

Highlights of Annual Report

January-December

2020

Highlights of Handelsbanken's Annual Report

JANUARY – DECEMBER 2020

Q4 2020

– COMPARED WITH Q3 2020

- Operating profit, adjusted for foreign exchange movements and items affecting comparability, increased by 4%.
- A provision of SEK -213m was made for the Oktogonen profit-sharing scheme in the quarter. Profit during the previous quarter was impacted by a provision for a restructuring reserve of SEK -1,470m. Including this item, operating profit increased to SEK 5,712m (4,227).
- Return on equity increased to 10.9% (8.4).
- Earnings per share increased to SEK 2.21 (1.68).
- Income climbed by 4% to SEK 11,431m (11,014). The foreign exchange effect was marginal.
- Adjusted for items affecting comparability and foreign exchange movements, expenses grew by 4%. Including these expenses decreased to SEK -5,616m (-6,738).
- Adjusted for items affecting comparability, and foreign exchange movements the C/I ratio was 47.3% (47.7). Including these items, the C/I ratio was 49.1% (61.2).
- The credit loss ratio was 0.03% (0.00). Expected credit losses in Stage 3 totalled SEK -145m (-28).
- The Board proposes a dividend of SEK 4.10 per share, and that the existing mandate to repurchase shares is extended for a further year.

JANUARY – DECEMBER 2020

– COMPARED WITH JANUARY – DECEMBER 2019

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

SEK m	Q4 2020	Q3 2020	Δ%	Change after adjustment of items affecting comparability*		Full year 2020	Full year 2019	Δ%	Change after adjustment of items affecting comparability*	
				SEK m	%				SEK m	%
Net interest income	7,861	7,893	0%	1	0%	31,606	32,135	-2%	-17	0%
Net fee and commission income	2,884	2,672	8%	219	8%	10,786	10,697	1%	171	2%
Other income	686	449	53%	238	53%	1,856	1,732	7%	202	12%
Total income	11,431	11,014	4%	458	4%	44,248	44,564	-1%	356	1%
Staff costs, excl. Oktogonen	-3,457	-4,731	-27%	-50	1%	-15,130	-14,378	5%	-371	3%
Oktogonen	-213	-	-	-	-	-213	829	-	-	-
Other expenses	-1,946	-2,007	-3%	-147	8%	-7,991	-8,194	-2%	82	-1%
Total expenses	-5,616	-6,738	-17%	-197	4%	-23,334	-21,743	7%	-289	1%
Credit losses	-97	-49	98%	-49	100%	-781	-1,045	-25%	256	-24%
Operating profit	5,712	4,227	35%	206	4%	20,135	21,796	-8%	306	1%

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

A provision of SEK -213m was made for the Oktogonen profit-sharing scheme in the fourth quarter. In Q3 2020, a provision for a restructuring reserve of SEK -1,470m and an impairment loss on IT systems of SEK -38m were booked. During the first half of 2019, the preliminary provision for the Oktogonen profit-sharing scheme made in 2018, amounting to SEK 829m, was reversed. In the second and third quarters of 2019, restructuring reserves of SEK -30m and -900m respectively were recognised. In Q2 2019, the Bank received a dividend of SEK 55m from VISA Sweden.

Contents

	Page
Group – Overview	4
Group performance	5
Group – Business segments	12
Handelsbanken Sweden	13
Handelsbanken UK	15
Handelsbanken Norway	17
Handelsbanken Denmark	19
Handelsbanken Finland	21
Handelsbanken the Netherlands	23
Handelsbanken Capital Markets	25
Other units not reported in the business segments	28
Key figures	29
The Handelsbanken share	29
Condensed set of financial statements – Group	30
Income statement	30
Earnings per share	30
Statement of comprehensive income	31
Quarterly performance	32
Balance sheet	33
Statement of changes in equity	34
Condensed statement of Cash flows	35
Note 1 Accounting policies	36
Note 2 Net interest income	37
Note 3 Net fee and commission income	37
Note 4 Net gains/losses on financial transactions	38
Note 5 Other expenses	38
Note 6 Credit losses	39
Note 7 Loans	41
Note 8 Credit risk exposure	47
Note 9 Derivatives	47
Note 10 Offsetting of financial instruments	48
Note 11 Goodwill and other intangible assets	49
Note 12 Due to credit institutions, deposits and borrowing from the public	49
Note 13 Issued securities	49
Note 14 Pledged assets, contingent liabilities and commitments	49
Note 15 Classification of financial assets and liabilities	50
Note 16 Fair value measurement of financial instruments	52
Note 17 Assets and liabilities by currency	54
Note 18 Own funds and capital requirements in the consolidated situation	55
Note 19 Risk and liquidity	62
Note 20 Related-party transactions	66
Note 21 Segment reporting	66
Note 22 Events after the balance sheet date	66
Condensed set of financial statements – Parent company	67
Information on phone conference, etc.	75
Share price performance and other information	76

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	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Summary income statement								
Net interest income	7,861	7,893	0%	8,090	-3%	31,606	32,135	-2%
Net fee and commission income	2,884	2,672	8%	2,766	4%	10,786	10,697	1%
Net gains/losses on financial transactions	540	358	51%	413	31%	1,437	1,299	11%
Risk result - insurance	79	52	52%	48	65%	195	145	34%
Other dividend income	36	1		20	80%	53	113	-53%
Share of profit of associates	-17	14		1		18	32	-44%
Other income	48	24	100%	38	26%	153	143	7%
Total income	11,431	11,014	4%	11,376	0%	44,248	44,564	-1%
Staff costs	-3,670	-4,731	-22%	-3,405	8%	-15,343	-13,549	13%
Other expenses	-1,387	-1,543	-10%	-1,729	-20%	-6,085	-6,524	-7%
Depreciation, amortisation and impairment of property, equipment and intangible assets	-559	-464	20%	-420	33%	-1,906	-1,670	14%
Total expenses	-5,616	-6,738	-17%	-5,554	1%	-23,334	-21,743	7%
Profit before credit losses	5,815	4,276	36%	5,822	0%	20,914	22,821	-8%
Net credit losses	-97	-49	98%	-130	-25%	-781	-1,045	-25%
Gains/losses on disposal of property, equipment and intangible assets	-6	0		3		2	20	-90%
Operating profit	5,712	4,227	35%	5,695	0%	20,135	21,796	-8%
Taxes	-1,342	-905	48%	-1,314	2%	-4,547	-4,871	-7%
Profit for the period	4,370	3,322	32%	4,381	0%	15,588	16,925	-8%
Summary balance sheet								
Loans to the public	2,269,612	2,290,611	-1%	2,292,603	-1%	2,269,612	2,292,603	-1%
<i>of which mortgage loans</i>	1,439,328	1,424,174	1%	1,372,937	5%	1,439,328	1,372,937	5%
<i>of which other loans</i>	830,284	866,437	-4%	919,666	-10%	830,284	919,666	-10%
Deposits and borrowing from the public	1,229,763	1,317,718	-7%	1,117,825	10%	1,229,763	1,117,825	10%
<i>of which households</i>	560,888	561,914	0%	531,202	6%	560,888	531,202	6%
Total equity	171,473	167,495	2%	159,832	7%	171,473	159,832	7%
Total assets	3,135,288	3,337,863	-6%	3,069,667	2%	3,135,288	3,069,667	2%
Summary of key figures								
Return on equity	10.9%	8.4%		11.8%		10.0%	11.9%	
C/I ratio	49.1%	61.2%		48.8%		52.7%	48.8%	
Earnings per share, SEK	2.21	1.68		2.21		7.87	8.65	
- after dilution	2.21	1.68		2.21		7.87	8.58	
Common equity tier 1 ratio, CRR	20.3%	19.4%		18.5%		20.3%	18.5%	
Total capital ratio, CRR	24.3%	24.2%		23.2%		24.3%	23.2%	

Group performance

JANUARY – DECEMBER 2020 COMPARED WITH JANUARY – DECEMBER 2019

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

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

Income, adjusted for items affecting comparability, increased by 1%.

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

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

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

Non-recurring items and special items in operating profit

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

Income

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

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

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

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

Net gains/losses on financial transactions increased by 11% to SEK 1,437m (1,299). The net figure was impacted by a provision for a deferred capital contribution of SEK -118m (-51) in Handelsbanken Liv's traditional insurance operations. From the first

quarter, changes in CVA and DVA attributable to the valuation of counterparty risks in the Bank's derivative exposures are recognised on an ongoing basis as a part of the derivative's fair value on the balance sheet and income statement. The substantial increase in credit spreads in the market during the spring contributed significantly to CVA and DVA having a SEK -64m impact on profit.

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

Expenses

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

Development costs

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

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

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

Development costs, including amortisation, rose by 12% to SEK -2,296m (-2,059). Total expenses for the Bank's development amounted to SEK -2,611m

(-2,730). Capitalised costs decreased to SEK 845m (1,120).

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

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

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

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

Credit losses

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

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

Taxes

The effective tax rate was 22.6% (22.3). Since 2019, the corporate tax rate in Sweden has been 21.4%. As of 1 January 2021, the rate is 20.6%. 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.

Q4 2020 COMPARED WITH Q3 2020

Operating profit, adjusted for foreign exchange effects and items affecting comparability, increased by 4%. Including these items, operating profit increased by 35% to SEK 5,712m (4,227). A provision of SEK -213m was made for the Oktogonen profit-sharing scheme in the quarter. Profit during the quarter of comparison was impacted by the provision for a restructuring reserve of SEK -1,470m and an impairment loss on IT systems of SEK -38m. The appreciation of the Swedish krona had a negative effect of SEK -16m on operating profit.

Income climbed by 4% to SEK 11,431m (11,014). The appreciation of the Swedish krona had a negative effect of SEK -41m on income.

Adjusted for items affecting comparability and foreign exchange movements, expenses went up by 4%. Without these adjustments, expenses decreased by 17% to SEK -5,616m (-6,738).

The C/I ratio was 49.1% (61.2). Adjusted for foreign exchange effects and the above-mentioned special items, the C/I ratio improved to 47.3% (47.7).

The period's profit after tax increased by 32% to SEK 4,370m (3,322). Earnings per share amounted to SEK 2.21 (1.68). Return on equity was 10.9% (8.4), but adjusted for items affecting comparability, the figure was 11.3% (11.6).

Non-recurring items and special items in operating profit

SEK m	Q4 2020	Q3 2020	Change
Restructuring costs	-	-1,470	
Impairment of discontinued IT systems	-	-38	
Total non-recurring items	-	-1,508	
Special items			
Oktogonen profit-sharing scheme	-213	-	
Total special items	-213	-	
Total	-213	-1,508	

Income

SEK m	Q4 2020	Q3 2020	Change
Net interest income	7,861	7,893	0%
<i>of which government fees</i>	-336	-344	-2%
Net fee and commission income	2,884	2,672	8%
Net gains/losses on financial trans.	540	358	51%
Other	146	91	60%
Total income	11,431	11,014	4%

Net interest income went down by SEK -32m to SEK 7,861m (7,893). The decrease was due to the appreciation of the Swedish krona, which had a negative effect of SEK -33m on net interest income. Net interest income during the quarter was burdened by extra funding costs of SEK -70m following the Bank's issuance of perpetual subordinated loans at the end of September, known as AT1 bonds. The net effect of changes to margins and funding costs was SEK -14m. Volume changes had only a marginal effect between the

quarters. Government fees were SEK 8m lower; the fee for the Swedish Resolution Fund was SEK -261m (-262), while the deposit guarantee amounted to SEK -75m (-82).

Net fee and commission income increased by 8% to SEK 2,884m (2,672), the highest ever quarterly level. Foreign exchange effects had a negative impact of SEK -7m on net fee and commission income. Fund management and custody account management commissions rose by 10% to SEK 1,494m (1,361). Brokerage income increased to SEK 169m (139). Net payment commissions were SEK 418m (410), with net card commissions totalling SEK 250m (262). While advisory income increased to SEK 88m (51). Lending and deposit commissions rose slightly to SEK 341m (335).

Net gains/losses on financial transactions totalled SEK 540m (358). Customer-driven trade continued to perform well. Profit was also affected by positive value effects on derivatives linked to the Bank's funding. The effects of CVA and DVA had an impact of SEK 92m (30) on profit.

Other income amounted to SEK 146m (91), with the risk result – insurance increasing by SEK 27m to SEK 79m (52). Dividend income totalled SEK 36m (1).

Expenses

SEK m	Q4 2020	Q3 2020	Change
Staff costs	-3,670	-4,731	-22%
<i>of which restructuring costs</i>	-	-1,310	
<i>of which Oktogonen</i>	-213	-	
Other expenses	-1,387	-1,543	-10%
Depreciation and amortisation	-559	-464	20%
Total expenses	-5,616	-6,738	-17%

Development costs

SEK m	Q4 2020	Q3 2020	Change
Development spend	-681	-516	32%
<i>of which staff costs</i>	-355	-257	38%
<i>of which other costs</i>	-326	-259	26%
Capitalised costs	189	187	1%
Development spend after capitalised costs	-492	-329	50%
Amortisation and impairment	-150	-145	3%
Development costs	-642	-474	35%

Total expenses fell by 17% to SEK -5,616m (-6,738). A provision of SEK -213m was made for the Oktogonen profit-sharing scheme in the quarter. Profit in the quarter of comparison was impacted by a provision for a restructuring reserve of SEK -1,470m and an impairment loss on IT systems of SEK -38m. The appreciation of the Swedish krona reduced expenses by SEK 24m. Adjusted for foreign exchange and the special items, expenses increased by 4%, due to customary seasonal effects between the third and fourth quarters.

Development costs, including amortisation, amounted to SEK -642m (-474). Total expenses for the Bank's development amounted to SEK -681m (-516). Capitalised costs were SEK 189m (187).

During autumn, the Bank decided to temporarily increase IT investments during the period 2021-2022 by a total of SEK 1bn, of which SEK 13m was recorded during Q4 2020.

The expenses incurred by the Bank for its work to prevent financial crime were SEK -301m (-255).

Staff costs were SEK -3,670m (-4,731), which includes a provision of SEK -213m (-) for the Oktogonen profit-sharing scheme. The quarter of comparison was negatively affected by a SEK -1,310m provision to the restructuring reserve. The appreciation of the Swedish krona reduced staff costs by SEK 14m, and adjusted for both these effects, staff costs increased by 1% between the quarters.

Staff costs relating to the Bank's IT development totalled SEK -355m (-257). The average number of employees was 12,488 (12,717).

Other expenses fell by 10% to SEK -1,387m (-1,543). During the fourth quarter, SEK 100m was transferred from other expenses (costs for premises) to depreciation (right-of-use assets), related to the restructuring reserve recorded in Q3. Foreign exchange effects reduced other expenses by SEK 9m. Other costs attributable to the Bank's development amounted to SEK -326m (-259).

Depreciation, amortisation and impairment totalled SEK -559m (-464); SEK -301m (-184) of this total was for depreciation and impairment of right-of-use assets tied to rented premises, while SEK -150m (-145) was for amortisation linked to development.

Credit losses

SEK m	Q4 2020	Q3 2020	Change
Net credit losses	-97	-49	-48
of which additional provision requirements	3	-148	151
Credit loss ratio as % of loans	0.03	0.00	

Credit losses totalled SEK -97m (-49). Updates to macroeconomic scenarios have reduced the additional provision requirement by SEK 3m. The credit loss ratio was 0.03% (0.00).

Taxes

The effective tax rate for the fourth quarter was 23.5% (21.4). The fact that interest expenses on subordinated loans are not tax-deductible had an impact of 1.1 percentage points on the tax rate, compared with the corporate tax rate (1.4).

BUSINESS DEVELOPMENT

January – December 2020 compared with January – December 2019

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

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

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

Average volumes of deposits and borrowing rose by 14% to SEK 1,302bn (1,143). The appreciation of the Swedish krona had a SEK 15bn 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 8% to SEK 549bn (509), while corporate deposits increased by 19% to SEK 753bn (634).

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

Q4 2020 compared with Q3 2020

From Q3 to Q4, the average volume of loans to the public fell by 1%, or SEK 18bn, to SEK 2,285bn (2,303). The appreciation of the Swedish krona had a negative impact of SEK -9bn on the average volume, and adjusted for foreign exchange effects, the volume was virtually unchanged. Household lending increased by SEK 10bn to SEK 1,236bn (1,226), while corporate lending fell by 3% to SEK 1,049bn (1,076).

The total average volume of deposits and borrowing rose by 1%, or SEK 8bn, to SEK 1,319bn (1,311). The appreciation of the Swedish krona had a negative impact of SEK -6bn on the volume. Household deposits went up by SEK 5bn and the average volume of corporate deposits increased by SEK 3bn.

The total volume of assets under management in the Group at the end of the quarter amounted to SEK 846bn (787). The net inflow to the Bank's mutual funds during the quarter was SEK 22.9bn (11.5), of which SEK 3.6bn (0.1) came from the home markets outside Sweden.

THE BANK'S NEW STRATEGIC DIRECTION

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

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

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

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

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

FUNDING AND LIQUIDITY

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

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

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

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

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

CAPITAL

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

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

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

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

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

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

Own funds were SEK 175bn (166), and the Bank's total capital ratio amounted to 24.3% (23.2). The common equity tier 1 capital was SEK 146bn (133), while the common equity tier 1 ratio was 20.3% (18.5). Earnings during the last 12-month period raised the common equity tier 1 capital ratio by 2.0 percentage points. A deduction for the proposed dividend, equivalent to 25% of the sum total profit in 2019 and 2020, had a negative impact of 1.1 percentage points. The return to own funds of the previously deducted dividend proposed on the basis of profit in 2019 had a positive contribution of 1.5 percentage points. The SME reduction had a positive impact of 0.5 percentage points. Higher exposure volumes reduced the common equity tier 1 ratio by 0.7 percentage points, and the net effect of customer and volume migration was -0.1 percentage point. Foreign exchange effects contributed -0.1 percentage point and the effects of net pensions were -0.1 percentage point. The transition from IRB to a standardised basis for calculating the capital requirement for credit risk in the UK at Group level reduced the common equity tier 1 ratio by 1.4 percentage points. The ultimate effect of the transition was thus lower than previously anticipated. Other effects increased the common equity tier 1 ratio by 1.2 percentage points.

