanken has reported low credit losses over a long period. The risk measurements applied contain margins of conservatism to ensure that the risk is not underestimated.

The level of the risk weight in the corporate exposures reflects the portfolio composition and how various loans are classified into different exposure classes.

The capital requirements for equity exposures in the IRB approach are calculated according to a simplified risk weight method.

Capital requirement market risks

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Outright products					
Interest rate risk	523	596	607	723	725
<i>of which general risk</i>	332	491	459	603	560
<i>of which specific risk</i>	191	105	148	120	165
Equity price risk	2	2	2	1	4
<i>of which general risk</i>	1	1	1	0	2
<i>of which specific risk</i>	1	1	1	1	2
<i>of which mutual funds</i>	0	0	0	0	0
Exchange rate risk	-	-	-	-	-
Commodities risk	1	1	0	2	6
Options					
Scenario approach	6	2	3	4	1
<i>of which interest rate risk</i>	0	0	0	0	0
<i>of which equity risk</i>	6	2	3	4	1
<i>of which exchange rate risk</i>	-	-	-	-	-
<i>of which commodity risk</i>	-	-	-	-	-
Securitisation (specific risk)	-	-	-	-	-
Settlement risk	0	0	0	0	0
Total capital requirement for market risks	532	601	612	730	736

The capital requirement for market risks 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 risks, the standardised approach is applied.

Capital requirement 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.

Leverage ratio

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Balance sheet according to accounting regulations	3,491,631	3,135,288	3,337,863	3,533,187	3,596,481
Deduction for assets not included in the banking group	-208,802	-189,476	-179,042	-162,721	-147,898
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-1,830	-17,590	-18,696	-22,456	-48,223
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	7,455	3,750	6,689	6,705	5,085
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>551,644</i>	<i>534,285</i>	<i>549,501</i>	<i>538,352</i>	<i>518,009</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-411,046</i>	<i>-397,111</i>	<i>-394,928</i>	<i>-372,918</i>	<i>-357,667</i>
Assets reported off the balance sheet, net	140,598	137,174	154,573	165,434	160,342
Additional adjustment	-22,232	-17,780	-17,880	-18,690	-20,109
Assets on which the leverage ratio is calculated	3,406,820	3,051,366	3,283,507	3,501,459	3,545,678
Capital on which the leverage ratio can be calculated					
Tier 1 capital	164,148	158,332	150,755	147,762	147,435
Leverage ratio					
Leverage ratio calculated on tier 1 capital	4.8%	5.2%	4.6%	4.2%	4.2%

Information in this section relates to Handelsbanken's material risks and capital requirement as of the publication date of this report. A full description of the Bank's risks and capital management can be found in Handelsbanken's Annual Report and in Handelsbanken's Risk and Capital – Information according to Pillar 3.

Note 19 Risk and liquidity

Figures reported in this section meet the requirements for publication of information relating to risk and capital management in CRR Part Eight.

Risk and uncertainty factors

Handelsbanken provides credit through its branch operations, exercising a low risk tolerance. The credit process is based on the conviction that a decentralised organisation with local presence ensures high quality in credit decisions. Handelsbanken's exposure to market risks is also low. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. The situation with regard to regulatory developments continues to evolve rapidly. This rate of change, combined with the scope and complexity of the financial regulations, is the source of compliance risks for the Bank. Handelsbanken

devotes significant resources to ensuring that the Bank follows applicable regulations at any given time. The Bank's low tolerance of risk means that Handelsbanken is also well-equipped to operate under difficult market conditions. The current pandemic is causing particularly large uncertainty regarding economic development in the countries in which the Bank operates. Given this situation, Handelsbanken is maintaining its strict view of credit risks and the normal credit process established at the Bank.

Liquidity and funding

Handelsbanken has a low tolerance of liquidity risks and works actively to minimise them, at aggregate level and also in each individual currency. The aim is to have good access to liquidity, a low level of variation in results and a considerable capacity to meet customers' funding needs, even in difficult times. This is achieved by maintaining a good matching of incoming and outgoing cash flows over time in all currencies 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 internal interest rates to 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.

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 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. These can also provide the Bank with immediate liquidity. These parts of the liquidity reserve are illustrated in the table and amounted to SEK 819bn at 31 March 2021. The remainder of the liquidity reserve comprises an unutilised issue amount for covered bonds and other liquidity-creating measures.

