Annual and Sustainability Report 2021

"Today, customers' approach to banking is more like cherry picking – this product, that service, these meeting places. Therefore, we have also stopped trying to do everything. We instead concentrate on the solutions and the products where we truly excel"

Carina Åkerström, President and Group Chief Executive

Handelsbanken

This is **Handelsbanken**

Handelsbanken was founded in 1871. As the Bank closes the books on our 150th year of operations, we are one of the world's strongest banks.

Our idea of how to run our Bank is based on trust and respect for individuals, both customers and employees. At Handelsbanken, we strive to evolve and improve, so that we can be the best possible bank for our customers. We create value in each customer meeting.

Handelsbanken's ambition is to provide the best banking experience within financing, savings and advisory services. We see potential for continued strong business development and profitable growth at a low risk, facilitated by satisfied customers. The Bank's primary markets are Sweden, Norway and the UK, but we also have operations in the Netherlands, Luxembourg and the USA.

The year in brief

Profit for the year increased by 25% to SEK 19,543m (15,588). Profit for the year from continuing operations increased by 29% to SEK 18,848m (14,557).

Earnings per share grew by 25% to SEK 9.86 (7.87).

Return on equity increased to 11.8% (10.0).

Operating profit went up by 25% to SEK 23,475m (18,797).

Net interest income increased by 1% to SEK 29,391m (29,079).

Net fee and commission income went up by 18% to SEK 11,458m (9,670). Commission income from fund management grew by 36%.

Income climbed by 7% to SEK 43,347m (40,368).

Expenses decreased by 5% to SEK -19,843m (-20,927). Adjusted for the provision for Oktogonen, items affecting comparability and exchange rate movements, expenses rose by 3%, or SEK 603m; this was entirely attributable to a SEK 718m increase in development expenses.

The C/I ratio improved to 45.8% (51.8).

The credit loss ratio was 0.00% (0.02).

The common equity tier 1 ratio was 19.4% (20.3).

The Board proposes a dividend of SEK 5.00 per share.

The Bank has decided to cease its operations in Denmark and Finland. A process has been initiated to divest these two business segments. From a commercial perspective, our objective is to have a presence where the conditions are optimal for profitable growth and a strong market position. With this in mind, we are bolstering the Bank's ambitions in Sweden, Norway and the UK.

The Bank has adopted five ambitious sustainability goals within the areas financing, investment and advisory services, based on, among other things, the UN Principles for Responsible Banking and the Paris Agreement. The Bank has also published a climate report covering our lending, which has been prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Handelsbanken is rated highest among all Nordic actors within Private Banking. This is apparent when compiling the year's surveys undertaken by Kantar Sifo Prospera among high net worth individuals and owner-managed businesses in Denmark, Finland, Norway and Sweden.

Handelsbanken has the highest credit rating in the world for a privately-owned bank from Fitch, Moody's and Standard & Poors.

Handelsbanken has been ranked as the safest commercial bank in Europe, and the third safest globally, by Global Finance.

Banking our way

We will never be a bank just like all the others. With our integrity, approach to risk and sustainability, and a unique, long-term perspective, we create customer relationships that last through all of life's different stages. Our idea of running a bank is based on trust and respect for the individual. We offer our customers:

One of the world's safest banks

Financial strength and consistent stability make Handelsbanken a bank to rely on, regardless of the business cycle. As a result, we have been ranked by Global Finance as the safest commercial bank in Europe, and the third safest globally. Handelsbanken is the only major Swedish bank that has not sought financial support from either taxpayers or shareholders in times of financial crisis, and no other privately owned bank in the world has a higher overall rating than Handelsbanken.

Unique long-term perspective

We always give our customers the best long-term advice, regardless of what is the most profitable product for the Bank in the short term. The Bank has no volume requirements, budgets or centrally determined sales targets. Our employees who meet customers do not receive variable remuneration – no bonuses or commissions – and thus have no personal financial incentive to offer customers a certain service or product. Instead, Handelsbanken measures its success in terms of customer satisfaction, cost effectiveness and profitability. This gives our business a unique, long-term perspective.

Value in each customer meeting

For us, long-term relationships start with meetings between people. Customer meetings are therefore at the core of everything Handelsbanken does, whether it is providing day-to-day assistance via digital services or giving expert advice in connection with major life events. In every meeting, we listen and learn, to ensure that our offering matches our customers' needs. This leads to better decisions and more satisfied customers.

Partnership for sustainability

We are convinced that achieving profitability and contributing to a sustainable world are not mutually incompatible. Quite the opposite. With us, our customers have a bank that works by their side, taking a long-term approach and applying specific, proven methods. We invest our customers' savings in a sustainable way, we work actively towards achieving gender-equal advisory services, we finance companies in their energy transition, and we are committed to finding solutions for a sustainable society. Our goal is to be the most sustainable bank and, together with our customers and partners, to create a sustainable future.

New insights and knowledge

We aim to generate value by finding solutions to both minor and major issues, for our customers and for all of society. Our customers have access to the knowledge and insights of our most prominent experts. We want to give our customers the best possible conditions to make better financial decisions, by sharing new, relevant insights and contributing to improving their awareness of economic issues.

Brief information

Handelsbanken's Annual General Meeting 2022

Handelsbanken's Annual General Meeting (AGM) for 2022 will be held on Wednesday, 23 March 2022. Shareholders wishing to attend the AGM must be entered in the register of shareholders kept by Euroclear Sweden AB, by Tuesday, 15 March 2022 at the latest, and have registered to attend the meeting by no later than 22 March 2022. To be entitled to take part in the meeting, shareholders whose shares are nominee-registered must also request that their own name be registered in the register of shareholders kept by Euroclear. This registration may be temporary (registration of shares for voting rights) and can be requested of the nominee according to the nominee's procedures, giving sufficient notice as specified by the nominee. Registrations of shares for voting rights completed by Thursday, 17 March 2022 will be respected when the register of shareholders is drawn up. Further information about the AGM can be found in the notice of the meeting published on the Bank's website, www.handelsbanken.com/agm.

Dividend

The Board proposes a dividend of SEK 5.00 per share. The Board proposes that the record day for the dividend be Friday, 25 March 2022, which means that the Handelsbanken share will be traded ex-dividend on Thursday, 24 March 2022. Assuming that the meeting resolves to accept the proposal, the dividend is then expected to be disbursed by Euroclear on Wednesday, 30 March 2022.

Financial calendar 2022

9 February	Highlights of Handelsbanken's Annual Report 2021
23 March	Annual General Meeting
27 April	Interim report January – March 2022
15 July	Interim report January – June 2022
19 October	Interim report January – September 2022

Financial information

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

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

Distribution

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

Handelsbanken's Sustainability Report 2021

Handelsbanken's Annual Report and Sustainability Report 2021 contains Handelsbanken's statutory sustainability reporting, found on pages 37 to 73. Together with Handelsbanken's Sustainability Fact Book 2021, this reporting comprises Handelsbanken's complete sustainability reporting for 2021. This is Handelsbanken's twelfth Sustainability Report and has been prepared in accordance with the 'Core' level of the Global Reporting Initiative (GRI) Standards. The Sustainability Report has been examined by the Bank's external auditors, whose report is reproduced on page 276 of the Annual and Sustainability Report 2021. Handelsbanken reports each year on the Group's sustainability work and the results thereof in the Sustainability Report, which covers the entire Group, unless otherwise stated. The Sustainability Report also constitutes Handelsbanken's Communication on Progress Report to the UN Global Compact.

The statutory sustainability reporting describes how Handelsbanken addresses the most pertinent sustainability issues and includes disclosures on sustainability governance, activities and results in 2021. The Sustainability Fact Book 2021 includes detailed breakdowns of results, GRI indexes and Handelsbanken's reporting under the Principles for Responsible Banking (PRB). The Sustainability Fact Book 2021 is available from handelsbanken.com/sustainability.

WE SUPPORT UN GLOBAL COMPACT

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Registered office: Stockholm
handelsbanken.com

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The formal annual report which has been examined by the auditors comprises pages 6–36 and 74–270 and has the sections marked with the following colours ■ ■ ■ ■
The statutory sustainability report comprises pages 37–73 and has the section marked with the following colour ■

150 years of banking our way

Handelsbanken's operating profit for 2021 was SEK 23.5 billion. Never before in the Bank's 150-year history has profit been so strong. While this is of course gratifying, it is also entirely in line with a century and a half of steadily climbing profits, an expanding balance sheet and increased value for shareholders.

I feel certain that the consistent – and largely unbroken – growth over 150 years can be attributed to the foundations on which our business has stood since the Bank first opened its doors: stable finances, a genuine focus on the customer, and the will and capacity to always change, improve and embrace new ways of thinking.

The fact is that Handelsbanken came into existence for precisely this reason – the will to move away from the same old ways of doing things. The Bank's founders each left their previous bank to satisfy their desire to create an entirely new, modern bank. A bank for the future.

In the years that followed, the Bank introduced other novel ideas such as occupational pensions, secure credit reserves and female decision-makers. Today, of course, we take such things for granted. But back then, they were revolutionary.

We have also learned a thing or two about preparing for the future during our 150 years. For example, never to rest on our laurels. What is cutting edge in the present can quickly be consigned to history. While something that works well today comes from yesterday's flashes of inspiration.

This is why we need to constantly be on the lookout for new ideas – to make sure we continue to succeed tomorrow. So although the business performance is positive and customers are satisfied, we cannot allow ourselves to become complacent. Instead, we must always be thinking about what comes next: what shall we do tomorrow? How should we do it? And maybe also where?

In this there is another, equally pertinent factor to consider: good ideas often have a best before date. Something that worked well yesterday may not be as effective tomorrow. Everything changes with time – and this means that the Bank must also be prepared to change.

A universal bank, and branches all over the world: two good ideas, that worked very well – for a very long time, too – but that have now run their course. Some 10–20 years ago, customers wanted all their banking business to be collected into one place.

Today, customers' approach to banking is more like cherry picking – this product, that service, these meeting places. Therefore, we have also stopped trying to do everything. We instead concentrate on the solutions and the products where we truly excel – above all within asset management, financing and wealth management advisory services. We no longer offer it all. Just the cherries.

In the same vein, when our customers wanted us to have a presence everywhere, including in their major export markets in Asia, South America and Australia, we made sure to establish branches there. Today, those customers operate differently – and thus, so do we.

Branches that are no longer needed are closed – whether in our home markets or in other countries. However, this doesn't mean that branches are no longer in demand, anywhere. Some universal truths bear repeating.

Number one: people meeting people will never go out of fashion. It is in such meetings where we create value. Each meeting is unique, and builds on each individual customer's circumstances and ambitions. Meetings can take place anywhere and at any time – they are not dependent on any particular place or technology.

Number two: the reasons why we, as people, want and need to meet are always changing. Ten years ago, it was necessary to go to a bank branch for assistance with things that today can be achieved with a few taps on your mobile. Many people came to the branch with questions that can now easily be looked up on various online forums.

But there have always been customers needing advice and solutions related to more complicated matters – where the questions need to be discussed, dissected and debated back and forth, face to face, with someone they trust.

The demand for these types of meetings is rising, as increasing numbers of customers – both businesses and private individuals – face increasingly complex finances.

> “Everything changes with time – and this means that the Bank must also be prepared to change.”

This is what guides our thinking about branches. In places where almost all of our customers can manage their finances via their computer and smartphone, we have seen a marked downturn in the number of visits to our branches. When there is no longer any real need for a branch, it is time to close the doors for good.

In other places, often where numerous companies are based, the demand for the branch is unchanged or even greater, so there we strengthen our presence. They are provided with more resources, given a stronger mandate to make their own decisions, and supported with extra expertise, in order to meet the growing demand for personal meetings at which a high level of detailed knowledge is required.

So no, we have not abandoned the idea of branches. We have improved it. As we have always done.

There will be some who say we should have done this earlier, that Google was around ten years ago too. Granted. But changes to our branch operations are not something we have just started with recently. We were making changes ten years ago as well. And twenty years ago. We have been opening, developing and closing branches throughout the course of our 150 years.

But – and this is key – what we do, we have always done at our customers' pace. Although the technological solutions may have been ready, the customers may not always have been quite ready to embrace them.

This doesn't only apply to our branches, but to everything we do. While we may have a solution, we do not force our customers to use it. We launch it and keep the alternatives. For as long as the customers want.

Digitalisation is a megatrend that has had an enormous impact on how we work, how we relax and, not least, our consumption patterns over the last 20 years.

Handelsbanken was the first bank in Sweden to establish an internet presence, back in the mid-90s. We were also the first bank in Sweden to start using computers – in 1959. A huge investment at the time – and still, today, IT development is where our fastest rising investments and costs lie.

At our customers' pace, Handelsbanken is also becoming ever more digital as time passes. We have substantially upped the tempo of our digitalisation journey in recent years, and this is only going to increase further. One major factor behind this is that we are further streamlining and concentrating our offering. With a focus squarely on the products and services where we have a high level of expertise, satisfied customers and good earnings, we are now able to bring new solutions to the market more quickly than ever. This streamlining also frees up more resources,

that we can channel towards other areas, such as how best to apply artificial intelligence.

Other megatrends with a significant impact on how we choose to equip the Bank for the future include the overall improvement in education levels, particularly among women, urbanisation and – perhaps more specific to our industry – increasingly detailed and complex regulations.

A better educated society is of course attractive from many perspectives, not least for Handelsbanken. Historically speaking, we have always had a much larger proportion of well-educated customers – customers who often have more complex, demanding arrangements than the average bank customer. This suits us and our way of working very well.

Handelsbanken also benefits from the rise in urbanisation, which entails a growing need for property finance – both private and commercial – with the Bank's extensive and wide-ranging competency in credit granting, combined with good local knowledge and high market penetration, giving us strong opportunities for growth.

> "Our financial strength and stability has served us and our customers well for 150 years."

On the other hand, something that does not suit us quite as well is when regulations change, causing the differences between various markets to become more and more pronounced over time. We can, we must and we want to follow comprehensive and complex regulatory frameworks. But doing so comes at a cost. As regulations have started to incorporate more country-specific stipulations in recent years, the previously relatively simple scalability of our business model over national borders has gradually been eroded.

For this reason, we have now made the decision to leave Finland and Denmark. Quite simply, we are too much of a minor player in those markets to justify the necessary future investments.

From a historical perspective, this type of withdrawal is typical of Handelsbanken. We are always ready to make changes quickly. And we do so with the minimum of fuss, expenses or time wasted. Not because we want to become something else, but rather the opposite: to keep being Handelsbanken.

In the mid-2000s, we were one of the largest actors in the market for occupational pensions with guaranteed interest in Sweden. We introduced the unrestricted right of transfer to customers, among other things. At the time, this was unique. Nowadays, it is regarded as the norm by all operators. However, circumstances changed and we felt that this was no longer an area that complemented the rest of our business. We sold up and left the market. A quick, and also profitable change.

On the subject of change, all of humanity is currently facing one of its greatest – and certainly most important – changes of all time. To call the climate issue a megatrend would be something of a disservice to its significance. If we fail to make the necessary changes, all other trends and questions about the future will be rendered meaningless.

I am an optimist, and I am fully convinced that we will succeed. Some parts of the transition will perhaps take a longer time, others will be quicker – but already within 10–15 years, we will have changed the way we live to be much more sustainable than today.

A strong reason for this confidence is that the vast majority of people genuinely want to make this transition. I notice it in my daily life, working here at the Bank. Behind all the awards and other accolades bestowed on Handelsbanken for its sustainability work in recent years, there is a deep-rooted commitment among all our employees. The issue affects everybody's work, in one way or another. It is a completely natural, integral part of our business. And we are all working on it, not because we have to, but because we genuinely want to and because our customers expect it.

Among other measures, we routinely identify the environmental impact of our business operations. Handelsbanken also emphatically endorses the Principles for Responsible Banking (PRB) and supports many other international initiatives for sustainable business, such as: The 2030 Agenda for Sustainable Development and the Sustainable Development Goals, the UN Global Compact and the Principles for Responsible Investment (PRI). Similarly, our life insurance company and Swedish asset management operations have reported in line with the TCFD recommendations for many years, and we also published an equivalent environmental report for our lending during the year.

Nonetheless, our most important contribution to a more long-term, sustainable society may well be our consistently stable finances. Low credit losses are not just numbers on a page – behind every credit loss lies a personal tragedy. Lending money to someone who lacks the conditions to repay it is anything but sustainable.

In Global Finance's annual ranking of the world's safest banks, Handelsbanken retained its position as the highest placed commercial bank in Sweden. We are also in a class of our own on the international stage: no commercial bank anywhere in the world has a higher rating than Handelsbanken from the three leading credit rating agencies.

Our financial strength and stability have served us and our customers well for 150 years. We have seen recessions, world wars and a couple of pandemics come and go. When financial crises have hit, Handelsbanken has been part of the solution, not part of the problem. We have provided support, without ever taking support from central banks or governments. Instead, we have always been there for our customers – whatever the external conditions.

And it is with this in mind that we will continue to build Handelsbanken for the future. Stable, long-term sustainability and a capacity to always modernise, improve and develop our bank. I would like to extend a very warm thank you to all employees who make this development possible and for your dedicated work during the year.

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

Stockholm, February 2022
Carina Åkerström, President and Group Chief Executive

Administration report

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Concept

Handelsbanken creates value through unique customer meetings. The value is generated in every customer meeting, regardless of time, place or technology. The Bank's competency, allied with a strong local connection and decentralised way of working, originates, maintains and develops long-term customer relationships.

By running the Bank with responsibility, sustainability and stable finances, Handelsbanken builds up confidence from shareholders, customers and the wider world.

More satisfied customers, income growing at a faster rate than expenses, and a low risk tolerance create sustainable profitability and, thus, the capacity to grow the Bank's business and customer offerings, no matter what else is happening in wider society and the economy.

Goal

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

Handelsbanken's profitability goal is intended to offer shareholders long-term, high growth in value, with increasing earnings per share over a business cycle. With stable finances, the Bank can also provide support to its customers whatever the prevailing business environment. High profitability and sound, sustainable business operations are critical to shareholders that have invested in the Bank. In addition, these go hand in hand with low funding costs, positive growth and the Bank being seen as an attractive employer. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

Goals and goal achievement

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

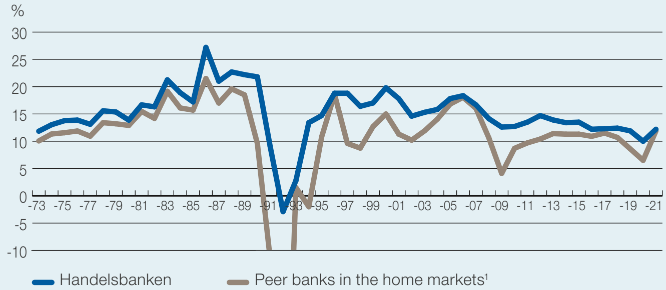
CORPORATE GOAL

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

Goal achievement

In 2021, Handelsbanken achieved its goal of having higher profitability than the average of peer competitors in its home markets. A preliminary provision was thus made for the Oktogonen profit-sharing scheme, amounting to SEK -88 million (-213).

Return on equity 1973–2021



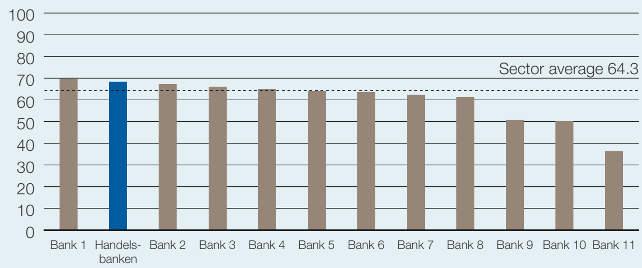
¹ Only Swedish banks are included for the period up to and including 2002, and only Nordic banks for the period 2003–2012.

SUSTAINABILITY GOALS

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

Furthermore, in accordance with its obligations under the UN's Principles for Responsible Banking (PRB), Handelsbanken has established sustainability goals in three areas: investment, financing and advisory services (see page 38) and a goal for net zero greenhouse gas emissions from Handelabanken's operations, including relevant parts of the lending and investment portfolio (see page 38).

Weighted average of sustainability surveys



¹ ISS ESG, MSCI ESG Research, S&P Global SAM Corporate Sustainability Assessment and Sustainalytics.

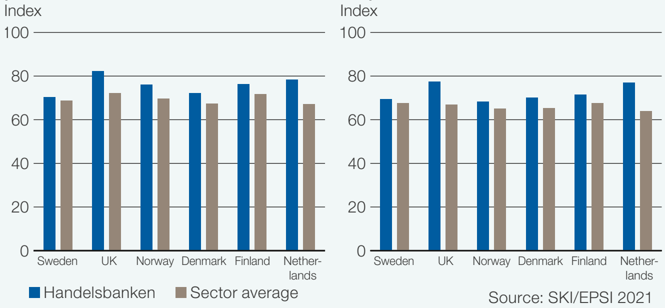
THE MOST SATISFIED CUSTOMERS

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

Outcome

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

Customer satisfaction, private customers 2021 | **Customer satisfaction, corporate customers 2021**



Source: SKI/EPSI 2021

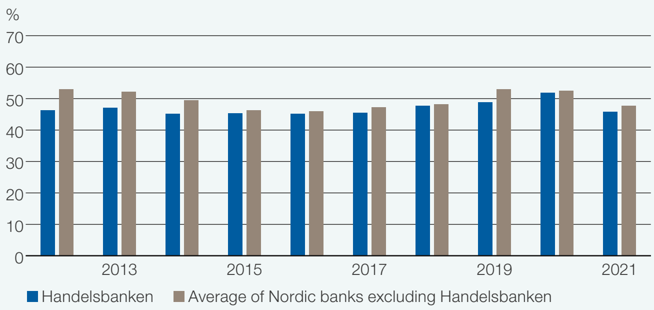
COST-EFFECTIVENESS

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

Outcome

Handelsbanken's expenses relative to income were 45.8 per cent (51.8). The equivalent key figure for an average of other major Nordic banks was 47.7 per cent (52.5).

Costs/income, excluding credit losses, 2012–2021



CREDIT QUALITY

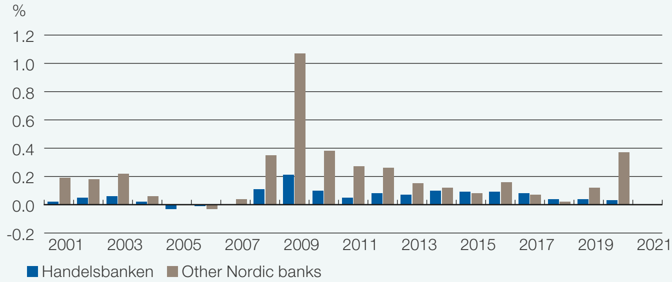
Handelsbanken has a low risk tolerance. This means that the quality of credits must never be neglected in favour of achieving higher volume or a higher margin.

Outcome

Credit losses were SEK -43 million (-649). At year-end, the expert-based additional provision requirement, which takes into account the potential effects of Covid-19, amounted to SEK -499 million (-496). Credit losses as a proportion of lending were 0.00 per cent (0.02).

For the past ten years – that is, since 2012 – the Bank's average credit loss ratio has been 0.06 per cent. This can be compared with the average for the other major Nordic banks during the same period: 0.13 per cent.

Credit losses as a percentage of lending 2001–2021



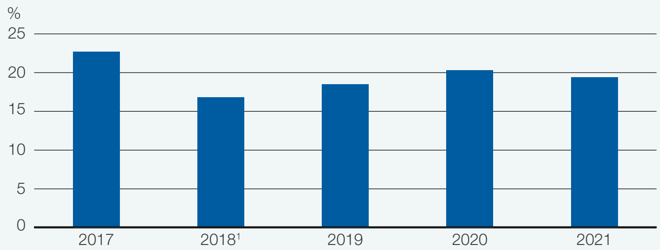
CAPITAL

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

Outcome

At the end of the year, the common equity tier 1 ratio was 19.4 per cent (20.3). In the Bank's assessment, the Swedish Financial Supervisory Authority's expected common equity tier 1 capital requirement at the end of the fourth quarter was 13.9 per cent.

Common equity tier 1 ratio, 2017–2021



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

RATING

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

Outcome

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

Nordic bank ratings

	Standard & Poor's		Fitch		Moody's		
31 December 2021	Long term	Short term	Long term	Short term	Financial strength (BCA)[1]	Long term	Short term
Handelsbanken	AA-	A-1+	AA	F1+	a2	Aa2	P-1
DNB	AA-	A-1+			a3	Aa2	P-1
Nordea	AA-	A-1+	AA-	F1+	a3	Aa3	P-1
SEB	A+	A-1	AA-	F1+	a3	Aa3	P-1
Swedbank	A+	A-1	A+	F1	baa1	Aa3	P-1
Danske Bank	A+	A-1	A	F1	baa2	A2	P-1

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

Source: SNL

Our concept and working methods

Handelsbanken was founded in 1871. Today, 150 years later, we are one of the world's strongest banks. For us, meetings with customers are where real value is created. No matter how or where we meet our customers, we strive to provide the best bank offering within financing, savings and advisory services. Customer meetings are also where we lay the foundations for the development of the Bank's business in line with customers' demands and desires. At Handelsbanken, the customer is always at the centre. Our business is founded on sustainable social responsibility and a strong local connection, with genuine faith in the individual – both customers and employees.

OUR GOAL AND OUR METHODS

Handelsbanken's goal is to have higher profitability than the average of peer competitors in its home markets. Our most important methods for achieving this goal are lower costs and more satisfied customers than our competitors. The goal permeates the entirety of Handelsbanken's corporate culture. Our decentralised way of working and strong local connection, combined with quality digital services and sustainable social responsibility, form the basis for the high levels of customer satisfaction and long-term customer relationships enjoyed by the Bank. The Bank's home markets are Sweden, Norway, the UK and the Netherlands.

THE CUSTOMER MEETING AT THE CENTRE

There are numerous ways that our customers meet Handelsbanken. Our central focus is on the customer in everything we do, and we have a presence close to our customers and the communities we operate in.

For us, the customer is never just a birth date or an account number. We see the person behind the data, for both private and corporate customers, and base our approach on their specific needs and circumstances, whether these relate to housing, wealth management or company financing.

This means that we meet the customer with expertise at the ready and a high level of service wherever we interact with them. We are available, we are easy to deal with, and we show that we care.

PERSONAL AND RESPONSIBLE

For every customer at Handelsbanken, a branch assumes the ultimate responsibility for ensuring their satisfaction with the Bank over time. For us, it is self-evident that the branches should have a mandate to act independently. Those who know and understand the traits of the local area should be able to make the decisions that concern customers – without having to wait for the approval of a central unit.

Our ambition is to find a balance between the automation and simplification of everyday tasks that just need to work, while helping our customers based on their specific circumstances. Customers that perhaps do not usually visit a branch may nonetheless sometimes prefer to sit down and seek advice on major life-changing decisions – everything from buying their first house to planning their pension. Many of our corporate customers attach real value to the fact that they can meet both a specialist and a decision-maker when they contact their branch. Our decentralised way of working means that decisions can be made rapidly, based on a sound knowledge of the customer and the local market.

Customer account managers at the branches therefore play a crucial role in developing customer relationships and customer meetings, as they are personally engaged in the matter. We find the same levels of engagement in the development organisation. By working closely with customers and listening to their feedback, we can improve our digital solutions and adapt them to customers' needs. We want business decisions to be made as close to the customer as possible, no matter what part of the organisation they concern.

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

> "Our digital meeting places are developed to simplify our customers' daily lives, and are ranked among the best in Sweden."

MEETING CUSTOMERS WHERE IT SUITS THEM

The majority of customer meetings today take place online. For Handelsbanken, digitalisation offers huge opportunities to reach more customers with value-creating advice and services adapted to the customer's specific needs. Our digital meeting places are developed to simplify our customers' daily lives, and are ranked among the best in Sweden.

We see that technology will continue to improve our accessibility among our customers, and will give employees at branches and customer service both enhanced support and more time to assist with more complex matters. Our customers must feel confident in the security of our digital meeting places, while also experiencing them as highly accessible, for which reason we apply the highest standards of security, ethics and confidentiality in all processing of customer information.

> “Our advisory services should support sustainable decisions, and we should consider issues such as gender equality when we discuss family finances and pensions, for example, with our customers.”

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

SUSTAINABLE VALUE CREATION

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

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

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

One concrete example of this is Handelsbanken Fonder, and how it works to include and exclude investments in our funds on the basis of sustainability aspects. This does not mean that we make any compromises on the generation of returns. Quite the opposite – sustainable investments have proven to be financially successful in recent years. The same logic applies to our credit-granting operations. With our generally low tolerance of risk, it makes perfect sense for us to consider sustainability in our credit assessments. The Bank's approach to granting credit must also protect the individual customer from running into financial difficulties due to excessive debt. Our advisory services should support sustainable decisions, and we should consider issues such as gender equality when we discuss family finances and pensions, for example, with our customers. This benefits the Bank, the customer and society at large.

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

THE BANK IS CHANGING IN PACE WITH OUR CUSTOMERS

Handelsbanken celebrates its 150th anniversary this year, and the Bank's share is the oldest continually listed share on the Stockholm Stock Exchange. From day one, the Bank has been dedicated to creating value for its customers. In every crisis since the liberalisation of the capital markets in the 1980s, Handelsbanken has recorded substantially lower credit losses compared with other banks. In measurement after measurement, customers express a deep appreciation for Handelsbanken's staff and products. During this time, with very few exceptions, the Bank has kept costs low, had good profitability and a good capital situation.

> “The Bank's offering, its methods of helping customers and its geographical presence have all shifted and evolved over time, responding to changed customer behaviour and external events. This capacity for change – while remaining quintessentially Handelsbanken – is one of the keys to our success.”

Handelsbanken's model works. But it is not – and never has been – static. We have invested, expanded, upgraded and developed. The Bank's offering, its methods of helping customers and its geographical presence have all shifted and evolved over time, responding to changed customer behaviour and external events. This capacity for change – while remaining quintessentially Handelsbanken – is one of the keys to our success. By doing so, we can continue to create growth with a high level of efficiency – and generate good profitability and sizeable returns for our shareholders.

Financial overview 2021

- Profit for the year increased by 25% to SEK 19,543m (15,588). Profit for the year from continuing operations increased by 29% to SEK 18,848m (14,557).
- Earnings per share grew by 25% to SEK 9.86 (7.87).
- Return on equity increased to 11.8% (10.0).
- Operating profit went up by 25% to SEK 23,475m (18,797).
- Net interest income increased by 1% to SEK 29,391m (29,079).
- Net fee and commission income went up by 18% to SEK 11,458m (9,670). Commission income from fund management grew by 36%.
- Income climbed by 7% to SEK 43,347m (40,368).
- Expenses decreased by 5% to SEK -19,843m (-20,927). Adjusted for the provision for Oktogonen, items affecting comparability and exchange rate movements, expenses rose by 3%, or SEK 603m; this was attributable to a SEK 718m increase in development expenses.
- The C/I ratio improved to 45.8% (51.8).
- The credit loss ratio was 0.00% (0.02).
- The common equity tier 1 ratio was 19.4% (20.3).
- The Board proposes a dividend of SEK 5.00 per share.

Review of operations

Handelsbanken continues to deliver on the plan we presented almost three years ago. We do what we have set out to do. And it shows. Looking back at the past year, we can report yet another outstanding figure for earnings/profit – in fact, the highest in the Bank's 150-year history.

Profit for the year from continuing operations climbed by 29% to SEK 18,848m (14,557). Operating profit increased by 25% to SEK 23,475m (18,797). In the fourth quarter, a one-off income item of SEK 408m related to the previously announced sale of card acquiring operations was booked. Adjusted for exchange rate movements, which had a positive impact of SEK 29m, the provision of SEK -69m (-213) for the Oktogonen profit-sharing scheme, and non-recurring items of SEK 408m (-1,508), operating profit improved by 13%. Profit before credit losses improved by 9%, after adjustment for the aforementioned items.

Income grew by 7% to SEK 43,347m (40,368). Adjusted for exchange rate movements and the above-mentioned one-off income item, the increase in income was 6%. Income has grown during a period of geographical and product-related concentration, and has been driven by strong performance, particularly in property-related lending to private and corporate customers, as well as in asset management.

Expenses decreased by 5% to SEK -19,843m (-20,927). Adjusted for foreign exchange effects of SEK 35m, the provision for Oktogonen and non-recurring expenses during the period of comparison, the underlying increase in expenses was 3%. The entire increase was attributable to planned increases of development expenses, which rose by SEK 718m, or 34%. Also making adjustments for these, expenses decreased by SEK 115m, or 1%.

The C/I ratio improved to 45.8% (51.8).

Return on equity increased to 11.8% (10.0), and earnings per share rose by 25% to SEK 9.86 (7.87).

The common equity tier 1 ratio was 19.4% (20.3). The common equity tier 1 capital was SEK 150bn (146).

NON-RECURRING ITEMS AND SPECIAL ITEMS IN OPERATING PROFIT

SEK m	Full year 2021	Full year 2020
Non-recurring items		
Sale of card acquiring operations	408	-
Restructuring costs	-	-1,470
Impairment of discontinued IT systems	-	-38
Total non-recurring items	**408**	**-1,508**
Special items		
The profit-sharing scheme Oktogonen	-69	-213
Total special items	**-69**	**-213**

INCOME

SEK m	Full year 2021	Full year 2020	Change
Net interest income	29,391	29,079	1%
of which government fees	*-1,171*	*-1,224*	*-4%*
Net fee and commission income	11,458	9,670	18%
Net gains/losses on financial transactions	1,699	1,217	40%
Other	799	402	99%
Total income	**43,347**	**40,368**	**7%**

Net interest income grew by 1%, or SEK 312m, to SEK 29,391m (29,079). Continued robust growth, resulting from the Bank's strong market position, particularly as regards mortgage loans and property finance, led to growing business volumes having a positive impact of SEK 666m. The net effect of margins and funding costs made a negative contribution of SEK -406m. Government fees decreased by SEK 53m to a total of SEK -1,171m (-1,224).

Net fee and commission income climbed by 18% to SEK 11,458m (9,670). Mutual fund volumes rose by 28%, or SEK 218bn. Mutual fund commissions grew by SEK 1,538m, or 36%, to SEK 5,842m (4,304), driven by increased market values, net inflows, and effects of an underlying product mix. All in all, fund management, custody and other asset management commissions totalled SEK 6,747m (5,048), an increase of 34%. Income from insurance grew by 18% to SEK 803m (679). Brokerage income declined by 4% to SEK 555m (577). Lending and deposit commissions fell by 3% to SEK 1,155m (1,185). Net payment commissions went up by 2% to SEK 1,479m (1,448), of which net card commissions increased by 2% to SEK 971m (955).

Net gains/losses on financial transactions increased by SEK 482m to SEK 1,699m (1,217). The period of comparison was adversely affected by the outbreak of the Covid-19 pandemic, with CVA and DVA having a negative impact of SEK -64m; this can be compared to a positive impact of SEK 91m during the current year. Of the improvement to this figure, a total of SEK 70m was attributable to a lower realised capital contribution in Handelsbanken Liv's traditional insurance operations, which amounted to SEK -48m (-118).

Other income increased to SEK 799m (402), as a result of the above mentioned one-off income from the sale of card acquiring operations. The risk result insurance totalled SEK 179m (194).

EXPENSES

SEK m	Full year 2021	Full year 2020	Change	%
Staff costs	-12,452	-13,907	1,455	-10%
of which Oktogonen	*-69*	*-213*	*144*	*-68%*
of which restructuring reserve	*-*	*-1,310*	*1,310*	
of which development expenses	*-1,125*	*-934*	*-191*	*20%*
of which foreign exchange effects	*18*		*18*	
of which other	*-11,276*	*-11,450*	*174*	*-2%*
Other administrative expenses	-5,577	-5,245	-332	6%
of which restructuring reserve	*-*	*-60*	*60*	
of which development expenses	*-1,019*	*-644*	*-375*	*58%*
of which foreign exchange effects	*17*		*17*	
of which other	*-4,575*	*-4,541*	*-34*	*1%*
Depreciation, amortisation and impairment	-1,814	-1,775	-39	2%
of which restructuring reserve and impairment of IT systems	*-*	*-138*	*138*	
of which development expenses	*-677*	*-525*	*-152*	*29%*
of which foreign exchange effects	*0*		*0*	
of which other	*-1,137*	*-1,112*	*-25*	*2%*
Total expenses	**-19,843**	**-20,927**	**1,084**	**-5%**
of which Oktogonen	*-69*	*-213*	*144*	*-68%*
of which restructuring reserve and impairment of IT systems	*-*	*-1,508*	*1,508*	
of which foreign exchange effects	*35*		*35*	
of which development expenses	*-2,821*	*-2,103*	*-718*	*34%*
of which other	*-16,988*	*-17,103*	*115*	*-1%*
Change after adjustment for foreign exchange effects, Oktogonen and non-recurring items				**3%**

DEVELOPMENT EXPENSES

SEK m	Full year 2021	Full year 2020	Change
Development spend	-2,643	-2,296	15%
of which staff costs	*-1,388*	*-1,259*	*10%*
of which other costs	*-1,255*	*-1,037*	*21%*
Capitalised costs	499	718	-31%
of which staff costs	*263*	*325*	*-19%*
of which other costs	*236*	*393*	*-40%*
Development spend after capitalised costs	**-2,144**	**-1,578**	**36%**
Amortisation and impairment	-677	-525	29%
Development expenses	**-2,821**	**-2,103**	**34%**

Expenses decreased by 5% to SEK -19,843m (-20,927), although they went up by 3%, or SEK 603m when adjusted for foreign exchange effects, Oktogonen, and non-recurring items. The entire increase was attributable to planned increases of development expenses, which rose by SEK 718m, or 34%. Also making adjustments for these, expenses decreased by SEK 115m, or 1%.

The work on cost-cutting measures, totalling just above SEK 3bn, is continuing according to plan. Since the autumn of 2020, cost-cutting measures of around SEK 2bn have been agreed/implemented. Of these, SEK 1bn has been realised as lower expenses during 2021, and SEK 1bn will be realised during 2022. The remaining measures to agree and implement in order to reach the SEK 3bn target consist mainly of continuing organisational efficiency improvements in the Swedish operations and central units, decreasing project expenses for financial crime prevention work in the UK, and the planned divestment of the Ecster subsidiary.

During the period, SEK 1.1bn was utilised from the restructuring reserves recognised by the Bank in 2019 and 2020, which totalled SEK 2.2bn, relating to continuing operations. The total amount utilised was SEK 1.6bn.

The Bank's continuous development investments are well-balanced. One third relates to investments in business development with improved profitability, growth and customer satisfaction. These investments are target the customer meeting, for example through the digitalisation of product and customer processes, and remote advisory services. Another third is aimed at long-term efficiency and business value creation, for instance through advanced data analysis, cloud investments and IT automation, as well as the replacement of core banking systems and platforms for financial crime prevention. The final third is aimed at risk mitigation, and is related to regulatory adaptation, technical life cycle management, etc.

During Q3 2020, the Bank decided to temporarily increase development spend during the period 2021–2022 by a total of SEK 1bn. This development mainly targets the customer meeting in digital channels, and also more efficient information flows and data analysis, as well as investments in cloud solutions. During the year, SEK -501m (-11) was utilised, with SEK -357m (-11) being expensed. Total expenses for the IT development increased by 15% to SEK -2,643m (-2,296). Including discontinued operations, the increase was 15%, to SEK -3,001m (-2,611).

Capitalised costs decreased to SEK 499m (718). During the period, a smaller portion of the development expenses were capitalised on the Bank's balance sheet and, instead, have been recognised as expenses directly in the income statement. The capitalisation rate can vary over time, due to the nature of the projects to which the development relates. At present, the Bank is running a number of projects concerned with migration to cloud services, with a significant proportion of the expenses being recognised on a current basis. All in all, a lower capitalisation rate over the past year, coupled with amortisation of previous years' capitalised costs, contributed to total capitalised development expenses on the balance sheet at the end of the period decreasing by SEK 0.1bn to SEK 3.5bn (3.6).

Staff costs fell by 10% to SEK -12,452m (-13,907). Foreign exchange effects had a SEK 18m positive impact. Staff costs during the period of comparison were burdened with a provision for the restructuring reserve, amounting to SEK -1,310 m. Adjusted for these items and Oktogonen, staff costs were virtually unchanged, despite the fact that staff costs relating to development increased by SEK 198m, or 21%, to SEK -1,125m (-927). The average number of employees fell by 315 to 11,039 (11,354). The number of employees at the end of the period was 10,793 (11,273), a decrease of 480 employees.

Other expenses, including depreciation and amortisation, amounted to SEK -7,391m (-7,020), an increase of 5%. During the period of comparison, other expenses were burdened by a provision for the restructuring reserve of SEK -160 m and an impairment loss on IT systems of SEK -38 m. Adjusted for these items and foreign exchange effects, the increase in other expenses was SEK 586m, or 9%. Of this increase, SEK 527m was attributable to the Bank's IT development.

Depreciation and amortisation increased by 2% to SEK -1,814m (-1,775), with amortisation linked to development amounting to SEK -677m (-524).

CREDIT LOSSES

SEK m	Full year 2021	Full year 2020	Change
Net credit losses	-43	-649	606
of which future provision requirements	*-3*	*-496*	*493*
Credit loss ratio as % of loans to the public	0.00	0.02	

Credit losses were SEK -43m (-649), and the credit loss ratio was 0.00% of loans to the public (0.02). At the end of the quarter, the expert-based additional provision requirement amounted to SEK 499m (496); including discontinued operations, it was SEK 577m (564).

Taxes

As of 1 January 2021, the corporate tax rate in Sweden rate is 20.6%, a reduction from 21.4%.

The effective tax rate in total operations was 20.8% (22.6). The effective tax rate in continuing operations decreased to 19.7% (22.6); this was attributable to higher tax in discontinued operations, which is offset in continuing operations.

The fact that interest expenses on subordinated loans are not tax-deductible had an impact of 1.0 percentage points on the tax rate, compared with the corporate tax rate.

The Bank estimates that the introduction of risk tax in Sweden from 2022 onwards will burden the Bank's profit (net after tax) by approx. SEK 1.2bn in 2022.

Discontinued operations

Profit/loss from discontinued operations consists of the external income and expenses in the operations in Denmark and Finland that are to be divested. Profit from discontinued operations, before tax, amounted to SEK 1,204m (1,338). Income grew to SEK 4,058m (3,879), as a result of increasing mutual fund commissions, as well as a capital gain from the previously announced sale of card acquiring operations, which contributed SEK 166m.

Expenses totalled SEK -2,915m (-2,407); SEK 377m of the increase was attributable to the recognition of capitalised IT expenses and an impairment loss on discontinued IT systems. Credit losses were net recoveries of SEK 63m (-131).

The fourth quarter included an increased tax expense owing to a reversal of a provision reported in accordance with local regulations. Profit for the period from discontinued operations after tax decreased to SEK 695m (1,031).

Page 29 of the Fact Book shows the results for the operations in Denmark and Finland in accordance with the previous business segment reporting.

SUSTAINABILITY

In 2021, Handelsbanken made further advances in its sustainability activities. Early in the year, the Bank presented a clear strategy for its continuing work within sustainability, and launched concrete, measurable sustainability goals for the Bank's core operations: financing, investment and advisory services. One of these objectives relates to achieving net zero emissions of greenhouse gases as soon as possible, or by 2040 at the latest.

In the second quarter, the Bank launched several new green loan offerings, for both private and corporate customers, to provide further support for customers' transitions. In late June, Handelsbanken became the first bank in the Nordic region to enter into a green EU taxonomy-adapted loan. Handelsbanken Fonder became the first Swedish fund management company to change the index of seven of its global and regional index funds to indices supporting the aims of the Paris Agreement (Paris-Aligned Benchmarks).

During the third quarter, Handelsbanken entered into its first sustainability-linked loan facility, focusing on both the climate and diversity, when the Bank and a Swedish property company entered into an agreement connected to a number of predetermined sustainability goals within the areas of climate and diversity. A sustainability-linked loan differs from green funding, in that the funds do not need to be used for a specific green purpose. Instead, the focus is on improving the customer's performance as regards sustainability in the broader sense of the term.

During the fourth quarter, Handelsbanken undertook to allow the Science Based Targets initiative (SBTi) to validate the Bank's climate goals. In December, the Bank published the first climate report covering the Bank's lending, prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The report addresses physical climate risk as well as transition risk.

Earlier this year, the EU's Sustainable Finance Disclosures Regulation (SFDR) came into force. This means that asset managers must be transparent in how their mutual funds are classified under the SFDR. At the end of the year, 15.3% of the total fund volume in the Group's mutual funds were invested in the highest category (article 9), i.e. funds that have sustainable investments or a reduction in carbon dioxide emissions as goals, and 79.6% in the second highest (article 8), i.e. funds that promote environmental or social aspects.

Business volumes linked to the Bank's sustainability activities continued to grow. During the year, the volume of green loans increased by 45% to SEK 31.1bn (21.4); as part of this total, green mortgage loans grew by 61% to SEK 8.7bn (5.4). In addition, sustainability-linked loan facilities amounted to SEK 32.4bn (14.7).

BUSINESS DEVELOPMENT

During the year, the development of business volumes in the areas where the Bank has focused its operations has been strong. In the four home markets, lending increased by a total of SEK 134bn and deposits grew by SEK 128bn, while new savings in the Bank's mutual funds totalled SEK 67bn.

The Bank's focus is to strengthen its offering within its core areas of financing and asset management, where growth is robust and there are good conditions for sustainable long-term profit growth.

Loans to the public in the home markets (Sweden, Norway, the UK and the Netherlands) grew by 7% to SEK 2,134bn at year-end (2,000).

Deposits and borrowing from the public in the home markets grew by 12% to SEK 1,191bn at year-end (1,063), an increase of SEK 128bn.

Handelsbanken accounted for 26% of total net savings for the year in the Swedish mutual fund market, and was thus the largest player in terms of net inflow. Net flow to the Group's mutual funds rose by 65% to SEK 67.4bn (40.8). The total volume of assets under management in the Group at the end of the year amounted to SEK 1,075bn (846); this was an increase of 27% from the previous year. Of the assets under management, SEK 987bn (769) was invested in the Bank's funds, an increase of 28%. New savings accounted for SEK 67bn of the SEK 218bn increase in fund volume, while value appreciation accounted for SEK 151bn.

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.

FUNDING AND LIQUIDITY

Bond issue volumes during the year amounted to SEK 183bn (168), of which SEK 140bn (118) was covered bonds and SEK 43bn (41) was senior bonds. No subordinated loans were issued during the year (SEK 9bn).

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 268% at the end of the quarter (284% at the end of Q3 2021).

At the end of the fourth quarter, cash funds and liquid assets deposited with central banks amounted to SEK 439bn (compared with SEK 615bn at the end of Q3 2021). The volume of liquid bonds and other liquid assets totalled SEK 157bn (136 at the end of Q3 2021).

At the end of the period, the Group's liquidity coverage ratio, (LCR), calculated according to the European Commission's delegated regulation, was 152% (158 at the end of Q3 2021). At the end of the period, the net stable funding ratio (NSFR) according to CRR2 was 114% (115% at the end of Q3 2021).

CAPITAL

At the end of the quarter, the common equity tier 1 ratio was 19.4%. In the Bank's assessment, the Swedish Financial Supervisory Authority's expected common equity tier 1 capital requirement at the end of the quarter was 13.9% (SEK 107bn), of which 2.7 percentage points (SEK 21bn) comprise the common equity tier 1 capital requirement in Pillar 2.

At the end of the year, the total capital ratio was 23.3%. The Bank's assessment is that the Swedish Financial Supervisory Authority's expected total capital requirement amounted to 18.1% (SEK 140bn) on the same date, of which 3.4 percentage points (SEK 27bn) comprises the total capital requirement in Pillar 2.

For many years the Bank has managed its structural foreign exchange risk by placing equity in local currency in the respective home markets where lending takes place. Up until the end of 2021, these structural foreign exchange positions were exempted from capital requirements Citing new EBA guidelines, the Swedish Financial Supervisory Authority has decided that, from 2022 onwards, these foreign exchange positions must meet capital adequacy requirements in the same way as other market risk. The Bank does not share the Supervisory Authority's assessment, and a constructive dialogue is being held with the Authority.

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. Thus the Bank's capitalisation was above the target range, which reflects the Bank's ambitions for growth and an overall assessment of macroeconomic, pandemic-related and geopolitical risks. Given normal circumstances, the Bank's intention to calibrate its capital ratios into the target range is unchanged.

Capital for consolidated situation

SEK m	31 Dec 2021	31 Dec 2020	Change
Common equity tier 1 ratio, CRR	19.4%	20.3%	-0.9
Total capital ratio, CRR	23.3%	24.3%	-1.0
Risk exposure amount, CRR	773,158	721,403	7%
Common equity tier 1 capital	149,709	146,160	2%
Total own funds	180,458	175,245	3%
Equity, Group	181,706	171,473	6%

Own funds were SEK 180bn (175), and the Bank's total capital ratio amounted to 23.3% (24.3). The common equity tier 1 capital was SEK 150bn (146), while the common equity tier 1 ratio was 19.4% (20.3).

Earnings reduced the common equity tier 1 ratio by 0.1 percentage points, after a deduction for the dividend generated. The effects of net pensions had a neutral impact. Increased exposure volumes reduced the common equity tier 1 ratio by 0.6 percentage points, and the net effect of customer and volume migration was positive in the amount of 0.4 percentage points. Exchange rate movements had a positive impact of 0.1 percentage points. New risk weight floors for loans to commercial property companies in Norway reduced the common equity tier 1 ratio by 0.4 percentage points. The transfer of risk weight floors for mortgage loans in Norway from Pillar 2 to Pillar 1 had a negative impact of 0.3 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 the year, Group EC totalled SEK 53.6bn (56.7), while AFR was SEK 205.8bn (205.1). Thus, the ratio between AFR and EC was 384% (362). For the consolidated situation, EC totalled SEK 28.1bn (28.9), and AFR was SEK 197.8bn (199.0).

Rating

During the quarter, Handelsbanken's long-term and short-term senior ratings with the rating agencies which monitor the Bank were unchanged. The outlooks from all agencies are stable.

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

EVENTS AFTER THE END OF THE PERIOD

On 10 December 2021, Handelsbanken announced in a press release the sale of three subsidiaries, which own properties located in Gothenburg, Gävle and Umeå respectively. These transactions will result in a capital gain of SEK 1.1bn, which will be reported as Other income at the time of transfer, which is expected to be in the first quarter of 2022. The transactions have taken place through the transfer of subsidiaries (holdings for business purposes).

HANDELSBANKEN'S ANNUAL GENERAL MEETING ON 23 MARCH

The Board proposes that the AGM resolve on a dividend of SEK 5.00 per share. The Board proposes that the record day for the dividend be 25 March 2022, which means that the Handelsbanken share will be traded ex-dividend on 24 March 2022, and that the dividend is then expected to be disbursed by Euroclear on 30 March 2022. The Board is also proposing that the existing repurchase programme of a maximum of 120 million shares be extended for a further year. In addition, the Board proposes that the annual general meeting authorise the Board to be able to issue convertible debt instruments in the form of AT1 bonds, in order to adapt the Bank's capital structure to capital requirements prevailing at any time.

Five-year overview, Group

Consolidated income statement SEK m	2021	2020	2019	2018	2017
Net interest income	29,391	29,079	32,135	31,286	29,766
Net fee and commission income	11,458	9,670	10,697	10,247	9,718
Net gains/losses on financial transactions	1,699	1,217	1,299	908	1,271
Risk result – insurance	179	194	145	106	142
Other dividend income	2	53	113	218	591
Share of profit of associates and joint ventures	63	18	32	0	14
Other income	555	137	143	1,005	172
Total income	**43,347**	**40,368**	**44,564**	**43,770**	**41,674**
Staff costs	-12,452	-13,907	-13,549	-13,465	-12,472
Other expenses	-5,577	-5,245	-6,524	-6,712	-5,889
Depreciation, amortisation and impairment of property, equipment and intangible assets	-1,814	-1,775	-1,670	-713	-619
Total expenses	**-19,843**	**-20,927**	**-21,743**	**-20,890**	**-18,980**
Profit before credit losses	**23,504**	**19,441**	**22,821**	**22,880**	**22,694**
Net credit losses	-43	-649	-1,045	-881	-1,683
Gains/losses on disposal of property, equipment and intangible assets	14	5	20	14	14
Operating profit	**23,475**	**18,797**	**21,796**	**22,013**	**21,025**
Taxes	-4,627	-4,240	-4,871	-4,656	-4,923
Profit for the year from continuing operations	**18,848**	**14,557**	**16,925**	**17,357**	**16,102**
Profit for the year from discontinued operations, after tax	695	1,031			
Profit for the year	**19,543**	**15,588**	**16,925**	**17,357**	**16,102**
attributable to					
Shareholders in Svenska Handelsbanken AB	19,527	15,585	16,922	17,354	16,099
of which from discontinued operations	*18,834*	*14,556*			
of which from discontinued operations	*693*	*1,029*			
Non-controlling interest	16	3	3	3	3
Earnings per share, total operations, SEK	9.86	7.87	8.65	8.93	8.28
after dilution	9.86	7.87	8.58	8.84	8.20
Earnings per share, continuing operations, SEK	9.51	7.35			
after dilution	9.51	7.35			
Earnings per share, discontinued operations, SEK	0.35	0.52			
after dilution	0.35	0.52			

The income statements for 2017 to 2019 have not been recalculated with regard to discontinued operations.

A 5-year overview for the parent company is shown on pages 224–225.

Consolidated statement of comprehensive income SEK m	2021	2020	2019	2018	2017
Profit for the year	19,543	15,588	16,925	17,357	16,102
Other comprehensive income					
Items that will not be reclassified to the income statement					
Defined benefit pension plans	6,820	1,523	4,262	-4,405	3,919
Equity instruments measured at fair value through other comprehensive income	62	-583	372	-188	
Tax on items that will not be reclassified to the income statement	-1,401	-256	-931	978	-864
of which defined benefit pension plans	*-1,398*	*-267*	*-910*	*977*	*-864*
of which equity instruments measured at fair value through other comprehensive income	*-3*	*11*	*-21*	*1*	
Total items that will not be reclassified to the income statement	**5,481**	**684**	**3,703**	**-3,615**	**3,055**
Items that may subsequently be reclassified to the income statement					
Cash flow hedges	-1,970	-1,124	3,741	768	-2,350
Debt instruments measured at fair value through other comprehensive income	6	7	7	-12	
Available-for-sale instruments (IAS 39)					-470
Translation difference for the year	3,201	-4,269	1,072	-188	-2,241
of which hedges of net investments in foreign operations	*-910*	*848*	*-1,509*	*-850*	*-1,509*
Tax on items that may subsequently be reclassified to the income statement	595	93	-480	38	844
of which cash flow hedges	*406*	*274*	*-801*	*-159*	*517*
of which debt instruments measured at fair value through other comprehensive income	*-1*	*-1*	*-2*	*3*	
of which available-for-sale instruments (IAS 39)					*-5*
of which hedges of net investments in foreign operations	*190*	*-180*	*323*	*194*	*332*
Total items that may subsequently be reclassified to the income statement	**1,832**	**-5,293**	**4,340**	**606**	**-4,217**
Total other comprehensive income	**7,313**	**-4,609**	**8,043**	**-3,009**	**-1,162**
Total comprehensive income for the year	**26,856**	**10,979**	**24,968**	**14,348**	**14,940**
attributable to					
Shareholders in Svenska Handelsbanken AB	26,840	10,976	24,965	14,345	14,940
Non-controlling interest	16	3	3	3	0

Consolidated balance sheet SEK m	2021	2020	2019	2018	2017
Assets					
Cash and central banks	292,839	418,968	347,505	350,774	265,234
Loans to the public	2,163,135	2,269,612	2,292,603	2,189,092	2,065,761
Loans to other credit institutions	21,745	21,920	17,939	22,137	20,250
Interest-bearing securities	133,855	143,699	146,027	172,989	178,607
Assets held for sale	421,417	1,657	1	19	-
Other assets	313,773	279,432	265,592	243,163	237,125
Total assets	**3,346,764**	**3,135,288**	**3,069,667**	**2,978,174**	**2,766,977**
Liabilities and equity					
Deposits and borrowing from the public	1,286,637	1,229,763	1,117,825	1,008,487	941,967
Due to credit institutions	83,034	124,723	147,989	194,082	174,820
Issued securities	1,353,768	1,310,737	1,384,961	1,394,647	1,276,595
Subordinated liabilities	32,257	41,082	35,546	51,085	32,896
Liabilities held for sale	133,922				
Other liabilities	275,415	257,510	223,514	187,612	199,095
Equity	181,731	171,473	159,832	142,261	141,604
Total liabilities and equity	**3,346,764**	**3,135,288**	**3,069,667**	**2,978,174**	**2,766,977**

Key figures per year

Key figures for the Handelsbanken Group	2021	2020	2019	2018	2017
Profit before credit losses, continuing operations, SEK m	23,504	19,441	22,821	22,880	22,694
Net credit losses, continuing operations, SEK m	-43	-649	-1,045	-881	-1,683
Operating profit, continuing operations, SEK m	23,475	18,797	21,796	22,013	21,025
Profit for the year, total operations, SEK m	19,543	15,588	16,925	17,357	16,102
Profit for the year, continuing operations, SEK m	18,848	14,557			
Profit for the year, discontinued operations, SEK m	695	1,031			
Total assets, SEK m	3,346,764	3,135,288	3,069,667	2,978,174	2,766,977
Equity, SEK m	181,731	171,473	159,832	142,261	141,604
Return on equity, total operations, %	11.8	10.0	11.9	12.8	12.3
Return on equity, continuing operations, %	11.4	9.3	11.9	12.8	12.3
Return on capital employed, %	0.58	0.47	0.55	0.58	0.56
Cost/income ratio, continuing operations, %	45.8	51.8	48.8	47.7	45.5
Cost/income ratio, continuing operations, incl. credit losses, %	45.9	53.4	51.1	49.7	49.6
Credit loss ratio, total operations, %	0.00	0.03	0.04	0.04	
Credit loss ratio, continuing operations, %	0.00	0.02	0.04	0.04	
Credit loss ratio (IAS 39), %					0.08
Impaired loans reserve ratio, %					64.9
Proportion of impaired loans, %					0.13
Earnings per share, total operations, SEK	9.86	7.87	8.65	8.93	8.28
after dilution	9.86	7.87	8.58	8.84	8.20
Earnings per share, continuing operations, SEK	9.51	7.35			
after dilution	9.51	7.35			
Earnings per share, discontinued operations, SEK	0.35	0.52			
after dilution	0.35	0.52			
Ordinary dividend per share, SEK	5.00[1]	4.10	-	5.50	5.50
Total dividend per share, SEK	5.00[1]	8.42	-	5.50	7.50
Adjusted equity per share, SEK	90.87	84.90	78.60	72.90	72.90
No. of shares as at 31 December, millions	1,980.0	1,980.0	1,980.0	1,944.2	1,944.2
of which outstanding	*1,980.0*	*1,980.0*	*1,980.0*	*1,944.2*	*1,944.2*
Average number of outstanding shares, millions	1,980.0	1,980.0	1,956.8	1,944.2	1,944.2
after dilution	1,980.0	1,980.0	1,976.9	1,974.5	1,974.3
Common equity tier 1 ratio, % according to CRR	19.4	20.3	18.5	16.8	22.7
Tier 1 ratio, % according to CRR	21.1	21.9	20.7	18.6	25.0
Total capital ratio, % according to CRR	23.3	24.3	23.2	21.0	28.3
Average number of employees, total operations	12,240	12,563	12,548	12,307	11,832
of which continuing operations	*11,039*	*11,354*			

For definitions of alternative key figures, see page 277 and, for the calculation of these key figures, see the Fact Book which is available at handelsbanken.com/ir.

[1] Dividend as recommended by the Board.

Quarterly performance

Quarterly performance for the Handelsbanken Group SEK m	2021:4	2021:3	2021:2	2021:1	2020:4
Interest income	9,058	8,885	8,931	8,958	9,328
Interest expenses	-1,555	-1,532	-1,603	-1,751	-2,084
Net interest income	**7,503**	**7,353**	**7,328**	**7,207**	**7,244**
Fee and commission income	3,427	3,304	3,170	3,003	2,973
Fee and commission expenses	-264	-437	-404	-341	-376
Net fee and commission income	**3,163**	**2,867**	**2,766**	**2,662**	**2,597**
Net gains/losses on financial transactions	395	534	429	341	472
Risk result – insurance	29	49	34	67	78
Other dividend income	1	0	0	1	36
Share of profit of associates and joint ventures	17	18	10	18	-17
Other income	453	33	46	23	41
Total income	**11,561**	**10,854**	**10,613**	**10,319**	**10,451**
Staff costs	-3,145	-2,840	-3,192	-3,275	-3,303
Other expenses	-1,594	-1,330	-1,373	-1,280	-1,145
Depreciation, amortisation and impairment of property, equipment and intangible assets	-448	-430	-495	-441	-532
Total expenses	**-5,187**	**-4,600**	**-5,060**	**-4,996**	**-4,980**
Profit before credit losses	**6,374**	**6,254**	**5,553**	**5,323**	**5,471**
Net credit losses	-9	-131	108	-11	-92
Gains/losses on disposal of property, equipment and intangible assets	4	4	11	-5	-1
Operating profit	**6,369**	**6,127**	**5,672**	**5,307**	**5,378**
Taxes	-1,058	-1,252	-1,165	-1,152	-1,298
Profit for the year from continuing operations	**5,311**	**4,875**	**4,507**	**4,155**	**4,080**
Profit for the year from discontinued operations, after tax	-75	318	226	226	290
Profit for the year	**5,236**	**5,193**	**4,733**	**4,381**	**4,370**
attributable to					
Shareholders in Svenska Handelsbanken AB	5,223	5,193	4,731	4,380	4,369
Non-controlling interest	13	0	2	1	1
Earnings per share, total operations, SEK	2.64	2.62	2.39	2.21	2.21
after dilution	2.64	2.62	2.39	2.21	2.21
Earnings per share, continuing operations, SEK	2.68	2.46	2.28	2.10	2.06
after dilution	2.68	2.46	2.28	2.10	2.06
Earnings per share, discontinued operations, SEK	-0.04	0.16	0.11	0.11	0.15
after dilution	-0.04	0.16	0.11	0.11	0.15

Segment reporting

Segment reporting 2021

SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	18,140	5,452	3,698	1,045	268	788		29,391
Net fee and commission income	8,614	751	643	224	1,006	220		11,458
Net gains/losses on financial transactions	509	189	55	32	1,155	-241		1,699
Risk result – insurance					187	-8		179
Share of profit of associates and joint ventures						63		63
Other income	470	0	26	0	10	51		557
Total income	**27,733**	**6,392**	**4,422**	**1,301**	**2,626**	**873**		**43,347**
Staff costs	-3,201	-2,467	-891	-395	-2,012	-3,317	-169	-12,452
Other expenses	-845	-1,045	-186	-76	-746	-2,679		-5,577
Internal purchased and sold services	-5,465	-912	-526	-176	801	6,278		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-316	-316	-84	-50	-274	-727	-47	-1,814
Total expenses	**-9,827**	**-4,740**	**-1,687**	**-697**	**-2,231**	**-445**	**-216**	**-19,843**
Profit before credit losses	**17,906**	**1,652**	**2,735**	**604**	**395**	**428**	**-216**	**23,504**
Net credit losses	16	95	-150	-5	10	-9		-43
Gains/losses on disposal of property, equipment and intangible assets	9	9	7	-	-10	-1		14
Operating profit	**17,931**	**1,756**	**2,592**	**599**	**395**	**418**	**-216**	**23,475**
Profit allocation	390	46	54	1	-527	36		
Operating profit after profit allocation	**18,321**	**1,802**	**2,646**	**600**	**-132**	**454**	**-216**	**23,475**
Internal income	-381	-961	-1,423	-386	-420	3,571		
C/I ratio, %	34.9	73.6	37.7	53.5	106.3			45.8
Credit loss ratio, %	0.00	-0.04	0.06	0.01	-0.01			0.00
Assets	2,322,088	488,025	291,064	111,145	357,822	2,524,556	-2,747,936	3,346,764
Liabilities	2,221,421	467,478	273,086	108,132	351,467	2,509,418	-2,765,969	3,165,033
Allocated capital	100,667	20,547	17,978	3,013	6,355	15138	18,033	181,731
Return on allocated capital, %	15.2	7.0	11.3	16.7	-1.7			11.4
The year's investments in non-financial non-current assets	-77	77	29	2	138	528		697
The year's investments in associates and joint ventures						51		51
Average number of employees	3,359	2,509	731	337	1,156	2,947		11,039

The item 'Other' in the table above includes Assets, Liabilities, Allocated capital and changes in balance sheet items attributable to the disposal groups Denmark and Finland. The comparative figures have been adjusted.

Applied principles for segment reporting and a description of the items shown in the Other and Adjustments and eliminations columns are explained further in note G45.

Segment reporting 2020

SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	18,166	5,683	3,481	908	355	486		29,079
Net fee and commission income	7,112	713	504	125	1,032	184		9,670
Net gains/losses on financial transactions	458	176	57	25	1,039	-538		1,217
Risk result – insurance					195	-1		194
Share of profit of associates and joint ventures						18		18
Other income	33	1	32	2	23	99		190
Total income	**25,769**	**6,573**	**4,074**	**1,060**	**2,644**	**248**		**40,368**
Staff costs	-3,284	-2,465	-822	-395	-2,203	-4,598	-140	-13,907
Other expenses	-827	-864	-203	-146	-791	-2,414		-5,245
Internal purchased and sold services	-5,017	-761	-509	-143	603	5,827		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-321	-267	-88	-56	-123	-920		-1,775
Total expenses	**-9,449**	**-4,357**	**-1,622**	**-740**	**-2,514**	**-2,105**	**-140**	**-20,927**
Profit before credit losses	**16,320**	**2,216**	**2,452**	**320**	**130**	**-1,857**	**-140**	**19,441**
Net credit losses	-177	-119	-270	-4	11	-90		-649
Gains/losses on disposal of property, equipment and intangible assets	8	-7	7	0	-3	0		5
Operating profit	**16,151**	**2,090**	**2,189**	**316**	**138**	**-1,947**	**-140**	**18,797**
Profit allocation	333	49	40	5	-466	39		
Operating profit after profit allocation	**16,484**	**2,139**	**2,229**	**321**	**-328**	**-1,908**	**-140**	**18,797**
Internal income	88	-1,193	-2,420	-387	-1,563	5,475		
C/I ratio, %	36.2	65.8	39.4	69.5	115.4			51.8
Credit loss ratio, %	0.01	0.04	0.10	0.01	-0.01			0.02
Assets	2,096,300	451,009	268,295	81,722	344,485	2,382,147	-2,488,670	3,135,288
Liabilities	1,999,887	431,703	248,309	79,110	338,642	2,367,156	-2,500,992	2,963,815
Allocated capital	96,413	19,306	19,986	2,612	5,843	14,991	12,322	171,473
Return on allocated capital, %	14.0	8.9	8.8	10.0	-4.2			9.3
The year's investments in non-financial non-current assets	242	119	6	7	181	881		1,436
The year's investments in associates and joint ventures						96		96
Average number of employees	3,672	2,462	709	329	1,317	2,865		11,354

During the first quarter of 2021, the five regional banks in Sweden were replaced with a new, customer-centric organisation, whereby the branches are now, instead, divided into 24 county units under a common national organisation, headed up by a Country General Manager. In conjunction with this reorganisation, some of the staff that previously worked at the five regional head offices were organisationally transferred to Capital Markets, the central functions for finance and accounting, legal counsel and HR, and the anti-financial crime department. Starting in 2021, eliminations of directly owned shares in subsidiaries are recognised in the Adjustments and eliminations column, instead of under the respective segments. The comparative figures presented in the table have therefore been recalculated.

Handelsbanken Sweden

Quarterly performance Handelsbanken Sweden SEK m	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Total 2021	Total 2020	Change, %
Net interest income	4,606	4,517	4,521	4,496	18,140	18,166	0
Net fee and commission income	2,347	2,196	2,090	1,981	8,614	7,112	21
Net gains/losses on financial transactions	143	136	142	88	509	458	11
Other income	424	14	25	7	470	33	
Total income	**7,520**	**6,863**	**6,778**	**6,572**	**27,733**	**25,769**	**8**
Staff costs	-757	-789	-814	-841	-3,201	-3,284	-3
Other expenses	-236	-178	-250	-181	-845	-827	2
Internal purchased and sold services	-1,390	-1,305	-1,404	-1,366	-5,465	-5,017	9
Depreciation, amortisation and impairment of property, equipment and intangible assets	-74	-78	-52	-112	-316	-321	-2
Total expenses	**-2,457**	**-2,350**	**-2,520**	**-2,500**	**-9,827**	**-9,449**	**4**
Profit before credit losses	**5,063**	**4,513**	**4,258**	**4,072**	**17,906**	**16,320**	**10**
Net credit losses	-11	-57	121	-37	16	-177	-109
Gains/losses on disposal of property, equipment and intangible assets	2	2	4	1	9	8	13
Operating profit	**5,054**	**4,458**	**4,383**	**4,036**	**17,931**	**16,151**	**11**
Profit allocation	127	91	76	96	390	333	17
Operating profit after profit allocation	**5,181**	**4,549**	**4,459**	**4,132**	**18,321**	**16,484**	**11**
Internal income	69	-125	-7	-318	-381	88	
C/I ratio, %	32.1	33.8	36.8	37.5	34.9	36.2	
Credit loss ratio, %	0.00	0.00	-0.03	0.02	0.00	0.01	
Assets	2,322,088	2,266,595	2,247,972	2,191,808	2,322,088	2,096,300	11
Liabilities	2,221,421	2,171,398	2,157,233	2,095,596	2,221,421	1,999,887	11
Allocated capital	100,667	95,197	90,739	96,212	100,667	96,413	4
Return on allocated capital, %	16.3	15.2	15.6	13.6	15.2	14.0	
Average number of employees	3,196	3,356	3,379	3,503	3,359	3,672	-9

Business volumes, Sweden **Average volumes,** SEK bn	2021	2020	Change, %
Loans to the public[1]	**1,473**	**1,429**	**3**
of which households	*937*	*892*	*5*
of which mortgage loans	*896*	*851*	*5*
of which corporates	*536*	*537*	*0*
of which mortgage loans	*373*	*354*	*5*
Deposits from the public	**787**	**715**	**10**
of which households	*437*	*406*	*8*
of which corporates	*350*	*309*	*13*

[1] Excluding loans to the National Debt Office.

FINANCIAL PERFORMANCE

Operating profit increased by 11% to SEK 17,931m (16,151), due to strong business development. Return on allocated capital was 15.2% (14.0). The C/I ratio improved to 34.9% (36.2).

Net interest income decreased marginally to SEK 18,140m (18,166). Higher lending volumes increased net interest income by SEK 421m, while higher deposit volumes contributed SEK 136m. The net effect of changed margins and funding costs was a negative contribution of SEK -738m. Government fees decreased by SEK 34m to SEK -757m (-791). Other effects made a contribution of SEK 121m.

Net fee and commission income grew by SEK 1,502m, or 21%, to SEK 8,614m (7,112), where mutual fund commissions increased by 39%, or SEK 1,302m, to SEK 4,655m (3,353). Custody and other asset management commissions increased by SEK 168m, or 34%, to SEK 659m (491). Net payment commissions increased by 3% to SEK 1,106m (1,078), which included an increase in net card commissions to SEK 877m (863).

Other income grew to SEK 470m (33), with 386m of the increase being attributable to the sale of the card acquiring business.

Total expenses rose by 4% to SEK -9,827m (-9,449). Staff costs decreased by 3% to SEK -3,201m (-3,284). The average number of employees fell by 9% to 3,359 (3,672). At the end of the period, the number of employees was 3,210 (3,560), a 10% decrease.

Other expenses rose by 7% to SEK 6,626m (6,165).

Credit losses consisted of net recoveries of SEK 16m (-177). The credit loss ratio was 0.00% (0.01).

BUSINESS DEVELOPMENT

Operations in Sweden achieved their highest ever profit figure and accounted for 78% of the Group's operating profit. For Sweden, the C/I ratio was lowest and the return second highest among the home markets. The intense work of improving customer meetings by increasing the availability of specialist expertise at the branches and of investment expertise in remote advisory services and digital meeting channels is being reflected in high customer satisfaction and a strong volume trend on the private and corporate sides alike.

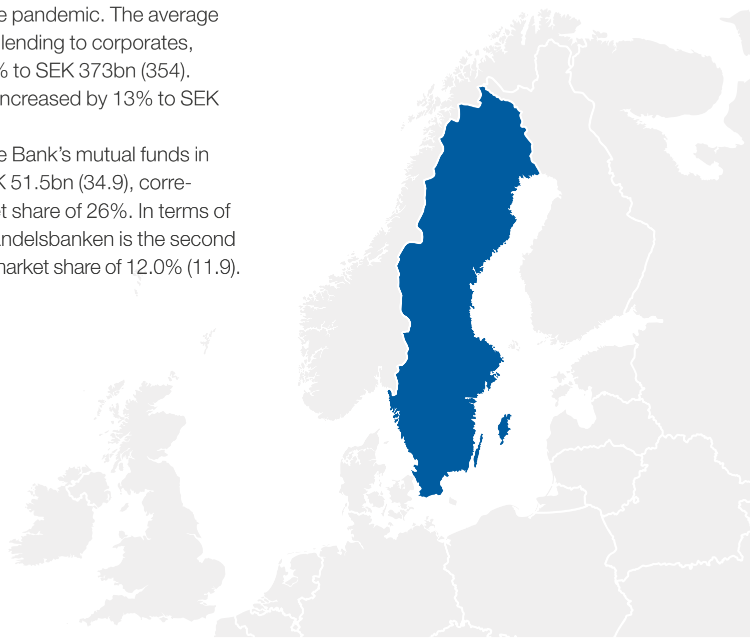
During the year, the Bank was the largest player in net new savings on the Swedish mutual funds market, and one of the market-leading players for net new lending on the Swedish mortgage market. In addition, property-related corporate lending has shown stable growth.

The high profitability and efficiency figures were further improved, with a return on allocated capital of 15% (14) and a C/I ratio of 35% (36). In the future, the Bank sees good opportunities to generate growth through its strong market position and income-generating investments.

Swedish Quality Index (SKI), in its major survey, found that Handelsbanken remained in the position of having the most satisfied customers among major banks. The independent Finansbarometern survey, which each year asks companies with fewer than 20 employees to grade their corporate bank, named Handelsbanken 'Small companies' favourite bank' in September – the 10th year in a row it has received this honour. According to Kantar SIFO Prospera's annual survey, Handelsbanken's ranking in the "Private Banking" category improved to number 2 (3).

The average volume of mortgage loans to private individuals rose by 5% to SEK 896bn (851), while household deposits grew by 8% to SEK 437bn (406). The average volume of corporate lending was unchanged at SEK 536bn (537). The comparison period had seen a very substantial increase in corporate lending at the time of the outbreak of the pandemic. The average volume of mortgage lending to corporates, however, grew by 5% to SEK 373bn (354). Corporate deposits increased by 13% to SEK 350bn (309).

New savings in the Bank's mutual funds in Sweden totalled SEK 51.5bn (34.9), corresponding to a market share of 26%. In terms of total fund wealth, Handelsbanken is the second largest bank, with a market share of 12.0% (11.9).



Handelsbanken UK

Quarterly performance Handelsbanken UK SEK m	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Total 2021	Total 2020	Change, %
Net interest income	1,379	1,377	1,361	1,335	5,452	5,683	-4
Net fee and commission income	190	195	186	180	751	713	5
Net gains/losses on financial transactions	54	47	44	44	189	176	7
Other income	0	0	0	0	0	1	-100
Total income	**1,623**	**1,619**	**1,591**	**1,559**	**6,392**	**6,573**	**-3**
Staff costs	-630	-623	-612	-602	-2,467	-2,465	0
Other expenses	-282	-282	-243	-238	-1,045	-864	21
Internal purchased and sold services	-238	-222	-237	-215	-912	-761	20
Depreciation, amortisation and impairment of property, equipment and intangible assets	-78	-96	-79	-63	-316	-267	18
Total expenses	**-1,228**	**-1,223**	**-1,171**	**-1,118**	**-4,740**	**-4,357**	**9**
Profit before credit losses	**395**	**396**	**420**	**441**	**1,652**	**2,216**	**-25**
Net credit losses	15	30	17	33	95	-119	
Gains/losses on disposal of property, equipment and intangible assets	0	0	10	-1	9	-7	
Operating profit	**410**	**426**	**447**	**473**	**1,756**	**2,090**	**-16**
Profit allocation	14	11	10	11	46	49	-6
Operating profit after profit allocation	**424**	**437**	**457**	**484**	**1,802**	**2,139**	**-16**
Internal income	-240	-254	-239	-228	-961	-1,193	19
C/I ratio, %	75.0	75.0	73.1	71.2	73.6	65.8	
Credit loss ratio, %	-0.02	-0.05	-0.02	-0.05	-0.04	0.04	
Assets	488,025	471,728	476,463	483,436	488,025	451,009	8
Liabilities	467,478	451,509	456,143	463,148	467,478	431,703	8
Allocated capital	20,547	20,219	20,320	20,288	20,547	19,306	6
Return on allocated capital, %	6.6	6.9	7.1	7.6	7.0	8.9	
Average number of employees	2,499	2,525	2,506	2,505	2,509	2,462	2

Business volumes, UK **Average volumes,** GBP m	2021	2020	Change, %
Loans to the public	**20,766**	**21,656**	**-4**
of which households	*6,563*	*6,873*	*-5*
of which corporates	*14,203*	*14,783*	*-4*
Deposits from the public	**19,132**	**17,609**	**9**
of which households	*5,502*	*5,144*	*7*
of which corporates	*13,630*	*12,465*	*9*

FINANCIAL PERFORMANCE

Operating profit went down by 16%, or SEK 334m, to SEK 1,756m (2,090), owing to lower income and higher expenses. The effect of foreign exchange movements on operating profit was marginal. Return on allocated capital was 7.0% (8.9). The C/I ratio rose to 73.6% (65.8).

Income decreased by 3% to SEK 6,392m (6,573). Foreign exchange effects were marginally positive. Net interest income went down by 4%, or SEK -231m, to SEK 5,452m (5,683). Foreign exchange effects had a positive impact of SEK 3m on net interest income. Lower business volumes had a negative impact of SEK -130m. The net effect of changed margins and funding costs was a reduction of net interest income by SEK -76m, chiefly due to policy rate cuts undertaken by the central bank in 2020. The day effect was SEK -14m, while other effects amounted to SEK -14m. Net fee and commission income increased by 5% to SEK 751m (713). The foreign exchange effect was marginal. Commission income from the fund management, custody account management, and asset management business, including brokerage and advisory services, increased by 15% to SEK 403m (349).

Expenses increased by 9% to SEK -4,740m (-4,357). Also in local currency terms, expenses increased by 9%. Staff costs were virtually unchanged at SEK -2,467m (-2,465). The average number of employees grew by 2% to 2,509 (2,462). This increase was mainly seen within head office functions, where the Bank's own staff have replaced consultants to a greater extent. Other types of expenses increased by 20% to SEK -2,273m (-1,892), mainly due to work undertaken to prevent financial crime.

Credit losses consisted of net recoveries of SEK 95m (-119). The credit loss ratio was -0.04% (0.04).

BUSINESS DEVELOPMENT

Operations in the UK accounted for 8% of the Group's operating profit in 2021. In recent years, customer satisfaction has been maintained at a very high level, while the Bank has continued the work of patiently equipping itself for future growth. Efficiency enhancement measures have led to the replacement of five regional banks by a national organisation comprising 14 districts, and both central head office functions and IT development capacity have been strengthened.

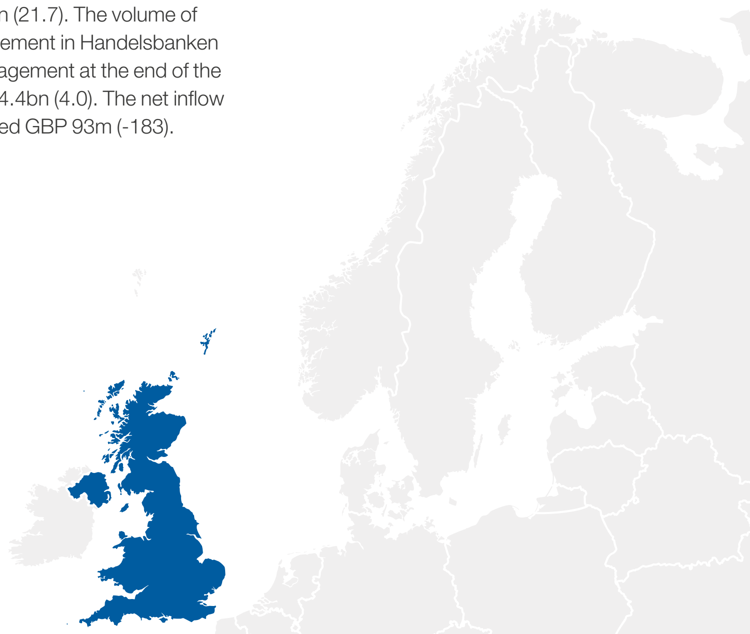
In the UK operations, there has also been a review of all customer files in the past few years, to ensure safe, secure management of the work to prevent financial crime. During this period, the Bank has been restrictive in its new lending. The extensive analysis has been a natural step in the creation of the basis for a strong bank in the future, on a market that generally offers substantial growth potential.

Now that the review has been completed, resources are being freed up to redirect the focus onto customers and growth.

With a nationwide distribution network, the most satisfied customers in the market, and very high credit quality, the Bank sees good opportunities for strong long-term growth.

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 82, as compared with the sector average of 72. On the corporate side, the index score was 78, as compared with the sector average of 67. The Bank's lead over the sector increased on both the household and corporate sides.

Expressed in local currency, the average volume of corporate deposits went up by 9%, while corporate lending went down by 4%. Household deposits grew by 7%, while household lending fell by 5%. Overall, the average volume of deposits and borrowing from the public increased by 9% to GBP 19.1bn (17.6). The average volume of lending decreased by a total of 4% to GBP 20.8bn (21.7). The volume of assets under management in Handelsbanken Wealth & Asset Management at the end of the period totalled GBP 4.4bn (4.0). The net inflow during the year totalled GBP 93m (-183).



Handelsbanken Norway

Quarterly performance Handelsbanken Norway SEK m	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Total 2021	Total 2020	Change, %
Net interest income	958	923	926	891	3,698	3,481	6
Net fee and commission income	168	167	155	153	643	504	28
Net gains/losses on financial transactions	18	14	14	9	55	57	-4
Other income	22	1	2	1	26	32	-19
Total income	**1,166**	**1,105**	**1,097**	**1,054**	**4,422**	**4,074**	**9**
Staff costs	-234	-225	-219	-213	-891	-822	8
Other expenses	-67	-45	-33	-41	-186	-203	-8
Internal purchased and sold services	-132	-129	-141	-124	-526	-509	3
Depreciation, amortisation and impairment of property, equipment and intangible assets	-21	-23	-20	-20	-84	-88	-5
Total expenses	**-454**	**-422**	**-413**	**-398**	**-1,687**	**-1,622**	**4**
Profit before credit losses	**712**	**683**	**684**	**656**	**2,735**	**2,452**	**12**
Net credit losses	-18	-148	2	14	-150	-270	-44
Gains/losses on disposal of property, equipment and intangible assets	2	2	1	2	7	7	0
Operating profit	**696**	**537**	**687**	**672**	**2,592**	**2,189**	**18**
Profit allocation	17	9	10	18	54	40	35
Operating profit after profit allocation	**713**	**546**	**697**	**690**	**2,646**	**2,229**	**19**
Internal income	-262	-337	-413	-411	-1,423	-2,420	41
C/I ratio, %	38.4	37.9	37.3	37.1	37.7	39.4	
Credit loss ratio, %	0.03	0.22	0.00	-0.02	0.06	0.10	
Assets	291,064	288,951	279,273	283,926	291,064	268,295	8
Liabilities	273,086	270,850	260,120	265,008	273,086	248,309	10
Allocated capital	17,978	18,101	19,153	18,918	17,978	19,986	-10
Return on allocated capital, %	12.6	9.6	11.6	11.6	11.3	8.8	
Average number of employees	731	747	722	723	731	709	3

Business volumes, Norway **Average volumes,** NOK bn	2021	2020	Change, %
Loans to the public	**277.1**	**270.3**	**3**
of which households	*106.8*	*101.7*	*5*
of which corporates	*170.3*	*168.6*	*1*
Deposits from the public	**91.6**	**85.6**	**7**
of which households	*27.8*	*24.7*	*13*
of which corporates	*63.8*	*60.9*	*5*

FINANCIAL PERFORMANCE

Operating profit increased by 18% to SEK 2,592m (2,189), as a result of robust business development and lower credit losses. Foreign exchange effects totalled SEK 41m, and expressed in local currency terms, operating profit grew by 16%. Return on allocated capital increased to 11.3% (8.8). The C/I ratio improved to 37.7% (39.4).

Income grew by 9% to SEK 4,422m (4,074). Foreign exchange effects were SEK 76m. Expressed in local currency, income growth was 6%.

Net interest income increased by 6% to SEK 3,698m (3,481). Foreign exchange effects were positive and amounted to SEK 63m, and in local currency terms, net interest income rose by 4%. Higher business volumes had a positive impact of SEK 74m. The net effect of changed margins and funding costs was an increase to net interest income by SEK 75m, due in part to a negative effect in the period of comparison arising from cuts to central bank policy rates. Government fees burdened net interest income by SEK -149m (-161). The day effect was SEK -9m, while other effects amounted to SEK 2m.

Net fee and commission income rose by 28% to SEK 643m (504), which was mainly attributable to mutual fund, custody and other asset management income increasing by 53%, or SEK 117m, to SEK 336m (219). Foreign exchange effects amounted to SEK 11m, and in local currency terms, net fee and commission income rose by 25%.

Net gains/losses on financial transactions totalled SEK 55m (57).

Expenses increased by 4% to SEK -1,687m (-1,622). Foreign exchange effects on expenses amounted to SEK -29m. In local currency terms, expenses increased by 2%.

Staff costs rose by 8% to SEK -891m (-822). The average number of employees increased by 3% to 731 (709).

Other expenses fell marginally to SEK -796m (-800).

Credit losses totalled SEK -150m (-270). The credit loss ratio was 0.06% (0.10).

BUSINESS DEVELOPMENT

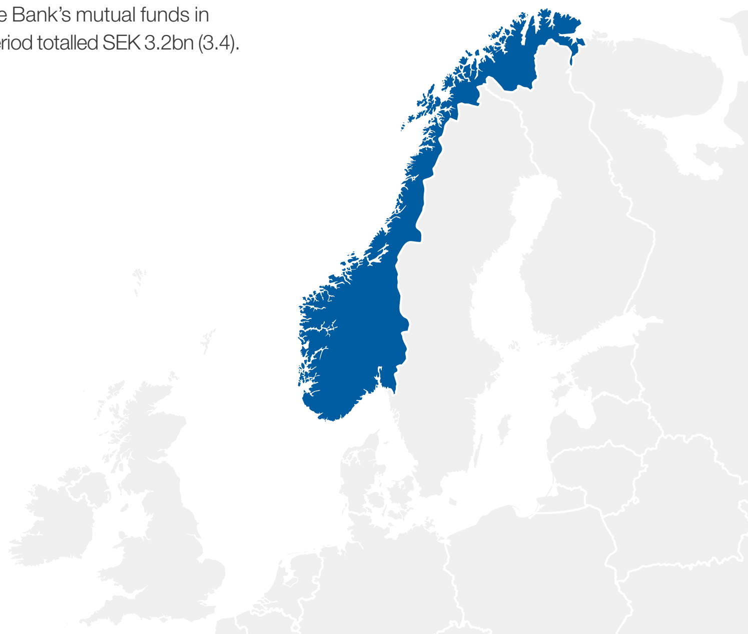
Operations in Norway accounted for 11% of the Group's operating profit in 2021. Over the last 15 years, the Norwegian operations have exhibited strong growth in financing, primarily on the corporate side. In the Norwegian market, the Bank has been able to build a profitable business with a strong position – particularly in the corporate market – driven by high levels of customer satisfaction and with good cost efficiency, aligned with low risk.

Nonetheless, the Bank's Norwegian private customer operations still offer much potential in certain areas, such as asset management, where the Bank continues to strengthen its role within advisory services and make improvements to the online experience. Overall, the Bank sees significant potential to continue its strong 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 68, as compared with the sector average of 65. The Bank's lead over the sector increased on both the household and corporate sides.

In local currency terms, the average volume of household deposits increased by 13%, while lending to households grew by 5%. In the corporate segment, too, deposits grew more than lending, by 5% and 1% respectively. Overall, the average volume of deposits and borrowing from the public increased by 7% to NOK 92.0bn (85.6). The average volume of lending increased by a total of 3% to NOK 277.1bn (270.3).

New savings in the Bank's mutual funds in Norway during the period totalled SEK 3.2bn (3.4).



Handelsbanken the Netherlands

Quarterly performance Handelsbanken the Netherlands SEK m	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Total 2021**	**Total 2020**	**Change, %**
Net interest income	278	269	256	242	1,045	908	15
Net fee and commission income	118	39	35	32	224	125	79
Net gains/losses on financial transactions	12	9	5	6	32	25	28
Other income	0	0	0	0	0	2	
Total income	**408**	**317**	**296**	**280**	**1,301**	**1,060**	**23**
Staff costs	-97	-97	-104	-97	-395	-395	0
Other expenses	-23	-14	-18	-21	-76	-146	-48
Internal purchased and sold services	-51	-43	-44	-38	-176	-143	23
Depreciation, amortisation and impairment of property, equipment and intangible assets	-12	-12	-13	-13	-50	-56	-11
Total expenses	**-183**	**-166**	**-179**	**-169**	**-697**	**-740**	**-6**
Profit before credit losses	**225**	**151**	**117**	**111**	**604**	**320**	**89**
Net credit losses	-4	-1	-1	1	-5	-4	25
Gains/losses on disposal of property, equipment and intangible assets	-	-	-	-	-	-	
Operating profit	**221**	**150**	**116**	**112**	**599**	**316**	**90**
Profit allocation	0	0	1	0	1	5	-80
Operating profit after profit allocation	**221**	**150**	**117**	**112**	**600**	**321**	**87**
Internal income	-64	-107	-107	-108	-386	-387	0
C/I ratio, %	44.9	52.4	60.3	60.4	53.5	69.5	
Credit loss ratio, %	0.03	0.01	0.01	-0.01	0.01	0.01	
Assets	111,145	108,005	96,758	94,904	111,145	81,722	36
Liabilities	108,132	105,077	93,902	92,262	108,132	79,110	37
Allocated capital	3,013	2,928	2,856	2,642	3,013	2,612	15
Return on allocated capital, %	23.4	16.3	12.9	13.5	16.7	10.0	
Average number of employees	339	338	336	336	337	329	2

Business volumes, The Netherlands **Average volumes,** EUR m	**2021**	**2020**	**Change, %**
Loans to the public	**6,799**	**5,791**	**17**
of which households	*3,935*	*3,387*	*16*
of which corporates	*2,864*	*2,404*	*19*
Deposits from the public	**2,917**	**1,627**	**79**
of which households	*500*	*261*	*92*
of which corporates	*2,417*	*1,366*	*77*

FINANCIAL PERFORMANCE

Operating profit improved by 90% to SEK 599m (316). Foreign exchange effects on operating profit amounted to SEK -10m. Expressed in local currency, operating profit increased by 96%. Return on allocated capital was 16.7% (10.0), and the C/I ratio was 53.5% (69.5).

Net interest income increased by 15% to SEK 1,045m (908). Foreign exchange effects amounted to SEK -29m, and in local currency terms, net interest income rose by 19%. Higher business volumes had a SEK 165m positive impact on net interest income. The net effect of changes to margins and funding costs was an increase in net interest income amounting to SEK 1m. Government fees burdened net interest income by SEK -27m (-28).

Net fee and commission income increased by 79% to SEK 224m (125). Foreign exchange effects were negative, and expressed in local currency, net fee and commission income grew by 86%. Commission income from the fund management, custody account management and asset management business increased by 93% to SEK 208m (108), of which performance fees in Optimix comprised SEK 88m (-). Excluding performance fees in Optimix, commission income from the fund management, custody account management and asset management business increased by 17%.

Expenses decreased by 6% to SEK -697m (-740). In local currency terms, expenses decreased by 3%. Staff costs were unchanged at SEK 395m (395). The average number of employees grew by 2% to 337 (329).

Other expenses decreased by 12% in total to SEK -302m (-345), mainly due to lower costs for financial crime prevention work.

Credit losses totalled SEK -5m (-4). The credit loss ratio was 0.01% (0.01).

BUSINESS DEVELOPMENT

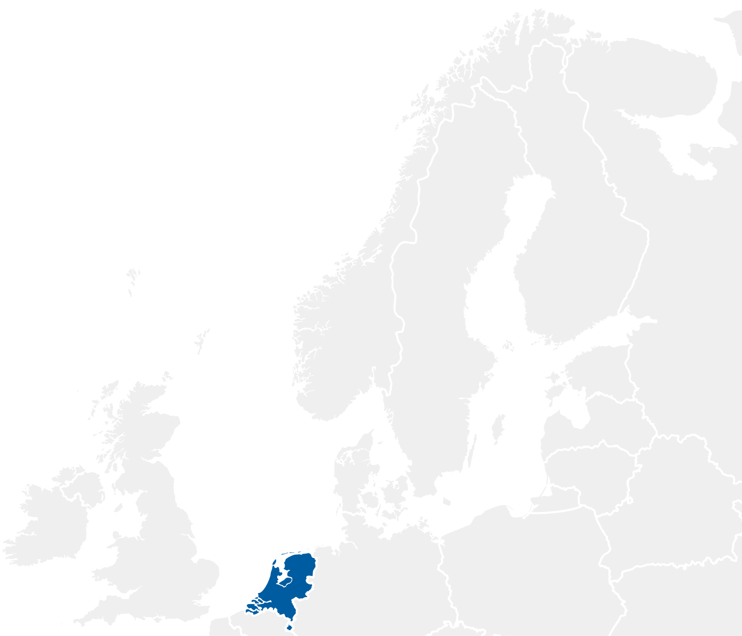
Operations in the Netherlands accounted for 3% of the Group's operating profit in 2021. In recent years, Dutch operations have shown strong growth with greater efficiency and improved profitability, which have been generated by a clear offering within property finance and asset management for private and corporate customers.

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 67. Corporate customers gave the Bank an index score of 77, as compared with the sector average of 64. The Bank's lead over the sector average increased for both household and corporate customers.

Expressed in local currency, the average volume of corporate deposits went up by 77%, while household deposits grew by 92%. Overall, deposits from the public increased by 79% to EUR 2,917m (1,627).

Lending to corporates grew by 19%, while household lending increased by 16%. Overall, loans to the public increased by 17% to EUR 6,799m (5,791).

Assets under management at Optimix totalled EUR 2.0bn (1.7) at the end of the year.



Handelsbanken Capital Markets

Handelsbanken Capital Markets consists of the Markets, Savings & Pension and Global Banking business areas.

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

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

Global Banking consists of the operations conducted from New York and Luxembourg, as well as Financial Infrastructure.

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

Quarterly performance **Handelsbanken Capital Markets** SEK m	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Total 2021**	**Total 2020**	**Change, %**
Net interest income	65	65	70	68	268	355	-25
Net fee and commission income	308	202	238	258	1,006	1,032	-3
Net gains/losses on financial transactions	301	260	270	324	1,155	1,039	11
Risk result – insurance	30	51	37	69	187	195	-4
Other income	-6	6	5	5	10	23	-57
Total income	**698**	**584**	**620**	**724**	**2,626**	**2,644**	**-1**
Staff costs	-494	-489	-498	-531	-2,012	-2,203	-9
Other expenses	-178	-175	-205	-188	-746	-791	-6
Internal purchased and sold services	173	208	212	208	801	603	33
Depreciation, amortisation and impairment of property, equipment and intangible assets	-59	-61	-92	-62	-274	-123	123
Total expenses	**-558**	**-517**	**-583**	**-573**	**-2,231**	**-2,514**	**-11**
Profit before credit losses	**140**	**67**	**37**	**151**	**395**	**130**	
Net credit losses	-2	28	-20	4	10	11	-9
Gains/losses on disposal of property, equipment and intangible assets	0	0	-3	-7	-10	-3	
Operating profit	**138**	**95**	**14**	**148**	**395**	**138**	**186**
Profit allocation	-165	-121	-106	-135	-527	-466	13
Operating profit after profit allocation	**-27**	**-26**	**-92**	**13**	**-132**	**-328**	**-60**
Internal income	-82	-191	-38	-109	-420	-1,563	73
C/I ratio, %	104.7	111.7	113.4	97.3	106.3	115.4	
Credit loss ratio, %	0.01	0.00	0.00	-0.04	-0.01	-0.01	
Assets	357,822	381,132	359,270	370,993	357,822	344,485	4
Liabilities	351,467	374,604	352,993	365,911	351,467	338,642	4
Allocated capital	6,355	6,528	6,277	5,082	6,355	5,843	9
Return on allocated capital, %	-1.3	-1.3	-4.7	0.8	-1.7	-4.2	
Average number of employees	1,111	1,146	1,165	1,201	1,156	1,317	-12

Assets under management SEK bn	**2021**	**2020**
Mutual funds, excl. PPM and unit-linked insurance	718	555
PPM	74	60
Unit-linked insurance	197	156
of which external funds	*-2*	*-2*
Total mutual funds	**987**	**769**
Structured products	3	5
Portfolio bond insurance	50	37
of which in Handelsbanken mutual funds and structured products	*-25*	*-17*
Traditional insurance	7	7
of which in Handelsbanken mutual funds and structured products	*-6*	*-6*
Discretionary and Institutional assets, excl. insurance	360	278
of which in Handelsbanken mutual funds and structured products	*-301*	*-227*
Total assets under management, excl. securities in custody	**1,075**	**846**
Securities in custody accounts, excl. mutual funds	908	632
Securities in custody accounts, excl. mutual funds, for foundations associated with Handelsbanken	50	47

FINANCIAL PERFORMANCE

Operating profit increased to SEK 395m (138), due to reduced expenses. Income was essentially unchanged at SEK 2,626m (2,644). Expenses decreased by 11% to SEK -2,231m (-2,514).

Net fee and commission income declined by 3% to SEK 1,006m (1,032), which was exclusively due to the restructuring of the custody business, 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 increased to SEK 1,155m (1,039), which was largely due to a much lower realised capital contribution in Handelsbanken Liv's traditional insurance operations.

Staff costs fell by 9% to SEK -2,012m (-2,203), due to a decrease in the number of employees. The average number of employees decreased by 12% to 1,156 (1,317).

Other expenses went down by SEK 92m to SEK -219m (-311), chiefly due to the restructuring of international operations.

Credit losses consisted of net recoveries of SEK 10m (11), and the credit loss ratio was -0.01% (-0.01).

BUSINESS DEVELOPMENT

Markets

Handelsbanken Markets' performance has remained stable. In the latest Prospera survey, the Bank was ranked No.1 within sustainability, and within most sectors of industry.

Performance within Corporate Finance has remained positive, with robust growth, particularly in the second half of the year. During the year, the Bank arranged 128 bond issues at a value of EUR 16.6bn (17.2); green bonds accounted for EUR 3.4bn of this total, or 20% (18). There remained a very high level of interest in green and sustainable financing.

Asset management

In Sweden, net savings in Handelsbanken's mutual funds during the year amounted to SEK 51.5bn (34.9), which corresponds to a market share of 26%. The Bank was thus No.1 in new savings among all fund market players in Sweden.

Total net savings in the Group's funds amounted to SEK 66.6bn (40.8). The total fund volume, including exchange-traded funds, increased by 28% to SEK 987bn (769). Total assets under management in the Group grew by 27% from previous year-end to SEK 1,075bn (846).

Work on introducing enhanced sustainability criteria in the Bank's mutual funds has continued, to the extent that 92% of the total mutual fund volume at the end of the period was managed according to the enhanced sustainability requirements. During the year, a further 12 funds and ETFs were adapted to align with Handelsbanken Fonder's expanded sustainability criteria. Seven index funds transferred to the Paris Aligned Index in order to offer customers access to funds that are in line with the commitments of the Paris Agreement. Handelsbanken remained the largest player in Nordic ETFs.

In February 2021, Handelsbanken Fonder was named Fund Management Company of the Year 2020 by the Privata Affärer financial magazine, as well as receiving three additional distinctions. In the Kantar SIFO Prospera survey in June 2021, Handelsbanken Asset Management was ranked no.1 among institutional customers for "external asset management" for the third successive year. During the year, Handelsbanken's Private Banking was ranked as the second best player in Sweden (Kantar SIFO Prospera).

Pension & Life

Profit within Pension & Life increased by 32% to SEK 1,624m (1,230). The improvement was due to increased fee and commission income, aligned with improved financial performance in the traditional insurance operations.

The total premium volume increased by 38%, and occupational pensions also increased by 20%. New fund management and custody accounts in Sweden increased by 77% compared with the previous year and amounted to SEK 7,818m (4,416). Assets under management at Handelsbanken Liv grew by SEK 54bn, or 27%, compared with the previous year-end figure, to SEK 254bn (200).

Handelsbanken Liv was awarded Anna's Gender Equality Prize for 2021 for its work with the Gender-Equal Pensions initiative. The prize is awarded annually by the Employers' Association of the Swedish Banking Institutions and the Financial Sector Union of Sweden for important contributions in the areas of gender equality and diversity in the financial sector. During the year, Handelsbanken Liv became the first insurance company in Sweden to receive a licence for a Nordic Swan Ecolabelled entry solution for occupational pensions.

Ahead of COP26, Handelsbanken Liv announced that the range of funds it offers had ceased to invest in fossil fuel energy; this was earlier than the original target date of 2025 which had been set.

Other units not included in the segments

Below is an account of income and expense items attributable to units not reported in the business segments, including the Group's IT department, central staff functions and provisions for Oktogonen.

Quarterly performance **Other** SEK m	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Total 2021**	**Total 2020**	**Change, %**
Net interest income	217	202	194	175	788	486	62
Net fee and commission income	32	68	62	58	220	184	20
Net gains/losses on financial transactions	-133	68	-46	-130	-241	-538	-55
Share of profit of associates	17	18	10	18	63	18	250
Other income	13	10	11	9	43	98	-56
Total income	**146**	**366**	**231**	**130**	**873**	**248**	**252**
Staff costs	-889	-546	-919	-963	-3,317	-4,598	-28
Other expenses	-808	-636	-624	-611	-2,679	-2,414	11
Internal purchased and sold services	1,638	1,491	1,614	1,535	6,278	5,827	8
Depreciation, amortisation and impairment of property, equipment and intangible assets	-196	-121	-239	-171	-727	-920	-21
Total expenses	**-255**	**188**	**-168**	**-210**	**-445**	**-2,105**	**-79**
Profit before credit losses	**-109**	**554**	**63**	**-80**	**428**	**-1,857**	
Net credit losses	11	17	-11	-26	-9	-90	-90
Gains/losses on disposal of property, equipment and intangible assets	0	0	-1	0	-1	0	
Operating profit	**-98**	**571**	**51**	**-106**	**418**	**-1,947**	
Profit allocation	7	10	9	10	36	39	-8
Operating profit after profit allocation	**-91**	**581**	**60**	**-96**	**454**	**-1,908**	**-124**
Internal income	579	1,014	804	1,174	3,571	5,475	-35
Assets	2,524,556	2,641,649	2,688,245	2,746,069	2,524,556	2,382,147	6
Liabilities	2,509,418	2,626,601	2,673,268	2,731,707	2,509,418	2,367,156	6
Allocated capital	15,138	15,048	14,977	14,362	15,138	14,991	1
Average number of employees	2,927	2,973	2,960	2,930	2,947	2,865	3

FINANCIAL PERFORMANCE

Operating profit in other units not reported in the business segments amounted to SEK 418m (-1,947). A restructuring reserve of SEK -1,470m was booked during the period of comparison. A preliminary provision of SEK -69m (-213) was made for Oktogonen during the period.

Net interest income totalled SEK 788m (486); this was primarily linked to the Bank's liquidity management. During the comparison year, net interest income was burdened by SEK -236m for the further strengthening of the liquidity reserve in Q2 2020. The Group's euro liquidity is placed with the Finnish central bank at a negative rate. This means that negative interest income of SEK -468m (-570) is recognised in the discontinued operations relating to Finland. In the future, the Bank intends to transfer its euro liquidity to the Netherlands, which will mean that most of the negative interest income will subsequently be included in other units.

Net gains/losses on financial transactions totalled SEK -241m (-538). The preceding year began with sharply increasing credit spreads in the market, which led to a negative impact on profit of SEK -262m during the period of comparison.

Staff costs decreased to SEK -3,317m (-4,598); this was attributable partly to Oktogonen and partly to the above-mentioned restructuring reserve, where SEK -1,310m related to staff costs. Other expenses during the comparison period were affected by SEK -160m in the restructuring reserve.

The average number of employees grew by 3% to 2,947 (2,865). The number of employees at the IT department totalled 1,925 (1,890).

The Handelsbanken share and shareholders

Handelsbanken's share has traded on the Stockholm stock exchange since 1871, making the Bank's share the oldest currently listed on the exchange.

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

STOCK EXCHANGE TRADING

Handelsbanken's share has traded on the Stockholm stock exchange since 1871, and has been traded on several different market places for many years. The largest of these in terms of turnover is Nasdaq Stockholm, on which an average of 4.2 million class A shares in Handelsbanken were traded each day. The Handelsbanken share is in the group of the most traded shares on the Stockholm stock exchange. For many years, the share has been included in numerous sustainability indexes.

DIVIDEND

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

At the ordinary Annual General Meeting on 24 March 2021, the shareholders resolved to approve the Board's proposal of a dividend amounting to SEK 4.10 per share.

An extraordinary general meeting of shareholders held on 21 October 2021 resolved to approve the Board's proposal of the distribution of a total of 30,461,977 class A shares in AB Industrivärden to the shareholders in Handelsbanken. Based on the closing price as at 21 October 2021, this corresponded to just over SEK 8.5 billion, or SEK 4.32 per share in Handelsbanken.

The Board proposes that the 2022 AGM resolve on a dividend of SEK 5.00 per share. The complete proposal on share dividends is presented on page 217.

CREATING SHAREHOLDER VALUE

As at 31 December 2021, Handelsbanken's market capitalisation was SEK 194bn (164). The market capitalisation thus increased by SEK 30bn (-36) during the year, while the Bank also distributed SEK 16.7bn in dividends. In the past five-year period,

Handelsbanken's shares	2021	2020	2019	2018	2017
Earnings per share, total operations, SEK	9.86	7.87	8.65	8.93	8.28
after dilution	9.86	7.87	8.58	8.84	8.20
Earnings per share, continuing operations, SEK	9.51	7.35			
after dilution	9.51	7.35			
Earnings per share, discontinued operations, SEK	0.35	0.52			
after dilution	0.35	0.52			
Ordinary dividend per share, SEK	5.00[1]	4.10	-	5.50	5.50
Total dividend per share, SEK	5.00[1]	8.42	-	5.50	7.50
Dividend growth, ordinary dividend, %	22[1]	-	0	0	10
Price of class A share, 31 December, SEK	97.86	82.60	100.90	98.30	112.20
Price of class B share, 31 December, SEK	107.80	92.20	103.40	101.20	113.00
Highest share price during year, SEK	107.35	112.30	106.75	118.30	135.70
Lowest share price during year, SEK	82.10	72.12	82.66	95.28	109.10
Share price performance, %	18	-18	3	-12	-11
Total return, %	29	-18	8	-6	-7
Dividend yield, %	5.1[1]	5.0	-	5.6	4.9
Adjusted equity per share, SEK	90.87	84.90	78.60	72.90	72.90
Stock exchange price/equity, %	108	97	128	135	154
Average daily turnover on Nasdaq OMX (no. of shares)					
Class A	4,150,923	5,225,498	4,039,413	3,950,419	3,320,334
Class B	105,539	120,754	51,217	45,415	41,655
P/E ratio	9.9	10.5	11.7	11.0	13.5
Market capitalisation, SEKbn	194	164	200	191	218
No. of converted shares from the convertible subordinated loan issued in 2014, millions	-	-	35.8		
No. of shares as at 31 December, millions	1,980.0	1,980.0	1,980.0	1,944.2	1,944.2
Holding of repurchased own shares, millions	-	-	-	-	-
Holding of own shares in trading book, millions	-	-	-	-	-
Number of outstanding shares as at 31 December, millions	1,980.0	1,980.0	1,980.0	1,944.2	1,944.2
Dilution effect, end of period, millions	0.0	0.0	0.0	32.7	30.3
Number of outstanding shares after dilution, millions	1,980.0	1,980.0	1,980.0	1,976.9	1,974.5
Average number of outstanding shares, millions	1,980.0	1,980.0	1,956.8	1,944.2	1,944.2
after dilution	1,980.0	1,980.0	1,976.9	1,974.5	1,974.3

[1] Dividend as recommended by the Board.

Handelsbanken has paid SEK 52bn in dividends, while the market capitalisation has fallen by SEK 52bn.

SHARE PRICE PERFORMANCE

The Swedish stock market (OMX Stockholm 30 index) grew by 29% during the year. The Stockholm stock exchange's bank index increased by 39%. Handelsbanken's class A shares closed at SEK 97.86, an increase of 18%. Including dividends, the total return was 29%.

REPURCHASE OF SHARES

At the AGM in March 2021, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2022. This mandate was not used in 2021.

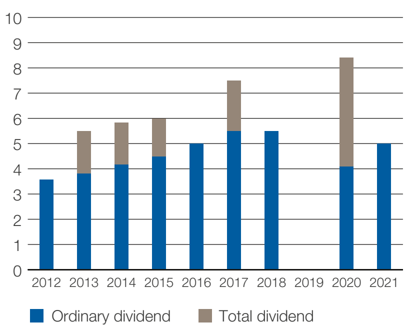
OWNERSHIP STRUCTURE

In recent years, the proportion of non-Swedish shareholders has increased, from 30 per cent at the end of 2008, to 47 per cent (44) at year-end. Handelsbanken has over 140,000 shareholders. Just over two thirds of these owned fewer than 1,001 shares. Almost two per cent of the shareholders owned more than 20,001 shares each, and together they held 90 per cent of the share capital. Two shareholders own more than 10 per cent of the shares: Industrivärden and the Oktogonen Foundation.

Five-year share price performance

The largest Swedish shareholders 31 December 2021	Number shares	% of votes	% of capital
Industrivärden	217,200,000	11.1	11.0
Oktogonen Foundation	198,225,141	10.2	10.0
Lundberg-gruppen	82,335,000	4.2	4.2
Handelsbanken funds	41,568,193	2.1	2.1
Swedbank Robur funds	27,284,420	1.4	1.4
Alecta	19,044,000	1.0	1.0
Folksam	13,730,969	0.7	0.7
The J. Wallander & T. Hedelius Foundation, The T. Browaldh Foundation	13,000,000	0.7	0.7
Avanza Fonder	12,544,810	0.6	0.6
SPP Fonder	12,412,845	0.6	0.6
SEB Fonder	11,821,264	0.6	0.6
Skandia	10,733,643	0.6	0.5
3rd National Swedish Pension Fund	8,949,469	0.5	0.5
Nordea funds	8,235,378	0.4	0.4
AFA Försäkring	7,316,334	0.4	0.4

Share dividends in the past 10 years



2021 according to Board proposal. A 3:1 stock split was carried out in May 2015. Historical dividends have been adjusted for this.

Shareholdings per shareholder 31 December 2021 Number of shares		Shareholders Number	Shareholdings: Number of Class A shares	Number Class B shares	% of share capital	% of votes
1–500	shares	82,626	9,437,861	3,552,959	0.7	0.5
501–1,000	shares	20,646	12,776,442	3,315,212	0.8	0.7
1,001–5,000	shares	31,923	65,366,422	9,857,994	3.8	3.4
5,001–20,000	shares	9,400	80,003,198	7,941,046	4.4	4.1
20,001–	shares	2,287	1,777,193,242	10,584,118	90.3	91.3
Total		**146,882**	**1,944,777,165**	**35,251,329**	**100.0**	**100.0**

Shares divided into share classes 31 December 2021 Share class	Number	% of capital	% of votes	Average prices/ repurchased amount	Share capital
Class A	1,944,777,165	98.22	99.82		3,014,404,606
Class B	35,251,329	1.78	0.18		54,639,560
Total	**1,980,028,494**	**100.00**	**100.00**		**3,069,044,166**


VENSKA HANDELSBANKE

Sustainability Report

This is Handelsbanken's statutory Sustainability Report for 2021. The report contains the sustainability information required under the Annual Accounts Act and, unless otherwise stated, the information herein refers to the entire Group. Any restrictions in the reporting are clearly stated. The statutory sustainability report focuses on Handelsbanken's most material sustainability topics, which have been grouped into four areas: Responsible financing, how we finance our customers' housing, projects and businesses. Responsible investments, how we invest our customers' savings and managed assets. Responsible advisory services, our approach to financial guidance and investment advice. Being a responsible company, which touches on, for example, how we are as an employer, reducing our own emissions of greenhouse gases, and working actively to combat financial crime.

CONTENTS

Sustainability at Handelsbanken

The Bank's business opportunities and successes depend on customers, employees, the general public, investors and public authorities having trust in the Bank. A condition for this confidence is that the Bank's operations follow high ethical standards and that we take responsibility for our actions. As a bank, we aim to contribute to sustainable development, chiefly through our business operations, and through our products and services. The constant development of our sustainability work is important if we are to maintain low risks, have employees who take prinde in where they work, and attract customers, capital and new, talented employees. It is also significant for future generations and for confidence in, and the stability of, the financial system.

A SUSTAINABLE BUSINESS MODEL

Sustainability is completely integrated into Handelsbanken's corporate culture and working methods, permeating the Group's operations in all markets. For us, sustainability is not only a commitment to environmental or social issues, but rather something to be integrated into all parts of our business and organisation. Our sustainability strategy, like so much at Handelsbanken, must be included in a decentralised way of working, characterised by a focus on low risks and with a long-term commitment to our customers. We focus on the big picture, which is why sustainability must influence all of our operations and every decision.

For Handelsbanken, the customer meeting is at the centre of all we do – the starting point for our business operations. Through a decentralised way of working, stable finances, accountability regarding sustainability issues and a low risk tolerance, Handelsbanken builds long-term customer relationships.

Handelsbanken's sustainability goals

Handelsbanken's business model facilitates responsible banking operations. By developing and offering our customers sustainable products within our core operations: financing, investment and advisory services, we can work to maximise our positive impact, minimise our negative impact and so promote a more sustainable society. The Bank has formulated goals within financing, investment and advisory services.

- Responsible financing – by 2025, 20 per cent of the Bank's financing volume shall consist of green financing, social financing or financing that contributes to the borrower's measurable, sustainable transition.
- Responsible investments – the investment portfolios shall be in line with the goals and transition pathway of the Paris Agreement, achieve net-zero emissions of greenhouse gases by 2040 at the latest, and increase the funds' contributions to the 2030 Agenda. Interim targets include reducing our emission intensity by 50 per cent, doubling investments in climate-related solutions by 2030, a 30 per cent increase of the share of investments classed as sustainable by 2025 and annual increases in positive outcomes of engagement activities.
- Advisory services – by 2023 at the latest, through business development and training initiatives, in a measurable way create conditions for gender-equal savings and thus contribute to reducing the wealth gap between men and women.

As well as the strategic business goals stated above, Handelsbanken has two further overarching goals:

- To be, and to be recognised as, the most sustainable bank among peer competitors.
- Net-zero emissions of greenhouse gases as soon as possible and by 2040 at the latest. This includes lending, leasing, and investments as well as the Bank's own operations such as energy consumption and business travel.

In addition to these specific goals, we must act responsibly in everything we do, from being a relevant taxpayer, countering financial crime, upholding human rights, to being a financially stable bank and safeguarding our customers' personal data and their financial health.

Direct and indirect contributions

A well-run bank that acts sustainably and responsibly has a positive impact on the economy in general. This applies to direct economic effects, such as paying corporate tax, as well as indirect effects. For example, the conditions under which we lend money can make a huge difference, to both the individual and society. In all the markets where Handelsbanken operates, we fund growth and increase employment by providing financing to companies. For example, we are the largest player in terms of corporate lending in Sweden, and more than a fifth of household mortgage lending in Sweden is financed by the Handelsbanken Group.

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

Handelsbanken's greatest opportunities to assist and influence sustainable development lie in our business operations – when we finance our customers' projects and businesses and are entrusted to manage customers' assets. This is why we work actively to support and escalate our customers' sustainable development. We do this through dialogue and advice, within the framework of financing, in discussions regarding savings and by building relationships with our customers. On issues such as the climate, environment, human rights and inclusivity, we can make a positive difference by supporting our customers through their sustainable transition. By helping our customers, whether large companies, small companies, or private customers, to be more sustainable, Handelsbanken itself becomes more sustainable.

Customer-centric approach

We focus on the customer in everything we do, and we are close to them and the communities we operate in. At Handelsbanken, we focus on personal meetings, regardless of whether the customer chooses to meet us online, over the phone or at one of our local branches. We also know that whether they shop, buy a home or invest money, more and more of our customer want to ensure that their decisions contribute to making the world a better place. We therefore develop products and services that meet our customers' needs, but also contribute to the sustainable development of society.

Approach to risk

Our financial strength and stability help us to avoid becoming a burden on society. The Bank has a low risk tolerance, which has helped us keep credit losses at a low level. Instead, we can positively contribute by being financially stable and a responsible taxpayer. Our sustainability work is also characterised by a desire to prevent and mitigate risks. We are well aware that social and environmental matters can significantly increase our credit risk, investment risk and reputational risk. Sustainability risks are thus integrated into our normal processes and routines.

A sustainable business model

The Bank as an employer

Our role as a responsible employer is based on our fundamental belief in the willingness and ability of individuals to make the right decisions. Both managers and employees have a common responsibility to see opportunities in one another's differences and treating each other with respect. Gender equality, diversity and an inclusive corporate culture are therefore part of Handelsbanken's core values.

STAKEHOLDER DIALOGUE

To be a responsible bank, we must listen to our stakeholders' expectations and be receptive to their opinions about our sustainability activities. We actively engage in systematic dialogue with our stakeholders, to ensure that we get our priorities right. Through such dialogue, we can better understand the expectations, opinions and demands that our stakeholders have on us and the way we conduct our operations. This helps us to make well-founded decisions and better prioritise our sustainability efforts in the markets where we operate.

MATERIALITY ANALYSIS

The purpose of our materiality analysis is to identify the sustainability topics where Handelsbanken's operations have the greatest impact on external parties, based on an economic, environmental and social stakeholder perspective. Applying the materiality analysis, we define the most important sustainability topics that we must prioritise, report on and communicate about. Handelsbanken has carried out comprehensive materiality analysis based on dialogues with stakeholders from our stakeholder groups in the markets where the Bank operates.

Stakeholder dialogues continued in 2020, with a focus on adapting our business operations and communication to the UN Principles for Responsible Banking (PRB), with Handelsbanken undertaking to comply with the six principles that comprise the framework for the initiative, within four years.

In 2021, we analysed the results of the stakeholder dialogues undertaken between 2018 and 2020, in order to ensure that our priorities and our work are well founded. All stakeholder groups were included in the analysis. As a result, we categorised our material sustainability topics into four focus areas:

- responsible financing
- responsible investments
- responsible advisory services
- corporate responsibility.

The outcome of the materiality analysis is presented on page 40.

OUR STAKEHOLDERS

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

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

Customers

The most important dialogue occurs in the customer meetings that take place every day. These meetings are the starting point for our ambition to create and uphold long-term relationships. They can be face-to-face at a branch, over the phone, at digital meeting places or on social media. By maintaining close, long-term relationships with our customers, the Bank gains a better understanding of what our customers expect from our sustainability work.