Capital for consolidated situation 31 December 2020 compared with 30 September 20

SEK m	31 Dec 2020	30 Sep 2020	Change
Common equity tier 1 ratio, CRR	20.3%	19.4%	0.9
Total capital ratio, CRR	24.3%	24.2%	0.1
Risk exposure amount, CRR	721,403	697,074	3%
Common equity tier 1 capital	146,160	135,465	8%
Total own funds	175,245	168,409	4%

Own funds amounted to SEK 175bn (168) and the total capital ratio was 24.3% (24.2). The common equity tier 1 capital was SEK 146bn (135), while the common equity tier 1 ratio was 20.3% (19.4). The period's earnings, after a deduction for the dividend payout ratio of 25% for the sum total of profit in 2019 and 2020, had a neutral effect on the common equity tier 1 capital ratio. The return to own funds of the previously deducted dividend proposed on the basis of profit in 2019 had a positive contribution of 1.6 percentage points.

The discount rate for Swedish pension obligations, based on a basket of bonds, was 1.5% (1.2). During the fourth quarter, adjustments were made to the basket of bonds with high credit ratings used to calculate the discount rate, in order to ensure that these better reflected the pension obligations. Overall, the change in net pensions had a positive impact of 0.2 percentage points.

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. Foreign exchange effects had a negative effect of 0.1 percentage point. 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 0.7 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 Q4, Group EC totalled SEK 57.2bn (57.8), while AFR was SEK 184.9bn (184.0). Thus, the ratio between AFR and EC was 324% (318). For the consolidated situation, EC totalled SEK 28.5bn (28.8), and AFR was SEK 180.0bn (179.5).

Rating

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

	Long-term	Short-term	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 ON 24 MARCH

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

3.15 per share. SEK 0.95 per share of the proposed dividend is attributable to earlier retained earnings.

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

Handelsbanken Group – Business segments

January - December 2020		Home markets							Adj. & elim.	Group Full year 2020
SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Capital Markets	Other		
Net interest income	18,166	5,683	3,481	1,612	1,403	908	355	-2		31,606
Net fee and commission income	7,143	713	504	624	683	125	1,003	-9		10,786
Net gains/losses on financial transactions	461	176	57	123	-24	25	1,037	-418		1,437
Risk result - insurance							195			195
Share of profit of associates								18		18
Other income	33	1	32	8	10	2	23	97		206
Total income	25,803	6,573	4,074	2,367	2,072	1,060	2,613	-314		44,248
Staff costs	-3,657	-2,465	-822	-790	-448	-395	-1,927	-4,699	-140	-15,343
Other expenses	-877	-864	-203	-144	-212	-146	-750	-2,889		-6,085
Internal purchased and sold services	-4,662	-761	-509	-459	-519	-143	341	6,712		
impairments of property, equipment and intangible assets	-321	-267	-88	-49	-66	-56	-123	-936		-1,906
Total expenses	-9,517	-4,357	-1,622	-1,442	-1,245	-740	-2,459	-1,812	-140	-23,334
Profit before credit losses	16,286	2,216	2,452	925	827	320	154	-2,126	-140	20,914
Net credit losses	-177	-119	-270	-32	-193	-4	11	3		-781
Gains/losses on disposal of property, equipment and intangible assets	8	-7	7	2	-1	-	-3	-4		2
Operating profit	16,117	2,090	2,189	895	633	316	162	-2,127	-140	20,135
Profit allocation	332	49	40	12	27	5	-465			
Operating profit after profit allocation	16,449	2,139	2,229	907	660	321	-303	-2,127	-140	20,135
Internal income*	93	-1,193	-2,420	-210	-192	-387	-1,565	5,874		

January - December 2019		Home markets							Adj. & elim.	Group Full year 2019
SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Capital Markets	Other		
Net interest income	17,505	6,029	3,957	1,666	1,386	800	437	355		32,135
Net fee and commission income	6,739	777	546	600	754	151	1,135	-5		10,697
Net gains/losses on financial transactions	486	222	63	98	46	37	1,045	-698		1,299
Risk result - insurance							145			145
Share of profit of associates								32		32
Other income	52	1	9	8	17	-2	16	155		256
Total income	24,782	7,029	4,575	2,372	2,203	986	2,778	-161		44,564
Staff costs	-3,576	-2,384	-884	-768	-446	-400	-2,020	-2,837	-234	-13,549
Other expenses	-915	-962	-190	-140	-193	-86	-775	-3,263		-6,524
Internal purchased and sold services	-4,436	-758	-493	-427	-441	-142	150	6,547		
impairments of property, equipment and intangible assets	-297	-246	-94	-49	-70	-55	-118	-741		-1,670
Total expenses	-9,224	-4,350	-1,661	-1,384	-1,150	-683	-2,763	-294	-234	-21,743
Profit before credit losses	15,558	2,679	2,914	988	1,053	303	15	-455	-234	22,821
Net credit losses	-1,069	10	-99	3	103	-3	9	1		-1,045
Gains/losses on disposal of property, equipment and intangible assets	6	1	6	6	-1	0	0	2		20
Operating profit	14,495	2,690	2,821	997	1,155	300	24	-452	-234	21,796
Profit allocation	317	42	43	12	35	2	-451			
Operating profit after profit allocation	14,812	2,732	2,864	1,009	1,190	302	-427	-452	-234	21,796
Internal income*	134	-1,549	-3,596	-240	-185	-366	-2,515	8,317		

During the first quarter of 2020, a reorganisation was carried out entailing that product ownership and business support operations for financial instruments, currencies and products in the fund management group were transferred from Group Products and Services to Handelsbanken Capital Markets. Simultaneously, the remaining operations within Group Products and Services were transferred from other business operations to the Handelsbanken Sweden segment. Also during the first quarter of 2020, the decision was made that mutual fund and insurance commissions received by the branch operations from Capital Markets, which were previously recognised at a net amount in the segment reporting in the income statement item Profit allocation, are to be recognised as gross amounts in the items Net fee and commission income and Internal purchased and sold services. 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 branch operations in five regional banks, as well as the operations of Ecster and Stadshypotek in Sweden. At Handelsbanken, the branches are the base of all operations, with responsibility for all customers of the Bank. The regional banks offered banking services at 376 branches throughout Sweden.

INCOME STATEMENT

SEK m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Net interest income	4,527	4,555	-1%	4,351	4%	18,166	17,505	4%
Net fee and commission income	1,946	1,805	8%	1,808	8%	7,143	6,739	6%
Net gains/losses on financial transactions	122	130	-6%	143	-15%	461	486	-5%
Other income	12	5	140%	10	20%	33	52	-37%
Total income	6,607	6,495	2%	6,312	5%	25,803	24,782	4%
Staff costs	-907	-910	0%	-890	2%	-3,657	-3,576	2%
Other expenses	-226	-208	9%	-300	-25%	-877	-915	-4%
Internal purchased and sold services	-1,187	-1,100	8%	-1,107	7%	-4,662	-4,436	5%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-91	-77	18%	-84	8%	-321	-297	8%
Total expenses	-2,411	-2,295	5%	-2,381	1%	-9,517	-9,224	3%
Profit before credit losses	4,196	4,200	0%	3,931	7%	16,286	15,558	5%
Net credit losses	-45	123		-142	-68%	-177	-1,069	-83%
Gains/losses on disposal of property, equipment and intangible assets	3	2	50%	2	50%	8	6	33%
Operating profit	4,154	4,325	-4%	3,791	10%	16,117	14,495	11%
Profit allocation	85	70	21%	54	57%	332	317	5%
Operating profit after profit allocation	4,239	4,395	-4%	3,845	10%	16,449	14,812	11%
Internal income	-13	-13	0%	56		93	134	-31%
Cost/income ratio, %	36.0	35.0		37.4		36.4	36.8	
Credit loss ratio, %	0.02	-0.04		0.03		0.01	0.08	
Allocated capital	96,413	92,811	4%	85,679	13%	96,413	85,679	13%
Return on allocated capital, %	13.8	14.9		14.1		14.0	13.8	
Average number of employees	3,853	4,058	-5%	3,913	-2%	3,947	4,027	-2%
Number of branches	376	376	0%	383	-2%	376	383	-2%

BUSINESS VOLUMES

Average volumes, SEK bn	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Loans to the public*								
Household	907	896	1%	870	4%	892	859	4%
of which mortgage loans	867	856	1%	827	5%	851	814	5%
Companies	531	537	-1%	528	1%	537	528	2%
of which mortgage loans	363	357	2%	338	7%	354	329	8%
Total	1,438	1,433	0%	1,398	3%	1,429	1,387	3%
Deposits and borrowing from the public								
Household	419	414	1%	386	9%	406	375	8%
Companies	325	316	3%	284	14%	309	272	14%
Total	744	730	2%	670	11%	715	647	11%

* Excluding loans to the National Debt Office.

JANUARY – DECEMBER 2020 COMPARED WITH JANUARY – DECEMBER 2019

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

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

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

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

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

Q4 2020 COMPARED WITH Q3 2020

Operating profit decreased by 4% to SEK 4,154m (4,325), due to seasonally higher expenses and higher credit losses. Return on allocated capital was 13.8% (14.9). The C/I ratio was 36.0% (35.0).

Net interest income went down by 1%, or SEK -28m, to SEK 4,527m (4,555). Higher deposit volumes increased net interest income by SEK 7m, while higher lending volumes contributed SEK 10m. The gross margin on mortgage loans was unchanged at 1.05 (1.05). The net amount of changed customer interest rates and funding costs had a SEK -25m impact on net interest income.

Net fee and commission income increased by 8% to SEK 1,946m (1,805), mainly thanks to higher commissions from the mutual fund business.

Expenses rose by 5% to SEK -2,411m (-2,295). Staff costs were virtually unchanged at SEK -907m (-910). The average number of employees decreased to 3,853 (4,058), mainly as a result of the extra employment of temporary staff during the comparison quarter. Other external expenses went up by 9% to SEK -226m (-208), mainly due to normal seasonal variation.

Credit losses were SEK -45m (123), and the credit loss ratio was 0.02% (-0.04).

BUSINESS DEVELOPMENT

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

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

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

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

January – December 2020 compared with January – December 2019

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

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

Q4 2020 compared with Q3 2020

The average volume of mortgage loans to private individuals rose by 1% to SEK 867bn (856), while household deposits grew by 1% to SEK 419bn (414). The average volume of corporate lending went down by 1% to SEK 531bn (537), while corporate deposits increased by 3% to SEK 325bn (316).

New savings in the Bank's mutual funds in Sweden totalled SEK 19.3bn (11.4).

Handelsbanken UK

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

INCOME STATEMENT

SEK m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Net interest income	1,345	1,342	0%	1,558	-14%	5,683	6,029	-6%
Net fee and commission income	163	180	-9%	214	-24%	713	777	-8%
Net gains/losses on financial transactions	48	39	23%	71	-32%	176	222	-21%
Other income	0	1	-100%	1	-100%	1	1	0%
Total income	1,556	1,562	0%	1,844	-16%	6,573	7,029	-6%
Staff costs	-625	-586	7%	-620	1%	-2,465	-2,384	3%
Other expenses	-208	-172	21%	-228	-9%	-864	-962	-10%
Internal purchased and sold services	-188	-175	7%	-193	-3%	-761	-758	0%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-70	-57	23%	-57	23%	-267	-246	9%
Total expenses	-1,091	-990	10%	-1,098	-1%	-4,357	-4,350	0%
Profit before credit losses	465	572	-19%	746	-38%	2,216	2,679	-17%
Net credit losses	-16	1		5		-119	10	
Gains/losses on disposal of property, equipment and intangible assets	-3	-2	50%	-4	-25%	-7	1	
Operating profit	446	571	-22%	747	-40%	2,090	2,690	-22%
Profit allocation	11	12	-8%	13	-15%	49	42	17%
Operating profit after profit allocation	457	583	-22%	760	-40%	2,139	2,732	-22%
Internal income	-238	-269	12%	-365	35%	-1,193	-1,549	23%
Cost/income ratio, %	69.6	62.9		59.1		65.8	61.5	
Credit loss ratio, %	0.03	-0.01		-0.01		0.04	-0.01	
Allocated capital	19,306	19,286	0%	17,293	12%	19,306	17,293	12%
Return on allocated capital, %	7.5	9.5		13.8		8.9	13.3	
Average number of employees	2,499	2,464	1%	2,419	3%	2,462	2,361	4%
Number of branches	204	207	-1%	207	-1%	204	207	-1%

BUSINESS VOLUMES

Average volumes, GBP m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Loans to the public								
Household	6,752	6,794	-1%	6,744	0%	6,873	6,674	3%
Companies	14,480	14,787	-2%	14,789	-2%	14,783	14,706	1%
Total	21,232	21,581	-2%	21,533	-1%	21,656	21,380	1%
Deposits and borrowing from the public								
Household	5,217	5,091	2%	5,017	4%	5,144	4,787	7%
Companies	13,482	12,918	4%	11,084	22%	12,465	10,477	19%
Total	18,699	18,009	4%	16,101	16%	17,609	15,264	15%

JANUARY – DECEMBER 2020 COMPARED WITH JANUARY – DECEMBER 2019

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

Income decreased by 6% to SEK 6,573m (7,029).

Foreign exchange effects totalled SEK -157m. Income fell by 4% when expressed in local currency terms.

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

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

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

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

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

Q4 2020 COMPARED WITH Q3 2020

Operating profit went down by 22% to SEK 446m (571), due to an increased level of expenses. The foreign exchange effect was marginally negative, and expressed in local currency, operating profit decreased by 21%. Return on allocated capital was 7.5% (9.5).

Income was largely unchanged at SEK 1,556m (1,562). Foreign exchange effects reduced income by SEK -11m.

Net interest income increased marginally to SEK 1,345m (1,342). Foreign exchange effects had a negative impact of SEK -9m on net interest income. In

local currency terms, net interest income increased by 1%. Lower business volumes had a negative impact of SEK -15m. The net effect of changes to margins and funding costs was an increase in net interest income amounting to SEK 8m. No government fees burdened net interest income (-).

Net fee and commission income declined by 9% to SEK 163m (180). The foreign exchange effect was marginal. The lower net fee and commission income was mainly due to lower deposit and lending commissions.

Expenses rose by 10% to SEK -1,091m (-990). Foreign exchange effects were positive and amounted to SEK 7m. Staff costs rose by 7% to SEK -625m (-586). This increase was entirely due to increased holiday pay liabilities. The average number of employees increased by 1% to 2,499 (2,464).

Credit losses totalled SEK -16m (1). The credit loss ratio was 0.03% (-0.01).

BUSINESS DEVELOPMENT

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

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

January – December 2020 compared with January – December 2019

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

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

Q4 2020 compared with Q3 2020

The average volume of household deposits increased by 2%, while household lending decreased by 1%. Corporate deposits grew by 4%, while lending to corporates decreased by 2%. Overall, the average volume of deposits and borrowing from the public increased by 4% to GBP 18.7bn (18.0). The average volume of lending decreased by a total of 2% to GBP 21.2bn (21.6).

During the quarter, the net flow at Handelsbanken Wealth & Asset Management totalled GBP -58m (-41).

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	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Net interest income	867	872	-1%	1,019	-15%	3,481	3,957	-12%
Net fee and commission income	131	129	2%	144	-9%	504	546	-8%
Net gains/losses on financial transactions	21	12	75%	12	75%	57	63	-10%
Other income	29	0		-1		32	9	256%
Total income	1,048	1,013	3%	1,174	-11%	4,074	4,575	-11%
Staff costs	-201	-204	-1%	-218	-8%	-822	-884	-7%
Other expenses	-46	-43	7%	-53	-13%	-203	-190	7%
Internal purchased and sold services	-127	-130	-2%	-128	-1%	-509	-493	3%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-21	-20	5%	-23	-9%	-88	-94	-6%
Total expenses	-395	-397	-1%	-422	-6%	-1,622	-1,661	-2%
Profit before credit losses	653	616	6%	752	-13%	2,452	2,914	-16%
Net credit losses	-37	-43	-14%	-18	106%	-270	-99	173%
Gains/losses on disposal of property, equipment and intangible assets	1	1	0%	2	-50%	7	6	17%
Operating profit	617	574	7%	736	-16%	2,189	2,821	-22%
Profit allocation	11	8	38%	13	-15%	40	43	-7%
Operating profit after profit allocation	628	582	8%	749	-16%	2,229	2,864	-22%
Internal income	-175	-417	58%	-859	80%	-2,420	-3,596	33%
Cost/income ratio, %	37.3	38.9		35.6		39.4	36.0	
Credit loss ratio, %	0.15	0.04		0.04		0.10	0.02	
Allocated capital	19,986	20,901	-4%	20,281	-1%	19,986	20,281	-1%
Return on allocated capital, %	9.9	8.8		11.6		8.8	12.0	
Average number of employees	715	722	-1%	692	3%	709	699	1%
Number of branches	45	45	0%	47	-4%	45	47	-4%

BUSINESS VOLUMES

Average volumes, NOK bn	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Loans to the public								
Household	103.8	102.2	2%	98.1	6%	101.7	96.2	6%
Companies	167.4	168.0	0%	166.7	0%	168.6	165.0	2%
Total	271.2	270.2	0%	264.8	2%	270.3	261.2	3%
Deposits and borrowing from the public								
Household	25.8	25.6	1%	22.1	17%	24.7	21.6	14%
Companies	61.0	65.4	-7%	49.6	23%	60.9	47.5	28%
Total	86.8	91.0	-5%	71.7	21%	85.6	69.1	24%

JANUARY – DECEMBER 2020 COMPARED WITH JANUARY – DECEMBER 2019

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

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

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

Net fee and commission income decreased by 8% to SEK 504m (546), with foreign exchange effects having a negative effect of SEK -51m. Expressed in local currency, net fee and commission income grew by 1%. Savings-related business exhibited positive development, while payments-related commissions showed a negative trend.