Balances with central banks and securities holdings in the liquidity reserve

	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Market value, SEK m					
Level 1 assets	812,430	558,086	711,842	850,657	854,917
Cash and balances with central banks	684,692	417,889	591,204	708,768	672,369
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	82,904	100,364	83,800	102,880	132,608
Securities issued by municipalites and PSEs	625	645	694	869	873
Extremely high quality covered bonds	44,209	39,188	36,144	38,140	49,067
Level 2 assets	6,425	4,650	5,698	5,447	8,607
Level 2A assets	6,259	4,599	5,585	5,367	8,423
<i>Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs</i>	<i>1,841</i>	<i>881</i>	<i>2,812</i>	<i>3,165</i>	<i>1,497</i>
<i>High quality covered bonds</i>	<i>4,418</i>	<i>3,718</i>	<i>2,773</i>	<i>2,202</i>	<i>6,926</i>
<i>Corporate debt securities (lowest rating AA-)</i>	-	-	-	-	-
Level 2B assets	166	51	113	80	184
<i>Asset-backed securities</i>	-	-	-	-	-
<i>High quality covered bonds</i>	-	-	-	-	-
<i>Corporate debt securities (rated A+ to BBB-)</i>	<i>166</i>	<i>51</i>	<i>113</i>	<i>80</i>	<i>184</i>
<i>Shares (major stock index)</i>	-	-	-	-	-
Total liquid assets	818,855	562,736	717,540	856,104	863,524
<i>of which in SEK</i>	<i>241,054</i>	<i>209,797</i>	<i>237,348</i>	<i>204,009</i>	<i>209,273</i>
<i>of which in EUR</i>	<i>123,888</i>	<i>132,403</i>	<i>147,065</i>	<i>160,162</i>	<i>151,328</i>
<i>of which in USD</i>	<i>292,005</i>	<i>69,901</i>	<i>182,104</i>	<i>303,311</i>	<i>361,172</i>
<i>of which in other currencies</i>	<i>161,908</i>	<i>150,635</i>	<i>151,023</i>	<i>188,622</i>	<i>141,751</i>

31 March 2021					
Market value, SEK m	SEK	EUR	USD	Other	Total
Level 1 assets	239,302	123,449	289,906	159,773	812,430
Cash and balances with central banks	150,006	118,624	286,823	129,239	684,692
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	67,483	4,423	3,083	7,915	82,904
Securities issued by municipalites and PSEs	625	-	-	-	625
Extremely high quality covered bonds	21,188	402	-	22,619	44,209
Level 2 assets	1,752	439	2,099	2,135	6,425
Level 2A assets	1,635	390	2,099	2,135	6,259
<i>Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs</i>	-	-	-	1,841	1,841
<i>High quality covered bonds</i>	<i>1,635</i>	<i>390</i>	<i>2,099</i>	<i>294</i>	<i>4,418</i>
<i>Corporate debt securities (lowest rating AA-)</i>	-	-	-	-	-
Level 2B assets	117	49	-	-	166
<i>Asset-backed securities</i>	-	-	-	-	-
<i>High quality covered bonds</i>	-	-	-	-	-
<i>Corporate debt securities (rated A+ to BBB-)</i>	<i>117</i>	<i>49</i>	-	-	<i>166</i>
<i>Shares (major stock index)</i>	-	-	-	-	-
Total liquid assets	241,054	123,888	292,005	161,908	818,855

Maturities for financial assets and liabilities

31 March 2021 SEK m	Up to 30 days	31 days - 6 mths	6 - 12 mths	1 - 2 yrs	2 - 5 yrs	5 yrs -	Unspec. maturity	Total
Assets								
Cash and balances with central banks	684,411	-	-	-	-	-	-	684,411
Interest-bearing securities eligible as collateral with central banks *	83,212	-	-	-	-	-	-	83,212
Bonds and other interest-bearing securities *	40,944	-	-	-	-	-	-	40,944
Loans to credit institutions	40,755	1,524	31	23	282	2,212	-	44,827
<i>of which reverse repos</i>	19,727	-	-	-	-	-	-	19,727
Loans to the public	61,819	232,239	217,646	212,526	410,892	1,183,920	-	2,319,042
<i>of which reverse repos</i>	13,073	-	-	-	-	-	-	13,073
Other **	31,723	-	-	-	-	-	287,472	319,195
<i>of which shares and participating interests</i>	21,899	-	-	-	-	-	-	21,899
<i>of which claims on investment banking settlements</i>	9,824	-	-	-	-	-	-	9,824
Total	942,864	233,763	217,677	212,549	411,174	1,186,132	287,472	3,491,631
Liabilities								
Due to credit institutions ***	67,613	51,927	3,903	2,549	156	1,073	30,055	157,276
<i>of which repos</i>	326	-	-	-	-	-	-	326
<i>of which deposits from central banks</i>	6,654	38,963	-	-	-	-	4	45,621
Deposits and borrowing from the public ***	211,377	31,429	3,069	507	349	6,432	1,220,995	1,474,158
<i>of which repos</i>	10,691	-	-	-	-	-	-	10,691
Issued securities	55,929	347,267	294,110	174,533	391,151	105,197	-	1,368,187
<i>of which covered bonds</i>	-	5,084	72,044	126,741	319,223	75,970	-	599,062
<i>of which bank certificates (CD:s) with original maturity of less than one year</i>	10,376	116,151	65,159	-	-	-	-	191,686
<i>of which corporate certificates (CP:s) with original maturity of less than one year</i>	45,217	193,581	120,791	-	-	-	-	359,589
<i>of which bank certificates (CD:s) and corporate certificates (CP:s) with original maturity above one year</i>	-	362	5,409	444	-	-	-	6,215
<i>of which Senior Non-Preferred Bonds</i>	-	-	-	-	-	23,241	-	23,241
<i>of which senior bonds and other securities with original maturity of more than one year</i>	336	32,089	30,707	47,348	71,928	5,986	-	188,394
Subordinated liabilities	-	-	-	10,656	11,880	8,449	-	30,985
Other **	19,263	-	-	-	-	-	441,762	461,025
<i>of which short positions</i>	9,011	-	-	-	-	-	-	9,011
<i>of which investment banking settlement debts</i>	10,252	-	-	-	-	-	-	10,252
Total	354,182	430,623	301,082	188,245	403,536	121,151	1,692,812	3,491,631

* 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. This means that the table does not reflect the actual maturities for the securities included. In "Other", assets and liabilities are reported as maturing in the time intervals that correspond to the contractual maturity dates, taking into account contractual amortisation plans.