Employees

Employees are an important stakeholder group Without the right employees, it makes no difference how good our products or services are. By participating in their unit's annual business planning process, each individual employee can join, contribute to and influence the way our business is run. As of 2021, sustainability is a separate part of the business planning, and of the voluntary competency mapping that employees are free to carry out, for example when changing their positions or work duties. Managers with delegated responsibility for the work environment must perform a work environment survey together with their employees and a work environment representative at least once a year. The Bank uses the work environment survey to measure our achievements in work environment efforts. The results also serve as a basis for the local work environment plan, which is incorporated into the business planning.

Owners and investors

The shareholders ultimately determine how Handelsbanken is governed. Shareholders' right to decide on matters concerning the company's affairs are exercised at shareholders' meetings. At such meetings, individual shareholders also have the opportunity to pose questions to the Bank's Board of Directors and executive management. Shareholders show a great deal of interest in Handelsbanken's annual general meetings. In the past five years, shareholders corresponding to more than 50 per cent of the votes have been represented. In order to limit the spread of Covid-19, the Board made the decision that both the ordinary Annual General Meeting 2021 and the extraordinary Annual General Meeting in October 2021 would be held without the physical presence of shareholders, representatives or external parties. Shareholders were able to exercise their voting rights at the respective meetings via postal voting. The Bank provides investors, analysts, rating agencies and other capital market players with information regarding Handelsbanken's operations, sustainability work and financial performance. Throughout the pandemic, the Bank's management, together with Inverstor Relations, has had numerous telephone and video meetings with the Bank's equity and debt investors.

Trade unions
Handelsbanken has long had good relationships with the trade unions we deal with, and this is an important part of the Bank's culture. There is an ongoing dialogue between union representatives and managers concerning the operations, on matters such as significant changes – where valuable insights and knowledge are shared as early as the concept stage.

Society
Handelsbanken has an ongoing dialogue with, for example, supervisory authorities, central banks, regulatory bodies, as well as governments and parliaments in Sweden, the EU and the rest of the world. Sustainability is a topic that comes up ever more often in discussions between the authorities and the Bank. The Bank also maintains contact with several non-governmental organisations (NGOs). During the year, we have had multiple ongoing dialogues, responded to questions and participated in discussions and seminars, to ensure that we remain abreast of the latest developments in sustainability and are up to date with important viewpoints.

Sustainability analysts
Around 30 investment banks have research analysts who regularly monitor Handelsbanken and its share. In recent years, many of these investment banks have supplemented their traditional company evaluation with an additional evaluation from a sustainability perspective. Independent research firms focusing solely on sustainability are also becoming more promi-

Responsible financing

Material topics
- Offer responsible financing.
- A broad range of sustainable loan and financing products.

Goal
- By 2025, 20 per cent of the Bank's financing volume shall consist of green financing, social financing or financing that contributes to the borrower's measurable, sustainable transition.

Outcome
- Green loans SEK 31.1 billion (21.4), of which green mortgages SEK 8.7 billion (5.4).
- Approved assets in green registry SEK 17.0 billion (14.1).
- Sustainability-linked loans SEK 32.4 billion, of which drawn SEK 3.3 billion.
- Green bonds issued volume EUR 1,000 million (1,000).

Responsible investments

Material topics
- Invest responsibly.
- A broad range of saving and investment products that factor in sustainability topics, such as climate and the environment, social issues, human rights and anti-corruption.

Goal
- Net-zero emissions of greenhouse gases by 2040 at the latest.
- Increase the funds' contribution to the 2030 Agenda for Sustainable Development.

Outcome
- Emission intensity has increased by 10 per cent to 55 tCO_2e/SEK m (50) in our funds.
- Investments in climate-related solutions have decreased from 9 per cent of assets under management to 5 per cent.
- Sustainable investments have decreased from 32 per cent of assets under management to 26 per cent.

Responsible advisory services

Material topics
- Engage in responsible advisory services.
- Inform and educate customers.
- Gender-equal advisory services.

Goal
- By 2023 at the latest, through business development and training initiatives, in a measurable way create conditions for gender-equal savings and thus contribute to reducing the wealth gap between men and women.

Outcome
- A total of 4,017 advisors are licensed by SwedSec or through an equivalent advisory service qualification.
- 739 employees have completed training in gender-equal pension advisory services.
- Launch of the Gender-equal pensions initiative to customers and employees.

Corporate responsibility

Material topics
- The Bank's social responsibility.
- Counteract financial crime.
- Minimise environmental and climate impact.
- Privacy and confidentiality.
- Work environment and working conditions.
- Leadership and development.
- Gender equality and diversity.
- Salaries and remuneration.

Goal
- Net-zero emissions of greenhouse gases as soon as possible and by 2040 at the latest.
- Minimise the Bank's direct environmental impact.
- Zero tolerance of financial crime.

Outcome
- Since 2013, the Bank has reduced its emissions by 70 per cent.
- 41 per cent (41) of managers are female.
- 90 per cent of employees have completed training in anti-corruption, and prevention of money laundering and terrorist financing
- Approximately only 1 per cent of the Group's employees are eligible to receive performance-based variable remuneration.

nent, whereby analysts evaluate many dimensions of the Bank's sustainability work. These evaluations often take the form of extensive questionnaires, but also include dialogues with individual analysts. During the year, Handelsbanken responded to around twenty enquiries, surveys and analyses from various international actors.

Suppliers

Handelsbanken purchases goods and services from numerous suppliers. In the Swedish operations, approximately 71 per cent of the total volume of purchases come from more than 140 of the Bank's several thousand suppliers. With the Bank's Supplier Code of Conduct as a starting point, we maintain a continuous dialogue with the most prominent suppliers, with sustainability issues being a central aspect. One result of these dialogues is that we motivate and engage employees, while also improving both our own and our suppliers' sustainability work.

SUSTAINABILITY ORGANISATION

Handelsbanken's sustainability work is decentralised and carried out wherever the Bank's business and operational decisions are made. The work is co-ordinated by a Group-wide specialist function headed by Handelsbanken's Head of Sustainability, who reports directly to the Group Chief Executive. Starting from March 2022 the Head of Sustainability is also part of the executive management. The Head of Sustainability is also the Chair of Handelsbanken's Sustainability Committee, which was formed in 2010 and reorganised in 2021. The Sustainability Committee analyses the sustainability work undertaken by the Group and, where necessary, takes on a co-ordinating role. Potential problems and business opportunities are highlighted, and pre-emptive plans of action are established. Decision-makers from both the business operations and central departments make up the Sustainability Committee. Several of the members are also part of the Bank's executive management. The Sustainability Committee convenes at least three times per year, or more often if necessary.

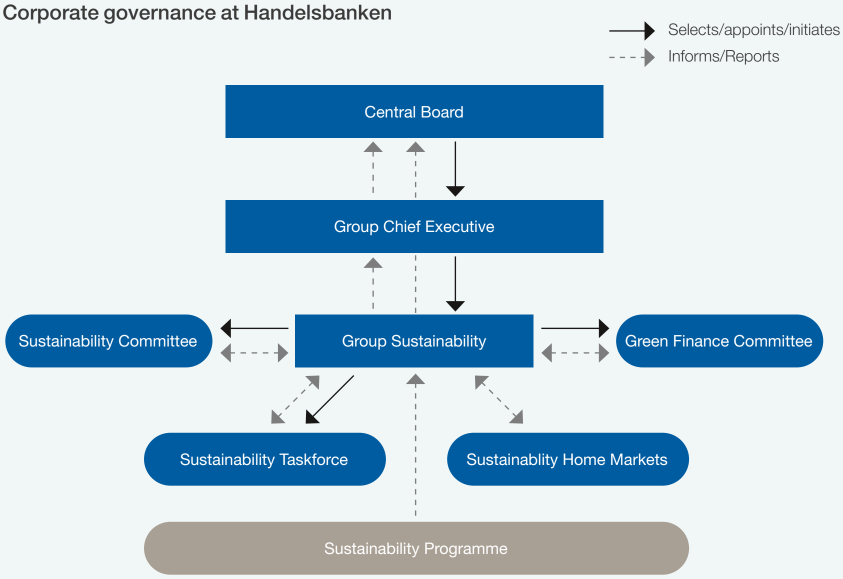
In order to ensure that we make the best use of our capability for innovation, and work together across all parts of the Bank, there are additional working groups with a remit relating to sustainability. One example is the Green Finance Committee (GFC), which is responsible for determining technical criteria for green loans, and for approving assets for inclusion in Handelsbanken's portfolio of green assets. In its assessment, the Committee considers areas such as life-cycle analysis, positive effects on the climate, powers of resistance and scientific targets. There are also cross-regional teams with sustainability managers for different geographical markets, as well as committees in Handelsbanken Fonder that decide on matters such as methodology development, exclusion lists and whether companies meet the requirements to qualify as being in transition, for exemple to greener business models.

Handelsbanken has also launched a programme to meet the growing reporting and transparency requirements relating to sustainability. The programme will support the business operations and make it possible for us to follow up and communicate on our sustainability goals, as well as report according to regulations, requirements from public authorities and external obligations.

Stakeholder model

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

Corporate governance at Handelsbanken



The Sustainability Committee's work in 2021

HANDELSBANKEN AND THE SUSTAINABLE DEVELOPMENT GOALS

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

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

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

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

The 17 Sustainable Development Goals and the 169 related targets represent the agenda for achieving a sustainable future by 2030. Our business can contribute to all 17 in the long term, and although we have the greatest impact on the six goals named above, here we provide examples of our work with several of the goals.

SDG 5 (5.5) Gender equality

The Bank's goal for gender-equal advisory services is, by 2023 at the latest, through business development and training initiatives, in a measurable way create conditions for gender-equal savings. As part of its corporate governance, Handelsbanken Fonder also works on gender equality and initiates dialogues with companies with few women on their Board of Directors. Handelsbanken Fonder appointed women to 79 per cent of the nomination committees we served on in 2021. Our view is that the composition of nomination committees can have a real impact on the realisation of gender-equal boards.

SDG 7 Affordable and clean energy

Handelsbanken Fonder invests in companies that develop or use technologies and techniques to ensure access to sustainable energy for all, or that limit global warming. This includes companies that make a positive contribution to more efficient energy consumption through means such as alternative energy sources or environmental technology. In the Forestry and farming business area, the Bank has launched a new concept that will allow us to offer landowners in Sweden the option of installing solar parks, or to lease out land for this purpose. In Sweden, Handelsbanken offers loans for the purchase of solar panels or geothermal heating, known as green energy loans. The Bank has partnered with an energy company to provide customers with an advantageous offer for the purchase of solar panels.

SDG 8 (8.7) Decent work and economic growth

Handelsbanken carries out engagement work to combat modern slavery. We engage actively with 20 companies in the construction and clothing industries to work towards better due diligence, improved transparency and improved wages, as well as enhanced purchasing procedures.

SDG 9 Industry, innovation and infrastructure

Handelsbanken Forestry and farming is a partner of the Rural Economy and Agricultural Societies' Agtech Challenge, an innovation competition for all Swedish companies operating within agriculture, horticulture or reindeer herding, aiming to increase profitability and sustainability in Sweden through innovation and digital development.

SDG 12 Responsible consumption and production

Within the payments business area, Handelsbanken has partnered with Mastercard on a comprehensive project to identify how the Bank can best guide our customers towards making more sustainable choices in their consumption. A total of 800 customer interviews took place in the project.

SDG 13 (13.A) Climate action

Handelsbanken has set a goal of net-zero emissions by 2040 at the latest. Handelsbanken Fonder has quantified its sustainability goals that will achieve net-zero emissions from all investment portfolios by 2040 at the latest. These goals are in line with the Net Zero Banking Alliance and Net Zero Asset Manager initiative. Prior to COP26, the Bank was a signatory to an open letter addressed to the leaders of the G20 countries. The letter challenged governments to strengthen their commitments towards achieving the targets of the Paris Agreement.

SDG 14 (14.2, 14.4) Life below water

Handelsbanken Fonder carries out engagement work with salmon companies in which we are major investors. From a sustainability viewpoint, salmon is a protein source with low emission intensity but is also associated with several sustainability challenges, and we thus maintain constant dialogue with the companies we are invested in.

SDG 15 Life on land

Analysts at Handelsbanken Markets have published research on the impact of biodiversity on forestry companies, and have also invited forest owners to digital events about biodiversity and climate work.

SDG 16 (16.2) Peace, justice and strong institutions

Together with the children's rights organisation ECPAT Sweden, we work to obstruct and prevent payments connected with material depicting the sexual abuse of children. This is one example of how our business can help to strengthen children's rights.

Below follow several examples of Handelsbanken Fonder's investments in companies offering products and services that contribute to the SDGs.

SDG 3 (3.8) Good health and well-being

We have invested in a company that works to reduce the impact of diabetes in society – both by developing new treatments and by distributing insulin in developing countries.

SDG 3 (3.8, 3.A) Good health and well-being, and 12 (12.2 12.A) Responsible consumption and production

We have invested in a company with numerous cosmetics brands, which actively works on ensuring the sustainable manufacture of its products. During the pandemic, the company reorganised parts of its production process to make up the shortfall of hand sanitisation products.

SDG 6 Clean water and sanitation

We have invested in companies involved in water purification and water efficiency, including a US company that is a market leader in the purification and recycling of water.

SDG 9 (9.1, 9.4) Industry, innovation and infrastructure

We have invested in companies related to the semiconductor shortage. One of these helps semiconductor manufacturers to produce smaller and more energy-efficient semiconductors. This has positive energy efficiency effects on many sectors, such as health care, energy and mobile communications.

SDG 11 (11.1, 2, 3, 6 and 11.A) Sustainable cities and communities

We have invested in companies whose architects, engineers and other specialists create solutions to manage urbanisation, harness the potential of digitalisation and make the societies of the future more sustainable.

SDG 12 Responsible consumption and production

We have invested in a sustainability-linked bond issued by one of the world's largest food retailers.

SUSTAINABILITY RISK

Sustainability risks can arise if the Bank fails to identify and manage risks related to the environment, the climate, social conditions and corporate governance in accordance with the policies, guidelines, commitments and ambitions that form the basis for our general sustainability work. Also included is the risk that the Bank overlooks sustainability risks in its operations that fall outside the framework of existing policies and guidelines. This could ultimately result in negative financial consequences for the Bank, as well as proving harmful to our reputation.

Sustainability risks span many areas, such as the environment and climate, human rights, working conditions, financial crime, information and IT security, and corporate governance issues. Sustainability risks are also inherent to other types of risks, such as credit risk and financial risks, as well as compliance risks.

The identification, management and prevention of sustainability risk is important from both a financial and a legal perspective, as are our actions as a community stakeholder. These also play a critical role in the confidence we instil in the public, as well as our relationships with customers, employees, owners and investors. Handelsbanken's view is that responsible actions are thus essential to long-term value creation.

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

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

Responsible financing

By 2025,
20 per cent of the Bank's financing volume shall consist of financing that contributes to the borrower's measurable, sustainable transition.

For us, sustainability means acting responsibly and with a long-term perspective in areas where the Bank can make a difference. One of our greatest opportunities to make a difference is through responsible financing and lending.

GOALS FOR 2025

As more than 80 per cent of our income derives from lending, Handelsbanken has set a goal within responsible financing – that, by 2025, 20 per cent of the Bank's financing volume shall consist of green financing, social financing or financing that contributes to the borrower's measurable, sustainable transition.

We continue to work to support all customer groups in their sustainable development. This requires us to develop more sustainable and competitive financing products. Therefore, we will establish ambitious development plans for new products based on local conditions in terms of customers and regulations, particularly in the construction and property sectors in each of our main markets. Customers in other sectors will also be able to access corresponding financing products. International regulations such as the EU taxonomy will be of great importance in classification of green assets. In order to achieve our goal, we work with both green loans and sustainability-linked loans, for which the terms and conditions must contribute to the borrower's measurable, sustainable transition. This goal is in line with Goal 9, Industry, Innovation and Infrastructure, Goal 11, Sustainable Cities and Communities and Goal 13, Climate Action.

BUSINESS INTELLIGENCE AND IMPACT ANALYSIS

Our in-depth impact analysis and development and application of relevant methodology has continued throughout 2021 and will progress in 2022. It has been extensively co-ordinated with the mapping of climate risks undertaken in connection with the climate report we published late 2021, and is available at handelsbanken.com/sustainability.

In its report, "2019 Global Status Report for Buildings and Construction, Towards a zero-emissions, efficient and resilient buildings and construction sector", the International Energy Agency wrote that the buildings and construction sector represented 36 per cent of final energy use and 39 per cent of energy and process-related carbon dioxide emissions in the real estate sector in 2018. The report states that reduced emissions are crucial in order to achieve the undertakings in the Paris Agreement, and reach the Sustainable Development Goals.

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

Loans to the public

Of the Bank's total lending at 31 December 2021, 82 per cent is financing of the property sector. Customers are private individuals, housing co-operative associations, small- and medium-sized companies and large property companies. The Bank has clear guidelines for its business relations as regards, among other things, human rights, working conditions and environmental and climate-related concerns.

In our impact analysis, the Bank has established that:

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

In the markets where Handelsbanken mainly operates, the majority of our lending is property-related, meaning that the impact analysis is relevant for the whole bank. Adaptation to national and local regulations are of major importance in product development and customer collaboration. This is also completely in line with Handelsbanken's decentralised working methods, local presence and regional conditions. For example, various governments have set different dates for when their countries are to be climate neutral, which will impact each market's work.

Exposure to climate-related risks

Handelsbanken stepped up its environmental guidelines with regard to the fossil-fuel sector in 2016, clarifying that the Bank is to be aware of and act on risks associated with the extraction and usage of fossil fuels among the companies we have business relationships with.

As part of the work undertaken within the framework of the TCFD recommendations, see pages 72–73, and the climate report published during 2021, we have presented our lending to carbon-intensive sectors in line with the TCFD recommendations. One result is that the Bank has, over time, reduced our lending to this sector. Since 2017, lending has decreased by 70 per cent, to SEK 1.6 billion as at Q3 2021, corresponding to 0.1 per cent of total loans to the public.

OUR IMPACT THROUGH SUSTAINABLE FINANCING

For several years the Bank has offered green and sustainability-linked financing as well as advisory services in green market financing to a number of sectors. The sectors affected, primarily by green loan financing, are construction and real estate, although product development in green financing also includes assets within forestry and renewable energy.

Green bonds and thematic bonds

The market for green bonds and thematic bonds has developed very well during 2021. There appeared to be a pent up demand in the market after the substantial impact of Covid-19 during the previous year. Green bonds became less common, while activity increased in regards to social bonds with the purpose of funding measures and costs related to Covid-19. For the full year, the green loan volume issued by Nordic bond issuers was just over SEK 400 billion, corresponding to an increase of over 60 per cent. This was a very strong outcome, and shows that growth in sustainable financing is back to historic high levels.

Handelsbanken takes an active role in advisory services for green bonds, and has been involved in developing many green financing frameworks for Nordic issuers. A major trend at present is the adaptation of financing frameworks to the EU's proposal for common terminology referring to green activities, the EU taxonomy. The Bank puts great emphasis on analysing and guiding our customers regarding these proposals. We also work to encourage discussion and spread knowledge through marketing efforts and customer communication.

Green lending products

Handelsbanken offers three types of green lending products. Green loans refer to loans to companies and housing co-operative associations for financing buildings that meet certain environmental criteria as well as loans to renewable energy and sustainable forestry, water management, waste management and environmental transport. Green mortgages refer to loans to homes such as villas, townhouses and apartments that meet certain environmental criteria. Green energy loans are available to private customers, companies and housing co-operative associations, and are intended for the financing of investments in energy efficiency improvements in properties.

Green loans

Since 2017, Handelsbanken has offered green loans for projects and investments that promote a more sustainable society. Examples include financing renewable energy, waste management, sustainable forest management, green transport and energy-efficient, environmentally smart buildings. These areas are crucial for a transition in line with the Paris Agreement, where a renewable energy system and reduced climate impact from the construction and property sector will be vital. To ensure that the environment and climate are taken into consideration when a green loan is used for financing, we have developed technical criteria that must be satisfied by all green loan products. We offer green loans to large corporates in all of our home markets, and also to smaller companies in Sweden, Finland and Denmark. Green committed loan offers and green building credit are available to corporate customers when financing green projects. Interest in green, sustainable financing continues to increase and green loans amounted to SEK 22.4 billion (16.0) during the year[1].

[1] A process has been initiated to divest Handelsbanken's operations in Denmark and Finland. The share of green loans was SEK 1.9 billion in Denmark and SEK 2.6 billion in Finland during the year.

EU taxonomy-aligned green loans

The EU taxonomy is a tool for classifying environmentally sustainable investements. The purpose is to ensure that the financial sector works according to the same guidelines when considering which economic activities can be termed 'green'. To be classed as green, the activity must make a significant contribution to one or more of six established environmental goals, must do no significant harm to any of the other goals, and must meed certain minimum sustainability requirements. The focus is currently on the climate and the environment, but is expected to eventually expand to include social factors. Handelsbanken offers its corporate customers green loans that meet the requirements of the taxonomy. Thus far, the number of taxonomy loans is limited, but we expect to see a steep increase in activity regarding green loans adapted to the taxonomy.

Green mortgages

Since 2019, Handelsbanken offers green mortgage loans to private customers in Sweden whose buildings fulfil the requirement for energy class A or B, or which have the Nordic Swan Ecolabel, or the Sweden Green Building Council's environmental certification at gold or silver level. Volumes have increased steadily and, at year-end, green mortgages amounted to SEK 8.72 billion (5.37).

Green energy loans

Green energy loans were launched in Sweden in May 2021, and are loans intended to support sustainable transition. The purpose is to finance an investment with green objectives with favourable terms. In this way, Handelsbanken can support customers to make more green investments. Private customers can take a green energy loan, which is unsecured, to purchase solar panels, geothermal heating solutions and electric vehicle charging stations.

Green energy loan corporate, with collateral in real estate, is intended for companies or housing co-operative associations looking to invest in green energy efficiency solutions, such as solar panels, ventilation, geothermal heating and electric vehicle charging stations. In total, green energy loans amounted to SEK 32.0 million at year-end.

Green leasing

For companies wanting to finance electric-powered vehicles, electric-powered carriers and buses, corporate customers have been able to select green leasing since 2021. At year-end, green leasing amounted to SEK 50.5 million.

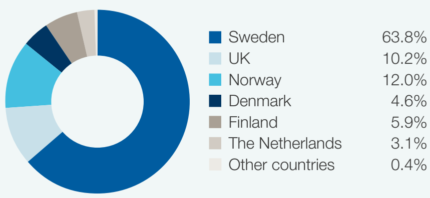
Sustainability-linked loans

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

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

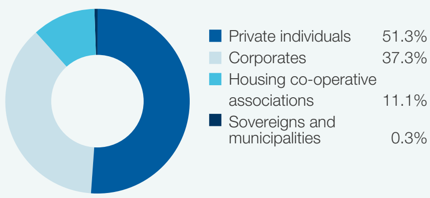
Loans to the public, 31 December 2021	SEK bn	Proportion of total lending, %
Private individuals	1,238	51.3
of which mortgage loans	*1,036*	*42.9*
Housing co-operative associations	267	11.1
Property management	677	28.0
Manufacturing	23	0.9
Retail	31	1.3
Hotel and restaurant	9	0.4
Sea transport	4	0.2
Other transport and communication	8	0.3
Construction	19	0.8
Electricity, gas and water	13	0.5
Agriculture, hunting and forestry	23	1.0
Other services	18	0.7
Holding, investment and insurance companies	62	2.6
Other corporate lending	15	0.6
Sovereigns and municipalities	7	0.3
Total loans to the public	**2,414**	**100.0**

Loans to the public 2021 – Geographical breakdown



Total: SEK 2,414 billion

Loans to the public 2021 – Sector breakdown



Total: SEK 2,414 billion

Product development and collaborations
Extensive work on product development was carried out in 2021, in Sweden and in the other markets in which Handelsbanken operates. The positive development we saw during the year, with high demand from our customers, means that we plan to launch more loan products and services with sustainable goals for both private and corporate customers in the coming years. Processes and product development are adapted to differing geographical markets as necessary. In 2021, we have

- formed internal working groups for product development in each country, and a central co-ordinating function for these to ensure better knowledge sharing
- developed tools to support discussions about, and the assessment of, sustainability work at small and medium-sized companies
- invited customers and stakeholders to provide feedback and "benchmarking" for products and advisory services
- initiated external collaborations working to develop advisory tools mainly for SMEs
- trained employees in products and advisory services, for example, with videos explaining how to discuss sustainable financing in customer meetings
- increased engagement in various stakeholder groups such as trade associations
- developed collaborations with, for example the KTH Royal Institute of Technology, regarding impact analysis, technical data for product development and staff training
- engaged in business development activities internally and with external partners to facilitate the collection of sustainability data from customers.

To smooth the way for our customers in the climate transition, and to help them understand the importance of reviewing their energy consumption, we have created a new website with tips and advice on energy efficiency improvements. In conjunction with this, Handelsbanken began a collaboration with Vattenfall, a Swedish energy company, to present discounted solar panel offerings to private customers.

During the year, a significant focus area has also been seeing how we can best contribute to and influence our corporate customers in their sustainable transition. As a result of the pilot, which took place in Sweden, Handelsbanken will be initiating a collaboration in 2022 with the technology consultancy company Sweco, which offers our real estate customers advice and analysis of climate risks, energy consumption measures and other sustainability aspects relating to their properties. Handelsbanken in the UK was a co-founder of the Bankers för NetZero initiative during the year, which is a collaboration between lenders, business figures and decision makers. In Norway, Handelsbanken has been strongly focused on preparing its corporate customers for forthcoming disclosure and reporting requirements relating to ESG risks, particularly climate risks. Tools have been developed in co-operation with, for example the Norwegian Institute of Public Accountants.

OUR GREEN BONDS

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

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

The capital raised through the issue of Handelsbanken's green bond is used for lending to clearly definable investments that lead to low carbon dioxide emissions and a climate-sustainable future. Examples of this are clean transport, sustainable forest management, green buildings, renewable energy and sustainable water management. In May 2021, for the third time, the Bank reported the environmental impact of its green bond by publishing a Green Bond Impact Report, which also contains examples of how the approved green assets comply with the criteria in the framework.

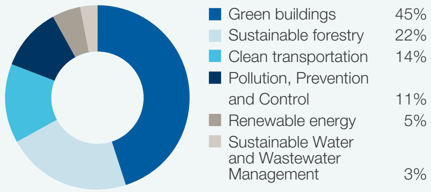
Green registry
Handelsbanken has built up a green registry, consisting of credits that finance green projects and that comply with the requirements and criteria stipulated in Handelsbanken's green bond framework. At the time of issue in summer 2018, the assets in the green registry totalled approximately SEK 10 billion. At the end of 2021, the volume had increased to SEK 17 billion.

RESPONSIBLE LENDING

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

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

Breakdown of credits in green registry



branches factor sustainability criteria into credit risk assessments.

To gain an idea of how sustainable a company is, and to identify potential sustainability risks, the credit-granting process must consider environmental, social and governance factors and the associated risks – particularly environmental factors and the impact of climate change. In order to contribute to the Bank's responsible financing goal and to ensure that we comply with applicable regulations, clarifications have been made with regard to climate risks during the year. We separated climate risks from the environment section of the credit assessment, introducing this as its own main area in 2021. At the same time, the instructions for assessing climate risk were made clearer, and documentation requirements for larger credits were expanded.

Sustainability is a vital aspect of the Bank's credit policy. The policy states that the Bank's lending must be responsible and meet high ethical standards. For example, we exclude financing for coal extraction or coal power, and have a restrictive approach to lending to companies that extract fossil fuels.

Handelsbanken respects human rights, fundamental principles of working conditions and environmental and climate considerations, and supports anti-corruption measures regardless of where in the world the Bank operates.

The Bank supports international initiatives and guidelines with a shared aim to encourage and facilitate corporate sustainability. In our lending, we must therefore assess and evaluate each customer's stance on these principles and guidelines. The Bank can reject the granting of a credit if the sustainability risks are considered too high, and for example a company does not apply such guidelines.

Responsible investments

We are convinced that investments in sustainable business models working within the limits of the planet are a condition for generating financial value for our customers.

2040
net-zero greenhouse gas emissions from all investment portfolios.

Increase the funds' contribution to the 2030 Agenda for Sustainable Development.

As a part of the financial system and as manager of our customers' savings, Handelsbanken plays an important role in facilitating society's transition to sustainable development. To clarify how we will do this, we have set a number of challenging sustainability goals. Here we describe how the subsidiaries within the Savings & Pension business area work with responsible investments. The focus is on the subsidiary that can have the greatest impact, Handelsbanken Fonder, which is responsible for just over 84 per cent of the total assets under management at Handelsbanken.

HANDELSBANKEN FONDER

Handelsbanken Fonder AB is a fund management company with approximately 100 mutual funds. The company has active, passive and allocation management. The fund company has a permit to conduct fund management operations since 1991.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

The Chief Executive of Handelsbanken Fonder is responsible for sustainability-related policies and strategies. The sustainability work is led by the Head of Sustainability, who is responsible for the development of policies, strategies, and methods and tools related to sustainability. The business area heads of active, passive and allocation management are responsible for integrating sustainability into their respective business areas, in line with policies and strategies, and for ensuring that the sustainability analysis is part of the management work.

Handelsbanken Fonder has the following committees which prepare various matters for decision by the Chief Executive:

- Credit committee
- Corporate governance committee
- Sustainability Committee, which
  - decides on the assessment of companies in relation to exclusion requirements
  - decides on companies that meet our criteria for qualification as a company in transition
  - decides on methodology development for the analysis and assessment of these criteria
  - decides on the exclusion list applying to the fund company's investments.

Risk Forum

The Risk Forum and Sustainability Risk Forum are convened by Handelsbanken Fonder's risk control function with the purpose of analysing and evaluating the risks and performance of the funds. All business areas are covered by both forums.

Policy

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

Competency development

It is important for Handelsbanken Fonder that all of its employees, particularly those working with the management of our funds, maintain a high level of relevant expertise within the field of sustainability. During the year, all employees in both Handelsbanken Fonder and the majority of the fund company's external nomination committee members have completed sector-wide sustainability training and certification. Within the active management business area, asset managers have taken part in a workshop on Human Rights Due Diligence, and the following subjects have been addressed at quarterly strategy meetings: the EU taxonomy, new and planned regulations, sustainable banks, sustainability in the electrification of cars, biodiversity and data security. We also actively participate in investor networks to help promote our sector's development of its sustainability work. Participation in networks is also a key part of our own information gathering and development. Further information about these networks can be found in the Sustainability Fact Book at handelsbanken.com.

VISION AND SUSTAINABILITY GOALS

Handelsbanken Fonder's vision is to create financial wealth and planetary health through sustainable investments. In order to clarify our path to achieving this, we have established sustainability goals, constituting part of Handelsbanken Group's obligations under the UN Principles for Responsible Banking, which the Bank signed in 2019, and the fund company's obligations according to the Net Zero Asset Managers (NZAM) initiative.

The purpose of setting quantitative goals is to ensure measurable results, and also allow our stakeholders to follow our development. To achieve the goals, we need to strengthen our engagement work, our analytical methodology and our reporting. At least once a year, we will report on our results in relation to the goals, in accordance with the requirements set out for goal achievement by the PRB and NZAM regulations. In our calculations, 2019 is used as the starting value. Regular follow-up activities are undertaken in the fund company's Sustainability Risk Forum, which already monitors the funds' sustainability performance.

The goals encompass all of our funds, and relate to two main areas. In 2022, we began to analyse the implementation of the goals in the Group's two other fund management units, in the Netherlands and the UK: Optimix and Handelsbanken Wealth & Asset Management.

Paris-aligned investment portfolios

The climate transition requires us to shift away from carbon dioxide-intensive technologies, which among other things requires major investment in solutions relating to renewable energy and energy efficiency. Therefore, we have set a goal of net-zero emissions[1] from all investment portfolios by no later than 2040. To this end, we are working towards two main interim targets:

[1] This concept entails greenhouse gases from human activity being equivalent in size to the greenhouse gases removed from the atmosphere through a process known as carbon removal. For this to be achieved, the main factor is to reduce emissions to as close to zero as possible. Any remaining greenhouse gases can be offset with an equivalent amount of carbon removal, by means such as tree restoration or direct air capture and storage.

- 50 per cent reduction in our funds' emission intensity by 2030
- doubling of investments in climate-related solutions by 2030.

The IPCC's special report[1] states that a 50 per cent reduction in carbon dioxide emissions is an absolute precondition if global warming is to be limited to 1.5 degrees.

Considering Handelsbanken Fonder's high exposure to the Nordic region, one of the world's richest and most technologically advanced areas, we have elected to align our goal with the IPCC's goal, and reduce emissions from our holdings by 50 per cent.

Increase our contribution to the 2030 Agenda for Sustainable Development

With our second goal, we want to focus on additional challenges facing the world, such as safeguarding basic human rights and needs – for example the right to education and healthcare, access to clean water, financial inclusion, gender equality and inclusivity. The starting point is the 2030 Agenda, and our goals are, from 2019, to:

- increase the proportion of sustainable investment by 30 per cent by 2025
- increase engagement activities with a positive outcome every year until 2025.

Outcome 2021

Emission intensity has gone from 50 tCO_2e/SEK m in 2020 to 55 tCO_2e/SEK m in 2021. There are many contributing factors to the emissions moving in the wrong direction. One of the most significant is that the fund company has increased its focus on investments in companies in transition – companies assessed as central to the energy transition, but that today are major emitters. The fund company remains committed to its goal of halving emissions by 2030. This goal will mainly be achieved through shareholder engagement, and will result in a linear reduction rate.

Both the proportion of climate-related solutions and the proportion of sustainable investments have decreased from 2020 to 2021. Climate-related solutions have decreased from 9 per cent to 5 per cent and sustainable investment from 32 per cent to 26 per cent. The outcome underlines the challenge facing us. Two important contributors to this development was the market performance and flows in 2021. Several of the companies classified by the fund company as sustainable investments, as well as many of the funds with the highest exposure to these companies, had a very positive development during 2020. This trend was less pronounced in 2021, which is also reflected in the fund company's overall figures.

The disclosures regarding emission intensity are based on information from ISS ESG. The disclosures present a snapshot of the portfolio's carbon footprint and the calculations are not exhaustive. For further information on key figures and calculation methods, see the Sustainability Fact Book, page 5.

SUSTAINABILITY IN OUR FUND MANAGEMENT

Together with financial criteria, ESG factors are integrated into our analysis and investment decisions. The approach varies depending on the asset class and asset management strategy. The purpose of the sustainability analysis is to identify risks in companies' business models and to find companies at the forefront of the transition to sustainable development. In our active equity management and fixed-income management, the sustainability analysis is part of the company analysis and investment process. In the same manner, it forms a part of the fund analysis and investment process in our active allocation management when funds are selected for inclusion in fund portfolios. In passive management, the funds are rules based, meaning that the sustainability approach of each fund is integrated into the funds' index methodology and strategy.

The following three methods are common starting points for this work, irrespective of the type of management:

We *exclude* investments in companies with business models that are not sustainable in the long term and risk counteracting the aims of the 2030 Agenda and its SDGs.

We *include* companies that run their operations in line with – or promote – sustainable development in accordance with the 2030 Agenda for Sustainable Development and the goals in the Paris Agreement.

We *influence* companies to act responsibly and run their operations in a sustainable way. We also aim to engage the sector as a whole and promote sustainability work through dialogues, investor networks and corporate governance work.

Exclusion[2]

In general, we exclude investments that are at odds with our role as a responsible investor, as well as companies where our assessment is that the sustainability risks cannot be managed through engagement efforts and dialogue. We also exclude companies with products and services that entail a major risk of negative impact on their environment, society and various stakeholders, or that bring about heightened sustainability risks in the companies' value chains.

Handelsbanken Fonder has adopted a restrictive approach to the fossil fuels industry for many years, and has excluded investments in coal-based companies since 2015. In 2018, we took the strategic decision to widen our exclusion criteria to apply to the majority of our funds. This work continued in 2021, and by year-end there were no investments in companies involved in production or distribution within extraction of, or power generation from, fossil fuels, with the exception of investments in companies in transition, which are permitted to have a limited exposure to fossil fuels. For these investments, there can be an exemption from the principle of excluding fossil fuels, if the company fulfils our criteria for qualification as a

[1] Global Warming of 1.5°C. See the full report here: ipcc.ch/sr15/.
[2] According to the Swedish Investment Fund Association's definition of exclusion, no more than five per cent of turnover in the company where the investment is made may derive from operations related to such products or services.

Limits for exclusion

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

[1] Cluster bombs, anti-personnel mines, chemical and biological weapons.
[2] For the majority of our funds, there can be an exemption from the principle of excluding fossil fuels, if the company fulfils our criteria for qualification as a company in transition. For further information, refer to the respective fund's prospectus.

For services related to these sectors, the upper limit is 50 per cent. Services refers to, for example, marketing, key components, raw materials, machinery and technical apparatus, technology, IT and support services.

A handful of ETFs are exempt from the limits presented in the table. Work is in progress to see how these funds can also be adapted so they fulfil the same requirements as for our other funds. For further information, refer to the respective fund's prospectus.

company in transition. By investing in companies in the energy sector (production, distribution and transmission) in the process of transitioning their operations, we can transfer capital from fossil fuels to renewable energy, and in doing so contribute to accelerating the transition. Read more about companies in transition on page 52.

We exclude companies that derive more than five per cent of sales from controversial sectors such as alcohol, tobacco, cannabis, commercial gambling, weapons and military equipment, pornography and fossil fuels. We also exclude prohibited weapons, nuclear weapons and companies which violate international norms and conventions in areas such as human rights, the environment, labour rights or combating corruption and bribery. See the "Limits for exclusion" table on page 48.

Out of Handelsbanken Fonder's total range of 101 (104) funds, we offer 96 (84) that actively exclude controversial operations, including fossil fuels.[1] At year-end, total assets managed in these funds were SEK 904 billion (678), corresponding to 99.6 (95.6) per cent of the fund volume.

For our actively managed equity funds and fixed-income funds, the requirements in the table on page 48 apply when we exclude companies and sectors. Our actively managed allocation funds have corresponding requirements as for the funds we invest in, irrespective of whether these are Handelsbanken Fonder's own funds or from external fund managers. For our passively managed funds, the exclusion requirements are integrated in the funds' respective index or strategy.

[1] The following funds do not, at present, actively apply our sustainability requirements in full. On the basis of their investment universe, there are direct investments in alcohol in XACT OMXC25 (UCITS ETF) and indirectly through OMXS30, and derived exposure to tobacco and commercial gambling operations in XACT Bull (ETF), XACT Bull 2 (ETF), XACT Bear (ETF), XACT Bear 2 (ETF).

Justification for exclusion requirements

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

Follow-up and control

The fund management company's risk control function daily monitors that the funds follow provisions regarding exclusion of companies. This includes not investing in companies that violate international norms and conventions.

EXAMPLES OF INVESTOR STATEMENTS

Increased climate ambitions

Handelsbanken Fonder is a signatory to the "2021 Global Investor Statement to Governments on the Climate Crisis". This statement exhorts the governments of the world to set national targets for net-zero emissions by 2050, to phase out subsidies for fossil fuels, to discontinue coal-based energy production before 2030, and to establish plans for recovery after Covid-19.

Handelsbanken Fonder has also signed "Investor Expectations for the banking sector", drawn up by IGCC in co-operation with its members. The objective of this statement is to encourage the banking sector to reduce financing for the fossil fuel sector, and companies engaged in other activities that generate significant amounts of carbon dioxide.

Biodiversity

Ahead of the UN Convention on Biological Diversity, COP15, the fund management company has signed the "Financial Institution Statement ahead of the Convention on Biological Diversity COP15". In this statement, countries are challenged to create a new global framework for biodiversity by setting ambitious goals that necessitate the adaptation of financial flows to promote biodiversity.

Human rights

Via the Investor Alliance for Human Rights, Handelsbanken Fonder has signed the "Investor Statement on Corporate Accountability for Digital Rights", about companies' obligations regarding digital rights, directed towards leading operators within information and communications technology and stating expectations as regards how they should be addressing human rights. We have also signed the "Investor Statement on Human Rights and Business Activities in Myanmar", in which the call is made for companies to uphold their corporate social responsibility to respect human rights.

Paris-aligned Benchmarks – selection process

Read more about Handelsbanken's Paris-aligned Benchmark funds on page 52.

Inclusion

We apply a long-term investment horizon and actively seek to invest in companies with sustainable operations or whose products and services promote sustainable development. We also include companies that contribute to the transition to a low-carbon economy, in line with the Paris Agreement.

For actively managed equity funds and fixed-income funds, the company evaluation is critical. Each company is analysed based on relevant questions regarding its strategy, financial and non-financial results and risks, capital structure, social and environmental impact and corporate governance. The analysis is based on information from the companies, external sources and our own research.

Allocation management offers actively managed fund-of-funds. This means that investments are made in other funds rather than in individual companies. The process for fund investments and follow-up takes into account sustainability criteria at both the mutual fund and fund management company levels. It also looks at organisation, sustainability, the management team and the investment process. For all fund managers, with no exceptions, we demand systematic sustainability work.

Index management and other passive management are rules-based types of fund management where the sustainability approach of each fund is integrated into the funds' index methodology or strategy. We therefore see it as vital to actively select indexes and strategies that reflect our sustainability requirements. Indexes are produced in collaboration with an index supplier and a supplier of sustainability analyses.

Certain indexes tracked by our passively managed funds include companies based on their sustainability work. This is done through an evaluation of the companies' ESG ratings, and companies that successfully manage sustainability-related risks and opportunities are favoured. We also offer funds with indexes that select and weight companies so that the portfolio's emissions of greenhouse gases are aligned with the Paris Agreement's climate goal.

Engagement

We see it as crucial to a company's long-term success that sustainability is well integrated into business models. Thus the objective of our engagement work is to use dialogues and shareholder influence to shape the activities of the companies we invest in, and to push them in a more sustainable direction.

Our engagement work takes many forms: different types of dialogues, participation in investor networks and statements, and active corporate governance.

Dialogue

Dialogues and engagement may take place either directly between a portfolio manager and a company or together with other investors. Dialogues cover a variety of sustainability topics, such as demands for a greater degree of transparency and reporting sustainability work. More specific issues relating to environmental impact and human rights, as well as labour laws, can also be covered. As active managers, we maintain regular contact with the companies we invest in, meet company management and visit the operations. In 2021, we held direct dialogues with 23 companies. Our allocation management team also holds ongoing dialogues with fund management companies and managers aimed at influencing their investment activities to move in a more sustainable direction.

There is a benefit to collaborative engagements, as multiple investors together represent a larger ownership share. This sends clear signals to the companies that the issues need to be taken seriously. The impetus for collaborative engagements is often suspected or confirmed violations of international norms and conventions, with the focus on the UN Global Compact's core areas: human rights, labour rights, the environment and anti-corruption. Collaborative engagements also take place within the framework of international co-operation and sector initiatives focusing on a specific topic, such as palm oil or the climate. In 2021, we participated in 308 collaborative engagements.

Investor networks and statements

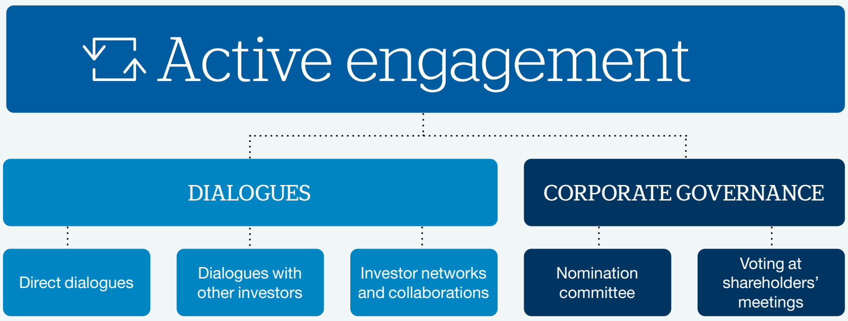
We actively participate in investor networks to help promote the asset management sector's development of its sustainability work. Participation in networks is also a key part of information gathering and development.

We also frequently put our name to investor statements directed at companies or other decision-makers, in which we pressure them to raise their ambitions within the field of sustainability in numerous ways. In 2021, we have added our name to and signed eight statements in areas such as the climate, human rights, digital rights and the aviation industry's management of climate risks.

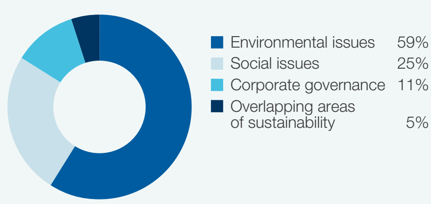
Corporate governance

Active and responsible governance in the companies we hold in our mutual funds is an important part of our duty as an asset manager. As a shareholder, we can exert an influence over companies, and we exercise active governance in both our actively and passively managed funds. One of the most direct ways we can exercise this influence is through representation on nomination committees and voting at shareholders' meetings. The starting point is our policy for shareholder engagement and responsible investment and our guidelines relating to nomination committee work. We act in accordance

Active engagement



Breakdown of dialogues



with the relevant sector regulations from the Swedish Investment Fund Association, the Swedish Corporate Governance Code, and the guidelines for investment fund managers as shareholders.

Examples of important questions in our corporate governance work are transparency and sound information exchange, the expertise and composition of the Board, fees and remuneration to Board members, remuneration systems and incentive schemes in the companies, as well as sustainability work and visions.

In our corporate governance work, we prioritise companies where we are major shareholders or which show deficiencies in their governance or sustainability work. For example, through our small cap funds, we often become large owners in relatively small companies, particularly in Sweden, when we participate in new listings and invest in companies recently launched on the stock exchange. These companies often have a lower level of expertise within corporate governance and we can make a difference here.

Nomination committee work

The most direct impact we can have as owners is by serving on nomination committees. As a rule, we therefore accept such positions when offered, as we believe that nomination committees have a crucial role in corporate governance and give us the opportunity to affect the composition of the Board. Our guidelines for nomination committee work are sent to all companies that offer us a seat on their committee. The guidelines describe our focus, namely:

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

The objective of instilling the board with a broad range of expertise and diversity is to ensure that the board considers several perspectives when addressing important matters. Our opinion is that this both increases value generation and reduces risks.

For many years, Handelsbanken Fonder has worked towards set goals to ensure good gender distribution in the nomination committee group, which has had positive results. Handelsbanken Fonder appointed women to 79 per cent of the nomination committees we served on in 2021. We believe that this gives us a sound footing to increase the momentum within the companies in the matter of gender-equal boards.

Ahead of annual general meetings in 2021, Handelsbanken Fonder participated in 47 nomination committees. The proportion of women on the boards proposed by these committees remained relatively unchanged, from an average of 36.6 per cent in 2020 to 36.5 per cent in 2021. Handelsbanken Fonder will sit on almost 70 nomination committees for 2022. We will continue to focus on more gender-equal boards in our nomination committee work for 2022, but we remain humble, considering the size of the task.

Shareholders' meetings

Our mutual funds invest in a great many companies spread over many geographical markets. By voting at shareholders' meetings, we can influence many of the companies that our funds have holdings in. We generally vote at shareholders' meetings for companies where our holdings exceed 0.5 per cent, or when particularly important items are raised.

In 2021, we voted at 1,019 ordinary and extraordinary shareholders' meetings, in 46 countries. Votes were cast either in person at the meetings or through proxies via electronic voting. By using proxy voting, we are able to reach more companies and geographical markets.

EXAMPLE OF A CLASS ACTION

In 2020, Handelsbanken Fonder and three US pension funds were appointed lead plaintiff in a class action against the US bank, Wells Fargo. It was claimed that Wells Fargo, over a long period of time, assured the market that they had rectified the deficiencies in their internal governance and control where they received sanctions from the US supervisory authorities. This was not the case. When it became public that Wells Fargo had by no measure implemented the improvements demanded by the supervisory authorities, the share price was substantially adversely affected, which had a negative impact on two of our index funds. In September 2021, a New York court rejected Wells Fargo's request to dismiss Handelsbanken Fonder's claim. The court's ruling means that the proceedings will continue, and the possibility of settlement being reached, whereby financial compensation is provided to the shareholders affected, has risen dramatically. A decision on the matter is expected in 2022 or 2023.

Voting on sustainability topics

In principle, we support shareholder proposals that promote corporate sustainability and greater transparency in recording and reporting the company's climate impact and work with human rights and labour rights. In 2021, we voted at 230 shareholders' meetings at which sustainability was on the agenda. In total, we voted on 161 shareholder proposals. In 84 of these cases we voted in favour, and in 77 against, company management's proposal.

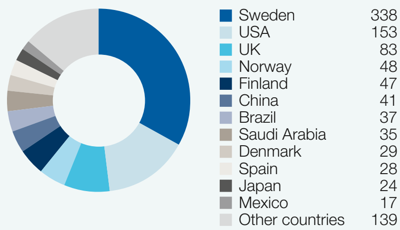
Climate-related proposals have been a focus area in 2021. These have quite often referred to improved reporting, particularly with regard to

Nomination committees and shareholders' meetings

Corporate governance	2021	2020	2019	2018	2017
Nomination committees	**47**	**41**	**34**	**36**	**33**
Number of nomination committee places to which we have appointed women	79%	71%	65%	63%	50%
Shareholders' meetings[1]	**1,019**	**647**	**813**	**382**	**130**
Of which Swedish companies	338	238	224	158	80
Of which non-Swedish companies	681	409	589	224	50

[1] On 1 April 2020, the funds previously managed by Xact Kapitalförvaltning were transferred to Handelsbanken Fonder AB. The totals for 2017 and 2018 include Luxembourg. The fund management operations in Luxembourg were discontinued in December 2018.

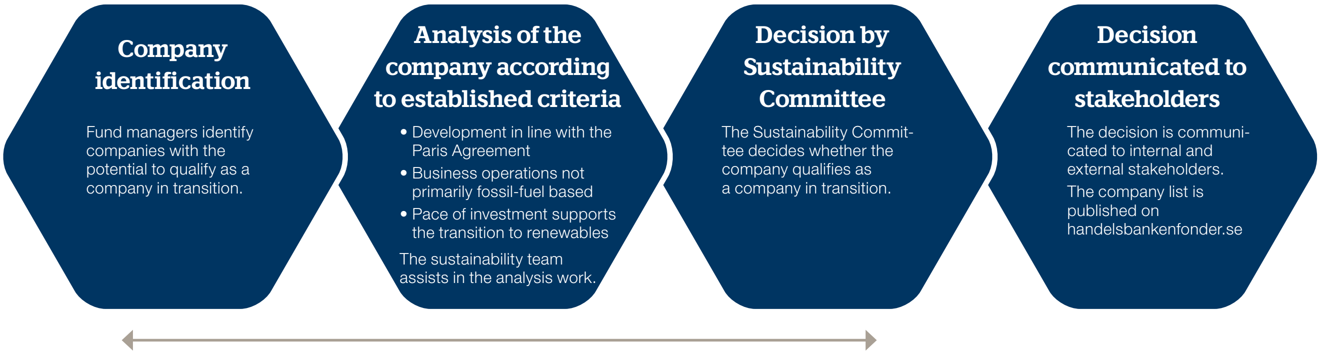
Voting at shareholders' meetings



Reporting of class actions

Year	Total compensation in USD	Number of settlements
2021	379,507	25
2020	879,456	13
2019	3,760,000	8
2018	18,717	4
2017	48,559	2

Companies in transition – decision-making process



Ongoing analysis and checks that the company meets criteria. Ongoing updates of this follow-up to the Sustainable Committee.

climate risks, and to how the company will contribute to achieving the goal of the Paris Agreement. We have also seen that the pandemic and matters relating to social justice have increased demands for more data on how HR matters are managed, such as pay differentials, career opportunities and security incidents. For US companies, issues touching on human rights and, above all, diversity have been in sharp focus.

Incentive programmes

It is increasingly common that companies wish to set up equity-related incentive programmes for senior management. In general, we are positive to management having the same incentives as other shareholders, but see it as important that such programmes are transparent about targets and their fulfilment, and remuneration levels. Together with other institutional owners, we demand a certain level of transparency in the design of these programmes, and have, as part of the Institutionella Ägares Förening – IÄF (Institutional Owners Association for Regulatory Issues in the Stock Market), prepared a document with guidelines for how these programmes should be presented. We receive many enquiries from companies about these programmes before they are presented at the shareholders' meeting, and have detailed discussions about them. Before the 2021 meetings, we had 15 discussions on this subject. In addition, we analysed several other incentive programmes prior to a vote.

Disputes and settlements

It happens that companies we have invested in breach regulations in some way, such as marketplace rules or related to corruption. Such violations may result in legal proceedings being brought against the company, often as a class action. These are often resolved through a settlement, with the company being compelled to compensate shareholders for losses incurred. Settlements may also include demands, for example in the form of changes to the board of directors, new or amended internal rules, or control activities. In order for Handelsbanken Fonder to safeguard the rights of the fund unit holders in such proceedings, we engage two law firms to monitor the companies' actions and future processes. In 2021, our funds received USD 379,507 in class actions in the USA. This amount came from 25 different settlements and accrued to 27 of our funds.

Index funds aligned with the Paris Agreement

In 2021, seven of our index funds changed to Paris-aligned Benchmarks (PAB). At year-end, total assets managed in these funds were SEK 99.5 billion, corresponding to 10.9 per cent of our managed assets. Following this change, our funds can serve as a tool for investors and savers looking to reduce the carbon footprint of their funds and to align their saving activities with the Paris Agreement. Changing index is part of our work towards the goal of a 50 per cent reduction of our portfolios' emission intensity by 2030, and a key milestone on the way to net-zero emissions.

Investing in companies in transition

We see investment potential in companies transitioning their operations from fossil-fuel-based energy production to renewable energy. By investing in companies making efforts to transition their energy production, we can transfer capital from fossil fuels to renewable energy. We are convinced that these will be the successful companies of the future. Consequently, we accept a certain amount of exposure to the fossil fuel sector if a company meets our requirements to qualify as a company in transition. This applies to most of our funds, and relates to companies in power generation, transmission and distribution of electricity.

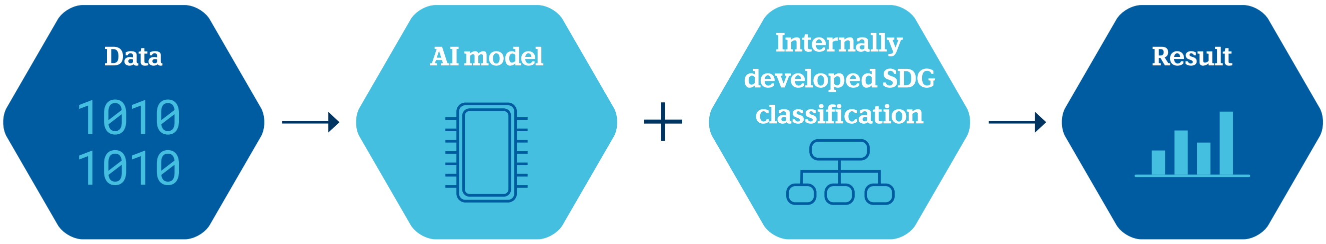
Handelsbanken Fonder's sustainability committee decides whether a company meets the requirements established for qualification as a company in transition. Thus far, 18 companies have been approved, meaning that our actively managed equity funds and fixed-income funds, actively managed allocation funds and some of our passively managed funds can invest in these companies. The index funds that track Paris-aligned Benchmarks are also able to invest in companies in transition. However, the decision in this case is not made by the fund company's sustainability committee, but rather is based in clear quantitative rules tied to the index methodology. At present, three companies are approved for investment by these funds.

Read more about our requirements for companies in transition at handelsbankenfonder.se.

Sustainable bonds

The range of sustainable bonds available in the bond market is growing. Our active fixed-income management carefully monitors this development, and is a major investor in green, sustainable and social bonds. We have also invested in sustainability-linked bonds. These bonds facilitate the responsible financing of a company's transition, using predefined sustainability targets that the company is required to

Handelsbanken SDG Solutions Model



Analysis of text in annual reports and sustainability reports. Material structured digitally.

Breakdown of income between products and services. Grouping in product clusters.

Product and services classified relative to interim targets of the 2030 Agenda.

The result illustrates what proportion of a company's turnover derives from products and services that contribute to the 2030 Agenda. With the help of portfolio weightings for the respective companies, a result is aggregated for the fund.

meet, together with the ongoing reporting of its progress. At the end of 2021, holdings of green, sustainable and social bonds amounted to SEK 48 billion.

Nordic Swan Ecolabelled mutual funds

In May, two more of our funds, Handelsbanken Global Tema and Handelsbanken Tillväxtmarknad Tema, became eligible to use the Nordic Swan Ecolabel. Our sustainability aims and efforts permeate all of our fund management, and the Nordic Swan Ecolabel represents an external confirmation of this for these funds. The Nordic Swan Ecolabel is an official ecolabel in the Nordic countries intended to guide consumers to good environmental choices.

An ecolabelled mutual fund means that 25 mandatory requirements regarding inclusion, exclusion, engagement and transparency must be fulfilled. The mutual funds must exclude sectors where there is a high risk of negative impact on our environment, for example through fossil fuels, uranium, tobacco or controversial weapons. The ecolabel also means that the fund manager uses the capital and holdings to influence companies to move in a more sustainable direction. We now offer 10 Nordic Swan Ecolabelled mutual funds with a sum total of SEK 137 billion, equivalent to 15.1 per cent of total assets under management. Read more at svanen.se/en/funds/save-in-funds.

Handelsbanken SDG Solutions Model

Based on the 169 targets in the Sustainable Development Goals, the model analyses companies' products and services, and the markets where the company operates. The analysis shows how much of the companies income comes from solutions related to the relevant goal. When these are totalled, and overall result is attained as regards the proportion of the turnover from the funds' holdings that derives from products and services contributing to the 2030 Agenda. The model was developed by Handelsbanken Fonder, in collaboration with researchers from Stockholm School of Economics, and is based on AI machine learning.

A first version of the Handelsbanken SDG Solutions Model for customers was launched in late 2020, and is available at handelsbanken.se/sdg-modellen.

In 2021, we have worked to harmonise the model with the regulations arising from the EU's work to promote sustainability in asset management. We will continue to develop and refine the model on an ongoing basis, both for use in our own asset management and to simplify for our customers to evaluate funds from a sustainability perspective.

Climate reporting

Development work is continuously under way within Handelsbanken Fonder to analyse and integrate climate-related aspects into our investment processes. In June 2021, we published our third climate report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The report covers the year 2020.

Through the recommendations of the TCFD, we gain guidelines on how to report the evaluation and pricing of climate-related risks and opportunities.

In the climate report, we presented quantitative interim targets for the first time, detailing what we want to achieve by 2030 – a 50 per cent reduction of our emission intensity, and a doubling of the proportion of investments going into climate-related solutions. The climate report, with its associated stress tests and strategies, also showed that:

- for the third year in a row, the fund company's total greenhouse gas intensity decreased (2020 compared with 2019)
- we are better at harnessing climate-related opportunities thanks to our work investing in energy sector companies in transition
- there is resiliance in the portfolios in the different scenarios.

EU action plan on sustainable finance

To ensure that the targets of the Paris Agreement are met and to contribute to sustainable development, the EU has issued the Action Plan on Financing Sustainable Growth. The action plan includes several measures intended to re-allocate capital towards sustainable investments, to better integrate sustainability factors in risk management, and to promote transparency and a long-term approach. In 2021, the following parts of the EU's action plan have been in focus for Handelsbanken Fonder:

Development of sustainable indexes

The EU's action plan entails enhanced requirements on index suppliers to clearly, publicly report sustainability factors linked to the index. Two types of climate indexes have been launched, the EU Climate Transition Benchmark and the EU Paris-aligned Benchmark. The latter of these has resulted in an entirely new framework and common standard for an index, where companies are selected and weighted such that the index portfolio's greenhouse gas emissions are aligned with the Paris Agreement's climate goal.

At year-end, seven of our index funds tracked a Paris-aligned Benchmark index.

EU taxonomy

The EU taxonomy is a tool for classifying which financial and economic activities are environmentally sustainable. The purpose is to ensure that companies, the financial sector and decision-makers work according to the same guidelines when considering which economic activities are environmentally sustainable. The framework does not cover all financial and economic activities, but rather focuses on the sectors that account for around 94 per cent of the EU's greenhouse gas emissions. During the year, we have carried out preliminary analyses of our funds' exposure to the economic activities seen as environmentally sustainable under the regulations. We also participate in sector-wide networks, in order to ensure that we correctly interpret and implement the taxonomy.

Sustainable Finance Disclosure Regulation, SFDR

With the implementation of the Sustainable Finance Disclosure Regulation, SFDR, in the financial services sector on 10 March 2021, the EU aims to make it easier for consumers to compare financial products and make well-founded investment decisions. On the basis of the new regulations, our funds are classified as follows:

The fund has sustainable investments or a reduction of carbon emissions as its objective

The funds that have sustainable investments as a goal invest in companies whose products and services are deemed to have a direct positive contribution to achieving one or more of the interim targets of the 2030 Agenda. For the funds that have a reduction of carbon emissions as a goal, this means that the fund's objective is to achieve a low exposure to carbon dioxide, with the aim of contributing to the long-term global warming target of the Paris Agreement. These funds track the EU Paris-aligned Benchmarks.

Ten of our funds are classified as Article 9 funds, with total assets under management of SEK 150.7 billion.

The fund promotes environmental and social characteristics

The fund promotes environmental and social characteristics through its investments, but does not have sustainable investments as an objective. This means that the fund considers the environment and climate, as well as human rights, workers' rights and non-discrimination. 82 of our funds are classified as Article 8 funds, with total assets under management of SEK 748.3 billion.

Sustainability risks are integrated into investment decisions

Sustainability risks are integrated into investment decisions, without the fund promoting environmental and social characteristics, or having sustainable investments as its objective. Sustainability risks are primarily managed through engagement work, in the form of dialogues and active corporate governance.

Three of our funds are classified as this type of Article 6 fund, with total assets under management of SEK 3.1 billion.

Sustainability risks are not integrated into investment decisions

Due to the fund's investment strategy, sustainability risks are not integrated into investment decisions. Examples of such funds are those that invest only in derivatives, treasury bills, liquid funds or fixed-income securities issued by the Swedish government.

Six of our funds are classified as this type of Article 6 fund, with total assets under management of SEK 5.9 billion.

Selected awards

- Handelsbanken Asset Management came in first place in the "External Asset Manager" category in Kantar SIFO Prospera's 2021 survey for the third consecutive year.
- The rating company Lipper named four of our funds top of their respective categories during the year. These were Hälsovård Tema, Sverige Tema, Stiftelsefonden and Kapitalförvaltning 75.
- At the international 'Citywire Gender Diversity Awards 2021': Handelsbanken Fonder took home the award 'Best AUM split' in the 20 to 50 fund managers category. Handelsbanken currently has eight female fund managers and team leaders, who are together responsible for approximately half of the more than SEK 900 billion managed by the fund company.

Looking forward

In 2022, we will focus strongly on engagement work. This will include conducting dialogues with the largest emitters we are invested in, continue working to develop our efforts to uphold human rights. We will also focus on further adaptations to the EU's sustainability regulations.

HANDELSBANKEN LIV

Handelsbanken Liv is Handelsbanken's life insurance company and a wholly owned subsidiary, and is represented at all of the Bank's Swedish branches. Handelsbanken has decided to discontinue its operations in Finland and Denmark, meaning that the business in SHB Liv Försäkrings AB and in the Finland branches will eventually cease. Handelsbanken Liv has also entered into an agreement to transfer the insurance portfolios in Norway to another insurance company, meaning that the operations in Norway will be discontinued in 2022.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

Sustainability work at Handelsbanken Liv is integrated into the company's processes and governance model. With Product Oversight Governance (POG), sustainability must be taken into consideration in both product development and in an annual evaluation of the insurance products' target groups, sustainability preferences and product attributes. This work is undertaken by Handelsbanken Liv's product committee, which convenes on at least a quarterly basis. The committee includes members of senior management, who make recommendations on matters to be decided on by the Chief Executive. The product committee has two subcommittees, a fund selection committee that handles the selection and evaluation of funds and fund companies that can be chosen within unit-linked insurance, and an investment committee that deals with investments within the framework of traditional insurance. Each committee follows guidelines that stipulates the direction of its work and defines the process for investment decisions, as well as how sustainability risks are integrated into these decisions.

Handelsbanken Liv also has a co-ordinated climate team, working on environmental and climate-related issues. In 2021, the climate team received training in transfer pricing with regards to carbon dioxide, with the aim of developing governance models to factor in price mechanisms for transition work relating to the operations' direct or indirect climate impact.

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

SUSTAINABILITY GOALS

Handelsbanken Liv has adopted new sustainability goals for its insurance operations. The new sustainability ambitions include ESG goals aiming to contribute to sustainable development and a healthier future, for both coming generations and the planet.

Investments for a climate-neutral future

The overarching climate goal is net-zero emissions of greenhouse gases from the investment portfolio as soon as possible, and by 2040 at the latest. Interim targets to be achieved by 2025 at the latest are

- reduce the environmental impact of own operations by 25 per cent
- increase the range of funds with climate-related and environmental solutions by 15 per cent
- only offer funds that exclude fossil fuels.

Gender-equal pensions

Within the social aspects of sustainability, there is a focus on gender-equal pensions. Our goal is to ensure long-term financial security for all of our customers, and in particular to contribute to a reduced income disparity between men and women upon retirement. Interim targets to be achieved by 2025 for achieving financial independence through gender-equal pensions are

- reduce the pension gap between men and women through business development and training initiatives in gender-equal pensions.
- reduce financial inequality by improving access to financial services
- increase knowledge of gender equality throughout the operations, at both company-wide and individual unit level.

The interim targets are also in line with Handelsbanken's goal for its advisory services – by 2023 at the latest, through business development and training initiatives, in a measurable way create conditions for gender-equal savings and thus contribute to reducing the wealth gap between men and women.

Sustainable purchases and external fund managers

Handelsbanken Liv's sustainability goal for business ethics principles aims to evaluate suppliers and partners and to set requirements in terms of sustainability factors. This is intended to ensure that both purchases and asset management are undertaken on a sustainable basis. As soon as possible, and by 2025 at the latest, we will ensure that external fund managers, whose funds we offer in our insurance solutions, actively work to achieve the climate goal of the Paris Agreement, and contribute to investments that support the 2030 Agenda. Interim targets in this area, to be achieved by 2025, are

- the operations' purchases and outsourcing are sustainable
- exclusively offer funds from suppliers committed to the Paris Agreement
- exclusively offer funds from suppliers that actively contribute to the 2030 Agenda.

A responsible offering

Developing the range of funds to meet stricter sustainability requirements continued in 2021, through the insurance company's adoption of new sustainability criteria, with enhanced exclusion criteria in the selection and evaluation of funds and fund management companies. At year-end, the proportion of funds that excluded fossil fuels had risen to 100 (91) per cent, implying that the entire range of funds now excludes oil, gas and coal. Exemptions can be made for companies in transition for which a minor proportion of the operations relates to fossil energy extraction, on the condition that the company has documented plans for a transition in line with the Paris Agreement. This allows customers with unit-linked insurance in Handelsbanken Liv to actively direct financial flows towards companies in transition. Funds that do not meet Handelsbanken Liv's sustainability criteria are excluded and new funds with a sustainability approach are included, thus boosting the sustainability focus of our offering.

For example, a number of alternative funds which invest in sustainable development were added to the offering in 2021. The amount of green bonds in traditionally managed insurance was around SEK 1.3 billion (1.1) at year-end. Both equity funds and fixed income funds in the portfolio focus on holdings that exclude controversial sectors such as fossil fuels.

Process for fund evaluation

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

Fundamental sustainability criteria

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

- Support the UN Principles for Responsible Investment (PRI). This means that they consider ESG aspects in their investment analyses and decision-making processes, are active owners and include sustainability factors in owner policies and processes, and report on how the work is carried out and developed.
- Support the UN Global Compact. This means that they implement the ten principles of the Global Compact in their operations, relating to human rights, working conditions, the environment and anti-corruption, and that they impose the corresponding demands on the companies they invest in.
- Strive to invest in companies and projects that support the Sustainable Development Goals.
- Have adopted policies and/or principles for systematic sustainability work.
- Integrate sustainability risks in the investment process and consider the main negative consequences of the investment decision on sustainability factors.
- Exclude investments in companies engaged in controversial operations, such as alcohol, tobacco, cannabis, commercial gambling, weapons and military equipment, and pornography. Also exclude prohibited weapons, nuclear weapons and violators of international norms.

Stricter environmental criteria

Implementation of the stricter fund selection criteria for fossil fuels was completed in 2021, well in advance of the original target of 2025. This will ensure that the assets under management focus on investments that contribute to a carbon-neutral society. Other than the basic sustainability criteria, there are specific environmental and climate-related criteria for funds and fund companies. Like Handelsbanken Liv they shall

- take into account the environment and climate change in their operations and actively pursue a transition in line with the climate goal of the Paris Agreement, with scientifically based climate targets wherever possible.

- systematically work to reduce their negative environmental impact and achieve transparent reporting. It must be possible to report the carbon footprint of the asset portfolio.
- exclude investments in companies with extensive operations in production and/or distribution linked to extraction of fossil fuels or fossil-fuel based energy generation (oil, coal, gas). This principle can be overridden for companies that are involved in power generation and are in the process of transitioning their operations from energy production based on fossil fuels to renewable sources.

The guidelines have been clarified during the year, establishing zero tolerance for investments in companies with operations relating to Arctic oil drilling, oil sand extraction and coal mining, which often have a major negative impact on the environment and biodiversity.

Climate-related financial disclosures

In 2021, Handelsbanken Liv published its third annual climate report in accordance with the TCFD recommendations. The report is available on handelsbankenliv.se and shows, among other things, that Handelsbanken Liv has reduced its carbon footprint, expressed as an emission intensity weighted average (CO_2e/SEK m), as well as its exposure to climate-relevant sectors in the equity portfolio.

When the UN's IPCC climate panel published its latest climate report, this contained undeniable scientific evidence of a connection between human emissions of greenhouse gases and the increase in the global average temperature. The report also establishes the gravity of the situation, and describes how we will experience major changes to the climate – as well as how the prevailing trends would risk missing the Paris Agreement's 1.5 degree goal as soon as within 10–20 years. If the goals in the Paris Agreement are to be met, capital must be redirected towards investments that support sustainable development. As a major provider of financial services, Handelsbanken Liv has a role to play in the realisation of the Paris Agreement and the transition to a sustainable economy.

The purpose of the climate report is to inform stakeholders about our climate change efforts, our exposure to climate-related risks and opportunities, and our future work. The report describes the ongoing efforts to systematically integrate sustainability and climate aspects in the governance, strategy, risk management and metrics and targets of the insurance operations' investment portfolios. Handelsbanken Liv intends to be part of the solution and collaborates in sector-wide initiatives to identify methods and tools that will contribute to aligning its investments with the climate goals of the Paris Agreement.

Sustainability-related regulations

Handelsbanken Liv is making preparations for forthcoming regulations, the implementation of the second level of the Sustainable Finance Disclosure Regulation (SFDR), and the EU taxonomy. The impact on operations was analysed during the year and work is in progress to meet the disclosure requirements in policies, product information, on the website and in reports. New sustainability criteria have also been adopted for the offering of funds to ensure that sustainability risks and negative consequences for sustainable development are integrated in the investment process for the insurance offering.

SELECTION OF EVENTS IN 2021

Nordic Swan Ecolabelled occupational pension

Handelsbanken Liv was first in Sweden to receive a licence for a Nordic Swan Ecolabelled occupational pension entry solution. In November 2021, Handelsbanken Liv received certification of the licence from Miljömärkning Sverige, the company responsible for the Nordic Swan Ecolabel. The launch date is yet to be decided, but the licence is an important first step in the development process.

An entry solution is a preselected investment solution for customers who do not wish to make an active choice of funds within their occupational pension. If a customer does not actively choose, premiums or transferred capital are placed in an entry solution, where the insurance company selects the funds on behalf of the customer. The entry solution also usually reduces the level of risk with the advancement of age, with the proportion of equity funds decreasing as the retirement age approaches.

The Nordic Swan Ecolabel refers to the management of the premiums. The equity part is invested in Nordic Swan Ecolabelled funds, while the interest part is invested in a long-term fixed-income fund that also meets all sustainability requirements. Nordic Swan Ecolabelled funds and investment solutions must exclude certain industries and companies considered particularly problematic, perform a thorough sustainability analysis and engage in active engagement work to contribute to a positive development of the sustainability work at the companies the fund invests in. Read more at svanen.se/en/funds/save-in-funds.

Anna's Gender Equality Award

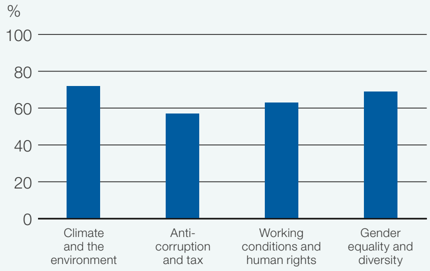
In 2021 Handelsbanken Liv launched a Gender-equal pensions initiative, which aims to reduce the wealth gap between men and women when they reach retirement age. A new website was launched, featuring checklists, videos and guides for customers and an e-learning course for Handelsbanken's advisors was developed.

For its work, Handelsbanken Liv was awarded 'Anna's Gender Equality Award' for 2021 by the Central Diversity and Gender Equality Committee of Finansförbundet (the Financial Sector Union of Sweden) and BAO. The award is given out every year for important endeavours within gender equality and diversity in the financial sector.

Customer satisfaction

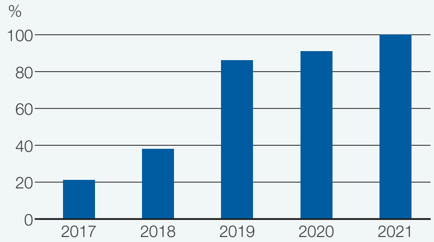
Handelsbanken Liv has had satisfied customers for many years, among both private individuals and corporates. According to the 2021 Swedish

Most important sustainability issue for pension savers in Handelsbanken Liv



Source: SKI Insurance 2021

Proportion of funds at Handelsbanken Liv that exclude fossil fuels [1]



[1] According to the Swedish Investment Fund Association's definition of exclusion, no more than 5% of turnover in the company where the investment is made may derive from excluded operations. An exemption from the principle of excluding fossil fuels is possible for investments in companies in transition. For further information, refer to the respective fund's prospectus.

Quality Index (SKI) survey, corporate customers rank Handelsbanken Liv highly in regards to 'looking after their customers'. Handelsbanken Liv also performed well overall in the Image category, in which customers rate how uncomplicated it is to be a customer, how the insurance company takes social responsibility and its reliability. Handelsbanken Liv's customers also have the market's highest expectations in regards to products and services from their insurance company, according to SKI.

Improved sustainability rating

In the Responsible Ownership survey by Max Matthiessen, Handelsbanken Liv was ranked highest of the major banks in unit-linked insurance. Handelsbanken Liv was the only company to improve its sustainability rating from Söderberg & Partners, achieving a green rating for its unit-linked insurance. The rated areas are the fund selection process, range of funds and information and guidance online.

Tobacco Free Portfolios

Handelsbanken Liv decided to sign up to the UN initiative, Tobacco Free Portfolios, during the year. The initiative gathers over 170 asset managers and fund companies across the globe, representing more than SEK 100,000 billion in assets under management. The tobacco industry contradicts all of the Sustainable Development Goals, with tobacco production being closely linked to negative environmental effects such as deforestation, the usage of pesticides and toxic products, crimes against human rights, health problems and child labour. Handelsbanken Liv has thus enhanced the exclusion criteria for the company's fund selection committee, in line with the initiative's vision of a tobacco-free world.

Increased digitalisation to reduce paper copies

During the year Handelsbanken Liv has continued on its digitalisation journey, with the aim of making it easier to be a customer. Reductions continue to the volume of direct physical mailings and the use of printed forms. During 2021, the functionality for digitally processing the company's occupational pensions has been improved. One example is when processing changes to salaries within occupational pension plans, where digitalisation has resulted in a reduction of CO_2e through decreased paper usage.

Looking forward

In 2022, we will continue to develop the Gender-equal pensions initiative. Our adopted fund strategy will entail a wider offering of funds, with an increased selection focusing on climate-related solutions. In addition, the launch of the new Nordic Swan Ecolabelled entry solution for occupational pensions is planned. The work to implement the EU's sustainability regulations and to increase transparency will continue in 2022. Handelsbanken Liv also intends to expand its engagement work together with other industry operators, as well as its participation in investor networks and international initiatives on sustainable insurance.

OPTIMIX

Optimix Vermogensbeheer NV is a Dutch wealth management firm and a wholly-owned subsidiary of Handelsbanken. Optimix operates under its own, separate brand, and is responsible for all asset management operations undertaken on behalf of Handelsbanken's customers in the Netherlands.

Optimix strives to find the optimal balance between sustainable development and returns on the assets we invest in.

To reduce our exposure to sustainability risks, we avoid companies involved in controversial operations. This applies across the board to all Optimix's funds and investment mandates. We exclude companies in which criteria relating to the environment, human rights, working conditions and anti-corruption are not respected. We are signatory to the UN Principles for Responsible Investment (UN PRI) and manage our investments in accordance with these principles, as well as in accordance with the UN's Global Compact.

However, our sustainability mandates extend further than the exclusion of companies. As well as excluding companies associated with high sustainability risks, we also invest in companies that outperform their competitors in various sustainability criteria. We invest in companies whose products and services contribute to the SDGs, and the transition to a net-zero emissions economy.

Optimix established sustainable mandates in 2018. Our customers value our focus on managing and developing sustainable portfolios. We have seen strong incoming flows, and as of year-end 2021 our managed assets in sustainable mandates amounted to EUR 228 million. In March 2021, all of our funds and strategies were classified as article 8 (light green) according to the Sustainable Finance Disclosure Regulation. The managed capital in our six article 8 funds as of year-end 2021 amounted to EUR 584 million. In order to further bolster the work towards our sustainability goals, we have expanded our ESG committee by three people, meaning that the committee now comprises five members.

HANDELSBANKEN WEALTH & ASSET MANAGEMENT

Handelsbanken Wealth & Asset Management Limited (formerly Heartwood Wealth Management Limited) is a subsidiary of Handelsbanken and is responsible for asset management operations on behalf of Handelsbanken's customers in the UK. The company operates under two separate trademarks: Handelsbanken Wealth Management and Handelsbanken Asset Management.

Handelsbanken Wealth & Asset Management has seen strong growth in its four sustainable Multi Asset funds in the past year. The funds were launched in 2019 and aim to incentivise better environmental, social and governance choices and behaviour from companies and authorities.

The future prospects look good for sustainable assets, as governments the world over have committed to creating "greener" economies, which will necessitate political and regulatory changes, as well as high levels of engagement from the private sector. At the same time, general awareness of the issues involved has developed for the better, and consumer behaviour has evolved.

Since they were launched in 2019, the sustainable funds have grown to comprise GBP 400 million in managed assets, corresponding to approximately 10 per cent of Handelsbanken Wealth & Asset Management's fund capital. We expect continued growth of the assets under management in our sustainable funds as investors continue to increasingly gravitate towards more sustainable solutions.

Responsible advisory services

By 2023, through business development and training initiatives, in a measurable way create conditions for gender-equal savings.

Our customers' confidence in us lays the ground for Handelsbanken's successes. This confidence is earned by acting responsibly when meeting customers and giving advice on for example mortgage loans, day-to-day finances, corporate finance and investments.

FINANCIAL ADVISORY SERVICES

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

The information the Bank provides to customers must be clear, factual and easy to understand, and the terms and conditions for the Bank's services must be clear and not changed arbitrarily. When providing investment advice, we adapt the proposal to the customer's goals, interests, savings horizon and attitude to risk. We consider it essential for the customer to understand the risk associated with each type of financial instrument and also to have the knowledge and experience needed to invest in the product or service selected. In this year's customer survey by Swedish Quality Index on savings, 46 per cent of the Bank's customers responded that the risk level in their long-term savings has been the same since the beginning, while almost one in five, 17 per cent, is interested in receiving advice on risks and opportunities linked to investments. In our investment advisory meetings, we also discuss the customer's sustainability preferences, and inform the customer about Handelsbanken's sustainability work.

The regulations for financial advisory services and insurance mediation require that all employees who provide customers with advice concerning investments and insurance have relevant, up-to-date skills. The Bank has broad expertise in this area and complies with the regulatory requirements from the EU and local supervisory authorities in all of the markets where the Bank offers advisory services. Handelsbanken has more than 4,000 employees licensed to provide investment advice, such as the SwedSec licence for Advisory services on financial instruments. These employees are required to complete a refresher course every year to maintain their licence. Employees who provide investment advice as part of their day-to-day work are also required to attain Handelsbanken's basic certification for advisors.

Development of the product offering

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

Equity research

Sustainability analyses is a prioritised area in our strategy for the global equity research department. As part of our work to integrate sustainability issues into the research process, we collect sustainability data and KPIs in a sustainability database, which is accessible to our customers, and we integrate graphs/tables of sustainability data into all of our reports. Moreover, we require all our analysts to do sustainability analyses of the listed Nordic companies we cover. This is on top of other in-depth reports from our sustainability analysts, who had published 23 detailed reports with comments on various sustainability topics by the end of December 2021, which is 44 per cent more than during the whole of 2020. Nonetheless, the focus remains on quality over quantity.

Ongoing dialogues with the companies we cover is an important part of our sustainability work and analysis. The EU taxonomy, physical climate risks and biodiversity were some of the focus area in 2021. During 2020 and 2021, we also published reports at six-monthly intervals, to support the Bank in its corporate business by looking at sustainability issues in different sectors. We also contributed articles on the topic of sustainability to the Bank's Real Estate Report.

Our goal is that the analysis of key sustainability issues becomes a natural part of our equity research, thus we are working to improve expertise in these matters among all employees in the equity research department. As a means to raise the level of competency in this area, the sustainability analysts at the Bank's research department has also organised and participated in joint training courses for all of Handelsbanken Capital Markets during autumn 2021, with internal and external speakers focusing on sustainability.

Value-creating advisory services

Developing our advisory services with the help of digital technology in product offerings and meeting places is not just a matter of strengthening our offering to individual customers. It is also a critical aspect for how we take responsibility for acting sustainably in the long term. By always strengthening our advisory services and making them more accessible, we increase the chances of our customers being able to make relevant "green" choices, helping to achieve our goal of climate neutrality in our financing and investment operations by 2040. These developments may refer to quickly being able to offer meetings with sustainability experts, developing advisory tools and training, or developing products such as green loans and green mortgage loans.

In 2021, approximately 20 per cent of our advisory meetings on financial instruments, risk management, funds and insurance took place on line, with customers meeting a local advisor or a specialist over the internet. We are constantly developing the support available to both customers and advisors, to strengthen the advisory services provided and the business as a whole. During the first quarter of 2021, we improved the information about funds provided on our websites, as well as launching more ways to integrate the sustainability perspective into savings. Digital signature options are being developed continuously. The effects of an increased number of customer meetings are many. Continuously, in the customer surveys we carry out with SKI, among others, we see strong results compared to the rest of the sector in terms of overall impression, engagement and advice in customer meetings.

According to the customer surveys undertaken by SKI on our behalf in 2021, customers in the 18–29 age group are the most satisfied with their advisory services within savings and pensions. This target group, to a large degree, uses the digital advisory services such as the Pension guide, Savings Guide and My Finances.

Our advisory meetings, and the interaction between branches and remote advisory meetings, play a significant role in the transfer of pension savings. We can see that access to branches is strengthened by the option to contact a pension specialist when potentially transferring an existing individual occupational pension or private pension. In 2021, 15 selected branches in Sweden took part in a pilot project, whereby customers in the 45–60 age group were offered the opportunity to consolidate their pensions digitally, and to receive telephone advice. This is in line with our ambition, on the basis of our relationship and the customers' needs, to be even more proactive and to also give our customers tips and advice in the digital sphere, with their current life situation as the starting point.

FORESTRY AND FARMING ADVISORY SERVICES

Focus – Forestry and farming

Forests play a significant role in the health of the climate and in natural biodiversity.

Handelsbanken has a comprehensive offering to customers who own forest land or agricultural property in Sweden. We have a high level of sector expertise in the Forestry and farming business area, as our employees have backgrounds stretching from forest management, forestry and agronomy to business administration and law. We also co-operate closely with other advisory companies within, for example, corporate law, siviculture and tax-related matters.

Sustainability issues have been long been highly relevant to forestry and farming companies, as these matters often have a direct effect on the profitability of their operations. For private forest owners, production targets and environmental goals have correlated since the early 1990s, while for farming companies new technologies, growing techniques and advisory services have improved efficiency in the use of input goods, reducing the environmental impact.

During the year, the Bank has implemented several initiatives in this business area, to sharpen our focus on sustainability work. As part of a training project aiming to improve our advisors' competency within sustainability, we have held a number of one-on-one customer meetings to discuss sustainability issues. We have noted that these are characterised by mutual learning and interaction, which has been seen as positive and productive, as these matters are hugely important to this customer group's day-to-day business.

In tandem with this increased interest, alongside activities with the local branches, we have also carried out many broad communications initiatives directed at our Swedish customers, such as the nationwide digital broadcasts of "Studio Forestry and Farming" and "Sector research forestry", and spoken at the Nordic Council of Ministers official body for intergovernmental co-operation on forestry issues (SNS) about how the EU taxonomy will affect forest owners from a banking perspective.

GENDER-EQUAL ADVISORY SERVICES

During the year, Handelsbanken has adopted a sustainability goal for its gender-equal advisory services, by 2023 at the latest, through business development and training initiatives, in a measurable way create conditions for gender-equal savings and thus contribute to reducing the wealth gap between men and women. In doing so, Handelsbanken will contribute to SDG 5, Gender equality, by improving the accessibility of financial services to more people, and increasing women's financial independence. Moreover, this will increase our customers' financial stability throughout their lives.

Our impact

Handelsbanken's operations should contribute to all customers, regardless of gender, being offered advisory services that aim to ensure long-term financial stability. During the year, we carried out internal analysis regarding our digital guides for advisory services and savings. The results indicate that women are overrepresented in terms of the number of advisory meetings at branches. In the advisory services that aim to give customers savings goals for their pensions and asset management, medium risk is the most common risk profile among both women and men. However, more men than women choose savings that have the potential for a higher expected return at a higher level of risk. The gap between men's and women's savings arises primarily due to causes unrelated to our advisory services, such as the labour market. Lower salaries and part-time work affect disposable income, leaving less scope for savings. In order to ensure that our advisory services go some way towards reducing the wealth gap between women's and men's savings, multiple initiatives were started in 2021:

- **Gender-equal pensions** – Training and tools to increase awareness regarding how choices someone makes during their working life will affect their pension.
- **Gender-equal savings** – Information and launch of a website to raise awareness of risk in long-term savings.
- **Gender-equal security** – Review of regulations for risk insurance. Removal of requirement for updated health declaration when increasing working hours.

Business intelligence and impact analysis

Between 40 and 50 per cent of our private customers – depending on the market – are female. It is important to us that we can provide the tools to reduce the financial disparity between women and men. Statistics from Eurostat – "Gender pay gap among all employees in 2019" shows that the pay gap between men and women in the markets where Handelsbanken operates was between 12 per cent (Sweden) and 17 per cent (UK) in 2019. An OECD report from 2020 shows that the pension gap between women and men (lower average pension, expressed as a percentage, for women compared with the corresponding figure for men at 65 years of age) in the same markets was just over 40 per cent (the Netherlands) and under 10 per cent (Denmark). Lower wages result in smaller pensions, but also in a reduction to the individual's capacity to save, and thus improve their future pension. Lower wages and savings also affect women's chances in general to achieve independence at various stages of their lives, such as in the event of a divorce or the death of their partner. We have identified an important opportunity to increase positive effects and reduce negative effects with regard to Sustainable Development Goal 5.

Customer surveys

This year's survey by Swedish Quality Index on savings shows that few respondents use their own savings to compensate for the shortfall in their pension arising from part-time work and parental leave. Just over one in 10, 11 per cent, state that they have extra savings to compensate for choices made during their working life that adversely affect their pension. The survey also indicates that 25 per cent would like to resolve this issue, or to receive advice on compensation savings. There is a substantial amount of interest among the savers questioned, but very few have taken action to make up the shortfall in their pension.

Training to improve knowledge and expertise

The Bank's advisors are central to our ability to fulfil customers' needs with regard to financial services. We therefore have a substantial focus on strengthening our advisors' capacity to help customers make well-informed decisions in their savings. In order to boost our employees' expertise as to how choices made in savings impact financial equality, a tailored training course was launched during the year for advisors in dialogue with customers. The course has been completed by 41 per cent of the Bank's 1,820 active advisors in Sweden with both a SwedSec licence and Handelsbanken's basic certification for advisors.

Gender-equal pensions initiative

On International Women's Day, 8 March 2021, the Gender-equal pensions initiative was launched, which aims to raise awareness about how choices made during a person's working life can affect their pension. Income differences during their working years may be reinforced even further when their pension is paid out. Therefore, gender-equal pensions is one of our prioritised areas. The issue affects many, and thousands of customers have already seen the message. We are convinced that knowledge can make a difference, and we want our customers to make informed choices. For its work with the Gender-equal pensions initiative, Handelsbanken Liv was awarded Anna's Gender Equality Award in 2021. The prize is awarded each year by Finansförbundet and BAO.

Continued work on financial equality

We intend to continue developing our advisory tools in the coming years, to ensure that support is integrated into the customer meeting for all advisors. We also see that more tools to visualise the savings gap can increase awareness about how certain choices can affects savings and pensions. Continuous improvements to our knowledge and competency in the area are also a high priority.

CUSTOMER SATISFACTION

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

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

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

In a digitalised world, the ability to create the sense of a genuine personal connection is increasingly important, and human relationships play a critical role in customer satisfaction at Handelsbanken. During the pandemic, digital tools for meetings and co-operation have quickly become the new normal for both customers and employees, and customers' behaviour and preferences have consequently changed. Surveys show that the Bank's digital services continue to be highly rated and that our customers feel they have a personal contact with the Bank. Surveys also show that Handelsbanken is seen as a reliable brand, and that we have been able to maintain high levels of service and close personal relationships into the second year of the pandemic.

This year's surveys show that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all six of the markets in which the Bank had branch operations in 2021.

Managing customer complaints

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

Accessibility

In our digital meeting places, good service means that the Bank strives to provide all customers – even those with a disability or language difficulty, for example – with the same opportunities to access information and services. Accessible information is easy to read, hear, see and understand whether provided in print, by telephone, online or in videos or meetings.

Accessibility is a cornerstone in all our development work. Our work is based on internationally recognised standards, as well as our own guidelines. Our membership in the International

Association of Accessibility Professionals (IAAP) enables us to expand our knowledge and create even better conditions for everyone who visits our digital meeting places. We also see that this membership provides opportunities to share our own experience with work for increased accessibility.

We have also contributed resources to the Swedish government's committee review (SOU 2021:44) on the implementation of the EU Accessibility Directive into Swedish law, to transfer the expertise we have on digital accessibility and consumer banking services.

Closer to the customer

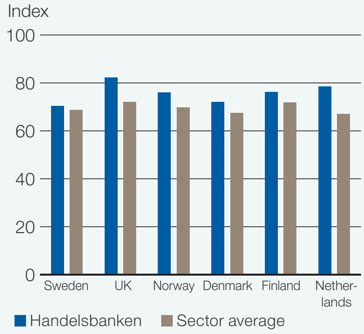
The development and implementation of new technologies is part of a continuous process, and moving at an increasingly rapid pace. We believe our digital transformation can take us closer to our customers. Customer behaviour has changed, and our goal is to keep customer's needs and challenges at the centre of what we do. We are moving into a new phase, where relationships do not solely depend on physical meetings, but can also be created, strengthened and nurtured in our digital channels. A higher degree of digitalisation has resulted in us spending more time on what we do best – building value-creating relationships with our customers.

Our goal is to build personal relationships with our customers – regardless of where, how and when they want to meet us. In developing customer meetings, we want to ensure that the customer receives the right offer at the right time, and in the right place. Every year, we invest billions of Swedish kronor in developing our business, and have recently raised our ambitions and the intensity of our efforts to improve the overall customer experience.

When developing our offering, an increased focus on life events helps our customers when making important strategic choices – at the right time. It helps us to provide tailored offerings, wherever and whenever our customers need them. Concepts that support customers' needs in various life situations are constantly under development together with our customers and employees. Insights and feedback directly from end users help us optimise our offering, but also provide inspiration for new solutions and offerings.

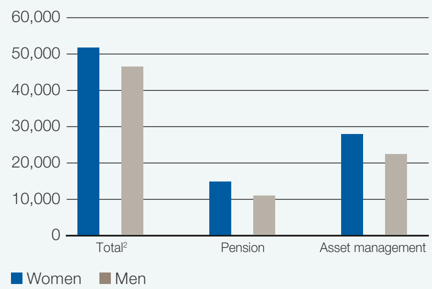
During the pandemic, digital identification in a safe, secure manner has been a top priority, not only as a way to communicate with the Bank, but also with several other actors in the community. At the same time, the ability to collaborate regarding fundamental infrastructure is important for digitalisation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

Customer satisfaction, private customers 2021



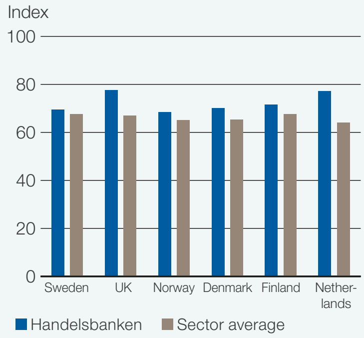
Source: SKI/EPSI 2021

Advisory services on various savings goals[1]



[1] Refers to Handelsbanken's private customers in Sweden, Norway and Finland.
[2] The total also includes Private Banking advisory services and simple savings business, which is not reported separately here.

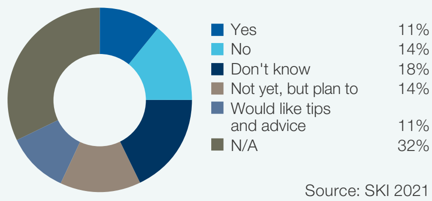
Customer satisfaction, corporate customers 2021



Source: SKI/EPSI 2021

Customer survey about compensation savings

"Have you put extra savings towards your pension to compensate for part-time work and parental leave?"



Source: SKI 2021

Corporate responsibility

Responsible actions are essential to long-term value creation. Based on customers' and society's needs, Handelsbanken makes long-term, responsible business decisions for sustainable value creation.

2040 net zero emissions of greenhouse gases.

GOOD BUSINESS ETHICS

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

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

Policy for ethical standards

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

Policy for sustainability

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

Selection of policy documents established by the Board:

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

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

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

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

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

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

Selection of guidelines in the HR area:

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

Principles when granting credit

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

Compliance and confirmed incidents

Banking operations are governed by extensive laws and regulations. If a bank does not comply with these, the responsible supervisory authorities can decide on administrative fines and, in the worst case, revoke the banking licence. Administrative fines may be imposed on banks for breaches such as corruption, faulty product or service information or labelling, or non-compliance with laws or regulations in the social or economic spheres. In 2021, zero (0) confirmed incidents occurred.

THE BANK'S ROLE IN THE COMMUNITY

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

A PART OF THE LOCAL COMMUNITY

Concrete examples of our sustainability efforts are branches' involvement in various initiatives and activities carried out by local associations and charities. For example, Handelsbanken Forestry and farming joined forces with local branches to sponsor the Green Centre on Gotland, in a project to introduce wildflower meadows, creating beneficial biotopes for birds and insects.

Many branches encourage their employees to volunteer, and make allowances for this. A popular activity is contributing with financial knowledge in school and university courses. This is a good way to get students to take a look at their personal finances and translate theory into practice. The branches also help young business owners, offer to act as mentors and support various sports clubs and associations. In 2021, our branches reported a total of 512 branch-driven initiatives and activities.

NON-POLITICAL AFFILIATION

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

ECONOMIC VALUE CREATION

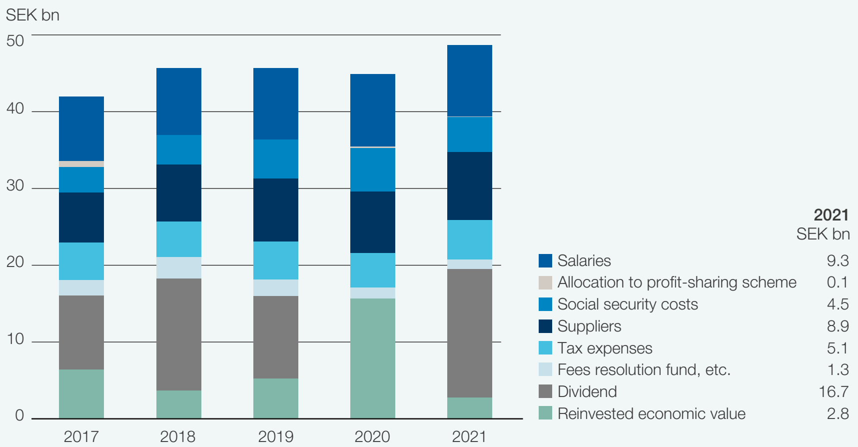
With a prudent and careful approach to running a bank, we can support our customers in all financial situations. By sharing our knowledge, we can help improve our customers' financial health and abilities. When we meet our undertakings we can make a positive difference in the communities we serve. The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

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

Taxes and distributed economic value

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

Distribution of economic value



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

MODERN SLAVERY AND HUMAN TRAFFICKING

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

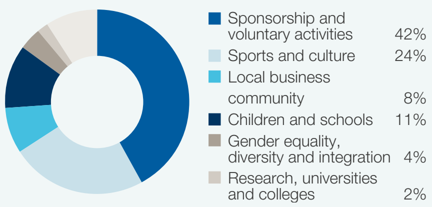
More information and a statement on the Modern Slavery Act 2015 may be found at handelsbanken.co.uk.

ECONOMIC RESEARCH AND EDUCATION

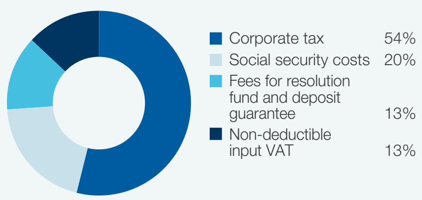
Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research, mainly through allocations to two independent research foundations: Tore Browaldhs stiftelse and Jan Wallanders och Tom Hedelius stiftelse.

Together, these foundations are the most important source of funding for economic

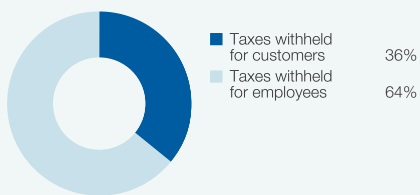
Local initiatives and activities



Corporate tax and charges 2021, SEK 10,734m



Taxes withheld for customers and employees 2021, SEK 7,949m



research in Sweden. In 2021, 154 grants (186) were awarded for a total of SEK 203 million (215).

At the end of 2021, the foundations' combined capital was SEK 9,930 million (9,121).

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

GUIDELINES FOR MANAGING TAXES

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

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

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

The Bank's own tax management

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

Products and services

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

Customers

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

Suppliers and business partners

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

Investments

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

SUPPLIERS

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

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

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

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

PREVENTING FINANCIAL CRIME

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

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

The work of preventing and counteracting financial crime is risk based. It starts with a general risk assessment to identify, analyse and manage the various risks that the Bank faces. The Bank's decentralised organisation and strong connection to the local community create good opportunities to build close, long-term customer relationships and build up in-depth knowledge of the customers. Our customer relationships are initiated at one of our branches, which gives our staff a better ability get to know their customers, and to understand their business and what banking services they require. This knowledge is valuable for being able to identify deviations, and to work effectively on measures to combat financial crime.

As well as deviations identified by the branch, automated monitoring is also regularly used to screen for suspicious transactions and behaviour. If suspected cases of financial crime are identified in the monitoring, these are reported to the relevant authority. If there is strong suspicion of money laundering or fraud, we close the customer relationship, or implement product restrictions in order to prevent continued use of our channels and products by the business in question. In order to prevent fraud that risks affecting our customers, such as investment or romance fraud, we continuously work to keep our customers abreast of the prevailing risks.

To bolster Handelsbanken's work in this area, the Bank continuously invests in expertise and new technology.

Money laundering is a huge problem for society, and more collaboration and exchange of information is needed to prevent it. A collaboration between the Swedish police and several Swedish banks, including Handelsbanken, was initiated in 2020 – the Swedish Anti-Money Laundering Intelligence Taskforce (SAMLIT). Through the collaboration, the Bank gains valuable, detailed information regarding how criminal networks launder money in practice, and can identify customers suspected of links to these networks.

Customer due diligence is a core issue for many companies working with financial transactions, and is a critical part of the work to counteract money laundering and other financial crime. Together with five other major Nordic banks, Handelsbanken formed the joint venture Invidem AB in 2019, for additional investments in the collection and verification of customer information for companies in the Nordic region.

CONFLICTS OF INTEREST, CORRUPTION, BRIBERY AND IMPROPER INFLUENCE

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

Handelsbanken's work methods are to be characterised by respect and high ethical standards. It is important that we combat risks in all ways possible and uphold confidence in our operations. We aim to work proactively to prevent all types of criminal activity, such as corruption and other financial crime. We have a policy against corruption, in which Handelsbanken's view is stated. The Bank's employees must never be involved in activities that could involve bribery or corruption, and the Bank does not permit any representative of the Bank to give or receive bribes on Handelsbanken's behalf. We also have a policy for ethics, which specifies how we at the Bank are to behave in our interaction with customers, employees, counterparties, owners, authorities and the public at large.

Handelsbanken follows the recommendations of the Swedish Anti-Corruption Institute's 'Code to prevent Corruption in Business', and our employees must also comply with the Bank's rules regarding bribery and other improper influence. The regulations must be followed in all contexts, such as gifts, corporate hospitality and other events.

We encourage all our employees to report confirmed or suspected fraud or other irregularities. We see it as important to act and take action when something is not right. We have an external whsitleblower system which can be accessed by all employees and consultants to anonymously report fraud.

Risk analyses are undertaken on a regular basis with the aim of preventing and identifying corruption. The risk of corruption is assessed to be higher than normal when customers operate in countries or sectors where corruption occurs more often, and when products and services such as cross-border payments are used by these customers.

Our employees must annually complete mandatory courses on matters relating to corruption and other financial crime. Handelsbanken's Central Board and the boards of the Bank's subsidiaries have also received training.

Anti-corruption work is a continuous process at the Bank. In 2017, the Bank became a member of Transparency International Sweden (TI Sverige), a business forum in which the Bank and other large Swedish companies exchange experiences and knowledge relating to the area.

INTEGRITY AND CONFIDENTIALITY – INFORMATION SECURITY AND IT SECURITY

The Bank's information security and IT security involves protecting customers' information and transactions, and also the Bank's IT environment, as well as monitoring outsourced IT operations. Information security covers administrative solutions, such as processes, rules and instructions, competency and awareness, as well as technical security solutions.

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

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

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

In 2021, 19 incidents (18) relating to customer privacy or poor management of customer data were reported. None of the reports was received via government authorities. A total of 18 were complaints received from customers which were found to be substantiated by the Head of Security, while one was identified internally. All cases have been managed with the parties affected. This data does not include cases under the General Data Protection Regulation (GDPR), introduced in May 2018.

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

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

The Covid-19 pandemic has brought about new circumstances. New additions have been made to the existing security instructions for remote working, with the understanding that this is the new normal. The Bank is monitoring developments. IT changes, including security updates, have worked as normal to secure technical environments and to prevent a technical debt, while security surveillance is taking place as usual to identify and act on identified risks, threats and cyberattacks.

CLIMATE AND THE ENVIRONMENT

Climate change is one of the biggest challenges of our age. Handelsbanken works actively to halt and counteract our own negative impact on the environment, but also to redirect financial flows to benefit low emissions of greenhouse gases, environmental improvements, and climate-related adaptations.

DIRECT ENVIRONMENTAL AND CLIMATE IMPACT

In accordance with the Paris Agreement, emissions linked to our own operations must be reduced over time. Systematic environmental work is continually done at Handelsbanken to steadily reduce the environmental impact of operations. This is monitored using an array of key figures that show how the work is progressing. Handelsbanken's goal is to actively work to minimise its direct environmental impact by constantly developing its environmental activities. We are working to achieve this by boosting resource efficiency and recycling, for example, and by taking environmental impact into account in our purchasing and business travel.

One concrete example of this work is the Bank's company car guidelines, stipulating that company cars that are neither electrically powered nor plug-in hybrids may only be selected in exceptional cases.

Energy and carbon dioxide

The Bank's direct impact derives mainly from energy consumption, business travel and transport as well as use of resources such as paper. We are working to minimise the carbon dioxide emissions generated by our operations. In 2021, carbon dioxide emissions from Handelsbanken's operations totalled 4,931 tonnes. Handelsbanken has had net neutral climate emissions from its own operations since 2017, and compensates for the carbon dioxide emissions it cannot avoid.

Since 2013, the Bank has reduced its emissions by 70 per cent. The Bank's electricity consumption decreased by 10 per cent in 2021 compared with the previous year. The proportion of renewable electricity in the markets where we have our primary operations is 100 per cent. New systems support has been introduced in 2021, making things easier for employees working with the Bank's environmental reporting.

Environmental work during the year

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

Examples of actions carried out during the year:

- Covid-19 has continued to have wide-ranging effects on the Bank. The number of business trips remains below pre-pandemic levels, and a new travel policy has been introduced as a means to maintain this trend, under which train travel and public transport must always be the first-hand choice for domestic journeys, low emission cars must be the first-hand choice when renting a car or taking a taxi, and that single-day travel must be replaced with digital meetings wherever possible.
- The number of video conferences has increased by 19 per cent.
- The ongoing organisational changes have led to an approximate 36,000 sq m reduction in the Bank's need for office space, which is one of the explanations why the Bank's total emissions have decreased.
- Since the second quarter, an extra year has been added on to the expiry date of new payment cards for both corporate and private customers. The extended validity implies a reduced environmental impact from both the materials used in the card manufacture and the postage to the customer. At the same time, electronic invoices were introduced for our corporate customers, implying a reduction in paper copies.
- Through the Puro.earth platform, the Bank has access to a marketplace for trading in certified emission reductions. The aim is to support the market for high quality carbon capture and climate compensation. The platform builds on a common standard for guaranteeing long-term carbon capture and storage with projects that are quantifiable, verifiable and scalable.

Future activities

- The decision has been made that Handelsbanken will gradually shift to using recycled plastic in its cards throughout 2022. The recycled plastic is obtained from plastic waste from the industrial area Vitré in France, where the factory that manufactures the cards is located.
- Every year, customers with Platinum Mastercard or Visa Infinite bank cards receive a magazine with features and offers. January 2022 will be the final time that these magazines are distributed in printed form, after which they will be provided in a digital format.
- As part of the Bank's sustainability work, the fuel discount previously linked to the credit card has been removed. The notice period for the removal ends in summer 2022.

Climate compensation

Handelsbanken works constantly to minimise the emissions generated by our operations. Since some measures take time to implement and the effects are not always easy to verify, the Bank also compensates for the reported carbon dioxide emissions generated by its operations. The Bank purchases carbon offsets through projects with verified climate benefits which have been registered with the UN Clean Development Mechanism (CDM). The projects are certified based on the Gold Standard, a certification endorsed by more than 80 non-governmental organisations (NGOs) that ensures the projects contribute to long-term sustainable development. The Bank strives to select projects with high additionality, which means that the projects would not have been implemented without financing by means of climate compensation. The Bank is also looking into negative emission certificates, which are described above.

OUR CLIMATE STRATEGY

Handelsbanken's climate strategy rests on four pillars:
1) Scientific targets
2) Measure and report
3) Support customers
4) Responsibility and collaboration

Scientific targets

Handelsbanken's goal is to have net-zero emissions[1] of greenhouse gases as soon as possible and by 2040 at the latest. This goal covers the entire Group and includes lending, leasing, and investments as well as the Bank's own operations such as energy consumption and business travel. Handelsbanken has adopted an ambitious schedule, since we are convinced that a rapid, organised transition with the aim of limiting global warming to close to 1.5°C is best for our customers, for the communities we serve and thus also for Handelsbanken.

In order to ensure that our emissions targets are based on a solid scientific foundation, the Bank will seek validation from the Science Based Targets Initiative (SBTi). This also involves setting milestones for reductions between now and 2040, such as a specific level by 2030. An important step on this journey was taken just before the UN COP26 summit in Glasgow, when the Bank became a signatory to the "Business Ambition for 1.5°C Commitment Letter" – meaning that we have now committed to set emissions targets in line with prevailing scientific understanding within 24 months.

Measure and report

Measuring, reporting and transparency are central tenets of our climate strategy. Handelsbanken Fonder and Handelsbanken Liv have published TCFD reports for several years. In 2021, the Bank published its first report in line with the TCFD's recommendations for lending activities . Read more on pages 72–73.

In setting our climate goals for 2040, Handelsbanken has decided to commit to calculating the emissions our lending operations give rise to. As a means to ensure this is done correctly, the Bank has joined the Partnership for Carbon Accounting Financials (PCAF), which provides models for such calculations. Work on calculating emissions from the loan portfolio began in 2021, focusing on emissions from the Bank's real-estate lending in Sweden.

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

Support customers

Handelsbanken aims to be alongside our customers on their journey towards net-zero emissions of greenhouse gases. Central to this is the development of products and services that contribute to such reductions. In order to steer our work and build up some momentum in this area, we have published a target for our financing operations – by 2025, at least 20 per cent of the Bank's financing volume shall consist of green financing, social financing or financing that contributes to the borrower's measurable, sustainable transition, such as a reduction of emissions. During the year, we have taken many steps towards achieving the target, such as the Bank's launch of numerous new green loan products, as well as Europe's first fully taxonomy-aligned loan.

A key factor in our ability to support our customers in the best way possible is the sustainability competency of our employees. For this reason, a new training course in sustainability was launched in 2021, mandatory for all employees. Further information about the course can be found on page 68. The aim is to give the Bank's sustainability expertise a broad boost, and to highlight the opportunities available to the financial sector to contribute to a green transition.

Responsibility and collaboration

Climate change is a global problem requiring global solutions and co-operation. This is why Handelsbanken has proudly endorsed the Principles for Responsible Banking (PRB) for several years, and why it continues to support other international initiatives for sustainable business: the 2030 Agenda for Sustainable Development and the Sustainable Development Goals, the UN Global Compact and the Principles for Responsible Investment (PRI), to name a few.

If the financial sector is to properly fulfil its role in the transition, ambitious global climate policies will be needed. There are examples of such policies at regional and national level, especially within the EU, but from a global perspective, current climate policies mean that the targets of the Paris Agreement will not be achieved. In an attempt to help shape political action on the climate, Handelsbanken joined a number of other companies in signing an open letter to the leaders of the G20 countries. The letter was co-ordinated by the global "We Mean Business" collective and urges governments to strengthen and renew their obligation to achieve the Paris Agreement's target of limiting global warming to 1.5°C, through reinforcing their national commitments, discontinuing subsidies for the fossil fuel sector, putting a price on carbon dioxide and improving the conditions for green investments.

THE BANK AS AN EMPLOYER

Handelsbanken's values and strong corporate culture are vital to our success. Our concept of how to run a successful bank is based on trust and respect for the individual – both customers and employees. The Bank's decentralised way of working creates commitment and gives every employee both responsibility and opportunities to make an impact on the Bank's operations. We believe that it is healthy for people to meet other people, to collaborate, develop, build relationships and find solutions together. With this structure, we also create better conditions for achieving the Bank's overall goal.

CONTINUOUS DEVELOPMENT

Our strength is derived from the combined expertise of our employees. When we develop, so does the Bank. Handelsbanken has an established structure for developing our operations and our staff, with the customer and their business as the starting point. The structure is called the Wheel, and one aspect of it is that all employees take part in their unit's business planning process, which includes setting goals and scheduling activities. In dialogue with their line manager, each employee should be given the conditions to develop their expertise to align with customers' needs and preferences, based on policies and regulations, and changes in the business environment.

A very important part of our development is what we learn in our day-to-day work, and our employees take responsibility for developing themselves, the business and their colleagues. For support in this, we have a competency mapping tool which we recommend is used in the preparations for performance reviews between employees and managers. During Q4 2021, the competency mapping system was expanded to identify further skills development needs relating to sustainability, based on the Bank's sustainability goals.

In order to create the most fertile grounds for development, our ambition is for the Bank's employees to reflect the markets in which we operate – with different backgrounds, skills, and professional experiences, as well as different ways of thinking and solving problems.

In 2021, a number of mandatory training programmes were held for all employees in the Group:

- financial crime, preventative measures against money laundering, terrorist financing and related crime such as tax evasion and fraud
- General Data Protection Regulation (GDPR)
- physical security and cybersecurity
- sustainability in the financial industry.

The Sustainability in the financial industry training course works as a starting point for training different professionals within the banking, financial and insurance industry about sustainability. The overall goal of the course is to build up knowledge and awareness of the activities required to achieve a transition to a sustainable future. The training course includes sections on international and European initiatives and regulations, climate risks, the EU taxonomy and Disclosure Regulation, and on rules relating to advisory services and product oversight governance. At Handelsbanken, the course is mandatory for all employees and consultants with an assignment of longer than six months. In 2021, the course was completed by 84 per cent of all employees.

The Wheel - the relationship between the operations and the employees

The Wheel illustrates the relationship between the operations and the employee's development. Managers and employees work together to create their own unit's business plan each year. After the plan is set, planning dialogues and performance reviews (PLUS reviews) are carried out, linking the business plan with each employee's goals. As a result, every employee has an individual action plan that is followed up regularly during the year and forms the basis of the annual salary dialogue review between employee and manager.

STAFF TURNOVER

External staff turnover was 7.8 per cent (5.1) for the Group, and 5.6 per cent (3.6) for Sweden. As always at Handelsbanken, the process connected to identified staff redundancies is managed with respect and care for the employees and in close collaboration with our trade unions. If employment ceases for any reason other than retirement, the Bank can offer outplacement through external partners.

HEALTH AND WORK ENVIRONMENT

Handelsbanken keeps a steady focus on issues concerning employees' health and work environment. Our overall goal for health and the work environment is that employees should feel good, develop and perform at optimal capacity. A good, inclusive work environment upholds employee's health and well-being, which is a prerequisite for the Bank's long-term profitability. All employees at Handelsbanken should feel respected and secure at their workplace, and thus no form of victimisation, discrimination or harassment, including sexual harassment, is accepted.

In accordance with the Bank's Group-wide work environment guidelines, the systematic work environment efforts at the Bank employ on a Group-wide process, based on a number of health factors with the Bank's culture and values as their starting point. The work is undertaken in accordance with each country's local laws and regulations pertaining to the work environment, as well as according to the Bank's own procedures. Together with their employees and trade union representative or employee representative, each manager is responsible for performing regular work environment surveys, based on our health factors. Starting with a joint discussion on the results of the survey and risk assessment, an annual activity plan is formulated. The plan includes suitable training on employee health, security and the work environment, in order to improve and maintain a positive, respectful and inclusive work environment. The activities are integrated in the unit's business plan and are followed up continually.

An ongoing dialogue between managers and their employees makes it possible to detect early signs of poor health and to ensure the work situation is sustainable in the long run.

Every country regularly monitors its systematic work environment efforts in a joint health and safety forum comprising employer and employee representatives. All employees are covered by the systematic work environment work. Examples of topics followed up are the result of work environment surveys at aggregated level, sickness absence, and reported work-related injuries and workplace incidents. Identified risks are managed through tailored improvements. In Denmark, Finland and Norway, work environment agreements regulate security matters, allocation of roles and responsibilities, and the work environment organisation. The process for systematic work environment work has been subject to regular internal audits, within the framework of Group Audit's risk-based working methods.

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

In order to further strengthen the work environment efforts in Sweden, a new training course has been developed for managers and leaders, staff representatives and HR. The training takes the form of a combination of e-learning and leader-led workshops. Every year, an annual knowledge refresher programme is implemented in the relevant areas.

The Bank has procedures and guidelines covering all employees for managing poor health, illness, crisis situations and other work environment incidents. All employees are covered by local company healthcare programmes or the equivalent. Where expert knowledge is required in a specific area, the Bank has partnership agreements with external, professional providers.

For absences of less than one day, it is permissible for employees to record their time as a paid leave of absence when there are grounds to do so, such as a dentist's or doctor's appointment which could not be arranged outside of working hours.

The sickness absence rate for staff in the Bank's six home markets was 2.2 per cent (2.5). For staff in Sweden, the rate was 2.5 per cent (3.0). In 2021, 7 (16) cases of harassment were investigated in the Group.

Management of the pandemic

Handelsbanken has taken extensive measures as a result of the Covid-19 pandemic. Since the pandemic started, central and local crisis teams have been activated and have held regular meetings.

The Bank has accelerated development of technical solutions for digital meetings and remote work. Major efforts have been made at workplaces to promote health and minimise the spread of infection. Information, advice and recommendations have been provided to all employees on an ongoing basis. Throughout the Bank, employees have worked remotely whenever possible.

Activities supporting good health in connection with remote working have been developed, such as inspiration videos touching on recharging and recovery, stretching and changing position during the working day. Managers have been offered targeted digital proficiency development in collaboration with external companies, including remote leadership and coping with anxiety.

During the pandemic, the Bank has offered employees with medical qualifications to work within healthcare for a limited period, as part of the "Skill Shift Initiative", while retaining their salary from the Bank.

A Group-wide health and well-being challenge was launched during the year, based on the Bank's culture. The activities involved in the challenge are centred around three focus areas: healthy choices, a sustainable working day and the environment and climate in our daily lives. The objective is to inspire participants to make their own active choices from a position of increased knowledge and awareness.

GENDER EQUALITY, DIVERSITY AND INCLUSION

Gender equality, diversity and inclusion are part of Handelsbanken's core values.

Diversity is a crucial element of our success, a key factor in thinking differently and innovation, and is closely linked to our profitability. By attracting, recruiting, developing and retaining employees with different backgrounds, perspectives and experiences, we improve our capacity to understand our customers' needs and to adapt to a society in a constant state of change.

We endeavour to reflect the diversity of the places we operate, and to achieve and maintain a balanced gender representation in all parts of the Bank – whether professional roles, areas, units or countries. Through an inclusive culture, we can best harness the advantages inherent to gender equality and diversity.

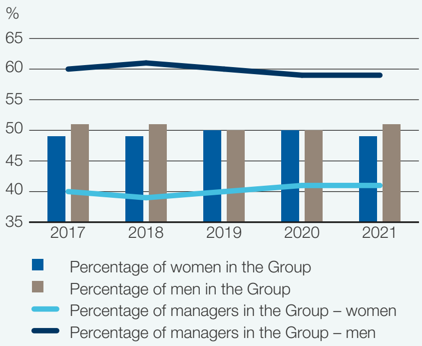
In order to achieve our goals in terms of gender equality, diversity and inclusion, we put a particular focus on the following areas: management succession planning and recruitment, competency development, health and work environment, balance between work and private life and gender-equal salaries. All areas are followed up on the basis of several key figures.

In order to ensure that focus on these issues is co-ordinated across the Group, there is a Diversity Council with participants from the management groups in our main markets, the Bank's Head of Sustainability and the Chief Human Resources Officer.

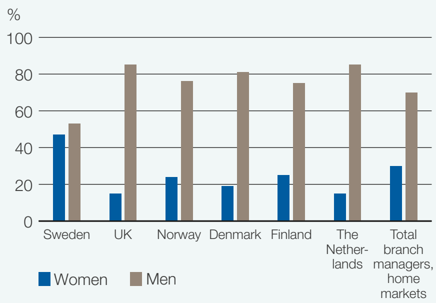
Health and the work environment at Handelsbanken

Handelsbanken's overall goal for health and the work environment is that employees should feel good, develop and perform at optimal capacity. Our efforts for the work environment focus on several health factors that are collectively the prerequisites for a positive, respectful and inclusive work environment.