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

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

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

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

Q4 2020 COMPARED WITH Q3 2020

Operating profit went up by 7% to SEK 617m (574), chiefly due to higher income. Foreign exchange effects amounted to SEK -10m, and in local currency terms, operating profit rose by 9%.

Net interest income went down by 1% to SEK 867m (872). Foreign exchange effects amounted to SEK -14m, and in local currency terms, net interest income rose by 1%. Lower business volumes had a negative impact of SEK

-2m. The net amount of changed margins and funding costs increased net interest income by SEK 18m, mainly due to higher lending margins. Government fees burdened net interest income by SEK -39m (-40).

Net fee and commission income rose by 2% to SEK 131m (129), which was mainly attributable to improved savings-related commissions. Expressed in local currency, net fee and commission income increased by 3%.

Net gains/losses on financial transactions totalled SEK 21m (12).

Expenses were largely unchanged at SEK -395m (-397). Foreign exchange effects totalled SEK 6m, and expressed in local currency terms, expenses grew by 2%.

Staff costs fell by 1% to SEK -201m (-204), due to a lower number of employees. The average number of employees was 715 (722).

Credit losses decreased to SEK -37m (-43), and the credit loss ratio was 0.15% (0.04).

BUSINESS DEVELOPMENT

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

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

January – December 2020 compared with January – December 2019

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

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

Q4 2020 compared with Q3 2020

The average volume of household deposits increased by 1%, while lending to households grew by 2%. The average volume of corporate deposits went down by 7% while corporate lending was unchanged. Overall, the average volume of deposits and borrowing from the public decreased by 5% to NOK 86.8bn (91.0). The average volume of lending was unchanged at NOK 271.2bn (270.2).

New savings in the Bank's mutual funds in Norway during the quarter totalled SEK 2.1bn (0.7).

Handelsbanken Denmark

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

INCOME STATEMENT

SEK m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Net interest income	390	410	-5%	413	-6%	1,612	1,666	-3%
Net fee and commission income	163	143	14%	159	3%	624	600	4%
Net gains/losses on financial transactions	39	25	56%	23	70%	123	98	26%
Other income	3	1	200%	2	50%	8	8	0%
Total income	595	579	3%	597	0%	2,367	2,372	0%
Staff costs	-208	-196	6%	-190	9%	-790	-768	3%
Other expenses	-47	-34	38%	-34	38%	-144	-140	3%
Internal purchased and sold services	-119	-115	3%	-105	13%	-459	-427	7%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-12	-12	0%	-13	-8%	-49	-49	0%
Total expenses	-386	-357	8%	-342	13%	-1,442	-1,384	4%
Profit before credit losses	209	222	-6%	255	-18%	925	988	-6%
Net credit losses	23	3		3		-32	3	
Gains/losses on disposal of property, equipment and intangible assets	0	0	0%	2	-100%	2	6	-67%
Operating profit	232	225	3%	260	-11%	895	997	-10%
Profit allocation	4	4	0%	5	-20%	12	12	0%
Operating profit after profit allocation	236	229	3%	265	-11%	907	1,009	-10%
Internal income	30	-67		-1		-210	-240	13%
Cost/income ratio, %	64.4	61.2		56.8		60.6	58.1	
Credit loss ratio, %	-0.08	-0.01		-0.02		0.01	-0.01	
Allocated capital	7,263	7,138	2%	7,110	2%	7,263	7,110	2%
Return on allocated capital, %	10.2	10.1		11.7		9.8	12.0	
Average number of employees	589	593	-1%	587	0%	589	600	-2%
Number of branches	43	55	-22%	56	-23%	43	56	-23%

BUSINESS VOLUMES

Average volumes, DKK bn	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Loans to the public								
Household	46.9	47.1	0%	47.3	-1%	47.1	47.6	-1%
Companies	26.9	28.3	-5%	30.5	-12%	28.9	30.2	-4%
Total	73.8	75.4	-2%	77.8	-5%	76.0	77.8	-2%
Deposits and borrowing from the public								
Household	17.8	17.4	2%	16.2	10%	17.3	15.5	12%
Companies	22.6	24.9	-9%	20.7	9%	22.4	20.1	11%
Total	40.4	42.3	-4%	36.9	9%	39.7	35.6	12%

JANUARY – DECEMBER 2020 COMPARED WITH JANUARY – DECEMBER 2019

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

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

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

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

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

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

Q4 2020 COMPARED WITH Q3 2020

Operating profit went up by 3% to SEK 232m (225). Foreign exchange effects were negative, by SEK -2m. Expressed in local currency, operating profit increased by 4%.

Net interest income went down by 5% to SEK 390m (410). Foreign exchange effects were SEK -4m, and expressed in local currency, net interest income decreased by 4%. Lower business volumes reduced net interest income by SEK -11m. The net amount of changed margins and funding costs had a SEK -4m negative impact on net interest income. The fee for the Swedish Resolution Fund was SEK -13m (-12), while the deposit guarantee burdened net interest income by SEK -5m (-4).

Net fee and commission income rose by 14% to SEK 163m (143), mainly from savings-related commissions.

Net gains/losses on financial transactions totalled SEK 39m (25).

Expenses rose by 8% to SEK -386m (-357). Foreign exchange effects had a SEK 3m positive impact. In local currency terms, expenses increased by 9%; this was mainly attributable to AML expenses and increased IT investments.

Staff costs totalled SEK -208m (-196). The average number of employees was 589 (593).

Credit losses consisted of net recoveries of SEK 23m (3), which resulted in a credit loss ratio of -0.08% (-0.01).

BUSINESS DEVELOPMENT

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

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

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

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

January – December 2020 compared with January – December 2019

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

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

Q4 2020 compared with Q3 2020

The average volume of corporate deposits went down by 9%, while household deposits went up by 2%. Overall, deposits decreased by 4% to DKK 40.4bn (42.3). The average volume of lending to corporates went down by 5%, while lending to households was unchanged. Overall, lending fell by 2% to DKK 73.8bn (75.4).

New savings in the Bank's mutual funds in Denmark totalled SEK 0.9bn (-0.2).

Handelsbanken Finland

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

INCOME STATEMENT

SEK m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Net interest income	356	350	2%	351	1%	1,403	1,386	1%
Net fee and commission income	165	173	-5%	195	-15%	683	754	-9%
Net gains/losses on financial transactions	-60	10		9		-24	46	
Other income	2	2	0%	3	-33%	10	17	-41%
Total income	463	535	-13%	558	-17%	2,072	2,203	-6%
Staff costs	-108	-113	-4%	-111	-3%	-448	-446	0%
Other expenses	-63	-44	43%	-56	13%	-212	-193	10%
Internal purchased and sold services	-140	-122	15%	-128	9%	-519	-441	18%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-14	-16	-13%	-18	-22%	-66	-70	-6%
Total expenses	-325	-295	10%	-313	4%	-1,245	-1,150	8%
Profit before credit losses	138	240	-43%	245	-44%	827	1,053	-21%
Net credit losses	-27	-136	-80%	21		-193	103	
Gains/losses on disposal of property, equipment and intangible assets	-1	-		0		-1	-1	
Operating profit	110	104	6%	266	-59%	633	1,155	-45%
Profit allocation	6	6	0%	8	-25%	27	35	-23%
Operating profit after profit allocation	116	110	5%	274	-58%	660	1,190	-45%
Internal income	39	-77		35	11%	-192	-185	-4%
Cost/income ratio, %	69.3	54.5		55.3		59.3	51.4	
Credit loss ratio, %	0.00	0.34		-0.18		0.11	-0.09	
Allocated capital	7,728	7,389	5%	7,481	3%	7,728	7,481	3%
Return on allocated capital, %	4.8	4.7		11.5		6.7	13.3	
Average number of employees	508	518	-2%	501	1%	506	506	0%
Number of branches	27	29	-7%	36	-25%	27	36	-25%

BUSINESS VOLUMES

Average volumes, EUR m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Loans to the public								
Household	4,352	4,316	1%	4,346	0%	4,330	4,334	0%
Companies	9,843	9,931	-1%	9,690	2%	9,841	9,538	3%
Total	14,195	14,247	0%	14,036	1%	14,171	13,872	2%
Deposits and borrowing from the public								
Household	1,909	1,936	-1%	1,745	9%	1,872	1,707	10%
Companies	3,589	3,712	-3%	3,375	6%	3,511	2,903	21%
Total	5,498	5,648	-3%	5,120	7%	5,383	4,610	17%

JANUARY – DECEMBER 2020 COMPARED WITH JANUARY – DECEMBER 2019

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

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

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

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

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

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

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

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

Q4 2020 COMPARED WITH Q3 2020

Operating profit rose by 6% to SEK 110m (104), which was mainly attributable to lower credit losses.

The effect of foreign exchange movements on operating profit was marginal.

Net interest income grew by 2% to SEK 356m (350). Foreign exchange effects were negative, by SEK 3m. 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 -7m. The fee for the Swedish Resolution Fund was SEK -17m (-17), while the deposit guarantee burdened net interest income by SEK -3m (-4).

Net fee and commission income went down by 5% to SEK 165m (173), due mainly to lower payment commissions.

The foreign exchange effect was negative, and net fee and commission income fell by 4% when expressed in local currency terms.

Net gains/losses on financial transactions totalled SEK -60m (10), which is explained by the revaluation of a leasing portfolio.

Expenses grew by 10% to SEK -325m (-295); the foreign exchange impact was positive, and in local currency, expenses increased by 10%.

Staff costs totalled SEK -108m (-113). The average number of employees was 508 (518).

Credit losses were SEK -27m (-136), and the credit loss ratio was 0.00% (0.34).

BUSINESS DEVELOPMENT

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

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

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

January – December 2020 compared with January – December 2019

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

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

Q4 2020 compared with Q3 2020

The average volume of household deposits decreased by 1%, while household lending grew by 1%. Corporate deposits went down by 3% while corporate lending went down by 1%. Overall, the average volume of deposits and borrowing from the public decreased by 3% to EUR 5.5bn (5.7), while total lending was unchanged at EUR 14.2bn (14.2).

New savings in the Bank's mutual funds in Finland totalled SEK 0.2bn (-0.3).

Handelsbanken the Netherlands

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

INCOME STATEMENT

SEK m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Net interest income	233	227	3%	212	10%	908	800	14%
Net fee and commission income	34	30	13%	42	-19%	125	151	-17%
Net gains/losses on financial transactions	8	5	60%	23	-65%	25	37	-32%
Other income	0	1	-100%	-3		2	-2	
Total income	275	263	5%	274	0%	1,060	986	8%
Staff costs	-98	-96	2%	-99	-1%	-395	-400	-1%
Other expenses	-42	-33	27%	-28	50%	-146	-86	70%
Internal purchased and sold services	-37	-34	9%	-39	-5%	-143	-142	1%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-12	-15	-20%	-15	-20%	-56	-55	2%
Total expenses	-189	-178	6%	-181	4%	-740	-683	8%
Profit before credit losses	86	85	1%	93	-8%	320	303	6%
Net credit losses	-2	0		-1	-100%	-4	-3	33%
Gains/losses on disposal of property, equipment and intangible assets	-	-		-		-	0	
Operating profit	84	85	-1%	92	-9%	316	300	5%
Profit allocation	1	1	0%	1	0%	5	2	150%
Operating profit after profit allocation	85	86	-1%	93	-9%	321	302	6%
Internal income	-65	-106	39%	-69	6%	-387	-366	-6%
Cost/income ratio, %	68.5	67.4		65.8		69.5	69.1	
Credit loss ratio, %	0.01	0.00		0.01		0.01	0.01	
Allocated capital	2,612	2,446	7%	2,198	19%	2,612	2,198	19%
Return on allocated capital, %	10.2	11.1		13.4		10.0	11.8	
Average number of employees	334	334	0%	313	7%	329	317	4%
Number of branches	29	29	0%	29	0%	29	29	0%

BUSINESS VOLUMES

Average volumes, EUR m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Loans to the public								
Household	3,535	3,433	3%	3,072	15%	3,387	2,916	16%
Companies	2,502	2,436	3%	2,195	14%	2,404	2,107	14%
Total	6,037	5,869	3%	5,267	15%	5,791	5,023	15%
Deposits and borrowing from the public								
Household	321	281	14%	217	48%	261	197	32%
Companies	1,424	1,300	10%	1,239	15%	1,366	1,150	19%
Total	1,745	1,581	10%	1,456	20%	1,627	1,347	21%

JANUARY – DECEMBER 2020 COMPARED WITH JANUARY – DECEMBER 2019

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

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

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

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

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

Q4 2020 COMPARED WITH Q3 2020

Operating profit went down by 1% to SEK 84m (85). In local currency terms, operating profit was unchanged. Income increased by 5% to SEK 275m (263). Foreign exchange effects amounted to SEK -2m, and in local currency terms, income rose by 6%.

Net interest income grew by 3% to SEK 233m (227). In local currency terms, net interest income increased by 4%. Higher business volumes had a SEK 9m positive impact on net interest income. The net effect of changes to margins and funding costs was a marginal reduction of net interest income.

Net fee and commission income rose by 13% to SEK 34m (30).

Expenses rose by 6% to SEK -189m (-178). Foreign exchange effects totalled SEK 1m, and expressed in local currency terms, expenses grew by 8%. Staff costs increased by 2% to SEK -98m (-96), and the average number of employees was unchanged at 334 (334).

Credit losses totalled SEK -2m (0). The credit loss ratio was 0.01% (0.00).

BUSINESS DEVELOPMENT

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

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

January – December 2020 compared with January – December 2019

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

Q4 2020 compared with Q3 2020

The average volume of household deposits increased by 14%, while household lending grew by 3%. The average volume of corporate deposits rose by 10%, while corporate lending grew by 3%. Overall, the average volume of deposits and borrowing from the public increased by 10% to EUR 1.7bn (1.6), while total loans to the public grew by 3% to EUR 6.0bn (5.9).

Handelsbanken Capital Markets

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

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

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

Pension & Life comprises the Handelsbanken Liv subsidiary and offers pension solutions and other insurance solutions for 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	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Net interest income	76	83	-8%	109	-30%	355	437	-19%
Net fee and commission income	289	213	36%	204	42%	1,003	1,135	-12%
Net gains/losses on financial transactions	266	288	-8%	218	22%	1,037	1,045	-1%
Risk result - insurance	79	52	52%	48	65%	195	145	34%
Other income	3	5	-40%	5	-40%	23	16	44%
Total income	713	641	11%	584	22%	2,613	2,778	-6%
Staff costs	-461	-470	-2%	-460	0%	-1,927	-2,020	-5%
Other expenses	-142	-207	-31%	-182	-22%	-750	-775	-3%
Internal purchased and sold services	98	103	-5%	7		341	150	127%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-51	-25	104%	-25	104%	-123	-118	4%
Total expenses	-556	-599	-7%	-660	-16%	-2,459	-2,763	-11%
Profit before credit losses	157	42	274%	-76		154	15	
Net credit losses	6	4	50%	2	200%	11	9	22%
Gains/losses on disposal of property, equipment and intangible assets	-2	-1		0		-3	0	
Operating profit	161	45	258%	-74		162	24	
Profit allocation	-118	-101	17%	-94	26%	-465	-451	3%
Operating profit after profit allocation	43	-56		-168		-303	-427	29%
Internal income	-235	-422	44%	-738	68%	-1,565	-2,515	38%
Cost/income ratio, %	93.4	110.9		134.7		114.5	118.7	
Credit loss ratio, %	-0.03	-0.03		-0.02		-0.01	-0.02	
Allocated capital	5,843	5,811	1%	6,192	-6%	5,843	6,192	-6%
Return on allocated capital, %	2.9	-3.0		-8.6		-3.9	-6.4	
Average number of employees	1,057	1,115	-5%	1,189	-11%	1,122	1,223	-8%

GROUP INCOME FROM HANDELSBANKEN CAPITAL MARKETS' PRODUCTS

January - December 2020 SEK m	Capital Markets	Branch operations	Other	Total income from Capital Market's products	Change compared to same period last year
Net interest income	355			355	-19%
Commission income	1,289	6,243	-90	7,442	5%
<i>of which brokerage income</i>	314	343	-1	656	5%
<i>of which mutual funds and custody</i>	538	4,940	-67	5,411	7%
<i>of which insurance</i>	-159	960	-22	779	3%
Net fee and commission income	1,003	6,159	0	7,162	5%
Net result of financial trans.	1,037	375	4	1,416	-3%
Risk result - insurance	195			195	34%
Other income	23			23	44%
Total income	2,613	6,534	4	9,151	3%

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 – DECEMBER 2020 COMPARED WITH JANUARY – DECEMBER 2019

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

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

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

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

Other expenses fell by 3% to SEK -750m (-775).

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

Q4 2020 COMPARED WITH Q3 2020

Operating profit rose by SEK 116m to SEK 161m (45), which was mainly attributable to strong income performance within commissions and reduced expenses.

Total income went up by 11% to SEK 713m (641). Net fee and commission income rose by 36% to SEK 289m (213), which is mainly explained by higher advisory commissions and securities commissions. Net gains/losses on financial transactions decreased to SEK 266m (288).

Total expenses fell by 7% to SEK -556m (-599).

Staff costs fell by 2% to SEK -461m (-470). The average number of employees decreased by 5% to 1,057 (1,115), mainly as a result of the extra employment of temporary staff during the comparison quarter. Other expenses were SEK -142m (-207), while internal purchased and sold services totalled SEK 98m (103).