** "Other" includes market values in derivative transactions.

*** Sight deposits are reported under "Unspecified maturity".

Liquidity coverage ratio (LCR)

	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Liquidity coverage ratio (LCR) - sub-components, SEK m					
High quality liquidity assets	814,738	559,278	714,115	852,590	858,734
Cash outflows	613,667	413,024	548,365	676,751	651,367
Retail deposits and deposits from small business customers	62,408	61,299	60,865	60,223	59,116
Unsecured wholesale funding	478,173	273,375	404,940	539,454	534,592
Secured wholesale funding	5,204	5,245	8,883	4,872	6,646
Other cash outflows	67,882	73,105	73,677	72,202	51,013
Cash inflows	63,308	41,027	69,861	56,956	75,009
Inflows from fully performing exposures	29,973	27,536	25,159	18,063	23,269
Other cash inflows	33,335	13,491	44,702	38,893	51,740
Liquidity coverage ratio (LCR), %	148	150	149	138	149

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%. Minimum requirements for the net stable funding ratio (NSFR) – the structural liquidity measure that is the ratio between available stable funding and the stable funding required – enter into force in the EU in June 2021.

At the end of the quarter, the Group's aggregated LCR was 148%, which shows that the Bank has substantial resistance to short-term disruptions in the funding markets.

Stress test with liquidity-creating measures

The governance of the Bank's liquidity position is based on stress tests, which are performed at an aggregate level and also individually for the currencies that are essential to the Bank. The stress tests are designed to ensure that the Bank has sufficient liquidity in various stressed scenarios and with the implementation of different measures, which are also included in the Bank's recovery plan. The stress tests are carried out with both market-wide and idiosyncratic stress on a regular basis, as well as on an ad hoc basis. These are

also supplemented with scenario analyses which take substantial falls in housing prices into account.

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. For example, it is assumed that the Bank cannot obtain funding in the financial markets, at the same time as 10% 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. With these conditions, the Bank will be liquid for more than three years.

Non-encumbered assets, NEA

31 March 2021		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio***	819	88%
Mortgage loans	808	175%
Other household lending	174	194%
Property company lending lowest risk class (1-3)	272	223%
Other corporate lending lowest risk class (1-3)	115	236%
Loans to credit institutions lowest risk class (1-3)	32	239%
Other corporate lending	312	273%
Other assets	17	275%
Total non-encumbered assets (NEA)	2,549	275%
Encumbered assets without underlying liabilities**	59	
Encumbered assets with underlying liabilities	884	
Total assets, Group	3,492	

31 December 2020		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio***	563	69%
Mortgage loans	765	163%
Other household lending	168	184%
Property company lending lowest risk class (1-3)	261	216%
Other corporate lending lowest risk class (1-3)	108	229%
Loans to credit institutions lowest risk class (1-3)	10	230%
Other corporate lending	295	267%
Other assets	19	269%
Total non-encumbered assets (NEA)	2,189	269%
Encumbered assets without underlying liabilities**	62	
Encumbered assets with underlying liabilities	884	
Total assets, Group	3,135	

* Issued short and long non-secured funding and liabilities to credit institutions.

** Over-collateralisation in cover pool (OC).

*** Relates to eligible as collateral value in central banks.

Information in this section relates to Handelsbanken's material risks and risk management at the time that this interim report is published. A full description of the Bank's risks and capital management can be found in Handelsbanken's Annual Report and in Handelsbanken's Risk and Capital – Information according to Pillar 3.

Note 20 Related-party transactions

There have been no business transactions of material importance with related parties during the period.

Note 21 Segment reporting

Information about the Bank's segment reporting is provided on pages 10-26.

Note 22 Events after the balance sheet date

No significant events occurred after the balance sheet date.

Condensed set of financial statements – Parent company

INCOME STATEMENT – PARENT COMPANY

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Net interest income	3,166	3,354	-6%	3,420	-7%	3,166	3,420	-7%	13,071
Dividends received	212	15,329	-99%	155	37%	212	155	37%	15,937
Net fee and commission income	1,261	1,337	-6%	1,498	-16%	1,261	1,498	-16%	5,692
Net gains/losses on financial transactions	523	753	-31%	-1,629		523	-1,629		1,869
Other operating income	710	728	-2%	686	3%	710	686	3%	2,790
Total income	5,872	21,501	-73%	4,130	42%	5,872	4,130	42%	39,359
Staff costs	-2,708	-2,390	13%	-2,654	2%	-2,708	-2,654	2%	-11,689
Other administrative expenses	-1,413	-1,392	2%	-1,410	0%	-1,413	-1,410	0%	-5,684
Depreciation, amortisation and impairment of property, equipment and intangible assets	-693	-656	6%	-692	0%	-693	-692	0%	-2,672
Total expenses before credit losses	-4,814	-4,438	8%	-4,756	1%	-4,814	-4,756	1%	-20,045
Profit before credit losses	1,058	17,063	-94%	-626		1,058	-626		19,314
Net credit losses	-35	-50	-30%	-330	-89%	-35	-330	-89%	-477
Impairment of financial assets	-	-		-		-	-		-79
Operating profit	1,023	17,013	-94%	-956		1,023	-956		18,758
Appropriations	23	672	-97%	24	-4%	23	24	-4%	743
Profit before tax	1,046	17,685	-94%	-932		1,046	-932		19,501
Taxes	-286	-3,819	-93%	145		-286	145		-4,275
Profit for the period	760	13,866	-95%	-787		760	-787		15,226