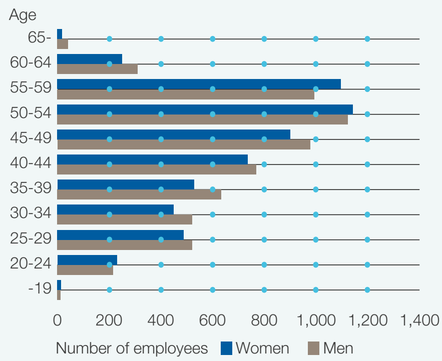
Gender breakdown – Group



Gender breakdown – branch managers 2021



Age and gender breakdown 2021



In Sweden, we monitor the proportion of employees with a foreign background relative to society as a whole. This data is obtained from Statistics Sweden, SCB, and is followed up every third year. The statistics, which are anonymous for the Bank at the individual level, show what proportion of the Bank's employees in Sweden were born in a country other than Sweden, and/or with both parents born in a country other than Sweden. By means such as competency-based recruitment, we increase the possibility of attracting and recruiting employees with different backgrounds.

The Bank has achieved its overall goal for the Group of an even gender distribution, in terms of both overall share of female employees, 49 per cent (50), and share of female managers at the Bank, 41 per cent (41). In Sweden as well, the Bank achieved its overall goal of an even gender distribution, in terms of both overall share of female employees, 52 per cent (52), and share of female managers at the Bank, 50 per cent (48).

A few years ago, the Bank signed the Women in Finance Charter in the UK, an initiative from HM Treasury, entailing a commitment to work towards a more gender-balanced financial sector. By 2026, Handelsbanken UK aims for 40 per cent of managers to be women. In 2021, the proportion of women managers in the UK was 26 per cent (26).

REMUNERATION AND BENEFITS

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

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

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

Benefits and pensions

Handelsbanken offers various types of competitive benefits, for both permanent and temporary employees of the Group; these differ between the countries. In 2021, the proportion of permanent employees was 93 per cent (94).

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

The Bank offers employees credits on special terms. These credits are mainly granted for financing residential property. The terms and conditions differ between countries depending on local circumstances, and in several countries they are a taxable benefit.

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

Other forms of benefits offered include insurance and company cars.

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

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

Equal pay

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

Oktogonen – the Bank's profit-sharing scheme

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

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

Disbursements are made directly to the individual employee either in cash, to a pension savings programme, to a savings plan or as a combination.

RELATIONSHIPS WITH TRADE UNIONS

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

All employees in Denmark, Finland, Luxembourg, Norway, and Sweden, comprising 74 per cent (75) of the Bank's employees, are covered by collective bargaining agreements. In these countries, employees who are not members of a union are also covered by the terms of the collective bargaining agreement. In addition to collective bargaining agreements, there are other types of agreements with local employees' organisations, such as works councils in the UK and the Netherlands. such as works councils in the UK and the Netherlands.

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

EUROPEAN WORKS COUNCIL

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

CONDUCT OF EMPLOYEES

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

Handelsbanken's employees

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

INITIATIVES AND COLLABORATIONS

Banks play a key role in the transition to a sustainable society. And the challenges we all face require us to join forces and act together. To succeed, collaboration with other investors, companies, public authorities and special interest organisations is necessary.

For other initiatives and collaborations in which Handelsbanken participates or which it supports, further information can be found on pages 12–13 of the Sustainability Fact Book, handelsbanken.com/sustainability.

COLLABORATIONS ON CHILDREN'S RIGHTS

For many years, Handelsbanken has participated in various collaborations to promote the rights of children, a commitment that reflects the Bank's principles and the importance of this issue. For example, we support ECPAT and World Childhood Foundation, global organisations working to prevent child abuse.

Another organisation that also works to prevent payments for material featuring abuse through the financial systems is the Finance Coalition Against the Trafficking of Children for Sexual Purposes, of which Handelsbanken has been a member since 2009.

Since 2013, Handelsbanken has been a partner in the non-profit foundation Global Child Forum, an independent forum for discussion and knowledge sharing about children's rights, and for developing tools to help companies follow up, highlight and improve children's rights in and through their operations. The forum brings together leaders from business, government, academia and civil society to collaborate on this same theme.

GLOBAL COMPACT

In 2009, Handelsbanken signed the UN Global Compact, an initiative aimed at companies which advocates ten principles based on international conventions. These principles, established in 2000, cover human rights, labour rights, the environment and anti-corruption.

THE EU ACTION PLAN FOR FINANCING SUSTAINABLE GROWTH

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

Handelsbanken supports the EU's action plan for financing sustainable growth and works actively to include the various parts of the plan in its business and operations. One of the core aspects of the action plan and the emerging common rules is the EU taxonomy, which serves a means of classifying what activities are viewed as environmentally sustainable. The formulation of the EU taxonomy has been hotly debated during the year, with regard to both the forestry industry and the real estate sector. Handelsbanken has been an active participant in the debate and expressed our view on the taxonomy, and how it will affect different sectors.

The new regulations also imply and increased transparency and reporting needs, which in turn impose new requirements on the accessibility of sustainability data. To support the operations in these matters, Handelsbanken has created a programme that will make it possible for the Bank to follow up and communicate on its own sustainability goals, as well as reporting according to regulations, requirements from public authorities and external obligations. Handelsbanken has a positive attitude towards increased transparency, as this creates better insight into the Bank's operations and makes it more straightforward for both investors and customers to make informed choices.

Taxonomy reporting

Through its operations, Handelsbanken is to actively push for a transition to a greenhouse gas-neutral economy, in line with the Paris Agreement and the 1.5°C target. The EU taxonomy serves as one source of guidance in this work. The strategy for the Bank's climate work is set out in our sustainability goals (see page 38), including the goal of net-zero greenhouse gas emissions by no later than 2040. The goals will be achieved through collaboration with our customers and other stakeholders. Also central to this is the development of products and services that contribute to the transition, focusing on both private individuals and SMEs. Under Chapter 6, section 12a of the Annual Accounts Act, financial institutions which are public interest entities and which have more than 500 employees must disclose in their statutory sustainability reporting for 2021 the proportion of their assets exposed to economic activities as referred to in the EU taxonomy (EU) 2020/852. Handelsbanken's taxonomy reporting for 2021 is provided below.

Taxonomy reporting 2021

Assets, mandatory taxonomy eligibility reporting	Proportion of total assets (%)
Taxonomy eligible assets	39.3
Taxonomy non-eligible assets	25.3
Assets related to central governments, central banks and supranationals	18.5
Derivatives	0.9
Assets related to non-NFRD undertakings	14.9
On demand interbank loans	0.2
Trading book	0.3

Description of methodologies used in reporting

Non-financial undertakings under NFRD requirements (listed companies within the EU with over 500 employees) will publish their mandatory taxonomy reports in 2022. As our proportion of taxonomy-eligible exposures is based on information from our customers and estimates are not yet allowed in the mandatory reporting, initially only household exposures are taxonomy eligible. Exposures to non-reporting undertakings within the EU and to non-financial undertakings outside the EU are not assessed for taxonomy eligibility.

All household exposures with real estate collateral are deemed to be taxonomy eligible. Other types of household exposures are presently not considered to be taxonomy eligible. Exposures to non-reporting undertakings within the EU and to non-financial undertakings outside the EU are not assessed for taxonomy eligibility. The reporting does not initially apply to assets in the form of goodwill, cash and credits to local governments, hence the table does not sum up to 100 per cent.

The reporting is based on prudential consolidation determined in accordance with CRR, see note G51. In the extended, voluntary taxonomy reporting the estimated proportion of taxonomy eligible assets is presented, please refer to the Sustainability Fact Book, pages 4–5

Qualitative information

Assets on the balance sheet are reported according to the taxonomy using data from internal systems of the Bank. Exposures from source systems in the bank are collected in a system for credit data used for capital adequacy reporting and tables in the annual report.

Information on the number of employees and company NACE codes is collected from external official sources, but stored in internal systems of the Bank. The information is of good quality, has no known flaws and is used in other reporting.

A ledger of listed companies, for the definition of companies required to report according to NFRD, has been collected from an internal database containing equity traded in the Bank. In view of the extended taxonomy reporting, the information may need to be augmented to include small companies and equity not traded in the Bank. As no official list of public interest entities was available at the time of reporting, no other entities have been included.

NET ZERO BANKING ALLIANCE (NZBA)

Handelsbanken has signed up to the UN's Net Zero Banking Alliance (NZBA). The objective of the alliance is to recalibrate the financial system to achieve net-zero emissions of greenhouse gases globally.

By signing the NZBA, Handelsbanken commits to:

- achieve net-zero emissions by 2050 at the latest, and to align its operations to support the 1.5°C target. Handelsbanken has set the equivalent goal for net-zero emissions by no later than 2040
- set a milestone for the reduction of greenhouse gases for 2030 or earlier
- annually calculate and publish reported financial emissions in line with established frameworks
- develop and communicate strategies for the transition
- achieve reductions in emissions across society through our customer relations, products and services
- support innovation and increase financing for climate-smart solutions.

PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS (PCAF)

The "Partnership for Carbon Accounting Financials" (PCAF) initiative was founded in 2015 by a handful of Dutch financial sector companies. The overall purpose of the initiative was to simplify the financial sector's adaptation of its business operations to align with the Paris Agreement's target of limiting global warming to 1.5°C, by providing methods and principles for the assessment, calculation and reporting of the greenhouse gas emissions attributable to lending and investments in companies. Prior to the formation of the PCAF, there were no uniform calculation methods or reporting principles for the area. On this basis, PCAF developed the "Global GHG Accounting and Reporting Standard for the Financial Industry" framework. As of November 2021, more than 170 financial institutions across the world had signed up to PCAF, representing over USD 54 billion. Handelsbanken signed up to PCAF in October 2021.

Under this framework, the Bank calculates, as the first step, the greenhouse gases related to our credits, as well as the investing activities undertaken in Handelsbanken Fonder. When the model and calculation methods have been validated, the Bank will then publish reports in accordance with the principles, and thereafter measure and report on an ongoing basis, as well as following developments in greenhouse gas emissions, in order to ensure any necessary adjustments are made to the Bank's financing and investing operations to keep them in line with the goals of the Paris Agreement and the Bank's overall climate goal of net neutrality by 2040 at the latest.

THE SCIENCE BASED TARGETS INITIATIVE (SBTi)

The SBTi was formed by the CDP, UN Global Compact, World Resources Institute (WRI) and World Wildlife Fund (WWF) in 2015 to provide science-based methodologies that support companies across the world in their work to reduce greenhouse gas emissions, with the objective of preventing the worst effects of climate change. In order to ensure the work of achieving Handelsbanken's climate goal is correctly prioritised, the Bank signed up to the SBTi in October, meaning that we commit to applying these methods and to set reduction targets in line with scientific knowledge.

TCFD – TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The recommendations are based on four core elements:

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

Handelsbanken endorses the TCFD's recommendations. As the first stage of the work on the recommendations, in 2017, an analysis was made of the Bank's credit portfolio relating to lending for energy production, particularly its exposure to various types of power production.

In 2018, Handelsbanken Fonder and Handelsbanken Liv published their first climate reports in line with the recommendations, including forward-looking climate analyses. These were followed up with new reports for 2019 and 2020, which included the stress tests developed by the 2°Degrees Investing Initiative and the Bank of England. Read more on pages 53 and 56 under Responsible investment.

In the area of credits, the Bank has focused on building up processes and procedures for improving its ability to measure and report exposure to climate-related risks. As a result of this, the Bank published its first climate report in line with the recommendations in 2021, which can be found on the Bank's website, handelsbanken.com. The work was cross-functional, and included Group Risk Control, Group Credits, Group Finance and Group Sustainability. The work was supported by external experts on climate change and scenario analysis and focuses on the Bank's real estate exposure in Sweden.

PRINCIPLES FOR RESPONSIBLE BANKING (PRB)

Handelsbanken was among the first banks to sign up to the UN's Principles for Responsible Banking in September 2019. The Bank committed to comply with the six principles that comprise the framework for the initiative, within four years.

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

In conjunction with the publication of the Annual and Sustainability report for 2020, which included the Bank's first reports under the PRB framework, three goals were announced for the Bank, which were set by applying the principles of the PRB. The goals were chosen on the basis of the basic areas of impact – financing, investments and advisory services. During the year, work has been ongoing on creating the foundations to achieve the goals.

Handelsbanken's goals

- **Responsible financing** – by 2025, 20 per cent of the Bank's financing volume shall consist of green financing, social financing or financing that contributes to the borrower's measurable, sustainable transition.
- **Responsible investment** – The investment portfolios shall be in line with the goals and transition pathway of the Paris Agreement, achieve net-zero emissions of greenhouse gases by 2040 at the latest, and increase the funds' contributions to the 2030 Agenda. Interim targets include reducing our emission intensity by 50 per cent and doubling investments in climate-related solutions by 2030, as well as a 30 per cent increase to the share of sustainable investment by 2025, and annual increases in positive outcomes of engagement activities.
- **Advisory services** – by 2023 at the latest, through business development and training initiatives, in a measurable way create conditions for gender-equal savings and thus contribute to reducing the wealth gap between men and women.

Under the umbrella of the financing goal, there have been high levels of product development for different customer groups during the year, focusing on private individuals and SMEs. The work has been characterised by a significant level of collaboration with customers and stakeholders.

The goal with regards to investments has been refined in line with the commitments made in the previous report, for example specific numerical targets relating to alignment with the Paris Agreement and the SDGs, in the form of a decrease to emissions intensity in the funds and increased investment in climate-related solutions, as well as an increased proportion of investment directed towards solutions and engagement work that benefit the SDGs, including annual follow-up.

Within advisory services, extensive work has been carried out on improving economic parity between the sexes through the Gender-equal pensions initiative. Looking at future pension disbursements, there is a clear income gap between women and men. The initiative offers customers a digital test, providing them with an overview of their future pension, which can then be followed up with advisory services looking into alternative pension savings tailored to the customer, and which aims to improve women's chances of securing a better pension. The work in this area also includes training for the Bank's advisors.

As regards to the goal for Responsible financing, products for the financing of green assets are undergoing continuous development, as are financing products with terms and conditions that contribute to a sustainable transition, such as various types of sustainability-linked loan facilities, in the form of revolving credit facilities, for example. Social loans are also increasing in relevance. We have specified which financing products are included in the goal, see the Sustainability Fact Book 2021 at handelsbanken.com/sustainability.

In terms of the Responsible investment goal, we have clarified the goal by means of adding interim targets and numerical targets in the different areas, in accordance with previous commitments.

The goal as regards to Responsible advisory services has been extended to cover business development in general, and more areas in savings.

Governance and transparency

Handelsbanken's management and Board receive regular updates regarding progress on the processes for adapting the Bank's operations to the principles and fulfilment of the goals. Most of the Bank's employees have completed a training course that clarifies the implications of the Bank's various commitments, including the PRB framework.

The ongoing assessment of which financing products and volumes are used to calculate the Responsible financing goal is undertaken by the Bank's Green Finance Committee (GFC), see page 41. The GFC assesses financing products' structures and ability to contribute to a transition, such as financing for specific purposes or, for example, undrawn financing with metrics linked to sustainability goals. The conclusions of the committee will be subject to regular review, given that market practice is constantly evolving and the differences in conditions in the various markets.

External reporting of the process linked to the implementation of the principles was first carried out in February 2021, and will continue on an annual basis as part of the Bank's sustainability reporting. Reporting on the goals is reviewed in the same manner as other reporting.

The Bank's Self-Assessment Template is included in Handelsbanken's Sustainability Fact Book 2021 at handelsbanken.com/sustainability.

Corporate Governance Report

Handelsbanken is a Swedish public limited company whose shares are listed on Nasdaq Stockholm. Here the Board submits its Corporate Governance Report for 2021. Handelsbanken applies the Swedish Corporate Governance Code with no deviations.

CONTENTS

Corporate governance at Handelsbanken

Corporate governance at the Handelsbanken Group is aimed at creating a clear, fit-for-purpose organisational structure which ensures that operations can be pursued in a sound, effective manner and in accordance with external rules. A clear allocation of responsibilities meets the Bank's needs as regards internal control, risk control and compliance, and is also key to enabling the operations to be followed up in the best possible manner, in terms of both business and risk. Good governance must run through all operations, and it therefore affects all employees of the Handelsbanken Group.

Corporate governance at Handelsbanken is based on the Articles of Association and documents adopted by the Board, for example the Board's Rules of procedure, instructions to the CEO and the Chief Audit Officer, and the steering documents regarding the Bank's operations (see also pages 83–85), as well as the instructions and guidelines issued by the CEO. These documents are revised every year, and whenever deemed necessary.

However, the foundation of functioning corporate governance is not only formal documents but also the Bank's corporate culture, corporate goal, working methods and remuneration system.

A central part of governance of Handelsbanken comprises managing the risks that arise in operations. Risk management is described in detail in a separate risk section in the annual report, note G2 on pages 110–149, in the Bank's Pillar 3 report, and also briefly in this Corporate Governance Report.

THE BANK'S GOALS AND CORPORATE CULTURE

Handelsbanken's goal is to have higher profitability than the average of peer competitors in its home markets. The Bank's profitability goal is intended to offer shareholders long-term, high growth in value, with increasing earnings per share over a business cycle. With stable finances, the Bank can also provide support to its customers whatever the prevailing business environment. High profitability and sound, sustainable business operations are critical to shareholders that have invested in the Bank. In addition, these go hand in hand with low funding costs, positive growth and the Bank being seen as an attractive employer. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

Handelsbanken has a decentralised working model that involves profound trust in employees' willingness and ability to take responsibility. This working model has been consistently applied for decades and has resulted in the Bank's strong corporate culture. Handelsbanken adopts a customer-centric approach by offering the Bank's products and services via both a branch network covering all of the markets in which the Bank operates, and through digital channels.

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

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

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

APPLICATION OF THE SWEDISH CORPORATE GOVERNANCE CODE

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

REGULATIONS

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

The most pertinent of these include:

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

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

A list of the central regulations is available on the Swedish Financial Supervisory Authority's website.

Handelsbanken's main principle is that operations outside Sweden are subject both to Swedish regulations and to the host country's regulations, if these are stricter or require deviations from Swedish rules.

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

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

The Swedish Financial Supervisory Authority's work also includes systematic on-site inspections of various parts of the Bank. The purpose of this is to follow up the Bank's actual compliance with the terms and conditions of granted licences and other detailed regulations.

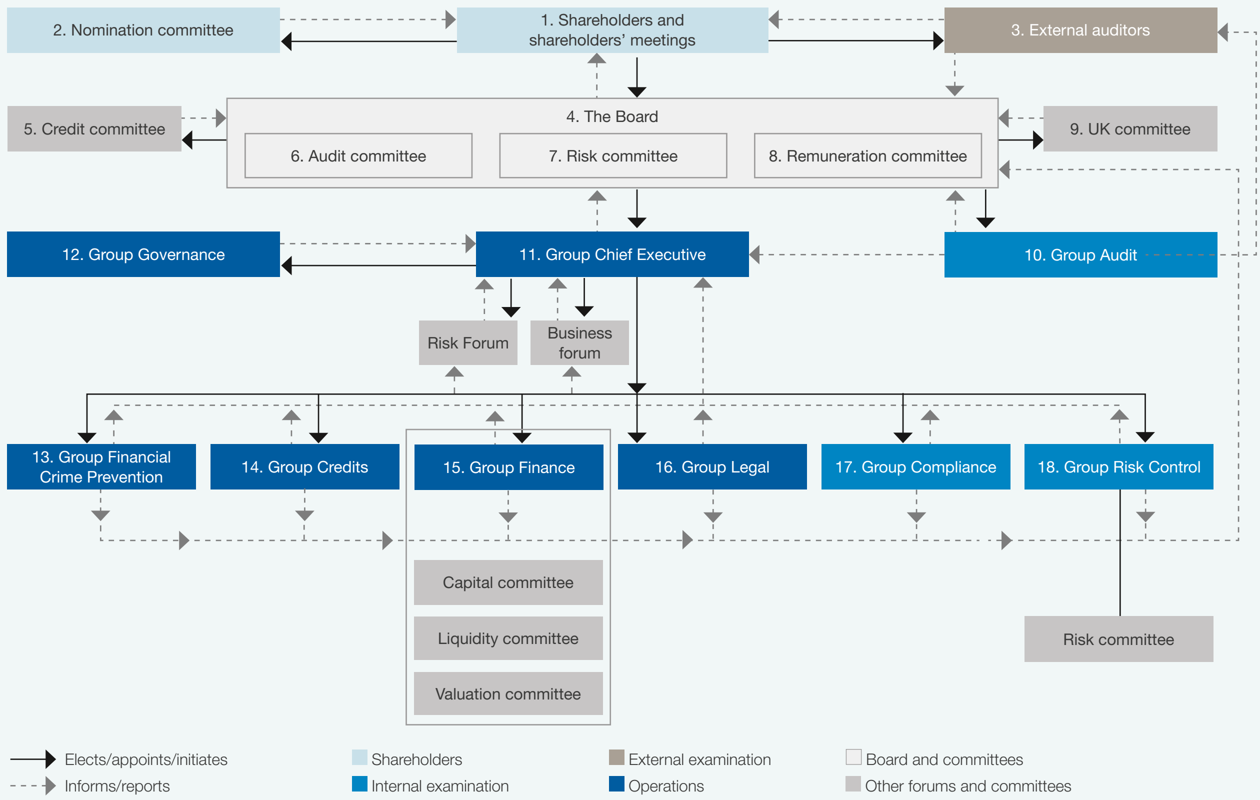
More information

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

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

Corporate governance structure

Corporate governance at Handelsbanken – an overview



Corporate governance at Handelsbanken – an overview
The diagram provides a summary of corporate governance at Handelsbanken. The shareholders take decisions at the AGM. For certain questions, the shareholders' decisions are prepared by the nomination committee. The shareholders appoint a board, which in turn appoints a CEO to manage the day-to-day operations. The Board (referred to within Handelsbanken as the Central Board) organises within itself various committees. Duing 2021, in the work of governing the Bank, the CEO was supported by, among others, the Heads of Group Finance, Group Credits, Group IT, Group HR, Capital Markets, Group Communication, Group Legal, Group Compliance and Group Risk Control, referred to collectively as the executive management. The current composition of the executive mangament is described on page 91. Within the Bank, there are also additional support functions and business functions that report directly to the CEO, including a separate sustainability function. In addition, the shareholders exercise control through auditors appointed by the AGM.

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

2. NOMINATION COMMITTEE
The nomination committee's task is to prepare and submit proposals to the AGM regarding the appointment of the Chairman and other members of the Board and fees to the Chairman and other members of the Board. As prescribed by the Swedish Corporate Governance Code, the nomination committee also submits proposals regarding the appointment of auditors and fees to the auditors. The AGM decides how the nomination committee will be appointed.

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

4. THE BOARD
The Board (Central Board) is responsible for the Bank's organisation and manages the Bank's affairs on behalf of its shareholders. The Board must continuously assess the Bank's financial situation and ensure that the Bank is organised in such a way that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily controlled. The Board establishes policies and instructions on how this is to be executed, and establishes rules of procedure for the Board and also an instruction for the CEO.

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

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

Bank to which the credit case applies presents the case to the credit committee.

6. AUDIT COMMITTEE
The Board's audit committee monitors the Bank's financial reporting by examining important accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control, internal audit and risk management with regard to financial reporting, as well as the external auditors' impartiality and independence. As prescribed by the Swedish Corporate Governance Code, the committee also evaluates the audit activities and submits a recommendation to the nomination committee in the matter of the appointment of auditors. The committee also receives reports from the Bank's internal and external auditors.

7. RISK COMMITTEE
The Board's risk committee monitors the effectiveness of the Handelsbanken Group's risk control and risk management. The committee prepares decisions regarding the Bank's risk strategy, risk tolerance, etc., and examines reports from Group Compliance and Group Risk Control. The committee also makes decisions independently, including decisions on the significant parts of the Bank's risk classification and estimation processes linked to the IRB approach.

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

9. UK COMMITTEE
The Board's UK committee facilitates the structured, continuous follow-up of the operations in Handelsbanken plc. Members of the Board and selected members of executive management may participate in this committee.

10. GROUP AUDIT
Group Audit (internal audit) performs an independent, impartial audit of the operations and financial reporting of the Group. A key task for Group Audit is to assess and verify processes for risk management, internal control and corporate governance. The Chief Audit Officer is appointed by the Board and reports regularly to the audit committee, orally and in writing, and also submits an annual summary report to the whole Board.

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

12. GROUP GOVERNANCE
Group Governance, the corporate governance unit, ensures that decisions made at shareholders' meetings and by the Board, as well as changes in legislation and other external regulations, are implemented in policies from the Board and guidelines and instructions from the CEO, with the aim of stipulating overall responsibilities and mandates internally at the Bank.

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

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

15. GROUP FINANCE
Group Finance is responsible for control systems, reporting, bookkeeping, accounting and taxes, as well as for purchases and procurement. It is also responsible for the Group's liquidity, funding, and capital and for the Group's overall risk management regarding financial risk, liquidity risk, and insurance risk. For a detailed description of this risk management, see note G2 on pages 110–149. The Head of Group Finance, Handelsbanken's CFO, reports to the CEO and also regularly reports on behalf of the CEO to the Board's audit committee and risk committee and, regarding market risks, liquidity, funding and capital, to the Board as a whole.

16. GROUP LEGAL
Group Legal is responsible for ensuring sufficient legal support in the operations, and for legal assessments on behalf of other units, at all levels within the Group. This responsibility includes co-ordinating the work involving legal support and legal matters, both centrally and locally, and ensuring that the work is undertaken with a Group-wide perspective, with consideration given to internal and external regulations and other relevant external factors. Group Legal also provides the secretariat for the Bank's Board.

17. GROUP COMPLIANCE
The primary responsibilities of the Compliance function are to work actively to ensure a high level of compliance within the Group and to ensure that the Bank's low risk tolerance is maintained. The Compliance function also manages public authority contacts related to supervisory cases. The function is to identify and monitor risks, to provide advice and support about compliance to the Group´s employees, CEO and Board, and to continuously inform the units concerned about the risks which may arise in the operations due to inadequate compliance.

The Group's Chief Compliance Officer reports directly to the CEO and leads the Compliance function. The Compliance function is independent and organisationally separated from the functions and areas to be monitored and controlled. The Head of Group Compliance reports regularly to the CEO, the risk committee and the Board on matters regarding compliance.

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

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholder rights

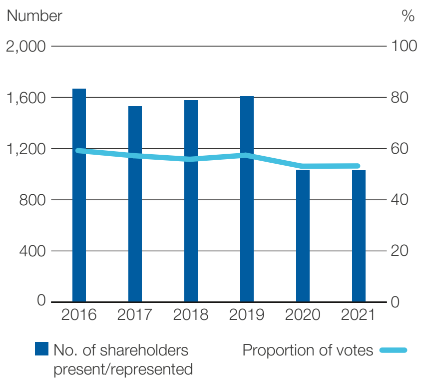
At the end of 2021, Handelsbanken had close to 147,000 shareholders. Shareholders' right to decide on matters concerning the company's affairs are exercised at regular shareholders' meetings, the annual general meeting and extraordinary general meetings. Handelsbanken has two classes of shares: class A and class B. Class A shares are by far the most common and represented more than 98 per cent of all outstanding shares at the end of 2021. Class A shares and class B shares entitle holders to the same proportion of the profit. Each class A share entitles the holder to one vote, while each class B share entitles the holder to one-tenth of a vote. Handelsbanken's Articles of Association state that at shareholders' meetings, no shareholder is allowed to exercise voting rights representing more than ten per cent of the total number of votes in the Bank.

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

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

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

Attendance at AGMs 2016–2021



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

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

Major shareholders

At the end of 2021, the holdings of two shareholders represented more than ten per cent of the votes: The Oktogonen Foundation, with 10.2 per cent, and AB Industrivärden, with 11.2 per cent. Detailed information on the Bank's largest Swedish shareholders can be found on page 35.

Annual General Meeting 2021

The Annual General Meeting took place on 24 March 2021.

Just over 1,030 shareholders were represented at the meeting via postal voting. They represented approximately 52.1 per cent of all votes in the Bank, on par with the figure for the 2020 AGM. Due to the prevailing circumstances related to Covid-19, just two members of the Board were present. The Chair of the nomination committee, Helena Stjernholm, was also present. The chairman of the meeting was lawyer Sven Unger.

The decisions made by the shareholders at the meeting included:

- A dividend of SEK 4.10 per share, with the remaining amount at the disposal of the meeting to be carried forward.
- Authorisation for the Board to decide on acquisition of not more than 120 million shares in the Bank, as well as divestment of shares.
- The Board is to consist of nine members, excluding deputy members.
- The re-election of eight Board members and the election of one new Board member, Stina Bergfors, for the period until the conclusion of the next AGM.
- The election of Pär Boman as Chairman of the Board.
- Fees to be paid to the Board members: SEK 3,500,000 to the Chairman of the Board, SEK 1,000,000 to the Deputy Chair, and SEK 715,000 to the other Board members. Fees to be paid for committee work to each member of the respective committee: SEK 425,000 for the credit committee, SEK 425,000 for the UK committee, SEK 140,000 for the remuneration committee, SEK 425,000 for the risk committee and SEK 425,000 for the audit committee. It was decided that the fee to the chairperson of the risk committee would be SEK 525,000, the fee to the chairpersons of the credit committee and the UK committee would be SEK 475,000, and that the fee to the chairperson of the audit committee would be SEK 525,000. Board members who are employees of Handelsbanken shall not receive a fee.
- The AGM appointed Ernst & Young AB (re-election) and PricewaterhouseCoopers AB (re-election) to serve as auditors until the end of the AGM to be held in 2022.

The shareholders at the meeting also adopted the following guidelines for remuneration and other terms of employment for executive officers, as proposed by the Board, which are presented on pages 85–86 under 'Principles for remuneration at Handelsbanken'.

Extraordinary general meeting 2021

An extraordinary general meeting was held on 21 October 2021. A total of 1,320 shareholders were represented at the meeting. They represented 53.8 per cent of all votes in the Bank, on par with the figures for the 2020 and 2021 AGMs.

The main decisions made by the shareholders at the extraordinary general meeting were as follows:

- approval for Handelsbanken to enter into an agreement regarding the purchase of a total 30,461,977 class A shares in AB Industrivärden ("Industrivärden") from Handelsbanken's Pension foundation.
- the distribution of the thus acquired class A shares in Industrivärden to Handelsbanken's shareholders.

Auditors

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

Johan Rippe has been an authorised public accountant since 1999 and is auditor-in-charge for PricewaterhouseCoopers AB at Handelsbanken. Mr Rippe is also an auditor for Stena and Axel Johnson, among others. He is also a member of the Board for PwC's Swedish operations. Mr Rippe was born in 1968.

NOMINATION COMMITTEE

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

However, the nomination committee must not include representatives of companies which are significant competitors of the Bank in any of its main areas of operations. It is the Chairman of the Board's task to contact the largest owners, so that they will appoint one representative each to sit on the nomination committee, together with the Chairman. The 2022 nomination committee comprises:

Representative	Shareholders	Voting power as a %, 31 August 2021
Helena Stjernholm, Chair	Industrivärden	11.1
Maria Sjöstedt	Oktogonen Foundation	10.3
Mats Guldbrand	Lundberg ownership group	4.2
Carina Silberg	Alecta	1.2
Pär Boman, Board Chairman		

Information on the composition of the nomination committee has been available at handelsbanken.com since 15 September 2021.

The nomination committee's task in preparation for the AGM on 23 March 2022 is to submit proposals for the election of a chairman of the AGM, the Chairman of the Board and other members of the Board, the fees to the Chairman and other members of the Board, and remuneration for committee work. In addition, the Handelsbanken Board has decided that proposals regarding the election of and fees to auditors be made by the nomination committee.

In its work, the nomination committee takes into account the Board's diversity policy. The policy stipulates that to promote independent opinions and critical questioning, it is desirable that the Board should be characterised by sufficient diversity in terms of age, gender, geographical origin, and educational and professional background. In compiling its proposal for the AGM, the nomination committee also considers the evaluation of the Board carried out by the Chairman of the Board.

THE BOARD

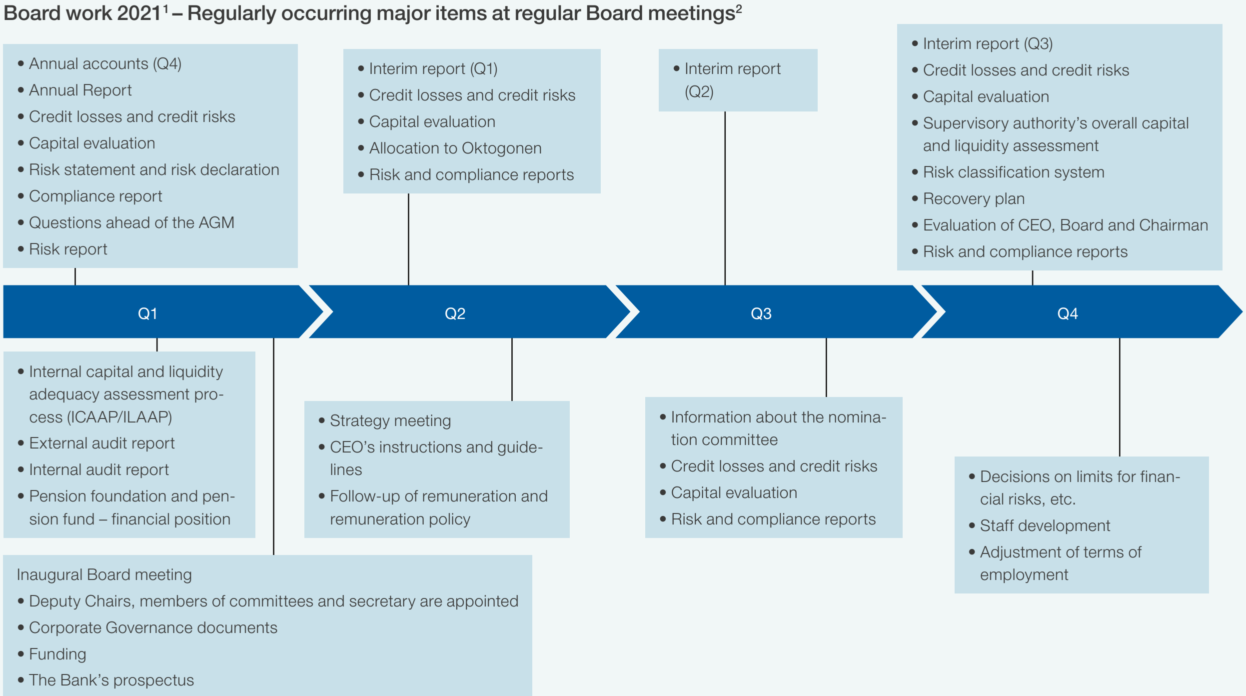
After the shareholders at the 2021 AGM had appointed Pär Boman to be Chairman of the Board, Fredrik Lundberg was appointed as Deputy Chair at the first Board meeting immediately after the AGM. At the same time, the Board appointed members of the credit committee, audit committee, risk committee, remuneration committee and UK committee. Information about the Board is shown on pages 88–90.

Composition of the Board

Since the 2021 AGM, the Board has been composed of nine elected members. When the Board is to be elected, the nomination committee proposes members. Starting from the date of the 2020 AGM, the Board has also included two members and two deputy members who are employee representatives, in accordance with applicable legislation.

The Board members have broad and extensive experience from the business community. Several are, or have been, chief executives of

Board work 2021[1] – Regularly occurring major items at regular Board meetings[2]



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

[2] At Board meetings, the business situation is regularly addressed, while the utilisation of market risk limits, liquidity and funding are discussed on a quarterly basis.

major companies, and most of them are also board members of major companies. See also pages 88–90. Several members have worked on the Bank's Board for a long time and are very familiar with the Bank's operations. The nomination committee's proposals at previous AGMs, including their reasons, are available at handelsbanken.com.

The proportion of women on the Board of the Bank since the 2021 AGM is 44.4 per cent of the elected members, and the proportion with a different geographical origin than the country in which Handelsbanken is domiciled is 22.2 per cent.

Independence of Board members

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

Regulations governing the Board's work

The fundamental rules regarding the distribution of tasks among the Board, the Board committees, the Chairman, the CEO and Group Audit are in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, and are expressed in the Board's rules of procedure, as well as in its instructions to the CEO and to the Chief Audit Officer.

Chairman of the Board

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

The Chairman's duties include being chairman of the credit committee, remuneration committee and UK committee, as well as being a member of the audit and risk committees. The Chairman is responsible for ensuring that the Board's work is evaluated annually. The 2021 Board evaluation was performed by means of a survey and through discussions between the Chairman and each member. The Chairman informed the Board of the outcome of the evaluation and led a Board discussion on this. He also informed the nomination committee about the Board evaluation. The Chairman is responsible for maintaining contact with the major shareholders concerning ownership matters.

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

The Board's work in 2021

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

The figure on page 79 gives an overview of the Board's work in 2021, including regularly occurring major items at ordinary Board meetings. Moreover, during the year the Board has received reports on the Bank's work relating to money laundering and information security, as well as on the Bank's overall sustainability work, including climate risks and performance in terms of the adopted sustainability goals. In addition, matters discussed at remuneration, risk and audit committee meetings are reported at the next Board meeting.

Committee work

Credit committee

The credit committee consisted of the Chairman of the Board (Pär Boman, who also chairs the credit committee), the Deputy Chair (Fredrik Lundberg), the CEO (Carina Åkerström), the Chief Credit Officer (Per Beckman, until 27 October), and four Board members appointed by the Board (Jon Fredrik Baksaas, Hans Biörck, Arja Taaveniku and Ulf Riese).

The credit committee normally holds one meeting every month to take decisions on credit cases that exceed a set limit and that are not decided on by the whole Board due to the importance of these cases or legal requirements. The Country General Managers and County Managers, and the Head of Handelsbanken Global Banking presented cases to the credit committee from their own units in 2021 and participated when other cases were presented, with the objective of providing them with a good picture of the Board's approach to risk. Credit cases that are decided upon by the whole Board are presented by the Chief Credit Officer. If a delay in the credit decision would inconvenience the Bank or the borrower, the credit instructions allow the CEO and the Chief Credit Officer to decide on credit cases during the interval between credit committee meetings.

In 2021, the credit committee had 12 meetings.

Audit committee

The audit committee comprised the Chairman of the Board (Pär Boman) and three Board members appointed by the Board (Jon Fredrik Baksaas, Hans Biörck and Ulf Riese). The latter members are independent of major shareholders, and of the Bank and its management. Jon Fredrik Baksaas was appointed to chair the committee.

In 2021, the audit committee had eight meetings.

Risk committee

The risk committee comprised the Chairman of the Board (Pär Boman) and three Board members appointed by the Board (Ulf Riese, Kerstin Hessius and Hans Biörck). The latter members are independent of major shareholders, and of the Bank and its management. Kerstin Hessius was appointed to chair the committee.

In 2021, the risk committee had eight meetings.

Remuneration committee

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

In 2021, the remuneration committee had nine meetings.

UK committee

The UK committee comprised the Chairman of the Board, (Pär Boman, also chair of the committee), the CEO (Carina Åkerström), the Head of Group Finance (Carl Cederschiöld) and a member appointed by the Board (Ulf Riese).

In 2021, the UK committee had ten meetings.

Summary of focus areas in the Board's committees (excluding the credit committee)

Committee	Members	Duties	Other focus areas in 2021
Audit committee	Jon Fredrik Baksaas (Chair) Pär Boman Ulf Riese Hans Biörck	The work of the audit committee includes the following: • monitoring the financial reporting, as well as the effectiveness of the Bank's internal control, internal audit and risk management systems in relation to financial reporting • providing recommendations and proposals concerning the financial reporting • preparing the Board's decision regarding an audit plan for the work of Group Audit and taking into account reports from Group Audit • having regular contact with the external auditors. These auditors report to the committee on significant matters that have emerged from the statutory audit • keeping up to date with the audit of the annual report and consolidated accounts and the Swedish Supervisory Board of Public Accountants' quality control • assisting the nomination committee in the matter of proposing auditors and thereafter submitting a recommendation regarding the election of auditors • informing the Board of the results of the audit and of the manner in which the audit has contributed to the reliability of the financial reports • monitoring and verifying the external auditors' impartiality and independence, with a particular focus on whether the auditors provide any services other than auditing to the company. All interim reports and year-end reports are reviewed by the audit committee. Items are presented by the CEO, the CFO, the Chief Audit Officer and the persons with main responsibility from the audit companies appointed by the AGM. The members of the committee can also ask questions to the Chief Audit Officer and external auditors when members of Bank management are not present. **The Board's report on internal control regarding financial reporting can be found on page 87.**	During the year, the audit committee has engaged in its usual work relating to financial reporting, auditing, etc. In this context, the committee has also had reason to discuss the Covid-19 pandemic and its effects on the Bank's operations, its organisational changes and operational changes.
Risk committee	Kerstin Hessius (Chair) Pär Boman Ulf Riese Hans Biörck	The work of the risk committee includes the following: • processing reports from the Heads of Group Risk Control and Group Compliance • preparing the Board's decisions regarding the establishment of the internal capital adequacy and liquidity assessment • processing the validation and evaluation of the internal risk classification system • preparing the Board's decisions regarding risk tolerance and risk strategy • processing the evaluation of the risk calculation methods used for limiting financial risks, calculating capital requirements and calculating economic capital • preparing the Board's decisions regarding the establishment of Handelsbanken's recoveryplan. The Head of Group Risk Control, who is also the Bank's CRO, and the Chief Compliance Officer present their reports to the risk committee in person. The members of the committee can also ask questions to the CRO and Head of Group Compliance when members of Bank management are not present. The Bank's CEO, CFO, Chief Credit Officer and Chief Legal Officer also attend meetings of the risk committee. **The framework for control is described on pages 82–83.**	During the year, the risk committee has regularly addressed matters relating to risk tolerance, including credit risk, counterparty risk and liquidity risk, as well as the development of the Bank's IRB models. In addition, the committee has discussed risk and compliance issues tied to, among other things, IT security, outsourcing (including cloud-based services) and anti-money laundering work. The committee has also discussed the effects of the Covid-19 pandemic.
Remuneration committee	Pär Boman (Chair) Jon Fredrik Baksaas Hans Biörck	The tasks of the remuneration committee include making an independent assessment of Handelsbanken's remuneration policy and remuneration system. In addition, the remuneration committee prepares matters regarding remuneration to be decided on by the Board and the AGM. After the shareholders at the AGM have decided on guidelines for the terms and conditions of remuneration to executive officers, the Board decides on remuneration to these officers and the heads of the control functions: Group Audit, Group Risk Control and Group Compliance. Each year, the remuneration committee evaluates Handelsbanken's guidelines as well as its remuneration structures and levels in accordance with the Swedish Corporate Governance Code. A statement from the committee in this regard is published on handelsbanken.com prior to the AGM. **The Board's remuneration report is available at handelsbanken.com.**	The remuneration committee has engaged in its usual work concerning matters relating to remuneration. In addition, the committee has addressed several cases involving the appointment of senior managers.
UK committee	Pär Boman (Chair) Carina Åkerström Carl Cederschiöld Ulf Riese	Every quarter, the committee for UK operations receives information about the performance and position of the UK operations, and every year, information about the business plan for the UK operations etc.	The UK committee has followed the operations of Handelsbanken in the UK, in terms of its financial reporting, its business situation, and risk and compliance matters.

THE BANK'S MANAGEMENT

Group Chief Executive

Carina Åkerström has been President and Group Chief Executive since March 2019. She was born in 1962, is a Bachelor of Laws, and has worked at Handelsbanken since 1986. In 2008, Carina Åkerström became a member of the executive management as Deputy CEO and Head of Regional Bank Eastern Sweden. In 2010, she was appointed Head of Regional Bank Stockholm. Carina Åkerström was appointed Deputy Group Chief Executive in 2016, while retaining her position as Head of Regional Bank Stockholm. With the exception of her positions as Chairman of the Swedish Bankers' Association (entailing an assignment as board member in the European Banking Federation), and board member in World Childhood Foundation, Carina Åkerström has no significant assignments outside Handelsbanken. Her shareholdings in the Bank and those of close relatives are 28,000 shares, as well as 34,510 shares held indirectly via the Oktogonen profit-sharing scheme. Neither the CEO nor her close relatives has any material shareholdings or other ownership interests in companies with which the Bank has significant business relations.

Executive management

In addition to the Group Chief Executive, in 2021 Handelsbanken's executive management included the CFO and the Heads of Group IT, Group Credits, Group Legal, Group HR, Group Communication, Capital Markets, Group Compliance and Group Risk Control. The Head of Swedish branch operations and Head of Handelsbanken Digital were co-opted to executive management. The current executive management is described on page 91. Executive management is a forum for addressing Group-wide issues and other matters of significance from a Group perspective. Before decisions are made on such matters by the CEO or other executive officers, these are, as a general rule, discussed by executive management.

Decision-making process

As a general rule, responsibilities and powers of authority at Handelsbanken have been assigned to individual members of staff, rather than groups or committees. However, collective decisions are made, in the form of credit decisions made in credit committees and the national boards. It is required that the members are unanimous regarding these decisions.

Risk Forum and Business Forum

The Risk Forum has been set up by the CEO for follow-up of risk management within several areas and for in-depth discussions regarding the Bank's overall risk situation prior to such matters being addressed by the risk committee and the Board. In addition to the CEO, the Risk Forum includes the CFO and the Heads of Group Risk Control, Group Compliance, Group Governance and Group Legal, as well as heads of other central units, where relevant.

The Business Forum has also been established by the CEO and aims to provide a general picture of the situation in the markets in which the Group operates, as well as offering the opportunity for information exchange concerning business development and product development. In addition to the CEO, the Business Forum includes the heads of the central business areas and others.

Operational structure

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

Branch operations

In 2020, the decision was made to organise the branch operations in Sweden by county, co-ordinated in a national organisation. In 2021, the equivalent reorganisation was implemented in the UK branch operations, which are now organised into a number of districts under a national organisation.

Since December 2018, the operations in the UK are conducted in a subsidiary, Handelsbanken plc. In Denmark, Finland, the Netherlands and Norway, the operations are conducted in the form of international branches. The operations in these countries, and for the countries within Handelsbanken Global Banking – Luxembourg and the USA – are led by a Country General Manager. The Country General Managers are responsible to the public authorities in their respective countries for all operations that the Bank and its subsidiaries pursue in those countries.

In 2021, the decision was made to initiate a process to divest the operations in Denmark and Finland, and concentrate the business to Sweden, Norway and the UK. As part of this process, the operations in the Netherlands will be organised within Capital Markets.

FRAMEWORK FOR CONTROL

Organisational requirements on the operations

Responsibility for fulfilling organisational requirements in order to ensure internal control, risk control and regulatory compliance within each respective unit has been delegated from the CEO to managers who report directly to the CEO. In turn, these managers have delegated operational responsibility for meeting these requirements to managers who report to them. Among other things, this responsibility means that fit-for-purpose instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Thus, internal control, risk control and compliance are integral parts of managers' responsibility at all levels in the Bank.

Group Compliance

The compliance function (Group Compliance) identifies, analyses and reports on compliance within the Group. This also includes checking and assessing the suitability and effectiveness of the procedures in place and actions taken to minimise the risk of non-compliance with applicable rules. Another important duty is to provide support and advice, especially in conjunction with the introduction of new or changed regulations, or changes to the Group's products, services, markets, processes, IT systems and organisation. Group Compliance also monitors the risk level relative to the risk tolerance defined by the Central Board, and is responsible for the Group's public authority contacts related to supervisory cases.

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

The Chief Compliance Officer is appointed by the Central Board and reports on compliance in the Group directly to the CEO, the risk committee and the Central Board each quarter.

Group Risk Control

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

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

A more detailed description of the Bank's risk management and control is contained in note G2 on pages 110–149, and also in the Bank's Pillar 3 Report.

Group Audit

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

Group Audit is tasked with performing an independent, impartial audit of the operations and financial reporting of the Group. This includes assessing and verifying processes for risk management, internal control and corporate governance. Their assignment is based on a policy established by the Board and is performed on the basis of a risk-based methodology in accordance with internationally accepted standards issued by the Institute of Internal Auditors (IIA). The planned auditing activities are documented every year in an audit plan which is established by the Board. Group Audit's conclusions, the actions to be taken and their status, are reported regularly to the audit committee and every year to the Board as a whole. The Chief Audit Officer is also a recipient of reports made via Handelsbanken's separate system for whistleblowing.

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

POLICY DOCUMENTS

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

Credit policy

The credit policy describes the Bank's risk tolerance and risk strategy for credit risk, as well as how such risks are to be followed up and reported. Handelsbanken has a low tolerance of credit risks and strives to maintain its historically low level of credit losses compared to other banks.

Policy for risk control

The policy for risk control presents basic principles for the Bank's risk control. The risk control function must verify that all material risks to which the Group is exposed, or may be exposed in the future, are identified and managed by the relevant functions, and must also supervise and monitor the Group's risk management. In addition, the function must identify risks arising as a result of deficiencies in the Group's risk management. The risk control function must also verify that every business unit monitors all its material risks in an efficient manner.

Policy for operational risk

The policy for operational risk describes the Bank's tolerance of operational risks and provides comprehensive guidance on the management of such risks. Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. I also includes legal risks. Handelsbanken has a low tolerance of operational risks and, as far as possible, must endeavour to prevent these risks and to reduce the losses in this area. The responsibility for operational risk is an integral part of managerial responsibility throughout the Group.

Capital policy

The purpose of the capital policy is to ensure that the Group's supply of capital is satisfactory. The Group must at all times be well capitalised in relation to risk, and fulfil the goals established by the Board and the capital adequacy requirements established by supervisory authorities, even in situations of financial stress (see the section on risk in note G2 on pages 110–149). Handelsbanken's capital situation must also justify a continued high rating from the most important rating agencies.

Financial policy

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

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

Communication policy

The policy states that Handelsbanken's communication must be correct, factual, clear and comprehensible, and be characterised by transparency, accessibility and speed. It must also contribute to strengthening Handelsbanken's brand and the trust of its customers, other market actors and society in general. External communication to the financial markets and other external recipients must be relevant, reliable, correct, clear, up to date and otherwise in line with the rules of the stock exchange and other applicable regulations. Information is to be made public as soon as possible and simultaneously to the stock market, investors, analysts, news services and other media. At press conferences and the like, the media and analysts should normally be given the opportunity to obtain information at the same time.

Policy for sustainability

The policy establishes the strategy for Handelsbanken's sustainability work with regard to the Bank's relationships with customers, actions as an employer and social actor, and relationships with owners and investors. The Bank must integrate financial, social and environmental sustainability into all its operations. This entails safeguarding human rights and employees' rights, and not being complicit in breaches of these. Gender equality, diversity and an inclusive corporate culture should be a fundamental part of Handelsbanken's values. Handelsbanken must, through financial and environmental sustainable operations, endeavour to minimise the negative effect on the environment and climate. Nor shall Handelsbanken accept corruption, money laundering or terrorist financing, and conflicts of interest must be managed.

The policy is available at handelsbanken.com.

Policy for ethical standards

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

The policy is available at handelsbanken.com.

Policy for management of conflicts of interest

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

The policy is available at handelsbanken.com.

Policy against corruption

The policy against corruption establishes the importance of preventing and never accepting corruption, and of always taking action where there is suspicion of corruption.

Employees of the Group must carry out their responsibilities in all their activities at the Group and their external assignments in a manner that upholds confidence in Handelsbanken. They must not, therefore, participate in actions that may involve bribery or any other improper influence.

The policy is available at handelsbanken.com.

Policy for remuneration

The policy stipulates that Handelsbanken takes a long-term view of its staff's employment. Remuneration must be on market terms, enabling Handelsbanken to attract, retain and develop skilled staff, and ensuring good management succession, thus contributing to the achievement of the Handelsbanken Group's corporate goal.

Handelsbanken has a low risk tolerance in general. This is reflected in the company's view of remuneration. Handelsbanken considers that fixed remuneration contributes to healthy operations. This is therefore the main principle. Fixed remuneration is comprised primarily of a basic salary, customary employee benefits and pension.

Provisions for the Oktogonen collective profit-sharing scheme are classified as variable remuneration. Provisions are based on profitability metrics linked to Handelsbanken's corporate goals being met and the Board's overall assessment regarding the Bank's performance.

Performance-based variable remuneration must be applied with great caution and is not offered to employees who, in their professional roles, can have a material impact on the Bank's risk profile.

Remuneration at Handelsbanken is generally established locally in accordance with the Bank's decentralised method of operating and is based on salary-setting factors that are established in advance.

In certain countries, Handelsbanken is party to collective bargaining agreements on general terms and conditions of employment and conditions for pensions. This policy does not affect rights and obligations under collective bargaining agreements; nor does it affect obligations under applicable contract law or labour law.

Group HR is responsible for verifying that remuneration in Handelsbanken is compliant with internal and external rules. The independent control functions monitor and analyse the remuneration system, and report material risks and flaws to the Board's remuneration and risk committees.

A more detailed description of Handelsbanken's remuneration principles is shown on pages 85–86 and details about remuneration are shown in note G8 on pages 152–157.

Policies for suitability assessment

These two policies (one for Board members and the CEO, one for other employees) include general criteria for the suitability assessments required in advance of the appointment of members to the Board, the CEO, other executive management, Country General Managers, heads of control functions and other executive officers at the Bank and the Bank's subsidiaries.

Policy for Group Audit

The policy stipulates that Group Audit must evaluate the efficiency and appropriateness of the Group's processes for risk management, internal governance and control. The Audit function must impartially and independently examine the Group's operations, accounts and governance process, ensure that material risks are identified and managed in a satisfactory manner, and ensure that material financial information is reliable, correct and delivered on time.

Policy for managing and reporting events of material importance

According to the policy, events of material importance must be reported to the Swedish Financial Supervisory Authority. This refers to events that may jeopardise the stability of the Bank or a subsidiary, or the protection of customers' assets.

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

The policy establishes that engaging the Bank's elected auditors for services other than auditing should be avoided when this can be done without inconvenience. A decision on this must be made by the Chief Audit Officer or, in the case of more extensive assignments, by the Board's audit committee. The policy is adopted by the Board's audit committee on behalf of the Board.

Policy for compliance

According to the policy, compliance refers to the observance of regulatory frameworks relating to all operations subject to a licence undertaken within the Handelsbanken Group. Handelsbanken has a low tolerance of compliance risks and, as far as possible, must prevent these risks. The responsibilities of the compliance function (Group Compliance) are to work actively to ensure a high level of compliance and to ensure that Handelsbanken's low tolerance of compliance risks is adhered to. This involves providing advice and support, as well as exercising monitoring and control of compliance within the Group.

Policy for complaints management

The policy states that the branch with customer responsibility is required to accept and manage customer complaints. Complaints must be dealt with promptly, while considering all rules relevant to the subject of the complaint. Complaints must be taken very seriously and regarded as an opportunity to correct a mistake or misunderstanding. The aim of the Bank's complaints management is that the person making the complaint must be very satisfied with the Bank's handling of it.

Policy for employees' transactions in financial instruments in the Handelsbanken Group

This policy serves as guidance for transactions in financial instruments executed by employees and contractors (other than Board members) in the Handelsbanken Group. The policy applies regardless of whether the transactions are undertaken for the individual's own account or that of a closely related person, a customer or the Bank. The basic rules are that employees and contractors in the Handelsbanken Group may not execute transactions in financial instruments, nor cause any other person, through advice or request, to execute such transactions, that involve insider trading or market manipulation. Employees and contractors with access to insider information may not disclose such information.

Accounting policy

The accounting policy applies to Handelsbanken's accounting function. The consolidated accounts are prepared in accordance with IFRS, as adopted by the EU, plus additional standards in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority. The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies, and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority. International units must prepare accounts in accordance not only with the Group's rules, but also with the regulations that apply in the country where they are required to maintain accounting records.

Policy for products and services

According to the policy, the Handelsbanken Group's range of products must maintain a high level of quality. This means that the products' function, and their associated costs and risks, must meet customers' needs, characteristics and goals, as well as being presented in such a way that customers are able to make well-founded decisions. A decision-making procedure must be in place for the approval of new and materially changed products. Before a product is rolled out, it must be subject to product testing, and no new or materially changed product may be rolled out until the resources are in place to manage the risks associated with the product. The products must have established target markets and the strategy for distribution of products must be appropriate in relation to the target market. Procedures must exist for monitoring the product, to ensure that it remains suitable for the established target market.

Policy on measures against financial crime

The policy on measures against financial crime is based on applicable regulatory frameworks concerning money laundering, terrorist financing, effective international sanctions and rules regarding violations of such sanctions, as well as obligations relating to the prevention of fraud. Handelsbanken must not participate in transactions of which the employees do not understand the implications, or which may be suspected of being linked to criminal activities. The Group's work method is based on having a good knowledge of its customers, and an understanding of its customers' business operations, as well as the purpose and nature of the business relationship. Customer due diligence must be performed and maintained for as long as the customer relationship exists. Handelsbanken must also monitor and follow decisions on sanctions.

The policy is available at handelsbanken.com.

PRINCIPLES FOR REMUNERATION AT HANDELSBANKEN

The remuneration policy establishes the Bank's principles for remuneration to employees. In general, Handelsbanken has low tolerance of risk and holds the opinion that fixed remuneration contributes to healthy operations. This is, therefore, the main principle. The Bank's executive officers and employees who make decisions on credits or limits, or who work at the Bank's control functions, are paid fixed remuneration together with the possibility of further remuneration from the Oktogonen collective profit-sharing scheme. This also applies to employees who are assessed as having a material impact on the Bank's risk profile, called 'risk-takers' in the Bank.

The main principle of the remuneration policy is that remuneration is paid in the form of fixed remuneration. However, the policy allows for variable remuneration to be paid. The Board decides on the total amount.

A detailed description of fixed and variable remuneration at Handelsbanken is given here. Other information concerning remuneration paid by the Bank in accordance with the current regulations is presented in note G8 on pages 152–157, in the Bank's remuneration report and is also presented on the Bank's website. This note also provides information about amounts for salaries, pensions and other benefits, and loans to executive officers.

Fixed remuneration

The Bank takes a long-term view of its staff's employment. Remuneration for work performed is set individually for each employee, and is paid in the form of a fixed salary, customary salary benefits and pension. At Handelsbanken, salary-setting takes place at local level.

The main principle is that salaries are set locally in salary reviews between the employee and his/her line manager. These principles have been applied for many years with great success. They mean that managers at all levels participate regularly in the salary process, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

Salaries are based on factors known in advance: the nature and level of difficulty of the work, competency and skills, work performance and results achieved, leadership, and being a cultural ambassador for the Bank.

In Sweden and certain other countries, the Bank is party to collective bargaining agreements on general terms and conditions of employment during the employment period and on terms and conditions of pensions after employees have reached retirement age. The aim of the Bank's policy on salaries is to increase the Bank's competitiveness and profitability, to enable the Bank to attract, retain and develop skilled staff, and to ensure good management succession planning. Good profitability and productivity performance at the Bank create the necessary conditions for salary growth for the Bank's employees.

Variable remuneration

The Oktogonen profit-sharing system covers all employees in the Handelsbanken Group. The provision is classified as variable remuneration and is based on profitability metrics linked to Handelsbanken's corporate goals being met and the Board's overall assessment regarding the Bank's performance. Disbursements are mainly made in cash to the employees, or alternatively to a pension plan, a savings plan or a combination of the two.

Performance-based variable remuneration is applied with great caution and to a very limited extent. It is only offered to employees in the Capital Markets business area and in mutual fund and asset management operations. In these operations, performance-based variable remuneration may only be paid to employees at units whose profits derive from commissions or intermediary transactions that take place without the Bank being subject to credit risk, market risk or liquidity risk. Just over one per cent of the Group's employees are eligible to receive performance-based variable remuneration. The total amount reserved for performance-based variable remuneration to employees in the Handelsbanken Group must not exceed 0.4 per cent of the Bank's common equity tier 1 capital during any given year. For 2021, a total of SEK 57m was allocated for performance-based variable remuneration, corresponding to approximately 0.6 per cent of total salaries and approximately 0.04 per cent of the Bank's common equity tier 1 capital.

Performance-based variable remuneration is based on Handelsbanken's factors for setting salaries and it must be designed so that it does not encourage unhealthy risk-taking. The financial result on which the performance-based variable remuneration is based is adjusted for risk and charged with the actual cost of the capital and liquidity required by the operations. Normally, performance-based variable remuneration is only paid in cash. In subsidiaries which run mutual fund operations and in Handelsbanken Wealth & Asset Management Ltd, the performance-based variable remuneration is entirely or partially paid out as mutual fund units.

The main rule for performance-based variable remuneration is that at least 40 per cent is to be deferred for at least four years. For particularly large amounts of performance-based variable remuneration, 60 per cent is deferred. Payment and the right of ownership to the variable remuneration do not accrue to the person with the entitlement until after the end of the deferment period. Deferred variable remuneration can be removed or reduced if losses, increased risks or increased expenses arise during the deferment period, or if payment is deemed to be unjustifiable in view of the Bank's financial situation. No employee may receive performance-based variable remuneration of more than 100 per cent of his/her fixed remuneration.

Handelsbanken complies with the Swedish Financial Supervisory Authority's regulations governing remuneration policies in credit institutions, investment firms and fund management companies, which include provisions for formulating and adopting remuneration policies. The heads of the areas concerned, as well as the CRO and Chief Compliance Officer, take part in the remuneration committee's preparation and assessment of the Board's remuneration policy and the Bank's remuneration system.

Remuneration to executive officers

The shareholders at the AGM decide on guidelines for remuneration to the Group Chief Executive, Deputy CEOs and other executive officers.

The Board decides on remuneration to the officers who are subject to the AGM's remuneration guidelines, a total of 10 individuals (as of 31 December 2021). The Board also decides on remuneration to the Chief Audit Officer, among others.

Executive officers in Handelsbanken are Board members, the CEO, Deputy CEOs and other members of executive management. These individual constitute 'Senior Management' according to the definitions in the Swedish Companies Act, the Swedish Corporate Governance Code and the Swedish Financial Supervisory Authority's regulations FFFS 2011:1. Further information about executive officers is shown on page 155.

The guidelines adopted by the annual general meeting on 24 March 2021 are presented below.

Guidelines for remuneration to executive officers within Svenska Handelsbanken AB (publ)

These guidelines apply to remuneration to the Group Chief Executive, members of executive management, Deputy CEO and the Heads of Group Risk Control and Group Compliance (below "executive officers"). The guidelines also cover any remuneration to Board members not included in the Board fees.

The guidelines are applied to new agreements and do not affect remuneration previously decided for executive officers. The guidelines do not apply to remuneration decided by the annual general meeting.

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

Handelsbanken's business strategy is presented in the annual report. In order to ensure that it contributes to the Bank's goals, remuneration must reflect a long-term approach to employment at the Bank, and must be in line with the Bank's low risk tolerance in general.

Principles for remuneration to employees at Handelsbanken

Handelsbanken's principles for remuneration to employees are long established. In the remuneration policy for the Handelsbanken Group, the Board has stipulated that the Bank's remuneration system is to be aligned with the Bank's corporate goal and corporate culture, which are founded on sound, sustainable operations.

The remuneration policy also establishes that fixed remuneration is appropriate for sound, sustainable operations, and is therefore applied as a general rule. Variable remuneration is applied only with substantial caution. Remuneration for work performed is set individually, and is paid in the form of a fixed salary, pension allocations and customary salary benefits (which may consist of, for example, company car, housing, health insurance and household services). Salaries are based on pre-determined salary-setting factors presented in the remuneration policy.

Considering the above approach, the total remuneration to an employee must be on market terms, enabling Handelsbanken to attract, retain and develop skilled staff, and ensuring good management succession.

Remuneration to executive officers

In preparing the Board's proposal for these guidelines, Handelsbanken's remuneration policy and the aforementioned principles for remuneration to employees have been taken into account, in order to ensure the consideration of the Bank's business strategy, long-term interests and sustainability.

- The total remuneration is to be on market terms.
- Remuneration is paid in the form of a fixed salary, pension provision and customary benefits.
- The executive officers are covered, on the same terms as all other employees of the Bank, by the Oktogonen profit-sharing system.
- The retirement age is normally 65. Pension benefits are defined contribution and may amount to a maximum of 35 per cent of the annual fixed cash salary per year, and may be payable in addition to pension plans under collective bargaining agreements. Other salary benefits may amount to a maximum of 35 per cent of the employee's annual fixed cash salary per year.
- The period of notice on the part of an executive officer is six months, and on the part of Handelsbanken a maximum of 12 months. If the Bank terminates the employment contract later than five years after the person becomes one of the Bank's executive officers, the period of notice is a maximum of 24 months.

No severance pay is payable. Other time periods may apply due to collective bargaining agreements or labour legislation.

With regard to employment practices to which non-Swedish rules apply, the appropriate changes are made to pension benefits and other benefits to ensure compliance with mandatory rules or established local practice, whereby the overarching purposes of these guidelines are met wherever possible.

Fees to Board members

It must be possible, in specific circumstances, to remunerate the Bank's elected Board members for services within their respective areas of expertise (including Board assignments in other Group companies), which do not constitute Board work at the Bank. Such assignments are to be managed in accordance with the applicable internal rules, with due consideration given to potential conflicts of interest. A market-based fee is payable for such services. Information on any remuneration provided for such services is to be included in the annual report and remuneration report.

Decision-making process

The Board has established a remuneration committee. The committee is tasked with preparing the Board's decisions on proposed guidelines for remuneration to executive officers. The Board shall formulate a proposal for new guidelines whenever significant changes are necessitated, although at least every four years, and shall present the proposal to be resolved on by the annual general meeting. The guidelines remain applicable until such time as new guidelines are adopted by the annual general meeting. The remuneration committee shall also monitor and evaluate the application of the guidelines for remuneration to executive officers, as well as the current remuneration structures and remuneration levels at the Bank. The members of the remuneration committee are independent of the Bank and its management. The Group Chief Executive also attends the committee's meetings, although not when discussions and decisions on remuneration-related matters affecting the Group Chief Executive herself take place.

Deviation from the guidelines

The Board may resolve to temporarily deviate from the guidelines, in part or in full, if there are special reasons to do so in an individual case, and if a deviation is necessary to safeguard the Bank's long-term interests and sustainability, or to ensure the Bank's financial viability. As stated above, the remuneration committee's duties include preparing the Board's decisions relating to remuneration, meaning that decisions on deviations from the guidelines are also prepared.

The Board's report on internal control regarding financial reporting

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

Control environment

To ensure reliable financial reporting, Handelsbanken's internal control process for financial reporting is based on the control environment. The control environment is fundamental to other components of the process and has been described earlier in the corporate governance report: i.e. organisational structure, division of responsibilities, guidelines and policy documents. An important aspect of the control environment is that decision-making channels, powers of authority and responsibilities are clearly defined and communicated, and that policy documents and guidelines established by the Board and Group Chief Executive provide clear guidance and are complied with.

Risk assessment

Risk assessment aims to identify, manage and follow up risks with the potential to affect the financial reporting. Group Finance is responsible for performing a risk assessment at Group level, in order to identify units for which the need for internal control is assessed as of material significance to minimise the risk of material error in the financial reporting. Units that Group Finance deems must be covered by the process are required to draw up general documentation of their processes for internal control regarding financial reporting. This general documentation must describe the processes that generate the unit's most significant balance sheet and profit and loss items, risks, procedures for preparing the accounts, and identified control activities. The identified control activities are carried out each quarter to ensure that the financial reporting is correct, in all material respects.

The self-evaluations carried out annually within the parent company and subsidiaries are an essential part of the Bank's total risk assessment. Risks in the financial reporting are part of this total analysis. Other aspects of Handelsbanken's risk management are detailed in note G2 on pages 110–149 and in the Bank's Pillar 3 report.

Control activities

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

Group Finance bears the overall responsibility for the financial reporting, the consolidated accounts and consolidated financial reports, and for financial and administrative control systems. The unit's responsibilities also include the Group's liquidity, the internal bank, own funds, tax analysis and Group-wide reporting to public authorities.

Group Finance has the overall responsibility for ensuring that a fit-for-purpose process is in place for reporting on internal control regarding the financial reporting. For the units that Group Finance has deemed must be covered by the process for internal control regarding financial reporting, control activities are identified which are aimed at preventing, detecting and correcting errors and deviations in the financial reporting. Group Finance has established a number of financial control activities linked to the general ledger and the process of preparing the accounts, which all finance departments within the parent company and subsidiaries are required to carry out in conjunction with every quarterly closing of accounts. These include, for example, the reconciliation and verification of reported amounts, and analyses of income statements and balance sheets. In addition to financial control activities, units selected by Group Finance are responsible for identifying and evaluating control activities within business process and systems that have a substantial impact on the income statement and balance sheet, with the aim of minimising the risk of material error in the financial reporting. Heads of accounting and control at the respective units are responsible for ensuring that the control activities in the financial reporting for their unit are fit-for-purpose – i.e. that they are designed to prevent, detect and correct errors and deviations – and are in compliance with internal guidelines and instructions. At each quarterly closing of accounts, the units certify to Group Finance that the control activities have been carried out, and that their balance sheets and income statements are correct. Based on Group Finance's follow-up of the units' reports, the Head of Group Finance (i.e. the CFO) reports the status of the internal control of financial reporting to the audit committee at each quarterly closing of accounts.

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

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

Information and communication

The Bank has information and communication paths with the aim of achieving completeness and correctness in its financial reports. Group Finance must ensure that the staff concerned are aware of and have access to instructions of significance to the financial reporting. The Group's general accounting instructions and special procedures for producing financial reports, and the process for internal control regarding financial reporting, are communicated to the staff concerned via the Group's intranet. The system used for financial reporting encompasses the entire Group.

Follow-up

The respective accounting and financial departments at the Bank monitor and verify compliance with applicable rules in the form of internal steering documents which affect the financial reporting, as the responsibility for internal control is an integral part of the managerial responsibility.

If the Group does not meet its obligations under regulations, laws and other rules for operations that are subject to a licence, this could affect the Bank's financial reporting. Group Compliance is responsible for monitoring and controlling regulatory compliance with regard to the operations within the Bank that are subject to a licence. Group Compliance is described in more detail on pages 77 and 82.

Group Risk Control is responsible for identifying, checking and reporting risks of errors in the Bank's assumptions and assessments that form the basis of the Bank's financial reporting. Group Risk Control is described in more detail on pages 77 and 82.

Group Audit is assigned to examine internal governance and control, and to evaluate the reliability of the Group's financial reporting. Group Audit is described in more detail on pages 77 and 82–83.

As part of the quality control work for financial reporting, the Board has set up an audit committee. Among other responsibilities, the committee processes crucial accounting matters and the financial reports produced by the Bank. The committee also supervises the effectiveness of the internal control, internal audit and risk management systems for internal control regarding financial reporting. The audit committee is described in more detail on page 77.

The Group's information and communication paths are monitored continually to ensure that they are fit-for-purpose for the financial reporting.

Board

Elected by the annual general meeting




Name	Pär Boman Chairman	Fredrik Lundberg Deputy Chairman	Jon Fredrik Baksaas Board Member	Stina Bergfors Board Member
Year elected	2006	2002	2003	2021
Year of birth	1961	1951	1954	1972
Nationality	Swedish	Swedish	Norwegian	Swedish
Position and significant board assignments	Chairman of Svenska Cellulosa AB SCA and Essity AB • Deputy Chairman of AB Industrivärden • Board member Skanska AB.	President and CEO of L E Lundbergföretagen AB • Chairman of Holmen AB, Hufvudstaden AB, AB Industrivärden • Board member L E Lundbergföretagen AB, Skanska AB.	Chairman of DNV and Statnett SF • Board member Telefonaktiebolaget LM Ericsson.	Board member H&M Hennes & Mauritz, Budbee and Tele2
Background	2006–2015 President and CEO of Handelsbanken.	CEO of L E Lundbergföretagen AB since 1981 • Active at Lundbergs since 1977.	2008–2016 GSM Association member, Chairman 2013–2016 • 2002–2015 Telenor Group, President and CEO • 1989–2002 Telenor Group, various positions within finance, financial control and management • 1988–1989 Aker AS • 1985–1988 Stolt Nielsen Seaway AS • 1979–1985 Det Norske Veritas, Norway and Japan.	2013–2018 Co-founder and CEO, other roles, United Screens • 2008–2013 Country Director, Google and Youtube • 2004–2007 CEO, other roles, Carat • 2000–2004 Director, other roles, OMD Worldwide • 1999–1999 Account Manager, TV3 Sweden, Modern Times Group.
Education	Engineer and Business/Economics degree, PhD (Econ) h.c.	Graduate in Business Administration and Master of Engineering, PhD (Econ) h.c. and PhD (Tech) h.c.	Graduate in Economics/Business Administration and PED from IMD.	Graduate in Economics/Business Administration, PhD (Econ) h.c.
Remuneration 2021[1]	SEK 5,440,000	SEK 1,425,000	SEK 1,805,000	SEK 715,000
Credit committee Participation	Chairman 12/12	12/12	12/12	-
Audit committee Participation	8/8	-	Chairman 8/8	-
Remuneration committee Participation	Chairman 9/9	-	9/9	-
Risk committee Participation	8/8	-	2/8[7]	-
UK committee	Chairman 10/10	-	-	-
Board meetings Participation	Chairman 13/13	13/13	13/13	9/13[2]
Own shareholdings and those of immediate family	145,028, of which 30,028 in indirect holdings[3].	77,275,000	3,800	0
Dependent/ independent	Independent of the Bank and its management. Not independent of major shareholders (Deputy Chairman of AB Industrivärden).	Independent of the Bank and its management. Not independent of major shareholders (Chairman of AB Industrivärden).	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.
Number of assignments[4] **Actual number of assignments**[5]	5[6] 14	4[6] 9	4 5	4 7

[1] Remuneration decided by the AGM. Total remuneration to the Board in 2021 was SEK 16,310,000. Arja Taaveniku has also received SEK 344 298 in remuneration as Board member of Handelsbanken plc.
[2] Member of the Board/committee from 24 March 2021.
[3] Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing scheme.
[4] Number of assignments based on Chap. 10, Section 8b of the Swedish Banking and Financing Business Act (2004:297), by which assignments in the same group or in companies in which the Bank has a qualifying holding may be counted as a single assignment. Assignments in organisations that are primarily non-commercial, including certain foundations and not-for-profit associations, are not included.
[5] Number of assignments disregarding the basis of calculation stated in footnote 4.
[6] Has permission from the Swedish Financial Supervisory Authority to hold an additional assignment as board member under Chap. 10, Section 8b, third paragraph of the Swedish Banking and Financing Business Act (2004:297).
[7] Member of the committee until 24 March 2021.

Hans Biörck **Board Member**	**Kerstin Hessius** **Board Member**	**Ulf Riese** **Board Member**	**Arja Taaveniku** **Board Member**	**Carina Åkerström** **Board Member**
2018	2016	2020	2020	2019
1951	1958	1959	1968	1962
Swedish	Swedish	Swedish	Swedish	Swedish
Chairman of Skanska AB and Trelleborg AB.	CEO of AP3 Third National Swedish Pension Fund • Board member Vasakronan AB, Hemsö Fastighets AB and Trenum AB.	-	Chairman of Svenska Handelsfastigheter AB and Polarn O. Pyret AB • Board member Dunelm plc, Handelsbanken plc and Nobia AB.	President and Group Chief Executive of Handelsbanken • Chairman of the Swedish Bankers' Association • Board member World Childhood Foundation.
2001–2011 Skanska, Deputy CEO and CFO • 1998–2001 Autoliv, CFO • 1997–1998 Self-employed • 1977–1997 Various positions in Esselte.	2001–2004 Stockholm Stock Exchange, CEO • 1999–2000 Sveriges Riksbank, Deputy Governor of the central bank • 1998 Danske Bank, Chief Executive, Asset Management • 1990–1997 ABN Amro Bank/ Alfred Berg • 1989–1990 Finanstidningen • 1986–1989 Swedish National Debt Office • 1985–1986 Sveriges Riksbank (central bank) • 1984–1985 Swedish Agency for Public Management.	Various positions at Handelsbanken • 2016–2018 Senior Advisor • 2007–2016 CFO • 2004–2007 Head of Handelsbanken Asset Management • 2004 Deputy CEO of Handelsbanken • Employed by Handelsbanken since 1983.	2015–2019 Chief Offer and Supply Chain Officer, Kingfisher plc, CEO of subsidiary of Kingfisher plc • 2012–2015 President and Group Chief Executive, Ikano Group • 2005–2012 Global Business Area Director, IKEA Group • 1989–2005 Various positions within the IKEA Group.	2016–2019 Deputy CEO, Deputy Group Chief Executive of Handelsbanken • 2010–2019 Deputy CEO, Head of Regional Bank Stockholm • 2008–2010 Deputy CEO, Head of Regional Bank Eastern Sweden • Employed by Handelsbanken since 1986.
Graduate in Economics/Business Administration.	Graduate in Economics/Business Administration.	Graduate in Economics/Business Administration.	Graduate in Economics/Business Administration.	Bachelor of Laws.
SEK 2,130,000	SEK 1,240,000	SEK 2,415,000	SEK 1,140,000	SEK 0
12/12	-	12/12	9/12[2]	12/12
6/8[2]	-	8/8	-	-
9/9	-	-	-	-
6/8[2]	Chairman 8/8	8/8	-	-
-	-	10/10	-	10/10
13/13	13/13	13/13	13/13	13/13
5,000	8,700	180,000	0	62,510, of which 34,510 in indirect holdings[3].
Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Independent of the Bank, its management and major shareholders.	Not independent of the Bank and its management (CEO). Independent of major shareholders.
3 5	4 8	1 1	5[6] 5	1 3

Board, cont.

Employee representatives




Name	Anna Hjelmberg Employee representative	Lena Renström Employee representative	Stefan Henricson Employee representative, Deputy member	Charlotte Uriz Employee representative, Deputy member
Year elected	2020	2020	2020	2020
Year of birth	1969	1965	1970	1972
Nationality	Swedish	Swedish	Swedish	Swedish
Position and significant board assignments	Chair of Financial Sector Union of Sweden's Handelsbanken union club.	Chair of Financial Sector Union of Sweden's Swedish branch operations union club.	Member of Financial Sector Union of Sweden's Swedish branch operations union club.	Chair of Akademikerföreningen (Association for graduate professionals) at Handelsbanken.
Background	Officer and various union roles, Handelsbanken Liv.	Advisory services in Handelsbanken's branch operations.	Managerial and advisory services at branches and regional head offices at Handelsbanken.	Specialist, business and operations developer at Cash Management, Digital meeting places and Trading
Education	Economics Programme at upper secondary school.	Graduate in Economics/Business Administration.	Economics Programme at upper secondary school.	BA
Remuneration 2021[1]	SEK 0	SEK 0	SEK 0	SEK 0
Credit committee Participation	-	-	-	-
Audit committee Participation	-	-	-	-
Remuneration committee Participation	-	-	-	-
Risk committee Participation	-	-	-	-
UK committee	-	-	-	-
Board meetings Participation	13/13	13/13	11/13	13/13
Own shareholdings and those of immediate family	25,657, of which 25,657 in indirect holdings[3].	31,585, of which 31,585 in indirect holdings[3].	32,639, of which 32,639 in indirect holdings[3].	14,380, of which 14,380 in indirect holdings[3].
Dependent/ independent	Not independent of the Bank and its management (employee). Independent of major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.	Not independent of the Bank and its management (employee). Independent of major shareholders.
Number of assignments[4] **Actual number of assignments**[5]	1 5	1 2	1 5	1 2

[1] Remuneration decided by the AGM. Total remuneration to the Board in 2021 was SEK 16,310,000. Arja Taaveniku has also received SEK 344 298 in remuneration as Board member of Handelsbanken plc.
[2] Member of the Board/committee from 24 March 2021.
[3] Indirect holding of shares in Handelsbanken via the Oktogonen profit-sharing scheme.
[4] Number of assignments based on Chap. 10, Section 8b of the Swedish Banking and Financing Business Act (2004:297), by which assignments in the same group or in companies in which the Bank has a qualifying holding may be counted as a single assignment. Assignments in organisations that are primarily non-commercial, including certain foundations and not-for-profit associations, are not included.
[5] Number of assignments disregarding the basis of calculation stated in footnote 4.

Executive management

Executive management[1]

Name	Position	Year of birth	Employed	Shareholdings
Arild Andersen[2]	Country General Manager, Norway	1966	2002	Shareholdings[3] 12,416 of which 12,416 in indirect holdings[4]
Per Beckman	Deputy CEO[5]	1962	1993	Shareholdings[3] 16,974 of which 16,974 in indirect holdings[4]
Catharina Belfrage Sahlstrand[2]	Chief Sustainability and Climate Officer, Group Sustainability	1981	2013	Shareholdings[3] 5,152 of which 2,925 in indirect holdings[4]
Monika Bergström[2]	Acting Head, Group Compliance[6]	1962	2007	Shareholdings[3] 8,215 of which 8,215 in indirect holdings[4]
Carl Cederschiöld[7]	CFO, Group Finance	1973	1998	Shareholdings[3] 21,486 of which 15,086 in indirect holdings[4]
Magnus Ericson	Chief Human Resources Officer, Group HR	1968	1988	Shareholdings[3] 31,127 of which 29,127 in indirect holdings[4]
Mattias Forsberg	CIO, Group IT	1972	2020	Shareholdings[3] 0
Michael Green[2, 8]	Country General Manager, Sweden[9]	1966	1994	Shareholdings[3] 92,221 of which 22,221 in indirect holdings[4]
Maria Hedin[10]	Chief Risk Officer, Group Risk Control	1964	2010	Shareholdings[3] 5,586 of which 5,340 in indirect holdings[4]
Dan Lindwall	Head, Capital Markets	1965	2000	Shareholdings[3] 15,452 of which 15,452 in indirect holdings[4]
Martin Noréus[2]	Chief Strategy Officer[11]	1974	2020	Shareholdings[3] 0
Anna Possne[2]	Head, Product and Offerings	1984	2008	Shareholdings[3] 8,147 of which 8,147 in indirect holdings[4]
Robert Radway[2]	Chief Credit Officer, Group Credits	1986	2010	Shareholdings[3] 6,760 of which 6,760 in indirect holdings[4]
Louise Sander[12]	Head, Group Communication[13]	1969	2013	Shareholdings[3] 2,836 of which 2,066 in indirect holdings[4]
Mikael Sörensen[2]	Country General Manager, UK	1966	1994	Shareholdings[3] 289 of which 289 in indirect holdings[4]
Martin Wasteson[6]	Chief Legal Officer, Group Legal	1971	2012	Shareholdings[3] 2,772 of which 2,772 in indirect holdings[4]
Carina Åkerström	President and Group Chief Executive	1962	1986	Shareholdings[3] 62,510 of which 34,510 in indirect holdings[4]

1 The table describes the executive management as from 1 March 2022. During 2021, executive management included the following members: Per Beckman, Carl Cederschiöld, Magnus Ericson, Mattias Forsberg, Michael Green, Maria Hedin, Dan Lindwall, Martin Noreus, Louise Sander, Martin Wasteson and Carina Åkerström. The following members left executive management during 2021: Jan Larsson, from 30 April; the formerly co-opted member Katarina Ljungqvist, from 31 December. Jan Larsson was born in 1967 and employed in 2020. His direct shareholdings was 1 750. Katarina Ljungqvist was born in 1965 and employed in 1989. Her shareholdings was 46 004, of which 34 144 in indirect holdings.
2 As from 1 March 2022.
3 Direct shareholdings refer to own holdings or those of closely related persons.
4 Refers to indirect shareholdings in Handelsbanken via the Oktogonen profit-sharing scheme.
5 Per Beckman stepped down as Chief Credit Officer on 27 October 2021 and was appointed as responsible for the divestment of the bank´s operations in Denmark and Finland. Han remains in executive management, as from 1 March 2022 as a co-opted member.
6 During 2021 member of executive management, as from 1 March 2022 co-opted member.
7 And deputy CEO.
8 Was co-opted to executive management during 2021.
9 Held the position as Head, Swedish Branch Operations, during 2021.
10 Member of executive management as from 3 February 2021.
11 Held the position as Head, Group Compliance, during 2021 and was as such member of executive management as from 3 February 2021.
12 As from 1 July 2021.
13 As from 3 February 2021, sustainability was established as a separate Group function, with a Head of Sustainability who reports directly to the CEO. The change led to an adjustment of the denomination for the communications unit.

Financial reports Group

CONTENTS

Income statement, Group

Group SEK m		2021	2020
Interest income	*Note G3*	35,832	42,830
of which interest income according to effective interest method and interest on derivatives in hedge accounting		*34,483*	*39,496*
Interest expenses	*Note G3*	-6,441	-13,751
Net interest income		**29,391**	**29,079**
Fee and commission income	*Note G4*	12,904	11,205
Fee and commission expenses	*Note G4*	-1,446	-1,535
Net fee and commission income		**11,458**	**9,670**
Net gains/losses on financial transactions	*Note G5*	1,699	1,217
Risk result – insurance	*Note G6*	179	194
Other dividend income		2	53
Share of profit of associates and joint ventures	*Note G19*	63	18
Other income	*Note G7*	555	137
Total income		**43,347**	**40,368**
Staff costs	*Note G8*	-12,452	-13,907
Other expenses	*Note G9*	-5,577	-5,245
Depreciation, amortisation and impairment of property, equipment and intangible assets	*Note G24, G25*	-1,814	-1,775
Total expenses		**-19,843**	**-20,927**
Profit before credit losses		**23,504**	**19,441**
Net credit losses	*Note G10*	-43	-649
Gains/losses on disposal of property, equipment and intangible assets	*Note G11*	14	5
Operating profit		**23,475**	**18,797**
Taxes	*Note G34*	-4,627	-4,240
Profit for the year from continuing operations		**18,848**	**14,557**
Profit for the year from discontinued operations, after tax	*Note G13*	695	1,031
Profit for the year		**19,543**	**15,588**
attributable to			
Shareholders in Svenska Handelsbanken AB		19,527	15,585
of which from discontinued operations		*18,834*	*14,556*
of which from discontinued operations		*693*	*1,029*
Non-controlling interest		16	3
Earnings per share, total operations, SEK	*Note G12*	9.86	7.87
after dilution	*Note G12*	9.86	7.87
Earnings per share, continuing operations, SEK	*Note G12*	9.51	7.35
after dilution	*Note G12*	9.51	7.35
Earnings per share, discontinued operations, SEK	*Note G12*	0.35	0.52
after dilution	*Note G12*	0.35	0.52

Statement of comprehensive income, Group

Group SEK m	2021	2020
Profit for the year	19,543	15,588
Other comprehensive income		
Items that will not be reclassified to the income statement		
Defined benefit pension plans	6,820	1,523
Equity instruments measured at fair value through other comprehensive income	62	-583
Tax on items that will not be reclassified to the income statement	-1,401	-256
of which defined benefit pension plans	*-1,398*	*-267*
of which equity instruments measured at fair value through other comprehensive income	*-3*	*11*
Total items that will not be reclassified to the income statement	**5,481**	**684**
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	-1,970	-1,124
Debt instruments measured at fair value through other comprehensive income	6	7
Translation difference for the year	3,201	-4,269
of which hedges of net investments in foreign operations	*-910*	*848*
Tax on items that may subsequently be reclassified to the income statement	595	93
of which cash flow hedges	*406*	*274*
of which debt instruments measured at fair value through other comprehensive income	*-1*	*-1*
of which hedges of net investments in foreign operations	*190*	*-180*
Total items that may subsequently be reclassified to the income statement	**1,832**	**-5,293**
Total other comprehensive income	**7,313**	**-4,609**
Total comprehensive income for the year	**26,856**	**10,979**
attributable to		
Shareholders in Svenska Handelsbanken AB	26,840	10,976
Non-controlling interest	16	3

The year's reclassifications to the income statement are presented in the Statement of changes in equity.

Balance sheet, Group

Group SEK m		2021	2020
ASSETS			
Cash and balances with central banks		291,584	397,642
Other loans to central banks	*Note G14*	1,255	21,326
Interest-bearing securities eligible as collateral with central banks	*Note G17*	100,538	99,133
Loans to other credit institutions	*Note G15*	21,745	21,920
Loans to the public	*Note G16*	2,163,135	2,269,612
Value change of interest-hedged item in portfolio hedge		-1,900	25
Bonds and other interest-bearing securities	*Note G17*	33,317	44,566
Shares	*Note G18*	19,471	21,045
Investments in associates and joint ventures	*Note G19*	478	386
Assets where the customer bears the value change risk	*Note G20*	235,761	197,212
Derivative instruments	*Note G21*	28,508	30,614
Intangible assets	*Note G24*	8,302	11,330
Property and equipment	*Note G25*	5,272	6,232
Current tax assets		469	988
Deferred tax assets	*Note G34*	845	1,218
Pension assets	*Note G8*	8,766	2,005
Assets held for sale	*Note G13*	421,417	1,657
Other assets	*Note G26*	5,785	6,124
Prepaid expenses and accrued income	*Note G27*	2,016	2,253
Total assets	*Note G40*	**3,346,764**	**3,135,288**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note G28*	83,034	124,723
Deposits and borrowing from the public	*Note G29*	1,286,637	1,229,763
Liabilities where the customer bears the value change risk	*Note G30*	235,761	197,212
Issued securities	*Note G31*	1,353,768	1,310,737
Derivative instruments	*Note G21*	13,784	32,819
Short positions	*Note G32*	4,105	1,682
Insurance liabilities	*Note G33*	532	557
Current tax liabilities		108	25
Deferred tax liabilities	*Note G34*	5,276	5,353
Provisions	*Note G35*	1,026	2,302
Other liabilities	*Note G36*	11,304	13,928
Liabilities held for sale	*Note G13*	133,922	
Accrued expenses and deferred income	*Note G37*	3,519	3,632
Subordinated liabilities	*Note G38*	32,257	41,082
Total liabilities	*Note G40*	**3,165,033**	**2,963,815**
Non-controlling interest		25	9
Share capital		3,069	3,069
Share premium reserve		8,758	8,758
Reserves	*Note G39*	15,845	8,532
Retained earnings		134,507	135,520
Profit for the year (attributable to shareholders of Svenska Handelsbanken AB)		19,527	15,585
Total equity		**181,731**	**171,473**
Total liabilities and equity		**3,346,764**	**3,135,288**

Statement of changes in equity, Group

Group 2021 SEK m	Share capital	Share premium reserve	Defined benefit pension plans	Hedge reserve	Fair value reserve	Translation reserve	Retained earnings incl. profit for the year	Non-controlling interest	Total
Opening equity 2021	**3,069**	**8,758**	**5,891**	**3,353**	**94**	**-806**	**151,105**	**9**	**171,473**
Profit for the year							19,527	16	19,543
Other comprehensive income			5,422	-1,564	64	3,391		0	7,313
of which reclassification within equity					*0*	*-67*			*-67*
Total comprehensive income for the year			**5,422**	**-1,564**	**64**	**3,391**	**19,527**	**16**	**26,856**
Reclassified to retained earnings							67		67
Dividend[1]							-16,666		-16,666
Share-based payment to employees at Handelsbanken plc[2]							37		37
Repurchased own shares[2]							-36		-36
Change in non-controlling interest								-	-
Closing equity 2021	**3,069**	**8,758**	**11,313**	**1,789**	**158**	**2,585**	**154,034**	**25**	**181,731**

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

[1] Ordinary dividend of SEK 8,118m, extra dividend of SEK 8,548m. The shareholders received an extra dividend in the form of shares in AB Industrivärden, acquired by Svenska Handelsbanken AB from Svenska Handelsbankens Pensionsstiftelse, see note G49.
[2] As of the 2020 earnings year, all employees at Handelsbanken plc are covered by a Share Incentive Plan ("SIP").

Cash flow statement, Group

Group SEK m	2021	2020
OPERATING ACTIVITIES		
Operating profit	23,475	18,797
Profit from discontinued operations, before tax	1,204	1,338
of which paid-in interest	*38,528*	*46,345*
of which paid-out interest	*-7,257*	*-15,717*
of which paid-in dividends	*61*	*76*
Adjustment for non-cash items in operating profit and profit for the year from discontinued operations		
Credit losses	80	929
Unrealised value changes	363	-797
Depreciation, amortisation and impairment	2,118	1,966
Paid income tax	-5,086	-7,711
Changes in the assets and liabilities of operating activities		
Other loans to central banks	19,863	-1,778
Loans to other credit institutions	82	-3,980
Loans to the public	-142,370	22,071
Interest-bearing securities and shares	9,621	1,611
Due to credit institutions	-41,114	-23,266
Deposits and borrowing from the public	170,994	111,938
Issued securities	43,031	-74,224
Derivative instruments, net positions	-16,732	23,394
Short positions	2,476	-197
Claims and liabilities on investment banking settlements	-567	875
Other	-18,057	16,294
Cash flow from operating activities	**49,381**	**87,260**
INVESTING ACTIVITIES		
Acquisitions of and contributions to associates and joint ventures	-83	-61
Sales of shares	1	1,693
Acquisitions of property and equipment	-1,194	-709
Disposals of property and equipment	1,063	328
Acquisitions of intangible assets	-539	-1,031
Cash flow from investing activities	**-752**	**220**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-10,130	-2
Issued subordinated loans	-	8,176
Dividend paid	-16,666	-
Cash flow from financing activities	**-26,796**	**8,174**
of which changes in foreign exchange rates	*-320*	*-819*
Cash flow for the year	**21,833**	**95,654**
Liquid funds at beginning of year	397,642	327,958
Cash flow from operating activities	49,381	87,260
Cash flow from investing activities	-752	220
Cash flow from financing activities	-26,796	8,174
Exchange difference on liquid funds	20,489	-25,970
Liquid funds at end of year	**439,964**	**397,642**

The cash flow statement has been prepared in accordance with the indirect method, which means that operating profit and profit for the year from discontinued operations have been adjusted for transactions that did not entail paid-in or paid-out cash, such as depreciation/amortisation and credit losses.

The cash flow statement in the table above includes the disposal groups Denmark and Finland, which have been reclassified to Assets held for sale and Liabilities held for sale in the balance sheet, respectively. See note G13.

Notes, Group

G1 Accounting policies and other bases for preparing the financial reports

CONTENTS

1. STATEMENT OF COMPLIANCE

Basis of accounting

The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) and interpretations of these standards as adopted by the EU. In addition, the accounting policies also adhere to the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority in FFFS 2008:25, Annual Reports in Credit Institutions and Securities Companies. RFR 1 Supplementary Accounting Rules for Groups, and statements from the Swedish Financial Reporting Board, are also applied in the consolidated accounts.

The parent company's accounting policies are shown in note P1.

Issuing and adoption of annual report

The annual report and consolidated accounts were approved for issue by the Board and Group Chief Executive on 9 February 2022 and will be presented for adoption by the AGM on 23 March 2022.

2. CHANGED ACCOUNTING POLICIES

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

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases, relating to the Interest Rate Benchmark Reform Phase 2, entered into force on 1 January 2021. The amendments to IFRS 9 entail that modifications of financial assets and financial liabilities, implemented as a direct consequence of the Interest Rate Benchmark Reform, are recognised as a change in the effective interest. Gains or losses arising due to the modification are thus not recognised. In addition, the amendments to IFRS 9 and IAS 39 allow for certain exemptions from hedge accounting requirements when existing reference rates in hedging relationships are replaced with alternative reference rates. The amendments are therefore assessed as facilitating the transition to new reference rates without significant profit/loss effects, and thus without a material impact on Handelsbanken's financial reports, capital adequacy, large exposures or other circumstances according to the applicable regulatory requirements. The comparative figures for previous periods have not been recalculated and opening retained earnings have not been impacted by any initial effect in conjunction with the application of the amendments. For further information, refer to section 11, Hedge accounting and the Interest Rate Benchmark Reform, Interest Rate Benchmark Reform.

Other changes in IFRS

None of the other changes effective from 1 January 2021 has had a material impact on the Bank's financial reports.

In other respects, the accounting policies and calculation methods applied by the Group during the financial year are consistent with the policies applied in the 2020 annual report.

3. CHANGES IN IFRS WHICH ARE YET TO BE APPLIED

IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts, has been published by the IASB and 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 general approach, the premium allocation approach, and the variable fee approach. IFRS 17 prescribes the general 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.

4. BASIS OF CONSOLIDATION AND PRESENTATION

Subsidiaries

All companies directly or indirectly controlled by Handelsbanken (subsidiaries) have been fully consolidated. The Bank is deemed to have direct control of a company when it is exposed to, or is entitled to, variable returns from its holdings in the company and can affect the return by means of its influence over the company. As a rule, control exists if Handelsbanken owns more than 50% of the voting power at shareholders' meetings or the equivalent.

Subsidiaries are consolidated according to the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction where the Group acquires the company's identifiable assets and assumes its liabilities and obligations. In the case of business combinations, an acquisition balance sheet is prepared, where identifiable assets and liabilities are valued at fair value at the acquisition date. The cost of the business combination comprises the fair value of all assets, liabilities and issued equity instruments provided as payment for the net assets in the subsidiary. Any surplus due to the cost of the business combination exceeding the identifiable net assets on the acquisition balance sheet is recognised as goodwill in the Group's balance sheet. Acquisition-related expenses are recognised when they arise. The subsidiary's financial reports are included in the consolidated accounts starting on the acquisition date until the date on which control ceases. Intra-group transactions and balances are eliminated when preparing the Group's financial reports.

When accounting for business combinations, the acquired operations are recognised in the Group's accounts from the acquisition date. The acquisition date is the date when controlling interest over the acquired entity starts. The acquisition date may differ from the date when the transaction is legally established.

Where the accounting policies applied for an individual subsidiary do not correspond to the policies applied in the Group, an adjustment is made to the consolidated accounts when consolidating the subsidiary.

G1 Cont.

Structured entities

A structured entity is a company formed to achieve a limited and well-defined purpose, where the voting rights are not the definitive factor in determining whether control exists. Handelsbanken's holdings in structured entities are restricted to holdings in mutual funds.

Funds for which the Bank is asset manager and in which the Bank owns more than 50% of the shares are consolidated. The Bank's holding in the fund is recognised at fair value in the balance sheet item Shares. The remainder of the fair value of the fund is consolidated and recognised under the items Assets and Liabilities where the customer bears the value change risk on the balance sheet. Ownership of between 20% and 50% is consolidated in certain cases if the circumstances indicate that the Bank has a controlling interest, for example if the fund has a broad management mandate and generates a high proportion of variable return.

Holdings arising from unit-linked insurance contracts are not considered to expose the Group to variable return. These holdings are excluded from the assessment of whether a controlling interest over the fund exists. Holdings in funds arising from unit-linked insurance contracts are recognised as Assets where the customer bears the value change risk, while the corresponding liabilities for the unit-linked insurance contracts are recognised as Liabilities where the customer bears the value change risk.

Information on holdings in non-consolidated structured entities is provided in note G48.

Associates and joint ventures

Companies in which Handelsbanken has a significant influence are reported as associates. A significant influence entails the right to participate in decisions concerning the company's financial and operating strategies but does not give control over these. As a rule, a significant influence exists when the share of voting power in the company is at least 20% and at most 50%, or when contractual terms enable the Bank to exercise a significant influence. In a joint venture, the Bank exercises a joint controlling interest with one or more other parties. Associates and joint ventures are reported in the consolidated accounts in accordance with the equity method. This means that the holding is initially reported at cost. The carrying amount is increased or decreased to recognise the Group's share of the associate's or the joint venture's profits or losses after the date of acquisition. Any dividends from associates and joint ventures are deducted from the carrying amount of the holding. Shares of the profit of associates and joint ventures are reported as Share of profit of associates and joint ventures on a separate row in the Group's income statement.

Assets held for sale and accounting of discontinued operations

Non-current assets or a group of assets, possibly with some directly associated liabilities, (disposal group) are classified as held for sale when the carrying amount will be mainly recovered through a sale and when a sale is highly probable. If an asset is classified as held for sale, special valuation principles are applied. These principles essentially mean that, with the exception of items such as financial assets and liabilities (see point 8), assets held for sale and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell. Thus, property, plant and equipment or intangible assets held for sale are not depreciated or amortised. Any impairment losses and subsequent revaluations are recognised directly in the income statement. However, a gain is not reported to the extent that it exceeds previously recognised accumulated impairment. Assets and liabilities held for sale are reported as a separate item on the Group's balance sheet until the time of sale.

Independent operations of a material nature which can be clearly differentiated from the Group's other operations and which are classified as held for sale using the policies described above are recognised as discontinued operations. Subsidiaries acquired solely for resale are also recognised as discontinued operations. In recognition as a discontinued operation, the operation's profit is reported on a separate row in the income statement, separately from other profit/loss items. Profit or loss from discontinued operations comprises the profit or loss after tax of discontinued operations, the profit or loss after tax that arises when valuing the assets held for sale/disposal groups that are included in discontinued operations at fair value less costs to sell, and realised gains/losses from the disposal of discontinued operations. For disclosures regarding assets and liabilities held for sale and discontinued operations, see note G13.

5. SEGMENT REPORTING

The segment reporting presents income/expenses and assets/liabilities broken down by business segments. A business segment is a part of the Group that runs operations which generate external or internal income and expenses and of which the profit/loss is regularly assessed and followed up by executive management as part of corporate governance. The principles for segment reporting are described further in note G45.

6. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The consolidated accounts are presented in Swedish kronor, the Group's presentation currency. The functional currency for the Group's operations outside Sweden usually differs from the Group's presentation currency. The currency used in the economic environment where the operations are primarily conducted is regarded as the functional currency.

Translation of transactions in a currency other than the functional currency

Transactions in a currency other than the functional currency – foreign currency – are initially translated into the functional currency at the rate prevailing on the transaction date. Monetary items in foreign currencies and non-monetary items in foreign currencies that are measured at fair value are converted at the balance sheet date using the prevailing closing rate. Gains and losses arising from the currency translation of monetary items and non-monetary items measured at fair value are recognised in the income statement as foreign exchange effects under Net gains/losses on financial transactions. Translation differences that have arisen from non-monetary items classified as measured at fair value through other comprehensive income are recognised as a component of Other comprehensive income and are accumulated in equity. Exchange differences arising when translating monetary items comprising part of a net investment in a foreign operation are recognised in the same way.

Translation of foreign operations to the Group's presentation currency

When translating the foreign entities' (including branches') balance sheets and income statements from the functional currency to the Group's presentation currency, the current method has been used. This means that assets and liabilities are translated at the closing day rate. Equity is translated at the rate applicable at the time of investment or earning. The income statement has been translated at the average annual rate. Translation differences are recognised as a component of Other comprehensive income and are included in the translation reserve in equity.

7. RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS ON THE BALANCE SHEET

Purchases and sales of equities and money market and capital market instruments on the spot market are recognised on the trade date, which is the date on which an agreement is entered into. The same applies to derivatives. Other financial assets and liabilities are normally recognised on the settlement date.

Financial assets are derecognised from the balance sheet when the contractual rights to the cash flows originating from the asset expire or when all risks and rewards related to the asset are transferred to another party. A financial liability is derecognised from the balance sheet when the obligation is fulfilled, ceases or is cancelled.

The policies for recognising financial instruments on the balance sheet are of special importance when accounting for repurchase transactions, securities loans and leases (see the separate sections concerning these).

G1 Cont.

8. FINANCIAL INSTRUMENTS

Measurement categories

All financial assets, in compliance with IFRS 9, are allocated to one of the following measurement categories:

1. amortised cost
2. fair value through other comprehensive income
3. fair value through profit or loss
a. mandatory
b. fair value option

The starting point for the classification of financial assets into the respective measurement categories is the company's business model for managing the financial instruments, as well as whether the instruments' contractual cash flows only constitute solely payments of principal and interest.

Financial liabilities are classified as follows:

1. amortised cost
2. fair value through profit or loss
a. mandatory
b. fair value option

As a general rule, financial liabilities are recognised at amortised cost. The exceptions are financial liabilities which are required to be measured at fair value through profit or loss, such as derivatives, and liabilities which, upon initial recognition, are irrevocably identified as being measured at fair value (fair value option).

Financial assets and liabilities recognised on the same row on the balance sheet may be classified in different measurement categories, see note G40.

Upon initial recognition, all financial assets and liabilities are designated at fair value. For assets and liabilities at fair value through profit or loss, the transaction costs are recognised in the income statement on the acquisition date. For other financial instruments, the transaction costs are included in the acquisition cost.

Assessment of the business model

The business model for managing financial assets defines classification into measurement categories. The business model is determined at the portfolio level, as this best reflects how the operations are governed and how information is reported to, and evaluated by, the Bank's management. Information of significance to enabling a weighted assessment of the business model for a portfolio includes the established guidelines and objectives with a portfolio and how these are implemented in the operations, the risks which affect the performance of the portfolio and how the risks are managed, as well as the frequency, volume, reasons for and times of sales.

Assessment of whether contractual cash flows constitute solely payments of principal and interest

The assessment of whether contractual cash flows constitute solely payments of principal and interest is significant for the classification into measurement categories. For the purposes of this assessment, 'principal' is defined as the financial asset's fair value upon initial recognition. 'Interest' is defined as consideration for the time value of money, credit risk, other fundamental lending risks (such as liquidity risk) and costs (such as administrative expenses), as well as a profit margin.

To assess whether the financial asset's contractual cash flows constitute solely payments of principal and interest, the contractual terms of the financial asset are reviewed. If there are contractual terms that could change the timing or amounts of the contractual cash flows, modify the consideration for the time value of money, cause leverage or entail extra costs for prepayment and extension, then the cash flows are assessed as not constituting solely payments of principal and interest.

Amortised cost

A financial asset is to be measured at amortised cost if both of the following conditions are met:

- The objective of the business model is to collect contractual cash flows.
- The contractual cash flows constitute solely payments of principal and interest.

Financial assets recognised in the measurement category amortised cost consist of loans and holdings of interest-bearing securities that fulfil the above conditions. These assets are subject to impairment testing. Financial liabilities recognised in the measurement category amortised cost consist primarily of liabilities due to credit institutions, deposits and borrowing from the public, and issued securities.

Amortised cost consists of the discounted present value of all future cash flows relating to the instrument where the discount rate is the instrument's effective interest rate at the time of acquisition.

Interest and credit losses relating to financial instruments measured at amortised cost are recognised in the income statement under Net interest income and Credit losses, respectively. Early repayment charges for loans redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own issued securities, are recognised in the income statement under Net gains/losses on financial transactions. Foreign exchange effects are also recognised under Net gains/losses on financial transactions.

Fair value through other comprehensive income

A financial asset is to be measured at fair value through other comprehensive income if both of the following conditions are met:

- The objective of the business model is both to collect contractual cash flows and to sell the asset.
- The contractual cash flows constitute solely payments of principal and interest.

Holdings of interest-bearing securities in the Bank's liquidity portfolio which satisfy the above conditions are recognised in the fair value through other comprehensive income measurement category. These assets are subject to impairment testing. Interest income is recognised under Net interest income, while foreign exchange effects and credit losses are recognised under Net gains/losses on financial transactions. Unrealised changes in value are recognised in other comprehensive income and reclassified to the income statement, under the item Net gains/losses on financial transactions, in conjunction with a sale.

Upon initial recognition, equity instruments that are not held for trading may be irrevocably classified as measured at fair value through other comprehensive income. Subsequent changes in value, both realised and unrealised and including exchange gains/losses, are thus recognised in other comprehensive income. Realised changes in value are reclassified to retained earnings, i.e. reclassified within equity, and not to the income statement. Only dividend income from these holdings is recognised in the income statement. This valuation principle is applied for certain shareholdings in companies which engage in activities to support the Bank. For example, these may refer to participating interests in clearing organisations, or infrastructure collaborations on the Bank's home markets. These shareholdings are long-term and remain largely unchanged from year to year.

Fair value through profit or loss, mandatory

If a financial asset does not meet the conditions for measurement at amortised cost or for measurement at fair value through other comprehensive income, measurement at fair value through profit or loss is mandatory.

Financial assets and liabilities held for trading are always classified as measured at fair value through profit or loss, as are financial assets managed and evaluated on a fair value basis.

The measurement category 'fair value through profit or loss, mandatory' mainly consists of listed shares, units in mutual funds, interest-bearing securities and derivatives. Interest, dividends, foreign exchange effects, and realised and unrealised changes in value related to these instruments are recognised in the income statement under Net gains/losses on financial transactions. For the recognition of derivatives through hedge accounting, see section 11.

Fair value through profit or loss, fair value option

There is an option, at initial recognition, to irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring the asset.

There is a corresponding option to irrevocably designate, at initial recognition, a financial liability

G1 Cont.

as measured at fair value through profit or loss if either of the following conditions is met:
- It eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring the liability.
- A group of financial liabilities or a group of both financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about these instruments is provided internally to the Bank's management on that basis.

This valuation principle has been applied to avoid inconsistencies when measuring assets and liabilities which are counter-positions of each other and which are managed on a portfolio basis, such as liabilities resulting from unit-linked insurance contracts and certain holdings in the liquidity portfolio which are hedged with economic hedges.

Unrealised and realised changes in the fair value of financial instruments that are measured at fair value through profit or loss via the fair value option are recognised under Net gains/losses on financial transactions. Interest attributable to these instruments is recognised under Net interest income.

Reclassifications of financial instruments

As a general rule, financial assets are not reclassified after initial recognition. Reclassification is permitted in the rare case that the Bank changes the business model it applies for the management of a portfolio of financial assets. The reclassification of financial liabilities is not permitted after initial recognition.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument (loans and interest-bearing securities), for example, a credit guarantee. The fair value of an issued guarantee is the same as the premium received when it was issued. Upon initial recognition, the premium received for the guarantee is recognised as a liability under Accrued expenses and deferred income on the balance sheet. The guarantee is subsequently measured at the higher of the amortised premium or the provision for the expected loss. Premiums for issued financial guarantees are amortised under Net fee and commission income over the validity period of the guarantee. In addition, the total guaranteed amount relating to guarantees issued is reported off-balance as a contingent liability, see note G43.

Premiums for purchased financial guarantees are accrued and recognised as decreased interest income under Net interest income if the interest on the debt instrument to which the guarantee refers is recognised there.

Loan commitments are reported off-balance until the settlement date of the loan, see note G43. Fees received for loan commitments are accrued under net fee and commission income over the maturity of the commitment unless it is highly probable that the commitment will be fulfilled. In such cases, received fees are included in the effective interest of the loan.

Financial guarantees and irrevocable loan commitments are subject to impairment testing.

Compound financial instruments

A compound financial instrument consists of an embedded derivative and a non-derivative host contract. Some of the compound instrument's cash flows vary in a way similar to the cash flows of a stand-alone derivative.

If the host contract in a compound financial instrument is a financial liability, an embedded derivative must be separated from the host contract and recognised as a derivative if all of the following terms are met:
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- The compound financial instrument is not measured at fair value through profit or loss. Consequently, derivatives embedded in financial liabilities measured at fair value through profit or loss are not recognised separately.

Such separate recognition is applied, for example, to issues of equity-linked bonds and other structured products.

Separate recognition is not applied to compound financial instruments when the host contract is a financial asset. Financial assets with embedded derivatives are regarded as a whole when assessing whether their contractual cash flows constitute solely payments of principal and interest.

The inherent value of the option to convert in issued convertible debt instruments is recognised separately in equity. The value of the equity component is determined at the time of issue as the difference between the fair value of the convertible debt instrument in its entirety reduced by the fair value of the liability component. The carrying amount of the equity component is not adjusted during the life of the convertible debt instrument. The liability component is recognised at fair value on the balance sheet at the time of issue. After initial recognition, the liability component is recognised at amortised cost based on the original effective interest rate.

Repurchase agreements and reverse repurchase agreements

Repurchase agreements, or repo transactions, refer to agreements where the parties simultaneously agree on the sale of specific securities and the repurchase of these securities at a pre-determined price. Securities sold in a repo transaction (repurchase agreement) remain on the balance sheet during the life of the transaction, as the Group is exposed to the value change risk applying to the security during this period. The sold instrument is also reported off-balance as a pledged asset. Depending on the counterparty, payment received is recognised under Due to credit institutions or as Deposits and borrowing from the public. Securities bought in a repo transaction (reverse repurchase agreement) are accounted for in the corresponding way, i.e. they are not recognised on the balance sheet during the life of the transaction. Depending on the counterparty, the payment made is recognised under Other loans to central banks, Loans to other credit institutions or Loans to the public. Collateral received which is sold on under repurchase agreements is recognised off-balance as a commitment.

Agreements for borrowing and lending of securities

Lent securities remain on the balance sheet, as the Group is still exposed to the value change risk applying to the security, as well as being reported off-balance as pledged assets. Borrowed securities are not recognised on the balance sheet unless they are sold (known as shortselling). If they are sold, a value corresponding to the sold instrument's fair value is recognised as a liability. Borrowed securities which are lent to a third party are recognised off-balance as commitments.

Derivative instruments

All derivatives are recognised on the balance sheet at fair value. Derivatives with positive fair values are recognised on the assets side under Derivative instruments. Derivatives with negative fair values are recognised on the liabilities side under Derivative instruments. Realised and unrealised gains and losses on derivatives are recognised in the income statement under Net gains/losses on financial transactions. For the recognition of derivatives through hedge accounting, see section 11.

Offset of financial assets and liabilities

Financial assets and liabilities are offset on the balance sheet if the Bank has a contractual right to offset, in its operating activities and in the event of bankruptcy, and if the intention is to settle the items on a net basis or to simultaneously liquidate the asset and settle the liability. Further information about set-off of financial assets and liabilities is provided in note G23.

9. PRINCIPLES FOR FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants.

G1 Cont.

For financial instruments traded on an active market, the fair value is the same as the quoted market price. An active market is one where quoted prices are readily and regularly available from a regulated market, execution venue, reliable news service or equivalent, and where the price information can be verified by means of regularly occurring transactions. The current market price corresponds to the price between the bid price and the offer price which is most representative of fair value under the circumstances. For groups of financial instruments which are managed on the basis of the Bank's net exposure to market risk, the current market price is presumed to be the same as the price which would be received or paid if the net position were divested.

When there is no reliable information about market prices for financial instruments, fair value is established using valuation models. The valuation models used are based on input data which essentially can be verified using market observations such as market interest rates and share prices. If necessary, an adjustment is made for other variables which a market participant would be expected to take into consideration when setting a price. The assumptions used in the valuation are based on internally generated experience and are continuously reviewed by the risk control function. The result is compared with the actual outcome so as to identify any need for adaptations of assumptions and forecasting models.

Interest-bearing securities

Interest-bearing securities issued by governments and Swedish mortgage bonds are valued using current market prices. Corporate bonds are valued using valuation techniques based on market yields for the corresponding maturity adjusted for credit and liquidity risk. The values are regularly reviewed in order to ensure that they reflect the current market price. The reviews are mainly performed by obtaining prices from several independent price sources and by reconciliation with recently performed transactions in the same or equivalent instruments.

Shares

Shares listed on an active market are valued at market price. When valuing shares and participations in level 3, the choice of model is determined by what is deemed appropriate for the individual instrument. Holdings of shares in level 3 mainly consist of shares in companies which engage in activities to support the Bank. In all material respects, shares in level 3 are classified at fair value through other comprehensive income. In general, such holdings are valued at the Bank's share of the company's net asset value. For shares in level 3 for which the company agreement regulates the price at which the shares can be divested, the holdings are valued at the predetermined divestment price.

When valuing level 3 units in private equity funds, valuation principles adopted by the European Venture Capital & Private Equity Association (EVCA) are used. In these models, the market value of the investments is derived from a relative valuation of comparable listed companies in the same sector. Adjustments are made for profit/loss items that prevent comparison between the investment and the compared company, and the value of the investment is then determined on the basis of profit multiples such as P/E and EV/EBITA. Changes in value and capital gains on holdings in private equity funds which comprise part of the investment assets in the insurance operations are not reported directly in the income statement but are included in the basis for calculating the yield split in the insurance operations. See section 13.

Derivatives

Derivatives which are traded on an active market are valued at market price. Most of the Group's derivative contracts, including interest rate swaps and various types of linear currency derivatives, are valued using valuation models based on market rates and other market prices. The valuation of non-linear derivative contracts that are not actively traded is also based on a reasonable assumption of market-based input data such as volatility.

When performing model valuation for derivatives, in some cases there are differences between the transaction price and the value measured by a valuation model upon initial recognition. Such differences occur when the applied valuation model does not fully incorporate all the components that affect the value of the derivative. Unrealised results due to positive differences between the transaction price and the value measured by a valuation model (known as day 1 gains/losses) are comprised of the Bank's profit margin and compensation to cover, for example, the cost of capital and administrative expenses. Unrealised positive day 1 gains/losses are not recognised in profit/loss upon initial recognition, but are amortised over the life of the derivative.

Assets and liabilities where the customer bears the value change risk

Assets where the customer bears the value change risk mainly comprise shares in unit-linked insurance contracts. These shares are valued using the fund's current market value (NAV). Each asset corresponds to a liability where the customer bears the value change risk. The valuation of these liabilities reflects the valuation of the assets. Since the policyholders/shareholders have prior rights to the assets, there is no motive to adjust the valuation for credit risk. Assets and liabilities where the customer bears the value change risk have essentially been classified at fair value through profit or loss.

10. CREDIT LOSSES

Expected credit losses

The impairment rules presented in IFRS 9 apply to financial assets at amortised cost, financial assets at fair value through other comprehensive income, as well as financial guarantees and irrevocable loan commitments, and are based on a model for the recognition of expected credit losses (ECL). This model stipulates that the provision must reflect a probability-weighted amount determined through the evaluation of a number of potential outcomes, with consideration given to all reasonable and verifiable information available on the reporting date without unreasonable expense or exertion. The assessment takes into account historical, current and future-oriented factors. The assets to be tested for impairment are divided into the following three stages, depending on the degree of credit impairment:

- Stage 1 comprises financial assets with no significant increase in credit risk since initial recognition.
- Stage 2 comprises financial assets with a significant increase in credit risk since initial recognition, but for which there is no objective evidence that the claim is credit-impaired at the time of reporting.
- Stage 3 comprises financial assets for which objective circumstances have been identified indicating that the claim is credit-impaired. For a definition of credit-impaired assets, refer to the heading Default/Credit-impaired asset below.

In Stage 1, provisions are to be recognised which correspond to the loss expected to occur within 12 months as a result of default. In Stage 2 and Stage 3, provisions are to be recognised corresponding to the loss expected to occur at some time during the whole of the remaining maturity of the asset as a result of default.

For agreements in Stage 1 and Stage 2, there is a Group-wide, central process using model-based calculation. The process begins for all agreements with an assessment of whether there has been a significant increase in the credit risk since initial recognition (start date of the agreement). For a detailed description of significant increases in credit risk, see the 'Credit risks' section of note G2. The provisions in the different impairment stages are calculated on an individual basis. Manual calculation is used for agreements in Stage 3, with the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3. In conjunction with each reporting date, an assessment is made at agreement level as to whether an agreement will be subject to a model-based calculation or a manual calculation.

The calculations of expected credit losses are primarily affected by the risk parameters 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). Expected credit losses are determined by calculating PD, EAD and LGD up to the expected final maturity date of the agreement. The three risk parameters are multiplied and adjusted by the survival probability or, alternatively, the probability that a credit exposure has not defaulted or been repaid in advance. The estimated expected credit losses

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are then discounted back to the reporting date using the original effective interest rate and are totalled. Total credit losses in Stage 1 is calculated using the probability of default during the coming 12-month period. For Stage 2 and Stage 3, credit losses are calculated using the probability of default during the asset's remaining time to maturity.

Model-based calculation

The calculation of the expected credit losses takes into consideration at least three macroeconomic scenarios (one neutral, one positive and one negative scenario) with relevant macroeconomic risk factors, such as unemployment, key/central bank rates, GDP, inflation and property prices, by country. The various scenarios are used to adjust the risk parameters. Every macroeconomic scenario is assigned a probability, and the expected credit losses are obtained as a probability-weighted average of the expected credit losses for each scenario.

For additional information on the models used to calculate expected credit losses for agreements in Stage 1 and Stage 2 (and for a small portfolio of homogeneous claims in Stage 3), and for an explanation of concepts such as PD, EAD and LGD, expected maturity, significant increase in credit risk and macroeconomic information, see the 'Credit risks' section in note G2. For sensitivity analyses for expected credit losses, see note G10.