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

BUSINESS DEVELOPMENT

The covid-19 pandemic

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

fulfil customers' needs, in spite of a market situation which has been very challenging at times.

Markets

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

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

Asset management

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

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

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

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

Handelsbanken remained the largest player in Nordic ETFs.

Pension & Life

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

The total premium volume increased by 3%, and occupational pensions increased by 4%. New fund management and custody accounts decreased by 1% compared with the previous year and amounted to SEK 4,416m (4,459). Assets under management at Handelsbanken Liv increased by SEK 24bn, or 14%, compared with the previous year-end figure, to SEK 200bn (176).

International

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

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

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, information, 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	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Net interest income	67	54	24%	77	-13%	-2	355	
Net fee and commission income	-7	-1		-		-9	-5	-80%
Net gains/losses on financial transactions	96	-151		-86		-418	-698	40%
Share of profit of associates	-17	14		1		18	32	-44%
Other income	35	10	250%	41	-15%	97	155	-37%
Total income	174	-74		33	427%	-314	-161	-95%
Staff costs	-1,055	-2,108	-50%	-765	38%	-4,699	-2,837	66%
Other expenses	-613	-802	-24%	-848	-28%	-2,889	-3,263	-11%
Internal purchased and sold services	1,700	1,573	8%	1,693	0%	6,712	6,547	3%
Depreciation, amortisation and impairments of property, equipment and intangible assets	-288	-242	19%	-185	56%	-936	-741	26%
Total expenses	-256	-1,579	-84%	-105	144%	-1,812	-294	
Profit before credit losses	-82	-1,653	95%	-72	-14%	-2,126	-455	-367%
Net credit losses	1	-1		0		3	1	200%
Gains/losses on disposal of property, equipment and intangible assets	-4	-		1		-4	2	
Operating profit	-85	-1,654	95%	-71	-20%	-2,127	-452	-371%
Profit allocation								
Operating profit after profit allocation	-85	-1,654	95%	-71	-20%	-2,127	-452	-371%
Internal income	657	1,371	-52%	1,941	-66%	5,874	8,317	-29%
Average number of employees	2,933	2,913	1%	2,932	0%	2,899	2,815	3%

JANUARY – DECEMBER 2020 COMPARED WITH JANUARY – DECEMBER 2019

Operating profit in other units not reported in the business segments amounted to SEK -2,127m (-452). Profit was impacted by a provision for a restructuring reserve of SEK -1,470m.

During the first half of 2019, the preliminary provision for the Oktogonen profit-sharing scheme for 2018, which amounted to SEK 829m, was reversed. 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 -418m (-698). From the first quarter 2020, changes in CVA and DVA attributable to the valuation of counterparty risks in the Bank's derivative exposures are recognised on an ongoing basis as a part of the derivative's fair value on the balance sheet and income statement.

The average number of employees grew by 3% to 2,899 (2,815). The number of employees at the IT department totalled 1,929 (1,939).

Q4 2020 COMPARED WITH Q3 2020

Operating profit was SEK -85m (-1,654), with the aforementioned provision affecting profit in the quarter of comparison. A preliminary provision of SEK -213m was made for the Oktogonen profit-sharing scheme during the quarter.

The average number of employees totalled 2,933 (2,913); within this figure, the number of employees at the IT department was 1,954 (1,931).

KEY FIGURES – GROUP

	Q4 2020	Q3 2020	Q4 2019	Full year 2020	Full year 2019
Return on equity	10.9%	8.4%	11.8%	10.0%	11.9%
C/I ratio	49.1%	61.2%	48.8%	52.7%	48.8%
C/I ratio, incl. credit losses	50.0%	61.6%	50.0%	54.5%	51.1%
Earnings per share, SEK	2.21	1.68	2.21	7.87	8.65
- after dilution	2.21	1.68	2.21	7.87	8.58
Proposed dividend, SEK				4.10	
Adjusted equity per share, SEK	84.90	82.27	78.60	84.90	78.60
Common equity tier 1 ratio, CRR	20.3%	19.4%	18.5%	20.3%	18.5%
Total capital ratio, CRR	24.3%	24.2%	23.2%	24.3%	23.2%
Average number of employees	12,488	12,717	12,546	12,563	12,548
Number of branches, Sweden	376	376	383	376	383
Number of branches outside Sweden	356	376	386	356	386

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

	Q4 2020	Q3 2020	Q4 2019	Full year 2020	Full year 2019
Number of converted shares	-	-	6,096,967	-	35,853,334
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
Number of outstanding shares after dilution, end of period	1,980,028,494	1,980,051,427	1,980,045,524	1,980,028,494	1,980,045,524
Average number of shares converted during the period	-	-	34,381,337	-	12,639,405
Average holdings of own shares (repurchased and holdings in trading book)	-	-	-	-	-
Average number of outstanding shares	1,980,028,494	1,980,028,494	1,978,556,497	1,980,028,494	1,956,814,565
- after dilution	1,980,051,427	1,980,047,556	1,979,823,260	1,980,045,524	1,976,884,889
Share price SHB class A, end of period, SEK	82.60	75.32	100.90	82.60	100.90
Share price SHB class B, end of period, SEK	92.20	89.00	103.40	92.20	103.40
Market capitalisation, end of period, SEK bn	164	149	200	164	200

Condensed set of financial statements – Group

INCOME STATEMENT – GROUP

SEK m		Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Interest income		9,980	10,191	-2%	13,366	-25%	45,508	54,395	-16%
<i>of which interest income according to the effective interest method and interest on derivatives in hedge accounting</i>		9,586	9,673	-1%	12,033	-20%	42,164	47,326	-11%
Interest expense		-2,119	-2,298	-8%	-5,276	-60%	-13,902	-22,260	-38%
Net interest income	Note 2	7,861	7,893	0%	8,090	-3%	31,606	32,135	-2%
Net fee and commission income	Note 3	2,884	2,672	8%	2,766	4%	10,786	10,697	1%
Net gains/losses on financial transactions	Note 4	540	358	51%	413	31%	1,437	1,299	11%
Risk result - insurance		79	52	52%	48	65%	195	145	34%
Other dividend income		36	1		20	80%	53	113	-53%
Share of profit of associates		-17	14		1		18	32	-44%
Other income		48	24	100%	38	26%	153	143	7%
Total income		11,431	11,014	4%	11,376	0%	44,248	44,564	-1%
Staff costs		-3,670	-4,731	-22%	-3,405	8%	-15,343	-13,549	13%
Other expenses	Note 5	-1,387	-1,543	-10%	-1,729	-20%	-6,085	-6,524	-7%
Depreciation, amortisation and impairment of property, equipment and intangible assets		-559	-464	20%	-420	33%	-1,906	-1,670	14%
Total expenses		-5,616	-6,738	-17%	-5,554	1%	-23,334	-21,743	7%
Profit before credit losses		5,815	4,276	36%	5,822	0%	20,914	22,821	-8%
Net credit losses	Note 6	-97	-49	98%	-130	-25%	-781	-1,045	-25%
Gains/losses on disposal of property, equipment and intangible assets		-6	0		3		2	20	-90%
Operating profit		5,712	4,227	35%	5,695	0%	20,135	21,796	-8%
Taxes		-1,342	-905	48%	-1,314	2%	-4,547	-4,871	-7%
Profit for the period		4,370	3,322	32%	4,381	0%	15,588	16,925	-8%
Attributable to									
Shareholders in Svenska Handelsbanken AB		4,369	3,321	32%	4,380	0%	15,585	16,922	-8%
Minority interest		1	1		1		3	3	

EARNINGS PER SHARE – GROUP

	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Profit for the year, attributable to shareholders in Svenska Handelsbanken AB	4,369	3,321	32%	4,380	0%	15,585	16,922	-8%
- of which interest expense on convertible subordinated loan after tax	-	-		0		-	-41	
Average number of outstanding shares, million	1,980.0	1,980.0		1,978.6		1,980.0	1,956.8	
Average number of outstanding shares after dilution, million	1,980.1	1,980.0		1,979.8		1,980.0	1,976.9	
Earnings per share, SEK	2.21	1.68	32%	2.21	0%	7.87	8.65	-9%
- after dilution	2.21	1.68	32%	2.21	0%	7.87	8.58	-8%

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	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Profit for the period	4,370	3,322	32%	4,381	0%	15,588	16,925	-8%
Other comprehensive income								
Items that will not be reclassified to the income statement								
Defined benefit pension plans	3,754	1,943	93%	2,986	26%	1,523	4,262	-64%
Instruments measured at fair value through other comprehensive income - equity instruments	-838	97		114		-583	372	
Tax on items that will not be reclassified to income statement	-695	-449	-55%	-637	-9%	-256	-931	73%
<i>of which defined benefit pension plans</i>	-740	-416	-78%	-634	-17%	-267	-910	71%
<i>of which equity instruments measured at fair value through other comprehensive income</i>	45	-33		-3		11	-21	
Total items that will not be reclassified to the income statement	2,221	1,591	40%	2,463	-10%	684	3,703	-82%
Items that may subsequently be reclassified to the income statement								
Cash flow hedges	-1,607	-874	-84%	-2,947	45%	-1,124	3,741	
Instruments measured at fair value through other comprehensive income - debt instruments	6	4		-3		7	7	
Translation differences for the period	-1,959	55		-865	-126%	-4,269	1,072	
<i>of which hedging net investment in foreign operations</i>	537	-126		-271		848	-1,509	
Tax on items that may subsequently be reclassified to the income statement	263	213	23%	688	-62%	93	-480	
<i>of which cash flow hedges</i>	377	188	101%	630	-40%	274	-801	
<i>of which debt instruments measured at fair value through other comprehensive income</i>	-1	-1		0		-1	-2	
<i>of which hedging net investment in foreign operations</i>	-113	26		58		-180	323	
Total items that may subsequently be reclassified to the income statement	-3,297	-602	-448%	-3,127	-5%	-5,293	4,340	
Total other comprehensive income for the period	-1,076	989		-664	-62%	-4,609	8,043	
Total comprehensive income for the period	3,294	4,311	-24%	3,717	-11%	10,979	24,968	-56%
Attributable to								
Shareholders in Svenska Handelsbanken AB	3,292	4,311	-24%	3,716	-11%	10,976	24,965	-56%
Minority interest	2	0		1	100%	3	3	0%

In 2020, other comprehensive income totalled SEK -4,609m (8,043) after tax. In individual periods, the results of all items within other comprehensive income may fluctuate due to changes in the discount rate, exchange rates and inflation.

During the period January to December, other comprehensive income was positively affected by SEK 1,256m (3,352) after tax, related to defined benefit pension plans. The assets under management have increased in value more than the increase in pension obligations. This is in spite of the fact that the discount rate for the Swedish pension obligations has decreased to 1.5% from 1.7% since year-end 2019.

Most of the Group's long-term funding is hedged using derivatives, where all cash flows are matched until maturity. Cash flow hedging manages the risk of variations in the cash flows related to changes in variable interest rates and currencies on lending and funding. The underlying funding and the asset which is being funded are measured at amortised cost, while the derivatives which are hedging these

items are measured at market value. The impact on profit/loss of the market valuation is reported under Cash flow hedges. During the year, these value changes on hedge derivatives in cash flow hedges were SEK -850m (2,940) after tax. The value changes derived partly from foreign exchange movements, but above all from changes in the discount rates of the respective currency. During the year, SEK 0m (-9) has been reclassified to the income statement as a result of ineffectiveness.

Unrealised changes in the value of equity instruments and debt instruments classified at fair value via other comprehensive income had impacts of SEK -572m (351) and SEK 6m (5) after tax, respectively.

Unrealised foreign exchange effects related to the restatement of foreign branches and subsidiaries to the Group's presentation currency and the effect of hedging of net investments in foreign operations have affected other comprehensive income by SEK -4,448m (1,395) after tax during the year.

QUARTERLY PERFORMANCE – GROUP

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

BALANCE SHEET – GROUP

SEK m		31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Assets						
Cash and balances with central banks		397,642	557,689	626,876	623,421	327,958
Other loans to central banks	Note 7	21,326	34,508	82,900	50,316	19,547
Interest-bearing securities eligible as collateral with central banks		99,133	84,402	172,234	210,846	103,387
Loans to other credit institutions	Note 7	21,920	26,748	30,579	30,484	17,939
Loans to the public	Note 7	2,269,612	2,290,611	2,302,177	2,325,993	2,292,603
Value change of interest-hedged item in portfolio hedge		25	15	18	21	25
Bonds and other interest-bearing securities		44,566	44,449	46,477	54,170	42,640
Shares		21,045	20,084	16,751	17,253	21,390
Investments in associates		386	392	381	310	285
Assets where the customer bears the value change risk		197,212	186,490	169,873	150,471	174,988
Derivative instruments	Note 9,10	30,614	49,574	53,747	93,528	41,545
Reinsurance assets		11	11	11	11	11
Intangible assets	Note 11	11,330	11,488	11,463	11,607	11,185
Property and equipment		6,232	6,379	6,402	6,508	6,645
Current tax assets		988	2,833	2,139	1,460	53
Deferred tax assets		1,218	1,688	1,715	2,152	693
Net pension assets		2,005	-	-	-	654
Assets held for sale		1,657	-	-	-	1
Other assets		6,113	18,133	6,674	15,663	6,167
Prepaid expenses and accrued income		2,253	2,369	2,770	2,267	1,951
Total assets		3,135,288	3,337,863	3,533,187	3,596,481	3,069,667
Liabilities and equity						
Due to credit institutions	Note 12	124,723	198,906	254,734	245,904	147,989
Deposits and borrowing from the public	Note 12	1,229,763	1,317,718	1,375,922	1,382,929	1,117,825
Liabilities where the customer bears the value change risk		197,212	186,490	169,873	150,471	174,988
Issued securities	Note 13	1,310,737	1,369,174	1,412,499	1,479,122	1,384,961
Derivative instruments	Note 9,10	32,819	16,429	16,433	18,720	20,642
Short positions		1,682	7,332	5,958	5,451	1,856
Insurance liabilities		557	534	556	562	578
Current tax liabilities		25	1,462	895	749	1,284
Deferred tax liabilities		5,353	5,940	6,166	6,524	5,634
Provisions		2,302	2,603	1,155	1,196	1,141
Net pension liabilities		-	1,425	3,432	4,697	-
Other liabilities		13,928	14,683	83,297	97,146	14,038
Accrued expenses and deferred income		3,632	3,667	3,724	4,732	3,353
Subordinated liabilities		41,082	44,005	35,328	36,823	35,546
Total liabilities		2,963,815	3,170,368	3,369,972	3,435,026	2,909,835
Minority interest		9	9	8	9	8
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		8,532	9,607	8,618	10,826	13,141
Retained earnings		135,520	134,836	134,867	134,856	117,934
Profit for the period, attributable to shareholders in Svenska Handelsbanken AB		15,585	11,216	7,895	3,937	16,922
Total equity		171,473	167,495	163,215	161,455	159,832
Total liabilities and equity		3,135,288	3,337,863	3,533,187	3,596,481	3,069,667

STATEMENT OF CHANGES IN EQUITY – GROUP

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	Minority	Total
Opening equity 2020	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 of minority interests								-2	-2
Closing equity	3,069	8,758	5,891	3,353	94	-806	151,105	9	171,473

January – December 2019 SEK m	Share capital	Share premium	Defined benefit plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl profit for the year	Minority	Total
Opening equity 2019	3,013	5,629	1,283	1,263	304	2,248	128,509	12	142,261
Profit for the period							16,922	3	16,925
Other comprehensive income			3,352	2,940	356	1,395		0	8,043
<i>of which reclassified within equity</i>					15	-133			-118
Total comprehensive income for the period			3,352	2,940	356	1,395	16,922	3	24,968
Reclassified to retained earnings							118		118
Dividend							-10,693		-10,693
Effects of convertible subordinated loans	56	3,129							3,185
Change of minority interests							-	-7	-7
Closing equity	3,069	8,758	4,635	4,203	660	3,643	134,856	8	159,832

The translation reserve includes conversion effects relating to the balance sheets and income statements of the Group's international branches 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	Full year 2020	Full year 2019
Operating profit, total operations	20,135	21,796
Adjustment for non-cash items in profit/loss	2,038	2,837
Paid income tax	-7,711	-5,325
Changes in the assets and liabilities of operating activities	72,798	3,070
Cash flow from operating activities	87,260	22,378
Change in shares	1,632	-95
Change in property and equipment	-381	-532
Change in intangible assets	-1,031	-1,120
Cash flow from investing activities	220	-1,747
Repayment of subordinated loans	-2	-17,730
Issued subordinated loans	8,176	4,670
Dividend paid	-	-10,693
Cash flow from financing activities	8,174	-23,753
Liquid funds at beginning of the period	327,958	317,217
Cash flow for the period	95,654	-3,122
Exchange rate difference on liquid funds	-25,970	13,863
Liquid funds at end of the period*	397,642	327,958

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

NOTES

Note 1 Accounting policies

This year-end 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 year-end 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.

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

Up until the 2019 financial year, the Bank applied a method entailing that a continuous stand-alone valuation was made of the total credit risk component, the counterparty's credit risk (Credit Valuation Adjustment, CVA) and own credit risk (Debit Valuation Adjustment, DVA) in outstanding model-valued derivatives. Changes in fair value arising from changed credit risk were recognised in profit/loss to the extent that the total effect exceeded non-recognised day 1 gains/losses.

From the first quarter 2020, a new method has been implemented whereby the Bank recognises changes in CVA and DVA on an ongoing basis at transaction level as a part of the derivative's fair value on the balance sheet and income statement. In conjunction with this, a new assessment of the model for calculating CVA was carried out, resulting in the change from a model using solely historical PD values to a model using market-implied PD values. These changes will be applicable to the reporting prospectively. The initial effect of the transition to the new model for calculating CVA and DVA as at 1 January 2020 was SEK -134m, which affected profit in the first quarter. The negative impact on profit was compensated for by the reversal of the part of non-recognised day 1 gains/losses attributable to CVA, amounting to SEK 87m. The remaining components of non-recognised day 1 gains/losses following the implementation of the method for ongoing recognition of CVA and DVA, are accrued over the remaining maturity of the derivative.