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q1 2021	Q4 2020	Change	Q1 2020	Change	Jan-Mar 2021	Jan-Mar 2020	Change	Full year 2020
Profit for the period	760	13,866	-95%	-787		760	-787		15,226
Other comprehensive income									
Items that will not be reclassified to the income statement									
Instruments measured at fair value through other comprehensive income - equity instruments	34	-839		-106		34	-106		-583
Tax on items that will not be reclassified to income statement	-1	45		6		-1	6		11
<i>of which equity instruments measured at fair value through other comprehensive income</i>	-1	45		6		-1	6		11
Total items that will not be reclassified to the income statement	33	-794		-100		33	-100		-572
Items that may subsequently be reclassified to the income statement									
Cash flow hedges	235	-960		1,060	-78%	235	1,060	-78%	-1,677
Instruments measured at fair value through other comprehensive income - debt instruments	17	7		-15		17	-15		7
Translation differences for the period	1,111	-939		-368		1,111	-368		-2,184
<i>of which hedging net investment in foreign operations</i>	-72	30		-291	75%	-72	-291	75%	-256
Tax on items that may subsequently be reclassified to the income statement	-37	206		-162	77%	-37	-162	77%	420
<i>of which cash flow hedges</i>	-49	212		-227	78%	-49	-227	78%	365
<i>of which debt instruments measured at fair value through other comprehensive income</i>	-3	-1		3		-3	3		-1
<i>of which hedging net investment in foreign operations</i>	15	-5		62	-76%	15	62	-76%	56
Total items that may subsequently be reclassified to the income statement	1,326	-1,686		515	157%	1,326	515	157%	-3,434
Total other comprehensive income for the period	1,359	-2,480		415	227%	1,359	415	227%	-4,006
Total comprehensive income for the period	2,119	11,386	-81%	-372		2,119	-372		11,220

Comment on results – Parent company January – March 2021 compared with January – March 2020

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 grew to SEK 1,023m (-956), mainly due to a SEK 2,152m increase in net gains/losses on financial transactions. The positive change in net gains/losses on financial transactions during the first quarter is explained by the negative effects in Q1 2020 of substantially widening spreads in the market on the Bank's holdings of subordinated loans issued by the subsidiary Stadshypotek, which are measured at fair value on the balance sheet and income statement. Profit for the period increased to SEK 760m (-787). Net interest income decreased by 7% to SEK 3,166m (3,420), while net fee and commission income decreased by 16% to SEK 1,261m (1,498). Since year-end, the parent company's equity has decreased to SEK 136,840m (142,839).

BALANCE SHEET – PARENT COMPANY

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Assets					
Cash and balances with central banks	580,494	297,362	457,312	533,250	543,540
Interest-bearing securities eligible as collateral with central banks	83,428	99,115	84,383	172,216	210,834
Loans to credit institutions	1,001,210	953,650	963,089	991,955	948,369
Loans to the public	574,469	566,145	586,281	613,071	632,822
Value change of interest hedged item in portfolio hedge	-316	13	-	-	-
Bonds and other interest-bearing securities	42,229	46,533	48,145	51,695	60,241
Shares	15,002	14,313	13,325	10,045	10,575
Shares in subsidiaries and investments in associates	73,095	73,057	73,077	72,174	72,182
Assets where the customer bears the value change risk	7,787	7,405	7,081	6,713	6,284
Derivative instruments	32,548	33,031	49,869	54,084	93,654
Intangible assets	3,452	3,459	3,449	3,475	3,464
Property, equipment and leasing assets	7,446	7,381	7,554	7,701	7,937
Current tax assets	1,198	154	2,761	2,055	1,381
Deferred tax assets	875	1,173	1,257	970	1,064
Other assets	10,852	20,775	15,356	6,377	7,322
Prepaid expenses and accrued income	1,993	1,297	1,416	1,702	1,426
Total assets	2,435,762	2,124,863	2,314,355	2,527,483	2,601,095
Liabilities and equity					
Due to credit institutions	213,672	193,054	269,307	310,745	311,851
Deposits and borrowing from the public	1,249,625	1,021,130	1,109,944	1,176,030	1,180,635
Liabilities where the customer bears the value change risk	7,787	7,405	7,081	6,713	6,284
Issued securities	739,879	657,520	694,010	741,663	786,915
Derivative instruments	28,762	44,774	34,501	35,066	44,562
Short positions	9,011	1,682	7,332	5,958	5,451
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	651	777	1,014	1,171	1,323
Provisions	1,504	2,276	2,533	1,084	1,139
Other liabilities	12,659	9,125	9,901	78,356	91,427
Accrued expenses and deferred income	3,394	2,266	2,349	2,430	2,461
Subordinated liabilities	31,067	41,082	44,005	35,328	36,823
Total liabilities	2,298,011	1,981,091	2,181,977	2,394,544	2,468,871
Untaxed reserves	911	933	1,609	1,632	1,661
Share capital	3,069	3,069	3,069	3,069	3,069
Share premium	8,758	8,758	8,758	8,758	8,758
Other funds	8,088	6,706	9,279	9,867	11,179
Retained earnings	116,165	109,080	108,303	108,300	108,344
Profit for the period	760	15,226	1,360	1,313	-787
Total equity	136,840	142,839	130,769	131,307	130,563
Total liabilities and equity	2,435,762	2,124,863	2,314,355	2,527,483	2,601,095

