

Handelsbanken

Press release

Stockholm 21 May 2018

Information in the Swedish media regarding a supervisory matter within Handelsbanken's UK branch

Swedish media are today reporting on a matter relating to the Swedish Financial Supervisory Authority's supervision of Handelsbanken's UK operations. Among other things, this matter relates to questions that the Bank previously discussed and reported in its Pillar 3 Report, which was published in February 2018.

It is important to emphasise that, in the Bank's assessment, the observations made by the Supervisory Authority do not infear an increased risk of loan losses within Handelsbanken UK. This supervisory matter concerns, for example, how decision data for risk rating in the Bank's IRB models and credit decisions is set out and documented.

In the UK, Handelsbanken applies the same strict credit process and risk tolerance level as in the Group as a whole. Over the decades, these methods, together with our decentralised business model, have resulted in Handelsbanken maintaining significantly lower loan losses than its peers.

For a while now, there has been an ongoing dialogue between the Bank and the Swedish Financial Supervisory Authority. The purpose of this is to ensure that the Bank can make the improvements expected by the Authority in the best possible manner. In recent years, the Bank has taken measures to improve its procedures, processes and documentation of decision data, and its risk rating of credits.

The Bank's actual loan losses are lower than the levels that have been estimated by the Bank's Internal Risk-Based approaches (known as IRB models), which shows that Handelsbanken has satisfactory margins.

In addition, extensive annual validations of the Bank's IRB models are carried out by the Bank's unit for Independent Risk Control. One aim of this is to ensure that the models are used correctly and consistently throughout the Bank.

A letter from the Authority of the type referred to in the media is a standard part of a supervisory relationsship. The aim is to enable the Bank to do fact-checking and submit its opinions. In other words, the letter does not constitute the final position of the authority.

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