Changed accounting policies

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform Phase 1

Amendments have been made which introduce temporary exemptions from applying certain specific hedge accounting requirements for all hedging relationships directly affected by the Interest Rate Benchmark Reform. The purpose of the temporary exemptions is to prevent the break-up of hedging relationships solely due to the uncertainty brought about by the Interest Rate Benchmark Reform. According to these regulations, a direct impact on the hedging relationship exists only if this causes uncertainty about the benchmark rate relating to the hedged risk and/or dates or amounts

regarding cash flows from the hedged item or hedging instrument that are based on the benchmark rate. The uncertainty about the benchmark rate will persist until such time as a decision has been made about which rate will be the alternative interest rate, as well as about if and when the reform will be implemented, including a specification of the effects on individual contracts.

The amendments are applicable for financial years beginning on or after 1 January 2020, although early adoption is permitted. The Bank early-adopted these amendments in the Annual Report for 2019.

Others changes in IFRS

Other changes applying from 1 January 2020 relate to references to the IFRS Conceptual Framework, the definition of a business in IFRS 3 Business Combinations, the definition of material in IAS 1 Presentation of Financial Statements and in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and Covid-19-Related Rent Concessions in IFRS 16 Leases. None of these changes has had a material impact on the Bank's financial reports. The Bank has not received any rent discounts and has thus not applied the amendments in IFRS 16.

In other respects, the year-end 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 for 2019.

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.

Others 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	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Interest income								
Loans to credit institutions and central banks	-103	-131	21%	712		517	3,160	-84%
Loans to the public	9,587	9,995	-4%	11,323	-15%	41,754	44,445	-6%
Interest-bearing securities eligible as collateral with central banks	54	72	-25%	27	100%	291	333	-13%
Bonds and other interest-bearing securities	69	86	-20%	101	-32%	380	520	-27%
Derivative instruments	27	-126		708	-96%	1,172	4,084	-71%
Other interest income	342	309	11%	329	4%	1,282	1,341	-4%
Total	9,976	10,205	-2%	13,200	-24%	45,396	53,883	-16%
Interest income reported in Net gains/losses on financial transactions	-4	14		-166	98%	-112	-512	78%
Total interest income	9,980	10,191	-2%	13,366	-25%	45,508	54,395	-16%
<i>of which interest income according to the effective interest method and interest on derivatives in hedge accounting</i>	<i>9,586</i>	<i>9,673</i>	<i>-1%</i>	<i>12,033</i>	<i>-20%</i>	<i>42,164</i>	<i>47,326</i>	<i>-11%</i>
Interest expense								
Due to credit institutions and central banks	-28	-98	-71%	-153	-82%	-576	-871	-34%
Deposits and borrowing from the public	-99	-140	-29%	-548	-82%	-1,332	-2,157	-38%
Issued securities	-1,791	-2,332	-23%	-4,295	-58%	-11,786	-20,022	-41%
Derivative instruments	504	957	-47%	632	-20%	2,690	4,440	-39%
Subordinated liabilities	-294	-275	7%	-261	13%	-1,186	-1,282	-7%
Government fees	-336	-344	-2%	-566	-41%	-1,424	-2,165	-34%
Other interest expenses	-36	-48	-25%	-41	-12%	-204	-201	1%
Total	-2,080	-2,280	-9%	-5,232	-60%	-13,818	-22,258	-38%
Interest expense reported in Net gains/losses on financial transactions	39	18	117%	44	-11%	84	2	
Total interest expense	-2,119	-2,298	-8%	-5,276	-60%	-13,902	-22,260	-38%
<i>of which interest expense according to the effective interest method and interest on derivatives in hedge accounting</i>	<i>-1,712</i>	<i>-1,834</i>	<i>-7%</i>	<i>-4,349</i>	<i>-61%</i>	<i>-11,609</i>	<i>-18,910</i>	<i>-39%</i>
Net interest income	7,861	7,893	0%	8,090	-3%	31,606	32,135	-2%

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	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Brokerage and other securities commissions	169	139	22%	154	10%	656	625	5%
Mutual funds	1,219	1,120	9%	1,025	19%	4,432	3,885	14%
Custody and other asset management fees	275	241	14%	310	-11%	979	1,151	-15%
Advisory services	88	51	73%	53	66%	240	255	-6%
Insurance	206	196	5%	191	8%	779	757	3%
Payments	791	785	1%	982	-19%	3,182	3,757	-15%
Loans and deposits	341	335	2%	355	-4%	1,353	1,401	-3%
Guarantees	83	86	-3%	91	-9%	352	399	-12%
Other	168	182	-8%	143	17%	648	532	22%
Total fee and commission income	3,340	3,135	7%	3,304	1%	12,621	12,762	-1%
Securities	-61	-66	-8%	-61	0%	-258	-240	8%
Payments	-373	-375	-1%	-455	-18%	-1,494	-1,733	-14%
Other	-22	-22	0%	-22	0%	-83	-92	-10%
Total fee and commission expenses	-456	-463	-2%	-538	-15%	-1,835	-2,065	-11%
Net fee and commission income	2,884	2,672	8%	2,766	4%	10,786	10,697	1%

Note 4 Net gains/losses on financial transactions

SEK m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Amortised cost	8	72	-89%	68	-88%	182	209	-13%
<i>of which loans</i>	48	104	-54%	103	-53%	309	323	-4%
<i>of which interest-bearing securities</i>	0	0		-		0	0	33%
<i>of which issued securities</i>	-40	-32	-25%	-35	-14%	-127	-114	-11%
Fair value through other comprehensive income	-1	0		0		-1	-1	0%
<i>of which expected credit losses</i>	-1	0		0		-1	-1	0%
Fair value through profit or loss, fair value option	-125	34		-890	86%	304	646	-53%
<i>of which interest-bearing securities</i>	-125	34		-890	86%	304	646	-53%
Fair value through profit or loss, mandatory including FX effects	690	186	271%	1,341	-49%	1,021	553	85%
Hedge accounting	-10	26		-65	85%	49	-58	
<i>of which net gains/losses on fair value hedges</i>	-11	26		-63	83%	49	-49	
<i>of which cash flow hedge ineffectiveness</i>	1	0		-2		0	-9	
Result from financial components in insurance contract	-22	40		-41	46%	-118	-50	-136%
Net gains/losses on financial transactions	540	358	51%	413	31%	1,437	1,299	11%

Note 5 Other expenses

SEK m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Property and premises	-152	-149	2%	-169	-10%	-626	-656	-5%
External IT costs	-579	-501	16%	-646	-10%	-2,199	-2,288	-4%
Communication	-76	-72	6%	-78	-3%	-314	-334	-6%
Travel and marketing	-37	-27	37%	-93	-60%	-157	-299	-47%
Purchased services	-486	-402	21%	-527	-8%	-1,924	-2,001	-4%
Supplies	-38	-46	-17%	-49	-22%	-172	-186	-8%
Other administrative expenses	-19	-346	-95%	-167	-89%	-693	-760	-9%
Other expenses	-1,387	-1,543	-10%	-1,729	-20%	-6,085	-6,524	-7%

Note 6 Credit losses

SEK m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Expected credit losses on balance sheet items								
The period's provision Stage 3	-261	-194	35%	-230	13%	-829	-1,585	-48%
Reversal of Stage 3 provisions previous years	70	176	-60%	91	-23%	581	386	51%
Total expected credit losses Stage 3	-191	-18		-139	37%	-248	-1,199	-79%
The period's net provision Stage 2	9	-50		61	-85%	-430	129	
The period's net provision Stage 1	11	16	-31%	-9		-35	-48	-27%
Total expected credit losses in Stage 1 and Stage 2	20	-34		52	-62%	-465	81	
Total expected credit losses on balance sheet items	-171	-52	229%	-87	97%	-713	-1,118	-36%
Expected credit losses on off-balance sheet items								
The period's net provision Stage 3	46	-10		-63		-20	-107	-81%
The period's net provision Stage 2	17	-27		-2		-95	-1	
The period's net provision Stage 1	-2	9		6		-24	9	
Total expected credit losses on off-balance sheet items	61	-28		-59		-139	-99	40%
Write-offs								
Actual credit losses for the period	-545	-943	-42%	-148	268%	-1,834	-501	266%
Utilised share of previous provision Stage 3	522	924	-44%	117	346%	1,757	421	317%
Total write-offs	-23	-19	21%	-31	-26%	-77	-80	-4%
Recoveries	36	50	-28%	47	-23%	148	252	-41%
Net credit losses	-97	-49	98%	-130	-25%	-781	-1,045	-25%
<i>of which loans to the public</i>	<i>-154</i>	<i>-20</i>		<i>-70</i>	<i>120%</i>	<i>-638</i>	<i>-950</i>	<i>-33%</i>

SEK m	Q4 2020	Q3 2020	Kv 2 2020	Kv 1 2020
1) Expected credit losses Stage 3 on and off balance sheet	-145	-28	-11	-84
Change in model-based provision Stage 1 and Stage 2:				
Update of macroeconomic scenarios and risk factors	10	40	-203	
Transfer of exposures in exposed sectors from Stage 1 to Stage 2*	3	-7	-37	
Change in probability of default in portfolio at beginning of quarter (net rating changes)	-35	-6	-70	
Effects of changes in exposures (existing, new and terminated exposures)	38	44	154	
Other in Stage 1 and Stage 2	16	25	30	
Model-based credit losses in Stage 1 and Stage 2	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	-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.		-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	99	97		
Expert-based calculation of provision	-564	-567	-419	-440
Expert-based credit losses in Stage 1 and Stage 2 (change in provision versus previous quarter)	3	-148	21	-440
2) Expected credit losses in Stage 1 and Stage 2 on and off balance sheet	35	-52	-105	-462
3) Write-offs	-23	-19	-22	-13
4) Recoveries	36	50	41	21
Net credit losses (1+2+3+4)	-97	-49	-97	-538

* expert-based assessment of significant increase in credit risk

The macroeconomic scenarios were updated prior to the fourth quarter based on the prevailing market conditions. The update has been done in view of the revised probability weighting of 15%/70%/15% (30%/55%/15%) for a negative/neutral/positive scenario. The selection of macroeconomic risk factors is unchanged.

The updating of the scenarios has reduced the provision requirement slightly, as the forecasts were less negative than those made in the third quarter. Furthermore, the provision requirement has also decreased due to portfolio changes, whereby the effect of negative rating migration is more than compensated for by decreased exposures.

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, as was the case in Q3. A stressed scenario for these sub-portfolios has been compared with the model-based calculation as at 31 December 2020, with the difference constituting the expert-based calculation. Thereafter, the Bank has assessed the probability that the outcome of the expert-based calculation will arise, and arrived at an additional provision requirement of SEK 564m. This is a decrease of SEK 3m compared with the third quarter's expert-based calculation, which amounted to SEK 567m. The fact that the expert-based calculation for the fourth quarter is in line with the third quarter is due to the sectors selected and the applied probability of the stressed scenario transpiring being unchanged. In making the expert-based calculation for companies, portfolios in exposed sectors mainly attributable to the

Construction, Retail and Hotel and Restaurant sectors have been included in the calculation. There have been no adjustments to the selection since the third quarter. As was the case in the third 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, the probability of default has been stressed for the coming 12 months, similar to the third quarter. For private individuals, the decreased probability of unemployment has been taken into account in the calculated provision.

Similar to Q3, an expert-based assessment has been made in Q4 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 reduced provision requirement from this assessment is SEK 3m (-7), due to transfers between Stage 1 and Stage 2, foreign exchange effects and contractual maturities.

Similar to Q3, temporary exemptions from loan repayments offered as a response to the Covid-19 pandemic do not qualify 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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Credit loss ratio %, acc	0.03	0.03	0.04	0.08	0.04
Total credit loss reserve ratio, %	0.15	0.17	0.20	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, %	1.09	1.06	0.95	1.13	0.85
Credit loss reserve ratio Stage 3, %	31.97	32.05	39.02	41.62	42.65
Proportion of loans Stage 3, %	0.21	0.23	0.23	0.21	0.22

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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Cash and balances with central banks	397,642	557,689	626,876	623,421	327,958
Other loans to central banks	21,326	34,508	82,900	50,316	19,547
Interest-bearing securities eligible as collateral with central banks	1,181	1,904	1,623	2,513	1,427
Loans to other credit institutions	21,920	26,748	30,579	30,484	17,939
<i>of which reverse repos</i>	523	2,492	2,397	444	
Loans to the public	2,269,612	2,290,611	2,302,177	2,325,993	2,292,603
<i>of which reverse repos</i>	11,626	14,879	16,640	16,444	10,438
Bonds and interest-bearing securities	7,964	4,804	3,756	4,950	4,953
Total	2,719,645	2,916,264	3,047,911	3,037,677	2,664,427

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

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Volume, gross	2,723,110	2,920,063	3,052,582	3,042,457	2,668,999
<i>of which Stage 1</i>	2,639,707	2,830,893	2,958,997	2,974,542	2,608,306
<i>of which Stage 2</i>	76,401	81,275	84,766	59,338	51,862
<i>of which Stage 3</i>	7,002	7,895	8,819	8,577	8,831
Provisions	-3,467	-3,801	-4,672	-4,781	-4,574
<i>of which Stage 1</i>	-389	-407	-422	-541	-363
<i>of which Stage 2</i>	-840	-863	-809	-671	-444
<i>of which Stage 3</i>	-2,238	-2,531	-3,441	-3,569	-3,767

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

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Loans to the public, gross	2,273,069	2,294,406	2,306,846	2,330,769	2,297,171
<i>of which Stage 1</i>	2,189,683	2,205,263	2,213,338	2,262,954	2,236,671
<i>of which Stage 2</i>	76,384	81,248	84,689	59,238	51,669
<i>of which Stage 3</i>	7,002	7,895	8,819	8,577	8,831
Provisions	-3,457	-3,795	-4,669	-4,776	-4,568
<i>of which Stage 1</i>	-385	-404	-420	-538	-360
<i>of which Stage 2</i>	-834	-860	-808	-669	-441
<i>of which Stage 3</i>	-2,238	-2,531	-3,441	-3,569	-3,767

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

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	-	-	-	-
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

31 December 2019				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-316	-560	-2,937	-3,813
Derecognised assets	35	107	81	223
Write-offs	1	1	419	421
Remeasurements due to changes in credit risk	-197	-134	63	-268
Changes due to update in the methodology for estimation	-4	-5	-	-9
Foreign exchange effect, etc	-11	-9	-47	-67
Purchased or originated assets	-46	-17	-16	-79
Transfer to Stage 1	-26	52	1	27
Transfer to Stage 2	93	-225	20	-112
Transfer to Stage 3	108	346	-1,351	-897
Provision at end of period	-363	-444	-3,767	-4,574

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

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	-	-	-	-
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

31 December 2019				
SEK m	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-312	-552	-2,937	-3,801
Derecognised assets	33	101	81	215
Write-offs	1	1	419	421
Remeasurements due to changes in credit risk	-196	-134	63	-267
Changes due to update in the methodology for estimation	-4	-5	-	-9
Foreign exchange effect, etc	-11	-9	-47	-67
Purchased or originated assets	-46	-16	-16	-78
Transfer to Stage 1	-26	52	1	27
Transfer to Stage 2	93	-225	20	-112
Transfer to Stage 3	108	346	-1,351	-897
Provision at end of period	-360	-441	-3,767	-4,568

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 December 2020	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
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

31 December 2019	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Private individuals	1,130,885	19,804	2,301	-133	-119	-759	1,151,979
<i>of which mortgage loans</i>	924,628	13,901	666	-40	-34	-49	939,072
<i>of which other loans with property mortgages</i>	160,282	4,159	575	-14	-17	-155	164,830
<i>of which other loans to private individuals</i>	45,975	1,744	1,060	-79	-68	-555	48,077
Housing co-operative associations	243,357	1,825	102	-7	-4	-12	245,261
<i>of which mortgage loans</i>	210,053	709	35	-4	0	-10	210,783
Property management	630,825	14,738	1,746	-104	-115	-336	646,754
Manufacturing	25,801	3,368	1,292	-11	-36	-1,215	29,199
Retail	26,354	2,228	171	-15	-26	-115	28,597
Hotel and restaurant	8,425	418	20	-8	-7	-7	8,841
Passenger and goods transport by sea	5,220	56	1,616	-1	-3	-496	6,392
Other transport and communication	9,893	739	96	-5	-10	-79	10,634
Construction	17,307	1,798	262	-14	-19	-213	19,121
Electricity, gas and water	17,148	2,300	8	-3	-10	-8	19,435
Agriculture, hunting and forestry	17,679	1,491	91	-8	-14	-36	19,203
Other services	18,943	1,217	349	-14	-23	-148	20,324
Holding, investment and insurance companies, funds etc.	57,044	1,051	145	-16	-13	-111	58,100
Government and municipalities	9,773	164	-	-1	0	-	9,936
<i>of which Swedish national debt office</i>	-	-	-	-	-	-	-
Other corporate lending	18,017	472	632	-20	-42	-232	18,827
Total	2,236,671	51,669	8,831	-360	-441	-3,767	2,292,603