Manual calculation

Assets in Stage 3 are tested for impairment on an individual basis using a manual calculation (with the exception of a small portfolio of homogeneous claims which have a model-calculated provision in Stage 3). This testing is carried out on a regular basis and in conjunction with every reporting date by the local branch with business responsibility (unit with customer and credit responsibility) and is decided by the regional and central credit departments.

Impairment testing is carried out when there are objective circumstances which indicate that the counterparty will not be able to fulfil its contractual obligations, according to the definition of default. Such objective circumstances could be, for example, late payment or non-payment, a change in the internal rating, or if the borrower enters bankruptcy.

Impairment testing involves an estimation of the future cash flows and the value of the collateral (including guarantees). Consideration is normally given to at least two forward-looking scenarios for expected cash flows, based on both the customer's repayment capacity and the value of the collateral. The outcome of these scenarios is probability-weighted and discounted with the loan's original effective interest rate. The scenarios used can take into account both macroeconomic and agreement-specific factors, depending on what is deemed to affect the individual counterparty's repayment capacity and the value of the collateral. The assessment takes into account the specific characteristics of the individual counterparty.
An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount.

Expert-based calculation

Expert-based calculation is carried out for credit losses, in order to incorporate the estimated impact of factors not deemed to have been considered in the model (Stage 1, Stage 2 and a small portfolio of homogeneous claims in Stage 3), or which have not been considered in manual calculations (Stage 3). The model-based calculations are constructed with the ambition of making as accurate estimations as possible of the individual contributions to the overall provision requirement. However, it is very difficult to incorporate all of the particular characteristics that define an individual agreement into a general model. For this reason, a manual analysis is carried out of the agreements which give the largest contributions to the overall provision requirement. The manual analysis aims to apply expert knowledge about the individual credits to an assessment of whether the model-based or manual calculations need to be replaced with an expert-based calculation. An expert-based calculation may entail either a higher or lower provision requirement than the original calculation.

Expert-based calculation can also be carried out at a more aggregate level to adjust the model-based calculations for a sub-portfolio or similar. These adjustments are distributed proportionally over the agreements involved. An expert-based calculation may entail either a higher or lower provision requirement than the original calculation.

Recognition and presentation of credit losses

- Financial assets measured at amortised cost are recognised on the balance sheet at their net amount, after the deduction of expected credit losses.
- Off-balance sheet items (financial guarantees and irrevocable loan commitments) are recognised at their nominal amounts. Provisions for expected credit losses on these instruments are recognised as a provision on the balance sheet.
- Financial assets at fair value through other comprehensive income are recognised at fair value on the balance sheet. Provisions for expected credit losses on these instruments are recognised in the fair value reserve in equity and do not, therefore, reduce the carrying amount of the instrument.
- For financial assets measured at amortised cost and off-balance sheet items, the period's credit losses (expected and actual) are recognised in the income statement under the item Credit losses. The item Credit losses consists of the period's provisions for expected credit losses, less reversals of previous provisions, as well as write-offs and recoveries during the period.
- For financial assets measured at fair value through other comprehensive income, the credit losses for the period (expected and actual) are recognised in the income statement under the item Net gains/losses on financial transactions.
- Write-offs consist of actual credit losses, less reversals of previous provisions for expected credit losses in Stage 3 and may refer to either the entirety or parts of a financial asset. Write-offs are recorded when there is deemed to be no realistic possibility of repayment. Following a write-off, the claim on the borrower and any guarantor normally remains and is thereafter, as a rule, subject to enforcement activities. Enforcement activities are not pursued in certain situations, such as when a trustee in bankruptcy has submitted their final accounts of the distribution of assets in conjunction with the bankruptcy, when a scheme of arrangement has been accepted or when a claim has been conceded in its entirety. Claims for which a concession is granted in conjunction with a restructuring of financial assets are always recognised as actual credit losses.
- Payments to the Bank in relation to written-off financial assets are recognised in income as recoveries.

Further information on credit losses is provided in note G10.

Default/Credit-impaired asset

The Bank's definition of default is identical to the definition applied in the Capital Requirements Regulation (CRR), entailing either that the counterparty is over 90 days overdue with a payment or that an assessment has been made that the counterparty will be unable to fulfil its contractual payment obligations. Such an assessment implies that it is deemed to be more likely that the borrower will be unable to pay than that they will be able to pay. The assessment is founded on all available information about the borrower's repayment capacity. Consideration is given to indicators of insolvency such as insufficient liquidity, late and cancelled payments, records of non-payment or other signs of impaired repayment capacity. Other signals may include the borrower entering into bankruptcy or the granting of a substantial forbearance measure entailing a decrease in the value of the Bank's claim on the borrower.

The probability of default is calculated before each reporting date and is incorporated in the assessment of whether there has been a significant increase in the credit risk since the initial recognition, as well as in the calculation of expected credit losses for financial assets in Stage 1 and Stage 2.

A credit-impaired financial asset, which is an exposure in Stage 3, is defined as an exposure in default. This means that the assessment for accounting purposes is consistent with the assessment used in the Group's credit risk management.

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Interest

In Stage 1 and Stage 2, recognition of interest income attributable to items on the balance sheet is based on gross accounting, which means that the full amount of interest income is recognised under Net interest income.

In Stage 3, interest income is recognised net, that is, taking into account impairment. Interest rate effects arising due to discounting effects, attributable to the decrease of the period until the expected payment, result in a reversal of previously provisioned amounts and are recognised as interest income in accordance with the effective interest method.

Valuation of repossessed property and equipment to protect claims

Upon initial recognition, repossessed property and equipment is recognised at fair value on the balance sheet. Repossessed property and equipment (including repossessed lease assets) which is expected to be divested in the near future is valued at the lower of the carrying amount and fair value less costs to sell. Repossessed property which is not expected to be divested in the near future is reported as investment properties at fair value through profit or loss. Unlisted shareholdings taken over to protect claims are normally recognised at fair value through profit or loss.

Modified financial assets

A loan is seen as modified when the terms and provisions which determine the cash flows are amended relative to those in the original agreement as the result of forbearance measures or commercial renegotiations. Forbearance measures refer to changes in terms and conditions in conjunction with restructurings or other financial relief measures. Such changes are implemented with the objective of securing repayment in full, or of maximising the repayment of the outstanding loan amount, from lenders experiencing, or facing, financial difficulties. Commercial renegotiations refer to changes to terms and conditions which are not related to a borrower's financial difficulties, such as changes in the cash flow for a loan arising due to changes in the market conditions for repayment or interest.

If the cash flows from a financial asset which is classified as measured at amortised cost have been modified, but the cash flows have not significantly changed, the modification does not normally cause the financial asset to be derecognised from the balance sheet. In such cases, the gross carrying amount is recalculated on the basis of the changed cash flows of the financial asset, and the adjustment amount is recognised in the income statement.

As there may be various reasons for carrying out a modification, there is no unconditional connection between modifications and assessed credit risk. When a financial asset is subject to forbearance measures and the asset remains on the balance sheet, it is classified in Stage 2 or Stage 3, based on the outcome of the assessment made when granting the forbearance measure. The assessment involves a check of whether a provision is required for credit loss, or other circumstance which results in classification in Stage 3.

If a financial asset is modified in a way that results in significantly changed cash flows, the modified financial asset is derecognised from the balance sheet and replaced with a new agreement. In such cases, the modification date constitutes the initial recognition date for the new agreement and this date is used thereafter for the calculation of expected credit losses and for the assessment of whether there has been a significant increase in the credit risk since the initial recognition.

For a description of the accounting treatment of modifications implemented due to the Interest Rate Benchmark Reform, see section 11 Hedge accounting and the Interest Rate Benchmark Reform.

11. HEDGE ACCOUNTING AND THE INTEREST RATE BENCHMARK REFORM

Handelsbanken has elected to continue to apply the hedge accounting rules in IAS 39, in accordance with the transitional rules in IFRS 9. The Group applies different methods for hedge accounting, depending on the purpose of the hedge. Derivatives – mainly interest rate swaps and cross-currency interest rate swaps – are used as hedging instruments. In addition, when hedging foreign exchange risks related to net investments in foreign operations, liabilities in the functional currency of the respective foreign operation are used as a hedging instrument. As part of the Group's hedging strategies, the value changes of a hedging instrument are sometimes divided into separate components and included in more than one hedge relationship. Therefore, one and the same hedging instrument can hedge different risks. Division of hedging instruments is only done if the hedged risks can clearly be identified, the efficiency can be reliably measured, and the total value change of the hedging instrument is included in any hedge relationship.

Cash flow hedges are applied to manage exposures to variations in cash flows relating to changes in the floating interest rates on lending and funding. The expected maturity for this type of lending and funding is normally much longer than the interest rate adjustment period, which is very short. Cash flow hedging is also used to hedge foreign exchange risk in future cash flows deriving from lending and funding. Foreign exchange risks deriving from intragroup monetary items can also be subject to this type of hedging, if they give rise to currency exposures which are not fully eliminated on consolidation. Derivatives which are hedging instruments in cash flow hedges are measured at fair value. If the derivative's value change is effective – that is, it corresponds to future cash flows related to the hedged item – it is recognised as a component of Other comprehensive income and in the hedge reserve in equity. Ineffective components of the derivative's value change are recognised in the income statement under Net gains/losses on financial transactions. When a cash flow hedge is terminated early, the cumulative gain or loss on the hedging instrument previously recognised in other comprehensive income is amortised under Net gains/losses on financial transactions during the period in which the hedged cash flows are expected to occur. If cash flow hedges are terminated early and the hedged cash flows are no longer expected to occur, the accumulated value change is reclassified in the hedge reserve to Net gains/losses on financial transactions.

Fair value hedges are used to protect the Group against undesirable impact on profit/loss due to exposure to changes in market prices. Fair value hedges are applied for individual assets and liabilities and for portfolios of financial instruments. Hedged risks in hedging packages at fair value comprise the interest rate and foreign exchange risk on lending and borrowing at fixed interest rates and also lending with interest rate caps. The hedging instruments in these hedging relationships consist of interest rate swaps, cross-currency interest rate swaps and interest rate options. In the case of fair value hedges, the hedge instrument and hedged risk are both recognised at fair value. Changes in value are recognised directly in the income statement under Net gains/losses on financial transactions. When portfolio hedging is applied, the value of the hedged item is reported as a separate line item in the balance sheet in conjunction with Loans to the public. When fair value hedges are terminated early, the accrued value change on the hedged item is amortised under Net gains/losses on financial transactions during the remaining time to maturity. When a fair value hedge is terminated early, and the hedged item no longer exists, the value change generated is reversed directly under Net gains/losses on financial transactions. Accumulated changes in the value of portfolio hedges which have been terminated early are reported on the balance sheet under Other assets.

Hedging of net investments in foreign units is applied to protect the Group from exchange differences due to operations abroad. Cross-currency interest rate swaps and loans in foreign currencies are used as hedging instruments. The hedged item in these hedges is made up of net investments in the form of direct investments, as well as claims on foreign operations that are not expected to be settled in the foreseeable future. Loans in foreign currency that hedge net investments in foreign operations are recognised in the Group at the exchange rate on the balance sheet date. The effective part of the exchange differences for such loans is recognised as a component of Other comprehensive income and in the translation reserve in equity. The effective part of changes in value in cross-currency interest rate swaps that hedge foreign exchange risk in claims on foreign operations is recognised in the same manner. The ineffective components of hedges of net investments in foreign operations are rec-

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ognised in the income statement under Net gains/losses on financial transactions.

Interest Rate Benchmark Reform
There are temporary exemptions from applying certain specific hedge accounting requirements for all hedging relationships directly affected by the Interest Rate Benchmark Reform. The purpose of the temporary exemptions is to prevent the break-up of otherwise effective hedging relationships solely due to the uncertainty brought about by the Interest Rate Benchmark Reform. A direct impact on the hedging relationship exists only if this causes uncertainty about the benchmark rate relating to the hedged risk and/or dates or amounts regarding cash flows from the hedged item or hedging instrument that are based on the benchmark rate. The uncertainty about the benchmark rate will persist until such time as a decision has been made about which rate will be the alternative interest rate, as well as about if and when the reform will be implemented, including a specification of the effects on individual contracts.

When modifications of financial assets and financial liabilities are implemented as a direct consequence of the Interest Rate Benchmark Reform, the modifications are recognised as a change in the effective interest. Any gains or losses arising due to the modification are thus not recognised. For the exemption to be applicable, a modification must have been directly necessitated by the Interest Rate Benchmark Reform, and the new basis for determining the cash flows must be economically equivalent to the previous basis. In addition, certain exemptions from hedge accounting requirements are permissible when existing reference rates in hedging relationships are replaced with alternative reference rates, as a means to ensure that hedging relationships do not need to be discontinued solely due to the Interest Rate Benchmark Reform.

For more information, see note G22 Hedge accounting and the Interest Rate Benchmark Reform.

12. LEASES
The Bank as lessor
A lessor must classify all leases as either finance leases or operating leases. A finance lease substantially transfers all the risks and rewards incidental to legal ownership of the leased asset from the lessor to the lessee. Other leases are classified as operating leases. All leases where the Group is the lessor have been defined as finance leases. Lease agreements of this kind are accounted for as loans on the balance sheet, initially for an amount corresponding to the net investment. Lease fees received are recognised on a continual basis as interest income or repayments.

Net investments in finance leases are subject to impairment testing in accordance with IFRS 9, in the same way as financial assets measured at amortised cost.

The Bank as lessee
At the commencement of a lease agreement, the lessee recognises a lease liability and right-of-use asset. The lease liability is initially recognised at the present value of future lease fees, discounted by the Bank's incremental borrowing rate. Lease fees included in the valuation of the lease liability are primarily comprised of fixed fees and variable index-linked charges. The right-of-use asset is initially recognised at cost, which corresponds to the original valuation of the lease liability, prepaid lease fees, any initial direct expenditure, and an estimation of future restoration costs. Restoration costs are only included in the cost of acquisition when these are an obligation under the terms of the lease.

In subsequent valuations of the lease liability, the carrying amount increases due to interest and decreases in accordance with lease payments made. In addition, the lease liability may increase or decrease in conjunction with reassessments of or amendments to the lease agreement. In subsequent valuations of the right-of-use asset, the asset is measured at cost less accumulated depreciation and any impairment, taking into account any revaluations of the lease liability. The right-of-use asset is depreciated over the term of the lease. Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. See the section on impairment testing under point 15.

The right-of-use assets are included in the Property and equipment balance sheet item, while the lease liability is included in the Other liabilities balance sheet item.

Lease agreements with a term of less than 12 months, or for which the underlying asset is of a low value, are recognised as an expense on a straight-line basis over the term of the lease, and are thus not included in lease liabilities and right-of-use assets.

13. INSURANCE OPERATIONS
The Group's insurance operations are run through the subsidiary Handelsbanken Liv. Products consist mainly of legal life insurance in the form of traditional life insurance, unit-linked insurance and risk insurance in the form of health insurance and waiver of premium.

Classification and unbundling of insurance contracts
Contracts that include significant insurance risk are classified in the consolidated accounts as insurance contracts. 'Insurance risk' refers to risk other than financial risk that is transferred from the contract's owner to the issuer. Contracts that do not transfer significant insurance risk are classified in their entirety as investment contracts. Generally, this means that insurance policies with repayment cover are classified as investment contracts and other contracts are classified as insurance contracts. Insurance contracts consisting of both insurance components and savings (financial components) are unbundled and recognised separately in accordance with the principles described below.

Accounting for insurance components in insurance contracts
Premium income and insurance claims paid for insurance contracts are recognised in the income statement as a net amount under the item Risk result – insurance. The change in the Group's insurance liability is also reported under this item.

Premiums received which have not yet been recognised as income are carried as a liability for paid-in premiums under Insurance liabilities on the balance sheet. The balance-sheet item Insurance liabilities also includes liabilities for sickness annuities, life annuities and other outstanding claims. The insurance liability is valued by discounting the expected future cash flows relating to insurance contracts entered into. The valuation is based on assumptions concerning interest, longevity, health and future charges. The assumptions concerning longevity vary depending on when the policy was taken out and take into account expected future increases in longevity. The assumptions concerning fees also depend on when the policy was taken out. Principally, this means a fee that is proportional to the premium and a fee that is proportional to the life insurance provisions. Applied assumptions regarding the beneficiaries' future health are based on internally accrued experience and vary depending on the product. Interest rate assumptions are based on current market rates and depend on the maturity of the liability. The Group's insurance liabilities are subject to regular review, at least annually, to ensure that the reported insurance liability is sufficient to cover expected future claims. If necessary, an additional provision is made. The difference is recognised in the income statement.

Accounting for investment contracts and financial components of insurance contracts
Incoming and outgoing payments referring to customers' savings capital originating in investment contracts and financial components of insurance contracts are recognised directly on the balance sheet as deposits and withdrawals.

The financial components of traditional life insurance policies that are separated from the insurance contract are recognised on the balance sheet as borrowing from the public. These liabilities are valued at the higher of the guaranteed amount and the current value of the insurance contract. The guaranteed amount earns interest at the guarantee rate of interest and corresponds to the amortised cost of the insurance contract. The current value of the insurance contract is equal to the value of the assets managed on behalf of the policyholders, and earns interest with a return that is based on the total return for the assets with a deduction for any yield split. The yield split implies that the insurer is allocated a contracted part of the total return if this return exceeds the guaranteed return during the calen-

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dar year. The calculation is performed annually and is accumulated for each individual insurance contract. This means that the conditional bonus is reduced in those cases where the yield in an individual year is less than the guaranteed interest rate and vice versa. The share that accrues to the Group under the yield split model is reported as Fee and commission income. If the yield is less than the guaranteed yield per contract, the difference is recognised in the income statement under Net gains/losses on financial transactions.

Assets and liabilities arising from unit-linked insurance contracts are recognised at fair value on the balance sheet under the items Assets/Liabilities where the customer bears the value change risk, respectively.

Premium fees, asset fees and administrative charges for investment contracts and insurance contracts are recognised in the income statement under Fee and commission income. Acquisition costs are recognised directly in the income statement.

Reinsurance

The reinsurer's share of the Group's insurance liabilities is recognised under Reinsurance assets on the balance sheet.

14. INTANGIBLE ASSETS

Recognition in the balance sheet

An intangible asset is an identifiable, non-monetary asset without physical form. An intangible asset is only recognised on the balance sheet if the probable future economic benefits attributable to the asset will flow to the Group and if the acquisition cost can be reliably measured. This means that internally generated values in the form of goodwill, trademarks, customer databases and similar are not recognised as assets on the balance sheet.

Investments in software developed in-house are carried as an expense on a current basis to the extent that the expenditure refers to maintenance of existing business operations or software.

Agreements with suppliers that provide the Bank with a cloud service that involves access to the supplier's application, platform or infrastructure for the duration of the agreement comprise service contracts. Fees for a cloud service are charged to expenses on an ongoing basis for the duration of the contract. Any charges paid in advance are recognised as an asset, i.e. prepaid expenses. Fees for configuration and adaptations of a cloud service are charged to expenses when a supplier renders the services in question. When configuration and adaptations are an integral part of the cloud service and are undertaken by the supplier of the cloud service, or a sub-contractor to the supplier, the fee is charged to expenses on an ongoing basis for the duration of the agreement. Any charges paid in advance are recognised as prepaid expenses.

In the case of in-house development of new software, or development of existing software for new business operations, the expenditure incurred that can be reliably measured, is capitalised from the time when it is probable that economic benefit will arise. Expenditure arising from borrowing costs is capitalised from the date on which the decision was made to capitalise expenditure for the development of an intangible asset.

When accounting for business combinations, the acquisition price is allocated to the value of acquired identifiable assets, liabilities and contingent liabilities in the acquired business. These assets may also include intangible assets that would not have been recognised on the balance sheet if they had been acquired separately or internally generated. The part of the acquisition price in a business combination that cannot be allocated to identifiable assets and liabilities is recognised as goodwill.

Goodwill and intangible assets with an indefinite useful life

Goodwill and other intangible assets with an indefinite useful life are recorded at cost less any impairment losses. These assets are tested annually for impairment when preparing the annual report or when there is an indication that the asset is impaired. Impairment testing is performed by calculating the recoverable amount of the assets, i.e. the higher of the value in use and the fair value less costs to sell. As long as the recoverable amount exceeds the carrying amount, no impairment loss needs to be recognised. Impairment losses are recognised directly in the income statement.

Since it is not possible to differentiate between cash flows arising from goodwill and cash flows arising from other assets, impairment testing of goodwill takes place at the level of cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is followed up at business segment level. Material assessments and assumptions in the impairment testing of goodwill are described in note G24. Previously recognised impairment losses on goodwill are not reversed.

Intangible assets with a finite useful life

Intangible assets for which it is possible to establish an estimated useful life are amortised. The amortisation is on a straight-line basis over the useful life of the asset. Currently this means that customer contracts are amortised over 20 years and that internally developed software is normally amortised over five years. In certain infrastructure projects, the useful life is assessed to be more than five years. For these types of investment, the amortisation period is up to 15 years. Brand names which are subject to amortisation are amortised over five years. The amortisation period is tested on an individual basis at the time of new acquisition and also continually if there are indications that the useful life may have changed. Intangible assets with a finite useful life are reviewed for impairment when there is an indication that the asset may be impaired. The impairment test is performed according to the same principles as for intangible assets with an indefinite useful life, i.e. by calculating the recoverable amount of the asset.

15. PROPERTY AND EQUIPMENT

The Group's tangible non-current assets consist of property and equipment. With the exception of repossessed properties to protect claims, these assets are recorded at cost of acquisition less accumulated depreciation and impairment losses.

Depreciation is based on the estimated useful lives of the assets. A linear depreciation plan is usually applied. The estimated useful lives are reviewed annually. The tangible assets that consist of components with different estimated useful lives are sub-divided into different categories with separate depreciation plans. Such depreciation of components is normally only applied for real property. Only components of the property whose acquisition costs are substantial in relation to the total acquisition cost are separately depreciated. The remaining parts of the real property (building structure) are depreciated as a whole over their expected useful life. Currently, the useful life for the building structure is 100 years, for water and drains 35 years, for roofs 30 years, for frontage, heating, ventilation and electricity 25 years, for lifts 20 years and for permanent equipment, service facilities etc. in buildings 10 years. Personal computers and other IT equipment are usually depreciated over three years and investments in bank vaults and similar investments in premises over 10 years. Other equipment is normally depreciated over five years.

Impairment testing of property and equipment is carried out when there is an indication that the value of the asset may have decreased. Impairment loss is recognised in cases where the recoverable amount is less than the carrying amount. Any impairment losses are recognised immediately in the income statement. An impairment loss is reversed if there is an indication that there is no longer any impairment loss and there has been a change in the assumptions underpinning the estimated recoverable amount.

16. PROVISIONS

Provisions consist of recognised expected negative outflows of resources from the Group and which are uncertain in terms of timing or amount. Provisions are reported when the Group, as a consequence of past events, has a legal or constructive obligation, and it is probable that an outflow of resources will be required to settle the obligation. For recognition it must be possible to estimate the amount reliably. The amount recognised as a provision corresponds to the best estimate of the expenditure required to settle the obligation at the balance sheet date. The expected future date of the settlement is taken into account in the estimate.

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Provisions are reported for restructuring. Restructuring refers to major organisational changes, for example when employees receive termination benefits relating to early termination of employment, or branches are closed. In order for a provision to be reported, a restructuring plan must have been established and communicated so that a valid expectation has been created in those affected, that the enterprise will carry out the restructuring. A restructuring provision only includes the direct expenditures arising from the restructuring and which are not related to the future operations.

17. EQUITY

Equity comprises the components described here.

Share premium reserve

The share premium reserve comprises the options component of issued convertible debt instruments and the amount that in the issue of shares and conversion of convertible debt instruments exceeds the quotient value of the shares issued.

Hedge reserve

Unrealised changes in the value of derivative instruments which comprise hedge instruments in cash flow hedges are reported in the hedge reserve.

Fair value reserve

Unrealised changes in the value of financial assets classified as measured at fair value through other comprehensive income are recognised in the fair value reserve. Furthermore, the fair value reserve includes provisions for expected credit losses on debt instruments classified as measured at fair value through other comprehensive income. Realised changes in the value of these debt instruments are reclassified from the fair value reserve to the income statement. Realised changes in the value of equity instruments classified as measured at fair value through other comprehensive income are reclassified from the fair value reserve to retained earnings.

Translation reserve

The translation reserve comprises unrealised foreign exchange effects arising due to translation of foreign units to the presentation currency of the consolidated accounts. In addition, effective parts of hedges of net investments in foreign operations are recognised in the translation reserve.

Defined benefit pension plans

The item Defined benefit pension plans is comprised of actuarial gains and losses on the pension obligation, as well as the return on plan assets that exceeds or falls below the return based on the discount rate.

Retained earnings including profit for the year

Retained earnings comprise the profits generated from the current and previous financial years. Dividends and repurchases of own shares are reported as deductions from retained earnings.

Realised gains/losses which are attributable to equity instruments classified as measured at fair value through other comprehensive income are reclassified from the fair value reserve to retained earnings.

Non-controlling interest

Non-controlling interest consists of the portion of the Group's net assets that is not directly or indirectly owned by holders of the parent company's ordinary shares. Non-controlling interest is recorded as a separate component of equity.

Accounting for own shares

Repurchased own shares are not recognised as assets but are offset against retained earnings in equity.

18. INCOME

Net interest income

Interest income and interest expenses are recognised as Net interest income in the income statement, with the exception of interest flows deriving from financial instruments mandatorily measured at fair value through profit or loss, which are recognised under Net gains/losses on financial transactions, where the overall activity in the trading book is recognised.

Interest income and interest expenses for financial instruments at amortised cost are calculated and recognised by applying the effective interest method or, where considered appropriate, by applying a method that results in an amount constituting a reasonable estimate of the results of a calculation based on the effective interest method. Effective interest includes fees which are considered an integral part of the effective interest rate of a financial instrument (generally fees compensating for risk). The effective interest rate corresponds to the rate used to discount future contractual cash flows to the carrying amount of the financial asset or liability.

Net interest income also includes interest from derivative instruments recognised through hedge accounting and interest from derivatives in economic hedges, as these hedge items for which the interest flows are recognised under Net interest income.

In addition to interest income and interest expenses, net interest income includes fees for state guarantees, such as deposit guarantees and the resolution fee.

Revenue from contracts with customers

The standard for Revenue from contracts with customers, IFRS 15, is applied for different types of services which are mainly recognised under Fee and commission income in the income statement. IFRS 15 is also applicable to certain services included in the item Other income. However, Other income does not, in all material respects, refer to income from contracts with customers.

The income is recognised at the point in time at which the performance obligation is satisfied, which corresponds to the transfer of control over the service to the customer. The total income is divided between each service and recognition in income depends on whether the services are fulfilled at a specific point in time, or over time.

The following principles apply to when income is recognised:

- Income earned gradually as the services are performed, such as management fees in asset management, is recognised at the rate these services are delivered, i.e. on a straight-line basis over time. This is due to the fact that the customer receives and consumes the service simultaneously, meaning that the Bank's obligation is fulfilled in line with the rendering of the service.
- Income attributable to a specific service or action is recognised when the service has been performed, i.e. at a specific point in time. Examples of such income are brokerage and payment commissions.

The income recognised must reflect the expected income. When the income includes variable reimbursement, such as a refund, bonus or performance-based element, the income is recognised only when it is highly probable that no repayment of the amount will take place.

Payments are made on a regular basis as the services are performed and advance payments refer to a maximum of 12 months into the future. Accrued income is recognised for services which have been performed but have not yet been paid for. Deferred income is recognised for payments received for services which have not yet been performed. Income from contracts with customers constitutes an immaterial proportion of the items Accrued income and Deferred income. Additional expenditure required to obtain a contract with a customer is not recognised as an asset (prepaid expense), and is instead recognised as an expense during the accounting period in which it arises.

Net fee and commission income

Income and expense for various kinds of services are recognised in the income statement under the items Fee and commission income and Fee and commission expense, respectively. This means that brokerage income and various types of management fees are recognised as commissions. Other forms of income recognised as commissions are payment commissions and card fees, premiums for financial guarantees issued, and commissions from insurance operations. Guarantee commissions that are comparable to interest and fees that constitute integrated components of financial instruments and therefore are included when calculating the effective interest are recognised under Net inter-

G1 Cont.

est income and not commissions. Fee and commission expense is transaction-based and directly related to transactions for which the income is recognised as Fee and commission income.

Other income

The item Other income is primarily comprised of rental income and capital gains/losses arising from the divestment of participating interests in subsidiaries, associates and joint ventures. Other income therefore does not, in all material respects, refer to income from contracts with customers.

Net gains/losses on financial transactions

Net gains/losses on financial transactions includes all items with an impact on profit or loss that arise when measuring financial assets and liabilities at fair value through profit or loss, and when financial assets and liabilities are realised (with the exception of equity instruments classified as measured at fair value through other comprehensive income).

- Gains/losses on financial instruments at amortised cost consist of realised gains and losses on financial assets and liabilities classified as measured at amortised cost, such as early repayment charges for loans redeemed ahead of time, and capital gains/losses generated from repurchases of the Bank's own issued securities.
- Gains/losses on financial instruments at fair value through other comprehensive income consist of realised gains and losses on interest-bearing securities classified as measured at fair value through other comprehensive income. Realised gains and losses are reclassified from other comprehensive income to Net gains/losses on financial transactions in conjunction with a divestment/sale. The item also includes credit losses (expected and actual) on these assets.
- Gains/losses on financial instruments measured at fair value through profit or loss, fair value option, consist of unrealised and realised changes in the value of financial assets and liabilities that upon initial recognition were identified as measured at fair value through profit or loss.
- Gains/losses on financial instruments measured at fair value through profit or loss, mandatory, consist of unrealised and realised changes in value, dividend income and interest (with the exception of interest deriving from derivatives used to hedge items for which the interest flow is recognised in net interest income) on financial assets and liabilities held for trading, or which are managed and evaluated on the basis of fair value.
- Fair value hedges consist of unrealised and realised changes in the value of hedging instruments, and the hedged risk component in financial assets and liabilities which constitute hedged items in fair value hedges. Ineffective portion of cash flow hedges consists of changes in the value of hedging instruments which do not correspond to future cash flows attributable to the hedged item.
- Gains/losses on the financial component in an insurance contract consist of the gain or loss arising if the return is less than the guaranteed interest.

Dividend

Dividends on shares measured at fair value through other comprehensive income are recognised in the income statement under the item Other dividend income. Dividends on shares measured at fair value through profit or loss are recognised in the income statement under the item Net gains/losses on financial transactions. Dividends on shares in associates and joint ventures are not included in the Dividends item in the income statement. The recognition of Share of profit of associates and joint ventures is described in section 4.

19. EMPLOYEE BENEFITS

Staff costs

Staff costs consist of salaries, pension costs and other forms of direct staff costs including social security costs, special payroll tax on pension costs and other forms of payroll overheads. Any remuneration in connection with terminated employment is recognised as a liability when the agreement is reached and amortised over the remaining employment period.

Accounting for pensions

Post-employment benefits consist of defined contribution plans and defined benefit plans. Benefit plans under which the Group pays fixed premiums into a separate legal entity, and subsequently has no legal or constructive obligations, are accounted for as defined contribution plans. The value change risk until the funds are paid out is borne by the employee. Premiums paid for defined contribution plans are recognised in the income statement as staff costs as they arise, by means of the employee rendering services to the company and the fees for these services falling due for payment. Other post-employment benefit plans are accounted for as defined benefit plans. For defined benefit pension plans, the pension payable is based on the salary and period of employment, implying that the employer bears all the material risks for fulfilling the pension obligation. For defined benefit plans, the present value of the pension commitment is recognised as a pension obligation. For the majority of defined benefit plans, the Group has kept plan assets, for the purpose of covering the obligation, separately in pension foundations and a pension fund. For defined benefit plans, the pension obligations minus the fair value of the plan assets are reported as a net liability on the balance sheet. Actual gains and losses on the pension obligation arising when the actual outcome deviates from assumptions are recognised in other comprehensive income, as is the difference between actual return and estimated interest income on the plan assets.

The pension cost for defined benefit plans is recognised in the income statement as a staff cost and is comprised of the following items:

- Cost of accrued pension rights for the year, referring to the year's proportion of the calculated final total pension payment. The calculation of accrued pension rights is based on an estimated final salary and is subject to actuarial assumptions.
- Interest expenses on the pension obligation arising due to the increase in the present value of the pension liability during the year since the period up to payment has decreased. The interest rate applied in calculating interest expense for the year is the current corporate bond rate (the rate at the start of the year) for maturities corresponding to the period remaining until the pension liability is due to be disbursed.
- Estimated interest income (yield) on the plan assets, for which the same interest rate is applied as when establishing the year's interest expenses on pension obligations.
- The estimated cost of special payroll tax, which is accrued using the same principles as for the underlying pension cost.

Calculation of costs and obligations resulting from the Group's defined benefit plans depends on several assessments and assumptions which may have a considerable impact on the amounts reported. A more detailed description of these assumptions and assessments is provided in section 21 and in note G8.

20. TAXES

The tax expense for the period consists of current tax and deferred tax. Current tax refers to taxes relating to the period's, or previous periods', taxable result. Deferred tax is tax referring to temporary differences between the carrying amount of an asset or liability and its taxable value. Deferred taxes are valued at the tax rate which is deemed to be applicable when the item is realised. Deferred tax claims related to deductible temporary differences and loss carry forwards are only recognised if it is probable that they will be utilised. Deferred tax liabilities are carried at nominal value. Tax is recognised in the income statement, either in Other comprehensive income or directly in equity depending on where the underlying transaction is reported.

21. ESTIMATES AND MATERIAL ASSESSMENTS

In certain cases, the application of the Group's accounting policies means that assessments must be made that have a material impact on amounts reported. The amounts reported are also affected, in a number of cases, by estimates and assumptions about the future. Such assumptions always imply a risk for adjustment of the reported value of assets and liabilities. The assessments and assumptions applied always

G1 Cont.

reflect the management's best and fairest assessments and are continually subject to examination and validation.

The assessments and assumptions that have had a material impact on the financial reports are described below.

Estimates and material assessments concerning the following areas are provided in specific notes:
- financial instruments measured at fair value, see note G41, Fair value measurement of financial instruments
- impairment testing of goodwill, see note G24, Intangible assets
- claims in civil suits, see note G35, Provisions.

When preparing the annual report, certain critical assessments have been made due to uncertainty surrounding the matter of the potential effects of Covid-19 on the reporting. Areas specifically taken into account have been impairment testing for goodwill, loans to the public and loans to credit institutions. No other areas are assessed as being affected by Covid-19. None of the effects of Covid-19 have been assessed as having an impact on the Bank's status as a going concern. For more information on the above areas, see notes G2, G10 and G24.

Actuarial calculation of defined benefit pension plans

Calculation of the Group's expense and obligations for defined benefit pensions is based on a number of actuarial, demographic and financial assumptions that have a significant impact on the recognised amounts. Note G8 contains a list of the assumptions used when calculating this year's provision. The calculation of defined benefit obligations for employees in Sweden is based on DUS14, which are assumptions on longevity that are generally accepted in the market, based on statistics produced by Insurance Sweden. The assumptions on future salary increases and inflation are based on the anticipated long-term trend.

The discount rate is based on a number of first-class corporate bonds with varying maturities. For corporate bonds with maturities corresponding to the estimate average maturity of the pension obligation, this being 20 years, the discount rate is determined of the basis of market interest rates. Due to the fact that there are too few issuers of first-class corporate bonds with a maturity corresponding to that of the pension obligation, the Bank uses first-class corporate bonds with a shorter maturity as a supplementary basis to determine the discount rate. For these, the discount rate is determined on the basis of a yield curve. The yield curve is constructed as a spread over the Swedish swap curve. The spread, which is based on corporate bonds, excluding own issues, is applied to the swap curve. In this way, a yield curve is modelled and a 20-year yield can be derived from this.

Note G8 provides a sensitivity analysis of the Group's defined benefit obligation for all major actuarial assumptions. This shows how the obligation would have been affected by reasonably feasible changes in these assumptions.

Credit losses

The calculation of expected credit losses involves a number of assumptions and assessments. The valuation of expected credit losses is inherently associated with a certain degree of uncertainty. Areas involving a high degree of assumptions and assessments are described below under the respective headings.

Future-oriented information in macroeconomic scenarios

Handelsbanken continuously monitors macroeconomic developments, with a particular focus on the home markets. Through this monitoring, the Bank develops the macroeconomic scenarios which form the basis for the future-oriented information used in the model-based calculation of expected credit losses. The capacity of the Bank's customers to fulfil their contractual payments varies in line with macroeconomic developments. Consequently, future macroeconomic developments have an impact on the Bank's view of the provision needed to cover expected losses. The calculation of the provision requirement for expected credit losses is based on the neutral scenario proposed by the Bank's macroeconomic research unit. As the losses may be more highly affected by a future deterioration of economic trends than by the equivalent improvement, the Bank uses at least two alternative scenarios to take into account the non-linear aspects of expected credit losses. These alternative scenarios represent conceivable developments, one significantly worse and one significantly better than the neutral scenario. The most significant macroeconomic risk factors have been selected on the basis of the Bank's loss history over the past decade, supplemented with experience-based assessments. These macroeconomic risk factors are then used as macroeconomic risk factors in the Bank's quantitative statistical models for forecasting migrations, defaults, loss rates and exposures. The macroeconomic risk factors include unemployment, key/central bank rates, GDP, inflation and property prices. The Bank's business model, to offer credit to customers with a high repayment capacity, means that the connection between the macroeconomic developments and the provision requirement is not always especially pronounced. For a detailed description of macroeconomic information, see the 'Credit risks' section of note G2 and for a sensitivity analysis, see note G10.

Significant increase in credit risk

The Bank makes an assessment at agreement level at the end of each reporting period as to whether there has been a significant increase in credit risk since initial recognition. For a detailed description of significant increases in credit risk, see the 'Credit risks' section of note G2.

Model-based calculation

The quantitative models which form the basis for the calculation of expected credit losses for agreements in Stage 1 and Stage 2 make use of several assumptions and assessments. One key assumption is that the quantifiable relationships between macroeconomic risk factors and risk parameters in historical data are representative of future events. The quantitative models applied are based on a history of approximately 10 years, although this history varies by product and region due to inconsistency in the availability of historical outcomes. The quantitative models have been constructed with the help of econometric models, applying the assumption that the observations are independently conditioned by the risk factors. This means that the risk parameters can be predicted without distortion. Furthermore, a selection of the most significant macroeconomic risk factors is made on the basis of the macroeconomic risk factors' ability to demonstrate to individual risk parameters. The selection of the macroeconomic risk factors and specification of the model are based on achieving a balance between simplicity, demonstrative ability and stability.

Manual and expert-based calculation

As a rule, manual calculation is used for agreements in Stage 3, with the exception of a small portfolio of homogeneous claims in Stage 3. Expert-based calculation is carried out for model outcomes on agreements in Stage 1 and Stage 2, in order to incorporate the estimated impact of factors not deemed to have been considered in the model, as well as for manually assessed agreements in Stage 3. For more detailed descriptions of manual and expert-based calculation, see point 10 under the headings 'Manual calculation' and 'Expert-based calculation'.

22. COMPANY INFORMATION

Handelsbanken's annual report and consolidated accounts were approved for issue by the Board and Group Chief Executive on 9 February 2022 and will be presented for adoption by the AGM on 23 March 2022.

The parent company, Handelsbanken AB (publ), has its registered office in Stockholm at the address Kungsträdgårdsgatan 2, 106 70 Stockholm, Sweden. Handelsbanken is a credit institution that offers financial services and products in its home markets, Sweden, the UK, Norway and the Netherlands. The operations are described in more detail in the Administration report.

G2 Risk and capital management

Handelsbanken's low risk tolerance is a central element of the Bank's business concept. The low risk tolerance, together with a decentralised way of working, stable finances, and accountability on sustainability issues, make up the foundation of Handelsbanken's long-term customer relationships.

For the past few decades, Handelsbanken's credit loss ratio has been significantly lower than the average of other Nordic banks. The Bank's goal is always that no credit will lead to a loss. This approach governs how the branches grant credit and work with their credit portfolios.

By maintaining large liquidity reserves and by matching cash flows, the Bank has worked for a long time to safeguard its low liquidity risk. This is also a natural consequence of the Bank's low risk tolerance.

Market risks at Handelsbanken are also very low.

The information in this note includes the disposal groups Denmark and Finland, which have been reclassified to Assets held for sale and Liabilities held for sale on the balance sheet, respectively, and which constitute discontinued operations. See note G13.

RISK TOLERANCE

Handelsbanken has a low risk tolerance. The Bank focuses on long-term relationships with customers with a good repayment capacity and strong financial position. The quality requirement must never be neglected in favour of higher credit volumes, higher prices or market share.

Credit risks arise as an inherent part of lending operations. There is low tolerance of market risk and liquidity risk. Market risks only occur as part of customer business, in connection with the Bank's funding and liquidity management, and in its role as a market maker. Market risks also arise in the pension system.

The Bank's low tolerance of market risk has resulted in a comparatively low proportion of the Bank's earnings coming from net gains/losses on financial transactions. All funding and liquidity management is centralised to Group Treasury. Liquidity risk is limited by means of requirements on matching cash flows and satisfactory liquidity reserves of high quality.

Tolerance is also low for operational risk and compliance risks. As far as possible, the Bank endeavours to prevent these risks and to reduce the losses in this area.

Sustainability risks are managed in line with Handelsbanken's low risk tolerance and within the framework of the risk types for which sustainability risks are an integrated part of the risk assessment. For more information about sustainability risks, see the Bank's Sustainability Report.

RISK STRATEGY

The Bank's operations entail a variety of risks that are systematically identified, measured, managed and reported in all parts of the Group. Handelsbanken's restrictive approach to risk means that the Bank deliberately avoids high-risk transactions, even if the expected financial reward may be high at that time.

This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group. The risk culture is an integral part of the Bank's work and is deeply rooted among the Bank's employees. The Bank is characterised by a clear division of responsibility where each part of the business operations bears full responsibility for its business and for risk management. As a consequence, there are strong incentives for high risk awareness and for prudence in business operations. However, the decentralised business model is combined with strong centralised controls. The low risk tolerance is also reflected in the view of remuneration. The main principle is that remuneration must be fixed since this contributes to the long-term perspective which is a central feature of Handelsbanken's business model. Employees whose professional activities have a material impact on the Bank's risk profile are not permitted to receive performance-based variable remuneration.

Lending has a strong local involvement, where the close customer relationship and local knowledge promote low credit risks. In addition, the Group must be well capitalised at all times in relation to the risks in the operations and hold liquid assets so that it can always meet its payment obligations when they fall due, including in situations of financial stress when funding is not possible in the financial markets. In this way, Handelsbanken aims for a business model which is not affected by fluctuations in the business cycle.

This restrictive approach to risk means that the Bank is a stable and long-term business partner for its customers, regardless of the business cycle or market situation. It contributes both to good risk management and to sustaining a high service level even when operations and the markets where the Bank operates are subject to strain. The same principles for the Bank's approach to risk applies in all countries where the Bank operates.

RESILIENT RISK MANAGEMENT

Handelsbanken has a strong capital and liquidity situation. The Bank maintains continuous access to the financial markets via its short-term and long-term funding programmes. The Bank has a large and high-quality liquidity reserve, which provides a high degree of resistance to possible disruptions in the financial markets. Group Treasury's liquidity portfolio, which is part of the Bank's liquidity reserve, has a low risk profile and consists mainly of balances with central banks, government bonds and covered bonds. In addition, there is a comprehensive unutilised issue amount for covered bonds at Stadshypotek. Liquidity reserves are kept in all currencies that are important to the Bank. The total liquidity reserve covers the Bank's liquidity requirements for more than three years in a stressed scenario, entirely without access to new market funding. Operations can also be maintained for a considerable period of time even in an extreme situation when the foreign exchange markets are closed.

The Bank's capital situation remains strong. Good earnings and low credit losses during the year have contributed to this.

Handelsbanken's low tolerance of risk, good capitalisation and strong liquidity situation made the Bank well prepared and able to manage the risks arising during the initial stages of the Covid-19 pandemic. The liquidity situation was good during the crisis although increased utilisation of committed loan offers and a general credit demand led to a net utilisation of liquidity. After the second quarter of 2020, the situation returned to normal, with good reserves enabling the management of difficult market conditions. The Bank has reviewed its liquidity stress tests in the light of the pandemic and has adjusted some assumptions based on knowledge gained during this period. Credit losses were very limited during the Covid-19 pandemic and did not affect the capital situation or liquidity situation. Since the outbreak of the Covid-19 pandemic,

Figure AR:1 Credit losses as % of loans 2001–2021

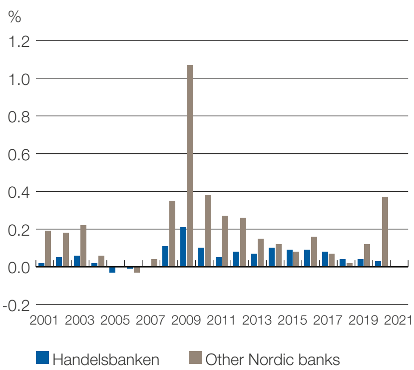
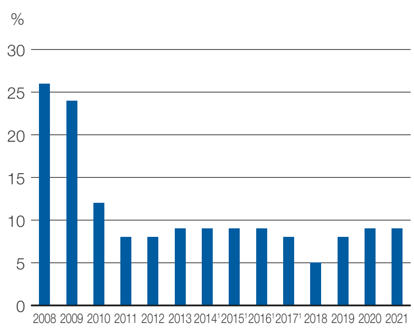


Figure AR:2 Net gains/losses on financial transactions as a proportion of profit 2008–2021



Source: Annual reports
[1] Excluding non-recurring items.

G2 Cont.

Figure AR:3 Risks at Handelsbanken

	Description
Credit risk	Credit risk is defined as the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations. Credit risk also includes counterparty risk, i.e. the risk that a counterparty in a transaction defaults before the final settlement of the cash flows involved in the transaction.
Market risk	Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risk, equity price risk, foreign exchange risk and commodity price risk.
Liquidity risk	Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.
Operational risk	Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk as well as IT- and information security risk (ICT risks).
Compliance risk	Compliance risk refers to risks associated with inadequate regulatory compliance. Compliance, in this case, means the observance of regulations, laws, directives and recommendations from competent authorities, internal rules, as well as generally accepted business practices or standards relating to all operations that are subject to a licence.
Remuneration risk	Remuneration risk is the risk of loss or other damage arising due to the remuneration system.
Insurance risk	Insurance risk is the risk in the outcome of an insurance that depends on the insured party's longevity or health.
Sustainability risk	Sustainability risk is the risk that the Bank fails to identify and manage risks related to the environment, the climate, social conditions and corporate governance in accordance with the policies, guidelines and assumptions in the area, which could ultimately have negative financial consequences for the Bank, or also damage the Bank's reputation.

the Bank has performed special stress tests and carefully monitored various indicators to follow up the market situation in order to be able to act at an early stage if the situation were to deteriorate again. IT updates, including security updates, and security monitoring have continued at the same high level, regardless of the amount of remote working during the pandemic.

RISK ORGANISATION

Handelsbanken's Board has overall responsibility for the Bank's risk management and establishes internal rules for this. The Board establishes policy documents and the CEO establishes guidelines describing how various risks should be managed and reported. For a more detailed description of the Bank's control framework, please refer to Handelsbanken's Corporate Governance Report on pages 74–91.

The Board has established a credit committee (composed of the CEO and the Chief Credit Officer, together with several Board members) to decide on certain credit cases, and a UK committee (composed of the Chairman of the Board, the CEO and selected members of the Board and executive management) to facilitate structured, continuous follow-up of the operations in Handelsbanken plc.

The Board has also established a risk committee, an audit committee and a remuneration committee, which prepare matters to be decided by the Board. The risk committee also makes decisions independently, including decisions on the significant parts of the Bank's risk classification and estimation processes linked to the IRB approach. The members of the risk committee, audit committee and remuneration committee are comprised entirely of Board members. In addition, the CEO has instituted the Risk Forum, which aims to highlight and comment on the Group's most material risks, in order to ensure that they are managed effectively. The Risk Forum is thus also a forum for preparing the CEO on matters to be discussed by the Board or risk committee. For a description of the work of the committees, sub-committees and the Risk Forum, see Handelsbanken's Corporate Governance Report on pages 74–91. The Bank also has the following committees acting in an advisory capacity to the CEO: risk committee, liquidity committee, capital committee and valuation committee.

REPORTING AND MONITORING OF THE RISK AND CAPITAL SITUATION

In 2021, the CRO reported the Group's risks to the CEO, the Board's risk committee and the Board at least quarterly. The reports have also been presented to the Risk Forum. The Group risk reports include a follow-up of the Bank's risk tolerance, the CRO's assessment of the Group's material risks and an assessment of whether there are significant deficiencies in the operation to report and address. Where applicable, the reports also include proposed actions and a follow-up of previously reported risks and deficiencies. The Group risk reports include forward-looking risk assessments and must make possible an assessment of whether Handelsbanken is fulfilling the risk strategy and the risk tolerance decided by the Board. The Group risk reports are formulated in accordance with the Board's Policy for risk control. In addition to the aforementioned risk reports, Risk Control and the central credit department report on both an ongoing and annual basis on the Bank's credit risk situation (including counterparty risks) and the IRB approach to the Bank's executive management, the Board's risk committee, the risk committee and the Central Board, as well as the boards of relevant subsidiaries. These reports include volume development, risk-reported credits, and the results – and validation – of the Bank's IRB models.

The risk committee, chaired by the Bank's CRO, acts in an advisory capacity to the CEO and CFO and met on ten occasions in 2021. At meetings of the risk committee, the committee performs an in-depth follow-up of the Group's current risk situation, potential risks and actions for credit risks, financial risks, operational risk and risks in the insurance operations. Other types of risk are commented on where necessary. The recovery plan indicators are reported on at every meeting, with discussions taking place about potential measures to be taken, when necessary. In addition, limit utilisation for financial risks is subject to follow-up for the Group as a whole. The capital situation, utilisation of market risk limits and the liquidity situation are reported to the Board at least quarterly.

Limit utilisation for market risks and liquidity risks is compiled and checked on a daily basis by Group Risk Control. Exceeded limits are immediately reported to the person who makes the decision about the limits. The liquidity risk is summarised by Group Risk Control and reported daily to the CFO, weekly to the CEO and to the Board at every regular Board meeting. The liquidity committee, chaired by the Head of Group Treasury, acts in an advisory capacity to the CEO and CFO and meets before each regular Board meeting and on other occasions when necessary. At this committee meeting, reports are presented on the current liquidity situation, on results of stress tests, scenario analysis, and other information which is relevant for the assessment of the Group's liquidity situation.

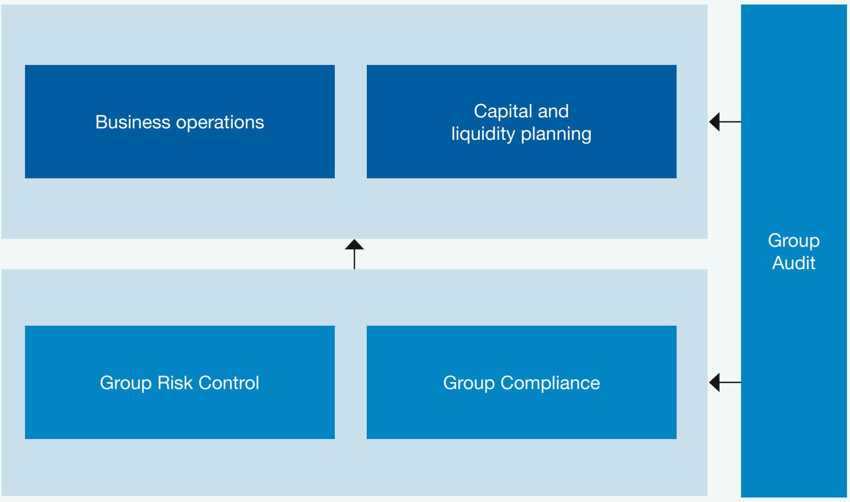
Operational risks and incidents which have occurred are reported continuously by branches and units throughout the Handelsbanken Group to Risk Control, where they are subsequently monitored. In turn, Group Risk Control reports operational risk and incidents which have occurred to the CEO, the Board and the Board's risk committee. Risks in the remuneration system are evaluated on an annual basis and reported to the Board's remuneration committee and risk committee. Operational risk reporting includes information regarding significant events, major losses, important proactive measures and an aggregated risk assessment at Group level. In addition, Group Risk Control monitors that the actions which have been decided are implemented. In 2021, the Chief Compliance Officer reported compliance risks at least quarterly to the CEO, the Board's risk committee and the Board. The reports have

G2 Cont.

also been presented to the Risk Forum.

The Bank's capital situation is reported weekly to the CFO and the CEO and at least quarterly to the Board. In cases where various thresholds are exceeded, or if the Head of Group Capital Management or the CFO deems it appropriate for some other reason, proposals for appropriate measures are presented to the CEO. The capital situation in a medium- and long-term perspective is summarised quarterly by the capital committee. Group Capital Management performs a complete update of the capital forecast on a quarterly basis, or when there are significant changes at the Bank.

Figure AR:4 Handelsbanken's risk management and risk control



Business operations

The Bank is characterised by a clear allocation of responsibilities, where each part of the business operations bears full responsibility for its own business activities and its management of all risks. Those who know the customer and market conditions best are in the best position to assess the risk and can also act at an early stage if problems arise. Each branch and each profit centre is responsible for dealing with any problems that arise. This creates strong incentives for high risk awareness and for prudence in the business operations.

However, the decentralised credit decisions are conditional on a joint credit process, for which Group Credits is responsible. Group Credits prepares the credit limits which the Board or the credit committee set up by the Board decide on. Group Credits also ensures that credit assessments are consistent throughout the Group and that loans are granted in accordance with the credit policy decided by the Board.

Financial risks in the Bank's business operations mainly arise at Group Treasury, Handelsbanken Capital Markets, and Handelsbanken Liv, and are managed there. Handelsbanken has a decentralised business model, but all funding and liquidity risk management in the Group is centralised to Group Treasury. The market risks that arise to meet customers' demand for financial instruments with exposure to the fixed income, foreign exchange, equity or commodity markets are managed in Handelsbanken Capital Markets. Operational risk occurs in all of the Bank's operations, and the responsibility for managing operational risk is an integral part of managerial responsibility at all levels in Handelsbanken. The management of market risks, the management of the Bank's operational risk, and funding and liquidity management are all governed by policies established by the Board.

Stress tests – capital and liquidity planning

Handelsbanken holds capital and a liquidity reserve to ensure its survival during normal times and also after extreme events. Capital planning is based on an assessment of the capital situation in terms of the legal capital requirement, combined with calculation of economic capital and stress tests. Liquidity planning ensures that the Group can always meet its payment obligations when they fall due, even in situations of financial stress when funding is not possible in the financial markets. Stress tests and scenario analyses identify the measures that need to be prepared or implemented to ensure a satisfactory liquidity situation and capitalisation at any given time, and which measures are needed to restore the Group's capital and liquidity in a recovery situation following a serious crisis.

Group Risk Control and Group Compliance

The risk control function at Handelsbanken is independent of the functions that are to be monitored. The risk control function verifies that all material risks to which the Group is exposed, or may be exposed in the future, are identified and managed by the relevant functions. Risk Control monitors and verifies the Group's risk management. It ensures that relevant internal rules, processes and procedures concerning risk management are followed, while also ensuring that the risks fall within the risk tolerance established by the Board, and that management has reliable information to use as a basis for managing risks in critical situations. Credit Risk Control must perform regular evaluations to ensure that the methods used to calculate the Bank's capital requirements are fit for purpose and in accordance with permissions granted by the Financial Supervisory Authority, and applicable regulations. Risk Control's responsibilities also include monitoring the limits for market, liquidity and counterparty risks, and operational risk, and evaluating breaches of these limits and credit limits. The risk control function must also evaluate the risk analysis performed in the operations for new and materially changed products and services, markets, processes and IT systems, and in conjunction with significant changes to the operations or organisation.

As business decisions become more decentralised, the need for monitoring of the risk and capital situation increases. Risk control is therefore a natural and vital component of the Bank's business model. Group Risk Control is responsible for continuously reporting the current risk situation in the Group to the Bank's management and Board and for ensuring that risks are measured in a fit-for-purpose and consistent manner across the Group.

Compliance risks and risks related to procedures and guidelines for preventing money laundering and terrorist financing are controlled by Group Compliance. Group Compliance is independent of the business operations and organisationally separate from the functions and areas which are subject to control. Group Compliance work actively for a high level of compliance and for the Bank's low risk tolerance of compliance risks to be fullfilled. Group Compliance identifies, monitors and controls risks and deficiencies related to regulatory compliance, and also provides recommendations, advice and support to the Bank's staff, management and units in matters concerning compliance, as well as reporting to the management and Board on compliance issues.

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THE BOARD'S RISK DECLARATION AND RISK STATEMENT

The Board has decided on the following risk declaration and risk statement:

Risk declaration

Handelsbanken has satisfactory arrangements for risk management which are fit for purpose in relation to the Bank's business goal, overall risk profile and the risk strategy which the Board has decided for the operations.

Risk statement

Handelsbanken's business goal is to have higher profitability than the average of peer competitors in our home markets. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors. Handelsbanken is a bank with a strong local connection and a decentralised way of working.

The Bank's overall risk profile is that risks are to be kept low. The Group must also be well capitalised at all times in relation to the risks, fulfil all requirements imposed by the authorities, and hold liquid assets so that it can meet its payment obligations, including in situations of financial stress in the short and long term. The risk strategy and Bank's overall risk profile support Handelsbanken's aim to have a business model that is independent of changes in the business cycle.

The Bank has, and will maintain, a low level of credit risk. This is achieved by such measures as its strong local connection and close customer relations. The quality of credits must never be neglected in favour of achieving higher volume or a higher margin. The Bank is selective when choosing customers with the requirement that borrowers have a good repayment capacity. As a consequence of this, the credit portfolio has a clear concentration on risk classes where the probability of loss is low. This consistent approach is reflected in the Bank's low credit losses over time. This consistent approach is reflected in the Bank's low credit losses over time. In 2021, credit losses were 0.00% (0.03) of lending.

To ensure that the Bank is well capitalised in relation to the risks and has a good liquidity situation, the Board stipulates the Bank's risk tolerance for capitalisation and liquidity. When the risk tolerance for capitalisation is decided, the capital measure is set partly in relation to the statutory requirements and partly in relation to Handelsbanken's assessed capital requirement based on the Bank's model for Economic Capital (EC), which encompasses all of the Group's risks in one single metric. The risk tolerance for the Bank's liquidity risk is decided on the one hand through requirements that the Bank under stressed circumstances must have a sufficiently large liquidity reserve in the form of liquid assets and assets which can be pledged, and also liquidity-generating measures to be able to continue its operations during determined time periods, and on the other hand through requirements regarding the accumulated net amount of incoming and outgoing cash flows in different time intervals.

The Board has determined that the common equity tier 1 ratio must, under normal circumstances, be between 1 and 3 percentage points above the total common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. With regard to the leverage ratio, this must exceed the total capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority by at least 0.6 percentage points.

The Bank's assessment of the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement at year-end 2021 was 13.9% (13.8), given that the Swedish Financial Supervisory Authority's guidance of 1.5% within the framework of Pillar 2 is taken into account, Similarly, the Bank's assessment of the leverage ratio requirement was 3.45%, given that the Swedish Financial Supervisory Authority's guidance of 0.45% within the framework of Pillar 2 is taken into account. The Board has also determined that the ratio between AFR (Available Financial Resources) and EC must exceed 120%.

At the end of 2021, the common equity tier 1 ratio was 19.4% (20.3) and the AFR/EC ratio was 384% (324). The Board has stipulated the goal that the Bank must have accumulated positive net cash flows over a period of at least one year, taking into account the liquidity reserve, and with the assumption that parts of the non-fixed-term deposits from households and companies disappear during the first month. With Handelsbanken's total liquidity reserve and liquidity-generating measures, the liquidity requirement would be covered for over three years during such stressed conditions. The Bank's risk profile is in accordance with the risk strategy established by the Board.

CREDIT RISK

Credit risk is defined as the risk of the Bank facing economic loss because the Bank's counterparties cannot fulfil their contractual obligations.

CREDIT RISK STRATEGY

At Handelsbanken, the credit process is based on a conviction that a decentralised organisation with a local connection ensures high quality in credit decisions. The Bank is a relationship bank whose branches maintain regular contact with the customer. This gives the branch an in-depth knowledge of each individual customer and a continually updated picture of the customer's financial situation.

Rather than being a mass market bank, Handelsbanken is selective in its choice of customers, which means it seeks customers with a high creditworthiness. The quality requirement is never neglected in favour of higher credit volumes or to achieve higher returns. The Bank also avoids participating in financing that involves complex customer constellations, complex and opaque transactions, or high ESG risks.

When Handelsbanken assesses the credit risk of a specific customer, the assessment must start with the borrower's repayment capacity. According to the Bank's credit policy, weak repayment capacity can never be accepted on the grounds that good collateral has been offered to the Bank. Collateral may, however, substantially reduce the Bank's loss if the borrower cannot fulfil his or her obligations. Credits must therefore normally be adequately secured.

The branch's local connection and close relationships with its customers enable the branch to quickly identify any problems and take action. In many cases, this means that the Bank can take action more rapidly than would have been possible with a more centralised management of problem loans. The branch also has full financial responsibility for granting credits. Therefore, it addresses problems that arise when a customer has repayment difficulties and also bears any credit losses. If necessary, the local branch obtains support from the local credit department and central departments. The Bank's working methods make sure that all employees whose work involves transactions linked to credit risk acquire a solid and well-founded approach to this type of risk. This approach forms an important part of the Bank's culture. The work method and approach described are important reasons for the Bank reporting very low credit losses over a long period.

CREDIT ORGANISATION

In Handelsbanken's decentralised organisation, each branch responsible for customers has total credit responsibility. Customer and credit responsibility lies with the branch manager or with the employees at the local branch to whom the manager delegates this task.

In Handelsbanken's decentralised organisation, the documentation that forms the basis for credit decisions is always prepared by the branch responsible for the credit, regardless of whether the final decision is to be made at the branch, at county or national level, in the Board's credit committee or by the Board. Credit decision documentation includes general

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and financial information regarding the borrower, and an assessment of their repayment capacity, loans and credit terms, as well as a valuation of collateral.

For national boards, the Board's credit committee and the Board, the credit decision refers to the total amount of the credit limit with possible headroom for unsecured credits. For borrowers whose total loans exceed SEK 5m, the credit decision is made in the form of a credit limit. In the case of loans to private individuals against collateral in the residential property, a limit requirement comes into play for amounts exceeding SEK 12m. For loans to housing co-operative associations against collateral in the residential property, a limit is required for amounts exceeding SEK 12m.

Credit limits granted are usually valid for a period of one year, although certain circumstances allow for credit limits for housing co-operative associations to apply for up to a maximum of three years. When extending a credit limit, the decision procedure required is the same as for a new credit limit.

Branch managers and most branch staff have personal decision limits allowing them to decide on credits to the customers they manage.

For decisions on larger credit limits, there are decision-making bodies at county and national level, as well as at the central level. Each additional level of decision adds credit expertise. Each decision level has the right to reject credit limits both within their own decision level and also credit limits which would otherwise have been decided at a higher level. All persons throughout the decision process who are responsible for granting credits, regardless of level, must be in agreement in order to positively decide on a credit limit. If there is the slightest doubt among any of these persons, the credit application is rejected. The largest credits have been reviewed by Group Credits and decided by the Board or the credit committee set up by the Board. However, no credit application may be processed in the Bank without the recommendation of the branch manager who is responsible for the credit, with the exception of credit decisions made via automatic modelling. Automatic models used in such decisions require the approval of the CEO.

The decision procedure for credits and credit limits is illustrated in Figure AR:5 Credit process and decision levels at Handelsbanken. The figure also shows the percentage of credit limit decisions and amounts at the various decision levels.

In Handelsbanken's decentralised organisation, where a large proportion of the credit and credit limit decisions are made by individual branches, a well-functioning review process is crucial for ensuring high-quality decsion-making. The branch manager examines the quality of the staff's decisions and the local credit departments examine the quality of decisions made by branch managers.

The purpose of the quality review is to ensure that the Bank's credit policy and internal instructions are complied with, that credit quality is maintained, and that credit and credit limit decisions show that there is good credit judgement and a sound business approach. A corresponding quality review is also performed for credit limit decisions made at higher levels in the Bank. Credit limits granted by county or national credit committees and national boards are examined by Group Credits, which also prepares and examines credit limits decided by the Board or the credit committee set up by the Board.

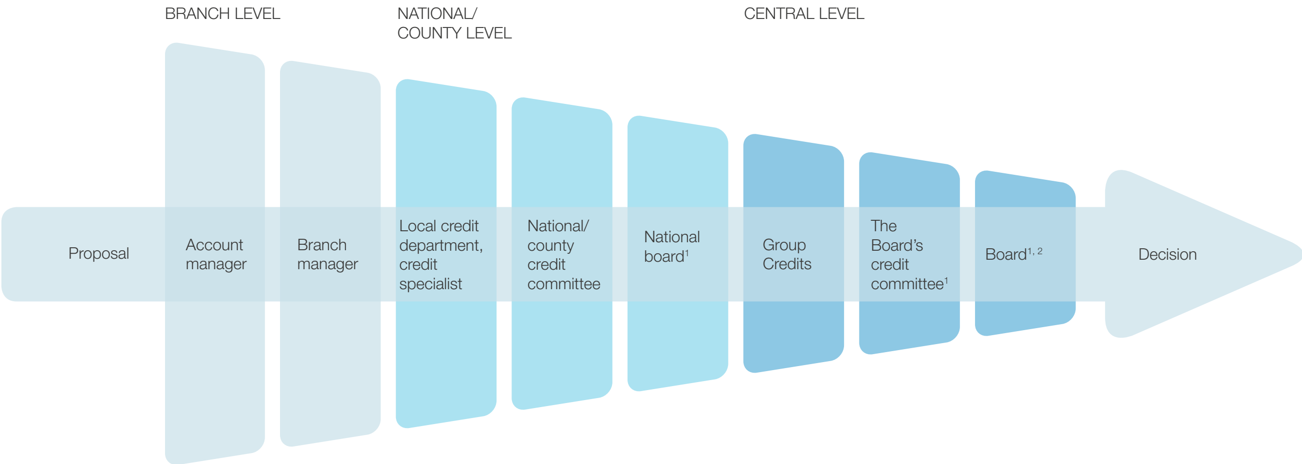
Ecster

The subsidiary, Ecster AB, offers payment solutions to selected vendors located throughout Sweden. The nature of this type of financing requires that quick and correct credit decisions can be provided year-round, all hours of the day, meaning that the majority of the decisions are made via automatic models. Decisions which cannot be processed using these models are made manually, whereby the employees involved abide by individually determined credit limits. Decisions on larger credit limits are made by Ecster's credit committee or by its Board. For proposals regarding larger commitments when the customer is an existing Handelsbanken customer, the decision is made by the customer's branch or the relevant unit at the Bank.

CREDIT PORTFOLIO

The Bank's credit portfolio is presented in this section based on the categorisation of balance sheet items. The section on Capital requirements for credit risks presents the credit portfolio based on CRR.

Figure AR:5 Credit process and decision levels at Handelsbanken



Breakdown of limit decisions[3]

	Branch level	National/county level	Central level
Proportion of number of limits	66%	32%	2%
Proportion of limit amount	12%	34%	54%

[1] The decision refers to the total amount of the credit limit with possible headroom for unsecured credits.
[2] Decides only if the case is assessed to be of special or general interest and decides on credits to Board members and certain executive officers.
[3] Excluding sovereign and bank limits decided at central level.

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Table AR:6 Credit exposures, geographical breakdown

Credit exposures, geographical breakdown 2021 SEK m		Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items									
Cash and balances with central banks		93,293	101,195	4,579	28,282	120,098	27,315	65,202	439,964
Other loans to central banks	*Note G14*	-	1,255	-	207	-	-	0	1,462
Loans to other credit institutions	*Note G15*	19,684	1,043	170	36	57	168	680	21,838
Loans to the public	*Note G16*	1,540,763	246,470	289,075	111,380	141,430	75,606	9,105	2,413,829
Interest-bearing securities eligible as collateral with central banks	*Note G17*	100,538	-	-	24	-	-	0	100,562
Bonds and other interest-bearing securities	*Note G17*	33,317	-	-	17	-	-	0	33,334
Derivative instruments	*Note G21*	28,416	-	-	37	-	7	58	28,518
Total		**1,816,011**	**349,963**	**293,824**	**139,983**	**261,585**	**103,096**	**75,045**	**3,039,507**
Off-balance sheet items									
Contingent liabilities	*Note G43*	350,973	48,922	59,932	31,938	33,633	5,819	27,056	558,273
of which guarantee commitments		*33,440*	*5,680*	*4,821*	*7,838*	*4,707*	*77*	*15,193*	*71,756*
of which obligations		*317,533*	*43,242*	*55,111*	*24,100*	*28,926*	*5,742*	*11,863*	*486,517*
Total		**350,973**	**48,922**	**59,932**	**31,938**	**33,633**	**5,819**	**27,056**	**558,273**
Total on and off-balance sheet items		**2,166,984**	**398,885**	**353,756**	**171,921**	**295,218**	**108,915**	**102,101**	**3,597,780**

Balance sheet items in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Credit exposures, geographical breakdown 2020 SEK m		Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items									
Cash and balances with central banks		84,525	100,280	18,026	217	114,600	11,035	68,959	397,642
Other loans to central banks	*Note G14*	-	1,094	2,862	17,370	-	-	-	21,326
Loans to other credit institutions	*Note G15*	19,165	391	451	52	64	155	1,642	21,920
Loans to the public	*Note G16*	1,458,989	232,246	260,374	100,634	141,639	63,905	11,825	2,269,612
Interest-bearing securities eligible as collateral with central banks	*Note G17*	98,353	-	-	18	-	-	762	99,133
Bonds and other interest-bearing securities	*Note G17*	44,550	-	-	16	-	-	-	44,566
Derivative instruments	*Note G21*	30,475	-	-	27	-	-	112	30,614
Total		**1,736,057**	**334,011**	**281,713**	**118,334**	**256,303**	**75,095**	**83,300**	**2,884,813**
Off-balance sheet items									
Contingent liabilities	*Note G43*	331,443	47,296	57,851	31,340	35,546	7,503	32,340	543,319
of which guarantee commitments		*35,882*	*6,424*	*5,023*	*7,311*	*4,925*	*121*	*20,209*	*79,895*
of which obligations		*295,561*	*40,872*	*52,828*	*24,029*	*30,621*	*7,382*	*12,131*	*463,424*
Total		**331,443**	**47,296**	**57,851**	**31,340**	**35,546**	**7,503**	**32,340**	**543,319**
Total on and off-balance sheet items		**2,067,500**	**381,307**	**339,564**	**149,674**	**291,849**	**82,598**	**115,640**	**3,428,132**

Geographical breakdown refers to the country in which the exposures are reported.

Table AR:7 Loans to the public subject to impairment testing, geographical breakdown

Loans to the public Geographical breakdown 2021 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Sweden	1,509,172	30,491	2,331	-173	-297	-761	1,540,763
UK	232,774	12,717	1,253	-60	-117	-97	246,470
Norway	275,208	12,975	1,567	-47	-109	-519	289,075
Denmark	108,295	2,982	424	-39	-95	-187	111,380
Finland	135,685	4,601	1,765	-65	-67	-489	141,430
The Netherlands	75,056	556	11	-10	-4	-3	75,606
Other countries	9,006	68	70	-1	-1	-37	9,105
Total	**2,345,196**	**64,390**	**7,421**	**-395**	**-690**	**-2,093**	**2,413,829**

Loans to the public in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Loans to the public Geographical breakdown 2020 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Sweden	1,427,814	30,336	2,327	-182	-357	-949	1,458,989
UK	213,758	17,977	908	-59	-191	-147	232,246
Norway	245,560	13,933	1,371	-39	-116	-335	260,374
Denmark	93,530	6,953	523	-46	-75	-251	100,634
Finland	133,982	6,536	1,781	-49	-91	-520	141,639
The Netherlands	63,353	563	-	-8	-3	-	63,905
Other countries	11,686	86	92	-2	-1	-36	11,825
Total	**2,189,683**	**76,384**	**7,002**	**-385**	**-834**	**-2,238**	**2,269,612**

G2 Cont.

Based on the consolidated balance sheet, credits are categorised as loans to the public or loans to credit institutions, while off-balance sheet items are broken down by product type. ‘Exposure’ refers to the sum of items on and off the balance sheet. Loans to the public is the dominant item. See Table AR:6 Credit exposures, geographical breakdown.

Handelsbanken strives to maintain its historically low level of credit losses compared to other banks, thus contributing to the Bank’s profitability target and retaining its sound financial position. In granting credits, the Bank never strives toward goals such as a predetermined volume or market share in particular sectors, and is instead selective when choosing its customers, adopting the mindset that credit customers must be of high quality. The demands on quality must never be neglected in favour of achieving a high credit volume. This is clearly stated in the Bank’s credit policy, endorsed each year by the Board.

2021 has been dominated by the global Covid-19 pandemic. Temporary exemptions from loan repayments and government guarantees have expired during the year.

Handelsbanken regularly evaluates the quality of the credit portfolio in order to identify and limit impairment requirements. The Covid-19 pandemic has not, in itself, altered the Bank’s approach to credit risks. For more information about how the Bank has managed the effects of Covid-19, see notes G1 and G10 concerning actions in accordance with IFRS 9.

Collateral

The Bank’s credit policy states that credits must normally have satisfactory collateral. A weak repayment capacity can never be accepted on the grounds that good collateral has been offered to the Bank. Collateral may, however, substantially reduce the Bank’s loss if the borrower cannot fulfil his or her obligations.

Table AR:8 Loans to the public subject to impairment testing, broken down by sector and industry

Loans to the public **Breakdown by sector 2021** SEK m	Gross			Provisions			
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Private individuals	1,219,581	16,838	3,057	-159	-107	-758	1,238,452
of which mortgage loans	*1,022,645*	*12,832*	*1,021*	*-30*	*-20*	*-52*	*1,036,396*
of which other loans with property mortgages	*154,163*	*2,677*	*911*	*-10*	*-7*	*-144*	*157,590*
of which other loans, private individuals	*42,773*	*1,329*	*1,125*	*-119*	*-80*	*-562*	*44,466*
Housing co-operative associations	266,467	931	22	-7	-2	-11	267,400
of which mortgage loans	*245,393*	*515*	*11*	*-3*	*0*	*-7*	*245,909*
Property management	643,423	32,704	1,734	-96	-207	-237	677,321
Manufacturing	21,106	1,735	65	-12	-13	-39	22,842
Retail	30,086	760	387	-19	-41	-94	31,079
Hotel and restaurant	3,933	4,986	59	-5	-137	-5	8,831
Passenger and goods transport by sea	2,369	604	1,205	-1	-8	-468	3,701
Other transport and communication	7,864	325	85	-10	-14	-63	8,187
Construction	17,873	852	135	-23	-16	-73	18,748
Electricity, gas and water	11,375	1,204	5	-4	-9	-3	12,568
Agriculture, hunting and forestry	22,029	979	73	-13	-11	-31	23,026
Other services	16,296	1,501	116	-20	-38	-91	17,764
Holding, investment, insurance companies, mutual funds, etc.	60,868	634	177	-16	-10	-125	61,528
Sovereigns and municipalities	7,305	89	-	-	-1	-	7,393
of which the Swedish National Debt Office	*2,173*			-			*2,173*
Other corporate lending	14,621	248	301	-10	-76	-95	14,989
Total	**2,345,196**	**64,390**	**7,421**	**-395**	**-690**	**-2,093**	**2,413,829**

Loans to the public in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Loans to the public **Breakdown by sector 2020** SEK m	Gross			Provisions			
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Private individuals	1,149,125	18,737	2,236	-155	-169	-756	1,169,018
of which mortgage loans	*962,972*	*12,734*	*601*	*-37*	*-28*	*-56*	*976,186*
of which other loans with property mortgages	*145,738*	*4,330*	*591*	*-13*	*-19*	*-139*	*150,488*
of which other loans, private individuals	*40,415*	*1,673*	*1,044*	*-105*	*-122*	*-561*	*42,344*
Housing co-operative associations	248,889	1,405	98	-6	-3	-43	250,340
of which mortgage loans	*225,561*	*678*	*18*	*-4*	*-1*	*-7*	*226,245*
Property management	600,483	33,375	1,674	-96	-267	-328	634,841
Manufacturing	22,332	3,747	174	-16	-21	-107	26,109
Retail	17,894	2,206	379	-17	-59	-96	20,307
Hotel and restaurant	4,584	5,804	37	-10	-145	-9	10,261
Passenger and goods transport by sea	2,394	2,077	1,162	-1	-6	-288	5,338
Other transport and communication	9,025	601	102	-9	-24	-80	9,615
Construction	15,655	1,977	166	-19	-41	-86	17,652
Electricity, gas and water	12,946	754	3	-3	-10	-1	13,689
Agriculture, hunting and forestry	20,223	1,312	61	-12	-20	-42	21,522
Other services	14,616	1,491	318	-18	-43	-211	16,153
Holding, investment, insurance companies, mutual funds, etc.	46,772	2,011	155	-16	-14	-108	48,800
Sovereigns and municipalities	7,086	91	-	0	-1	-	7,176
of which the Swedish National Debt Office	*474*	-	-	-	-	-	*474*
Other corporate lending	17,659	796	437	-7	-11	-83	18,791
Total	**2,189,683**	**76,384**	**7,002**	**-385**	**-834**	**-2,238**	**2,269,612**

G2 Cont.

The Bank's measures to limit its credit risk include the acceptance of collateral from customers. The primary means of reducing credit risk in the Bank is the pledging of immovable property, such as residential properties and other real estate, floating charges on assets, guarantees (including guarantor commitments) and the use of netting agreements (see the section on Counterparty risks for more information).

The basic principle applied in property finance is that credits must be covered by collateral in the form of properties. For exposures with properties as collateral, a loan-to-value (LTV) ratio is calculated by dividing the credit exposure by the market value of the collateral.

The Bank follows internal recommendations and external regulations which limit the maximum amount of a loan for which the collateral is property. The value of collateral is reviewed on an annual basis, and is based on the estimated market value. If the market value is deemed to have declined and the value of the collateral has therefore diminished, reviews are carried out

Table AR:9 Loans to the public subject to impairment testing, geographical breakdown by sector

Loans to the public Geographical breakdown by sector 2021 SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Private individuals	915,223	75,951	112,312	62,773	42,983	22,780	6,430	1,238,452
of which mortgage loans	*881,747*	*-*	*86,240*	*49,801*	*18,608*	*-*	*-*	*1,036,396*
of which other loans with property mortgages	*5,974*	*72,264*	*23,949*	*9,119*	*18,046*	*22,426*	*5,812*	*157,590*
of which other loans, private individuals	*27,502*	*3,687*	*2,123*	*3,853*	*6,329*	*354*	*618*	*44,466*
Housing co-operative associations	201,084	-	25,635	906	39,775	-	-	267,400
of which mortgage loans	*195,336*	*-*	*25,028*	*-*	*25,545*	*-*	*-*	*245,909*
Property management	278,288	149,495	127,276	23,834	46,112	51,460	856	677,321
Manufacturing	8,885	1,689	1,435	8,347	1,372	3	1,111	22,842
Retail	22,514	3,358	3,637	844	709	12	5	31,079
Hotel and restaurant	2,986	3,783	290	1,723	43	6	-	8,831
Passenger and goods transport by sea	1,613	15	1,206	3	864	-	-	3,701
Other transport and communication	4,459	1,281	968	321	592	565	1	8,187
Construction	6,943	2,146	7,204	1,869	570	16	-	18,748
Electricity, gas and water	5,543	290	3,946	48	2,638	103	-	12,568
Agriculture, hunting and forestry	20,884	1,469	274	229	150	8	12	23,026
Other services	8,113	4,682	2,676	1,508	715	68	2	17,764
Holding, investment, insurance companies, mutual funds etc.	47,702	2,058	1,320	8,527	881	547	493	61,528
Sovereigns and municipalities	3,446	-	286	0	3,661	-	-	7,393
of which the Swedish National Debt Office	*2,173*	*-*	*-*	*-*	*-*	*-*	*-*	*2,173*
Other corporate lending	13,080	253	610	448	365	38	195	14,989
Net loans to the public	**1,540,763**	**246,470**	**289,075**	**111,380**	**141,430**	**75,606**	**9,105**	**2,413,829**
of which total provisions for expected credit losses (Stage 1–3)	*-1,231*	*-274*	*-675*	*-321*	*-621*	*-17*	*-39*	*-3,178*
Total loans to the public	**1,541,994**	**246,744**	**289,750**	**111,701**	**142,051**	**75,623**	**9,144**	**2,417,007**

Loans to the public in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Loans to the public Geographical breakdown by sector 2020 SEK m	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Private individuals	870,056	71,836	99,217	61,620	41,037	18,550	6,702	1,169,018
of which mortgage loans	*836,966*	*-*	*72,781*	*47,767*	*18,672*	*-*	*-*	*976,186*
of which other loans with property mortgages	*6,015*	*68,506*	*24,691*	*10,004*	*17,436*	*17,833*	*6,003*	*150,488*
of which other loans, private individuals	*27,075*	*3,330*	*1,745*	*3,849*	*4,929*	*717*	*699*	*42,344*
Housing co-operative associations	191,168	-	21,800	872	36,500	-	-	250,340
of which mortgage loans	*184,697*	*-*	*21,235*	*-*	*20,313*	*-*	*-*	*226,245*
Property management	269,765	138,246	113,522	23,290	44,530	43,230	2,258	634,841
Manufacturing	9,856	1,838	3,038	6,543	1,694	1,008	2,132	26,109
Retail	12,414	3,009	3,196	860	776	33	19	20,307
Hotel and restaurant	3,627	3,750	1,043	1,795	40	6	-	10,261
Passenger and goods transport by sea	1,572	20	1,965	3	1,778	-	0	5,338
Other transport and communication	4,938	1,234	1,530	211	1,090	611	1	9,615
Construction	7,250	2,403	6,622	547	812	18	0	17,652
Electricity, gas and water	5,791	278	3,132	51	4,337	100	0	13,689
Agriculture, hunting and forestry	19,405	1,374	271	305	148	8	11	21,522
Other services	7,256	4,614	2,752	637	819	62	13	16,153
Holding, investment, insurance companies, mutual funds etc.	37,887	2,463	1,293	3,236	3,199	246	476	48,800
Sovereigns and municipalities	2,302	-	289	7	4,578	-	-	7,176
of which the Swedish National Debt Office	*474*							*474*
Other corporate lending	15,702	1,181	704	657	301	33	213	18,791
Net loans to the public	**1,458,989**	**232,246**	**260,374**	**100,634**	**141,639**	**63,905**	**11,825**	**2,269,612**
of which total provisions for expected credit losses (Stage 1–3)	*-1,488*	*-397*	*-490*	*-372*	*-660*	*-11*	*-39*	*-3,457*
Total loans to the public	**1,460,477**	**232,643**	**260,864**	**101,006**	**142,299**	**63,916**	**11,864**	**2,273,069**

G2 Cont.

more often. The Bank's instructions regarding collateral have not required any changes as a result of the introduction of IFRS 9. Since collateral is not generally utilised until a borrower faces serious repayment difficulties, the valuation of collateral focuses on the expected value in the case of a sale in unfavourable circumstances in connection with insolvency.

For unsecured long-term credit commitments to companies, the Bank often enters into an agreement with the customer on special credit terms which allow the Bank to renegotiate or terminate the loan in the case of unfavourable performance.

In special circumstances, the Bank may buy credit derivatives or financial guarantees to hedge the credit risk in claims, but this is not part of the Bank's normal lending process.

A minor part of loans to credit institutions consists of reverse repos. A reverse repo is a repurchase transaction in which the Bank buys interest-bearing securities or equities with a special agreement that the security will be resold to the seller at a specific price on a specific date. Handelsbanken regards reverse repos as secured lending.

Only collateral used in the calculation of the capital requirement for credit risk is specified in the tables below.

Table AR:10 Credit exposures, breakdown by type of collateral

Credit exposures, breakdown by type of collateral 2021 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured	Total
Balance sheet items										
Cash and balances with central banks		-	-	439,964	-	-	-	-	-	439,964
Other loans to central banks	*Note G14*	-	-	1,462	-	-	-	-	-	1,462
Loans to other credit institutions	*Note G15*	-	-	15	-	-	-	-	21,823	21,838
Loans to the public	*Note G16*	1,794,921	352,383	47,978	9,901	20,025	22,312	8,919	157,390	2,413,829
Interest-bearing securities eligible as collateral with central banks	*Note G17*	-	-	99,252	-	-	-	-	1,310	100,562
Bonds and other interest-bearing securities	*Note G17*	-	-	117	818	-	-	-	32,399	33,334
Derivative instruments	*Note G21*	833	1,541	1,947	65	150	-	-	23,982	28,518
Total		**1,795,754**	**353,924**	**590,735**	**10,784**	**20,175**	**22,312**	**8,919**	**236,904**	**3,039,507**
Off-balance sheet items										
Contingent liabilities	*Note G43*	100,836	59,444	34,269	6,577	15,491	674	9,390	331,592	558,273
of which guarantee commitments		*4,337*	*1,284*	*1,910*	*1,868*	*1,046*	*-*	*910*	*60,401*	*71,756*
of which obligations		*96,499*	*58,160*	*32,359*	*4,709*	*14,445*	*674*	*8,480*	*271,191*	*486,517*
Total		**100,836**	**59,444**	**34,269**	**6,577**	**15,491**	**674**	**9,390**	**331,592**	**558,273**
Total on and off-balance sheet items		**1,896,590**	**413,368**	**625,004**	**17,361**	**35,666**	**22,986**	**18,309**	**568,496**	**3,597,780**

Balance sheet items in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Credit exposures, breakdown by type of collateral 2020 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured	Total
Balance sheet items										
Cash and balances with central banks				397,642						397,642
Other loans to central banks	*Note G14*			21,326						21,326
Loans to other credit institutions	*Note G15*	-	-	365	978	-	-	-	20,577	21,920
Loans to the public	*Note G16*	1,681,764	347,413	49,766	7,475	13,270	24,383	11,123	134,418	2,269,612
Interest-bearing securities eligible as collateral with central banks	*Note G17*			99,133						99,133
Bonds and other interest-bearing securities	*Note G17*	-	-	2,563	-	-	-	-	42,003	44,566
Derivative instruments	*Note G21*	972	1,688	2,047	81	15,013	-	-	10,813	30,614
Total		**1,682,736**	**349,101**	**572,842**	**8,534**	**28,283**	**24,383**	**11,123**	**207,811**	**2,884,813**
Off-balance sheet items										
Contingent liabilities	*Note G43*	89,874	51,353	34,779	6,024	10,134	455	11,224	339,476	543,319
of which guarantee commitments		*4,482*	*1,528*	*1,883*	*2,860*	*1,201*	*-*	*1,024*	*66,917*	*79,895*
of which obligations		*85,392*	*49,825*	*32,896*	*3,164*	*8,933*	*455*	*10,200*	*272,559*	*463,424*
Total		**89,874**	**51,353**	**34,779**	**6,024**	**10,134**	**455**	**11,224**	**339,476**	**543,319**
Total on and off-balance sheet items		**1,772,610**	**400,454**	**607,621**	**14,558**	**38,417**	**24,838**	**22,347**	**547,287**	**3,428,132**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

G2 Cont.

Table AR:11 On and off-balance sheet items subject to impairment testing, breakdown by type of collateral

On and off-balance sheet items subject to impairment testing, breakdown by type of collateral 2021

		2021					
		Gross			Provisions		
SEK m		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items							
Cash and balances with central banks		**439,932**	**-**	**-**	**0**	**-**	**-**
Sovereigns, municipalities and county councils[2]		439,932	-	-	0	-	-
Other loans to central banks	*Note G14*	**1,462**	**-**	**-**	**-**	**-**	**-**
Sovereigns, municipalities and county councils[2]		1,462	-	-	-	-	-
Loans to other credit institutions	*Note G15*	**21,833**	**10**	**-**	**-2**	**-3**	**-**
Sovereigns, municipalities and county councils[2]		15	-	-			
Guarantees as for own debt[3]		-	-	-	-	-	-
Unsecured		21,818	10	-	-2	-3	-
Loans to the public	*Note G16*	**2,345,196**	**64,390**	**7,421**	**-395**	**-690**	**-2,093**
Residential property[1]		1,768,368	24,534	2,533	-101	-93	-320
Other property		323,470	28,049	1,447	-85	-247	-251
Sovereigns, municipalities and county councils[2]		45,980	1,674	334	-3	-7	0
Guarantees as for own debt[3]		8,952	953	6	-3	-7	-
Financial collateral		19,474	566	1	-5	-11	0
Collateral in assets		21,294	1,087	49	-44	-59	-15
Other collateral		7,779	1,126	363	-23	-54	-272
Unsecured		149,879	6,401	2,688	-131	-212	-1,235
Interest-bearing securities eligible as collateral with central banks	*Note G17*	**421**	**-**	**-**	**-**	**-**	**-**
Bonds and other interest-bearing securities	*Note G17*	**9,016**	**-**	**-**	**-2**	**-**	**-**
Total		**2,817,860**	**64,400**	**7,421**	**-399**	**-693**	**-2,093**
Off-balance sheet items							
Contingent liabilities	*Note G43*	**406,024**	**9,477**	**336**	**-109**	**-144**	**-91**
of which guarantee commitments		*70,375*	*1,265*	*116*	*-9*	*-10*	*-39*
Residential property[1]		4,242	87	8	-5	-1	-3
Other property		1,216	66	3	-1	-1	-
Sovereigns, municipalities and county councils[2]		1,831	69	10	0	0	-
Guarantees as for own debt[3]		1,778	90	0	0	0	-
Financial collateral		959	83	5	0	-1	-
Collateral in assets		-	-	-	-	-	-
Other collateral		805	77	28	0	-2	-17
Unsecured		59,544	793	62	-3	-5	-19
of which obligations		*335,649*	*8,212*	*220*	*-100*	*-134*	*-52*
Residential property[1]		95,531	937	31	-15	-5	-13
Other property		56,618	1,527	15	-7	-14	-
Sovereigns, municipalities and county councils[2]		31,967	392	-	0	0	-
Guarantees as for own debt[3]		4,522	187	0	-1	-1	-
Financial collateral		14,079	366	-	-1	-4	-
Collateral in assets		668	6	-	-1	0	-
Other collateral		7,647	814	19	-11	-31	-3
Unsecured		124,617	3,983	155	-64	-79	-36
Total		**406,024**	**9,477**	**336**	**-109**	**-144**	**-91**
Total on and off-balance sheet items		**3,223,884**	**73,877**	**7,757**	**-508**	**-837**	**-2,184**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

Balance sheet items in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

G2 Cont.

On and off-balance sheet items subject to impairment testing, breakdown by type of collateral 2020

		2020					
		Gross			Provisions		
SEK m		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balance sheet items							
Cash and balances with central banks		**397,642**	**-**	**-**	**0**	**-**	**-**
Sovereigns, municipalities and county councils[2]		397,642	-	-	0	-	-
Other loans to central banks	*Note G14*	**21,326**	**-**	**-**	**-**	**-**	**-**
Sovereigns, municipalities and county councils[2]		21,326	-	-	-	-	-
Loans to other credit institutions	*Note G15*	**21,911**	**17**	**-**	**-2**	**-6**	**-**
Sovereigns, municipalities and county councils[2]		362	3	-	-	-	-
Guarantees as for own debt[3]		978	-	-	-	-	-
Unsecured		20,571	14	-	-2	-6	-
Loans to the public	*Note G16*	**2,189,683**	**76,384**	**7,002**	**-385**	**-834**	**-2,238**
Residential property[2]		1,654,107	26,285	1,985	-109	-128	-376
Other property		312,690	34,317	1,214	-81	-369	-358
Sovereigns, municipalities and county councils[2]		48,392	1,062	317	-2	-3	-
Guarantees as for own debt[3]		7,237	239	8	-3	-6	-
Financial collateral		12,803	471	2	-3	-3	-
Collateral in assets		22,644	1,815	45	-37	-66	-18
Other collateral		9,333	1,740	449	-21	-77	-301
Unsecured		122,477	10,455	2,982	-129	-182	-1,185
Interest-bearing securities eligible as collateral with central banks	*Note G17*	**1,181**	**-**	**-**	**0**	**-**	**-**
Bonds and other interest-bearing securities	*Note G17*	**7,964**	**-**	**-**	**-2**	**-**	**-**
Total		**2,639,707**	**76,401**	**7,002**	**-389**	**-840**	**-2,238**
Off-balance sheet items							
Contingent liabilities	*Note G43*	**391,266**	**10,743**	**433**	**-90**	**-157**	**-119**
of which guarantee commitments		*77,829*	*1,910*	*156*	*-8*	*-16*	*-70*
Residential property[1]		4,387	87	9	-5	-2	-3
Other property		1,380	136	12	-	-1	-5
Sovereigns, municipalities and county councils[2]		1,762	101	20	-	-2	-
Guarantees as for own debt[3]		2,780	78	1	-	-1	-
Financial collateral		1,088	107	6	-	-1	-
Collateral in assets		-	-	-	-	-	-
Other collateral		819	179	26	-	-2	-14
Unsecured		65,613	1,222	82	-3	-7	-48
of which obligations		*313,437*	*8,833*	*277*	*-82*	*-141*	*-49*
Residential property[1]		85,050	335	7	-5	-2	-
Other property		48,196	1,515	113	-5	-18	-4
Sovereigns, municipalities and county councils[2]		32,753	144	-	-	-1	-
Guarantees as for own debt[3]		2,874	290	-	-1	-6	-
Financial collateral		8,858	75	-	-1	-1	-
Collateral in assets		445	10	-	-1	-	-
Other collateral		8,879	1,289	32	-11	-44	-8
Unsecured		126,382	5,175	125	-58	-69	-37
Total		**391,266**	**10,743**	**433**	**-90**	**-157**	**-119**
Total on and off-balance sheet items		**3,030,973**	**87,144**	**7,435**	**-479**	**-997**	**-2,357**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.

G2 Cont.

Credit risk concentrations

Handelsbanken's branches focus strongly on establishing long-term relationships with customers of sound creditworthiness. If a branch identifies a good customer, it should be able to do business with this customer, irrespective of whether the Bank as a whole has a major exposure to the business sector that the customer represents. As a consequence, the Bank has relatively large concentrations in some individual sectors. However, the Bank monitors the performance and quality of the credit portfolio and calculates concentrations for various business sectors and geographic areas. The Bank also measures and monitors exposures to major individual counterparties. Special limits are applied to restrict the maximum credit exposure to individual counterparties, to augment the credit risk assessment. If the credit portfolio has a concentration in a particular sector or counterparty that can be assumed to increase risk, this concentration is monitored. Concentration risks are identified in the Bank's calculation of economic capital for credit risks and in the stress tests conducted in the internal capital adequacy assessment and as a part of the follow-up of the Bank's risk tolerance. The Swedish Financial Supervisory Authority also calculates a separate capital adequacy requirement under Pillar 2 for concentration risks in the credit portfolio. This ensures that Handelsbanken has sufficient capital, also taking into account concentration risks. If the concentration risks are judged to be excessive, the Bank has the opportunity and capacity to reduce them using various risk mitigation measures.

In addition to mortgage loans and lending to housing co-operative associations, Handelsbanken has significant lending to property management of SEK 677bn (635). Here, 'property management' refers to all companies classified as 'property companies' for risk assessment purposes. It is common for groups operating in other industries to have subsidiaries managing the properties in which the group conducts business, and such property companies are also considered here to belong to property management. However, the underlying credit risk in such cases is not solely property-related, because the counterparty's repayment capacity is determined by business operations other than property management. Also, private individuals with substantial property holdings are classified as property companies for risk-assessment purposes.

A very large part of property lending consists of property mortgages with low loan-to-value ratios, which reduces the Bank's credit loss risk. In addition, a large proportion of property lending is to government-owned property compa-

Table AR:12 Loans to the public subject to impairment testing, Property management

Loans to the public Property management 2021 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Loans in Sweden							
State-owned property companies	7,894	14	-	0	0	-	7,908
Municipally owned property companies	8,174	160	-	0	0	-	8,334
Residential property companies	128,135	1,713	43	-5	-5	-7	129,874
of which mortgage loans	*115,843*	*1,613*	*18*	*-4*	*-4*	*-4*	*117,462*
Other property management	119,415	12,676	250	-11	-57	-101	132,172
of which mortgage loans	*63,522*	*3,130*	*21*	*-3*	*-8*	*-3*	*66,659*
Total	**263,618**	**14,563**	**293**	**-16**	**-62**	**-108**	**278,288**
Loans outside Sweden							
UK	141,682	7,216	758	-38	-57	-66	149,495
Norway	120,215	7,101	41	-21	-57	-3	127,276
Denmark	23,186	594	99	-7	-13	-25	23,834
Finland	42,929	2,700	532	-5	-14	-30	46,112
The Netherlands	50,956	516	-	-9	-3	-	51,460
Other countries	837	14	11	0	-1	-5	856
Total	**379,805**	**18,141**	**1,441**	**-80**	**-145**	**-129**	**399,033**
Total property management within loans to the public	**643,423**	**32,704**	**1,734**	**-96**	**-207**	**-237**	**677,321**

Loans to the public in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Loans to the public Property management 2020 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Loans in Sweden							
State-owned property companies	7,895	14	-	0	0	-	7,909
Municipally owned property companies	7,635	-	-	0	-	-	7,635
Residential property companies	124,320	1,274	57	-5	-8	-47	125,591
of which mortgage loans	*113,335*	*1,107*	*12*	*-4*	*-6*	*-6*	*114,438*
Other property management	118,593	10,026	218	-20	-101	-86	128,630
of which mortgage loans	*63,899*	*1,920*	*29*	*-3*	*-12*	*-10*	*65,823*
Total	**258,443**	**11,314**	**275**	**-25**	**-109**	**-133**	**269,765**
Loans outside Sweden							
UK	127,793	10,051	622	-37	-76	-107	138,246
Norway	105,806	7,731	61	-16	-56	-4	113,522
Denmark	21,133	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	**342,040**	**22,061**	**1,399**	**-71**	**-158**	**-195**	**365,076**
Total property management within loans to the public	**600,483**	**33,375**	**1,674**	**-96**	**-267**	**-328**	**634,841**

G2 Cont.

nies, municipal housing companies and other housing-related operations where the borrowers consistently have strong, stable cash flows and thus very high creditworthiness. Thus a large part of lending to the property sector is to companies with a very low probability of encountering financial difficulties. The Bank's exposure to the property sector is specified in the tables below.

The proportion of exposures to property counterparties with a poorer rating than the Bank's risk class 5 (normal risk) is very low. 98% (99) of total property lending in Sweden is in risk class 5 or better. The corresponding figures for property lending in Norway are 99% (99), Denmark 98% (98), and Finland 97% (98). The capital requirement for the UK and the Netherlands is calculated using the standardised approach with prescribed risk weights – meaning that the risk classes are irrelevant to the calculation of the capital requirement. For counterparties in poorer risk classes than normal, the majority are in risk classes 6 and 7 with only low volumes in the higher risk classes 8 and 9.

For information about Handelsbanken's risk ratings, see the section titled Calculation of capital requirements for credit risks in note G2.

In the past few years, Handelsbanken's lending to property companies has grown thanks in part to the Bank's substantial credit growth in the UK as a result of an expansion of the branch network. A large part of the growth has been in property-related credits. In the UK, Handelsbanken has the same strict requirements on repayment capacity, LTVs and collateral quality as in its other markets.

Table AR:13 Loans to the public, Property management, type of collateral and country (Gross)

Loans to the public, Property management, type of collateral and country	2021					2020				
SEK m	Loans	Sovereign and municipality[1]	Residential property	Commercial property and other collateral	Unsecured	Loans	Sovereign and municipality[1]	Residential property	Commercial property and other collateral	Unsecured
Sweden	278,474	17,310	150,555	98,134	12,475	270,032	16,324	146,083	101,866	5,759
UK	149,656	10	85,934	63,287	425	138,466	9	71,953	66,197	307
Norway	127,357	25	22,599	97,482	7,251	113,598	23	20,557	85,723	7,295
Denmark	23,879	-	14,731	8,843	305	23,345	-	14,135	8,857	353
Finland	46,161	25,966	6,722	13,244	229	44,589	23,110	7,368	13,573	538
The Netherlands	51,472	-	35,925	15,317	230	43,240	-	27,959	14,212	1,069
Other countries	862	-	479	352	31	2,262	447	708	506	601
Total	**677,861**	**43,311**	**316,945**	**296,659**	**20,946**	**635,532**	**39,913**	**288,763**	**290,934**	**15,922**

[1] Companies owned by government and municipality/property lending guaranteed by government and municipality.

Loans to the public in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Table AR:14 Loans to the public, Property management, risk class and country

Loans to the public, Property management, risk class and country 2021
SEK m

Risk class	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total	%
1	15,300	-	818	22	13,044	-	-	29,184	4.31
2	86,418	-	29,492	1,026	7,428	-	-	124,364	18.35
3	114,156	-	61,254	10,740	13,427	-	-	199,577	29.44
4	36,186	-	25,665	9,534	7,229	-	-	78,614	11.60
5	19,278	-	8,892	2,085	3,638	-	-	33,893	5.00
6	5,010	-	797	96	465	-	-	6,368	0.94
7	533	-	353	239	231	-	-	1,356	0.20
8	96	-	7	12	41	-	-	156	0.02
9	71	-	36	18	12	-	-	137	0.02
Default	294	-	41	99	532	-	-	966	0.14
Standardised approach[1]	1,132	149,656	2	8	114	51,472	862	203,246	29.98
Total	**278,474**	**149,656**	**127,357**	**23,879**	**46,161**	**51,472**	**862**	**677,861**	**100**

Loans to the public in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Loans to the public, Property management, risk class and country 2020
SEK m

Risk class	Sweden	UK	Norway	Denmark	Finland	The Netherlands	Other countries	Total	%
1	15,390	327	772	12	12,562	-	-	29,063	4.57
2	79,954	18,556	19,972	1,259	7,775	-	3	127,519	20.06
3	113,753	52,180	57,077	8,634	10,505	-	-	242,149	38.10
4	36,228	49,852	25,928	11,030	9,731	-	-	132,769	20.89
5	20,985	14,351	8,395	1,835	2,701	-	-	48,267	7.60
6	1,451	1,899	1,157	138	257	-	-	4,902	0.77
7	473	279	164	283	100	-	-	1,299	0.20
8	215	16	23	1	33	-	-	288	0.05
9	185	-	42	25	105	-	-	357	0.06
Defaults	274	622	60	125	577	-	-	1,658	0.26
Standardised approach[1]	1,124	384	8	3	243	43,240	2,259	47,261	7.44
Total	**270,032**	**138,466**	**113,598**	**23,345**	**44,589**	**43,240**	**2,262**	**635,532**	**100**

G2 Cont.

Table AR:15 Loans to the public, Property management, risk class and collateral

Loans to the public, Property management, risk class and collateral 2021
SEK m

	Loans	Collateral				
Risk class		Residential property	Commercial property	Sovereign and municipality[1]	Other collateral	Unsecured
1	29,184	8,013	3,039	17,089	262	781
2	124,364	58,878	46,589	12,634	1,223	5,040
3	199,577	86,467	95,579	7,231	744	9,556
4	78,614	30,676	41,304	4,294	219	2,121
5	33,893	9,320	20,671	1,374	622	1,906
6	6,368	489	5,442	351	17	69
7	1,356	455	864	7	6	24
8	156	41	113	-	0	2
9	137	38	68	-	7	24
Default	966	229	364	321	15	37
Standardised approach[1]	203,246	122,339	78,609	10	902	1,386
Total	**677,861**	**316,945**	**292,642**	**43,311**	**4,017**	**20,946**

Loans to the public in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Loans to the public, Property management, risk class and collateral 2020
SEK m

	Loans	Collateral				
Risk class		Residential property	Commercial property	Sovereign and municipality[1]	Other collateral	Unsecured
1	29,063	9,555	3,262	15,283	251	712
2	127,519	62,540	46,543	12,800	1,320	4,316
3	242,149	111,830	121,069	4,151	629	4,470
4	132,769	57,887	65,805	5,736	472	2,869
5	48,267	15,040	30,685	1,021	442	1,079
6	4,902	1,741	2,887	164	30	80
7	1,299	486	758	-	8	47
8	288	57	226	-	1	4
9	357	94	228	4	6	25
Defaults	1,658	567	597	305	19	170
Standardised approach[1]	47,261	28,966	15,221	449	475	2,150
Total	**635,532**	**288,763**	**287,281**	**39,913**	**3,653**	**15,922**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

CALCULATION OF CAPITAL REQUIREMENTS FOR CREDIT RISKS

Risk rating system

The capital requirement for credit risk is calculated according to the standardised approach and the IRB approach in accordance with regulation (EU) No 575/2013 (CRR). The standardised approach means that the risk weights used when calculating the capital requirement for credit risk are specified in the regulations. The IRB approach entails that the institution, in its calculation of capital requirement for credit risk, estimates risk parameters through the use of its own IRB models. When applying the IRB approach, there are two different methods: the foundation IRB approach and the advanced IRB approach. The foundation IRB approach uses figures for loss given default (LGD) and credit conversion factor (CCF) that are specified in the regulations. CCF is used when calculating the exposure amount for unutilised overdraft facilities, committed loan offers, guarantees and other off-balance sheet commitments. In the advanced IRB approach, each of PD, LGD and CCF are calculated through the application of internal IRB models. Handelsbanken's internal risk rating system (the IRB approach) comprises a number of different systems, methods, processes and procedures to support the Bank's classification and quantification of credit risk.

When performing a credit assessment of a customer, the customer is assigned a rating, which is linked to the rating grades in the IRB approach.

The two dimensions of the rating are risk of financial strain (A) and the counterparty's financial powers of resistance in the case of such strain (B), on a five-point scale from very low risk to very high risk.

The rating is converted to an internal risk class for the application of the IRB approach (A+B-1) for corporates and exposures to institutions, as well as for exposures to sovereigns, central banks, government agencies and municipalities (sovereign exposures).

The rating for retail exposures comprises a number on a scale of one to five, and is not converted directly into a risk class as for corporate exposures; instead, the different exposures are sorted into a number of smaller groups on the basis of certain factors. Such factors include the type of credit, the counter-party's debt-servicing record and whether there are one or more borrowers. An average default rate is calculated for each of the smaller groups, and on the basis of this, the groups are sorted into one of the ten risk classes. Different models are used for exposures to private individuals and SMEs (that are also classified as retail exposures), but the principle is the same.

The risk classes applied in the IRB approach are thus distributed over several scales of one to 10.

A clear majority of the Bank's exposures are in risk classes 1–4, which means that the average risk level in the credit portfolio is significantly lower than the level which is assessed as normal risk. Risk class 5 corresponds to normal risk and risk class 10 is for counterparties in default.

The IRB approach is used to measure the credit risk in operations reliably and consistently.

Exposure classes

The number of exposure classes depends on the method used to calculate the credit risk. Exposures to be calculated according to the

G2 Cont.

standardised approach can be allocated to 17 different exposure classes, while there are seven exposure classes in the IRB approach.

The Bank uses different models for calculating credit risk, depending on the type of exposure. The overall division into exposure classes in the IRB approach comprises sovereign, institutional, corporate, retail and equity exposures, as well as positions in securitisations. In addition there are also non-credit-obligation assets, which do not require any performance by the counterparty, such as property, plant and equipment.

Exposures to states, central banks, government agencies and municipalities are classed as sovereign exposures. Exposures to institutions refer to exposures to counterparties defined as banks and other credit institutions, and certain investment firms.

Retail exposures include both exposures to private individuals and to SMEs, where the total exposure within the Group does not exceed SEK 5m (excluding mortgage loans). Retail exposures are divided into two sub-groups: property loans and other retail exposures.

Corporate exposures refer to exposures to non-financial companies, consisting of legal entities with a total exposure within the Group in excess of SEK 5m or where the company's turnover is more than SEK 50m, and SMEs with a total exposure within the Group in excess of SEK 5m. Apart from ordinary non-financial companies, the exposure class includes insurance companies, housing co-operative associations and exposure in the form of 'specialised lending'.

Equity exposures refer to the Bank's holdings of shares that are not in the trading book.

For division into exposure classes according to the standardised approach, the Bank's volumes are put into the following exposure classes: multilateral development banks, international organisations, institutions, corporations, retail, exposures with collateral in property, exposures in default, other items and equities.

Risk rating methods

In order to quantify the Bank's credit risks, calculations are made of 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). Default is considered to have occurred when the borrower is more than 90 days past due with a significant payment, or when the Bank deems it unlikely that the borrower will be able to fulfil its commitments to the Bank. The PD value is expressed as a percentage where, for example, a PD value of 0.5% means that one borrower of 200 with the same PD value is expected to default within one year.

Corporate exposures are divided into four counterparty types and sovereign exposures into two counterparty types based on the business evaluation template used for the counterparty. PD is calculated individually for each risk class and counterparty type. For exposures that are subject to a capital requirement according to the IRB approach without own estimates of LGD and CCF, prescribed values are applied for LGD. The prescribed value that may be used is determined by the collateral provided for each exposure.

For retail exposures as well, an average default rate is calculated for each of the risk classes. Different models are used for exposures to private individuals and SMEs (that are

Table AR:16 Credit exposures by risk class

Credit exposures by risk class 2021 SEK m	Balance sheet items						Off-balance sheet items		
Risk class	**Loans to the public**	**Loans to other credit institutions**	**Cash and balances with central banks**	**Other loans to central banks**	**Derivative instruments**	**Interest-bearing securities**	**Contingent liabilities**	**Obligations**	**Total**
1	547,778	61	439,904	1,462	8,636	101,489	5,547	56,348	1,161,225
2	622,873	17,553	-	-	9,599	27,788	25,869	126,583	830,265
3	563,523	1,221	60	-	4,718	2,194	16,030	148,583	736,329
4	218,567	15	-	-	1,818	-	17,259	41,238	278,897
5	70,963	1	-	-	508	-	3,818	29,692	104,982
6	18,037	29	-	-	20	-	198	5,744	24,028
7	22,310	-	-	-	6	-	251	5,420	27,987
8	2,223	-	-	-	-	-	37	4,745	7,005
9	7,084	-	-	-	-	-	36	2,487	9,607
Default	3,814	-	-	-	-	-	62	215	4,091
Standardised approach[1]	336,657	2,958	-	-	3,213	2,425	2,649	65,462	413,364
Total	**2,413,829**	**21,838**	**439,964**	**1,462**	**28,518**	**133,896**	**71,756**	**486,517**	**3,597,780**

Balance sheet items in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Credit exposures by risk class 2020 SEK m	Balance sheet items						Off-balance sheet items		
Risk class	**Loans to the public**	**Loans to other credit institutions**	**Cash and balances with central banks**	**Other loans to central banks**	**Derivative instruments**	**Interest-bearing securities**	**Contingent liabilities**	**Obligations**	**Total**
1	479,918	5,068	396,840	21,326	3,295	106,022	7,041	53,056	1,072,566
2	590,700	13,404	762	-	8,747	21,528	28,595	136,432	800,168
3	587,579	465	40	-	4,272	15,173	18,215	129,448	755,192
4	285,396	38	-	-	2,686	-	16,349	60,683	365,152
5	103,797	37	-	-	414	-	5,383	35,281	144,912
6	24,293	7	-	-	234	-	752	8,371	33,657
7	22,536	1	-	-	20	-	130	5,076	27,763
8	2,090	-	-	-	4	-	77	4,190	6,361
9	9,525	-	-	-	-	-	69	2,674	12,268
Defaults	3,914	-	-	-	-	-	73	333	4,320
Standardised approach[1]	159,864	2,900	-	-	10,942	976	3,211	27,880	205,773
Total	**2,269,612**	**21,920**	**397,642**	**21,326**	**30,614**	**143,699**	**79,895**	**463,424**	**3,428,132**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

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also classified as retail exposures), but the principle is the same.

For retail exposures and for corporate exposures such as medium-sized companies, property companies and housing co-operative associations, the LGD is determined using the Bank's own loss history. For exposures to large corporates that are subject to a capital requirement using the IRB approach with own estimates of LGD and CCF, the LGD is determined on the basis of internal losses and external observations. For retail exposures secured by property in Sweden and for property exposures to medium-sized companies, property companies and housing co-operative associations (corporate), different LGD values are applied depending on the loan-to-value ratio of the collateral. For other exposures, the LGD value is determined by factors that may depend on the existence and valuation of collateral, the product type and similar factors.

For each exposure class, the PD is calculated for each of the risk classes that refer to non-defaulted counterparties or agreements. PD is based on calculations of the historical percentage of defaults for different types of exposures. The average default rate is then adjusted by various margins of conservatism.

In 2017, Handelsbanken received permission to use new PD models for companies in the IRB approach. The models are based on historical default frequency, by both risk class and portfolio. The estimates for each portfolio are based on the Bank's internal data and data from other sources, such as external credit rating agencies, and the duration of a business cycle in which one of five years is a downturn year and in which the Swedish banking crisis of the 1990s is taken into account, as required by the Swedish Financial Supervisory Authority. Significant margins of conservatism are added, and the PD for the portfolios are not expected to vary year on year. The estimates by risk class are based on the Bank's internal default data and a model that determines the relationship of probability of default between different risk classes. The margins are then added up so that each portfolio's aggregate PD corresponds to the estimated portfolio PD. This means that the PD for each risk class may vary over time even if the portfolio PD does not, as counterparties may move between risk classes over time.

When establishing LGD, the risk measure must reflect the loss rates during economically unfavourable circumstances, known as downturn LGD. For collateral in property, the downturn LGD is based on observed loss rates from the property crisis in the early 1990s. For other collateral relating to retail exposures, observed LGD is adjusted for downturns by a factor which depends on the PD and type of product. For corporate exposures in the IRB approach with own estimates of LGD and CCF, the LGD is adjusted for downturns so that the Bank's observed losses in the crisis years of 1991–1996 are taken into account. For exposures with collateral in property, the LGD is, in many cases, estimated on the basis of the property's loan-to-value ratio. Given that the value of properties, and thereby also the loan-to-value ratio, usually varies in line with the business cycle, this means that the capital requirement will also demonstrate a certain correlation with the business cycle.

Table AR:17 Balance sheet items subject to impairment testing, breakdown by risk class

Balance sheet items that are subject to impairment testing Breakdown by risk class 2021 SEK m	Gross			Provisions		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Risk class						
1	853,060	1,897	-	-4	-3	-
2	660,621	5,649	-	-24	-9	-
3	569,652	3,816	-	-44	-11	-
4	215,350	5,141	-	-71	-21	-
5	53,929	17,807	-	-78	-186	-
6	12,530	5,643	-	-26	-61	-
7	17,647	4,776	-	-10	-97	-
8	400	1,919	-	-2	-94	-
9	3,854	3,300	-	-18	-52	-
Defaults	-	-	5,641	-	-	-1,827
Standardised approach[1]	430,817	14,452	1,780	-122	-159	-266
Total	**2,817,860**	**64,400**	**7,421**	**-399**	**-693**	**-2,093**

Balance sheet items in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Balance sheet items that are subject to impairment testing Breakdown by risk class 2020 SEK m	Gross			Provisions		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Risk class						
1	841,863	2,045	-	-5	-3	-
2	630,307	3,783	-	-24	-6	-
3	607,480	4,462	-	-46	-10	-
4	278,936	9,312	-	-97	-30	-
5	74,216	30,500	-	-99	-243	-
6	14,688	10,059	-	-33	-181	-
7	17,129	5,562	-	-10	-124	-
8	624	1,528	-	-3	-55	-
9	4,367	5,285	-	-21	-106	-
Defaults	-	-	5,993	-	-	-2,079
Standardised approach[1]	170,097	3,865	1,009	-51	-82	-159
Total	**2,639,707**	**76,401**	**7,002**	**-389**	**-840**	**-2,238**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

G2 Cont.

Table AR:18 Loans to the public subject to impairment testing, breakdown by risk class

Loans to the public that are subject to impairment testing Breakdown by risk class 2021 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	545,888	1,897	-	-4	-3	-
2	617,255	5,649	-	-22	-9	-
3	559,761	3,816	-	-43	-11	-
4	213,518	5,141	-	-71	-21	-
5	53,419	17,807	-	-78	-185	-
6	12,481	5,643	-	-26	-61	-
7	17,641	4,776	-	-10	-97	-
8	400	1,919	-	-2	-94	-
9	3,854	3,300	-	-18	-52	-
Defaults	-	-	5,641	-	-	-1,827
Standardised approach[1]	320,979	14,442	1,780	-121	-157	-266
Total	**2,345,196**	**64,390**	**7,421**	**-395**	**-690**	**-2,093**

Loans to the public in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale on the balance sheet. See note G13.

Loans to the public that are subject to impairment testing Breakdown by risk class 2020 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	477,881	2,045	-	-5	-3	-
2	586,946	3,782	-	-22	-6	-
3	583,172	4,462	-	-45	-10	-
4	276,211	9,312	-	-97	-30	-
5	73,634	30,500	-	-99	-238	-
6	14,448	10,059	-	-33	-181	-
7	17,109	5,561	-	-10	-124	-
8	620	1,528	-	-3	-55	-
9	4,367	5,285	-	-21	-106	-
Defaults	-	-	5,993	-	-	-2,079
Standardised approach[1]	155,295	3,850	1,009	-50	-81	-159
Total	**2,189,683**	**76,384**	**7,002**	**-385**	**-834**	**-2,238**

Table AR:19 Off-balance sheet items subject to impairment testing, breakdown by risk class

Off-balance sheet items that are subject to impairment testing Breakdown by risk class 2021 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	44,810	387	-	-1	-1	-
2	103,835	544	-	-5	-1	-
3	111,041	290	-	-9	-1	-
4	41,445	1,629	-	-16	-6	-
5	22,903	2,133	-	-29	-29	-
6	5,575	330	-	-5	-9	-
7	4,880	768	-	-5	-22	-
8	3,756	964	-	-3	-34	-
9	2,318	170	-	-4	-11	-
Defaults	-	-	268	-	-	-89
Standardised approach[1]	65,746	2,262	68	-32	-30	-2
Total	**406,310**	**9,477**	**336**	**-109**	**-144**	**-91**

Off-balance sheet items that are subject to impairment testing Breakdown by risk class 2020 SEK m	Gross			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Risk class						
1	43,265	170	-	-1	0	-
2	115,428	675	-	-6	-2	-
3	102,844	719	-	-8	-1	-
4	54,880	1,035	-	-17	-2	-
5	25,923	4,826	-	-23	-45	-
6	7,601	1,501	-	-6	-24	-
7	4,569	609	-	-3	-19	-
8	3,886	350	-	-1	-17	-
9	2,437	278	-	-2	-19	-
Defaults	-	-	402	-	-	-117
Standardised approach[1]	30,432	580	31	-23	-28	-2
Total	**391,266**	**10,743**	**433**	**-90**	**-157**	**-119**

[1] The standardised approach uses predetermined risk weights, for which reason risk classes are not relevant.

G2 Cont.

When the exposure amount (EAD) is to be calculated, certain adjustments are made to the carrying amount. Examples of this are committed loan offers or revolving credits, where the Bank agrees with the customer that the customer may borrow up to a certain amount in the future. This type of commitment constitutes a credit risk that must also be covered by adequate capital. Normally, this means that the credit granted is adjusted using a certain credit conversion factor (CCF) for the part of the credit that is unutilised at the time of reporting. For certain product categories for corporate exposures and exposures to institutions, the credit conversion factors are determined by the regulatory code, while for retail exposures and certain product categories for large corporates, medium-sized companies, property companies and housing co-operative associations, the Bank uses its own calculated conversion factors. Here, it is the product referred to that mainly governs the conversion factor, but the utilisation level may also be of relevance.

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

In addition to the capital adequacy calculation, the risk parameters (PD, EAD, LGD) are used to calculate the cost of capital in each individual transaction and to calculate economic capital (EC).