CHANGE IN EQUITY – PARENT COMPANY

January – March 2021 SEK m	Restricted equity			Unrestricted equity				Retained earnings incl. profit for the year	Total	
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *			
Opening equity 2021	3,069	2,682	3,274	0	8,758	628	94	28	124,306	142,839
Profit for the period									760	760
Other comprehensive income <i>of which reclassified within equity</i>						186	47	1,126		1,359
							-684			-684
Total comprehensive income for the period						186	47	1,126	760	2,119
Reclassified to retained earnings									0	0
Dividend									-8,118	-8,118
Fund for internally developed software				23					-23	0
Closing equity	3,069	2,682	3,297		8,758	814	141	1,154	116,925	136,840

January – December 2020 SEK m	Restricted equity			Unrestricted equity				Retained earnings incl. profit for the year	Total	
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *			
Opening equity 2020	3,069	2,682	3,034	0	8,758	1,940	660	2,156	108,636	130,935
Profit for the period									15,226	760
Other comprehensive income <i>of which reclassified within equity</i>						-1,312	-566	-2,128		-4,006
										0
Total comprehensive income for the period						-1,312	-566	-2,128	15,226	11,220
Reclassified to retained earnings									684	684
Fund for internally developed software				240					-240	
Closing equity	3,069	2,682	3,274		8,758	628	94	28	124,306	142,839

January – March 2020 SEK m	Restricted equity			Unrestricted equity				Retained earnings incl. profit for the year	Total	
	Share capital	Statutory reserve	Fund for internally developed software	Share premium	Hedge reserve *	Fair value reserve *	Translation reserve *			
Opening equity 2020	3,069	2,682	3,034	0	8,758	1,940	660	2,156	108,636	130,935
Profit for the period									-787	-787
Other comprehensive income <i>of which reclassified within equity</i>						833	-112	-306		415
Total comprehensive income for the period						833	-112	-306	-787	-372
Fund for internally developed software				292					-292	
Closing equity	3,069	2,682	3,326		8,758	2,773	548	1,850	107,557	130,563

* Included in fair value fund.

The translation reserve includes conversion effects relating to the balance sheets and income statements of the parent company'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.

CONDENSED STATEMENT OF CASH FLOWS – PARENT COMPANY

SEK m	Jan-Mar 2021	Jan-Mar 2020	Full year 2020
Operating profit	1,023	-956	18,757
Adjustment for non-cash items in profit/loss	96	424	-12,481
Paid income tax	-1,191	-1,646	-4,910
Changes in the assets and liabilities of operating activities	270,930	267,803	47,324
Cash flow from operating activities	270,858	265,625	48,690
Change in shares	-25	-47	704
Change in property and equipment	-577	-353	-1,547
Change in intangible assets	-158	-393	-852
Cash flow from investing activities	-760	-793	-1,695
Repayment of subordinated loans	-9,811	-	-2
Issued subordinated loans	-	-	8,176
Dividend paid	-8,118	-	-
Received Group contributions	15,135	15,992	15,992
Cash flow from financing activities	-2,794	15,992	24,166
Liquid funds at beginning of the year	297,362	242,889	242,889
Cash flow for the period	267,304	280,824	71,161
Exchange rate difference on liquid funds	15,828	19,827	-16,688
Liquid funds at end of year*	580,494	543,540	297,362

* Liquid funds are defined as Cash and balances with central banks.

OWN FUNDS AND CAPITAL REQUIREMENT – PARENT COMPANY

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.