Specification of Loans to the public – Property management

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

31 December 2019	Gross			Provisions			Net
SEK m	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Loans in Sweden							
State-owned property companies	6,304	35	-	0	0	-	6,339
Municipal-owned property companies	7,291	-	-	0	-	-	7,291
Residential property companies	118,042	1,456	69	-5	-5	-50	119,507
<i>of which mortgage loans</i>	105,249	1,236	10	-3	-4	-4	106,484
Other property management	122,326	2,791	168	-10	-13	-73	125,189
<i>of which mortgage loans</i>	60,237	1,407	15	-3	-5	-2	61,649
Total loans in Sweden	253,963	4,282	237	-15	-18	-123	258,326
Loans outside Sweden							
UK	146,345	6,241	720	-45	-54	-111	153,096
Norway	123,541	1,994	67	-28	-16	-34	125,524
Denmark	22,242	635	151	-5	-11	-34	22,978
Finland	42,854	1,346	555	-3	-14	-31	44,707
The Netherlands	37,485	229	-	-7	-1	-	37,706
Other countries	4,395	11	16	-1	-1	-3	4,417
Total loans outside Sweden	376,862	10,456	1,509	-89	-97	-213	388,428
Total loans - Property management	630,825	14,738	1,746	-104	-115	-336	646,754

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

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

31 December 2019							
SEK m, gross	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Total
Government guarantees	2,875	-	-	-	22,727	-	25,602
Residential	140,035	74,745	18,511	12,003	6,766	12,953	265,013
Office, retail, hotel	64,289	57,201	87,999	3,760	7,543	3,016	223,808
Other real estate	14,434	240	2,824	4,567	1,357	21,349	44,771
Industry, logistics	20,632	15,296	3,865	497	4,200	186	44,676
Agriculture, forestry	1,740	1,604	34	113	1	-	3,492
Other collateral	3,114	68	449	865	887	8	5,391
Unsecured	11,363	3,033	11,676	1,071	404	202	27,749
Undeveloped	-	1,119	244	152	870	-	2,385
Total	258,482	153,306	125,602	23,028	44,755	37,714	642,887

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

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

31 December 2019							
LTV, %	Sweden	UK	Norway	Denmark	Finland	The Netherlands	All
0-40	80.0	84.2	74.1	69.0	73.5	79.4	78.5
41-60	17.6	15.1	21.0	22.6	18.2	19.6	18.4
61-75	1.6	0.5	2.5	4.2	4.1	0.9	1.7
>75	0.8	0.2	2.5	4.2	4.1	0.1	1.3
Average LTV	50	46	57	59	57	50	52

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 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

31 December 2019							
LTV, %	Sweden	UK	Norway	Denmark	Finland	The Netherlands	All
0-40	79.0	82.5	73.2	62.7	55.6	74.9	77.1
41-60	17.7	17.0	21.4	25.8	21.2	21.6	18.5
61-75	2.9	0.4	2.9	8.0	10.4	2.5	2.9
>75	0.4	0.1	2.4	3.5	12.8	1.0	1.4
Average LTV	50	48	58	64	81	55	53

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

Note 8 Credit risk exposure

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Cash and balances with central banks	397,642	557,689	626,876	623,421	327,958
Other loans to central banks	21,326	34,508	82,900	50,316	19,547
Interest-bearing securities eligible as collateral with central banks	99,133	84,402	172,234	210,846	103,387
Loans to other credit institutions	21,920	26,748	30,579	30,484	17,939
<i>of which reverse repos</i>	523	2,492	2,397	444	
Loans to the public	2,269,612	2,290,611	2,302,177	2,325,993	2,292,603
<i>of which reverse repos</i>	11,626	14,879	16,640	16,444	10,438
Bonds and other interest-bearing securities	44,566	44,449	46,477	54,170	42,640
Derivative instruments*	30,614	49,574	53,747	93,528	41,545
Contingent liabilities	79,895	87,449	92,110	98,275	95,186
Commitments	463,424	477,348	464,078	435,579	439,667
Total	3,428,132	3,652,778	3,871,178	3,922,612	3,380,472

* Refers to the total of positive market values.

Note 9 Derivatives

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Positive market values					
Trading	28,543	35,818	35,989	57,989	26,734
Fair value hedges	3,207	3,318	3,242	2,857	2,127
Cash flow hedges	24,208	39,588	46,340	62,730	38,016
Amounts offset	-25,344	-29,150	-31,824	-30,048	-25,332
Total	30,614	49,574	53,747	93,528	41,545
Negative market values					
Trading	42,757	36,734	38,763	38,126	36,151
Fair value hedges	630	658	636	597	587
Cash flow hedges	10,478	4,086	3,994	4,307	3,137
Amounts offset	-21,046	-25,049	-26,960	-24,310	-19,233
Total	32,819	16,429	16,433	18,720	20,642
Nominal value					
Trading	2,661,187	2,958,488	3,140,068	3,343,387	3,550,262
Fair value hedges	308,268	236,976	206,623	168,170	155,782
Cash flow hedges	714,675	765,670	803,371	863,023	843,629
Amounts offset	-2,110,391	-2,045,784	-1,856,014	-2,169,038	-2,147,269
Total	1,573,739	1,915,350	2,294,048	2,205,542	2,402,404

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 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
31 December 2019 SEK m			
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	66,877	18,436	85,313
Amounts offset	-25,332	-5,816	-31,148
Carrying amount on the balance sheet	41,545	12,620	54,165
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-12,023	-	-12,023
Financial assets received as collateral	-22,340	-12,620	-34,960
Total amounts not offset on the balance sheet	-34,363	-12,620	-46,983
Net amount	7,182	-	7,182
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	39,875	5,816	45,691
Amounts offset	-19,233	-5,816	-25,049
Carrying amount on the balance sheet	20,642	-	20,642
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-12,023	-	-12,023
Financial assets pledged as collateral	-5,179	-	-5,179
Total amounts not offset on the balance sheet	-17,202	-	-17,202
Net amount	3,440	-	3,440

Derivative instruments are offset on the balance sheet when 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 7,330m (7,682) derived from the balance sheet item Deposits and borrowing from the public. The amount offset for derivative liabilities includes offset cash collateral of SEK 3,032m (1,583), derived from the balance sheet item Loans to the public.

Note 11 Goodwill and other intangible assets

SEK m	Goodwill		Other intangible assets		Total	
	Full year 2020	Full year 2019	Full year 2020	Full year 2019	Full year 2020	Full year 2019
Opening residual value	7,007	6,922	4,178	3,533	11,185	10,455
Additional during the period	-	-	1,031	1,120	1,031	1,120
The period's amortisation	-	-	-548	-450	-548	-450
The period's impairments	-	-	-82	-69	-82	-69
Foreign exchange effect	-185	85	-71	44	-256	129
Closing residual value	6,822	7,007	4,508	4,178	11,330	11,185

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

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Due to credit institutions	124,723	198,906	254,734	245,904	147,989
<i>of which repos</i>	-	2,157	753	-	-
Deposits and borrowing from the public	1,229,763	1,317,718	1,375,922	1,382,929	1,117,825
<i>of which repos</i>	-	265	-	-	-

Note 13 Issued securities

SEK m	Full year 2020	Full year 2019
Issued securities at beginning of year	1,384,961	1,394,647
Issued	944,015	1,025,300
Repurchased	-72,852	-35,146
Matured	-880,712	-1,014,860
Foreign exchange effect etc.	-64,675	15,020
Issued securities at end of period	1,310,737	1,384,961

Note 14 Pledged assets, contingent liabilities and commitments

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Assets pledged for own debt	897,907	905,889	891,274	881,876	878,457
Other pledged assets	48,430	60,772	58,812	56,673	49,744
Contingent liabilities	79,895	87,449	92,110	98,275	95,186
Commitments	463,424	477,348	464,078	435,579	439,667

Note 15 Classification of financial assets and liabilities

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

31 December 2019	Fair value through profit or loss			Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
	Mandatory	Fair value option	Derivatives identified as hedge instruments				
SEK m							
Assets							
Cash and balances with central banks					327,958	327,958	327,958
Other loans to central banks					19,547	19,547	19,547
Interest-bearing securities eligible as collateral with central banks	3,001	98,959		403	1,024	103,387	103,387
Loans to other credit institutions					17,939	17,939	17,940
Loans to the public					2,292,603	2,292,603	2,301,479
Value change of interest-hedged item in portfolio hedge					25	25	
Bonds and other interest-bearing securities	8,642	29,045		4,953		42,640	42,640
Shares	19,087			2,303		21,390	21,390
Assets where the customer bears the value change risk	174,926				62	174,988	174,988
Derivative instruments	8,882		32,663			41,545	41,545
Other assets	10				6,157	6,167	6,167
Total	214,548	128,004	32,663	7,659	2,665,315	3,048,189	3,057,041
Investments in associates						285	
Non-financial assets						21,193	
Total assets						3,069,667	
Liabilities							
Due to credit institutions					147,989	147,989	148,322
Deposits and borrowing from the public					1,117,825	1,117,825	1,117,732
Liabilities where the customer bears the value change risk		174,926			62	174,988	174,988
Issued securities	3,253				1,381,708	1,384,961	1,395,070
Derivative instruments	18,985		1,657			20,642	20,642
Short positions	1,856					1,856	1,856
Other liabilities	11				14,027	14,038	14,038
Subordinated liabilities					35,546	35,546	35,825
Total	24,105	174,926	1,657		2,697,157	2,897,845	2,908,473
Non-financial liabilities						11,990	
Total liabilities						2,909,835	

Note 16 Fair value measurement of financial instruments

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
31 December 2019 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks	100,814	1,549	-	102,363
Bonds and other interest-bearing securities	38,421	4,219	-	42,640
Shares	18,416	1,666	1,308	21,390
Assets where the customer bears the value change risk	173,609	824	493	174,926
Derivative instruments	402	41,074	69	41,545
Total	331,662	49,332	1,870	382,864
Liabilities				
Liabilities where the customer bears the value change risk	173,609	824	493	174,926
Issued securities	-	3,253	-	3,253
Derivative instruments	489	20,083	70	20,642
Short positions	1,708	148	-	1,856
Total	175,806	24,308	563	200,677

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 easily 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 2019), the instrument has been moved between the levels in the table.

During the financial year 2020, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, derivatives worth SEK 26m were transferred from level 1 to level 2. Interest-bearing securities worth SEK 1,139m were moved from level 2 to level 1. On the liabilities side, derivatives worth SEK 39m 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 2020 financial year due solely to the Covid-19 situation. Changes in level 3 holdings during the year are shown in a separate table below. The reduction in level 3 is primarily due to the sale of the Bank's shareholding in Euroclear.

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.

Change in holdings in level 3

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	-	-	-	-
Changes in the methodology	-	-	-	-	-
Transfer from level 1 or 2	-	17	-17	-	-
Transfer to level 1 or 2	-	1	-1	-	-
Carrying amount at end of period	550	80	-80	474	-474

January - December 2019 SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	1,135	-176	176	484	-484
Acquisitions	74	-	1	-	-
Repurchases/sales	-33	2	-	-	-
Matured during the period	-	-	-	-	-
Unrealised value change in income statement	-17	-13	10	9	-9
Unrealised value change in other comprehensive income	149	-	-	-	-
Changes in the methodology	-	352	-352	-	-
Transfer from level 1 or 2	-	4	-4	-	-
Transfer to level 1 or 2	-	-100	99	-	-
Carrying amount at end of period	1,308	69	-70	493	-493

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. During the financial year 2020, an accrual effect of SEK 171m (154) was recognised under Net gains/losses on financial transactions, of which 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 (see Note 1 Accounting policies). At the end of the period, non-recognised day 1 gains/losses totalled SEK 538m; at year-end 2019, the corresponding figure was SEK 630m. At year-end 2019, non-recognised day 1 gains/losses included a component attributable to CVA, which was reversed during the first quarter in conjunction with the transition to a new method for reporting CVA, as described above.

Note 17 Assets and liabilities by currency

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

31 December 2019								
SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	46,552	114,477	22,096	291	85,069	58,039	1,434	327,958
Other loans to central banks	13	182	2,868	15,484	1,000	-	0	19,547
Loans to other credit institutions	2,260	5,569	440	366	1,046	7,028	1,230	17,939
Loans to the public	1,372,132	243,507	280,110	104,095	267,214	20,803	4,742	2,292,603
<i>of which corporates</i>	499,072	157,535	176,218	38,050	181,116	20,588	2,832	1,075,411
<i>of which households</i>	873,060	85,972	103,892	66,045	86,098	215	1,910	1,217,192
Interest-bearing securities eligible as collateral with central banks	91,603	8,256	1,144	20	-	1,358	1,006	103,387
Bonds and other interest-bearing securities	32,612	2,032	4,112	12	0	3,872	-	42,640
Other items not broken down by currency	265,593							265,593
Total assets	1,810,765	374,023	310,770	120,268	354,329	91,100	8,412	3,069,667
Liabilities								
Due to credit institutions	38,010	89,030	5,384	4,119	2,527	8,428	491	147,989
Deposits and borrowing from the public	649,470	121,251	74,402	50,035	196,003	21,310	5,354	1,117,825
<i>of which corporates</i>	260,874	96,867	50,526	27,568	128,848	17,161	4,781	586,625
<i>of which households</i>	388,596	24,384	23,876	22,467	67,155	4,149	573	531,200
Issued securities	469,814	345,368	25,878	100	68,584	451,930	23,287	1,384,961
Subordinated liabilities	3,003	15,829	-	-	19	16,697	-2	35,546
Other items not broken down by currency, incl. equity	383,346							383,346
Total liabilities and equity	1,543,643	571,478	105,664	54,254	267,133	498,365	29,130	3,069,667
Other assets and liabilities broken down by currency (net)		197,540	-204,941	-65,918	-87,015	407,292	20,776	
Net foreign currency position		85	165	96	181	27	58	612

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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	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	137,177	125,602	125,634	125,623	119,799	26.1 c
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	8,562	9,628	8,641	10,816	13,130	26.1
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	6,414	6,288	4,506	2,283	5,824	26.2
6	Common equity tier 1 (CET1) capital before regulatory adjustments	163,980	153,345	150,608	150,549	150,580	0
	Common equity tier 1 (CET1) capital: regulatory adjustments						0
7	Additional value adjustments (negative amount)	-399	-566	-563	-693	-399	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-11,217	-11,391	-11,375	-11,534	-11,119	36.1 b, 37
11	Fair value reserves related to gains or losses on cash flow hedges	-3,353	-4,583	-5,269	-6,096	-4,203	33.1 a
12	Negative amounts resulting from the calculation of expected loss amounts	-779	-903	-1,010	-1,319	-1,581	36.1 d, 40, 159
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	9	10	0	-11	-	33.1 b
15	Defined benefit pension fund assets (negative amount)	-1,615	-	-	-	-	36.1 e, 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-466	-447	-473	-456	-527	36.1 f, 42
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	-	-	-	36.1 i, 43, 45, 47, 48.1 b, 49.1-49.3, 79
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	-	-	-20	36 (1) (k) 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20c	<i>of which: securitisation positions (negative amount)</i>	-	-	-	-	-20	
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 l
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-	-	-	-	36.1 j
28	Total regulatory adjustments to common equity tier 1 (CET1) capital	-17,820	-17,880	-18,690	-20,109	-17,849	
29	Common equity tier 1 (CET1) capital	146,160	135,465	131,918	130,440	132,731	

Own funds, cont.

	Amount at disclosure date SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	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>	21,980	15,290	15,844	16,995	15,819	51, 52
32		21,980	15,290	15,844	16,995	15,819	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-	-	-	-	-	486.3
36	Additional tier 1 (AT1) capital before regulatory adjustments	21,980	15,290	15,844	16,995	15,819	
Additional tier 1 (AT1) capital: regulatory adjustments							
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-9,808	-	-	-	-	52.1 b, 56 a, 57
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	-	-	-	56 d, 59, 79
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-	-	-	-	-	56 e
43	Total regulatory adjustments to additional tier 1 (AT1) capital	-9,808	-	-	-	-	
44	Additional tier 1 (AT1) capital	12,172	15,290	15,844	16,995	15,819	
45	Tier 1 capital (T1 = CET1 + AT1)	158,332	150,755	147,762	147,435	148,550	
Tier 2 (T2) capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	18,032	18,783	18,695	19,437	18,639	62, 63
50	Credit risk adjustments	10	-	-	-	-	62 c och d
51	Tier 2 (T2) capital before regulatory adjustments	18,042	18,783	18,695	19,437	18,639	
Tier 2 (T2) capital: regulatory adjustments							
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	-	-	-	63 b i, 66 a, 67
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1,129	-1,129	-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	16,913	17,654	17,566	18,308	17,510	
59	Total capital (TC = T1 + T2)	175,245	168,409	165,328	165,743	166,060	
60	Total risk-weighted assets	721,403	697,074	704,880	740,993	716,462	
Capital ratios and buffers							
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	20.3	19.4	18.7	17.6	18.5	92.2 a
62	Tier 1 capital (as a percentage of total risk exposure amount)	21.9	21.6	21.0	19.9	20.7	92.2 b
63	Total capital (as a percentage of total risk exposure amount)	24.3	24.2	23.5	22.4	23.2	92.2 c
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of total risk exposure amount)	6.6	5.6	5.6	5.6	7.4	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	1.9	
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	-	-	-	-	
68	Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	15.8	14.9	14.2	13.1	14.0	CRD 128

Own funds, cont.