Comparisons with external ratings

The Bank's risk classes are not directly comparable with the ratings applied by external credit rating agencies. The agencies' ratings do not correspond to a direct classification of the probability of the counterparty defaulting, as the Bank's rating model does. In addition, the rating agencies vary in the extent to which they factor in the seriousness of the losses that default can lead to. The time horizon for which creditworthiness is assessed is not always the same for the Bank as it is for the credit rating agencies. The Bank's risk classes do not state a uniform scale, whereby a certain risk class always corresponds to a certain probability of default. Furthermore, different PD scales are applied to different parts of the credit portfolio and the PD value changes over time.

Overall, it is impossible to unambiguously and consistently translate the internal risk classes into an external rating. However, by analysing the historical default rate in Handelsbanken's risk classes in relation to the default rate in the external rating classes according to the Moody's rating agency, a fair table of comparison can be obtained.

Quality assurance of the credit risk model

The Bank performs an annual review of its risk rating systems. The review checks that the internal ratings on which the Bank's risk ratings are based are applied in a consistent, correct and fit-for-purpose manner (evaluation) and also that the models used measure risk in a satisfactory manner (validation).

CALCULATION OF EXPECTED CREDIT LOSSES

The impairment rules presented in IFRS 9 apply to financial assets at amortised cost, financial assets at fair value through other comprehensive income, as well as financial guarantees and irrevocable commitments. This section provides descriptions of the processes and methods applied in Handelsbanken's model-based calculations of provisions for expected credit losses (ECL).

Estimations of expected credit losses are made at agreement level, whereby the characteristics of the agreement and the counterparty govern the classification and quantification of the provision requirement. The estimation is made using either a model-based or manual calculation, with the choice of method mainly dependent on whether the agreement is deemed to be credit-impaired.

For information pertaining to the recognition and measurement of expected credit losses and for definitions, refer to note G1, section 10, Credit losses.

Model-based calculations for agreements in Stage 1 and Stage 2

Handelsbanken's Group-wide, central process for model-based calculations of expected credit losses incorporates a number of different processes and methods which support the quantification of the provision requirement in Stage 1 and Stage 2.

The model-based calculations factor in historical, current and forward-looking data. Historical data forms the basis for the construction of the model and parameters applied, current data comprises the prevailing balances on the reporting date (as included in the calculation requirements) and forward-looking data refers to the macroeconomic scenarios used to calculate future risk parameters and exposures.

The models use the same historical risk data as the IRB models, meaning that the accounting of provisions and calculations of capital requirements are based on the same basic loss history. Similar to how the risk rating system affects capital adequacy calculations, the internal rating (from which the risk rating derives) is a significant part of the models for calculating expected credit losses. The calculations are primarily affected by the risk parameters known as 'probability of default' (PD), 'exposure at default' (EAD) and 'loss given default' (LGD). The expected credit loss in a future period is obtained by multiplying the present value of the EAD by the PD and by the LGD. In contrast to the calculation of credit losses in the Capital Requirements Regulation, which also uses the risk parameters PD, EAD and LGD, the estimation of expected credit losses pursuant to IFRS 9 is based on current forward-looking assessments. As the regulations have different purposes, the calculation models differ in terms of how the risk parameters are set and in how they are constructed. The main differences between IFRS 9 and the IRB approach are presented in table AR:20 Differences between IFRS 9 and the IRB approach.

Macroeconomic information

The calculations regarding model-based assessments of significant increases in credit risk and expected credit losses are undertaken with the application of models for the respective risk parameters (PD, EAD and LGD). In order to ensure that the calculations take into account non-linear aspects, three forward-looking macroeconomic scenarios are used in the models (one neutral, one negative and one positive). Each scenario includes significant macroeconomic risk factors, such as unemployment, GDP, property prices, key/central bank rates and inflation, by country. The significant macroeconomic risk factors have been identified from an assessment of the Bank's historical data and the relation to the risk parameters is estimated using the same historical material. The various scenarios are used to adjust the risk parameters in question. Each macroeconomic scenario represents a probability determined by the Bank. These probabilities are currently set at 70% (70) for the neutral scenario, 15% (15) for the positive scenario and 15% (15) for the negative scenario. Expected credit losses are recognised as a probability-weighted average of the expected credit losses for the respective scenarios.

All of the macroeconomic scenarios have been produced by the Bank's economic research unit, which is responsible for all economic analysis delivered by Handelsbanken, whether for internal or external use. These macroeconomic scenarios comprise region-specific, 30-year forecasts for Sweden, Norway, Finland, Denmark, the UK, the eurozone and the US, together with a global forecast. A change in the macroeconomic scenarios, or in the probability weights applied, affects both the assessment of significant increases in credit risk and the estimated expected credit losses. The scenarios are updated on a quarterly basis by the Bank's economic research unit and are presented for approval to the relevant decision-makers before being applied in the ECL calculations.

Portfolio segmenting

Statistical models are used in the model-based assessment. These have been developed for different segments in the portfolio, with each segment being comprised of similar risk exposures, and the risk parameters can be estimated on the basis of a common set of risk factors. For retail exposures, the portfolio segmenting is based on product type and, for other exposures, it is based on counterparty type. The segments have been identified on the basis of statistical analysis and expert assessment. For retail exposures, the portfolio has the following nine segments: exposures with residential prop-

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erty as collateral for private individuals, revolving credits including credit card exposures for private individuals, and for SMEs, other exposures for private individuals, and for SMEs, card credits for retail financial services for private individuals, and for SMEs, and hire purchase for retail financial services for private individuals, and for SMEs. Other exposures are split into the following six segments: property companies, housing co-operative associations, other large non-financial companies, other non-financial companies, financial companies and banks, and sovereigns.

Within the respective portfolio segments, the agreements are further categorised into different states, based on risk factors such as internal rating, payment history, country affiliation, collateral type and loan-to-value ratio. These states have been determined on the basis of statistical analysis of historical outcomes. For every state, statistical models are used for migrations between states in order to calculate the forward-looking probabilities for the risk parameters PD, LGD and EAD. One important risk factor for the states is the counterparty's internal rating, which is set in conjunction with the credit decision and which is updated at least annually, or whenever there are indications that the counterparty's repayment capacity has changed. Climate-related risks, and certain other environmental risks, are assessed in the credit process and affect the internal rating at counterparty level. There are states for 'not in default', 'in default' and 'early repayment' exposures. Retail exposures are divided into nine different states and other exposures into twelve states.

Significant increase in credit risk

A significant increase in credit risk reflects the risk of default and is a measurement by which the agreement's relative change in credit risk since initial recognition is measured. For calculating significant increases in credit risks, the same underlying model is used in Handelsbanken as is used for the calculation of expected credit losses, with consideration given to historical, current and future-oriented information. Collateral is not taken into account in the assessment. At each reporting date, the Group-wide, central, model-based process begins for all agreements with an assessment of whether there has been a significant increase in the credit risk since initial recognition (start date of the agreement). This assessment then determines whether the expected credit loss is assessed over a 12-month horizon after the reporting date (Stage 1) or during the agreement's remaining lifetime (Stage 2). An important aspect which affects the size of the provision for credit losses is therefore which factors and thresholds are defined as triggers for the transfer of assets from Stage 1 to Stage 2. The Bank's definition of a significant increase in credit risk, which is decisive in the transfer of agreements to Stage 2, is based on both qualitative and quantitative factors.

The quantitative indicator which is primarily used to assess the change in credit risk is the relative change, between the instrument's initial recognition and up to the most recent reporting date, in the probability of default (PD) during the agreement's remaining lifetime. In cases where an unreasonable expense or exertion was required to establish the PD in conjunction with the initial recognition of an instrument, changes in the counterparty's or the agreement's internal rating or risk rating since initial recognition have been used to assess the significant change in the credit risk. For agreements recognised initially on or after 1 January 2018, the forecasts regarding the risk of default are based on three scenarios. For agreements recognised before 1 January 2018, the same criteria are applied but using a scenario based on the Bank's most recently published economic analysis at the time of initial recognition.

The primary criterion when assessing whether an agreement is deemed to have incurred a significant increase in credit risk and is thus transferred to Stage 2 is, as defined by Handelsbanken, that the estimated remaining probability of default (PD) on the reporting date is greater than a multiple of 2.5 times the corresponding probability of default upon initial recognition. The threshold level of 2.5 is based on statistical analysis of the Bank's historical data and compares the increase in the remaining risk that the counterparty will default with the corresponding estimated risk upon the initial recognition of the agreement. In addition, there are other qualitative factors which the Bank has assessed as entailing a significant increase in credit risk, such as the agreement having payments that are more than 30 days overdue, or that counterparty having been granted concessions as the result of a deteriorated credit rating.

If a significant increase in credit risk has arisen since initial recognition, a provision is recognised which corresponds to the expected credit losses for the entirety of the remaining lifetime and the financial instrument is transferred to Stage 2. The model is symmetrical, meaning that, if the financial instrument's credit risk decreases and there is therefore no longer a significant increase in credit risk since initial recognition, the financial asset is transferred back to Stage 1.

Models for risk parameters and expected lifetime

The risk parameters PD, LGD and EAD are calculated for every agreement and future point in time, based on statistical models. These models are, as far as possible, founded on the relationships between the significant risk factors and relevant risk outcomes identifiable in the Bank's own loss history. The majority of risk parameters which are quantified are based on approximately ten years of internal data. In cases where the Bank lacks sufficient information due to, for example, too few defaults, the data is complemented with external information. The historical outcomes are analysed with regard to the covariation in agreement-specific, counterparty-specific and region-specific risk factors, such as product type, internal rating, length of customer relationship, collateral type, loan-to-value ratio, unemployment and GDP growth. The risk factors identified as significant for a specific risk parameter are included in the model and the historical correlation is quantified.

Probability of default (PD)

PD refers to the probability that a customer or an agreement will go into default at a given point in time during the asset's remaining lifetime. 12-month PD refers to the probability of default during the coming 12-month period. Lifetime PD refers to the probability of default during the asset's remaining lifetime (up to a maximum of 30 years). The future PDs are forecast on the reporting date, using forward-looking macroeconomic scenarios and current agreement and counterparty information. The forecast risk of default takes into account the development of scenarios and the probability of migrations between different states over time. The models calculate annual migration and default probabilities, whereby the migration model presents a probability that the agreement will belong to a particular state with a given risk of default in the future. The agreement's expected PD for a given year is calculated as the probability-weighted PD over all conceivable states and scenarios. Expected PD for the remaining lifetime is based on the annual expected default forecasts and the probability that the agreement will be subject to early repayment. The degradation of an economic outlook based on forecast macroeconomic risk factors for each scenario, or an increase in the probability that the negative scenario will be realised, results in a higher PD.

Exposure at default (EAD)

EAD refers to the expected credit exposure at default. On the reporting date, future exposure at default is forecast on the basis of current repayment plans, the probability of early repayment and the expected utilisation of, for example, credit facilities, financial guarantees and loan commitments. EAD is forecast on an annual basis and comprises the amount at which losses and recoveries take place in conjunction with future defaults.

Expected lifetime

An instrument's expected lifetime is relevant to both the assessment of significant increase in credit risk, which takes into account changes in PD during the expected remaining lifetime, and the measurement of expected credit losses for the asset's expected remaining lifetime. The expected lifetime is considered when calculating the remaining PD, by weighing the forecast annual PD values during the agreement's contractual duration against the probability that the agreement will not be subject to early repayment before defaulting.

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Table AR:20 Differences between IFRS 9 and the IRB approach

Risk parameter	IRB	IFRS 9
PD, probability of default	Average risk of default within 12 months over one business cycle, including statistical margins of conservatism and regulatory floors. The definition of default as presented in the Capital Requirements Regulation is applied at agreement level for retail exposures and at counterparty level for other exposures.	Business cycle-dependent ("point-in-time") risk of default within 12 months. "Lifetime PD" refers to the risk of default during the agreement's expected remaining lifetime. The definition of default as presented in the Capital Requirements Regulation is applied at agreement level for retail exposures and at counterparty level for other exposures.
LGD, loss given default	The maximum value of expected loss rate on exposure at default within 12 months in the long term and in conjunction with an economic downturn, including statistical margins of conservatism and regulatory floors. The quantification of loss for corporate exposures is based on recoveries within 12 months and remaining reserves (24 months for retail exposures).	Business cycle-dependent expected loss rate on exposure at default. LGD is adjusted on the basis of forward-looking macroeconomic scenarios.
EAD, exposure at default	The maximum value of expected exposure at default within 12 months in the long term and in conjunction with an economic downturn, including statistical margins of conservatism and regulatory floors.	Business cycle-dependent expected exposure at default within 12 months. EAD is adjusted on the basis of contractual terms and conditions, and forward-looking macroeconomic scenarios.
Lifetime	The agreement's contractual maturity, with consideration given to the customer's option to extend	The expected lifetime. The agreement's contractual maturity, with consideration given to the probability of early repayment.
Forecast horizon	12 months.	Up to 12 months or the remaining lifetime (depending on whether Stage 1 or Stage 2–3).
Discounting	Forecast losses are not discounted to the reporting date. When quantifying the recovery rate, observed recoveries are discounted to the date of default using the average cost of capital.	Forecast losses are discounted to the reporting date using the agreement's effective interest rate on the initial reporting date. When quantifying the recovery rate, observed recoveries are discounted to the date of default using the average cost of capital.
Significant increase in credit risk	N/A	Based on the relationship between the current remaining risk of default on the reporting date and the expected current remaining risk of default calculated on the initial reporting date.
Forward-looking scenarios	N/A	The calculations of forward-looking risk parameters (PD, LGD, EAD) use a local base scenario (neutral macroeconomic scenario) and two alternative local macroeconomic scenarios (one positive and one negative).
Initial reporting date	N/A	Initial reporting date for the agreement identity.

The probability of the agreement being subject to early repayment is based on statistical analysis and on the Bank's internal history for approximately the past ten years, and is included as a component of the model for EAD. Potential risk factors in the form of agreement, counterparty and macroeconomic risk factors have been assessed in the analysis. The risk factors identified as significant are included in the model. In several cases, no significant risk factors for early repayment are identified other than counterparty type and rating. These risk factors are, however, affected by forward-looking macroeconomic scenarios, which means that early repayment is indirectly dependent on forward-looking macroeconomic scenarios.

For revolving credits with no maturity date, such as credit cards, and mortgage loans with interest-rate fixing periods of a maximum of three months, a 30-year maturity from the reporting date is applied, meaning that the expected lifetime is, in practice, defined by the behaviour-based statistical model.

Loss given default (LGD)

LGD reflects the financial loss which the Bank expects to incur in the event of default. The most important risk factors when calculating LGD are the value and type of collateral, and the characteristics of the counterparty. Forward-looking macroeconomic risk factors are reflected in the LGD calculations through their impact on the value of collateral and the loan-to-value ratio. The quantification of the loss is divided between a probability that the counterparty recovers without causing the Bank any financial loss, and a recovery rate if the counterparty does not recover. The recovery rate is affected by the loan-to-value ratio, in that a higher loan-to-value ratio is associated with a lower recovery rate. The market value of the collateral is included in the majority of LGD models. The collateral value of properties, and thus the loan-to-value ratio and the recovery rate, is affected by the price trend for the property, whereby an expected decline in real estate values pushes up the loan-to-value ratio and the expected loss given default.

Differences between IFRS 9 and the IRB approach

Handelsbanken's IFRS 9 models are based on the same historical data and the same overall model-based approach as the Bank's IRB models, which use the risk parameters PD, LGD and EAD. As the regulations have different purposes, the calculation models differ in terms of how the risk parameters are set and in how they are constructed and, in certain cases, separate models have been implemented to fulfil the requirements of IFRS 9. The main differences between IFRS 9 and the IRB approach are presented in the table above.

Validation of IFRS 9 models and model-based calculations

The models and the risk parameters used in these are validated on an annual basis, and ensure that the model-based calculations demonstrate a good forecasting accuracy and identify unexpected deviations between forecasts and the most recent outcomes. Validation takes place at several aggregation levels and encompasses all significant risk parameters, as well as the weighted estimated expected credit losses at the individual and aggregate levels. The validation is reported to the Chief Credit Officer, the CRO and the CFO.

The principles for the evaluation and validation of the models are determined by Group Risk Control, and the validation is carried out or reviewed by a party independent of the model development process. The observations made in the 2021 validation related to the methodology applied, and it is not deemed that these will result in any material effects on the calculated reserves that have not already been taken into account. The observations will be addressed as part of the development activities during 2022.

MANUAL CALCULATIONS FOR AGREEMENTS IN STAGE 3

Assets in Stage 3 are tested for impairment at the individual level using a manual calculation (with the exception of a small portfolio of homo-

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geneous claims which have a model-calculated provision in Stage 3). This testing is carried out on a regular basis and in conjunction with every reporting date by the local branch with business responsibility (unit with customer and credit responsibility) and is decided by the county or national credit committee or Group Credits.

Impairment testing is carried out when there are objective circumstances which indicate that the counterparty will not be able to fulfil its contractual obligations, according to the definition of default. Such objective circumstances could be, for example, late payment or non-payment, a change in the internal rating, or if the borrower enters bankruptcy.

Impairment testing involves an estimation of the future cash flows and the value of the collateral (including guarantees). Consideration is normally given to at least two forward-looking scenarios for expected cash flows, based on both the counterparty's repayment capacity and the value of the collateral. The outcome of these scenarios is probability-weighted and discounted with the loan's original effective interest rate. The scenarios used can take into account both macroeconomic and agreement-specific factors, depending on what is deemed to affect the individual counterparty's repayment capacity and the value of the collateral. The assessment takes into account the specific characteristics of the individual counterparty. An impairment loss is recognised if the estimated recoverable amount is less than the carrying amount.

GOVERNANCE AND INTERNAL CONTROL

For calculating the expected credit losses on agreements in Stage 1 and Stage 2, Handelsbanken has a Group-wide, central process using internally developed statistical models (model-based calculation). Manual calculation is used for agreements in Stage 3. The description below primarily refers to the model-calculated provisions for expected credit losses. This process is covered by a number of internal controls, which are described below. The various stages of the process also entail different approvals/adoptions, creating a governance structure, which is also described below.

Verification of input data in reports

On each reporting date, the information which constitutes the basis for the calculations of expected credit losses is checked for correctness and completeness. This is carried out in the form of automatic reconciliation of loaded data from delivery sources. Furthermore, a reasonability assessment is undertaken, whereby system balances are compared with the balances recorded on the previous reporting date. The balances which are ultimately used are then reconciled against the volumes recorded in the general ledger.

Models

Before a new quantitative model is included in the overall model system, it is subject to validation and must be approved for use by the Chief Credit Officer. On the reporting date, only this model system can be used for calculations, meaning that only approved models are usable.

The quantitative models which form the basis for the calculations of expected credit losses involve several assumptions and assessments. Examples include the assumption that the quantifiable aspects of relationships between macroeconomic risk factors and risk parameters in historical data are representative for future events, and the assumption that an agreement's expected lifetime can be based on historical behavioural data. Whether these relationships are affected by climate-related risks is assessed in the modelling work. As of the reporting date, no such factors have specifically included in the models, but the matter is subject to continuous assessment. Furthermore, a selection of the most significant macroeconomic risk factors is made on the basis of the macroeconomic risk factors' ability to demonstrate to individual risk parameters. The selection of the macroeconomic risk factors and specification of the model are based on achieving a balance between simplicity, explanatory power and stability. All assumptions and discretionary decisions are presented to the Chief Credit Officer for approval.

Any expert-assessed calculations in model-calculated agreements in Stage 1 and Stage 2 or in manually calculated agreements in Stage 3 require the approval of the Chief Credit Officer before they are applied.

Macroeconomic scenarios

The macroeconomic scenarios have been produced by the Bank's economic research unit, based on instructions issued by the Chief Credit Officer. These instructions specify the desired macroeconomic risk factors, geographical areas to be included, and the number of scenarios and probability-weighting between them.

Before every reporting date, the current macroeconomic scenarios are presented to the Chief Credit Officer and the CFO, who approve the scenarios for use in the reporting process. The approved macroeconomic scenarios are then automatically loaded into the reporting flow.

Size of the provisions

The total estimated provisions in Stage 1 and Stage 2 require the approval of the Chief Credit Officer and the CFO. Estimated provisions in Stage 3 are proposed by the Bank branch with business responsibility (unit with customer and credit responsibility) and are approved by either the county or national credit committee or a central unit, depending on the size of the provision. Of the credit provisions in Stage 3 which are approved locally, a selection is subsequently reviewed/quality assured by Group Credits. In addition, Group Risk Control submits an independent review on every reporting date of a selection of the credit provisions in Stage 3 which are approved centrally.

The role of the control functions

Group Risk Control determines the validation principles and ensures that models are validated. An independent review is conducted on every reporting date of a selection of the credit provisions in Stage 3 which are approved centrally. Group Risk Control is described in more detail on pages 77 and 82. Group Audit reviews the estimations of expected credit losses as part of its assignment to independently examine internal governance and control, and to evaluate the reliability of the Group's financial reporting. Group Audit is described in more detail on pages 77 and 82–83.

COUNTERPARTY RISK

Counterparty risk arises when the Bank has entered into derivative contracts or contracts with a counterparty regarding loans of securities. In addition to derivatives, the capital adequacy regulations therefore treat both repurchase transactions and equity loans as counterparty risks.

In calculating both the capital requirement and economic capital (EC), counterparty exposures are taken into account based on the exposure amounts stipulated by the capital adequacy regulations. Handelsbanken applies the standardised approach for counterparty risk (SA_CCR) to calculate exposure amounts on derivative contracts for capital adequacy purposes. Counterparty risk is regarded as a credit risk where the market value of the contract determines the size of the exposure. If the contract has a positive value, the default of the counterparty means a potential loss for the Bank.

Reduction of counterparty risk

Counterparty risk arises from the trade date until the date of delivery, whereby the Bank could be charged a termination fee if the counterparty is unable to meet its commitments. This risk exists in all derivative transactions and in securities transactions where the Bank has not secured payment in advance.

The size of counterparty exposures is restricted by setting credit limits in the regular credit process. The size of the exposures may vary substantially due to fluctuations in the price of the underlying asset. In order to take account of the risk that the exposure may increase, supplements are added to the value of the exposure when setting credit limits. The exposures are calculated and followed up daily.

The counterparty risk in derivatives is reduced through close-out netting agreements, which involve setting off positive values against negative values in all derivative transactions with the same counterparty. Netting agreements are supplemented with agreements for issuing collateral for the net exposure (Credit Support Annex, CSA), which further reduce the credit risk. The collateral for these transactions is mainly cash, but government securities are also used. Due to the high

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proportion of cash, the concentration risks in the collateral are limited.

The majority of Handelsbanken's agreements include close-out netting, and the agreements with the largest exposures also include CSAs.

Derivatives which are cleared via central counterparties also give rise to capital requirements. Central counterparties are clearing houses which act as the counterparty for both the buyer and seller in various transactions, and thus take over the responsibility for fulfilling the parties' obligations. All parties which use a central counterparty must provide collateral for all transactions. In most cases the risk weight for centrally cleared derivatives is considerably lower than for other types of derivatives.

Table AR:21 Counterparty risk, breakdown by exposure classes, exposure amounts and risk-weighted exposure amounts, IRB approach

The exposure amount consists of derivatives, repos and equity loans.

Counterparty risk, breakdown by exposure classes, exposure amounts and risk-weighted exposure amounts, IRB approach	**2021**		**2020**	
SEK m	**Exposure amount**	**Risk-weighted exposure amount**	**Exposure amount**	**Risk-weighted exposure amount**
Exposure classes, IRB approach				
Exposures to institutions	9,895	4,618	21,275	5,404
Corporate exposures	16,586	4,612	10,727	3,183
Sovereign exposures	7,084	177	4,306	72
Total IRB approach	**33,565**	**9,407**	**36,308**	**8,659**

Table AR:22 Counterparty risk, breakdown by exposure classes, exposure values and risk-weighted exposure amounts, standardised approach

The exposure value consists of derivatives, repos and equity loans.

Counterparty risk, breakdown by exposure classes, exposure values and risk-weighted exposure amounts, standardised approach	**2021**		**2020**	
SEK m	**Exposure amount**	**Risk-weighted exposure amount**	**Exposure amount**	**Risk-weighted exposure amount**
Exposure classes, standardised approach				
Exposures to institutions	3,160	73	6,444	172
of which cleared via central counterparties	*3,105*	*62*	*6,210*	*124*
Other exposures	48	21	63	21
Total standardised approach	**3,208**	**94**	**6,507**	**193**
Total IRB and standardised approach	**36,773**	**9,501**	**42,815**	**8,852**

Table AR:23 Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure

Counterparty risks in derivative contracts excluding standard add-ons for potential future exposure SEK m	**2021**	**2020**
Positive gross market value for derivative contracts	48,543	55,958
Netting gains	-26,014	-32,860
Current set-off exposure	22,529	23,098
Collateral[1]	-16,637	-14,833
Net credit exposure for derivatives	5,892	8,265

[1] Includes collateral offset against market values on the balance sheet.

Table AR:24 Counterparty risks in derivative contracts including potential future exposure

Counterparty risks in derivative contracts including potential future exposure 2021 SEK m	**Current set-off exposure**	**Potential future exposure**	**Exposure amount**	**Risk-weighted exposure amount**	**Capital requirements**
Sovereign exposures	3,530	1,498	5,028	177	14
Exposures to institutions	3,440	5,153	8,593	4,320	346
Corporate exposures	8,936	8,998	17,934	4,480	358
Others	13	11	24	15	1
Total	**15,919**	**15,660**	**31,579**	**8,992**	**719**
of which operations in the trading book	*13,229*	*11,187*	*24,417*	*6,352*	*508*

Counterparty risks in derivative contracts including potential future exposure 2020 SEK m	**Current set-off exposure**	**Potential future exposure**	**Exposure amount**	**Risk-weighted exposure amount**	**Capital requirements**
Sovereign exposures	1,460	619	2,079	72	6
Exposures to institutions	10,283	14,596	24,879	5,243	419
Corporate exposures	7,444	4,649	12,093	3,192	255
Others	2	12	14	9	1
Total	**19,189**	**19,876**	**39,065**	**8,516**	**681**
of which operations in the trading book	*10,493*	*8,712*	*19,204*	*4,157*	*333*

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MARKET RISK

Market risks arise from price and volatility changes in the financial markets. Market risks are divided into interest rate risk, equity price risk, foreign exchange risk and commodity price risk.

In Handelsbanken's operations, market risks arise when the Bank's customers request services for which the Bank must have flexible funding. The Bank can also obtain funding on other markets than those where it has its lending so that it can diversify its sources of funding. The funding can also have different interest rate adjustment periods than the assets which it finances. In addition, market risks can arise in Group Treasury's liquidity portfolio, which can be converted into liquidity at short notice in conjunction with possible disruptions in the markets where the Bank conducts its operations. The portfolio secures the Group's payments in the daily clearing operations and forms part of the Bank's liquidity reserve.

Market risks also arise to meet customers' demand for financial instruments with exposure to the fixed income, foreign exchange, equity or commodity markets. As a consequence, it may be necessary for the Bank to hold certain positions. This situation arises for example when the Bank has undertaken to quote prices in its role as a market maker.

Market risks in the Bank's business operations arise – and thus are managed – mainly at Group Treasury and Handelsbanken Capital Markets. In addition, market risks also arise as a part of Handelsbanken Liv's operations. The market risks at Handelsbanken Liv are described in a separate section. Consequently, the information on market risks given in this section refers to risks excluding Handelsbanken Liv.

MARKET RISK STRATEGY

Handelsbanken has a restrictive view of market risks. Essentially, market risks in the banking operations are only taken as part of meeting customers' investment and risk management needs. Market risks must be limited by matching cash flows and interest rate adjustment periods, hedging open positions and taking other actions to limit risk.

Market risks at Handelsbanken are thus very low. One result of the low market risks is that a small fraction of the Bank's earnings comes from net gains/losses on financial transactions.

ORGANISATIONAL STRUCTURE

The Bank's limit system restricts the size of the exposure to market risks. Measurement methods and limits are established by the Board. The CFO has the functional responsibility for liquidity and funding, while the Head of Group Treasury, who reports to the CFO, is responsible for the Group's liquidity and funding. This responsibility includes managing the Group's liquidity, foreign exchange and interest rate risks in its banking operations. The limits for interest rate, foreign exchange and liquidity risk are allocated by the CEO and CFO to the Head of Group Treasury, who in turn allocates these to the business-operating units. Limits for equity price risk and commodity price risk are allocated directly to Capital Markets by the CFO.

The CEO and the CFO also decide on supplementary risk measures, intraday limits and detailed guidelines. The supplementary limit measures aim to reduce the Bank's sensitivity to volatility changes in the financial markets, and to limit the risks of specific holdings and the liquidity risk per currency. These measures also limit the risks from a maturity perspective.

The CFO, CEO and Board continually receive reports on the market risks and utilisation of the limits.

MARKET RISK AT HANDELSBANKEN

Market risks are measured using several different methods. The sensitivity measures used show which changes in value would occur in the event of predefined changes in prices and volatilities. Position-related risk measures and probability-based Value at Risk models (VaR) are also used.

VaR

Value at Risk (VaR) is calculated for the portfolios at Handelsbanken Capital Markets and Group Treasury which are classified as trading book. VaR is a probability-based measure and expresses the losses in Swedish kronor that may arise in risk positions due to movements in the underlying markets over a specified holding period and for a given confidence level. VaR is calculated using historical simulation and is determined for individual risk factors, classes of risk and at portfolio level with a 99% confidence level and a one-day holding period. This means that the Bank would be expected to make a loss exceeding the VaR outcome on one out of every 100 trading days. The model means that different risk classes can be handled in a uniform way so that they can be compared and aggregated into a total market risk. The overall risk in the portfolios which are classified as trading book was SEK 6m (14) at year-end. VaR is reported on a regular basis to the CFO, the CEO and the Board. The VaR model uses historical, observed outcomes and does not thus cover all potential outcomes, nor does it always cover the risk of extreme, rapid market movements. The calculations are therefore supplemented with stress tests where the portfolios are tested against scenarios based on all events in the financial markets since 1994. The results of these stress tests are also reported to the CFO, CEO and the Board.

Figure AR:25 Decision levels for market and liquidity risks

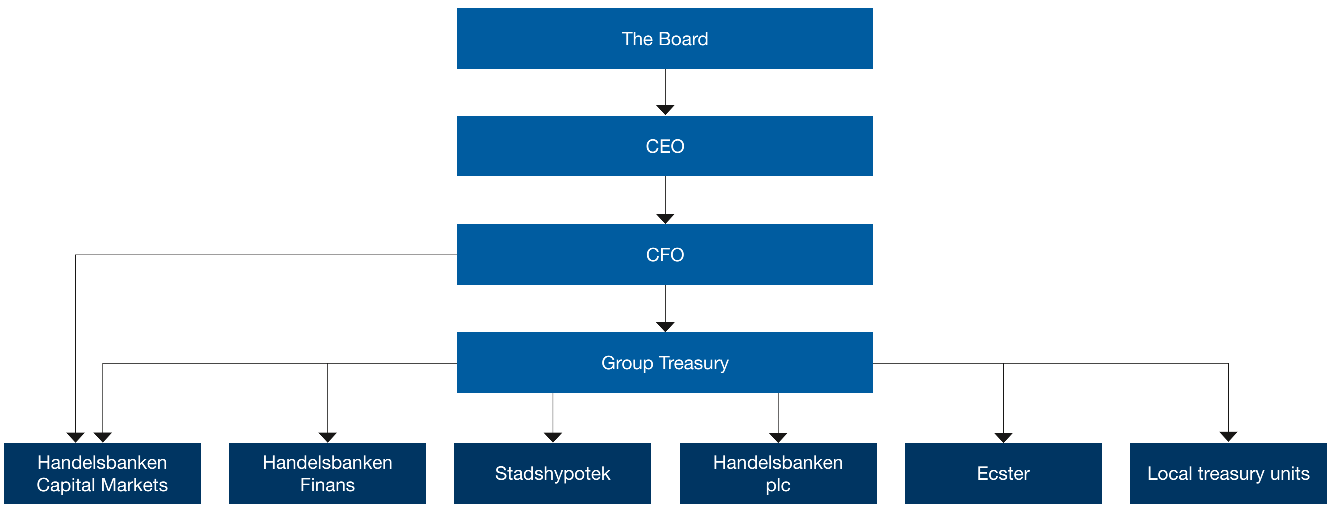

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Table AR:26 VaR for trading book – Handelsbanken Capital Markets and Group Treasury[1]

VaR for trading book – Handelsbanken Capital Markets and Group Treasury[1]

	Total		Equities		Fixed income		Currency		Commodities	
SEK m	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Average	11	15	1	1	13	17	3	3	1	1
Maximum	26	30	3	3	25	31	8	8	12	3
Minimum	5	5	0	0	4	5	1	1	0	0
Year-end	6	14	0	1	5	21	2	2	0	1

[1] Portfolios classified as trading book are subject to special instructions and guidelines.

Table AR:27 Worst outcome in stress test for trading book – Handelsbanken Capital Markets and Group Treasury

Worst outcome in stress test for trading book – Handelsbanken Capital Markets and Group Treasury SEK m	2021	2020
Average	99	85
Maximum	369	264
Minimum	36	28
Year-end	67	69

Interest rate risk

Interest rate risk mainly arises at Handelsbanken Capital Markets, Group Treasury and in the lending operations. Interest rate risk is measured in several ways at the Bank. General interest rate risk is measured daily, and limits are set as the absolute sum of the least favourable changes in fair value per currency in the case of instantaneous upward or downward parallel shifts of one percentage point for all interest rates. At year-end, the Bank's total general interest rate risk was SEK 1,332m (1,423). Interest rate adjustment periods for deposits that lack a contractual maturity are established using an internal method. The basic starting point for such deposits is the contractual interest-fixing period, whereby the longer interest rate adjustment period is applied to the part that can be regarded as stable and insensitive to interest-rate movements based on historical observations. The risk measure includes interest-bearing items measured at market value as well as items not measured at market value and is therefore not appropriate when assessing the impact on amounts recognised on the balance sheet and income statement. Supplementary measures and limits instead capture this for the respective business types.

Specific interest rate risk is measured and limits set using sensitivity to changes in credit spreads, that is, the difference between the interest on the current holding and the yield on a government bond with the same maturity. This risk arises at Handelsbanken Capital Markets and in Group Treasury's liquidity portfolio.

The risk is measured and limits set on the basis of different rating classes and is calculated as the least favourable change in market value in the case of an upward or downward shift of one basis point in all credit spreads. This is performed for each individual counterparty and the outcomes are summed as an absolute total. Total specific interest rate risk at year-end was SEK 6m (7).

Yield curve twist risks, which show changes in the risks in the case of hypothetical changes in various yield curves, are measured and followed up on a regular basis.

Interest rate risk in the trading book

The trading book at Handelsbanken comprises Capital Markets' and Group Treasury's portfolios that are classified as trading book. The general interest rate risk in the trading book was SEK 84m (35) and the specific interest rate risk was SEK 2m (4). The non-linear interest rate risk, for example, part of the risk in interest rate options, is measured and a limit set with pre-defined stress scenarios expressed in matrices. This means that the risk is measured as changes in underlying market interest rates and volatilities. VaR and other risk measures are also used for the trading book, supplemented by various stress scenarios.

Interest rate risk in the non-trading book

Interest rate risk arises as a result of the lending partly having different interest rate adjustment periods than the funding. Interest rate risk is mainly managed by means of interest rate swaps. In general, interest rate risk exposure is in markets which are characterised by good liquidity. The general interest rate risk in the non-trading book was SEK 1,391m (1,415) and the specific interest rate risk was SEK 4m (3).

To estimate the effect of interest rate changes on the income statement, the net interest income effect is also measured. The net interest income effect when interest rates change is measured as the change in net interest income over a twelve-month period in the case of a general increase of market rates by one percentage point. This effect reflects the differences in interest rate adjustment periods and volume composition between assets, liabilities and derivatives outside the trading book, assuming that the size of the balance sheet is constant. In this calculation, interest rate adjustment periods for deposits that lack a contractual maturity are established using an internal method. This model is based on historical observations and only adjusting the portion that is stable and insensitive to interest-rate movements. The net interest income effect at year-end was SEK 1,359m (1,091).

Table AR:28 General interest rate risk in the non-trading book

General interest rate risk in the non-trading book (change in fair value as the worst outcome in the case of a one percentage point parallel shift of all interest rates) SEK m	2021	2020
SEK	482	275
DKK	133	264
EUR	188	163
NOK	70	223
USD	281	95
GBP	231	388
Other currencies	6	6
Total	**1,391**	**1,415**

G2 Cont.

Table AR:29 Interest rate adjustment periods for assets and liabilities

The table shows the interest rate adjustment periods for interest-rate related assets and liabilities as at 31 December 2021.

Interest rate adjustment periods for assets and liabilities 2021 SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
Cash and balances with central banks	439,971	0	0	0	0	439,971
Bonds and other interest-bearing securities	94,553	5,310	1,520	22,009	10,220	133,612
Loans to credit institutions	22,394	894	0	0	0	23,288
Loans to the public	1,352,796	164,121	182,379	644,475	67,481	2,411,252
Other assets	338,641					338,641
Total assets	**2,248,355**	**170,325**	**183,899**	**666,484**	**77,701**	**3,346,764**
Due to credit institutions	55,453	19,674	6,391	367	1,735	83,621
Deposits and borrowing from the public	1,255,043	9,612	1,539	134,405	51	1,400,650
Issued securities	339,597	176,987	216,164	519,803	128,511	1,381,062
Other liabilities	481,431					481,431
Total liabilities	**2,131,525**	**206,274**	**224,094**	**654,574**	**130,297**	**3,346,764**
Off-balance sheet items	1,652,711	-25,792	40,472	-29,398	56,434	1,694,427

Assets and liabilities on the balance sheet in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale and Liabilities held for sale on the balance sheet, respectively. See note G13.

Interest rate adjustment periods for assets and liabilities 2020 SEK m	Up to 3 mths	3–6 mths	6–12 mths	1–5 yrs	Over 5 yrs	Total
Cash and balances with central banks	397,662	0	0	0	0	397,662
Bonds and other interest-bearing securities	83,135	3,010	6,015	43,100	8,059	143,319
Loans to credit institutions	38,598	3,974	654	0	0	43,226
Loans to the public	1,288,093	148,525	175,612	600,276	54,571	2,267,076
Other assets	284,005					284,005
Total assets	**2,091,493**	**155,508**	**182,281**	**643,376**	**62,630**	**3,135,288**
Due to credit institutions	105,063	13,316	4,493	520	1,335	124,727
Deposits and borrowing from the public	1,085,489	6,801	3,002	133,933	42	1,229,267
Issued securities	412,972	118,557	195,388	506,251	113,570	1,346,738
Other liabilities	434,556					434,556
Total liabilities	**2,038,080**	**138,674**	**202,883**	**640,704**	**114,947**	**3,135,288**
Off-balance sheet items	1,474,787	-19,425	38,279	-22,511	60,781	1,531,911

Non-interest-bearing assets and liabilities have also been included in the annual report for 2021. During the previous year, interest rate adjustment periods were reported according to measured and limited general interest rate risk. In the annual report for 2021, the underlying interest rate adjustment periods are reported instead.

Equity price risk

The Bank's equity price risk mainly arises at Handelsbanken Capital Markets through customer trading and in the Bank's own equity portfolio.

The risk is measured as the market value change in the Bank's total equity positions in the case of an instantaneous change in equity prices of +/-10% and in volatilities of +/-25%. At year-end, the Bank's worst case outcome for this risk was SEK 71m (65). The largest exposure in equities comes from the UK market.

Equity price risk in the trading book

The equity price risk at Handelsbanken Capital Markets arises in customer-driven transactions. Handelsbanken Capital Markets is a market maker for structured products, which gives rise to equity price risk, both linear and non-linear. The non-linear equity price risk arises via options mainly included in the structured products.

The Bank limits and measures the equity price risk at Handelsbanken Capital Markets using matrices. The advantage of this method is that it effectively identifies equity price risk including the non-linear risk. VaR is used, together with other risk measures and stress scenarios, as a complement when measuring the equity price risk. At the year-end, the Bank's VaR for equity price risk in the trading book was SEK 0m (1).

Equity price risk outside the trading book

The Group's holdings of equities outside the trading book include level 3 shares, mainly consisting of various types of Bank-wide operations related to the Bank's core business. The holdings are classified as measured at fair value through other comprehensive income and are measured at fair value on the balance sheet. In general, such holdings are valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. The equity price risk is low.

Table AR:30 Equity price risk

Equity price risk SEK m	Change in volatility					
	2021			2020		
Change in equity price	-25%	0%	25%	-25%	0%	25%
10%	81	81	81	74	73	72
-10%	-71	-69	-67	-65	-64	-63

G2 Cont.

Table AR:31 Equity exposures outside the trading book

Equity exposures outside the trading book SEK m	2021	2020
Holdings classified as measured at fair value through other comprehensive income	454	800
of which Levels 1 and 2	*300*	*286*
of which Level 3	*154*	*514*
Holdings classified as measured at fair value through other comprehensive income	454	800
of which business-related	*254*	*645*
of which other holdings	*200*	*155*
Fair value reserve at beginning of year	140	712
Unrealised market value change during the year for retained and new holdings	60	155
Realised due to sales and settlements during the period	-1	-727
Fair value reserve at year-end	199	140
Included in tier 2 capital	0	0

Foreign exchange risk

As the Bank has operations in several countries outside Sweden, foreign exchange exposure of a structural nature arises, because the Group's accounts are presented in Swedish kronor. This structural risk is managed by considering the trade-off between the respective impacts of foreign exchange movements on either capital ratios or equity. The Board has established the maximum impact on equity which the structural foreign exchange position is permitted to give rise to in the hedging of the common equity tier 1 ratio. The other foreign exchange movements that affect the Bank's equity are shown in the table Statement of changes in equity, Group, on page 96.

The Bank's direct foreign exchange exposure arises as a consequence of customer-driven, intra-day trading in the international foreign exchange markets. This trading is conducted at Handelsbanken Capital Markets. The Board, the CEO and the CFO have set VaR limits for this foreign exchange risk.

Some foreign exchange exposure also arises in the normal banking operations as part of managing customer payment flows and in funding operations at Group Treasury. The Board, CEO and CFO have set position limits for these risks. At year-end, the aggregate net position amounted to SEK 344m (393), not including the structural currency position.

This foreign exchange risk does not depend on trends for an individual currency or group of currencies, because the positions are very short and arise in management of customer-driven flows. The total foreign exchange risk in the trading book and the non-trading book was SEK 13m (18), measured as the impact on the Bank of an instantaneous 5% change in the Swedish krona.

Table AR:32 Exchange rate sensitivity

Exchange rate sensitivity (worst outcome +/-5% change in SEK against the respective currency) SEK m	2021	2020
EUR	3	6
NOK	8	3
DKK	0	4
USD	0	0
GBP	5	4
Other currencies	5	2

Commodity risk

Trading in commodities is conducted exclusively at Handelsbanken Capital Markets. Exposure in commodity-related instruments only occurs as a result of customer-driven trading in the international commodity markets. Commodity price risk, both linear and non-linear, is measured as the absolute total of risk for all commodities to which the Bank is exposed. At year-end, the commodity price risk was SEK 1m (2), measured as the maximum loss on price changes up to 20% in underlying commodities and changes in volatility up to 35%. At the year-end, the Bank's VaR for commodity price risk was SEK 0m (1).

Other market risks

Market risk also arises in the Bank's pension system (pension risk). The risk comprises the risk of changes in the value of the pension assets securing the Bank's pension obligations, together with changes in discount rates.

Fair value measurement

The risk control function checks that the Group's financial instruments are valued correctly. This includes responsibility for checking the market data upon which the valuation is based and for ensuring that this check is independent of the risk-taking parties. Sources of market data are independent of the business operations. When market data has been obtained from the business operations, documented controls are performed against external sources and to assess whether the data is reasonable. Market prices and market data for models must be verified at least once a month but are also essentially verified daily. Valuation models are validated by the risk control function which is independent of the developer of the model. The Valuation Committee, whose purpose is to co-ordinate valuation matters in the Handelsbanken Group, fulfils an important function in ensuring that each valuation is correct and adheres to current market practices.

The valuation of financial instruments measured at fair value is performed in accordance with IFRS 13. Refer to note G41 for more information about the assets and liabilities measured at fair value and for additional information on the Bank's valuation process.

Prudent valuation

In accordance with Article 105 of the CRR, the Bank must calculate additional valuation adjustments for the purpose of statutory adjustments of own funds. Article 34 expands the scope of application from including only trading book positions to encompass all positions measured at fair value. The requirements and methods for these additional valuation adjustments have since been clarified in the European Commission's Delegated Regulation (EU) 2016/101, with regard to the technical standards under Article 105 (14). Handelsbanken uses the primary method defined in the technical standard to calculate additional valuation adjustments for all positions measured at fair value.

G2 Cont.

FUNDING AND LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses.

FUNDING STRATEGY

Handelsbanken has a low tolerance of liquidity risks, both at aggregate level and in each individual currency. The aim is to have good access to liquidity, a low level of variation in results and a considerable capacity to meet customers' funding needs, even in difficult times. This is achieved by maintaining a good matching of incoming and outgoing cash flows over time in all currencies essential to the Bank and by maintaining large liquidity reserves of good quality. The Bank thus minimises the economic risks in funding and can thereby maintain stable and long-term funding for the business-operating units.

Furthermore, the Bank aims for breadth in its funding programmes and their use. This ensures that the Bank can keep its core business intact for a long period of time, even if there is extensive disruption in the financial markets.

The result of this work is a well-matched balance sheet, where illiquid assets are financed using stable funding. The illiquid assets comprise credits to households and companies; these credits constitute the Bank's core business. The long-term stable funding of these assets consists of covered bonds issued by Stadshypotek, senior bonds issued by Handelsbanken, deposits from households and a certain amount of deposits from companies, subordinated liabilities and equity. Part of the core operations is comprised of short-term lending to households and companies and on the liabilities side, some of the deposits for these customers are shorter term.

A balance sheet is a snapshot of assets and liabilities. To ensure that the Bank's obligations to customers and investors are fulfilled, it is important to adopt a future-oriented perspective in funding and liquidity risk management. The balance sheet is therefore structured in such a way that the real economy participants in the form of companies and households and their needs for credit can be supported even during lengthy periods of stress in the financial markets. This is ensured by letting short-term assets cover short-term liabilities by a good margin. Figure AR:33 describes the balance sheet in a stressed scenario where 20% of deposits are assumed to disappear within one year and all access to new market funding disappears. Despite the stress, short-term assets are estimated to exceed short term liabilities by a considerable amount at year-end. A long-term crisis could result in a reduced balance sheet with retained core business, whereby the volume of short-term assets is gradually used to pay back maturing short-term liabilities. In the event of a more serious crisis, measures have been prepared to generate liquidity which will provide more support to the business operations.

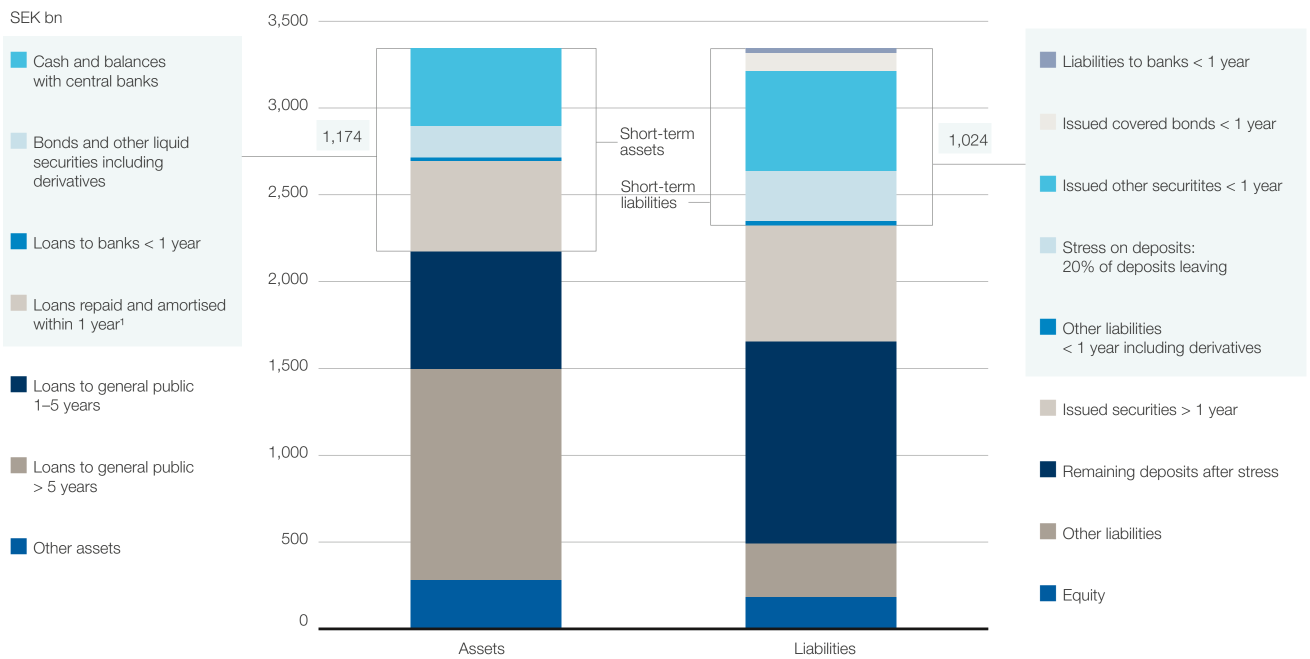
The market has great confidence in Handelsbanken, and its assessment is that Handelsbanken has a low credit risk. One illustration of this is that the cost of insuring a credit risk on the Bank, referred to as the CDS spread, remains one of the lowest among European banks, and Handelsbanken has low funding costs in general among peer banks. Handelsbanken has a continued high rating with the external rating agencies and is one of the most highly rated Banks globally among all peer banks.

Good diversification between different types of funding sources in various markets, currencies and forms of funding instruments is a key component of the funding strategy. This reduces the significance of individual markets or sources of funding. Handelsbanken's long-term international funding is geographically well diversified, and the Bank has issued significant volumes of bonds in, among others, the US dollar, Euro, Pound Sterling, Australian dollar and Japanese yen. The most important sources of funding are deposits from households and companies as well as covered and senior bonds. The short-term funding mainly comprises deposits from financial companies and institutions as well as issues of commercial papers and certificates of deposit. Group Treasury has a number of different funding programmes for market funding at its disposal. Bonds, certificates and commercial papers are issued under these programmes in the Bank's, Stadshypotek's and Handelsbanken plc's names. The funding programmes ensure well-diversified access to funding in terms of different currencies, the number of investors, debt types and geographic breakdown.

ORGANISATIONAL STRUCTURE

Handelsbanken has a decentralised business model, but all funding and liquidity risk manage-

Figure AR:33 Composition of the balance sheet from a maturity perspective

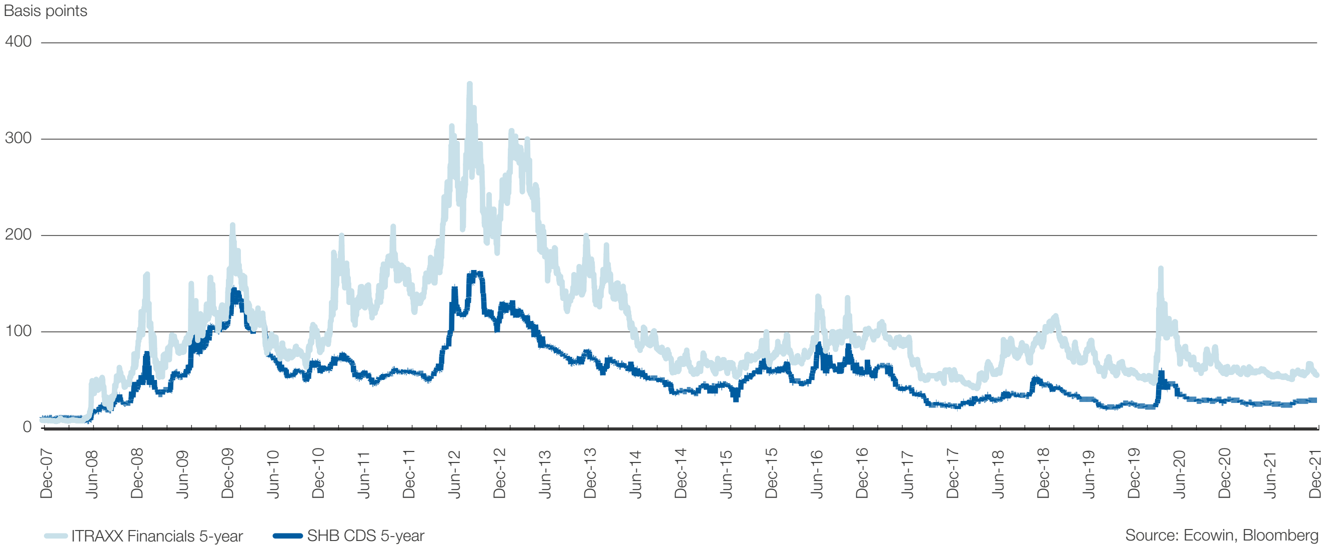


[1] Scheduled amortisations, contractual maturities and estimated additional loan repayments.

G2 Cont.

Figure AR:34 Handelsbanken's 5-year CDS spread compared with ITRAXX Financials

ITRAXX Financials is an index of CDS spreads for the 25 largest bond issuers in the European banking and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.



Source: Ecowin, Bloomberg

ment in the Group is centralised in Group Treasury. Funding and liquidity management is governed by policies established by the Board, which also decides on limits. Guidelines from the CEO and instructions from the CFO make these policies concrete. The instructions establish parameters such as limits, the composition of the funding, and benchmarks in the case of disruptions in the funding markets. Furthermore, all liquidity risk limits are channelled to the operations via Group Treasury.

Group Treasury is also responsible for the Bank's liquidity reserve, including the pledged assets that must be kept in different payment and clearing systems, and monitors liquidity flows during the day to ensure that the Bank has sufficient collateral in its payment systems at any given time to meet the Bank's payment obligations. The Bank's liquidity monitoring takes place locally, near the transactions, and is supplemented by central management of collateral and the liquidity reserve for the whole Group.

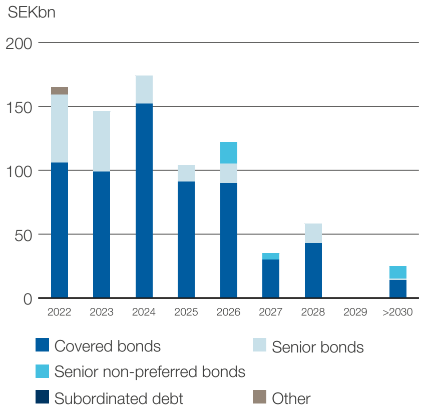
The size of collateral in the clearing systems is determined on the basis of what the Bank deems is required to fulfil its obligations, both in normal circumstances and in stressed situations. If these circumstances change, the size of collateral and liquidity is adjusted, and in times of crisis, collateral can also be redistributed and the liquidity reserve can be activated. The Bank secures liquidity in its nostro accounts for expected payment and settlement undertakings through active liquidity planning and monitoring in all currencies.

MARKET FUNDING – COMPOSITION

During the year, Handelsbanken issued a total of SEK 193bn (355) in long-term market funding in currencies that are important to the Bank. An important component of the long-term market funding is issues of covered bonds. The breakdown by currency of the outstanding stock is presented in Figure AR:36. Short-term funding is mainly raised by issuing certificates of deposit and commercial papers under the various loan programmes, primarily in Europe and the US. These loan programmes are supplemented by fixed-term deposits from large corporates, both financial and non-financial. In connection with the funding operations, the Bank continued to meet investors to the same extent as previously, updated its funding programmes and also in other respects maintained the conditions for bond funding in all relevant funding markets worldwide. This has enabled funding operations to continue as normal during the year.

Figure AR:35 Maturity profile of long-term market funding

Refers to issued securities as at 31 December 2021 with a long-term[1] original maturity.



[1] Long-term maturity refers to a maturity equal to or in excess of one year and one month.

Figure AR:36 Market funding of covered bonds by currency 2021

Refers to the currency breakdown as at 31 December 2021 for issued covered bonds. Amounts in parentheses in SEK bn.

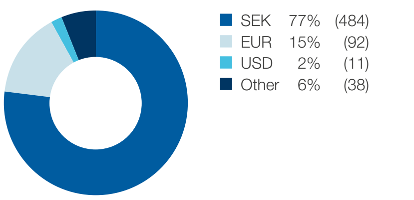
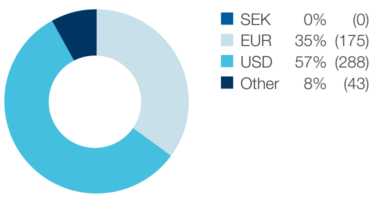


Figure AR:37 Short-term market funding by currency 2021

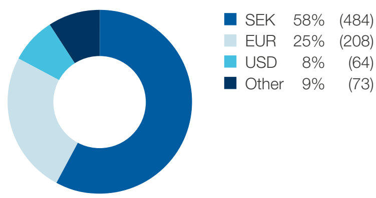
Refers to the currency breakdown as at 31 December 2021 for issued securities with short-term[2] original time to maturity. Amounts in parentheses in SEK bn.



[2] Short-term maturity refers to a maturity of less than one year and one month.

Figure AR:38 Long-term market funding by currency 2021

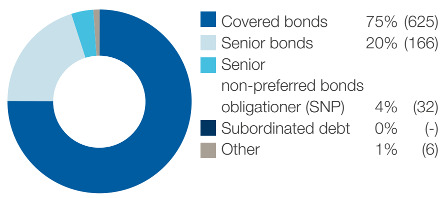
Refers to breakdown by currency as at 31 December 2021 for issued securities with a long-term[3] original maturity. Amounts in parentheses in SEK bn.



[3] Long-term maturity refers to a maturity equal to or in excess of one year and one month.

Figure AR:39 Long-term market funding by instrument 2021

Refers to breakdown by instrument as at 31 December 2021 for issued securities with a long-term[4] original maturity. Amounts in parentheses in SEK bn.



[4] Long-term maturity refers to a maturity equal to or in excess of one year and one month.

G2 Cont.

ENCUMBERED ASSETS AND COVER POOLS

Another important part of Handelsbanken's liquidity management consists of retaining significant volumes of unutilised collateral that can be used in the event of disruptions in the financial markets. One prerequisite for being able to pledge additional collateral is for the Bank to have unutilised collateral at its disposal from the outset. The Bank therefore retains substantial volumes of non-encumbered assets that could be used as collateral in the issue of covered bonds and liquid securities with very high credit ratings.

The Bank is restrictive about entering into agreements with other parties than credit institutions, such as CSA agreements that stipulate that the Bank, according to certain criteria, may be forced to provide collateral to a counterparty. Cash collateral pledged under CSA agreements for outstanding derivatives totalled SEK 3,077m (17,049). For more information about the Bank's encumbered assets, see the Assets pledged table in Handelsbanken's Fact Book. In addition to securing the Bank's liquidity, this restrictive approach contributes to limiting the extent to which the Bank's senior lenders have lower priority than lenders who invest in covered bonds, known as subordination.

To assess the degree of subordination between investors of unsecured funding and secured funding, the volume and credit quality of the non-encumbered assets are the relevant factors. Handelsbanken's restrictive approach to risk-taking means that the non-encumbered assets are of high quality. Since Handelsbanken wishes to have a balanced utilisation of covered and senior bonds, there is a large volume of mortgage loans which are not encumbered. Other non-encumbered loans also have a low risk measured, for example, in terms of the Bank's internal rating.

Table AR:40 shows that the volume of non-encumbered assets for Handelsbanken is 268% (269) of the outstanding volume of unsecured funding.

The majority of the encumbered assets consist of Stadshypotek's cover pools, which comprise mortgage loans provided as collateral for outstanding covered bonds. The Bank also has voluntary OC (over-collateralisation) – extra assets in addition to those which are needed to cover the issued bonds, and in addition to the 2% statutory requirement of 8% which is included in the pool. These extra assets are in the pool in case the value of the mortgage loans were to fall to a level such that further assets are needed to match the volume of outstanding bonds.

When assessing the risk that it will be necessary to add further assets, the loan to value (LTV) of the mortgage loans in the cover pool is of fundamental importance. The lower the LTV, the lower the risk that more mortgage loans are required in the pool if prices fall in the property market. Handelsbanken's average voume-weighted LTV – LTV Max – was 49.4% (52.4) in the Swedish pool, 50.0% (53.4) in the Norwegian pool, and 49.8% (49.5) in the Finnish pool. This shows that the Bank can withstand substantial drops in prices of underlying property assets before further mortgage loans have to be added to the pools. The assets which the Bank has chosen to keep outside the cover pools are shown in table AR:40 and can be used for issues of covered bonds if necessary.

Table AR:40 Non-encumbered/non-pledged assets

Non-encumbered/non-pledged assets	2021		2020	
SEK bn	NEA[1]	Accumulated share of non-encumbered funding, %[2]	NEA[1]	Accumulated share of non-encumbered funding, %[2]
Cash and balances with central banks	**439**	**50**	**418**	**51**
Liquid bonds in liquidity portfolio[3]	**157**	**68**	**145**	**69**
Loans to households including derivatives	**598**		**558**	
of which mortgage loans	*406*	*114*	*390*	*117*
of which loans secured by collateral in property	*4*	*114*	*4*	*118*
of which other household lending	*188*	*136*	*164*	*138*
Loans to companies including derivatives	**1,103**		**1,040**	
of which mortgage loans	*386*	*180*	*375*	*184*
of which loans to housing co-operative associations excl. mortgage loans	*58*	*186*	*57*	*191*
of which loans to property companies excl. mortgage loans				
- risk class 1–3	*298*	*220*	*261*	*223*
- risk class 4–5	*149*	*237*	*152*	*242*
- of which risk class > 5	*9*	*238*	*7*	*243*
of which other corporate lending				
- risk class 1–3	*122*	*252*	*108*	*256*
- risk class 4–5	*73*	*260*	*66*	*264*
- risk class > 5	*8*	*261*	*14*	*266*
Loans to credit institutions including derivatives	**29**		**11**	
- risk class 1–3	*28*	*264*	*10*	*267*
- risk class > 3	*1*	*264*	*1*	*267*
Other lending	**36**	**268**	**17**	**269**
Other assets	**0**	**268**	**0**	**269**
Total	**2,362**	**268**	**2,189**	**269**
Encumbered assets without underlying liabilities[4]	**65**		**62**	
Encumbered assets with underlying liabilities	920		884	
Total assets, Group	**3,347**		**3,135**	

[1] NEA: Non-encumbered assets.
[2] Issued short and long non-secured funding and liabilities to credit institutions.
[3] Relates to eligible as collateral value in central banks.
[4] Over-collateralisation in cover pool (OC) and assets to cover Operational Continuity in Resolution requirement in the UK (as of 2021).

G2 Cont.

Table AR:41 Cover pool data

Cover pool data	Sweden		Norway		Finland	
SEK m	2021	2020	2021	2020	2021	2020
Stadshypotek total lending, public	1,301,712	1,239,819	115,928	97,359	57,849	53,749
Available assets for cover pool	1,205,881	1,148,999	110,019	91,675	55,515	50,629
Utilised assets in cover pool	617,417	606,455	56,746	37,822	18,048	17,673
Substitute assets, cash on a blocked account	5,000	5,000	-	-	-	-
Maximum LTV %, weighted average ASCB definition[1]	49.38	52.43	50.03	53.42	49.77	49.52
LTV, breakdown						
0–10%	24.6	23.1	27.1	24.3	27.4	27.6
10–20%	21.7	20.6	20.9	20.2	23.7	23.6
20–30%	18.5	17.8	16.3	16.2	19.9	19.8
30–40%	14.6	14.7	13.5	13.8	12.5	12.7
40–50%	10.2	11.1	10.3	11.2	8.4	8.4
50–60%	6.1	7.4	7.1	8.3	5.1	5.0
60–70%	3.3	4.3	3.8	5.0	2.4	2.3
70–75%	0.9	1.2	1.0	1.1	0.6	0.6
Loan amount, weighted average, SEK	717,800	680,300	4,443,666	3,990,523	1,197,739	1,116,604
Loan term, weighted average, no. of months[2]	71	69	28	26	61	61
Interest rate adjustment periods, breakdown						
Floating rate, %	36.0	39.7	96.7	97.7	100.0	100.0
Fixed rate, %	64.0	60.3	3.3	2.3	0.0	0.0

[1] Association of Swedish Covered Bond issuers.
[2] Calculated from the date on which the loan is granted.

LIQUIDITY RISK

The Bank handles a large number of incoming and outgoing cash flows as part of its operations. In order to limit risk in liquidity management, the Bank has a robust risk tolerance framework including both limits and qualitative targets for liquidity risk. Group Risk Control is responsible for measuring risks and reports risk utilisation daily to the CFO, weekly to the CEO, and on a regular basis to the Board.

Liquidity planning is based on an analysis of cash flows for the respective currency. As a general rule, a larger exposure is permitted in currencies with high liquidity than in currencies where the liquidity is low. The funding strategy is that illiquid assets are financed with stable, long-term funding, and that a positive liquidity position (cash flow plus liquid assets) must be maintained – even in stressed conditions. This gap analysis is supplemented by scenarios, in which the effect on liquidity is further stressed and analysed using various assumptions.

The governance of the Bank's liquidity situation is therefore 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 ensure that the Bank has sufficient liquidity, from both a short-term and long-term perspective, in various stressed scenarios and with various liquidity-generating actions, which reflect the Bank's recovery plan. The stress tests are carried out with the application of both market-wide and idiosyncratic stress, on a regular basis and an ad hoc basis. These are also supplemented with scenario analyses which consider substantial falls in housing prices. In these stress tests, it is assumed that the Bank does not have access to market funding, at the same time as some deposits from households and companies gradually disappear in the first month. It is further assumed that the Bank will continue to conduct its core activities, that loans to households and companies will be renewed at maturity and that customers will partly utilise issued commitments and credit facilities.

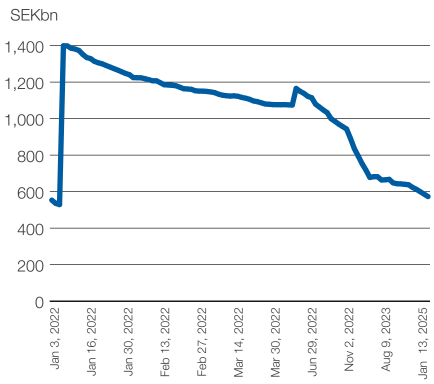
The stress tests assume that the cash assets in the liquidity reserve are used and that securities can immediately supply liquidity if provided as collateral, primarily in the market and as a last resort in central banks.

In addition, the Bank can generate liquidity through utilising the unutilised issue amount for covered bonds and by implementing other liquidity-generating measures to gradually provide the Bank with liquidity. The volume and quality of unutilised collateral must be sufficient to offer the Bank the liquidity it needs in times of crisis. With these conditions, the Bank will be liquid for more than three years. Thus, the Bank also has major powers of resistance to serious, long-term stress.

A condition for the Bank to be able to maintain such substantial resistance to disruptions in the financial markets as stated above is a well-balanced balance sheet. Figure AR:33 Composition of the balance sheet from a maturity perspective shows that the volume of current assets significantly exceeds the volume of current liabilities in a stressed scenario where 20% of the deposits are assumed to disappear within one year.

Table AR:45 Maturity analysis for financial assets and liabilities shows cash flows for the contracted payment obligations, including interest flows, due for payment at the latest within

Figure AR:42 Stress test of liquidity, including liquidity-generating measures – accumulated liquidity position



G2 Cont.

the stated time intervals. The table shows holdings of bonds and other interest-bearing securities in the time intervals in which they can be converted to liquidity if they are pledged as collateral or sold. Assets, liabilities and interest flows are also shown that mature in the time intervals corresponding to the contractual maturity dates. Interest flows for lending in the mortgage operations are matched in time with the liabilities that funded the lending. Financial guarantees, loan commitments and unutilised overdraft facilities are reported in their entirety in a time interval of up to 30 days. The total outstanding amount of these commitments does not necessarily represent future funding requirements. For derivative instruments, cash flows are reported net for interest rate swaps and gross for instruments where gross cash flows are paid or received, such as currency swaps.

The liquidity coverage ratio (LCR) has been a binding requirement for banks in the EU since the European Commission introduced its Delegated Regulation. The figure states the ratio between the Bank's liquidity buffer and net cash flows in a very stressed scenario during a 30-day period. The requirement applies to LCR at aggregate level and the ratio must be at least 100%. The Swedish Financial Supervisory Authority also stipulates LCR in individual currencies within the framework of the supervisory review and evaluation process in Pillar 2. At year-end, the Group's aggregated LCR was 152% (150), which shows that the Bank has large resistance to short-term disruptions on the funding markets.

The minimum requirement for the structural liquidity measure, the Net Stable Funding Ratio (NSFR) – the ratio between available stable funding and required stable funding –entered into force in the EU on 28 June 2021, and requires the Bank to have sufficient stable funding to cover its funding needs under both normal and stressed circumstances from the perspective of a one-year horizon. The minimum requirement applies to LCR at aggregate level and the ratio must be at least 100%. At year-end 2021, NSFR was 114% (117) at Group level.

PRICING OF LIQUIDITY RISK

An important part of liquidity risk management is that deposits and lending are priced internally, taking into account the liquidity risks that they give rise to. When the Bank grants a loan with a long maturity, this creates the need to obtain additional long-term funding – which is normally more expensive than short-term funding. This is because investors who purchase the Bank's long-term bonds normally demand higher compensation for the maturity. This is taken into account in the Bank's internal pricing, by ensuring that the price which internal units in the Bank have to pay for the funding they receive from Group Treasury varies according to factors such as the maturity period. The internal pricing is important in order to create the right incentive and to avoid unsound risk-taking. The Bank has worked with maturity-based internal interest rates for a long time. They ensure that the price at contract level takes into account the liquidity risk that the agreement has given rise to.

Table AR:43 Liquidity coverage ratio (LCR) – subcomponents

Liquidity coverage ratio (LCR) – subcomponents SEK m	31 Dec 2021	31 Dec 2020
High quality liquidity assets	**592,122**	**559,278**
Cash outflows	**431,300**	**413,024**
Retail deposits and deposits from small business customers	66,550	61,299
Unsecured wholesale funding	289,879	273,375
Secured wholesale funding	11,305	5,245
Other cash outflows	63,566	73,105
Cash inflows	**41,849**	**41,027**
Inflows from fully performing exposures	22,375	27,536
Other cash inflows	19,474	13,491
Liquidity coverage ratio (LCR), %	**152%**	**150%**

The subcomponents are defined as stated in Commission Delegated Regulation (EU) 2015/61.

Table AR:44 Net stable funding ratio (NSFR) – subcomponents

Net stable funding ratio (NSFR) – subcomponents SEK m	31 Dec 2021	31 Dec 2020
Available stable funding	**2,026,413**	**1,920,899**
Capital items and capital instruments	202,877	194,185
Deposits from the public	704,382	649,122
Wholesale funding	1,113,915	1,063,599
Other liabilities	5,239	13,993
Need for stable funding	**1,774,542**	**1,644,683**
Total high-quality liquid assets	7,927	19,917
Assets encumbered for a residual maturity of one year or more in a collateral group	449,323	397,205
Performing loans and securities	1,223,354	1,177,109
Other assets	69,258	27,335
Off-balance sheet items	24,680	23,117
Net stable funding ratio (NSFR), %	**114%**	**117%**

G2 Cont.

Table AR:45 Maturity analysis for financial assets and liabilities

For deposit volumes, the column "Unspecified maturity" refers to deposits payable on demand. The table contains interest flows, which means that the balance sheet items are not reconcilable with the Group's balance sheet. Maturity tables without interest flows, including maturity tables in foreign currencies, can be found in the Fact Book at handelsbanken.com/ir.

Maturity analysis for financial assets and liabilities 2021 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	439,983	-	-	-	-	-	-	439,983
Interest-bearing securities eligible as collateral with central banks[1]	100,563	-	-	-	-	-	-	100,563
Bonds and other interest-bearing securities[2]	33,333	-	-	-	-	-	-	33,333
Loans to credit institutions	19,246	176	200	615	1,497	2,371	-	24,105
of which reverse repos	*12,126*	-	-	-	-	-	-	*12,126*
Loans to the public	52,107	274,819	218,002	252,736	469,331	1,236,095	-	2,503,090
of which reverse repos	*13,648*	-	-	-	-	-	-	*13,648*
Other	22,701	-	-	-	-	-	315,940	338,641
of which shares and participating interests	*19,934*	-	-	-	-	-	-	*19,934*
of which claims on investment banking settlements	*2,767*	-	-	-	-	-	-	*2,767*
Total assets	**667,933**	**274,995**	**218,202**	**253,351**	**470,828**	**1,238,466**	**315,940**	**3,439,715**
Due to credit institutions	34,370	36,257	4,077	1,276	359	1,176	6,541	84,056
of which repos	-	-	-	-	-	-	-	-
of which deposits from central banks	*21,832*	*28,676*	-	-	-	-	*344*	*50,852*
Deposits and borrowing from the public	18,300	35,306	1,781	483	371	6,263	1,338,153	1,400,657
of which repos	*213*	-	-	-	-	-	-	*213*
Issued securities[3]	58,526	368,375	263,962	155,320	412,914	122,439	-	1,381,536
of which covered bonds	*26*	*40,329*	*73,743*	*104,740*	*339,886*	*89,447*	-	*648,171*
of which bank certificates (CDs) with original maturity of less than one year	*22,077*	*137,708*	*51,998*	-	-	-	-	*211,783*
of which corporate certificates (CPs) with original maturity of less than one year	*27,128*	*166,516*	*106,409*	-	-	-	-	*300,053*
of which bank certificates (CDs) and corporate certificates (CPs) with original maturity of over one year	*4,184*	*2,550*	*931*	-	-	-	-	*7,665*
of which senior non-preferred bonds	-	*115*	*69*	*184*	*17,568*	*15,887*	-	*33,823*
of which senior bonds and other securities with original maturity of over one year	*5,111*	*21,157*	*30,812*	*50,396*	*55,460*	*17,105*	-	*180,041*
Subordinated liabilities	-	926	2,960	8,507	13,698	10,195	-	36,286
Other	7,064	365	369	700	1,514	841	470,599	481,452
of which short positions	*4,126*	-	-	-	-	-	-	*4,126*
of which liabilities on investment banking settlements	*2,927*	-	-	-	-	-	-	*2,927*
Total liabilities	**118,260**	**441,229**	**273,149**	**166,286**	**428,856**	**140,914**	**1,815,293**	**3,383,987**
Off-balance sheet items								
Financial guarantees and unutilised loan commitments	486,517							

Derivatives 2021 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	220,594	487,565	83,775	99,046	145,200	78,969	1,115,149
Total derivatives outflow	218,965	483,166	80,840	97,391	147,217	80,891	1,108,470
Net	**1,629**	**4,399**	**2,935**	**1,655**	**-2,017**	**-1,922**	**6,679**

Financial assets and liabilities in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale and Liabilities held for sale on the balance sheet, respectively. See note G13.

Maturity analysis for financial assets and liabilities 2020 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	397,660	-	-	-	-	-	-	397,660
Interest-bearing securities eligible as collateral with central banks[1]	99,133	-	-	-	-	-	-	99,133
Bonds and other interest-bearing securities[2]	44,566	-	-	-	-	-	-	44,566
Loans to credit institutions	38,713	1,380	538	312	944	2,474	-	44,361
of which reverse repos	*523*	-	-	-	-	-	-	*523*
Loans to the public	66,169	260,975	202,186	222,073	424,043	1,167,829	-	2,343,275
of which reverse repos	*11,626*	-	-	-	-	-	-	*11,626*
Other	24,319	-	-	-	-	-	259,686	284,005
of which shares and participating interests	*21,045*	-	-	-	-	-	-	*21,045*
of which claims on investment banking settlements	*3,274*	-	-	-	-	-	-	*3,274*
Total assets	**670,560**	**262,355**	**202,724**	**222,385**	**424,987**	**1,170,303**	**259,686**	**3,213,000**
Due to credit institutions	40,506	44,451	4,606	2,504	338	1,169	31,683	125,257
of which repos	-	-	-	-	-	-	-	-
of which deposits from central banks	*17,334*	*23,110*	-	-	-	-	*314*	*40,758*
Deposits and borrowing from the public	18,033	24,782	3,292	512	370	6,478	1,175,828	1,229,295
of which repos	-	-	-	-	-	-	-	-
Issued securities[3]	65,211	308,234	292,213	177,502	390,714	108,727	-	1,342,601
of which covered bonds	*4,422*	*52,689*	*75,622*	*118,283*	*317,032*	*78,624*	-	*646,672*
of which certificates and other securities with original maturity of less than one year	*53,895*	*215,445*	*190,593*	-	-	-	-	*459,933*
of which senior bonds and other securities with original maturity of over one year	*6,894*	*40,100*	*25,998*	*59,219*	*73,682*	*30,103*	-	*235,996*
Subordinated liabilities	-	9,937	-	2,935	19,014	8,281	-	40,167
Other	5,700	363	367	694	1,644	1,151	424,642	434,561
of which short positions	*1,687*	-	-	-	-	-	-	*1,687*
of which liabilities on investment banking settlements	*4,001*	-	-	-	-	-	-	*4,001*
Total liabilities	**129,450**	**387,767**	**300,478**	**184,147**	**412,080**	**125,806**	**1,632,153**	**3,171,881**
Off-balance sheet items								
Financial guarantees and unutilised loan commitments	463,424							

G2 Cont.

Derivatives 2020 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	203,291	407,858	107,490	71,824	148,247	75,337	1,014,047
Total derivatives outflow	206,606	413,822	104,701	71,671	145,949	76,657	1,019,406
Net	**-3,315**	**-5,964**	**2,789**	**153**	**2,298**	**-1,320**	**-5,359**

[1] SEK 83,610m (75,526) of the amount (excl. interest) has a time to maturity of less than one year.
[2] SEK 4,601m (7,184) of the amount (excl. interest) has a time to maturity of less than one year.
[3] SEK 679,352m (652,957) of the amount (excl. interest) has a time to maturity of less than one year.

LIQUIDITY RESERVE

To ensure sufficient liquidity to support its core operations in stressed financial conditions, the Bank holds large liquidity reserves in all currencies of relevance to the Bank. The liquidity reserve which is independent of funding and foreign exchange markets can provide liquidity to the Bank at any time – some parts immediately and other parts gradually over a period of time.

The liquidity reserve comprises several different parts. Cash, balances and other lending to central banks are components which can provide the Bank with immediate liquidity. The reserve also comprises liquid securities such as government bonds, covered bonds and other securities of very high credit quality which are liquid and eligible as collateral with central banks. These can also provide the Bank with immediate liquidity. The remainder of the liquidity reserve comprises an unutilised issue amount for covered bonds and other liquidity-generating measures.

Table AR:46 Holdings with central banks, and securities holdings in the liquidity reserve, market value

Holdings with central banks, and securities holdings in the liquidity reserve, market value 2021 SEK m	SEK	EUR	USD	Other	Total
Level 1 assets	**210,882**	**157,572**	**65,123**	**159,399**	**592,976**
Cash and balances with central banks	92,645	149,369	63,000	133,654	438,668
Securities issued or guaranteed by sovereigns, central banks, MDBs and international organisations	95,122	8,013	2,123	5,068	110,326
Securities issued by municipalites and PSEs	616	-	-	-	616
Extremely high quality covered bonds	22,499	190	-	20,677	43,366
Level 2 assets	**569**	**587**	**473**	**1,020**	**2,649**
Level 2A assets	*568*	*388*	*473*	*1,020*	*2,449*
Securities issued or guaranteed by sovereigns, central banks, municipalities and PSEs	-	-	-	617	617
High quality covered bonds	568	388	473	403	1,832
Corporate debt securities (lowest rating AA-)	-	-	-	-	-
Level 2B assets	*1*	*199*	-	-	*200*
Asset-backed securities	-	-	-	-	-
High quality covered bonds	-	-	-	-	-
Corporate debt securities (rated A+ to BBB-)	1	199	-	-	200
Shares (major stock index)	-	-	-	-	-
Total liquid assets	**211,451**	**158,159**	**65,596**	**160,419**	**595,625**

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

G2 Cont.

OPERATIONAL RISK

Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events. The definition includes legal risk as well as IT- and information security risks (ICT risks).

The Board establishes the Handelsbanken Group's tolerance of operational risk. Handelsbanken has a low tolerance for operational risk, although operational risk is an inevitable component in the Bank's operations. As far as possible, Handelsbanken must endeavour to prevent these risks and to reduce the losses in this area. An operational risk which could lead to a material deterioration of the Group's profit in the event of an incident must be reduced to a lower risk level. Risk mitigation measures must be taken so that the risk is made acceptable. Losses resulting from an operational risk event can be covered by insurance or other solutions. Risk assessments are conducted by assessing the impact and probability of events occurring, based on a scale from 1 to 5. The assessed impact, coupled with the assessed probability of the event, will determine the scope of the risk limitation measures required. If an action plan is missing or if Risk Control considers that the work is taking too long or not progressing according to plan, the risk is outside of the Bank's risk tolerance.

In 2021 Handelsbanken's operational losses, which comprise expected and recognised operational losses exceeding SEK 25 000, and any recoveries, totalled SEK 38m (88). It is not unusual that the amount referring to operational losses is adjusted over time due to recoveries, or that additional losses are added which are related to a previously reported incident. This may affect the comparative figures for previously reported losses.

ORGANISATIONAL STRUCTURE

The responsibility for identifying, assessing and managing operational risk is an integral part of managerial responsibility at all levels in the Handelsbanken Group. The Bank's decentralised way of working and cost-consciousness promote good management of operational risk, which leads to vigilance against potential loss risks in daily procedures and events.

Operational risk is managed in the business operations, and this management is controlled by Risk Control. Specially appointed local co-ordinators (local OpRisk co-ordinators) for operational risk are in place to assist managers in their management of operational risk. They are responsible for ensuring that existing methods and procedures for managing operational risk are used in the business operations, managing required actions related to reported incidents, supporting the business operations, and following up any actions decided regarding operational risk.

Group Risk Control has the overall responsibility for the methods and procedures used to manage operational risk. This responsibility also includes periodically assessing methods and procedures as well as their use in the operations. Group Risk Control ensures that the business operations identify, assess, report and manage operational risk, and perform a follow-up to ensure that the action decided upon is being taken. Group Risk Control is also responsible for ensuring that risks are evaluated before decisions are made concerning new or materially changed products, services, markets, processes or IT systems or in the case of major changes in the Group's operations or organisational structure. In addition, Group Risk Control is responsible for identifying, measuring, analysing, and reporting at the Group level all material operational risks and their development to management and the Board. The risk reports presented to management and the Board also contain information about material incidents and risk mitigation measures.

METHODS FOR IDENTIFYING, ASSESSING AND MANAGING OPERATIONAL RISK

The business operations are responsible for owning and managing risks associated with day-to-day operational activities by gathering relevant risk facts within their units. The Bank monitors the development of operational risk according to the following categories:

- execution, delivery and process management
- business disruptions and system failures
- clients, products and business practices
- external crime
- damage to physical assets
- employment practices and workplace safety
- internal fraud.

The Group-wide methods for identifying, assessing, measuring and managing operational risk are incident reporting, risk indicators and self-assessment of operational risk.

Incident reporting

Reporting of operational risk incidents which have resulted in direct financial losses in excess of SEK 25 000 is mandatory. Other incidents illustrating material operational risk must also be reported, and risk facts must be collected.

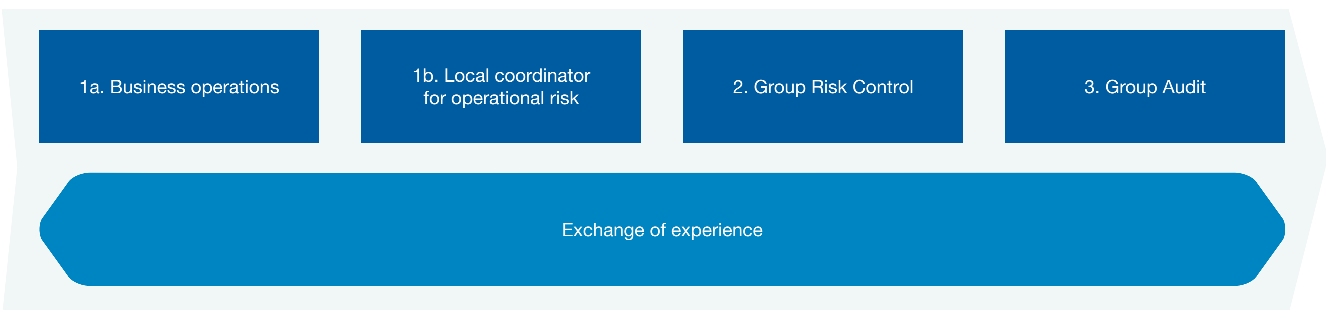
Risk indicators

Risk indicators are monitored in order to warn of heightened operational risk. If a threshold for a risk indicator is exceeded, a risk assessment must be carried out to serve as a basis for assessing any risk management measures to be taken. For certain risk indicators, the threshold is determined by the CEO.

Self-assessment OPRA Risk Analysis

OPRA Risk Analysis is a method and self-assessment procedure to document and assess operational risks. It is carried out at least once a year at all units. OPRA Risk Analysis can also be event driven, and the procedure shall be performed in case of serious incidents, threshold breaches or serious external events.

Figure AR:47 Three lines of defence



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ORX

The Bank is a member of the Operational Riskdata eXchange Association (ORX). The main purpose of ORX is for participating banks to exchange anonymised data concerning incidents leading to operational losses. ORX also has an important function in standardising and ensuring the quality of data on operational risk. Extensive research is being done on methods regarding operational risk, and ORX is an important forum for the exchange of experiences.

IT OPERATIONS IN THE HANDELSBANKEN GROUP

The Bank's operations are dependent on the availability and security of its IT services. The technological development and digitalisation of banking services mean that this area is increasing in significance. The CEO establishes guidelines relating to the overall goal and strategy of IT operations in the Handelsbanken Group. Operational risk in this area is managed according to the same procedures as in other parts of the Bank, with the addition of special procedures for managing specific types of risk within the area. These include:

- monitoring IT systems in production
- management of IT incidents
- management of new or changed IT systems
- management of cyber risk
- implementation of security tests
- implementation of risk analyses of IT systems
- reviewing outsourcing agreements and other supplier arrangements
- continuity management of IT systems.

INFORMATION SECURITY AND IT SECURITY

Security work at Handelsbanken aims to protect the life, health and integrity of employees and customers, and to protect the good name and reputation of the customers and the Group. In its operations, a bank continuously processes sensitive information about customers and customer relationships. Handelsbanken's information and IT security efforts are based on availability, accuracy, confidentiality and traceability. Information and business systems must be available based on the business requirements of the operations. The CEO establishes guidelines for information security at Handelsbanken. All employees of the Bank are responsible for compliance with the rules for protection of information, and all managers are responsible for compliance with the rules in their own area of responsibility. The Bank has effective security work that heads off possible threats, and there are procedures for managing changes in the IT environment so that no deficiencies occur. In the case of deficient processing, or if information were to be released by mistake, the consequences could be serious, including weakened confidence in the Bank or financial losses. Within the framework of the systematic security work, structured development is under way to increase the level of awareness among employees and customers concerning the threats and risks in information security, through presentations, training programmes and information initiatives.

The Bank's information security and IT security is intended to protect customers' information and transactions and also the Bank's IT environment. Information security and IT security covers administrative solutions, such as rules and instructions, as well as technical security solutions.

Information security work is pursued in accordance with the ISO 27001 international standard. Handelsbanken's information security work is certified according to ISO 27001 (No. 0092311).

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

The Covid-19 pandemic has brought with it certain changes, and the Bank has followed and continues to follow developments. New updates have been made to the existing security instructions for remote working. IT changes, including security updates, to secure technical environments and to prevent errors arising, have continued at the same high level, regardless of the amount of remote working during the pandemic. The same is true of the security monitoring undertaken to identify risks and threats.

PHYSICAL SAFETY

The Handelsbanken Group's physical safety measures include fire safety equipment and procedures, processes and procedures concerning threats to employees and employee protection, travel safety, perimeter protection, the Bank's liability and property insurance cover, as well as external environment monitoring and instructions.

Instructions within the Group for managing risks related to physical safety require, among other things, that a security review be carried out at least annually, and is followed up via the annual work environment survey.

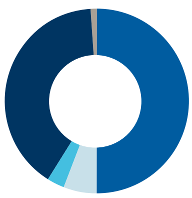
FINANCIAL CRIME

The Bank works constantly to minimise the risk of the Bank's customers, products or services being exploited for financial crime. Financial crime includes money laundering, terrorist financing, tax evasion, corruption, fraud and breaches of international sanctions. The work is governed by a central department headed by the Bank's specially appointed executive with Group-wide responsibility for the work to prevent financial crime. Starting points for these efforts to combat financial crime are the Bank's low tolerance of risk and the body of external regulations addressing financial crime in the countries where the Bank operates. The Bank also has a separate compliance department for financial crime, which monitors and acts in an advisory capacity in the Bank's work to combat financial crime. The department is headed up by the Bank's central function owner. For further information on the Bank's work to combat financial crime, refer to Handelsbanken's Corporate Governance Report on page 74–91.

CHANGE MANAGEMENT

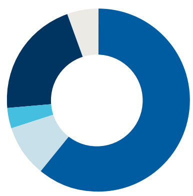
The change management area covers new or materially changed products, services, markets, processes or IT systems, or when there are material changes in the Group's operations or organisational structure. The activities and actors involved in the respective processes are described in the Bank's instructions and approval processes for change management, which also describe how and when to involve the control functions. The processes also include requirements that risk analyses are carried out and that these consider, for example,

Figure AR:48 Breakdown of loss amounts over SEK 25 000 by number, 2017–2021



Execution, delivery and process mgmt	50%
Business disruption and system failure	6%
Clients, products and business practices	3%
External crime	40%
Damage to physical assets	1%
Employment practices and workplace safety	0%
Internal fraud	0%

Figure AR:49 Breakdown of loss amounts over SEK 25 000, 2017–2021



Execution, delivery and process mgmt	57%
Business disruption and system failure	10%
Clients, products and business practices	4%
External crime	23%
Damage to physical assets	0%
Employment practices and workplace safety	0%
Internal fraud	6%

G2 Cont.

areas such as financial crime, sustainability, information security and data quality. Decisions related to changes must also be documented.

ESSENTIAL PROCESSES

Essential processes refer to processes which are of material importance for providing support to the Bank's critical business operations. The Bank's essential processes are reviewed for relevance each year and in conjunction with material changes, and are updated where necessary, as well as being subject to a risk assessment.

The identification of essential processes is fundamental to the scope of the Bank's continuity planning, i.e. which parts of the operations are to be prioritised in the event of disruptions or stoppages.

CONTINUITY PLANNING AND CRISIS MANAGEMENT

The purpose of the Bank's continuity planning and crisis management is to ensure that the Bank is well prepared to continue its business operations in the event of a crisis situation. This means that preparatory measures must be taken to mitigate the effects of a serious disruption on the business operations, such that these can continue at an acceptable level for the duration of the disruption. The CEO's guidelines for continuity planning and crisis management and supplementary instructions state that consequence analyses are to be performed each year, in order to ascertain which operations and IT systems are of such critical importance that they require continuity plans.

The continuity plans include planning the maintenance of operations during the disruption and recovery to normal operations. For essential processes, the plans must include the longest permitted duration of a stoppage. There is a Central Crisis Team for the entire Group. In addition, the CEO has specified that certain units require a designated crisis function. Work in the crisis functions is to be undertaken according to special crisis manuals.

Continuity plans and crisis manuals must be revised on an annual basis at a minimum. The plans must be tested each year, at the least, and crisis drills are carried out by the units required to have crisis functions. The work is evaluated annually and reported to the Central Board, which is also informed of the Bank's strategy for continuity management.

Handelsbanken also participates in the voluntary work organised by FSPOS (Finansiella Sektorns Privat-Offentliga Samverkan, the Swedish financial sector's private-public partnership organisation) to strengthen the sector's capacity to manage disruptions and stoppages. The Bank thus also took part in the sector exercise organised by FSPOS for the year, whose overall aim was to assess the sector's capacity to continue operating in a state of high preparedness.

SUPPLIER ARRANGEMENTS

The Bank has a designated process for managing supplier arrangements, including outsourcing agreements, within the Group. As the starting point, the Bank applies a risk-based working method, taking into account the Bank's low risk tolerance, in assessments prior to decisions on supplier arrangements and their administration. The CEO has issued guidelines that set out the conditions and requirements for outsourcing agreements concerning operations of material significance. The guidelines apply throughout the Handelsbanken Group and also cover the subsidiaries in the Group.

REPUTATION RISK, CONDUCT RISK AND TRAINING

Reputation risk is the risk of losses due to a deterioration of confidence in the Bank. This may occur for reasons such as deficiencies in ethical standards, inappropriate actions, poor information or badly planned development of new or changed products. Handelsbanken manages and minimises reputation risk in its operations through pro-active business intelligence and accompanying, relevant corrective action when needed, and by conducting operations to a high ethical standard. In 2021, six training programmes were mandatory for all employees in the Group: Financial crime, GDPR, Sustainability in the financial sector, Market abuse, Security training – Cybersecurity, and Security training – Physical security.

Handelsbanken's low risk tolerance is also reflected in its approach to employee benefits. The Bank regards fixed remuneration as contributing to sound operations, so this is applied as a fundamental rule.

COMPLIANCE RISK

Compliance risk refers to risks associated with inadequate regulatory compliance.

Handelsbanken has a low tolerance of compliance risks and has high ambitions regarding good administrative order, ethical standards and compliance with laws and regulations.

Compliance refers to the observance of regulations, laws, directives and recommendations from competent authorities, internal rules, as well as generally accepted business practices or standards relating to all operations subject to a licence. Inadequate compliance may lead to compliance risks in the form of increased operational risk, the risk of sanctions or other interventions by competent authorities, financial losses or reduced confidence in the Group's operations. Compliance risks are to be prevented within the Group, and work needed to mitigate observed risks must be prioritised.

The broad outline for how supervisory authorities expect compliance functions to be set up and how an institution should approach compliance matters is established in the Swedish Financial Supervisory Authority's Regulations and General Guidelines regarding governance, risk management and control at credit institutions (FFFS 2014:1), the European Banking Authority's Guidelines on internal governance, and the European Securities and Markets Authority's Guidelines on certain aspects of the MiFID II compliance function requirements. The Basel Committee's 'Compliance and the compliance function in banks' framework also provides guidelines for how a bank's compliance function should be structured. Through its policies, guidelines and instructions, Handelsbanken has organised its compliance function and its working methods in accordance with these regulations, recommendations and guidelines.

ORGANISATIONAL STRUCTURE

The Group's Compliance function is organised into both Group Compliance and compliance units in subsidiaries and other legal entities. Group Compliance has both central units and local units in the different international branches. All compliance units must be independent of the business operations and organisationally separate from the functions and areas which are subject to monitoring and controls. Employees in compliance units must not perform any operational tasks which are part of the business operation they are responsible for monitoring and control.

RESPONSIBILITY

The responsibility for identifying, assessing and managing compliance risks is an integral part of managerial responsibility at all levels, and is allocated at unit/department level. Function managers and product managers also have a specific responsibility for ensuring that operations and products are structured in accordance with external and internal regulations. This responsibility also includes performing the requisite control activities to ensure compliance with internal and external regulations. Within the Handelsbanken Group, managers and employees must have a sound awareness and understanding of the requirements imposed through internal and external rules, as well as the compliance risks associated with inadequate regulatory compliance.

The responsibilities of the Compliance function are to work actively to ensure a high level of compliance and to ensure that Handelsbanken's low tolerance of compliance risks is adhered to. Compliance is tasked with the

G2 Cont.

identification and monitoring and control of compliance risks and deficiencies related to regulatory compliance, and also the provision of recommendations, advice and support to the Bank's staff, management and units in matters concerning compliance, as well as reporting to the management and Board on compliance issues. The Chief Compliance Officer has the responsibility for the Compliance function and reporting on matters regarding compliance in the Group.

RISK-BASED COMPLIANCE WORK

The Compliance function applies a risk-based approach to its work. In practice, this means that the function performs an overall risk assessment of the Bank's operations and compliance. The Compliance function plans, and subsequently executes, compliance activities prioritising the areas at high risk of inadequate compliance. If findings are identified, they are evaluated and reported using a four-level assessment scale: 'minor', 'moderate', 'major' or 'critical' compliance risk. Group Compliance reports on the current risk situation in the Group to the Bank's Group Chief Executive, risk committee and Board of Directors. The report is also presented to the s Group Chief Executive's Risk Forum.

RISK IN THE REMUNERATION SYSTEM

Remuneration risk is the risk of loss or other damage arising due to the remuneration system.

THE REMUNERATION SYSTEM

At Handelsbanken, remuneration is established individually when an employee takes up a new position and in local salary reviews. Remuneration takes into account the collective agreements that are binding upon Handelsbanken or corresponding local standardised contracts or agreements. It is based on the Bank's model for setting salaries and the salary-setting factors it specifies: the nature and level of difficulty of the work, competency and skills, work performance and results achieved, leadership, the market, and being a cultural ambassador for the Bank. These principles have been applied for many years. They mean that managers at all levels participate regularly in salary processes, and take responsibility for the Bank's salary policy and the growth in their own unit's staff costs.

To ensure that Handelsbanken has a well-designed remuneration system, risks in the remuneration system are managed as a separate risk class, with the risk management following the same allocation of responsibilities as other types of risk. Handelsbanken has low tolerance of remuneration risks and actively strives to keep them at a low level. Performance-based variable remuneration must be applied with great caution and is not offered to employees who, in their professional roles, can have a material impact on the Bank's risk profile.

In 2021, SEK 57m (55) was earned as performance-based variable remuneration.

ORGANISATIONAL STRUCTURE AND RESPONSIBILITY

The principles for the Bank's remuneration system are stipulated in the remuneration policy decided on by the Board. More detailed guidelines and implementation directives are decided by the CEO. Group Compliance reviews these policy documents to ensure observance of the regulations applying in this area. The responsibility for identifying and managing remuneration risks rests with every responsible manager in the operations. Group Risk Control ensures that the remuneration system and its application are evaluated every year from a risk perspective. This evaluation must also include an analysis of the impact of the remuneration system on the Bank's risk, capital and liquidity situation.

RISKS IN THE REMUNERATION SYSTEM

Handelsbanken's remuneration policy and remuneration system are deemed to generate low risks, align with the Bank's low tolerance of risks and support the Bank's long-term interests. The remuneration system has a low impact on the Bank's financial risk, capital and liquidity situation. The total amount reserved for performance-based variable remuneration to employees in the Handelsbanken Group must not exceed 0.4% of the Handelsbanken Group's common equity tier 1 capital during any given year. The data for the calculation of performance-based variable remuneration is risk-adjusted based on an assessment of present and future risks. There are rules about deferring the disbursement of variable remuneration and for completely or partly reducing the allocated deferred variable remuneration.

For more detailed information and statistics about the Bank's remuneration system, see the Corporate Governance Report and note G8 in the annual report.

Table AR:50 Performance-based variable remuneration

Performance-based variable remuneration	2021	2020
Earned performance-based variable remuneration[1], SEK m	57	55
Salaries and fees, SEK m	9,278	9,378
No. of persons able to earn performance-based variable remuneration[2]	130	163
Average number of employees	12,240	12,563
Earned performance-based variable remuneration, as a proportion of total salaries and fees, %	0.6	0.6
Earned performance-based variable remuneration, as a proportion of common equity tier 1 capital, %	0.04	0.04
No. of persons able to earn performance-based variable remuneration as a proportion of average number of employees, %	1.1	1.3

[1] The amounts are excluding social security costs. The amounts are determined after the annual report is published.
[2] The number of persons who are allocated performance-based variable remuneration is determined after the annual report is published. Of the 163 persons who were able to earn variable remuneration in 2020, 120 received an allocation.

G2 Cont.

RISK IN THE INSURANCE OPERATIONS

The risks in the insurance business mainly comprise market risks and insurance risks.

BUSINESS OPERATIONS AND RISKS IN THE INSURANCE OPERATIONS

Handelsbanken Liv conducts life insurance operations with traditional management, unit-linked insurance, portfolio bond insurance and risk insurance operations. Traditionally managed insurance is closed for new sales. The risk profile is measured using the standard formula prescribed by Solvency 2. Market risks and insurance risks dominate the risk profile.

MARKET RISK

Market risk refers to the combined risk that changes in risk factors in financial markets – such as changes in interest rates, property prices, equity prices, or exchange rates – will result in changes in the value of the company's investment assets and/or its commitments. Market risk arises in traditional management related to guarantee products and indirectly from savings products, unit-linked insurance and portfolio bond insurance, where the policy holders themselves bear the risk but the company's earnings depend on the assets under management in the products.

Interest rate risk also arises in the insurance liabilities, in that the technical insurance provisions are discounted using a risk-free interest rate.

Handelsbanken Liv has a low risk tolerance. Through the company's investment guidelines and risk policy, the Board of Handelsbanken Liv gives overall instructions on how the assets are to be managed, given the undertakings to the policy holders and the statutory requirements, how governance and control of the investments will be implemented, and how the total risk level in the company's combined assets and undertakings will be managed. Assets are only invested in a prudent manner in assets and instruments whose risks can be identified, measured, analysed, and reported.

LIQUIDITY RISK

Liquidity risk is the risk that a company will not be able to meet its payment obligations when they fall due without being affected by unacceptable costs or losses. Liquidity risks are managed by daily monitoring of future disbursements and by investing a significant portion of the company's investment assets in listed securities with very good liquidity.

INSURANCE RISK

Insurance risk consists primarily of life and disability insurance risks and can be divided into the following categories:

Risk category

Mortality risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, mortality. Increased mortality leads to an increase in the value of the insurance commitments.

Longevity risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, mortality. Decreased mortality leads to an increase in the value of the insurance commitments.

Disability and morbidity risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, illness and recovery.

Lapse risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of, or in the volatility of, lapses, terminations, renewals and surrender.

Operating expense risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in, or changes in the volatility of, operating expenses for insurance contracts.

Revision risk

The risk of loss, or of an adverse change in the value of insurance commitments, resulting from changes in the levels of and trends in the revision rates for periodic disbursements, due to changes in regulatory requirements, the legal environment or the health status of the contracts' beneficiaries.

Catastrophe risk

The risk of loss, or of adverse change in the value of insurance commitments, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events.

The Handelsbanken Liv Group is also exposed to risks connected with accident insurance. However, these are not judged to be material compared to other risks. Most of Handelsbanken Liv's policies are taken out by small companies and private individuals. There is no risk concentration, other than that most of the policies are taken out in Sweden.

The insurance operations report their market and insurance risks as well as operational risk to the insurance company's Board and Chief Executive, to the Bank's Group Risk Control and to the Bank's Risk Committee, which acts in an advisory capacity to the Bank's CEO and CFO.

More information about Handelsbanken Liv's corporate governance system and risk management is included in Handelsbanken Liv's publication, Gemensam rapport om solvens och finansiell ställning (in Swedish only), available at handelsbanken.com.

G2 Cont.

ECONOMIC CAPITAL

Handelsbanken's model for calculating economic capital identifies in one measurement the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

Group Risk Control is responsible for comprehensive monitoring of the Group's various risks. The Bank's model for economic capital (EC) is an instrument in this monitoring. It is also part of the Bank's assessment of the internal capital requirement which is reported quarterly to the Board. This assessment is intended to ensure that the Group has sufficient capital at all times in relation to all risks in the Group. The Group perspective means that economic capital also includes risks in the insurance operations and risks in the Bank's pension obligations.

Economic capital is calculated with a time horizon of one year and a confidence level that reflects an acceptable level of risk and desired rating. The Board has determined that the calculation of economic capital must be made with a 99.97% confidence level, which captures an event which is extremely unfavourable for the Bank. EC is the difference between the outcome in an average year – with positive results and good growth in the value of the Bank's assets – and the outcome at a 99.97% confidence level.

Diversification effects between the different risk classes are taken into account when calculating EC. Since the risks are partly independent of each other, the capital requirement for all risks is lower than the sum of the economic capital for each individual risk.

The capital and other financial resources which form a buffer that can absorb negative outcomes are called available financial resources (AFR). AFR is Handelsbanken's equity with the addition of other financial values on and off the balance sheet, available to cover losses with a one-year time horizon.

In risk and capital management, the Group applies a shareholder perspective. The economic capital model provides an overall view of the Group which makes it possible to optimise the risk and capital situation from the shareholder's perspective. The outcome of the calculations plays an important role when new transactions or structural changes are considered.

Credit risk is calculated using simulated outcomes of default for all the Group's counterparties and exposures.

Market risks comprise the risk in the assets classified as the trading book, the interest rate risk in the non-trading book, market risks in the insurance operations, and the risk in shareholdings in the non-trading book.

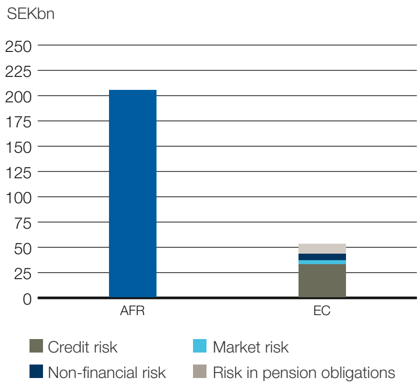
The risk in the pension obligations mainly consists of the risk of a decrease in the assets that exist for securing the Bank's defined benefit pensions, and the fact that the values of these obligations are sensitive to interest rates. Most of the pension obligations are in Sweden and are secured there in a pension foundation and an occupational pension association.

The other risks are operational risk, business risk, property risk and insurance risk. Business risk is related to unexpected changes in financial performance in each business area. For example, these may arise due to demand or competition changing unexpectedly, thus resulting in lower volumes and squeezed margins. Property risk captures the risk of a fall in the value of the properties which the Bank owns.

At year-end, EC was SEK 53.6bn (57.2), of which credit risks accounted for the main part of the total risk. The Board stipulates that the AFR/EC ratio should be at least 120%. The ratio was 384% (324) at year-end, which illustrates that the Bank is well-capitalised in relation to its overall risks. The Swedish Financial Supervisory Authority has come to the same conclusion in its overall capital assessment of the Bank.

The risk and capital situation reported is a snapshot picture, even though the risk calculations include margins of conservatism for business cycle fluctuations. To perform a final assessment of the Group's capital adequacy requirements, consideration must also be given to the stress and scenario analysis carried out as part of the Bank's capital planning.

Figure AR:51 Total of AFR and EC including diversification 2021



G2 Cont.

CAPITAL PLANNING

Handelsbanken's capital planning aims to ensure that the Group has the right amount of financial resources available at all times.

The capital requirement is a function of the Group's risks, expected development, the regulations and target ratios, Handelsbanken's model for economic capital (EC) and stress tests. The Bank's capital requirement is reported weekly to the CFO and the CEO and at least quarterly to the Board.

As part of proactive capital planning, there is a contingency and action plan with specific measures that can be taken if the Bank needs to improve its capital position. The purpose of the contingency and action planning is to ensure that there is a warning system that identifies potential threats at an early stage and that the Group is prepared to take rapid action, if necessary.

At least annually, a long-term capital plan is drawn up, which is designed to give a comprehensive overview of the Group's current capital situation, a forecast of expected capital performance, and the outcome in various scenarios. These scenarios are designed to substantially differ from expected events and thus harmonise with the Group's low risk tolerance. The capital plan also contains proposals for how to maintain the capital situation at a satisfactory level in a strongly negative business environment, from both a regulatory and shareholder perspective.

The capital planning is divided into short-term and mid- to long-term forecasting. The part of capital planning that comprises short-term forecasts up to two years ahead principally focuses on assessing existing performance and the development of the capital requirement. This forecasting is necessary to enable continual adaptation of the size and composition of own funds.

Capital planning is performed through ongoing analysis of changes in volume, risk and performance, and by monitoring events that may affect the capital requirements and capital level. Short-term forecasting includes all sub-components that make up the Group's own funds and, in addition to the regulatory minimum requirements and buffers, the capital requirement includes a Pillar 2 requirement, the leverage ratio requirement and the minimum requirement for own funds and eligible liabilities (MREL). The forecasting work also includes conducting various sensitivity analyses, with a short-term perspective, of the expected change in the capital adequacy requirement and own funds. The Bank can thus be prepared to alter the size and composition of its own funds if required – for example, through market operations.

The result of the short-term analysis forms the basis of any capital operations performed and is reported weekly to the CFO and the CEO and, if necessary, to the Board. The analysis is based on a cautious basic scenario, with decision points in the near future for how existing earnings capacity can cope with various changes in volume, as well as the effects which arise from potential capital operations.

The part of capital planning that comprises mid- to long-term forecasts aims to ensure compliance with statutory capital adequacy requirements and that the Group's available financial resources (AFR) at all times cover by a good margin all risks calculated according to the EC model.

The long-term forecast also includes an assessment of the trend for the Bank's overall capital over the period: the minimum requirements, the combined buffer requirements, the Pillar 2 requirement, the leverage ratio requirement and the MREL requirement. The objective is to forecast the expected performance and judge whether the Bank's resistance is satisfactory in various scenarios. The planning horizon is at least five years and takes account of the Group's overall business performance trend.

A basic scenario forms the foundation of the long-term capital forecast. This scenario is obtained from expected performance in the next five years regarding profit, volume growth, financial assumptions such as credit losses, and performance of the equity, property and fixed income markets. The basic scenario is then compared to the outcomes in a number of business cycle and crisis scenarios. The stress scenarios have been established following analysis of the historical links between the impacts of different macroeconomic variables on the financial markets and have been selected by using the scenarios expected to have the most severe impact on Handelsbanken.

At the end of 2021, the common equity tier 1 ratio was 19.4% (20.3). The ratio between AFR and EC was 384% (324) at the same date. Thus, AFR exceeds the assessed internal capital requirement (EC) by a very good margin.

The Bank's strong position is further emphasised by the result of the various forward-looking stress scenarios which are carried out, showing that Handelsbanken's long-term capital situation is very stable from both a financial and regulatory perspective.

Capital planning also monitors regulatory developments and assesses the impact and needs arising due to additional new requirements.

THE GROUP'S REGULATORY CAPITAL TARGETS

The Board continuously sets the targets for the Bank's capitalisation. A cornerstone of the internal capital requirement assessment of the regulatory capital situation is stress and scenario analysis of the Bank's situation, both long-term and short-term. The scenarios used are principally based on the Bank's internal risk tolerance and the direct requirements resulting from the regulations and other requirements from public authorities. In addition to the internal assessment of the capital requirement, the Swedish Financial Supervisory Authority has communicated that the target figures of Swedish banks must not be lower than the total assessed capital requirement calculated by the Supervisory Authority, regardless of the banks' internal calculations. As of 2021, when the new law came into force, the capital requirement is mainly comprised of a minimum requirement. The Bank has taken this into account when setting the target figures for the regulatory capitalisation.

The Board has decided that the common equity tier 1 ratio, which is the most relevant measure for the governance of the Bank under the current regulatory framework, under normal circumstances must be between 1 and 3 percentage points above the total common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. The other capital tiers (the tier 1 ratio and the total capital ratio) must be at least 1 percentage point above the total capital assessment communicated to the Bank by the Swedish Financial Supervisory Authority for the respective capital tiers. The leverage ratio must be at least 0.6 percentage points above the total capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. In addition, the Bank must fulfil all other capital requirements imposed by public authorities. Moreover, the Board has decided that "the dividend level must not lead to the capital ratios falling below a level of one percentage point above the requirements communicated by the Swedish Financial Supervisory Authority".

In the Bank's assessment, the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement at the end of the fourth quarter was 13.9%.

G3 Net interest income

SEK m	2021	2020
Interest income		
Loans to credit institutions and central banks	284	1,254
Loans to the public	35,094	38,547
Interest-bearing securities eligible as collateral with central banks	306	291
Bonds and other interest-bearing securities	279	380
Derivative instruments	-1,245	1,172
Other interest income	1,111	1,074
Total	**35,829**	**42,718**
Deduction of interest income reported in net gains/losses on financial transactions	-3	-112
Total interest income	**35,832**	**42,830**
of which interest income according to effective interest method and interest on derivatives in hedge accounting	*34,483*	*39,496*
Interest expenses		
Due to credit institutions and central banks	-112	-573
Deposits and borrowing from the public	-371	-1,396
Issued securities	-6,569	-11,786
Derivative instruments	3,073	2,690
Subordinated liabilities	-1,097	-1,186
Government fees	-1,171	-1,224
Other interest expenses	-232	-192
Total	**-6,479**	**-13,667**
Deduction of interest expenses reported in net gains/losses on financial transactions	-38	84
Total interest expenses	**-6,441**	**-13,751**
of which interest expenses according to the effective interest method and interest on derivatives in hedge accounting	*-5,010*	*-11,658*
Net interest income	**29,391**	**29,079**

The derivative instrument rows include net interest income related to hedged assets and liabilities. These may have both a positive and a negative impact on interest income and interest expenses.

G4 Net fee and commission income

SEK m	2021	2020
Brokerage and other securities commissions	555	577
Mutual funds	5,842	4,304
Custody and other asset management fees	905	744
Advisory services	230	203
Insurance	803	679
Payments	2,647	2,695
Loans and deposits	1,155	1,185
Guarantees	207	263
Other	560	555
Total fee and commission income	**12,904**	**11,205**
Securities	-211	-221
Payments	-1,168	-1,247
Other	-67	-67
Total fee and commission expenses	**-1,446**	**-1,535**
Net fee and commission income	**11,458**	**9,670**

Fee and commission income by segment, 2021 SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Brokerage and other securities commissions	245	7	21	7	290	-4	-11	555
Mutual funds	4,655	317	231	135	350	194	-40	5,842
Custody and other asset management fees	659	33	105	73	47	3	-15	905
Advisory services	2	46	0	-	213	-6	-25	230
Insurance	828	-	43	-	-33	-8	-27	803
Payments	2,130	270	239	2	16	-8	-2	2,647
Loans and deposits	752	122	88	18	47	128	0	1,155
Guarantees	101	16	40	1	51	-	-2	207
Other	523	5	4	0	279	1	-252	560
Total fee and commission income	**9,895**	**816**	**771**	**236**	**1,260**	**300**	**-374**	**12,904**

G4 Cont.

Fee and commission income by segment 2020 SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Brokerage and other securities commissions	230	7	18	13	315	7	-13	577
Mutual funds	3,353	267	151	48	414	137	-66	4,304
Custody and other asset management fees	491	36	68	60	133	-43	-1	744
Advisory services	0	39	1	-	188	-24	-1	203
Insurance	837	0	37	-	-159	-13	-23	679
Payments	2,185	262	229	2	27	-7	-3	2,695
Loans and deposits	737	143	79	19	50	158	-1	1,185
Guarantees	126	19	43	1	74	-	-	263
Other	506	4	3	1	276	3	-238	555
Total fee and commission income	**8,465**	**777**	**629**	**144**	**1,318**	**218**	**-346**	**11,205**

Fee and commission income refers to income from contracts with customers. Income from Brokerage and other securities commissions, Advisory services, Payments and Loans and deposits is generally recognised in conjunction with the rendering of the service, i.e. at a specific point in time. Payments also includes the issuing and acquisition of cards. Income from Mutual funds, Custody and other asset management fees, Insurance and Guarantees is generally recognised as the services are rendered, i.e. on a straight-line basis over time.

G5 Net gains/losses on financial transactions

SEK m	2021	2020
Amortised cost	300	139
of which loans	*396*	*266*
of which interest-bearing securities	*-*	*0*
of which issued securities	*-96*	*-127*
Fair value through other comprehensive income	0	-1
of which expected credit losses	*0*	*-1*
Fair value through profit or loss, fair value option	-900	304
of which interest-bearing securities	*-900*	*304*
Fair value through profit or loss, mandatory including foreign exchange effects	2,347	844
Hedge accounting	0	49
of which net gains/losses on fair value hedges	*7*	*49*
of which cash flow hedge ineffectiveness	*-7*	*0*
Result from financial components in insurance contract	-48	-118
Total	**1,699**	**1,217**

The accumulated value change due to changes in credit risk from initial recognition from financial assets which are classified at fair value through profit or loss, fair value option, amounted to SEK -166m (257).

G6 Risk result - insurance

SEK m	2021	2020
Premiums written	498	493
Insurance claims paid	-332	-358
Change in provisions for unsettled claims	-8	9
Other	21	50
Total	**179**	**194**

G7 Other income

SEK m	2021	2020
Rental income	34	32
Other operating income[1]	521	105
Total	**555**	**137**

[1] Svenska Handelsbanken AB sold its card acquiring operations to Worldline on 18 October 2021. The sale had an impact of SEK 408m on other operating income in 2021.

G8 Staff costs

SEK m	2021	2020
Salaries and fees	-8,196	-8,256
Social security costs	-2,049	-2,044
Pension costs[1]	-1,849	-1,757
Provision for the profit-sharing scheme	-69	-213
Other staff costs	-289	-1,637
Total	**-12,452**	**-13,907**

Staff costs from discontinued operations in Denmark and Finland are presented in note G13 Assets and liabilities held for sale, and discontinued operations.

[1] The components in the reported pension costs are shown in the Pension costs table.

Salaries and fees SEK m	2021	2020
Executive officers[2]	-113	-121
Others	-8,083	-8,135
Total	**-8,196**	**-8,256**

[2] Executive officers and Board members in the parent company and CEOs, Deputy CEOs and Board members in subsidiaries (on average 44 people).

Gender distribution	2021		2020	
%	Men	Women	Men	Women
Executive officers excluding Boards	71	29	69	31
of which in parent company	*70*	*30*	*80*	*20*
of which in subsidiaries	*71*	*29*	*63*	*37*
Boards	65	35	66	34
of which in parent company	*50*	*50*	*50*	*50*
of which in subsidiaries	*68*	*32*	*68*	*32*

Average number of employees	2021	Men	Women	2020	Men	Women
Sweden	6,984	3,372	3,612	7,320	3,498	3,822
UK	2,667	1,512	1,155	2,574	1,445	1,129
Norway	801	414	387	788	418	370
The Netherlands	361	231	130	352	229	123
USA	55	34	21	59	38	21
China	16	8	8	58	23	35
Luxembourg	47	25	22	45	24	21
Singapore	5	1	4	23	7	16
Germany	21	9	12	34	17	17
Poland	16	4	12	24	9	15
Other countries	66	28	38	77	32	45
Total	**11,039**	**5,638**	**5,401**	**11,354**	**5,740**	**5,614**

The average number of employees pertaining to discontinued operations in Denmark and Finland are presented in note G13 Assets and liabilities held for sale, and discontinued operations.

Remuneration[3] exceeding EUR 1 million No. of persons	2021	2020
Range EUR 1.0–1.5m	2	2
Range EUR 1.5–2.0m	1	1
Range EUR 2.0–2.5m	-	-
Range EUR exceeding 2.5m	-	-
Total	**3**	**3**

[3] Including earned pension and other salary benefits.

G8 Cont.