Amount at disclosure date SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	
Common equity tier 1 (CET1) capital: Instruments and reserves						0
1 Capital instruments and the related share premium accounts	11,827	11,827	11,827	11,827	11,827	486.3
<i>of which: share capital</i>	11,827	11,827	11,827	11,827	11,827	0
2 Retained earnings	122,142	115,034	103,460	103,460	103,460	0
3 Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	2,111	752	3,233	3,817	5,173	52.1 b, 56 a, 57
5a Independently reviewed interim profits net of any foreseeable charge or dividend	456	7,108	816	788	-787	56 d, 59, 79
Common equity tier 1 (CET1) capital before regulatory adjustments	136,536	134,721	119,336	119,892	119,673	
Common equity tier 1 (CET1) capital: regulatory adjustments						
7 Additional value adjustments (negative amount)	-276	-239	-269	-321	-547	0
8 Intangible assets (net of related tax liability) (negative amount)	-3,423	-3,408	-3,372	-3,375	-3,335	0
11 Fair value reserves related to gains or losses on cash flow hedges	-814	-628	-1,377	-1,895	-2,772	0
12 Negative amounts resulting from the calculation of expected loss amounts	-588	-445	-623	-1,652	-1,957	62, 63
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	1	9	10	0	-11	62 c och d
15 Defined benefit pension fund assets (negative amount)	-	-	-	-	-	0
16 Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-539	-466	-447	-473	-456	0
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)	-	-	-	-	-	63 b i, 66 a, 67
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	-	-	-	66d, 69, 79
20c <i>of which: securitisation positions (negative amount)</i>	-	-	-	-	-	0
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)	-	-	-	-	-	0
22 Amount exceeding the 15% threshold (negative amount)	-	-	-	-	-	0
23 <i>of which: direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities</i>	-	-	-	-	-	0
25 <i>of which: deferred tax assets arising from temporary differences</i>	-	-	-	-	-	
25a Losses for the current financial year (negative amount)	-	-	-	-	-	92.2 a
25b Foreseeable tax charges relating to CET1 items (negative amount)	-	-	-	-	-	92.2 b
27 Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-	-	-	-	92.2 c
Total regulatory adjustments to common equity tier 1 (CET1) capital	-5,639	-5,177	-6,078	-7,716	-9,078	
Common equity tier 1 (CET1) capital	130,897	129,544	113,258	112,176	110,595	

Own funds – Parent company, cont.

	Amount at disclosure date SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	Regulation (EU) No 575/2013 art. ref.
Additional tier 1 (AT1) capital: instruments							
30	Capital instruments and the related share premium accounts	12,997	21,980	15,290	15,844	16,995	51, 52
32	<i>of which: classified as liabilities under applicable accounting standards</i>	12,997	21,980	15,290	15,844	16,995	
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	12,997	21,980	15,290	15,844	16,995	
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	12,997	12,172	15,290	15,844	16,995	
45	Tier 1 capital (T1 = CET1 + AT1)	143,894	141,716	128,548	128,020	127,590	
Tier 2 (T2) capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	18,335	18,032	18,783	18,695	19,437	62, 63
50	Credit risk adjustments	31	16	-	-	-	62 c och d
51	Tier 2 (T2) capital before regulatory adjustments	18,366	18,048	18,783	18,695	19,437	
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	-1,129	-1,129	-1,129	66d, 69, 79
57	Total regulatory adjustments to tier 2 (T2) capital	-1,129	-1,129	-1,129	-1,129	-1,129	
58	Tier 2 (T2) capital	17,237	16,919	17,654	17,566	18,308	
59	Total capital (TC = T1 + T2)	161,131	158,635	146,202	145,586	145,898	
60	Total risk-weighted assets	427,629	409,265	425,435	543,373	566,001	
Capital ratios and buffers							
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	30.6	31.7	26.6	20.6	19.5	92.2 a
62	Tier 1 capital (as a percentage of total risk exposure amount)	33.6	34.6	30.2	23.6	22.5	92.2 b
63	Total capital (as a percentage of total risk exposure amount)	37.7	38.8	34.4	26.8	25.8	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	2.6	2.6	2.6	2.6	CRD 128, 129, 130, 131, 133
65	<i>of which: capital conservation buffer requirement</i>	2.5	2.5	2.5	2.5	2.5	
66	<i>of which: countercyclical buffer requirement</i>	0.1	0.1	0.1	0.1	0.1	
67	<i>of which: systemic risk buffer requirement</i>	-	-	-	-	-	
67a	<i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>	-	-	-	-	-	
68	Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	26.1	27.2	22.1	16.1	15.0	CRD 128

Own funds – Parent company, cont.

Amount at disclosure date SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	Regulation (EU) No 575/2013 art. ref.
Amounts below the thresholds for deduction (before risk weighting)						
72	0	0	1	0	0	36.1 h, 46, 45, 56 c, 59, 60, 66 c, 69, 70
73	-	-	-	-	-	36.1 i, 45, 48
75	0	0	-	0	0	36.1 c, 38, 48
Applicable caps on the inclusion of provisions tier 2 capital						
76	-	-	-	-	-	62
77	2,039	2,025	1,999	1,456	1,525	62
78	-	-	-	-	-	62
79	1,214	1,138	1,229	2,173	2,284	62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)						
80	-	-	-	-	-	484.3, 486.2, 486.5
81	-	-	-	-	-	484.3, 486.2, 486.5
82	-	-	-	-	-	484.4, 486.3, 486.5
83	-	-	-	-	-	484.4, 486.3, 486.5
84	-	-	-	-	-	484.5, 486.4, 486.5
85	-	-	-	-	-	484.5, 486.4, 486.5

Rounding differences may occur in the table

During the third quarter of 2020, the Bank received permission from the Swedish Financial Supervisory Authority to use the standardised approach for reporting shares in subsidiaries. These now receive a risk weight of 100%, as opposed to 370% with the internal approach; this reduces the parent company's capital requirements and raises the capital ratios.