	Amount at disclosure date SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	Regulation (EU) No 575/2013 art. ref.
Amounts below the thresholds for deduction (before risk weighting)							
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	1	0	0	0	36.1 h, 46, 45, 56 c, 59, 60, 66 c, 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	-	-	-	36.1 i, 45, 48
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	0	0	-1	-2	36.1 c, 38, 48
Applicable caps on the inclusion of provisions tier 2 capital							
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-	-	-	-	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,629	1,066	1,040	1,128	1,084	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	-	-	-	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	3,074	3,189	3,236	3,408	3,308	62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)							
80	Current cap on CET1 instruments subject to phase-out arrangements	-	-	-	-	-	484.3, 486.2, 486.5
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-	-	484.3, 486.2, 486.5
82	Current cap on AT1 instruments subject to phase-out arrangements	-	-	-	-	-	484.4, 486.3, 486.5
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-	-	484.4, 486.3, 486.5
84	Current cap on T2 instruments subject to phase-out arrangements	-	-	-	-	-	484.5, 486.4, 486.5
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	-	-	-	484.5, 486.4, 486.5

Capital requirements

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Credit risk according to standardised approach	6,715	6,823	6,657	7,222	6,940
Credit risk according to IRB approach	26,052	27,909	28,749	31,367	30,216
Risk weight floor Swedish mortgage loans	14,929	14,610	14,392	14,079	13,888
Market risks	601	612	730	736	662
Credit valuation adjustment risk (CVA)	216	323	373	386	329
Operational risk	5,489	5,489	5,489	5,489	5,282
Additional capital requirement due to Article 3 CRR*	3,710				
Combined buffer requirement	47,463	38,926	39,380	41,395	53,061
Total capital requirement	105,175	94,692	95,770	100,674	110,378

* As of Q1 2021, the Bank's exposures in the UK at Group level will be reported according to the standardised approach. At present, these exposures are mainly calculated in the IRB approach. The Bank has calculated the additional risk exposure amount which will arise in the Group's reporting as a result of this change. In the reporting as at 31 December 2020, this amount has been reserved as an additional risk exposure amount in accordance with CRR Article 3.

Risk exposure amount

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Credit risk according to standardised approach	83,933	85,284	83,216	90,273	86,748
Credit risk according to IRB approach	325,646	348,862	359,358	392,088	377,701
Risk weight floor Swedish mortgage loans	186,614	182,622	179,901	175,987	173,604
Market risk	7,513	7,654	9,122	9,203	8,272
Credit valuation adjustment risk (CVA)	2,707	4,036	4,667	4,826	4,114
Operational risk	68,616	68,616	68,616	68,616	66,023
Additional risk exposure amount due to Article 3 CRR*	46,374				
Total risk exposure amount	721,403	697,074	704,880	740,993	716,462

* As of Q1 2021, the Bank's exposures in the UK at Group level will be reported according to the standardised approach. At present, these exposures are mainly calculated in the IRB approach. The Bank has calculated the additional risk exposure amount which will arise in the Group's reporting as a result of this change. In the reporting as at 31 December 2020, this amount has been reserved as an additional risk exposure amount in accordance with CRR Article 3.

Capital requirement credit risks, standardised approach*

SEK m	Exposure amount		Risk-weighted exposure amount		Capital requirement		Average risk weight, %	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Sovereign and central banks	1,827	353	0	7	0	1	0.0	1.9
Municipalities	-	-	-	-	-	-	-	-
Multilateral development banks	956	274	0	0	0	0	0.0	0.0
International organisations	-	-	-	-	-	-	-	-
Institutions	9,561	9,639	902	762	72	61	9.4	7.9
Corporates	7,339	8,495	6,929	8,408	554	673	94.4	99.0
Households	9,885	10,226	7,250	7,460	580	597	73.3	72.9
Collateral in real estate	138,617	141,499	48,405	50,655	3,872	4,052	34.9	35.8
Past due items	857	598	973	725	78	58	113.6	121.2
High risk items	28	26	41	39	3	3	150.0	150.0
Collective investment undertakings	-	151	-	151	-	12	-	100.0
Equities	6,541	6,254	15,923	15,636	1,274	1,251	243.4	250.0
Other items	6,278	3,244	3,510	2,905	282	232	55.9	89.6
Total	181,889	180,759	83,933	86,748	6,715	6,940	46.1	48.0

* 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 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Sovereign and central banks	490,718	426,414	7,214	7,098	577	568	1.5	1.7
Corporate	854,312	909,304	211,791	246,710	16,943	19,737	24.8	27.1
Corporate lending	843,585	900,795	208,608	244,106	16,688	19,529	24.7	27.1
of which other loans foundation approach *	93,833	110,550	26,186	33,651	2,094	2,693	27.9	30.4
of which other loans advanced approach *	749,752	790,245	182,422	210,455	14,594	16,836	24.3	26.6
of which large companies	125,572	140,751	48,644	51,641	3,892	4,131	38.7	36.7
of which medium-sized companies	84,512	91,926	27,212	37,399	2,177	2,992	32.2	40.7
of which property companies	539,668	557,568	106,566	121,415	8,525	9,713	19.7	21.8
Counterparty risk	10,727	8,509	3,183	2,604	255	208	29.7	30.6
Housing co-operative associations	245,789	235,554	7,997	9,806	641	783	3.3	4.2
Retail	1,154,770	1,119,800	78,540	82,406	6,283	6,593	6.8	7.4
Private individuals	1,132,800	1,095,928	71,797	74,659	5,744	5,973	6.3	6.8
of which property loans	1,091,524	1,046,593	63,586	63,871	5,087	5,110	5.8	6.1
of which other loans	41,276	49,335	8,211	10,788	657	863	19.9	21.9
Small companies	21,970	23,872	6,743	7,747	539	620	30.7	32.5
of which property loans	10,918	11,892	3,644	4,268	292	341	33.4	35.9
of which other loans	11,052	11,980	3,099	3,479	247	279	28.0	29.0
Institutions	38,453	57,663	10,683	14,436	855	1,155	27.8	25.0
Lending to institutions	17,178	16,554	5,279	5,920	422	474	30.7	35.8
Counterparty risk	21,275	41,109	5,404	8,516	433	681	25.4	20.7
Equity exposures	799	3,028	2,955	10,299	236	824	370.0	340.2
of which listed shares	-	1,129	-	3,274	-	262	-	290.0
of which other shares	799	1,899	2,955	7,025	236	562	370.0	370.0
Non credit-obligation assets	6,417	6,946	6,417	6,946	513	556	100.0	100.0
Securitisation positions	16	-	49	-	4	-	312.3	-
of which Traditional securitisation	16	-	49	-	4	-	312.3	-
of which Synthetic securitisation	-	-	-	-	-	-	-	-
Total IRB approach	2,791,274	2,758,709	325,646	377,701	26,052	30,216	11.7	13.7
Risk weight floor, Swedish mortgage loans**			186,614	173,604	14,929	13,888		
Total IRB approach with impact of risk weight floor, Swedish mortgage loans	2,791,274	2,758,709	512,260	551,305	40,981	44,104	18.4	20.0

* 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 the risk weight floor for Swedish mortgage loans was SEK 889,285m at 31 December 2020.

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, Handelsbanken plc and Rahoitus Oy.

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, Handelsbanken plc, 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 86% 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 up slightly during the quarter and amounted to 11.7% (11.5% at 30 September 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 18.4% (17.6%).

Credit quality is good. Of Handelsbanken's corporate exposures, 98% were 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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Outright products					
Interest rate risk	596	607	723	725	651
<i>of which general risk</i>	491	459	603	560	554
<i>of which specific risk</i>	105	148	120	165	97
Equity price risk	2	2	1	4	3
<i>of which general risk</i>	1	1	0	2	1
<i>of which specific risk</i>	1	1	1	2	2
<i>of which mutual funds</i>	0	0	0	0	0
Exchange rate risk	-	-	-	-	-
Commodities risk	1	0	2	6	4
Options					
Scenario approach	2	3	4	1	3
<i>of which interest rate risk</i>	0	0	0	0	0
<i>of which equity risk</i>	2	3	4	1	3
<i>of which exchange rate risk</i>	-	-	-	-	-
<i>of which commodity risk</i>	-	-	-	-	-
Securitisation (specific risk)	-	-	-	-	-
Settlement risk	0	0	0	0	1
Total capital requirement for market risks	601	612	730	736	662

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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Balance sheet according to accounting regulations	3,135,288	3,337,863	3,533,187	3,596,481	3,069,667
Deduction for assets not included in the banking group	-189,476	-179,042	-162,721	-147,898	-168,500
Adjustment for differences between carrying amount and leverage ratio exposure – derivatives	-17,590	-18,696	-22,456	-48,223	-10,743
Adjustment for differences between carrying amount and leverage ratio exposure – repos and securities loans	3,750	6,689	6,705	5,085	3,342
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>534,285</i>	<i>549,501</i>	<i>538,352</i>	<i>518,009</i>	<i>522,450</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-397,111</i>	<i>-394,928</i>	<i>-372,918</i>	<i>-357,667</i>	<i>-338,171</i>
Assets reported off the balance sheet, net	137,174	154,573	165,434	160,342	184,279
Additional adjustment	-17,780	-17,880	-18,690	-20,109	-17,850
Assets on which the leverage ratio is calculated	3,051,366	3,283,507	3,501,459	3,545,678	3,060,195
Capital on which the leverage ratio can be calculated					
Tier 1 capital	158,332	150,755	147,762	147,435	148,550
Leverage ratio					
Leverage ratio calculated on tier 1 capital	5.2%	4.6%	4.2%	4.2%	4.9%

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 UK has left the EU.

The Bank has prepared for the implementation of Brexit in close consultation with public authorities in both Sweden and the UK. The Bank's low tolerance of risk means that Handelsbanken is also well-equipped to operate under substantially more difficult market conditions than those experienced during the past few years. 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 563bn at 31 December 2020. 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

Market value, SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Level 1 assets	558,086	711,842	850,657	854,917	480,236
Cash and balances with central banks	417,889	591,204	708,768	672,369	346,206
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	100,364	83,800	102,880	132,608	97,778
Securities issued by municipalites and PSEs	645	694	869	873	1,012
Extremely high quality covered bonds	39,188	36,144	38,140	49,067	35,240
Level 2 assets	4,650	5,698	5,447	8,607	7,916
Level 2A assets	4,599	5,585	5,367	8,423	7,891
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	881	2,812	3,165	1,497	1,739
High quality covered bonds	3,718	2,773	2,202	6,926	6,152
Corporate debt securities (lowest rating AA-)	-	-	-	-	-
Level 2B assets	51	113	80	184	25
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	51	113	80	184	25
Shares (major stock index)	-	-	-	-	-
Total liquid assets	562,736	717,540	856,104	863,524	488,152
of which in SEK	209,797	237,348	204,009	209,273	168,639
of which in EUR	132,403	147,065	160,162	151,328	122,635
of which in USD	69,901	182,104	303,311	361,172	63,156
of which in other currencies	150,635	151,023	188,622	141,751	133,722

31 December 2020					
Market value, SEK m	SEK	EUR	USD	Other	Total
Level 1 assets	208,731	131,749	67,923	149,683	558,086
Cash and balances with central banks	84,525	128,225	65,479	139,660	417,889
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	93,585	2,935	2,444	1,400	100,364
Securities issued by municipalites and PSEs	645	-	-	-	645
Extremely high quality covered bonds	29,976	589	-	8,623	39,188
Level 2 assets	1,066	654	1,978	952	4,650
Level 2A assets	1,064	605	1,978	952	4,599
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	881	881
High quality covered bonds	1,064	605	1,978	71	3,718
Corporate debt securities (lowest rating AA-)	-	-	-	-	-
Level 2B assets	2	49	-	-	51
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	2	49	-	-	51
Shares (major stock index)	-	-	-	-	-
Total liquid assets	209,797	132,403	69,901	150,635	562,736

Maturities for financial assets and liabilities

31 December 2020 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	397,662	-	-	-	-	-	-	397,662
Interest-bearing securities eligible as collateral with central banks *	98,938	-	-	-	-	-	-	98,938
Bonds and other interest-bearing securities *	44,381	-	-	-	-	-	-	44,381
Loans to credit institutions	38,706	1,309	410	-	406	2,395	-	43,226
<i>of which reverse repos</i>	523	-	-	-	-	-	-	523
Loans to the public	64,652	248,466	191,153	203,745	405,114	1,153,946	-	2,267,076
<i>of which reverse repos</i>	11,626	-	-	-	-	-	-	11,626
Other **	24,319	-	-	-	-	-	259,686	284,005
<i>of which shares and participating interests</i>	21,045	-	-	-	-	-	-	21,045
<i>of which claims on investment banking settlements</i>	3,274	-	-	-	-	-	-	3,274
Total	668,658	249,775	191,563	203,745	405,520	1,156,341	259,686	3,135,288
Deposits and borrowing from the public								
Due to credit institutions ***	40,517	44,420	4,569	2,426	147	965	31,683	124,727
<i>of which repos</i>	-	-	-	-	-	-	-	-
<i>of which deposits from central banks</i>	17,327	23,106	-	-	-	-	314	40,747
Deposits and borrowing from the public ***	18,032	24,789	3,286	506	364	6,476	1,175,814	1,229,267
<i>of which repos</i>	-	-	-	-	-	-	-	-
Issued securities	65,017	303,991	283,949	167,999	379,753	105,862	-	1,306,571
<i>of which covered bonds</i>	4,394	49,836	69,195	110,634	307,846	76,486	-	618,391
<i>of which bank certificates (CDS) with original maturity of less than one year</i>	17,873	68,235	65,148	-	-	-	-	151,256
<i>of which corporate certificates (CPS) with original maturity of less than one year</i>	35,977	147,006	125,351	-	-	-	-	308,334
<i>of which senior bonds and other securities with original maturity of more than one year</i>	6,773	38,914	24,255	57,365	71,907	29,376	-	228,590
Subordinated liabilities	-	9,937	-	2,935	19,014	8,281	-	40,167
Other **	5,683	-	-	-	-	-	428,873	434,556
<i>of which short positions</i>	1,682	-	-	-	-	-	-	1,682
<i>of which investment banking settlement debts</i>	4,001	-	-	-	-	-	-	4,001
Total	129,249	383,137	291,804	173,866	399,278	121,584	1,636,370	3,135,288

* 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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Liquidity coverage ratio (LCR) - sub-components, SEK m					
High quality liquidity assets	559,278	714,115	852,590	858,734	484,489
Cash outflows	413,024	548,365	676,751	651,367	379,970
Retail deposits and deposits from small business customers	61,299	60,865	60,223	59,116	58,136
Unsecured wholesale funding	273,375	404,940	539,454	534,592	264,686
Secured wholesale funding	5,245	8,883	4,872	6,646	3,568
Other cash outflows	73,105	73,677	72,202	51,013	53,580
Cash inflows	41,027	69,861	56,956	75,009	49,911
Inflows from fully performing exposures	27,536	25,159	18,063	23,269	26,619
Other cash inflows	13,491	44,702	38,893	51,740	23,292
Liquidity coverage ratio (LCR), %	150	149	138	149	147

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 150%, 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 situation 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 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	

31 December 2019		
SEK bn	NEA	Accumulated coverage ratio in % of unsecured funding*
Holdings with central banks and securities in the liquidity portfolio***	494	55%
Mortgage loans	699	132%
Other household lending	201	155%
Property company lending lowest risk class (1-3)	299	188%
Other corporate lending lowest risk class (1-3)	145	204%
Loans to credit institutions lowest risk class (1-3)	15	206%
Other corporate lending	289	238%
Other assets	0	238%
Total non-encumbered assets (NEA)	2,142	238%
Encumbered assets without underlying liabilities**	61	
Encumbered assets with underlying liabilities	867	
Total assets, Group	3,070	

* 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 12–27.

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	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Net interest income	3,354	3,237	4%	3,323	1%	13,071	13,039	0%
Dividends received	15,329	143		16,118	-5%	15,937	17,338	-8%
Net fee and commission income	1,337	1,452	-8%	1,526	-12%	5,692	6,011	-5%
Net gains/losses on financial transactions	753	783	-4%	-35		1,869	618	202%
Other operating income	728	671	8%	701	4%	2,790	2,638	6%
Total income	21,501	6,286	242%	21,633	-1%	39,359	39,644	-1%
Staff costs	-2,390	-3,984	-40%	-2,121	13%	-11,689	-10,148	15%
Other administrative expenses	-1,392	-1,479	-6%	-1,567	-11%	-5,684	-5,808	-2%
Depreciation, amortisation and impairment of property, equipment and intangible assets	-656	-687	-5%	-625	5%	-2,672	-2,156	24%
Total expenses before credit losses	-4,438	-6,150	-28%	-4,313	3%	-20,045	-18,112	11%
Profit before credit losses	17,063	136		17,320	-1%	19,314	21,532	-10%
Net credit losses	-50	-83	-40%	-138	-64%	-477	-1,059	-55%
Impairment of financial assets	-	-		0		-79	-148	-47%
Operating profit	17,013	53		17,182	-1%	18,758	20,325	-8%
Appropriations	672	23		-473		743	-380	
Profit before tax	17,685	76		16,709	6%	19,501	19,945	-2%
Taxes	-3,819	-29		-3,638	5%	-4,275	-4,297	-1%
Profit for the period	13,866	47		13,071	6%	15,226	15,648	-3%

STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY

SEK m	Q4 2020	Q3 2020	Change	Q4 2019	Change	Full year 2020	Full year 2019	Change
Profit for the period	13,866	47		13,071	6%	15,226	15,648	-3%
Other comprehensive income								
Items that will not be reclassified to the income statement								
Instruments measured at fair value through other comprehensive income - equity instruments	-839	98		114		-583	372	
Tax on items that will not be reclassified to income statement	45	-33		-3		11	-21	
<i>of which equity instruments measured at fair value through other comprehensive income</i>	45	-33		-3		11	-21	
Total items that will not be reclassified to the income statement	-794	65		111		-572	351	
Items that may subsequently be reclassified to the income statement								
Cash flow hedges	-960	-660	-45%	1		-1,677	1,751	
Instruments measured at fair value through other comprehensive income - debt instruments	7	3		-3		7	7	
Translation differences for the period	-939	-141		-867	-8%	-2,184	-259	
<i>of which hedging net investment in foreign operations</i>	30	-37		-178		-256	-826	69%
Tax on items that may subsequently be reclassified to the income statement	206	148	39%	38	442%	420	-200	
<i>of which cash flow hedges</i>	212	141	50%	0		365	-375	
<i>of which debt instruments measured at fair value through other comprehensive income</i>	-1	-1		0		-1	-2	
<i>of which hedging net investment in foreign operations</i>	-5	8		38		56	177	-68%
Total items that may subsequently be reclassified to the income statement	-1,686	-650	-159%	-831	-103%	-3,434	1,299	
Total other comprehensive income for the period	-2,480	-585	-324%	-720	-244%	-4,006	1,650	
Total comprehensive income for the period	11,386	-538		12,351	-8%	11,220	17,298	-35%

Comment on results – Parent company January – December 2020 compared with January – December 2019

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 went down by 8% to SEK 18,758m (20,325), mainly due to higher staff costs and lower dividends. Staff costs increased by 15%, due to the fact that the provision for the restructuring reserve made in Q3 2020 was larger than that made in Q3 2019. The allocation to the Oktogonen profit-sharing scheme for 2018 was also reversed in Q1 2019, which had a positive effect on staff costs. Dividends have been received amounting to SEK 15,937m (17,338). Profit for the year decreased by 3% to SEK 15,226m (15,648). Net interest income increased by 0% to SEK 13,071m (13,039), while net fee and commission income decreased by 5% to SEK 5,692m (6,011). Since year-end 2019, the parent company's equity has increased to SEK 142,839m (130,935).