Remuneration[1] to risk-takers[2], business segments	2021		2020	
SEK m	Remuneration	No. of persons	Remuneration	No. of persons
Handelsbanken Sweden	498	377	545	436
Handelsbanken UK	400	253	425	274
Handelsbanken Norway	113	59	104	58
Handelsbanken the Netherlands	71	48	74	48
Handelsbanken Capital Markets	188	59	177	48
Discontinued operations[3]	170	107	204	123
Other	321	131	313	133
Total	**1,761**	**1,034**	**1,842**	**1,120**

Remuneration[1] to risk-takers[2]	2021		2020	
	Executive management[4]	Other risk-takers	Executive management[4]	Other risk-takers
Earned fixed remuneration, SEK m	74	1,630	78	1,719
Earned performance-based variable remuneration, SEK m	-	-	-	-
Earned other variable remuneration, SEK m	0	57	0	45
Total	**74**	**1,687**	**78**	**1,764**
No. of persons with fixed remuneration only	-	-	12	1,089
No. of persons who may receive both fixed and performance-based remuneration	-	-	-	-
No. of persons with both fixed and variable remuneration	11	1,023	-	19
Total number of persons	**11**	**1,023**	**12**	**1,108**
Guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-
Contracted guaranteed variable remuneration recognised as an expense in connection with new employment, SEK m	-	-	-	-

[1] Earned remuneration, including pensions and other salary benefits, has been recognised as an expense in its entirety. Performance-based variable remuneration is allocated at an individual level during the financial year after it is earned and is disbursed or deferred in accordance with the Bank's policy for variable remuneration. No employees identified as risk-takers as a result of their duties, earned performance-based variable remuneration in either 2021 or 2020. In 2020, one employee who has been identified as a risk-taker due to the level of their remuneration, was allocated performance-based variable remuneration in an amount of SEK 1m. In 2020, deferred, performance-based, variable remuneration earned before 2017 was disbursed to risk-takers as a result of their duties in an amount of SEK 2m. All deferred remuneration to these risk-takers has thus been disbursed. For risk-takers identified as a result of the level of their remuneration, outgoing deferred remuneration amounts to SEK -m (0.5). The right of disposal of the deferred remuneration transfers to the employee at the time of disbursement. All performance-based variable remuneration is paid in cash or in financial instruments. The amounts are excluding social security costs. Other variable remuneration refers to disbursements from the Oktogonen profit-sharing scheme and contracted termination benefits. The disbursement of remuneration from the Oktogonen profit-sharing scheme amounted to SEK 14m (-). The amount is excluding social security costs. Total contracted termination benefits during the year amount to SEK 43m (45), with the highest individual amount being SEK 4.0m (7.8). During the year, SEK 67m (15) in termination benefits was paid to 47 (12) risk-takers. No guaranteed variable remuneration is paid.

[2] Employees whose duties can have a material impact on the Bank's risk profile pursuant to the Commission Delegated Regulation (EU) 923/2021. There may be risk-takers or other specially regulated employees with variable remuneration in subsidiaries whose remuneration policy is subject to other EU regulations or other regulations published by the Swedish Financial Supervisory Authority.

[3] Discontinued operations in Denmark and Finland.

[4] The Swedish Financial Supervisory Authority uses the term 'Senior Management' in its regulations FFFS 2011:1. At Handelsbanken, this corresponds to the Bank's executive officers.

G8 Cont.

EMPLOYEE BENEFITS

Information about remuneration principles for all employees in the Handelsbanken Group is provided in more detail in the Corporate Governance Report on page 85.

Pursuant to the Swedish Financial Supervisory Authority's directive FFFS 2011:1 and the European Commission Delegated Regulations (EU) 575/2013 and (EU) 923/2021, banks must identify employees whose professional activities have a material impact on the bank's risk profile. Handelsbanken has identified 1,034 (1,120) employees who engage in such activities and has designated them as 'risk-takers'. The tables above present the Handelsbanken Group's remuneration to these risk-takers pursuant to the disclosure requirements in the aforementioned regulations. In 2021, the Handelsbanken Group had no employees whose duties have a material impact on the Bank's risk profile, who earned performance-based variable remuneration.

For the financial year 2021, Handelsbanken has made a provision of SEK 88m for the Oktogonen profit-sharing scheme. For the financial year 2020, a provision of SEK 213m was made for the Oktogonen profit-sharing scheme.

The profit-sharing scheme Oktogonen

The Oktogonen profit-sharing scheme covers all employees in the Handelsbanken Group. The provision is classified as variable remuneration and is based on profitability metrics linked to Handelsbanken's corporate goals being met and the Board's overall assessment regarding the Bank's performance. Disbursements are mainly made in cash to the employees, or alternatively to a pension plan, savings plan or a combination of the two.

Share-based payment

As of the 2020 earnings year, all employees at Handelsbanken plc are covered by a Share Incentive Plan ("SIP"), in accordance with applicable UK law. Remuneration in the plan is settled in the form of shares in the parent company, Handelsbanken AB. A SIP requires that a UK-based trust is used to manage the share incentive plan on behalf of the company. A trust has thus been established, which is administrated by a SIP trustee. The trust acquires and allocates shares to the employees, and thereafter holds the allocated shares on behalf of the employees. The employees' allocated shares must be vested in the SIP for a minimum of five years to prevent tax consequences for the employees. Dividends received during the vesting period accrue to the employees.

The conditions for an allocation to the SIP and the earnings conditions are identical to those for the Oktogonen profit-sharing scheme. The earning period is thus the preceding financial year. See the Principles for remuneration at Handelsbanken section. Handelsbanken plc's Board of Directors decides on the final allocation to the share incentive plan.

During the 2021 year of operations, share-based payment of SEK 37.5m has been charged to expenses for the 2020 earnings year, which has been recognised as an increase in equity. The Bank's expenses for share-based payment cannot subsequently be changed.

Remuneration to the Group Chief Executive, Deputy CEOs and executive management and the Heads of control functions

	Fixed remuneration				Variable remuneration		Pension costs, defined benefit and defined contribution plans		Fixed and variable remuneration, including pension costs		Proportion fixed remuneration/total remuneration	
	Basic salary		Benefits									
SEK m	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Group Chief Executive												
Carina Åkerström[1]	13.3	12.5	0.5	0.4	0.0	-	4.6	4.4	18.4	17.3	100%	100%
Deputy CEO												
Carl Cederschiöld[8, 9]	6.4	-	0.1	-	0.0	-	2.1	-	8.6	-	100%	-
Per Beckman[2]	6.2	6.1	0.3	0.3	0.0	-	4.3	4.1	10.8	10.5	100%	100%
Dag Tjernsmo[2, 3]	-	4.0	-	0.3	-	-	-	3.2	-	7.5	-	100%
Nina Arkilahti[4, 5]	-	0.6	-	0.0	-	-	-	0.2	-	0.8	-	100%
Lars Moesgaard[3, 5]	-	4.3	-	0.3	-	-	-	1.7	-	6.3	-	100%
Mikael Sörensen[3, 6, 7]	-	9.4	-	1.7	-	-	-	-	-	11.1	-	100%
Other members of executive management and control functions[10]	25.7	30.9	1.5	1.4	0.1	-	8.2	7.3	35.5	39.6	100%	100%
Average number of persons; Group CEO, Deputy CEOs, executive management and control functions	10	12										
Number of persons as at December; Group CEO, Deputy CEOs, executive management and control functions	10	10										

The pension cost refers to pension earned under defined benefit pension plans in accordance with IAS 19, or alternatively paid premiums for defined contribution pension plans. An accrued defined benefit pension is vested and secured in the Bank's pension foundation or assured in the Bank's pension fund. If service ceases before retirement age, the person receives a paid-up policy for the defined benefit and/or defined contribution pension earned. The payment of variable remuneration in the form of the Oktogonen profit-sharing scheme has taken place in 2021. Before local taxes and social security costs, the amount was SEK 16,742 per employee.

1 Defined contribution pension of 35% of salary since becoming Group Chief Executive. The retirement age is 65. Previously earned defined benefit pension is placed in a paid-up policy.
2 Defined benefit pension of 65% of salary at age 60 and a pension contribution of 2% of salary. The defined benefit retirement pension is earned successively during the period of employment; it is fully earned for these persons by the time they reach age 60.
3 Stepped down as Deputy CEO on 15 December 2020.
4 Stepped down as Deputy CEO on 29 January 2020 and left the position on 28 July 2020.
5 Defined contribution pension of 35% of salary. The retirement age is 65.
6 Remuneration from Handelsbanken plc.
7 No pension earned.
8 Became Deputy CEO on 2 February 2021.
9 Defined benefit pension according to the collective bargaining agreement, in combination with a defined contribution plan amounting to a maximum of 30% of salary above 30 income base amounts. The retirement age is 65, and the defined benefit pension is fully earned for these persons by the time they reach the age of retirement.
10 Other executive officers employed by the Bank receive a defined benefit or defined contribution pension according to collective bargaining agreements, in combination with a defined contribution plan amounting to a maximum of 35% of salary. The retirement age is 65, and the defined benefit pension is fully earned for these persons by the time they reach the age of retirement. The amount for basic salary and pension is stated before any salary sacrifice. Among other members of executive management and control functions, three employees have converted SEK 2.8m from salary to pension.

G8 Cont.

The payment has been settled via the purchase of 395,865 shares in Handelsbanken AB in the market by the trust, at an average market price of SEK 97.3 per share, which have then been allocated to the employees. Within the Group, acquisitions of shares in Handelsbanken AB constitute repurchases of own shares, and have led to a reduction of equity. See the Statement of changes in equity.

REMUNERATION TO EXECUTIVE OFFICERS

Executive officers in Handelsbanken are Board members, members of executive management, Deputy CEOs and the Heads of Group Risk Control and Group Compliance. Refer also to pages 88–91 of the Corporate Governance Report. The remuneration to executive officers of the parent company is in accordance with the guidelines for remuneration established by the 2021 annual general meeting. See also page 86.

Information regarding remuneration to, pension obligations for, credits to and deposits from executive officers of Handelsbanken is provided on these pages. This also applies to the subsidiaries' CEOs, Deputy CEOs and Board members.

Remuneration to executive officers of the Handelsbanken Group is paid only in the form of fixed salary and pension provisions, as well as customary benefits such as a company car. Following a special Board decision, the Bank can provide housing as part of the remuneration. The executive officers in question are included in the Oktogonen profit-sharing scheme on the same terms as all employees of the Bank. No performance-based variable remuneration is paid. Executive officers who are employees of the Bank are entitled to convert salary to pension on the same conditions as all employees.

Board members who are not employees of the Bank or any of the Bank's subsidiaries have only received a fee according to the decision of the AGM.

Board members who are employees of the Bank or the Bank's subsidiaries receive remuneration and pension benefits by virtue of their employment. No further remuneration or pension benefits are paid for serving on the Board. Information regarding fees to Board members in the parent company is shown on pages 88–91 of the Corporate Governance Report.

The pension cost stated by the Bank in the remuneration information for executive officers below consists of the service cost relating to defined benefit pensions according to IAS 19, the agreed premiums for defined contribution pensions, and any pension premiums that have been converted from salary.

Fees for serving on the boards of other companies on behalf of the Bank have been paid to the Bank.

Remuneration in subsidiaries

Fees paid to the 16 (19) board members of subsidiaries who are not employees of the Bank or its subsidiaries are SEK 8.0m (6.6).

In 2021, the CEOs and Deputy CEOs in the subsidiaries, 14 (15) individuals, received fixed salaries after conversion to pension amounting to SEK 46.5m (50.9). Other salary benefits were SEK 3.3m (3.8) and the Bank's pension cost was SEK 6.2m (9.7). Before conversion to pension, the pension cost was SEK 5.6m (9.3), corresponding to 12.0% of the salary (18.2). Variable remuneration in the form of the Oktogonen profit-sharing scheme amounted to SEK 0.2m (0.0).

Remuneration is not paid to CEOs and Deputy CEOs in subsidiaries who have other main work tasks at Handelsbanken.

PENSION OBLIGATIONS TO EXECUTIVE OFFICERS

As at 31 December 2021, the pension obligation[1] for the CEO Carina Åkerström, earned before she took up the position of CEO and now placed in a paid-up policy, was SEK 92.3m (101.4). As at 31 December 2021, the pension obligation for the Deputy CEO Per Beckman was SEK 114.7m (122.0), and for the other executive officers in the parent company – 8 individuals (8) – pension obligations were SEK 72.2m (70.2).

Pension obligations in the Handelsbanken Group for all current and former executive officers were SEK 2,722m (3,062) as at 31 December 2021, of which pension obligations for all current and former executive officers in the parent company were SEK 2,544m (2,882) as of the same date. The number of people covered by these obligations in the Group is 89 (85), of whom 71 (68) are pensioners. The corresponding number for the parent company is 74 (71), of whom 64 (61) are pensioners.

CREDITS TO AND DEPOSITS FROM EXECUTIVE OFFICERS

As at 31 December 2021, credits to executive officers were SEK 1.3m (1.4) in the parent company and SEK 98.4m (90.1) in the subsidiaries. Deposits in the parent company from these persons totalled SEK 263.1m (433.1). In 2021, the Bank's interest income from these persons for credits totalled SEK 0.0m (0.1) in the parent company and SEK 1.2m (1.2) in the subsidiaries. Interest paid to these persons for deposits in the parent company was SEK 0.9m (1.6).

As at 31 December 2021, credits to executive officers in the subsidiaries in the Handelsbanken Group were SEK 104.8m (123.2).

Credit and deposit terms for executive officers employed in the Handelsbanken Group are in line with the principles applicable for all other employees of the Handelsbanken Group. All credits are subject to a credit assessment.

[1] Pension obligations are amounts which, in accordance with IAS 19, the Bank reserves for payment of future defined benefit pensions. The size of the amounts depends on financial and demographic assumptions which may change from year to year.

G8 Cont.

PENSIONS

Net pension obligations SEK m	2021	2020
Pension obligations	34,841	37,761
Fair value of plan assets	43,607	39,766
Net pensions	**8,766**	**2,005**

In addition to the defined benefit obligation and plan assets in the above table, provisions have been made in the years 1989–2004 to Svenska Handelsbankens Pensionsstiftelse (pension foundation) for a special supplementary pension (SKP). This includes plan assets whose market value amounts to SEK 8,948m (9,692). SKP entails a commitment by the Bank amounting to the same amount as the plan assets.

A part of this commitment, SEK 6,694m (7,276), is conditional.

In conjunction with the termination of the operations in Germany, all defined benefit pension earned up until 30 November 2020, amounting to SEK 61m, was transferred to BVV (Branchenversorgungswerk der Banken und Finanzdienstleistungsinstitute).

Pension costs SEK m	2021	2020
Service cost	-947	-982
Past service cost	0	0
Interest on pension obligations	-563	-614
Interest on plan assets	597	626
Gains and losses from settlements and curtailments[1]	0	48
Social security costs, defined benefit plans	0	0
Pension costs, defined benefit plans	**-913**	**-922**
Pension costs, defined benefit plans[2]	-674	-645
Social security costs, defined benefit plans[2]	-262	-191
Total pension costs	**-1,849**	**-1,758**

[1] The transfer of the German defined benefit scheme in 2020 had a positive effect on pension costs of SEK 48m as at 31 December 2020.
[2] Pension costs from discontinued operations in Denmark and Finland are presented in note G13 Assets and liabilities held for sale, and discontinued operations.

Pension obligations SEK m	2021	2020
Opening balance	37,761	35,724
Service cost	988	982
Past service cost	0	0
Interest on pension obligations	563	614
Paid benefits	-1,062	-1,006
Gains and losses from settlements and curtailments	0	-56
Actuarial gains (-)/losses (+)	-3,725	1,810
Foreign exchange effect	316	-307
Closing balance	**34,841**	**37,761**

Plan assets SEK m	2021	2020
Opening balance	39,766	36,378
Past service cost	-	-
Interest on plan assets	597	626
Funds contributed by the employer	871	625
Compensation to employer	-674	-545
Gains and losses from settlements and curtailments	0	-8
Funds paid directly to employees	-329	-417
Actuarial gains (+)/losses (-)	3,095	3,376
Foreign exchange effect	281	-269
Closing balance	**43,607**	**39,766**

Return on plan assets SEK m	2021	2020
Interest on plan assets	597	626
Actuarial gains (+)/losses (-)	3,095	3,376
Actual return	**3,692**	**4,002**

Allocation of plan assets SEK m	2021	2020
Shares and fund shares on an active market[3]	33,269	32,484
Shares not listed on an active market	1,709	711
Interest-bearing securities listed on an active market	7,595	5,219
Other plan assets	1,034	1,352
Total	**43,607**	**39,766**

[3] The fund shares amount to SEK 21,299m (11,180) of which fixed income funds 16,287m (10,172).

The plan assets include shares in Svenska Handelsbanken AB (publ) with a market value of SEK - m (101) on the balance sheet date 31 December 2021. Other plan assets include mainly liquid funds and a liability for compensation that has not yet been paid out from the pension foundation.

G8 Cont.

Actuarial gains (-)/losses (+), pension obligations SEK m	2021	2020
Changes in demographic assumptions	219	-100
Changes in financial assumptions	-3,873	1,735
Experience-based adjustments	-71	175
Total	**-3,725**	**1,810**

Future cash flows SEK m	Outcome 2021	Forecast 2022
Paid benefits	-1,062	-967
Funds contributed by the employer	871	731

Defined benefit pensions are mainly paid to employees in Sweden. Of the total net pension obligation, the Swedish plan accounts for SEK 31,681m (34,662) and the UK plan (closed for new earnings) for SEK 3,089m (3,036). In addition, smaller scale defined benefit plans remain in Norway and Germany. Considering their respective sizes, these are considered insignificant and are therefore not reported in further detail.

Of the total plan assets, the Swedish plan assets are 40,437m (36,968), while an amount of SEK 3,170m (2,799) is attributable to the closed plan in the UK.

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts. As of 1 March 2020, all new employees and employees younger than 25 years of age accrue pension in a defined contribution plan. Persons employed before 1 March 2020 are not affected and remain covered by the defined benefit pension plan.

The pension plans are funded externally, meaning plan assets are held by pensions funds, trusts or similar legal entities. The trusts' (or equivalent) activities are regulated by national laws and practices, as is the relationship between the Group and the trust (or equivalent) managing the plan assets and the framework for how the plan assets may be invested. In Sweden, the Act on the Safeguarding of Pension Commitments and the Occupational Pension Undertakings Act are the main national laws and practices. In the UK, the standard UK pensions and tax law is applied.

Significant assumptions	Sweden		UK	
	2021	2020	2021	2020
Discount rate, %	2.1	1.50	1.80	1.30
Expected salary increase, %	3.5	3.5	N/A	N/A
Pension indexing, %	2.0	2.0	3.3	3.0
Income base amount, %	3.0	3.0	N/A	N/A
Inflation, %	2.0	2.0	3.5	3.1
Staff turnover, %	4.0	4.0	N/A	N/A
Remaining life expectancy at retirement age, years	23.1	23.1	24.0	24.0
Average duration (Macaulay), years	17.3	18.7	19.0	20.0

Sensitivity analysis		Effects on the defined benefit obligation			
		Increased defined benefit obligation, SEK m		Decreased defined benefit obligation, SEK m	
	Changes in assumptions	2021	2020	2021	2020
Discount rate, %	0.5	3,201	3,959	-2,998	-3,454
Expected salary increase, %	1.0	1,638	1,477	-1,369	-2,349
Pension indexing, %	0.5	1,875	2,220	-1,742	-2,052
Remaining life expectancy at retirement age, years	1.0	1,238	1,474	-1,232	-1,456

The above sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of financial position. The method is described in the accounting policies (see note G1, section 19). Compared with the 2020 annual report there have been no changes in the methods used when preparing the sensitivity analyses.

Through its defined benefit pension plans, the Bank is exposed to a number of risks. The most significant of these are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, the risk of a deficit arising is low because there is a surplus value in the plan assets. The pension plans hold a substantial proportion of equities which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. The Bank believes that due to the long-term nature of the plan liabilities, a substantial proportion of shares is an appropriate element of the Bank's long-term strategy to manage the plans efficiently.

Changes in bond yields: A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk: The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. Valuation of the plan assets is not directly affected by inflation in a material way, meaning that an increase in inflation will probably increase the deficit in the pension plans.

Life expectancy: The pension schemes are to provide benefits during the lifetime of the members, so increases in life span expectancy will result in an increase in the pension obligation.

Asset-Liability matching (ALM): The composition of the plan assets is matched to the pension liabilities composition and expected development. The overall goal is to generate a return over the medium and long term, that at least corresponds to the development of the pension liability. A substantial proportion of the plan assets is invested in equities, but investments are also made in fixed income instruments and cash. A substantial proportion of shares is deemed appropriate in order to manage the plans effectively.

Funding arrangements: Minimum funding requirements differ between plans but where such requirements are based on collective bargaining agreements or internal policies, the funding requirement is generally that the pension obligations measured according to local requirements shall be covered in full. Funding levels are monitored regularly. The Bank considers that the current contribution rate is appropriate.

G9 Other expenses

SEK m	2021	2020
Property and premises	-545	-574
External IT costs	-2,188	-1,720
Communication	-257	-284
Travel and marketing	-128	-130
Purchased services	-1,884	-1,785
Supplies	-140	-159
Other administrative expenses	-435	-593
Total	**-5,577**	**-5,245**

Remuneration to auditors and audit companies	Ernst & Young AB		Pricewaterhouse Coopers AB	
SEK m	2021	2020	2021	2020
Audit assignment	-26	-26	-4	-4
Audit operations outside the audit assignment	-2	-2	0	-
Tax advice	0	0	-	-
Other services	-	0	-	-

G10 Credit losses

SEK m	2021	2020
Expected credit losses on balance sheet items		
The year's provision Stage 3	-403	-551
Reversed Stage 3 provision from previous years	173	394
Total expected credit losses in Stage 3	**-230**	**-157**
The year's net provision Stage 2	188	-423
The year's net provision Stage 1	-9	-31
Total expected credit losses in Stage 1 and Stage 2	**179**	**-454**
Total expected credit losses on balance sheet items	**-51**	**-611**
Expected credit losses on off-balance sheet items		
The year's net provision Stage 3	26	4
The year's net provision Stage 2	11	-82
The year's net provision Stage 1	-18	-22
Total expected credit losses on off-balance sheet items	**19**	**-100**
Write-offs		
Actual credit losses for the year[1]	-363	-1,738
Utilised share of previous provisions in Stage 3	281	1,670
Total write-offs	**-82**	**-68**
Recoveries	71	130
Net credit losses	**-43**	**-649**
of which loans to the public	*-65*	*-546*

[1] Of the year's actual credit losses, SEK 105m (283) is subject to enforcement activities.

G10 Cont.

COVID-19 EFFECT CREDIT LOSSES

SEK m	2021	2020
1) Expected credit losses in Stage 3 on and off the balance sheet	**-204**	**-153**
Change in the model-based provision in Stage 1 and Stage 2:		
Updating of macroeconomic scenarios and risk factors	45	-5
Transfer of exposures in exposed industries from Stage 1 to Stage 2[1]	2	-41
Change in risk of default in included portfolio (net rating changes)	-36	-153
Effect of changed exposure (existing, new and terminated exposures)	49	114
Other in Stage 1 and Stage 2	128	38
Less discontinued operations	-13	-15
Model-based credit losses in Stage 1 and Stage 2	**175**	**-62**
Expert-based provision for Covid-19 (stressed ECL 12 months, in Stage 1 and Stage 2)		
Provision for stress of exposed industries according to assumptions	-675	-663
Reduction, based on 80% probability of stress, 90% in the UK and 100% for hotels	98	99
Less discontinued operations	78	68
Expert-based credit losses Stage 1 and Stage 2	**-499**	**-496**
Expert-based credit losses Stage 1 and Stage 2 (change in provision compared with the previous year)	**-3**	**-496**
2) Expected credit losses in Stage 1 and Stage 2 on and off the balance sheet	**172**	**-558**
3) Write-offs	**-82**	**-68**
4) Recoveries	**71**	**130**
Net credit losses (1+2+3+4)	**-43**	**-649**

[1] Expert-based assessment of significant increase in credit risk.

The provision amount has decreased in 2021. This is mainly due to four items of similar size. One of these is updated values for the forward-looking macroeconomic risk factors, whereby GDP has increased, unemployment has decreased and the future value of collateral has increased compared to the forecast at the previous year-end. The other three main factors are decreased credit volumes to relatively weak customers, volumes transferred to Stage 3 due to changes in the definition of default, and foreign exchange effects. To a certain extent, these factors have been counteracted by negative rating migration in the existing portfolio. The provision requirement related to an expert-based assessment of the Covid-19 pandemic effect has been stable during the year.

The macroeconomic scenarios were regularly updated during the year based on the current market conditions. The selected macroeconomic risk factors and probability weighting of 15%/70%/15% (15%/70%/15%) for a negative/neutral/positive scenario were unchanged during the year.

In order to incorporate the estimated impact of the Covid-19 pandemic from factors not deemed to have been considered in the model, since 2020 an expert-based calculation has been made at aggregate level to adjust the model-based calculations for selected sub-portfolios. A stressed scenario for these sub-portfolios has been compared to the model-based calculations as at 31 December 2021, with the difference constituting the expert-based calculation. Thereafter, the Bank has assessed the probability that the outcome of the expert-based calculation will occur, and has settled on an additional provision requirement of SEK 499m (496). The stressed sub-portfolios comprise all private customers (excluding mortgage loans) and companies deemed to belong to sectors that are particularly affected by the Covid-19 pandemic. The affected sectors are mainly hotels and restaurants, and retail trade. Specific counterparties in the identified sectors have been excluded, based on an expert assessment, as the provision requirement is deemed to have been fully considered in the model-based calculation. For both companies and private individuals, the probability of default (PD) has been stressed for the next 12 months. In addition to this stress, an expert-based assessment has been added for companies in the sectors which are particularly affected by the Covid-19 pandemic and have a higher than normal credit risk. These companies are deemed to have a significant increase in credit risk solely due to their sector and rating and are placed in Stage 2, regardless of the size of the change in the modelled credit risk since the credit was granted. For private individuals, the increased probability of unemployment has been observed in the calculated provision.

The process for the impairment testing of agreements in Stage 3 has not changed due to the Covid-19 pandemic, but remains as before with the customary procedure for individual assessment.

G10 Cont.

Balance sheet and off-balance sheet items that are subject to impairment testing 2021

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	439,932	-	-	0	-	-
Other loans to central banks	1,462	-	-	-	-	-
Interest-bearing securities eligible as collateral with central banks	421	-	-	-	-	-
Loans to other credit institutions	21,833	10	-	-2	-3	-
Loans to the public	2,345,196	64,390	7,421	-395	-690	-2,093
Bonds and other interest-bearing securities	9,016	-	-	-2	-	-
Total	**2,817,860**	**64,400**	**7,421**	**-399**	**-693**	**-2,093**
Off-balance sheet items						
Contingent liabilities	406,024	9,477	336	-109	-144	-91
of which guarantee commitments	*70,375*	*1,265*	*116*	*-9*	*-10*	*-39*
of which obligations	*335,649*	*8,212*	*220*	*-100*	*-134*	*-52*
Total	**406,024**	**9,477**	**336**	**-109**	**-144**	**-91**

Balance sheet items in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale in the balance sheet. See note G13.

Balance sheet and off-balance sheet items that are subject to impairment testing 2020

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	397,642	-	-	0	-	-
Other loans to central banks	21,326	-	-	-	-	-
Interest-bearing securities eligible as collateral with central banks	1,181	-	-	0	-	-
Loans to other credit institutions	21,911	17	-	-2	-6	-
Loans to the public	2,189,683	76,384	7,002	-385	-834	-2,238
Bonds and other interest-bearing securities	7,964	-	-	-2	-	-
Total	**2,639,707**	**76,401**	**7,002**	**-389**	**-840**	**-2,238**
Off-balance sheet items						
Contingent liabilities	391,266	10,743	433	-90	-157	-119
of which guarantee commitments	*77,829*	*1,910*	*156*	*-8*	*-16*	*-70*
of which obligations	*313,437*	*8,833*	*277*	*-82*	*-141*	*-49*
Total	**391,266**	**10,743**	**433**	**-90**	**-157**	**-119**

[1] Gross volume in Stage 3 for which no provision has been made, due to collateral received, amounts to SEK 3,259m (2,097).

Key figures, credit losses **Loans to the public**[2]	**2021**	**2020**
Acc. credit loss ratio, total operations, %	0.00	0.03
Acc. credit loss ratio, continuing operations, %	0.00	0.02
Total reserve ratio, %	0.13	0.15
Reserve ratio Stage 1, %	0.02	0.02
Reserve ratio Stage 2, %	1.07	1.09
Reserve ratio Stage 3, %	28.20	31.97
Proportion of loans in Stage 3, %	0.22	0.21

[2] The key figures below include the disposal groups Denmark and Finland, reclassified to Assets held for sale in the balance sheet as at 31 December 2021. See note G13.

G10 Cont.

CHANGE ANALYSIS

Change in provision for expected credit losses, balance sheet items that are subject to impairment testing

	2021				2020			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-389	-840	-2,238	-3,467	-363	-444	-3,767	-4,574
Derecognised assets	43	86	143	272	68	106	156	330
Write-offs	0	2	391	393	0	2	1,755	1,757
Remeasurements due to changes in credit risk	-123	151	-72	-44	-235	-123	-71	-429
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-13	-23	-60	-96	19	21	76	116
Purchased or originated assets	-61	-22	-21	-104	-81	-78	-20	-179
Transfer to Stage 1	-29	45	2	18	-16	28	3	15
Transfer to Stage 2	59	-234	7	-168	109	-501	9	-383
Transfer to Stage 3	114	142	-245	11	110	149	-379	-120
Provision at end of year	**-399**	**-693**	**-2,093**	**-3,185**	**-389**	**-840**	**-2,238**	**-3,467**

Change in provision for expected credit losses, loans to the public that are subject to impairment testing

	2021				2020			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-385	-834	-2,238	-3,457	-360	-441	-3,767	-4,568
Derecognised assets	43	86	143	272	68	104	156	328
Write-offs	0	2	391	393	0	2	1,755	1,757
Remeasurements due to changes in credit risk	-124	148	-72	-48	-235	-125	-71	-431
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-13	-23	-60	-96	19	21	76	116
Purchased or originated assets	-60	-22	-21	-103	-80	-77	-20	-177
Transfer to Stage 1	-29	45	2	18	-16	28	3	15
Transfer to Stage 2	59	-234	7	-168	109	-495	9	-377
Transfer to Stage 3	114	142	-245	11	110	149	-379	-120
Provision at end of year	**-395**	**-690**	**-2,093**	**-3,178**	**-385**	**-834**	**-2,238**	**-3,457**

Provisions for expected credit losses in the tables above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale in the balance sheet. See note G13.

Change in provision for expected credit losses, off-balance sheet items that are subject to impairment testing

	2021				2020			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-90	-157	-119	-366	-69	-66	-106	-241
Derecognised assets	14	27	-	41	22	17	-	39
Write-offs	-	-	-	-	0	0	-	0
Remeasurements due to changes in credit risk	0	23	28	51	-26	-23	-13	-62
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-7	-25	-	-32	2	3	-	5
Purchased or originated assets	-28	-6	-	-34	-31	-25	-	-56
Transfer to Stage 1	-9	19	-	10	-3	5	-	2
Transfer to Stage 2	5	-33	-	-28	12	-74	-	-62
Transfer to Stage 3	6	8	-	14	3	6	-	9
Provision at end of year	**-109**	**-144**	**-91**	**-344**	**-90**	**-157**	**-119**	**-366**

The change analysis shows the net effect on the provision for the Stage in question for each explanatory item during the period. The effect of derecognitions and write-offs is calculated on the opening balance. The effect of revaluations due to changes in the methodology for estimation and foreign exchange effects, etc., is calculated before any transfer of the net amount between Stages. Purchased or originated assets and amounts transferred between Stages are recognised after the effects of other explanatory items are taken into account. The transfer rows present the effect on the provision for the stated Stage.

G10 Cont.

Change in gross volume, balance sheet items that are subject to impairment testing

SEK m	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total
Volume at beginning of year	2,639,707	76,401	7,002	2,723,110	2,608,306	51,862	8,831	2,668,999
Derecognised assets	-167,405	-8,830	-825	-177,060	-204,174	-8,898	-840	-213,912
Write-offs	-13	-10	-463	-486	-14	-12	-1,808	-1,834
Remeasurements due to changes in credit risk	-99,663	-8,086	-914	-108,663	161,261	-3,211	-803	157,247
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	82,718	3,605	273	86,596	-100,082	-2,595	-271	-102,948
Purchased or originated assets	363,244	2,839	101	366,184	211,329	3,965	264	215,558
Transfer to Stage 1	41,290	-41,207	-83	-	31,460	-31,425	-35	-
Transfer to Stage 2	-41,089	41,221	-132	-	-67,551	67,945	-394	-
Transfer to Stage 3	-929	-1,533	2,462	-	-828	-1,230	2,058	-
Volume at end of year	**2,817,860**	**64,400**	**7,421**	**2,889,681**	**2,639,707**	**76,401**	**7,002**	**2,723,110**

Change in gross volume, loans to the public that are subject to impairment testing

SEK m	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total
Volume at beginning of year	2,189,683	76,384	7,002	2,273,069	2,236,671	51,669	8,831	2,297,171
Derecognised assets	-161,245	-8,821	-825	-170,891	-164,212	-8,745	-831	-173,788
Write-offs	-13	-10	-463	-486	-14	-12	-1,808	-1,834
Remeasurements due to changes in credit risk	47,220	-8,705	-914	37,601	5,561	-1,523	-812	3,226
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	41,251	3,430	273	44,954	-56,060	-2,595	-271	-58,926
Purchased or originated assets	229,820	2,839	101	232,760	202,994	3,962	264	207,220
Transfer to Stage 1	40,495	-40,412	-83	-	31,460	-31,425	-35	-
Transfer to Stage 2	-41,086	41,218	-132	-	-65,889	66,283	-394	-
Transfer to Stage 3	-929	-1,533	2,462	-	-828	-1,230	2,058	-
Volume at end of year	**2,345,196**	**64,390**	**7,421**	**2,417,007**	**2,189,683**	**76,384**	**7,002**	**2,273,069**

Balance sheet items in the tables above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale in the balance sheet. See note G13.

Change in gross volume, off-balance sheet items that are subject to impairment testing

SEK m	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total
Volume at beginning of year	391,266	10,743	433	402,442	400,479	7,985	712	409,176
Derecognised assets	-31,851	-1,777	-56	-33,684	-36,733	-1,511	-56	-38,300
Write-offs	-1	0	-1	-2	-	-	0	0
Remeasurements due to changes in credit risk	-71,440	-3,992	-138	-75,570	4,468	1,374	-324	5,518
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	46,219	9,627	5	55,851	-8,487	-293	-5	-8,785
Purchased or originated assets	66,070	727	3	66,800	34,353	463	17	34,833
Transfer to Stage 1	12,747	-12,743	-4	-	7,409	-7,405	-4	-
Transfer to Stage 2	-6,947	6,950	-3	-	-10,197	10,202	-5	-
Transfer to Stage 3	-39	-58	97	-	-26	-72	98	-
Volume at end of year	**406,024**	**9,477**	**336**	**415,837**	**391,266**	**10,743**	**433**	**402,442**

Like the analysis for provisions, the change analysis for gross volumes shows the effect of selected explanatory items on the volumes for a stated Stage. The items showing transfers between Stages, and 'Purchased or originated assets', present the amounts in the stated Stage at the end of the period. Other items present the effect in the Stage applying at the start of the period.

G10 Cont.

SENSITIVITY ANALYSIS

Sensitivity analysis, macroeconomic scenarios

The calculation of expected credit losses applies forward-looking information in the form of macroeconomic scenarios. The expected credit loss is a probability-weighted average of the estimated forecasts over three scenarios. The forecast in the neutral scenario is assigned a weighting of 70% (70), while an upturn in the economy is assigned a weighting of 15% (15) and a downturn in the economy a weighting of 15% (15). These have formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2021.

	Downturn scenario			Neutral scenario			Upturn scenario		
Macroeconomic risk factors	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
GDP growth									
Sweden	4.38	-0.55	1.06	4.38	3.85	2.06	4.38	6.85	3.56
UK	6.70	-0.19	0.38	6.70	5.20	1.30	6.70	7.61	2.78
Norway	3.92	-0.28	0.06	3.92	3.85	1.06	3.92	5.86	2.56
Denmark	4.18	-1.65	0.72	4.18	2.64	1.72	4.18	5.65	3.22
Finland	3.51	-1.39	0.80	3.51	3.00	1.80	3.51	6.01	3.30
Eurozone	5.18	0.00	0.91	5.18	4.39	1.91	5.18	7.44	3.41
USA	5.52	0.04	1.57	5.52	4.22	2.57	5.52	7.66	4.17
Unemployment									
Sweden	8.81	9.88	10.41	8.81	7.56	7.16	8.81	6.58	6.36
UK	4.80	6.84	8.40	4.80	4.50	4.80	4.80	3.34	3.40
Norway	3.13	4.52	5.33	3.13	2.30	2.23	3.13	1.90	1.93
Denmark	5.10	6.52	7.46	5.10	4.19	4.06	5.10	3.42	3.36
Finland	7.78	9.24	9.90	7.78	7.00	6.50	7.78	5.94	5.70
Eurozone	7.87	10.24	10.90	7.87	7.70	7.50	7.87	6.93	6.90
USA	5.46	6.72	7.05	5.46	4.08	3.55	5.46	3.41	2.95
Policy interest rate									
Sweden	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.50
UK	0.10	0.10	0.10	0.10	0.50	0.50	0.10	0.75	1.00
Norway	0.50	0.00	0.00	0.50	1.25	1.50	0.50	1.75	2.00
Denmark	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.30
Finland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
Eurozone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
USA	0.13	0.13	0.13	0.13	0.13	0.63	0.13	0.38	1.13
Property price trend, commercial real estate									
Sweden	11.14	-12.68	-6.97	11.14	9.10	6.30	11.14	16.99	15.62
UK	12.43	-9.95	-5.04	12.43	0.71	-0.74	12.43	5.66	1.14
Norway	2.52	-13.68	-8.53	2.52	4.07	-0.11	2.52	8.92	6.38
Denmark	6.28	-9.70	-6.55	6.28	4.69	2.62	6.28	9.28	8.81
Finland	6.04	-12.66	-5.35	6.04	7.62	5.65	6.04	14.81	13.62
Eurozone	0.71	-14.46	-6.82	0.71	4.25	3.02	0.71	9.74	10.48
USA	5.52	4.22	2.57	-2.86	1.36	-4.48	5.52	4.22	2.57
Property price trend, residential real estate									
Sweden	17.27	-4.98	0.83	17.27	5.01	1.73	17.27	11.11	2.15
UK	12.94	-6.25	-0.70	12.94	4.03	3.09	12.94	9.36	5.40
Norway	7.17	-5.30	4.44	9.97	2.99	1.48	12.47	8.35	2.62
Denmark	10.84	-3.40	-0.14	13.00	3.57	1.54	14.17	8.70	3.15
Finland	0.91	0.18	-0.29	1.42	3.50	2.50	4.71	3.80	1.63
Eurozone	-4.42	3.56	2.95	3.56	2.63	2.40	6.35	2.14	2.10

The table below shows the percentage increase/decrease in the provision for expected credit losses in Stage 1 and Stage 2, as at 31 December, which arises when a probability of 100% is assigned to the negative and positive scenarios, respectively.

	2021		2020	
%	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario
Sweden	18.30	-10.05	13.65	-7.55
UK	11.31	-6.30	11.08	-6.97
Norway	12.31	-6.82	11.78	-6.08
Denmark	15.00	-8.07	12.15	-6.82
Finland	3.91	-1.95	2.33	-1.12
The Netherlands	3.48	-1.80	2.75	-1.54
USA	50.58	-32.07	41.52	-24.50
Other countries	5.88	-2.76	14.29	-7.16

G10 Cont.

Sensitivity analysis, significant increase in credit risk

The table below shows how the provision in Stage 1 and Stage 2 as at 31 December is affected if the threshold value applied for the ratio between residual credit risk calculated on the reporting date and on initial recognition were to be set 0.5 units lower and higher, respectively, than the applied threshold value of 2.5. A reduction of 0.5 to the threshold value would increase the number of loans transferred from Stage 1 to Stage 2 and would also entail an increase in the provision for expected credit losses. An increase of 0.5 to the threshold value would have the opposite effect. The Bank uses both quantitative and qualitative indicators to assess significant increases in credit risk. Further information is provided in note G2 under the heading "Credit risk".

Change in the total provision in Stage 1 and Stage 2, % **Threshold value**	**2021**	**2020**
2	3.28%	2.77%
2.5	0.00%	0.00%
3	-1.92%	-1.77%

CREDIT EXPOSURES THAT ARE SUBJECT TO IMPAIRMENT TESTING, BY PD RANGE

Balance sheet items by PD range	**2021**			**2020**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	2,515,847	12,508	-	2,299,717	17,628	-
0.15 to <0.25	201,420	4,445	-	222,255	5,703	-
0.25 to <0.50	53,792	6,616	-	54,813	10,076	-
0.50 to <0.75	15,502	2,778	-	23,011	3,594	-
0.75 to <2.50	22,142	22,002	-	28,433	20,148	-
2.50 to <10.00	8,618	14,371	-	10,908	16,299	-
10.00 to <100	539	1,680	-	570	2,953	-
100 (default)	-	-	7,421	-	-	7,002
Total	**2,817,860**	**64,400**	**7,421**	**2,639,707**	**76,401**	**7,002**

Loans to the public by PD range	**2021**			**2020**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	2,093,842	12,506	-	1,907,655	17,624	-
0.15 to <0.25	167,635	4,444	-	184,364	5,702	-
0.25 to <0.50	44,769	6,615	-	45,469	10,074	-
0.50 to <0.75	12,902	2,777	-	19,088	3,593	-
0.75 to <2.50	18,428	21,999	-	23,586	20,144	-
2.50 to <10.00	7,172	14,369	-	9,048	16,295	-
10.00 to <100	448	1,680	-	473	2,952	-
100 (default)	-	-	7,421	-	-	7,002
Total	**2,345,196**	**64,390**	**7,421**	**2,189,683**	**76,384**	**7,002**

Off-balance sheet items by PD range	**2021**			**2020**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	357,043	4,073	-	330,056	2,903	-
0.15 to <0.25	17,621	799	-	20,485	989	-
0.25 to <0.50	15,381	401	-	17,502	1,719	-
0.50 to <0.75	6,973	1,081	-	5,979	932	-
0.75 to <2.50	7,563	1,175	-	15,250	2,464	-
2.50 to <10.00	1,275	1,694	-	1,832	1,326	-
10.00 to <100	168	254	-	162	410	-
100 (default)	-	-	336	-	-	433
Total	**406,024**	**9,477**	**336**	**391,266**	**10,743**	**433**

[1] Refers to 12-month PD value as at the reporting date.

Assets repossessed for protection of claims SEK m	**2021**	**2020**
Property	-	2
Movable property	0	2
Shares	0	0
Carrying amount	**0**	**4**

Movable property mainly consists of repossessed leased assets. The valuation principles for assets and liabilities repossessed for protection of claims are described in note G1.

G11 Gains/losses on disposal of property, equipment and intangible assets

SEK m	2021	2020
Equipment	14	3
Property	-	2
Total	**14**	**5**

G12 Earnings per share

	2021	2020
Profit for the year, SEK m	19,543	15,588
of which interest expenses on convertible subordinated loan after tax	*0*	*0*
Average number of shares converted during the year, millions	-	-
Average holdings of own shares in trading book, millions	-	-
Average number of outstanding shares, millions	1,980.0	1,980.0
Average dilution effect, number of shares, millions	0.0	0.0
Average number of outstanding shares after dilution, millions	1,980.0	1,980.0
Earnings per share, total operations, SEK	**9.86**	**7.87**
after dilution	9.86	7.87
Earnings per share, continuing operations, SEK	**9.51**	**7.35**
after dilution	9.51	7.35
Earnings per share, discontinued operations, SEK	**0.35**	**0.52**
after dilution	0.35	0.52

Earnings per share after dilution is measured by taking the effects of conversion of outstanding convertible shares into account. The implication of this is that the number of potential converted shares is added to the average number of outstanding shares and that profit for the year is adjusted for the year's interest expense on outstanding convertible subordinated loans after tax.

G13 Assets and liabilities held for sale, and discontinued operations

Assets and liabilities in the Bank's operations in Denmark and Finland constitute assets and liabilities held for sale and are disposal groups in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations. The operations in Denmark and Finland also constitute discontinued operations. For a description of the accounting policies, see note G1.

Disposal group and discontinued operation in Denmark consist of the following units:
- Handelsbanken AB (publ) international branch in Denmark
- Ejendomsselskabet af 1. maj 2009 A/S
- Lokalbolig A/S
- Handelsbanken Kredit (Stadshypotek AB (publ) international branch in Denmark)
- Handelsinvest Investeringsforvaltning A/S
- Handelsbanken Forsikringsformidling A/S

Disposal group and discontinued operation in Finland consist of the following units:
- Handelsbanken AB (publ) international branch in Finland
- Handelsbanken Asuntoluottopankki (Stadshypotek AB (publ) international branch in Finland)
- Handelsbanken Liv Försäkrings AB international branch in Finland
- Handelsbanken Liv Försäkrings AB in Finland.

Assets and liabilities held for sale

Assets and liabilities held for sale 2021 SEK m	**Denmark**	**Finland**	**Other assets held for sale**	**Total**
Assets				
Cash and balances with central banks	28,282	120,098		148,380
Other loans to central banks	207	0		207
Interest-bearing securities eligible as collateral with central banks	24	0		24
Loans to other credit institutions	36	57		93
Loans to the public	111,380	139,314	302	250,996
of which households	*64,292*	*43,253*	*1*	*107,546*
of which corporates	*47,088*	*96,061*	*301*	*143,450*
Bonds and other interest-bearing securities	17	0		17
Shares [1]	462	1		463
Assets where the customer bears the value change risk	6,770	10,457		17,227
Intangible assets	2,628	113		2,741
Property and equipment	241	336	62	639
Other	313	317		630
Total	**150,360**	**270,693**	**364**	**421,417**
Liabilities				
Due to credit institutions	230	344		574
Deposits and borrowing from the public	54,135	59,984		114,119
of which households	*23,662*	*19,699*		*43,361*
of which corporates	*30,473*	*40,285*		*70,757*
Liabilities where the customer bears the value change risk	6,770	10,457		17,227
Provisions	57	78		135
Other	514	1,353		1,867
Total	**61,706**	**72,216**		**133,922**

[1] An amount of SEK 46m for the full year 2021, related to these assets has been recognised in Other comprehensive income and in the fair value reserve in equity

The Bank has initiated a process to divest the units in Denmark and Finland. Denmark and Finland previously constituted their own segments of operations.

Other assets held for sale amounting to SEK 364m (1,657) consist mainly of finance leases in Handelsbanken Rahoitus Oy, which are recognised as loans on the balance sheet, see note G1, point 12. The plan is to divest the leases during the first quarter of 2022. In December 2021, the Bank entered into an agreement regarding the sale of three subsidiaries, each of which has its own property holding, located in Gothenburg, Gävle and Umeå respectively. The transactions will result in a capital gain of SEK 1.1bn, and settlement is expected in the first quarter of 2022.

The valuation of each disposal group at the lower of fair value after deductions for selling costs, and the carrying amount, has not led to any impairment loss.

Income, expenses and profit, discontinued operations

Denmark SEK m	**2021**	**2020**
Net interest income	1,540	1,661
Net fee and commission income	757	681
Net gains/losses on financial transactions	171	168
Risk result	1	2
Other income	40	8
Total income	**2,509**	**2,520**
Staff costs	-885	-899
Other expenses	-554	-449
Depreciation, amortisation and impairment of property, equipment and intangible assets	-44	-60
Total expenses	**-1,483**	**-1,408**
Net credit losses	23	-39
Gains/losses on disposal of property, equipment and intangible assets	-2	2
Profit for the year from discontinued operations, before tax	**1,047**	**1,075**
Taxes	**-193**	**-166**
Profit for the year from discontinued operations, after tax	**854**	**909**
Material internal transactions with continuing operations, which are eliminated in the income statement above[1]:		
Income	-142	-209
Expenses	-88	-71

G13 Cont.

Finland SEK m	2021	2020
Net interest income	915	866
Net fee and commission income	433	435
Net gains/losses on financial transactions	54	52
Risk result	7	-1
Other income	140	8
Total income	**1,549**	**1,360**
Staff costs	-542	-537
Other expenses	-630	-391
Depreciation, amortisation and impairment of property, equipment and intangible assets	-260	-71
Total expenses	**-1,432**	**-999**
Net credit losses	41	-93
Gains/losses on disposal of property, equipment and intangible assets	-	-5
Profit for the year from discontinued operations, before tax	**158**	**263**
Taxes	**-317**	**-141**
Profit for the year from discontinued operations, after tax	**-159**	**122**
Material internal transactions with continuing operations, which are eliminated in the income statement above[1]:		
Income	594	485
Expenses	-137	-114

[1] Only external income and expenses are included in profit for the year from both continuing and discontinued operations. The discontinued operations have material internal transactions with the continuing operations, which are thus eliminated in the accounting. For example, all funding and liquidity management has been centralised at the Group Treasury unit in Sweden. Thus, loans to the public in Denmark and Finland are funded through internal loans from Group Treasury. Interest expenses deriving from internal borrowing are eliminated in the accounting, and are therefore not included in the net interest income figure above.

Total profit for the year from discontinued operations, after tax	**695**	**1,031**

Fee and commission income by product, discontinued operations

	2021		2020	
SEK m	Denmark	Finland	Denmark	Finland
Brokerage and other securities commissions	60	27	54	25
Mutual funds	173	7	123	5
Custody and other asset management fees	179	48	161	74
Advisory services	19	4	35	2
Insurance	24	87	25	75
Payments	171	297	169	319
Loans and deposits	61	90	69	99
Guarantees	72	20	65	24
Other	83	15	79	14
Total fee and commission income	**842**	**595**	**780**	**637**

Staff costs, discontinued operations

Denmark and Finland SEK m	2021	2020
Salaries and fees[2]	-1,082	-1,121
Social security costs	-108	-123
Pension costs	-146	-151
Provision for the profit-sharing scheme	-19	0
Other staff costs	-72	-41
Total	**-1,427**	**-1,436**

[2] Of which SEK 7.0m (8.2) to executive officers (CEO and boards in subsidiaries and, for 2020, also Deputy CEOs in the parent company).

Average number of employees	2021	Men	Women	2020	Men	Women
Denmark	632	325	307	644	331	313
Finland	569	256	313	565	249	316
Total	**1,201**	**581**	**620**	**1,209**	**580**	**629**

Cash flows, discontinued operations

Denmark and Finland SEK m	2021	2020
Cash flow from operating activities	28,015	8,587
Cash flow from investing activities	-189	54
Cash flow from financing activities	-45	-
Cash flow for the year from discontinued operations	**27,781**	**8,641**

G14 Other loans to central banks

SEK m	2021	2020
Other loans to central banks in Swedish kronor	-	-
Other loans to central banks in foreign currency	1,255	21,326
Total	**1,255**	**21,326**
Provision for expected credit losses	-	-
Total other loans to central banks	**1,255**	**21,326**
of which accrued interest income	-	*0*
of which reverse repos	-	-

Average volumes SEK m	2021	2020
Other loans to central banks in Swedish kronor	5,894	27,226
Other loans to central banks in foreign currency	5,872	21,838
Total	**11,766**	**49,064**
of which reverse repos	-	-

Other loans to central banks attributable to the disposal groups Denmark and Finland and have been reclassified to Assets held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G15 Loans to other credit institutions

SEK m	2021	2020
Loans in Swedish kronor		
Banks	903	1,489
Other credit institutions	171	595
Total	**1,074**	**2,084**
Loans in foreign currency		
Banks	14,292	16,305
Other credit institutions	6,384	3,539
Total	**20,676**	**19,844**
Provision for expected credit losses	-5	-8
Total loans to other credit institutions	**21,745**	**21,920**
of which accrued interest income	*12*	*20*
of which reverse repos	*12,127*	*523*

Average volumes SEK m	2021	2020
Loans to other credit institutions in Swedish kronor	2,998	3,963
Loans to other credit institutions in foreign currency	46,539	40,137
Total	**49,537**	**44,100**
of which reverse repos	*16,061*	*3,649*

Loans to other credit institutions attributable to the disposal groups Denmark and Finland and have been reclassified to Assets held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G16 Loans to the public

SEK m	2021	2020
Loans in Swedish kronor		
Households	959,910	912,706
Companies	535,531	506,969
National Debt Office	2,173	474
Total	**1,497,614**	**1,420,149**
Loans in foreign currency		
Households	244,391	325,854
Companies	423,569	527,066
National Debt Office	-	-
Total	**667,960**	**852,920**
Provision for expected credit losses	-2,439	-3,457
Total loans to the public	**2,163,135**	**2,269,612**
of which accrued interest income	*2,429*	*2,635*
of which reverse repos	*13,649*	*11,627*
of which subordinated	*-*	*-*

Average volumes, excl. National Debt Office SEK m	2021	2020
Loans to the public in Swedish kronor	1,470,257	1,419,122
Loans to the public in foreign currency	812,840	886,921
Total	**2,283,097**	**2,306,043**
of which reverse repos	*19,690*	*18,349*

Loans to the public attributable to the disposal groups Denmark and Finland and have been reclassified to Assets held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G17 Interest-bearing securities

	2021			2020		
SEK m	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Interest-bearing securities eligible as collateral with central banks	100,538	100,538	103,881	99,133	99,133	97,169
of which accrued interest income	*160*			*195*		
Bonds and other interest-bearing securities	33,317	33,317	29,611	44,566	44,566	41,498
of which accrued interest income	*124*			*185*		
Total	**133,855**	**133,855**	**133,492**	**143,699**	**143,699**	**138,667**
of which subordinated	*-*	*-*		*4*	*4*	

Interest-bearing securities broken down by issuer	2021			2020		
SEK m	Carrying amount	Fair value	Nominal amount	Carrying amount	Fair value	Nominal amount
Government	100,538	100,538	103,881	99,133	99,133	97,169
Credit institution	6,590	6,590	6,118	9,091	9,091	8,656
Mortgage institutions	20,516	20,516	19,147	29,347	29,347	26,962
Other	6,211	6,211	4,346	6,128	6,128	5,880
Total	**133,855**	**133,855**	**133,491**	**143,699**	**143,699**	**138,667**

Interest-bearing securities that are subject to impairment testing SEK m	2021	2020
Interest-bearing securities eligible as collateral with central banks		
Fair value through other comprehensive income	397	401
Amortised cost	-	780
Total gross volumes	**397**	**1,181**
Provision for expected credit losses on instruments measured at amortised cost	-	-
Total carrying amount	**397**	**1,181**
Provision for expected credit losses recognised in the fair value reserve in equity	-	-
Bonds and other interest-bearing securities		
Fair value through other comprehensive income	9,016	7,964
Total carrying amount	**9,016**	**7,964**
Provision for expected credit losses recognised in the fair value reserve in equity	-2	-2

G17 Cont.

Average volumes SEK m	2021	2020
Interest-bearing securities	155,427	167,535
Interest-bearing securities, insurance operations	-	-
Total	**155,427**	**167,535**

Interest-bearing securities attributable to the disposal groups Denmark and Finland and have been reclassified to Assets held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G18 Shares

SEK m	2021	2020
Fair value through profit or loss, mandatory	19,017	20,245
Fair value through other comprehensive income	454	800
Total shares	**19,471**	**21,045**

Holdings at fair value through other comprehensive income SEK m	2021	2020
BEC	-	295
Visa Inc	170	155
VIPPS A/S	62	26
Other holdings	222	324
Total	**454**	**800**

Handelsbanken classifies the shareholdings above as measured at fair value through other comprehensive income, as these holdings are not held for trading. During the year Handelsbanken received dividends only on shares still held at the end of the reporting period. These dividends total SEK 2m (52) and are recognised in the income statement under Other dividend income. During the year, the Bank divested its holding in Visa Sweden Ekonomisk Förening and a number of housing co-operative associations for a total of SEK 1m (1,688). The primary reasons for the divestments were reallocations, branch closures and adjustments to the shares in relation to the participating interests.

For information about realised and unrealised gains/losses on equity instruments measured at fair value through other comprehensive income, refer to the Statement of changes in equity for the Group.

Shares attributable to the disposal groups Denmark and Finland have been reclassified to Assets held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G19 Investments in associates and joint ventures

There are no individually significant investments in associates or joint ventures held by Handelsbanken. There are certain entities that are considered strategic to the banking operations of the Group through their provision of, for example, payment services. All investments are unlisted.

Investments in associates and joint ventures SEK m	2021	2020
Carrying amount at beginning of year	386	285
Share of profit for the year	63	18
Tax	-22	-13
Shareholders' contribution	51	12
Acquisitions	-	84
Carrying amount at end of year	**478**	**386**

Income from associates and joint ventures SEK m	2021	2020
Profit for the year	63	18
Other comprehensive income	-	-
Total comprehensive income for the year	**63**	**18**

					Carrying amount, SEK m	
Associates	**Corporate identity number**	**Domicile**	**Number of shares**	**Voting power, %**	**2021**	**2020**
Bankomat AB	556817-9716	Stockholm	150	20.00	88	77
BGC Holding AB	556607-0933	Stockholm	25,382	25.54	278	197
Dyson Group plc	00163096	Sheffield	74,333,672	24.01	31	22
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12,735	28.30	30	22
Getswish AB	556913-7382	Stockholm	10,000	20.00	19	16
USE Intressenter AB	559161-9464	Stockholm	2,448	24.48	0	0
Total					**446**	**334**

					Carrying amount, SEK m	
Joint ventures	**Corporate identity number**	**Domicile**	**Number of shares**	**Voting power, %**	**2021**	**2020**
P27 Nordic Payment Platform AB	559198-9610	Stockholm	10,000	16.67	25	39
Invidem AB	559210-0779	Stockholm	10,000	16.67	7	13
Total					**32**	**52**

G20 Assets where the customer bears the value change risk

SEK m	2021	2020
Unit-linked and portfolio bond insurance assets	235,209	191,035
Other fund assets	552	6,177
Total	**235,761**	**197,212**

Assets where the customer bears the value change risk attributable to the disposal groups Denmark and Finland and have been reclassified to Assets held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G21 Derivative instruments

	Nominal amount/maturity			Nominal amount		Positive market values		Negative market values	
SEK m	Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	2021	2020	2021	2020	2021	2020
Derivatives held for trading									
Interest rate-related contracts									
Options	7,566	12,511	2,273	22,350	24,650	50	9	51	14
FRA/futures	388,452	153,608	-	542,060	318,439	76	52	64	40
Swaps	441,845	1,307,547	332,595	2,081,987	1,630,962	15,902	20,504	16,307	21,365
Currency-related contracts									
Options	20,614	36	22	20,672	24,729	69	118	131	195
Futures	76,491	5,988	395	82,874	69,687	907	920	661	1,344
Swaps	574,511	51,203	6,348	632,062	559,695	10,576	5,892	5,131	17,548
Equity-related contracts									
Options	3,126	560	84	3,770	5,194	375	255	189	136
Futures	580	-	-	580	855	9	15	11	16
Swaps	11,561	3,122	-	14,683	16,150	341	137	723	1,569
Commodity-related contracts									
Options	341	-	14	355	671	41	22	55	60
Futures	835	100	-	935	3,654	111	390	237	312
Credit-related contracts									
Swaps	84	4,751	18	4,853	6,501	294	229	169	158
Total	**1,526,006**	**1,539,426**	**341,749**	**3,407,181**	**2,661,187**	**28,751**	**28,543**	**23,729**	**42,757**
Derivatives for fair value hedges									
Interest rate-related contracts									
Options	697	364	-	1,061	2,806	1	-	-	-
Swaps	60,642	296,260	101,557	458,459	304,085	3,406	3,106	2,428	630
Currency-related contracts									
Swaps	-	566	896	1,462	1,377	156	101	-	-
Total	**61,339**	**297,190**	**102,453**	**460,982**	**308,268**	**3,563**	**3,207**	**2,428**	**630**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	102,555	188,778	26,909	318,242	432,761	5,625	11,677	1,023	2,727
Currency-related contracts									
Swaps	84,690	137,056	48,081	269,827	281,914	10,604	12,531	3,660	7,751
Total	**187,245**	**325,834**	**74,990**	**588,069**	**714,675**	**16,229**	**24,208**	**4,683**	**10,478**
Total derivative instruments	**1,774,590**	**2,162,450**	**519,192**	**4,456,232**	**3,684,130**	**48,543**	**55,958**	**30,840**	**53,865**
of which exchange-traded derivatives				*182,857*	*108,653*	*130*	*332*	*804*	*756*
of which OTC derivatives settled by CCP				*2,982,431*	*2,245,982*	*18,731*	*22,987*	*15,867*	*18,717*
of which OTC derivatives not settled by CCP				*1,290,944*	*1,329,495*	*29,682*	*32,639*	*14,169*	*34,392*
Amounts offset				-2,691,986	-2,110,391	-20,035	-25,344	-17,056	-21,046
Net amount				**1,764,246**	**1,573,739**	**28,508**	**30,614**	**13,784**	**32,819**
Currency breakdown of market values									
SEK						-242,957	41,263	517	301,858
USD						299,987	-70,582	-19,297	-381,894
EUR						115,908	129,283	-94,250	-94,785
Others						-124,395	-44,006	143,870	228,686
Total						**48,543**	**55,958**	**30,840**	**53,865**

Derivative contracts are presented gross in the note. Amounts offset consist of the offset market value and the associated nominal amounts of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis on the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 gains/losses) over the life of the derivative. Such not yet recognised day 1 gains amounted to SEK 489m (538) at year-end.

G22 Hedge accounting and the Interest Rate Benchmark Reform

The Group's overall objective for its risk management and hedge accounting is to protect itself against the risk of variations in future cash flows and fair values attributable to lending and borrowing arising from changes in interest rates and exchange rates. In order to achieve this objective, the Group makes use of derivatives. Hedge accounting is applied to ensure that the Group's risk management strategy is reflected in the financial reports. For information about the Group's management of market risk, refer to note G2. The hedging strategies and various types of hedge accounting applied by the Group are described below, divided into risk categories. For a description of the accounting policies for hedge accounting, see note G1.

CASH FLOW HEDGES

Interest rate risk in variable-rate lending and borrowing

The purpose of this hedging strategy is to minimise the uncertainty associated with future incoming and outgoing payments of interest arising due to changes in variable interest rates, and instead to receive and pay amounts according to fixed interest rates which are known when entering into the hedge. The hedged item consists of highly probable future incoming and outgoing payments relating to variable-rate lending to the public and to issued floating-rate securities. The hedged risk is defined as a floating reference rate in the respective currency, which comprises an observable component of the interest. The hedging instruments consist of interest rate swaps, in which a fixed interest rate is received and a variable interest rate is paid, or a fixed interest rate is paid and a variable interest rate is received.

Foreign exchange risk in funding

The hedging strategy aims to minimise the uncertainty associated with future payments of interest arising due to changes in exchange rates, and instead to pay interest in the functional currency, at a rate which is known when entering into the hedge. The hedged item consists of highly probable future interest payment and repayments of nominal amounts attributable to issued securities in a currency other than the functional currency. The hedged risk is comprised of the risk of changes in these future payments arising due to fluctuations in the exchange rate between the funding currency and the functional currency. The hedging instruments consist of currency-related derivatives.

Foreign exchange risk in internal loans to or from foreign operations

The intention of this hedging strategy is to minimise the risk of volatility linked to fluctuations in exchange rates on internal loans to or from foreign operations. The hedged item consists of the nominal amount of an internal loan between the Group's treasury department and a foreign operation, issued in the functional currency of the foreign operation. The hedged risk consists of the risk of changes in cash flows attributable to interest payments, and repayments of nominal amounts, due to differences in the exchange rate between the currency of the internal loan and the parent company's functional currency, the Swedish krona. The hedging instruments consist of currency-related derivatives.

Measuring effectiveness

The effectiveness of a hedge relationship is tested at the initiation of the relationship and thereafter on a quarterly basis. The effectiveness of hedges is tested from both a prospective and retrospective standpoint. Prospectively by shifting yield curves and discount curves. Retrospectively, in the event that the conditions for the hedged risk and the hedging instrument are not fully consistent, through regression analysis. 'Fully consistent' in this context implies that the cash flows and discounting factors are identical at all times. When effectiveness is measured, the hedged risk is represented by a perfectly effective hypothetical derivative (PEH), which matches the critical conditions of the hedged item. The fair value of the hypothetical derivative (PEH) is zero at the start date of the hedge relationship. Measuring effectiveness entails a comparison of the change in fair value of the hypothetical derivative (PEH) with the change in fair value of the actual derivative.

Criteria applied in measuring effectiveness

In order to qualify for hedge accounting, the ratio between the change in fair value of the hedged risk in the hedged item, represented by the hypothetical derivative (PEH), and the actual derivative must be within the 80–125% interval. In the cases where this is checked through regression analysis, the following criteria must be fulfilled in order to establish an effective hedge relationship:

- The gradient of the curve must be within the interval $0.8 < b < 1.25$.
- R^2 must be >0.96.

Hedging instruments in cash flow hedges	2021			2020		
SEK m	Up to 1 yr	1–5 yrs	Over 5 yrs	Up to 1 yr	1–5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	21,876	55,029	13,677	13,181	70,910	16,070
Average fixed interest, %	0.57	0.47	0.76	0.48	0.48	0.73
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	80,679	133,749	13,232	110,939	193,987	27,674
Average fixed interest, %	2.06	1.28	2.10	2.28	1.62	1.40
Foreign exchange risk						
Foreign exchange derivatives, EUR/SEK						
Nominal amount	14,725	51,011	1,028	24,147	52,180	13,880
Average exchange rate EUR/SEK	0.1066	0.0986	0.0970	1.0825	0.7212	0.9693
Foreign exchange derivatives, EUR/NOK						
Nominal amount	10,899	30,223	35,027	4,344	29,590	17,590
Average exchange rate EUR/NOK	0.1187	0.1038	0.0964	0.1310	0.1110	0.3905
Foreign exchange derivatives, GBP/SEK						
Nominal amount	-	7,553	-	-	7,195	-
Average exchange rate GBP/SEK	-	0.0907	-	-	1.0079	-
Foreign exchange derivatives, USD/GBP						
Nominal amount	-	6,942	918	11,011	6,289	831
Average exchange rate USD/GBP	-	1.2930	1.3157	1.3860	1.2930	1.3150
Foreign exchange derivatives, USD/NOK						
Nominal amount	14,409	22,140	-	40,197	12,901	-
Average exchange rate USD/NOK	0.1178	0.1137	-	0.1170	0.1260	-
Foreign exchange derivatives, USD/SEK						
Nominal amount	35,654	2,264	9,057	9,206	12,805	8,613
Average exchange rate USD/SEK	0.1169	0.1105	0.1105	0.1166	0.5162	0.11
Foreign exchange derivatives, AUD/USD						
Nominal amount	-	5,923	-	3,034	5,492	-
Average exchange rate AUD/USD	-	1.3770	-	1.3930	1.3770	-
Foreign exchange derivatives, other currency pairs						
Nominal amount	9,003	11,000	2,051	11,573	11,036	-
Total	**187,245**	**325,834**	**74,990**	**227,632**	**402,385**	**84,658**

G22 Cont.

Ineffectiveness

Ineffectiveness is measured through a comparison of the change in the fair value of the hedged risk in the hedged item, represented by the hypothetical derivative (PEH), with the change in fair value of the actual derivative. The hedge is deemed ineffective if the change in fair value of the derivative exceeds the change in value of the hypothetical derivative (PEH) in absolute terms.

The main explanations for ineffectiveness in these hedge relationships are differences in market interest rates and exchange rates between the start date of the hedge relationship and the transaction date for the derivative. Ineffectiveness is also explained by changes in fair value attributable to certain interest components in the derivative which are not included in the hedged risk.

Hedging instruments and ineffectiveness in cash flow hedges 2021 SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments: Assets	Carrying amount hedging instruments: Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	90,582	248	1,019	1,946	1,952	-6	-
Interest rate swaps, variable interest paid and fixed interest received	227,660	5,377	4	-4,272	-4,272	-	175
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/SEK	66,764	2,333	997	190	190	-	-
Foreign exchange derivatives, EUR/DKK	2,051	3	-	8	8	-	-
Foreign exchange derivatives, EUR/GBP	6,514	606	-	34	32	2	-
Foreign exchange derivatives, EUR/NOK	76,150	2,750	1,429	-14	-11	-3	-
Foreign exchange derivatives, GBP/SEK	7,553	758	-	-8	-8	-	-
Foreign exchange derivatives, USD/DKK	6,918	330	87	60	60	-	-
Foreign exchange derivatives, USD/GBP	7,859	-	339	8	8	-	-
Foreign exchange derivatives, USD/NOK	36,549	1,303	721	47	47	-	-
Foreign exchange derivatives, USD/SEK	46,976	2,041	-	295	295	-	-
Foreign exchange derivatives, AUD/USD	5,923	50	-	-77	-77	-	3
Foreign exchange derivatives, other currency pairs	6,570	430	87	-15	-15	-	1
Total	**588,069**	**16,229**	**4,683**	**-1,798**	**-1,791**	**-7**	**179**

Hedging instruments and ineffectiveness in cash flow hedges 2020 SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments: Assets	Carrying amount hedging instruments: Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	100,161	1	2,727	-1,031	-1,031	-	-
Interest rate swaps, variable interest paid and fixed interest received	332,600	11,676	-	380	379	1	211
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/SEK	90,207	3,327	1,700	-83	-83	-	-
Foreign exchange derivatives, EUR/DKK	3,516	-	9	-33	-33	-	-
Foreign exchange derivatives, EUR/GBP	9,628	1,123	-	81	81	-	-
Foreign exchange derivatives, EUR/NOK	51,524	5,559	259	234	231	3	-
Foreign exchange derivatives, GBP/SEK	7,195	40	-	-4	-4	-	-
Foreign exchange derivatives, USD/GBP	18,131	271	448	-60	-57	-3	-
Foreign exchange derivatives, USD/NOK	53,098	1,142	1,903	-52	-52	-	-
Foreign exchange derivatives, USD/SEK	30,624	-	2,704	-364	-364	-	-
Foreign exchange derivatives, AUD/USD	8,526	621	-	45	45	-	-5
Foreign exchange derivatives, other currency pairs	9,465	448	728	12	13	-1	43
Total	**714,675**	**24,208**	**10,478**	**-875**	**-875**	**0**	**249**

[1] When analysing for the purposes of hedge accounting, the conversion to the parent company's functional currency, SEK, is taken into account by imputing nominal derivative legs in the hedging relationships. The imputed derivative legs are not included in the nominal volumes presented in the tables above.

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet.
Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions.
Reclassified to the income statement is included under Net gains/losses on financial transactions and refers to cash flow hedges terminated before their maturity date.

Hedged items in cash flow hedges SEK m	2021 Change in value used to calculate ineffectiveness	2021 Hedge reserve	2021 Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied	2020 Change in value used to calculate ineffectiveness	2020 Hedge reserve	2020 Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk						
Issued variable-interest securities	-1,952	-600	-	1,031	-2,576	-
Variable-interest loans to the public	4,272	3,468	1,153	-379	7,946	1,327
Foreign exchange risk						
Securities issued in EUR and internal loans in DKK, GBP and NOK	-218	-553	-	-87	-779	-
Securities issued in USD and internal loans in DKK, EUR, GBP and NOK	-410	-16	88	499	-427	86
Issued securities and internal loans in other currencies	99	-46	10	-189	59	17
Total	**1,791**	**2,253**	**1,251**	**875**	**4,223**	**1,430**

G22 Cont.

FAIR VALUE HEDGES

Interest rate risk in fixed-rate lending and borrowing

The purpose of this hedging strategy is to minimise the risk of changes in the fair values of fixed-interest lending and borrowing arising from changes in market interest rates. The hedged risk is defined as the reference rate in the respective currency, which comprises an observable component of the interest. The hedged items are comprised of fixed-interest loans to the public and issued fixed-interest securities. The hedging instruments consist of interest rate swaps, in which a fixed interest rate is paid and a variable interest rate is received, or a fixed interest rate is received and a variable interest rate is paid.

Measuring effectiveness

The effectiveness of the hedges is measured through a comparison of the change in the fair value of the hedged risk in lending and borrowing with the change in fair value of the interest rate swaps. The effectiveness is measured from both a prospective and retrospective standpoint. Prospectively by shifting yield curves and discount curves and retrospectively through regression analysis. The effectiveness of a hedge relationship is tested at the initiation of the relationship and thereafter on a quarterly basis. The criteria which must be fulfilled to qualify for hedge accounting are consistent with those described above in the section about cash flow hedges.

Ineffectiveness

Ineffectiveness is measured through a comparison of the change in the fair value of the interest rate swap with the change in fair value of the hedged risk in lending and borrowing from the hedge relationship's start date to the end of the period.

The main explanation for ineffectiveness in these hedge relationships is changes in fair value arising from the variable interest in the interest rate swap, which is not matched by a change in value in the hedged risk in the lending or borrowing.

PORTFOLIO HEDGING OF FAIR VALUE, WITH REGARD TO INTEREST RATE RISK

Interest rate risk in fixed-rate lending portfolios

This hedging strategy aims to minimise the risk of changes in the fair values of fixed-interest lending portfolios arising from changes in market interest rates. The hedged risk is defined as changes in the fair value of a portion of a lending portfolio with fixed interest, with regard to changes in a reference rate in each currency. The hedged item consists of an amount in a currency determined on the basis of a fixed-rate lending portfolio. The lending portfolio is divided into interest rate fixing periods. The hedged amount is established on the basis of the interest rate risk the Bank wishes to hedge in the selected interest rate fixing periods. The hedging instruments consist of interest rate swaps, in which a variable interest rate is received and a fixed interest rate is paid. One or more hedging instruments are defined for each interest rate fixing period.

A description of the measuring of effectiveness and ineffectiveness is provided in the Fair value hedges section above.

Interest rate risk in variable-rate lending portfolios with a rate cap

The purpose of this hedging strategy is to minimise the risk of changes in the fair values of lending portfolios with a three-month interest rate adjustment period, where the borrower has a rate cap. The hedged risk is defined as the reference rate in the agreed rate cap. The hedging instruments consist of interest rate options (caps).

The nominal lending volume hedged for a certain period is determined on a quarterly basis. Effectiveness is calculated by comparing the change in the fair value of the rate cap during the period with the change in fair value of the interest rate options (caps). The ratio must be within the 80–125% interval for the hedge to qualify for hedge accounting.

The main explanations for ineffectiveness in these hedge relationships are deviations in the maturity and interest rate between interest rate caps in lending and interest rate options (caps), because the volume for each cap is determined for a portfolio of loans with interest rate caps and not for each individual loan.

Hedging instruments in fair value hedges	2021			2020		
SEK m	Up to 1 yr	1–5 yrs	Over 5 yrs	Up to 1 yr	1–5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	-	-	-	31,706	148,863	1,698
Average fixed interest, %	-	-	-	0.06	0.03	0.28
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	904	111,407	74,265	-	53,834	60,040
Average fixed interest, %	0.22	0.76	0.94	-	0.97	1.03
Cross-currency interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	-	566	896	-	534	843
Average fixed interest, %	-	3.26	3.69	-	3.26	3.69

Hedging instruments and ineffectiveness in fair value hedges 2021	Nominal amount hedging instruments	Carrying amount hedging instruments		Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
SEK m		Assets	Liabilities		
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	-	-	-	-	-
Interest rate swaps, variable interest paid and fixed interest received	186,576	1,406	2,271	-3,891	-38
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,462	156	-	-54	5
Total	**188,038**	**1,562**	**2,271**	**-3,945**	**-33**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	271,883	2,000	157	2,285	40
Interest rate options (cap)	1,061	1	-	8	-
Total	**272,944**	**2,001**	**157**	**2,293**	**40**

G22 Cont.

Hedging instruments and ineffectiveness in fair value hedges 2020 SEK m	Nominal amount hedging instruments	Carrying amount hedging instruments		Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
		Assets	Liabilities		
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	182,267	72	442	-222	-7
Interest rate swaps, variable interest paid and fixed interest received	113,874	3,030	169	1,143	56
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,377	101	-	100	0
Total	**297,518**	**3,203**	**611**	**1,021**	**49**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	7,944	4	19	-13	0
Interest rate options (cap)	2,806	0	-	13	0
Total	**10,750**	**4**	**19**	**0**	**0**

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet. Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions.

Hedged items in fair value hedges 2021 SEK m	Carrying amount hedged item		Accumulated fair value adjustment included in the carrying amount of the hedged item		Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Fixed-interest loans to the public	-		-		-	-
Issued fixed-interest securities and subordinated liabilities		188,536		-2,656	3,912	-
Total	**-**	**188,536**	**-**	**-2,656**	**3,912**	**-**
Portfolio fair value hedges[1]						
Interest rate risk						
Fixed-interest loans to the public	-1,904				-2,245	-
Interest rate cap on variable rate lending	4				-8	-
Total	**-1,900**				**-2,253**	**-**

[1] The volume of the underlying lending portfolio was SEK 272,277m (10,691) as at 31 December 2021.

Hedged items in fair value hedges 2020 SEK m	Carrying amount hedged item		Accumulated fair value adjustment included in the carrying amount of the hedged item		Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Fixed-interest loans to the public	188,468		329		215	-
Issued fixed-interest securities and subordinated liabilities		119,410		1,110	-1,187	-
Total	**188,468**	**119,410**	**329**	**1,110**	**-972**	**-**
Portfolio fair value hedges						
Interest rate risk						
Fixed-interest loans to the public	13				13	-
Interest rate cap on variable rate lending	12				-13	-
Total	**25**				**0**	

HEDGING OF FOREIGN EXCHANGE RISK IN NET INVESTMENTS IN FOREIGN OPERATIONS

The purpose of the hedging strategy is to reduce foreign exchange exposure in a net investment in a foreign operation. The hedged item constitutes the nominal amount of a long-term, internal loan between the Group's treasury department and a foreign operation, issued in the functional currency of the foreign operation. Qualification as a part of an investment in a foreign operation requires that a repayment of the internal loan is neither planned nor probable in the foreseeable future. The hedged risk is comprised of the value change risk on a net investment in a foreign operation, arising due to changes in the exchange rate between the foreign operation's functional currency and the parent company's functional currency, the Swedish krona. The hedging instruments consist of currency-related derivatives. All hedge relationships in this category are older in nature, and the Bank enters into no new hedging relationships in this hedging strategy, for which reason no information in table form is provided for this hedging strategy.

Measuring effectiveness

When the effectiveness of the hedging of a net investment in a foreign operation is measured, the equivalent procedures are applied as for measuring the efficiency of cash flow hedges, which are described above in the section about cash flow hedges.

Ineffectiveness

Ineffectiveness is calculated in the same manner as for cash flow hedges, which is described above in the section about cash flow hedges.

The main explanation for ineffectiveness in these hedge relationships are differences in exchange rates between the start date of the hedge relationship and the transaction date for the derivative.

For a specification of changes in the hedge reserve and the translation reserve, see note G39.

G22 Cont.

INTEREST RATE BENCHMARK REFORM

Amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement

As of the 2020 financial year, amendments to IAS 39 have been implemented which introduce temporary exemptions from applying certain specific hedge accounting requirements for hedging relationships directly affected by the Interest Rate Benchmark Reform. The Bank elected to early adopt the amendments in the annual report for 2019, as permitted in accordance with IAS 39. The purpose of the temporary exemptions is to prevent the break-up of hedging relationships solely due to the uncertainty brought about by the Interest Rate Benchmark Reform. See note G1, point 11.

As of the 2021 financial year, amendments to IFRS 9 have been in effect when modifying financial assets and financial liabilities as a direct consequence of the Interest Rate Benchmark Reform. The modifications constitute a change of the effective interest rate, and any gains or losses arising due to the modification are thus not recognised. In addition, amendments have been made to IAS 39, which allow for certain exemptions from hedge accounting requirements when existing reference rates in hedging relationships are replaced with alternative reference rates. The purpose of the amendments is to prevent the break-up of hedging relationships solely due to the implementation of the Interest Rate Benchmark Reform. See note G1, sections 2 and 11.

Adaptations to the Interest Rate Benchmark Reform

A large amount of work is being carried out internationally to develop alternative reference interest rates, consisting of “Nearly Risk-free Rates” (RFRs). Within the EU, interbank interest rates are in the process of being adapted to fulfil the requirements of the Benchmark Regulation ((EU) 2016/1011), concurrently with the work to develop alternative RFRs.

Extensive adaptation work is currently under way at the Bank preparing for a transition to RFRs, including central adaptations to IT systems for derivatives and IBOR loans, and local adaptations to IT systems for loan products in the respective countries. The central project also involves the updating of agreements, e.g. ISDA and framework agreements, and the preparation of plans for communication with customers and counterparties. In addition, the work also involves assessing the impact on accounting, the measurement of financial instruments and risk measurements which would be caused by a transition to RFRs.

During the year, the Bank has mainly worked on adapting and developing its IT systems for issues of securities and trading in derivatives within Group Treasury and Handelsbanken Capital Markets, and loan products administrated within Handelsbanken Capital Markets. The adaptations and developments to IT systems are necessary in part due to the fact that the alternative RFRs are calculated by reference to historical transaction data, whereas existing interbank rates are calculated on a forward-looking basis. The adaptations and developments to IT systems have been undertaken centrally in Sweden and locally in the Bank’s overseas units in the UK and USA. As part of the adaptation work, significant focus has been given to ensuring that the subsidiary Handelsbanken plc can offer lending products with interest rates tied to the Bank of England base rate or alternative RFRs, respectively. As of April 2021, Handelsbanken plc can offer lending products and derivatives with interest rates tied to the Bank of England base rate.

During the year, an outstanding GBP bond was converted from Libor to SONIA. In addition, the Bank issued a number of new instruments (CD in New York) in USD which use SOFR as the reference. All derivative agreements regarding interest rate swaps and cross-currency swaps that refer to GBP Libor, EUR Libor, CHF Libor or JPY Libor, and that are cleared via London Clearing House (LCH), began referring to an alternative RFR in December.

Assessed impact of Benchmark Reform on significant interbank interest rates and hedging relationships

Interbank rates in the Bank’s home markets and the USA are deemed to be material to the Bank, and consist of Stibor, GBP Libor, USD Libor, Euribor and Nibor.

There has been no announcement that Stibor will cease as a reference rate. The Riksbank has developed an RFR in SEK for T/N, Swestr (Swedish krona Short Term Rate), which can be used as a reference rate in financial contracts as of 1 September 2021. Stibor must fulfil the requirements imposed by the Benchmark Regulation, and must be approved by the Swedish Financial Supervisory Authority. The application for approval must be submitted before the end of 2021, as Stibor is classified as a critical reference rate under the Benchmark Regulation. A project to prepare an application for the approval of Stibor according to the Benchmark Regulation has been undertaken within the Swedish Financial Benchmark Facility, which was submitted to the Swedish Financial Supervisory Authority on 27 December 2021. The Bank’s assessment, at present, is that Stibor will be approved according to the Benchmark Regulation and will remain as a reference rate.

The Financial Conduct Authority (FCA) has confirmed that all LIBOR for GBP, EUR, CHF and JPY, plus 1-week and 2-month USD, will either stop being published by any administrator or cease to be representative from 31 December 2021. For the remaining USD LIBOR, these will be discontinued directly after 30 June 2023. GBP Libor will be replaced with SONIA (Reformed Sterling Overnight Index Average) and USD Libor will be replaced with SOFR (Secured Overnight Financing Rate).

A reformed Euribor has been developed and approved as a reference rate in accordance with the Benchmark Regulation. The ESTER (Euro Short Term Rate) has been confirmed as RFR in euro, and is published from 2 October 2019. Up until 2021, ESTER will be published parallel to the current 1-day interbank interest rate,

Hedging instruments included in hedging relationships affected by uncertainty brought about by the Interest Rate Benchmark Reform

SEK m	Nominal amounts 31 December 2021
Interest rate swaps USD	48,268
Cross-currency interest rate swaps AUD/USD	5,923
Cross-currency interest rate swaps USD/DKK	6,188
Cross-currency interest rate swaps USD/EUR	896
Cross-currency interest rate swaps USD/GBP	7,859
Cross-currency interest rate swaps USD/NOK	12,712
Cross-currency interest rate swaps USD/SEK	11,321
Total	**93,167**

G22 Cont.

EONIA. EONIA will be discontinued on 3 January 2022. A reformed Euribor has been approved and will continue to be published. The Bank's assessment is that Euribor will remain as a reference rate.

The interbank rate Nibor in Norway has been approved according to the Benchmark Regulation by the Norwegian supervisory authority. The Bank's assessment is that Nibor will remain as a reference rate.

In assessing whether there is any uncertainty due to the Benchmark Reform, the Bank's starting point is that uncertainty only arises after a competent public authority has made the decision that an interbank rate will be discontinued at a specific point in time. The Bank's assessment is thus that uncertainty is brought about by the Benchmark Reform regarding hedging relationships maturing after 30 June 2023, in which USD Libor has a direct impact on the hedged item or hedging instrument. The hedged risk, which is directly affected by the uncertainty caused by the Benchmark Reform, is thus the variable reference rate in lending and funding in USD. Moreover, the cash flows attributable to lending and funding, as well as derivative instruments based on USD Libor, are also affected. The uncertainty caused by the Benchmark Reform will no longer be a factor for the hedged items and hedging instruments when the new rate has been established and stipulated in the individual contracts.

Hedging instruments and hedged items that referred to GBP Libor have transitioned to the alternative reference rate at the end of 2021, or will alternatively transition during Q1 2022, and are no longer affected by uncertainty arising from the Benchmark Reform. No decision has been made by a competent public authority that other interbank rates of material significance to the Bank will be discontinued, and there is thus at present not deemed to be any uncertainty due to the Benchmark Reform as regards these interbank rates.

Financial instruments that have not transitioned to an alternative reference rate (RFR) as at 31 December 2021

The table below specifies the financial instruments referring to a material reference rate that are due to transition to an alternative reference rate (RFR), but that have not yet done so as at year-end.

Risks to which the Group is exposed as a result of the transition to alternative reference rates (RFR)

The transition affects a large amount of the Bank's operations, and many business areas within different geographical units and numerous functions are impacted. Several IT systems will need to be adapted to meet the new requirements, as will fallback agreements and other contractual issues, calculations for valuations and risk analysis, accounting and reporting, customer communications, etc. The significant amount of changes will necessitate some form of co-ordination. The Bank has a Group-wide Benchmark committee which co-ordinates all matters related to the transition to alternative reference rates.

Operational risks

Changes in processes, agreements and IT systems as described above may give rise to operational risks. The market remains in a state of flux with regard to various parameters within numerous reference rates, meaning that IT systems must be adaptable in a manner such that neither business risks or operational risks arise. Business risks would arise, for example, if the Bank were to be forced to reject transactions on the grounds of technological limitations.

The agreements and transactions referring to a reference rate that will, or might, be discontinued have been identified. The work of updating and amending these to new alternative reference rates, or implementing fallback agreements where these are deemed relevant, is ongoing and is essentially expected to be completed in time for the respective transitions to new reference rates.

The operational risks associated with the transition to alternative reference rates are managed in accordance with the Bank's customary procedures for identifying, assessing and managing operational risks (see note G2 Risk and capital management, Operational risk).

Market risks

Interest rate risk will change slightly and basis risks will arise when the transition to new alternative reference rates takes place at different points in time for different financial instruments and products. These risks will be managed within the Bank's risk tolerance as the changes occur.

Counterparty risk

The exposures will not change to any material extent and counterparty risk will be managed within the Bank's risk tolerance.

Financial instruments that refer to a material interbank rate, which have not transitioned to an alternative reference rate (RFR) as at 31 December 2021.

Interbank rates SEK m	Financial assets, non-derivatives, carrying amount	Financial liabilities, non-derivatives, carrying amount	Derivative instruments, nominal amounts Interest rate swaps	Interest rate options	Cross-currency interest rate swaps
USD Libor					
USD Libor 3m	6,641	-	66,886	-	
USD Libor other	733	-	326	-	
USD Libor 3m/EUR Euribor 3m					5,469
USD Libor 3m/NOK Nibor 3m					17,701
USD Libor 3m/SEK Stibor 3m					18,891
USD Libor 3m/GBP Libor 3m					12,511
USD Libor 3m/other currencies					7,294
Other currencies/USD Libor 3m					6,741
GBP Libor[1]					
GBP Libor 3m	88,364	-	10,498	4,632	
GBP Libor other	2,008	-	-	-	
EUR Libor 3m/GBP Libor 3m					6,514
GBP Libor 3m/USD Libor 3m					1,370
Other currencies/GBP Libor 3m					332
Total	**97,746**	**-**	**77,710**	**4,632**	**76,823**

The table above does not include financial assets and liabilities, nor derivatives, that mature before the interbank rate is discontinued.

[1] The majority of financial assets and derivatives referring to GBP Libor will transition to an alternative reference rate during Q1 2022.

G23 Offsetting of financial instruments

2021 SEK m	Derivatives	Repurchase agreements and lending of securities	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	48,543	33,836	82,379
Amounts offset	-20,035	-7,110	-27,145
Carrying amount on the balance sheet	**28,508**	**26,726**	**55,234**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,294		-9,294
Financial assets received as collateral	-13,322	-26,700	-40,022
Total amounts not offset on the balance sheet	**-22,616**	**-26,700**	**-49,316**
Net amount	**5,892**	**26**	**5,918**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	30,840	7,323	38,163
Amounts offset	-17,056	-7,110	-24,166
Carrying amount on the balance sheet	**13,784**	**213**	**13,997**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,294		-9,294
Financial assets pledged as collateral	-1,467	-213	-1,680
Total amounts not offset on the balance sheet	**-10,761**	**-213**	**-10,974**
Net amount	**3,023**	**-**	**3,023**

2020 SEK m	Derivatives	Repurchase agreements and lending of securities	Total
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	55,958	14,692	70,650
Amounts offset	-25,344	-2,014	-27,358
Carrying amount on the balance sheet	**30,614**	**12,678**	**43,292**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets received as collateral	-7,503	-12,669	-20,172
Total amounts not offset on the balance sheet	**-22,349**	**-12,669**	**-35,018**
Net amount	**8,265**	**9**	**8,274**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	53,865	2,014	55,879
Amounts offset	-21,046	-2,014	-23,060
Carrying amount on the balance sheet	**32,819**	**-**	**32,819**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets pledged as collateral	-13,310	-	-13,310
Total amounts not offset on the balance sheet	**-28,156**	**-**	**-28,156**
Net amount	**4,663**	**-**	**4,663**

Derivative instruments are offset on the balance sheet when this reflects the Bank's anticipated cash flows in the settlement of two or more agreements. Repurchase agreements and reverse repurchase agreements with central counterparty clearing houses are offset on the balance sheet when this reflects the Bank's anticipated cash flows in the settlement of two or more agreements. This occurs when the Bank has both a contractual right and an intention to settle the agreed cash flows with a net amount. The amount set off for derivative assets includes offset cash collateral of SEK 3,315m (7,330) derived from the balance sheet item Deposits and borrowing from the public. The amount set off for derivative liabilities includes set-off cash collateral of SEK 335m (3,032) derived from the balance sheet item Loans to the public.

The remaining counterparty risk in derivatives is reduced through netting agreements, i.e. netting positive values against negative values in all derivative transactions with the same counterparty in a bankruptcy situation. Handelsbanken's policy is to sign netting agreements with all bank counterparties. Netting agreements are supplemented with agreements for issuing collateral for the net exposure. The collateral used is mainly cash, but government securities are also used. Collateral for repurchase agreements and borrowing and lending of securities is normally in the form of cash or other securities.

G24 Intangible assets

2021 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Other	Total 2021
Cost of acquisition at beginning of year	6,822	188	801	5,530	164	13,505
Cost of acquisition of additional intangible assets	-	-	-	539	-	539
Disposals and retirements	-	-	-	-176	-	-176
Reclassified to assets held for sale	-2,569	-	-165	-341	-	-3,075
Foreign exchange effect	122	8	35	53	-	218
Cost of acquisition at end of year	**4,375**	**196**	**671**	**5,605**	**164**	**11,011**
Accumulated depreciation and impairment at beginning of year	-	-168	-277	-1,697	-33	-2,175
Disposals and retirements	0	-	-	176	-	176
Amortisation for the year		-17	-33	-576	-33	-659
Impairment for the year	-18	-	-	-100	-	-118
Reclassified to assets held for sale	-	-	107	227	-	334
Amortisation and impairment for the year on assets reclassified to assets held for sale	-	-	-6	-217	-	-223
Foreign exchange effect	-	-8	-14	-22	-	-44
Accumulated depreciation and impairment at end of year	**-18**	**-193**	**-223**	**-2,209**	**-66**	**-2,709**
Carrying amount	**4,357**	**3**	**448**	**3,396**	**98**	**8,302**

In 2021, development expenses amounting to SEK 2,144m (1,578) have been recognised.

2020 SEK m	Goodwill	Trademarks and other rights	Customer contracts	Internally developed software	Other	Total 2020
Cost of acquisition at beginning of year	7,007	199	847	4,854	0	12,907
Cost of acquisition of additional intangible assets	-	-	-	867	164	1,031
Disposals and retirements	-	-	-	-135	-	-135
Foreign exchange effect	-185	-11	-46	-56	-	-298
Cost of acquisition at end of year	**6,822**	**188**	**801**	**5,530**	**164**	**13,505**
Accumulated amortisation and impairment at beginning of year	-	-151	-251	-1,320	0	-1,722
Disposals and retirements	-	-		135	-	135
Amortisation for the year		-27	-42	-447	-33	-549
Impairment for the year	-	-	-	-82	-	-82
Foreign exchange effect	-	10	16	17	-	43
Accumulated amortisation and impairment at end of year	**-**	**-168**	**-277**	**-1,697**	**-33**	**-2,175**
Carrying amount	**6,822**	**20**	**524**	**3,833**	**131**	**11,330**

	Goodwill		Intangible assets with an indefinite useful life	
SEK m	2021	2020	2021	2020
Handelsbanken Sweden	3,331	3,331	-	-
Handelsbanken UK	175	159	-	-
Handelsbanken Finland		17		-
Handelsbanken Denmark		2,515		-
Handelsbanken Norway	678	630	-	-
Handelsbanken the Netherlands	163	160	-	-
Handelsbanken Capital Markets	10	10	3	3
Total	**4,357**	**6,822**	**3**	**3**

Impairment testing of goodwill and intangible assets with an indefinite useful life
Recognised goodwill mainly derives from traditional banking operations in Handelsbanken's home markets. Goodwill and intangible assets with an indefinite useful life are tested for impairment annually in connection with the closing of the annual accounts. When performing impairment testing, the value in use of the units to which goodwill has been allocated is calculated by discounting estimated future cash flows and the terminal value. In the table, goodwill has been allocated among the business segments.

For the first five years, estimated future cash flows are based on forecasts of risk-weighted volumes, income, expenses and credit losses. The forecasts are mainly based on an internal assessment of the future income and cost development, economic climate, expected interest rates and the expected impact of future regulations. After the first five-year period, a forecast is made based on the assumption of a long-term growth rate. The estimated cash flows are based on historical real GDP growth as well as the Riksbank's long-term inflation target. The year's impairment test is based on an assumption of a long-term growth rate of 2% (2).

The total forecast period is 20 years. The terminal value used is the forecast value of the net assets of the tested unit. Estimated cash flows have been discounted at a rate based on a risk-free interest rate and a risk adjustment corresponding to the market's average return requirement. In the annual impairment test, the discount rate was 6.4% (6.9) after tax. The corresponding rate before tax was 9.1% (9.4).

The difference between the recoverable amounts and the carrying amounts in the annual impairment test of goodwill was deemed to be satisfactory. The calculated value in use of goodwill is sensitive to a number of different

G24 Cont.

variables, which are significant for expected cash flows and the discount rate. The variables that are of greatest significance to the calculation are the assumptions for interest rates, the business cycle, future margins and cost-effectiveness. No reasonably possible change in important assumptions would affect the reported value of goodwill.

A two-percentage point increase of the discount rate, or a two-percentage point reduction of the future growth rate are deemed reasonable potential changes in the most important assumptions due to Covid-19. Such changes would not result in any impairment requirement.

G25 Property and equipment

Property and equipment SEK m	2021	2020
Equipment	715	869
Property	4,557	5,361
Property repossessed for protection of claims	0	2
Total	**5,272**	**6,232**

Property repossessed for protection of claims contains movable property which is regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims, see note G1. The fair value of properties which are regularly measured at fair value is SEK 2m (2). Unrealised value changes on these properties had an impact of SEK 0m (0) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent, authorised valuer for valuing commercial and office buildings and industrial properties. Valuations which are only based on market observations SEK 2m (2) are classified as level 2 in the valuation hierarchy described in note G1. Valuations where own assumptions are used to a material extent SEK 0m (0) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK 0m (0). The year's sale of properties which are regularly measured at fair value amounts to SEK 1m (10) of which SEK 0m (2) was classified as level 3 before the sale. The value of new properties added during the year is SEK 0m (2), with SEK 0m (0) of this classified as level 3.

Equipment SEK m	2021	2020
Cost of acquisition at beginning of year	2,141	2,234
Cost of additional acquisition for the year	218	298
Disposals and retirements	-369	-325
Reclassified to assets held for sale	-115	-
Foreign exchange effect	79	-66
Cost of acquisition at end of year	**1,954**	**2,141**
Accumulated depreciation and impairment at beginning of year	-1,325	-1,285
Depreciation for the year according to plan	-315	-373
Disposals and retirements	329	304
Reclassified to assets held for sale	57	-
Amortisation and impairment for the year on assets reclassified to assets held for sale[2]	14	-
Foreign exchange effect	-47	29
Accumulated depreciation and impairment at end of year	**-1,287**	**-1,325**
Carrying amount	**667**	**816**
Carrying amount, right-of-use assets[1]	**48**	**53**
Total carrying amount	**715**	**869**

Property SEK m	2021	2020
Cost of acquisition at beginning of year	2,509	2,415
New construction and conversion	67	107
Disposals and retirements	-530	-4
Reclassified to assets held for sale	-301	-
Foreign exchange effect	30	-9
Cost of acquisition at end of year	**1,775**	**2,509**
Accumulated depreciation and impairment at beginning of year	-1,084	-1,046
Depreciation for the year according to plan	-38	-41
Disposals and retirements	476	1
Reclassified to assets held for sale	127	-
Amortisation and impairment for the year on assets reclassified to assets held for sale[2]	2	-
Foreign exchange effect	-1	2
Accumulated depreciation and impairment at end of year	**-518**	**-1,084**
Carrying amount	**1,257**	**1,425**
Carrying amount, right-of-use assets[1]	**3,300**	**3,936**
Total carrying amount	**4,557**	**5,361**

[1] Right-of-use assets attributable to the disposal groups Denmark and Finland and have been reclassified to Assets held for sale, see note G13, and are not included in the carrying amount as at 31 December 2021.
[2] Refers to amortisation and impairment during the period January-September 2021, i.e. the period prior to the reclassification to assets held for sale.

G26 Other assets

SEK m	2021	2020
Claims on investment banking settlements	2,629	3,273
Reinsurance assets	20	11
Other	3,136	2,840
Total	**5,785**	**6,124**

Other assets attributable to the disposal groups Denmark and Finland and have been reclassified to Assets held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G27 Prepaid expenses and accrued income

SEK m	2021	2020
Accrued income	1,280	1,460
Prepaid expenses	736	793
Total	**2,016**	**2,253**

Prepaid expenses and accrued income attributable to the disposal groups Denmark and Finland and have been reclassified to Assets held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G28 Due to credit institutions

SEK m	2021	2020
Due in Swedish kronor		
Banks	4,409	36,933
Other credit institutions	8,485	11,265
Total	**12,894**	**48,198**
Due in foreign currency		
Banks	69,982	75,952
Other credit institutions	158	573
Total	**70,140**	**76,525**
Total due to credit institutions	**83,034**	**124,723**
of which accrued interest expenses	*-29*	*2*
of which repos	*-*	*-*

Average volumes SEK m	2021	2020
Due to credit institutions in Swedish kronor	48,286	52,783
Due to credit institutions in foreign currency	118,074	172,661
Total	**166,360**	**225,444**
of which repos	*371*	*650*

Due to credit institutions attributable to the disposal groups Denmark and Finland have been reclassified to Liabilities held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G29 Deposits and borrowing from the public

Deposits from the public SEK m	2021	2020
Deposits in Swedish kronor		
Households	445,736	410,578
Companies	366,155	297,529
National Debt Office	1	1
Total	**811,892**	**708,108**
Deposits in foreign currency		
Households	115,329	138,567
Companies	310,530	341,362
Total	**425,859**	**479,929**
Total deposits from the public	**1,237,751**	**1,188,037**

Borrowing from the public SEK m	2021	2020
Borrowing in Swedish kronor	29,335	24,677
Borrowing in foreign currency	19,551	17,049
Total borrowing from the public	**48,886**	**41,726**
Total deposits and borrowing from the public	**1,286,637**	**1,229,763**
of which accrued interest expenses	*95*	*497*
of which repos	*213*	*-*
of which within insurance operations	*6,623*	*6,863*

Average volumes SEK m	2021	2020
Deposits from the public		
Deposits from the public in Swedish kronor	745,860	675,329
Deposits from the public in foreign currency	490,229	488,470
Total	**1,236,089**	**1,163,799**
Borrowing from the public		
Borrowing in Swedish kronor	54,673	31,257
Borrowing in Swedish kronor, insurance operations	6,739	7,038
Borrowing in foreign currency	153,982	99,934
Total	**215,394**	**138,229**
of which repos	*19,209*	*6,425*

Deposits and borrowing from the public attributable to the disposal groups Denmark and Finland have been reclassified to Liabilities held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G30 Liabilities where the customer bears the value change risk

SEK m	2021	2020
Unit-linked and portfolio bond insurance liabilities	235,209	191,035
Other fund liabilities	552	6,177
Total	**235,761**	**197,212**

Liabilities where the customer bears the value change risk attributable to the disposal groups Denmark and Finland and have been reclassified to Liabilities held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G31 Issued securities

SEK m	2021 Carrying amount	2021 Nominal amount	2020 Carrying amount	2020 Nominal amount
Commercial paper				
Commercial paper in Swedish kronor	567	489	391	423
of which fair value through profit or loss	*567*	*489*	*391*	*423*
Commercial paper in foreign currency	513,697	513,441	474,804	506,892
of which amortised cost	*512,583*	*512,332*	*472,980*	*505,798*
of which included in fair value hedges	*905*	*906*	-	-
of which fair value through profit or loss	*1,114*	*1,109*	*1,824*	*1,094*
Total	**514,264**	**513,930**	**475,195**	**507,315**
Bonds				
Bonds in Swedish kronor	500,296	487,761	478,412	461,154
of which amortised cost	*500,296*	*487,761*	*478,412*	*461,154*
of which included in fair value hedges	*40,225*	*39,200*	*22,985*	*21,850*
Bonds in foreign currency	339,208	339,801	357,130	355,947
of which amortised cost	*339,208*	*339,801*	*357,130*	*355,947*
of which included in fair value hedges	*134,588*	*135,498*	*92,645*	*90,578*
Total	**839,504**	**827,562**	**835,542**	**817,101**
Total issued securities	**1,353,768**	**1,341,492**	**1,310,737**	**1,324,416**
of which accrued interest expenses	*4,194*		*4,396*	

SEK m	2021	2020
Issued securities at beginning of year	1,310,737	1,384,961
Issued	1,015,801	944,015
Repurchased	-54,381	-72,852
Matured	-939,884	-880,712
Foreign exchange effect, etc.	21,495	-64,675
Issued securities at end of year	**1,353,768**	**1,310,737**

Average volumes SEK m	2021	2020
Swedish kronor	491,228	494,056
Foreign currency	882,947	908,636
Total	**1,374,175**	**1,402,692**

G32 Short positions

SEK m	2021	2020
Short positions at fair value		
Equities	835	658
Interest-bearing securities	3,270	1,024
Total	**4,105**	**1,682**
of which accrued interest expenses	*21*	*5*

Average volumes SEK m	2021	2020
Swedish kronor	21,824	10,977
Foreign currency	229	97
Total	**22,053**	**11,074**

G33 Insurance liabilities

SEK m	2021	2020
Liability for sickness annuities	162	151
Liability for life annuities	199	224
Liability for other unsettled claims	131	130
Liability for prepaid premiums	40	52
Total	**532**	**557**

Insurance liabilities attributable to the disposal groups Denmark and Finland and have been reclassified to Liabilities held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G34 Taxes

Deferred tax assets SEK m	2021	2020
Hedging instruments	-	563
Intangible assets	-	-
Property and equipment	18	14
Pensions	295	221
Other	532	420
Total	**845**	**1,218**

Deferred tax liabilities SEK m	2021	2020
Loans to the public[1]	2,759	3,212
Hedging instruments	369	1,528
Intangible assets	74	70
Property and equipment	93	111
Pensions	1,754	367
Other	227	65
Total	**5,276**	**5,353**
Net deferred tax liabilities	**4,431**	**4,135**

Change in deferred taxes 2021 SEK m	Opening balance	Recognised in income statement	Recognised in other compre-hensive income	Reclassified to assets and liabili-ties held for sale	Foreign exchange effect	Closing balance
Loans to the public[1]	3,212	-453	-	-	-	2,759
Hedging instruments	965	-	-596	-	-	369
Intangible assets	70	4	-	-	-	74
Property and equipment	97	-22	-	-	-	75
Pensions	146	-72	1,398	-	-13	1,459
Other	-355	-139	195	-4	-2	-305
Total	**4,135**	**-682**	**997**	**-4**	**-15**	**4,431**

Change in deferred taxes 2020 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Foreign exchange effect	Closing balance
Loans to the public[1]	3,745	-533	-	-	3,212
Hedging instruments	1,059	-	-94	-	965
Intangible assets	158	-88	-	-	70
Property and equipment	96	1	-	-	97
Pensions	-97	-33	267	9	146
Other	-20	-329	-	-6	-355
Total	**4,941**	**-982**	**173**	**3**	**4,135**

[1] Of which lease assets SEK 2,759m (3,212).

G34 Cont.

Tax expenses recognised in the income statement SEK m	2021	2020
Current tax		
Tax expense for the year	-5,188	-5,205
Adjustment of tax relating to prior years	-121	-16
Deferred tax		
Changes in temporary differences	682	1,059
Changes due to change in tax rate	-	-78
Total tax expenses, continuing operations	**-4,627**	**-4,240**
Total tax expenses, discontinued operations	**-510**	**-307**
Tax at 20.6% (21.4) of profits in continuing operations before tax	**-4,836**	**-4,023**
Difference	**209**	**-217**
The difference is explained by the following items		
Various non-deductible expenses	-20	-21
Non-deductible interest on subordinated loans	-226	-254
Different tax rate in insurance operations	259	184
Non-taxable capital gains and dividends	-	10
Different tax rates in other countries	-121	-102
Remeasurement of deferred taxes due to change in tax rate	-	-78
Other	317	44
Total	**209**	**-217**

G35 Provisions

Provisions 2021 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**366**	**1,829**	**107**	**2,302**
Provisions during the year		-	53	53
Utilised		-1,171	0	-1,171
Reversed		-	-1	-1
Reclassified to liabilities held for sale	-94	-41	-	-135
Change in expected credit losses, net	-22			-22
Provisions at end of year	**250**	**617**	**159**	**1,026**

Provisions 2020 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**241**	**864**	**36**	**1,141**
Provisions during the year		1,370	112	1,482
Utilised		-405	-13	-418
Reversed		-	-28	-28
Change in expected credit losses, net	125			125
Provisions at end of year	**366**	**1,829**	**107**	**2,302**

[1] For more information, see notes G10 and G43.
[2] The provision for restructuring costs refers to expenses related to the Bank's restructuring. The majority of the provision amount was settled during the year. The remainder is expected to be settled by the end of 2022.
[3] The amounts allocated for future settlement of the claims on the Bank are presented under Other provisions.

G36 Other liabilities

SEK m	2021	2020
Liabilities on investment banking settlements	2,789	4,001
Lease liability	3,414	4,008
Reinsurance liabilities	83	69
Other	5,018	5,850
Total	**11,304**	**13,928**

Other liabilities attributable to the disposal groups Denmark and Finland and have been reclassified to Liabilities held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G37 Accrued expenses and deferred income

SEK m	2021	2020
Accrued expenses	2,198	2,179
Deferred income	1,321	1,453
Total	**3,519**	**3,632**

Accrued expenses and deferred income attributable to the disposal groups Denmark and Finland and have been reclassified to Liabilities held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

G38 Subordinated liabilities

SEK m	2021	2020
Subordinated loans in Swedish kronor	3,003	3,002
Subordinated loans in foreign currency	29,254	38,080
Total	**32,257**	**41,082**
of which accrued interest expenses	*769*	*915*

Average volumes SEK m	2021	2020
Subordinated loans in Swedish kronor	2,898	3,009
Subordinated loans in foreign currency	30,125	34,062
Total	**33,023**	**37,071**

Specification, subordinated loans **Issuance**	**Maturity**	**Currency**	**Original nominal amount in each currency**	**Interest rate, %**	**Outstanding amount**
In Swedish kronor					
2017	Fixed term	SEK	1,700	0.950%	1,701
2017	Fixed term	SEK	1,300	1.410%	1,302
Total					**3,003**
In foreign currency					
2018	Fixed term	EUR	750	1.630%	7,785
2018	Fixed term	EUR	750	1.250%	7,764
2019	Perpetual	USD	500	6.250%	4,908
2020	Perpetual	USD	500	4.380%	4,454
2020	Perpetual	USD	500	4.750%	4,343
Total					**29,254**
Total subordinated liabilities					**32,257**

For further information regarding the subordinated loans, see the Pillar 3 report.

Change in subordinated liabilities SEK m	2021	2020
Subordinated loans at beginning of year	41,082	35,546
Issued	-	8,916
Repurchased	-	-2
Matured	-9,711	-
Foreign exchange effect, etc.	886	-3,378
Subordinated loans at end of year	**32,257**	**41,082**

G39 Specification of changes in equity

Change in hedge reserve SEK m	**2021**	**2020**
Hedge reserve at beginning of year	3,353	4,203
Cash flow hedges		
Effective part of change in fair value		
Interest rate risk	-2,319	-652
Foreign exchange risk	528	-223
Unrealised value changes		
Reclassified to the income statement[1]	-179	-249
Tax	406	274
Hedge reserve at end of year	**1,789**	**3,353**

Change in fair value reserve SEK m	**2021**	**2020**
Fair value reserve at beginning of year	**94**	**660**
Unrealised value change – equity instruments	59	-572
Realised value change – equity instruments	0	684
Unrealised value change – debt instruments	5	5
Change in reserve expected credit losses – debt instruments	0	1
Reclassified to retained earnings – equity instruments[2]	0	-684
Reclassified to the income statement – debt instruments[3]	-	-
Fair value reserve at end of year	**158**	**94**

Change in translation reserve SEK m	**2021**	**2020**
Translation reserve at beginning of year	-806	3,643
Change in translation difference pertaining to branches	1,220	-2,292
Change in translation difference pertaining to subsidiaries	2,247	-2,183
Reclassified to the income statement[4]	-9	6
Reclassified to retained earnings[5]	-67	20
Translation reserve at end of year	**2,585**	**-806**

[1] Tax reclassified to the income statement pertaining to this item SEK 37m (53).
[2] Tax reclassified to retained earnings pertaining to this item SEK 0m (43).
[3] Tax reclassified to the income statement pertaining to this item SEK -m (0).
[4] Tax reclassified to the income statement pertaining to this item SEK 2m (-1).
[5] Tax reclassified to retained earnings pertaining to this item SEK 17m (-9).

G40 Classification of financial assets and liabilities

2021	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehen-sive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					439,964	439,964	439,964
Other loans to central banks					1,462	1,462	1,462
Interest-bearing securities eligible as collateral with central banks	2,513	97,628		397	24	100,562	100,562
Loans to other credit institutions					21,838	21,838	21,839
Loans to the public					2,413,829	2,413,829	2,416,796
Value change of interest-hedged item in portfolio hedge					-1,900	-1,900	
Bonds and other interest-bearing securities	5,310	19,008		9,016		33,334	33,334
Shares	19,026			908		19,934	19,934
Assets where the customer bears the value change risk	252,924				64	252,988	252,988
Derivative instruments	17,300		11,218			28,518	28,518
Other assets	18				6,147	6,165	6,165
Total	**297,091**	**116,636**	**11,218**	**10,321**	**2,881,428**	**3,316,694**	**3,321,562**
Investments in associates and joint ventures						478	
Non-financial assets						29,592	
Total assets						**3,346,764**	
Liabilities							
Due to credit institutions					83,608	83,608	83,992
Deposits and borrowing from the public					1,400,757	1,400,757	1,400,721
Liabilities where the customer bears the value change risk		252,924			64	252,988	252,988
Issued securities	1,681				1,352,087	1,353,768	1,359,934
Derivative instruments	8,843		4,966			13,809	13,809
Short positions	4,105					4,105	4,105
Other liabilities	7				12,405	12,412	12,412
Subordinated liabilities					32,257	32,257	33,645
Total	**14,636**	**252,924**	**4,966**		**2,881,178**	**3,153,704**	**3,161,606**
Non-financial liabilities						11,329	
Total liabilities						**3,165,033**	

Assets and liabilities in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale and Liabilities held for sale in the balance sheet, respectively. See note G13.

2020	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehen-sive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					397,642	397,642	397,642
Other loans to central banks					21,326	21,326	21,326
Interest-bearing securities eligible as collateral with central banks	3,928	94,024		401	780	99,133	99,133
Loans to other credit institutions					21,920	21,920	21,918
Loans to the public					2,269,612	2,269,612	2,281,897
Value change of interest-hedged item in portfolio hedge					25	25	
Bonds and other interest-bearing securities	9,962	26,640		7,964		44,566	44,566
Shares	20,245			800		21,045	21,045
Assets where the customer bears the value change risk	197,152				60	197,212	197,212
Derivative instruments	16,834		13,780			30,614	30,614
Other assets	30				6,083	6,113	6,113
Total	**248,151**	**120,664**	**13,780**	**9,165**	**2,717,448**	**3,109,208**	**3,121,466**
Investments in associates and joint ventures						386	
Non-financial assets						25,694	
Total assets						**3,135,288**	
Liabilities							
Due to credit institutions					124,723	124,723	125,220
Deposits and borrowing from the public					1,229,763	1,229,763	1,229,741
Liabilities where the customer bears the value change risk		197,152			60	197,212	197,212
Issued securities	2,215				1,308,522	1,310,737	1,326,970
Derivative instruments	23,851		8,968			32,819	32,819
Short positions	1,682					1,682	1,682
Other liabilities	38				13,890	13,928	13,928
Subordinated liabilities					41,082	41,082	42,675
Total	**27,786**	**197,152**	**8,968**		**2,718,040**	**2,951,946**	**2,970,247**
Non-financial liabilities						11,869	
Total liabilities						**2,963,815**	

G41 Fair value measurement of financial instruments

Financial instruments at fair value 2021

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	2,188	325	-	2,513
Fair value through profit or loss, fair value option	97,628	-	-	97,628
Fair value through other comprehensive income	397	-	-	397
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	4,262	1,048	-	5,310
Fair value through profit or loss, fair value option	19,008	-	-	19,008
Fair value through other comprehensive income	2,291	6,725	-	9,016
Shares				
Fair value through profit or loss, mandatory	18,286	709	31	19,026
Fair value through other comprehensive income	100	200	608	908
Assets where the customer bears the value change risk	251,977	463	484	252,924
Derivative instruments	22	28,453	43	28,518
Total	**396,159**	**37,923**	**1,166**	**435,248**
Liabilities				
Liabilities where the customer bears the value change risk	251,977	463	484	252,924
Issued securities	-	1,681	-	1,681
Derivative instruments	46	13,720	43	13,809
Short positions	3,903	202	-	4,105
Total	**255,926**	**16,066**	**527**	**272,519**

Financial instruments in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale and Liabilities held for sale in the balance sheet, respectively. See note G13.

Financial instruments at fair value 2020

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	3,088	840	-	3,928
Fair value through profit or loss, fair value option	94,024	-	-	94,024
Fair value through other comprehensive income	401	-	-	401
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	8,200	1,762	-	9,962
Fair value through profit or loss, fair value option	26,640	-	-	26,640
Fair value through other comprehensive income	3,091	4,873	-	7,964
Shares				
Fair value through profit or loss, mandatory	19,792	417	36	20,245
Fair value through other comprehensive income	100	186	514	800
Assets where the customer bears the value change risk	196,244	434	474	197,152
Derivative instruments	267	30,267	80	30,614
Total	**351,847**	**38,779**	**1,104**	**391,730**
Liabilities				
Liabilities where the customer bears the value change risk	196,244	434	474	197,152
Issued securities	-	2,215	-	2,215
Derivative instruments	255	32,484	80	32,819
Short positions	1,488	194	-	1,682
Total	**197,987**	**35,327**	**554**	**233,868**

G41 Cont.

Valuation hierarchy

In the tables, financial instruments at fair value have been categorised in terms of how the valuations have been carried out and the degree of transparency regarding market data used in the valuation. The categorisation is shown as levels 1–3 in the tables. Financial instruments which are valued at a direct and liquid market price are categorised as level 1. These financial instruments mainly comprise government instruments and other interest-bearing securities that are traded actively, listed shares and short-term positions in corresponding assets. Level 1 also includes the majority of shares in mutual funds and other assets which are related to unit-linked insurance contracts and similar agreements and the corresponding liabilities. Financial instruments which are valued using valuation models which substantially are based on market data are categorised as level 2. Level 2 mainly includes interest-bearing securities and interest- and currency-related derivatives. Financial instruments whose value to a material extent are affected by input data that cannot be verified using external market information are categorised as level 3. Level 3 includes unlisted shares, certain holdings of private equity funds and certain derivatives.

The categorisation is based on the valuation method used on the balance sheet date. If the category for a specific instrument has changed since the previous balance sheet date (31 December 2020), the instrument has been moved between the levels in the table. During the 2021 financial year, some of the volumes have been moved between level 1 and level 2, as a result of a new assessment of market activity. On the assets side, interest-bearing securities worth SEK 823m were transferred from level 1 to level 2. Interest-bearing securities worth SEK 59m were moved from level 2 to level 1. On the liabilities side, no transfers from level 1 to level 2 or from level 2 to level 1 have taken place. No transfers between levels took place during the 2021 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 holdings in level 3 mainly comprise unlisted shares. The Group's holdings of unlisted shares are mainly comprised of participating interests in companies which provide supporting operations to the Bank. For example, these may be participating interests in clearing organisations and infrastructure collaboration on Handelsbanken's home markets. Such holdings are generally valued at the Bank's share of the company's net asset value, or alternatively at the price of the last completed transaction. In all material respects, unlisted shares are classified at fair value through other comprehensive income. Value changes for these holdings are thus reported in Other comprehensive income.

Certain holdings of private equity funds are categorised as belonging to level 3. These are valued using valuation models mainly based on a relative valuation of comparable listed companies in the same sector. The performance measurements used in the comparison are adjusted for factors which distort the comparison between the investment and the company used for comparison. Subsequently, the valuation is based on earnings multiples, such as P/E ratios. Most of these holdings represent investment assets in the Group's insurance operations. Value changes in the investment assets are included in the basis for calculating the yield split in the insurance operations and are therefore not reported directly in the income statement.

The derivatives component in some of the Bank's issued structured bonds and the related hedging derivatives were categorised as belonging to level 3. For these derivatives, internal assumptions have a material impact on calculation of the fair value. Hedging derivatives in level 3 are traded under CSA agreements where the market values are checked and verified with the Bank's counterparties on a daily basis.

The year's realised value changes on financial instruments in level 3 reported in the income

Change in holdings in financial instruments in level 3 2021 SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**550**	**80**	**-80**	**474**	**-474**
Acquisitions	33	1	-2	-	-
Repurchases/sales	-3	9	-7	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	51	-131	130	10	-10
Unrealised value change in other comprehensive income	8	-	-	-	-
Transfer from level 1 or 2	-	10	-10	-	-
Transfer to level 1 or 2	-	74	-74	-	-
Carrying amount at end of year	**639**	**43**	**-43**	**484**	**-484**

Financial instruments in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale and Liabilities held for sale in the balance sheet, respectively. See note G13.

Change in holdings in financial instruments in level 3 2020 SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**1,308**	**69**	**-70**	**493**	**-493**
Acquisitions	6	9	-13	-	-
Repurchases/sales	-704	-	5	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	-22	-16	16	-19	19
Unrealised value change in other comprehensive income	-38	-	-	-	-
Transfer from level 1 or 2	-	17	-17	-	-
Transfer to level 1 or 2	-	1	-1	-	-
Carrying amount at end of year	**550**	**80**	**-80**	**474**	**-474**

G41 Cont.

statement is SEK 2m (8). This entire amount is included for calculation of the yield split in the insurance operations.