Capital requirement – Parent company

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Credit risk according to standardised approach	13,050	12,960	12,791	9,321	9,758
Credit risk according to IRB Approach	15,363	14,438	15,635	28,297	29,878
Risk weight floor Swedish mortgage loans	827	731	745	674	569
Market risk	1,621	1,065	1,209	1,474	1,358
Credit valuation adjustment risk (CVA)	219	216	323	373	386
Operational risk	3,129	3,331	3,331	3,331	3,331
Combined buffer requirement	11,246	10,751	11,178	14,128	14,729
Total capital requirement	45,455	43,492	45,212	57,598	60,009

During the third quarter of 2020, the Bank received permission from the Swedish Financial Supervisory Authority to use the standardised approach for reporting shares in subsidiaries. These now receive a risk weight of 100%, as opposed to 370% with the internal approach; this reduces the parent company's capital requirements and raises the capital ratios.

Capital requirement credit risks, standardised approach * – Parent company

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Sovereign and central banks	-	-	-	-	-
Municipalities	-	-	-	-	-
Multilateral development banks	0	-	-	-	-
International organisations	-	-	-	-	-
Institutions	101	1,034	1,079	1,135	1,427
Corporates	1,303	461	338	352	421
Households	213	211	245	252	263
Collateral in real estate	2,058	1,921	1,937	1,881	1,995
Past due items	26	25	24	26	24
High risk items	1	1	1	1	1
Equities	8,743	8,691	8,699	5,347	5,258
Other items	605	616	468	327	369
Total	13,050	12,960	12,791	9,321	9,758

* Information about capital requirement for the exposure classes where there are exposures.

During the third quarter of 2020, the Bank received permission from the Swedish Financial Supervisory Authority to use the standardised approach for reporting shares in subsidiaries. This increases the capital requirement for shares in the standardised approach.

Capital requirement credit risks, IRB approach – Parent company

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Sovereign and central banks	604	405	561	637	640
Corporates	11,495	10,787	11,282	11,889	13,170
Households	2,129	2,112	2,124	2,153	2,217
Private individuals	1,667	1,644	1,622	1,633	1,672
of which property loans	1,227	1,207	1,261	1,273	1,300
of which other loans	440	437	361	360	372
Small companies	462	467	502	520	545
Institutions	835	843	1,091	1,137	1,218
Equity exposures	248	233	517	12,417	12,568
of which listed shares	-	-	180	194	141
of which other shares	248	233	337	12,223	12,427
Non credit-obligation assets	52	54	56	59	60
Securitisation positions	-	4	4	5	5
Total IRB approach	15,363	14,438	15,635	28,297	29,878
Risk weight floor Swedish mortgage loans	827	731	745	674	569
Total IRB approach with impact of risk weight floor, Swedish mortgage loans	16,190	15,169	16,380	28,971	30,447

During the third quarter of 2020, the Bank received permission from the Swedish Financial Supervisory Authority to use the standardised approach for reporting shares in subsidiaries. This reduces the capital requirement for shares in the standardised approach.

Capital requirement market risks – Parent company

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Position risk in the trading book	531	600	612	728	730
Interest rate risk	523	596	607	723	725
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
Equity price risk	8	4	5	5	5
Exchange rate risk	1,089	464	597	744	622
Commodities risk	1	1	0	2	6
Settlement risk	0	0	0	0	0
Total capital requirement for market risks	1,621	1,065	1,209	1,474	1,358

Leverage ratio – Parent company

SEK m	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Balance sheet according to accounting regulations	2,435,762	2,124,863	2,314,355	2,527,483	2,601,095
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-1,293	-17,286	-16,406	-20,078	-45,583
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	8,203	3,750	20,154	18,956	7,766
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>521,355</i>	<i>508,357</i>	<i>521,549</i>	<i>517,220</i>	<i>497,451</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-368,259</i>	<i>-357,704</i>	<i>-361,474</i>	<i>-342,747</i>	<i>-326,771</i>
Assets reported off the balance sheet, net	153,096	150,653	160,075	174,473	170,680
Additional adjustment	-844,644	-812,179	-782,125	-765,354	-736,757
Assets on which the leverage ratio is calculated	1,751,124	1,449,801	1,696,052	1,935,480	1,997,200
Capital on which the leverage ratio can be calculated					
Tier 1 capital	143,894	141,716	128,548	128,020	127,590
Leverage ratio					
Leverage ratio calculated on tier 1 capital	8.2%	9.8%	7.6%	6.6%	6.4%

SUBMISSION OF REPORT

I hereby submit this report.

Stockholm, 21 April 2021.

Carina Åkerström
President & Group Chief Executive

PRESS AND TELEPHONE CONFERENCE

A digital press conference will be held on 21 April at 9:00 a.m. (CET).

A telephone conference will be held on 21 April at 11:00 a.m. (CET).

Press releases, presentations, a fact book and a recording of the telephone conference are available at handelsbanken.com/ir.

The interim report for January – June 2021 will be published on 16 July 2021.

For further information, please contact:

Carina Åkerström, President & Group Chief Executive
Tel: +46 (0)8 22 92 20

Carl Cederschiöld, CFO
Tel: +46 (0)8 22 92 20

Lars Höglund, Head of Investor Relations
Tel: +46 (0)8 701 51 70, laho01@handelsbanken.se

Auditors' review report

To the Board of Svenska Handelsbanken AB (publ), corporate identity number 502007-7862

INTRODUCTION

We have reviewed the interim report for Svenska Handelsbanken AB (publ) as at 31 March 2021 and for the three-month period ending as at this date. The Board of Directors and the Chief Executive are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

FOCUS AND SCOPE OF THE REVIEW

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review differs from and is substantially

less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim report is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies for the Group and in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies for the parent company.