BALANCE SHEET – PARENT COMPANY

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Assets					
Cash and balances with central banks	297,362	457,312	533,250	543,540	242,889
Interest-bearing securities eligible as collateral with central banks	99,115	84,383	172,216	210,834	103,370
Loans to credit institutions	953,650	963,089	991,955	948,369	890,557
Loans to the public	566,145	586,281	613,071	632,822	620,175
Value change of interest hedged item in portfolio hedge	13	-	-	-	-
Bonds and other interest-bearing securities	46,533	48,145	51,695	60,241	53,096
Shares	14,313	13,325	10,045	10,575	14,335
Shares in subsidiaries and investments in associates	73,057	73,077	72,174	72,182	72,138
Assets where the customer bears the value change risk	7,405	7,081	6,713	6,284	6,443
Derivative instruments	33,031	49,869	54,084	93,654	41,840
Intangible assets	3,459	3,449	3,475	3,464	3,190
Property, equipment and leasing assets	7,381	7,554	7,701	7,937	8,145
Current tax assets	154	2,761	2,055	1,381	-
Deferred tax assets	1,173	1,257	970	1,064	653
Other assets	20,775	15,356	6,377	7,322	21,522
Prepaid expenses and accrued income	1,297	1,416	1,702	1,426	1,152
Total assets	2,124,863	2,314,355	2,527,483	2,601,095	2,079,505
Liabilities and equity					
Due to credit institutions	193,054	269,307	310,745	311,851	208,697
Deposits and borrowing from the public	1,021,130	1,109,944	1,176,030	1,180,635	918,146
Liabilities where the customer bears the value change risk	7,405	7,081	6,713	6,284	6,443
Issued securities	657,520	694,010	741,663	786,915	724,640
Derivative instruments	44,774	34,501	35,066	44,562	38,669
Short positions	1,682	7,332	5,958	5,451	1,856
Current tax liabilities	-	-	-	-	202
Deferred tax liabilities	777	1,014	1,171	1,323	956
Provisions	2,276	2,533	1,084	1,139	1,100
Other liabilities	9,125	9,901	78,356	91,427	8,790
Accrued expenses and deferred income	2,266	2,349	2,430	2,461	1,847
Subordinated liabilities	41,082	44,005	35,328	36,823	35,546
Total liabilities	1,981,091	2,181,977	2,394,544	2,468,871	1,946,892
Untaxed reserves	933	1,609	1,632	1,661	1,678
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	6,706	9,279	9,867	11,179	10,472
Retained earnings	109,080	108,303	108,300	108,344	92,988
Profit for the period	15,226	1,360	1,313	-787	15,648
Total equity	142,839	130,769	131,307	130,563	130,935
Total liabilities and equity	2,124,863	2,314,355	2,527,483	2,601,095	2,079,505

CHANGE IN EQUITY – PARENT COMPANY

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	8,758	1,940	660	2,156	108,636	130,935
Profit for the period								15,226	15,226
Other comprehensive income					-1,312	-566	-2,128		-4,006
<i>of which reclassified within equity</i>						-684			-684
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 – December 2019 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 2019	3,013	2,682	2,497	5,629	564	304	2,238	104,135	121,062
Profit for the period								15,648	15,648
Other comprehensive income					1,376	356	-82		1,650
<i>of which reclassified within equity</i>						15	-99		-84
Total comprehensive income for the period					1,376	356	-82	15,648	17,298
Reclassified to retained earnings								84	84
Dividend								-10,693	-10,693
Group contributions provided								-1	-1
Tax effect on Group contribution								0	0
Effects of convertible subordinated loans	56			3,129					3,185
Fund for internally developed software			537					-537	
Closing equity	3,069	2,682	3,034	8,758	1,940	660	2,156	108,636	130,935

* 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	Full year 2020	Full year 2019
Operating profit	18,757	20,325
Adjustment for non-cash items in profit/loss	-12,481	-12,550
Paid income tax	-4,910	-3,702
Changes in the assets and liabilities of operating activities	47,324	5,955
Cash flow from operating activities	48,690	10,028
Change in shares	704	-95
Change in property and equipment	-1,547	-4,373
Change in intangible assets	-852	-894
Cash flow from investing activities	-1,695	-5,362
Repayment of subordinated loans	-2	-17,730
Issued subordinated loans	8,176	4,670
Dividend paid	-	-10,693
Received Group contributions	15,992	10,104
Cash flow from financing activities	24,166	-13,649
Liquid funds at beginning of the year	242,889	243,824
Cash flow for the period	71,161	-8,983
Exchange rate difference on liquid funds	-16,688	8,048
Liquid funds at end of year*	297,362	242,889

* 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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	
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	486.3 0
2	Retained earnings	115,034	103,460	103,460	103,460	98,702	0
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	752	3,233	3,817	5,173	4,758	52.1 b, 56 a, 57
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	7,108	816	788	-787	4,758	56 d, 59, 79
6	Common equity tier 1 (CET1) capital before regulatory adjustments	134,721	119,336	119,892	119,673	120,045	
0	Common equity tier 1 (CET1) capital: regulatory adjustments						
7	Additional value adjustments (negative amount)	-239	-269	-321	-547	-131	0
8	Intangible assets (net of related tax liability) (negative amount)	-3,408	-3,372	-3,375	-3,335	-3,044	0
11	Fair value reserves related to gains or losses on cash flow hedges	-628	-1,377	-1,895	-2,772	-1,940	0
12	Negative amounts resulting from the calculation of expected loss amounts	-445	-623	-1,652	-1,957	-2,060	62, 63
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	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)	-466	-447	-473	-456	-527	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	-	-	-	-	-20	66d, 69, 79
20c	<i>of which: securitisation positions (negative amount)</i>	-	-	-	-	-20	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
28	Total regulatory adjustments to common equity tier 1 (CET1) capital	-5,177	-6,078	-7,716	-9,078	-7,722	
29	Common equity tier 1 (CET1) capital	129,544	113,258	112,176	110,595	112,323	

Own funds – Parent company, cont.

	Amount at disclosure date SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	Regulation (EU) No 575/2013 art. ref.
Additional tier 1 (AT1) capital: instruments							
30	Capital instruments and the related share premium accounts	21,980	15,290	15,844	16,995	15,819	51, 52
32	<i>of which: classified as liabilities under applicable accounting standards</i>	21,980	15,290	15,844	16,995	15,819	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-	-	-	-	-	486.3
36	Additional tier 1 (AT1) capital before regulatory adjustments	21,980	15,290	15,844	16,995	15,819	
Additional tier 1 (AT1) capital: regulatory adjustments							
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-9,808	-	-	-	-	52.1 b, 56 a, 57
40	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	-	-	-	56 d, 59, 79
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-	-	-	-	-	56 e
43	Total regulatory adjustments to additional tier 1 (AT1) capital	-9,808	-	-	-	-	
44	Additional tier 1 (AT1) capital	12,172	15,290	15,844	16,995	15,819	
45	Tier 1 capital (T1 = CET1 + AT1)	141,716	128,548	128,020	127,590	128,142	
Tier 2 (T2) capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	18,032	18,783	18,695	19,437	18,639	62, 63
50	Credit risk adjustments	16	-	-	-	-	62 c och d
51	Tier 2 (T2) capital before regulatory adjustments	18,048	18,783	18,695	19,437	18,639	
Tier 2 (T2) capital: regulatory adjustments							
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	-	-	-	63 b i, 66 a, 67
55	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-1,129	-1,129	-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	16,919	17,654	17,566	18,308	17,510	
59	Total capital (TC = T1 + T2)	158,635	146,202	145,586	145,898	145,652	
60	Total risk-weighted assets	409,265	425,435	543,373	566,001	556,251	
Capital ratios and buffers							
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	31.7	26.6	20.6	19.5	20.2	92.2 a
62	Tier 1 capital (as a percentage of total risk exposure amount)	34.6	30.2	23.6	22.5	23.0	92.2 b
63	Total capital (as a percentage of total risk exposure amount)	38.8	34.4	26.8	25.8	26.2	92.2 c
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of total risk exposure amount)	2.6	2.6	2.6	2.6	4.5	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	2.0	
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)	27.2	22.1	16.1	15.0	15.7	CRD 128

Own funds – Parent company, cont.

	Amount at disclosure date SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	Regulation (EU) No 575/2013 art. ref.
Amounts below the thresholds for deduction (before risk weighting)							
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	1	0	0	0	36.1 h, 46, 45, 56 c, 59, 60, 66 c, 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	-	-	-	36.1 i, 45, 48
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	-	0	0	0	36.1 c, 38, 48
Applicable caps on the inclusion of provisions tier 2 capital							
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-	-	-	-	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	2,025	1,999	1,456	1,525	1,504	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	-	-	-	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	1,138	1,229	2,173	2,284	2,226	62
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)							
80	Current cap on CET1 instruments subject to phase-out arrangements	-	-	-	-	-	484.3, 486.2, 486.5
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-	-	484.3, 486.2, 486.5
82	Current cap on AT1 instruments subject to phase-out arrangements	-	-	-	-	-	484.4, 486.3, 486.5
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-	-	484.4, 486.3, 486.5
84	Current cap on T2 instruments subject to phase-out arrangements	-	-	-	-	-	484.5, 486.4, 486.5
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	-	-	-	484.5, 486.4, 486.5
<i>Rounding differences may occur in the table</i>							

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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Credit risk according to standardised approach	12,960	12,791	9,321	9,758	9,628
Credit risk according to IRB Approach	14,438	15,635	28,297	29,878	29,208
Risk weight floor Swedish mortgage loans	731	745	674	569	478
Market risk	1,065	1,209	1,474	1,358	1,407
Credit valuation adjustment risk (CVA)	216	323	373	386	329
Operational risk	3,331	3,331	3,331	3,331	3,450
Combined buffer requirement	10,751	11,178	14,128	14,729	24,803
Total capital requirement	43,492	45,212	57,598	60,009	69,303

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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Sovereign and central banks	-	-	-	-	-
Municipalities	-	-	-	-	-
Multilateral development banks	-	-	-	-	-
International organisations	-	-	-	-	-
Institutions	1,034	1,079	1,135	1,427	1,364
Corporates	461	338	352	421	518
Households	211	245	252	263	281
Collateral in real estate	1,921	1,937	1,881	1,995	1,860
Past due items	25	24	26	24	24
High risk items	1	1	1	1	1
Equities	8,691	8,699	5,347	5,258	5,429
Other items	616	468	327	369	151
Total	12,960	12,791	9,321	9,758	9,628

* 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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Sovereign and central banks	405	561	637	640	391
Corporates	10,787	11,282	11,889	13,170	12,871
Households	2,112	2,124	2,153	2,217	2,182
Private individuals	1,644	1,622	1,633	1,672	1,639
of which property loans	1,207	1,261	1,273	1,300	1,252
of which other loans	437	361	360	372	387
Small companies	467	502	520	545	543
Institutions	843	1,091	1,137	1,218	1,142
Equity exposures	233	517	12,417	12,568	12,561
of which listed shares	-	180	194	141	165
of which other shares	233	337	12,223	12,427	12,396
Non credit-obligation assets	54	56	59	60	61
Securitisation positions	4	4	5	5	
Total IRB approach	14,438	15,635	28,297	29,878	29,208
Risk weight floor Swedish mortgage loans	731	745	674	569	478
Total IRB approach with impact of risk weight floor, Swedish mortgage loans	15,169	16,380	28,971	30,447	29,686

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 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Position risk in the trading book	600	612	728	730	657
Interest rate risk	596	607	723	725	651
<i>of which positions in securitisation instruments</i>	-	-	-	-	-
Equity price risk	4	5	5	5	6
Exchange rate risk	464	597	744	622	745
Commodities risk	1	0	2	6	4
Settlement risk	0	0	0	0	1
Total capital requirement for market risks	1,065	1,209	1,474	1,358	1,407

Leverage ratio – Parent company

SEK m	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Balance sheet according to accounting regulations	2,124,863	2,314,355	2,527,483	2,601,095	2,079,505
Adjustment for differences between carrying amount and leverage ratio exposure - derivatives	-17,286	-16,406	-20,078	-45,583	-8,146
Adjustment for differences between carrying amount and leverage ratio exposure - repos and securities loans	3,750	20,154	18,956	7,766	3,553
<i>Assets reported off the balance sheet, gross (before adjustment for conversion factor)</i>	<i>508,357</i>	<i>521,549</i>	<i>517,220</i>	<i>497,451</i>	<i>495,337</i>
<i>Deduction from assets off the balance sheet after application of conversion factor</i>	<i>-357,704</i>	<i>-361,474</i>	<i>-342,747</i>	<i>-326,771</i>	<i>-306,790</i>
Assets reported off the balance sheet, net	150,653	160,075	174,473	170,680	188,547
Additional adjustment	-812,179	-782,125	-765,354	-736,757	-743,613
Assets on which the leverage ratio is calculated	1,449,801	1,696,052	1,935,480	1,997,200	1,519,846
Capital on which the leverage ratio can be calculated					
Tier 1 capital	141,716	128,548	128,020	127,590	128,142
Leverage ratio					
Leverage ratio calculated on tier 1 capital	9.8%	7.6%	6.6%	6.4%	8.4%

SUBMISSION OF REPORT

We hereby submit the Highlights of Annual Report.

Stockholm, 3 February 2021.

Carina Åkerström

PRESIDENT AND GROUP CHIEF EXECUTIVE

PRESS AND TELEPHONE CONFERENCE

A press conference will be held at the Bank's head office on 3 February at 9:00 a.m. (CET).

A telephone conference will be held on 3 February 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 Annual Report for 2020 will be published in the week beginning 22 February and will be available from handelsbanken.com.

The annual general meeting will be held on 24 March 2021.

The interim report for January – March 2021 will be published on 21 April 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

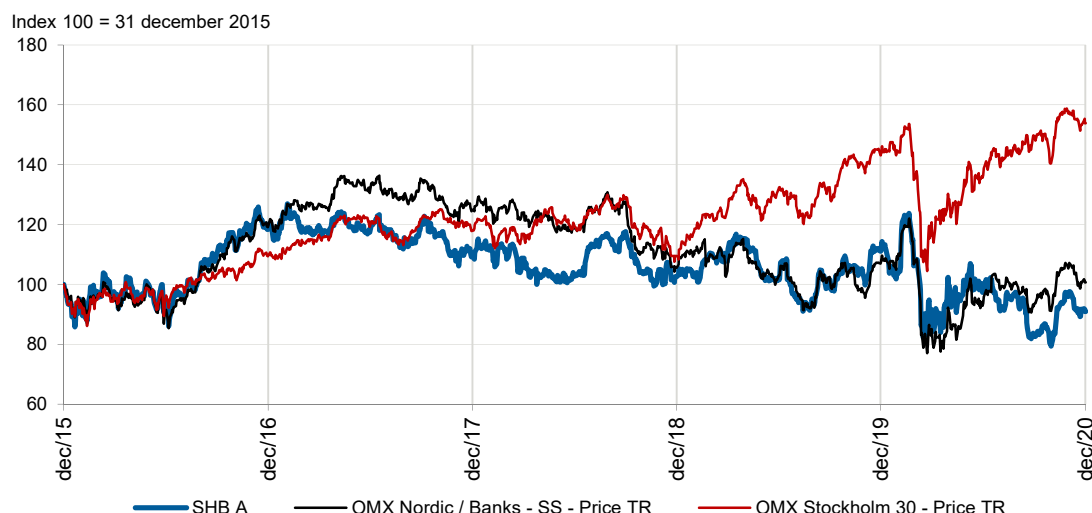
Tel: +46 (0)8 701 51 70, laho01@handelsbanken.se

Share price performance and other information

The Swedish stock market (OMX Stockholm 30 index) went up by 6% during the year. The Stockholm stock exchange's bank index fell by 6%. Handelsbanken's class A shares closed at SEK 82.60, a decline of 18%.

Over the last five years, the Swedish stock market (OMX Stockholm 30) has gone up by 30%, while the bank index (OMX Stockholm Banks SS) fell by 21%. During the same period, Handelsbanken's class A shares have declined by 27%.

SHARE PRICE PERFORMANCE PREVIOUS 10 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	jkruse@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 Dziedzic	pawel.dziedzic@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 Liljedahl	maths.liljedahl@seb.se
SOCIETE GENERALE	Geoff Dawes	geoff.dawes@sgcib.com
UBS	Johan Ekblom	johan.ekblom@ubs.com

Handelsbanken

Svenska Handelsbanken AB (publ), Corporate identity no. 502007-7862
SE-106 70 Stockholm, Sweden, Telephone: +46 (0)8-701 10 00, handelsbanken.com