Differences between the transaction price and the value measured by a valuation model
As stated in the accounting policies in note G1, when applying a model to value derivatives, material positive differences between the valuation at initial recognition and the transaction price (known as day 1 gains/losses) are amortised over the life of the derivative. Unrealised results due to positive differences between the transaction price and the value measured by a valuation model (known as day 1 gains/losses) are comprised of the Bank's profit margin and compensation to cover, for example, the cost of capital and administrative expenses. As a consequence of the application of this principle, SEK 172m (171) has been recognised in Net gains/losses on financial transactions during the year. At the end of the year, non-recognised day 1 gains amounted to SEK 489m (538).

Principles for information about the fair values of financial instruments which are measured at amortised cost
Information about the fair values of financial instruments which are measured at amortised cost is given in note G40 and in the table below. These instruments essentially comprise lending, deposits and borrowing. For means of payment and short-term receivables and liabilities, the carrying amount is considered to be an acceptable estimate of the fair value. Receivables and liabilities with the maturity date or the date for next interest rate fixing falling within 30 days are defined as short-term.

The valuation of fixed-rate lending is based on the current market rate with an adjustment for assumed credit and liquidity risk premiums on market terms. The premium is assumed to be the same as the average margin for new lending at the time of the measurement. Interest-bearing securities have been valued at the current market price where this has been available. Funding and interest-bearing securities for which market price information has not been available have been valued using a valuation model based on market data in the form of prices or interest for similar instruments.

In the table, the valuation used for the information about the fair value of financial instruments measured at amortised cost is categorised in the valuation hierarchy described above. Means of payment and deposits are considered to be equivalent to cash and have been categorised as level 1. Level 1 also contains interest-bearing securities (assets and liabilities) for which there is a current market price. Lending where the assumption about credit and liquidity premiums has materially affected the information about fair value has been categorised as level 3. Other instruments are categorised as level 2.

Fair value of financial instruments at amortised cost 2021 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	439,964	-	-	439,964
Other loans to central banks	1,462	-	-	1,462
Interest-bearing securities eligible as collateral with central banks	-	24	-	24
Loans to other credit institutions	3,689	17,757	393	21,839
Loans to the public	12,192	1,533,836	870,768	2,416,796
Assets where the customer bears the value change risk	64	-	-	64
Total	**457,371**	**1,551,617**	**871,161**	**2,880,149**
Liabilities				
Due to credit institutions	9,507	74,485	-	83,992
Deposits and borrowing from the public	1,385,232	15,489	-	1,400,721
Liabilities where the customer bears the value change risk	64	-	-	64
Issued securities	178,038	1,180,215	-	1,358,253
Subordinated liabilities	-	33,645	-	33,645
Total	**1,572,841**	**1,303,834**	**-**	**2,876,675**

Financial instruments in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale and Liabilities held for sale on the balance sheet, respectively. See note G13.

Fair value of financial instruments at amortised cost 2020 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	397,642	-	-	397,642
Other loans to central banks	21,326	-	-	21,326
Interest-bearing securities eligible as collateral with central banks	727	53	-	780
Loans to other credit institutions	13,259	8,071	588	21,918
Loans to the public	4,254	2,045	2,275,598	2,281,897
Assets where the customer bears the value change risk	-	60	-	60
Total	**437,208**	**10,229**	**2,276,186**	**2,723,623**
Liabilities				
Due to credit institutions	38,870	86,350	-	125,220
Deposits and borrowing from the public	1,202,742	26,999	-	1,229,741
Liabilities where the customer bears the value change risk	-	60	-	60
Issued securities	737,828	586,927	-	1,324,755
Subordinated liabilities	-	42,675	-	42,675
Total	**1,979,440**	**743,011**	**-**	**2,722,451**

G42 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	2021	2020
Cash	14,600	28,157
Government instruments and bonds	6,460	2,398
Loans to the public	692,211	661,950
Equities	6,597	6,680
Assets where the customer bears the value change risk	248,066	193,198
Other	3,499	5,524
Total	**971,433**	**897,907**
of which pledged assets that may be freely withdrawn by the Bank	*25*	*28*

Other pledged assets SEK m	2021	2020
Cash	1,456	1,298
Government instruments and bonds	5,767	40,844
Equities	7,007	6,285
Other	0	3
Total	**14,230**	**48,430**
of which pledged assets that may be freely withdrawn by the Bank	*3,563*	*37,504*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Pledged assets

Pledged assets are recognised as assets on the balance sheet. Assets pledged in the form of interest-bearing securities mainly comprise securities pledged as collateral to central banks and other credit institutions, for payment systems, securities trading and clearing and also securities sold under binding repurchase agreements (repos). Assets pledged in the form of equities mainly comprise lent equities and equities in the insurance operations.

Loans to the public pledged as security mainly comprise collateral registered for the benefit of holders of covered bonds issued by Stadshypotek. The collateral mainly comprises loans granted against mortgages in single-family homes, second homes, multi-family dwellings or housing co-operative apartments with a loan-to-value ratio within 75% of the market value. In the event of the company's insolvency, pursuant to the Covered Bonds Act and the Right of Priority Act, the holders of the covered bonds have prior rights to the pledged assets. If, at the time of a bankruptcy decision, the assets in the total collateral fulfil the terms of the Act, these must be kept separate from the bankruptcy estate's other assets and liabilities. The holders of the bonds will then continue to receive contractual payments under the terms of the bond until maturity.

Assets where the customer bears the value change risk mainly comprise units in unit-linked insurance contracts in Handelsbanken Liv where the policyholders have priority rights.

Collateral received

Collateral received is not recognised on the balance sheet. For reverse repurchase agreements and equity loans, securities are received that can be sold or repledged to a third party. The fair value of received securities under reverse repurchase agreements and agreements on equity loans was SEK 63,709m (23,451) at the end of the financial year, where collateral worth SEK 26,632m (8,400) had been sold or repledged to a third party. Information about received pledges for lending and other received collateral is shown in note G2.

Transferred financial assets reported on the balance sheet

Transferred financial assets are recognised as assets on the balance sheet but, for these, the rights to future cash flows are directly or indirectly transferred to an external counterparty. Most of the transferred financial assets recognised on the balance sheet comprise interest-bearing securities which have been sold under binding repurchase agreements and lent equities. Normally the terms for the binding repurchases and equity loans are stipulated in framework agreements between the Bank and the respective counterparty.

Binding repurchase agreements imply selling securities with an undertaking to repurchase them at a fixed price at a pre-determined time in the future. The seller of the securities thus continues to be exposed to the risk of value changes during the life of the agreement. Securities sold under repurchase agreements remain at market value in the balance sheet throughout the life of the agreement. The purchase price received is reported as a liability to the counterparty. According to the standard terms of a repurchase agreement, the right of ownership of the sold securities is transferred in its entirety from the seller to the buyer. This means that the buyer has the right to sell on, repledge or otherwise dispose of the purchased securities.

According to the standard agreements for equity loans, the exposure to the value change in the lent equity remains with the lender. Lent equities thus remain on the balance sheet throughout the life of the loan. Collateral for lent securities is normally in the form of cash or other securities. Cash collateral received is recognised as a liability on the balance sheet. In the same way as for repurchase agreements, the standard agreement used for equity loans means that during the life of the loan, the borrower has the right to sell on, repledge or otherwise dispose of the borrowed securities.

Government instruments, bonds and equities provided as collateral for securities trading, clearing, etc. where the title to the instrument has been transferred to the counterparty are reported as other transferred financial assets. Transferred financial assets also include certain assets where the customer bears the value change risk. These assets comprise portfolios of financial instruments where the Bank has the formal right of ownership but where the risks related to the assets and also the right to future cash flows have been transferred to a third party. The valuation of these assets reflects the valuation of the corresponding liability item.

G42 Cont.

Transferred financial assets reported on the balance sheet	2021		2020	
SEK m	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	7,349	284[1]	6,526	306[1]
Government instruments and bonds, repurchase agreements	4,142	67	386	-
Government instruments and bonds, other	1,946	-	1,108	-
Assets where the customer bears the value change risk	552	552	538	538
Total	**13,989**	**903**	**8,558**	**844**

[1] Received cash collateral.

G43 Contingent liabilities

SEK m	2021	2020
Contingent liabilities		
Guarantees, credits	7,839	9,802
Guarantees, other	61,579	67,156
Irrevocable letters of credit	1,035	2,299
Other	1,303	638
Total	**71,756**	**79,895**
of which subject to impairment testing	*71,756*	*79,895*
Obligations		
Loan commitments	346,556	331,230
Unutilised part of granted overdraft facilities	116,839	118,066
Other	23,122	14,128
Total	**486,517**	**463,424**
of which subject to impairment testing	*344,081*	*322,547*
Total contingent liabilities	**558,273**	**543,319**
Provision for expected credit losses reported as provisions, see note G35.	344	366

Contingent liabilities
Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims
Companies within the Group are subjects of claims in a number of civil actions which are being pursued in general courts of law. The assessment is that the actions will essentially be settled in the Bank's favour. The assessment is that the amounts in dispute would not have a material effect on the Group's financial position or profit/loss.

Remuneration
Employees in Denmark and Finland who remain in employment at the Bank until the divestment date for the operations will receive extra remuneration. The amount is not possible to estimate at present, but the current assessment is that it will not have a material impact on the Group's profit/loss or financial position.

G44 Leasing

Handelsbanken as lessor

Finance leases SEK m	**2021**	**2020**
Finance income from net investments	218	277
Variable lease fees	113	158

Distribution of undiscounted lease receivables by maturity and net investment SEK m	**2021**	**2020**
Up to 1 yr	3,426	3,462
1 yr to 2 yrs	3,931	5,202
2 yrs to 3 yrs	4,204	4,606
3 yrs to 4 yrs	2,084	3,731
4 yrs to 5 yrs	1,098	2,521
Over 5 yrs	4,717	3,088
Total undiscounted lease receivables	**19,460**	**22,610**
Unearned finance income	-351	-330
Net investment	**19,109**	**22,280**

Net investments attributable to the disposal groups Denmark and Finland and have been reclassified to Assets held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

All leases where the Group is the lessor have been defined as finance leases. Lease agreements of this kind are accounted for as loans on the balance sheet, initially for an amount corresponding to the net investment. The change since the previous year is chiefly due to a decrease in leasing volumes (SEK -3bn), attributable to winding down operations. Lease assets mainly consist of vehicles and machines. All leases have guaranteed residual values. At year-end, the Group had three lease exposures each with an individual carrying amount exceeding SEK 1bn.

Handelsbanken as lessee

Income statement items **SEK m**	**2021**	**2020**
Interest expenses for lease liabilities	-64	-69
Total[1]	**-64**	**-69**
Depreciation and impairment of right-of-use assets		
Property	-668	-750
Equipment	-16	-17
Total[2]	**-684**	**-767**
Expenses for short-term leases	-31	-35
Expenses for leases in which the underlying asset is of low value	-15	-15
Variable lease fees that are not included in the calculation of lease liabilities	-100	-102
Total[3]	**-146**	**-152**
Total expenses for leases	**-894**	**-988**

Balance sheet items **SEK m**	**2021**	**2020**
Right-of-use assets[4]		
Property	3,300	3,936
Equipment	48	53
Total	**3,348**	**3,989**
New right-of-use assets[5]	97	321
Lease liabilities[6]	3,412	4,008
Total cash outflows for leases	-807	-946

Right-of-use assets and lease liabilities attributable to the disposal groups Denmark and Finland have been reclassified to Assets held for sale and Liabilities held for sale, see note G13, and are not included in the above balance sheet item as at 31 December 2021. The comparative figures are unchanged.

[1] Included in income statement item Interest expenses.
[2] Included in income statement item Depreciation, amortisation and impairment of property, equipment and intangible assets, of which SEK -55m (-107) is an impairment loss.
[3] Included in income statement item Other expenses.
[4] Right-of-use assets are included in the balance sheet item Property and equipment.
[5] New lease agreements during the year included in right-of-use assets.
[6] Lease liabilities are included in the balance sheet item Other liabilities.

G44 Cont.

Time to maturity regarding lease liabilities SEK m	2021	2020
Up to 6 mths	338	375
6 mths to 1 yr	333	366
1 yr to 2 yrs	633	694
2 yrs to 5 yrs	1,401	1,644
Over 5 yrs	689	1,151
Total	**3,394**	**4,230**

The Bank's lease agreements primarily consist of contracts for the rental of premises. Excepting such contracts, other lease agreements refer mainly to multi-function printers, personal computers and various other office equipment.

The majority of contracts for the rental of premises have a term of three to ten years. Some of the Bank's contracts for the rental of premises include an option to extend the term of the agreement, entailing that the contract is extended for a specific period of time if it is not terminated by a specific point in time. There are also contracts for the rental of premises which include an option for the Bank to terminate the agreement before expiry. When determining the lease term, the options of extending the term or terminating the agreement before expiry are only included when it is highly probable that these options will be exercised.

The Bank has entered into lease agreements with maturities of under 12 months, and lease agreements in which the underlying asset is of low value, which are recognised as expenses in accordance with the exemption in IFRS 16 Leases, and thus are not included in lease liabilities or right-of-use assets.

G45 Segment reporting

Segment reporting 2021

SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	18,140	5,452	3,698	1,045	268	788		29,391
Net fee and commission income	8,614	751	643	224	1,006	220		11,458
Net gains/losses on financial transactions	509	189	55	32	1,155	-241		1,699
Risk result – insurance					187	-8		179
Share of profit of associates and joint ventures						63		63
Other income	470	0	26	0	10	51		557
Total income	**27,733**	**6,392**	**4,422**	**1,301**	**2,626**	**873**		**43,347**
Staff costs	-3,201	-2,467	-891	-395	-2,012	-3,317	-169	-12,452
Other expenses	-845	-1,045	-186	-76	-746	-2,679		-5,577
Internal purchased and sold services	-5,465	-912	-526	-176	801	6,278		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-316	-316	-84	-50	-274	-727	-47	-1,814
Total expenses	**-9,827**	**-4,740**	**-1,687**	**-697**	**-2,231**	**-445**	**-216**	**-19,843**
Profit before credit losses	**17,906**	**1,652**	**2,735**	**604**	**395**	**428**	**-216**	**23,504**
Net credit losses	16	95	-150	-5	10	-9		-43
Gains/losses on disposal of property, equipment and intangible assets	9	9	7	-	-10	-1		14
Operating profit	**17,931**	**1,756**	**2,592**	**599**	**395**	**418**	**-216**	**23,475**
Profit allocation	390	46	54	1	-527	36		
Operating profit after profit allocation	**18,321**	**1,802**	**2,646**	**600**	**-132**	**454**	**-216**	**23,475**
Internal income[1]	-381	-961	-1,423	-386	-420	3,571		
C/I ratio, %	34.9	73.6	37.7	53.5	106.3			45.8
Credit loss ratio, %	0.00	-0.04	0.06	0.01	-0.01			0.00
Assets	2,322,088	488,025	291,064	111,145	357,822	2,524,556	-2,747,936	3,346,764
Liabilities	2,221,421	467,478	273,086	108,132	351,467	2,509,418	-2,765,969	3,165,033
Allocated capital	100,667	20,547	17,978	3,013	6,355	15,138	18,033	181,731
Return on allocated capital, %	15.2	7.0	11.3	16.7	-1.7			11.4
The year's investments in non-financial non-current assets	-77	77	29	2	138	528		697
The year's investments in associates and joint ventures						51		51
Average number of employees	3,359	2,509	731	337	1,156	2,947		11,039

[1] Internal income which is included in total income comprises income from transactions with other operating segments and Other. Since interest income and interest expense are reported net as income, this means that internal income includes the net amount of the internal funding cost among segments and Other.

The item 'Other' in the table above includes Assets, Liabilities, Allocated capital and changes in balance sheet items attributable to the disposal groups Denmark and Finland. The comparative figures have been adjusted.

The business segments are recognised in accordance with IFRS 8 Operating Segments, which means that the segment information is presented in a similar manner to that which is applied internally as part of company governance. Handelsbanken's operations are presented in the following segments: Sweden, the UK, Norway, the Netherlands and Capital Markets. The branch operations in Handelsbanken provide a focused offering within financing, payments, financial advisory services, savings and pensions. Each country is followed up as an independent profit centre and is managed by a Country General Manager. In Sweden and the UK, the branch operations under the Country General Manager are organised by county and district, respectively. The Capital Markets segment is Handelsbanken's investment bank, including securities trading and investment advisory services. Its operations also include asset management, insurance operations and the Bank's international operations outside its home markets.

Profit/loss for the segments is reported before and after internal profit allocation. Internal profit allocation means that the unit which is responsible for the customer is allocated all the profits deriving from its customers' transactions with the Bank, regardless of the segment where the transaction was performed. Furthermore, income and expenses for services performed internally are reported net in the line item Internal purchased and sold services. Transactions among the segments are reported primarily according to the cost price principle. The Other and Adjustments and eliminations columns show items which do not belong to a specific segment or which are eliminated at Group level. Other overwhelmingly includes Treasury and central departments, as well as transactions attributable to the provision for the Oktogonen profit-sharing scheme. The Adjustments and eliminations column includes adjustments for staff costs. Adjustments for staff costs contain the difference between the Group's pension costs calculated in accordance with IAS 19, Employee Benefits, and locally calculated pension costs.

Internal income mainly consists of internal interest and commissions. The segment income statements also include internal items in the

G45 Cont.

Segment reporting 2020

SEK m	Sweden	UK	Norway	The Netherlands	Capital Markets	Other	Adjustments and eliminations	Total
Net interest income	18,166	5,683	3,481	908	355	486		29,079
Net fee and commission income	7,112	713	504	125	1,032	184		9,670
Net gains/losses on financial transactions	458	176	57	25	1,039	-538		1,217
Risk result – insurance					195	-1		194
Share of profit of associates and joint ventures						18		18
Other income	33	1	32	2	23	99		190
Total income	**25,769**	**6,573**	**4,074**	**1,060**	**2,644**	**248**		**40,368**
Staff costs	-3,284	-2,465	-822	-395	-2,203	-4,598	-140	-13,907
Other expenses	-827	-864	-203	-146	-791	-2,414		-5,245
Internal purchased and sold services	-5,017	-761	-509	-143	603	5,827		
Depreciation, amortisation and impairment of property, equipment and intangible assets	-321	-267	-88	-56	-123	-920		-1,775
Total expenses	**-9,449**	**-4,357**	**-1,622**	**-740**	**-2,514**	**-2,105**	**-140**	**-20,927**
Profit before credit losses	**16,320**	**2,216**	**2,452**	**320**	**130**	**-1,857**	**-140**	**19,441**
Net credit losses	-177	-119	-270	-4	11	-90		-649
Gains/losses on disposal of property, equipment and intangible assets	8	-7	7	0	-3	0		5
Operating profit	**16,151**	**2,090**	**2,189**	**316**	**138**	**-1,947**	**-140**	**18,797**
Profit allocation	333	49	40	5	-466	39		
Operating profit after profit allocation	**16,484**	**2,139**	**2,229**	**321**	**-328**	**-1,908**	**-140**	**18,797**
Internal income[1]	88	-1,193	-2,420	-387	-1,563	5,475		
C/I ratio, %	36.2	65.8	39.4	69.5	115.4			51.8
Credit loss ratio, %	0.01	0.04	0.10	0.01	-0.01			0.02
Assets	2,096,300	451,009	268,295	81,722	344,485	2,382,147	-2,488,670	3,135,288
Liabilities	1,999,887	431,703	248,309	79,110	338,642	2,367,156	-2,500,992	2,963,815
Allocated capital	96,413	19,306	19,986	2,612	5,843	14,991	12,322	171,473
Return on allocated capital, %	14.0	8.9	8.8	10.0	-4.2			9.3
The year's investments in non-financial non-current assets	242	119	6	7	181	881		1,436
The year's investments in associates and joint ventures						96		96
Average number of employees	3,672	2,462	709	329	1,317	2,865		11,354

During the first quarter of 2021, the five regional banks in Sweden were replaced with a new, customer-centric organisation, whereby the branches are now, instead, divided into 24 county units under a common national organisation, headed up by a Country General Manager. In conjunction with this reorganisation, some of the staff that previously worked at the five regional head offices were organisationally transferred to Capital Markets, the central functions for finance and accounting, legal counsel and HR, and the anti-financial crime department. Starting in 2021, eliminations of directly owned shares in subsidiaries are recognised in the Adjustments and eliminations column, instead of under the respective segments. The comparative figures presented in the table have therefore been recalculated.

form of payment for internal services rendered. Internal debiting is primarily according to the cost price principle. In branch operations, assets consist mainly of loans to the public and liabilities of deposits from the public and also internal borrowing. In the Capital Markets segment, assets mainly consist of securities that are managed within the asset management and insurance operations. The assets in the Other column are mainly internal lending to the various segments, while the liabilities are mainly external borrowings. The allocated capital for the segments is the same as the capital allocation according to the internal financial control model.

Income per product area

SEK m	2021	2020
Household deposits and lending	14,591	14,504
Corporate deposits and lending	15,074	15,200
Payments, net	1,479	1,448
Asset management	6,747	5,048
Pension & insurance	929	751
Investment bank services	2,975	1,431
Other	1,549	1,986
Total	**43,344**	**40,368**

G46 Geographical information

Geographical information 2021 SEK m	Income	Operating profit	Tax	Profit for the year from discontinued operations after tax	Assets
Sweden	30,450	18,803	-3,445		2,865,613
UK	6,287	1,543	-415		398,272
Norway	4,137	2,296	-606		331,696
The Netherlands	1,317	622	-151		105,022
USA	260	167	-4		273,070
Luxembourg	156	47	-12		34,550
China	9	-34	0		1
Germany	4	-33	-		64
France	54	12	-2		3,251
Singapore	0	-2	0		-
Poland	-12	-78	-		459
Denmark				854	149,950
Finland				-159	274,415
Eliminations	685	132	8		-1,089,599
Total	**43,347**	**23,475**	**-4,627**	**695**	**3,346,764**

Income, operating profit and profit for the year from discontinued operations before tax, and assets presented in the geographical information are composed of internal and external income, expenses and assets in the respective country. The geographical distribution of income and expenses is based on the country where the business transaction has been carried out, and is not comparable with the reported segment information. Tax includes current and deferred taxes. Additional geographical information is provided in note P16 concerning the domicile of subsidiaries and associates and in note G8 concerning average number of employees per country.

Geographical information 2020 SEK m	Income	Operating profit	Tax	Profit for the year from discontinued operations after tax	Assets
Sweden	27,858	14,522	-3,747		2,685,867
UK	6,318	1,926	-487		352,299
Norway	3,844	1,991	-470		314,086
The Netherlands	1,088	309	-75		76,657
USA	206	66	-2		219,199
Luxembourg	184	80	-8		38,252
China	107	11	0		1,443
Germany	85	-136	4		8,869
France	61	30	-4		3,859
Singapore	9	-14	0		774
Poland	4	-76	-2		523
Estonia	0	-13	-		-
Latvia	1	-2	-		-
Lithuania	0	-2	-		-
Denmark				909	139,552
Finland				122	268,118
Eliminations	603	105	551	0	-974,210
Total	**40,368**	**18,797**	**-4,240**	**1,031**	**3,135,288**

G47 Assets and liabilities by currency

2021 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	93,293	149,547	4,578	28,282	101,196	63,008	60	439,964
Other loans to central banks	-	-	-	207	1,255	-	-	1,462
Loans to other credit institutions	1,073	3,587	12,122	51	1,140	3,335	530	21,838
Loans to the public	1,496,800	245,760	294,946	107,914	251,793	13,567	3,049	2,413,829
of which corporates	*537,399*	*149,031*	*183,442*	*43,663*	*174,344*	*13,376*	*1,555*	*1,102,810*
of which households	*959,401*	*96,729*	*111,504*	*64,251*	*77,449*	*191*	*1,494*	*1,311,019*
Interest-bearing securities eligible as collateral with central banks	91,630	5,658	335	26	-	2,913	-	100,562
Bonds and other interest-bearing securities	23,131	965	8,741	17	-	480	-	33,334
Other items not broken down by currency	335,775							335,775
Total assets	**2,041,702**	**405,517**	**320,722**	**136,497**	**355,384**	**83,303**	**3,639**	**3,346,764**
Liabilities								
Due to credit institutions	12,903	49,968	14,376	248	79	5,984	50	83,608
Deposits and borrowing from the public	842,173	151,481	89,516	52,166	231,861	31,233	2,327	1,400,757
of which corporates	*386,274*	*120,367*	*59,662*	*28,818*	*162,303*	*26,964*	*1,605*	*785,993*
of which households	*455,899*	*31,114*	*29,854*	*23,348*	*69,558*	*4,269*	*722*	*614,764*
Issued securities	500,864	385,000	30,207	7	69,192	351,169	17,329	1,353,768
Subordinated liabilities	3,003	15,547	-	-	0	13,707	-	32,257
Other items not broken down by currency, incl. equity	476,374							476,374
Total liabilities and equity	**1,835,317**	**601,996**	**134,099**	**52,421**	**301,132**	**402,093**	**19,706**	**3,346,764**
Other assets and liabilities broken down by currency, net		196,428	-186,467	-84,073	-54,145	318,781	16,124	
Net foreign currency position		-51	156	3	107	-9	57	263

Assets and liabilities in the table above include the disposal groups Denmark and Finland, and have been reclassified to Assets held for sale and Liabilities held for sale in the balance sheet, respectively. See note G13.

Note G2 describes the Bank's view of foreign exchange risk.

2020 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	84,525	128,206	18,025	212	100,280	65,480	914	397,642
Other loans to central banks	-	-	2,862	17,371	1,093	-	-	21,326
Loans to other credit institutions	2,083	10,886	1,280	294	1,394	4,534	1,449	21,920
Loans to the public	1,418,660	239,227	259,469	97,781	236,368	15,441	2,666	2,269,612
of which corporates	*506,541*	*151,899*	*161,117*	*34,499*	*161,817*	*15,273*	*1,125*	*1,032,271*
of which households	*912,119*	*87,328*	*98,352*	*63,282*	*74,551*	*168*	*1,541*	*1,237,341*
Interest-bearing securities eligible as collateral with central banks	89,688	5,457	839	19	-	2,368	762	99,133
Bonds and other interest-bearing securities	33,813	1,420	7,285	16	0	2,032	-	44,566
Other items not broken down by currency	281,089							281,089
Total assets	**1,909,858**	**385,196**	**289,760**	**115,693**	**339,135**	**89,855**	**5,791**	**3,135,288**
Liabilities								
Due to credit institutions	48,198	36,846	20,498	229	5,087	13,396	469	124,723
Deposits and borrowing from the public	732,785	132,828	83,757	47,247	208,449	22,651	2,046	1,229,763
of which corporates	*310,737*	*106,377*	*58,415*	*24,285*	*149,183*	*18,513*	*1,365*	*668,875*
of which households	*422,048*	*26,451*	*25,342*	*22,962*	*59,266*	*4,138*	*681*	*560,888*
Issued securities	478,803	390,814	24,709	104	68,531	331,087	16,689	1,310,737
Subordinated liabilities	3,002	15,213	-	-	0	22,867	-	41,082
Other items not broken down by currency, incl. equity	428,983							428,983
Total liabilities and equity	**1,691,771**	**575,701**	**128,964**	**47,580**	**282,067**	**390,001**	**19,204**	**3,135,288**
Other assets and liabilities broken down by currency, net		190,618	-160,732	-68,039	-56,983	300,144	13,444	
Net foreign currency position		113	64	74	85	-2	31	365

G48 Interests in unconsolidated structured entities

SEK m	Fund holdings 2021	Fund holdings 2020
Assets[1]		
Shares	6,556	6,543
Assets where the customer bears the value change risk	230,792	177,754
Total interests in structured unconsolidated entities	**237,348**	**184,297**

[1] Of which SEK 1,020m (-) is included in the disposal groups Denmark and Finland, and has been reclassified to Assets held for sale. See note G13.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are regulated by means of contractual arrangements. Handelsbanken's interests in unconsolidated structured entities are limited and consist of fund holdings. Funds are owned primarily through unit-linked insurance contracts at Handelsbanken Liv and similar contracts in other countries. Investments in funds through unit-linked insurance contracts are never consolidated, see note G1, so these are unconsolidated structured entities. Handelsbanken also owns some fund holdings in its role as market maker. Where these holdings are not consolidated, they are interests in unconsolidated entities. The maximum exposure to loss on all interests in unconsolidated structured entities is the current carrying amount of the interest. The total assets for these entities are not considered meaningful for the purpose of understanding the related risks and so have not been presented.

G49 Related-party disclosures

Claims on and liabilities to related parties	Associates and joint ventures		Other related parties	
SEK m	2021	2020	2021	2020
Loans to the public	439	493	-	-
Other assets	29	32	572	560
Total	**468**	**525**	**572**	**560**
Deposits and borrowing from the public	113	116	1,058	853
Subordinated liabilities	-	-	-	-
Other liabilities	-	-	-	-
Total	**113**	**116**	**1,058**	**853**

Related parties – income and expenses	Associates and joint ventures		Other related parties	
SEK m	2021	2020	2021	2020
Interest income	25	9	-	-
Interest expenses	0	0	-	-
Fee and commission income	-	-	-	-
Fee and commission expenses	-237	-216	-	-
Net gains/losses on financial items at fair value	0	0	-	-
Other income	-	0	17	19
Other expenses	-73	-55	-102	-80
Total	**-285**	**-262**	**-85**	**-61**

The figures above refer to all operations.

A list of associates and joint ventures, as well as information about shareholder contributions to associates, is presented in note G19. The associates and joint ventures operations comprise various types of services related to the financial markets. The following companies comprise the group of Other related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Tjänstepensionsförening (pension fund). These companies use Svenska Handelsbanken AB for normal banking and accounting services.

On 21 October 2021, Svenska Handelsbanken AB acquired 30,461,977 class A shares in AB Industrivärden at a value of SEK 8,548m from Svenska Handelsbankens Pensionsstiftelse. These shares were then distributed to the Bank's shareholders in the form of an extra dividend. All business transactions with related companies are undertaken on market-based terms.

The parent company's Swedish subsidiaries have paid pension premiums relating to defined benefit pensions in an amount of SEK 104m (79) to the pension fund. The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 7,281m (7,704). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 568m (545) regarding pension costs, SEK -m (-) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 63m (43) for measures to benefit the employees.

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.

G50 Events after the balance sheet date

On 10 December 2021, Handelsbanken released a press release announcing the sale of three subsidiaries that own properties, located in Gothenburg, Gävle and Umeå, respectively. The transactions will generate total capital gains of SEK 1.1bn, which will be recognised as other income in connection with the transfer, which is expected to be finalised during Q1 2022. The transactions took the form of transfers of subsidiaries (holdings for business purposes).

G51 Capital adequacy

CAPITAL POLICY

The Bank aims to maintain a robust capital level which meets the risk entailed in the Group's operations and which exceeds the minimum requirements prescribed by legislation. A healthy capital level is needed to manage situations of financial strain and also for other events such as acquisitions and major growth in volumes.

CAPITAL REQUIREMENTS REGULATIONS

According to the capital adequacy regulations, Regulation (EU) No 575/2013 EU (CRR) and directive 2013/36/EU (CRD IV), the Bank must have common equity tier 1 capital, tier 1 capital and total own funds which at least correspond to the individual requirements relative to the total risk-weighted exposure amount for credit risk, market risk and operational risk. In addition to holding capital in accordance with the minimum requirement, the Bank must also hold common equity tier 1 capital to comply with the combined buffer requirement which, in Sweden, comprises the sum of a capital conservation buffer, a countercyclical buffer, a systemic risk buffer and a buffer for other systemically important institutions. The Bank has a minimum capital requirement under Pillar 2. The Pillar 2 requirement is an individual requirement determined by the Swedish Financial Supervisory Authority which is intended to cover risks which are underestimated or not covered by the regulation's minimum requirement and combined buffer requirements. There is also guidance on these requirements in Pillar 2 decided on by the Swedish Financial Supervisory Authority, representing the authority's view of the Bank's minimum buffer requirement in addition to the established capital requirement. The Bank must also perform an internal capital assessment. Handelsbanken's capital policy states the guidelines for the internal capital assessment. The Bank must also comply with a capital requirement at the financial conglomerate level in accordance with the Financial Conglomerates (Special Supervision) Act (2006:531). Since 1 February 2016, the resolution authority, which in Sweden is the National Debt Office, must set a minimum requirement for own funds and eligible liabilities (MREL) for the Bank. In 2021, the Bank met all the statutory minimum and buffer levels by a comfortable margin. More detailed information about the Bank's own funds and capital requirement is available in note G2, Risk and capital management, and in Handelsbanken's publication titled Risk and Capital – Information according to Pillar 3 (see handelsbanken.com/ir). This publication also provides a complete description of the terms and conditions applying to all of Handelsbanken's own funds and eligible liabilities.

DESCRIPTION OF CONSOLIDATED SITUATION

The regulatory consolidation (consolidated situation) consists of the parent company, subsidiaries and associates that are also included in the consolidated Group accounts, as shown in table EU LI3, Companies included in consolidated situation. The companies that are included in the consolidated accounts but are excluded from the consolidated situation are also shown in table EU LI3. Just as in the consolidated accounts, associates are consolidated using the equity method in the regulatory consolidated situation. Subsidiaries are further consolidated according to the acquisition method. All subsidiaries which are subject to the regulations are included in the consolidated situation. Handelsbanken has no subsidiaries where the actual own funds are less than the prescribed own funds.

DESCRIPTION OF OWN FUNDS FOR CONSOLIDATED SITUATION

Own funds consist of tier 1 capital and tier 2 capital. The tier 1 capital is divided into common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital consists mainly of share capital, retained earnings and other reserves in the companies that are included in the consolidation. Remaining tier 1 capital consists of additional tier 1 instruments. The tier 2 capital mainly consists of subordinated loans. Certain deductions are subsequently made from own funds. The deductions are made mainly from the common equity tier 1 capital. For the Bank's risk management, it is important that in risk terms, both the Group and the regulatory consolidation can be viewed as one unit. To enable efficient risk management in the Group, capital may need to be re-allocated among the various companies in the Group. In general, Handelsbanken is able to re-allocate capital among the Group companies, to the extent that is permitted by legislation, for example, capital adequacy requirements and restrictions in corporate law. The Bank sees no other material or legal obstacles to a rapid transfer of funds from own funds, or repayment of liabilities between the parent company and its subsidiaries.

Tier 1 capital

Tier 1 capital consists of common equity tier 1 capital and additional tier 1 capital.

Common equity tier 1 (CET1) capital

Common equity tier 1 capital consists chiefly of share capital, retained earnings and other reserves in the companies that are included in the regulatory consolidation. Since the Group's insurance companies are not part of the consolidation, shown in the table on page 205, retained earnings in these companies are not included in the common equity tier 1 capital. The items to be excluded from the common equity tier 1 capital are mainly goodwill and other intangible assets, and also capital contributions to the insurance companies in the Group or certain deferred tax assets which exceed 10% of the common equity tier 1 capital. The total of capital contributions and deferred tax assets must not exceed 15% of the common equity tier 1 capital. Since neither the capital contributions to the insurance companies in the Group nor the deferred tax assets exceed the threshold value, these do not reduce the common equity tier 1 capital. Neutrality adjustments are made for the effect of cash flow hedges on equity. A price adjustment must also be calculated and when necessary, be made for a cautious valuation of instruments at fair value. Institutions with permission to use internal ratings-based models must make a deduction for the difference between expected credit losses according to the IRB approach and the provisions made for probable credit losses if the expected credit losses exceed the provisions made. A deduction must also be made for the net value of recognised surplus values in pension assets. However, the deduction may be reduced by an amount corresponding to the Bank's right to reimbursement for pension costs from Handelsbanken's pension foundation. In addition, a deduction is made for permission to hold own shares in its capacity as market maker. The deduction must correspond to the highest market value covered by the permission. Finally, a deduction is made for investments in securitisation, and an adjustment is made for the effect of changes in own credit risk in derivative instruments.

Additional tier 1 capital

Additional tier 1 capital consists of instruments which fulfil the requirements for additional tier 1 capital. This capital must be perpetual and must be redeemable after five years at the earliest, but only after permission is granted by the supervisory authority. It must be possible to write down the nominal value or convert it to shares to create common equity tier 1 capital at a predefined level for the common equity tier 1 capital

G51 Cont.

and it must be possible to unconditionally suspend interest payments.

The Bank's total additional tier 1 capital amounts to SEK 13.5bn. Of this amount, additional tier 1 capital for SEK 9.0bn was issued in 2020 and SEK 4.5bn was issued in 2019, which fulfils the requirements of CRR. If there are no distributable funds, coupon payments must be suspended for additional tier 1 capital.

Tier 2 capital

The tier 2 capital consists of subordinated loans with a maturity of at least five years. Deductions are made for subordinated loan contributions to the insurance companies within the Group.

CAPITAL REQUIREMENTS

Credit risk

The capital requirements for credit risk are calculated according to the standardised approach and the IRB approach according to CRR. There are two different IRB approaches: the IRB approach without own estimates of LGD and CCF (the foundation approach), and the IRB approach with own estimates of LGD and CCF (the advanced approach).

In the foundation IRB approach, the Bank uses its own IRB models to determine the probability of the customer defaulting within one year (PD), while the other parameters are set out in CRR. In the advanced IRB approach, the Bank uses its own IRB models to calculate the loss given default (LGD) and the credit conversion factor (CCF).

Handelsbanken uses the foundation IRB approach for exposures to institutions and for certain product and collateral types for corporate exposures, and for certain exposures in the subsidiaries Stadshypotek AB, Handelsbanken Finans AB and Ecster AB.

The advanced IRB approach is applied to most exposures to large corporates, medium-sized companies, property companies and housing co-operative associations, and in Stadshypotek AB and Handelsbanken Finans AB. The same applies to retail exposures in Sweden and Norway, in the subsidiaries Stadshypotek and Handelsbanken Finans, and in the disposal groups Denmark, Finland and the subsidiary Ecster AB. The capital requirement for equity exposures in the IRB approach is calculated according to a simplified risk weight method.

The credit risk for all exposures at Handelsbanken's subsidiary Handelsbanken plc is calculated at solo and aggregated level according to the standardised method.

At year-end, the IRB approach was applied to 74% (86) of the total risk-weighted exposure amount for credit risk. For the remaining credit risk exposures, the capital requirements are calculated using the standardised approach.

The total average risk weight for exposures approved for the IRB approach decreased during the year to 10.1% (11.7). The decrease is mainly a result of the breakdown of the portfolio, in that exposure classes with lower risk weights: sovereigns, housing co-operative associations and households, have risen proportionally slightly more than those with higher risk weights. The total average risk weight, including the risk weight floor under Pillar 1 for Swedish and Norwegian mortgage loans, and for corporate exposure with collateral in property in Norway, is 18.2% (18.4).

Credit quality is good. Of Handelsbanken's corporate exposures, 99% (98) were customers with a repayment capacity assessed as normal or better than normal, i.e. with a rating grade between one and five on the Bank's ten-point risk rating scale.

Market risks

The capital requirement for market risk is calculated for the Bank's consolidated situation. The capital requirements for interest rate risk and equity price risk are, however, only calculated for positions in the trading book. When calculating the capital requirement for market risk, the standardised approach is applied.

Capital requirement for operational risk

Handelsbanken uses the standardised approach to calculate the capital requirement for operational risk. According to the standardised approach, the capital requirement is calculated by multiplying a factor specified in the regulations by the average operating income during the last three years of operation. Different factors are applied in different business segments.

At the end of 2021, the total capital requirement for operational risks for the consolidated situation was SEK 5,573m (5,489).

CAPITAL ADEQUACY FOR THE FINANCIAL CONGLOMERATE

Institutions and insurance companies which are part of a financial conglomerate must have own funds which are adequate in relation to the capital requirement for the financial conglomerate. Own funds and the capital requirement for the financial conglomerate have been calculated according to the deduction and aggregation method (method 2, Annex I, Directive 2002/87/EC). The financial conglomerate's total own funds exceed the financial conglomerate's capital requirement.

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

The Bank Recovery and Resolution Directive (2014/59/EU, BRRD), was implemented in Swedish law through the Resolution Act (2015:1016). These regulations state ways to manage bank crises, and enable authorities, within a set framework, to assume control of, restructure and sell either all or parts of a bank, without liquidating the bank or entering it into bankruptcy. In addition to these crisis management measures, the regulations offer the opportunity to write down certain debt instruments to recapitalise a crisis-hit bank.

One aspect of these regulations was the introduction of a minimum requirement for such liabilities eligible for impairment (MREL) from 1 January 2018. The minimum requirement is set in the Bank's resolution plan, drawn up by the Swedish National Debt Office and the Swedish Financial Supervisory Authority. The requirement is comprised of a loss absorption amount and a recapitalisation amount.

In 2021, the regulations were amended to align with the new EU Banking Package, involving a change to the Swedish terminology used. MREL is to be expressed as two ratios: a risk-weighted ratio and a total exposure, non risk-weighted ratio. The combined buffer requirement must be met through common equity tier 1 capital (not including the common equity tier 1 capital used for MREL) and a mandatory subordination requirement is being introduced. To meet this subordination requirement, a new type of debt instrument was introduced in Swedish legislation in December 2018. This type is subordinate to current senior debt instruments, but ranks more highly than own funds instruments as part of a resolution procedure. Handelsbanken has issued this type of subordinated debt instrument during the period 2019–2021. The new requirements must be met by 1 January 2024, but transitional rules are in effect from 1 January 2022.

For 2022, Handelsbanken's total MREL requirement for the risk-weighted ratio is 19.9% and for the non risk-weighted ratio is 5.0% at consolidated level. Correspondingly, the subordination requirement amounts to 13.5% and 5.0%, respectively. Handelsbanken meets all MREL requirements.

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EU LI3 Companies included in consolidated situation – Outline of the differences in the scopes of consolidation (entity by entity)

The table outlines the scopes of consolidation for the companies included in the consolidated situation at year-end.

Outline of the differences in the scopes of consolidation (entity by entity) 2021	Corporate identity number	Ownership share, %	Method of accounting consolidation	Method of regulatory consolidation: Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the unit
Handelsbanken AB (publ)[1]	**502007-7862**	**N/A**	**Parent company**	**NA**					**Credit institution**
Handelsbanken Finans AB	556053-0841	100	Full consolidation	x					Credit institution
Stadshypotek AB	556459-6715	100	Full consolidation	x					Credit institution
Svenska Intecknings Garanti AB Sigab (inactive)	556432-7285	100	Full consolidation	x					Non-financial corporation
Handelsbanken Fondbolagsförvaltning AB	556070-0683	100	Full consolidation	x					Other financial corporations
Handelsbanken Fonder AB	556418-8851	100	Full consolidation	x					Other financial corporations
Handelsinvest Investeringsforvaltning A/S	12930879	100	Full consolidation	x					Other financial corporations
Xact Kapitalförvaltning AB	556997-8140	100	Full consolidation	x					Other financial corporations
AB Handel och Industri	556013-5336	100	Full consolidation	x					Non-financial corporation
Ecster AB	556993-2311	100	Full consolidation	x					Credit institution
Handelsbanken plc	11305395	100	Full consolidation	x					Credit institution
Handelsbanken Wealth & Asset Management	04132340	100	Full consolidation	x					Other financial corporations
Heartwood Nominees Limited (inactive)	2299877	100	Full consolidation	x					Non-financial corporation
Heartwood Second Nominees Limited (inactive)	3193458	100	Full consolidation	x					Non-financial corporation
Heartwood ACD Limited (inactive)	4332528	100	Full consolidation	x					Non-financial corporation
Svenska Property Nominees Limited (inactive)	2308524	100	Full consolidation	x					Non-financial corporation
Optimix Vermogensbeheer N.V.	33194359	100	Full consolidation	x					Other financial corporations
Add Value Fund Management B.V.	19196768	80	Full consolidation	x					Other financial corporations
Optimix Beheer en Belegging B.V. (inactive)	33186584	100	Full consolidation	x					Non-financial corporation
Ejendomsselskabet af 1. maj 2009 A/S	59173812	100	Full consolidation	x					Non-financial corporation
Forva AS	945812141	100	Full consolidation	x					Non-financial corporation
Handelsbanken Markets Securities, Inc.	11-3257438	100	Full consolidation	x					Other financial corporations
Handelsbanken Rahoitus Oy	0112308-8	100	Full consolidation	x					Other financial corporations
Lokalbolig A/S	78488018	71.52	Full consolidation	x					Non-financial corporation
Handelsbanken Fastigheter AB	556873-0021	100	Full consolidation	x					Non-financial corporation
Ägir 7 AB	559337-1627	100	Full consolidation	x					Non-financial corporation
Norr 22:2 AB	559337-1635	100	Full consolidation	x					Non-financial corporation
Inom Vallgraven 15:13 AB	559337-1643	100	Full consolidation	x					Non-financial corporation
Rådstuplass 4 AS	910508423	100	Full consolidation	x					Non-financial corporation
Handelsbanken Venture AB	556993-9357	100	Full consolidation	x					Non-financial corporation
Bidtruster AB	556993-9084	100	Full consolidation	x					Non-financial corporation
Bankomat AB	556817-9716	20	Equity method		x				Non-financial corporation
BGC Holding AB	556607-0933	25.54	Equity method		x				Non-financial corporation
Bankgirocentralen BGC AB	556047-3521	100	Equity method		x				Non-financial corporation

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Outline of the differences in the scopes of consolidation (entity by entity) 2021	Corporate identity number	Ownership share, %	Method of accounting consolida-tion	Method of regulatory consolidation: Full con-solidation	Propor-tional con-solidation	Equity method	Neither con-solidated nor deducted	Deducted	Description of the unit
Torig AB	556564-5404	100	Equity method		x				Non-financial corporation
Finansiell ID-teknik BID AB	556630-4928	28.3	Equity method		x				Non-financial corporation
USE Intressenter AB	559161-9464	24.48	Equity method		x				Non-financial corporation
Getswish AB	556913-7382	20	Equity method		x				Non-financial corporation
P 27 Nordic Payments Platform AB	559198-9610	16.7	Equity method		x				Non-financial corporation
Invidem AB	559210-0779	16.7	Equity method		x				Non-financial corporation
Handelsbanken Liv Försäkring AB (Group excl. Handels-banken Fastigheter AB)	516401-8284	100	Not consolidated				x		Insurance company
Svenska Re S.A.	RCS Lux B-32053	100	Not consolidated				x		Insurance company
Handelsbanken Skadeförsäkrings AB	516401-6767	100	Not consolidated				x		Insurance company
SHB Liv Försäkringsaktiebolag	2478149-7	100	Not consolidated				x		Insurance company
Svenska RKA International Insurance Services AB (inactive)	556324-2964	100	Not consolidated				x		Insurance company
Dyson Group plc	00163096	27	Not consolidated				x		Non-financial corporation
Dyson Industries Ltd	1187031	100	Not consolidated				x		Non-financial corporation
Beepart Ltd	177682	100	Not consolidated				x		Non-financial corporation
Pickford Holland & Company Ltd	128414	100	Not consolidated				x		Non-financial corporation
Millennium Materials Inc	-	100	Not consolidated				x		Non-financial corporation
Dyson US holdings Inc	-	100	Not consolidated				x		Non-financial corporation
EFN Ekonomikanalen AB	556930-1608	100	Not consolidated				x		Non-financial corporation
Handelsbanken Forsikringsformidling A/S	42767808	100	Not consolidated				x		Non-financial corporation

EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The table shows the difference between the carrying amount under the scope of regulatory consolidation and exposures considered for regulatory purposes.

Main sources of differences between regulatory exposure amounts and carrying values in financial statements 2021 SEK m	Total	Items subject to: Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1 Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**3,093,320**	**3,018,811**	**55,074**	**372**	**19,063**
2 Liabilities carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**25,219**				**25,219**
3 Total net amount under the regulatory scope of consolidation	**3,068,101**	**3,018,811**	**55,074**	**372**	**-6,156**
4 Off-balance sheet amounts	**536,874**	**536,874**			
5 Differences in valuations					
6 Differences due to different netting rules, other than those already included in row 2	23,012		-9,294		32,306
7 Differences due to consideration of provisions	1,917	1,917	0		
8 Differences due to the use of credit risk mitigation techniques (CRMs)	-54,124	-14,485	-39,639		
9 Differences due to credit conversion factors	-294,634	-294,634			
10 Differences due to Securitisation with risk transfer					
11 Other differences	30,636		30,636		
12 Exposure amounts considered for regulatory purposes	**3,311,782**	**3,248,483**	**36,777**	**372**	**26,150**

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EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	Assets – Breakdown by asset class according to the balance sheet in the published financial statements			
A - 1	Cash and balances with central banks	291,584	439,964	
A - 2	Other loans to central banks	1,255	1,462	
A - 3	Interest-bearing securities eligible as collateral with central banks	100,538	100,562	
A - 4	Loans to other credit institutions	21,745	21,833	
A - 5	Loans to the public	2,163,135	2,414,961	55, 57
A - 6	Value change of interest-hedged item in portfolio hedge	-1,900	-1,900	
A - 7	Bonds and other interest-bearing securities	33,317	33,334	
A - 8	*of which interest-bearing instruments classified as fair value through other comprehensive income (carrying amount)*	*9,016*	*9,016*	
A - 9	*of which interest-bearing instruments classified as fair value through other comprehensive income, accumulated value change*	*-61*	*-61*	
A - 10	Shares	19,471	13,490	
A - 11	*of which shares classified as fair value through other comprehensive income (carrying amount)*	*454*	*808*	
A - 12	*of which shares classified as fair value through other comprehensive income, accumulated value change*	*218*	*218*	
A - 13	Investments in associates	478	6,723	
A - 14	Assets where the customer bears the value change risk	235,761	9,082	
A - 15	Derivative instruments	28,508	28,518	
A - 16	*of which cash flow hedges*	*1,789*	*1,789*	
A - 17	Reinsurance assets	0	0	
A - 18	Intangible assets	8,302	10,860	8
A - 19	Property and equipment	5,272	5,834	
A - 20	Current tax assets	469	598	
A - 21	Deferred tax assets	845	845	
A - 22	*of which related to cash flow hedges*	-	-	
A - 23	*of which related to interest-bearing instruments classified as fair value through other comprehensive income*	*17*	*17*	*15*
A - 24	Pension assets	8,766	8,785	
A - 25	Assets held for sale	421,417	352	
A - 26	Other assets	5,785	5,743	
A - 27	Prepaid expenses and accrued income	2,016	2,097	
A - 28	**Total assets**	**3,346,764**	**3,103,143**	
	LIABILITIES AND EQUITY			
L - 1	Due to credit institutions	83,034	83,540	
L - 2	Deposits and borrowing from the public	1,286,637	1,403,076	
L - 3	Liabilities where the customer bears the value change risk	235,761	9,082	
L - 4	Issued securities	1,353,768	1,353,768	
L - 5	Derivative instruments	13,784	13,809	
L - 6	*of which cash flow hedges*	-	-	
L - 7	Short positions	4,105	4,105	
L - 8	Insurance liabilities	532	0	
L - 9	Current tax liabilities	108	312	
L - 10	Deferred tax liabilities	5,276	5,239	
L - 11	*of which related to cash flow hedges*	*464*	*464*	
L - 12	*of which related to interest-bearing instruments classified as fair value through other comprehensive income*	*19*	*19*	
L - 13	Provisions	1,026	1,152	
L - 14	Pension obligations	0	0	
L - 15	Liabilities related to assets held for sale	133,922	-	
L - 16	Other liabilities	11,304	12,020	
L - 17	Accrued expenses and deferred income	3,519	3,883	
L - 18	Subordinated liabilities	32,257	32,257	
L - 19	*of which tier 1 capital loans*	*13,513*	*13,513*	*30, 32, 36*
L - 20	*of which loans with remaining time to maturity >5 yrs*	*18,364*	*18,364*	*46, 51*
L - 21	*of which loans with remaining time to maturity <5 yrs*	-	-	
L - 22	*of which other loans*	-	-	
L - 23	**Total liabilities**	**3,165,033**	**2,922,243**	
E - 1	Minority interest	25	25	
E - 2	Share capital	3,069	3,069	1
E - 3	Holdings of own shares	-36	-36	
E - 4	Share premium reserve	8,758	8,758	
E - 5	*of which equity from compound financial instruments*	-	-	
E - 6	Other reserves	15,845	15,821	3, 11
E - 7	Retained earnings	134,507	135,109	2
E - 8	Profit for the year (attributable to shareholders of Svenska Handelsbanken AB)	19,527	18,118	5a
E - 9	**Total equity**	**181,731**	**180,900**	
LE - 1	**Total liabilities and equity**	**3,346,764**	**3,103,143**	

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EU CC1 – Composition of regulatory own funds Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 2021/637. Excluded rows are deemed not relevant for Handelsbanken at present.

	Composition of regulatory own funds	2021		2020	
SEK m		Amount at disclosure date	Source based on reference numbers/reference letters in the balance sheet under regulatory scope of consolidation	Amount at disclosure date	Source based on reference numbers/reference letters in the balance sheet under regulatory scope of consolidation
	Common equity tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	11,827	E-2, E-4	11,827	E-2, E-4
	of which: share capital	*11,827*	*E-2, E-4*	*11,827*	*E-2, E-4*
	of which: convertible securities				
2	Retained earnings	135,109	E-7	137,177	E-7
3	Accumulated other comprehensive income (and other reserves)	15,822	E-6	8,562	E-6
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	8,218	E-8	6,414	E-8
6	**Common equity tier 1 (CET1) capital before regulatory adjustments**	**170,976**		**163,980**	
	Common equity tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-421		-399	
8	Intangible assets (net of related tax liability) (negative amount)	-10,927	A-18	-11,217	A-18
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-1,789	E-6	-3,353	E-6
12	Negative amounts resulting from the calculation of expected loss amounts	-731		-779	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	4		9	
15	Defined-benefit pension fund assets (negative amount)	-6,976	A-24	-1,615	A-24
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-427		-466	
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)	-		-	
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-		-	
20c	*of which: securitisation positions (negative amount)*	-		-	
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)	-		-	
22	Amount exceeding the 17.65% threshold (negative amount)	-		-	
23	*of which: direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities*	-		-	
25	*of which: deferred tax assets arising from temporary differences*	-		-	
25a	Losses for the current financial year (negative amount)	-		-	
25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-		-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-		-	
28	**Total regulatory adjustments to common equity tier 1 (CET1) capital**	**-21,267**		**-17,820**	
29	**Common equity tier 1 capital**	**149,709**		**146,160**	

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Composition of regulatory own funds		2021		2020	
	SEK m	Amount at disclosure date	Source based on reference numbers/reference letters in the balance sheet under regulatory scope of consolidation	Amount at disclosure date	Source based on reference numbers/reference letters in the balance sheet under regulatory scope of consolidation
	Additional tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	13,513	L-19	21,980	L-19
32	*of which: classified as liabilities under applicable accounting standards*	*13,513*	*L-19*	*21,980*	*L-19*
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-		-	
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**13,513**	**L-19**	**21,980**	**L-19**
	Additional tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-		-9,808	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-		-	
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-		-	
43	**Total regulatory adjustments to additional tier 1 (AT1) capital**	**-**		**-9,808**	
44	**Additional tier 1 (AT1) capital**	**13,513**		**12,172**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**163,222**		**158,332**	
	Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	18,364	L-20	18,032	L-20
50	Credit risk adjustments	1		10	
51	**Tier 2 (T2) capital before regulatory adjustments**	**18,365**	**L-20**	**18,042**	**L-20**
	Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-		-	
55	Direct, indirect and synthetic 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	A-5	-1,129	A-5
57	**Total regulatory adjustments to tier 2 (T2) capital**	**-1,129**	**A-5**	**-1,129**	**A-5**
58	**Tier 2 capital**	**17,236**		**16,913**	
59	**Total capital (TC = T1 + T2)**	**180,458**		**175,245**	
60	**Total risk-weighted assets**	**773,158**		**721,403**	
	Capital ratios and buffers				
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	19.4		20.3	
62	Tier 1 (as a percentage of total risk exposure amount)	21.1		21.9	
63	Total capital (as a percentage of total risk exposure amount)	23.3		24.3	
64	Institution CET1 overall capital requirements	6.6		6.6	
65	*of which: capital conservation buffer requirement*	*2.5*		*2.5*	
66	*of which: countercyclical buffer requirement*	*0.1*		*0.1*	
67	*of which: systemic risk buffer requirement*	*3.0*		*3.0*	
67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*1.0*		*1.0*	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	14.9		15.8	
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0		0	
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 17.65% threshold and net of eligible short positions)	6,254		-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0		0	

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Composition of regulatory own funds SEK m		2021 Amount at disclosure date	2021 Source based on reference numbers/reference letters in the balance sheet under regulatory scope of consolidation	2020 Amount at disclosure date	2020 Source based on reference numbers/reference letters in the balance sheet under regulatory scope of consolidation
	Applicable caps on the inclusion of provisions tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-		-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	2,235		1,629	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-		-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	3,090		3,074	
	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	-		-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		-	
82	Current cap on AT1 instruments subject to phase out arrangements	-		-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		-	
84	Current cap on T2 instruments subject to phase out arrangements	-		-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		-	

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EU INS2 – Financial conglomerates information on own funds and capital adequacy ratio

Financial conglomerates information on own funds and capital adequacy ratio SEK m		2021
1	Supplementary own fund requirements of the financial conglomerate (amount)	14,387
2	Capital adequacy ratio of the financial conglomerate (%)	20.90%

EU KM1 – Key metrics template

Key metrics 2021		2021	2020
	Available own funds (amounts)		
1	Common equity tier 1 capital	149,709	158,332
2	Tier 1 capital	163,222	146,160
3	Total capital	180,458	175,245
	RWAs		
4	Total risk-weighted exposure amount	773,158	721,403
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	19.4%	20.3%
6	Tier 1 ratio (%)	21.1%	21.9%
7	Total capital ratio (%)	23.3%	24.3%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)		
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.9%	
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*1.2%*	
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.5%*	
EU 7d	Total SREP own funds requirements (%)	9.9%	8.0%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
9	Institution specific countercyclical capital buffer (%)	0.1%	0.1%
EU 9a	Systemic risk buffer (%)	3.0%	3.0%
10	Global systemically important institution buffer (%)		
EU 10a	Other systemically important institution buffer (%)	1.0%	1.0%
11	Combined buffer requirement (%)	6.6%	6.6%
EU 11a	Overall capital requirements (%)	16.5%	14.6%
12	CET1 available after meeting the total SREP own funds requirements (%)	13.9%	
	Leverage ratio		
13	Total exposure measure	3,232,291	3,051,376
14	Leverage ratio (%)	5.0%	5.2%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)		
EU 14b	*of which: to be made up of CET1 capital (percentage points)*		
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%
EU 14d	Leverage ratio buffer requirement (%)		
EU 14e	Overall leverage ratio requirement (%)		
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	778,654	736,681
EU 16a	Cash outflows – Total weighted value	595,289	546,265
EU 16b	Cash inflows – Total weighted value	68,295	65,548
16	Total net cash outflows (adjusted value)	526,994	480,717
17	Liquidity coverage ratio (%)	149%	154%
	Net Stable Funding Ratio		
18	Total available stable funding		
19	Total required stable funding	2,026,413	1,920,899
20	NSFR ratio (%)	1,774,542	1,644,683
		114%	117%

G51 Cont.

EU OV1 – Overview of total risk exposure amounts

The table shows risk-weighted exposure amounts (RWA) for credit risk, counterparty risk, market risk and operational risk the end of 2021 and the previous year. Credit risk is calculated according to the standardised approach, the foundation IRB approach and the advanced IRB approach. Market risk and operational risk are calculated according to the standardised approach.

Overview of total risk exposure amounts		Total risk exposure amounts (TREA)	Total own funds requirements
SEK m		2021	2021
1	**Credit risk (excluding CCR)**	**684,075**	**54,727**
2	*of which standardised approach*	*178,552*	*14,284*
3	*of which the foundation IRB (F-IRB) approach*	*48,100*	*3,849*
4	*of which slotting approach*		
EU 4a	*of which equities under the simple risk-weighted approach*	*3,427*	*274*
5	*of which the advanced IRB (A-IRB) approach*	*224,096*	*17,928*
5a		229,900	18,392
6	**CCR**	**12,255**	**980**
7	*of which standardised approach*	*8,924*	*714*
8	*of which internal model method (IMM)*		
EU 8a	*of which exposures to a CCP*	*212*	*17*
EU 8b	*of which credit valuation adjustment – CVA*	*2,614*	*209*
9	*of which other CCR*	*505*	*40*
10	N/A		
11	N/A		
12	N/A		
13	N/A		
14	N/A		
15	**Settlement risk**	**15**	**1**
16	**Securitisation exposures in the non-trading book (after the cap)**		
17	*of which SEC-IRBA approach*		
18	*of which SEC-ERBA (including IAA)*		
19	*of which SEC-SA approach*		
EU 19a	*of which 250% / deduction*		
20	**Position, foreign exchange and commodities risks (Market risk)**	**7,145**	**572**
21	*of which standardised approach*	*7,145*	*572*
22	*of which IMA*		
23	**Operational risk**	**69,668**	**5,573**
EU 23a	*of which basic indicator approach*		
EU 23b	*of which standardised approach*	*69,668*	*5,573*
EU 23c	*of which advanced measurement approach*		
24	Amounts below the thresholds for deduction (subject to 250% risk weight)		
25	N/A		
26	N/A		
27	N/A		
28	N/A		
29	**Total**	**773,158**	**61,853**

Market risk under the standardised approach

The table shows capital requirements for market risk according to the standardised approach at year-end 2021.

Market risk under the standardised approach	Capital requirements	
SEK m	2021	2020
Outright products		
Interest rate risk (general and specific)	199	596
Equity price risk (general and specific)	1	2
Foreign exchange risk	357	-
Commodity risk	1	1
Options		
Simplified method	-	-
Delta-plus method	-	-
Scenario approach	14	2
Securitisation (specific risk)	-	-
Total capital requirements for market risk	**572**	**601**

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Minimum requirement for eligible liabilities (MREL)
The MREL requirement is expressed as a share of own funds and eligible liabilities relative to the risk weighted exposure amount and the non risk-weighted exposure amount, respectively (SFS 2015:1016). The Bank's requirement is determined on an annual basis by the Swedish National Debt Office, and the final requirement will be phased in linearly during a transitional period starting 1 January 2022 and ending 1 January 2024. The requirement below refers to the minimum requirement applied as at 1 January 2022.

%	2022
Risk-weighted MREL requirement	19.9
Available own funds and eligible liabilities	35.4
Non-risk-weighted MREL requirement	5.0
Available own funds and eligible liabilities	10.1

%	2022
Risk-weighted subordination requirement	13.5
Available own funds and subordinate eligible liabilities	20.9
Non-risk-weighted subordination requirement	5.0
Available own funds and subordinate eligible liabilities	6.6

Minimum requirement for eligible liabilites (MREL)
MREL requirement of total liabilities and own funds (SFS 2015:1016) as the requirement was formulated before 1 January 2022.

SEK m	2021	2020
MREL requirement	175,219	179,066
Eligible liabilities and own funds	326,256	332,573
Total liabilities and own funds	3,061,662	3,110,867

%	2021	2020
MREL requirement as a percentage of total liabilities and own funds	5.7	5.8
Eligible liabilities and own funds as a percentage of total liabilities and own funds	10.7	10.4

Credit risk exposures approved for IRB approach

Credit risk exposures approved for IRB approach	**Exposure amount**		**Of which off-balance sheet**		**Risk-weighted exposure amount**		**Capital requirements**		**Average risk weight, %**	
SEK m	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Sovereign exposures	**515,567**	**490,718**	**11,723**	**14,002**	**8,101**	**7,214**	**648**	**577**	**1.6**	**1.5**
Corporate exposures	**764,318**	**854,312**	**134,254**	**111,944**	**163,190**	**211,791**	**13,055**	**16,943**	**21.4**	**24.8**
Corporate lending	747,732	843,585	134,254	111,944	158,578	208,608	12,686	16,689	21.2	24.7
of which other lending, IRB approach without own estimates of LGD and CCF	*92,903*	*93,833*	*54,807*	*57,203*	*21,500*	*26,186*	*1,720*	*2,094*	*23.1*	*27.9*
of which other lending, IRB approach with own estimates of LGD and CCF	*654,829*	*749,752*	*79,447*	*54,741*	*137,078*	*182,422*	*10,966*	*14,594*	*20.9*	*24.3*
of which large corporates	*145,210*	*125,572*	*48,705*	*33,017*	*45,668*	*48,644*	*3,653*	*3,892*	*31.4*	*38.7*
of which medium-sized companies	*71,945*	*84,512*	*6,479*	*8,206*	*21,448*	*27,212*	*1,716*	*2,177*	*29.8*	*32.2*
of which property companies	*437,674*	*539,668*	*24,263*	*13,518*	*69,962*	*106,566*	*5,597*	*8,525*	*16.0*	*19.7*
Counterparty risk	16,586	10,727	-	-	4,612	3,183	369	255	27.8	29.7
Housing co-operative associations	**263,913**	**245,789**	**3,310**	**2,494**	**8,567**	**7,997**	**686**	**641**	**3.2**	**3.3**
Retail exposures	**1,220,684**	**1,154,770**	**76,963**	**71,160**	**78,659**	**78,540**	**6,293**	**6,283**	**6.4**	**6.8**
Private individuals	1,200,080	1,132,800	71,116	64,940	72,569	71,797	5,806	5,744	6.0	6.3
of which property loans	*1,156,868*	*1,091,524*	*57,903*	*52,045*	*63,346*	*63,586*	*5,068*	*5,087*	*5.5*	*5.8*
of which other	*43,212*	*41,276*	*13,213*	*12,895*	*9,223*	*8,211*	*738*	*657*	*21.3*	*19.9*
Small companies	20,604	21,970	5,847	6,220	6,090	6,743	487	539	29.6	30.7
of which property loans	*10,232*	*10,918*	*927*	*991*	*3,272*	*3,644*	*262*	*292*	*32.0*	*33.4*
of which other	*10,372*	*11,052*	*4,920*	*5,229*	*2,818*	*3,099*	*225*	*247*	*27.2*	*28.0*
Exposures to institutions	**44,506**	**38,453**	**4,042**	**5,857**	**11,228**	**10,683**	**898**	**855**	**25.2**	**28.0**
Lending to institutions	34,611	17,178	4,042	5,857	6,609	5,279	529	422	19.1	30.7
Counterparty risk	9,895	21,275	-	-	4,619	5,404	369	433	46.7	25.4
Equity exposures	**926**	**799**	**-**	**-**	**3,427**	**2,955**	**274**	**236**	**370**	**370.0**
of which listed equities	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
of which other equities	*926*	*799*	*-*	*-*	*3,427*	*2,955*	*274*	*236*	*370*	*370.0*
Non-credit-obligation asset exposures	**11,959**	**6,417**	**753**	**-**	**11,859**	**6,417**	**949**	**513**	**99.2**	**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	**2,821,873**	**2,791,274**	**231,045**	**205,457**	**285,031**	**325,646**	**22,803**	**26,052**	**10.1**	**11.7**
Risk weight floor, Swedish mortgage loans[1]					**199,666**	**186,614**	**15,973**	**14,929**		
Impact of risk weight floor, Norwegian mortgage loans[2]					12,716	12,255	1,017	980		
Impact of risk weight floor, Norwegian companies, collateral in property[3]					17,518	17,134	1,402	1,371		
Total IRB approach with impact of risk weight floor	**2,821,873**	**2,791,274**	**231,045**	**205,457**	**514,931**	**512,260**	**41,195**	**40,981**	**18.2**	**18.4**

[1] The exposure amount which is affected by the rules for risk weight floor, Swedish mortgage loans is SEK 938,688m at 31 December 2021.
[2] The exposure amount which is affected by the rules for risk weight floor, Norwegian mortgage loans is SEK 115,842m at 31 December 2021.
[3] The exposure amount which is affected by the rules for risk weight floor, Norwegian companies, collateral in property is SEK 128,529m at 31 December 2021.

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Credit risk exposures according to standardised approach[1]

Credit risk exposures according to standardised approach[1]	Exposure amount		Of which off-balance sheet		Risk-weighted exposure amount		Capital requirements		Average risk weight, %	
SEK m	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sovereign and central banks	103,210	1,827	239	49	0	0	0	0	0	0
Municipalities	120	-	0	-	0	-	0	-	0	-
Multilateral development banks	2,441	956	0	0	0	0	0	0	0	0
International organisations	-	-	-	-	-	-	-	-	-	-
Institutions	4,928	9,561	9	169	427	902	34	72	8.7	9.0
Companies	12,311	7,339	2,766	1,749	11,534	6,929	923	554	93.7	94.4
Households	7,723	9,885	2,404	2,434	5,696	7,250	456	580	73.8	73.0
Property mortgages	321,248	138,617	5,321	2,745	141,879	48,405	11,350	3,872	44.2	35.0
Past due items	1,217	857	16	5	1,406	973	112	78	115.5	113.6
High risk items	740	28	133	-	1,110	41	89	3	150.0	150.0
Mutual funds	-	-	-	-	-	-	-	-	-	-
Equities	6,614	6,541	-	-	15,995	15,923	1,280	1,274	241.8	243.4
of which listed equities	-	-	-	-	-	-	-	-	-	-
of which other equities	*6,614*	*6,541*	-	-	*15,995*	*15,923*	*1,280*	*1,274*	*241.8*	*243.4*
Other items	3,206	6,278	4	37	738	3,510	59	282	23.0	56.0
Total standardised approach	**463,759**	**181,889**	**10,892**	**7,188**	**178,785**	**83,933**	**14,303**	**6,715**	**38.6**	**46.1**

[1] Details of capital requirements for exposure classes where there are exposures.

EU LR2 – LRCom: Leverage ratio common disclosure

The table shows the leverage ratio for the current and previous period. The exposures are specified for the categories balance sheet, derivative, securities financing transactions and off-balance sheet exposures. The table shows the leverage ratio is calculated as tier 1 capital divided by total exposures. The leverage ratio has increased compared to the previous year.

	LRCom: Leverage ratio common disclosure SEK m	2021
	On-balance sheet exposures (excluding derivatives and securities financing transactions)	
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3,035,785
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-2,996
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0
5	(General credit risk adjustments to balance sheet items)	0
6	(Asset amounts deducted in determining Tier 1 capital)	-21,266
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**3,011,523**
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	16,104
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	21,924
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0
EU-9b	Exposure determined under Original Exposure Method	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	0
11	Adjusted effective notional amount of written credit derivatives	3,379
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-30
13	**Total derivative exposures**	**41,377**
	Securities financing transaction exposures	
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	38,849
15	Netted amounts of cash payables and cash receivables of gross SFT assets)	0
16	Counterparty credit risk exposure for securities financing transaction assets	5,194
EU-16a	Derogation for securities financing transactions: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0
17	Agent transaction exposures	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0
18	**Total securities financing transaction exposures**	**44,043**
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	535,702
20	(Adjustments for conversion to credit equivalent amounts)	-399,564
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0
22	**Off-balance sheet exposures**	**136,138**

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EU LR2 – LRCom: Leverage ratio common disclosure – *cont.*

	LRCom: Leverage ratio common disclosure SEK m	2021
	Exempted exposures	
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	0
EU-22c	(Excluded exposures of public development banks (or units) – Public sector investments)	0
EU-22d	(Excluded exposures of public development banks (or units) – Promotional loans)	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-790
EU-22g	(Excluded excess collateral deposited at triparty agents)	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0
EU-22k	(Total exempted exposures)	-790
	Capital and total exposure measure	
23	**Tier 1 capital**	**163,222**
24	**Total exposure measure**	**3,232,290**
	Leverage ratio	
25	Leverage ratio (%)	5.05%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.05%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.05%
26	Regulatory minimum leverage ratio requirement (%)	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%
EU-26b	*of which: to be made up of CET1 capital*	*0.00%*
27	Leverage ratio buffer requirement (%)	3.00%
EU-27a	Overall leverage ratio requirement (%)	
	Choice on transitional arrangements and relevant exposures	
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA
	Disclosure of mean values	
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	39,184
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	38,849
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3,232,625
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3,232,625
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.05%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.05%

EU LR1 – LRSum: Summary reconciliation of accounting assets and leverage ratio exposures
The table specifies accounting assets and leverage ratio exposures. The total exposure amount for the leverage ratio has decreased compared to the previous year.

	LRSum: Summary reconciliation of accounting assets and leverage ratio exposures SEK m	Applicable amount
1	Total assets as per published financial statements	3,103,143
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	243,622
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustment for derivative financial instruments	12,869
9	Adjustment for securities financing transactions (SFTs)	18,268
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	136,138
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-421
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	-281,327
13	**Total exposure measure**	**3,232,291**

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EU LR3 – LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

The table specifies accounting assets and leverage ratio exposures. The total exposure amount for the leverage ratio has increased compared to the previous year.

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) SEK m		2021	2020
EU-1	Total on balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	3,100,045	2,877,552
EU-2	Trading book exposures	98,799	155,116
EU-3	Non-trading book exposures, of which:	3,001,246	2,722,436
EU-4	Covered bonds	26,683	7,038
EU-5	Exposures treated as sovereigns	555,070	475,107
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0	0
EU-7	Institutions	7,661	7,227
EU-8	Secured by mortgages of immovable properties	2,137,930	2,004,442
EU-9	Retail exposures	48,387	47,450
EU-10	Companies	207,596	155,006
EU-11	Exposures in default	5,077	4,366
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	12,844	21,802

Parent company

Administration report Parent company

Performance in the parent company

The parent company's accounts cover parts of the operations that, in organisational terms, are included in branch operations within and outside Sweden, Capital Markets, and central departments and staff functions. Although most of Handelsbanken's business comes from the local branches and is co-ordinated by them, in legal terms a sizeable part of business volumes are outside the parent company in wholly owned subsidiaries – particularly in the Stadshypotek AB mortgage institution and Handelsbanken plc. Thus, the performance of the parent company is not equivalent to the performance of business operations in the Group as a whole.

Handelsbanken has made the decision not to pursue operations in Denmark and Finland. The Bank has initiated a process to divest the units in Denmark and Finland. As of 31 December 2021, the operations in Denmark and Finland constitute disposal groups and discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. In addition, the shares in the subsidiaries Ejendomsselskabet af 1. maj 2009 A/S, Handelsinvest investeringsforvaltning A/S, Handelsbanken Forsikringsformidling A/S, and Lokalbolig A/S constitute assets held for sale.

The parent company's operating profit increased by 12% to SEK 21,079m (18,758), mainly due to lower staff costs and higher dividends. The 12% reduction in staff costs to SEK -10,242 (-11,689) was mainly due to the provision to the restructuring reserve burdening Q3 2020. In addition, the allocation to the Oktogonen profit-sharing scheme is lower than the previous year. Dividends have been received amounting to SEK 17,611m (15,937). Profit for the year increased by 10% to SEK 16,688m (15,226). Net interest income increased by 0% to SEK 13,136m (13,071), while net fee and commission income decreased by 8% to SEK 5,230m (5,692). Since year-end 2020, the parent company's equity has increased to SEK 144,220m (142,839). For the parent company's five-year overview, see pages 224–225.

Risk management

Handelsbanken has a low risk tolerance that is maintained through a strong risk culture which is sustainable in the long term and applies to all areas of the Group. For a detailed description of the Bank's exposure to risks, and the management of these, see note G2.

Principles for remuneration to executive officers

Handelsbanken's principles for remuneration to executive officers are set out in note G8 and in the Remuneration to executive officers section of the Corporate Governance Report, see page 86.

Proposed appropriation of profits

In accordance with the balance sheet for Handelsbanken, profits totalling SEK 135,556m are at the disposal of the annual general meeting.

The Board proposes that the profit be appropriated as follows:

Dividend per share paid to the shareholders SEK 5.00 (SEK 8.42 for 2020, of which SEK 4.10 in ordinary dividend)	9,900
Balance carried forward to the next year	125,656
Total allocated	**135,556**

The Board's assessment is that the amount of the proposed dividend, totalling SEK 9,900m, is justifiable in view of the nature of operations, their scope, consolidation requirement, risk-taking, liquidity, and the general situation in both the Bank and the rest of the Group.

Unrealised changes in assets and liabilities at fair value have had a net impact on equity of SEK 1,679m.

The total capitalisation of the parent company and the consolidated situation at year-end, minus the proposed dividend based on completed conversions and other material changes since the year-end, exceeded the statutory minimum requirement pursuant to EU Regulation 575/2013 and Directive 2013/36/EU and other relevant requirements established for the Bank by public authorities.

The Handelsbanken share

Shares divided into share classes
31 December 2021

Share class	Number	% of capital	% of votes
Class A	1,944,777,165	98.22	99.82
Class B	35,251,329	1.78	0.18
Total	**1,980,028,494**	**100.00**	**100.00**

Two shareholders own more than 10% of the shares: AB Industrivärden and the Oktogonen Foundation. Detailed information on the Bank's largest Swedish shareholders can be found on pages 34–35.

Handelsbanken's Articles of Association state that at a general meeting of shareholders, no shareholder is allowed to exercise voting rights representing more than 10% of the total number of votes in the Bank. For more information regarding shareholders' rights, see page 78.

At the AGM in March 2021, the Board received a mandate to repurchase a maximum of 120 million shares during the period until the AGM in March 2022. This mandate was not used in 2021. More detailed information on this can be found on pages 34–35.

Other

Handelsbanken works continually with measures to minimise the Bank's direct and indirect impact on the environment. For more information regarding the Bank's environmental activities, see page 38.

Handelsbanken strives for its decentralised working method and belief in the individual to be integral to its operations. For a more detailed description of the Bank as an employer, please refer to the information beginning on page 67.

Financial reports Parent company

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Income statement, Parent company

SEK m		2021	2020
Interest income	*Note P3*	14,325	20,350
Leasing income	*Note P3*	1,899	1,963
Interest expenses	*Note P3*	-3,088	-9,242
Dividends received	*Note P4*	17,611	15,937
Fee and commission income	*Note P5*	6,877	7,485
Fee and commission expenses	*Note P5*	-1,647	-1,793
Net gains/losses on financial transactions	*Note P6*	1,808	1,869
Other operating income	*Note P7*	3,576	2,790
Total operating income		**41,361**	**39,359**
General administrative expenses			
Staff costs	*Note P8*	-10,242	-11,689
Other administrative expenses	*Note P9*	-6,002	-5,684
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	*Note P20, P21*	-2,803	-2,672
Total expenses before credit losses		**-19,047**	**-20,045**
Profit before credit losses		**22,314**	**19,314**
Net credit losses	*Note P10*	-55	-477
Impairment loss on financial fixed assets		-1,180	-79
Operating profit		**21,079**	**18,758**
Appropriations	*Note P11*	227	743
Profit before taxes		**21,306**	**19,501**
Taxes	*Note P28*	-4,618	-4,275
Profit for the year		**16,688**	**15,226**

Statement of comprehensive income, Parent company

SEK m	2021	2020
Profit for the year	16,688	15,226
Other comprehensive income		
Items that will not be reclassified to the income statement		
Equity instruments measured at fair value through other comprehensive income	62	-583
Tax on items that will not be reclassified to the income statement	-3	11
of which equity instruments measured at fair value through other comprehensive income	*-3*	*11*
Total items that will not be reclassified to the income statement	**59**	**-572**
Items that may subsequently be reclassified to the income statement		
Cash flow hedges	246	-1,677
Debt instruments measured at fair value through other comprehensive income	6	7
Translation difference for the year	1,034	-2,184
of which hedges of net assets in foreign operations	*-63*	*-256*
Tax on items that may subsequently be reclassified to the income statement	-39	420
of which cash flow hedges	*-51*	*365*
of which debt instruments measured at fair value through other comprehensive income	*-1*	*-1*
of which hedges of net assets in foreign operations	*13*	*56*
Total items that may subsequently be reclassified to the income statement	**1,247**	**-3,434**
Total other comprehensive income	**1,306**	**-4,006**
Total comprehensive income for the year	**17,994**	**11,220**

The year's reclassifications to the income statement are presented in the Statement of changes in equity.

Balance sheet, Parent company

SEK m		2021	2020
ASSETS			
Cash and balances with central banks		338,768	297,362
Interest-bearing securities eligible as collateral with central banks	*Note P14*	100,538	99,115
Loans to credit institutions	*Note P12*	986,897	953,650
Loans to the public	*Note P13*	611,852	566,145
Value change of interest-hedged item in portfolio hedge		-1,904	13
Bonds and other interest-bearing securities	*Note P14*	34,323	46,533
Shares	*Note P15*	13,481	14,313
Shares in subsidiaries and investments in associates and joint ventures	*Note P16*	71,967	73,057
Assets where the customer bears the value change risk		8,952	7,405
Derivative instruments	*Note P17*	30,946	33,031
Intangible assets	*Note P20*	3,129	3,459
Property, equipment and lease assets	*Note P21*	7,043	7,381
Current tax assets		0	154
Deferred tax assets	*Note P28*	668	1,173
Other assets	*Note P22*	22,287	20,775
Prepaid expenses and accrued income	*Note P23*	1,187	1,297
Total assets	*Note P35*	**2,230,134**	**2,124,863**
LIABILITIES AND EQUITY			
Due to credit institutions	*Note P24*	153,490	193,054
Deposits and borrowing from the public	*Note P25*	1,173,172	1,021,130
Liabilities where the customer bears the value change risk		8,952	7,405
Issued securities, etc.	*Note P26*	679,808	657,520
Derivative instruments	*Note P17*	21,033	44,774
Short positions	*Note P27*	4,105	1,682
Current tax liabilities		264	-
Deferred tax liabilities	*Note P28*	436	777
Provisions	*Note P29*	1,011	2,276
Other liabilities	*Note P30*	7,631	9,125
Accrued expenses and deferred income	*Note P31*	3,049	2,266
Subordinated liabilities	*Note P32*	32,257	41,082
Total liabilities	*Note P35*	**2,085,208**	**1,981,091**
Untaxed reserves	*Note P33*	**706**	**933**
Share capital		3,069	3,069
Share premium reserve		8,758	8,758
Other funds	*Note P34*	7,651	6,706
Retained earnings		108,054	109,080
Profit for the year		16,688	15,226
Total equity		**144,220**	**142,839**
Total liabilities and equity		**2,230,134**	**2,124,863**

Statement of changes in equity, Parent company

	Restricted equity			Non-restricted equity					
SEK m	Share capital	Statutory reserve	Fund for internally developed software	Share premium reserve	Hedge reserve[1]	Fair value reserve[1]	Translation reserve[1]	Retained earnings incl. profit for the year	Total
Opening equity 2021	**3,069**	**2,682**	**3,274**	**8,758**	**628**	**94**	**28**	**124,306**	**142,839**
Profit for the year								16,688	16,688
Other comprehensive income					195	64	1,047		1,306
of which reclassification within equity							*-53*		*-53*
Total comprehensive income for the year					**195**	**64**	**1,047**	**16,688**	**17,994**
Reclassified to retained earnings								53	53
Dividend[2]								-16,666	-16,666
Fund for internally developed software			-361					361	-
Closing equity 2021	**3,069**	**2,682**	**2,913**	**8,758**	**823**	**158**	**1,075**	**124,742**	**144,220**

	Restricted equity			Non-restricted equity					
SEK m	Share capital	Statutory reserve	Fund for internally developed software	Share premium reserve	Hedge reserve[1]	Fair value reserve[1]	Translation reserve[1]	Retained earnings incl. profit for the year	Total
Opening equity 2020	**3,069**	**2,682**	**3,034**	**8,758**	**1,940**	**660**	**2,156**	**108,636**	**130,935**
Profit for the year								15,226	15,226
Other comprehensive income					-1,312	-566	-2,128		-4,006
of which reclassification within equity						*-684*			*-684*
Total comprehensive income for the year					**-1,312**	**-566**	**-2,128**	**15,226**	**11,220**
Reclassified to retained earnings								684	684
Dividend								-	-
Group contributions provided								-	-
Tax effect on Group contributions								-	-
Effects of convertible subordinated loans	-			-				-	-
Fund for internally developed software			240					-240	-
Closing equity 2020	**3,069**	**2,682**	**3,274**	**8,758**	**628**	**94**	**28**	**124,306**	**142,839**

[1] Included in fair value fund.
[2] Ordinary dividend of SEK 8,118m, extra dividend of SEK 8,548m. The shareholders received an extra dividend in the form of shares in AB Industrivärden, acquired by Svenska Handelsbanken AB from Svenska Handelsbankens Pensionsstiftelse, see note P41.

Cash flow statement, Parent company

SEK m	2021	2020
OPERATING ACTIVITIES		
Operating profit	21,079	18,757
of which paid-in interest	*14,248*	*21,017*
of which paid-out interest	*-3,898*	*-9,909*
of which paid-in dividends	*17,611*	*15,937*
Adjustment for non-cash items in profit/loss		
Credit losses	85	553
Unrealised value changes	418	-645
Depreciation, amortisation and impairment	3,983	2,746
Group contribution to be received	-16,685	-15,135
Paid income tax	-4,269	-4,910
Changes in the assets and liabilities of operating activities		
Loans to credit institutions	-33,248	-63,093
Loans to the public	-43,873	53,465
Interest-bearing securities and shares	10,388	9,595
Due to credit institutions	-39,564	-14,309
Deposits and borrowing from the public	152,043	101,650
Issued securities	22,288	-67,120
Derivative instruments, net positions	-21,476	15,201
Short positions	2,476	-197
Claims and liabilities on investment banking settlements	-553	871
Other	-8,746	11,261
Cash flow from operating activities	**44,346**	**48,690**
INVESTING ACTIVITIES		
Acquisitions of and contributions to associates and joint ventures	-108	-984
Sales of shares	1	1,688
Acquisitions of property and equipment	-5,019	-4,577
Disposals of property and equipment	3,457	3,030
Acquisitions of intangible assets	-450	-852
Cash flow from investing activities	**-2,119**	**-1,695**
FINANCING ACTIVITIES		
Repayment of subordinated loans	-10,130	-2
Issued subordinated loans	-	8,176
Dividend paid	-16,666	-
Dividends from Group companies	15,135	15,992
Cash flow from financing activities	**-11,661**	**24,166**
of which changes in foreign exchange rates	*-320*	*-819*
Cash flow for the year	**30,566**	**71,161**
Liquid funds at beginning of year	297,362	242,889
Cash flow from operating activities	44,346	48,690
Cash flow from investing activities	-2,119	-1,695
Cash flow from financing activities	-11,661	24,166
Exchange difference on liquid funds	10,840	-16,688
Liquid funds at end of year	**338,768**	**297,362**

The cash flow statement has been prepared in accordance with the indirect method, which means that operating profit has been adjusted for transactions that did not entail paid-in or paid-out cash such as depreciation/amortisation and credit losses.

Liquid funds are defined as cash and balances with central banks.

Five-year overview, Parent company

Income statement SEK m	2021	2020	2019	2018	2017
Net interest income	13,136	13,071	13,039	17,234	16,326
Dividends received	17,611	15,937	17,338	11,023	13,705
Net fee and commission income	5,230	5,692	6,011	6,218	6,592
Net gains/losses on financial transactions	1,808	1,869	618	1,020	1,339
Other operating income	3,576	2,790	2,638	2,805	1,690
Total operating income	**41,361**	**39,359**	**39,644**	**38,300**	**39,652**
General administrative expenses					
Staff costs	-10,242	-11,689	-10,148	-12,255	-10,938
Other administrative expenses	-6,002	-5,684	-5,808	-6,332	-5,702
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	-2,803	-2,672	-2,156	-1,350	-1,094
Total expenses before credit losses	**-19,047**	**-20,045**	**-18,112**	**-19,937**	**-17,734**
Profit before credit losses	**22,314**	**19,314**	**21,532**	**18,363**	**21,918**
Net credit losses	-55	-477	-1,059	-835	-1,685
Impairment loss on financial fixed assets	-1,180	-79	-148	-	-
Operating profit	**21,079**	**18,758**	**20,325**	**17,528**	**20,233**
Appropriations	227	743	-380	332	115
Profit before tax	**21,306**	**19,501**	**19,945**	**17,860**	**20,348**
Taxes	-4,618	-4,275	-4,297	-4,005	-4,662
Profit for the year	**16,688**	**15,226**	**15,648**	**13,855**	**15,686**
Dividend for the year	9,900[1]	16,666	-	10,693	14,581

[1] As proposed by the Board.

Statement of comprehensive income SEK m	2021	2020	2019	2018	2017
Profit for the year	16,688	15,226	15,648	13,855	15,686
Other comprehensive income					
Items that will not be reclassified to the income statement					
Equity instruments measured at fair value through other comprehensive income	62	-583	372	-188	
Tax on items that will not be reclassified to the income statement	-3	11	-21	1	
of which equity instruments measured at fair value through other comprehensive income	*-3*	*11*	*-21*	*1*	
Total items that will not be reclassified to the income statement	**59**	**-572**	**351**	**-187**	
Items that may subsequently be reclassified to the income statement					
Cash flow hedges	246	-1,677	1,751	829	41
Debt instruments measured at fair value through other comprehensive income	6	7	7	-12	
Available-for-sale instruments (IAS 39)					-470
Translation difference for the year	1,034	-2,184	-259	41	-2,261
of which hedges of net assets in foreign operations	*-63*	*-256*	*-826*	*-848*	*-1,476*
Tax on items that may subsequently be reclassified to the income statement	-39	420	-200	19	311
of which cash flow hedges	*-51*	*365*	*-375*	*-178*	*-9*
of which debt instruments measured at fair value through other comprehensive income	*-1*	*-1*	*-2*	*3*	
of which available-for-sale instruments (IAS 39)					*-5*
of which hedges of net assets in foreign operations	*13*	*56*	*177*	*194*	*325*
Total items that may subsequently be reclassified to the income statement	**1,247**	**-3,434**	**1,299**	**877**	**-2,379**
Total other comprehensive income	**1,306**	**-4,006**	**1,650**	**690**	**-2,379**
Total comprehensive income for the year	**17,994**	**11,220**	**17,298**	**14,545**	**13,307**

Five-year overview, Parent company, cont.

Balance sheet SEK m	2021	2020	2019	2018	2017
Assets					
Loans to the public	611,852	566,145	620,175	611,699	795,691
Loans to credit institutions	986,897	953,650	890,557	841,085	664,018
Interest-bearing securities	134,861	145,648	156,466	169,911	172,107
Other assets	496,524	459,420	412,307	431,004	381,060
Total assets	**2,230,134**	**2,124,863**	**2,079,505**	**2,053,699**	**2,012,876**
Liabilities and equity					
Deposits and borrowing from the public	1,173,172	1,021,130	918,146	839,835	941,401
Due to credit institutions	153,490	193,054	208,697	261,735	193,822
Issued securities	679,808	657,520	724,640	716,531	654,637
Subordinated liabilities	32,257	41,082	35,546	51,085	32,896
Other liabilities	46,481	68,305	59,863	62,565	69,237
Untaxed reserves	706	933	1,678	886	683
Equity	144,220	142,839	130,935	121,062	120,200
Total liabilities and equity	**2,230,134**	**2,124,863**	**2,079,505**	**2,053,699**	**2,012,876**

Key figures	2021	2020	2019	2018	2017
Impaired loans reserve ratio, %					65.7
Proportion of impaired loans, %					0.18
Common equity tier 1 ratio, % according to CRR	30.2	31.7	20.2	18.7	21.4
Tier 1 ratio, % according to CRR	33.4	34.6	23.0	21.0	23.9
Total capital ratio, % according to CRR	37.4	38.8	26.2	24.1	27.5
Return on capital employed, %	0.72	0.65	0.74	0.63	0.74

For definitions of alternative key figures, see page 277 and, for the calculation of these key figures, see the Fact Book which is available at handelsbanken.com/ir.

Notes, Parent company

P1 Accounting policies

Statement of compliance

The parent company's annual report is prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulations and general guidelines issued by the Swedish Financial Supervisory Authority, FFFS 2008:25, on annual reports in credit institutions and securities companies. The parent company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and statements. In accordance with the Swedish Financial Supervisory Authority's general advice, the parent company applies statutory IFRS. This means that the international accounting standards and interpretations of these standards as adopted by the EU have been applied to the extent that is possible within the framework of national laws and directives and the link between accounting and taxation.

The relationship between the parent company's and the Group's accounting policies

The parent company's accounting policies correspond largely to those of the Group. The following reports only on the areas where the parent company's policies differ from those of the Group. In all other respects, reference is made to the accounting policies in note G1.

Presentation

The parent company applies the presentation models for the income statement and balance sheet in compliance with the Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Financial Supervisory Authority's regulations. This mainly implies the following differences relative to the presentation models used by the Group:

- Claims on central banks that are immediately available upon demand are reported as Loans to credit institutions in the parent company's balance sheet. These are reported under Other loans to central banks in the Group.
- Broker and stock exchange costs are reported in the parent company as commission expenses.
- Dividends received are reported on a separate line in the parent company's income statement.
- The gain/loss arising when divesting property, equipment and intangible non-current assets in the parent company is reported as other income or expenses.
- Untaxed reserves are reported as a separate balance sheet item in the parent company. These are split into an equity share and a tax liability in the Group.

Assets and liabilities in foreign currencies

Loans in the parent company which are hedging net investments in foreign operations are measured at the historical rate of exchange.

Assets held for sale and discontinued operations

Non-current assets with a limited useful life are depreciated/amortised over their useful life in accordance with the Swedish Annual Accounts Act for the duration of their classification as held for sale. Net profit after tax from discontinued operations is not recognised separately in the parent company's income statement. Also, neither assets nor liabilities held for sale are presented separately on the balance sheet. For disclosures regarding assets and liabilities held for sale and discontinued operations, see note P45.

Shares in subsidiaries and investments in associates and joint ventures

Shares in subsidiaries and investments in associates and joint ventures are measured at cost. All holdings are tested on each balance sheet date in order to assess whether they require impairment. If a value has decreased, impairment is recognised to adjust the value to the consolidated value. Any impairment costs are classified as Impairment loss on financial assets in the income statement. Dividends on shares in subsidiaries and associates and joint ventures are recognised as income in profit or loss under Dividends received.

Financial guarantees

Financial guarantees, in the form of guarantee commitments on behalf of subsidiaries and associates and joint ventures, are recognised in the parent company as a provision on the balance sheet, where the parent company has an existing commitment and payment will probably be required to settle this commitment.

Intangible assets

In the parent company, acquisition assets and other intangible assets with an indefinite useful life are amortised in compliance with the provisions of the above-mentioned Annual Accounts Act. According to experience, the customer relations that the acquisitions have led to are very long, and consequently the useful life of goodwill on acquisitions. The amortisation period has been set at 20 years.

Leases

The Bank as lessor

The parent company recognises finance leases as operating leases. Accordingly, the assets are reported as lease assets with depreciation recognised within Depreciation, amortisation and impairment of property, equipment and intangible assets in the income statement. Rental income is recognised as a lease fee in Net interest income in the income statement.

Lease assets mainly consist of vehicles and machines. Lease assets are depreciated during the term of the lease agreement according to the annuity method.

The Bank as lessee

The parent company recognises lease fees as expenses on a straight-line basis over the term of the lease.

Dividends

The item Dividends received comprises all dividends received in the parent company including dividends from subsidiaries and associates and joint ventures, and Group contributions received. Anticipated dividends are recognised only if the parent company has the right to decide the amount of the dividend and the decision has been taken before the financial reports were published.

Accounting for pensions

The parent company does not apply the provisions of IAS 19 concerning accounting for defined benefit plans. Instead, pension costs are calculated on an actuarial basis in the parent company in accordance with the provisions of the Act on Safeguarding Pension Obligations and the Swedish Financial Supervisory Authority's regulations. This mainly means that there are differences regarding how the discount rate is established and that the calculation of the future commitment does not take into account assumptions of future salary increases. The recognised net cost of pensions is calculated as the sum total of disbursed pensions, pension premiums and an allocation to the pension foundation, with a deduction for any compensation from the pension foundation. The net pension cost for the year is reported under Staff costs in the parent company's income statement.

Excess amounts as a result of the value of the plan assets exceeding the estimated pension obligations are not recognised as an asset in the parent company's balance sheet. Deficits are recognised as a liability.

Taxes

In the parent company, untaxed reserves are recognised as a separate item in the balance sheet. Untaxed reserves comprise one component consisting of deferred tax liabilities and one component consisting of equity.

P2 Risk and capital management

The Handelsbanken Group's risk management is described in note G2. Specific information about the parent company's risks is presented below. For definitions, see pages 277–279.

Credit exposures **Geographical breakdown 2021** SEK m		Sweden	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items								
Cash and balances with central banks		93,293	4,579	28,282	120,098	27,314	65,202	338,768
Loans to credit institutions	*Note P12*	934,765	2,788	4,957	43,020	755	612	986,897
Loans to the public	*Note P13*	211,575	173,148	60,953	81,465	75,606	9,105	611,852
Interest-bearing securities eligible as collateral with central banks	*Note P14*	100,538	-	-	-	-	-	100,538
Bonds and other interest-bearing securities	*Note P14*	34,323	-	-	-	-	-	34,323
Derivative instruments[1]	*Note P17*	30,844	-	37	-	7	58	30,946
Total		**1,405,338**	**180,515**	**94,229**	**244,583**	**103,682**	**74,977**	**2,103,324**
Off-balance sheet items								
Contingent liabilities	*Note P38*	561,270	61,091	33,208	35,301	5,819	27,056	723,745
of which guarantee commitments		*48,975*	*5,980*	*9,108*	*8,169*	*77*	*15,193*	*87,502*
of which obligations		*512,295*	*55,111*	*24,100*	*27,132*	*5,742*	*11,863*	*636,243*
Total		**561,270**	**61,091**	**33,208**	**35,301**	**5,819**	**27,056**	**723,745**
Total on and off-balance sheet items		**1,966,608**	**241,606**	**127,437**	**279,884**	**109,501**	**102,033**	**2,827,069**

Credit exposures **Geographical breakdown 2020** SEK m		Sweden	Norway	Denmark	Finland	The Netherlands	Other countries	Total
Balance sheet items								
Cash and balances with central banks		84,525	18,026	217	114,600	11,035	68,959	297,362
Loans to credit institutions	*Note P12*	883,811	3,330	23,679	40,780	225	1,825	953,650
Loans to the public	*Note P13*	193,657	163,015	52,232	81,511	63,905	11,825	566,145
Interest-bearing securities eligible as collateral with central banks	*Note P14*	98,353	-	-	-	-	762	99,115
Bonds and other interest-bearing securities	*Note P14*	46,533	-	-	-	-	-	46,533
Derivative instruments[1]	*Note P17*	32,907	-	12	-	-	112	33,031
Total		**1,339,786**	**184,371**	**76,140**	**236,891**	**75,165**	**83,483**	**1,995,836**
Off-balance sheet items								
Contingent liabilities	*Note P38*	388,950	58,529	33,013	39,374	7,503	32,340	559,709
of which guarantee commitments		*53,417*	*5,702*	*8,984*	*11,041*	*121*	*20,209*	*99,474*
of which obligations		*335,533*	*52,827*	*24,029*	*28,333*	*7,382*	*12,131*	*460,235*
Total		**388,950**	**58,529**	**33,013**	**39,374**	**7,503**	**32,340**	**559,709**
Total on and off-balance sheet items		**1,728,736**	**242,900**	**109,153**	**276,265**	**82,668**	**115,823**	**2,555,545**

Geographical breakdown refers to the country in which the exposures are reported.

Loans to the public **Breakdown by sector 2021** SEK m	Gross			Provisions			
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Net**
Private individuals	112,017	2,053	959	-22	-23	-443	114,541
Housing co-operative associations	21,073	416	11	-3	-1	-4	21,492
Property management	292,651	20,368	926	-50	-186	-163	313,546
Manufacturing	17,977	1,625	65	-10	-11	-39	19,607
Retail	25,434	433	372	-16	-34	-90	26,099
Hotel and restaurant	2,625	1,722	20	-3	-101	-5	4,258
Passenger and goods transport by sea	1,676	594	1,205	-1	-8	-464	3,002
Other transport and communication	4,233	230	83	-8	-10	-63	4,465
Construction	13,842	596	131	-20	-12	-72	14,465
Electricity, gas and water	7,708	1,196	5	-3	-8	-3	8,895
Agriculture, hunting and forestry	5,162	129	67	-6	-4	-31	5,317
Other services	8,821	524	96	-12	-19	-88	9,322
Holding, investment, insurance companies, mutual funds, etc.	48,759	370	171	-12	-8	-122	49,158
Sovereigns and municipalities	263	16	0	0	-1	0	278
Other corporate lending	17,079	118	296	-3	-5	-78	17,407
Total	**579,320**	**30,390**	**4,407**	**-169**	**-431**	**-1,665**	**611,852**

P2 Cont.

Loans to the public Breakdown by sector 2020 SEK m	Gross			Provisions			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
Private individuals	106,333	3,025	879	-28	-31	-482	109,696
Housing co-operative associations	23,329	727	79	-2	-2	-35	24,096
Property management	267,249	20,050	996	-48	-183	-204	287,860
Manufacturing	19,235	3,339	173	-13	-18	-106	22,610
Retail	13,969	1,565	364	-13	-50	-92	15,743
Hotel and restaurant	3,520	2,206	8	-15	-62	-4	5,653
Passenger and goods transport by sea	1,675	2,064	1,162	-1	-6	-288	4,606
Other transport and communication	5,333	456	101	-6	-18	-79	5,787
Construction	11,697	1,430	137	-14	-31	-83	13,136
Electricity, gas and water	7,676	737	3	-2	-9	-1	8,404
Agriculture, hunting and forestry	5,307	346	52	-5	-11	-41	5,648
Other services	7,334	577	309	-10	-27	-209	7,974
Holding, investment, insurance companies, mutual funds, etc.	33,880	1,696	151	-12	-10	-105	35,600
Sovereigns and municipalities	1,594	16	-	0	-1	-	1,609
Other corporate lending	17,319	142	337	-3	-5	-67	17,723
Total	**525,450**	**38,376**	**4,751**	**-172**	**-464**	**-1,796**	**566,145**

Credit exposures, breakdown by type of collateral 2021 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured[4]	Total
Balance sheet items										
Cash and balances with central banks				338,768						338,768
Loans to credit institutions	*Note P12*	-	-	60,381	-	-	-	-	926,516	986,897
Loans to the public	*Note P13*	189,813	209,790	26,062	7,532	19,224	5,297	8,379	145,755	611,852
Interest-bearing securities eligible as collateral with central banks	*Note P14*			100,538						100,538
Bonds and other interest-bearing securities	*Note P14*	-	-	1,106	818	-	-	-	32,399	34,323
Derivative instruments	*Note P17*	833	1,541	5,012	65	150	-	-	23,345	30,946
Total		**190,646**	**211,331**	**531,867**	**8,415**	**19,374**	**5,297**	**8,379**	**1,128,015**	**2,103,324**
Off-balance sheet items										
Contingent liabilities	*Note P38*	93,494	49,986	40,739	8,889	15,468	648	9,000	505,521	723,745
of which guarantee commitments		*6,395*	*1,687*	*9,565*	*4,199*	*1,093*	*394*	*934*	*63,235*	*87,502*
of which obligations		*87,099*	*48,299*	*31,174*	*4,690*	*14,375*	*254*	*8,066*	*442,286*	*636,243*
Total		**93,494**	**49,986**	**40,739**	**8,889**	**15,468**	**648**	**9,000**	**505,521**	**723,745**
Total on and off-balance sheet items		**284,140**	**261,317**	**572,606**	**17,304**	**34,842**	**5,945**	**17,379**	**1,633,536**	**2,827,069**

Credit exposures, breakdown by type of collateral 2020 SEK m		Residential property[1]	Other property	Sovereigns, municipalities and county councils[2]	Guarantees as for own debt[3]	Financial collateral	Collateral in assets	Other collateral	Unsecured[4]	Total
Balance sheet items										
Cash and balances with central banks				297,362						297,362
Loans to credit institutions	*Note P12*	-	-	51,860	978	39,685	-	-	861,127	953,650
Loans to the public	*Note P13*	180,123	204,290	23,974	7,426	12,432	5,364	10,258	122,278	566,145
Interest-bearing securities eligible as collateral with central banks	*Note P14*			99,115						99,115
Bonds and other interest-bearing securities	*Note P14*	-	-	2,563	-	-	-	-	43,970	46,533
Derivative instruments	*Note P17*	972	1,688	2,047	81	15,013	-	-	13,230	33,031
Total		**181,095**	**205,978**	**476,921**	**8,485**	**67,130**	**5,364**	**10,258**	**1,040,605**	**1,995,836**
Off-balance sheet items										
Contingent liabilities	*Note P38*	83,062	42,372	44,050	5,986	10,104	3,026	9,754	361,355	559,709
of which guarantee commitments		*6,207*	*1,712*	*12,239*	*2,864*	*1,255*	*2,906*	*1,034*	*71,257*	*99,474*
of which obligations		*76,855*	*40,660*	*31,811*	*3,122*	*8,849*	*120*	*8,720*	*290,098*	*460,235*
Total		**83,062**	**42,372**	**44,050**	**5,986**	**10,104**	**3,026**	**9,754**	**361,355**	**559,709**
Total on and off-balance sheet items		**264,157**	**248,350**	**520,971**	**14,471**	**77,234**	**8,390**	**20,012**	**1,401,960**	**2,555,545**

[1] Including housing co-operative apartments.
[2] Refers to direct sovereign exposures and government guarantees.
[3] Does not include government guarantees.
[4] This column includes the parent company's internal lending and commitments to the Group's subsidiaries. For balance sheet items, this internal lending amounts to SEK 969,362m (913,321), and for off-balance sheet items it amounts to SEK 203,798m (54,244).

MARKET RISK

Market risks SEK m	2021	2020
Interest rate risk	1,215	1,242
Foreign exchange risk[1]	14	18
Equity price risk	71	65
Commodity risk	1	2

[1] Worst outcome in the case of +/- 5% change in SEK.

P2 Cont.

LIQUIDITY RISK

Maturity analysis for financial assets and liabilities 2021 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	338,787	-	-	-	-	-	-	338,787
Interest-bearing securities eligible as collateral with central banks[1]	100,538	-	-	-	-	-	-	100,538
Bonds and other interest-bearing securities[2]	34,323	-	-	-	-	-	-	34,323
Loans to credit institutions	49,836	176,974	101,553	189,635	458,214	30,184	-	1,006,396
of which reverse repos	*20,203*	-	-	-	-	-	-	*20,203*
Loans to the public	43,431	119,413	94,365	93,529	143,086	141,627	-	635,451
of which reverse repos	*13,648*	-	-	-	-	-	-	*13,648*
Other	16,217	-	-	-	-	-	142,644	158,861
of which shares and participating interests	*13,481*	-	-	-	-	-	-	*13,481*
of which claims on investment banking settlements	*2,736*	-	-	-	-	-	-	*2,736*
Total assets	**583,132**	**296,387**	**195,918**	**283,164**	**601,300**	**171,811**	**142,644**	**2,274,356**
Due to credit institutions	89,515	36,435	3,733	137	362	1,010	22,706	153,898
of which repos	-	-	-	-	-	-	-	*0*
of which deposits from central banks	*21,832*	*28,676*	-	-	-	-	*344*	*50,852*
Deposits and borrowing from the public	12,414	22,154	1,575	4,184	369	48	1,132,318	1,173,062
of which repos	*213*	-	-	-	-	-	-	*213*
Issued securities[3]	51,797	292,149	187,128	49,821	71,984	32,210	-	685,089
of which covered bonds	-	-	-	-	-	-	-	*0*
of which certificates and other securities with original maturity of less than one year	*42,648*	*268,927*	*155,791*	-	-	-	-	*467,366*
of which senior bonds and other securities with original maturity of more than one year	*9,149*	*23,222*	*31,337*	*49,821*	*71,984*	*32,210*	-	*217,723*
Subordinated liabilities	-	926	2,960	8,507	13,698	10,195	-	36,286
Other	7,038	-	-	-	-	-	186,017	193,055
of which short positions	*4,126*	-	-	-	-	-	-	*4,126*
of which liabilities on investment banking settlements	*2,912*	-	-	-	-	-	-	*2,912*
Total liabilities	**160,764**	**351,664**	**195,396**	**62,649**	**86,413**	**43,463**	**1,341,041**	**2,241,390**
Off-balance sheet items								
Financial guarantees and unutilised loan commitments	636,243							

Derivatives 2021 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	220,640	508,215	84,162	119,321	180,126	103,895	1,216,359
Total derivatives outflow	219,001	505,556	82,124	119,581	180,424	103,869	1,210,555
Net	**1,639**	**2,659**	**2,038**	**-260**	**-298**	**26**	**5,804**

Maturity analysis for financial assets and liabilities 2020 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Unspecified maturity	Total
Cash and balances with central banks	297,384	-	-	-	-	-	-	297,384
Interest-bearing securities eligible as collateral with central banks[1]	99,115	-	-	-	-	-	-	99,115
Bonds and other interest-bearing securities[2]	46,533	-	-	-	-	-	-	46,533
Loans to credit institutions	67,827	150,334	109,066	153,276	198,555	287,836	-	966,894
of which reverse repos	*2,776*	-	-	-	-	-	-	*2,776*
Loans to the public	53,542	108,156	84,934	74,517	130,785	133,380	-	585,314
of which reverse repos	*11,626*	-	-	-	-	-	-	*11,626*
Other	17,551	-	-	-	-	-	145,639	163,190
of which shares and participating interests	*14,313*	-	-	-	-	-	-	*14,313*
of which claims on investment banking settlements	*3,238*	-	-	-	-	-	-	*3,238*
Total assets	**581,952**	**258,490**	**194,000**	**227,793**	**329,340**	**421,216**	**145,639**	**2,158,430**
Due to credit institutions	96,859	43,238	4,549	568	420	1,205	46,779	193,618
of which repos	-	-	-	-	-	-	-	-
of which deposits from central banks	*17,334*	*23,110*	-	-	-	-	*314*	*40,758*
Deposits and borrowing from the public	15,076	9,861	1,977	3,655	360	38	989,695	1,020,662
of which repos	-	-	-	-	-	-	-	-
Issued securities[3]	49,558	235,277	216,590	59,219	73,682	30,103	-	664,429
of which covered bonds	-	-	-	-	-	-	-	-
of which certificates and other securities with original maturity of less than one year	*42,664*	*195,176*	*190,592*	-	-	-	-	*428,432*
of which senior bonds and other securities with original maturity of more than one year	*6,894*	*40,101*	*25,998*	*59,219*	*73,682*	*30,103*	-	*235,997*
Subordinated liabilities	-	9,937	-	2,935	19,014	8,281	-	40,167
Other	5,654	-	-	-	-	-	208,665	214,319
of which short positions	*1,687*	-	-	-	-	-	-	*1,687*
of which liabilities on investment banking settlements	*3,967*	-	-	-	-	-	-	*3,967*
Total liabilities	**167,147**	**298,313**	**223,116**	**66,377**	**93,476**	**39,627**	**1,245,139**	**2,133,195**
Off-balance sheet items								
Financial guarantees and unutilised loan commitments	460,235							

Derivatives 2020 SEK m	Up to 30 days	31 days– 6 mths	6–12 mths	1–2 yrs	2–5 yrs	Over 5 yrs	Total
Total derivatives inflow	203,343	419,683	119,243	92,612	186,031	100,891	1,121,803
Total derivatives outflow	206,625	427,457	118,845	93,932	185,640	101,596	1,134,095
Net	**-3,282**	**-7,774**	**398**	**-1,320**	**391**	**-705**	**-12,292**

[1] SEK 83,610m (75,526) of the amount (excl. interest) has a time to maturity of less than one year.
[2] SEK 4,601m (7,184) of the amount (excl. interest) has a time to maturity of less than one year.
[3] SEK 528,573m (498,032) of the amount (excl. interest) has a time to maturity of less than one year.

For deposit volumes, the column "Unspecified maturity" refers to deposits payable on demand.
The table contains interest flows, which means that the balance sheet items are not reconcilable with the parent company's balance sheet.

P3 Net interest income

SEK m	2021	2020
Interest income		
Loans to credit institutions and central banks	3,562	5,368
Loans to the public	10,586	12,215
Interest-bearing securities eligible as collateral with central banks	306	291
Bonds and other interest-bearing securities	279	381
Derivative instruments	-1,246	1,172
Other interest income	835	811
Total	**14,322**	**20,238**
Deduction of interest income reported in net gains/losses on financial transactions	-3	-112
Total interest income	**14,325**	**20,350**
of which interest income according to effective interest method and interest on derivatives in hedge accounting	*13,203*	*17,293*
Leasing income	**1,899**	**1,963**
Interest expenses		
Due to credit institutions and central banks	-109	-567
Deposits and borrowing from the public	-173	-871
Issued securities	-2,992	-7,239
Derivative instruments	2,245	1,813
Subordinated liabilities	-1,099	-1,185
Government fees	-632	-762
Other interest expenses	-366	-347
Total	**-3,126**	**-9,158**
Deduction of interest expenses reported in net gains/losses on financial transactions	-38	84
Total interest expenses	**-3,088**	**-9,242**
of which interest expenses according to the effective interest method and interest on derivatives in hedge accounting	*-2,196*	*-7,610*
Net interest income	**13,136**	**13,071**
Depreciation according to plan for finance leases[1]	-1,751	-1,795
Total net interest income including depreciation according to plan for finance leases	11,385	11,276

[1] Recognised in the item Depreciation, amortisation and impairment of property, equipment and intangible assets.

The derivative instrument rows include net interest income related to hedged assets and liabilities. These may have both a positive and a negative impact on interest income and interest expenses.

P4 Dividends received

SEK m	2021	2020
Dividends on shares	60	76
Dividends from associates	-	-
Dividends from Group companies[1]	866	726
Group contributions received	16,685	15,135
Total	**17,611**	**15,937**

[1] Of which SEK 515m (540) refers to dividends on Tier 1 capital loans which Stadshypotek has classified as equity instruments.

P5 Net fee and commission income

SEK m	2021	2020
Brokerage and other securities commissions	634	645
Mutual funds	274	926
Custody and other asset management fees	1,030	888
Advisory services	199	184
Payments	2,840	2,915
Loans and deposits	917	905
Guarantees	284	335
Other	699	687
Total fee and commission income	**6,877**	**7,485**
Securities	-242	-265
Payments	-1,342	-1,464
Other	-63	-64
Total fee and commission expenses	**-1,647**	**-1,793**
Net fee and commission income	**5,230**	**5,692**

Fee and commission income refers to income from contracts with customers. Income from Brokerage and other securities commissions, Advisory services, Payments and Loans and deposits is generally recognised in conjunction with the rendering of the service, i.e. at a specific point in time. Payments also includes the issuing and acquisition of cards. Income from Mutual funds, Custody and other asset management fees, Insurance and Guarantees is generally recognised as the services are rendered, i.e. on a straight-line basis over time.

P6 Net gains/losses on financial transactions

SEK m	2021	2020
Amortised cost	108	106
of which loans	*108*	*106*
of which interest-bearing securities	-	*0*
of which issued securities	-	*0*
Fair value through other comprehensive income	0	-1
of which expected credit losses	*0*	*-1*
Fair value through profit or loss, fair value option	-900	304
of which interest-bearing securities	*-900*	*304*
Fair value through profit or loss, mandatory including foreign exchange effects	2,578	1,427
Hedge accounting	22	33
of which net gains/losses on fair value hedges	*28*	*34*
of which cash flow hedge ineffectiveness	*-6*	*-1*
Total	**1,808**	**1,869**

P7 Other operating income

SEK m	2021	2020
Rental income	21	26
Other operating income[1]	3,555	2,764
Total	**3,576**	**2,790**

[1] Svenska Handelsbanken AB sold its card acquiring operations to Worldline on 18 October 2021. The sale had an impact of SEK 574m on other operating income in 2021. This item includes, under 2020 and 2021, reimbursement for services sold by the parent company to subsidiaries.

P8 Staff costs

SEK m	2021	2020
Salaries and fees	-6,824	-6,963
Social security costs	-1,774	-1,809
Pension costs[1]	-1,545	-1,235
Provision for the profit-sharing scheme	-38	-213
Other staff costs	-61	-1,469
Total	**-10,242**	**-11,689**

[1] Information about pension costs is presented in note P39.

Salaries and fees SEK m	2021	2020
Executive officers[2], 18 persons (20)	-66	-72
Others	-6,758	-6,891
Total	**-6,824**	**-6,963**

[2] Executive officers including Board members.

Gender distribution	2021		2020	
%	Men	Women	Men	Women
Board	50	50	50	50
Executive officers excluding Board members	70	30	80	20

Average number of employees	2021	Men	Women	2020	Men	Women
Sweden	6,564	3,146	3,418	6,903	3,289	3,614
UK	0	0	0	0	0	0
Norway	793	411	382	779	414	365
Denmark	627	321	306	639	327	312
Finland	558	250	308	557	245	312
The Netherlands	325	201	124	315	198	117
USA	50	31	19	53	34	19
China	16	8	8	59	23	36
Luxembourg	47	25	22	45	24	21
Singapore	5	1	4	23	7	16
Germany	21	9	12	34	17	17
Poland	16	4	12	24	9	15
Other countries	8	2	6	21	5	16
Total	**9,030**	**4,409**	**4,621**	**9,452**	**4,592**	**4,860**

Note G8 provides information about the principles for remuneration to executive officers in the parent company.

P9 Other administrative expenses

SEK m	2021	2020
Property and premises	-1,219	-1,240
External IT costs	-2,729	-2,086
Communication	-209	-235
Travel and marketing	-97	-110
Purchased services	-1,150	-1,202
Supplies	-125	-142
Other administrative expenses	-473	-669
Total	**-6,002**	**-5,684**
of which expenses for operating leases		
Lease fee	*-563*	*-562*
Variable fee	*-42*	*-97*
Total	**-605**	**-659**

Operating leases are mainly related to agreements that are normal for the operations regarding office premises and office equipment. Rental costs for premises normally have a variable fee related to the inflation rate and to property taxes.

Contracted irrevocable future operating lease charges distributed by maturity SEK m	2021	2020
Within 1 yr	-723	-970
Between 1 and 5 yrs	-2,413	-3,270
Over 5 yrs	-2,546	-3,375
Total	**-5,682**	**-7,615**

Remuneration to auditors and audit companies	Ernst & Young AB		Pricewaterhouse Coopers AB	
SEK m	2021	2020	2021	2020
Audit assignment	-6	-8	-3	-4
Audit operations outside the audit assignment	0	-	0	-
Tax advice	0	0	-	-
Other services	-	0	-	-

P10 Credit losses

SEK m	2021	2020
Expected credit losses on balance sheet items		
The year's provision Stage 3	-366	-699
Reversed Stage 3 provision from previous years	262	526
Total expected credit losses in Stage 3	**-104**	**-173**
The year's net provision Stage 2	46	-237
The year's net provision Stage 1	8	-23
Total expected credit losses in Stage 1 and Stage 2	**54**	**-260**
Total expected credit losses on balance sheet items	**-50**	**-433**
Expected credit losses on off-balance sheet items		
The year's net provision Stage 3	29	-20
The year's net provision Stage 2	-6	-62
The year's net provision Stage 1	-15	*-15*
Total expected credit losses on off-balance sheet items	**8**	**-97**
Write-offs		
Actual credit losses for the year[1]	-331	-1,648
Utilised share of previous provisions in Stage 3	284	1,622
Total write-offs	**-47**	**-26**
Recoveries	34	79
Net credit losses	**-55**	**-477**
of which loans to the public	*-67*	*-378*

[1] Of the year's actual credit losses, SEK 130m (223) is subject to enforcement activities.

P10 Cont.