Stockholm, 21 April 2021

Ernst & Young AB
Jesper Nilsson, Authorised Public Accountant

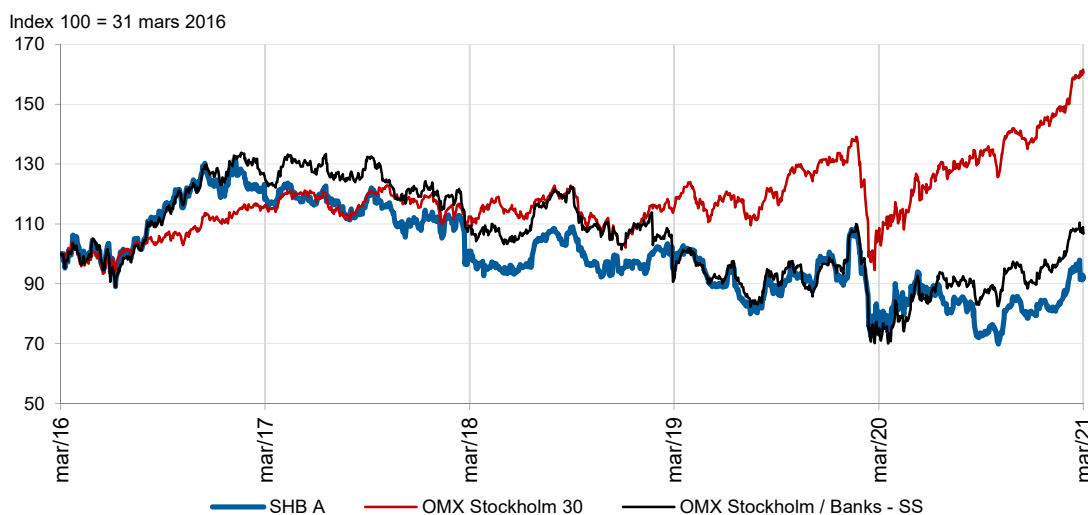
PricewaterhouseCoopers AB
Johan Rippe, Authorised Public Accountant

Share price performance and other information

The Swedish stock market (OMX Stockholm 30 index) went up by 17% during the first quarter of the year. The Stockholm stock exchange's bank index climbed by 18%. Handelsbanken's class A shares closed at SEK 94.86, an improvement of 15%, but including the distributed dividend of SEK 4.10, the total return was 20%.

Over the last five years, the Swedish stock market (OMX Stockholm 30) has gone up by 60%, while the bank index (OMX Stockholm Banks SS) has gone up by 7%. During the same period, Handelsbanken's class A shares have declined by 8%.

SHARE PRICE PERFORMANCE PREVIOUS 5 YEARS



ANALYSTS WHO MONITOR THE BANK

Company	Analyst	Email address
ABG SUNDAL COLLIER	Magnus Andersson	magnus.andersson@abgsc.se
ARCTIC SECURITIES	Roy Tilley	roy.tilley@arcticsec.no
AUTONOMOUS	Jacob Kruse	jkruise@autonomous-research.com
BANK OF AMERICA MERRILL LYNCH	David Taranto	david.taranto@bofab.com
BARCLAYS	Namita Samtani	namita.samtani@barclays.com
BERENBERG BANK	Adam Barrass	adam.barrass@berenberg.com
CARNEGIE	Jens Hallen	jens.hallen@carnegie.se
CITIGROUP	Ronit Ghose	ronit.ghose@citi.com
CREDIT SUISSE	Adrian Cighi	adrian.cighi@credit-suisse.com
DANSKE BANK	Andreas Håkansson	andreas.hakansson@danskebank.com
DEUTSCHE BANK	Kazim Andac	kazim.andac@db.com
DNB	Nicholas McBeath	nicholas.mcbeath@dnb.se
EXANE BNP PARIBAS	Nick Davey	nick.davey@exanebnpparibas.com
GOLDMAN SACHS	Pawel Dzedzic	pawel.dzedzic@gs.com
JEFFERIES INTERNATIONAL	Aqil Taiyeb	ataiyeb@jefferies.com
J P MORGAN	Sofie Peterzens	sofie.c.peterzens@jpmorgan.com
KEEFE, BRUYETTE & WOODS	Hari Sivakumaran	sivakumaranh@kbw.com
KEPLERCHEUVREUX	Robin Rane	rrane@keplercheuvreux.com
MEDIOBANCA	Riccardo Rovere	riccardo.rovere@mediobanca.it
MORGAN STANLEY	Antonio Reale	antonio.reale@morganstanley.com
NORDEA	Rickard Strand	rickard.strand@nordea.com
REDBURN	Chris Hartley	chris.hartley@redburn.com
SEB	Maths Lijedahl	maths.lijedahl@seb.se
SOCIETE GENERALE	Geoff Dawes	geoff.dawes@sgcib.com
UBS	Johan Ekblom	johan.ekblom@ubs.com