Balance sheet and off-balance sheet items that are subject to impairment testing 2021

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	338,736	-	-	0	-	-
Interest-bearing securities eligible as collateral with central banks	397	-	-	-	-	-
Loans to credit institutions	986,562	10	-	-1	-3	-
Loans to the public	579,320	30,390	4,407	-169	-431	-1,665
Bonds and other interest-bearing securities	9,016	-	-	-2	-	-
Total	**1,914,031**	**30,400**	**4,407**	**-172**	**-434**	**-1,665**
Off-balance sheet items						
Contingent liabilities	573,613	7,399	297	-67	-118	-92
of which guarantee commitments	*86,058*	*1,314*	*130*	*-9*	*-10*	*-39*
of which obligations	*487,555*	*6,085*	*167*	*-58*	*-108*	*-53*
Total	**573,613**	**7,399**	**297**	**-67**	**-118**	**-92**

Balance sheet and off-balance sheet items that are subject to impairment testing 2020

	Gross			Provisions		
SEK m	Stage 1	Stage 2	Stage 3[1]	Stage 1	Stage 2	Stage 3
Balance sheet items						
Cash and balances with central banks	297,362	-	-	0	-	-
Interest-bearing securities eligible as collateral with central banks	1,163	-	-	-	-	-
Loans to credit institutions	953,640	17	-	-1	-6	-
Loans to the public	525,450	38,376	4,751	-172	-464	-1,796
Bonds and other interest-bearing securities	7,964	-	-	-2	-	-
Total	**1,785,579**	**38,393**	**4,751**	**-175**	**-470**	**-1,796**
Off-balance sheet items						
Contingent liabilities	409,604	8,890	440	-51	-110	-119
of which guarantee commitments	*97,320*	*1,970*	*184*	*-10*	*-17*	*-70*
of which obligations	*312,284*	*6,920*	*256*	*-41*	*-93*	*-49*
Total	**409,604**	**8,890**	**440**	**-51**	**-110**	**-119**

[1] Gross volume in Stage 3 for which no provision has been made, due to collateral received, amounts to SEK 1,459m (1,173).

Key figures, credit losses Loans to the public	**2021**	**2020**
Credit loss ratio, acc., %	0.01	0.06
Total reserve ratio, %	0.37	0.43
Reserve ratio Stage 1, %	0.03	0.03
Reserve ratio Stage 2, %	1.42	1.21
Reserve ratio Stage 3, %	37.78	37.80
Proportion of loans in Stage 3, %	0.45	0.52

P10 Cont.

CHANGE ANALYSIS

Change in provision for expected credit losses, balance sheet items that are subject to impairment testing

	2021				2020			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-175	-470	-1,796	-2,441	-162	-250	-3,325	-3,737
Derecognised assets	22	41	116	179	20	48	95	163
Write-offs	0	1	283	284	0	1	1,621	1,622
Remeasurements due to changes in credit risk	-19	80	-91	-30	-115	-99	53	-161
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-4	-10	-52	-66	8	12	61	81
Purchased or originated assets	-29	-10	-11	-50	-21	-8	-7	-36
Transfer to Stage 1	-13	17	1	5	-8	11	3	6
Transfer to Stage 2	21	-144	5	-118	46	-283	3	-234
Transfer to Stage 3	25	61	-120	-34	57	98	-300	-145
Provision at end of year	**-172**	**-434**	**-1,665**	**-2,271**	**-175**	**-470**	**-1,796**	**-2,441**

Change in provision for expected credit losses, loans to the public that are subject to impairment testing

	2021				2020			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-172	-464	-1,796	-2,432	-159	-247	-3,325	-3,731
Derecognised assets	22	41	116	179	19	46	95	160
Write-offs	0	1	283	284	0	1	1,621	1,622
Remeasurements due to changes in credit risk	-19	76	-91	-34	-114	-100	53	-161
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-4	-9	-52	-65	8	12	61	81
Purchased or originated assets	-29	-10	-11	-50	-20	-8	-7	-35
Transfer to Stage 1	-13	17	1	5	-8	11	3	6
Transfer to Stage 2	21	-144	5	-118	45	-277	3	-229
Transfer to Stage 3	25	61	-120	-34	57	98	-300	-145
Provision at end of year	**-169**	**-431**	**-1,665**	**-2,265**	**-172**	**-464**	**-1,796**	**-2,432**

Change in provision for expected credit losses, off-balance sheet items that are subject to impairment testing

	2021				2020			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Provision at beginning of year	-51	-110	-119	-280	-38	-50	-106	-194
Derecognised assets	6	17	-	23	4	7	-	11
Write-offs	-	-	-	-	0	0	-	0
Remeasurements due to changes in credit risk	4	14	27	45	-18	-24	-13	-55
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	-6	-23	-	-29	1	2	-	3
Purchased or originated assets	-20	-5	-	-25	-7	-1	-	-8
Transfer to Stage 1	-5	11	-	6	-2	3	-	1
Transfer to Stage 2	4	-26	-	-22	7	-53	-	-46
Transfer to Stage 3	1	4	-	5	2	6	-	8
Provision at end of year	**-67**	**-118**	**-92**	**-277**	**-51**	**-110**	**-119**	**-280**

The change analysis shows the net effect on the provision for the Stage in question for each explanatory item during the period. The effect of derecognitions and write-offs is calculated on the opening balance. The effect of revaluations due to changes in the methodology for estimation and foreign exchange effects, etc., is calculated before any transfer of the net amount between Stages. Purchased or originated assets and amounts transferred between Stages are recognised after the effects of other explanatory items are taken into account. The transfer rows present the effect on the provision for the stated Stage.

P10 Cont.

Change in gross volume, balance sheet items that are subject to impairment testing

	2021				2020			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	1,785,579	38,393	4,751	1,828,723	1,735,696	21,561	6,462	1,763,719
Derecognised assets	-70,662	-4,933	-381	-75,976	-108,135	-4,592	-282	-113,009
Write-offs	-3	-6	-317	-326	-3	-7	-1,636	-1,646
Remeasurements due to changes in credit risk	-64,840	-8,838	-631	-74,309	169,943	-886	-651	168,406
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	45,491	1,324	218	47,033	-55,998	-1,214	-198	-57,410
Purchased or originated assets	222,172	1,467	54	223,693	66,245	2,395	23	68,663
Transfer to Stage 1	14,896	-14,878	-18	-	10,469	-10,455	-14	-
Transfer to Stage 2	-18,403	18,427	-24	-	-32,222	32,283	-61	-
Transfer to Stage 3	-199	-556	755	-	-416	-692	1,108	-
Volume at end of year	**1,914,031**	**30,400**	**4,407**	**1,948,838**	**1,785,579**	**38,393**	**4,751**	**1,828,723**

Change in gross volume, loans to the public that are subject to impairment testing

	2021				2020			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	525,450	38,376	4,751	568,577	596,076	21,368	6,462	623,906
Derecognised assets	-65,607	-4,924	-381	-70,912	-68,578	-4,442	-274	-73,294
Write-offs	-3	-6	-317	-326	-3	-7	-1,636	-1,646
Remeasurements due to changes in credit risk	21,846	-9,460	-631	11,755	-19,898	805	-658	-19,751
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	13,378	1,149	218	14,745	-22,344	-1,215	-198	-23,757
Purchased or originated assets	88,757	1,467	54	90,278	60,704	2,392	23	63,119
Transfer to Stage 1	14,101	-14,083	-18	-	10,469	-10,455	-14	-
Transfer to Stage 2	-18,403	18,427	-24	-	-30,560	30,621	-61	-
Transfer to Stage 3	-199	-556	755	-	-416	-691	1,107	-
Volume at end of year	**579,320**	**30,390**	**4,407**	**614,117**	**525,450**	**38,376**	**4,751**	**568,577**

Change in gross volume, off-balance sheet items that are subject to impairment testing

	2021				2020			
SEK m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Volume at beginning of year	409,604	8,890	440	418,934	435,921	7,921	685	444,527
Derecognised assets	-26,769	-1,576	-48	-28,393	-26,575	-1,346	-25	-27,946
Write-offs	0	0	-5	-5	0	0	-2	-2
Remeasurements due to changes in credit risk	80,419	-4,622	-146	75,651	-17,412	1,215	-298	-16,495
Changes due to update in the methodology for estimation	-	-	-	-	-	-	-	-
Foreign exchange effect, etc.	42,961	9,387	5	52,353	-5,344	-220	-5	-5,569
Purchased or originated assets	62,069	699	1	62,769	24,185	233	1	24,419
Transfer to Stage 1	11,691	-11,691	0	-	6,885	-6,882	-3	-
Transfer to Stage 2	-6,346	6,348	-2	-	-8,034	8,039	-5	-
Transfer to Stage 3	-16	-36	52	-	-22	-70	92	-
Volume at end of year	**573,613**	**7,399**	**297**	**581,309**	**409,604**	**8,890**	**440**	**418,934**

Like the analysis for provisions, the change analysis for gross volumes shows the effect of selected explanatory items on the volumes for a stated Stage. The items showing transfers between Stages, and 'Purchased or originated assets', present the amounts in the stated Stage at the end of the period. Other items present the effect in the Stage applying at the start of the period.

P10 Cont.

SENSITIVITY ANALYSIS

Sensitivity analysis, macroeconomic scenarios

The calculation of expected credit losses applies forward-looking information in the form of macroeconomic scenarios. The expected credit loss is a probability-weighted average of the estimated forecasts over three scenarios. The forecast in the neutral scenario is assigned a weighting of 70% (70), while an upturn in the economy is assigned a weighting of 15% (15) and a downturn in the economy a weighting of 15% (15). These have formed the basis for the calculation of expected credit losses in Stage 1 and Stage 2 as at 31 December 2021.

	Downturn scenario			Neutral scenario			Upturn scenario		
Macroeconomic risk factors	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP growth									
Sweden	4.38	-0.55	1.06	4.38	3.85	2.06	4.38	6.85	3.56
Norway	3.92	-0.28	0.06	3.92	3.85	1.06	3.92	5.86	2.56
Denmark	4.18	-1.65	0.72	4.18	2.64	1.72	4.18	5.65	3.22
Finland	3.51	-1.39	0.80	3.51	3.00	1.80	3.51	6.01	3.30
Eurozone	5.18	0.00	0.91	5.18	4.39	1.91	5.18	7.44	3.41
USA	5.52	0.04	1.57	5.52	4.22	2.57	5.52	7.66	4.17
Unemployment									
Sweden	8.81	9.88	10.41	8.81	7.56	7.16	8.81	6.58	6.36
Norway	3.13	4.52	5.33	3.13	2.30	2.23	3.13	1.90	1.93
Denmark	5.10	6.52	7.46	5.10	4.19	4.06	5.10	3.42	3.36
Finland	7.78	9.24	9.90	7.78	7.00	6.50	7.78	5.94	5.70
Eurozone	7.87	10.24	10.90	7.87	7.70	7.50	7.87	6.93	6.90
USA	5.46	6.72	7.05	5.46	4.08	3.55	5.46	3.41	2.95
Policy interest rate									
Sweden	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.50
Norway	0.50	0.00	0.00	0.50	1.25	1.50	0.50	1.75	2.00
Denmark	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.30
Finland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
Eurozone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
USA	0.13	0.13	0.13	0.13	0.13	0.63	0.13	0.38	1.13
Property price trend, commercial real estate									
Sweden	11.14	-12.68	-6.97	11.14	9.10	6.30	11.14	16.99	15.62
Norway	2.52	-13.68	-8.53	2.52	4.07	-0.11	2.52	8.92	6.38
Denmark	6.28	-9.70	-6.55	6.28	4.69	2.62	6.28	9.28	8.81
Finland	6.04	-12.66	-5.35	6.04	7.62	5.65	6.04	14.81	13.62
Eurozone	0.71	-14.46	-6.82	0.71	4.25	3.02	0.71	9.74	10.48
USA	5.52	4.22	2.57	-2.86	1.36	-4.48	5.52	4.22	2.57
Property price trend, residential real estate									
Sweden	17.27	-4.98	0.83	17.27	5.01	1.73	17.27	11.11	2.15
Norway	7.17	-5.30	4.44	9.97	2.99	1.48	12.47	8.35	2.62
Denmark	10.84	-3.40	-0.14	13.00	3.57	1.54	14.17	8.70	3.15
Finland	0.91	0.18	-0.29	1.42	3.50	2.50	4.71	3.80	1.63
Eurozone	-4.42	3.56	2.95	3.56	2.63	2.40	6.35	2.14	2.10

The table below shows the percentage increase/decrease in the provision for expected credit losses in Stage 1 and Stage 2, as at 31 December, which arises when a probability of 100% is assigned to the negative and positive scenarios, respectively.

	2021		2020	
%	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario	Increase in the provision in a negative scenario	Decrease in the provision in a positive scenario
Sweden	22.05	-13.35	15.50	-8.97
Norway	12.21	-6.90	11.61	-6.32
Denmark	14.63	-8.31	11.07	-6.35
Finland	10.73	-6.29	10.75	-6.07
The Netherlands	3.48	-1.80	2.75	-1.54
USA	50.58	-32.07	41.52	-24.50
Other countries	5.88	-2.76	14.29	-7.16

P10 Cont.

Sensitivity analysis, significant increase in credit risk
The table below shows how the provision in Stage 1 and Stage 2 as at 31 December is affected if the threshold value applied for the ratio between residual credit risk calculated on the reporting date and on initial recognition were to be set 0.5 units lower and higher, respectively, than the applied threshold value of 2.5. A reduction of 0.5 to the threshold value would increase the number of loans transferred from Stage 1 to Stage 2 and would also entail an increase in the provision for expected credit losses. An increase of 0.5 to the threshold value would have the opposite effect. The Bank uses both quantitative and qualitative indicators to assess significant increases in credit risk. Further information is provided in note G2 under the heading "Credit risk".

Change in the total provision in Stage 1 and Stage 2, % **Threshold value**	**2021**	**2020**
2	3.79%	3.80%
2.5	0.00%	0.00%
3	-2.93%	-2.23%

CREDIT EXPOSURES THAT ARE SUBJECT TO IMPAIRMENT TESTING, BY PD RANGE

Balance sheet items by PD range	**2021**			**2020**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	1,778,879	5,861	-	1,607,252	12,169	-
0.15 to <0.25	55,679	1,264	-	77,581	2,086	-
0.25 to <0.50	42,963	4,106	-	49,972	6,938	-
0.50 to <0.75	12,432	738	-	19,043	2,258	-
0.75 to <2.50	20,475	12,755	-	27,016	9,072	-
2.50 to <10.00	3,353	4,918	-	4,380	4,597	-
10.00 to <100	250	758	-	335	1,273	-
100 (default)	-	-	4,407	-	-	4,751
Total	**1,914,031**	**30,400**	**4,407**	**1,785,579**	**38,393**	**4,751**

Loans to the public by PD range	**2021**			**2020**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	487,720	5,960	-	472,973	12,165	-
0.15 to <0.25	37,794	1,301	-	22,830	2,085	-
0.25 to <0.50	29,162	3,427	-	14,705	6,935	-
0.50 to <0.75	8,435	760	-	5,604	2,257	-
0.75 to <2.50	13,763	13,099	-	7,950	9,068	-
2.50 to <10.00	2,276	5,062	-	1,289	4,594	-
10.00 to <100	170	781	-	99	1,272	-
100 (default)	-	-	4,407	-	-	4,751
Total	**579,320**	**30,390**	**4,407**	**525,450**	**38,376**	**4,751**

Off-balance sheet items by PD range	**2021**			**2020**		
	Gross volume, SEK m			**Gross volume**, SEK m		
PD value[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
0.00 to <0.15	510,314	2,635	-	352,268	2,890	-
0.15 to <0.25	23,326	729	-	20,207	841	-
0.25 to <0.50	20,620	343	-	15,068	1,531	-
0.50 to <0.75	9,072	899	-	5,586	781	-
0.75 to <2.50	9,260	966	-	15,434	1,358	-
2.50 to <10.00	974	1,614	-	1,017	1,154	-
10.00 to <100	47	213	-	24	335	-
100 (default)	-	-	297	-	-	440
Total	**573,613**	**7,399**	**297**	**409,604**	**8,890**	**440**

[1] Refers to 12-month PD value as at the reporting date.

Assets repossessed for protection of claims SEK m	**2021**	**2020**
Property	-	-
Movable property	0	2
Shares	0	0
Carrying amount	**0**	**2**

P11 Appropriations

SEK m	2021	2020
Change in accelerated depreciation, machinery, equipment and lease assets	195	650
Change in accelerated amortisation, goodwill on the acquisition of net assets	32	93
Total	**227**	**743**

P12 Loans to credit institutions

SEK m	2021	2020
Loans in Swedish kronor		
Banks	903	1,490
Other credit institutions[1]	709,033	649,050
Total	**709,936**	**650,540**
Loans in foreign currency		
Banks	13,312	35,926
Other credit institutions	263,653	267,191
Total	**276,965**	**303,117**
Provision for expected credit losses	-4	-7
Total loans to credit institutions	**986,897**	**953,650**
of which accrued interest income	*967*	*869*
of which reverse repos	*20,204*	*2,776*
of which subordinated	*39,041*	*28,394*

Average volumes SEK m	2021	2020
Loans to credit institutions in Swedish kronor	599,441	630,019
Loans to credit institutions in foreign currency	405,878	339,627
Total	**1,005,319**	**969,646**
of which reverse repos	*20,892*	*10,486*

[1] Of which SEK 21,812m (21,335) refers to Tier 1 capital loans which Stadshypotek has classified as equity instruments.

P13 Loans to the public

SEK m	2021	2020
Loans in Swedish kronor		
Households	28,466	28,799
Companies	142,487	132,242
National Debt Office	2,173	474
Total	**173,126**	**161,515**
Loans in foreign currency		
Households	116,213	108,223
Companies	324,778	298,838
National Debt Office	-	-
Total	**440,991**	**407,061**
Provision for expected credit losses	-2,265	-2,431
Total loans to the public	**611,852**	**566,145**
of which accrued interest income	*1,778*	*760*
of which reverse repos	*13,649*	*11,627*
of which subordinated	*22,594*	*1,132*

Average volumes, excl. National Debt Office SEK m	2021	2020
Loans to the public in Swedish kronor	170,850	188,619
Loans to the public in foreign currency	415,348	423,692
Total	**586,198**	**612,311**
of which reverse repos	*19,690*	*18,349*

P14 Interest-bearing securities

SEK m	2021 Carrying amount	2021 Fair value	2021 Nominal amount	2020 Carrying amount	2020 Fair value	2020 Nominal amount
Interest-bearing securities eligible as collateral with central banks	100,538	100,538	103,881	99,115	99,115	97,152
of which accrued interest income	*160*			*195*		
Bonds and other interest-bearing securities	34,323	34,323	30,601	46,533	46,533	43,351
of which accrued interest income	*185*			*185*		
Total	**134,861**	**134,861**	**134,482**	**145,648**	**145,648**	**140,503**
of which subordinated	*-*	*-*		*4*	*4*	

Interest-bearing securities broken down by issuer

SEK m	2021 Carrying amount	2021 Fair value	2021 Nominal amount	2020 Carrying amount	2020 Fair value	2020 Nominal amount
Government	100,538	100,538	103,881	99,115	99,115	97,152
Credit institution	6,590	6,590	6,118	9,091	9,091	8,656
Mortgage institutions	21,522	21,522	20,137	31,317	31,317	28,819
Other	6,211	6,211	4,346	6,125	6,125	5,876
Total	**134,861**	**134,861**	**134,482**	**145,648**	**145,648**	**140,503**

Interest-bearing securities that are subject to impairment testing

SEK m	2021	2020
Interest-bearing securities eligible as collateral with central banks		
Fair value through other comprehensive income	397	401
Amortised cost	-	762
Total gross volumes	**397**	**1,163**
Provision for expected credit losses on instruments measured at amortised cost	-	-
Total carrying amount	**397**	**1,163**
Provision for expected credit losses recognised in the fair value reserve in equity	-	-
Bonds and other interest-bearing securities		
Fair value through other comprehensive income	9,016	7,964
Total carrying amount	**9,016**	**7,964**
Provision for expected credit losses recognised in the fair value reserve in equity	-2	-2

Average volumes

SEK m	2021	2020
Interest-bearing securities	155,399	167,504

P15 Shares

SEK m	2021	2020
Fair value through profit or loss, mandatory	12,674	13,614
Fair value through other comprehensive income	807	699
Total shares	**13,481**	**14,313**

Holdings at fair value through other comprehensive income

SEK m	2021	2020
BEC	329	295
Visa Inc	170	155
VIPPS A/S	62	26
Other holdings	246	223
Total	**807**	**699**

Handelsbanken classifies the shareholdings above as measured at fair value through other comprehensive income, as these holdings are not held for trading. During the year Handelsbanken received dividends only on shares still held at the end of the reporting period. These dividends total SEK 2m (53) and are recognised in the income statement under Other dividend income. During the year, the Bank divested its holding in Visa Sweden Ekonomisk Förening and a number of housing co-operative associations for a total of SEK 1m (1,688). The primary reasons for the divestments were reallocations, branch closures and adjustments to the shares in relation to the participating interests.

For information about realised and unrealised gains/losses on equity instruments measured at fair value through other comprehensive income, refer to the Statement of changes in equity for the Parent company.

P16 Shares in subsidiaries and investments in associates and joint ventures

Shares in subsidiaries and investments in associates and joint ventures SEK m	2021	2020
Subsidiaries, unlisted	71,608	72,749
Associates, unlisted	213	213
Joint ventures, unlisted	146	95
Total	**71,967**	**73,057**

Subsidiaries	Corporate identity number	Registered office	Number of shares	Ownership share, %	Carrying amount, SEK m 2021	Carrying amount, SEK m 2020
Handelsbanken Finans AB[1]	556053-0841	Stockholm	1,550,000	100	10,492	11,672
Stadshypotek AB[1]	556459-6715	Stockholm	162,000	100	26,870	26,870
Handelsbanken Fondbolagsförvaltning AB	556070-0683	Stockholm	10,000	100	1	1
Xact Kapitalförvaltning AB	556997-8140	Stockholm		100		
Handelsbanken Fonder AB	556418-8851	Stockholm		100	2	
Handelsinvest Investeringsforvaltning A/S	12930879	Copenhagen		100	8	
Handelsbanken Liv Försäkrings AB	516401-8284	Stockholm	100,000	100	6,189	6,189
SHB Liv Försäkringsaktiebolag	2478149-7	Helsinki		100		
Handelsbanken Fastigheter AB	556873-0021	Stockholm		100		
Ecster AB	556993-2311	Stockholm	50,000	100	1,750	1,750
Handelsbanken plc[1]	11305395	London	5,050,401	100	24,087	24,087
Handelsbanken Wealth & Asset Management Limited	04132340	London	1,319,206	100		
Optimix Vermogensbeheer N.V.	33194359	Amsterdam	10,209	100	655	642
Add Value Fund Management BV	19196768	Amsterdam		80		
Other subsidiaries						
EFN Ekonomikanalen AB	556930-1608	Stockholm	100	100	0	0
Ejendomsselskabet af 1. maj 2009 A/S	59173812	Hillerød	2,700,000	100	128	128
Forva AS	945812141	Oslo	4,000,000	100	1	1
AB Handel och Industri	556013-5336	Stockholm	100,000	100	12	12
Handelsbanken Forsikringsformidling A/S	42767808	Copenhagen		100	1	
Handelsbanken Markets Securities, Inc.	11-3257438	New York	1,000	100	30	30
Handelsbanken Rahoitus Oy	0112308-8	Helsinki	37,026,871	100	1,276	1,276
Handelsbanken Skadeförsäkrings AB	516401-6767	Stockholm	1,500	100	31	31
Lokalbolig A/S	78488018	Hillerød	540,000	71.52	1	1
Rådstuplass 4 AS	910508423	Bergen	40,000	100	0	0
Svenska Re S.A.	RCS Lux B-32053	Luxembourg	20,000	100	35	35
Handelsbanken Ventures AB	556993-9357	Stockholm	50	100	39	24
Total					**71,608**	**72,749**

The list of Group companies contains directly owned subsidiaries and large subsidiaries of these companies.
[1] Credit institution.

Associates	Corporate identity number	Registered office	Number of shares	Ownership share, %	Carrying amount, SEK m 2021	Carrying amount, SEK m 2020
Bankomat AB	556817-9716	Stockholm	150	20.00	67	67
BGC Holding AB	556607-0933	Stockholm	25,542	25.54	81	80
Dyson Group plc	00163096	Sheffield	74,733,672	27.00	21	21
Finansiell ID-teknik BID AB	556630-4928	Stockholm	12,735	28.30	24	24
Getswish AB	556913-7382	Stockholm	10,000	20.00	21	21
USE Intressenter AB	559161-9464	Stockholm	2,448	24.48	0	0
Total					**214**	**213**

Joint ventures	Corporate identity number	Registered office	Number of shares	Voting power, %	Carrying amount, SEK m 2021	Carrying amount, SEK m 2020
P27 Nordic Payment Platform AB	559198-9610	Stockholm	10,000	16.67	88	63
Invidem AB	559210-0779	Stockholm	10,000	16.67	58	32
Total					**146**	**95**

P17 Derivative instruments

SEK m	Nominal amount/maturity Up to 1 yr	Over 1 yr up to 5 yrs	Over 5 yrs	Nominal amount 2021	Nominal amount 2020	Positive market values 2021	Positive market values 2020	Negative market values 2021	Negative market values 2020
Derivatives held for trading									
Interest rate-related contracts									
Options	8,960	13,239	2,273	24,472	30,274	51	9	52	16
FRA/futures	388,452	153,608	-	542,060	318,439	76	52	62	38
Swaps	522,714	1,594,020	440,270	2,557,004	2,156,167	21,064	29,544	21,468	30,403
Currency-related contracts									
Options	20,614	36	22	20,672	24,729	69	118	131	195
Futures	76,491	5,988	395	82,874	69,687	916	920	687	1,344
Swaps	616,509	152,605	50,321	819,435	770,784	15,066	11,226	9,622	22,882
Equity-related contracts									
Options	3,126	560	84	3,770	5,194	375	255	189	136
Futures	580	-	-	580	855	9	15	11	16
Swaps	11,561	3,122	-	14,683	16,150	341	137	723	1,569
Commodity-related contracts									
Options	341	-	14	355	671	41	22	55	60
Futures	835	100	-	935	3,654	111	389	237	312
Credit-related contracts									
Swaps	84	4,751	18	4,853	6,500	294	229	169	158
Total	**1,650,267**	**1,928,029**	**493,397**	**4,071,693**	**3,403,104**	**38,413**	**42,916**	**33,406**	**57,129**
Derivatives for fair value hedges									
Interest rate-related contracts									
Swaps	60,642	262,806	60,045	383,493	257,078	2,836	1,704	1,610	607
Currency-related contracts									
Swaps	-	566	896	1,462	1,377	156	101	-	-
Total	**60,642**	**263,372**	**60,941**	**384,955**	**258,455**	**2,992**	**1,805**	**1,610**	**607**
Derivatives for cash flow hedges									
Interest rate-related contracts									
Swaps	62,118	78,997	14,583	155,698	217,166	1,935	4,234	940	2,556
Currency-related contracts									
Swaps	63,692	86,355	26,095	176,142	176,369	7,641	9,420	2,133	5,528
Total	**125,810**	**165,352**	**40,678**	**331,840**	**393,535**	**9,576**	**13,654**	**3,073**	**8,084**
Total derivative instruments	**1,836,719**	**2,356,753**	**595,016**	**4,788,488**	**4,055,094**	**50,981**	**58,375**	**38,089**	**65,820**
of which exchange-traded derivatives				*182,858*	*108,653*	*130*	*332*	*804*	*756*
of which OTC derivatives settled by CCP				*2,982,430*	*2,245,982*	*18,731*	*22,987*	*15,867*	*18,717*
of which OTC derivatives not settled by CCP				*1,623,200*	*1,700,459*	*32,120*	*35,056*	*21,418*	*46,347*
Amounts offset				-2,691,986	-2,110,391	-20,035	-25,344	-17,056	-21,046
Net amount				**2,096,502**	**1,944,703**	**30,946**	**33,031**	**21,033**	**44,774**
Currency breakdown of market values									
SEK						-217,533	77,516	-44,025	247,879
USD						300,159	-80,871	-7,642	-381,625
EUR						71,169	95,348	-62,235	-36,368
Others						-102,814	-33,618	151,991	235,934
Total						**50,981**	**58,375**	**38,089**	**65,820**

Derivative contracts are presented gross in the note. Amounts offset consist of the offset market value and the associated nominal amounts of contracts for which the Bank has the legal right and intention to settle contractual cash flows net (including cleared contracts). These contracts are presented on a net basis on the balance sheet per counterparty and currency.

The Bank amortises positive differences between the value measured by a valuation model upon initial recognition and the transaction price (day 1 gains/losses) over the life of the derivative. Such not yet recognised day 1 gains amounted to SEK 489m (538) at year-end.

P18 Hedge accounting

Hedging instruments in cash flow hedges	2021			2020		
SEK m	Up to 1 yr	1–5 yrs	Over 5 yrs	Up to 1 yr	1–5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	18,875	37,280	13,677	13,181	50,160	16,070
Average fixed interest %	0.63	0.58	0.76	0.48	0.58	0.73
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	43,243	41,717	906	55,335	81,602	818
Average fixed interest %	1.53	1.87	3.98	3.53	1.66	3.98
Foreign exchange risk						
Foreign exchange derivatives, EUR/NOK						
Nominal amount	10,899	30,223	14,069	4,344	29,590	7,435
Average exchange rate EUR/NOK	0.1187	0.1038	0.0970	0.1310	0.1110	0.0970
Foreign exchange derivatives, USD/GBP						
Nominal amount	-	6,942	917	11,011	6,289	831
Average exchange rate USD/GBP	-	1.2930	1.3157	1.3860	1.2930	1.3150
Foreign exchange derivatives, USD/NOK						
Nominal amount	14,409	22,140	-	40,197	12,901	-
Average exchange rate USD/NOK	0.1178	0.1137	-	0.1170	0.1260	-
Foreign exchange derivatives, USD/SEK						
Nominal amount	24,446	2,265	9,057	9,206	2,153	8,613
Average exchange rate USD/SEK	0.1187	0.1105	0.1105	0.1170	0.1105	0.1105
Foreign exchange derivatives, AUD/USD						
Nominal amount	-	5,923	-	3,034	5,492	-
Average exchange rate AUD/USD	-	1.3770	-	1.3930	1.3770	-
Foreign exchange derivatives, other currency pairs						
Nominal amount	13,938	18,862	2,052	11,573	23,700	-
Total	**125,810**	**165,352**	**40,678**	**147,881**	**211,887**	**33,767**

Hedging instruments and ineffectiveness in cash flow hedges 2021		Carrying amount hedging instruments					
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	69,832	247	940	1,852	1,858	-6	-
Interest rate swaps, variable interest paid and fixed interest received	85,866	1,688	-	-1,939	-1,939	0	59
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/DKK	2,051	3	-	8	8	0	-
Foreign exchange derivatives, EUR/GBP	6,514	606	-	34	32	2	-
Foreign exchange derivatives, EUR/NOK	55,191	2,750	491	1	3	-2	-
Foreign exchange derivatives, EUR/SEK	12,797	376	408	32	32	-	-
Foreign exchange derivatives, USD/DKK	6,919	330	87	60	60	0	-
Foreign exchange derivatives, USD/GBP	7,859	-	339	8	8	-	-
Foreign exchange derivatives, USD/NOK	36,549	1,303	721	47	47	0	-
Foreign exchange derivatives, USD/SEK	35,768	1,793	-	292	292	0	-
Foreign exchange derivatives, AUD/USD	5,923	50	-	-77	-77	-	3
Foreign exchange derivatives, other currency pairs	6,571	430	87	-15	-15	0	1
Total	**331,840**	**9,576**	**3,073**	**303**	**309**	**-6**	**63**

Hedging instruments and ineffectiveness in cash flow hedges 2020		Carrying amount hedging instruments					
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Change in the value of the hedging instruments recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Reclassified from the hedge reserve to the income statement
Interest rate risk							
Interest rate swaps, fixed interest paid and variable interest received	79,411	1	2,556	-941	-941	-	-
Interest rate swaps, variable interest paid and fixed interest received	137,755	4,233	-	-461	-461	-	96
Foreign exchange risk[1]							
Foreign exchange derivatives, EUR/DKK	3,516	-	9	-33	-33	-	-
Foreign exchange derivatives, EUR/GBP	9,628	1,123	-	81	81	-	-
Foreign exchange derivatives, EUR/NOK	41,369	5,559	16	240	237	3	-
Foreign exchange derivatives, EUR/SEK	12,664	256	586	-26	-26	-	-
Foreign exchange derivatives, USD/GBP	18,131	271	448	-60	-57	-3	-
Foreign exchange derivatives, USD/NOK	53,098	1,142	1,903	-52	-52	0	-
Foreign exchange derivatives, USD/SEK	19,972	-	1,838	-349	-349	0	-
Foreign exchange derivatives, AUD/USD	8,526	621	-	45	45	-	-5
Foreign exchange derivatives, other currency pairs	9,465	448	728	12	13	-1	43
Total	**393,535**	**13,654**	**8,084**	**-1,544**	**-1,543**	**-1**	**134**

[1] When analysing for the purposes of hedge accounting, the conversion to the parent company's functional currency, SEK, is taken into account by imputing nominal derivative legs in the hedging relationships. The imputed derivative legs are not included in the nominal volumes presented in the tables above.

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet. Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions. Reclassified to the income statement is included under Net gains/losses on financial transactions and refers to cash flow hedges terminated before their maturity date.

P18 Cont.

Hedged items in cash flow hedges	2021			2020		
SEK m	Change in value used to calculate ineffectiveness	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied	Change in value used to calculate ineffectiveness	Hedge reserve	Amounts remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk						
Issued variable-interest securities	-1,858	-553	-	941	-2,435	-
Variable-interest loans to the public	1,939	1,777	484	461	3,799	543
Foreign exchange risk						
Securities issued in EUR and internal loans in DKK, GBP and NOK	-75	-172	-	-150	-234	-
Securities issued in USD and internal loans in DKK, EUR, GBP and NOK	-407	-10	88	485	-416	86
Securities issued in AUD	77	48	-1	-46	128	2
Securities issued and internal loans in other currencies	15	-54	11	-148	-51	15
Total	**-309**	**1,036**	**582**	**1,543**	**791**	**646**

Hedging instruments in fair value hedges	2021			2020		
SEK m	Up to 1 yr	1–5 yrs	Over 5 yrs	Up to 1 yr	1–5 yrs	Over 5 yrs
Interest rate risk						
Interest rate swaps, fixed interest paid and variable interest received						
Nominal amount	-	-	-	31,706	148,864	1,698
Average fixed interest %	-	-	-	0.06	0.03	0.28
Interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	904	77,952	32,753	-	35,214	31,652
Average fixed interest %	0.22	0.97	1.65	-	1.31	1.67
Cross-currency interest rate swaps, variable interest paid and fixed interest received						
Nominal amount	-	566	896	-	533	843
Average fixed interest %	-	3.26	3.69	-	3.26	3.69
Total	**904**	**78,518**	**33,649**	**31,706**	**184,611**	**34,193**

Hedging instruments and ineffectiveness in fair value hedges 2021		Carrying amount hedging instruments			
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	-	-	-	-	-
Interest rate swaps, variable interest paid and fixed interest received	111,609	836	1,453	-2,323	-16
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,462	156	-	-54	4
Total	**113,071**	**992**	**1,453**	**-2,377**	**-12**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	271,884	2,000	157	2,285	40
Total	**271,884**	**2,000**	**157**	**2,285**	**40**

Hedging instruments and ineffectiveness in fair value hedges 2020		Carrying amount hedging instruments			
SEK m	Nominal amount hedging instruments	Assets	Liabilities	Change in fair value used to calculate ineffectiveness	Ineffectiveness recognised in the income statement
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	182,268	72	442	-222	-8
Interest rate swaps, variable interest paid and fixed interest received	66,866	1,628	146	773	42
Cross-currency interest rate swaps, variable interest paid and fixed interest received	1,376	101	-	100	0
Total	**250,510**	**1,801**	**588**	**651**	**34**
Portfolio fair value hedges					
Interest rate risk					
Interest rate swaps, fixed interest paid and variable interest received	7,945	4	19	-13	0
Total	**7,945**	**4**	**19**	**-13**	**0**

The carrying amount of hedging instruments is included in the item Derivative instruments in the balance sheet.
Ineffectiveness recognised in the income statement is included in the item Net gains/losses on financial transactions.

P18 Cont.

Hedged items in fair value hedges 2021	Carrying amount hedged item		Accumulated fair value adjustment included in the carrying amount of the hedged item			
SEK m	Assets	Liabilities	Assets	Liabilities	Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
Interest rate risk						
Fixed-interest loans to the public	-		-		-	-
Issued fixed-interest securities and subordinated liabilities		112,116		-1,572	2,365	-
Total	**-**	**112,116**	**-**	**-1,572**	**2,365**	**-**
Portfolio fair value hedges[1]						
Interest rate risk						
Fixed-interest loans to the public	-1,904				-2,245	-
Total	**-1,904**				**-2,245**	**-**

[1] The volume of the underlying lending portfolio was SEK 271,269m (7,945) as at 31 December 2021.

Hedged items in fair value hedges 2020	Carrying amount hedged item		Accumulated fair value adjustment included in the carrying amount of the hedged item			
SEK m	Assets	Liabilities	Assets	Liabilities	Change in value used to calculate ineffectiveness	Accumulated amount of adjustments to fair value hedges remaining on the balance sheet for hedged items which are no longer adjusted for changes in fair value
Interest rate risk						
Fixed-interest loans to the public	188,468		329		215	-
Issued fixed-interest securities and subordinated liabilities		69,716		794	-832	-
Total	**188,468**	**69,716**	**329**	**794**	**-617**	**-**
Portfolio fair value hedges						
Interest rate risk						
Fixed-interest loans to the public	13				13	-
Total	**13**				**13**	**-**

P19 Offsetting of financial instruments

2021 SEK m	Derivatives	Repurchase agreements and securities lending	Total
Financial fixed assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	50,981	41,913	92,894
Amounts offset	-20,035	-7,110	-27,145
Carrying amount on the balance sheet	**30,946**	**34,803**	**65,749**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,294	-	-9,294
Financial assets received as collateral	-13,322	-34,777	-48,099
Total amounts not offset on the balance sheet	**-22,616**	**-34,777**	**-57,393**
Net amount	**8,330**	**26**	**8,356**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	38,089	7,323	45,412
Amounts offset	-17,056	-7,110	-24,166
Carrying amount on the balance sheet	**21,033**	**213**	**21,246**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-9,294	-	-9,294
Financial assets pledged as collateral	-1,467	-213	-1,680
Total amounts not offset on the balance sheet	**-10,761**	**-213**	**-10,974**
Net amount	**10,272**	**-**	**10,272**

P19 Cont.

2020 SEK m	Derivatives	Repurchase agreements and securities lending	Total
Financial fixed assets subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	58,375	16,946	75,321
Amounts offset	-25,344	-2,014	-27,358
Carrying amount on the balance sheet	**33,031**	**14,932**	**47,963**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets received as collateral	-7,503	-14,923	-22,426
Total amounts not offset on the balance sheet	**-22,349**	**-14,923**	**-37,272**
Net amount	**10,682**	**9**	**10,691**
Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements			
Gross amount	65,820	2,014	67,834
Amounts offset	-21,046	-2,014	-23,060
Carrying amount on the balance sheet	**44,774**	**-**	**44,774**
Related amounts not offset on the balance sheet			
Financial instruments, netting arrangements	-14,846	-	-14,846
Financial assets pledged as collateral	-13,310	-	-13,310
Total amounts not offset on the balance sheet	**-28,156**	**-**	**-28,156**
Net amount	**16,618**	**-**	**16,618**

P20 Intangible assets

2021 SEK m	Acquisition assets	Internally developed software	Other	Total 2021
Cost of acquisition at beginning of year	2,314	4,686	164	7,164
Cost of acquisition of additional intangible assets	-	451	-	451
Disposals and retirements	-	-171	-	-171
Foreign exchange effect	76	9	-	85
Cost of acquisition at end of year	**2,390**	**4,975**	**164**	**7,529**
Accumulated depreciation and impairment at beginning of year	-2,259	-1,413	-33	-3,705
Disposals and retirements	-	171	-	171
Depreciation for the year according to plan	-34	-479	-33	-546
Impairment for the year	-	-239	-	-239
Foreign exchange effect	-76	-5	-	-81
Accumulated depreciation and impairment at end of year	**-2,369**	**-1,965**	**-66**	**-4,400**
Carrying amount	**21**	**3,010**	**98**	**3,129**

In 2021, development expenses amounting to SEK 1,959m (1,483) have been recognised.

2020 SEK m	Acquisition assets	Internally developed software	Other	Total 2020
Cost of acquisition at beginning of year	2,434	4,132	0	6,566
Cost of acquisition of additional intangible assets	-	689	164	853
Disposals and retirements	-	-120		-120
Foreign exchange effect	-120	-15		-135
Cost of acquisition at end of year	**2,314**	**4,686**	**164**	**7,164**
Accumulated amortisation and impairment at beginning of year	-2,277	-1,099	0	-3,376
Disposals and retirements	-	120		120
Amortisation for the year according to plan	-100	-383	-33	-516
Impairment for the year	-	-55		-55
Foreign exchange effect	118	4		122
Accumulated amortisation and impairment at end of year	**-2,259**	**-1,413**	**-33**	**-3,705**
Carrying amount	**55**	**3,273**	**131**	**3,459**

P21 Property, equipment and lease assets

Property, equipment and lease assets SEK m	2021	2020
Equipment	454	552
Property	27	126
Lease assets	6,562	6,701
Property repossessed for protection of claims	0	2
Total	**7,043**	**7,381**

Property repossessed for protection of claims contains movable property which is regularly measured at fair value in accordance with the Group's accounting policies for assets repossessed to protect claims, see note G1. The fair value of properties which are regularly measured at fair value is SEK 0m (0). Unrealised value changes on these properties had an impact of SEK 0m (0) on the year's profit. The valuation of private housing is essentially based on market observations of comparable property purchases in the location in question. The valuation of commercial properties is based on discounting future cash flows using assumptions such as rents, vacancy levels, operating and maintenance costs, yield requirement and calculation interest rates. The valuation is also based on the condition of the property, its location and alternative areas of use. The Bank's principle is always to use an independent authorised valuer for valuing commercial and office buildings, and industrial properties. Valuations which are only based on market observations SEK 0m (0) are classified as level 2 in the valuation hierarchy described in note G1. Valuations where own assumptions are used to a material extent SEK 0m (0) are classified as level 3 in the valuation hierarchy. Unrealised value changes in level 3 relating to properties which are regularly measured at fair value have affected the year's profit by SEK 0m (0). The year's sale of properties which are regularly measured at fair value amounts to SEK 0m (2) of which SEK 0m (2) was classified as level 3 before the sale. The value of new properties added during the year is SEK 0m (0), with SEK 0m (0) of this classified as level 3.

Equipment SEK m	2021	2020
Cost of acquisition at beginning of year	1,481	1,527
Cost of additional acquisition for the year	178	252
Disposals and retirements	-348	-296
Foreign exchange effect	15	-2
Cost of acquisition at end of year	**1,326**	**1,481**
Accumulated depreciation and impairment at beginning of year	-929	-903
Depreciation for the year according to plan	-260	-298
Disposals and retirements	311	280
Foreign exchange effect	6	-8
Accumulated depreciation and impairment at end of year	**-872**	**-929**
Carrying amount	**454**	**552**

Property SEK m	2021	2020
Cost of acquisition at beginning of year	239	238
New construction and conversion	1	1
Disposals and retirements	-186	-
Cost of acquisition at end of year	**54**	**239**
Accumulated depreciation and impairment at beginning of year	-113	-105
Depreciation for the year according to plan	-7	-8
Disposals and retirements	93	-
Accumulated depreciation and impairment at end of year	**-27**	**-113**
Carrying amount	**27**	**126**

Lease assets SEK m	2021	2020
Cost of acquisition at beginning of year	11,606	12,370
Cost of additional acquisition for the year	2,497	2,265
Disposals and retirements	-2,923	-2,734
Foreign exchange effect, etc.	185	-295
Cost of acquisition at end of year	**11,365**	**11,606**
Accumulated depreciation and impairment at beginning of year	-4,905	-4,985
Depreciation for the year according to plan	-1,759	-1,792
Impairment for the year	-26	-26
Disposals and retirements	1,939	1,779
Foreign exchange effect	-52	119
Accumulated depreciation and impairment at end of year	**-4,803**	**-4,905**
Carrying amount	**6,562**	**6,701**

P21 Cont.

Distribution of future lease payments by maturity SEK m	Within 1 yr	Between 1 and 5 yrs	Over 5 yrs	Total
2021				
Distribution of future lease payments	1,468	4,702	577	**6,747**
2020				
Distribution of future lease payments	1,423	4,980	548	**6,951**

Lease assets mainly consist of vehicles and machines. Lease assets are depreciated during the term of the lease agreement according to the annuity method. Lease fees recognised as income during the financial year amount to SEK 148m (168), of which the variable part of the lease income is SEK 131m (150).

P22 Other assets

SEK m	2021	2020
Claims on investment banking settlements	2,736	3,238
Other	19,551	17,537
Total	**22,287**	**20,775**

P23 Prepaid expenses and accrued income

SEK m	2021	2020
Accrued income	478	514
Prepaid expenses	709	783
Total	**1,187**	**1,297**

P24 Due to credit institutions

SEK m	2021	2020
Due in Swedish kronor		
Banks	4,417	36,929
Other credit institutions	25,273	28,644
Total	**29,690**	**65,573**
Due in foreign currency		
Banks	69,683	76,198
Other credit institutions	54,117	51,283
Total	**123,800**	**127,481**
Total due to credit institutions	**153,490**	**193,054**
of which accrued interest expenses	*-15*	*-4*
of which repos	*-*	*-*

Average volumes SEK m	2021	2020
Due to credit institutions in Swedish kronor	83,354	70,633
Due to credit institutions in foreign currency	150,151	218,297
Total	**233,505**	**288,930**
of which repos	*371*	*650*

P25 Deposits and borrowing from the public

Deposits from the public SEK m	2021	2020
Deposits in Swedish kronor		
Households	445,912	410,527
Companies	379,374	306,855
National Debt Office	1	1
Total	**825,287**	**717,383**
Deposits in foreign currency		
Households	87,562	78,842
Companies	218,756	194,911
National Debt Office	-	-
Total	**306,318**	**273,753**
Total deposits from the public	**1,131,605**	**991,136**

P25 Cont.

Borrowing from the public SEK m	2021	2020
Borrowing in Swedish kronor	22,712	17,814
Borrowing in foreign currency	18,855	12,180
Total borrowing from the public	**41,567**	**29,994**
Total deposits and borrowing from the public	**1,173,172**	**1,021,130**
of which accrued interest expenses	*105*	*492*
of which repos	*213*	*-*

Average volumes SEK m	2021	2020
Deposits from the public		
Deposits from the public in Swedish kronor	762,006	683,465
Deposits from the public in foreign currency	292,043	287,841
Total	**1,054,049**	**971,306**
Borrowing from the public		
Borrowing from the public in Swedish kronor	54,672	31,257
Borrowing from the public in foreign currency	150,900	93,149
Total	**205,572**	**124,406**
of which repos	*19,209*	*6,425*

P26 Issued securities

	2021		2020	
SEK m	Carrying amount	Nominal amount	Carrying amount	Nominal amount
Commercial paper				
Commercial paper in Swedish kronor	567	489	391	423
of which fair value through profit or loss	*567*	*489*	*391*	*423*
Commercial paper in foreign currency	477,335	477,085	441,687	440,659
of which amortised cost	*476,221*	*475,976*	*439,863*	*438,565*
of which included in fair value hedges	*905*	*906*	*-*	*-*
of which fair value through profit or loss	*1,114*	*1,109*	*1,824*	*1,094*
Total	**477,902**	**477,574**	**442,078**	**441,082**
Bonds				
Bonds in Swedish kronor	3,903	3,838	5,217	5,543
of which amortised cost	*3,903*	*3,838*	*5,217*	*5,543*
Bonds in foreign currency	198,003	198,966	210,225	209,242
of which amortised cost	*198,003*	*198,966*	*210,225*	*209,242*
of which included in fair value hedges	*97,422*	*98,581*	*65,034*	*64,470*
Total	**201,906**	**202,804**	**215,442**	**214,785**
Total issued securities	**679,808**	**680,378**	**657,520**	**655,867**
of which accrued interest expenses	*768*		*1,061*	

SEK m	2021	2020
Issued securities at beginning of year	657,520	724,640
Issued	758,776	777,275
Repurchased	-2,787	-2,666
Matured	-765,190	-790,402
Foreign exchange effect, etc.	31,489	-51,327
Issued securities at end of year	**679,808**	**657,520**

Average volumes SEK m	2021	2020
Swedish kronor	6,150	7,540
Foreign currency	707,114	714,136
Total	**713,264**	**721,676**

P27 Short positions

SEK m	2021	2020
Short positions at fair value		
Equities	835	658
Interest-bearing securities	3,270	1,024
Total	**4,105**	**1,682**
of which accrued interest expenses	*21*	*5*

Average volumes SEK m	2021	2020
Swedish kronor	21,824	10,977
Foreign currency	229	97
Total	**22,053**	**11,074**

P28 Taxes

Deferred tax assets SEK m	2021	2020
Hedging instruments	-	563
Other	668	610
Total	**668**	**1,173**

Deferred tax liabilities SEK m	2021	2020
Property and equipment	11	22
Hedging instruments	230	755
Other	195	-
Total	**436**	**777**
Net deferred tax assets/liabilities	**-232**	**-396**

Change in deferred taxes 2021 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	22	-11	-	11
Hedging instruments	192	-	38	230
Other	-610	-56	193	-473
Total	**-396**	**-67**	**231**	**-232**

Change in deferred taxes 2020 SEK m	Opening balance	Recognised in income statement	Recognised in other comprehensive income	Closing balance
Property and equipment	22	0	-	22
Hedging instruments	613	-	-421	192
Other	-332	-278	-	-610
Total	**303**	**-278**	**-421**	**-396**

Tax expenses recognised in the income statement SEK m	2021	2020
Current tax		
Tax expense for the year	-4,672	-4,536
Adjustment of tax relating to prior years	-13	-17
Deferred tax		
Changes in temporary differences	67	278
Total	**-4,618**	**-4,275**
Tax at 20.6% (21.4) of profits before tax	**-4,389**	**-4,173**
Difference	**-229**	**-102**
The difference is explained by the following items		
Various non-deductible expenses	-262	-37
Non-deductible interest on subordinated loans	-226	-254
Non-taxable capital gains and dividends	178	166
Remeasurement of deferred taxes due to change in tax rate	-	-7
Other	81	30
Total	**-229**	**-102**

P29 Provisions

Provisions 2021 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**280**	**1,929**	**67**	**2,276**
Provisions during the year		-	35	35
Utilised		-1,288	-2	-1,290
Reversed		-	-7	-7
Change in expected credit losses, net	-3			-3
Provisions at end of year	**277**	**641**	**93**	**1,011**

Provisions 2020 SEK m	Provision for expected credit losses on off-balance sheet items[1]	Provision for restructuring[2]	Other provisions[3]	Total
Provisions at beginning of year	**194**	**864**	**42**	**1,100**
Provisions during the year		1,470	68	1,538
Utilised		-405	-8	-413
Reversed		-	-35	-35
Change in expected credit losses, net	86			86
Provisions at end of year	**280**	**1,929**	**67**	**2,276**

[1] For more information, see notes P10 and P38.
[2] The provision for restructuring costs refers to expenses related to the Bank's restructuring. The majority of the provision amount was settled during the year. The remainder is expected to be settled by the end of 2022.
[3] The amounts allocated for future settlement of the claims on the Bank are presented under Other provisions.

P30 Other liabilities

SEK m	2021	2020
Liabilities on investment banking settlements	2,912	3,967
Other	4,719	5,158
Total	**7,631**	**9,125**

P31 Accrued expenses and deferred income

SEK m	2021	2020
Accrued expenses	1,671	1,603
Deferred income	1,378	663
Total	**3,049**	**2,266**

P32 Subordinated liabilities

SEK m	2021	2020
Subordinated loans in Swedish kronor	3,003	3,002
Subordinated loans in foreign currency	29,254	38,080
Total	**32,257**	**41,082**
of which accrued interest expenses	*769*	*915*

Average volumes SEK m	2021	2020
Subordinated loans in Swedish kronor	2,898	3,009
Subordinated loans in foreign currency	30,125	34,062
Total	**33,023**	**37,071**

Specification, subordinated loans Issuance	Maturity	Currency	Original nominal amount in each currency	Interest rate, %	Outstanding amount
In Swedish kronor					
2017	Fixed term	SEK	1,700	0.950%	1,701
2017	Fixed term	SEK	1,300	1.410%	1,302
Total					**3,003**
In foreign currency					
2018	Fixed term	EUR	750	1.630%	7,785
2018	Fixed term	EUR	750	1.250%	7,764
2019	Perpetual	USD	500	6.250%	4,908
2020	Perpetual	USD	500	4.380%	4,454
2020	Perpetual	USD	500	4.750%	4,343
Total					**29,254**
Total subordinated liabilities					**32,257**

For further information regarding the subordinated loans, see the Pillar 3 report.

Change in subordinated liabilities SEK m	2021	2020
Subordinated loans at beginning of year	41,082	35,546
Issued	-	8,916
Repurchased	-	-2
Matured	-9,711	-
Foreign exchange effect, etc.	886	-3,378
Subordinated loans at end of year	**32,257**	**41,082**

P33 Untaxed reserves

SEK m	2021	2020
Accumulated accelerated depreciation, machinery, equipment and lease assets	687	882
Accumulated accelerated amortisation, goodwill on the acquisition of net assets	19	51
Total	**706**	**933**

P34 Specification of changes in equity

Change in hedge reserve SEK m	**2021**	**2020**
Hedge reserve at beginning of year	628	1,940
Cash flow hedges		
Effective part of change in fair value		
Interest rate risk	-81	-1,402
Foreign exchange risk	390	-141
Unrealised value changes		
Reclassified to the income statement[1]	-63	-134
Tax	-51	365
Hedge reserve at end of year	**823**	**628**

Change in fair value reserve SEK m	**2021**	**2020**
Fair value reserve at beginning of year	**94**	**660**
Unrealised value change – equity instruments	59	-572
Realised value change – equity instruments	0	684
Unrealised value change – debt instruments	5	5
Change in reserve expected credit losses – debt instruments	0	1
Reclassified to retained earnings – equity instruments[2]	0	-684
Reclassified to the income statement – debt instruments[3]	-	-
Fair value reserve at end of year	**158**	**94**

Change in translation reserve SEK m	**2021**	**2020**
Translation reserve at beginning of year	28	2,156
Change in translation difference	1,109	-2,129
Reclassified to the income statement[4]	-9	1
Reclassified to retained earnings[5]	-53	-
Translation reserve at end of year	**1,075**	**28**

[1] Tax reclassified to the income statement pertaining to this item SEK 13m (29).
[2] Tax reclassified to retained earnings pertaining to this item SEK 0m (43).
[3] Tax reclassified to the income statement pertaining to this item SEK -m (-).
[4] Tax reclassified to the income statement pertaining to this item SEK 2m (0).
[5] Tax reclassified to retained earnings pertaining to this item SEK 13m (-).

P35 Classification of financial assets and liabilities

2021	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					338,768	338,768	338,768
Interest-bearing securities eligible as collateral with central banks	2,513	97,628		397		100,538	100,538
Loans to credit institutions	18,029				968,868	986,897	986,899
Loans to the public					611,852	611,852	613,972
Value change of interest-hedged item in portfolio hedge					-1,904	-1,904	
Bonds and other interest-bearing securities	6,299	19,008		9,016		34,323	34,323
Shares	12,674			807		13,481	13,481
Assets where the customer bears the value change risk	8,888				64	8,952	8,952
Derivative instruments	22,989		7,957			30,946	30,946
Other assets	18				22,269	22,287	22,287
Total	**71,410**	**116,636**	**7,957**	**10,220**	**1,939,917**	**2,146,140**	**2,150,166**
Shares in subsidiaries and investments in associates and joint ventures						71,967	
Non-financial assets						12,027	
Total assets						**2,230,134**	
Liabilities							
Due to credit institutions					153,490	153,490	153,874
Deposits and borrowing from the public					1,173,172	1,173,172	1,173,158
Liabilities where the customer bears the value change risk		8,888			64	8,952	8,952
Issued securities	1,681				678,127	679,808	684,331
Derivative instruments	18,104		2,929			21,033	21,033
Short positions	4,105					4,105	4,105
Other liabilities	7				7,624	7,631	7,631
Subordinated liabilities					32,257	32,257	33,645
Total	**23,897**	**8,888**	**2,929**		**2,044,734**	**2,080,448**	**2,086,729**
Non-financial liabilities						4,760	
Total liabilities						**2,085,208**	

2020	Fair value through profit or loss						
SEK m	Mandatory	Fair value option	Derivatives identified as hedge instruments	Fair value through other comprehensive income	Amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with central banks					297,362	297,362	297,362
Interest-bearing securities eligible as collateral with central banks	3,928	94,024		401	762	99,115	99,115
Loans to credit institutions	21,812				931,838	953,650	959,434
Loans to the public					566,145	566,145	569,895
Value change of interest-hedged item in portfolio hedge					13	13	
Bonds and other interest-bearing securities	11,929	26,640		7,964		46,533	46,533
Shares	13,614			699		14,313	14,313
Assets where the customer bears the value change risk	7,345				60	7,405	7,405
Derivative instruments	22,332		10,699			33,031	33,031
Other assets	30				20,745	20,775	20,775
Total	**80,990**	**120,664**	**10,699**	**9,064**	**1,816,925**	**2,038,342**	**2,047,863**
Shares in subsidiaries and investments in associates and joint ventures						73,057	
Non-financial assets						13,464	
Total assets						**2,124,863**	
Liabilities							
Due to credit institutions					193,054	193,054	193,552
Deposits and borrowing from the public					1,021,130	1,021,130	1,021,118
Liabilities where the customer bears the value change risk		7,345			60	7,405	7,405
Issued securities	2,215				655,305	657,520	664,277
Derivative instruments	38,074		6,700			44,774	44,774
Short positions	1,682					1,682	1,682
Other liabilities	38				9,087	9,125	9,125
Subordinated liabilities					41,082	41,082	42,674
Total	**42,009**	**7,345**	**6,700**		**1,919,718**	**1,975,772**	**1,984,607**
Non-financial liabilities						5,319	
Total liabilities						**1,981,091**	

P36 Fair value measurement of financial instruments

Financial instruments at fair value 2021 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	2,188	325	-	2,513
Fair value through profit or loss, fair value option	97,628	-	-	97,628
Fair value through other comprehensive income	327	-	-	397
Loans to credit institutions	-	18,029	-	18,029
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	5,251	1,048	-	6,299
Fair value through profit or loss, fair value option	19,008	-	-	19,008
Fair value through other comprehensive income	2,291	6,725	-	9,016
Shares				
Fair value through profit or loss, mandatory	11,965	709	-	12,674
Fair value through other comprehensive income	-	200	607	807
Assets where the customer bears the value change risk	8,404	-	484	8,888
Derivative instruments	22	30,881	43	30,946
Total	**147,154**	**57,917**	**1,135**	**206,205**
Liabilities				
Liabilities where the customer bears the value change risk	8,404	-	484	8,888
Issued securities	-	1,681	-	1,681
Derivative instruments	51	20,939	43	21,033
Short positions	3,903	202	-	4,105
Total	**12,358**	**22,822**	**527**	**35,707**

Financial instruments at fair value 2020 SEK m	Level 1	Level 2	Level 3	Total
Assets				
Interest-bearing securities eligible as collateral with central banks				
Fair value through profit or loss, mandatory	3,088	840	-	3,928
Fair value through profit or loss, fair value option	94,024	-	-	94,024
Fair value through other comprehensive income	401	-	-	401
Loans to credit institutions	-	21,812	-	21,812
Bonds and other interest-bearing securities				
Fair value through profit or loss, mandatory	10,167	1,762	-	11,929
Fair value through profit or loss, fair value option	26,640	-	-	26,640
Fair value through other comprehensive income	3,090	4,874	-	7,964
Shares				
Fair value through profit or loss, mandatory	13,196	417	-	13,613
Fair value through other comprehensive income	-	186	514	700
Assets where the customer bears the value change risk	6,871	-	474	7,345
Derivative instruments	267	32,684	80	33,031
Total	**157,745**	**62,574**	**1,068**	**221,387**
Liabilities				
Liabilities where the customer bears the value change risk	6,871	-	474	7,345
Issued securities	-	2,215	-	2,215
Derivative instruments	253	44,441	80	44,774
Short positions	1,488	194	-	1,682
Total	**8,612**	**46,850**	**554**	**56,016**

The principles applied are described in note G41.

Change in holdings in financial instruments in level 3 2021 SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**514**	**80**	**-80**	**474**	**-474**
Acquisitions	32	1	-2	-	-
Repurchases/sales	-	9	-7	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	54	-131	130	10	-10
Unrealised value change in other comprehensive income	8	-	-	-	-
Transfer from level 1 or 2	-	10	-10	-	-
Transfer to level 1 or 2	-	74	-74	-	-
Carrying amount at end of year	**608**	**43**	**-43**	**484**	**-484**

P36 Cont.

Change in holdings in financial instruments in level 3 2020

SEK m	Shares	Derivative assets	Derivative liabilities	Assets where the customer bears the value change risk	Liabilities where the customer bears the value change risk
Carrying amount at beginning of year	**1,252**	**69**	**-70**	**493**	**-493**
Acquisitions	6	9	-13	-	-
Repurchases/sales	-698	-	5	-	-
Matured	-	-	-	-	-
Unrealised value change in income statement	-8	-16	16	-	-
Unrealised value change in other comprehensive income	-38	-	-	-19	19
Transfer from level 1 or 2	-	17	-17	-	-
Transfer to level 1 or 2	-	1	-1	-	-
Carrying amount at end of year	**514**	**80**	**-80**	**474**	**-474**

Fair value of financial instruments at amortised cost 2021

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	338,768	-	-	338,768
Interest-bearing securities eligible as collateral with central banks	-	-	-	-
Loans to credit institutions	3,891	964,586	393	968,870
Loans to the public	13,345	6,781	593,846	613,972
Assets where the customer bears the value change risk	64	-	-	64
Total	**356,068**	**971,367**	**594,239**	**1,921,764**
Liabilities				
Due to credit institutions	9,507	144,367	-	153,874
Deposits and borrowing from the public	1,157,669	15,489	-	1,173,158
Liabilities where the customer bears the value change risk	64	-	-	64
Issued securities	179,044	503,606	-	682,650
Subordinated liabilities	-	33,645	-	33,645
Total	**1,346,284**	**697,107**	**-**	**2,043,391**

Fair value of financial instruments at amortised cost 2020

SEK m	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with central banks	297,362	-	-	297,362
Interest-bearing securities eligible as collateral with central banks	709	53	-	762
Loans to credit institutions	33,508	903,591	523	937,622
Loans to the public	4,254	1,667	563,974	569,895
Assets where the customer bears the value change risk	-	60	-	60
Total	**335,833**	**905,371**	**564,497**	**1,805,701**
Liabilities				
Due to credit institutions	47,239	146,313	-	193,552
Deposits and borrowing from the public	998,466	22,652	-	1,021,118
Liabilities where the customer bears the value change risk	-	60	-	60
Issued securities	129,949	532,113	-	662,062
Subordinated liabilities	-	42,674	-	42,674
Total	**1,175,654**	**743,812**	**-**	**1,919,466**

P37 Pledged assets, collateral received and transferred financial assets

Assets pledged for own debt SEK m	**2021**	**2020**
Cash	5,016	19,121
Government instruments and bonds	6,460	2,398
Equities	448	297
Other	683	614
Total	**12,607**	**22,430**
of which pledged assets that may be freely withdrawn by the Bank	*25*	*28*

Other pledged assets SEK m	**2021**	**2020**
Cash	201	204
Government instruments and bonds	5,767	40,844
Equities	7,008	6,285
Other	391	213
Total	**13,367**	**47,546**
of which pledged assets that may be freely withdrawn by the Bank	*3,556*	*37,504*

Other pledged assets refers to collateral pledged for obligations not reported on the balance sheet.

Collateral received
As a component in reverse repurchase agreements and securities loans, the Group has received assets that can be sold or repledged to a third party. The fair value of received assets of this type was SEK 63,709m (25,704) at the end of the financial year, where assets worth SEK 26,632m (10,653) had been sold or repledged to a third party.

Transferred financial assets reported on the balance sheet	2021		2020	
SEK m	Carrying amount	Carrying amount associated liability	Carrying amount	Carrying amount associated liability
Shares, securities lending	7,349	284[1]	6,526	306[1]
Government instruments and bonds, repurchase agreements	4,142	67	386	-
Government instruments and bonds, other	1,946	-	1,108	-
Assets where the customer bears the value change risk	552	552	538	538
Total	**13,989**	**903**	**8,558**	**844**

[1] Received cash collateral.

P38 Contingent liabilities

SEK m	**2021**	**2020**
Contingent liabilities		
Guarantees, credits	19,047	24,096
Guarantees, other	67,422	73,084
Irrevocable letters of credit	1,033	2,294
Other	-	-
Total	**87,502**	**99,474**
of which subject to impairment testing	*87,502*	*99,474*
Obligations		
Loan commitments	310,883	299,910
Unutilised part of granted overdraft facilities	114,829	111,887
Other[1]	210,531	48,438
Total	**636,243**	**460,235**
of which subject to impairment testing	*493,807*	*319,460*
Total contingent liabilities	**723,745**	**559,709**
Provision for expected credit losses reported as provisions, see note P29	277	280

[1] "Other" includes internal liquidity guarantees to subsidiaries amounting to SEK 187,934m (34,896).

Contingent liabilities
Contingent liabilities mainly consist of various types of guarantees. Credit guarantees are provided to customers in order to guarantee commitments in other credit and pension institutions. Other guarantees are mainly commercial guarantees such as bid bonds, guarantees relating to advance payments, guarantees during a warrranty period and export-related guarantees. Contingent liabilities also comprise unutilised irrevocable import letters of credit and confirmed export letters of credit. These transactions are included in the Bank's services and are provided to support the Bank's customers. The nominal amounts of the guarantees are shown in the table.

Claims
Handelsbanken is the subject of claims in a number of civil actions which are being pursued in general courts of law. The assessment is that the actions will essentially be settled in the Bank's favour. The assessment is that the amounts in dispute would not have a material effect on the Bank's financial position or profit/loss.

Remuneration
Employees in Denmark and Finland who remain in employment at the Bank until the divestment date for the operations will receive extra remuneration. The amount is not possible to estimate at present, but the current assessment is that it will not have a material impact on the Group's profit/loss or financial position.

P39 Pension obligations

SEK m	2021	2020
Fair value of plan assets	35,174	33,554
Pension obligations	35,142	34,899
Net pensions[1]	**32**	**-1,345**

Pension obligations are calculated in accordance with the Swedish Financial Supervisory Authority's regulations, which for the Swedish obligation means in accordance with the Act on Safeguarding Pension Obligations and for foreign obligations in accordance with their corresponding local regulation. Plan assets are held by Svenska Handelsbankens Pensionsstiftelse, Pensionskassan SHB, Tjänstepensionsförening, and similar legal entities regarding foreign commitments. As neither the assets of Pensionskassan nor the actuarial provisions can be allocated to employers with insurance with Pensionskassan, these are not included in the above table. The pension obligations are SEK 7,281m (7,704) in the Bank's pension fund (Pensionskassan SHB, Tjänstepensionsförening) and the market value of the assets is SEK 17,085m (15,600). The surplus value in Pensionskassan SHB, Tjänstepensionsförening is thus SEK 9,804m (7,896).

SEK 8,948m (9,692) of the fair value of the plan assets in Svenska Handelsbankens Pensionsstiftelse consists of the provisions made in the years 1989–2004 to a special supplementary pension (SKP). The obligations include a commitment regarding SKP of the same amount as the fair value of the plan assets.

A part of this commitment, SEK 6,694m (7,276), is conditional.

[1] Given that the surplus in Pensionskassan SHB, Tjänstepensionsförening can be used to cover the parent company's pension obligations, and that part of the commitment is conditional, a deficit is not recorded as a liability in the balance sheet for 2020.

Pension costs SEK m	2021	2020
Pensions paid	-1,345	-1,068
Pension premiums[2]	-514	-469
Social security costs	-209	-169
Compensation from pension foundation	568	545
Provisions to pension foundation	-45	-73
Total pension costs	**-1,545**	**-1,234**

The expected pensions to be paid next year for defined benefit pension plans amount to SEK 1,359m. The costs for pension premiums include premiums to the BTPK plan (defined contribution pension) of SEK 94m (95).

Plan assets SEK m	2021	2020
Opening balance	33,554	31,212
Return	2,143	2,814
Provisions to pension foundation	45	73
Compensation from pension foundation	-568	-545
Closing balance	**35,174**	**33,554**
Percentage return on plan assets	6%	9%

Pension obligations SEK m	2021	2020
Opening balance	34,899	32,799
Technical fee	963	989
Interest	115	213
Indexation	98	326
Early retirement	193	154
Pensions paid	-1,345	-1,068
Changed assumptions[3]	196	1,448
Value change conditional obligation	141	114
Effect of change of plan[2]	-	-8
Other change in capital value	-118	-68
Closing balance	**35,142**	**34,899**

[2] The transfer of the German defined benefit plan in 2020 meant that the pension obligation in Germany decreased by SEK 8m as at 31 December 2020, and had a positive effect on the pension cost of SEK 14m. For more information, see note G8.
[3] Mainly refers to the effect of changed assumptions in accordance with the Swedish Financial Supervisory Authority's directives.

Allocation of plan assets SEK m	2021	2020
Shares and fund shares[4]	32,806	31,039
Interest-bearing securities	2,066	2,016
Other plan assets[5]	302	499
Total	**35,174**	**33,554**

In Sweden, a retirement pension is paid from the age of 65 in accordance with the pension agreement between the Employers' Association of the Swedish Banking Institutions (BAO) and the Swedish Financial Sector Union/Swedish Confederation of Professional Associations. The amount is 10% of the annual salary up to 7.5 income base amounts. On the part of the salary between 7.5 and 20 income base amounts, the retirement pension is 65% and in the interval between 20 and 30 income base amounts, it is 32.5% of the annual salary. No retirement pension is paid on the portion of the salary in excess of 30 income base amounts. The value of the pension obligations is calculated annually on the balance sheet date, on actuarial grounds. As of 1 March 2020, all new employees and employees younger than 25 years of age accrue pension in a defined contribution plan. Persons employed before 1 March 2020 are not affected and remain covered by the defined benefit pension plan.

In Sweden, the most important calculation assumptions are mortality and the discount rate. The mortality and discount rate assumptions follow the assumptions in the Act on Safeguarding Pension Obligations. The discount rate is 0.0% (0.0%) after deductions for tax and overhead costs.

Foreign pension obligations are calculated in accordance with local accounting requirements.
[4] The fund shares are mainly invested in fixed income funds and amount to SEK 19,962m (14,619).
[5] Other plan assets include mainly liquid funds and a liability for compensation that has not yet been paid out from the pension foundation.

P40 Assets and liabilities by currency

2021 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	93,293	149,547	4,578	28,282	-	63,008	60	338,768
Loans to credit institutions	709,934	49,326	75,885	51,749	96,217	3,258	528	986,897
Loans to the public	172,273	182,170	177,558	57,164	6,790	12,961	2,936	611,852
of which corporates	*144,009*	*106,658*	*152,752*	*43,339*	*6,745*	*12,773*	*1,463*	*467,739*
of which households	*28,264*	*75,512*	*24,806*	*13,825*	*45*	*188*	*1,473*	*144,113*
Interest-bearing securities eligible as collateral with central banks	91,630	5,658	335	2	-	2,913	-	100,538
Bonds and other interest-bearing securities	24,137	965	8,741	-	-	480	-	34,323
Other items not broken down by currency	157,756							157,756
Total assets	**1,249,023**	**387,666**	**267,097**	**137,197**	**103,007**	**82,620**	**3,524**	**2,230,134**
Liabilities								
Due to credit institutions	29,690	55,754	16,264	2,366	40,309	9,015	92	153,490
Deposits and borrowing from the public	847,998	148,403	89,683	52,164	5,163	27,588	2,173	1,173,172
of which corporates	*394,558*	*118,457*	*59,863*	*28,857*	*4,046*	*24,261*	*1,471*	*631,513*
of which households	*453,440*	*29,946*	*29,820*	*23,307*	*1,117*	*3,327*	*702*	*541,659*
Issued securities	4,470	293,135	205	7	24,887	339,775	17,329	679,808
Subordinated liabilities	3,003	15,547	-	-	0	13,707	-	32,257
Other items not broken down by currency, incl. equity	191,407							191,407
Total liabilities and equity	**1,076,568**	**512,839**	**106,152**	**54,537**	**70,359**	**390,085**	**19,594**	**2,230,134**
Other assets and liabilities broken down by currency, net		125,131	-160,782	-82,658	-32,524	307,452	16,124	
Net foreign currency position		-42	163	2	124	-13	54	288

Note G2 describes the Bank's view of foreign exchange risk.

2020 SEK m	SEK	EUR	NOK	DKK	GBP	USD	Other currencies	Total
Assets								
Cash and balances with central banks	84,525	128,206	18,025	212	0	65,480	914	297,362
Loans to credit institutions	650,539	55,109	71,127	67,369	103,644	4,479	1,383	953,650
Loans to the public	160,420	172,429	160,731	49,041	6,518	14,473	2,533	566,145
of which corporates	*130,748*	*106,470*	*135,476*	*34,160*	*6,457*	*14,308*	*1,011*	*428,630*
of which households	*29,672*	*65,959*	*25,255*	*14,881*	*61*	*165*	*1,522*	*137,515*
Interest-bearing securities eligible as collateral with central banks	89,688	5,457	839	1	-	2,368	762	99,115
Bonds and other interest-bearing securities	35,796	1,420	7,285	-	0	2,032	-	46,533
Other items not broken down by currency	162,058							162,058
Total assets	**1,183,026**	**362,621**	**258,007**	**116,623**	**110,162**	**88,832**	**5,592**	**2,124,863**
Liabilities								
Due to credit institutions	65,573	42,256	26,461	2,619	39,574	16,101	470	193,054
Deposits and borrowing from the public	735,197	128,970	83,919	47,218	4,967	18,987	1,872	1,021,130
of which corporates	*315,675*	*103,484*	*58,601*	*24,296*	*3,296*	*15,881*	*1,260*	*522,493*
of which households	*419,522*	*25,486*	*25,318*	*22,922*	*1,671*	*3,106*	*612*	*498,637*
Issued securities	5,608	285,743	368	104	28,193	320,815	16,689	657,520
Subordinated liabilities	3,002	15,213	-	-	0	22,867	-	41,082
Other items not broken down by currency, incl. equity	212,077							212,077
Total liabilities and equity	**1,021,457**	**472,182**	**110,748**	**49,941**	**72,734**	**378,770**	**19,031**	**2,124,863**
Other assets and liabilities broken down by currency, net		109,673	-147,195	-66,608	-37,333	289,927	13,466	
Net foreign currency position		112	64	74	95	-11	27	361

P41 Related-party disclosures

Claims on and liabilities to related parties	Subsidiaries		Associates and joint ventures		Other related parties	
SEK m	2021	2020	2021	2020	2021	2020
Loans to credit institutions	965,802	911,996	-	-	-	-
Loans to the public	1,132	1,132	439	493	-	-
Derivatives	2,428	2,417	-	-	-	-
Other assets	16,792	15,194	29	32	572	560
Total	**986,154**	**930,739**	**468**	**525**	**572**	**560**
Due to credit institutions	72,395	71,570	-	-	-	-
Deposits and borrowing from the public	13,594	10,236	113	115	1,058	853
Derivatives	7,236	11,956	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	84	101	-	-	-	-
Total	**93,309**	**93,863**	**113**	**115**	**1,058**	**853**
Contingent liabilities	15,853	18,968	-	-	7,281	7,704
Derivatives, nominal amounts	566,710	367,382	-	-	-	-

Related parties – income and expenses	Subsidiaries		Associates and joint ventures		Other related parties	
SEK m	2021	2020	2021	2020	2021	2020
Interest income	4,023	5,092	25	9	-	-
Interest expenses	-281	-364	0	0	-	-
Fee and commission income	-	0	-	0	-	-
Fee and commission expenses	-	0	-227	-205	-	-
Net gains/losses on financial items at fair value	-	0	0	0	-	-
Other income	2,848	2,648	-	0	17	19
Other expenses	-423	-386	-73	-54	-	-
Total	**6,167**	**6,990**	**-275**	**-250**	**17**	**19**

Note P16 contains a specification of subsidiaries, associates and joint ventures. The associates and joint ventures operations comprise various types of services related to the financial markets. The following companies comprise the group of other related parties: Svenska Handelsbankens Pensionsstiftelse (pension foundation), Svenska Handelsbankens Personalstiftelse (staff foundation) and Pensionskassan SHB, Tjänstepensionsförening (pension fund). These companies use Svenska Handelsbanken AB for normal banking and accounting services. Disclosures concerning shareholders' contributions to Group and associates are provided in note P16.

On 21 October 2021, Svenska Handelsbanken AB acquired 30,461,977 class A shares in AB Industrivärden at a value of SEK 8,548m from Svenska Handelsbankens Pensionsstiftelse. These shares were then distributed to the Bank's shareholders in the form of an extra dividend. All business transactions with related companies are undertaken on market-based terms.

The pension fund's commitments to the employees of subsidiaries are guaranteed by the parent company, so if the pension fund cannot pay its commitments, the parent company is liable to take over and pay the commitment. The pension fund's obligations are SEK 7,281m (7,704). Svenska Handelsbanken AB has requested compensation from Svenska Handelsbankens Pensionsstiftelse amounting to SEK 568m (545) regarding pension costs, SEK -m (-) regarding special supplementary pension and from Svenska Handelsbankens Personalstiftelse amounting to SEK 63m (43) for measures to benefit the employees.

Information regarding loans to executive officers, conditions and other remuneration to executive officers is given in note G8.

P42 Proposed appropriation of profits

The Board proposes a dividend of SEK 5.00 per share (SEK 8.42 for 2020, of which SEK 4.10 in ordinary dividend). The Board's proposed appropriation of profits is shown on page 217.

P43 Share information

31 December 2021

Share class	Number	% of capital	% of votes	Share capital	Quota value
Class A	1,944,777,165	98.22	99.82	3,014,404,606	1.55
Class B	35,251,329	1.78	0.18	54,639,560	1.55
	1,980,028,494	**100.00**	**100.00**	**3,069,044,166**	

P44 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

P45 Disclosures regarding assets and liabilities held for sale and discontinued operations

Assets and liabilities in the Bank's operations in Denmark and Finland constitute assets and liabilities held for sale and are disposal groups in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations. In addition, the operations in Denmark and Finland constitute discontinued operations. For a description of the accounting policies, see note P1.

- The disposal group and discontinued operation in Denmark consist of the Handelsbanken AB (publ) international branch in Denmark.
- The disposal group and discontinued operation in Finland consist of the Handelsbanken AB (publ) international branch in Finland.

In addition, shares in the subsidiaries Ejendomsselskabet af 1. maj 2009 A/S, Handelsinvest investeringsforvaltning A/S, Handelsbanken Forsikringsformidling A/S and Lokalbolig A/S comprise assets held for sale.

Disclosures regarding assets and liabilities held for sale

Assets and liabilities held for sale 2021 SEK m	Denmark	Finland	Total
Assets			
Cash and balances with central banks	28,282	120,098	148,380
Other loans to central banks	207	0	207
Interest-bearing securities eligible as collateral with central banks	0	0	0
Loans to other credit institutions	36	57	93
Loans to the public	60,953	81,465	142,418
of which households	*13,864*	*24,214*	*38,078*
of which corporates	*47,089*	*57,251*	*104,340*
Bonds and other interest-bearing securities	0	0	0
Shares[1]	454	0	454
Shares in subsidiaries and investments in associates and joint ventures	139	-	139
Assets where the customer bears the value change risk	6,770	0	6,770
Intangible assets	21	110	131
Property and equipment	22	16	38
Other	306	314	620
Total	**97,190**	**202,060**	**299,250**
Liabilities			
Due to credit institutions	230	344	574
Deposits and borrowing from the public	54,135	59,984	114,119
of which households	*23,663*	*19,699*	*43,362*
of which corporates	*30,472*	*40,285*	*70,757*
Liabilities where the customer bears the value change risk	6,770	0	6,770
Provisions	57	78	135
Other	290	960	1,250
Total	**61,482**	**61,366**	**122,848**

[1] An amount of SEK 46m for the full year 2021, related to these assets has been recognised in Other comprehensive income and in the fair value reserve in equity.

The Bank has initiated a process to divest the units in Denmark and Finland.

The valuation of each disposal group at the lower of fair value after deductions for selling costs, and the carrying amount, has not led to any impairment loss. The valuation of the shares in the subsidiaries Ejendomsselskabet af 1. maj 2009 A/S, Handelsinvest investeringsforvaltning A/S, Handelsbanken Forsikringsformidling A/S and Lokalbolig A/S at the lower of fair value after deductions for selling costs, and the carrying amount, has not led to any impairment loss.

P45 Cont.

Discontinued operations
Income, expenses and profit, discontinued operations

Denmark SEK m	**2021**	**2020**
Net interest income	1,031	1,093
Net fee and commission income	724	648
Net gains/losses on financial transactions	171	168
Risk result	0	0
Other income	34	3
Total income	**1,960**	**1,912**
Staff costs	-870	-884
Other expenses	-584	-484
Depreciation, amortisation and impairment of property, equipment and intangible assets	-41	-106
Total expenses	**-1,495**	**-1,474**
Net credit losses	20	-33
Operating profit	**485**	**405**
Appropriations	32	94
Profit for the year from discontinued operations, before tax	**517**	**499**
Taxes	-87	-57
Profit for the year from discontinued operations, after tax	**430**	**442**
Material internal transactions with continuing operations, which are eliminated in the income statement above[1]:		
Income	-122	-157
Expenses	-69	-55

Finland SEK m	**2021**	**2020**
Net interest income	484	424
Net fee and commission income	338	350
Net gains/losses on financial transactions	51	53
Risk result	0	0
Other income	141	7
Total income	**1,014**	**834**
Staff costs	-532	-530
Other expenses	-670	-442
Depreciation, amortisation and impairment of property, equipment and intangible assets	-233	-21
Total expenses	**-1,435**	**-993**
Net credit losses	40	-94
Profit for the year from discontinued operations, before tax	**-381**	**-253**
Taxes	-186	-33
Profit for the year from discontinued operations, after tax	**-567**	**-286**
Material internal transactions with continuing operations, which are eliminated in the income statement above[1]:		
Income	442	362
Expenses	-158	-163

[1] Only external income and expenses are included in profit for the year from both continuing and discontinued operations. The discontinued operations have material internal transactions with the continuing operations, which are thus eliminated in the accounting. For example, all funding and liquidity management has been centralised at the Group Treasury unit in Sweden. Thus, loans to the public in Denmark and Finland are funded through internal loans from Group Treasury. Interest expenses deriving from internal borrowing are eliminated in the accounting, and are therefore not included in the net interest income figure above.

Total profit for the year from discontinued operations, after tax	**-137**	**156**

Cash flows, discontinued operations

Denmark and Finland SEK m	**2021**	**2020**
Cash flow from operating activities	30,979	13,153
Cash flow from investing activities	-189	54
Cash flow from financing activities	-	-
Cash flow for the year from discontinued operations	**30,790**	**13,207**

P46 Capital adequacy

Presentation in accordance with the requirements of Commission Implementing Regulation (EU) No 2021/637. Excluded rows are deemed not relevant for Handelsbanken at present.

	Composition of regulatory own funds – parent company	**2021**	**2020**
	SEK m	Amount at disclosure date	Amount at disclosure date
	Common equity tier 1 capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	11,827	11,827
	of which: share capital	*11,827*	*11,827*
	of which: convertible securities		
2	Retained earnings	113,648	115,034
3	Accumulated other comprehensive income (and any other reserves, to include unrealised gains and losses according to the applicable accounting standards)	2,058	752
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	6,788	7,108
6	**Common equity tier 1 (CET1) capital before regulatory adjustments**	**134,321**	**134,721**
	Common equity tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-430	-239
8	Intangible assets (net of related tax liability) (negative amount)	-3,110	-3,408
11	Fair value reserves related to gains or losses on cash flow hedges	-823	-628
12	Negative amounts resulting from the calculation of expected loss amounts	-480	-445
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	4	9
15	Defined-benefit pension fund assets (negative amount)	-	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-427	-466
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)	-	-
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-	-
20c	*of which: securitisation positions (negative amount)*	-	-
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)	-	-
22	Amount exceeding the 17.65% threshold (negative amount)	-	-
23	*of which: direct and indirect holdings by the institution of CET1 instruments of financial sector entities where the institution has significant investments in those entities*	-	-
25	*of which: deferred tax assets arising from temporary differences*	-	-
25a	Losses for the current financial year (negative amount)	-	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-
28	**Total regulatory adjustments to common equity tier 1 (CET1) capital**	**-5,266**	**-5,177**
29	**Common equity tier 1 capital**	**129,055**	**129,544**
	Additional tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	13,513	21,980
32	*of which: classified as liabilities under applicable accounting standards*	*13,513*	*21,980*
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	-	-
36	**Additional tier 1 (AT1) capital before regulatory adjustments**	**13,513**	**21,980**

P46 Cont.

Composition of regulatory own funds – parent company		2021	2020
SEK m		Amount at disclosure date	Amount at disclosure date
	Additional tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-9,808
40	Direct, indirect and synthetic holdings by the institution of the AT1 capital 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)	-	-
42	Qualifying (T2) deductions that exceed the T2 capital of the institution (negative amount)	-	-
43	**Total regulatory adjustments to additional tier 1 (AT1) capital**	**-**	**-9,808**
44	**Additional tier 1 (AT1) capital**	**13,513**	**12,172**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**142,568**	**141,716**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	18,364	18,032
50	Credit risk adjustments	1	16
51	**Tier 2 (T2) capital before regulatory adjustments**	**18,365**	**18,048**
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
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
57	**Total regulatory adjustments to tier 2 (T2) capital**	**-1,129**	**-1,129**
58	**Tier 2 capital**	**17,236**	**16,919**
59	**Total capital (TC = T1 + T2)**	**159,804**	**158,635**
60	**Total risk-weighted assets**	**426,749**	**409,265**
	Capital ratios and buffers		
61	Common equity tier 1 capital (as a percentage of total risk exposure amount)	30.2	31.7
62	Tier 1 (as a percentage of total risk exposure amount)	33.4	34.6
63	Total capital (as a percentage of total risk exposure amount)	37.4	38.8
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
65	*of which: capital conservation buffer requirement*	*2.5*	*2.5*
66	*of which: countercyclical buffer requirement*	*0.1*	*0.1*
67	*of which: systemic risk buffer requirement*	*0.0*	*0.0*
67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*	*0.0*	*0.0*
68	Common equity tier 1 capital available to meet buffers (as a percentage of risk exposure amount)	25.7	27.2
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	0
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 17.65% threshold and net of eligible short positions)	6,254	-
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-231	0

P46 Cont.

Composition of regulatory own funds – parent company		2021	2020
SEK m		Amount at disclosure date	Amount at disclosure date
	Applicable caps on the inclusion of provisions tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	1,836	2,025
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	1,316	1,138
	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	-	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on T2 instruments subject to phase out arrangements	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

P46 Cont.

EU KM1 – Key metrics template

Key metrics 2021		2021
	Available own funds (amounts)	
1	Common equity tier 1 capital	129,054
2	Tier 1 capital	142,567
3	Total capital	159,803
	RWAs	
4	Total risk-weighted exposure amount	426,749
	Capital ratios (as a percentage of risk-weighted exposure amount)	
5	Common Equity Tier 1 ratio (%)	30.2%
6	Tier 1 ratio (%)	33.4%
7	Total capital ratio (%)	37.4%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)	
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.6%
EU 7b	*of which: to be made up of CET1 capital (percentage points)*	*0.9%*
EU 7c	*of which: to be made up of Tier 1 capital (percentage points)*	*1.2%*
EU 7d	Total SREP own funds requirements (%)	9.6%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)	
8	Capital conservation buffer (%)	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	
9	Institution specific countercyclical capital buffer (%)	0.2%
EU 9a	Systemic risk buffer (%)	
10	Global systemically important institution buffer (%)	
EU 10a	Other systemically important institution buffer (%)	
11	Combined buffer requirement (%)	2.7%
EU 11a	Overall capital requirements (%)	12.2%
12	CET1 available after meeting the total SREP own funds requirements (%)	23.8%
	Leverage ratio	
13	Total exposure measure	1,500,320
14	Leverage ratio (%)	9.5%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)	
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	
EU 14b	*of which: to be made up of CET1 capital (percentage points)*	
EU 14c	Total SREP leverage ratio requirements (%)	3.0%
EU 14d	Leverage ratio buffer requirement (%)	
EU 14e	Overall leverage ratio requirement (%)	
	Liquidity Coverage Ratio	
15	Total high-quality liquid assets (HQLA) (Weighted value – average)	682,980
EU 16a	Cash outflows – Total weighted value	593,559
EU 16b	Cash inflows – Total weighted value	118,459
16	Total net cash outflows (adjusted value)	475,100
17	Liquidity coverage ratio (%)	144%
	Net Stable Funding Ratio	
18	Total available stable funding	1,271,284
19	Total required stable funding	1,293,235
20	NSFR ratio (%)	98%

P46 Cont.

EU OV1 – Overview of total risk exposure amounts

The table shows risk-weighted exposure amounts (RWA) for credit risk, counterparty risk, market risk and operational risk the end of 2021 and the previous year. Credit risk is calculated according to the standardised approach, the foundation IRB approach and the advanced IRB approach. Market risk and operational risk are calculated according to the standardised approach. The RWA for credit risk has decreased compared to the previous year. The RWA for counterparty risk has increased compared to the previous year. The RWA for market risk has decreased compared to the previous year.

Overview of total risk exposure amounts		Total risk exposure amounts (TREA)	Total risk exposure amounts (TREA)	Total own funds requirements
SEK m		2021		2021
1	**Credit risk (excluding CCR)**	**356,666**		**28,534**
2	*of which standardised approach*	146,667		11,734
3	*of which the foundation IRB (F-IRB) approach*	40,123		3,209
4	*of which slotting approach*			
EU 4a	*of which equities under the simple risk-weighted approach*	3,310		265
5	*of which the advanced IRB (A-IRB) approach*	136,021		10,882
5a		30,545		2,444
6	**CCR**	**12,255**		**980**
7	*of which standardised approach*	8,924		714
8	*of which internal model method (IMM)*			
EU 8a	*of which exposures to a CCP*	212		17
EU 8b	*of which credit valuation adjustment – CVA*	2,614		209
9	*of which other CCR*	505		40
10	N/A			
11	N/A			
12	N/A			
13	N/A			
14	N/A			
15	**Settlement risk**	**15**		**1**
16	**Securitisation exposures in the non-trading book (after the cap)**			
17	*of which SEC-IRBA approach*			
18	*of which SEC-ERBA (including IAA)*			
19	*of which SEC-SA approach*			
EU 19a	*of which 1250% / deduction*			
20	**Position, foreign exchange and commodities risks (Market risk)**	**18,696**		**1,496**
21	*of which standardised approach*	18,696		1,496
22	*of which IMA*			
23	**Operational risk**	**39,118**		**3,129**
EU 23a	*of which basic indicator approach*			
EU 23b	*of which standardised approach*	39,118		3,129
EU 23c	*of which advanced measurement approach*			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)			
25	N/A			
26	N/A			
27	N/A			
28	N/A			
29	**Total**	**426,749**		**34,140**

Market risk under the standardised approach

The table shows capital requirements for market risk according to the standardised approach at year-end 2021.

Market risk under the standardised approach	Capital requirements	
SEK m	2021	2020
Outright products		
Interest rate risk (general and specific)	199	596
Equity price risk (general and specific)	1	2
Foreign exchange risk	1,281	455
Commodity risk	1	1
Options		
Simplified method	-	-
Delta-plus method	-	-
Scenario approach	14	11
Securitisation (specific risk)	-	-
Total capital requirements for market risk	**1,496**	**1,065**

P46 Cont.

Credit risk exposures approved for IRB approach	Exposure amount		Risk-weighted exposure amount		Capital requirements		Average risk weight, %	
SEK m	2021	2020	2021	2020	2021	2020	2021	2020
Sovereign exposures	**501,686**	**372,232**	**7,050**	**5,067**	**564**	**405**	**1.4**	**1.4**
Corporate exposures	**539,996**	**469,731**	**134,649**	**132,895**	**10,772**	**10,632**	**24.9**	**28.3**
Corporate lending	523,410	459,004	130,037	129,712	10,403	10,377	24.8	28.3
of which other lending, IRB approach without own estimates of LGD and CCF	*92,263*	*86,835*	*21,401*	*22,767*	*1,712*	*1,821*	*23.2*	*26.2*
of which other lending, IRB approach with own estimates of LGD and CCF	*431,147*	*372,169*	*108,636*	*106,945*	*8,691*	*8,556*	*25.2*	*28.7*
of which large corporates	*144,882*	*116,650*	*45,387*	*44,014*	*3,631*	*3,521*	*31.3*	*37.7*
of which medium-sized companies	*47,473*	*44,474*	*17,312*	*16,884*	*1,385*	*1,351*	*36.5*	*38.0*
of which property companies	*238,792*	*211,045*	*45,937*	*46,045*	*3,675*	*3,684*	*19.2*	*21.8*
Counterparty risk	16,586	10,727	4,612	3,183	369	255	27.8	29.7
Housing co-operative associations	**18,954**	**20,478**	**1,879**	**1,943**	**150**	**155**	**9.9**	**9.5**
Retail exposures	**166,801**	**160,828**	**25,711**	**26,398**	**2,057**	**2,112**	**15.4**	**16.4**
Private individuals	151,957	144,987	20,412	20,555	1,633	1,644	13.4	14.2
of which property loans	*123,037*	*117,611*	*14,785*	*15,083*	*1,183*	*1,207*	*12.0*	*12.8*
of which other	*28,920*	*27,376*	*5,627*	*5,472*	*450*	*437*	*19.5*	*20.0*
Small companies	14,844	15,841	5,299	5,843	424	468	35.7	36.9
Exposures to institutions	**44,506**	**38,121**	**11,228**	**10,532**	**898**	**843**	**25.2**	**27.6**
Lending to institutions	34,611	16,846	6,609	5,128	529	410	19.1	30.4
Counterparty risk	9,895	21,275	4,619	5,404	369	433	46.7	25.4
Equity exposures	**895**	**787**	**3,310**	**2,911**	**265**	**233**	**370.0**	**370.0**
of which listed equities	-	-	-	*0*	-	-	-	-
of which other equities	*895*	*787*	*3,310*	*2,911*	*265*	*233*	*370*	*370.0*
Non-credit-obligation asset exposures	**5,133**	**680**	**5,034**	**680**	**403**	**54**	**98.1**	**100.0**
Securitisation positions	**-**	**16**	**-**	**49**	**-**	**4**	**-**	**312.3**
of which traditional securitisation	-	*16*	-	*49*	-	*4*	-	*312.3*
of which synthetic securitisation	-	-	-	-	-	-	-	-
Total IRB approach	**1,277,971**	**1,062,873**	**188,861**	**180,475**	**15,109**	**14,438**	**14.8**	**17.0**
Risk weight floor, Swedish mortgage loans[1]			**10,571**	**9,139**	**846**	**731**		
Impact of risk weight floor, Norwegian mortgage loans[2]			3,079		246			
Impact of risk weight floor, Norwegian companies, collateral in property[3]			16,895		1,352			
Total IRB approach with impact of risk weight floor	**1,277,971**	**1,062,873**	**219,406**	**189,614**	**17,553**	**15,169**	**17.2**	**17.8**

[1] The exposure amount which is affected by the rules for risk weight floor, Swedish mortgage loans is SEK 56,646m at 31 December 2021.
[2] The exposure amount which is affected by the rules for risk weight floor, Norwegian mortgage loans is SEK 30,517m at 31 December 2021.
[3] The exposure amount which is affected by the rules for risk weight floor, Norwegian companies collateral in property is SEK 124,418m at 31 December 2021.

Credit risk exposures according to standardised approach[1]	Exposure amount		Risk-weighted exposure amount		Capital requirements		Average risk weight, %	
SEK m	2021	2020	2021	2020	2021	2020	2021	2020
Sovereign and central banks	2	1,805	0	0	0	0	0	0
Municipalities	120	-	0	-	0	-	0	-
Multilateral development banks	2,441	956	0	0	0	0	0	0
International organisations	-	-	-	-	-	-	-	-
Institutions	885,129	876,654	262	12,920	21	1,034	0	1.5
Companies	47,080	6,164	11,242	5,762	899	461	23.9	93.5
Households	2,657	3,595	1,957	2,631	157	211	73.7	73.2
Property mortgages	82,697	68,820	28,364	24,018	2,269	1,921	34.3	34.9
Past due items	51	290	63	315	5	25	124.2	108.6
High risk items	8	8	13	13	1	1	150	150
Equities	94,794	99,253	104,176	108,634	8,334	8,691	109.9	109.5
of which listed equities	-	-	-	-	-	-	-	-
of which other equities	*94,794*	*99,253*	*104,176*	*108,634*	*8,334*	*8,691*	*109.9*	*109.5*
Other items	3,201	7,520	824	7,703	66	616	25.8	102.4
Total standardised approach	**1,118,180**	**1,065,065**	**146,901**	**161,996**	**11,752**	**12,960**	**13.1**	**15.2**

[1] Details of capital requirements for exposure classes where there are exposures.

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Minimum requirement for eligible liabilities (MREL)
MREL requirement of total liabilities and own funds (SFS 2015:1016). The minimum requirement of eligible liabilities and own funds is concluded in the Bank's resolution plan according to the resolution authority, SNDO, in consultation with the SFSA. Total liabilities and own funds and MREL requirement are based on third quarter numbers.

SEK m	2021	2020
MREL requirement	120,262	138,170
Eligible liabilities and own funds	305,602	305,963
Total liabilities and own funds	2,203,958	2,280,252

%	2021	2020
MREL requirement as a percentage of total liabilities and own funds	5.5	6.1
Eligible liabilities and own funds as a percentage of total liabilities and own funds	13.9	13.4

LRCom: Leverage ratio common disclosure
The table shows the leverage ratio for the current and previous period. The exposures are specified for the categories balance sheet, derivative, securities financing transactions and off-balance sheet exposures. The table shows the leverage ratio is calculated as tier 1 capital divided by total exposures. The leverage ratio has increased compared to the previous year.

LRCom: Leverage ratio common disclosure SEK m		2021
	On-balance sheet exposures (excluding derivatives and securities financing transactions)	
1	On-balance-sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,144,183
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-3,068
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0
5	(General credit risk adjustments to balance sheet items)	0
6	(Asset amounts deducted in determining Tier 1 capital)	-5,266
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**2,135,849**
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	16,104
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	28,072
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0
EU-9b	Exposure determined under Original Exposure Method	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	0
11	Adjusted effective notional amount of written credit derivatives	3,379
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-30
13	**Total derivative exposures**	**47,525**
	Securities financing transaction exposures	
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	55,004
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
16	Counterparty credit risk exposure for securities financing transaction assets	13,530
EU-16a	Derogation for securities financing transactions: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0
17	Agent transaction exposures	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0
18	**Total securities financing transaction exposures**	**68,534**
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	507,205
20	(Adjustments for conversion to credit equivalent amounts)	-360,825
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0
22	**Off-balance sheet exposures**	**146,380**
	Exempted exposures	

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LRCom: Leverage ratio common disclosure SEK m		**2021**
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-897,178
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	0
EU-22c	(Excluded exposures of public development banks (or units) – Public sector investments)	0
EU-22d	(Excluded exposures of public development banks (or units) – Promotional loans)	0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-790
EU-22g	(Excluded excess collateral deposited at triparty agents)	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0
EU-22k	(Total exempted exposures)	-897,968
	Capital and total exposure measure	
23	**Tier 1 capital**	**142,567**
24	**Total exposure measure**	**1,500,320**
	Leverage ratio	
25	Leverage ratio (%)	9.50%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	9.50%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	9.50%
26	Regulatory minimum leverage ratio requirement (%)	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%
EU-26b	*of which: to be made up of CET1 capital*	0.00%
27	Leverage ratio buffer requirement (%)	3.00%
EU-27a	Overall leverage ratio requirement (%)	
	Choice on transitional arrangements and relevant exposures	
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA
	Disclosure of mean values	
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	46,089
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	55,004
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1,491,405
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1,491,405
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.56%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.56%

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures
The table specifies accounting assets and leverage ratio exposures. The total exposure amount for the leverage ratio has decreased compared to the previous year.

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures SEK m		Applicable amount
1	Total assets as per published financial statements	2,230,134
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustment for derivative financial instruments	16,579
9	Adjustment for securities financing transactions (SFTs)	26,604
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	146,380
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-430
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-897,178
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	-21,768
13	**Total exposure measure**	**1,500,320**

Signatures of the Board and Group Chief Executive

We hereby declare that the consolidated accounts were prepared in accordance with international financial reporting standards as referred to in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, that the parent company's annual accounts were prepared in accordance with sound accounting practices for stock market companies, that the annual accounts and consolidated accounts give a fair presentation of the Group's and the parent company's financial position and performance, and that the statutory administration report provides a fair view of the parent company's and Group's operations, financial position and performance and describes material risks and uncertainties to which the parent company and other companies in the Group are exposed.

STOCKHOLM, 8 FEBRUARY 2021

Pär Boman
Chairman of the Board

Fredrik Lundberg
Vice Chairman

Jon Fredrik Baksaas
Board Member

Stina Bergfors
Board Member

Hans Biörck
Board Member

Kerstin Hessius
Board Member

Anna Hjelmberg
Board Member

Lena Renström
Board Member

Ulf Riese
Board Member

Arja Taaveniku
Board Member

Carina Åkerström
President and Group Chief Executive

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Svenska Handelsbanken AB (publ) for the year 2021 with the exception of the sustainability report on pages 37–73. The annual accounts and consolidated accounts of the company are included on pages 6- 270 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of December 31, 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of December 31, 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Provision for expected credit losses

Detailed information and description of the area is presented in the annual accounts and consolidated accounts. Credit risk exposure and how it is handled is described in note G2 on page 113. The Group's reported expected credit losses are specified in note G10. Information concerning the parent company is presented in note P2 and P10. Regarding the area relevant accounting policies for the group, these can be found in note G1, section 10 on page 102. Note P1 shows that the accounting principles of the parent company concerning credit granting and provision for expected credit loss corresponds with the accounting principles of the group.

Description of audit matter

As of 31 December, 2021 lending to the public amounts to 2 163 135 (611 852) SEK m for the group (parent) which amount to 65 (27) % of total assets. The total credit risk exposure, including off-balance commitments, amounts to 3 597 780 (2 827 069) SEK m.

Provision for expected credit losses on lending to the public amounts to 3 178 (2 265) SEK m for which 1 085 (600) SEK m is based on model based calculations (Stages 1 and 2) and 2 093 (1 665) SEK m is based on manual calculations (Stage 3). The Bank performs adjustments on the model-based calculations in Stages 1 and 2 to take into consideration factors which is not accounted for in the model.

Expected credit losses shall be measured in a way that reflects an unbiased and probably weighted amount that is determined by evaluating a range of possible outcomes and is based on past events, current conditions and forecasts of economic conditions. To make the provision the Bank is required to make estimates and assumptions regarding for example criteria to identify a significant increase in credit risk and methods to calculate expected credit losses. Due to the complexity of the calculation and that it requires the Bank to make estimates and assumptions provisioning for expected credit losses is considered a key audit matter.

How this matter has been considered in the audit

We have assessed whether the Bank's assessment of probability of default, loss given default, exposure at default and expected credit loss as well as significant increase in credit risk is in accordance with IFRS 9.

We have tested the design and efficiency of key controls in both the credit process and credit decisions, credit review, rating classification as well as identifying and determining credits to be in default. We have also tested controls relating to input to model data and the general IT-controls including the handling of authorization regarding these systems. Our assessment is that we can rely on controls when performing in our audit.

Furthermore, we have on a sample basis challenged the Bank's initial and current credit rating. We have tested that data used from supporting systems used in the model is complete and accurate. We have reviewed and assessed the model including the assumptions and parameters as well as assessed the outcome of the model validations which has been performed and reviewed the reasonableness of the macroeconomic data used. We have reviewed the reasonableness in the manual adjustments, including the expert-based provision for Covid-19, performed by the Bank. In our audit we have used our internal model specialists to support us when performing the audit procedures.

We have also assessed the disclosures in the financial statements regarding credit risk are appropriate.

Fair value measurement of financial instrument with no market prices available

Detailed information and description of the key audit matter is provided in the annual accounts and consolidated accounts. Financial instruments measured at fair value are described in note G41 for the group and P36 for the parent company. Relevant accounting principles for the group are described in note G1, section 9 on page 101. Note P1 shows that the parent company's accounting principles for financial instruments measured at fair value is consistent with the group's accounting principles.

Description of audit matter	*How this matter has been considered in the audit*
The Bank has financial instruments where market price is missing, thus fair value is determined using valuation models based on market data. These financial instruments are categorized as level 2 under IFRS fair value valuation hierarchy. Also, Svenska Handelsbanken has, to some extent, financial instruments whose valuation to fair value is determined using valuation models for which the value is affected by the input data that cannot be verified by external market data. These financial instruments are categorized as level 3 under IFRS fair value valuation hierarchy. The group (parent company) has financial assets and financial liabilities in level 2 of 37 923 (57 917) SEK m and 16 066 (22 822) SEK m respectively. Financial assets and liabilities in level 3 amounts to 1 166 (1 135) SEK m and 527 (527) SEK m respectively. The main part of the financial instruments in level 2 is made out of derivative contracts, among them interest rate swaps and various types of linear currency derivatives, and business bonds. Corporate bonds and derivative contracts in level 2 are valued by valuation models based on market rates and other market prices. Financial instruments in level 3 primarily consist of unlisted shares in joint ventures, investments in the insurance business as well as certain derivative contracts valued by non-observable data. Due to the complexity when calculating and as it requires the Bank to make assessments valuation of financial instruments with no market prices are deemed to be a key audit matter.	We have assessed whether the Banks method for valuating financial instruments with no market prices available including the classification in the valuation hierarchy is in accordance with IFRS 13. We have tested the key controls in the valuation process, including the bank's assessment and approving of assumptions and methods used in model-based calculation, control of data quality as well as handling of change regarding internal valuation models. We have also tested the general IT-controls including the handling of authorization regarding these systems. Our assessment is that these key controls are designed, implemented and operative effective and hence we have determined that we can rely on these key controls in our audit. Further, we have evaluated the methods and assumptions made when valuating financial instruments with no market prices available. We have compared the valuation models with valuation guidelines and appropriate industry practice. We have compared assumptions and price sources and examined any significant deviations. We have also checked the accuracy of the estimations by conducted sample tests and performed our own independent valuations. We have engaged our internal valuation specialists to support us when performing our audit procedures. We have also assessed the disclosures in the financial statements regarding valuation of financial instruments to fair value are appropriate.

Other information than annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–5, 37–73 and 277–279. The remuneration report for 2021 is also other information The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

Report on the annual accounts and consolidated accounts, cont.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Svenska Handelsbanken AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Svenska Handelsbanken AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report 6368FBB82CB6168B2154408D36E B8BD 2D1067E9C79523BB726104AD9BE3DEED1 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Svenska Handelsbanken AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firms applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission’s Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 37–73, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR’s auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Hamngatan 26, 111 47 Stockholm, was appointed auditor of Svenska Handelsbanken AB by the general meeting of the shareholders on the March 24, 2021 and has been the company’s auditor since April 28, 1998.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockhom, was appointed auditor of Svenska Handelsbanken AB by the general meeting of the shareholders on March 24, 2021 and has been the company’s auditor since March 29, 2017.

Stockholm February 24, 2022

Ernst & Young AB	PricewaterhouseCoopers AB
Jesper Nilsson Authorised Public Accountant	Johan Rippe Authorised Public Accountant

Auditor's Limited Assurance Report on Svenska Handelsbanken AB (publ)'s Sustainability Report. This is the translation of the auditor's report in Swedish.

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

INTRODUCTION

We have been engaged by the Board of Directors of Svenska Handelsbanken AB (publ) (Handelsbanken) to undertake a limited assurance engagement of Handelsbanken's Sustainability Report for the year 2021, on pages 37–73 of Handelsbanken's annual report, and the separate Sustainability Fact Book for the year 2021, published on Handelsbanken's website (www.handelsbanken.se). We refer to these publications collectively as the "Sustainability Report".

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, which are explained on page 14 of the separate Sustainability Fact Book, and which comprise the parts of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting policies and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or mistake.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information, with the application of RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Svenska Handelsbanken AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Consequently, the procedures performed as part of a limited review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures performed in the limited assurance engagement are based on the criteria defined by the Board of Directors and the Executive Management, as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

CONCLUSIONS

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm February 24, 2022

Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

Marianne Förander
Expert Member of FAR

Definitions and explanations

ALTERNATIVE PERFORMANCE MEASURES

The Bank's financial reports contain alternative performance measures which Handelsbanken considers to provide valuable information to the reader, since they are used by Senior Management for internal financial control and follow-up of performance and also for comparison between reporting periods.

Alternative Performance Measures (APMs) are financial measures of performance, financial position or cash flow that are neither defined in IFRS nor the capital requirement regulations. These need not be comparable with similar key figures (performance measures) presented by other companies. Calculations of certain performance measures are reported in the Fact Book which is available at handelsbanken.com/ir.

ADJUSTED EQUITY PER SHARE
Equity at the end of the year reduced by the equity effect of cash flow hedges and the minority share of equity. Adjusted equity is then divided by the number of ordinary shares at the year-end reduced by buybacks. Where applicable, the dilution effect is taken into account.

C/I RATIO
Total expenses in relation to total income. In segment reporting, profit allocation is included in total income.

CREDIT LOSS RATIO
Losses on loans to the public in relation to gross loans to the public at the beginning of the year.

EARNINGS PER SHARE
The profit for the year attributable to holders of ordinary shares divided by the average number of outstanding shares. Where applicable, the dilution effect is taken into account.

ECONOMIC CAPITAL (EC)
Economic capital is a model for calculating economic capital which, in one measurement, identifies the Group's overall risks and indicates the capital which, with very high probability, will cover unexpected losses or decreases in value.

INTEREST RATE MARGIN
Net interest income for the period calculated for the full year, in relation to average total assets.

P/E RATIO
The share price at year-end divided by earnings per share.

PROPORTION OF LOANS IN STAGE 3
Net loans to the public in Stage 3 in relation to gross loans to the public.

RESERVE RATIO STAGE 1
Provisions in Stage 1 for loans to the public in relation to gross loans to the public in Stage 1.

RESERVE RATIO STAGE 2
Provisions in Stage 2 for loans to the public in relation to gross loans to the public in Stage 2.

RESERVE RATIO STAGE 3
Provisions in Stage 3 for loans to the public in relation to gross loans to the public in Stage 3.

RETURN ON ALLOCATED CAPITAL
The segment's operating profit after profit allocation, calculated using a tax rate of 20.6% (21.4), in relation to the average capital allocated quarterly during the year.

RETURN ON EQUITY
The year's profit in relation to average equity. Average equity for the last four quarters is adjusted for value changes on financial assets classified as fair value through other comprehensive income, derivatives in cash flow hedges, revaluation effects from defined benefit pension plans and a weighted average of new share issues, dividends, and repurchases of own shares.

RETURN ON TOTAL ASSETS
The year's profit in relation to the average of total assets for the past five quarters.

TOTAL RESERVE RATIO
Total provisions for loans to the public in relation to gross loans to the public.

TOTAL RETURN
The total of the year's change in share price and paid dividend per share divided by the share price at the end of the previous year.

KEY FIGURES AND DEFINITIONS DEFINED IN THE CAPITAL REQUIREMENTS REGULATION

ADDITIONAL TIER 1 CAPITAL
Additional tier 1 capital comprises perpetual subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in the tier 1 capital.

CAPITAL REQUIREMENTS
The statutory capital requirement means that an institution which is subject to CRR must have a common equity tier 1 ratio of at least 4.5%, a tier 1 ratio of at least 6% and a total capital ratio of at least 8%. This means that own funds for the respective ratio must be at least the stated percentage of the risk exposure amount. For definitions of the respective own funds amounts, see Common equity tier 1 capital, Tier 1 capital and Total capital. In addition to the general requirements, the supervisory authority may add institution-specific requirements in accordance with Pillar 2 of the regulations.

COMMON EQUITY TIER 1 CAPITAL
Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. Deductions are made for dividends generated, goodwill and other intangible assets etc. and the difference between an expected loss and provisions made for probable credit losses.

COMMON EQUITY TIER 1 RATIO
Common equity tier 1 capital in relation to total risk exposure amount.

COMMON EQUITY TIER 1 RATIO AVAILABLE FOR USE AS A BUFFER
The common equity tier 1 ratio after a deduction for the part of common equity tier 1 capital required to comply with all formal capital requirements.

CREDIT CONVERSION FACTOR (CCF)
The factor that is used when calculating the exposure amount for unutilised overdraft facilities, committed loan offers, guarantees and other off-balance-sheet commitments.

CREDIT VALUATION ADJUSTMENT (CVA) RISK
Credit valuation adjustment (CVA) risk means the risk that the market value of a derivative will decrease, owing to deterioration of the creditworthiness of the counterparty. The CVA is a component in the regulations for the valuation of derivatives. The adjustment in the value is based on the counterparty's creditworthiness. An exposure to a counterparty with weaker creditworthiness must have a lower carrying amount than the equivalent exposure to a counterparty with better creditworthiness. In this context, credit risk means that if a given counterparty's creditworthiness weakens, the balance sheet values of all derivative transactions with this counterparty with a positive market value decrease – and thus the Bank's equity decreases. To factor in this risk in the capital adequacy, the credit valuation adjustment risk has been introduced as part of the capital adequacy regulations.

EXPOSURE AMOUNT
Exposure amount (exposure at default) is the amount which is subject to capital adequacy requirements. It is calculated including interest and fees. For off-balance-sheet items, the amounts are recalculated using the credit conversion factor (CCF). For derivatives, the exposure value is calculated according to the standardised approach for counterparty credit risk (SA-CCR).

EXPOSURE VALUE
Exposure value is the same as exposure amount. The exposure value concept is used in the standardised approach for credit risk.

GUIDANCE IN PILLAR 2
Guidance in accordance with Pillar 2 of the regulations allows the supervisory authority to inform the bank of the capital level which it deems the bank must maintain, excluding the minimum and buffer requirements maintained to cover risks and manage future financial strain.

LEVERAGE RATIO
Tier 1 capital in relation to total liabilities, including certain off-balance-sheet items recalculated with conversion factors defined in the standardised approach and regulatory adjustments from own funds.

LIQUIDITY COVERAGE RATIO (LCR)
High-quality liquid assets in relation to an estimated net outflow of liquidity over a period of 30 days.

OWN FUNDS
Own funds are the sum of tier 1 and tier 2 capital.

PILLAR 2 REQUIREMENT
The requirement consists of an additional minimum requirement based on a formal decision from the regulatory authorities within the Pillar 2 framework and concerns risks that a bank is or could be exposed to that are not covered by the general minimum requirements.

RISK EXPOSURE AMOUNT
The capital requirement in accordance with CRR is multiplied by 12.5. Risk exposure amount is used in conjunction with market risk and operational risk.

RISK WEIGHT
A measure to describe the level of risk an exposure is expected to have according to the capital adequacy regulations.

RISK-WEIGHTED EXPOSURE AMOUNT
Exposure amount multiplied by risk weight. Risk-weighted exposure amount is used in conjunction with credit risk and counterparty risk.

TIER 1 CAPITAL
Common equity tier 1 capital including additional tier 1 capital.

TIER 1 RATIO
Tier 1 capital in relation to total risk exposure amount.

TIER 2 CAPITAL
Tier 2 capital is a sub-component of own funds and mainly comprises subordinated loans which meet the requirements stated in Regulation (EU) No 575/2013 and can therefore be included in tier 2 capital.

TOTAL CAPITAL RATIO
Total capital in relation to total risk exposure amount.

TOTAL RISK EXPOSURE AMOUNT
Total risk exposure amount is the sum of risk exposure amount and risk-weighted exposure amount.

EXPLANATIONS

CRR
Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

DEFAULT
A default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place: a) the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realising security; b) the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries. Competent authorities may replace the 90 days with 180 days for exposures secured by residential or SME commercial real estate in the retail exposure class, as well as exposures to public sector entities. The 180 days shall not apply for the purposes of point (m) Article 36(1) or Article 127 in Regulation (EU) No 575/2013.

ELIGIBLE LIABILITIES AND OWN FUNDS
The sum total of qualified senior liabilities eligible for impairment according to the Swedish Resolution Act (SFS 2015:1016), as well as own funds.

EXPECTED LOSS (EL)
Expected loss or EL means the ratio of the amount expected to be lost on an exposure from a potential default of a counterparty or dilution over a one year period to the amount outstanding at default.

FORBEARANCE MEASURE
Forbearance measure is a concession by an institution towards an obligor that is experiencing or is likely to experience difficulties in meeting its financial commitments.

INTERNAL RATINGS-BASED APPROACH (IRB APPROACH)
The internal ratings-based approach is the approach provided for in Chapter 3 of Regulation (EU) No 575/2013 for the calculation of risk-weighted exposure amounts for the purposes of points (a) and (f) of Article 92(3).

ITRAXX
ITRAXX Financials is an index of CDS spreads (credit default swaps) for the 25 largest bond issuers in the European bank and insurance sector. It describes the average premium that an investor requires in order to accept credit risk on the companies.

LOSS GIVEN DEFAULT (LGD)
Loss given default or LGD means the ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default.

MREL REQUIREMENT
Minimum requirement for own funds and eligible liabilities. The requirement is determined annually by the Swedish National Debt Office, the resolution authority, in accordance with the Swedish Resolution Act (SFS 2015:1016).

NET STABLE FUNDING RATIO
The structural liquidity measure that is a ratio between available stable funding and the stable funding required.

NON-RECURRING ITEMS
Non-recurring items are items which Handelsbanken deems to be of a one-off nature. These are specified in Handelsbanken's Fact Book, which is available at handelsbanken.com/ir.

OTC DERIVATIVES
Over-the-counter derivatives are uncleared tailor-made derivatives.

PREMIUMS WRITTEN
A concept used within the Bank's insurance operations denoting mainly the total of insurance premiums paid in during the year.

PROBABILITY OF DEFAULT (PD)
Probability of default or PD means the probability of default of a counterparty over a one-year period.

RISK RESULT
A concept used in the Bank's insurance operations. The year's risk result is the difference between the fees the company charges to cover the insurance risks (mortality, life expectancy, disability and accident) and the actual cost of the insurance events.

SECURITISATION
Securitisation means a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having both of the following characteristics: a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures; b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme; c) the transaction or scheme does not create exposures with all the characteristics listed in Article 147(8) of Regulation (EU) No 575/2013.

SOCIAL SECURITY COSTS
Fees for financing social security systems. This comprises employers' contributions and special payroll tax in Sweden and equivalent taxes and charges elsewhere.

SOLVENCY RATIO
A concept used in insurance operations. The solvency ratio equals own funds divided by the solvency capital requirement and is a measure of the margin the company has to meet its commitments. The ratio for a demutualised, profit-distributing life insurance company cannot be compared with the ratio for a mutual life insurance company.

SPECIAL ITEMS
Special items are items which tend to vary between financial reporting periods, such as provisions to the Oktogonen profit-sharing scheme, and which Handelsbanken has specified in detail to facilitate comparison of financial performance.

STANDARDISED APPROACH
The standardised approach is the approach provided for in Chapter 2 of Regulation (EU) No 575/2013 for the calculation of risk-weighted exposure amounts for the purposes of points (a) and (f) of Article 92(3).

TOTAL LIABILITIES AND OWN FUNDS
The sum total of the Bank's total liabilities and own funds

YIELD SPLIT
When the total yield exceeds the guaranteed return for insurance with a guaranteed return, the insurance company will receive 10% of the total yield as its share in the yield split.

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